



Rental Pandemic Report 2020-2021

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Contents

How has the pandemic impacted on the lettings market 2020 to 2021?	3
What happened to rents during the pandemic?	4
Changes to lettings metrics during and post the lockdowns	6
Has the time tenants rent for changed?	6
Did void periods increase or decrease during the pandemic?	6
Have tenants struggled or managed to cope with still paying their rent	7
What's been the impact on evictions?	7
Did landlords off load properties to take advantage of higher prices?	8
Have any landlords decided to purchase properties during the pandemic?	8
How has the pandemic changed letting properties?	9
Communication	9
Not being able to do inspections	9
Contractors	9
Learning to work remotely	9
What changes will remain in the future?	10



How has the pandemic impacted on the lettings market 2020 to 2021?

The Belvoir rental index has been running since 2008 and the Belvoir franchise survey has been in place since 2016. This data allows us to understand how the pandemic has impacted each region across the UK, both from a rental perspective, and from key lettings metrics, including rental shortages and oversupply, voids, rent arrears and landlords selling/buying.

What happened to rents during the pandemic?

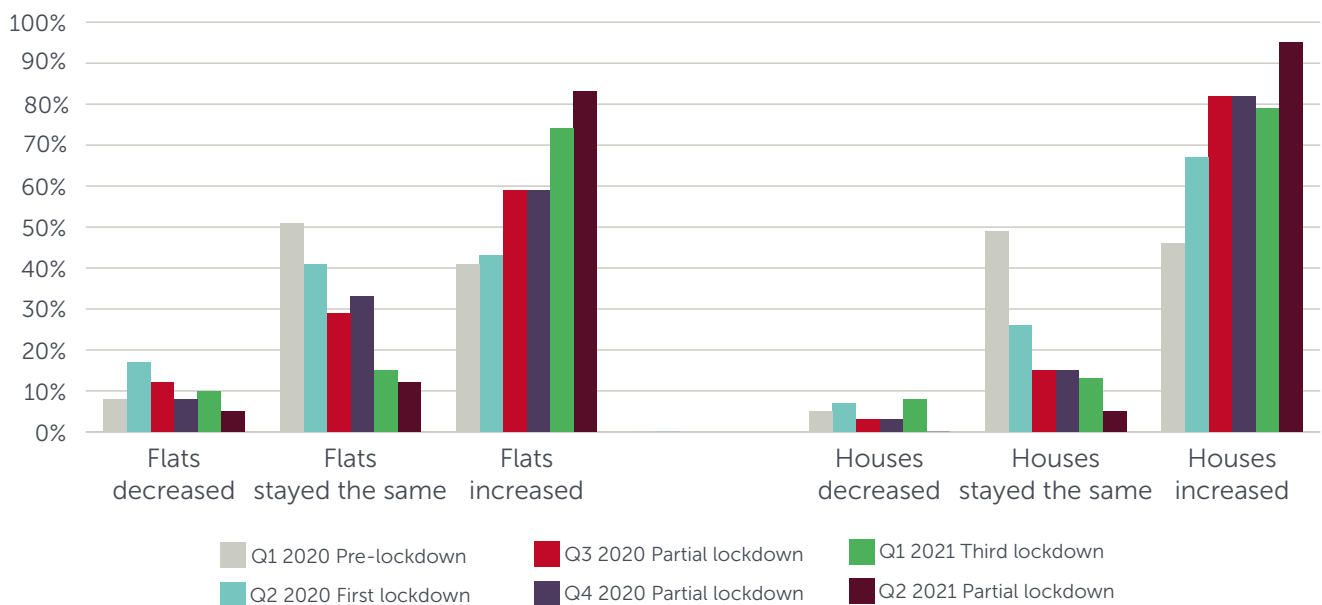
According to our data, rents across the UK (for all Belvoir offices, including new ones) in 2019 averaged £818 per month, in 2020 they averaged £810 and in 2021 to date, they are £815. So, we did see a dip in rents during the pandemic 'on average', however, this has been reversed so far in 2021.

