September 2024, Urban Living Festival

UK BTR Market Outlook

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Agenda

- Investment
- Sub-sector Diversification
- Market Drivers
- Supply
- Resident Experience

Defining "Build to Rent"

Multifamily

- Flat-led schemes
- Urban locations
- Targets young professionals

Co-living

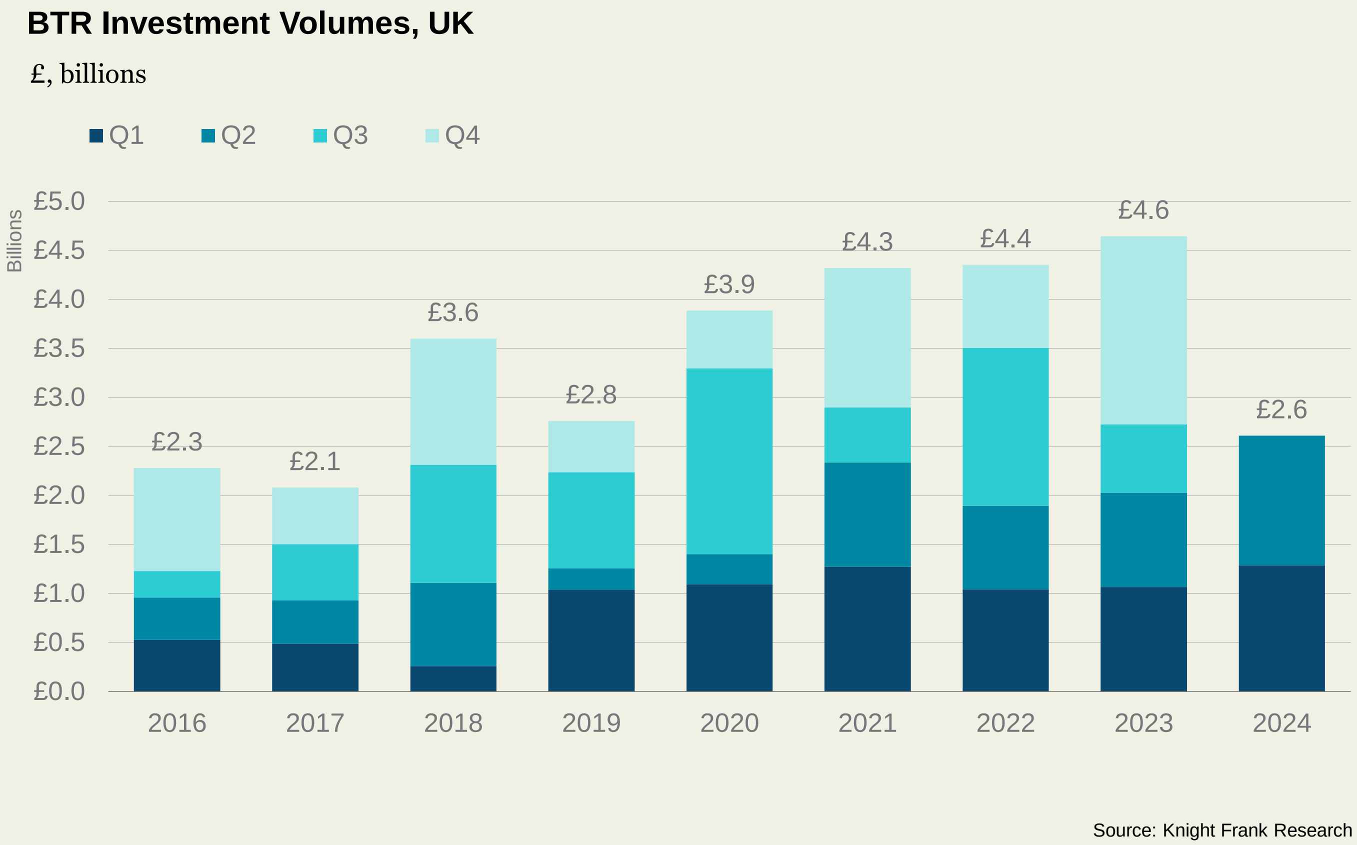
- Studio flats
- Extensive amenity spaces
- Community-focus
- Similar to PBSA

Single Family Housing

- House-led schemes
- Suburban locations
- Targets families

Source: Knight Frank Research

BTR Investment Volumes



£33 bn

Investment into UK BTR since 2016

£2.6 bn

H1 2024 BTR investment, up 29% YoY

Source: Knight Frank Research

Investment volumes cover funding deals or the trading of stabilised assets. Excludes refinancing and land sales

Capital Trends

20%

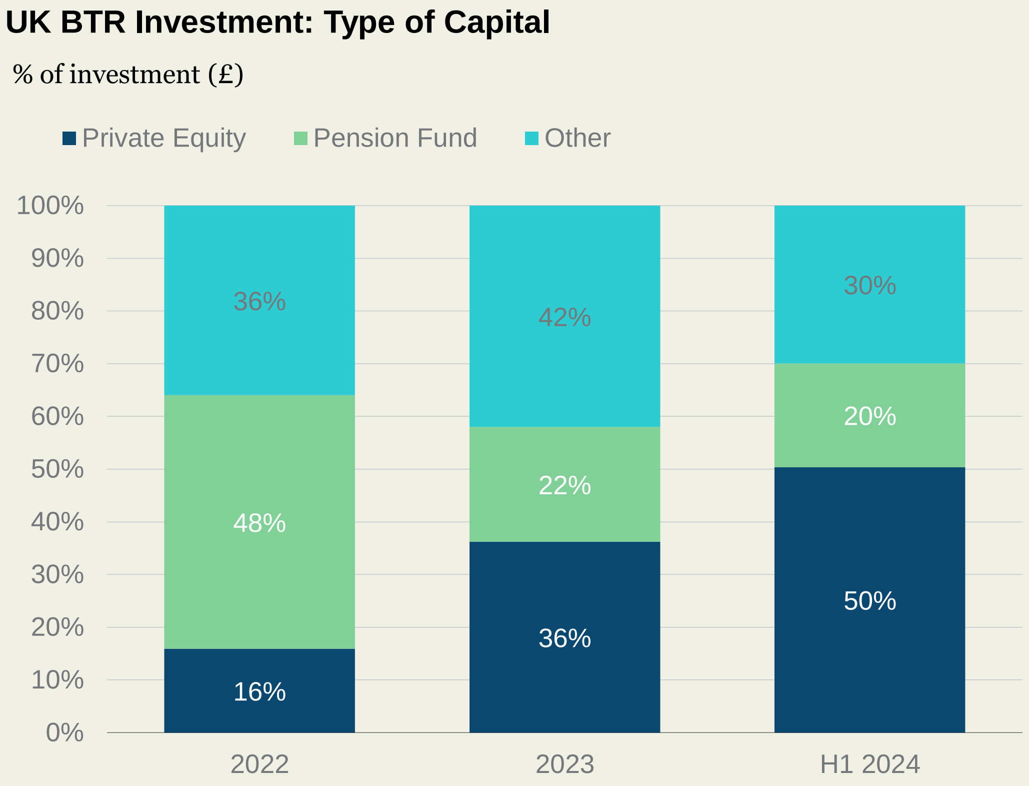
of investment since 2020 from new entrants

