



# SIMPLY MORTGAGE

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## THE NEVER-ENDING MORTGAGE

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First-time buyers are increasingly opting for longer loans

## BUYING YOUR FIRST HOME

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afford a house in Edinburgh

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The facts behind the headlines

# THE NEVER-ENDING MORTGAGE

First-time buyers are increasingly opting for longer loans



**H**omebuyers in the Edinburgh area are increasingly adding years to their mortgage term – and thousands to the cost of owning a home.

Mortgage experts have suggested buyers are opting for longer loans and cheaper monthly payments to free up money for other luxuries.

## FIRST STEPS

Figures have revealed that in 2018, more than half of first-time buyers (53%) in the EH postcode took out a mortgage for 30 years or more. A quarter (25%) took out a loan set to last 35 years or more.

In recent years, lenders have started offering much longer-term mortgage deals in a bid to help cash-strapped first-time buyers take their first step on the property ladder. Although taking a loan out for a longer term will reduce monthly payments, total interest payments could be tens of thousands of pounds more. What's more, it might mean that people are paying a mortgage into their late 60s or even into their 70s.

## HIGHEST LEVEL

The proportion of first-time buyers across the EH postcode taking out mortgages over three decades or more is at its highest level since at least 2005, when comparable figures begin. Back then, 23% of first-time buyers took out a 30-year-plus loan, while 7% took out one lasting 35 years or more.

And it's not just first time buyers who are increasingly taking out longer loans. In 2018, 31% of all house purchase loans were for 30 years or more, with 13% for 35 years or more. Both were the highest rates seen since at least 2005.

A buyer paying the average price for a home in Edinburgh (£259,433) with a mortgage interest rate of 1.99% could cut their monthly payments from £1,098 a month over 25 years to £858 per month over 35 years. However, they will pay £30,884 more for their home by paying it off over 35 years. The interest cost over 25 years is £70,074, while it's £100,958 over 35 years.

## LESSENING THE MONTHLY BLOW

Across the UK, first-time buyers took out 338,081 loans for home purchases last year, according to figures released by the Financial Conduct Authority. Of these, 60% took out loans set to last 30 years or more, and 33% took out loans lasting 35 years or more – the highest proportions since at least 2005.

Among all 1.2 million home purchase loans taken out in 2018, 32% were for 30 years or more, and 15% were for 35 years or more.

These days, the cost of living is so much higher than it was ten years ago that more and more people are electing to have a longer-term mortgage to lessen the monthly blow to them when the mortgage payment comes out. However, the fact that more and more people are electing to take a mortgage over a longer term is not 100% driven by them 'needing' it to make it work.

It seems that the reason there is a shift from 25 years to 30, 35 and 40-year terms is a combination of lenders now actually offering them and people wanting to have a good standard of living. ■



# BUYING YOUR FIRST HOME

First-time buyers need to earn 48,700 to afford a house in Edinburgh

**T**hose hoping to jump onto the property ladder in Edinburgh need to earn £48,700 a year to afford the price of property in the city, according to research from property website Zoopla.

This is a 17% jump in the last three years as house prices continue to rise and wages stagnate. It confirms that Edinburgh is a more expensive city to buy your first house in than Glasgow or Aberdeen.

The figures are based on the assumption that 30% of household income would be spent on mortgage costs, with the total mortgage cost capped at four times annual income. Deposit levels for the analysis are also set at 15% for regional cities and at 25% for London, Oxford and Cambridge.

## HOUSE PRICE INCREASE

According to the Zoopla research, Edinburgh saw a 4% rise in house prices in May this year, compared to the same time last year. This is behind the strong growth markets of Liverpool and Belfast, which saw increases of 5% and 4.6% respectively.

**THOSE LIVING IN MANCHESTER WOULD NEED TO EARN £36,200 BEFORE BEING ABLE TO AFFORD A NEW HOUSE, WHILE IN CARDIFF THE FIGURE IS £44,600, AND IN BRISTOL IT IS AS HIGH AS £59,500. THOSE SALARIES PALE INTO INSIGNIFICANCE WHEN COMPARED TO LONDON, OXFORD AND CAMBRIDGE, WHO HAVE SEEN THE MOST SUBSTANTIAL RISE IN HOUSE PRICES IN THE LAST 25 YEARS**

However, Edinburgh is well ahead of Aberdeen and even Cambridge and London in terms of growth, with those cities seeing a 4.2%, 0.5% and 0.4% drop respectively in house prices compared to 2018.

## LESS THAN OTHER CITIES

Despite the rise in the amount first-time buyers need to earn before being able to afford their first home, those searching for property in Edinburgh are still likely to spend less than in other UK cities.

