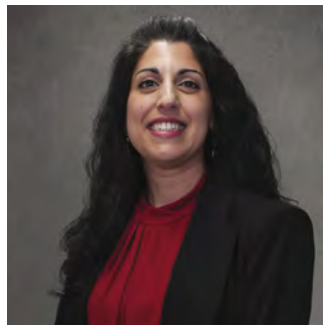
# Build to Rent
insights from industry leaders

# Contents


# Introduction



Niki Kyriacou
Customer Relationship Manager, BTR, NHBC

Not so long ago, the idea of Build to Rent (BTR) was seen by some as a model that could never work in the UK, with one of our contributors to this publication even being told "no one wanted to rent in the UK".

Fast forward to 2022, with record-breaking investment and institutional investors piling in, and BTR is going from strength to strength, revolutionising the UK rental sector. Savills reported that an incredible £5bn was invested in UK BTR during the 12 months to Q3 2022.

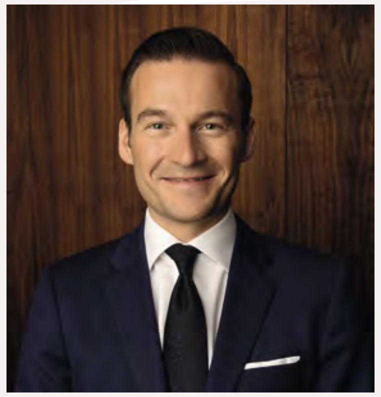
This publication brings together leaders from across the BTR sector. They identify the emerging trends in this buoyant and shifting market - such as the rise in single-family homes - and share their experiences, offering their unique insight. We asked contributors to focus on three key themes: their journey, a view of the market and a focus on their business.

BTR continues to adapt and shift, evolving with the communities it serves. Global political and economic instabilities are challenging the sector, with environmental considerations and the cost-of-living crisis pressurising developers further. Covid-19 changed the way homes are designed too, reflecting the evolution of work-life balance and our homes as working spaces. Growing consumer awareness of carbon zero and a real commitment to sustainability are further market considerations. We're seeing, now more than ever, the property industry being central to shaping society's future.

By coming together to share information and experience, we can all play a role in driving standards and continue producing high-quality, fit-for-purpose homes. At NHBC, we play a pivotal role in working with BTR developers and their partners, to drive long-term asset protection through early-stage engagement.

I'd like to sincerely thank our contributors, without whom this collection of valuable insights could not have been compiled.

# Lifestyle-led living real estate



## Richard Jackson

Founding Partner & Managing Director, Apache Capital Partners; CEO and Co-Founder of Present Made

As the sixth-generation surveyor on my father's side of the family, it would probably be fair to say that real estate is in the blood! My career could have taken a completely different direction had I pursued my original interests of business and language, but my Dad pushed me down the property route. By the time I had visited University of Reading, I was quite excited about the course; I ended up studying land management and I loved it because it was so varied. When the 'milk rounds' began, I had set my sights on Healey & Baker (now Cushman & Wakefield) and secured a job in the City investment team after some work experience.

In 2003, I met John Dunkerley, who offered me a new role at a boutique fund management business. I quickly realised that, if you know where the money is and are able to build a platform and strategy around that, it's possible to launch your own business while still doing the big deals. We decided to set up Apache Capital, and I approached Paul Orchard-Lisle about backing the firm and coming on board as Chairman. As a start-up business, we needed someone with a big profile, and Paul was a natural choice.

The journey began in 2008 at the outset of the financial crisis, so getting off the ground wasn't plain sailing; we received our first private placement memorandum (PPM) for our funds the day Lehman Brothers collapsed. John and I threw it in the bin, knowing we were in it for the long haul. While it was a pretty disastrous landscape, we never believed launching Apache was a question of if, but of when.

The business launched in 2009, but it was a brutal start and took us almost four years to do our first deal. As a start-up, agents and developers don't want to give you deals, banks don't want to lend and investors don't want to be the first to invest. Investment later came from a Saudi family who backed our first eight deals, which got Apache off the ground.

In 2010, I went along to a conference where Legal & General's Bill Hughes spoke about his intention to grow L&G's alternatives exposure from 5% to 45%. That was a real lightbulb moment; other institutions were sure to follow suit, so John and I started exploring alternatives.

Partnerships have played a big part in our story and the growth of the business – our first was with McLaren Property, delivering a 256-bed student scheme in Southwark called Paris Gardens.

We looked at student schemes in cities across the country and realised that they were, at that time, all the same – completely bland with no lifestyle associated with it. We decided to spend some money and focus on improving amenities and putting a proper brand in place, with a bespoke platform.

Later, we started to turn our attention to multifamily housing, which was doing very well in the US. We spent two years researching the market and visited 35 projects in six cities across the States; it really resonated, but we needed to find the right partner.

When we met with Moda, we found immediate synergy – both companies were committed to creating an aspirational lifestyle product and, much like us, Moda is a business that pushes the boundaries on everything it does. Over seven years, we have acquired 11 sites, five of which are now operational and ahead of the underwriting placed within the models.

The work we did during that period sowed the seed for Present Made, the UK's first designed and purpose-built single-family rental housing platform. The business launched last year with a mission to create the most amazing and sustainable places for people and families to live.

**Present Made of Eddington, Present Made's first scheme. Designed by Jo Cowen Architects**

When I look at one of our developments, I don't just see a building – I see the thousands of decisions we made along the way to try and create an aspirational lifestyle and an environment where people want to live. If you get that right, the rent, occupancy and growth will follow.

A 373-home scheme in the University of Cambridge's Eddington masterplan will be the first project to be delivered. Present Made's initial £1.6bn development pipeline will see over 3,000 precision-engineered homes delivered across the south of England. It is the perfect site to launch Present Made – the level of infrastructure, sustainability credentials, quality of architecture and the place-making is exceptional. We went all out to secure the project and we are delighted to have been selected – we secured planning consent in the late summer of this year.

Present Made of Eddington is designed by award-winning Jo Cowen Architects, and blends hundreds of eco-friendly smart homes designed for rent, set in liveable streets bringing together a dynamic fusion of activated public realm, community creation, professional management and talent retention. We are also targeting a net zero carbon operational model as part of a wider ESG-driven strategy – I would urge you to come and visit when we are up and running!

> "This Government and any future government should recognise the role BTR plays in providing a range of choice about how and where people live.

ESG will continue to be a major focus as we grow and build the Present Made brand. Sustainability sits at the heart of Present Made, and the social side is all about creating communities. We believe sustainable living should be second nature; we can help to curate the way people live and give them the tools that they need to live in a more environmentally conscious way.

We see modern methods of construction (MMC) playing a key role in helping the residential property industry drive the net zero agenda. In Japan, 40% of homes are precision engineered, and, having seen their facilities, there's no denying its potential. It's likely that MMC will play a larger role as the BTR industry grows and evolves, given its solid ESG credentials and the ability to produce income-generating assets at pace and scale, which is why many BTR investors have been early adopters.

As that evolution takes place, the sector would benefit from being more communicative about the wider societal and economic benefits it can bring. This Government and any future government should recognise the role BTR plays in providing a range of choice about how and where people live. Investors, developers and operators must effectively articulate how a mature BTR sector can support widely shared policy goals, from improving standards in the wider rental market to helping improve productivity by enabling labour market mobility.

Present Made of Eddington, Present Made's first scheme, Designed by Jo Cowen Architects

# Finding and shaping opportunities in the residential market

## Richard Stonehouse

### Principal, Head of Residential Investment, Avison Young

My father and grandfather were both in property, in different capacities. I studied real estate management at Oxford Brookes University and spent most of my early career in a European capital markets role, for what was King Sturge, later JLL. I was based in London but periodically worked across Scandinavia, Germany, Benelux and central Europe. I really enjoyed it and managed to do a deal in most European countries across logistics, shopping centres, high street retail, big box retail, offices; everything other than residential.

In 2013, I was faced with moving to the continent to further my prospects in that role, and I was very close to moving to Frankfurt, but at the last minute, I was presented with the opportunity to move into the UK residential team in a 'minister without portfolio' type role that allowed me to explore and try to unlock opportunities across the sector. There was increasing appetite from investors, that historically would only consider commercial assets, starting to look at the residential market. It felt like attitudes were shifting and, with that, opportunities would present themselves.

The first deal I did in the residential space was on serviced apartments, but I quickly felt affordable housing offered the greatest correlation between what institutional capital wanted to do and what the market could provide. This led to me setting up the affordable housing investment team at JLL, which I ran for a year. In all honesty, it was probably three or four years premature; at the time, the market was still gorging on very cheap debt through the bond markets – I don't think the sector had evolved enough at that point to want to explore more 'commercial' opportunities.

I was then asked to run the residential investment team at JLL. As the team grew, I saw the direction the markets were going in and I wanted to take a greater role in shaping how the market responded to the evolution of residential. An opportunity at GVA presented itself in 2018, which I took, and I built a team there, very much in my own vision, focusing on the varying different tenures of affordable housing, as well as Build to Rent (BTR), Private Rental Sector (PRS) and later living. I think we'll see, as time goes on, a greater blurring of the lines between private and affordable, as institutional capital becomes a more dominant force in the creation and long-term ownership of affordable housing, and the sector realises that private sector innovation is needed in order to meet the growing demands of the population.

Photo credit: The Arboury, Dublin

When I first set out in affordable housing, to be completely candid, there was some conservative and myopic thinking – not necessarily from local authorities, as I wasn't really targeting them – but from Housing Associations, I did 105 presentations in 12 months, to chief executives and finance directors of HAs, and you could count on one hand the number of finance directors with any experience outside the housing sector, which I just thought was bizarre and informed the very short-sighted approach that I felt governed their decisions. Surely broader experience outside the sector is important to challenging the way things are being done and how decisions are being arrived at.

Fortunately, the market has moved on quite considerably from that point, and many of those HAs have evolved considerably. However, the experience has very much informed the way that we provide advice to clients. Challenging the basis of decisions is critical to creating the right outcomes; when we're providing advice to developers, we like to get involved right at the very beginning of the journey, prior to planning, as the thought process evolves.

Often the advice we give clients is that they need to re-evaluate their scheme. For example, there's no point trying to deliver a BTR scheme in one location, when institutional demand just isn't there. If a site is too small to incorporate a sufficiently big scheme, they're simply not going to be able to create a scheme with the operational efficiencies to make it work and rents that customers will pay; they may be much better off looking at a quasi-affordable housing project, perhaps with some level of shared ownership or extra care and maybe some level of affordable rent – there's an increasing demand from institutional investors for these types of product. Perhaps later living or extra care are more appropriate in a location, perhaps Purpose Built Student Accommodation (PBSA), perhaps commercial.

I think the biggest challenges in the BTR market are interconnected. The first, and arguably the most pertinent in today's climate, is the sensitivity of build costs. The amount of

> "I think the biggest area of opportunity is in the secondary and tertiary towns and cities, where there's a demand for good-quality BTR schemes.

Photo credit: Bath Junction, Avison Young

BTR, stabilised, standing stock traded every year is very small, relative to development funding. We're still heavily reliant on development, so when you have a situation like we have at the moment, with build costs roaring wildly ahead of market growth, supply will inevitably drop off, further exacerbating the fundamental mismatch we have between housing need and delivery. This problem is likely to only worsen as the construction workforce is so ageing now and labour is in such short supply that this is fuelling ever-higher construction costs. A fundamental embracing of modern methods of construction (MMC) is necessary to mitigate this risk. Additional legislation changes mean that labour and materials are not the only driver of these cost rises though, and this may well worsen before that market can incorporate those additional requirements equitably.

Closely tied to the build cost challenge is the sustainability of rents. Within the BTR sector, we're at risk, particularly when build costs rise and land values stubbornly lag the broader market sentiment of racing to justify the higher delivery costs it takes to develop a scheme, so the rents are pumped up. The result? Public and political opinion moves against the sector as a whole and the sustainability of such rent levels (particularly in the midst of a cost of living crisis) rightly comes under the lens. We have to avoid an extension of Scotland's myopic rent freezes, which could be a threat if populist perception goes against the sector. So we have a challenge to ensure BTR is sustainable, and part of that will be borne by an understanding of where long-term yields sit. In the low interest rate environment we have just left, I would have been confident that yields would drop close, if not all the way, to European levels of, in some cases, below 2%. With the spread over the risk-free rate narrowing severely, I am less sure where these will end up.

ESG is at the top of every investor's agenda now, and the sector can make a significant positive impact from an environmental perspective. Investors can drive the housing market positively through the embracing of MMC; setting higher benchmarks on long-term environmental credentials; and the blurring between private and affordable housing I mentioned earlier. Increasingly, these things are not being seen as challenges but as opportunities.

I'm slightly biased, of course, but if I was ranking sectors, I'd put BTR as the number one for commercial opportunity. BTR does risk a perception problem in some quarters, however; it's often seen as a premium product because some investors have been pitching rents at a level that means they can compete on the purchase. Over time the yields may well drop, and rents can be based at a slightly more sustainable level; however, in the immediate term, that does not seem likely given recent and further forecast interest rate movement. It's something the sector needs to take action on because the majority of the demand is not at the premium end of the market in most locations. Don't get me wrong, there's always a market for the best-quality schemes of course, particularly in prime urban locations and across much of the south east and urban centres, but really, the bulk of the demand across the UK is mid-market.

Despite potential supply constraints, I think the biggest area of opportunity is in the secondary and tertiary towns and cities, where there's a demand for good-quality BTR schemes. They'll probably come without premium amenities, but these schemes will absolutely meet the mid-market needs – there's a huge demand for that, and there doesn't seem to be a significant focus on those locations. That's where I'd be putting my money, because I think there are some attractive yields relative to the bigger cities if you can deliver them viably. Once delivered, they are likely to be well protected from competition because of those same viability challenges.

Having said that, I think delivery will inevitably be a challenge and values are going to be tight, so investors may ask if it is worth the development risk of funding them, despite the slightly stronger yield. I suspect, however, if you stabilise a portfolio of stock in those sorts of locations, you'll absolutely have a weight of consumer demand coupled with investor demand attracted by the de-risked income stream, leading to a sharpening of yield.

There are a multitude of things keeping investors awake at night currently, rising interest rates; build cost volatility, a new UK government agenda, and the incredibly slow and turgid UK planning process, to name but a few. In Ireland, there are a lot of similar concerns, but I fear the increasingly divisive political narrative there will result in Dublin seeing a very significant drop-off in the delivery of rental homes in the long term if this does not change.

This being said, I firmly believe that the majority of the market share my sentiments that the BTR market possesses infinitely more opportunities than challenges, and it will continue to grow exponentially despite the various headwinds.

Outside BTR, we are working with a number of clients on several innovative affordable housing solutions at Avison Young that we're trying to move forward. It's probably the more difficult part of what we do but, at the same time, it's the most rewarding when it works. There is a crying need for private capital to support the increased delivery of homes – both private and affordable. However, the principle challenge here is the high barriers to entry. Whilst the highly regulated nature of the sector provides a significant allure for investors, the Regulator of Social Housing needs to find a way of embracing capital and the innovation it can bring into the housing market.

My fundamental view is that I don't believe the UK is ever going to come close to delivering the number of homes we need as a country, whether private or affordable, through traditional means of delivery. This means we're going to have to see disruption – to move the needle, we need to embrace things like MMC which can broaden the base and speed up the delivery of homes. On the affordable housing side, we need to see more challenge to traditional tenures to ensure the needs of the population are met at the same time as reducing barriers to entry for institutional investment and private sector innovation.

