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INVEST SOUTHWEST
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Your **Home Finance**

Summer Q3 2024

Become mortgage-ready this summer

Do you have hopes to buy? Whether you're looking to get on, move up or down the ladder, your property dreams are possible with a little preparation. Here's how you can get yourself mortgage-ready this summer.

Check your credit score
Lenders will inspect your credit report for evidence that you can meet the mortgage repayments. Check your records for free now so you have time to make any improvements. No matter where you are today, there is always an opportunity to boost your score.

Consistency is key
Mortgage lenders are looking for signs that you are responsible, so paying your bills on time is a great way of boosting your credibility. Any indication that you could go into debt may put off a lender, so be mindful of your outgoings especially in the months running up to your application.

Go through old accounts
Consider how any inactive accounts might affect your application. It is advisable to close accounts that are out of date – particularly joint accounts with people you are no longer financially linked to.

Register to vote
Being on the electoral roll serves as proof of your identity and address.

Maximise your deposit
With high loan-to-value (LTV) mortgages available, it can be tempting to place the smallest possible deposit on a property. However, this will cost you more in the long run as your monthly repayments will be higher. Do your future-self a favour and put down any extra cash that you can.

Seek advice
You don't need to navigate the mortgage market on your own. We can find options that you might not have access to, advise on schemes that could help, and assist you with the application process.

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The most affordable cities for FTBs

Jobs permitting, those looking to get on the property ladder may start flocking to Aberdeen, as a report has found it is the most affordable city to be a first-time buyer (FTB)[1].

Under the assumption that a FTB home has two bedrooms or fewer, the average asking price for a property in Aberdeen is £102,601. Bradford and Sunderland are the next cheapest cities to purchase a first home, with average asking prices of £107,929 and £111,263 respectively. The national average price of a FTB home currently stands at £227,110.

Latest data[2] shows that the average FTB in Scotland and Wales has a 20% deposit, while in England it is 25% and that more FTBs are taking on longer mortgage terms which they may well be paying off into retirement. It's important to remember that while longer mortgage terms might make repayments more affordable in the here and now, you will end up paying off more overall in interest.

Here to help
Whether you're a first-time buyer or moving home, we're always here to help you with your mortgage – just get in touch for advice.

[1]Rightmove, 2024, [2]UK Finance, 2024

Inside this issue

Location, location, location

Homeowners are willing to pay more for convenience, as a short walk to a town centre or high street could boost a home's value by more than £80,000[3]. In England, homes that are close to a town are worth 27.6% more than the average property. Interestingly, proximity costs an extra 14.2% in the West Midlands, but East Midlands homes only have a 0.9% premium. So, buyers looking to get more for their money may wish to look a little further afield – provided they don't mind going the extra mile for a high street!

Surge in smaller homes

The pandemic prompted many homeowners to move out of cities in favour of bigger homes, but this trend, coined the 'race for space,' is now possibly being reversed as data shows demand for smaller homes is increasing. Last year, 53% of homes sold with a mortgage were smaller properties – the highest proportion in nearly 30 years[4]. This highlights that, amidst the cost-of-living crisis and ongoing mortgage affordability challenges, buyers are managing their expectations and settling for less space. It may not be surprising that many of these small homeowners are first-time buyers, 57% of whom purchased flats or terraced houses in 2023.

[3]Yopa, 2024, [4]Halifax, 2024

What to consider when you buy a new build

Are you thinking of buying a new build? The good news is there are more regulations than ever that protect buyers of newly built homes. It can be difficult to keep up with these changes, so here's what you need to know.

Codes of conduct

Most developers are signed up to a code which lays out best practice for the marketing, building, and selling of new builds. Check which code your builder follows, so you know who is holding them to account if any issues arise. Many developers were signed up to the Consumer Code for Home Builders until 2021, when the New Homes Quality Board (NHQB) was launched.

The guidelines

Transparency is at the forefront of both the Consumer Code for Home Builders and the New Homes Quality Code from the NHQB. Consumers have the right to withdraw from the purchase if the housebuilder makes any changes to the home. Deposits must be protected and high-pressure sales tactics are prohibited to protect vulnerable customers. The housebuilder must also provide an after-sales service for up to two years after legal completion.

Check for snags

Defects with the property – otherwise known as snags – are a common problem with new builds. Buyers can commission a professional snagging company to inspect the new build before they move in. If the developer is registered with the NHQB, they are required to rectify any snags within 30 days, unless there is a suitable reason for delay.

Complaints procedure

Each code has a process and timeframe for the handling of complaints. The New Homes Ombudsman Service is free for anyone whose developer is registered with the NHQB. Meanwhile, issues with housebuilders signed up to the Consumer Code for Home Buyers can be taken to the Independent Dispute Resolution Scheme.

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Off on holiday?
Leave your home fully insured

Are you looking forward to a long holiday this summer? Don't spoil the fun and relaxation; make sure you leave your home fully insured.

