TENANT INSIGHT

2017/18

Carter Jonas

THE RISE OF THE PRIVATE RENTED SECTOR HAS BEEN RELENTLESS FOR AT LEAST THE LAST 15 YEARS. STRICTER LENDING CRITERIA FOLLOWING THE FINANCIAL CRISIS MEANS MUCH LARGER DEPOSITS ARE NOW REQUIRED TO PURCHASE A HOME. AND THIS, TOGETHER WITH HOUSE PRICE GROWTH OUTPACING EARNINGS, MEANS MORE AND MORE PEOPLE ARE NOW RENTING. THIS TREND DOES NOT LOOK SET TO CHANGE ANYTIME SOON, MEANING THE SECTOR WILL CONTINUE TO EXPAND OVER THE NEXT DECADE AND BEYOND.

Perhaps as a result, private renting is finally being promoted by the government with new measures set out in the recent Housing White Paper. As the private rental market has become an increasingly popular, proportionally larger and consequently essential component of the wider housing market, it is vital that we find out what is driving tenant choices and their decision making processes.

In this, our second tenant survey and report, we again polled our large database of tenants to investigate their thoughts, opinions and ideas on various aspects of the rental market and its processes. We further enquired on how they would like to see the sector evolve in the future and how it could be improved.

We collected nearly 400 responses to our latest survey, of which 250 were city or town renters, while the remainder were rural or village renters. The sampling reflects the current structure of the Carter Jonas tenant base.

Despite its growth and size, the sector is not without its limitations. It is our hope that this report will provide some insight into what it is that prospective tenants want and need from a rental property and how they can be attracted and retained. The future of the private rented sector is one of growth, but understanding what motivates the requirements of tenants and how they would like to see the nature of rental properties change in the future, is vital.

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EXECUTIVE SUMMARY

Nearly two-thirds of the city tenants were between 22 and 37 years old. Further emphasising that young people (and **millennials** in particular) are now, more than ever, opting to live in **urban settings**

Speed of response by landlords and managing agents remains the most important service for tenants

High speed broadband in properties is now essential. Responders in both flats and houses, rural and city locations indicated that this was the most important amenity in a rental property

A **newly refurbished kitchen or bathroom** could help landlords achieve higher rents. Tenants indicated that this would be their top choice when asked what they would be willing to pay more for

Affordability, security and flexibility of tenure and surety for tenants about their landlord and management team are the key themes which came out when asked about the future of renting in the UK

WHO ARE THE TENANTS?

The survey elicited **385** responses, with **67%** coming from city or town properties, while the remaining **33%** were from rural or village-set properties. We further examined whether the responders were living in houses or flats, to determine whether this had any influence on their responses or decision-making. This resulted in **211** responders who lived in houses and **174** who were living in flats[1].

GENERATION RENT

Millennials (born early 1980s-late 1990s) have also been referred to as 'generation rent'. The reference is that rising home ownership costs are forcing young people into reluctantly renting. Recent research by PWC finds that buyers may now have to save for a staggering 19 years(!) in order to pay for the deposit on their first home; compare this with just two years in 1990[4]. But as it turns out, it is not cost alone that is driving young people into the rented sector, as flexibility and choice appear to be strong influences as well. Young people are renting for convenience and lifestyle, to be closer to amenities, friends and work[5 6]. Furthermore some young people simply may not value material things such as homes and cars, placing greater importance on experiences and travel[7] – things which renting allows them to achieve with greater ease.

The majority of our rural/village responders were families, accounting for **43%** of all those surveyed. This compares with **28%** of city/town responders who are family households, with the majority here, being couples (**37%**).

58% of our city tenant responders are between the ages of **22** and **37** – the age cohort that most people would describe as millennials, or also: Generation Rent. Interestingly though this age group was much less represented in the rural responders, where those between **38** and **52** were the majority (**48%**), followed by those over **53** years (**30%**). These figures will come as no surprise to many as it has been widely acknowledged that millennials are more often living and working in urban settings than ever before[2&3]. Between the two census periods of 2001 and 2011 the population of large city centres in England and Wales doubled, while the number of those of the millennial age group tripled over the same period, making up over **50%** of the urban population.

