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Ain't nothing going on but the rent

The balance of power has shifted as people realise that renting is the way to ride out the credit crisis

By Anne Ashworth

In the same way that mortgage borrowers, once overwhelmed with lender largesse, now face rejection, many tenants who formerly had to tolerate flats with tired decor and high rents can now enjoy more style at less cost. This is thanks to an increased supply of rental properties in many areas.

At the same time, the once low-rent status (metaphorically speaking) of paying rent is changing. Suddenly it's a smart way to sit out the credit crisis. Jane Ingram, director of national lettings at Savills, notes: "We are seeing a new, more glamorous breed of tenant. It's no longer Rising Damp out there."

There is also a new realisation of the reinvention potential that being a tenant provides. One woman who sold the family home and moved into something grander - while her household decides where to relocate - revels in her new address.

She suspects that a few neighbours see her as the street's Becky Sharp, living beyond her means in the way of the Vanity Fair heroine, but they do not know the size of the discount she negotiated on the rent. The chance to live above your station is increasingly secured by shopping around. Ingram reports that tenants are asking for reductions of 10 per cent or more.

Tiffany Hultgren, pictured, a marketing account manager, is one example of the new, fussier kind of tenant. For months she looked for a £400,000 flat in Maida Vale and St John's Wood in northwest London, but nothing caught her eye. She then employed [Sourcing Property](#), a property search firm, to find her a rental flat in the area for about £400 a week. Having found exactly what she wanted - a peaceful street and at a reduced price - she wonders why she ever thought of buying: "I'm going to continue to rent - it gets you better quality and it's less expensive."

Jo Eccles, of Sourcing Property, says that not so long ago 80 per cent of her clients were looking to buy. Now the same number are looking to rent, having done their sums. She says: "Renting is currently cheaper. The typical mortgage rate is 6.25 per cent; the typical rental yield - the rent as a percentage of the property value - is 4.5 per cent."

In August, the Royal Institution of Chartered Surveyors (RICS) showed that rents were increasing at a record pace, driven by demand from would-be buyers who could not get mortgages. But now these rises are slowing in London and the South East. Rents are down by an average of 5.5 per cent, according to Hamptons, the estate agent. Sellers who are loath to accept lower valuations for their homes are becoming landlords instead.

This trend is, for the moment, confined to London. Simon Rubinsohn, the chief economist at RICS, believes that northern pragmatism makes sellers more flexible. "Our monthly sales survey shows that estate agents in the North are doing twice as many transactions as those in the South because sellers will adjust their prices."



Tiffany Hultgren, who employed Sourcing Property to find her a rental property in St John's Wood

With buyers scarce it is not only private sellers who are looking for tenants. Housebuilders, too, are offering schemes under which you rent under an agreement that allows you to buy at a fixed price at a later date. The Chesham Heights scheme in Kingswood, Surrey, by Zone Developments, will refund to tenants all the rent they have paid if they opt to purchase at the end of 12 months. The rent on a two-bedroom flat (price £275,000-£375,000) was £1,250-£1,450 a month; now it is £950.

There are now predictions that the British may aspire much less in future to become owner-occupiers. But most still seem to see renting as a transitory, irresponsible period on the way to buying, the long-term, grown-up option. Charles Peerless, of Winkworth, says: "It's noticeable how many more tenants are asking for a break clause in their leases so that they have the freedom to buy."

Tenants want extra

Landlords now have another gripe to add to higher borrowing costs: tenants determined to use their new bargaining power, whether they are looking for a flat for £250 a week or £2,500. These difficult customers are turning up their noses if homes are not beautifully presented. The greater choice of properties for rent is putting pressure on London landlords to put on the Marigolds and clean, clean, clean - and redecorate. New data from Hamptons, the estate agent, suggest that landlords elsewhere will also have to familiarise themselves with the latest Dulux shades and the relative merits of Cif and Flash cleaning products.

Rents are now starting to fall in the Home Counties - even in locations within an easy commute from London - and Hamptons suspects that these patterns of activity will "ripple out", rapidly turning into a nationwide trend.

Landlords must also be aware of the requirements of the new breed of tenant seeking time out from their ordinary existence. Selling your house and waiting until the market recovers to become an owner-occupier once more permits a period during which you can assume another personality.