



Landlords Report

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 191 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 87.89% of respondents letting all of their property portfolio for 2013/14, and 70.53% for the 2014/15 letting year. This is teamed with most respondents reporting a small percentage of properties not let.

Letting success only correlates with letting experience to an extent, with the level of lettings fluctuating between newcomers to the market and those with 5-10 years of experience. Letting success also had a strong influence on rental increases and market confidence.

The majority of rent increases were small with 93.86% reporting a price hike of just 1-10% across their portfolio.

'No change' in market confidence was the most popular result when discussing the change in confidence over the next 12 months (51.87%).

However, the results were skewed towards a decrease in confidence (32.62% 'less' or 'considerably less' confident).

This was strongly associated with letting success rates, where the majority of landlords failing to let their full portfolio of properties in the 2014/15 letting year were more likely to be 'considerably less confident' about the next 12 months (20.37%).

Notably rental increases correlate positively with market confidence, where those who increased their rents for 2014/15 felt up to three times more confident about the market.

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.

Perceptions of students as tenants are high. 86.96% stated that students make good tenants, 68.48% report that students make better tenants than non-students and 92.97% plan to continue letting to students in the future.

The key benefits of letting to students include better rental yields (76.5%), fixed tenancy length (67.93%) and an annual market for new students (47.28%).

60.54% of respondents would recommend the student lettings market to fellow landlords. The main challenges associated with letting to students include basic maintenance not being completed by students (50.54%), it being more time-consuming than letting to non-students (50%) and the cost of maintaining an HMO (45.65%).

75.95% of respondents 'sometimes' or 'infrequently' have student tenants in rental arrears. 9.84% 'frequently' experience this and 2.73% report that this occurs 'a lot of the time'. 62.92% of the time students are in arrears for 1 month, followed by 24.05% who have 2 months. 2.52% are in arrears for more than 3 months. 11.48% of respondents reported never having student tenants in rental arrears.

47.59% of respondents reported that students make enquiries by 'mainly email', whereas 33.13% reported that the number of phone and email enquiries were generally equal. 13.86% of respondents stated that the mode method of contact changed over the course of the year, with 82.61% of those

reporting a trend of emails earlier on and phone calls nearer the tenancy start date.

68.69% of respondents have had some or all of their properties accredited. Of those, 64.81% were council accredited, followed by 50.93% being accredited by the University.

45.95% of unaccredited landlords do not plan to become accredited in the future, with a high percentage of respondents unsure of their plans (39.19%). Key barriers to accreditation include it not being necessary for successful lettings (67.12%), the cost of participating (35.62%) and the administrative burden (35.62%).

There is a spatially variable trend of accreditation, with respondents from Wales showing the highest rate of accreditations (75%).

59.89% of respondents reported offering a bills inclusive package for some or all of their properties. Water, electricity and gas are the most commonly offered exclusive, followed by Internet costs (56.88%) and TV licensing (31.19%).

The key barriers to offering bills inclusive include fears of additional costs due to over-usage (72.7%), not considering it necessary for successful lettings (42.53%) and the fear of hassle due to over-usage (34.48%).

It is more likely that landlords are to offer bills inclusive rent than letting agents (54.55%).

84.44% are happy to rent to international students. The majority would request rent to be paid upfront in the absence of a suitable guarantor (64.47%) where 30.26% require less than 6 month's rent, followed by 19.08% who would ask for the for the full rent upfront.

2013/2014 Letting Success

87.89% let all their properties for the 2013/14 letting year. Of those who did not, 36.36% didn't let between 1-10% of their properties, and the majority (90.9%) let at least 50% of their portfolio.

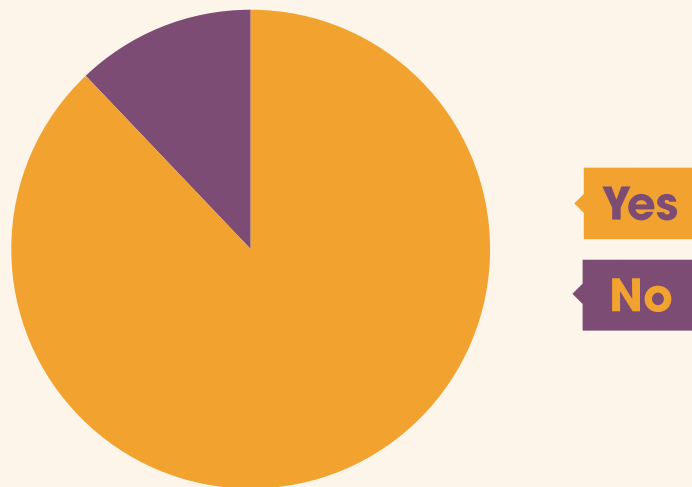
Landlords reported letting all of their properties more commonly (88.64%) than letting agents (75%), but of those who did not let their full portfolios, landlords failed to let a larger percentage (10-25% vs 1-10%)

Respondents who reported letting to both students and non-students were more than twice as likely to have failed to let their whole portfolio, compared to respondents who solely let to students.

