together.

Specialist mortgage market to swell to £54bn in next five years

- **UK specialist mortgages forecast to grow 70% by 2029**
- **Shared Ownership, retirees and self-build homes will drive biggest mortgage demand**
- **Economist Rob Thomas reveals a sixth of 2023 lending fell into specialist categories**

Next five years see 70% specialist residential mortgage growth

With lenders continuing to lower mortgage rates in anticipation of further cuts to the Bank of England base rate, signs are pointing towards a more stable economy over the next five years. And, while the details of the government's tough Autumn Budget are yet to be understood, the specialist lending market is forecast to swell from £32 billion to £54 billion over 2023-29 - a significant 70% increase.

The findings detailed in specialist lender Together's Residential Property Market Report launched today shows that the demand for specialist mortgage lending has never been higher with lending continuing to surge over the next five years.

The specialist market supports those with complex incomes, the self-employed and those with impaired credit, through providing products such as first and second charge, larger loans and bridging facilities.

It also supports people purchasing shared ownership and right-to-buy properties, and in many other situations where, due to having what is classed as a 'non-standard' profile, potential homeowners are being underserved by mainstream lenders.

Rising numbers don't suit 'one size fits all' applications

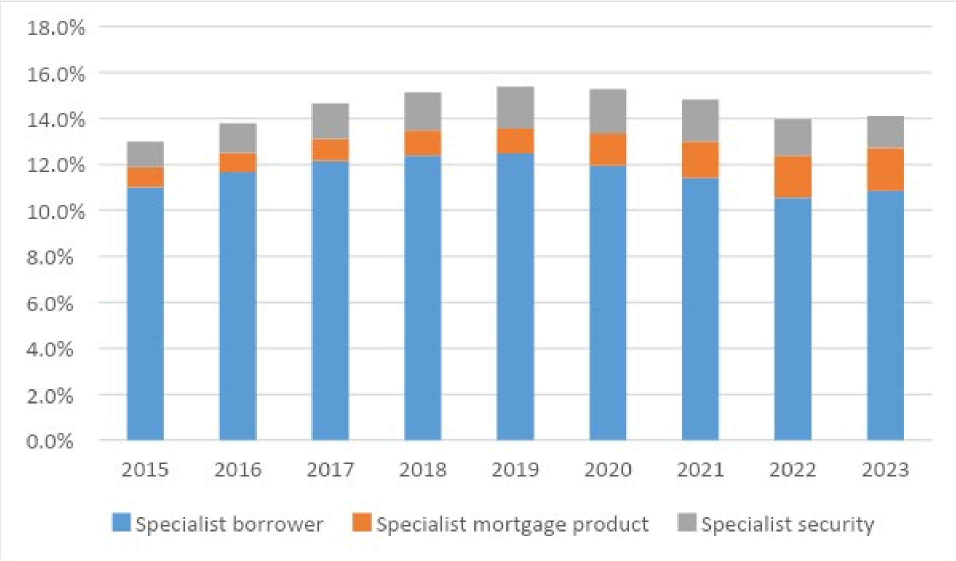
The changing nature of society, work and family relationships has made the needs of today's mortgage borrowers more diverse than in the past. Together's research shows that the three strongest drivers of growth are Shared Ownership, which is expected to grow from £2.3 billion currently to £5.2 billion (a 126% increase), lending to customers that are retired increasing from £600 million to £1.4 billion (also by 126%) and the demand for mortgages on self-build properties increasing from £57 million to £116 million (up by 103%), according to the analysis.

Inflationary cost challenges and the fall-out from the cost-of-living crisis, are also predicted to continue to harm potential borrowers' ability to access credit – fuelling an increasing need for support from specialist lenders.

Indeed, the whole-of-residential market analysis by economist Rob Thomas, the Principal Researcher at the Intermediary Mortgage Lenders Association (IMLA), carried out in partnership with Together, estimates that more than one sixth of regulated mortgage lending in 2023 fell into one or more specialist categories – with the next five years forecast to grow by a further £22 billion.

