

## SAMMON MORTGAGES NEWSLETTER

**Welcome to the July 2016 Sammon Mortgages Newsletter. In a month of unprecedented change, we check the impact on property investment and mortgage rates.**

Uncertainty is the root of all money evils, and in the three days after 52% of the population voted to leave the European Union, the stock market fell an incredible \$3 trillion as foreign investors fell over themselves to sell UK equities. Housebuilders Barratt, Taylor Wimpey and Persimmon saw share values drop by 40%. However, by July 1<sup>st</sup> the FTSE had rallied and the further announcement of Theresa May as Prime Minister on the 14<sup>th</sup> took markets to an 11 month high, while strengthening the pound to 1.32 US Dollars.

The initial fall-out of the referendum has not been as negative as it could have been. Inflation rose 0.5% in June. Savings rates may be at a record low, but the British are still investing in property: house prices climbed 0.6% in June, which is a 6% increase against last year, although these prices were agreed prior to the referendum: any real impact won't show for 3 months.

Long term, the rental market is expected to see changes and landlords need to be aware. European companies currently enjoy access to the single market from UK bases but several key multi-national firms expressed their intention to relocate and move their staff abroad if the UK voted out; this will inevitably affect employment, availability of tenants and the value of several high-end London properties. A study by Société Générale claimed that some London properties could lose 40-50% in value. However, it should be argued that the lower value of the pound (around \$1.48 before the vote) makes investing here more attractive. As well as loss of tenants across all price bandings, the cost of development and labour could impact the rental market, should the flow of migrant tradespeople slow down.

So what of mortgage rates? Lenders' fixed rates are predominantly priced based on swap rates, and the variable rates are typically margins over Bank Rate, so last week's decision to keep Bank Rate at 0.5% has lent some welcome security to the mortgage deals available.

For investment purchases and remortgages, The Mortgage Works has a fixed rate at 2.09% up to 75% LTV which reverts to 4.99% after 2 years. The arrangement fee is 2.5% so is best suited to low loan amounts.

On a residential property, West Bromwich Building Society will allow you to fix at 2.39% for 5 years, or 2.99% for ten years, up to 80% Loan to Value, for a £199 fee, followed by their variable rate of 3.99% (APR 3.4%).

It is also worth noting that Saffron Building Society are offering a range 'Occupational' mortgages at 70%, 80% and 90% LTV. This is good news for contractors and the self-employed. These deals are only available via an intermediary, so please do contact us for some impartial advice. **For information about mortgage rates currently available to you, please call us on 0844 879 4522 or email [info@sammon-mortgages.co.uk](mailto:info@sammon-mortgages.co.uk). Rates can be withdrawn at any time but are right at the time of publication.**