

Epsom Property News

Why are less Epsom people moving house?

During my school years (and that was a while ago...), I recall people constantly moving. From research I have carried out it shows things have changed considerably in Epsom over the last few decades, and interestingly, the trend is getting worse ... for the removal van people at any rate!

In Epsom, at the moment there are 12,641 properties. However, after we remove the 1,386 council houses, 2,450 privately rented houses and 148 houses where the occupants live rent free, that leaves us with 8,657 owned properties (be that 100% outright, with a mortgage or shared ownership). This means 68.5% of the properties in Epsom are occupied by the owner (the national average is interestingly 64.2%) but the number of people who have sold and moved house in Epsom, over the last 12 months, has only been 1,164. This means on these figures, the homeowners of Epsom are only moving on average every 7.43 years.

These are the reasons. Firstly, the cost of moving house has risen over the last twenty years. Secondly, with many remortgaging their properties in the mid 2000's before the price crash of 2008, there is a reluctance or inability in a small minority of homeowners to finance a home sale/purchase, due to lack of equity. These are both factors driving fewer moves by existing homeowners.

However, the big effect has been the change in house price inflation. Back in the 1970's and 1980's, house prices were doubling every 5 to 7 years. Even in Greater London, with its stratospheric property price increases over the last few years, it has taken 13 years (August 2002 to be exact) for property values to double to today's levels.

This change to a relatively low inflation Epsom property market (i.e. Epsom property values not rising quickly) is significant because the long term consequences of sustained low house price growth is that it eats into mortgage debt more slowly than when property price inflation is higher. Epsom homeowners cannot rely on inflation to shrink their debt in real terms as much as they did in say the 1970's and 1980's.

So what does this all mean for Epsom buy to let landlords? Well for the same reasons existing Epsom homeowners aren't moving, less 'twenty something's' are buying their first home as well. Epsom youngsters may aspire to own their own home, but without the social pressure from their peers and parents to buy their first property as soon as people reach their early 20's, the memory of the 2008 housing crisis and the belief the hard times either aren't over or the worst is yet to come, current and would-be homeowners are warming to the idea of renting. I also believe UK society has changed, with the youngster's wanting prosperity and happiness; but wanting it all now... instantly... today... without the sacrifice, work and patience that these things take. As a society, we expect things instantly, and if it doesn't come easy, doesn't come quick, (or free), some youngsters ask if it is really worth the effort to save for the deposit? Why go without holidays, the newest iPhone, socialising four times a week and the fancy satellite package for a couple of years, to save for that 5% deposit if there is no longer a social stigma in renting or pressure to buy as there was... say... a generation ago?

Even though, in real terms, property prices are 5% cheaper than they were ten years ago (when adjusted by inflation), 19.4% of Epsom properties are privately rented (nearly double it was twenty years ago). As a result, the demand for rental properties continues to grow from tenants, meaning those wishing to invest in the buy to let market, over the long term, might be on to a good thing?

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Epsom Property Market – Bricks and Mortar!

The Land Registry has just released their latest set of figures for the Epsom Property market. It makes interesting reading, as average property values in Epsom remained static in May. This leaves average property values 10.3% higher than 12 months ago, meaning the annual rate of growth in the town fell to its lowest level since July 2014. When we compare Epsom against the regional picture, South East property values rose by 0.9%, leaving them 9.1% higher than a year ago.

Obviously this is a far cry from the price rises we were experiencing in Epsom throughout 2014. At one point (November 2014 to be exact) property values were rising by 14.1% a year. All the same, even with the tempering of the Epsom property values in 2015, property values are still higher. This is good news for local homeowners who had been affected by the downturn after 2007 and still find themselves in negative equity.

However, the thing that concerns me is that the average number of properties changing hands (i.e. selling) has dropped substantially over the last 12 months in the town. In April 2014, 124 properties sold in Epsom but in April 2015, that figure dropped to 55. I have been in the Epsom property market for quite a while now and the one thing I have noticed over the last few years has been the subtle change in the traditional seasonality of the Epsom property market. It has been particularly noticeable this year in that the normal post Easter flood of properties coming onto the market was not seen. This has made an imbalance between supply and demand, with less houses coming onto the market there is simply not as much choice of properties to buy in Epsom and with the population of Epsom ever increasing, this will generally strengthen house price growth for the foreseeable future.



So what does all this mean for Epsom landlords or those considering dipping their toe into the buy to let market for the first time? For many people, buy to let looks a good investment, providing landlords with a decent income at a time of low interest rates and stock market unpredictability.

