A BTR TOMORROW

Can the build-to-rent sector deliver; a BTR tomorrow?

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A BTR TOMORROW

I genuinely believe Build-to-Rent can deliver A BTR Tomorrow for millions of people across the UK; creating jobs, raising living standards and delivering sanctuary, away from the stress of today's "Insta-Life".

The missing ingredient from our perspective at LOFT is Human-Centred Design. A process that starts with the people you're designing for and ends with solutions that are tailor-made to suit their needs.

We are now living in the "Co-World". Offices have become co-work spaces. Hotels are transforming into co-living.
In five years' time, hospitality, working and living will have merged completely.
Communal ownership will also continue to grow as an alternative to unregulated services. We already share cars, accommodation and equipment. But soon, we will prefer to share them communally, rather than rent them from businesses.

There is a strong argument to suggest that students, young professionals and multi-family residents will begin to merge in a similar way, preferring to live together within a more diverse community, as both expectations and standards continue to rise.

With BTR in a remarkably strong position to provide a long-term solution for this evolution, the emphasis of those within the sector should remain firmly upon Human Centred Design.

Benjamin Hall, LOFT Interiors
Managing Director
0161 872 2363
benjamin@loft-interiors.co.uk

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Tel: 03308 381 733
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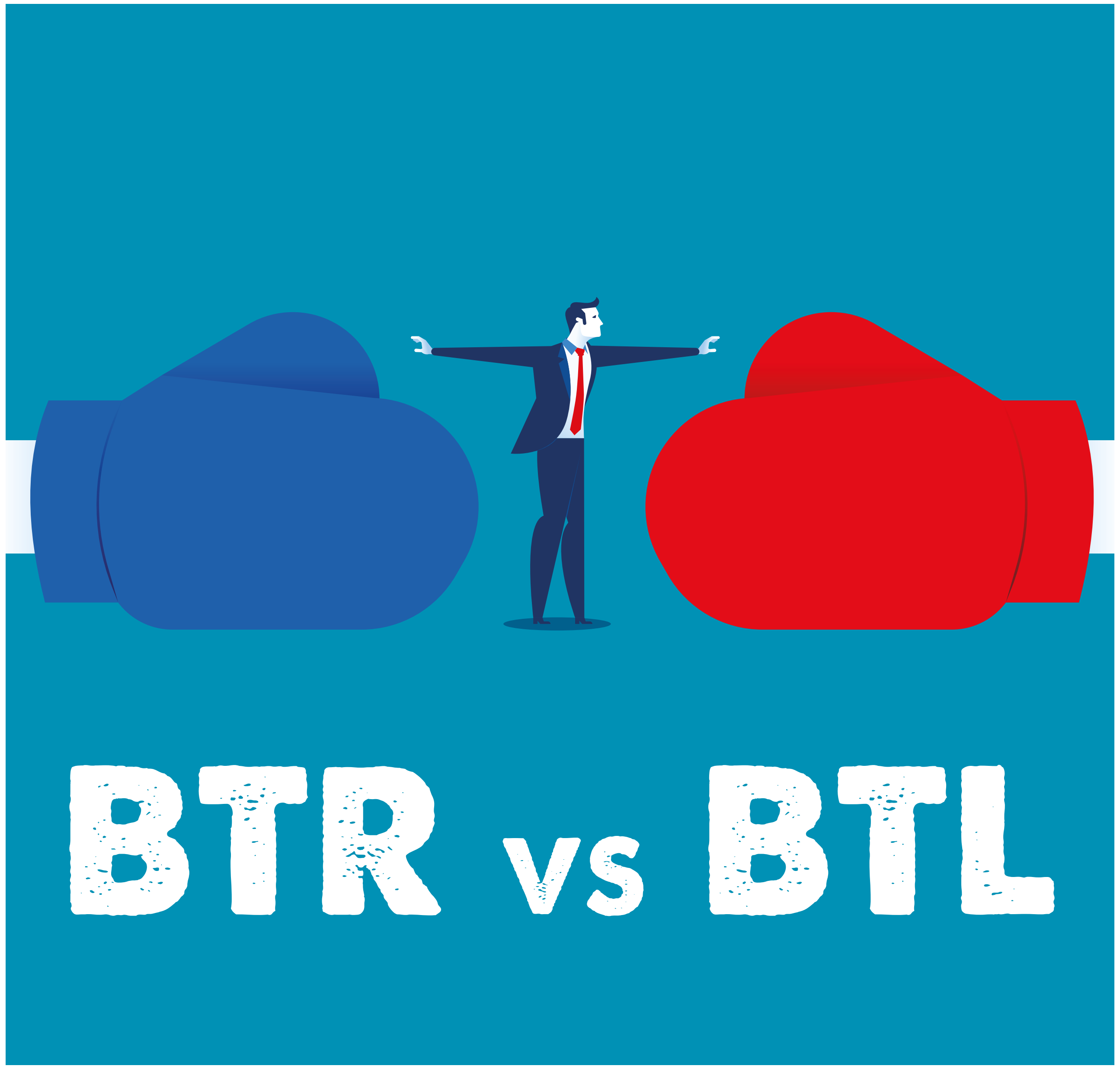


WHAT'S THE REAL DIFFERENCE?

Michael Howard – urbanbubble

A lot has changed in the last three years since I hosted an event at MIPIM which focused on a citywide survey in Manchester and Salford, outlining what residents wanted and would pay for in the new wave of PRS developments.

We've gone from the moans and groans of planning, funding and construction costs to having over 11,000 homes in development regionally. 2017 broke the construction levels of 2016, which in turn beat the 2006/7 boom pre-recession.

Massive strides have been taken since 2014/15. In that time, we've all become acquainted with the most popular property acronym, PRS, but now we hear a new one – BTR, short for Build-to-Rent.

So, what does it mean? Is it different to PRS? Is the industry just getting a little snobby, or will it represent something truly different?

MORE THAN A NEW ACRONYM

Build-to-Rent is the term used for the residential schemes being designed, built and managed specifically for rent, whilst PRS (Private Rented Sector) is the catch-all for all rented homes, including Buy-to-Let (BTL).

Yet the term requires further drilling down. Plenty of developers have created schemes that are 'designed, built and managed for rent' but then sold, often across the globe,

to BTL investors. The real difference in BTR is the singular ownership: the investor purchases the entire residential asset and a single operator manages it on their behalf.

Many schemes claim to be BTR (designed and built specifically to rent), but have fractional ownership and are, as such, governed by leasehold law. Those that are singularly owned are typically schemes purchased by the institutional funds we've all been so keen to see enter the market. Now, they are doing so in a big way.

It's silly to make a sweeping statement that institutional or singular ownership rental schemes (true BTR) are 'better' than fractional ownership (BTL) ones – not least as we're appointed to some of the North West's top developers! However, there are key differences which impact the quality of real estate and service delivered to residents.

A DIFFERENT WAY OF THINKING

Institutions have an immense amount of firepower, knowledge and experience in real estate – already holding billions of pounds' worth of property. They forward-fund schemes and commit significant resources to ensure the final product is 'leading' for the city. The residential scheme is thought of as a community, with a brand created for the target demographic, and the quality of build, materials and fit-out suitable for a long-term hold of 15 years and beyond.

This has had a remarkable impact on the developer community in Manchester. Residential schemes are being sold on the open market for BTL. Where once they would have had nothing more than lift lobbies and bin stores, these units now come with the same amenities, facilities, and on-site services that the BTR sector is delivering. However, if the management of this community is fractional, across half a dozen letting agents and a block manager, the ongoing upkeep of the property and service to residents will fall behind its BTR equivalent very quickly.

RUNNING COSTS: SERVICE CHARGES AND OPERATING EXPENSES (OPEX)

A BTR scheme runs on an operating and capital expenditure forecast over the long term (we plan 15 years past stabilisation). A BTL scheme has a freeholder typically collecting ground rents, a managing agent running the communal aspects of the development with service charges, and several agents leasing the apartments on behalf of landlords.

In Manchester, adding up all the fees of a freeholder, managing agent and letting agent, the costs charged to an owner of a 2-bed apartment sit around £2.3k per annum. For a 400-unit scheme, that's around £920k a year in management fees alone. BTR fees would be considerably less for a scheme of the same size; we've found, across all spend areas, that running a BTR scheme is significantly more efficient than BTL.

DELIVERING EXCELLENT SERVICE FOR OUR CUSTOMERS

urbanbubble have always seen our tenants as customers. The industry is now in agreement: we have to deliver the best resident experience to maximise appeal and rents, whilst reducing resident attrition.