On a regional basis though, the picture is very varied, not just due to the area, but also depending on whether the let was a flat, house or a HMO with room rents, the experience of landlords and tenants throughout the pandemic will have felt very different.

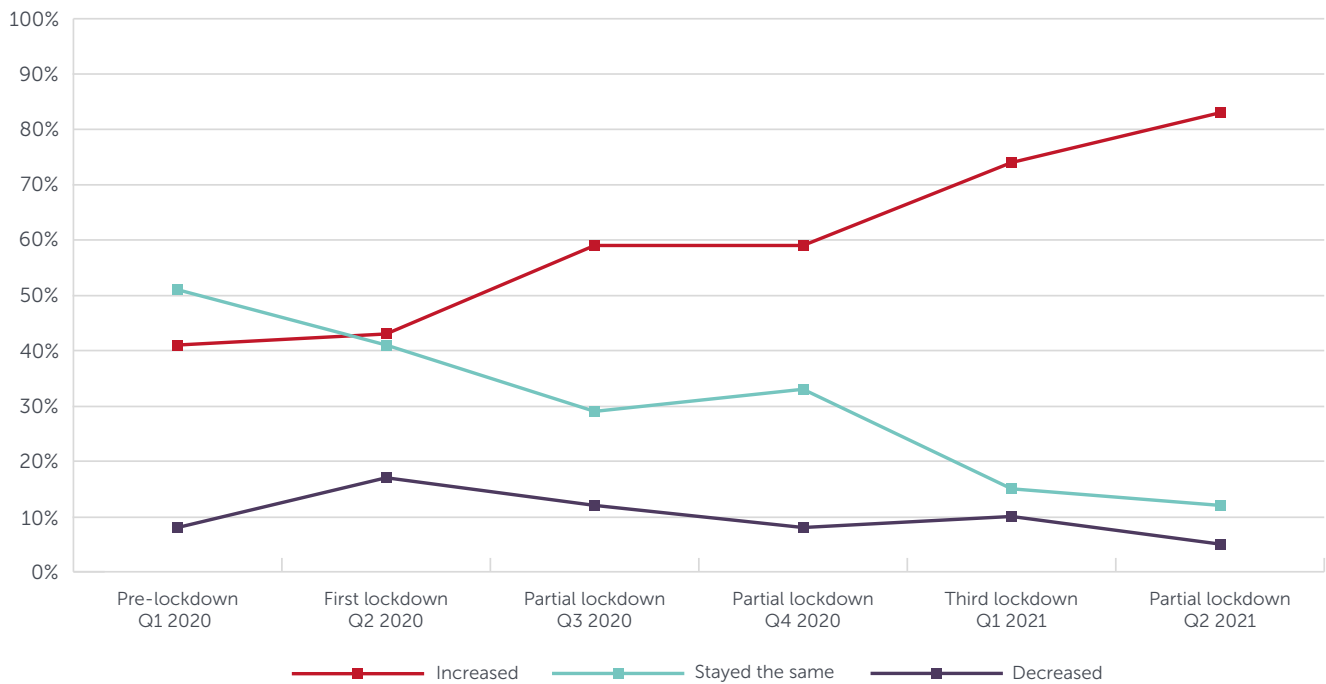
Our quarterly reports show that in most areas, during the pandemic, most:

1. Flats saw rent falls or no change
2. Houses saw rent rises
3. Room rents stabilised or fell

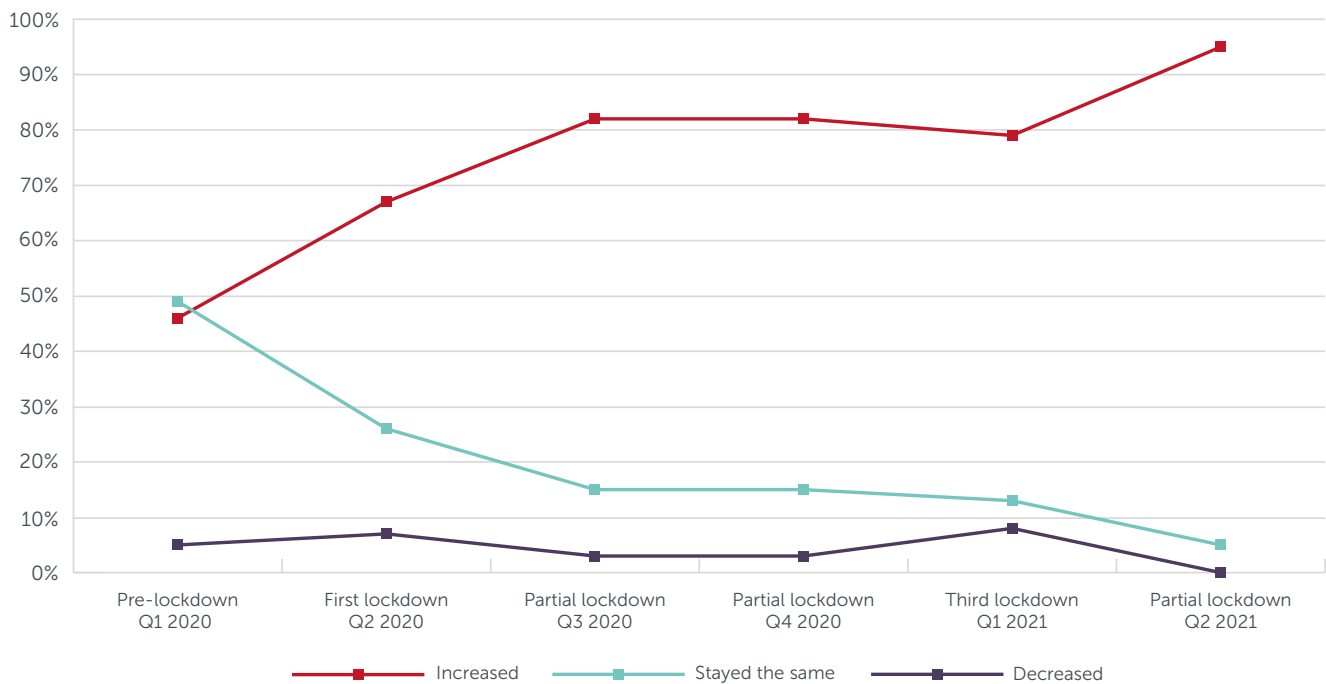
Flat and house rental trends



Flat rental trends



House rental trends



It's clear from the local expert feedback that during lockdown, most flat rents either stayed the same, but more fell in value than pre-lockdown, however as soon as the market opened up in May, this impacted on the second half of the year results, where most flat rents rose.

In contrast, similar to the house price market, house rents have been consistently increasing in most areas and did so even during the first lockdown.

Commentary from most of the Belvoir lettings experts shows that room rents have understandably suffered more with reduced demand causing room rents to flatline or fall.

The current market for most areas is showing a real spike in demand, with some areas really struggling for stock for new tenants.

