

UK SPECIAL REPORT

2020 in review

NEW

**PayProp Rental
Confidence Index**

ARREARS DATA

Payback time?

Communication during
COVID-19

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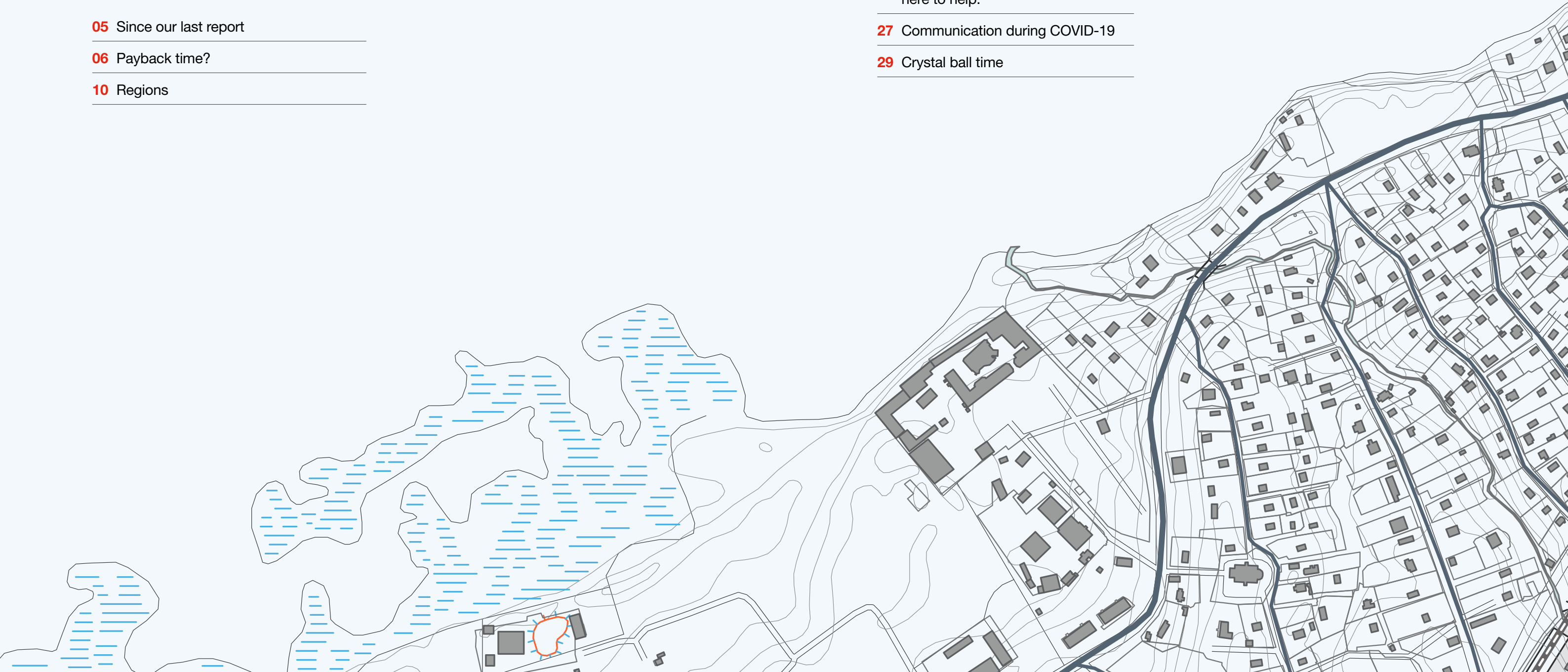
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Introduction

Things are looking up

As we head towards the end of the year, you may be wondering where 2020 went. The industry has had to cope with such rapid change in COVID-19 restrictions and emergency legislation for the private rented sector that merely keeping up with them has almost been a full-time job.

At PayProp we've been tracking the impact of the pandemic on tenant arrears throughout. For this issue, we also surveyed tenants, landlords and agents across the UK to get a sense of how they have coped with COVID-19.

In it, we take an in-depth look at arrears over the past few months across the various regions. While the average amount in arrears is still more than the average monthly rent, the number of tenants in arrears is falling. However, having faced lockdowns across England and Wales as well as severe restrictions in Northern Ireland and parts of Scotland – plus the usual seasonal increase

in arrears expected after Christmas – we don't expect this downward trend to continue into the new year, despite government support.

We also report on our very first **Rental Confidence Index**, an in-depth survey of landlords, tenants and agents to uncover the impact of the pandemic on them, and how they view the future of the private rented sector.

I hope you enjoy this final issue of 2020.



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Arrears data

Since our last report...

It has been a difficult few months with lockdowns across the whole of England, Wales and Northern Ireland, as well as restrictions akin to a lockdown across parts of Scotland limiting freedoms – and in some cases, earnings.

As a result of the new lockdowns, the UK government reopened the furlough scheme to employees that could not work. When it was extended, it also became more generous, with the government covering the full 80% of wages up to £2,500 per month, and companies only having to cover national insurance contribution and pension costs. As at November, over 9.6 million jobs were being supported by the government through this programme.

We have also seen high street stalwarts including Topshop and Debenhams fall into administration as bricks-and-mortar retailers struggle to adjust to the realities of operating during a pandemic. Unless these companies are bought out of administration, it's likely that those who work there will have to find other jobs at a time when unemployment is rising.

As concerns the private rented sector, we saw courts reopen on 21 September in England and Wales. While they continue to operate, eviction enforcement was paused again as England entered a second lockdown – with enforcement only likely to start again in 2021.

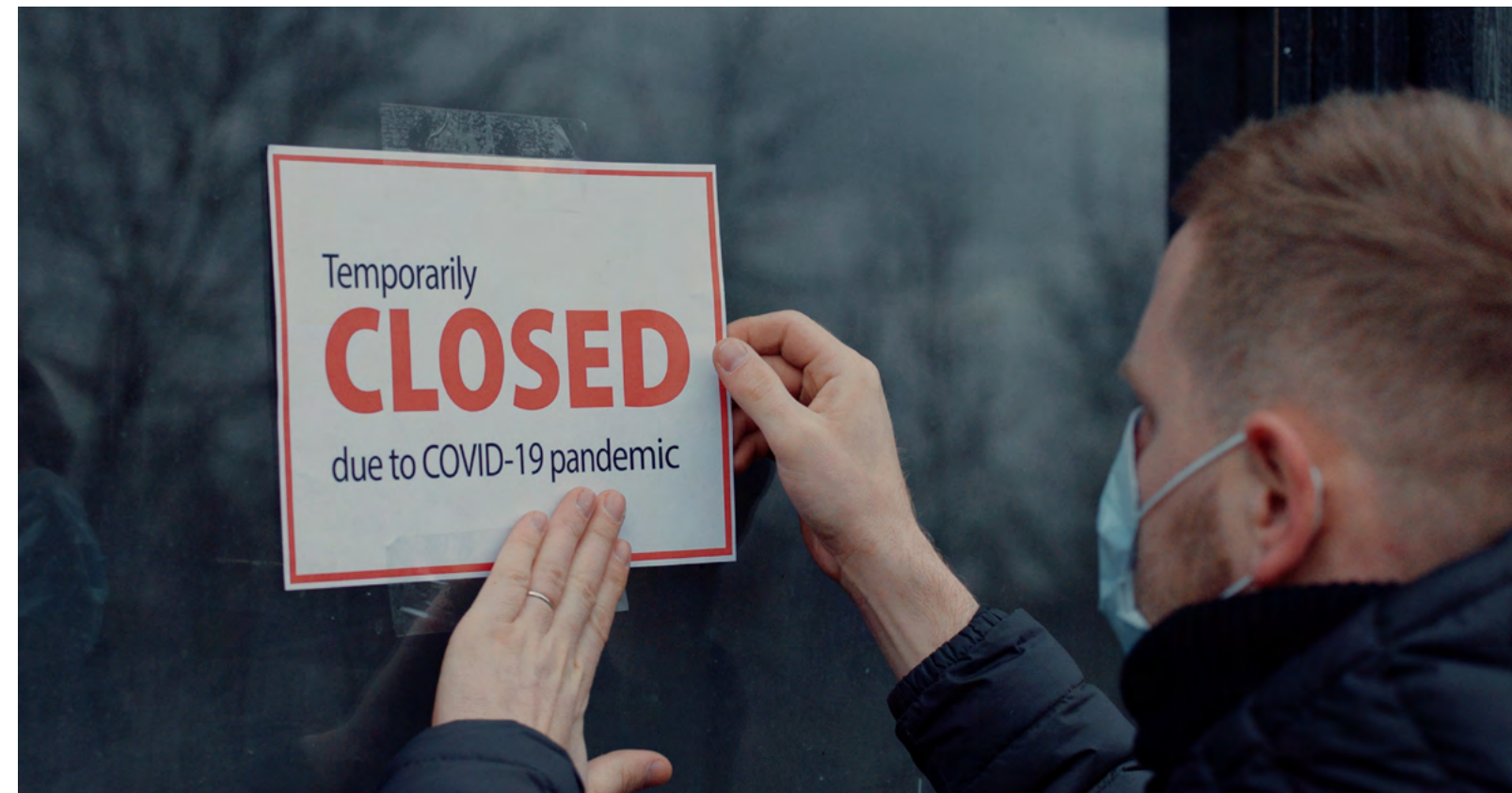
In the lead-up to Christmas, England and Scotland are facing tiered restrictions with lockdowns being considered in Northern Ireland and Wales. Despite an approved vaccine rolling out to the most vulnerable, the economy and private rented sector will be living with COVID-19 for some time to come. ■

