

QUARTERLY ANALYSIS : BTR

Build to Rent - Analysis by Sam Long, February 2017

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9,250 BUILT TO RENT UNITS ...

have completed in London since 2009.



Elephant & Castle Phase 1, Southwark

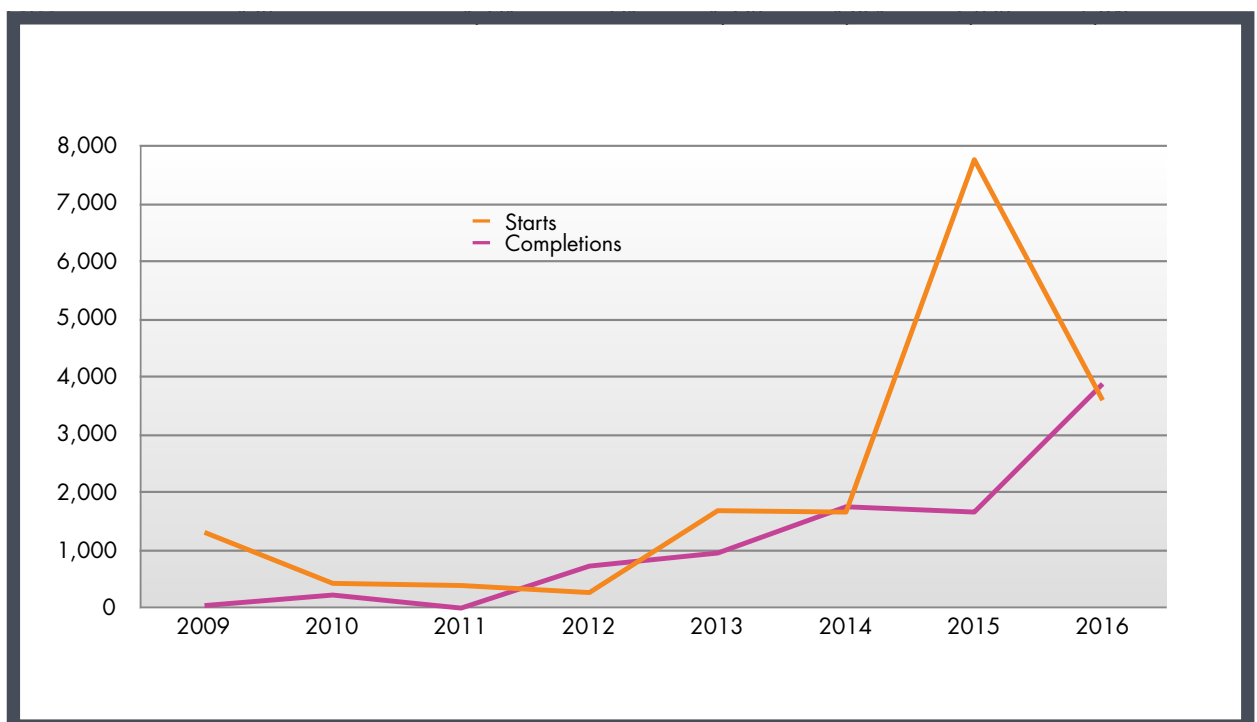
EXECUTIVE SUMMARY

section one

More Build to Rent units completed in London during 2016 than ever before - more than in 2015 and 2014 put together.

Furthermore the number of BTR units under construction at the end of 2016 *almost* matches the record set in 2015.

FIGURE 1 : BTR STARTS AND COMPLETIONS SINCE 2009



However, the word almost is telling because, whichever way you look at it, the amount of fresh development stock entering the BTR pipeline fell markedly in 2016. So, it would seem that the sector has yet to escape the trajectory of London's wider development industry, which has seen significant falls in both construction starts and sales.

The BTR construction start figures look particularly bad, but it is worth noting that 2016 more than maintains the gradual positive trend set from 2011 to 2014, if 2015 is discounted as an overly exceptional year.

The clearest reason to view 2015 as an overly exceptional year is that almost half the BTR starts then were in GPDO office-to-residential conversion projects and were therefore part of a boom that was dissipating even before the GPDO completion deadline was lifted that October.