Photo credit: BTR Hub, BPF



# The emergence of generation rent

## Ian Fletcher

Director of Policy, BPF

I joined BPF 20 years ago – in fact, we recently had a celebration to mark that anniversary! Rather incredibly, at that point I had counted 20 housing ministers in 20 years, and with the latest news this has already been exceeded. Housing policy is always very interesting. It tends to be very fast paced; there's always something going on. A holy grail for the sector was always to attract institutional capital into the housing sector, and that has been a wonderful campaign to work on.

I actually started off my career in banking, then I was a lecturer in higher education. But I was always very interested in student politics. I did a Master's and, when I graduated, I wanted to do something political. So, I worked part time for an MEP then joined the British Chambers of Commerce. So my early years were spent lobbying there, and I rose through the ranks to be Head of Policy and Chief Economist before joining BPF.

Build to Rent (BTR) came across my desk from the very start of my time at BPF. There was always a small group of the BPF members who had invested in residential property trying to attract institutional money, which was flooding into other commercial assets and was something the sector desired. And for the first 10 years of my tenure at BPF, it was a challenge, because the economics didn't really work in your favour. You couldn't make the yields you could on a shopping centre – it wasn't viewed as an attractive area to invest your money. How things have changed!

The tipping point, when BTR began to look relatively attractive, was probably the global economic slowdown – low inflation and low interest rates meant income returns in residential started to look attractive. And by 2012, the Government was delivering fewer homes than it had since 1925, so there was a desperate need to come up with new ways to deliver housing.

At the same time, the homes for sale market dropped significantly. There was the emergence of generation rent, and online retailers were changing the high street. Investors would suddenly see a whole shopping centre empty, and they started to diversify. So it was really the happy coincidence of a number of factors that led to the change. The sector offered its own curated culture – it stood for good customer service, security and a 24/7 culture of support for consumers that came to define the sector. There was now a belief that the market would stand up.

Photo credit: Millet Place, Assael Architecture



In terms of BPF's priorities, one of our ambitions is to have a UK-wide reach. And BTR is now present in 45% of local authorities. The other ambitions have been to ensure we can articulate the quality of the sector and to diversify supply. And I think we've achieved that too; people are investing in the sector both nationally and internationally.

Our next big challenge is to keep plugging away at the 55% of local authorities that haven't got BTR. I've always been a big believer in investing where BTR is welcome. You still find some local authorities that don't have a BTR policy at a local level, but that's becoming rarer. Another issue for the sector as it grows is to ensure it's consistently meeting standards, so its reputation isn't adversely affected.

In terms of the market, the biggest challenge for BTR could be that it becomes a victim of its own success! So, seeing yields being compressed as money flows in and pushing up prices – typical yields of more than 4% are now becoming less than 4%, and that starts to make the sector slightly less attractive. The other challenge is rampant build cost inflation, which also squeezes your returns. Furthermore, those people leaving the hospitality sector during the pandemic have not all returned to it, creating an available pool of skilled management and hospitality staff for the BTR sector.

> "Our next big challenge is to keep plugging away at the 55% of local authorities that haven't got BTR.

What's my view on co-living? I think it can help people to live in areas they couldn't otherwise afford. But I also think it doesn't appeal to everyone. It isn't actually always the younger graduates who want co-living – it is often divorced people (of my own age!) who don't necessarily want to be living alone and are seeking new networks within the co-living model. Those who have already lived in student accommodation may actually want something different!

With regard to the evolution of BTR, I feel there aren't many 'no go' areas. It's popping up across the UK in medium-sized towns and cities, and the market has matured – you've got single family housing, retirement, BTR schemes, and supply is also diversifying alongside that. This is a healthy evolution of a market.

We recently went to see a development in Wolverhampton where there were a number of families who had grown disillusioned with the private rented sector (PRS). The quality and the security offered by the BTR development was attractive to them. There is a political challenge, of course. Single-family housing tends to be viewed by Government, especially one of this colour, as competition for first-time buyer provision of units, rather than the additional supply and choice it is providing consumers.

In terms of planning, I'm not sure there's a silver bullet for the sector. DLUHC set out national planning guidance on BTR about four years ago. But actually, the bigger challenge is simply getting local authorities, and particularly planning authorities, familiar with the product and making them aware of the benefits and disadvantages.

My views on rent control? I think it can be a disincentive to institutional investment in the sector and tends to be a slippery slope, whilst acknowledging this may be a strong political vote winner to the person on the street. I think more supply is a better solution, as well as providing a variety of supply for a range of price points, as BTR does.

With the Government's policy paper on a fairer private rented sector reform having been published on 16 June 2022, I think the institutional sector will be better placed to cope with the provisions such as a national landlord register and redress than smaller landlords. There are concerns around some of Section 21 being abolished, such as no minimum tenancy lengths apart from two-month notice periods. But there are things the Government can do to give the sector confidence, such as court reform and the digitisation of courts.

Looking at the future role of modern methods of construction (MMC) and the drive to net zero, I think BTR lends itself quite well to MMC as the sites tend to be tight urban sites and this minimises disruption to localities. You want quite a regimental delivery of your BTR building so you can start earning the income for your investors.

Will investors and consumers pay more for a 'well' building? I'd say, never underestimate the sector's ability to support consumers and differentiate their product in the market. I think the pastoral role is increasingly important – you're creating a community within a building and being mindful of mental health, and how this all plays out in the media is a factor now.

As for levelling up and what that means for BTR, I think it's generally very positive and the two are well aligned. The sector has ramped up investment in the regions, switching from 60-40 to twice as much going into the regions as London now.

In relation to BPF's priorities, we are looking to do more on the planning side, just understanding local BTR policies better. Our Net Zero Pledge and getting all our members signed up is also really important. In addition, we are producing our third edition of 'Who Lives in BTR' across the country, and even doing a separate multi and single-family analysis. We also want to support investment performance benchmarking, as there is dissatisfaction with current products – it's something the sector is missing.

Policywise, we've tried to protect the sector from starter home and first home requirements. I feel there's an increasing acknowledgement in the Government that BTR is a sector in its own right, and there is now more thought put into how broad policies impact on it. It's a really exciting part of the property sector, and traditional splits are breaking down. And what's really pleasing is that you can now sit around our policy table and find everyone is usually doing something residential!

# Facilitating new lifestyles through experience-led design

John Badman

Principal, CallisonRTKL

I have always been interested in design – at school we had a great design technology and art studio, which fuelled my passion. I was always drawing and sketching, and still communicate better with a pencil than a keyboard… there are doodles and sketches on every page of my notebook like there were on every page of my English literature textbook!

Having sailed competitively throughout my teens, and even qualifying for the 2000 Olympics British training squad, I reached university and had to decide between a career in sailing or one in architecture – I took the sensible route! So, I went off to the University of Nottingham, greatly enjoyed being away from home and the social calling of university life, and just about got through my degree with a 2:2. I went on to Westminster University in London to study for my diploma, and after two years of studying and working simultaneously, I was nominated for the RIBA Silver Medal, the student architecture award for the best final diploma project. I didn't win, but it was a real privilege to be nominated.

After graduating, I joined John Seifert Architects, where I really cut my teeth on how to actually design and put a building together. After a short stint at a small start-up practice, I joined Assael Architecture, where I really began to understand how people inhabit and interact in living environments. Nine years on, I joined CallisonRTKL where, as a global practice, I experienced a hugely diverse scale and typology of buildings being designed with the same foundational principals of a deep focus on sustainable design for experience of users. Since I joined CallisonRTKL, we've built a thriving team focused on Build to Rent (BTR), which works alongside the other diverse buildings, interiors and masterplans designed in the London and Manchester offices.

I've been involved in BTR since its inception in the UK, contributing to both editions of the ULI Best Practice BTR Design Guides and sitting on multiple committees. It's honestly been a professional passion of mine from the very beginning.

There was that a belief a formula could be applied to BTR in the early days – sharers and millennials in flats with amenities and a concierge, and hey presto, you're done. Thankfully, perception of the market has moved on since then, and there's a deeper understanding of what the consumer really wants, with a variety of products, a range of price points, and different locations and character of neighbourhoods all having huge influence. The key to BTR is understanding your customer, anticipating your future residents and tailoring your development to their wants and needs. BTR isn't a tick-box exercise, it requires a considered understanding of the environment you are looking to create and knowledge of an operator's business model, so you can make the right decisions from the outset. What's right for one development might not be for another – the solution will be different every time.

The BTR market is strong right now, but there's still a lack of comparables, and construction costs are just spiralling out of control. It's always been a very tight financial model for developers and funders, but when you add in climate change, inflation and market considerations, it's getting even tighter.

Geographically, things are changing and becoming less London-centric – a lot of our work has been outside London in the last few years. We have four projects in Birmingham right now and we opened an office in Manchester off the back of the BTR boom. In Manchester, you could have planning permission drawn up and submitted through a pretty good pre-app system within four months, submit an application and be on site within a year of hearing about the project. With that being unheard of in London, funders are becoming increasingly motivated to have stock across regional towns and cities. In addition to Birmingham and Manchester, locations such as Leeds, Sheffield, Bournemouth and Bristol are becoming increasingly attractive to funders, as they are well connected, and have good universities and land that is dense and close to the city centre.

I'm looking forward to there being more and more offers for residents in BTR, and I love seeing the growing competition, in Manchester particularly. If you want to rent in the city, you have a range of products, price points and locations – this variety and breadth of choice drives excellence in the market. We saw it happen in the US – excellence in operations pushed ever higher because you can't afford to have a bad review and turn off customers.

This applies to core issues too, beyond amenities and operational effectiveness; for example, building safety. BTR is probably one of the best sectors for this, due to the nature of long-term property management and the fact we already have highly regulated design teams. Residents simply aren't going to rent a property where they feel unsafe – if they move in and there are things that make them feel unsafe, they'll just move out. That's what's so great about the BTR industry – everything is dictated by the fact the resident can move out, which means all parties have a genuine, long-term interest in making a development the best it can possibly be. Whatever the focus, everyone – from the design team and developer to the funder, operator and local authority – wants to get it right.

It's this kind of drive to get things right that puts us on an even footing with the US in terms of quality of offer now. The only difference is the level of competition, across the UK, we have 200,000 purpose-built BTR units, which is just a third of those in the Washington D.C metropolitan area alone – that's despite the UK population being 10 times the size of that area. The issue? The UK BTR sector just hasn't matured to a point where it can compare itself yet. Pleasingly though, we're beginning to teach the US a thing or two, particularly about new thinking in amenity and the mixing and type of units – and pushing hard for their ground floors to become as active as ours have always been.

**Photo credit: Station Hill, Callison RTKL**

"Pleasingly though, we're beginning to teach the US a thing or two, particularly about new thinking in amenity and the mixing and type of units.


For us, BTR is a lifestyle community of like-minded residents, with carefully designed accommodation, well-considered amenities and great customer service. Success is always going to be judged on customer service, so we map out the experience of the residents before we design the building. By overlaying an experience masterplan with an operational masterplan in conjunction with great design, it becomes a product rather than just a building. I'm confident our buildings deliver great customer service and operational return for our clients whilst providing a better experience for our residents.

Probably the biggest change that's affecting BTR right now is the occupation of the developments, or rather when they're occupied. The boom in working from home is seeing amenity areas used throughout the week, showing the real value of such facilities – they're no longer seen as evening or weekend spaces. The post-pandemic world has precipitated a massive shift in many of our residents' lifestyles, and these shared spaces lend themselves perfectly to a new way of working.

I count myself lucky to have worked on some truly innovative and successful BTR developments in my time, but Station Hill, with Lincoln MGT, stands out as my proudest project at CallisonRTKL. As a six-and-a-half-acre development site, delivering a landmark £750m regeneration for Reading, it's a true mixed-use scheme, and every element of it has been thoroughly thought through. It's also a prime example of how we prioritise human experience and the climate in a positive way, using research, technology and customer experience. People, planet and positive design is our gig, not just because they're macro trends but because they transcend all the different geographies and sectors we're involved in. Customers are going to choose based on their ever-growing environmental consciousness moving forward.

Ultimately, it's all about the people living in the property, and I like to look at this through the eyes of the lifestyle ecosystem. The home is just one part of the user's day; how people are working, living, eating, exercising and shopping is changing rapidly. A lot of it is driven by technology, but it's also driven by residents' choice, blurring the lines and seeing property lines being physically pulled away. We now have restaurants with no tables, gyms with no equipment, wardrobes you don't own and working from anywhere. The brief is changing, and residents are choosing their home based on their new ecosystem. This means our key design drivers right now are climate choice, wellness as a service, bringing the neighbourhood in, resilient amenity and facilitating a new lifestyle.

**Photo credit: Station Hill, Callison RTKL**

# What residents want

## Victoria Quinlan
President,
Cortland Europe

Photo credit: Cassiobury, Cortland

Fairly early on in my career, I realised that tangibility and seeing an outcome were both really important to me. Arguably, in real estate, seeing results can be a long time coming, but at the end of it, you can see a physical place and, more importantly, you can see the impact on people or the community as well.

I actually started life in financial services but didn't want to stay there. So I found a role in property in a more commercial sense, using my skill sets but also being more forward-facing on the ground and on site. That was my way into property, and I worked in different sectors – retail, commercial and, more recently, residential. And I've continually drawn on this learning. I think, certainly from a retail perspective, my previous experience in consumer-facing roles and having that customer focus has led to me always having the resident in mind in real estate. That ethos has come from my retail background, for sure!

I worked in Australia before coming to the UK. There were varying nuances around regulation and in terms of what drives the consumer there. But it wasn't too dramatically different from working here. I started off at Lendlease and stayed there for 19 years before I was approached about the role at Cortland. And the timing was good – I was looking for a fresh change and a new challenge. I had also been doing a lot in the residential space at Lendlease and really driving that agenda, and I felt it was an exciting market and product type. So, it was all about that aspiration, combined with Cortland's culture of putting the resident first, that appealed. In the US, they have built up a very strong well-known business in a very short time. I think that can be replicated here in the UK and, in time, in Europe as well.

In terms of our portfolio, we just had the topping out ceremony at our 51-storey Salford residential tower block, which is really exciting. We look forward to welcoming the first residents to our Build to Rent (BTR) scheme and having them experience our unique, resident-centric approach. Cortland Cassiobury in Watford also welcomed its first residents last month. We've got an asset of 440 units under construction in Birmingham, we are locking down another in Leeds and we're in talks for other assets in Manchester and Milton Keynes. Finally, we are considering the commuter belt in London. We always start by looking at transport, employment, GDP, productivity, population and retention – all those macroeconomic factors plus the supply and demand balance of housing in the area both now and looking to the future.

We've done a mixture of procurement. But our strategy going forward is looking at stabilised stock and buying and trading that, which is also where Cortland is strong in the US market.

In terms of joint ventures, we look really carefully at partners. We favour ones who let us 'get on with it' and allow us to really bring our skills to the table while holding us to account; but having partners who really understand the sector is very important too. Really understanding the nuances of the BTR sector is a big advantage.

We look at all partnerships on a case-by-case basis. We bring investors in depending on the assets and what they're looking for. In the US, we have all sorts of ways of bringing a product into the market – programmatic joint ventures, one-off joint ventures, but also a series of funds that we deploy on behalf of investors. So we will look to mimic that over time here in the UK, drawing on what we know works from the US market and adapting it here.

From an investor perspective, there's a lot of capital allocated to residential. A lot of investors have been under invested, and retail and commercial is not as attractive as it was. So residential is a better hedge against inflation than a long-term lease in logistics, industrial or commercial. We also have not been building enough housing here in the UK for many years, so we are playing catch up. I feel the BTR sector is more recession-proof than other areas, though obviously nothing is completely recession-proof. There are challenges – the inflationary environment and higher build costs are definitely biting until we get a bit more stability.

