



Applicant volition conquers

The Oxfordshire letting market is busy and landlords should be making hay while the sun shines.

The copious noise (General Election, new Prime Minister, new Housing Minister, new Housing policies, Emergency Budget and Bloemfontein heartbreak) has not deterred applicant demand. However, our 6-12 month outlook is tempered by the communal budgetary pain which the country is expected to shoulder.

As ever, the truth is in the detail as each town has its own micro-climate: be wary of lazy generalisations. Enough preamble: here is some detail across 8 letting and management offices in Oxfordshire for April, May and June 2010:

SUPPLY HAS DECREASED DUE TO FIVE FACTORS...

The supply of private rental sector property has decreased in Quarter 2 versus 2009 for three predictable reasons: low levels of new-build property coming on-stream; fewer investor acquisitions compared to 2002-7; and dramatically fewer "failed sales" sitting unloved on the market.

Two less predictable factors are influencing proceedings. First, "renewals" (people extending their tenancies and staying put)

increased a striking 18% year-on-year for March to May¹. 18% is a big, unexpected number which immediately removes stock from the market². Second, more landlords are selling after a couple of years waiting for calm amid the financial storms. Indeed, in 2009 only 2.64% of letting properties were sold³, about half the usual amount. To illustrate, one of our offices has 9 properties for sale – this time last year it was 3. Selling motives go beyond pre-Budget Capital Gains Tax fears: buying a retirement home; children's education; inheritance tax planning; relocation; paying the main mortgage off, etc.

..WITH A PARTICULAR SHORTAGE IN BANBURY.

The Banbury letting market tends to play by its own rules, and Quarter 2 is no exception: as of 25/6, there were only 85 properties available to let within 3 miles of Banbury Cross⁴; two weeks earlier there were 95. These are very low figures for a town of 40,000+ people and are partly due to the large numbers of properties for sale.

SO WITH SOLID DEMAND THE MARKET IS BUSY AND RENTS ARE RISING ACCORDINGLY...

Only a fool would tell you that rents rose in 2008 and 2009. Our 0% increase on renewals in 2009 was hard-fought. Now, the tide has turned slightly for properties in good condition. A range of examples: smart Jericho 1-bedroom apartments which let at £975⁵ last year have recently gone for £1050; two lovely Deddington cottages let for £650 and £675 in 2009 but have recently let for £700 (Photo 4); the rent for a 4-bedroom home on the fringes of Summertown increased by 7% in 12 months; central Banbury 2-bedroom apartments which were £575-600 last year are now £625-650 (Photo 3).

Demand creates decisiveness. In Central Oxford foreign students are taking properties 3 months in advance and then disappearing home for the summer: pre-holiday life organisation. The result: 10 lets in one week for our office opposite Oxford station and continued demand for 1-bedroom Oxford Castle apartments at £1050 with no parking. In East Oxford our favourite Cowley cottage did not linger long on the market (Photo 2).

In Abingdon, homes from £500 to £3000 are letting well. A refurbished mews house by the Thames was under offer at £1000 with another agent: our applicant offered £1150. A 4-bedroom house in East Hanney took several months to let in 2009 – this year it went instantly.

No part of Oxfordshire has a surplus of large family houses. Our family tenants are renewing rather than leaving and each office has more demand than supply. New tenancies in Quarter 2 included homes in Boars Hill, Headington, and North Oxford (Photos 1, 5 and 6).

...ALTHOUGH FOUR CAVEATS ARE REQUIRED WITH RENT INCREASES.

Caveats kill the party spirit but four points are important. First, our perennial favourite: the best-looking homes achieve the best rents. If your property looks tired, then the current supply:demand ratio will probably not be strong enough to increase your rent.

