



THE EVOLUTION OF THE SELF-EMPLOYED LANDSCAPE

In a complex landscape, customer circumstances and needs are often fast-changing - and not always straightforward. Self-employed workers, whether business owners or freelancers, form a large part of our economy, but are not always well-served by the mainstream mortgage market.

In our latest market-focused webinar, we explored how the self-employed sector is evolving - helping brokers to better understand this changing customer segment. For this conversation, I was joined by Richard Donnell, Executive Director at Houseful, Fred Hicks, Senior Policy Adviser at IPSE, and Nicola Firth, Founder and CEO at Knowledge Bank.



Market update

Richard kicked off the webinar by taking us through the latest trends in the housing market across both sales and lettings, and the outlook for the rest of the year ahead.

Sales

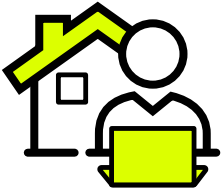
There has been a rebound in market activity, with different house price indices picking this up to various degrees. Both sales demand and sales agreed are higher compared to the same period last year, as well as compared to pre-pandemic levels in 2017, 2018 and 2019 - the number of sales agreed is up 12% compared to pre-pandemic levels. As well as higher demand from buyers, there are more sellers in the market today, with 20% more homes for sale compared to this time last year.

While mortgage interest rates have fallen back down to around 4-5%, the market is still adjusting to the impact of higher rates. We are on track for up to 10% more sales in 2024, but it's likely that we will need to see a continued increase in sales volumes before we see a rise in property prices - overall we can expect house prices to remain broadly flat over the year ahead.

Lettings

In the rental market, we continue to see very strong demand and a lack of supply. While rental inventory has recovered slightly from the lows of 2022, we aren't seeing the levels of new investment needed to boost stock, particularly from private landlords - some of whom are exiting the market or reevaluating their portfolio in the face of current conditions. Today there are around 5.5 million rented homes in the country, a number which has stayed roughly unchanged since 2017.

The supply and demand mismatch is starting to narrow, but while demand has cooled slightly it is still higher than pre-pandemic levels - which means supply remains a constraint on the market. Affordability pressures are having an impact too: rental inflation is positive but slowing, as more and more renters struggle to keep pace with the rising cost of rent.



The changing self-employed sector

Fred shared insights from IPSE, The Association of Independent Professionals and the Self-Employed, on the current picture when it comes to self-employed workers in the UK.

Self-employment is on the rise again for the first time since the pandemic. Previously, we'd seen almost 10 years of consistent quarterly growth in the numbers of self-employed workers, peaking in 2019. But during the first year of the pandemic, hundreds of thousands of self-employed workers left the sector, causing it to decline significantly then stagnate.

However, we saw a return to year-on-year growth in 2023, and there are now more than three million households in the UK with a primary or secondary earner in self-employment. Today, there are approximately 4.2 million people classed as solo self-employed - which includes but is not limited to sole traders and freelancers - up by around 100,000 since 2022.

While the sector is experiencing growth, today's self-employed workers continue to face financial challenges and concerns. Payment terms - that is, the length of time agreed for invoices to be settled within - are generally on the rise, as is the risk of late payments. Rising costs are also increasing the instances of client failure, which can result in non-payment. These challenges mean that some self-employed workers, particularly freelancers, need more financial liquidity to lean on - which tends to come at the expense of having long-term savings.



Insights from broker criteria searches

Nicola shared some key data from the Knowledge Bank searches being made by brokers around self-employed cases, which paints a picture of what's happening in the lending market, as well as from Companies House.

Last year, the largest group of companies registered in the UK was businesses aged between one and four years, accounting for 35% of the total, and there was a 6.4% increase in company registrations compared to the previous year.

In 2023, there was an increase in searches across the board of self-employed cases, with the top three criteria searches being: self-employed - one year of accounts, self-employed - assessment of accounts for affordability, and net profit in a limited company.

Looking ahead, Nicola highlighted the rise of the gig economy, with many younger people in particular choosing to have a number of sources of income rather than hold one employed role. While this presents a challenge for lenders, they are approaching this innovatively and are really getting to grips with this segment, Nicola explained. The younger end of the market is likely to drive some significant change in the future, and lenders and brokers should work together to ensure that this new generation of customers can be properly served by the market.

My takeaways

It was really insightful to find out more about the evolving self-employed sector in the UK. For brokers and lenders, understanding this group of customers is essential to being able to serve them in a way that truly meets their needs. As Nicola mentioned, small businesses account for 61% of UK employment - they are a vital part of our economy and it's really important that they don't go underserved.

While the UK went into a technical recession in the second half of 2023, I came away from the webinar feeling more optimistic about the rest of 2024. With demand and sales agreed on the rise, there are absolutely some green shoots when it comes to the housing market. This, alongside new growth in the self-employed sector, are all positive signs that may suggest we are starting to bounce back from an undoubtedly difficult few years.



Eloise Hall – Head of National Accounts

Eloise joined Kensington Mortgages in 2019, bringing a wealth of experience from both Leeds Building Society and Principality Building Society, she has supported, nurtured and grown many of our key account relationships across the UK. Eloise has continued to grow Kensington's brand as an innovative and forward-thinking specialist lender and has won an array of awards in her tenure at Kensington Mortgages, including Woman in Specialist Lending at Women's Recognition Awards and Head of National Accounts at both the 2022 and 2023 British Specialist Lending Awards. Most recently Eloise has been recognised in the Mortgage Introducer Global Top 100 Mortgage Professionals and named as an Elite Woman in 2024.

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