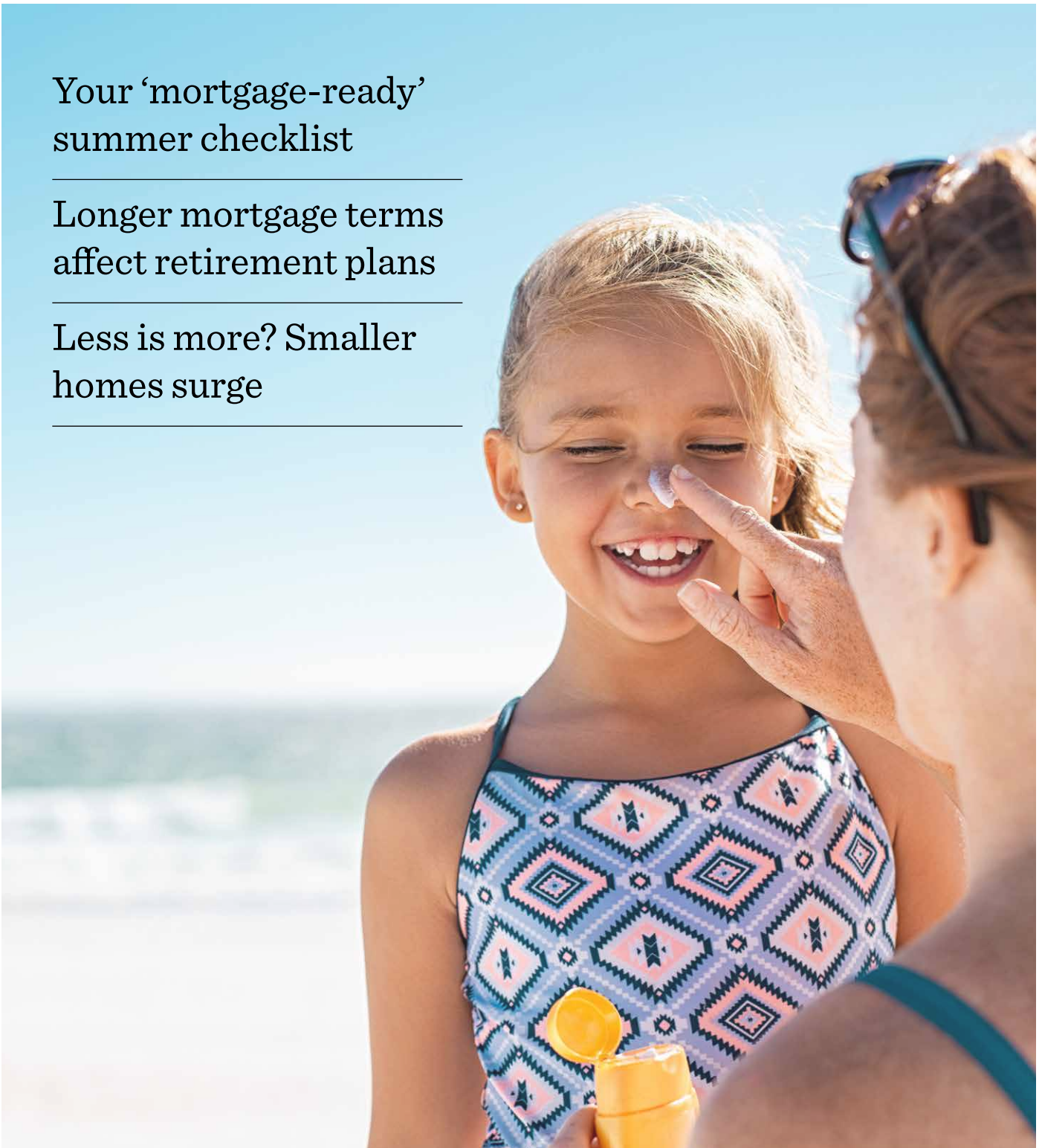


Essentially Mortgages

Your 'mortgage-ready'
summer checklist

Longer mortgage terms
affect retirement plans

Less is more? Smaller
homes surge



Q3 2024

- ▶ Overcoming the challenges faced by first-time buyers
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- ▶ Buyers of new builds more protected than ever

Quilter
Financial
Advisers

In this issue

Welcome

*Welcome to the summer issue of
Essentially Mortgages.*

As we step into summer, we explore the latest topics related to mortgages and the housing market.