53%

of investment since 2020 from cross-border capital

50%

of investment since in H1 2024 from private equity



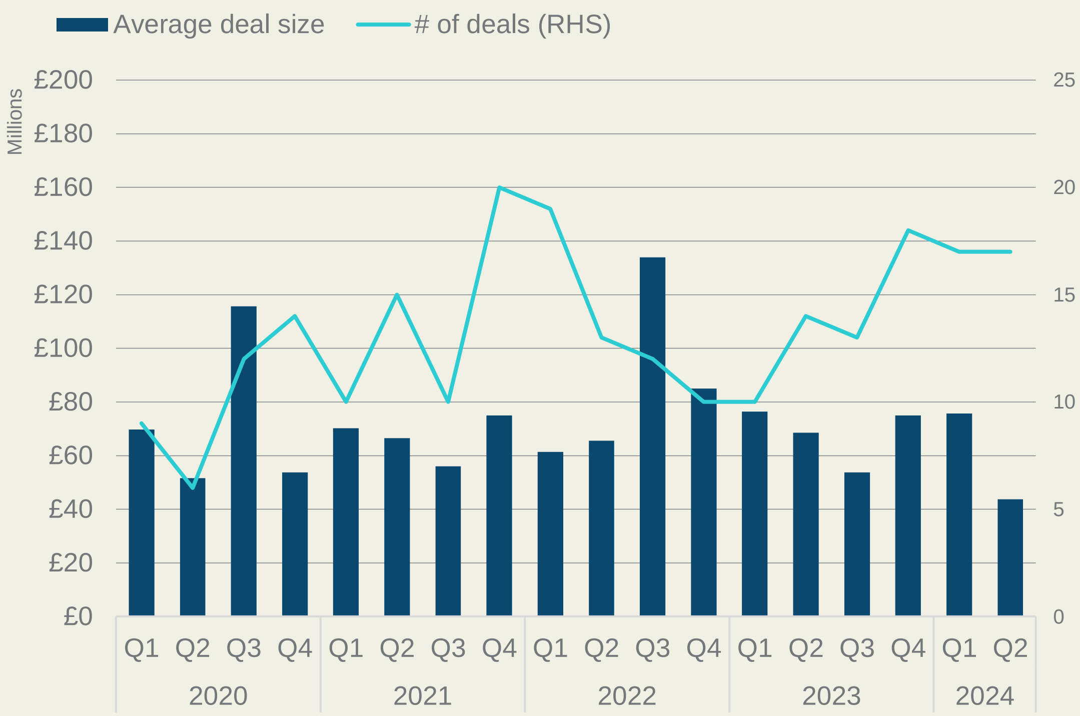
Source: Knight Frank Research

Source: Knight Frank Research

Greater Liquidity for Smaller Deals

More deals, smaller deals

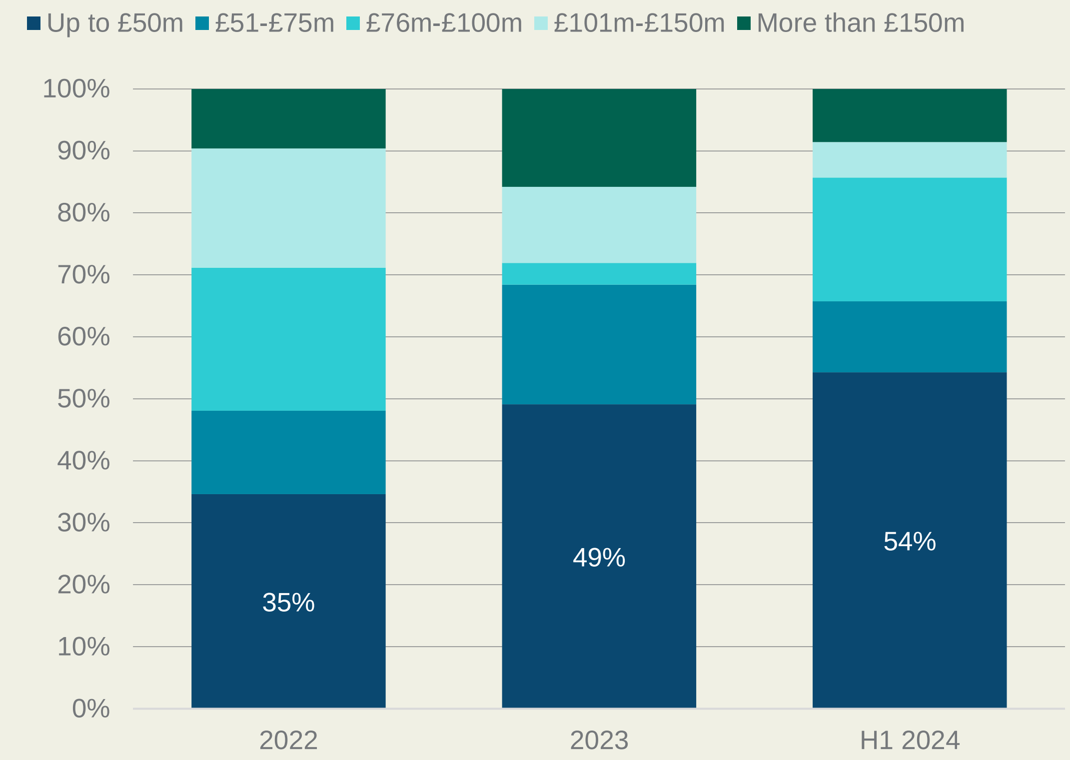
Average BTR transaction value and number of deals



Note: Excludes six transactions of £300m and above.
Source: Knight Frank Research

Number of Deals by Price Band

% of total #



Source: Knight Frank Research

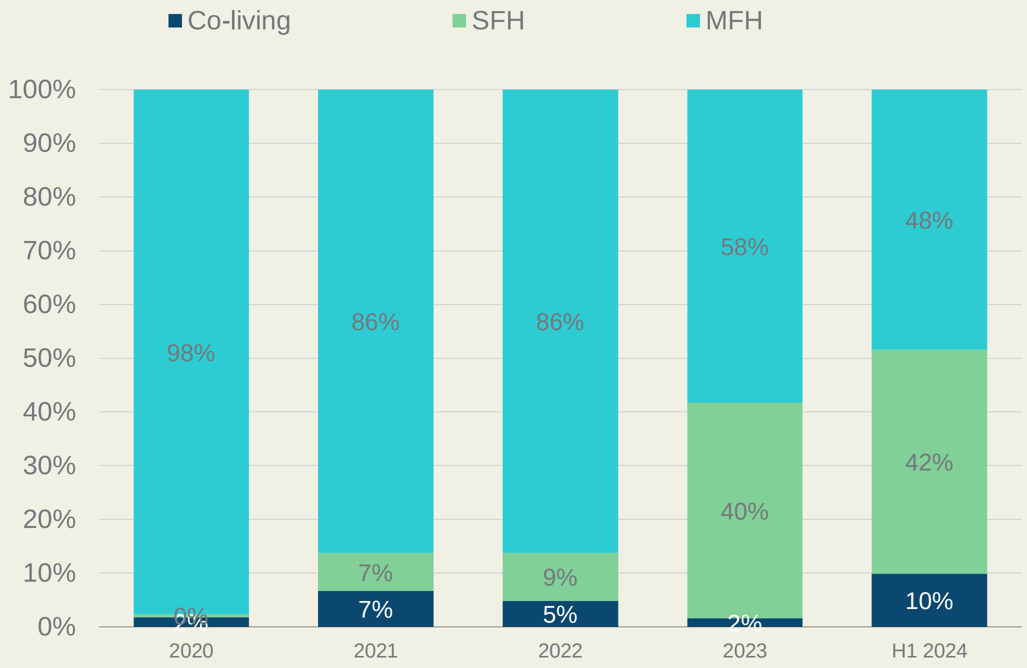
Source: Knight Frank Research

Investment volumes cover funding deals or the trading of stabilised assets. Excludes refinancing and land sales

Sub-sector Diversification Continues

BTR Investment by Sub-sector, UK

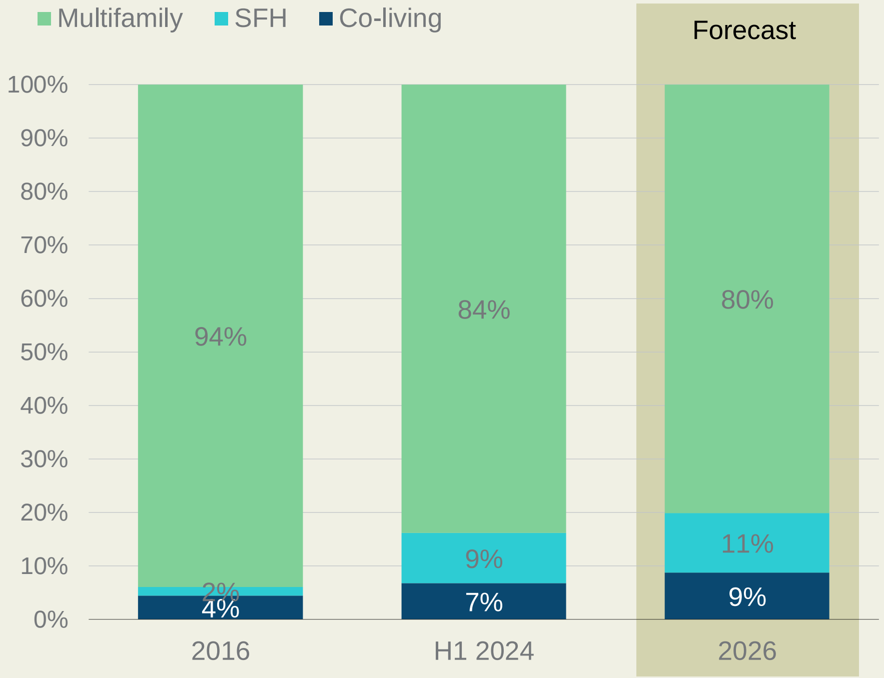
% of investment (£)



Source: Knight Frank Research

Complete BTR Supply by Sub-sector and Year, UK

units as % of total



Note: 2026 figures are based on the current pipeline of units that are due to complete by 2026.
Source: Knight Frank Research

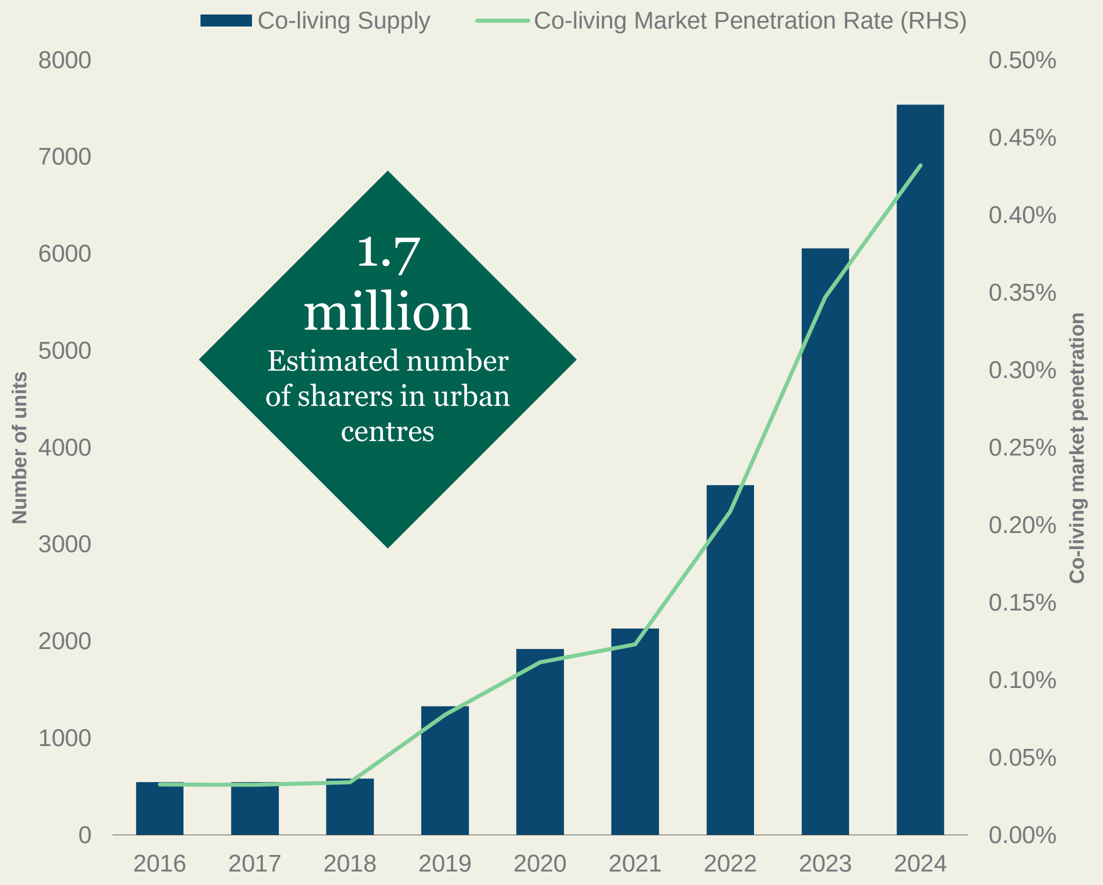
Source: Knight Frank Research

Investment volumes cover funding deals or the trading of stabilised assets. Excludes refinancing and land sales

