2022: REVIEW OF THE YEAR

OUR AMAZINGLY HELPFUL MARKET UPDATE

KELLY'S HOT TAKE

Well what a year, eh? 2022 was meant to be the year of fresh starts and properly getting back to normal after the pandemic, yet we found ourselves in chaos (for a time) once again.

But it's not all bad! The SO market was extremely strong until September's mini budget; sub-25% lending became a reality; seasonal demand returned; and the spike in rates didn't turn into the exponential horror show that many of us feared.

Above all, Shared Ownership has endured. Let's take a look at this year's figures.

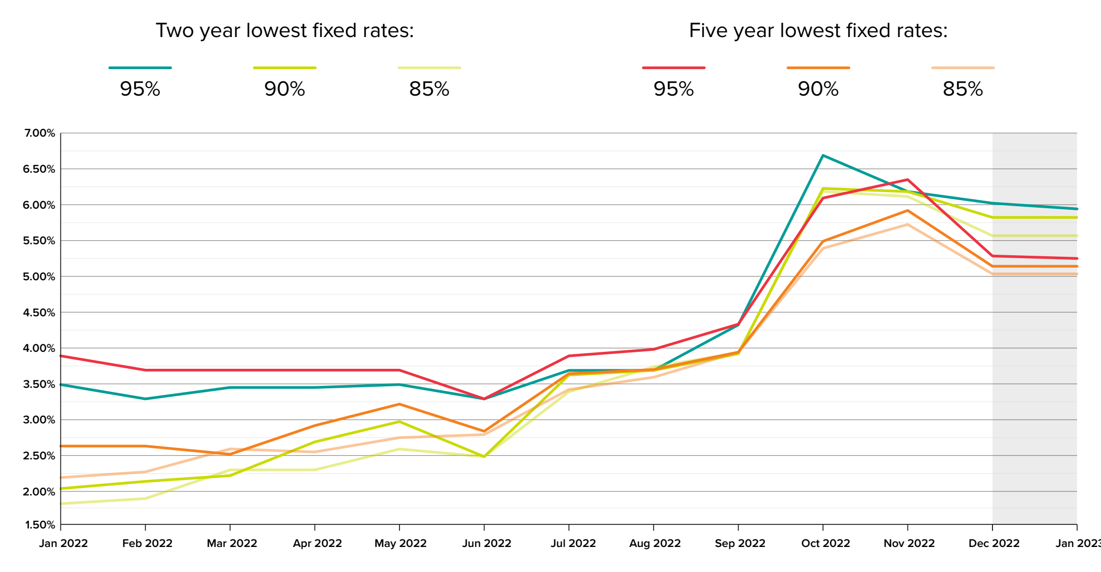
Kelly McCabe
TMP The Mortgage People

THIS YEAR UNDER THE MICROSCOPE

LOWEST FIXED RATES

TWO YEAR LOWEST FIXED RATES	95%	90%	85%
January	3.34%	2.04%	1.83%
Febuary	3.29%	2.14%	1.90%
March	3.45%	2.22%	2.30%
April	3.45%	2.69%	2.30%
May	3.49%	2.97%	2.59%
June	3.29%	2.49%	2.49%
July	3.69%	3.62%	3.39%
August	3.69%	3.69%	3.74%
September	4.32%	3.92%	3.92%
October	6.79%	6.22%	6.19%
November	6.19%	6.19%	6.12%
December	6.02%	5.82%	5.57%
January 2023	5.90%	5.82%	5.57%

FIVE YEAR LOWEST FIXED RATES	95%	90%	85%
January	3.89%	2.63%	2.19%
Febuary	3.69%	2.63%	2.27%
March	3.69%	2.52%	2.59%
April	3.69%	2.92%	2.55%
May	3.69%	3.22%	2.75%
June	3.29%	2.84%	2.79%
July	3.89%	3.64%	3.42%
August	3.98%	3.70%	3.59%
September	4.33%	3.94%	3.94%
October	6.09%	5.49%	5.39%
November	6.35%	5.92%	5.72%
December	5.29%	5.14%	5.04%
January 2023	5.25%	5.14%	5.04%



