



LSL Corporate Client Department

Part of the LSL Property Services PLC Group

TENANT SURVEY 2017

INTRODUCTION

The UK Private Rented Sector (PRS) continues to grow with estimates that by 2025 over a quarter of all households will privately rent. House price inflation ahead of wage growth is pushing home ownership further out of reach for many first time buyers who increasingly struggle to gather a deposit. With even less availability of mortgages requiring a 5% deposit, getting on the property ladder has never been harder.

With 'Generation Rent' set to swell by 1m in the next 5 years the PRS industry will see demand for property increasing significantly.

Commitment to renting is changing too. LSL's 2017 annual survey highlights that although tenants largely retain a desire to buy their own home, many are facing a longer tenure in the rental market. Relationships with landlords and property managers are stronger and interest in new ways of living is high.

However, tenant priorities differ widely depending on their lifestage. This report outlines how to best understand and connect with these groups to offer them a tailored experience and secure a stronger more profitable rental relationship.

Key findings include:

- A growth in the longer term PRS market with significantly more tenants renting for 6 years or more (33% vs. 29% in 2016)

- Increase in tenant happiness (69% vs. 64% in 2016) and a reduction in those complaining about key concerns such as fees, restrictions on DIY and maintenance issues

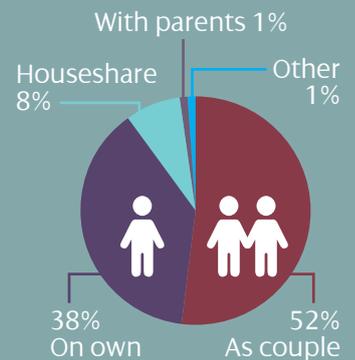
- A continued desire to own and high frustration with getting a mortgage deposit together

- A genuine interest in new ways of communal living and initiatives to support saving and reduce costs, with nearly 74% of tenants showing interest in some kind of communal service or activity

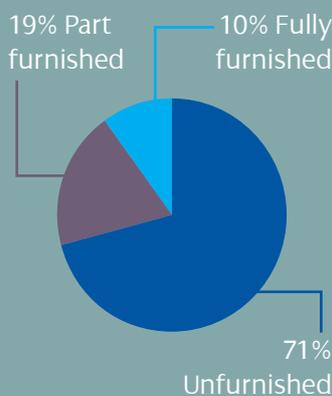
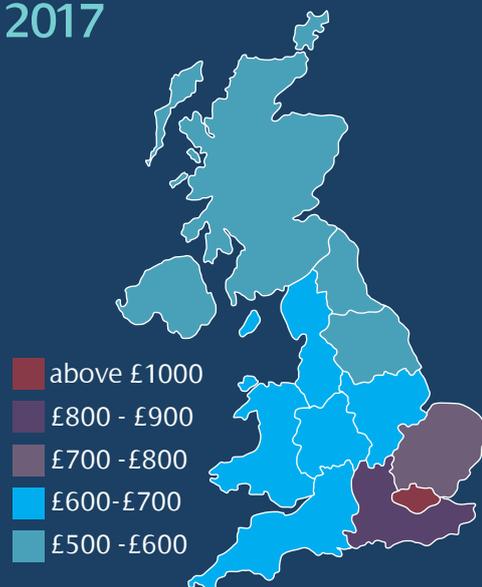
Who is the LSL tenant?

Over half of tenants rent as a couple. Younger Independent tenants are least likely to be renting alone with 23% renting in a flatshare. Renting alone increases in older tenant groups (Moving Up and Reconciled Renters) who are more likely to be renting due to changes in personal circumstances or relationships.

- **56%** of tenants are aged **under 35**.
- Average rent is **£681** nationally.
- **41% have children**, a marginal increase on 39% in 2016.
- The majority rent unfurnished accommodation.



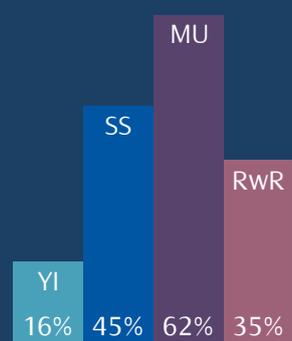
Average Rental Costs 2017



Those renting fully furnished properties were shown to be most likely male, renting alone and living in London.

Those in the Moving Up group are more likely to have children living at home. Although 45% of Struggling Savers have children, many are pre-family, making a commitment to living as a couple.

Have children living at home



Results this year have identified a fourth tenant lifestage group:

Struggling savers (SS) are typically aged between 26-35 with a strong desire to buy but unable to raise a deposit. The post Brexit challenges to get a mortgage could push these tenants into a longer rental cycle than they planned upon.

Younger Independents (YI)

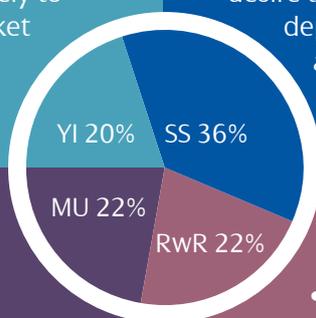
- Average rent £601
- 6% rented for 6 or more years
- 80% say they intend to own in future

More likely aged 18-25, nearly half renting alone or in a flatshare. Value the flexibility that renting brings and expect more from their rental facilities. Very idealistic about owning in the future as they are less likely to have first hand experience of the buying market and begun their saving or approached banks for loans.

