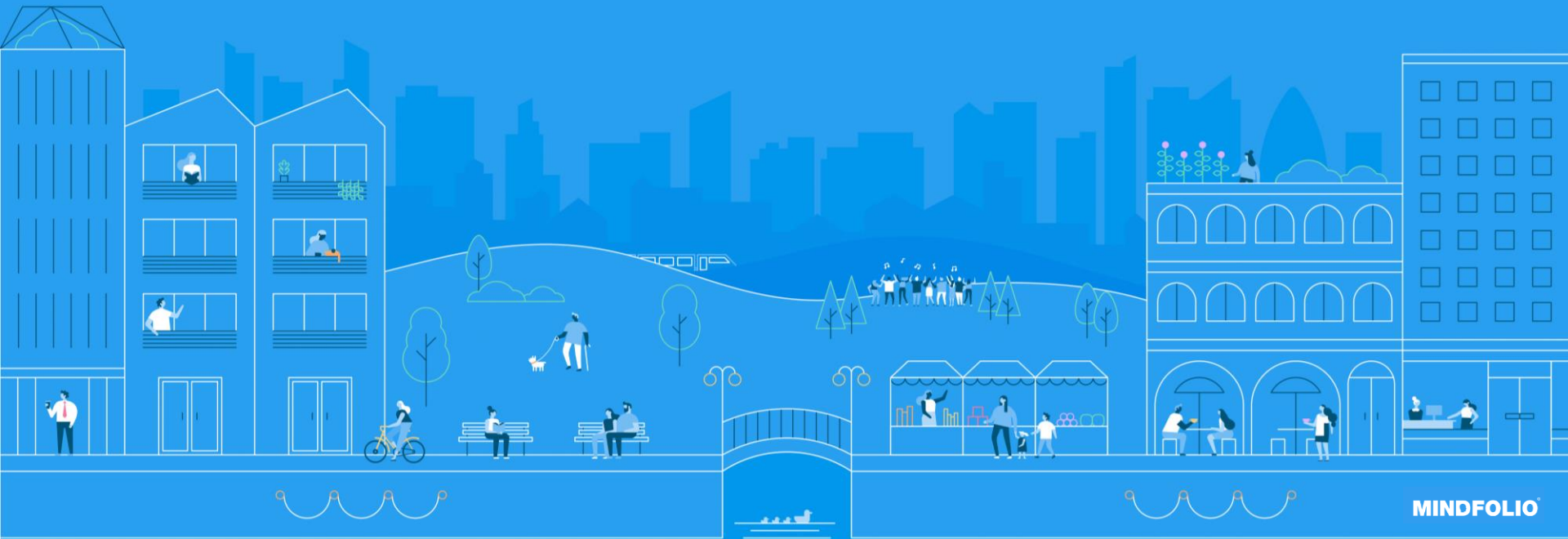


Building Up Rental Value

Converting consumer priorities into value-driven BTR propositions



Defining & Delivering Value

Homes are unique, blurring the financial with the emotional. Whether renting or owning, homes are not only a person's largest monthly outlay, but also a source of pride, where memories are made and shared.

As a relative newcomer to the residential market, BTR developments face the challenge of delivering and articulating their '**Value**' to consumers.

Value is a term often used, but seldom defined, and one which is often synonymised with price only.

Price is of course critical, but it is just one dimension of value.

Many other aspects determine the ultimate lifetime value of an investment, from absorption rates, retention and loyalty, to fostering a sense of belonging. Consumers sit at the heart of this as the final arbiter of commercial success and focusing on them is both duty and opportunity.




Making the most of BTR assets & communities, with consumer-centric insights



At MindFolio, we've worked in the BTR sector for over 10-years. To keep our 'finger on the pulse', we are constantly gathering, collating and producing insights. As part of this continuous pursuit, we carried out our own research to quantify 'value' from, and for, consumers who rent.

From 5,000+ respondents across the UK, we carefully selected a targeted group of 820 renters that are most important to the BTR sector: higher income individuals, actively looking to rent a new flat in key urban areas. They were asked to trade-off 19 drivers of value, allowing us to gain a realistic picture of what builds value for BTR assets & communities, and critically, for whom.

There are, of course, many ways to apply the intelligence to your BTR development. This Deep Dive is just the first step to a much wider system where we deliver people-centric metrics to fine-tune your **price, place and brand.**



Defining rental value from prime BTR customers

The BTR sector to date has primarily focused on 18–35 year old 'Young Professionals'. Although important, as the sector grows it will need to tap into consumer segments with differing needs, attitudes, and behaviours.

