



Quarter 1 – Increased activity despite the wider economic instability

The dominant story from Quarter 1 2009 is that the Oxfordshire letting market is in working order and performing surprisingly well.

In parallel to dramatic events on a bigger scale (predictions of the global economy shrinking 4.3% and the UK economy 3.7% this year¹, more bank nationalisations and Barack's beginning) demand has increased from the preceding quarter, rents are stable for most property and the strongest properties are thriving (see sidebar).

Recession behaviour 1: everyone wants a deal...

Del Boy would be proud: we are a nation of deal-makers now. The volume of rental property available, the perception that the rental market functions like the sales market in terms of 'offers' and a communal economy drive have increased the volume of negotiations of both rents and tenancy details. Some applicants are perhaps the most polite bargainers the world has seen. For others, aggression is the modus operandi and negotiations can be less constructive.

...but the robust nature of the Oxfordshire letting market has surprised many

As a consequence, many prospective bargain-hunters have been disappointed. All segments of applicants except families returned to the market in January after the shocking financial events of Q4 2008 and the normal December lull.

January portal and finders.co.uk traffic was up 55% year on year², and lets negotiated up 5% and 4% in January and February against the same months in the buoyant 2008. Some examples explain better than statistics. A large 5 bedroom house in Launton near Bicester was clearly overpriced with other agents. We marketed it at £1,795³ and it let fast. £1,000 for a 3-bedroom cottage on the Adwell estate near Thame is a solid rent.

Rents are flat year on year for the majority of property apart from some large family houses outside Oxford. After Easter the family house-hunting season starts and the market will change. In fact, in Oxford it has started already, and the sidebar has two examples of strong letting.

Corporate lets are down but not out

Like 'entertaining' and 'travel', companies often cut relocations when reducing costs and enquiries are down on last year. That said, some great applicants have homes this quarter, including a senior FTSE 100 executive in a wonderful, £4,000 home in Avon Dasset (Photo 1). A 2 bedroom, 2 bathroom apartment in Abingdon was on the market for £850 pcm, but let to an incoming European manager fully furnished at £1000 (Photo 2). One high-profile company surrendered 20 properties between December and January. After serious effort, 18 were re-let within 5 weeks with rents dropping just 2%.

Letting success: small developments creating a premium

Experienced investors know that smaller developments can make more effective letting investments. Two examples this quarter: we advised a Banbury developer whilst he was converting an old bank into four units, and rents of £745-795 for 2 bedroom apartments represent success (Photo 3). We have two pre-lets in a funky St.Clements development of four 1 and 2 bedroom apartments targeted at the younger market which we are also furnishing via Decorum (Photo 4).

Redundancies increase but surrendered property is re-letting

The whole county is wired into the employment situation. The 85% increase in those claiming Jobseeker's Allowance in Oxfordshire between October 2008 and February 2009⁴ is noteworthy for a county used to high employment rates. Abingdon's 150% increase in this period was the highest in the country (although a low base skews to a high %). We estimate that 0.5-1% of our tenants unfortunately suffered redundancy in Quarter 1. So far tenancies ending prematurely are re-letting with few problems. Where the letting market is highly localised with fewer applicants moving into the area (Witney and Banbury for example) there is a greater correlation between redundancy and slower letting activity.

Recession behaviour 2: referencing rises in importance

Outside Oxford, a number of applicants have only said that they are unemployed as application forms are being drawn up. Aside from the moral duty of providing a home to someone down on their luck, an applicant with no income is too high risk for 99% of landlords and the let falls through. Robust referencing becomes even more fundamental.

Failed sales slow dramatically

Homeowners have retrenched. All the talk of 'failed sales' in Quarter 4 2008 deterred people from attempting to sell, and now there are far fewer failed sale enquiries. This trend is reinforced by Oxfordshire sales dropping 47% from Oct-Dec 2007 to 2008⁵. Recently a new phalanx of 'to sell or to let?' owners have appeared and boards of both types will multiply after Easter.

Falling interest rates placate some landlords and entices investors

Remarkably few landlords are being forced to sell. Those with a tracker or collarless mortgage are gaining some relief. As rents hold up, sales prices fall and mortgage costs decrease, yields and net income increase. Hence the active investors this quarter for whom we have already procured tenants, for example the penthouse discussed in the sidebar (Photo 5). Our Investment Advice Clinics have helped three investors buy units in a smart St.Ebbes development in central Oxford near the planned new Westgate Centre.

Recession behaviour 3: upsizing to downsize

The first of two anecdotal trends: several people in 1 bedroom accommodation have decided to end their tenancies early and share with friends in 2 or 3 bedroom homes to reduce their monthly outgoings. They feel that the moving costs are worth the longer-term gain.

Recession behaviour 4: squeezing into clothes that do not fit

The second trend is applicants searching for properties that are too small, for example one bedroom too short and so the kids double up or not enough space for the cats and dogs. Although this is understandable (a lower rent makes life more affordable) it rarely leads to a happy home and we try to avoid this scenario.

The student market shrugs off economic gloom

Parental economic anxieties have not diluted Oxford student property demand. FK Student Letting secured tenancies for over 90% of its portfolio by mid-March. This included 65 lets in the first week of availability in January and four extra Viewings Assistants helped manage demand. The next key factor is the Oxford University ballots in which college accommodation is determined in April.

The strongest survive

Charles Darwin's theory was ubiquitous this quarter, and we hijack it to illustrate one of our core beliefs: investing in good design and furnishing reaps rewards. Here are three examples of the best-looking, fittest and most attractive properties dominating the market, seducing applicants and ensuring their financial survival:

The smart penthouse

Professionally furnished by Decorum, our interior design division, this 2 bedroom Oxford penthouse let swiftly for £1,900 to a good quality senior executive (Photo 5).



The 'arts and crafts' home

The owner decided to invest in a bit of TLC to gain the best rent and applicant. Work by Bricks and Mortar, our building division, included a new patio, full redecoration and a wide range of repairs – and it looks fantastic. We held off pushing the property since we had the ideal applicants in mind: some existing tenants. They said yes on the first viewing (above).

Investment during relocation

A shrewd tenant of ours recently bought a five bedroom North Oxford family home at an excellent price. When his job took him abroad for up to 4 years, he decided to invest to improve tenant quality and rental income. He is installing a new boiler and carpets and redecorating completely. With some careful filtering, the upgrading helped let the house at the end of March on the first viewing.

¹ Organisation for Economic Co-Operation and Development Economic Forecast, 31/3/08
² Average across finders.co.uk and 4 portals, Finders Keepers data
³ All rents pcm
⁴ ONS Labour Market Report, March 2009
⁵ Land Registry House Price Index – bespoke reports