



Market complexity illustrates that trust

Corporate slogans are a curious challenge: summarise your business in three words. 'Your M&S' is a recent crowd-pleaser and the quiet rage of 'Just do it' is now ubiquitous. Some slogans even change behaviour, for example research says that 'It's good to talk' increased male use of the phone.

A favourite of ours belongs to the clothing company Berghaus: 'Trust is earned'. The slogan's directness and humility seems apt for these times of recession and economic complexity: people quickly discover if their client relationships are built on sand or rock and whether their advice is acted upon.

Such trust will be essential in 2010, for both the agent wanting client referrals to gain new instructions, and for the landlord looking for expertise to navigate issues such as growing unemployment, post-election budget

deficit reduction, continued low levels of homebuyer and commercial lending and possible inflation arising.

This report first reviews Quarter 4 2009 activity across eight residential letting offices in Oxfordshire, followed by overall trends from 2009 and then thoughts on 2010.

Quarter 4 2009

A SHORTAGE OF CERTAIN TYPES OF STOCK...

What a difference a year makes. The oversupply from failed sales last winter has changed into the start of a shortage of some stock, caused by failed sales reducing, small volumes of new build, relative difficulty of obtaining buy-to-let finance and a general feeling of 'sitting tight'. 1- and 2-bedroom furnished apartments in Oxford from £800-1000pcm are in particular demand, for example Photo 1 and 2 let on the first viewing in OX4 and OX1 respectively.

....ALTHOUGH GENERALISATIONS CAN BE INACCURATE

While our North Oxford office cannot satisfy 2-bedroom demand – Photo 3 showing a smart Cumnor apartment let for £1200 – outside Oxford the market is different. Both Bicester and Abingdon report a surplus of 2-bedroom property linked to the legacy of recent planning permissions favouring such apartments. The familiar trinity of accurate pricing, excellent presentation and proactive letting are required.

LARGER HOMES SURPRISINGLY LETTING WELL OUTSIDE OXFORD

This is just as strange as the 2-bedroom inconsistency – normally November and December are quiet for family homes. Analysing our source data it seems that corporate relocations increased in Q4, with firms who delayed personnel moves now having the confidence to move forward with plans. Examples include: an excellent 4-bedroom house in Warmington let with a 9% increase in rent (Photo 7); a Victorian home near Deddington marketed at £1750 (Photo 6); a modern high-spec home in Southmoor marketed at £2500.

LANDLORDS UPGRADING TO COMPETE & ACHIEVE

Where that 'Berghaus trust' exists, some landlords are taking our advice and upgrading properties to remain competitive in the market. Of course any investment is non-trivial for the owner and the specification must be rigorously planned. One Witney tenancy ran for 10 years and the landlord commissioned Bricks & Mortar, our building division, to upgrade and bolster the capital value of the property. Photos 4 & 5 show the kitchen before and after. In another project a 4-bedroom Bicester house was looking tired after 15 years of tenants. Bricks & Mortar installed a new bathroom and kitchen in 4 weeks, increasing the new rent by 10% over a new three year corporate tenancy rather than the rent decreasing an estimated 5%.

EARLY YET STRONG STUDENT DEMAND

In December FK Student Letting launched The List of September 2010 properties and consequently let 24 properties on day one and 75 properties in a week.



THOUGHTS ON 2010

Is our appetite for predictions still greater than our growing distrust for them? With that in mind here are some views on 2010, but without the media-friendly quantification for rent increases:

1. The supply of private rental stock is diminishing so at this rate rents will hold or increase due to demand. This may surprise some applicants who may not feel richer due to widespread pay freezes and VAT and inflation increases. There is little new build coming on-stream and the quantity of 'buy-to-let' mortgages is still relatively low. The highest rents relative to property size are expected on 1-bedroom apartments and studios due to a lack of supply.
2. Unemployment remains the big question in terms of affecting tenant demand. Much Pre-Budget Report analysis suggested that post-election the winning party will need to tackle/ cut/slash (choose your word) public sector costs – this remains an unknown yet important quantity for Oxfordshire.
3. Oxford City Council is launching self-certificate landlord accreditation to try and improve standards. Many local authorities in the UK have launched such schemes. This contrasts with central Government's lack of action on the Rugg Review's recommendation to introduce 'light-touch' agent and landlord licensing.
4. The recession has hit the timetables of several large Oxfordshire developments, for example: Central Bicester's £70m project should have started in 2009; the earliest completion date for the New Westgate Centre is now 2014; and many of the other 38 projects under Oxford's 'West End Development' banner are going to be delayed.
5. The sales market is open to much conjecture but many of our clients expect good properties within Oxford stay flat but are braced for some decline in prices outside of the city. Most 'expert' predictions see 4-10% national price falls linked to a reduction of cash purchasers; slight increase in supply; low levels of first time buyers due to financing difficulties; and the increasing strain of unemployment.

must be earned

Rents now approach £450 pcm per person for the premium properties. The blizzard of paperwork ensues with parental guarantors for each applicant.

CLIENTS TRADING BACK UP TO FULL MANAGED

Earlier in 2009 some clients changed service from fully managed to rent collection or letting-only to save the pennies, as you would expect in a recession. In Q4 we saw several return to a managed service with the words 'too much hassle' often said. One such landlord actually calculated his time spent managing property vs. income generation from his own business and soon stopped the former.

2009 in general

Looking back beyond Quarter 4, several trends are of interest for 2009 as a whole:

1. **Rent collection was better than expected.** It could be the quality of Oxfordshire tenants, or perhaps the rigour of our referencing, but the volume of rent collected on time has been ahead of expectations: 99.34% in October and 99.13% in November. The latter includes 99.99% for our Central Oxford office which is working hard on that final 0.01%.
2. **Thankfully, little repossession.** Across eight offices our clients only experienced four repossessions in 2009. The factors appear to be a) lower interest rates reducing finance payments,

b) our region generally has less highly-g geared investors than many other areas. Long may it continue.

3. **EPCs are not resonating with applicants.** In theory Energy Performance Certificates (which rate a property's energy efficiency) are a good idea. In reality, tenants (so far) almost never ask for the EPC when viewing a home.
4. **Rent increases on tenancy extensions at 1% overall.** The vast majority of tenancies have extended at 0%, not far off inflation. Some tenants have requested rent reductions and here the letting agent must then earn their fees, advising the landlord on how to respond and managing this potentially delicate situation to the satisfaction of both parties. Our views on rents in 2010 are in the sidebar.
5. **Tenants from newspapers are rare.** When Tony Blair came to power about 15-20% of our tenants came from some form of newspaper advertising. In 2009 it was under 1% (not that Tony Blair is to blame for this). Some landlords are hesitant to accept this new reality.

DOES YOUR LETTING PORTFOLIO NEED A NEW HOME?

Free and honest advice is on hand via the numbers below