

A mixed outlook for the London Lettings market

Anita Mehra, Managing Director of Benham and Reeves Residential Lettings, comments on the latest trends in the London rental market.

It's fair to say that there are highs and lows in the lettings market at the moment. With many buyers choosing to rent until the sales market stabilises, we're seeing strong demand at many of our offices. Yet, because of the increasing number of vendors (and developers) that are choosing to let their property until the market improves, the resulting rise in supply is forcing down rents and this is likely to continue over the coming months.

We've seen a marked slowdown in the corporate relocation market as large companies hold back on sending their staff overseas. This, combined with continuing job losses throughout the financial sector, has prompted a fall in demand for larger, family properties.

But as stricter mortgage lending is prompting would-be first-time buyers to rent while many tenants are reducing their outgoings by renting smaller properties, there is still a strong demand for properties

in the £400-£500 a week price bracket.

Apartments in new developments such as Beaufort Park in Hendon are being snapped up by tenants within 24 hours, in fact, we've already let 78 units since the development was launched last year. We simply can't get enough of these types of property and it seems to be because tenants like the mix of stylish accommodation and good value for money (prices start at £170 a week for a studio apartment), as well as the area's excellent transport links and local facilities. Imperial Wharf near Chelsea Harbour is also continuing to do very well and here we're seeing two bedroom apartments in particularly high demand.

Clearly, rental demand is mixed depending on location and property type and in general, London is definitely a tenants' market so obeying the 'golden rules of letting property' has never been more important.

Make sure that your property appeals to tenants. Properties with the 'wow' factor will be the first to be let but that doesn't have to mean spending a fortune. A property needs to be in pristine condition

with all those DIY jobs completed, whether it's a lick of paint or fixing a leaking tap - it really does make a difference. It's also essential to be realistic about the rent that you can achieve - be prepared to negotiate if necessary. If you don't, you may find your property standing empty - and that's not good for anyone's bottom line!

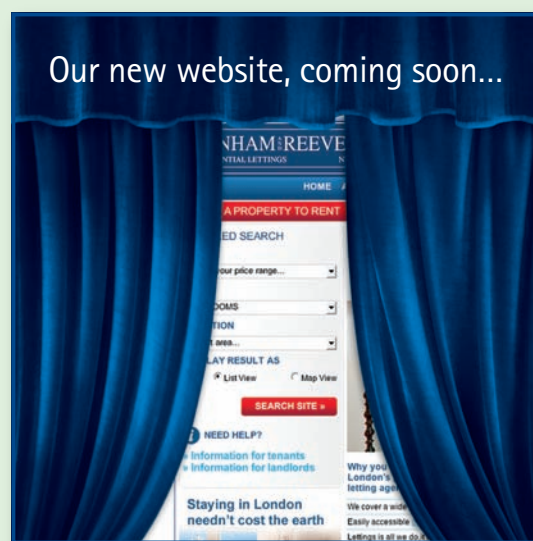
As far as investment potential is concerned, with interest rates close to zero and a volatile stock market, in the long term property is still looking like a favourable option, particularly as rental yields are averaging around 4-5% across the UK according to ARLA. Ian Potter of ARLA comments: "With interest rates so low our members are seeing investors tempted back to the buy-to-let market as rental yields offer a greater return than the banks. Potential investor landlords should be heartened by these figures but I would advise that they conduct extensive research on prospective properties in order to achieve the highest return. Anyone seeking further help and advice should get in touch with a regulated ARLA agent to maximise their investment."

Watch this space!

You'll soon be seeing quite a difference at www.brlets.co.uk when our revamped website goes live in a few weeks. The new easy-to-use site will be packed with new features including several quick search functions for applicants looking for property. And you'll also find all the latest industry news, which for the first time, you'll be able to view on our own TV station.

There are whole new areas designed to give you a one-stop resource full of information that, as a landlord, you'll find invaluable. As well as an advice section for new and experienced landlords, you'll also find an international section outlining the services of our overseas offices.

Coming soon - at www.brlets.co.uk





New office offers Dubai's landlords strategies to ride out the economic storm



Our new Dubai office opened in 2008, and despite, or possibly because of the downturn in the global economy, the company's expertise is proving to be worth its weight in gold to landlords looking for ways to ride out the current economic storm.

This is not least thanks to being part of Benham and Reeves Lettings' established network which operates throughout London, Hong Kong and Singapore. With a proven track record in attracting the best tenants from corporate clients worldwide, and unrivalled knowledge of international property trends, it's not hard to see why landlords are 'playing safe' by using a lettings agent with such a wealth of experience.

"The role of the lettings agent in Dubai, as in London, has stepped up a gear and landlords want the reassurance that their property is in safe hands," reports Anita Mehra. "New and overseas investors, in particular, want to feel confident that their property is being managed by specialists with the experience to help them maximise their rental returns in

difficult economic conditions."

"We're still showing plenty of properties but tenants are demanding greater flexibility and are usually only willing to pay realistic rents – rents have dropped 25% in the last 3 months and whereas a few months ago, landlords could expect to enjoy a year's rent in advance, now tenants are only willing to commit to 12 post-dated cheques or four cheques in advance."

