



A Property Manager's Guide to the Cost of Living Crisis

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Introduction

Since the beginning of 2021 and particularly early 2022, the cost of living has been on the rise and has now reached the highest recorded level since 1992. This has affected the overall affordability of goods and services for households, including energy prices and petrol prices.

According to the House of Commons, “in the year to January 2022, domestic gas prices increased by 28% and domestic electricity prices by 19%, due in part to a return of global gas demand as pandemic restrictions are lifted and lower than normal production of natural gas.”

The general rise in prices has been the cause of a number of changes in tenants' behaviour, disposable incomes, priorities, and ability to pay rent.

As a result of these changes, the workload that property managers will have to take on will likely increase and you will have to adapt your everyday practices in order to be prepared and to be able to cope.

Section 1:

The effect on tenants



The effect on tenants

Unfortunately, renters are likely to feel the effects of the cost of living crisis much more (when compared to homeowners) as shown in figure 1 below.

According to figures from the Office of National Statistics, adult renters are the ones with the highest odds of reporting that their households could not afford unexpected expenses, compared to adults who own homes.

Therefore, with the rising living costs, a lot of renters might not be able to afford rent payments, possibly leading to an increase in rent arrears across the lettings sector.

Figure 1: Housing Costs for renters and property owners (data from the ONS)

Renters were more likely than mortgagors to report difficulty in paying housing costs in March 2022 (between 16 to 27)



Section 2:

Changes in rental prices





Changes in rental prices

Due to the cost of living crisis, rent prices are predicted to increase, especially for those that offer all-inclusive rents. As a result, property managers are likely to move away from all-inclusive rents.

Raising rent prices is set to be a major issue for tenants during this time. “Between the 16th and 27th March 2022, a third (34%) of renters reported that their rent had increased in the previous six months.”

For landlords and agents that are keeping their bills all-inclusive, their rents will increase substantially, which might put potential tenants off. Current tenants need to be updated about any changes to their rent as soon as possible in order to avoid any issues.

However, some landlords are decreasing their rental prices in an effort to avoid losing tenants - these landlords prefer the lower income rather than no income at all during void periods.

According to Daniel at Rivers Birtwell, “our energy prices are rising and our rent prices [are] having to fall to accommodate lower tenant budgets”.

Section 3:

Changes in tenant behaviour



Changes in tenant behaviour

Tenant priorities are likely to change because of the rising cost of living; what they look for in a rental property will shift according to the economic climate. Due to the rise in energy prices, the rental market is likely to see a rise in demand for properties that offer energy bill-included rent.

Tenants are likely to downsize as rents and living costs are increasing. For tenants that have extra space that they are willing to give up (such as a garden or a terrace), they might consider downsizing to a smaller, less expensive property. Tenants might also look to move to more energy-efficient properties to help them combat the increase in energy bills.

Additionally, many tenants will be looking to move closer to work to combat the effects of the rise in petrol costs. Being within closer proximity to their work means that it would be easier to cycle to work or have access to better transport links.

Changes in tenant behaviour

On the other hand, some tenants might be more apprehensive about moving and could be more likely to continue living in the same property they are currently in as a result of the ambiguity of the current market conditions. It might be easier to stick with the area and property they are familiar with.

Luckily, this is beneficial for landlords and letting agents as void periods and tenant turnover are likely to be a lot lower, saving your business the stress of having to find new tenants while costs are higher.



Section 4:

Minimising rent arrears

Minimising rent arrears

Rent arrears cause problems for both letting agents and landlords. Unfortunately, with the rise in the cost of living, and tenants finding it more challenging to pay rent, your agency will likely have to deal with an increase in rent arrears.

In a cost of living survey sent out to our clients, 83% of property managers said that they were concerned about tenants not being able to afford their rent.

Chasing after late rent payments is a huge drain of resources. Manually keeping track of rental due dates, the amounts of rent that are owed, and contacting each tenant is ineffective and inefficient. This might work for some property managers now, but it is not sustainable when faced with a potentially large increase in rent arrears in a short period of time.

