Tenant Insight

2022

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It has been two years since the start of the pandemic, and two years now of living and working in very different ways (for many, although by no means all). We therefore thought this is a good time to revisit and update our regular Tenant Survey, to help us understand whether our tenants are indeed living and working in new ways.

Our last survey was completed in 2019, just before the start of the pandemic. Since then, UK house prices have risen by an average of 17% (Dec 2019-Nov 2021, Source: HM Land Registry, ONS) while rents have increased by an average of 12% (HomeLet, Jan 2022). Rising prices and rents, along with changing preferences and priorities for living and working, have meant the private rented sector has undergone some big changes over the last two years.

In this survey we collected over 950 responses, including those living in city centre settings and rural locations; in flats and houses; and in converted and purpose-built properties.

We surveyed our extensive client database to help us discover what has motivated tenants to move on or stay put, where they choose to live, and whether the pandemic and its related restrictions and upheavals have changed their priorities.

It is important for landlords to know what tenants desire, how they live and what they want out of a home in order to provide the best possible service and property. We hope that the insights from our survey will help the private rented sector become a better and more desirable market for landlords and tenants alike.

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Key findings

Covid
One in five of our respondents said their most recent move was prompted due to pandemic-related reasons. The largest reason was for more space to better enable working from home.

Indoor space
Pandemic-related reasons aside, the desire for more indoor space or a larger property helped prompt the move for 15% of our survey participants.

High-speed broadband
The most essential amenity in a rental property, with 65% of contributors citing it as ‘Essential’. Up from 45% just two years prior.

Pets
Allowing animals in a property is a strong consideration when factoring the desirability of a property to rent. Of our ten internal amenity choices, this came third from the top.

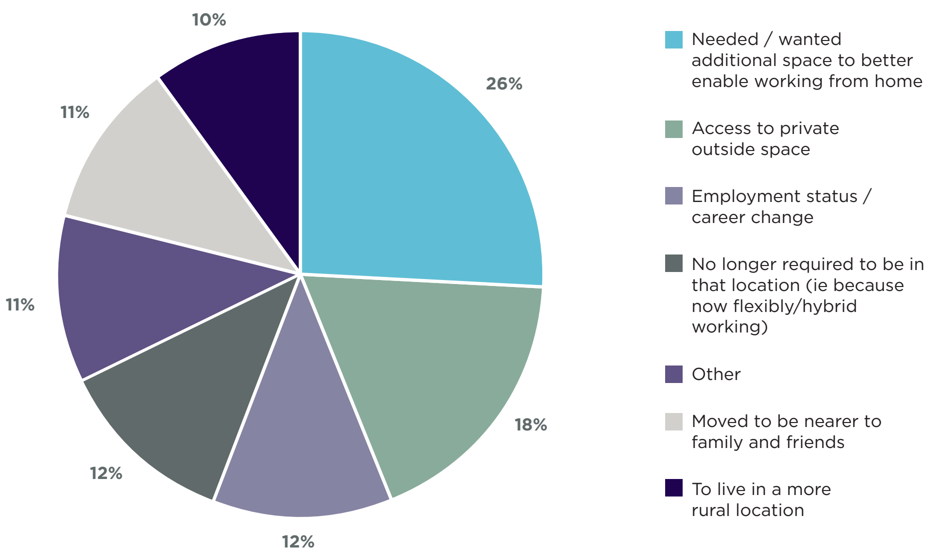
Electric vehicle charging points
EV charging points, on-site concierge and on-site gyms came joint last in the list of external desirability, with all of these being neither ‘Essential’ nor ‘Important’ to many.

Working hours at home
35% of all tenants are now spending most of their working hours at home, while 16% of respondents have increased the distance between their home and place of work.

“The race for more indoor and outdoor living space helped prompt a mass departure from cities into the suburbs and countryside.”

Answering the question

What pandemic-related reason prompted your most recent move?



What prompts a property move?

