TENANT INSIGHT

2019

Carter Jonas

WELCOME TO THE THIRD EDITION OF TENANT INSIGHT. EARLIER IN THE YEAR, WE SURVEYED OUR DATABASE OF TENANTS TO GARNER THEIR THOUGHTS ON KEY ASPECTS OF THE RENTAL MARKET AND HOW THEY WOULD LIKE TO SEE IT SHAPED GOING FORWARD.

We collected over 300 responses to our survey, including from those who live in city and rural settings, flats, and houses; a sampling, which reflects the structure of the Carter Jonas tenant client base.

The private rented sector is currently undergoing a shift-change as the government is actively discouraging investment into the buy-to-let market by the private landlord while simultaneously encouraging the institutional-led build-to-rent (BTR) market. Therefore understanding tenant motivations, likes and dislikes, will go a long way to better shaping the state of the private rented sector, which still accounts for over 4.5 million households in the UK.

By uncovering what tenants want from a rental property and what they would like to see for the future of the sector we hope that this report provides insight for both the private individual landlord and institutional landlords, and investors looking to attract and retain tenants.

To discuss anything in this report or for any other property requirement, please get in touch.

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"The private rented sector is currently undergoing a shift-change"

KEY FINDINGS

The **speed of response** to problems in a rental property is still listed at number one for provision of a management service

High-speed broadband is essential for a rental property, even more so than a modernised kitchen or bathroom

There is no 'silver bullet' in regards to what tenants would pay more for although a **newly refurbished kitchen or bathroom** tops the list

Tenants are most likely to move from a property due to **relocation preferences** rather than an issue with the property itself

Energy efficient properties have moved up the priority list for both flat and house renters, when compared with our previous surveys

