

Cambridge

A great place to live, work, study & invest in property!

Cambridge itself is a fairly small city, it is incredibly successfully both academically and from a business perspective – and has property prices and rent to match.

Cambridge's credit, The [UK Competitiveness Index](#) identifies Greater Cambridge as 'One of the most competitive cities in the UK', retaining 5th position out of 43 UK cities as one of the most "recession-proof cities in the UK" which will in turn help Britain back to growth.

Lying in [East Anglia](#), on the [River Cam](#) only 50 miles (80 km) north of London, Cambridge is considered not only the fastest growing city between 2000 and 2010 but also one of the top performing cities in the UK from an economic perspective.

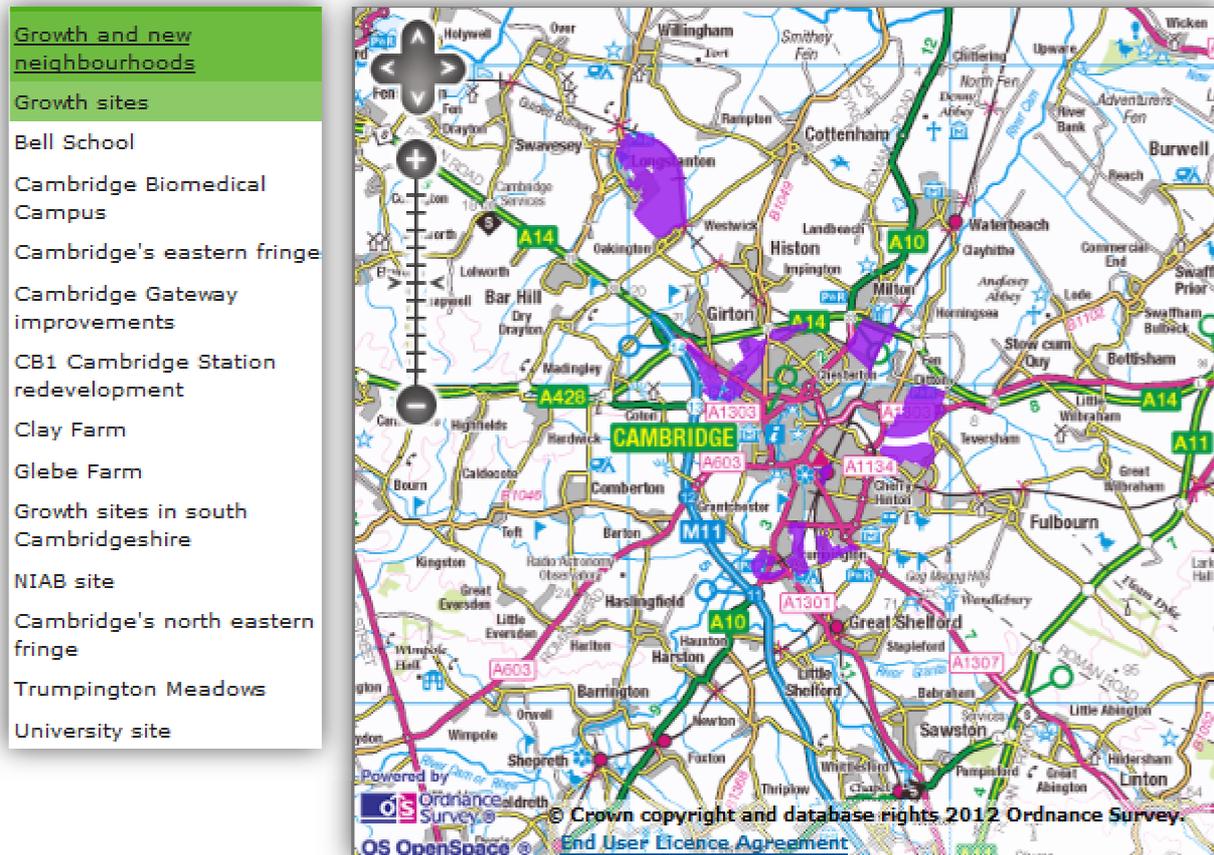


Cambridge's thriving economy is driven by assets such as its own silicon fen, which with over 100 companies is one of the largest venture capital markets in the world, together with the Cambridge Science Park and Innovation Centre (home to creations such as the silicon memory chip). The Microsoft Research Centre has been based in Cambridge since 1997, and is soon to be joined by the Microsoft Euro Research HQ. Addenbrookes Hospital currently providing over 8000 jobs, in close relationship with the Rosie Hospital and soon to be joined by Papworth Heart Hospital it is ever growing in size.

