

Single-Family BTR Market Snapshot: West Midlands



A review of the rental values, operational performance & resident demographics within the West Midlands single-family BTR market, by Ascend in association with ARL & PriceHubble.

2024

Introduction

Few sectors can match the dynamism and investor interest currently being seen in UK single-family build-to-rent (SFR). Strong and growing resident demand has been matched by increased allocations of capital in response to the sector's success and undoubted further potential.

But as a rapidly-expanding asset class, definitive data – particularly on rents achieved and resident profiles – is hard to come by. Ascend and the Association for Rental Living (ARL) are working to address this, publishing a series of research reports providing real-time insights for the sector.

This is also the first of our SFR snapshot reports to be compiled in collaboration with PriceHubble, an international technology company developing property data solutions for real estate and finance across 11 countries. Its UK business incorporates Dataloft Rental Market Analytics - the UK's most rigorous source of rents and renter demographics which covers the entire private rental sector, using data aggregated from multiple tenant referencing companies. By including this data, it means we can now compare and benchmark Ascend's unrivalled SFR market data against the wider PRS. One of the questions investors ask most often is "where does SFR sit within the wider rental market?", and we're excited that this new partnership with PriceHubble makes such comparisons possible, on a location-by-location basis and with real-time data.

Ascend is the UK's largest third-party operator of SFR, overseeing leasing and property management for the sector's leading platforms on behalf of high-profile investors. In total, Ascend manages over 7,000 SFR homes, around two thirds of the entire asset class, underpinning the largest set of live operational data for this sub-sector.

Drawing on blended data across all stabilised SFR schemes under Ascend's management, each report focuses on a specific geographical market, reporting on key market metrics ranging from rental levels and resident profiles, to tenancy lengths and occupancy rates.

So, welcome to our new and improved SFR market snapshot, providing for the first time, the wider market context and presenting even more data and insight on the latest trends, to further inform your investment decisions. This edition takes a look at the West Midlands, one of the UK's most mature SFR markets; we hope you find it useful and would welcome your feedback so that we can continue to add value through our market snapshot series.



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CEO, ARL



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Location overview

The West Midlands has been at the forefront of SFR investment and development, and is one of the sector's most mature markets.

Consisting mainly of urban and suburban locations, SFR has proved popular across the county, notably in major towns such as Dudley, Walsall and Wolverhampton. The major hub of Birmingham underpins much of the county's economic activity, with prominent employers encompassing everything from automobile manufacturing to financial and professional services.

The scale of the metropolitan area, allied to its strong intra- and extra-region transport links, have provided fertile ground for SFR, providing much-needed high-quality, well-managed, tenure-secure homes.



Summary

West Midlands SFR data

West Midlands PRS data

Avg. rent

£965 / **£1,000**
pcm

Avg. rent increase (past 12 months)

20.5% / **9.5%**

Avg. occupancy rate
across schemes

99.4%

Avg. rent
collection rate

99%

Avg. tenancy length

3 years

Avg. resident age

34 / **33**

Avg. no. of residents
per property

2 / **1.7**

Top property type across housing mix:

3 bed house – makes up **60%**
of homes across SFR schemes in area

Avg. household income

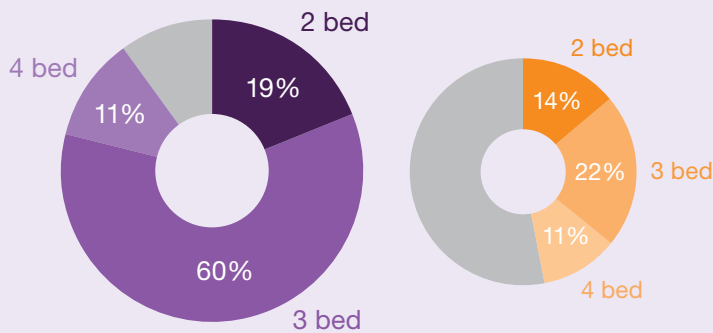
£64,000 / **£50,454**

Housing mix

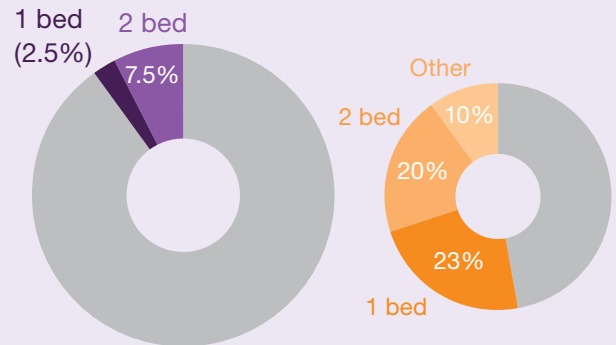
West Midlands SFR data

West Midlands PRS data

Houses



Apartments



In common with other major SFR locations, the majority of homes have three bedrooms, reflecting resident demand for extra space for either a growing family or increased working from home activity. This is particularly notable compared to the wider West Midlands PRS market, where three-bedroom houses make up 22% of all rental homes, highlighting the important role SFR is playing in meeting the needs of this segment.