Rather than simple demographics, we suggest taking a more holistic and consumer-facing view on life stages.

So, throughout this Deep Dive, from the more predictable to the 'emerging', we highlight the choices of five pre-defined consumer segments:



Young Urbanites

- Aged up to 35
- Will live alone or with friends



Power Couples

- Aged up to 40
- Will live with spouse / partner



Young Families

- Will live with children aged 0–10



Mature Families

- Live with children aged 11+



Empty Nesters

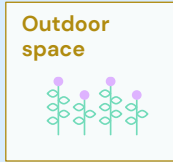
- Aged 40+
- Will live alone or with spouse / partner

All respondents are looking to rent a new home within the next 4 years, in four major urban areas, and have a personal income of over £30,000

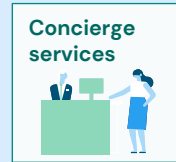


The 'Drivers of Value' explored

Within the home or community

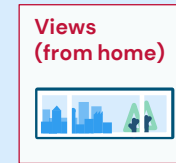
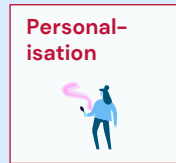
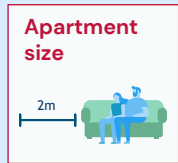


Within the community



Rental agreement

Within the home



Across those five consumer segments, we focused on 19 drivers of value which were carefully selected to be within the control of a BTR developer / operator to design, implement or change:



A taste of the detail that lies behind this Deep Dive...

So many ways to 'slice and dice' the data

Beyond this Deep Dive, further intelligence can be extracted across numerous factors:

- 19 Drivers of Value
- 5 Consumer Segments
- 5 Property Types
- 4 Income Groupings
- 3 Locations: London | Birmingham | Manchester

100+ features & attributes were evaluated

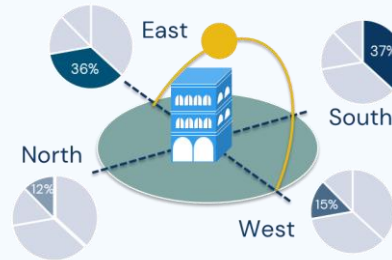
Behind each Driver of Value is a rich repository of data, from specific consumer choices to indicative figures on willingness to pay.

We would love to talk further and provide you with even more thought-provoking insights!



Insight example: Natural Daylight

It's not all about south-facing views!



Apartments with morning sunshine (east-facing) are as attractive as those which are south-facing.

Diving into consumer segments, Mature Families highly value east-facing, whilst Power Couples opt for south-facing.







So what? It seems the 'south-facing' cliché needs to be updated... This highlights the importance of nuanced marketing, communications & viewings to specific audiences.

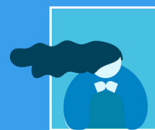
Which aspect is most attractive to respondents (% selected)



Value drivers in the spotlight

We have extracted significant take-outs covering the most critical, topical and 'hot potato' subjects:

-  Apartment size
-  Concierge service
-  Interior design
-  Shared amenities
-  Sustainability
(Nature & Wellbeing)
-  Leasing



Utilising ingenuity to deliver 'perceived generosity of space'

Size is important, but we can do more than offer extra ft²

Size ranked in the top three for all consumer groups & was selected by over 50%.

Yet, there are more ingenious ways to extrapolate this, even within existing assets. Consider utilising clever design and innovative storage that facilitates generous, customisable spaces.

Specifically, having a living and dining area that can be made to appear spacious for entertaining would appeal to a majority of consumers.

Adaptable homes: Building smart, from the start

We've often been inspired by the Lifetime Homes Standard. One way to integrate this thinking into BTR is by having at least one flexibly designed 'zone' that can easily be converted into a workout zone, semi-private office, or children's play area.

In essence, allowing residents & their homes, to adapt to life's many changes.

35%



Living and
dining area

19%



Additional
bedrooms

19%



(Master)
bedroom

12%



Kitchen

10%



Additional
bathrooms

5%



(Master)
Bathroom

Where respondents would like to see
more space allocated (% selected)



Interior design: A goldmine of opportunity waiting to be tapped

38%

Scandi-inspired

35%

Nature-inspired

32%

Chic & modern

31%

Light industrial

26%

Retro-inspired

25%

Bold & eclectic

Design directions desired (% selected)

An opportunity to leverage: Establish a design style that speaks to your target audience

Interior design is rarely used as a customer-facing brand or proposition differentiator within BTR. Yet, it is a top priority across all key consumer segments (chosen by over 40%).