A singular owner, with a singular operator, working on a cost-efficient scheme can invest in long-term staffing as the largest proportional cost in the OPEX. By contrast, BTL schemes face pressures on the £-per-square-foot service charge by owners wishing to maximise returns – often compromising the on-site facilities team.

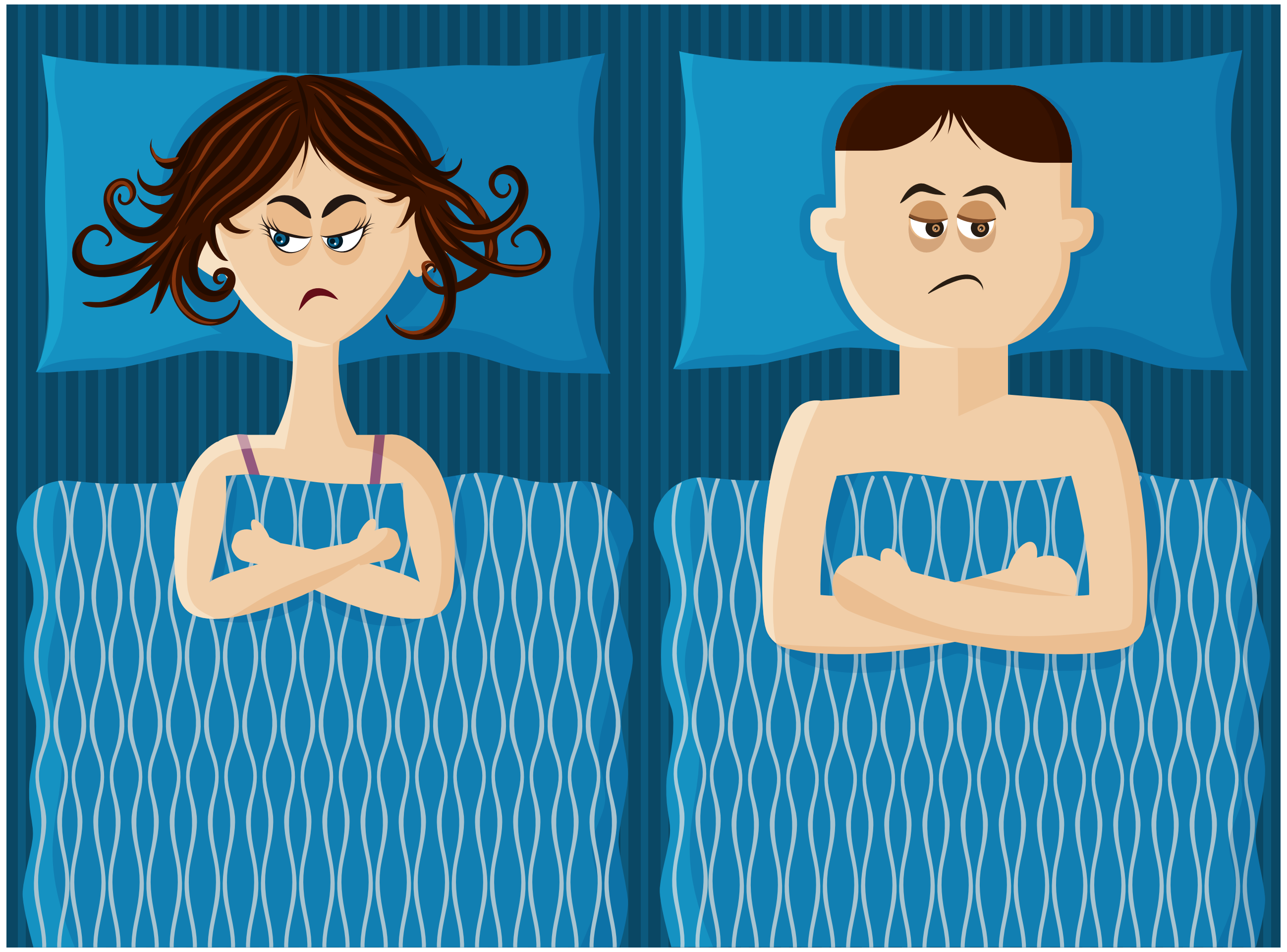
Letting agents compete to fill vacant units as the negotiators are rewarded on 'tenant find'. They often undercut one another on rents, which can reduce the investment return the landlord could receive. There are also no resources provided by the letting agent to provide day-to-day resident care and service (unlike BTR, where we provide a whole team, on-site, dedicated to Resident and Leasing Services).

This article is not meant to underplay new BTL schemes – we have some amazing developments being launched in Manchester and Liverpool that will out-compete some of their BTR rivals. However, this is only possible if a singular operator or management approach is taken.

BTR is different. It has arrived in a big way, already redefining the residential rental market. We know that it will continue to have a profound effect over the coming decade.

MICHAEL HOWARD
michael@urbanbubble.co.uk
www.urbanbubble.co.uk

urbanbubble



BTL AND BTR - CAN THEY MAKE GOOD BEDFELLOWS?

Nicola Fleet-Milne – FleetMilne Property

Out with the old, in with the new. Across the entire lettings industry at the moment, this phrase perhaps best sums up the changing landscape. It applies on many levels: the imminent abolition of tenant admin fees, the recent end of certain tax reliefs for landlords, Labour's proposed rent controls ahead of the next General Election (whenever that might be), and the arrival of the first wave of purpose-built Build-to-Rent (BTR) developments.

It's their emergence and predominance that will lead to a new round of "out with the old, in with the new" requirements for private landlords operating in the traditional Buy-to-Let (BTL) sector of the market. Many landlords of this ilk are proud owners of "new build" houses and apartments, acquired during the BTL boom in the first decade of the new millennium.

However, it's not unfair to say that the word "new" is probably stretching it a little now. Time flies, and in the blink of an eye even these once-glittering properties have aged ten years or more.

Gone are the cutting-edge finishes, modern materials and designs, because the world has caught up and overtaken.

Some once-fashionable kitchens and designer bathrooms look tired, the décor outdated. But the new kid on the block is coming, and soon. More than 85,000 apartments are currently in varying stages of the delivery pipeline across the UK, in the BTR sector alone. They will be modern, shiny and new. They will be smartly branded, heavily staffed and marketed to the max. They will never hit the sales market; they are targeting tenants and their money.

SO, CAN THE TWO COEXIST?

It is my belief that this can be great news for both sides of the Private Rented Sector – BTL and BTR. Each landlord and agent type can learn from the other, to create a comprehensively enhanced letting experience for tenants.

The Private Rented Sector has matured an awful lot in the last 20 years; the emerging BTR landlord is able to learn from

these lessons and use them to their advantage when attracting tenants. They will seek to engender brand loyalty and repeat business, which they have come to know will only arise from a good product being managed well – not just from snappy building names, frills, bells and whistles.

There are more tenants now than ever before, but they are more discerning too, and rightly so: they've endured a tough period in recent times with limited choice of property. While that is about to change, it cannot be assumed that they will all flock to BTR buildings simply because they're new. These schemes must walk the talk.

The traditional BTL landlord will very easily, by virtue of technology or physical visits, be able to see what its new competitors are doing and evolve their properties and offering accordingly. BTR investors may be seeking to profit, in part, from the mistakes of the past, but savvy BTL landlords will be researching, right now, what the big boys are doing.

KNOWLEDGE SHARING BETWEEN BTL AND BTR

Which bathroom and kitchen finishes are à la mode? Which sofas, beds, flooring and window treatments are turning heads? Do I need to provide luxury items or just the basics in my area of the market? Is a standard 6-month AST really the best way forward these days?

You can guarantee that the funds investing in the BTR sector have done their research, and you will see evidence of their findings writ large across their marketing and in their show homes.

For the BTL landlord, this doesn't have to be as arduous and costly as it may first seem. Kitchens can retain carcasses but add new doors and worktops; bathrooms can be retiled and perhaps given some stylish new sanitaryware.

Advances in furniture and soft furnishings mean that a real impact can be made, without needing to remortgage to afford it.

