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# Housing market a 'ticking time bomb' as prices slow amid mortgage mayhem

LAURA MCGUIRE and ELENA SINISCALCO



Analysts at Rightmove, who conducted the reading, said the jump gave a "tentatively promising" start to the new year.

The housing market has slowed amid the mortgage crisis, with experts warning it is like a "ticking time bomb" before it crashes.

This morning's House Price Index from the Office for National Statistics (ONS) show average UK house prices increased 3.5 per cent in the 12 months to April 2023, but this was down from 4.1 per cent in March 2023.

Figures show the average UK house price was £286k in April 2023, up £9,000 on 12 months ago, but £7,000 below the recent peak in September 2022.

"I fear for the property market, and a house price crash seems inevitable at this point," Jamie Elvin, director at Brighton-based Strive Mortgages, said.

"We have a ticking time bomb where 1.4m borrowers will see an end to their low fixed rates this year, and the impact will be devastating."

## Mortgage meltdown

The UK has been engulfed in a mortgage meltdown since the central bank decided to hike interest rates for the 12 consecutive time in a row, prompting lenders to pull deals on fixed rate mortgages and raise the cost of deals.

"This latest inflation figure is terrible news for us all and sadly will start another mortgage rate crisis for at least the next month," Gary Bush, financial adviser at MortgageShop.com, said.

"We expect the Bank of England Monetary Policy Committee to increase the base rate at lunchtime tomorrow by at least 0.5 per cent, leading mortgage applicants onto very tricky ground," he added.

Sticky inflation remained high at 8.7 per cent placing increased pressure on the Bank of England to hike interest rates up for the 13th time tomorrow - creating higher rates for borrowers with mortgages.

The move will hit prospective buyers and homeowners looking to reinstate their payment plans the most.

## London hit hard by the crunch

The Centre for Economics and Business Research (CEBR) said that London homeowners looking to renegotiate their mortgage this year face a whopping £7,300 rise in annual costs in the wake of high inflation.

The trouble is the situation could get worse before it gets better," Myron Jobson, senior personal finance analyst, Interactive Investor, warned.

"Market whispers of significant property price correction in the near future can also give pause to even the most eager of homebuyers. Uncertainty can breed caution, and caution often leads to a decline in mortgage commitments," he said.

"The mortgage affordability squeeze not only impacts the dreams of aspiring homeowners but also reverberates throughout the housing market."

He added: "Discouraged by the uphill struggle, aspiring first time buyers have found themselves locked out of homeownership, fuelling in demand in the rental market. This, in turn, places upwards pressure on rental prices, exacerbating the overall affordability crisis."

## Trouble with renting too

Meanwhile, Mayor of London Sadiq Khan has warned that a record rise in London rents could see a quarter of Londoners fall behind on payments.

New City Hall polling out today shows that 30 per cent of London renters are struggling to make ends meet, and 24 per cent are finding it hard to meet rent payments. Additionally, six per cent say they have fallen behind in rent payments in the last six months.

The Mayor is worried this could lead to a sharp rise in homelessness in the capital. The proportion of people renting in London is huge, comprising approximately 2.7m people. This means there are around 650,000 Londoners struggling to pay their rent and 160,000 who have fallen behind on rent payments.

Rents have exceeded an average of more than £2,500, making it harder and harder for many to keep their heads above water.

City Hall analysis also discovered 3,630 households were threatened with homelessness last year in London after receiving a no-fault eviction notice. This was more people than before the pandemic.

The Renters' Reform Bill introduced by the government has scrapped no-fault eviction, a practice allowing landlords to kick out tenants without having to establish any fault on the part of the tenant. Rising rents and arrears are often behind an eviction of this kind.

But the Bill has yet to become law, so many households in London still risk being evicted.

To tackle this crisis, Khan has called on the Government to implement a two-year rent freeze in the capital and give him the power to introduce rent controls.

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