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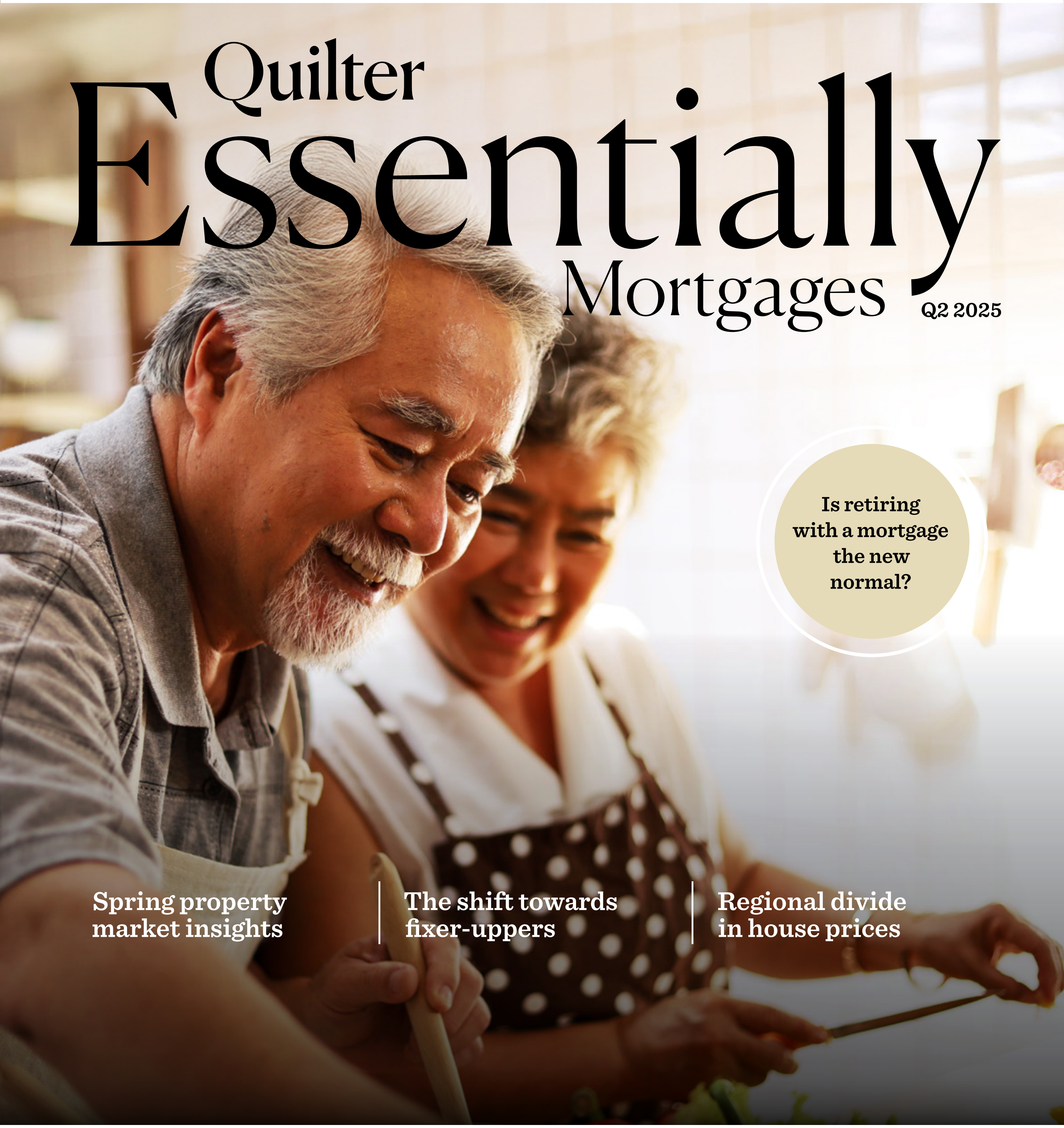

Quilter Essentially Mortgages

Q2 2025

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Spring property market insights

As the days grow longer and gardens burst into bloom, the UK property market is entering a vibrant season. Data from Rightmove shows a strong start to 2025, with average asking prices rising by 1.7% (£5,992) to £366,189[1]. This positive momentum suggests confidence from both buyers and sellers as the year progresses.

