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# ESSENTIALLY **MORTGAGES**

Q1 2021 ISSUE 19

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TRANSACTION  
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## 2021 – WHAT'S IN STORE FOR THE PROPERTY MARKET?

The property market rebound took even the experts by surprise in the second half of 2020, with Savills' autumn residential property market outlook stating that activity had been '*stronger than anticipated*'.

HMRC data found that residential property transactions were up 19.3% year-on-year in November 2020, while UK mortgage approvals hit a 13-year high in October<sup>1</sup>.

### So, what now?

Despite gloomy predictions of a house price crash earlier in the year, the property market looks set to remain surprisingly buoyant in 2021. Despite Lockdown 3.0 taking hold, the housing market remains open, with estate agents, removal firms and tradespeople allowed to continue working in people's homes, meaning homebuyers and sellers can resume in earnest with their transactions.

The momentum initiated by July's Stamp Duty holiday announcement has continued into the first quarter of the new year, with a massive 650,000 sales currently in the



pipeline – most of which will be aiming to complete by the end of March<sup>2</sup>.

### An unsustainable situation?

Despite an optimistic outlook for the year ahead, experts are quick to point out that uncertainty remains as the UK continues its battle against the pandemic. While Rightmove points to '*strong evidence*' that people will continue to prioritise reviewing their housing needs, Savills warns that the outlook for this year's housing market will shift and change in line with the government's response to the crisis, the speed of vaccine delivery and economic recovery.

Particularly, the end of the furlough scheme in April 2021 is highlighted as a potential challenge. With job losses expected despite the replacement Job Protection Scheme, 2020's momentum may be unsustainable as we move into Q2 and Q3 2021.

### A 'less straightforward' year

With so many variables at play, Knight Frank suggests that even short-term forecasting remains difficult this year. Whatever happens in 2021, however, one thing is sure: we'll continue to keep you up to date with the latest property market news, so you'll always be able to make an informed decision.

<sup>1</sup>Bank of England, <sup>2</sup>Rightmove, 2020



## NEW YEAR, NEW INSURANCE NEEDS?

With many people now working from home full-time due to the national lockdown, the Association of British Insurers has reassured office-based homeowners that remote working will have no impact on their home insurance policy and that there is no need to update documents or contact their insurer.

However, if you now have more expensive tech at home, perhaps purchased to aid home schooling, or accumulated over the festive period, you may need to update your home contents policy to reflect the increased value of your possessions.

With the average British adult estimated to have forked out £476 on Christmas gifts in 2020<sup>3</sup>, it's important not to overlook the value of all the gifts you and your children received, as they could add hundreds, if not thousands, onto the value of your home contents.

### **What's happened in your year?**

The pandemic has also led many of us to review our needs for other types of insurance, such as life insurance or critical illness cover.

Whenever your personal circumstances change, it's important to make time to review your protection cover. Any changes in your financial circumstances – for example getting a new job or losing your job, taking out a mortgage, having children, getting divorced, retiring – are all triggers to review your needs.

**IF YOU NOW HAVE MORE EXPENSIVE TECH AT HOME, PERHAPS PURCHASED TO AID HOME SCHOOLING, OR ACCUMULATED OVER THE FESTIVE PERIOD, YOU MAY NEED TO UPDATE YOUR HOME CONTENTS POLICY**

### **Don't delay**

2020 certainly showed us to expect the unexpected. So, don't delay in ensuring you have adequate protection cover to keep you, your loved ones and your home, safe from life's hard knocks. We're only a phone call away.

<sup>3</sup>Finder, 2020

## MUM AND DAD CONTINUE TO SUPPORT PROPERTY PURCHASES

With mortgage lending impacted by the pandemic, the Bank of Mum and Dad (BoMaD) has had to step up to the plate (yet again!).

In fact, more than half of buyers under the age of 35 have received financial assistance from this prolific lender, with £1.36bn going towards the purchase of 73,160 properties in 2020, according to estimates made in October<sup>4</sup>.

### Vital support

In fact, this assistance has been so crucial that 71% of these new homeowners say they would have been unable to buy without it, delaying their home purchase by an average of four years.

### Older buyers not exempt

BoMaD lending isn't just reserved for younger age groups, however. The research revealed that over-35s were expected to receive £2.14bn from parents and relatives towards their house purchase in 2020, or 61% of total BoMaD lending.

<sup>4</sup>Legal & General, 2020

**MORE THAN HALF OF BUYERS UNDER THE AGE OF 35 HAVE RECEIVED FINANCIAL ASSISTANCE**



## GRANTS FOR GREEN HOME IMPROVEMENTS

With the climate crisis and environmental issues gaining in importance every day, why not seize the opportunity to go green this year?