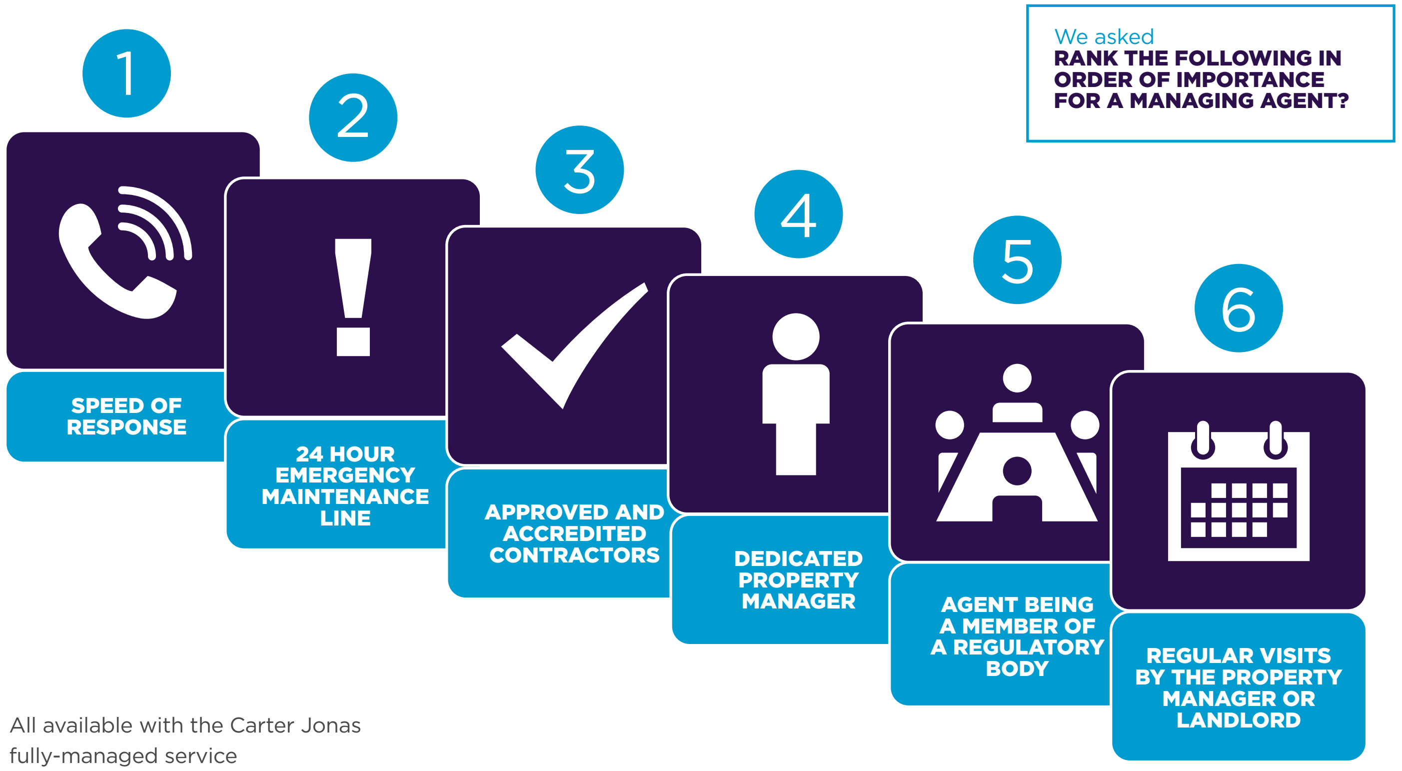
KEY THEMES

Four key themes emerged when tenants were asked what the shape of the rental market should look like in the future:

- Implementing quality standards
- Improved energy efficiency
- Allowing the tenant to have increased control of the property
- Lowering fees and decreasing rents

MANAGEMENT SERVICES

We asked
RANK THE FOLLOWING IN ORDER OF IMPORTANCE FOR A MANAGING AGENT?



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TENANTS LIVING IN FLATS

As we have done now for the last three tenant surveys we conducted, we asked our tenants how important various items and features are when considering a rental property. The below chart represents how important these were on a sliding scale from ‘essential’ all the way to ‘not important’.

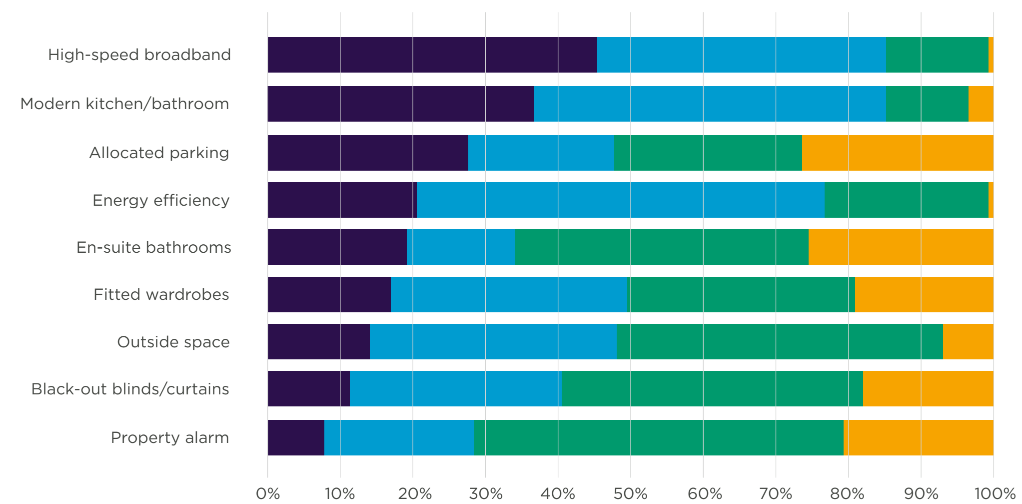
This year’s survey finds very little change from our flat tenants when asked what is important in a rental property. High-speed broadband once again came out on top as an ‘essential’ followed closely by a modern kitchen and bathroom. There was a notable increase in those who felt that energy-efficiency was now ‘essential’, with **21%** of respondents saying this in 2019 compared with **15%** in 2017. This means that this feature has moved up three places and is now considered more important than en-suite bathrooms or fitted wardrobes for the majority of our flat respondents. The increasing cost of utilities and rising energy prices (gas & electricity bills have increased around **3%** in real terms over the last two years to the end of 2018)[1], combined with an increased awareness of our daily impact on the climate and wider environment, is likely having an effect on renters priorities.

