SANDRINGHAM

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Your Window on

Home Finance

WINTER 2020

Property market resilience? What does 2020 hold?

Heightened economic and political uncertainty has cast a shadow over the property market in recent times. Although activity has been subdued in certain areas, as buyers and vendors hesitate, forward looking metrics indicate that market sentiment over the next 12 months show signs of resilience[1]. Prices are expected to rise at a national level over the coming year and sales volumes to stabilise, positive features for 2020. Wide regional variations continue to exist, with pockets of activity across the country. This polarisation is likely to continue.

A firm foot on the ladder

First-time buyer (FTB) domination of the property market in 2019 was a prevalent theme, with FTBs outnumbering all types of property buyers for the first time since 1995. FTB mortgage completions peaked in the summer, with the highest monthly total in August for 12 years[2].

First-time buyers continue to reap the benefits of Help-to-Buy, Stamp Duty relief (not applicable to Land Transaction Tax in Wales), reduced competition from purchasers, including buy-to-let landlords, and low mortgage rates. Low interest rates and high loan-to-value mortgages, requiring smaller deposits, have also helped fuel activity.

Long-term thinking

Another prevalent theme, set to continue, has been the rise of the longer-term mortgage. Traditionally mortgages have lasted for around 25 years, but demand for longer-term deals has seen substantial growth.

Longer term mortgages allow borrowers to lower their monthly outgoings and gain access to larger loans, even with stricter borrowing rules limiting how much you can afford to borrow. Data indicates six in 10 mortgage deals now come with a standard maximum term of 40 years. Lenders have also been extending their maximum age limits. Many borrowers on deals available today will pay off their mortgages at an advanced age.

Touch base

Whatever your intentions this year and beyond, we are well placed to advise you on all aspects of your mortgage and protection requirements. Whether you intend to move, remortgage, downsize, release equity, or are interested in considering your options, we remain on hand to provide you with the support you're looking for.

No matter what this year has in store, check in with us regularly to ensure you're on the best products for your needs - lenders continue to offer attractive deals, we can find the most suitable one for you.

[1]Royal Institution of Chartered Surveyors, 2019

[2]UK Finance, 2019

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:

Home fires still burning

Picture this: a spark from an open fire has caused a blaze in a house on a city street and the flames have spread to next door. The residents have all escaped safely and the fire brigade has been called. Fire appliances are soon on the scene and hosing water onto one of the blazing houses – but not the other.

Why just one house? It's 1770 not 2020 and the fire chief has spotted an insurance company's fire-mark plate on the front of the house getting the dousing. The chief works for that insurer and only fights fires on premises it has covered, as evidenced by a metal fire-mark.

That's how things worked in 1770. After the Great Fire of London in 1666 destroyed many homes and brought multiple disputes between landlords and tenants over rebuilding costs, minds had turned to how the financial impact of fire damage could be mitigated.

As a Museum of London historian explains: *"In 1680 the first fire insurance company was set up by Nicholas Barbon. Other insurance companies followed and by 1690 one in 10 houses in London was insured. By 1700 companies began to employ their own fire brigades [to cut claim costs]."*

It took another Great Fire, in Edinburgh during November 1824, to accelerate a further beneficial change – the development of fire brigades under local authority control. The insurers' direct fire-fighting role ended, but they continued providing cover to meet the expense of fire damage.

A lot more has changed since. Buildings insurance cover can include subsidence (an excess may apply), flood, storm and fire damage. Cover for contents may also include theft, accidental damage and use away from home. Getting the right buildings and contents cover is vital – like having a fire-mark on your wall in 1770.

Don't sell yourself – or your contents – short

Recent research has revealed that we could be undervaluing the contents of our home by £115 bn[6] – meaning that millions of people across the UK may not have the right level of cover for their possessions.

