

BTR's £11bn lockdown boom



Radius

BTR Development Pipeline

Homes in build-to-rent schemes surged by 53% in lockdown

Karl Tomusk investigates the pipeline of skyscrapers and shopping centre schemes



Build-to-rent developers pushed ahead with pipelines even during the depths of the Covid-19 lockdown, the market hitting a record for applications, homes and height.

Plans for 38,533 homes across 98 BTR developments were submitted across Great Britain in the 12 months to the end of March – 53% more than a year earlier, according to EG Radius.

The total is more than double that of just two years ago, driven by developers pitching larger schemes, including new skyscrapers and major regenerations across the country.

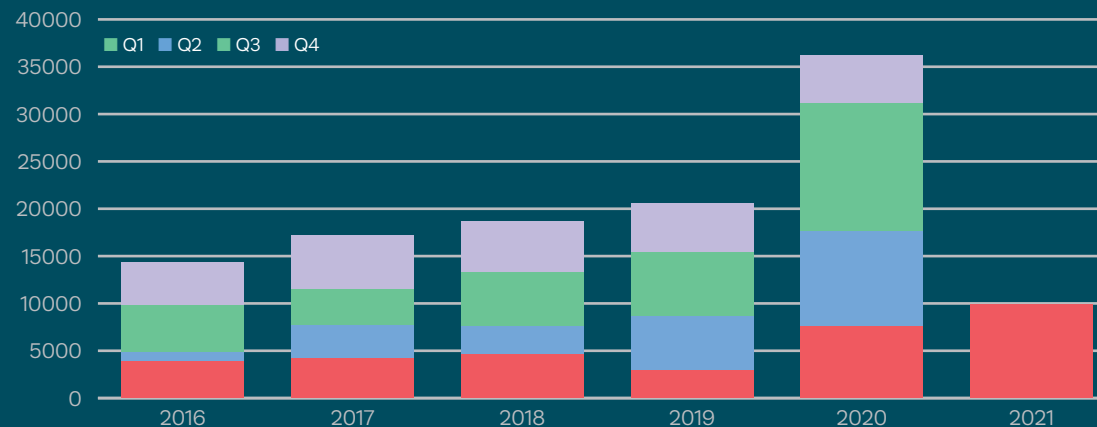
Over the past five years, there have been 113,113 homes across 337 planning applications flagged as purpose-built rental or wider schemes to include

BTR. The total number of homes is an indication only of how many homes are planned in these schemes because, in some cases, applications have indicated a range or a level of flexibility regarding tenure.

BTR pipeline from EG Radius could equate to £33bn in investment, based on transactions and pricing over the last year – the last 12 months of planning additions contribute £11bn alone. However, it is still a small share of the new-build residential market.

As the sector surges to record levels of investment – with over £4.7bn committed in the last year – EG investigates the key markets, major players and type of schemes in the pipeline

Total homes proposed in BTR schemes



38,533

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London leads, but 'the next tier' is coming

London has seen a resurgence: the number of proposed BTR schemes rose 93% year-on-year, while the number of homes within those schemes more than doubled from 4,776 to 12,478. Overall, the capital accounted for 28% of BTR applications, up from 19% the year before.

The first quarter of 2021 saw 25 new applications for schemes with rental homes – five more than in Q1 2020 – suggesting that the surge in the sector is continuing.

So far this year, developers have focused on outer London boroughs such as

Enfield, Kingston and Merton. The largest such proposed scheme is Crosstree Real Estate Partners' 1,850-home mixed-use Edmonton Green Shopping Centre redevelopment in Enfield.

Smaller markets are also drawing in proposals, with areas outside the 'Big Six' – Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester – accounting for 18 of the 19 regional BTR applications in Q1 2021. Hammerson is planning 350 homes at Highcross Shopping Centre in Leicester, while Conygar is pursuing a mixed-use development with more than 247 BTR homes at its Island Quarter scheme in Nottingham.