Government restrictions and lockdowns associated with the pandemic impacted our lives in ways we hadn’t seen since wartimes. Businesses were shut, the public was asked to stay home, and working from home was enforced where possible.

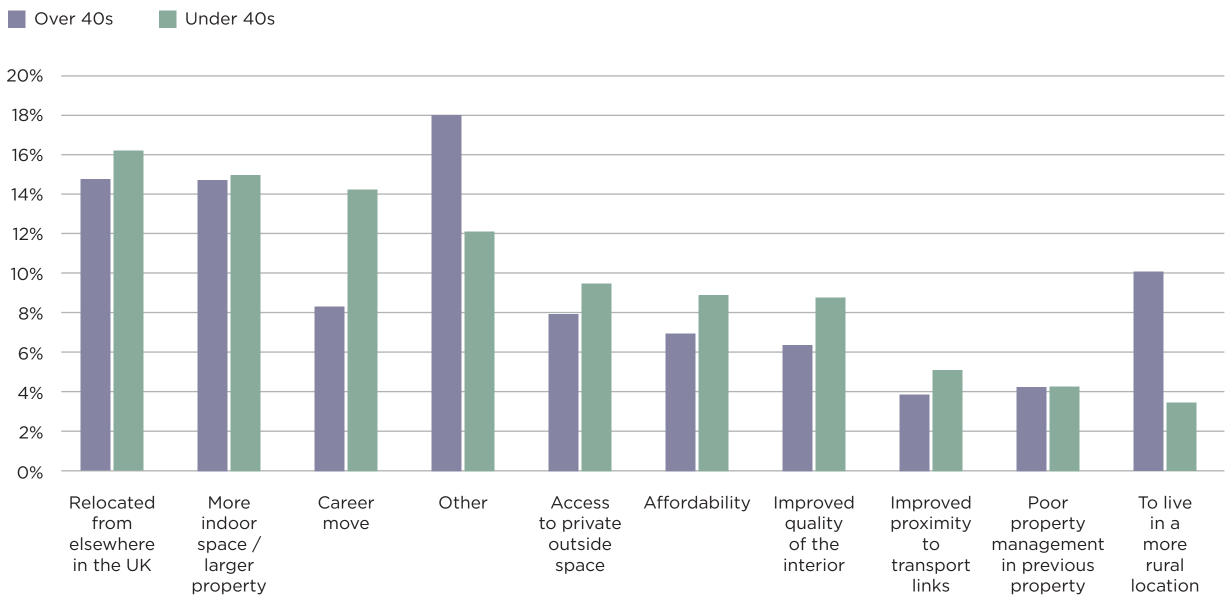
For many people and for many months the only ‘reprieve’ was the great outdoors, whether it be public or private space. Millions of people were now working from home on a much more regular basis, this meant that the race for more indoor and outdoor living space helped prompt a mass departure from cities into the suburbs and countryside.

Both the sales market and the private rental market experienced exceptionally strong demand as buyers and tenants looked to move. It was assumed that moves over the last two years were largely prompted, or at least motivated in part, by the pandemic and its restrictions.

In this year’s survey we asked the question: ‘During the peak of the COVID-19 pandemic and lockdown periods (here we are thinking of the period between March 2020 – July 2021), did any pandemic-related impacts prompt this move?’. To this question, one in five respondents said the pandemic did act as an impetus to move.

Less surprisingly, the largest proportion (26%) of those who answered ‘yes’, were driven to move in the search for more space to better enable working from home. A further 18% said that they moved during the pandemic for access to private outdoor space. An almost equal split of around 10% of respondents said they were prompted to move to be closer to friends and family, to a rural location, a change of employment or simply because they were no longer required to be in their previous location.

Answering the question
What were your reasons for the move to your current property?



The pandemic was not the only reason for moving and we wanted to dig deeper into discovering other potential motivations. Retaining good tenants is always beneficial for a landlord and understanding the motivations for moving will go a long way to help find and keep tenants.