Contents insurance covers anything in your home that isn't fixed down (think furniture, electrics, clothes, toys, books etc.). Over the years, it's likely you will have accumulated a great many valuable possessions, including televisions, computers, jewellery, clothing and much more. However, with respondents to a survey valuing their contents at an average of just over £18,000 – almost £17,000 less than the average contents value of about £35,000 – it's clear that a lot of us are selling our contents short.

The chances are you'll have a few more expensive electrical gadgets around the house following the festive period. So, it's worth taking the time to really think about your possessions, write a comprehensive list and tally up what they're REALLY worth – so you can be confident that you've got the right level of cover. If not, any valid claim could be scaled down by your insurer.

[6]Admiral, 2019

EMPTY NESTERS SITTING ON NEARLY £60,000 OF WASTED SPACE

On average, over-50s in Britain have £56,574 worth of unused space standing empty in their properties (usually bedrooms belonging to children who have since flown the nest)[3].

Many are reluctant to downsize due to the nostalgia and memories linked to their family homes.

LOWEST RISE IN HOUSE PRICES SINCE 2008

House prices crept up by just 0.6% last October, the lowest monthly rise for the time of year since October 2008. This is against an average 'Autumn Bounce' of 1.6% over the past decade.

Sluggish prices and political uncertainty are also causing many would-be sellers to put their plans on hold, with the number of properties entering the market down 13.5% on the same time last year[4].

MOVING? IT MIGHT COST MORE THAN YOU REALISE...

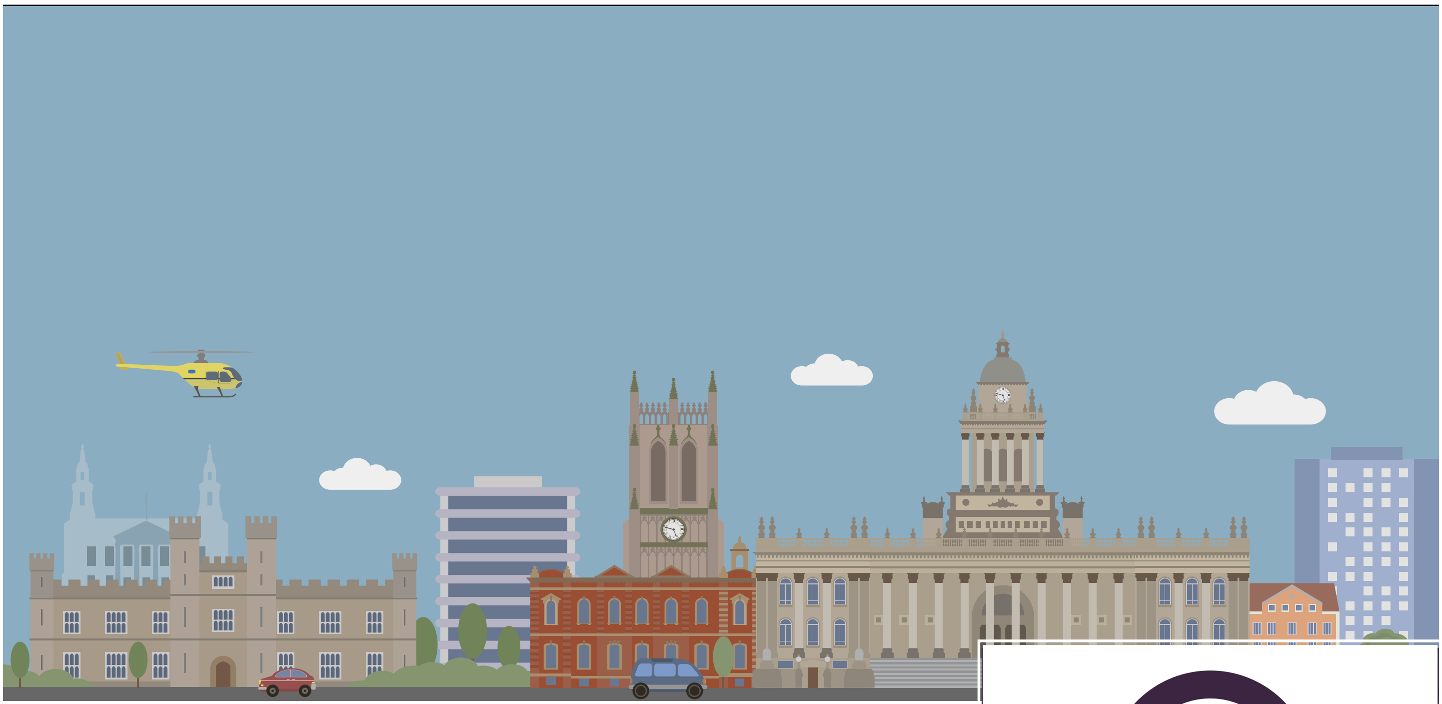
Buying or selling a property can be an expensive business, if new research on moving costs is to be believed. If you're looking to move, make sure you have a bit of spare cash to hand – the average moving cost now stands at a record high of £10,414[5] (£25,585 in London)!

