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## YOUR WINDOW ON HOME FINANCE

### Record sales in 2024 and a surge expected in early 2025



In the latter part of 2024, the UK housing market experienced robust sales momentum, driven largely by higher disposable incomes and easing rates on some mortgages. What can we expect for the housing market as we enter 2025?

Last year marked the highest level of new sales since late 2020, with house prices rising modestly at just 1% year-on-year<sup>1</sup>. This restrained price growth was partly due to a wide selection of available properties and ongoing affordability concerns limiting buyer spending power.

Regional variances persisted, 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%). In November, data suggested that UK house prices overall were likely to be around 2% higher across the year.

#### Substantial sales pipelines

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 - 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.

#### Surge expected in Q1

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

<sup>1</sup>Zoopla, 2024

## WINTER 2025

### 'Freshen-uppers' the most desirable property type

Are you looking to move house in 2025? If so, a recent study<sup>2</sup> has found that the most desirable property type for 49% of people is a 'freshen-upper,' with prospective buyers keen to personalise their new home with small scale improvements.

The days of the full 'fixer-upper' property are fading, as time-poor purchasers increasingly look to 'freshen-upper' and turnkey options, with only 16% of buyers favouring an extensive renovation project. Meanwhile, almost a quarter (22%) of prospective buyers are looking for a turnkey option, a property move-in-ready, one of the key motivators being energy efficiency. This highlights how energy-efficient homes are increasingly regarded as a decisive factor in a property purchase for many people, rather than a 'nice to have.'

With busy lives to lead, 27% of respondents to the survey indicated they don't have time to arrange significant home improvements or renovations. Of those keen to purchase a fixer-upper, almost a quarter (24%) said they would choose an extensive property project to preserve the original historical or character features.

Whatever your property preference, we can support you to achieve your property dreams in 2025!

<sup>2</sup>Jackson-Stops, 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

### Significant gains for homeowners over 20 years

Analysis reveals<sup>3</sup> that UK homeowners who purchased their properties in the last 20 years have seen an average increase of £80,000 in value. In comparison, those who sold within the last year made an average gain of £65,000. Homes in high-value areas and commuter towns, including the Cotswolds and Richmond upon Thames, experienced the largest gains, with 80% of properties increasing by over £65,000. Outside London, the South East had the highest proportion (70%) of homes appreciating by this amount.

### One in five UK residents suffer storm damage

Storms and flooding are having devastating effects on residents across the UK, with two in five homes impacted by some form of extreme weather in the past five years. New research<sup>4</sup> shows that more than a fifth of UK homes suffered storm damage between 2020 and 2024. Some 12% experienced flooding in the same period. Faced with this growing threat, getting the right home insurance to protect your property and peace of mind is more crucial than ever.

### Equity Release continues growth trend

Data from the Equity Release Council (ERC)<sup>5</sup> has shown the sector had two consecutive growth quarters to September 2024. In Q3 alone, a total of £615m of property wealth was withdrawn by homeowners over the age of 50, representing a 6% increase quarter-on-quarter. A modest increase in typical loan size was noted, with new lump sum lifetime mortgage clients taking out £111,618 on average. Chair of the ERC, David Burrowes commented on the data, "Returning growth may have been modest to date, but it's particularly encouraging to see the trend continue."

<sup>3</sup>Zoopla, <sup>4</sup>Aviva, <sup>5</sup>ERC, 2024



# A reminder of recent property tax changes

The Autumn Budget made the headlines with a host of announcements, mostly on taxation. Housing did not play a large part in the key fiscal event, but there are a few points to be aware of.

#### Second homes

From 31 October 2024, people buying a second home pay an extra 2% of the entire property cost in Stamp Duty. The 3% rate, in addition to standard residential rates, rose to 5%.

#### Stamp Duty for FTBs

FTBs will only continue to 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 need to pay Stamp Duty of 5% on the portion of the property between £300,000 to £500,000.

#### Property investors

Capital Gains Tax (CGT) is charged on the sale of assets, including second homes.

The lower and higher main rates of CGT increased to 18% and 24% respectively for disposals made on or after 30 October 2024.

#### Affordable Housing

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

*FTBs will only continue to benefit from a raised Stamp Duty threshold until 31 March 2025*



## Could 'right-sizing' help the housing market?

With the UK housing market facing an array of problems, experts have suggested almost as many solutions. One concept that could help resolve the current shortcomings is 'right-sizing.'

'Right-sizing' refers to the process of moving to a more suitable property for your requirements, generally one with fewer bedrooms. Closely related to downsizing, some analysts think that 'right-sizing' could be crucial to help FTBs get a foot on the ladder.

### Balancing the housing stock

Amid falling supply and affordability concerns, purchasing a first home is a significant challenge for huge numbers of young people. Yet, some 85% of owner-occupied homes in England and Wales contain one or more 'spare' bedrooms, research<sup>6</sup> shows.