Also, what consumers want varies – you do have to consider nuances. The age bracket in BTR has widened and, as the sector evolves, I think we will see more diversity in the consumer. But at the moment, the majority are in their 20s and 30s. I don't think the name 'Build to Rent' is particularly helpful in broadening the market, but we are already down a pathway with the term. I think being able to clearly articulate a value for money proposition and letting consumers have a choice on what they will and won't pay for is so important. Every asset has different amenities and options. But we need to get better at articulating that. People shouldn't feel like they are second-class citizens just because they are renting!

Having a resident-centric business means that if your residents are happy, your success stems from that. It's about really getting to the heart of the customer, something we have proved in the US market already. We've always had properties with business lounges or spaces for people to work in, for example. But now we are thinking about providing different types of these areas. So, not just sufficient space but also different types of space. Also, spaces that are flexible and multifunctional – they can evolve as people need them. The big difference going forward is the resident experience offered by Cortland. We are the operator as well as the investor and owner; and we are looking after them for the long term.

The zero carbon agenda is further behind in residential than office and retail but it's definitely coming through more –

driven by consumers as well as investors. There's still a lot of work to be done, but residents do care about things like lower energy consumption, heating networks and smart technology. If we hold out, though, nothing will happen! We need to start incrementally making the changes, and that will push the sector to do more on zero carbon. Green space and outdoor space are also increasingly really important. We are trying to have a green space in all our assets for people to go to. In some places, we are building more formal outdoor spaces and garden seating; or dog parks or even an area that can be used as an outdoor cinema in the summer! Little unexpected things that make a difference.

Interwoven into the drive for zero carbon is the use of modern methods of construction (MMC) – we use some elements in our buildings, such as pods of bathrooms. On paper, MMC ticks all the boxes and it should work! We have spent lots of time and money on using MMC in the past. But it just doesn't seem to translate into time, programme, quality and cost. No one has really nailed it at the scale level though yet, and that's what it needs.

There are, of course, challenges coming up for BTR over the next few months. The main one, obviously, is inflation. Hopefully it will level out, but we will be keeping a close eye on that. There's also talk about rent control. I think the market will determine rental levels rather than having to legislate against it. And we've seen what's happened in Ireland and other markets in terms of unintended consequences. Finally, you cannot turn a blind eye to the cost-of-living crisis – it will affect all parts of the market.

Over the longer term, we can help government gain a better understanding of the residential sector and its sub-elements. Particularly with the new administration and new personnel, we have the opportunity to increase the credibility of the sector, be better aligned and demonstrate the valuable impact we are making.

In terms of Cortland's product, I would describe it as mid to upper market. Some assets are pushing on the premium end, such as Cortland at Colliers Yard. And there is demand for that, too. We don't have any properties in the mid to lower range at present. But no matter where an asset is within that spectrum, what we want to get across to people is that we care about our residents – they're getting great amenities and value for money. This is important to us.

> People shouldn't feel like they are second-class citizens just because they are renting!



Photo credit: Cortland at Colliers Yard

# Bringing a bird's eye view to real estate

## Deepa Deb

Partner and UK Head of Real Estate, Dentons

I decided to become a lawyer aged 15 after my Mum (who was a teacher before she retired) was mis-sold a private pension. I remember my parents agonising about it. So I marched us off to the Citizens Advice Bureau and they told us we could sue the accountant but that we needed a solicitor to fill in the required form. I asked if I could fill in the form instead and fired it off to the accountant's practice – their PI cover paid out! And I thought, if you know what your rights are and you're able to enforce them, then that's a good position to be in. So that's why I decided to become a lawyer.

I fell in love with (and remain passionate about) real estate for two reasons. Firstly, whatever you do in real estate is tangible – as a trainee solicitor, I was able to say, "Oh, I was involved in the lease or sale of that building." Secondly, it's a people business and it's all about relationships; you've got to be able to balance competing needs. And I'm quite a nosey person and I like people – so it's the ideal combination of legal expertise and inter-personal skill for me!

I joined Dentons in January 2019 as a lateral senior partner, and after nine months, my predecessor said she was retiring, tapped me on the shoulder and said, "You're taking over!" So, I took over as joint Head of Real Estate in January 2020 and became sole head the week before we went into lockdown! I have absolutely loved it and we work really well together as a team. We've jointly put through some changes that have transformed Dentons Real Estate in the UK.

The toughest part about working in a new role during Covid-19 was that we didn't know what to expect. We were able to mobilise our team working from home – most lawyers were already working flexibly anyway – but we didn't know how long term the position would be. The uncertainty was nerve-wracking. Thankfully, the sunny weather helped – people came together and, in fact, we got busier!

Build to Rent (BTR) is a fascinating sector. In the UK, it has really challenged the paradigm of an Englishman's home being his castle! The industry has evolved and tested that notion. We've seen a real change in the product – one that is designed and built for long-term renting. And therefore, the focus is on the provision of amenity that is desired and the creation of community, as opposed to the obsession with buying.



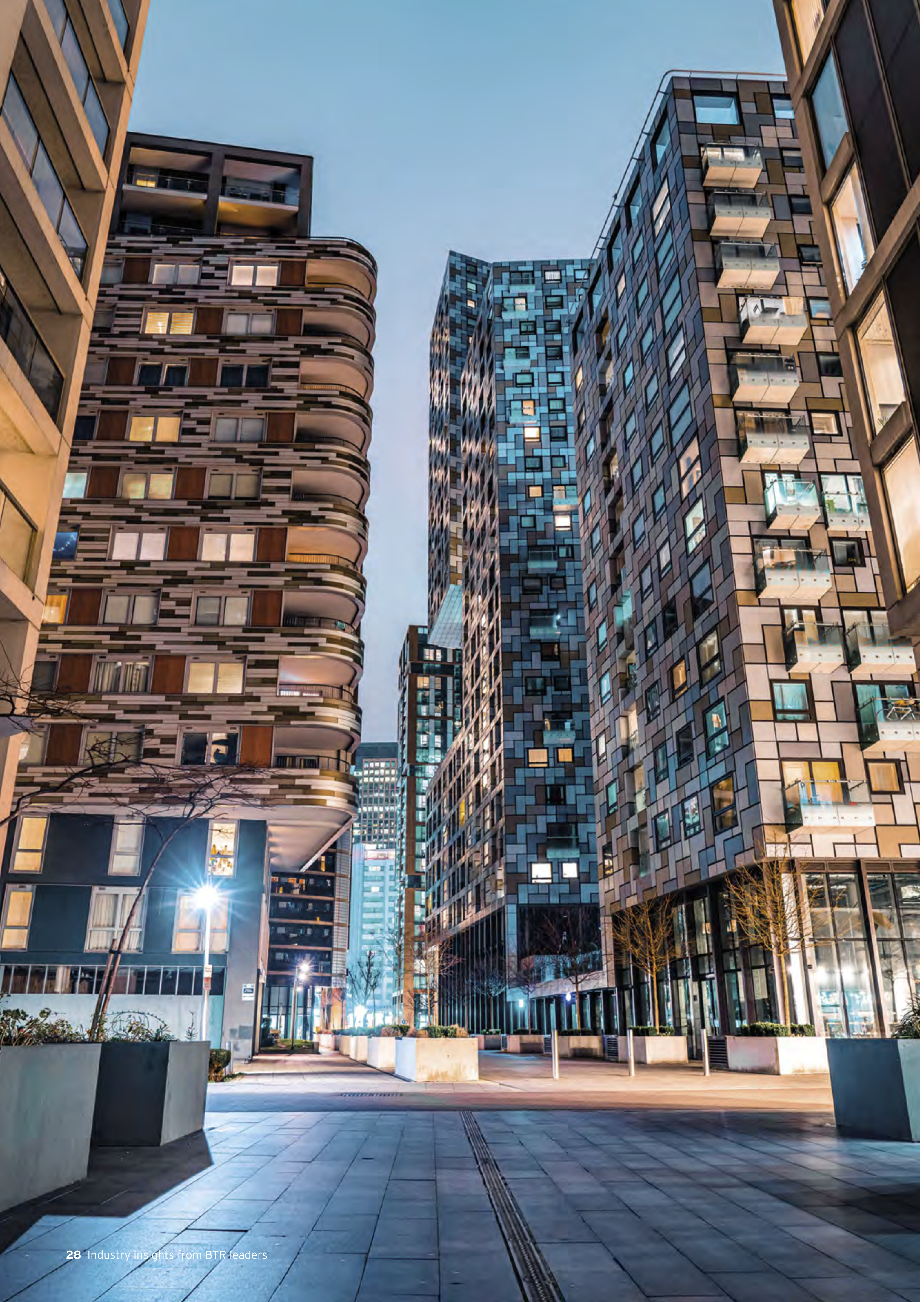
The sector started off with a lot of scepticism and has since gained significant pace. We have a housing crisis in this country, and it is not realistic to assume we can build enough houses to address that. It will be very interesting to see how BTR fills that gap. It's an evolving area and a significant growth sector. I'm fascinated to see what happens with urban versus suburban BTR, single versus multi dwelling, and differing age demographics. But also, to see how communities develop around BTR. I suspect this last element will be accelerated. Because as we know, when the pandemic hit, having somewhere to live that caters to your wellbeing and offers a community suddenly became much more important.

It's true that yield compression has occurred, partly due to more stock being available. However, BTR is still offering solid yields; and when you hold that up against the backdrop of a housing crisis, a more hybrid working population and a growing desire for people to have flexibility, I don't see BTR losing its yield attraction.

What underpins BTR is that people will always need somewhere to live, and we just don't have enough homes! Another reason I don't see this bubble bursting is what's happened with our retail players in the UK. We've seen new entrants into the BTR market from the retail sector, who are looking to diversify their portfolios and move into new areas – BTR is an obvious choice. One example is John Lewis – we are working with them on their BTR strategy. Others include Harrison Street, Confidential Property Group and Paideia Trust. These big players are all interested in long-term stability.

We are also already seeing increased appetite for schemes outside London, including Bristol, Birmingham, Cardiff and Scotland. The entry point in London is higher, and the post-pandemic hybrid working patterns mean you don't have to be in London every day of the week.

Of course, it's too soon to say whether a rental price cap will have an impact and, if so, what that impact will be. Caps are



# "CAPS ARE NOT ATTRACTIVE IN THIS SECTOR – WE'VE SEEN THE IMPACT IN GERMANY. IT DEPENDS ON THE NATURE AND LEVEL OF CAP THAT IS BEING CONTEMPLATED.

not attractive in this sector – we've seen the impact in Germany. It depends on the nature and level of cap that is being contemplated.

There remain multiple challenges for BTR going forward. Some are the age-old problems of demand for homes outstripping supply. There are also continuing pressures around the planning system and affordable housing – London is particularly constrained in that respect. The other big factor is the rising cost of construction coupled with the brain drain the construction industry has experienced off the back of Brexit. As a result, construction costs have become so high that they will undoubtedly have an impact on development.

There has been a lot of noise surrounding the use of modern methods of construction (MMC). There's no doubt more developers are now using a level of MMC in their construction – not just because of the time saved but also because it is more energy efficient. But there are still restraints and some reticence on the part of lenders to accept MMC, so we're not quite there yet. However, I think the ESG agenda will bring this to the fore. It is so vitally important tha these schemes stand up to ESG scrutiny.

That's why we are seeing more well buildings – and it's worth noting that it is end users who also want this, not just investors. Both the various global governments' commitments to net zero and the pandemic have accelerated this trend. I wonder whether the pressure from the end user means the industry will have to look at how to price well buildings differently as it becomes an expectation?

We also do quite a bit of work with affordable Housing Associations, as well as acting for owners, investors and affordable housing providers. It's an area where we are starting to see new entrants – there are now a handful of recognisable providers, as opposed to just a couple five years ago. There is pressure on all the social housing charitable businesses to ensure their long-term viability, but the key thing remains to get good-quality housing for our end users.

At Dentons, we like getting involved at the outset when a client is starting to look at their strategy. Do they have a forward funding strategy, a silent partner? What business models are they looking at? We see these deals from all perspectives – from the owner's view, the investor's, the operator's and the end user's. And because we are the world's largest real estate practice, we can also look at what's been successful in other countries too. Our work is very 'cradle to grave' in that respect.

Most clients tend to have different drivers for investing. Our job is to help them understand the different strategies and help the client to find what suits them best in terms of their own business plan. It's an advantage for us to be able to take a bird's eye view. You can see more global investors and players from the US and Australia, and I wonder whether the Asian markets may also be increasingly attracted to the sector.

We all accept that we are moving into a recessionary market, so there is some potential for this sector to be disrupted. But you have to balance this against the housing crisis and the Government's commitment to housing. We also have a new Prime Minister whose agenda is driven not just by environmental and sustainability issues, but also the need to tackle social mobility. It will be interesting to see how government investment is targeted and how that affects investment. But there is still a lot of money out there that is waiting to be spent. Real estate, particularly in London, is still a comparatively safe bet and, within the sector, BTR has shown remarkable resilience.

In terms of what Dentons can offer to all our clients, I think it's our ability to take the bird's eye view of deals. We can add value from the perspective of lessons learnt from more mature jurisdictions like the US and Australia, because we are a global business and have learnt a great deal from our colleagues in more mature jurisdictions.

# Launching EcoWorld London and the creation of Apo

Photo credit: Barking, Apo

*Heng Leong Cheong*
CEO, EcoWorld London

I studied economics and management at Oxford University and, like most of my contemporaries, I originally wanted to be a banker. Yet, by the time the milk-round interviews started, I had begun to realise that banking might not be the right direction for me. I wanted to do something more tangible and to see the product of my work. I decided to do an MA in real estate, economics and finance before returning to Malaysia where I joined property developer S P Setia Berhad, which was one of the largest listed residential developers in the country at the time.

My initial role at S P Setia Berhad was in investor relations rather than the bricks and mortar side of the business, but it did mean that I had access to the top-level management team and it gave me a very good early education into real estate development. In 2011, S P Setia Berhad wanted to look at opportunities to start a business in the UK, and I was charged with leading that process.

The initial brief was a small, quick turnaround project to get us started. Instead, we decided to start big – the acquisition of Battersea Power Station was too good an opportunity to miss!

I was seconded from Malaysia, representing all three shareholders in London, and spent almost three years as Chief Strategic Relations Officer for Battersea Power Station Development Company. I then became CEO of EcoWorld in 2015, spearheading the launch of the UK business.

I see my role as CEO as chief cheerleader: to nurture and instil a common shared purpose and value in the products that we produce. It is important to be proud of the schemes that we produce and to ask ourselves whether we would be happy to live there and to recommend the space to our family. If it passes the sniff test, then we know that we're on the right track!

> Amenities and facilities play an important role in a successful BTR scheme - we take a different approach to other developers and don't fit out amenity space until our buildings are occupied.

Our first UK projects were delivered in a 75% owned joint venture with Ballymore, which worked very well for us. We completed three successful schemes in London Embassy Gardens, London City Island and Wardian – it was an effective marriage of parties which brought different things to the table.

In 2017, we acquired a 70% interest in Wilmott Dixon's residential development business, Be Living, which allowed us to achieve scale. It came with an established pipeline and a strong team with expertise. While we took our time to understand the product, location and the country, we always had an intention of creating a long-term presence and a long-term growth story. Be Living became EcoWorld London

There was a lot of introspection at the time about what EcoWorld London should represent and, post-lockdown, we wanted to be focused on Build to Rent (BTR). We took the decision to close our self-delivery division in order to focus totally on being a developer. We also repositioned the BTR division from EcoWorld London and created Apo as a separate business in order for it to have the flexibility to work with both us and others who require high-class property management for its rental schemes.


