

Rental Series: Single Family Rental (SFR)

Getting under the skin of renter psyche

FOREWORD

“The Single Family Rental (SFR) market is gaining momentum, attracting interest from both established and new investors. In response to economic challenges and the cost of capital associated with forward funding, investors are shifting towards forward purchasing SFR properties. With a focus on stable, low-volatility income returns, SFR properties offer an opportunity for diversification, particularly as the residential sector gains favour over commercial real estate. Institutional investors find SFR appealing due to its flexibility, allowing properties to be subdivided and traded as needed, reducing overall risk.

In the current real estate climate, the traditional house sales market faces hurdles, including the cessation of the Help to Buy scheme and unattainable mortgage rates. The cost-of-living crisis and evolving lifestyle preferences have made homeownership unattainable for many. SFR emerges as a solution, offering renters predictable monthly expenses, energy-efficient new builds, and access to sought-after locations. This trend is not limited to families but extends to couples and sharers.

Considerations when launching SFR schemes include property design, technology integration, and fostering a sense of community, addressing renter needs while enhancing their overall experience. Technology, through resident engagement apps, plays a crucial role, facilitating maintenance reporting and community-building among renters. SFR residents prefer to blend into the community discreetly while enjoying the advantages of this rental model.

It is great that Conductor, as some of the first movers into SFR, are taking the initiative to understand customer drivers, attitudes, and behaviours to SFR, throughout the UK.”



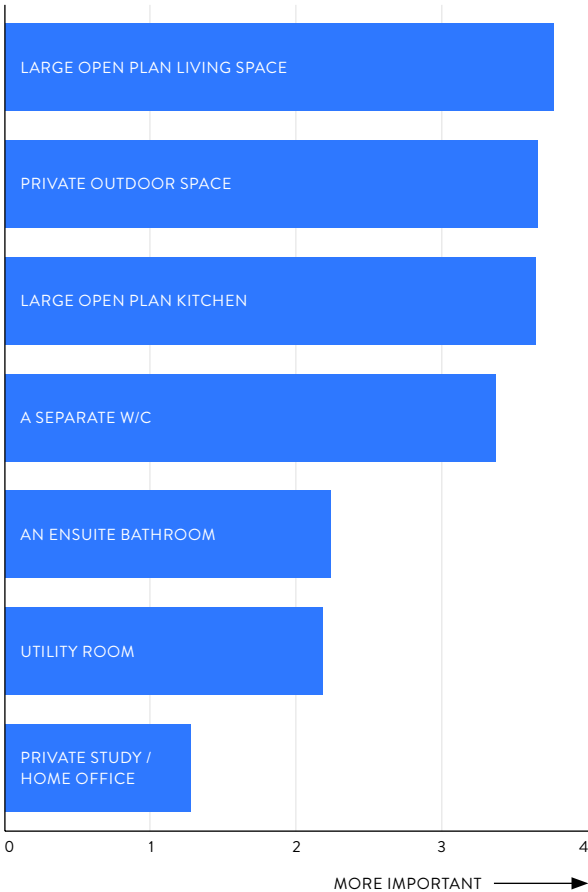
**KATHERINE ROSE,
MANAGING DIRECTOR
AND CO-FOUNDER
OF VERVLIFE AND
PRESIDENT OF
THE UKSFA**

INTRODUCTION

Single Family Rental (SFR) homes have seen a surge in popularity in recent years, driven by changing demographics, lifestyle preferences, investor interest, and economic conditions. The increased demand for single-family living and the recognition of SFR’s potential by real estate investors have propelled it to a prominent position in the rental market. In an effort to gain insight into renters’ motivations, preferences, and concerns, Conductor carried out a survey involving 500 renters from across the UK. What follows is a data-driven analysis of our findings.

DESIRED RENTAL FEATURES

- Living space is most highly valued: large open living spaces and kitchens were prioritised by all audiences we surveyed. Comparatively, home offices and utility rooms were seen as less important.
- Across housing types, private outdoor space is the most important to those living in semi-detached houses, and least important to those currently living in flats.
- Home offices are the least desired features in a rental property, relative to the others features above. Even among younger, affluent workers, it still comes last.