Alongside Cambridge's excelling economic environment it is home to the historic colleges of Cambridge University and the ever growing Anglia Ruskin University, in addition to many other specialist micro higher education establishments, hosting over 28,000 students.

Universities are just one factor making Cambridge a great place to live, alongside its beautiful rivers and historic buildings, art galleries and theatres. The City is commuter friendly, with guided bus routes and traffic priority given to cyclists. The city centre station is direct to Kings Cross London, with plans for a speed line coming in the near future.

Cambridge is part of the London, Stansted, Cambridge, Peterborough growth plan.



Cambridge City has an estimated population of 123,800 people, and of the 47,000 households, with 25% of the housing stock in the Private rented sector, much higher than the national average of 17%. From a development perspective Cambridge is forecast to:

- Increase in population by 16% and household growth expected to be +27% by 2031
- City and South Cambridgeshire are predicted to grow
- Major developments are starting to come to fruition which are improving the City and public transport, for example, the station as well as areas such as East Cambridge and the Northern and Southern Fringe

(National statistics office, 2012: www.statistics.gov.uk)

Visit [Cambridge on line](#) for more about Cambridge and the local economy.

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Websites: www.belvoirlettings.com/cambridge

Cambridge office Tel: 01223 352225

Email: georgina.gray@belvoirlettings.com



What drives demand for Property in Cambridge

There are 6 markets fueling demand for residential lettings and the ever increasing the population in Cambridge, 4 more than most towns and cities.

- [Addenbrookes Hospital](#) almost a small town in its self with significant plans for growth now and in the future, currently employing over 8000 members of staff, with a further 1,628 employees expected with the move of Papworth Hospital into Addenbrookes. For more information visit: <http://www.papworthhospital.nhs.uk>
- [Cambridge Science Park](#) established in 1970 and is Europe's longest-serving and largest centre for commercial research and development, currently consisting over 100 companies employing over 5000 people, and ever growing.
- [Cambridge University](#) & [Anglia Ruskin University](#) students and many other higher education organizations students, account for about a fifth of the city's population; over 2,000.
- [Microsoft Research Headquarters](#) located only 1 minute from Cambridge station providing even further research jobs in Cambridge.
- London Commuters – a growing number of Londoners are moving to Cambridge, living centrally and commuting to London and with current news of plans for a high speed line to Kings Cross from Cambridge numbers are expected to increase. <http://www.dailymail.co.uk/news/article-1257042/30billion-high-speed-rail-plans-unveiled-Lord-Adonis.html>
- General Employed (and unemployed) – the foundations of demand for housing.

Population

To really understand the demand for property in Cambridge and the surrounding areas, the current and future population, household growth, wages, employment and economic growth need to be assessed.

The new census data from 2001 to 2011 shows Cambridge's current population is estimated around 123,867 people. In Cambridge, the population and household growth is expected to rise far higher than the national average. In fact, it is estimated that Cambridge will have the second highest population growth in the UK increasing to 143,000 by 2031, a massive 16% growth from 2011 census statistics.

(National statistics office, 2012: www.nationalstatisticsoffice.com)

Cambridge City is expected to see the highest growth, followed by South and East Cambridgeshire. However, it's important to be aware that this population growth is heavily reliant on an increase in the number of homes created in these areas. Table 1 below highlights the population growth in Cambridge comparison to the UK average.

Table 1: Population growth in Cambridge following the 2011 census.