Rents

West Midlands SFR data

West Midlands PRS data

Avg. rent

£965 / **£1,000**
pcm

Avg. rent increase
(past 12 months)

20.5% / **9.5%**

Average rents by property type:

Houses

2 bed: £855 pcm / **£953 pcm**

Min: £710 pcm Max: £1,015 pcm

3 bed: £1,000 pcm / **£1,107 pcm**

Min: £840 pcm Max: £1,250 pcm

4 bed: £1,110 pcm / **£1,294 pcm**

Min: £960 pcm Max: £1,250 pcm

Apartments

1 bed: £775 pcm / **£845 pcm**

Min: £695 pcm Max: £850 pcm

2 bed: £820 pcm / **£996 pcm**

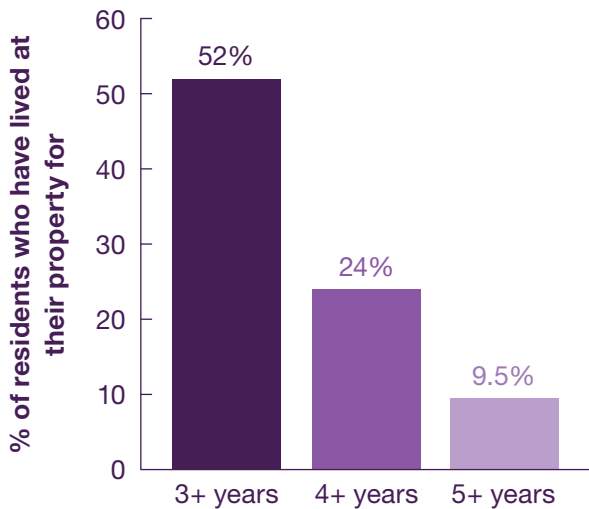
Min: £690 pcm Max: £925 pcm

Rental levels are strong across all sizes of homes, and broadly in line with SFR properties in Greater Manchester, a market of comparable maturity and characteristics. The slightly lower rents across SFR properties in the West Midlands compared to the wider PRS market reflects the suburban location of such schemes, against the more expensive city centre and prime areas that some PRS homes are in. Perhaps of most interest is the rate at which SFR rents are growing – more than 20% over the past year, against less than 10% for the West Midlands PRS market as a whole, highlighting a strong demand for further SFR investment within the county.

The Min & Max rental values above relate to SFR rents only.

Operational overview

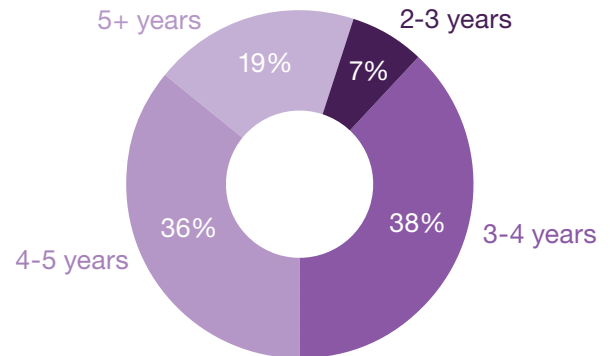
West Midlands SFR data



Avg. tenancy length
3 years

Avg. occupancy rate
99.4%

Age of properties



Of the residents who have lived in their homes for 4+ years, **47%** have been the occupiers since day 1 of those properties

99%
Avg. rent collection rate

% of households that renew/remain in their home past initial tenancy period: **83%**

