

Since 2015, we have seen the tentative first steps of the PRS model flourish. There has been a torrent of major schemes in London and the major provincial cities of Manchester, Birmingham, Leeds, Bristol and Liverpool.

Our firm has completed and handled approximately a thousand PRS apartments in that time, and we are currently on site with a further 1450 apartments, spread across four sites. We also have more than 2000 apartments at the early design stages. In the meantime, Brexit has befallen us all, yet, as far as outside the capital is concerned, we see the PRS market hardly missing a step.

**SO, WHAT IS THE STATE OF THE PRS MARKET IN 2017?**

There are certainly more players on the scene, many of whom are backed by overseas companies and finance. The UK funding institutions are finding their feet and the likes of Legal and General are clearly developing a prodigious appetite for the PRS or 'Build to Rent' (BTR) market.

The government's much-anticipated housing white paper seeks to reduce unfairness and increase diversity in the 'broken' housing market. Notably, the strategy marks a major shift in policy, as Prime Minister Theresa May signalled a desire to focus on renters as opposed to home ownership, thereby endorsing the BTR market.

Private funders with a pedigree in the BTR, such as Grainger, have stolen a march on much of the competition. Many of the student accommodation providers also appear to have moved into PRS with relative ease.

However, the surge of investment from the long-established US rented apartment sector does not seem to have materialised. Many global corporations are yet to really make their mark...

# A British Blueprint for Build-To-Rent



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**HOW IS THE UK MODEL TAKING SHAPE?**

The early BTR 'bible', the Urban Land Institute's (ULI) *Build to Rent: A Best Practice Guide* has, in many schemes, been blindly adhered to. Reliance upon the American models promoted by the ULI, however, has found to be wanting. BTR in the UK is starting to carve out its own personality.

The 'dumb-bell' floor plan from the US is no longer the panacea it was originally thought to be. In practice, only a small percentage of single adults in the UK want to share a two bedroom flat; investors are now recognising the subtle differences within the emerging UK market.

The provision of 'add-ons' such as a café, cinema, pool, gym and residents lounge is gradually becoming better defined. Most schemes of 300 or more apartments will have at least 500 m<sup>2</sup> of BTR foyer and ancillary accommodation. This makes early engagement with investors and operators crucial.

We've found that every organisation has its own idiosyncrasies and this needs to be fed into the design process early on. Too many schemes have been picked up by investors after the design has been completed and planning consent has been granted. As a result, they have had to undergo a process of reworking in order to meet investors' specifications.

As things become clearer in the coming years, I suspect a number of early-completed BTR schemes will need to undergo a revamp of ancillary accommodation to fall in line with market demand.



**WHO ARE WE BUILDING FOR, EXACTLY?**

The BTR model continues to target professionals in the 25-35 age bracket. This market is probably the easiest and least demanding to cater for, with typical lettings of 6 months to 2 years. However, experience from Germany, where 'churn' periods of 10+ years are much more favourable, highlights investors' need to retain renters for longer, catering for the evolving needs of a diversifying sector. Consequently, BTR schemes need to be ready to adapt in the future.

The next generation of BTR will reflect the changing market, with developments that differentiate themselves according to lifestyle and age group. As our cities improve, the traditional migration to the suburbs will become less of a draw. The population may be ageing but those culture-hungry 'silver surfers' with cash to burn will be drawn back to the city centre, providing they can get over generations of prejudice against renting. Many young professionals will want to raise a family whilst continuing to live in a mixed and vibrant community.

This offers great potential for our cities to improve and become better living environments. It does, however, demand radical overhauling of the infrastructure that will support these population expansions.

The funding gap deficit facing first-time buyers is now at such a serious level that many individuals will have no choice but to rent. Besides, renting is growing in popularity as it casts off its 'dead money' tag. The immediate access to high quality residential accommodation with none of the liabilities or restrictions of ownership is certainly attractive to high earners. A case in point is the letting of both penthouses in one of our recently completed BTR schemes to Manchester United first-team players.

The quality of the BTR product coming onto the market is of a pretty high standard across the board. This may be driven by the desire to aim high, where the precise demands of renters are still to be properly established. At present, the 'boutique hotel' image dominates, although some argue this is a tad bland. Operators must determine the precise specification and level of service renters want and, more importantly, are prepared to pay for.

What we mustn't lose sight of is the implications BTR has for our citizens and their basic human needs. These schemes must never be hotels for permanent living - ask anyone who spends a large amount of time in transit, and they will all be desperate to get back to the comfort of 'home'. We are also not building short-stay student accommodation for grown-ups. BTR needs to provide 'homes' with the well-being of residents at the forefront.

BTR can, more than any other form of housing, offer a real sense of community. Schemes need to foster a collective spirit, giving residents appropriate levels of privacy and amenity. Interaction with neighbours is fundamental. It is therefore essential that schemes are laid out in such a manner that supports human interaction. Foyers, lobbies, access corridors, terraces, courtyards and amenity spaces all need to encourage residents to feel safe and part of a wider collective.

These are exciting times, with BTR giving us the potential to improve and transform our cities. I suspect in the coming years we will see investments that are winners and some that are not. In the meantime, we all need to concede these are still early days for BTR and we need to be ready to respond to the evolving market.