2023: REVIEW OF THE YEAR

The Mortgage People

OUR AMAZINGLY HELPFUL MARKET UPDATE

KELLY'S HOT TAKE

2023 certainly was... eventful. The economic chaos of late 2022 spilled into 2023, which caused the property market as a whole to spasm. And customers reacted accordingly.

The good news? As a sector, we fared much better than a lot of people thought we would, and Shared Ownership has yet again proved its amazing value and resilience.

Here's our roundup of the year.

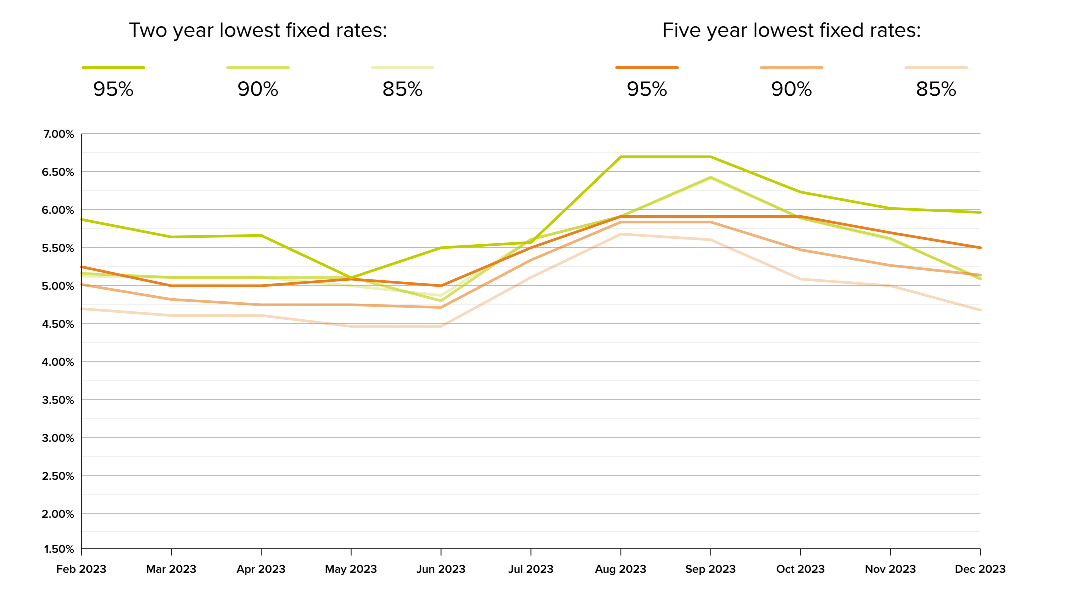
Kelly McCabe
TMP The Mortgage People

THIS YEAR UNDER THE MICROSCOPE

LOWEST FIXED RATES

TWO YEAR LOWEST FIXED RATES	95%	90%	85%
February	5.80%	5.62%	5.16%
March	5.69%	5.39%	5.10%
April	5.69%	5.39%	5.10%
May	5.09%	5.09%	5.03%
June	5.52%	4.80%	4.80%
July	5.64%	5.64%	5.64%
August	6.69%	5.90%	5.90%
September	6.69%	6.19%	6.44%
October	6.24%	5.89%	5.86%
November	6.05%	5.79%	5.60%
December	5.94%	5.10%	5.10%

FIVE YEAR LOWEST FIXED RATES	95%	90%	85%
February	5.25%	5.05%	4.70%
March	4.99%	4.82%	4.62%
April	4.99%	4.74%	4.62%
May	5.15%	4.74%	4.48%
June	4.99%	4.69%	4.48%
July	5.49%	5.34%	5.12%
August	5.89%	5.79%	5.79%
September	5.89%	5.79%	5.63%
October	5.89%	5.49%	5.18%
November	5.69%	5.29%	5.00%
December	5.55%	5.14%	4.71%



2023 was a tough one for our industry. At the beginning of the year, we were still dealing with the fallout from the mini budget fiasco. Six months in, consistent hikes had increased the Bank of England base rate by 1.25% compared to the previous year. Add the Cost-of-Living Crisis to the mix, and we've had ourselves a perfect storm.

