

Succeeding in a slower market

Both demand and supply have fallen in the first three months of 2017. This is a reaction to Government intervention on the supply side and Brexit on the demand side. However, our experienced and efficient team has let the same number of properties in the first quarter of 2017 as in 2016 and our average rent is up 2.6%. These are the key trends from Quarter 1 and our views on how to succeed.

The market stalls, particularly in Oxford

Across the county there were 10.8% fewer new letting instructions in February than in the previous year¹, although the figures are perhaps skewed by the change to stamp duty in March 2016 which triggered more new stock a year ago. This year we see a slower sales market and more barriers to entry for buy-to-let landlords including the additional 3% of stamp duty and the incoming changes to tax deductions on mortgage finance.

The bigger issue is that the market has been 'quiet' with fewer good applicants. Post-rationalising an absence of demand is tricky, but piecing together

anecdotal evidence it seems that caution linked to Brexit is the issue: Oxford University is concerned that staff are leaving and may continue to leave due to Brexit² and this would reduce rental demand; the city's biggest manufacturer is apparently not renewing staff from overseas and its internal 'expats in Oxford' list is a third of what it previously was; one of our big corporate tenant clients is now 'avoiding Oxford' and focusing on Bicester and Banbury as the rents are better value. None of these factors is seismic but together they have chipped away at demand.

A slow market raises the bar for success

So how to succeed in a slower market? It takes more phone calls, better photos, better quality stock and more negotiation with both landlord and tenant on issues such as furnishing, start dates and pets. Accurate rent setting is more important than ever as Rightmove and Zoopla are now engineered to prioritise 'new' properties – so if your initial rent is too high then you get no response and your property goes stale very quickly. But we make it work: our Witney office has let 12 properties on the first viewing since January due to the beautiful combination of well-matched applicants, properties in good condition and the right rent (Photo 1).

Quality of property is critical in today's market as tenants want value for money, illustrated by the

² Oxford Times 16th March

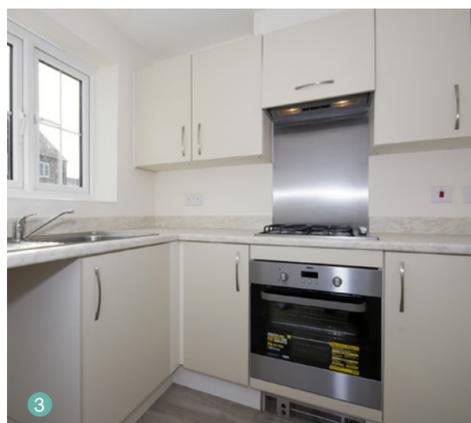


let of a great central Oxford apartment with 2 parking spaces which achieved £3,000³ on the first viewing (Photo 2). At a different price point, a 2-bedroom house went to great applicants in Banbury at £895 with the same story: good applicants, quality stock and the right rent (Photo 3).

Overquoting returns as landlords live in denial

Lower supply triggers desperation. Desperation triggers inflated rent quotes aimed like arrows at the hearts of insecure landlords. The rising science of behavioural economics tells us how powerful the first 'anchor' price is and many landlords are unable to move from that. Like a parent wanting to believe their child is good at maths, they then start to blame the teacher, the marking or the questions when their child's tests

³ All individual rents in this report are pcm and marketing rents



are only 50% correct. Maths is the context as an empty property earns £0. The right rent over 12 months earns more than the wrong rent over 10 months, but many 'anchored' landlords avoid the maths as it will reflect badly on their initial decision making. Two examples: an immaculate 1-bedroom apartment in East Oxford was unlet after 3 months with another agent (Photo 4). We reduced the rent by 25% and let it in two weeks. Elsewhere, a character house in a good village between Bicester and Buckingham was on the market for £1,650 for several months. We quoted a more appropriate rent of £1,350 and let it quickly to a single professional tenant (Photo 5).

A house, a flat or a home?

Some people are dismissive about 3-bedroom houses, calling them neither fish nor flesh – too big for couples and too small for families. However this year we see real demand for them in Abingdon, Banbury and West Oxford as they



offer the feeling of a 'home' more than a flat and can be a similar price as a good 2-bedroom apartment. For example, a home in Abingdon which was badly managed by another agent – we coordinated the refurbishment, listed it at £1,200 and promptly let it (Photo 6). The flexibility can be a bonus, appealing to more people, such as the couple who want a home office and a guest room. Is this yearning for a 'home' the start of a return to 'nesting' which we saw in 2009/10 as the recession kicked in with tenants hunkering down and staying longer to ride out the storm? Watch this space.

What is letting best?

Our Bicester and Abingdon offices commented on the rise of 'commuter' tenants in this first quarter of 2017. Abingdon has seen a rise in the number of tenants working in service industries while our Bicester team found that tenants see better value for money by renting out of Oxford city centre. The new train line from Bicester Village to Oxford Parkway makes it easy to get more 'bang for your buck' with only a short commute to Oxford for work. Table 1 shows which properties have been letting best across the county in the first three months of the year. It will be interesting to see what impact the new Westgate Centre will have later this year; although some employees will want to live in Oxford, given the trend of seeking value for money we predict that many will be looking to the towns outside.

Table 1: What is letting best in Quarter 1, 2017

Abingdon	3 bedroom houses
Banbury	1- and 2-bedroom town centre apartments
Bicester	1- and 2-bedroom houses and apartments
Witney	1-bedroom apartments and houses
North Oxford	1-bedroom apartments and single rooms
East and South Oxford	1- and 2-bedroom houses and apartments
Central and West Oxford	3 bedroom houses

List your property now for the 'Summer' letting market

We are taking more applicant enquiries for family homes and village property. Now is the time to market them so call us if you are considering letting a larger property. The best deals often happen before the property comes on the market, for example a newly-refurbished high-spec house in a village outside Witney with a guide price of £3,000 (Photo 7). We knew our applicants wanted village living and they took the property before it was ready for open marketing – the perfect match. We normally work with a lot of overseas tenants in April, May and June and we are watching carefully to see if Brexit will have a major or minor impact.



¹ Rightmove Intel Data