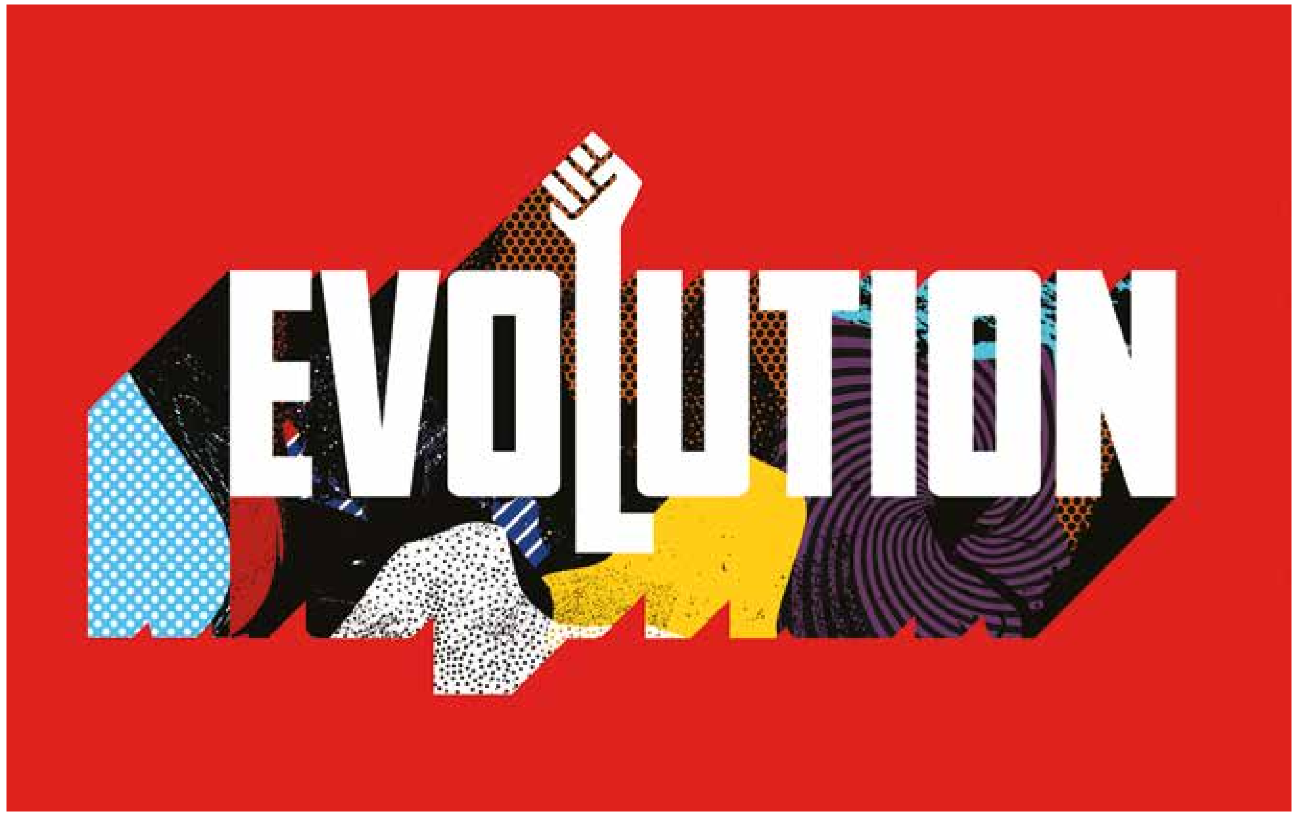
BTL landlords can genuinely compete with this new raft of rental stock, if they are willing to be bold and invest in the future of their portfolios. Not only will they safeguard themselves; they are likely to benefit from enhanced rental income, fewer void periods and improved capital growth.

And for the BTR investor, there is much to be grateful for. Mine the information and knowledge gathered over time by local agents and experts carefully when planning and designing schemes, and the rewards will be there in the long term.

Everyone stands to benefit greatly from this shift in the Private Rented Sector and, quite rightly, it could be the tenants themselves who most enjoy it; better choice, better quality, better service and better security of tenure, across the board.

Whether we are talking about evolution or revolution remains to be seen, but one thing is for certain – by working together rather against one another, the BTL and BTR sides of the lettings industry could actually be quite good for one another.

NICOLA FLEET-MILNE
nicola@fleetmilne.co.uk
www.fleetmilne.co.uk



EVOLUTION, NOT REVOLUTION

Nick Riley – Whittam Cox Architects

Over the last three years or so we have seen lots of industry media attention on Build-to-Rent (BTR). For some it seems to be a brave new world of property. My view is that the growth of Build-to-Rent is a natural evolution of the traditional residential sector and the diverse Alternative Asset class.

BTR, PRS AND PBSA

There remains a frustrating misunderstanding of the naming terms for this sector. The term 'Private Rented Sector' (PRS) captures every form of privately owned rental home in the UK. Most of these are owned by a private landlord, who is often an individual, rather than a company of any scale.

BTR is part of PRS, but the two are distinctly different. BTR is a new proposition in the UK marketplace. It is about purpose-built rental housing accommodation, predominantly delivered at scale. The asset as an entire building or estate will be owned by a single entity – often a large institutional fund. Similarly, the asset will be operated and managed by a dedicated facilities provider.

The most obvious comparable to this model in the UK is purpose-built student accommodation (PBSA). This sector has grown exponentially over the last twenty years; it is now worth about £50bn as an asset class and continues to grow, diversify and evolve. BTR is probably around two or three years into that twenty-year journey.

BTR: HERE TO STAY?

Despite challenges from some critics suggesting Build-to-Rent is just hype, I firmly believe it will shape our residential sector substantially over the next ten years. I often talk to colleagues and acquaintances in the sector about the BTR learning curve; it will take time to develop the most effective models and deliver a tangible volume in regional markets.

A further challenge in my view for the sector is a lack of public awareness of this model. People get brands like Airbnb and how they have disrupted the short-term rental market, but I don't believe many people get what BTR is about – and how it will differentiate from traditional models.

I believe people choose to live in rental accommodation based on affordability and lifestyle. I suspect, when it comes to the physical living environment, people enjoy their homes within their own front door, but are probably ambivalent about the sense of community and overall residential experience. BTR promotes all the benefits, facilities and experiences that can be gained from this approach.

Whittam Cox's work in BTR has been really positive and varied. Having worked in the urban residential apartment and student living sector for many years, we are well placed to bring our wealth of experience and knowledge to add value to clients and projects.

Our project with The Collective at Old Oak has seen the UK's first co-living BTR development successfully delivered, occupied and operated. This is a high-density building with many compact bedrooms; it's perhaps more closely comparable to student living. The distinction in the offer here is that you sleep in your bedroom and live in the building. The whole-building amenity and facilities offer is generous and diverse. This promotes a strong community and presents an affordable lifestyle offering to residents whose direct alternative is a shared/HMO dwelling.

We are also well progressed in delivering the first phase of a substantial new neighbourhood based around BTR in Salford, right on the boundary with Manchester city centre. Middlewood Locks with Scarborough Developments was specifically designed to meet the new principles of BTR, aligning with the Urban Land Institute's widely acknowledged Build-to-Rent guide.

THE CHALLENGES FACING BTR

There are still challenges in delivering BTR at scale in all markets. The planning system lacks consistency and directly applicable use-class codes; this can be an opportunity or a challenge, depending on how authorities view BTR. Most major authorities are increasingly recognising this asset class as an important way to promote urban living and long-term city economies.

Another challenge is in viability. Construction is expensive, and BTR is inherently likely to cost more than conventional urban living models. The old approach of build it (cheap, in some instances) and sell it (high) doesn't apply here. The quality of both the design and build needs to be maintained for many years to ensure occupancy retention and optimised rental income.

Getting the financial appraisals to work in a market that is still growing involves risk. The next few years will be critically important as early entrants continue to deliver finished products and test how they operate, including sustaining income and yields. This, in time, should boost market and investor confidence.

Many people in the sector, myself included, have talked about amenity provision in BTR. It's an obvious area to focus on: it's new and impressive, and helps to differentiate from other rental models. Amenity is important to defining the offer and promoting places and communities.

However, we risk talking this up too much. I'm sure we will see some developments get this wrong, resulting in inflated rental levels and assets which aren't optimised in occupancy terms. We need to be careful and try to deliver a balanced offer, with affordability being a critical consideration to sustaining long-term success.

I firmly believe that Build-to Rent is here to stay in the UK. It will grow significantly over the next 5-10 years and will evolve, in the same way Student Living has done. In the words of Steve Jobs: "Design is not just what it looks and feels like. Design is how it works." I see this as a strong and important message for us all, used in the context of Build-to-Rent.

