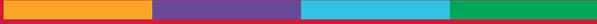


Kinleigh Folkard & Hayward



Annual London Tenant Barometer

2020



Executive Summary

This, of course, has been an extraordinary year. The pandemic has for many of us shifted our perceptions of not only how and where we live, but also how and where we work. Understanding these changing preferences is important for landlords and BTR (build to rent) operators alike, as it will help shape leasing strategies.

With so many now working from home, a dedicated space to work has risen up our priorities. With more time at home and ever-changing government restrictions, access to outdoor space has also become more important.

Against such a dramatic backdrop, our annual KFH London Tenant Barometer took on even greater meaning this year. 2020 is the third year of the survey and once again we have compiled the views of 2,000 tenants across all London boroughs.

It was an opportune time to go out to tenants and ask them about the reality of these shifting preferences. What is clear is that while there are new themes running through tenant wish lists, the overriding factor of affordability is now more important than ever. With all of the economic uncertainty the pandemic has created, tenants want to feel under less financial pressure.

The survey also showed that a quarter of tenants approached their landlord for help during this time and reassuringly the vast majority of those said their requests were met with a supportive response.

We are confident that this year's London Tenant Barometer will provide useful insights across the rental landscape for small landlords through to large scale institutional investors and BTR operators.

Our position in the Capital gives us valuable insight both from a London wide perspective and locally through our branch network.

We present the key headline data here. If you would like a deeper dive into these insights, we would be delighted to discuss how we can meet your needs.



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Affordability: more important than ever

In terms of the priority of what is more important now compared with when tenants chose their current property, affordability was the highest ranked of factors surveyed.

Interestingly, the heightened importance of affordability doesn't vary much by tenant age or income. It has become more important across the board. In this year's survey the average rent per tenant was £900 per month.

£900

Average monthly share
of rent per tenant

66% of tenants say affordability (less financial pressure) is more important than before

Requests for support

This year's exceptional circumstances have put many household finances under stress, with some households unable to meet rent payments in full. 25% of tenants asked their letting agents or landlords for support and reassuringly, 74% of those said they were supportive when approached. In times like these it helps that the vast majority of tenants feel secure (in terms of landlords not giving notice) in their rental properties.

82% of tenants feel they have security over tenure in their rental homes

Focus on tenant wants and needs

Zero deposit tenancies are becoming increasingly popular. In our tenant survey, 44% of people said they would consider paying a one week non-refundable fee. In fact, of these, roughly half stated a preference for the zero deposit and half were happy with either type of deposit. Furthermore, 12% of tenants surveyed stated they were unsure which deposit approach they favoured and so should be offered both options if landlords or agents have the facilities to do so.

At KFH, our data shows the average lease length sits close to two years (22 months). Also demonstrating the strength of demand for longer leases, 38% of tenants surveyed had a preference for leases of 18 months or more, with over a third of these tenants seeking leases of three years or more. Security of tenure is clearly important here.

Other priorities

The pandemic has prompted critical differences in the way we live and work. Some of these differences may prove to be short term while others could prove more structural and long term. Certainly, our survey shows shifting patterns in tenant priorities. Alongside affordability, there has been a shift in other tenant preferences this year.

Private outside space

We know that people have spent a lot more time at home this year and that access to outside space has become even more important. This is confirmed by our survey that showed 58% of tenants now think this is more important than before.

58%

Of all tenants believe outside space is now more important

The end of the daily commute?

More of us are currently working from home and for many this is naturally leading to a rethink of how often and for how long we commute. It's too early to tell if the 51% of people who believe the 'commute time to work' is now more important than before will indeed trade off commute time against the internal and external space advantages of living slightly further out.

What will be more important in your next search for rental property than it was when you chose the property you live in now?

	% of tenants believe it is MORE important
Affordability	66%
Private outside space	58%
Commute time to work	51%
Broadband speed	48%
Space to work from home	44%
Good energy efficiency	43%
Mobile reception	38%
Communal outside space	34%
Ability to walk to work	33%
Closer to friends and family	29%

Source: KFH, Dataloft

Working from home

In the early days of lockdown, tenants had to make do with their current living arrangements, but as the pandemic impact extends and tenancies come to an end, tenants could seek out properties that make working from home easier. Of critical importance is broadband speed: 48% of tenants think this is more important than before. Also, not surprisingly, 44% of tenants believe having a dedicated work space is more important than before.

48%

Of tenants think broadband speed is more important than pre-Covid

A trend towards less urban living?

It is early days to think about how tenant demand might alter permanently due to the pandemic. Certainly, the rental market does give tenants more flexibility to temporarily adjust their living space and environment to suit their different needs.

With shifting tenant priorities, how far are tenants willing to move out to achieve this? Interestingly, only a relative low proportion of Zone 1–3 tenants are wedded to staying in their current zone (varying from 9% of Zone 1 tenants to 14% of Zone 3 tenants).