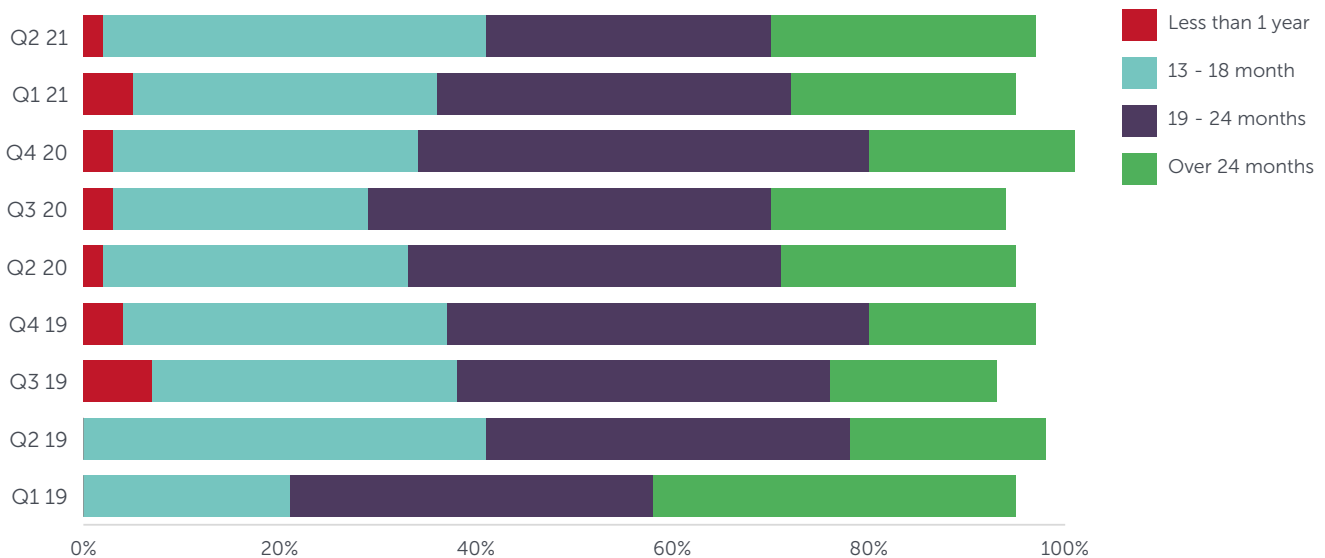
Changes to lettings metrics during and post the lockdowns

As well as carrying out a rental survey and understanding what's happening in individual towns and cities, we also carry out a survey to check what is happening to key lettings metrics over time.

The analysis and charts below show that although the pandemic has had some impact, overall, this has been much less than would have been expected, and in fact the lettings market has been incredibly robust – for those renting and letting through Belvoir.

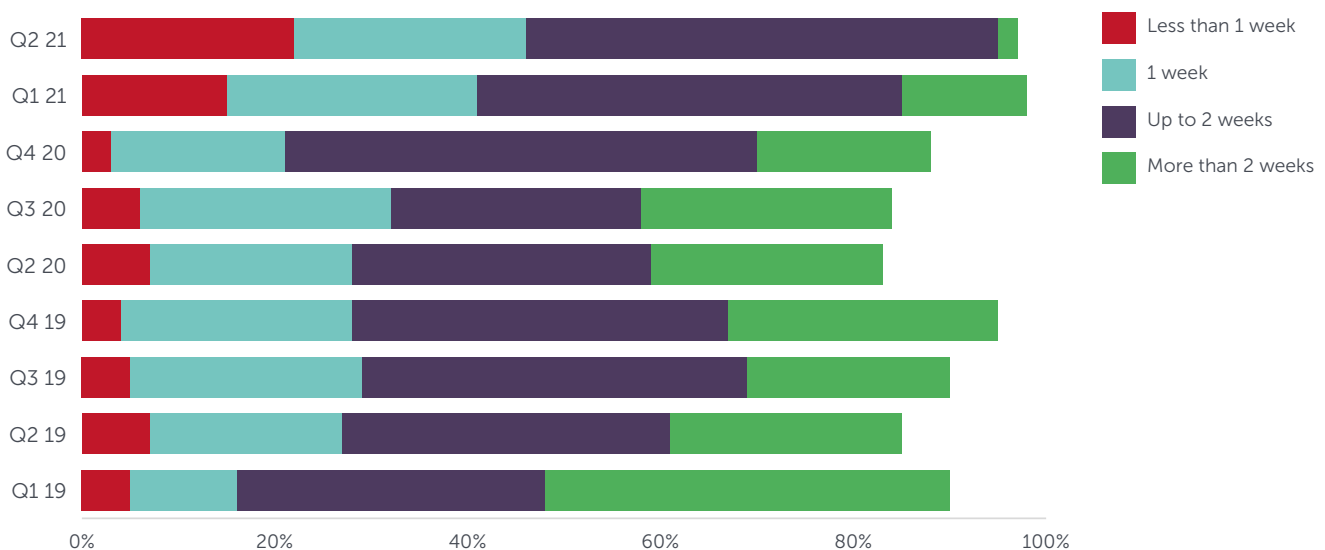
Has the time tenants rent for changed?