"We're advising landlords to rethink their strategy in this fast-changing market," continues Anita. "Landlords should consider accepting rental payments in quarterly or even monthly installments. They could even think about offering short term (two or three month) leases to accommodate people taking on project work – it may take a little more effort but it will help to reduce those costly 'void' periods. Many landlords are also now considering offering furnished apartments as they command a higher rent and are a more attractive option for tenants."

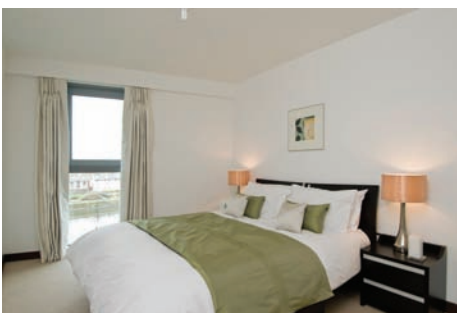
"The frenzied Dubai property market is stabilising as too is the rentals market which is starting to come into line with

rental trends in other major Western cities and this can be viewed as a positive move as it creates an equilibrium that is sustainable in the long term. And despite a slowdown, there is still a healthy demand for good properties that are well priced," continues Anita. "Property 'hotspots' like the Dubai Marina and Burg Dubai are still being targeted by buy-to-let investors with yields of over 7% which is still higher than in many major cities around the world."

The Dubai office is a true 'one-stop property shop' so clients can rest assured that all their property requirements can be found under one roof, whether they're considering buying, selling or letting. And to make life even easier they even offer a complete interior design and furnishing package.

If you are interested in renting out your property in the UAE, please contact Claire Collier at In:Style Real Estate on telephone (971) 43 404148, email: claire@instyle-re.com or see website: www.instyle-re.com.

New riverside apartments with the 'Wow' factor



With stunning river views and a luxurious specification, apartments at the exclusive new Bridge's Wharf development on the Chelsea Borders ought to have been snapped up as soon as they became available to rent recently. But with several unfurnished apartments coming onto the market at the same time, prospective tenants were spoiled for choice and took the opportunity to try and negotiate rents down.

Undeterred, Mark Wellington, manager of our City and Docklands office, came up with a creative solution for our client, Mr Sandhu, who owns three apartments in the new development. Mark suggested bringing in our specialist interior design and furniture package subsidiary company In:Style Direct to make the properties really stand out from the crowd.

In:Style Direct breathed new life into the three apartments, furnishing them to a high spec, giving each a sophisticated, contemporary interior but with its own distinctive style. And the result? The makeovers made such an impact that all the apartments were let at good market rentals within 10 days!

Unsurprisingly, our client, Mr Sandhu is

over the moon with his new-look properties as he explains: "I would like to thank you for your advice and tastefully furnishing my three apartments. This resulted in them being let by Benham and Reeves within ten days. With such soft market conditions and lots of other properties available in the block at the same time, I am particularly impressed and appreciative of the fact that you found professional tenants so quickly and at such good rentals."

"The furnishing package was competitive, the service was prompt and very efficient and the apartments are looking immaculate. I am satisfied that my property portfolio is in good hands and is handled by professionals whom I can trust and have faith in and would have no hesitation at all to recommend you to any landlord. I say this with all my nine properties being let and managed by Benham and Reeves."

If you have a rental property that could benefit from a makeover, call In:Style Direct on +44 (0)20 8964 1966, email info@instyledirect.co.uk or visit www.instyledirect.co.uk

What do you do when a tenant defaults on their rent?



Simran Prasad, Lawyer and Director of Property Management, discusses the steps that landlords need to take when tenants fall in arrears.

There are many reasons why it's important to use an ARLA-registered lettings agency to manage your property, not least for the reassurance of having a professional lettings agent on hand to guide you

when things go wrong. A full property management service can be a lifeline, providing invaluable expertise and, in the case of Benham and Reeves Lettings, the services of a qualified lawyer, to help you if a crisis hits.

So, with the current economic climate making the prospect of a tenant defaulting on their rent all too real, what should landlords do to make sure they're covered in this type of situation?

It's important to remember that large organisations simply won't allow an employee to take up a tenancy in the first place unless it's professionally managed by a lettings agent. Secondly, most large companies won't pay a deposit either, instead they'll provide a Letter of Guarantee which is just a letter signed by the tenant to say that if there are any dilapidations or arrears at the end of tenancy, they will pay up.

If a deposit has been paid, in the event of the tenant (either an individual or a company) going bust and being unable to pay the rent, the landlord can look at using the deposit to cover rent arrears under the Tenancy Deposit Scheme. But many landlords don't realise that they can't rely on this as legally the deposit cannot be

used without both the landlord and the tenant's written consent. A lot of people don't realise that the law has changed and that, although the deposit is the tenant's money, they don't understand that we can't just hand over monies to the landlord if the tenant doesn't agree to it.

If a tenant and landlord can't agree on dilapidations or if a tenant has 'done a runner' but there is a deposit in place, we're obliged to submit the case to an Arbitrator. So while the Tenancy Deposit Scheme has helped speed up some procedures, landlords still need to be aware of what it can and cannot do.

