

THE LONDON CONNECTIVITY REPORT

PART 1: RESIDENTIAL TENANTS
MARCH 2018



INTRODUCTION

In an ever more connected world, the need to be able to communicate efficiently and with ease continues to rise in importance. Businesses and households are not only demanding better levels of connectivity, but increasingly, the expectation of superior levels of 24-7 connectivity are fast becoming the norm, both at home and in the workplace.

The dawn of the Internet of Things (IoT) has had a profound impact on our desire and need to be constantly connected and this phenomenon has given rise to the dawn of humanity's digital era. Artificial intelligence which once was limited to science fiction movies, is today accessible to the masses, through devices such as Siri or Alexa. In fact, IHS Markit forecasts the number of connected IoT devices across the globe to rise to 125 billion by 2030, from just 27 million today, equating to an annual growth rate of 12%. In the UK, the average number of devices connected to the internet at any given time rose to 8.3 in 2016, from 7.4 a year earlier. Smart phones, at 2.1 per UK household, have become the most popular connected devices (The Internet Advertising Bureau).

Assessing the impact of our ever more connected lives on the real estate market has been challenging, but something that Cluttons wishes to champion for London. Indeed, London remains the world's most powerful financial centre, a position it

has held since 2015, according to Z/Yen's Global Financial Centre Index, which ranks a city's business environment, financial sector development, infrastructure, human capital, along with reputational and other general factors.

However, when it comes to connectivity infrastructure, the British capital not only lags other global hubs, but ranks poorly in the UK as well. Last year, The London Assembly Regeneration Committee (LARC) positioned London in 30th place, out of 63 cities in the UK when it comes to high broadband speeds, largely due to the lack of full fibre connections. Furthermore, the LARC also claimed that London ranks in the bottom five UK cities for 4G coverage, with just 73.6% of the city covered.

On a pan-European level, London ranked 29th out of 30 EU cities last year for 4G speeds, while on a national level, the UK ranked 26th globally, for overall mobile broadband speed (Open Signal).



Average number of connected devices per UK household (2016)

Source: The Internet Advertising Bureau



London's position out of 63 UK cities for broadband speeds

Source: The London Assembly Regeneration Committee



OUR STUDY

In this first paper as part of our London Connectivity Report series, we will explore the relationship between the residential property sector and connectivity. With an evolving definition of a work place and a rising culture of agile working, we wanted to delve further in to the changing perceptions on connectivity in the home.

In order to achieve this, Cluttons has partnered with YouGov to survey 99 residential households in prime Central London, encompassing Westminster and Kensington & Chelsea, to gauge how tenants regard the importance of connectivity.

Below we present some of the headline findings from this unique piece of research.

Survey sample

35%

are under the age of 30

37%

live in Kensington & Chelsea

63%

live in Westminster

KEY FINDINGS

Connectivity an important parameter when selecting a rented property

Over 70% of the respondents stressed that both broadband as well as mobile coverage were important while selecting their existing rental property. 72% of the tenants also highlighted that connectivity would be an important parameter while identifying the next property they choose to rent. More women (77%) than men (65%) considered connectivity as an important factor while shortlisting their existing home.

Interestingly, this data is further corroborated by another survey carried out by Cluttons earlier this year. We spoke to 254 households and 84% of those surveyed rated high speed broadband as a key specification during the selection of their next rental property. This is in stark contrast to our 2014 survey of residential tenants in London, designed to understand the most important issues for tenants, which was published in the paper entitled

“The Tenant’s Prerogative”, where we found that ‘internet connectivity’ was ranked 13 out of 15 important property factors. This change highlights the rapidity at which expectations around being connected constantly have evolved.

