



LSL Corporate Client Department

Part of the LSL Property Services PLC Group

TENANT SURVEY 2016



INTRODUCTION

In the UK circa 20% - or over 4.5 million - households are in the Private Rented Sector and this number is expected to continue to grow over the coming years to approximately 6 million households. For many people this is a tenure of choice, while others see it as a staging post to home ownership. Either way, it's a sector that will receive increased demand and the growing need to provide good quality housing for a wide range of people. LSL's recent tenant survey of 36,500 nationwide participants in February 2016 reflects these trends and probes the key priorities for tenants and response to new trends in the private renting and Build to Rent sector such as communal facilities and digital solutions. Furthermore, our survey identifies that the motivations and needs of renters differ based on their lifestage and highlights how best to support these tenant groups with their goals to secure a longer lifetime value.

Key findings include:

- Increasing happiness with a renting lifestyle with age - with younger tenants more motivated to get on the property ladder as soon as possible and older tenants more reconciled with their lifestyle and focused on creating a longer term home.
- Almost all tenants cite maintenance, parking and external storage as services they expect to be included in their monthly rent.
- Quality of property and landlord has as high if not greater priority as value for money.

• More than 50% of tenants consider communal space to be important and 64% would participate in community activities.

• 61% of tenants would be interested in an online portal to support the day to day management and communication between landlord and tenant. There is potential for use to extend to community information and social networking for some.

• The desire to buy is high with 52% of tenants feeling certain they want to buy in future and a further 32% undecided. Nearly 6 in 10 would consider borrowing the money for a rental deposit and repaying the amount via a monthly rent addition.

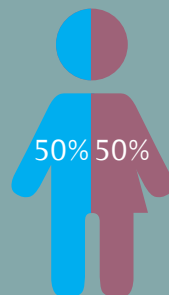
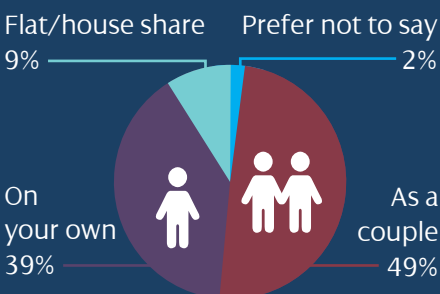
Who is the LSL tenant?

At an overall level we see an even spread of age with as many tenants aged over 55 as under 25. Nearly half are renting as a couple, a further 39% on their own and nearly 1 in 10 as a shared house or flatshare (led by under 25's where 1 in 3 are in a flatshare).

The **average income** of tenants nationally is **£32,350** with an **average rent £722**. This average rent is driven up by higher rents in the South. **A third of renters have children in their home.**

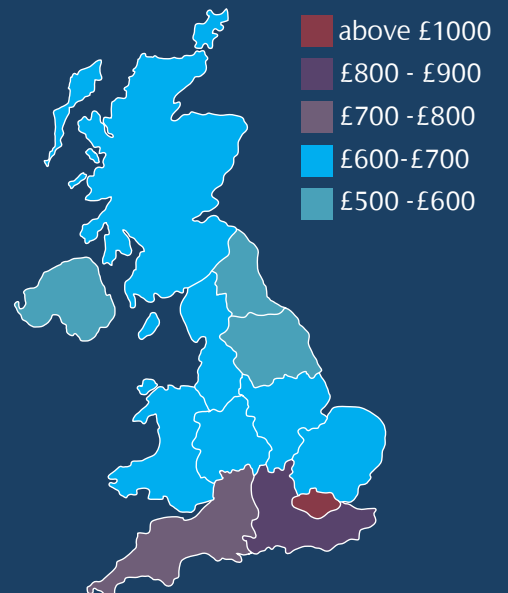
Tenant Breakdown

50% male, 50% female
Average income is £32,350,
Average rent is £722
39% under 35
35% have children



Age	Percentage
55+	18%
46-55	22%
36-45	21%
26-35	21%
18-25	18%

Average Rental Costs



Most tenants fall into 1 of 3 key lifestage groups:

We don't see one single 'type' of tenant but rather different needs based on their lifestage and circumstances. This report will highlight the differences between these groups and illustrate how best to approach them based on their unique needs.

Younger Independents (YI)

- Average rent £659
- 24% Happy with renting
- 80% want to own in future

Younger Independents are usually aged 18-25, new to renting and 3 times more likely to be in a flatshare.

Often they are single or in a new relationship and flexibility is important to them.

These renters have an 'idealistic' outlook with most feeling confident about owning in the next 5 years but not fully aware of the process and the costs involved.

"I'm in a new relationship and want to rent before making the commitment of buying"

Moving up (MU)

- Average rent £770
- 30% Happy with renting
- 53% want to own in future

The Moving Up group are typically aged 35-45 couples, often married with kids.

They are realists and understand the costs and challenges facing first time buyers and despite a higher income are striving to save for a deposit or plugging a gap between house moves

"The rent is quite expensive I would rather the money I pay for rent was going towards something that I personally owned such as contributing to mortgage payments."

