

The Letter*

find your space.

www.chinneckshaw.co.uk/theletter

Summer 2011 Issue 25

In this issue

Page 2

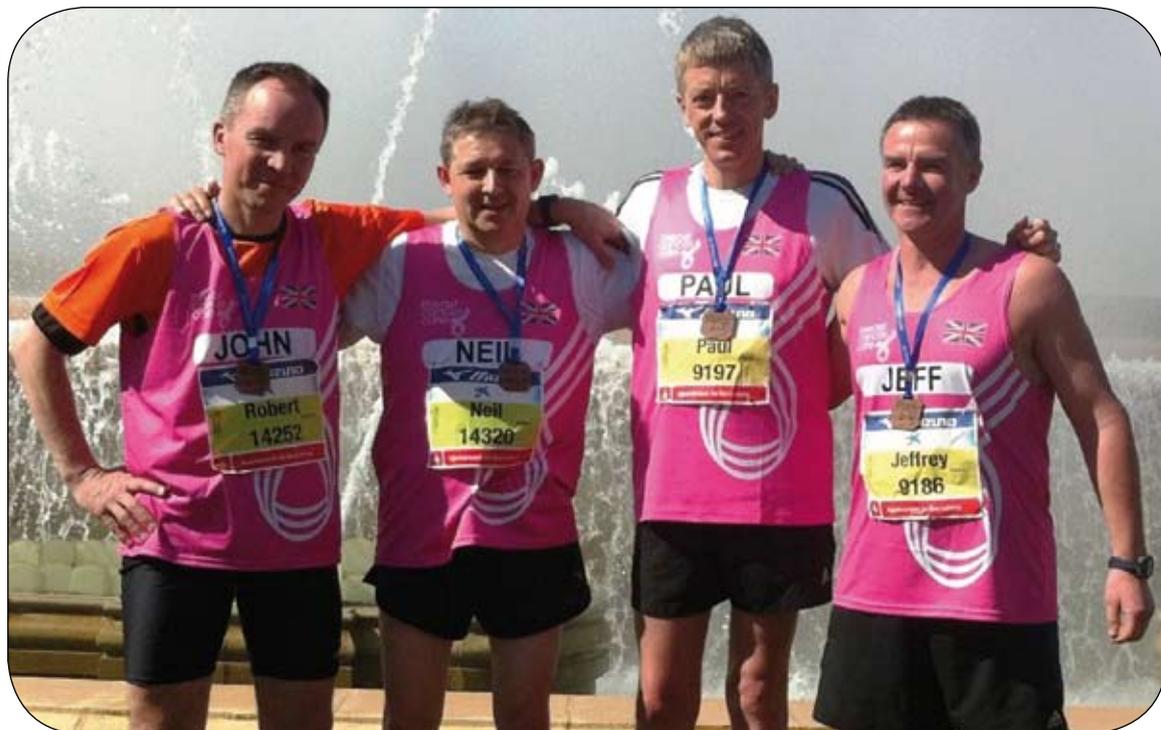
Rent is not the only factor

Changes to Housing Benefit rules

Page 3

Investments sold

Rental demands remain strong



Neil and his three friends at the end of the Barcelona Marathon in March

Barcelona Marathon 2011

Neil raises over £5k for Breast Cancer

On 6th March 2011 Neil Shaw took part in the Barcelona Marathon. He was running with three friends who have been linked for years by association with Fishbourne Romans FC (a community football venture for girls and boys every Saturday morning in Fishbourne, West Sussex) - and who signed up one evening in the local to do something a bit different for a worthy cause.

Neil said, "We decided to run for Breast Cancer Care

because each of us have friends or family who have been affected - and this

“ We decided to run for Breast Cancer Care because each of us have friends or family who have been affected... ”

particular charity strives to ensure people affected by breast cancer get the best treatment, information and support. It has done so since 1972 and outcomes improve all the time”.

The marathon itself was a magnificent occasion and all four completed the course, Neil finishing the 26 miles in a respectable 4 hours and 22 minutes.

Most importantly they managed to raise an incredible sum of £5,190.45 for Breast Cancer.



New Hindhead Tunnel to bring huge economic benefit to Portsmouth

Page 4

Reasons to be cheerful

Contact details

Interesting fact no 1

Among our Landlords, we have 3 long standing clients for whom we have managed properties for over 50 years. In some cases the same tenant has lived in the house throughout, which means that there have been no rental voids to worry about!

