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## Your Home Finance

## Summer 2021

### Inside this issue

Highest ever number of equity release products available

Is your home worth more than you think?

Lenders reassured by mortgage guarantee scheme

Don't believe these mortgage deposit myths

It's holiday season – but is your home protected?

### 'Staycation nation' increases value of holiday lets

The UK has become a nation of staycationers, which in turn has caused the price of holiday homes to soar, according to research<sup>1</sup>.

The purchase price of holiday lets increased by 12% between October 2020 (£387,993 on average) and March 2021 (£435,476 on average), based on holiday home mortgage applications.

#### Sharp rise in mortgage applications

The number of mortgage applications for holiday lets have also risen sharply in the same time period, with March 2021 seeing a third more mortgage applications compared with October 2020.

#### Staycations – here to stay?

International travel is still restricted, with just a handful of countries on the government's 'green' safe list, meaning that – for now at least – staycations will remain the holiday of choice for the majority of British holidaymakers. So, it's unsurprising that canny investors are snapping up holiday lets this year.

A survey<sup>2</sup> shows that UK destinations remain high on travellers' lists for 2021, with Cornwall, the Scottish Highlands and Devon among the most sought-after destinations.

#### Looking to let?

If you'd like to invest in a holiday let and take advantage of the staycation trend, get in touch. We can assist you in finding suitable mortgage finance for your needs.

<sup>1</sup>Hodge, 2021, <sup>2</sup>holidaycottages.co.uk, 2020

## Positive signs for the property market this summer



**Buyer demand for UK property is showing no signs of abating as we head into the summer months, with one comparison site using conveyancing quote data to predict a house price spike of 2.9% in June and 3.7% in July, based on springtime sales agreed<sup>3</sup>.**

#### A 14-year high

House price growth continues to rocket as a result of the ongoing property boom, with the Office for National Statistics (ONS) revealing March 2021 prices were a staggering 10.2% up on the previous year – a rate last seen pre-financial crisis in 2007.

An extended Stamp Duty holiday in England and Northern Ireland, in addition to the new mortgage guarantee scheme and changing property priorities (for example gardens and home offices), are all behind this rocketing buyer demand.

#### 2021 – a record-breaking year?

2020 was a year of records, and 2021 looks set to achieve the same. In addition to record growth, this year could be set to be the busiest for many years, with 1.5

million homes predicted to change hands<sup>4</sup> – equating to £461bn of sales. If this prediction is accurate, sales are set to be 46% higher than last year and 68% higher than 2019! Again, this would make 2021 the busiest year for property since 2007 – and one of the top 10 busiest years since 1959.

#### Summer hotspots

Yorkshire and the Humber, Wales and the North West are currently seeing the fastest sales (10-15 days), making them the top summer hotspots for property transactions. By contrast, London is seeing more sluggish movement, with a property taking two months to sell on average.

#### Speak to us

Mortgage choice is only getting wider as lenders return to the market, so if you have a summer of house hunting ahead of you then speak to us. We can help you assess which of the many mortgage options – and protection products – may be the most suitable for you.

<sup>3</sup>reallymoving, 2021, <sup>4</sup>Zoopla, 2021

**As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.**



# Highest ever number of equity release products available

## How does your garden grow?

Since the pandemic hit the UK, Brits have been spending more time in their garden – and spending more on them, too. According to new research<sup>5</sup>, 58% of respondents to a survey said their garden is now a bigger priority, which has been reflected in their spending. Almost a quarter of respondents (22%) spent more than £600 on their garden last year, compared with 12% in 2019. What's more, over a quarter (27%) say they intend to spend over £600 in 2021.

## The best return on your BTL investment

Buy-to-let (BTL) property can turn a real profit and provide a good income for landlords. Typically, UK BTL investors see a 5% annual return on average from their property – but profit is very much dependent on location. According to research, the top 10 places to invest in a rental property are: Sunderland, Blackburn, Durham, Blackpool, Oldham, Cleveland, Liverpool, Wigan, Bolton and Manchester.

## Home moves prompted by nightmare neighbours

While the pandemic has prompted many people to move in search of more space, larger gardens or a more rural lifestyle, other people have less positive reasons for moving. According to a survey<sup>6</sup>, 28% of those asked why they moved home cited a desire to move away from noisy or messy neighbours. It's likely that neighbour frustrations annoyed us more than usual last year, due to the amount of time we spent at home.