As at November, over 9.6 million jobs were being supported by the government through this programme.

Notes on methodology

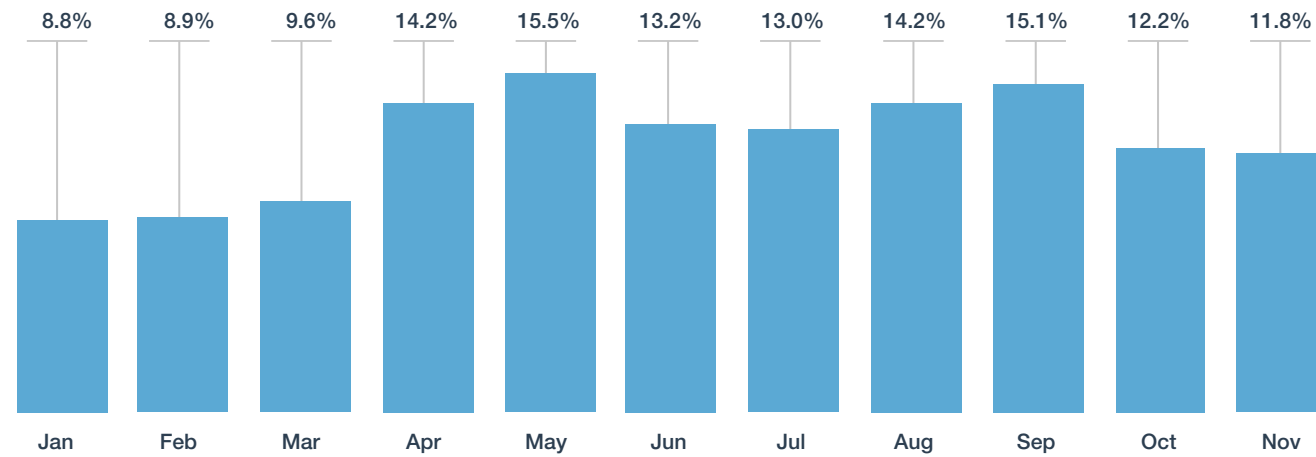


All arrears data was taken directly from the PayProp platform. We confined our queries to residential letting agencies that have received and paid out rent since January and have 10 or more properties under management. To calculate averages we assumed that invoices were issued monthly from January to November, and we took a snapshot of tenant arrears on the 20th of every month. Only tenants who are currently renting a property were included in the data; any tenants no longer renting but still in arrears have been discounted.



Arrears data

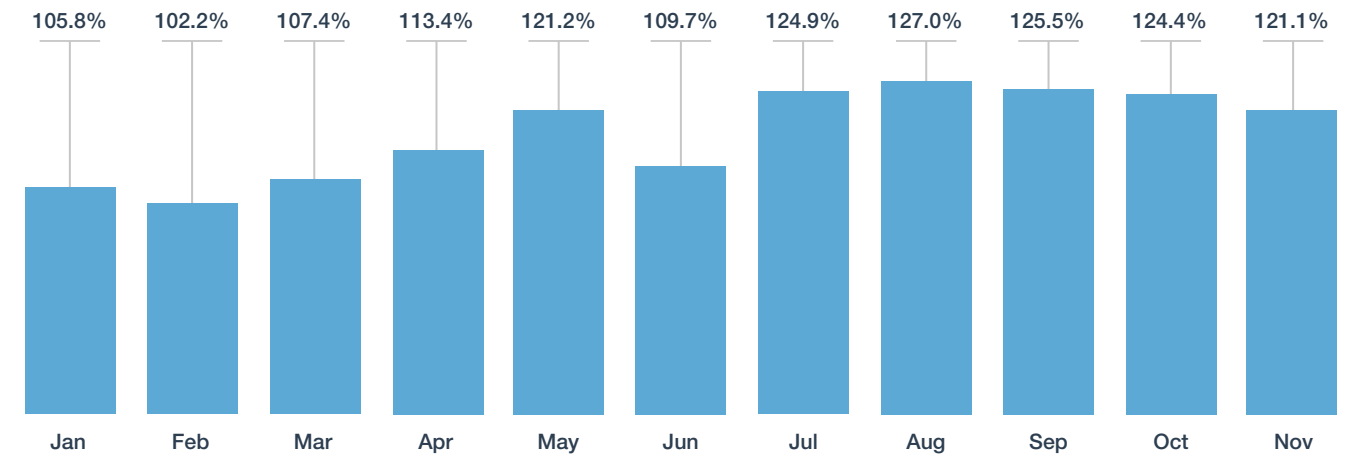
Payback time?



Average % tenants in arrears

Measured monthly for the first 11 months of 2020

Source: PayProp



Average arrears %

Measured monthly for the first 11 months of 2020

Source: PayProp

Good news! The percentage of tenants in arrears has fallen in both October and November after creeping up in September, and is now at its lowest level since the first lockdown in March. While a 3.3% drop between September and November may not look like much, it is a sure and welcome sign that tenants are still committed to paying the rent. ▶

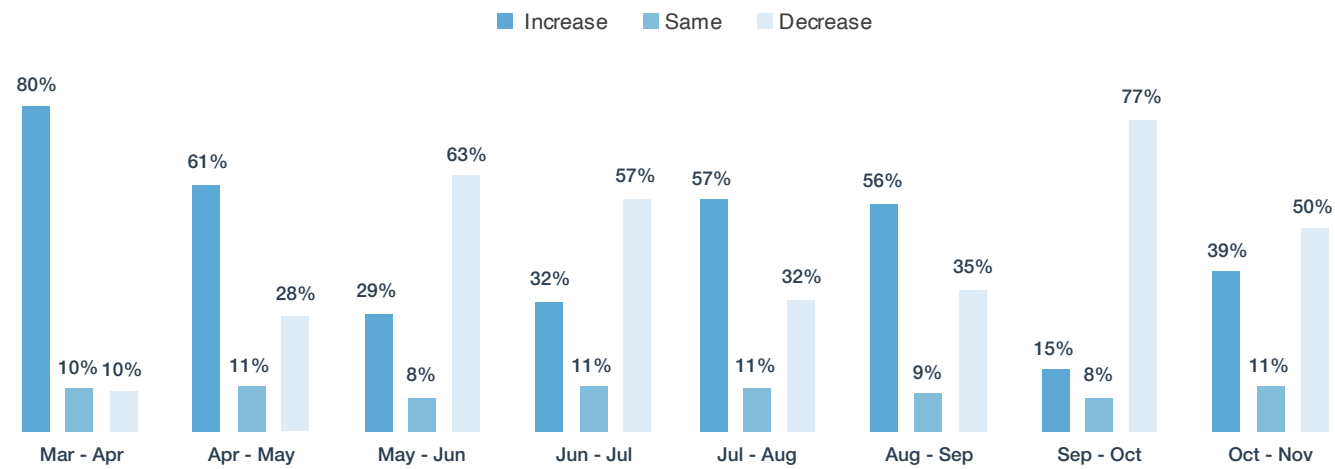
11.3

people per 1,000 employees were made redundant.

