Alexander Southwell

MORTGAGE SERVICES

Is it just guesswork?

What is the outlook for the UK Property Market in 2021?

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After the events of 2020, I suspect many people will be a little careful about predicting the landscape of the property market and mortgage lending in 2021. However, while there is probably a little more caution in this blog than there would have been last year, it is far from impossible to make at least a few reasoned assumptions. 2020 may well have been unstable, unsettling and unusual, but the fundamentals of the property world have not changed. As a concession to the fact that next year may still suffer from the fall out of the pandemic, clearly you should remember that contents of this blog will need revision if anything new happens. That is always true when writing about potential changes to the property market though. So, let's plunge in, cut through the drama, and look at what is likely to happen.

The more things change – the more they stay the same

Undoubtedly one of the most attractive things about property is that it is a solid, reliable, element in our lives. The bottom line is still that houses rarely fall in value. The cost of the house may change but it's value, how much is actually worth, usually rises. Even when it doesn't rise, it most commonly maintains value. Even when the house prices dip, it simply becomes a waiting game until they rise again. Looking at 2021, there is no reason to assume that buying property will be less attractive in the long run. The stamp duty factor (see the next point) may well cause a seeming drop in prices mid-year just as it is currently causing a rise but, as history tells us, these things even out.

In short, the reasons for taking a mortgage and buying property have not changed. The investment it represents, the home it provides, the secondary income it generates and the long-term common sense of buying, still all remain the same. The answer to the question: 'Is it still worth considering buying a house?' is likely to be as emphatic a yes, as it always was.

What about stamp duty changes?

Well, that one was a bit of a shake up frankly. Everyone in the housing market was running to keep up for a while there. Just for clarity, in a nutshell what happened was that the Chancellor cut stamp duty earlier this year. As a result, some sellers, mostly in the mid-range market, found themselves able to save money on a sale. This caused a jump in the selling market as people looked to move before April 2021 when the scheme ends.

The side effect has been that some house prices have risen. The Land Registry, which monitors the sale of houses, is telling us that there has been a 5.8% annual rise in average price. Mortgage lenders are reporting similar figures, and everyone agrees that this has been at least partly driven by the change to stamp duty and the restarting of the house sales after the initial lockdown.

So, what does that mean for the market over next year? Well, assuming the stamp duty cut stops as expected in April, then we could see a stabilising of the cost or even a drop in the overall price of property. This may well cause a few over dramatic headlines in the tabloids, but it needs to be out into perspective. Mortgages must be offered; houses must be sold, and investments must still be made.

More to the point, we know this is coming which means that the lenders and the industry in general will be ready for it. So, will it have an impact? Yes, probably. Will that impact be as bad as in the previous situations where the market was unsteady? No, probably not. It balances out. If sale prices drop then getting a mortgage could be easier for first time buyers for example. Few of the people who have moved during the stamp duty cut will want to move again a few months later. Sensibly then, once the remnants of the houses unsold pre-April filter through the system, it will all stabilise again.

Will mortgages be harder to obtain?

Maybe for some, but not for most. Again, this is relative to the market situation balancing. If you are in full time employment, have a suitable deposit, look to buy a sensible property and you can afford the repayments, then you should still get a mortgage. It is reasonable to expect that the lenders will be a little more cautious for a few months, but this should resolve as the economy and fall out from Covid both settle down. At the moment the interest rate is very low, and this is lowering the repayment rates. This will almost certainly change, but it is unlikely to shoot up overnight.

A very important factor in the availability of lending will almost certainly be the government response to the need for more housing. They recently committed to the creation of large numbers of new houses and various schemes are available to help those who need it. Whether rented or purchased through a mortgage, the housing market must grow in response to the need for additional housing.

So, in terms of the overall population, it may seem more difficult for people to obtain mortgages, at an individual level however, the criteria are unlikely to change much. Mortgage offers are always based in the ability of the person taking them to afford the repayments. If you can afford one, then you will get one. If you cannot afford one, then you need to reconsider your options. Nothing new there.

In an article like this, it is impossible to consider every aspect of a rapidly developing market, so the above are our thoughts based on the current situation. It can, and in the current climate, probably will change. That may mean that 2021 is a softer growth year but for property, one year is a short time.

The best advice for the coming year is that if you are considering buying a property, do it with an informed advisor as your partner. 2021 may still be rather unstable and that means it is more important than ever to get the right advice. With an experience professional helping you get the lending you need you will be able to make the right choices.

Call us if you need help, it's what we are here for.

Get in touch with us.

At Alexander Southwell Mortgage Services we can with all your Mortgage and Protection needs. Get in touch with us today on 02380 971117 or 07470 701788.