Struggling Savers (SS)

- Average rent £685
- 37% rented for 6 or more years
- 69% say they intend to own in future

More likely aged 26-35, this group make up the largest proportion of the tenant market. They are least likely to feel that renting suits their lifestyle with a strong desire to own their own home, focused on saving a deposit and trying to get a mortgage. This group are most price sensitive about costs and fees and least likely to find budget for additional services.



Moving Up (MU)

- Average rent £740
- 45% rented for 6 or more years
- 54% say they intend to own in future

Likely aged 36-45 with a mix of circumstances, some families /singles are striving to move up and save for a deposit and own a home whilst some families / singles are moving 'on' and making a new start post divorce or change in circumstances. This group is more likely to have been refused a mortgage and are realistic about their longer term plans and the likely savings required.

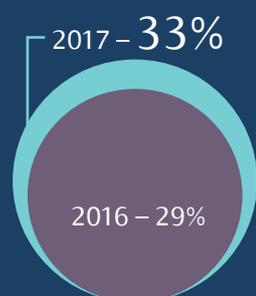
Reconciled with Renting (RwR)

- Average rent £646
- 40% rented for 6 or more years
- 26% say they intend to own in future

Aged 46+ this group are least likely to expect to own in future and are more reconciled with renting long term, looking to gain good communication with their landlord and create a longer term home. While many have rented long term there are some over 50's entering the rental market for the first time due to divorce or losing a partner, often positive about communal rental facilities.

Younger Independents and Struggling Savers both want shorter tenancy agreements. While the YI's want flexibility for work and lifestyle changes, the SS's have been renting for a few years already and want shorter tenancies to remove any barriers to getting on the property ladder. MU's also want to buy but have a clearer understanding of the saving requirements and a more realistic outlook.

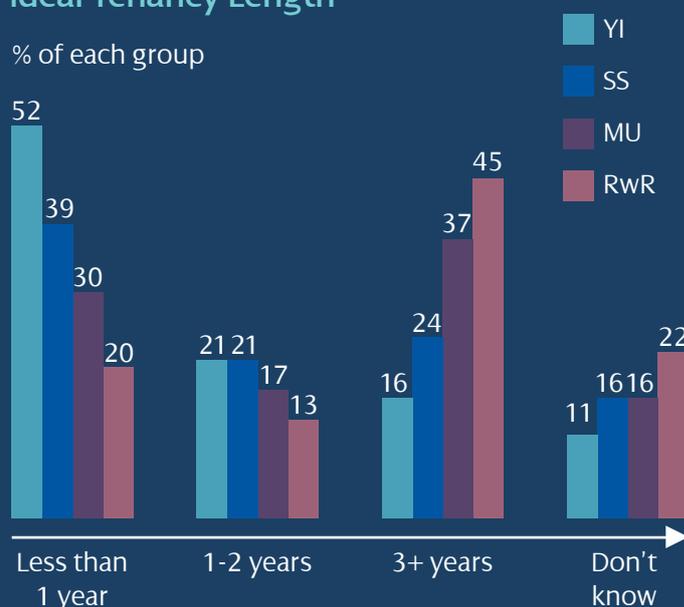
Rented for 6 years or more



Renters in 2017 are significantly more likely to have rented 6 years or more vs. this time last year indicating strong signs of growth in the long term rental market.