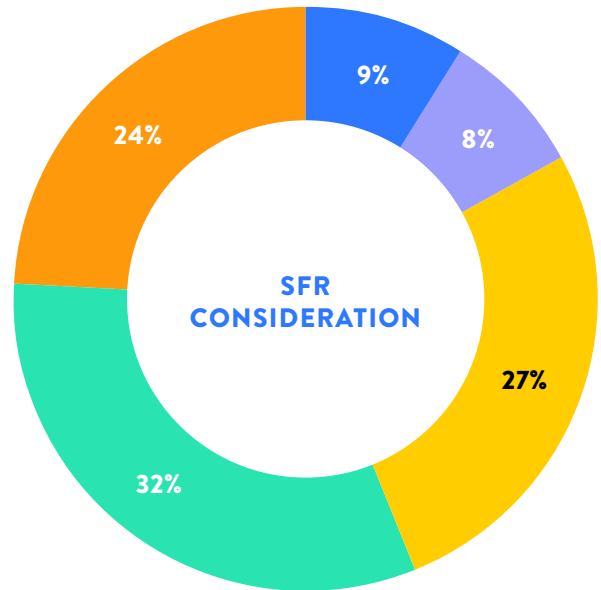
IMPLICATION:

These feature preferences reveal a demand for spacious and flexible living environments, especially open plan spaces and private outdoor areas. Developers should consider these preferences when designing and marketing SFR properties. Notably, the focus on private outdoor space aligns with the preferences seen in the Build-to-Rent (BTR) sector, indicating a shared focus on lifestyle and quality-of-life features.



CONSIDERATION OF SFR

- 59% of renters express a willingness to consider SFR homes, while 17% would not. This is higher than consideration of BTR as a whole (51%).
- Consideration was highest for the 25-34 age group (70%), highlighting a strong potential market among younger demographics. Only 44% of the 65+ audience showed an interest in SFR.
- Looking at regional trends, Londoners were the most likely to consider SFR (71%), the lowest scoring region was Northern Ireland (43%).



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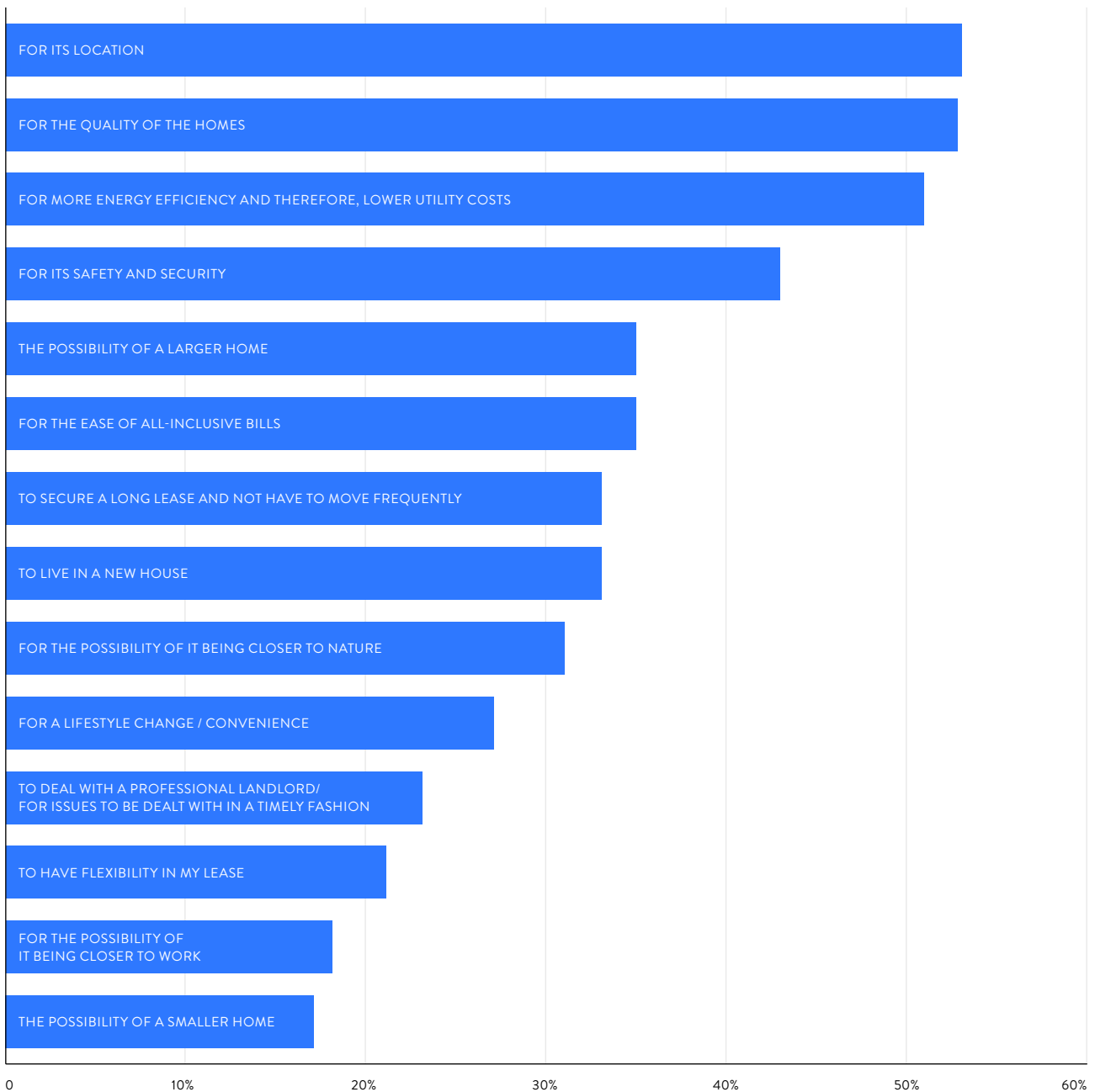
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INSIGHT:

The SFR market presents a substantial potential tenant pool, particularly among younger and urban populations – those who cannot afford to buy and/or are wanting to move out of urban areas. Developers should target these demographics while also educating and addressing the concerns of older and regional renters to expand the appeal of SFR homes.



CONSIDERATION FACTORS IN SFR



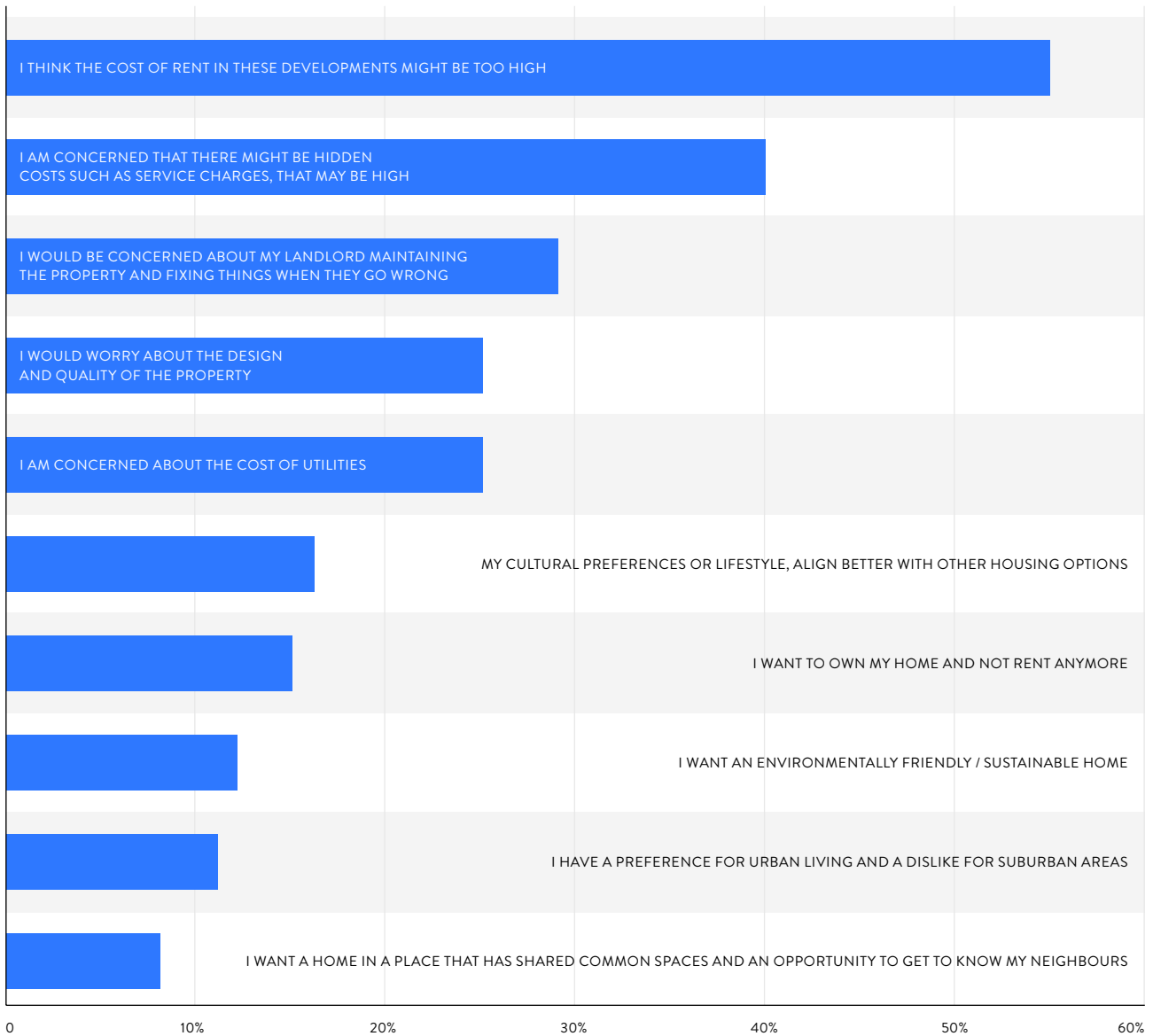
- The quality of the homes, alongside their location, were picked as the main reasons for considering SFR (53%). Just below this, energy efficiency was a key driver of consideration (51%).
- Other factors like safety and security, the possibility of a larger home and the ease of all-inclusive bills were seen as important.
- “The possibility of a smaller home” was only selected by 17% of the sample, although it rose to 22% for those aged between 55-64, showing a market for rightsizers.