Why is spring a prime time for the property market?

Spring's brighter days and improved kerb appeal make it an ideal time for selling homes. According to Rightmove, nearly 70% of properties listed in February and March proceed to completion, with February listings taking just 51 days on average to secure a buyer.

More choice for buyers

A surge in new listings means buyers have a greater selection and improved negotiation opportunities. Sellers are pricing competitively and mortgage rates are stabilising.

How to stay ahead in a competitive market

Acting swiftly can help buyers secure their ideal home. Getting a mortgage agreement in principle before starting the search strengthens buying power. A well-planned budget should include not just the deposit but legal fees, Stamp Duty and moving costs. First-time buyers should remember that the Stamp Duty changes from 1 April will affect purchases over £300,000.

Researching local prices and amenities ensures informed decisions. Transport links, schools and shops influence both lifestyle and investment potential. High demand means early viewings can give buyers an edge in securing their dream home.

Let's plan your next move

Whether buying or selling, we can help navigate mortgages and market opportunities. With strong conditions and greater choice, now is an excellent time to take your next step on the property ladder.

[1]Rightmove, 2025

Is retiring with a mortgage the new normal?

For many homeowners, the prospect of entering retirement mortgage-free is no longer a given. The Financial Conduct Authority (FCA) has noted that mortgages running beyond pension age are shifting 'from a niche to norm.'

Former Pensions Minister Steve Webb, recently highlighted, *"There is increasing evidence that taking out a mortgage which runs past pension age is an entrenched feature of the mortgage market rather than a temporary blip. This has profound implications for retirement planning."*

The financial challenge of rising rates

Higher mortgage rates are adding to the pressure. A November 2024 Bank of England report found half of all mortgage borrowers, roughly 4.4 million people, will face higher interest rates when refinancing over the next three years. Affordability checks and rising costs mean many homeowners can't remortgage on competitive terms, leaving them stuck on expensive standard variable rate mortgages and with limited retirement funds.

The importance of seeking advice

Everyone's financial circumstances are different, so it's worth getting professional advice before making decisions. Whether it's overpaying, switching lenders, exploring equity release or lifetime mortgages, understanding the impact of having a mortgage in later life is essential.

Equity release and lifetime mortgages will reduce the value of your estate and can affect your eligibility for means tested benefits.

What are your options?

While retiring with a mortgage is becoming more commonplace, there are ways to help manage the financial burden:

Overpay your mortgage
– overpayments can reduce overall interest costs and help clear the debt sooner – even humble overpayments add up

Switch your mortgage
– moving from an interest-only mortgage to a capital repayment option can pay off debt faster

Consider alternative mortgage options
– older borrowers (55+) have more choices, including lifetime mortgages, which let homeowners access equity while staying in their home. In fact, for many homeowners, lifetime mortgages with no early redemption charges are 'completing the lifecycle' of owning a home for the rest of their lifetime, while helping to free-up much-needed income during those retirement years.

Stamp Duty changes – what homebuyers need to know

From 1 April 2025, Stamp Duty Land Tax (SDLT) thresholds returned to their pre-September 2022 levels, ending the temporary relief introduced during the pandemic. This change will impact many buyers, particularly first-time buyers (FTBs), who have benefited from higher exemptions over the past few years.

Research suggests that after the changes, fewer than one in 10 buyers will secure a Stamp Duty-free purchase

While all buyers will be affected, FTBs are likely to feel the impact most

Changing thresholds

Stamp Duty is a tax paid upon property completion, applying only to purchases above a set price. Prior to 1 April 2025 homebuyers paid no SDLT on properties up to £250,000, while FTBs enjoyed an exemption for homes valued under £425,000.

