

## Peterborough

### Expanding population and expanding investment opportunity

Peterborough is an urban cathedral city at the heart, yet surrounded by rural land and townships. It has seen one of the largest increased populations in the country, now with a population of 183,600 reported in the 2011 census.

Peterborough is well located in the country, situated 75 miles (121km) north of London and has direct rail routes to many of the country's major cities. It is a commuter friendly city, with the A1 and A47 providing major entry routes onto the city roads. The network of dual carriageways around the city makes travelling fast and easy.



Peterborough is part of **the London, Stansted, Cambridge, Peterborough growth corridor**, which is needed to accommodate the growth of London. This corridor will accommodate 20% of London's population and housing growth potential. (Initial Assessment of Growth Potential in London; Greater London Authority, 2004)

Peterborough is subject to a billion pound **regeneration project** seeing the transformation of much of the city centre. The City has previously been identified as one of the country's 'hotspots' for new businesses seeing companies investing and re-investing in recent years. Now Peterborough is home to some nationally operating companies.

Peterborough prospers at the promise for further development in many areas of the city such as the **Station Quarter** seeing many new residential units built, following the refurbishment of the city train station. The **Riverside Project** sees Peterborough become home to the UK's largest zero Carbon residential development with 350 homes as well as developing the Community Stadium which will be home to the city's football team.

Visit [www.opportunitypeterborough.co.uk](http://www.opportunitypeterborough.co.uk) for more information on the local economy.

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[www.belvoirlettings.com/peterborough](http://www.belvoirlettings.com/peterborough)

Peterborough office 01733 321500

[terry.lucking@belvoirlettings.com](mailto:terry.lucking@belvoirlettings.com)



### How has Peterborough's tenure demands changed since 2001?

98% increase in private rented household in 10 years to 2011.

**Figure 1** (Office for National Statistics, 2011)

	2001	2011
Owns outright (%)	24.6	25.8
Owns with a mortgage or loan (%)	41.3	33.4
Shared ownership (part owned and part rented) (%)	0.5	0.9
Social rented: Rented from council (Local Authority) (%)	15.8	6.4
Social rented: Other (%)	5.9	13.1
Private rented: Private landlord or letting agency (%)	8.3	17.4
Private rented: Other (%)	1.4	1.8
Living rent free (%)	2.1	1.2

The 2011 census shows that Peterborough's population of 183,600 comprises of 74,023 households, with 14,212 (19.2%) households belonging to the private rented sector. These being categorised as:

- 17.4% renting from private landlords or letting agents
- 1.8% privately renting from other sources.

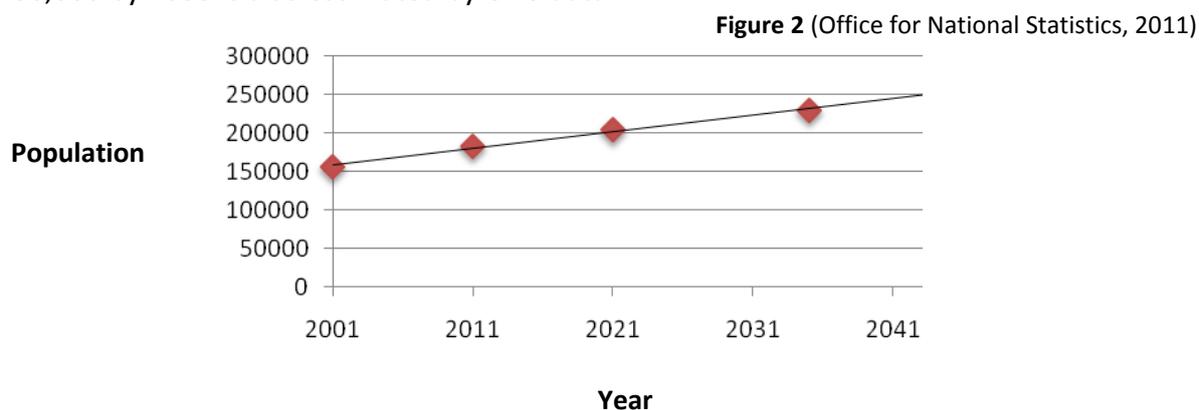
In 2001, the total number of households was at 65,375, with 6,384 (9.7%) being privately rented.