NICK RILEY

nick.riley@whittamcox.com
www.whittamcox.com

Whittam Cox ARCHITECTS

THE 5 PILLARS OF BUILD-TO-RENT SUCCESS

David Bond – PRSim

PRSim, part of the LSL Property Services Group, is a consultancy and operational management business. We are dedicated to providing Private Rented Sector (PRS) and Build-to-Rent (BTR) developers and investors with a complete, fully integrated service – from the initial process of identifying site and development opportunities through to day-to-day operational management.

We've learned a lot about the sector through our experiences. Here, we share PRSim's five pillars of BTR success:

1. KNOW YOUR MARKETPLACE

In the pivotal early phases of a PRS or BTR project, it's vital that key stakeholders have all the facts to make informed decisions. Although there is a wealth of data available from the US multi-family residential sector, there is still a lack of UK-specific data.

PRSim assists its clients by leveraging LSL's extensive national and regional data, and rental market indices, to provide "big picture data". This includes a full analysis of market trends and the socio-economic landscape to help clients better understand the opportunities and risks in the current housing market.

2. KNOW YOUR LOCATION

Finding the right site for development in the optimum location is essential. Start by undertaking an in-depth viability analysis of your chosen location – from expected supply and demand to competitor activity and local infrastructure. With BTR schemes often years in the pipeline, make sure to not only consider the here and now, but also the future of the area.

What will drive growth, who are the leading employers and how will the area evolve over the next 10 to 20 years?

It's also important to monitor your local competition; an influx of housing to the area may affect your mobilisation strategy, expected lease-up period and knock-on marketing spend. Insights into local demographics will assist you in pinpointing your potential customer base, so you can tailor your building and service offering accordingly.

As part of the wider LSL Group, PRSim has access to one of the largest estate agency networks in the UK, making us experts in identifying suitable off-market land and site opportunities, and assessing their viability for development.

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3. KNOW YOUR RESIDENT

In the world of BTR, the resident is king. Happy customers equal longer tenancies and increased stability, which is key to maximising yield and capital values.Early analysis can help to define your potential customer base, helping inform decisions around unit mix, specification and communal facilities. Consult industry reports such as the LSL Tenant Survey, the largest PRS survey of its kind in the UK, to gain a better insight into the voice of your target customer.

It's important to regularly review the needs and wants of your residents to continuously improve and evolve the service offering. Seek feedback often and instigate a formal customer satisfaction review process to monitor areas of success or improvement. You should also consider incentivising your on-site team based on these results.

4. KNOW YOUR BUILDING

PRSim works with leading developers and architects to advise on all aspects of a project's design evolution, from optimum configuration, facilities and amenities, to comprehensive financial modelling and life-cycle costing. Seemingly trivial decisions, such as the placement of bin stores or post boxes, can dramatically affect the building's operational management causing unnecessary problems and cost further down the line.

A sharp eye for detail is needed to strike a fine balance between modern design (now synonymous with BTR) and asset performance. A full life-cycle costing analysis will help you understand the current and projected cost of your development over a ten-year period, allowing you to identify the most cost-effective options for operation, maintenance and replacement strategies. This will mean that you can better comprehend the financial implications of every design and build feature or decision made.

The ultimate goal is to deliver a cost-efficient building, one that supports effective operational management and enhances the overall resident experience.

5. KNOW YOUR VALUE

Value here doesn't simply refer to the financials. Of course, it's essential that the scheme works from the bottom-line up and that your operator's objectives align with the investment objectives of maximising your net operating income. However, this point also refers to what makes your scheme, brand or service offering unique – what value does your scheme provide to residents that is over and above that of your competitors'?

• BRAND

This is one of the main differentiating factors which separates BTR from private landlord renting. A brand is far more than a flashy logo; as a minimum it should encompass your core values, organisational culture and unique service proposition. This should permeate the building and its design, staff and residents – underpinning the customer journey and every resident interaction.

Brand loyalty will only be driven by exceptional customer service.

• RESIDENT ENGAGEMENT

Every scheme should aspire to create a sense of community and a place people can call home. Research shows that when a scheme's residents are able to engage with one another it has a significant impact in the number of renewals – as few as two to three engagements can factor a sizeable uplift.

Engagement can range from hosting resident events and providing flexible spaces to enjoy as a community, through to opinion surveys and the use of resident portals or apps for improved communication. Even reporting maintenance issues can be turned into a positive experience if dealt with efficiently.

• TECHNOLOGY

The inclusion of technology to promote convenience and efficiency is an essential ingredient for a successful PRS or BTR scheme. In today's tech-savvy world, expectations of renting and (specifically) amenities are evolving. It is worth considering the latest smart home technologies, door access controls, delivery drop boxes and security, and what value your residents would derive from these versus the expense. Listening to and communicating with residents is integral to the success of any scheme – make sure to facilitate engagement and create positive experiences with the use of cutting-edge resident portals and mobile apps.

The team at PRSim have years of experience and expertise in the private rented arena, so if you need any advice please don't hesitate to get in touch.

DAVID BOND

david.bond@lslps.co.uk
www.lslps.co.uk

BTR: THE HYPE IS OVER, IT'S TIME TO DELIVER

Paul Borrmann – Grainger PLC

There has been a lot of talk surrounding the Build-to-Rent (BTR) space in the last few years. Whether it be rumours of potential land deals, agreed deals that fail to perform financially, the grant of planning permissions, or the announcement of new delivery deals, the time for talking is over – it is time to deliver on the hype.

The coming year will be huge for the embedding and stabilisation of the BTR offering across the UK. It will see the agreed deals of the previous years come to fruition and welcome their first occupants. Having beautifully designed, double-height entrances, rooftop badminton courts and online resident portals for ordering taxis are great – but does the building itself and the service level deliver for the customer?

Designing a great place to live on paper (physical product) and actually operating and delivering a great place to live (service) are different propositions entirely. Of course, the efforts during the design phase will aid with launch, absorption and returns, but the operational elements deliver the retention and Net Promoter Score that is key to the BTR model.

LEADING THE BTR SECTOR

The latest figures from the British Property Federation highlight over 105,000 BTR units as being completed, under construction or in planning across the UK – with this figure increasing on what seems like a daily basis to those in the sector.

However, in the context of the overall rental market, the percentage of UK renters currently living in a BTR or PRS offering that is owned and operated by a large-scale, professional landlord still remains relatively small in comparison. Over the next five to ten years, and at the current pace of investment into the sector, this is a trend that will begin to change as the value add of renting from a large-scale, professional landlord becomes more widely recognised by the UK rental market.

In January 2016, Grainger announced our ambitious plan to invest £850m in the PRS and BTR sectors by 2020. To date we have invested £690m of this figure, securing a pipeline which will deliver over 4,300 homes in the coming years.

Since the beginning of the financial year, we have secured four sizeable deals in Sheffield, Salford, Manchester and Birmingham – all key strategic areas for us – as well as being selected as the preferred bidder for a 232-unit PRS scheme in London.

We also have a number of other exciting schemes at the planning/legal or under consideration stages, underpinning our confidence in the future and further growth of our PRS/BTR offering and the market demand as a whole.

January saw the launch of our latest BTR scheme: Argo Apartments in Canning Town, London E16. The scheme has been extremely well received, with over half of the 134 homes being let in just over a month and achieving c.3% above our forecast rental levels. Our focus on providing high-quality, mid-market homes where there is deep and growing demand is proving very successful. The initial feedback from our new customers on the way we design our customer offerings very much reinforces that fact.

LARGE-SCALE, PROFESSIONAL LANDLORDS – THE FUTURE NORM

2016 figures from the Royal Institution of Chartered Surveyors highlighted that 86% of Buy-to-Let landlords had no intention of further investment to increase their rental portfolios within the next five years. Government policy has had a direct and obvious impact on the UK Buy-to-Let market, with the changes to tax relief and the introduction of the additional Stamp Duty Land Tax (SDLT) for new purchases being key factors.

The last budget re-emphasised the Government's commitment to supporting new housing supply across the country. The Government is keen to ensure a balanced approach to the housing solution and widely support the professionalisation of the PRS in the UK.

The Prime Minister's commitment to increase housing supply by building 300,000 houses a year is a great start. This is very much needed in the UK, with institutional investors geared to really help move towards the target at pace. Institutional investors – through the vehicle of scaled BTR/PRS development – can increase housing supply en masse, deliver it more quickly than other traditional house-building models, and, importantly, provide a better service and value for money for UK renters.

Grainger plans to have a portfolio of c.10,000 high-quality, long-term rental homes by 2020. We, along with other institutional investors, would very much welcome and benefit from clear support from the Government, to ensure the planning systems across the country and regulatory red tape do not hold back investment and development.

