

UK TENANT SURVEY 2014

PRIVATE RENTED SECTOR RESEARCH



KEY FINDINGS

Affordability and proximity to work and transport links are the key considerations for tenants looking for a new rental property

The maximum proportion of their income tenants are prepared to pay on rent each month is 40% on average. More than one in ten (11%) Londoners are prepared to pay more than 50%

Nearly a third (32%) of tenants say they are living in the private rented sector because it suits their lifestyle and/or they don't want a mortgage

Half of tenants are willing to pay a slightly higher rent for allocated off-street parking, while 34% will pay a rental premium for a concierge and/or 24 hour security



GRÁINNE GILMORE
Head of UK Residential Research

"Our survey shows that the majority of renters do not view the PRS as just a "short-term" move. Less than a quarter of tenants expect to leave the sector within two years."

TENANT SURVEY

The Knight Frank UK Residential Tenant Survey is the largest survey of its kind, highlighting the priorities of tenants across the country.

Our survey confirms the views of more than 3,500 people aged 18+ living in privately rented accommodation across Britain. The findings help identify the key factors currently driving the rental market, and provide crucial information on how the sector may develop in the future.

The survey mirrors the rental market in Great Britain, with a weighting towards those aged between 25 and 34, as well as a bias towards those in living urban areas.

It examines the priorities of tenants across the country when it comes to choosing a

rented home, as well as looking at their preferences should they move into a purpose-built rented development. Alongside this is an investigation into rents; how much of their income tenants are prepared to pay and what services and amenities for which they are prepared to pay a higher rent or additional charges. The results are a new and timely insight into the UK's burgeoning private rented sector, and highlight the key trends as the market moves into a new phase with the advent of more large-scale investment.

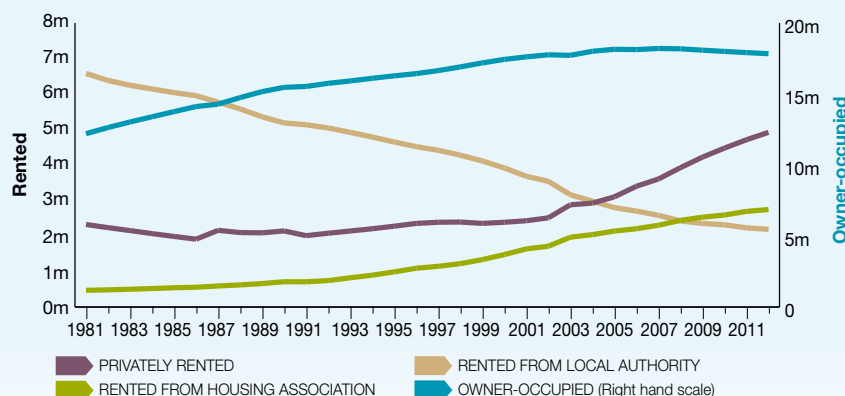
A GROWING SECTOR

The private rented sector (PRS) has become a more dominant tenure over the last 10 to 15 years. There are now more privately rented dwellings than socially rented homes, and the sector is second only in size to owner-occupied housing. The growth in the private rented sector pre-dates the housing crash of 2007/08 although the financial crisis has augmented the trend. In fact the real rise of the PRS started just after the turn of the 21st century, aided by the sharp rise in the

availability of buy-to-let mortgages, allowing consumers access to direct investment in the property market.

The dynamics of the housing market, where supply has failed to keep up with demand which in turn has played a role in pushing up house prices, has also put home ownership beyond the reach of many young workers, especially in key employment hubs. This, coupled with an increasing mobile and flexible workforce has led to rising demand for privately rented property.

FIGURE 1
How the private rented sector has grown
Proportion of dwellings, UK



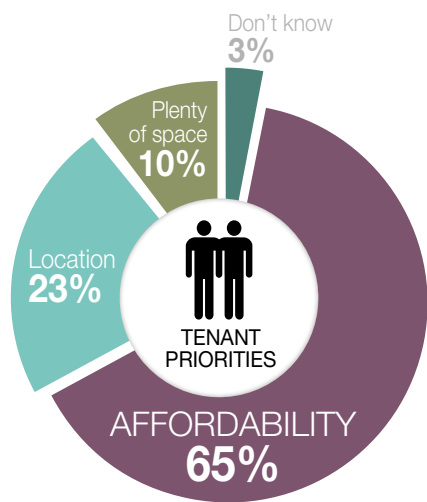
Source: Knight Frank Residential Research / DCLG

RESULTS

Tenant priorities

When looking for rented accommodation, the overriding priority for tenants of every age group and in every region is **affordability**. Nearly two-thirds of our respondents said this was their main concern when compared to location or space in the property. Around a quarter said that location was the most important factor when choosing a rental property, while 10 per cent said that the size of the property was the key consideration.