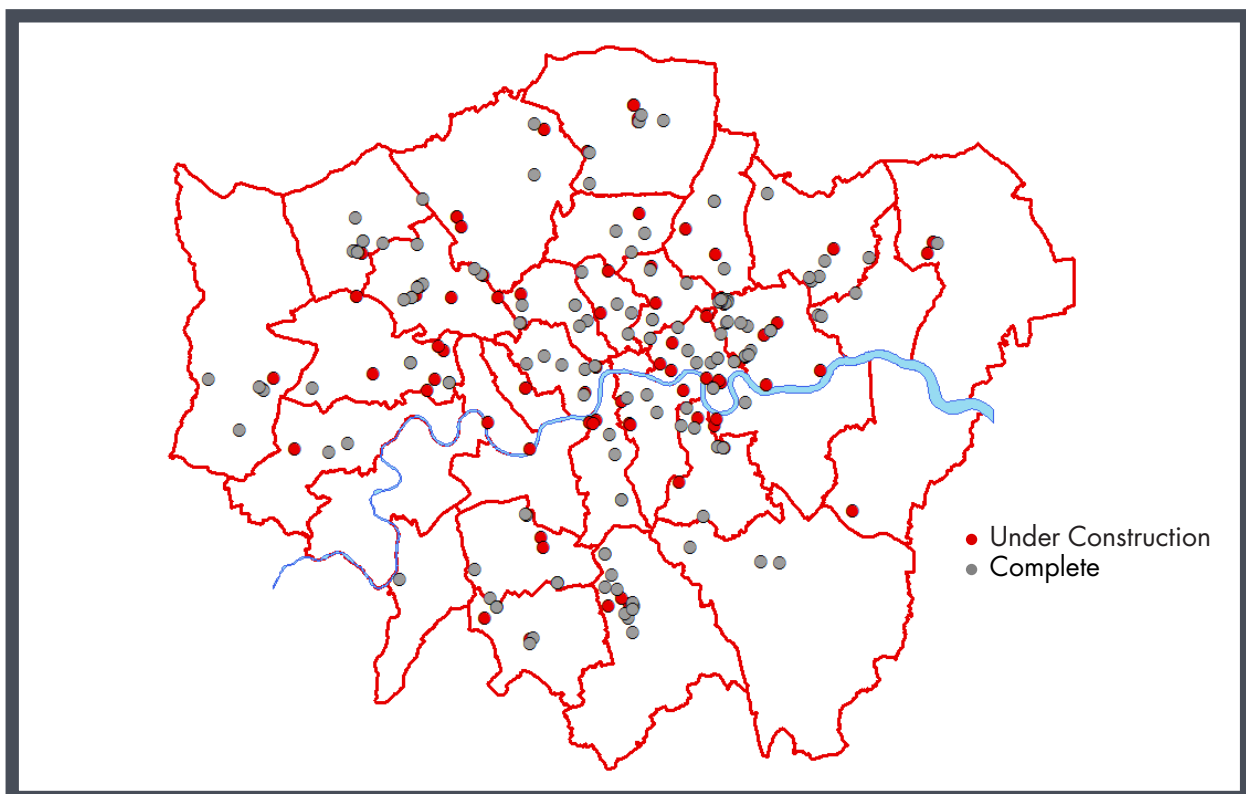
At the time it also felt as if 2015 saw an unusually

high proportion of especially large BTR project starts. However, large projects have started in just the same proportion during 2016 and it is simply that the overall number of units has shrunk - if GPDO starts are removed from the picture then the number of BTR construction starts dropped by a quarter in 2016.

When seeking an explanation for this we are told that it remains difficult to secure good BTR opportunities. Instead, high profile forward acquisitions by the likes of M&G and Fizzy Living from Telford Homes and Taylor Wimpey respectively remain the exception rather than the rule. The industry has yet to fully embrace the BTR model despite the failing strength of the wider sales market.

Nevertheless, such transactions help to underline the benefits that BTR can offer in promoting construction on sites that have been underused for some time. The growing number, locational spread and, to an extent, diversity of completed schemes coming

MAP 1 : BTR SCHEMES - UNDER CONSTRUCTION AND COMPLETED



forward must also help the positive narrative.

Consumer demand for BTR homes is clearly strong. So far the average BTR development has contained around 80 units and this size of scheme usually lets out within six months of completion. Price competition between mid-market BTR developments in heavily clustered locations like Croydon has caused a few hiccups but such instances have been rare and would be avoidable with slightly more careful launch timing.

A few examples of more genuinely differentiated product have also emerged, with Essential Living's Vantage Point being the obvious example. The scheme's lettings rate has defied the expectations of many, although it is fair to say that Essential Living's agents, Hamptons International and Day Morris, have done considerably more than just place a few adverts.

