

A dubious list to be leading

CHRIS KOENIG
on a new report
that places the
city at the top
of a table of
rental hotspots

An Englishman's home is his castle, or so goes the old saying. Certainly England has long prided itself on its high number of owner-occupiers. But a new report indicates that, in Oxford at least, this may not be the case for much longer, as the city heads a list of regional 'rental hotspots'.

More and more Oxford residents are becoming 'trapped' in rented accommodation, very possibly for life and certainly for far longer than has been the case in the past.

Thanks to the mortgage drought, tenants are increasingly finding themselves unable to afford to buy the home to which they aspire, despite (in many cases) being well qualified and in good jobs.

They are paying through the nose for the privilege too. The report reveals that rents here are the highest in the country outside London in terms of proportion of income.

For instance, the rent for a typical two-bedroom flat in Oxford represents 57 per cent of the average tenant's income and that compares to a national average of just 31 per cent and an average for the South-East of 35 per cent.

Indeed, the situation is even worse in Oxford than in London as a whole, where the average tenant of a two-bed property forks out 53 per cent of income on rent.

Only in a few boroughs in and around London is the rent-to-income ratio as high as here.

Now, canny buy-to-let landlords are back, hoping to buy at the bottom of the market and make money twice over: once from being on the receiving end of high rents and once from the capital appreciation of their properties.

And they are pushing prices still further out of tenants' reach.

Lucian Cook, a director of Savills Residential Research, which produced the report jointly with property website Rightmove, said: "Private renting is becoming a way of life for a much wider spectrum of people in the UK and the number of tenants 'trapped' in the sector shows no sign of decreasing."

He added: "Meeting the growing demand for private renting and the changing profile of tenant demand are perhaps the greatest challenges facing both the housing industry and policy makers."

"The dynamics of supply and demand make a great case for investment in this sector, and rising rents and lower capital



WORRIES: Simon Buckingham and Michelle Ravey are concerned they may be stuck in rental property for far longer than they want to be because of the city's housing market

Picture: OX52091 by Damian Halliwell

values have begun to attract private investors back into the market.

"Investment returns relative to other asset classes will dictate the pace of investor entry to this sector."

Nationally the report reckons that tenants paid a total of £48bn to private landlords in 2011 and forecasts that this will rise to £70bn within five years, as rent and the amount of renting rises.

It estimates that £200bn of investment is needed to supply the demand but that it can only envisage £50bn of this coming from traditional buy-to-let borrowing.

And in highly constrained markets, such as Oxford, investors may be looking more for high returns from increasing house prices than high rent yields.

But investors everywhere will be balancing these two elements in the hope of coming up with the

balance which delivers best total returns.

Frank Webster, of Oxford letting agents Finders Keepers, said: "Demand for rented property is definitely outstripping supply, with about 60 per cent of our tenants being frustrated buyers, many of them in their 30s and 40s."

"The age at which they can buy their first home is growing later and later."

"At the same time, many cash

buyers for homes in Oxford are people who are frustrated at the low returns they get on their capital, say, on savings accounts. And there is a big demand from people moving out of London. Or they are older retired people who, perhaps, have sold businesses.

"Rents for a one-bedroom flat in Oxford are about £800 a month. And for a two-bedroom house, say in Jericho, between £1,250 and £1,500."

"Large North Oxford houses command very high rents. We let one recently for £126,000 a year, or £10,500 a month."

He said the constraints on supply in Oxford include restrictions on flat sharing caused by Oxford City Council's licensing policy for houses in multiple occupation and its decision to impose a community infrastructure levy on new developments.

In order to find a case study of someone keen to move but for the time being stuck in rented accommodation, he did not have far to look. Just across the office in fact.

Finders Keepers employee Simon Buckingham, 25, and girlfriend Michelle Ravey, also 25, who works at Oxford University Press, share a house in Morrell Avenue with two others.

They would dearly love to buy in Oxford, where Mr Buckingham was born and where they both studied as Oxford Brookes University students, but the prices are "way out of reach".

Mr Buckingham said: "Now we are looking in Bicester and have investigated a Government First Buy scheme. But even with that they wanted £12,000 more than we had got."

"I am worried we may get stuck renting because that seems to be the trend. But we need to act quickly before things get even more expensive."

If things are that hard even for young professionals, how can they be for less well qualified people, you may ask?

The Savills and Rightmove report remarks: "In areas where affordability is most stretched landlords will face a trade-off between pushing for higher rents, thereby risking arrears and voids, or opting for a lower rental growth but a more secure income, and renters will face the possibility of long periods in shared accommodation to make renting an affordable necessity."

Miles Shippide, of Rightmove, said: "Estate agents report an upturn in buy-to-let investor activity, driven by frustration with poor return from cash in the bank."

The report concludes: "A shift to private renting may go against the nation's emotional attachment to home ownership and long-established political aspirations of a nation of private sector home owners, but facilitating the supply of new stock into the sector is now critical."

Nowhere more so than in Oxford.