RUTLAND & STAMFORD property news

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Like the city whiz kids, economists and pundits predicting the Brexit result, I also got a prediction wrong this month. In the days following the leave result, I predicted a dip in the number of new property instructions and valuations we typically receive, and I was wrong!

Since the vote we've had London investors seeking buy-to-lets, couples moving to this area for better schooling and for an enhanced quality of life, retirement planners seeking a way to maximise on their pensions, along with the other usual reasons for needing to sell or buy; divorce, marriage, separation, relocation, growing families etc.,

Selling or renting your property shouldn't be stressful and we will treat your property as if it were our own. We don't like to see an empty house!

We know our business and the Rutland and Stamford property markets like no one else. Please get in touch with us, we are here to help you BUY, SELL, RENT and MANAGE your homes and investments.

We look forward to discussing property with you.

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59.9% OF SOUTH KESTEVEN ELECTORATES VOTED TO LEAVE

But what does it mean for the 7378 Stamford landlords and homeowners - especially the 2889 of those homeowners with a mortgage?

In the campaign the Chancellor suggested property prices would drop by 18%. Using Treasury estimates, their method of calculating this was tenuous at best, but focused around the abrupt and hasty increase in UK interest rates, which in turn would raise the cost of mortgages, and therefore lower demand for property, causing a likely drop in property prices.

Stamford property values will probably drop in the coming 12-18 months. But by 18%? I am sorry I find that a little pessimistic and believe that figure was rhetoric to get homeowners and landlords to vote in a particular way.

Since the last In/Out EU Referendum in June 1975, property values in Stamford have risen by 1734.1% (That isn't a typo) and whilst property prices did drop nationally by 18.7% between the peak of 2007 and bottom of the market in 2009, when one compares property values today in the country, compared to that all-time high of 2007, (the period before the financial crisis of the Credit Crunch of 2008/9), prices are still up 10.14% higher.

In the past, if the value of the pound drops, interest rates have risen to reverse that drop. Since 2009, interest rates have been at 0.5% and lots of people have become accustomed to those sorts of levels. So, what if interest rates rise? Interest rates in the 1986/88 property boom were on average 9.25%, the 1990's they were on average around 6.5% and uber-boom years (when UK property values were rising by 20% a year for three or four straight years across the UK), 4.5%. Many of you reading this, who are in your 50's and older, will remember interest rates at 15%.

But I suspect interest rates won't rise that much anyway (in fact there is talk of them being lowered), as Mark Carney (Chief of the Bank Of England) knows, raising interest rates causes deflation – which is the last thing the British economy needs at the moment. In fact they have been printing money (aka Quantitative Easing) for the last few years (which causes inflation) to the tune of £375bn a month.

Because, whilst property values might drop, they will bounce back. It's only a paper loss, because it only becomes real if you sell. And if you have to sell, again as most people move up market when they sell, whilst your property might have dropped by 5% or 10%, the one you want to buy would have dropped by the same 5% to 10%. And, here is the best part (and work your sums out) **you would actually be better off** because the more expensive property you would be purchasing would have come down in value (in actual pound notes) than the one you are selling.

The landlords of the 4,701 Stamford buy-to-let properties have nothing to fear neither, nor do the 11,612 tenants living in their properties.

Buy-to-let is a long term investment. I think there might even be some buy-to-let bargains in the coming months as some people, irrespective of evidence, panic. Even if we pull up the drawbridge at Dover and immigration stopped today, the British population will still increase at a rate that will exceed the current property building level.

Britain is building 139,600 properties a year, but needs (according to the eminent 'Barker Review of Housing Supply Report'), to build about 250,000 properties a year to even stand still, and as the birth rate is increasing, the population is living longer and just under a quarter of all UK households now are occupied by a single person, demand is only going up whilst supply is stifled. Greater demand than supply equals higher prices. Fact.

And the value of your Stamford property? It might have a short term wobble... but in the long term -it's "safe as houses" regardless.

ASKING PRICES VS PROPERTY VALUES

I had an interesting question the other day from a homeowner in Stamford who asked me the difference between 'asking prices' and 'values' and why it mattered.

When it comes to selling property, there must be agreement between the purchaser (buyer) and seller (vendor) for a property sale to take place. The value a buyer applies to a property can massively differ from the value a seller or mortgage company places upon it. The seller, the buyer and the mortgage company must find an agreeable value to assign to a property so the sale can proceed.

In many of my articles about the Stamford property market, I talk about values, i.e. what property in Stamford actually sells for, but I haven't spoken about 'asking prices' for a while. Now asking prices are important as they are one of the four key matters a potential buyer will judge your property on (the others being location, bedrooms and type). Price yourself too high and you will put buyers off. So let's take a look at the Stamford numbers.

Over the last 12 months asking prices (i.e. the price advertised in the paper and on Rightmove etc.,) in Stamford have decreased by 2%, taking the average asking price in Stamford to £336,400 (down from £344,200 twelve months ago).

Interestingly though, when we look at detached and terraced property for example, a slightly different picture appears.

