



Quarter 3 – failed sales dominate and experience comes to the fore

The screenwriter William Goldman is famous partly for his phrase “Nobody knows anything” about Hollywood executives judging if scripts will turn into gold.

His mantra is oft-repeated and seems prescient today in terms of financial and economic predictions from the past 24 months. We wonder how many of you now bring more scepticism to ‘expert’ forecasts? Hence, this Quarterly Report recounts Oxfordshire letting market reality only, from 600 lets achieved from July to September by our eight offices.

Two types of reluctant landlords
‘Failed sales’ enquiries have deluged the offices, with increasing ‘Not Even Bothered Selling’ enquiries. These generally split into two:

a) **‘Reluctant but successful’**
The majority of owners realise an empty house earns zero. They listen, take advice, invest in presentation where needed, prepare the home and gain income. Photo 1 shows a Burford home unsold at £1.35 million yet let by us for over £3,500 (all rents pcm). A client with a large vicarage at Edgehill, Banbury, implemented a wide range of our presentation tips and now has great tenants and rent of £1,450 (Photo 2). ‘Reluctant but successful’ landlords comprise many of our Q3 new tenancies.

b) **‘Reluctant and unrealistic’**
A minority group, these owners want the income and tenants who “float across the carpet” (© our Bicester letting manager) until the sales market picks up. Conversations about repairs and maintenance bruise agent and landlord. For example, one landlord said that he lived with his hot water only working at times, and so should the tenant. Common sense eventually prevailed.

Developers changing business model – reluctant but successful
Two developers exemplify ‘reluctant but successful’. The sidebar has one case study. Another is a well-known Oxfordshire developer with a collection of smart 2-bedroom apartments in Abingdon. Fearing low sales prices, we helped them run rental income projections and then let ten 2-bedroom apartments for £725-

£795 (Photo 3). One deal gives the tenant the right-to-buy within 12 months with their cumulative rent counting towards the price. This seems a progressive step, and time will tell if ‘rent-to-buy’ becomes more widespread.

Smaller properties letting fastest
Whether £700 for a 3-bedroom home on the Hanwell Fields estate in Banbury, £900 for a 1-bedroom flat in north and central Oxford or £650 for a 2-bedroom apartment in Bicester, the smaller properties remain the hottest part of the market. A 2-bedroom Kidlington barn is an example at £895 (Photo 5). A £595 1-bedroom Witney flat had three people fighting for it. Psychology influences us all, and £1,000 is an important barrier – £995 properties let faster than £1,050.

Well-timed summer family homes
The summer is the time to let large houses. Photo 4 is a gorgeous Summertown home let at £3,350. In July we took on a 6-bedroom Yarnton home on a Thursday and by Tuesday we had let it for £5,000. A senior food executive paid a year’s rent in advance for a high-spec modern Marsh Gibbon home at £2,500.

Accurate rents required
Tenants read the news too. Even before the Lehman / AIG events, consumers were worried about their financial security. We are generally extending rents at RPI, but look around and you will see Oxfordshire saturated with badly valued, empty property. The ultimate horror story hit our Banbury office in September via Canada: a lady’s Ratley property had been empty since January at £2,400. Our manager picks his jaw off the floor, visits it and his view is £1,700. Yet still the landlady feels unable to lower the rent.

Another acronym? BBTs or TBC?
Three of our offices remarked on the increase of ‘Bunk Bed Twenties’, younger tenants choosing to reinstate their parents’ homes and save for a deposit rather than renting. Interestingly, this has not dented demand for smaller properties. Whether this is a real trend is TBC.

Utilities rising in influence
More and more applicants calculate utility and council tax bills in advance. Oil tanks can break deals, especially at £1,000+ a refill for a larger property. While awareness of the now-mandatory Energy Performance Certificates is low, we believe the EPC’s energy and economy ratings will only exacerbate the power of

utilities. Less efficient – and therefore more expensive – properties will reduce their target market.

Student logistics
FK Student Letting’s high rents capture landlords’ attention, but brutal logistics fuel the business, enabling over 120 check-outs, cleaning and carpet-cleaning, pre-tenancy checks and check-ins to happen within six weeks. Our cleaners said the properties were left better than ever, a result perhaps of empathetic yet robust inspections. In September the student year launched; we had 37 tenancies start in one week.

Weston-on-Otmoor decision delayed
The Government has delayed the decision on the 15,000-home ‘eco town’ from this autumn to “some time in early 2009” with little rationale provided. Elsewhere, work has started on 1585 houses just south of Bicester yet stalled on the £70 million town centre development. However, we remain bullish on the long-term prospects for Bicester. In Witney 69 apartments are being built. Investors must be canny here – the town already offers copious 1 and 2-bedroom accommodation.

Looking to Quarter 4

While the medium and long-term repercussions of September’s financial events on Oxfordshire’s economy are not yet clear, immediately they have made £2,000+ properties harder to let. Many applicants are more hesitant: economic uncertainty stalls people’s big life decisions and corporate relocations. So while smaller properties will flourish in Q4, overvalued family homes will struggle and these landlords may pay their own mortgages – a tough call. Our advice – hewn from decades at the income-creating coal-face – is:

- Be flexible with your ideal tenants
- Take our advice on rents
- Assess your competition via the portals to gauge pricing
- Double check presentation inside and out and be critical in your appraisal – does your property stand out on a website and in a viewing?
- Be wary of overquoting on rents – empty property earns you nothing

Successful change of strategy



Andrew Mobley of Mobley Construction describes our work on the Mill House in Brackley, a development of fourteen 1 and 2-bedroom apartments recently built ‘in-house’ and to wide acclaim:

“We were going to sell to owner occupiers or investors; however with the housing “adjustment” it was important to have a contingency plan.

Finders Keepers contributed on the initial design and kept in touch during the build. Initially we sold three apartments, then the credit crunch really started to bite so we decided to market the rest for sale or rent. At this stage Finders Keepers were brilliant: they moved quickly and provided straightforward and realistic advice on the market, rental projections and presentation. They advised us to be flexible on letting furnished or unfurnished, thereby increasing our target market.

In two months, Finders Keepers let nine apartments at good rents to sustainable tenants. Rents range from £650 for 1-bedroom and £795 to £850 for 2-bedrooms. Four tenancies are corporate lets, each of these are hiring a furnishing rental package from Decorum. This saved us the hassle and expense of furnishing units at a time when we were flat out finishing off building works.

At all times Finders Keepers and Decorum have given a diligent and professional service, delivering on their promises – in a battle they are people you’d want in your trench!”

PS. The human side of letting

Phantom gardener: We ask a gardener to mow a Burford cottage lawn pre-tenancy – he finds the job already done. Which neighbour committed this act of kindness?

Friendly feline: A potential landlord’s Siamese cat jumps onto our Abingdon manager’s shoulders at a take-on meeting and sleeps. The landlord carried on regardless.

Room service: An applicant asked if we could charge her 1st month’s rent and deposit to her hotel bill at The Randolph. Now is not the time to diversify into banking.