



Covid-19 WealthCare Update: Property advice series Part I

Stepping-on and stepping-up the property ladder

FACILITATED BY JOHN GASKELL, HEAD OF PERSONAL FINANCIAL PLANNING, ICAEW

Today's speakers



KATE FAULKNER
MANAGING DIRECTOR
PROPERTY CHECKLISTS

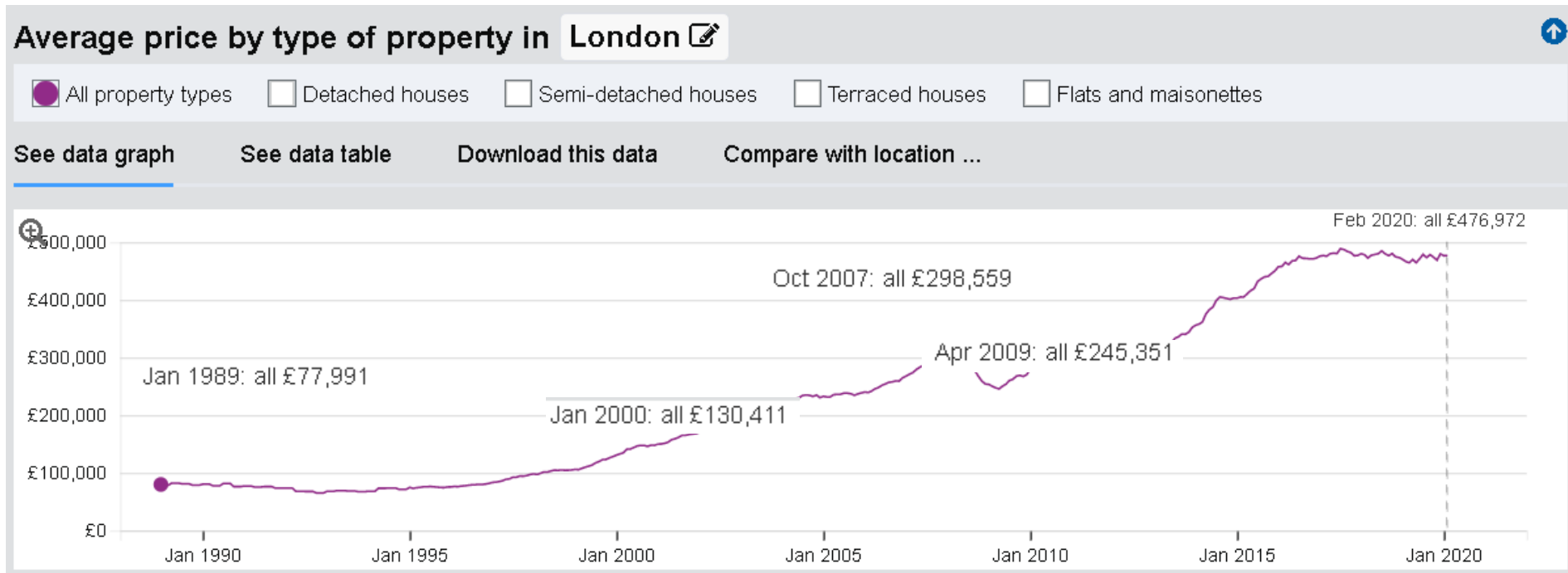


JATIN PATEL
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First time buyers
Busting property myths

Properties are affordable, just not for everyone



In London, overtime and to date, prices have always risen
BUT affordability has actually improved

