



## Mortgage Monitor

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July 2016

# Summer mortgage picture remains mixed for borrowers, e.surv data reveals

- A total of 65,907 mortgage approvals were issued in July, 4.9% down year-on-year
- Approval figures have dropped since the 73,060 peak recorded during the run up to stamp duty changes
- Proportion of borrowers with small deposits (15% or less of their properties' total value) remains higher than previous years

The latest Mortgage Monitor from [e.surv](http://e.surv), the UK's largest residential chartered surveyor, found that 65,907 mortgage approvals (seasonally adjusted) were issued to buyers during the month. This is 4.9% lower than the number of approvals made in July 2015.

These figures are also below the highs recorded at the start of 2016. In January and February, mortgage approvals totalled 73,060 and 72,512 respectively, although this figure may have been artificially boosted by buyers making purchases ahead of the stamp duty tax changes in April.

The proportion of approvals made to borrowers with a small deposit was 18.3%, which is down on the previous high of 19.1% recorded in April of this year. However, it still remains above the level recorded in previous years. In July 2015 16.2% of mortgage approvals were to small deposit borrowers and in July 2014 this figure was 17.4%.

Following the UK's vote to leave the European Union, it remains to be seen what the impact will be on the mortgage market. The Bank of England has made several policy announcements which are intended to restore confidence to the market. The full effect of these decisions will be seen in due course.

**Richard Sexton, Director of e.surv, comments:** "Whilst summer transactions levels have softened slightly, this can largely be attributed to the markedly high transaction rate earlier this year and the expected summer lull.

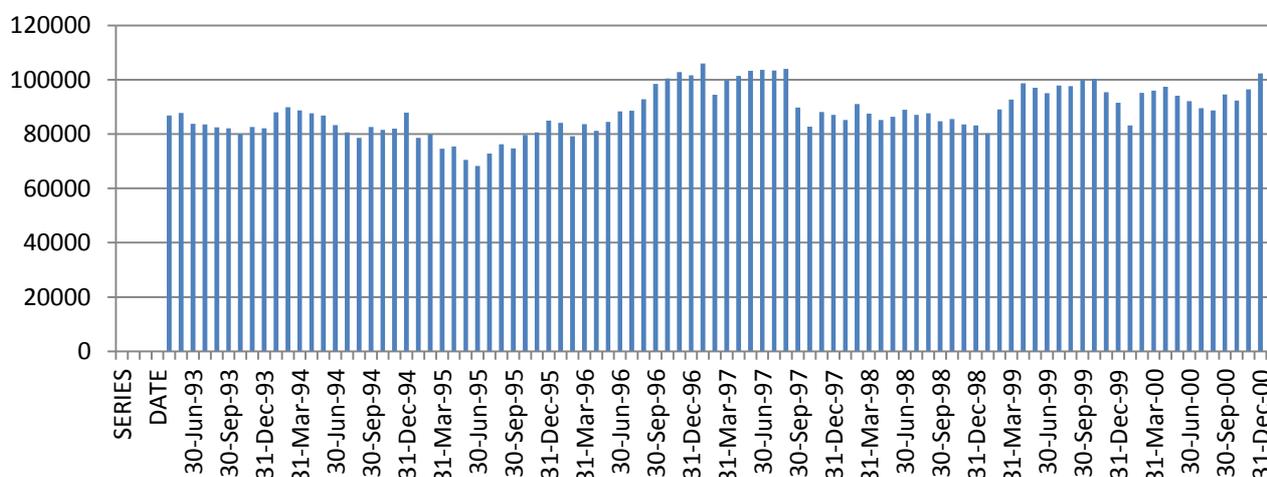
"The immediate aftermath of the vote on June 23rd saw lenders and borrowers act with caution, but subsequent policy decisions have been made to restore confidence to the market.

"Mark Carney and the Bank of England reduced the base rate to a historic low of 0.25% at the start of August and announced a support programme to help pass this rate cut onto borrowers. The impact of these measures will be seen in future months, but should provide assurance for both borrowers and lenders alike."

