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# Essentially Mortgages

Is a housing market revival  
on the cards?

Thinking about overpaying  
your mortgage?

The financial benefit of  
energy efficient homes



Q4 2024

- ▶ Confidence back in equity release
- ▶ Rise in 'non-traditional' house buying routes
- ▶ Fewer young people securing mortgages

Quilter  
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Planning

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## Is a housing market revival on the cards?

*The summer housing market was positive, helped by confidence after the General Election and a reduction in Bank Rate, but what does the future have in store?*

### The outlook for buyers

Rightmove's Property Expert, Tim Bannister, observed, "The conditions are there for a more active autumn market." Rightmove predict that, by the end of 2024, house prices will be 1% higher than they were the previous year<sup>1</sup>. Meanwhile, Zoopla expects mortgage rates to stay around 4% to 4.5% for the rest of 2024. It is thought that wages will rise while house prices remain consistent, improving buyer affordability.

### Rental inflation slowing

Rents are now rising at their slowest rate since 2021<sup>2</sup>. Predictions suggest a 3 to 4% increase overall in 2024, compared to annual increases of 8% in 2023 and 11% in 2022.



### 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 near public transport will continue to be highly sought after. Employment flexibility widens the search area in terms of where people are looking to move and achieve the quality of life they want.

<sup>1</sup>Rightmove, 2024, <sup>2</sup>Zoopla, 2024



## Thinking about overpaying your mortgage?

*A mortgage is one of the most significant financial commitments many people will ever make. If you are lucky enough to be in a position to consider making overpayments, this can be an appealing option, but there are some things to think about before you do.*

### **The case for early repayment**

If you can afford to make extra payments, overpaying your mortgage will mean you pay less interest overall. It will also mean you can finish repaying sooner.

### **Is overpaying right for you?**

This depends on your circumstances. First, you should consider any other debts you have, as well as your pension, savings and mortgage type. Credit cards and other loans generally charge a higher rate of interest than a mortgage. It is therefore important to pay these off first. And make sure you have a cash buffer for emergencies, don't overpay without this in place.

Next, check your mortgage details. If there are any charges for overpaying, factor these into the calculations. Many lenders will let you overpay up to 10% a year without penalties, but each deal is different – don't get caught out!

*If you can afford to make extra payments, overpaying your mortgage will mean you pay less interest overall*

## The financial benefit of energy efficient homes

*The cost of energy bills can vary hugely depending on your property's EPC rating.*

An energy performance certificate (EPC) measures the energy efficiency of a property. A is the most efficient rating and G is the least. A recent study<sup>3</sup> has emphasised the difference that a good rating makes. For a three-bedroom house, average annual energy bills could be anything from £508 (A rating) to £5,674 (G rating). The most common EPC rating in the UK is a D, with bills averaging £2,340.

There are several things you can do to improve your home's energy efficiency. Some of the most affordable include replacing your old-fashioned incandescent light bulbs with compact fluorescent lamps or LED bulbs, installing loft insulation and insulating your hot water tank.

<sup>3</sup>Rightmove, 2024





# Confidence back in equity release

*Confidence is growing among new and existing equity release customers, according to the latest figures from the Equity Release Council (ERC).*

## On the up

The number of new equity release customers rose by 12% in Q2 2024<sup>4</sup>, the ERC revealed. Total lending increased by 15% to reach £578m. There was also a quarterly and annual increase in the average loan size.

## Taking control

It was revealed that over 360,000 equity release customers made voluntary penalty-free partial repayments in 2022 and 2023. This will save them almost £300m in borrowing costs over the next 20 years. The total value of voluntary repayments increased by 18% between 2022 and 2023.

## Talk to us

Anyone over 55 who owns their own home has the option to release equity. It is essential to seek professional advice before taking out a lifetime mortgage. Equity release is not for everyone – we can talk you through the advantages and potential drawbacks.

**Equity Release and Lifetime Mortgages will reduce the value of your estate and can affect your eligibility for means-tested benefits.**

<sup>4</sup>ERC, 2024

## Northern mortgage hotspots

*Six Northern cities have seen dramatic rises in mortgage searches, new analysis<sup>5</sup> has revealed.*

Leeds, Bradford, Manchester, Liverpool, Sheffield and Newcastle now account for almost 11% of all mortgage search activity, up by two-thirds on last year. Indeed, activity in these six cities is up 29.5% as a proportion of all searches.

The figures suggest that more buyers, especially first timers, may be considering more affordable housing options outside London.

<sup>5</sup>Twenty7tec, 2024



# A new Renters' Rights Bill

*A new bill to outlaw no-fault evictions is about to shake up the private rented market. The Renters' Rights Bill will mean that landlords are prevented from evicting tenants without good reason.*

The Bill will include the end of Section 21, commonly referred to as no-fault evictions. Such evictions rose by 52% in London in the year to March 2024<sup>6</sup>.

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.

