

Who lives in Build-to-Rent?

An analysis of Build-to-Rent occupancy in London

March 2022



dataloft



Contributors

The British Property Federation (BPF), DataLoft, London First and the UK Apartment Association (UKAA) would like to thank our partners for contributing to this report:

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grainger plc Investing in homes since 1912



Cover image: Millet Place, Grainger
Right: Blackhorse Mills, Urbanbubble



Foreword



Engaging with residents in the process of compiling this report, it was clear that one thing has stood out for all of them over the last year - the sense of community they have experienced living in Build-to-Rent.

As the case studies we've included here show, the pandemic has shone a light on the way we live in our homes – and the range of things we need from them, from home-working to outside space or somewhere to exercise. In many ways, Build-to-Rent has come into its own over the last two years, as not only does it have a critical role to play in meeting the shortfall between demand and supply of quality homes in the capital, it is creating homes that are built with wider amenities in mind.

London needs to build 66,000 new homes each year to meet housing demand. Build-to-Rent represents an enormous opportunity to help tackle London's housing crisis while also improving the quality of private renting in the capital. There is sometimes a perception that Build-to-Rent is not accessible to a wide range of tenants – but the data in this report bears out that the profile of someone renting in Build-to-Rent is very similar to that of the wider private rented sector, through the amenities that come with the home and the quality of the property can be higher.

The latest quarterly figures for Build-to-Rent in London showed that, at the end of Q4 2021, there were a total of 89,678 homes in London's Build-to-Rent pipeline, representing a 10% increase from Q4 2020. Our Build-to-Rent sample covers 9994 residents living in 6267 homes

across 20 schemes and this report focuses in on what we can learn from the emerging data as the number of homes grows.

This is the second edition of our London-focussed report analysing who really lives in Build-to-Rent homes. Looking across age, income, profession, affordability, house-type and experience, this snapshot showcases the reality of living in a Build-to-Rent home and we hope it is useful in furthering understanding of the sector.

Stephanie Pollitt
*Programme Director, Housing
London First*



(Source: Savills/BPF Build-to-Rent Statistics Q4, 2021)

Getting into the stats

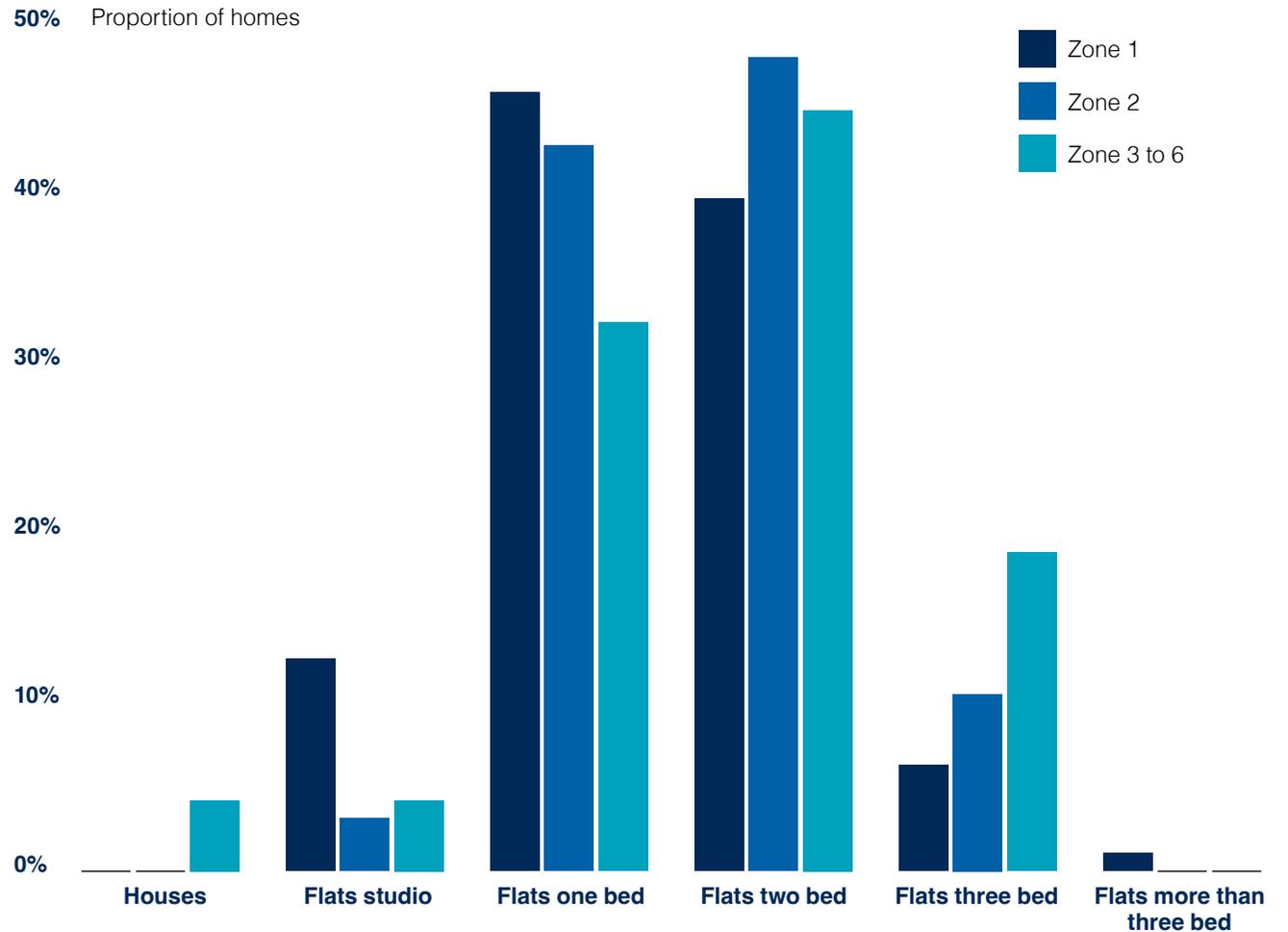
The vast majority (98%) of the homes in our Build-to-Rent (BTR) sample are flats which broadly reflects the type of stock that has been delivered in London to date. By far the most common property type are one and two bed flats which, between them, make up 77% of the sample (42% are two beds).

