

2021: The Year Ahead

“With the general election concluded and Brexit on the horizon, 2020 is set to be an interesting year. There will undoubtedly be changes which will impact landlords, and although some of the detail remains cloudy at this point, our eight offices are set to deal with the changing face of the private rental sector (PRS).”

That was our introductory paragraph to last year’s ‘2020 outlook’, and we were not wrong when we said it was set to be an interesting year. At the start of last year we, like many other agencies, were expecting a bounce in activity due to renewed confidence following the General Election (and the Government’s conviction to leave the UK bringing some form of certainty to the future). What the market actually experienced was a solid start followed by a seven week shutdown and enormous dip before rebounding when the market reopened in May (Figure 1). A soothsayer, we are not! Nevertheless, we have taken a measured view of the year ahead:

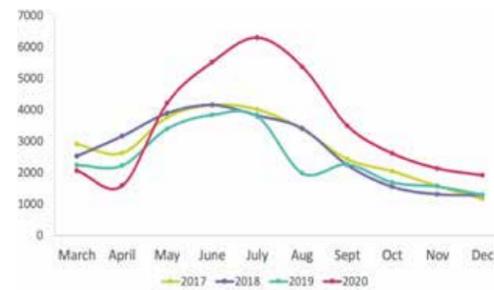


Figure 1: Phone and email enquiries from finders.co.uk, Rightmove and Zoopla

2021 will continue to be a year of change as we become more used to living and working in the current situation. Many of the new work processes we introduced and the trends of last year will continue into this year and beyond, and with the roll out of vaccines (which will, in turn, mean a gradual easing of the restrictions), we hope that life can return closer to ‘normal’ towards the end of the year and the economy can start to recover.

Legislation

It is easy to forget that the disruption of last year happened in a setting of further regulation of the private rented sector (PRS). Phased legislation continued to come into effect

(e.g. Minimum Energy Efficiency Standards, Tenant Fees Act etc) and new legislation was introduced in the form of Electrical Inspection Condition Report (EICR) and The Coronavirus Act, which changed notice periods and had a significant impact on evictions for some. In 2021 regulation continues:

- January: the Dogs and Domestic Animals (Accommodation and Protection) Bill, which aims to stop landlords from banning pets in rental properties is due for a Second Reading in the House of Commons on 29th January.
- March: the temporary six month notice period prior to seeking possession (Coronavirus Act 2020) is currently set to end.
- April: the deadline for agents to comply with mandatory client money protection legislation will pass; the second phase of EICR will extend to cover all tenancies; and all non-UK residents purchasing property in the UK will be liable to pay an additional 2% stamp duty charge (refundable if they become a UK resident within 12 months).
- June: Brexit has led to a new points-based system, though landlords and agents are to continue using passports and national ID cards for Right to Rent (RTR) checks as an interim measure until the end of June.

Renters Reform Bill & RoPA

The Renters Reform Bill, announced in December 2019, currently has no set date, but could still come to pass in 2021 due to its strong cross-party support. It includes a proposal to remove Section 21 of the Housing Act 1988 to end ‘no fault’ evictions and reforming grounds for possession and, although only forming part of the Bill, could be done in isolation. As we have said in the past, the government must take care not to push landlords out of the sector or discourage landlords from investing as this would inevitably reduce supply, which could impact negatively on tenants in the form of higher rents.

The Regulation of Property Agents (RoPA) proposals are yet to be sanctioned – could 2021 be the year? This would include a new industry Code of Practice and mandatory qualifications. A new Code of Practice Steering Group was set up last July, so we may see progress on that front, though regulation may take a while longer. This would be a shame – we have long supported the qualification of letting agents, with 91% of our team qualified to Level 3 with ARLA PropertyMark and the majority of the senior team qualified to Level 4.

The Green Industrial Revolution

The government’s Ten Point Plan for a Green Industrial Revolution will impact on landlords and developers in a number of ways. A ban on new petrol and diesel cars by 2030 will see an increase in tenants’ demand for electric charging points and a consultation on new tenancies requiring an EPC rating of C or above from April 2025¹ may see landlords making use of the Green Homes Grant.