Scandi-minimalism and nature-led design both have broad appeal; however, there is no 'one-design fits all'. In our view, this gives BTR operators the room to develop a signature style that is differentiated from competitors and based on merging brand and psychographic values.

Learnings from hospitality

Looking at the hotel industry, we can see the power of design in action. The likes of Mob House, Soho House and other have a look and feel so unique that guests know exactly when they've arrived. Such bespoke touches added to individual locations will really make them shine.

Although utilised by the more innovative hoteliers, this brand awareness and recognition is lacking in the BTR market at large.



Sustainability may win over some minds, but Nature & Wellbeing will win over hearts

Despite increasing levels of eco-consciousness within society, when it comes to real world trade-offs, sustainability ranked lower than many other drivers tested.

Yet opportunities do exist. More affluent consumers & Empty Nesters rank sustainable initiatives highly and will pay more for their integration. Energy-efficient appliances and sustainably sourced furnishings being top of mind.

Connecting with, and tugging on, people's heartstrings

There is evidence that embracing customer-centric biophilia & wellness will be valued, particularly by younger consumers:

- Daylight is highly important, and it's not all about a south-facing aspect. Morning sunshine (i.e., east-facing) is preferred by Young & Mature Families
- Private outdoor space is key, and almost a non-negotiable for Power Couples

Delivering healthy, sustainable communities is paramount to the long-term success of assets; from minimising maintenance & retrofit costs to maximising retention.

45%

Energy-efficient appliances

32%

Renewable energy sources

29%

Sustainably-sourced fittings

28%

Convenient recycling

24%

Natural air ventilation

22%

Smart metres

19%

Climate controls

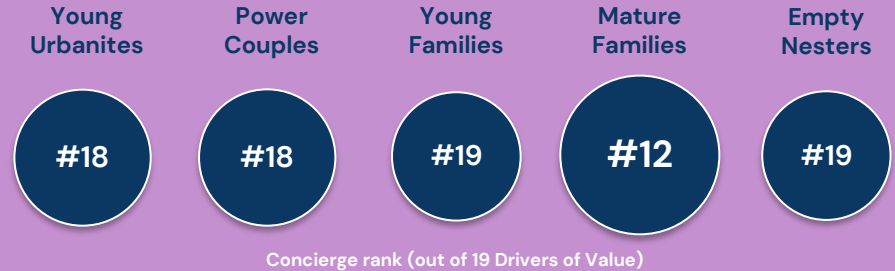
Eco-initiatives desired (% selected)



Only 5% selected a 'Concierge Service' as a priority

Evidence of a consumer & industry disconnect

Of all 19 drivers explored, a concierge service consistently ranked in the bottom two. Put this against the fact that concierge is a core component of many BTR communities, we see a clear disconnect between consumers and the industry.



Using consumer-centric language, effectively

This demonstrates that both awareness and communication are key. Before even getting into what a concierge service is, or what it provides, we must remember knowledge of BTR is still in its infancy among consumers, albeit growing.

Consumers may think of concierge as a more indulgent, 'nice-to-have' option, yet previous research we've conducted also tells us that maximising convenience is critical, and when responsive, friendly staff are on-hand, lives are positively impacted.

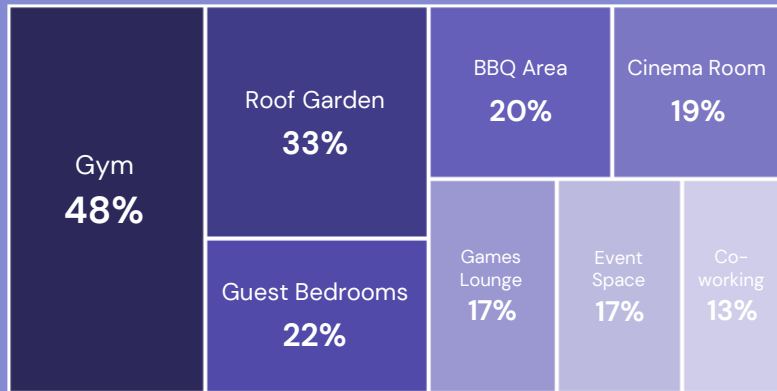
Focus must therefore be on communicating the practical benefits of the elevated customer service that underpins many BTR communities, including any concierge-related services.



