

Eight into one won't go

Competition in the rental market is so fierce that potential tenants are turning to underhand tactics such as gazumping.

By Anna Mikhailova

Paul Snopek had been trying for months to sell his £180,000 one-bedroom ground-floor flat in Bromley, Kent, without success, so, two weeks ago, he decided to let it out instead.

At 10am, he called and asked Kinleigh Folkard & Hayward, his estate agency, to put it on the market. Several viewings were arranged, and by 2pm the same day he had a tenant willing to pay the asking price, £775 a month. "I was very surprised," says Snopek, 30. "My wife and I called the agent the day before we were going on holiday, thinking it would take two or three weeks to find a tenant. We never expected to have to sort everything out in a day."

Their experience was far from extraordinary. Across the country, while properties are struggling to sell, they are being rented even before they are put in agents' windows or listed on their websites — often by frustrated would-be first-time buyers unable to save up the 20%-25% deposits demanded by lenders. Gazumping, once confined to the sales market, is also becoming increasingly common in the world of lettings.

One estate agent in Oxford witnessed three families view a house available for rent at the same time, then sprint back to the office to put in their offers. "Somehow, they got the impression that bids were being accepted on a first-come, first-served basis," he says. "It was like watching something out of Wacky Races."

The fierce level of competition has been pushing up prices. The average cost of renting across England and Wales rose to a record high of £705 a month in July, up from £676 a year ago. That's the sixth consecutive monthly increase this year, according to a survey by LSL Property Services. London has led the way — rents there have risen by 7.1% in the past year, up to £1,009 per month. A study by Douglas & Gordon estate agency found that a two-bedroom flat in the capital now costs an average of £527 a week to rent, up from £491 last year.

In popular areas such as central London, where the mismatch between supply and demand is at its highest, agents have been witnessing unprecedented scenes. One five-bedroom red-brick maisonette in Lennox Gardens, Chelsea, had more than 100 viewings before it was let at the asking price of £1,950 per week — a figure described as "ambitious" by Henry and James, the agency marketing the property.

A few doors down the road, a house that was listed and eventually let for £6,750 a week was also fought over and gazumped. A deal was agreed six weeks later, for less than the asking price, "but this tenant did not sign anything or pay a deposit, so lost out to someone else who signed up straight-away," says Lucy Morton, head of lettings for WA Ellis, which was handling the property.



Larry Lilac/Alamy

Even those cities, particularly in the north, that suffered from a glut of new-build flats when boom turned to bust in 2007-08 are seeing rents increase. The LSL Property Services report shows that the biggest rises outside London in the past year were in the northeast, where rents increased by 5.5%, and the East and West Midlands, where they went up by 4.8%. The latest figures show growth in all regions except Wales, where they remain at the levels of July 2010.

"Demand from thousands of frustrated buyers each month is underpinning

competition for rental homes," says David Newnes, managing director of LSL Property Services. He says that even the recent revival in the buy-to-let market — lending to property investors increased by 21% in the last quarter, which should lead to an increase in the number of rental properties available — will not stop prices rising. "Even with the squeeze on landlord finance abating, the new supply will not be enough to meet demand."

Yet there are signs of a slowdown in some parts of the country. "The market in Oxfordshire has come down since

May," says Dan Channer, commercial director for Finders Keepers, a lettings agency. This spring, properties were being let again, after 12- or 18-month leases had expired, for 3.8% more, on average, than their original agreed amounts. Some offices reported 5% rises.

By July, however, the increase was a more modest 2.5%. Channer suspects this may be because the local market is seasonal, and that activity kicked off much earlier than usual this year — "families got ahead of the game in spring".

Still, he has seen plenty of properties snapped up before there is time to take any photographs, create brochures or put pictures in shop windows or the local paper. "Even with the bigger properties, which do not always let quickly, we have had this happening," he says. "This month, we let a £6,000-a-week townhouse without it making the market — we didn't even have time to put it on the website before a tenant who had expressed interest in the area made an offer."

SUNDAY TIMES ONLINE

ST View five rental properties that triggered a bidding war at thesundaytimes.co.uk/home

How to win the rental battle

It's tough out there for tenants. The latest figures from the property website rightmove.co.uk show 41% more people are chasing 11% fewer properties than in July 2009. So how can you secure that flat or house?

■ Property portals such as primelocation.com, rightmove.co.uk and globrix.com have rentals listings, as do the individual estate-agency sites. Do not rely on them, though: properties these days are let so quickly, the listings are often out of date.

■ Rental properties go much faster than those on sale, so it's important to establish a good relationship with your local estate agent, visiting and calling. The best places are often snapped up before they even go into the window, let alone online.

■ Take the agent's advice on what's happening in the market. If they tell you there's a shortage of stock, be ready to act quickly if you see something you like.

■ Be proactive. Don't wait for the agents to let you know what they have. Keep calling.

■ Be flexible with your time. Most people can only view after work or at weekends; taking time out in the day means you could get there before anyone else.

■ Be open-minded. Your agent may suggest a property you hadn't considered before, such as a lower-ground-floor flat

■ Don't confine your search to agents — some landlords avoid having to pay their fees by letting properties themselves. Look at gumtree.com or loot.com; there are also sites for like-minded people, such as christianflatshare.org. There may be a notice board at work, too. Putting a message on Facebook or one of the other social-networking sites is also a good way to get the word out.

■ Keep your deposit in an account that you can easily access, and be ready to sign up quickly if you see what you want. This makes it less likely that you'll be gazumped.

■ For the same reason, make sure you have your references ready and have given notice on your current property. Landlords will want to run credit check and see references from employers and former landlords — showing that you have kept up to date with payments and didn't trash the property. They will also probably want confirmation that your income is at least 2½ times the rent. If you are self-employed, ask your accountant to give you a reference.

■ You may have left home years ago, but the landlord might want your parents to act as guarantors. Check in advance that they are prepared to do this.

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