Photo credit: Barking, Apo

The concept gives institutional investors a lot of confidence – we understand the importance of operational efficiency from the start, and then Apo looks after the asset at the end of the journey.

Barking Wharf is a scheme that we are particularly proud of. We have recently handed over the scheme to residents and it has been fully let in 14 months – market-leading pace. Apo now manages the homes, and it formed part of our landmark deal with Invesco Real Estate in 2018. We have delivered a high-class scheme on time and during a difficult time, and we are due to hand over a further 487 homes later in the summer.

We don't believe in taking a cookie-cutter approach to development – instead, we engage with the community to find out what they want. Aberfeldy Village, or Oxbow, East London, as we call it, is a great example to illustrate the benefit in connecting with the community at an early stage – it was incredibly positive to see the amount of support for the scheme, which involved the regeneration of both flats and homes. We believe that this adds to the quality of what we do, both for our product and for our business practice.

Amenities and facilities play an important role in a successful BTR scheme – we take a different approach to other developers and don't fit out amenity space until our buildings are occupied. Instead, we wait and seek feedback about the space from the people who end up living there, securing the community's view on what it wants and needs. Most BTR projects have a three-year delivery timeline, and needs can change during that time. At our Hayes scheme, we didn't fit out the terrace until residents moved in, at which point we provided the facilities they needed. At Barking, after consulting with residents, we didn't feel as if we had enough amenity space, so we converted space originally intended as apartments and turned them into amenity space for our residents. We then continue the conversation with the residents and can adapt that space to suit their needs. It's an approach that has worked very well for us!

# Community at the heart of urban neighbourhoods

**Rick de Blaby**
CEO, Get Living

I've had the privilege to work in real estate for 42 years. It started fairly conventionally with a real estate degree at Oxford Brookes. Throughout the 1980s, I learnt how to be a developer at Trafalgar House PLC, a conglomerate that held property, construction and shipping interests. I spent the 1990s at Countryside Properties where I was MD of the commercial and mixed-use regeneration business. My first 'big role' was as CEO at MEPC, backed by big institutional capital, where I spent a happy 10 years, during which it outperformed its benchmarks in all but one year following the global financial crisis. I then had a three-year spell with private equity as CEO of United House, but by far the most interesting role has been the last five and a half years as CEO of Get Living.

I'm the first in my family to get into property. I can remember drawing pictures of buildings as a youngster, and I did consider embarking on a career in architecture. Honestly, now that I know the sort of talent required for great designers, I don't think I'd have been a great architect, but I like to think I have the vision to set an inspiring brief. From a young age, I've always had a fascination with buildings and places and how they are created. I'm a Midlander, so making things was always in the blood!

A lot has changed during my time in real estate: the huge strides that have been made in financial literacy, research, data analytics and ESG have made the real estate world unrecognisably better, but I believe the most fundamental tenet and the foundation of success that should drive any development and regeneration is that which puts the customer at the heart of what you do and fosters a sense of community.

Taking the time to understand what people want and need from their homes and neighbourhoods, providing a platform for people to thrive, has been central to the success of Get Living.

Build to Rent (BTR) is playing a growing and important role in boosting housing numbers and will continue to do so. As a nation, we are not delivering the housing supply needed, and the barriers to this are considerable for an escalating list of reasons. However, we should have faith and conviction that the professional developers, policy makers, investors and operators within the sector will continue to innovate and find solutions, as the sector is impressively full of talent and people with purpose.

Photo credit: East Village, Get Living

The option to rent one's home is a choice made by an increasing number of households, and I believe the BTR sector's purpose is to provide a proposition to residents around quality of home, public realm, service, security, amenity and value that can exceed anything which individual private landlords might provide. In our experience, the flexibility of a proposition like that of Get Living is highly prized by many of our key target consumers. Many renters are on a quest for ambient wellbeing, purpose and affordability, so purchasing a home may not be an immediate priority.

Some people of course still aspire to buy, but the sector has a role to play there too, with schemes offering rent to buy and shared equity. We need to be realistic about the fact that the British belief in buying property, adding time and then reaping the profit is no longer the de facto route for the younger generation.

Single-family housing is an equally important sector, but it's unlikely Get Living will pursue that variant in the short term; our investors prefer us to focus on perfecting our current model of delivering large-scale 'urban villages' in cities and commuter towns.

Get Living's ownership of East Village, the ex-athletes' village built for the 2012 Olympic and Paralympic Games, has proven to be the sector exemplar, from which we have learned so much. Ten years on from launch, it is now home to around 7,000 people and rising (including the affordable homes), running at around 98.5% occupancy. Early residents might have been more transitory, but what we see now are some residents who have been living there for a considerable length of time, with the average tenure of stay increasing, demographic profiles broadening and a huge range of backgrounds and occupations. At the last count, we had 80 nationalities, with the NHS as our largest referenced employer. Evident too is the increasing number of children and an established sense of organically grown community that has been established since 2013.

The maturity of East Village can be seen in many ways. The local school is rated Ofsted Outstanding, with 1,800 pupils. East Village has 25 acres of green space, the landscaping and trees are beautiful, and it has clearly become a hub for creative enterprise. This is evident not just with the many independent retailers, cafes, bars and restaurants, but also how East Village has become a cultural hub, evidenced by The Lab E20, a space that we created for community, creativity and sustainability.

Get Living worked with leading sustainable fashion innovator Christopher Raeburn, who curated The Lab E20's look and feel, headlining an initial Preview Programme of workshops and events. The Lab E20 gives us a multi-purpose creative space at the heart of the community in East Village and fits in with the newly emerging East Bank in QEOP, where UAL's new London College of Fashion building is under construction, alongside buildings to house BBC Music, Sadler's Wells and the V&A East, that will all firmly establish Stratford as part of a new cultural hub for East London, something which East Village aspires to be part of.

Since launching East Village as our very first neighbourhood, we have been able to add Elephant and Castle and New Maker Yards in Salford, and now have 4,000 operational homes. A further 6,000 homes are under construction or in planning, with further phases of East Village, the Town Centre

Photo credit: East Village, Get Living

redevelopment of Elephant and Castle, Lewisham Town Centre, Birmingham, Maidenhead, Leeds, Glasgow and more. Our goal is to get to 12,500 homes within the next five years. Each neighbourhood is carefully curated and distinct to each place, mindful of the local environment and community.

ESG and the pursuit of net zero carbon is a huge challenge for everyone going forward. It has to be in the DNA of our people, our culture, our buildings and our audience proposition. ESG might have been seen as a defensive move until very recently, but it now is the key support pillar to any business, especially in real estate. It requires a patient but forensically thorough approach to learning, trialling, adapting and disrupting the thinking at every level, and whilst we know this is society's big challenge, we are excited to embrace this opportunity to move our business forward.

Where is the sector heading? Clearly there is a huge amount of capital looking to enter the UK BTR market, with new platforms being established to operate the growing number of professionally managed buildings and neighbourhoods. The competition is such that some bold underwriting assumptions are being made, not all of which one suspects will be entirely fulfilled. In time, we will see consolidation in the BTR sector as a handful of operators emerge as the industry leaders.

For Get Living, our mission is to reward our investors with outperforming total returns, year on year. We aim to do this through the creation and management of great neighbourhoods, skilful acquisition and development, a compelling resident proposition with exemplary service, and an efficient and thought-leading platform with talented people and purposeful culture. This will enable us to earn the right to compete for more shareholder capital, which places us as the potential consolidator when the opportunities arise, continuing to lead the way in the BTR sector.

> "Each neighbourhood is carefully curated and distinct to each place, mindful of the local environment and community.




# Improving the environments where people live

**Michela Hancock**

Managing Director, Europe, Greystar

I didn't dream of being in the property sector when I was little. Growing up in Virginia in the US, I wanted to be in business. I always wanted to have my own shop of some sort – when other children were playing with toys, I was thinking about business and commerce! I was always considering how to make profit and drive value – it's just the way my brain works, even then. I think my parents thought I was different from a very young age.

I ended up going into psychology. I studied it for four years at university, and then went on for an additional three years to complete a Master's degree. After I started working in that area, counselling children and families, I felt it was too hard to leave my emotions at the office; I'd come home and worry about all the people I was trying to help. In time, I realised I should do that kind of work as a volunteer, not as my day-to-day career.

It was time to change careers completely. I told my family I was starting to take classes in finance and accounting and that I was going to go to business school. While they were very surprised, given I'd gone down the path of psychology for seven years, they were incredibly supportive.

It so happened my family had owned a tyre company – they'd sold off the operational business but retained the land. As I was looking at the different programmes to study, I thought "why not real estate development?" I could help my family to eventually develop the land – that was the catalyst for me going into property.

It was a journey, I have to tell you. I didn't have any background in property, so I was taking classes to try and get into a Master's programme for real estate. I studied non-stop – I'd wake up at 5:30am and study until about midnight. I got into Johns Hopkins University in the US – it had a programme in real estate development that really appealed to me.

On the Johns Hopkins Master's programme, everyone was given an adviser, who was supposed to be your champion, your mentor. Mine said to me, "Why do you want do this? We don't understand. You've studied something completely different." It felt unsupportive – but it drove me. It made me want to prove everyone wrong, so I studied harder than everyone else. Eventually, I won over my adviser, and he remains a trusted friend.

When the time came to get an internship, most of my classmates went into real estate finance, but I was more interested in real estate development. Everyone said, "you won't get a development job, there are no development jobs", but I got the one I really wanted, through sheer persistence.

It's important to me to work for companies with good values, and Bozzuto, my first property role, had them. It cared about the things it did and how it did them. I started working there as an intern but was quickly offered a job as a development associate. I started right at the bottom and worked my way up. I loved it.

In time, I got a whole development to run and it went from there. I always did Build to Rent (BTR) developments, from beginning to end. I had to find sites, put together the financing, oversee the design, monitor the construction, work with the operators on budgets and then hand it over to the management team.

I came to the UK because my husband had an opportunity to go to London for two years. He didn't think I'd say yes, but I said, "You know what? Let's do it". There are very few opportunities in life like that. Bozzuto didn't have an office in London but the CEO suggested I could be his eyes and ears on the ground in Britain, as he was hearing a lot about the UK market. I worked for Bozzuto for six months over here in the UK and, during that time, met everyone in the sector I could to share the story and advantages of BTR.

I then went to work at Grainger and for two years helped them with the start of their BTR strategy. It gave me real insight and understanding of the UK market. After that, I went to Greystar where I was able to further develop my career. I joined as Development Director, then became a Senior Director before being made Managing Director of Development. I led the development and construction business within the UK, which was an incredible leadership experience. Right before the first lockdown, I took on a European role to lead the third-party management platform and strategic partnerships. This new role came at a time when the importance of experienced operational platforms were finally recognised, leading to strategic opportunities.

When I first arrived in the UK, I asked everyone I could think of in development if I could come and talk to them about BTR. I'd meet with them and give them a presentation, and most people said it was crazy and would never work here. They said I didn't understand the market and that no one wanted to rent in the UK.

The student housing market here is well established, but there's nowhere to go afterwards that's professionally managed. No one could explain why.

At Greystar, we see BTR as a massive opportunity – but only if it's done the right way; at scale and professionally managed, purpose-built. There's now substantial understanding, and capital knows what it wants. The expectations are high, but everyone's more comfortable with the fully managed model and amenitised concepts of BTR so it's just about finding the right locations and securing the right projects

For us, it's projects of scale we're aiming for – there aren't many projects out there on a large scale. We're quietly confident about what we're doing, and we don't see competition as a negative thing. I personally see it as a positive because it pushes up the quality of the sector.

I believe it does not have to be a rent vs. ownership. For many reasons, people might choose to rent at different times in their life. There just aren't many good-quality options for renting, and we're trying to provide a lifestyle choice and community for our residents.

Back when I started, as a US business growing in the UK, Greystar had 30 years of knowledge, but no proven track record over here. It was a matter of building that platform in the UK, and now I feel like we have respect across Europe. There were things we did differently and still do. Customer service, for example: people don't want 'in-your-face' customer service, I think there's a misconception that American customer care is like that. We're all about getting to know the residents and being proactive – I feel like that's the difference in our communities.

Another unique aspect of working at Greystar is that we don't just take on any project or any third-party client; we're very selective. We understand the importance of being aligned in our strategies with the customer experience, design, level of specification and the level of service. The whole offering must be aligned with what we believe in.

We actively differentiate ourselves from others in the market by being very honest about who we are and how we operate. We're not the cheapest in the market, but you get what you pay for and we have the most experienced platform. Greystar has the best training and, most importantly, we have the best people. Our teams are passionate about rental housing.

Of the projects I've worked on, I'm most proud of Sailmakers at Canary Wharf because it was the first project I worked on after joining Greystar. Originally built for sale, we changed it to a BTR model. It was very challenging, requiring re-thinking and many changes, as we took it on late in the planning. We really made it work though, incorporating all the knowledge and understanding we have about customer service and the BTR market. It's a quality project, offering an exceptional experience that leaves a legacy. It remains a real highlight of my career.

For me, all developments should be about leaving something of quality, working on meaningful projects and improving the environments in which people live. I'm still very excited about where the sector is going and I think the future feels clear and positive. It's great to see how quickly the industry is coming on board with BTR – the next few years are going to be fascinating for us all.

Photo credit: Sailmakers, Greystar

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THEY SAID I DIDN'T UNDERSTAND THE MARKET AND THAT NO ONE WANTED TO RENT IN THE UK.


Sayer Street

# Pioneering single-family housing

**Jo Cowen**

CEO, Jo Cowen Architects

Originally from South Africa, I came to the UK to study at Newcastle University. Given my interests – buildings, planning, philosophy, economics, maths – architecture was an obvious choice, encapsulating all those different passions.

After qualifying, I went to Peregrine Bryant, followed by roles with Foster + Partners and Rogers Stirk Harbour. It was wonderful to work at these renowned practices and with such talented architects, but after a decade, I felt it was time for a fresh challenge; I wanted to take the plunge and start my own firm.

I launched Jo Cowen Architects in 2012 alongside Chris Wilkinson – he's a fantastic designer and our partnership strikes that great balance between creativity and practicality. From the outset, we wanted to bring big practice experience to a studio setting, and I think we've achieved that – we've attracted some brilliant people to join us and delivered some really exciting, innovative projects.

We were both passionate about ESG from the outset, and putting environmental principles at the heart of our practice was always important to us. Ten years later, we're still guided by those ideals in our designs – I firmly believe good design aids cohesive social sustainability, pride and connection to place, promoting wellness and living sustainably.

There was undoubtedly a place in the market for a progressive, female-led practice, but we were largely underestimated by our competitors. We rather benefitted from them not considering us a threat, and five short years later we were beating the big players for high-profile projects.

Starting your own practice takes a huge amount of work and isn't without risk. I believed that provided we avoided debt, chose the right projects and worked with the right people we'd succeed, and fortunately I was right. We've made some mistakes along the way of course, but I've always had a clear vision for the kind of business I wanted to build. It's been a fantastic journey and I'm still hungry to achieve more.

Our first major project was Bakery Place in Battersea, where we transformed a neglected space into unique residential units. Our design offered a contemporary and distinctive environment that celebrated the original buildings, balancing modern design and historic character. Featuring exposed brickwork and modular glazed screens, with double height top-lit spaces and lightweight steel stairs, the scheme won an AJ Architecture Award. I still take great pride in our work there and remember the project fondly.