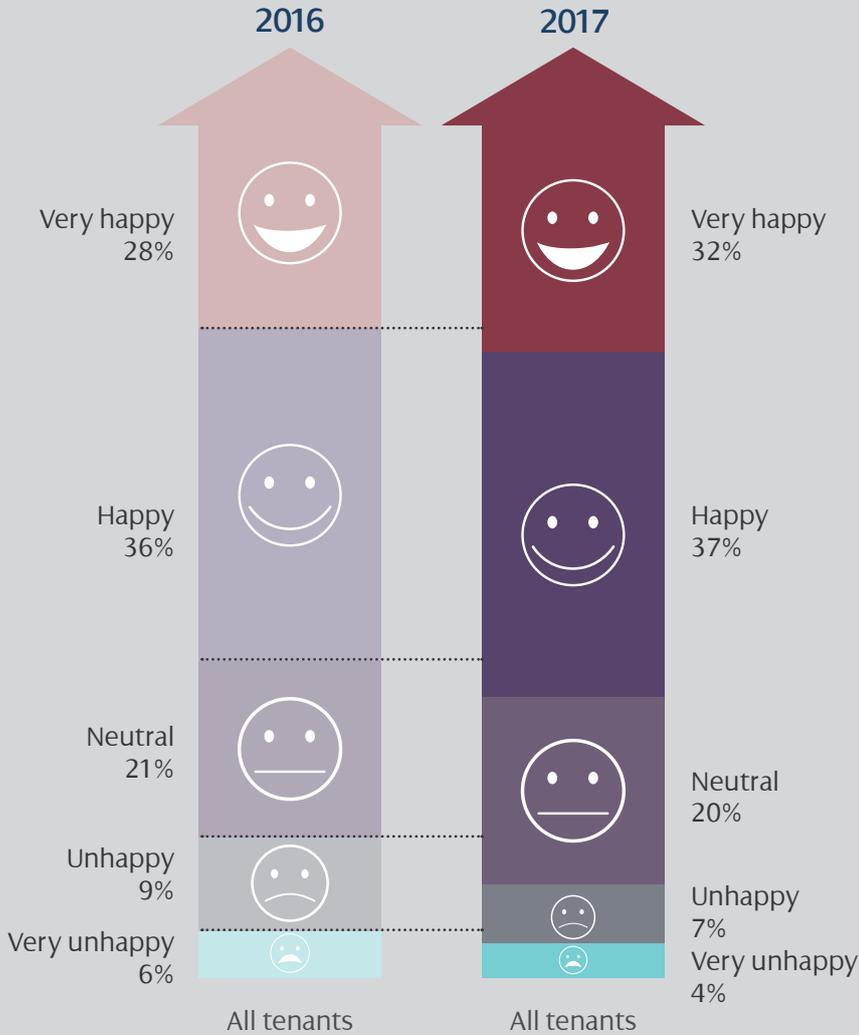
Ideal Tenancy Length

% of each group



THE CURRENT RENTAL LANDSCAPE

Happiness with renting:



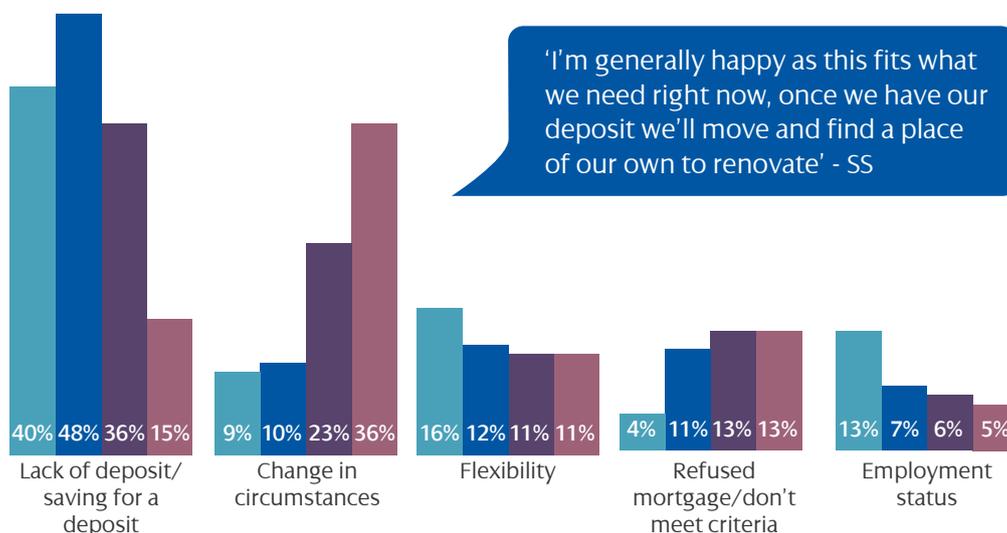
Happiness with renting significantly higher year on year!

Happiness is significantly higher in 2017. This is in line with a reduction in frustration with the largest previously identified concerns with renting, particularly maintenance, fees and restrictions – a sure sign that responsiveness and flexibility can go a long way towards improving tenant opinion.

Happy Renting



Main reasons for renting

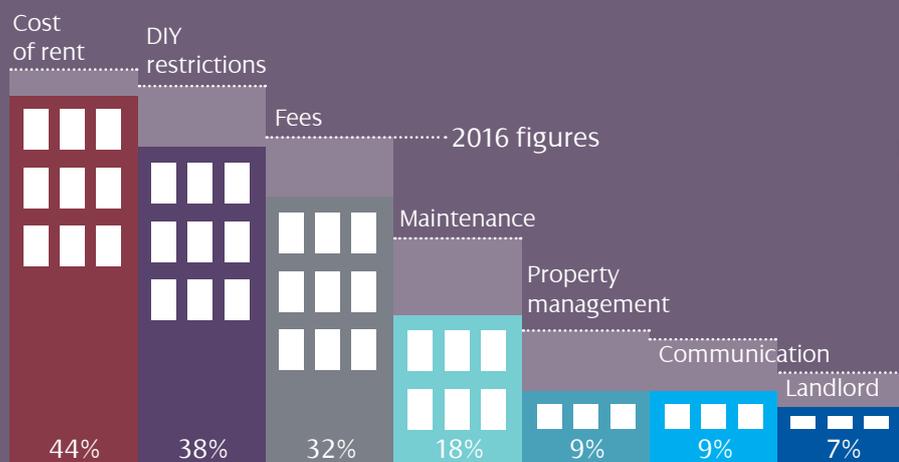


'I'm generally happy as this fits what we need right now, once we have our deposit we'll move and find a place of our own to renovate' - SS

YI MU
SS RWR

The SS and MU group are most likely to be renting due to a lack of deposit or difficult getting a mortgage making them less likely to agree that renting is a 'lifestyle' choice. In contrast the YI's and RWR's value the flexibility that renting offers around life changes.

What do you perceive to be the biggest concerns with renting?



SS are significantly more likely to be frustrated with the cost of renting than other groups (47%) They also have higher than average frustration with the restrictions on creating their own space in a rental property. For YI's these 'restrictions' (43%) are as important as the cost of rent (42%) craving a flexible lifestyle without sacrificing on creating a home.