Referring to Leicester, Nottingham and Newcastle as "the next tier coming into play", James Mannix, head of residential development at Knight Frank, says: "There's absolutely a demand on the occupational side for stock, and what's been, in some instances, a defining feature of whether they can build has been revenue versus build cost."

"But the market is getting better and more informed at building efficiency, and that is bringing more locations into play."



393

At an average of 393 homes per scheme in the past 12 months, the size of BTR developments has risen steadily over recent years

595

London schemes hit new records in 2021, as the average scheme size continues to grow

10 largest projects with build-to-rent proposed, April 2020–March 2021

Developer	City	Location	Height	No. of homes	Application date
Infrared UK	Basildon	Eastgate Shopping Centre	18	2800	04/09/2020
Oval Estates	Birmingham	The Grand Union Canal	14	1850	14/07/2020
Parabola Capital	Edinburgh	Lochside Way	8	1737	19/05/2020
Crosstree Real Estate Partners	Enfield	Edmonton Green Town Centre	30	1468	12/01/2021
Plutus Estates	Welwyn Hatfield	Former Shredded Wheat Factory	10	1220	12/02/2021
Montreaux	Barnet	B And Q Broadway Retail Park	25	1100	19/08/2020
Portland Capital	Havering	Rom Valley Retail Park	16	1072	04/09/2020
Great Jackson Street Estates	Manchester	Olympia Trading Estate	56	1037	09/03/2021
Cole Waterhouse	Birmingham	Land at Upper Trinity Street	32	937	16/04/2020
Regal Orchard Wharf	Tower Hamlets	Orchard Wharf	30	826	07/12/2020
Moda Living	Birmingham	Great Charles Street	42	722	06/04/2020

Scarcity of land in central London, combined with demand for larger, multi-functional developments and the newfound acceptance of home working, has led to more developers considering outer London and its surrounding commuter towns. One of these is InfraRed, which plans a 2,800 home development at Basildon's Eastgate Shopping Centre, the largest project with BTR homes submitted last year. That redevelopment is indicative of several trends, including the repurposing of old retail assets (see also: Inland Homes' 584-home redevelopment of Homebase in Waltham Forest) and the introduction of a mix of tenures, including student housing.

Schemes are getting bigger and more mixed

At an average of 393 homes per scheme in the last 12 months, the size of BTR developments has risen steadily over recent years from a low of 281 between April 2017 and March 2018. That's partly a reflection of developers preferring schemes that combine a mix of tenures and uses, thereby putting BTR at the centre of a community – a trend Michela Hancock, managing director at Greystar, expects to continue.

"There's going to be such a focus on living and community building. So for us, it's making sure we still have the right locations close to transit at the appropriate scale. We need enough scale that it is efficient for us to then have

amenities and on-site teams," she says, adding that the pandemic has accelerated the sector's focus towards creating communities.

One such example is Greystar's Greenford Quay in Ealing, London's largest purpose-built rental development, with 2,118 new homes. The site includes a primary school, a health centre, shops and a restaurant. Building it in an outer London borough gave Greystar the space it needed while still benefiting from transport links with the city centre.

The scheme completed during lockdown, with Greystar turning its development focus to the 550-home Ten Degrees in Croydon.

BTR applications – London and the regions





Birmingham leads in height

Although the number of proposed BTR towers with at least 20 storeys fell slightly in the last 12 months – from 25 to 23 – the sector broke the 50-storey barrier with Court Collaboration’s 51-storey One Eastside in Birmingham.

“We’re not afraid of height as a business because height is ultimately where it’s going to go,” says Anthony McCourt, chief executive of Court Collaboration. The company was also behind the fifth tallest BTR tower proposed last year: a 48-storey development on the site of the former Irish Centre in Birmingham’s Digbeth. Towers that tall are becoming characteristic of

the city: six of the tallest ten BTR tower plans in the last 12 months have been in Birmingham.

