



RESIDENTIAL PROPERTY INVESTMENT
GUIDE TO HASTINGS, EAST SUSSEX,
ENGLAND

www.meridiansurveyors.co.uk

RESIDENTIAL PROPERTY INVESTMENT GUIDE TO HASTINGS, EAST SUSSEX, ENGLAND

INTRODUCTION

As local Property Experts, Meridian Surveyors have prepared the following report to assist existing and future clients in gaining an understanding of local market and possible investment opportunities in both the commercial and residential property market.

Today's time precious landlords require a centre of expertise to consult, to be able to navigate the increasingly regulated rented property market. However, it is not just about the laws and regulations, as important is the professional and local knowledge that a consultancy provides and the added value their involvement offers the investor.

Hastings and St. Leonards has over the past few of years witnessed a step change in its situation as a South Coast town, with new employers and Brighton University facilities opening in the town centre. In Hastings Old Town and the leafier parts of St. Leonards, the London and Brighton crowd are picking up property bargains, whilst the reduction of local authority rented accommodation is adding to the increase in privately rented property in the Hastings area.

Why Hastings is the Shoreditch of Sussex and the UK's New Art Hotspot' The Culture Trip

HASTINGS – THE CONTRADICTION

The town has recently been named in the top five English 'heritage assets' in The Royal Society for the encouragement of the Arts, Manufactures and Commerce (RSA) report released in September 2015. However, previously it has been noted as a back water, with limited and outdated transport links and dilapidated tourist sites. The characteristics associated with this reality have consistently seen the town ranked as one of the most deprived areas in England. Again, recently released government figures show the town has slipped down the rankings of most deprived areas to 13th in the country. However, these are complex calculations and local officials believe there have been marked improvements over the latest period, which imply real progress for the area.

'Unemployment in Hastings and Rye has fallen again this month (September 2015) with a 20% decrease over the last year. The recent rank of local authorities does not reflect this tremendous growth of employment in our area.'
Hastings & Rye MP, Amber Rudd (Secretary of State for Energy and Climate Change)

Hastings is transitioning towards better infrastructure, a revitalised centre with high profile commercial development sites across the borough. The benefits of this development will be increased employment opportunities and requirements for residential property, whether to buy or rent.

The town has been successful in attracting a number of key employers which are transforming the centre and creating a platform of opportunities across the area. Brighton University, together with South Coast College have become major student destinations, creating a surge in the need for affordable accommodation, as well as opportunities for retailers in the town. Major employers, such as Saga are now operating from new purpose built office facilities in the centre of town.

Transport links are also improving with a promised sub 90-minute commuter train link to London. Whilst, investments in new road infrastructure are finally creating cross town links, moving traffic away from the seafront and towards the Queensway to Sidley bypass.

Hastings is the principal town in the Hastings and Rother Sub-Region, with more than 170,000 people living in the area, over one half of which live in Hastings (90,000), while approximately one quarter live in Bexhill and the last quarter in the villages and rural communities.



THREE INTO ONE DOES GO

Hastings and St. Leonards can be segmented into three distinct areas; Hastings Old Town, Hastings Town and St. Leonards:

- Hastings Old Town – The oldest area of the town, which has had a port settlement here since before 1066. The Old Town is predominantly characterised by the Elizabethan to Georgian properties along the High Street and All Saints Street, which ensures this area is particularly sort after for residential property. The Old Town is also a closer knit community than the other areas of the town, and typified by the many local pubs, bars and restaurants in the tightly packed streets. Confined to the Bourne Stream area set in the valley between the East Hill and West Hill, the settlement had natural borders on all sides, with the English Channel to the south and Ore Village, on the hill to the north. On a number of occasions during its history, the town had spread to where the town centre is now situated to take advantage of the more sheltered harbour and wider valley basin area east of White Rock headland, however on numerous occasions the settlement in the area was devastated by floods, storms or invasion, and the town returned to its original Bourne Valley site.
- Hastings Town – The town centre and surrounding development takes root in the Georgian and Victorian era. Railways were being laid across the country and seaside towns were becoming massive tourist destinations for the rich and newly empowered factory and retail workers. Hastings expanded across the valley and west along the seafront as the town prospered. Victorian villas and guest houses were constructed giving the seafront it's still familiar outline, while latterly the development to the north of Mount Pleasant into the Elphinstone valley and up towards The Ridge, as the northern border of the town has seen the demolition of many Victorian mansions and gardens, to be replaced by smaller housing estates.
- St. Leonards – With the expansion west, St Leonards developed around a relatively small number of broader streets and larger properties. Key to the success of the area was the patronage of James Burton (1761-1837), a highly successful builder and designer, who contributed many fine buildings to Georgian London. He was the architect of much of the St Leonards promenade and the magnificent properties that face the sea. His son Decimus Burton (1800-1881) continued his father's work around St Leonards, during his own highly successful architectural career. Since then there has been infill of regimented terraces between the park land and mansions, providing the accommodation for the thousands of workers for the expanding and prosperous enterprises around the area. St Leonards

has kept many of its architectural important properties and today these are of considerable interest to property investors.

