

# You can't change the direction of the wind, but you can adjust your sails

Given the level of uncertainty surrounding Brexit, making accurate forecasts on what 2019 holds for landlords is tricky to say the least. As such, our annual 'predictions' will be more of an outlook on the year ahead, based on what has happened across our eight offices over the last few months, and pure common sense.

## Landlords finding new ways to make returns

Tax changes, the stamp duty surcharge and the phasing out of mortgage tax relief - 2018 was a tough year. According to UK Finance<sup>1</sup>, buy-to-let (BTL) purchase lending across the UK was about 25% under the forecast at the start of 2018. However, BTL remortgaging has gone the other way - there were 15,700 new BTL remortgages completed in October 2018, which is 5.4% more than the previous year. Refinancing to get a cheaper deal on your mortgage would boost the yield on your rental property.

## Tenancy length and uncertainty

2019 should see a Government decision on whether to introduce minimum three-year tenancy agreements and what, if any, incentives they may give landlords. The argument is it will offer greater security to families renting property but whether this is desirable to tenants remains to be seen. Across Oxfordshire we have seen a real split of how tenants are feeling in the run up to Brexit with some wanting to move and others wanting to renew - often requesting longer tenancies or more flexibility - to secure their home for the foreseeable future. We suspect that activity will continue to be

driven by individuals' attitudes in 2019, but the reality is that many people will still need to move (20% of the UK population lives in privately rented accommodation<sup>2</sup> and that is unlikely to drop in the next 12 months).

## Quality

The Homes (Fitness for Human Habitation) Act 2018 will come into force on 20th March, and whilst this is clearly important, it's unlikely to have much effect on the 'good' landlords. What will impact landlords is the quality and presentation of their rental property. As ever, we continue to advise our clients to keep the property in the best condition in order to continue to attract the best tenant at the best rent.

## Regulation

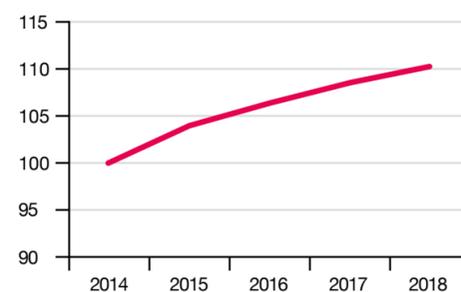
This summer the Government's Regulating Property Agents Working Group will report back on regulating all agents across the sector. The group will create a framework for letting, managing and estate agents, advising on regulation and mandatory minimum qualifications. We have long promoted the need for regulation in our industry; at present anyone could set up as a property agent without any qualifications or professional control.

## Tenant Fees Bill becoming law

Very soon agents will not be allowed to charge any fees to the tenant (with a few, very limited exceptions). In addition, tenant deposits will be capped at a maximum of five weeks' rent for tenancies where the rent is under £50,000 per annum and six weeks' rent for tenancies where the rent is higher. For agents who use high tenant fees to subsidise low landlord fees, income stream is likely to be affected and we anticipate some will try to replace this by passing on costs to the landlord.

## Steady rents

We do not think we will see large hikes in rent following the Tenant Fee Ban, even if some agents do pass the costs onto landlords. Rents are set by the market, not by the landlord (or agent) so a property priced at above market rate is unlikely to let, and a renewal proposed at an above market rate is unlikely to be accepted. Attempting a modest increase, with flexibility, is wise. Our rents have steadily increased over the last four years (see graph) and we anticipate a similar pattern in 2019.



Average rents - Indexed to 100



## Oxfordshire Housing and Growth Deals

All councils' Local Plans are due to be submitted for inspection by 1st April as part of the £215m Oxfordshire Housing and Growth Deals. The Local Plans will include how they will support the delivery of 100,000 new homes across Oxfordshire by 2031. Oxfordshire is a high demand housing area and, like many areas, infrastructure constraints are a major barrier to housing development. With only 14,870 permanent dwellings completed between 2011 and 2018<sup>3</sup> it will be interesting to see what comes out of the Local Plans.

## Permitted development rights

In the 2018 budget the Government announced a new permitted development rights consultation, which proposes allowing upwards extensions above commercial premises and residential properties and will also allow commercial buildings to be demolished and replaced with homes. In 2016/17, permitted development rights provided nearly 18,900 new homes<sup>4</sup> across the UK and more locally we've seen a positive impact from office-to-residential conversions on the number of new homes in Oxford (for example, Barclay House in Summertown, Photo 1) so any simplification of the process will be welcome.

<sup>3</sup> Ministry of Housing, Communities & Local Government 2018  
<sup>4</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/752222/Planning\\_reform\\_-\\_supporting\\_the\\_high\\_street\\_and\\_increasing\\_the\\_delivery\\_of\\_new\\_homes.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752222/Planning_reform_-_supporting_the_high_street_and_increasing_the_delivery_of_new_homes.pdf)

## The new expressway

In autumn residents will get chance to have their say on the Oxford-Cambridge expressway when consultation opens. The link will provide a boost to North Oxfordshire; we saw a positive change to the Bicester market following the upgrade of the train line to Oxford, so we would anticipate an expressway bringing more demand in the area from people commuting to Milton Keynes and Cambridge - though the benefit of this will take time.

## Investing

In previous times of uncertainty we have seen clients buying residential property and then reaping the benefits over time. Our Inspired Investment acquisition service can help you to find something which will be attractive to tenants and we can often achieve significant discounts. For example, last year we helped an overseas investor purchase a 3 bedroom penthouse apartment in central Oxford (Photo 2). The property had been on for sale in 2017

at £1m and following two sales falling through we purchased it at £695,000 for the investor. It then let on the first viewing at £2,500pcm<sup>5</sup>.

## Advice for an unprecedented year

2019 is a year for adopting a flexible strategy towards your investment. No-one can truly predict the year ahead, but seeking proper advice will help you succeed. Oxfordshire is a strong region with high employment which attracts investors from sectors such as technology, finance and science, and this area will continue to have major 'pull' factors for tenants. We have had success over the years by advising clients honestly, and this is even more important in uncertain times. We recommend being flexible (on both rent levels and length of tenancy) and having a strong focus on property condition. If you've considered upgrading your rental property then don't delay - presentation will be all important in the coming months, particularly if stock levels increase due to failed sales.



<sup>5</sup> All individual rents in this report are pcm and marketing rents

<sup>1</sup> <https://www.mortgageintroducer.com/uk-finance-buy-let-purchase-activity-well-expectations/>

<sup>2</sup> The English Housing Survey