

Kinleigh Folkard & Hayward



Annual London Tenant Barometer

2019



Commentary from Carol Pawsey, Group Lettings Director



For our second annual London Tenant Barometer, we surveyed 2,000 private rented sector (PRS) tenants across all London boroughs about their attitudes to renting in the Capital and their future aspirations. The research has revealed a number of differences when compared with last year's report, including:

- An increase in average tenancy lengths
- The expectation that tenants see themselves renting for longer
- The anticipation of modest rental increases in 2019
- A slight decrease in those who feel buying in London is a possibility for them

The strength of the PRS has been well documented and debated, and there is no doubt that the demand for rented accommodation is set to continue. In fact, in the first 10 weeks of 2019, our online tenant enquiries were up by 57% on 2018 and tenant registrations across our 46 lettings offices were up by over 25%.

However, alongside this we are seeing very few new private individual investors entering the market on any scale, despite the demand for quality rented property and very competitive buy to let mortgage deals.

This clearly opens up considerable opportunities for corporate and institutional landlords to provide quality homes for discerning tenants looking for long term rentals.

We are confident that this year's London Tenant Barometer will provides some useful insights to existing landlords and those planning future developments in London.

Our position in the London market and range of services to the PRS and build to rent sectors gives us a unique insight into the Capital's property market, both from a London-wide perspective and locally through our branch network and team of over 50 qualified chartered surveyors.

Beyond the headline data presented here, we can drill down and cut the data in a number of ways to provide more detailed insights. In addition, we can work with existing and prospective clients to commission bespoke reports and provide statistics to help with their strategic planning and end results.

A handwritten signature in black ink, appearing to read 'CPawsey'.

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What our tenants say...



“Signing up to a five year tenancy was the only logical option for us.”

“The main advantage of taking a longer tenancy is the feeling of security, and knowing that we won’t need to keep an eye out on the market in the foreseeable future. We had just moved to London from Melbourne, and it meant less disruption for the children, so they can feel settled in one place.”

Brooke and Gordon are currently on a five year lease in a property managed by KFH. They live in Wandsworth with their two sons, aged six and nine.



“Buying a property outright was not affordable for us in the area we wanted to live.”

“KFH had a branch in this area, and the agent we dealt with immediately found us a property that suited our requirements. This was the first rental we had together, and the four years we’ve spent in our rental have suited us at this time in our lives. Not only does it feel like home, but it has also afforded us with some flexibility and security. We would love to purchase a property in this area of London, but unfortunately that is hard to do given the current climate.”

Lisa and Steve are a young professional couple who have rented through KFH since 2015, having extended their one year lease (with six month break clause) yearly.

Overall findings

More tenants across London are making tenancy length a priority when choosing their next home. Over the last twelve months, tenancy length has become one of the five key priorities when choosing a property to rent, alongside rental price, area of London, property size and proximity to transport. The change in tenant priorities comes as average tenancy lengths have risen from 20.2 months last year to 21.5 months now[†].

This shift in priorities comes as tenants expect to continue renting in London longer than they anticipated last year.

Tenants now expect to rent for another five years, a 25% increase on last year when tenants expected to continue renting for four years.

However, there are signs that tenants in London are increasingly less happy about the prospect of living in a rental property on a long term basis. Last year, one in four tenants (25%) would prefer to live in a rental property long-term rather than buy. Over the last twelve months this figure has fallen to below 18%.

The number of tenants who believe that buying a home in London will ever be a realistic possibility has also diminished.

While 67% of tenants have said they would rather buy a property, almost 60% of respondents feel it is unlikely they can afford to do so in London.

Tenants also expect rents to rise 0.9% across the Capital over the next year (however, this is down from an expectation of 1.1% last year). If this rise bears out it will further impact tenant disposable income as over the last 12 months monthly rent as a proportion of tenant income has risen to 39% from 33%. This increase has been driven by a reduction in average annual tenant income (£34,560 this year compared to £37,100 last year), despite the much publicised return to pay increases exceeding inflation.

59%

Of tenants felt they would never be able to buy in the Capital

2019 top five priorities when choosing a property to rent

Rental price

Area of London

Property size

Proximity to
transport links

Tenancy length

Tenant priorities

What are they?

As we have already discussed, tenancy length has become a higher priority for private rental tenants over the last 12 months. However, price, location, property size and proximity to transport also remain among the most important factors when choosing a rental property.

While rental price has remained the top priority for tenants over the last two years, it has become even more important for tenants over the last year.

Currently 80% of private tenants specified rental price as a key consideration when choosing their current property, up from 77% last year. Area of London (71%), property size (58%) and proximity to transport links (53%) also increased in priority compared to last year (from 65%, 51% and 47% respectively).

This is in contrast to other considerations which tenants have deemed less important compared to last year. Access to high speed internet is only seen as a priority by 10%, down from 12% last year, while having access to inclusive communal amenities such as gyms, dining areas and screening rooms were only seen as important by 4%, down from 5%.

Does age affect priorities?