	Population change 2001-2011	Percentage higher than the national average: 7.1%	Household change 2001-2011	Percentage higher than the national average. 7.5%
Cambridge City	+ 12.7 %	5.6 %	+ 8.6%	1.1 %
South Cambridge	+ 14%	6.9%	+15.3 %	7.5%
East Cambridge	+ 14.2%	7.1%	+15.4 %	7.9%

(National statistics office, 2011: www.nationalstatisticsoffice.com)

Cambridge Economy, Employment and Wages

During the economic recession, Cambridgeshire continues to perform better than the national economy and the future remains bright with an expected high population growth, 81% employment versus the national average of 75% in England and Higher than average export growth opportunity.

According to a report in 2012 by the [Centre for Cities](#), "Cambridge has experienced the smallest rise in Jobseekers' Allowance claimants since the slump began and confirms it enjoys the strongest economic performance in the nation". The report was summarised by [Cambridge News On-line](#)

Keep up to date with what's happening in the region and progress versus planned growth by visiting [Cambridge Horizons](#)

What type of property do tenants want?

The demand for properties in the private rented sector is expected to increase via three main routes: high house prices, which means more people have to rent rather than buy; the mobile and temporary nature of the work-force and of course, the high demand for student accommodation.

We have split tenants in the five following groups;

- **High Income**

The people falling into this sector, for example professors, doctors, scientists and business men and women will be looking for a property in a convenient location to the train and bus services, either an apartment or small house. These professional's are mainly commuting to London or coming up from the areas surrounding Cambridge to work, and will mainly habit the property Monday to Friday, and are looking for short term lets. This sector of the market have more disposable income or rents will paid by their companies, enabling them to cover higher rents for the more modern and centrally located properties.

- **Employed average earnings;**

Universities, hospitals and science park businesses are increasing the number of high income tenants as well as many more average income tenants, that rely heavily on the private rented sector for housing, often demanding houses that provide a family environment, often reliant on catchment areas for schools, with gardens and parking facilities. Renting is the only option for many people who work in Cambridge owing to above average property prices.

Another popular type of accommodation for the employed person on an average wage, especially single professionals, is a room in a shared house or a house of multiple occupation (HMO).

- **Unemployed/ Disabled/Retired**

Often not understood by investors/landlords and wrongly seen as high risk tenants, however renters from these backgrounds often offer a good rental risk/covenant. When taking applications from this category of tenant its important each application is looked at individually and not dismissed without establishing the risk versus opportunity.

- **Student accommodation;**

With the growth in the two highly successful universities (The University of Cambridge and Anglia Ruskin University), it is essential that new areas are secured and developed to help house the students – leaving the private rented sector to support the staff and international students that can't access bespoke accommodation.

Research for the Local Plan suggests that around 8% of undergraduates, 46% of post-graduates and 90% of students at Anglia Ruskin University rely on the private rental sector to house them as opposed to bespoke student accommodation. As such, it is worth considering not just renting to students, but also post graduates, short term lecturers and people who work for the university. (Strategic housing market assessment, 2012-15: www.cambridge.gov.uk)

If you are considering renting to students in Cambridge, read Terry Lucking's article on the [need for student accommodation](#) and be aware of the special safety standards set by Cambridge local authority.

- **Houses in Multiple Occupation**

A key area which is expected to grow from a rental perspective is HMO's. The definition of a HMO is a property that has more than 2 tenants creating more than 1 household. However larger HMOs that are three or more storeys high and are occupied by five or more people in two or more households will require a mandatory licence.

Currently there are estimated to be over 5,000 HMOs in Cambridge, which equates to 12.6% of privately rented properties. The largest population category in Cambridge is 20-24 year olds with a population of 18,076, 14.6 of the total area population.

HMO's are where tenants share facilities and often all bills are included. HMOs will need to be close to bus stops, cycle routes, shops, local services and ideally employment areas tenants are likely to work in, such as the hospitals and universities.

