

RESIDENTS

May 2023

WHO LIVES IN BUILD-TO-RENT?

An analysis of Build-to-Rent occupancy in London



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CONTRIBUTORS

The British Property Federation, DataLoft, BusinessLDN and the UK Apartment Association would like to thank our partners for contributing to this report:

LONG | HARBOUR |



Cover image: Lendlease

Above image: The Filaments, Grainger

FOREWORD

London faces a chronic shortage of housing and significant challenges to increase supply. A decrease in grant funding, increased construction costs and the need to address building safety and retrofit existing stock are hampering the residential development industry's ability to deliver the 66,000 new homes per year needed to house current and future Londoners.

However, these numbers are only part of the story. London's population is diverse and the capital's housing stock must reflect this by providing Londoners with a range of tenures to meet their different needs depending on their stage of life.

Over the last decade the UK's Build-to-Rent market has grown at pace and, despite a challenging fiscal and regulatory environment, has continued to see steady growth in recent years with a 9% increase in development from 229,542 homes in Q1 2022 to 251,208 homes in Q1 2023 as noted by Savills' quarterly statistics.

In the case of London, this growth has slowed in comparison to the regions, seeing a 6% increase in development from Q1 2022 to Q1 2023 compared to 12% in the regions during the same period. The latest quarterly figures for Build-to-Rent in London showed that, at the start of 2023, there were a total of 96,184 homes in London's Build-to-Rent pipeline broken down as the following:

In planning: **41,041**

Under construction: **15,605**

Complete: **39,538**

Build-to-Rent developments - high quality, professionally managed homes designed specifically for private rent - are now an integral part of London's housing mix. As the sector continues to grow, both in terms of the number and range of Build-to-Rent homes, it represents an important opportunity to help alleviate the housing pressures Londoners face and provide much-needed homes.

This report is the third in our series of London reports compiled with our partners the British Property Federation, Dataloft and the United Kingdom Apartments Association. With thanks to our Build-to-Rent sector providers who have contributed data and insight, the report offers a snapshot analysis of Build-to-Rent in London, looking at the typical resident demographics of those living in Build-to-Rent homes benchmarked against those in the private rented sector. It shows that Build-to-Rent is accessible and affordable to all types of Londoners, housing both those that work in the public and private sectors, young professionals starting out on their journey onto the housing ladder to older people looking to downsize and those on a variety of incomes. Build-to-Rent's continued growth, alongside other tenures, must be supported to ensure that London is able to attract and retain the people that businesses need to secure the long-term global competitiveness of the city.



Stephanie Pollitt

Programme Director, Housing, BusinessLDN

THE FOCUS OF WHO LIVES IN BUILD-TO-RENT

First published in 2020, this is the third annual report looking at who lives in Build-to-Rent homes in the capital, using data provided by research consultancy, Dataloft. It benchmarks Build-to-Rent residents against a profile of wider private rented sector residents. Using a sample from more than 30 developments across 9 providers, the report analyses a range of data including residents' age, professions and the percentage of income spent on rent.

The information provided is a snapshot in time rather than a representative sample and the publication is designed to further our understanding of the Build-to-Rent sector in London. In doing so, we hope that the publication will help dispel the myth that Build-to-Rent is a luxury product only available to a few. The reality is that it can provide good quality and affordable homes for all Londoners. Further to this, the report encourages local and national Government to think more broadly about Build-to-Rent in London, supporting the growth of this vital part of the capital's housing sector.



Image: Lendlease

GEOGRAPHICAL PROFILE OF BUILD-TO-RENT IN LONDON

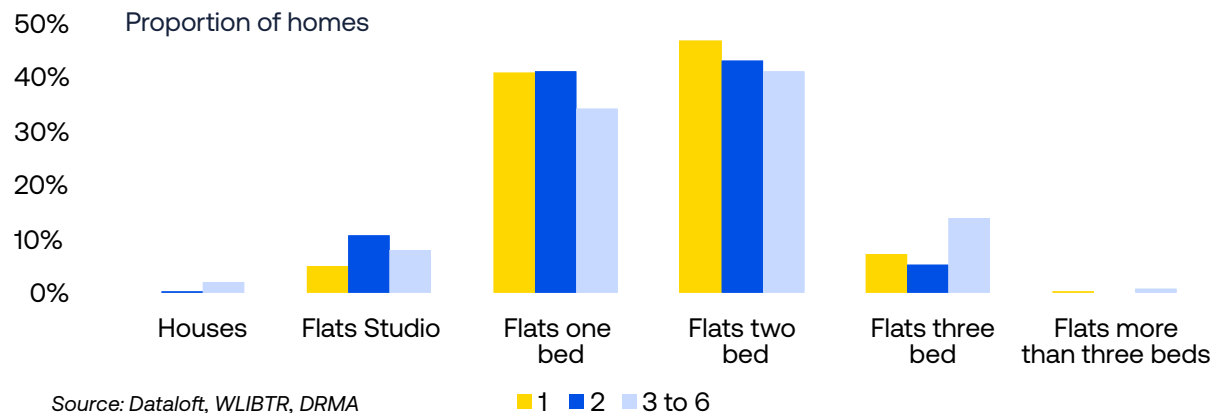
The data in this report covers 17,722 residents living in 10,488 homes across 31 schemes in London. The geographical spread of data across London's underground zones shows Zones 1 and 2 have the highest proportion of 1-bed flats let (41%). Zone 1 also has the highest proportion of 2-bed flats let (47%) whilst Zones 3-6 have the highest proportion of 3-bed flats and houses at 14%.

