

# National Mortgage Index

Under embargo until 00:01hrs on 28.11.17



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## Expected interest rate rise saw remortgage demand significantly increase in October

October saw a continuation of the mixed outlook noted in September, with some regions, such as Yorks and Humber, the North West and West Midlands, seeing prices still increase both month on month and year on year, yet the continued abating of values of other areas, most notably London and the South East.

Overall, last months' headline data showed very little change from the previous month, however we would suggest that the better performing regions are smoothing out the overall picture where pricing is cooling slightly in some areas. With this in mind, we observed marginal monthly movements on key indicators, including:

- Average purchase price in October 17 0.4% higher than September 17
- Average remortgage loan size rose in October 17 to £176,186, a 1.1% increase on the previous month
- Average first time buyer purchase price increased in October 17 to £214,132, a rise of 2.6% on the previous month

Mortgage Advice Bureau data is based upon mortgage applications therefore this provides a reliable bellwether in terms of consumer activity.

Amid a backdrop of better than expected GDP results, together with inflation returning at over the BOE target, market sentiment in October was very much that an interest rate rise was signposted, and it would

be surprising if a 25 basis points increase hadn't been applied at the beginning of November, which did indeed turn out to be the case when the Bank of England made the announcement on 2nd of the month. Consumers also saw the rate increase as highly likely, which created exceptionally strong demand for remortgage and product transfer assistance throughout the network.

We observed that purchase transaction volumes remained constant in October, chiming with data released by HMRC, which is the likely result of activity starting earlier in the Summer.

Asking prices however did seem to come off the boil slightly in October, according to the monthly Rightmove House Price Index, although the overall indication was that this outcome was more than likely due to over-ambitious pricing when properties are first marketed, due to the ongoing stock shortage in many areas, rather than underlying loss of confidence due to concerns about the expected interest rate increase.

It does of course remain to be seen whether Chancellor Hammond's decision to cut Stamp Duty for first time buyers will have the desired effect on the first rung of of the housing market. However, given the current prevailing economic and political headwinds, it's perhaps reasonable to suggest that the market will plateau for the remaining two months of 2017, returning a 'market performed as anticipated' overall result by the end of the year.

# Residential Purchase



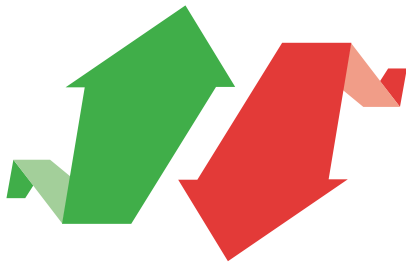
## Average purchase loan

**£171,114** in Oct 17, **0.4%** higher than in Sept 17, (**£170,406**) and increased by **1.1%** on Oct 16 (**£170,490**).



## Amount of purchase applicants who opted for fixed rate products

In Oct 17, **97.4%** of borrowers fixed their mortgage, slightly increased on Sept 17 (**96%**) and on Oct 17 (**93.2%**).



## Typical LTVs

Unchanged month on month at **69%** in Oct 17 and also unchanged year on year from **69%** in Oct 16.



## Average applicant age

**36** years old, unchanged month on month and unchanged year on year.



**42 yrs**  
(average Oct 2017)  
Residential Remortgage



**45 yrs**  
(average Oct 2017)  
Buy-To-Let Purchase



**31 yrs**  
(average Oct 2017)  
First Time Buyer



## Change in the average purchase price

Increased in Oct 17 by **0.4%** to **£246,782**, from **£245,887** and increased **1.1%** year on year from **£244,042** in Oct 16.



## Change in average purchase salaries

**£36,254** in Oct 17, broadly unchanged on Sept 17 (**£35,815**) and slightly increased on Oct 16 (**£35,889**).

# Residential Remortgage



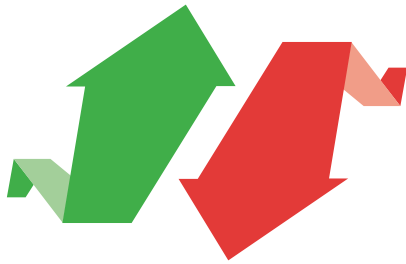
## Average remortgage loan

**£176,186** in Oct 17, **1.1%** increase on Sept 17 (**£175,968**) and an increase of **4.2%** on Oct 16 (**£169,156**).



## Amount of remortgage applicants who opted for fixed rate products

In Oct 17, **96%** of borrowers fixed their mortgage, up **0.8%** on Sept 17 (**95%**) and up **6.3%** on Oct 16 (**90%**).



## Typical LTVs

Remain unchanged month on month at **55%** in Oct 17 and increased by **1.85%** on Oct 16 (**54%**).