Difficult conversations with customers really showed us the emotional impact of these economically turbulent times, and that's something we aren't used to. It's all added up to a very sobering year. But we've made it through. And here's the good news: the outlook for 2024 is a lot brighter.

Lenders are dropping their rates, and although only slightly, that's switched the narrative to a positive one. Inflation is dropping much faster than anyone could have guessed. That suggests people are being more real with their money and that we're all finally adjusting to our new post-historic low rates reality.

And yes – rates are still 'high', and everyone has less money in their back pockets. But homeownership is still a thing, and people still want it. While 2023 certainly wasn't a barrel of laughs, it wasn't anywhere near as bad as many had feared, and all those sensational headlines had predicted it would be. Sales have dipped but didn't dry up. Repossessions rose but didn't rocket. The worst-case scenarios never played out.

The year had at least a glimmer of a silver lining, too. It proved that Shared Ownership is not anywhere near as heavily impacted by market fluctuations as other areas of the industry. If anything, it's an antidote; that one sure-fire offering of stability.

ACTIVE LENDERS IN SO

We came into 2023 with a depleted number of lenders, who then rejoined the market in March when the worst of the previous year's economic turbulence had subsided.

In fact, just one new lender joined the Shared Ownership market last year, bringing our total to 29.

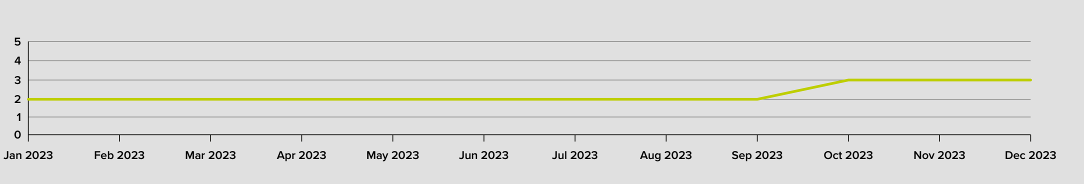
2023 was an odd year. There simply wasn't ever a good time for lenders to launch new products. Lenders want to enter buoyant markets – the kind they can jump into and get a lot of business out of. Because of all last year's uncertainty, the safer option was to batten down the hatches. Most did, and they can't be blamed for it.
But hopefully this year, things will change.

95% LENDERS

Again, there's no graph to be seen in this section because the number of 95% lenders remained consistent at 25 throughout the year. This is encouraging because 95% is the baseline for Shared Ownership; it's the sweet spot that draws customers in. We know that relatively few customers will go for a 5% deposit, but the fact that the option's there will open the door to conversations about what could work for them.

While we're on the subject of deposits, it's worth mentioning that we need to be mindful of creeping affordability issues. Property price increases are slowing. The knock-on effect is that the Bank of Mum and Dad isn't a never-ending pot of gold.

SUB-25% LENDERS



The sub-25% market continues to be sluggish. That's not surprising as it hasn't ever been an attractive product for lenders. But workarounds are emerging – i.e. the availability of minimum loans on more expensive properties (over £400,000, say) – but it remains low on the list of priorities for lenders.

