

# WHAT DOES 2022 HOLD FOR THE MORTGAGE MARKET?

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For the mortgage industry 2021 was a year like no other. House prices rose to all-time highs while interest rates remained near record lows. The stamp duty holiday boosted sales at the same time as many of us decided to renovate rather than relocate.

So as we approach the third year of the pandemic, what is 2022 likely to bring? For the first of this year's webinar series I was joined by my colleagues Alex Maddox, our Capital Markets and Digital Director, and Craig McKinley, our New Business Director, together with Sally Laker from Mortgage Intelligence and Paul Shearman from Openwork.

Alex began by giving us an update on the macroeconomic environment.



## **Economic Update**

Despite the undoubted disruption to the economy caused by Covid-19, the outlook for 2022 is broadly positive. The unemployment rate, which rose to above 5% at the height of the pandemic, fell significantly over the last six months of 2021 and the Bank of England now expects it to fall to 4% - lower than it had previously predicted. This positive news is also reflected in the GDP forecast, which is expected to return quickly to pre-Covid levels this year.

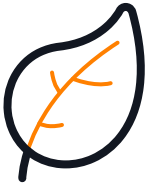
However, the big concern for policymakers centres around inflation, with energy and petrol prices helping to drive inflation to its highest level since 2011. The key question is whether this is likely to be transitory, or whether it will continue for an extended period - in which case the Bank of England will be under pressure to raise interest rates. Currently the market is forecasting a stable outlook for rates over the next twelve months, but everyone is watching the inflation numbers very closely indeed.



## 2022 – The year of the remortgage

Over the past two years Covid has encouraged us all to reflect on our lives, our work and our aspirations. Many people have decided to invest in their homes – whether by creating more office space, increasing the size of their rooms or just being able to enjoy their gardens a little more. For this reason, the panel all agreed that remortgages are likely to take centre stage this year.

While this represents a great opportunity for intermediaries, direct lenders will also be focusing their attention on the remortgage market and do all they can to attract customers. So it is crucial to stay close to your customers and make sure that you give them all the options, advice and support they need.



## Let's Go Green

Paul explained the importance of continuing to incentivise energy efficiency improvements across all types of housing stock. Yet while green mortgages are a step in the right direction, the industry is still trying to understand how these products can best encourage homeowners, landlords and businesses alike to make the necessary investments to upgrade their properties. We know that people want to do the right thing - until it costs them money, and heat pumps, new boilers and insulation do not come cheaply.

So if green mortgages are to play a significant role in the market, and encourage property owners to make better environmental choices, they must be part of a coordinated, strategic approach. One which fully educates both consumers and brokers about their benefits.

For precisely that reason Kensington has developed our eKo £1,000 Cashback Mortgage to encourage the upgrade of older properties. It gives £1,000 cashback if the homeowner improves the EPC rating by 10 points within 12 months from completion. Other green mortgage products available from Kensington include the New Build eKo Reward mortgage, offering double the cashback of the standard range, on new build properties with an A or B rating.



## More choice than ever before

From long-term fixes and green mortgages to specialist parental support and self-employed products, the mortgage market has never been as dynamic and innovative as it is today.

It is vital therefore that we think carefully about how we help our clients. Rather than simply looking at their mortgage options in terms of LTV, why don't we approach things differently? Let's look at their lifestyles, plans and aspirations and then design the perfect mortgage around those criteria.

To illustrate this, Craig highlighted Kensington's brand new Flexi Fixed for Term mortgage, which was launched in December. This is a truly unique product that offers homeowners the chance to fix their mortgage from 11 to 40 years with a fixed monthly payment that never changes. It's perfect for people who want the certainty of fixed repayments alongside total flexibility for any life events that might happen.



## Looking ahead with optimism

Craig closed the discussion by emphasising his positive outlook for 2022. Not only has Kensington just had its best-ever year, but we have also developed a whole range of new products, doubled the number of underwriters and hired more BDMs. That means we are well placed to provide the best possible levels of service, help you grow your business and support many more customers this year.



### **My takeaway**

As I was listening to these discussions, one thing became crystal clear. The world has changed over the last two years, and our customers have changed too. They may have experienced challenging events in their lives, switched careers or simply altered the way they view life.

As an intermediary your biggest assets are your clients and it's crucial to take the time to get in touch with them and check that they still have the right product - and the right protection - for their current circumstances. Your advice will be more important, and valued, than ever before.

As Craig said, if you don't look after your clients, someone else will.



### **Eloise Hall – Key Account Manager Kensington Mortgages.**

Eloise joined Kensington Mortgages as Key Account Manager in 2019. She brought with her a wealth of experience from both Leeds Building Society and Principality Building Society and has worked with many accounts throughout the UK. Eloise has continued to grow Kensington's brand as an innovative and forward-thinking specialist lender amongst her wide network of intermediaries, and in 2021 was recognised by the British Specialist Lender Awards as the best for Business Development among mortgage lenders.

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