The increase in the number of tenants in arrears in September may have been down to the number of redundancies announced in August when, according to the [Office for National Statistics](#), 11.3 people per 1,000 employees were made redundant as the pandemic continued to hit businesses. This represented the highest level of redundancies the UK has had to face in over a decade. The reality of losing a job or even the perceived risk of it may have caused some tenants to hold back on paying September's rent, which for most tenants is due at the end of August and paid from August's pay packet. While September did see a drop in the average percentage of arrears owed, this may be due to some tenants who had no arrears not paying the rent this month or making partial payment in anticipation of income loss.

The average percentage of arrears has also continued to drop, from a high of 127% of one month's rent in August to 121.1% in November, so even where tenants have not been able to pay off all their arrears, some continue to try. ▶

Arrears data – cont. ▶



Average % tenants changing their arrears position

Measured month-on-month between March and November 2020

Source: PayProp

Examining changes in the percentage of tenants in arrears between months, we see an increase between August and September. As mentioned earlier, this may be due to redundancies, although a significant proportion of tenants (35%) did manage to reduce their arrears despite the economic uncertainty.

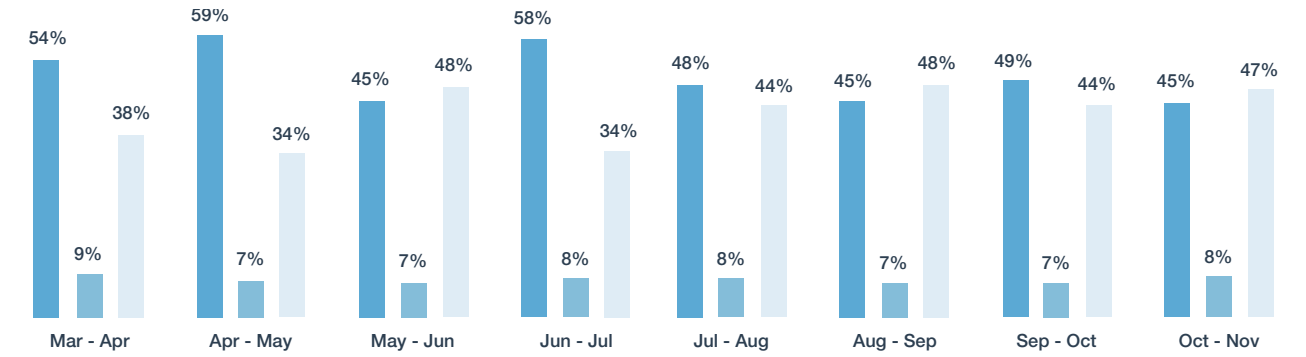
Even more encouraging news comes from the last two monthly bar groupings in this chart, with 77% of tenants paying off some of their arrears between September and October and 50% reducing them between October and November. ▶

77%

of tenants paying off some of their arrears between September and October.

50%

reducing them between October and November.



Average arrears % change

Measured month-on-month between March and November 2020

Source: PayProp

As we saw from the graphs on the previous three pages, the percentage change between months gives a more detailed view of arrears than the headline figures. While the average amount of arrears has dropped by just 5.9% over the past three months, the percentage of tenants reducing their arrears has remained high (44% – 48% on average). However, the percentage of tenants increasing the amount they owe has also remained high (45% – 49%) working out at a slight decrease in the average amount owed by November.

We have seen decreases in both measures of arrears between months, but why is this? Again, it's important to remember that rent paid is earned in advance, so September's arrears figures really relate to tenants' earnings during August.

In August, COVID-19 infection rates were generally low across the UK. The economy opened up as much as possible and shops, bars and restaurants welcomed patrons back. To combat rising infection rates towards the end of September, bars, restaurants and hospitality venues were hit with a 10pm curfew in England and some areas of Scotland. October saw tiered restrictions being implemented across England and Scotland, with the strictest tiers akin to a lockdown, while Wales saw a 'firebreak' lockdown introduced across the country towards the end of the month. November brought a national lockdown in England and further restrictions in other parts of the UK, but this is unlikely to be reflected in arrears stats until December.

While restrictions on businesses and individual freedoms were implemented over the past three months, arrears have continued to fall. This may partly be due to companies having adapted to the 'new normal' after facing more than six months of COVID-19-related restrictions, allowing business to continue operating in a socially distanced way.

There may however have been a second reason for tenants to reduce their arrears. In September, evictions restarted in England and Wales. With court rulings on arrears cases resuming, tenants may well have been prompted to reduce or settle arrears rather than face the prospect of a court case or even eviction. However, this does not account for the positive change in Scotland, where the evictions ban is in place until March 2021. Subsequently in England and Wales, eviction enforcement was postponed until January 2021 at the earliest – lessening the risk of a tenant being evicted in the short term.

Arrears growth in 2021?

While arrears are on a downward trend in both measures, we don't expect this to last. With nationwide lockdowns across England and Wales and tough restrictions over parts of Scotland and Northern Ireland in November, we expect arrears to increase in December as workers are put back on the reopened furlough scheme and money gets tighter.

In any normal year we see a seasonal bump in arrears in January as people overspend in the run-up to Christmas. With shops reopening in England at the beginning of December and some retailers opening 24 hours to attract shoppers, we don't expect this year to be any different.

If a January lockdown is necessary to bring the virus infection rate under control after the Christmas period, we could also see additional arrears in February. However, it is important to note that lockdowns do also give tenants an opportunity to save money that would have been spent on the high street or on socialising. And if the figures from 2020 have taught us anything, tenants that end up in arrears will on the whole try to clear them, with or without the threat of eviction. ■

Arrears data

Regions

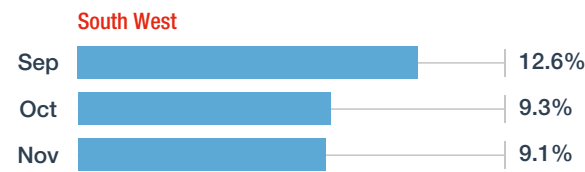
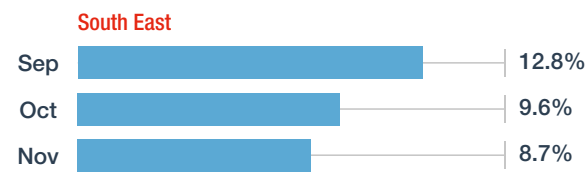
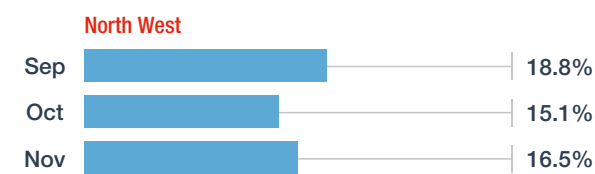
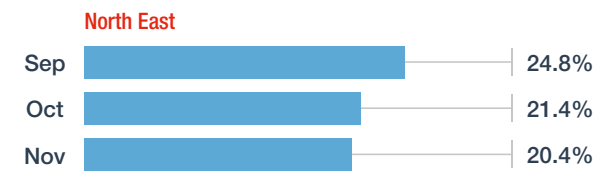
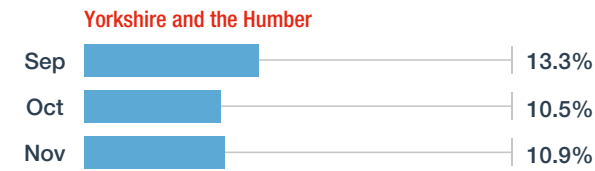
Across Scotland, Wales, Northern Ireland and the various regions of England – the view is much the same as the national picture, with every area showing a decline in the number of tenants in arrears between September and November.

