SAVILLS RESEARCH

# UK Build to Rent Market Update

savills

## City centre demand has returned but hybrid working has boosted 'quality of life' commuter locations

The experience of the various Covid-19 lockdowns caused tenants to make lifestyle and relocation moves. A shorter commuting week allowed workers to prioritise locations that offered a better quality of life and afforded more space. An influx of urban workers with higher spending power pushed up rents in many markets. Now, with the return of students and a young, mobile workforce, city centre demand has returned and transport hubs are once again a priority.

## Lifestyle markets buoyed by shift to hybrid working

Shifting work patterns and lifestyle choices meant a number of cities performed exceptionally well during the pandemic. Bristol and Glasgow, already home to well-established rental markets, saw rental growth of 6.7% and 6.5% respectively since March 2020, due to heightened interest from London and Edinburgh lifestyle relocators

The potential to work from home has expanded commuter belts and there is more choice than ever for those working in the UK's largest cities. This has supported let up rates for Build to Rent schemes. Bristol schemes have received huge interest from London relocators while Grainger's Gatehouse Apartments in Southampton leased up 8 months ahead of schedule and may have also benefited from the arrival of London relocators.

## Proximity to transport hubs is once again a priority

More recently, with the return of students and young workers, city centre demand has recovered and rental growth has returned. London and Edinburgh are leading with growth of 3.4% in the 3 months to August - the fastest rate of any core city.

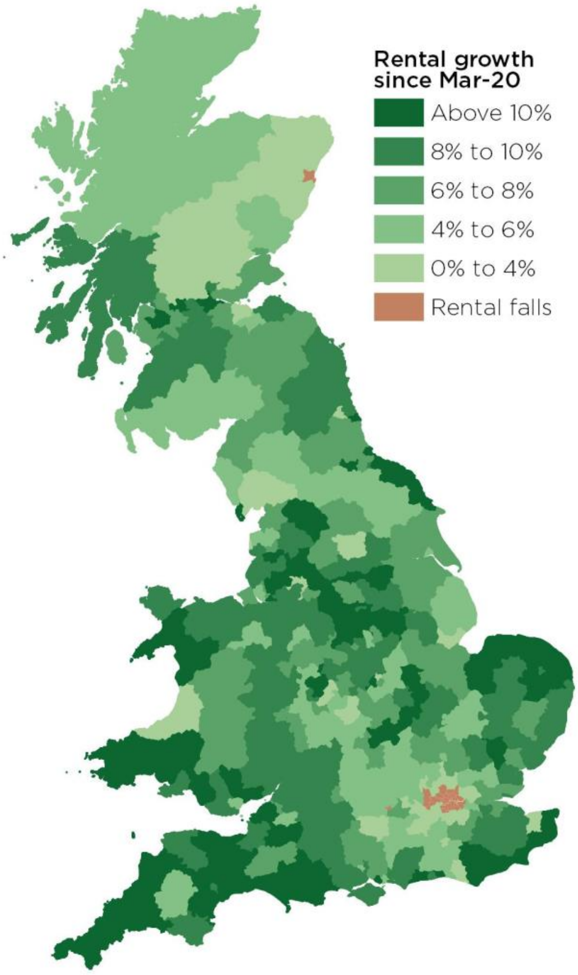
Once again, this places proximity to transport near the top of many tenant's wish lists. Our latest Q3 Savills agents survey shows that half of tenants now rank it as their number one priority. This should continue to be a key consideration for urban BtR investors.

## Supply-demand imbalance to drive rents further

The relative imbalance between tenant demand and new instructions has widened and is at an all-time high according to RICS surveyors. This will support growth in short-term with stock levels remaining low across the UK.

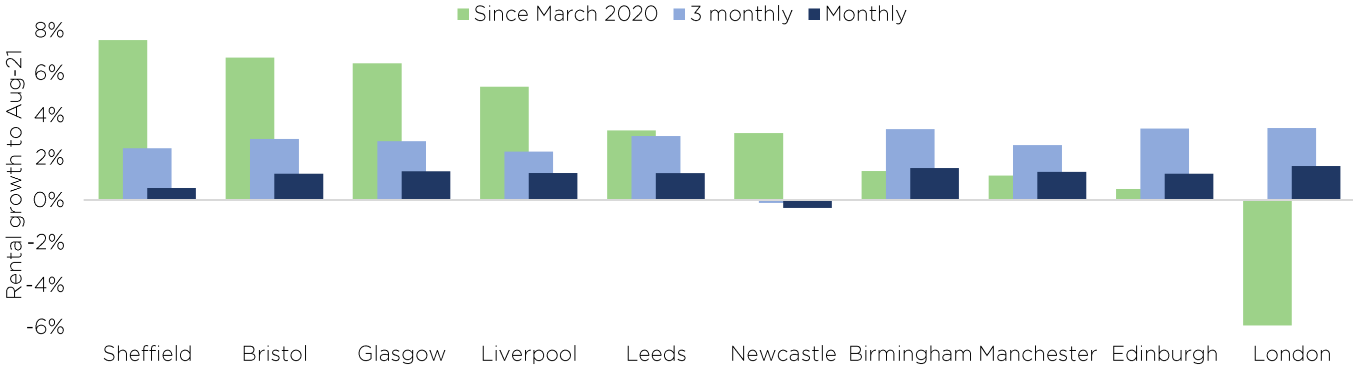
Our Mainstream Rental Forecasts are due to be published in Q4 and will set out our view on rents for the next five years.

