



Sigma Capital
Group

THE NEW IDEAL: CHANGING RENTER DESIRES IN A POST-COVID WORLD

Research commissioned by
Sigma Capital Group



ABOUT SIGMA CAPITAL

Sigma Capital provides build to rent housing across the UK under consumer brand, **Simple Life**. Focusing on areas ready for regeneration, Sigma delivers new, high-quality homes to rent in great locations. Homes that also provide significant benefits for the local community and economy.

THE CONTEXT

The UK rental market continues to be a dramatically varied and inconsistent sector.

The average renter is:

44 years old, in the ABC1 bracket and is 50% likely to own a pet

But by drilling down into the numbers, landlords can see that they need to appeal to:

- 18 year olds renting as a temporary measure
- Over 55s who prefer rental to home ownership, and
- Everyone everywhere in between.

Individual desires and needs are even broader than the motivations for renting. A rise in post-pandemic hybrid working has seen broadband speed challenge kitchen quality as the most important factor in choosing a property, and led to **over half** of renters prioritising a supportive local community.

But if marketplace changes have begun to react to the realities of a post-pandemic society, bigger changes are on the horizon thanks to a looming cost of living crisis. As of November 2022, average monthly rental costs were £700 - an increase on the £661 average from November 2021. With food and energy costs also spiking dramatically, renters are becoming more concerned about value for money.

Desires are changing in the post-Covid landscape. What was important in 2019 is generally still important today. But a host of new factors are now in play, driven by concerns about rising bills and social anxieties. Landlords and agents need to be prepared.



THE REPORT

The **demand for rental properties has never been higher**. But that doesn't mean landlords and agents are guaranteed to capitalise.

Attitudes are changing, and **renters are looking for more added value than ever before**. Price will always be a factor when the time comes for renters to make a choice, but they're increasingly concerned about what they're getting for their money. **At Sigma, we're focused on creating communities** - an approach that addresses some of the new priorities this year's report has identified.

By producing this report, we hope we'll share some new insights into **what's driving the decisions today's renters are making**. It goes deeper than demographics, and looks at new pressures, new concerns and new aspirations - attitudes that we as an industry need to address.

I hope you'll find this information useful, and thought provoking. Because if we're going to serve renters in the UK, we'll need to make sure we're **all on the same page**.

Graham Barnett
Founder & CEO, Sigma Capital Group



THE APPROACH

What we asked:

Our research was designed to monitor changing trends in the rental market and identify the needs and wants of renters from across the country. **The sample is not representative of Sigma's own tenant database, but all renters, living in different homes, renting from various landlords in a variety of areas within the UK.** We looked at answering three key questions:

-  **Who is renting in 2022/3?**
-  **What does 2023's ideal property look like?**
-  **What makes a good landlord or agent?**

How we did it:

By asking renters. Using two approaches, we explored the feelings of a cross-section of UK renters to find out how they feel about the rental market.

We focused on demographic information, motivations, satisfaction, key criteria and expectations from landlords and agents.

We asked about the impacts of both Covid-19, the cost of living crisis, and how their expectations are changing.

We looked to see how aware the average renter is of the Build to Rent offering.

We then compared our findings to the results of our 2019 study.

Online Survey

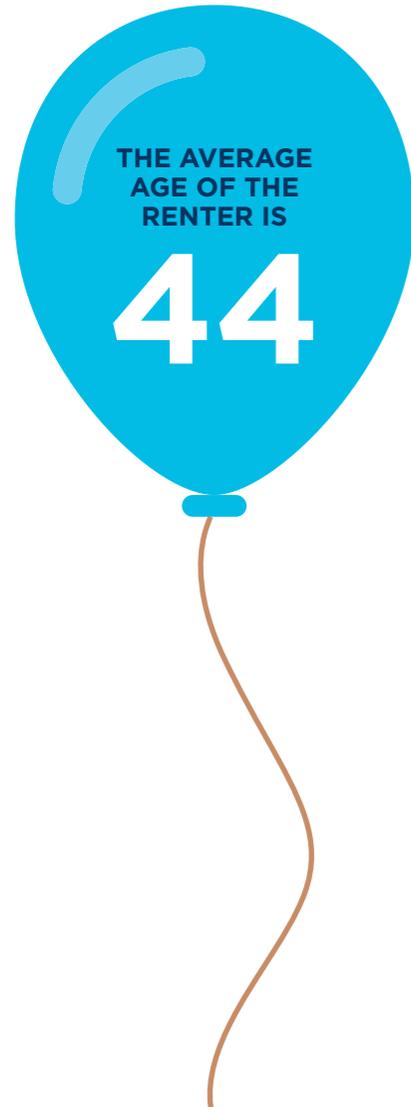
A 15 minute online survey completed by 2,000 current private renters.

Focus Groups

2x90m focus groups with six current private renters.



