

Landlord Reports

Changes, trends and perspectives on the student rental market.



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Introduction

www.accommodationforstudents.com is the UK's leading student accommodation website. Founded in 2000 by Simon Thompson, the site has gone from strength to strength and now attracts over 3 million visitors each year. There are over 1.5 million students registered with the site and thousands of landlords and letting agents with active accounts.

Utilising our strengths to provide insights into the student letting market is a key part of the AFS service. Identifying trends, perceptions and motivations to assist those managing properties is an important part of this. Over time this had expanded to become part of our formal research programme.

This report provides an overview of the findings of a survey of 146 landlords, letting agents and private hall managers and investigates changes, trends and perspectives on the student rental market today.

Executive Summary

High letting success is a strong feature of the survey results, with 92% of landlords letting their full portfolio in 2013 and 70.1% having already let all of their properties for the beginning of the 2014 academic year. This is teamed with most respondents reporting a small percentage of properties not let. Letting success correlates well with letting experience and, as expected, had a strong influence on 2014 rental increases and market confidence.

“60% of respondents reported increasing rent for some (34.5%) or all (26.1%) of their properties in 2014.”

The majority of these increases were small with 94.1% reporting a price hike of just 1-10% across their entire portfolio.

‘No change’ in market confidence was the most popular result when discussing the change in confidence from 2013 to 2014 (43.3%). However, the results were skewed towards a decrease in confidence (42.6% ‘less’ or ‘considerably less’ confident). This was strongly associated with letting success rates, where the majority of landlords failing to let their full portfolio in 2013 reported a decrease in confidence in 2014 (58.4%).

Notably rental increases correlate positively with market confidence, where two thirds of those who increased their rents also reported feeling more confident.

This implies that the decision to increase rents tended to be well-judged within the rental market conditions and it is often in response to previous letting successes as opposed to shortcomings.

Perception of students as tenants is high. 83.8% stated that students make good tenants, 69.1% report that students make better tenants than non-students and 92.6% plan to continue letting to students in the future.

The key benefits of letting to students include better rental yields (76.5%), the annual market (53.7%) and guaranteed rent (45.6%). 60.3% of respondents would recommend student lettings to a colleague. The main challenges associated with letting to students include the costs associated with maintaining a HMO (57.4%), student being more time consuming tenants (50.7%) and the turnover of tenancies (46.3%).

71.4% ‘sometimes’ or ‘infrequently’ have student tenants in rental arrears.

7.4% ‘frequently’ experience this and 2.2% report that this occurs ‘a lot of the time’. 63.9% of the time students are in arrears for 1 month, followed by 25.9% who have 2 months. 0.9% is in arrears for more than 3 months. 19.1% of respondents reported never having student tenants in rental arrears.

Respondents reported a varied approach to advertising their student properties.

Favoured methods ranged depending on the type of property management, the portfolio size and location. Landlords typically utilise a smaller variety of advertising methods than letting agents or private hall managers. They are more likely to use well-established means such as through the university (59.5%) or through a letting agent (36.9%). In contrast, letting agents more commonly used a variety of websites (100%) or social media (66.7%) in addition to posters and notice boards (44.4%) and advertising in publications (22.2%). Private hall managers favoured websites, social media, publications and direct mail.

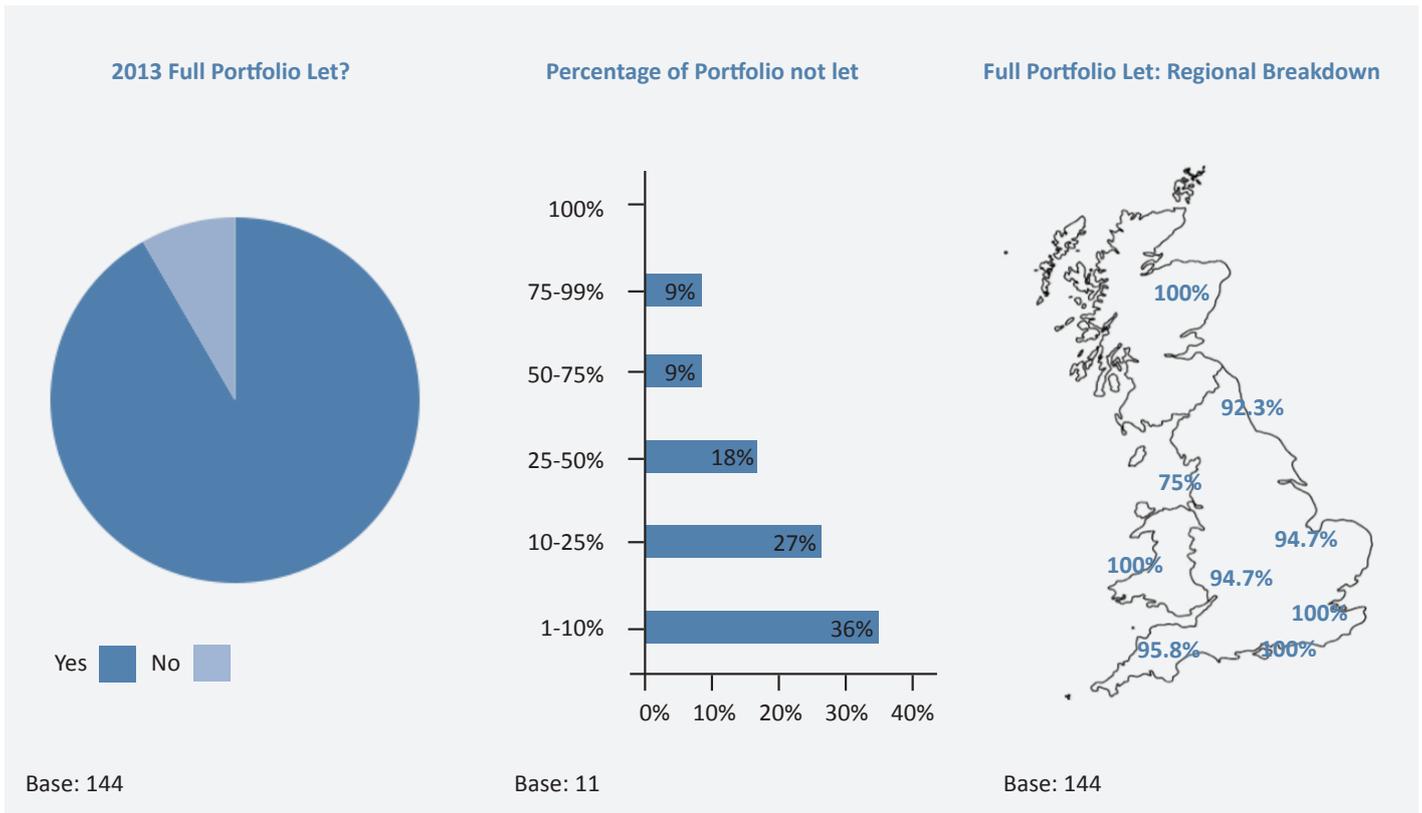
69.2% of respondents have had some or all of their properties accredited.

