



Quilter
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Essentially

Mortgages

Q1 2025

Housing sales
set to stay
high after robust
year end

One in five
UK homes suffer
storm damage

Budget news
for the housing
market

Equity Release
growth trend
continues

Inside: Time to move? / Significant gains for UK homeowners over two decades / Safety net for non-salaried employees / Short-term mortgages - in demand? / First-time buyers (FTBs) forced to put plans on hold / Data has revealed the most affordable places to live in the UK / Do First-time buyers (FTBs) know the support available to them?



Welcome

Welcome to the Q1 2025 issue of Essentially Mortgages.

As we step into the new year, we're pleased to bring you our latest insight into the housing market.

We explore the robust sales momentum experienced in the latter half of 2024, driven by higher disposable incomes and easing mortgage rates – and what's expected for 2025?

Thinking of moving? Your property dreams could become a reality in 2025. And, if you're a first-time buyer, we highlight the support available to you to help you get on the property ladder. We also look at what's changed for the housing market in the most recent Budget and how it will impact homeowners, buyers, and sellers.

Finally, we bring you the regional trends and market dynamics you need to make informed decisions this year. From the areas that have enjoyed the most gains, to Britain's most affordable towns and cities, this issue contains a wealth of information for your property portfolio.

Thank you for being a valued client of Quilter Financial Advisers and we look forward to supporting you throughout 2025 and beyond.



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Housing sales set to stay high after a robust year end

The UK housing market experienced strong sales momentum in the second half of 2024, thanks in part to higher disposable incomes and easing rates on some mortgages.

House prices rose modestly in 2024. As always, regional variances were evident, with stronger price growth in more affordable regions. Notably, house prices rose in Northern Ireland (5.6%), Scotland (2.4%), and North West England (2.3%), while prices dipped slightly in the South East (-0.1%) and Eastern England (-0.3%). November data suggested that UK house prices overall were likely to be around 2% higher across the year¹.

Largest sales pipeline in four years

According to Zoopla, there was a substantial sales pipeline towards the end of 2024. This was valued at £113bn, the largest in four years, with over 306,000 properties in the purchase process – over a quarter (26%) more than the previous year. First-time buyers (FTBs) were the most active buyer group in 2024, motivated by

reduced mortgage rates, making homeownership more affordable compared to renting. In fact, the average mortgage repayment in October 2024 was 17% cheaper than renting, a stark contrast to just a 2% difference in October 2023.

Stamp Duty relief could fuel further sales stampede

Going into 2025, it's expected that the housing market in England may experience a surge in early transactions due to the end of a temporary Stamp Duty relief confirmed in the Autumn Budget. With Stamp Duty thresholds set to revert to previous levels on 31 March, analysts predict a rush to complete purchases in the first quarter, potentially followed by a slowdown in activity as demand tapers.

¹Zoopla, 2024

Looking ahead

The coming months are expected to see strong sales momentum, but the market's trajectory beyond early 2025 will likely depend on evolving economic conditions and affordability trends.

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The average mortgage repayment in October 2024 was 17% cheaper than renting, a stark contrast to just a 2% difference in October 2023
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Time to move?

With the residential market expected to strengthen in 2025, conditions are still set to remain challenging for renters².

The gap between supply of rental properties and tenant demand is likely to keep widening. In the three months to October 2024, tenant demand rose by

19%

but the number of landlords putting a property up for rent decreased by

29%

This chasm could push rental prices higher.

For those looking to buy, despite some improving conditions, affordability is likely to remain a challenge for many. Although further reductions to Bank Rate are a possibility, many homeowners with older fixed-rate deals ending, face refinancing at higher rates. However, with wages likely to strengthen, inflation tempering and lenders introducing some competitive products, your property dreams could become a reality in 2025. We can help you navigate changing market conditions.

²RICS, 2024



Budget news for the housing market

Taxation may have dominated the Autumn Budget, but the fiscal event did include some announcements that will impact homeowners, buyers and sellers.

Higher costs for buyers of second homes

Since 31 October 2024, people buying a second home face an extra 2% charge on the entire property cost in Stamp Duty after the 3% rate, in addition to standard residential rates, rose to 5%.

CGT for property investors

Capital Gains Tax (CGT) is charged on the sale of assets, including second homes, impacting property investors. The lower and higher main rates of CGT are 18% and 24% respectively for disposals made on or after 30 October 2024.

Greater supply of affordable housing

The Budget brought with it £500m of new funding for affordable housing. The government announced a package worth £5bn to deliver 33,000 new homes, boost supply and support small housebuilders, with several sites across the country earmarked for development. The government is also hoping to increase the supply of affordable housing by reducing Right to Buy discounts on council homes.

And remember...