The single largest answer was that people had simply relocated from elsewhere in the UK, with 16% saying this was a key reason for the move. The next most popular reason for a move was the desire for more indoor space or a larger property (15%) – again very similar to the pandemic-related answers for moving. This was followed by a career move (12%), and then access to private outside space (9%).

It does not appear that age is a key factor in many of the reasons for a move, although there are some – living in a more rural location was voiced by over 10% of movers over 40 years, compared with less than 3% of those under 40. On the other hand, a career move helped prompt a move for 14% of under 40s compared with 8% of those above that age.

In the ‘other’ category (a combined proportion of 15% of all respondents), relationship issues were most often cited as the cause for a move, followed by those who were asked to move as the landlord required the property back, school catchment areas, and lastly moving while waiting for a property purchase to go through.

What amenities are important?

“The importance of high-speed broadband has increased substantially with 65% now rating this as essential compared with 45% in 2019.”

For several years, we have tracked the importance of 10 different indoor and outdoor amenities for our survey participants. This year we felt it was more important than ever to find out which amenities tenants are keen to see inside and outside their properties. We therefore added more variables to the questions and divided the amenities between internal and external to get a sense of what contributors want to see in their own private spaces, and in wider communal spaces.

As has been the case for our last few surveys, the most essential amenity is high-speed broadband. Its importance however has increased substantially with 65% now rating this as ‘Essential’ compared with 45% in 2019. The absolute necessity of having fast and reliable high-speed broadband connection in order to work from home has doubtless pushed this up the rankings for many. Energy efficiency has also moved up considerably, now being the second strongest in terms of ‘Essential’, with 34% of our participants marking it as such, compared with 21% in our previous survey in 2019. Finally, a property alarm has also moved up significantly over the last two years, moving from 8% of participants citing this as ‘Essential’ to over 20% now.

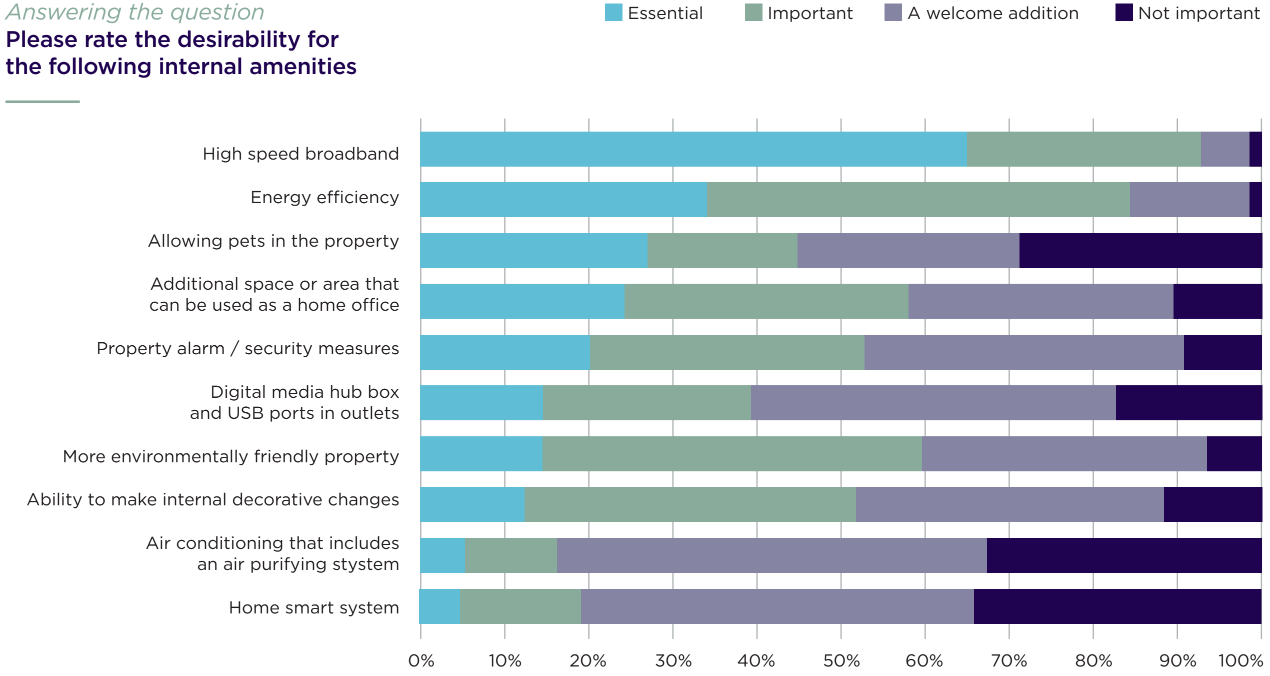
This year we added some new amenity options including allowing pets into the property, which came in at a surprise third most 'Essential' for about 28% of our respondents. This was followed by additional space (which could be used for a home office, for example) with 24% saying this was 'Essential'. The most marked 'Not important' items were home smart systems (such as Nest or Hive) followed by air conditioning / air purifying systems.