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## Monthly number of total sterling approvals for house purchases

(seasonally adjusted)



### Mixed picture for would-be buyers with small deposits

Borrowers with small deposits (worth 15% or less of their properties' total value) continue to occupy a smaller proportion of the market than earlier in the year. In April, 19.1% of approvals were made to this part of the market, but by July that figure had fallen to 18.3%.

In absolute terms, 12,021 loans to small deposit borrowers were approved in July, a figure well above the 10,588 recorded at the same point last year. In July 2015 small deposit loans represented 16.2% of the total market.

Large deposit borrowers – defined as those with a deposit of 60% or more – continued to greatly outnumber their small deposit counterparts. Some 33.2% of all loans in July were made to these customers, higher than the 30.7% recorded a year ago.

Region	Proportion of small-deposit loans (July 2016)	Proportion of small-deposit loans (June 2016)
Northern Ireland	23.7%	25.7%
Yorkshire	26.8%	26.4%
North West	27.0%	26.9%
Midlands	22.2%	21.5%
Scotland	18.4%	17.7%
Eastern England	17.0%	17.0%
South/ South Wales	16.9%	15.5%
South East	13.6%	16.2%
London	7.4%	8.2%

**Richard Sexton, Director of e.surv, comments:** "First-time buyers and those with small deposits will hope that the Bank of England's base rate cut and funding programmes increase the amount of products on the market due to increased competition between lenders.

"First-time buyers remain the lifeblood of the housing market, but the difficulty of saving for a deposit and lenders'

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preference for high LTV lending continue to be problematic for these borrowers. Changes to the stamp duty regime gave some respite to new buyers by reducing demand for properties. Annual house price increases have also slowed, which should help new buyers.

“As always, the real issue remains on the supply side of the market. While house building is increasing, the country remains well behind where we need to be in terms of building new homes. An increase in the number of new homes would benefit both first-time buyers and the wider market, allowing chains to move more easily and inject new life into the market.”

## North West best for aspirational first-time buyers

The North West was home to the highest proportion of small deposit loans, with 27% of all approvals made to these buyers. This is higher than the 25% recorded a year ago and well above the national average. Yorkshire (26.8%) and Northern Ireland (23.7%) also saw a high proportion of loans made to first-time and other small deposit buyers.

London continued to be the most difficult place to buy with a small deposit, with just 7.4% of loans in the capital going to this segment of the market. This percentage was virtually flat year-on-year.

By contrast, some 41.6% of all loans in London were made to buyers with deposits of 60% or more – the highest in the country.

Region	Proportion of large deposit lending (July 2016)	Proportion of large deposit lending (June 2016)
Northern Ireland	30.9%	31.6%
Yorkshire	24.4%	23.4%
North West	24.4%	22.9%
Midlands	27.7%	26.2%
Scotland	37.9%	37.7%
Eastern England	35.6%	32.2%
South/ South Wales	36.1%	37.0%
South East	38.9%	36.7%
London	41.6%	40.6%

**Richard Sexton, Director of e.surv, concludes:** “Would-be borrowers in London face even more pressure than those elsewhere. Lack of affordable housing and high living costs mean Londoners struggle more than most to get onto the housing ladder.

“Buyers in other regions also face difficulties, although small deposit buyers outnumber those with larger deposits in both the North West and Yorkshire.”

– ENDS –

## Notes to Editors

### Methodology

e.surv analyses detailed data on over one million mortgage valuations the firm carried out between August 2006 and

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today. Each month, the researchers analyse tens of thousands of valuations and use these trends to extrapolate from the Bank of England's mortgage data to publish mortgage approval numbers for the whole of the UK, weeks before the BBA, CML and Bank of England.

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## About e.surv

e.surv is one of the UK's largest valuation providers, directly employing surveyors across the UK, supported by a network of consultant valuers. The business is the largest distributor and manager of valuation instructions in the UK and is appointed as Panel Manager for more than 20 mortgage lenders and other entities with interests in residential property. The business also provides a number of private survey products direct to the home-buying public. e.surv is a subsidiary of LSL Property Services plc. For further information, see [www.lslps.co.uk](http://www.lslps.co.uk).

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