



SPECIALIST LENDING TRENDING

Q2 2024

Introduction

Right now, the headlines suggest the next general election will take place in October and, as always, there is much speculation about what either government would do for the housing sector.

It's difficult to forget that in the last 13 years, there have been no less than 16 housing ministers, seven of those in the last two years alone. With this level of churn, it is no wonder why the housing crisis has not been solved.

What the nation needs now as we approach the prime time for property purchases is a housing minister to stay in the long term, to help provide direction and stability for the property market.

In this Q2 Specialist Lending Trending, Adrian Moloney, Group Intermediary Director at OSB Group, explores key themes expected to shape the lending landscape over the next three months.



Adrian Moloney

Group Intermediary Director,
OSB Group



Trends



Product transfers will remain popular

Some lenders offer more competitive rates to existing borrowers than to new ones. In addition, clients typically face less paperwork and fewer fees. We're seeing a lot of demand for product transfers, particularly from residential clients, and we expect this trend to continue in an upward trajectory over the coming months.

As the cost of living continues to squeeze, brokers' advice and early engagement will be vital as clients rely on them to navigate the remortgaging and product transfer options available.



Buy-to-let buoyancy

The private rental market houses millions of tenants across the UK. As house prices begin to level out, and mortgage rates come down, buy-to-let yields should continue to rise.

From our research, we know that landlords are recognising the opportunity this brings. Seven in ten (69%) landlords have already or are planning to increase the size of their property portfolio, which should help fuel supply.

The growing demand for houses in multiple occupation (HMOs) from renters might be a good option for some landlords looking to diversify and enhance their portfolios, but it is important to seek financial advice before making any decisions.



Affordability will remain a challenge

The term 'Generation Rent' - young professionals renting for longer due to lifestyle choices - has gained notoriety in recent years. The reality is that more people, of all ages, backgrounds and regions will need to rent for longer, and in some cases indefinitely but that doesn't mean it should be viewed negatively. A shift change is needed to understand that renting can be a positive option and suits particular requirements.

However, we also recognise that home ownership remains a popular aspiration for many Brits, but unless we see a significant increase in the levels of investment in affordable housing, many people will continue to be priced out of the market.

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The Broker Opportunity

As the lending landscape continues to evolve, landlords, homeowners and buyers will rely on brokers to get the best deal for their situation at the best time. As trusted property advisers to their clients, brokers must continue to work hard to achieve the best possible outcomes for clients.

From the conversations we are having, we know that brokers are spending more time on individual transactions than ever before, but as rates level, this could begin to change.

One thing remains, sharing knowledge with brokers on specialist products has never been more important, as household finances across the UK become more and more complex, and specialist solutions become mainstream.

As a result, specialist lenders need to work closely with brokers who know their clients' circumstances inside out to look beyond what's sometimes written in black and white. As we look ahead, collaboration is going to be key. Ultimately by working together, we can find the best solutions, and continue to support each other.