Reconciled with Renting (RwR)

- Average rent £667
- 46% Happy with renting
- Just 19% want to own in future

Those Reconciled with Renting are more likely aged over 55 without kids at home.

Often renting due to change in circumstances or lower income they have less desire to own and feel happier with their position as a tenant.

A core priority is having the freedom to make changes to their home.

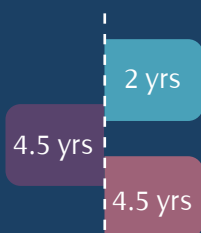
"I think that renting is quite restrictive as you are not allowed to redecorate if you want to."

Younger Independents want to own but are focused on flexibility above all else wanting shorter tenancies to work around new relationships and job opportunities. Moving Ups also have a strong interest in buying and are more likely to be stretching their disposable income to save a deposit.

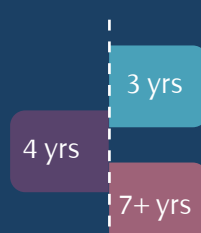
Reconciled Renters see renting as a long term solution. They are looking for longer tenancies and more flexible relationships with their landlord to reduce restrictions.

The Rental Timeline

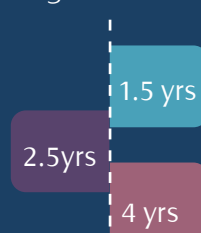
Rented on ave for:



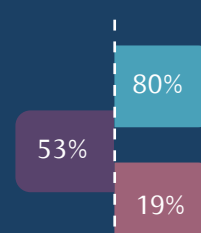
Plan to rent for another:



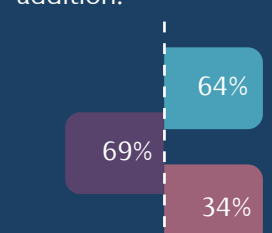
Ideal tenancy length :



Know they want to own:



Interested in borrowing rental deposit and repaying via a monthly rent addition:



Younger

Moving Up

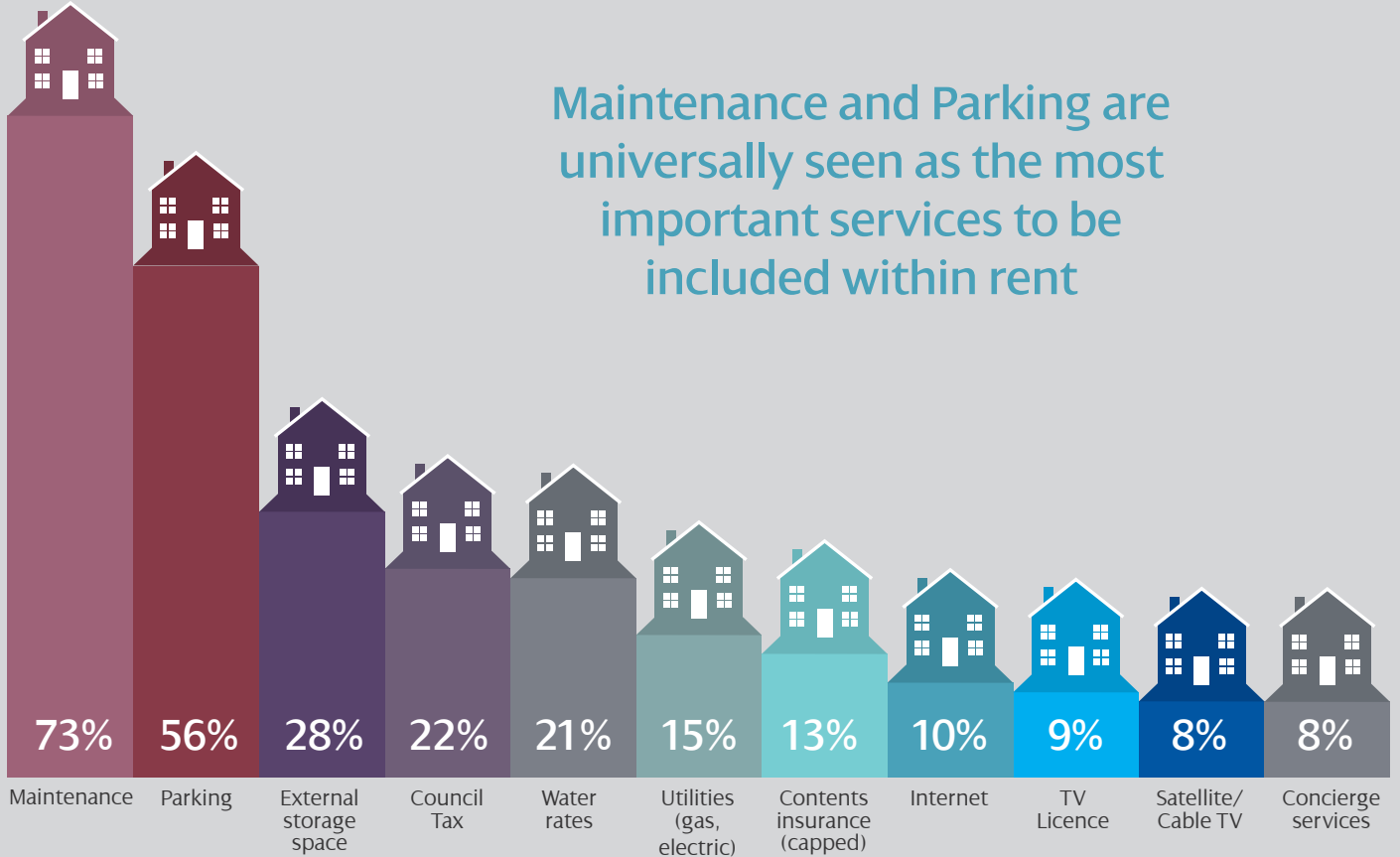
Reconciled with Renting



THE RENTING REALITY – CHALLENGES & GOALS

What items do you expect to be included in your monthly rent?

