

# Briefing notes

## How resilient are UK residential rental markets to Covid-19?

Issue 5 | November 2020

In this series of **Briefing notes** we consider aspects of the UK rental markets which continue to be vulnerable in the pandemic. So far, the unemployment rate has grown to 4.8% in the three months to September (0.7% higher than the previous quarter). Redundancies are at the highest level since 2009 and are unevenly spread. 60% of the fall in employment has been in the 16 to 24 year age group, with a large proportion in the leisure, retail, travel and recruitment sectors.<sup>1</sup>

We still do not know the true impact Covid-19 has had on employment, with many people on the furlough scheme, which has now been extended following the announcement of a second lockdown.

In August, the Bank of England forecast the unemployment rate would rise to around 7.5% by the end of the year, and then improve gradually from the beginning of 2021, returning to 4.0% by Q3 2023.

In this Briefing note we consider which residential rental markets are most exposed to an increase in unemployment.

**We interrogated DRMA, Dataloft's rent paid and tenant demographic dataset, to identify tenant employment sectors for the top 10 cities in England and Wales.**

<sup>1</sup> Office for National Statistics

## Vulnerable employment sectors –

which residential rental markets are most exposed to an increase in unemployment?

## dataloft

Dataloft is an independent consultancy, delivering intelligent, data-driven insight on housing market economics.

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## dRMA

 Dataloft Rental Market Analytics

Dataloft Rental Market Analytics (DRMA) is the largest and most comprehensive single source of residential rents achieved for the UK market. The dataset holds rent paid transactions from individual tenants and tenancies. It contains over 2.3 million aggregated references rigorously recorded by tenant referencing companies. It covers five years of historic data with a monthly addition of c30,000 new tenancies and c50,000 new tenants.

## What does the **evidence** say?

- **Retail, leisure and transport are some of the most vulnerable job sectors.** Retail (including online) is the employment sector for 12% of private tenants, leisure (including hospitality) accounts for 6% and transport 5%.
- The public and financial/professional sectors are arguably two of the least vulnerable job sectors. **20% of private tenants work in the public sector and 20% work in the finance/professional sector.**
- There are significant variations in the breakdown of tenants by employment sectors between the top 10 cities. **Newcastle has the highest proportion of tenants working in retail and leisure (23%) and London has the lowest proportion (15%).** The proportion of tenants working in the transport sector ranges between 3% and 6%.
- The public sector varies by city, accounting for 27% of tenants' jobs in Portsmouth yet only 15% in London. It is no surprise that **London has the greatest proportion of tenants working in the finance/professional sector (27%).**
- **The 16 to 24 year age group accounts for 60% of the fall in unemployment since the start of the pandemic.** This age group makes up nearly a quarter (22%) of employed tenants in the private rental sector.

## 8% of tenants asked landlords for a rent reduction

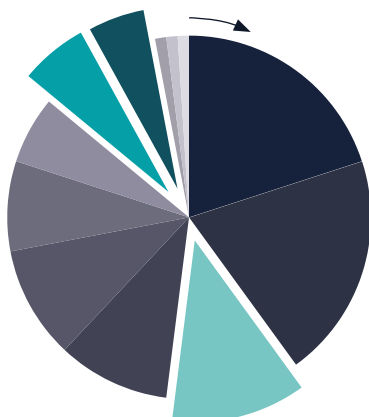
Property Academy Survey of 14,000 renters conducted in July 2020

48% gave concessions



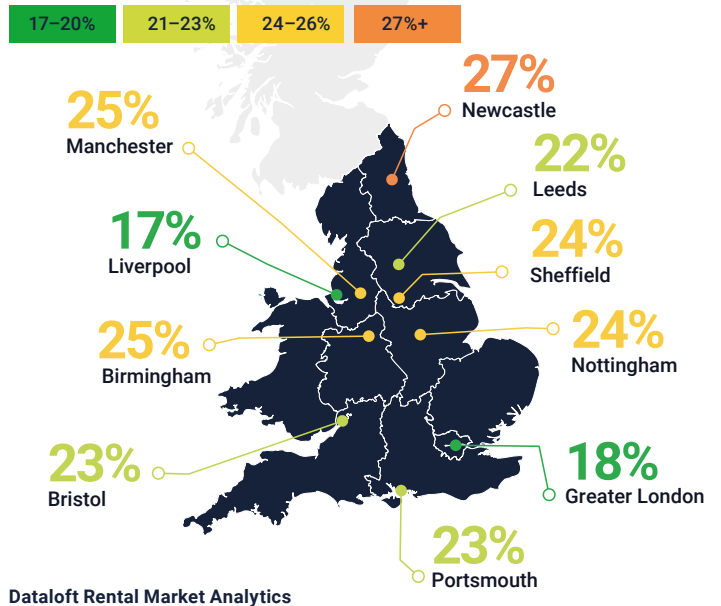
## Employment sectors of tenants in England and Wales

- 20% Finance/Professional
- 20% Public Sector
- 12% Retail
- 10% Media/Creative
- 10% Tech
- 8% Construction
- 6% Other
- 6% Leisure
- 5% Transport
- 1% Unemployed
- 1% Student
- 1% Retired



Dataloft Rental Market Analytics

## % of tenants employed in retail, leisure and transport Top 10 cities



Dataloft Rental Market Analytics

## Risks and opportunities

- Landlords are exposed to the economic impact of Covid-19 and those whose tenants work in **leisure, retail and transport sectors are more vulnerable.** A second lockdown led to an extended furlough scheme, but many businesses will struggle.
- With more than **24% of tenants working in these three key sectors in five of the top 10 cities,** the recovery is clearly going to matter to investors, and it makes sense for landlords to offer support.
- Up to the end of July, **only 8% of tenants had asked landlords for a rent reduction** (Property Academy Tenant Survey); this could increase in the next months. Landlords should consider the implications of a temporary rent reduction or waiver, against the prospect of a void and the challenge of re-letting, especially as rents are under downward pressure in many cities.
- **Jobs in hospitality and travel are likely to bounce back once the pandemic is under control,** and most commentators expect a strong recovery. High street retail is different with underlying structural weaknesses being exposed by the pandemic – **lockdown has helped to entrench online shopping habits.**
- **The financial/business sector is one of the least exposed.** London has the greatest proportion of tenants working in the finance/professional sector, yet rents have declined since the pandemic. **Falling rents can be explained by a temporary increase in supply caused when thousands of short term rental units, normally aimed at the business and travel market, were redirected into the mainstream rental market.**

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