MARKET SITUATION

The past decade has seen a considerable change in the residential market as the effects of the recession has impacted people across investment boundaries.

Pay, especially in areas of deprivation, has not kept pace with property prices, and although this has affected areas to different degrees, it is clear that first time buyers now find it more challenging to gain that step on the ladder.

'Fewer people looking to buy their first home means more tenants sticking to the rental sector'

Buy-to-Let has boomed as an investment vehicle as pension policy holders and bank deposit holders witnessed a sharp fall in return. In an effort to secure a financial future many new investors have joined the ranks of property investors, whether transferring pension pots into commercial property or using available deposits to enter the residential market. Meridian Surveyors are able to assist with undertaking both Residential and Commercial Valuations under the RICS Registered Valuation Scheme.

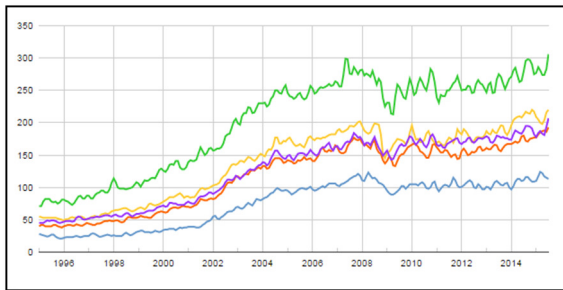
Key Features of the Hastings Housing Market

There are five key features of the Hastings housing market that distinguish it from other parts of the South East:

- Comparatively low, but rising house prices
- Growth of the private rented sector
- Declining affordability for local people
- A bias to smaller dwellings
- High levels of deprivation

Between 2006 and the end of 2011 the rise in house prices has been steady for most of the segments, however it is in the past five years where we see a steeper rise in all but the smallest dwellings. It is this rate

of increase that is currently sustaining an influx of investment in Buy-to-Let property around the Hastings



area. This is in part due to the fact that Hastings' property values are still significantly below those in the other areas of the South East of England. This makes the area relatively affordable to those selling property in London, Brighton, Lewes and Eastbourne and moving to the area, or simply those deposit rich investors looking for ROI opportunities.

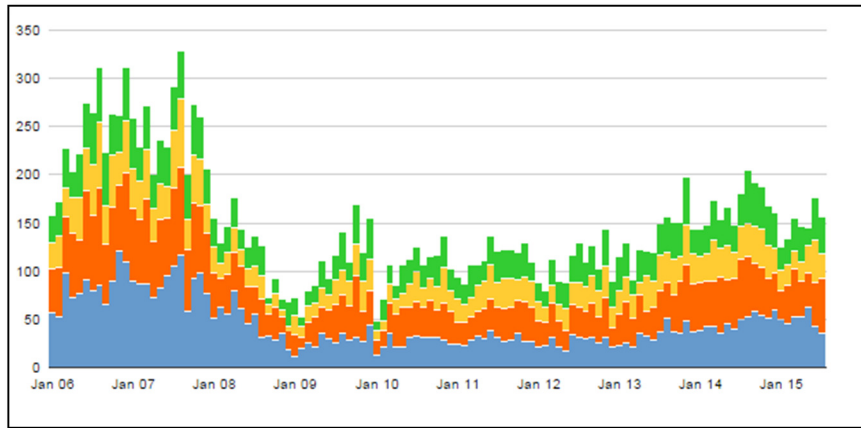
Average Selling Prices in Hastings (£000's)

	Jan 1995	Jul 2015	Change
Detached	£70,778	£305,986	+332%
Semi	£55,139	£219,966	+299%
Terraced	£39,876	£193,195	+384%
Flat	£27,689	£112,808	+307%
All	£45,133	£207,043	+359%

Number of Properties Sold In Hastings

	Jan 2006	Jul 2015	Change
■ Detached	28	39	+39%
■ Semi	28	25	-11%
■ Terraced	45	57	+27%
■ Flat	57	36	-37%

Hastings with its particular characteristics has long attracted 'downsizers' and career-ender, who leave other towns and cities with investment sums from property sales and pension income and retire or semi-retire to the coast. Whilst this group is an interesting sub-group, it previously has had limited effect on the local economy in respect of investment in employment.