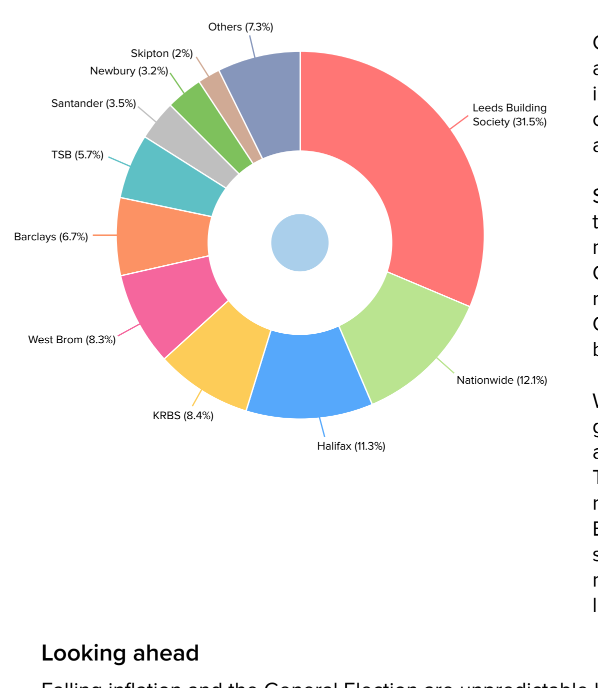
Are we going to see lenders coming in and offering minimum loans of £20,000? Probably not. But are we going to see more lenders come in with a minimum loan of £35-40-50,000? Much more likely. That will mean we have more sub-25% lenders, but it will also mean they can only help a select few people in high-price areas. Then again, maybe that's a workable solution for the time being.

DOMINANT LENDERS BY RATE

2 YEARS	
95%	Leeds
90%	Leeds
85%	Reliance

5 YEARS	
95%	Newbury and Suffolk
90%	Leeds
85%	Barclays

RATIO OF LENDERS



One of Shared Ownership's unique features will always ensure that the monthly cost to the customer is always cheaper than traditional open market home ownership. Why? The insulation that the rent provides against rate rises.

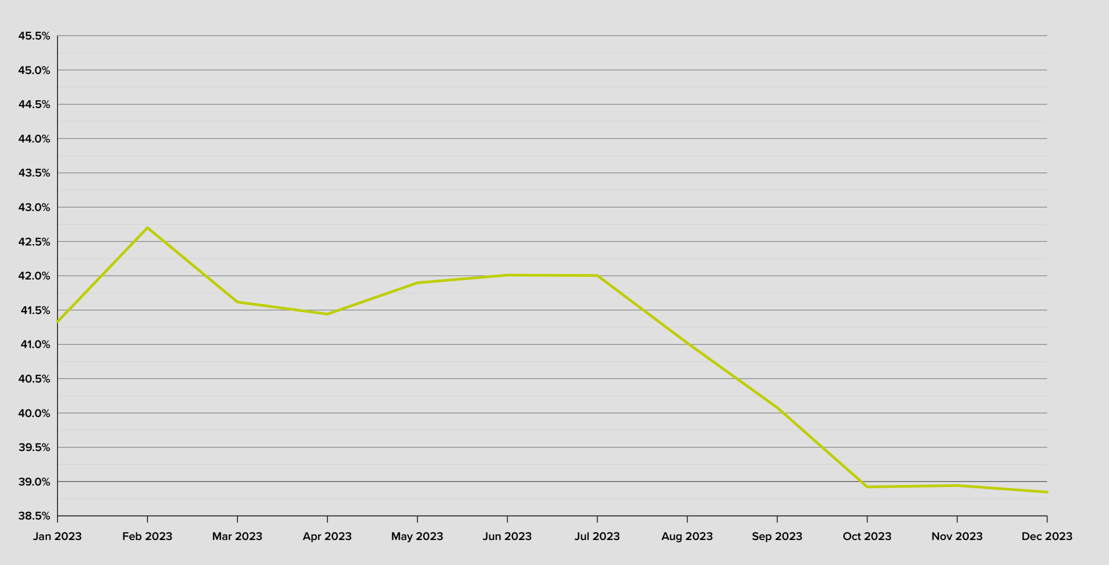
So whereas this year's interest rate rises affected the total amount that traditional homeowners spent on monthly repayments, they only caused Shared Owners' repayments to rise partially. That's because rent makes up a significant share of what Shared Owners pay each month and is not directly affected by rate hikes.

With less of a Shared Owner's monthly outgoings going towards a mortgage payment, interest rates aren't quite as critical as they are in the wider market. This was illustrated by the fact that we handled fewer remortgages than we would have expected this year. Evidently, Shared Owners were happy to ride out any short-term increase in payments at the end of their mortgage agreement, rather than rush into a new long term deal at a higher rate.

