

This is a sample – please contact us on 01279 882519  
or email [simplymarketing@tomd.co.uk](mailto:simplymarketing@tomd.co.uk) for more information

Studio F20, Allen House, Station Road, Sawbridgeworth CM21 9JX

**Tel** 01279 882519

**Email** [simplymarketing@tomd.co.uk](mailto:simplymarketing@tomd.co.uk)

**Web** [www.simplymarketingsolutions.co.uk](http://www.simplymarketingsolutions.co.uk)

Your Window on

## Home Finance

AUTUMN 2020

### The post-lockdown trends ruling the property market

The property market is gradually recovering as lockdown eases. After an interesting few months, some clear trends are now emerging that look set to dominate the market for some time.

#### Pent-up demand speeds up sales

With the property market open once more and buyers galvanised into action by pent-up demand and incentives such as the temporary Stamp Duty holiday, many property transactions are reportedly flying through. According to Zoopla, a three-bedroom house sold in an average 24 days in the 90 days to mid-August – 12 days quicker than last year<sup>1</sup>.

#### The world reflects

Meanwhile, one-bedroom flats are now taking the longest to sell at 34 days, perhaps reflecting a nationwide prioritisation of what we want and need in our homes. For example, post-lockdown demand for outside space has shot up, with properties with south-facing gardens enjoying a 7% higher price than average<sup>2</sup>. These trends are borne out globally; a survey of buyers from 44 countries revealed that 40% and 37% are on the lookout for waterfront and rural homes, respectively<sup>3</sup>.

#### Homeowners seek country idyll

The mass shift to remote working means that many buyers are no longer tied to London, big cities or expensive commuter areas.



As a result, enquiries about village properties leapt 126% in June and July compared with the same period last year<sup>2</sup>. With the nation cooped up in their homes for months during lockdown, it's little wonder that so many have their eye on a piece of rural idyll.

#### Longer mortgage terms for first-time buyers

Even before the pandemic, some first-time buyers were struggling to get their foot on the ladder. Resigning themselves to longer mortgage terms in exchange for affordability, 45% of first timers accepted a term of 30 years or more in 2018-19.

#### Advice is key

The property market is in a state of rapid change as the country emerges from lockdown. Over the coming months, local lockdowns are likely to continue to be enforced, which will present other challenges for regional property markets. It's vital to take professional financial advice to give your property plans the best chance of success – so get in touch.

<sup>1</sup> Zoopla, 2020, <sup>2</sup> Rightmove, 2020, <sup>3</sup> Knight Frank, 2020



#### RENOVATION NATION GETS STUCK IN

It seems the months spent at home have been put to good use as the nation reflected on their living space and chose to spend an average of just over £4,000 each on renovating their homes, since lockdown commenced in March.

A study<sup>4</sup> has highlighted that the key area for improvement has been upgrades to the garden (34%), with living room (23%), bedroom (22%), kitchen (22%) improvements also featuring in the top four. With garden improvements in the top spot, it's no surprise that lockdown prompted people to enjoy their outside space, in fact Gardeners World received its highest ratings in a decade as people took to their gardens up and down the country.

#### 'Zoombarrassment' motivates the nation

To fund these projects, it seems nearly a quarter (24%) of respondents deflected money set aside for a holiday, while 26% raided their savings pot. Homeowner motivation to embark on these projects ranged from adding value (27%), with 40% citing 'Zoombarrassment' over the appearance of their homes, as the reason for renovation!

<sup>4</sup>Money.co.uk, Aug 2020

**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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# 'Astonishing' recovery for mortgage market

## GRANNY AND GRANDAD LEND A HAND

Nearly half (48%) of grandparents have stepped in to shore up their financially struggling grandchildren during the pandemic<sup>5</sup>. This help has come in the form of cash (32%), childcare (8%) and assistance with rent and mortgage payments (6%).

## FCA ANNOUNCES NEW MORTGAGE SUPPORT

Borrowers struggling to make their mortgage repayments due to the pandemic should be offered 'tailored support' from their lenders, according to new guidelines from the Financial Conduct Authority (FCA)<sup>6</sup>. Borrowers are currently supported by the mortgage payment holiday scheme, although as at mid-September this was due to end on 31 October. The new guidelines propose a range of short and long-term options that reflect each customer's circumstances, including extending the mortgage term or reducing payments for a fixed period. Borrowers who can resume their repayments are strongly encouraged to do so, with the FCA reminding consumers that interest will continue to accrue while payments are reduced or stopped.

