
Autumn 2017

# NEWBURY PROPERTY NEWS

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DOWNER & CO
Chartered Surveyors and Estate Agents

## Welcome

We have been involved in the Newbury Property Market for over 30 years and have always shared our thoughts on the local property market with our landlords, vendors, tenants and purchasers. Now, we want to share with everyone in the town and those outside of the area who have an interest.

In our newsletters and blog we will talk about what is happening in the town's property market, looking at specific streets or housing estates. We will also feature what we consider decent buy-to-let deals.

We look at the whole of the market and offer you independent and impartial advice. Oh, and we also make decent coffee so please pop in. If you've got any questions give me a call on 01635 523777.

*Simon Downer*

# Newbury Buy-To-Let Predictions up to 2037

**On several occasions over the last few months, in my Newbury Property Blog, I predicted that the rate of rental inflation (i.e. how much rents are rising by) would ease over the last year. At the same time I felt that in some parts of the UK rents would actually drop for the first time in over eight years. Recent research backs up this prediction.**

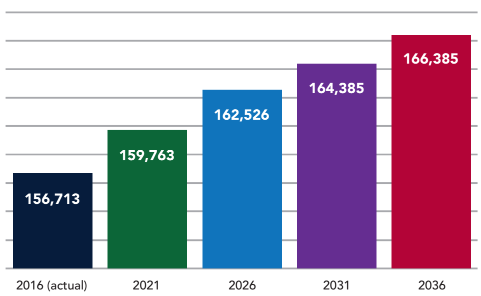
Rents in Newbury for new tenancies fell by 0.4% in the last 12 months (i.e. not existing tenants experiencing rental increases from their existing landlord). When we compare that current rate with the historical rental inflation in Newbury, an interesting pattern emerges ...

- 2016 - Rental Inflation in Newbury was 5.1%
- 2015 - Rental Inflation in Newbury was 9.4%
- 2014 - Rental Inflation in Newbury was 3.2%

The reason behind this change depends on which side of the demand/supply equation you are looking from. On the demand side (from the tenants' point of view) there is the uncertainty of Brexit and the fact that salaries are not keeping up with inflation for the first time in three years. Critically this means tenants have less disposable income to pay their rent. As an aside, it is interesting to note that nationally, rent accounts for 29% of a tenant's take home pay (Denton House).

On the supply side of the equation (landlords' point of view) Brexit also creates uncertainty. However, the biggest issue was a massive upsurge of new rental properties coming on to the market in late 2016, caused by George Osborne's new 3% stamp duty tax for landlords in the first part of 2016. This meant a lot of new rental properties were 'dropped' on to the rental market all at the same time. The greater choice of rental properties for tenants curtailed rental growth/inflation. A slight softening of Newbury property prices has compounded this. Figures from The Bank of England suggested that first time buyers rose over the last 12 months as some were more inclined to buy instead of rent. Together, these factors played a part in the ongoing moderation of rental growth.

**Population Estimates for the West Berkshire Council area over the next 20 years**




The lead up to the General Election in May didn't help: after all people don't like doubt and uncertainty. So now that we have a mandate for going forward over the next 5 years hopefully that has removed any stumbling blocks stopping tenants making the decision to move home.

Whether it be 'hard' or 'soft' Brexit negotiations (and with the Election result the Tories might have to be 'softer' on those negotiations) the simple fact is, we aren't

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building enough properties for us to live in. Both in Newbury, the South East and the wider UK, long-term population trends imply that rents will soon be growing faster than inflation again. Look at the projections by the Office of National Statistics.

Tenants will still require a vibrant and growing rental sector to deliver them housing options in a timely manner. As the population grows in Newbury, and wider afield, any restriction to the supply of rental properties (brought about by poor returns for landlords) cannot be in the long-term best interest of tenants. Simply put rents must go up!

The fact is that I see this as a short-term blip and rents will continue to grow in the coming years. With rents only accounting for 29% of a tenant's disposable income, the ability for most tenants to absorb a rent increase does exist.