Not surprisingly, many tenants decided – or had to – stay put during the pandemic, and the stats show slightly less people were staying for less than a year and more staying for over 12-24 months. However, as we move out of lockdown during Quarter 2 2021, it appears that tenant trends are returning to normal.



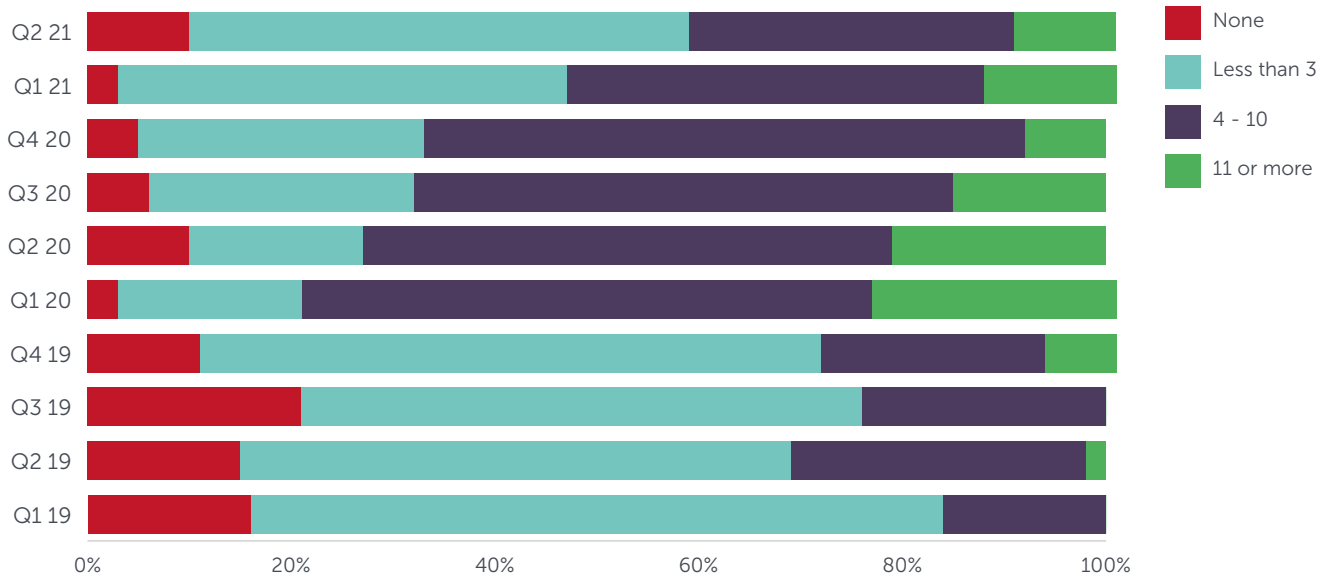
Did void periods increase or decrease during the pandemic?

Overall, there hasn't been that much change in void periods, despite the lockdown. There was a small increase in three of those properties taking up to a week to let, but this fell fairly dramatically. Interestingly, Q2 shows the biggest change where void periods for up to two weeks dominate the lettings market, while those taking more than two weeks have reduced dramatically.



Have tenants struggled or managed to cope with still paying their rent?