FIGURE 2
Which is most important when choosing privately rented accommodation?

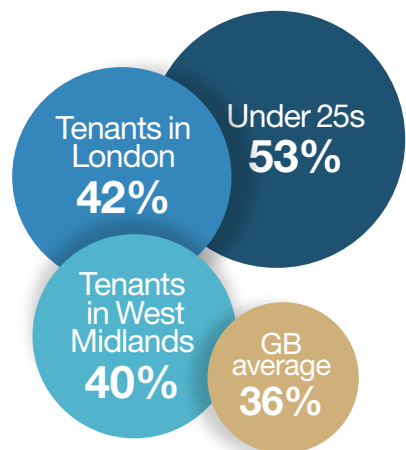


Source: Knight Frank Tenant Survey 2014
Figures may not add up 100% due to rounding

Those earning between £30,000 and £35,000 a year were slightly above average in their concern about affordability (67%). Moving up the income scale however, location becomes a bigger priority, with 39% of those earning between £50,000 and £60,000 a year citing this as their main concern.

Examining the trade-off between affordability, location and space in more detail in figure 2 shows that more than a third (36%) of tenants would be happy to live in a smaller space, in this case a studio flat with communal entertaining space, in what they considered to be a central location in order to make the rent more affordable. More than half of those surveyed aged under 25 in the private

FIGURE 3
Proportion of tenants happy to live in studio flat in central location to ensure a more affordable rent

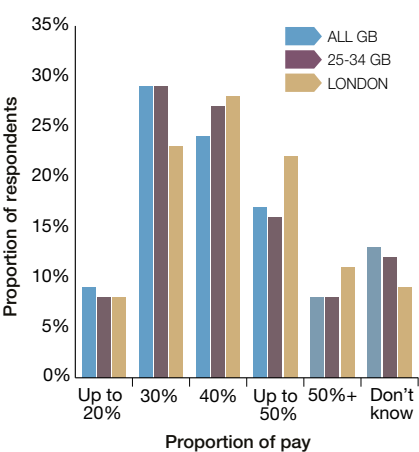


Source: Knight Frank Tenant Survey 2014

rented sector (53%) would be happy to choose this type of flat to ensure their rent is affordable.

It is also notable that across all geographical locations, the largest proportion of those who said they would live in a studio flat under the circumstances above lived in London (42%), followed by those living in the West Midlands (40%). Some 34% of Londoners said they would live in a “micro-flat”, a smaller studio space with communal entertaining space, if it made the rent more affordable for living in their perfect location.

FIGURE 4
What is the maximum percentage of gross monthly income you are willing to pay on rent?



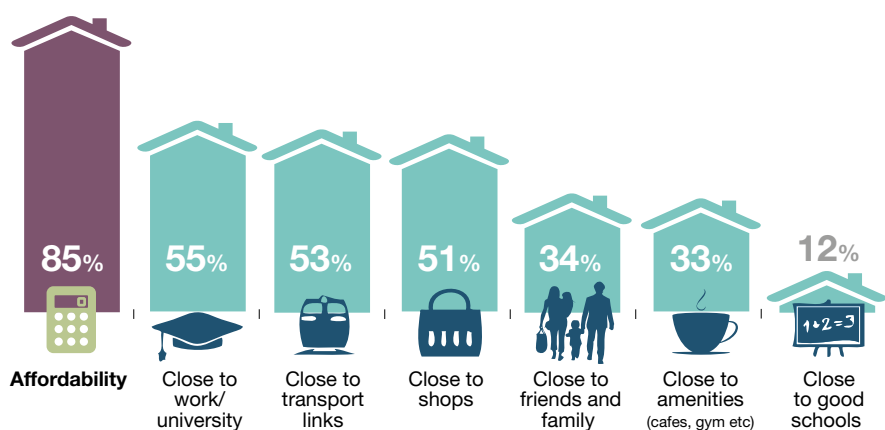
Source: Knight Frank Tenant Survey 2014

Rents

When asked how much of their gross income they would be willing to pay on rent, the average response was 40%.

