

Property managers vital for expanding PRS model

The entry of institutional investors into the build-to-rent sector must make for a better-quality product

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There is no doubt that build-to-rent (BTR) is flavour of the month among investors both in the UK and internationally. We are seeing billions of pounds pile into the sector from all manner of investors including pension funds, property funds and high-net-worth individuals.

According to the British Property Federation the UK currently has 95,918 BTR homes either complete, under construction or in planning.

Compared with 69,824 in the first quarter of this year, this represents an increase of 37.4% in the number of new high-quality rented homes across the country.

It is no coincidence that the boom in development has coincided with a change in attitude towards renting as an acceptable form of tenure. The stigma that had been associated with renting, which had developed over decades as successive governments promoted the ideal of homeownership, has now evaporated.

Last year, PRS occupancy increased by 40%, while homeownership increased by 2%. Now worth an estimated £1trn, the UK's residential rental sector is larger than the entire commercial real estate market (£871bn) - and less than 2% of it is owned by mainstream institutional investors.

However, with the private rented sector (PRS) doubling over the past decade, institutional investors are cottoning on to its potential as a reliable long-term income stream and are increasingly planning to grow their exposure to it. Institutional investment in BTR is expected to grow from £25bn this year to £100bn in 2022. But in all the haste to get buildings up and occupied, is enough attention being paid to the operational model?

With the PRS stigma gone, people are entering this tenure out of choice. And it's not just your 18-to-24-year-olds who are taking to it - the demographic is across the spectrum. A new generation of renters has emerged - the over-55s.

According to the House of Commons report Home Ownership and Renting, there are currently 750,000 over-55 households privately renting in the UK. And by 2024, 20% of the UK's population will be over 65. This group holds £1.2trn in property wealth, and many of them are choosing to downsize to renting.

With the PRS rehabilitated, customer expectations of it have risen. The sector has always lacked a strong focus on service delivery, but BTR presents the chance to change this. It is imperative for the success of a scheme that the BTR model is centred on the customer. So what does success look like?

Unfortunately, there's no one-size-fits-all solution.



The level of services incorporated into any particular scheme are determined by variables such as location and the objectives of the developer or investor.

Up until now the vast majority of BTR schemes that are up and running have been in London. London is almost a market of its own - it's big, it's competitive and it has more international players bringing their own expectations of what should and should not be in a building. It is more diverse and in some ways its customers have higher expectations of on-site facilities.

Horses for courses

The greater preponderance of international customers in London drives a desire for amenities which might be valued less highly in other parts of the UK. Buildings that might be considered suitably nice and shiny for London might not work in these cities. First and foremost, buildings must be fit for purpose and built and designed to appeal to the local demographic.

The role of the property manager is subtly changing from, in effect, managing the running of a building to being much more influential in correctly servicing BTR and the customer. It is morphing into the role of an asset manager in the commercial property market - advising on where to build, what the building should look like, the amenities it requires and assuring its long-term success.

High-quality assets

Now that institutional funding for BTR is coming through, the buildings and the models have to be of institutional asset class. Part of that is sustainability throughout the life of the building, so considerations as to the development's bespoke design need to be examined from the outset. To that end the development must be stabilised as quickly as possible by minimising churn, so when people move in they stay for a long time. In order to achieve this a focus needs to be put on the customer experience.

Tenants, who are the customers, can vote with their feet if they are experiencing poor accommodation or service delivery. They are free to up sticks and move to another scheme, which could literally be right next door.

The main selection criterion for residents and the key to them staying in one location for an extended period of time is feeling secure and welcome on site. That's why we have a concierge academy, teaching staff how to work with and care for customers. Whether you call them concierges, trained receptionists or 24/7 tenant liaison managers, they are the face of the development and the customer's first point of contact. That level of service is critical in keeping customers happy and staying put.

For the first time in the BTR sector we have the funds and the developers coming together to build meaningful supply. What also needs to be considered, however, is a good operating manager who understands the customer as well as buildings' complex design requirements.

The operating manager can bring design and total cost of ownership improvements to help the investor and ultimately help the customer, which is vital to providing a sustainable BTR model. ■



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About FirstPort

With over 30 years' experience, FirstPort is the largest residential property management company in the UK. It manages over 180,000 homes in England, Wales and Scotland across more than 3,900 developments, and has more than 3,000 employees dedicated to looking after people's homes.