

SIDCUP

PROPERTY MARKET NEWS

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SIDCUP'S £75,047,520 "RENTIREMENT" PROPERTY MARKET TIME BOMB



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Yes, I said '**rentirement**', not retirement ... **rentirement** and it relates to the 289 (and growing) Sidcup people, who don't own their own Sidcup home but rent their home, privately from a buy to let landlord and who are currently in their 50's and early to mid-60's.

The truth is that these Sidcup people are prospectively soon to retire with little more than their state pension of £155.95 per week, probably with a small private pension of a couple of hundred pounds a month, meaning the average Sidcup retiree can expect to retire on about £200 a week once they retire at 67.

The average rent in Sidcup is £1,082 a month, so a lot of the retirement "income" will be taken up in rent, meaning the remainder will have to be paid for out their savings or the taxpayer will have to stump up the bill (and with life expectancy currently in the mid to late 80's, that is quite a big bill ... a total of £75,047,520 over the next 20 years to be paid from the tenant's savings or the taxpayers coffers to be precise!

You might say it's not fair for Sidcup tax payers to pick up the bill and that these mature Sidcup renters should start saving thousands of pounds a year now to be able to afford their rent in retirement. However, in many circumstances, the reason these people are privately renting in the first place is that they were never able to find the money for a mortgage deposit on their home in the first place, or didn't earn enough to qualify for a mortgage ... and now as they approach retirement with hope of a nice council bungalow, that hope is diminishing because of the council house sell off in the 1980's!

For a change, the Sidcup 30 to 40 something's will be better off, as their parents are more likely to be homeowners and cascade their equity down the line



when their parents pass away. For example, that is what is happening in Europe where renting is common, the majority of people rent in their 20's, 30's and 40's, but by the time they hit 50's and 60's (and retirement), they will invest the money they have inherited from their parents passing away and buy their own home.

So, what does this all mean for buy to let landlords in Sidcup?

Have you noticed how the new homes builders don't build bungalows anymore ... in fact some would say the 'bungalow storey' is over. The waning in the number of bungalows being built has more to do with supply than demand. The fact is that for new homes builders there is more money in constructing houses than there is in constructing bungalows. Bungalows are voracious when it comes to land they need as because bungalow has a larger footprint for the same amount of square meterage as a two/three storey house due to the fact they are on one level instead of two or three.

That means, as demand will continue to rise for bungalows supply will remain the same. We all know what happens when demand outs strips supply ... prices (i.e. rents) for bungalows will inevitably go up.

£1,230.61PM – THE PROFIT MADE BY EVERY SIDCUP PROPERTY OWNER OVER THE LAST 20 YEARS

As we go headlong into 2018, I believe UK interest rates will stay low, even with the additional 0.25% increase that is expected in May or June. That rise will add just over £20 to the typical £160,000 tracker mortgage, although with 57.1% of all borrowers on fixed rates, it will probably go undetected by most buy-to-let landlords and homeowners. I forecast that we won't see any more interest rate rises due to the fragile nature of the British economy and the Brexit challenge. Even though mortgages will remain inexpensive, with retail price inflation outstripping salary rises, it will still very much feel like a heavy weight to some Sidcup households.

Now it's certain the Sidcup housing market in 2017 was a little more subdued than 2016 and that will continue into 2018. Property ownership is a medium to long-term investment so looking at that long-term time frame; the average Sidcup homeowner who bought their property 20 years ago has seen its value rise by more than 321%.

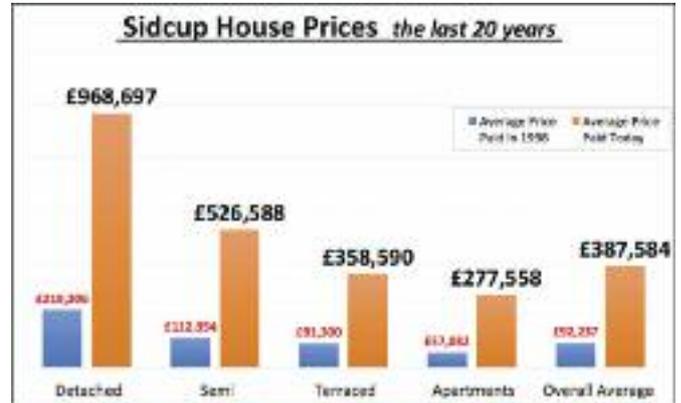


This is important, as house prices are a national obsession and tied into the health of the UK economy as a whole. The majority of that historic gain in Sidcup property values has come from property market growth, although some of that will have been added by homeowners modernising, extending or developing their Sidcup home.