Winning some of our larger clients was momentous – particularly the Armourer's Court project, a joint venture between Berkeley Homes and TFL. That was a pivotal moment for the practice; we knew at that point the business had moved into a different league. We now work with many of the industry's biggest players, from Apache Capital/Present Made and M&G through to City & Docklands. From day one, our focus has always been on regeneration and residential mixed-use schemes, and we've undertaken a huge amount of research, including travelling out to the United States to look at different asset classes.

The inspiration for multifamily Build to Rent (BTR) schemes came from the US – we could see there was a big opportunity for the UK, and for early entrants in the market. Having taken the time to really understand the market dynamics and what a successful multifamily scheme would look like, we've been able to carve a niche for the practice.

Back in 2014, we also started to explore family housing on the back of BTR – I don't know of any architecture practices specialising in single-family homes. The market is still very small; however, the £6tn of ESG capital forecast to come into London and Europe during the next seven years is likely to help power its growth.

Covid-19 undoubtedly accelerated the expansion of the single-family BTR market because the value of the home became more important than ever. Land continues to pose an entry challenge, but there's no question developers can see the potential for return. It also offers a more stable asset, with an average occupier period of three to five years.

**Photo credit: Jo Cowen Architects**

> " I firmly believe good design aids cohesive social sustainability, pride and connection to place, promoting wellness and living sustainably.

While we're seeing more entrants to the single-family market, and that will continue to grow, it does require a very specific set of design skills – we did two years of research and development before we began our first scheme. Every centimetre has to be challenged, from parking to community and amenity space.

We're thrilled to be working with Present Made on its Eddington development, a hybrid multifamily and single-family scheme in Cambridge. It'll be transformative for the university and will mean people don't have to leave the community where they've built relationships and where they feel at home. Instead, the variety of living spaces available will support them through different stages of their life.

The Eddington masterplan is landscape-led, with a host of amenities from community tables, chess boards, a café and zero waste shops to co-working spaces. The ability to invest in community creation has always been appealing to architects – introducing spaces like playgrounds, dog walking and wellbeing facilities allows us to create a place where people can connect to those around them.

The next few years will be an interesting time for the BTR sector as both multifamily and single-family housing expand across the country. London will remain buoyant due to the huge undersupply, but cities like Manchester are likely to see some transience between developments.

Major growth will come from the North of England as the levelling-up agenda gathers pace. Cities like Newcastle and Sunderland will benefit from grants for regeneration projects, while the likes of Milton Keynes, Bournemouth and Southampton are seeing strong demand for multifamily.

Unfortunately, we can expect planning to remain a challenge in the short term – its complexities may well see multifamily slowing; developers and investors are unlikely to have the appetite for two years of planning negotiations. The planning system should be doing much more to encourage and support the repurposing of existing buildings.

In terms of speeding up the delivery of new homes, modern methods of construction (MMC) has the potential to reduce construction timelines significantly, bringing huge benefits in precision engineering. However, manufacturing new homes at scale remains a challenge – none of the major UK manufacturers are producing more than 330 units per year; well below the number required. During research and development visits to China and Japan, we observed their use of MMC in house building and could see the potential benefit of using more innovative materials and methods in single-family schemes.

Sustainability is also a major benefit in the delivery of MMC projects, which should only be encouraged. Today's buildings are designed inside out, and we have seen a fundamental shift toward quality and value in design – regardless of the sector, we've always lived by the ethos that good design can only be sustainable design. Design has always been important to me – I hope this shows in our work.

Photo credit: Jo Cowen Architects

# BTR for societal benefit and profitability

## David Reid

Managing Director of
Suburban BTR,
Legal & General Capital

The inspiration to get involved in real estate began with my Dad. He was an enthusiastic architect, so I would get taken around different sites from a really young age, which I always loved.

My professional journey started in finance — I've been lucky to have worked in a number of different-sized groups, broadly invested in private equity and real assets. I became interested in housing through working in joint ventures with a national house builder. I was involved in private for sale schemes, and during the financial crisis, my role became to restructure these investments into Build to Rent (BTR) because the sales market had fallen away. It worked really well, and that was certainly the first time I saw the value in this sector of the market. The housing market today includes several new sub-sectors, and I enjoy navigating such a variety of different stakeholders and characters.

Legal & General has been involved in the institutional BTR market for about as long as anyone in the UK. The priorities in my current role for Legal & General Capital (LGC) are delivering our strategy for the suburban BTR business, building and leading a strong team, and structuring our partnerships in an efficient way. Our ambition is simply to deliver great-quality housing and manage communities as a responsible landlord. We think the average quality of rental housing in the UK isn't good enough and we see an opportunity to improve it.

In terms of the market, the single-family sector's biggest challenges to date have been the continued robustness of the housing market for sale, and competition from institutions for a similar, limited quantity of high-quality product. There is also a strong emphasis now on the quality of homes coming into the market. Much of the country's older housing stock is considered poor quality, and the Government has recognised that.



> "SUSTAINABILITY IS FUTURE PROFITABILITY. WE ARE NOW SEEING INSTITUTIONS PAY MORE FOR SUSTAINABLE INVESTMENTS, AND I SEE THIS TREND CONTINUING.

Delivering higher-quality rental housing stock to the market is a fundamental ambition of our business.

Delivering higher-quality rental housing stock to the market is a fundamental ambition of our business.

In line with L&G's 'inclusive capitalism' ethos, and LGC's commitment to investing society's capital for society's benefit, we pursue Suburban Build To Rent (SBTR) development opportunities that will deliver positive societal benefits. Geographically, our ambitions are also spread, and we are looking to test the environmental as well as social impact of the investments we make over time.

The current rapidly changing macroeconomic environment will probably challenge some shorter-term horizon investors. That said, the UK housing market has historically been seen as a safe place to invest both national and foreign funds over time, particularly those chasing inflation-correlated investments. Within LGC and the SBTR business, we are often able to take a long-term view of a market by virtue of our long-term patient capital.

The emphasis on sustainability for us, and indeed across LGC and the L&G Group, is enormous — it forms a fundamental part of our SBTR investment criteria as a business. Sustainability is future profitability. We are now seeing institutions pay more for sustainable investments, and I see this trend continuing. For example, LGC has invested into clean energy businesses, which will help deliver on L&G's wider ambitions for operational carbon net zero by 2030. From a future-proofing perspective within the SBTR business, we will invest into homes with a minimum EPC B rating. It's also possible to test the impact of our investments over time, and BTR landlords can collect long-term data to support this. I'm interested in how we can do that on a wider scale to improve our service to our customers in future.

A new sustainability-related focus area for us is understanding the impact of health inequalities across the country and the role that housing and communities can play in tackling this. Across our SBTR housing sites, we will be trying to promote better health outcomes for our communities. I've done some work with Professor Sir Malcolm Grant within the NHS Healthy New Towns programme – testing the impact of certain additions developers made across housing sites. This included everything from building Primary Care Trusts into sites to introducing edible hedgerows. We hope to use some of these learnings to influence our own developments. Our focus on health was inspired by the partnership between L&G and Professor Sir Michael Marmot to explore how businesses and stewards of private capital can invest and otherwise act to help reduce the 'health gap' around the UK.

We see a lot of builders and businesses that are trying to move towards a variety of modern methods of construction (MMC) delivery models. I can see more investment coming through in future because the theory of it continues to make sense, alongside the sustainability benefits.

Going forward, we want to maintain a national strategy and we are working hard to secure deals around the UK, in addition to the sites in Peterborough and North Horsham that we have already announced. We are doing this in partnership with builders as well as delivering for ourselves.

While we expect to appeal to a broad demographic, younger families with an interest in local schools and nurseries will likely be particularly interested in our homes and level of service. A key measure of success for us will be delivering homes and communities over time, where we see less transience – homes where people feel they can put down roots, decorate to suit themselves, have pets, raise their families, and perhaps above all, trust their landlord!

"DELIVERING HIGHER-QUALITY RENTAL HOUSING STOCK TO THE MARKET IS A FUNDAMENTAL AMBITION OF OUR BUSINESS.

# From policy to placemaking

## Alex Notay

Placemaking and Investment Director, PfP Capital

> WE'RE NOT THE CUDDLY OUTLIER ANYMORE – WE ARE AT THE VANGUARD OF WHERE THE MARKET WANTS TO BE.

I have what is often called a 'squiggly career' path. After studying international relations, Arabic and French, I had my heart set on being a diplomat, saving the world through public policy and Ferrero Rocher! I was really determined to do a job that had a positive and tangible impact on people's lives.

I got onto the Civil Service Graduate FastStream programme but, instead of the Foreign Office, I ended up in the Office of the Deputy Prime Minister, working on local government finance and procurement. It was the very last role I would ever have chosen but actually a really good grounding in how important those processes are to the ins and outs of government delivery. I then moved on to a brilliant role in the Regional, Urban and Economic Policy team where I worked on things like State Aid, the formation of what is now Homes England and a lot of early work with the EU around energy efficiency and sustainability that began my passion for ESG. I realised that the things I had studied around nation states and international politics were also things that were happening at a city level, and that within the urban context, there was a place for me to use my skills and have that tangible impact I was seeking.

Realising I wasn't going to be a career civil servant, I took a role at the Urban Land Institute, the leading global think tank for real estate. They were highly influential and very much about the transition from real estate just being about development to being more about place and prioritising communities. It was great for me. My induction was being sent to see the CEOs of all the biggest developers and investors in Europe, sit in their offices and ask lots of often very basic questions to fill in the gaps in my detailed policy knowledge with actual business experience and learn like that. I ran ULI's research and advisory work across EMEA for five years and got this amazing real estate education by working across lots of different asset classes and markets, and getting to be in the room with the real leaders who were making the big deals happen. It was like a real estate MBA on speed! The advantage for me was being a generalist in an enormously specialised sector, where things often got missed but my strategic view could pick them up. I loved exploring things like how the approach to affordable housing in Istanbul vs. Berlin vs. Birmingham could be completely different, yet how common some of the challenges and solutions could be.

ULI was somewhere I could have stayed forever and still has a dedicated cohort of 'lifers', but I wanted to get closer to doing the deals rather than just advising on how to start them off; as a non-profit we'd often catalyse an amazing project but then have to step away from the delivery. I got lots of interesting approaches from recruiters and big firms where I'd never pass their HR sift because I wasn't qualified as a surveyor or planner or accountant, but I had this amazing board-level network and loads of big project experience, so people were very confused by me! I'd often get asked "But what are you?" Because people just couldn't understand why I didn't fit in a traditional box on a form!

My options seemed to be to stay where I was or to take a massive pay cut and go backwards to get the tick box qualifications, but I was very fortunate to have some amazing mentors who encouraged me to own the fact that my skill set was having a much more strategic view, understanding where the gaps were and being able to deliver a plan managing specialist teams. I started off in 2011 and quickly had a decent strategy consulting business with clients in the UK, US and Europe, but was also lucky enough to retain a part-time consultancy role with ULI where I was still leading their work around residential investment and multifamily/Build to Rent (BTR), which I'd started in 2008.

By 2013, around 80% of my clients were asking me to advise on investment strategies for Build to Rent, so suddenly I'd found my specialist area. I was able to open doors from my time at ULI to experienced investors in the US and Europe, and the BTR sector was a very small, collegiate group of people, most of whom got that we were building a market so collaboration was really important – we were effectively proving the concept that BTR could be viable as a differentiated part of the wider PRS in the UK and then Australia. I was advising early adopters and using my experience from the US to show the importance of competition on product and service rather than just price.

I absolutely could have kept growing that business. However, although I really enjoyed consulting, I found it frustrating not to get to do the full lifecycle and get into the delivery. Places for People Group was one of my clients, so I was working with them to evolve their approach to the PRS, and then they were setting up PfP Capital – this was the first time a registered provider had set up its own fund and asset manager, fully authorised and regulated by the FCA, so it was effectively a start-up business within a larger organisation. The opportunity for PfP Capital was to build a business off-balance sheet, so raising third-party capital with a minority stake of up to 10% from the Group – but essentially furthering the Group's mission around quality communities and positive social impact. It's a wonderful holistic cycle when we get it right!

The main objectives for us at PfP Capital are to deliver competitive and stable returns for our investors but be absolutely grounded in a focus on social value. This means our decision-making process is quite different from traditional funds, but we are really focused on placemaking, ESG and long-term communities, and not just on short-term IRR. By the end of 2022, we'll have £1bn assets under management, which is not bad from a standing start with a very small team! We like to go quite quickly: our aim is to have £3bn under management by 2025 and we're on target for that. I spend a lot of time talking to investors, particularly institutional pension funds, and it's been amazing to see the radical shift of priorities in recent years, accelerated by Covid-19, that have pushed things like social impact and net zero right to the front of the deck. We're not the cuddly outlier anymore – we are at the vanguard of where the market wants to be.

It's great to see that the wider residential market has really shifted from a traditional 'bricks and mortar' focus to tackling those broader issues around community, ESG and place, but delivery is still a massive challenge; not least with the challenges around the planning system, taxation, and of course, all the pressures on construction supply chains, labour markets and wider economic pressures with inflation and interest rates rocketing. On top of that, the BTR sector is still battling to compete in a system designed really for sale. When your day one costs are probably 20% more than a traditional house builder's because you're hiring your management team at the start of the process, not after you've built, and you've got to compete in a system that's inconsistent and doesn't always understand or value the output you will offer, it's not for the faint-hearted! But the quality of a true BTR product proves itself for investors and, most importantly, for residents. There's a reason that it's worth going for – you just have to be very determined and resilient!

ESG is a massive part of my role. In terms of sustainability, BTR has a clear advantage because you're building new products you can design in, which is much easier than trying to retrofit 150 units in a 1970s block. But there are still costs and complications. You could have three identical houses in Devon, London and Glasgow and they're not all going to be able to have an air source heat pump due to orientation or the ground conditions. There's no single solution you can roll out across your portfolio, and we don't even have agreed definitions or baselines for ESG real estate, let alone to tackle the nuances of residential property. It's that granularity that we really must get to grips with, and I've been very proud to chair the ESG and Residential working group at the BPF, which has published some really valuable guidance to try and break down some of the confusion in the market: https://bpf.org.uk/media/4534/bpf-residential-esg-guidance.pdf

One of the most common challenges is tensions around trade-offs, i.e., around the drive to net zero, which is absolutely something our industry needs to tackle but we can't do overnight, particularly when government regulation is often quite far behind where the market already is or is wildly inconsistent about baselines and targets. Within PfP Capital, although we are working with our investors on a transition to net zero plan, our absolute priority is to deliver high-quality and affordable homes to our customers. Even before the energy crisis, an all-electric home would be unaffordable, so we must be innovative and practical in how we deliver much-needed housing stock that we can adapt and future-proof for the long term but make sure is still affordable in the short term.

Many investors are open-minded when it comes to modern methods of construction (MMC) and there are good products out there, with good people behind them, but despite the excellent work led by Mark Farmer since his 2016 Modernise or Die report on the construction labour market, there remains a big challenge to large-scale adoption.

My personal view is that you can have the best solution in the world, but right now, there's no standardisation of components and no compatibility. If I take an MMC scheme to an investment committee, it's very hard to persuade them to underwrite something that would have to be demolished if the chosen provider goes bust because there are no step-in rights. You'd have to re-procure another system from a different provider and start again. In an already volatile market, that's a level of additional risk that just seems crazy – so it's a real inhibitor to large-scale expansion. Of course, lots of firms are establishing their own in-house platforms, so we will hopefully evolve over time to a more stabilised sector, but MMC providers are competing at a technical rather than service or adoption level and that's a massive problem. There's a lot the sector can learn from the automotive and aviation sectors to shift to a more strategic approach. Mark was calling for shared R&D centres in 2016, and I still think that's one of the most important shifts we could have in enabling MMC adoption at scale.