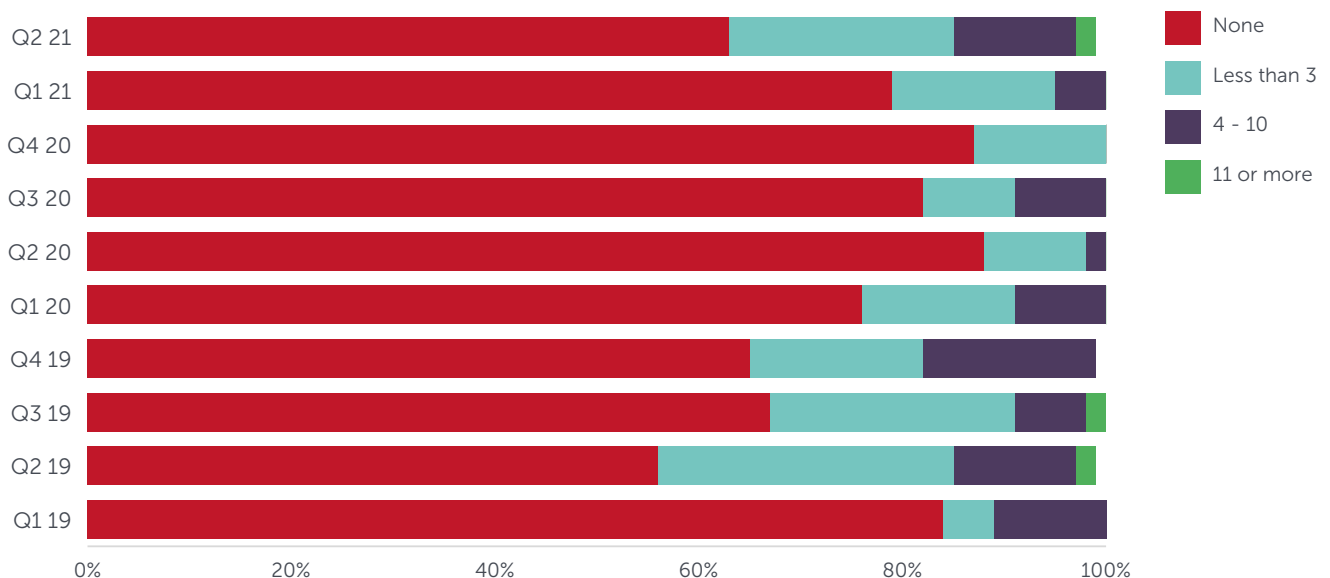
Belvoir reference their tenants extraordinarily carefully, so rent arrears are few and far between and this, together with low numbers of evictions, are a key reason for using a qualified agency with local experts and the support of a Central Office.



Pre the first pandemic lockdown, most offices had either none or no more than three tenants more than one week in arrears. Although this definitely jumped during the pandemic, this trend had already started in Q1 2020 where most offices were dealing with 4-10 tenants in rent arrears. This trend continued through to Q1 this year and what we are seeing in Quarter 2 21 is that the previous trends of less than three – or none at all – suggests this was just a ‘blip’ throughout the pandemic period.

What's been the impact on evictions?

It's clear from 2019 that the majority of offices hardly ever evicted anyone, so it's no surprise that despite the difficulties of the pandemic, trends didn't change that much.