<sup>5</sup>Quickmovenow, 2021, <sup>6</sup>Yes,Homebuyers, 2021

**Equity release has become an increasingly popular option for many people, with a record number of products now available on the market.**

With over 500 equity release options available to consumers<sup>7</sup>, rates have also dropped by an average of 2% in the past five years. The maximum loan to value (LTV) has held steady over this period at 49%.

### Demand increases

Equity release stood up to the challenges of the pandemic, with customers taking out 19% more lifetime mortgages in H2 2020 than in the first half of the year<sup>8</sup>. Equity release is clearly still a sought-after option of accessing funding in later life.

### Did you know...?

More and more people are using equity release, and yet consumers still lack basic

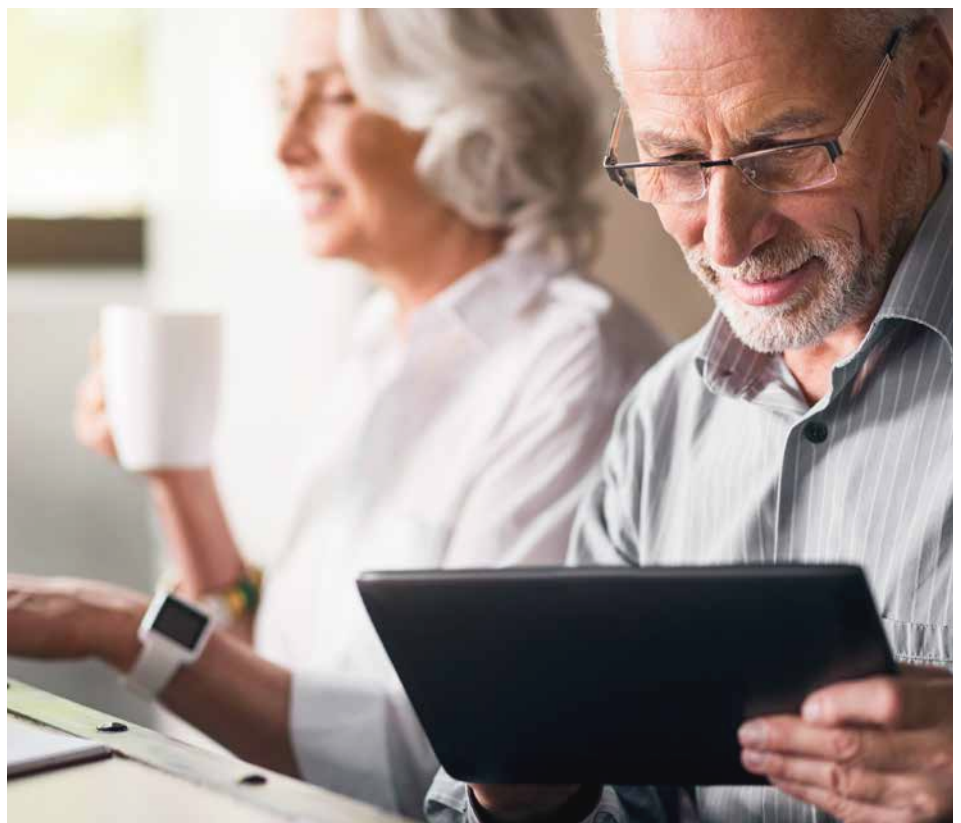
knowledge – for example, that they can switch to a cheaper rate and potentially save thousands of pounds. The FCA does not require equity release providers to stay in touch with clients after they've taken out a loan, or to inform them of any opportunities to switch.

The potential savings are not insignificant, with one equity release broker saying it has saved remortgagers an average of £33,795 over a period of 10 years<sup>9</sup>.

### Could you save too?

If you are an equity release customer and would like to know if switching might benefit you, then we can help. Talk to us and we can assess whether it is an option for you.

<sup>7</sup>Moneyfacts, 2021, <sup>8</sup>Equity Release Council, 2021, <sup>9</sup>Key, 2021



**Equity release may require a lifetime mortgage or a home reversion plan. To understand the features and risks, ask for a personalised illustration.**



## Lenders reassured by mortgage guarantee scheme

The government's mortgage guarantee scheme, which launched in April 2021, is encouraging lenders to offer mortgage finance to buyers with smaller deposits. It has been welcome news for prospective home buyers.