Younger Independents are newer to the renting process and more likely to have higher expectations of the process coupled with less understanding of the costs involved. Older tenants (both MU and RWR) with more experience in dealing with management companies and resolving concerns are much more likely to see maintenance, parking and storage as essential services with less expectation on other bills and costs being included.



POINT OF VIEW

David Bond, Head of PRS

It is now time for us all to embrace renting as a significant tenure in housing within the UK. It is also time to realise that for a growing number of people this is a lifestyle choice. In our survey, 81% of people said it suits their lifestyle. Whether this is a lifestyle choice over a decade or two, or as a permanent choice it is the tenure that will house millions of people in the UK now and in the future.

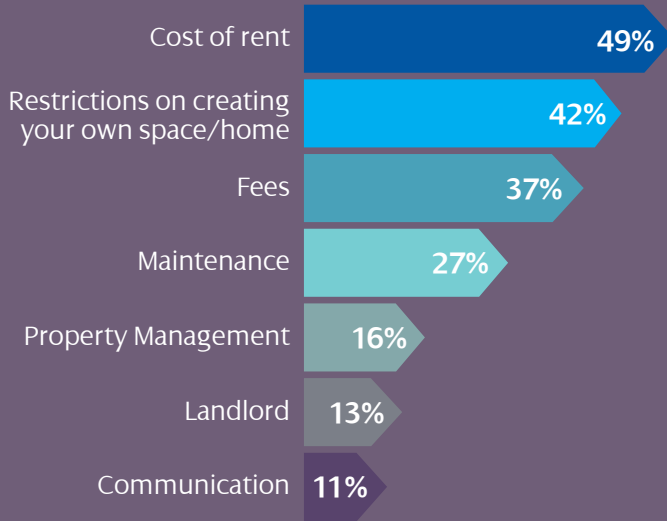
Having accepted that this is a tenure of choice, it is vitally important that people see this as their home. A home is where we all want to feel secure and can live in the way that we choose surrounded by the people that we like. That means providing people with greater flexibility around length of tenancy. In our survey, young independent people who may be more transient

for work and social reasons are looking at 1- 1.5 years tenancies, while an older group of people who have both work and social commitments are looking for ideal tenancy length of 4 years. The restrictions the tenancy agreement and some landlords impose on tenants must also be reviewed. In our survey 42% of people said the biggest concerns with renting was the restrictions on creating your own space/home. If you own your property and have a pet, why should this be a restriction if you rent. Furthermore, 25% of people in the survey said they would willingly pay to be allowed to have a pet.

Both the PRS and BTR are perfectly placed to provide the homes that over 5 million people and growing are seeking in the UK. It is a sector that crosses age barriers and has no geographical bias. Good quality homes in the rental market that are well managed with a focus on the tenant are without doubt in great demand from an ever growing consumer.

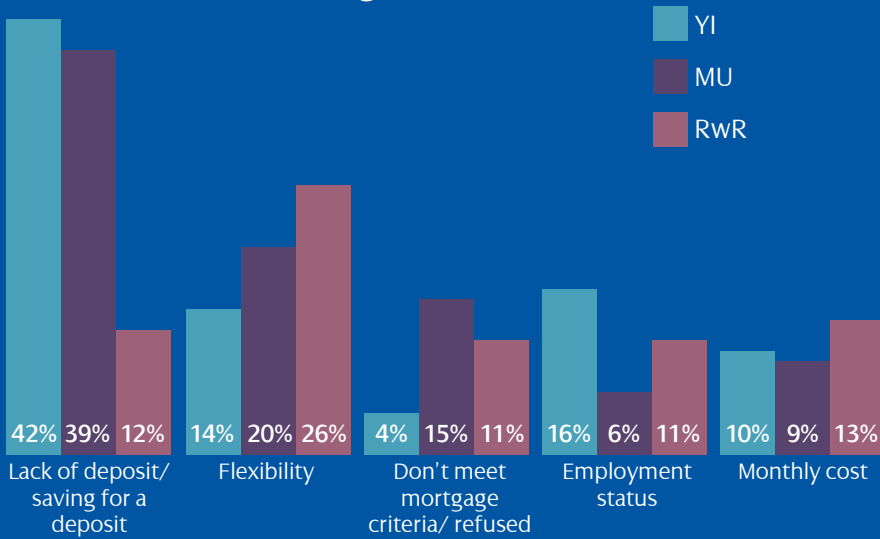


What do you perceive to be the biggest concerns with renting?