From understanding your credit score and building your deposit, to longer mortgage terms and their impact on retirement plans, we look at the issues affecting your financial plans.

We also uncover the latest trends in the housing market, including the surge in demand for smaller homes and the impact of rail connectivity on house prices. You'll also find valuable insights into home insurance, equity release and the transaction process for buyers.

Whether you're a first-time buyer, a homeowner looking to move, or a landlord seeking to upgrade your properties, this issue is packed with useful information and guidance.

We hope you find this issue informative, and thanks for investing with or considering Quilter.

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Your ‘mortgage-ready’ summer checklist

Summer is here, the days are at their longest... and your property dreams may be closer than you think! Whether you’re hoping to move up, down or onto the ladder, with a little preparation, you can be mortgage ready before the leaves start falling again.

Here are four quick steps you can take right now:

Understand your credit score...

One of the first things you need to be aware of when applying for a mortgage is how your credit score might affect your chances. Before lenders inspect your score, you can check your own records and find out which areas might need some work.

... and improve it!

You can't control everything in your mortgage application but there are simple ways to boost your credit score. These include registering to vote, correcting any errors with the credit

agency and closing down inactive or old accounts that are out of date. This last one is especially important for joint accounts with people you are no longer financially linked to.

Build your deposit

If you're a first-time buyer (FTB) who has been saving for what feels like centuries, chances are you'll be fed up of hearing this one. But it is true that the higher the deposit you can put down, the lower you'll have to pay back in the long run.

Manage your credit

When borrowing on credit cards, lenders prefer to see spending well

There are simple ways to boost your credit score. These include registering to vote, correcting any errors with the credit agency and closing down inactive or old accounts that are out of date.

below your credit limit. Generally, the advice is to use less than half of your available credit, though some experts advise keeping to 25%. So if you've a combined limit of £6,000, aim to use no more than £3,000 of it – and stay below £1,500 if possible.

Here to help

Whatever your property dreams, you don't have to go it alone. We are here to help you prepare the best possible application for your unique circumstances.



Overcoming the challenges faced by first-time buyers

There have always been challenges involved with buying a first home, but what specifically are they and what does the future hold for FTBs?

FTBs getting older

In 2004, over half of adults owned a home at the age of 32 but by 2022, the age had risen to 36¹. According to Santander, so far this year, 18% of their borrowers who are FTBs have been over 40, with their oldest FTB aged 67. Hopeful homeowners are therefore stuck renting for longer. However, that also comes at a high cost as UK private rental costs increased by 9.2% in the year to March 2024.

Family help

Those that do manage to get onto the property ladder usually come from wealthier backgrounds, as most FTBs either need two high incomes or financial support from Bank of Mum and Dad. In fact, in 2018–2020, nearly half of FTBs in their 20s had help from family members². Moreover, it has been found that, for 25 to 39-year-olds, children of homeowners are twice as likely to have their own home than those whose parents are renters.

Dreams on hold

It is perhaps no surprise that the current difficulties have caused 49% of prospective FTBs to pause their plans over the last year³. When asked about their reasons for delaying, the majority (53%) cited high house prices, whilst 41% said that high mortgage costs were a barrier.

Finding a compromise

Over the last five years, 38% of new homeowners have had to sacrifice something in order to secure their first purchase. For many (40%), the compromise was buying a property that needed some renovation, while 34% settled down in a different location to where they first planned.