The performance of different regions varied, with London, the South West, the South East and the East Midlands demonstrating a success rate of >90%, in addition to Scotland and the North East celebrating a 100% success rate. Of the remaining regions, the North West struggled the most to let all properties, showing a 76% success rate.

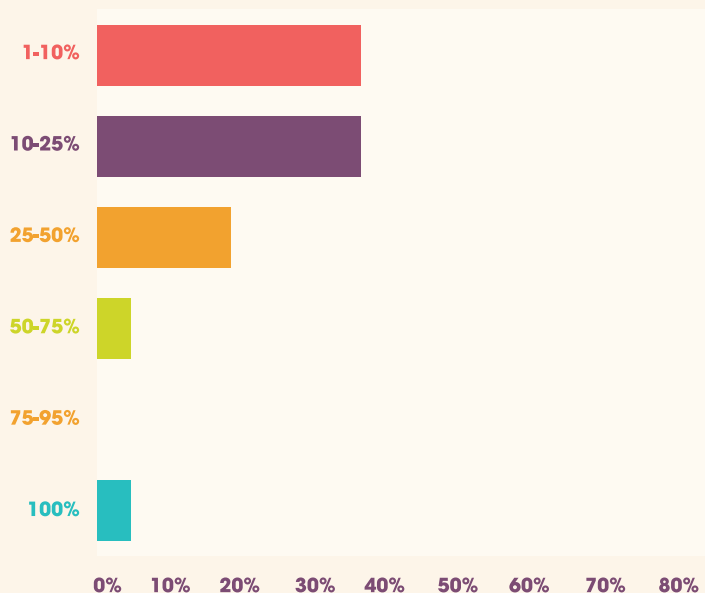
Respondents with the greatest property management experience were no more likely to successfully let their full portfolio, with the percentage not let increasing from 11.11% in those with 1-3 years of experience to 18.18% in those with 5-10 years of experience. Those with 15-20 years of experience demonstrated a 100% success rate, however those with 20+ years of experience only had 81.25% letting their whole portfolio.

Did you let all properties for the 13/14 letting year?



Base: 192

What percentage was NOT let?



Base: 22

2014/2015 Letting Success

70.53% of respondents have let all of their properties for the 2014/15 letting year. 27.78% of those who have not yet secured lets for all their properties have managed to let at least 90% of their portfolio, followed by 20.37% who have let at least 75%. 16.67% of respondents have not let a single property for the 2014/15 letting year.

During this letting year, the East Midlands have exhibited the lowest success rates, with only 61.9% letting their full portfolio, closely followed by Yorkshire with 63.64%.

Those with larger property portfolios have been less successful in letting their full portfolio than those with less. 24.42% of respondents with 1-3 properties still have properties available, compared to over 50% of respondents with over 40 properties.

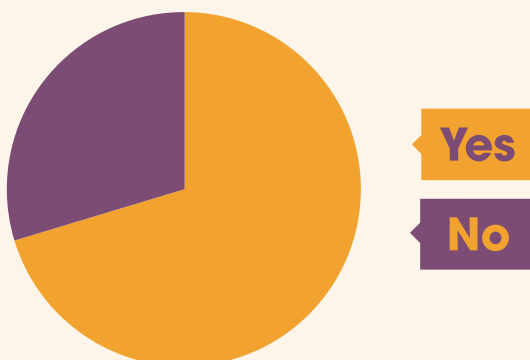
More landlords have successfully let their full portfolio for the 2014/15 letting year (71.59%) than letting agents (50%). Letting agents that did not let their full portfolio showed a higher percentage of unlet properties than landlords, with 50% of agents only letting up to 25% of their properties, compared to 29.2% of landlords.

As in the 2013/14 letting year, the level of success compared to years of experience in property management fluctuates. 88.89% of relatively new property managers were successfully in letting their whole portfolio, whereas only 64.45% of those with 5-10 years of experience did so. This then rises back up to 78.43% in those with 10-15 years of experience. Interestingly, those with

over 20 years of experience showed the lowest success rate (62.50%) of all the levels of experience.

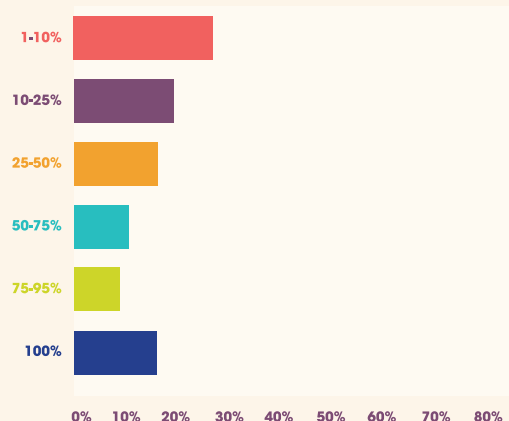
For the 2015/16 letting year, 36.36% expect to have let their properties by May 2015. Following this, around 23% of respondents expect to be let by the end of February. 14.55% of respondents do not expect to let all of their properties for the upcoming letting year.

