

## Your Home Finance

Autumn Q4 2022

### Can green home improvements add value?



**With energy bills soaring, the advantages of improving energy efficiency are becoming evident to many homeowners seeking to reduce their outgoings.**

Research<sup>1</sup> suggests that over a quarter (26%) of British homeowners want to carry out improvements in order to make their home more energy efficient.

#### **Give your home a price boost**

Not only could energy efficiency improvements make a huge dent in your annual energy bills (up to £1,878 according to a study from WWF and Scottish Power)<sup>2</sup>, but they could also add an average of £10,000 to the value of your home.

So, what are the top green home improvements and how much could they add to the value of your property?

- **Air-source heat pump:** £5,000 to £8,000
- **Solar panels:** £1,350 to £5,400
- **Electric vehicle charging point:** £5,400 to £7,400

#### **The smallest actions can make a difference**

Despite their clear long-term benefits, the cost of installing low carbon technologies can be prohibitive – the average installation cost of an air-source heat pump is nearly £11,000! Don't worry – even the smallest actions can chip away at your energy bills and reduce your carbon footprint.

According to the Energy Saving Trust<sup>3</sup>, these are the top ten energy savers that you can try without splashing too much cash:

- **Keep showers to four minutes:** £70 per year
- **Avoid the tumble dryer:** £60 per year
- **Ensure appliances aren't on standby mode:** £55 per year
- **Draught-proof windows, doors and floors:** £45 per year
- **Insulate your hot water cylinder:** £35 per year
- **Wash clothes at 30 degrees and less frequently:** £28 per year
- **Don't overfill the kettle and fit an aerator to your tap:** £36 per year

### Housing market resilience

The number of home movers fell 35% year-on-year in the first half of 2022<sup>4</sup>, a drop that was widely expected following last year's uniquely busy pandemic-influenced market.

#### **Still high**

In total, 172,510 people moved house in the first six months of this year, well below the 266,270 who moved in the first half of 2021. Last year's record, however, was heavily influenced by the government's Stamp Duty holiday and pent-up demand from lockdowns. Indeed, excluding 2021, this year has seen the busiest start to a year for home moves since 2008.

#### **Trends**

All UK regions have seen the number of home movers fall in 2022, with Greater London experiencing the biggest decline (45%). Last year, detached homes consolidated their top spot for home moves, accounting for a 7% higher share than a decade ago. Home movers have also become slightly younger in the last ten years, with the average age now 40, compared to 41 a decade ago.

#### **Resilience**

Despite the challenging circumstances, the housing market remains resilient. We can guide you through the busy market and help you stay focused on your goals.

<sup>4</sup>Halifax, 2022

- **Turn off lights when leaving rooms:** £20 per year
- **Only run dishwasher when full:** £14 per year
- **Replace baths with showers:** £12 per year

Taken altogether, these actions could shave £375 per year off your bills!

<sup>1</sup>MAB, 2022, <sup>2</sup>WWF & Scottish Power, 2022,

<sup>3</sup>Energy Saving Trust, 2022

***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

### Gardens uprooted

A quarter (25%) of homeowners in the UK with outside space have turned all or part of their garden into a driveway and a further 17% plan to make this change<sup>5</sup>. As well as parking space proving to be popular, one in ten homeowners with outside space have replaced at least some of their garden's natural lawn with artificial grass; a further 29% are considering making the swap. In contrast, 12% have replaced part or all of their garden with a wildflower meadow and 7% have turned their driveways into a planted garden.

### The Growth Plan 2022

On 23 September, Chancellor Kwasi Kwarteng outlined a series of tax cuts and measures. One of the key tax announcements was a reduction in Stamp Duty Land Tax (SDLT) in England and Northern Ireland, raising the residential nil-rate threshold from £125,000 to £250,000, with immediate effect, and First Time Buyers Relief from £300,000 to £425,000. The maximum amount that an individual can pay for a home while remaining eligible for First Time Buyers' Relief, was increased from £500,000 to £625,000. As SDLT is devolved in Scotland and Wales, the Scottish and Welsh Governments will receive funding through an agreed fiscal framework to allocate as they see fit.

<sup>5</sup>Aviva, 2022

## Selling with success

**Planning to sell? You already know there's a lot of big things to think about. But don't neglect the small details either.**

Seemingly minor changes can make a significant difference to how a property is perceived and, ultimately, its sale price. Here are three top tips for putting the finishing touches to your home before listing it for sale.

### 1. Appearances count

If you've been putting off any DIY tasks, now might be the time to finally get them done! Presenting a well-maintained property shows prospective buyers that the house has been well cared for, which will reassure them that there won't be any nasty surprises. In contrast, if buyers notice obvious DIY shortfalls, they'll factor the costs of carrying these out into their offer price.

### 2. Lose the quirks

It's a good idea to remove some of the more personal objects and displays around your home. Without making it feel like an empty white box, you can help prospective buyers better imagine themselves living in your house by taking away your most glaring quirks.

### 3. Define rooms

Over time, rooms can end up evolving away from their original purpose – intentionally or not. This is normal but when it comes to selling, clarity is key. If the spare bedroom has become a storage depot, converting it back to its original purpose can help showcase the space and market the house more effectively.

### Big and small

Having someone on your side to help with the big decisions can help you stay in control of every little detail. Get in touch, we can help!

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# Mortgage market update

**It's been a busy couple of months in the mortgage market, with rising interest rates and new product ideas dominating the discussion.**

## Rate rises

Following the Bank of England's decision to raise interest rates, two million mortgage holders with standard variable rates or tracker mortgages are already facing higher repayments.