These unused rooms limit housing availability for families and younger buyers, which also creates a knock-on effect through the housing chain. *"There are a lot of people in the UK who are sitting in houses that are bigger than they need,"* commented Mark Arnold, Head of Savings and Mortgages at Barclays.



### Barriers to 'right-sizing'

We all know that a house is more than a home. After living in the same place for many years, it is unsurprising that many people develop an emotional attachment to their property that makes them reluctant to move. For others, the imagined hassle of moving seems unappealing.

To overcome these barriers, it is important to consider if your current home is meeting your needs. If you have more rooms than you need, it is likely there might be a better

property for your circumstances. Moving would then help others by freeing up suitable housing across the whole market.

<sup>6</sup>Barclays, 2024

*'Right-sizing' refers to the process of moving to a more suitable property for your requirements, generally one with fewer bedrooms*

## Now here's a golden anniversary worth celebrating!

It's 2025 and we are celebrating the 50th anniversary of the Sex Discrimination Act which, amongst other measures, made it possible for women to get a mortgage without a man's countersignature.

It's a great time to reflect on how far we have come in promoting financial equality between the sexes. In recent years, we have seen further strides. For example, the number of primary (or sole) female mortgage applicants increased from 29% in 2017 to 33% in 2021<sup>7</sup>.

### It's also a good time to consider the work still to be done

The gender pay gap, which although narrowing, with many women needing a higher multiple of their annual salary to be

able to purchase a home versus men, still presents a home ownership barrier to many women.

Combine this with the cost-of-living and higher mortgage interest rates over the last few years, and it is unsurprising that many women feel that getting a mortgage is just as out of reach as it was in the 1970s.

### Advice is key

Don't be downhearted about your mortgage prospects – we are here to help you explore your options and ensure you have access to all the advice and information you need to make financial decisions with confidence.

<sup>7</sup>Habito, 2022

## Protection insurers pay out record sum

Latest data<sup>8</sup> reveals a record £7.34bn was paid out in protection claims in 2023, supporting those facing bereavement, illness and injury. This equates to around £20.1m in daily payouts, underscoring the vital role of protection insurance in safeguarding financial stability.

Individual protection policies accounted for £4.85bn of this total, covering more than 275,000 claims across life insurance, income protection and critical illness. Notably, the total value of individual critical illness claims rose to a record £1.2bn, a 13% increase from 2022. The average critical illness claim reached £67,267, with cancer remaining the top cause for claiming, amounting to a total of £777m in claims in 2023.

Income protection claims also saw a rise year-on-year, totalling £177m - up by 2% from the previous year. While musculoskeletal issues led the number of claims, mental health issues represented the highest total claim values at £37m. Significantly, over 1,660 income protection claims have now been paid out for more than 10 years, with 376 of these extending over 20 years, highlighting the long-term benefits of such cover.

Reassuringly, claims acceptance remains high, with 98.3% of claims approved, reflecting the reliability of protection policies. However, common reasons for declined claims include non-disclosure of pre-existing conditions or not meeting policy criteria.



These figures emphasise the importance of protection insurance for financial security in times of need. For valuable peace of mind, discuss your protection needs with us.

<sup>8</sup>ABI and GRiD, 2024

## When is the right time to buy your first home?

There is a lot to think about when purchasing your first home and, with a changing housing market, it can be hard to know if it's the right time to buy. Changes to Stamp Duty in England are worth tuning into and will no doubt be a contributing factor if you're on the cusp of deciding. Getting a foot on the ladder before rates revert could save you thousands, but competition for properties could be fierce. Here are a few other things to consider.

### House prices and mortgage rates

It is widely predicted that prices will increase in 2025 but at slower pace than before. Meanwhile, the August and November reductions to Bank Rate have prompted some mortgage rates to reduce in recent months. Rates may tend to keep dropping modestly but experts believe that, in the long run, the 'new normal' mortgage rate will be higher than the levels seen in the last decade.

### Current FTB sentiment

The fall in mortgage rates in the year to September 2024 prompted monthly repayments to go down by £97 for the

average FTB<sup>9</sup>. As a result of this saving, new homeowners are willing to spend £3,400 more on a property than they were in 2023.

### What is your current situation?

The right time to buy will be different for everyone. Buying your first property is likely to be the biggest purchase you have ever made, so it's important to seek professional advice. We can help you make an informed decision, so you feel empowered to take your first step onto the property ladder this year.

<sup>9</sup>Zoopla, 2024

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

**Financial protection policies typically have no cash in value at any time and cover will cease at the end of the term. If premiums stop, then cover will lapse.**

**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 - November 2024.**



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ANY OF THE AREAS  
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