Did you let all properties for the 14/15 letting year?



Base: 192

% of properties not let in the 14/15 letting year



Base: 55

2014/2015 Rental Increase

31.91% of respondents increased the rents for all of their properties for the 2014/15 letting year, with 30.32% who have increased rents for some of their properties. For 93.86% of those who increased their rents, they have done so by 1-10% across their portfolio. No respondent reported having increased their rents by more than 20%.

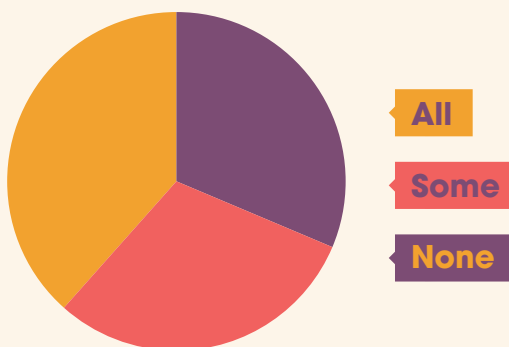
Respondents with larger portfolios were more likely to increase their rents for the 2014/15 letting year, with the majority of those with 1-3 properties opting not to increase rents. However, only those with 1-3 properties increased the rents by over 15%. The percentage of Letting Agents (83.33%) that increased their rents were significantly higher than Landlords (60.92%).

Respondents that failed to let their full portfolio for the 2013/14 letting year were three times less likely to have increased their rents for all of their properties for the 2014/15 letting year, with nearly 60% reporting no increases.

There is also a spatial distribution in regards to rental increases. Scotland, London, and the East Midlands demonstrate the highest incident of rental increase of 100%, 76.92% and 71.43% respectively. This is compared to the North East (50%), Wales (53.85%), and Yorkshire (54.55%). All of these had lower than 15% in price across portfolios. The North West and South West were the only regions to exceed this, with 6.67% and 4.55% of respondents increasing their prices by 16-20% respectively.

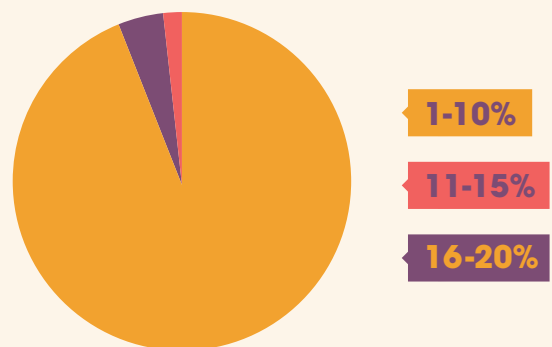
Respondents who reported having increased their rents also commonly reported having successfully let their full portfolio for the 2014/15 letting year: 'Yes for all properties': 76.67% fully let, 'Yes for some of my properties': 77.19% and 'No': 60.56% fully let. This implies that rental increases were in line with market changes and were well-judged, not impacting upon rental performance.

Did you increase your rents for the 14/15 letting year?



Base: 190

By what % have you increased rents by?



Base: 114

2015 Market Confidence

51.87% of respondents reported no change in their confidence in the student market over the next 12 months compared to the 12 months previous. 24.06% reported feeling less confident, where 8.56% state that they were considerably less confident. This shows more positivity than the results of the previous Landlord survey, which stated percentages of 42.6% and 12.8% respectively.

11.76% are more confident in the market, and 3.74% considerably more confident.

Those with smaller portfolios reported a variable response in regards to market confidence, though there was a noticeable increase in the percentage of respondents that were 'considerably less confident', going from 7.14% in those with 1-3 properties to 12.5% in those with 11-20 properties.

In contrast, more landlords reported a decrease in confidence (33.34%), than letting agents (27.27%).

Respondents who let their whole portfolio for the 2014/15 letting year stated a much higher percentage of 'no change' in confidence, (61.65%) compared to those who didn't let all their properties (27.78%).