There are some significant regional variations in these results. Only 17% of those in the North East would spend more than 40% of their salary on rent, but this more than doubles in the South West, to 32%. In London and the South East, around a fifth (22% and 20%) of respondents are prepared to pay between 40% and 50% of their income on rent, while one in ten Londoners

FIGURE 5
Which of these are important to you when choosing a rental property? % of respondents who identified each factor



Source: Knight Frank Tenant Survey 2014

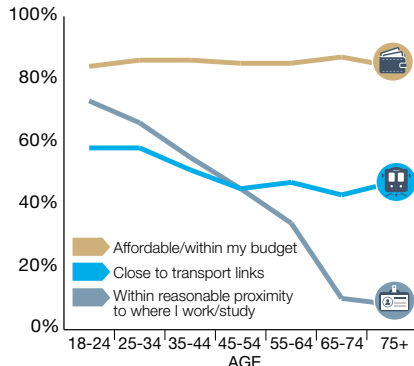
(11%) are prepared to pay more than 50%, underlining the cost of renting in the Capital.

Nearly a quarter (23%) of those aged under 25 are also prepared to pay between 40% and 50% of their monthly pay on rent, highlighting the relatively weaker earning power of those just starting out in their careers against the cost of renting a property.

There is also evidence of a rent “ceiling”, even for those on higher earnings. While a third of those earning between £20,000 and £25,000 a year said they would pay a maximum of between 30%- 40% of their income on rent, less than a quarter (24%) of those earning between £45,000 and £50,000 a year said the same. Even if their income rises, there is still a natural limit to what tenants are prepared to pay on rent.

FIGURE 6

How priorities change with age



Source: Knight Frank Tenant Survey 2014

Choosing a property:

After affordability is factored in, it is clear that location plays a crucial role. Some 55% of respondents said that having a rental apartment or house close to where they work or study was important, with more than a half also identifying proximity to transport links, shops and other amenities as a priority.

Breaking down the results by age, it is clear that young professionals value living close to their office, fitting with the trend we are seeing for demand for city centre private rented sector accommodation. Nearly three-quarters (73%) of those under 25 and two-thirds (66%) of 25-34 year olds

said that when looking for a rental property, being within reasonable proximity of where they work and study was a key priority. Around 58% of those aged under 35 also said that being close to transport links was important, compared to the average of 53%. This underlines the urban nature of the growth in the private rented sector, and suggests that this trend will continue.

The majority of tenants (78%) surveyed would like to live within 1km or closer to their nearest transport link, be it a railway station or bus stop, with 34% saying they would like to live within 500m, or roughly a six-minute walk away.

The changing rental sector

There has been a rise of large-scale investment into the rental sector in the UK over the last year or two, with organisations such as pension funds and insurance companies becoming much more interested in the PRS as a means of securing long-term income streams. This type of investor is looking for rental blocks rather than individual rental properties, in line with the more mature private rented sector market in the US.

Purpose-built rental blocks can come with a range of extra facilities not generally

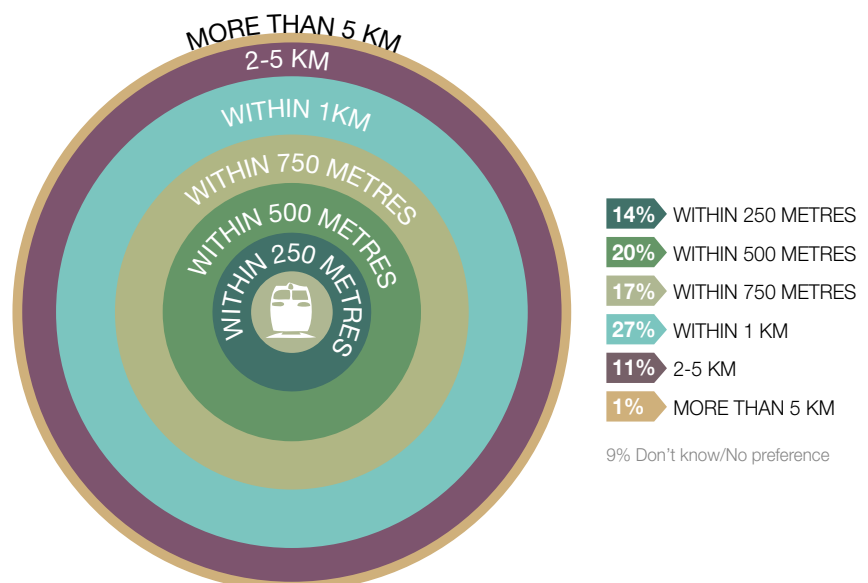
available to those living in alternative rented accommodation, such as a concierge or in-house cleaning service.