As reflected by the profile of beds, the breakdown indicates that properties in the most central postcodes tend to be smaller, occupied by fewer people. In Zones 1 and 2, there are an average of 1.4 and 1.2 people per unit respectively, rising to 1.9 in Zones 3 to 6.



Image: East Village, Get Living

Profile of properties in BTR – underground Zone



KEY STATS: WHO LIVES IN BUILD-TO-RENT IN LONDON?

Analysis comparing the Build-to-Rent sample with private rented sector data finds that:

Age

25-34 is the most common age band across Build-to-Rent and the wider private rented sector in London. Build-to-Rent also houses a higher percentage of residents aged 55-64 at 5% compared to 3% for the private rented sector.

Income

Build-to-Rent residents' incomes are broadly similar to those living in the private rented sector, with 28% of Build-to-Rent residents earning between £26-38k compared to 29% of those living in the private rented sector.

Affordability

Build-to-Rent has comparable levels of affordability to the private rented sector for all household types.



Image: East Village, Get Living

Employment

Residents in Build-to-Rent are professionally diverse and employed in many different industries including leisure, retail and the public sector which is comparable to the private rented sector.

RESIDENT EXPERIENCE

Each Build-to-Rent development is unique offering residents a variety of amenities and services which are included in their monthly rent or as additional paid for services. The most popular amenities included in the rent in Build-to-Rent schemes in London are: concierge service, social calendar/events and shared garden/roof terrace.

Pets 53% of the schemes allow pets in all their homes.

The top ten amenities were:

83% Concierge

80% Social calendar/events

77% Shared garden and/or roof terrace

70% Parcel storage/acceptance

70% 24-hour security

67% Residents lounge

60% Co-working/meeting space

47% Event space

43% Onsite food and beverages

43% Gym/wellbeing centre



Image: The Wulcomb, Long Harbour

Bills The majority of Build-to-Rent schemes do not include utility bills within the rent with the exception of internet access, which is offered by 61% of schemes, as part of a single fixed monthly rent.

CASE STUDY

SHANNON AND TOM

Shannon, a dermatology clinic receptionist and husband Tom, moved into Quintain Living's Ferrum building in Wembley Park on 1st April 2022. The pet-friendly nature of Quintain Living also meant that the couple could add Olive, their Golden Retriever pup to their family with no hassle.

“We got Olive after we moved in. We always wanted a dog but wanted to feel settled in our home first. It's great in Ferrum because you've got the dog washroom – the Laundr-O-Mutt – which has proper groomers and washroom dryers. So, if you're going to give your dog a bath because she loves to roll around in mud, you can wash her and get all filthy down there and not worry about your apartment getting dirty. Every morning we take Olive out to use the Ferrum dog run and have fun socialising with other dogs. There are also got a couple of dog park runs in Wembley Park – one by Landsby and one by Canada Gardens. There are doggy socialising groups, which are amazing because Olive can socialise with other dogs and grow up with other puppies that also live with Quintain Living.”



AGE PROFILE OF RESIDENTS

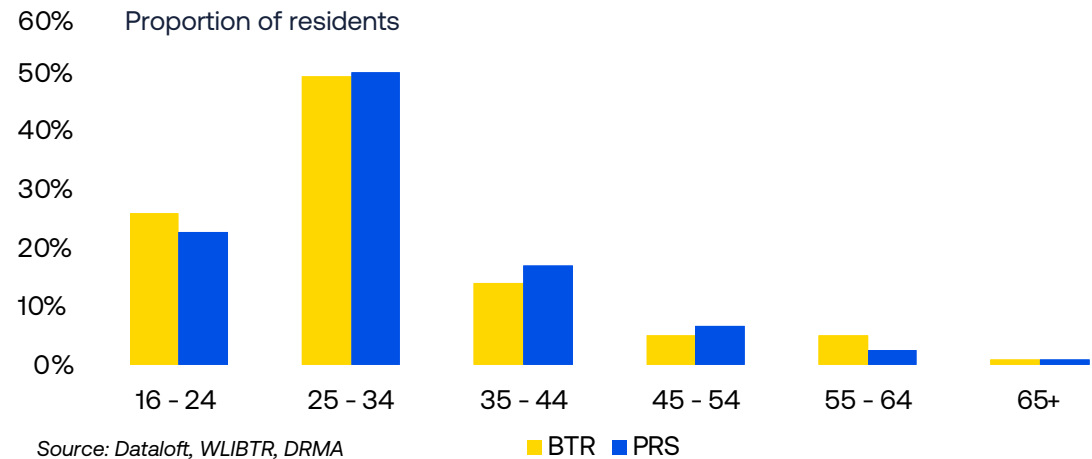
Build-to-Rent is providing housing for residents of all ages and has a similar profile to that of the private rented sector. The most common age band for residents in both sectors is 25 to 34, with 49% across Build-to-Rent and 50% in the private rented sector.

Zones 3-6 see the highest proportion (50%) of residents aged 25 to 34. Last year, Zone 2 had the highest proportion of residents living in a Build-to-Rent scheme aged 25 to 34 at 55%.