Our sample of schemes is well distributed across London's transport zones with 35% in Zone 1, 28% in Zone 2 and 24% in Zones 3-6. However, because the schemes vary in size, two thirds of homes are in Zone 3-6.

Homes in more central areas tend to be smaller and occupied by fewer people; 44% of homes in our Zone 1 sample are one bed flats and 12% are studios. The small number of houses in this sample are almost all located in transport zones 3-6. Expressed as people per home, Zone 1 has an average of 1.3 people per home rising to 1.7 people per home in Zones 3-6.

Throughout the report, we benchmark the profile of Build-to-Rent homes against the wider private rented sector (PRS) using Dataloft's DRMA dataset which represents over 40% of all privately rented stock that is let each year in London.

Profile of properties in BTR – by underground zone



Source: Dataloft, WLIBTR

Key findings

Age

The age profile of renters in the Build-to-Rent sector in London is similar to the age profile of renters in the private rented sector. The most common age band for renters in both Build-to-Rent and the wider private rented sector is 25 to 34 years (44% vs 52%).

Income

Build-to-Rent residents' incomes are broadly similar to that of those living in the private rented sector with 27% of Build-to-Rent residents earning between £26-38k compared to 26% of those living in the private rented sector.

Affordability

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

Employment

The most common employment sector across both Build-to-Rent and the wider private rented sector in London is Finance and Professional with roughly a quarter of residents in each. That reflects the economic structure of London as a global financial hub but it is notable that public sector is well represented in both with 17% of Build-to-Rent residents and 14% of the wider private rented sector.



Household Type

Those renting in Build-to-Rent are more likely to be couples or sharers than the wider private rented sector. Two thirds of residents in our Build-to-Rent sample were couples or sharers, compared to 51% in the wider private rented sector, which had a significantly higher number of families – although that is destined to change as the sector diversifies into Single Family Housing.



Resident experience

The most common amenity to be included in the rent of Build-to-Rent homes was shared garden and/or roof terrace, which was offered in 75% of the schemes. Other popular amenities were concierge (60%) and social calendar/events programme (55%). It is notable that 40% also offered a co-working or meeting space, the same proportion as a gym and a residents' lounge.

Sarah Tonkinson Head of Build-to-Rent Foxtons

2021 illustrated the advantages of Build-to-Rent more clearly than ever before. Owners and operators, who had been working to present Build-to-Rent as more than a transition to homeownership, were able to demonstrate why these buildings are designed for comfort, entertainment and community. In yet another lockdown, a home with amenities sounded like paradise. Once restrictions lifted, the floodgates opened. We essentially had two summer markets rolled into one. Unprecedented demand saw corporates, graduates, city workers and students returning to London. Abundant new buildings enabled Build-to-Rent to showcase its worth and make the most of an extraordinary market; it was a strong year for Build-to-Rent.

While it is becoming more common for potential residents to know about Build-to-Rent, we still need greater awareness among tenants, communities and investors, especially now. London is in the midst of a housing crisis, and Build-to-Rent is more than just a quick fix – it's a solution engineered to be preferable to its residents. As it expands, Build-to-Rent reaches a more diverse audience, benefitting more age groups, incomes and communities, as you'll see in this report.

Image: Millet Place, Grainger

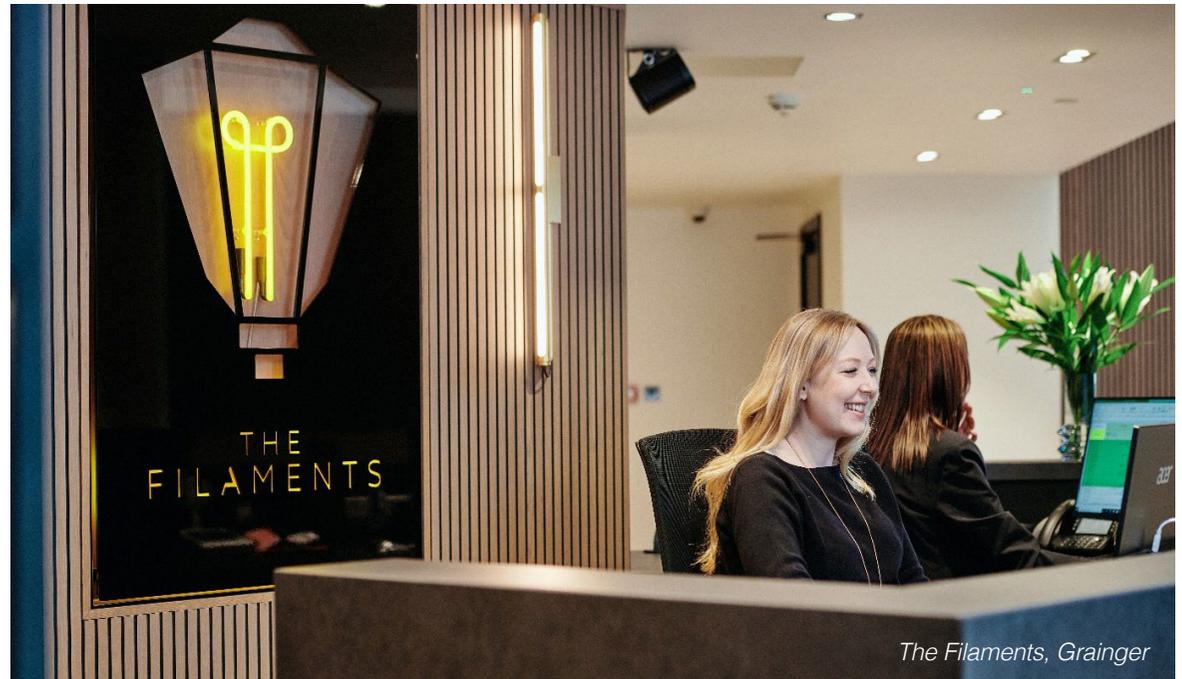


Resident experience

Each Build-to-Rent development is different and offers residents a variety of amenities and services either included in their monthly rent or which can be added onto their rent. This offers them the flexibility to choose and pay for services such as gym membership, as well as allowing them to make savings elsewhere.