Higher Stamp Duty and conveyancing fees are believed to be the main culprits behind escalating costs.

[3]Equity Release Supermarket, 2019

[4]Rightmove, 2019

[5]ReallyMoving, 2019



How ‘Leeds Permanent’ vanished – and a new ‘Leeds’ filled the void

If the former Leeds Permanent Building Society had ‘done what it says on the tin’ like that wood-stain in the old TV ad, the mortgage lender would surely still have branches on Britain’s high streets. Savers might even be able to invest in its Liquid Gold account, the ‘nice little earner’ promoted in another old advert by the late George Cole, who played likeable rogue Arthur Daley in ‘Minder’.

On the basis that within financial services ‘permanent’ should mean what it says, maybe that Arthur Daley character was just the man to front a here-today-gone-tomorrow outfit? Well, ‘The Leeds’ wasn’t really like that, as building society history confirms. The first building society of all, founded in 1775 in Birmingham, was a ‘terminating’ society, as were the other 250-plus established by 1825.

When the Leeds Building and Investment Society opened in 1846, it too was a terminating society, one whose members pooled resources to provide their own homes and shut down once all were housed.

At that time, only a few societies had begun accepting savings and financing homes for a wider membership with the intention of perpetual operation.

Perpetual notion

Seeing permanent status as the future, in 1848 the society converted into what later became Leeds Permanent. It was soon helping homebuyers throughout Yorkshire and during its first century grew its assets beyond £40m with its countrywide expansion. Later, the wave of privatising and demutualising that began in the 1980s saw ‘The Leeds’ merge with Halifax Building Society in 1995.

Halifax plc united with Bank of Scotland in 2001 as HBOS, which was absorbed by Lloyds Banking Group during the 2009 financial crisis. Meanwhile, in 2005, a small but old society, Leeds & Holbeck, opted to drop ‘& Holbeck’ and confusingly rebranded as Leeds Building Society. In this evolving market of banks, building societies and alternative lenders, as your mortgage adviser, we are always totally at home.

Older people lack suitable housing options

Around 7.2 million over-65s would consider buying a bungalow, showing a strong demand for single-storey homes among the older population. With only two million bungalows ever having been built in the UK, however, it’s clear that demand far outstrips supply[7].

As our population ages, more thought needs to be given to the provision of housing suitable for their needs. Living on one level minimises the chance of dangerous falls, while many believe that bungalows are easier for older people to maintain.

And, with many empty nesters living in homes that are now too big for them, more suitable housing provision for this age group would free up larger family homes for younger generations.