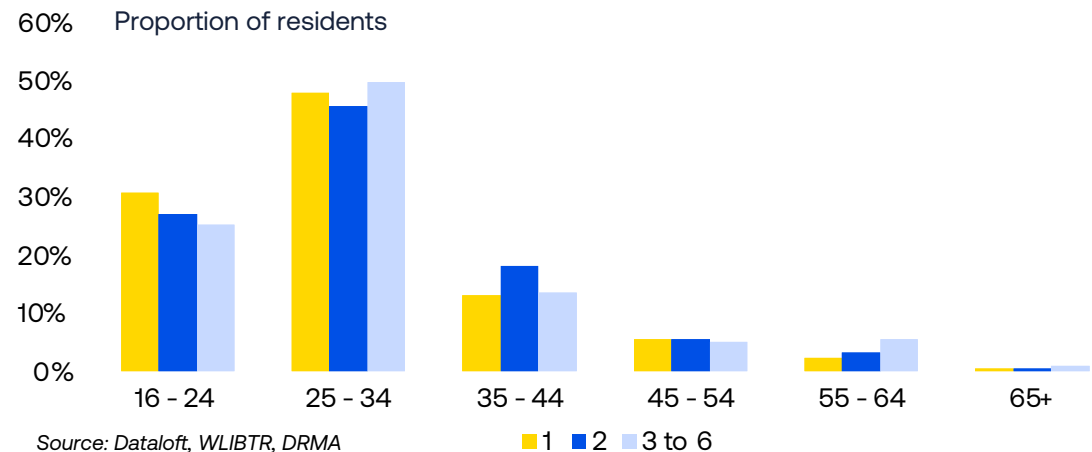


Image: The Gessner, Long Harbour

Residents age - BTR vs wider PRS



BTR Residents age – underground Zone



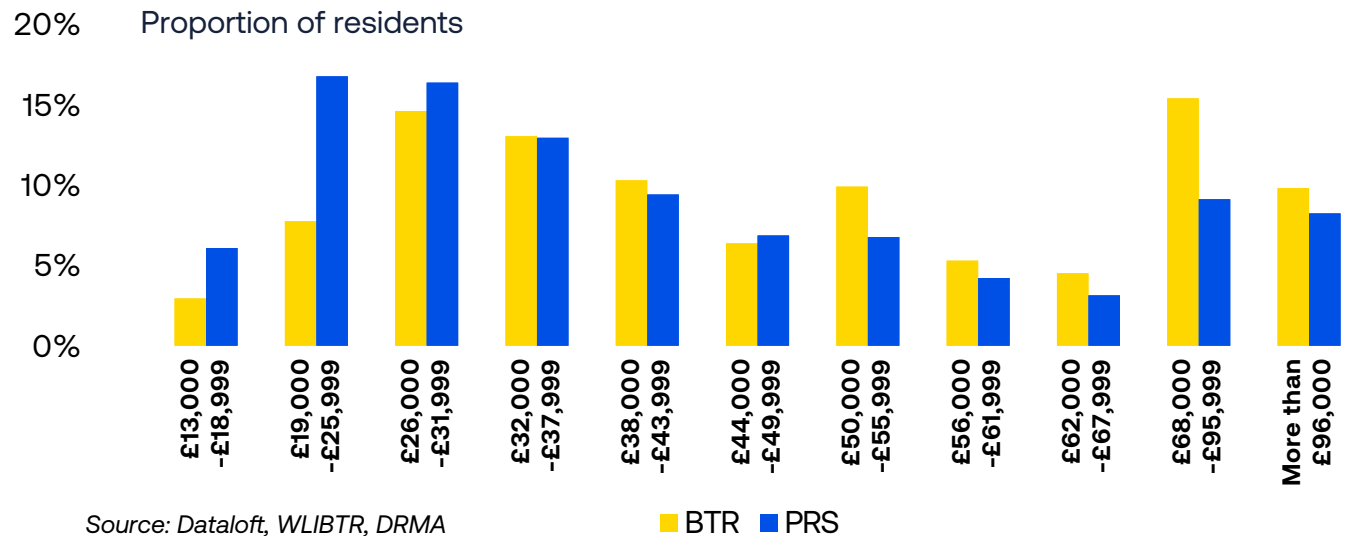
RESIDENTS INCOME

Build-to-Rent residents' individual incomes are broadly similar to that of the those living in the private rented sector, and it is a popular option across all income bands. 15% of Build-to-Rent residents earn between £26-32k compared to 16% of those living in the private rented sector. The most common income band for the wider private rented sector is £19,000 to £25,999, representing 17% of residents.



Image: Pin Yard, Grainger

Residents income band- BTR vs wider PRS



At the higher end of the income bracket, 15% of residents earn between £68,000 to £95,999 in Build-to-Rent developments but these figures have been affected by the Get Living, Vertus and Urban Bubble schemes which are larger and contain more homes with a greater proportion of high earners.