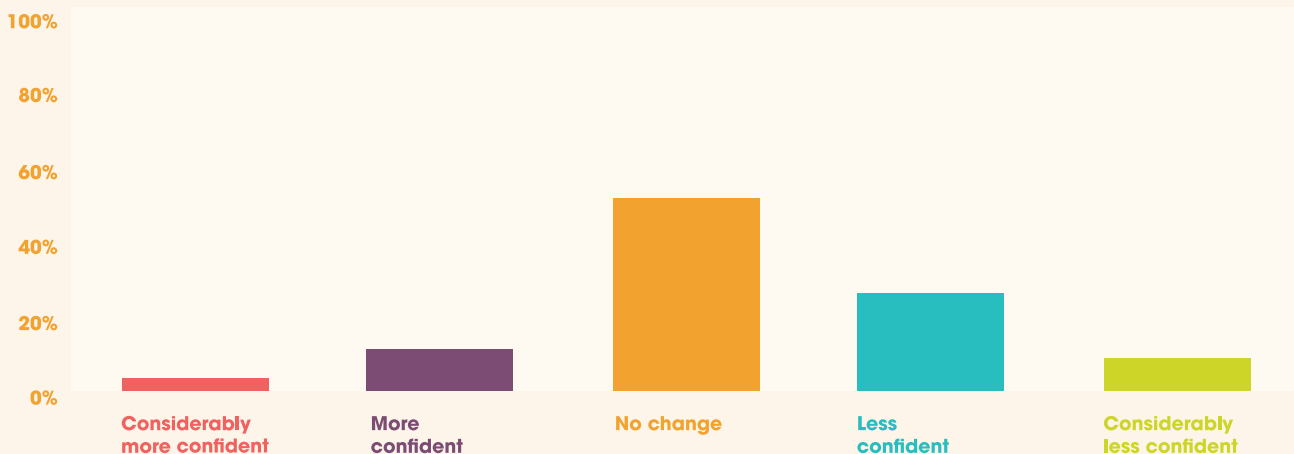
Those who did not let all their properties were more likely to be considerably less confident about the market in the next 12 months (20.37%) compared to those who did (3.76%).

There is also a correlation between confidence in the market and rental increases. Those who reported increasing their rents for 2014/15 felt up to three times more confident about the market this letting year.

Respondents in Scotland (25% 'considerably more confident') and London (15.38% 'considerably more confident') report an increase in market confidence over the next 12 months. This is compared to the North West (20.83% 'considerably less confident') and Yorkshire (18.18% 'considerably less confident') where decreases in market confidence were more commonly reported.

In the case of Yorkshire, this was unsurprising, as respondents from this area were the second least likely to have let their whole portfolio. However, the North West achieved a better success rate this year than the 2013/14 letting year, showing the two variables are not directly related.

Are you more or less confident about the student accommodation market over the next 12 months?



Base: 189

Student Tenants

68.48% stated that, in their experience, it is better to let to students rather than non-students. 18.13% of Landlords stated that they didn't know, compared to 0% of Letting Agents. This may have led to a more positive response from Letting Agents (72.73%) compared to Landlords (67.84%), which is unlike the results from the previous survey.

The majority of respondents for each region agreed, showing a large gap between positive and negative responses. The East Midlands came across as the biggest student-friendly area, with 80.95% of respondents from this area stating that it is better to let to students over non-students.

86.96% of respondents believe students make good tenants. This is associated with a number of associated benefits: better rental yields (76.5%), fixed tenancy length (67.93%) and an annual market for new students (47.28%). Only 3.26% reported experiencing no benefit associated with letting to students.

Despite these benefits, some challenges were also highlighted when letting to students. These include basic maintenance by students not being completed (50.54%), it being more time consuming than letting to non-students (50%) and the cost of maintaining an HMO (45.65%). 8.7% 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 unreasonable demands.

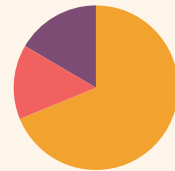
92.97% of respondents plan to continue letting to students in the immediate future. Of the 1.62% who plan to cease letting to students, all were landlords as opposed to letting agents and 66.67% had failed to let their full portfolio for the 2014/15 letting year.

60.54% of respondents would recommend other landlords to consider the student market.

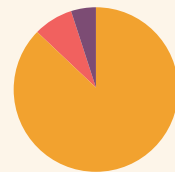
Those with smaller portfolios were more likely to recommend the student market to other landlords. However, 72.73% of letting agents would recommend the student market, compared to 59.88% of landlords.

Yes No Don't know

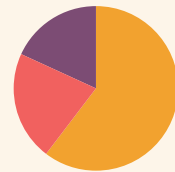
Better to let to students?



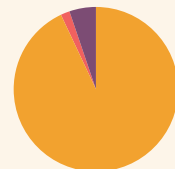
Students are good tenants?



Recommend students to other landlords?



Continue student lettings in the future?



