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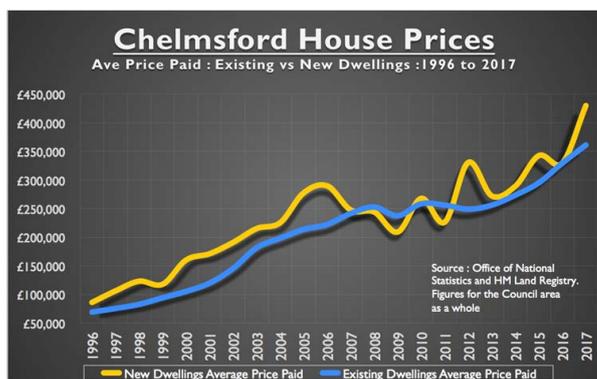
Chelmsford Property Market – The 18.9% 'New Build Premium'

According to the National House Building Council (NHBC), more than 17,300 new homes were registered to be built in the East last year, an increase of 8.7% on 2016 levels of 15,900 dwellings. Great news when you consider it is one of the highest number of new builds in the region since the pre-recession levels of the Credit Crunch and the uncertainty of Brexit and the General Election.

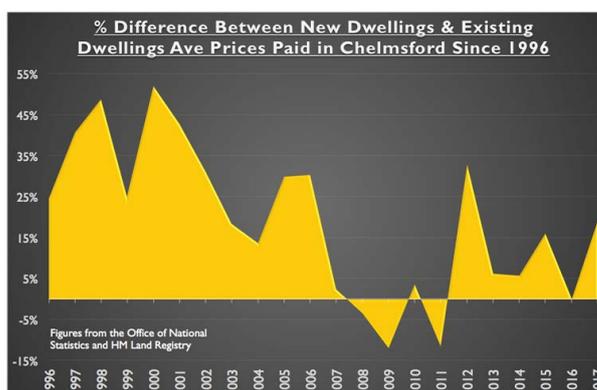
So, when a landlord recently asked me why the brand-new property she was considering buying was a lot more expensive compared to a second-hand/existing property of similar type, accommodation, location and structure I thought this would make a fascinating topic to do some homework on ... homework I want to share with the homeowners and landlords of Chelmsford.

You might believe that the difference between purchasing a new build home against purchasing a second-hand/existing home is just individual preference. Some buyers/tenants like the ostentatious trendy modern feel of a new home, whilst others like a home that has stood the test of time.

So, what is the right answer? Well, I am going to be looking at some statistics that shows there is a real difference in the Chelmsford City Council area's property market when it comes to new vs existing homes and the price paid. Looking at the average price paid for existing (second-hand) versus a brand new home since 1996, one can see from the graph it makes interesting reading.



On this second graph, one can see the **percentage difference** in average price paid between new and existing...



Yet possibly nothing is ever that easy, as there are issues with these statistics.

The overall average for the whole Chelmsford City Council area for the 'new build premium' (new build premium being the additional price a buyer pays for buying a new property compared to a second-hand one) over the last 21 years has been 18.9%. These statistics actually show that it is problematic to compare like with like because it is impossible to completely separate all the different factors of type, accommodation, location and structure etc.

One would have to have a mirror image second-hand Chelmsford home and a duplicate new build right next door to each other, then calculate out which Chelmsford house buyers or Chelmsford buy to let landlords would pay more for? Perhaps if everything was the same (*all things being equal*), there might not be any difference in what buyers would be prepared to pay... but then again, it's

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Director of
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Hello and welcome to our monthly newsletter on the Chelmsford property market.

As the Company owner of Martin & Co, one of Chelmsford's leading letting and estate agents, I'd like to share with all the owners and landlords of Chelmsford property, what is happening in the Chelmsford property market on a monthly basis.

If you like the stories that I write, there are plenty more on my blog:
www.chelmsfordpropertyblog.co.uk

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like new cars versus cars that have a few hundred miles on the clock ... there is always a difference on the forecourt ... because things are never wholly equal.

What I do know is that my statistics of the Chelmsford property market show

that new build Chelmsford apartments are worth more to people than their second-hand equivalents, whilst the difference is negligible between new build Chelmsford detached houses and second-hand Chelmsford detached houses.

However, I believe the **really important**

lesson in all these statistics is the fact that 'new build premium' for new-build versus buying a second-hand property increases in a buoyant market and reduces in a tougher market. So, if you want to buy new and the only consideration is money ... try buying in a tougher challenging property market.

Chelmsford's £161,232,760 "Rentirement" Property Market Time Bomb

Yes, I said '**rentirement**', not **retirement** ... rentirement and it relates to the 698 (and growing) Chelmsford people, who don't own their own Chelmsford 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 Chelmsford 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 Chelmsford retiree can expect to retire on about £200 a week once they retire at 67.

The average rent in Chelmsford is £963 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 £6161,321,760 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 Chelmsford tax payers to pick up the bill and that these mature Chelmsford 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 Chelmsford 30 to 40 somethings 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 Chelmsford?



Have you noticed how the new homes builders don't build bungalows anymore ... in fact some would said 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.

