

Determinants of Satisfaction, Loyalty and Landlord Advocacy amongst Private Rented Sector Tenants

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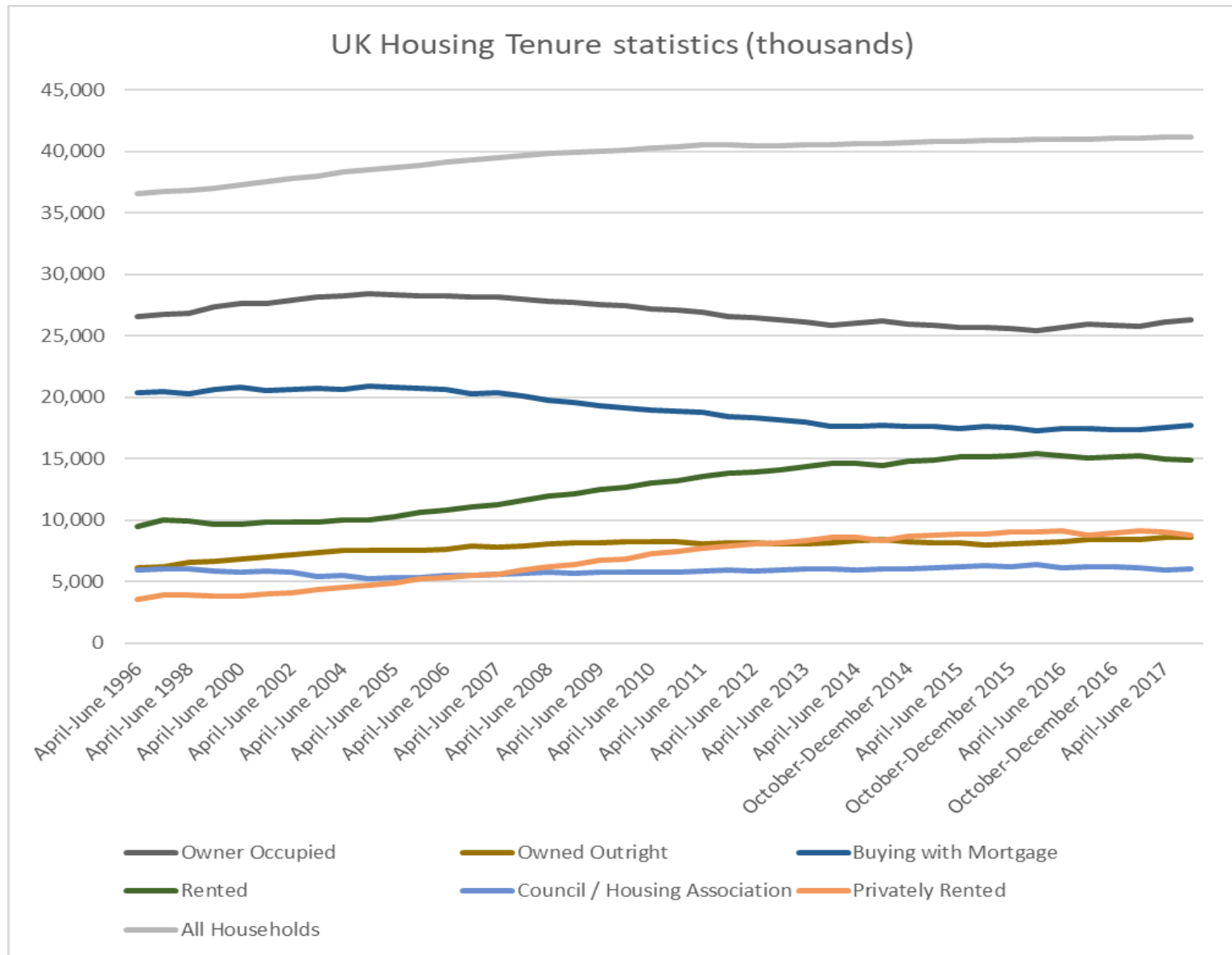
Why Care about Tenant Satisfaction?

- Institutional investors entering residential market
 - “Build-to-Rent”
- **Tenants are customers!**
 - Reduce “churn”
 - Improve reputation
 - Increased occupancy
 - Greater financial returns

Research Questions

1. What are the determinants of satisfaction for tenants who rent privately from an institutional landlord?
2. What can a landlord do to encourage tenants to renew their lease?
3. What factors affect tenants' willingness to recommend their landlord to other people?