However, as Hastings is still a low earnings area, this therefore guarantees that house prices will escalate away from averagely waged residents. This situation is exacerbated by the latest mortgage rules, which conspire against the low paid and their ability to save for a deposit,

although rents may often be higher than mortgage repayments. As a result of these conditions the rental market within Hastings is particularly buoyant.

SIZE IS EVERYTHING

Smaller houses and lower prices are a feature of the Hastings area. This is probably due to the town's long history, as an historic Cinque Port, with approximately 40% of dwellings in the Hastings area having less than four rooms. There is a correspondingly small proportion of larger dwellings with 7 or more rooms. This together with other factors have, in the past, depressed house prices, especially in the small dwelling sector.

Growth in the private rented sector saw a marked change at the start of the millennium. In the 1990's over 75% of householders were owner occupiers. By 2001 that number had fallen to 70%, whilst the population increased, today house ownership has fallen to 64% with corresponding figure for rented accommodation increasing.

Council's including Hastings, over the past decade have transferred 100 percent of its housing stock to a 'Not-for-Profit' housing associations, which are now providers of most new public-sector housing. This has in part slowed the availability and conversion of public housing to 'Right-to-Buy'. Hastings Council transferred its remaining housing stock to a Housing Trust, which now controls this segment of social housing, potentially halting the supply of this stock on to the private market.

AREA OF DEPRIVATION OR POTENTIAL GROWTH TOWN?

From the Department of Communities and Local Government – Indices of Deprivation 2010 Report.

Indices of Deprivation are an important tool for identifying the most disadvantaged areas in England, so that local policy makers and communities can target their activities at the areas of greatest need for the services.

Hastings has consistently ranked as one of the lowest scoring large seaside towns in respect of Income deprivation, Employment deprivation, Health and disability, Education, skills and training, Crime and Barriers to housing and services. However, with the redevelopment of the town centre's Priory Quarter as an educational hub, and with strategic employers filling high quality buildings, the town is witnessing a positive bounce effect to its economy. There is in place various business led schemes to attract service employers and manufacturing back to the town, which will if successful positively affect Hastings future position with the deprivation listings.

COMMERCIAL TO RESIDENTIAL

Hastings has an established town centre which operates as a hub for business administration, financial services and other service industries and professions providing the area with highly flexible business support capabilities. Hastings Direct (insurance) have their head office in Bexhill a few miles to the West of Hastings, and SAGA which has invested in the area with a new purpose built development in the Priory Quarter, Hastings Town Centre. These high profile employers are providing career opportunities for hundreds of people from around the area and are acting as a magnet to other businesses who can take advantage of Hastings' unique economic characteristics. There are also large employers in the form of Hastings Borough Council and the regional offices of the Child Support Agency and the Inland Revenue, which reinforce the caliber of the work force available to employers in the area.

Hastings is a major location for manufacturing and industry, particularly in High Technology sectors. A higher proportion of people are employed in technology in Hastings than in any other major town or city in Sussex (10.4%). This offers existing and new companies a highly skilled, flexible and experienced workforce, which is a key reasons why Hastings is a viable business location.

With the development of commercial estates, strategically placed on its outskirts, Hastings is also an exciting prospect for investment for commercial property. With a choice of established and under-development commercial estates including:

Castleham (<http://www.hastingsindustry.co.uk/castleham.htm>),

Conqueror (<http://www.hastingsindustry.co.uk/conqueror.htm>),

Churchfields (<http://www.hastingsindustry.co.uk/churchfields.htm>).

North Queensway (<http://www.seachangesussex.co.uk/our-programme/north-queensway>)

The North Queensway business estate is a new capability and will accommodate up to 120,000 sq. ft. of premises and provides the opportunity for businesses to build properties to their specification, which many new technology organisations require.

Additionally, along the new road development between Queensway and Sidley (Bexhill on sea), there is another new business zone under development, which will offer up to 500,000 sq. ft. of business space including a Business Centre facility.

Across the South Coast there has been slow growth in centrally located new build office stock and the recent uplift in conversion from office stock to residential (Permitted Development) in town and city centres has increased pressure on the available stock. A benefit has been to stabilise office stock rental prices in many towns, while the lack of new, high quality office stock is a potential problem going forward, for maintaining employment in town centres.