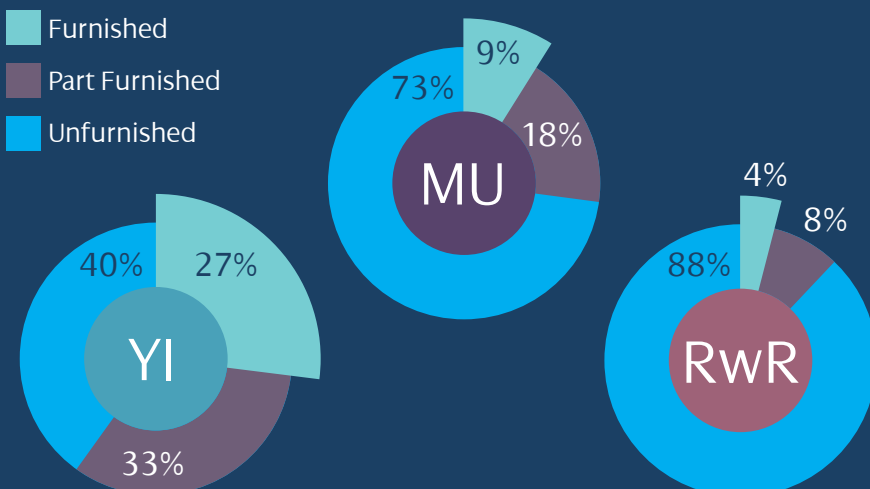
Restrictions on creating your own space are second only to cost of rent as the biggest concern to tenants

Main reasons for renting



Those reconciled with renting are less likely to be saving for a deposit and more focused on the need for flexibility often due to a change in life circumstances such as separation from a partner or renting their own home.

Furnished or Unfurnished?

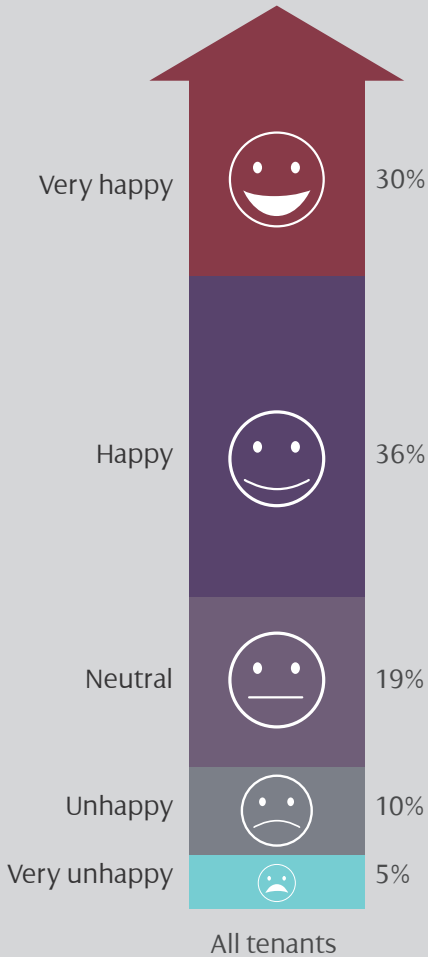


6 in 10

Younger Independents need furniture to be provided and are much more likely to be renting their first property and in need of greater support with costs. 27% need a fully furnished home compared with an average of 10%.



HAPPINESS WITH RENTING



81% say renting suits their lifestyle

Those reconciled with renting are more happy, others see renting as a short term means to an end, their primary goal is to own their property.

Poor communication is a key driver of discontent

Those who are unhappy are 4 times as likely to have a concern with the landlord, property management and / or communication.

Happier tenants are significantly more likely to request longer tenancies.

Very Happy

YI 24%



MU 30%



RWR 46%



“Wonderful Lettings agents, excellent relationship with my landlady, no problems, love the flat! Very, very happy with everything”

“The property I have moved into has damp. I’m In process of sorting this but I am very unhappy to be paying full rent for a property that is not of the standard that is set out in the lease.”

“The rent goes up every year. I’m not happy with that”

“I am happy as we are settled in the house we are in and have no desire to move”

