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First time buyers guide to a post-covid market



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First time buyer schemes

Depending on which legal jurisdiction you plan on buying in, there are schemes to help first time buyers get their foot on the property ladder.

Here are links to Scottish Government schemes aimed at first time buyers:

- Lifetime ISA
- Help to buy - Scotland
- First homes fund
- New build homes discounts
- Forces help to buy

This is not an exhaustive list of help available, but is a good start for considering your options.



Securing funding

Unless you are a cash buyer or privately source your funding, you're likely going to need to consider applying for a mortgage. A lot of first time buyers find this incredibly daunting, but with the right support it can be a breeze!

Essentially there are 3 main things you have to think about: deposits (LTV), affordability and lenders. If you have all three set-up, then you'll secure funding for your dream property in no time.

Deposits

When you go through a mortgage provider to borrow money for purchase of a property, they expect a portion of the buying price to be fronted by the buyer. As a general rule, aim to have 10% of the purchase price. However some lenders may consider 5% deposits, especially for first-time buyers. If you purchase a house for £100,000, the lender will lend you 90-95% of the value. The 90-95% depicts the LTV (loan to value). Essentially how much the loan is, in comparison to the value of your home.

When you come to sell your home later on, if it is revalued higher/lower the LTV rate will change.







Affordability

This is something you want to have a firm grasp on before approaching lenders for a loan. They will ultimately have their own measures for determining your affordability, but it's vital for you to set expectations ahead of these conversations.

Research suggests that banks typically lend 4.5 x your annual income. That applies to single buyers and joint mortgages.

We suggest you utilise bank's affordability tools on their websites ahead of searching for homes. This way you can narrow your search accordingly.

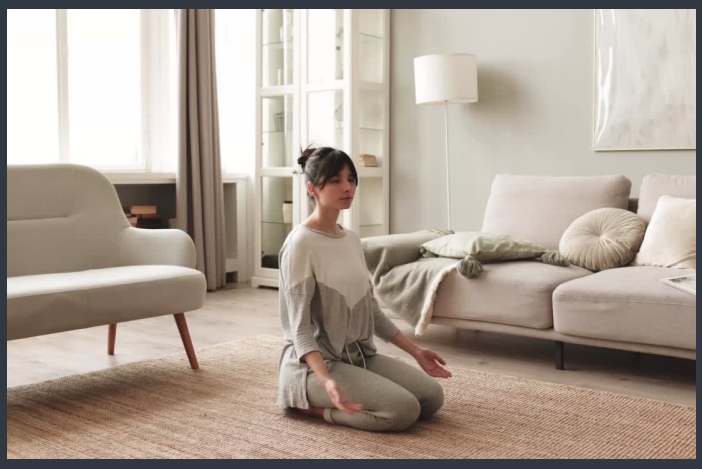
Lenders

Choosing a lender is no easy feat. The market constantly fluctuates and depending on your LTV or the property you want to purchase - varying options are available.

We suggest going through a mortgage broker. Not only can they help you work out affordability, they can comment on likelihood of success and even apply to the banks directly on your behalf. Better yet, because of their buying groups they have access to deals that the general consumer won't have. They can help you navigate an otherwise tricky market, easing you onto the property ladder.









Finding a solicitor

1. COST

Money makes the world go round! Cost is one of the biggest decision making factors when choosing a solicitor. There is a fine balance between 'cheap' and 'well priced.' Make sure you opt for the latter, quite often the thing you compromise is service!

When approaching a firm, be sure to ask them for a quote upfront. It would be wise to ask them what their fees are if the sale falls through too.

2. LOCAL AND TRUSTED

Aim to hire a trusted local firm. It's always great to strike up a working relationship with a firm so you have trusted representation when you need it. Don't be afraid to ask around locally for recommendations.

3. CAN SUPPORT FIRST TIME BUYERS

This is something that most firms will offer, to be fair. Certainly no firm will *avoid* first time buyers. However in your first few interactions, you'll quite quickly gauge whether the firm will support you past the legal stuff.

You'll have lots of questions for your first property, and a decent firm will have no problem guiding you through the process when you need them to.



The market

Covid-19 has impacted life in ways we could never imagine. The housing market is no different. More disposable income coupled with being stuck at home has led to a massive shift in buying behaviours in 2020/2021.

Certainly in rural areas, we've found a surge in sales. City-dwellers are looking for their rural hideaway. These properties are properties that would have otherwise been owned locally, meaning competition for typical 'first time buyer' properties is fierce.

With property sales extremely high in 2020/21 buyers have to have secured funding before viewing a property to be in with a chance of success.

The market (cont.)

To summarise, more people are buying properties and budgets are higher. Competition is rife for first time buyers where budgets are typically lower.

Don't fret through! As long as you have funding secured and look at properties inside your budget, you should be fine. Here are a few tips for navigating the current market:

- Set alerts to check newly added properties everyday. This will help you pip other buyers at the post.
- Have finance ready, and a reasonable offer in mind before you view a property to be ready to offer quickly if needed.





