

## Mortgages - UK - March 2013

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*"There are nearly 4 million UK adults looking to buy their first home over the coming year, however, with house prices still high relative to average earnings and tighter lending controls, the majority of these prospects will remain aspirational homeowners."*

– Sarah Hitchcock, Senior Analyst – Financial Services

### In this report we answer the key questions:

- Why is home ownership declining?
- And how are house prices contributing to the problem?
- So how much demand is there to buy property?
- What are the main implications of the MMR?
- What is the future for interest-only mortgages?
- How much competition is there in the market?
- What is the outlook for new mortgage lending?

Today's mortgage lenders and intermediaries are operating in a very different marketplace from the one that existed six years ago. Not only did the 2007/08 financial crisis put the brakes on the housing market boom and signal the death knell to many smaller and specialist suppliers, but it also sparked a fundamental shift in the way lenders view and approach risk and prompted a major review of how the industry is regulated. The crisis may be consigned to the recent past, but the repercussions still reverberate through the industry and the wider economy.

Yet despite the ongoing challenges, there are reasons to feel tentatively optimistic. The funding situation has recently improved, thanks to the new Funding for Lending Scheme, and there is now greater certainty over the future regulation of the market following publication of new reforms under the Mortgage Market Review. Product availability continues to steadily improve and mortgage rates have fallen over recent months. Lender confidence is also increasing, as indicated by the growing emergence of higher loan-to-value loans. Concurrently, Mintel's consumer survey reveals considerable pent-up demand among would-be first-time buyers, with rising rent prices helping to fuel interest in becoming a homeowner. Unfortunately, affordability remains a key barrier, with many young adults still unable to secure a sufficiently large loan to take the first step.

Set against this mixed backdrop, Mintel's report provides a detailed examination of the UK mortgage market. Drawing on a range of trade sources as well as Mintel's independently commissioned consumer research, the report explores the main issues and trends that are influencing supply and demand. In addition, it evaluates potential risks, identifies new opportunities and offers an overall assessment of the market's prospects over the medium term.

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