The biggest decline over the three months was achieved by the North East, with 4.4% of tenants managing to pay off their arrears. However, the region has the highest number of tenants in arrears with 20.4% of tenants across the North East owing rent.

Also noteworthy is the 1.4% increase in the number of tenants in arrears in the North West between October and November. This may be due to the harsh Tier 3 restrictions introduced in October in parts of Liverpool, Merseyside and Manchester, which stopped most shops, bars and restaurants from opening for anything other than takeaway delivery or click-and-collect pickup. These restrictions may have seen more tenants suffering a reduced income which could feed into tenant arrears. ▶

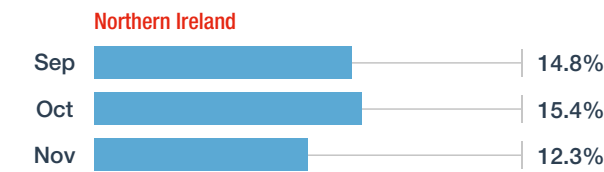
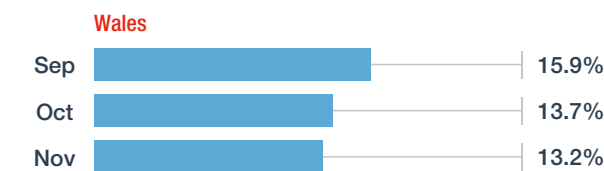
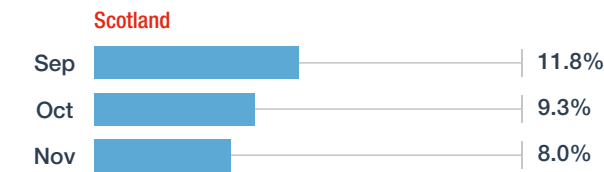
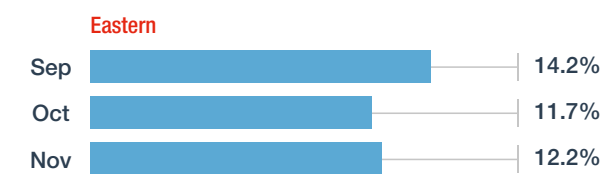
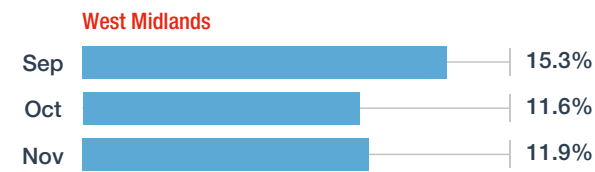
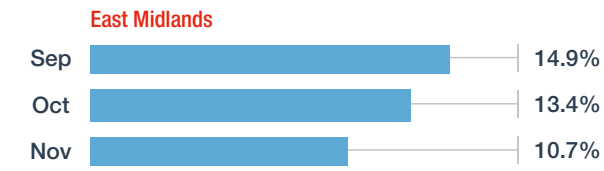
20.4%

of tenants in the North East owe rent, the highest number in the UK.



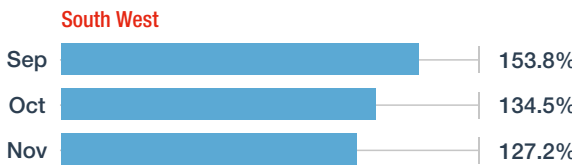
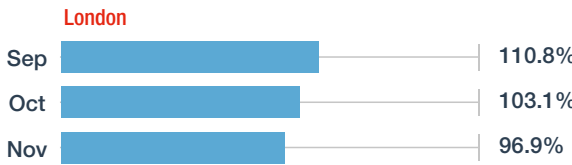
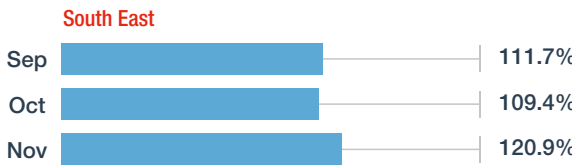
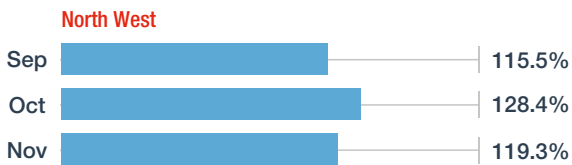
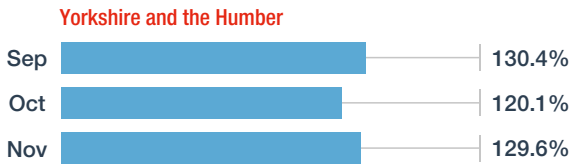
Average % of tenants in arrears
Measured September to November 2020

Source: PayProp

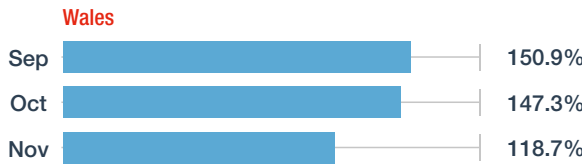
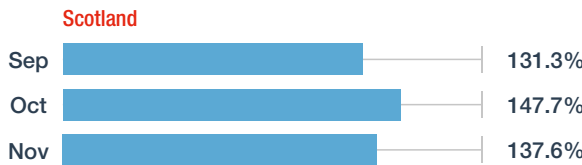
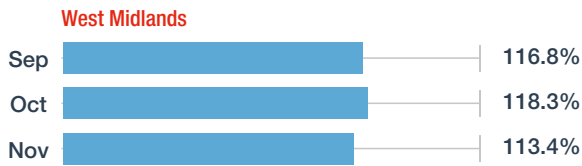
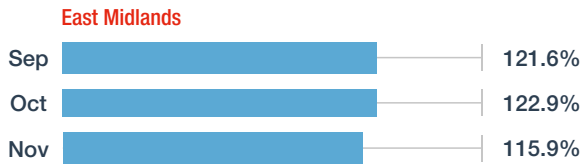


Arrears data – regions **cont.**

It is a more complicated picture when we look at the average percentage of arrears owed. While some regions have seen dramatic declines in this metric – most notably Wales with a 32.2% decline over the last three months – others have seen an increase, showing a mixed picture across the UK. Apparent doom and gloom for the South East, Scotland and the North of England must moreover be qualified – arrears percentage increases may be due to those with small arrears managing to pay it off over the past three months, raising the average amount per tenancy owed as smaller amounts are settled. ■



Average arrears %
Measured September to November 2020
Source: PayProp



PayProp client spotlight

Case study

In 2005, Glasgow-based lettings industry professional Wendy Gallagher decided there was a better way to manage rental properties.

“I was disheartened to see other agents charging fees for poor service. For me, excellent customer service should always be the main priority,” she says.



How One Stop Properties beat onerous payment admin with PayProp

An interview with



Wendy Gallagher
Managing Director

Glasgow
Scotland

400+
Properties managed

Feb 2020
Joined PayProp



I decided to set up on my own and really focus on my clients. I didn't want to be the biggest in the industry. I just wanted to be the best.

With that goal in mind, Wendy launched One Stop Properties in 2005 – initially with just one property on the books. However, thanks to her connections with local landlords and the agency's growing reputation for good management, new business came in quickly. As of September 2020, the agency manages around 400 properties across three locations in Glasgow.

“I think we have an enviable portfolio right now,” says Wendy. “But ideally, we are always looking to expand and I would like to grow it by another 100 or 200 properties.”

Managing the back end

Wendy already had a wealth of customer service and lettings industry experience when she founded One Stop Properties, but payments were a whole different ball game. At the outset, she brought on a business partner – Willie Jamieson, a landlord with whom she had worked extensively to help set up his property portfolio. Willie would take care of the agency's finances while Wendy managed the day-to-day operations.

