

# Essentially Mortgages

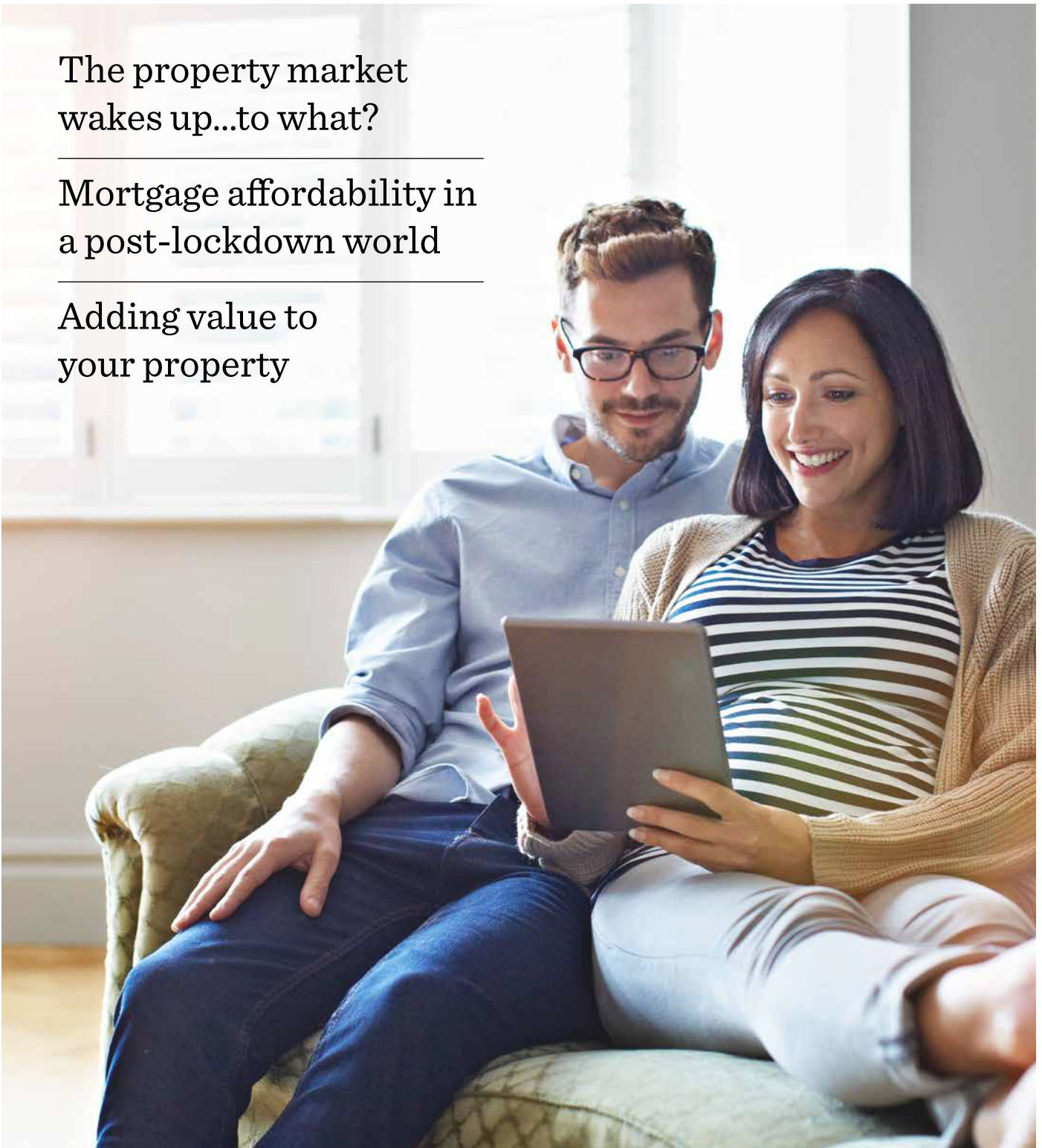
The property market  
wakes up...to what?

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Mortgage affordability in  
a post-lockdown world

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Adding value to  
your property



Q3 2020

- ▶ Home working – broadens your horizons
- ▶ Payment holidays – consider your options
- ▶ House hunter demand spikes

Quilter  
Financial  
Planning



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## Home working – broadens your horizons

*With working from home becoming the new norm for many, it's likely that a significant number of workers may continue to be wholly or partially home-based after the virus threat subsides.*

If just weekly or monthly visits to the office are sufficient, this may give people a greater choice about where they live. No longer does home have to be within commutable distance to the employer's premises, so priorities such

as schools, other local facilities, value for money and a better quality of life may come to the fore. For sheer variety of locations, UK homebuyers are spoilt for choice.