The scheme works as follows. The government offers lenders a 'guarantee' on 95% LTV mortgages (i.e. those worth 95% of the property value, with a 5% deposit required from the buyer). The guarantee applies to the portion of the loan over 80%, with the government compensating the lender for a portion of the net losses suffered in the event of repossession.

To be eligible, you must:

- Be a first-time buyer or home mover
- Be buying a property to live in yourself
- Pass all normal affordability checks
- Be offered a mortgage between 91% and 95% LTV.

### Get your foot on the ladder

Reassured by the guarantee, many high street lenders have now launched 95% mortgage deals. So, whether you've had to put your property dreams on hold during the pandemic or are just starting out on your homeownership journey, get in touch and we can assist you in getting the most suitable mortgage for your needs.

**The scheme is due to end on 31 December 2022, subject to review**

*As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments. You may have to pay an early repayment charge to your existing lender if you remortgage.*

## Is your home worth more than you think?

Do you think you know how much your property is worth? Would you be surprised if it was worth much more – or much less?

Many homeowners' estimates don't live up to reality, with nearly half of respondents (45%) to a survey<sup>10</sup> undervaluing their property and 25% overestimating its worth. Less than a third were correct.

Those who underestimated, did so by £46,305 on average, while those who overvalued thought their property was worth £44,313 more. Taking all responses together, homeowners were shown to be underestimating the value of their properties by £9,470 on average, or £237bn collectively.

### What is your home worth?

Understanding your property's value could have a significant impact on your life. Of those who sold their home after taking the survey, 81% said their unexpected windfall had enabled them to improve their lifestyle.

<sup>10</sup>Zoopla, 2021

## Don't forget...

The Stamp Duty holiday extension deadline of 30 June has now passed, meaning that the nil-rate Stamp Duty threshold is no longer £500,000.

There are still savings to be had for home movers, however. From 1 July to 30 September, an interim nil-rate threshold of £250,000 will be in place, so you could still save on tax if your transaction completes before October.

Expert mortgage advice could help you get your purchase over the line before the regular £125,000 threshold returns from 1 October, so please get in touch. We can help you assess your mortgage options and find the one that's right for you.

## Don't believe these mortgage deposit myths...

Taking out a mortgage is something thousands of us do every year, and yet misinformation about the mortgage process – and particularly deposits – is rife.

So, here are a couple of deposit myths you shouldn't believe:

### 1. You need a huge deposit to be approved

Many people believe you'll only get approved for a mortgage with a hefty deposit, which means those with smaller deposits are discouraged from trying. While it's true that a larger deposit will result in lower monthly repayments and often better rates, it is not the be all and end all.

Indeed, the government recently launched a mortgage guarantee scheme for those with small deposits, enabling more people to get onto the property ladder.

### 2. Your deposit is your only major cost

When it comes to the cost of buying a property, many people only factor in the deposit as an initial cost. Unfortunately, there are a few other costs to consider that can really add up. Solicitors' and estate agents' fees can cost several thousands, while Stamp Duty means many buyers will also face a significant tax bill.

#### Let us help

Whether you need advice on saving for a deposit or help with finding the most suitable mortgage for your circumstances, let us help. Get in touch and we can help make your homeownership dreams a reality.



## It's holiday season – but is your home protected?

**International travel returned in a limited way on 17 May, while those not going abroad have their pick of the UK's most beautiful staycation destinations this summer. But whether you're holidaying at home or abroad, make sure your property is protected.**

Many of us have fully embraced the national DIY craze during our year at home, while others have purchased expensive electronics and entertainment systems to while away the hours. If this is you, chances are your buildings and home contents cover may be out of date.

**Investing in home improvements**  
Brits poured their cash into improving their homes during the pandemic, with a report<sup>11</sup> revealing homeowners spent £55bn (or £4,035.70 each) on renovating their property between March and July 2020. Two thirds of property owners (66%) did some form of DIY during this period, with 27% doing so with the intention of increasing their home's value.

So, if you've invested in your property or purchased expensive home contents this year, it could pay to check that your cover is still adequate.

#### Lock up tight

Failing to lock up properly when you go away could invalidate your insurance, even if you do have adequate cover. As well as your doors and windows, make sure that you secure skylights, cat flaps, gates and anything else that could leave your property open to unwelcome guests. Activating your alarm (if you have one) may also be a condition of your insurance.

#### Away for more than a month?

If so, you might need to take out unoccupied property cover – most home insurance policies will only allow you to leave your property standing vacant for 30 days.

<sup>11</sup>money.co.uk, 2020

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

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