There has been a substantial increase in renting rather than home-ownership in UK



Increase in Residential investment	Portlock, 2018	Investment in private rental sector (PRS) continues to grow in popularity
Increase in PRS Tenure	Countrywide Properties, 2011); Office of National Statistics, 2018; Gilbert, 2016; Ministry of Housing Communities and Local Government, 2017	Last year tenants in Great Britain paid a record £51.6 billion in rent, an increase of £1.8 billion on the previous year and more than twice what they paid in 2007 [£22.6bn].
	Scanlon & Elsinga, 2014; Ball, 2016	In the UK the home ownership rate is declining and there is more demand for private rental, including among families with children
Research into Resident Satisfaction	Dekker, de Vos, Musterd, & van Kempen, 2011	Main determinants of satisfaction with estate & housing: age, proportion of income spent on housing, size, renovations
	Amérigo & Aragonés, 1990	Satisfaction of Council Tenants in Spain Sat = f(neighbourhood, neighbours & home)
	Galster & Hesser, 1981	“Certain types of people ... consistently evidence less satisfaction for any given residential context due to different needs, aspirations, and / or abilities to alter their context.”
	Gibler, Tyvima, & Kananen, 2014	Determinants of considering moving in Finland. Satisfaction with kitchen, storage, living room & building age are most important determinants of satisfaction overall.
	Mohit, Mohammad Abdul; Al-KhanbashiRaja, 2014	Summarises findings from previous studies and explains three main theories – housing needs theory, housing deficit theory and psychological construct theory
	Morris, Crull, & Winter, 1976	Relationships among satisfaction, moving intentions and behaviours do not form perfect causal relationships, [but are] significantly related. Housing Satisfaction mainly affected by neighbourhood satisfaction, being in HMO when single family dwelling was desired, lack of bedrooms, renting when preferring to own
	Fang, 2006	Not all families who wish to move or make residential alterations expect to be able to.

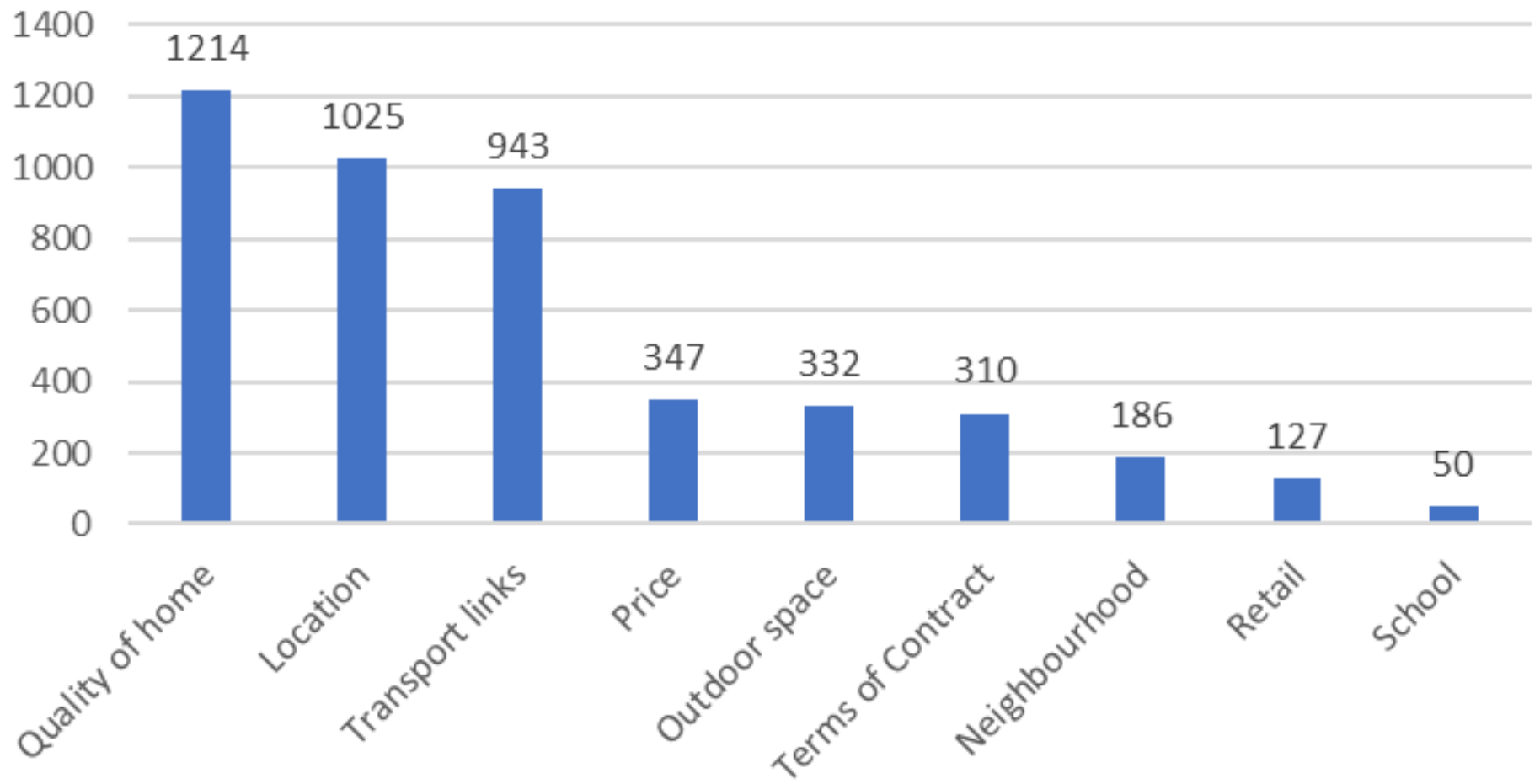
Links between customer satisfaction, loyalty, advocacy and financial returns	Hart, Heskett, & Sasser, 1990	The Service Profit Chain: How Leading Companies Link Profit and Growth to Loyalty, Satisfaction, and Value
	Gee, Coates, & Nicholson, 2008	Understanding and profitably managing customer loyalty
	Reichheld, 1996	The Loyalty Effect: The Hidden Force Behind Loyalty
	Sanderson & Edwards, 2016	Determinants of Satisfaction amongst Tenants of UK Offices
	Sanderson & Devaney, 2017	Occupier satisfaction and its impact on investment returns from UK commercial real estate
Relevant Metrics	Dixon, Freeman, & Toman, 2010; Dixon, Toman, & DeLisi, 2013	Customer Effort Score: Stop Trying to Delight Your Customers The Effortless Experience: Conquering the New Battleground for Customer Loyalty
	Keiningham, Cooil, Aksoy, Andreassen, & Weiner, 2007	The value of different customer satisfaction and loyalty metrics in predicting customer retention, recommendation, and share-of-wallet
	Frederick F Reichheld, 2003	Net Promoter Score: The One Number you need to Grow