However, if you are thinking of investing in bricks and mortar in Epsom, it is important to do things correctly. As an investment to provide you with income, for those with enough savings to raise a big deposit, buy to let looks particularly good, especially compared to low savings rates and stock market yo-yos. I must also remind readers, landlords have two opportunities to make money from property, not only is there the rent (income), but with the property market bouncing back over the last few years, property value increases has spurred on more investors to buy property in the hope of its value continuing to rise.

Savvy landlords with decent deposits can fix their mortgages at just over 3% for five years, making many deals stack up. Nevertheless, low rates cannot stay low forever, because one day they must rise and you need to know your property can stand that test. I saw some Epsom landlords struggling in the mid noughties, when interest rates rose from 3.5% in July 2003 to 5.75% in July 2007. That might not sound a lot, but that was the difference of making a £100 a month profit in 2003 to having to make up a shortfall in the mortgage payments of £100 per month in 2007.

It's true many landlords were thrown a life raft when the base rate dropped to 0.5% in March 2009. Whilst interest rates have remained there since, mark my words, they will rise again in the future. However, even with the potential for costs to rise, demand for decent rental properties remains high as there are ever more tenants in the market, driving up demand and thus rents. The British love of bricks and mortar plus improving mortgage deals also add up to fuel the buoyant Epsom property market.

The 'Liquorice Allsorts' Epsom Property market

Despite the UK economy heading in the right direction with record low mortgage rates and unemployment figures dropping, the rate of property prices rising in Epsom have tempered since the start of the year. This slow but sure downward trend in the rate of growth has been in evidence since mid-2014. Property value increases continue to outpace the growth in salaries, however the gap is closing, helped by a lift in salaries over the last 6 months. Property values in the South East region as a whole are 9.1% higher than a year ago. Compare this to the neighbouring regions of South West at 3.6% higher and within London at 9.1%, the majority of the country continue to see annual house price gains - the exception being Wales which recorded a slight decline of -0.6%.

Even with the tempering in house price inflation, it does not necessarily change my outlook that property prices are likely to be firmer over the second half of 2015 amid heightening activity in the Epsom property market. As stated in a previous article, there is a current shortage of properties on the market, restricting supply, which in turn will provide stability and support to Epsom property prices. Therefore, my overall opinion is that Epsom property prices will rise by 6% over 2015 and roughly the same in 2016 (of course not guaranteed as I do not possess a crystal ball).



Property investment is a long term business. Buying the right sort of property is vital. I have recently been speaking with a number of Epsom landlords about the importance of a balanced portfolio, when buying and renting out property. The balance between buying properties that offer good monthly returns (high yields), but quite often offer poor capital growth (i.e. they don't increase in value that much over the years compared with the average) verses properties that do go up in value quicker but often offer a lower yield. So, what types of properties have performed best over the last few years in Epsom, especially in terms of their capital growth?

When comparing what the average price of detached, semi detached, terraced and flats were selling for back at the start of the Millennium to the present. The results are quite remarkably different, almost like a bag of Liquorice Allsorts, as the different types of property have performed poles apart over the last 15 years:

- Detached Houses in 2000 were selling on average for £295,097 and so far in 2015, they have been selling on average in Epsom for £816,357, a rise of 177%
- Semi -Detached Houses in 2000 were selling on average for £180,398 and so far in 2015, they have been selling on average in Epsom for £459,828 a rise of 155%
- Terraced Houses in 2000 were selling on average for £126,371 and so far in 2015, they have been selling on average in Epsom for £399,439 a rise of 216%
- Flats and Apartments in 2000 were selling on average for £107,555 and so far in 2015, they have been selling on average in Epsom for £249,557 a rise of 132%

Moving forward, what should new and existing buy to let landlords do with this information? Well, the questions I seem to be asked on an almost daily basis by landlords are:

- "Should I sell my property in Epsom?"
- "Is the time right to buy another buy to let property in Epsom and if not Epsom, where?"
- "Are there any property bargains out there in Epsom to be had?"

Many other Epsom landlords, who are with both us and other Epsom letting agents, like to pop in for a coffee, pick up the phone or email us to discuss the Epsom property market, how Epsom compares with its closest rivals (Sutton, Dorking and Kingston), and hopefully answer the three questions above. You can email me at: ian@directresidential.co.uk

For any specific advice on Buy to Let please email Ian at:
ian@directresidential.co.uk

Please see more tips and Buy to Let advice at the Epsom Property Blog at:
<http://www.epsompropertyblog.co.uk/>

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