THE HEADLINES



61% LOOK FOR ENVIRONMENTALLY-FRIENDLY FEATURES

RENTAL LANDSCAPE

Meet the Typical Renter of 2022 and Beyond

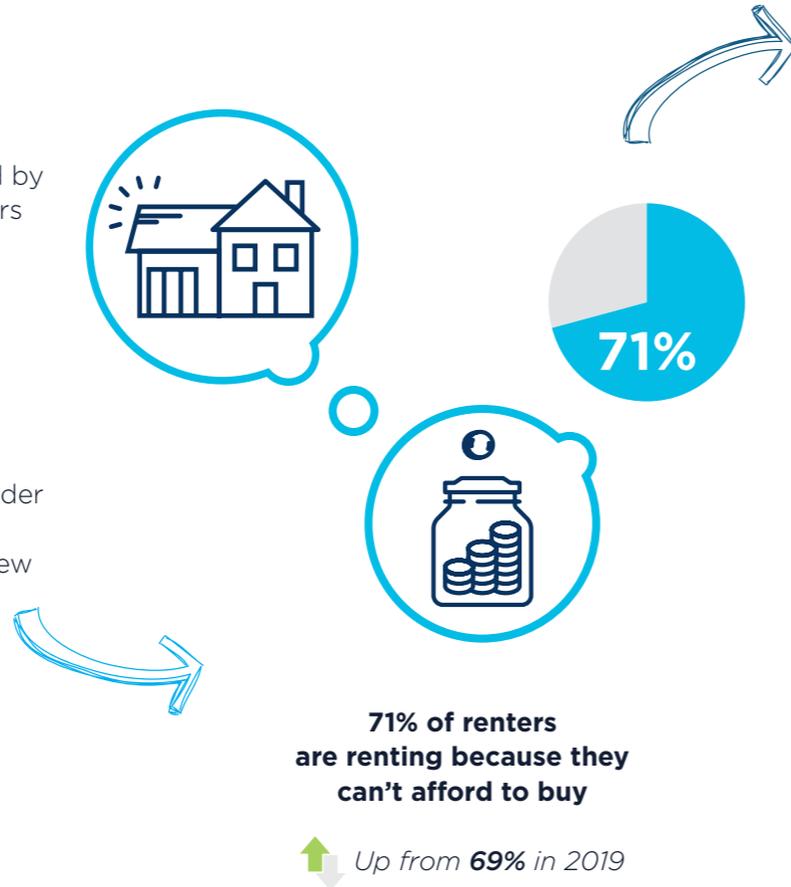


THE RENTING LANDSCAPE EXPLAINED

Just like in 2019, the rental landscape is shaped by factors that are far beyond the control of renters themselves.

The reasons

While a number of renters - especially at the older end of the scale - view renting as a choice that allows them flexibility, or a way of “testing” a new area, most people feel pushed into renting.



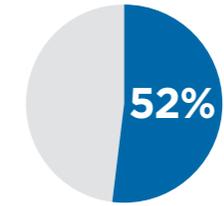
The time

Younger renters are more likely to view renting as a **temporary necessity**. 50% of those aged below 55 have rented for around seven years and hope to rent for five further years or fewer (for a total of 12 years renting), compared to the average 17.6 years spent in an owned property¹. However, 56% of the over 55s view renting as a lifetime option.

1. Data from the English Housing Survey 2021-22

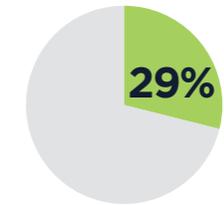
The reality

But with mortgage costs rising, inflation rates at 30 years high, and the knock-on effects of Covid causing even more economic damage, renting has become the only realistic option for many. They rent because they **need** to, not because they **want** to.



52% of renters see rental as a temporary stopgap

Up from 43% in 2019



Just 29% of renters aren't interested in buying a home at all

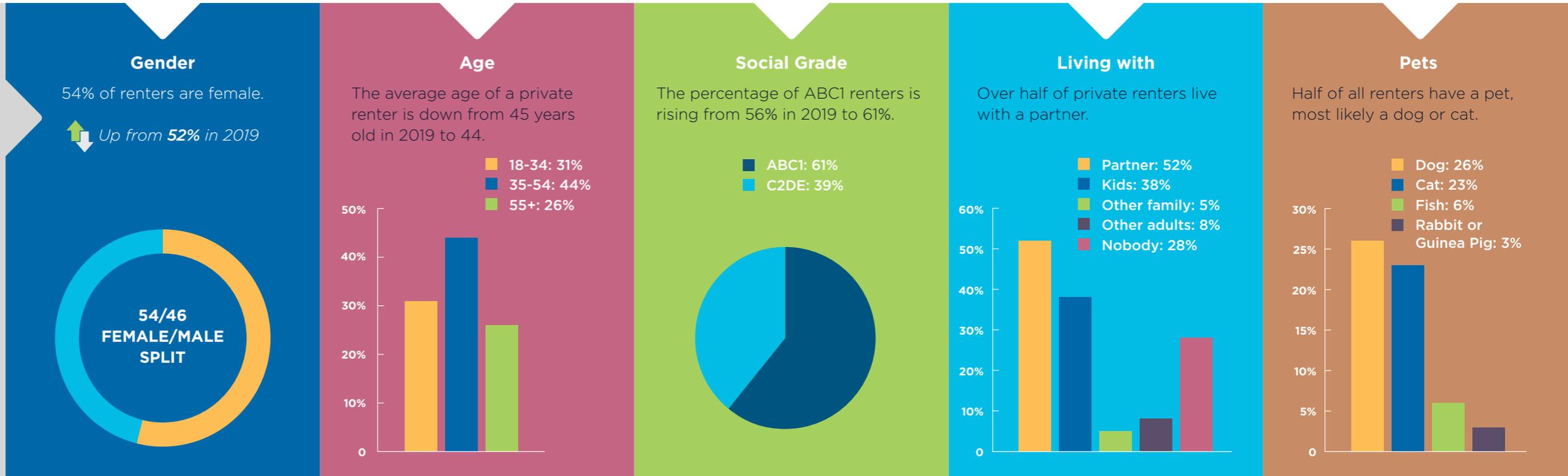
Down from 33% in 2019

Attitudes to renting have changed since 2019, but what about renters themselves? Let's meet the average UK renter.

MEET THE AVERAGE RENTER - WHO

She's 44 years old, ABC1, lives with her partner and half owns a pet

The average renter hasn't changed much since 2019. Renters come from all across the demographic spectrum, have an almost even split between women and men, and tend to live with family members:



Now we know who the average renter is, we need to look at her rental behaviour.