## Average applicant age

**42** years in Oct 17, decreased on Sept 17 (**43**) and Oct 16 (**43**).



**45 yrs**  
(average Oct 2017)  
Buy-To-Let  
Purchase



**36 yrs**  
(average Oct 2017)  
Residential  
Purchase



**31 yrs**  
(average Oct 2017)  
First Time  
Buyer



## Change in the average remortgage property value

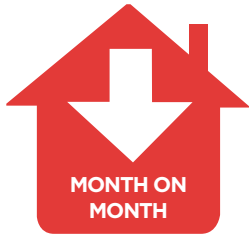
An increase to **£317,946** in Oct 17 from **£316,352** in Sept 17, and increased by **2.8%** on Oct 16 (**£309,248**).



## Change in average remortgage salaries

Broadly unchanged month on month at **£43,666** in Oct 17 from Sept 17 (**£43,684**) and a slight increase on Oct 16 (**£41,647**).

# Buy-To-Let Purchase



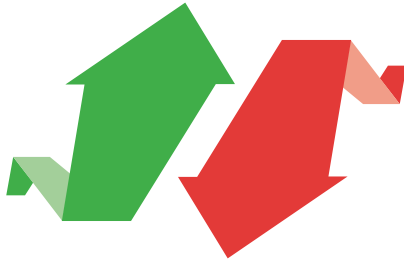
## Average BTL purchase loan

**£131,309** in Oct 17, and a decrease of **(2.97%)** on Sept 17 (**£135,339**) and also **2.41%** lower than Oct 16 (**134,563**).



## Amount of BTL purchase applicants who opted for fixed rate products

In Oct 17, **94.6%** of BTL borrowers fixed their mortgage, up on Sept 17 (**91%**) and also increased on Oct 16 when **88%** of BTL borrowers fixed their mortgage.



## Typical LTVs

In Oct 17, the average BTL purchase LTV was **68%**, unchanged month on month and year on year.



## Average applicant age

**45** in Oct 17, unchanged month on month and one year younger than Oct 16 (**46**).



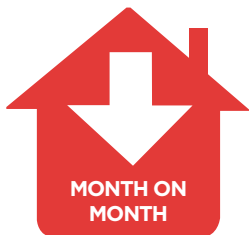
**42 yrs**  
(average Oct 2017)  
Residential Remortgage



**36 yrs**  
(average Oct 2017)  
Residential Purchase



**31 yrs**  
(average Oct 2017)  
First Time Buyer



## Change in average BTL purchase price

Decreased in Oct 17 to **£193,260** from Sept 17 (**£200,536**), and **£198,429** in Oct 16, an annual decrease of **1.05%**.



## Change in average BTL purchase salaries

A slight decrease in Oct 17 to **£38,171** from **£38,740** in Sept 17, and broadly unchanged on Oct 16 (**£38,193**).

# First Time Buyers



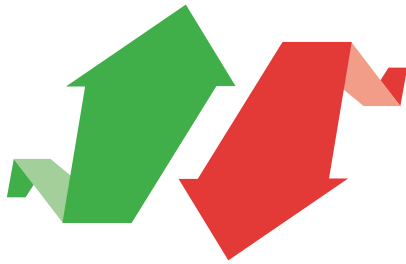
## Average FTB purchase loan

Increased in Oct 17 at **£155,888**, from **£151,992** in Sept 17.



## Amount of FTB purchase applicants who opted for fixed rate products

Increased in Oct 17 to **99%**, from **98%** in Sept 17.



## Typical LTVs

Decreased slightly to **73%** in Oct 17, from **74%** in Sept 17.



## Average applicant age

**31** in Oct 17, unchanged month on month.



**45 yrs**  
(average Oct 2017)  
Buy-To-Let Purchase



**42 yrs**  
(average Oct 2017)  
Residential Remortgage



**36 yrs**  
(average Oct 2017)  
Residential Purchase



## Change in the average FTB purchase price

Increased in Oct 17 to **£214,132** from **£208,494** in Sept 17, an increase of **2.6%**.