Of those, 68.5% were council accredited, followed by 46.7% accredited by a university. 31% of unaccredited landlords do not plan to become accredited in the future, with the majority of respondents unsure of their plans. Key barriers to accreditation include it not being necessary for successful letting (73.8%), the administrative burden (57.1%) and the cost of participating (47.6%). There is a spatially variable trend of accreditation motivations and perceptions of different accreditation types.

55.9% reported offering a bills inclusive package for some or all of their properties.

Almost all of these offered electricity, gas and water (96%) followed by 80% providing an internet service and 50.7% who offer a TV package or TV license costs. The key barriers to offering bills inclusive include fears of additional costs due to over-usage (72.7%), not considering it necessary for successful letting (50.9%) and fear of additional hassle (49.1%). Letting agents and those with larger portfolios are more likely to offer bills inclusive rents.

90.3% are happy to rent to international students. The majority would request rent to be paid upfront in the absence of a suitable guarantor (58%) where 27.6% require less than 6 month's rent, followed by 17.9% who require full rent upfront.



2013 Letting Success

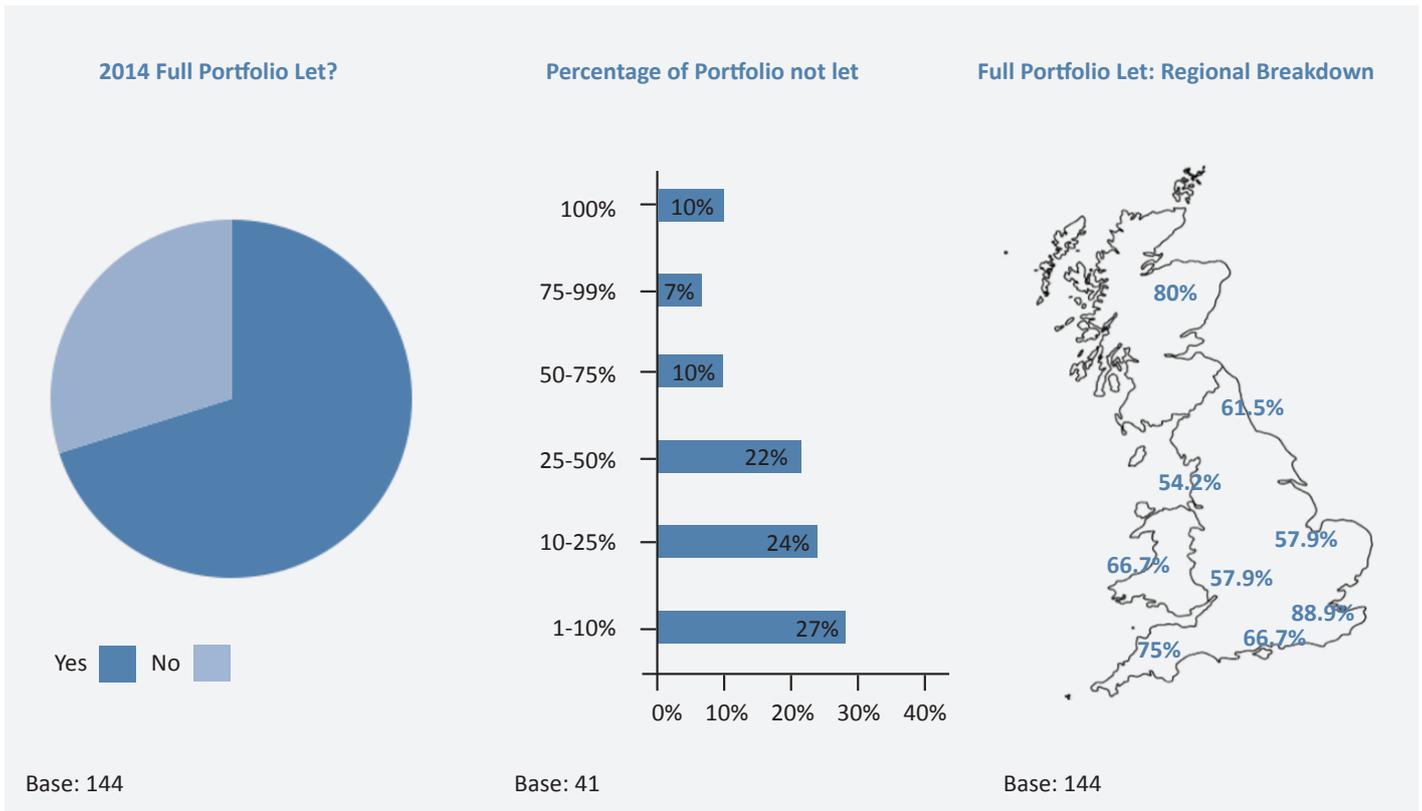
92% let all of their properties for the 2013 letting year. Of those who did not, 36.4% did not let between 1% and 10% of their portfolio and the majority (81.9%) let at least 50% of their properties.

Landlords reported letting all of their properties more commonly (93.1%) than letting agents (66.7%), but of those who did not let their full portfolios, landlords failed to let a larger percentage (10-25% vs 1-10%).

Respondents who reported letting to students and non-students were twice as likely to have failed to let their properties as those who let to students only.

Most regions performed well in 2013 with all but the North West demonstrating a success rate of >90%. The North West was the lowest performing region, with a success rate of 73.9%.

Respondents with the greatest property management experience were more likely to successfully let their full portfolio and, where properties were not let, more experienced respondents did not let 1-10%, compared to up to 50-75% for less experienced property managers.