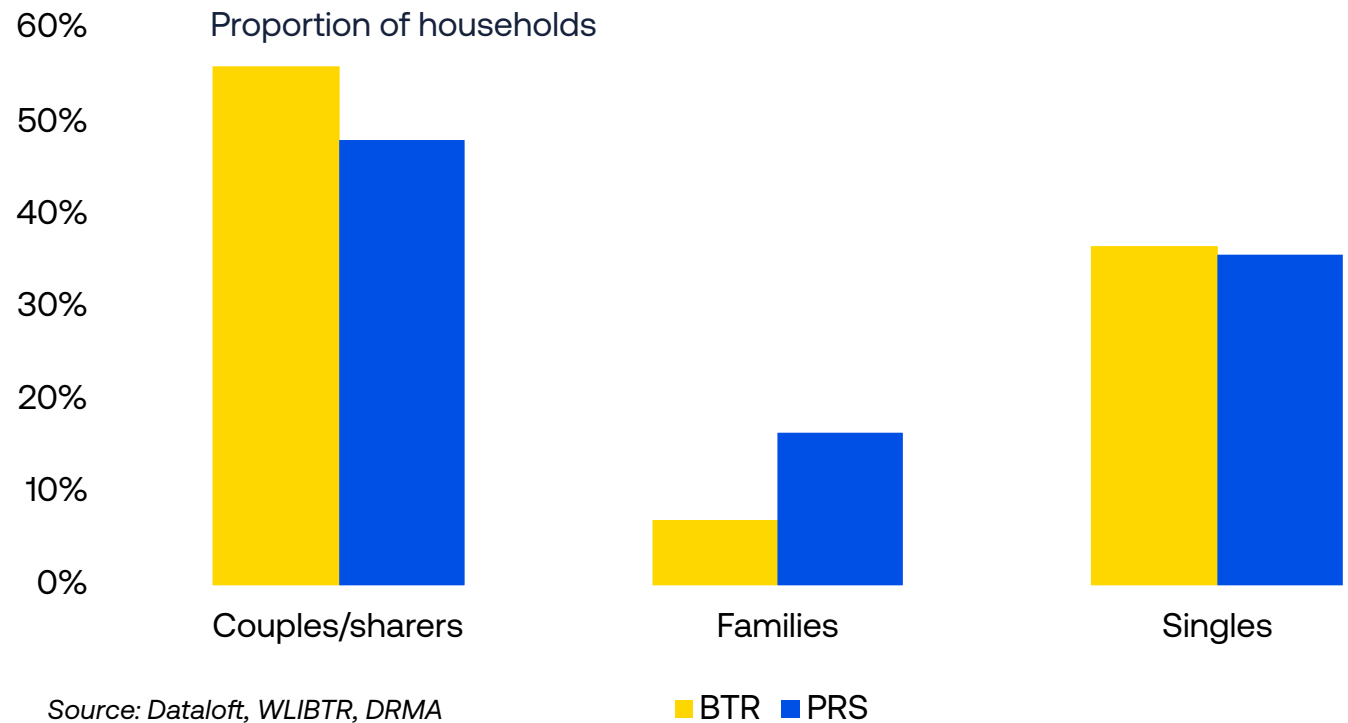
HOUSEHOLD TYPE

When comparing household types in the private rented sector, couples and sharers are combined as a single category to reflect the way the data was aggregated. The data shows that Build-to-Rent has a higher proportion of couples and sharers at 56% compared to 48% in the private rented sector which would be reflective of the fact that most homes in Build-to-Rent sample are flats (99%).



Image: The Gessner, Long Harbour

Household type - BTR vs wider PRS



CASE STUDY

THE JETHAS, ALAMEDA, QUINTAIN LIVING

Shamir, a business consultant, his wife Reschma, an entrepreneur and their two young boys moved to Quintain Living's Alameda in 2021. For the Jethas, safety is a priority and they value the security the 24-hour concierge provides and the increased precautions taken when there is an event on at the stadium.

Shamir says:

“The whole neighbourhood is great for family life. The pedestrianised boulevards are good as they are safe for young children and so less stressful for parents. Wembley Park is an amazing place to live.”