¹ Finders Keepers tenancies only

² The hypothesis is that our renewal rates are seen across the market

³ Finders Keepers properties only

⁴ Whole of the market data based on Rightmove and Primelocation searches

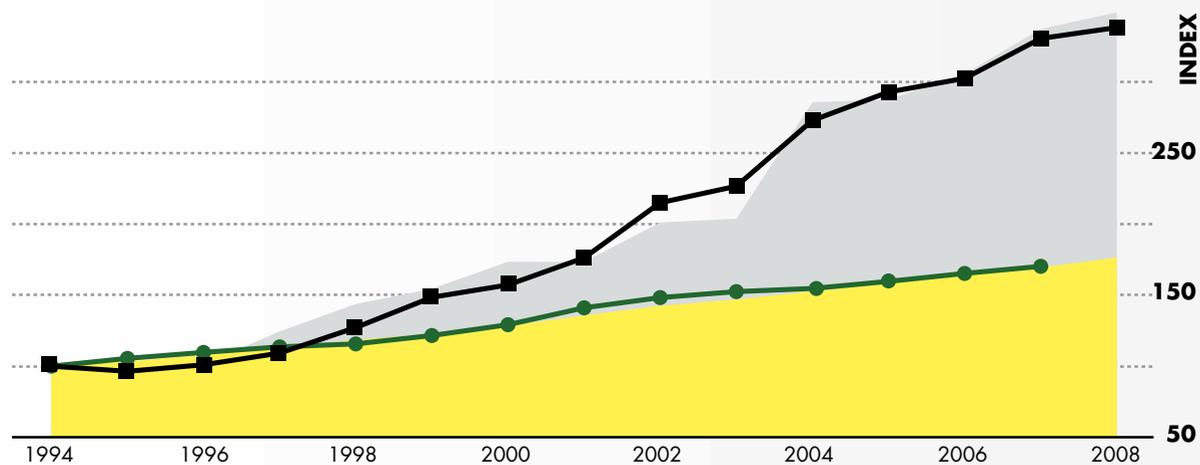
⁵ All rents pcm

Silver Sunday Times Medium Agency 2010
Silver Sunday Times Property Management 2010
Winner Sunday Times Best UK Letting Agent 2009
Winner Negotiator Magazine 'Employer of the Year' 2009
Silver Sunday Times Training & Development 2009

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coalition uncertainty



FIRST TIME BUYER HOUSE PRICES, MORTGAGE COSTS, EARNINGS & PRIVATE RENTS COMPARED

Source: UK Housing Review 2008/9, Edited by Steve Wilcox

Second, many properties in developments of similar units have a natural rent ceiling linked to numerical psychology. A good example is a 2-bedroom house in Langford Village, Bicester where £750 is a good rent, the market maximum and a round number which has become an unspoken limit for the majority of applicants. We do not expect rents to exceed it in the medium term.

Third, remember that rents and sales prices dance to separate rhythms, as the graph shows. When rents increase across the country, they

do so relatively slowly, and it is revealing to see the link with earnings for the UK.

Fourth, pockets of 'ample' supply remain. While Oxford, Banbury and Bicester lack 2-bedroom homes, Witney and Abingdon do not so applicants have more choice. To repeat: each town has its own letting micro-climate. Take expert advice if you do not know the current temperature.

LOOKING AHEAD: THE EMERGENCY BUDGET AND A NEW HOUSING MINISTER

The Budget has been dissected by much better qualified experts than ourselves, but it is logical to expect the wide-reaching public sector cuts and VAT rise to blunt

applicant demand and rent budgets in Oxfordshire, starting in the autumn. It was clever to introduce the CGT increase immediately and post-budget we have not received more calls from clients wanting to sell. Talk of taper relief post-Budget remains speculative. There is still a dire lack of incentives for investment in residential rental stock, but this is not surprising. For portfolio landlords there are increasing reasons to consider a limited company structure: we can recommend a good accountant.

There is so much conjecture about red tape in the letting sector that we are producing a special **Legislation & Policy Report** for our clients to cover HMOs, planning, regulation, accreditation, housing benefit and other issues. Non-clients can register for a copy via research@finders.co.uk. As a rival agent said of our HMO blog: "Your explanation was great, we used it with all our clients." Well, we're here to help.

LETTING IS A PEOPLE BUSINESS

A tenant requests a water-birth at home - on the first floor. The pool would have (literally) brought the house down. Ground floor thinking prevails.

A new landlord needs to re-house her cat. We love a challenge. Eventually we find an applicant delighted to take the cottage...and feline custody.

Our FK Student Letting team orders 150 loo brushes and 150 pull cords. Everyone in the shop keeps a straight face - retail professionalism.

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 OX14 3PX

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 3 Horse Fair
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