[1] The majority of flat responders (94%) were from city locations and therefore the rural flat responders have not been individually interrogated due to statistical inaccuracies and privacy issues.

[2] Forbes: 'Where Educated Millennials are Moving', January 12, 2017. www.forbes.com

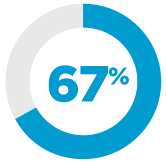
[3] Centre for Cities: 'Urban Demographics: Where do people live and work in England and Wales?', 22 July 2015. www.centreforcities.org

[4] PWC: 'The UK Housing Market Outlook', July 2016.

[5] CBRE: 'Live Work Play', August 2016.

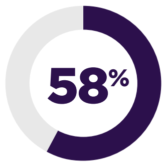
[6] Benham & Reeves: 'Is 'Generation Rent' content?'. April 2017.

[7] Brightside: 'Why young people don't buy cars and apartments anymore'. September 2016.



67% of respondents from **urban** areas

33% of respondents from **rural** areas



58% of respondents in urban areas were **millenials**

Figure 1 Household type

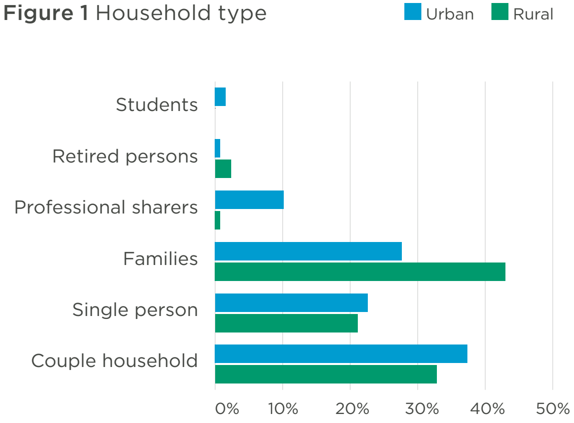
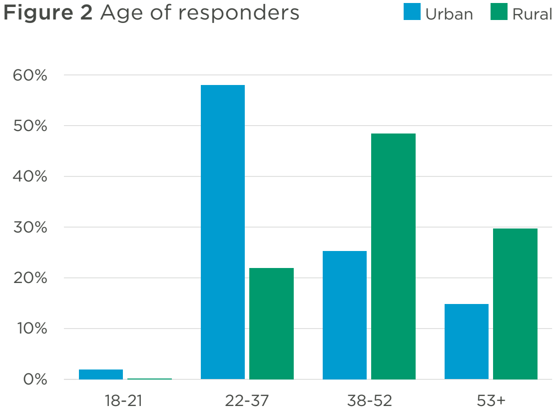


Figure 2 Age of responders



THE IMPORTANCE OF THINGS

We asked our tenants what services they thought were most important from their managing agents. As compared with the results from three years ago, the responses showed some changes within the middle rankings, while the top and bottom remained unchanged. The largest movement came from the **24 hour emergency maintenance line** issue as it moved up to second in importance this year, from fifth place three years ago.

The increased importance of a 24 hour emergency maintenance line may reflect the wishes of tenants to start taking maintenance and other household emergency issues into their own hands. It may also be that in some cases an 'in-house' emergency maintenance team has been heavily marketed, particularly in larger letting schemes and blocks. This means it may have now come to the attention of many tenants as an important amenity in a rental property. However, given that 'speed of response' came out on top for importance, it is probably more a reflection of tenants believing that direct contact with maintenance may be a faster way of solving minor issues within the rental property.

WHAT SERVICES ARE MOST IMPORTANT FROM YOUR MANAGING AGENT?

		2017	2014
Speed of response	↔	1	1
24 hour emergency maintenance line	↑	2	4
Approved and accredited contractors	↔	3	2
Agent being a member of a regulatory body	↓	4	3
Regular visits by the property manager or landlord	↔	5	5

WHAT DO TENANTS WANT?

