2018: The Year Ahead

We are very excited about the future for property - particularly in Oxfordshire. Having campaigned for regulation of our industry for more than 45 years, fundamental changes to the way the property market can work will make the property system fairer, more transparent and a respected sector. There are certainly changes coming which will impact landlords, but our eight offices are set to deal with these adjustments.

Tenant fees ban: hikes in rent are unlikely

While the letting agents who use high tenant fees to subsidise low landlord fees are in deep trouble, we do not think that large sustainable hikes in rent are likely. To rewind, fees to tenants will be banned in 2018 or 2019[1]. We expect some agents to pass costs onto the landlord. In turn, they will both try to put the rents up, but this is not straightforward. For renewal rent increases (where the tenant stays in their property) the rent increase must be balanced against the value of having a good tenant, and most sensible landlords will prefer to keep the tenant. For new tenancies the market sets the rent. If it was easy to increase rents 5% for a new tenancy then we (agents and landlords) would have done so already. So we expect *slightly* higher rents on renewal (our long-run average in the past 10 years varies from 2% to 2.5%), but not dramatic increases.

MEES will remove rental stock from the market

If you are a landlord you should know what 'MEES' means. If your property manager hasn't explained this already then it is time to call us. It stands for the Minimum Energy Efficient Standards, and after 1st April 2018 a new tenancy (whether to new or existing tenants) cannot be granted if the rental property rates either **F** or **G** on the Energy Performance Certificate. We have been pushing our clients to take action on this since 2016 with significant success so that we avoid 'surprise' voids after April this year: we have spoken with owners of 330 properties and already remedied over two thirds of these. There are exemptions to the MEES rules and the detail matters[2].

1 Draft legislation has been published but no timings set for the legislation to go live

2 See www.gov.uk for the full details – search for 'MEES'

We said serious investors would remain and we were right

George Osborne and Brexit killed off the 'dinner party' landlord: the extra 3% stamp duty and changes to mortgage relief, coupled with slowing equity values mean that fair-weather landlords are no more. Last year we said that 'serious' (as in professional rather than stern) landlords would remain and Photo 1 is a perfect case study: a high quality 5 bedroom Summertown house acquired by our Inspired Investment service for a sophisticated client and let within a week at a rent of £3,5003. Photo 2 is another example: a set of three apartments in Bicester acquired for a successful businessman as we help him expand his residential portfolio. We expect to make more serious investors smile in 2018 – call us to get started.

3 All rents are marketing rents and pcm.

1

2

Student properties will need to present better than ever

Oxford Brookes is leading the development of 885 new student bedrooms on the Cowley Barracks site, which may be ready for the 2019 academic year. This is driven by the City Council's desire to have a cap of 5000 students in the private rented sector. This is a wake-up call for existing student landlords: there will be more choice for students and these bedrooms will be freshly painted with decent WiFi and en-suite bathrooms. Our view is that *good quality* private housing will still attract students who crave a more holistic, independent and private experience than the functionality of the 'bedsit blocks'. Low quality accommodation will struggle to stand out.

Exciting transformation projects will take time…

PwC's annual index of economic wellbeing in UK cities[4] announced Oxford as being one of the highest performing cities in relation to growth anywhere in the UK. Northern Gateway. Oxford train station. The Oxpens re-development. These are big, meaty, high profile projects which are complex. We have seen the new Westgate breathe life into Oxford's retail offer and we now forget it was five years behind schedule. These other large, mixed-use projects are exciting for a city that is successful yet bursting at the seams. Yet just as we have seen with the Jericho boatyard development (11 years since the last inhabitants left and still no action) the big developments take time; time to bring through planning; time to raise finance; and time to balance the community's expectation of new housing with the commercial pragmatics of large-scale building. Expect more news in 2019.

4 https://www.pwc.co.uk/industries/government-public-sector/good-growth.html

…but new Oxford housing will not touch the sides

The imbalance of local supply and demand in housing is well-known and 2018 will not change that. By all accounts Oxfordshire needs ~5000 new homes a year until 2031 and very little new build stock will come on stream in Oxford. Barton Park will deliver up to 800 homes but not all in 2018. Expect the debate to continue.

The sales market – Fionnuala Earley Countrwide's Chief Economist

Economic conditions for households will remain challenging over the next year as inflation eats into budgets and interest rates begin to rise. In addition, fewer landlord purchasers and the later age at which people buy, is affecting the level of demand. But we expect the UK economy to recover and wage growth to pick up in response to global growth. That, combined with a continued lack of housing supply, will help to support house prices. As Brexit negotiations continue, confidence will be volatile which will have implications for the pace of economic and housing market recovery. The outcome of these negotiations is the biggest risk to performance and is weighted to the downside.

Despite little recovery in the levels of housing transactions – due to affordability issues and fewer buy-to-let purchases - the rate of new building is not expected to gather enough pace over the next two years to catch up with previous shortfalls. A lack of supply will therefore continue to support the level of price growth.We expect a recovery in growth rates beginning from mid-2018 and continuing into 2019 as wage growth returns. While the first half of 2018 is likely to be more difficult, we forecast prices to end the year 2% higher. By 2019 we expect house prices to be growing at an annual rate of 3% (Table 1).

Table 1: National and regional house price growth.

Region	2016	2017	2018	2019
North East	1.4	0.0	1.0	2.5
North West	4.4	2.5	2.0	3.0
Yorkshire & Humber	4.1	2.0	1.5	2.5
East Midlands	5.7	2.5	2.0	3.0
West Midlands	5.7	2.5	2.0	3.0
East of England	9.6	3.5	2.0	3.0
South East	7.4	1.5	2.5	4.0
South West	5.3	1.5	2.0	3.0
Wales	3.3	0.5	2.0	2.0
Scotland	1.5	0.5	2.0	3.0
Greater London	6.2	0.0	2.5	4.0
Prime Central London (PCL)	-2.0	2.0	4.0	5.0
Central London	3.0	-1.5	2.0	4.0
Great Britain	5.0	1.5	2.0	3.0

About the Oxfordshire Quarterly Letting Report Started in 2008, this report's guiding principle is that reporting on the facts is better for our clients than being a naïve cheerleader. We value the rational and the emotional: our data is driven by 3500 live tenancies but the real value comes from picking out trends from the amorphous cloud that is human behaviour and decision-making. Feedback is welcome: **marketing@finderskeepers.co.uk**

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