Helping you through it

While we appreciate these are challenging times, where there's a will, there's a way, we are here to help you work towards your property dreams.

¹ONS, 2024, ²IFS, 2023, ³Nationwide, 2024

Equity release market update

After a slow 2023, the equity release market is showing some signs of tentative improvement.

In Q1 of this year, the number of new and returning customers using equity release products rose to 14,216 – 4% higher than the previous quarter⁴. Existing customers are showing most confidence in the market, as they drove a 6% increase in drawdown activity. Meanwhile, the number of new customers fell by 11% in Q1, suggesting that this group are proceeding with a little more caution.

Reflecting on the data, Chair of the Equity Release Council, David Burrowes, commented, “New customers are choosing drawdown plans with smaller initial advances while existing customers are being more modest about their borrowing compared to the start of last year.”

Where is the unlocked money going?

A lifetime mortgage lender analysed the new equity release plans that were taken out in Q1 and found that one in five of their borrowers owned a property worth over £550,000⁵. When asked how they planned to spend their money, 22% of customers said they wanted to make home improvements. Meanwhile, nearly 20% hoped to repay debts and mortgages, and 15% were planning to use the unlocked cash on holidays.

Seek guidance

It is essential that you seek professional advice before releasing equity on your home. We can talk you through the advantages and drawbacks.

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

⁴ERC, 2024, ⁵Pure Retirement, 2024

Longer mortgage terms affect retirement plans

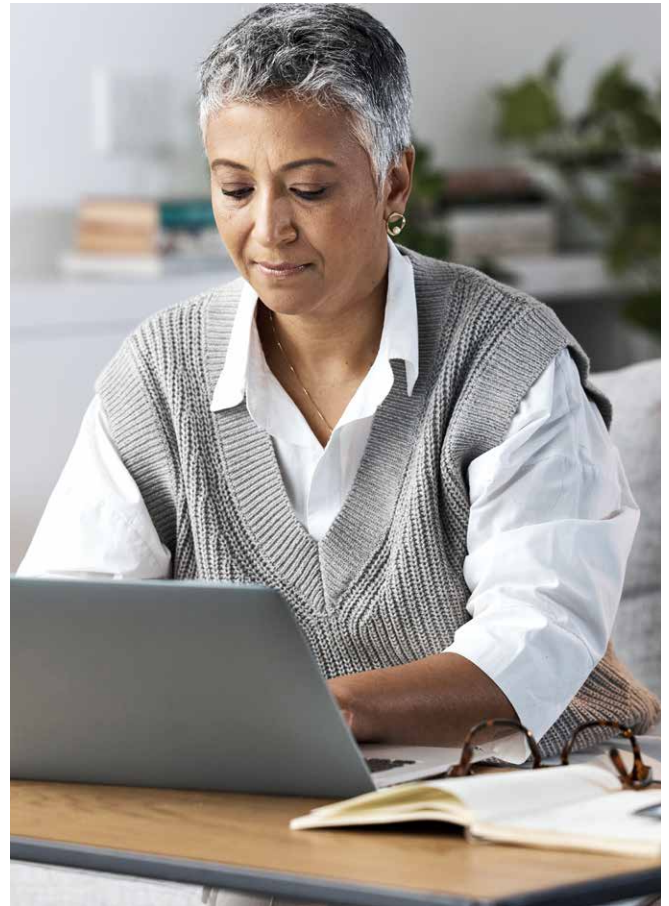
Most of us think our retirement years will be a time to unwind after decades of hard work, but for an increasing number of mortgage holders, this peaceful vision is slipping away. Many find themselves compelled to work beyond pension age to pay off longer-term mortgages.

The recent spike in interest rates has exacerbated this issue, pushing mortgage rates to highs that haven't been seen for many years. Homeowners who have taken on mortgages or remortgaged in the past year are likely to have seen their monthly payments soar.

Recent freedom of information data from the Financial Conduct Authority (FCA), gathered by Quilter, revealed that two fifths (40%) of all mortgages issued in the last three months of 2023 had terms of more than 25 years.