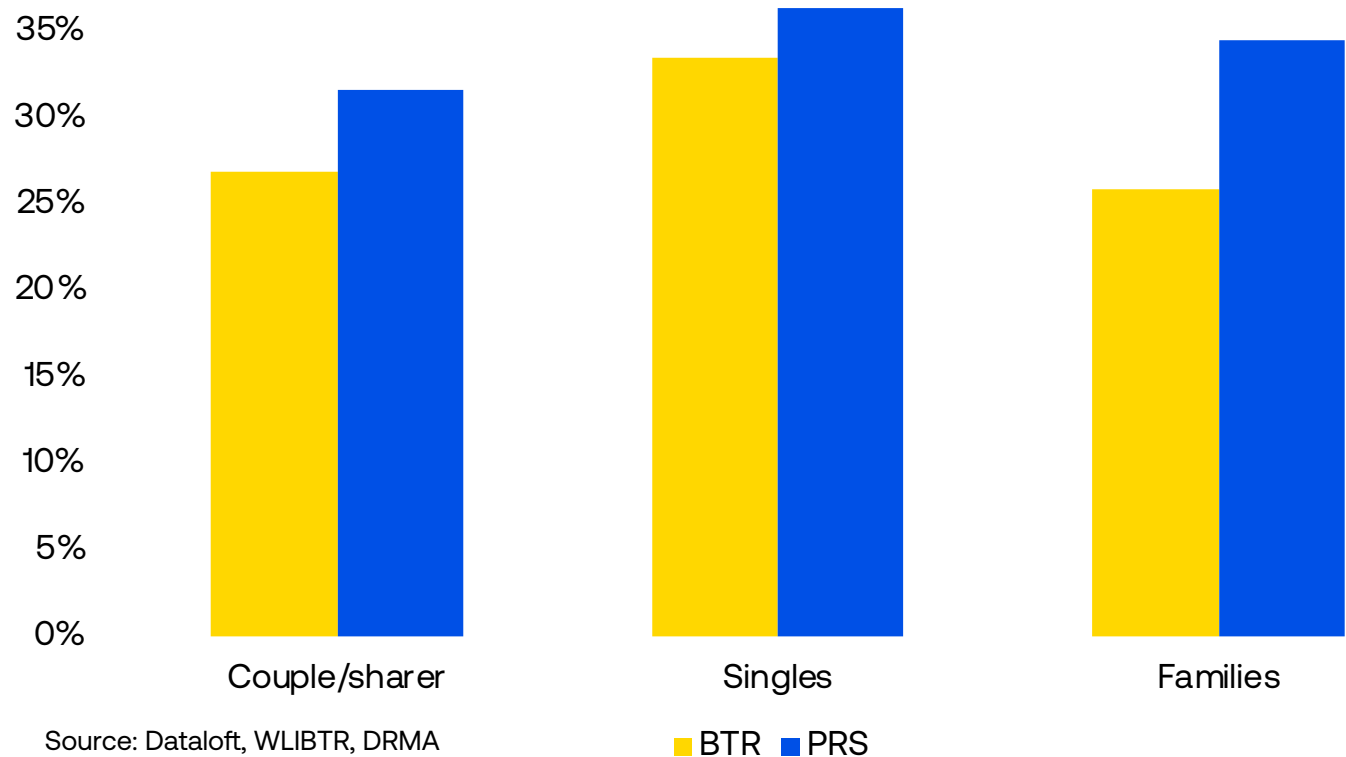
AFFORDABILITY

The ratio between earnings and rent paid is lower for people that are single, families, and couples/sharers in Build-to-Rent than in the wider private rented sector. This is often called the affordability ratio or household affordability.

Cost of living in London has risen sharply but despite this, affordability has stayed similar for couples/sharers (28% vs 27% last year) whilst affordability for families has improved since last year (26% v 29%). People that are single, however, spend the highest proportion of gross household income on rent at 35% which is a slight increase from 31% seen last year.

Residents affordability BTR vs wider PRS

Average % of gross household income spent on rent

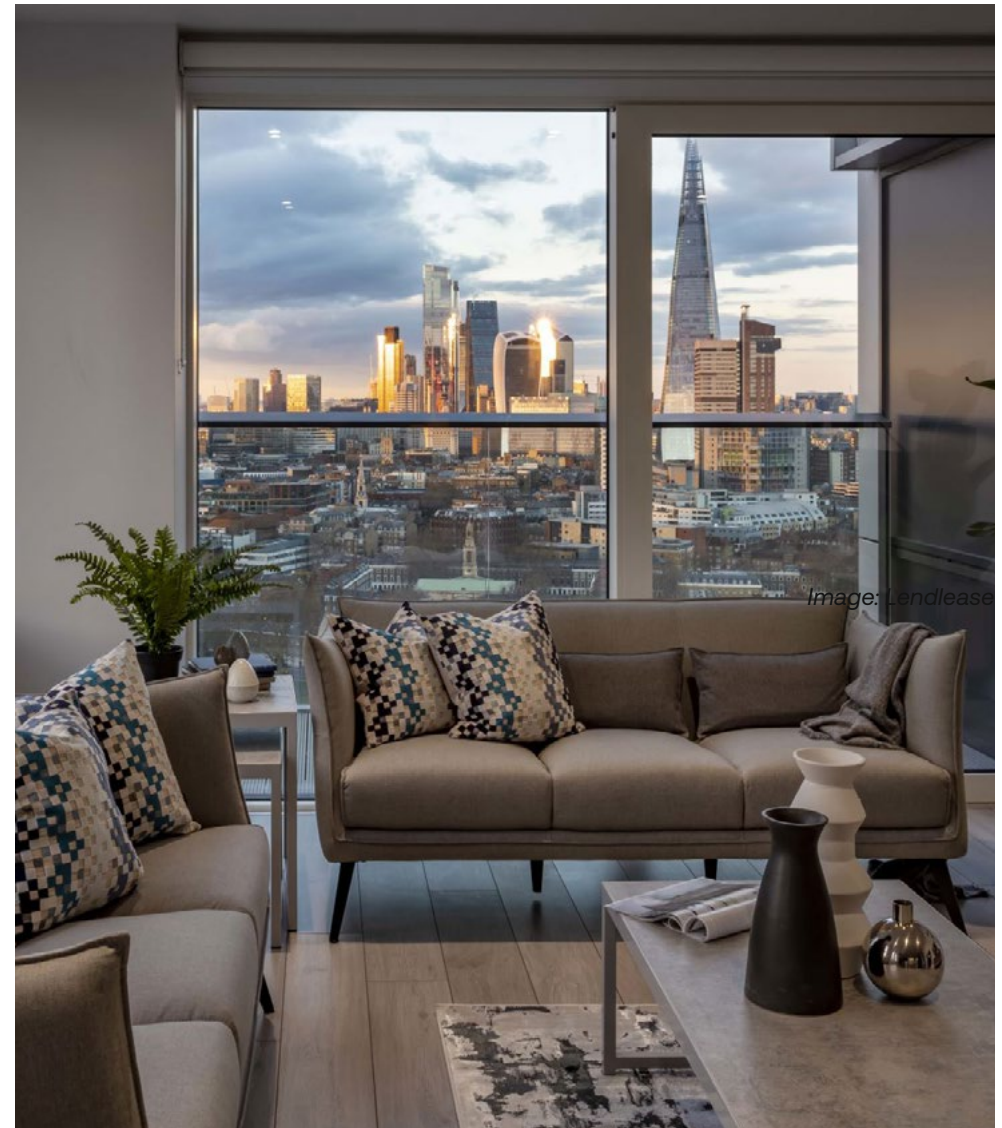


Discount Market Rent (DMR), also known as Affordable Private Rent, is an intermediate type of affordable housing and is intended to meet the needs of those who cannot afford local market prices. Just under half of schemes (42%) offered homes at DMR and, overall, it was offered on 9% in total across the developments whilst 2 small schemes (65 and 77 homes) offered 100% of their homes at DMR. The average discount to market rent offered per scheme was 32% and the average affordability ratio of residents living in DMR homes was 29% across the schemes, similar to last year at 30%.