“I taught Willie all about lettings, and he taught me the back-end accounts,” she explains. “It was really good – we went from strength to strength.”

But in 2019, after 14 years at One Stop Properties, Willie retired – and Wendy had to take on the tough job of handling all incoming and outgoing payments.

“It was so onerous and time-consuming,” she says. “Fifteen years ago, when we set up the company and didn't have a huge portfolio, it worked. But then your portfolio gets bigger, and you go to 100 properties, then 300 properties.”

“We actually had five bank accounts: client rent in, client rent out, client holding, a deposit account and an operating account. Clients would pay the rent in, then we'd transfer it into the account that we pay the landlords from – all by hand.”



Depending on how many rental payments came in on that day, processing could take anything between one and four hours. One member of staff in the accounts department had to manually enter the figures, so it was not only time-consuming but open to human error. Diligently separating all funds made the whole process even more onerous. And yet, despite how time-consuming it all was, I made sure that landlords were paid the day their rent was received into our account.

Searching for solutions

Working like this wasn't sustainable, neither for One Stop Properties nor for Wendy herself, and so she began looking for a way to streamline payment processing. At this point, she was hearing more and more about PayProp – she and Willie attended a talk by PayProp Chief Sales Officer Neil Cobbold at the 2019 Scottish Letting Day conference in Edinburgh to learn more about the power of payment automation.

"I started to communicate with the PayProp team in December 2019," says Wendy. "Neil gave us a live demonstration, and I'll be honest: I thought 'this is exactly what I need. This will give me complete control of my business'. We decided it was the best way to go – not just to take One Stop Properties to the next level, but also to give me peace of mind knowing that my staff could run it without me having to be here every day."

"We went through the onboarding and I have never experienced customer service the way PayProp does it. I was told that from day one, we would get our own dedicated person to take us through the training and give us as much time as we needed. As someone who didn't know accounts, our customer relationship manager was the most patient and understanding person I could have worked with."

As part of the PayProp package, all clients can access unlimited training for as long as they remain on the platform. As well as helping with the initial setup and onboarding, refresher training sessions later on can immensely benefit One Stop Properties and other companies like it, either to help onboard new employees or explain new features. In addition, the client services team are also always on hand to answer questions.



I've spoken to so many people at PayProp. Every single member of staff knows their business, they know how to resolve any issues. It's how customer service should be run.

According to Wendy, though, the platform is very straightforward to use, even for people without a finance background.

"Melanie, who helps me do finance and accounts, isn't finance trained," she says. "She's not an accountant. But with PayProp, she's taken to it like a duck to water. We run the accounts side between the two of us and it's just so easy. In fact, I actually reconciled all our payments this morning before she got into the office, just because I got in early." ▶

Coping with COVID-19

One Stop Properties began using PayProp in February 2020. As Wendy says, it was very good timing.



How lucky was I? PayProp came at just the right time for my business. I've spoken to people since then and they ask me how I've coped with the lockdown. I say I don't know how I would have coped without PayProp – but with it, everything just fell into place.

As news of the pandemic grew in February, Wendy and her team quickly made adjustments. The company asked staff to work from home a week before the official lockdown began, organised the distribution of laptops and made sure everyone had a reliable Internet connection.

"Rather than being forced to close, I decided I'd shut the office early and give the staff time to organise in order to work at home," she says. "Since then, I've focused on how to support them during lockdown. I'm not just running a business here, I have all these people to think about. So we have meetings every morning and afternoon, and I've asked them to buddy up and look after each other when someone isn't coping well."

The peace of mind that they get from reliable payment automation has helped a lot. With PayProp, the daily work of collecting and paying out rent has gone smoothly even with staff out of the office. Invoices are sent to tenants automatically, and landlords are paid according to rules that Wendy can set in advance. While One Stop Properties has been fortunate to have very few tenants fall behind on rent – something Wendy attributes to the agency's in-depth tenant referencing – PayProp has also allowed them to handle arrears more easily.



There's a few tenants during COVID-19 that have struggled to pay their rent, but the system allows me to manage. In some cases, they've come to an arrangement with the landlord to reduce their rent, or the landlord has told them not to worry about rent for a couple of months. We've also had some that have changed their payment dates. But the system is so good – it has worked exactly as we needed it to. It allows us to adjust rents, and at any time I can see exactly what each tenant's position is and which landlord hasn't been paid.

Summing up

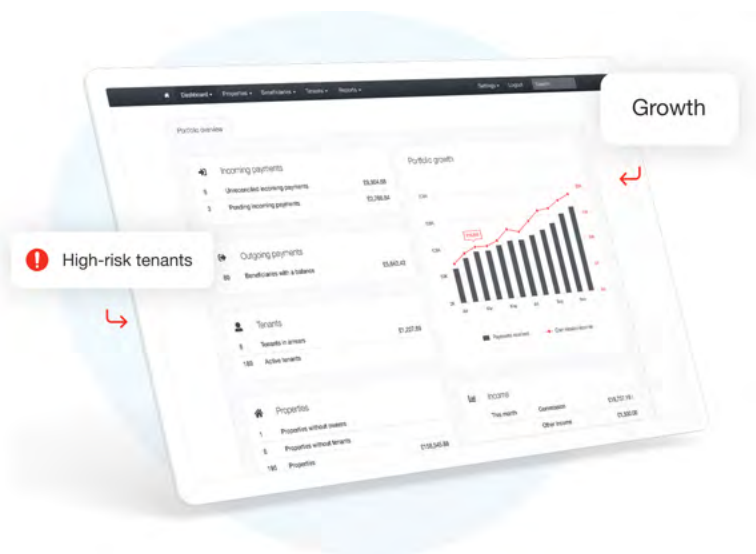
Six months on from choosing PayProp, Wendy is convinced of its value to her business.

“The fact that PayProp automatically reconciles itself is great. It makes reconciling your accounts so easy,” says Wendy. “But the biggest thing for me is the time I got back. Before, my whole day could be just taken up on rental admin, and that’s a day in my life that I can’t get back. You can’t buy that.”

“At the end of the day, you get what you pay for. If you want peace of mind, the ability to grow your business, the ability to train your staff – you get all that with PayProp.”



As someone who always likes to be in control, I never, ever thought I’d automate my banking. But PayProp has given me my life back. My partner says it’s actually given him the old Wendy back, because I was under so much pressure with the old system. Bringing PayProp in at One Stop Properties is the best thing I’ve ever done.



PORTFOLIO OVERVIEW

See your portfolio health at a glance.

“Looking back, we cannot imagine life without PayProp.”

MARK SHANTA
SHANTA RESIDENTIAL, GLASGOW



Get back time to grow.

A year before getting PayProp, Mark Shanta of Shanta Residential took up to 1.5 days per month to manually process rental payments on 140 properties.

With PayProp automation, Mark settles incoming and outgoing payments in just 5-10 minutes daily, and uses all that spare time to grow the business – to over 200 properties in just 12 months!

See how automation can help your business.

www.payprop.co.uk 020 3740 7606

PayProp Rental Confidence Index

2020 – a year in review

To assess the state of the industry in 2020 as we look ahead to 2021, PayProp surveyed agents, landlords and tenants from across the UK.

The result is our very first Rental Confidence Index.



PayProp Rental Confidence Index

2020 – a year in review

2020 has been a challenging year for the private rented sector as agents, tenants and landlords all dealt with the impact of COVID-19 and various restrictions were imposed on normal life and property activities in response to the pandemic.

Agents

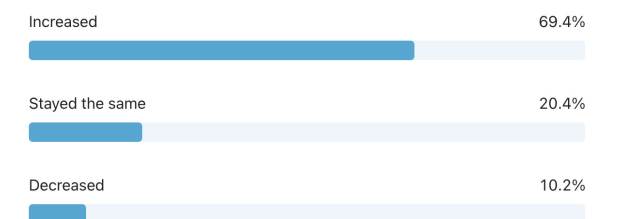
Despite a difficult year, most agents have seen an increase in the demand for rental properties. This could be due to tenants in smaller properties being forced to work from home, only to realise their current property no longer fit their requirements as it lacked a dedicated office space. Alternatively, it could be the result of tenants moving to more outlying locations, as some tertiary sector workers embraced the freedom of no longer having to commute.

