

# Epsom Property News

## Crisis in the Epsom Property Market...probably?

I don't know about you, but if you watch Sky News every waking hour or read the newspapers, it always seems we as a Country, Europe or the World seem to lurch from one crisis to another. Another week, another crisis averted. It was only last summer the soothsayers were predicting the end of the world over the supposed house price bubble that many believed was developing in the South. Property prices were rising at 20%+ per annum in London, only for things to ease as the property market in the Capital showed a controlled slowdown and cooling in activity with price growth easing to a more realistic 8% to 9% per annum. Interestingly, there was no panic when some modest price drops were seen in some of London's highest priced suburbs.

However, this month's crisis is the Buy to Let boom and as George Osborne always likes to be topical, in the July emergency budget, he declared that he will start to scale back, from 2017, the tax relief that those high income tax rate landlords with a mortgage have benefited from. The Daily Mail ran headlines stating it was the end of the private landlord; predicting many landlords will give up on Buy to Let altogether and we will be inundated with rental properties up for sale as landlords feel squeezed from the market.

Even Mr Carney, the Governor of the Bank of England, recently cautioned that the Buy to Let property market could destabilise the whole UK property market. He was concerned landlords who bought with high loan to value mortgages could be spooked if there is a property crash, they would panic because of negative equity, sell cheaply, which would worsen house price falls.

End of the world then? ... this week, yes probably, but next week ... that is another story! Before we all go and live like a hermit in the Scottish highlands, let me explain to you my perspective on the whole subject. As I mentioned a few weeks ago, two thirds of Buy to Let properties bought in the last eight years have been bought mortgage free – so they won't be affected by the Chancellors' tax changes. Also, something I feel is often overlooked but very important, is the fact that landlords historically have only been able to normally borrow up to 75% of the value of the rental property. In the last property crash of 2008, property values dropped by the not so insignificant figure of 16.69% in Epsom, but even then, when we had the credit crunch and the world's banking sector was on the brink, no landlord would have been in negative equity in Epsom.

I believe we have a case of 'bad news selling newspapers' and I believe that Buy to Let and the property market as a whole, will carry on relatively intact. It's true reducing tax relief will hit landlords who pay the higher rate of income tax and this may slightly diminish Buy to Let as an investment vehicle, but I doubt people will sell. Many landlords have been relaxed with their investments, buying with their heart and then looking at the figures. You would never dream of investing in the stock market without doing your homework and talking to people in the know. If you want to make money in the Epsom property market as a buy to let landlord, it's all about having the right property and as you grow, the right portfolio mix to offer a balanced investment that will give you both yield and capital growth.

The Epsom Buy to Let market still offers good investment opportunities to new and experienced alike. Those who have bought in the last twelve to eighteen months have reaped the benefit from buying in Epsom, because the town offered a combination of reasonable house prices with subsequently increasing rents. Property values have risen by 14.99% in the last eighteen months in Epsom, whilst looking at rents, in Q2 2015, average rental values for new tenancies were 11% higher than Q2 2014, which is particularly interesting as they only rose by 4.5% between Q2 2013 and Q2 2014.



# Epsom Property News – October 2015

## Epsom Property Values 9.7% higher than year ago

Epsom property values rose by 0.5% last month, meaning they are 9.7% higher than 12 months ago. Overall, I expect future property price growth to remain firm, built on the foundations of an improving labour market, strengthening economy and very low mortgage rates. In fact, talking to a number of other agents in the area, mortgage arrangers and solicitors (all of whom have their direct finger on the pulse of the Epsom property market), the steady long term growth in Epsom property prices tied in by strong demand conditions so far this summer, alongside an underlying lack of supply and the continued low mortgage rate environment, means the slow but steady upward momentum of the Epsom property market is hopefully likely to continue in the second half of 2015.



However, there are a couple points I wish to highlight as all my blog readers will know, I like to give a balanced and honest opinion of what is happening in the Epsom property market. The two main points being low interest rates and a lack of supply of property.

**Interest rates first** - Mark Carney (Chief of the Bank of England) said in a speech a few weeks ago at Lincoln Cathedral, the Bank will be seriously considering raising interest rates around Christmas time. An upward movement in interest rates will temper demand and result in a marked slowdown in house price growth. Mr Carney said that only six out of ten people that had a mortgage (57% to exact) had a variable rate mortgage, compared with more than one in seven (73% to be exact) in the Summer of 2012. Now I am not a mortgage arranger and cannot give advice, but rates are only going in one direction, so whether you are a landlord or homeowner, this might be a time to consider fixing your mortgage rate? Don't say I didn't warn you!