> “There is a notable increase in those who felt that energy-efficiency was now ‘essential’, with 21% of respondents saying this in 2019 compared with 15% in 2017.”

[1] Department for Business, Energy and Industrial Strategy: ‘Annual domestic energy bills’, June 2019.

THE IMPORTANCE OF THINGS

We asked
HOW IMPORTANT ARE THE FOLLOWING TO YOU?
(Flats)

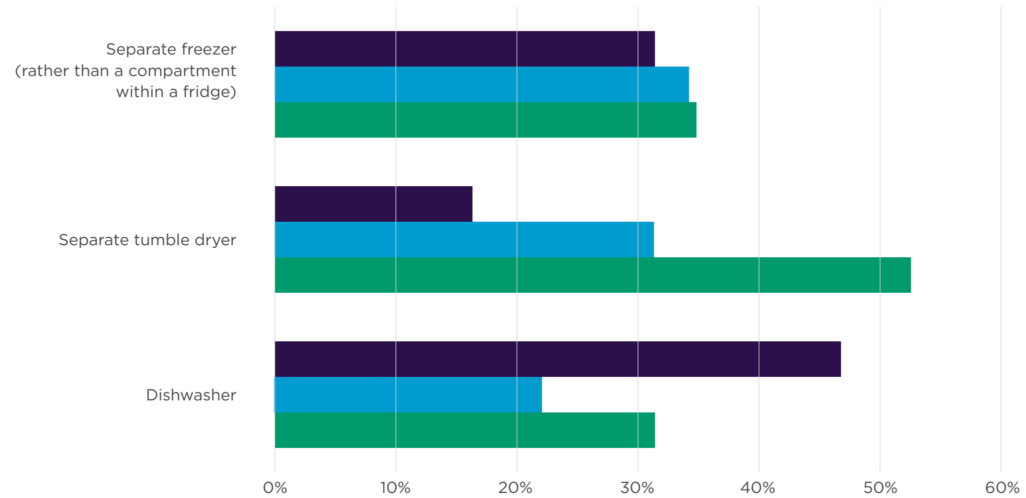


Essential
Important
A welcome addition
Not important

We also asked the flat tenants what appliance they would most prefer in a flat where space is compromised. **52%** of all respondents said they would most prefer a separate tumble dryer, compared with **31%** who would most prefer a dishwasher and **25%** who would most prefer a separate freezer.

PROPORTION OF TENANTS WHO WOULD MOST PREFER A SEPARATE TUMBLE DRYER WHEN SPACE IN A FLAT IS TIGHT

We asked
WHEN SPACE IS COMPROMISED, WHICH OF THESE APPLIANCES IS PREFERRED?
(Flats)



