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To lease or not to lease

Cheryl Markosky looks at the nitty gritty of the rental market

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RENTING OUT THE FAMILY HOME

The credit crisis has forced sellers to think laterally.

Last June, Philip Flanagan, a mortgage broker, and his wife Michelle, both 43, lost a buyer for Manor Farmhouse, their £1.75 million, four bedroom home near Faversham, Kent. With the market slowing, they dropped the price by £250,000 in January, but had no takers.

“There aren’t many buyers out there so we decided to rent our house for two or three years before putting it back on the market,” says Philip. The property, which includes a three-bedroom cottage is for rent for £6,000 a month (Savills, 01732 789 760).

Meanwhile, the couple bought a smaller home in Tavistock, Devon for £900,000 in June.

RENTAL HOT SPOTS

Areas dominated by owner-occupiers where there is also a demand from affluent families, are performing well in the rental sector. These include Tunbridge Wells, Harrogate and classic commuter belts such as St Albans and Brighton. Savills’s best performing lettings offices in July were those in central London and the Home Counties.

Similarly, Jackson-Stops & Staff reports the greatest activity at their Holland Park, Wimbledon, Richmond and Weybridge offices. Theresa Wallace, head of lettings at Savills in Sevenoaks and Tunbridge Wells, has had a busy May and June. She is particularly surprised

by how many people have budgets of £6,000 to £8,000 a month.

Theresa believes Britain could become like the rest of Europe, where people happily rent long-term. She predicts that rents will rise by 5 per cent this year and would go higher if it wasn’t for additional stock coming on to the market. “Vendors unable to sell their houses are putting them up to let at the same time,” she says.

NEW HOMES FOR RENT

Small developers worried about off-loading their property are also putting it up for rent. A builder selling a four-bedroom home in south-west London for £2.4 million is also advertising it to let at £2,000 per week (Savills 020 7842 9032).

Mark Eaton of J&M Homes originally planned to sell 12 two-bedroom flats he built in Brentwood, Essex, but then decided to lease them. The local lettings agent, Ashley & Peck, let all 12 from £1,300 to £1,700 to young professionals. “I see this as the way forward,” says Mark. “A lot of people are frightened to buy and by renting the properties out they will be paid off in about a decade.” However, some developers might not be able to wait that long to recover their money.

SEARCH AGENTS

In the rush to find good homes to rent, desperate tenants like Peter Orr, a marketing executive, have taken to hiring house finders. He engaged the services of Jo Eccles of Sourcing Property (020 7244 4485) to find a two-bedroom flat with outdoor space on the Kings Road in Chelsea for £375 a week.

“In a competitive rentals market it helped to have someone carry out the viewings and negotiate the rent,” says Peter.

Mary Ryan, a house finder at Property Vision (020 7823 8388), says: “Increasingly, families want a country house with a pool for about five years while the children are of a certain age. Renting is no longer a dirty word and it is chic to say you are renting these days.”

DOWNSIDES

A street can change in character when a number of homeowners decide to lease their properties.

A 41-year old publisher from St Albans, who prefers not to be named, says her road has become “less friendly with nearly half of the 22 family houses full of transient renters who don’t want to get involved in the community”. She no longer knows her neighbours, the street’s book group has fizzled out and the summer barbeque is likely to be called off as none of the “temporary tenants” have responded to the invitation.

THE UPWARD TREND

The corporate rental market is not drying up as some experts predicted, according to Tim Wyatt, Knight Frank’s head of lettings. “Top guys are being sent over to the UK to sort out problems with companies in the City and they need somewhere to rent with their families. More people are taking a gamble on ‘let to buy’ as well, renting your new house while you stay in your old one for a while”.