MEET THE AVERAGE RENTER - **WHERE**

She lives in a house, owned by a private landlord, which costs £700pcm

Rents have been rising, but that's not prompting renters to look elsewhere. The average private renter has been renting for just under seven years, and rents a full property instead of a single room:



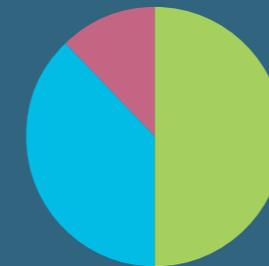
Landlord



- 88% private landlord
- 12% build-to-rent

The vast majority of renters rent from a private landlord

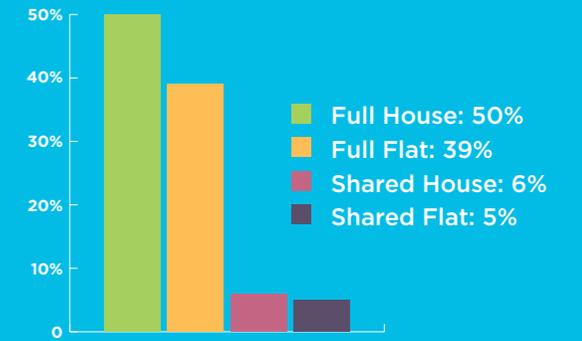
Time Renting



- 50% 6+ years
- 38% 1-5 years
- 12% >1 year

The average renter has been renting for a little under 7 years

Property Type



9/10 renters are renting a full property

Monthly Rental Cost



And this all costs them around £700 per month

CONCERNS AND EXPERIENCE

What are renters
looking for?

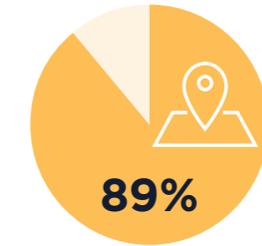




THE RENTING EXPERIENCE

We've already seen that rental demographics haven't changed much since 2019, but that doesn't mean attitudes have stayed static. Our research shows that there have been changes in the experience of renting, and the concerns that renters share.

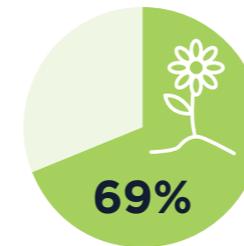
In 2019, the key concerns for renters were location, and good quality facilities such as kitchens and gardens. Since then, renters have endured enforced lockdowns, changes to the way they work, and economic turmoil. Have changing circumstances led to changing needs and concerns?



Location, Location, Location

Location is still the key factor in choosing a property for **89%** of renters

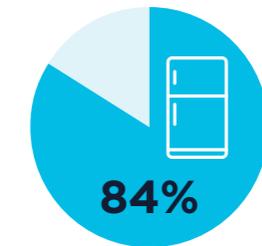
Up from **86%** in 2019



A nation of gardeners

After 18 months of isolation, **69%** of renters now rate access to a garden as very or quite important

Up from **61%** in 2019



Kitchens are crucial

84% of renters still rate a good quality kitchen as a key reason to choose a property

Up from **82%** in 2019

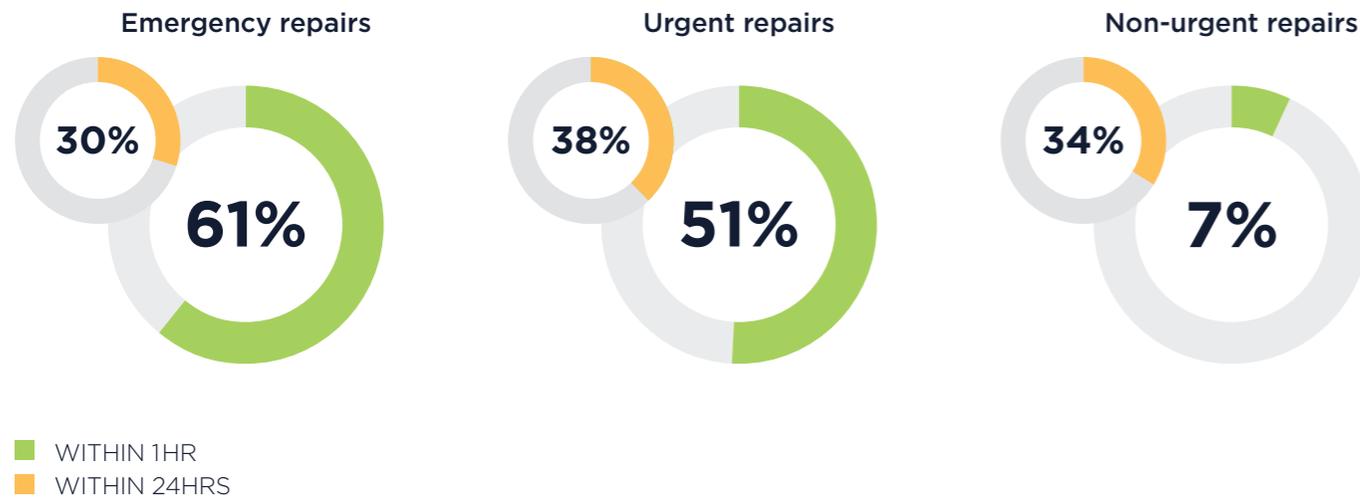
While location, kitchens and gardens are more important than ever, renters are more concerned about other factors that landlords and agents will need to consider.