This is showing that the proportion of citizens in the private rented sector has increased by approximately 98%. The data shows that social renting on the whole has decreased by approximately 10%.

### **Forecast future population and housing demand**

Nationally the private rented sector accounts for around 17% of all households December 2011. Central Government and industry experts forecast the private rented sector will account for 25% of all UK households by 2025.

Peterborough's population is estimated to increase to 204,000 by 2021. This represents a growth of almost 10% between 2011 and 2021. A population of 219,200 by 2026 and 230,000 by 2035 is also estimated by ONS data.



### **Employment Influences on Population**

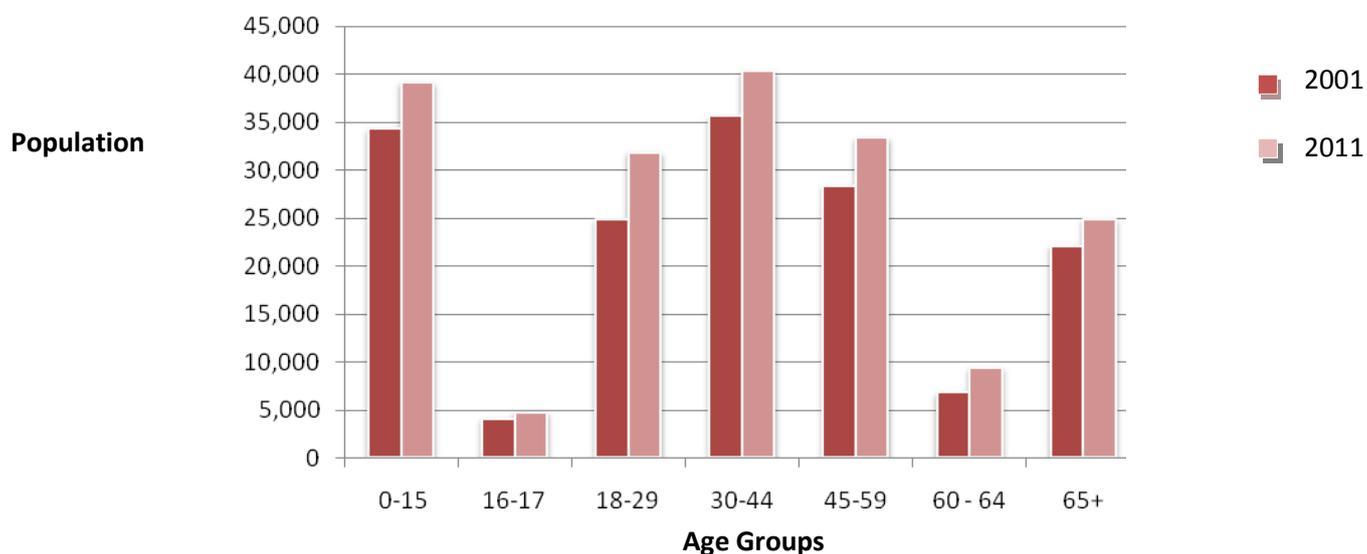
With the population increasing, the demand for housing will increase, only naturally meaning that the demand for private rented sector housing will increase with it.

The expansion of Peterborough has not only been the physical expansion and increase in population, but the economical expansion which has consisted of the growth and introduction of several nationally operating companies.