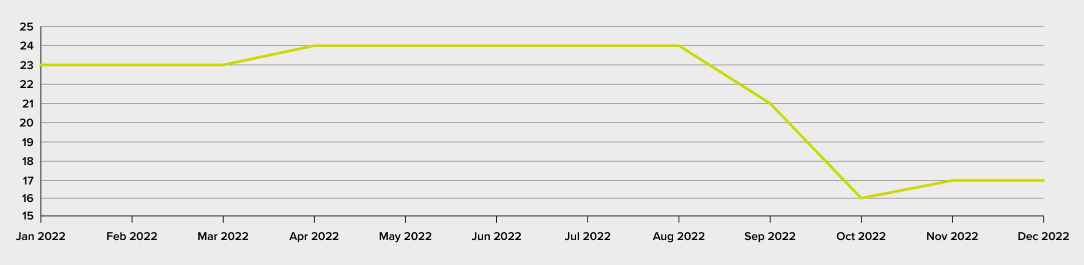
Let's start with perhaps our most notable chart. The most critical piece of information to take from this is the comparison between the two and five-year fixed rates: we've never before seen longer-term fixed rates cheaper than shorter-term rates.

For most of the year, it can be clearly seen that the rate for five years is slightly higher than for two years – so far, so normal. But when we get to June and July, both begin tracking at similar rates. And by October, the figures flip. This was a real standout moment for 2022, and it just goes to show the chaos that we dealt with in the final few months of the year.

The key observation is that the lenders have faith in the market and believe that the economy will improve… albeit gradually. We've added January 2023's figures into the above illustrations for context - it's already clear to see that this year is going to be quite different.

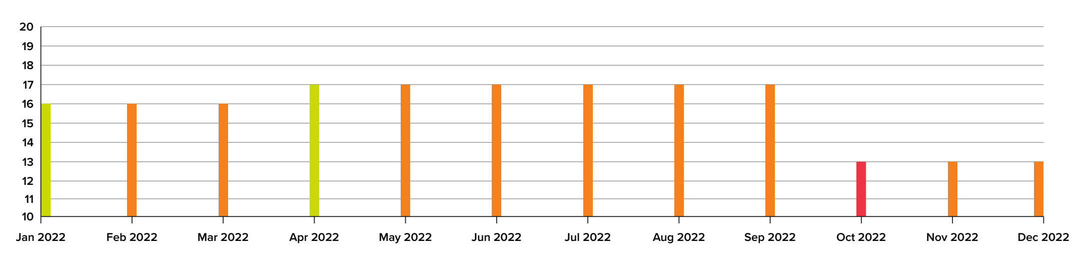
As an aside, it's also worth noting that these figures illustrate that rates are not as closely tethered to the Bank of England Base Rate as some might think.

ACTIVE LENDERS IN SO



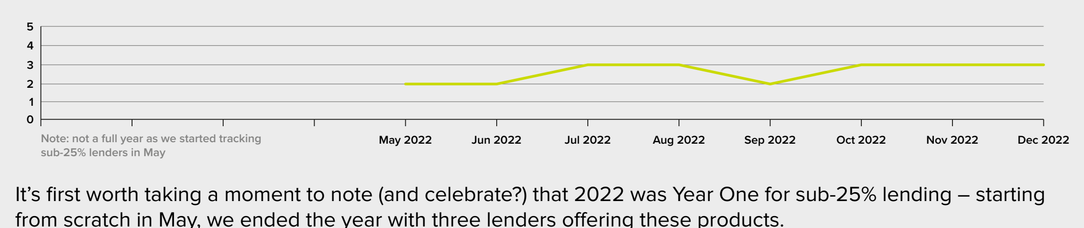
No surprises here. The spread of lenders was strong at the start of year, became even stronger and then dropped in September. BUT things picked up again and we settled at a solid 17 lenders to close out the year. Would we have expected this stabilisation in the midst of all the turmoil? No.