Despite calls for the measure to be extended, first-time buyers (FTBs) will only benefit from a raised Stamp Duty threshold until 31 March 2025 (meaning no Stamp Duty applies on properties costing up to £425,000.) From 1 April 2025, FTBs will have to pay Stamp Duty of 5% on the portion of the property between £300,000 to £500,000.

£5bn

The government announced a package worth £5bn to deliver 33,000 new homes, boost supply and support small housebuilders

5%

Stamp Duty standard residential rates rose to 5%



Equity Release growth trend continues

The Equity Release Council (ERC)³ has reported continued growth in the equity release market, with two consecutive quarters of increased activity through to September 2024. During Q3 alone, homeowners over the age of 50 unlocked a total of £615m in property wealth, reflecting a 6% rise compared to the previous quarter.

The average loan size for new lump-sum lifetime mortgage clients also saw a slight uptick, reaching £111,618. This increase indicates growing confidence among homeowners in leveraging their property assets for financial flexibility.

David Burrowes, Chair of the ERC, remarked, 'Returning growth may have been modest to date, but it's particularly encouraging to see the trend continue'.

Equity release offers a financial solution for older homeowners looking to enhance their retirement income, fund major expenses, or support family members. With market growth persisting, equity release is becoming an increasingly popular tool to unlock property value. There are many factors to consider, it's not appropriate for everyone and depends on individual circumstances.

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

³ERC, 2024

“
Returning growth may have been modest to date, but it's particularly encouraging to see the trend continue
”

£615_m

During Q3 alone, homeowners over the age of 50 unlocked a total of £615m in property wealth



Significant gains for UK homeowners over two decades

UK homeowners who purchased properties in the past 20 years have enjoyed financial gains, with average increases of

£80,000

in property value, according to recent analysis⁴. These long-term gains highlight the resilience of the UK housing market, particularly in high-demand areas.



Areas with high property values and commuter-friendly locations, such as the Cotswolds and Richmond upon Thames, saw the most significant gains. In these regions, 80% of properties increased in value by more than £65,000.

Beyond London, the South East emerged as a standout region, with 70% of homes appreciating by at least £65,000. This underscores the sustained demand for properties in suburban and semi-rural areas, driven by factors like lifestyle changes and improved work-from-home flexibility.

The data also reflects how homeowners across the UK have capitalised on consistent housing market growth. While gains in some areas have been amplified by proximity to economic hubs, others have benefited from

infrastructure developments and increased desirability.

Whether you're considering buying, selling, or staying put, understanding regional trends and market dynamics remains crucial for homeowners looking to make informed property decisions.

⁴Zoopla, 2024



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Over the past five years, two in five households have experienced some form of extreme weather, highlighting the growing threat climate change poses to homes and communities across the country

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One in five UK homes suffer storm damage



One in five UK homes suffered storm damage between 2020 and 2024

The increasing frequency and intensity of storms and flooding are having a profound impact on UK residents, with new research⁵ revealing that one in five homes suffered storm damage between 2020 and 2024.

Over the past five years, two in five households have experienced some form of extreme weather, highlighting the growing threat climate change poses to homes and communities across the country. In addition to storm damage, 12% of UK homes were affected by flooding during the same period. Storm damage can range from structural issues like damaged roofs and windows to more severe impacts such as prolonged power outages and water intrusion.

Proactive measures to protect your home

With weather patterns becoming increasingly unpredictable, homeowners are encouraged to regularly assess their insurance cover and consider additional flood or storm protection if needed. Simple measures, such as clearing gutters and ensuring proper drainage around properties, can also help mitigate potential damage.

⁵Aviva, 2024



16%

of non-salaried employees expressed concern that their loved ones would not be able to pay for their funeral

Safety net for non-salaried employees

Being uninsured is a cause for concern for two in three non-salaried employees without life cover, a survey⁶ has found.

When asked what worried them most about being unprotected, some 16% expressed concern that their loved ones would not be able to pay for their funeral. Additionally, 14% were anxious about leaving their family with financial burdens and the same proportion were worried about their family's quality of life. Notably, a quarter of this demographic, which includes self-employed individuals, said that they could not afford life insurance.



Being uninsured is a cause for concern for two in three non-salaried employees without life cover

Knowing that your loved ones will be protected in the event of your death provides crucial peace of mind for non-salaried employees. We can help you find affordable cover that suits your needs.

As with all insurance policies, conditions and exclusions will apply

⁶Beagle Street, 2024

Short-term mortgages - in demand?

Two-year fixed mortgages seem to be the most popular among consumers at the moment, according to data⁷.

