

Newsletter No. 6 – January 2024

Dear Valued Client

Happy New Year and we hope this newsletter finds you well. There have been great responses to last year's newsletters and we look forward to continuing to provide insightful and pertinent information on the economy, and the property and mortgage markets throughout 2024.

In this edition: commentary on recent falling mortgage rates, faltering property prices and failing optimism that the high Bank of England base rate will fall anytime soon.

1. Mortgage interest rates unmoved in the medium term?

Mortgage Interest Rates have recently come down due to competition in the mortgage market for deals to entice customers for the big mortgage providers. Rates on some mortgages have dipped below 5% for the first time in five months. But with Bank of England base rates stabilised this month at 5.25% with a 6 to 3 majority from their Monetary Policy Committee these falling mortgage rates cannot be sustained.

For someone taking out a two-year fixed-rate mortgage with a 10% deposit average interest rates are close to 6%. On a £200,000 mortgage average monthly repayments are around £1,290. That's almost 50% more than in November 2021 when the same mortgage would cost approximately £900 a month. This situation is unsustainable and something has to give to make climbing on the property ladder affordable.

2. Average house prices on a downward trajectory

The average house price in November was £258,557, a 2% fall from the previous year. According to Zoopla, house prices are on track to decrease by 5% over the whole of 2023. In November, on average, homes were selling for £18,000 below their asking price. In addition to stunted demand from the squeeze on household finances, the website cited a six-year high of property supply as a key reason for this. Will this continue or has the fall overshoot and prices are due a recovery – only time will tell.

3. Buy-to-let mixed messages

Many landlords say they're set to expand investments in 2024 despite facing up to 80% higher costs, according to the Intermediary Mortgage Lenders Association. The average annual rental income is now £14,000 with the median average annual profit being less than £9,000. Meanwhile the average expected increase in annual interest payment by 2025 is £7,700! Just 3% of the UK private rental sector is owned institutional investors so changes in tax and legislation will impact the viability of many of these small businesses. This puts

housing availability at a severe risk for current and future tenants. Now, may be the time to invest as rents are set to be on the rise.

4. Examples of our recent successes

In addition to supporting our existing clients whether they are contractors, locums or company directors we have completed on a bridge with MT Finance for a buy to let purchase.

5. Do let us know your thoughts

Thank you for your continued support and trust in MortgageTek. If you have any questions or need assistance, please don't hesitate to contact us. We look forward to helping you achieve your homeownership dreams!

Best regards,

Mo Khan, Founder & Mortgage Broker, MortgageTek Limited. www.mortgage-tek.co.uk

Contact: 020 3827 8558, mo@mortgage-tek.co.uk

MortgageTek - Making Homeownership Dreams Come True!



MortgageTek Limited, 31 Metro Centre, Dwight Road, Watford, WD18 9SB

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