MAINTAINING EXPECTATIONS

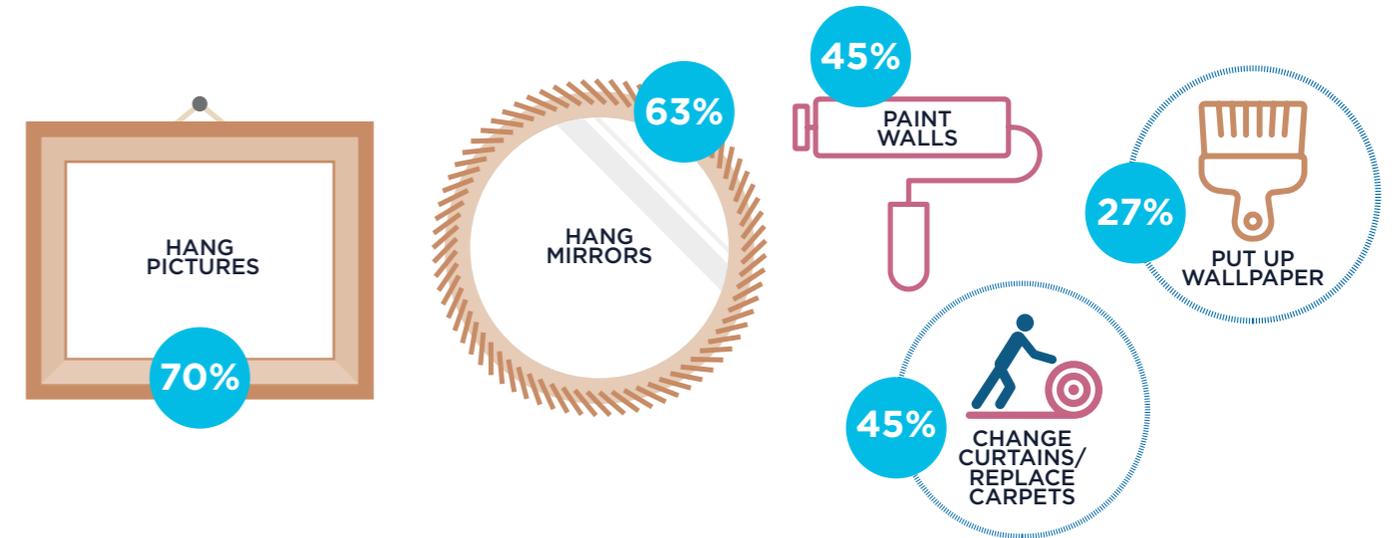
Maintenance is still a hot topic for most renters. And while most will happily change a light bulb **(80%)** or fix a loose door handle **(53%)** without input from a landlord or letting agent, when it comes to issues with boilers **(3%)** or mould **(9%)**, most tenants are looking for more support.

And that support needs to happen fast.

Tenants expect a response within one hour for queries around:



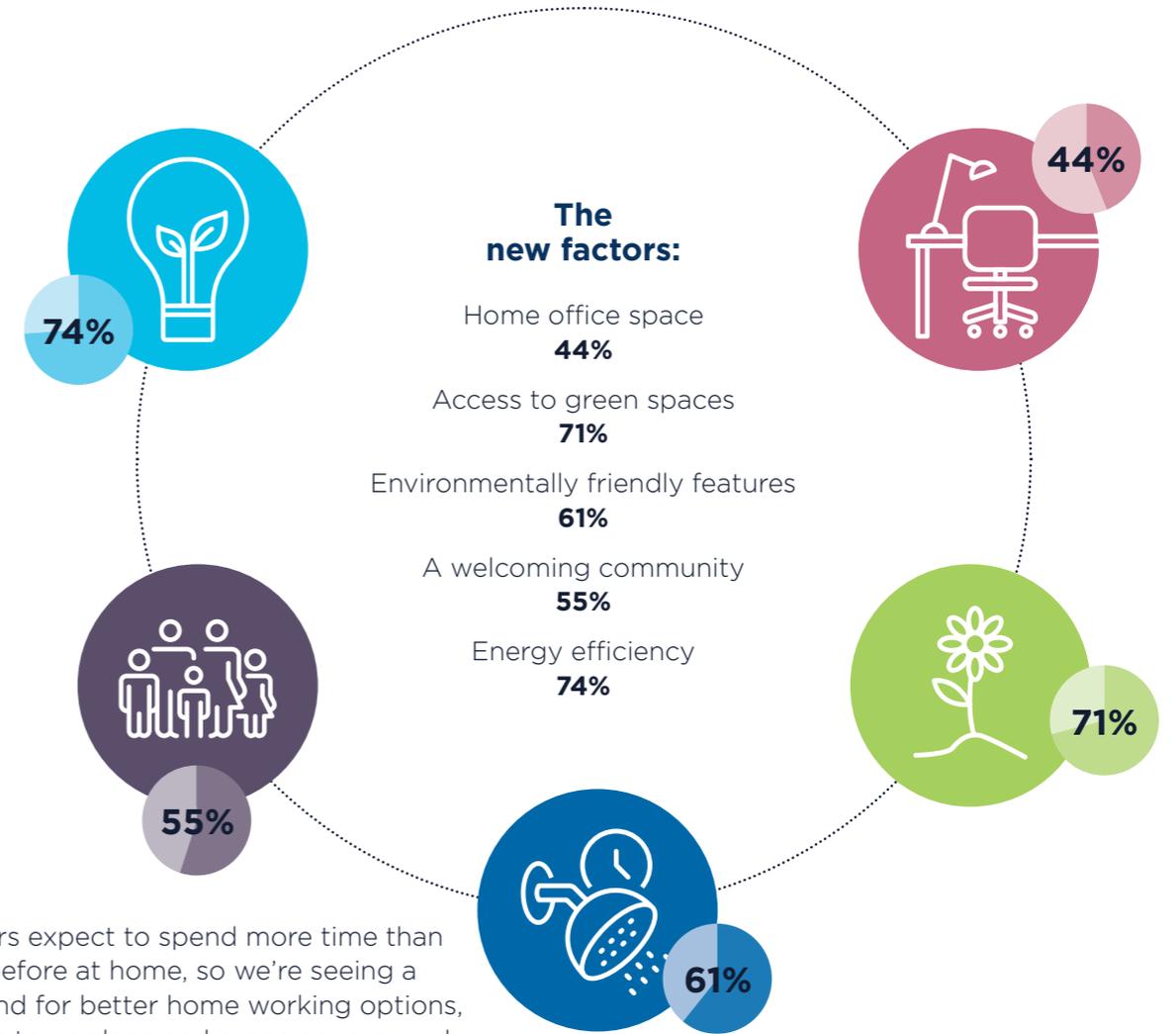
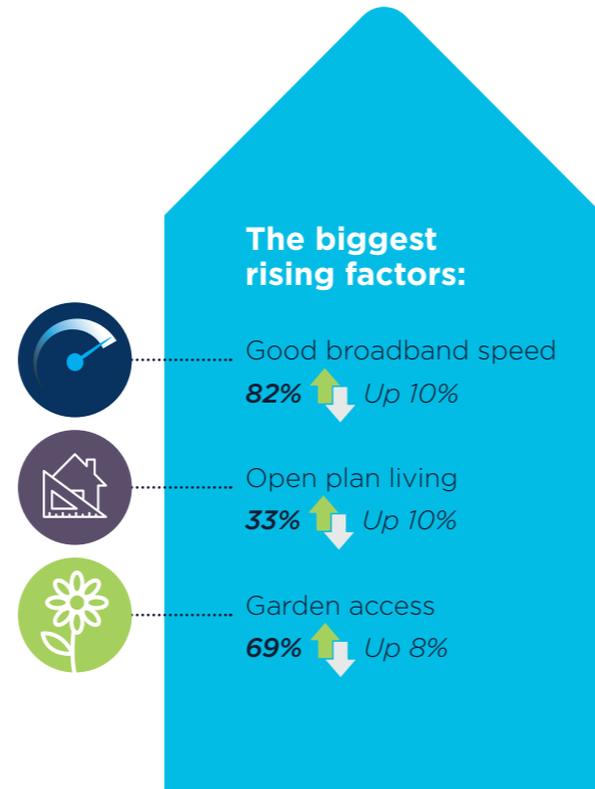
And when it comes to leaving a stamp on their property, renters expect to be able to carry out minor changes without the landlord's consent:



Across the board, only around a third of tenants expect they'd have to repair the property after decorating, so it's easy to see that disagreements around maintenance account for nearly one in five instances of unhappy renters.

NEW FACTORS FOR 2022 AND BEYOND BROADBAND, GREEN SPACES AND GARAGES

Renters reported that their expectations are low. They feel that they're in a weak bargaining position, and that they have to take what's on offer - especially when supply is being outstripped by demand. But renters still weigh up a number of factors and concerns before choosing a property, and these desires and demands have changed since 2019.



Renters expect to spend more time than ever before at home, so we're seeing a demand for better home working options, access to gardens and green spaces, and environmentally friendly features.

But if these demands aren't being met, does that mean renters are becoming unhappier?

3 IN 5 ARE HAPPY, BUT SATISFACTION IS FALLING

Net happiness among renters has dropped by 8% in just three years. In 2019, 70% of renters described themselves as 'quite' or 'very' happy. In 2022, that figure dropped to just **62%**. And concerningly, one in every ten renters describes themselves as **not at all happy**.



- Very happy - 19%
- Quite happy - 43%
- Not very happy - 28%
- Not happy at all - 10%



This happiness isn't evenly spread. Renters aged over 55 and those paying less than £650 are significantly happier than average. But those in the South of England and those paying the highest rent are far less content.

The happiest renter is...

A **male** (67% happy), aged **55+** (76%), paying less than **£650** (70%) for a property in the **North** of England (68%)

The least happy renter is...

A **female** (58% happy), aged **35-54** (55%), paying over **£950** (54%) for a property in the **South** of England (54%)

But build-to-rent tenants are happier

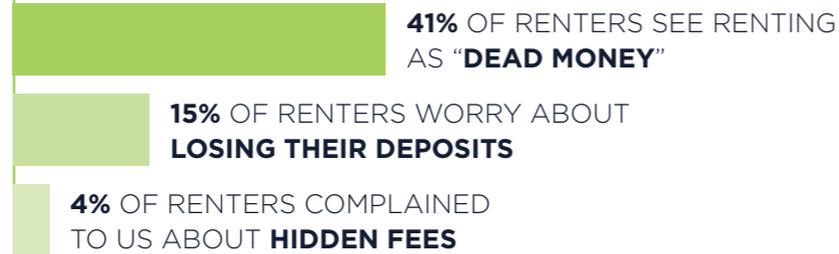
70% of BTR tenants are happy renting

61% of individual landlord tenants are happy renting

WHAT'S DRIVING THIS DROP IN OVERALL RENTER HAPPINESS?

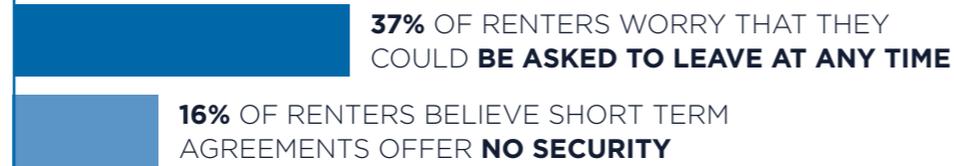
Cost

Those paying the highest rent are the unhappiest. And financial concerns apply across the whole market, with renters in all price brackets reporting that they want full transparency around rental costs so they can more accurately budget for monthly expenses and bills:



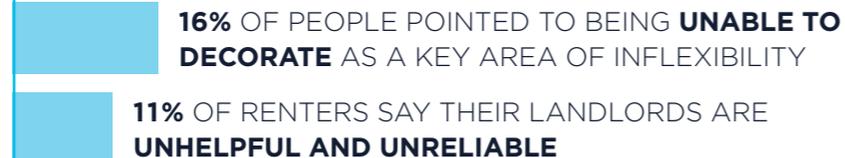
Security

Renting is also seen as more insecure than home ownership. Our focus groups show that tenants don't feel secure in their homes, and believe that they aren't protected from being asked to leave at short notice.