The top 10 amenities included in the rent in our sample are:

Percentage of schemes with an included amenity



The Filaments, Grainger

Sole, a Grainger resident

“The whole team (building manager, reception and security team) at Adlay Apartments are always very helpful and friendly. They want our stay here to go as smoothly as possible. The building has great facilities – gym, yoga studio, TV room & dining room as well as private terraces and a parcels delivery service at reception for us to collect at a convenient time. Our apartment looks over the Thames Barrier Park which makes for peace and quiet. The building also has its own app to book facilities, repairs and also includes a bulletin board. Great service all round.

Bills

Although the majority of Build-to-Rent schemes do not include utility bills within the rent, **40%** did include the internet as a single fixed monthly rent.

Pets

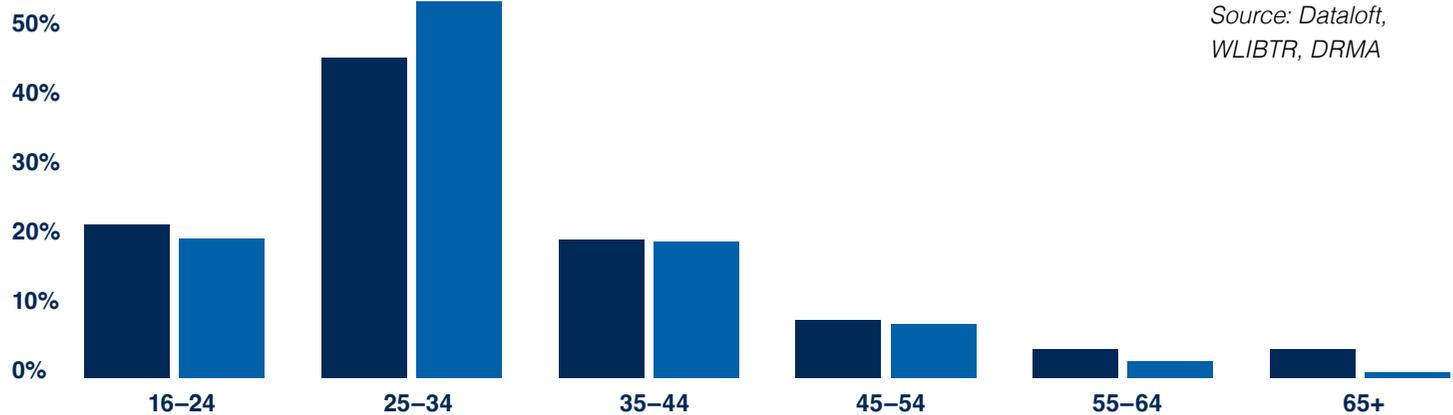
50% of the schemes allow pets in some or all of their homes.

Age of residents

The Build-to-Rent sector is providing housing for residents across a broad spectrum of ages in very similar proportions to the wider private rented sector. In both segments of the rental market, the dominant age band is 25-34, representing 44% of residents in Build-to-Rent and 52% of the wider private rented sector. Build-to-Rent is slightly over-represented compared to the wider market, amongst residents aged over 55 and under 24 years old.

Renters age - BTR vs PRS

60% Proportion of renters



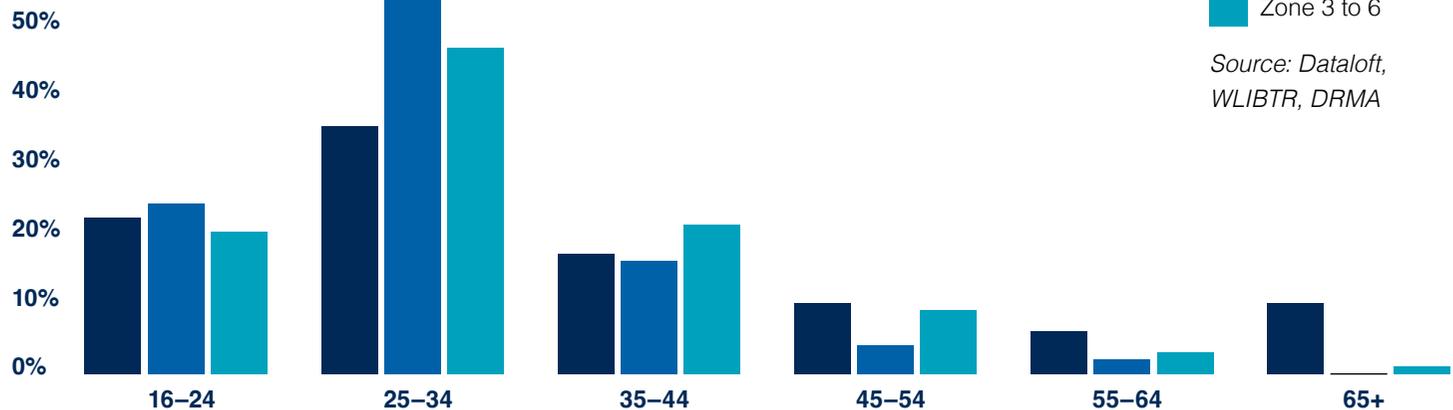
■ BTR
■ PRS

Source: Dataloft, WLIBTR, DRMA

When we segmented the data by transport zone, we found that Build-to-Rent residents aged 45 and above, were more likely to be living centrally in Zone 1, while more than half of Build-to-Rent residents in Zone 2 were in the dominant age band of 25-34 years old. The youngest age band, 16-24 year olds, were evenly distributed across the transport zones. Many of these will be students who gravitate towards the location of their university but who are likely to reflect different levels of affordability.