95% LENDERS



It's a similar story with 95% lenders, although with slightly less tumultuous shifts.

SUB-25% LENDERS



It's first worth taking a moment to note (and celebrate?) that 2022 was Year One for sub-25% lending – starting from scratch in May, we ended the year with three lenders offering these products.

If we'd had the wind in the right direction for the whole year we would have ended on a higher number. But with everything that happened in the last quarter of 2022, the focus on supporting people with the lowest incomes into home ownership raised some eyebrows.

Our hope is that in 2023, as and when the market starts to feel more settled, lenders start to turn their attention back to home ownership for the lower shares. An upswing in availability will make a world of difference.

It's also worth noting that the new model leases haven't really been widely available yet (despite the fact that April 2023 will mark two years since launch!), but this will change over the coming year. Ultimately, three lenders isn't something to complain about – and with the predicted 'long and slow' recovery, this number should improve. Time will tell…

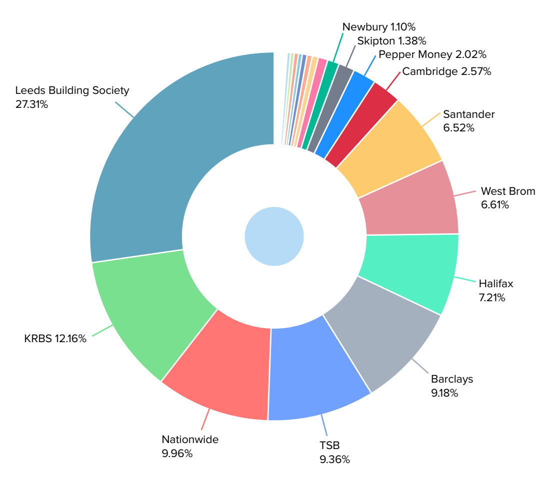
BREAKING NEWS: Kensington have today (9th Jan) announced that they are no longer offering sub-25% shares, largely due to the increased risk and low uptake of this product so far. More on this to follow.

DOMINANT LENDERS BY RATE

2 YEARS	
95%	Newbury and Suffolk
90%	Halifax
85%	Barclays

5 YEARS	
95%	Leeds
90%	Halifax
85%	Barclays

NUMBER OF APPLICATIONS



When it came to offering the lowest fixed rates in the graph above, Halifax were largely dominant in 2022. However, this was not reflected in the number of applications. As ever, rate isn't necessarily what drives activity and customers are more inclined to look at flexibility, affordability criteria and the whole 'package'.

Leeds remain 'King of the Lenders' with 27.31% of our business. They know and understand Shared Ownership and have refined their offering accordingly (with rates that are never too far off the lowest).

The rest of our top lenders are KRBS, Nationwide, TSB, Barclays and Halifax.