Lee Fenn-Tripp

# Newbury Property Market and Mysterious Politics of the General Election

As the dust starts to settle on the various unread General Election party manifestos, with their 'bran-bucket' made up numbers, life goes back to normal as political rhetoric on social media is replaced with pictures of cats and people's lunch. Joking aside though, all the political parties promised so much on the housing front in their manifestos, should they be elected at the General Election. In hindsight, irrespective of which party, they seldom deliver on those promises.

Housing has always been the Cinderella issue at General Elections. Policing, NHS, Education, Tax and Pensions etc., are always headline grabbing stuff and always seem to go 'the ball'. However, housing, which affects all our lives, always seems to get left behind and forgotten.

Nonetheless, the way the politicians act on housing can have a fundamental effect on the wellbeing of the UK plc and the nation as a whole.

One policy that comes to mind is Margaret Thatcher's Council House sell off in the 1980's, when around 1.4m council houses went from public ownership to private ownership. It was a great vote winner at the time (it helped her win three General Elections in a row) but it has meant the current generation of 20 somethings in Newbury (and elsewhere in the Country) don't have that option of going into a council house. This has been a huge contributing factor in the rise of the private renting and buy to let in Newbury over the last 15 years.

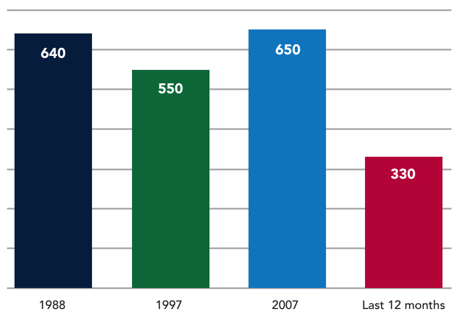
Nevertheless, looking back to the start of the Millennium, Labour set the national target for new house building at 200,000 new homes a year (and at one point that increased to 240,000 under Gordon Brown for a couple of years). In terms of what was actually built, the figures did rise in the mid Noughties from 186,000 properties built in 2004 to an impressive 224,000 in 2007 (the highest since the early 1980's) as the economy grew.

Then the Credit Crunch hit. It is interesting, that the 2010 Cameron/Clegg government did things a little differently. The fallout of the Credit Crunch meant a lot fewer homes were built, so instead of tackling that head on, the coalition side-stepped the target of the number of new homes to build and offered a £400m fund to help kick start the housing market (a figure that was a drop in the ocean when you consider an average UK property was worth around £230,000 in 2010). The number of new houses being completed dipped from 146,800 in 2011 to 135,500 the subsequent year.

So, one might ask exactly how many new homes do we need to build per year? It is commonly accepted that not enough new properties are being built to meet the rising need for homes to live in. A report by the Government in 2016, showed that on average 210,000 net additional households will be formed each year up to 2039 (through increased birth rates, immigration, people living longer, lifestyle (i.e. divorce) and people living by themselves more than 30 years ago). In 2016, only 140,600 homes were built ... simply not enough!

Looking at the numbers locally in Newbury and the surrounding area, it is obvious to me, that we as an area, are not pulling our weight either when it comes to building new homes. In the 12 months up to the end of Q1 2017, only 330 properties were built in the West Berkshire and Newbury Council area. Go back to 2007, that figure was 650, 10 years before that in 1997, 550 new homes and further back to 1988, 640 new homes were built.

**Number of new homes built in the West Berkshire and Newbury District Council area**




Who knows if Theresa May's Government will last the five years? She will think she has bigger fish to fry with Brexit to get bogged down with housing issues. But let me leave you with one final thought.

The conceivable rewards in providing a place to live for the public on a massive house building programme can be enormous, as previous Tory PMs have found out. Winston Churchill in 1951, asked his Minister for Housing (Harold Macmillan) if he could guarantee the construction of 300,000 new properties a year, he was notoriously told: "It is a gamble—it will make or mar your political career, but every humble home will bless your name if you succeed."

Isn't it interesting, that the Tories remained in power until 1964! Mrs May will have to work out if she wants to be the heiress to Harold Macmillan or David Cameron?

If you want to discuss any aspect of the Newbury Property Market, do call us

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