What proportion of tenants would consider a significant shift in their location to a less urban way of life (to Zone 5 and beyond)? Across Zones 1–3 this varies from 41% of tenants (currently living in Zone 1) to 46% (currently living in Zone 3) who are willing to move out. It seems tenants are happy to keep their options open.

BTR properties are often situated away from central London in the outer zones. Given the higher level of amenity provision often available in BTR schemes, current shifts in demand may well increase take up of properties in these locations.

Tenant sentiment is likely to keep shifting as we move through the next few months but any permanent changes in demand will be important for landlords and BTR operators to understand.

44%

Of tenants think a dedicated work space is more important than pre-Covid

Which Zone is the furthest away you would consider moving to?

	Tenants currently living in Zone 1	Tenants currently living in Zone 2	Tenants currently living in Zone 3
Zone 1	9%	–	–
Zone 2	9%	11%	–
Zone 3	22%	22%	14%
Zone 4	19%	23%	20%
Zone 5	6%	12%	20%
Zone 6–9	10%	11%	18%
M25 and beyond	25%	21%	28%

Source: KFH, Dataloft

Rent or buy?

Our previous Tenant Barometers have highlighted that whilst tenants are typically happy in their rented home, they are in the main renting not out of choice but out of necessity. House prices are cited as being too high for home ownership to be a reality.

Squeeze on first-time buyers

The pandemic has affected tenants' livelihoods, in some sectors more than others. Some employees are on reduced earnings and unemployment levels are rising. This will have consequences for those wishing to buy their first home. Mortgage lending in 2020 has become more restrictive with lenders concerned about the outlook for house prices and earnings. Most lending is now to a maximum 85% loan-to-value. The mortgage market is, however, fluid; recent government announcements include 95% mortgages for first-time buyers (although details on exactly how the scheme will work have yet to be announced).

Tenants aren't optimistic about their chances to buy in London: this year only 26% of tenants believe they will be able to buy a property in London (a similar proportion to the last two years: 25% in 2019 and 27% in 2018).

Tenant demographics vary across London with central areas more dominated by couples, singles and sharers and typified by higher rents. Less central zones are more dominated by families. The rents families pay in outer locations can also be high but benefit from more space, typically paying a lower rent per square foot.

71%

Of tenants are happy with their rented home

6.9 years

Average time respondents have been renting in London

Tenant demographics	Rent: average share by tenant (pcm)	Household type: % tenants (sharers/singles/couples)	Household type: % tenants (families)	Most common household income bracket
Overall: All tenants	£899	73%	27%	£25k-£35k
Zone 1	£976	86%	14%	£35k-£50k
Zone 2	£864	82%	18%	£35k-£50k
Zone 3	£861	72%	28%	£25k-£35k
Zone 4	£818	63%	37%	£35k-£50k
Zone 5	£893	56%	44%	£25k-£35k
Zone 6	£962	59%	41%	£25k-£35k

Source: KFH, Dataloft

The final word

This year's survey gave us yet more evidence that whilst tenants still have ambitions to own their own homes, they realise that they will be reliant on the rental sector far beyond a short-term stop gap (50% of tenants foresee themselves in the rental market for over five years). Reassuringly, most tenants (71%) are happy with their rental home. With the increasingly professional nature of the sector, this percentage should continue to increase.

Of course, this year saw changes that none of us would have anticipated. The pandemic has shifted tenants' priorities and put even more emphasis on the importance of affordability.

As a business we continue to monitor tenant attitudes and expectations for future reports and 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.

Only 26% of tenants believe they will be able to buy a property in London

The KFH Group

With over 800 people in 60 locations, KFH is one of London's leading property services groups, with a significant share of the Capital's property market through all our business channels, and a unique offering to the build to rent sector.

KFH started life as a property management specialist and now oversees a combined portfolio of 30,000 units, with a value of around £12bn – one of the largest residential and mixed-use property portfolios in London.

As a trusted business partner to many corporate, non-profit and private clients, our annual AST rent roll is £200m and at any one time we hold over £80m of clients' funds.

KFH is independently owned and managed, which gives us the agility required to adapt to ever changing markets.

At the heart of our brand and our business are our people. They are focused on providing the very best levels of service and results to our customers, clients and stakeholders. Our people are our most valuable asset and we have a comprehensive agenda to attract, develop and retain the best possible talent.

Optimising your portfolio

Our tailored service is designed to optimise the letting and management of your investment portfolio and the return on your 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 portfolio 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.

Drawing on our three key strengths of residential lettings, property management and marketing, 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 applications and bespoke management reporting.

Our build to rent and PRS offering focuses very much on meeting clients' needs and achieving their business objectives, while providing an exceptional tenant experience, which is key to optimising return on investment, minimising void periods and maximising tenant experience.

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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Dataloft is an established property market intelligence company with a long track record of analysing and reporting on the housing market. We are committed to stripping away the mystique of complex data analysis and adding value for clients through interpretation, insight and creativity.

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The KFH London Tenant Barometer 2020 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 7 and 24 August 2020.

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