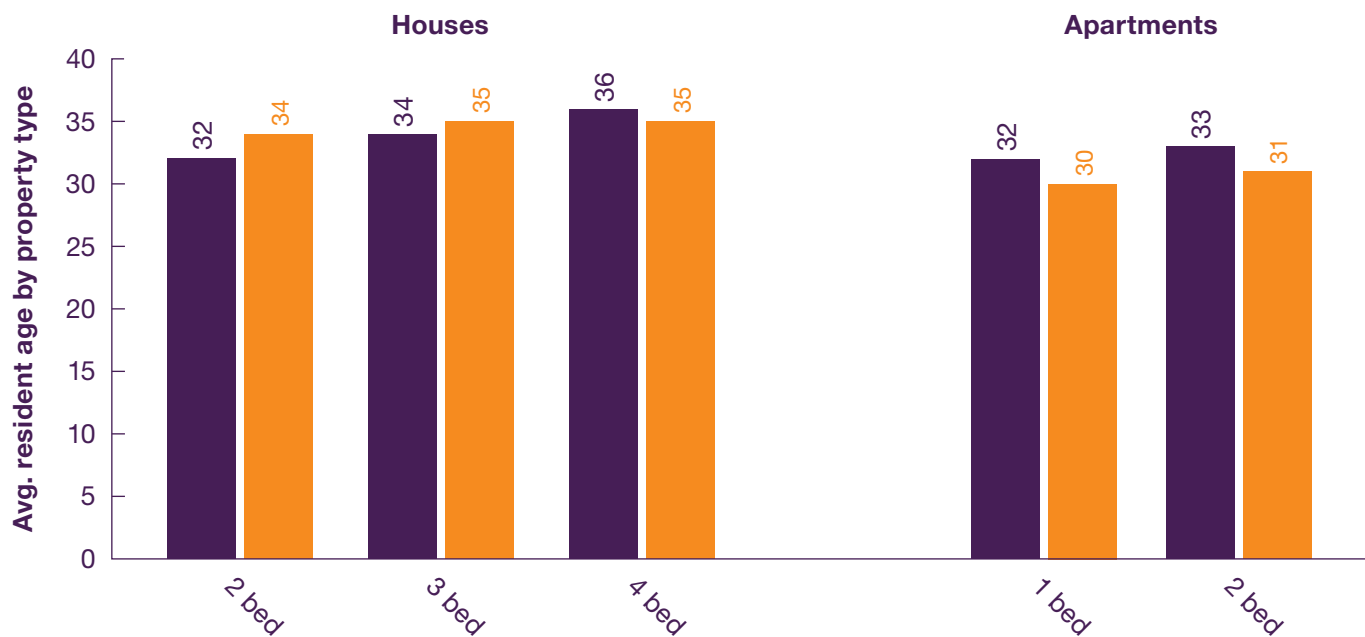
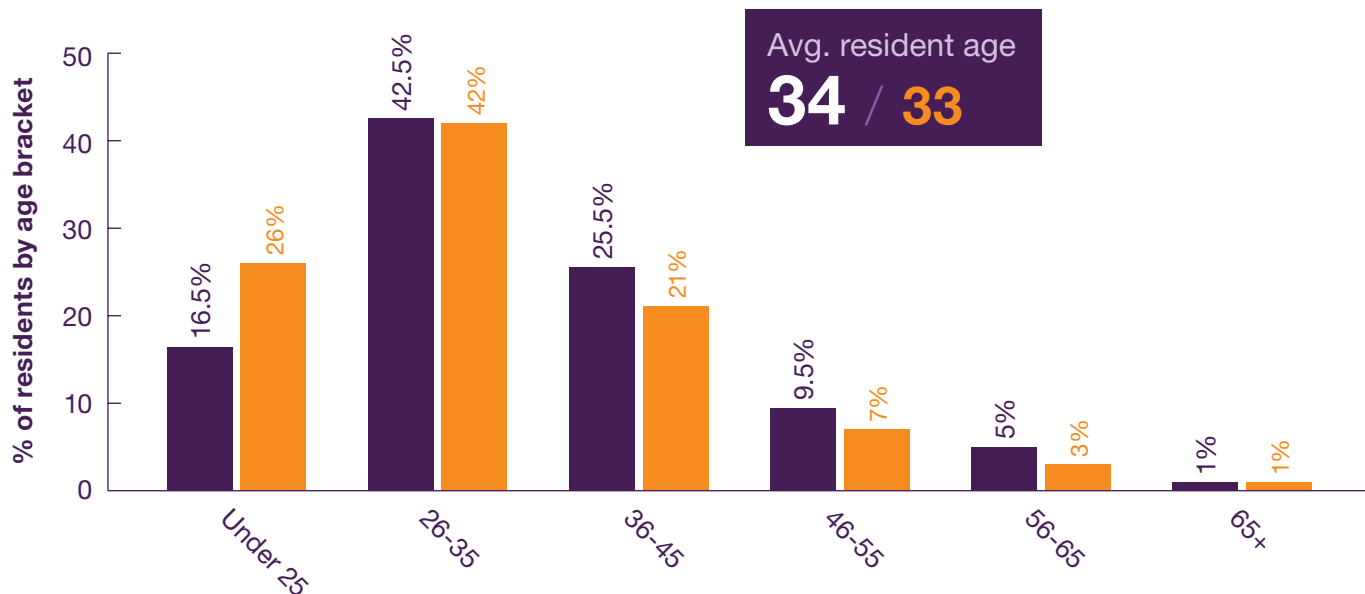
The relative youth of the sector has an impact on average tenancy length data – more than three-quarters of SFR homes have been built in the past five years – but the West Midlands shows a clear trend towards long occupation. More than half of residents have been in their homes for over three years, and five in six renewed beyond their initial tenancy period; both datapoints higher than their equivalents in Greater Manchester. As with nearly all SFR markets, occupancy and rent collection rates of 99% or more indicate strong demand and ability to pay.