Given an increase in demand for rental properties, it is not surprising that 57.1% of agents expect landlords to increase rental prices, while 32.7% expect current rental prices to remain unchanged. However, it is important to note that this is only what agents expect landlords to do, not necessarily what will happen when tenants renew their tenancy agreements.

In previous reports we predicted that the scheduled end to the government's furlough scheme would see tenants contacting agents to arrange payment plans in

cases where jobs were lost or income reduced. However, at the time of collecting the data in December, only 30.6% of agents were contacted by tenants to arrange payment plans. This may be due to the furlough scheme being extended until the end of March 2021. ▶

Has tenant demand for rental properties increased, decreased or stayed the same?



Source: PayProp Rental Confidence Survey – agents

Notes

Field research for the first Rental Confidence Index took place between 1 and 7 December. Agents surveyed consisted of PayProp and non-PayProp users. The tenants and landlords we surveyed rent their properties through PayProp-powered agencies.

Tenants

2020's challenges affected tenants as much as anyone else. In the circumstances, it's encouraging to see that only 30.1% of tenants have found it more difficult to pay the rent.

What's more, only 11.2% are concerned or very concerned about rent arrears, which tracks well against the 11.8% of tenants in arrears in November. Crucially, 65.7% of tenants are not at all worried about arrears, suggesting that rent will continue to be paid by the vast majority of tenants.

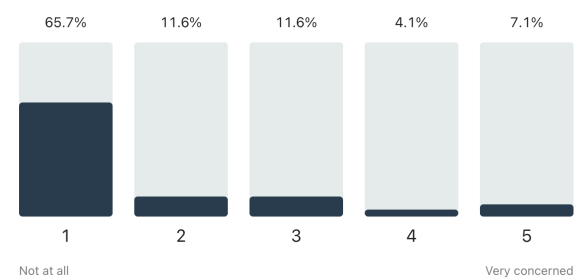
So how will the 30.1% finding it more difficult to pay their rent get hold of the money needed? Data from the latest [Household Finance Index](#) from IHS Markit may point to an answer. According to this report, household finances are under more strain than they have been at any point over the past six months, which has seen people using household savings to cover expenses, perhaps due to a loss in household income from employment. As a result, the amount of household savings has fallen at its quickest rate in seven years. If tenants are using savings to cover shortfalls in income, this suggests that the number of tenants worried about arrears may increase as savings diminish. ▶

Has COVID-19 and the subsequent lockdowns made it more difficult for you to pay the rent?



Source: PayProp Rental Confidence Survey – tenants

I am concerned about rent arrears



Source: PayProp Rental Confidence Survey – tenants

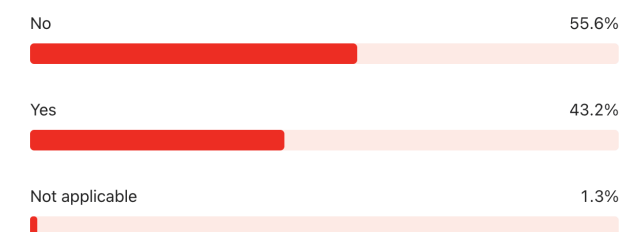
Landlords

Across the UK, landlords have had to adapt to a changing rental market. As tenants spend more time at home and some are furloughed or made redundant, how has the pandemic affected this key part of the private rented sector?

While 55.6% of landlords have not considered selling their rental property, a significant 43.2% have thought about it during the past year. And while 29.8% have considered adding to their portfolio, it would leave a considerable gap if those that have considered selling follow through.

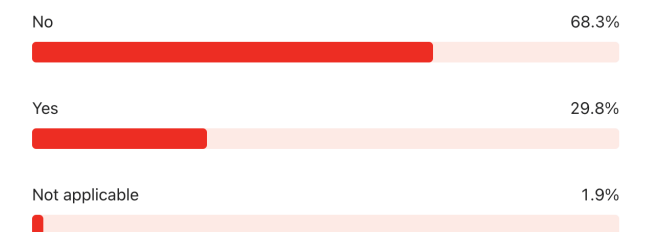
It also appears that higher-than-average tenant arrears in 2020 have not caused landlords worry, on the whole, as only 26.2% of landlords are concerned about tenant arrears, and only 16.6% worry about regaining possession of a property. ■

In the past year, have you considered selling your rental property?



PayProp Rental Confidence Survey – landlords

In the past year, have you considered buying additional property?



PayProp Rental Confidence Survey – landlords



PayProp Rental Confidence Index

"I'm from the government, and I'm here to help."

Throughout 2020, governments across the UK have stepped in with emergency legislation to steer the private rented sector through the pandemic.

This has included eviction bans, lockdowns preventing agencies from opening, a furlough scheme to provide income to those who could not work and mortgage holidays. But what do agents, tenants and landlords make of government action in 2020?

Across all three groups, none feel that the government has provided enough support to the industry. Agents feel the strongest, with 49% saying they have not had enough support, while 24.5% feel they have. The percentage of tenants and landlords who feel the government has supported them adequately during the pandemic is much lower, at 16.4% and 11.2% respectively.

How do we account for these figures? Across the private rented sector, participants are agreed that the available government support has not been adequate, with the vast majority of those surveyed either thinking there has not been enough support, or unsure if adequate support has been given. This could be down to poor communications, the last-minute nature of changes to private rented sector regulations, and mixed messages including confusion over evictions, which in some circumstances have been allowed to take place despite headlines claiming a ban.

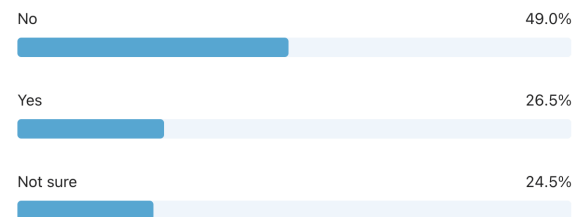
But what about those with a positive view of government intervention?

Agents

For many agents, the stamp duty holiday may be viewed as a positive government action, as it has helped stimulate the sales market. However, of the agents surveyed, only 44.9% offer sales as a service – meaning more than 50% of agencies surveyed will see no direct benefit from the increased demand for sales and resulting increase in commission.

But while the stamp duty holiday may not benefit every letting agent, agencies across the UK will welcome being among the first businesses to be allowed to reopen after the initial lockdown, and to continue operating during subsequent lockdowns. ▶

Do you think the government has provided enough support for letting agents?



Source: PayProp Rental Confidence Survey – agents

Tenants

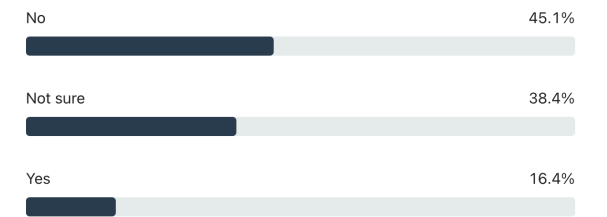
While local grants have been made available to tenants who struggled to pay the rent, the main measures used to support tenants have been the various eviction bans. It should be noted that the ban only supports those in arrears and that evictions are merely being deferred. Arrears still have to be repaid to avoid further court action. Moreover, the furlough scheme is available to anyone, not just tenants.