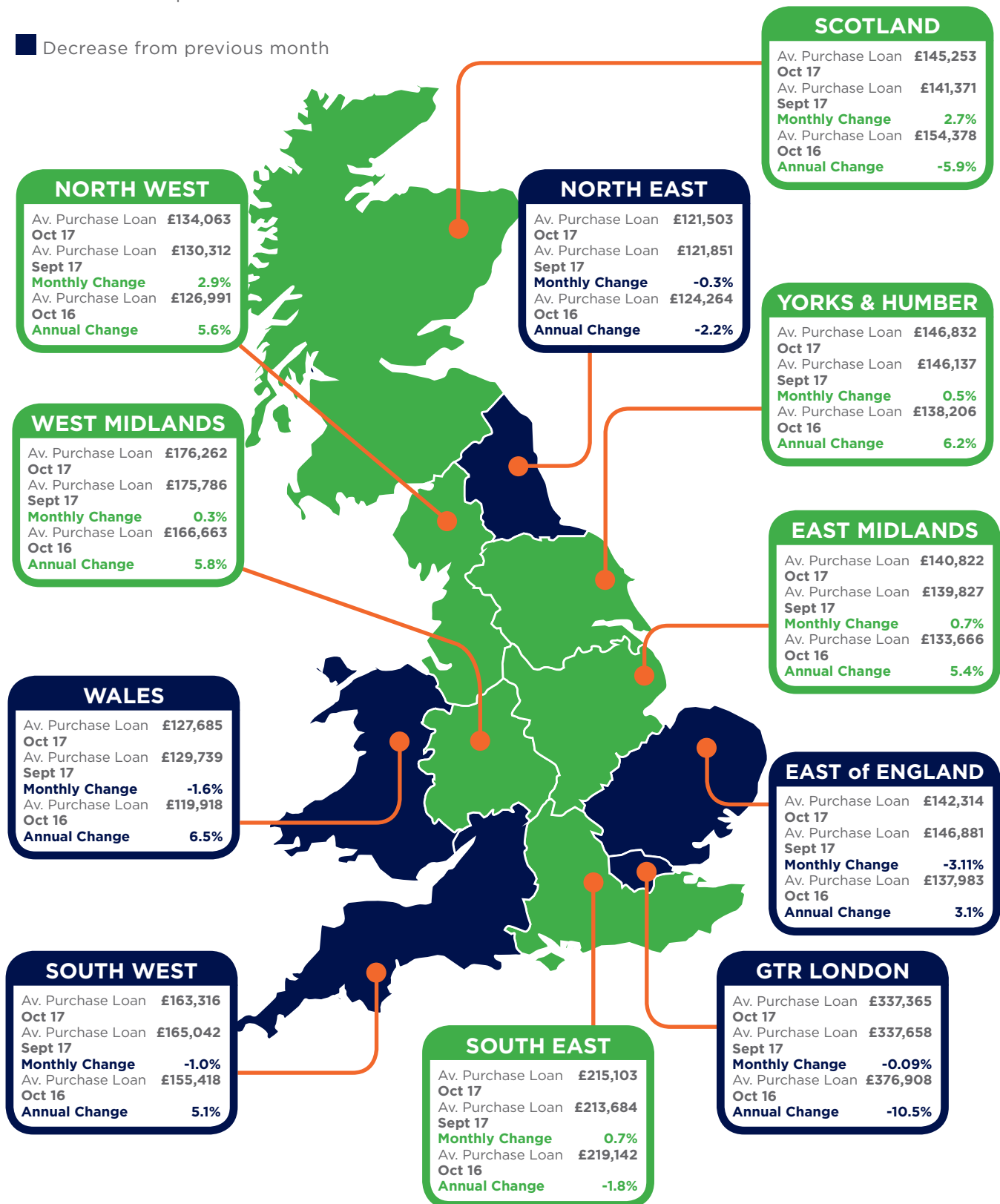
## Change in average FTB purchase salaries

Increased in Oct 17 to **£31,953** from **£30,508** in Sept 17.

# Regional Purchase Loan Analysis

■ Increase from previous month

■ Decrease from previous month



# Regional Market Commentary

Mortgage Advice Bureau advisers from around the UK give their views...

## Rachel Geddes - London

"We mainly assisted home movers in October, seeing a mixture of second steppers and established families moving to larger homes. We did see some First Time Buyers, who were still active, but buyers predominately were selling as well as buying, and in most cases, trading significantly up on their previous property. We would suggest that current cooling in prices together with low interest rates provided those who were perhaps 'on the fence' about moving with the impetus to take action before the end of the year.

Last month also saw the start of the 'remortgaging rush' ahead of the interest rate decision in November. The majority of clients wanted a fixed rate, with a bias towards five-year products. We did arrange a couple of tracker mortgages for clients, but that was specifically because those clients needed the flexibility to exit their new product as they were considering moving in the next few months, but wanted to improve on their current SVR or where short-term investors. Talk of a rate rise really seemed to stimulate activity towards the end of the month, even more so when news headlines reported low unemployment figures and better than expected GDP output, indicating that the economy is in reasonable shape, meaning that the rate rise was seen as more likely.

With regards to property prices in London, we have seen these adjust downwards to an extent. It's now definitely a buyers' market, and offers are being made and accepted below asking price, more so than we usually would see. We'd suggest that the market below £700k has cooled the most, the £1m to £2m market doesn't seem to be as affected, however the market at over the £2m price point is not as buoyant as it was. This is possibly because more stock is now available than there has been for the last year, and with more buyer choice we're now in an environment where offers are being made below asking price, particularly for those who can move quickly. Of course, the good news is that the market is still moving, and whilst that continues, we would argue that a slight correction is a good thing, if it stimulates activity."

