

UK Build to Rent Market Update



The first quarter of 2024

has been muted, with fewer investment deals closing, after a flurry of transactions at the end of last year.

Development activity has shown a mixed picture. Completions rose consistently in 2023 amid slowing build cost inflation and have reached their highest level since 2021.

On the other hand, starts have fallen below completions, suggesting investors are prioritising existing schemes over new ones. What is encouraging is the number of homes at construction and permission stage which have the potential to support starts and completions in 2024 and beyond.

Once complete, these new schemes will play a key role in addressing local housing need with our analysis showing that over half of BtR movers come from the same or a neighbouring local authority.

Our research has also identified that tenants are willing to move further to BtR than other forms of PRS. This shows the popularity of schemes with renters, which extends beyond just the opportunity to rent a new build home.

The key challenge ahead is to tackle the pinch points in the delivery pipeline to serve high demand.



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How far do people move to live in Build to Rent?

Movers to Build to Rent (BtR) developments are willing to travel significantly further to rent compared to those in the wider Private Rented Sector (PRS). Our analysis also shows that the pull factors go beyond simply living in a new build property.

The median distance of movers to BtR in the UK is 5.8 miles. This is almost double the distance for the PRS as a whole (3 miles) and 39% further than for new build Buy to Let (BtL - 4.2 miles).

BtR developments have substantial advantages over other rental options, which means they attract tenants from further afield. Compared to the wider PRS they provide greater stability, higher quality and standard of accommodation, and greater energy efficiency. Compared to new build BtL, they offer greater shared amenities and facilities, professional customer service that can be reached 24 hours a day through digital apps, and a focus on fostering community within developments via events and social media channels. BtR Apartments are also generally well located in prime urban districts, connected by good transport links to other places for both work and leisure.

Going the extra mile

The strong attraction of BtR is evident across the UK (Figure 1), with movers willing to travel further than the PRS and new build BtL in all sub-market locations. Significant marketing budgets allow schemes to attract tenants from beyond their local market. The furthest median distance travelled is in Core Cities where people moved on

average 8.3 miles. Core cities are often key employment centres within their region that attract talent from a wide area. Inner and Outer London have the lowest median distance, due to a large proportion of movers already living and working in the capital.

While many movers come from outside the local area, our analysis demonstrates how these developments substantially cater to the local market. 53% of movers to BtR still come from either within the same or an adjacent local authority, attracting both new tenants as well as helping address housing need for those already living nearby.

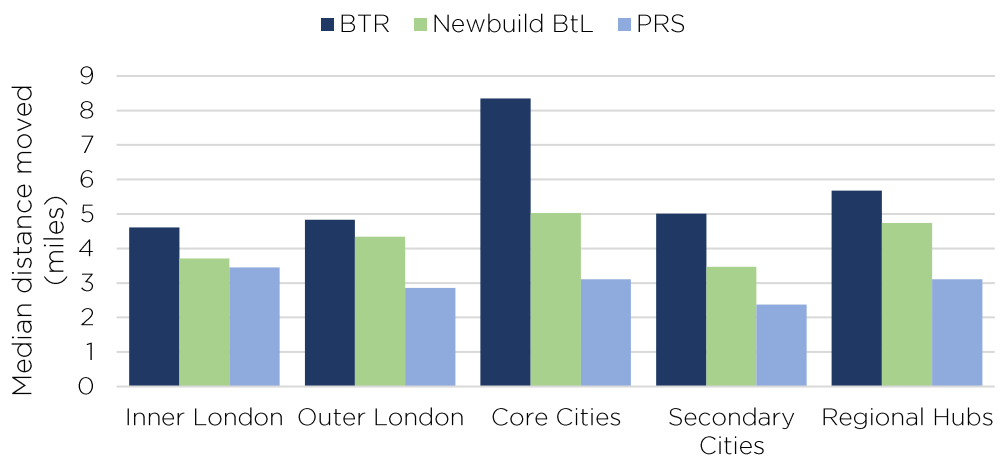
Addressing housing need

BtR plays a crucial role in the delivery of more homes. It helps address the substantial supply and demand imbalance in the PRS, freeing up other stock when tenants make the move into BtR. Developments which boost supply of rented homes remain urgently required to address the current shortage of supply.

BtR caters to a wide tenant base that has significant overlap with the wider PRS. In Regional Hubs for example, where demand for family homes is higher, the proportion of movers to BtR who are families is effectively the same as the wider PRS (36% and 38%, respectively).

In Inner London, 46% of movers to BtR are aged 26-40, compared to 39% in PRS. This shows that BtR supports younger tenants in the early stages of their careers, who are not yet able to buy, helping support employment growth in the city.