In conclusion, there is much that is positive about the BTR sector but it is not quite out of the woods. It is therefore heartening that the efforts of BTR specialists, the British Property Federation and the GLA to promote the sector were acknowledged at the highest level on 7 February 2017 when the Government published its long awaited housing white paper. Amongst other things the paper proposes to change the NPPF *'so authorities know they should plan proactively for Build to Rent where there is a need and to make it easier for Build to Rent Developers to offer affordable private rental homes instead of other types of affordable housing.'*

In practice it may take a while for these proposals to feed through into local policy and the market. In the meantime BTR specialists will have to continue to rely on their wits to acquire development stock.

KEY STATISTICS

This document provides an overview of London's committed BTR pipeline – Each BTR development described:

TABLE 1 : BTR STARTS AND COMPLETIONS SINCE 2009

Period	Starts	Completions
2009: Q1	-	-
2009: Q2	1,216	-
2009: Q3	95	44
2009: Q4	-	-
2010: Q1	224	-
2010: Q2	-	-
2010: Q3	94	-
2010: Q4	110	226
2011: Q1	23	-
2011: Q2	132	-
2011: Q3	63	-
2011: Q4	173	-
2012: Q1	-	138
2012: Q2	21	362
2012: Q3	152	55
2012: Q4	96	172
2013: Q1	257	132
2013: Q2	288	149
2013: Q3	342	422
2013: Q4	799	250
2014: Q1	241	414
2014: Q2	253	835
2014: Q3	319	399
2014: Q4	848	105
2015: Q1	3,390	179
2015: Q2	1,702	326
2015: Q3	1,187	812
2015: Q4	1,481	345
2016: Q1	1,296	802
2016: Q2	608	572
2016: Q3	974	1,355
2016: Q4	719	1,151

- Is under construction or is complete.
(Permissions are not now included here but are detailed in the accompanying online database.)
- Has 20 or more BTR units.
- Is – or on completion will be – owned and managed as an unbroken block.
- Is recent: schemes completed before 2009 are not included.

Table 1 and Figure 1 show BTR construction starts and completions since 2009. Map 1 shows where the relevant schemes are located.

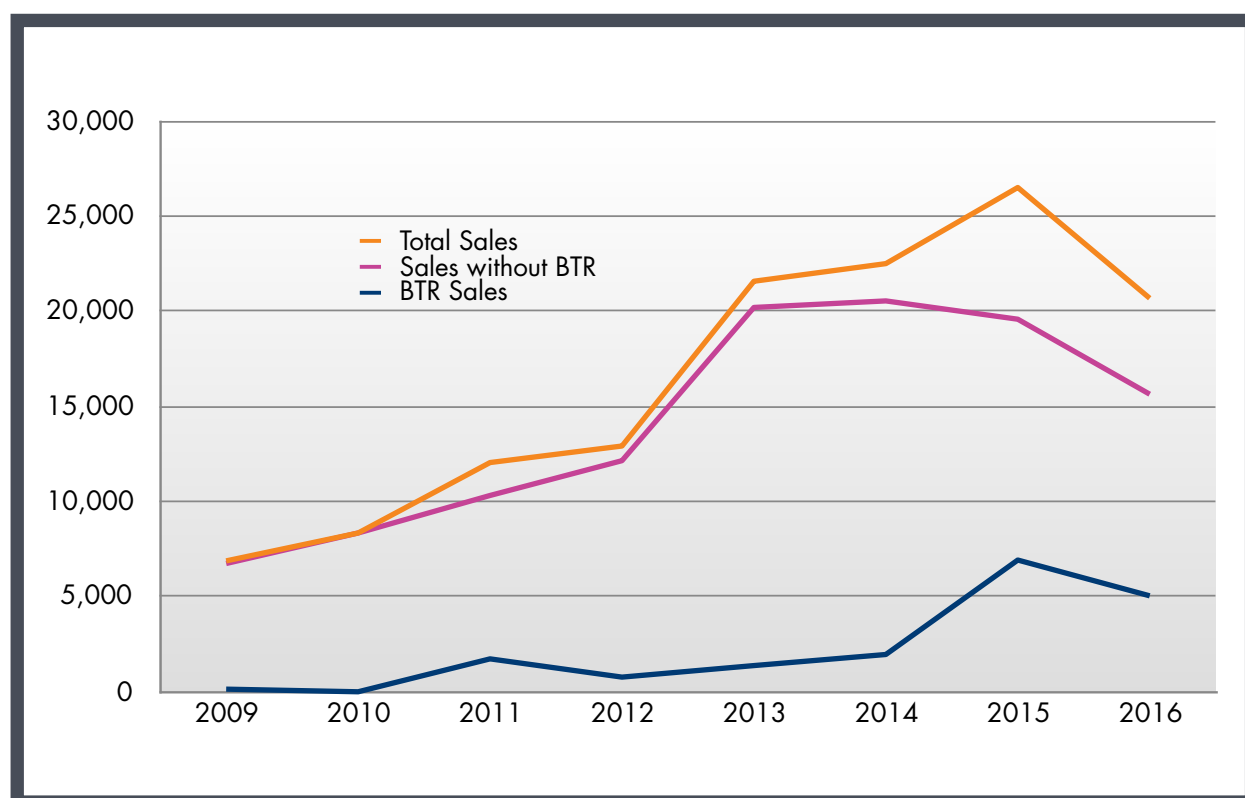
Figure 2 compares 'sales' of development stock to BTR operators with overall sales of new homes across London. It is important to note that sales prior

