

KM WEBINAR: NEW BUILD FORUM: WHAT DOES THE FUTURE HOLD FOR THE NEW BUILD MARKET?

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With the UK continuing to take meaningful steps towards a brighter post-pandemic future, there's a lot to be optimistic about at the moment. Despite the economic challenges of the pandemic, the housing market has demonstrated amazing resilience – and in many ways, has benefitted from a change in attitudes especially when it comes to what people want from their homes. I'll talk more about this below.

This change is one of several reasons behind the rise in demand for new builds, and one we wanted to explore in our second virtual forum on the topic and our 9th webinar. I was fortunate enough to be joined by a host of experts from across the industry who offered our audience a variety of insights: Robert Sinclair from AMI, Kelly McCabe from The Mortgage People, Adrian MacDiarmid from Barratt Developments Plc and our very own Craig McKinlay from Kensington.

Before we kicked off the panel discussion, Zoopla's Gráinne Gilmore joined us to provide a summary of the latest trends in the housing market.



Market update: Zoopla's headlines

The economic crisis of 2007 was accompanied by a housing crash, yet after the first lockdown was lifted, we saw a boom in property prices that is still happening. Buyer demand continues to run very high, driven by a 'once in a lifetime re-assessment of the home', as Gráinne put it. There are three main groups who are reconsidering their housing needs: families (who want more space to work and play), first time buyers (who are also looking for space and value for money) and older households (who are relocating for family or quality of life reasons). This demand has been further boosted by the stamp duty holiday and its extension.

The imbalance in supply and demand is putting upwards pressure on prices, particularly on family homes that offer more space in desirable locations. Interestingly, whilst there's been a lot of talk in the media about a mass exodus from UK cities, the data doesn't necessarily show this. Whilst there's strong demand for homes in commuter bases, demand in and around London remains high.

On the supply side, things are starting to improve. Clearly, with lockdown and social distancing requirements the delivery of new homes ground to a halt. Although construction recommenced after just a few months, the market will continue to be impacted by a constrained supply over the next few years.



Goodbye Help to Buy

Much of our panel's discussion was focused on the impact of different government schemes on the new build market, both now and in the future. With the phasing out of the Help to Buy scheme over the next few years, I wanted to assess how concerned our panellists were. It was immediately clear that whilst we shouldn't underestimate the scale of the challenge in helping customers buy homes without the scheme, the impact of the restrictions on Help to Buy has been less than people like Adrian feared.

Fortunately, concerns have been helped by the announcement of the new 95% government mortgage guarantee scheme. All our panellists agreed that it's great to have that support available as it helps to instill that all-important market confidence. As Robert pointed out, it indicates an ongoing commitment from the government as they promote an economy with a strong building and housing market at its core. Adrian also highlighted how important being able to own a home with a 5% deposit is to the vibrancy of the housing market, with many young people struggling to save and get on the housing ladder whilst paying the high price of rented accommodation.



Affordability, innovation & supply

What happens when the 5% deposit is still too much for people to cover, especially with house prices rising? As Kelly points out, affordability is key. She believes that there will be a natural progression of the Help to Buy purchaser to the Shared Ownership buyer, enabling more people to achieve their dream of owning a home.

Craig pointed to the importance of pursuing innovation across the board – from building to lending – to drive forward a strong and healthy market. Most major mortgage lenders are excluding new builds from the guarantee scheme, which will likely push customers into second-hand homes. If we're to support housing supply levels, it's important to ensure high LTV products are available for new builds too, which is why Kensington are looking at ways to extend beyond their current 90% LTV range on new build houses and flats to support borrowers with a 5% deposit. Having more choice of products in the marketplace will be key if the government is going to meet its first home target and prevent demand continuing to outstrip supply.



My personal takeaway

The webinar covered some quite technical industry and regulatory issues that are shaping the new build market both now and in the future. But when we asked our panellists what the most valuable thing they believed brokers want from lenders, Kelly reminded us of something that really resonated with me. The lenders she enjoys working with most are those that offer consistency. Why? Because brokers are the ones holding the hands of customers as they seek to own a home. Every time there's a hiccup or the goal post is moved, it really impacts people's hearts and minds. Which is why, as customers' circumstances become more complex than ever, a consistent, honest service is so important. As someone who has moved homes during the last year, I totally understand where she's coming from!



A look ahead

The panel discussion finished with some final, optimistic words from Craig. With the combination of the right government support and an enduring change to the way people want to live, including more space in greener areas, the future looks really bright for new builds. Builders and developers are well positioned to react to these recent changes – after all, it's harder to adapt secondhand buildings! Agreement from the rest of the panellists made it clear that it's an incredibly exciting time for the market.

Final insights: Aster Group

We closed the webinar with some final remarks from Amy Nettleton from housing association Aster Group. She reminded us of the progress that the industry has made over the past five years when it comes to lending: despite existing misconceptions, the availability of lending for people looking to buy through Shared Ownership isn't an issue. What's important to focus on is making sure that lending is fit for purpose, whereby we're providing unique products that compete with the competition by understanding what the market demands. Amy left us with a brilliant final thought: we often get caught up in our day-to-day jobs and forget that we're not just in the business of mortgages – we're in the business of changing people's lives.



Eloise Hall – Key Account Manager

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.

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