SEPTEMBER 2022

OUR AMAZINGLY HELPFUL MARKET UPDATE

KELLY'S HOT TAKE

This month has been momentous in so many ways and while signs indicate that we are heading into turbulent times, our front-end enquiries remain strong at the time of writing. PLEASE NOTE, due to the speed of the market right now it's likely that things could have changed by the time you read this.

Kelly McCabe
TMP The Mortgage People

AT A GLANCE: DASHBOARD

This month's figures to 21 September

21	Active lenders in SO
17	95% lenders
44.57%	Average share (90 days)
2	Sub-25% lenders
2.25%	Bank of England Base Rate
	Enquiry levels

LOWEST FIXED RATES

The latest figures from our list of lenders.

85% LTV	
2 year	Barclays (Green) 3.92%
3 year	West Brom 4.24%
5 year	Barclays (Green) 3.94%
90% LTV	
2 year	Barclays (Green) 3.92%
3 year	Nationwide 4.59%
5 year	Barclays (Green) 3.94%
95% LTV	
2 year	Leeds 4.32%
3 year	West Brom 4.39%
5 year	Leeds 4.33%

THIS MONTH UNDER THE MICROSCOPE

With the never-ending deluge of economic news recently, it's difficult not to prophesise about the market and which way things will go. But in these Market Updates we try and focus on the here and now. And for us, front end enquiries were extremely strong this month, and we have been receiving mortgage offers from lenders quite quickly.

Behind the headlines

According to various news outlets, mortgage lending has been in 'meltdown' over the past couple of days. But while at TMP we're seeing some understandable unease from lenders, *we're seeing no evidence at all of them withdrawing from the market.*

As is common in busy or volatile periods, lenders will put their prices up in the short term to buy themselves time; they'll use this time to regroup and to consider their pricing and their strategic response to the situation. When this happens, some other lenders might get spooked and follow suit or *temporarily* withdraw from the market, and we then experience even more volatility.

To add to the situation, customers from across the entire mortgage market have been reading the catastrophic headlines and deluging their lenders with enquiries. The lenders aren't able to handle this traffic alongside new business requests, and therefore they are forced to react in ways that will enable them to handle the situation. This quote from one of our lenders is typical of the messaging we're receiving: *"We continue to monitor the situation closely and currently plan to relaunch products for new customers towards the end of the week."*

In summary: yes, it's been a difficult few days and yes, we expect further volatility, but are we expecting lenders to return? Also yes.

Budget analysis

As far as last Friday's mini-budget is concerned, very few of the policies laid out will have a direct, immediate impact on the Shared Ownership sector. Stamp Duty (or the removal of it) isn't generally a barrier or a primary concern for our buyers, and while the changes to NI contributions should be helpful, we won't see the benefits until 2023. The increased sale of surplus government land will help to provide stock in the long-term, but again, it's not an immediate game-changer.

Base rate rise

Meanwhile, the Bank of England base rate rose last week and it's higher than we have seen for some time. We do know that this will impact share levels as lenders' rates move upwards, and customers are already choosing longer-term fixed rates on the back of advice that we're giving them.

Swap rates

It's worth pointing out that some of the higher lenders' rates that we're seeing at the moment aren't solely linked to the BoE base rate rise – they're actually down to what are known as 'swap rates'. In an inflationary market, where more and more customers opt for fixed rates, there's a risk that lenders' profit margins will be squeezed. Lenders use these swap rates to mitigate this risk.

Bigger picture

As a sector, we need to remember is that speed is the name of the game if we're to secure the right deals for customers. At TMP, we're starting to find that, between the initial conversation with a customer and when it comes to them actually being able to proceed, the picture can change dramatically. And that's not a great place to be.

Our focus as a company is to keep on top of things, be speedy and be realistic with our assessments.

INSIGHT: LENDER'S VIEW

"Since the Society returned to Shared Ownership lending in April, we've been really pleased with how our proposition has resonated with the market. We've embraced the new lease arrangements allowing people to purchase a share of less than 25% and, in the current climate with rising interest rates and the cost of living crisis, believe this will become more applicable to some moving forward.

"That being said, we remain vigilant as to how existing borrowers, including shared owners, will be able to weather the fast-paced changes in the economy and as a mutual, will ensure we're there to support members through this period of uncertainty."

Ed Barron, Senior Manager – Credit Risk, the West Brom

INSIGHT: HOUSING ASSOCIATION'S VIEW

"With the summer holidays, we've seen the usual slight drop in new reservations... [But] at this moment in time, there is no immediate evidence of buyers losing any confidence and the demand and need for good quality Shared Ownership homes continues to remain high.

The next 12-months will be interesting and, whilst some slowing of the housing market is a fairly safe assumption, it remains to be seen how bumpy the road ahead will prove to be."

Kevin Baulf, Head of Sales, Aster Group

SNAPSHOT: WIDER MARKET

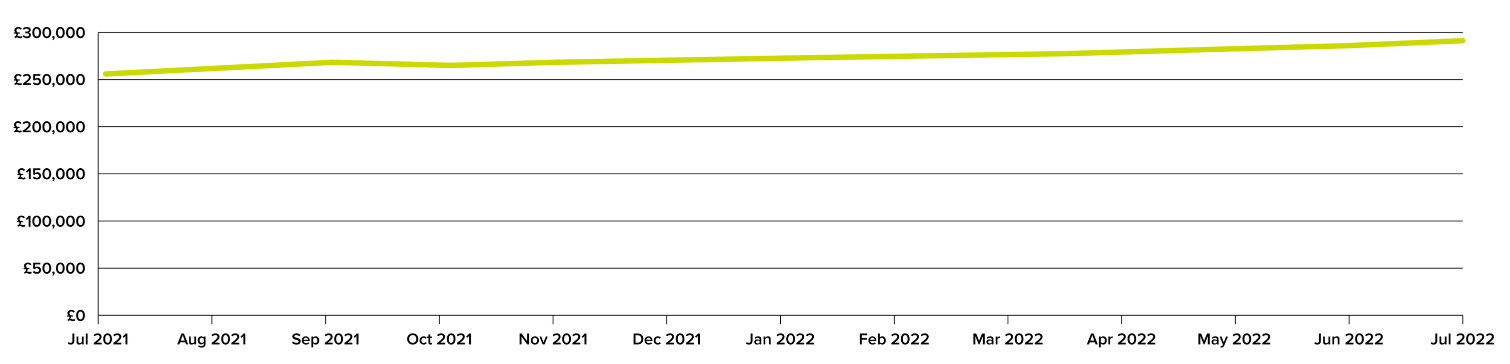
"Our latest data shows a sharp spike in the number of agents reporting the average time taken for sales to complete being 17 weeks or longer.

This, coupled with lack of stock and high demand in the market, is proving difficult for some first time buyers or current homeowners as an existing mortgage in principle obtained before setting out to view a property will likely expire before completing on the purchase."

Nathan Emerson, CEO | Propertymark

DATA DIVE: HOUSE PRICE INDEX

As of July 2022 (most recent figures), the average price of a property in the UK was £292,118, and the index figure stands at 153.2. Property prices have risen by 2.0% compared to the previous month, and risen by 15.5% compared to the previous year.



TMP TEAM TALK

Aside from a strange Feefo review that said our service was too speedy, it's been a solid month. We've grown the team over the summer so that our customers receive an even better service from us, and our relationships with HAs and lenders remain strong.

GOT A QUESTION? WANT TO KNOW MORE?

Please do get in touch. Drop us an email:
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