You could opt for the combination of town and country offered by 'garden cities', which have appeared over the last 130 years or so. Some of them lie within 30 miles of major conurbations including London, Birmingham, Wolverhampton, Stoke-on-Trent, Hull and Edinburgh. In 2017, the government announced plans for 17 new garden villages and towns in England.

# The property market wakes up...to what?



*As soon as the property market reopened in May, the industry saw an immediate surge in demand, with visits to property website Rightmove up 18% year-on-year on 27 May, its busiest day on record.*

With government support schemes due to come to an end later this year and economic uncertainty still very much a feature of this new landscape, what's next for the market?

## **Early signs are positive...**

The level of demand observed since mid-May is certainly a good sign for future market recovery, but there have been other positive indicators, too. The Zoopla House Price Index published on 24 June suggests that pricing will show a sustained 2% to 3% growth over the next quarter, while figures<sup>1</sup> reveal an average house price increase of 1.9% compared with pre-lockdown March levels.

There has also been a particularly strong sales rebound in northern cities, with Leeds, Sheffield and Manchester seeing sales surge by up to 20% compared with February 2020<sup>2</sup>.

## **... but will it last?**

Figures published by the ONS on Tuesday 16 June paint a rather dim picture of the UK's employment prospects, with the number of people unemployed and claiming benefits rising faster than at any previous point in our history. Also, the number of people on UK payrolls in May 2020 was down by 600,000 compared with March. Therefore, many sources are expecting initially high demand to weaken as the full effect of the pandemic is felt on the economy and labour market.

## **A mixed outlook**

No matter what way you spin it, we're in for a bumpy ride as the property market finds its feet and people's jobs hang in the balance. If you're looking to buy or sell in the current climate it's wise to seek professional financial advice to ensure you're getting the right deal.

<sup>1</sup>Rightmove, 2020

<sup>2</sup>Zoopla, 2020

## **Energy efficiency boosts the value of your home**

Demand for energy efficient properties looks set to rise, as nearly a third of respondents to a survey<sup>3</sup> said that properties with good environmental credentials had become more important to them during the coronavirus lockdown.

Therefore, taking steps to boost your Energy Performance Certificate (EPC) could add some welcome value to your home in a difficult market – and it might not be as expensive as you think.

The government has pledged to increase the EPC of all properties to at least a 'C' by 2035 – but how could you get the ball rolling now?

Analysis shows that making just four low-cost modifications to your home – loft insulation, cavity wall insulation, low energy lighting and insulating a hot water cylinder – could deliver 40% of the potential energy cost savings.

<sup>3</sup>Savills, 2020



# Mortgage affordability in a post-lockdown world

*Back in March, the Bank of England slashed the Bank Rate to an all-time low of 0.1% in a bid to help alleviate some of the severe economic pressure caused by the pandemic. As the interest rate cut fed through to mortgage rates, lenders pulled some products from the market.*

Many of the products withdrawn were high loan-to-value (LTV) deals (i.e. those requiring a smaller deposit) as lenders were concerned that a potential drop in house prices could push high LTV borrowers into negative equity.

## **Lenders remain cautious**

When the property market reopened for business in May, several lenders relaunched higher LTV deals and products aimed specifically at first-time buyers, such as Help to Buy loans. However, in early June, many high LTV products were withdrawn again, due to high demand.

With the property market in the early stages of recovery, it's worth being proactive and maximizing your chances of mortgage approval. Follow these tips to help improve your chances:

- **Save as much as you can** – many of us are spending a great deal less than usual. Having a higher deposit will increase your chances of mortgage success
- **Clear your debt** – clearing as much debt as possible, as well as closing any unused accounts, will increase lenders' confidence in your ability to repay your mortgage
- **Understand your credit score** – the better your credit rating, the higher the likelihood you'll be accepted for the most competitive mortgage deals
- **Self-employed? Keep excellent records** – having excellent records of your earnings over the past two or three years (depending on the lender) can really improve your chances
- **Consult the experts** – we can help you find a mortgage deal that gives you the highest chance of a successful application and suits your individual circumstances.



## **House hunter demand spikes**

After the property market reopened in May, house buyer demand shot up by 88% in the week to 19 May – to stand 20% higher than at the beginning of March<sup>4</sup>.

## **Will the spike be temporary?**

Spending so much time at home is also thought to have given buyers time to reconsider what they're looking for and sparked the desire to move, with many hankering after green space. A survey recently revealed that a not inconsiderable 60% of house hunters are planning to continue with their search<sup>4</sup>.

