# Epsom Property News

## 524% Return for Epsom Buy To Let landlords since 2000?

Buy to let is essentially different from investing in stocks and shares or putting money in the Building Society. Whilst these other investments (Building Society Passbooks, Stocks and Shares etc) are passive *ie once the money has been invested, you leave it alone,* with buy to let, things are more hands on, in fact it's almost a business. One thing the landlords I speak to say, is the fact that they like buy to let because it is both an investment as well as a business. It is this factor that attracts many of my Epsom landlords – they are making their own decisions rather than entrusting them to others (such as City Whiz Kidz in London playing roulette with their Pension Pot).

So if you are investing in the Epsom property market, you can earn from your investment in two ways. When a property increases in value over time, it is known as 'capital growth'. Capital growth, also known as capital appreciation, this has been strong in recent times in Epsom, but the value of property does go up as well as down, just like shares do but the initial purchase price rarely decreases. Rental income is what the tenant pays you - hopefully this will grow over time. If you divide the annual rent into the value (or purchase price) of the property, this is your gross yield, or annual return.

I was talking to a landlord who bought a flat in the Lavender Road area of Epsom. He bought a very pleasant 2 bed flat in 2000 for £106,000. It sold again in November for £245,000, a rise of 131.13% in just over 14 years – a compound annual return of 6.17%.

However, the real returns are for those Epsom landlords who borrowed money to purchase their buy to let property. They have made significantly higher returns than those who paid 100% cash. If the landlord had borrowed 75% of the £106,000 purchase price of the Lavender Road flat on an interest only 75% mortgage, he would have only needed to invest £26,500 (as his 25% deposit... borrowing the remaining £79,500), but his £26,500 would be worth today, £165,500 (£245,000 less £79,500 interest only mortgage)... a rise of 524.52% - a compound annual return of 13.98%... and I haven't even mentioned the rent he would have received in those 14 years!

This demonstrates how the Epsom buy to let market has not only provided very strong returns for average investors since 2000, but how it has permitted a group of motivated buy to let Epsom landlords to become particularly wealthy. In fact, if this landlord had continued to remortgage the property as it went up in value, he could by our figures have had an additional two or three properties (albeit with larger mortgages, but greater future potential).

As my article mentioned a few weeks ago, more and more Epsom people may be giving up on owning their own home and are instead accepting long term renting whilst buy to let lending continues to grow from strength to strength.

# Epsom Property News – Autumn 2016

## UK house prices: pace of growth slows, but property prices are still rising after Brexit vote

The housing market is showing early signs of resilience following the Brexit vote, new official figures show.
The Office for National Statistics' house price index shows a moderation in house price growth from 9.7 per cent in the year to June, to 8.3 per cent in the year to July.
House prices rose by 0.4 per cent between June and July, although many property sales recorded in the ONS data would have been well under way before the EU referendum on 23 June.

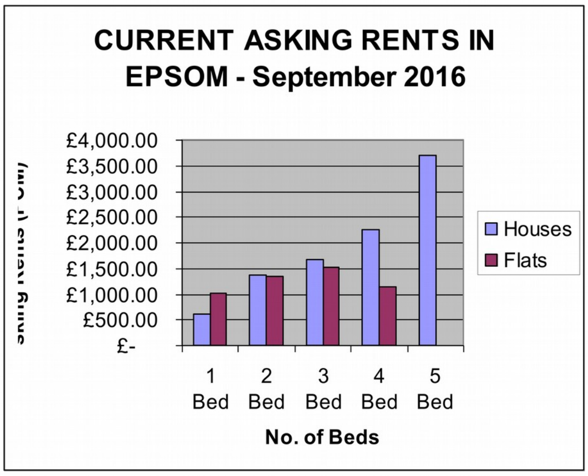
At £217,000, the average price of a UK home in July is £17,000 higher than a year ago.

Overall, the figures reflect that house price growth is slowing. However, it's too early to tell whether this is directly related to the referendum or because of other factors, including an annual seasonal slowdown and reduced demand from buy-to-let landlords following stamp duty increases this year.

After several years of double-digit rises, a cooling down in house price growth is seen by property experts as a natural correction of the market because such large increases have weakened affordability.

“Our own expectation is that the UK housing market will cool, not crash. In our main scenario, average UK house price growth is projected to decelerate to around five per cent in 2016 and around one per cent in 2017,” says Thomas Fisher, economist at PwC.

The volume of lending approvals for house purchases fell by 5.1 per cent in July 2016 compared to the previous month, continuing a downward trend since the start of the year.




## House prices will rise by 3.3% a year for the next five years, according to the Royal Institute of Chartered Surveyors (RICS)

House prices will rise by 3.3 per cent a year for the next five years, according to the Royal Institute of Chartered Surveyors (Rics), which says conditions in the market have “settled down” after the uncertainty of the Brexit vote.

Rics also says the number of properties being bought and sold in the UK dropped sharply after the EU referendum but has now stabilised, with confidence returning after the Bank of England's economic interventions.


There is still a sharp division between London and the rest of the UK, however. For the sixth month running, more surveyors said prices were falling in the capital than said they were rising. Rics predicts that the London market will stay flat for the next 12 months.

The monthly report is one of the few that tries to predict the housing market. In a survey of its members, Rics said a higher proportion expect sales to rise over the next three months than have done since January.

Simon Rubinsohn, chief economist at Rics, was optimistic about the ‘Brexit effect’. He said: “There are clear signs that the housing market is settling down after the initial surprise of the outcome to the EU referendum.

“Buyer enquiries did dip again in August but only modestly, and more significantly, sales expectations are beginning to edge upwards once again. It is likely the swift response from the Bank of England has played a role in helping to support confidence.”

At the start of the year, the group was anticipating four per cent annual growth for five years. That prediction was “before the UK voted to ditch its EU membership”, notes Sky News – though it was made with the referendum on the horizon.

Brian Murphy of the Mortgage Advice Bureau told the BBC that the new data from Rics was “in line” with other recent reports.

Yesterday Halifax said it believes the rate of increase in house prices is tailing off, prompting some commentators to announce that the Brexit vote has “chilled” the market. But Murphy says the Halifax and Rics data support a stable picture.

He told the BBC: “This is in line with other data released from lenders such as the Halifax, which supports the same point of view that after a deep intake of breath in June and allowing for the traditionally quieter summer hiatus, the overall market picture for most of the UK is stable, with the continued lack of supply being the underlying factor which is likely to underpin the market in the months to come.”

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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