JESSICA O'CONNOR · FEATURED NEWS · 06/09/2023

"A period of adjustment"- brokers react to current fixed rates

With a number of major lenders introducing fixed rate reductions this week, many commentators have speculated that the mortgage market is finally on a slow road to recovery following months of turmoil and 14 consecutive base rate rises.

In light of this, news wire Newspage asked brokers what level they think average 2-year fixed rates need to drop to in order to reignite the property market – and whether we could see sub-5% 2-year fixed rates before the year is out.

Reaction:

Charles Breen, founder and director at Montgomery Financial:

"Above all, there needs to be some stability in mortgage rates to ignite the housing market again.

"If the average 2-year product was around the 5% mark, which let's not forget is historically a good rate, then it would bolster buyer sentiment again.

"We are currently going through a period of adjustment and it is just taking people time to get used to the new mortgage landscape and to move on from the era of uber-low rates.

"Let's not forget that a 5% mortgage rate is still historically low."

Kundan Bhaduri, property developer and portfolio landlord at The Kushman Group:

"In the face of relentlessly rising 2-year fixed rates, the agony of UK homeowners and landlords has now reached fever pitch.

"These rates have now surged to a 15-year high, leaving families and small investors struggling to make ends meet and prospective buyers wary of entering the housing market.

"It's a crisis that's demanding answers, and demanding them urgently.

"For the average Briton, the beacon of hope lies in the 2-year swap rate, a critical gauge that could dictate the fate of the property market.

"Should it drop below 5%, it could breathe life back into a market teetering on the edge. But the question lingers: can this pivotal shift happen before the year's end?

"It's a make-or-break moment that could determine whether dreams of homeownership can be rekindled or left to wither.

"Sunak's premiership is certainly being tested. As we stand on the precipice of financial uncertainty, the regulator and the government must intervene swiftly to address this pressing mortgage rate crisis.

Imran Hussain, director at Harmony Financial Services:

"If 2-year fixed rates drop below 5% this year, it will be on like Donkey Kong in the property market.

"This will especially be the case among first-time buyers or new couples purchasing a new home, as it gives them all-important flexibility.

"All eyes are now firmly fixed on Threadneedle Street."

Gary Bush, financial adviser at MortgageShop.com:

"I think most financial practitioners who are long in the tooth have given up on predicting the 2-year fixed rate market.

"Being wrong so often isn't fun. From the enquiries we are receiving, we think that there is plenty of buyer demand in spite of current fixed rate levels.

"However, a 2-year fixed starting with a 4 by the end of the year would bring much-needed confidence to the UK mortgage market."

Stephen Perkins, managing director at Yellow Brick Mortgages:

"The 2-year fix is popular at the moment given the expectation that we have perhaps seen the peak in mortgage rates and these may be reduced to the 4% to 5% zone where they will likely settle.

"Swap rates will continue to fall if the Bank of England raises the base rate by the expected 0.25% this month, but anything more than that and mortgage rates could rise again.

"The most important figures will be the next set of inflation data, which should set up the direction of travel for rates for the remainder of the year."

Darryl Dhoffer, mortgage expert at The Mortgage Expert:

"The Bank of England is actively destroying and eroding any chance of a sub-5% 2-year swap rate.

"Until we see a flattening of the base rate and, dare I say it, some reductions, which are unlikely for quite some time, it's hard to see 2-year fixed rates below 5%.

"Once we see some stability in rates, will we see confidence in the property market return, as consumers get to grips with what will be the "new norm" interest rate arena. Until then it will be the same credits playing out."

Elliott Benson, owner and mortgage broker at Sett Mortgages:

"2-year fixes need to be 4% or below to truly kickstart the property market, but that's unlikely to happen before the end of the year.

"However, if 5-year fixed rates go back to the high threes, then that could also be a trigger and inject some life into the market."

Elliott Culley, director at Switch Mortgage Finance:

“With forecasts that the base rate will reduce over the next year and a half, the 2-year fixed rate is far more popular with existing homeowners as they try to ride out the current high rates.

“When mortgage rates started with a 4, there was far more activity than we are currently seeing.

“If rates can make their way back to the fours, then I would predict an uptick in the housing market, but I think we still have a few hurdles to jump before we get there.”

Ranald Mitchell, director at Charwin Private Clients:

“2-year SONIA swaps have increased month on month so a sharp downward shift in 2-year fixed rate pricing seems unlikely for many lenders who depend entirely on this market.

“There is an opportunity for the larger, high-street lenders to ignite the market by introducing market-dazzling 2-year fixes, and by doing so others would follow.

“It would certainly kickstart the market and consumer interest and confidence would rise again.”

Peter Stamford, director and lead adviser at Moor Mortgages:

“Oh, how we’re all adapting to this fresh mortgage landscape, right.

“As rumours circulate that we might be coming towards the peak of mortgage rates, there’s this collective hunch that a dip to a friendly 4% to 5% could really liven things up again.

“Forecasters are nudging us to keep a close eye on the upcoming inflation data to gauge the market’s next move.

“If these 2-year fixed rates can settle at around 5%, we might just witness a friendly buzz in the property market again. A bit of stability wouldn’t go amiss, that’s for sure.”

Bob Singh, founder at Chess Mortgages:

“A year on after that disastrous mini-Budget, exacerbated by other factors, mortgage rates have risen to levels previously thought impossible.

“Swap rates have made lenders tremble and make overnight adjustments to their products often without a care for the broker or borrower.

“As we enter a period of calmer waters, we see that swap rates are causing rates to slowly head downwards.

“There is hope rates will drop given that the 5-year outlook is positive.

“The popular 2-year fixes are favoured by the optimists who feel rates will be lower in 24 months and are happy to pay a premium for it.

“With most rates starting with a 6, the property market is still unaffordable for many.

“They need to start with a four to really kickstart the property market.

“Also, it’s not just lower rates that will help, we need new products and schemes, too. The Autumn Budget would be a good time to announce these.”

Graham Cox, founder at Self Employed Mortgage Hub:

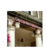
“2-year swap rates have started drifting lower over recent weeks, so it’s possible they could drop below 5% by year-end.

“It all depends on inflation continuing to fall, particularly core inflation.

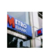
“It’s unlikely mortgage transactions will pick up until mortgage rates start with a 4 and house prices fall significantly, at least another 5% to 10%.”

Related


“Lenders are still keen to get money into the market” – brokers react to Clydesdale mortgage rate cuts


Clydesdale Bank reduces selected fixed mortgage rates


December retail data “could indicate we’re back on track for a base rate cut this spring”


Mortgage price war rages while others take a step back – brokers react to Metro Bank rate drop

SECTIONS

Homepage
Residential Mortgages
Specialist Finance
Buy-to-let
Later Life Lending
Technology
Protection
Second Charge
The Interview
Meet the broker
Opinion

CONNECT

About Us
Advertise
Submit a story
Contact us
Subscribe to *The Intermediary*
Work for us

LEGAL

T&C’s
GDPR
Privacy Policy

MEMBERSHIPS

CHARITY PARTNER

Change privacy settings

Back To Top