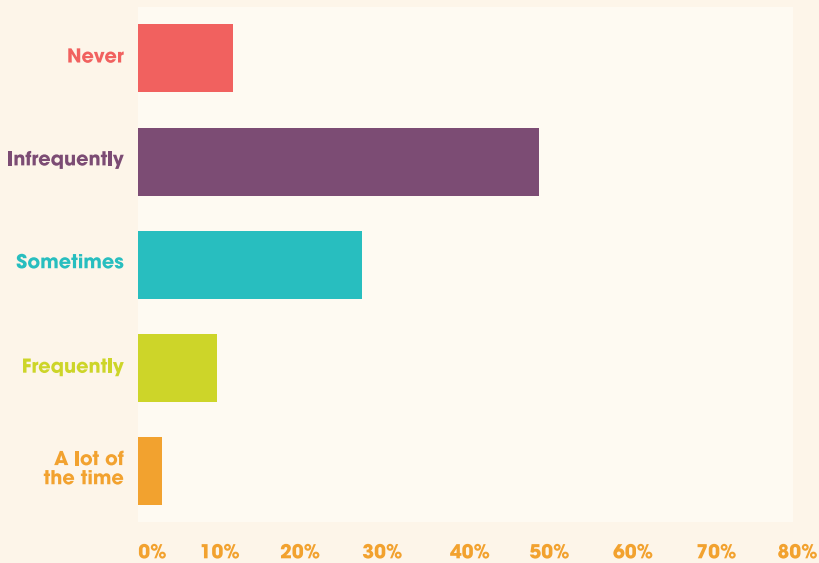
Rental Arrears

75.95% of respondents 'sometimes' or 'infrequently' have student tenants in rental arrears. 9.84% 'frequently' experience this and 2.73% report that this occurs 'a lot of the time'. This shows an increase of students in rental arrears compared to the previous Landlord survey.

69.62% of the time students are in arrears for 1 month, followed by 24.05% who have 2 months. 2.52% is in arrears for more than 3 months. 11.48% of respondents reported never having student tenants in rental arrears, dropping nearly 8% from the mid-2014 Landlord Survey. Landlord respondents reported having student tenants in arrears less frequently than letting agents.

40.76% state that students are less likely to get into rental arrears than non-students, where 25.54% find that it is more likely. Letting agents suggested that students were more likely to get into rental arrears much more than landlords (54.55% vs. 23.39%).

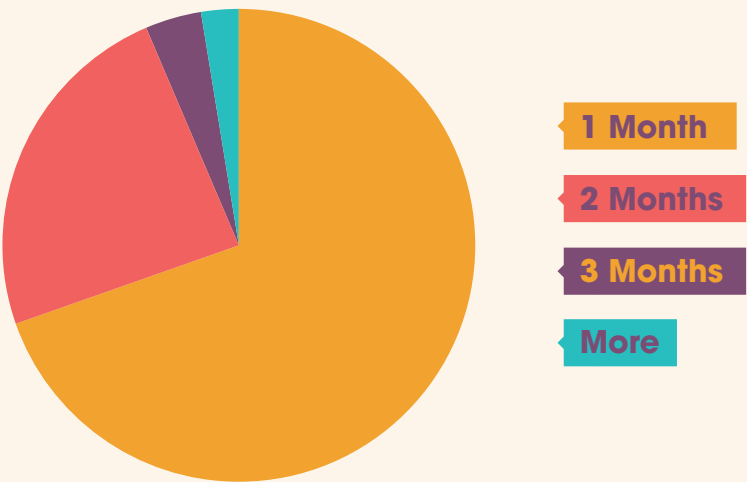
How often do you have student tenants in rental arrears?



Base: 184

What is the average amount of time students are in rental arrears for?

Answered: 159 Skipped: 36



Base: 159

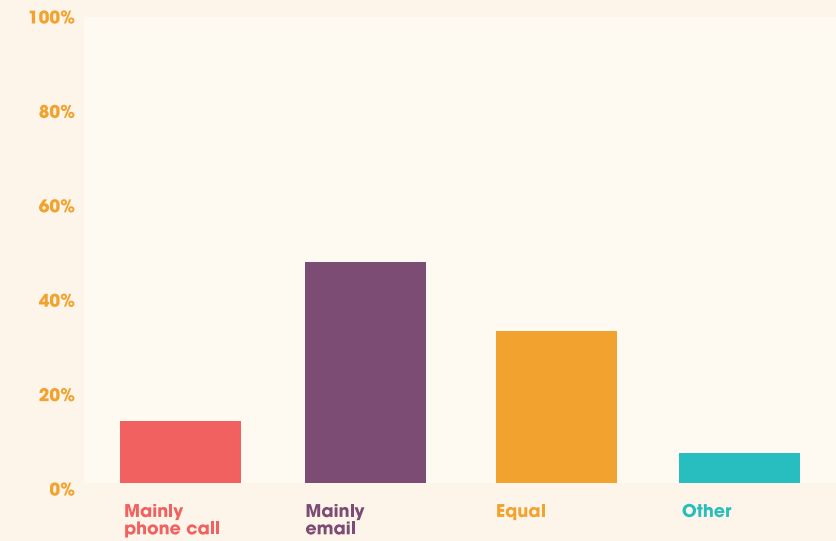
Student Enquiries

When students make enquiries for information or to book a viewing, 47.59% of respondents stated that they are mainly by email. This is followed by both phone and email enquiries being equal in number (33.13%) and enquiries being mainly phone calls (13.25%).

