

Pricing accurately to gain success – the defining rental story in 2016

We have been fortunate over the past 15 years to enjoy a relatively low level of volatility when it comes to residential rents in Oxfordshire and the surrounding counties. Rents have risen in line with inflation and the wider negative economic pressures of 2008-10 were mitigated somewhat by the county's diversified economy and the many 'pull' reasons for living here – the schools, universities, proximity to London, etc. One consequence of low volatility is that one can forget that the rental market is just that – a market where supply and demand fluctuate. If demand drops or supply increases then rents must change or properties will sit empty. We have seen subtle yet real changes to supply and demand in Quarter 3 across our eight offices.

Brexit fallout?

It is difficult to identify a discrete 'Brexit effect' beyond a few failed sales, see below. Demand at the top end reduces after July normally and there were some £1,200-£2,000 pcm headwinds before Brexit. Local developers report that few people have pulled out of sales and the surprising aspect is the sense of normality since the Brexit bombshell landed.

Successful failed sales

The failed sales that we did see were due to life decision changes or price expectations changing and our tenants have benefitted. For example, Photo 1 shows the mooring of a gorgeous 5-bedroom property with a mature garden set by the river at Dorchester-on-Thames at £2,995¹. The owners were moving abroad and had originally planned to sell the



¹ All individual rents in this report are pcm and marketing rents

house. However, plunging exchange rates meant that it was prudent for them to let it instead. We found the perfect family for it who were looking for a rural home with open-plan living and good sized garden.

We also had success with a superb 6-bedroom ultra-modern detached house on Boars Hill (Photo 2) with high ceilings and wall-to-wall glass panels and doors. Set in substantial, private landscaped grounds this property achieved a fantastic rent which we believe is a record for Boars Hill.

A more price sensitive market

We have seen more price sensitivity below £2,000 pcm than normal. Supply has increased slightly after the Stamp Duty deadline in March and demand has been affected by a lack of wage increases, reduced migration from outside the UK into Oxford and increased consumer caution as people are wary of overreaching on their fixed costs. Is this transformative? No. Is it nuanced and dependent on each property? Yes. Is it a shock for some landlords used to rent rises each year? Certainly, but our modus operandi is to tell our clients the truth of the market. Successful letting is about maximising the rental income relative to the conditions rather



than past performance or any abstract notion of intrinsic value.

An example is a very attractive 2-bedroom ground floor flat in OX1 (Photo 3). This has been let at £1,595 for two years to two successive overseas post-grads who used the second bedroom as a study. This year it struggled and eventually let at £1,500 to a couple relocating from Turkey to set up a marketing business. Similarly, a wonderful 2-bedroom unfurnished apartment in an old Manor House in North Oxfordshire (Photo 4) had a head lease stating no pets, no children and the garden is shared. However, most applicants want their own garden and many have pets. Tricky. We proposed reducing the rent from £1,100 to £950 and the property let to the ideal tenant: a single doctor who will mainly use it as a Monday to Friday home.

In Bicester there was an oversupply of 4-bedroom new-build houses, which hindered the quick letting of our property. A small price reduction to £1,650 was enough to help us secure good tenants while still giving the landlord a gross yield of over 5%.



By taking a very proactive stance on rents, our Central and North Oxford teams both had record months in July and our landlords have great tenants rather than empty properties.

Self-managing landlords – or not

We love our Letting Only clients (those who manage the properties themselves) but some make little effort to look after their tenants during the tenancy and then wonder why deposit disputes arise. They call us for help but the damage is done. To quote one recent

unhappy tenant: "The landlord hasn't fixed anything for 12 months so why should I spend money on cleaning the property?" In this case the landlord has TDS regulations on their side but the conflict is theirs to resolve; take care of your tenants or outsource it if you lack the time / energy.



Investing

If you are interested in investing, there are still opportunities but talk to us first. We are in touch with local developers so know where the best deals and best likely yields are to be found. For example, we were allowed a preview of Stratton Park, close to the newly revamped Bicester Village station. The development consists of 80 homes, mostly 2-, 3-, and 4-bedroom houses but with the addition of some apartments. We took details of the properties and sent them to our registered investors leading to four clients acquiring properties.

In addition, we know landlords who might be selling, and we are in a very good position to facilitate sales between landlords. For example, one of our portfolio landlords recently decided to sell a 1-bedroom apartment in Banbury town centre. At the same time, we knew of an investor who was looking to buy a 1-bedroom apartment. We put the two together and a deal was done.