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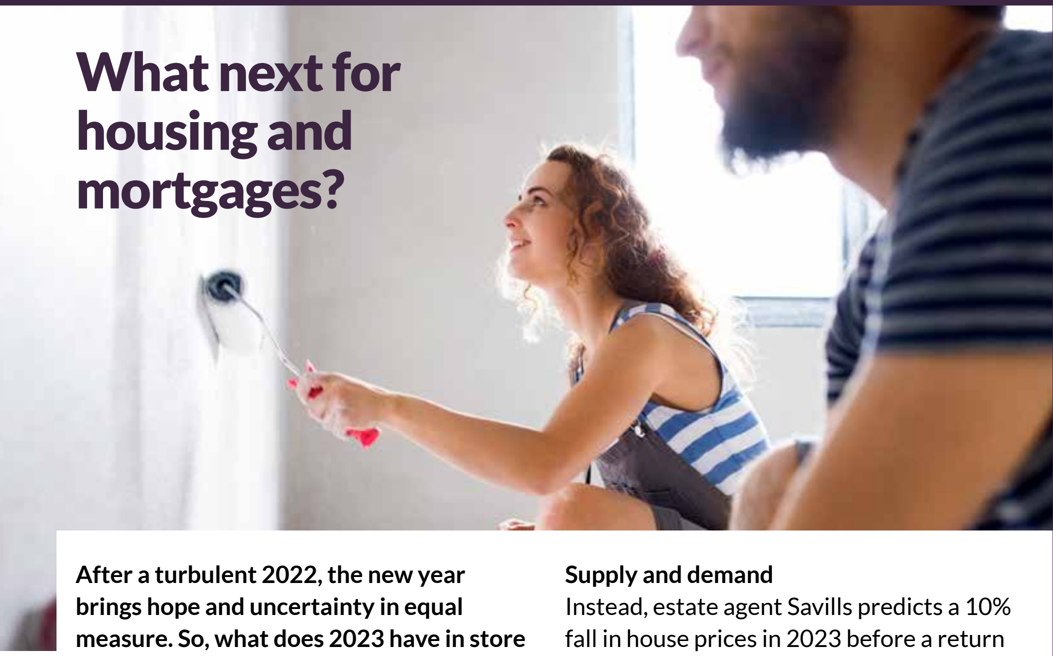
YOUR WINDOW ON ***HOME FINANCE*** WINTER 2023

What next for housing and mortgages?



After a turbulent 2022, the new year brings hope and uncertainty in equal measure. So, what does 2023 have in store for the housing and mortgage markets?

Back to normal?
Average mortgage rates rose sharply after the *'mini-budget'* announced by former Chancellor Kwasi Kwarteng in September 2022. Although significantly higher than at the start of last year, average rates are expected to continue to settle into 2023.

Higher and lower
The low rates of the past decade, therefore, seem to be over, with mid-single digits now the norm. For mortgage holders, the new reality of higher rates will obviously have a knock-on impact on household finances, which are already squeezed.

A further effect could be a downturn in the housing market. House prices are expected to fall in 2023, after three pandemic-influenced years of growth. The astronomical year-on-year rises of 16% in July 2022 and 13.6% in August 2022 (which took the average house price to a record high of £296,000) are unlikely to be seen in the coming years[1].

Supply and demand
Instead, estate agent Savills predicts a 10% fall in house prices in 2023 before a return to growth from 2024 onwards.

The exact figures will depend on the various factors that influence supply and demand. In 2022, as demand waned, house prices remained resilient due to limited supply. Supply is not expected to increase much in the coming years, analysts warn.

Demand, meanwhile, could receive a boost from the raising of the nil-rate threshold of Stamp Duty in parts of the UK, while pandemic factors such as the need for more space and a home office might still play a part. If a modest decline in house prices takes place, with possible regional variations, desire to buy could be further accelerated.

Your future
With further Bank Rate increases likely in 2023 amid ongoing cost-of-living concerns, the economic conditions remain challenging for many. We can guide you through the busy market and help you stay focused on your goals in 2023.