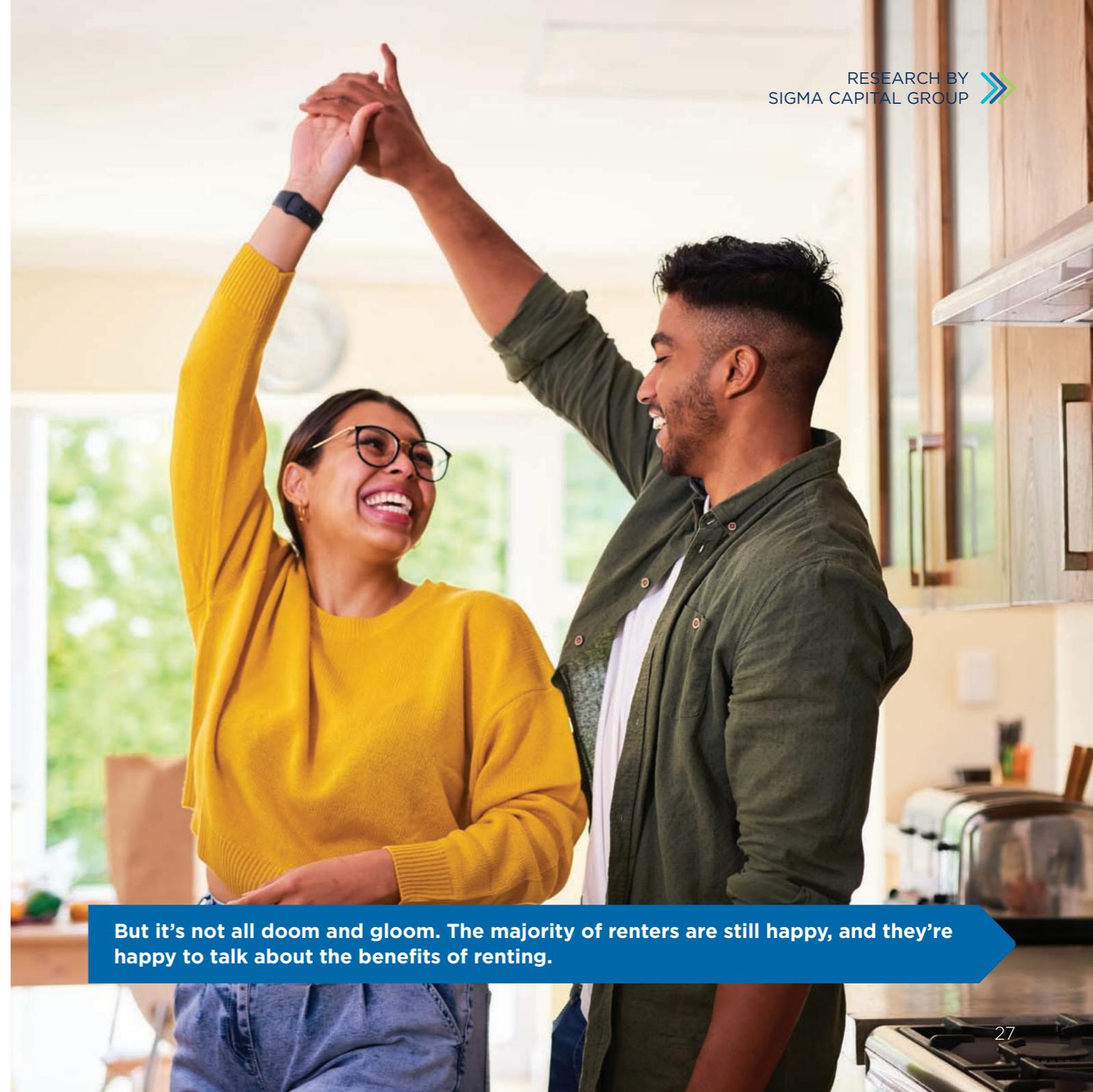


Flexibility

A lack of flexibility from landlords and agents also adds to the unhappiness. An increasing number of tenants report that they're not satisfied by their relationships with landlords, or the rules they're made to follow.



But it's not all doom and gloom. The majority of renters are still happy, and they're happy to talk about the benefits of renting.



RENTING STILL HAS BENEFITS FOR TENANTS

Net happiness may be falling, but renters are still aware of the benefits of renting a property. And top of that list is maintenance.

The top benefits of renting

- 58%:** Maintenance issues are not my responsibility
- 53%:** There are no unexpected costs for repairs
- 43%:** My landlord is friendly and approachable
- 43%:** My landlord is easy to get in touch with
- 39%:** Maintenance issues are resolved quickly
- 34%:** I don't need to worry about losing money if house prices fall
- 25%:** It offers me more freedom and flexibility to move around
- 21%:** I don't need to redecorate
- 17%:** I can afford nicer locations than if I was buying a house



“If something goes wrong, I don't have to pay for it!”

Most people aren't unhappy to be renting. But the majority **aren't delighted** with the experience. As with 2019, there's a huge number of renters in a grey area of general dissatisfaction with the lack of standardisation across the market, not knowing what to expect from one landlord to the next. This feeling is amplified because the majority of people want to buy a home, not rent one.

So, what can landlords and agents do to address renters' concerns and improve happiness and satisfaction?

KEY RECOMMENDATIONS

How can we deliver
the new ideal?



