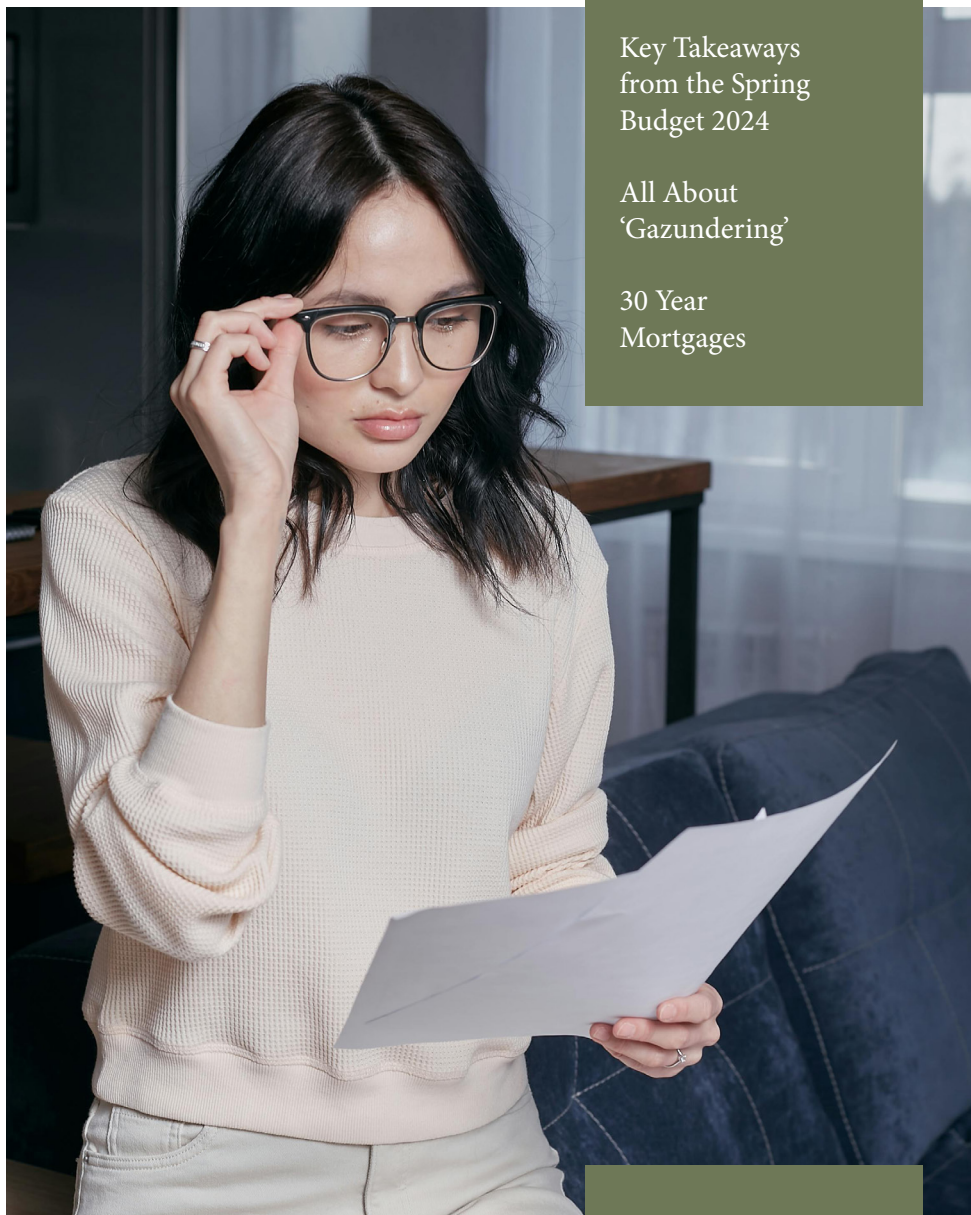


Key Takeaways
from the Spring
Budget 2024

All About
'Gazundering'

30 Year
Mortgages



KEY TAKEAWAYS FROM THE SPRING BUDGET 2024

Focusing specifically on property, we take a look at the key takeaways from the Spring Budget 2024. Delivered by Chancellor Jeremy Hunt on the 6th of March. It's felt there have been missed opportunities to properly stimulate the market, to free up housing supply, and do more to help first-time buyers with mortgages.

PROPERTY CAPITAL GAINS TAX REDUCTION FOR LANDLORDS

A positive for landlords is the reduction on the higher rate of property capital gains tax from 28% down to 24%. The property capital gains tax is payable on the sale of non-permanent residences such as second homes, buy-to-let properties, and holiday lets. By encouraging landlords to sell up, not only will there be more tax revenue, but housing supply will increase.

For basic rate tax payers, the property capital gains tax will remain the same at 18%.