Figure 1 – Movers to Build to Rent are willing to travel further in all locations



Source: Savills Research using Experian

Core Cities = Manchester, Leeds etc. Secondary Cities = Leicester, Milton Keynes, etc. Regional Hubs = Horsham, Stevenage etc.

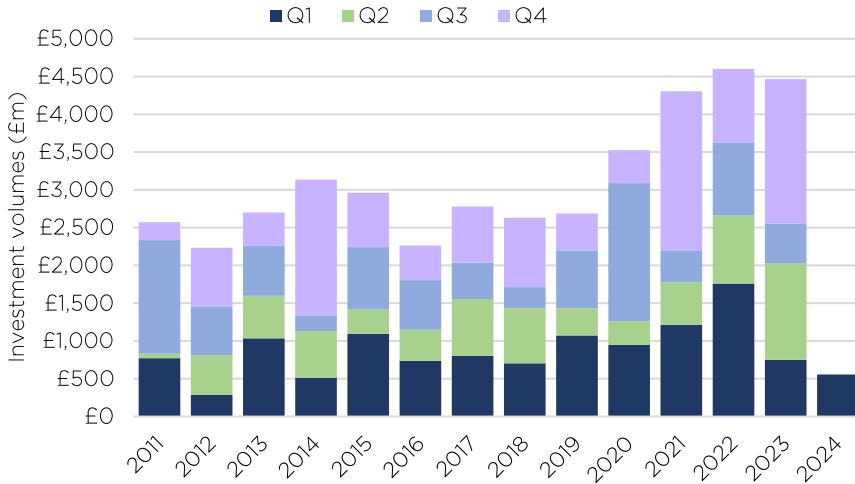
UK Build to Rent Investment

The first quarter of 2024 saw a slowdown in activity, following a flurry of transactions at the end of Q4 2023. 10 deals completed, with a combined value of £555 million, marking the slowest Q1 since 2014.

More than half of investment was deployed in London, the highest proportion since Q4 2022, owing to two significant deals at Wembley Park. KKR purchased 490 apartments across two apartment buildings, [Alameda and Beton](#), which completed in 2019 and 2020, respectively.

The number of deals across regional Multifamily and Single Family was particularly low this quarter. This is partly due to the strength of the final quarter of 2023, which was the second highest Q4 on record.

Figure 2 – Muted start to 2024 following 2023’s strong finish



Source: Savills

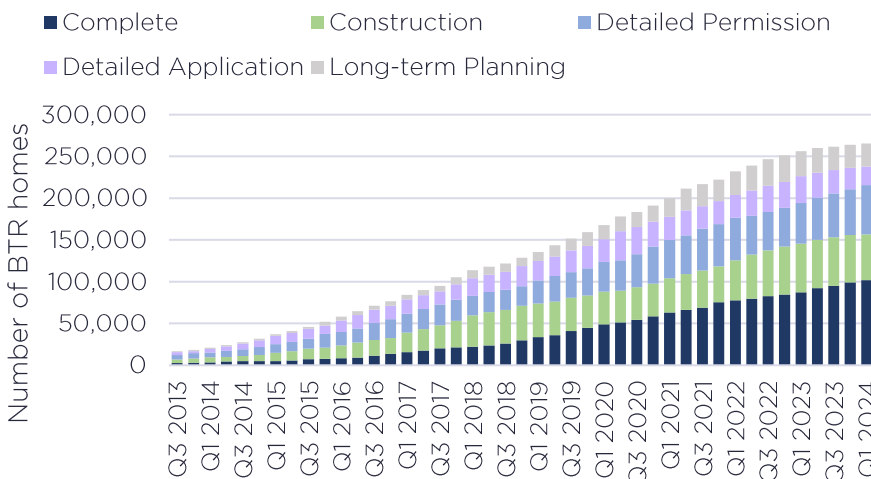
UK Build to Rent Development

The UK’s BtR stock now stands at 101,875 completed homes, up 17% nationally compared to Q1 2023. There are a further 54,814 homes under construction as well as 108,917 homes in the planning pipeline, including those in the pre-application stage. The total size of the sector currently stands at 265,606 homes, up 4% compared to Q1 2023.

Notably, the number of completions in the previous 12 months eclipsed starts for the second quarter in a row. In Q4 2023, 12 month rolling completions outpaced starts for the first time since 2020, with a gap of 421 homes. This has now widened to 3,404 homes. This comes with UK 12-month completions at their highest level since 2021 and starts their lowest since 2016.

Homes with detailed permission remain at record levels of 59,000, which can support the future construction pipeline and help starts recover to previous levels. The number of homes at detailed application stage, however, is down -31% compared to Q1 2023. New sites are therefore needed to secure the long-term delivery pipeline.

Figure 3 – c. 102,000 homes complete and 55,000 under construction



Source: Savills, British Property Federation, Molior

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