The development of HMO's require prior approval of the local council, as management of HMO's has to meet the councils criteria: [Management of Houses in Multiple Occupation \(England\) Regulations 2006](#). As such, it is vital if you haven't HMO experience to work with local experts such as Belvoir Cambridge and the local authority housing office (who Belvoir liaises with on a regular basis), so you keep on the right side of local laws. Contact Georgina Gray via georgina.gray@belvoirlettings.com

Local authority attitude towards the private rented sector

Local Authorities (LA) now have more power to change the way properties are rented in the future. Some local authorities such as Oxford, have introduced licensing for all properties within the city centre. This can wipe hundreds if not thousands off your buy to let profit, so it is important to understand how much a local authority supports landlords operating in the private rental sector.

From the latest 2012 Housing Strategy, Cambridge understands they need to work with landlords – as long as properties are well maintained:-

“The private rented sector is an important, and growing, part of Cambridge’s housing market, and we need to continue to use the powers at our disposal to ensure that housing is safe for people to live in, and that overcrowding is tackled effectively. We also provide a Property Accreditation Scheme to support landlords in improving the management of their homes, and are now offering financial support for landlords registered with the scheme to carry out energy efficiency works in their rented homes.”

(Cambridge County Council, 2012: www.cambridge.gov.uk)

What actions are the LA taking?

Currently it is estimated nearly four out of ten rental properties fall below the ‘Decent Homes’ standard. The main reasons for this are properties not meeting Health and Safety Rating System (HHSRS) needs, especially through a risk of falls due to poor maintenance such as ill fitting carpets on stairs and being cold and expensive to heat. Our aim is to work with landlords, tenants and other agencies to achieve safe, decent and affordable housing for all private rented sector tenants. The council are putting in place schemes to prevent poor management standards.

<http://www.communities.gov.uk/publications/housing/hhsrsoperatingguidance>

In summary, the Cambridge County Council are keen to work with landlords who offer their tenants a decent standard of living and abide by the law and realise Owners and managers of rented accommodation play a vital role in providing housing for the residents of Cambridge. Those landlords who don’t meet these standards and allow properties which are cold, overcrowded and don’t comply, from April 2012, the Council will charge when enforcement notices are issued. (Cambridge Country Council, 2012:

<http://www.cambridgeshire.gov.uk>)

Examples of Capital Growth

When looking at the growth in the property market, it important to look at Cambridge as an individual city. Unlike other places throughout the UK which are still seeing the repercussions from late 2008, Cambridge has overcome the crash in the market with prices higher than the peak in 2007; and still increasing.

Table 2, demonstrates how Cambridge has outperformed the UK market. Sold prices, sourced from www.rightmove.co.uk

Property	Description	Date & Sale price achieved
Kings Hedges Road, CB4 2PA 	4 Bedroom, 2 receptions Large garden Off road parking	02 March 2012 -£292,000 27 March 2007-£290,000 17 April 2002 -£156,000
Peverel road, CB5 8RJ 	4 Bedroom Garden Driveway parking	30 February 2011 - £250,000 28 February 2005 - £174,000 11 August 2000 - £103,000
Norwich Street, CB2 1ND 	3 Bedroom, Small garden No parking	20 April 2012 -£430,000 23 March 2009 -£340,000 21 December 2006 -£343,000 17 August 2005 -£218,000
Hampden gardens, CB1 3EL 	2 Bedroom En-suite Leasehold Parking	27 June 2012 - £260,000 25 May 2007 - £223,195

Properties managed by Belvoir Cambridge showing annual pre tax income**Arbury Rd, Cambridge CB4 2JF**

Annual pre tax cash income £12.9k
(equal to 12.3% return on capital employed)

Converted family house with 6 letting rooms:2 bathrooms, garden, driveway parking, 10 min walk to Science Park, 10 min cycle to ARU campus and Easy Access to A14.

Purchased for £299k July 2012
Deposit and cash for conversion £106.4k

Based on 25% deposit and 4.5% loan
Conversion and furnishing costs £32k inc vat

Gross rental income £37.5k
Net income pre tax £12.9k

Warren Close, Cambridge CB2 1LE

Annual pre tax cash income £5.4k
(equal to 6.8% return on capital employed)

2 bedroom executive apartment, open plan kitchen dining area, en-suite, balcony, 2 min walk to Cambridge station, 5 min walk to ARU campus and Central to all CB1 Businesses.