The most frequent method of contact over the course of the year does not change according to 73.49% of respondents. Of the 13.86% that said it did change, a majority of 82.61% said that it was mostly emails earlier on in the year, and more phone calls closer to the tenancy start date.

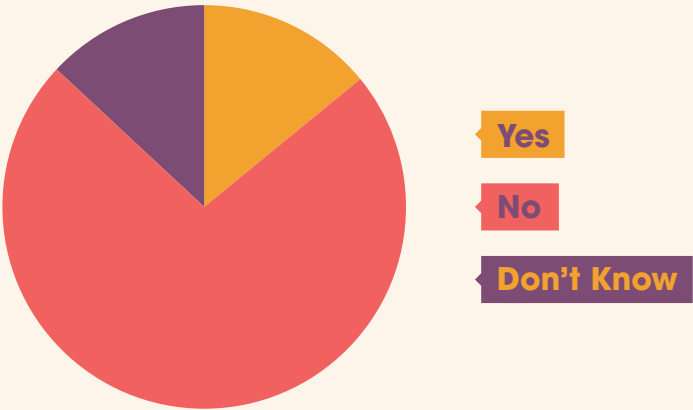
This suggests that students both see phone calls as a method of contact that is best used when needing a quicker response, and that students understand that it is more difficult to get a higher quality property as you progress through the letting year.

Are student enquiries usually by email or phone call?



Base: 166

Does the most frequent method of contact change over the course of the year?



Base: 166

Accreditation

58.69% of respondents have had some or all of their properties accredited. Council accreditations were most popular, with 64.81% of respondents reporting that their properties had been accredited by their local authority. This is followed by the University (50.93%), the AFS/Unipol Code (15.74%) and the National Landlord Association (13.89%).

Of those who reported having not accredited their properties, 45.95% did not plan to in the future, with a high percentage unsure of their plans (39.19%).

Respondents highlighted some of the main barriers they perceived to becoming accredited, including that it is not considered necessary for successful lettings (67.12%), the cost of participating (35.62%) and the administrative burden (35.62%).

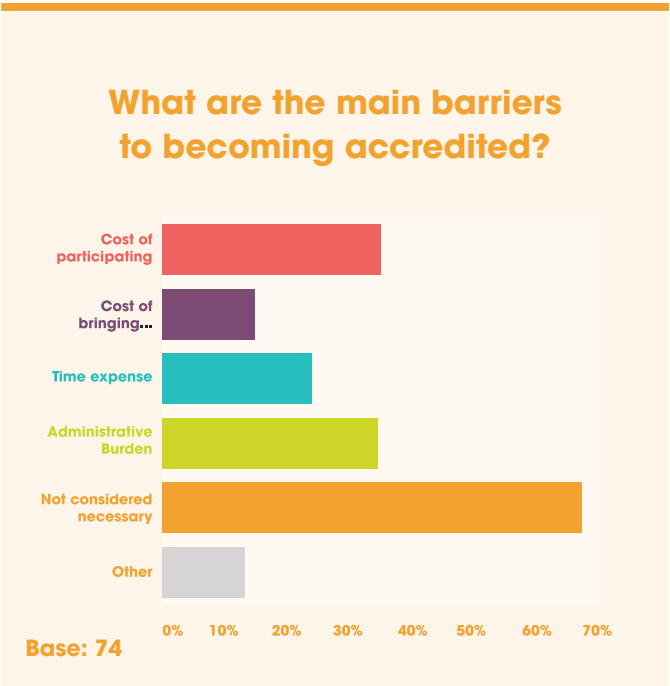
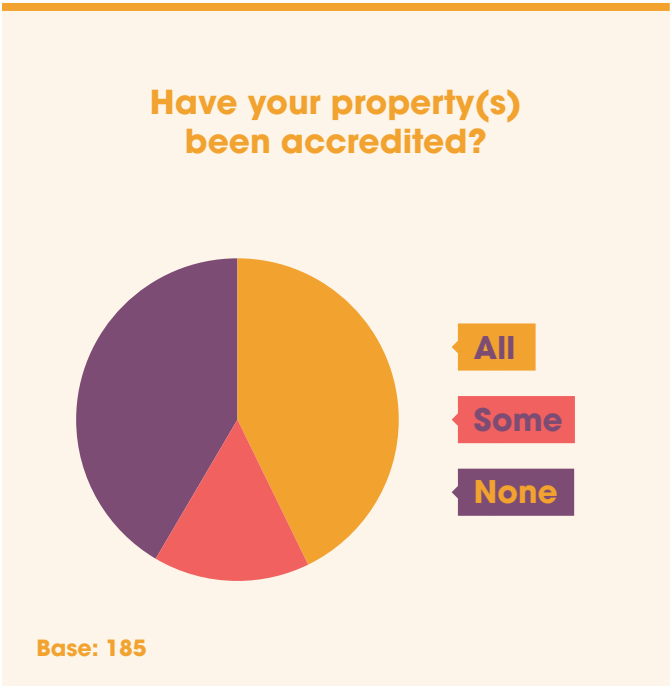
It is more likely that respondents that have all of their properties accredited are 'considerably more confident' about the market in the coming 12 months (6.33%) compared to those who do not have any properties accredited (2.63%).

