

Tenant Priorities: Changes in Rental Trends

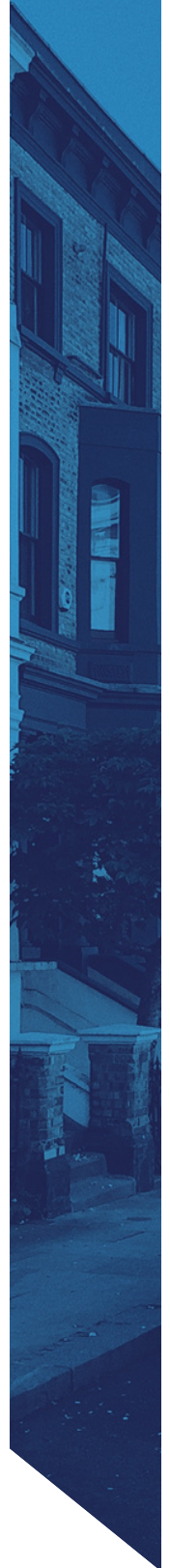
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Introduction

Our recent report showed that the supply and demand for the rental sector is outgrowing the population. This is due to three factors: cost of living, inflation and overseas war. September saw the fall of the pound to \$1.03 – a record low in 50 years. Predictions of bank interest rates increasing to 5.5% will add to the UK's soaring debt.

Increasing mortgage rates places more pressure on property management companies. Although it will prove lucrative for the rental market, it's clear that tenants' priorities are changing in tandem. Understanding what tenants want and how to stay agile is essential. This is the key to attracting stakeholders and maximising profit turnover.





Section 1:

Tenant views on renting

Tenant views on renting

Given the current climate, the advantages of renting outweigh the disadvantages. Speaking generally, renters have more flexibility when it comes to living arrangements, such as the area and the length of the contract. It's far easier to climb the rental ladder than the buyer's ladder – especially if one dislikes commitment.

That being said, tenants fear upfront costs, such as paying a deposit and 3 months' worth of rent in advance. (Although this is far less costly than the instalment when buying.) They're also wary of increasing rents during tenancies or even eviction. Despite this, 1 in 5 people still chooses to rent. It's important to understand why the population is desperate to rent, as this will play a huge part in your service as property managers.



To rent or to buy

Statistics show that two-thirds of landlords kept existing monthly rent, but 37% increased rent. We asked renters across the UK whether the increase in rent changed their desire to rent, and generally, they were unanimous in their opinion.

For many young professionals, buying is not financially viable. Yet according to Rightmove's Quarterly Report, the average rent has increased by 11.8% – this equates to approximately £1,126 per month outside of London and around £2,257 in London. Why then, is demand so high?

"Luckily, thanks to our landlord, we haven't had an increase in rent. But even if we had, there would be no change in my desire to rent as I can't afford to buy – and also I'm not interested in buying at this point in my life. I like the flexibility, as I don't know where I want to end up, and hopefully, will travel a bit. I think buying is a lot of responsibility/ comes with risk. And I'm not ready for the commitment!"

- Mollie (South London, 25)

"If I had a choice between renting and buying, then I'd choose the former as it allows you to change cities/locations, but still have benefits tied to buying, like pets. I would love to buy, but it's not financially viable (and won't be until the early 30s for me)."

- Katie (London, 26)

To rent or to buy

"[Rent] went up by £50 this year. It's commutable to London and good for my acting in that if I need to up roots I can. But I definitely don't have that security that a house on the ladder would offer."

- Jack (Colchester, 25)

We can assume from this that the rental market will prosper. Private landlords may luck out and letting agencies should adopt a different approach that is more personalised but also justifies rising costs in rent. For instance, investing in technology tools that improve task efficiency, in-team communication and resolve maintenance issues quicker.



Location relocation

For many, living in central London is a dream. The high rent comes part and parcel with the territory. Yet some may be deterred by this and relocate to other areas of the UK, particularly to the North where it's marginally cheaper. Indeed, those under 30 spend over 30% of their monthly salary on rent.