Looking ahead

Falling inflation and the General Election are unpredictable but both will influence applications in some way. One of the things we think we're likely to see in 2024 is the emergence of some form of 'Help to Buy 2' – a likely vote winner. But let's hope that doesn't happen. Because if it does, there's a good chance it'll overinflate the market in just the same way its predecessor did.

AVERAGE SHARE: 90 DAYS

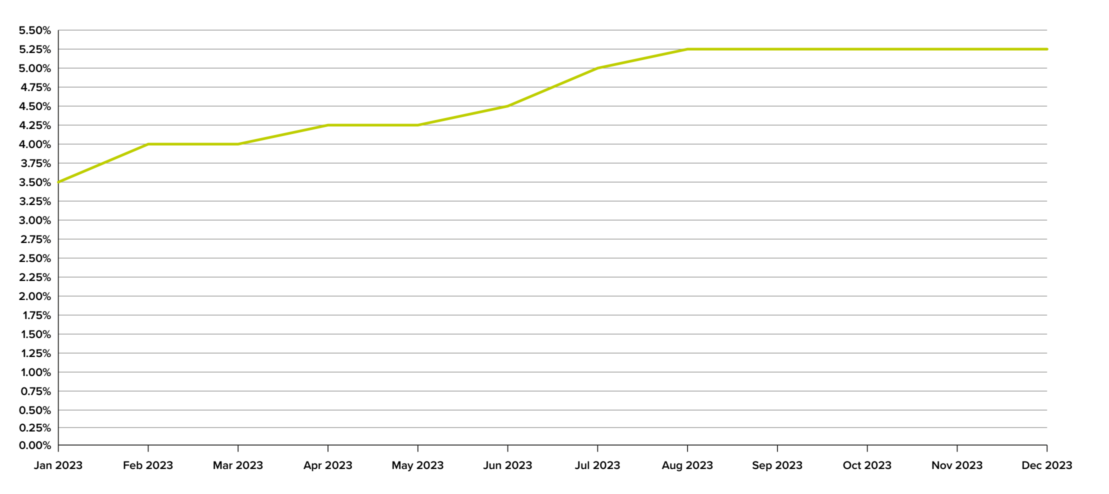


The size of our customers' average share began falling in April last year and eventually dipped below 40% for the first time in TMP history. That. wasn't just a trend among our customers. Figures demonstrate it was industry-wide.

The culprit? Affordability. It's a clear reflection of how much money people had in their pockets during 2023 against a backdrop of sustained inflation, base rate rises, and wider economic turmoil. In reality, the drop in shares shouldn't be a big surprise to anyone. We shouldn't be unnecessarily anxious about the future, either.

The market is still strong, people are still buying homes and there's no sign of a slowdown. If anything, this demonstrates just how flexible and enduring Shared Ownership is – it provides a valuable, viable option when people are facing reduced affordability in their day-to-day lives.

BANK OF ENGLAND BASE RATE



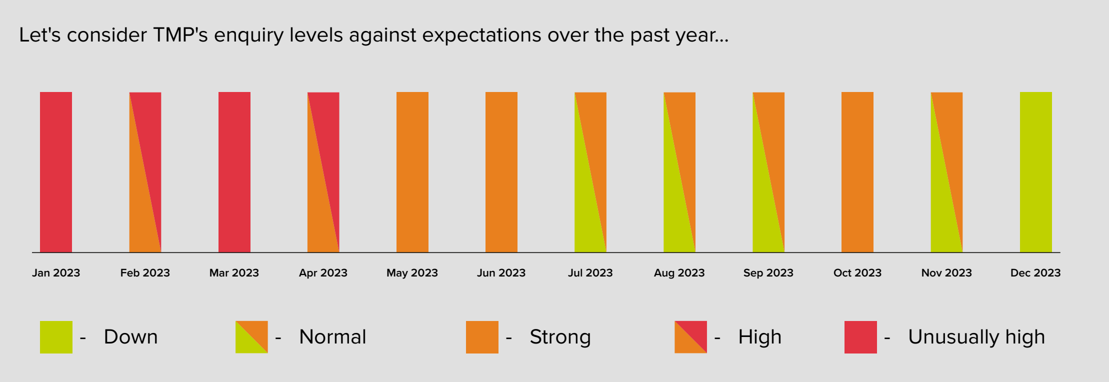
During the first half of 2023, The Bank of England base rate continued to rise until August when it reached a 15 year 'high' of 5.25%. Since then, it has plateaued.