When we asked tenants what services they would consider paying a slightly higher rent for in such accommodation, the highest proportion said that they would pay a rental premium (50%) for allocated off-street parking.

While 27% of respondents said they would pay a higher rent for a fully furnished flat, there was a significant age bias, with more than 53% of under-25s, and 32% of 25-34 year olds saying they would pay higher rent for this. Across earnings brackets, 31% of those earning between £25,000 and £34,999 a year said they would pay extra for a furnished property, falling to 14% for those earning between £45,000 to £49,999 a year. However the proportion rises again for those earning £100,000 plus, with 29% of these respondents saying they would pay extra. Around a third of respondents said they would pay a higher rent for a gym in or close to the building.

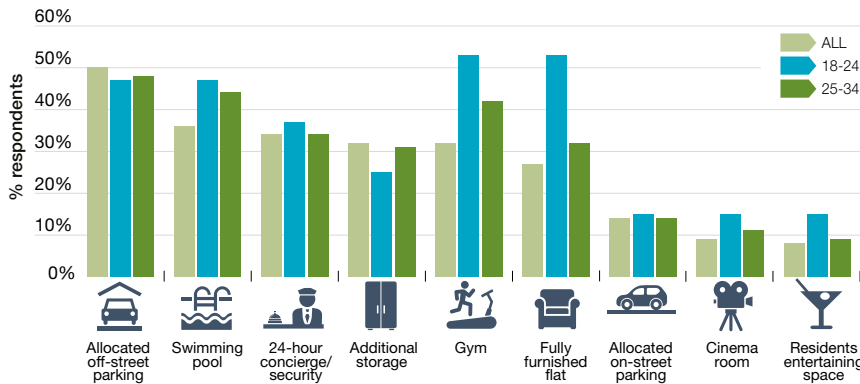
The survey suggests that more people would rather pay a slightly higher rent for inclusive parking than pay an extra charge each time they use an allocated space.

FIGURE 7 How far from the nearest transport link would you like to live?



Source: Knight Frank Tenant Survey 2014

FIGURE 8 Which services in purpose-built privately rented accommodation will command a higher rent % respondents who would pay higher rent for service



Source: Knight Frank Tenant Survey 2014

Around 40% said they would pay an extra charge to use additional storage facilities, while a third said they would pay an extra charge for “in-house” cleaning of their flat.

Future market:

There is a clear link between the availability of mortgage finance and the rental sector. When asked why they were renting, most tenants said that saving for

a deposit for a home loan was a factor, as shown in figure 12. But this may only be a part of the story. Some 32% also said that they liked the flexibility of living in the private rented sector and/or they didn't want a mortgage. This seems to reflect the rising trend of those who like the flexibility of renting, especially among the younger professionals working in urban locations. Well over a third (37%) of under-25s said that renting suited their lifestyle.

“The rising significance of the private rented sector is creating many opportunities for investors, especially as we are starting to see the advent of large-scale professional landlords. In order to make the right investment decisions, finding out what tenants want and need is crucial. This report aims to answer those questions.”

TIM HYATT,
Head of Residential Lettings, Knight Frank

When asked how long they were likely to stay in the rental sector, nearly a quarter of respondents (24%) said they were unlikely to ever move out of privately rented accommodation.

WHAT TENANTS WANT...

From property managers and lettings agents

Transparency is the most prized quality for a lettings agent among tenants, our survey shows. More than half of respondents (54%) said that being clear about charges and the deposit was one of the three most important factors, scoring well above the actual fees charged by the agent (42%). This gives some indication that tenants understand the competitive nature of the market when it comes to fees, but value being able to clearly determine what those fees are. Speedy response times to queries and being easily contactable are the next most important qualities, tenants say – as shown in figure 9.

Being easy to contact should be the key priority for property managers, our survey suggests. Some 46% of tenants said that being easily contactable by phone and email is the best quality, followed closely by being committed to responding to any tenant enquiries within 24 hours.