Resident profiles

West Midlands SFR data

West Midlands PRS data

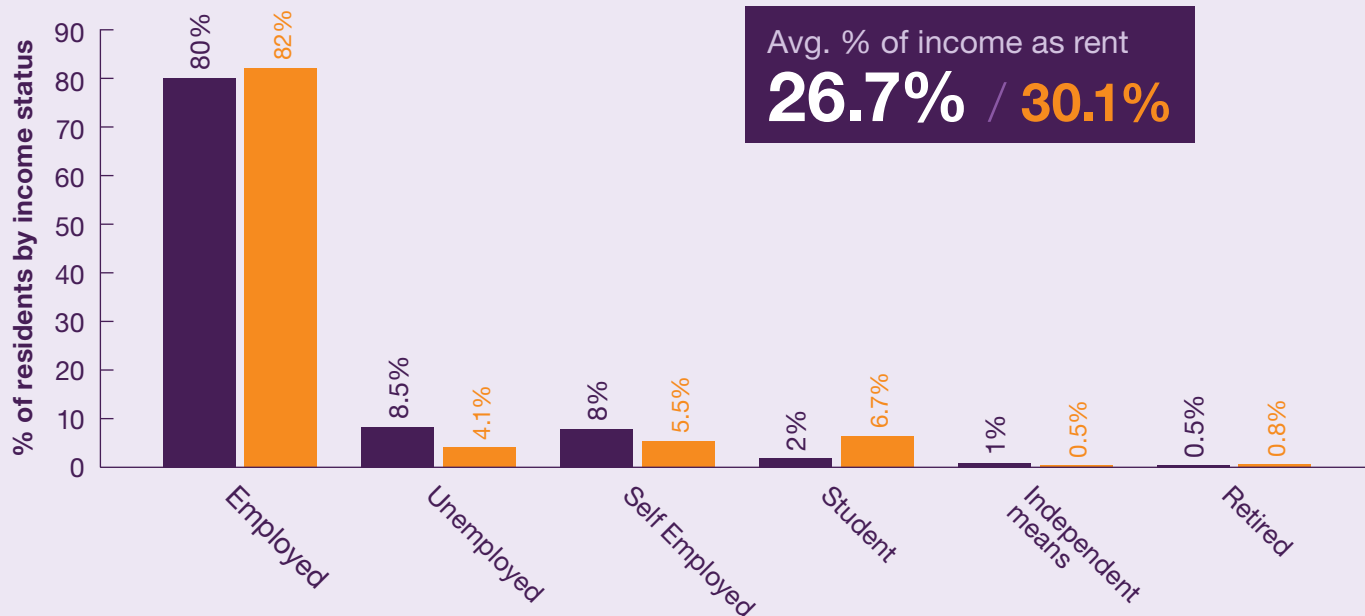
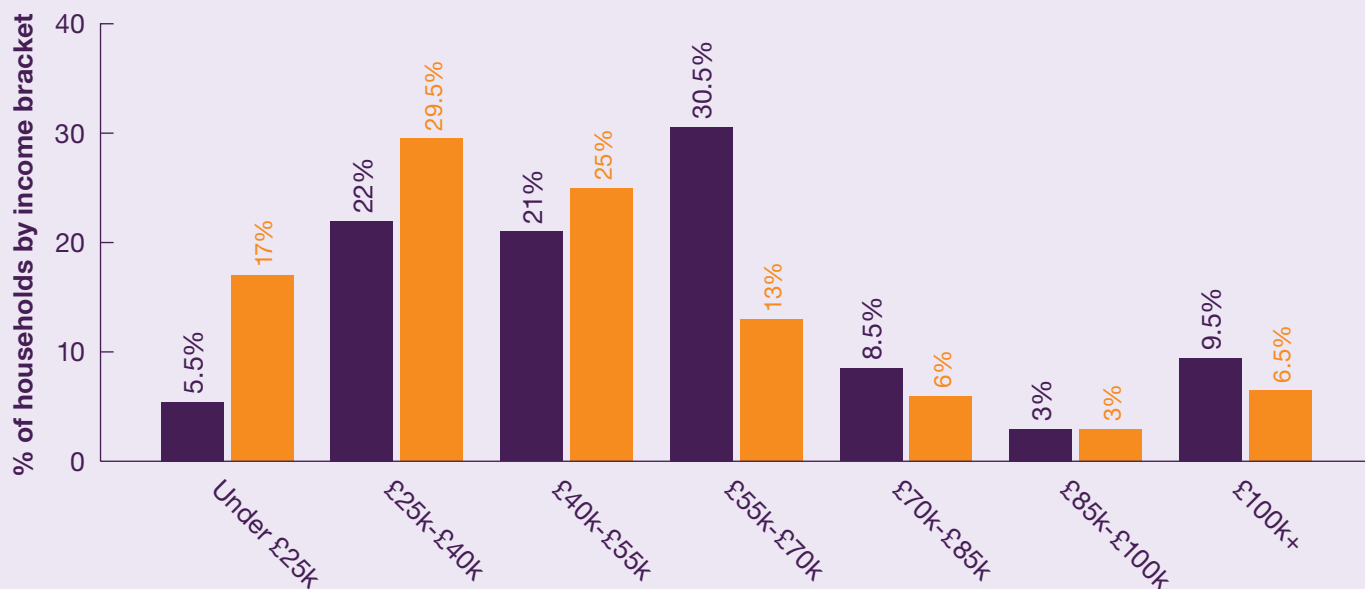