THE NEW IDEAL

For most of the renters who find themselves unhappy with their situations, problems all stem from the fact that renting isn't their ideal option. In an ideal world, without economic problems and a cost of living crisis, they'd own a home that they can invest in, personalise, and control. Instead, they find themselves compromising with landlords and agents.

Overcoming this by offering tenants the "ideal" property is a challenge for landlords. Especially because...

The cost of living crisis is biting

Rent is rising across the UK, and it can be a battle to secure a tenancy. Tenants we spoke to relayed stories of thirty people viewing a single property ahead of a bidding war that drove the rental price up even further.

"We have six months to find somewhere to live, which is very stressful. There are barely any properties available, and those that are cost 25% more than the rent we're paying now."

Covid Has Changed The Way We Use Properties

18 months of confinement has changed our relationships with our homes. We work from bedrooms, spend more time in kitchens, and rely on our own (or communal) outdoor space for rest and relaxation.

But even with changing habits and economic pressures, can landlords and agents do more? Let's look at the ideal rental property and agreement.

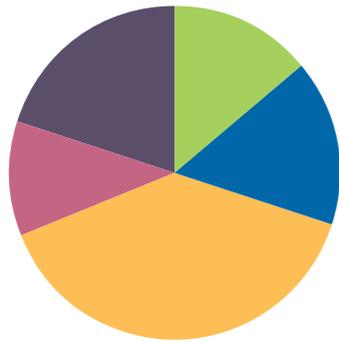


THE IDEAL RENTAL NEEDS TO...

Offer security

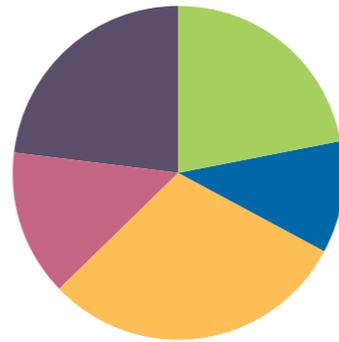
While the freedom to take up a short term lease with a view to moving on is important to the 18-34 demographic, older renters are looking for more security. The 55+ demographic prefer three year contracts, for greater stability:

When first signing, renters prefer...



- Rolling month-to-month contracts: **14%**
- 6 month contracts: **16%**
- 12 month contracts: **39%**
- 2 year contracts: **11%**
- 3 year contracts: **20%**

When renewing, renters prefer...



- Rolling month-to-month contracts: **22%**
- 6 month contracts: **11%**
- 12 month contracts: **30%**
- 2 year contracts: **14%**
- 3 year contracts: **23%**

After an initial 12 month period, renters are more likely to want the security of a longer contract.

Offer the right location

For renters of all ages, location factors are key motivators. Covid has fuelled a new appreciation for green spaces, while a move to hybrid working hasn't eliminated commute times to and from work as a key factor.

Offer the right furniture

While most tenants prefer unfurnished properties, they still expect key furniture in part or fully furnished properties. White goods, wardrobes, beds and sofas are expected by a majority of renters, while **one in four now expect an office desk** to allow for home working.



89%
VIEW **LOCATION** AS
AN IMPORTANT FACTOR



78%
WANT ACCESS TO
LOCAL **AMENITIES**



71%
VIEW ACCESS TO NEARBY
GREEN SPACES AS
IMPORTANT



64%
ARE INFLUENCED BY
COMMUTING TIMES

KEY RECOMMENDATIONS

COVID HAS CHANGED THE WAY WE LIVE...

The legacy of the Covid-19 pandemic isn't just a desire for easy access to gardens and green spaces. More of us than ever before work from home, and own pets, so renter expectations have changed. Meeting these expectations is key for landlords and agents to improve tenant happiness.



44%
OF RENTERS NEED DEDICATED HOME OFFICE SPACE

Not a factor in 2019



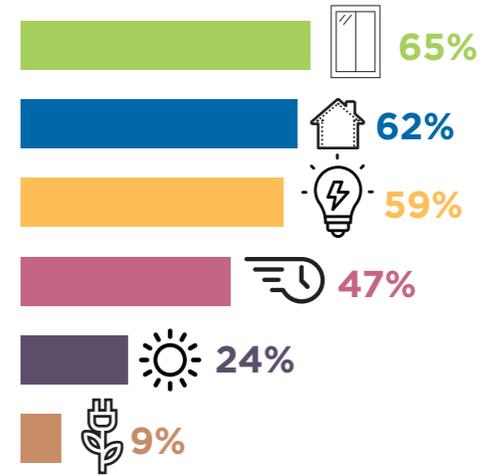
82%
OF RENTERS WANT THEIR PROPERTY TO OFFER GOOD BROADBAND SPEED

Up from 72% in 2019

... and cost of living increases mean we're more energy conscious than ever before

Renters expect landlords to have futureproofed their properties, and are attracted to sustainability initiatives that help save them money on heating, water and electricity. But they aren't willing to pay higher rents for greener properties.

Renters expect the following energy-saving enhancements:

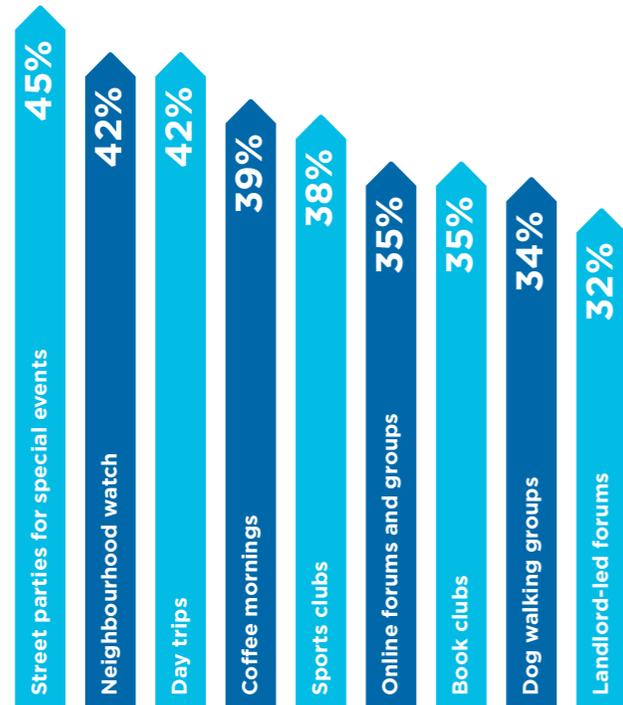


- 65% Superior double or triple-glazed windows
- 62% High levels of insulation
- 59% Energy efficient lighting
- 47% Smart meters
- 24% Solar panels
- 9% EV car charging ports