Renting suits my lifestyle



'My family went through the mill when we lost our house so I've tried my best to build a home for them, I appreciate that the landlord gives us a bit of flexibility to make it our own' - MU

The SS group are least likely to be making a 'lifestyle' choice to rent and are the least happy group. Although these circumstances might be out of control of the landlord, could a more flexible renting model with less restrictions help this group embrace renting as a suitable solution for the moment?

POINT OF VIEW

Ian Fletcher - Director of Policy (Real Estate)
British Property Federation

The results show that the vast majority of the sector's customers are happy, but there is no room for complacency. The rental sector's customer base is changing, for example with far more families, and what customers want is changing too. The private rented sector can't divorce itself from these wider social, economic and technological changes and the impact that is having on how people want to lead their lives.

Our focus at the British Property Federation has been on the Build-To-Rent (BtR) sector. Much of that has been articulated in political circles as a new contributor

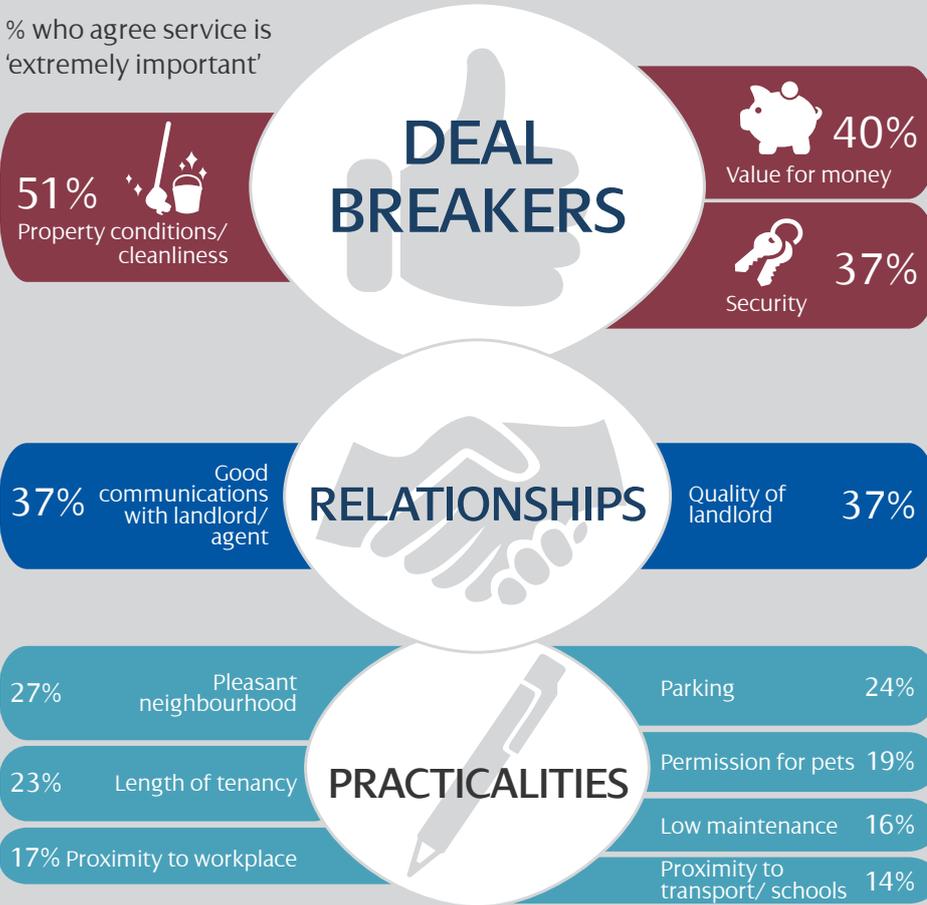
to housing supply, but for the consumer it is as much about providing a new rental offer, where longer tenancies are volunteered, first class service given and rental communities created. To put that into practice, 20 of the largest BtR providers recently signed a pledge to offer three year tenancies on their new units as a matter of course.

BtR is not about supplanting smaller landlords, who will remain a vital part of housing provision, but in some markets inevitably it will mean new competition, and that is rarely bad for the consumer. Whether your organisation is large or small, acting as landlord or agent, I'd encourage you to read more. There may be that vital insight in this survey on the sector's customers that gives you a competitive edge.

WHAT MATTERS MOST TO TENANTS?

What are the most important factors when renting?

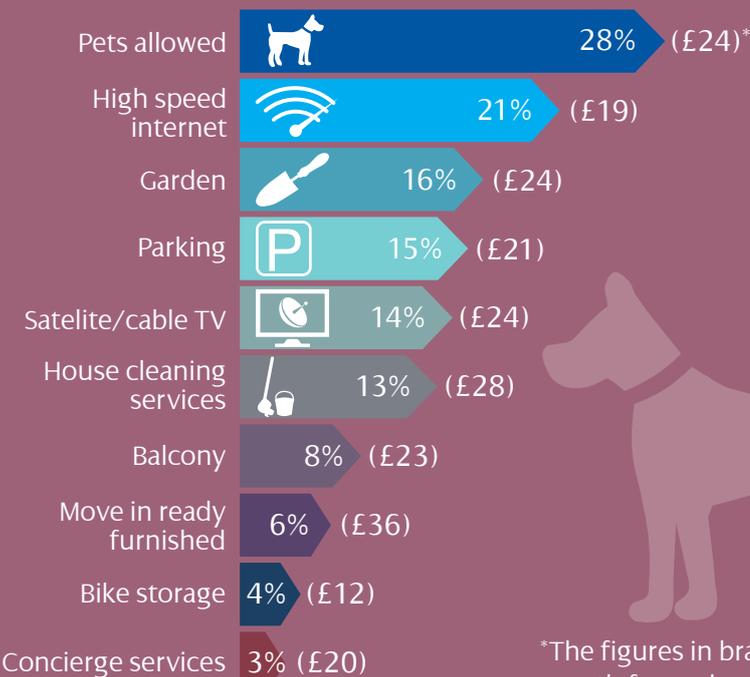
% who agree service is 'extremely important'