## ECO-FRIENDLINESS CAN PAY

According to new research by solar panel installers EffectiveHome, 'going solar' can boost the value of your property by an average £32,459<sup>7</sup>! London homeowners see the biggest benefit, with solar-panelled properties worth £90,000 more on average. Hot on the capital's heels are Bristol (adding £45,142) and Edinburgh (adding £40,095). Homeowners who install solar panels stand to save £27,500 on their bills over a 30-year period, EffectiveHome has calculated.

<sup>5</sup>Killik & Co, 2020

<sup>6</sup>FCA, 2020

<sup>7</sup>EffectiveHome, 2020



**At the height of lockdown, dire predictions of economic disaster, huge job losses and a deep property market slump were relentless. It seemed there was no good news to be found.**

While uncertainty still prevails, sparks of hope are beginning to creep in, though infection rates started to rise in early September. New data from mortgage technology provider Twenty7Tec<sup>8</sup> showed that July was the busiest month of 2020 for mortgage searches, beating all pre-lockdown figures, branding the recovery as 'astonishing.'

## Stamp Duty 'holiday' a driving factor

The July mortgage boom can largely be attributed to the nine-month Stamp Duty Land Tax (SDLT) cut announced by the Chancellor on 8 July.

The tax break, which will temporarily raise the threshold at which no Stamp Duty is paid on property purchases in England (except the 3% surcharge on buy-to-let and second homes) from £125,000 to £500,000 until 31 March 2021, is also said to be behind a significant hike in mortgage searches for properties in the £500k to £1m bracket.

Properties within this price range have suddenly become affordable to many more aspiring buyers due to the thousands of pounds they stand to save on Stamp Duty. Different rules and thresholds apply to the Land Transaction Tax holiday in Wales.

## Confidence returns for first-time buyers

First-time buyers were unarguably the worst hit by the coronavirus pandemic, with lenders withdrawing hundreds of mortgage products designed for buyers with lower deposits in the months following the outbreak.

However, the data showed that searches among this group are now on the rise, suggesting that confidence is finally returning.

## Get your search underway

If you want to find a mortgage, and take advantage of the Stamp Duty cut, then don't delay. Finding a suitable mortgage can be challenging, especially in the current climate – which is why we're here. We can assess the various mortgage products available and advise on which is best suited to your circumstances.

<sup>8</sup>Twenty7Tec, 2020

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## Famous last words

**However complex or divisive a character Winston Churchill may have been, there's no doubt he had a way with words.**

While the former Prime Minister is perhaps most famous for his powerful speeches during the Second World War, he also had a surprising amount to say about the importance of life insurance.



***"Protected against catastrophes"***

**He stated:**

*"If I had my way, I would write the word 'insure' upon the door of every cottage and upon the blotting book of every public man, because I am convinced, for sacrifices so small, families and estates can be protected against catastrophes which would otherwise smash them up forever."*

And Churchill practised what he preached. In 1896, at the age of just 21, he took out a life insurance policy before leaving to take his place as Second Lieutenant Churchill in the 4th Queen's Own Hussars regiment.

**Enduring words**

Winston Churchill's words are as true now, over a century later, as they were when he first spoke them – as many families have tragically learned over the past few months.

We certainly agree that a monthly life insurance premium remains a 'small sacrifice' in exchange for your family's financial security.

## Are you mortgage-ready?

**Your first port of call should be getting your finances in good shape before lenders review them and assess your ability to make repayments on your loan. Some top tips for standing yourself in good stead include:**

**Save** – To improve the chances of being offered a mortgage on favourable terms, save as much as you can towards a deposit. Open a dedicated savings account; make sure it's paying a competitive interest rate.

**Check your credit score** – A good credit rating can help you secure a better mortgage deal, with a lower interest rate. To improve your credit score ensure you are on the electoral roll, pay utility bills on time and pay off your credit card balance in full each month.