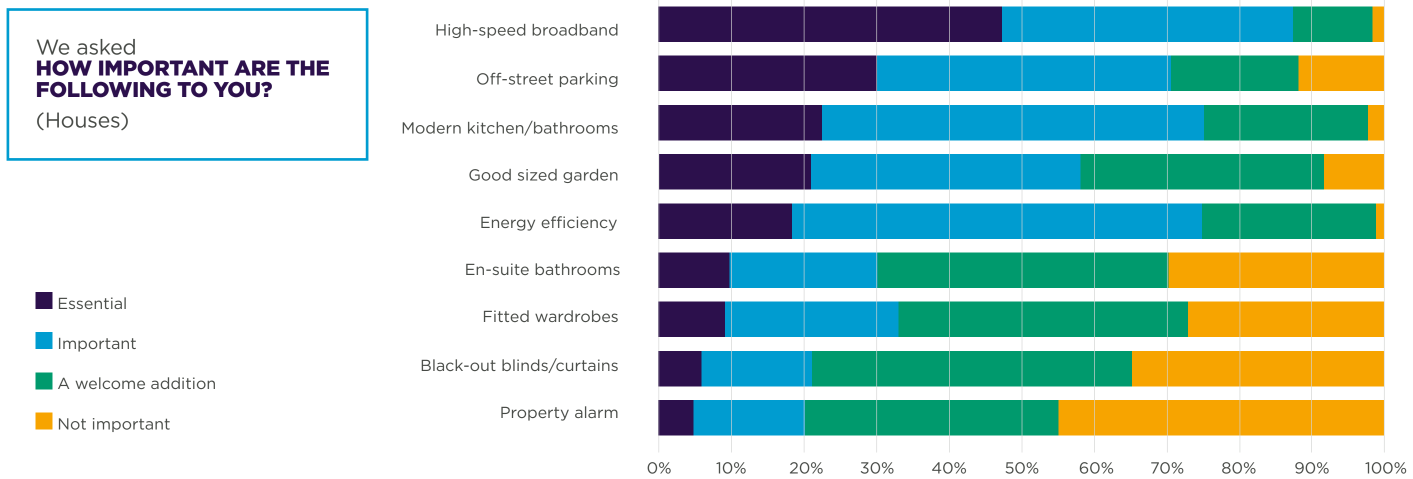
Least
Somewhat
Most

TENANTS LIVING IN HOUSES

When we asked house tenants a similar question on the relative importance of various amenities of houses, we also found that high-speed broadband came out on top, followed by off-street parking and a modern kitchen/ bathroom. **47%** of all respondents concluded that high-speed broadband is an 'essential' amenity when renting a house. Somewhat surprisingly second from the bottom, with just **5%** considering that a property alarm was 'essential'.

"47% of all respondents concluded that high-speed broadband is an 'essential' amenity"

We asked
HOW IMPORTANT ARE THE FOLLOWING TO YOU?
(Houses)



WHAT WOULD TENANTS PAY MORE FOR?

For this question, we asked our respondents what features they would be willing to pay a higher premium for. This question is particularly relevant in the current environment where an ever-increasing number of build-to-rent (BTR) developments and units have been built or are coming on stream.

According to the British Property Federation (BPF) there are around 143,000 BTR units either completed or planned across the UK with research suggesting that given the extra amenities these units offer, there is an associated rental premium of around **9%.** It is, therefore, crucial to understand just what it is that tenants are willing to pay a little extra for.

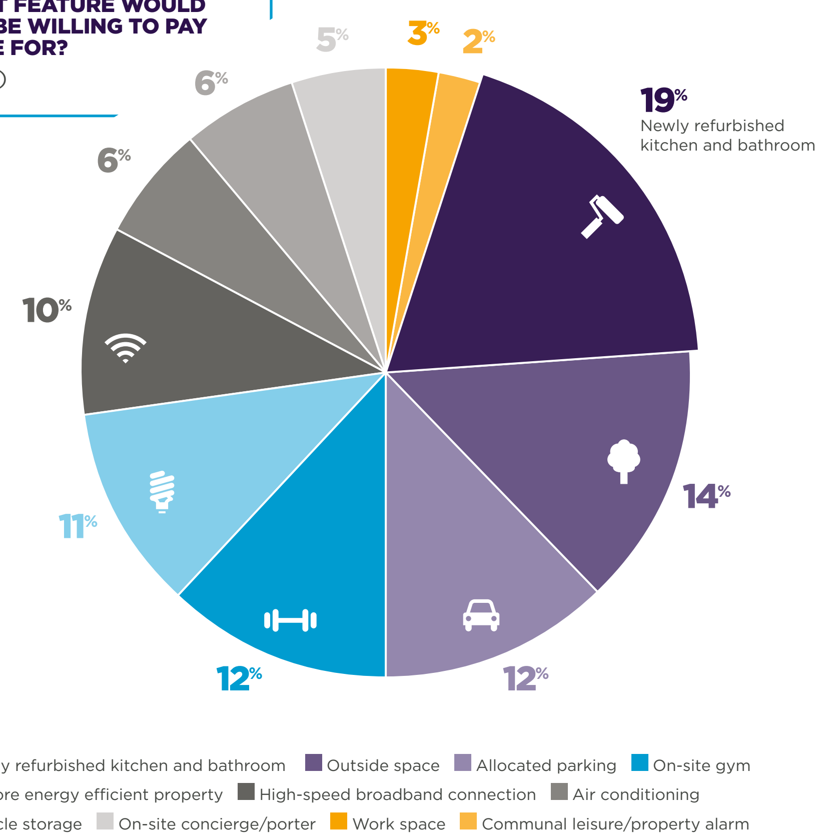
While the current consensus is that BTR schemes can achieve higher rents because they offer features such as concierge service, communal spaces and an on-site gym, our flat respondents showed that these were of little added value. Only **12%** of people saying they would pay more for an on-site gym and just **5%** and **3%** would pay more for a concierge and communal space, respectively. Encouragingly however **19%** of our respondents said they would be willing to pay more for a newly refurbished kitchen or bathroom. Given that most build to rent units (in this country anyway) are relatively new, this is something which would garner a rental premium without a BTR developer having to change anything.

