Mortgage market update

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A CHALLENGING TIME AHEAD

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Since that date, the so-called mini budget, which introduced the biggest tax cuts in 50 years, has thrown markets into turmoil, although the intervention of the Bank of England on 28th September seems to have taken some of the heat out of the situation short term.

The market is now predicting that Base Rate will rise to 3.5% by the end of this year and then moving as high as 4.75% by August 2023, before falling to 4.50% in June 2024 and 3% by October 2027.

With The Bank of England struggling to keep up with the rapidly changing climate, local lenders are currently suffering the same challenges. It is for this reason that many have decided to simply withdraw some, or all, of their mortgage products for the short term. While this can be very distressing for anyone trying to understand their mortgage options at this time, this decision would likely reflect the very real possibility that any rate applied for, would have changed by the time an application had reached the underwriting stage. New products will be introduced when lenders have a better idea of what is happening in a more stable environment.

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THE IMPACT ON MORTGAGE INTEREST RATES

Five-year fixed rates, which are regarded as being the best advice in any situation where the cost of borrowing is rising, are currently available in the range of 4.12% and 6.34% at the time of writing. These rates are calculated using a margin above the Base Rate prevailing on 22 September and might be replaced with more expensive options later this year.

These potential increases could have a significant impact on borrowers, who until recently have benefitted from unrealistically low interest rates, which may have allowed them to enjoy a much higher standard of living than would otherwise have been the case. Whilst property purchase is still totally realistic in the future, the price that may have to be paid by many, could be the loss of expensive annual holidays, new cars, eating out regularly and property upgrading and improvements.

The UK media is describing the current situation as a crisis, although it does not need to become that, if household expenditure can be prioritised differently.

Faced with such large increases, it is inevitable that the local property market could slow down and prices stabilise, perhaps even reducing in cases where a quick sale is needed.

ADVICE FOR EXISTING BORROWERS

- ***Fix your mortgage as quickly as possible, subject to your existing lender's criteria***
- ***Consider locking into a 5-year fixed rate***
- ***Avoid tracker or variable rates, as these will just keep increasing every time there is a review of the Bank of England Base Rate***

Thinking about your mortgage?

With over 32 years' experience in the local mortgage market and knowledge of the current mortgages available at our fingertips, we can quickly assess your circumstances and give you an idea of the mortgage options we believe to be the most suitable and beneficial for you.

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