London – Discount Market Rent

% of schemes	42%
% of homes	9%
Average discount	32%
Average affordability - (% of gross household earnings on rent)	29%

Source: Dataloft, WLIBTR



EMPLOYMENT

Residents in Build-to-Rent are professionally diverse and employed in many different industries. The most common employment sector for residents in both Build-to-Rent and private rented sector is finance and professional, whilst the public sector employs 11% of resident living in Build-to-Rent and 13% in the private rented sector.

There is also a much higher proportion of student residents living in Build-to-Rent (20%) than there are in the private rented sector (9%). This may be due to a number of factors including proximity and access to universities, provision of services which are especially attractive to international students and the availability of purpose-built student accommodation in London which is insufficient to meet the needs of students wishing to study and live in the capital.

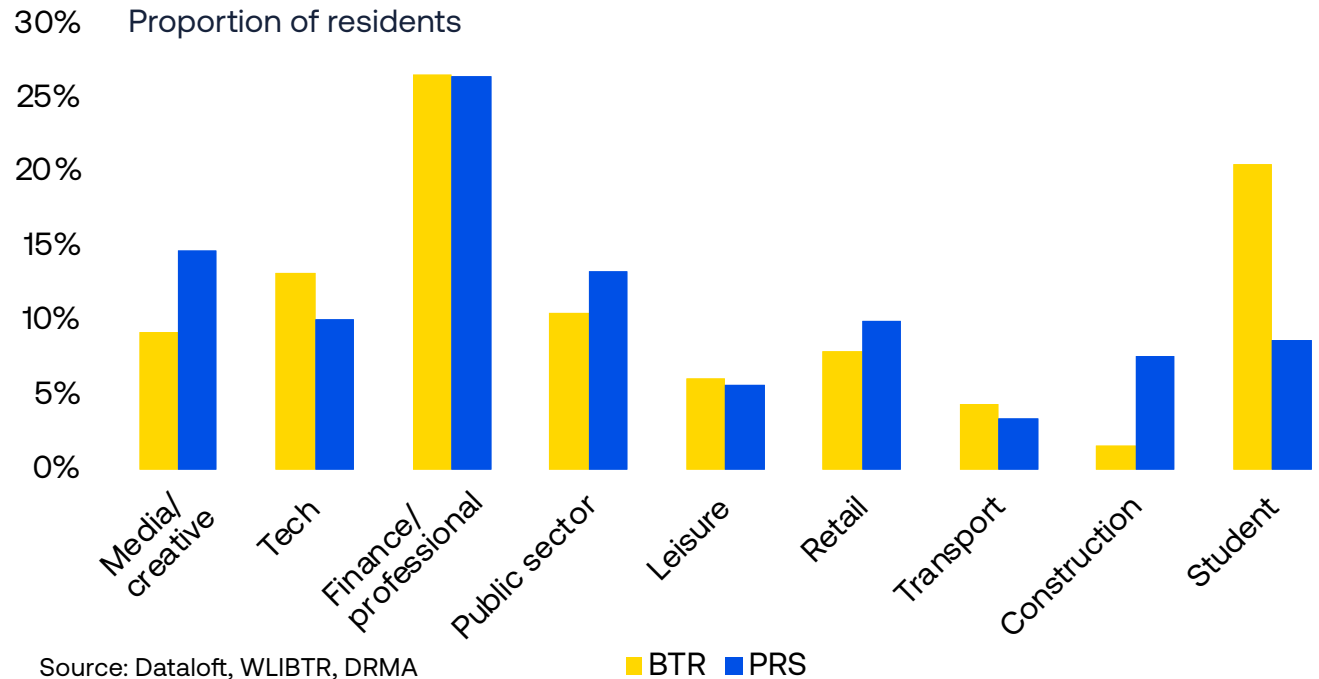


Image: Pin Yard, Grainger



Image: Quintain

Residents employment sector - BTR vs wider PRS



Lease lengths

The most common tenancy lengths offered in Build-to-Rent are 1, 2- and 3-year tenancies with 100% of schemes sampled offering these.

Of the tenancies that were up for renewal, 55% of these were renewed over the last 12 months.

Lease length	Proportion of schemes offering lease length	Proportion of homes with lease length active
1 year	96%	57%
2 year	96%	13%
3 year	100%	29%
More than 3 years	9%	<1%

Source: Dataloft, WLIBTR

CASE STUDY

BUILD-TO-RENT, PLACE AND COMMUNITY

The Olympic Park in East London is fast becoming a powerhouse for creativity, innovation and learning and Get Living has moulded its East Village placemaking strategy to both reflect its position within this emerging cultural district whilst also serving the local community. One of the most impactful elements of their strategy has been the transformation of a prime commercial unit at the heart of East Village into The Lab E20; a community space for experiential retail, culture and creativity with a focus on positive fashion and sustainable living.

The Lab E20, co-created by Christopher Raeburn, co-founder of Raeburn, a creative fashion studio, has been designed to engage with a wide range of local stakeholders, placing an innovative space at the heart of East Village that brings together residents alongside creatives, collaborators and the wider local community to work towards a more sustainable neighbourhood.

Almost 18 months on since the launch of The Lab E20, thousands of visitors have engaged in a programme of events which have ranged from a pop-up swap shop hosted by fashion rental platform LOANHOOD, to workshops led by ReGo, showcasing fashion pieces repurposed from knives taken from the street.