Minimising rent arrears

Tenants that are reminded of the amount owed before their rent is due are more likely to pay as they will have time to prepare and make the payment on time. This is not always possible when sending out reminders manually.

Many property managers have therefore started using automated systems that allow you to automate rent reminders, eliminating the need to manually track and contact those who haven't paid, saving you time that you can focus on revenue-generating tasks.

Creating a plan for tenants that may struggle with rent payments can save your agency time and hassle in the future, minimise rent arrears and reduce void periods.

Section 5:

Communicating with tenants

Communicating with tenants

Due to the cost of living crisis, you may be dealing with a higher volume of messages and requests from tenants, which can have an impact on the quality of service that you provide to your tenants. This can lead to a decrease in tenant satisfaction and therefore an increase in void periods.

Making sure you have clear communication with your tenants ensures the impact on your service offering is minimised.

Centralising the communication to where you conduct all other areas of your property management and can track all interactions, allows you to boost your efficiency, manage open conversations easily, reduce the number of messages missed and ensure that all parties are constantly updated.

As this is a challenging time for many tenants, many property managers are making sure to check in with their tenants and send out messages letting them know what their business is doing to make them feel supported.

Section 6:

Keeping landlords happy



Keeping your landlords happy

Ultimately, your landlords are paying your letting agency to save them the headache of managing properties themselves. In times of uncertainty, such as the current cost of living crisis, it is important that landlords remain confident in your agency's ability to manage their portfolios.

Providing landlords with visibility of the key information regarding their properties helps them to understand what is going on and see how your agency is taking care of their assets, reducing the need for landlords to constantly call your agency for updates, which is frustrating for both parties.

Producing reports is, therefore, an important part of boosting confidence in your agency. Using disjointed systems for the various aspects of property management can make this difficult. To avoid a large increase in your workload, ensure that you are able to easily produce reports on the key areas.