- Amazon
- Coca-Cola Enterprises
- Royal Sun Alliance
- BGL group
- The Stobart Group
- Perkins Engines
- Virgin Media
- IKEA distribution centre
- Kiddicare distribution centre
- Van Hage

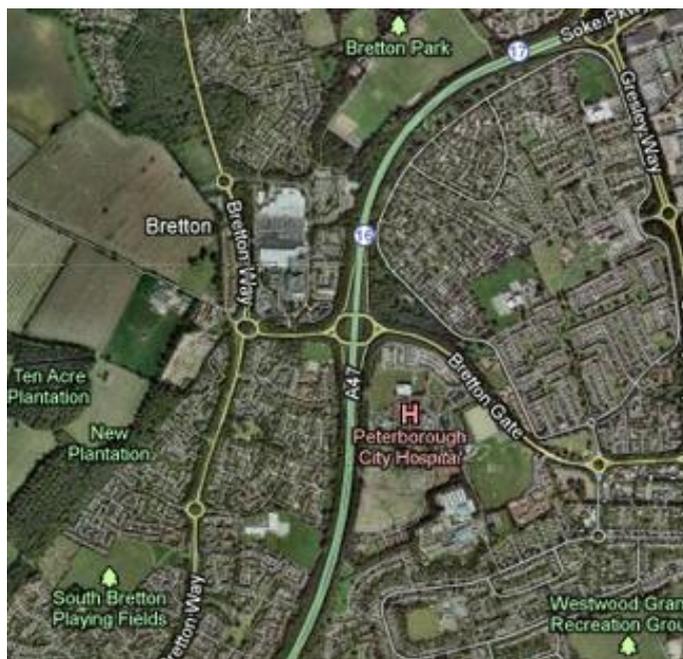
The Brotherhood Retail Park that reopened in October 2011 also brought several household brands to a newly rejuvenated retail area of Peterborough. 2011 has also seen new household brands opening on the high street and around the renovated cathedral square, creating hundreds of additional jobs; adding to the attractiveness of living and working in Peterborough.

More jobs have been supplied to the city, which means more people working in Peterborough and consequently means more housing is needed for the general employed and their families.



The data shows that there has been a population increase in each age category, however there has been little change in the age structure of the population. The largest population increases have been in the 60-64 year category and the 18-29 year category, seeing increases of 27% and 22% of the 2001 population respectively. The change in the latter group covers the category including students and young professionals.

In addition to the business and general employment aspect to the city’s housing demand, the new £335m **Peterborough City Hospital** started running in November 2010 offering opportunities for external persons into Peterborough. Peterborough and Stamford NHS hospital trust employ around 3,500 staff between the two hospitals which are situated 20 miles apart. There is great need around the hospital (especially around the Bretton area) for housing for trainee professionals, nurses and short-term employees. The city council will provide support to the NHS Trust to enable the provision of up to 250 units of



new hospital staff accommodation in Peterborough within the next year as there is currently a distinctive lack of housing solely designated for NHS employees.

(Peterborough City Council Housing Strategy 2011-2015, Update Feb 2012)

**The University Centre Peterborough** opened in October 2009. By 2016, the university is predicted to have 4,000 students.

With university projects in the city gaining momentum, an increased graduate population in the city will naturally entice high value jobs to the city which will thus have a positive impact on earnings and the city's economy. By 2026, an additional 7,000 people will have been brought to the city, introducing an additional 3,000 households and opening 8,000 jobs. (Office for National Statistics, 2011) (Edwards, 2011) (Office for National Statistics, 2011)



