

New Study Shows Specialist Residential Mortgage Market Set To Triple by 2030

- UK residential mortgage market forecast to grow 56% to £400bn in next eight years
- Specialist residential mortgages set to rise from £5bn to £16bn by 2030, driven by long term shifts in working and living patterns
- Study shows 53% of respondents have one or more 'non-standard' criteria, rising to 62% for those who have applied for mortgages
- Economist Dr John Glen predicts up to half a million mortgage approvals dependent on continued growth of specialist lenders

Specialist Residential Mortgage Sector to Expand to £16bn

A major nationwide study by leading specialist lender, Together predicts the UK specialist residential mortgage market will treble to £16bn by 2030 driven by changing employment and living patterns.

The study, carried out in partnership with economist Dr John Glen, also predicts the overall UK residential mortgage market will expand by 56% over the next eight years and, that of this rise, as many as 500,000 mortgage applications will be dependent on specialist lenders doubling their market share to 4% of the overall UK mortgage market.

Dr John Glen, Economist and Visiting Fellow, Cranfield School of Management, commented: "At a time when the Government is seeking to extend homeownership, this study shows that as many as half a million future applicants could be locked out of the mortgage market without the support of specialist lenders. This highlights systemic issues with the mainstream mortgage process which currently bars many potential buyers who have non-standard criteria."

Drivers of specialist market growth

Two key factors underpin the forecast growth in the specialist residential mortgage market, according to Dr Glen. Firstly, many more potential homeowners are expected to fall outside of traditional mortgage selection criteria in coming years as structural changes, such as the rise of the gig economy and the growing trend towards flexible working and the emergence of the non-nuclear family, alter our housing needs. Second, the shorter-term risk appetite of mainstream lenders will be a key factor, as they continue to tighten lending criteria at the same time as potential homeowners grapple with the current cost of living crisis. The impact of rising inflation will also dent potential borrowers' ability to access consumer credit.

The study of over 7,000 consumers, conducted for Together by Opinium, shows that in 2021 just seven percent of applicants had taken out a mortgage with a specialist lender. In the UK, 53% of the adult population who took part in the latest study fall into one or more criteria category classed as 'non-standard'. However, when looking just at those who have applied for mortgages, this rises to 62%, suggesting there is a large existing demand for an even more flexible lending landscape.

Having non-standard income (including multiple and complex incomes or being self-employed) was cited as a key reason for being rejected for a mortgage (22% of respondents). Having thin or impaired credit or being over 55 or divorced and considered a non-standard profile (both 21%) also worked against applicants, as did being in a non-standard buying situation (26%), like shared ownership, or wanting to buy a non-standard property (12%).

Mainstream lenders tend to employ a highly automated approach to assessing mortgage applications and typically tighten their underwriting criteria in times of austerity, leaving many more

customers underserved. This traditionally fuels an increasing need for support from specialist lenders, who use expert personal underwriting to understand each applicant's individual situation. This greater level of lending flexibility could help the 19% of potential homeowners who were rejected from the mortgage process in the last 5 years, according to the results of Together's survey, which also highlights the undue emotional and mental stress which can lead to fear in applying for a mortgage, or apathy about the process altogether.

Expanding homeownership

This research highlights the clear limitations inherent within mainstream lending criteria which need to be addressed if the Government's housing blueprint is to be realised. If the forecast growth in the specialist residential mortgage market does take place, there should be a halo effect in terms of expanding homeownership. Dr Glen anticipates a fifth of new specialist mortgages (approx 100,000 applications) would come from borrowers who have not previously had a mortgage. Together's study backs this up, with 13% of respondents who have never made a mortgage application saying this was because they expect to be rejected or be deemed ineligible from the get-go.

Quote from Gerald Grimes, Group CEO Designate at Together: "Our research into the residential mortgage market highlights the growing need for specialist lenders and the problems faced by borrowers who are categorised as 'non-standard' in realising their ambitions to own their own homes.

"The UK's mainstream mortgage system just isn't adapting fast enough to how we live. Every year, an increasingly large group of potential homeowners must navigate a needlessly complex, intrusive, and time-consuming mortgage journey, with many facing outright rejection at the end of it. If our aim is to support ambition and make homeownership more inclusive and achievable, it's time the industry, supported by the Government, rethinks how borrowers can access finance to realise their dreams of homeownership."

ENDS

Notes to editors:

Methodology

Research commissioned by Together and conducted by Opinium research between 5 June and 10 June 2022 among 7,000 UK adults, and is weighted to be nationally representative.

About Together

Together has been delivering specialist secured lending for nearly 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 commercial 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 £4.8billion. For more information go to <https://togethermoney.com/>

About Dr. John Glen:

Dr. John Glen was a senior lecturer in Economics and latterly Director of the Centre for Customised Executive Education CCED at Cranfield School of Management in the UK. After 18 years at Cranfield John retired from the School at the end of September 2017 and is now a visiting fellow at Cranfield. John also holds visiting lecturer posts at the University of Tilburg (Netherlands) University of Antwerp, Stuttgart University and the University of Stellenbosch (South Africa). John published a number of academic papers on the UK residential property market and has written a number of commissioned reports for UK banks and credit card providers.

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