Co-living offers a value for money alternative…

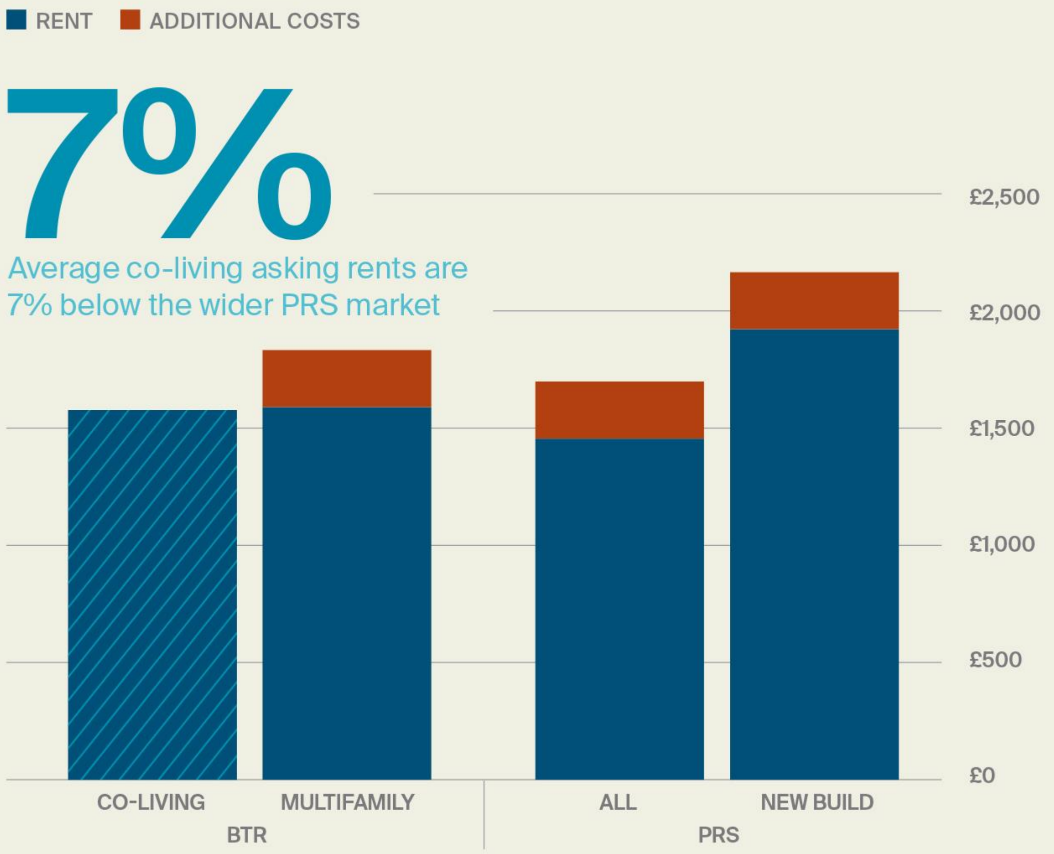
Co-living market supply and penetration rates