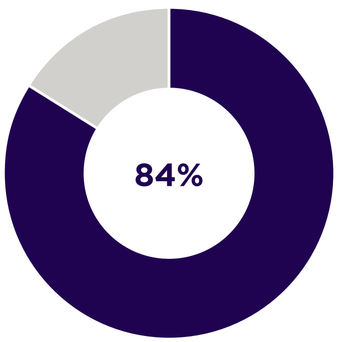
Turning to the external amenity options and here the most-cited 'Essential' response was allocated parking, where 47% said this was 'Essential' and 23% said it was 'Important'. This figure was slightly skewed by those living in rural or village locations, as 70% of those cited allocated parking as being 'Essential' compared with 38% of urban / city dwellers saying the same. Private or communal outdoor space was 'Essential' for 37% participants, up from around 21% in previous surveys who cited a 'good size garden' as being essential. Again, this was slightly skewed by rural dwellers who felt it was more essential than the urban city respondents.

It is unsurprising that the differences between the urban / city dweller's 'Essential' amenities and the rural / village dweller's amenities are closely linked to the function of place. Clearly, bicycle storage is more important for those living in city locations compared with rural locations. Outdoor space is only fractionally more important to rural / village dwellers (77% versus 65%) while electric vehicle charging points and on-site concierge and gyms are very much bottom of the list for importance for our survey contributors in both rural and urban settings.

Answering the question

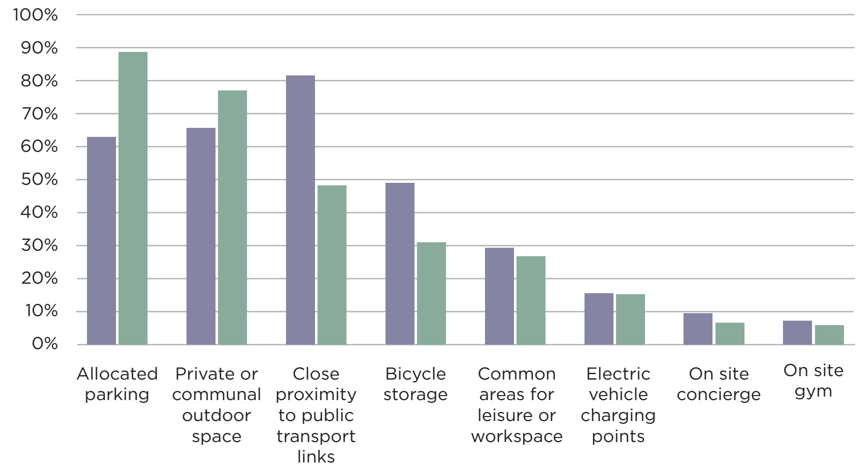
Please rate the desirability for the following internal amenities





Proportion of tenants who said energy efficiency of a rental unit was either essential or important

Rural vs urban respondents who cited these external amenities as either 'essential' or 'important'



Build to Rent: tenant desires, rental amenities, and the long-term alternative?