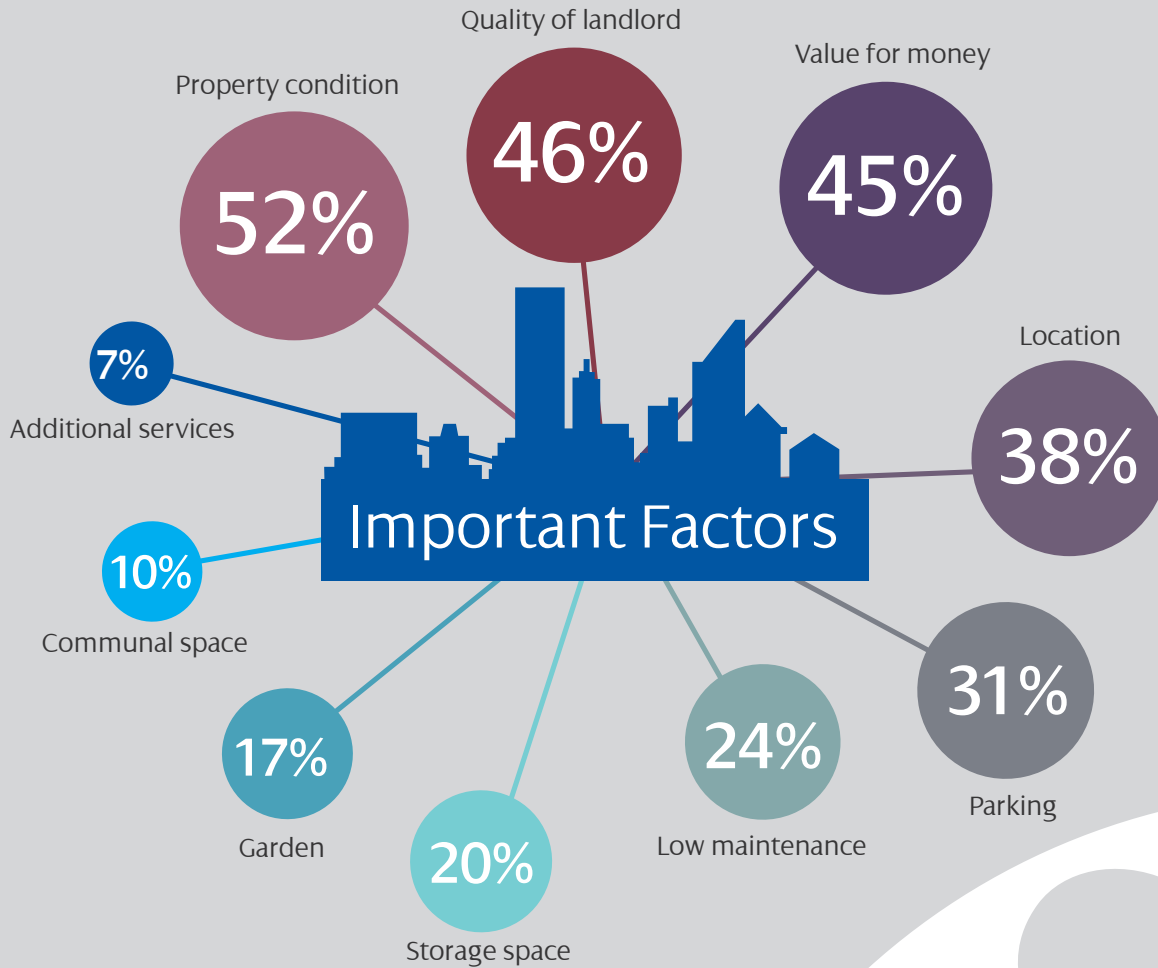
“We are very happy with renting at the moment as we are not in a financial position to own a property”

“I have been awaiting work to be done within the property and this has still not happened”



What are the most important factors when renting?

% who agree service is 'extremely important'



Communal living is a popular idea

Younger independents are most interested but half of over 55's are also warm to the idea.

Shared garden space is also popular with 2/3 citing it as important and 17% placing it as a high priority. Gardens are especially popular for the Moving Up group who are more likely to have children in their household.

The quality of both property and the landlord relationship take precedent (even over value for money). Experienced renters especially understand the benefits of laying down a strong relationship with their landlord to avoid problems further down the line.