After 1 April 2025, the tax-free threshold for FTBs dropped to £300,000 and all other buyers pay SDLT on properties above £125,000.

First-time buyers face bigger costs

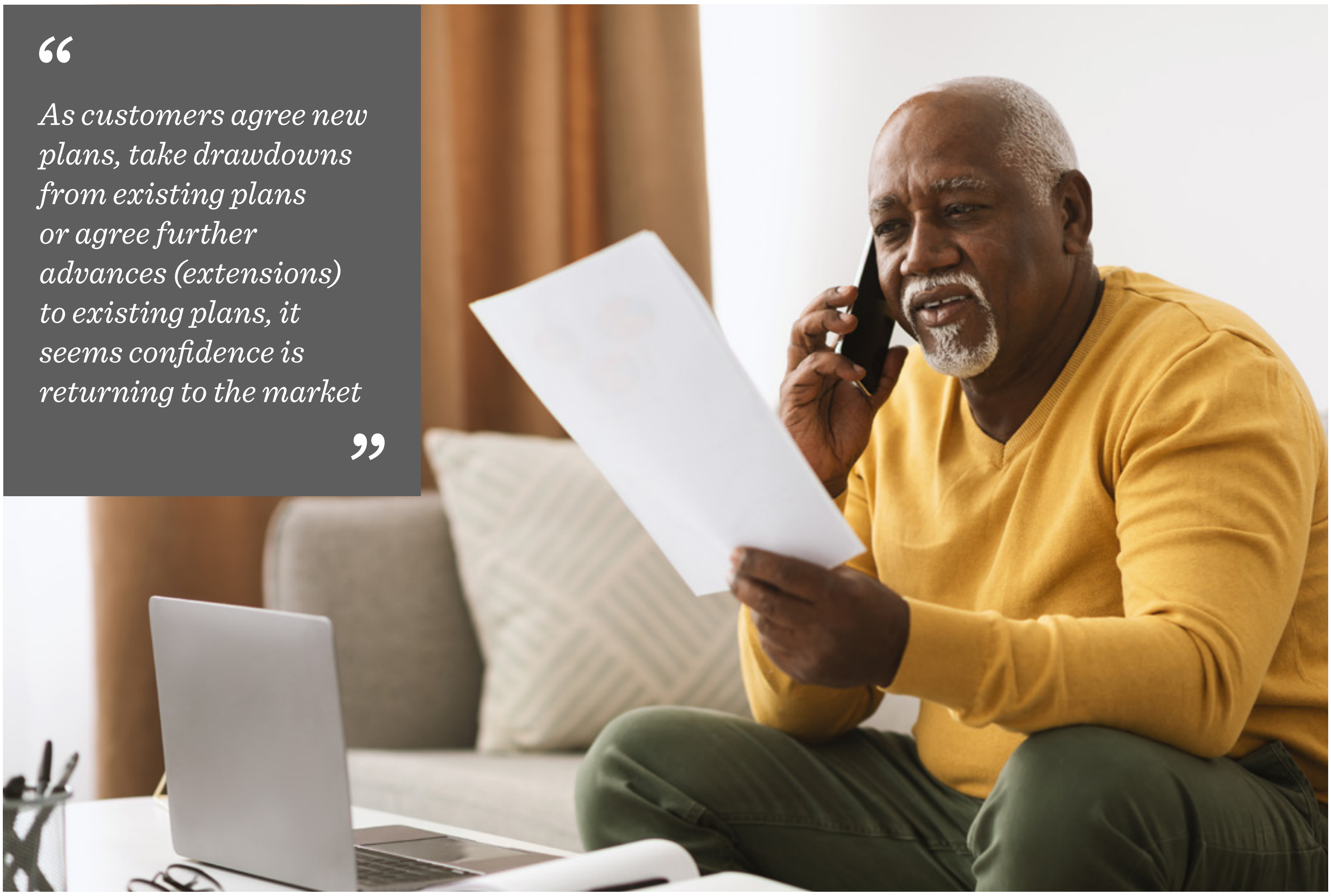
While all buyers will be affected, FTBs are likely to feel the impact most. The pandemic-era changes aimed to ease affordability pressures, but the reversion means higher upfront costs for many. Those purchasing homes up to £500,000 will also lose access to first-time buyer relief, potentially adding thousands to their total expenses.

