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YOUR WINDOW ON HOME FINANCE

WINTER 2024



What's in store for the housing and mortgage markets in 2024?

Falling house prices and turbulent mortgage rates made 2023 an unpredictable year for homeowners and movers. As the bells ring out for the start of 2024, is a calmer year on the cards?

Three key questions dominate analysts' minds it seems. First, do house prices have further to fall? Second, will mortgage rates go lower? And third, how will affordability change throughout the year?

House prices not bottomed out yet

After recording significant drops in 2023, even the more optimistic analysts expect house prices to keep falling in 2024. According to one such prediction¹, prices will slip a further 2% across the year. Others² expect a more radical drop of as much as 10% by Autumn 2024.

As the number of homes for sale has steadily risen, sellers are facing pressures to keep pricing competitively, further reinforcing the picture of a buyers' market. Despite robust supply, property prices may bottom out in 2024, separate analysis³ suggests.

Mortgage rates to fall?

Mortgage rates look set to remain higher for longer into 2024, some analysts⁴

predict, with an expectation that they will not fall back to 4.5% until the second half of 2024. In this context of higher rates, it is expected that cash buyers will be the biggest group of buyers in 2024. There are positive signs, however, that mortgage rates are falling and will continue to do so.

Steady increase in housing affordability?

After a shaky year, mortgage affordability improved towards the end of 2023. Indeed, the average monthly repayment for those purchasing in September was £64 per month lower than in July⁵. Expected rising incomes in 2024 may have a positive effect on housing affordability. Richard Donnell of Zoopla commented, "The housing market is adjusting to higher borrowing costs through lower sales rather than a big decline in house prices."

He continued, "Assuming mortgage rates remain in the 4 to 5% range, we see UK house price growth remaining in the low single digits for the next 1 to 2 years, below the projections for growth in household incomes."

House number 13 – unlucky or not?

A recent study⁶ suggests that some Brits are superstitious, as homes numbered 13 are valued lower than the average property.

Over 10 million houses have been analysed, each with a door number between 1–100. It seems many homeowners would like to be number one, as the first house on the street is worth the most – an average of £393,690. This is nearly £40,000 more than homes that have the 'unlucky' number 13 on its door.

Very superstitious?

Tim Bannister, Property Expert at Rightmove commented on the findings, "The majority of buyers are unlikely to be put off being the owner of a number 13 home, but it's interesting to see from such a large data set that there do appear to be pockets of Great Britain that are more on the superstitious side."

For this reason, some new developers skip the number 13 altogether, just like hotels have been doing for years with rooms and even floors! If you don't struggle with triskaidekaphobia (fear of the number 13), you could snap up a bargain in 2024.

⁶Rightmove, 2023

Here for you

Whether or not these expectations come to pass, we'll be here to guide you through all your property decisions in 2024.

¹Zoopla, 2023, ²finder.com, 2023, ³JLL, 2023, ⁴Zoopla, 2023, ⁵Octane Capital, 2023

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

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IN THE NEWS

Gazundering in a buyer's market

Research⁷ has found that, in 2023, there was a 97% increase in people googling the term 'gazundering' – when a homebuyer reduces their offer on a property at the last minute, often just before exchange of contracts. About a third of sellers were subjected to gazundering last year⁸, indicating the property market currently favours the buyer. Gazundering is less common in Scotland because, while it does still occur, Law Society of Scotland governs the activities of solicitors acting on behalf of property buyers.

Garden offices not going anywhere

Do you have a garden office? If so, you are not alone! Gazundering is not the only term that has been googled regularly, as searches for 'garden offices' are 22% higher than before the pandemic⁹. With hybrid working seemingly here to stay, the last decade has seen a significant rise in the number of properties listed as having an office in the garden.

Concerns over spike in longer mortgages

The latest Bank of England Financial Policy Summary¹⁰ has highlighted that many homeowners are still feeling the effects of higher interest rates. As a result, some households have extended the length of their mortgage deal, with the report citing there has been 'a notable increase in the proportion of borrowers taking out mortgages with 35 year or above terms.' The Financial Policy Committee has explained that, while this does offer short term relief, 'it could result in higher debt burdens in the future.'

⁷GetAgent.co.uk, 2023, ⁸House Buyer Bureau, 2023, ⁹Legal & General, 2023, ¹⁰Bank of England, 2023

Autumn Statement update



Chancellor of the Exchequer Jeremy Hunt delivered his Autumn Statement on 22 November, with a host of announcements on personal taxation and measures for business. Housing was largely absent from the key fiscal event, but there are a couple of points to be aware of.

Mortgage guarantee scheme extended
This scheme, introduced in March 2021 with the aim of helping more buyers get on the property ladder, was due to end in December this year, but it will be extended by 18 months, until the end of June 2025.

The scheme aims to help borrowers with smaller deposits to take out a mortgage with a 5% deposit on a home worth up to £600,000. The government gives a partial guarantee to the mortgage lender of up to 15% if the borrower defaults on their repayments, giving lenders the confidence to offer higher loan-to-value mortgages.

The scheme is available to those buying a home they plan to live in using a repayment mortgage. It does not apply to buy-to-let investments, or to those purchasing a second home or holiday home. Only loans set at a maximum of 4.5 times income qualify for the scheme.