Tie this in with the stricter mortgage lending rules which were introduced in 2014, which affected people's ability to have larger mortgages, this means homeowners will need to be realistic in their pricing if they want to sell. Reading other recent reports though, property owners have continued to pay off mortgages at a faster rate while mortgage rates have been low. Therefore, when mortgage rates rise, the affect on home movers sentiment which, given the shortage of supply, would result in a marked slowdown in the rate of house price growth.

**Shortage of Supply** – As I have mentioned in previous articles, the number of houses on the market in Epsom is at an all time low. One reason is the large number of buy to let landlords who have bought Epsom property over the past fifteen years. Unlike first time buyers who tend to move on after a few years, landlords tend to keep their properties long term, meaning there are less properties coming onto the market ... thus restricting supply and sales. In fact over the last four months, only 5,181 properties in the Surrey County Council area have changed hands and sold, compared to 6,599 in the same time frame in 2014, a not so insignificant drop of 21.49%.

## Interest rates set to rise – How will that affect the Epsom property market?

A couple of weeks ago, I mentioned in this blog about how the Bank of England has been indicating recently that UK interest rates will be going up in the not too distant future. Therefore, if you are one of the 4,601 homeowners in Epsom, who own your own home with a mortgage, then you need to consider your options and start to budget for an interest rate rise. However, if you are a landlord, who owns one of the 2,253 rental properties in the town, whilst your exposure to interest rate rises is lower, it is most certainly something you should be aware of.

Since the spring of 2009, British interest rates have been at a record low of 0.5%. It's not a case of if, but when, they will rise. Some people think it will be before Christmas, although I am of the opinion, it will be early in the New Year around Easter time, when they do rise. I also expect those rises will be slow, steady and limited. It also depends on what happens to UK wage rises, UK inflation and the general state of the British economy. Nevertheless, as most of us in Epsom would love to pull the shutters and stick two fingers up to the world, we have to recognise we are part of a global economy and global economic worries still exist to prevent an abrupt and instantaneous rate rise.

Those Epsom landlords, who do have a mortgage, need to realise that as interest rates rise, their monthly mortgage costs rise. It's easy to say you will look at your mortgage next month and then before you know it, Christmas will be here! Don't forget, mortgage lenders have always removed the juicy low rate mortgage deals a few months before interest rate rise. Speak to a qualified mortgage arranger, there are lots of them in Epsom and seriously consider fixing your mortgage rate now. You didn't buy your Epsom Buy to Let property for it to become a millstone around your neck. It's all about mitigating your costs and maximising your income to make your Epsom Buy to Let property the investment you want it to be.



However, on the other side of the coin, two in three landlords who have bought property since 2007, have done so without a mortgage. A rise in interest rates might be a good thing. Let me give you some background first, then I'll explain why. Epsom landlords have seen their return on investment for their Epsom buy to let property, over the last couple of years, perform very well indeed with Epsom property values rising by 43.36% since the Spring of 2009. However, when rates do rise, whilst more expensive mortgage rates will ease the demand for borrowing, on the other hand, it may temper house price growth, making the property market more competitive... and therefore, we should see the return of some bargain property buys in Epsom!

Finally though, can I ask all Epsom homeowners and Epsom landlords, who have a mortgage that isn't fixed, they need to recognise that rates will rise throughout 2016 to 2018 and will continue to move steadily upwards towards more viable and feasible long term levels. However, I am not qualified to give that advice and this is just my personal opinion, so please speak to a qualified mortgage arranger and, if appropriate, fix your mortgage before interest rates rise. Don't say I didn't warn you!

In the meantime, if you are a landlord looking for a bargain now, don't despair ... there are plenty out there, if you know where to look! One place is Rightmove, another Zoopla and another OnTheMarket. However, sometimes, you can't see the wood for the trees. At the time of writing, Rightmove had 373 properties for sale in Epsom, Zoopla 269 properties for sale in the town and OnTheMarket 136 properties ... where do you start? A lot of savvy Epsom landlords like to visit the Epsom Property Blog, where, *irrespective of which agent is selling it*, I regularly post what I consider out of the hundreds of properties on the market, to be the best buy to let deal in Epsom. Alternatively you can email me on [ian@directresidential.co.uk](mailto:ian@directresidential.co.uk).

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