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The changing desires of tenants are revealed in our rental customer survey results, but they show much more than a pandemic-driven shift towards more space and a pattern of working from home.

High speed broadband has long been considered an essential for Build to Rent residents but has been one of a long list of amenities added to urban build to rent blocks by developers and operators alike. The image of Build to Rent being a place where hotel-style concierge services abound, high-tech gyms are essential, and every rooftop needs a running track are still fresh in the memory for many. However, the changing nature of tenant wants and needs is reflected as much in Build to Rent as it is in the wider rental sector.

Whether urban blocks or suburban housing, residents of Build to Rent have a very similar wish-list to those in the wider rented sector. High-quality and well-designed homes, with high-speed broadband as a basic, flexible internal space that can be a home office or additional bedroom, and the ability to commute and travel easily are all features scoring highly. The provision of space both internally and externally, the ability to work comfortably within your own home, have a pet and decorate as you wish are all elements that, when provided, will no doubt drive tenant satisfaction, improved tenancy lengths, and overall return. The intangible benefits of longer stays from more settled and happier tenants can also not be overplayed.

Our customer survey results reveal a wide age range of rural renters, from 25 to over 55 in great numbers, with city renters having a peak from 25-39 years old. Average incomes sit between £30k and £70k per annum for a large proportion of renters surveyed.

These numbers are not without significance, especially when we examine the figures for first-time buyers within the UK market. In January, data from the Financial Times and Halifax revealed that the average first-time buyer in the UK purchased a property at the age of 32-33, with a price of £264k, and a deposit of £54k. The barriers to first-time purchase look significant and, for many of those aged 25-39 and renting currently, they face the prospect of renting into their 40s at least.

The build-to-rent sector is projected to create 1.75m homes in the UK by 2031 (British Property Federation quarterly survey, Q4 2021). The early focus within build-to-rent has been on city-based urban blocks that are heavy on amenity and high-end facilities, with only a few exceptions.

As we reach the point where build-to-rent starts to explore and cater for the wider rental market that extends beyond city centre block locations, we can see that investment in amenity must be replaced by investment in community. Through meeting the actual inherent needs of residents such as those mentioned within our survey, build-to-rent can provide a viable long-term alternative for those that want their rented house to be their home, underpinned by the long-term nature of the ownership structure of build-to-rent investors.

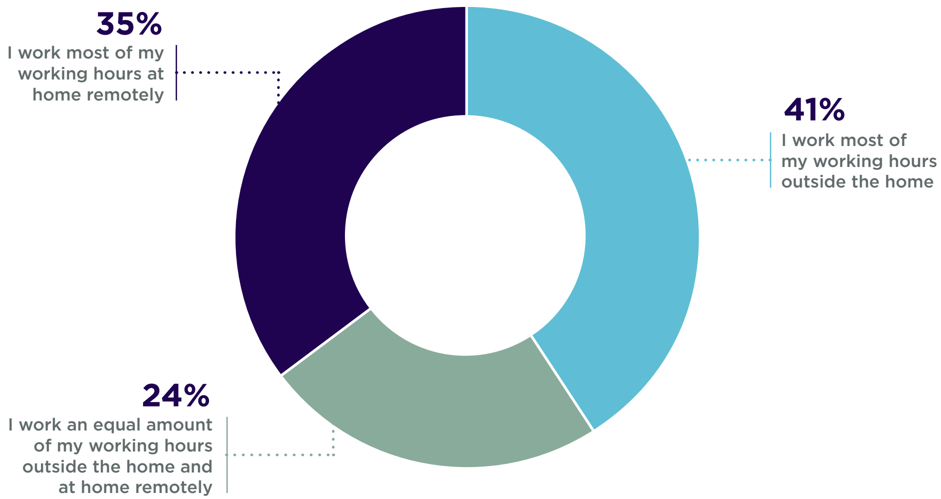
The life work balance

The last two years have highlighted the new ‘life work balance’, as more people find that working from home has been achievable, and often brings a greater flexibility, as well as more time to be with family and partake in other non-work-related hobbies. In this year’s survey, we wanted to understand how our tenants are balancing their living and working lives. Going forward, this will enable us to better understand whether the pandemic has a lasting impact on how people live and work, as well as how they balance the two in their home property.