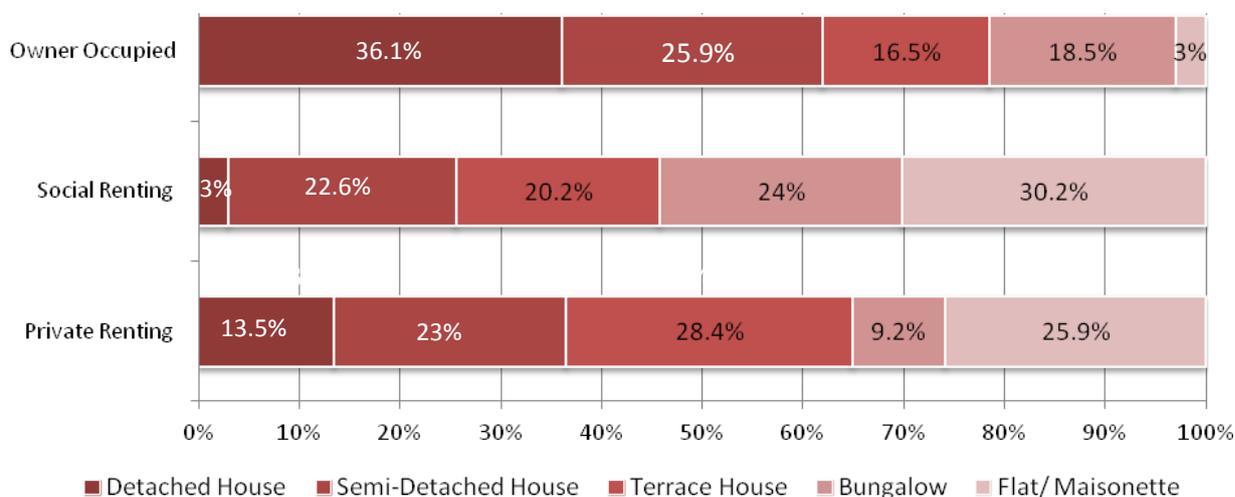
## Population Influences on Housing

As house prices continue to increase and young and first time buyers struggle to get on the housing market, the PRS will continue to become more favourable. Home owners will opt to keep housing and let it out, rather than sell in a stagnant market – private rented sector housing is only set to increase in demand.

There is an estimated need for a minimum of **150** additional private rented houses a year for the next 15 years in order to cater for the increase in private renters. In reality, this figure will probably be greater as the rate of growth of the PRS is increasing, and additionally as there will always be vacant properties (for a short while) to allow people to shift from ownership to renting or to allow for the void when tenants shift from one rented dwelling to the next. There will always be a need for choice and availability in the market.

The chart below shows the dwelling composition of the private rented sector. It can be seen that the most common styles of rented properties are terrace style properties (often 2 to 3 bed properties) and flats/ maisonettes (often 1 to 2 bed properties). This would suggest there was a greater demand of rented accommodation for small families and young couples. Detached houses (often larger properties) and bungalows less frequent, implying a lower demand to accommodate occupiers of these sorts of properties.

**Figure 4** (JGConsulting Strategic Housing Market Assessment Update Peterborough, 2010)



The census information shows that the average household size 2001 was 2.37, however now in 2011, the average household size is 2.46 (central ward averaging 3.0 per household). Household size has increased on the whole, meaning there are more/larger households entering into the city *or* family/ household size is expanding within the city i.e. more children are born into families.

Looking at the data, it can be seen that there is a demand for varying house sizes – there is no typical renter.

### What type of property do tenants want?

We have split tenants profiles into five groups and assess their likely property needs;

- **High Income**

The people falling into this sector (for example high salary professionals and business men and women) will be looking for a property in a convenient location in relation to road networks, the train and bus services, and probably with a higher average rental price. This sector of the market have more disposable income or rents will be paid by their companies, enabling them to cover higher rents for the higher priced properties. High income tenants will look for properties which will include executive city centre located apartments and substantial houses based in select parts of the city or suburbs.

- **Employed average earnings**

This sector accounts the majority of the private rental market. Relying heavily on the private rented sector for housing, and often demanding houses that provide a family environment, being reliant on catchment areas for schools, with gardens and parking facilities. Another popular type of accommodation for the younger employed person on an average wage is a modern flat like those typically found in recent housing developments of Hampton and Sugar Way. Some single employed residents have to consider renting a room in a shared house or room in a multi room let house.

