

# BTR investment nears £3bn in 2021

# New funders flock to the regions as pace of investment slows

## Executive summary

Investment into build-to-rent slowed in the third quarter of 2021, with £465m in deals. Building on strong momentum earlier in the year, this brings the annual total to almost £3bn, backing 14,328 homes.

The last quarter saw a number of new sector entrants, with debut deals from Macquarie-backed platform Goodstone Living, Singapore's CDL Hospitality Trusts and BMO's UK Housing Fund.

EG's third-quarter BTR bulletin unveils the regions attracting new capital and the biggest strategies from funds with capital to allocate.



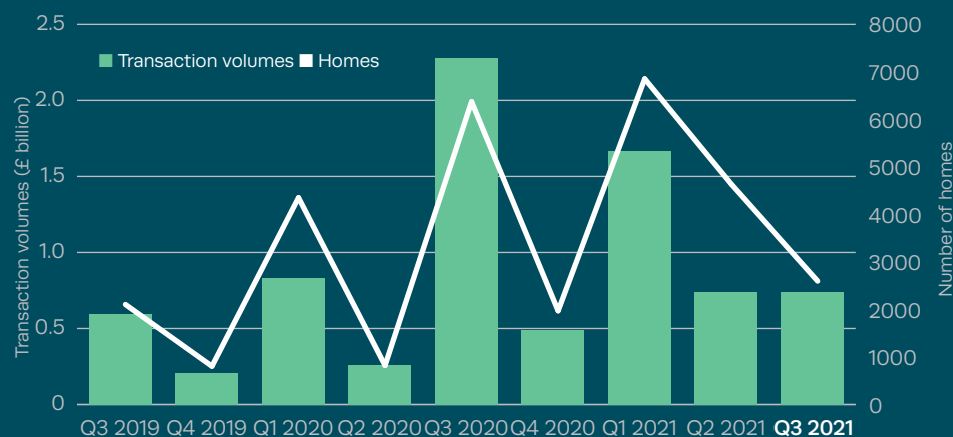
Investment in build-to-rent has risen to **£2.9bn** in the first three quarters of 2021. Investors provided finance for **2,650 homes in Q3**, bringing the total this year to 14,328 homes.

A slower period in Q3 saw **£465m committed**, down 37% on Q2 deals transacted.

The dip in investment compares with some £3.7bn tracked in the first three quarters of 2020. It is also a fraction of the £2.3bn committed in Q3 2020 in a number of large transactions, including the largest single site investment to date, with AXA's £800m landmark Dolphin Square, Pimlico, purchase last September.

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### Transaction volumes and number of homes



Source: EG Radius





## New entrants swoop on sites

The biggest deals in Q3 this year saw a number of new entrants. This included Australian banking giant Macquarie's first UK direct BTR investment through new platform Goodstone Living, swooping on Eutopia's £130m Camp Hill Gardens in Birmingham.

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In Manchester, Singapore's CDL Hospitality Trusts agreed its first UK BTR buy with a £73.3m deal for Fiera Real Estate and Packaged Living's first BTR development, The Castings. The investment from CDLHT is part of a revised strategy, seeking to broaden geographies with stable income from new asset classes, beyond its core hospitality business.

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In yet another debut, BMO agreed a £40m forward funding deal for 258 flats at Hughes House in Liverpool. The long-awaited investment was the first from the £500m BMO UK Housing Fund, which launched at the start of 2020 and is backed by Big Society Capital and Swansea LGPS.

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In an interview on the wider strategy, BMO fund manager Peter Lowe told EG the fund was closing in on two family housing deals. Lowe said these would be a "decent diversifier" to the city centre high-rise in Liverpool. He said capital raising had been challenging in the pandemic, but added: "We have sufficient dry powder to pursue our immediate pipeline."