<sup>4</sup>Zoopla, 2020

# In a changed world – review your insurance cover

*The pandemic has served as a stark reminder of how our financial wellbeing can be affected without warning and has highlighted the need to have good protection cover in place.*

Even if your own personal and financial circumstances haven't changed as a result of the pandemic, it's important to regularly review your protection insurance to make sure your policy provides adequate cover for your changing needs.

## **Comfort when you need it most**

More people than ever are relying on the security of a safety net when things take an unexpected turn. According to figures from the Association of British Insurers (ABI) insurers paid out a record 98.3% of protection claims in 2019.

However, if you haven't reviewed and updated your policy, you might find that you have insufficient cover and the payout isn't enough to cover your and your family's needs if you were to die or be unable to work due to illness.

## **Today's policies may offer more comprehensive cover**

If you have simply been paying your premiums on the same policy for years, without reviewing the type of cover, you could run the risk of being inadequately insured as well as missing out on more comprehensive cover that may be available from today's policies.

## **Helping to protect you**

It's understandable that inertia will result in many people sticking with the cover they already have, but this may not be the right cover for your circumstances today. Our advice will ensure you have the most suitable cover in place, giving you peace of mind that you and your family will be protected should the worst happen.

*More people than ever are relying on the security of a safety net when things take an unexpected turn.*

## **When should you remortgage?**

UK mortgage rates are at record lows after the Bank of England slashed interest rates in March to counter imminent threats to the economy.

Does that mean now is a good time to remortgage? Or should you wait until the fallout for the property market is clearer?

## **Finding a competitive deal**

There are competitive deals to be had at present, but remortgaging won't suit everyone. Those on tracker or variable rate mortgages, will certainly benefit from advice.

If you're coming to the end of a fixed term, fixed rate deal, you might want to consider getting a more competitive deal now, while rates are low.

## **Navigating a changed market**

While there is real potential to make savings here, borrowers should expect changes to the process. Requirements may be stricter as the unstable economy makes lenders more cautious, while a certain level of delay should also be expected as providers work through a backlog of applications.

Borrowers who have taken a mortgage payment holiday may also find it harder to switch to a new lender at the moment due to their reduced financial circumstances.



# Payment holidays – consider your options



*As the effect of the pandemic on people's livelihoods became apparent, the government announced a support package to help people stay in their homes. By early June, more than 1.8 million mortgage customers had taken advantage of payment holidays, estimated to average £755 per month<sup>5</sup>.*

## Payment holidays explained

If you are finding it hard to make your mortgage payments, in this case as a result of the pandemic, you can ask your lender to allow a payment holiday where you don't make payments for a period of time. A 'partial payment holiday' is where your lender lets you make reduced payments. Both owner-occupiers and buy-to-let borrowers can apply.

If you have not yet taken a mortgage payment holiday, you have until 31 October 2020 to apply for one.

## Financial Conduct Authority (FCA) guidance

Guidance from the FCA states: *'If you can afford to repay your mortgage, it is in your interest to do so, as interest will build during that period and you will need to pay back more later. Your monthly repayments after the payment holiday may also be higher, or your mortgage may take longer to repay.'*

## Not for everyone

If you are worried about making your mortgage payments or how you will cope at the end of a payment holiday, it is crucial that you speak to your lender. Remember – a payment holiday may not be suitable for everyone.

<sup>5</sup>UK Finance, May 2020

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## Stamp Duty break for many homebuyers – for a limited time only!

Despite the reopening of the property market in May, aspiring buyers are still holding back. Therefore, in his Summer Economic Update of 8 July, Chancellor Rishi Sunak announced a 'Stamp Duty holiday' to help people feel "confident to buy, sell, renovate, move and improve."

Until 31 March 2021, the usual Stamp Duty threshold of £125,000 has been increased to £500,000 – a move that means nine in 10 buyers will pay no Stamp Duty on homes purchased before April, saving them an average of £4,500.

## Green jobs, green homes

From September, homeowners will also be able to apply for a £2bn 'Green Homes Grant' scheme, which will offer households up to £5,000 to spend on making their home more energy efficient. It's a package that, Mr Sunak said, could save households up to £300 a year on their bills, as well as creating and supporting 140,000 green jobs.

## Supporting, creating and protecting jobs

Other measures announced include a £1,000 'Job Retention Bonus' for employers who retain employees until 31 January after bringing them back from furlough, a cut to VAT applied on food, leisure and attractions from 20% to 5%, and the 'Eat Out to Help Out' restaurant discount scheme running throughout August 2020 (Monday–Wednesday only).



