

Legal & General Ignite: Mortgage market activity remains buoyant particularly in specialist sectors

- *The most common search term in June was for interest only mortgages increasing by 53% from the previous month*
 - *Searches for multi-unit freehold blocks increased by 38% in June*
 - *Searches regarding ex-local authority properties jumped 29%*

London, 14 July 2023 – Data from Legal & General’s Ignite platform has today revealed that there has been an increase in searches for interest only mortgages as borrowers look to reduce their monthly costs.

However, despite concerns over rising mortgage rates and inflationary pressures, the market is still highly active, with specific areas driving activity. Particular groups, such as buy-to-let landlords and overseas buyers continue to be a focal point, as well as particular property types, such as ex-council homes.

Rise in interest only mortgages as borrowers take advantage of full range of mortgage options

The most common search term in June was for interest only mortgages, seeing an increase of 53%. This highlights that borrowers could be looking to reduce their monthly costs for a period of time before switching back to a capital repayment mortgage if rates become more favourable.

This coincided with a 40% increase in searches for Help to Buy. Although the deadline for home purchase completions under the scheme closed on 31st May 2023, there is a strong demand for similar Government-backed schemes to tackle affordability issues.

First-time buyers continue to come to market

There has also been increased demand from first-time buyers, despite ongoing economic volatility, however affordability still remains the key barrier to their homeownership aspirations. June saw an increase of 14% for searches on behalf of first-time buyers, while searches in relation to affordability also increased by 21%. Similarly, searches in relation to minimum income requirements also increased by 17%.

These increases point to a resilience in the market and among first-time buyers, however, more must be done to address affordability issues for the demographic.

Buy-to-let sector remains resilient, as landlords look to maximise rental income

Separately, activity in the private rental sector continues to bolster mortgage market activity. A 32% increase in searches for ‘multi-unit freehold blocks’ and a 38% increase in searches for rental income, highlight that landlords are a key driver in the market. These buyers could be looking to maximise rental income, as rents across the UK continue to rise.

Similarly, searches for top slicing rose by 49% in June, while searches in relation to regulated buy-to-let increased by 15%.

Ex-council properties increase in popularity

Searches in relation to a number of other property types also increased in June. Searches in relation to right to buy and right to acquire increased by 17% in June, while searches regarding ex-local authority properties increased by 29%.

If a property is purchased under the right to buy scheme buyers could get a 35% discount on a property's market value if they have been a public sector tenant for between 3 and 5 years.¹

Overseas buyers continue to invest into the UK property market

Overseas buyers also continue to invest in the UK property market and are helping to bolster its growth. June saw searches on behalf of overseas customers increase by 16%, while searches on behalf of customers with a permanent right to reside or indefinite leave to remain increased by 38%.

Jodie White, Head of Mortgage Products & Transformation, Legal & General Technology:

"It's clear that the mortgage market remains robust despite ongoing issues with affordability, rising interest rates and stubborn inflation. It's positive to see that market activity is still being driven by specific sectors including buy-to-let, overseas buyers, and by increased demand for particular property types.

"During this time, it's vitally important that advisers implement new technologies to best manage demand for mortgage advice across various sectors. Advice is incredibly important right now and advisers have a crucial role to play supporting buyers and ensuring they have access to the full range of options available to them.

"The recent launch of the enhanced Legal & General Ignite platform is another step towards joining the human expertise of advisers with the power of data insights and technology. By implementing this technology across the industry, advisers will be able to save time on each case which can be spent improving customer outcomes."

-ENDS-

Notes to editors

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*at 31 Dec 2022

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In 2022, we had total individual annuity sales of £954 million, and issued £632 million of Lifetime Mortgages and Retirement Interest Only Mortgages. Our Workplace pension platform served 4.9 million members, while our Protection businesses gave peace of mind to more than 6.3 million UK life insurance, 1.8 million group and 1.5 million US customers, taking in £3.1 billion of gross written premiums.

<https://www.legalandgeneral.com/adviser/mortgage-club/>

Further information [journalists only]

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¹ <https://www.gov.uk/right-to-buy-buying-your-council-home/discounts>