Stay prepared, not panicked

Research suggests that after the changes, fewer than one in 10 buyers will secure a Stamp Duty-free purchase[2] – down from a third in the current market. This could drive competition for properties just below the new thresholds.

While the changes may feel like a setback, the key is preparation. Buyers should factor SDLT costs into their budgets early, ensuring they fully understand how the revised rates affect affordability.

[2] Yopa, 2025



> *As customers agree new plans, take drawdowns from existing plans or agree further advances (extensions) to existing plans, it seems confidence is returning to the market*

"The versatility of equity release in addressing diverse financial goals"

According to the Equity Release Council's (ERC) latest data[3] for Q4 2024, over 15,000 customers were active in the market during the period – the highest number recorded since Q3 2023. Total lending in Q4 2024 topped £622m, a considerable uptick from the £525m recorded in Q4 2023.

As customers agree new plans, take drawdowns from existing plans or agree further advances (extensions) to existing plans, it seems confidence is returning to the market. Chair of the ERC David Burrowes, says that reflects *"the confidence that homeowners have in leveraging their property wealth responsibly."*

Marking a third consecutive quarter of growth, Burrowes added, *"The equity release market has turned a corner and there is cause for optimism. Interest rates have started to settle and if the growth seen in 2024 continues to gain momentum, 2025 will see more customers considering the option to access their housing equity using an increasingly diverse range of innovative products."*

The data highlights an increase in house prices contributed to larger loan sizes for both lump sum mortgage and drawdowns over the period. Product availability has also improved over the last year and the market has seen a rise in returning customers using further advances.

Referring to customers making use of reserve facilities to manage borrowing efficiently over time, Burrowes said this demonstrates *"the versatility of equity release in addressing diverse financial goals, from home improvements to supplementing retirement income."*

It is important to note that equity release isn't right for everyone. Risks include high interest rates, reduced inheritance, impact on benefits, early repayment charges, and potential negative equity. Exploring alternatives and seeking financial advice is essential.

Equity release and lifetime mortgages will reduce the value of your estate and can affect your eligibility for means tested benefits.

[3]ERC, 2025

UK cities see strong property market growth

The UK housing market experienced a surge in activity in 2024, with nearly half of all listed properties either receiving an offer or being sold subject to contract[4]. This trend highlights growing confidence among both buyers and sellers, driving strong competition in many cities.

Sunderland saw the biggest increase, with a 10% rise in homes finding buyers compared to the start of the year

Regional hotspots lead the way

Sunderland saw the biggest increase, with a 10% rise in homes finding buyers compared to the start of the year. Leicester followed closely with a 9% jump, while Liverpool (8%), Newcastle (7%) and Leeds (6%) also recorded strong market growth. Other cities with high demand included Manchester, Sheffield and Bristol. In contrast, Aberdeen saw the smallest rise in buyer activity at just 0.2%.

London's slower pace

Despite remaining active, London lagged behind other major cities, with market activity increasing by just 3.3%. While the capital continues to attract buyers, its growth has been more measured compared to other regions.

Confidence driving demand

The data reflects a nationwide rise in buyer confidence, supported by stabilising mortgage rates and a positive economic outlook. With strong demand expected to persist, many regional markets are likely to remain competitive in the months ahead.