Data and Methodology

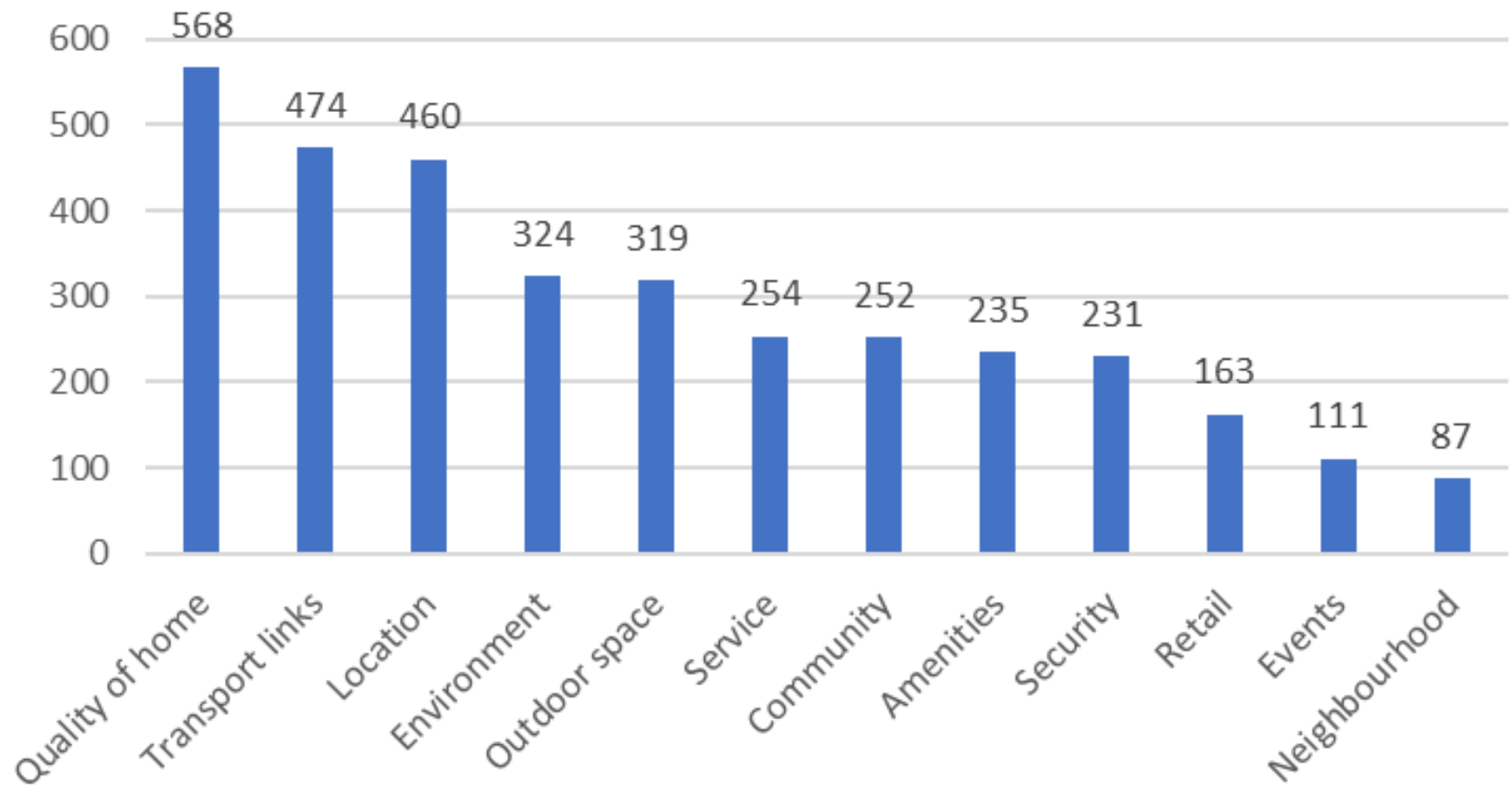
- Over 4000 interviews with residents living at East Village
 - New Residents
 - Mid-Term Residents
 - Renewing Residents
 - Non-Renewing “Exiting” Residents
- Interviews conducted by RealService consultants between Jan 2014 and Dec 2017
- Analysed using correlations, t-tests and other quantitative techniques

