# March 2023 Blog Articles

# What's happening with housing?

**Rising rates dominated the news around housing and mortgage markets throughout 2022, setting the tone for an expected market downturn in 2023. After the latest Bank Rate rise in February increased repayments for those on variable rates, how will the mortgage and housing markets react?**

**Up and down**
On 2 February, the Bank of England (BoE)'s Monetary Policy Committee (MPC) voted for a tenth consecutive increase to Bank Rate, taking the central rate to 4%. With inflation still close to record highs, Bank Rate is expected to keep rising until the middle of 2023, at which point market-watchers suggest it could peak.

In the short term, the latest rise will affect anyone with a tracker or variable rate mortgage through higher repayments. Between September 2022 and January 2023, a quarter of mortgage holders saw their monthly costs go up[1]. Those with longer-term fixed-rate mortgages are protected for now but could be forced to pay more when their current deal ends.

More positively, however, the number of providers offering fixed-rate mortgages below 4% has risen in recent weeks. Competition between lenders is driving fixed-rate deals to their lowest point in months. By the end of 2024, two-year fixes could drop below 4%, experts predict, before falling as low as 3% in 2024.

**Boost for FTBs**
Many first-time buyers (FTBs) will have breathed a sigh of relief in December when the government announced an extension to its Mortgage Guarantee Scheme until the end of 2023. Initially scheduled to run out at the end of 2022, the scheme supports lenders to offer 95% loan-to-value (LTV) mortgages by providing a guarantee for credit-worthy households.

Demand for high LTV products remains very high, meaning the outlook for FTBs with low deposits is now much better than it was a few months ago.

**House price growth slows**
The start of 2023 saw a further slowing in annual house price growth to 1.1%[2], a marked drop from 2.8% recorded in December.

With ongoing cost-of-living challenges affecting many, experts predict further slowing in the months ahead. Raising the money for a deposit remains an obstacle for many first-time buyers, especially with the Help To Buy Equity Loan scheme due to end in March.

Despite slowing growth, *"the overall affordability situation looks set to remain challenging in the near term,"* according to Robert Gardner, Nationwide's Chief Economist. The latest figures show that affordability has fallen across all the UK, with average mortgage repayments as a share of take-home pay now at or above the long-run average in all regions.

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

[1]Office for National Statistics, 2023, [2]Nationwide House Price Index, 2023

# Financial resilience remains a challenge

**One in five workers would rely on their partner's income or savings if they were unable to work, according to a recent report[1] that paints a worrying picture of the nation's financial resilience.**

More than one in 10, meanwhile, would resort to taking on debt to cope, with one in four working adults having less than £1,000 in savings. Over a third of those with non-mortgage debts owe up to £5,000.

**Self-employed issues**
While anyone can suffer financial hardship, self-employed people are especially vulnerable, the research notes, due to their less stable pattern of income.

Despite the greater risk, self-employed workers are less likely to have crucial safety nets in place. Just 6% of self-employed workers have an income protection product that they purchased themselves, compared to 16% of employees.

**Safety net**
Income protection serves as a safety net that provides a replacement for your salary if you are unable to work due to illness or injury. Protection insurance is seen by experts as a key step to achieving financial goals.

56% of UK working adults surveyed said they would feel more financially resilient if they had such a policy, a figure that rises to 60% for 25 to 44-year-olds currently without protection.

***As with all insurance policies, conditions and exclusions will apply***

[1]LV=, 2023

# Bank Rate rise – effect on mortgages

**Some 715,000 mortgage holders on tracker rates have seen payments rise by an average of £588 a year following the latest Bank Rate rise[1]. A further 895,000 on standard variable rates (SVR) will see yearly increases of £370.**

**Monthly rise**
The Bank of England (BoE)'s Monetary Policy Committee (MPC) increased Bank Rate again in February. Now at its highest level since the 2008 financial crisis, Bank Rate is pushing repayments higher for many mortgage holders.

On average, homeowners with tracker deals are facing mortgage repayments £382 higher than they were in December 2021. For mortgage borrowers on SVRs, the equivalent increase will amount to £240 a month.

**To fix or not to fix?**
In the context of rising rates, the certainty offered by fixed-rate deals can seem more appealing. Having a fixed-rate deal offers a guaranteed interest rate, which means monthly payments will be the same from the start to the end of your term.