Choosing properties to view

We're not here to judge your taste in properties, but we can advise on choosing the right property for your budget.

Once you've spoken to a mortgage advisor about your affordability, your searches should be capped at that level. For instance, if you're offered £100,000 don't look at properties worth £110,000. Whilst there is every opportunity a seller may take a lower offer, it is very unlikely in the current market.

After you've found a few you're interested in, message the seller's estate agent and ask for the home report and get back in touch for a viewing.

There is no hard and fast rule for what makes a 'good' home report. Ultimately you need to think about the cost of any necessary works and weigh up the pros and cons. Repairs aren't necessarily something that put a lot of buyers off.









Viewing properties

Use this handy checklist for things to look out for when viewing a property.

1. ASK HOW MANY VIEWINGS THE PROPERTY HAS/HAS SCHEDULED

The seller's agent can't comment on who has visited or what offers have been made. This would breach their client's confidentiality. They can tell you how popular the property has been and if any offers have been made (they just can't tell you the figure).

This is a handy question because it will give you an indication of how quickly you may need to act.

2. IS THERE A CLOSING DATE OR LIKELY TO BE A CLOSING DATE?

This defintiely puts a time limit on your ability to offer. It also pertains to how popular the property is. Setting a closing date is an optional thing that sellers do to encourage buyers to act quickly and in competition with each other. Sellers can choose whichever offer they like, but it is most likely that they'll choose the highest bid. You aren't able to view other offers, so you have to make an educated guess at what's likely to be accepted.

3. GENERAL SUITABILITY QUESTIONS

In today's market, it's not unlikely that you might need to make an offer before viewing for a second time. So getting all the information in one viewing is important. Be armed with questions ahead of your visit. If your viewing is directly with the seller you could ask about the running costs or other practical aspects. You could also ask if there have been any notes of interest. Another good question is asking about extra surveys that have been done on the property. To name just a few.

Making an offer

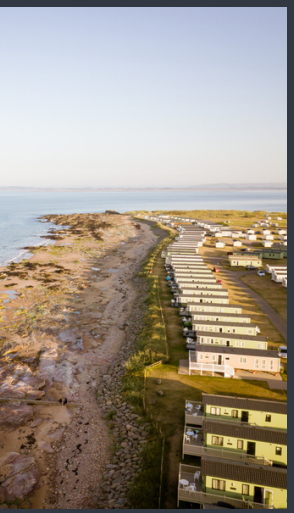
There are a few types of offers/intimations of offers that can be made in the purchase of a property:

Note of interest
This is where you will communicate your interest formally in the property. This does not tie you into making an offer later or purchasing the property. It does mean you'll be notified if the property goes to a closing date. This is good practice and is advisable on any property you are interested in *maybe* purchasing.

Verbal offer
When speaking to the owner or agent you can make a written offer. However nothing is official until the formal offer is made (see below).

Formal offer
In Scotland it is generally accepted that your solicitor will make the formal offer to the seller's solicitor for acceptance.

Something else to consider is clauses on your offer. Most buyers who are using finance will make an offer 'subject to mortgage'.









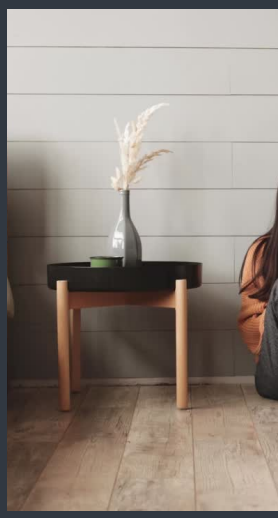


The buying process

Below is a comprehensive list of the typical buying process for buyers in Scotland.

1. Secure funding. At this stage you only require a mortgage in principal.
2. Instruct a solicitor to act on your behalf.
3. Start to view properties.
4. Find the property you'd like to make an offer on.
    a. Undertake any additional surveys at this point, if required.
5. Offer made by your solicitor to the seller's solicitor.
6. Offer accepted by the seller's solicitor.
7. Have your mortgage formally offered.
8. The conveyancing process take place.
9. Exchange happens and the property will now legally be yours.



Purchase costs to consider

Other than the purchase price of the property you have a few other fees to consider.

<u>To make the purchase</u>

- mortgage broker fees
- solicitor fees
- LBTT - land and buildings transaction tax (property tax for properties purchased for over £145,001)
- survey fees - you won't always need a survey. However certain lenders may require one depending on the property.
- valuation fees - the property value will be assessed in the home report. So you won't often need to undertake an extra valuation, but some lenders may require this.

<u>After the sale is complete</u>

- home insurance - this is usually a legal requirement of mortgage lenders
- council tax
- running costs
- repairs
- repairs of shared facilities
    - for instance you may share the cost of repairing the roof if you purchase an apartment block
- furnishing