Affordability is about costs, NOT price

Mortgage payments as % of mean take home pay

Pre the 1990s recession

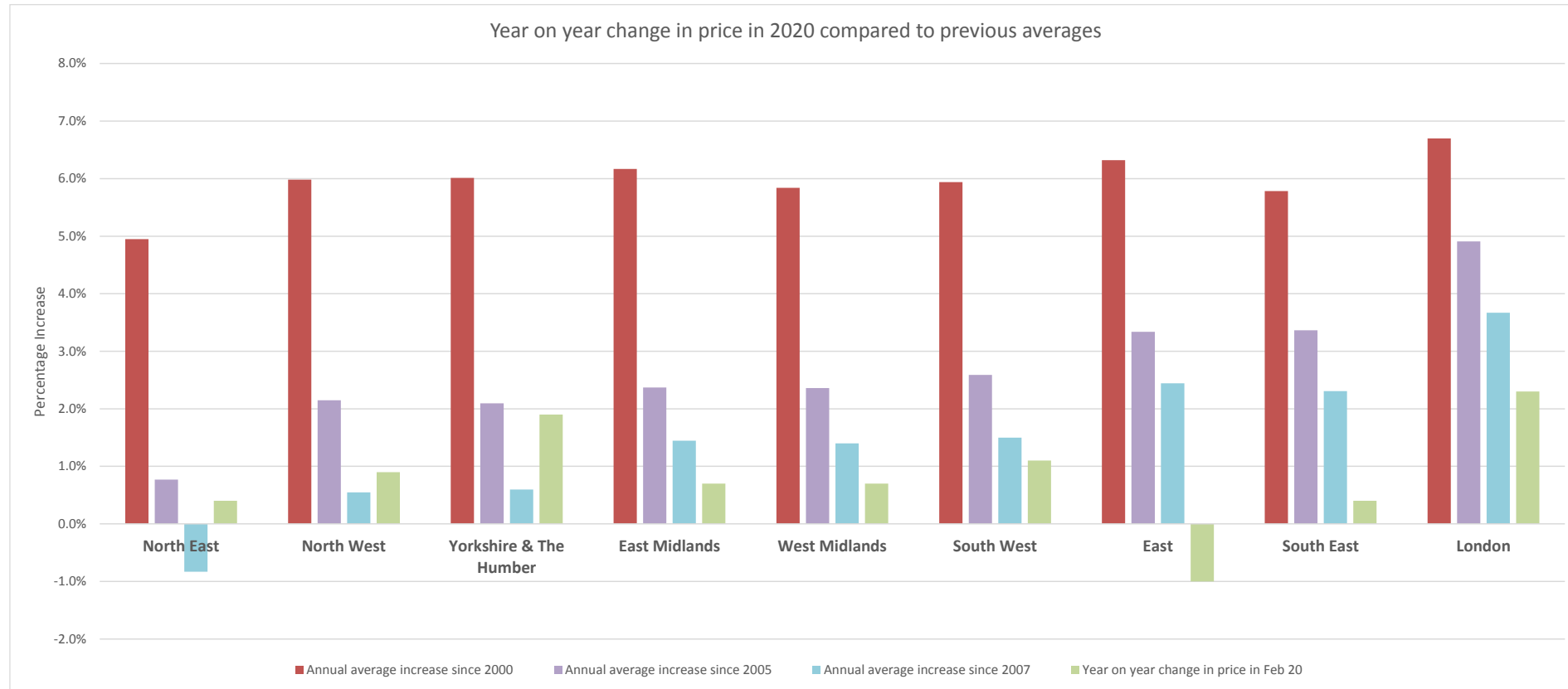
	Outer SE	Outer Met	London	UK
1989 Q1	78.6%	83.0%	89.8%	54.0%
1989 Q2	75.4%	84.6%	90.2%	55.8%
1989 Q3	74.1%	80.6%	85.6%	55.3%
1989 Q4	65.1%	74.6%	81.8%	52.8%
1990 Q1	63.0%	70.7%	76.0%	52.5%
1990 Q2	64.8%	69.8%	80.7%	53.5%
1990 Q3	53.8%	61.8%	73.3%	47.9%
1990 Q4	50.4%	55.7%	64.8%	43.9%

**1989 was the most unaffordable time to buy a home
(mortgage perspective)**

Should people buy during uncertainty?

