BUILD TO RENT
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Charles Boyes
Partner
Tel. +44 (0)20 3486 3472
Mobile +44 (0)7845 130359
cboyes@geraldeve.com

THE SINGLE LIFE – WHAT'S NEXT FOR THE SINGLE-FAMILY BTR MARKET?

In a recent **CoStar article**, I discussed the recent spike in investor interest in the UK single-family build to rent (BTR) market, and looked at what's next for this fast-growing sector.

Until recently, single-family homes have accounted for only a fraction of UK BTR transactions, despite 80% of the UK population choosing to live in a house.

Meanwhile, multifamily BTR schemes – namely large, centrally located developments of studio, one, two and three-bedroom flats with communal amenity facilities, that are easy to manage and can offer a clear premium to comparable buy-to-let stock – have dominated the BTR market.

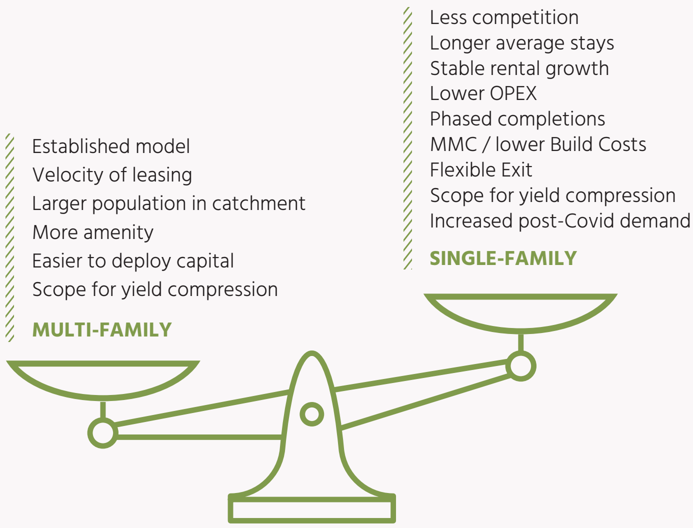
But 2022 will see at least £9.3bn of equity targeting single-family assets the sector – more than double the transactional volume for the entire BTR market in 2021.

Undoubtedly, single-family assets offer investors significant benefits over multifamily schemes, such as longer tenancies, lower operational and build costs, phased completions and more flexible disposal options. On top of this, there has been a noticeable increase in the post-Covid demand for lower density living and access to green space, both of which are characteristic of single-family assets.

THE RISE OF THE SINGLE FAMILY

Single family has the highest growth potential of any part of the BTR sector in 2022

MULTI-FAMILY VS SINGLE FAMILY



The challenge for investors will be finding suitable stock. Rental yields in South East England are often unviable due to the high values of property, meaning the most desirable stock is held by regional developers in other parts of the country. Unfortunately, much of this has already been allocated for private sale, and homes are typically too big (three-to-four-bed units) to make efficient rental stock.

Whilst some investors may choose to deploy capital into acquiring stock designed for private sale and repurposing it for use as BTR, others may prefer to play the long game, collaborating with housebuilders and developers to produce single-family rental stock that's fit for purpose.

However, it is regional developers who may be best placed to leverage the increased investor demand for single-family assets. By tweaking the planning permissions on all or part of their sites, thus reallocating units from private sale to BTR, developers can access the significant volume of investor capital seeking to be deployed.

Looking ahead, rising interest rates combined with a levelling off of build-cost inflation may encourage regional developers and housebuilders to engage with single-family investors. So, by the end of this year, we may start to see the single-family market gaining a foothold in locations and schemes that were previously off-limits.

For information about the volume of equity raised, advice about maximising private sale sites for rental, or sourcing new opportunities, please feel free to **email** me.

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