Age profiles for SFR residents are generally in line with the wider West Midlands PRS market, with the exception of under 25s who, perhaps understandably, are less likely to live in the suburban locations that SFR tends to cluster in. The general demographic range indicates once again that the majority of SFR demand is from those aged 45 and under, who account for nearly 85% of residents in the sector.



Avg. household income

£64,000 / **£50,454**



Avg. % of income as rent

26.7% / **30.1%**

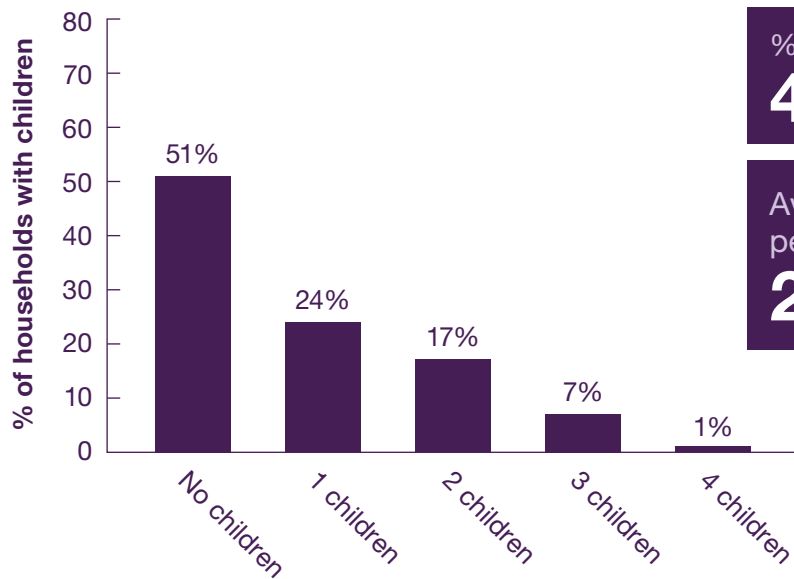
The average SFR household income in the West Midlands is well above the PRS average, at £64,000 against £50,454 more widely. This observation is particularly pronounced in the £55,000-£70,000 bracket, with nearly a third of West Midlands SFR occupiers having this income compared to just 13% of renters across the county as a whole.