We used a sliding scale of importance for nine items when renting. The scale moved from 'essential' to 'important' all the way to 'not at all important'.
The nine items were:

FLATS

When tenants of flats (urban city responders only) were asked which elements within a flat would entice them to rent a property, it was clear that high-speed broadband and a modern kitchen or bathroom were the top 'essential' items. More than **52%** of responders indicated that high-speed broadband was essential when renting an apartment, with a further **35%** indicating it was important. Similarly, **34%** suggested a modern kitchen or bathroom were essential, with a further **55%** saying it was important. Of less importance to the majority of city flat dwellers were outside space and property alarms.

Interestingly, energy efficiency comes out on top when judged by the metric 'important', although as an 'essential' metric it is sixth on the list. The increasingly high cost of energy over the last few years is clearly being reflected in what tenants seek in a rental property.

Staying with flat responders, when asked what appliance or white good would be preferred, if space were compromised, a separate tumble dryer came out as the most preferred. **48%** would prefer a separate tumble dryer. This is one-third more than stated they would prefer a separate freezer.

THE ESSENTIALS

52% HIGH-SPEED BROADBAND

34% MODERN KITCHEN/ BATHROOM

24% ALLOCATED PARKING

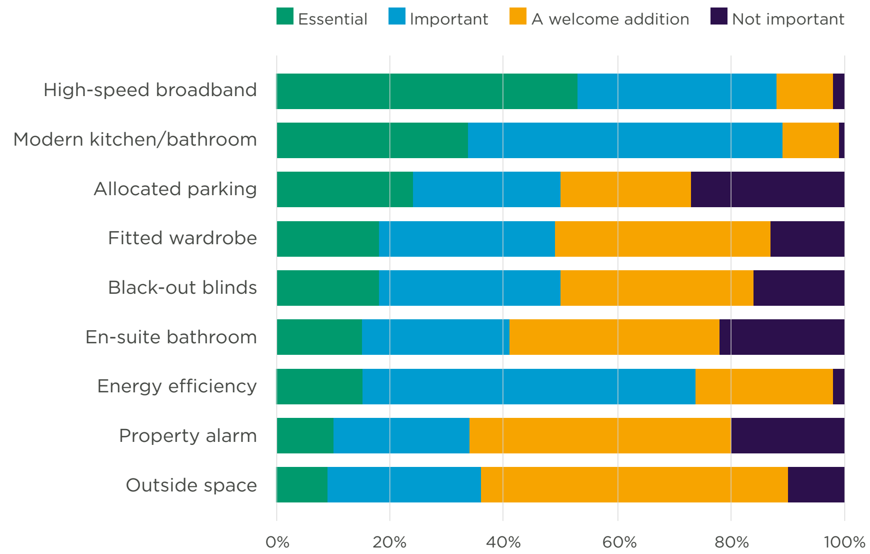
THE NON-ESSENTIALS

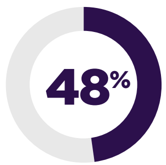
9% OUTSIDE SPACE

10% PROPERTY ALARM

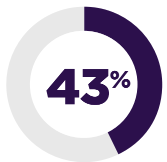
15% ENERGY EFFICIENCY

Figure 3 What is more important when renting a flat in the city?

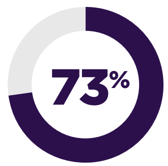




48% of respondents would prefer a separate tumble drier



43% of those living in flats stated that increased space would most likely prompt their next move



73% of flat respondents would travel no more than 45 minutes to work (one way)

HOUSES

Responders who live in houses indicated some similarities to flat responders in terms of ‘essential’ items for renting a property. High-speed broadband again came out top, although off-street parking was second for house responders as an ‘essential’ item. This was mostly driven by rural house responders (**40%**) who themselves voted this as the most essential element when renting. A modern kitchen or bathroom is third on the list for most renters as considered ‘essential’, while the top ‘important’ item was energy efficiency.