Fully accredited respondents were shown to be heavily represented in Wales (75%), the North West (56%), and the West Midlands (54.17%). London (23.08) and the South West (23.08%) showed the lowest proportions of accredited landlords.

The South East and North West, had the highest proportion of respondents that were accredited by the Council, with rates of 84% and 76.47% respectively.

The belief that accreditation is not necessary for a successful letting is most prolific in London and Yorkshire, whereas those who highlighted financial barriers

were more likely to be from the East Midlands or North West. This implies a spatially variable trend of accreditation motivations and perceptions of different schemes, likely associated with local rental markets and tenant preferences.



Bills Included

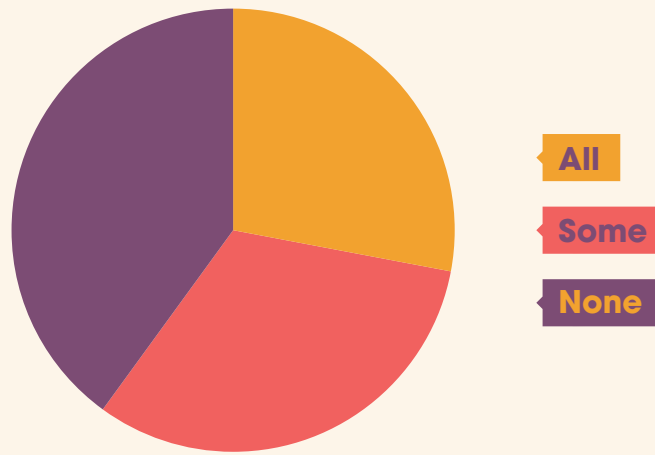
59.89% of respondents report offering bills inclusive pages for some (32.42%) or all (27.47%) of their properties. Water, electricity and gas are most commonly offered inclusive. 56.88% offer Internet costs included in the rent, followed by 31.19% offering TV license costs covered.

Of those who do not currently offer bills inclusive, over half (64.38%) do not plan to do so in the future and nearly a quarter (23.29%) are unsure of their plans. Respondents report not wishing to offer bills inclusive for the fear of additional costs due to over-usage (72.41%), that it is not considered necessary for successful lettings (42.53%) and the fear of hassle due to over-usage (34.48%).

It is more likely that landlords (59.76%) are to offer bills inclusive rent than letting agents (54.55%). No letting agents reported offering bills inclusive rent for all of their properties, only some.

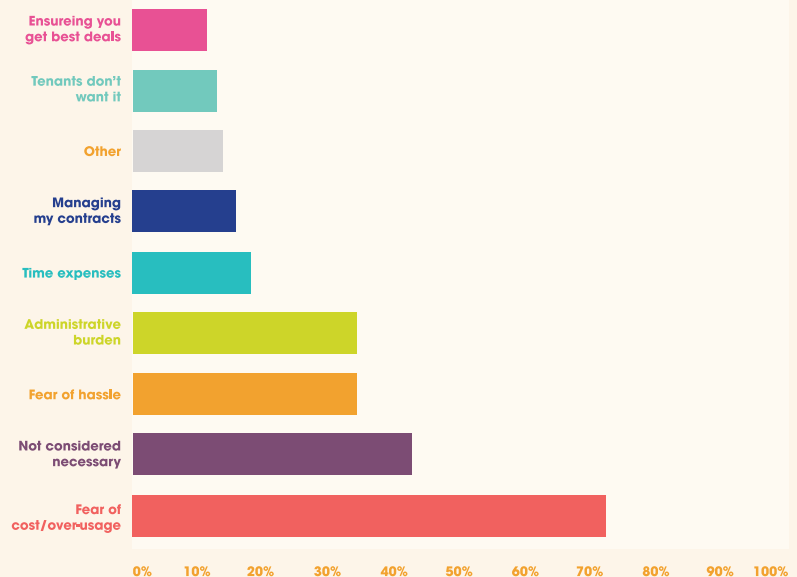
Those who report offering bills inclusive also report lower success rates for lettings in 2014/15 in addition to reduced confidence in the market. This suggests that bills inclusive rent may be offered as a means of improving competitiveness for some landlords in saturated markets, this is mostly the case in the North West and West Midlands.

