

# Essentially Mortgages

Property market set  
to shine this summer

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Beware the  
holiday selfie

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Staying a step ahead

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Q3 2021

- ▶ Beach huts – the new must-have property?
- ▶ Home mover numbers overtake FTBs
- ▶ Cornwall overtakes London as most desirable location

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## Property market set to shine this summer

*The property market surfed into 2021 on a wave of high buyer demand, and the momentum is showing no signs of slowing down as we embark on the second half of the year.*

The average selling price jumped by nearly £22,000 year-on-year in May<sup>1</sup>, likely due to the impending Stamp Duty holiday deadline of 30 June. This translates to a 9.5% yearly increase, broadly reiterating calculations from Nationwide<sup>2</sup> that found house prices had risen by 10.9% in the past year.

### Houses in high demand

Larger homes with outdoor space continue to command the highest interest, with three-bed houses

the most desirable property type and one-bedroom flats languishing at the opposite end of the spectrum. Property market forecaster PropCast<sup>3</sup> found that 73% of houses for sale across England are currently under offer or sold subject to contract, against just 43% of flats.

Government measures such as the extended Stamp Duty holiday and the 95% mortgage guarantee scheme have fuelled the latest surge, in addition to a widespread desire for more space and a different lifestyle following the pandemic.

### Dizzying heights

The first half of the year has already broken house price records, and it's looking like 2021 is on course to have its busiest year

since the financial crisis. According to Zoopla's<sup>4</sup> latest House Price Index, we are on course for one of the property market's top ten busiest years since 1959, with 1.5 million homes predicted to change hands. If so, this would push transactions to their highest level in 14 years.

Demand is particularly high in Yorkshire and the Humber, Wales, and the North West, with properties getting snapped up within ten to 15 days on average.

### Take the heat off

Moving house and getting a mortgage can be stressful, especially in periods of high demand. That's why we are on hand to help you assess your available options – including your protection needs.

<sup>1</sup>Halifax, 2021, <sup>2</sup>Nationwide, 2021, <sup>3</sup>PropCast, 2021, <sup>4</sup>Zoopla, 2021



## Holiday lets are hot property

*Holiday lets in UK seaside locations are soaring in popularity, with investors willing to splash out £403,143 on average – nearly two thirds higher than the average house price<sup>5</sup>.*

The most popular destination for holiday let investors is the South West at 39%, with Truro and Plymouth taking the two top spots on a list of the top ten postcode areas for holiday let mortgages compiled by one lender. Next up are Wales at 19% and the North West at 12%.

### Potential profits

The amount holiday let owners are able to charge per night has also increased substantially in the past year due to heightened demand, with a study<sup>6</sup> finding prices had increased by 35% on average between 2020 and 2021– although one Brighton owner was demanding 140% extra!

### Worth it in the long term?

Some would-be investors might be wondering whether it's worth the outlay, considering that international travel is likely to resume in the next year. They might be reassured by a survey suggesting that 73% of holidaymakers plan to staycation in the UK even after international travel restrictions are lifted<sup>7</sup>.

<sup>5</sup>Hodge Bank, 2021, <sup>6</sup>Which?, 2021, <sup>7</sup>Accumulate Capital, 2021

## Investing in your garden

It seems that gardens have become more important to UK homeowners during the pandemic, with research<sup>8</sup> showing that 58% feel their garden has become more of a priority, resulting in a willingness to spend considerably more on their outdoor space.

Just 12% of homeowners normally spend more than £600 on their garden each year; in 2020, this figure increased to 22% and a further 27% say they plan to spend more than £600 in 2021. The most common expenditure is on new plants, with other additions such as new garden furniture, outdoor lighting and fencing also featuring high on the garden wish list.

With demand increasing for outdoor space amongst house hunters and the rise in homeworking, your garden could be the biggest selling point of your property, with greenery instantly upgrading the kerb appeal of your home. Giving your garden some love could prove to be a valuable investment.

<sup>8</sup>quickmovenow, 2021



# Homeowners sitting on 'hidden equity'

*Many of us like to think we have a rough idea of how much our home is worth, should we ever come to sell it. However, a recent survey<sup>9</sup> suggests that just three in ten people are accurate.*

Almost half (45%) of UK homeowners are undervaluing their home by an average of £46,305, with nearly one in ten finding it was worth over £100,000 more than they'd thought. Meanwhile, a quarter of homeowners thought their home was worth an additional £44,313 on average.