BTR renters age – underground zone

60% Proportion of renters



■ Zone 1
■ Zone 2
■ Zone 3 to 6

Source: Dataloft, WLIBTR, DRMA

Residents income

Build-to-Rent residents' individual incomes are broadly similar to that of the those living in the private rented sector with 27% of Build-to-Rent residents earning between £26,000 to £38,000 compared to 26% of those living in the wider private rented sector.

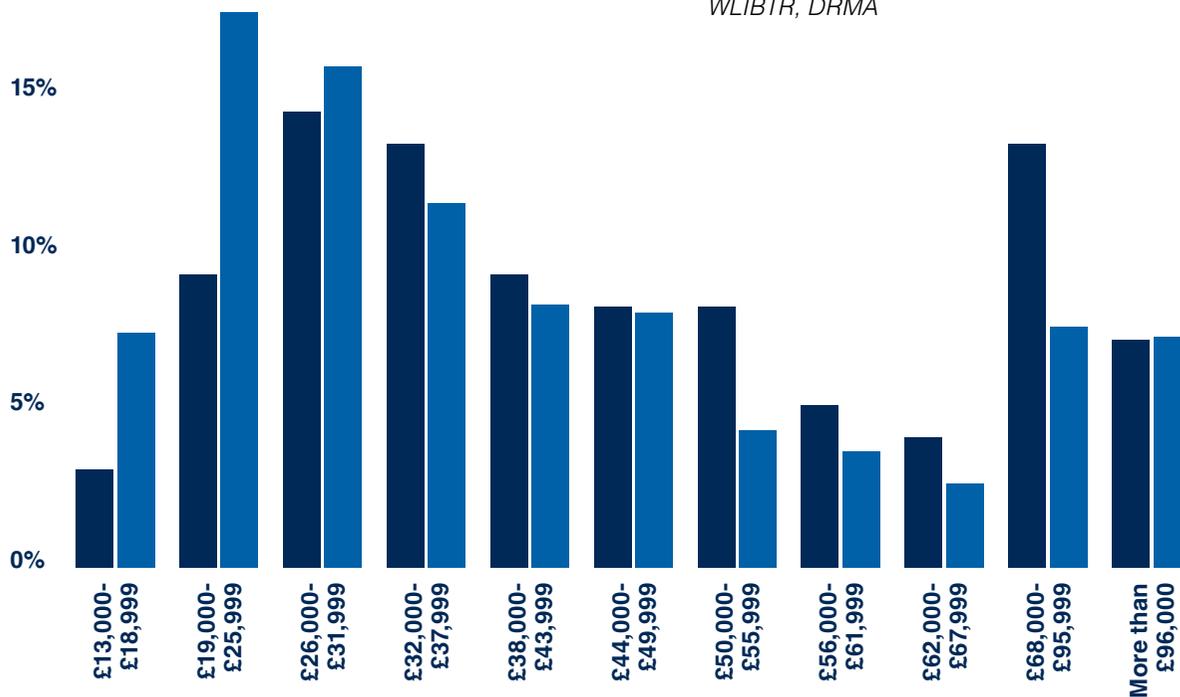
The most common income band for renters in Build-to-Rent is £26,000 to £31,999, representing 15% of renters whilst for the wider private rented sector it is £19,000 to £25,999, representing 17% of renters.

Renters income band- BTR vs PRS

20% Proportion of renters



Source: Dataloft, WLIBTR, DRMA



A Get Living Resident

“East Village offers an escape from the bustling crowds of London with its greenery and wide public spaces, as well as having several independent shops, cafes and services within a five-minute radius which makes for a very self-sufficient place to live. I also love how there is such a community feel around, especially with Get Living’s events always bringing people together in the best way possible.

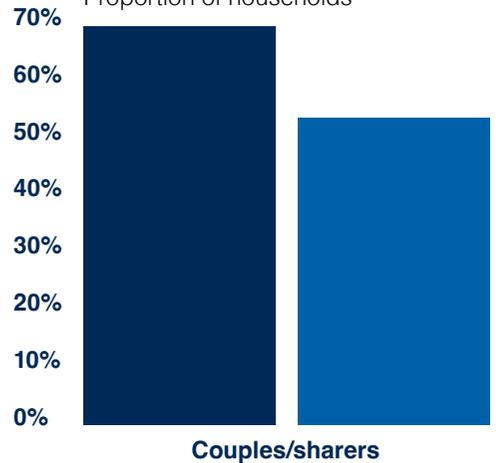
“During lockdowns, our balcony became our saviour. This picture is from my birthday when my partner set up an outdoor cinema for me. This whole experience has made us realise how grateful we are to be living in such an uplifting neighbourhood that makes you feel so positive even during times like this.”

Household type

When comparing household types in the private rented sector, we looked at couples and sharers 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 66% compared to 51% in the wider private rented sector which is likely to reflect the fact that the majority of homes in the Build-to-Rent sample are flats (98%).