Although the current rate has increased the cost of borrowing, it appears to be bringing inflation back under control faster than predicted. Some have speculated that during 2024 it will gradually start to fall again.
But it's very unlikely to return to its historic low pre-pandemic levels at any time in the foreseeable future.

Just look at the rates at the bottom of our Y Axis - it seems incredible now to think that we enjoyed a BR below 1% for so many years.

HEAT MAP: ENQUIRY LEVELS

Let's consider TMP's enquiry levels against expectations over the past year...

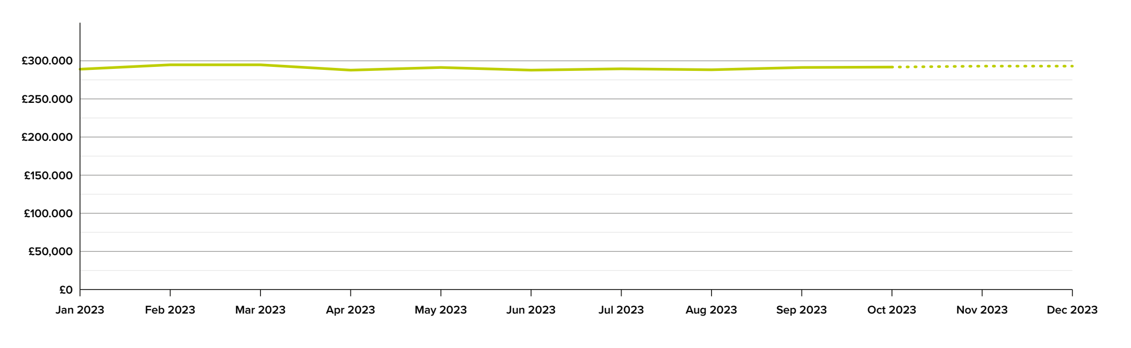


Overall, enquiries were down very, very slightly on last year. But you know what? We're taking that as a win considering the state of the market that some had predicted.

And despite the slight downturn, we've fared much better than most in the wider market. The figures from 2023 are yet another demonstration of the endurance of Shared Ownership. The scheme's popularity keeps rising and it continues to provide a much-needed affordable route into homeownership. Even in difficult economic times like these.

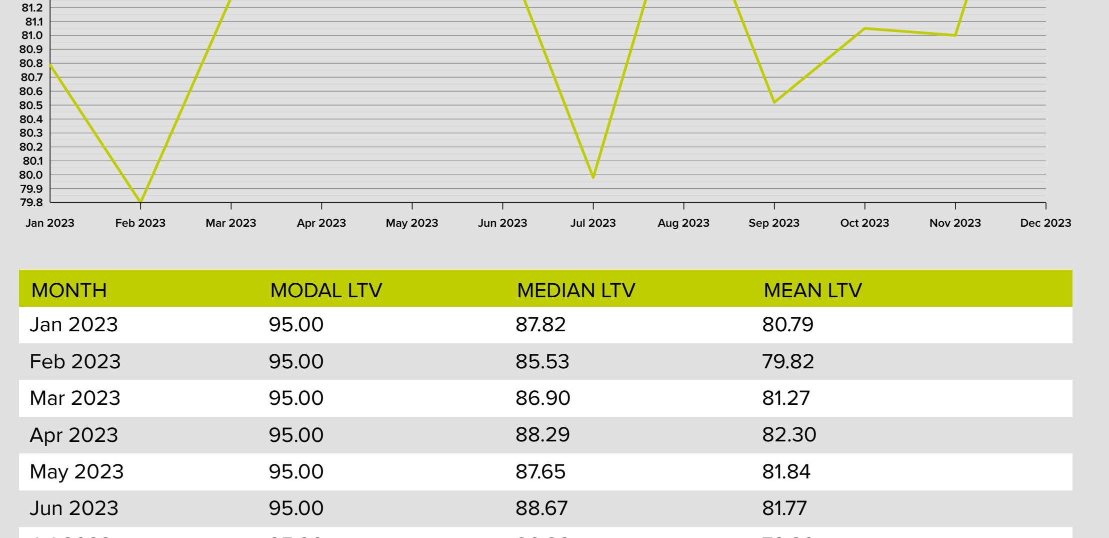
At the time of writing, our unusually quiet December (2023) has again been overtaken by an equally unforeseen January spike. Perhaps this is the start of a trend...