On the other hand, there were some features of rental properties that the average BTR development may struggle to achieve. While 14% of our respondents said they would be willing to pay more for outside space, many BTR schemes are flats and apart from a balcony/terrace and communal gardens, this would be difficult to incorporate. Allocated parking is also often difficult to incorporate into many new developments; space issues and wider planning difficulties make it harder for schemes to include too much in the way of vehicle parking, although 12% of our respondents said they would pay more for this luxury.

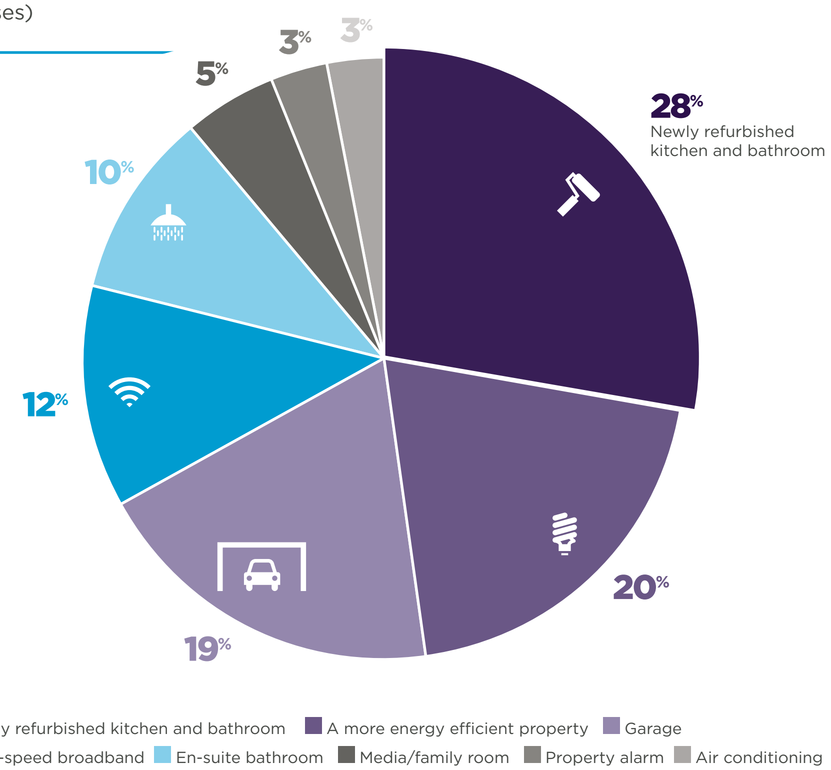
Lastly, when we previously asked what feature is important in a rental property, 80% of our flat respondents said that energy efficiency was either essential or important, however only 11% of our respondents would be willing to actually pay more for it. Somewhat reassuringly though this figure rises to 20% from our house respondents, and rises to second on the list of features they would be willing to pay more for.

