Autumn housing market outlook

The summer was largely positive for the housing market due to a boost in confidence following the General Election and the reduction to Bank Rate. So, where are we now and what does the autumn have in store?

Lenders and buyers alike were already showing signs of confidence before the election, as mortgage approvals steadily improved.

Post-election boom
After the election, there was a noticeable uptick in buyer and seller confidence. In July, new instructions were 7% higher than the 2017-2019 average for the month, sales agreed were up 10%[1], while buyer enquiries were up 11% year-on-year[2]. Overall, this boost in activity had a positive impact on house prices, which continued to grow modestly. The post-election buzz was boosted further in August by the first reduction to Bank Rate since 2020.

Rental inflation slowing
Data suggests that we have moved past peak rental inflation, with rents rising at the slowest rate since 2021[3]. If rents continue to increase at the rate they are now, they will have gone up by 3-4% in 2024 – an improvement on the 8% and 11% seen in 2023 and 2022 respectively.

What does the autumn hold?
Rightmove's property expert, Tim Bannister, observed, *"the conditions are there for a more active autumn market."* They predict that, by the end of 2024, house prices will be 1% higher than they were the previous year. Meanwhile, Zoopla expects mortgage rates to stay around 4-4.5% for the rest of 2024. It is thought that wages will keep rising while house prices remain consistent, thus improving buyer affordability.

2025 and beyond
Looking ahead, experts predict the market to continue a slow but steady recovery. Zoopla's Executive Director of Research, Richard Donnell, commented, *"Economists currently expect base rates to fall to 3.5% by the end of 2025, which would imply mortgage rates remaining in and around the 4%+ range."*

In terms of broader trends, it is expected that energy efficient homes and houses located in close proximity to public transport will continue to be highly sought after, and a focus on employment flexibility widens the net in terms of where people are looking to move and achieve the quality of life they want.

[1]TwentyCI, 2024, [2]Rightmove, 2024, [3]Zoopla, 2024

Proportion of cash homebuyers reaches 10-year high

The proportion of homebuyers choosing to pay in cash has hit a 10-year high[4], analysis has found.

In 2023, cash buyers were responsible for a third (34.5%) of all property transactions – the highest percentage seen since data became available in 2013. This trend carried on into this year, as 32.8% of market activity was attributed to cash buyers in the first two months of 2024. This is a higher proportion than we have seen in recent years, with cash buyers accounting for less than 29% of market activity during 2019–2022. The increase is likely to be due to the higher cost of borrowing, which continues to put a strain on affordability for those purchasing a home with a mortgage.

Verona Frankish, CEO of online estate agents Yopa, commented, "Not only is it far tougher for those looking to purchase with the aid of a mortgage, but as a result, cash buyers are in a far stronger position within the market making them the first choice for many sellers."

It is likely that the balance of cash and mortgage buyers will be redressed when mortgage affordability improves.

[4]Yopa, 2024

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:

The new Renters' Rights Bill – what does it mean?

The Labour government has designed a Renters' Rights Bill, aiming to improve the rights and protections for tenants.

Changes have already been made to improve rights in Scotland and Wales, so the proposed Bill will be applicable to renters in England, with some elements stretching to Wales.

No more no-fault evictions
The Bill will include the much-awaited end of Section 21 no fault evictions. With no fault evictions increasing by 52% in London in the year to March 2024[5], the legislation will come as a relief to many. While landlords will no longer be able to evict tenants without a reason, there will be clear possession grounds for those needing to reclaim a property.

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Slowing the rise in rents
In a bid to stop rising rents, tenants will have the power to challenge rent increases. Plus, the Bill plans to end the practice of rental bidding wars, with four in ten households renting privately last year paying above the advertised rent[6]. Some are sceptical this is possible, due to high levels of competition for each rental property; however, New Zealand did successfully implement a similar law in 2021.

Other improved rights
Renters will gain the right to request a pet and landlords cannot unreasonably refuse, although they can request insurance to cover potential damage. Also, 'Awaab's Law' will be extended to the private rented sector, requiring landlords to respond to health hazards within certain time frames to ensure that damp and mould are dealt with appropriately.

[5]City Hall, 2024, [6]New Economics Foundation, 2023

IN THE NEWS

Northern cities surge in mortgage searches

As buyers consider more affordable housing options beyond the capital, the six major Northern cities of Leeds, Bradford, Manchester, Liverpool, Sheffield and Newcastle have witnessed a significant increase in purchase mortgage searches and now account for almost 11% of all mortgage search activity, up by two-thirds on last year[7]. This surge in demand highlights a broader shift for affordability and life improvements.

Is your home energy efficient?

Over half of the UK's housing stock, that's at least 18 million homes, have EPC ratings of D or below, with D currently the most common rating. New data[8] has shown the vast difference between average annual energy bills for the highest rated homes (A) and the lowest rated homes (G). The difference can amount to thousands. For a three-bedroom house, average annual energy bills vary from £508 (A EPC rating) to £5,674 (G EPC rating), with the most common (D) averaging £2,340.

600,000 homeowners on SVRs

Around 600,000 mortgage holders are currently on standard variable rate (SVR) mortgages[9]. Typically, SVRs are significantly higher than rates on mortgages tracking Bank Rate, or many fixed-rate products. Borrowers are automatically switched on to SVRs if they haven't remortgaged before their existing deal ends.