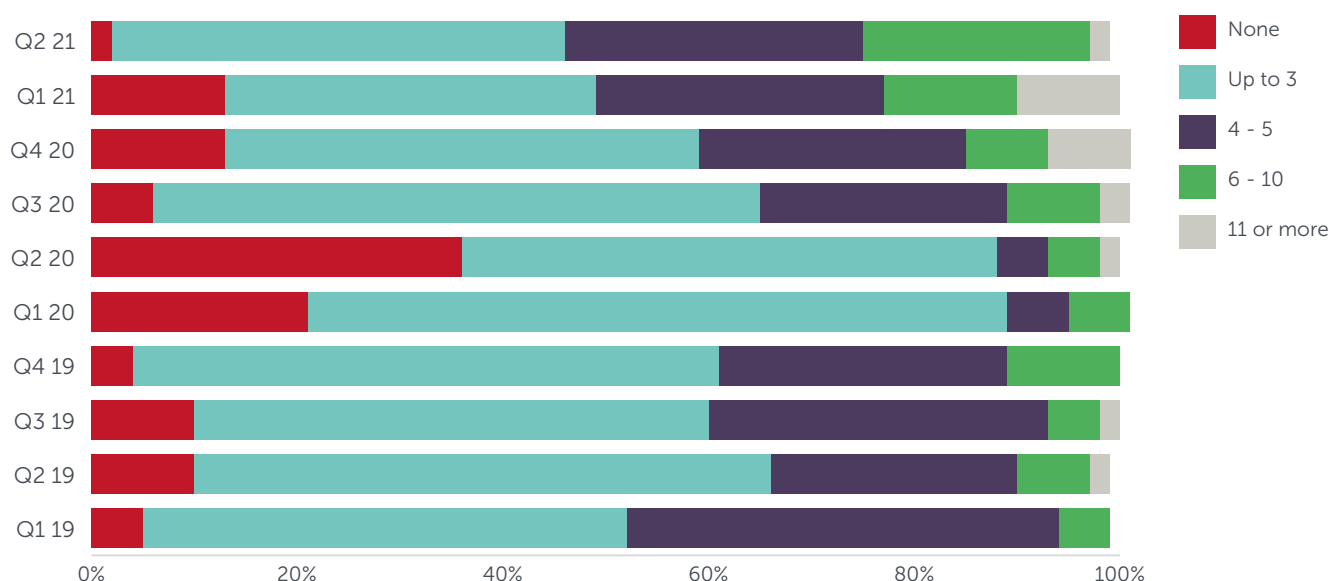


There was an increase in Q4 of the percentage of offices reporting no evictions at all, but now that evictions can go ahead more easily, we are seeing a 'catch up' in Quarter 2's data, which shows that those not evicting anyone has fallen from around 80% of offices to just over 60%. However, most of the offices starting evictions are still only evicting 2-3 and a fraction, 4 or more.

Did landlords off load properties to take advantage of higher prices?

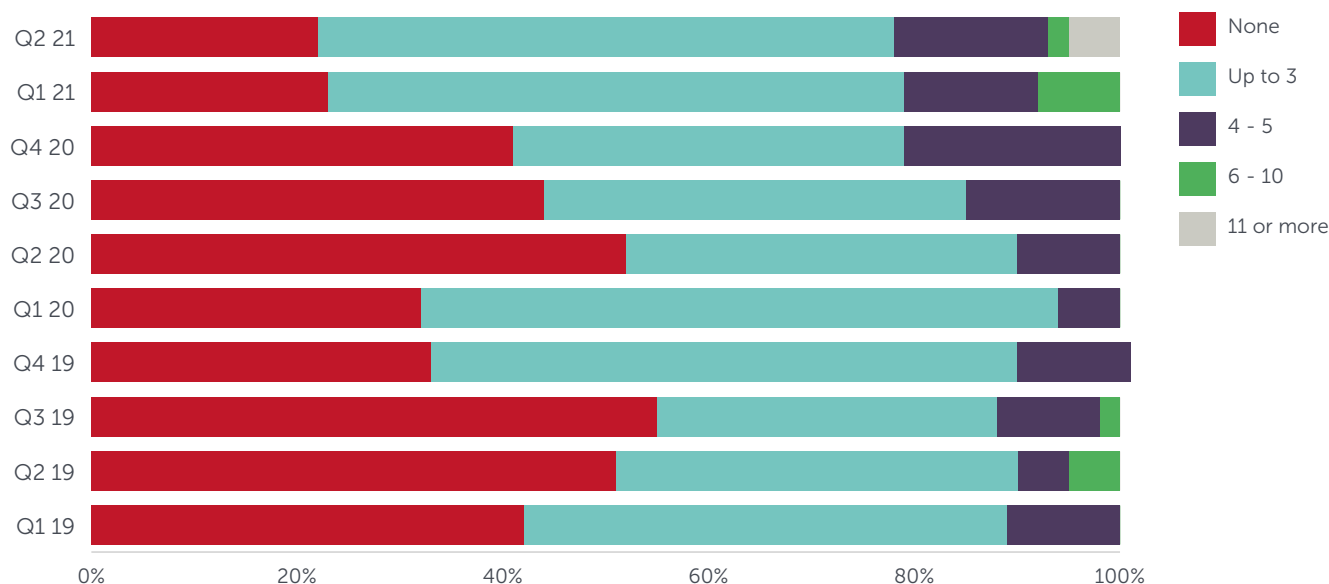
Interestingly, according to our data, some more landlords have sold from Quarter 4 2020 versus pre-pandemic trends but this is likely to be due to the lack of landlords selling in the first lockdown. During this time, 90% of offices saw less than three landlords selling up and the highest proportion we have seen of zero sales for nearly 40% of the offices.