Do you offer bills inclusive rent for your properties?



Base: 183

For what reasons would you not offer bills inclusive?



Base: 87

International Students

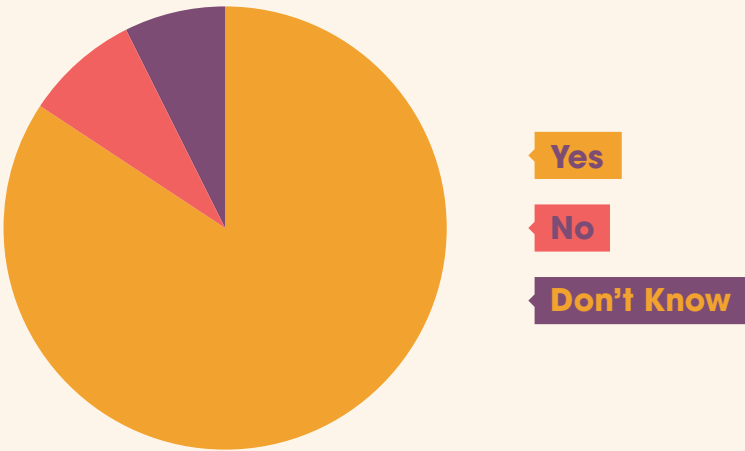
84.44% of respondents are happy to rent to international students. Of those, 35.53% do not require any additional rent to be paid upfront due to barriers in providing a suitable guarantor.

30.26% would require less than 6 months' rent in advance in the absence of a guarantor, followed by 19.08% who would ask for the full rent in advance.

All letting agents stated that they would rent to international students, compared to 83.23% of landlords. Landlords are less likely to request rent upfront in the absence of a guarantor; with 34.32% reporting that no rent upfront would be required. 90.91% of letting agents would require some rent upfront, with 45.45% requiring less than 6 months and 9.09% asking for full rent in advance.

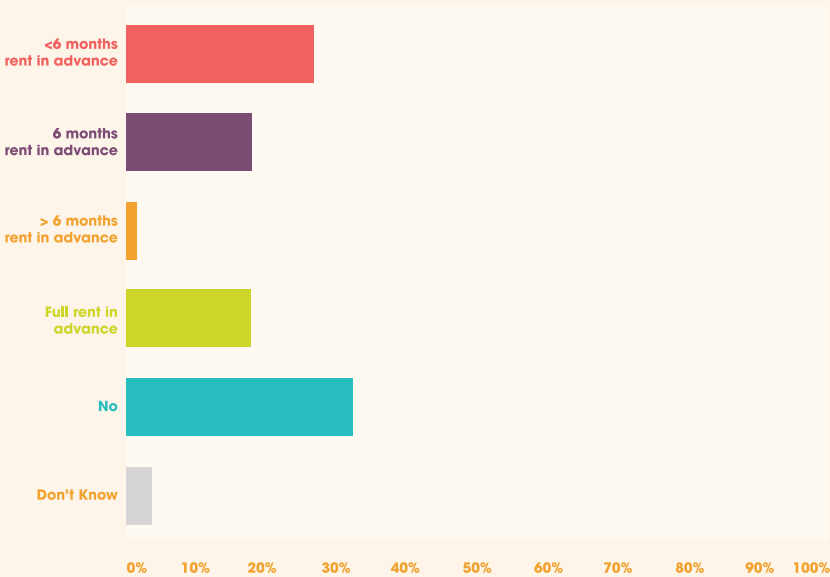
Requesting varying amounts of rent upfront does not demonstrate any strong trends when cross analysed with perceptions of students as tenants. This suggests that negative experiences have not strongly affected perspectives.

Would you rent to international students?



Base: 181

Would you require International Students to pay rent in advance if they cannot provide a guarantor?



Base: 181

Demographic

194 respondents completed the survey, which was distributed to the database of registered Accommodation for Students users. The majority of respondents were landlords (92.78%), followed by letting agents (6.19%). There was a reasonable regional spread with 30.41% in the North, 23.71% in the Midlands and 48.96% in the South, of which 6.7% were from London. This followed by 2.06% in Scotland and 7.22% in Wales.

45.88% of respondents manage 1-3 properties, followed by 34.02% with a portfolio of 4-10. 8.76% manage 11-20 properties. 2.06% reported a portfolio of 151+ properties. Only one respondent had been letting properties for less than 1 year. 29.38% have 5-10 years' experience, followed by 26.8% with 10-15 years and 16.49% with 20+ years.

There was a very even split between respondents who let to students only (48.97%) and students and non-students (51.03%).