% of sharer individuals catered for by complete co-living supply



Co-living 'all-in cost' rental comparison

Average asking rent per bedroom in London including bills*



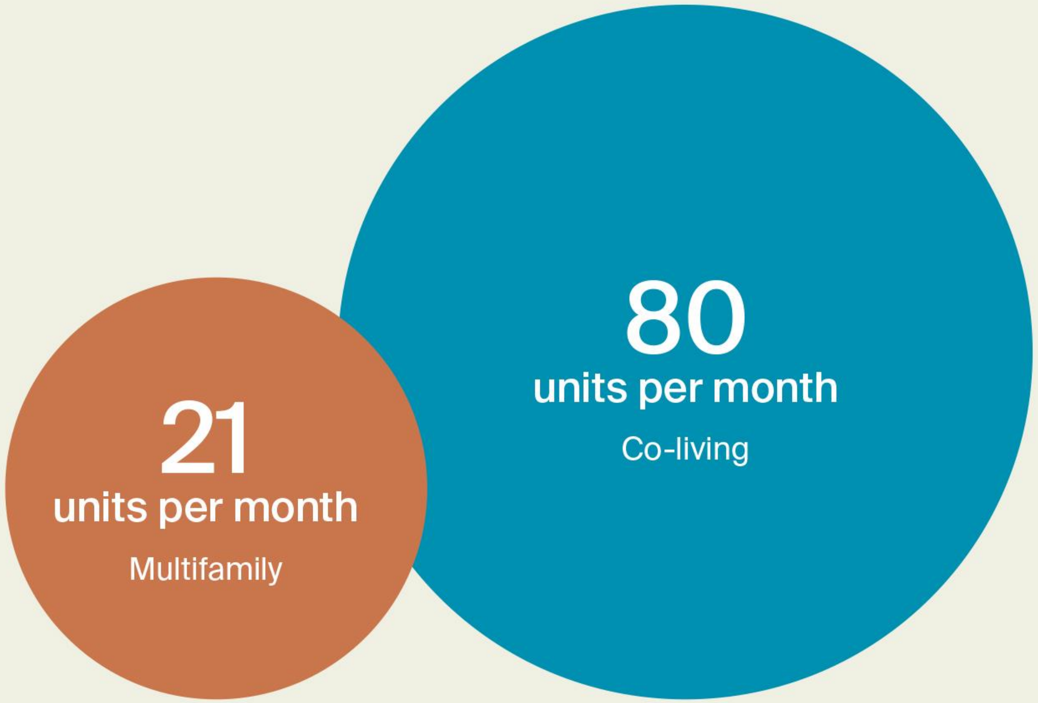
Source: Knight Frank Research

… and is in demand from a board demographic

Knight Frank

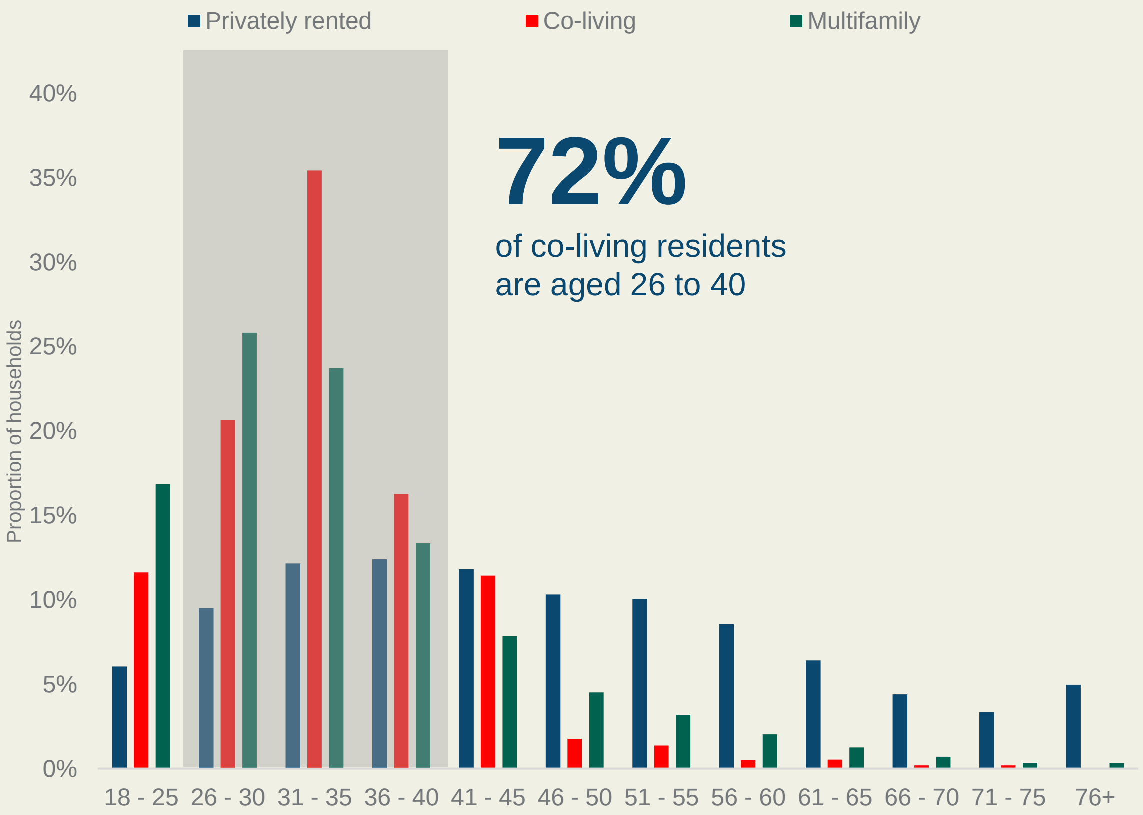
Lease-up: Co-living vs Multifamily

Average number of units let per month in schemes that completed since 2020



Proportion of households by age and property type

% of total

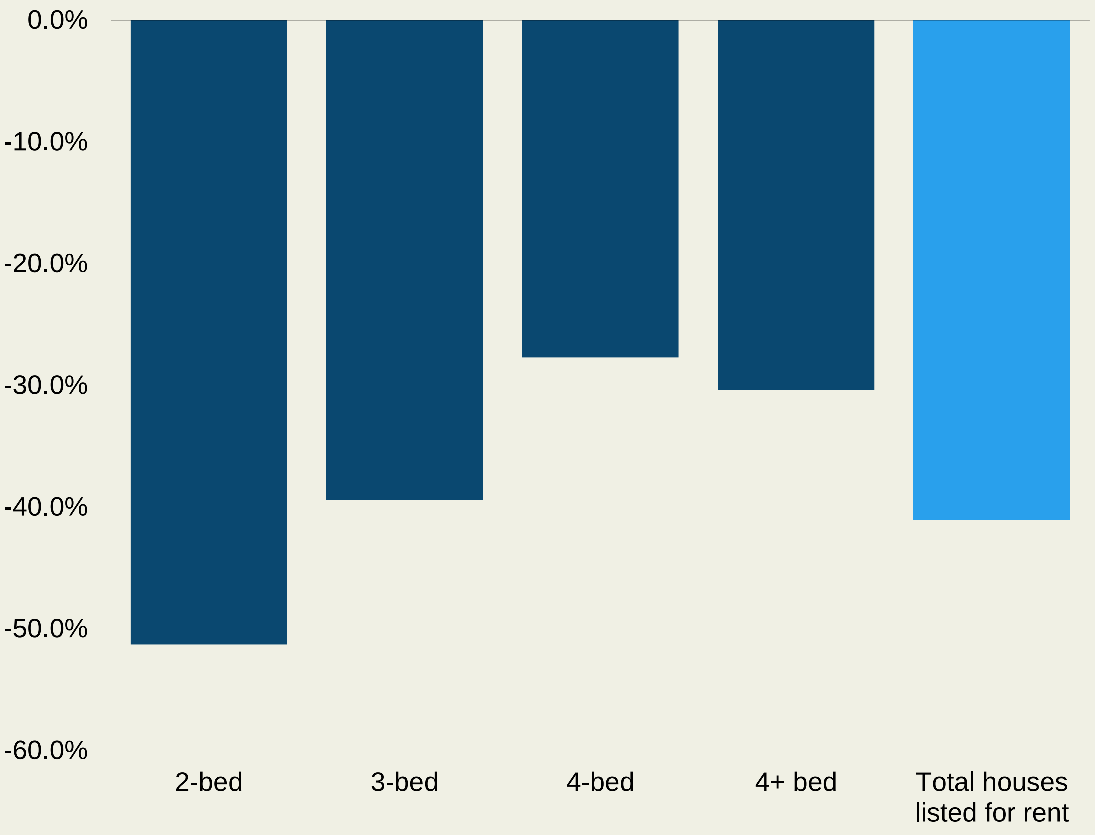


Source: Knight Frank Research, Rightmove
Note: Lease up analysis is based on 73 multifamily schemes and seven co-living schemes in London that have completed since 2020. Schemes are considered stabilised when they are 95% let.

SFH Market Drivers

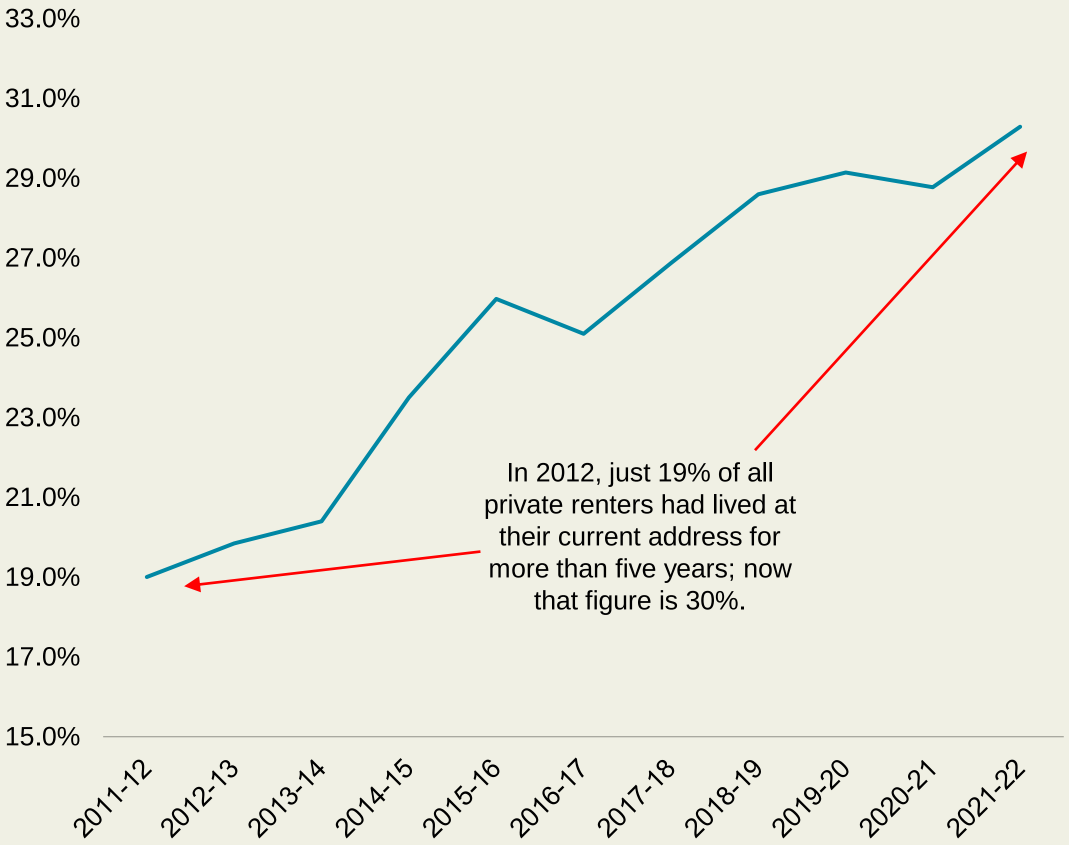
Fall in available supply of rental houses

Number of listings in Q4 2023 v 2017-19 average



Rise in long-term renters

Proportion of private renters who have lived at their current address for 5 years or more



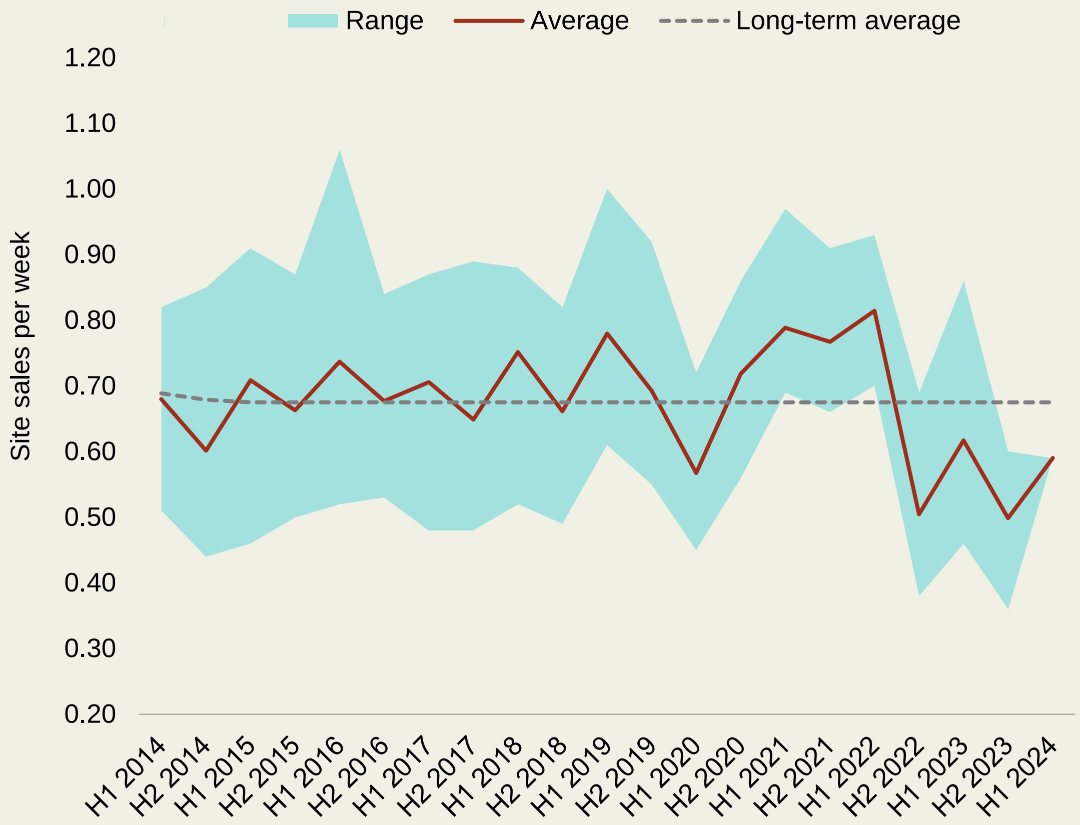
Source: Knight Frank Research. English Housing Survey, Rightmove

Slowing housebuilder sales rates

Knight Frank

Site sales per week

Major UK housebuilders



Source: Knight Frank Research, Housebuilder Reports

Knight Frank Housebuilder Survey
Q4 2023

Have you sold (or do you intend to sell) units to BTR or SFH investors?

40%
yes

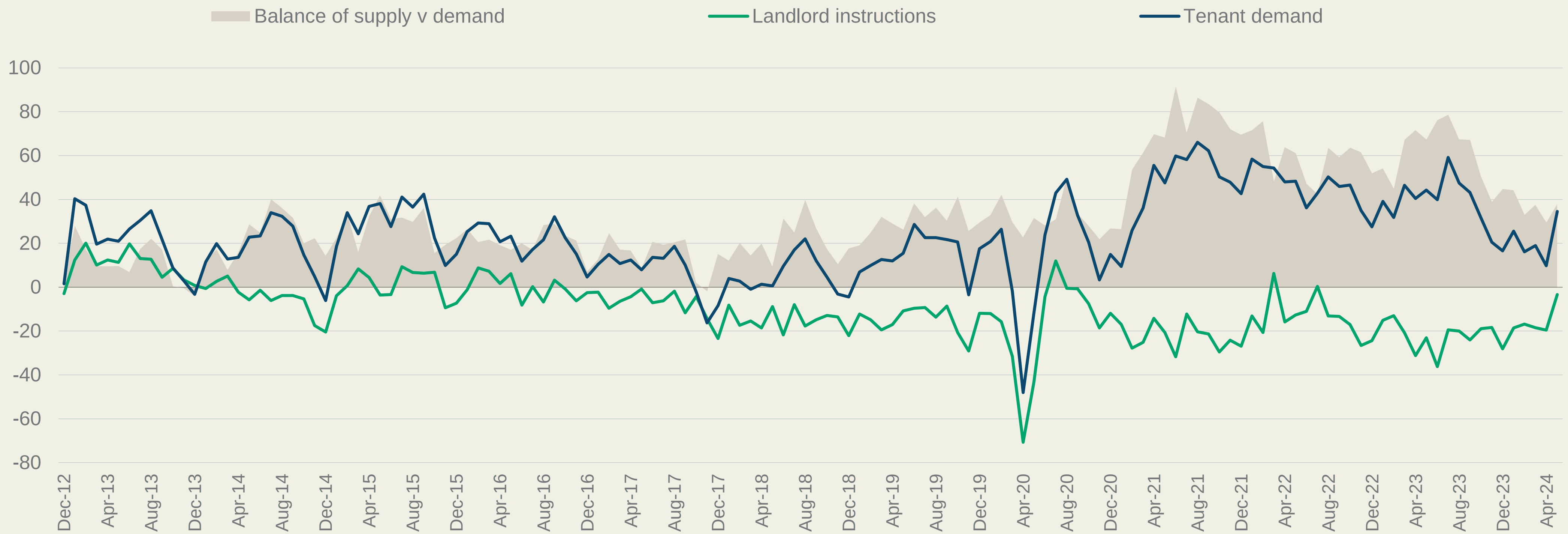
If you have sold to BTR or SFH investors, did you prioritise incorporating relevant design elements from the outset?