TAX RELIEF SCRAPPED ON HOLIDAY HOME LETS

This is a more pertinent issue for areas of the country where holiday homes and lets are prevalent. And specifically in such areas where there are issues around affordability and availability of homes for locals.

In his Spring budget, the Chancellor confirmed that the current tax advantages on furnished holiday lets will be scrapped in April 2025. The Furnished Holiday Lettings (FHL) regime allows landlords to claim full mortgage interest relief and benefit from lower capital gains tax.

This is another move by the Chancellor to encourage more properties onto the market.

It was hoped that, not just at the first-time buyer end, but also at the top of the housing ladder, that there'd be more incentives to get people moving. Industry professionals have since spoken out about helping 'downsizers'.

MULTIPLE DWELLINGS RELIEF (MDR) SCRAPPED

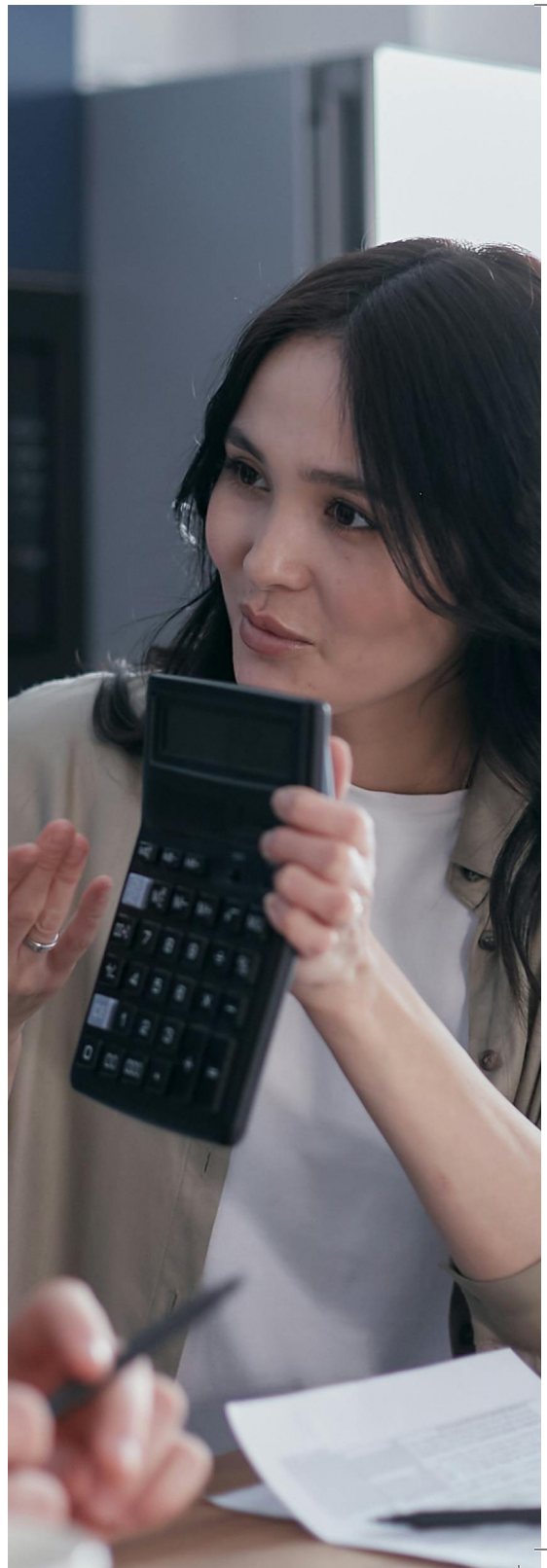
Affecting landlords with larger portfolios the most, it was announced in the Spring budget that the Multiple Dwellings Relief (MDR) will be scrapped from 1st June 2024. MDR was introduced in 2011 with the aim of increasing housing rental stock. It gives anyone buying multiple residential properties, relief on Stamp Duty Land Tax.

MISSED OPPORTUNITIES IN THE SPRING BUDGET

It was hoped that, not just at the first-time buyer end, but also at the top of the housing ladder, that there'd be more incentives to get people moving. Industry professionals have since spoken out about helping 'downsizers' for example. It's known that for every sale at the top of the chain, another two to three sales can be facilitated further down the ladder. From more new-build homes to suit downsizers, to tax relief incentives, more needs to be done to help the older generation feel comfortable and confident moving from a large, older family home to something smaller and suitable for their needs.

NO MENTION OF STAMP DUTY LAND TAX

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ALL ABOUT 'GAZUNDERING'

WHAT IS GAZUNDERING?

Put simply, gazundering occurs when a buyer reduces their offer at the last minute of a property sale. We're seeing and hearing more of it occurring in this region at the moment. It's usually done to save some cash and can be a ploy used by buyers looking to chance their luck. In more genuine circumstances though, a buyer might be in a chain and have had the offer on their property reduced. Or it could be that a buyer has found out information about your property which will reduce its value.