When all the responses were considered together, homeowners are undervaluing their homes by an average of £9,470 – or £237bn collectively. For London respondents, this figure increases to an undervaluation of £22,846.

## The benefits of hidden equity

Among those who had gone on to sell their homes following the survey, sitting on more equity than they'd thought allowed many homeowners to improve their lifestyles:

- 50% moved to a better property
- 18% of older respondents retired earlier
- 14% were able to treat their families more

Indeed, some of them described it as feeling like they had won the lottery! So, it's well 'worth' understanding your property's true worth.

<sup>9</sup>Zoopla, 2021



## Beware the holiday selfie

Over the summer months, our social media feeds are invariably full of envy-inducing snaps of holidaymakers enjoying themselves.

### But could it invalidate your home insurance?

It might seem ridiculous, but some insurers are now penalising homeowners who post holiday selfies online, considering this to be advertising the fact that their home is unoccupied. Sadly, criminals are increasingly scouring social media pages to find out which properties might currently be standing empty.

Even Premier League footballers aren't exempt – many top players, including Steven Gerrard and Wayne Rooney, have had their homes burgled while playing in televised matches. John Terry's house was burgled after he shared snaps from his holiday.

### Check your policy

Before you go away, check your policy for exclusions that may invalidate your cover. Renting out a room in your house, installing a cat flap or renovating your property could all cause a claim to be rejected.

### Here to help

If you are unsure whether your cover is adequate or you're seeking a comprehensive home insurance policy, we can help you assess your options.





## Staying a step ahead

*Many of us are likely to know somebody who fell ill this year, suffered a bereavement or lost their job. We have seen firsthand the impact even a short absence from work or period of unemployment can have on our financial resilience.*

And yet, nearly a third of respondents to a recent survey<sup>10</sup> say they would only take out protection insurance if they fell ill themselves. It seems the pervasive attitude of 'it won't happen to me' is preventing people from taking out vital cover.

### Too little, too late?

Mortgage holders said they would only consider purchasing protection cover if they fell ill (31%), changed employment status (25%) or had an accident (24%). This would be too late to secure financial assistance from insurance, as most policies do not offer backdated cover.

Despite these attitudes, the survey also revealed that one in seven (14%) survey respondents regretted not taking out a protection policy in the past.

### Finding the right policy for you

Contrary to popular belief, protection insurance doesn't have to be hugely costly, and it can vastly improve your resilience to financial shocks.

<sup>10</sup>MetLife UK, 2021

## Beach huts – the new must-have property?

Increased demand for seaside properties has been seen across the UK over the past year, as thousands have upped sticks and moved to the countryside or coast.

Now, it appears that beach huts are the new 'des res' for coastal dwellers. Often little bigger than garden sheds, these seafront huts are being snapped up for record prices. In July 2020, a hut measuring just 12ft by 10ft on Mudeford Spit, Dorset, sold for the record-breaking sum of £325,000 – the price of a family home elsewhere.

### Hot property

While this astonishing sale was the exception rather than the rule, the average beach hut will still set you back by more than £36,000 in 2021 – a 41% increase compared with last year<sup>11</sup>. Property site OnTheMarket reported that website visits to view beach huts had increased by 259% in the six months to March 2021.

A spokesperson for the website commented, "Having spent significant amounts of time at home under lockdown restrictions, it's no wonder that increasing numbers of pent-up Britons are now attracted to the idea of buying a beach hut to own a slice of the outdoors. And while many people may be reluctant to travel abroad this summer [...], it seems likely that the popularity of Britain's beach huts is set to increase even further."

<sup>11</sup>Hoo, 2021





# Home mover numbers overtake FTBs

*The number of people moving home outpaced the number purchasing their first property in Q1 2021, UK Finance has reported.*

Home mover numbers over the past decade have hovered at around half of those seen prior to the 2008 financial crisis. With the pandemic prompting many to reassess their home and lifestyle priorities, however, home mover activity in Q1 2021 shot up by 82% compared with the previous year.