2014 Letting Success

70.1% of respondents have let all of their properties for the forthcoming 2014 letting year. 26.8% of those who have not yet secured lets for all their properties have managed to let at least 90% of their portfolio, followed by 24.4% who have let at least 75%. 2.7% of respondents have not yet let a single property for the 2014 letting year. Of those who are still filling their properties for start of the 2014 academic year, 60.9% expect them to be let by the summer months. 17.7% believe that they will not let all of their properties in this letting year.

During this letting year, the North West has continued to exhibit relatively poor success rates, with 43.5% stating they have not yet let their full portfolio. This is followed by the Midlands where 38.9% report properties still available.

Interestingly, those with larger property portfolios reported letting a greater percentage in 2013 and in 2014, with most only failing to let less than 25%. In contrast those with a portfolio of 1-3 properties more commonly reported failing to have let 25-50% in both 2012/13 and 2013/14. Managers of larger private developments all reported having successfully let 100% of their portfolio in both 2012/13 and 2013/14, although this may be associated with variable definitions of 'fully let' for different property types.

More landlords have successfully let their full portfolio for 2014 (71.5%) than letting agents (44.4%). However, as in 2013, landlords who have not yet let all of their properties have a larger percentage not let than letting agents (25-50% vs 10-25%).

Those who had failed to let their full portfolio in 2013 were significantly more likely to do so again whereas 91.7% of those who failed to let their portfolio in 2013 failed again in 2014.

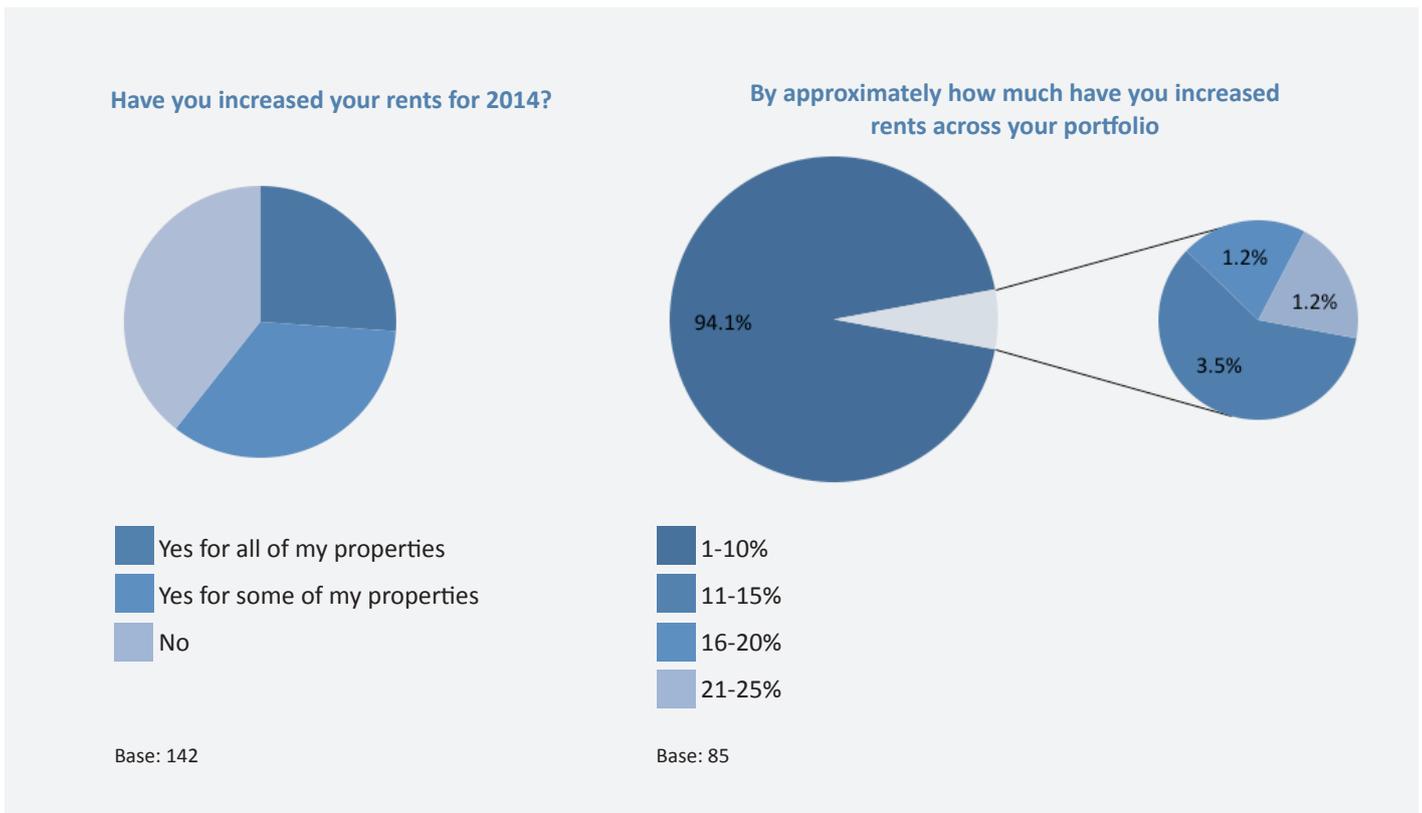
As in 2013, property managers with more experience in lettings reported higher success rates in securing tenants for their full portfolios in 2014. However, this is with the exception of relatively new property managers, 80% of whom have successfully let their portfolio for 2014. Those with the greatest experience managed to let a higher percentage of their portfolio than their less experienced counterparts, where the full portfolio was not let.

2013



2014





2014 Rental Increase

26.1% of respondents have increased rents for all of their properties in 2014, with 34.5% who have increased rents for some of their properties. For 94.1% of those who have increased their rents, they have done so by 1-10% across their portfolio. No respondent reported having increased their rents by more than 25%.

Respondents with larger portfolios were more likely to have increased their rents for 2014 than those with less than 10 properties. However, of those who did increase their rents, portfolio size has a limited impact upon the % increase in price. 100% of larger private development managers reported increasing their rents and more commonly reported increasing by 21-25%.

Respondents who failed to let their full portfolio in 2013 were half as likely to increase their rents in 2014, with three quarters reporting no increase. Of those who did increase their rents, all reported an increase of less than 10%.