Household type - BTR vs PRS

Proportion of households



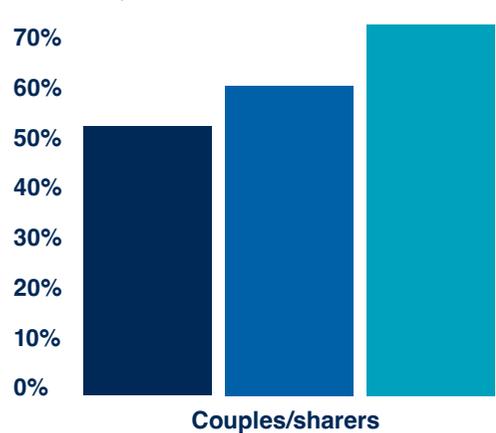
■ BTR
■ PRS

Source: Dataloft, WLIBTR, DRMA

When broken down across the underground zones, singles living in Build-to-Rent are most likely to be found in Zone 1, which tallies with the analysis of sizes reported earlier which found that there were more 1 bed homes in Zone 1.

BTR household type – underground zone

Proportion of households



■ Zone 1
■ Zone 2
■ Zone 3 to 6

Source: Dataloft, WLIBTR, DRMA

A resident's perspective

IT Project Manager Kanu Bhatnagar moved to East Village in 2014 after arriving from India. Her husband is a Data Scientist and was already living in Stratford so knew the area well. When they discovered East Village, they knew it was somewhere they wanted to live. Kanu and her husband Amit are in the original group of residents in East Village and were the 5th to take up residence.

They love the sense of community in East Village. With two young children aged 4 ½ and 14 months the local neighbourhood and community is very important to them as is being minutes away from the Ofsted Outstanding School Chobham Academy which her oldest child attends. They also make use of the local parents club at The Hall in East Village which provides a very welcoming place for both parents and children to play and make new friends. Chobham Academy also runs classes in ballet, gymnastics and martial arts so there is plenty for the family to do at weekends too.

“ We've lived in East Village for eight years now and feel really connected to the local area. With so many amenities and green space on our doorstep such as schools, cafes, the Westfield mall and good transport links it makes our family life easy with two young children. We've also enjoyed making new friends and living in a smart and safe neighbourhood in great quality apartments.”

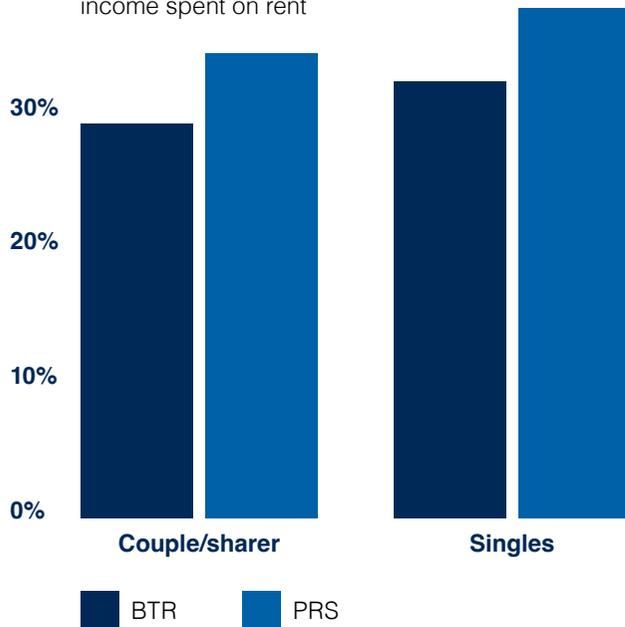


Affordability

When considering household affordability, Build-to-Rent has comparable levels of affordability to the private rented sector for all tenancy types. While the data shows that singles living in Build-to-Rent homes spend the highest proportion of gross household income on rent, at 31%, this remains an affordable option with 30% being an accepted affordability benchmark in the UK.

Renters affordability BTR vs PRS

40% Average % of gross household income spent on rent



Source: Dataloft, WLIBTR, DRMA



The Filaments, Grainger

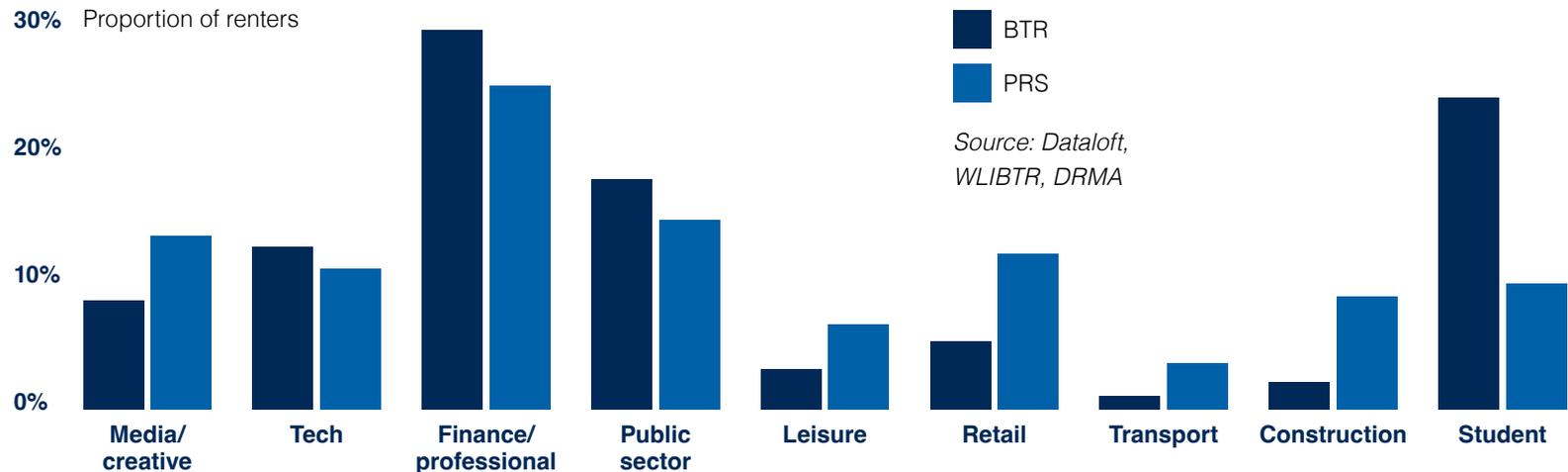
A Grainger resident

“ I moved into the premises just over a month ago and I love everything about this space – my flat is spacious and bright, everything is brand new, there is plenty of outdoor space and having a concierge service, gym and communal leisure area in this post code is really quite unbelievable. Management and staff are super friendly and helpful, both during the move-in and on a daily basis.”