Renters want to establish a good relationship; those that find it are happier and more committed to longer tenancies

Property condition, security and overall value are the factors that can 'make or break' a rental decision. Relationship with landlords and agents comes in close second place, higher even than the everyday practicalities of parking and proximity to work and transport.

What would tenants pay more for?



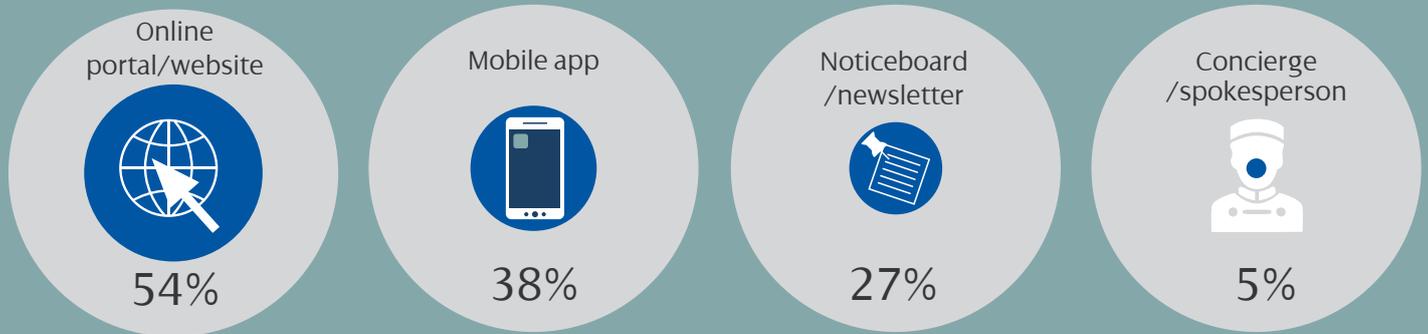
Pets are now the most likely perk that tenants would pay extra for (previously High Speed Internet had equal appeal). This drop is potentially due to an expectation that High Speed Internet and good cable services are becoming a more standard offering from internet providers and less of an additional extra.

The average price that tenants would pay per month for additional services is between £20 to £25

*The figures in brackets are the average prices people would pay per month for each additional facility.

How would you prefer to be kept up to date about your property/ residential community?

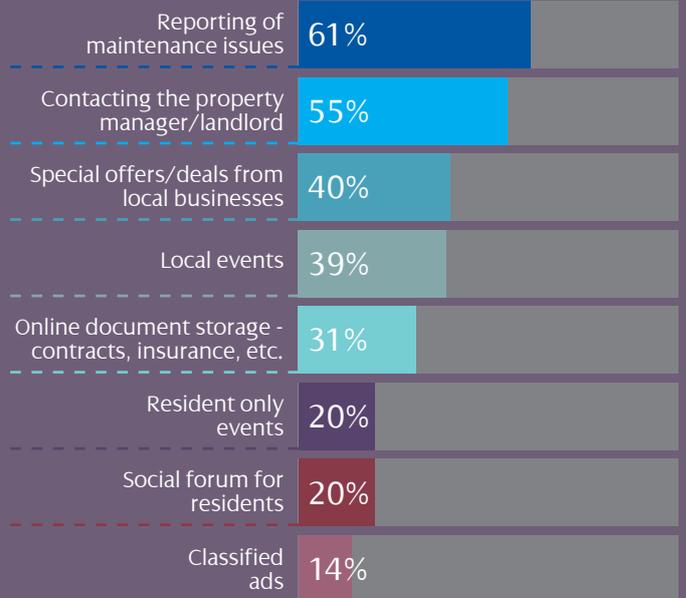
An online portal is the preferred method to receive information for all lifestyles with an app an appealing extra - especially for younger tenants. A concierge isn't the ideal medium to receive news (web and apps being more convenient) but it does become more important when the tenant themselves want to initiate contact.