There is also a spatial distribution in regards to rental increases. London, South East and Scotland demonstrate the highest incidence of rental increase of 100%, 76% and 75% respectively. This is compared to the West Midlands (41.2%), North West (47.8%) and North East (50%). All of these had lower than 20% increase in price across portfolios with the exception of London, were 12.5% reported increasing rents by 21-25%.

Respondents who reported having increased their rents also commonly reported having successfully let their full portfolio for the 2014 letting year: Yes for all properties: 94.6% fully let, Yes for some properties: 75.5% fully let and No: 51.8% full let. This implies that rental increases were in line with market changes and were well-judged, not impacting upon rental performance.

2014 Market Confidence

43.3% of respondents report no change in their confidence in the student market this letting year compared to in 2013.

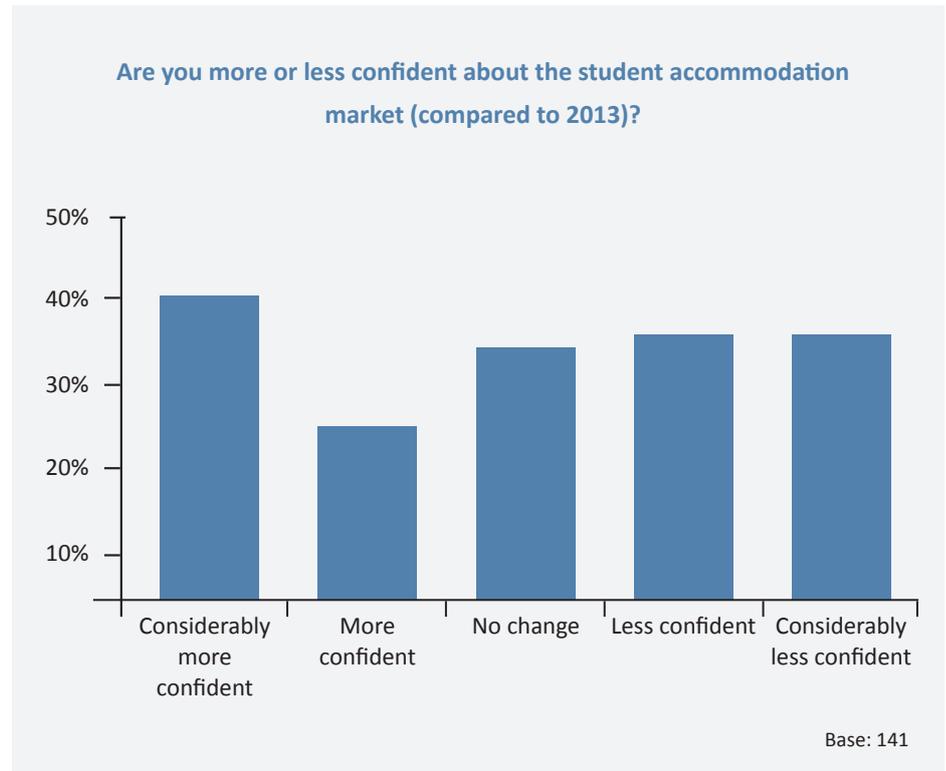
42.6% report feeling less confident, where 12.8% state that they were considerably less confident. 14.1% are more confident in the market, with 2.8% considerably more confident.

Those with smaller portfolios reported a more variable response in regards to market confidence. Respondents with larger portfolios were more likely to report a decrease in confidence. In contrast, more landlords reported a decrease in confidence (43.3%) than letting agents (33.3%).

Respondents who reported failing to let their full portfolio in 2013 expressed low confidence in the market in 2014, with 41.7% feeling considerably less confident and 58.4% reporting a decrease in confidence.

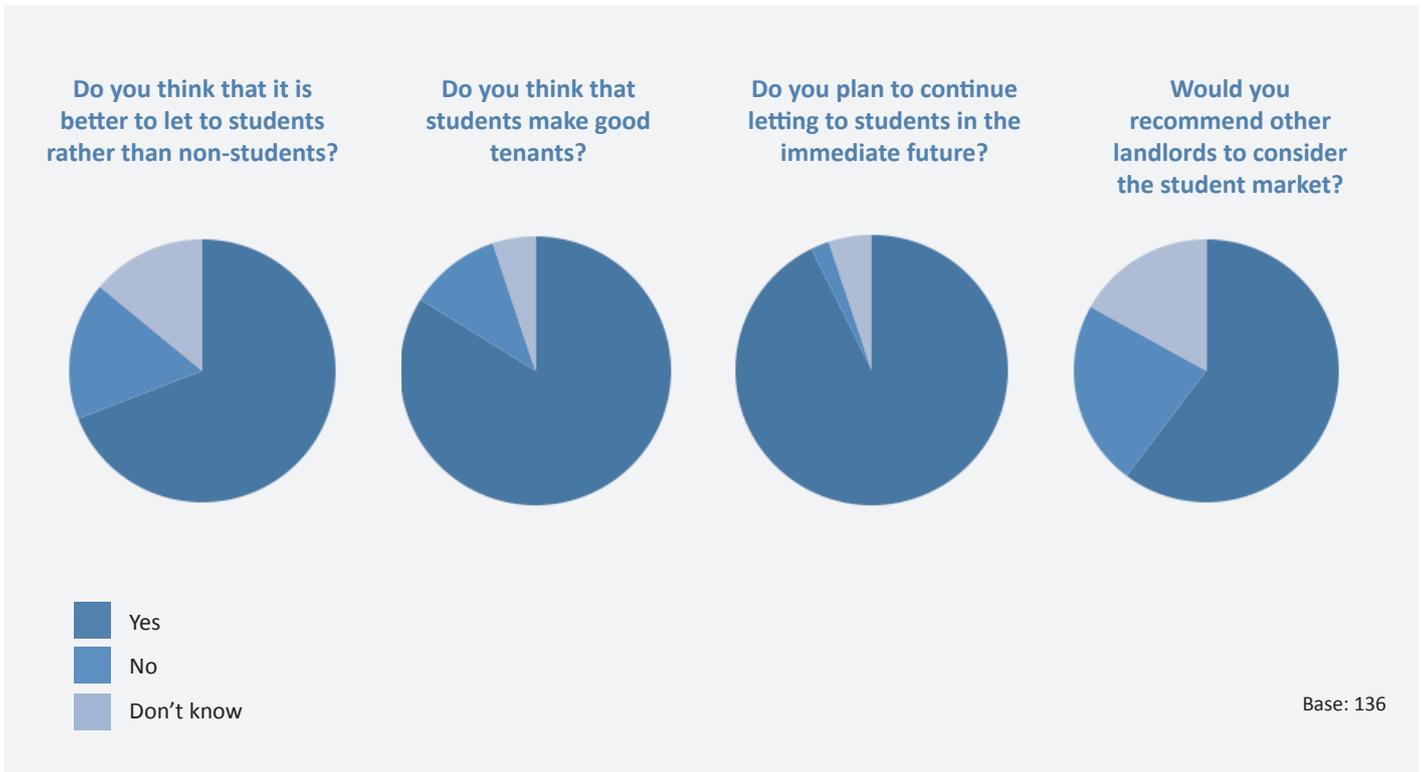
There is also a correlation between confidence in the market and rental increases. Those who reported increasing their rents for 2014 felt up to two times more confident about the market this letting year. The respondents who reported this phenomenon also experienced a higher letting success rate for 2014: 100% for those who increased rents for all their properties and 88.9% for those who increased rents for some of their properties. This demonstrates how rental increases in response to market confidence were largely well-judged and translated into positive letting performance.