[4]*GetAgent, 2025*

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The big move – one in six relocating in 2025

Following a busy period in the housing market, research[5] suggests there is still strong demand among homeowners and renters looking for new opportunities.

Keep moving

Around 30% of Brits have moved home in the past three years, driven by factors such as lifestyle improvements (17%), a desire to be closer to family and friends (17%), and the need for more space (15%).

The trend shows no signs of slowing down, with one in six homeowners planning to relocate this year. In 2025, key priorities for potential buyers include garages or driveways (40%), closely followed by gardens (39%) and functional spaces like utility rooms (32%).

A step towards homeownership

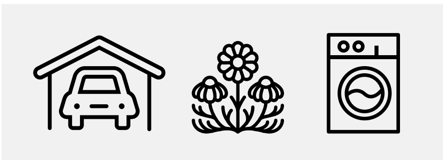
Among renters, one in five believe homeownership is within reach in the next five years. However, affordability remains a significant concern for many, with property prices (40%) and the size of the deposit (37%) cited as the biggest obstacles. Additionally, six in ten renters feel it would be impossible to purchase a home without financial support from a family member.

Staying put

For homeowners choosing to remain in their current properties, many are focusing on improvements instead. Around 43% are thinking about renovating or redecorating, while a quarter plan to enhance their home's energy efficiency.

[5]Barclays, 2025

> *"Around 30% of Brits have moved home in the past three years... The trend shows no signs of slowing down, with one in six homeowners planning to relocate this year"*



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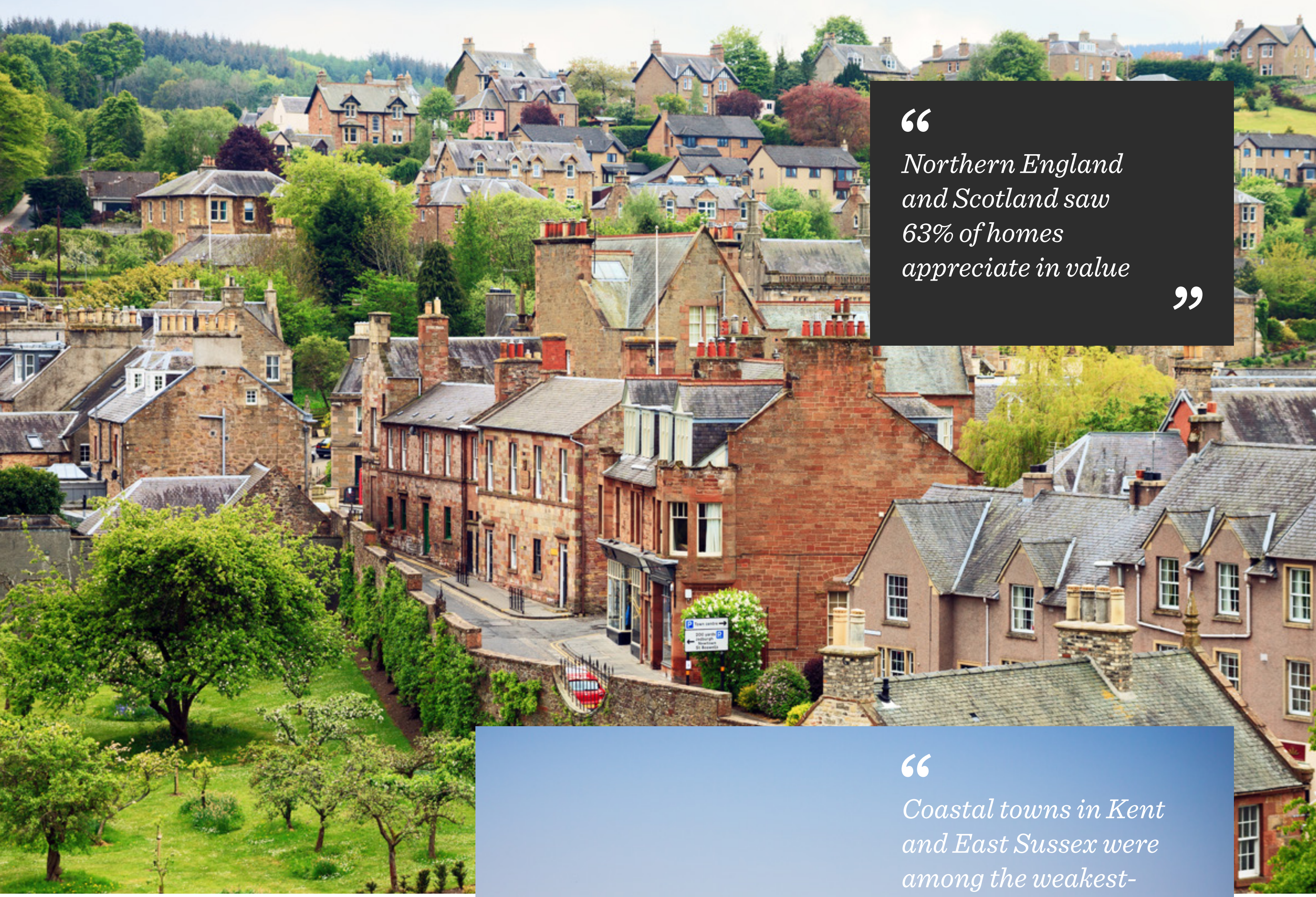