Echoing Hancock’s view on community, McCourt says the reason tall towers like One Eastside work in Birmingham is because they offer a range of amenities: a rooftop bar, a gym, a cinema room and co-working space.

Between Court Collaboration’s two towers and Argent’s 49-storey Great Charles Street development, three of Birmingham’s five tallest planned towers will rise above any BTR tower in planning since at least 2016.

The tallest BTR towers proposed in last 12 months

Developer	Location	City	Height in floors	Homes proposed
Canary Wharf Group	1 Park Place	London	60	700
Great Jackson Street Estates	Olympia Trading Estate	Manchester	56	1037
Court Collaboration	One Eastside	Birmingham	51	667
Argent Group Plc	Great Charles Street	Birmingham	49	346
Court IC Limited	Irish Centre	Birmingham	48	454
Moda Living	Great Charles Street	Birmingham	42	722
Taylor Grange Developments	Broad Street	Birmingham	35	441
Peel Airports	Princes Dock	Liverpool	35	279
Cole Waterhouse (TW) Ltd	Land at Upper Trinity Street, Birmingham, B9	Birmingham	32	937
Regal Orchard Wharf Ltd	Orchard Wharf, Hackney, London, E14 0JU	London	30	826

BTR Development Pipeline

Birmingham's overall BTR pipeline increased by 6,627 homes in the last 12 months (though no schemes have been submitted in 2021 at the time of writing). That's 41% of the nearly 16,000 homes in Birmingham's BTR pipeline since 2016. With more than 9,000 of those homes granted permission or under construction, that implies years of growth for the city.

This growth puts Birmingham significantly ahead of any other regional city. Since 2016 the city has seen nearly three times the number of homes as Manchester (6,097 homes), which was the second most popular city. This was followed by Leeds (3,512) and Edinburgh (3,381).

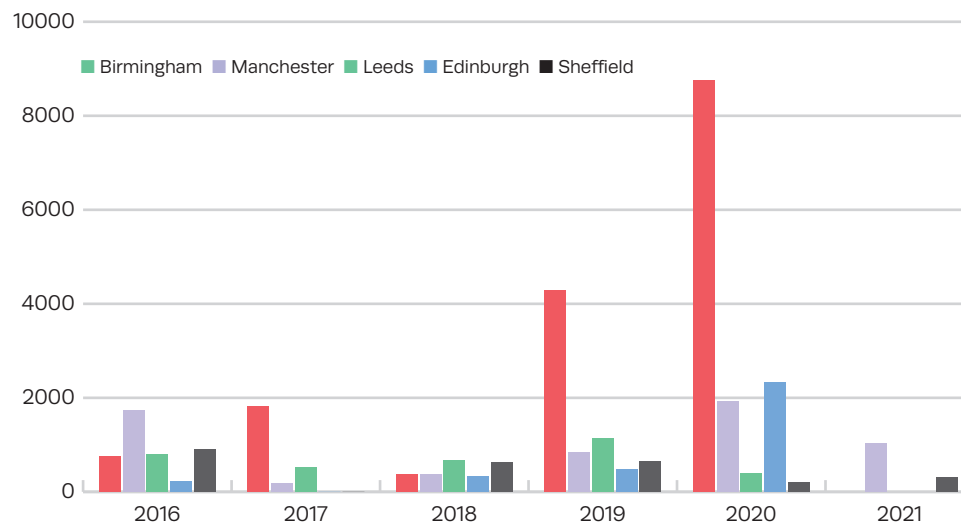
The recent upswing in activity, McCourt says, is down to the relative lack of supply

in the market. "Manchester has built an apartment for every one in eight of its citizens. Birmingham's built an apartment for every one in 34 citizens, so we are four times behind the curve on supply," he says.

However, those looking to propose new towers in 2021 have so far piled into London: Crosstree is planning 30 storeys in Enfield, Criterion Capital has 26 storeys in the pipeline in Colliers Wood and Telford Homes has 25 storeys in Redbridge in pre-planning.