**Figure 1** UK experiences strong rental growth in nearly all locations over the course of the pandemic




**Source:** Zoopla powered by Hometrack

**Figure 2** Mixed picture for rental growth in core UK cities since the onset of the pandemic




**Source:** Zoopla powered by Hometrack

## UK Build to Rent Investment

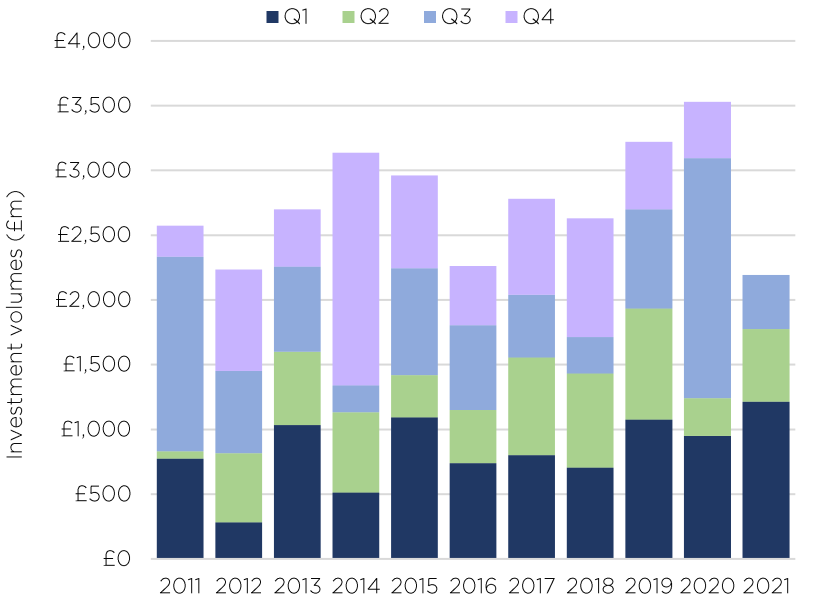
Nearly £420 million was invested into UK Build to Rent during Q3 2021. Forward fund deals made up 64% of investment flowing into the sector which is in line with the three year average.

Recently, we have seen investors in suburban or single family Build to Rent helping to support new homes delivery. They are doing this by forming partnerships with developers and housebuilders to deliver and acquire Build to Rent homes over a number of years.

TPG capital recently launched their £500 million Joint Venture with Gatehouse Bank Plc which will deliver and acquire 2,500 suburban, purpose-built family rental homes across the Midlands and the North of England. The initiative launched this quarter with an initial seed portfolio of 321 homes across four sites.

Further funding deals occurred in Manchester, Brighton and Liverpool during Q3 highlighting sustained investor appetite for the UK's largest cities.

**Figure 3** Nearly £420m invested into UK Build to Rent during Q3




**Source** Savills

## UK Build to Rent Development

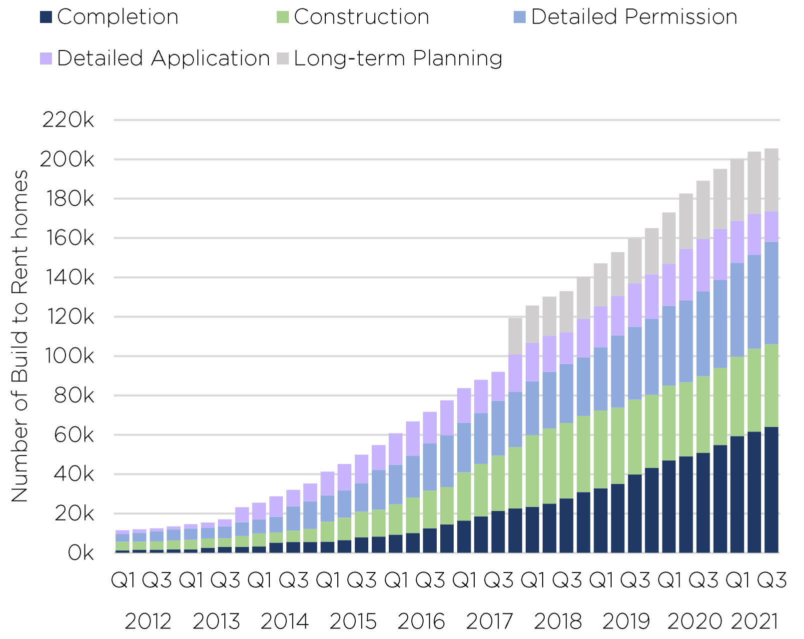
The UK's BtR stock now stands at 63,950 completed homes with a further 42,000 homes under construction. The future pipeline currently stands at 99,500 homes, including those in the pre-application stage. This brings the total size of the sector to 205,500 homes completed or in development.

New home starts outside of London have continued to drive the construction pipeline. In the year to Q3 2021 nearly 12,000 homes have started construction in the regions. This is a new peak, overtaking the 11,500 homes starting in the year to Q4 2018.

Starts within London remain subdued. In the year to Q3 2021 more than twice as many schemes started construction outside of the capital (43) than within (19). Not only are more sites starting outside London, they are also larger. An average site starting construction during the last 12 months delivered 260 homes compared to 205 in the capital.

With London starts faltering, the construction pipeline has shrunk by -9% over the past 12 months in the capital while the regions have seen their construction pipeline rise by 22%. The sector continues to rebalance and shift towards regional towns and cities with strong fundamentals.

**Figure 4** Starts outside of London reach highest annual total and continue to drive construction pipeline




**Source** Savills, British Property Federation, Molior


## Savills team

Please contact us for further information

**Guy Whittaker**
Analyst,
Research
guy.whittaker@savills.com
07970 033630

**Richard Valentine-Selsey**
Associate Director,
Research
Richard.valentineselsey
@savills.com
07527 554799

**Andrew Brentnall**
UK Board Director,
Operational Capital Markets
abrentnall@savills.com
0207 409 8155