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Applicants vote with their feet as

We thought you might appreciate a spin-free Quarterly Report for the Oxfordshire Letting Market in Q1 2010, given the rising tide of pre-election doublethink from all political parties, lobby groups, unions, etc.

So, keeping the presentation dark arts at bay, here are trends seen across eight specialist letting offices:

DEMAND FIRMS AS FEBRUARY SURPASSES ITSELF

The Oxfordshire letting market has been extremely busy, with properties of all types letting well. The balance of supply and demand is gently tilting into the landlord's favour as supply is hit by the lack of new build, the persistent need for 25+% deposits for investment mortgages and the disappearance of failed sales.

Normally February is the second worst time to let property after December. However this year, with the aid of the January snow, the market was hectic with a 16% increase in lets and 12% increase of unique

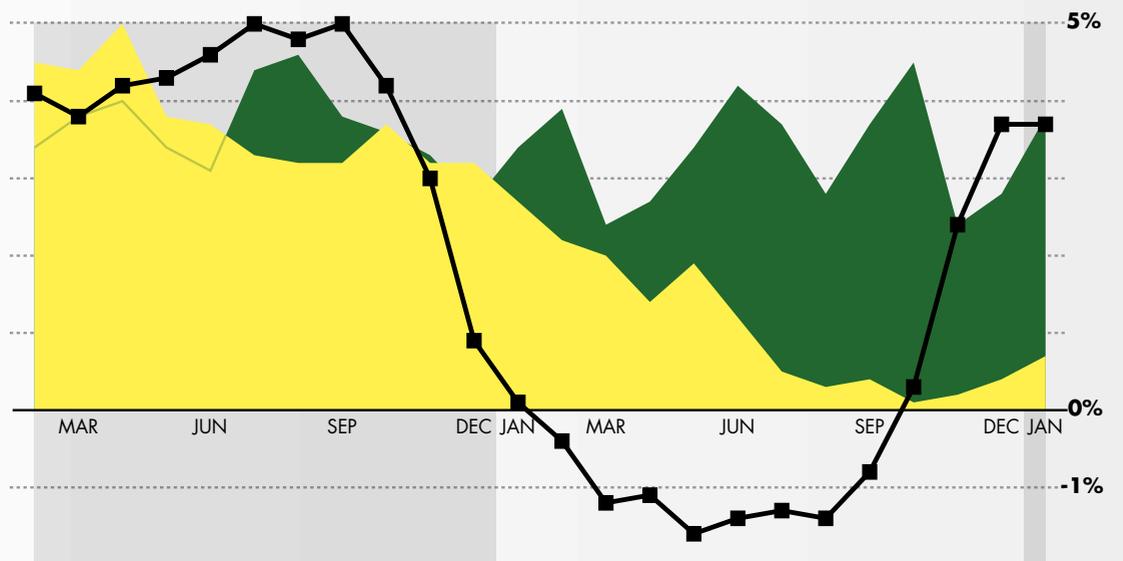
visitors to www.finders.co.uk year-on-year. 1-bedroom apartments have been in high demand: seven let in one week in Oxford in February, including an apartment inside a stunning converted mansion at £1200 pcm (Photo 3). In Witney, a smart 1-bedroom apartment let for £650 pcm – an uncommonly high rent.

Interestingly, demand is consistently robust across the county for good quality family homes, whether they are

modern with 3-bedrooms in Central Oxford (Photo 2), substantial homes with 6-bedrooms (Photo 4), modern with 4-bedrooms let at £1800 pcm in Headington, or an old chapel in Deddington with 3-bedrooms.