"If you need/want to live in London, you've got to accept [high rents]. What's the other option? Working remotely/moving with parents/leaving London aren't always options. So for me, it's not about desire... I don't have an alternative."

- Flora (London, 26)

London is notorious for the high cost of living, yet many renters will accept it for the flexibility and opportunity it provides them. As a result, 1 in 5 landlords will expect tenants to extend their current contracts, meaning fewer void properties.

"Personally, it makes me want to sell all my stuff and move abroad... Maybe the Mediterranean."

- Renate (Bristol)

Location relocation

"In a couple of years I would definitely consider moving up North as I loved Manchester when I lived there – and it is a lot more affordable!"

- Mollie (South London, 25)

Clearly, there are a few hotspots to look into if you're looking to expand your portfolio. This includes Manchester, Liverpool, Reading, York and Chatham. (We'll go more into detail on rental yield later.)

Landlord vs letting agency

On whether tenants prefer to rent with an agency or private landlord, the views were mixed.

"I'd probably choose a nice private landlord rather than an agency if possible, as they're less likely to increase rent in future."

- Katie (London, 26)

However, many tenants feel letting agencies are less likely to take liberties. They may opt for the latter because of their credibility in the industry which increases their trust; or even if they belong to a regulatory body like The Property Ombudsman which protects their interests against disputes.

Regardless, renting is here to stay. As proven by the fact that new rental listings increased by 8% in June. Triple the number of tenants enquiring about a property than there are properties available. In sum, rental stock is down by 26% but interest is up 6%. This means property managers need to appeal to tenants' priorities in order to retain a profitable rental yield.

Section 2:

What are tenants' priorities?

What are tenants' priorities?

There are four main themes across tenants' priorities which fall under amenities, cost of rent and bills, space and flexible tenancies. Back in 2021, we revealed that renters craved more flexibility, bigger spaces and longer tenancies. This is still much the same, but there's a greater focus on amenities, such as local hotspots and sustainable properties.



Amenities

In order to find a competitive edge, it's wise to start thinking outside the box. Renters are looking for properties with local hotspots, think bars, restaurants, parks, along with the obvious strong broadband connection and transport links that keep them well connected to major towns or airports.

"A good location with close transport links, a reasonably sized room and nice living area. Not fussed about having an amazing finish, just has to be nice enough to live in and make a home."

- Mollie (South London, 25)

Rightmove also revealed the request to move in with pets in lets increased by 22%.

"Me and my housemate pay £1,111 per month (bills excluded) and they allow pets (which is obviously ideal for me and Skye [the dog])."

- Jack (Colchester, 25)

Cost of rent and bills

Surprisingly, renters are willing to pay more for their rent if the property itself is energy efficient and bills are included. The general consensus is that having a sustainable property will mean lower energy bills than a property that has an EPC rating of E. Recent changes in legislation show all UK properties listed must have an energy rating of C by December 2025.

MAX Estates report that “Landlords who do not start to make energy efficient upgrades face lengthy void periods and will have to discount their rents. This is irrespective of a change to EPC rules.”

For instance, energy bills for rental properties with an E rating will cost on average 3 times more than that of a property with a C rating. (Roughly £106.16 more per month). If the predictions are correct, landlords will expect a loss in rental yield of between £492.96 to £1,232.40 annually.

Renters are happy to pay higher rent if zero deposit and bills, such as wi-fi, gas, water and electricity, are included. This is something to consider in your value proposition. Tenants are semi-aware that a guaranteed return of their deposit is rare. Therefore, all-inclusive rent is less off-putting than asking for it upfront, enticing tenants to sign the contract.

Space

Space is paramount when it comes to the rental market. The top 3 features that tenants are looking for include a balcony, communal garden and transport links; the increase in demand grew by over 21% in 2022.

When expanding your portfolio, or raising rents for current tenants, think about how you could make it more attractive. Much of this list may be out of your control, but making sure the space is adequate and livable is a priority.

"Good size rooms and airy with big windows."

- **Katie (London, 26)**

"A room, not a cupboard mis-sold as a bedroom for £1k."