THE ESSENTIALS

41% HIGH-SPEED BROADBAND

32% ALLOCATED PARKING

23% MODERN KITCHEN/ BATHROOM

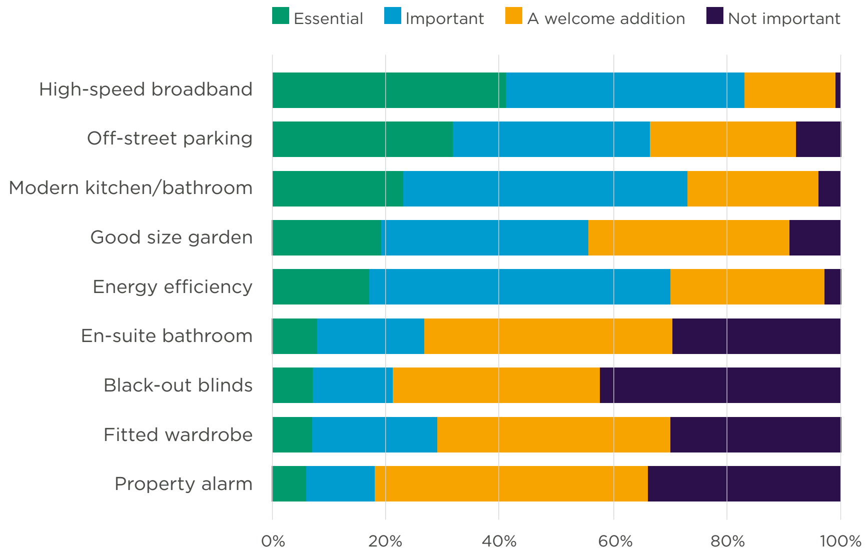
THE NON-ESSENTIALS

6% PROPERTY ALARM

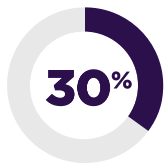
7% FITTED WARDROBE

7% BLACK-OUT BLINDS

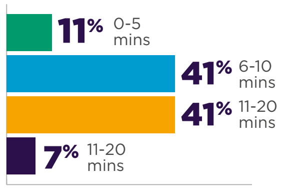
Figure 4 What is more important when renting a house?



38% of house respondents said affordability would most likely prompt their next move



30% of rural respondents would be willing to travel more than 60 minutes to work



Maximum time prepared to walk to a train or tube station (all respondents)

IS IT WORTH PAYING MORE?

Those who are currently renting houses clearly place higher importance on the potential for energy efficiency; **17%** of house responders indicated they would be willing to pay more for an energy efficient property compared with just **10%** of those living in flats. Further differences were obvious as well, with **14%** of flat responders willing to pay more for high-speed broadband, but this was the case for only **11%** of those living in houses. In both instances however a newly refurbished kitchen or bathroom came out on top with the most number of responders willing to pay more for this element of their property, than any other.

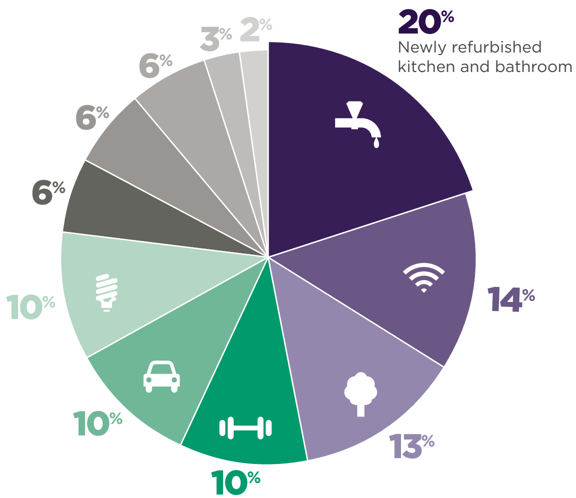
14%

14% of flat responders would be willing to pay more for high speed broadband

17%

17% of house responders would be willing to pay more for an energy efficient property