Review of the SDLT 3% surcharge on second homes would also have a positive impact on large-scale investment in the UK.

In its current state, the SDLT surcharge effectively penalises large-scale investors looking to deliver new rental homes in the UK.

Professionalisation of the UK rental sector is coming, and it's fully welcomed by Grainger. We aim, and are perfectly placed, to offer customers a better deal in rented accommodation. Grainger benefits from an embedded national platform with regional offices across the country and over a hundred years' experience in delivering and managing homes.

REDEFINING RENTING – HOMES TO RENT WITH GRAINGER

"Renting is too expensive", "private landlords are unscrupulous", "the service standards are poor" and "tenants have no security in their homes" are phrases heard all too often in the UK rental market. At Grainger, we are actively challenging this paradigm to ensure that the customer is central to everything we do. We aim to be transparent throughout the renting process and provide the security of tenure that our customers desire.

We offer longer-term tenancies without the need for customers to be locked in for the long term, as well as fixed annual rental increases that allow customers to plan their finances from day one with no surprises, so that they can enjoy living in their home as long as they wish.

In all of our schemes, we work really hard to ensure we design and deliver amazing homes and shared spaces that we can offer at a price point suitable for a wide range of our customers. Our latest London scheme, Argo Apartments, would open the door for two graduates – each earning £25,000 p.a. – to move into a larger-than-average 800sqft+ home with a great selection of customer amenities and all the benefits of renting from a large-scale, professional landlord.

As we look to the year ahead, 2018 will be an exciting year at Grainger as we welcome new customers to our three latest schemes in Salford Quays, Bristol and Aldershot – around 1,000 amazing homes specifically designed for the UK rental market, priced realistically and operated by the largest listed landlord in the UK.

PAUL BORRMANN

pborrmann@graingerplc.co.uk
www.graingerplc.co.uk

Investing in homes since 1912
grainger plc

DELIVERING MORE HOUSING ON PUBLIC SECTOR LAND

Andrew Screen — TradeRisks

The UK has had a consistent shortfall of housing delivery for the last 30 years, where demand has exceeded supply by approximately 100,000 homes a year. The principal cause of this shortfall in supply was local authorities building fewer houses from the mid-1970s.

Supplying an additional 100,000 to 150,000 homes a year would, however, require the development of a whole town the equivalent size of Oxford, Woking or Cambridge, every single year – and this would still only achieve a break-even position between supply and demand.

In the past we have also seen various financial and structural initiatives implemented across different housing tenures in an attempt to increase the supply of housing, affordability and ownership.

Some of these initiatives have been more successful than others, including:

- Right-to-Buy
- The Barber Boom
- Shared equity
- PRS Taskforce
- First-Time Buyers
- Buy-to-Let
- Get Britain Building
- Homes fit for heroes
- Help to Buy: shared ownership
- Starter Homes
- Grant funding to developers
- Bank of Mum and Dad
- Home Building Fund
- Affordable rent

While these mechanisms have been useful in promoting specific types of housing tenure, the majority of these mechanisms have had little impact on the significant shortfall of housing.

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One of the key obstacles to the delivery of more housing is the scarcity of land available for development, the supply of which is often constrained by greenfield or planning restrictions. There is, however, a significant amount of land available for development which is owned by the public sector (e.g. local authorities, NHS, MOD). I am not advocating that local authorities become house builders or construction contractors, as these skills and expertise are available in the private sector. Instead I am proposing that public sector land is made available for the development of homes, at scale.

There are several ways in which public sector land can be made available for development, these typically include:

- Sale of land to a developer
- Joint venture with a development partner
- Development agreement
- Sale of land by long lease agreement.

Many of these methods often result in poor value for money for the local authority, complex procurement or tender requirements, or land-banking and the lack of housing delivery. However, the sale of land by way of a long lease agreement presents a new opportunity in light of the nascent development of Build-to-Rent and Retirement for Rent tenures, as these can create an income stream in perpetuity.

Traditionally, local authorities would sell a piece of land or enter into a development agreement to receive a land payment and possibly a portion of the development profit. However, many local authorities have experienced budget cuts and are now in need of revenue income to maintain the provision of essential services. This income stream can easily be achieved from Build-to-Rent or Retirement for Rent developments.

The structure is fairly simple and has limited risk for the local authority. It would work as follows:

1. The local authority enters into a sale of land agreement with a Build-to-Rent developer, funder and operator. This would be via a long lease (say 250 years) at a peppercorn rental with a turnover clause.
2. The turnover clause would entitle the local authority to receive an equivalent portion of the net annual income to what it would have received if it had sold the land (so, if the land represented 30% of the total development value, the local authority would be entitled to 30% of the net income every year for the next 250 years).
3. At the end of the long lease, the land or property would return to the local authority.

The benefits of this structure are:

- New homes will be built in the borough, reducing the housing shortfall
- The local authority will receive a revenue income from its asset, linked to inflation
- The local authority can protect its affordable housing (Discounted Market Rent/Affordable Private Rent) and building use under the lease agreement
- Should the developer fail to develop the site, the local authority can claw-back the site by terminating the lease
- The freehold of the land is always owned by the local authority.

The significant advantages of this mechanism are that the local authority will receive an annual income from the owner or operator of the Built-to-Rent units. However, the local authority could forgo its entitlement to its return in exchange for further discount on the Affordable Private Rent/ Discounted Market Rent units or more Affordable Private Rent units in the development. Because the income share is that of the local authority, they can modify or change this preference over time. This maximises the return to the local authority or the Affordable Housing benefit.

This land lease agreement is simple to set up and is welcomed by developers, funders and operators. The local authority will be treated as an "investor" and entitled to share in the future income of the development.

Public sector landowners should consider the sale of public sector land, by way of a long lease and turnover clause, in order to benefit from a share in the long-term rental income and retain the ownership of the land. This will help progress rental-based property developments such as Build-to-Rent and Retirement for Rent.

ANDREW SCREEN

andrewscreen@traderisks.com
www.traderisks.com

TRADERISKS®

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

MEETING DEMAND WITH CONSERVATION AND CONVERSION

Nicola Smith – Complete Prime Residential Ltd

Demand outstripping supply in real estate isn't a new concept. The pressure to build quality housing that can meet an increasing, already overwhelming demand is relentless. It's also an issue plagued by so many other external factors: planning and access to land, globalisation, an ageing population with a shift in needs and lifestyle expectations… This all begs the question: "What is the future of real estate, and what does that landscape look like?"

It's a broad question, and one with several answers. Add to this the responsibility of developers to construct socially and environmentally responsible housing and create sustainable communities, and the question becomes even more complex. Is conservation the answer to a few of those problems?

Take an industrial heartland, like Manchester or Liverpool, lined in places with warehouses, dockside industrial buildings and acres upon acres of land now falling to ruin. There is, of course, an emotional connection with these areas – they're a sign of great times now past, and the very essence of the cities in which these tired spaces reside. It's the docks that made Liverpool, and the textile trades that gave birth to the industrial revolution that made Manchester.

In many instances it's somewhat quicker, easier and more cost-effective to clear land and build new, sometimes specific, Build-to-Rent developments. These new developments offer a wealth of opportunities and become welcome additions to the urban landscape – just look at the success of Spinningfields and the exciting new St John's Quarter in Manchester. Yet it has to be said that making use of what we already have and turning that into something new is an approach deserved of much more consideration. Countless individual warehouse conversions in Manchester, Liverpool, Leeds and London have been hugely successful, and, in some areas, much more desirable than anything new.

One project going so much further than an individual conversion is Liverpool Waters. Taking in an estate of some 60 hectares, the project aims to transform an entire area of historical Liverpool across its northern docks into a thriving community of five neighbourhoods, with residential, commercial, retail and leisure opportunities, and a much-needed, expansive public park. What's happening here is that, despite ambitions to create a new thriving community and massive contributions to the local economy, that historical connection with Liverpool's past is being preserved and celebrated. It will form a part of the new fabric of the area whilst conservation helps to retain the existing buildings and bring them back into use.

The concepts "neighbourhood" and "community" are at the heart of the Liverpool Waters project, too. This isn't an expanse of dense living quarters piled high, with limited access to facilities and amenities to serve its new residents, but well-thought-out, well-designed collections of new homes for a host of tenant types. These homes have everything from high-spec studios for the single professional to larger homes for growing families – all of which benefit from a wealth of facilities that meet the needs of modern living. Retail, leisure, open spaces and natural landscapes all combine here to create something beautiful – it's almost a Mark II of the garden city concept. Whilst there are of course many challenges to this approach – issues with planning, construction, and costs considerations among others – there are a number of significant advantages, moving beyond quick-fix Build-to-Rent developments to building and shaping communities.