Activity in The Lab E20 will continue to evolve to serve residents and visitors to East Village from near and far, facilitating creativity and community action towards sustainable living. While The Lab E20 is the hub, placemaking activities extend beyond into the wider area with initiatives such as the summer fete, a neighbourhood arts trail and maintenance of the unique protected Wetlands wildlife zone.

BUILD-TO-RENT IN LONDON

Build-to-Rent is an important part of London’s housing mix and has a pivotal role in meeting London’s housing targets. Molior reported that Build-to-Rent made up 29% of all homes under construction in London at the end of 2022, up from 8% in 2014, highlighting the growing contribution of the sector in housing delivery.

However, this growth has, in recent years, been overtaken by the regions which has seen higher growth across the development pipeline.

The number of homes completed in London increased by 5% in the year to Q1 2023 compared to 12% in the regions. The difference in the growth of homes under construction and in planning, shows an increase of 12% in the regions: which is double that of London at 6%. These figures show us that growth in the regions has been greater and suggests that they will continue to grow at a faster rate than the capital in future years.



Image: Get Living East Village

		Complete	Under construction/planning
London	As at Q1 2023	39,538	56,646
	Annual increase	5%	6%
Regions	As at Q1 2023	42,967	112,057
	Annual increase	12%	12%

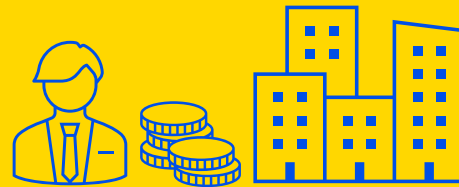
Source: British Property Foundation

This slowdown in growth can be attributed to a number of broader challenges which the residential sector is facing.

Increased build and construction costs, labour shortages and economic uncertainty are, alongside more systemic challenges, cumulatively impacting the industry's ability to deliver new homes.

Whilst the Build-to-Rent sector is not immune to these challenges, investment appetite has remained strong with investors looking to such schemes to provide them with a secure, long-term return on their investments.

Investment models for Build-to-Rent



Forward Funding

A forward funding agreement is when an investor acquires the land interest whilst simultaneously entering into a development agreement with the developer for the construction of a development. This type of agreement not only reduces the developer's exposure to market risk as they are essentially forward selling the opportunity but it also means that they do not have to fund the construction. Many investors fund the development using their own capital resulting in lower finance costs than those offered by traditional lenders or terms associated with a typical 'for sale' model.



Forward Purchase

A Forward Purchase agreement is when an investor agrees to purchase an asset from a developer before construction has started or during it, the costs of which are funded by the developer. The investor's risk is significantly reduced on the basis that they will typically have paid a deposit at the point of exchange, with the balance payable at practical completion. A key difference of forward purchase deals is that they trigger Stamp Duty Land Tax (SDLT) liability on the Gross Domestic Value (GDV) of the product as opposed to the land, which is usually the case with forward funding agreements.

What are the constraints?

As noted, there are many constraints that are impacting the rate of growth of Build-to-Rent in London and the following summaries highlight three of these key areas.



Land

Land for development in London is in short supply. According to the DLUHC, 22% of London's land area is covered by the Green Belt which is the greatest proportion of all regions across the country. As a result, the cost of development land provides challenges for viability, particularly given affordable housing requirements in London.



Planning

Developers are finding that it is taking longer for Build-to-Rent schemes to gain planning permission. Analysis of Molior data shows that between 2013 and 2017, it took an average of 248 days to gain planning permission on Build-to-Rent schemes in London with that time increasing to 291 days, a jump of 17% between 2018 and 2022. The slow planning system has been acting as a drag on London development activity for a number of years and an ever-changing planning policy landscape will only further constrain future delivery.



Policy

Policy changes including new legislation on fire safety is providing new food for thought for developers. DLUHC's consultation published in December 2022 requiring two staircases to be built in buildings over 30m has for the first time provide clarity on fire safety requirements in tall buildings. Whilst many developers are already building this requirement into new developments, the mismatch between transitional arrangements in London and the rest of the UK, and the continued uncertainty on future requirements, is resulting in a slowdown of development in the capital.

There is no silver bullet to address these challenges and there are many more that the sector needs to contend with including how the product is viewed politically across London boroughs. However, Build-to-Rent is now a more established tenure within London and whilst there may still be some reticence to approve new schemes remains, many boroughs are embracing the opportunities that Build-to-Rent homes offer to their communities.

A home, whether at private rent or at DMR, with additional amenities, secure long-term tenancies ideal for those wishing to put down roots and wider improvements to public realm are just a few of the benefits that Build-to-Rent developments can bring. Build-to-Rent is not the solution but it is an important part of it and the industry remains committed to working with Government to ensure that Build-to-Rent in London continues to grow and thrive and deliver the homes that London needs.



Image: The Filaments Grainger

dataloфт

About Dataloфт

Dataloфт is a data-driven research consultancy, specialising in residential property and delivering market insight and location intelligence at local, regional and national geographies.

Dataloфт Rental Market Analytics (DRMA)

DRMA is Dataloфт's unique source of achieved rents and renter demographics covering the whole UK and updated monthly with over 30,000 new transactions. The data is aggregated from multiple tenant reference companies and is accurate, comprehensive and clean. With this dataset, Dataloфт can undertake fine-grained analysis of rental markets anywhere in the UK to support investment or design decisions and marketing strategies.