Respondents in Scotland (75% 'more confident') and London (50% 'more confident') report an increase in market confidence for 2013/14. This is compared to West Midlands (58.8%



'less confident'), East Midlands (50% 'less confident') and North East (50% 'less confident') were decreases in market confidence where more commonly reported. All other regions reported a modal response of 'no change' in market confidence.

Despite most respondents reporting 'no change', the North West presents the highest incidence of respondents expressing a considerable decrease in confidence (22.7%). This is not unsurprising based on 2013 and 2014 letting success rate performance, however more respondents from the North West reported an increase in confidence than in the South East or Wales. This demonstrates the variable nature of market confidence and how it is not always derived directly from rental performance.



Student Tennants

69.1% stated that, in their experience, it is better to let to students than non-students. This figure is slightly higher for landlords than letting agents, where a third of letting agents prefer non-student tenants. The majority of respondents for each region agreed with the exception of London, where just 42.9% preferred student tenants.

83.8% believe that students make good tenants. This is associated with a number of associated benefits: better rental yields (76.5%), annual market for new students (53.7%), rent is guaranteed by a parent/guardian (45.6%) and rent is paid promptly (25%). Only 3.7% reported experiencing no benefit associated with letting to students.

Despite these benefits, some challenges were also highlighted when letting to students. These include the cost of maintaining a HMO (57.4%), students are more time consuming that letting to non-students (50.7%), the turnover of tenancies (46.3%) and damage caused to the property (41.2%). 9.6% reported experiencing no issues associated with letting to student tenants.

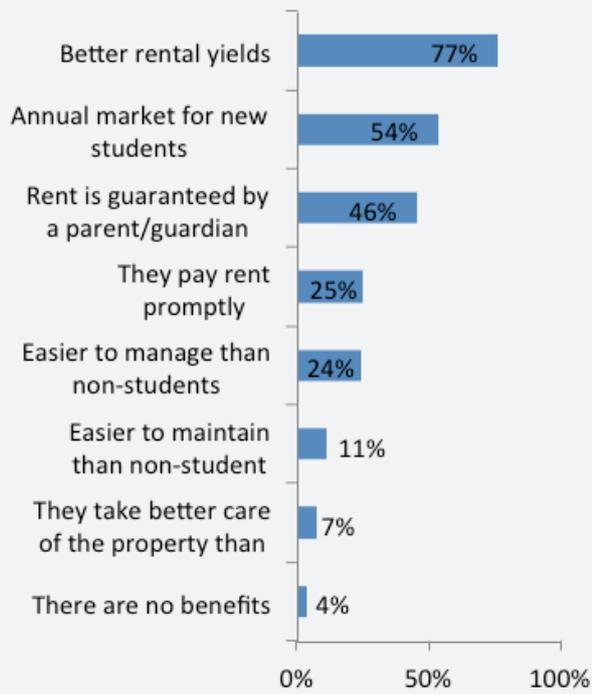
Those with smaller portfolios more commonly reported issues relating to costs, such as the cost of maintaining a HMO. Those who manage larger portfolios were more likely to report issues relating to property damage and students being more time consuming as tenants than non-students.

92.6% of respondents plan to continue letting to students in the immediate future. Of the 2.2% who plan to cease letting to students, all were landlords as opposed to letting agents and 99% had failed to let their full portfolio in 2013.

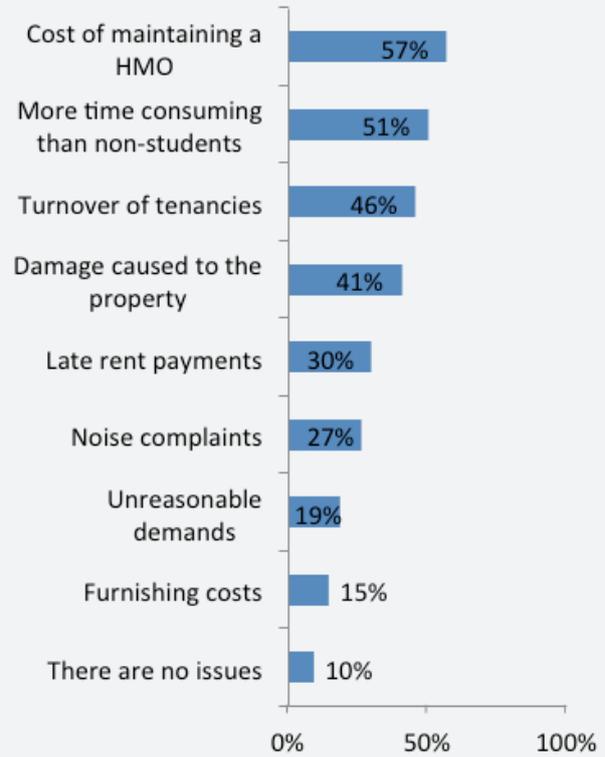
60.3% would recommend other landlords to consider the student market.

Those with smaller portfolios were more likely to recommend the student market to other landlords. However, 77.8% of letting agents would recommend the student market, compared to 58.2% of landlords.

What are the main benefits associated with letting to students?



What are the main issues associated with letting to students?