to construction start are not logged until we have seen piling rigs on site.

CONSTRUCTION

- 3,600 BTR units started in 2016. This is less than half the 7,800 BTR starts in 2015, but is almost equal to the total number of starts in the years 2012 to 2014 put together.
- 46% of the starts in 2015 were in GPDO schemes compared to just 17% in 2016.
- At the end of 2016 there were 9,100 BTR units under construction across London, which is 15% of all private housebuilding and maintains the record set at the end of 2015.

FIGURE 2 : PRIVATE SALES SINCE 2009 - WITH AND WITHOUT BTR



SALES

- Figure 2 shows that private new home sales across London effectively flat lined from 2013 to 2015 if BTR activity is excluded from the picture.
- During this time BTR sales grew fivefold and accounted for just over a quarter of sales in 2015.
- However, BTR has not been able to save the day in 2016 - total sales fell by 22% over the year and the BTR component fell by 27%.

COMPLETED SCHEMES

- 3,900 BTR units completed in 2016. This equates to 42 % of all BTR completions since 2009 and is more than double the 1,800 units that completed in 2014 - the previous record year.
- At the end of 2016 there were 9,200 completed BTR units in 117 developments across London.
- GPDO schemes account for a third of all BTR units completed since 2009.

COMPANIES

Based on schemes under construction and completed, the top five BTR companies (the owners) are:

1. Delancey with APG and Qatari Diar - 2,290 units
2. L&Q PRS - 1,970
3. Canary Wharf Group – 1,110
4. Criterion Capital / Miflats - 1,100
5. M&G - 980

On the same basis the top five BTR developers (the builders) are:

1. Olympic Delivery Authority - 1,440 units
2. Canary Wharf Group - 1,110
3. Criterion Capital - 1,100
4. London & Quadrant Housing Trust - 950
5. Delancey with APG and Qatari Diar - 860

Based on completed schemes alone, the top five BTR managers are:

1. Get Living London - 1,810 units
2. London & Quadrant Housing Trust - 770
3. The Acorn Group - 550

4. Genesis Housing Association - 440
5. The London Borough of Croydon - 330

Section 4 summarises rental data collected for completed schemes.

Molior's online database provides full details of all the developments described in this report plus 95 more that have yet to start on site, including 21,000 permitted BTR units, 3,400 at application stage and 1,800 pre-planning.

My mobile number is below; if you have any questions whatsoever, please do not hesitate to call.

Sam Long 23rd February 2017

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The Former Oaks Shopping Centre, Ealing



CONTENTS

sections, maps, figures and tables

METHODOLOGY	3
1. EXECUTIVE SUMMARY	5
2. CONSTRUCTION	11
3. COMPLETIONS	15
4. RENTS	19

MAPS, FIGURES, TABLES

Map 1 : BTR schemes - under construction and completed	6
Figure 1 : BTR starts and completions since 2009	5
Figure 2 : Private sales since 2009 - with and without BTR	8
Figure 3 : BTR units under construction	12
Figure 4 : Cumulative BTR completions since 2009	15
Table 1 : BTR Starts and completions since 2009	7
Table 2 : BTR starts since 2009	14
Table 3 : BTR completions since 2009	17
Table 4 : BTR schemes lost in the last 12 months	18
Table 5 : Rents in completed BTR schemes	22



FRONT COVER PHOTO

360 London, Southwark

Photographer: Amanda Denny

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