

Mortgages - UK - 2023

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This report looks at the following areas:

- Market performance, including a five-year market forecast.
- An analysis of competitive strategies and launch activity.
- Attitudes and behaviours of mortgage owners.
- Future mortgage intentions.
- Attitudes and behaviours of non-homeowners.

Non-homeowners continue to show a strong desire to buy a home, with 37% planning to buy their first property with a mortgage in the next two years. This rises to 54% of Generation Z and 45% of Millennials as these generations go through key lifestyle milestones and approach savings goals.

High inflation is placing increased pressure on consumer finances, eroding real wages and impacting financial confidence. Moreover, the Bank of England has repeatedly increased the base rate, reaching a 14-year high of 4.25% in March 2023, with mortgage rates also rising. 60% of mortgage holders are concerned about the impact of rising rates on their ability to afford their mortgage, suggesting that support and guidance from lenders regarding the cost of living crisis remains essential.

In addition, the current challenges are making homeownership seem out of reach, and 68% of non-homeowners think that the cost of living crisis has made it less likely they will be able to afford a home in the future. While inflation is expected to remain elevated, there are hopes that the worst is over. However, real wages are likely to remain weak even after inflation starts to fall, and the squeeze on household budgets will continue to create challenging conditions for people looking to save and get onto the housing ladder.

While these challenges will weaken the house purchase segment of the mortgages market, remortgage activity is expected to remain strong. An estimated 1.7 million mortgages will reach the end of their fixed-rate term in 2023. This will create plenty of opportunities for lenders to engage this group.



"Mortgage lending remained resilient in 2022, but the outlook is more challenging. The cost of living crisis is mounting pressure on household finances, causing mortgage owners to worry about their ability to afford their payments and making homeownership seem unattainable for non-homeowners."

- Stefania Apostol, Senior Financial Services Analyst, March 2023

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While interest rates will be key for consumers, other features, such as flexibility, are also essential. 35% of those who have a mortgage or are looking to buy their first property with a mortgage in the next two years think that the option to overpay is an important factor when choosing a mortgage.



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Table of Contents

OVERVIEW

- **Key issues covered in this Report**
- **Products covered in this Report**

EXECUTIVE SUMMARY

- **The five-year outlook for mortgages**
Figure 1: Category outlook for mortgages, 2023-27
- **The market**
- **Gross lending remained stable in 2022**
Figure 2: Gross sterling secured lending to individuals, 2017-22
- **Mortgage lending to recover as inflationary pressures ease**
Figure 3: Market forecast for gross mortgage lending (prepared march 2023), 2023-27
- **House purchases contracted while remortgage activity increased in 2022**
Figure 4: Segmentation of gross mortgage lending, 2017-22
- **Elevated interest rates will dampen activity**
Figure 5: Interest rates for selected types of mortgages, 2016-23
- **Companies and brands**
- **The market remains concentrated**
Figure 6: UK mortgage providers, by total outstanding mortgage balances, 2021 and 2022
- **Mortgage lenders support consumers during the cost-of-living crisis**
- **The consumer**
- **A quarter of adults have a mortgage**
Figure 7: Housing situation, by age, 2023
- **22% of mortgage holders purchased their first property with their most recent loan**
Figure 8: Reasons for taking out last mortgage, 2022-23
- **Rising interest rates are a cause of concern**
Figure 9: Attitudes and behaviours towards mortgages and homeownership, 2023
- **Green mortgages are still niche**
Figure 10: Attitudes and behaviours towards mortgages and homeownership, 2023
- **Non-homeowners have a strong desire to buy a home**
Figure 11: Future mortgage plans, 2022-23
- **Interest rates are key for consumers when choosing a mortgage**

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Figure 12: Most important features when choosing a mortgage, 2023

- **The cost of living crisis has made homeownership seem out of reach**

Figure 13: Attitudes and behaviours of non-homeowners, 2023

ISSUES AND INSIGHTS

- **The cost of living crisis worries mortgage owners...**
- **...and makes homeownership seem out of reach**
- **Green mortgages are still niche**

MARKET SIZE AND PERFORMANCE

- **Gross lending remained stable in 2022**

Figure 14: Gross sterling secured lending to individuals, 2017-22

Figure 15: Gross sterling secured lending to individuals, 2017-22

MARKET FORECAST

- **The five-year outlook for mortgages**

Figure 16: Category outlook for mortgages, 2023-27

- **Mortgage lending to recover as inflationary pressures ease**

Figure 17: Market forecast for gross mortgage lending (prepared march 2023), 2023-27

Figure 18: Market size and forecast for gross mortgage lending (prepared March 2023), 2017-27

- **Learnings from the last income squeeze**

Figure 19: Gross sterling secured lending to individuals, 2006-14

- **Forecast methodology**

MARKET SEGMENTATION

- **House purchase activity contracted in 2022...**
- **...while remortgage activity increased by 30%**

Figure 20: Segmentation of gross mortgage lending, 2017-22

Figure 21: Segmentation of gross mortgage lending, 2017-22

CHANNELS TO MARKET

- **Intermediaries dominate the distribution of mortgages**
- **Advice remains essential for mortgage customers**

Figure 22: Source of advice for mortgage/remortgage, 2023

MARKET DRIVERS

- **Inflation is expected to fall...**

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Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

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Figure 23: CPI and CPIH, 12-month rates, 2016-23