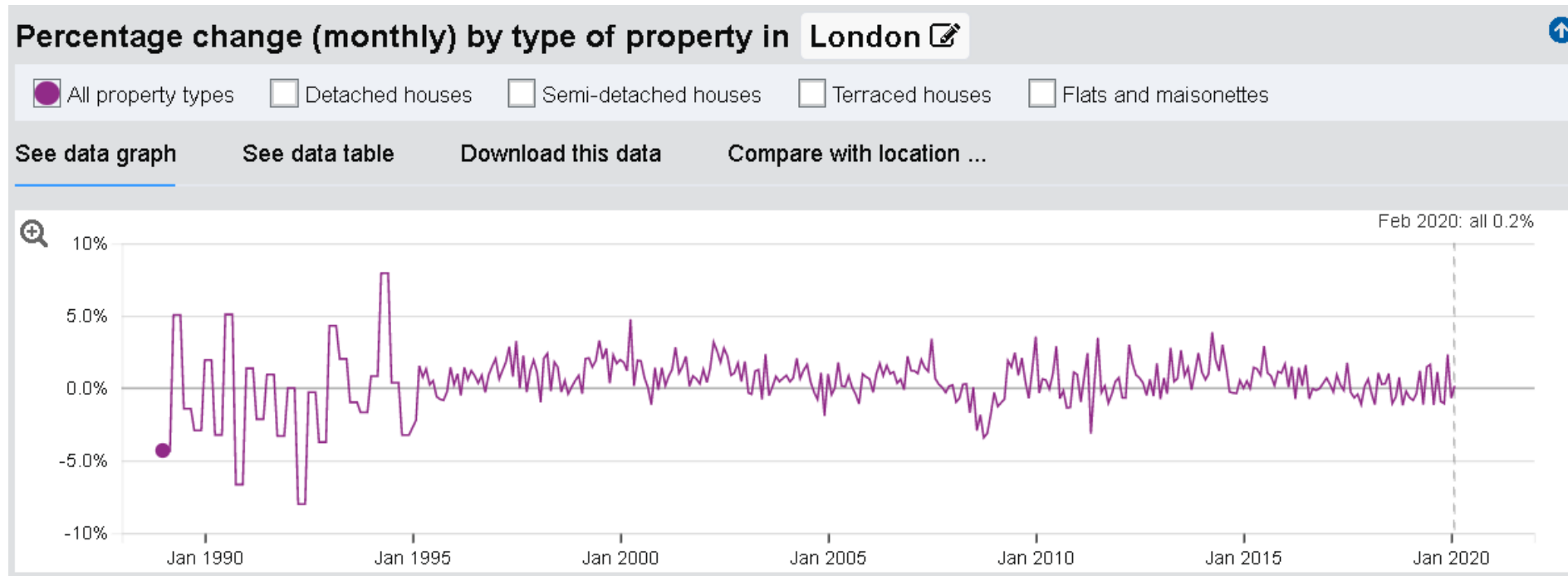
- Everyone should always go into buying with a plan B and C
 - If prices crash
 - If they get sick
 - Lose their job
 - Split up
- In London if someone bought in 2007 for £300,000
 - Prices dropped by 18% to £245,000
 - Currently worth now worth £477,000 + 60%
- However, some places still have lower house prices ‘on average’
 - Some properties are still worth up to 50% less than they were 13 years ago
 - Without taking into account inflation

Property is more affordable in most regions since 2005



North East property prices are 10% lower than they were in 2007
- In nominal terms.

Buy now or wait for property prices to fall?



Good luck with that!

Prices go up and down like yoyos month on month

Lack of properties for sale, so who is willing to lose their dream home?

Government/Regulator Reactions

- Cut in BoE interest rates to 0.1%
- Introduction of 'payment holidays'

Bank/Lender Reactions

- Information on websites on the process for claiming 'payment holidays'
- Creation of dedicated helplines for existing borrowers who wish to discuss their personal positions
- Appetite to lend and increase competition has led to:
 - Lower interest rate mortgage products
 - Re-emergence of 90% loan to value mortgages

Government initiatives to help first time buyers

- Stamp duty relief
- Help-to-Buy Mortgages
- Shared Ownership
- Help-to-Buy Individual Savings Account (not available for savers after November 2019)

Family support

- Loans or gifts to assist with the deposit/costs associated with a home purchase
- Agree to be part of the mortgage application – their (excess) income could assist with mortgage amount