Comparing Q1 2019 pre the pandemic to Q2 2021 when the country was opened up even further, the proportions of landlords selling up seems to have returned to normal, so overall, it doesn't look like Belvoir landlords decided to sell up due to the pandemic.



Have any landlords decided to purchase properties during the pandemic?

Not surprisingly, the number of landlords buying did take a dip during the first lockdown in Q2 when there was huge uncertainty about what would happen next and reports of double-digit price falls. As the market opened up, it's clear landlords have actually come back into the market strongly with both Q1 and Q2 showing few offices seeing no landlords buying, most seeing 6-10 purchasing new stock, and in the latest quarter, for the first time in a while, we see a small proportion of offices seeing 11 or more landlords buying new tenant stock.



Overall, from a lettings metrics basis, it appears that although there were some changes during the pandemic, in the main, long term trends have returned to normal and the lettings market has survived the impact of the pandemic incredibly well – which is good news for new and existing investors.

How has the pandemic changed letting properties?

In our Quarter 2 survey, we asked our lettings experts several questions about their experience of the pandemic:

1. What was the hardest thing about running a lettings business during the pandemic?
2. What are you doing differently now than you did pre the pandemic?
3. What did you learn the most?

We had an array of answers, but the most common ones were:

Communication

This was one of the hardest parts, managing tenant and landlords' expectations of what offices could and couldn't do during the pandemic. For the agents themselves, trying to deal with the changing advice and a better understanding of how they could keep everyone safe was a tough one for all to manage.

Not being able to do inspections

This was hard as it's such a critical part of the lettings process, but it wasn't possible during the first lockdown and for some tenants, they haven't been keen on anyone entering the property during the various lockdowns – especially if they are isolating.

Contractors

Getting hold of contractors during lockdowns was hard and remained so as the market was opened and became busier. In some cases, the problem was the opposite – needing to send contractors in to do safety checks, but tenants not wanting people in their homes.

Learning to work remotely

As with many businesses, learning within a matter of weeks for a team that works together in a close knit environment was hard. Things were particularly difficult when it came to organising key collections.

With regards to what offices are now doing differently, there are several trends emerging. The biggest change is the use of virtual viewings and conversely, virtual inspections. Other changes are vetting tenants more carefully prior to viewings through to much more use of technology for things like signing documents.

Many of the offices were very positive on the changes they had to make to their business, making it much more streamlined and efficient, thanks to greater use of technology. Although our favourite feedback from one office was **“a nice glass of red wine helps a lot!”**.

What changes will remain in the future?

Pretty much unanimous was the increased use of technology and many plan to keep the processes created for the pandemic in place in the future.

Our favourite two pieces of feedback from this question were “don’t panic” and “having good staff is very important”. It’s clear from the information the offices have provided, that panicking is the last the office teams did and instead, they tried to use the pandemic as an opportunity to look at all the lettings processes and work out how they could be improved to help continue to deliver a great service throughout the pandemic, but also for the longer term.

To achieve this, requires a good team and many of the offices were extremely complimentary of their team and how well they had coped and adapted to such an ever changing environment.

Talking about worries and fears for the future, not surprisingly, future lockdowns and the virus spreading again are the biggest fears, but mentioned almost as many times was the lack of stock for tenants to chose from currently. Despite the government’s efforts to encourage people to buy, with so many tenants wanting to rent houses as well as flats to achieve a much more flexible lifestyle, this is a stark reminder that we need more homes for all tenures and that ‘robbing peter to pay paul’ doesn’t work when it comes to putting a roof over people’s heads.

However, many are looking forward to fully opening up the country again and getting back to some sort of ‘new normal’.

