

## Richard Sexton, Director at e.surv

### **The housing market was handed a major boost this month as Chancellor of the Exchequer, Rishi Sunak announced a temporary cut to stamp duty tax rates.**

The move is designed to reinvigorate the property market in the wake of the coronavirus pandemic and will see nine in every ten buyers avoid the tax entirely. The lower rates will apply to all property purchases that complete before the 31<sup>st</sup> March 2021.

Official figures show that the average house price in the UK is £248,000. Based on this purchase price, the typical buyer could save £2,460 in tax. Landlords will still be required to pay the 3% stamp duty surcharge but will also benefit from much lower tax charges. An investor purchasing a £500,000 property could see their tax bill fall from £30,000 to £15,000 under the new rules.

Stamp duty affects property purchases in England and Northern Ireland. Similar tax breaks for buyers in Scotland and Wales have also been announced.

### **Potential reform**

There could be further reforms ahead for the property market after the Law Commission released a report into the sale of homes with leasehold contracts.

It proposed sweeping changes to the way properties are sold, suggesting that most homes are sold on a freehold or commonhold basis, where the ownership of the building is split between residents.

Existing freeholders should also be given the opportunity to extend their leases for 990 years, it said. This process should be made cheaper and easier, the report suggested.

The Law Commission's report was commissioned by the Government, which can now choose to bring its recommendations before Parliament. Separately, the Government has also proposed a new Fire Safety Bill which will offer greater protection to homeowners in high-rise buildings.

These reforms come three years after the Grenfell Tower fire in west London in July 2017, in which 72 people lost their lives.

### **Choice in the market**

In the mortgage market, choice for small-deposit borrowers has declined, although there are signs that the market is returning to normality.

Figures published by Moneyfacts, the data provider, found that by mid-July the number of mortgages at 90% loan-to-value had fallen to 70.

In March, before the pandemic took hold in Britain, the number of deals available was 779.

However, the situation is quickly improving as lenders return to the market. Later in July, Nationwide Building Society announced that it would return to the 90% mortgage market, launching a range of loans for first-time buyers with small deposits.



## Equity Release : market update

The pandemic has also had an impact on the growth of the equity release sector. A report by Key, a retirement advice firm, found that customer numbers fell by 27% in the second quarter of the year, as the housing market was effectively closed by the Government to help prevent the spread of coronavirus.

Of those who did take out a plan, homeowners in the South East and London were more likely to use equity release than any other regions.

The report also found that customers have switched their reasons for taking out a plan, with borrowers now more focused on repaying debt rather than holidays or home.



## Sources

<https://www.gov.uk/guidance/stamp-duty-land-tax-temporary-reduced-rates>

<https://www.lawcom.gov.uk/project/leasehold-enfranchisement/>

<https://www.gov.uk/government/news/explained-the-draft-building-safety-bill>

<https://moneyfacts.co.uk/news/mortgages/first-time-buyers-see-product-choice-fall-by-more-than-half-in-a-month/>

<https://www.nationwide.co.uk/guides/news/all-news/2020/07/stamp-duty-holiday-and-90-ltv>

[https://media.keyadvice.co.uk/mediacontainer/medialibraries/keyretirement/marketmonitor/200714-2020-h1-market-monitor-final.pdf?ext=.](https://media.keyadvice.co.uk/mediacontainer/medialibraries/keyretirement/marketmonitor/200714-2020-h1-market-monitor-final.pdf?ext=)

## About e.surv

e.surv is the UK's largest valuation provider, directly employing over 600 residential surveyors across the UK, supported by a network of consultant valuers.

The business is the largest distributor and manager of valuation instructions in the UK and is appointed as Panel Manager for more than 20 mortgage lenders and other entities with interests in residential property.

The business also provides a range of private survey products direct to the home-buying public.

e.surv is a subsidiary of LSL Property Services plc. For further information, see [www.esurv.co.uk](http://www.esurv.co.uk).