Partly as a result of higher incomes, affordability of SFR in the region is very strong, with rents representing 26.7% of income, compared to 30.1% in the PRS. This proportion is well below the recommended household affordability threshold of 35% as set by Homes England. The fact that the average SFR rent increase was more than double the wider West Midlands PRS also speaks to the sub-sector's affordability; there is not only strong resident demand but also the ability to pay such rents, providing scope for increased returns as SFR locations mature further.

Household dynamics

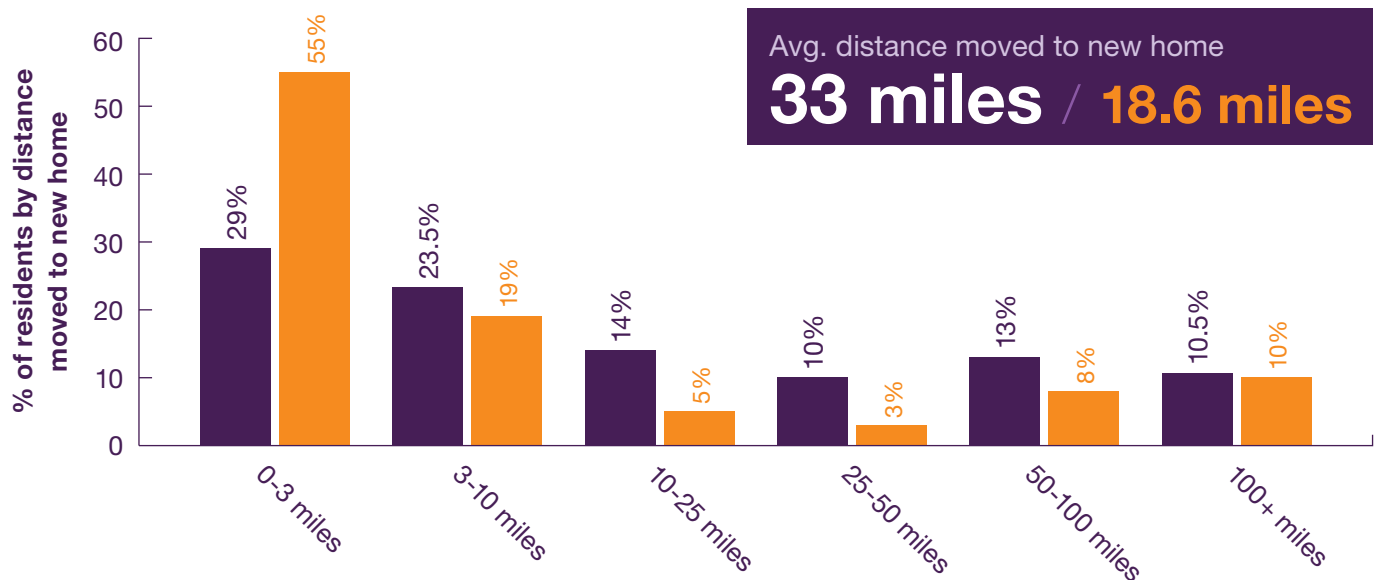
West Midlands SFR data

West Midlands PRS data



% of households with children
49% / **24%**

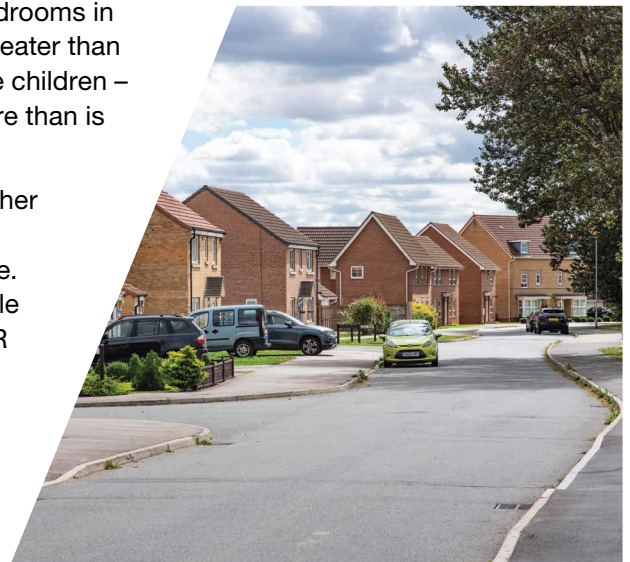
Avg. no. of residents per property
2 / **1.7**



Avg. distance moved to new home
33 miles / **18.6 miles**

As might be expected given the average higher number of bedrooms in SFR homes, the number of residents per property at two is greater than the county's average. Similarly, nearly half of households have children – more than double the county level, and also nearly a third more than is seen in the Greater Manchester SFR sector.