For some, a mortgage which is longer than the traditional 25 years could be an ideal way to get onto the housing ladder. Longer mortgage periods allow potential homeowners to borrow larger sums, which should allow access to a greater variety of available homes, but it should be remembered that you are likely to end up paying more in interest overall.

Come and talk to us and we can advise you on the most suitable option for your circumstances.



Less is more? Smaller homes surge

Remember the 'race for space'? At the height of pandemic pandemonium, many homeowners were plotting to move out of cities in search of bigger homes. Now, the trend seems to have reversed, data suggest⁶, with smaller homes seeing higher demand.

Flats are back

At the start of 2024, smaller homes recorded the strongest increases in price growth. Analysts suggest this was in part the result of buyers adjusting their expectations to compensate for higher borrowing costs.

However, the move to smaller homes is also a feature of homeowners returning to city centres. In particular, flats are back in demand: annual price growth for flats

reached 2.7% in February, a sharp turnaround from a fall of -5.9% last autumn.

Small change

In total, 53% of homes sold with a mortgage in 2023 were smaller properties, the highest proportion in nearly 30 years. Whether this big boost for smaller homes is here to stay remains to be seen.

⁶Halifax, 2024



Buyers of new builds more protected than ever

It might not be the most exciting thing to think about when looking for a new home but regulations for newly built homes can certainly make a big difference to buyers.

Yet, with so many different regulations, rules and guidelines, it can be difficult to keep up with all the changes. Here is everything you need to know in a nutshell.

Which code does your builder follow?

Most developers are signed up to a code which lays out best practice for the marketing, building, and selling of new builds. Before you buy, you can check which code your builder follows. This will mean you know who is holding them to account if any issues arise.

These codes are subject to change. For example, many developers were signed up to the Consumer Code for Home Builders until 2021, when the New Homes Quality Board (NHQB) was launched by the government.

Right to withdraw and after-sale service

Transparency is at the forefront of both the Consumer Code for Home Builders and the New Homes Quality

Code from the NHQB. Under these codes, consumers have the right to withdraw from the purchase if the housebuilder makes any changes to the home.

Transparency also entails the offer of a financial incentive to complete on a home if it has not yet met the warranty quality standards.

Other basic standards include the protection of deposits and prohibition on high-pressure sales tactics. The housebuilder must also provide an after-sale service for up to two years after legal completion.

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. Issues with housebuilders signed up to the Consumer Code for Home Buyers can be taken to the Independent Dispute Resolution Scheme.

Keen landlords upgrading their EPC

Last September, proposed regulations for all private rental properties to have a minimum EPC rating of C were shelved, but research indicates that 37% of portfolio landlords intend to go ahead and improve the energy performance of their properties anyway⁷.

Some already upgraded

The legislation would have required all landlords to upgrade their EPC rating by 2028, but some property owners already meet that standard. The report, which surveyed nearly 400 landlords who have at least four rental properties, found that almost a third (32%) of respondents only own properties with an EPC rating of C or above.

The road to improvement

Of the landlords who are carrying on with improvements, 28% expect that it will take one to two years for all their properties to hit a C rating. Meanwhile, 17% believe it could be five years before they have completed the work.

Others less committed despite the benefits

Not everyone is so keen on making upgrades if it is not a legal requirement; 16% of landlords surveyed have paused their plans until legislation is introduced. In fact, one in 10 said their portfolio strategy was unaffected by the proposed regulations. However, there are many advantages to upgrading the energy efficiency of a property, even if it is not mandatory. Monthly utility bills are likely to be cheaper, plus there is a high chance that the property will increase in value.

⁷Paragon Bank, 2024

Think home insurance before your holidays

If you're going away this summer, it's a good idea to think about your home insurance before you travel. That way, it can be far from your mind while you're soaking up the sun!