Information tenants would like to see in a portal / website

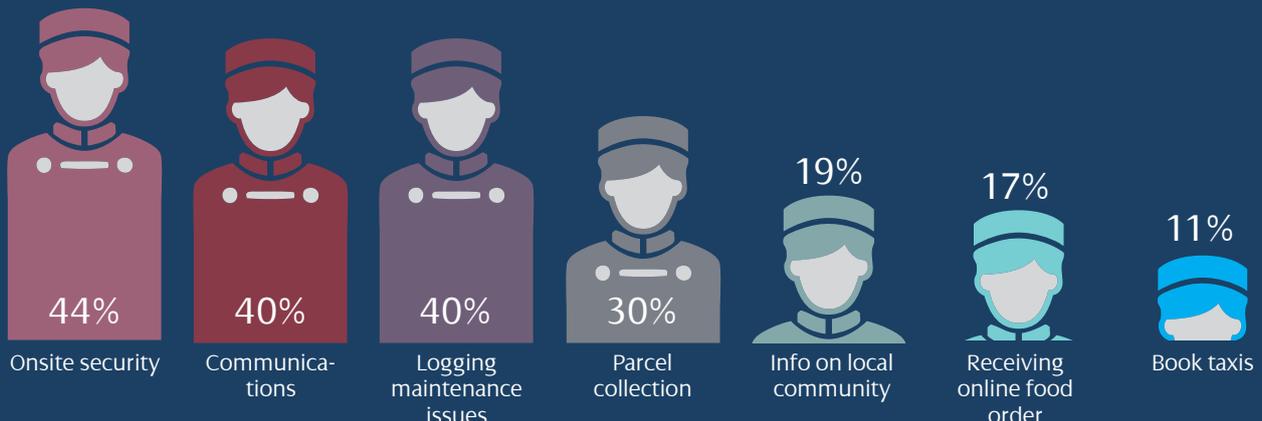
The key preference for any property / resident portal is functional communication to ease the management of the landlord relationship.

Special offers are attractive, particularly food and drink but link ups need to be smart and tailored not simply classified ads.



Which concierge services would be most important?

A concierge service is seen as an important support to onsite security and raising maintenance concerns. For some (particularly in London and the SE) the concierge can also play a role in helping with daily tasks.





A FRESH PERSPECTIVE FOR THE RENTING LANDSCAPE

An interest in going green?

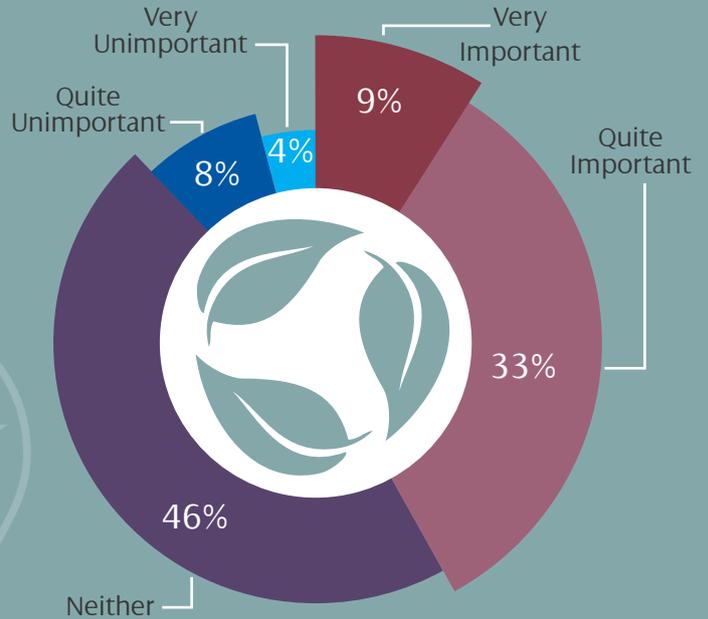
Greener living initiatives (insulation, efficient heating, recycling) are welcomed by all. Older tenants link this more readily to cost savings and Younger Independents feel much more strongly about greener living becoming standard practice in a new build.

'I asked the landlord about insulation because it makes a big difference to the cost of bills' - RWR

42% of tenants see the green credentials of a building being important when making a rental decision.

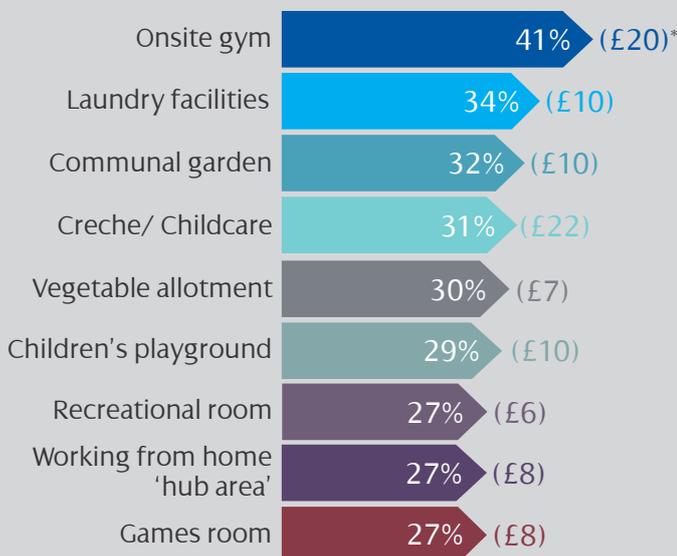
This increases to 50% in London and is higher for those over 25 who have more experience with bills and costs than Younger Independent renters.

'At the moment I can't be fussy, but the idea of a newer heating system and greener living as standard would be ideal' - SS



'(Being green) It's especially important for a new building, having the good energy rating and recycling facilities. It's harder in an older house of course' - YI

Which communal living facilities would you pay more for and how much would you pay per month?