Landlords

Mortgage holidays have been available to landlords owning a mortgaged buy-to-let property – for any other landlords, there's not been much in the way of support, which may explain why this group gave the government the lowest approval rating of any group surveyed – just 11.2%. For retired landlords or those nearing retirement (63.8% of those surveyed), rent may be their main source of income, so tenant arrears and eviction bans could hit the majority of landlords disproportionately if they have no or few other sources of income, such as employment or a substantial private pension. The continuing evictions ban, which will last into 2021, could be the primary source of pessimism among this group

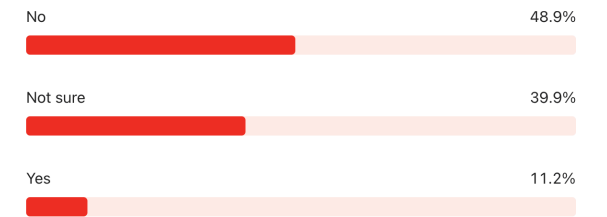
Despite agents being the most positive about government action during 2020, they also worry more than any other group about future regulation, with 61.3% of agents concerned or very concerned about new laws. Some 48.6% of landlords share that concern, while only 33.5% of tenants are worried. This difference may be due to the impact of regulation introduced this year, which stopped evictions – it has directly affected agent and landlord income while protecting tenants' rented tenure. This would seem to add to the general perception that governments are currently acting in favour of tenants when legislating. ■

Do you think the government has provided enough support for tenants?



Source: PayProp Rental Confidence Survey – tenants

Do you think the government has provided enough support for landlords?



PayProp Rental Confidence Survey – landlords

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PayProp Rental Confidence Index

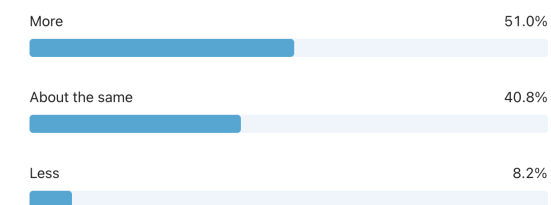
Communication during COVID-19

During difficult times, communication is key – but while agents have been making more of an effort to speak to tenants and landlords, is the message having the desired impact?

While over 50% of agents report more communication with landlords, and 46.9% report more communication with tenants, it appears the message is not getting through. A total of 77.6% of landlords and 62.1% of tenants have noticed no difference. Even more worrying is the 35.7% of tenants who said they have had less contact with their letting agents, despite critical changes to the rules governing the private rented sector. Let us examine some potential explanations. ▶

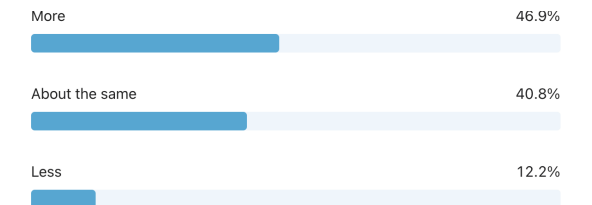
Agents

Have you had more, less or about the same level of contact with your landlords during COVID-19?



Source: PayProp Rental Confidence Survey – agents

Have you had more, less or about the same level of contact with your tenants during COVID-19?



Source: PayProp Rental Confidence Survey – agents

Landlords

Have you had more, less or about the same level of contact with your agent during COVID-19?



Source: PayProp Rental Confidence Survey – landlords

A significant proportion of agents report having to communicate more frequently with both tenants and landlords. As the main point of contact for both groups, agents play a vital role in ensuring a harmonious tenant/landlord relationship, something which is critical in difficult times.

In fact, this may point to more targeted communication. The small proportion of landlords (10.9%) noticing increased communications may be those not being paid due to arrears. The even smaller percentage of tenants (2.2%) seeing increased communication may be those who, despite being in arrears, have chosen to engage with their agents and landlords to come to an arrangement over repayment.

As the pandemic progresses and evictions restart in 2021, agents can play a vital role in facilitating clear lines of communication between tenants and landlords. When it comes to arrears management, putting people first and helping to negotiate repayment plans that are acceptable to all parties will help avoid unnecessary evictions next year and show how important agents continue to be in the private rented sector. ■

Tenants

Have you had more, less or about the same level of contact with your agent during COVID-19?



Source: PayProp Rental Confidence Survey – tenants

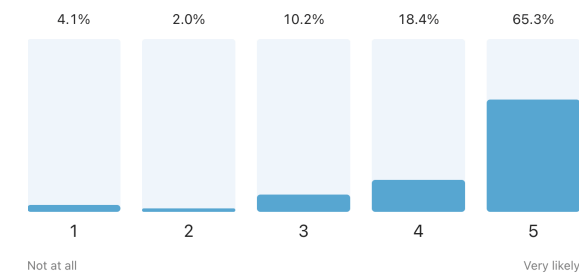
PayProp Rental Confidence Index

Crystal ball time

While we have already predicted, with the help of third-party data, what could happen to arrears in 2021, it's important to consider the views of agents, landlords and tenants as we head into the new year.

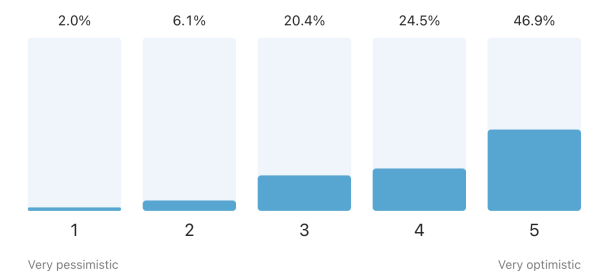
Agents

How likely are you to be working in the property industry in five years?



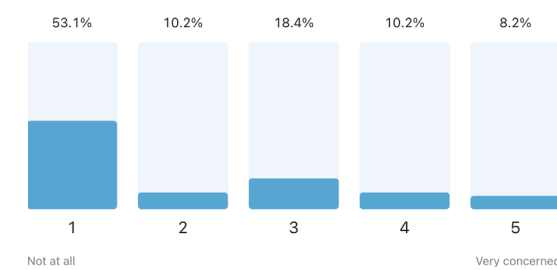
Source: PayProp Rental Confidence Survey – agents

How optimistic are you about the future of the rental industry?



Source: PayProp Rental Confidence Survey – agents

How concerned are you about losing your job?



Source: PayProp Rental Confidence Survey – agents

Despite a difficult 2020, agents are on average confident about the future of the rental industry as we head into 2021, with 83.7% of respondents likely or very likely to still be working in the property industry in 2025 and 71.4% optimistic or very optimistic about the future of the industry. How optimistic? More than 50% of respondents have considered buying another agency, and 77.6% of agents have considered increasing the number of managed properties as a key contribution to future agency revenue growth. ▶

A significant proportion of agents report having to communicate more frequently with both tenants and landlords.

As one of the first industries to reopen after the initial lockdown, agents have adapted well to the socially distanced world we live in – which will continue into 2021. Over two thirds (77.6%) of agents have increased the use of technology in their businesses during 2020, and 57.1% see technology including 3D tours and virtual viewings adding value to their businesses in the future.

Agencies have also had to adapt to social distancing rules, and while 63.3% already have their whole team back in the office, 16.3% do not expect to see their entire team return to the office, instead perhaps choosing to work from home. After all, technology pioneered during 2020 will allow them to be just as productive from home as they could be in the office in 2021.

While technology can enable more flexible and distributed working, it can also increase efficiencies through automation, as new PayProp client One Stop Properties discovered during 2020 (see case study on p14). We expect agents to leverage the efficiency gains brought about by technology in 2021 as 73% agree “it is more productive to increase automation than to increase the workforce.”

As concerns tenant demand, agents are seeing 29.2% of tenants moving to larger properties, perhaps driven largely by remote working becoming an option for many in 2020. As more tenants reach the end of the industry-standard two-year tenancy agreement, agents may see more enquiries to upsize to accommodate home working.

Tenants

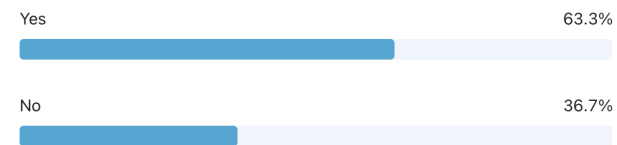
The trials of 2020 have had an impact on tenants, with 34.3% re-thinking where they currently live and 36.4% working either part-time or permanently from home as a result of the pandemic. ▶

Have you got outside space at your property?