Taking a look at the different property types in Sidcup and the profit made by each type, it makes interesting reading..

However, I want to put aside all that historic growth and profit and looking forward to what will happen in the future. I want to look at the factors that could affect future Sidcup (and the Country's) house price growth/profit; one important factor has to be the building of new homes both locally and in the country as a whole. This has picked up in 2017 with 217,350 homes coming on to the UK housing ladder in the last year (a 15% increase on the previous year's figures of 189,690). However, Philip Hammond has set a target of 300,000 a year, so still plenty to go!

Another factor that will affect property prices is my prediction that the



balance of power between Sidcup buy-to-let landlords and Sidcup first-time buyers should tip more towards the local first-time buyers in 2018.

The Council of Mortgage Lenders expects the number of buy to let mortgages to drop by 34% from levels seen in 2015. This is because of taxes being increased recently on buy-to-let and harder lending criteria for buy to let mortgages, which means I foresee a gradual move in the balance of power in favour of first-time buyers rather than buy-to-let landlords. First time buyers will also be helped by The Chancellor eradicating Stamp Duty for all properties up to £300,000 bought by first-time buyers in the recent budget.

This means Sidcup buy-to-let landlords will have to work smarter in the future to continue to make decent returns (profits) from their Sidcup buy-to-let investment. Even with the tempering of house price inflation in Sidcup in 2017, most Sidcup buy to let landlords (and homeowners) are still sitting on a copious amount of growth from previous years.

The question is, how do you, as a Sidcup buy to let landlord ensure that continues?

Since the 1990's, making money from investing in buy-to-let property was as easy as falling off a log. Looking forward though, with all the changes in the tax regime and balance of power, making those similar levels of return in the future won't be as easy. Over the last ten years, I have seen the role of the forward thinking letting agents evolve from a 'rent collector' and basic property management to a more holistic role, or as I call it, 'landlord portfolio strategic leadership'. Thankfully, along with myself, there are a handful of letting agents in Sidcup whom I would consider exemplary at this landlord portfolio strategy where they can give you a balanced structured overview of your short, medium and long-term goals, in relation to your required return on investment, yield and capital growth requirements. If you would like such advice, speak with your current agent – or whether you are a landlord or ours or not – without any cost or commitment, feel free to drop me a line.

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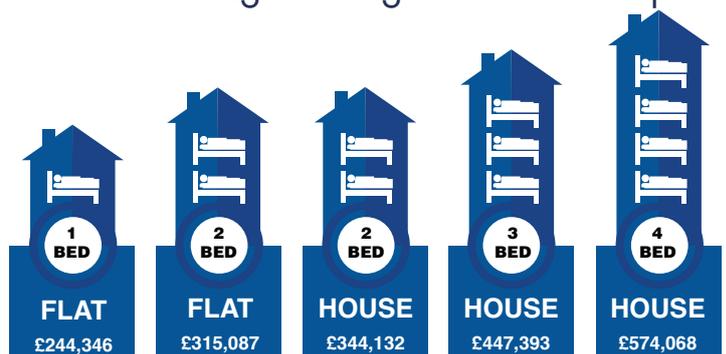
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Current Average Asking Prices in Sidcup



data from zoopla.co.uk using current properties being marketed

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SIDCUP PROPERTY MARKET AND HAMMOND'S BUDGET PROMISE TO BUILD 300,000 MORE HOMES

I miss the good old days of George Osborne as Chancellor, with his hardhat and hi-vis jacket. He must have visited every new home building site in the UK with his trademark attire! For the last few years, the nearest Philip Hammond got to donning a 'Bob the Builder' outfit was at his grandchild's birthday party. However, with what appears to be a change in focus by the Tories to ensure they get back in power in 2022, they appear to have fallen in love with house building again with the Chancellor's promise to create 300,000 new households in a year.