Employment

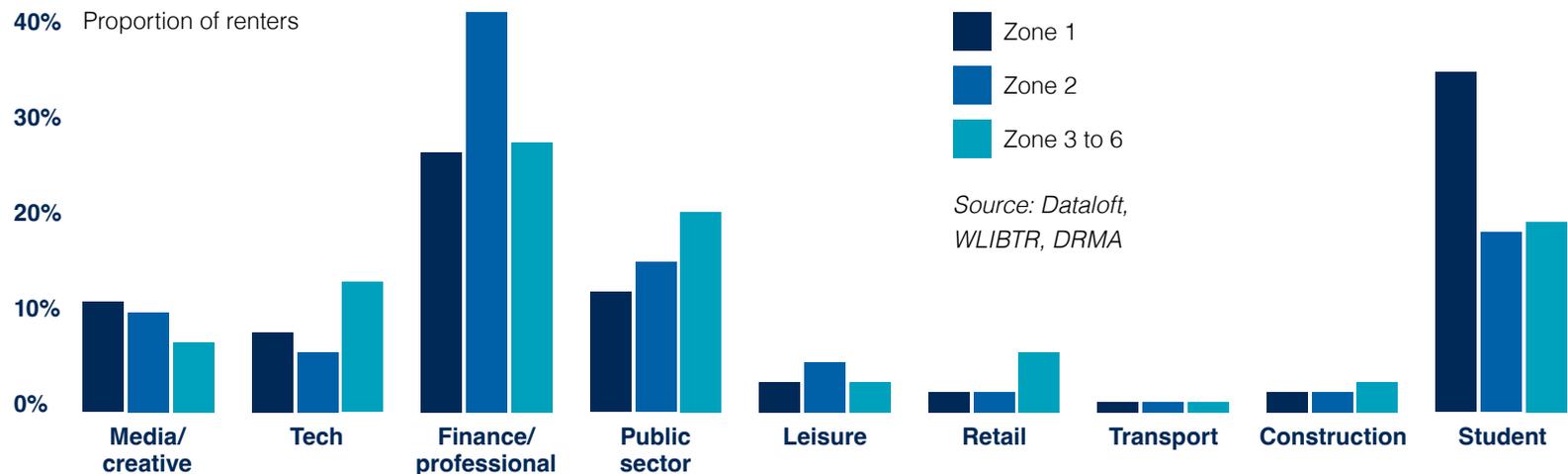
Residents in Build-to-Rent are employed in many different industries. The most common employment sector for renters in both Build-to-Rent and the private rented sector is finance and professional whilst the public sector employs 17% of residents living in Build-to-Rent and 14% in the wider private rented sector.

Renters employment sector - BTR vs PRS



There is a much higher proportion of student residents living in Build-to-Rent (23%) than in the private rented sector (9%) which may be due to several factors including proximity and access to universities, the ability to agree long-term tenancies and the wealth of amenities and services that a Build-to-Rent development offers over the traditional private rented sector. Broken down by Zone, 34% of residents living in Zone 1 are students.

Renters employment sector - underground zone



Lease lengths for Build-to-Rent

95% of Build-to-Rent schemes offer three year tenancies and 10% offer even longer. In a market where the 12 month Assured Shorthold Tenancy (AST) is the norm, this option to secure longer tenancies is a key benefit of homes that are purpose built for long term rental.

In our sample, just over a third of homes had active three year leases, meaning that the residents had chosen the longer option. Given the youthfulness of the sector this is a significant proportion of leases and suggests that those living in the rental sector, welcome the added security.



Build-to-Rent and Affordable Housing

Build-to-Rent is playing an important role in meeting the housing needs of Londoners by providing well managed and purpose-built homes for rent. Build-to-Rent has experienced significant growth and has now clearly emerged as a sector in its own right. Both the National Planning Policy Framework (NPPF) and the London Plan 2021 have specific Build-to-Rent policies that, amongst other things, require developers to work with local authorities to provide affordable housing within their schemes. Whilst each local authority will have its own view on affordable housing, Discounted Market Rent (DMR) is seen as the preferred choice of affordable tenure for Build-to-Rent developments as defined by the London Plan and the NPPF.

What is DMR?

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. Whilst eligibility for and the level of discount will be assessed on a case-by-case basis, rents offered are typically a minimum of 20% below market rent. In addition, and applicable to London only, the Mayor's preference is for the discount to be set at London Living Rent (LLR) levels where eligibility is set at a maximum household income of £60,000.

Is a DMR home different to a full market rent home?

Crucially, DMR homes are not owned or managed by a registered provider of affordable housing which means that management and service levels are unified across the development. DMR homes are generally provided on site on a 'tenure blind' basis which is to say that they are integrated into the development, with all homes sharing the same entrance, communal facilities and management services. Being tenure blind is not only important to the design of the completed development, but it also allows residents greater flexibility to move to different homes at different rental levels within the development should their personal circumstances change.

A Blackhorse Mills resident

“ I absolutely love Blackhorse Mills, I don't think I ever want to move out! I love that I've made friends with others in the development. I really love using the facilities like the tennis court and pool. I love the food disco that happens every week. I really like that if I'm ever bored or alone I can go to the common area to hang out. It's a great lifestyle living here. I was looking for a one bed flat close to work, when I got offered a LLR flat here I jumped at the chance. I moved here because I could afford it.”