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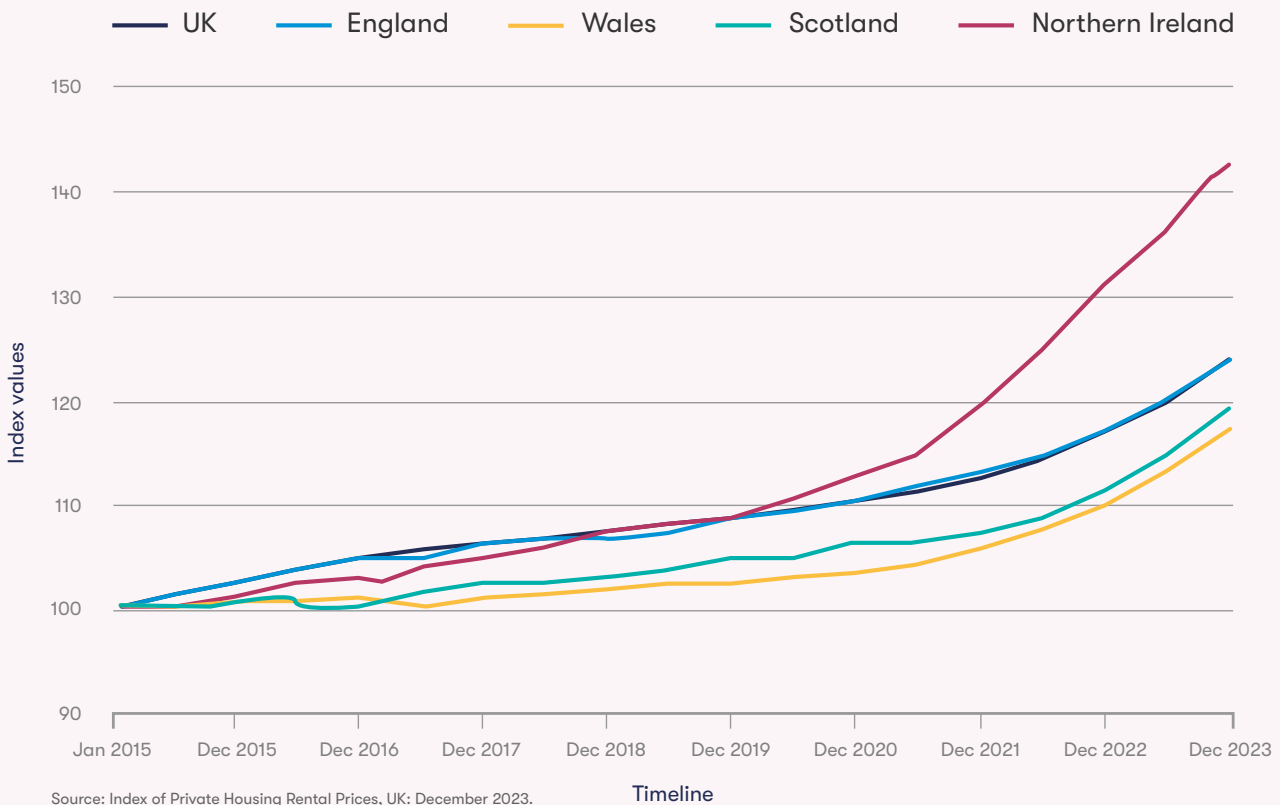
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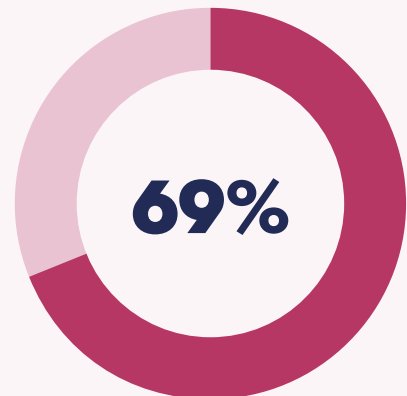
Our Pick of the Charts

Uptick in property buyers

A combination of record-breaking rent rises in 2023 and mortgage rates coming down earlier this year has resulted in an influx of buyers entering the market this year.



In the second round of OSB Group’s Landlord Leaders research we looked at the current opportunities and challenges facing landlords today. The findings are the result of polling an even split of 1,000 part time and professional landlords and dive into the changing views of landlords as well as the actions they intend to take for the benefit of the PRS as well as the tenants they house. More information can be found <http://landlordleaders.osb.co.uk/communication/landlords-are-optimistic-and-taking-action-in-2024>