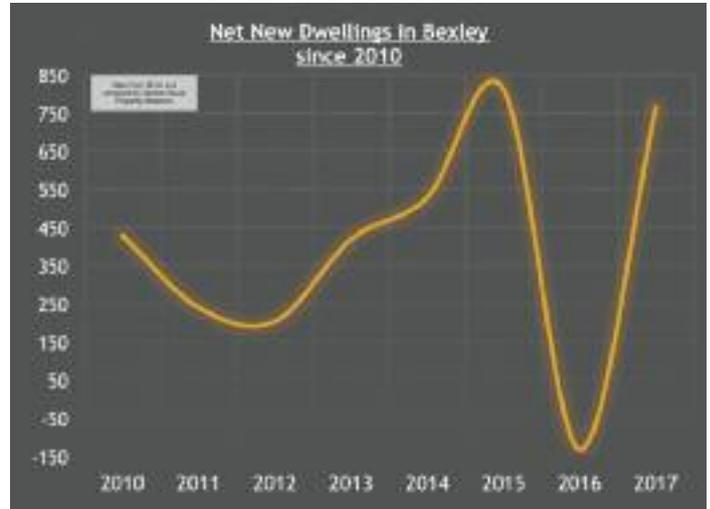
Nationally, the number of new homes created has topped 217,344 in the last year, the highest since the financial crash of 2007/8. Looking closer to home: in total there were 764 'net additional dwellings' in the last 12 months in the London Borough Bexley Council area, a decent increase of 79% on the 2010 figure.

The figures show that 104% of this additional housing was down to new build properties. In total, there were 796 new dwellings built over the last year in Bexley Borough and 8 dwellings were added as a result of converting houses into flats.

Net additional dwellings in Bexley Borough in the last 12 months				
New build	Conversions	Change of use	Demolitions	Net Additions
796	8	-27	-13	764

While these all added to the total housing stock in the Bexley Borough area, there were 13 demolitions and the loss of 27 properties from a change of use to take into account.

With the scarcity of building land available locally (or the builders being very slow to build on what they have, for fear of flooding the market), it was pleasing to see the number of developers that had reutilised vacant office space into residential homes in the local council area. Converting offices and shops to residential use will be vital in helping to solve the Sidcup housing crisis especially, as you can see on the graph,



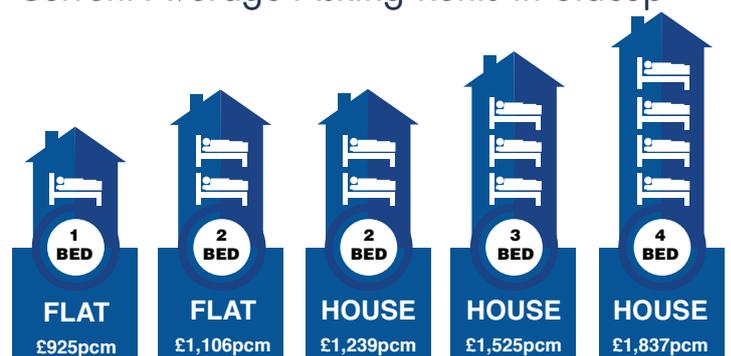
that the level of building has hardly been spectacular over the last seven years!

Now we have had the autumn budget, Theresa May and Philip Hammond have set out their stall with housing as their key focus. I was glad to see the Government introducing a variety of changes to improve housing, including more funding for the supply side and an injection of urgency into the planning system.

The biggest question is, just where are the Government going to build all these new houses? Maybe a topic for a future article?

Back to the main point though and the focus on the housing market by the Tory's is good news for all homeowners and buy to let landlords, as it will encourage more fluidity in the market in the longer term, sharing the wealth and benefits of homeownership for all. However, in the short term, demand still outstrips supply for homes and that will mean continued upward pressures on rents for tenants.

