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Home buyers and existing owners have been encouraged to snap up cheap mortgage deals while they last, as early signs have emerged that interest rates are starting to rise.

Data published by Moneyfacts, the industry analyst, showed that rates fell substantially at the start of the pandemic, thanks to two emergency cuts to the Bank of England's base rate, but started to creep up during the summer months.

The average two-year fixed rate deal at 80% loan-to-value dropped from 2.41% in March to 2.13% in July, it found. However, by August this had increased to 2.22%. The average five-year rate at 80% LTV fell from 2.71% in March to 2.38% in July but has since risen to 2.47%.

The report said that banks had become more cautious about lending as the pandemic has progressed. Existing homeowners have been encouraged to take advantage of low interest rates while they last, as the number of products available has also fallen.

In March there were 5,222 mortgage deals available to consumers, according to Moneyfacts, but this has dropped to 2,526 in August.

Slow growth in house prices

The UK house price index has resumed publication following a coronavirus-enforced break. The Land Registry data shows that the average house price rose by 2.6% in the year to April, lower than the 3.5% annual growth rate recorded in March.

However, the Land Registry warned that April's transactions were largely made up of sales that were agreed before the country entered lockdown, meaning that future surveys will better reflect the true impact of Covid-19 on the property market.

The report found that the average price in England now stands at £251,000, a rise of 2.5% compared to last year. Welsh property prices grew 5% to hit £169,000, while in Scotland prices rose by 1.6% to £153,000.

Northern Ireland is the nation with the cheapest prices with the average property sold for £141,000, an increase of 3.8% on last year.

Eviction ban extended for tenants

The rental market eviction ban has been extended for a further month and a new six-month notice period has been introduced, the Government has announced.

Housing Secretary Robert Jenrick has announced that the ban would be extended until the end of September and that landlords will then be required to provide tenants with at least six months' notice of evictions.

The only exemptions will be in cases involving anti-social behaviour and domestic abuse. Once courts begin to hear eviction cases, those involving long-term arrears will also be prioritised.

Despite concerns that there would be widespread defaults during the pandemic, 87% of renters have continued to pay their rent in full during the crisis, with a further 8% agreeing reduced fees with their landlords.



Equity Release : market update

Older homeowners that have seen their property prices rise substantially in recent years have turned to equity release to help protect their finances during the pandemic.

Analysis published by Key, the equity release provider, found that 41% of all cash released in the first half of the year was used to pay down debts. It said that over-55s were using the cash to “retirement-proof” their finances during the current economic turbulence.

The typical borrower used equity release to repay £53,388 owed on outstanding mortgages, £11,640 on credit cards and £12,728 on loans.

The report said that many homeowners were choosing to take out equity release plans that allowed them to make regular or ad-hoc interest payments to minimise the overall cost of the loan.



Sources

<https://moneyfacts.co.uk/news/mortgages/mortgage-rates-start-to-rise-as-number-of-deals-cut-by-over-half/>

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/april2020>

<https://www.keyadvice.co.uk/about/press-release/older-homeowners-tackle-debt-threat-with-property>

<https://www.gov.uk/government/news/jenrick-extends-ban-on-evictions-and-notice-periods>

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