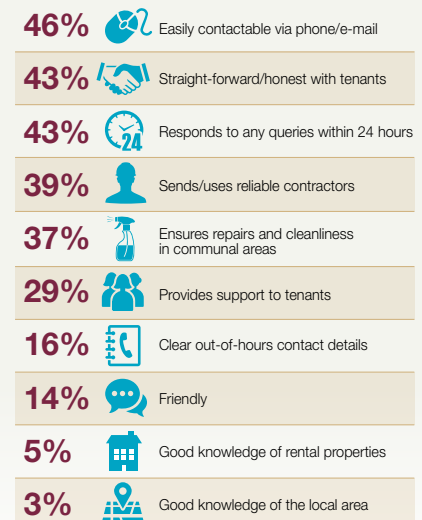
FIGURE 9 What are the most important qualities for a good lettings agent



Respondents chose up to 3 most important attributes

Source: Knight Frank Tenant Survey 2014

FIGURE 10 What are the most important qualities for a good property manager



Source: Knight Frank Tenant Survey 2014



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A further 36% said they would remain in the sector for more than two years, as shown in the chart opposite.

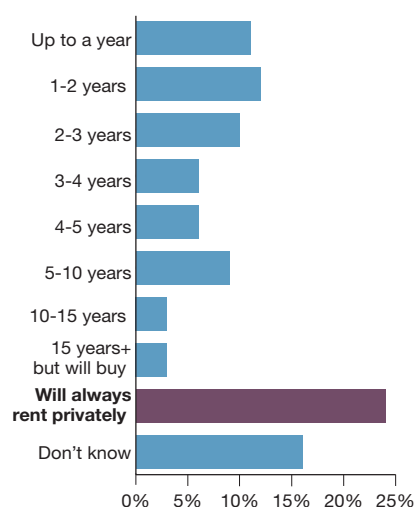
The results show that a notable proportion of those aged 35-44 are in no hurry to move out of the rental sector, with a fifth (24%) saying that they would stay in the rental sector for more than three years and 26% saying they will always rent privately.

Family size also seems to have a bearing on respondents' attitudes to staying in the rental sector. While a quarter (25%) of people with no children in their household said they would probably always rent privately, this falls to 19% for families with three or more children.

The results show that the private rented sector is not considered by the majority of renters to be just a "short-term" move. Only 24% of tenants expect to leave the sector within two years.

FIGURE 11

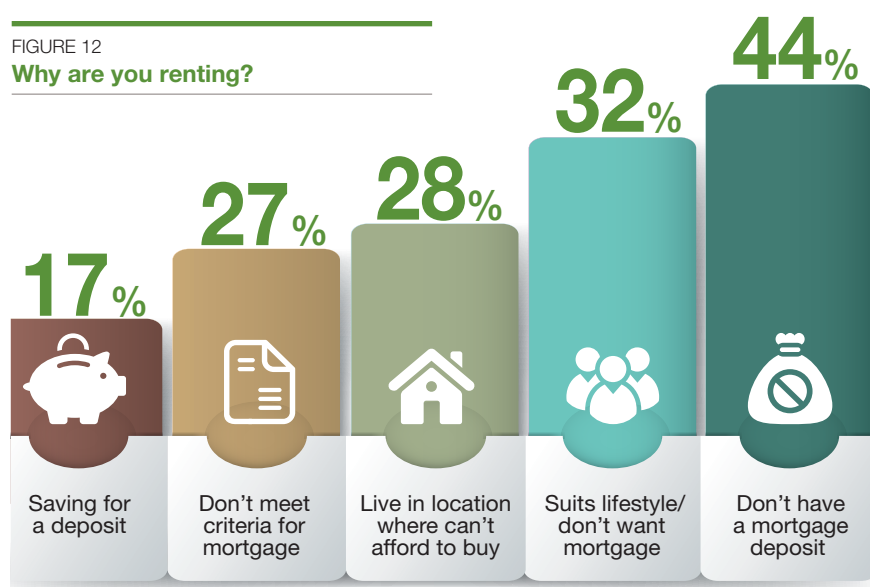
How long do you plan to continue living in privately rented accommodation?



Source: Knight Frank Tenant Survey 2014

FIGURE 12

Why are you renting?



Source: Knight Frank Tenant Survey 2014

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 3,525 GB adults aged 18+. Fieldwork was undertaken between 30th July - 11th August 2014. The survey was carried out online.

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