There is a big education gap in the UK with BTR; even the name is clunky. In the US, the standard investment term is multi family, but in the early days, people thought we were talking about living in a commune! For the customers, we want to show that professionally managed renting can be a positive experience. For the investors, we want to show that those large-scale portfolios deliver quality homes and strong returns. We haven't cracked the education piece yet and need to move away from just relying on the idea of 'build it and they will come'. The British Property Federation and the UKAA have already done some great work in this area, but BTR is only around 1.5% of the wider housing market so there's still a long way to go.

The more traditional landlord/renter relationships can be very adversarial in the UK and, as a result, renters have very low expectations. Once people have experienced BTR, they realise things get fixed promptly and understand there is security of tenure, but also community. We've all got horror stories of renting in the wider PRS, but I've also rented a BTR flat, and even after all my years of BTR evangelism, I was genuinely surprised by how much easier and better the whole experience was. Naturally, it takes time for people to trust that we don't want churn, what we want to do is retain residents and build a community, and that's a huge flip for a lot of people – yes, customers, but also policymakers and local authority officials.

Fundamentally, BTR is not a sales business, it's a customer service business. It's about creating better experiences for renters and maintaining progress in a challenging market. It has such a tangible and positive impact when you get it right, and that's all I wanted to do at the start of my career – even if I don't have the Ferrero Rocher!



# Bringing Stateside perspective to the UK

**Danielle Bayless**

Chief Operating Officer, Quintain Living

Photo credit: Ferrum Social Space, Quintain Living

Like most people who get into real estate, I joined the sector almost by accident! I was in college, waiting tables, and decided I wanted something with more structure, paid holidays and no more working nights. I had a friend who had a job as a leasing consultant and absolutely loved it. It just so happened that the community I was living in had a vacancy, so I went to chat to them about it. And, having no idea this would end up becoming my career, I started the role, and the rest is history!

I very quickly realised that I loved real estate and it checked all the boxes for me – I got to work with people while doing something that was challenging and rewarding. And it felt good that, at the end of the day, we were also helping people find homes. Thirty-plus years in the industry and I still feel that way.

Prior to joining Quintain Living, I worked in the publicly traded sector of multifamily living in the US. I had a colleague who really sold the idea of me bringing my many years of experience to shape the emerging sector in the UK. It felt like such an amazing opportunity to do something so different and yet so similar, with the added bonus of getting to travel and experience a different country and culture.

The final piece that made it so easy to say yes, was the fantastic quality of the development at Wembley Park. It rivals any development in the US for its standard of design and uniqueness. It has also has been curated from end to end, and you can see the effort that's been put into creating something that meets all the needs and wants of a resident-based community that people love. There is very little on this scale in the US.

Our priorities now are shifting out of the lease-up phase and ensuring we are continuously delivering on the promises we've made to our residents and investors. We also continue to draw on lessons from every one of our developments and apply them going forward. Opening in December, Repton Gardens will be our 10th Build to Rent (BTR) development, and over the years, we have received tremendous feedback from all our residents that has fed in to our design process as a developer-operator of BTR.

At Repton Gardens, for example, one of the things we've done is to increase the proportion of purpose-built work from home offices. We were able to adapt quickly and make that a priority. It's also 100% pet friendly, as are all our buildings.

We're really focusing on modern methods of construction (MMC) at North East Lands, and in other developments we've used prefabricated bathroom pods and precast façade panels with windows and doors. Each time we approach a building, it's with the mindset of what's new and emerging in MMC and what will work for us – it's about evaluating all of those opportunities with each new building design.

Our commitment to green space is evident – 50% of what we have designed and built at Wembley Park is private gardens or public realm. As an industry, we provide homes for thousands of people, and we have the chance to provide a platform that supports wellness and sustainability, and to truly involve them in playing their part and making a difference. You need to embed that in the customer experience from the very beginning.

We try to be authentic about everything we do as part of ESG. We report to GRESB, the global ESG benchmark, because it's important that, if you follow a trend, you can show and make a measurable improvement. If you sell a building, your carbon impact goes down because you no longer own it. But that's not an authentic way to lower your carbon. We prefer to design sustainably from the outset and then operate the building in the long term; it's far more authentic.

Our focus is on operational net zero, which unfortunately is still a more expensive path, particularly with inflated construction costs. So, for us, it's about finding a balance between what you can do and what you should do. We are trying to drive down energy and water usage, for example, by using pioneering technology to detect leaks in homes. This tool's success in identifying unusual consumption of utilities is testament to how crucial technology is in helping us minimise our impact on the environment. We also use a unique underground network of pipes at Wembley Park both for refuse and recycling, removing the need for bin lorries. The carbon reduction as a result is enormous. This type of attention to detail sets us apart from other providers.

As a business, we continue to look forward and are open to third-party management opportunities and to develop further sites through JVs. So, large-scale might be our wheelhouse, but we're certainly not limiting our vision to that.

> "We prefer to design sustainably from the outset and then operate the building in the long term; it's far more authentic.


That's why, in terms of our future strategy, we aren't limiting ourselves to what we know. We want to find partners that mirror our own values and goals so everyone is focused on delivering the same quality of product with the same ethos. I think we'll see the BTR sector continue to mature and thrive, and we will see some consolidation happen as larger players enter the sector. I also expect more diversification as the sector evolves to reflect how people live in the UK specifically. People in London and Dublin are turning increasingly to bicycles as transportation, so we have significant cycle storage in our buildings. But it's not something we see in the US.

It's Quintain's 30-year anniversary this year. We're celebrating that milestone, and we've also just signed our largest-ever construction contract at Wembley Park, which includes the building of the first new park in over 100 years in the Wembley area. This community will have such a different feel to it, thanks to a large pond and ground-level retail and amenities in a tranquil, peaceful neighbourhood.

The London Designer Outlet was the first destination we created around the stadium that gave people a reason to come to Wembley Park besides a football match! It has played a huge role in successfully transforming what was just an industrial site to a space that now offers great leisure and retail destinations as well as living accommodation, 365 days a year.

BoxPark is another example of the transformation and vibrancy we've created – I really do consider it the beating heart of Wembley. It's a natural gathering place for our residents, while supporting local vendors and businesses. It's one example of what we've done to back smaller retailers. The established resident base was even able to support those providers through the pandemic, and many actually did very well.

In terms of challenges for BTR, I feel we are still in a process of educating prospective residents and trying to inform everyone on the differences between BTR and traditional rentals. Another challenge is the competition that's coming with recognisable high street brands like John Lewis and Lloyds, alongside a range of institutional investors, entering the market. It will be both fun and challenging to see how we navigate that change, and I believe we are exceptionally well placed to face it – we not only have an outstanding product but also a level of customer service and community that's been incredibly successful. Over the last 18 months, we've leased 3,255 homes, so that's proof we've marked our territory.

We use the data we have about our existing residents to help us not only market to wider audiences but also to influence how we develop the personality of a building. We also survey people after they've leased and before they move out to see how they've been impacted on their customer journey. It's interesting how much more people are using common spaces, and in a different way from how they did pre-pandemic. We've added laptop tables and barriers to give people more privacy in dining areas – and that model will inform future developments. We also have a robust resident events programme that allows the community to come together. But this also happens organically, through our referral programme.

Finally, I think BTR will bring very different offerings as competition becomes greater and it becomes a more dominant part of the sector. We're actively looking at opportunities outside London and also third-party management of buildings. So far, despite all the turbulence in the market from inflation, we haven't seen a downturn in the interest in renting – quite the opposite. We have very good relationships with our contractors, and we survived the last recession; so hopefully this is just another bump in the road. We have an amazing culture of people who absolutely love what they do and are in a great place to expand our platform further.

Photo credit: Related Argent



# Building flexibility for the future

## Tom Goodall

Partner and Head of Residential, Related Argent

I've always been captivated by how people live. The home is where we spend the vast majority of our time and an Englishman's home is his castle, as they say. Our country faces a huge challenge to solve what is undoubtedly a housing crisis – particularly in London.

I trained as an architect and was fortunate to work on the London 2012 Olympics Athlete's Village which, for an avid sports fan, was incredible. It was fascinating to learn how 10 different contractors can build the same thing, in 10 different ways! It gave me a good insight into residential development and started my journey into it.

I worked for six weeks as a chartered architect and then decided to try something new, working at a project management consultancy. It was evident to me that a lot of the key decisions and challenges in successful development sat further up the chain, and I was interested in how to influence those decisions.

A colleague of mine then gave me an introduction to Argent. It was the summer of 2012 and London was basking in the glow of the Olympics. I remember that, after my interview, I walked into Granary Square and the perception of quality and civic space was so evident to me that I knew it was a business I wanted to join. The rest is history – I've just celebrated 10 years at the company.

The King's Cross development is successful because it doesn't take itself too seriously. It feels like a fun, exciting, light-hearted place to be, principally because the people that created it had a great time doing so! If we're going to be leaving an indelible mark on a city, we take it very seriously. The journey is long, so you must enjoy the process as much as the end result. I firmly believe that you can't be good at something you don't enjoy.

The sole ownership model has been absolutely essential to the success of King's Cross. There are lots of negative perceptions of privately owned public space, but control with the right ambitions and ethos is critical. It allows you to create well-designed and maintained spaces that provide a positive community asset from day one, and remain so indefinitely. Granary Square has had its 10th birthday and I would argue it looks and feels better today than ever, due to the active management and desire to evolve. Private ownership gives you the control to adapt. As ambitions change, things need to change with it. The control is physical but also means you can have the stability of investment to make improvements with time, such as achieving carbon neutrality. We're fortunate to have fantastic investment partners at King's Cross who help us to achieve ambitions like this.

Some people question whether it's become too hard for us to live up to the success of King's Cross for future projects, but I consider it a great challenge – and one that also drives further success. We're able to attract incredible talent into our business with a diversity of thought. As we have commenced creating the vision for Brent Cross Town, for example, our existing track record helped the community understand and believe in the potential of the project. You can't tell people what they think – a positive experience will do that work for you.

In terms of the UK's housing crisis, I worry that simply fixating and measuring against building (say) 300,000 units per year which, as a country, we've consistently failed to deliver, risks missing a key issue. If you just focus on delivering units, and not homes, communities and neighbourhoods, you'll end up creating places where no one wants to live. People want homes, not units. Community building also makes good business sense. If you can create a community that has its own magnetism, vibrancy and attraction, you can deliver more further down the line. You need to create the communities first, places which are desirable to live, and then you can deliver more quantum.

I am now responsible for a pipeline of 8,000 homes for Related Argent covering projects in King's Cross, Tottenham Hale and Brent Cross Town. King's Cross is a very desirable place to live now, and there are a range of housing across the estate. Under Related Argent, we have Build-to-Rent (BTR) at King's Cross which is the only BTR offer. We're excited to open that as our flagship building for our Build-to-Rent operations platform in 2023. By the end of 2025, this platform will be managing over 1,000 homes across King's Cross, Tottenham Hale and Brent Cross Town.

There are some lessons we learnt from the King's Cross project. The world has changed – people are going to be hybrid working, but they don't have the money for an extra bedroom, nor do they want to be working on a laptop sitting on their bed. So I think creating community hubs that feel like your office near home drives loyalty. And encouraging commitment and affiliation to a place is something we've focused on in the next community spaces we're creating.

With hindsight, one of the things we did well at King's Cross was to make sure, during the development, people didn't feel like they were living or visiting a construction site – but just a great bit of the city! In 2013-14, thousands of people came for dinner at King's Cross even though we were spending over a million pounds a day on construction. The pedestrian routes were carefully considered, and our team worked hard to ensure that there was so much vibrancy and interest at ground level to hold interest. These are things we are focusing on and taking forward again.

In terms of BTR, I think renters are looking for something different. They are, by nature, more transient and have more choices. So if you can embrace the challenge of trying to keep them, that's great. Anyone who has rented in London inevitably has a story about how poor the experience was. We want to challenge that, to create a fantastic service as well as a great physical product; all embedded in the best new neighbourhoods. When you get it right, people stay longer. The challenge we accept is we want to make a place good enough that people don't want to leave. If we provide a great living experience in our places, people will stay. You must exceed expectations year on year. And what was great last year is now industry standard. So, the BTR revolution is also going to improve rental conditions for millions of people, whether they live in BTR or not. Because suddenly the competition is changing. I believe that's the best thing that will come out of this.

> Some people question whether it's become too hard for us to live up to the success of King's Cross for future projects, but I consider it a great challenge – and one that also drives further success.

We've always been a business that wants to support loyalty and commitment to the spaces we create – one of the upsides of renting is that you can upscale more easily. At King's Cross, we never tried to determine how people would live their lives. Creating flexible spaces allows for the ability to change over time and respond to changing needs and trends.

In terms of what challenges we are facing, we're building for people, which means any challenges people are facing, we face too. Trying to bring positive change is a long process but, ultimately, it is people-centric. This can be a challenge in a world where getting people to come together is becoming harder as we do things more remotely. I am a huge advocate of hybrid-working, but there are certain serendipities and happy accidents that are harder to achieve working remotely. To understand what people are thinking, you need to see their body language; that helps to create authentic partnerships, which is the foundation of everything that we do.

As a company, we have no fixed framework and work with several very reputable, high-quality contractors and build long-term partnerships with them. With a pipeline of 8,000 homes, we have a large pool of contractors to choose from. Our ambition is to find sites where we really feel we can bring positive change. Our role is to use the scale of our pipeline to challenge our consultants and contractors to push the boundaries, to explore and use their expertise to create better outcomes.

Photo credit: Related Argent

The extent to which we look to the future is in terms of flexibility. We aren't trying to plan for how people will live in 20–30 years' time. Some of the fantastic things that happened at King's Cross happened because we didn't predetermine what it was going to be. At Brent Cross Town, we are focused on creating our town first. Once you create momentum, it will lead you to something that is incredible and beyond anything you thought might have been possible at the outset. Building for flexibility and planning for uncertainty is the answer and is the foundation of what makes London great.

# From concept to market maturity: the rise and rise of Build to Rent

*Polly Simpson*
Head of Multifamily Development, Savills - Operational Capital Markets

Photo credit: Soho Wharf, Savills

> Investors are increasingly looking for flexibility around amenity accommodation.

I now live and breathe Build to Rent (BTR), but property wasn't initially something I'd considered as a career.

Studying Geography at St Andrews, I realised that I was fascinated by the built environment - the way that people relate to place and space, and how their lives are organised around it.

Focusing on human geography as an undergraduate inspired me to do a Master's degree in Town Planning and Urban Development at Manchester University. I loved every second of that and it really deepened my theoretical knowledge of the property sector.

After my Master's and various internship placements, mainly with local authorities, I joined the Savills Insight Program, which was set up as an introduction to careers in real estate for those without much knowledge of the industry. Doing the Insight Program helped me get a place on the Savills Graduate Scheme.

I joined Savills with the intention of becoming a Planner, but my first rotation was in Investment, and there was a lot I didn't know! I later rotated into the Planning team and whilst I enjoyed aspects of it, I felt it wasn't quite right for me. I also did the international rotation and went to Poland for six months, working on cross-sector investment.