With Canary Wharf Group now exploring plans for a 60-storey BTR skyscraper on its estate and Manchester set for a 56-storey BTR tower, Birmingham's claim to having the tallest BTR towers could be shortlived.

Regional cities BTR growth



The Octagon, Birmingham



Island Quarter, Nottingham



1,430

Legal & General was the most prolific developer last year – planning five BTR schemes with 1,430 homes.

Institutions jump in early

Legal & General was the most prolific developer last year, submitting plans for five BTR developments totalling 1,430 homes: two in Wandsworth, one in Bath, one in Horsham and one in Wokingham. Most developers submitted only one or two plans, and, as a result, InfraRed was the only developer to propose more than 2,000 homes – all in its Basildon Eastgate Shopping Centre development.

Institutional investors and funds are becoming more comfortable with getting involved in BTR from an early stage of development. Last year, Aviva pushed ahead with plans for up to 1,000 new homes – including PRS – at Vastern Court in Reading, while Aberdeen Standard Investment submitted an application for 286 homes at the Bath Press Premises in January.

Mannix says that trend shows institutions becoming more knowledgeable and selective in their investments. Adding a BTR component is becoming more common, he adds: “It’s quite a good way of accelerating cash flow through those larger schemes.”

That strategy also benefits developers like Hub, which secured planning for a 2,000-home scheme (1,250 of which will be BTR) at a former bus garage in Digbeth in December. With a mix of for-sale, rent and co-living, the development is the first for Hub that includes alternative housing types. Shifting to that approach exemplifies the kind of flexibility Mannix expects will become more common among BTR developers.





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Michela Hancock, Greystar

But earlier involvement by institutions isn't just a question of cash flows, it's a sign of a sector becoming more professionalised and focused on service. “Where I don't think that was understood five, seven years ago, I think now people are understanding that it's so important to have the operations involved, day one,” says Greystar's Hancock. “It is not just about bricks and mortar. It is the experience of our on-site teams that adds value as this is a people-focused asset class.”

She says Greystar's operations team sits alongside the development and design teams from the start of a project to ensure that added value – whether on-site maintenance and communications teams or community events – is woven into their projects. As BTR schemes grow in size and complexity, investors will need to get involved at the development stage to ensure they can deliver a certain standard and continuity of service.





1.5%

Despite making gains, the BTR pipeline still makes up a minute part of the resi market: last year accounting for just 1.5% of applications.

The limits of the market

Despite making major gains in recent years, the BTR development pipeline represents a minute part of the residential market. Although the percentage of residential applications that include BTR has risen from 0.9% in 2016/17, it still accounts for just 1.5% of applications.

In terms of the number of homes in planning, the sector looks marginally stronger: 6.4% of homes proposed in the last 12 months are in developments that include BTR, up from 2.5% in 16/17 and 3.7% last year.

Though still in the minority, BTR applications have contributed over a quarter of homes (26%) in residential developments of five or more storeys this year. In 2020, that figure stood at 19%, which was already a substantial rise from previous years when the proportion hovered between 10% and 13%.

But even though the demand is there and even if the growth of working from home drives the need for flexible or communal space across the country, meeting that demand will take years. Deployment of capital is still a challenge and the sector is still a young one in the UK. The industry – alongside its customers, planning



authorities and investors – needs to better understand the product. But if it can deliver it, and deliver it well, there is no reason the BTR pipeline should slow down any time soon.

“To do true purpose-built rental housing will be a continual, slow process,” Hancock says. “But I still see that as a positive, because I think that people that really want to be in the industry will still pursue build-to-rent.”

“In a way, it will weed out people that maybe just decided to try it. The professional build-to-rent landlords, operators, developers, I think they will stay in this sector, because there’s massive opportunity.”

BTR applications vs the rest of the market