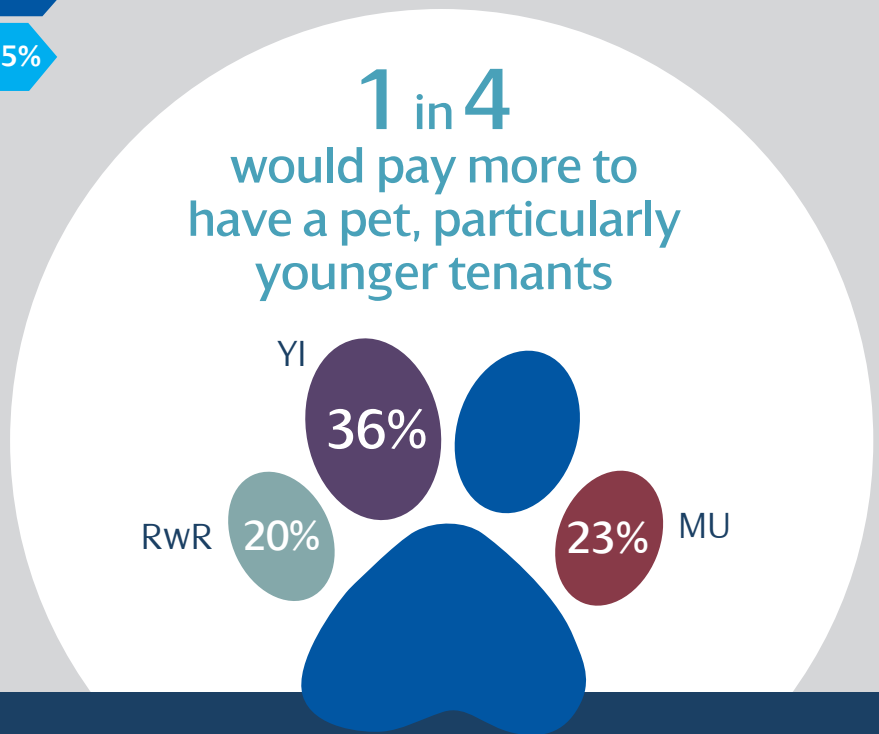
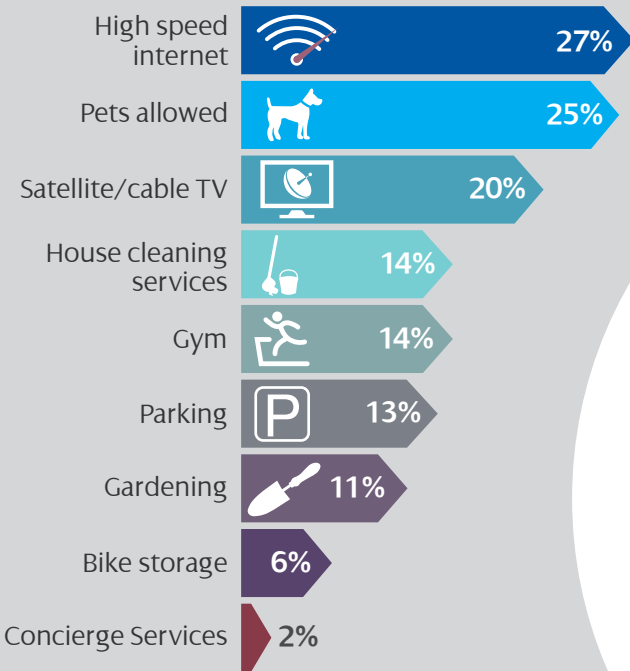
1 in 10
see communal space as extremely important and 57% register it as important in some way



COMMUNAL LIVING FACILITIES

Adding value - What would tenants pay more for?

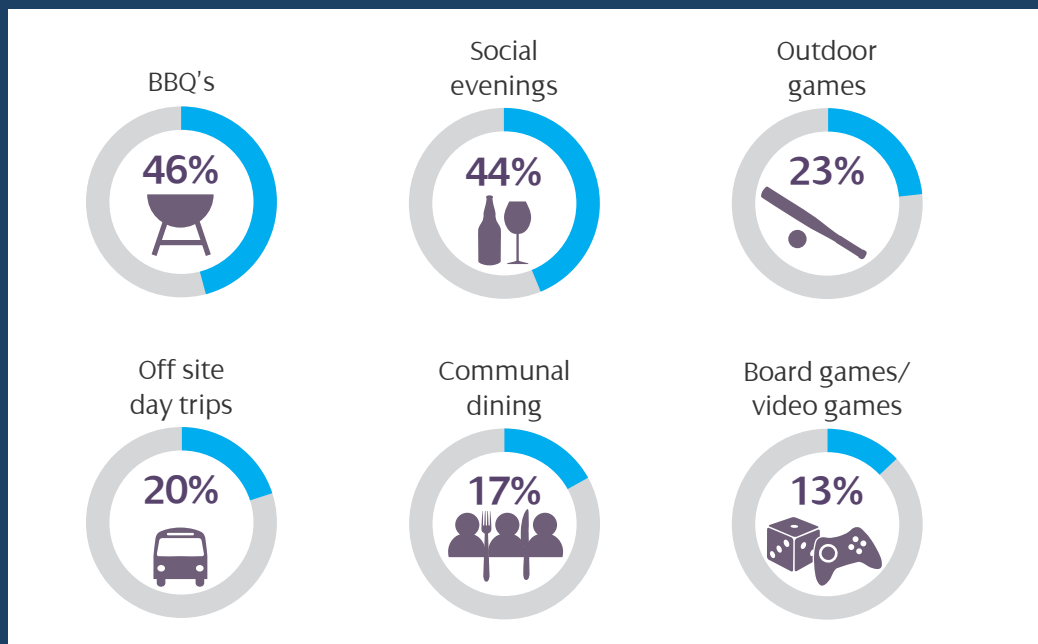
The younger YI and MU groups have greater interest in paying for additional services. RWR often have a tighter budget to manage but 1 in 5 would still pay for a pet.



Response to communal living facilities

64% of tenants would participate in community activities

Social events are the most universally appealing activities, likely to draw interest with a variety of different tenants. Younger groups (YI and MU) are more likely to favour outdoor activities / BBQ and under 25's also find board games / video games interesting. Older tenants (RWR) are interested too and in addition to social evenings find off site day trips appealing.





POINT OF VIEW

Paul Belson - PRS Specialist

The LSL survey reveals some very interesting trends in terms of attitudes towards renting. What is abundantly clear is the desire by our residents to connect with their neighbours and with 64% indicating a desire to participate in communal activities. Research has also found out that if a tenant/resident connects with their neighbours and makes friends; they are far more likely to stay as a long-term resident and this represents a “win-win” for both resident and landlord. The latest statistics announced by the British Property Federation (BPF) reveal that as much as £90bn of investment is being targeted at the UK’s PRS.

