Beech Holdings: Waterloo Street, Manchester

The rise and rise of BTR

Alex Bell takes a temperature check on one of the hottest sub-sectors in property

With more than 140,000 build to rent (BTR) homes currently under construction or in planning across the UK, what's next for this burgeoning market?

Will the boom continue during maturity, how will BTR diversify and what will the future needs of customers in the rental ecosystem be?

Stephen Beech is the founder owner of Beech Holdings and Manchester Apartments and manages a portfolio of over 900 city centre and suburban properties that has yet to dip below 97 per cent occupancy.

He's in no doubt, with Manchester Apartments attracting 5,000 enquiries a month from residents, that BTR is firmly a lifestyle choice and now more experience-led than ever. But it's co-living that enthuses Beech above all else.

"It's the next evolutionary phase in the rental market," he says, "but developers need to remember the 'co' stands for community – not communal.

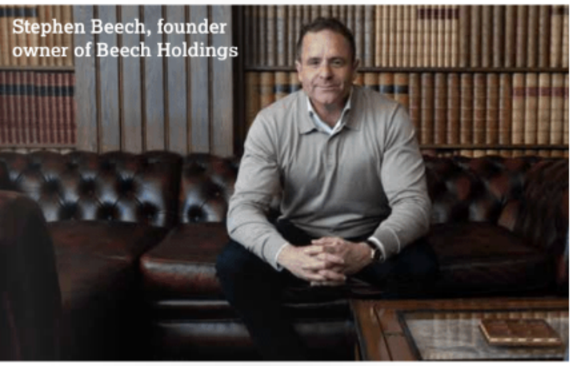
"Levels of facilities and amenities need to be of outstanding quality but residents need to feel ownership over the whole space – from their own apartment to the gym, private dining rooms, workspaces – so all of it feels like their home as well as being a living, breathing community."

The above 140,000 BTR homes figure is plucked from the *Who Lives in Build-to-Rent?* report, by the British Property Federation (BPF); Dataloft; London First; and the UK Apartment Association (UKAA) – which analysed 89 schemes in England totalling more than 20,000 residents in 15,000 homes.

Perhaps most tellingly is how the report – the largest ever analysis of Build to Rent occupancy in England – claims that BTR is affordable.

As a quick note, The Office for National Statistics (ONS) considers housing to be affordable if tenants spend 30 per cent of their income on rent.

The majority of BTR homes (81 per cent) are in the 20 cities where the government has increased housing targets, highlighting the critical role these homes have in



Stephen Beech, founder owner of Beech Holdings

Beech Holdings' Basil House, Portland Street, Manchester meeting national housing targets. Just last summer the Urban Splash Residential Fund (USR) invested £25.8m into acquiring sustainable new homes created using Modern Methods of Construction (MMC) in a move designed to strengthen its growing rental portfolio.

Akeel Malik manages the Urban Splash Residential Fund, launched in 2017.

"We have an ambition to scale our property portfolio to more than 1,000 homes and are in advanced conversations with institutional investors," he says. "That will enable us to really supercharge the residential fund and help us achieve our ultimate aim of building a £3bn portfolio within the next ten years."

According to Malik, the institutional investment interest in the fund comes from Urban Splash's long-term view peppered with uncompromised quality.

"We want people," says Malik, "to say 'we love living in Urban Splash buildings and spaces' and for them to look for us when they are moving from Manchester to Bristol or from Birmingham to Plymouth, or wherever that new place may be.

> "We are interested in design for usage and focusing on areas that aren't established."
> **Akeel Malik**
> Urban Splash

"We are interested in design for usage not for cosmetic purposes, green space and focusing on areas that aren't established when it comes to BTR."

Malik says it's Urban Splash's focus on mixed tenures that makes the developer stand out.

"Having a combination of rental homes including affordable, shared ownership, social rented homes, BTR and owner occupiers is a key to building natural and long-lasting communities," he adds.

"We're really keen to preserve this as we look to expand our presence in the BTR sector and are very focused on building out the operational side."

When it comes to consumer property demands, managing director of Alliance Investments Ronald Garrett says: "There are very few mysteries about property investment which cannot be solved by sticking to the most important fundamental principles and doing your research.

"Taking expert advice before purchasing is perhaps the single most effective way an investor can increase the chances that their purchase will be a success."

Looking at Manchester alone, Garrett says: "There's been a 36 per cent increase in demand for city-centre rental property over the past 12 months.

"And urban developers that actively listen to the specific requirements of both buyers and subsequently renters are the ones which will continue to stand out and perform in the marketplace."

Garrett also reflects on Savills' recent upgrade to its five-year forecast for Manchester which now predicts a 28 per cent house price growth by the end of 2025.

"We are seeing both investors and home buyers moving quicker with purchases due to the forecasted price increases under the current property climate," says Garrett.

In 2020, 5,000 residential units were completed in Manchester, with another 12,000 cited as under construction in 2021 according to the Deloitte Crane Survey.

Tom Pool is senior development manager and BTR lead for Victoria North – Manchester's largest ever regeneration project – Far East Consortium (FEC).

The BTR product, according to Pool, is evolving from one that serves up amenity-centric space for young professionals to one that meets a broader demographic including families and empty nesters.

"This is, in part, why we're seeing the increase in a diverse range of capital entering the market, who can support diverse housing models through BTR alongside investment in green space, public realm and active travel," he says.

Urban Splash's Piercy Street, New Islington, Manchester

Urban Splash's Irwell Riverside, Salford

"The Red Bank neighbourhood, for example, which is among the first to be brought forward as part of Victoria North, is being master-planned to include a 50:50 split between development and open space which will undoubtedly be attractive to families who want to either buy or rent.

"We have the benefit of building on a large brownfield canvas, but this type of community-focused regeneration will increasingly become the norm as towns and city centres continue to refocus their offer in the post-Covid era."

Following research that revealed one in five renters in England suffer with poor mental and physical health, the on-site management team at Liverpool BTR development The Keel has responded.

They have become a dedicated point of contact for residents on any issues with their apartments, meaning they don't have to contact their landlords.

The Keel, on the Queen's Dock, has also undergone a £300,000 makeover to the north lobby and common areas, and now boasts a coworking space.

Joseph Cooper, general manager at The Keel, says: "The health and wellbeing of our residents is incredibly important to us. We want to create an environment where they enjoy coming home to a comfortable and stress-free apartment. We want to go above and beyond to make sure our residents get the most out of their time while living at The Keel.

"We're really proud of our new lobby and coworking areas, giving our residents a chance to socialise and work with one another, which has become very important to many of us."

Beech believes developers are now more accountable to the residents who live in their buildings than ever before. "People are renting for longer, renting isn't a stop gap in a person's life anymore – it's a lifestyle choice, so the demands are high," he says.

Beech explains how a lot of BTR developers probably think they tick a box by having a gym, a lounge and few other token amenities – but the bit they miss is injecting and encouraging communities within the building to come together. "Those developers and operators who invest in cultivating a community are the ones who will raise the bar for the market," he adds.

In summary, he says: "Property investor demand is driven by one thing – rental demand. Over the last 18 months, demand for rental property across the UK, but mainly in regional cities like Manchester, has sky-rocketed.

"This in turn has driven demand from investors looking to capitalise on the growth of the market. As city centres become more popular and more people opt for urban living – sales of city centre properties to owner occupiers will increase, but that demand from the rental market will always remain – and in tandem drive up demand for more developments and drive up the yields.

"And developers that move away from the traditional concept of BTR will always have an advantage over the competition. BTR places too much importance on what investors and architects want, and not enough on what tenants want.

"Our approach has always been rent to build." ■