



Issue 20

Brought to you by **UPP Property**



# Stamford & Rutland

## Property News

[www.stamfordandrutlandpropertyblog.co.uk](http://www.stamfordandrutlandpropertyblog.co.uk)



## Welcome

My name is David Crooke, owner of UPP Property Agents. Followers of my weekly property blog already know I like to keep a close eye on the Stamford and Rutland housing market, because it enables me to give the best advice.

Selling your home can be an emotional rollercoaster – we long for that new start but sometimes we're sad to say goodbye to the memory our property holds. With our support and expertise guiding you through the entire process, selling your home doesn't have to be the stressful nightmare you're sometimes led to believe.

Our innovative approach replaces the old fashioned marketing methods, and offers you the best solutions to sell your home for the maximum price. What may work for one may not be effective for another; this is why we work with you to devise a specific strategy that is right for you and your home.

We're passionate about property, have lots of creative ideas and love where we live and work.

Stamford: 01780 484 554

Rutland: 01572 725 825

E: [david@upp-property.co.uk](mailto:david@upp-property.co.uk)

## Local Mortgage Time-Bombs...

According to my research, of the 4,690 properties in Oakham, 1,672 of those properties have mortgages on them. 87.0% of those mortgaged properties are made up of owner-occupiers and the rest are buy-to-let landlords (with a mortgage).

However, the concerning part is that 361 of those mortgages are 'interest only'. Each year between 2017 and 2022, 4 of those households with interest only mortgages will mature, and of those, 1 household a year will either have a shortfall or no way of paying the mortgage off.

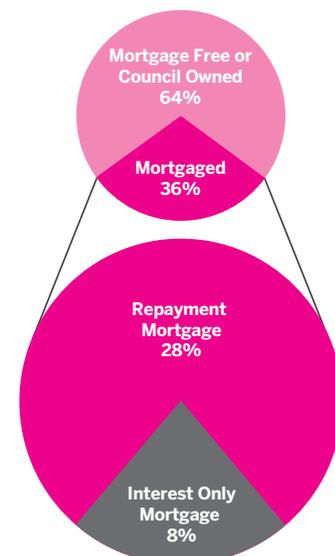
Theoretically this is an enormous problem for anyone in this situation as their home is at risk of repossession if they don't have some means to repay these mortgages at the end of the term (*the typical term being 25 to 35 years*). Banks and Building Societies are under no obligation to lengthen the term of the mortgage and, when deciding whether they are prepared to do so or not, will look at it in the same way as an application for a new mortgage.

Back in the 1970's and 1980's, when endowment mortgages were all the rage, having an endowment meant you were taking out an interest only mortgage and then paying into an endowment policy which would pay the mortgage off (plus hopefully leave some profit) at the end of the 25/35-year term. There were advantages to that type of mortgage as the monthly repayments were lower than with a traditional capital repayment and interest

mortgage. Only the interest, rather than any capital, is paid to the mortgage company – but the full debt must be cleared at the end of the 25/35-year term.

Historically plenty of homeowners bought an endowment policy to run alongside their interest only mortgage. However, because the endowment policy was a stock market linked investment plan and the stock market poorly performed between 1999 and 2003 (when the FTSE dropped 49.72%), the endowments of many of these homeowners didn't cover the shortfall. Indeed, it left them significantly in debt!

### Rutland Mortgages and the Proportion of Repayment and Interest only Mortgages



[www.stamfordandrutlandpropertyblog.co.uk](http://www.stamfordandrutlandpropertyblog.co.uk)

Continued on page 2

Continued from page 1

Nonetheless, in the mid 2000's, when the word endowment had become a dirty word, the banks still sold 'interest only' mortgages, but this time with no savings plan, endowment or investment product to pay the mortgage off at the end of the term. It was a case of 'we'll sort that nearer the time' as property prices were on the rampage in an upwards direction!

Thankfully, the proportion of interest only mortgages sold started to decline after the Credit Crunch, from a peak of 43.81% of all mortgages to the current 8.71%.

Increasing the length of the mortgage to obtain more time to raise the money has gradually become more difficult since

the introduction of stricter lending criteria in 2014, with many mature borrowers considered too old for a mortgage extension.