- **Disabled/Retired**

Often not understood by investors/landlords and wrongly seen as high risk tenants, however renters from these backgrounds can 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. Selecting property for this market needs to have consideration for ease of access and tenants mobility.

- **Unemployed and/or relying on Housing Benefits**

As of April 2011 there were a total of 15,420 housing benefit claimants residing in Peterborough, 5,100 (33.1 per cent) of which were private sector tenants. These tenants understandably cannot afford to become home owners. Central government changes to development grants for local housing authorities has and is expected to continue to reduce,

therefore forcing a growing number of social renters into the private rented sector due to affordability. The amount of housing benefit claimants in the private rented sector is only set to increase as the number of properties social landlords have available gradually reduces.

There are many letting agents in Peterborough that do not entertain enquiries housing benefit tenants, however Belvoir see the opportunity and working carefully with applicants we can minimise risks. Read the following article on the Belvoir Peterborough News site:

<http://www.belvoirlettings.com/buying-to-let-and-letting-to-benefit-claimers-in-peterborough-p2551>

- **Single Adults Renting Rooms**

This is a growing market. It is unlikely to be the tenure of first choice. Investors who make their multi let units most attractive with least shared facilities will secure the more discerning tenants and enjoy less risks.

Renters come from various backgrounds which we categorise as; 1) Employed but separated on restricted income; 2) Employed 18-30yrs on below average income who want to retain as much income for lifestyle spend; 3) students; 4) Overseas migrant workers who plan to save as much of their income as they can; 5) under 35 years in receipt of benefits not qualifying for a 1 bedroom flat; 6) homeless with LHA assistance; 7) rehabilitation accommodation for prison or drug offenders. We are active in categories 1, 2, 3 and 4.

### Local Authority attitude to 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 as properties are well maintained:-

*'We recognise the importance of the Private Rented Sector and the essential role landlords play in providing safe, warm and healthy homes to the residents of Peterborough. We are keen to provide decent landlords operating within the borough with the recognition and support they deserve.'*

[www.peterborough.gov.uk/housing](http://www.peterborough.gov.uk/housing) (Peterborough City Council, 2012)

### What action are the Local Authorities taking?

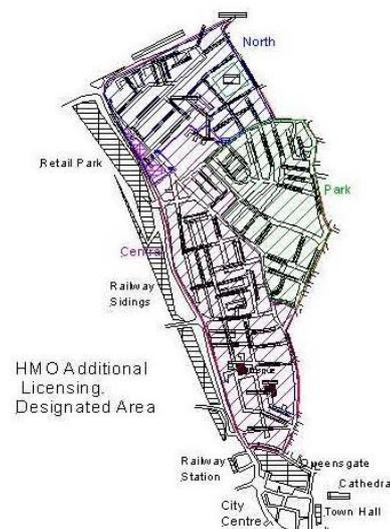
In the latest 2012 Housing Strategy, Peterborough City Council addressed that there is a severe discrepancy in housing standards across the PRS where there is insufficient management of property condition. It was noted that:-

**23 per cent** of dwellings have a 'category one' hazard as defined under the Housing Health and Safety Rating System (HHSRS). A category one hazard is defined as a hazard that may cause death or serious injury, so the council aim to remove 350 cat one hazards from these households per year until the end of 2015 – this will involve financial assistance and enforcement action.

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

**7,749** Peterborough households are in 'fuel poverty', including 23 per cent of all vulnerable households. Around **15,000** private homes in Peterborough require improvements to their heating systems. The city council aims to improve the thermal efficiency in at least 100 dwellings each year minimising the risk of fuel poverty for the occupants.

As part of its broader project to address social and environmental issues in the Millfield and New England areas, the city council will fully explore the benefits and implications of replacing the existing 'additional HMO licensing scheme' with a 'selective licensing scheme' that covers **all privately rented accommodation within these areas.**



### **Opportunities and challenges for existing landlords and investors**

The PRS is expected to grow significantly over next 10 years and beyond. Opportunities exist for large and small scale investors.