New permitted development rights
The Chancellor announced plans to scrap planning permission for property owners wanting to convert one house into two flats. It will only be allowed in cases where the appearance of the home on the outside does not change. This could be good news for property investors and helping to meet ongoing demand for rental accommodation.

Housing and planning investment
During the Statement, an additional £32m was pledged to unlock development of thousands of homes across the country, including funding to tackle planning backlogs in Local Planning Authorities (LPA).

Equity release bouncing back?

After a challenging few years, equity release is picking up steam again, with the market experiencing growth for the first time in a year, according to market statistics¹¹.

New customers (10%) and total lending (8%) both saw a quarterly rise in Q3 2023. During that period, 17,078 new and existing customers used equity release products.

In total, £716m of wealth was withdrawn in the three months to September 2023, a rise from £663m in the previous quarter. The average initial drawdown was £63,238, while the average lump sum stood at £94,806.

Generational support

Lifetime mortgages are one way of

benefiting from some of your property's value without having to sell your house. The money generated could be used towards a specific project like a home renovation, for example.

In recent years, a growing number of people have been using the money to support relatives. A study¹² found that almost one in five parents and grandparents who helped their family members onto the property ladder used their own property wealth to do so (via equity release, downsizing or re-mortgaging).



Back to 2017 levels

Despite rising on the quarter, the number of active customers is still down 33% year-on-year. Moreover, new customers were down 45% on an annual basis, with total lending also down 58%, leaving the market stuck at 2017 levels.

“These figures suggest the process of building back is slowly underway in the equity release market,” said David Burrowes, Chair of the Equity Release Council. He continued, *“With customers starting to venture back, the market is at the start of a gradual but fragile road to recovery.”*

¹¹Equity Release Council, 2023, ¹²L&G, 2023

2024 – a year of portfolio expansion for BTL landlords

2024 is set to be a promising year for landlords, with 32% of buy-to-let landlords intending to buy more property according to a survey¹³. Driven by a desire to build their portfolio, nearly half of those with purchasing plans this year already own at least 11 properties.

2024 is set to be a promising year for landlords

Driven by increased demand

Some landlords who aim to buy are responding to current demand; 38% said their plans are driven by the increase in the number of potential tenants, while 34% are influenced by a reduction in house prices.

Location, location, location

Attitudes towards portfolio expansion are largely dependent on the landlord's location. Rob Stanton from Landbay commented, *“While it is true that higher interest rates are putting off some landlords, for others there are opportunities out there. This is more noticeable in the Midlands and the North of England, with the South, typically more expensive, proving less popular for property purchase.”*

Landlords holding back

Higher interest rates are not the only reason some landlords are not wanting to expand their portfolio; some are holding off buying because of insufficient funds, or due to the much anticipated (and delayed) Renters (Reform) Bill which will overhaul the private rented sector.

Looking to build your property portfolio in 2024? If so, get in touch for mortgage advice – we can find the most suitable mortgage for your unique needs.

¹³Landbay, 2023



Preparing for winter storms

Minnie and Olga, Regina and Stuart – are all storm names for 2024 pre-allocated by the Met Office. With the average claim for storm damage topping £3,000¹⁴, it's important to protect your home against extreme weather. So, what measures can you take?

Keeping safe in a storm

- Put away your garden furniture, and any other items that could blow away
- Firmly shut all doors and windows
- Park your car away from trees and fences, or inside a garage.

Ensuring you insure

The most important step to take is having suitable home insurance. Many policies cover some level of storm and wind damage; however, there are limitations.

Most insurers have an official definition of a 'storm,' meaning the winds need to reach a certain speed before it will be considered a storm. Depending on the small print of your policy, you might not be protected against damage to hedges, gates or fences, for example.

Most home insurance will cover you in the event of wind and water damage, sewer back-up, roof damage and loss of power. You should notify your provider as soon as you can and do not move anything until you have spoken to your insurer, unless it is a hazard.

Get in touch to ensure you have adequate cover for your home and your unique circumstances.

¹⁴Confused.com, 2023

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It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation are those currently applying or proposed and are subject to change. The information contained within this newsletter is for information only purposes and does not constitute financial advice. The Financial Conduct Authority does not regulate commercial buy-to-let mortgages.

All details correct at time of writing – December 2023.

Get the year off to the right start with a protection review

Why not kickstart 2024 by reassessing your finances, particularly if you've undergone recent life changes? This should include reviewing your protection insurance to ensure it aligns with your current needs.

Get protected

Protection tailored to your circumstances serves as a crucial safety net during unexpected downturns. As we enter 2024, it's time to assess whether the type and level of your existing protection cover remains suitable for your individual needs. Any life events you've experienced may necessitate updates to your protection.

Given the ongoing cost-of-living challenges, it's crucial to ensure everything is in order. Inflation adds complexity and makes things difficult for many people. It only underscores the vital role protection plays in your financial plan.

Consider all options

Carefully weigh up your options; cancelling protection not only leaves you vulnerable but may result in higher future costs.

Secure certainty by maintaining the right protection. Contact us today to explore how we can assist you.

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