According to our respondents, 35% are currently working most of their working hours inside the home / remotely, while a quarter are now flexibly working, with an equal number of hours at home and outside the home.

Answering the question

On average, which of these statements best describes your typical work week?

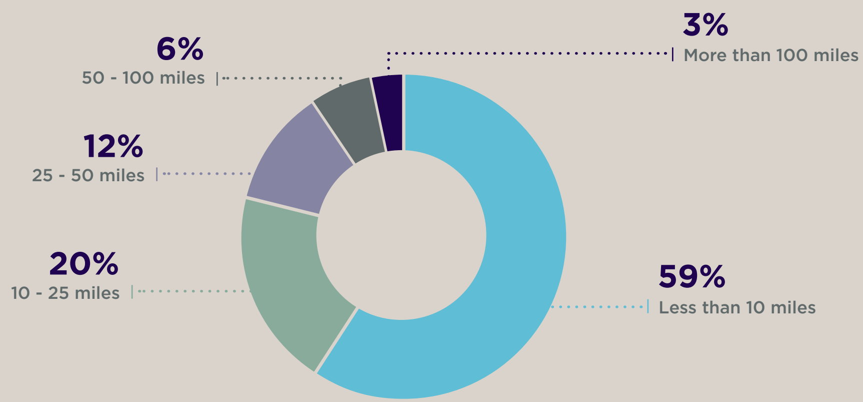


16%

Tenants who said the distance between their home and place of work increased during the pandemic

Answering the question

Approximately how far do you travel to your place of work?



Who did we survey?

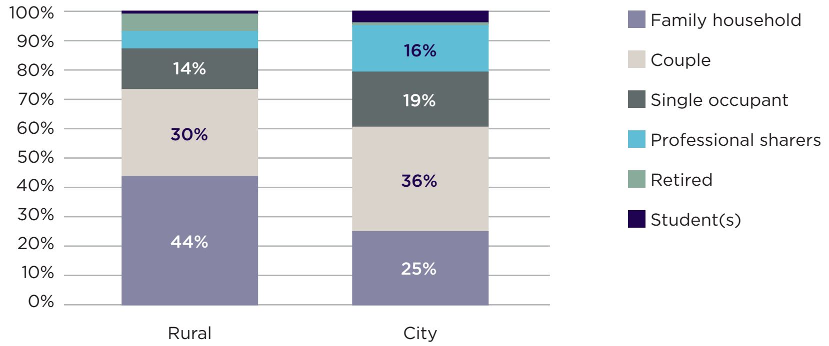
Here we examine who our tenants are by analysing their demographic profile.

The majority of the rural respondents were made up of family households, at 44%, followed by two-person cohabitating couple households. The majority household type in the city were couples (36%) and family households second at 25%.

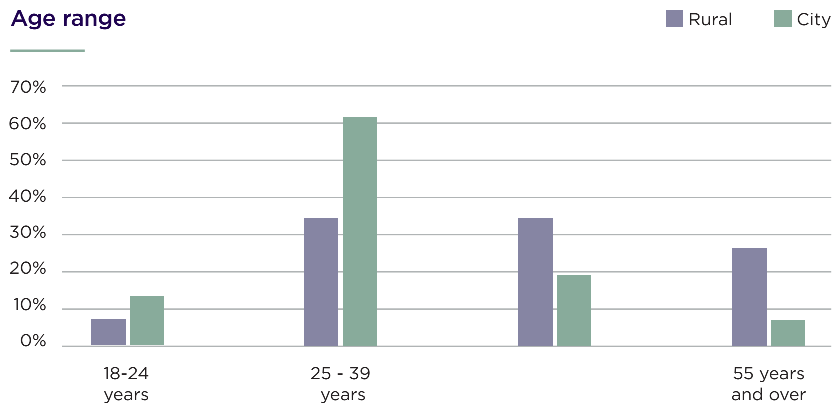
There was a wider range of ages in the rural settings with almost an equal amount of those 25-39, 40-54 and 55 years and over. Of the city dwellers, however, there is a clear dominance of those in the younger age groups of 25-39 years, which makes up 61% of all contributors, compared with just 7% over the age of 55.