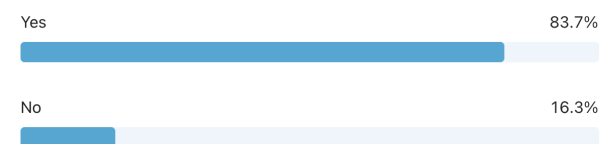
Source: PayProp Rental Confidence Survey – tenants

Is your whole team back in the office?



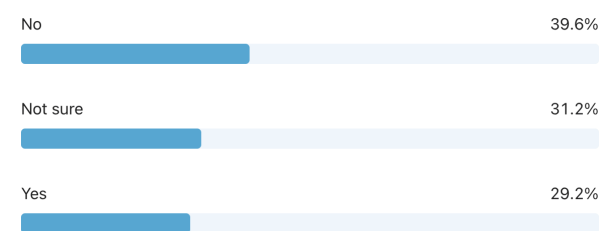
Source: PayProp Rental Confidence Survey – agents

Do you expect your entire team to return to the office at some point in 2021?



Source: PayProp Rental Confidence Survey – agents

Are tenants moving to larger properties to accommodate working from home?



Source: PayProp Rental Confidence Survey – tenants

Would you have liked outside space at your property?



Source: PayProp Rental Confidence Survey – tenants

As some tenants spend more time at home, outside space appears to be a key priority. Of the 32.7% of tenants that don't currently have any outside space at their property, 89.8% would have wanted it. This suggests that we may see a softening demand for rental properties in inner cities. While convenient for commuting, such properties may not offer the outside space tenants currently desire. Tenants also do not appear to be afraid to move, despite the continuing threat of COVID-19, with a minority (14.9%) being put off because of the pandemic.

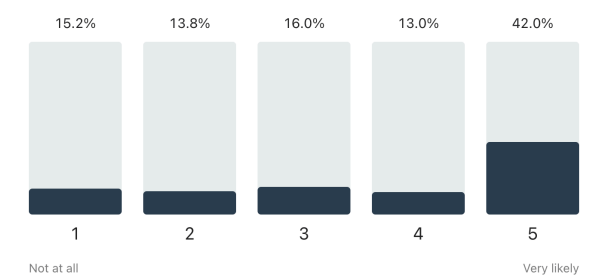
The long-term prospects for the sector also look encouraging, with 55% of tenants expecting to still be renting in five years' time. This tracks with current statistics, which show an ageing tenant population.

Landlords

What does 2021 look like for landlords? To start with, 62.2% of landlords surveyed expect to still be landlords in five years' time. While more letting agents expect the same, it's encouraging to see such a large percentage of landlords committed to the private rented sector. But what about the 17.8% who won't be in the industry by 2025? It may be less significant than it seems, as 31.1% of those surveyed are over 65. Those with the foresight to use rental income to top up any pension may also be considering the inheritance tax implications on rental properties. If the property was to be sold, the money from the sale gifted to any children or family members, and the landlord lived on for more than seven years, the money gifted would not currently be subject to any inheritance tax, but capital gains tax would have to be paid on any increase in the value of the property.

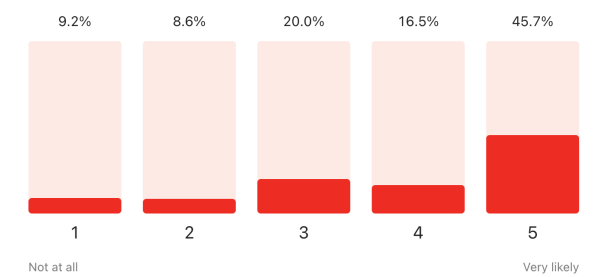
We also see that, while some landlords expect to leave the private rented sector by 2025, 39% have considered adding more properties to their portfolio – despite the difficulties the industry has faced in 2020. This suggests that supply of rented housing stock will be stable throughout 2021. ■

How likely are you to be a tenant in five years?



Source: PayProp Rental Confidence Survey – tenants

How likely are you to be a landlord in five years?



PayProp Rental Confidence Survey – landlords

Would you consider adding to your property portfolio?



PayProp Rental Confidence Survey – landlords

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Conclusion

Is the end of the pandemic in sight?

As we head towards 2021 we should recognise how far we have come as an industry. This time last year, few of us had ever heard of COVID-19, businesses were open without fear or thought of unseasonal closures, teams filled up offices and the UK was getting ready for Christmas. The state of readiness for anything different (e.g. incumbent virtual technologies) was sorely lacking in many cases.

What a difference a year makes!

Since then, agents have been designated essential to the economy and been among the first allowed to reopen. Agencies have been busier than ever, with some reporting record demand as some tenants adjust to the realities of working from home.

Those who have dismissed PropTech and other software systems have had to adapt to a radically different world to keep providing the high-value service landlords and agents expect. From our survey results, it looks as if that technology is here to stay.

Embracing new technology and working patterns will see agencies allowing some workers to work from home or being flexible about their location. Among other great revelations, 2020 has shown that productivity does not have to fall just because someone is not in the office.

And finally, despite a difficult year, it's clear that most tenants, landlords and agents remain committed to the private rented sector for the next five years – which tells us all we need to know about the resilience of the industry and those involved in it.

There may be more bumps in the road ahead, but with several successful vaccines on the horizon and the industry well adapted to the realities of living through a pandemic, we predict better days ahead for the private rented sector. ■

Those who have dismissed PropTech and other software systems have had to adapt to a radically different world to keep providing the high-value service landlords and agents expect.

PayProp Special Report

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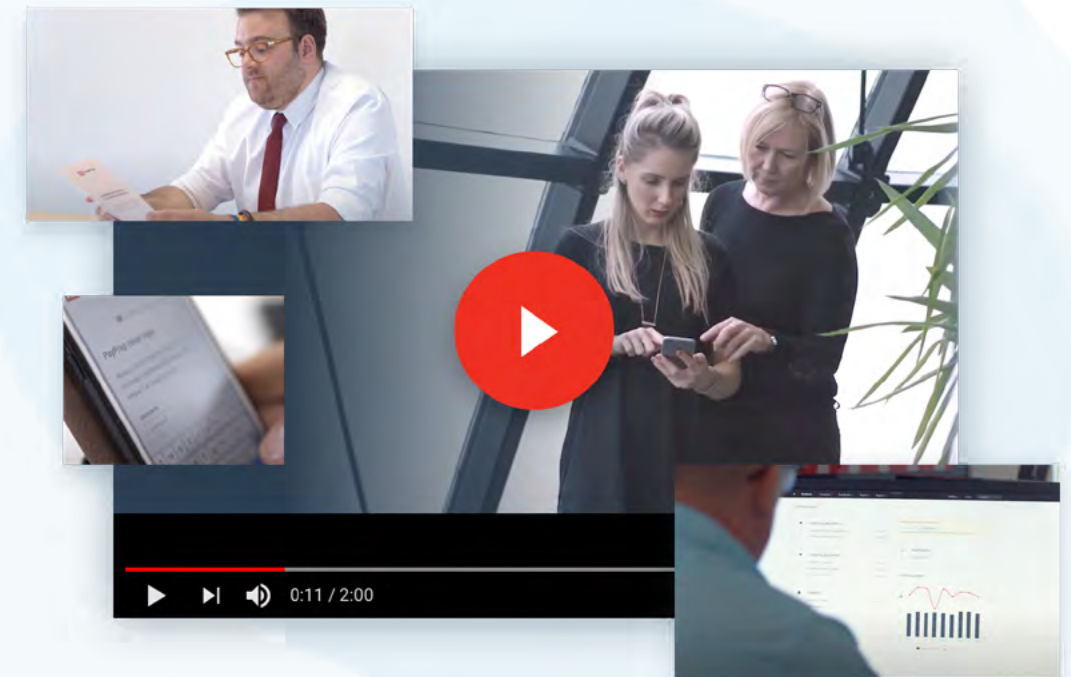
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