### Changing fortunes

This compares with a more subdued 31% increase for first-time buyers (FTBs), largely due to the disappearance of higher LTV mortgages during 2020 and the disproportionate economic impact of the crisis on younger people. Meanwhile, government property measures such as the Stamp Duty holiday largely favoured movers, with FTBs already benefiting from favourable Stamp Duty treatment prior to its introduction.

The data also revealed that many homeowners have substantial existing equity after nearly a decade of rising house prices, with half of mortgaged homeowners holding at least 50% equity and a further third between 25% and 50%. Together with government concessions, this was a key contributor to the strength of home mover activity, UK Finance said.

### What does the future hold?

New government measures for FTBs, including the recently launched First Homes scheme and the 95% mortgage guarantee scheme, should help redress the balance as we advance into H2 2021. Meanwhile, the market continues to witness high demand from all sectors, with supply struggling to keep up.

Whether you're an FTB or home mover, we're here to assist with sound mortgage advice.



## £17m in protection claims paid out daily in 2020

**'Insurers never pay out' is one of those myths that is so widely stated that many people simply believe it to be true. However, evidence shows it is simply not the case.**

According to figures from the Association of British Insurers (ABI)<sup>12</sup>, £6.2bn was paid out to grieving and struggling families in 2020 – the equivalent of £17m every single day. This included £202m paid out to help the families of those impacted by the pandemic.

### Mental health protection

Income protection claims for mental health conditions also rose from 10% to 12% in 2020, perhaps a reflection of the increased stress, anxiety and depression reported by many during lockdown. The ABI has also recently launched a mental health training platform to teach insurers how to

better engage with customers who disclose mental health problems.

### An essential financial safety net

Paul Brencher, Managing Director of Individual Protection at Aviva UK, commented: *"The financial risks from ill-health are not new, but the pandemic has dramatically highlighted how the financial resilience of families can be so easily tested. There has never been a more important time to demonstrate the benefits of protection, the safety nets it can provide to customers and their families in difficult times, and its relevance for employers and financial advisers."*

<sup>12</sup>ABI, 2021



# Cornwall overtakes London as most desirable location

*With its gorgeous beaches, historic villages and stunning vistas, Cornwall has long been a top destination for international and domestic holidaymakers.*

Since the pandemic ushered in a new era of flexible working and lifestyle changes, however, people don't just want to holiday there – they want to settle down permanently.

## **London knocked from the top spot**

In March this year, property portal Rightmove reported that searches for Cornwall properties overtook those from would-be London dwellers. The capital is now in second place, closely followed by Cornwall's neighbour, Devon.

The trend has also bled into the commercial property market, with increasing numbers of firms seeking rural and suburban office locations.

## **Priced out of the market**

It's not all good news, however. Overwhelming demand for Cornish homes has caused prices to rocket, leaving locals struggling to afford their own property. Prices in St Mawes have soared by 48% in the past year, and now average £501,638 – the biggest rise in average prices of any seaside town.

## **Assessing your options**

If you have ambitions to relocate, financial advice could help you secure the house of your dreams. We can help you assess your mortgage requirements and find the most suitable option for you.

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# Bouncing back - availability of holiday let mortgages

*Many of us have our staycations booked and are ready to enjoy the Great British summer.*

*There are now 154 holiday let mortgages currently available, not far off the 162 on the market in March 2020*

It's good news all round for those looking to invest in their first rental property, with the number of holiday let mortgages now back to nearly pre-pandemic availability. Data from Moneyfacts shows there are now 154 holiday let mortgages currently available, not far off the 162 on the market in March 2020.

### Interest rates are up

Unfortunately, the Bank of England's record low base rate has not been passed along to borrowers; the average rate for holiday let mortgages is now 3.93% as of May 2021, up from 3.37% in March 2020. Even so, the favourable tax treatment of holiday let properties means it could still be worth the investment.

### Valuable tax reliefs

Holiday lets qualify for higher rates of tax relief and lower Capital Gains Tax (CGT) if they meet the following criteria:

- Located in the UK or European Economic Area (EEA)
- Must be available to let for at least 210 days per year
- Must be let on a commercial basis for at least 105 days per year
- Lets of over 31 days don't qualify
- The property must be fully furnished.

A lower Capital Gains Tax rate of 10% also applies to holiday let properties.

**Important Information:** We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.

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.