Rental terms
Collecting rent
Communal places
Communal services
First Impressions
Ease of Doing Business
Maintenance
Marketing information
Move In
Neighbourhood
Property Management
Relationship Management
Rent value
Management Office
Welcome Office
Viewing
Information about Activities
CF Previous rental experiences
Landlord Performance
Willing to Recommend

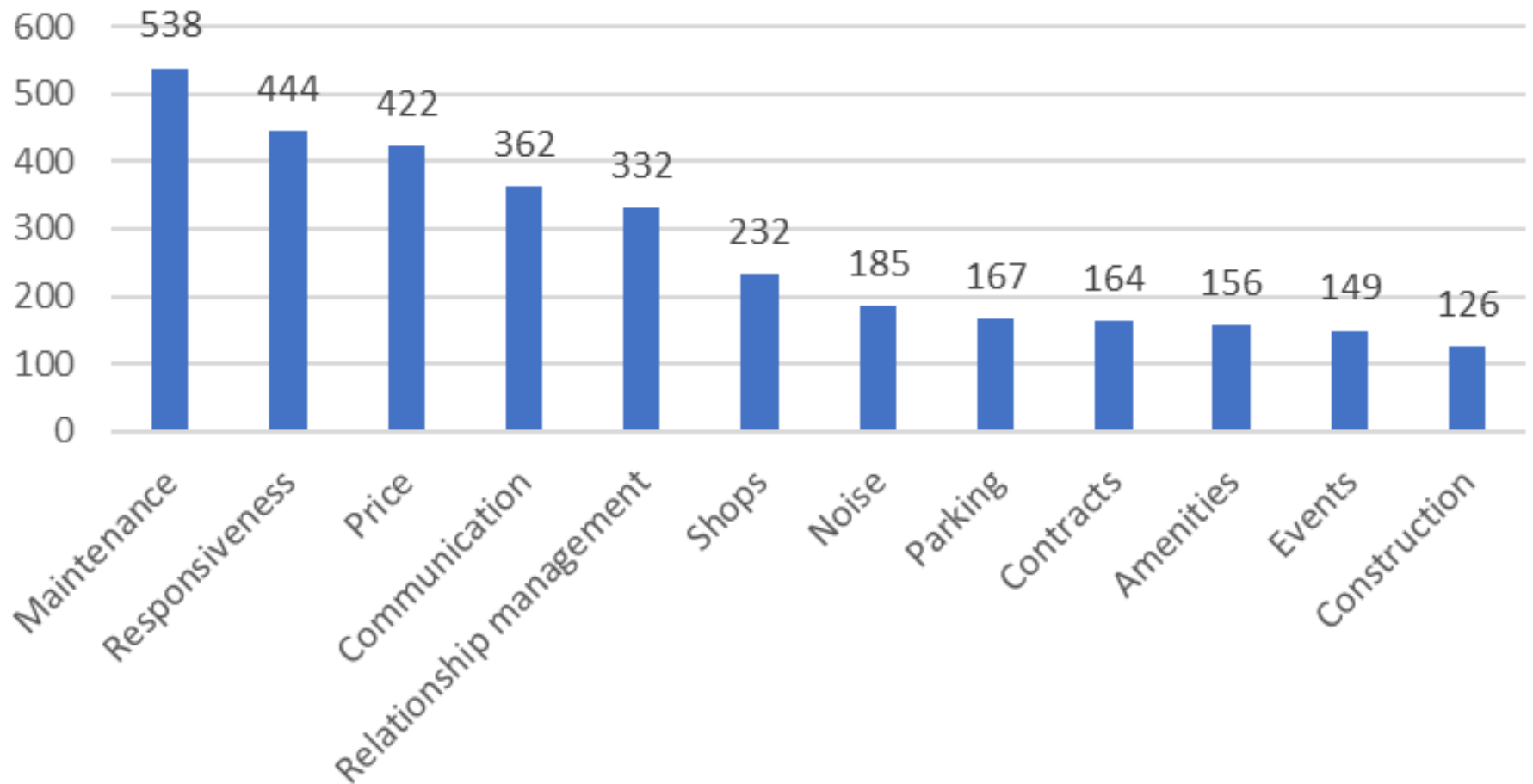
Reasons for Accommodation Choice



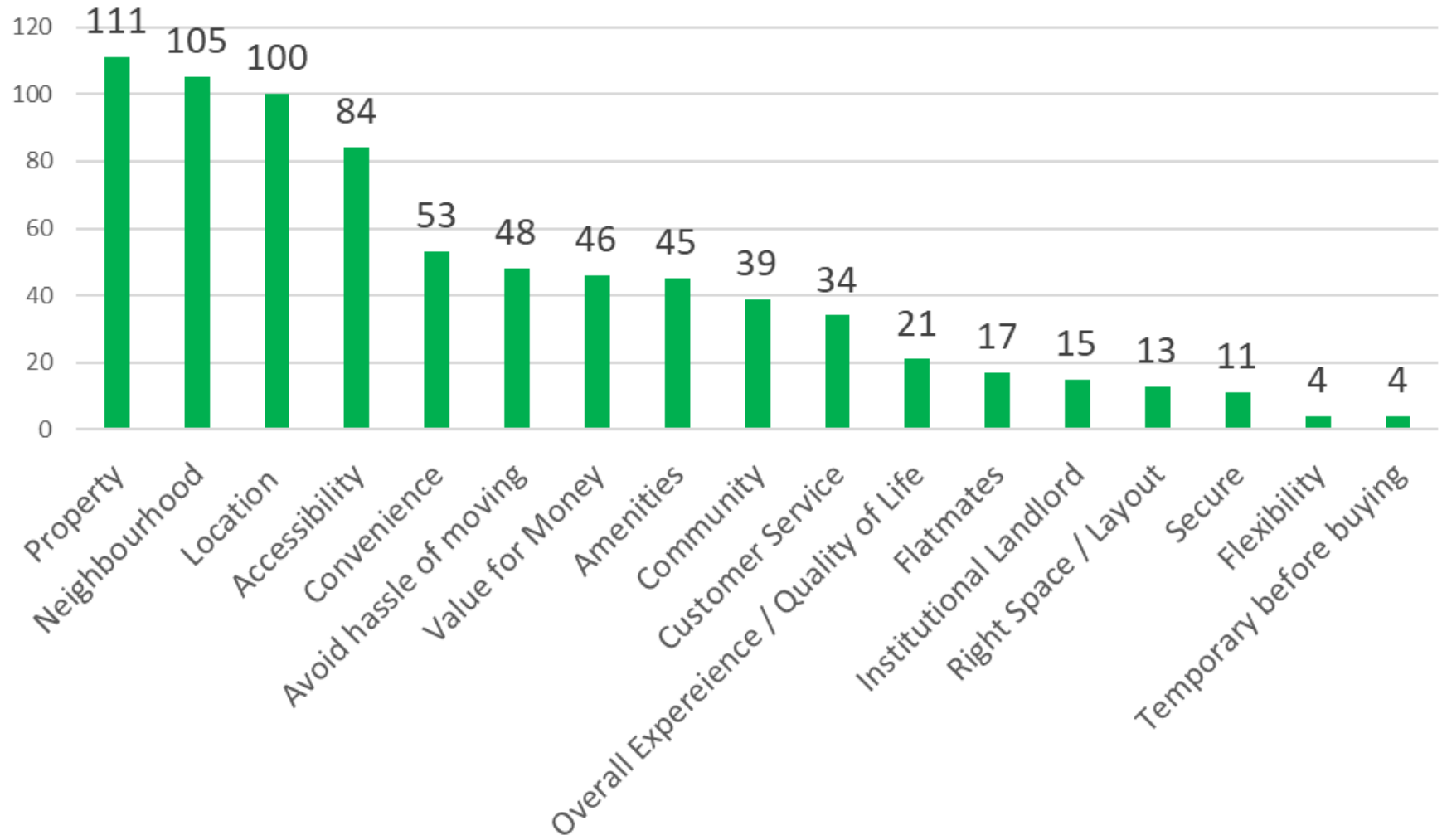
Keep Factors



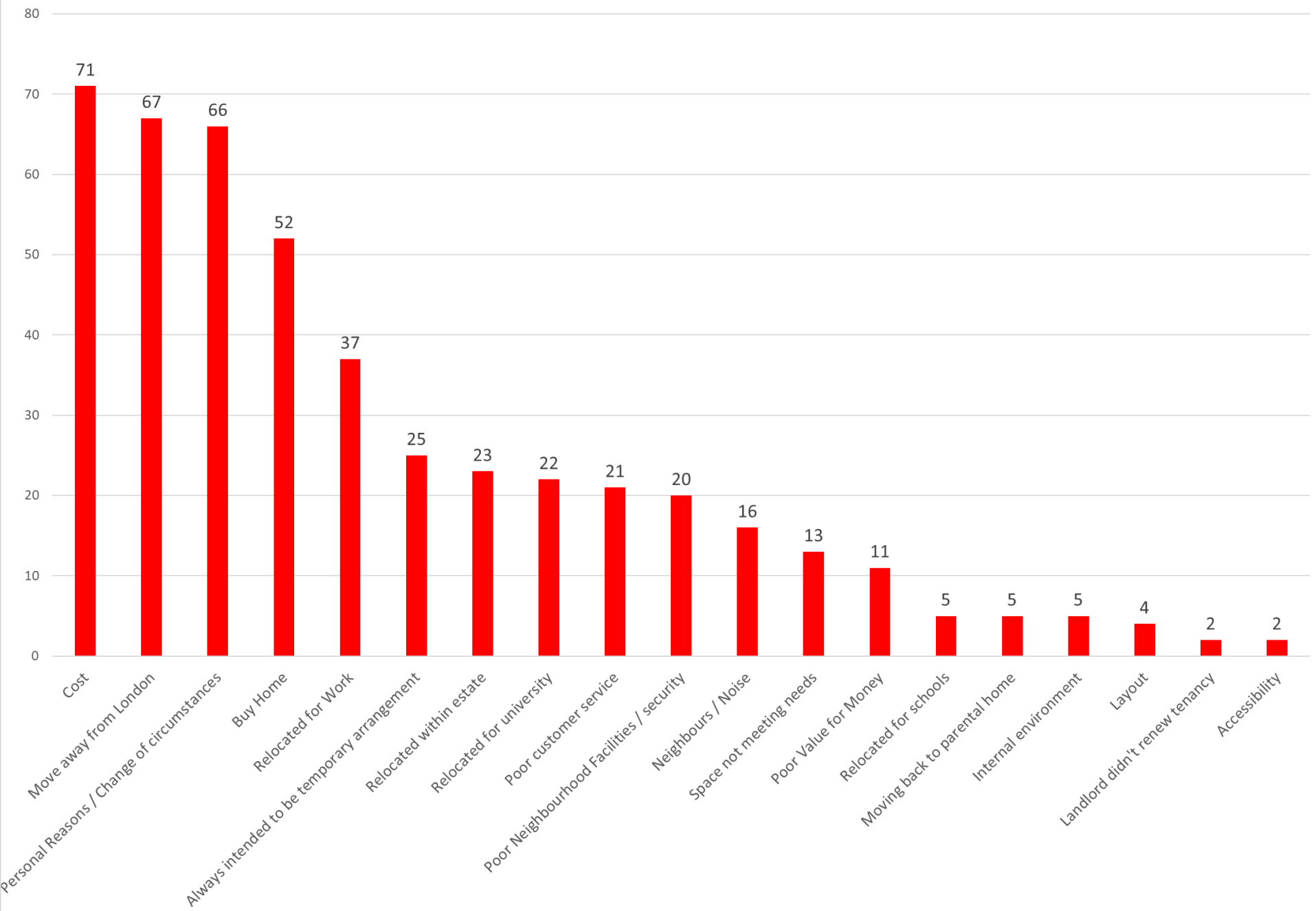
Causes of Dissatisfaction



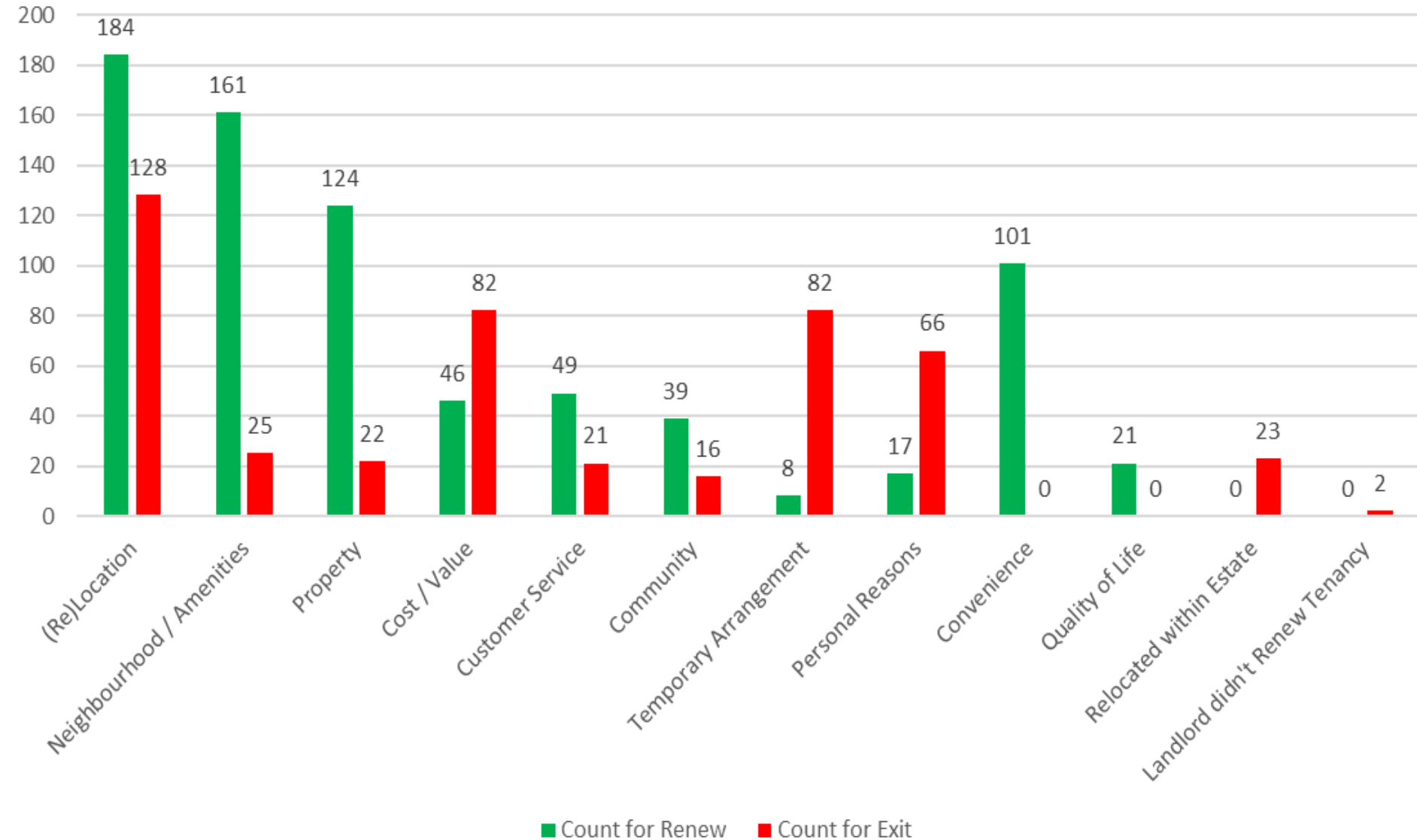