The opportunities for converting existing Offices (B1) into residential Dwelling Houses (C3) under Permitted Development rights has recently been extended indefinitely. This will open up many more development opportunities to bring back into use empty office blocks without having to gain full Planning Permission. Prior Notification is required from the Local Authority and Meridian Surveyors can provide advice and assistance in this process and seek the necessary approvals together with undertaking a full design scheme and drawings.

Elements within the Hastings Local Plan are centred around ensuring successful developments for industrial, office and residential are targeted. Within the town infrastructure projects are underway to provide upgrades to the transport links across town and improved rail links, which will deliver faster train journey times to London.

Within the Town there has also been an increase in conversions of buildings into accommodation for Students. This is a growing market and although introduces complex requirements to meet Regulations in respect of HMO's (Houses in Multiple Occupancy), Licensing and Building Regulations. Meridian Surveyors guide clients through this process and have a solid understanding of the issues involved.

RESIDENTIAL BUY-TO-LET MARKET

Hastings, St Leonards and the surrounding areas have always had high demand for rented accommodation but what type of property is the most commonly requested?



Over the past 6 months Meridian Surveyors has marketed properties from one bedroom flats up to four bedroom detached houses.

Meridian Surveyors has created a 'prospective tenants' list. This provides a register to quickly match available properties to tenants.

The charts show that the highest demand is for two bedroom flats and that tenants are expecting to pay in the region of £750 pcm for these.

Source: Jupix, Letting Agents Software.

There are however other factors to consider when deciding on what type of property you should invest in i.e. Tenure, length of lease, ground rent, service charge, locality of popular schools, employment levels and transport links.

Another important issue to consider is how often tenants will move and the re-let costs you would incur as a landlord. As a general rule tenants will move more frequently from one bedroom flats than a family would from a three bedroom house therefore there would be lower ongoing costs in renting out a larger property.

Housing stock within Hastings is varied although much of it particularly around the town centre, and within St Leonard's, is Victorian or older, and converted during the 1980's. The condition of a property when purchased, and costs of repair and maintenance thereon, can have a significant impact upon an investors costs and therefore profit rent and yield. Pre-purchase advice on the condition of a property and potential future maintenance costs is therefore considered essential when making an investment decision. Meridian Surveys have unrivalled knowledge of the local housing and letting market and therefore are well placed to advise on the suitability of a property and demand levels at any given time as well as changes within a location which may impact upon rental desirability.

INVESTMENT OPPORTUNITIES

What to invest and where? Hastings offers capital growth and rental yield for the knowledgeable investor, or those who seek expert local advice. Hastings is in the Top 10 of seaside towns for rental yields. Although, targeted investment will result in better investment opportunities.

Examples of Property Yields in Hastings – Oct 2015

The town, like many others is a series of eco-systems and understanding how these interact and what drives the housing stock potential can result in top value yields.







As can be seen for the example shown Hastings can provide competitive investment yield and also capital growth. However, to achieve the best results investors need to have timely and correct information. It is not simply enough to understand the economic and social drivers of the area, and movements in the housing stock of the area. Also the local trends in government direction in respect of land and development and how these impact house prices. These are essential in gaining the most value out of any property investment.

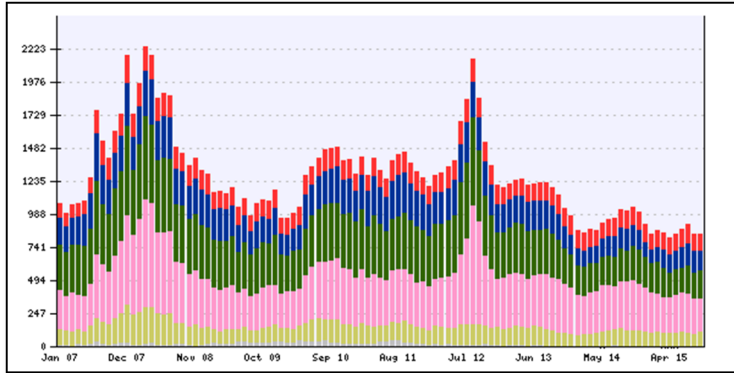
Hastings Areas	Property Purchase Price (From)	Avg. Monthly Rent Achieved	Approx. Rental Yield (before tax) %
Detached House (4 - bed)	275,000	1,100	4.8
Detached House (3 - bed)	250,000	1,000	4.8
Terraced House (3- Bed)	200,000	850	5.1
Terraced House (2 - Bed)	170,000	750	5.3
Converted Flat(3 - Bed)	150,000	800	6.4
Converted Flat (2 - Bed)	125,000	600	5.8
Converted Flat(1 - Bed)	95,000	475	6.0

Advice from property professionals will provide trends on what age of property is most desirable to local tenants, also what to consider in respect of minimising dilapidation expenditure.

