Stonebridge Articles January 2022

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0121 387 1616

Mixed bag for housing in 2023

Unpredictability was certainly a theme for UK housing in 2022, with political turbulence, Bank Rate hikes and shifting post-pandemic supply and demand patterns all contributing to an uncertain and fast-changing market. As we move in 2023, questions still abound.

House prices to fall
Foremost among these questions is – how far will house prices fall?

Following three pandemic-influenced years of growth, prices are widely expected to go into reverse in 2023. The astronomical year-on-year rises of 16% in July 2022 and 13.6% in August 2022 are highly unlikely to be repeated in the coming years[1].

Instead, latest forecasts expect house prices to slide by about 8% next year[2]. Likewise, estate agent Savills predicts a 10% fall in house prices in 2023 before a return to growth from 2024 onwards.

Sellers are already adjusting their expectations, settling for offers below their asking price. Rightmove anticipates a fall in average asking prices of about 2% in 2023, after a 5.6% increase last year took the average £17,000 higher than in 2021.

Demand is key
The exact extent of the fall in house prices 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 could receive a boost from the raising of the nil-rate threshold of Stamp Duty in parts of the UK. A similar scheme helped spark the buying spree in 2020 and 2021, though the economic conditions are much changed since then.

Some pandemic factors could still impact on house prices in 2023, including the rise of home working driving demand for more space and a home office. Cost-of-living concerns, meanwhile, could deter buyers. That said, if a modest decline in house prices takes place, with possible regional variations, desire to buy could be accelerated in some places.

A new era
Another key question heading into 2023 is – will average mortgage rates keep rising?

Mortgage rates rose sharply after the 'mini-budget' of September 2022. Although they are now significantly higher than at the start of last year, average rates are expected to settle in 2023.

Having reached 3.5% in December 2022, further Bank Rate rises are likely at the start of 2023, though these might slow or stop as the year progresses. The ultra-low interest rates of the past decade seem to be over, with mid-single digits now the norm. For mortgage holders, the new reality of higher rates will obviously have an impact on already-squeezed household finances.

Your future
With economic conditions still challenging for many, we can guide you through the busy market and help you stay focused on your goals in 2023.

Your home may be repossessed if you do not keep up repayments on your mortgage

[1]Office for National Statistics, 2022
[2]Halifax, 2022

Check you have the right protection in 2023

The start of a new year is an ideal time to reassess your finances. Protection should be near the top of your list in 2023.

Get protected
The right protection for your unique needs is an indispensable safety net against any unexpected downturn in your financial situation.

As we head into 2023, ask yourself if the level and type of cover you have is still suitable for your needs. If your circumstances have changed, you might need to update your cover.

New year, new challenges
In 2023, with a challenging economic climate causing cost-of-living difficulties for many, it is especially important to make sure everything’s in order.

We know that soaring prices and bills are making things difficult for many people right now. That’s why it is more important than ever to consider the role protection plays in your financial plan.

Think carefully
Take time when assessing your finances. As well as leaving you and your loved ones without essential cover, if you cancel your protection now then take out a new policy in the future, it will more likely than not end up costing you more.

Having the right protection in place provides certainty in the most challenging times. Contact us today to see how we can help.

As with all insurance policies, conditions and exclusions will apply

Renting? Don’t forget income protection

There is a natural connection between protection and homeowners, but new research suggests that renters could in fact gain more from the benefits of cover.

Rent rise
The number of households renting privately in the UK rose by 63% in the decade to 2017[1], reaching an estimated 4.5 million. As the rising cost of living continues to cause difficulties for many, the importance of income protection for renters becomes increasingly apparent.

That’s because tenants in the private rental sector usually have lower financial resilience than homeowners. Recent research[2]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[3].

Safety net
Income protection is a financial safety net that provides a tax-free income if you are unable to work. At the end of your chosen deferred period, the cover steps in to make sure you and your loved ones don’t suffer undue financial hardship.

Get in touch
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.

As with all insurance policies, conditions and exclusions will apply

[1]Office for National Statistics, 2022
[2]FT Adviser, 2022
[3]Financial Conduct Authority, 2022

Is now a good time to remortgage?

Mortgage rates fell back in the last few months of 2022, having surged after September's 'mini-budget'. If you're thinking about remortgaging, could now be a good time to secure a deal?

Bank Rate blues
The Bank of England has increased Bank Rate throughout 2022 and is expected to continue doing so in the new year. Even so, rates have settled of late after peaking at a 14-year high of 6.55% at the end of October.

It is hard to predict exactly what will happen with future mortgage rates. The Bank of England has already hinted, though, that further Bank Rate rises are on the way, which could make this a good time to lock into a fixed-rate deal.

Stick or twist?
It is important to be aware, however, that there is a chance that if you remortgage now, rates could fall. This would mean you'll be stuck paying a higher rate for the duration of the term.

If you're in the last six months of your current deal, it might be worth locking into a new fixed-rate mortgage now. But remember – if you want to remortgage before your current deal ends, you might have to pay exit fees.

Get in touch
Whatever you're considering, we can help you weigh up your options. Get in touch today!

Your home may be repossessed if you do not keep up repayments on your mortgage

Green mortgages still causing confusion

A recent survey[1] has shown that four in five people have no understanding of green mortgages.

The terms of each individual deal differ, but typically lenders offer enhanced mortgage deals, for example lower interest rates or cashback, to qualifying homes. Generally, this means if a property has an Energy Performance Certificate (EPC) rating of A or B.

Although the product range is currently low, more lenders are expected to enter the market in the coming years.

The government has passed legislation requiring the UK to be a net zero emitter by 2050. Since two thirds of owner-occupied homes have a current EPC rating below C, there is vast room for improvement.

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[1] Mortgage Advice Bureau

Rental market boom likely

Historically, a decline in property sales has also led to a boost in private rental market stock. This is based on research[1] looking at both sales and rental markets during the 2008-09 financial crisis and recent pandemic downturn.

In 2008 property sales volumes across England fell by 49.3% on an annual basis and fell by a further 3.1% in the following year before rebounding by 6.4% in 2010. The level of privately rented stock available to tenants across England rose by 8.2% in 2008, an increase of 261,474 rental homes in a single year. This was followed by a further 7.6% annual increase in 2009, adding a further 261,264 privately rented homes.

The jury is still out, but if historic market trends play out, the nation could well be in for a rental market boom.

[1]Alliance Fund

First-time buyers nearing forty

The average prospective buyer predicts they will be 37 years old by the time they finally step on the property ladder, up from 32 years old only two years ago.

The survey by First Direct also found that 86% of prospective first-time buyers considered the cost-of-living crisis to be the biggest barrier to buying a property and 77% said they were worried about inflationary and recessionary pressures on their finances. Nearly 60% said the difficulty of saving up a deposit had made them delay their plans.

The average first-time buyer thinks it would take them 7.5 years to save enough for a mortgage deposit, compared to existing homeowners who had taken on average only five years to secure their first home.

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Alternatives to Help to Buy

Applications are now closed for the Help to Buy loan scheme in England and there has been no announcement of a replacement, so what other help is available?

Shared Ownership is another scheme that helps first-time buyers get onto the property ladder where you start by buying 25% of your home and pay rent on the remaining 75%. You can increase your ownership share in the future. However, with this scheme you are limited to either a new build home or one that is being resold through the scheme.

There has also been a temporary change to the amount of Stamp Duty payable on house purchases in England and Northern Ireland. The threshold at which you start to pay Stamp Duty has been raised from £125,000 to £250,000. If you're a first-time buyer, you won't pay any Stamp Duty up to £425,000.