You may have heard that the government is issuing Green Homes Grant vouchers to homeowners to assist them in making energy-saving improvements to their property, such as insulation, low-carbon heating or double-glazing. The vouchers cover two-thirds of the cost of eligible renovations, up to a maximum of £5,000. Those on a low income may be eligible for a voucher covering 100% of the cost, up to a maximum of £10,000.

### Am I eligible?

Only those living in England are eligible for the voucher; those in Scotland, Wales and Northern Ireland can take advantage of similar financial assistance schemes in their country of residence. You must also be a homeowner or a residential landlord in the private rented or social housing sector.

### What can the voucher be used for?

There is a specific list of home improvements covered by the voucher, split into 'primary' and 'secondary' measures. You must use the voucher to install a primary measure first before using any leftover funds to finance one of the secondary options. The two primary measures are insulation and low-carbon heating, while secondary measures include draught proofing, double glazing and heating controls (i.e. smart heating or thermostats). The voucher must be redeemed and the improvements completed by 31 March 2022.

### Can I carry out renovations myself?

No, all works must be undertaken by a TrustMark-registered installer, who must also be officially registered with the Green Homes Grant scheme. To find out about registered installers in your area, visit: [www.simpleenergyadvice.org.uk/installer-search](http://www.simpleenergyadvice.org.uk/installer-search).

## GET YOUR TRANSACTION MOVING

Although the government confirmed in December that there would be no extension to the Stamp Duty holiday scheme, pressure is mounting for an extension to be granted in light of the most recent national lockdown announced in January.

If the deadline remains 31 March 2021, research<sup>5</sup> has predicted that up to 325,000 buyers stand to miss the deadline due to delays caused by the sheer weight of demand on the sector. However, it is possible to get your transaction over the line on time by following these top tips.

### 1. Instruct a solicitor as soon as you've listed

Many sellers only think to instruct a solicitor once they've had an offer on their property, but it can really speed things up if you instruct a solicitor as soon as your property is on the market.

### 2. Get a mortgage in principle before starting your property search

Getting all the affordability checks done and obtaining an agreement in principle before you even start looking for your home can again save so much time.

### 3. Get the searches done now

As soon as you've made an offer, make sure that your solicitor applies for local authority searches immediately, as they are also subject to significant delays at the moment.

### 4. Book a survey

Surveyors are also said to be at breaking point, so find a reputable surveyor well ahead of time and book in a survey as soon as you have had your offer accepted.

### 5. Get your paperwork together

Make sure you understand what documentation you'll need to hand over to your solicitor, and don't delay in getting it together. Also make sure you immediately fill in, sign and send back any documentation sent to you by your solicitor.

### 6. Get some help

Our final tip is not to do it alone! We can help you find a suitable mortgage so that you're free to speed on with your transaction.

<sup>5</sup>Twentyci, 2020



## WHERE WILL YOUR FAMILY THRIVE?

Buying a new home isn't just about the property itself; the surrounding area, amenities and green space are all vital in selecting a home in which your family can thrive.

To help you find your ideal location, research has identified the best places to live in the UK by looking at data on crime rates, community engagement, education standards and more<sup>6</sup>.

### Family-friendly areas

After analysing the data, the researchers found three clear winners. Coming top of the list was the county of Sussex, followed by London, with Gloucestershire coming in third. With vibrant city locations such as Brighton combined with stunning countryside, Sussex residents are unsurprisingly happy, with Brighton and Hove, Eastbourne and Horsham all scoring well above seven out of 10 in the government's latest 'Personal wellbeing in the UK' report<sup>7</sup>.

Up second, surprisingly, London features as one of England's best locations to raise a family. Expensive property is mitigated by high average earnings, while the capital is also an education hotspot, boasting nine of the UK's top 10 schools<sup>8</sup>.

Gloucestershire also plays host to some excellent schools and is rated as one of the top three safest places to live in Britain, according to crime figures<sup>9</sup>. It's also a cultural hotspot, with Cheltenham playing host to a wide range of internationally renowned festivals.

### Northern England has so much to offer

Meanwhile, Cheshire, Greater Manchester and Durham top the league tables for northern locations, with rolling countryside, excellent universities and vibrant city locations all within reach of prospective buyers.