This represents an opportunity to create purpose-built, bespoke buildings which are designed for renting from scratch. The results of our survey indicate that there will be a ready appetite for this new style of living! It also emphasises the importance of maintaining good connectivity and communication at all times. Increasingly, property managers will need to embrace resident friendly technology which enables repairs and maintenance issues to be proactively resolved as well as

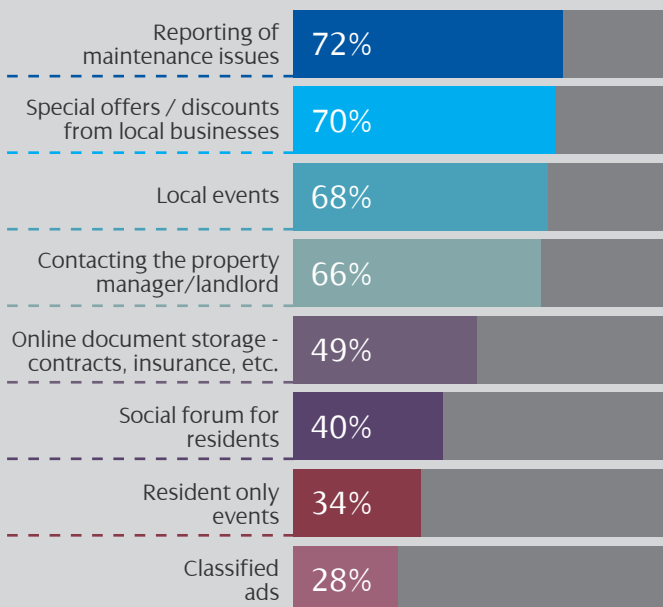
connecting residents via a portal to communal facilities and the wider community.

Interestingly, also of major concern to tenants is the role and reputation of their landlord, with this coming second place to condition of property (46% and 52% respectively) as factors of importance when choosing a property to rent. It reiterates the opportunity for those PRS investors and Built to Rent landlords who are concerned with building a brand in the sector. As competitive tension in the market increases, reputation will become more important. The corollary to this however is the apparently less degree of emphasis being placed on the provision of additional lifestyle services behind more fundamental aspects of rental living. It seems as though “getting the basics right” is the main priority.

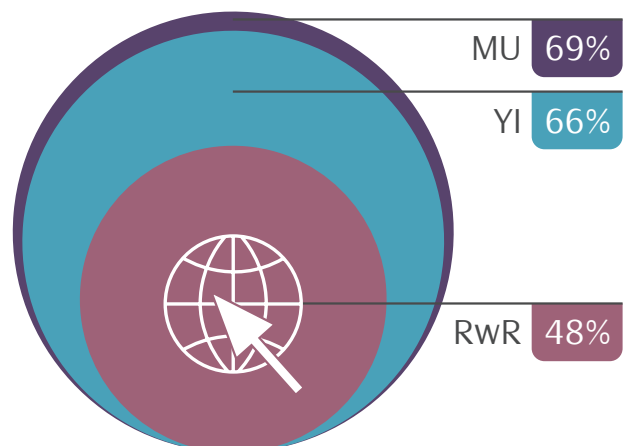
Not surprisingly, distance from place of work, immediate availability and length of tenancy also figure highly in the initial search process. Longer lease periods, providing greater certainty are becoming more popular and are likely to become commonplace as the “Generation Rent” sector grows and becomes an integral part of our housing community.

Interest in a portal - What features would you like to see included?

Strong potential for online portals as day to day management tools with opportunities to extend this beyond landlord – tenant communication to offer information on the local community, offers and discounts and for some (Younger Independents) a social networking forum.



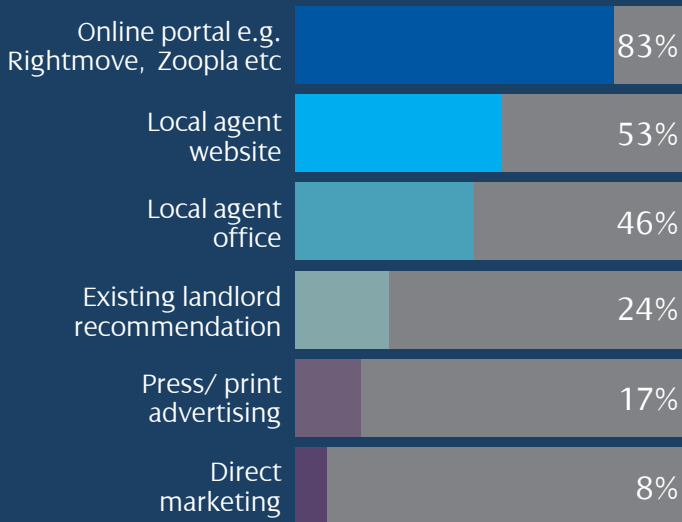
61% are interested in an online portal





GIVING TENANTS WHAT THEY NEED

What methods are you likely to use to look for a new rental property?



Online Search

Online sites such as Rightmove and Zoopla are by far the preference for finding properties for all tenants. Agent interaction and press/ print have greater importance for older tenants who use a wider range of sources to research their move.