When I came back, I joined a team that was then called Funding and Development. The team had been assembled to try and figure out how to secure institutional investment for this new residential rental product, which was just starting to be called Build to Rent.

Ten years on from joining as a Graduate, I am now Head of Multifamily Development, providing advice on the design of Build to Rent developments and brokering forward funding transactions in the sector – which is the primary route to market for the majority of investors.

Multifamily refers to purpose-built, professionally managed blocks of flat for rent, owned by single investors. Schemes can be located in either an urban or non-urban settings.

Currently Multifamily comprises the majority of investment into UK Build to Rent, and I think this will be the case for some years to come. However, we are also seeing huge interest in Single-Family housing, and our team is advising an array of new and established investors looking to deploy capital into suburban housing for rent. Some investors, like L&G, are increasingly acquisitive across both these sub-sectors, recognising that there is a chronic undersupply of good-quality apartments and homes for rent, throughout the country.

Since joining the Savills Operational Capital Markets (OCM) division I've been fortunate enough to advise on the first ever forward funding transaction in the UK and more than 70 others since, helping clients with the delivery of over 50,000 Build to Rent units. It's been a huge pleasure to play a part and to watch this sector grow so quickly in a relatively short timeframe.

Given the strong performance of operational schemes to date, it's no surprise that investors are increasingly comfortable deploying capital into the sector at scale. In 2022 so far we have sought funding for the delivery of almost £2.5bn of Build to Rent developments, with a mixture of big ticket single assets and also largescale portfolios which have attracted considerable interest from the market.

Build to Rent has proven extremely attractive to renters who value the safety, security of tenure, amenity and community benefits it offers them. Getting the product right is absolutely fundamental and as the sector has evolved we have seen that there can't be a "one size fits all" approach to delivery.

We advise our developer clients on the nuances of each individual site, giving considered advice covering the basics of unit mix, sizes and layouts, right down to amenity configuration, refuse strategy and cleaning cupboard placement. Our insights are underpinned by empirical data, our own breadth of consultancy and transactional experience in the market, and feedback from our property management team which manages thousands of units on behalf of a range of institutional investors.

Investors are increasingly looking for flexibility around amenity accommodation. So, when we bring something to market, we typically advise our developer clients to leave some adaptability

Photo credit: International Way, Stratford, Savills

around the final use of amenity space, allowing potential investors and operators to put their own stamp on the product and make sure it is being delivered bespoke to the owner.

ESG is also a huge factor in relation to both tenant and investor demand, and Build to Rent has an amazing opportunity to lead the way in delivering greener housing. We are starting to see high ESG performance being reflected in rents and operational costs, which means investors taking a long-term view on asset lifecycle can really reap rewards as well as delivering sustainable buildings that benefit their tenants and wider community. That's why it's very important for us to understand, for example, the detail of the energy performance of a building.

We've managed to execute several transactions this year where the investors have paid to upgrade the environmental credentials of a development. This is demonstrating the importance sustainability is having on companies like Packaged Living and its investors and testament to the role the sector can play in furthering green agendas.

Another major consideration is fire safety which is taken very seriously by a host of investors taking longer-term views on building lifespan, often seeking to go above and beyond current building regulations. Working closely with investors like Pension Insurance Corporation has been hugely insightful into how tenant safety can inform major investment decisions. We now ensure fundamental investor requirements form part of our advice to clients in this regard.

We're now nearing the end of 2022 and all markets are in a state of flux due to the wider macroeconomic headwinds we're experiencing currently. However the fundamentals of the BTR sector will continue to support growth for years to come! Demand has never been higher and despite 10 years of delivery, overall UK rental product supply actually declined in 2021, as many smaller scale buy-to-let landlords are exiting the rental market.

The sector isn't yet at maturity and so I think there has been some mis-matching on pricing, given the lack of performance evidence. The sector proved itself to be incredibly resilient throughout Covid-19 and I believe that the ability to more regularly rebase rents compared with other real estate sectors will continue to appeal to investors, who are seeking an 'inflation hedge'.

Personally, I'm a long-term renter and a firm believer that home ownership isn't the right thing for everyone. Part of that is a generational shift in attitude (a desire for more flexibility, etc), and for other people, particularly with the current inflationary pressures, home ownership is simply out of reach. Given that, we in the sector believe strongly in the need for high-quality accommodation across a range of tenures, and BTR provides a compelling offering for renters of all ages.

As you can probably tell, I'm passionate about Build to Rent. There's nothing I love more than walking past buildings that I have been involved with years previously and seeing them now physically built and home to hundreds of people. There's really a lot to be proud of in playing a part creating these high-quality homes.

Photo credit: SAY Property



# Coming together to do good

## Debra Yudolph

Partner, SAY Property Consulting LLP

It was never a conscious decision for me to work in property. I left school at 16 wanting to work in fashion and completed a management training course at Harrods whilst attending college. After working in fashion for a bit, I went travelling and came back at a time of high unemployment so took a job as a Trainee Property Manager as a stopgap. I think I thought it would be quite nice to be in a suit with a briefcase, which is so not me! And that's how it started.

After a few years as a Property Manager, I joined WA Ellis (acquired by JLL) where I took over their block management business. I was there for about four years before being approached by Grainger to become Head of Property Management. During the 10 years I was there, the company went through massive growth and change, and I worked for Rupert Dickinson, who was the CEO and an amazing mentor to me. I was given access to so many opportunities outside of my core role, including communication, CSR, starting new areas of business and even finding architects for schemes. He gave me so much opportunity.

I left Grainger in 2008 when the recession hit and became a consultant. I was well known in the industry by then and was busy from day one. That's when I met my now business partner Charles Seifert, who offered me a desk in the office of his property management company. After he sold-up, we went into business together and that's how SAY was created.

I sometimes feel like my whole career has been more luck than judgement. I've never really been someone that's had a plan, so I've been fortunate because I've often been in the right place at the right time.

The BTR market is still relatively new which makes it exciting, but the fact that it has an ability to change the perception of landlords and improve the quality of rented housing is vital. I think there will be more later living rental and more mid-market housing, but we'll also see a wider range of different types of multi family housing; there will be very few large-scale developments that don't have BTR as an element of them.

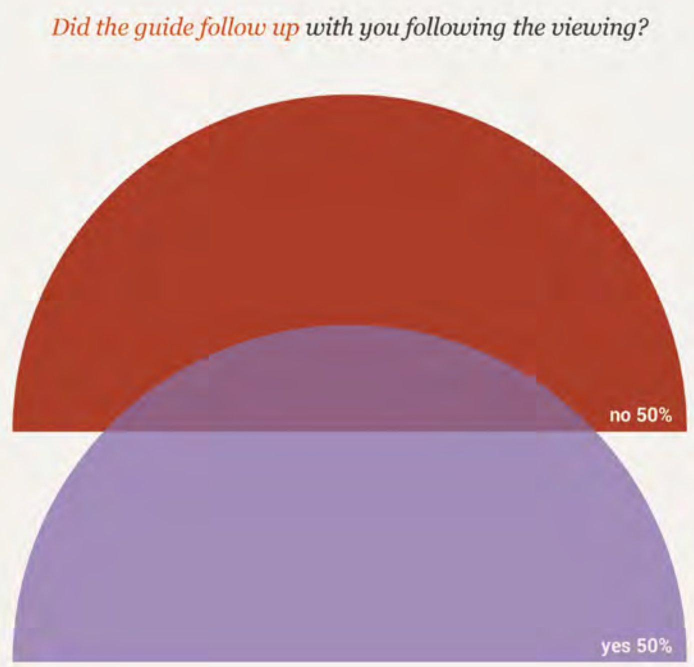

Photo credit: SAY Property

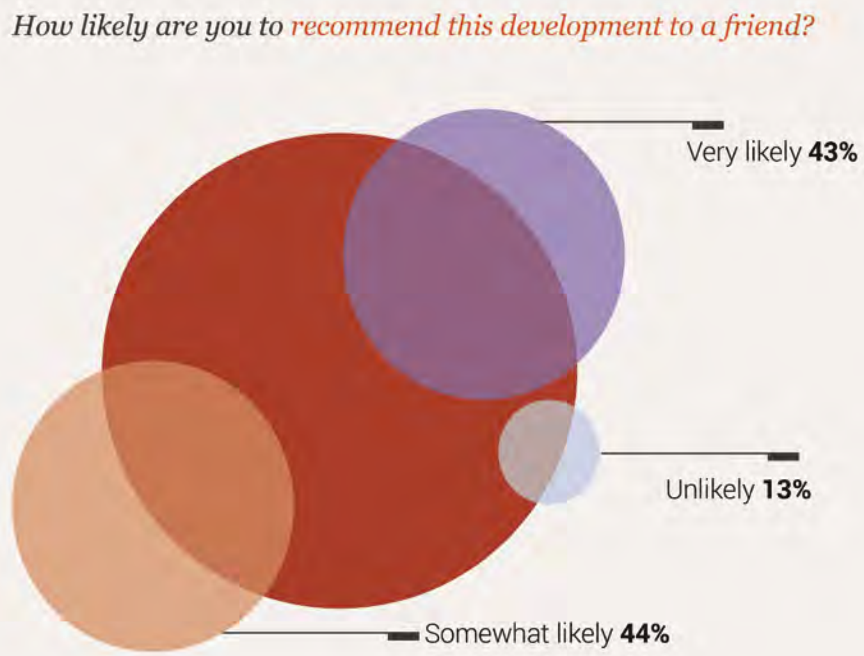

Photo credit: SAY Property

With this in mind, the industry really needs to get together and work out a way of explaining to the consumer what Build to Rent is. I think that's probably the industry's biggest failing. The industry understands it well, but consumers don't. The name doesn't help that.

Having businesses like John Lewis and Citra Living (part of Lloyds Banking Group) in the mix will enable the message to be better communicated to customers, but the industry still needs to work harder. There should be some standardisation such as tenancy terms and service commitments on what a Build to Rent resident will get. If you package up an offer that is consistent across most operators, people will clearly understand what BTR means and then they will proactively look for it. One of the problems is that the market's been so strong that it almost hasn't needed to happen, but we can't rely on that. We need to prepare for when the market is weaker, when we'll need to work harder to find residents.

To support this effort, we launched hereSAY in November 2021 – the first mystery shopping service that benchmarks the lead to lease experience across the UK BTR industry. We initially mystery shopped 22 BTR operators to create a benchmark and will be repeating the research annually. A large number of operators have taken up the retained service.

Generally, the quality of buildings did well but 50% of people never got a call back after a viewing, which was particularly shocking seeing as we undertook the first round of shops in quite a weak market. Viewing experience was largely good, but the benefits and USPs weren't clearly explained during the leasing process and most prospective residents weren't even told it was a BTR property. The BTR operators that did well in the benchmark demonstrated consistency but there was generally so much inconsistency in experience. If you arrive at a good, branded hotel such as The Four Seasons, you get the same experience every single time. That's just not happening in BTR. Robustness of training and experience still has a very long way to go.

The rise in energy costs is probably going to be the biggest driver for change in building design, more so than the need to measure and improve sustainability credentials. There will be a big push to make buildings more efficient and that will come from in-building technology, remote monitoring, more efficient M&E design, etc. In fact, all the things that need to happen from a sustainability perspective. The by-product will be a better, more sustainable buildings that will attract investment because actually investors are driven by returns and these changes will improve both financial performance and sustainability performance. It's a win-win!

I don't think investors or consumers are ready to pay a premium for "well" buildings just yet. Investors won't transact on buildings that don't hit their ESG targets, while consumers are more likely to pay more for homes that are cheaper to live in, right now. But that's a huge plus for the BTR sector because the buildings are generally new and much more efficient.

When it comes to volume house builders looking at BTR, it's good because it makes them think about places for the long term. A lot of volume developers have been doing that for a while, but because of single-family housing the more traditional house builders are having to think differently. Understanding communities in housing developments has been poor up to now and that's a real missed opportunity. So, I think the single-family housing market will evolve quickly into questioning community and amenity. How single-family housing differentiates itself will be important because it's not competing with buy to let in the same way as multi family. There's a real pent-up demand for rented houses and suburban apartments and that's why it's a good opportunity – but the operation and management of it could be far more innovative than it is at the moment

I've really enjoyed being able to create a business with the culture that I would have liked to have worked in, when I was younger. We are a diverse business and have worked hard to break the mould of real estate whilst becoming a trusted adviser. I love having interesting clients and keeping them happy and really appreciate that we can be forward thinking and make our own rules. We are at the behest of our clients of course but we have the ability to always do the right thing and that's the real driver for the business. Winning a RESI Award was a real career highlight for me as it was such recognition of our culture and amazing team.

Running my own business also gives me the flexibility to do other things including my non-exec and charity roles with Accumulate (Art School for the Homeless), Jewish Care, DSR and M&G and also work with The Big Society, UKAA and Mentoring Circle. I've always had a big social conscience, it's just part of who I am.

Mentoring Circle is a brilliant initiative and a definite career highlight. It's important to support people coming into the sector and for me that's not a gender issue, it's a much broader diversity issue. With a broad range of entrants into the sector, we can try to stop group think, which we currently have a lot of. Having a diverse group of people come into the industry would make it far more exciting, interesting and challenging. The other reason I mentor is because I didn't have a traditional education, I left school at 16, so I don't have the same background as a lot of my peers. This means I understand (a bit better) how people feel when they don't think they have a right to be at the table, because I've had that feeling a lot.

During the Covid-19 pandemic we joined forces with companies including Greystar and Deverell Smith to create a central register where the real estate industry could pledge support to the NHS and healthcare workers by offering space, supplies, manpower and other resources. The initiative repurposed the Do Some Good platform, which I launched when MIPIM 2020 was cancelled to encourage delegates to use the extra time from not attending the event for charitable endeavours. More recently we've been using the platform to support the people of Ukraine, and I am keen to find more ways for the industry to offer support and resources to those in need.

I truly believe we need to use our position for real positive change and genuinely help and support one another. So many of my clients are people that have worked for me or people that I've mentored or nurtured, so I must have done an OK job as they now support me and SAY! We just need to be kind and supportive to one another and the rest follows.

> "The rise in energy costs is probably going to be the biggest driver for change in building design, more so than the need to measure and improve sustainability credentials.

# Being a responsible developer and creating thriving mixed-use communities

Barry Jessup

Managing Director,
Socius

My route into real estate was unintentional - after university I experienced working as a bookmaker and in the oil industry with roles at BP and Total. Whilst I had built a successful career, I felt no sense of fulfilment and I decided that I wanted to do something more tangible. Although I had no property experience, my financial skills gave me a route into the industry when I joined Lendlease. The business was focusing on retail and had recently moved into shopping centres.

Retail turned out to be a fantastic sector to cut my teeth in the property industry - to be successful it's important to have a good understanding of the consumer psyche and those skills have served me well since. Lendlease was ahead of its time in turning shopping centres into a destination, Bluewater perhaps being the most recognisable example - adding bars and restaurants into the mix was a novel concept at that time. Placemaking also had an important part to play and we saw an increase in dwell time to a couple of hours. The concept of blending leisure and placemaking really sparked my imagination.

After six years with Lendlease, and having moved from finance into a development role, the business started looking at mixed-use development. Lendlease invested in First Base, providing some finance, and I got my first taste of the start-up ethos that I grew to love.

A successful 17 years followed, during which First Base delivered projects with creativity and great placemaking at their heart. Adelaide Wharf had one of the first modern-era co-working spaces, creating a buzz and helping to give it an identity, and we worked with English Partnerships to deliver the Heart of East Greenwich; London's first zero carbon residential scheme.