- **...but most people will still feel the effects of higher prices**

Figure 24: Issues faced in the last two months, 2023

- **Consumer confidence remains weak**

Figure 25: Financial confidence index, 2016-23

- **Average UK house prices start to decline**

Figure 26: Average UK house price, 2016-23

- **House transactions declined by 15%**

Figure 27: UK residential property transactions over £40,000, 2016-22

- **Elevated interest rates will dampen activity**

Figure 28: Interest rates for selected types of mortgages, 2016-23

- **Building activity picks up**

Figure 29: Number of permanent dwellings started and completed in the UK, 2000/01-2021/22

- **The residential sector accounts for 17% of all carbon dioxide emissions**

Figure 30: Energy efficiency rating bands for dwellings in England, 2011-21

REGULATORY AND LEGISLATIVE CHANGES

- **FCA introduces new Consumer Duty rules**
- **Supporting borrowers through the cost of living crisis**
- **Financial Policy Committee withdraws affordability stress test**
- **New Stamp Duty Land Tax thresholds to end in 2025**
- **Mortgage Guarantee Scheme extended**

MARKET SHARE

- **Most lenders increased their outstanding balances in 2022**
- **NatWest Group overtook Santander**

Figure 31: UK mortgage providers, by total outstanding mortgage balances, 2021 and 2022

COMPETITIVE STRATEGIES

- **Mortgage lenders support consumers during the cost of living crisis**
- **Lenders aim to enhance the consumer experience through digital channels**
- **Mortgage lenders continue to focus on sustainable home finance**
- **Lloyds Banking Group supports customers in making energy-efficient home improvements**

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- **NatWest aims to halve the climate impact of its financing activity by 2030**
- **Barclays launches Green Home Reward pilot**
- **Ecology Building Society unveils mortgages for modular homes**
- **Barclays acquires Kensington Mortgages**

LAUNCH ACTIVITY AND INNOVATION

- **Challengers aim to disrupt the mortgage market**
- **Perenna offers mortgages with long fixed rates**
- **Gen H expands its services**
- **Start-ups offer rent-to-buy schemes**
- **Santander launches My Home Manager service**

ADVERTISING AND MARKETING ACTIVITY

- **Adspend on mortgages rebounds**
Figure 32: Total above-the-line, online display and direct mail advertising expenditure on mortgages, excluding equity release, 2019/20-2022/23
- **Halifax leads advertising expenditure**
- **Nationwide continues its 'Conversations' campaign**
- **Barclays aims to help consumers unlock their dream homes**
Figure 33: Top 10 above-the-line, online display and direct mail advertisers on mortgages, 2018/19-2022/23
- **TV continues to dominate advertising expenditure**
Figure 34: Total above-the-line, online display and direct mail advertising expenditure on mortgages, by media type, 2022/23
- **Nielsen Ad Intel coverage**

MORTGAGE OWNERSHIP

- **A quarter of adults have a mortgage**
Figure 35: Housing situation, by age, 2023
- **Only 23% of mortgage owners have healthy finances**
Figure 36: Financial situation of outright home owners and mortgage owners, 2023

MORTGAGE ACTIVITY

- **More than half of mortgage owners arranged a deal in the last three years**
Figure 37: Timing of last mortgage purchase, 2023
- **22% of mortgage holders purchased their first property**
Figure 38: Reasons for taking out last mortgage, 2022-23
- **Remortgage activity intensified**

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Full Report PDF

Infographic Overview

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Figure 39: Reasons for taking out last mortgage, by timing, 2023

- **70% of borrowers have a fixed-rate mortgage**

Figure 40: Type of mortgage held, 2023

ATTITUDES AND BEHAVIOURS OF MORTGAGE OWNERS

- **Rising interest rates are a cause of concern...**
- **...prompting some mortgage owners to research new deals**

Figure 41: Attitudes and behaviours towards mortgages and homeownership, 2023

- **Green mortgages are still niche...**
- **...and mortgage owners need more support to make their houses greener**

Figure 42: Attitudes and behaviours towards mortgages and homeownership, 2023

FUTURE MORTGAGE INTENTIONS

- **Non-homeowners remain optimistic**
- **Fixed-rate mortgages continue to have a strong appeal**
- **Standard product terms are more popular among those looking to remortgage...**
- **...while potential first-time buyers would consider longer-term term fixed rates**

Figure 45: Preferred length of fixed-rate mortgage, 2023

MORTGAGE FEATURES

- **Interest rates are key for consumers when choosing a mortgage...**

Figure 46: Most important features when choosing a mortgage, 2023

- **...but flexible features are also important**

Figure 47: Selected features when choosing a mortgage, by financial situation, 2023

- **Potential first-time buyers place a greater emphasis on a reputable lender**

Figure 48: Most important features when choosing a mortgage, by future mortgage intentions, 2023

ATTITUDES AND BEHAVIOURS OF NON-HOMEOWNERS

- **The cost of living crisis has made homeownership seem out of reach**

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Executive Summary

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Figure 49: Attitudes and behaviours of non-homeowners, 2023

- **Aspiring first-time buyers remain focused on getting onto the property ladder**

Figure 50: Selected attitudes and behaviours of non-homeowners, by intentions to buy a first property, 2023

- **Potential first-time buyers living in a city or large town want energy-efficient properties**

Figure 51: Future Home Buying Behaviours – CHAID – Tree output, 2023

APPENDIX – DATA SOURCES, ABBREVIATIONS AND SUPPORTING INFORMATION

- **Abbreviations**
- **Consumer research methodology**
- **CHAID analysis methodology**

Figure 52: Future Home Buying Behaviours – CHAID – Table output, 2023

APPENDIX – FORECAST METHODOLOGY

- **Market forecast and prediction intervals**
Figure 53: Market forecast for gross mortgage lending, 2023–27
- **Market drivers and assumptions**
- **Forecast methodology**

What's included

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Full Report PDF

Infographic Overview

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