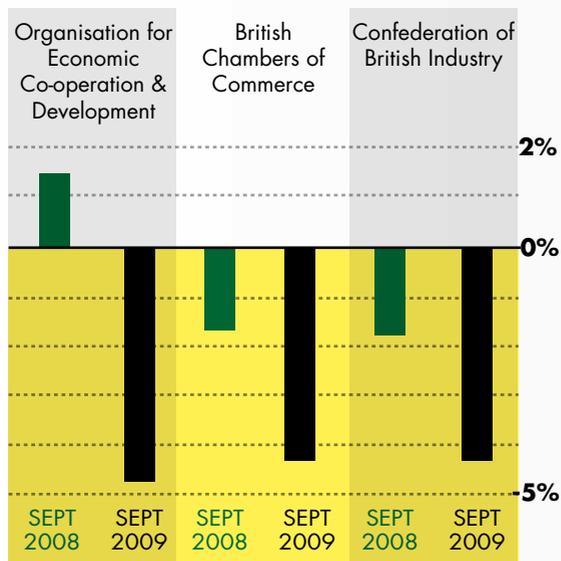




# A hectic summer with a shortage of

It is fascinating to review the 2009 UK GDP predictions from a year ago, to see to what extent the recession bamboozled even the brightest brains.

## 2009 UK GDP PREDICTIONS



The September 2009 predictions are therefore based on 8 months of real data.

Against a 4.3-4.7% fall in UK GDP in 2009, you could argue that the Oxfordshire economy and letting market have done well this year with rents broadly flat and mainly out-of-season family homes suffering.

Indeed, Q3 was intense, with confidence and decisiveness high. While autumnal dinner parties debate the severity/possibility of the 'W' double-dip recession, here is a review of trends experienced across 8 letting offices in Oxfordshire:

### RENEWED CONFIDENCE MAKES JULY AND AUGUST EXTREMELY BUSY

Properties of all types and sizes were letting effectively, although, as we wrote in our last report, applicants are generally very price-sensitive and negotiations are often lengthy. Busy for us meant 429 new lettings in these months.

The glamorous house market was alive and kicking, with classic north Oxford family houses letting for £4000-5000, a Farmoor barn marketed at £2950, and a lovely Charlbury home at £2300 let on the first viewing (Figures 3, 2, 1). A beautiful 3-bedroom home in Duns Tew, north Oxfordshire, let for £1500pcm when the landlord was expecting 20% lower. Good solid letting (Figure 9).

More qualitatively, we have seen people trading up rental property for the first time this year, for example in Bicester moving from a 2-bedroom apartment to a house with a garage to tinker with motorbikes. There are still tenants incoming for new jobs, such as two scientists

moving from north England into a £725 2-bedroom apartment in Abingdon.

The concentration of activity in July and August requires strength in (well-trained) numbers. The letting grabs the headlines, but any well-oiled letting and management operation machine needs to simultaneously process each application, do the references, check tenants out, turn properties around and check-in new tenants.

### REAL SHORTAGE OF 1- AND 2-BEDROOM APARTMENTS IN OX1 AND OX2

Demand is strong for smaller apartments in Oxford's more expensive areas. Anything under £1200 in OX2 hardly touches the letting list. We have had 100% occupancy of all OX1 property for 6 months, for example a 1-bedroom apartment with no parking let at £1100 (Figure 8). Supply has decreased and now we really do have those mythical "disappointed applicants" you read about on estate agent flyers. An example: a 1-bedroom Jericho apartment at £895 attracted 14 enquiries in two days towards the end of September. This is abnormal.

### DEMAND FOR LOWER VALUE PROPERTY SKEWS THE AVERAGE ASKING-RENT FIGURES

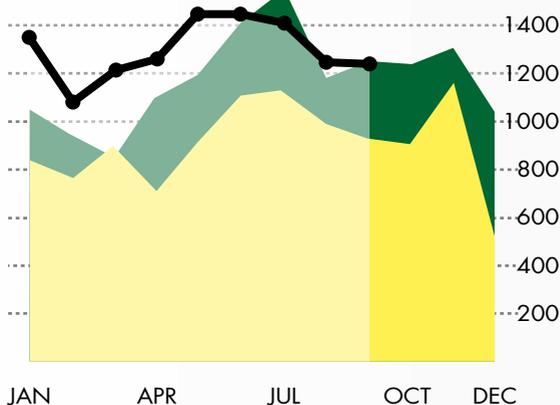
To illustrate: one source has the September average asking rent for all OX postcodes up 12% year-on-year<sup>1</sup>. Before you choke on your coffee, remember that all asking rent data comes from **un-let** property. The 12% figure is caused by high-value property languishing un-let and skewing the data, and not by real rent increases. Take caution with 'average asking rent' data.