For example, those living in Manchester would need to earn £36,200 before being able to afford a new house, while in Cardiff the figure is £44,600, and in Bristol it is as high as £59,500.

Those salaries pale into insignificance when compared to London, Oxford and Cambridge, who have seen the most substantial rise in house prices in the last 25 years.

To afford a new house in Oxford, a first-time buyer would need to earn £68,800; in Cambridge the figure stands at £72,000; while in London it is a staggering £84,000. ■

# JAPANESE KNOTWEED

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The facts behind the headlines

**I**n recent years, there have been some frightening headlines in the national press about the implications of having *Fallopia japonica* – more commonly known as 'Japanese knotweed' – anywhere near your property. So why is this and what are the hard facts?

### FEARSOME REPUTATION

Japanese knotweed was originally imported from Japan in the Victorian era as an ornamental plant. Unfortunately, at the time, no one realised what an invasive species it was, nor how difficult it was to kill off, or that it was capable of growing through even the hardest of surfaces, such as tarmac, paving and concrete. As a result, when it came into contact with buildings, it did extensive damage, growing through foundations, floors and walls.

Often likened to a triffid, its fearsome reputation spread almost as fast as the plant. Despite being a non-native species, it can now be found throughout the country. Indeed, it is claimed there is not a six-mile square patch of the UK that is knotweed-free.

### WILDLIFE AND COUNTRYSIDE ACT

Japanese knotweed can grow up to 10cm per day and is capable of re-growing from a piece of root (rhizome) as small as 0.4g. At that kind of size, without professional help, it is almost impossible to completely eradicate the plant by digging it out, and any spoil taken from the site is liable to be contaminated.

The problem was deemed so serious that in 1981, under the Wildlife and Countryside Act, it became an offence to 'plant or otherwise cause Japanese knotweed to grow in the wild'. And from 1990, you were only able to dispose of it at a licensed landfill site (Environmental Protection Act).

However, it was only a couple of years ago, when banks and building societies began to refuse to lend against houses that had knotweed in their vicinity, that the topic really hit the headlines.

It was, in truth, a complete overreaction. Knotweed is not a triffid, nor anything like it. It can be dealt with and is far more of a problem with newbuilds than with older housing stock. Given a choice, knotweed will follow the path

**PEOPLE DO ATTEMPT TO GET RID OF JAPANESE KNOTWEED BY THEMSELVES, BUT IT'S NOT EASY. THE ROOTS ARE UP TO SEVEN FEET DEEP, AND IF YOU LEAVE EVEN THE TINIEST SCRAP BEHIND, THE PLANT WILL REGROW. IN ADDITION, YOU CAN NOT DISPOSE OF THE PLANTS AT THE LOCAL DUMP**

of least resistance – in other words, it will grow away from hard materials if there is a softer alternative available. Most problems therefore occur when you build over the top of it.

### WAVE OF PUBLICITY

Lots of people saw the initial wave of publicity – the unsalable homes and their distraught owners. What they didn't see was that RICS (Royal Institution of Chartered Surveyors) recognised the absurdity of the situation, immediately taking action to put some perspective into the issue.

As a result, things have calmed down considerably – you still have to declare the presence of knotweed at your property when you sell it, but surveyors will now classify infestations in different categories, depending on their proximity to the house. And, if there is a problem, lenders will almost certainly require money to be set aside for dealing with it, rather than refusing the mortgage application outright.

### THE BEST COURSE OF ACTION

People do attempt to get rid of Japanese knotweed by themselves, but it's not easy. The roots are up to seven feet deep, and if you leave even the tiniest scrap behind, the plant will regrow. In addition, you cannot dispose of the plants at the local dump – you will have to dry them out and burn them. You could also try using a glyphosate-based weedkiller, but you'll

need to keep reapplying it for anything up to four years, and it is nowhere near as effective as the ones the professionals use.

Specialist companies use a variety of methods for eradicating knotweed. These include spraying or injecting the stems with herbicides (which needs repeating over three to four years) and digging them out, which is more expensive but instant. It costs around £100 per square foot and normally comes with a 10-year guarantee that should placate most lenders. So, unless you have an enormous patch of it in your garden, it will probably cost no more than a couple of thousand pounds to get rid of – unpleasant, but not disastrous.

If it is in a neighbour's garden, on the other hand, you can't force them to do anything about it. It is not a notifiable weed, but it is an offence to allow it to spread to someone else's land. Most experts say the best course of action is to discuss it with your neighbour and see if you can devise a joint strategy to combat the problem. In the meanwhile, you could always install a root barrier to prevent it from spreading any further.

So now you know – if you've got Japanese knotweed in your garden, or indeed if your neighbours have, there's no need to panic. ■



# GRANGE

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