[1]Office for National Statistics, 2022

Stamp Duty in the Autumn Statement

Chancellor of the Exchequer Jeremy Hunt delivered his Autumn Statement on 17 November, with a host of announcements on personal taxation and public spending. Housing was largely absent from the key fiscal event, though a significant statement was made on Stamp Duty Land Tax (SDLT).

In September, then-Chancellor Kwasi Kwarteng had increased the nil-rate threshold of SDLT from £125,000 to £250,000 for all purchasers of residential property in England and Northern Ireland.

Additionally, the nil-rate threshold paid by first-time buyers climbed to £425,000 from £300,000, while the maximum purchase price for which First Time Buyers' Relief can be claimed rose to £625,000 from £500,000.

In his Autumn Statement, Mr Hunt confirmed that the SDLT relaxations would remain in place until March 2025, though most of his further fiscal announcements increased the tax take.

In total, he announced around £55bn in tax rises and spending cuts, in what he called *"a balanced plan for stability, a plan for growth and a plan for public services."*

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments

INSIDE THIS ISSUE:

Do I need to insure my solar panels?

More people are installing solar panels to their homes, spurred on by environmental concerns or the prospect of reduced reliance on the National Grid. Putting thousands of pounds on your roof can boost the value of your property, but do solar panels affect your home insurance?

Come rain or…
Having emerged in the 1950s, solar technology has come a long way; more than a tenth of the UK electricity supply now comes from solar power in the summer months[2]. Moreover, contrary to popular opinion, solar panels are not only effective in fair weather: they typically generate between 10% and 25% of their standard power output on non-sunny days.

Is solar worth it?
The initial outlay for installing solar panels is often significant, though many studies point to the longer-term benefits of the investment. With energy bills sky high and forecast to rise further, the average household with solar panels is estimated to save between £210 and £514 per year[3]. Additionally, panels can earn you cash for electricity generated that you don't use.

Home insurance impacts
Most home insurance policies now include solar panels as standard. Insurers consider solar panels to be part of your house, no different from the roof or walls, which means they are usually fully covered by buildings insurance. Since solar panels are usually included as standard, it shouldn't cost anything extra to get them insured.

Even so, it's always best to check with your insurer. Indeed, keeping your insurer up to date on any significant changes to your property is good practice anyway as it helps them know exactly what's included in the structure of your home.

[2]Government Energy Trends Report, September 2022,
[3]Energy Saving Trust, 2022

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IN THE NEWS

Green mortgages – a mystery

A recent survey[4] has revealed that four out of five (83%) people have no understanding of green mortgages. Each lender's criteria will differ, but typically they may offer a discounted rate, or cashback, if a property has an Energy Performance Certificate (EPC) rating of A or B. The government has passed legislation requiring the UK to be a net zero emitter by 2050 and as housing currently makes up 20% of emissions and around two thirds of owner-occupied homes have an EPC rating below C, it is a significant area that needs improvement.

Rise of the accidental landlord

Recent uncertainty in the property market has seen many London homeowners become 'accidental' landlords as vendors decide to move their properties to the rental market, either after failing to sell or deciding they want to hold out for a better price. One estate agent[5] has reported that there are around 35% more rental properties on the market compared to the same time last year.

[4]MAB, 2022, [5]Chestertons, 2022

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Downsizing on the up

Cost-of-living difficulties are forcing people to reconsider their housing situations, with a new survey[6] showing that three in ten UK homeowners are considering saving money by moving to a smaller property, relocating or living with others.

Race for space?
After the pandemic-induced race for space, downsizing is back on the cards. Almost one in five respondents have considered downsizing, while 4% have so far made the move to a smaller home to meet increasing costs.

Six in ten said moving to a smaller home would be something they might consider to help with the cost of living.

Regional variation
Homeowners in central London are especially drawn to downsizing or relocating, with more than a third thinking of moving elsewhere to help their financial position.

Yorkshire and the Humber residents were the least prone to downsizing, while homeowners in the North East were least likely to consider relocating.

