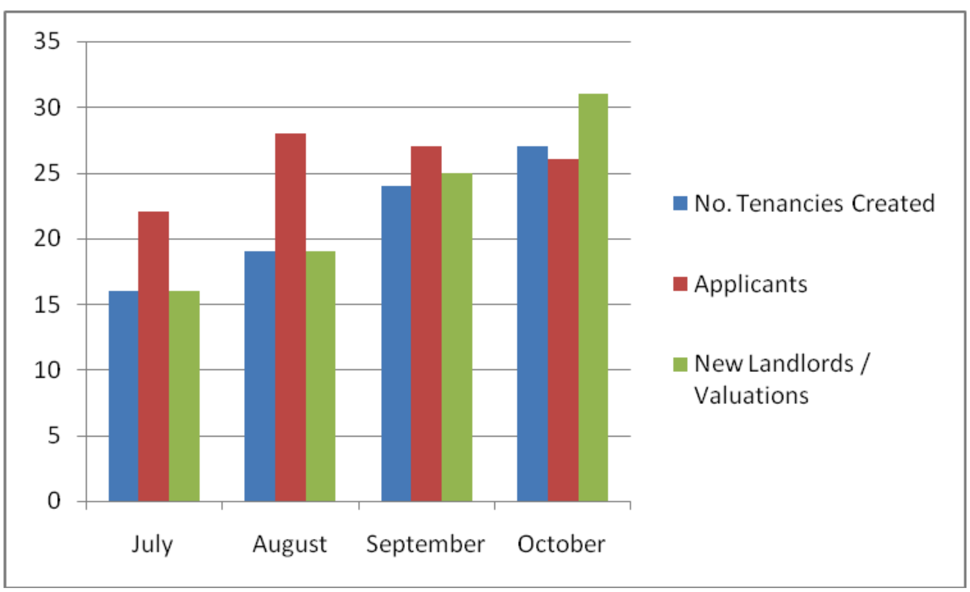
Quarter Three 2008

It would be fair to say that the third quarter of 2008 has provided many a new Landlord with a "get out of jail" card. With rising mortgage costs, lack of lending and a continual slow down in the sales market generally, the option of Letting is something that is new to many.

Yes it is true that there has been an influx of property instructions over the past 6 months, though in no way has this caused a "glut" of property. The larger than normal number of instructions taken on has, in our view, tapered off the steady increase in general rental prices and in particular hit the higher end of the market. Those properties generating a rental value of around £1,500pcm to £2,000pcm have seen a 10% drop over the past six months. These properties are however particularly reliant upon two market forces. The first is the business relocation factor. With the larger companies not looking at recruiting in the same numbers as before, the number of families on the move has decreased dramatically. The second is the "property sale" tenant. This type of tenant comes about on the back of a strong sales market whereby home owners shall move into rented accommodation to allow a sale to go through. With the number of sales decreasing we are seeing far less of these type of tenants.

Looking at the market generally however makes good reading. The properties offered to let between £600 - £900pcm have achieved around a 5% increase over the past 6 months (10% annually). Even with the larger number of homes coming to the market, those properties in the right location, in good condition and priced correctly have let out in a short time and to good quality tenants. In parts of the UK where there have been large increases in the availability of block apartments, for example, the rents have been hit harder.



Rye and the surrounding areas are not your typical property "patch" however. The properties are predominantly Victorian and older and the tenants are typically professional couples and families. We see few sharers of any ages as these type of tenants shall normally move to a more urban area such as Hastings, Ashford or indeed further afield to London. This factor means, fortunately, that developers see little benefit (if the planners were to allow it) in building a large number of apartment blocks within the area. The developments that you see springing up relate directly to the demographic, which encompasses professional young families, your average “2.4” family and the retired. Successful recent developments where we have been very successful with our Lettings Department include the Rye View Development on Winchelsea Road (3 lets) and Whitesands Drive in Camber (6 lets).

Forecast for 2009

There are naturally many views on this and if one were able to predict with accuracy the market for the coming year, one would be sitting with sand between one’s toes on a warm beach. Looking at our own business however does provide some statistical reassurance. The last quarter of 2008 is looking to be busy. Instructions are healthy and the levels of applicants, though not as high as would be expected from a weaker sales market, are adequate. There are however more properties coming to the market than the applicants to let them and so we foresee a tightening of prices from now onwards. There is the traditional increase in movement at the start of January in Lettings though we are hopeful that the majority of the properties that are available prior to the end of the year are Let by this time. It is however vital for Landlords to be both realistic and as flexible as possible. Properties may not achieve the full asking price. They may also be let for shorter periods of time, furnishings may need to be removed / added and so on. Those Landlords who are most flexible will usually find the tenants. Traditionally Landlords have been able to dictate terms to any prospective tenant – for instance the “No Pets” Clause in many contracts. In the current market it is the tenant who has the upper hand and so bowing in some measure to the tenant’s needs may prove vital.

Pricing Strategy For Landlords

The number of new properties for rent considerably outnumbers the increase in potential tenants. Many of these newly available properties are due to the inevitable increase in ‘forced landlords’, which refers to home owners who have opted to rent out their properties after failing to sell them. In addition, many existing landlords have been forced to retain their existing property portfolios rather than continue struggling to sell, or doing so at an unacceptably low sale price. Meanwhile, tenancies seem to be getting longer as tenants decide to remain in their existing properties rather than laying out the money required to move. As a result, the available rental stock in any given area is, typically, running at about four times the level of just twelve months ago creating a recent imbalance of the type experienced by most sales agents for over a year and we are all acutely aware of the nationwide reduction in asking and selling prices over that period. The lettings market may be faced with a similar scenario in the coming months. It is, therefore, crucial that your property appears competitive to prospective tenants from the outset. It is tempting for a landlord to test the response at the maximum possible rent but in a faltering market, it can be dangerous and expensive; a landlord wishing to put a tenant into a property for 12 months at a rent of £1000 per month will soon see that figure slip to the equivalent of £833 per month over that year if it remains empty for the first two months. Far better to quote a competitive rent of £925 per month at the outset to secure a tenant more quickly in the face of increased competition from other properties. The rent can always be reviewed at a later stage of the tenancy, if necessary.