

Epsom Property News



Epsom House owners desert the housing market with an 8 year low

Even though the housing market is in an upbeat state in many parts of the UK, getting on the property ladder is still challenging for many and regarded as unattainable by some. However, that goal has become even worse recently in Epsom as the number of houses available to buy is at an 8 year all time low.

Back in Summer 2008, there were over 1,225 properties for sale in Epsom and since then this has steadily declined year on year, so now there are only 352 for sale in the suburb. This continuing diminishing supply of housing has been happening over those years for a while and there simply aren't enough properties in Epsom to match demand.

According to a recent report by the National Association of Estate Agents, that said, "There are now 11 house hunters fighting after every available house which isn't sustainable." What that means is Epsom youngsters, who are looking to buy their first home, are finding themselves being squeezed out by the competition. However, in the meantime, nobody wants to live with parents until they are in their 30's, so that in turn creates demand for more rental properties, which means landlords have a greater demand for more rental properties so are buying more, resulting in even less smaller properties for the youngsters to buy; it's a vicious circle.

Talking to fellow agents, mortgage arrangers, surveyors and solicitors in the suburb, all of whom have extensive dealings in the Epsom property market like myself, most of us agree the movement in the Epsom market is taking place in the middle to upper market, higher up the property ladder and it's second and third steppers pushing through the properties that are being bought and sold.

That has meant as people tend to move less in the middle to upper market, the number of the properties actually selling has drastically reduced over the last couple of years.

When we look at the individual areas of the suburb, it paints an interesting picture.

- KT17 - Epsom, Ewell, Stoneleigh - 24 properties sold in May 2015 (with an average value of £498,956), whilst over the Autumn months of 2014, the number of properties selling in this postcode reached into the mid/late 40's.
- KT18 - Epsom, Tattenham Corner, Headley, Langley Vale - 24 properties sold in May 2015 (the most recent set of figures from the HM Land Registry), whilst over the Summer months of 2014, the number of properties selling in this postcode was always between 34 and 41 per month. (Interestingly the average value of those properties was £473,141).
- KT19 - Epsom, West Ewell, Stoneleigh, Horton, Longmead - 34 properties sold in May 2015 (with an average value of £418,541), whilst over the Summer months of 2014, the number of properties selling in this postcode reached into the mid 70's.

So what does this all mean for homeowners and landlords alike in Epsom? Demand for Epsom property is good, especially at the lower end of the market. However, with fewer properties coming up for sale, it means property prices are proving reasonably stable too.

You see I believe a more stable, consistent Epsom property market, with less people seeing property as an easy way to make a quick buck (as many did in the early 2000's when prices were rising at nearly 20% a year so people were buying and selling every other minute), but a property market that has a steady growth of property values in Epsom, year on year, without the massive peaks and troughs we saw in the late 1980's and mid/late 2000's might just be the thing that the Epsom property market needs in the long term.

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Could your Epsom property save you from Pension oblivion?

If you were born in the early 1970's or late 1960's, if you haven't started to think about it yet, retirement is closer than you think. In fact the number of years you have left to work is less than the number of years you have worked. The basic state pension is worth £115.95 a week for a single person in 2015/16 (or £6,029 a year) and £231.90 a week for a couple (£12,118 a year) as long as your partner has paid their stamp (although there are certain get of jail cards if they haven't).

As a household, could you live on just over £12k a year?

However, could the property you are living in in Epsom save you from poverty when you reach retirement? You see, a regular income is vital in retirement and the bricks and mortar you own in Epsom could provide a way for you to finance life when you retire.

If you are in your 30's, instead of saddling yourself with bigger and bigger mortgages, going from your first time buyer flat, to a terraced, to the semi and then the large detached house, you could instead keep your terraced or semi, invest in a buy to let property and let the rent pay the mortgage and rely on capital growth to provide you with a lump sum when you sell the property and retire. One of the biggest plus points of buy to let is what is known as leverage. Let me explain ... say you have a deposit of 25% and the value of the property rises by 3% a year, your gains in fact multiply to 12%. However, if property prices drop, 'leverage' can be catastrophic, as losses will also be multiplied. Property values have dropped a number of times in the last 50 years, but they always seem to bounce back ... property must be seen as a long term investment.



