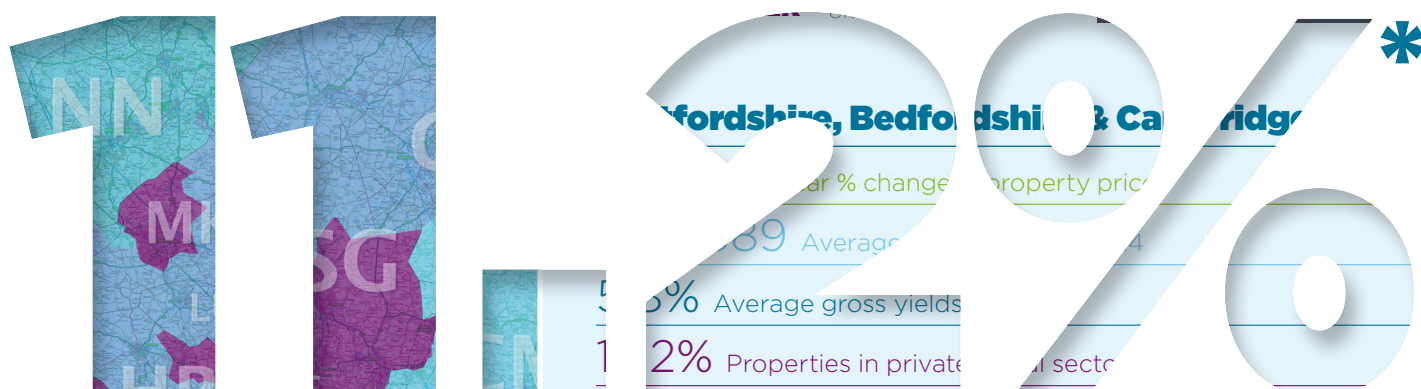


# Market Intelligence



## The net total return that can be earned from a buy-to-let investment in Hertfordshire, Bedfordshire and Cambridgeshire.

Welcome to the Spring 2015 report for our Hertfordshire, Bedfordshire and Cambridgeshire region. In this edition we respond to the pension reforms by reviewing the latest trends in the private rental sector and highlight the returns that can be made by investing in property across the region.

### HERTFORDSHIRE, BEDFORDSHIRE AND CAMBRIDGESHIRE



\*This statistic is from the Martin & Co Hertfordshire, Bedfordshire and Cambridgeshire region and Land Registry figures.

# Market overview

The pension system has been radically transformed, meaning that anyone aged 55 years or over will no longer be required to purchase annuities but will have the option to withdraw their whole pension pot. The first 25% will be tax free and the remaining 75% taxed at the marginal rate. Many are expected to use lump sums to invest in other, higher-yielding alternatives. Buy-to-let property is one option, providing not only an income return, but also capital growth potential.

This report reviews the UK's private rental market to assess the opportunities available to private investors, with a particular focus on Martin & Co's experience across our Hertfordshire, Bedfordshire and Cambridgeshire region.

In recent years, the spiralling costs of housing, lack of mortgage availability during the credit crunch and demand for more flexible living arrangements (not least from the expansion of the student population and an increase in immigration), have boosted demand for rented accommodation.

At the same time, the private rental sector has gained credibility as a profitable asset class and, along with private investors, is also beginning to attract considerable attention from institutional investors. Over the last decade, the number of properties being privately rented across Great Britain has doubled.

Across our Hertfordshire, Bedfordshire and Cambridgeshire region, the number of people renting privately rose by 114% between 2001 and 2011. They now comprise 13% of all households and the sector looks set to expand further.

The rise in buy-to-let mortgages from 88,000 in 2009 to almost 200,000 in 2014 (Council of Mortgage Lenders), illustrates the steep growth of the sector since the credit crunch. Investment is expected to rise further following the pension reforms. The motivations of potential landlords, as well as the amount of capital they have to invest, will determine the most appropriate properties for each investor.

## 84,000

Households across Martin & Co's Hertfordshire, Bedfordshire and Cambridgeshire region live in privately rented accommodation  
SOURCE: 2011 CENSUS

## 6.8%

Annual growth in average residential sales prices across the region  
SOURCE: LAND REGISTRY 2013-2014

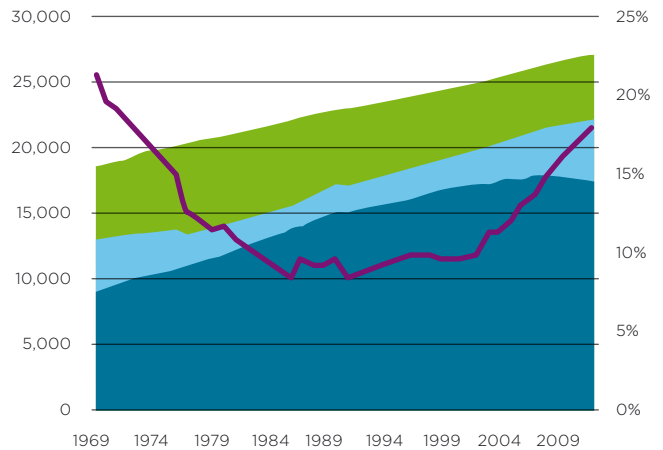
## £141,842

Current value, if £100,000 had been invested in property in the region 10 years ago  
SOURCE: LAND REGISTRY