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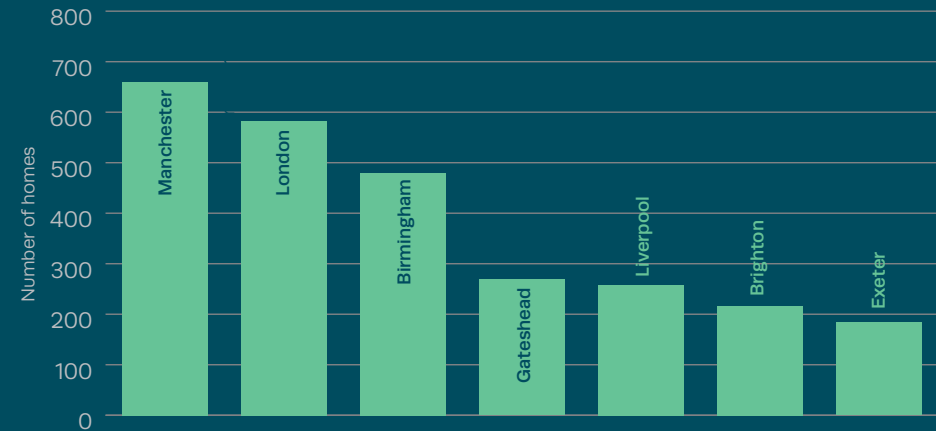
## £130m

Australian banking giant Macquarie's first UK direct BTR investment in Eutopia's Camp Hill Gardens in Birmingham.





### Q3 2021 new homes by location



Source: EG Radius

#### Manchester tops the charts

Manchester was the favourite for investment and number of homes – with £138.4m in deals making up almost a third of the total funds committed and backing some 660 homes. This included Barings' purchase of The Trilogy, an operational building, from Moorfield for £53.5m.

Elsewhere, funds focused on Birmingham, Brighton and Gateshead, as the regions drew in investment with limited activity in London.

While London has potential, with upcoming moves from Moda Living → [Click to view story](#) and a handful → [Click to view story](#) of site acquisitions → [Click to view story](#) from Telford Homes in west London,

investment during the period contributed just 6% of investment, EG Radius found. However, a handful of sites changing hands means developers will provide a further 583 new homes, creating new investment opportunities for funds.

Taking over from housebuilder Redrow at the £180m Capital Interchange Way in Brentford, Telford will now deliver 209 rental homes as BTR. The investment follows plans in Wembley and Rotherhithe. Jerome Geoghegan, group land and planning director at Telford Homes, said: "With rental demand already outstripping supply, this acquisition represents a significant growth opportunity as we continue to expand our build-to-rent pipeline."

# BTR Bulletin: Q3 2021

## Specialised strategy

The third quarter saw a number of new platform launches, with specialised strategies targeting different segments of tenant.

After 15 years specialising in affordable homes for first-time buyers in London, developer Pocket Living is now turning its attention to its complementary rental offering. Pocket, which is majority owned by US rental giant Related, will deliver its first BTR at a 400-home scheme in Old Oak, its largest to date.

Chief executive Marc Vlessing told EG: "With the maturing of institutional investment around BTR on one hand and most of the BTR focus at the higher end of the market, there was scope for us to try and find a BTR format that would sit comfortably with Pocket's for-sale brand."  
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EG also revealed Apache Capital's first development for its newly launched Present Made platform, which aims to develop £1.6bn in suburban single-family housing. Present Made will develop 373 homes at the University of Cambridge's Eddington site, using modern methods of construction to build the net-zero-carbon neighbourhood.

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As suburban products gain pace, TPG Real Estate and Gatehouse Bank also agreed a single-family housing joint venture to develop 2,500 homes valued at £500m in the Midlands, Greater Manchester and Merseyside.





## Specialised strategy

Going into the final quarter of 2021, BTR still faces a number of challenges – not least in upcoming policy developments and potential new taxes.

In EG's first BTR webinar, industry experts laid out their wish list for the government. Rebecca Taylor, managing director of multi-family at Long Harbour, said: "Because of the misunderstanding about what BTR is, there are these constant barriers being brought in."

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These include the expected residential property developer tax, alongside the late-stage viability reviews in planning and general problems in perception.

"The current housing delivery model isn't working, and so BTR should be seen as an opportunity to add to the existing housing stock as a new delivery model, not a replacement of anything else," Taylor added.

The sector has been rallying against the RPD, arguing that the profit tax is not appropriate for the model and could limit some development. The British Property Federation has called on new housing secretary Michael Gove to rethink the tax.

The next months should bring further clarity on the tax, levies, reform of leasehold and tenancy law and the hotly anticipated Planning Bill – with big implications for new investment in BTR.

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