All our developments integrated affordable housing and sustainability as a priority. We also developed a reputation for working with top-end architects, which was unusual at the time because developers predominantly relied on in-house teams with limited capabilities.

When I became CEO from a senior director at First Base, it was a natural evolution; Elliot Lipton was focusing on the investment side of the business while I ran the development side.

We launched Socius last year, parting ways with First Base and it felt like the right direction of travel for both businesses. We launched with a £1bn urban regeneration pipeline, our existing team and a commitment to develop solely on brownfield sites in city locations; I don't understand why anyone would choose to build on greenfield land.

The Socius business is built on a genuine passion for people and public spaces, which is reflected in the developments we bring forward. In order to create and nurture an effective community we choose to focus on larger mixed-use schemes, with scale allowing us to impact on the environment. Critical mass is necessary to retain control of the dynamic and avoid relying on neighbours. We typically deliver schemes in a single phase and prioritise reaching out to the community - we will never turn our back on the surrounding community and endeavour to make those living in the vicinity feel part of the development.

We have worked closely with Savannah de Savary, CEO of Built-ID, to develop a bespoke consultation tool with a focus on online consultation, because we wanted to also engage with the silent majority rather than just the vocal minority. The tool, Give My Views is very effective in securing early buy-in and in identifying exciting opportunities - it has been amazing to see the opportunities and ideas that come out of those conversations.

We are mindful that, as a developer, we have a privileged position in terms of the impact we have on other businesses in the vicinity of our schemes and that we have an obligation and responsibility to do the right thing. Small decisions can have a major impact on people's lives.

ESG is embedded in our business - one of the first things we did after launching Socius was to become a B Corp. We are obliged to not only engage with shareholders, like the majority of developers, but with our internal and external stakeholders too. We are not just making empty promises to secure planning consent; ESG is a guiding principle in every decision we make.

It's important to talk to people and listen; so many developers still fail to do that. We have found that, generally, people do appreciate the creation of a new community and it's very rewarding to see that coming together; there's a real buzz in the collision of people's lives.

We're currently working on a scheme in Milton Keynes, MK Gateway, which we acquired from the council - we will retain as much of the building as we can, while adding an extra three floors to create over 200,000 sq. ft. of office space. To complement that, we have also secured planning for a 34 storey BTR scheme - it will be a genuine mixed-use development with thousands of employees as well as hundreds of residents. It's an approach that allows for a more efficient energy strategy while creating a viable seven days a week leisure and hospitality offer.

Creating a community in a residential tower can be challenging. At MK Gateway, we have responded to that in a unique way by creating a vertical village with eight large, shared gardens every three storeys. It means that the opportunity to bump into people is much greater, helping to create bonds and enabling social connections. We have sought to emulate the same relationships that you would see forming on a terraced street.

BTR will continue to play a major role in regeneration as part of well-crafted mixed-use communities. It's important that employment and culture is underpinned by homes rather than residential development being the instigator - building thousands of flats in isolation will simply create the ghettos of the future. Employment space for small, medium and large businesses allows a place to be prosperous.

Wellness will also continue to sit at the top of the agenda; the US is seeing a retail premium for that type of space and the UK market will evolve in a similar way. Space that isn't sustainable and doesn't meet the right criteria will eventually become much more challenging to let. Investors and developers will need to think more carefully about that, alongside the role of community, to allow their businesses to thrive.

> "BTR will continue to play a major role in regeneration as part of well-crafted mixed-use communities. It's important that employment and culture is underpinned by homes.


Photo credit: Socius

Photo credit: LU2ON, Strawberry Star Group



# BTR: the modern alternative living solution

Santhosh Gowda
Chairman,
Strawberry Star Group

This industry has always resonated powerfully with me. Shelter is one of our most basic human needs and securing a home is one of the most important financial and emotional commitments in our lives. That's why it has been my vision from day one that housing should become inclusive. I have worked in this field for the last 28 years with a success that I cherish.

In my 20s, I lived in Bangalore, India (where I grew up), and was astounded as an influx of capital led to rising demand for quality and premium real estate locally. I was among the few able to successfully cater to this demand – an experience that I was able to draw on to set up independent businesses in Dubai and Singapore. I developed my network, skills, relationships and processes so that when I arrived in London during the height of the subprime crisis in 2008 these served as a platform and launchpad for Strawberry Star in the UK.

What's my advice to someone beginning a career in the property industry today? As a first-generation entrepreneur, hands-on experience has proven invaluable throughout my career. My advice would be to start from scratch, learn the basics and think from the customer's perspective to deliver excellence. To build and value relationships with people, whilst maintaining transparency and dedication in every interaction.

The property sector is one of the most stable job markets in the UK. The sector is growing immensely here and the opportunities for job-seekers are immense. If candidates have potential, grit and talent, there's no ceiling to what they can achieve!

What's my proudest career achievement to date? The fact that we have developed a strong pipeline of over 2,000 properties in the UK, which is among the top residential markets. Value of the assets under management is £1.4bn with 1.5m sq ft acquired to date. When I consider where I started, the milestone that we have reached now is unimaginable!

There is an acute shortage of affordable homes, particularly those priced below £300,000 which appeal to first-time buyers. The lettings market is also characterised by growing demand from students, professionals and families, as well as shortages in housing. For BTR, specifically, this presents both an immense challenge and opportunity. Providing alternative choices, with ample supply that is adaptable to modern needs, is going to prove essential as market trends - such as hybrid, remote and flexible work - evolve. Moreover, the national drive for net zero carbon emissions by 2050 has made it incumbent upon BTR providers to take the lead in providing innovative solutions in construction and operation of developments that are energy efficient and sustainable.

BTR has been the fastest growing sector in UK real estate over the last decade and there is little sign to indicate that this will abate. The demographic data suggests that population growth over the next decade is set to be predominantly urban and that home ownership has slowly been trending down in favour of rental.

The private rental sector is typically characterised by the young professional bracket. However, homes with children grew the fastest as a cohort over the last decade. Multifamily developments have met the majority of this need so far. These larger sites have an incredibly regenerative effect, transforming towns across the country and harmonising both residential and commercial property assets.

One seismic attitudinal shift in the market has been the recalibration of preferences in terms of location, size, space and amenities. A broader range of housing options holds appeal to customers throughout different life stages - presenting a phenomenal market opportunity.

No wonder there is still extraordinarily strong interest in UK BTR from overseas investors – myself being an example! The resilient performance of BTR as a stabilised income-producing asset during the pandemic has driven much of that interest. Moreover, there is room for further growth of Britain's BTR sector which, if it matched that of the US, would grow ten times in size. As the sector reaches scale and maturity the investor mentality is expected to shift from a vacant possession valuation model to one that integrates the primacy of income as the most important value driver.

The key challenges with regards to modern methods of construction (MMC) include limitations in sizing due to transportation restrictions, maximum road widths, low bridges, weight restrictions and general disruption to traffic. Further, there can also be limitations on design flexibility, due to the modular structural construction approach. However, for investors these offer important cost levers to increase affordability as well as reduce building time by enabling assemblage off-site in factories.

From a net zero, ESG perspective, Britain's legislative requirements for energy efficiency are imposing stringent conversion costs on landlords that incentivise divestment of private lettings assets. This is forecast to boost demand for BTR products, reflected in the heightened investment levels for the sector.

The Government has set a nationwide target for all homes in England and Wales to reach a minimum "C" level of energy efficiency by 2035. But rental homes are required to reach this level by 2025 for new or renewed tenancies, and all existing ones by 2028. This is likely to induce greater selling pressure, as BTL landlords divest ahead of looming regulatory deadlines, reducing available lettings stock and driving BTR demand.

The WELL building standard heightens the weighting of wellbeing as a key focal aspect of the living experience. This is an aspect of sustainability we have seen have a significant impact on value. At our trophy BTR project in Luton for example, a key challenge we have faced and overcome is noise-proofing the development. The use of triple-glazed windows has served to both insulate the development from noise, as well as enhance energy efficiency, strengthening LU2ON's environmental credentials.

From a social perspective, communal living is central to the Strawberry Star experience. This is something we engender through specific means such as placemaking through well connected and pedestrianised infrastructure, as well as sustainable architecture to heighten the health and wellbeing of our residential settings.

The principles that underpin WELL buildings definitely drive value, with access to amenities or services which enhance air, water, nourishment, light, fitness, comfort and mind continuing to prove integral to our long-term performance.

Are investor attitudes to BTR shifting? Lifestyles are certainly changing and cross-generational renting is increasingly the de-facto choice that offers location flexibility, lifestyle and amenity choices. BTR is set to play a pivotal role in the Government's plans to build back better from the pandemic and level up the economy so regulations that ensure fair competition for BTR, with other parts of the housing market, will go a long way towards tackling the national housing shortage.

The UK BTR market also can learn valuable lessons from overseas. In both the UAE and Singapore, most of the BTR schemes are owned by government subsidiaries and are very well equipped with top-class amenities, making them out of reach for the mid and lower segments. The UK market gives private developers the chance to cater BTR to mid-markets.

What are Strawberry Star's upcoming priorities? The first is the realisation of our housing vision in the dedicated BTR arm of the business: Star Living, which will first launch its BTR schemes at sites in Harlow and Gravesend.

Driving regeneration, energy efficiency and sustainability initiatives are also priorities across our developments in line with government initiatives, such as the net zero 2050 goal and the levelling up agenda. Another priority is the ongoing improvement in the execution of our end-to-end services that enable the foundation for community building and placemaking that enriches the localities we are blessed to work with and for.

Finally, we aim to be one of the largest BTR providers in the commuter belt by 2027. This is our focus. And we have built substantial experience offering unique solutions to house-buyers, such as residential-led integrated mixed-use schemes, quality homes at lower capital values for first-time buyers, buy-to-rent homes and owner-occupied homes.

The macroeconomic environment presents a number of challenges and opportunities now and in the future. On the other hand, I entered the London market in 2008 amid the financial crisis and such uncertain periods offer tremendous risk-adjusted returns with the application of a strategic approach.

And what we offer is a unique - end-to-end service to our customers. Be it capital or acquisitions, development, homes, sales, lettings or marketing teams, we maintain regular communication to understand the business progress. While the teams continue to focus on their routine P&L mandates, I work with them to realise the housing vision from the long-term perspective. We have regular workshops and brainstorms to evolve strategies. We undertake review meetings to monitor and understand the constant changes in the market; aligning our business to the market trends to realise our long-term housing vision.

Photo credit: LU2ON, Strawberry Star Group

One seismic attitudinal shift in the market has been the recalibration of preferences in terms of location, size, space and amenities.

# BTR mustn't be labelled as exclusive - there is something for everyone

Lesley Roberts

President of the UKAA

My career journey, and eventual move into property, hasn't been linear but it has been interesting! I am Australian and started out in hospitality and the high-expectation world of luxury hotels working in both front and back of house gaining considerable knowledge of running large operational assets in an intense service environment. As much as I enjoyed hospitality, I segued across to mining advising on communications and stakeholder relations, attracted to the scale and strategic importance of the sector to our everyday lives. Mining is a major industry in Australia and I found it so interesting - the people are incredibly authentic and there is absolutely no subterfuge; that was very appealing to me.

After five fantastic years' I decided it was time for a change and I went travelling. I never returned to mining and after a short time living in Turkey eventually my adventure took me to London. There was no grand plan when I arrived but my background in mining and hotels set me up for the beginnings of my career in real estate.

Running five star hotels gave me a good grasp of the built environment and how to manage huge assets - it also taught me a lot about people, customer service and dealing with the public. Hospitality and mining both have some interesting parallels with BTR in customer service and engaging with an organic community - if people aren't happy, they will vocalise their discourse and simply vote with their feet.

My first real estate role in London involved managing a portfolio of 650 rental properties for private investors - it had initially been a temporary job but I ended up staying for six years. At that time, the market was in its infancy in terms of understanding the value for rental services in having a defined product and a service. I started by building in economies of scale and regularising the portfolio across utilities, fixtures and fittings - then building a brand came next.

That role led me to Young Group, where I started to get involved in the sector, getting out and meeting people. I've always been a sociable person, so building a network came quite naturally. After that I went over to Pinnacle Group and set up a new division, before joining Allsop six years ago as a BTR Partner, and concurrently CEO of its management business.

There are a lot of things that are attractive about working in BTR, but I particularly like the fact it is emerging and tends to attract people who are interested in collaborating to strive for continuous improvement. When you're building a long-term proposition, you have to be really involved and enjoy what you do.

My love for collaboration and influencing evolution led me to the UK Apartment Association (UKAA) - it's a brilliant platform to motivate the sector, stimulating thought leadership and promoting change. It's incredibly rewarding and a real privilege to be involved and help to stimulate innovation, discussion and push the sector forward.

The BTR sector will continue to expand so there's huge opportunity for innovation and new thinking. There is no shortage of capital to be invested - BTR offers stable, inflation-linked income and everyone needs a place to live.

We will continue to see interest from overseas investors given the consistently strong performance of the sector and the demand for the product - historically, the UK has been a target for North American and Australian capital and that is likely to remain the case. ESG will also remain a big focus for developers and operators, with pressure from investors to drive standards.

There remains a lack of good-quality rental product in the market and there's no doubt that more stock is sorely needed. BTR has played an important role in giving people options and I hope it will help to counter rogue and immoral practices that are unfortunately still alive in some corners of the rental market.

As a sector, we do have work to do in preventing BTR being labelled as an exclusive or premium product. While there are of course premium options available - and it's fantastic that we have the choice - there are more affordable, basic options. There really is something for everyone.

It has been interesting to see the emergence of suburban BTR housing schemes - it was a fascinating journey managing the Thistle portfolio and witnessing the sheer volume of people looking for that product and established communities. M&G's Crawley scheme, The Green, is a great example of community in practice - it invested in a MUGA, community centre, crèche and gym and has proven to be an incredibly successful model which is reflected in demand.

Community will continue to be a major factor in attracting residents - it's about the energy people feel when they come home and the friends that they make.

Wellness is still a major trend after gaining ground during lockdown - I think we all had a recalibration of the value of wellness and how it impacts on us. That has undoubtedly had an impact on not just the design of BTR schemes, but the activities and amenities that are on offer.

Now, communities need more flexible space to reflect more flexible patterns - designers often include more pocket areas and ensure that rooms are useable 24/7, for example.

Along with flexible lease terms, high-quality living space and location, residents are drawn to the range of amenities available and the fact that those allow savings elsewhere - developments often include gym memberships, a community lounge and library, and even dining rooms to entertain. And with most BTR schemes located in urban centres, residents don't need a car.

The plug and play lifestyle is very appealing and people appreciate the convenience offered by an urban location and amenities.

The market has recognised BTR as a proposition with a great deal of value to it, which is reflected in almost 100% occupancy rates. I look forward to working with the industry as it grows and matures, supporting and shaping the evolution of the sector, from deal origination, product concept through to construction, lease up and ultimately trading of assets.

"THE BTR SECTOR WILL CONTINUE TO EXPAND SO THERE'S HUGE OPPORTUNITY FOR INNOVATION AND NEW THINKING.

# WE ARE YOUR STRATEGIC PARTNER IN BUILDING RIGHT FIRST TIME AND LONG-TERM ASSET PROTECTION FROM LAND ACQUISITION TO HANDOVER AND BEYOND

For more information,
please visit **nhbc.co.uk/btr**

Photo credit: Peel Land and Property and The Regenda Group

**If you would like to discuss a potential Build to Rent project, please contact:**

**Niki Kyriacou**
Customer Relationship Manager

**+44 (0) 7543 300352**
nkyriacou@nhbc.co.uk

NHBC



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