



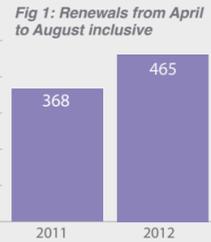
Turning frowns upside down

The dominant trends of Q2 – demand for the mid-market, lots of renewing tenancies, surprisingly poor references – continued into Q3. Selected highlights drawn from eight pure letting and property management offices for July, August and September across Oxfordshire include:

Smaller good homes letting immediately – more needed urgently to meet demand

Q3 has mirrored Q2: our well-presented, accurately-priced homes in the low- to mid-market are letting the fastest, many on the first viewing. Quite simply demand outstrips supply, characterised by one Office Manager as “Mid-Market Heaven.” Illustrative examples include 2-bedroom, 2-bathroom apartments in Abingdon letting at £895¹ (Photo 1) and in Banbury at £695, up from £850 and £650 respectively a year ago; a 2-bedroom Witney house letting for £825 immediately (Photo 2) and 2-bedroom apartments in Central Oxford for between £1400-1600 (Photo 3).

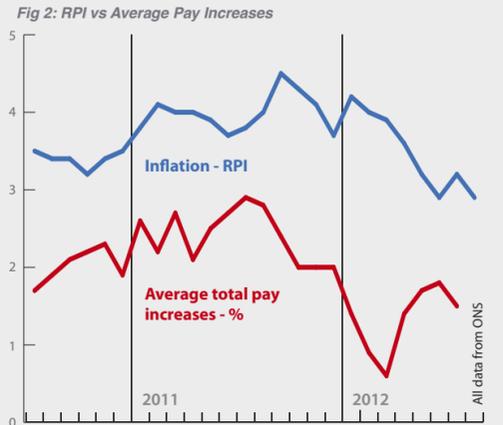
Why the reduced supply? The trend of people ‘renewing’ their tenancies persists. The 31% increase year-on-year in renewals shown in Figure 1 reduces available stock.



So we have the confusing situation of the “growing rental market” you keep hearing about (measured by the proportion of society living in the private rental sector) yet less property is available to view if you move, particularly 1- and 2- bedroom homes.

“Underlet” homes mean renewal rents likely to increase

Rent increases on the renewal of tenancies used to track inflation. Since 2008, the two factors have decoupled as inflation has climbed more than earnings (Figure 2). People have been feeling financially constrained and so renewal increases of 1.5-2.5% have been the norm.



This might be about to change. Firstly, with the kind of rent increases on re-letting described above, a home which has not been re-let for a while is now “underlet”, which means the income for the landlord is below what could be achieved upon re-marketing of the property. A gap of 5% might not be enough to worry about, but gaps of 10% will start to motivate change. Secondly, earnings increases should – hopefully – overtake inflation and this would provide a different context for rent negotiations.

Of course each renewal negotiation should be considered on its individual merits and losing a good tenant over a few pounds would be a false economy. However, if the current lack of low- and mid-market property continues, expect greater rent increases on renewal.

Helping ‘failed-sales’ owners to smile

The family house letting market peaks in Q2 (May, June) not Q3. July is solid but August is quieter, particularly in North Oxford where applicants decamp to the beach. A good agent should be managing available dates accordingly. September can be very productive: Photo 4 is a great Oxford family home let recently at £6500, Photo 5 is a converted dairy near Banbury marketed at £2100 and taken by a good family.



The family calendar is pertinent for the ‘failed-sales’ market as in Q3 the latter tended to be a) larger homes, b) outside Oxford. They were put on the sales market at Easter, offers did not materialise and they come back to the letting market with understandably disappointed owners.

Our job is to “turn that frown upside down²” for sellers and swap stress and costs for happy tenants and income, for example: an Iffley cottage had been empty all summer and let to a corporate tenant on the 1st viewing at £2100 (Photo 6); two senior business executives chose this classic village home near Bicester (Photo 7) partly as it had room for their chickens; a practical 4-bedroom Witney home let to a

² A cheesy old saying popularised by several Hollywood films, but it is very fitting when helping an owner whose home has not sold

family from Europe who just want to experience British life for a year (Photo 8) – a feather in the cap for the ‘Witney experience’!

As autumn arrives the appetite for larger houses will decrease. Rents need to be set relative to bottom-up demand, not top-down expectations.

Corporate lets accelerating

The corporate let market correlates directly with economic health (foreign direct investment, relocation, expansion). In Oxfordshire it has never regained the heights of 2007. While we are not as dependent on corporate tenants as Zone 1 in London which feeds off the City, corporate tenancies on the whole provide the best tenants and support rents at the top-end. In Q3 corporate demand has increased, particularly from both the specialist and consumer automotive supply chains for whom we are sourcing a mix of houses and furnished 2-bedroom apartments with two professionals sharing to avoid the HMO regulations.



Urban sharers moving to SODC

Some of the corporate tenants would like larger sharer homes for their skilled young staff, but the HMO regulations have cut the number of ‘sharer’ homes in Oxford. Hence we have seen a couple of lets where a group of sharers are being relocated to Oxford and they are choosing to live outside Oxford in 3- and 4-bedroom homes as South Oxford District Council has no HMO restrictions. Two lets do not make a trend, but it will be interesting to see if more sharers leave Oxford to find a rental home.

An Olympic dip but not silence

No medal for our prediction that the phones would go dead during the Olympics. In fact viewings levels were solid but the conversion rate dropped by 20%. Perhaps motivated August applicants were too busy cheering? The British team’s success might have turned a few heads abroad as overseas traffic to www.finders.co.uk rose 5% during the 17 day sporting smorgasbord.

PS

The shrinking garden. A client instructs a previous agent who values his £2000 house at £2750. A week later the agent rings: “We’ve just realised the garden is quite small so the rent should be £2300”.

Sofa identity. A neighbour calls to say that our tenant has thrown a sofa into the street. We show her the tenant’s photo and recent inspection photos of the sofa and she agrees it is a case of mistaken identity.

Literally empty. We advised one landlord to “empty his house” if he was letting unfurnished. He duly emptied the whole house into the garden and had a sale. Our EPC man bought flippers and a snorkel.

How on earth did we win the **Sunday Times Letting Agency of the Year** for the whole country for the 2nd time in 4 years, beating all the big agent chains? Good question. We just focus on operational excellence (99+% rent collection, 0.15% deposit dispute rate), finding high quality tenants for our high quality landlords, innovating a lot and enjoying our work. We never forget that we’re only as good as our last let and last Check-Out.



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OX14 3PX

Banbury
01295 276766
3 Horse Fair
OX16 0AA

Bicester
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24 Market Square
OX26 6AD

Witney
01993 700150
114 High Street
OX28 6HT

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