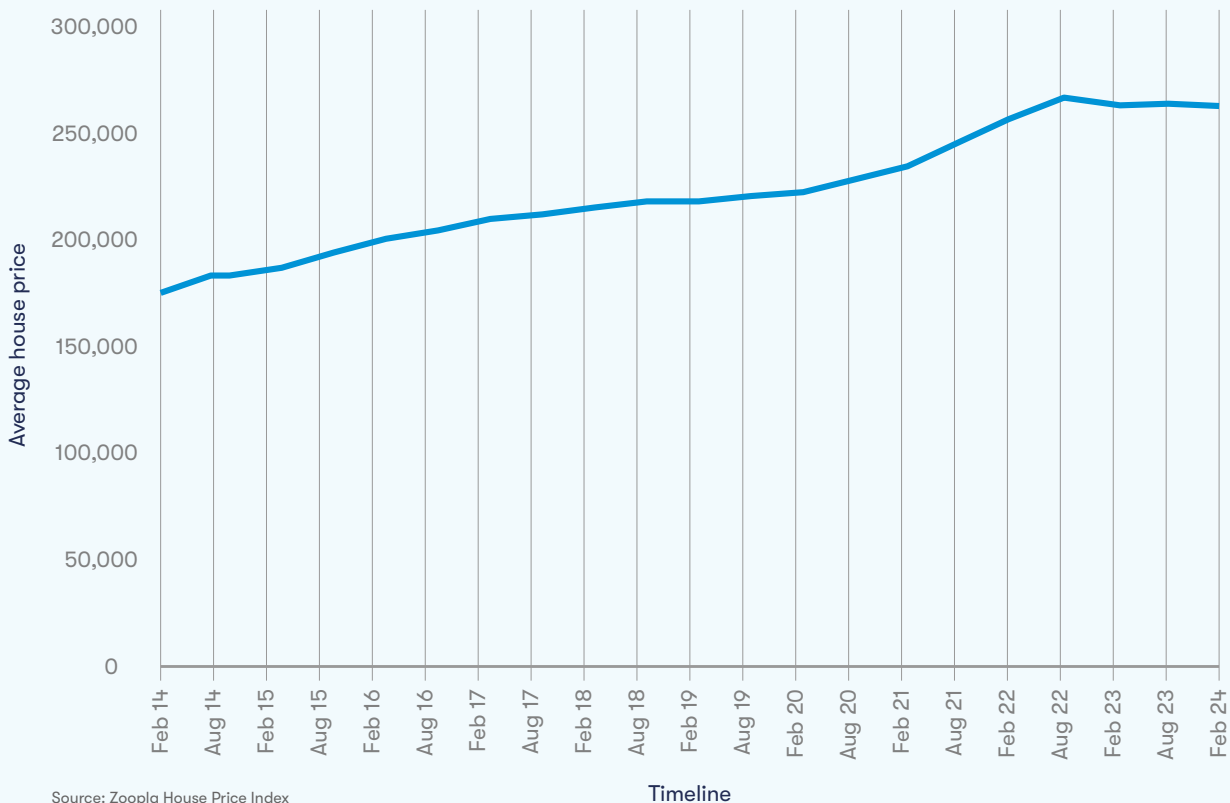
Source: Landlord Leaders Survey - conducted by Opinium Research between 18 December 2022 and 2 January 2024.

Our Pick of the Charts

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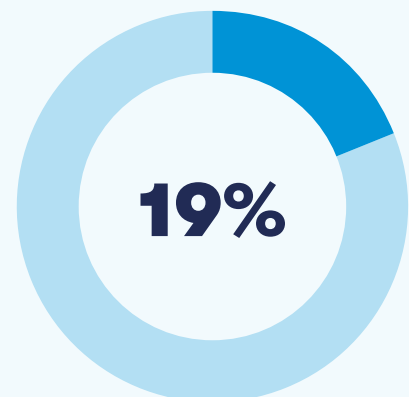
The reality is home ownership is out of reach for many Brits, not just those in their twenties and thirties. The average UK house cost eight times the average earnings in 2022.

House Price Index



The private rental market houses millions of tenants across the UK

The private rented sector includes roughly 4.6 million households which makes up nearly one fifth (19%) of households in England⁴.



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