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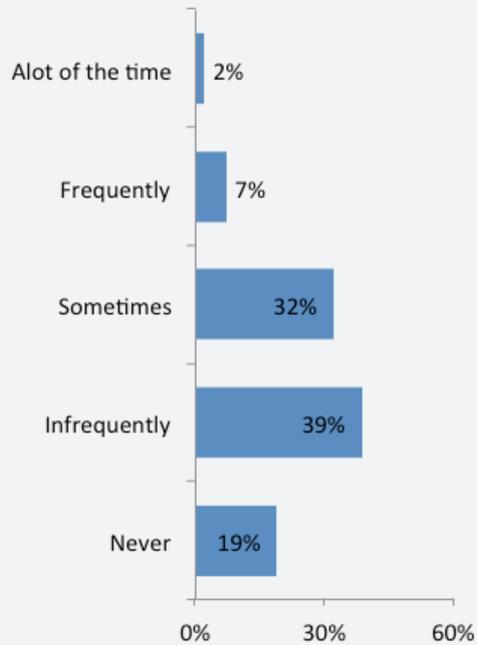
Rental Arrears

71.4% 'sometimes' or 'infrequently' have student tenants in rental arrears. 7.4% 'frequently' experience this and 2.2% report that this occurs 'a lot of the time'. 63.9% of the time students are in arrears for 1 month, followed by 25.9% who have 2 months. 0.9% is in arrears for more than 3 months. 19.1% of respondents reported never having student tenants in rental arrears.

Landlord respondents reported having student tenants in arrears less frequently than letting agents and for 1 month (67.4%) rather than 2 months more commonly stated by letting agents (62.5%).

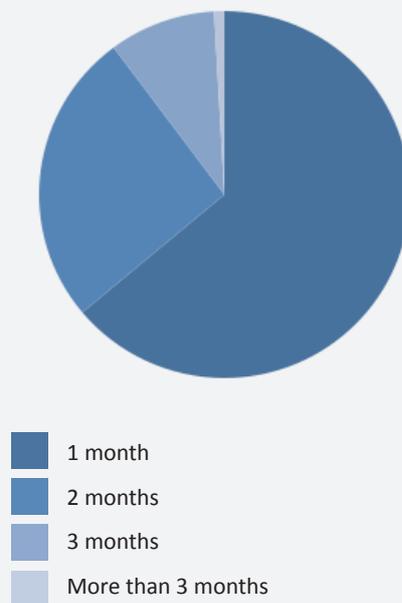
44.1% state that students are less likely to get into rental arrears than non-students, where 19.1% find that it is more likely. Letting agents suggested that students were more likely to get into rental arrears much more than landlords (77.8% vs. 13.9%).

How often do you have student tenants in arrears?



Base: 136

What is the average amount of rental arrears that a student has?



Base: 108

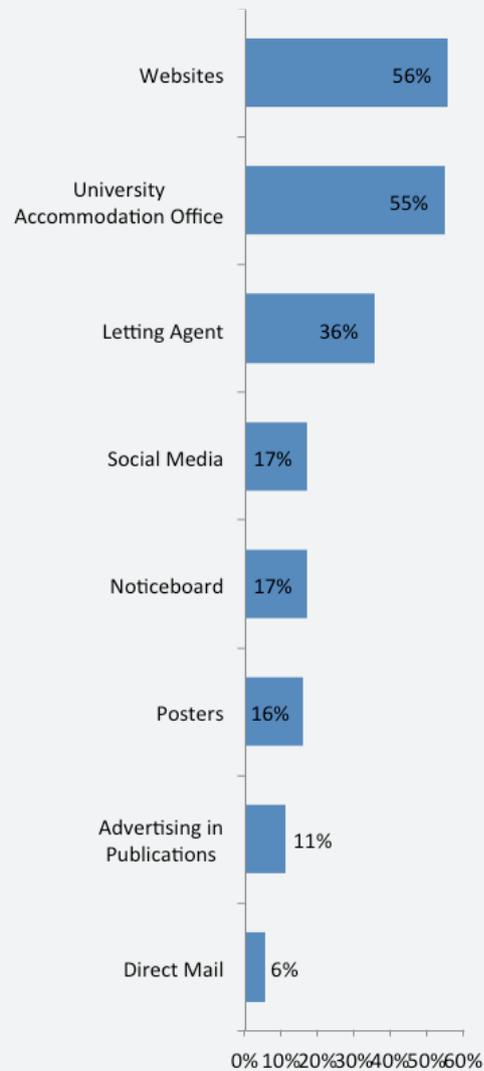
Advertising Methods

There is a variable use of university accommodation offices regionally. This method is much more popular in the South, in the West Midlands and in Scotland and Wales than across the North or in the East. Moreover, respondents with fewer than 20 properties favoured this method more than those with larger portfolios.

All respondents with larger property portfolios used a variety of websites to advertise their accommodation. They also favoured social media, advertising in publications and posters more than those with smaller portfolios. Instead, smaller landlords and letting agents more commonly reported using methods such as notice boards or letting agents.

Landlords typically utilise a smaller variety of advertising methods than letting agents or private hall managers. They are more likely to use well-established means such as through the university (59.5%) or through a letting agent (36.9%). In contrast, letting agents more commonly used a variety of websites (100%) or social media (66.7%) in addition to posters and notice boards (44.4%) and advertising in publications (22.2%). Private hall managers favoured websites, social media, publications and direct mail.

What methods do you use for letting student properties?