Cash for space
In total, of those considering downsizing, more than seven in ten cited the lower cost of living as a benefit. The research quantified the decision to downsize as a £120,820 saving for each bedroom given up.

Though this could be a significant saving, the downsides to downsizing were also mentioned by respondents, namely moving costs (39%), a lack of personal space for belongings (38%), distance from family and friends (29%) and being in an unfamiliar area (28%). For help weighing up your options, get in touch.

[6]Halifax, 2022

Essential equity release still dominates

New equity release lending hit £1.5bn in Q3 2022[7], with 29% more plans taken out by the end of September than a year previously. The average amount borrowed now comes to more than £114,000, while pressing needs and cost-of-living concerns remain more prevalent than discretionary spending.

Why release equity?
Equity release products provide access to equity that is locked up in the value of your home. There are many reasons why you might decide to access this equity:

- Repaying debts (31%) and mortgages (24%) were key reasons people chose to release equity in the third quarter
- Supporting family members (20%) was also common, with people gifting an average amount of £53,503 to younger members to help them onto the property ladder or as an early inheritance
- There was a 3% year-on-year increase in people using equity release to fund home or garden improvements and a 7% increase for holidays.

Advice is key
Equity release is not suitable for everyone. It is vital to take financial advice to make sure equity release is the most suitable option for your individual needs. We're happy to help – get in touch.

[7]Key Later Life Finance, 2022

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments. Think carefully before securing other debts against your home. Equity released from your home will be secured against it.

Income protection crucial for renters

The number of households renting privately in the UK increased by 63% in the decade to 2017[8], reaching an estimated total of 4.5 million. As the rising cost of living continues to cause difficulties for many, the importance of protection becomes increasingly apparent.

Safety net

Tenants in the private rental sector generally have lower financial resilience than homeowners; recent research[9] revealed that 14% of private renters have no savings at all, compared with 8% of mortgage holders.

Despite this, almost three quarters of renters don't hold any protection products[10]. Missing out on the crucial safety net that protection provides is part of the reason more than twice as many renters (29%) as mortgage holders (14%) would expect to apply for state benefits if they were unable to work.

What can I do?

More than two thirds of private renters are worried about losing their income if they could not work due to an illness or injury. Thankfully, there is a remedy for these fears.

Income protection is a financial safety net that provides you with a tax-free income if you are unable to work. If accident or injury are keeping you away from your salary, income protection steps in at the end of your chosen deferred period to help make sure you and your loved ones don't suffer undue financial hardship.

Tough times

In the current turbulent economic environment, the value of income protection is clearer than ever. As rising prices diminish savings pots, private renters become more vulnerable to financial shocks and missing rent payments. Having the right protection in place for your unique needs can help provide valuable peace of mind.

[8]Office for National Statistics, 2022, [9]FT Adviser, 2022, [10]Financial Conduct Authority, 2022

Plan now to buy in 2023

Even in times of economic uncertainty, the fundamentals of house buying remain mostly the same. For those looking to make a purchase in 2023, it's never too early to start planning.

Why buy now?

House prices have stayed high over the past year thanks to sustained buyer demand and restricted supply. Trying to predict future price movements is close to impossible; if you are in a position to do so, now could be the right time for you to take a step onto (or up) the housing ladder.

Preparation is key

It's important to think about the whole timeline of house buying as soon as possible. Before applying for a mortgage, for example, it's a good idea to check your credit score. Likewise, securing a mortgage in principle early in the process can give you a good idea of how much you'll be able to borrow.

Know your price range

Using all this information can help you set your budget. When you start searching for properties in your chosen location, it's useful to have a realistic estimate of what you can afford. Remember that the true cost of buying includes Stamp Duty, surveys, solicitors' fees, removal costs and any extra furnishings you'll need, as well as the headline house price.

Start saving

One of the most important steps towards homeownership is to save enough money for a deposit. Generally, you'll need to have saved at least 5% of the property's value in order to secure a mortgage. Start early and make the most of any help available.

To find out more about how you can make your homeownership dreams become a reality, please do get in touch.

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IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.