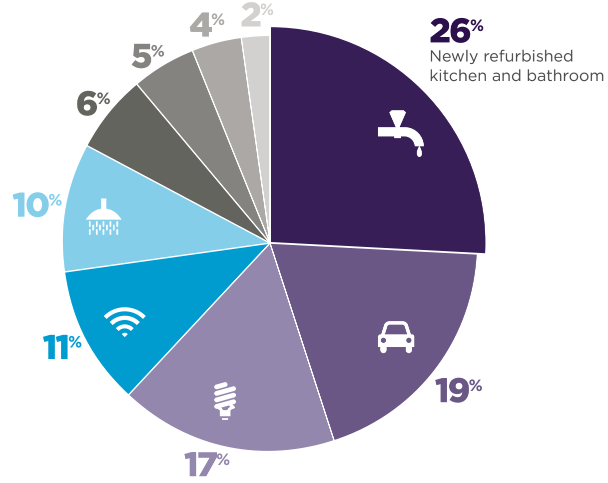
Figure 5 All flat responders



- Newly refurbed kitchen or bathroom **20%**
- High-speed broadband **14%**
- Outside space **13%**
- On site gym **10%**
- Allocated parking **10%**
- A more energy efficient property **10%**
- On site concierge **6%**
- Air conditioning **6%**
- Bicycle storage **6%**
- Communal area/work space **3%**
- Property alarm **2%**

A **newly refurbished kitchen or bathroom** was the top amenity that all responders were willing to pay more for

Figure 6 All house responders



- Newly refurbished kitchen and bathroom **26%**
- Garage **19%**
- A more energy efficient property **17%**
- High-speed broadband **11%**
- En-suite bathroom **10%**
- Media/family room **6%**
- Air conditioning **5%**
- None of the above **4%**
- Property alarm **2%**

WHAT LIES AHEAD?

In our previous edition in 2014 there were several issues highlighted by the responses about current rental practices and hopes for the future. This included:

- the size and configuration of rental properties
- landlord and agency registration
- longer lease terms and simplified tenancy agreements.

These issues were discussed in length and they remain subjects which Carter Jonas continues to be aware and supportive of.

In this edition, we asked similar questions of our responders: **'What would you most like to see become a common feature of rental homes in the future'** and **'How do you feel the UK rental market could be improved?'** Responses were varied, thought-provoking and inspire further analysis and debate. Although we specifically split the two questions to promote two separate answers, similar themes arose from both, with three notable issues:

- **Affordability:** A reduction of fees and initial cost outlays
- **Security:** More secure and flexible lease terms
- **Assurance:** A landlord/management rating and review portal

What would you most like to see become a common feature of rental homes in the future?

How do you feel the UK rental market could be improved?

AFFORDABILITY

A reduction of fees and initial cost outlays

ASSURANCE

A landlord/ management rating and review portal

SECURITY

More secure and flexible lease conditions

"There should be a more fair and transparent fee structure."

"We should be able to see how landlords have treated previous tenants. There should be some sort of ratings system or referencing website where we can view past performance."

"Take inspiration from the European market where tenants are treated fairly, the properties and rents are standardised, and leases are longer."

WHAT LIES AHEAD?

AFFORDABILITY:
A reduction of fees and initial cost outlays

Nearly **20%** of those who responded to the question on how the UK rental market could be improved, suggested that a change to the various administration fees that tenants are asked to pay (either at the start or end of a new lease), is of particular concern. Of the responses, some commented that a reduction is needed, while others wanted to do away with the fees altogether. Yet more suggested that a breakdown or transparency of what the fees were for would be a step in the right direction. Lastly, there were further considerations that a regulation of the fees might be useful, perhaps in the way that the tenant deposit protection scheme has become regulated by the industry over the last decade.

It is clear that this fee is a concern to many tenants, not just for those who responded to our question but indeed to many renters across the UK. The issue has been extensively covered in media reports over the last 12-18 months. This has particularly been the case since the government (in the last Autumn Budget Report and again in the Housing White Paper published in February of this year), set out plans to abolish the fees altogether. The paper states that they will consult 'early this year' and bring forward legislation to ban letting agent fees to tenants. However, at time of printing, there has been no further timeline or programme for when or how the ban will be enacted.

ASSURANCE
A landlord/ management rating and review portal

A proposal offered by some of our responders related to increased certainty and clarity for tenants over (past) performance and selection of their landlords and managing agents. For example a type of register of landlords was mentioned, whereby prospective tenants could be assured that the landlord had been through an official government 'vetting' system. A further recommendation was for a ratings or review portal of landlords and / or management companies by previous tenants or clients. In this way, tenants would be able to review and comment on their relative satisfaction, and interaction with, their landlord and managing agent and view experiences by other tenants with potential landlords. The portal would be akin to something like TripAdvisor whereby other prospective tenants could then check reviews themselves, before committing to a tenancy arrangement. If both landlords and tenants registered themselves as genuine users before commenting then the system could maintain a degree of integrity without being misused. It is entirely plausible that such a system would be beneficial to both landlord and tenant.