The ability to plan your budget is a benefit of fixed-rate deals, though your monthly payments won't fall if interest rates do. With financial conditions posing a challenge to many, fewer people are taking out mortgages. Indeed, approvals dropped to 753,946 in 2022, an annual decline of -20.2%[2].

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[1]UK Finance, 2023, [2]Octane Capital, 2023

https://www.msn.com/en-gb/money/other/misery-for-millions-as-mortgage-payments-rise-588-a-year/ar-AA170STE?ocid=FinanceShimLayer
https://www.propertyreporter.co.uk/property-market-turbulence-sees-mortgage-approvals-slide-by-20.html

# Buyers locked out of desired locations

**In a recent survey,[1] 41% of respondents agreed with the statement, '*I cannot afford to live in the area I want or need to live in.'* Are buyers being priced out?**

**Here or there?**
The results of the survey showed just how many renters and homeowners are unhappy with their current location. The key reasons for wanting or needing to move elsewhere included job opportunities (37%), proximity to friends and family (35%), a better lifestyle (29%) and to live somewhere more upmarket (21%).

Additionally, 73% of respondents admitted that they were 'greatly concerned' about the current property market and 38% have the mindset that they will 'never' be able to afford their own home.

**Rental surge**
Demand for rental properties remains at record levels[2], even while the average rent remains close to record highs. This rental demand is partly the result of worsening affordability for buyers.

Although house prices have steadied so far in 2023[3], the average asking price for a UK home is £362,452, which remains out of reach of many aspiring buyers. Indeed, 75.92% of renters don't think they'll be able to own a property in 2023[4].

**Wherever you want to go**
We're here to help you get onto or move up the housing ladder – wherever you want to go. Get in touch today to see how we can help.

[1]kindroom, 2023, [2]Foxtons, 2023, [3]Rightmove, 2023, [4]Finbri, 2023

## Slowdown in house price growth

**Following annual house price growth of 2.8% in December, Nationwide's latest House Price Index reveals a continued slowdown, with growth of 1.1% in January 2023 compared to January 2022. Prices are now 3.2% lower than their August peak.**

Commenting on the figures, Robert Gardner, Nationwide's Chief Economist said, "*There are some encouraging signs that mortgage rates are normalising, but it is too early to tell whether activity in the housing market has started to recover. It will be hard for the market to regain much momentum in the near term as economic headwinds are set to remain strong, with real earnings likely to fall further and the labour market widely projected to weaken as the economy shrinks.*"

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## Equity release on the rise again

**Increasing numbers of older homeowners are choosing to release equity, latest figures[1] reveal, with cost-of-living pressures the main reason for tapping into the value of their home.**

In total, homeowners used equity release to borrow £6.2bn in 2022, a 29% yearly rise and a doubling in the amount borrowed since 2017. It's not only higher amounts being borrowed; there are now more individual equity release plans too. In 2022, 93,421 people chose to release wealth from their property, up 23% from a year earlier.

Cost-of-living pressures continue to be the main prompt for people choosing to release equity.

***A lifetime mortgage is a long-term commitment which could accumulate interest and is secured against your home. Equity release is not right for everyone and may reduce the value of your estate***

[1]Equity Release Council, 2023

## Tough times ahead for landlords?

**More than two in five landlords are not aware of the proposed Renters' Reform Bill, a new survey[1] claims, despite the impact it will have on their portfolios.**

The proposed legislation, which is set to be voted on before May 2023, includes many significant elements. If passed in full, the act will:

- Scrap section 21 'no fault' evictions
- Create a register of landlords
- Introduce a private rented ombudsman to help enforce renters' rights
- Make it illegal for landlords and agents to refuse to rent properties to people who receive benefits
- Give local authorities more power to enforce and protect renters' rights.

According to the survey, 47.55% of landlords are 'strongly concerned' or 'concerned' about not being able to refuse to rent properties to people who receive benefits.

[1]Finbri, 2023

## Where will property prices stay strong?

**Amid many predictions of falling property prices throughout the coming year, there are some areas that are likely to less affected.**

Prime London postcodes, including Westminster, Camden, and Kensington and Chelsea, as well as university cities such as Oxford, York, and Cambridge, are reported to be the most likely to escape relatively unscathed.

Homeowners in these areas often have a good amount of equity under their belts and are therefore more insulated from rising mortgage costs. For instance, mortgages account for only 7% of the total value of homes in Kensington and Chelsea. This borough also has very few first-time buyers, who may be more likely to sell up in the face of unaffordable mortgage payments.

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