Gyms alone are not a path to authentic differentiation

A community essential, a marketing ploy, or both?

Our research confirms that gyms are the most sought after amenity. So, they are no-doubt important, especially in cases where the wider offering is limited. But that's not the whole story...a shared Roof Garden rivals a gym for the highest earners (both selected by 34%). Power Couples also highly desire communal outdoor spaces (40% Roof Garden, 32% BBQ Area)



Shared amenities desired (% selected)

Less workspace, more 'third place'

There is low consumer demand for dedicated co-working spaces within BTR communities. Workspaces also ranked #17 out of 19 overall. Instead, the data indicates that consumers seek spaces that can flex between larger, social occasions through to smaller, more private work-based needs.

Older, more affluent renters are also most likely to buy into hireable spaces for events & celebrations.



Leasing stability trumps flexibility



Signs that short-term flexibility is overrated: Only 3% seek a lease of 6 months or less

Meanwhile, over 3/4 of consumers are looking for a min. lease term of 2 years. Understandably, Families & Empty Nesters want to set roots for longer, with 50% choosing leases of at least 3 years.

Even younger, and traditionally, more transient segments seek longer leases: 50%+ of Young Urbanites desire a min. 2-year lease.



Reduce churn rates by rewarding loyalty

Transparent, longer-term leases can deliver lasting value. An astounding 90% of prospective renters would sign a lease for a year longer than initially intended, in return for a 2.5% reduction in their monthly rent.



Zero deposits: Scepticism high, demand low

Despite the offer of 'zero deposits' from many providers, 80% would choose a 4-week refundable deposit over a 1-week non-refundable payment (known as a holding payment or reservation fee).

The intention behind 'zero deposits' is comforting, but there is an inherent suspicion about hidden traps and onerous qualifiers that must be overcome. Consumers demand certainty & transparency when it comes to securing leases be it in deposit repayment, fees, rent increases, etc.



Great! So what?



Understanding the nuances of who you are catering to

Mid-pandemic it was WFH spaces, today it's 'all bills included'. What about tomorrow? Thoughtful and scientifically-based consumer research is vital to determine who exactly your residents could be as well as identifying their overlapping and contrasting needs. Thus, allowing you to consistently fine-tune your rental assets to appeal to a broad spectrum of renters.

Building a distinct brand identity & 'experience ecosystem'

It's never too early to think about the brand and defining what it does (and doesn't) stand for. More than names, logos and taglines; establishing a value system that is utilised across the business and consumer ecosystem, and that permeates through both stakeholder & physical spaces will build attachment, advocacy, and by consequence, value.

The 'continuous-game': Keeping happy residents, for longer

Retention can deliver benefits, more and less tangible. Of course, it's much cheaper to keep existing residents rather than finding new ones. What's more, longer tenures also contribute to fostering neighbourliness, belonging & community... bringing about its own 'soft power' of building a loyal fanbase who will stay longer and act as enthusiastic recruiters amongst their friends & family.



Going many steps further...

Introducing **Yield·Lab™**

This Deep Dive is one component that feeds our much broader, and more granular insight system: **Yield·Lab™**.

In a single, user-friendly platform; **Yield·Lab™** brings together detailed consumer insights with relevant and real-time Big Data from multiple sources, delivering deep intelligence across **price, place & brand**.

Applicable to all life stages of an asset, **Yield·Lab™** is tailored to your needs, to support evidence-based decision making:

Concept & Planning | Pre-launch | Operation

Deliverables include:



So, let's talk!

We'd love to hear from you to uncover further insights from this Deep Dive, and share more about our **Yield-Lab™** system:



James Griffin
Senior Project Manager
jg@mindfolio.com
+44 (0)1491 573960



Dr. Jamie Samson
Head of Data Science & Insights
js@mindfolio.com
+44 (0)1491 573960



Prof. Brian Hanlon
Director
bh@mindfolio.com
+1 630 550 8178

Please do also take a look at our [site](#) for more details about MindFolio, or our [LinkedIn](#) page to see what we're up to.

DISCLAIMER

All intellectual property rights reserved. No part of this report may be reprinted or reproduced or utilised in any form or by electronic, mechanical or other means now known or hereafter invented, including photocopying and recording or in any information storage or retrieval system without permission in writing from MindFolio Ltd.

MINDFOLIO[®]

London | Zürich | Chicago



UKAA



tech^{UK}