LANDLORDS NEED TO CREATE COMMUNITIES, NOT JUST PROPERTIES

Demands for different property types haven't changed much since 2019. Renters still prefer flats and semi-detached houses over terraces, townhouses and bungalows. But what has changed is a desire for closer communities.

What community initiatives are renters interested in?



And with the majority of renters wanting community activities to take place within 15 minutes of their homes, it's on landlords to enable and support community initiatives.



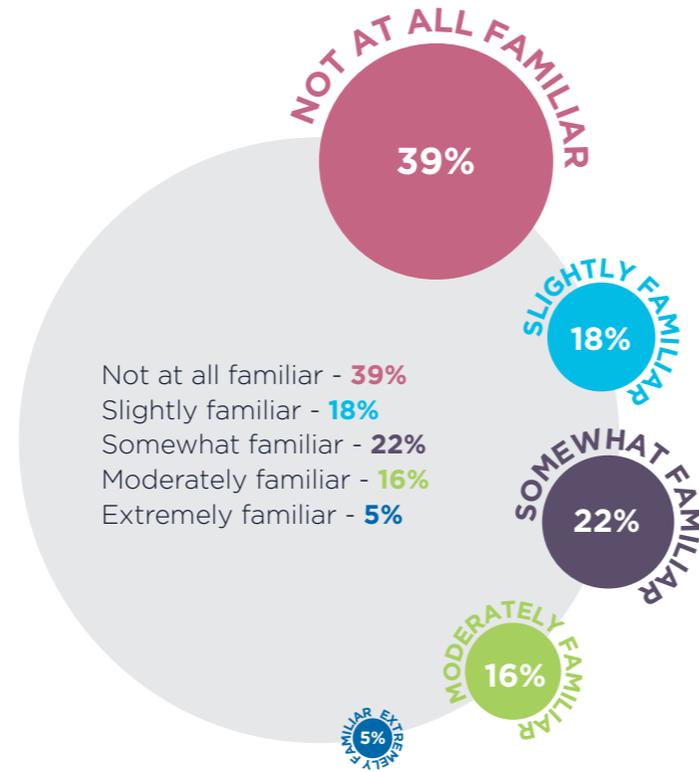
WE NEED TO BE CLEARER ABOUT THE BENEFITS OF BUILD-TO-RENT

Only one in five people claimed to be moderately or extremely familiar with the concept of built-to-rent properties. Well over a third weren't familiar with the concept at all.

As familiarity increases, so does approval, with **59%** of those who say they are familiar with the concept agree that they'd be likely to rent from a build-to-rent landlord.

Appeal is highest amongst younger renters aged **18-34**, and those paying **over £951** per month.

But while most renters aren't clear on the benefits of a build-to-rent landlord, it didn't take long for them to realise the advantages over a one-off private landlord:



PERCEPTIONS OF RENTING FROM A BUILD-TO-RENT LANDLORD VERSUS PRIVATE LANDLORD

Whilst most fail to identify the benefits of renting from a build-to-rent landlord, those that can, expect professionalism and good maintenance

% stating Don't know						
52	18-34	8	Shorter	Tenancy term	Longer	39
49	18-34	14	Higher	Rent payment	Lower	37
59		13	Worse	Value for money	Better	28
49		5	Unprofessional	Service professionalism	Professional	46
55		18	Impersonable	Personal service	Personable	27
51		10	Lower	Standard of service	Better	39
48		11	Less	Landlord accountability	More	41
44		7	Poor	Maintenance	Good	48
55		15	Less	Flexibility	More	30
51		12	Less	Choice	More	37
51		8	Lower	Quality of home	Higher	40
57		7	Less	Amenity	More	36
59		10	Less	Community activity	More	31

55+s are significantly more likely to state don't know.

Renters who are moderately familiar with the concept are significantly more likely to see the benefits.

C5 - What do you think renting from a build-to-rent landlord would bring compared to a one-off private landlord? Base: All respondents (2,009)

CONCLUSION

The new
ideal



CONCLUSION

Renters' expectations have never been lower. They're used to hearing excuses about Covid for slow or poor service, and with tenancy situations precarious, they're unlikely to want to rock the boat and insist on better.

It would be easy for landlords and agents to ignore the unhappiness and feelings of powerlessness reported by renters, and instead focus on the huge demand for properties - demand that can erupt into bidding wars which drive up profits with little-to-no effort.

But landlords who are happy to push up prices without improving service levels will find themselves short on repeat business, and even shorter on goodwill. With proposed government-led house building schemes due to start in the coming years, supply will eventually grow to meet demand.

And it's the landlords who have addressed the legitimate concerns of renters over cost, security and flexibility, the ones who have adapted to the post-Covid environment to offer high quality, greener housing, who will benefit in the long run.

Because if we all focus on serving our customers, on offering the new ideal, then landlords, agents, and the industry as a whole will be able to count on engaged, loyal and grateful renters whatever the future brings. And that's the ideal outcome for everyone.



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