The rise of agile working

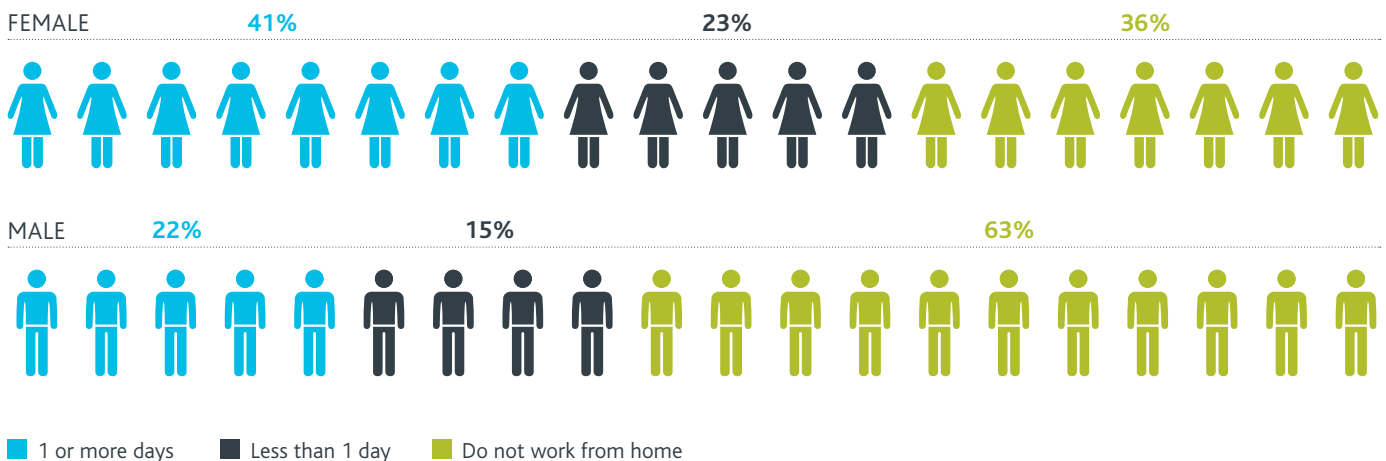
The rise of home workers has clearly also had a degree of influence on the need to be well connected at home. The number of people working from home in the UK, is said to have increased by 7.7% in 2016, to 1.6 million people, with the proportion of women (673,000) increasing at a faster pace (10.5%) over the same period (ONS). Furthermore, with average commuting times to work across the UK increasing by 20 hours a year in the last decade, it is not surprising that more people choose to work from the comfort of their homes (TUC).

More than half our respondents said they worked from home for periods ranging from less than once a week, to more

than three days a week, corroborating the statistics from the ONS. Indeed, data from Transport for London has revealed the first recorded drop in total London Underground Tube passenger numbers for the first time in 20 years in the 12 months to November 2017. Whilst a clear explanation for the 2% decline in the number of users is yet to emerge, a likely working theory by Wired is the influence of technology on travelling habits and the ability of an increasing number of people to work from home.

Clearly for this mobile workforce, both broadband and mobile connectivity are critical. It is therefore little surprise that in our survey sample, close to 70% of those working from home for at least one day every week indicated that they would be likely to reconsider renewing their current tenancies, if they were not satisfied with the connectivity in their homes.

Number of days per week spent working from home



Tenants expect discounts for poor connectivity

We also wanted to quantify the monetary value placed on good connectivity by tenants. While the survey revealed that most people consider good connectivity to be a given while renting a property, 71% of those interviewed would not expect to pay any additional premium for better connectivity.

However, approximately two-thirds (62%) of those under the age of 30 expected to be compensated in the form of discounts on rents if the broadband speed and mobile coverage are 'unsatisfactory', highlighting the

importance of good connectivity to the millennial generation and hinting perhaps at the need for landlords to factor this demographic's connectivity requirements in refurbishment strategies going forward.

Better connectivity in RBKC than Westminster?

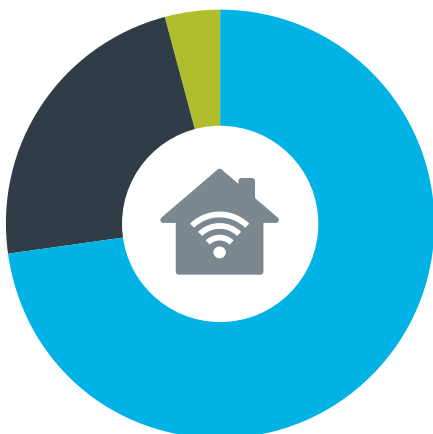
Breaking down the results across the two prime Central London boroughs of Westminster and Kensington & Chelsea (RBKC) reveals that 73% of the respondents living in RBKC rate the connectivity in their residences as 'very good' or 'excellent' compared to only 53% of those living in Westminster.

Discounts expected



1-4%	10%
4-10%	22%
10%+	17%
No discounts expected	41%

Importance of connectivity for tenants while selecting their next rental property



Important	73%
Not important	23%
Unsure	4%



CONCLUSION

It is clear that consumers no longer perceive good connectivity as a premium product and in fact, expect to be compensated for services that are substandard. Additionally, with homes doubling up as offices and more people choosing to work remotely, the need for good connectivity across the residential sector has never been more significant.

For stakeholders across the residential sector, the inferences from our study emphasise the relevance of connectivity

for households, hinting at the possible medium to long term financial implications of not meeting these rising connectivity expectations.

With the increasing reliance on being connected for everyday activities, ranging from the weekly supermarket shop, to identifying the fastest route for any journey, high-speed broadband and excellent mobile coverage have become a necessity, rather than a luxury.

However, in a city as old as London, where large scale infrastructure upgrades are prohibitive due to the complex nature of existing utility and transportation assets, landlords will need to think carefully about how to modernise properties so as not to risk being left behind in the digital era that is now upon us.

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