Yes, it's a large-scale, well-funded and a much-supported project compared with the average development, but Liverpool Waters is an example of a project that, done right, meets many of the challenges that the real estate industry face.

Complete Prime Residential Manchester are lettings and managing agents for Quay Central, one of the new developments within the wider scheme, completing in Q1 2019 with furnishing for the units provided by LOFT.

NICOLA SMITH

nicola.smith@complete-ltd.com
www.complete-ltd.com

COMPLETE

CAN BUILD-TO-RENT HELP TO PRESERVE OUR BUILT HERITAGE?

Martin Ellerby – Placefirst

Given the choice, a lot of people tend to prefer older, period properties over modern, new-build homes. This is largely down to characteristic features such as generous floor-to-ceiling heights and vast windows that, when combined with modern interiors, can result in truly distinctive homes – the likes of which regularly feature in design and lifestyle magazines. However, bringing these period properties up to date as modern family homes with all the benefits of a new-build can be expensive, time-consuming and fraught with risk.

To most lower income working households, the idea of living in a contemporary period home has never really been an option. Until now, that is. In recent years, Placefirst has been transforming streets of empty Victorian homes into some of the best-in-class rental properties available across the North of England. Whilst the cost of undertaking this kind of work would be prohibitive under a Build-to-Sell (BTS) scheme (particularly in inner-urban areas with constrained values), Build-to-Rent (BTR) provides an investment model where these costs can be repaid and turn profit.

Our approach, building distinctive homes and neighbourhoods that combine the best of the old and new, is creating BTR developments where families aspire to live and put down roots – the fundamentals of any community.

Refurbishment alone, however, cannot provide a sustainable solution; period properties require significant internal and external remodeling to bring them into the 21st century and compete with new-build homes. To create larger properties of three and four bedrooms, we use lateral conversions to develop single family homes where before there were small 'two-up two-down' houses.

Another constraint of the traditional terrace is the dark rear yards and alleys – not exactly an aspirational offer for families. At Welsh Streets, for example, we are demolishing rear outriggers and yard walls to create a mix of private gardens and terraces, all overlooking a secure landscaped communal avenue where children can play and neighbours can get to know one another. At The Green in Hartlepool we have gone one step further, demolishing a whole block to make way for a pocket park looked on by new homes carved out of traditional Victorian terraces.

This kind of approach to community-focused development is not usually seen in BTS housing unless a service charge is added on top of mortgage payments. Through a BTR model, however, investing in attractive and meaningful shared spaces allows us to create the conditions where communities can flourish and where our residents will want to stay. This approach has clearly resonated with families who rely on the Private Rental Sector for their housing needs, resulting in homes being reserved off-plan months ahead of completion. We have also received a number of national and regional awards for our work in transforming historic inner-urban neighbourhoods previously set for demolition.

Through a BTR approach, Placefirst are proving that our built heritage can not only be preserved, but can be completely reimagined to offer aspirational, distinctive homes to a cohort largely overlooked by the burgeoning Private Rental Sector.

MARTIN ELLERBY

martin.ellerby@placefirst.co.uk
www.placefirst.co.uk

placefirst

MAKE SURE BUILD-TO-RENT DOESN'T WASH ITS FACE!

Mary Ann Bowen – Ringley

In the commercial property world, if your occupier goes out of business you could face many months or years with no income until you find another occupier. In the residential sector, housing demand means that if one tenant does not pay their rent, there will be plenty of others in the queue. This is especially true if an affordable, purpose-built, vibrant product is on offer.

Most experts agree that the key to successful returns is securing long-term tenancies to avoid vacancies, and with them the costs of securing new clients. Whilst this may be the case, many other fundamental factors are at play here – other than the cost of the land and building materials. We all know that Ryanair and EasyJet would go out of business if they just relied on the price of the seat. They upsell – ruthlessly and systematically – to the point where it is almost impossible to book a flight without an additional optional extra.

Build-to-Rent asset managers will, without exception, need to adopt this model – and fast. This will not only *buffer* yields from the ebb and flow of tenants, it will also boost yields. Tenants are cash-rich, time-poor, captive customers that would gladly pay to use a private cinema and BBQ on a rooftop garden, grow cabbage in allotments, and – believe it or – not borrow the block dog to take for a walk!

The market is very much in the early stages, but investors and institutions need to wake up to this great opportunity. By seizing it, they will not only keep tenants happy, but also gain loyalty by upselling quality and much-needed services on site and on demand.

There are a few companies attempting to build standalone apps around this. These apps need to seamlessly integrate with an operational back end, coupled with a system or portal to eliminate costly rental paperwork and agency fees. A 'one-stop shop' approach once again rules the day.

MARY ANN BOWEN

maryanne.bowring@ringley.co.uk
www.ringley.co.uk

The Ringley Group

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BIOPHILLIC DESIGN: OUR AFFINITY WITH NATURE

Benjamin Hall – LOFT Interiors

Urban environments have reached critical mass. As buildings spring up all around us, and more people migrate to the cities, Build-to-Rent pioneers have a duty: to protect and enhance the lives of those they build for.

The correlation between design and quality of life is inescapable. Our experience, wellbeing and performance are all heavily influenced by our surroundings. The positive effects of nature are well-known – so how can we recreate this impact on our health and wellbeing in the built environment?

Biophilic design may be the answer.

This new wave of thought cuts through the noise in the design world, and asks: how can we improve health and wellbeing by reintroducing nature to the home?

Yes, it's important to appeal to the aesthetic tastes of our demographic. We have occupancy rates to think of. But what about promoting the long-term happiness and wellbeing of residents? What about building creative, stress-free environments that foster a sense of community?

Biophilic design centres around our biological affinity with nature – and is the result of decades of research into what aspects of 'nature' have the greatest impact on our health, mindset and cognitive functions.

The evidence is there. Introducing nature into the built environment is proven to lower blood pressure, stress hormones and heart rates. It improves productivity, concentration, and overall happiness. So how do we go about it?

Small details can have a big impact when it comes to biophilic design. Something as simple as artwork or plantlife can have a disproportional effect on the wellbeing of residents. Textures, patterns, colours… these are all things that developers should be considering during the design phase. It's something that the LOFT Interiors team have been doing for years.

Life is stressful – the communities we build should be an escape from the city hustle. Creating spaces where residents can relax, unwind and interact is the key to the long-term success of BTR. This is not another fad – this is the future.

"Our task must be to free ourselves by widening our circle of compassion to embrace all living creatures and the whole of nature and its beauty." - Albert Einstein

BENJAMIN HALL

benjamin@loft-interiors.co.uk
www.loft-interiors.co.uk

LOFT

A BUILD-TO-RENT MASTERPIECE

Richard Berridge – Blackbird RE

Industry players have become immersed in how innovative the Build-to-Rent sector is; how differently we do things, and how we are changing the world of renting for good. We like to think of ourselves as 'the future of renting'.

But there's very little we are doing now that hasn't been done before.

Last year, in the same vein, I wrote about Le Corbusier's Unité d'Habitation in Marseille. A 337-unit Build-to-Rent block built between1947 and 1952. This year, something a little different.

Ladies and gentlemen, I give you: Du Cane Court, Balham, and the architect George Kay Green.

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THE BUILD-TO-RENT BOOM

Whilst Le Corbusier's apartment block ushered in Brutalist philosophy, George Kay Green's came towards the end of a wonderfully varied period of Art Deco. Completed in 1937, some 15 years before the Unité d'Habitation, Kay Green was also responsible for Sloane Avenue Mansions and Nell Gwynn House.

During the time he was building these blocks for The Central London Property Trust, London was in the midst of a 'between the wars' BTR boom – 1,300 blocks of 54,000 flats were built during this period. An incredible number, even by the ambitious standards of today.

Probably the most well-known of these is Dolphin Square, the ultimate 1930s Build-to-Rent development of 1,250 flats, and associated amenity, retail parade and swimming pool. By contrast, Du Cane Court initially consisted of 632 apartments. They were all under one roof, which made it the largest scheme of its type.

ART DECO BUILD-TO-RENT

The questions that occupy us today – design, construction methodology, amenity provision, management, curation of service – were also uppermost in the mind of the 1930s developer.