Average distance moved, at 33 miles, is broadly in line with other SFR locations, but in general the data shows people willing to move further to such homes than in the PRS sector as a whole. Across the PRS in West Midlands, the majority (55%) of people moved less than three miles to their current home, but for SFR this is much lower at 29%. 47.5% of SFR residents moved between 3-50 miles (wider PRS: 27%) and nearly a quarter moved 50+ miles (wider PRS: 18%); this indicates both the attractions of SFR to those making major relocations, and also the importance of brand building and customer service when looking to attract such occupiers.



Definitions

BTR: Build to Rent

Developments of apartments & houses built or purchased as part of a wider portfolio, specifically for renters. These are generally owned by institutional landlords and property funds.

SFR: Single-Family Rental

A sub-sector of Build to Rent, consisting predominantly of houses - and less-frequently, low-rise apartment buildings - built or purchased as part of a development within suburban and rural areas of the UK. As it stands, these are generally new-build homes or properties less than 7 years old, and are aimed at residents looking for a long-term rental option.

The amenities for SFR focus more on their micro-locations, such as good local amenities, transport links, nearby schools and local communities, as well as being high-quality homes, having great property management & maintenance, 24/7 resident care, private gardens & driveways, pet friendly options, community-building initiatives, technology-backed platforms & communication channels and thoughtful customer experience.

SFH: Single-Family Homes

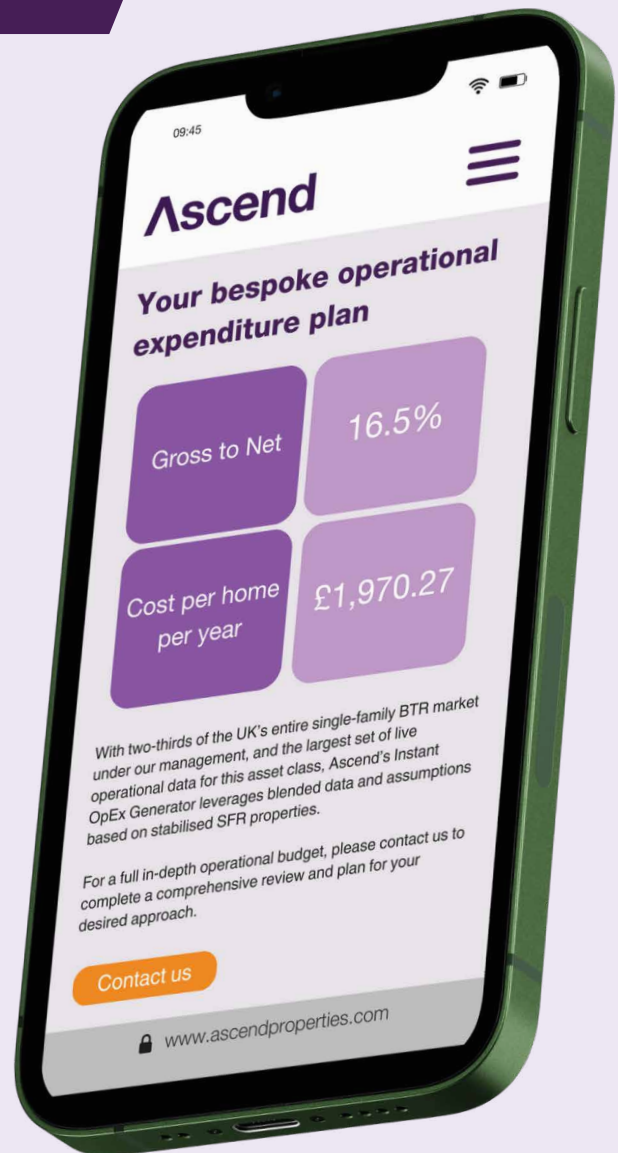
Another term for SFR.



Instant OpEx Generator

Introducing our Instant OpEx Generator, the sector's first operational expenditure generator, giving investors unparalleled insight into the costs of running SFR portfolios nationwide.