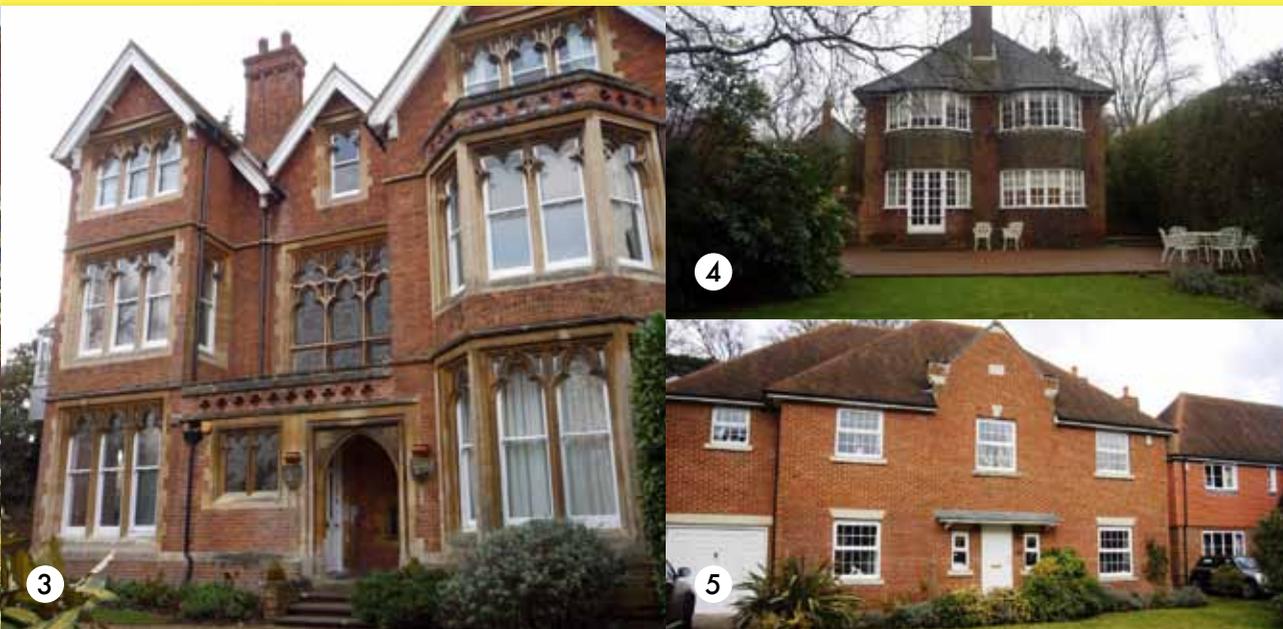
INCREASE IN CORPORATE LETS

In Oxford and around Abingdon we are letting more property via relocation agents to high quality corporate applicants, although this increase compares to a



GRAPH 1
INFLATION AGAINST AVERAGE PAY INCREASES, 2008-9. PRIVATE SECTOR, PUBLIC SECTOR, RPI

Source: ONS, various reports. The pay data is the % of year-on-year increase. It excludes bonuses and includes arrears.



BUY-TO-ALREADY-LET?

No investment is risk-free, and we applaud prospective residential investors who are concerned about future rental income as the best investors do thorough homework.

However there is a way to mitigate such anxiety: buy an already-tenanted property. This is standard practice in commercial property. Two stories from Q1 illustrate this practice in residential property.

1. A client wants to sell his 4-bedroom Charles Street, OX4 house which needs work. It is let until September 2011 to two groups of students. Another client was looking for a project to add value to while he lives in accommodation provided by his employer. We manage the sale at a fair market price at a 6% gross yield, giving the new landlord guaranteed income for 18 months. He will now upgrade the bathroom for the existing tenants and kitchen for the next tenants.
2. A client calls at 9am on Monday morning asking for help: she urgently wants to release equity from her 2-bedroom Central Oxford apartment. We showed the home to an investor that afternoon. A decisive individual, he made an offer which was accepted within 24 hours. Both parties are delighted, as is the tenant who has tenure for a further 3 years. This story may seem too good to be true, but true it is.

the election looms

low base in 2009. Photo 5, in Sutton Courtenay, marketed at £3200 pcm is a case in point: let in March to an incoming CEO for an August start date. Generally relocation agents will only consider immaculate properties – some landlords may need to re-decorate to secure a high quality corporate tenant.

SOUTH OXFORDSHIRE'S HIGHEST EVER RENTAL?

One let does not a trend make (we told you this report is spin-free) but the 6-bedroom farmhouse in glorious condition near Abingdon (Photo 1) illustrates the power of landlord flexibility. Marketed at £7500 pcm for an April start date, the landlord moved out two months early at two weeks notice to accommodate high quality tenants with an urgent need to move.

RENTS ON RENEWAL ARE INCREASING BUT ARE WE FEELING RICHER?

2009 was the year of the 0% rental increase on renewals due to increased supply of failed sales property and decreased confidence. In 2010 the market is different so far and – for most properties but not those in worse condition – with careful due diligence and a strategy for each property, we are negotiating rent increases of 0.5-2%. Re-letting has the same trends, but there are exceptions: an effective upgrade created a 17.7% rent increase at one Didcot home.

While tenants seem to have less economic anxiety this year, it is doubtful that they feel richer and so the

market is forcing rent increases against the emotional grain. See Graph 1: inflation is currently greater than private sector pay increases, and the prediction for 2010 is a 2% average pay increase¹. Hence most people will have an effective salary decrease this year unless inflation dips sharply. Public sector salaries are predicted to reach 0% as freezes abound², and this is alongside any headcount reductions post-election. The latter issue is important for landlords since the public sector is a long-term, major supplier of good tenants to the Oxfordshire letting market.

THE '3 Rs' PERSIST FOR A SMALL MINORITY

Estate agents acknowledge that the '3 Ds' aid business: death, debt and divorce. In letting, the '3 Rs' are perennial causes of 'surrenders' (leaving the tenancy early): relationship breakdowns, redundancy and job relocation. Q1 has seen a number of redundancies outside of Oxford, and it is a challenge for the agent to handle such unhappy situations to the satisfaction of all parties. A recent situation with our Banbury team is best practice (in our view). A tenant was in dire straits after a relationship split: we found her a new home for £200 less per month and re-let her existing property to a good family with only a 5 day turnaround. This was hard work for the Property Manager involved, but the landlord's income did not waver.

LOOKING AHEAD IN 2010

Demand seems positive, and so the key issue will be whether the supply of rental property increases. Tenants will be hoping it does, landlords will not. Whoever wins the election, it is likely that public sector and

tax policies will affect the rental market more than any new housing legislation. We hear that the Government's plans to regulate the rental industry are moving forward behind the scenes. Interestingly, although housing is a major social issue, it seems conspicuous by its absence from the election battle apart from the recent stamp duty announcements.

THE HUMAN SIDE OF LIFE

The right response. An applicant jumps for joy – literally – after viewing a Grandpont 3-bedroom home. Great stuff.

Client envy. Two new clients in one week give us keys, saying "You take care of it, we're off." One flew to the Outer Hebrides, the other to the Himalayas.

Next stop FK. A bus driver tenant rings to borrow some keys as his are at work. He arrives to pick them up with a bus full of waiting passengers.

¹ IDS Pay Review, Finders Keepers interview March 2010

² Ibid