



Thought Piece / Tenant Experience

The Challenges and Opportunities of Creating a Superior Tenant Experience in the UK

People's lives are changing. The demand for more convenience, instant access, and custom service is increasing. As competition is growing, companies are putting customer experience in the centre of their operations. While the way people shop, travel, work or watch TV have changed, the place where they spent most of their time - their home - has not.



Residential real estate is rapidly shifting in the UK. Homeownership is at a 30-year low and the private rented sector has doubled over the last ten years. Previously solely focused on physical asset management, the key differentiator has shifted to creating a superior Tenant Experience for the new generations that are moving in.

Tenant Experience has become a key indicator for tenant happiness, attraction and retention while increasing asset value. But what makes a good Tenant Experience? And what opportunities arise from a tailored living experience? That's what we'll be looking at in the following thought piece.

3 Big Trends that Influence Tenant Experience

The UK PRS isn't what it was ten or even five years ago, nor are the tenants. In the following, we have compiled a high-level overview of three big trends that have been emerging within the last three years: the growth of the UK Private Rental Sector, the evolution of the consumer landscape, as well as the challenge of understanding what makes a good Tenant Experience.

The Shift in the UK Market

Home Ownership in the UK is the lowest it's been in 30 years. The Ministry of Housing, Communities and Local Government (MHCLG) found that 37.1% of English households were privately renting in 2017. That's the highest percentage since 1985. According to the Global Real Estate Consultancy Knight Frank the UK Private Rental Sector (PRS) will continue to grow.

So, why are people deciding to rent rather than buying their own home? There are a number of key drivers behind Rent by Choice. The largest segment, 30%, are saving up to buy. About 21% are 'Lifestyle Renters' who choose to rent, because they

could otherwise not afford to buy in the area of their choice. For around 18% it's more cost effective to rent than to own a home with the associated maintenance. Lastly, nearly 10% don't want the responsibility of homeownership. All in all, about 70% of UK PRS residents expect they'll still be renting in 3 years' time.

It can therefore be said that the UK PRS market will continue to grow while the types of renters are also changing. We'll be taking a closer look at the characteristics, expectations, and needs of the next generation of renters in the following section.

The Evolution of the Consumer Landscape

Not only is the UK market changing, but so are the tenants. Generation Y and the Millennials are socially very different to the generations that came before them.

According to UK Local Government Research 2017 the key differentiators are:

- Digital savviness
- Self-reliance
- Having a strong sense of civic duty
- Being highly realistic
- Being avid consumers and having a 'NOW' mentality

All those changes represent a shift in the consumer's mentality, and therefore a change in expectations to what is expected from a home. Digital affinity, self-reliance and having a 'NOW' mentality are all key factors in how they choose to live their lives. Generally, they prefer self-service and on-demand service, and are willing to pay for services that benefit their chosen lifestyle. The majority of millennials prefer to communicate via digital platforms, choose to pay for experiences rather than material things and don't save because of their more immediate priorities.

These 'new type' of tenants have grown up in a consumer-focused environment where their needs are in the centre of attention. Based on strong competition brands have put customer satisfaction at the top of their agenda. Companies such as Amazon, ASOS, Virgin Airlines or Netflix have understood the value that comes from putting their customers first and have created tailored experiences for the Generation Y and Millennials. Same day delivery, on-demand services, custom recommendations, an easy-to-reach customer service who's always there to help - those are all added services that fall right in line with the expectations of these generations.

Tenant as a Customer: What Does That Mean?

As we see a shift in the expectations of customers in other industries, these expectations are transferred to the housing industry as well. New offerings in the form of improved communication, value-added services and amenity packages are arising to reflect and meet the evolving needs of tenants as customers.

A recent study by Cushman and Wakefield in the US showed that 67% of renters had moved due to bad property management or customer experience. Tenant Experience is fundamental for attracting and retaining Generation Y and Millennials which now represent the largest category within the UK PRS. While short-term rentals have been the common up until now, finding a long-term home is one of the highest priorities on their agenda.

This provides a real opportunity for owners that are looking for secure income whilst reaping higher yields. In fact, a report from Knight Frank 2017 shows that this maturing, services-led market allows opportunity for increasing share of wallet/net rent by providing relevant services that deliver against their experience needs. The key aspect to embrace the concept 'tenant as a

customer' is not simply to add something fancy to the building, but offer quality services that improves the renters' lives.

How Credit Suisse Asset Management Uses Quality Services to Improve Tenant Experience

In January 2018, the Credit Suisse Asset Management Global Real Estate has brought its 'Living Services', a high-quality service package for over 200 of its buildings, to a new digital level by launching it on the Allthings Platform. Ranging from cleaning services to a marketplace and a service centre with a direct line to property management as well as a pin-board to connect within the neighborhood - the Credit Suisse Asset Management offers its tenants a range of quality services under the Living Services brand which can be used, booked and paid directly via the app.

Silvio Preisig, Head Real Estate Asset Management, Global Real Estate of Credit Suisse Asset Management: "We are convinced that our properties will become even more attractive for our tenants with the addition of these high-quality services."

Challenge of Understanding Tenant Experience

A variety of different challenges make it hard to pinpoint exactly what a good Tenant Experience is. Before we can turn a challenge into an opportunity, it's important to understand it. That's why we'll take a closer look at the three biggest challenges that come with understanding what makes a superior Tenant Experience.

