

The Build to Rent sector set for growth



Purpose-built Build to Rent housing is only a recent concept, with just over 51,000 dwellings completed across the UK as of Q3 2020. This equates to only around 1% of total Private Residential Sector stock.

In Q1 2020, a large number of schemes completed, driving up the volume of operating units by 42% on Q1 2019, equating to an additional 13,000 homes. In Q2 2020, the impact of the first Covid-19 lockdown was sudden, with only three funding deals, worth £96m and with just 1,800 starts across a dozen sites.

Alex Blagden, Senior Researcher at AMA Research and Editor of the Build to Rent Market Report comments "Since 2016 cumulative BTR completions are forecast to have quadrupled by 2021 to over 60,000. Quarterly data for Q3 2020 indicates circa 37,000 units are under construction and approximately 84,000 are in planning. However, several additional proposals were announced in October and November which suggest over 90,000 are expected to be in planning by the end of 2020".

The build to rent sector has seen an influx of institutional investors enter the market in recent years as the focus for investment propositions moves away from the High Street retail and into developments that are likely to provide a higher return.

Population growth, a younger mobile workforce, increasing house prices, tighter mortgage requirements by lenders - and declining levels of social rent housing - have led to a worsening shortage of affordable build-to-sell housing, particularly for first-time buyers in the 25-34 age group.

Several larger housing associations have also diversified into the PRS. Due to budget cuts to housing, they have had to find other income sources e.g. through developing housing for sale and private rent.

A final comment from Senior Researcher Alex Blagden states "A key factor contributing towards forecast growth has been important changes in the planning system. Now BTR is formerly defined as an asset class in its own right in the National Planning Policy Framework (NPPF) and is entitled to specific land allocation rather than having to compete with build-to-sell developers in the open market".

Editors Note:

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