60%
Yes (designed from the outset)

PRS Demand Continues to Outpace Supply

Balance of rental demand v supply, UK

Net balance tenant demand and landlord instructions



Source: Knight Frank Research, RICS

Source: Knight Frank Research, RICS, Rightmove

PRS Supply is Falling

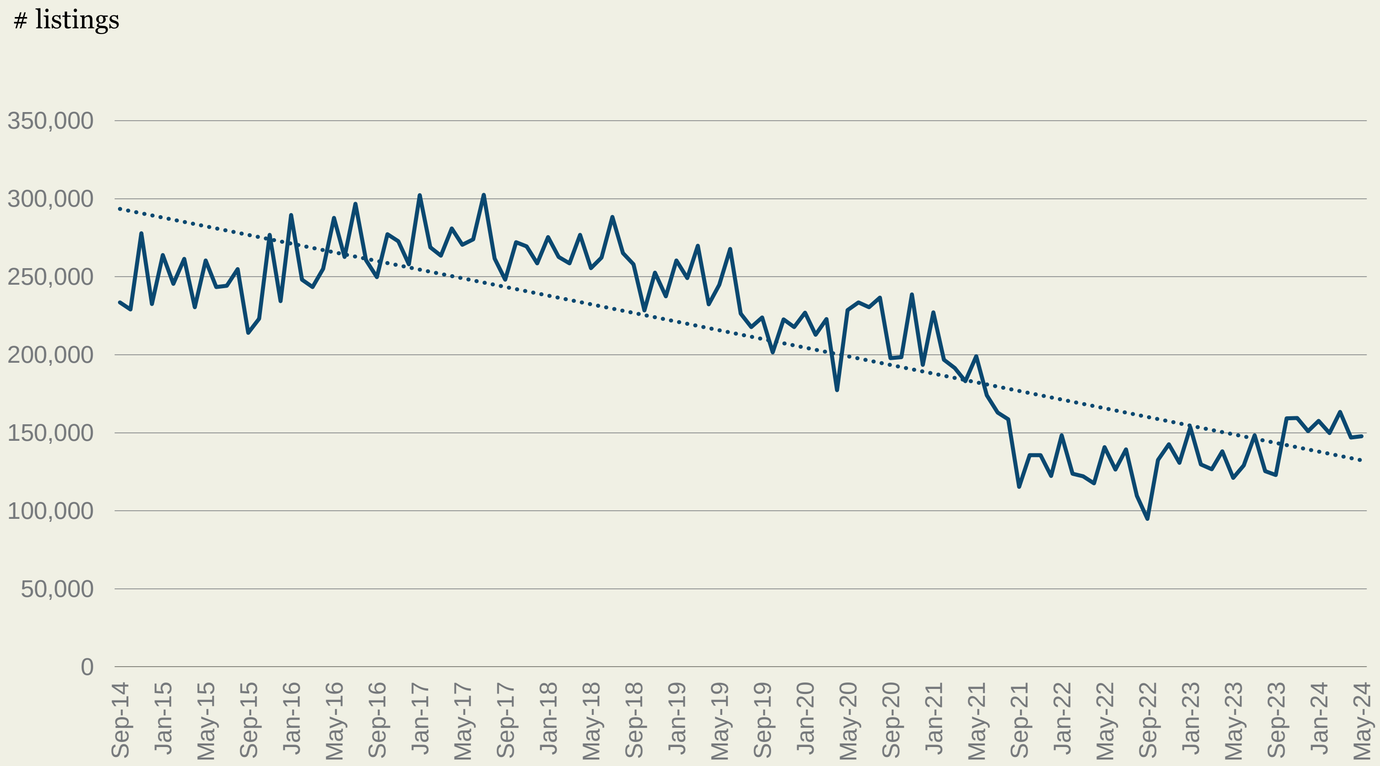
50%

Drop in rental listings since pre-pandemic

500k

BTL mortgage redemptions since 2016

Total Rental Listing Volumes, UK



Source: Knight Frank Research, Rightmove

Source: Knight Frank Research, Rightmove UK Finance

Policy changes could squeeze supply further

Landmark reforms to give greater security for 11 million renters

Section 21 evictions banned to protect renters from key driver of homelessness and empower them to speak up against discriminatory treatment.

From: Ministry of Housing, Communities and Local Government and The Rt Hon Angela Rayner MP

Published 11 September 2024

Last updated 11 September 2024 — See all updates

"One thing that this Government will do that the last Government did not, is demand that landlords raise the standard of their accommodation to a proper ***energy performance certificate standard C by 2030****."*

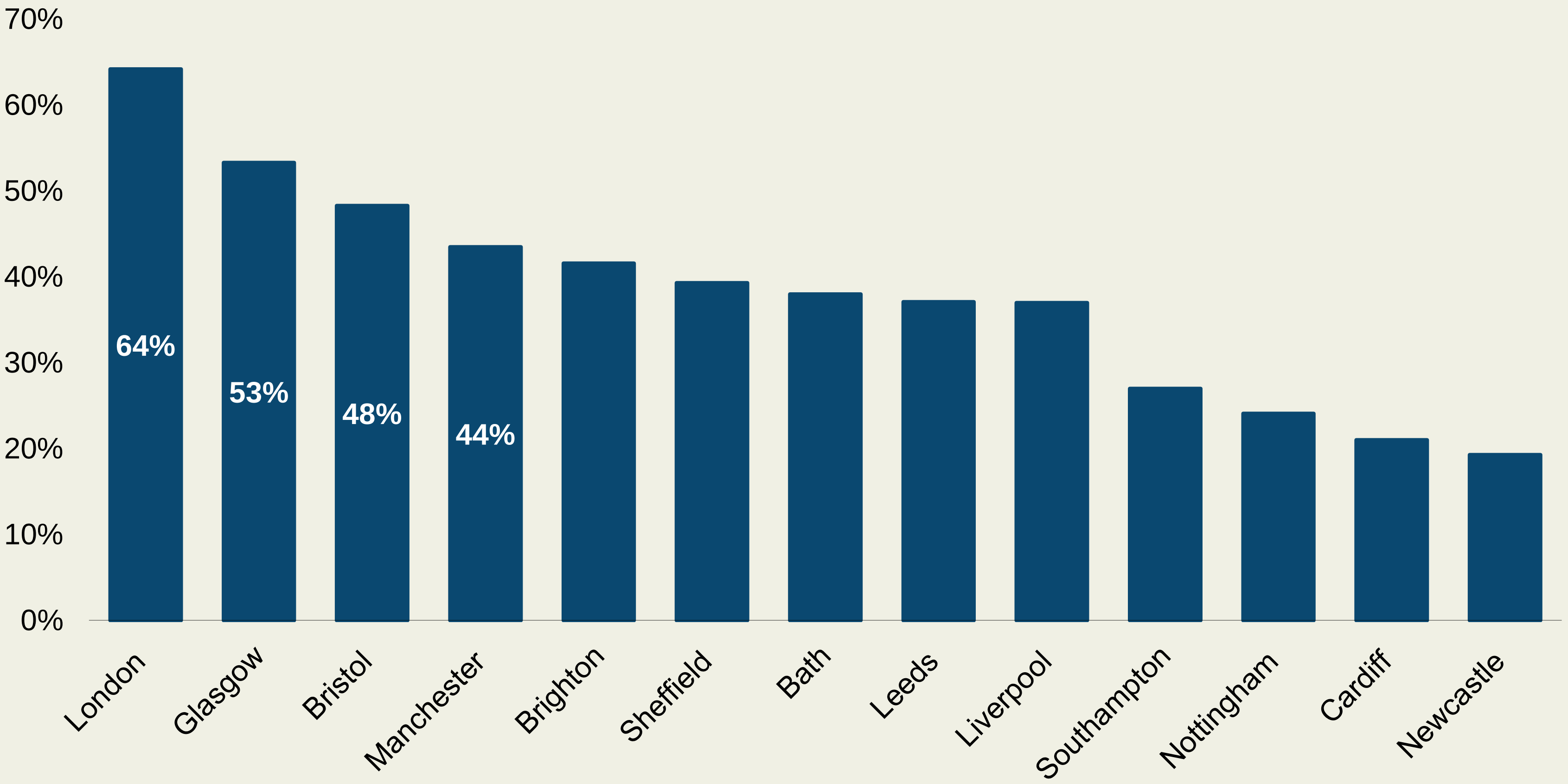
Ed Miliband, Energy Security and Net Zero Secretary

Source: Knight Frank Research, RICS, Rightmove

Rental demand here to stay

Graduate Retention by City

% of respondents indicating they will stay in the city in which they study after graduation



38%

Of final year students said they intend to stay in the city in which they study after graduation