WHAT LIES AHEAD?

SECURITY

More secure and flexible lease conditions

Almost one-third of our responders mentioned some form of increased flexibility within their tenancy and lease. This ranged from as being able to maintain a property themselves (making minor refurbishments and alterations) and allowing pets, to more structural changes such as security of tenure and rent controls. While these proposals might appear a bit extreme, what they do suggest is a private rented sector which is more akin to what is seen in many mainland European countries.

In what is often described as 'the European model' of private renting, the suggestion that longer leases and caps on rent rises is what is needed in the UK to reform the sector, and that this would therefore make the sector more attractive to the average tenant. In countries such as Germany, Switzerland and the Netherlands rent increases are generally subject to strict criteria such as the landlord having to prove that they themselves are being subject to additional expenses or adding value (i.e renovations). Other controls include the local housing council fixing the price of rent in a given area (i.e Sweden) and an independent evaluator determining the value of a property given such things as size and facilities[8]. Let us not forget however that the UK has historically had rent controls swept away entirely less than 30 years ago. In 1988, with the introduction of the Housing Act all forms of rent controls and caps in this country were finally abolished. Reinstating something which was resigned to history, might be felt as a step backwards for many.

Security of tenure across most parts of Europe is also more tightly regulated. Most tenancy arrangements in Europe allow the tenant to remain in the property unless the landlord can prove grounds for possession. Further, most European tenancies are much longer than in the UK – with a three year lease being the norm as opposed to six months – one year which is the usual arrangement in the UK. Lastly, the European model means that the landlord does not have an automatic right to repossess the property when the tenancy comes to an end. Thus in countries with a strong security of tenure, the tenant has the right to remain in the dwelling as long as they comply with the terms of the lease. The UK is one of the only European countries with not only low tenure security, but a short average lease term (six months to 1 year)[9].

The government's recent housing white paper also makes reference to increasing the use of longer leases – ensuring that 'family friendly' tenancies of three or more years are available to those tenants that want them[10]. However, assured tenancies of longer than one year are currently available, but the uptake is quite low. This is probably because landlords and agents don't see any benefit in longer leases. One suggestion for changing this is to offer tax breaks to landlords who offer and accept longer leases. A recent survey of agents by the Association of Residential Letting Agents (ARLA) found that 26% of agents would be in favour of such a scheme[11].

Over 4 million households are now in the private rented sector, double the amount that was in this sector just ten years ago[12]. It is a sector which is expected to continue to grow at the same rate, if not faster over the next decade. Any proposals which would attract and, importantly, retain tenants while ensuring that they are able to afford their rent and feel secure in their tenancy and happy with their landlord or management team should be actively encouraged.

[8] Rent on Time: 'Rent Controls: A European model in the UK?' 4 May 2016.
[9] Scanlon K and B Kochan: 'Towards a sustainable private rented sector: The lessons from other countries'. LSE London, 2011.
[10] DCLG: 'Fixing our broken housing market', February 2017
[11] ARLA: 'UK Private Rented Sector, June 2017'. June 2017
[12] English Housing Survey, 2014/15

38 OFFICES ACROSS THE COUNTRY, INCLUDING 13 IN CENTRAL LONDON

- Bangor
- Basingstoke
- Bath
- Birmingham
- Boroughbridge
- Bury St Edmunds
- Cambridge South
- Cambridge North
- Cambridge Central
- Edinburgh
- Harrogate
- Kendal
- Leeds
- Marlborough
- Newbury
- Newbury - Sutton Griffin
- Northampton
- Oxford
- Peterborough
- Shrewsbury
- Suffolk
- Taunton
- Truro
- Winchester
- York

- National HQ One Chapel Place
- Barnes
- Barnes Village
- Fulham Bishop's Park
- Fulham Parsons Green
- Holland Park & Notting Hill
- Hyde Park & Bayswater
- Knightsbridge & Chelsea
- Marylebone & Regent's Park
- Mayfair & St James's
- S. Kensington & Earl's Court
- Wandsworth
- Waterloo