Bank/building society initiatives to assist first time buyers

- Innovative products designed to work in collaboration with family support
- Products that assist with some of the costs associated with buying a home

Be sure that you research each initiatives' **definition** of 'first time buyer'



Second Steppers

Need to understand selling and buying is different

- Selling a property will be different
 - Need an appointment if visiting an agent
 - The agent should have a video of your property for people to view first
 - All ID, contracts, other documents etc
- During viewings
 - Windows and doors need to be open
 - Ideally your agent should do this
 - Ideally occupier should be out
 - Viewings limited to 2 people from the same household (preference for no kids)
 - If 2 people from separate household, need to view separately
- Properties need to be cleaned before and after
 - Especially door handles, light switches, taps
- Home movers need to be careful that whoever they work with is following industry guidance.

Ignore property price indices and media headlines

- National/regional average prices are irrelevant
- Need to checkout individual property prices for the road/street they are selling/buying in

Flat 38, Regent Court, Derby Street, Nottingham, City Of Nottingham NG1 5FF

2 bed, flat

£120,000	10 Jan 2020	Leasehold
£115,000	25 Oct 2017	Leasehold
£120,000	2 Jul 2004	Leasehold



10, Waltham Close, West Bridgford, Nottingham, Nottinghamshire NG2 6LE

Terraced

£245,000	25 Nov 2019	Freehold
£172,500	25 Aug 2010	Freehold
£125,000	1 Dec 2003	Freehold

Financially, falling prices are good news for second steppers

- Check what equity they have in their current property
 - Do they have equity?
- Could benefit financially:-
 - Sell existing property for 10% less:-
 - £200,000 - £20,000 = £180,000
 - Buy new property for 10% less:-
 - £400,000 - £40,000 = £360,000

Second steppers/Self Employed/Partners

- Impact of COVID-19
 - Did you take or are you considering a mortgage payment holiday?
 - Have you been furloughed?
- Maths is key
 - Assess your affordability and size of mortgage which you may be able secure
 - Calculate the SDLT liability of your potential new purchase
 - Establish the level of deposit including savings and equity from sale of current home
 - Review your finances and non essential regular expenses

Self Employed/Partners

- Impact of COVID-19
 - Have you temporarily been forced to stop working?
 - Have you applied for and been granted a Bounce Back Loan/Self Employed Income Support Scheme?
- Lenders are likely to want a deeper understanding of your circumstances and business
 - Historical accounts and forecasts
 - Industry sector
 - Likelihood of your ability to return to 'normal' activity



Trading Down

Essential to think about 'you'

- Most people trading down haven't moved for 20+ years
 - No idea what's changed, often terrified!
 - Instruct a legal company from day 1 of marketing
 - 'Idealistic' idea of moving
 - Escape to the country
 - Releasing money for themselves/family
 - Need to be practical
 - What happens if
 - Move near kids, kids move away
 - Move to a remote area, become sick
 - Potentially sell, rent then buy
 - How many moves do they want to make?

Critical to understand why and where they are moving

- Usual motives
 - Release money to top up:-
 - Pension
 - Kids deposits for their own property
 - Invest in BTL
 - Buy a holiday home
- First thing they should do is seek financial advice
 - Poor links between agents and financial advisers

Mortgage options for over 55s and retired members

Background

- Recognition by banks of the need to offer products to a population living longer
- Borrowers working beyond desired retirement age
- Growing demand for cashflow during later life

Options

- Normal regulated mortgage
- Retirement Interest Only Mortgages “RIOs”
- Lifetime/equity release Mortgages

Any questions?





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Covid-19 WealthCare Update: Property advice series

This webinar series is part of the ICAEW's Personal Financial Planning (PFP) Community WealthCare sessions and aims to deliver help to members looking to manage their personal financial affairs during these extraordinary times.

DATE	WEBINAR
17 June 2020	<u>Covid-19 WealthCare Update: Property series Part II Mortgages for second steppers, self employed/partners and retirement</u>
01 July 2020	Covid-19 WealthCare Update: Property advice series Part III <i>Landlords and renters</i>



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