The differing needs of tenants.....

"I like the flexibility it gives, e.g. if I was to move to another area or country"

"One of the main factors was whether or not we were allowed pets as we have 2 dogs. It's important that the rules from landlord or agent aren't too strict, they need to leave you to rent your home and live in peace"

"I have owned 7 properties in the past, lost 2 with divorce cases so find it easier to rent now with the work I am committed to and the position of my children within the area. Too much hassle to buy property, quite intensive period with the purchase and the cost lay-out, money can be used for better matters"

"I had a relationship breakup and still own a property which I need to resolve as a legal matter before I can buy another property"

"We would like to invest in property but want to let our relationship blossom first"

"We're in the gap between selling and having new house built"

"The house is the perfect size for me and the dogs, I have lovely neighbours, its good for work commute, near to shops and I have a lovely landlord. Plus I'm free to move if I want to"



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• Wider range of socialising appeals but particularly outdoor events, BBQs and also board / video games



• Much more likely to see value in paying for additional services particularly high speed internet, satellite / cable, parking. They will more likely pay for services that make life balance easier like house cleaning and gym



• This group have high expectations but least knowledge of the process and some new renters could benefit from some support on navigating the process and costs involved



• A portal would be easily adopted and used for both practical and (for some) social means but be aware that expectations will be high!

Younger Independants would value:

- Services that are flexible and support a busy lifestyle.
- Communal living that promotes socialising.



• More likely to have kids and outdoor socialising, gardens and BBQs have strong appeal



• They see value in essential services they would already be paying for like high speed internet, satellite / cable



• These realists are likely saving for a deposit or waiting between homes and know more about the realities of what renting should cost to them - less likely to pay for parking / storage and more likely to be careful with disposable income that might go towards gym / cleaning



• Portal would be welcomed but more likely 'practically' - more for communication than storage. Interested to learn about local events / offers rather than share and interact

Moving Up tenants would value:

- Better deals on things they already budget for.
- Communal living that fits their family lifestyle.



• High speed internet and cable /satellite appeals to some but with less disposable income they are careful with budgeting



• They are more likely to be using public transport so parking is a lower priority but distance to public transport and local facilities is important



• Communal living appeals to these tenants too and they are also likely to favour social evenings. These tenants are more long term with lower incomes so getting added value such as day trips and hearing about local events and offers through the portal



• The portal would be primarily used to communicate with landlord and learn about events etc. rather than socialising

Reconciled with Renting tenants would value:

- Deals and ways to get more from the local area.
- Communal living that connects them to the wider community

LSL Corporate Client Department Ltd

LSL Corporate Client Department (LSL CCD) provides an all encompassing, end-to-end, service to its wide range of clients which include; banks, building societies, corporate landlords, developers, fund managers, institutional investors, legal firms, LPA receivers, offshore trusts and PRS investors.

The key facets of the business are Corporate Property Management (lettings and complete asset management) and Acquisitions & Disposals. LSL CCD provides integrated and customised management solutions for property portfolios across the whole of the UK, with particular focus on the rapidly-growing Private Rented Sector. LSL Corporate Client Department is part of the LSL Property Services Group plc (LSLPS), one of the UK's largest and most influential property services providers, incorporating 22 individual brands under the plc banner. LSLPS's brands include high street estate agents Your Move and Reeds Rains, e.surv and LSL Land & New Homes.

David Bond - Head of PRS

David has spent more than 25 years working in a variety of property sectors starting in Estate Agency and Land & New Homes. He was at the forefront of activities for Lloyds TSB Asset Managers before managing the surveying division of Chancellors Associates.

David works across the Corporate Client divisions where his role is primarily concentrated on the development, delivery and operations of LSL's PRS service offering, with particular focus on property portfolio management and lettings.

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Complete PRS Services from LSL

Integrated solutions for complete asset management

- Expert residential property & asset managers.
- Comprehensive, customised & fully integrated PRS service.
- Local expertise & true national coverage with c.37,000 properties under management.
- BTR acquisitions division & UK's largest lettings agent network.
- Advanced management systems, tenant portal & bespoke apps.
- Market research, consultancy, data & rental indices from LSL Databank.

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 36,500 recipients). Of those a total sample size of 2873 GB adults who rent privately through Reeds Rains or Your Move was achieved. Fieldwork was undertaken 25th January – 5th February 2016. The survey was carried out online. The figures have been weighted as per the specified age and region quotas.

Paul Belson - PRS Specialist

Paul has extensive PRS experience gained from his career in residential investment and key involvement as a member the DCLG's PRS Taskforce. Paul was handpicked to join LSL's Corporate Property Management team as PRS Specialist.

In this role, Paul is a key influencer in LSL's continual development and expansion of their PRS service provision and is instrumental in identifying new business direction and analysing market trends.

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TENANT SURVEY 2016

References: Independent report on the PRS in England, Kate Faulkner, January 2016
ONS Index of Private Housing Rental Prices, October to December 2015 results
The English Housing Survey, LSL PRS Tenant Survey February 2016



Reeds Rains

• Since 1868 •



YOUR MOVE