**Budget** – Review your income and outgoings. If you have accounts, memberships or subscriptions that you no longer use, close or cancel them. Prospective lenders will look at the debt you currently have, including whether your current account is in credit. If you have any savings, it makes sense to pay off loans and credit cards, but leave enough saved to cover emergencies.

**Time is of the essence** – During lockdown, many lenders withdrew their 'high loan-to-value (LTV)' products which typically only require a deposit of 5% or 10%. Many lenders are now returning to the high LTV market; if you are a serious mover, you may need to act quickly.

**Get some good advice** – A mortgage is all about getting the most suitable deal for your circumstances too. We have our finger on the pulse of the mortgage market and can advise and support you through the entire mortgage process.

*A good credit rating can help you secure a better mortgage deal, with a lower interest rate*



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## Planning system – major reforms announced

Reforms proposed by the Housing Secretary, Robert Jenrick, are set to revolutionise the planning landscape in a “*once in a generation*” shakeup. He says the proposed changes will speed up the construction of much-needed new homes.

### Automatic planning permission

The main change will be the automatic granting of planning permission for new homes constructed within designated ‘growth’ zones. The reforms propose the division of land into three zones: ‘growth’ zones, ‘renewal’ zones (in which development proposals will be given ‘permission in principle’ subject to basic checks) and ‘protection’ zones (i.e. green belt land).

It is intended the proposals will modernise the currently “*outdated*” planning system, which sees many proposed developments become embroiled in planning disputes that can result in long delays. The reforms are expected to enable developers to push on with the construction of much-needed new homes without interruption.

The new proposals also tie in with the government’s 2050 zero-carbon sustainability target, including carbon-neutrality for all new homes by 2050.



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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.**

## EXTRA TIME FOR HELP TO BUY SCHEME

Due to construction delays caused by the pandemic, over the summer, the government announced an extension to the Help to Buy equity loan deadline. Previously, new homes had to be finished by the end of December 2020, which has been extended to 28 February 2021, enabling homebuyers to benefit from the scheme despite construction of their new homes being knocked off schedule. The deadline for the legal completion of the sale will remain 31 March 2021.

A ‘first homes scheme’ also featured within the proposals would offer a 30% discount on newly built homes for first-time buyers, local residents and key workers.

### “Shameful proposals”

The proposals have been met with consternation by some bodies and organisations within the housebuilding sector. The President of the Royal Institute of British Architects (RIBA), criticised the “*shameful proposals*” that could “*lead to the next generation of slum housing*”. RIBA fears that the proposed lack of oversight of the planning process, together with the extension of permitted development rights allowing commercial premises to be converted for residential use, could see the proliferation of sub-standard housing for maximum profit.

We await the conclusion to this contested consultation, closing on 29 October 2020.

An extra measure announced will see Homes England support people who had a new home reservation in place before 30 June this year. Individual situations will be assessed and an extension provided if necessary, in which case the legal completion will be extended to 31 May 2021.

The new Help to Buy scheme, which introduces property price caps and is restricted to first-time buyers, is still scheduled to come into place from 1 April 2021, running until March 2023, with no plans for further extensions.

## EVERYBODY NEEDS GOOD NEIGHBOURS

Most people (98%)<sup>9</sup> appreciate the impact their home has on their sense of wellbeing, which can be thrown into turmoil if problems with neighbours present. Nearly two thirds of Britons (64%) have had a dispute with a neighbour<sup>10</sup>, with Welsh residents having the most gripes (72%), followed by those in Northern England (70%), South West England (69%), South East (63%) and Scotland (60%).

The key reasons for disputes include loud music (28%) and loud parties (26%). Territory related disputes fill the next three spots - overgrown trees and plants (19%), parking over their driveway (17%) and putting rubbish in their bin (16%).

For some, noise problems intensify to such a degree that 16% have actually moved home. With more people spending time at home in lockdown, it has been a time to reflect. Are you looking to move home to escape your noisy neighbours or rebalance your wellbeing? Is it time to make your next move? If so, get in touch, we can help find the most suitable mortgage for your circumstances.

<sup>9</sup>Everest, 2018, <sup>10</sup>Good Move, Aug 2020

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