HOUSE PRICE INDEX



Flat. As of October 2023, the average house price in the UK is £287,782, and the index stands at 150.9. Property prices have fallen by 0.7% compared to the previous month and fallen by 1.2% compared to the previous year. Between Oct 2022 and Oct 2023, the average UK house price fell by £3,411. That yearly fall represents the first in more than a decade. But with the brightening economic outlook, sellers offering more realistic pricing and the return of increasing numbers of buyers, the future looks set for a property market rebound.

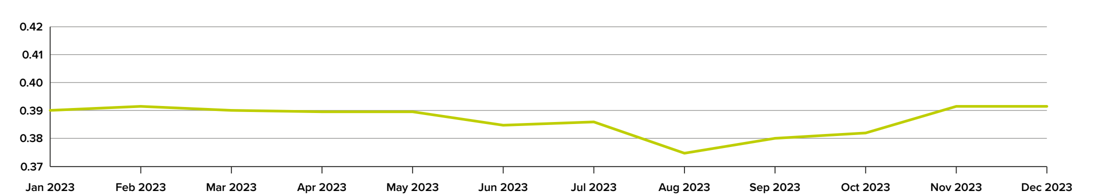
LOAN TO VALUE



MONTH	MODAL LTV	MEDIAN LTV	MEAN LTV
Jan 2023	95.00	87.82	80.79
Feb 2023	95.00	85.53	79.82
Mar 2023	95.00	86.90	81.27
Apr 2023	95.00	88.29	82.30
May 2023	95.00	87.65	81.84
Jun 2023	95.00	88.67	81.77
Jul 2023	95.00	86.86	79.80
Aug 2023	95.00	88.72	82.18
Sep 2023	95.00	88.49	80.56
Oct 2023	95.00	88.57	81.35
Nov 2023	95.00	87.12	81.04
Dec 2023	95.00	88.91	83.07
Grand Summary	**95.00**	**88.79**	**84.64**

We're also showing modal, median and mean averages for this section because they're all valid when it comes to Loan To Value. 95% remains the most popular modal LTV for Shared Ownership and that has been the case for a very long time. The median still sits at the higher end as we'd expect, but the actual (mean) average shows a range of values across the year and this is reflective of the different profiles of today's shared owner. It's not just first time buyers, it's older people with savings, people with larger deposits and the influence of the 'bank of mum and dad'.

DEBT TO INCOME



As many will be aware, DTI is linked to average share, which in turn is broadly linked to interest rates.
They're effectively the three factors that underpin Shared Ownership.

We're seeing a nice, relatively flat graph here. And we say 'nice' because it shows the factors working in harmony. This graph illustrates that Shared Ownership is a flexible product that can adapt to the prevailing conditions, enabling more people to move into places that they can call home. Nice.

TMP TEAM TALK

We've ridden out what has been a challenging year, but that's not to say that we've been reactive as a business. The opposite is true and we've been putting plans in place for the coming months.

2024 is going to be our year. After a long period of hiring, expansion and settling in, we have more staff and resources than ever before. And we're keen to prove what the new, bigger and better TMP can do.

team TMP

GOT A QUESTION? WANT TO KNOW MORE?

Please do get in touch. Drop us an email:
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