## Adding value to your property

*In the 1980s, a fast-moving property market prompted homeowners to move every eight years. Nowadays, research suggests the average UK homeowner will stay in their property for 21 years<sup>6</sup>.*

High house prices, the replacement of Stamp Duty with increasing rates of Stamp Duty Land Tax (now LBTT in Scotland, LTT in Wales) and the sheer cost, have discouraged many from moving. With more people putting down roots for longer, we're spending more money on improving our current

properties. If you do decide to embark on a project, it makes sense to choose something that is going to add value to your home in case you do decide to move on one day.

The projects listed below are likely to add the most value to your property<sup>7</sup>:

Type of improvement	Potential value added
Cellar conversion	30%
Converting your garage to living space	15%
Kitchen extension	15%
New bedroom via a loft conversion	15%
Adding a conservatory to maximise living space	10%
Improvements to the front of the house and garden	up to 10%
New bathroom	3%–5%
Open plan kitchen/living room	3%–5%

**Before you get going...it may be useful to pause and consider the following:**

- **Ensure you're insured** for accidental damage and contact your home insurance provider to check you can make your planned changes without invalidating your policy.
- **Organise your paperwork** to make sure it's in order and that you have the correct certification.
- **Bring in the professionals** to avoid DIY disasters.
- **Avoid personalisation and bright colours** to widen your home's appeal and saleability.
- **Preserve bedroom space** by losing a bedroom you will reduce the value of your property.
- **Come to us...**if you're looking to finance your home improvement project by remortgaging or getting a second charge loan, get in touch.

### Working from home – are you covered?

If you're one of the many millions of people now working from home, should you inform your insurer?

If you are an office-based worker now working from home due to government advice or because you are self-isolating, your home insurance cover will not be affected. The Association of British Insurers (ABI) has issued some reassurance: *'You do not need to contact your insurer to update your documents or extend your cover.'*

You may be using company property, for example a mobile or laptop, in which case you should check with your employer whether they have the correct insurance policy to cover these items outside the usual place of work. Although this type of equipment is not usually covered by a standard household insurance policy, it is worth checking your policy document, just in case they are.

#### Do you have the right cover in place?

If you are unsure whether you have the right insurance cover in place, contact us for advice on your own individual circumstances.



*You do not need to contact your insurer to update your documents or extend your cover.*

# DIY enthusiast? – check your home insurance first

*In the last few months, you may have had some more spare time to hand than usual. With limited entertainment options, Britons have been searching for at-home activities, and between February and March, Google searches for ‘home improvement’ and ‘DIY’ increased 12% and 9% year-on-year, respectively<sup>8</sup>. In May, UK retail sales experienced a partial recovery, driven by DIY stores and garden centres reopening during lockdown.*

We may be a nation of DIY enthusiasts, but if you decide to do away with professional help, it's vital to check you have adequate insurance cover first.

It's easy for amateur DIYers to become overconfident. It costs an average of £217 to have a DIY mistake

professionally repaired<sup>9</sup>, and things can become costly, with UK adults botching an average of nine DIY jobs so seriously they need to call in the professionals<sup>10</sup>.

## Cover all bases

It's always a good idea to check your home insurance cover, DIYers should ensure they have sufficient accidental damage cover. This is particularly important as accidental damage is usually an optional extra that isn't part of most standard policies. What's more, some accidental damage policies only offer limited cover, so it's advisable to check exactly what's included.

If you do decide to DIY it, check that you're fully insured first.

<sup>8</sup>True Solicitors, 2020

<sup>9</sup>David Wilson Homes, 2019

<sup>10</sup>Local Heroes, 2019

*It's always a good idea to check your home insurance cover, DIYers should ensure they have sufficient accidental damage cover.*



## Dream locations revealed

During lockdown, many of us have spent time considering where our ideal location to live would be if we could relocate.

According to a recent survey<sup>11</sup> asking people where in the country they would like to move to, Cornwall is the top dream location, followed by Devon, the Lake District, Yorkshire and London. The top ten is then made up by Dorset, Scotland, the Peak District, Wales and Norfolk.

## Space, space, space

Location isn't everything – 65% of UK adults said they would prefer to live in an acceptable location with more space instead of a great location with less space.

As well as having more space, those surveyed thought it is important to be closer to family and to have a garden, whereas 16% wanted to be further away from other people.

Top of the list for choice of location is the countryside (28%), living by the sea (27%) and being closer to woodlands (16%). Commuter belt towns are currently out of favour, with only 5% wanting to move here, rising slightly to 7% for a city centre.

<sup>11</sup>Trussle, 2020