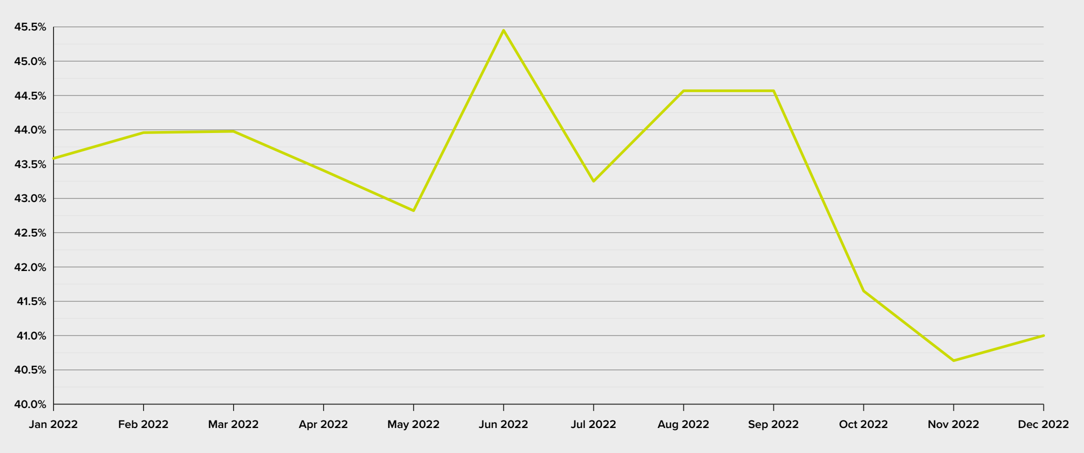
Looking ahead

As an aside, we've got our eyes on lenders who we believe will build steam in 2023. One to watch is the West Brom.

The West Brom have relatively recently returned to Shared Ownership; we work really closely with them and their appetite is strong.

As a side note: a few other lenders have made criteria changes recently and there have been positive movements this year in the direction of cladding and remedial works – this has hampered many HAs in 2022.

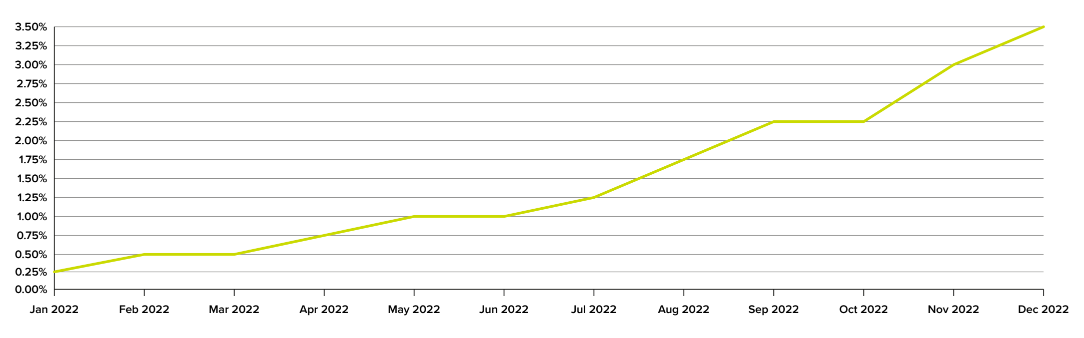
AVERAGE SHARE: 90 DAYS



Interestingly, the average share remained reasonably steady throughout the year and in line with expectations. Yes, there was a drop in October, but we close out the year on 41% (and climbing), which isn't too far away from January's 43.60%.

Obviously, property prices have risen over the year, which throws another consideration into the mix when it comes to average share but the bottom line is: there's no cause for alarm.

BANK OF ENGLAND BASE RATE

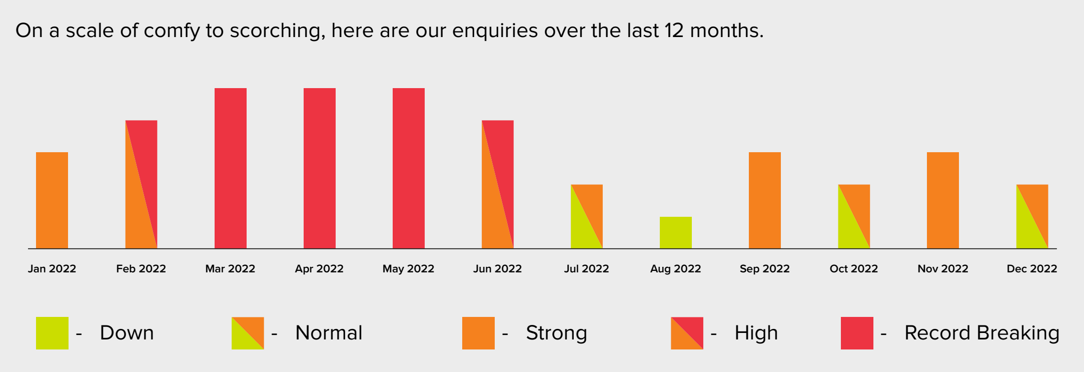


The BoE Base Rate rose by a striking – but not catastrophic – 3.25% over the course of 2022. Back in January it was as low as 0.25%, and it now stands at 3.50%. The rise on 15th of December from 3% to 3.50% marks its highest level in 14 years. Some market experts are currently predicting that the Base Rate will rise above 4% early this year and as high as 4.6% by July.