INSIGHT:


These considerations highlight the critical factors influencing the SFR market. Developers should prioritise locations that offer convenience, deliver quality finishes, while investing in energy-efficient designs to keep utility costs low. Marketing SFR homes as secure, and offering larger living spaces can be a competitive advantage. Understanding these priorities can help developers align their offerings with renter expectations.



BARRIERS TO SFR



- A significant 55% of potential renters express concerns over the rental costs associated with Single Family Rental (SFR) properties, which act as a primary deterrent to their consideration of this housing option.
- Approximately 40% of respondents voice apprehensions regarding the potential for concealed costs, particularly in the form of service charges. This uncertainty contributes to their reluctance to explore SFR housing.
- A substantial 29% are anxious about the maintenance and responsiveness of landlords when it comes to addressing issues within SFR homes. Their concerns emphasise the importance of property upkeep and prompt issue resolution in attracting potential residents.
- For 25% of individuals, concerns regarding the design and overall quality of SFR properties stand as a notable deterrent. These renters prioritise the aesthetics and build quality of their potential homes.



IMPLICATION: Cost-related concerns dominate the reasons for not considering SFR. Developers should be transparent about pricing and any potential additional charges. Ensuring proactive property maintenance and addressing concerns about design and quality can help mitigate apprehensions. SFR developers should also be aware of the niche preferences, such as a preference for sustainable homes, and consider modern methods of construction and incorporating eco-friendly features to appeal to this segment.



**COMMENTARY FROM CONDUCTOR FOUNDER
AND MD CHARLOTTE CONSTANCE**

“As we delve into the nuanced landscape of Single Family Rental and its complexities, it’s clear that understanding the divergent motivations and concerns of potential renters is paramount. These insights serve as a compass guiding our approach to providing developers with an understanding of customer needs and wants and in turn, practical ways of implementing these.

By aligning our marketing strategies with these insights, we can empower SFR developers to create offerings that resonate with their target audiences. Moreover, by providing evidence that SFR is meeting local housing need, developers can be more confident in their planning applications.

These findings reinforce our commitment to delivering data-driven consultancy services that enhance the SFR market’s appeal and accessibility. As the real estate landscape evolves, we stand ready to assist SFR developers in shaping the future of rental housing in a way that is both lucrative and rewarding.”

We would love to hear more about what you are up to, please reach out to us at charlotte@conductor.london, to understand our suite of Insight products tailored to each stage of your development cycle. We look forward to connecting with you!