"143,000 BTR units either completed or planned across the UK "

We asked
WHAT FEATURE WOULD YOU BE WILLING TO PAY MORE FOR?
(Flats)



We asked
WHAT SERVICE OR FEATURE WOULD YOU BE WILLING TO PAY MORE FOR?
(Houses)



RETAINING TENANTS

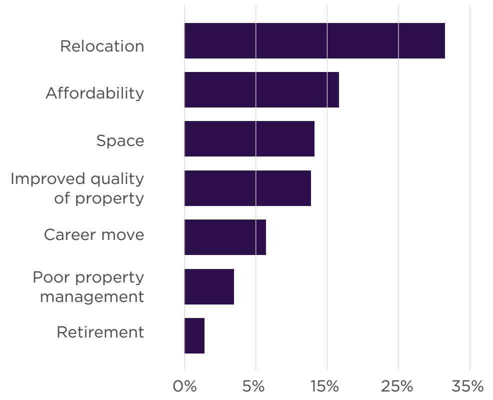
Losing tenants, finding new ones, and void periods can be costly for landlords. Understanding the issues that would prompt a tenant to move is helpful to understand whether the property itself is prompting a move, or other circumstances that are beyond the landlord's control.

When we first looked at the responses to this question it showed that improved quality of a property and affordability were the top two reasons that would prompt a tenant to move rental properties (**19%** and **16%** respectively). However, if we combine any reason for relocating (i.e. moving nearer to good schools, moving closer to public transport, moving overseas, moving within the UK or simply relocating elsewhere) we find that relocation generally is by far the number one reason that would prompt a move (**32%**).

Of all the issues, a landlord can only control for a small minority of why a tenant chooses to move: improved quality of the property, poor property management, and to a lesser extent, affordability.

"We find that relocation generally is by far the number one reason that would prompt a move (32%)"

We asked
WHAT ISSUE COULD PROMPT YOUR NEXT MOVE?



WHAT WOULD TENANTS LIKE TO SEE IN A RENTAL PROPERTY OF THE FUTURE?

Our survey asked two questions around what tenants would like to see become a key feature in future rental homes, and how they feel the rental market could be improved. Some common themes came out from the results, with nearly 400 comments generated in total.

IMPLEMENTATION OF QUALITY STANDARDS

One of the most frequent comments raised related to improving the condition and quality standards of rental properties going forward. There were 27 responses **(7%)** regarding this with many suggesting that some sort of standard or regulation should be introduced which could be checked between tenancies and improved or corrected before a new tenant moves in. Comments related to such things as improved modernisation generally, electrical items all being in good working order, right through to damp and mould issues rectified.

Improving and modernising the quality of a rental property reinforces the answers in our earlier question concerning what tenants would be willing to pay more for. Both flat tenants and house renters scored 'newly refurbished kitchen and bathroom' as their top answer. Furthermore, our agents regularly cite modernised properties with good quality kitchens and bathrooms as the properties that will rent faster and for higher rental rates. This will also be positive news for BTR schemes as many, given that they are predominantly newly built, will be of good, modern quality.

IMPROVED ENERGY EFFICIENCY

Improving energy efficiency of properties was also highly commented upon, receiving 26 remarks with some even mentioning some specific items they would like to see as standard, such as:

- **DOUBLE GLAZING**
- **SOLAR PANELS**
- **SMART METERS**
- **BETTER INSULATION**

In our earlier question, we had noted that energy efficiency was highly rated with nearly **80%** of all respondents saying it is either an essential or important factor when renting a property. Tenants are often highly cost sensitive and therefore potentially saving on energy and utility bills is no different. This is not to mention that awareness about the impact that we all have on our environment has become part of mainstream thinking over the recent months and years, and anywhere that people can lower their environmental impact is welcome.

INCREASED FLEXIBILITY AND CONTROL OVER THE PROPERTY

Rental properties in the UK do not traditionally allow for pets or redecoration of the interior, and this came up as an issue to amend going forward, for many of our tenants. Of course, private landlords can make their own rules and some properties will allow pets however, they will be few and far between. The cost of cleaning or redecorating a property post-tenancy is often cited by landlords as the key reason they would not allow pets or redecoration (painting, placing pictures on the walls, etc.). However, in a build-to-rent property it is possible that with closer monitoring and central management this could make it easier for both the tenant and the development to cater and control for. There is also the potential to add a price premium, which could include for a post-tenancy clean or redecoration and whilst this may not initially appeal to tenants it would give them the flexibility they might be after.