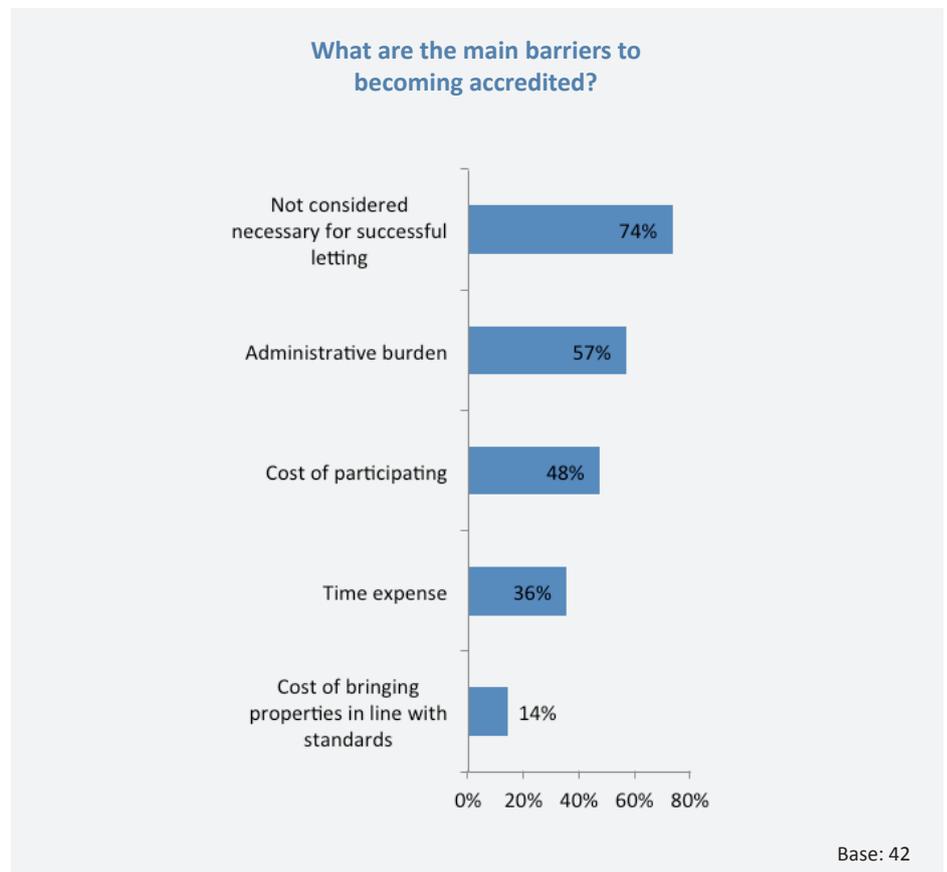
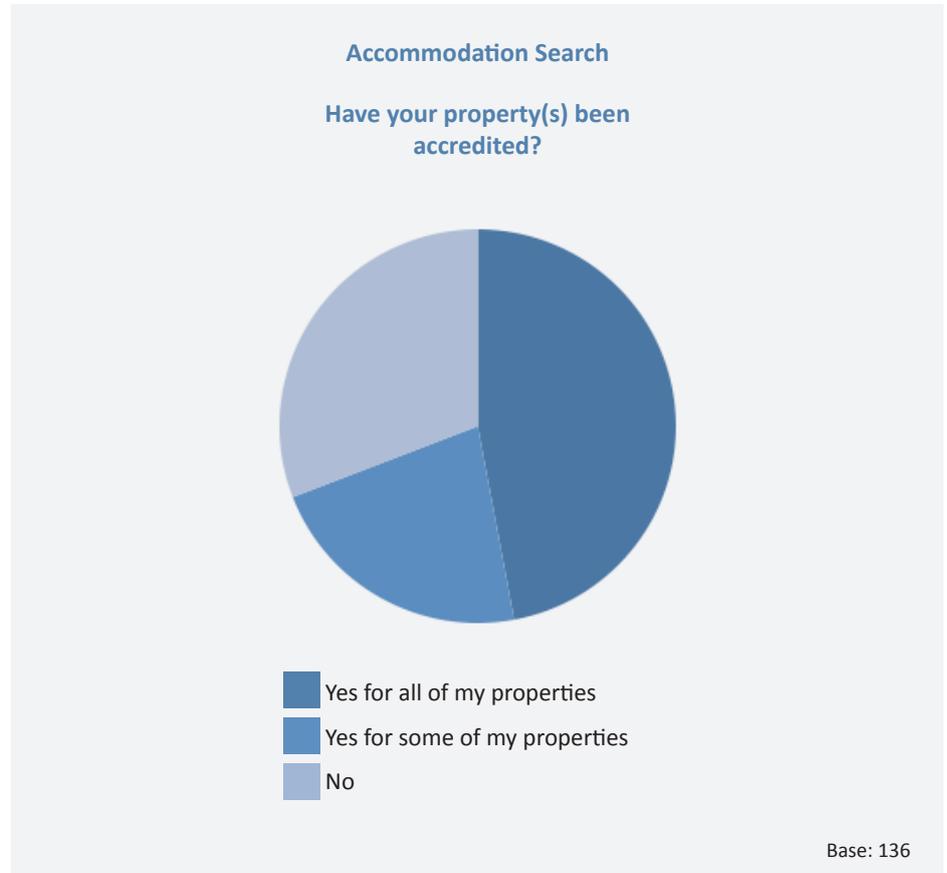


Accreditation

69.2% of respondents have had some or all of their properties accredited. Council accreditations were most popular, with 68.5% reporting that their properties had been accredited by their local authority. This is followed by the university (46.7%), the NLA (19.6%) and a local or regional landlord association (18.5%). Of those who reported having not accredited their properties, 31% did not plan to in the future, with the majority (59.5%) unsure of their plans. Respondents highlighted some of the main barriers they perceived to becoming accredited including that it is not considered necessary for successful letting (73.8%), the administrative burden (57.1%) and the cost of participating (47.6%).

Accredited property managers reported greater success letting their properties where 97% successfully let their full portfolio in 2013 and 71.2% did so in 2014. They also reported being slightly more confident in the market.

Accredited respondents who also reported an increase in market confidence were more heavily concentrated in Scotland, the North East, South West and London and reported University or council-managed accreditations. Those who reported a decrease in market confidence were more often located in the West Midlands and North West. The South West shows the highest concentration of unaccredited respondents who reported that accreditation was not necessary for successful letting whereas those who highlighted financial barriers were from the East Midlands and North West. This implies a spatially variable trend of accreditation motivations and perceptions of different schemes, likely associated with local rental markets and tenant opinions.



Bills Included

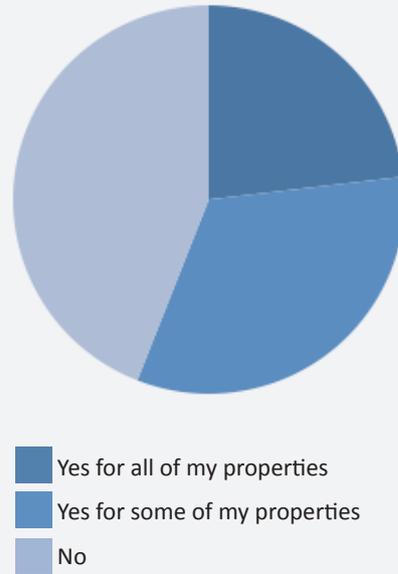
55.9% of respondents report offering bills inclusive packages for some (32.8%) or all (23.1%) of their properties. Electricity, gas and water are most commonly offered inclusive, with 96% including all three. 80% offer internet costs included in the rent, followed by 50.7% offer television packages or TV license costs.