Bank Rate increases will also impact those with fixed-rate contracts, many of whom will face higher costs when their current deal ends. Although 83% of existing mortgage holders are on fixed-rate contracts, almost a third have short agreements of up to 24 months<sup>6</sup>.

## Fifty years

How would you feel about repaying your mortgage for fifty years? Ultra-long mortgage deals are one of the government's proposed solutions to

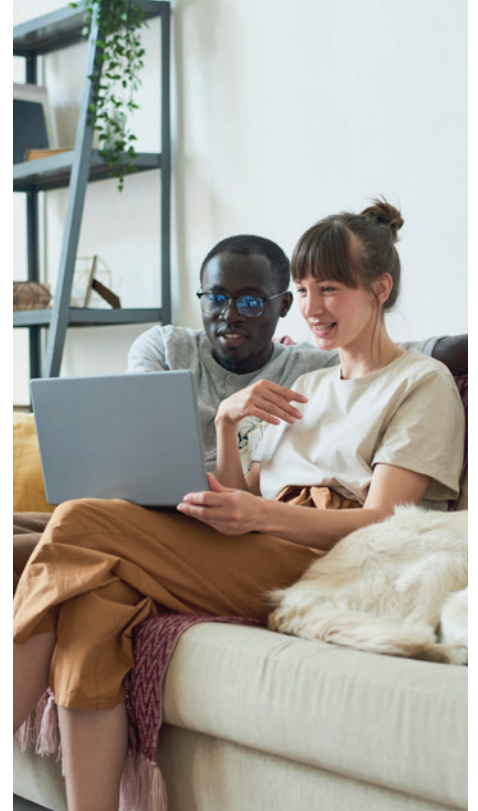
help more people own a home. The plan would help more people build equity rather than paying rent, with a longer mortgage period allowing larger sums to be borrowed.

Yet calculations<sup>7</sup> reveal just how expensive these mortgages could turn out. For example, assuming a 75% loan-to-value mortgage, an average home price and an average fixed rate of 6.19% (comparable to current market deals for a forty-year term), monthly repayments would stand at £1,140. Over a fifty-year term, therefore, this means £472,984 paid in interest alone!

## Here to advise

We're on top of all the breaking news and new ideas. With so much happening right now, getting the right advice is more important than ever. Wherever your property journey is heading, we'll help you navigate the choppy waters.

<sup>6</sup>Bank of England, 2022, <sup>7</sup>Barrows and Forrester, 2022



## Holiday habits of UK homeowners

**Do you always lock your windows before going on holiday? If not, you're not alone. A new survey<sup>8</sup> has revealed some of the bad holiday habits of UK homeowners.**

### Locked out

Two in five respondents don't check their windows are locked, with a similar number failing to check the doors. Just under half make sure no valuables are visible through the windows.

This is despite the fact that 14% of people have had their home burgled, with an additional 11% having experienced an attempted burglary.

### Open invitation

Moreover, the survey showed that one in ten homeowners leaves a key under a doormat or plant pot when heading away. Although this can allow neighbours to check on your property, it might also give easy access to burglars.

### Turn it off!

Half of respondents said they switch off electrical appliances that aren't needed, while a fifth remember to turn off the water.

<sup>8</sup>Aviva, 2022

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## Equity release increase driven by cost-of-living pressures

**In recent years, equity release has become an increasingly popular way for older homeowners to unlock cash tied up in their properties.**

Equity release products enable homeowners over the age of 55 to access equity locked up in their homes while still being able to live in their property.

New research suggests that many homeowners are now choosing to do so to help them with the rising cost of living.

According to analysis<sup>9</sup>, 14% of equity release applications in Q1 2022 were made by customers looking to bolster their everyday living costs. A further 12% were looking to unlock cash in order to consolidate unsecured debts. Meanwhile, over a third (36%) wanted to use equity release to clear their outstanding mortgage.

**Equity release use hits record highs**  
Q2 2022 saw equity release lending figures hit record highs, reaching £1.6bn – a 26% increase year-on-year. This marks the fourth consecutive quarter of near record figures, according to the Equity Release Council (ERC)<sup>10</sup> and equates to nearly 12,500 new plans being taken out by over-55s between April and June 2022 alone.

ERC Chair David Burrowes commented, *“Raising awareness of how modern equity release products work alongside other financial solutions is essential so people who are asset-rich but cash-poor can benefit from the wealth they have built up over their lifetimes and also support those around them.”*

### Talk to us

Equity release isn't right for everyone, it is vital to take financial advice to ensure it is a suitable option for your individual circumstances. To find out more about your options, please do get in touch.

<sup>9</sup>Canada Life, 2022, <sup>10</sup>Equity Release Council, 2022

## On the rise – protection insurance payouts

**Claims paid out under protection insurance totalled £6.8bn in 2021<sup>11</sup>, a second consecutive yearly high, with more than £18.6m paid out every day in life insurance, income protection and critical illness claims.**

Last year was the third year in a row where the overall average individual payout increased, rising by 9% year-on-year to reach £14,994. For term assurance, the average claim payment was £61,944 and the average critical illness claim payment was £67,500.

In 2021, 98% of individual and group claims were paid. However, ‘non-disclosure’ was cited as the main reason for the 2% of rejected claims. This is when a customer fails to provide information about something that might have influenced the insurer’s decision to provide cover or the price of that cover.

### More than a number

Protection policies can help give you peace of mind by making sure you can meet financial commitments and knowing that your loved ones will not face hardship. Behind the headline facts are millions of families given support when they needed it most.

<sup>11</sup>ABI and GRiD, 2022



If you would like any advice or information on any of the areas highlighted in this newsletter, please **get in touch.**



**As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments. Equity release may require a lifetime mortgage or a home reversion plan. To understand the features and risks, ask for a personalised illustration.**