There were discussions over brick and steel frames, or pre-stressed reinforced concrete – or a combination, as was the case with Du Cane Court. At the time, it was considered to be very avant-garde. The windows and frames were similar to those designed by Walter Crittall (steel frames dipped in molten zinc), but in the instance of Du Cane Court, they were supplied by W.H.Henley and Co.

In modern-day BTR, the size, shape and appropriateness of amenity is an ongoing discussion. How far do we go to ensure a great living experience? What's the balance between too much and too little, purposeful or pointless?

Does amenity add to net operating income or does it eat into it? Does it increase asset value or is it disregarded? Whatever the amenity philosophy was in the 1930s, it's clear that Du Cane Court were thinking along similar lines to modern day operators.

An advertisement for Du Cane Court from the 1930s proclaimed: "South London for the Best Value in Modern Luxury Flats". So, what could the eager residents expect for their £60 per annum rent?

There was amenity space aplenty: a seventh-floor restaurant, ballroom, cards room and licenced bar. The original design provided for squash courts, a playground and a crèche, although they were never realised. The entrance was grand and spacious and, very much as today, was more like that of a 5* hotel than an apartment block.

Residents also had the option to hire a guest room for overnight stays and could call on a maid to help with cleaning and provide general service when entertaining "at home". The porter took in parcels and deliveries, dealt with minor requests and called taxis, whilst the 'back of house' management looked after the residents and ensured the amenity space functioned smoothly. There was even an Express Dairy to supply fresh milk and cream, butter and cheese.

As for technology, there was an ingenious gravity-dependant, internal postal system which allowed residents to post letters from their own floor into a glass-fronted post box. Telephone kiosks were placed on every floor and apartments were fitted with an electric clock and built-in radio that could receive two stations!

Each kitchen had a 'hopper' which would direct refuse directly to the basement, and the block had a central heating system that provided both hot water and heat. Each flat had a thermostat to moderate this, alongside an electric fire.

All in all, it was comfortable, convenient, flexible living with great design, well-considered amenity and customer-focused service.

LESSONS FROM DU CANE COURT

In fact, little of what we do now is new. If we look back we can see that what we now herald as 'the future of renting' has, in fact, been done before. Yes, our technology is light years ahead, and taste in aesthetics has changed, but we're not the trailblazers we thought we were.

So, what happened to the 1930s renting nirvana? Why did those 52,000 units, built to usher in a new way of renting, not survive? And could that happen today?

Well, the war happened. A mere two years after Du Cane Court was completed in 1939, Prime Minister Neville Chamberlain announced that the deadline for German troops to leave Poland had expired and that Britain and France were at war with Germany. Hostilities escalated slowly at first, but as London became a prime target for the Luftwaffe, many people moved away from the capital. Rent controls were implemented and viable business dried up for the apartment blocks.

Like many owners of Du Cane Court, The Central London Property Trust went bust and the blocks were broken up and sold off. Post-war, there was an even greater emphasis on ownership and a huge effort to provide social housing. Later, further rent regulation tinkering in 1965-74, '77 and '80 discouraged large-scale private rental and, in fact, many institutional investors sold up and left the sector.

Britain never returned to Build-to-Rent. Until now.

RICHARD BERRIDGE

richardb@blackbirdre.com
blackbirdre.com

CAN YOU APPLY BESPOKE DESIGN TO HIGHER DENSITY PRS SCHEMES?

Harinder Dhaliwal – First Step

The increasing demand for Build-to-Rent (BTR) developments is evident from the number of cranes we see adorning the skyline – not only in Manchester, but across the UK's major cities. The popularity and need for the BTR product is clear, but an important question we have been asking at Step Places is this: what difference can a well-designed and thought-out product can make to the quality of high-density BTR schemes?

As a bespoke developer with access to a number of schemes in the North West, Midlands and South East England, a key part of our work and brand ethic is to always maintain and champion a design-led development approach right from day one – bringing innovation and ingenious spaces.

We look at all aspects of BTR developments, from the initial site acquisition to architectural design, construction and build, and final BTR management including cyclical maintenance for each scheme. This makes sure each scheme we deliver is workable, unique and hits the right market appeal.

Optimisation of floor space, clever design features, and added value services – a 24-hour virtual concierge, in-house gym, shared communal spaces, amenities and an active public realm, for instance – are all key to producing high-quality turnkey solutions.

High-quality interiors also help us realise the creative potential and identity for our BTR schemes. LOFT Interiors have become a valuable partner in helping us promote our design ethics. Their style is appealing, hard-wearing, and designed to maximise the best use of available space, and their team go the extra mile to help us find creative solutions to our challenges.

Developing the right scheme identity, and building momentum through creative and eye-catching marketing campaigns, has been instrumental in ensuring that Step Places' design-led approach is highlighted as a major USP. We achieve continuity, from original brand concept to the end physical product, by focusing on the detail. Small gestures, such as branded welcome gifts upon arrival, an active, uniformed on-site maintenance manager, and regular social events for residents, can go a long way in reinforcing the proactive message of our brand.

One area where there is still room for improvement is the incorporation of clever tech innovations within BTR schemes. With superfast broadband as standard among our customers' highest priorities, and smart home technologies becoming the norm, the challenge remains to look at including these within BTR schemes in creative and affordable ways. We should look closely at how Generation Y like to live their lives and use this knowledge to inform the way we serve Generation Z in the coming years.

HARINDER DHALIWAL

h.dhaliwal@first-step.com
www.first-step.com

stepplaces

THE 14 PATTERNS OF BIOPHILIC DESIGN

TERRAPIN BRIGHT GREEN

NATURE IN THE SPACE PATTERNS

1. Visual connection with nature
2. Non-visual connection with nature
3. Non-rhythmic sensory stimuli
4. Thermal and airflow variability
5. Presence of water
6. Dynamic & diffuse light
7. Connection with natural systems

NATURE ANALOGUE PATTERNS

8. Biomorphic forms & patterns
9. Material connection with nature
10. Complexity & order

NATURE OF SPACE PATTERNS

11. Prospect
12. Refuge
13. Mystery
14. Risk/peril

Read the full article on pages 24-25
www.terrapinbrightgreen.com/report/14-patterns/

FORGING A NEW APPROACH TO RENTING IN THE UK

Gabriela Ionita – Greystar

The multifamily model has been three decades in the making in the United States. This approach to renting places the creation of a lifestyle and community at the top of its agenda. A developer must always bear this in mind, from the leasing journey to moving in, to being always on hand and proactively improving the resident experience.

You'd be hard pressed to find a Build-to-Rent (BTR) unit that doesn't have all the facilities a renter is looking for within the unit itself. But a choice of furnishing options as well as tenancy lengths, together with knowledge that there is a committed team to offer help and support, is something often overlooked in the UK.

Multifamily operators have a much deeper relationship with tenants than an agent. They play a key role in helping people emotionally connect with the spaces they call home, adding value and creating a lifestyle. That relationship should exist right through until residents decide to move out – and maybe even past it (they may always return to us, after all).
We believe borrowing some of the best aspects of this model for a new approach in the UK is paramount to building a sustainable blueprint for BTR.

Greystar have been a key player in the US multifamily model since its inception and are well-placed to develop a similar model in the UK – but that's not without its challenges.

BRINGING MULTIFAMILY TO THE UK...

Multifamily, as it applies in the UK, is very hard to define. The US doesn't have BTR or a Private Rented Sector. Although multifamily is their closest equivalent, it is not a term that should be used interchangeably. Greystar are having to forge a new style of multifamily/BTR.

In the UK, we're bringing to BTR the feeling of consistency that comes with the US model of multifamily. Throughout the entire journey of our residents, they have reassurance, confidence and peace of mind that they are in a familiar environment.

We design our buildings with site teams at their core. Managers, concierge and maintenance teams all have dedicated spaces on-site. So whether they're a single professional or family, residents have interaction with a clear representative of the team from the moment they first enquire about a space.

Our renters take comfort from the fact that they don't have to deal with multiple contractors and absent landlords. They know the team that serves them by name – right down to the maintenance staff and technicians.

And while they're out working, they can rest easy knowing that there is an entire team whose job it is to take care of their home.

... AND DOING IT SUCCESSFULLY

Bringing a similar multifamily model to Britain is not as seamless as it may appear. The UK has different land rules that dictate how these projects can be carried out.

