The Mortgage Triad

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The UK mortgage market is undergoing significant transformation across residential, buy to let, and second charge products. A combination of stamp duty reforms, global economic volatility, and regional differences in housing affordability, productivity, and wages is reshaping consumer behaviour. This dynamic environment presents both challenges and valuable opportunities for brokers looking to grow their businesses and better support mortgage customers.

Residential

2025 looks promising for first-time buyers. According to UK Finance, increased consumer confidence, stabilising mortgage rates, and soaring rental costs are all driving momentum. Brokers are especially well-positioned to assist thousands of borrowers who are reaching the end of their fixed-rate deals in the second half of the year—a key moment when expert guidance and product knowledge really matter.

The Bank of England reported that first-time buyers represented 29.6% of total mortgage lending at the end of 2024, nearly 2% higher than the same period in 2023. The rest of the market consists of home movers and remortgagers, indicating that activity remains strong beyond the first-time buyer segment.

Rental inflation is playing a big role. Zoopla recently revealed that average monthly mortgage payments for first-time buyers were £1,038 in February—significantly lower than the average rent of £1,248 across England, Scotland, and Wales. With rents rising 8.7% year-on-year (nearly double the previous year's increase), homeownership is becoming more appealing to renters who have managed to save for a deposit.

Lenders are responding with a range of incentives designed to support the transition from tenant to homeowner. These include high loan-to-value mortgage options, income stretch enhancements, eased affordability rules, extended mortgage terms, criteria changes, and cashback offers. Even with new stamp duty rules coming into effect in April, these developments are helping first-time buyers take the leap.

Buy to Let

Buy to let remains a key part of the mortgage landscape, though landlords are navigating an increasingly complex market. While research from BVA BRDC indicated that some landlords were considering selling up in 2024, a more recent survey from Benham & Reeves found that 84% planned to stay in the sector during 2025—with 4% actively seeking to grow their portfolios.

UK Finance reported that BTL lending accounted for 8.2% of total mortgage lending at the end of 2024—a modest increase from the record low of 7% in Q4 2023. Lending volumes have surged, with 52,648 new BTL loans issued in Q4 2024, worth £9.6 billion—a 40% increase on the previous year. Despite rising costs and regulatory uncertainty, appetite remains strong.

Regionally, disparities are clear. Uswitch reports that London holds the highest average buy to let loan value in the UK, nearly 30% higher than other areas, followed by the South East. In contrast, the North East and Yorkshire saw the lowest average loan value at just under £88,000 in 2024.

As interest rates remain elevated and new legislation looms—including the much-anticipated Renters Reform Bill and stricter tax regulations—many landlords are reviewing their strategies. Some are gravitating toward houses in multiple occupation (HMOs) or holiday lets, which can offer stronger rental yields. Landlord Today reports increased product choice in the holiday let market, suggesting that despite recent changes to tax benefits, these properties remain an attractive option for income-focused investors.

Second Charges

This is where the second charge market enters the spotlight. Often overlooked, second charges have quietly become a powerful solution for both homeowners and landlords.

The sector saw impressive growth in 2024, with Bank of England and FLA data showing a 17% year-on-year increase in the first half of the year—and 25% in H2 compared with the same period in 2023.

In total, homeowners accessed £1.7 billion in equity through second charge mortgages in 2024, up from £1.4 billion the year before—the highest level of growth on record. This boom is being fuelled by borrowers seeking flexible alternatives to unsecured credit, especially for purposes like debt consolidation or home improvement.

At UTB, we've seen a growing number of landlords tapping into second charges on their main residences to raise capital for portfolio expansion or to fund upgrades to existing rental properties—particularly to meet new EPC requirements. The ability to raise funds without disturbing their primary mortgage or triggering early repayment charges makes second charges a strategic choice.

The key advantage is flexibility: borrowers can keep their existing low-rate mortgages in place while unlocking funds for essential projects or investment opportunities. In today's market, that level of agility can make all the difference.

So how can brokers maximise business?

1. Leverage digital tools to streamline the application process
2. Specialise in niche products or a wider range of products and services to attract customers seeking specialised advice
3. Provide educational resources to customers to build customer loyalty
4. Stay informed on regional trends

The market is evolving and by understanding these dynamics and leveraging a proactive approach in tackling some of these trends, brokers can really enhance their service offerings to better support customers in navigating the mortgage landscape.

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