Reasons for Renewing Lease



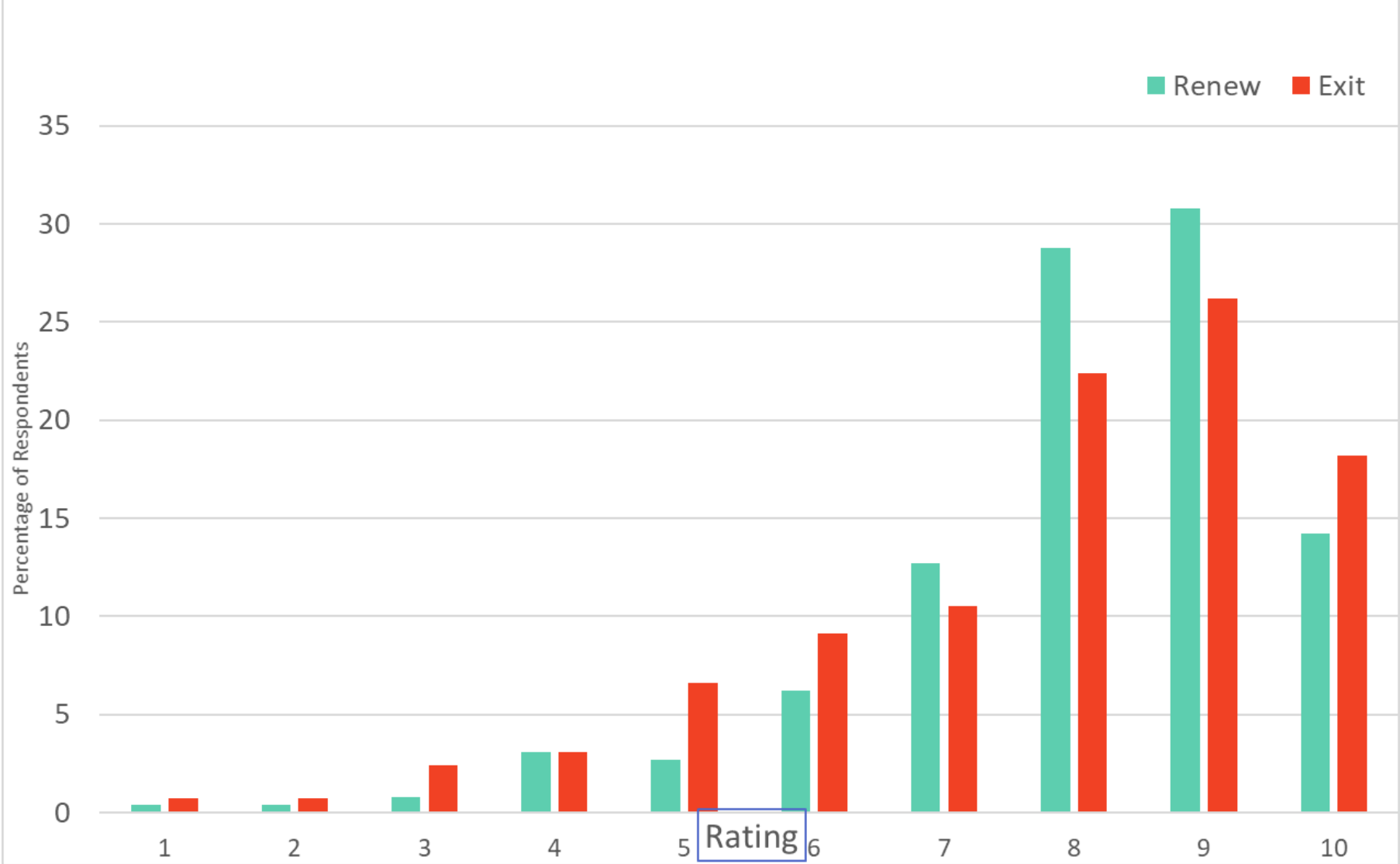
Reasons for non-Renewal of Lease



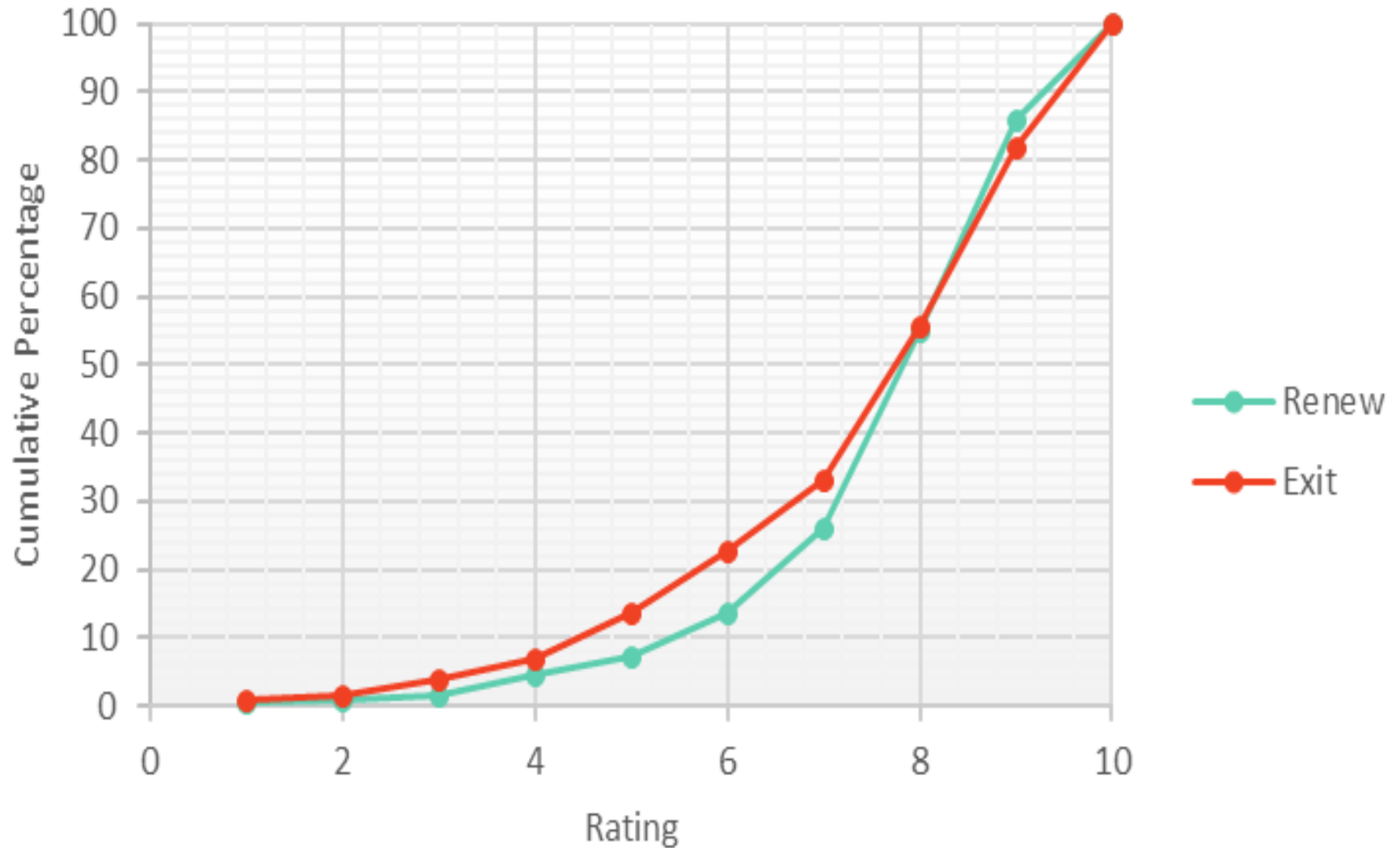
Reasons for Renewal or non-Renewal of Lease



Willingness to Recommend Landlord



Willingness to Recommend Landlord



Whilst all aspects of tenancy have a positive, statistically significant correlation with residents' stated willingness to recommend their landlord to other people, the strongest correlations are with the following aspects:

1. Perception of Landlord Performance (Correlation 0.820**, N = 1833)
2. Ease of Doing Business (0.703**, N=1395)