Tenants Don't Know What They Want

First off, tenants don't typically know themselves what they want. When asked everybody would say they want a pool or a cinema room in the building, but then hardly anybody uses them. Moreover, the main cause of frustration is usually found in the basic problems. As mentioned earlier, 67% of renters have moved due to bad property management or customer experience. Taking care of damages fast, regularly informing the renters about the status quo, offering a convenient way to communicate with the property management, as well as promoting the use of high-quality services, is what makes a difference in the customer's life. Getting the basics right as well as offering amenities that meet the renter's lifestyle is what's being expected from the new generation of tenants.

It's Unclear What Features Really Work

Simultaneously, there's no market-wide study about what features really work. Owners and operators rather keep the data in-house, if there's any reliable feedback collected at all. That makes it hard to rely on existing case studies when it comes to improving the Tenant Experience. Furthermore, the main focus is usually on external factors, such as what the competition is doing, rather than looking inwards at the asset or portfolio to understand what will drive value for the tenants of this specific asset. With the right technology, different services and features can be easily tested while the use of each service is being tracked. Based on that data, the offered services can be changed based on changing needs and what's popular among each buildings' community.

Every Asset is Different

Thirdly, every asset is different. Not all learning can be transferred from one asset to the next. An asset comes with its unique tenants, a unique

environment, and thus, unique requirements for what makes a great Tenant Experience. Currently, Tenant Experience is a static concept that is based on an external focus, rather than a flexible approach that evolves from the constant insights gathered through internal data.

This fixed, assumption-based approach of Tenant Experience is a blocker to developing buildings that really represent the current renters needs. Even more, it stands in the way of delivering an outstanding Tenant Experience for the next generation as well as the changing needs of existing tenants. For that to happen, ongoing feedback about what works and what doesn't must be handed back in order to improve the Tenant Experience and constantly adapt it to the changing needs of future generations.

The above points beg the big question: Should the development change or the tenants?

Furthermore, every challenge holds room for new opportunity. While technology plays an important role in the setup of creating a Tenant Experience that is based on the actual needs of tenants, it is even more important to adapt a mindset that holds the renters, their needs and their satisfaction at the centre. Just as we've seen it in other industries, companies who put their customers first - such as Amazon, ASOS, Virgin Airlines or Netflix - are not only winning the hearts of their customers, but also surpass their competition and win big financially.

Opportunities for Shaping a Tenant Experience in the UK

While the market is changing alongside with the needs of tenants, developers and asset managers in the UK have now the opportunity of shaping a new kind of Tenant Experience.

First Movers Differentiate Themselves

Currently, there's still a first mover advantage that can be taken, but soon enough the first will have made their moves and taken that opportunity. While there's still time, the question "how do we differentiate ourselves?" has to be raised. Development use cases are getting increasingly specific - particularly in Build-to-Rent. Therefore, operators need to be asking themselves how to be better in order to stand out.

Think Customer, Not Competition

While it can feel safe to analyse the competition and do what they're doing, real innovation comes from doing things differently, being ahead of the competition and truly understanding your customer. At this day and age, knowing what adds real value to the customers is key. So, do you spend a fortune on golden taps in the bathroom or should you invest in adding free bikes to your high-end development that's right in the city centre so your renters can get around quickly and conveniently without the fear of theft or cost of maintenance? What do you think your current tenants really want? How can you start to find out now what trends will be relevant in the future? Those are questions to consider when aiming to create an unparalleled Tenant Experience.

Static Tracking Won't Work

We've seen how fast the needs of customers have changed over the last two generations. This ever-

changing demand will become the new normal. That's why static tracking of what works now won't cut it in order to deliver a superior Tenant Experience tomorrow. Using technology, such as Tenant Experience platforms, in order to track what services are being used, understanding the current mood of the tenants, predicting future needs and ways to improve the Tenant Experience will help to define your own best practices specific to your developments.

Tenant Experience is Key for Attracting the New Generation of Tenants

As we've seen it throughout a variety of other industries - such as travel, commerce, entertainment and banking - customer experience is the key to staying relevant. In fact, according to a study by Gartner, 89% of companies compete primarily on the basis of customer experience - up from just 36% in 2010. That's why - even though it sounds like a new buzzword, putting Tenant Experience on the top of your priority list is paramount. Especially, as we've seen how the market and the customer expectations demand a new way of thinking about it.

Over the next months we'll continue to discuss and share opportunities from both our experience and in collaboration with other industry leaders that set examples for creating a superior Tenant Experience. Our first of a series of Tenant Experience round tables will be running on the 8th of May. To learn more about it and register, please write to info@ukaa.org.uk.

Allthings Tenant Experience Platform

Allthings delivers all things for a better life in buildings. Strongly focused on creating a great tenant experience, Allthings offers one single platform that connects tenants, property owners and service providers. Tenants use the app for direct communication and to access a variety of digital services that simplify everyday life. Property owners add a new service layer to their buildings and benefit from data-driven insights. Service providers like property managers, local commerce or concierge companies offer their services digitally to the tenants. Beyond that, third-party solution providers can be flexibly integrated into the modular and open Allthings platform, much like an app store for buildings.

Founded in 2013 in Basel as a spin-off of ETH Zurich, the company now has offices in Basel, London, Amsterdam, Berlin, Frankfurt, and Freiburg. Its 80-person team has won numerous prizes and boasts a clientele that includes over 200 of Europe's leading real estate companies and service providers. For more information go to www.allthings.me or write to info@allthings.me.