

Are we moving towards a housing crisis in 2021?

The UK's housing market has boomed in recent months, with mortgage approvals rising from 66,000 in July to 84,500 in August 2020 - the highest jump since October 2007.

With a lot of property transactions on hold during the COVID-19 lockdown, changing lifestyles and a stamp duty cut by the government have seen mortgage borrowing and house purchases at record levels.

House prices rose 5% in September 2020, compared to the previous month in 2019, to an average home value of £226,219 in the UK.

This surge in interest and deal flow has seen a trickle down effect to employment in the construction, estate agent, property finance and mortgage brokering industries - and this has been welcomed by workers in this sector who have faced uncertainty surrounding their employment in recent months.

However, with the stamp duty cut set to end in March 2021, homeowners and applicants will no longer be able to enjoy the current charge of 0% on any properties under £500,000. There may be other economic implications in 2021 - e.g. COVID-19 affecting employment and income and a greater demand for properties outside the centre of London. If the UK sees an increase in unemployment and a dramatic change in house prices over the next year, we could be heading for a housing crisis in 2021.

Sam Howard of [Magnet Capital](#) commented: "Whilst the UK continues to suffer from the COVID-19 outbreak and arguably until we have vaccine, life will not return to the normal, there is a real sense that people want to get on with their

lives. The fatigue of the Brexit years plus the seismic shock of the pandemic has taken its toll, but SME developers are seeing beyond this and thinking 15 to 18 months into the future. We are not biting off more than we can chew and maintaining good relationships with our brokers, partners and borrowers is key for us.”

Dan Kettle of Octagon Capital added: “The last few months have been great for people working in any aspect of property. As a finance company, we had zero deal flow from March to May, but then a surge in July, August and September which has turned it from a being a dismal year to one that is very busy and has a lot of potential.”

“Whilst we are all eager to do business and get things moving after lockdown, we have to think of the potential repercussions of too much lending and possible changes in employment and household income. We have lived through a recession before and we want to be cautious going into another one.”

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