Drawing on Ascend's market-leading data of more than 120,000 datapoints from over six years of managing and consulting on SFR portfolios, this tool allows investors to generate both a 'Gross to Net' and 'Cost per home' budget for SFR schemes and portfolios in as little as 3 clicks, alongside an advanced version providing a more detailed analysis in just 60 seconds.



Give it a try for yourself: ascendproperties.com/insights

Working with Ascend

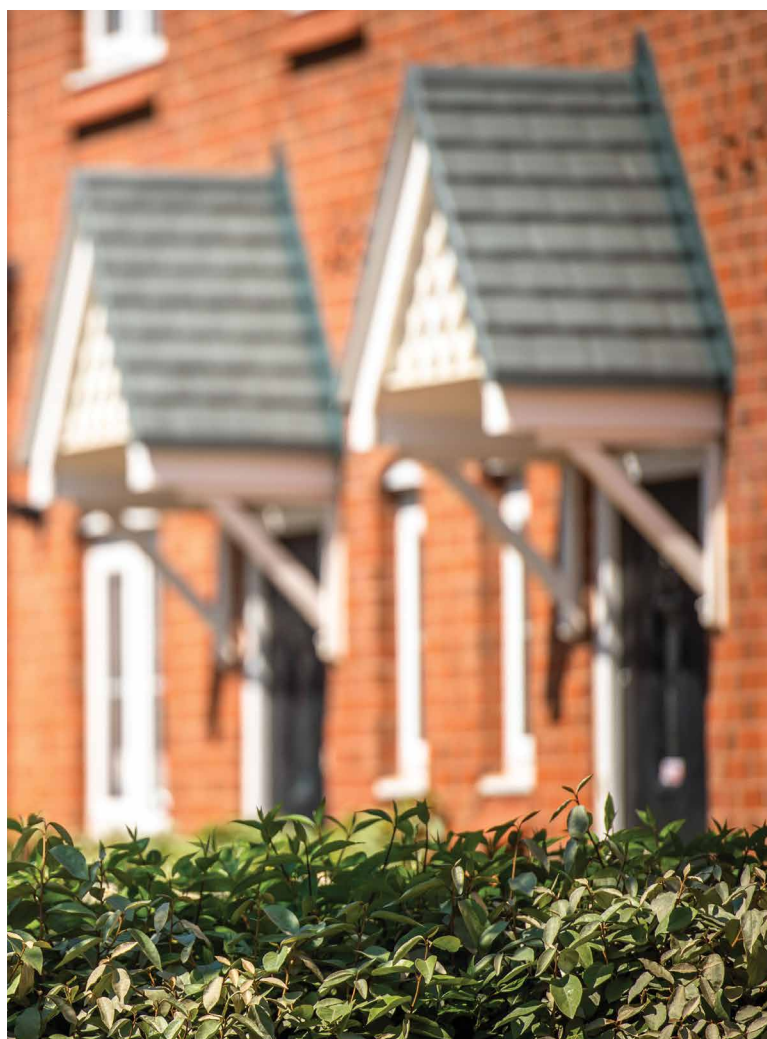
Ascend is the largest third-party operator of single-family BTR within the UK, with over 7,000 SFR homes across 100+ developments under management – around two-thirds of the entire asset class. With its Buy to Let and multi-family BTR capabilities, this brings its total number of managed properties to over 10,000.

As the industry leader, Ascend offers an end-to-end service to its clients, supporting from pre-build consultancy to asset management and investor transitions, with comprehensive leasing and property management services.

With an in-house research and consultancy arm, Ascend Consult, the firm has an unrivalled amount of data on SFR within the UK and can produce bespoke reports from top-level snapshots all the way to ERV modelling, OpEx mapping and various detail-driven consultancy reports to support investors' decision-making.

If you would like to know more about Ascend's services, whether just on a consultancy basis or all the way to full end-to-end management, please email us:

buildtorent@ascendproperties.com




Future Reports

This SFR market snapshot report is part of our monthly series in collaboration with ARL & PriceHubble, focusing on a different geographical area each month.

To keep up to date with our future editions, you can sign up to our mailing list below:

ascendproperties.com/insights





The single-family BTR data within this report is based on live operational data blended across all stabilised SFR schemes within West Midlands under Ascend's management, accurate as at 30.06.24.

The private rented sector data (PRS) within this report has been provided by PriceHubble's Dataloft Rental Market Analytics platform, the UK's most rigorous source of rents and renter demographics across the entire PRS, which uses data aggregated from multiple tenant referencing companies. The PRS data in this report only covers properties in West Midlands.

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