<sup>6</sup>Royal London, 2020, <sup>7</sup>ONS, 2020,

<sup>8</sup>Real Schools Guide, 2020, <sup>9</sup>ONS, 2020



## HOPE DWINDLES FOR MORTGAGE PRISONERS

Economic Secretary to the Treasury, John Glen, has struck down proposed amendments to the Financial Services Bill, which campaigners say could have potentially freed hundreds of thousands of 'mortgage prisoners'.

### Who are mortgage prisoners?

Mortgage prisoners are people who purchased a house prior to the 2008 financial crash on a competitive mortgage, but whose homes then plunged in value following the house price crash. Due to stricter affordability criteria, they were then unable to remortgage to a cheaper loan at the end of their term, instead being forced onto their lender's much higher standard variable rate (SVR).

### The proposed measures

If the proposals had been accepted, clauses 24, 25 and 26 of the Act would have been amended to:

- a. extend the FCA's regulation of the mortgage market;
- b. cap the standard variable rate (SVR) payable by borrowers unable to switch to a different lender;
- c. require lenders to seek the borrower's written permission before transferring their loan.

However, Mr Glen stated that the measures risked "a number of unintended consequences and would be disproportionate to support a small number of borrowers."

### Campaigners react

The news has been met with consternation by politicians, including Seema Malhotra MP, who chairs the All-Party Parliamentary Group on mortgage prisoners. She said, "Supporting these amendments provides immediate help to mortgage prisoners, who have suffered far too long and are now hit harder by the pandemic."

Her words were echoed by Kevin Hollinrake MP, who argued that an SVR cap would "have a transformational effect" for tens of thousands of mortgage prisoners who cannot find relief in existing measures.

### Struggling with your mortgage?

If you are currently having difficulties switching to a more competitive mortgage, speak to us. We can review your finances and guide you through your available options.



## USING SAVINGS TO OVERPAY ON YOUR MORTGAGE – YES OR NO?

While low interest rates have been good news for homebuyers and remortgagers, Bank of England's (BoE) current base rate has put a serious dampener on our savings power.

With savings currently earning little interest, then, would it make more sense to use your savings to overpay on your mortgage?

### It depends on your situation

As with most financial questions, the answer depends entirely on your personal circumstances. If you've been fortunate enough to have saved more than usual during the pandemic or

have already built up a decent fund in your savings account, then overpaying on your mortgage (within any limits set by your lender) may be a better use of your money than leaving it stagnating in a low-interest account. Even small, regular overpayments can add up over time.

However, if overpaying on your mortgage and using your savings would in turn leave you with nothing to fall back on in the event of an emergency, then it's best to leave your funds where they are.

### Need help deciding?

If you're not sure which path would be best for you, we can take a look at your circumstances and advise what would make the most financial sense for you right now.

## GET A SURVEY TO AVOID UNWANTED SURPRISES

Getting a survey on your new home before clinching the deal is an essential part of the property transaction process.

Without one, you could be purchasing a home beset by problems that would be costly and stressful to fix.

Some homeowners have found seriously nasty surprises in their new home. When Jason and Kerri Brook moved into their new home in 2005, they were delighted to find a secret corridor hidden behind a bookcase. Delight soon turned to horror, however, when they found a secret room filled with toxic black mould and a note from the previous owner revealing the severity of the issue.

### No need for drama

While it's unlikely that your new house will harbour quite such a nasty shock, you could still be playing with fire if you don't have a survey. Research found that more than three quarters of Brits have found issues with their home after moving in<sup>10</sup>, with common faults including damp and mould (24%), faulty electrics (22%) and plumbing issues (20%). While it can be costly to get a survey, it's certainly not as expensive as the average £5,000 it costs to fix the damage!

<sup>10</sup>Compare the Market, 2020



## HOW MUCH FLOORSPACE CAN YOU GET FOR THE AVERAGE HOUSE PRICE?

We all know that house prices vary wildly by region, and one study has shown just how much, by assessing the amount of space the average house price – £231k – will buy you in different areas of the UK.

According to the research<sup>11</sup>, the West Midlands is the best value for money, with this amount netting buyers a roomy 104.92 square metres – 30% higher than average. On the flip side, the cash will buy Londoners a measly 45.75 square metres. London homes purchased for £231k are also much less likely to have garage or utility space.

### Space matters

The study also assessed the percentage of homes within this price bracket that had valuable additional features such as garages and built-in storage, for example wardrobes and cupboards. Yorkshire and the Humber was the region to beat for garages, with 54% of homes having one compared with 26% in the West Midlands. Meanwhile, Scotland topped the rankings for built-in storage, with an average of 3.7 square metres. It most likely goes without saying that none of the London properties analysed in the study had a garage!

<sup>11</sup>Space Station, 2020

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