In October 2024, two-year fixed rate mortgages accounted for almost half (47.73%) of mortgage searches. Meanwhile, nearly a third of people (31.19%) were looking for longer fixed rate terms of five years. Overall, fixed-rate products made up 92.51% of all mortgage searches - a slight rise from the 91.37% recorded the previous month. With experts anticipating a reduction in interest rates in the coming year and beyond, consumers are perhaps reluctant to enter a long-term deal which could be more expensive in the long run.

Ultimately what's right for you will depend on your personal circumstances and preferences. Factors such as the stability of your employment, and whether you may have any life changes in the next few years, should be discussed. Do you need short term flexibility or long-term stability? Whatever your requirements we can help you determine the most suitable option for you.

⁷Moneyfacts, 2024



Overall, fixed-rate products made up 92.51% of all mortgage searches



In October 2024, two-year fixed rate mortgages accounted for almost half of mortgage searches



Nearly a third of people were looking for longer fixed rate terms of five years

First-time buyers (FTBs) forced to put plans on hold

Challenging economic conditions have led many aspiring First-time buyers (FTBs) to delay their plans to purchase a home.

According to recent research⁸, 44% of hopeful FTBs have postponed their homeownership goals due to the current financial climate. On average, these individuals have spent five years saving for a deposit, yet nearly half (48%) report extending their timeline by up to a year because of ongoing economic uncertainty. Alarming, 22% have delayed their plans by at least two years.

To get on the property ladder, over half (55%) are considering purchasing a cheaper property to make their mortgage repayments more manageable, while 53% are exploring homes further away from their workplaces or loved ones to find affordable options. These compromises reflect the difficult choices buyers are making to achieve their dream of homeownership.

Keep focused

Despite these challenges, the determination to get onto the property ladder remains strong. Encouragingly, 80% of FTBs said that their efforts were worth it in the end, proving that perseverance pays off.

If you're feeling overwhelmed by the current property market, you don't have to go through it alone. We're here to support you every step of the way and help you take the first steps toward homeownership. You don't need to put your plans on ice, let's talk it through.

⁸Aldermore, 2024



Data has revealed the most affordable places to live in the UK⁹

The most budget-friendly towns for buyers are in Scotland and North East England, with Cumnock in East Ayrshire coming out on top in 2024. Meanwhile, the most affordable town in England is Shildon in County Durham. When it comes to the notoriously expensive capital, Croydon is the most accessible area for homeowners.

In the UK, the average house value is 3.79 times the average national household income. But in Cumnock, homes are just over 1x the average income. By comparison, properties in Beaconsfield in Buckinghamshire are 12.43 times household earnings.

Promisingly, affordability in Southern England has improved over the last year, with the value-to-earnings ratio improving by nearly 5% in the South West, South East and East of England. There is still a long way to go though as 80% of towns in these locations have homes that are 4x more expensive than the average income.

⁹Zoopla, 2024

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In the UK, the average house value is 3.79 times the average national household income. But in Cumnock, homes are just over 1x the average income”

A woman with long, wavy red hair is standing in profile, looking towards the left. She is wearing a dark, pinstriped blazer over a white top and light blue jeans. She is standing in front of a large glass wall or noticeboard that is covered with various papers and documents. The background is slightly blurred, showing an office environment.

Do First-time buyers (FTBs) know the support available to them?

Affordable homeownership schemes that could get FTBs on the property ladder are not well known to those who could benefit from them, research¹⁰ has found. While half of FTBs cite affordability as a key obstacle to buying their first home, one in four also believe there is a lack of schemes to support them.

Shared Ownership offers FTBs a more affordable route to homeownership. In this scheme, the buyer purchases a share of a property (between 10% and 75%) from an organisation such as a housing association or local council. The purchaser will then pay a mortgage on the proportion that they own and pay rent on the rest. There is the option to buy more shares of the property in future – a process called ‘staircasing’.

More awareness needed

An advantage of Shared Ownership is that the buyer will usually need to pay

a lower deposit as they are only buying a proportion of the property. Since affording a deposit is a key challenge faced by FTBs, the research suggests that information about Shared Ownership should be more widely accessible. Even though 86% of respondents had heard of Shared Ownership, only half could explain what it is.

Hard work and support

Prospective FTBs are going the extra mile to achieve their property dreams. Half of 18 to 24-year-olds living in the capital said they plan to work more in

order to afford a deposit. Many have resorted to the Bank of Mum and Dad, with a quarter of 35 to 44-year-olds relying on financial support from their parents¹¹.

Buying your first home can be daunting, but we are here to guide you through the process. We can help you understand what you can afford and advise on schemes that could help you get a foot on the property ladder.

¹⁰NHG Homes, 2024, ¹¹HM Land Registry, 2024

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Approver: Quilter Financial Services Limited & Quilter Mortgage Planning Limited. January 2025.