In terms of income, the highest proportion of respondents were in the £30,001 - £50,000 per annum (per household) range. This is followed closely by 23% who earn between £50,001 and £70,000. In all, this reflects almost no change since our last report in 2019. Examining the monthly gross household income to amount spent on rent every month, we found no change over the figure from 2019, with an average of 28% gross income: rent.

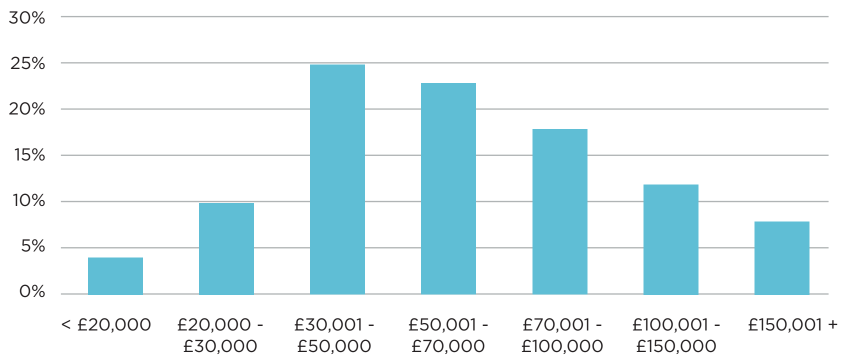
Household type



Age range



Average household income range



64%

Proportion of flat tenants who live in a purpose-built block

28%

Average income spent on rent per month

Data taken from survey of 984 Carter Jonas tenants, January 2022

Rental properties of the future, a tenant's perspective

Three themes emerged from the comments section when asked what tenants would like to see in the private rented market going forward:

Improved energy efficiency

Flexibility with internal decorations

Allowing pets

Naturally there was a wide variety of responses, ranging from rental properties tending to be dated, requiring better cleaning, and needing updating with regards to carpeting and heating systems, all the way to the desire for solar panels and more integrated technology. Here we summarise three of the most mentioned desires for the future of renting:

'Is there anything you would like to see in the rental properties of the future?'

Improved energy efficiency

This is the second survey in a row where this topic has come in near the top as most commented. Tenants cited enhancements such as solar panel installation, more sophisticated heating (i.e. thermostat-controlled radiators and home heating systems), electric charging points, improved insulation and, most notably, double glazing.

