Debate Ammunition: Will have a housing crash?

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The Richard J Murphy YouTube Channel

Debate Ammunition

Will there be a UK housing crash?

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Today's topic

Will the war in the Gulf trigger a UK housing crash?

The video that this Debate Ammunition supports **is available here.**

The Core Argument

The UK housing market is already fragile, with falling prices, weak affordability and high mortgage rates, and the Gulf war has created a serious risk of a much harder crash on top of that fragility. Whether the outcome is mild stagnation, a deep recession with negative equity and repossessions, or a full financial crisis with house prices down by up to thirty per cent depends on whether oil and gas shocks spread into the banking system, and on whether the government is willing to intervene to stop that happening. The safest people will not be those with the biggest houses, but those with the most financial resilience, so building cash reserves, securing an affordable fixed mortgage, and being honest now about whether you can survive higher costs and lower income matters more than worrying about paper house values.

Key Statistics

Statistic	Figure	Source

Mortgage rates Highest since the 2008 financial crisis Stated as current background condition in the video

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Mild recession scenario, real house price fall 5 to 10% Scenario one in the video

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Deeper recession scenario, real house price fall 15 to 20% (average prices could fall from around £300,000 to around £240,000) Scenario two in the video

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Full financial crisis scenario, real house price fall 30% in real terms, more in cash terms; some regions worse Scenario three in the video

The Argument Structure

Step 1, the housing market is already weak: Prices are already falling, mortgage rates are at their highest since the 2008 crash, affordability is squeezed, buyers are cautious and transactions have already slowed, so the market is vulnerable before any new shock arrives.

Step 2, the mild scenario following from the Gulf war: A mild recession would mean rising oil prices, rising interest rates and rising inflation, but no major financial crash, leading to stagnation and a modest fall in real house prices, much as happened gradually after 2008.

Step 3, the worse scenarios: A deeper recession driven by oil at one hundred and sixty dollars a barrel and gas and food shortages would push interest rates too high, cause negative equity for recent buyers, freeze transactions and bring repossessions back, just as happened in the early 1990s; a full financial crisis on top of that, involving bank bailouts and a credit crunch, could cut house prices by up to thirty per cent.

Step 4, resilience matters more than property value: Long term homeowners who can keep paying their mortgage should not panic and will likely come through with their equity intact, but anyone stretching their finances now needs to stress test their position, build cash reserves, consider a fixed mortgage, and even consider downsizing or renting, because in a crisis liquidity, the ability to pay, matters more than what your house is worth on paper.

Their Argument → Your Rebuttal

They Say Your Response

The Gulf war is a temporary external shock; once oil prices settle, the housing market will simply return to where it was before. The market was already weakening before this shock, with prices falling, mortgage rates at their highest since 2008 and transactions slowing. A war is not landing on a healthy market that will simply bounce back; it is landing on one that was already fragile, which is exactly why even a mild recession could tip it into stagnation and a deeper one into a 1990s style crash.

The Bank of England will not let interest rates spiral out of control; it has the tools and the credibility to manage this. The video sets out a real risk that the Bank pushes rates too high in response to an oil and gas driven inflation shock, exactly the kind of policy mistake that turned a recession into a housing crash and mass repossessions in the early 1990s. Credibility did not stop that from happening before, and there is no guarantee it will stop it from happening again.

Talk of a thirty per cent house price crash and a financial crisis is scaremongering. This is explicitly not presented as the central forecast. It is presented as a genuine risk scenario that cannot be ignored, precisely because the UK housing market is already overvalued relative to earnings and already vulnerable. Planning for a risk you hope will not happen is prudent, not alarmist; ignoring it is what leaves people exposed.

If house prices fall, that is good news for renters and first time buyers who have been priced out for years. The video is direct that a crash will not create affordability for renters, because rising interest rates tend to push rents up, not down, and landlords facing higher costs and tighter regulation may sell up, reducing the number of rental properties available. A crash driven by recession or a financial crisis hits incomes and access to credit at the same time as it hits prices, so the gain in affordability does not actually materialise for most people trying to buy or rent.

The One-Liner

“The safest people in this housing crisis will not be those with the biggest houses, but those with the most financial resilience.”

Further Reading

Title	Date	What It Covers
2026 has the potential to be very much worse than even I expect	**April 2026**	**Sets out the risk of a stock market crash and banking crisis from excessive leverage, the wider context for the financial crisis scenario in this video.**

Is 2026 going to be brutal for financial markets? January 2026 Argues markets may crash on collapsing trust linked to US policy choices, and calls for a politics of care response covering housing.

War is not a reason to raise interest rates March 2026 Explains why raising rates in response to a Middle East driven oil and gas price shock is the wrong response, directly relevant to the Bank of England risk in scenario two.

Could the Bank of England bring the economy down? May 2026 Warns that raising rates further in response to war driven inflation could turn a fragile situation into a deeper economic crisis.

The meltdown is happening May 2026 Discusses how rising costs and interest rates are already affecting affordable housing supply through council building programmes.

Why are interest rates so high? June 2026 Sets out why current Bank of England policy is making mortgage costs and the risk of recession worse than they need be.