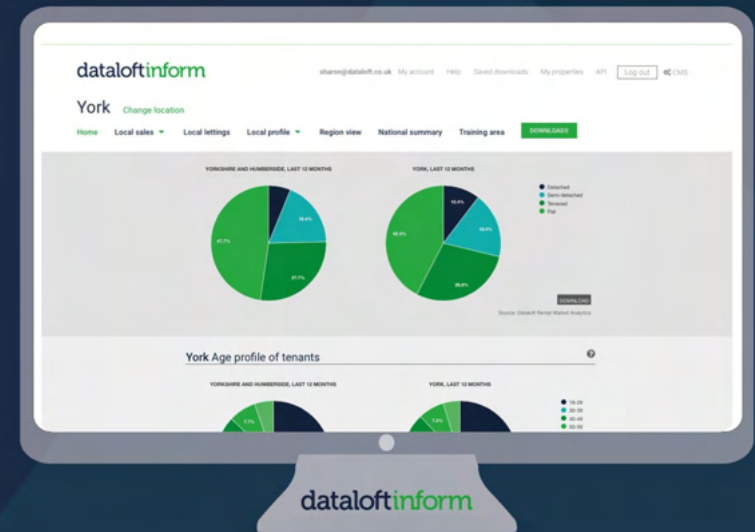
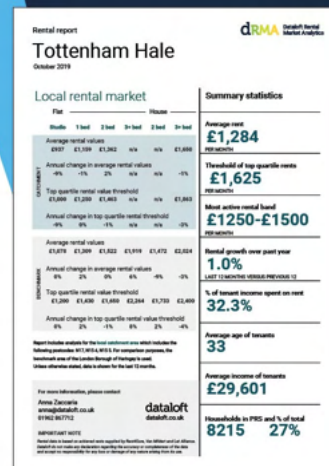
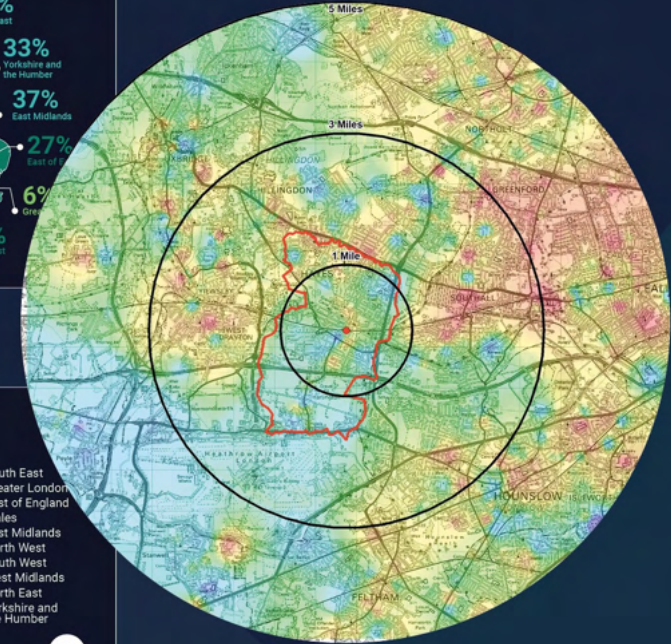
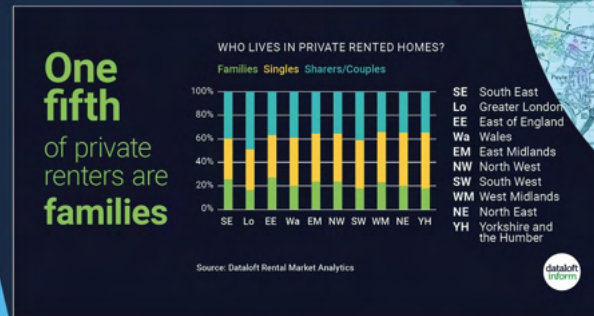
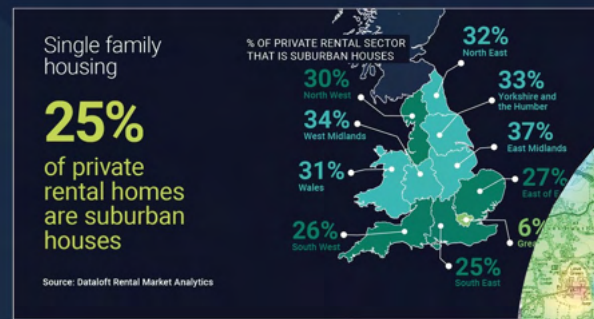
DRMA Reports

DRMA Reports are a fast turnaround overview of any rental market with metrics on: Rents Achieved (average/quartiles; per sq ft; by size/property type), Affordability (income to rent ratios), Household Type (singles, couples, sharers, families), Age (in bands), Employment (by sector), Workplace (and journey to work) and Migration Patterns (distance moved, or origin).

Dataloфт Inform

Dataloфт Inform is a proptech platform delivering fully automated analytics on local housing markets with interactive charts, tables, commentary and infographics at any local geography.

To get in touch with us please contact HELLO@DATALOFT.CO.UK.



OUR MISSION

OUR MISSION IS TO MAKE LONDON THE BEST CITY IN THE WORLD IN WHICH TO DO BUSINESS, WORKING WITH AND FOR THE WHOLE UK.

At BusinessLDN we work to deliver the bigger picture, campaigning to tackle today's challenges and secure the future promise of London.

We harness the power of our members, from sectors that span the economy, to shape the future of the capital so Londoners thrive and businesses prosper.

Becoming a member of BusinessLDN helps to keep London and the UK working— for business, for Londoners, for the whole country. We create opportunities for our members, from sharing insights to providing platforms, from making introductions to finding new talent.

We facilitate collective, organisational, and individual ambition.

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