> *Northern England and Scotland saw 63% of homes appreciate in value*

> *Coastal towns in Kent and East Sussex were among the weakest-performing areas*

Regional divide in house prices

According to research[6], 15 million UK homes, which is around half of all properties, rose in value by at least 1% in 2024, marking a significant improvement from 2023. This increase represents a 42% jump compared to the previous year, with the average home gaining £7,600 in value. Around 6.9 million homes saw increases of more than £10,000, reflecting a recovering property market.

A growing north-south divide

Despite overall market gains, regional disparities remain. In Southern England, just 36% of homes saw values increase by 1% or more, while 41% experienced declines averaging £8,700. Meanwhile, Northern England and Scotland saw stronger growth, with 63% of homes appreciating in value.

Coastal areas see the slowest growth

Coastal towns in Kent and East Sussex were among the weakest-performing areas, with fewer than 10% of homes seeing price gains. More than 75% of properties in these locations recorded slight declines, largely due to the fading demand for rural and coastal homes as people return to office-based work.

Affordability boosts northern markets

The affordability of housing in the north, coupled with lower house prices relative to income, has supported property value growth despite higher borrowing costs. In the North East, for example, 68% of homeowners, around 820,000 properties, saw their home values increase by an average of £4,300 in 2024.

Looking ahead

While the UK property market is showing resilience, this data highlights the stark contrast in house price trends across different regions. With affordability and demand shifting, these regional divides could continue to shape the market in the coming months.

[6]*Zoopla, 2025*

UK mortgage market strengthens

First-time buyers and home movers gave the UK mortgage market a much-needed lift towards the end of 2024, according to UK Finance[7]. Home purchases reached 622,000 in 2024, up 15.6% on the previous year. Lower mortgage rates boosted demand, particularly in the fourth quarter, as buyers sought to complete before April's Stamp Duty changes.

However, remortgage activity fell by 9% to 1.6 million, as fewer fixed-rate deals came to an end. That trend could reverse in 2025, with 1.8 million mortgages due to expire. Most borrowers remortgage with their current lender, though UK Finance expects more to switch providers this year.

Mortgage regulations under review

High house prices and tight lending criteria have made it challenging for buyers, especially in London. Since stricter rules were introduced in 2014, getting a mortgage above 4.5 times salary has become more difficult. First-time buyers in London need deposits worth more than 2.5 times their annual income, up from 1.9 times pre-2014.