## Dwelling stock across Great Britain, by tenure (000s)

OWNER-OCCUPIED  
PRIVATE RENTED  
SOCIAL RENTED  
% PRIVATE RENTAL SECTOR (RHS)

SOURCE: DCLG, WELSH ASSEMBLY GOVERNMENT AND SCOTTISH GOVERNMENT

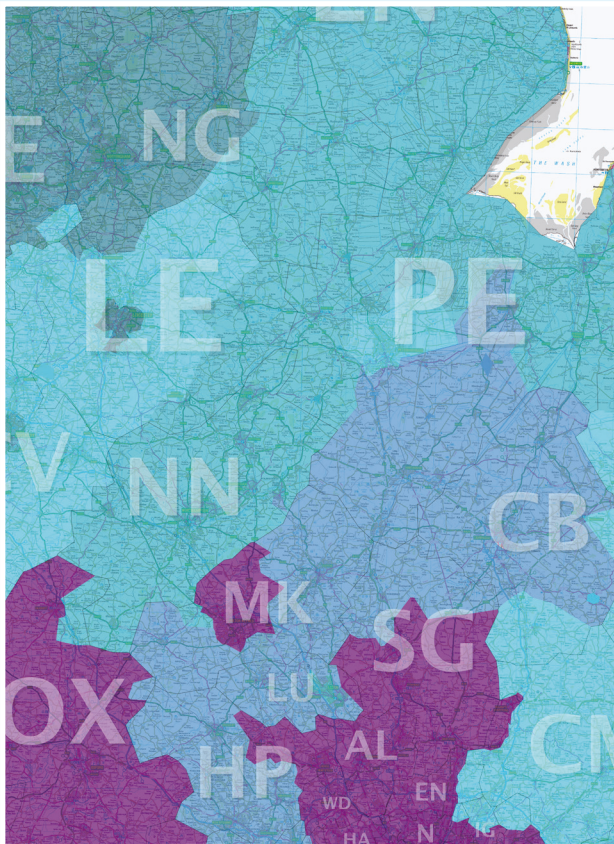


## INCOME GROWTH FROM PROPERTY INVESTMENT

Average incomes from annuities fell after the Budget announcement on pension reform, so it is unsurprising that many people are researching alternative investments. According to the Financial Times, the average annuity rate in March 2015, for a 55 year old single person with a fund value of £100,000, on a level basis with no guarantee, is just over £4,500 per annum. In order to compare a pension annuity income with the income return from £100,000 invested in property, we calculated typical rental income for flats across the region. Our calculations are based on the extensive sample of flats being marketed across the Martin & Co network for rent or for sale. We have included management costs of 20% and mortgage costs, where necessary, on a ten year interest-only term with the average variable buy-to-let mortgage rate of 3.63% (Moneyfacts, February 2015).

The analysis shows that across our Hertfordshire, Bedfordshire and Cambridgeshire region the net rental income from a flat could reach over £5,300 per annum. This exceeds the annual income from an annuity by 17% and means that this is one of the best performing regions across the UK. Moreover, this does not take into account potential for capital growth, which could add considerably to the total investment return.

# A property journey through our region



This map shows the change in prices in the last five years in our region, showing you the areas of least and most growth.

5 YEAR CHANGE IN AVERAGE PRICES

- <0%
- 0%-5%
- 5%-10%
- 10%-15%
- 15% AND OVER

SOURCE: LAND REGISTRY, 2001 AND 2011 CENSUS, MARTIN & CO.

NB. PRS FIGURES ARE BASED ON NO. OF HOUSEHOLDS RENTING THROUGH A PRIVATE LANDLORD OR LETTING AGENT.

2.MAP.CO.UK © CROWN COPYRIGHT

## Selected examples

Average gross yield for flats

**7.1% BEDFORD**

Average rise in house prices over last decade

**45.5% HIGH WYCOMBE**

**70.6% ST ALBANS**

Average rise in flat prices over last decade

**33.9% WELWYN**

## Hertfordshire, Bedfordshire & Cambridgeshire

**41.8%** Ten year % change in property prices

**£174,589** Average flat sales price 2014

**5.8%** Average gross yields for flats

**13.2%** Properties in private rental sector 2011

**113.9%** Increase in no. of households in private rental sector 2001-2011

## CAPITAL GROWTH AND TOTAL RETURNS

While annual income will be of primary importance to many private investors, capital growth potential may also be a strong motivator when considering if and where to invest. While gains from property are not guaranteed, since prices can go up or down, the long term trend for house prices across the UK is upwards.