LOWERING AGENCY FEES, ADMIN FEES AND RENTS

Lower administration fees, fees charged by agents and landlords and introducing some type of rent controls were all mentioned in the comments section with regards to changes going forward in the private rented sector. This was not mentioned nearly as many times as in our previous survey however, those that did remark felt very strongly about it.

The Tenant Fees Act 2019 which was finally legislated in June of this year has helped to address unscrupulously high administrative and agency fees (see next page) however rents are unlikely to come under government control anytime soon. Rent regulation was effectively dismantled and abolished in the UK via the Housing Act 1980 and 1988. Rent regulations do remain in effect in some council houses and there are different routes available to renters who might qualify for affordable housing or affordable rental properties provided by the council or housing associations.

"Our agents regularly cite modernised properties with good quality kitchens and bathrooms as the properties that will rent faster and for higher rental rates."

TENANT FEES ACT 2019

The act came into force on 1 June 2019 in England and includes:

- Tenancy deposits must not exceed the equivalent of five weeks' rent
- Holding deposits are capped at no more than one weeks' rent
- A change in tenancy fee will be capped at £50

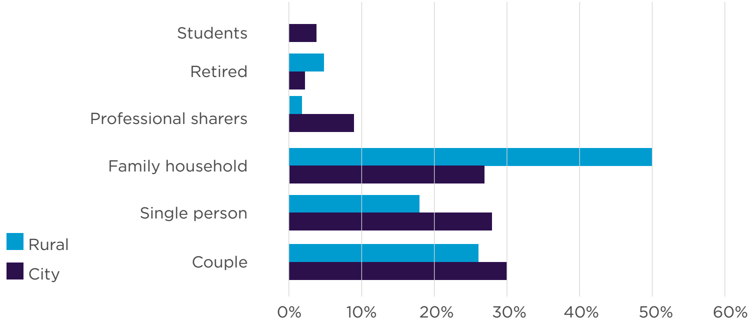
Agents and landlords are only permitted to charge tenants fees associated with:

- A change or early termination of a tenancy when requested by the tenant
- Utilities, communication services and council tax
- Payments arising from a default by the tenant where they have had to replace keys or respective security device, or a charge for late rent payment (not exceeding 3% above base rate)

WHO DID WE SURVEY? THE TENANT PROFILE

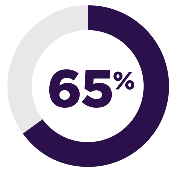
Here we examine who our tenants are by digging into their demographic profile

HOUSEHOLD TYPE

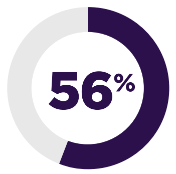


The majority of the rural respondents were family households, at 50%. This compares with just 28% in city locations. The largest proportion of household type in city locations were those living as a couple (**30%**), although this was closely followed by single persons (**29%**).

The average age range of our respondents was not surprising and is similar to the average range that is often reported in tenanted rental properties. In the city the largest proportion were young adults between 22-37 (**56%**) while in more rural areas the largest cohorts were between 38-52 (**39%**), closely followed by the older generation of those over 53 (**37%**).



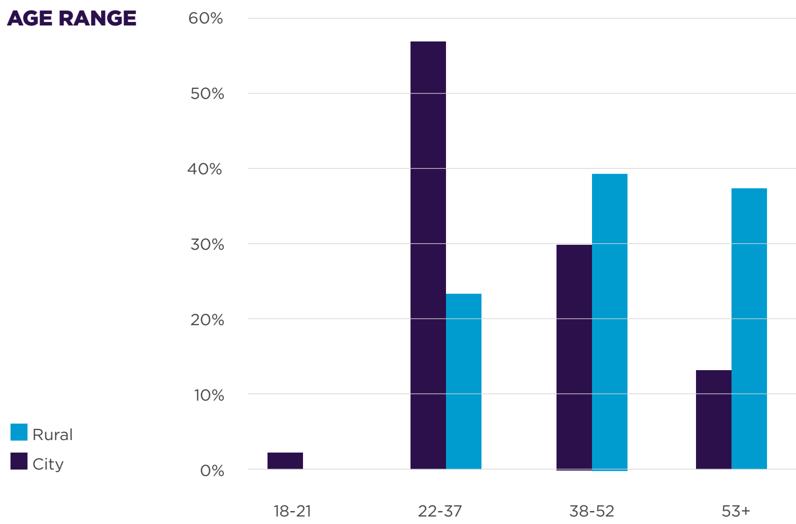
RESPONDENTS ARE IN CITY LOCATIONS



RESPONDENTS LIVE IN HOUSES (44% IN FLATS)