Flexibility with internal decorations

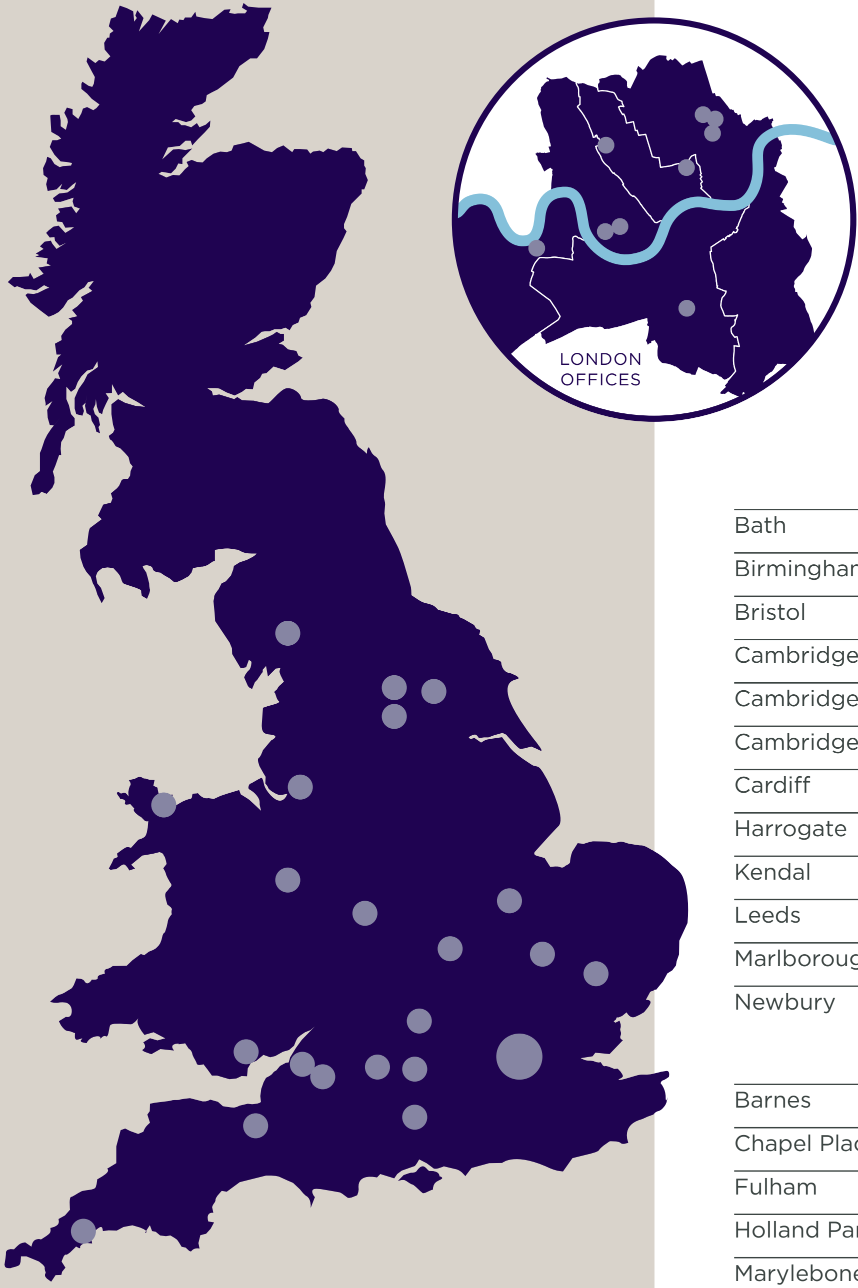
Many tenants find the inability to do their own redecoration means they do not feel like it is their own home, and there is a disconnect with the property. Being allowed to make their own decorating decisions will go some way to retaining tenants and allowing tenants to feel more devotion to their home.

Allowing pets

This point was mentioned over 30 times in our comment section and, as mentioned earlier in this report, was one of the top 'Essential' amenities cited by respondents. Particularly during the pandemic, pets became integral in creating a home and a family for many people. Allowing pets in rental properties would help make a rental property stand out from the crowd.

Naturally, incorporating things like energy efficiency and allowing pets and decoration will come with a cost, either at the beginning or the end of a tenancy. However, with the ultimate goal for most landlords being to attract and retain good tenants, if tenants are happy and stay in their property for longer periods then the costs associated with some of these points ought to be considered good value for money. Alternatively, it may well be the case that many tenants will be willing to pay higher rents to live somewhere that allows pets and this should also be explored and considered.

Some of these concerns are being addressed in some form or another either within the private rented sector itself or through legislation. For example, there are now some build-to-rent developments which allow pets either in certain blocks or floors within a development scheme (Greenford Quay, for example). Regarding energy efficiency, proposed legislation has been introduced and is currently being debated in the House of Commons. This would see all private rental properties having to adhere to a minimum EPC efficiency rating of 'C' or better by December 2025. This legislation is likely to be slightly watered down by the time it does get passed but it is hoped that at the very least things like double glazing, draught proofing and better heating efficiency will be a legal requirement.



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