Again, not as bad as many of us had feared.

ENQUIRY LEVELS

On a scale of comfy to scorching, here are our enquiries over the last 12 months.

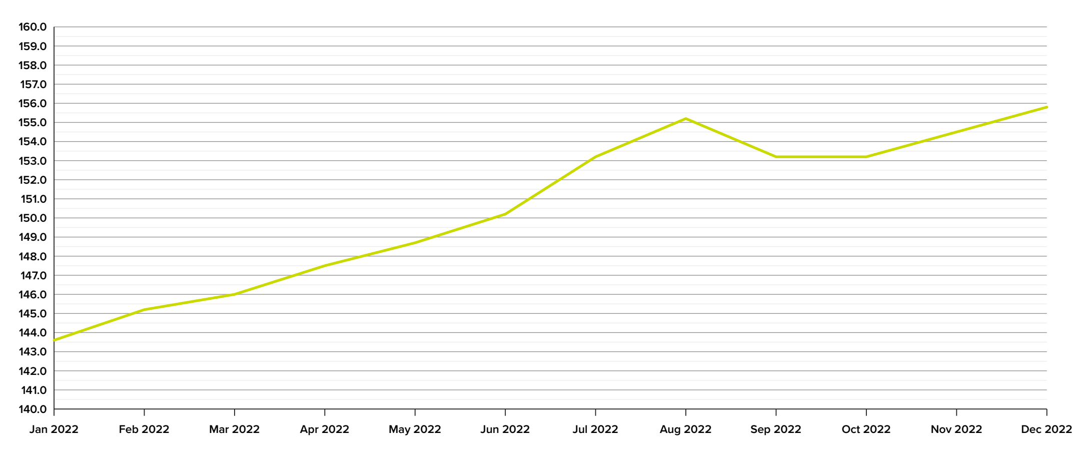


Enquiry levels were incredibly strong at the start of 2022, and with a record-breaking Spring here at TMP, we were 30% up on the previous year in May!

As summer rolled in and the pandemic became a thing of the past, seasonality returned, and we expected to see a drop in October (which we did). This drop was perhaps compounded by economic events, but enquiry levels have been, as a whole, incredibly high.

For a product that has come under some scrutiny this year, SO continues to go from strength to strength and we look forward to high enquiries in 2023.