Licensing

The consultation on Oxford City Council’s two licensing schemes aimed at improving conditions in the private rented sector (PRS) has now closed. In brief, this was to renew the additional HMO licensing scheme and introduce a selective licensing scheme to cover non-HMO, privately rented properties. The council will now consider the feedback before making a final decision and a report on the consultation exercise will be taken to a Council Cabinet meeting in March.

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/946175/prs-consultation-2020.pdf



4 bedroom family home in Drayton, South Oxfordshire

Whilst we agree that improving conditions in the PRS is a positive for both tenants and landlords, we believe that property must remain attractive and affordable to investors, landlords and tenants. Oxford has one of the highest proportion of rented homes in England (49.3% of homes are in the PRS²), with many tenants coming from overseas to live and work in Oxford for a fixed period of time. Any reduction in the supply of rental properties would be damaging to the rental market in Oxford.

Remote letting will continue

Most agents will have switched to virtual viewings in 2020, and we anticipate this new approach continuing into 2021 (including beyond this new lockdown). Last May we were unable to carry out any physical viewings, yet still let 132 properties, including the photo above, a 4 bedroom family home in Drayton, South Oxfordshire, listed at £2,095 pcm. Tenants are more willing to reserve a property based on a virtual viewing. Of course, the time spent travelling to a viewing is not ‘saved’, but replaced (understandably) with more detailed qualifying and negotiating to ensure we are matching the right tenant with the right property. It’s not more work, just a different way of working.

² https://www.oxford.gov.uk/news/article/1540/consultation_starts...

Changes in lifestyle

Staying home during the pandemic offered many people an unparalleled reassessment of their home. Home-based working and less frequent commuting led to more renters moving out of London and restrictions during the first lockdown changed the most popular search terms for rental property, with an emphasis on space (see Table 1). Looking to the future, it is reasonable to assume that a proportion of the population will have changed their working patterns for the long term and so it’s likely that these trends will continue into 2021.

NB. Linking back to the section on legislation, it’s worth noting that the fifth most popular search term was ‘pets’.

Table 1: Renters’ top 10 most-searched terms

1	GARDEN
2	PARKING
3	GARAGE
4	BALCONY
5	PETS
6	FLOORING
7	BILLS INCLUDED
8	EN SUITE
9	RURAL
10	STUDENT

Source: Zoopla, “Revealed: the top 10 search terms most used by home-hunters in 2020”

Tenant Demand

As mentioned above, many people rent in Oxfordshire and not everyone wants to buy, particularly if they are only here for a short/ fixed period. We anticipate corporate tenants returning to the county later in the year, along with international students, which would see strong demand for rental property continue. For those who are here longer term, economic uncertainty could mean many renters delay purchasing a property, and a reduction of mortgage lending for those with smaller deposits³ will also lead to more people staying in the rental sector.

The stamp duty holiday led to a surge in sales across the UK – our Inspired Sales & Acquisitions team sold 60 properties last year alone. Unless the Government bows to pressure to extend the deadline (a petition has reached more than 66,000 signatures at the time of writing⁴), the holiday is set to end at the end of March. If so, the recent high levels of activity are likely to lessen in Q2 this year, which could lead to pressure on house prices with less demand for buying leading to increased demand for rental property.

Brexit and the rental market

It’s been interesting to see the impact of the pandemic on the housing market, given that Brexit uncertainty seemed to hold movement back for so many years. We suspect a combination of the release of pent-up demand following May’s historic shutdown and the lifestyle changes mentioned above have driven recent activity. We would not claim to know how the housing market will be affected post-Brexit, but our cautious view would be that housing needs and the desire for lifestyle changes will influence demand more than Brexit in the near future.

Investing in Oxfordshire

Despite the last year being very challenging, careful management of our tenancies and properties has meant that our clients have continued to benefit from their investment properties. Within Finders Keepers, there have been significant learnings that have enabled us to continue managing property properly while staff work from home, and carrying out many functions of the business virtually and highly efficiently. With tenant demand likely to remain strong here, and with interest rates likely to remain low, property is one of only a few places that can still provide a solid income. Coupled with a history of capital increases in Oxfordshire, it is still possible to reap the benefits if approached with a long-term view.

³ <https://www.ft.com/content/10f1909f-149b-4a48-982e-9ba0764e3cf1>
⁴ <https://petition.parliament.uk/petitions/550545>