Our Build-to-Rent DMR Sample

50% of the schemes from the Build-to-Rent sample offered homes at DMR which equates to 14% of homes from the total sample. The average discount to market rent offered per scheme was 34% and the average affordability ratio of tenants living in DMR homes was 30% across the schemes.

London – Discount Market Rent

% of schemes



% of homes
(Range of 5% to 100%)



Average discount



Average affordability
(% of gross household earnings on rent)



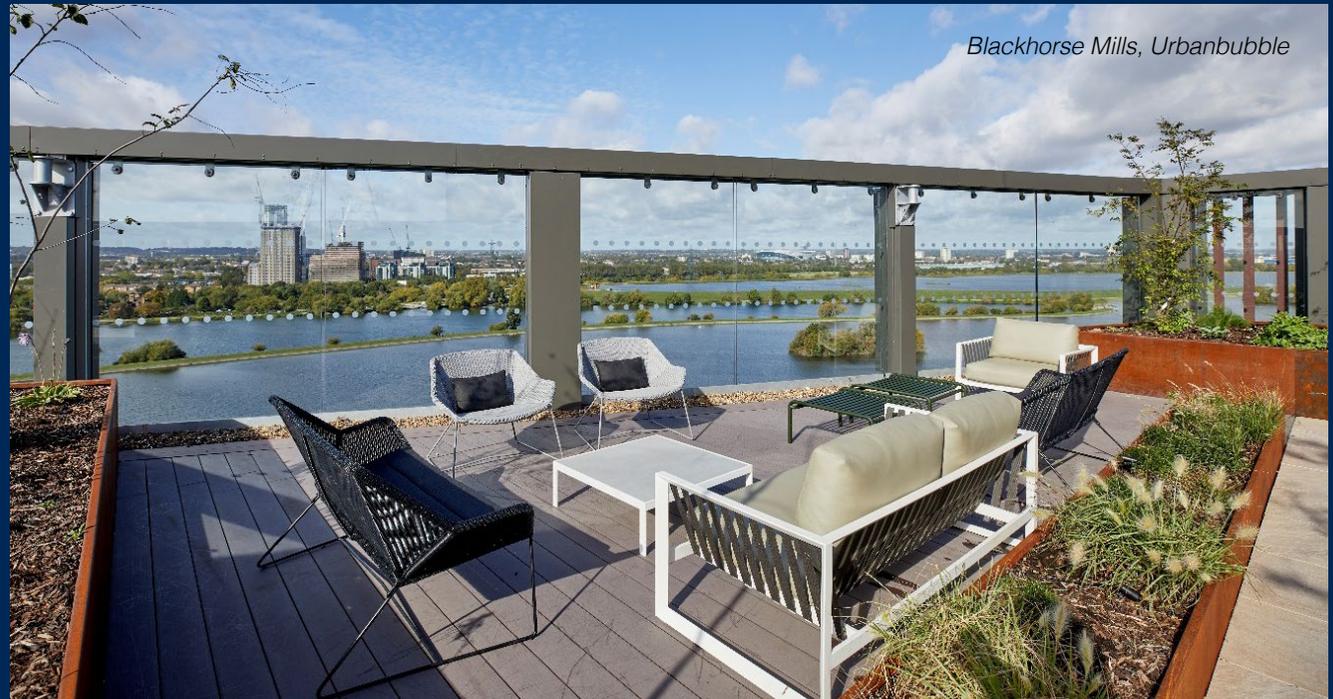
A local authority perspective

Jonathan Martin, Director of Inward Investment, London Borough of Waltham Forest

In 2012, Waltham Forest Council identified the Blackhorse Lane area as one of the four key growth areas for the borough as part of its Local Plan and which was also identified as an important development opportunity as part of the 'Upper Lea Valley Opportunity area', included in the 2004 London Plan. The Council prepared an Area Action Plan as a framework to guide the transformation of the Blackhorse Lane area to provide circa 2,500 new homes and 1,000 new jobs at that time.

Working closely with Legal & General, landowners and stakeholders such as the Greater London Authority and Transport for London, the Council produced a comprehensive planning and urban design framework which enabled the site, which comprised a group of sites in fragmented ownership known as the 'Station Hub', to be brought forward individually but within a comprehensive framework. This involved changing Strategic Employment Land to allow for mixed uses and a planning exercise, setting out key objectives expected from Blackhorse Mills and neighbouring sites.

The design framework informed the Blackhorse Lane area action plan which was adopted in 2015 and Blackhorse



Mills went through the statutory planning consultation process, with public engagement on the Blackhorse Lane area action plan, with Legal & General undertaking public consultation before the application.

The main opportunity for the Council was that the Build to Rent housing proposal was a new housing 'product' that the Council's strategies and plans, particularly the Local Plan 2012 and Housing Strategy, were yet to include at that time and the main issue was determining viability of and type of affordable housing to be delivered, as a planning obligation. It was originally agreed to have a higher quantum of affordable homes, but at higher rents of 80% of market rents in compliance with the GLA intermediate affordable housing income thresholds, rather

than fewer affordable homes at more affordable rents at circa 65% of open market rents. However, when the planning permission was varied to add 39 more dwellings, as a result of a necessary change in the build method for the development, the GLA supported fewer, but more affordable homes at the GLA's London Living Rents (LLR). This process required close effective working with the GLA and Legal & General.

As a result of close collaboration with Legal & General and the GLA, the Blackhorse Mills development brought forward a total of 479 new homes 104 of which are affordable homes with 85 at Discounted Market Rent and 19 homes at London Living Rent.

A private sector perspective

James Pargeter, Senior Advisor, Global Apartment Advisors

Ever since the first affordable housing was delivered as a planning obligation within new developments, people have been in search of homes, which can accommodate both market and affordable residents in fully integrated and sustainable communities. Intermediate rent homes within Build-to-Rent schemes finally seem to present the answer to this quest in providing quality homes for a wide range of people who need them in neighbourhoods across the capital.

