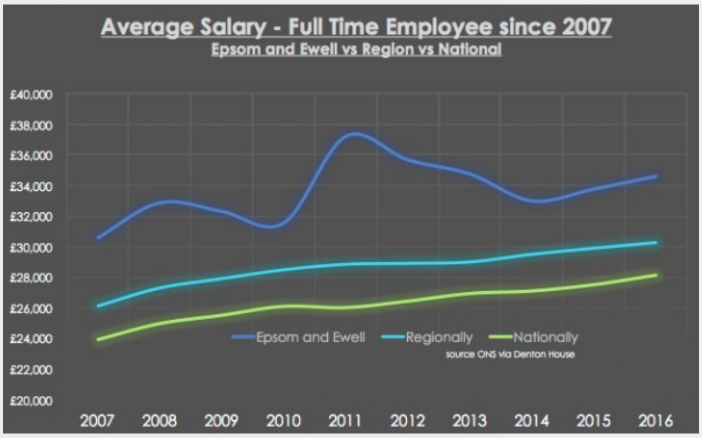
Epsom Property News

Epsom House Prices Outstrip Wage Growth by 34.94% since 2007

We recently read a report by the Yorkshire Building Society that 54% of the country has seen wages (salaries) rise faster than property prices in the last 10 years. The report said that in the Midlands and North, salaries had outperformed property prices since 2007, whilst in other parts of the UK, especially in the South, the opposite has happened and property prices have outperformed salaries quite noticeably.

As regular readers of our Newsletters know, we always like to find out what has actually happened locally in Epsom. To talk of North and South is not specific enough for us. Therefore, to start, we looked at what has happened to salaries locally since 2007. Looking at the Office of National Statistics (ONS) data for Epsom and Ewell Borough Council, some interesting figures came out...



Salaries in Epsom and Ewell have risen by 13.12% since 2007 (although it's been a bit of a rollercoaster ride to get there!) - interesting when you compare that with what has happened to salaries regionally (an increase of 15.87%) and nationally, an increase of 17.61%.

Next, we needed to find what had happened to property prices locally over the same time frame of 2007 and today. Net property values in Epsom and Ewell are 48.06% higher than they were in the middle of 2007 (not forgetting they did dip in 2008 and 2009). Therefore...

Property values in the Epsom area have increased at a higher rate than wages to the tune of 34.94% ... meaning, Epsom is in line with the regional trend

All this is important, as the relationship between salaries and property values is the basis on how affordable property is to first (and second, third etc.) time buyers. It is also vitally relevant for Epsom landlords as they need to be aware of this when making their buy-to-let plans for the future. If more Epsom people are buying, then demand for Epsom rental properties will drop (and vice versa).

This issue of 'property-affordability' is a great bellwether to the future direction of the Epsom property market. Now of course, it isn't as simple as comparing salaries and property prices, as that measurement disregards issues such as low mortgage rates and the diminishing proportion of disposable income that is spent on mortgage repayments.

On the face of it, the change between 2007 and 2017 in terms of the 'property-affordability' hasn't been that great. However, look back another 10 years to 1997, and that tells a completely different story. Nationally, the affordability of property more than halved between 1997 and today. In 1997, house prices were on average 3.5 times workers' annual wages, whereas in 2016 workers could typically expect to spend around 7.7 times annual wages on purchasing a home.

The issue of a lack of homeownership has its roots in the 1980's and 1990's. It's quite hard as a tenant to pay your rent and save money for a deposit at the same time, meaning for many Epsom people, home ownership isn't a realistic goal. Earlier in the year, the Tories released proposals to combat the country's 'broken' housing market, setting out plans to make renting more affordable, while increasing the security of rental deals and threatening to bring tougher legal action to cases involving bad landlords.

This is all great news for Epsom tenants and decent law-abiding Epsom landlords (and indirectly owner occupier homeowners).

Epsom Property News – Winter 2017

Still cheaper to rent than buy a house

So-called Generation Rent may complain bitterly about being forced to pay sky-high living costs, but a new study has found in many UK cities, it's actually cheaper to rent than it is to buy a home.

The study, by Zoopla, found the average monthly rental cost in many of the UK's largest metropolitan hubs is less than servicing a mortgage.

London was, naturally, the area with the biggest gap between rent and mortgage payments. Homeowners in the capital who have a mortgage with a 90 per cent loan to value ratio can expect to pay £3,000 per month, whereas the average rental cost is £1,861.

Cambridge came second in the ranking, with monthly mortgage payments of £1,488, versus rents of £1,099.

Brighton, Reading, Bedford and Liverpool were also listed among the top 10.

At the other end of the scale, with an average rental cost of £649 a month, tenants in Glasgow can expect to pay 31 per cent more than mortgage holders, who pay £475 a month.

Renting pensioner rate climbs

Analysis by **Countrywide** shows that one in every 12 private tenants is a pensioner, with the proportion jumping from 5.2% of all tenants in 2007 to 8% now. The average retiree pays £810 per month in rent, a figure 12% below the typical UK rent – with this attributed to the fact that older renters tend to live in smaller properties. Countrywide estimates that retired people paid a record total of £3.7bn in rent in the last year. The Countrywide data also shows that the cost of renting a home in the UK was 0.1% higher in May than in the same month in 2016.

Best – and Worst – BTL spots revealed

Luton has been found to be the best place for buy-to-let investments in the UK, having enjoyed a 7.37% increase in rental price growth.

Research by LendInvest looked at a combination of four metrics: capital value growth, transaction volumes, rental yield and rental price growth at each postcode area in England and Wales. Previous number one Romford dropped to 10th place, while Manchester entered the top 10 following rental price growth of 7.53%.

The bottom of the list was dominated by West London areas with negative price growth of over 3% - though at the very last place came Galashiels with -6.2%.

Private tenants set to hit 24% by 2021

Recent research suggests that almost a quarter of households in Britain will be renting privately in the next five years. It found that around 5m households – 21% of the total - are currently in private rented accommodation, with this expected to climb to 5.79m (24%) by 2021. The study, which surveyed more than 10,000 tenants and spoke to 26 large investors, found that 68% of renters expect to still be living in the rental sector in three years' time. On reasons for renting, 30% cited saving for a deposit to buy a property; 21% said it allowed them to live in an area where they could not afford to buy; and 18% said renting was more affordable than paying a mortgage. The research also reveals that three-quarters of tenants are in traditional buy-to-let property, with 12% in homes run by corporate landlords such as Grainger Plc. The research also suggests investors such as pension funds will nearly treble their investment in build-to-rent housing over the next six years, with £70bn set to be invested in such property in 2022 compared with £25bn this year. On the rental yields the sector could bring, London homes are likely to deliver an average of 3.5% by 2021 but regional cities could offer investors 4.4%.

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

Bought to you by Direct Residential Ltd

DIRECT RESIDENTIAL
Exclusively Lettings