And, when looking at the proportion of borrowers with specialist lending needs who currently hold a mortgage, Together's research finds this equates to 44%, versus 79% of standard applicants who currently have mortgage agreements in place. The disparity between home ownership of standard compared to non-standard borrowers suggests there is a large existing demand for an even more flexible lending landscape.

Specialist segments as % of total mortgage lending



Source: Bank of England, FCA, Regulated Mortgage Survey, Together

Rejection rates remain higher for those considered 'non-standard'

However, access to mortgage financing remains a challenge for those considered 'specialist' or 'non-standard'. Many may find they are rejected outright by mainstream lenders using a highly automated approach when assessing mortgage applications and tighter underwriting criteria.

In the last five years, 7% of non-standard applicants were rejected, with 4% also denied financing in the last 12 months. For 9% of this group, not being able to talk with an advisor who would understand their circumstances and a general lack of information about how to secure a mortgage for non-standard applicants were the biggest challenges (8%). Of those rejected, 5% had no choice but to return to renting, and 4% gave up on homeownership altogether.

Ryan Etchells, Chief Commercial Officer at Together commented: "Our research highlights the true challenges faced by home buyers in the residential property market today. We can clearly see that in response to the wider economy and people's changing lives and financial needs, the proportion of 'non-standard' mortgage applicants will only continue to rise. At a time when mainstream lenders are not adapting their lending criteria fast enough - the case for specialist lenders has never been clearer.

"Borrowers are turning to lenders that are willing to take time to build a relationship with them, understand their situations and use common sense to make lending decisions. With the five-year specialist market forecast looking so strong, it's high time the industry, backed by the new Government, reassess how to best support homeowners in realising their property ambitions."

Rob Thomas, Economist and Principal Researcher at the Intermediary Mortgage Lenders Association (IMLA) added: "As working patterns and lifestyles have become more diverse, there is now a growing legion of people who need the support of the specialist market.

"Estimates suggest that since the global financial crisis 3.1 million households who would have been expected to enter homeownership based on previous trends have failed to do so[1]. Many of these households will believe that their specific characteristics block them from any chance of owning their own home when specialist lending may be able to provide the solution they need.

“Given the substantial social and financial benefits that homeownership has demonstrated over many decades it’s obvious that there is a need to improve awareness of the specialist options that might assist them in achieving their ambitions of homeownership.”

ENDS

Notes to editors:
‘Specialist’ mortgage applicants are cases requiring specific support due to financial circumstances that may fall outside the criteria of traditional lending.

The research was conducted by Censuswide, on behalf of Together, among a sample of 4004 nationally representative UK consumers, aged 18+. The data was collected between 19.07.2024 and 25.07.2024. Censuswide abides by and employs members of the Market Research Society and follows the MRS code of conduct and ESOMAR principles. Censuswide is also a member of the British Polling Council.

The outlook for the specialist mortgage market, provided by Rob Thomas, has at its foundation a forecast for the UK macroeconomy based on projections for key economic variables such as growth, inflation, interest rates and earnings growth. The projections for each variable are the product of the interplay of these variables such that, for example, higher earnings growth and lower interest rates both stimulate higher output and have an incremental positive impact of the rate of inflation. These forecast variables in turn determine the expected level of activity in the housing market including the level of lending for house purchase. The forecast for specialist mortgage lending is built up by projecting each category of specialist lending for which data has been available. Influences on each category can be estimated from these past data, allowing a projection to be made underpinned by the forecast for overall lending while taking account of factors relevant to each category such as policy changes or demographic trends.

[1]http://www.imla.org.uk/resources/publications/the-mortgage-affordability-paradox-updated.pdf

About Together:
Together has been delivering specialist secured lending for 50 years, using its wealth of expertise and industry knowledge to consider individual circumstances to find a way to help its customers. All applications are considered on their merits and the product range includes residential mortgages, short-term finance, buy-to-let, commercial and semi-commercial mortgages and loans, auction finance and development funding throughout mainland UK. Based in Cheadle, Cheshire, the company employs more than 750 colleagues and has a loan book of £7 billion. For more information go to https://togethermoney.com/

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