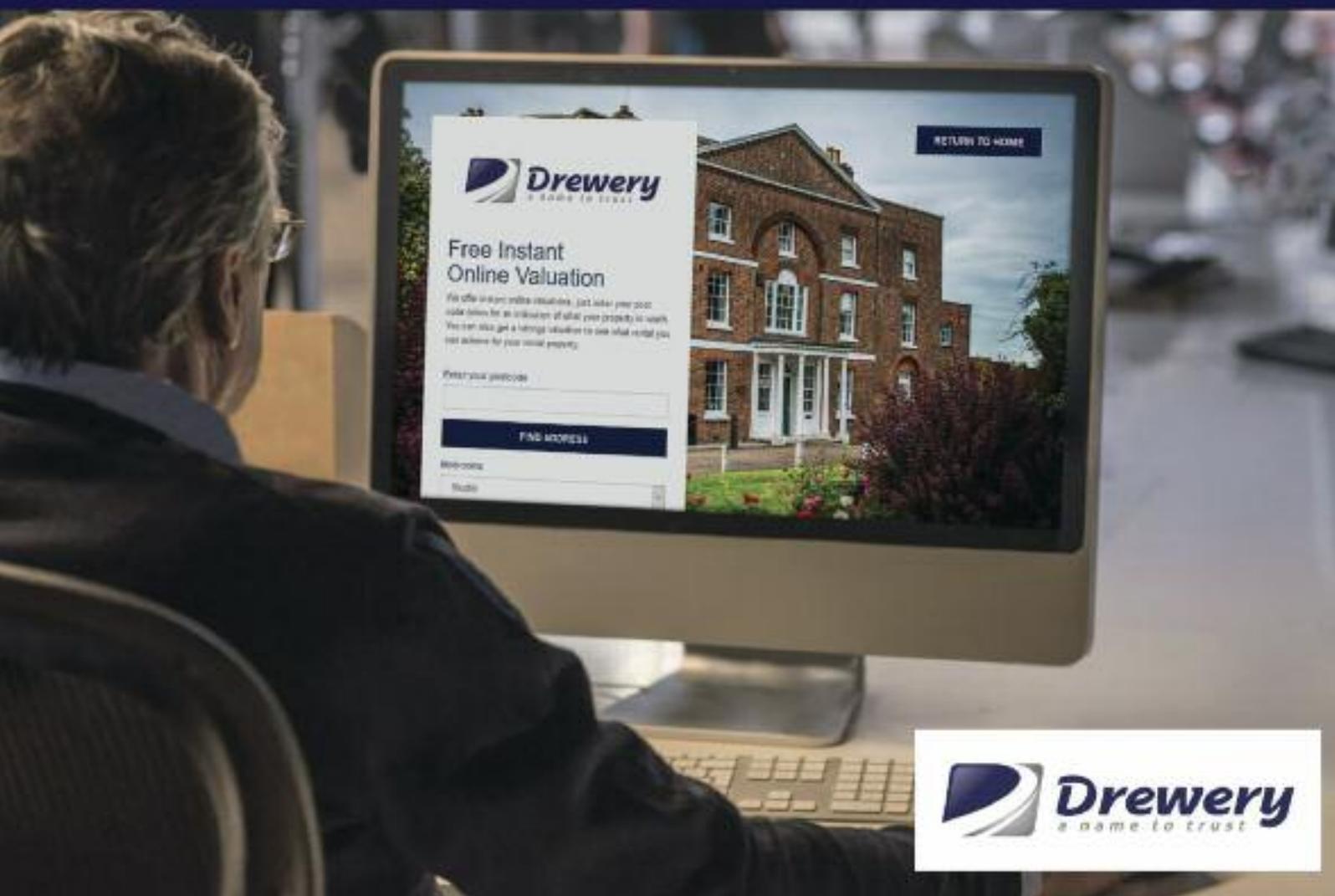
Current Average Asking Rents in Sidcup



data from zoopla.co.uk using current properties being marketed

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