Purchased for £278k February 2010
Deposit £79.7k

Based on 25% deposit and 4.5% loan

Gross rental income £19.2k
Net income pre tax £5.4k

Orchard Park, Cambridge CB4 2XR

Annual pre tax cash income £6.3k
(equal to 9.2% return on capital employed)

4/5 bedroom executive house, 3 storeys, semidetached, garden, car port, 5 min cycle to Science Park, 10 min cycle to ARU campus & city centre, Easy access to A14.

Purchased for £250k April 2010
Deposit £68.7k

Based on 25% deposit and 4.5% loan

Gross rental income £17.9k
Net income pre tax £6.3k

Commercial Investment:

This example is showing annual pre tax income received and return on capital employed on a large scale multi Let.

Cherry Hinton Rd, Cambridge CB1 7AU:

**Annual pre tax cash income £53.2k
(equal to 17% return on capital employed)**

Two converted semi detached houses plus wood cabin totalling 22 en-suite letting rooms. The property is only 5 min walk to Addenbrookes Hospital, and 10 min walk to City Centre and ARU campus

Current estimated value £1.0m (Under negotiation October 2012 for £900k)

Deposit, stamp duty and cash for conversion £313.5k

Based on 25% deposit and 4.5% loan

**Gross rental income £136.5k
Net income pre tax £53.2k**

Summary

Investing in property, like all investments, come with its own risks. In order to minimise these risks and make the most of your hard earned money, Belvoir Cambridge would recommend working with people who operate in a transparent, audited manner, and are true professionals in their field to help you develop your property portfolio.

Questions you should be thinking about:

- ✓ Buying with a deposit and not creative finance clubs to avoid the need for a deposit?
<http://www.belvoirlettings.com/buyers-beware-of-creative-financing-schemes-warns-belvoir-lettings-cambridge-p448>
- ✓ Cash or Mortgage purchase?
- ✓ Investing with Partners, friends or investment clubs? Consider if a stakeholders situations change due to separation, illness or employment.
- ✓ Do you have Asset protection and wealth protection in place?
- ✓ Have you considered your exit route?
- ✓ Are you investing for Annual income or return on Capital employed?
- ✓ How are you going to select the right but to let property? Are you aware of licensing or refurbishing that a property may require?
- ✓ Have you allocated enough capital to carry out refurbishments?

Next steps; This report has been created by Terry Lucking; Managing Director of Lucking Estates, owner of Belvoir Cambridge, and Georgina Gray; Lettings Valuer and Business Development Manager at Belvoir Cambridge. If you have any queries regarding this report or would like to find out more about property investment in the Cambridge, then please don't hesitate to contact us:

Websites: www.belvoirlettings.com/cambridge

Cambridge office Tel: 01223 352225

Email: georgina.gray@belvoirlettings.com



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CAMBRIDGE WEALTH CLUB

Belvoir Cambridge provides services specifically created for Buy to Let Investors, with the recent Launch of the Cambridge Wealth Club Sponsored by Belvoir Cambridge.

The Wealth Club is an open to all directors and shareholders of SME's and prospective buy to let investors.

The Club aims to educate not just on Buy to Let and property investments, but give advice on the general economic state of the UK and how its condition can filter through to all companies performance. The Wealth Club also provides a strong networking environment for its members alongside hosting seminars with St James Place Wealth Management.

The Wealth Club offers you the opportunity to be introduced to wealth advisors from St James Place, why I hear you ask...have you thought about the following?

- ✓ Your exit route
- ✓ Retirement planning
- ✓ Deciding how to take your pension benefits
- ✓ Controlling capital gains tax
- ✓ Health and life insurance
- ✓ Trust and estate planning
- ✓ Giving your children a head start
- ✓ Out living your savings

Feel you or your business would benefit from answers to these questions?

The Cambridge Wealth Club would like to invite you to the **Launch Event 31st January 2013!**

Speakers from Saint James Place Wealth Management covering new pension schemes available. Held in Central Cambridge, with only 30 places available with speakers from St James Place Wealth Management covering auto enrolment (new national pension scheme)

Please contact georgina.gray@belvoirlettings.com for details.