[7] McCarthy & Stone, 2019

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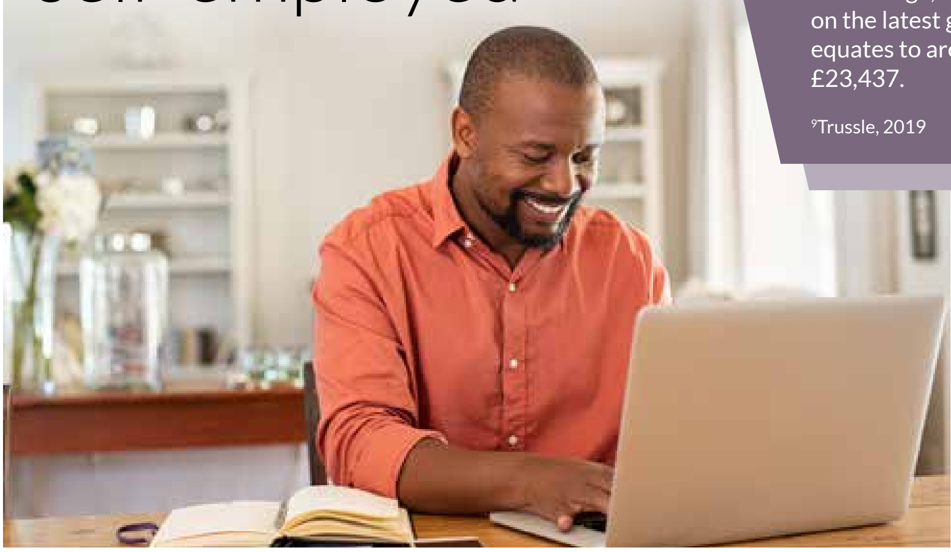
Yes, you CAN be a homeowner if you're self-employed



Don't believe us? Keep reading for some handy tips to help you get on the property ladder while enjoying the benefits of working for yourself.

Getting a mortgage is hard enough these days but being self-employed adds an additional layer of complexity. So much so, in fact, that over a million self-employed Britons believe they'll never own a home![8]

Inflexible lending criteria?

When you apply for a mortgage, your lender will want to know that you have a steady income and that you'll be able to keep up with your repayments. For self-employed people, who are more likely to earn sporadically, this can be difficult. Typically, lenders will ask for three years' worth of accounts as proof of income before making an offer, although there are a few that might lend on less. No wonder two-thirds of self-employed workers are finding it hard to get a mortgage!

So, is it possible?

In short, yes. There are things you can do to make lenders more likely to accept your mortgage application – here are just a few:

- Do your research – there are lenders out there with more favourable lending criteria, so it's worth looking around to see what's on offer
- Keep your accounts straight – lenders will want to scrutinise your accounts to check your earnings
- Build up that deposit – even if you really don't think you'll be able to get a mortgage, a good deposit is an excellent starting point and could hugely increase your chances – so get saving!

Come to us

We understand the difficulties of getting a mortgage when you're self-employed – but it's not impossible. We can help you to find more flexible providers who are open to lending to self-employed people. So, don't give up! Just get in touch.

[8]Kensington Mortgages, 2019

GRANNY AND GRANDAD LEND A HAND

As well as the Bank of Mum and Dad, the 'Bank of Granny and Grandad' now plays a major role in helping both prospective and existing homeowners.

Recent figures show that nearly a third of buyers aged 18-34 were helped financially by their grandparents to buy their home and 12% of existing homeowners have received assistance from the Bank of Granny and Grandad[9].

On average, the amount received is around £7,400. Based on the latest government house price data, this figure equates to around 30% of a typical 10% deposit worth £23,437.

[9]Trussle, 2019

Protect yourself as you move through life's stages

Your protection needs will change as you travel along life's journey, making it difficult to keep on top of what type of protection you need. A recent survey shows that only 27% of people are confident they have the right protection cover in place[10].

The survey also shows that our perception of the likelihood of certain events happening is often wrong, with people thinking they are almost twice as likely to die during their working life than to have an accident that prevents them from working. Respondents to the survey also considered an early death more likely than a serious health condition.

If you had to stop working, how would you keep a roof over your head? Over half of 18 to 35-year-olds say they would cope for less than three months on their savings or investments, if they couldn't work due to illness or injury.

We can help you understand your risks throughout your life and arrange the right products and level of cover, all within your budget. Get in touch to see how we can help.

[10]Royal London, 2019

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