It is not purely, search and buy, where the property professional is a valuable asset to an investor, but through the investment cycle, and how to interact with the local influencers

Properties Advertised for Sale in Hastings – Number of Bedrooms

		Jan 2007	Sept 2015	Change %
	5+ Bedrooms	99	118	+19
	4 Bedrooms	201	146	-27
	3 Bedrooms	336	211	-37
	2 Bedrooms	291	249	-14
	1 Bedroom	119	109	-8
	Unknown	21	8	-
	Total	1067	841	-21



NEW LAWS AND SELECTIVE LICENSING SCHEME

With the increasing high level of newsworthiness of the buy-to-let market, both local authorities and government have moved to increase the administrative and cost burden on landlords and agents alike.

New rules do inevitably create 'grey' areas which need quantifying,

however, until a clear judgement is provided many landlords may be unwittingly contravening the rules that they simply do not fully understand. For example - Sector 21 rules (enforceable from October 1st, 2015), which includes the requirement to provide tenants with prescribed information, which not only includes terms relating to tenancy deposit protection, but among other documents, EPC, and a government booklet 'How to Rent'. A key point with this document is that it will be updated and therefore all updates will need to be communicated to the tenants, as well as the fact that the rules are not clear as to when a tenant needs to be re-served the document.

Hastings Borough Council, like many other local authorities, has introduced a Selective Licensing Scheme as a regulatory tool which allows it to tackle areas suffering from significant anti-social behaviour or low housing demand by requiring all privately rented homes to be licensed.

Licenses place obligations on landlords that include helping to deal with anti-social behaviour caused by tenants by undertaking a risk assessment and implementing a risk management plan.

These small but significant rule changes do require investors who are entering the rental property market to be aware that these licensing areas exist and are expected to expand across the borough. Whether as a social responsibility measure on landlords or as a means for local authorities to raise taxes, these licenses are a cost that must also be factored into the ROI for the investor.

CONCLUSION

Clearly Hastings is a town in transition. New economic drivers and a positive bounce affect from recent community project wins, like Brighton University and SAGA, together with much new commercial development on the town's outer ring are demonstrations of growth.

The town is still one of the most deprived areas of England, although many local politicians and business people view recent developments as indicators that Hastings is moving forward on an economic upgrade. Educational capabilities are improving in the area and it offers a high percentage of technical qualified people within the workforce.

The lack of social housing development has and will continue to increase pressure on private rented accommodation, providing a stable or increasing market price for the most desirable properties.

Householders in relatively higher priced locations including Eastbourne and Brighton, as well as those from London see the considerable value that can be gained from selling up and moving down to Hastings. This in turn increases the upward pressure on rental prices, to the benefit of the landlord.

Hastings continues to be an opportunity for investment property and the Buy-to-Let market. The current low interest rates and Bank of England comments which indicate that these levels will remain in place well into 2016 provide positive investment foundations.

As value for money on property is stretched the need to have quality consultancy becomes increasingly important to the property investor, not only for the initial find and purchase but through the life cycle of the investment.

MERIDIAN SURVEYORS

A regional team of highly experienced Chartered Surveyors and property professionals, Meridian has the experience, expertise and reach to deliver a comprehensive service to its property clientele. Drawn from industry, commercial development, residential and agency the Meridian team provide a highly personalised service, with the capability to advise clients on all aspects of both commercial and residential property. Whether it be pre-purchase advice on the suitability of a potential property in terms of condition or its appropriateness for letting, Meridian Surveyors have many years of experience advising in the local market.

The principal members of the team have lived and worked within the town and surrounding areas for most of their working careers and have seen the impact that recent improvements and development within the town, both commercial and residential, have had on demand for investment property. Meridian Surveyors are the only local firm of Chartered Surveyors with ability to provide 'total property advice' for both commercial and residential clients.



Mark Boles
Chartered Surveyor



Will Ramsden
Chartered Surveyor



Martin Holgate
Chartered Surveyor



Chris Coleman
Lettings Manager

Reference:

Meridian Surveyors acknowledges the expertise and contributions from the following organisations and the inclusion of such data in this document.

Hastings and Rother Housing Market Assessment June 2006

National Association of Estate Agents – Housing Market Report - 2015

Royal Society of Arts – Cultural Review - 2014

www.home.co.uk/guides

Office for National Statistics – A Profile of Deprivation in Larger English Seaside Destinations, 2007 and 2010.

www.theculturetrip.com

Business in Hastings – www.businessinhastings.co.uk

In partnership with Elephant Mann Limited