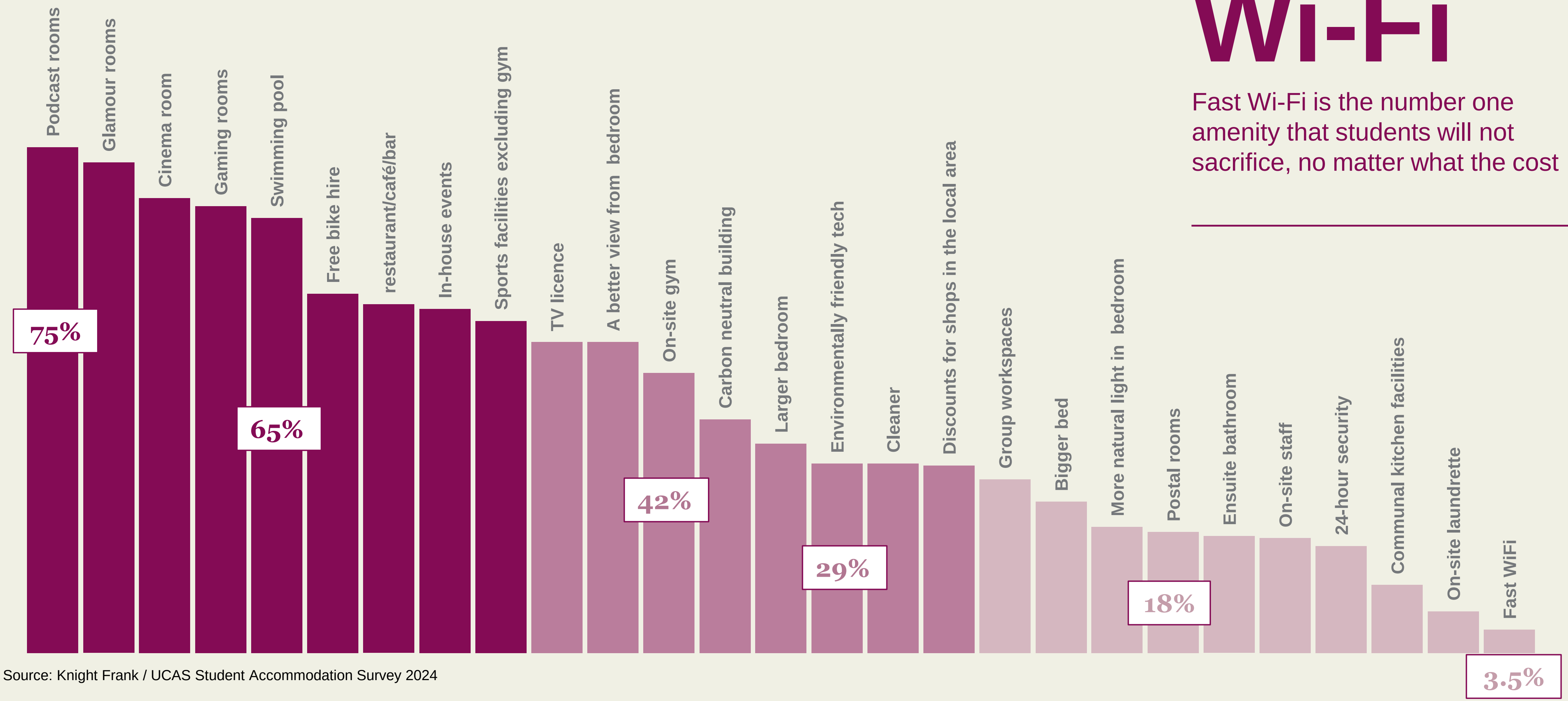
60%

of final year students indicated that they would consider living in a purpose-built development when they graduate

Source: Knight Frank / UCAS Student Accommodation Survey 2024

Amenity provision.. Back-to-Basics?

Willingness to EXCLUDE for cheaper rent



Wi-Fi

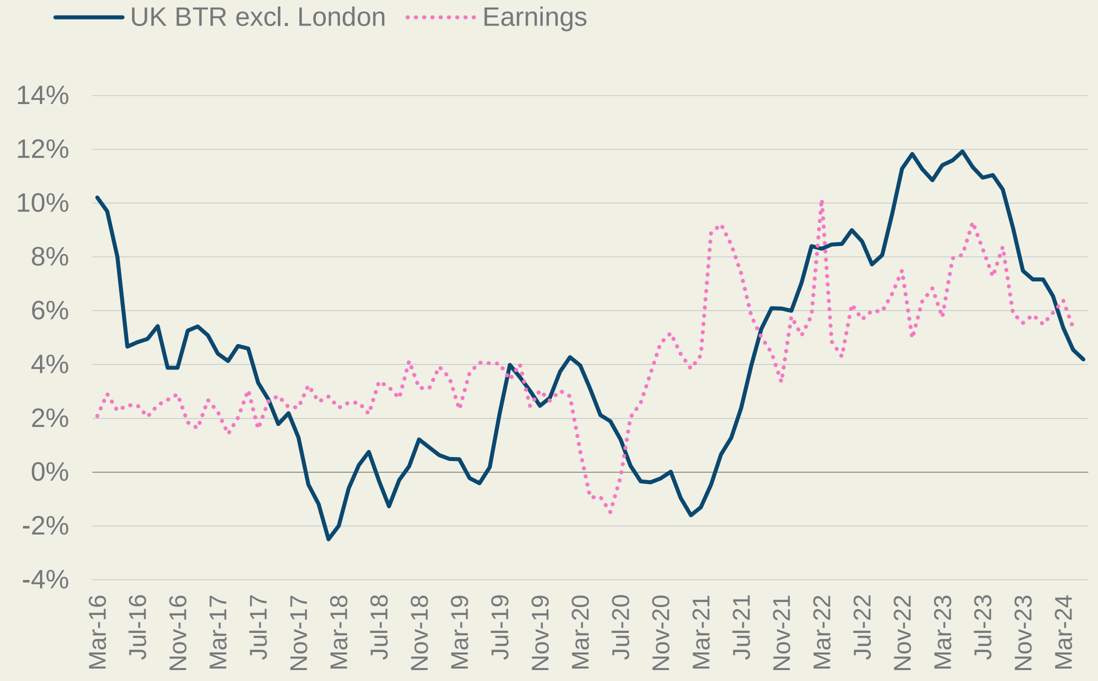
Fast Wi-Fi is the number one amenity that students will not sacrifice, no matter what the cost

Source: Knight Frank / UCAS Student Accommodation Survey 2024

Positive but easing rental growth

BTR Rents vs Earnings, Year-on-Year

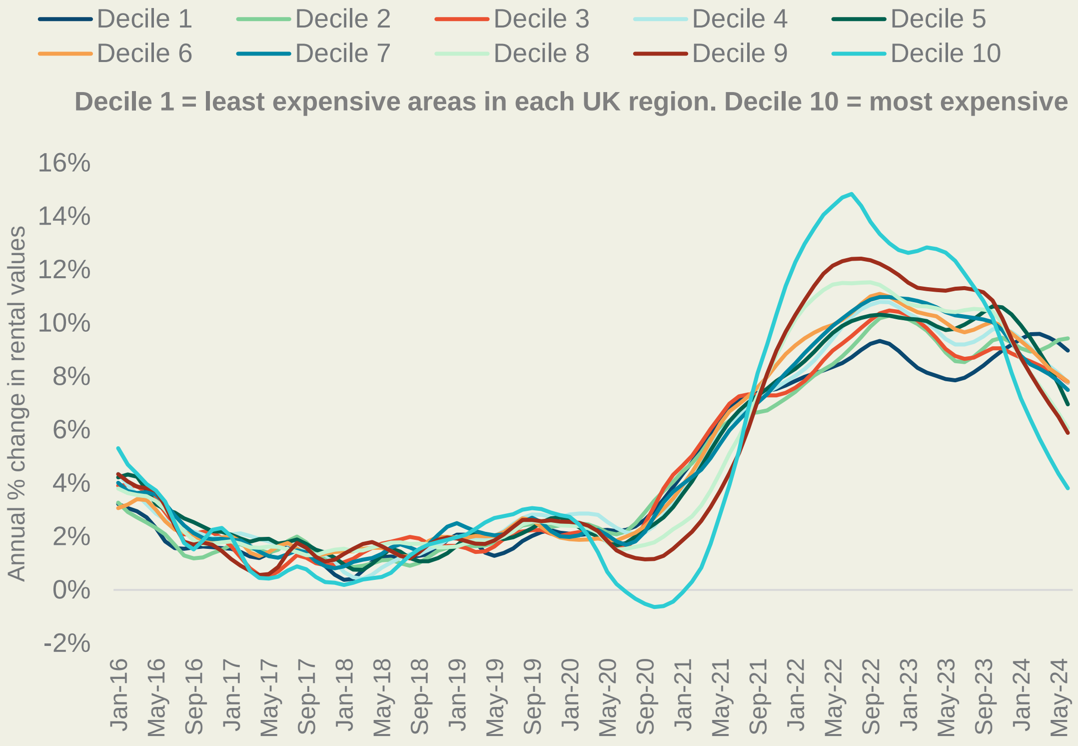
%



Source: Knight Frank Research, ONS

More moderation at the top end of the rental market

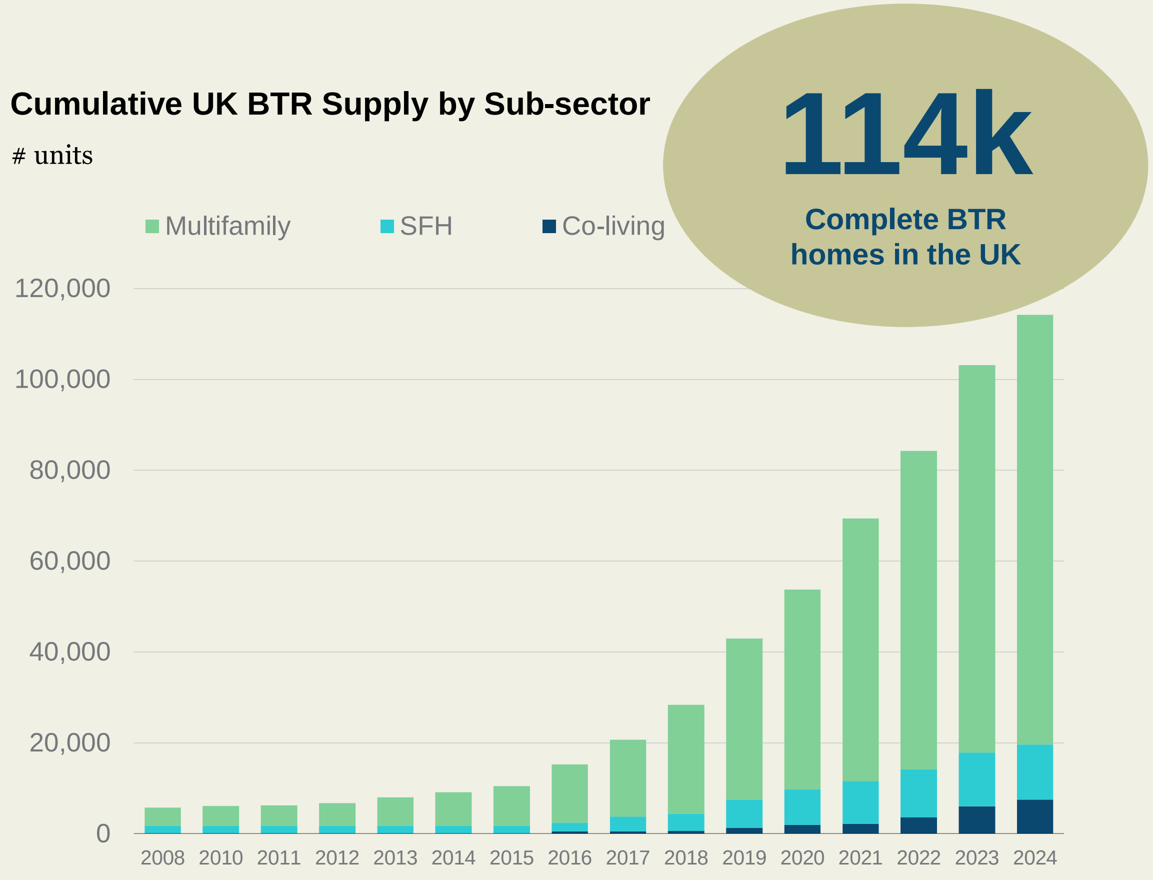
Annual % change in rents by value (decile 10 = most expensive)