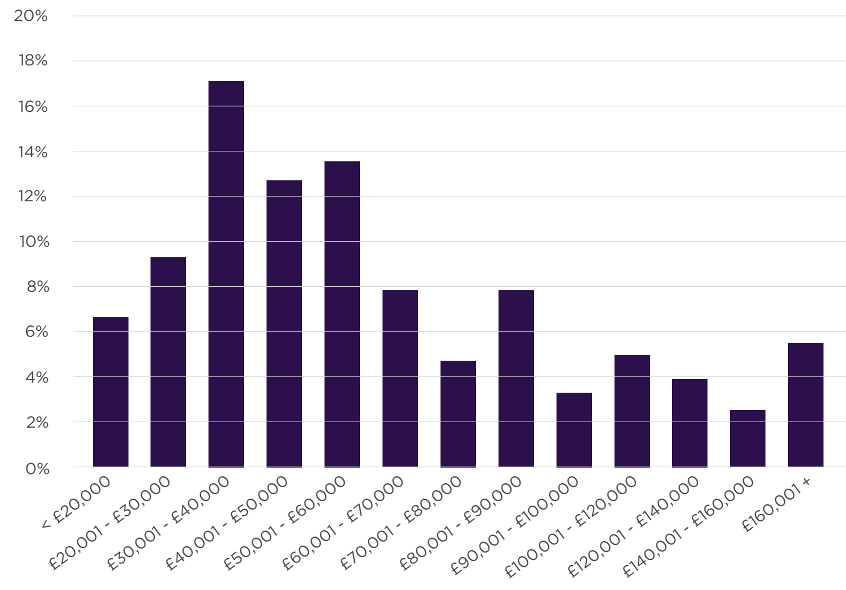
> "In the city the largest proportion were young adults between 22-37 (**56%**) while in more rural areas the largest cohorts were between 38-52 (**39%**), closely followed by the older generation of those over 53 (**37%**)"

AGE RANGE



Looking at the average household incomes of our respondents we find quite a wide range of incomes however the largest proportion (**43%**) were earning between £30,000 and £60,000 per annum. This is slightly higher than the average UK household income of around £30,000[2]. When we examined the proportion of household income that is spent on rent per month, our respondents pay an average of around **28%** of their income on rent, compared with an overall average of around **37%**[3] in England.

AVERAGE HOUSEHOLD INCOME



THE PROPORTION OF INCOME SPENT ON RENT, ACCORDING TO OUR RESPONDENTS

[2] ONS: 'Average household income, UK', 2019 (provisional)

[3] Ministry of Housing, Communities and Local Government: 'English Housing Survey', July 2019

33 OFFICES ACROSS THE COUNTRY, INCLUDING 9 IN CENTRAL LONDON

Bangor	Marlborough
Bath	Marlborough Rural
Birmingham	Newbury
Bristol	Northampton
Cambridge Central	Oxford
Cambridge North	Peterborough
Cambridge South	Shrewsbury
Cardiff	Taunton
Harrogate	Truro
Kendal	Warrington
Leeds	Winchester
Long Melford	York

National HQ One Chapel Place	Marylebone & Regent's Park
Barnes	Mayfair & St James's
Fulham Bishops Park	South Kensington & Knightsbridge
Fulham Parsons Green	Wandsworth
Holland Park & Notting Hill	

ABOUT CARTER JONAS

Carter Jonas LLP is a leading UK property consultancy working across commercial property, residential sales and lettings, rural, planning, development and national infrastructure. Supported by a national network of 33 offices and 800 property professionals, our team is renowned for their quality of service, expertise and the **simply better advice** they offer their clients.

Find out more at **carterjonas.co.uk/residential**

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