

Winner National Training Awards South East 2011
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



Be positive but not naïve

Society admires confidence but over-confidence can cause problems if a false picture of reality is conveyed or risks are not assessed properly. You could argue that the over-confidence of a handful of mortgage derivative traders created the financial whirlwind of 2008¹. A more localised example would be inflated rent quotes born out of optimism losing a landlord money when the property stays empty.

Yet negativity feels ubiquitous in 2011 in both domestic business and global political news, and so the aim with this report on the Oxfordshire letting market for Quarter 1 is to be positive but not misleading. Let us know how we do: marketing@finders.co.uk.

A GOOD MARKET BUT SOFTER THAN ANTICIPATED

September 2010 marked the low point of rental supply with applicants far out-stripping available homes. One commentator said the national supply of rental property fell 14.5% from June to September², hence the many "rents to shoot up" articles from last summer. In January 2011 we still had a shortage but then new landlord enquiries increased 12% in January and February against 2010³ and as Quarter 1 progressed more property became available from a mix of small-scale developments, relocating homeowners and investors.

¹ Read Michael Lewis' 'The Big Short' for a superb explanation of the 'sub-prime' debacle
² Digital Property Group press release, <http://bit.ly/d0Ln2P>
³ Internal Finders Keepers figures

This may surprise people who see little new build, a fairly static sales market, the same lack of buy-to-let mortgages available and no evident increase in job relocations.

In parallel, applicant demand has been productive yet inconsistent. It has been hard work to find the high-quality applicants, with a high number of credit reference failures outside Oxford and social housing enquiries as the Government's planned social housing policy changes loom.

The result has been a wide variety of solid, effective letting with rents increasing on renewal. In mid-March our occupancy for managed properties was 99.7% across 8 offices and average rent at the end of Quarter 1 was up 3% year-on-year⁴. However, overall the rental market is slightly softer than might have been anticipated at the start of the year. We explore some of the factors below.

⁴ Internal figures based on a revolving portfolio

GOOD NEWS 1: RENEWALS ARE UP

This is good news for landlords who like continuity, certainty and full occupancy. People staying longer and renewing their tenancies has been the big story of the last 15 months and renewals increased 9.7% for January and February against last year⁵. While good property management is required to keep tenants in situ, the active variable driving the increase is people staying put and deferring major life decisions, relocations and house purchases. Rents are going up on renewal from between 2-4%⁶. It would be naïve to think that rents are rising on all properties at the rate of RPI inflation.

The increase in renewals has a knock-on effect on applicant demand as potential applicants remain tenants. This explains why several indicators (lets agreed; web traffic on finders.co.uk; applicants registered) put applicant demand 2-3% lower in Quarter 1 versus last year.

GOOD NEWS 2: FAMILY HOUSES LETTING WELL

February normally repels family tenants, but this year most of our offices successfully let good family homes. It is hard to find clear trends from the incoming applicants, with some having just sold; some relocating from other rented homes in the area, some moving from other parts of the UK and a healthy minority being relocated from Europe on corporate tenancies. Photos 1-4 show great family homes in North Oxford, East

⁵ Internal Finders Keepers figures
⁶ Ibid

Oxford, Steeple Aston and Appleton respectively with rents from £2100 to £3000. However, rents must be accurate and not greedy (over-confident?): another agent was marketing a 4-bedroom house on Pullens Field in Headington for £2500 with no response. We let it within a week to a great tenant for a healthy yet more realistic figure. (Remember, an empty property earns you £0.00).

GOOD NEWS 3: INVESTORS INCREASING IN QUALITY AND QUANTITY.

In those faded days of 100+% LTV mortgages, prospective residential investors varied hugely in their awareness of risk and what it takes to succeed as an investor. Fortunately, in 2011 investors are sharp, knowledgeable and focussed. They want good advice and they will take action. They are sensitive to prospective yields but confident in the long-term total return of their decision-making. Our Witney office took on four buy-to-let properties in two weeks, all of them 2-bedroom apartments which let swiftly.

However, context is needed. Buy-to-let mortgage sums lent in 2010 were still under 25% of those in 2007, as Table 1 shows. A more reserved climate is illustrated by the average mortgage size being £129,000 in 2007 and £101,000 in 2010.

	Buy-to-let mortgage volumes	Buy-to-let mortgage totals
2007	350,900	£45.3 billion
2008	222,700	£27.2 billion
2009	92,700	£8.5 billion
2010	102,000	£10.4 billion

Table 1 - Council of Mortgage Lenders' data for the UK

MIXED NEWS: RELUCTANT YOUNG RENTERS

A survey of 2500 people⁷ found that 90% of those under 30 do not want to rent for the rest of their lives and 64% do not want to start a family until they have bought a home. 61% believe it will be harder to buy a home in 20 year's time. While the 25-35 year-old cohort has supplied the majority of tenants for decades now, the truth is that any decrease in first-time buyer activity bolsters demand for the rental sector, particularly for smaller apartments.

Of course the issue is complex: without first-time buyers the sales market grinds to a halt and private rental sector legislation is not equipped to offer long-term European-style tenancies. The results are that many young people now live with their parents to save money. We had a couple downsize their rental home from a smart central Abingdon apartment to a 2-bedroom house in the suburbs to save £150 a month towards a deposit.

LOOKING FORWARD: THE DOMINANCE OF THE BIG 3?

Your starter for 10, complete this sentence: "The top 3 employers in Oxfordshire employ more people than the next ___ employers combined?" The answer is below and surprising⁸. In looking at the health of the Oxfordshire economy, the dominance of these top 3 employers seems ominous: they are all public sector and under pressure to reduce overheads. Another view is that we are lucky to have a broadly diversified private sector which is not reliant on several large

⁷ ComRes survey for the Barratt Homebuyers Panel, February 2011

⁸ Oxfordshire County Council, Oxford University and the Radcliffe PTC employ over 50,000 people, which is more than the next 90 biggest employers. Data from the Top 100 Employer Survey, Oxford Times, March 2011

employers. Anecdotally we feel that public sector applicants have dropped slightly and we need to monitor this.

Other indicators look ok so far. Job Seeker Allowance claimant level in Oxfordshire rose to 1.9% in February but this is the same level as May 2010 and below the national average of 3.8%⁹. House sales prices may have dropped in February but they are 0.4% higher than February last year while nationally the prices are 1.7% lower¹⁰. So the local economy looks fine so far although the inconsistent applicant demand of Quarter 1 is a concern which needs to be watched. Or perhaps this is an overly-confident assessment of the data...

FINALLY.... STEREOTYPES WORK HALF THE TIME

We end on a lighter note with two stories either side of the stereotype. First, the myth of the quintessential English butler (Photo 6) was reinforced by a group of butlers from an Asian Royal family arriving in Oxfordshire to learn butler best practice. They took a short let for over triple the normal rent. The landlord was delighted as she gained unexpected income while she was trying to sell the property.

The second stereotype is the arrogant, carousing racing driver which was shattered by the polite young Formula 1 driver who said he didn't need our 'James Bond' penthouse (which was soon let afterwards to a senior executive, marketed at £3200, photo 5) and instead took a 2-bedroom, 2-bathroom furnished apartment in Central Oxford. Charm personified.

⁹ Office for National Statistics 'Total JSA Claimants'

¹⁰ Land Registry data quoted in Oxford Times, March 2011