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## YOUR WINDOW ON HOME FINANCE

SPRING 2024

### What's the best way to add value to your home this spring?

If you're looking to sell this year, you might be wondering how to add extra value to your home before listing. It's not always obvious, though, what are the best ways to do this, so it is easy to become fearful of sinking money into a project that might not increase the sale price.

Fortunately, research by an estate agent comparison website<sup>1</sup> has revealed some of the best things it believes you can do to have a good chance of a price boost. Here are four ideas:

#### 1. Home / garden office

The rise of hybrid working has made home offices increasingly desirable. The research suggests that converting a spare bedroom into a purpose-made office or creating office space in the garden can provide a boost of about £9,500. At around £12,000, this can be a costly improvement, but might add around 7.5% (roughly £21,500 for an average UK house) to your home's market value.

#### 2. Deep clean

A good old-fashioned clean is a very cheap way to add value! For less than £1,000, you can make your house sparkle, and with an estimated 2.8% added to the market value

of your home, a deep clean can be a great investment. Of course, if you take on the cleaning yourself, you could save even more!

#### 3. Repaint and redecorate

This isn't guaranteed to make money since colour schemes and home décor are highly subjective. However, the research claims that a good redecoration, for a cost of about £3,000, can add 3.1% to the property's value, which means a profit of around £6,000 for an average-priced home. Focus on the rooms most in need of a freshen up to minimise costs and maximise gains.

#### 4. EPC improvements

Improving a lower-rated home's Energy Performance Certificate (EPC) to at least a C rating will add about 3% to the market value. This won't come cheap, though, with an estimated cost just over £6,000, leaving you with a possible profit of around £2,500. So, whether it is worthwhile will depend on your specific improvements and how far you can increase the rating.

<sup>1</sup>GetAgent.co.uk, 2023

### Buy-to-let landlords growing portfolios

New research<sup>2</sup> indicates that more than half (52%) of buy-to-let (BTL) landlords have been actively expanding their property portfolios over the past year, with 25% acquiring one property and an additional 27% acquiring multiple properties.

Looking at the next twelve months, 26% intend to acquire a single property, while another 26% plan to expand their portfolios further by acquiring multiple properties. This optimistic outlook may be fuelled by confidence in the residential property market, with 74% expressing positivity for the next 12 months.

The research also delved into the motivations driving portfolio expansion. The leading factor was increased tenant demand, cited by 31% of respondents, followed by having available capital (25%). Diversification across property types and regions was also a priority for many landlords, with 21% aiming to achieve this. Additionally, 20% sought properties with better Energy Performance Certificate (EPC) ratings.

While growth is prevalent, a notable portion of landlords have been selling properties. In the past year, 31% have sold one or more properties, with 33% planning to do so in the coming year. Concerns regarding remortgaging due to rising interest rates topped the list of reasons for selling (35%), followed by worries about declining house prices (28%). Additionally, 23% sold properties to reinvest in better opportunities.

<sup>2</sup>The Mortgage Lender, 2024

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

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## IN THE NEWS

### Equity release trends

According to the Equity Release Council<sup>3</sup>, total annual lending reached £2.6bn in 2023, compared to a record-breaking £6.2bn in 2022, returning the market to the level of activity last seen between 2016 to 2017 (£2.1bn to £3.1bn). The total number of plans agreed last year was 26,119, a drop of 47% from 49,285 in 2022. The majority preference (53%) opted for drawdown lifetime mortgages, reversing the trend in 2022 when lump sum lifetime mortgages made up 52% of new product sales.

### Average property gain of over £100k

An overwhelming majority of households (93%) sold their homes for more than their initial purchase price, according to recent research<sup>4</sup>. People who bought properties within the last two decades saw an average increase of £102,650 when selling up in 2023, marking the second-highest recorded figure.

In total, sellers in 2023 collectively gained £103bn in value compared to their purchase prices. However, the average gross profit dropped by £10,300 or 9% compared to 2022, partly due to marginal house price decreases.

According to estate agents Hamptons, the decrease in average gains is partly due to small house-price falls last year, alongside households opting to move sooner. Aneisha Beveridge, Head of Research at Hamptons, said, "Households rarely move when they're faced with the prospect of selling their home for less than they paid. Generally, the chances of selling at a loss peak within the first few years of ownership. But for some Londoners, that stretches back to when parts of the market peaked in 2016."

<sup>3</sup>ERC, 2024, <sup>4</sup>Hamptons, 2024



## Spring Budget overlooks first-time buyers

**It was a disappointing Spring Budget for anyone looking to get onto the housing ladder. There were no announcements on Lifetime ISAs, no changes to Stamp Duty thresholds, no replacement for Help to Buy and the Chancellor had already scrapped plans for 99% loan-to-value (LTV) mortgages after resistance from the banking community.**

### A deafening silence

Coventry Building Society's Jonathan Stinton said the silence around housebuilding was deafening, adding that the Budget, "could have been an opportunity to present new innovative schemes which help buyers with affordability as well as saving for a deposit – but not even the bare minimum was done. It's not only incredibly disappointing, it feels like a big mis-step on the Chancellor's part. First-time buyers are the foundation on which the rest of the housing market stands. Failing to give them proper help is failing to help the rest of the market."

Rightmove's Tim Bannister said, "We had hoped the government would seize the opportunity to help first-time buyers and reform the outdated Stamp Duty system today. Instead, home-movers were

left with extremely little and the temporary Stamp Duty thresholds weren't even made permanent, meaning more will pay higher rates of Stamp Duty next year, unless the government makes them permanent in the autumn."