<sup>1</sup> Bespoke Digital Property Group data



# smaller Oxford property

## RENTAL PROPERTY COMING TO MARKET: OX POSTCODES. 2007, 2008, 2009



Data: All OX postcode property on Rightmove.co.uk

## AN EASING UP OF SUPPLY SEEMS TO BE HAPPENING

A year ago the rental market was swamped with failed-sales and for landlords it was a shock after 7 years of consistent rental increases. Ill-presented property suffered. It appears that the cyclical letting market peaked earlier this year and now new instructions are reducing (Figure 5). Possible reasons: fewer failed sales; less new build as developers have put projects on hold; a shortage of building land in Oxford city; more tenants extending tenancies; and tougher financing terms. Investors are active – for example one client buying a couple of 2-bedroom Bicester houses at £185,000 and letting at 4.5% yield – but lower in number: only £1.9 billion of buy-to-let

<sup>2</sup> Council of Mortgage Lenders data for all the UK

<sup>3</sup> Internal data

<sup>4</sup> ONS July 2009

mortgages were sold in Q2 2009, against £8.9 billion in Q2 2008<sup>2</sup>.

## FEWER OVERSEAS FAMILIES IN EAST OXFORD AND ABINGDON

These two areas are used to a sizeable summer familial influx. Reduced trans-border corporate relocations seem to be the main reason, with many global firms still tight on recruitment and staff moves.

## SPEED IS ALWAYS IN FASHION

The way to a client's heart? Move quickly. One of our Abingdon team visited a developer to discuss letting a 5-bedroom family house. We booked a viewing before the instructions were signed and bingo: a £2350 tenancy negotiated before the client could blink (Figure 6).

## CASH-FLOW AFFECTS RENT PAYMENTS

Rent payments are noticeably slower outside Oxford. In particular self-employed tenants seem to be suffering from their clients' late payments. However, in July we still managed to pay 98.66% of rent on time<sup>3</sup>. Our Abingdon office had its first eviction in 6 years. A miserable process for the tenant of course, but also for the landlord. Nothing stands still though: the tenant left at 2pm...our first viewing was at 5pm and yes, they took it. The market is relentless.

## WITNEY IS ROCKING

New life in Witney: M&S, Debenhams and a cinema launch in October at the Woodford Way centre. There are 144 1- and 2- bedroom units with 1/3 bought by investors. We are marketing the first units at £635 to

£725, unfurnished. (Figure 7 is the show unit). We are vigilant for signs of 2-bedroom oversupply this winter as the new letting units come on-stream.

## VERY MUCH A PEOPLE BUSINESS

Society dislikes estate agents – and letting agents by default – and rarely appreciates that many agents actually *like* helping people! Three stories from this quarter: A husband suddenly died and his wife was left alone in a 5-bedroom house in Summertown. We worked hard to re-let it fast so that the wife could leave quickly and the landlord would lose zero rent. The second story comes from Abingdon. A client inherited a retirement flat and could not sell it. We thought of a great tenant, recently made redundant, who was looking to downsize. We persuaded the retirement management company to accept our tenant, despite him being under 60. The result: our client gains income and our tenant reduces his overheads with a fantastic value home. Lastly, our Banbury office is used to applicants' pets, but would a landlord accept a beehive at her lovely cottage? Our promise of some honey sealed the deal.

## LOOKING FORWARD TO Q4

Historically the Oxfordshire letting market winds down towards December. It would be a touch naïve to think that outside Oxford rents will increase as supply falls – applicants (and landlords for that matter) are still price-conscious. Everyone is concerned about increasing unemployment which is at a 12 year high of 2.38million<sup>4</sup>. Most pundits seem to predict 3 million unemployed in 2010, although as the GDP figures show, autumnal predictions can be misleading.