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FACTSHEET

Brexit

Navigating the mortgage market post the EU referendum vote

Before the EU referendum vote, the Treasury predicted a vote for Brexit would mean a rise of between 0.7% and 1.1% in borrowing costs. The Prime Minister, David Cameron, claimed the average cost of a mortgage could increase by up to £1,000 a year.

CALMING THE MARKETS

The governor of the Bank of England, Mark Carney, speaking soon after David Cameron on Friday 24 June, stopped short of announcing an increase in interest rates to defend the pound, which would have affected millions of households on tracker-style mortgages. Mr Carney has promised £259bn to calm the markets.

Each half-point change in rates adds or subtracts approximately £25 a month to most people's repayment mortgages. Those with interest-only mortgages would see steeper changes – around £42 a month for every 0.5% rate change.

FIXED-RATE MORTGAGES

Already post-Brexit there have been signs that new fixed-rate mortgage deals could drop – with many more coming in below 2% – in response to changes in the bond markets. A rise in interest rates could also affect those in rented accommodation, as costs for landlords would go up.

But if the vote for Brexit brings a period of low growth, some economists are suggesting the Bank of England will cut interest rates. In which case, the cost of lending could actually fall.

PROPERTY PRICES

Some uncertainty and concerns from consumers could lead to a stalling in the housing market, although it will take a longer period to see the full economic effects of Brexit.

The International Monetary Fund (IMF) announced that Brexit could result in the fall in house prices, and this was on the expectation that the cost of mortgages may rise.

FIRST-TIME BUYERS

The Treasury also said house prices could fall by between 10% and 18% over the next two years, compared to where they otherwise would have been, which for first-time buyers is good news.

The National Association of Estate Agents (NAEA) believes house prices in London could see the biggest downward change over the next three years, compared to where they otherwise would have been.

Elsewhere, the NAEA said values could fall, but since it expects prices to continue rising anyway this means a slower rate of increase rather than a fall in real values.