

Mortgages - UK - March 2014

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"Gross mortgage lending increased by over a fifth in 2013. As a result, gross mortgage advances are now at their highest level since the financial crisis in 2008. Mintel forecasts that mortgage lending will continue to increase over the next five years, with gross mortgage lending expected to reach £245 billion by 2018."
- Stevan Obradovic, Financial Services Analyst

This report looks at the following areas:

- How can lenders capitalise on low interest rates to promote long-term fixed products?
- Is it important for lenders to deal with customer confusion and interest-only mortgage clients?
- Will The MMR and consumer preferences drive a change in distribution strategies?

The housing and mortgage markets have both shown signs of strong recovery in 2013. Gross mortgage lending increased by almost a quarter during this period, as a number of market factors and developments helped to reignite consumer demand. Improving economic conditions has seen consumer confidence return to the market, while the Funding for Lending Scheme helped to increase lending as market liquidity improved. In addition, Help to Buy was also launched by the government, providing a boost to the first-time buyer market and driving competition for higher loan to value loans.

Although gross lending is expected to increase in 2014, the mortgage market is still facing some challenges. The implementation of the Mortgage Market Review could see some borrowers shut out of the market, and will also put some pressure on lenders to readjust their offerings. In addition, new home building completions remain relatively low which has restricted supply and could lead to an overheating of the housing market. Over the long term, lenders face the challenge of addressing the risks created by interest-only mortgages and need to ensure that they are following the strategies set out by the FCA to help consumers who could face a mortgage shortfall.

This report examines the residential mortgage market, analysing some of the key developments in this sector including wider economic trends and regulatory challenges. This report also provides a snapshot of mortgage lending levels, including a market forecast which shows expected growth in gross lending over the next five years. Mintel's exclusive commission research concludes the report, looking at product ownership, issues in the interest-only sector, appetite for mortgages over the next 12 months and general consumer attitudes towards mortgages.

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This report is part of a series of reports, produced to provide you with a more holistic view of this market