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

## **Rent increase challenges**

To counter rising rents, tenants will also have the power to challenge rent increases. Renters will gain the right to request a pet too. In these cases, landlords will not be able to refuse unreasonably, though they may request insurance to cover potential damage.

'Awaab's Law', which requires landlords to respond to health hazards within certain time frames to ensure that damp and mould are dealt with appropriately, is also set to be extended to the private rented sector.

<sup>6</sup>City Hall, 2024

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## Rise in 'non-traditional' house buying routes

*Half of young first-time buyers (FTBs) are willing to consider 'non-traditional routes' to get onto the property ladder, according to new research<sup>7</sup>.*

### Friend or sibling?

Some 62% would ideally like to purchase a home with a partner. Faced with a difficult buying environment, however, many have been forced to look at alternative options.

Top non-traditional routes include purchasing with a friend (24%) or sibling (22%). The main motivator for considering these routes was improving affordability. One in seven believed there was no other way for them to buy a home.

### Trust is key

Whoever you are buying with, a declaration of trust is essential. This is a legal agreement between joint owners that clarifies each person's share in the property. We can help you understand your options.

<sup>7</sup>Lloyds, 2024

## BoMaD fork out £30bn

*The Bank of Mum and Dad (BoMaD) are expected to give nearly £30bn to help their children buy homes over the next three years<sup>8</sup>. In 2023 alone, £9.4bn was given to FTBs.*

Property transactions dropped by 20% in 2023, but those who did buy needed more help due to higher mortgage rates. About 57% of FTBs with mortgages received family support, the highest since 2012.

While fewer people are likely to need help as mortgage rates fall, the amount given or lent to children has nearly doubled since 2019. The percentage of FTBs getting help is expected to drop slightly, from 57% in 2023 to 54% in 2024.

However, the total amount given by families will remain around £9.3bn per year.

### A foot on the ladder

Frances McDonald, Director of Residential Research at Savills said, "Record rental growth and increased mortgage rates (particularly for high LTV products) have acted as a further blow to first-time buyers' home-owning aspirations. As a result, a greater proportion have needed support to get onto the housing ladder, and those who were able to, took advantage of family support to try and secure a deal at a lower mortgage rate."

<sup>8</sup>Savills, 2024

*In 2023 alone, £9.4bn was given to first-time buyers*



# Fewer young people securing mortgages

*A proposed new 'Freedom to Buy' mortgage guarantee scheme is unlikely to support prospective FTBs, according to Financial Conduct Authority (FCA) data analysed by Quilter.*

Ahead of the General Election, the Labour Party promised that its policies would 'support 80,000 young people to get on the housing ladder over the next five years.'

The new analysis<sup>9</sup> reveals that since its launch in April 2021, the current mortgage guarantee scheme has supported only 44,368 people to get a mortgage. Of these, 86% were FTBs.

The total number of people between the ages of 18 and 30 securing a mortgage was 350,092 in 2023, down from a spike of 401,665 in 2021. Significantly, many prospective FTBs are

finding it harder to secure a mortgage, as higher rates add a major obstacle.

If you're hoping to buy your first home and need some mortgage advice, get in touch.

<sup>9</sup>FCA data analysed by Quilter, 2024

*If you're hoping to buy your first home and need some mortgage advice, get in touch*



# Critical illness cover – don't bury your head in the sand

*Nobody wants to think about suffering from a life-changing illness but getting the right protection in place now can provide peace of mind.*

## Why critical illness cover?

Some of the statistics on serious illnesses can be alarming. For a non-smoking couple in their thirties, for example, there is a one in four<sup>10</sup> chance of one partner developing a serious illness before reaching retirement age.

Critical illness cover pays out a lump sum to help you financially in this difficult situation. If diagnosed with a specified illness, the money you receive can help pay off a mortgage or provide financial support during a period of being unable to work.

## Peace of mind – now and later

In the unthinkable scenario of developing a serious illness, the risk of financial burden will be eased. But it is not only your future self who will thank you for taking out critical illness cover. Policyholders and their loved ones benefit from the vital peace of mind that comes with knowing you'll be able to meet key financial commitments wherever life takes you.

<sup>10</sup>LV, 2024

*For a non-smoking couple in their thirties, for example, there is a one in four<sup>9</sup> chance of one partner developing a serious illness before reaching retirement age*



*Household finances are the strongest they've been for two years*

## Household spending expected to increase

*A survey has found that household finances are the strongest they've been for two years<sup>11</sup>.*

Consumers seem to be feeling more confident. Since September 2022, the number of people who say they are in financial trouble has halved. Meanwhile, there has been an increase in the number of consumers who have spare cash to spend on luxuries or put in their savings. This is expected to prompt an increase in spending.

However, many are still proceeding with caution. 72% of survey respondents plan to make cuts to their spending over the next three months – the same proportion as this time last year.

<sup>11</sup>PwC, 2024

*Since September 2022, the number of people who say they are in financial trouble has halved*

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.