## Richard Hullin - Swansea

"October was mainly busy with clients who were wanting to remortgage ahead of the announcement in early November. We found that the majority of people we spoke to were very aware of the potential movements around product rates, and that they had done their homework before coming to see us. Five-year fixed rates were far and away the most popular, with most of our clients having an eye to the long term.

That said, home movers were still busy in October, and we assisted a mix of First Time Buyers and family movers, with numbers consistent on the previous few months, so although there was talk of an interest rate rise, it definitely wasn't affecting buyer confidence locally, at least as far as we observed.

Buy To Let has seen an interesting shift, and we noticed last month that investors were moving away from the 'safer' types of properties they normally purchased, such as flats and family homes, and instead turned their attention to Homes of Multiple Occupation (HMOs) and student properties, where the yields are greater, if not carry slightly more risk.

Property prices are still high locally, and asking prices are still being achieved due to the ongoing low levels of stock. Overall however, the market is positive and ticking along nicely at all price points."

## Lisa Berrido - Manchester

"October was exceptionally busy for us, with the majority of our business, not surprisingly, being clients wanting to remortgage ahead of the interest rate decision on November 2nd. Most of the clients we advised decided to go for a five-year fixed rate, with quite a few deciding to go for the long term security of a ten-year fix. In fact, we wrote more ten-year fixed mortgages in October than we have done all year. At the same time as clients were fixing their mortgage, a significant number also took the opportunity to raise capital, with many citing updating or extending their current home as the reason for doing so. This isn't surprising, given the continuing lack of property on the market, so a lot of people are making the decision to 'improve rather than move', and fixing their mortgage for the long term as part of the same process.

Of those clients that we assisted who were moving, we observed a significant number of families buying large properties at higher-end price points. The main driver seemed to be to a Christmas deadline, and again, the majority of clients went for longer term fixed rates, rather than the two-year ultra-low deals which have been so popular up until now.

Property values locally continue to hold strong, and we're seeing asking price achieved on most sales, with transactions moving quickly. The fact that prices are still growing does highlight buyer confidence, and that there just isn't enough property on the market at the moment to satisfy demand, which has been the picture for most of this year and will likely continue for some time to come."

## Aaron Frizzel - Edinburgh

"Unsurprisingly, remortgage activity picked up significantly in October as a consequence of the anticipated rate rise. We saw homeowners from all ends of the market wanting to capitalise on the competitive deals available, and assisted a mixture of existing clients and also a lot of people that we'd not spoken to previously who contacted us for advice. We observed an increased appetite for five-year fix deals, more so than in recent months when two and three-year fixes have been the most popular.

Home movers were still busy, again at all levels, with the festive season deadline firmly in mind when approaching their transaction. Buy To Let purchase business was also still evident, albeit slightly muted against previous months, but those investors who are going into the sector now are clearly preparing in advance by taking professional taxation advice and setting up Special Purpose Vehicles (SPV's) prior to acting.

Overall, property values remain very strong locally; there is still a shortage of supply and as a consequence, prices are still strong and competition for available stock means that the 'offers over' culture still very much evident in the market."



# Contact Details

## The National Mortgage Index

The monthly National Mortgage Index has been created by mortgage broker Mortgage Advice Bureau to provide the most comprehensive overview of the UK mortgage market by an mortgage broker.

### For more information contact:

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### Breakdown of regions

**North East:** Northumberland | Cumbria | Tyne & Wear | Cleveland

**Yorkshire & Humber:** North, West and South Yorkshire | Humberside

**North West:** Lancashire | Greater Manchester | Merseyside and Cheshire

**East Midlands:** Derbyshire | Nottingham | Lincolnshire | Leicestershire

**West Midlands:** Shropshire | Stafford | West Midlands | Warwickshire | Hereford & Worcester

**East of England:** Norfolk | Suffolk | Cambs

**South East:** Essex | Herts | Beds | Bucks | Oxon | Berks | Surrey | Hants | West & East Sussex | Kent

**South West:** Glos | Avon | Wilts | Somerset | Devon | Dorset | Cornwall

**Wales:** All

**Greater London:** All

**Scotland:** All

### About Mortgage Advice Bureau

The National Mortgage Index is based on monthly applications data compiled from over 1000 advisers across the UK. All figures quoted are three month averages unless otherwise specified.

Mortgage Advice Bureau is a mortgage network and the UK's best-known broker brand, winning over 70 national awards for the quality of its advice and service in each of the last five years.

It has over 1000 advisers offering expert mortgage advice on a local, regional and national level to UK consumers. Mortgage Advice Bureau handles over £12bn of loans annually. It was the first - and is currently the only - mortgage intermediary to have floated on the London Stock Exchange, having joined the Alternative Investment Market (AIM) in November 2014.

<sup>1</sup>Based on Opinium Research, Summer 2017.