[7]Twenty7tec, 2024, [8]Rightmove, 2024, [9]UK Finance, 2024

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Equity release update

Data suggests that confidence is growing among new and existing equity release customers.

Equity release customers rose by 12% in Q2 of this year, with total lending increasing by 15% to £578m[10]. There was also a quarterly and annual increase in the average loan size, which indicates that customer confidence is being restored.

More taking control of their loans
Data indicates that lifetime mortgage holders are proactively managing their equity release loans, with over 360,000 equity release customers making voluntary penalty-free partial repayments in 2022 and 2023. This will save them almost £300m in borrowing costs over the next 20 years.

Larger repayments
The total value of voluntary repayments increased by 18% between 2022 and 2023 from £102m to £120m. Plus, the average repayment size grew by 30% - going up from £538 to £697, indicating that customers are making an effort to reduce their loan sizes and cut borrowing costs.

Market turning a corner?
Chair of the Equity Release Council, David Burrowes, commented, *"The pick-up in activity between the first and second quarters is a welcome reversal of the downward trend seen one year ago. There is a long way to go to unlock the market's full potential, but there are reassuring signs in these figures that we are turning the corner and acclimatising to this unfamiliar interest-rate environment after years of rock-bottom rates."*

Talk to us
Equity release is not right for everyone – it is essential that you seek professional advice before taking out a lifetime mortgage. We can talk you through the advantages and potential drawbacks.

[10]ERC, 2024

Many young mortgage holders do not have life cover

Research has found that 28% of young UK homeowners do not have life insurance[11].

It is estimated that 1.7 million adults aged 18-40 do not have appropriate cover in place, despite having a mortgage. This oversight puts their dependants in a precarious financial position in the event of their death.

Why risk it?
Of those homeowners who do not have life insurance, nearly a quarter (23%) said they do not believe it is a priority expense. Meanwhile, 22% said they never considered it and the same amount could not afford cover due to the cost-of-living crisis.

Uncovered debt in the UK
In 2023, there was thought to be over £433bn in uninsured mortgage debt in the UK. This concerning figure suggests that many people would be left unsupported if a loved one died, potentially making it difficult for them to stay living in their home.

Make cover a priority
Living without the right protection could put unnecessary financial pressure on your loved ones at an already distressing time. Life cover should be a priority expense, even when you're young. Speak to us now to get insured.

[11]Beagle Street, 2024

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.

Buy-to-let market update: Trends and insights

The UK buy-to-let (BTL) market has seen notable changes recently.

The number of new BTL mortgages granted has decreased sharply. This decline is largely due to higher interest rates and stricter taxation measures, which have served to cool investor enthusiasm.

Additionally, the overall size of the BTL mortgage market has contracted. Investors are encountering more challenging lending conditions and increased costs, which have made new investments less appealing.

Resilience remains
However, despite these difficulties, the BTL sector demonstrates some resilience. Demand for rental properties remains strong, driven by a persistent affordable housing shortage and a reduced pool of available properties for rent. This ongoing demand suggests that while the market is shrinking, there are still opportunities for those who can effectively navigate the evolving conditions.

James Tatch, Head of Analytics at UK Finance, commented, *"Without more unexpected negative shocks, strong rental demand and strong lending standards could mean the buy-to-let sector emerges from last year's downturn sooner than previously expected."*

Contact us for expert buy-to-let advice
If you're considering a buy-to-let investment or need assistance with your current holdings, understanding these market trends is crucial. For personalised advice tailored to your needs, please get in touch. Expert guidance can help you make informed decisions and optimise your investment strategy in this shifting market.

Hopeful FTBs consider buying with friend or sibling

Did you know that 46% of aspiring first-time buyers would consider buying a home with a friend or sibling to help them get onto the property ladder?[12]

Most people (62%) would ideally like to purchase a home with a partner; however, many have been forced to look at alternative options. The main reason for considering 'non-traditional' routes was improving affordability (60%), 56% said they trusted the person they would co-own with and 14% believed there was no other way for them to buy a home.

Whether you are purchasing a home with a friend, sibling or partner, there is a lot to consider. It is essential that you make a declaration of trust – a legal agreement between joint owners that clarifies each person's share in the property. This is also strongly advised if a family member is contributing towards the deposit. We can help you think about your options – contact us for professional advice.

[12] Lloyds, 2024

Ambitious sellers beware!

Selling a house is the biggest financial deal many people will ever make. Understandably, sellers want to get the best possible price; new research[13] has cautioned, however, that aiming too high is not without risk.

Discount dangers
Analysis by Rightmove of sales over the past five years has revealed the risks associated with pricing your house too high. On average, if a home doesn't sell and later needs to be discounted, it will then take longer to sell and be more likely to remain unsold. It will also be twice as likely that the sale will fall through.

Is the price right?
The research warned that many sellers continue to ask for more than their home is worth. *"We're hearing that some sellers have struggled to adjust from the pandemic frenzy market mindset, into the calmer market mindset of the last 18 months or so,"* explained Rightmove's Tim Bannister.

Instead of pushing for extra gains, the report urges sellers to listen to the advice of their estate agent. By coming to market at a competitive price, sellers reduce the risk of having to face the consequences of lowering the asking price.

[13] Rightmove, 2024

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

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