

121% Increase in Bridging Loan Enquiries Since Stamp Duty Relief Announcement

Submitted by: Key Loans & Mortgages Limited t/a KIS Finance

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In an announcement by the Bank of England, property prices have risen by £30,000 on average and house sales have soared by 20% since the government announced the Stamp Duty Land Tax temporary reduced rates (<https://www.kisbridgingloans.co.uk/stamp-duty-calculator/>) on 8th July 2020.

At KIS Finance (<https://www.kisbridgingloans.co.uk/>), one of the largest independent bridging loan brokers in the UK, we have seen a massive 121% increase in bridging loan enquiries since the Stamp Duty announcement.

This is in comparison with the average number of enquiries, per month, in the three months from the beginning of April leading up to the announcement in July.

Whilst it's fair to say that the number of bridging loan enquiries were lower in those three months than what they were last year, due to inactivity in the housing market during the UK lockdown, the Stamp Duty temporary reduced rates have stimulated a 'mini-boom' in the housing market.

In turn, this has seen a much faster recovery in the bridging and short-term lending market than we were expecting.

Why is this?

- People who were planning to move house anyway are now speeding up house purchases in order to take advantage of the Stamp Duty relief, and bridging finance is being used to secure their purchase before selling their current property.

Although the Stamp Duty holiday is in place until March 2021, it has acted as a psychological boost for those already planning to buy and it's created almost a deadline for moving house. We have also seen that many people are desperate to move to larger homes with gardens, after being stuck in a small property and working from home during lockdown, as some fear another lockdown or are facing the prospect of working from home on a permanent basis. These two factors are making buyers act quickly and are partly responsible for this surge in activity.

- Since the start of the pandemic, mortgage lenders have reduced their LTV's (loan to value) which is pushing some people out of the market as they can no longer borrow as much as they need, even if they previously had a mortgage agreed in principle. Many have unfortunately also lost jobs or have been furloughed during the last few months, resulting in them now struggling to prove income and qualify for a mortgage, so are having to pull out of property chains.

This means that those who have had buyers let them down have been turning to bridging finance to continue

with their purchase and keep property chains going. Whilst the 3% Stamp Duty surcharge on second properties is still payable (refundable once the original property is sold), those buying properties for under £500,000 are still benefiting from the Stamp Duty temporarily reduced rates.

- Landlords are purchasing additional properties and expanding portfolios as the Stamp Duty threshold changes apply to second homes and buy to let properties in England and Northern Ireland. This is bringing more properties into the rental market and is providing more homes for those currently unable to secure a mortgage and buy.

Useful tools to support this article

KIS Finance Stamp Duty calculator (<https://www.kisbridgingloans.co.uk/stamp-duty-calculator/>)

- Very easy to use and displays instant, in-depth results.
- Fully updated to reflect the July 2020 government changes to Stamp Duty in England and Northern Ireland, Land Transaction Tax in Wales, and Land and Buildings Transaction Tax in Scotland.
- Calculates the Stamp Duty payable on all types of property – residential, commercial, investment/buy to let, second homes, holiday homes etc.
- Thresholds and calculations are all simply explained.
- Does not ask for any personal information or contact details.

KIS Finance bridging loan calculator (<https://www.kisbridgingloans.co.uk/bridging-loan-calculator/>)

- Very easy to use and displays instant, in-depth and accurate as possible results.
- Breaks down all the fees, costs, and interest rates associated with taking out a bridging loan.
- Results are broken down clearly and simply explained.
- Does not ask for any personal information or contact details.

For any more information, don't hesitate to get in touch.

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