Welcome to your copy of the State of Property Management report

Our ever-popular annual report aims to bring you crucial insights into the world of property management and prepare you for the upcoming trends and changes.

2023 was the year of resilience as many of us navigated the uneven terrain created over the past decade. We’ve seen dynamic shifts in desired locations, working from home becoming a priority for many looking to get on the property ladder and further frustrations from the cost of living crisis.

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Reflecting on 2023

As we walk further into the cost of living crisis, we anticipated a shift in the retail market compared to previous years, but what exactly happened throughout 2023?

House prices fell 1.8% over the year, which has been attributed to the increase in mortgage and rent prices.

With a decrease of 2.1%, November 2023 saw the housing market fall its quickest in 13 years due to high mortgage and rent rates, along with the still prevalent cost of living crisis.

% growth in UK house prices by property type (Q1 2020 to Q4 2023)

As predicted in 2023, buyers began to look more towards smaller, less expensive properties, with transaction volumes for flats holding up rising the least compared to any other property type.

Source: Nationwide
What Does This Mean for Property Managers?

The average residential mortgage rates for a two-year buy-to-let arrangement stand at 5.95%, while the corresponding rate for a five-year term is 5.91%.

Before the Bank of England initiated rate hikes in late 2021, you could secure a two-year deal at an average of 2.9% and a five-year fix at 3.19%, as reported by Moneyfacts.

The positive aspect is that individuals who locked in a five-year deal at 3.19% in December 2021 are shielded from rising interest rates for an additional three years. On the other hand, those who opted for a two-year fix have likely experienced a substantial increase in their monthly payments.

What does this mean for you? With these rising costs, money needs to be saved elsewhere and there are two options: Increase rental rates for tenants, or streamline your processes.

As for the commercial sector, 2023 saw an increase in prime yields for all property types compared to 2022. This is setting up the new year in a positive light as we look to higher returns, an increase in demand and rising property values — highlighting the importance of streamlined asset management.

With this in mind, it’s essential to look at how to make 2024 as successful as possible with the implementation of technologies.
The Renters Reform Bill

Set to become law in 2024, the Renters Reform Bill is at the forefront of all property managers’ minds.

As a quick overview, the bill is set to make it:

- More difficult to evict tenants.
- Easier for tenants to have pets.
- Illegal for landlords to issue blanket bans on letting to those on benefits.
- Mandatory for landlords to join an ombudsman scheme.

This will affect landlords in a variety of ways, including:

- The end of section 21 (although we expect further delays).
- The end of fixed term tenancies.
- Changes to landlord grounds for possession.
- The end of blanket bans on tenant demographics.
- Renting to tenants with pets.
- The Decent Homes Standard.
- A landlord portal and a requirement to join a new ombudsman scheme.
- Changes to how rents are reviewed and increased notice periods.

Energy Efficiency Standard ForRentals Scrapped

In 2023, Rishi Sunak also announced plans to scrap the increase of the minimum energy efficiency standard for rental properties in England and Wales.

It surprised most, as some property managers felt relief at the impending costs that were sure to arise, while others had already begun making changes.

It’s likely that this will be a hot topic throughout 2024 as climate change continues to ferment.
Industry Insights

We’ve seen the shift to technology, AI implementation and a more sustainable way of living. Here’s how it’s looking so far:

£14bn

PropTech Continues to Rise

As we’ve mentioned in our previous reports, the PropTech industry is taking property management to the next level.

At the end of 2023, the industry was valued at more than £14bn, and it’s not slowing down.

The sector is forecasted to reach around £71bn by 2032, according to REdirect’s Stephanie Feigenbaum.

28%

Commercial Property Loans Mature

There’s been a rise in the number of commercial property loans maturing in 2023 compared to previous year according to Savills. This notable shift suggests a larger volume of debt obligations due, prompting stakeholders to carefully assess refinancing opportunities, adjust lending strategies and manage risks effectively.
2024 Industry Challenges

Property managers will face several challenges across the UK in 2024. The current economic climate is the overriding challenge. It’s been for consecutive years, emphasising the importance of property management companies streamlining their processes.