12 months ago, the average asking price for a detached house in Stamford was £519,400 and today its £528,200 (a rise of 2%); whilst over the same 12-month period, the average asking price of a terraced property was £259,300 a year ago, and today its £325,200 (a rise of 25%). Therefore, the decrease in other property types have brought down the total average figure.

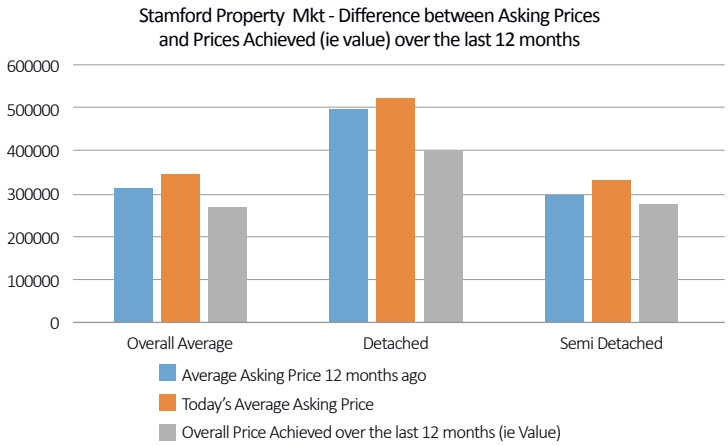
However, my research shows that the supply of property for sale in Stamford is beginning to increase. In December 2015, there were 120 on the market in Stamford today there are 130 properties on the market (up 8%). This will mean homeowners looking to sell will need to be conscious of how their property compares against others on the Stamford property market. The Stamford property market still has substantial momentum and sufficient demand remains.

This noteworthy increase in supply since Christmas is currently providing more choice for buyers and is tempering asking prices.

… And here is the second point to make. Asking prices are one thing, but what a property sells for (i.e. value) is a completely different matter. These are the average prices achieved (i.e. what they sold for or the average value) for property in Stamford over the last 12 months…

- Overall Average £277,300
- Detached £391,800
- Terraced £230,200

You can quite clearly see, there is a difference between what people are asking for property and what it is selling for. The underlying fundamentals of low interest mortgages and tight supply remain prevalent in the Stamford property market however, the number one lesson has to be this… **if you want to sell, be realistic with your pricing from the beginning.**



57.6% OF OAKHAM TENANTS ARE 'WHITE COLLAR MIDDLE CLASS'

With Oakham youngsters struggling to buy their own property, my research suggests the progressively important role the private rented sector has in providing accommodation - especially at a time of increasing affordability problems for first time buyers and taking into account the difficulties faced by social housing providers (local authorities and housing associations), in their ability to secure government funding and then only to compete against large building companies to buy highly priced building land.

Renting isn't like it was in the 1960's and 70's, where tenants couldn't wait to escape their irresponsible landlords charging extortionate rents for properties with wood chip walls, no central heating and drafty windows.

Since 1997 with the introduction of buy-to-let mortgages and a new breed of landlord, the private rented sector in Oakham has offered increasingly high quality accommodation for younger households.

So, whilst I knew in my own mind that the type and class of tenant has improved over the last 20 years, I had nothing to back that up ... until now. According to some newly released detailed statistics from Durham University, for the Rutland County Council area, the current situation regarding social status of tenants shows some very interesting points.

Using the well-known demographic 'ABC1' grade classifications, which refers to the social grade definitions (which describe, measure and classify people of different social grade and income and earnings levels, for market research, social commentary, lifestyle statistics, and statistical research and analysis) this is what I found out;

Of the 2,595 tenants who live in a private rented property in the Rutland County Council area, 24.74% (or 642) of those tenants are classified in the 'AB Category' (AB Category being 'higher and intermediate managerial / administrative / professional occupations'), compared to 33.27% owner occupiers who own their property without a mortgage, or 2.92% who rent their property from the local authority. Fascinating, don't you think?

So, if we use the conventional measurements recorded by the white-collar "ABC1" classification i.e. middle class…

This means 57.65% of tenants are considered middle class in Oakham.

Looking at the 'C1's' (C1's being the 'supervisory, clerical and junior managerial / administrative / professional occupations'), of the already mentioned 2,595 tenants in the area, an impressive 854 of them are considered to be in the C1 category (or 32.91%). Again, when compared with the owner occupiers who own their property without a mortgage, that figure stands at 30.82% and 12.11% who rent their property from the local authority.

I could go through all of the social categories through to 'E', but I don't want to bore you with too many numbers. The fact is that private tenants are moving up the social ladder and whilst back in the 1960's and 70's, the private rented sector in Oakham (and the rest of the UK) has customarily been viewed as a temporary tenure for '20-somethings' before they bought a property.

The increase in renting in Oakham, which I have talked about many times in my Oakham Property Market Blog, may be a reflection of increasing difficulty for this group in accessing other tenures, but may also be a reflection that people nowadays choose to rent long term instead?

Oakham Landlords need to be aware that tenants now demand more from their properties, the letting agent and their landlord and whilst affordability for first-time buyers and tighter controls on lending may mean that potential first-time buyers are in the private rented sector for longer, they will still pay 'top dollar' rent for a 'top dollar' property.