HOUSE PRICE INDEX



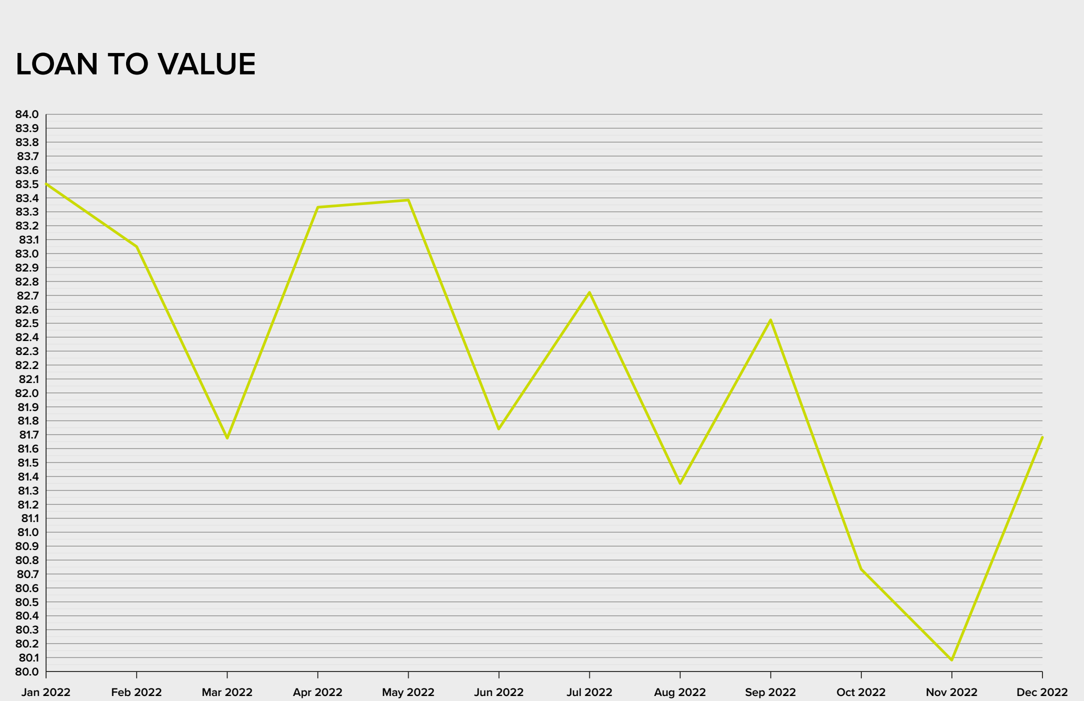
The most up-to-date figures are those that were released on 14th December; the average price of property in the UK was £316,073, the index figure stands at 155.8. Property prices have risen by 0.2% compared to the previous month and risen by 13.2% compared to the previous year.

Over the course of 2022 the HPI rose steadily from 143.6 to 155.8 and the industry looks forward to the next update which will be released on Wednesday 18th January.

Steadily increasing prices throughout 2022 resulted in the average UK house price reaching a record high. The average UK house price was £296,000 in October 2022, which is £33,000 higher than the same time in the previous year.

Source: Gov.uk

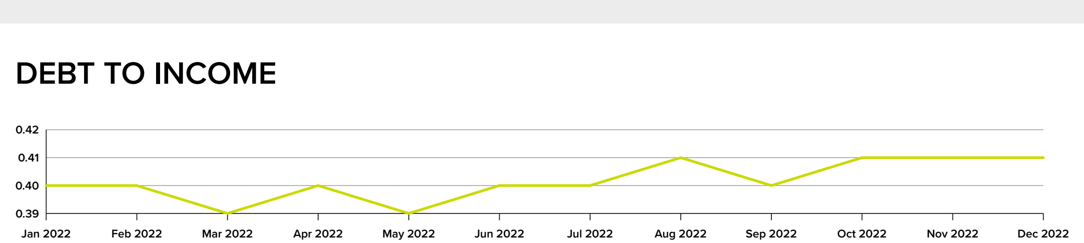
LOAN TO VALUE



Looking over the year as a whole, the size of deposit that customers have been putting down in the last couple of months is an interesting aspect to look at.

Above all, we're not seeing people suddenly opt for much higher loan values or much lower loan values – it's been a balanced picture in the latter half of the year. And given the dramatic economic backdrop over that time period, that's an incredibly positive sign. LTV is currently up 1.6%, which, in the scheme of things, is significant. It'll be interesting to see if the trajectory continues.

DEBT TO INCOME



DTI, income versus outgoings, remains quite steady. Customers are still optimising shares and lenders are still supporting that. Plus, the fact that we are not seeing customers' affordability changing dramatically is a really positive sign.

We ended the year in a similar position to where we began – a surprising (but welcome) outcome.

TMP TEAM TALK

2022 wasn't quite the year we all expected and while it didn't reach the heady heights that we were on course for, it was a good year for the business. We recruited more team members and are now fully staffed, we added yet more HAs to our roster, and we weathered another storm. Bring on 2023.

GOT A QUESTION? WANT TO KNOW MORE?

Please do get in touch. Drop us an email:
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