
# THE HOUSING CRISIS: A CASE FOR BTR

David McCall – OMI Architects

Resolving the national housing shortage is now the government's priority number two, second only to Brexit. In recent years the residential sector has had to dust itself down from the toughest recession in living memory, recovering from an all-time low of less than 100,000 built homes in 2008 to the pre-recession high of 180,000. Build to Rent (BTR) will be a major contributor to the target of 250,000 needed to fully address the shortage.

BTR has attracted over £21bn investment in the past decade. For the figures to work it's down to the site cost, the number of 'units', the net/gross ratio, the build cost and the rental yield. In investment terms, it is probably convenient not to get too emotionally involved in the end product. As long as these 'units' provide adequate return, investors will continue to support growth in the BTR market. After all, isn't that what the sector needs investors for?

## BUILDING HOMES, NOT UNITS

As an architect, I cannot overstress the importance of never losing sight of the fact that we are building places where people are going to spend a significant part of their lives. Places which they will want to call 'home'. These developments need to support the wellbeing of our residents, provide suitable daylight, sunlight, amenity, space standards, and environmental comfort, whilst also fostering a real sense of community. So let's not forget what it is we are building.

Private renters now account for 20% of housing tenure in England, overtaking the affordable sector. The gap is set to increase further as social housing outputs continue to de-cline. Since the late 1970s the UK has been a nation made up predominantly of homeowners. It was an entirely different story a century ago, with private renters accounting for at least 75% of the housing market. The basic tenure of our housing stock is clearly shifting.

So, what is it that's attracting today's residents to BTR? Most battle-weary renters point to the deficiencies of the current rental market: repairs take an age to be rectified, noisy neighbours are ignored, they can't have pets, they can't decorate their flat, and the rent and service charge costs can fluctuate dramatically.

Renters feel undervalued and see little or no customer service from the managing agents they have to deal with. These problems appear to be exacerbated when buildings accommodate an uncomfortable mix of owner-occupiers and Buy-to-Let tenancies. Add Airbnb to the mix and the problems only get worse.



**LOFT** loft-interiors.co.uk/a-btr-tomorrow

BTR has unquestionably transformed the rental market, and it is in the management side of things where it has had the greatest positive impact. Full-time dedicated management personnel focussed on customer care have clearly attracted renters to BTR. Tenants feel looked after and their needs are efficiently responded to. There is also a collective awareness in BTR where all residents belong to the same 'private club', fostering a strong sense of community.

The costs for all this are understandably higher, but they are fixed costs and many people nowadays prefer to pay a premium so they can plan their budget accordingly. If and when mortgage interest rates start to rise, this financial certainty will undoubtedly also attract some homeowners to BTR.

## TAPPING INTO A BROADENING TARGET MARKET

As BTR matures, further added benefits will potentially emerge. Brand loyalty will be important, with landlords keen to retain renters as their accommodation requirements change. BTR operators with multiple sites can also hold onto renters who need to relocate.

Aside from location, there's not that much that separates the recently completed BTR stock. The current offer may be neat and tidy, if rather anonymous, aimed at the "low hanging fruit" of the 25-35-year-old target market.

In time I suspect each will start to develop its own personality based upon the management regime of the scheme and the residents it attracts. It may be a young or old crowd, singles, couples, straight or gay, couples with children, or a mix of them all. Fundamentally, BTR renters will choose where they want to live and whom they want to live with, because they can. This has never really been possible in the housing market, for either renters or owner occupiers, until now.

## THE RISE OF THE SILVER SURFERS

Perhaps BTR's biggest challenge is the 'silver surfer' market. The 50-65 age group is made up of soloists and couples that have got shot of the kids, work in town, have released equity in their large family homes and have no interest whatsoever in DIY or gardening. They provide a sizable proportion of our city's theatregoers, art gallery visitors, restaurant users and health club members. They are stable financially and probably the group most likely to commit to long-term leases.

In financial terms, this is clearly a target sector worth courting. Our city's diversity would undoubtedly benefit also from this influx. But it comes at a price, and the current BTR offer falls well short of what is needed to attract this market in any significant numbers. These are savvy, well-travelled individuals who know what they like.

Apartment living areas would need to reflect what they are accustomed to in their five-bedroom semis:

• Bedrooms – The master bedroom ensuites would have to be bigger and certainly have a bath, not just a shower. Current bedroom and general storage provision would be seen as inadequate and probably need to be doubled in capacity.

• Outdoors – A decent terrace or balcony that catches the sun would also be a prerequisite, one that was big enough to host a table of friends, grow some herbs and accommodate a bit of private sunbathing.

• Living areas – Silver surfer apartments would need to be child friendly (for visiting grandchildren) and allow household pets. Air conditioning might be required (at least the option) and the heating would certainly need to be higher quality than the electric panel heaters that are currently the norm.

• Shared spaces – Silver surfer couples would probably like to be associated with a development with good sustainability credentials. They may be willing to get rid of one of their cars, but not both, so parking provision needs to be closer to 100% as opposed to the current provision of around 25%.

It would be a brave investor who contemplated embarking upon a 500 'unit' bespoke silver surfer development in the immediate future. But what about allocating, say, 5% of a development to this important user group? I might even be interested myself.

**DAVID MCCALL**

david.mccall@omiarchitects.com
www.omiarchitects.com

OMI Architects