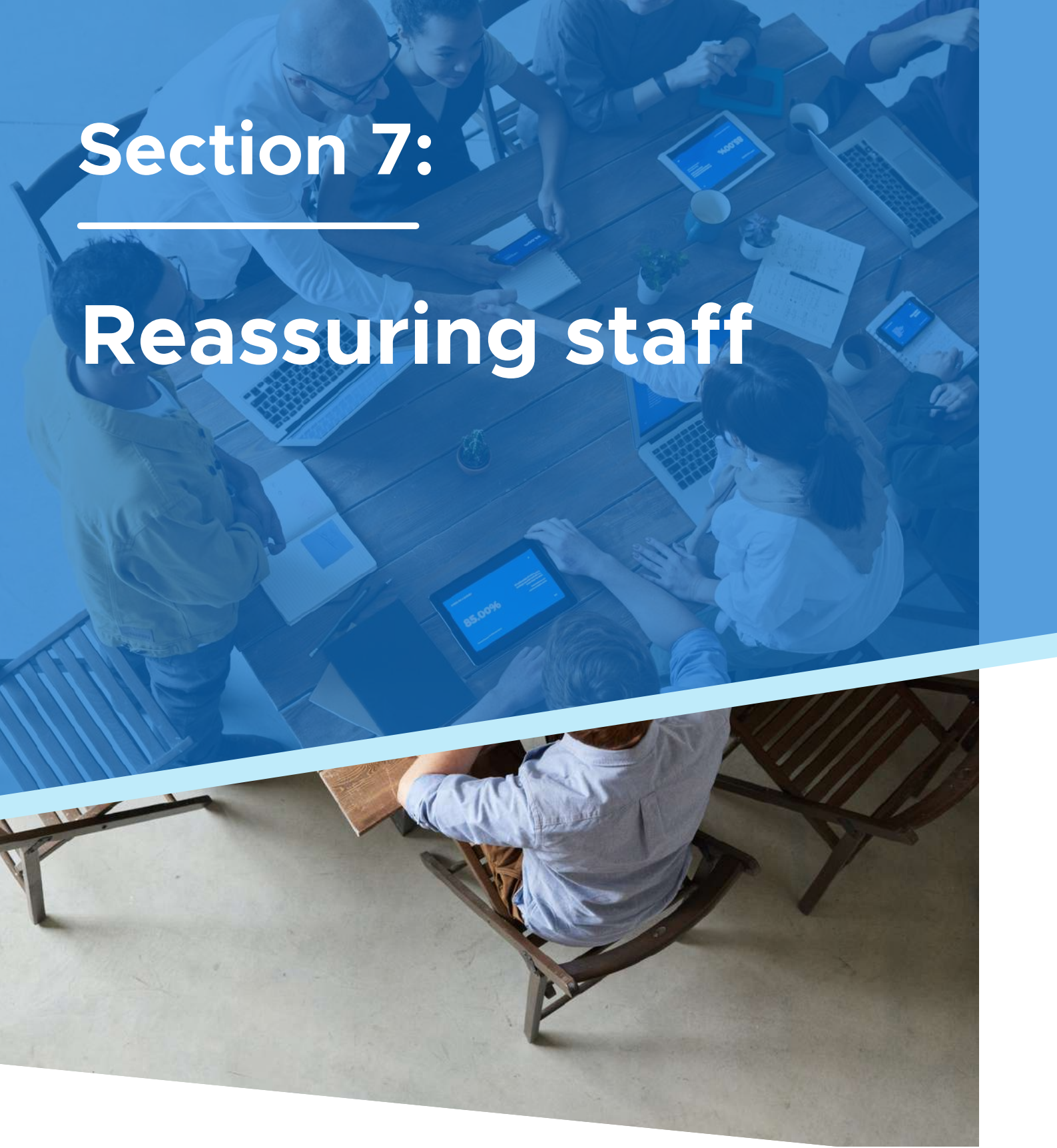
Keeping your landlords happy

Clearly show them how your agency is proactive and organised in taking care of the issues they are paying you to deal with. It is likely your landlords' biggest concern is ensuring that their properties remain filled, so their income is not affected.

With the increased workload caused by the cost of living crisis, more landlords might be seeking out letting agency services to the work off their hands, giving agencies the chance to increase their revenue and growth.

Section 7:

Reassuring staff





Reassuring staff

During this time it might be easy to focus on how your tenants are affected, however, your staff might likely be feeling a lack of job security during the cost of living crisis. With prices rising, more arrears and potentially lower profits for the business, this could make staff feel nervous about their future in the company.

Some property managers have said their staff are worried as they are not in a position to increase everyone's salary, but staff are just as concerned as tenants - most are also tenants, homeowners, and have families.

Be sure to keep staff updated about any changes that might be made to your business and ensure them that they are supported and valued. Even if your agency is unable to provide more financial support for staff, it is important for you to reassure them that their jobs are safe.

Section 8:

How to prepare



How to prepare

During this time of financial turmoil caused by the cost of living crisis, you might be wondering how to prepare your business for just about all possible outcomes. Even if your business is doing well now, you shouldn't turn a blind eye to the preparation and measures that should be put in place to not only help your business survive but also succeed.

A flexible plan should be made that considers the effects that the cost of living crisis might have on all stakeholders in your business - particularly tenants, landlords and your staff - and how you can remain as profitable as possible. Consider areas where you are most at risk and where you can excel.

How to prepare

Making sure that your business is running as efficiently as possible by identifying inefficiencies or identifying any potential issues that might arise if your agency is faced with a larger workload is vital in being prepared.

Streamlining your processes with the use of proptech can boost your agency's efficiency, enhance your service offering, strengthen your communication and help you build stronger relationships with your stakeholders at a time where this may be challenging.

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www.arthuroonline.co.uk

sales@arthuroonline.co.uk

+44(0)207 112 4860

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