Let me explain how leverage could work for you. If you had bought an Epsom house in Spring of 1983 for £70,000, using a 75% mortgage and 25% deposit, (meaning your deposit would be £17,500). Today, that Epsom property would have risen in value to £506,653, a rise of 623.8%. However, when you look at the growth on just your deposit, the rise is even better ... instead of 623.8%, we see a rise of 2795% (remembering that the mortgage would have been paid off).

However, buy to let is not all about capital growth in retirement, income is more important than capital growth, as rent is the key to a steady income.

So surely the best strategy is to buy those Epsom properties with the high rents (when compared to the value of the property). These are called high yield properties in the buy to let world because the monthly return is so much greater. So surely they are the best in Epsom? Possibly, but the properties that offer these higher yields (in the order of 5% to 6% per year) tend to be in such areas as Longmead or Watersedge in Epsom, historically they haven't offered such good capital growth when compared to the average and sometimes have a higher tendency for void periods and maintenance.

Therefore, if a high maintenance rental portfolio wasn't for you, another strategy could be buy a property with relatively smaller rental returns of 3% to 4% per year (i.e. lower yields), but in a more up market area such as Woodcote. Properties such as these tend to suffer from less void periods (i.e. when there is no tenant in the property paying you rent) and they historically have had better long term capital growth when compared to the town average.

Every landlord is different and every property is different. All I suggest to you is do your homework.

Southfield Park catchment area properties outperform Epsom average by 52.58%

I was having a chat with an Epsom property investor the other day, when he asked if schools, especially primary schools, affected the local property market in terms of demand from buyers and tenants to a property. Anecdotally, I have always known this to be true, a good school creates good demand and good demand does affect house prices. So, I asked my colleagues on the front line, who take the phone calls from people putting themselves on our mailing list and they confirmed that most people cite location as their number one factor.



After looking through our mailing list, it confirms there is a close correlation between the high demand areas of Epsom and the close proximity to a good primary school. Talking to my team in a recent morning meeting, they agreed many people would look to increase their budget quite significantly, whilst others would consider downgrading their property requirements to be close to a good primary school.

Those of you who regularly read this blog will know I like a challenge, so I decided to look at the science behind these assumptions. According to the School Guide website, Southfield Park Primary School is one of the best primary schools in Epsom. Its figures are certainly impressive. Their last Ofsted Report classified it as Outstanding, 93% of 11-year pupils achieving Level 4 or above in maths, reading and writing whilst 47% of them achieved level 5. Finally, the schools' KS2 rating was classed as Excellent.

Looking at property sales within half a mile of Southfield Park, property values have risen in value since 1999 by 217.36%, whilst according to recent figures, the Epsom average as a whole has risen in the same time frame by 142.46%.

That means the parents of Southfield Park have seen the values of their properties rise proportionally 52.58% more than the Epsom average ... interesting don't you think?

However, whilst a good primary school significantly contributes more to house prices, the same can't be said for secondary schools. There are two reasons for this, firstly, as secondary schools are much larger, so their catchment areas are correspondingly much larger, meaning parents don't need to live so close to the school. Secondly, in the UK, whilst the difference between the top 25% and bottom 25% of secondary schools is not insignificant, in the primary school sector, the difference between the top 25% and bottom 25%, according to the London School of Economics, is considerably and significantly more.

Many other Epsom landlords, both who are with us and many who are with other Epsom agents and also potential investors pop in for a coffee or ring/email me to discuss the Epsom property market, to consider how Epsom compares with its closest rivals and hopefully we can answer all their questions. You must take lots of advice and seek out the best opinion. One good specific source is at the Epsom Property Blog or you can email me at ian@directresidential.co.uk for some honest and straight talking advice.

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:
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