Eric Leenders of UK Finance welcomed plans for the Financial Conduct Authority to simplify mortgage lending and advice rules. He said, *"The strong end to 2024 highlights the resilience of UK households. But affordability remains a challenge, particularly in London. The upcoming regulatory review could ease lending restrictions and help more people onto and up the housing ladder."*

[7]UK Finance, 2025

Buy-to-let mortgage product choice at all time high

Good news for buy-to-let (BTL) investors as mortgage choices reach a record high. Analysis of BTL product availability[8] has found that deal choice increased 25% in February compared to the same month last year. With a total of 3,560, this is the highest product count since the company's records began in November 2011.

There had been concerns about a potential BTL exodus after legislation of the Renter's Rights Bill, a new renter-friendly statute. However, UK landlords are more optimistic than previously thought, according to a recent survey,[9] with a third of landlords intending to expand their portfolios in 2025, with 43% expecting to see improvements in yield. However, affordability, economic stability and regulation still remain concerns.

Worries relating to the economy topped regulatory changes, with just over 40% of landlords concerned about their tenants' being able to pay the rent, while regulatory challenges concerned just over a quarter of respondents.

[8]Moneyfacts, 2025, [9]MFS, 2025

The shift towards fixer-uppers

Are you trying to move your way up or onto the property ladder? If so, new research[10] has revealed that more buyers are turning to fixer-upper homes to help reduce initial costs.

The analysis of almost 330,000 property listings showed that fixer-uppers are currently most in demand, with 46% of those already listed for sale in the market selling or going under offer, versus 27% of modern homes and 37% of period properties.

An *"air of optimism"*

Although affordability restrictions due to the higher costs associated with obtaining and repaying a mortgage are weighing on buyers' pockets, the market is improving, as Yopa's National Franchise Director Steve Anderson alludes to, *"The market is certainly heading in the right direction and there's an overarching air of optimism that 2025 will bring a more settled landscape, certainly with respect to mortgage affordability."*

46%

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"The analysis of almost 330,000 property listings showed that fixer-uppers are currently most in demand"

In short supply

With the average fixer-upper selling at a 12% discount[11], homebuyers are turning to project properties to help alleviate the cost of home ownership. Despite their popularity, fixer-upper homes are hard to come by, with just 5% of all homes listed for sale falling into this category.

Your perseverance and patience will no doubt pay off to find your dream home – whether it be a project, new build or period property – exciting times ahead if you're on the move in 2025. We can help with your mortgage requirements.

[10]Yopa, 2025, [11]Rightmove, 2025

Fixed rate mortgage terms – weighing up flexibility and stability

For the first time since Liz Truss's disastrous mini-budget in 2022, some two-year fixed mortgage rates are cheaper than five-year deals. This would reverse a trend that began during her short premiership, when market turmoil pushed up short-term borrowing costs and made longer fixes more attractive. That pattern now looks set to change.

If inflation continues to ease and the Bank of England starts cutting interest rates as expected, shorter-term borrowing costs could fall more quickly than longer-term ones. This is because fixed mortgage rates are based on swap rates, which reflect where markets think interest rates are heading. When markets anticipate cuts in the near term, two-year swap rates tend to fall faster than five-year rates.

As a result, we may see two-year fixes dip below five-year deals later in 2025. While there's still uncertainty, with inflation proving stubborn and global risks like energy prices and trade tensions on the radar, market expectations point towards a shift. This has implications for anyone approaching the end of a fixed-rate deal. In the past, five-year fixes offered both peace of mind and a lower rate. But with the market outlook evolving, borrowers may now find themselves weighing flexibility against stability in a new light.

If your fixed-rate mortgage is coming to an end this year, remember you can often lock in a new deal months ahead of time. Get in touch with us to discuss your options and secure a rate that suits you before any further changes in the market.