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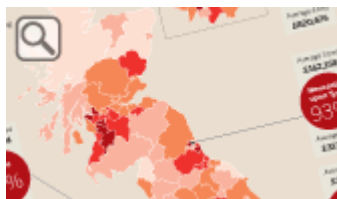
# Families hit by cost of upsizing their home

By Tanya Powley



Families are struggling to raise the sums needed to trade up to a larger home because of tough lending criteria from banks and weak house price growth.

Homeowners who move from a three-bedroom to a four-bedroom property face heavier upsizing costs than those trading up from a one to two-bed, or from a two to three-bedroom house.

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The average cost of upsizing to a four-bedroom property in Britain is £146,000, equivalent to an additional 63 per cent over the value of a three-bedroom house. This would equate to an extra £875 per month in mortgage costs, based on a 20-year repayment mortgage and a 3.75 per cent interest rate.

This is higher than the cost of moving from a one to two-bedroom property or from a two to three-bedroom property, which costs an additional 48 per cent and 39 per cent respectively, according to an analysis by [Savills](#), the property agent.

Experts note that lower house price growth has made it harder for many families to afford the costs of trading up the property ladder. As a result, growing numbers of families are forced to stay put, extend or move to a cheaper location.

“We have seen a real shift in buyers’ attitudes over the past couple of years, with clients veering away from short-term purchases to longer-term options,” said Jo Eccles, director of Sourcing Property, a buying agent.

“This is largely due to the high cost of moving, and the fact that prices are not rising as much or as quickly as they were pre-2007, which means that moving costs are no longer funded by price increases,” she added.

The need to raise a larger deposit has also hit homeowners’ ability to upsize to a bigger home. Banks and building societies are saving their best rates for borrowers with deposits – or equity – of 40 per cent or more, leaving fewer options for those with smaller deposits.

New figures from Moneyfacts reveal that the number of 60 per cent loan-to-value mortgages

has increased from just 21 in October 2007 to 476 this month. In comparison, the number of 90 per cent loan-to-value deals has plummeted from 894 to 292 over the same period.

Ian Gray of Largemortgageloans.com pointed out that buyers have typically relied on rising house prices to help them increase their equity and get a better loan-to-value rate on their next purchase.

“This hasn’t happened, and the double-whammy of the recession means that lots of people can’t save much for the larger deposit on the next deal,” he said.

In percentage terms, homeowners in the north east have to pay the most to trade up to a four-bedroom property. Upsizing costs 71 per cent more than the value of a three-bed in the region, compared to 57 per cent in London.

At a local authority level, buyers in Salford and Poole will see the biggest percentage increase, at 105 per cent and 98 per cent respectively. Newham in London and Bournemouth have the lowest at 29 per cent and 36 per cent.

London and the south east have some of the biggest cash costs of upsizing, causing many of those in the 35 to 45 age bracket to move to the suburbs or beyond, said Lucian Cook, head of research at Savills.

Experts say they have seen an increase in buyers trading up to a larger house than they need, effectively doing two moves in one go to cut down on costs.

“While it may be a significant jump in mortgage costs, the big advantage is you pay one set of fees – legal, surveyor, mortgage arrangement fee, stamp duty – and then you don’t have to worry about the cost and hassle of it again until you come to downsize,” explained Mark Harris of mortgage broker SPF Private Clients.

Other homebuyers are either compromising on location and moving to a cheaper area, or staying put and choosing to extend their home to get the extra space.

For example, a homeowner could choose to sell their three-bed property in Richmond-upon-Thames for about £600,000, on average, and buy a four-bedroom property in Harrow or South Oxfordshire for the same amount.

Those who choose to improve their home may have to approach their lender for further funds. However, Harris warned that this has become more difficult due to lenders imposing stricter criteria.

“Rather than simply agreeing to a further advance, the lender will underwrite the entire loan, including the existing mortgage and reassess the borrower’s suitability,” he said. This could impact those on interest-only mortgages, or those that used their bonus income to get a larger loan.

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