In London, intermediate rent is defined within the London Plan and Supplementary Planning Guidance (SPG) as the most appropriate and preferred for Build-to-Rent developments and where this is agreed, the Build-to-Rent operator can administer the affordable homes directly.

As well as recognising the distinct economics of Build-to-Rent, this approach to affordable housing allows for the key Build-to-Rent principles of single ownership and management responsibility to be maintained. Build-to-Rent developments can be designed and delivered without distinction between market and affordable elements leading to efficient buildings which are resident-friendly and can be effectively managed. Furthermore, the precise mix and location of the affordable homes within the development can be flexible over time, as long as the agreed percentage is maintained.



In the case of Build-to-Rent residents, this approach allows for many benefits including:

- Access to all of the same amenities and communal facilities as market residents, in a truly 'tenure-blind' manner;
- Identical specification for finishes and fittings in their homes as the open market residents;
- The service and security of living in a managed community, usually with an on-site team who look after the building and all of its residents;
- Flexibility to accommodate residents' future needs as their circumstances change. This could mean a

change to the size of the home to reflect changes in the household such as a growing family or a change in tenure should household incomes change in future;

- Peace of mind that the decision to stay or move home is for each resident to make at the time that is right for them.

As can be seen from this report, as well as the experiences of the pandemic, intermediate rent is a tenure well suited to all types of residents including those who work in the public sector. London needs to provide better options for all individuals and families, who need security and flexibility and who also deserve high quality accommodation, management and a sense of community something which Build-to-Rent and DMR can address directly.

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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.

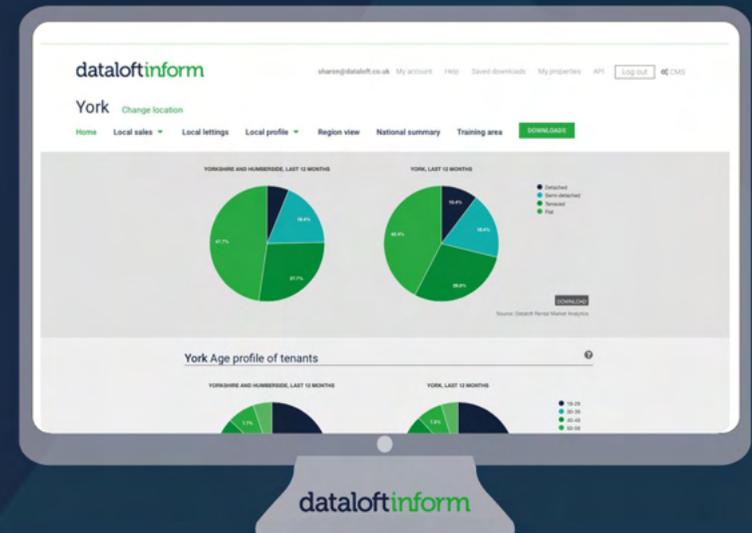
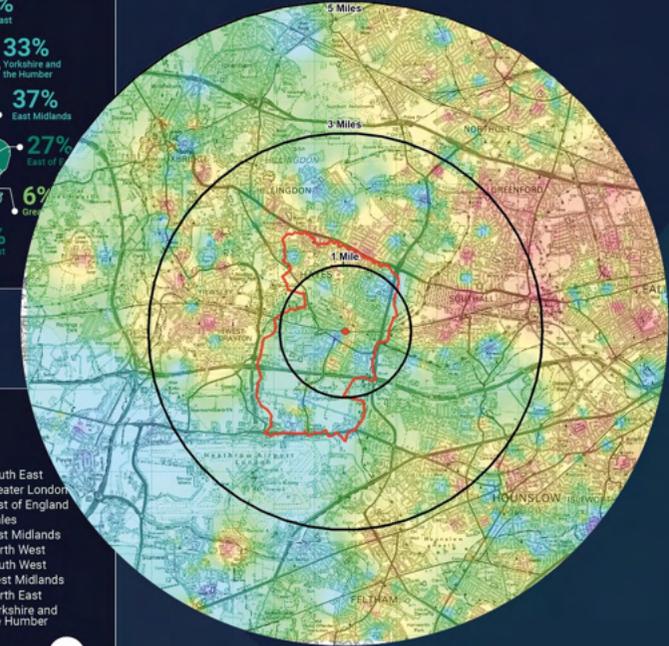
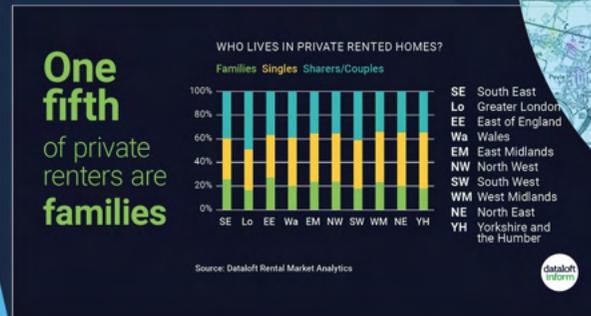
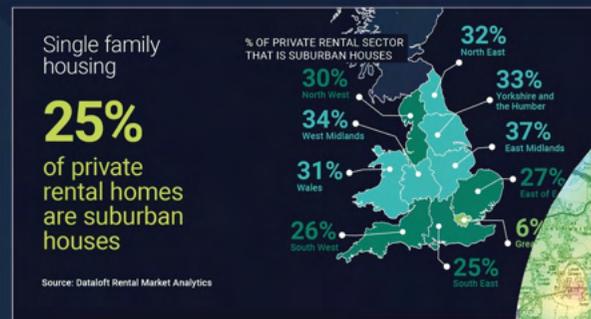
DRMA Reports

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.





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intelligent, transparent, data-driven insight for residential property



Making London the best city in the world to do business



Our members are creating the rental communities of today and tomorrow – together we are shaping the future of Build To Rent.

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