Rent is not the only factor

There is no doubt that the recent increased demand for property to rent has led to upwards pressure on rents being charged. However, as experienced investment landlords will know, the key to sustaining a well run property portfolio is not achieved by holding out for the maximum possible rent for vacant properties, or increasing rents to their maximum with properties which are already let out.

In our opinion it is far better to consider offers slightly below what could be achieved by holding out, or only increasing rent on an existing tenancy by a fraction.

This approach is more likely to lead to securing a longer term tenancy which, when weighed up against even a two week void period, can outweigh the benefit of holding out for the highest rent.

Simple mathematics shows that a landlord who is willing to take £20 less per month on a £595 pcm tenancy is looking at forfeiting a total of £240 over a year. But a three week void period on the same property would equate to over £400. Of course it is important to maximise rental income, but not if it is at the cost of increased void periods.

Changes to Housing Benefit rules

On the 30 November 2010 Iain Duncan Smith laid regulations before parliament to introduce the necessary changes planned for the Local Housing Allowance (LHA) market. These changes will remove the 5 bedroom rate so that the largest property for which benefit will be paid is a 4 bedroom property.

Also in the regulations there are the absolute cappings on benefit rates - £250 for a 1 bedroom property, £290 for a 2 bedroom property, £340 for a 3 bedroom property and £400 for a 4 bedroom property.

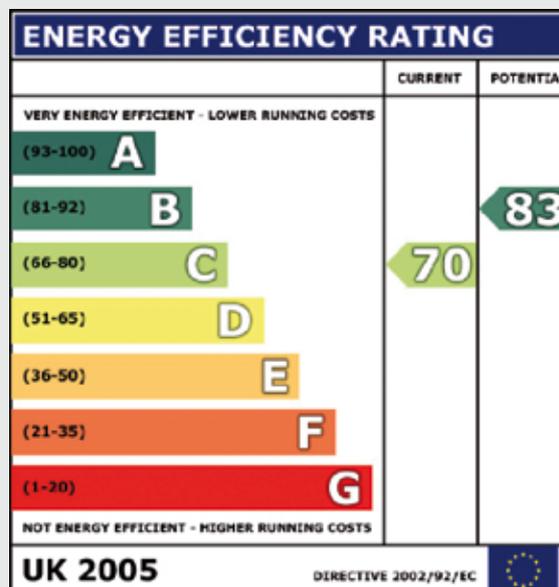
Clearly, parts of London and other very high value areas will be most affected by this.

If the tenant's contractual rent is less than their LHA rate, they will no longer be allowed to keep up to £15 of the surplus. This surplus has been a feature of the scheme since its national roll out in 2008.

The regulations also introduced the right to a room for non-resident carers, and to adjust the LHA rate down to the 30th percentile. The new rules came into effect in April 2011, and there will be a

period of 9 months over which existing claimants will gradually be moved over to the new system. The trigger to the change to existing claimants will be the date of their review, which is usually the anniversary date of their claim.

To ease the transition between the two systems there will be a temporary widening of payments direct to landlords as a safeguard. This is to help tenants secure or retain private rented property. However, it will only apply if landlords accept a drop in rent to the new LHA rates.



chinneckshaw*

can arrange an Energy Performance certificate (EPC) for £60.00 + vat.

For more information contact:

023 9282 6731

or email

info@chinneckshaw.co.uk

Investments sold

We have recently sold two Rent Act protected investments with Sitting Tenants. The prices achieved were approximately 85% of the Vacant Possession value generating yields of 6%.

New Hindhead Tunnel to bring huge economic benefit to Portsmouth

The Hindhead tunnel is a £371 million pound scheme being built on the A3 in Hindhead, Surrey, due for completion in July 2011.

After more than 10 years of planning and construction, the new tunnel is set to open at the beginning of July, which motorists and locals hope will finally put an end to the queues of traffic which have blighted the area for so long. To tackle congestion and improve safety on this busy route – which carries an average of 28,400 vehicles per day – the Highways Agency is implementing a 6.5 kilometre dual, two lane highway scheme. The development includes a 1.8 kilometre twin bore tunnel which removes the trunk road from Hindhead

village and from the Devil's Punchbowl, a famous natural landmark designated a Site of Special Scientific Interest, and part of a Special Protection Area. The Hindhead tunnel will be the longest non-estuarial tunnel in the UK. It will feature cross-passages every 100 metres, and state of the art safety and communication systems, including high quality lighting and ventilation, CCTV surveillance and radio interrupt systems to convey quick appropriate information to tunnel users.