74% of tenants would embrace some kind of communal living facility

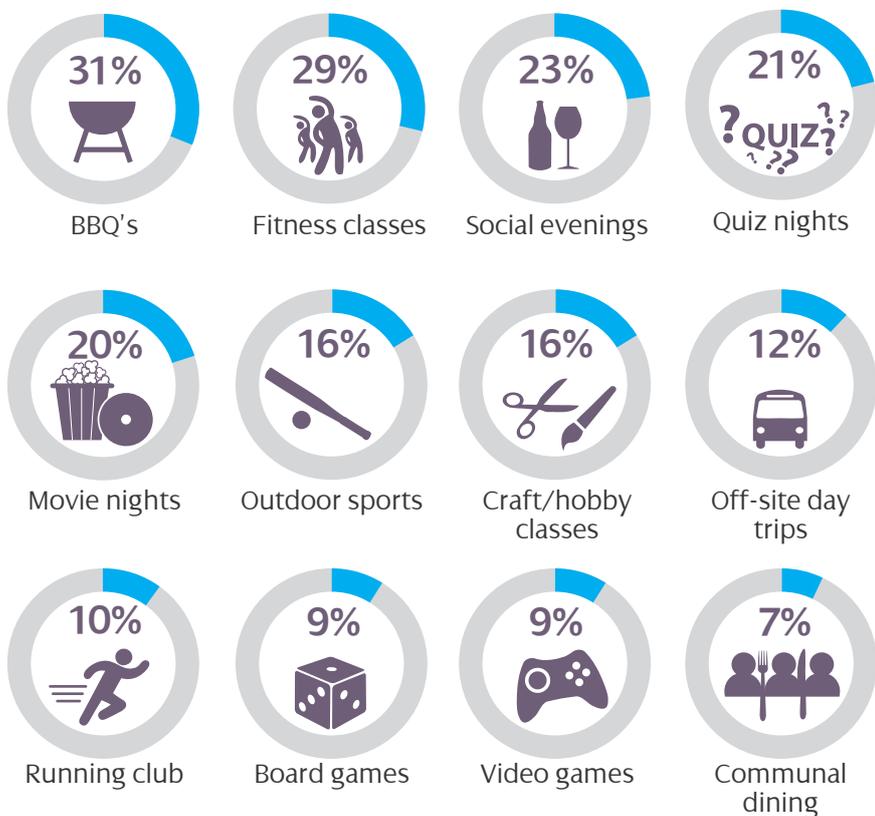
More than 4 in 10 regard onsite gyms as reasonable to pay for and would be prepared to pay on average £20 a month. Onsite gyms are particularly appealing to YIs and those in London.

Some tenants would prefer that communal services such as gyms, media rooms and gardens be included in the rent for all tenants to ensure fair access for all. Everyone choosing to live there would then be buying into the lifestyle and ethos of the building.

'Better that everyone has access to the gym and makes a contribution via their rent to avoid any feeling of 'us and them' between those who paid and those who haven't. It's easier and fairer that way' - YI

*The figures in brackets are the average prices people would pay per month for each communal facility.

Which communal activities would be interesting to you?



Social events and fitness classes are most popular

Younger Independents (under 25) are much more open to paying more for extra 'shared' services and getting involved in communal activities. Over 55's are most warm to activities that provide companionship like quiz nights and social days out.

'An over 50's complex would be good. Can get quite lonely if you don't watch it and it's good to get out and meet people' - RWR

More than **4 in 10** over 55's are interested in communal living focused on over 50's with communal services such as allotments, group fitness or social events.



Help getting started with renting

Would you be interested in renting a fully furnished property that was 'move in ready', including crockery, soft furnishings & preconfigured rooms?

Yes - 29% No - 71%

'That would be helpful – finally having a full set of plates and glasses! I'd need to know it wasn't hard to replace or high costs for breakages though' - YI

Getting started in the rental space particularly appeals to YI (40%), men (37%) and those in a house share (63%) who value the chance to get started without too many additional up front costs.

Helping to Budget

Would you want to borrow money for your deposit and repay via a monthly rent addition if you could?

Yes - 67% No - 33%

This is most well received by SS and MU (72%) who are frustrated by balancing the high costs they associate with renting.

'The cost of moving can become really high, with fees and moving costs. There's often something unexpected' - SS



A CLOSER LOOK AT OUR RENTERS

Younger Independents

WHO?

Amy, 24 is an art student living in a 3rd floor flat with 4 others - has an annual contract.

Their renting reality and aspirations...

Amy and her flat mates prefer to email their concerns to the landlord and only ring if it's an emergency. He's flexible and things get fixed, but tradesmen often arrive unannounced at their door which can feel intrusive and unsettling – it's a reminder that it isn't really their own space.

Once she graduates she hopes to find a job and would ideally get a flat with just one other person next year - something a bit more 'professional'.

Being much more likely than older tenants to use technology in managing all aspects of her life, Amy and her friends would welcome an app or portal to easily manage communication with agents and landlords.

'Having a garden to socialise and a gym would be ideal communal activities in a rental complex. However It's important to be surrounded by tenants with similar lives and priorities'

'BBQs and socials would be ok but you'd want to be hanging out with similar people. I don't mind living near families but I wouldn't want to socialise with loads of kids running about'

Helping them plan for their future...

Help getting started is appreciated. Reducing costs as they move from their flat share (fully furnished options) or offering communal facilities that support their lifestyle like gym / storage.

Struggling Savers

WHO?

Rachel, 34 is married with 2 young children. Has rented for 14 years, 4 yrs in current house.

Matthew, 29 has been renting for 9 years, the last 4 with his partner Alex, 28.

Their renting reality and aspirations...

Rachel feels stuck in the rental market and even priced out of renting in her town as more tenants move from London. Her plans in the next 5 years are to move North to rent in a cheaper city to have some money left for their deposit 'kitty'.