GAZUNDERING – SHOULD YOU ACCEPT THE OFFER?

Staying calm is key and liaising with your estate agent (if you have one) is imperative. A good estate agent will know how to handle gazundering. And a better one still will have made sure your property is less likely to fall foul to such tactics in the first place.

Towards the end of this article, you can read the steps we take when dealing with property sales, to try and ensure gazundering doesn't occur.



NOT TO BE CONFUSED WITH GAZUMPING

With gazumping, it's the home seller who plays the more unethical role, rather than the buyer. But much like gazundering, there is nothing illegal about gazumping. As we're all very aware, gazumping happens when a seller accepts a better offer on their property after they have verbally agreed the sale with an initial buyer.

THE FIGURES AROUND GAZUNDERING IN THE HOUSING MARKET

In a recent survey by the Open Property Group, it was revealed that gazundering is becoming more prevalent in the housing market. In its survey of home sellers who have sold properties in the last 12 months, a quarter of them had been victims of gazundering. And a third fell foul to gazundering within two weeks of the exchange of contracts.

And of those who were 'gazundered' – 78% decided to accept the lower offer. When asked why they had taken this decision, the survey respondents cited several reasons. 35% didn't want to waste more time finding a buyer, 22% didn't want to jeopardise their onward purchase and 14% didn't want to start from scratch with the whole selling process.

And of those who were 'gazundered' – 78% decided to accept the lower offer.

WHAT'S CAUSING THE INCREASE IN GAZUNDERING?

When demand has decreased, and sales are taking longer to go through, gazundering is more commonplace. Everyone's feeling the pinch too, which can lead to an increase in buyers looking to try their luck and wipe a few thousand pounds from a house purchase.



HOW WE HANDLE THE RISK OF GAZUNDERING HERE AT JAMESON AND PARTNERS

- First and foremost, we provide a realistic property valuation. There is absolutely no point in over-inflating a property's value as it only leads to a wealth of problems. Our property valuations include due diligence on property sales in the local area. By giving you a realistic sales price, we can avoid issues like gazundering further down the line.
- We also like to move fast and get your property sold and completed in the quickest time possible. That way we can avoid a property waiting to be sold, or a buyer going cold waiting for completion.
- Our communication with all parties is thorough and frequent, with honesty and openness front and centre. This makes sure the property sale moves along at the quickest pace it can. Plus, by highlighting any issues with the property from the start, we can remove the need for last-minute offers.
- We take deposits from any potential buyers, which goes a long way towards preventing issues such as gazundering.
- We've many years of experience and know the local property very well. We are well-versed in dealing with buyers for all manner of property sales and can easily spot a genuine negotiator from someone looking to push their luck. By delivering a professional all-round service, we can get your property sale over the line with the least amount of bother and hassle for you.

We also like to move fast and get your property sold and completed in the quickest time possible.

30 YEAR MORTGAGES

30-YEAR MORTGAGES GROWING IN POPULARITY

Thanks to recent data from Bowmore Financial Planning, we can see that 30-year mortgages have increased 13% in the year to end September from 459,495 in 2021/22, to 520,779 in 2022/23. And it's not just the 30-year mortgages which are gaining traction. You can also see from figures shared by the Financial Conduct Authority, that the number of 40-year mortgages are also on the up.

These have increased a significant 29% from 1,533 in 2021/22 to 1,980 in 2022/23. It's clear to see that more and more people are turning to mortgages with a longer term.

WHY ARE THESE LONGER-TERM MORTGAGES BEING CHOSEN?

There could be a few reasons. One of them is very much down to the increased interest rates over the last year. Many homebuyers have been deterred by the interest rate rises. Another reason is to help buyers afford a larger property, one that would otherwise be outside of their budget. In fact, we recently shared data from Dataloft, the HMRC and Land Registry on our social media channels with regards the changing demand for detached homes. The information showed that 12 months ago, semi-detached houses accounted for 28% of sales, and detached houses 22%. However, by the end of the year, the proportion of detached house sales had increased by 3.7%. While the increase in semi-detached houses was lower at 3%.

THE DOWNSIDE TO LONGER-TERM MORTGAGES

Well, one of the first downsides to a long-term mortgage is the fact you will spend much more on interest over the lifetime of the loan.

And finally, it takes much longer to build equity in the property. This is important to bear in mind if you were hoping to use some of the equity further down the line for renovations or extensions.

WHAT TO DO IF YOU ARE CONSIDERING A 30-YEAR MORTGAGE

We highly recommend you discuss your options with an independent financial advisor. You need to weigh up all your options and have some understanding of the long-term costs.





Jennifer Jameson | Managing Director

Jameson
AND PARTNERS LTD

The refreshingly different estate agency.

17 The Downs, Altrincham WA14 2QD
0161 941 4445 | 07858 183 675 (text only)

jennifer@jamesonandpartners.co.uk
www.jamesonpartners.co.uk