- **Flora (London, 26)**

Tenants would rather pay for living quarters that are spacious and also allow for office space, especially as 30% are remote workers.

Space

" I'll probably never get onto the property ladder; I'm in my mid-40s and will continue renting. For that, I'd like to turn the house into a home."

- Anonymous renter (Oxfordshire)

Consider quality over quantity. If you have a perfectly good property that fits 3 comfortably, it's best to turn another room into an office or communal space than squeeze in 4 tenants. Their satisfaction will be markedly better; and therefore, result in contract renewal with fewer void properties.

Flexible tenancies

The same Rightmove report mentioned revealed that the request for flexible tenancies increased by 20% across cohorts. Our research corroborates this:

"A fair rate [for a room] that is unchangeable for the year. Or if I really like it, maybe a 2-year guarantee."

- Flora (London, 26)

"I want somewhere I could rent for a few months and be able to dip. I'm a solopreneur, so I like the idea of travelling around the country while I work – and I'd rather not rent an Airbnb as it's not very regulated."

- Prospective renter (Bromley)

If this is something you can incorporate into your letting process, then your property will likely have the X factor. There are obvious drawbacks, such as void properties and inefficiency regarding the tenant screening process. However, good property management software can easily resolve those qualms so yield remains a revolving door.

Section 3:

Upgrading your property portfolio

Upgrading your property portfolio

Belvoir states that real estate is ever-lucrative and will continue to thrive despite the current economic climate. That being said, consider the up-and-coming areas that will benefit rental yield and match tenant expectations.



Property management system

With the average rent increasing by 11%, PMS can justify this cost. It enables you to manage double the amount of properties without compromising on quality. You can still maintain the personalised approach with access to tenancy data from the palm of your hand. This allows you to meet tenant demands as well as expand into areas that are proving profitable for the rental market.

Arthur's all-in-one property management software allows you to communicate effectively with various stakeholders, screen tenants, report and resolve maintenance issues, without missing a beat. It's all managed from one hub, which you can access from anywhere – whether in the Seychelles or UK. Good software also enhances in-team communication, covers staff off sick seamlessly and prevents expensive mistakes.

Attractive areas for yield

According to Global Residential, there are several unexpected areas renters may take root in – with a very positive rental yield.

» Liverpool

Voted the UK's "third best city", Liverpool promises a rich maritime history, museums, art and music (home to The Beatles). As a result, there's a strong demand for buy-to-let properties, short lets and student lets. The expected average rental yield (ARY) is 5.48%.

» Burton

Although a small population of around 72,299, this is promising for the rental market. It's a popular tourist destination due to attractions like the National Memorial and Stapenhill Gardens. Hence investors see its potential, expecting 8% ARY.

» York

Several companies in financial, creative and business services reside in York meaning its population is fast-growing. It's a "vibrant and trendy" area, with an ARY of 7.3%.

Attractive areas for yield

» Reading

Only 1-hour away from London, Reading is an up-and-coming area for property investors. Considering its affluent population, the ARY is estimated at 3.16%.

» Inverness

The Scottish Highlands are proving a very attractive area to live in. Considering the natural utopia, unique agriculture, prehistoric sites and ruins, it's no wonder Inverness is becoming a high-in-demand location. Its ARY is 6.5%.

Understanding the behaviours and motives of current and prospective renters will help you determine how to match their expectations. In turn, this will attract more tenants to your door and scale your portfolio simultaneously.

Conclusion

The changes in tenants' priorities reveal that it's important to keep on-trend. For you, this means adapting your current processes and properties to suit their needs. In summary, tenants prioritise attractive spaces, amenities, location and professionalism.

With the Renters Reform Bill in motion, certain tenant priorities (such as having pets and decorating) may become compulsory anyhow. Keeping ahead of the curb and practising leniency now will bolster your reputation and encourage tenants to trust you.

Finally, consider the differences in tenant expectations across cohorts. Student lets versus young professionals will have distinct priorities. This is especially true for renters who are relocating or areas where the rental market will prosper across the UK. It's therefore important to have a property tool that can help you manage tenant expectations and serve as a guide to upgrading the property accordingly.



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