Inform your insurance provider

You may think that it doesn't make a difference whether you go on holiday for two weeks, a month, or more. However, most insurers require you to notify them if your primary home will be vacant for at least 30 days. In this instance, it is likely you will need to take out an extra layer of cover called unoccupied property insurance. Failing to do so may invalidate your policy, leaving you and your home unprotected.

Proceed (and post) with caution

We understand the desire to share snaps of your holiday on social media. Before you do so, be mindful that insurers expect you to take reasonable care to ensure the safety and security of your home. Since live holiday updates show people that your home is probably unoccupied, you could be putting your home and its insurance at risk.

Safety tips

With burglaries more common during the summer months, here are a few ideas for keeping your home secure:

- Lock all windows, doors and gates
- Save the holiday posts until you return home
- Ask a neighbour to put your bins away after they are collected
- Cancel any deliveries so they don't pile up
- Leave keys with someone you trust; to make the house seem occupied, they could turn lights on/off, close the curtains, remove post from the letterbox, or use your driveway.

Landlords taking steps to up their EPC game

Research has found that some landlords are improving the energy performance of their properties even though it is no longer a potential legal requirement.

Keen landlords

Last year, proposed regulations for all private rental properties to have a minimum EPC rating of C were shelved. However, 37% of portfolio landlords are still upgrading their properties to meet that standard[5]. In fact, nearly a third (32%) only own properties with a minimum rating of C.

What's the timescale?

About 28% of landlords going ahead with work expect all their properties to have an EPC rating of C within one to two years. On the other hand, 17% think it could take them at least five years.

Not all enthusiasts

Some landlords were not so keen on making improvements, with 16% postponing work until legislation is potentially introduced. One in 10 said that the proposed regulations had no effect on their portfolio strategy.

The advantages

Regardless of whether it's a legal requirement, there are many benefits to upgrading the EPC rating of a property. By improving the energy efficiency, the running costs of the property are reduced and the property's value is likely to increase.

[5]Paragon Bank, 2024

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Guidance for first-time buyers

Getting a foot onto the property ladder has always presented challenges. Research suggests FTBs could currently be experiencing the most expensive conditions in 70 years[6].

Who is most affected?

In the current property market, a successful first purchase often requires two high incomes plus financial support from family members. Therefore, those who are buying alone, have lower incomes or cannot access help from the Bank of Mum and Dad are most likely to lose out.

How old?

Hopeful FTBs are forced to stay at home or in the private rented sector for longer. The average age of a first time buyer is now 36, having risen from 32 in 2004[7].

Delaying proceedings

Ongoing market uncertainty has caused hopeful homeowners to put their dreams on hold; over the last year, 49% of prospective FTBs have postponed their plans[8]. Just over half (53%) said high house prices were the main reason for delaying, while 41% cited rising mortgage costs.

Making a compromise

FTBs will likely need to consider different options if they want to get on the property ladder; 38% of those who have become homeowners in the last five years said they had to compromise. For example, 40% purchased a home that needed some renovation and 34% moved to a different location.

Decline in homeowners

Overall, home ownership has fallen in the last 20 years, and the number of residential owner-occupier mortgages has decreased by more than two million since the rate peaked in 2002[9]. The UK has not seen such a low level of outstanding mortgages since the end of the 1980s.

Advice is key

We understand the difficulties that first-time buyers may face. You can make your home-owning dreams a reality with the right advice.

[6]BSA, 2024, [7]ONS, 2024, [8]Nationwide, 2024, [9]BSA, 2024

The equity release market – *"green shoots"*

According to a lifetime mortgage lender, one in five of their new equity release plans in Q1 were taken out by homeowners with properties worth over £550,000[10].

When asked why they were releasing equity, 22% of customers said they planned to spend the unlocked cash on improving their home. Less than 20% of borrowers wanted to repay mortgages and debts, meanwhile 15% were putting the money towards holidays.

Are consumers regaining confidence?

The equity release market is showing some signs of improvement after a slow 2023. In the first three months of this year, there was a 4% quarterly increase in the number of new and returning customers using equity release products[11]. Existing customers seem to be more confident than those who are new to the market, as returners drove a 6% increase in drawdown activity in Q1.

What's in store?

David Burrowes, Chair of the Equity Release Council, predicted, *"As we look to the rest of 2024, we are confident that the green shoots that we are starting to see will germinate and the market will return to growth."*

Talk to us

If you're considering releasing equity on your home, get in touch. Equity release isn't the right solution for everyone and there could be other options which may be more suitable for you. Professional advice is essential.

[10]Pure Retirement, 2024, [11]ERC, 2024

If you would like any advice or information on any of the areas highlighted in this newsletter, please **get in touch**

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments. Equity release may require a lifetime mortgage or a home reversion plan. To understand the features and risks, ask for a personalised illustration.

It is important to take professional advice before making any decision relating to your personal finances.

Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain.

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A mortgage is a loan secured against your home or property. Your home or property may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.

Tax treatment is based on individual circumstances and may be subject to change in the future.

All details correct at time of writing (June 2024).