Of course, it's not just about getting paid, it's also about gaining repossession of the property. If a tenant falls into arrears, our credit control process involves making a minimum of four phone calls or emails and four letters within a 28 day period. Our fourth letter recommends to the landlord that a solicitor be instructed to serve notice on the tenant for possession of the property and recovery of the rent arrears. At this stage, we would take instructions from the landlord and instruct the solicitor.

Once notice has been served, we would advise the client that a court order should be applied for if the tenant has not vacated the property. Of course, if the tenant is bankrupt and has no money we have little chance of recovering the arrears but the important thing is to obtain possession. At the same time, we would also speak to the tenant to negotiate a payment plan if possible and agree a vacation date, avoiding legal action if possible.

Our Finance Director will always advise a client using his extensive knowledge of the law and past experience to help the client make informed decisions. This is usually successful, but if not, we would always advise the landlord to seek the help of a solicitor who specialises in property possessions.

Taste of Space – 4* star short stay accommodation from £100 per night



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Any regular visitor to London will appreciate how difficult it is to find exclusive and affordable accommodation but Space Apart Hotel is just that. This beautifully refurbished Georgian building offers 4* luxury apartments for a fraction of the cost of an equivalent hotel room.

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Square, with Hyde Park on your doorstep, the hotel provides a truly central location for exploring the heart of London's retail, theatre and financial districts quite literally within minutes. With a studio (sleeps two) starting at £100 per night + vat, these apartments represent fantastic value for money and provide a home-from-home environment for the frequent business traveller.

Special offer: Benham and Reeves Lettings are Sole Agents for this deluxe apart hotel and are offering a 10% discount against standard room rates

throughout the month of May. This offer is open to existing clients plus any new landlords who instruct the agency to let and/or manage their London property during the month of May 2009.

To take advantage of this exceptional offer call Space Apart Hotel on +44 (0) 20 7908 1340 or you can email: info@spaceaparthotel.com and quote reference 'BR Investors Review' *This offer is available from Friday 1st until mid-night Sunday 31st May 2009. Not available in conjunction with any other offers at Space Apart Hotel.*

Financial Solutions



Louise Ng, Manager of Benham and Reeves Lettings' Hong Kong operations, talks to Lifestyle Brokers Limited, an independent mortgage and property broker based in Hong Kong

There is a method of borrowing that is focused on allowing clients to significantly reduce their monthly outgoings whilst potentially reducing capital borrowings, Mark Kirkham, Managing Director of Hong Kong-based Lifestyle Brokers (www.lfsbrokers.com) explains.

Traditionally, if a client wants to borrow money to buy a property in the UK they would go to a UK lender and pay UK interest rates, similarly in Hong Kong they would apply to a local Hong Kong bank and pay Hong Kong rates. This can be a hassle if you are not resident in the same country as the property you intend to buy.

Lenders are normally nervous of non-resident borrowers; they charge extra interest for investment property and place caveats and restrictions on what you can do with the property. These restrictions very often mean that the 'cons' far outweigh the 'pros' of distance ownership and ultimately leads to the owner making a monthly contribution on top of the rent they receive to cover their borrowing costs.

Fortunately, for Asia-based investors a lot of these barriers have been broken down. There are a number of large international banks that allow clients to purchase properties in the UK and around the

world without the caveats. These lenders also allow clients to borrow in different currencies to that of their base asset and take advantage of lower interest rates – under normal market conditions this will lead to owners benefiting from interest rate reductions of up to 8% per annum. Unfortunately we do not find ourselves in 'normal market conditions'; the world economy has suffered a major downturn, stock markets have been decimated and investor confidence is at an all time low. If that wasn't bad enough in itself property prices have also suffered and the UK BTL market, for the time being at least sees tenants holding the upper hand. Where does that leave existing and potential landlords? One saving grace, if there is one during this period, is that Central Governments around the world have slashed interest rates in an attempt to restore confidence in the markets and kick start the flagging economies. Interest rates are now at all time lows but the recent financial crisis coupled with the lack of liquidity and a general lack of appetite has forced major banks to rethink their lending strategy, the result of which has meant a severe tightening in policy.

By far the biggest benefit of borrowing in alternative currencies is the ability to reduce your mortgage balance over time as the 'alternative currency' weakens from your entry point. The state of the UK economy and the short term outlook has led to a rapid decline of GBP which has lost more than 30% of its value against the HK\$ and other majors over the last 4 months. All of this means that there is now fantastic opportunity for owners to not only benefit from very low interest rates of circa 2% but more importantly to position themselves in such a way that they have the potential to reduce their outstanding mortgage balance by 30% or more as Government stimulus packages start to take hold and economies and currency relationships right themselves over the next year or two.

To find out exactly how Lifestyle Brokers can help you contact Louise Ng on (852) 2537 5443 or email hongkong@brlets.com

London's Lettings Agency

Established over 50 years ago, Benham and Reeves Residential Lettings have offices in Hong Kong, Singapore and Dubai as well as strategically placed offices across London. We are generally recognised as London's largest lettings agency dealing exclusively in the letting and management of residential properties in prime London locations.

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