The Cost of Living Crisis

The UK’s annual inflation rate is expected to fall in 2024 due to lower energy prices and reduced inflation in consumer goods and food.

This brings a sigh of relief for business owners who have struggled with decreased sales and revenue over the last year, but the high street still isn’t seeing the return of customers as people choose online shopping, so 2024 is still looking uncertain for many.

The Bank of England expects inflation to continue to fall in 2024. Its latest set of forecasts published in early November 2023 forecast the CPI inflation rate to average 3.1% in Q4 2024.

Switching to the residential side, we’re still looking at a potential shift in tenants’ behaviours and priorities as the cost of living crisis continues. This may leave some unable to pay rent on time, which can have a knock-on effect on landlords.

Property managers may further notice an increase in demand for smaller homes could be a money-saving option, which was also a trend in 2023.

For property management companies, investing in the correct software and online tools could be crucial in 2024. Businesses can generate efficiencies and manage costs more effectively by automating key processes.
Further Backlash on Property Managers

As financial constraints affect everyone, there’s a growing demand for property managers to perfect reporting and analysis — for their benefit as well as tenants’.

The potential for reputational harm is imminent if errors occur, given the amplified influence of tenants through platforms like social media.

Therefore, it’s necessary to establish robust processes that prioritise clear communication and strive for maximum accuracy in reporting.

Adopting PropTech plays a crucial role in minimising the likelihood of errors by automating essential accounting tasks.

Rent Continues to Rise

- A shortage of affordable rented housing and increasing costs for landlords resulted in the cost of rent rising significantly in 2023.
- Data from the estate agency Hamptons International shows rents increased by 10.2% year-on-year in November.
- The biggest rises were recorded in the East of England (13.3%), Greater London (11.4%) and the Midlands (10.2%).
- High rents look likely to remain in 2024. The estate agent Chestertons and property consultancy JLL both forecast rents will rise by a further 5% in 2024.
Rental Growth on Newly Let Properties in December 2023

<table>
<thead>
<tr>
<th>Region</th>
<th>Average monthly rent</th>
<th>YoY %</th>
<th>YoY £</th>
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<tr>
<td>Inner London</td>
<td>£3,151</td>
<td>15.2%</td>
<td>£416</td>
</tr>
<tr>
<td>Greater London</td>
<td>£2,375</td>
<td>11.4%</td>
<td>£244</td>
</tr>
<tr>
<td>Outer London</td>
<td>£2,231</td>
<td>10.5%</td>
<td>£212</td>
</tr>
<tr>
<td>South East</td>
<td>£1,421</td>
<td>9.3%</td>
<td>£121</td>
</tr>
<tr>
<td>Great Britain</td>
<td>£1,340</td>
<td>10.2%</td>
<td>£124</td>
</tr>
<tr>
<td>East of England</td>
<td>£1,299</td>
<td>13.3%</td>
<td>£153</td>
</tr>
<tr>
<td>South West</td>
<td>£1,158</td>
<td>5.4%</td>
<td>£59</td>
</tr>
<tr>
<td>Great Britain (ex London)</td>
<td>£1,076</td>
<td>9.5%</td>
<td>£94</td>
</tr>
<tr>
<td>Midlands</td>
<td>£945</td>
<td>10.2%</td>
<td>£88</td>
</tr>
<tr>
<td>Scotland</td>
<td>£907</td>
<td>9.4%</td>
<td>£78</td>
</tr>
<tr>
<td>North</td>
<td>£891</td>
<td>10.1%</td>
<td>£82</td>
</tr>
<tr>
<td>Wales</td>
<td>£805</td>
<td>6.3%</td>
<td>£48</td>
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Source: Hamptons

Are The High Streets Still Worth It?

The rise of e-commerce has shifted shoppers to purchasing online rather than visiting the high streets in recent years.

However, it seems that retailers are eager to get customers back to their local high streets, shopping centres and retail parks. For example, Screwfix opened 85 new stores in 2023 in a bid to improve in-person shopping.