In addition to making life easier for local people and drivers, the new road is also set to bring huge economic benefits to the Portsmouth area. This was spelled out by one of the very first people to



The Hindhead Tunnel which is due for completion in July 2011

pass through the tunnel; the Government's Culture Media and Sport Secretary, Jeremy Hunt. "The truth is that while Hindhead is a lovely place, for years it has been rightly regarded by people in the South as a horrendous bottleneck", he said. "Now, hopefully this tunnel will get rid of that problem, and help to bring new business opportunities and jobs to Portsmouth. With easier transport through this area more and more people are going to want to invest in the city."

Interesting fact^{no}2

One of our Property Management Team has worked for the company for over 40 years! It's fair to say that she has a good knowledge of the history of our Landlords, Tenants and Properties.

Rental demand remains strong

The Royal Institution of Chartered Surveyors' (RICS) last quarterly report of the lettings market, released in January 2011, shows that the demand for rental properties remains strong.

RICS reported that rents rose at the fastest rate since the survey started, and was strongest in

London and the Southeast. This is the result of a shortage of rental property and growing demand. The Southwest was the only area where a small majority of respondents reported a small fall in rental values.

Optimism was high too, with surveyed members expecting rents to continue

to rise throughout the first quarter of 2011. This is the result of a gradual continuous fall in landlords' instructions, with rising demand for rental accommodation. Instructions continued at about the level as before at 74%, down from 86% in October 2008. Instructions

from financial institutions remained at about 10%, whilst property company instructions dropped from 12% to 9%.



chinneckshaw*

is able to arrange Gas Safety Checks for £31.00 + vat.

Reasons to be cheerful

It is interesting to consider how housing patterns have changed over recent generations. 100 years ago some 90% of people lived in rented property. By the end of the twentieth century this had changed entirely – less than 10% of the nation lived in rented property. Increasing wealth helped a proportion of people into owner occupation, and a healthy, significant rental sector was slowly destroyed by over regulation, and the Rent Act rent controls.

of the market. Back in the late 1980s, social housing formed the bulk of the rental market, with some 25% of all households renting from their Local Authority. This sector has declined, and the PRS has grown to the extent that the sectors are now almost identical in size.

In fact, the statistics from the “English Housing Survey: Headline Report 2009-10” reflect a rental sector that is growing by almost 10% each year – faster than at anytime in the last 20 years.

Recent surveys indicate signs of further growth for the private rental market. High house prices and deposit demands are making home ownership increasingly unaffordable for the masses. Reports released by the Building and Social Housing Foundation predict further declines in home ownership in the future; they forecast that this sector will be down to 63% of all households by 2019, from a 2006 peak of 71%. Private renting, by comparison, will be up to 21%, and social renting will be down to 16%.

An even mix of housing tenures is healthy, as it encourages and enables a mobile workforce to move more easily to fill new employment opportunities. Whichever path our somewhat fragile economy follows, it seems that rented housing will play an increasingly significant role which is good news for those of us who are involved in this sector.

The Housing Act 1988 reversed the deplorable state of the rental market, which has now re-built itself as landlords became confident investors, and bought quality stock into the sector. During the last 20 years we have seen a significant jump in the private rented sector (PRS); where it just accounted for just 8% of housing stock, it now represents some 16%

“ 100 years ago some 90% of people lived in rented property... this had changed entirely – now less than 10% of the nation lived in rented property ”



Interesting factno3

When Portsmouth won the FA Cup in 1939 the vice-chairman was former owner of Chinneck Shaw, Mr J S Chinneck.

Shortly after Portsmouth won the cup, league football was suspended due to World War II, meaning Pompey hold the unusual distinction of holding the FA Cup for the longest uninterrupted period as the trophy wasn't contested again until the 1945-46 season.



Contact details

Editor

Mr Neil Shaw FRICS
11 Milton Road
Copnor
Portsmouth
PO3 6AN

t: 023 9282 6731

f: 023 9282 6733

email:

info@chinneckshaw.co.uk

website:

www.chinneckshaw.co.uk



The contents of The Letter are the copyright of the publishers. Articles may be reprinted without charge provided that credit is given to Chinneck Shaw.

A copy of any reprinted article should be sent to the editor at the above address.