### Other measures to be aware of

There were some housing measures announced in the Budget, but these have bigger implications for private landlords and second homeowners rather than aspiring and current homeowners:

- The higher rate of Capital Gains Tax (CGT) will be reduced from 28% to 24% and the lower rate of CGT has been maintained at 18%. It's worth noting that you only pay CGT on second homes
- The Furnished Holiday Lettings tax regime will be abolished – second homeowners can no longer deduct mortgage interest from their rental income or pay lower CGT when they sell
- In England and Northern Ireland, Stamp Duty Land Tax (SDLT) Multiple Dwellings Relief (MDR) will be abolished from 1 June 2024. There is an equivalent MDR relief under Land and Buildings Transaction Tax (LBTT) in Scotland and it remains to be seen if the Scottish Government will consider how MDR applies in future.



# Get the right house value with a survey

Nobody wants to pay too much for their home. During the home buying process, there are many causes of stress. Making sure you don't overpay doesn't need to be one. That's because getting the right survey can give you peace of mind that you are paying a fair price.

## What is a survey?

A survey is a detailed report which helps make potential buyers aware of any present issues or problems which may occur in the future.

This can help with budgeting for any works required and help you renegotiate if there are any major concerns. Remember: a survey is not a valuation; it is a tool to help homebuyers make informed decisions.

## Surveys crucial in turbulent times

House prices have been unpredictable in the



last year. In times of economic uncertainty, surveys become even more important.

When house prices have fallen, a survey can help clarify what represents real value.

Value means something different to different people. For example, over two fifths would pay more for a property with a high EPC rating, research reveals<sup>5</sup>.

This shows that getting the price right is

personal. A survey is designed to help you do just that.

## More than simply one more cost

Buying a home can feel like an accumulation of costs - a survey can feel like one more among many. That's why it is important to factor in the survey as early in the buying process as possible.

<sup>5</sup>Uswitch, 2023

## Have you got your mortgage covered?

**Taking out life insurance may not be a legal requirement if you have a mortgage, but it certainly is sensible to have.**

### The benefits

When applying for a mortgage, proof of cover could make you a stronger candidate in the eyes of a lender because they know that, in the event of your death, other members of your household would be protected. Therefore, not only does life insurance provide financial security in a hypothetical future, but it may also offer you some peace of mind knowing that your loved ones would be able to stay living in their home without debts to pay off.

### Who needs it?

Regardless of your circumstances, life insurance is advisable for all mortgage holders - whether you're a first-time buyer or moving up the property ladder and taking on a larger mortgage. Even those who are currently single with no dependants should consider it, as circumstances could change in future (e.g. by getting married or becoming a carer for a family member).

### Types of life insurance

There are two main options to consider - decreasing term or level term life insurance. Decreasing term is often used by those with a repayment mortgage, as the potential payouts decrease over time to reflect the amount left to pay on the

mortgage. With level term insurance, you decide how much cover you want, and your loved ones will get the full payout if your death occurs within the term. Unlike decreasing term, level term life insurance can cover the costs of more than just a mortgage.

We can advise on the most suitable protection for your unique requirements.

*With level term insurance, you decide how much cover you want, and your loved ones will get the full payout if your death occurs within the term*



## Most over 55s have no plans to downsize

Only one in seven non-retired homeowners over 55 plan to downsize after they stop working, a new study<sup>6</sup> suggests.

In a poll of 2,000 adults over the age of 55, half said they plan on staying in their current home after they retire. For those aged 71 to 75, the figure is 68%.

### No hassle, please

The main barriers to downsizing include not wanting the hassle (37%), wariness about potential costs, including Stamp Duty (35%) and a perceived lack of suitable housing (26%). Meanwhile, three in ten said there were no barriers in place, suggesting they simply do not want to move.

Of course, it's your choice where you live. But downsizing can bring many benefits,

such as freeing up some cash and saving you money on your bills in the long term. It may also be beneficial living in a property better suited to your lifestyle.

### Knock-on effects

Low levels of downsizing can have an impact on supply levels across the property market. Analysts suggest it may prevent some growing families from finding suitably sized homes to move into. Some have also warned of a 'ripple effect' that could impact buyers further down the property ladder.

### Here to help

If the 'hassle' of a house move is stopping you from downsizing, we can help with your mortgage and support you in the process.

<sup>6</sup>Pegasus, 2024

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

**It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation are those currently applying or proposed and are subject to change. The information contained within this newsletter is for information only purposes and does not constitute financial advice. The Financial Conduct Authority does not regulate commercial buy-to-let mortgages.**

All details correct at time of writing – March 2024.

## More FTBs later in life

The challenges young people face in getting on the property ladder are a regular feature in the media. A less-often discussed impact of the UK's housing market, however, is the rising age of first-time buyers (FTBs).

### Average age rises

The biggest increase in FTBs in the last five years has been among older homebuyers, a new report<sup>7</sup> has revealed. Analysis carried out using product sales data from the Financial Conduct Authority (FCA) found that five-year annual average growth rates for 40 to 45-year-old FTBs is 8%.

For those aged 46 to 50, the growth rate was 6.9%. Likewise, the 51 to 55 age group saw a rate of 6.6%. Overall, for over fifties, the five-year annual average growth rate was 7%.

This is comfortably ahead of equivalent figures for younger groups. For example, 18 to 25-year-olds had a five-year annual average growth rate of minus 1.7%, while those aged 26 to 30 came in at minus 0.2%.

### Get in touch

Whatever your age, if you're looking to get a foot on the ladder, home ownership may not be as far off as you think. Getting the right advice for your needs can turn your dreams into a reality.

<sup>7</sup>Tembo, 2024

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