Over the past decade, according to analysis using data from the Land Registry, average residential sales prices across the region covered by Martin & Co's Hertfordshire, Bedfordshire and Cambridgeshire network have risen by 41.8%. Even over the past year, average property prices

have risen by 6.8%. Price growth in 2014 outperformed both the CPI (Consumer Price Index) and the FTSE 100 - which fell by -2.7%.

It is important to consider the total return combining rental income and capital growth. We have calculated the net total returns over the past year using flats currently being marketed by Martin & Co across the Hertfordshire, Bedfordshire and Cambridgeshire region assuming management costs of 20% and factoring in the rise in value using Land Registry data. On this basis, net annual total returns for flats across the region are currently around 11.2%. Net total returns vary across property types and areas and those looking to invest should take advice from local property experts.

## Number of viewings per properties available



SOURCE: MARTIN & CO

**10.2%**

Annual net total returns from flats

SOURCE: MARTIN & CO, LAND REGISTRY

**5.8%**

Rise in average rents across the East of England Government Office Region since beginning of 2011

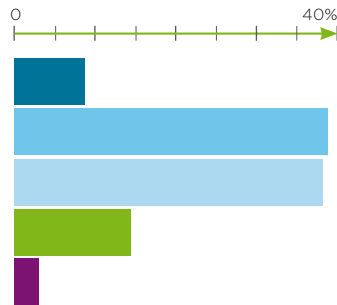
SOURCE: ONS

# WHAT SHOULD LANDLORDS IN OUR REGION INVEST IN?

## Maximum rent per month Martin & Co tenants prepared to pay

**UNDER £500**  
**£500-£750**  
**£750-£1,000**  
**£1,000-£1,500**  
**OVER £1,500**

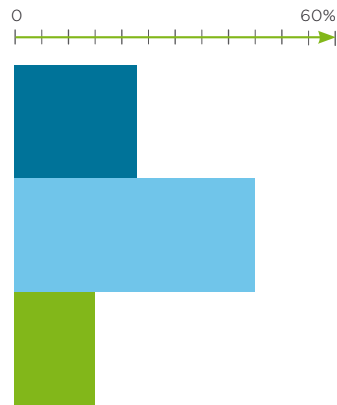
SOURCE: MARTIN & CO HERTFORDSHIRE, BEDFORDSHIRE AND CAMBRIDGESHIRE REGION, BASED ON THE MAXIMUM PRICE PREPARED TO PAY PER MONTH



## Minimum number of bedrooms required by Martin & Co tenants

**1 BEDROOM**  
**2 BEDROOMS**  
**3 BEDROOMS**

SOURCE: MARTIN & CO HERTFORDSHIRE, BEDFORDSHIRE AND CAMBRIDGESHIRE REGION, BASED ON TENANTS ACTIVELY SEEKING PROPERTIES TO MOVE INTO IN 2015



£840

The average rent Martin & Co tenants are willing to pay

67.1%

Percentage of tenants seeking one and two bedroom accommodation

NB. The regional statistics are based on the Martin & Co catchment areas in each locality and not Government Office Regions unless otherwise stated.

With a network of over **285 offices** within the MartinCo Group, we are the 4th largest estate agency and letting business in the UK. The Group listed on the Alternative Investments Market of the London Stock Exchange in 2013.

The Group already manages over 44,000 properties and can bring a wealth of knowledge about local market conditions to help its investor clients make wise stock selection decisions.

Established in 1986 and franchised since 1995, Martin & Co is the largest brand within the Group and has expanded rapidly over the past decade because of its professionalism and focus on the needs of buy-to-let investors. It has offices throughout the UK from Dover to Inverness, including central London, to help you let or rent a property, buy or sell a home.

### Our offices in the Hertfordshire, Bedfordshire and Cambridgeshire region:

Bedford • High Wycombe • Milton Keynes • Northampton • St Albans • Stamford • Stevenage • Welwyn

ARLA, LONDON RENTAL STANDARDS, PROPERTY OMBUDSMAN, NAEA (TBC)



Disclaimer: This report has been prepared in good faith on the basis of calculations that rely on a set of assumptions that will vary considerably between geographical regions and over time. They illustrate hypothetical examples of returns that may be possible under the given set of assumptions, however no warranty is given as to the accuracy or completeness of information contained in this report. Accordingly, this report is for general information purposes only and no liability is accepted by Martin & Co (UK) Ltd, its associates, employees, directors and representatives for any negligence in relation to the information, forecasts, figures or conclusions contained in this Report or for any loss, damage, or consequence whatsoever, arising from any action taken based on its content. This report does not constitute and must not be treated as investment advice or guidance and users should always obtain independent professional advice before making any investment decision. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without the express prior written permission of Martin & Co (UK) Ltd.

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Compiled by Dataloft, [www.dataloft.co.uk](http://www.dataloft.co.uk)



8 Offices in the region

94% Of our landlord clients said they would recommend us

5 minutes We sell or let a property in our Group every 5 minutes