

Why PRS needs its own Tripadvisor

By John Tatham, Finance Director at PfP Capital



TripAdvisor has transformed the way that people book their summer holidays at this time of year, but the private rented sector has so far remained stubbornly resistant to grading of customer experience or indeed how professional counterparties find the sector.

My prediction for 2023 is that this is the year when the private rented sector will begin to move into a customer experience fast lane, with reputations made or broken far more quickly than the sedate rate which we have seen before.

A “professionally-managed premium” is long overdue in the rented sector – with shocking stories still circulating of mould and poor living conditions in the news before Christmas – and I now believe there needs to be a TripAdvisor or Expedia of renting to raise the sector’s overall game.

The student accommodation sector is a great forerunner for what I believe will happen in the private rented sector. Unite is now the go-to brand for students across the country, operating for 74,000 students in 23 cities from Aberdeen to Bath, Edinburgh to Leeds and Sheffield and Southampton.

Its clear promises are: ‘Utility bills included’, ‘fixed rental price’, ‘great locations’, ‘free high-speed Wi-Fi’. ‘safe and secure’ and ‘free contents insurance’.

No private rented sector operator is close to the dominance that Unite exerts over the student world, but here are five drivers through which I see a professionally-managed private rented sector premium emerging:

1. Renters are registering that future-proofed homes have lower energy bills. The promise by some volume house builders to pay new homeowners’ bills for a year is being seen as an empty giveaway attempting to cover up higher bills for poor quality homes in the long term. People now have serious questions about energy performance when they rent.
2. Lenders to the sector are seeing big differences in values emerging according to properties’ Energy Performance Certificates. Remarkably, we are seeing lenders lending at lower interest rates for a bigger loan if it improves the EPC Rating on a property from B to A.
3. Institutional investors who have seen values slump in office, retail and more recently industrial property but who are seeing values rise in the private rented sector will seek to rapidly increase their holdings in the sector from the current very low 5%. They will only be interested, however, in platforms with strong asset management and ESG capabilities
4. The increase in importance of social value will also enhance the need for professional management of residential assets. The COVID 19 pandemic led tenants to understand the importance of living in vibrant, managed communities rather than buy-to-let single homes or estates that have been sold off piecemeal by housebuilders.
5. The best owners also realise that retaining renters for five years rather than one is the best way to enhance the value of their property, realising that long-term tenants are more likely

to take care of their property. Making clear to planners how tenant retention can be improved is becoming a key feature of the professional managed premium.

A lot has been said about Purpose in the real estate sector since the pandemic triggered a greater understanding of the importance of social value to the sector, but it is also important that 'place-washing' doesn't become as widespread as 'green-washing' in the sustainability world.

By 'place-washing' I mean lip service being paid to social value simply as a cynical manoeuvre to win planning consent or as a sales and marketing tool.

At PFP Capital any surplus generated by our private rented sector asset management work is ploughed straight back into our parent company Places for People, which is the UK's leading social enterprise and which generated £127 million in social value in 2021.

Renters, lenders and the public sector are becoming increasingly aware of the premium that professional management of homes can deliver – just watch in the coming years how the world of renting becomes as easy to judge as the holiday you are planning to book this summer.

PfP Capital is the socially responsible fund manager creating affordable, residential-led communities across the UK.