While rental price is the top priority for tenants across all age groups, it diminishes in priority the older tenants get – 85% for those aged 18-24 compared to 74% for those aged 55+. The area of London, property size and proximity to transport links are all key considerations across all of the age groups. However, bills being included in rent and the property being fully furnished are more important for younger renters (those aged 18 to 34), while for those aged 35 and above, tenancy length is deemed more important.

Priorities by age

	18 - 24 year olds
Rental price	85.1%
Area of London	66.5%
Property size	52.9%
Proximity to transport links	51.6%
Bills included in rent	27.6%

	25 - 34 year olds
Rental price	79.1%
Area of London	72.7%
Property size	60.3%
Proximity to transport links	53.6%
Fully furnished	24.7%

	35 - 44 year olds
Rental price	81.9%
Area of London	70.8%
Property size	58.2%
Proximity to transport links	53.3%
Length of tenancy	21.6%

	45 - 54 year olds
Rental price	78.3%
Area of London	70%
Property size	53.9%
Proximity to transport links	53.2%
Length of tenancy	23.6%

	55+ year olds
Rental price	74.5%
Area of London	70.1%
Property size	54.4%
Proximity to transport links	51.6%
Length of tenancy	35.9%

Rent or buy?

Brexit uncertainty over the last two years has put a dampener on the sales market, particularly in London, and this has led to falls in average asking prices and reduced numbers of transactions compared to previous years.

In spite of this, the number of tenants who believe that owning a home is possible in London has barely changed, reducing by 1.8 percentage points compared to last year (25.3% in 2018, 27.1% in 2017). However, since the beginning of 2019 there are signs of improvement in the London market with buyer registrations and sales volumes up on last year.

This goes some way to explaining why tenants are increasingly prioritising tenancy length and securing longer contracts with their landlords. But there is also the reality that tenants are becoming increasingly aware of the shift in supply and demand across the market.

The rental market has suffered from falls in supply, no doubt impacted by very few new private landlords entering the sector due to increasing legislation, costs and taxation. However, with shortfalls in house-building and low volumes of property available for sale, there is an increasing reliance on the private rental sector. High demand and falling supply has created an imbalance that has increased competition for private rental properties, hence it is no surprise tenants want to lock-in longer term tenancy contracts when they find property they like.

73%

Of tenants are happy living in a rented home

5 years

The average number of years tenants expect to continue to rent in London

Table 1. Average monthly rent as proportion of net tenant income

	Top 5 Boroughs		Bottom 5 Boroughs
Enfield	53%	Islington	31%
Harrow	51%	Tower Hamlets	32%
Ealing	46%	City of London	34%
Kensington and Chelsea	44%	Hammersmith and Fulham	35%
Sutton	43%	Camden	35%

Table 2. Expected time to continue renting in London (years)

	Top 5 Boroughs		Bottom 5 Boroughs
Havering	6.8 years	Brent	3.5 years
Richmond upon Thames	6.6 years	Newham	3.6 years
Enfield	6.6 years	City of London	3.9 years
Waltham Forest	6.4 years	Hackney	4 years
Ealing	6.1 years	Tower Hamlets	4 years

The final word

There is little question the private rental market in London is shifting, and tenants, despite having long term ambitions to own, realise that they will be reliant on the sector for their housing needs far beyond a short-term stop-gap.

With tenancy length an increasingly important factor in tenant decision making, it is vital landlords work with letting agents who understand these shifts in demand and can advise on strategies to attract and retain the most suitable tenants for their property or portfolio.

We will continue to monitor tenant attitudes and expectations in future reports but our PRS and build to rent teams are always on hand to offer local knowledge and a comprehensive range of tailored property services for operators within the sector.

About KFH PRS and build to rent

Our tailored service is designed to optimise the letting and management of your investments portfolio to, in turn, also optimise your return on investment.

Whether you are a private investor, major house builder, portfolio investor, housing association or other non-profit organisation, achieving the best performance from your PRS or build to rent portfolios requires a flexible and agile team that is dedicated to meeting your goals.

We are uniquely positioned to deliver this in London, backed by our local knowledge, international reach and our comprehensive range of services that we can tailor to suit your needs.

Our 40 years' experience in the letting and management of residential and mixed use schemes in London makes us the first choice for many property investors and developers. Our combined portfolio of let and managed properties exceeds 25,000 and, at any one time, we hold £70m of clients' funds.

From securing tenants to full property and building management and professional services, our tailored and measurable approach, backed by sound and pragmatic advice, means we really do add long term value to our clients' property assets and reduce exposure to risks and shortfalls.

Clients can use any combination of the services they need, which we support with integrated software and bespoke management reporting.

More information about our range of services for corporate clients can be found at www.kfh.co.uk/corporate-clients

To discuss your requirements and how our tailored services can support your PRS portfolio or build to rent scheme, contact:

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The KFH London Tenant Barometer 2019 was compiled using research based on survey responses from over 2,000 tenants currently privately renting in London. The survey was conducted by OnePoll between 29 October and 15 November 2018.

† Based on KFH lettings deals January to November 2018 compared to January to November 2017

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