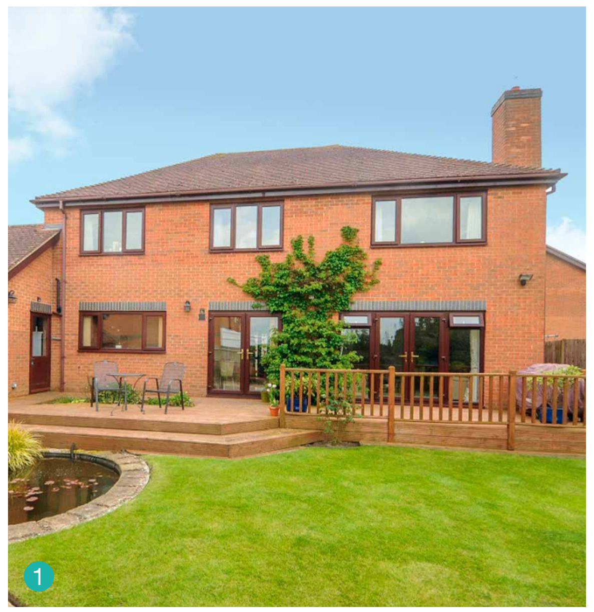
9 Trends for 2017

Experts – what do they know? If we look at Brexit, Trump and Leicester City, then we could say "not very much". So we're keeping our annual predictions close to home and full of common sense. They are the continuation of trends from the last few months and views based particularly on learnings from 2008-2011.

1. We will see fewer, more serious investors who like 5% gross yields…

George Osborne didn't like landlords. Or agents. Or property owners really, and from April there will be a phased reduction in the amount of mortgage finance which is tax deductible at 40%. Alongside the extra 3% stamp duty for second homes, the new tax legislation is designed to reduce the activity of buy-to-let investors and, you could argue, force some to sell their rental properties. We are seeing the more 'fair-weather' investor disappear and a more serious (as in determination rather than humour) investor remain who likes the 5% gross yields they can get in some parts of Oxfordshire at a time when savings rates are 0.05% and the stock market is as predictable as Mr Trump's Twitter feed.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2.…but not many landlords will sell down their portfolios

We do not think the new tax system will trigger many disposals. 62% of landlords only have one property and so are unlikely to be affected by the tax changes. Plus 49% of landlords have no mortgage finance and so will be unaffected[1]. When you add in the long-term housing supply constraints, the tangibility of bricks and mortar and the complexity of many financial products, we believe that rental disposal rates will not increase materially in the next two years.

3. Rents to increase as more tenants will renew their tenancies

Hardly the boldest prediction, but a good rule of thumb is that in more cautious times the rate of tenants renewing their tenancies goes up. This is good for landlord and good for tenants. Or is it? More renewals means less rental stock is available which leads to rents going up. So more tenants renewing is in fact good news for landlords but not tenants looking for a new rental home.

1 From CML's Landlord Research, December 2016

4. Short tenancies for more reluctant landlords

The sales market has been challenging since Brexit. It is taking longer to sell and buyers want to negotiate more. The result is that asking vs. achieved prices are falling. In Q4 of last year we saw the return of the 'reluctant' landlord made famous in 2008-9, typically with larger property as the sub-£500K segment is the most active in the sales market. We are honest with our clients: rents are lower when marketing property in winter, particularly for family homes. However a 6-9 month tenancy can bring the property to the right time of year, provide income and stop the outgoings in council tax and utilities. A case in point is a well maintained 4 bedroom home in the village of Steventon (Image 1) which had been on the sales market for several months. The owner decided to let the property out instead and so we listed the property at £1,750pcm and promptly negotiated a 9 month tenancy, ending in July at which point they can decide whether they want to re-let or try selling again.

5. Necessary debate on the purpose of High Street property

The 'commercial to residential' conversions from the past five years have been a mini, hidden revolution (Image 2 - on the right). Local authorities hate the loss of employment space and the business rates which employers pay – tenants and buyers like the new housing, often with larger windows and room sizes. More debate is needed about High Street property – even attractive retail streets in our towns have boarded up shops and the e-commerce tide is irrepressible. The shape of society is changing faster than our designation of property space and vacant retail units at a time of housing shortages will become a higher profile issue.

6. Improving existing property to be emotionally and rationally attractive

The volume of visible hoardings and skips indicates the building market is still hot. We expect this to continue – owners reap the benefit of adding space / value to their property. For landlords we help them get a direct return on their investment – by refurbishing a rental property our building team sees rents go up typically from 10-15%. Such projects please the head (financial return) and the heart (they are exciting).

7. Waiting for the Westgate

It's been a long wait, five years overdue. In the Autumn the new Westgate Centre (Image 3). This should be a boon to OX1 rents and house prices but the consequences on the rest of Oxford's retail offer are yet to be seen. Let's hope it doesn't divert too much foot traffic from Cornmarket and the High Street. Interestingly, the new Centre is predicted to need 3,400 staff yet there are only 710 people claiming Jobseekers' Allowance in Oxford (Nomis, May 2016).