I want to stress to all existing and future homeowners who use mortgages to go in to them with your eyes open. You must understand, whilst the banks and building societies could do more to help, you too have personal responsibility in understanding what you are signing yourself up to. It's not just the monthly repayments, but the whole picture in the short and long term.

# When will our politicians take housing seriously?

Policing, NHS, Education, Tax and Pensions etc., are always headline grabbing stuff when it comes to the General Election. However, housing – which affects all our lives, seems to get left behind and forgotten. Nonetheless, the way the politicians act on housing can have a fundamental effect on our economy and the nation.

One policy that comes to mind is Margaret Thatcher's Council House sell off in the 1980's, when around 1.4m council houses went from public ownership to private ownership. It was a great vote winner at the time (it helped Thatcher win 3 General Elections in a row) but it has meant the current generation of 20-somethings don't have that option of going into a council house. This has been a huge contributing factor in the rise of the private renting and buy-to-let over the last 15 years.

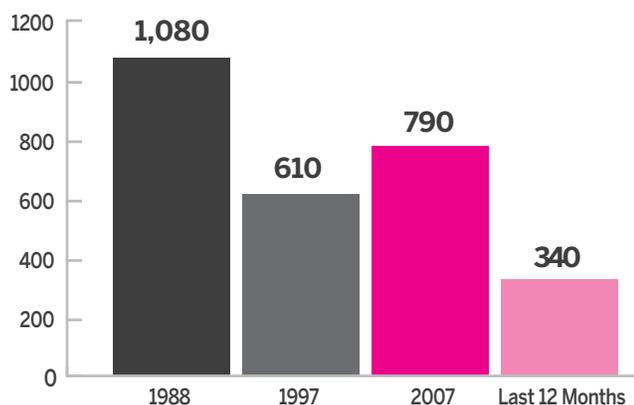
Nevertheless, looking back to the start of the Millennium, Labour set the national target for new house building at 200,000 new homes a year (and at one point that increased to 240,000 under Gordon Brown for a couple of years). In terms of what was actually built, the figures did rise in the mid Noughties from 186,000 properties built in 2004 to an impressive 224,000 in 2007 (the highest since the early 1980's) as the economy grew.

Then the 'Credit Crunch' hit. It is interesting that the 2010 Cameron/Clegg government did things a little differently. The fallout of the Credit Crunch meant a lot less homes were built, so instead of tackling that head on, the coalition side-stepped the target of the number of new homes to build and offered a miserly £400m fund to help kick start the housing market (a figure that was a drop in the ocean when you consider an average UK property was worth around £230,000 in 2010). The number of new houses being built completed dipped from 146,800 in 2011 to 135,500 the subsequent year.

A report by the Government in 2016, showed that on average 210,000 net additional households will be formed each year up to 2039 (through increased birth rates, immigration, people living longer, lifestyle (i.e. divorce) and people living by themselves more than 30 years ago). In 2016, only 140,600 homes were built ...that's simply not enough!

In the 12 months up to the end of Q1 2017, only 340 properties were built in the South Kesteven District Council area. Go back to 2007, that figure was 790, and in 1997 only 610 new homes and further back to 1988, 1,080 new homes were built.

Number of new homes built in the South Kesteven District Council area



The conceivable rewards in providing a place to live for the public on a massive house building programme can be enormous, as previous Tory PM's have found out. Winston Churchill in 1951, asked his Minister for Housing (Harold Macmillan) if he could **guarantee the construction of 300,000 new properties a year**, he was notoriously told: *"It is a gamble – it will make or mar your political career, but every humble home will bless your name if you succeed."*



**David Crooke**  
Managing Director

@StamfordandRutland

/davidcrooke

[upp-property.co.uk](http://upp-property.co.uk)

### Rutland Office

20 Church Street, Oakham,  
Rutland LE15 6AA

**T:** 01572 725 825

**E:** [info@upp-property.co.uk](mailto:info@upp-property.co.uk)

@UPPproperty

### Stamford Office

7 Red Lion Street,  
Stamford PE9 1PA

**T:** 01780 484 554

**E:** [info@upp-property.co.uk](mailto:info@upp-property.co.uk)