Of those who do not currently offer bills inclusive, half (50.8%) do not plan to do so in the future and a quarter (25.4%) are unsure of their plans. Respondents report not wishing to offer bills inclusive for the fears of additional costs due to over-usage (72.7%), that it is not considered necessary for successful letting (50.9%) and the fear of additional hassle due to over-usage (49.1%).

Letting agents are more likely to offer bills inclusive rent than landlords and private halls managers are the least likely to include this service. Property managers with larger portfolios are also more likely to offer a bills inclusive service; however they report including bills for some and not all of their properties.

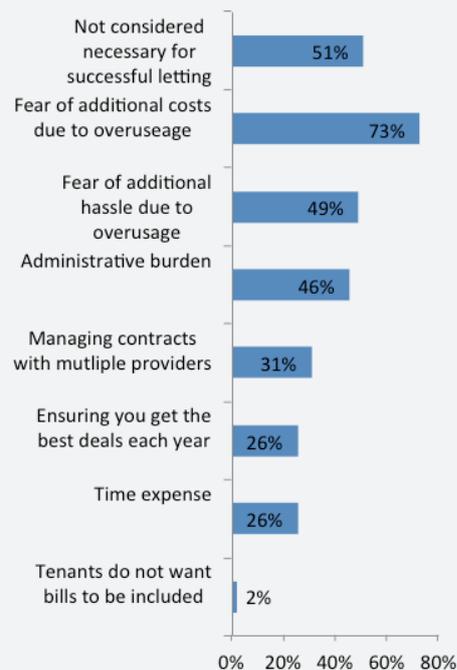
Those who report offering bills inclusive also report lower success rates for lettings in 2012/13 and 2013/14 in addition to reduced confidence in the market. This suggests that bills inclusive rent may be offered as a means of improving competitiveness for some landlords in less bountiful rental markets. Cross analysis suggests that the North West and West Midlands are key areas for this trend. In contrast, the South West and East Midlands are areas where bills inclusive rent correlates more highly with an increase in market confidence.

Do you offer bills inclusive rent for your properties?



Base: 136

For what reason(s) would you not consider offering bills inclusive?



Base: 55

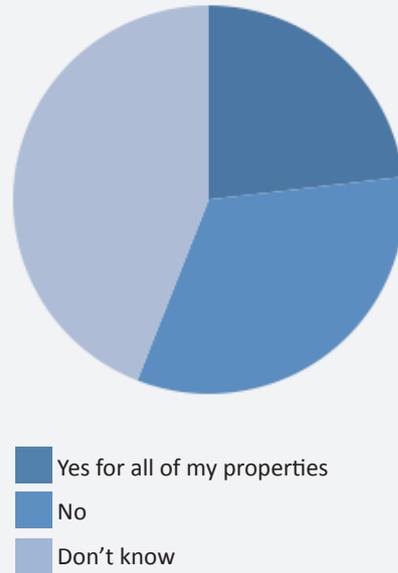
International Students

90.3% of respondents are happy to rent to international students. Of those, 35.1% do not require any additional rent to be paid upfront due to barriers in providing a suitable guarantor. 27.6% would require less than 6 months' rent in advance in the absence of a guarantor, followed by 17.9% who would ask for the full rent in advance.

All letting agents who participated in the survey stated that they would rent to international students, compared to 91% of landlords and two thirds of private hall managers. Landlords are less likely to request rent upfront in the absence of a guarantor with 35.2% reporting that no rent upfront would be required. 75% of letting agents would require some rent upfront, with a quarter requiring less than 6 months and 37.5% asking for full rent in advance.

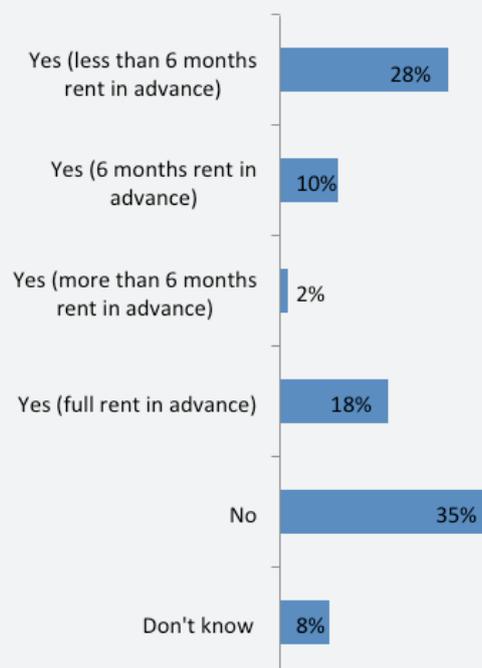
Requesting varying amounts of rent upfront does not demonstrate any strong trends when cross analysed with perceptions of students as tenants or market confidence. This suggests that negative experience have not strongly affected perspectives.

Would you rent to international students?



Base: 134

Would you require international students to pay rent in advance if they cannot provide a guarantor?



Base:134

Demographic

146 respondents completed the survey, which was distributed to the database of registered AFS users. The majority of respondents were landlords (89.7%), followed by 6.2% letting agents and 2.1% private hall managers.

There was a reasonable regional spread with 30.2% in the North, 23.6% in Midlands and 40% in the South, of which 5.2% were from London. This followed by 2.6% in Scotland and 3.3% in Wales.

40.4% of respondents manage 1-3 properties, followed by 33.6% with a portfolio of 4-10. 10.3% manage 11-20 properties and 14.4% manage larger portfolios. 2.7% reported a portfolio of 151+ properties. Of the private hall managers, 50% reported 1-3 developments and 50% reported 11+.

None of the respondents had been letting properties for less than 1 year. 30.1% have 1-3 years experience, followed by 24% with 10-15 years and 19.9% with 20+ years.

There was a good split between respondents who let to students only (48.6%) and students and non-students (51.4%).