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8. Letting to become more virtual

We have been delivering viewings by Skype for two years now and the uptake is increasing. It gives the applicant the chance to ask all their questions without flying over to the UK. The ideal scenario is always for the tenant to view the property in person, but with sufficient description we manage to avoid any unpleasant shocks on the tenants moving into their house.

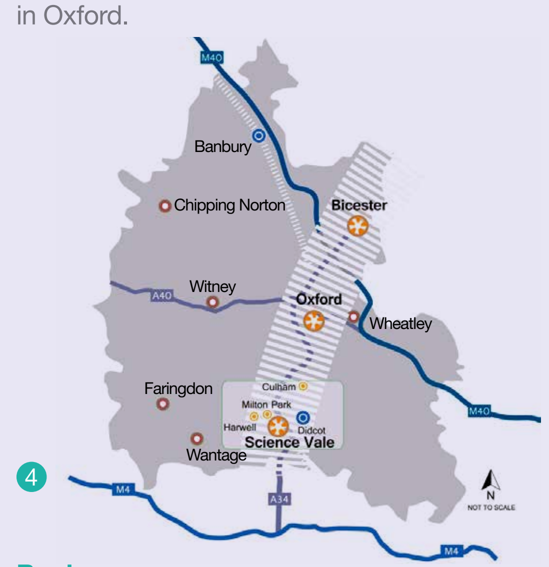
9. More demand for Bicester from buyers, investors and tenants

As if Bicester Village, a new train line, multiple major new build schemes and a ripe economy was not enough, the government has now committed to re-open the Varsity train line between Oxford and Cambridge (via Bicester and Milton Keynes) and also funded a feasibility study into a new 'express' road between Oxford and Cambridge in the Autumn Statement. Bicester has such a strong story to tell and we are only in the first chapters.

2017 by area

Abingdon

2017 promises to be another year of growth in Abingdon, Didcot and surrounding villages with the continued expansion of Great Western Park being supported by growth in Wantage and a number of smaller scale village developments. Science Vale (Image 4), Milton Park and local specialist companies such as Sophos in Abingdon continue to be our key tenant sources plus the villages which appeal to those working in Oxford.



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Banbury

With the major investment some huge employers have made around Banbury during 2016 (Amazon; Hello Fresh; Soho Farmhouse), the demand for good quality 2/3 bedroom properties in and around the town centre will remain strong in the new year. Yields of 4-5% can be achieved if considering investment in a brand new property on one of the ever popular developments around Banbury.

Bicester

The town is buzzing. The new train from Bicester Village to Oxford city centre will make a big difference to the attractiveness of Bicester as a place to live especially when you take into account that rents are some 25% less than they are in the city. We predict that demand for rental property will continue to increase in the area – both through commuters (Oxford and London especially) and through an increase in low skilled labour as immigration is likely to increase in the short term lead up to Article 50 and our exiting the EU.

Central and West Oxford

2016 was a bumper year in Central Oxford and we let more properties than ever before. In 2017 landlords must make their property stand out either by it being 'high-spec' or 'good value'. We expect top end rents (over £2,500 pcm) to plateau and 2017 will be about improving the standard of property to maintain rental values and returns for investors. Tenants want value for money and will be more sensitive about paying too much.

East and South Oxford

The growth of industry and business around East Oxford drives the housing demand. Coupled with the Oxford-to-London Tube and M40 links means the demand for good quality rental property remains strong. Whilst the resolute favourites such as Headington, the Cowley Road, and Iffley Fields still command a lot of attention amongst applicants, a short distance away the villages surrounding East Oxford offer a more peaceful alternative to the buzz of the city.

North Oxford

North Oxford remains a popular choice for landlord investors and tenants alike – four 1 bedroom properties acquired by us through Inspired Investment above M&S in Summertown (Image 2) let immediately at premium rents entirely due to the prime location and because the landlords agreed to follow our advice to furnish them to the high standard required to encourage quality tenants. The draw of the new Oxford Parkway Station has added to the appeal of living in nearby towns and villages such as Wolvercote and Kidlington. North Oxford schools continue to be high on applicants' list of priorities.

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Witney

1 and 2 bedroom properties will be most popular, especially houses in walking distance of the town centre. The Long Hanborough to Oxford stretch will be desirable with both applicants and investors trying to fulfil the needs of the commuters. Early 2017 will be more testing for landlords of larger rural properties and flexibility with pets and terms will be required. We expect the post-Brexit concerns to feed into more rental demand as people seek a more flexible approach to their living arrangements.

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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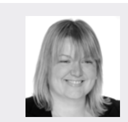
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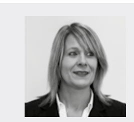
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