Contrastingly to retail shops, 2024 is being dubbed as the “year of warehousing” to keep up with the high-demands of e-commerce and online shopping.

Regardless of where shopping is being done, there is a growing market for industrial real estate – whether that’s for high street shops, or distribution and fulfilment centres.
Future of Property Management

What lies ahead for property managers throughout the UK? In an industry swiftly adjusting to automation, this trajectory will persist as resources, both in terms of time and finances, become increasingly strained across the sector.

Here’s a quick list of what to look out for this year:

**Short-term lets**
Regulation of the short-term lettings market is coming, and it should become clear what all this means for you further into the year.

**Landlord licensing**
More selective licensing schemes were introduced in 2023, with several consultations for new schemes in 2024 underway.

**More details on property listings**
New rules from Trading Standards will require landlords in England (or agents acting on their behalf) to include more information on property listings, such as physical characteristics, utilities, flood risk and planning permission.

**Tax to keep rising**
Despite a National Insurance tax break for full-time landlords announced in the Autumn Statement, frozen income tax thresholds and the impact of Section 24 changes will mean many landlords’ HMRC bills will continue to rise in 2024.
Automation Continues to Rise

Automating key property management responsibilities using the power of PropTech has been a recurring theme over the last few years. Here’s why:

**Improved decision-making**
An increased data stream can equip property managers with the knowledge to make more informed decisions, leading to better business results.

**Time and money savings**
By automating key property management tasks, property management companies become more efficient, allowing time to be allocated to other areas.

**Better occupancy**
PropTech makes it easy to spread and promote property information, allowing landlords to find tenants for their listings quickly.

**Convenience**
Virtual home inspections, house tours and mobile apps designed to help landlords with the rental process are just a few reasons why PropTech increases convenience.

Another advantage to adopting PropTech is employee engagement. By implementing a system that takes employees away from performing repetitive tasks, they’re likely to be more engaged and human error is avoided.

We're also seeing institutional investors turn to property management systems to manage their properties as they buy more real estate and grow their portfolios.
Sustainability

In December 2023, COP28 outlined various themes that will have direct ramifications on the real estate sector. This includes accelerating the energy transition, the creation of stable and resilient communities and the financing of net zero transitions.

We expect these to serve as a guiding framework on the evolution of sustainability in this industry.

The shortage of top-tier and environmentally-friendly office spaces in the UK’s primary office hubs persists, serving as a catalyst for rental growth surpassing typical rates in the near to mid-term future. In 2024, there will be an increase in demand from value-add investors aiming to leverage this trend, although substantial projects may encounter hurdles due to institutional prudence.

Commercial Real Estate

There has been a collapse in commercial property but we’re expecting an improvement as the year progresses.

Savills’ is predicting borrowing costs to fall over the next two years but they still won’t reach the levels of the pre-pandemic industry.

The upcoming UK election period partnered with the coinciding US elections set to take place this year is leaving investors uncertain of how this year is going to look on the commercial side. This is something we can only anticipate for and react to once it happens.

On the brighter side, cooling inflation, a decline in borrowing costs and rental growth will bring development schemes back into action this year, leading to a rise in development and refurbishment schemes.
Introducing Propman

Propman is an all-in-one property management and accounting software that helps property managers reduce inefficiencies and deliver valuable insights within their business.

Propman offers property managers the opportunity to provide an enhanced level of service to tenants, suppliers and clients, leading to a range of benefits.

Automating key tasks means you can allocate more time to other areas of property management, helping your company grow as a result.

Some key features of Propman include:

- **Flexible reporting** — Customisable report writer and scheduler allows for extensive insights and powerful reporting
- **Streamlined service charges** — Simplify and automate service charge budgeting and reporting
- **Automate arrears chasing** — Streamlined arrears chasing through bulk production of communications

Over 200 businesses currently harness the power of Propman to streamline their property management services. If you want to see how Propman can make your administrative and accounting work easier, access a free copy of our Propman brochure below.

DOWNLOAD THE BROCHURE