Renting gives her family the freedom to make a move to a cheaper location. She fears her landlord selling and having to move at a moment's notice.

'Of course it's important for everyone to do their bit but I'd go green in order to save money on my bills'

Matthew and Alex appreciate the flexibility that renting offers but the costs and fees are frustrating at a time when they are trying to save a deposit.

Matthew heavily researches smart ways to save and has a Help to Buy ISA and also saves a proportion of his salary into another fund.

'The savings are deducted from my salary. It's better that way, before I can think about it and I'm less likely to suddenly change my mind and put it towards something else'

Helping them plan for their future...

Saving a deposit is a high priority. Schemes to help save and ways to reduce bills are welcomed.

Moving Up

WHO?

Andrew, 44 is married with three teenagers at home. Rented for 4 years since losing home to foreclosure.

Their renting reality and aspirations...

Having lost his home and business, **Andrew** moved his family into a rented house and negotiated with the landlord to make long term changes and make the space a home.

Although renting has been ideal during a time of uncertainty (avoiding unbudgeted maintenance costs) he's keen to get back on the property ladder and welcomes any initiative to help save effectively for this, recently investigating help to buy schemes now he is a first time buyer again.

'My family went through the mill when we lost our house so I've tried my best to build a home for them, I appreciate that the landlord gives us a bit of flexibility to make it our own'

Helping them plan for their future...

Often between homes or renting long term. Landlord flexibility and support in creating a secure family home is key.

'I was lucky that the woman who owns the house was really reasonable. The house was in disrepair and she reduced the rent and did some repairs. We've built up a strong relationship and I'm planning to buy the house eventually'

Reconciled with Renting

WHO?

Dave, 51 is a divorced father of two, renting in an apartment complex.

Pam, 54 and **Brian**, 60 rented for ten years since marrying 10 years ago.

Their renting reality and aspirations...

Post divorce, **Dave** had plans to buy a smaller place of his own but now likes renting. While he can't make changes he welcomes the flexibility and ease of someone else sorting out problems. Already meeting people in his apartment block, Dave would welcome communal living as a way to meet new people.

Pam and Brian had to sell homes following their first marriages and now see renting as a flexible option. Their landlady lets them make it their own and they consider themselves good tenants in return. They plan to move in a few years and would like a retirement complex with shared facilities and opportunity to socialise.

Helping them plan for their future...

Whether facing a future of long term renting or managing a life change, these older renters welcome the companionship of communal living and want to create a comfortable home.

'We don't want communal living right now but we plan to move near my daughter in a few years when we retire and we'd like it then. I like socialising, it would be a good way to get to know people'

LSL Corporate Client Department

LSL Corporate Client Department provides integrated and customised management solutions for property portfolios across the whole of the UK, specialising in corporate property and asset management with particular focus on the growing Private Rented Sector.

LSL's dedicated Private Rented Sector Team support a wealth of private / institutional PRS investors and developers. Their end to end consultancy approach allows them to assist clients through all stages of the project lifecycle, from initial site identification to supporting data and consultancy, construction and finally property / operational management.

LSL Corporate Client Department is part of the LSL Property Services Group, one of the largest and most influential residential property services companies in the UK, incorporating 22 individual brands and managing in excess of 50,000 properties nationwide.

PRS Services in a New Light

- Expert residential property and asset managers
- Local expertise and true national coverage
- BtR acquisitions division and UK's largest lettings agent network
- Market research, consultancy, data and rental indices from LSL Databank
- Advanced management systems, tenant portal and bespoke apps
- Membership to the BPF, UKAA and ULI

Methodology Statement

All figures, unless otherwise stated, are from Research Bods. The survey was sent to the Your Move and Reeds Rains Tenant database (circa 41,496 recipients). Of those a total sample size of 3,290 GB adults who rent privately through Reeds Rains or Your Move was achieved. Fieldwork was undertaken 7th March – 2nd April 2017. The survey was carried out online. Follow up qualitative interviews were carried out on the telephone.

Special thanks to Ian Fletcher, Director of Policy at the BPF, for his contribution.

POINT OF VIEW

David Bond - Director & Head of PRS
LSL Corporate Client Department

The LSL Tenant survey is now established as the UK's largest and most detailed survey of its type. What we know from the survey is that understanding the profile of the tenant / resident is vital to better understand how a scheme will work and what amenities should be available to maximise customer experience and scheme profitability. The survey identifies a very interesting group of renters and their lifestyles.

In only its second year, the LSL Tenant Survey has already identified a number of key trends. Of particular interest is that a third of tenants in 2017 have rented for over 6 years - a significant increase since last year and in line with the increasing reliance on the Private Rented Sector. As the sector grows, the way we deliver and manage property must also change to reflect that this is a long term home for people. This means we must continue to reduce the barriers to entry and the restrictions placed on tenants so that people see this as a home and not just a place to live.

David Bond - Director & Head of PRS

David has spent more than 25 years working in a variety of sectors across the property industry. In his role as Head of PRS he works across the Corporate Client Department divisions from Asset Management to Corporate Property Management and Sales. David's role is concentrated on property portfolio management and lettings, with a dedicated focus on the Private Rented Sector. David also sits on a number of PRS industry committees and working groups, furthering the development of the sector.

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TENANT SURVEY 2017



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YOUR MOVE