3. Relationship Management (0.603**, 1491)
4. Comparison with previous rental experiences (0.583**, 1269)
5. Rent Value (0.530**, 1829)
6. Property Management (0.510**, 866)

% of interviewees rating below average

	Rental Terms	Rent Collection	Rent Value	Ease of Doing Business	Property Management	Management Office	Landlord Performance	c.f. prev experiences	Willingness to Recommend
Renew	4.3	4.6	10.9	11.3	18.0	2	5.4	14.3	7.2
Did not Renew	5.0	22.9	20.0	20.2	23.2	1	11.3	20.0	18.5

Early Indicators of lease termination

Analysis of residents' opinions during midterm interviews showed that low scores for:

- **Ease of doing business**
- **Value for money for rent**
- **Willingness to recommend landlord**

are useful early indicators that a resident has a higher propensity not to renew their lease.

Other key early indicators include:

- **Rent collection process**
- **Relationship management**

Early Indicators of lease termination

This research has highlighted the crucial aspects that a landlord should focus on to maximise the likelihood that their customers will perceive them in a positive light, will be more likely to renew their lease, and will be promoters or advocates who are willing to recommend their landlord to other people. These aspects are:

- 1. Making processes (such as rent collection) as straightforward as possible for residents - “ease of doing business”;**
- 2. Treating residents as customers, and building a good relationship with them;**
- 3. Providing good value for money, by delivering a good service and offering relevant amenities;**
- 4. Managing and maintaining properties effectively and efficiently.**

Focus on these things should pay dividends by increasing lease renewal rates and making it easier to let properties through improved reputation.