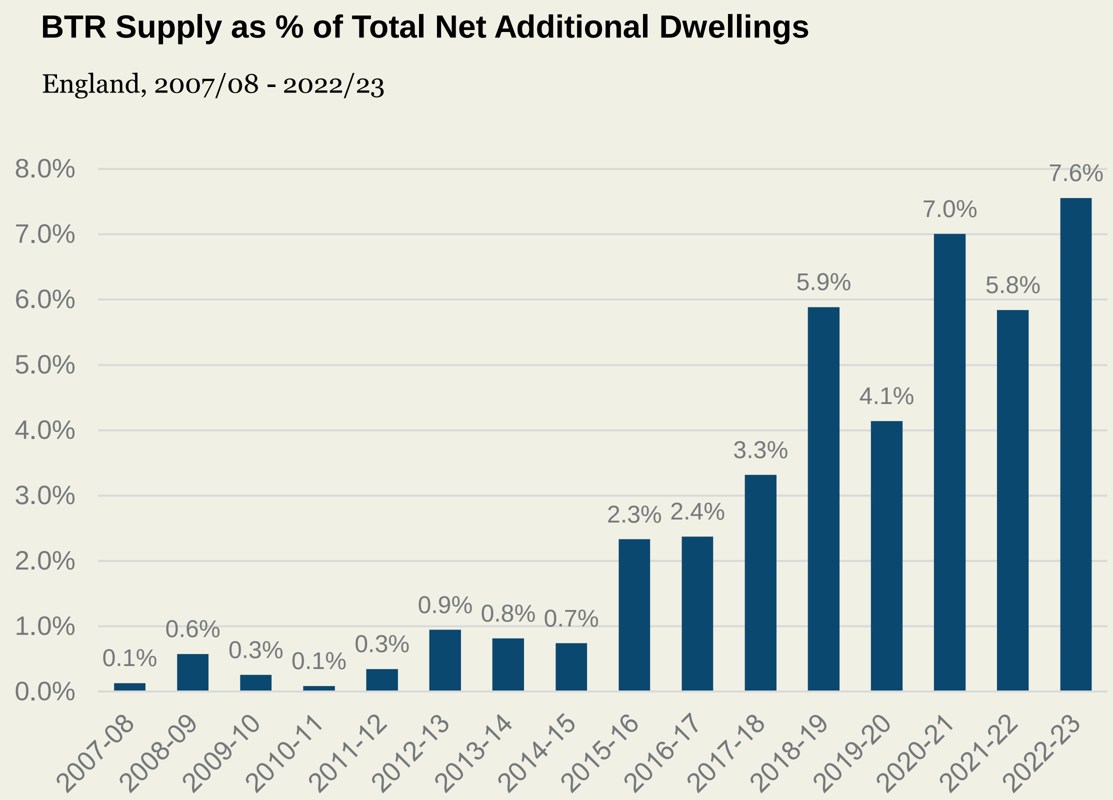
Source: Knight Frank Research

Source: Knight Frank Research, ONS

BTR Supply Continues to Grow



Source: Knight Frank Research



Source: Knight Frank Research, DLUHC

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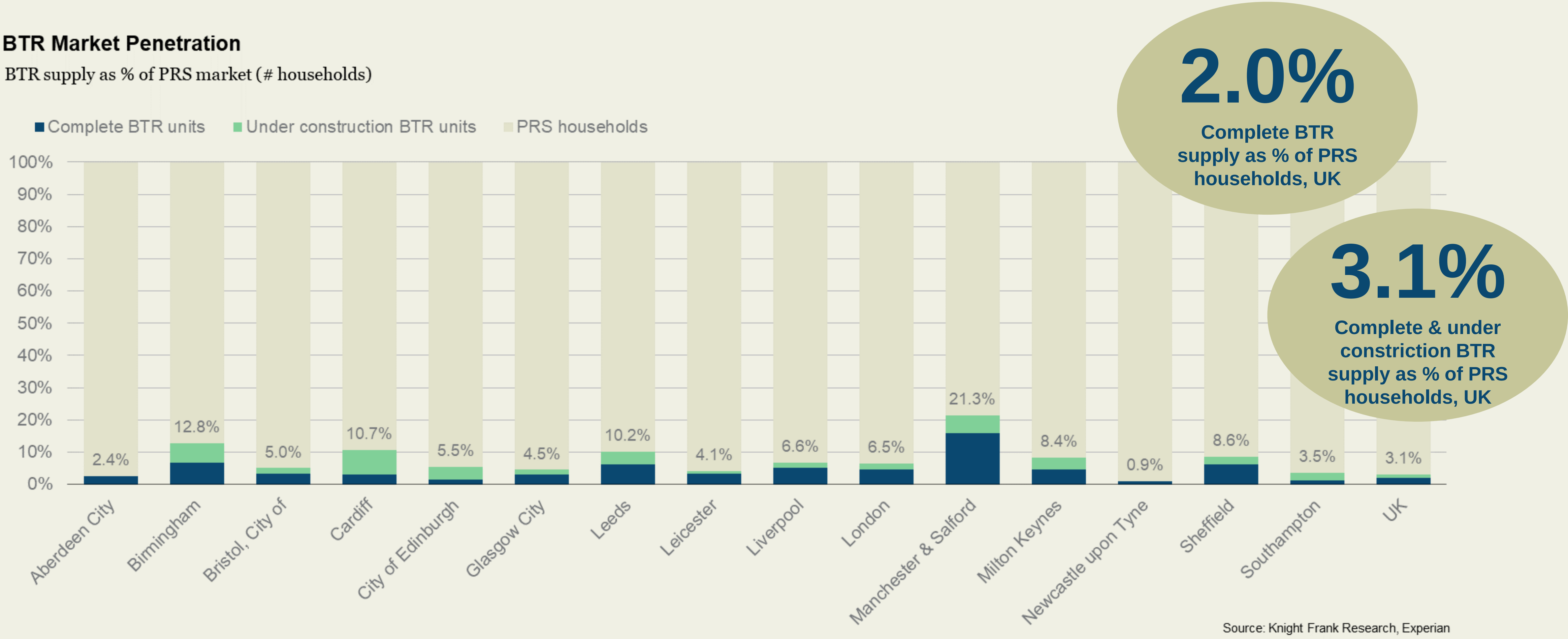
Opportunity for Scale & Diversification