Competition to find good responsible tenants will increase as more new landlords enter the market. Existing landlords looking for tenants who have a good security covenant will have to look at what they are offering as more new investors enter the market. Location together with the external and internal presentation of the property will become more important as competition from landlords and investors for renters grows. **Those landlords who are not in a position to invest in their properties will face reducing rents or selling.**

Part of the future supply of properties in the PRS may come from builders using government funding Building to Rent and from Housing Associations looking to create revenue to replace grants. Large scale developments of rented property may become less attractive places to live in for discerning or selective tenants opening opportunity for investors who offer added value renting experience.

**Investors looking to place monies from maturing bonds or deposits are entering the PRS.** Investment in the Peterborough PRS shows a return on capital employed greater than inflation in addition to the potential capital value of the property asset increasing.

Demand for smaller rental units including self contained living pods and rooms with some shared facilities is highly likely to grow as the lower and average income sector look to make their after tax income stretch further. Landlords and investors offering close to city centre en-suite rooms can expect to secure tenancies with the more reliable renters and as such have fewer bad experiences.

### Regulation of agents – would you visit an unqualified Doctor?

**Only 10% of all letting agents in Peterborough are regulated.**

A regulated agent such as Belvoir Peterborough (an ARLA Licensed office) provides landlords and tenants with guaranteed financial security and Professional Indemnity Protection. The client account is checked independently annually to ensure all clients monies are accounted for and not used to supplement the businesses trading performance.

#### **Regulation is voluntary. Why do so many agents ignore regulation? What are they hiding?**

An unregulated business can operate at a trading loss for between 3 to 6 years using Clients Monies to supplement its negative cash flow and trading losses. Landlords and investors should beware of agents offering low fees. Landlords and investors should be aware that any money held by the agent is lawfully deemed as being received by the landlord from the tenants' point of view. When an agent goes out of business most often it is the agents landlord clients are left heavily out of pocket having to compensate their tenant:

- Advanced payments of rent paid by a tenant and received by the agent but not disclosed to the landlord are deemed as being received by the landlord. If the agents disappear and the landlord hasn't received the advanced rent the landlord is not able to demand repayment from the tenant. The landlord must pursue the agent.
- Damage Deposit monies not registered with one of the Authorised Deposit scheme operators is deemed as being paid to the landlord. If the agent disappears with debts the landlord must return or reinstate each deposit. The landlord will also be exposed to a fine three times the value of the deposit.
- The rent arrears your agent is telling you about may not be real rent arrears. It could be the agent is using it to supplement a cash flow issue/crisis. Demand the agent proves the arrears are real – contact the tenant yourself.
- The Police are generally not keen to get involved when landlords report alleged misuse of clients monies. But under Proceeds of Crime they have a duty to do so. Protect yourself against this type of exposure and deal with a **Regulated ARLA Agent**

## Summary

Peterborough has a lot of potential and prospects for investing in property, but like all investments there are risks. In order to minimise these risks and make the most of your hard earned money, Belvoir Peterborough 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:

- ✓ Cash or Mortgage purchase?
- ✓ Investing with partners, family or friends? Consider if a stakeholders situations change due to separation, illness or unemployment.
- ✓ 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;** When considering a buy to let investment there is a lot to think about. This report has been created by Terry Lucking; Managing Director of Lucking Estates, owner of Belvoir Peterborough and if you have any queries regarding the material in the report *or* would like to find out more about property investment in the Peterborough, then please do not hesitate to contact us:

[www.belvoirlettings.com/peterborough](http://www.belvoirlettings.com/peterborough)

Peterborough office 01733 321500

[terry.lucking@belvoirlettings.com](mailto:terry.lucking@belvoirlettings.com)