Don't invite the burglars in

Getting burgled is an awful experience that nobody deserves to endure. Fortunately, there are some simple ways to make your home more secure:

- Lock all windows, doors and gates
- Cancel deliveries so they don't pile up
- Ask a neighbour to put your bins away after they are collected.

For added security, you could also leave a set of keys with someone you trust. Ask them to turn lights on and off (or use a timer), close the curtains or use your driveway, to make the house seem occupied.

Notify your insurance provider before you travel

Did you know that most insurers require you to notify them if your primary home will be vacant for at least 30 days? If you'll be away that long, you will likely 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.

Save your snaps for when you're back

If you like sharing your holiday pics on social media, you may want to proceed (and post) with caution. It is important to remember 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 insurance at risk.

Rail connectivity provides a house price boost

The introduction of the Elizabeth Line has helped to hitch up house prices in areas close to a Crossrail station, research has found⁸.

Crossrail delivered the new railway, which now runs from Heathrow and Reading to Shenfield and Abbey Wood. Parts of the service were introduced in 2022, with the line fully opening in May 2023. Over the last two years, houses near to a Crossrail station have

increased in price by an average of 3.3%. Overall, there are 41 Elizabeth Line stations and 34 of these have seen positive house price growth in their postcode areas.

Prime location

House prices have grown the most in the W1 area; with access to both Bond Street and Tottenham Court Road stations, prices are up 17.2% when compared with May 2022. Also, average prices in E14 (close to Canary Wharf) have gone up by 11.8%, while houses in the rest of Tower Hamlets borough have dropped by -9.1%.

⁸Benham and Reeves, 2024

Transaction process slowing down buyers

An increase in buyer and seller activity means that the UK is expecting to see a higher number of property transactions this year than in 2023. However, it is taking a long time to complete a sale once a property has found a buyer.

After a sale has been agreed, there is currently an average of 154 days until legal completion. In total, sellers can

expect to wait seven months between putting their property on the market and moving home⁹.

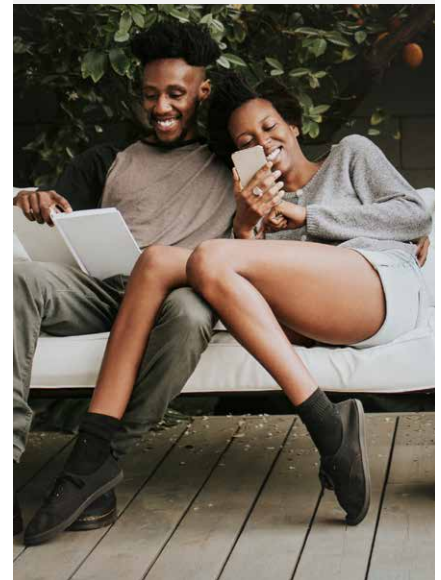
How to improve?

To make the process more efficient, experts at Rightmove suggest 'providing more accurate information about a home earlier to potential buyers and better connecting the parties involved in the transacting process through technology.'

Don't wait – list your property

Christmas may feel far away but, if you are hoping to move home by the end of the year, you may wish to put your property up for sale now!

⁹Rightmove, 2024



Family plans in question due to cost of living

A whole generation could be on pause due to the cost-of-living crisis according to a report, as squeezed household finances have caused one in 10 people to rethink their plans to start a family¹⁰.

Cost of a family

The cost of having children has risen; since February 2023, expenses have increased by £1000 a month for the average family with young children. Higher mortgage rates have had a significant impact too – average monthly payments have risen by £588. As a result, 34% of adults aged 35-49 have regularly gone into their overdraft or been forced to borrow money to make their payments. Meanwhile, 23% have been left with no savings at all.

You don't have to delay your life plans to make ends meet. We can help you source the most suitable mortgage, taking into account your current circumstances and your hopes for the future.

¹⁰Royal London, 2024



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.

Approver: Quilter Financial Services Limited & Quilter Mortgage Planning Limited. 16/07/2024.