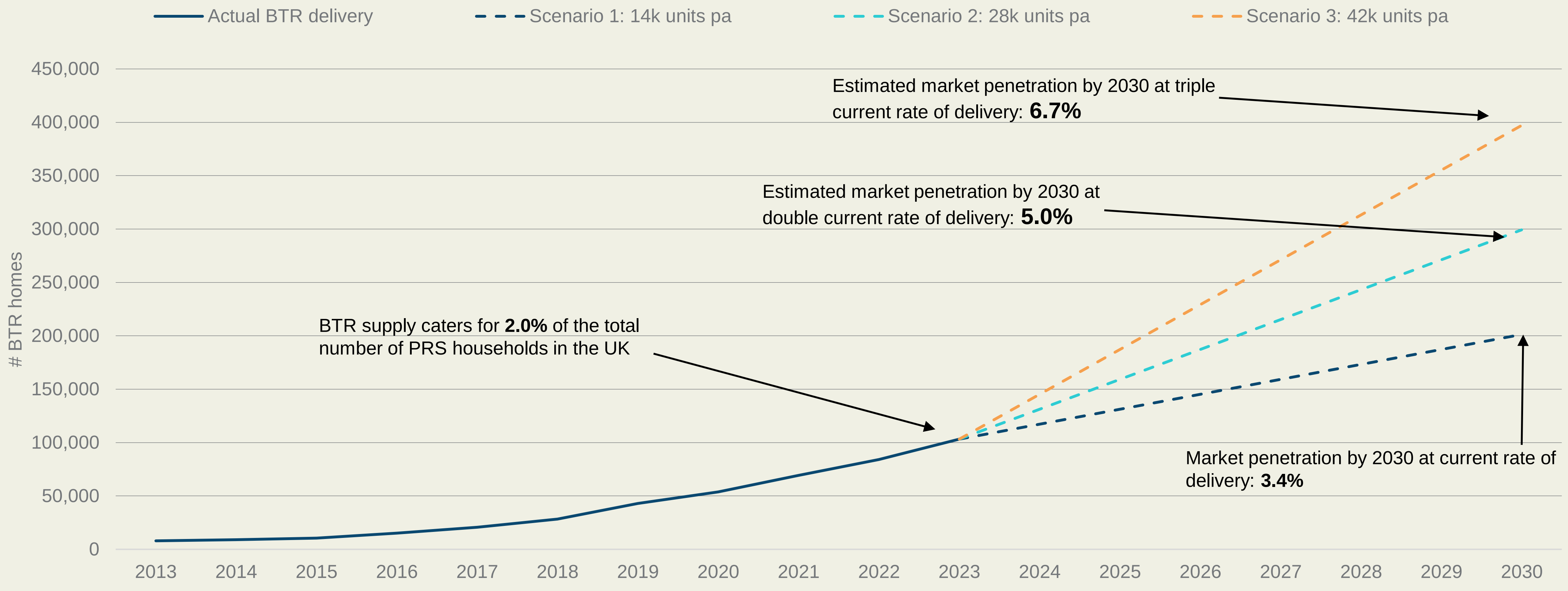


Source: Knight Frank Research

Chasing a Growing Target

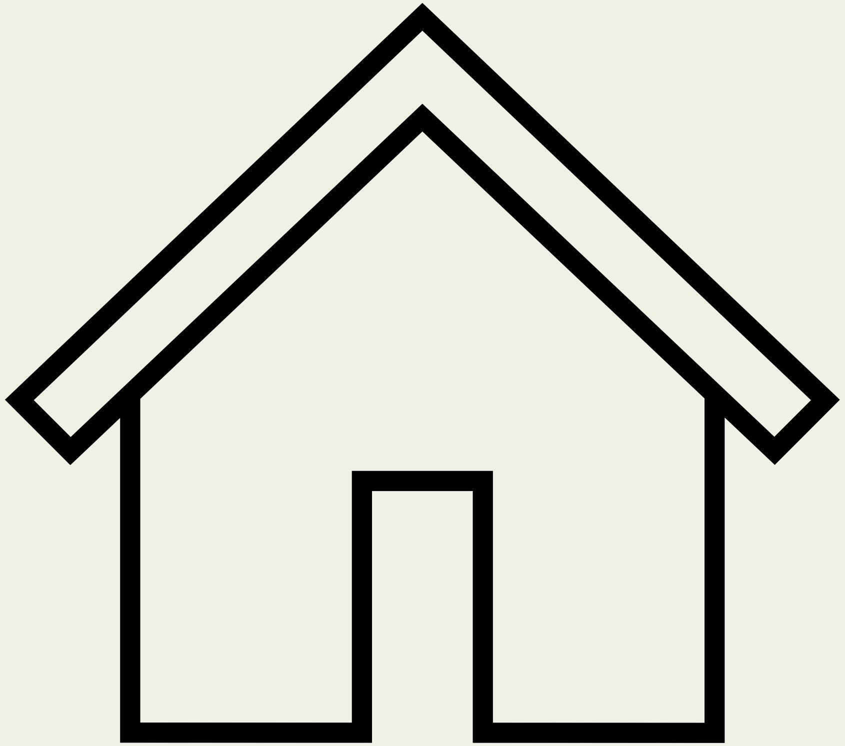
What does scale look like?

Estimated BTR delivery and UK market penetration rates under different supply scenarios



Source: Knight Frank Research, ONS
NB. Market penetration is calculated by looking at the number of complete homes relative to total size of the private rented sector (PRS) and accounts for estimates of future PRS household growth

The human element



Social responsibility

Trust

Brand loyalty

Source: Knight Frank Research

Happy residents drive operational performance

What does it take to be a Band A scheme for Resident Experience?

Selected highlights across 12 metrics examined

4.0

Average HomeViews review score for Management

63 sqm

Average unit size

4.2

Average HomeViews review score for Value

£5.29 per sqm

Lower energy costs

84

Average EPC score (EPC B-rating)

6

Average number of community-focused services, such as communal spaces and resident events

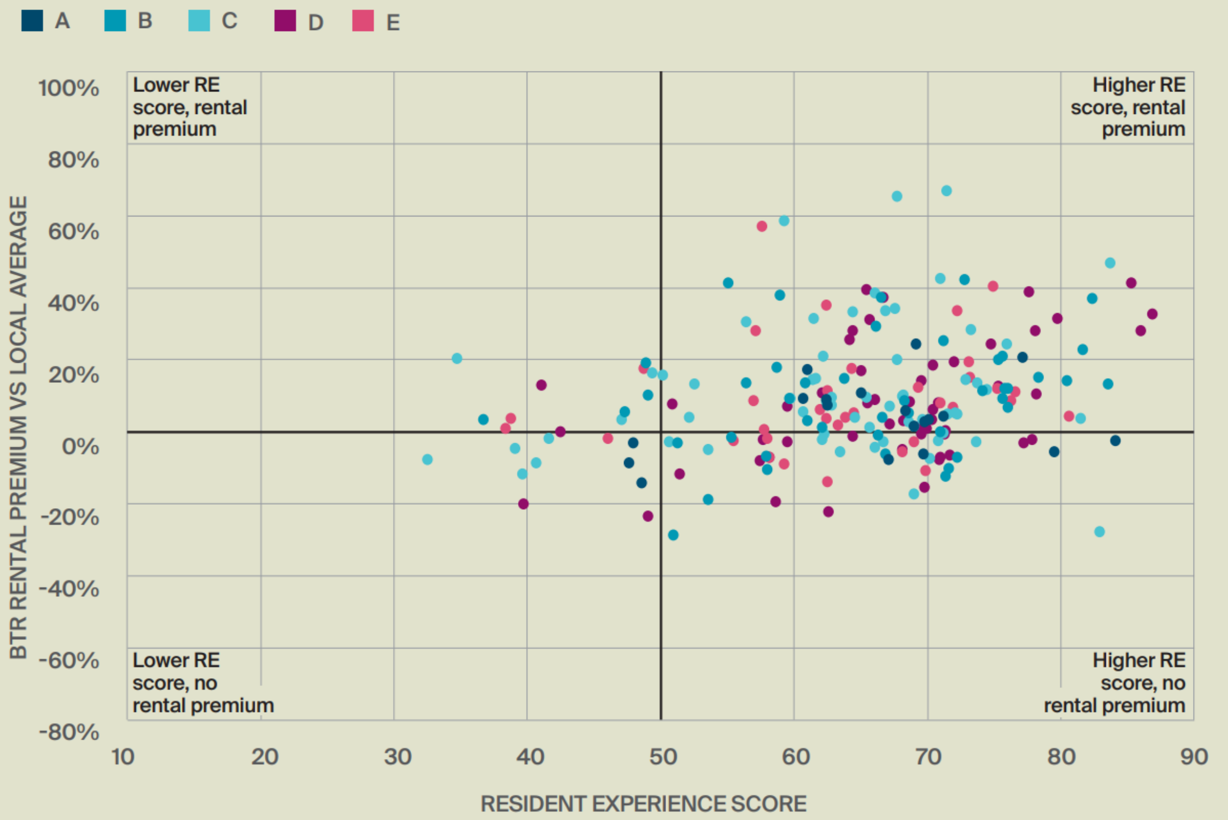
4.2

Average HomeViews review score for Facilities

Source: Knight Frank Research

Impact of location and Resident Experience on rental values

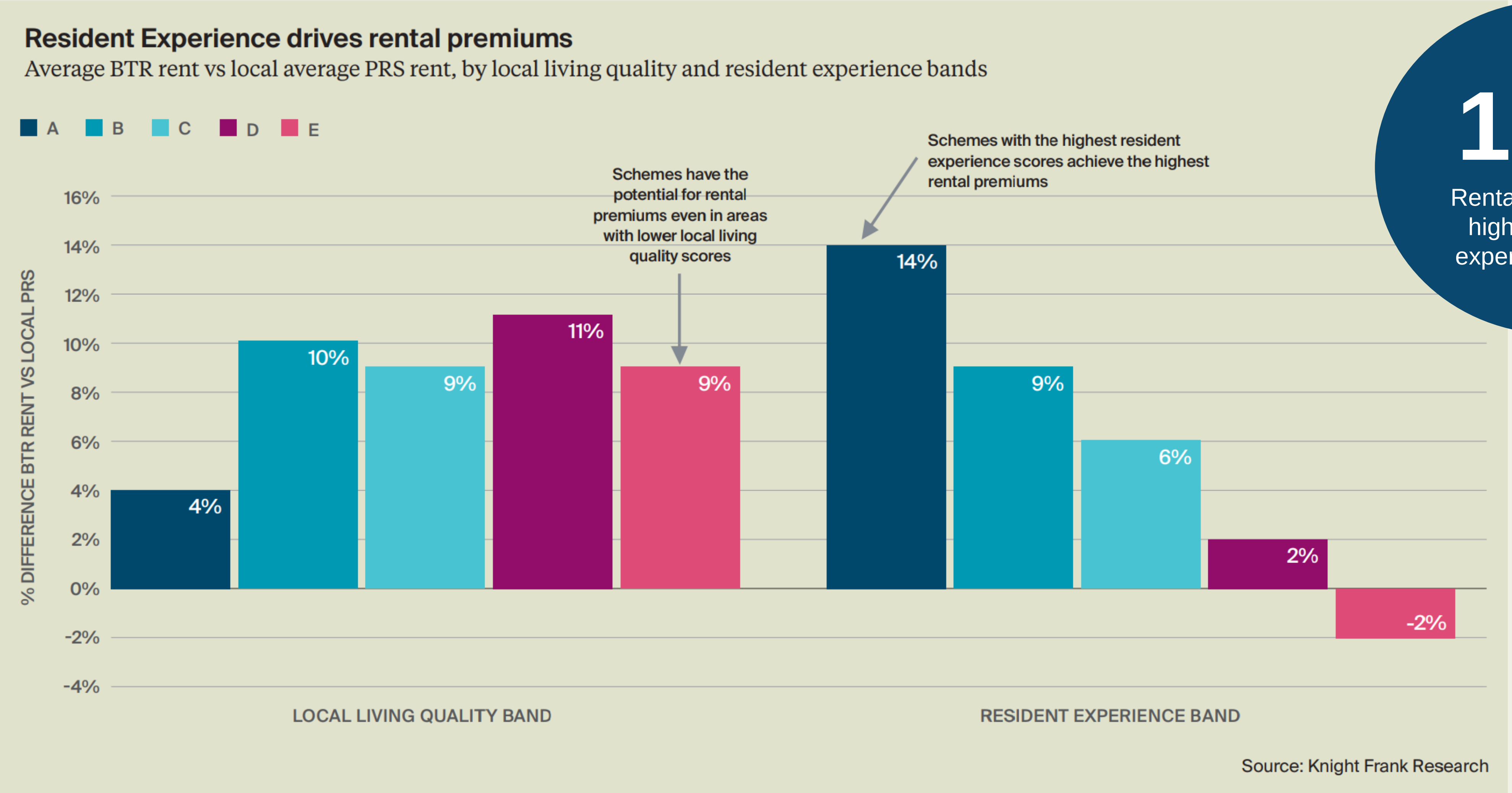
Points represent individual BTR schemes. Legend reflects local living quality bands



Note: RE = Resident Experience. LLQ = Local Living Quality

Source: Knight Frank Research

Resident experience drives rental premiums



14%

Rental premium for highest resident experience scores

Source: Knight Frank Research

Thank you

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