The concept of estate management does not exist in the US – a developer simply owns and manages it all. In the UK there are several shareholders to consider (freeholder, leaseholder, commercial, mixed tenancies…) so the community manager's job is a complex one. They have to be experienced in so much more than just one side of business, pulling on their great interpersonal skills as well as financial acumen.

Our Sailmakers site in Canary Wharf in London, consisting of 327 apartments, is part of a development owned by the Galliard Group. Our community manager for this site has to have the skills necessary for managing 327 units – ensuring profitability and maintaining budgets, managing residents and overseeing site teams – all while implementing block and estate management concepts.

Greystar is overcoming these challenges and working hard to ensure that this building is managed in the multifamily style. We know that achieving harmony between these two styles of management will ultimately lead to resident satisfaction.

PUTTING SERVICE FIRST TO INCREASE RETENTION

The service-led approach inherent in the multifamily model can have a huge impact on retention. Ourmanagement of Bradstowe House, a development of 177 units in Harrow, London, demonstrates this. It has a retention rate of 57%.

From a building that went from empty to full occupancy in its first year, that's quite staggering. This is thanks to the team who now occupy roles in the building that cater to residents' every need.

Every community we create is managed by the Greystar team. From the cinema room to the fitness centre, office areas and resident lounge – the same team covers it all.

KEY TAKEAWAYS FROM MULTIFAMILY

Developers, operators and agents need to think carefully about how they can achieve consistency from design through to management.

Here are a few best practices:

• We consider customer service and resident experience from inception. Where is signage? Where do visitors go first? Where do we direct them? We want visitors to interact with our team, who can welcome them to the community.

• Our presence is all-encompassing. We find out why they've stepped through our doors and their needs, and then we assist them through the whole leasing journey. We help them find the right apartment so when they move in they feel at home.

• We build a rapport with every one of our renters – this level of emotional impact is much more achievable with a multifamily way of renting. Our site teams are at the very heart of this whole experience.

• We develop our buildings with spaces, amenities and offices designed to harbour a certain amount of team members. Where the manager, assistant manager, customer service manager and concierge sits – and how they interact with current and future residents – is a key design consideration.

• Everything down to the colours, tiles, floors, blinds and furnishings has been carefully selected for the profile of the tenant we are trying to attract. Extensive market research is carried out to ensure we're continuously developing the building to meet their growing needs, tastes and expectations.

Let us not get so caught up that we forget that these BTR/multifamily units should be built with this one thought in mind: this is someone's *home*, for whatever period of time. That surely requires so much more of a sensitive approach than designing, say, an office where people go for a few hours a day. Here, people emotionally connect with the space and people within it.
They bring their friends, partners and families. We're in charge of that, day and night. It's an important position to be in.

GABRIELA IONITA

gabriela.ionita@greystar.com
www.greystar.com

GREYSTAR

THE EMOTIONAL BTR JOURNEY

Sadie Malim – Moorfield

Moorfield have been at the forefront of the Build-to-Rent (BTR) space ever since we purchased a scheme that had been designed for sale and managed it as a rental business in 2012 (Velocity Village in Sheffield). We went on to design and develop our first BTR scheme in 2014 (The Keel in Liverpool); we now have another 500 or so units being delivered across two schemes in Manchester and Newcastle this summer, with a further 270 units coming the following summer in MediaCityUK, Salford.

Our BTR product has continued to evolve since The Keel first opened its doors. This is because we have spent more time focusing on what the modern renter wants most from their rental product – whether they know it yet or not. Whenever you invest in consumer-facing real estate products (BTR, student accommodation, retirement living, youth hostels or pubs), it is essential to understand the significance of the emotional drivers of your customer base.

It is familiar to most of us: the inevitable, difficult decision when house hunting. You fall in love with a property where you can imagine the glorious life you are going to lead… the only snag is that it is just beyond your budget – but you must have it nonetheless! My husband would argue that there is a gender differential in this tendency – a different point for discussion altogether, however I am convinced the emotional element is dominant for most of us. And it's not just me: successful housebuilders like Berkeley Homes have understood this element of decision making for years.

Interestingly, when we look at research carried out on renters, the lead decision driver is often cited as the question: "is the property is within budget?". I have no doubt they think that while answering the questionnaire, but the aim of our game is to tap into the *emotional* drivers that convince people within budget to book immediately after a visit – and to convince those with smaller budgets that our product is worth digging deep for.

The emotional drivers in the BTR space, in my opinion, are the welcome you receive on entering the building, the sense of community it fosters, the aesthetics of the common spaces and the level of amenities provided, the specification of the apartment itself (with a focus on kitchens, bathrooms, flooring and window dressing), and the quality and style of the furnishings (if provided). There are then another set of emotional drivers that focus heavily on customer service levels, ongoing capex, and all the little touches that the retail companies do so well to engender a sense of loyalty.

For us, the aesthetic element is very important – externally and, often more importantly, internally. That's why we hire top interior designers for all our common spaces, and why we have sought out furnishing solutions that inspire rather than suffice. We genuinely want people to LOVE living in our buildings. If we can keep our offerings aspirational but achievable, we will be happy with that.

SADIE MALIM

sadie.malim@moorfield.com
www.moorfield.com

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

AS THE SECTOR GROWS, SO DOES UKAA

Michael Green – UKAA

The UKAA has gone from strength to strength over the past 12 months as the sector has continued to develop. From our inception almost two years ago, we now have 150 company members and over 500 individual affiliates from these companies.

The strength of our membership base lies in its diversity. Our membership includes Greystar, Grainger, LOFT, urbanbubble, Legal & General, Atlas Residential, Yardi, Get Living, RealPage, RealFoundations, Roomservice by CORT, Savills, CBRE, Grosvenor, among many others. From investors to service providers, our members aim to improve standards of service to the end user: the customer or resident.

Our main driver as an organisation is to achieve this aim, but we also want to continue to give our members valuable networking and business opportunities along the way. Our events programme, consisting of conferences, roundtables, dinners and social evenings, provides ample opportunity for individuals from the sector to meet with their peers, develop ideas and help to shape the future of this developing industry.

We hold roundtable discussions on diverse subjects that range from right to rent to planning, exhibitions for the service sector, and many more events that promise "something for everyone".

Our conference last November was attended by 300 Build-to-Rent professionals all interested in this closely defined part of the sector. The day concentrated solely on the customer and was excellently chaired by Alex Notay of Places for People.

Associations like ours are built on the strength of the contributions made by our members, and through our committee structure and our Board. We are very fortunate to have many willing volunteers who help to drive the organisation and, in turn, the sector forward. Over the coming year we will continue to develop this events programme to meet the needs of the membership.

The rate of growth throughout the country means that we have to ensure that we are a national organisation, not a London-centric one. To that aim we will be hosting events across the country. We had our first out-of-London event in Manchester last July and have plans for many other locations in the future.

In everything we do, we have the customer in mind. "Service, service, service" is our mantra. The team at UKAA, along with our members, will do everything we can to further raise the levels that our residents have come to enjoy.

Together we look forward to a successful and developing year ahead.

MICHAEL GREEN

mgreen@ukaa.org.uk
www.ukaa.org.uk

NAA Global Alliance Partner
Shaping the Future of Build-to-Rent

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

LOFT YOUR FURNISHING PARTNER

A mixture of 1, 2 and 3-bed developments in Manchester, furnished by LOFT and let and managed by Case McNair.

"Loft were professional, efficient, accommodating, responsive, as well as being proactive throughout the process."

John-Paul Case - Director Case Mcnair

ONE REGENT MANCHESTER

One Regent, Manchester, has a mix of 1 beds, 2 beds and 3 beds as well as 6 exclusive townhouse units, which have access to a stunning communal courtyard space for residents.

Rents range from £725-£875pcm for 1-bed units, £850- £1300 for 2-bed units and 3 beds rent between £1250 and £1500pcm.

NO OF APARTMENTS: 261

FULLY FURNISHED IN 14 WEEKS

FULLY RENTED IN 5 MONTHS

"The warehouse and operations teams at LOFT pulled out all the stops to ensure we met the agreed delivery and installation schedule for Case McNair to furnish 261 apartments in just 14 weeks!"

Craig Monument: **Head of Project Management**

WILBURN BASIN MANCHESTER

Wilburn Basin, Salford, benefits from a multimedia room, gym facilities, office spaces and some onsite parking, all of which are free for residents to use.

Rents range from £875 for 1-bed units and £850-£1300 for 2-bed units, while 3-beds attract rents between £1200 and £1500 pcm.

NO OF APARTMENTS: 106

FULLY FURNISHED IN 8 WEEKS

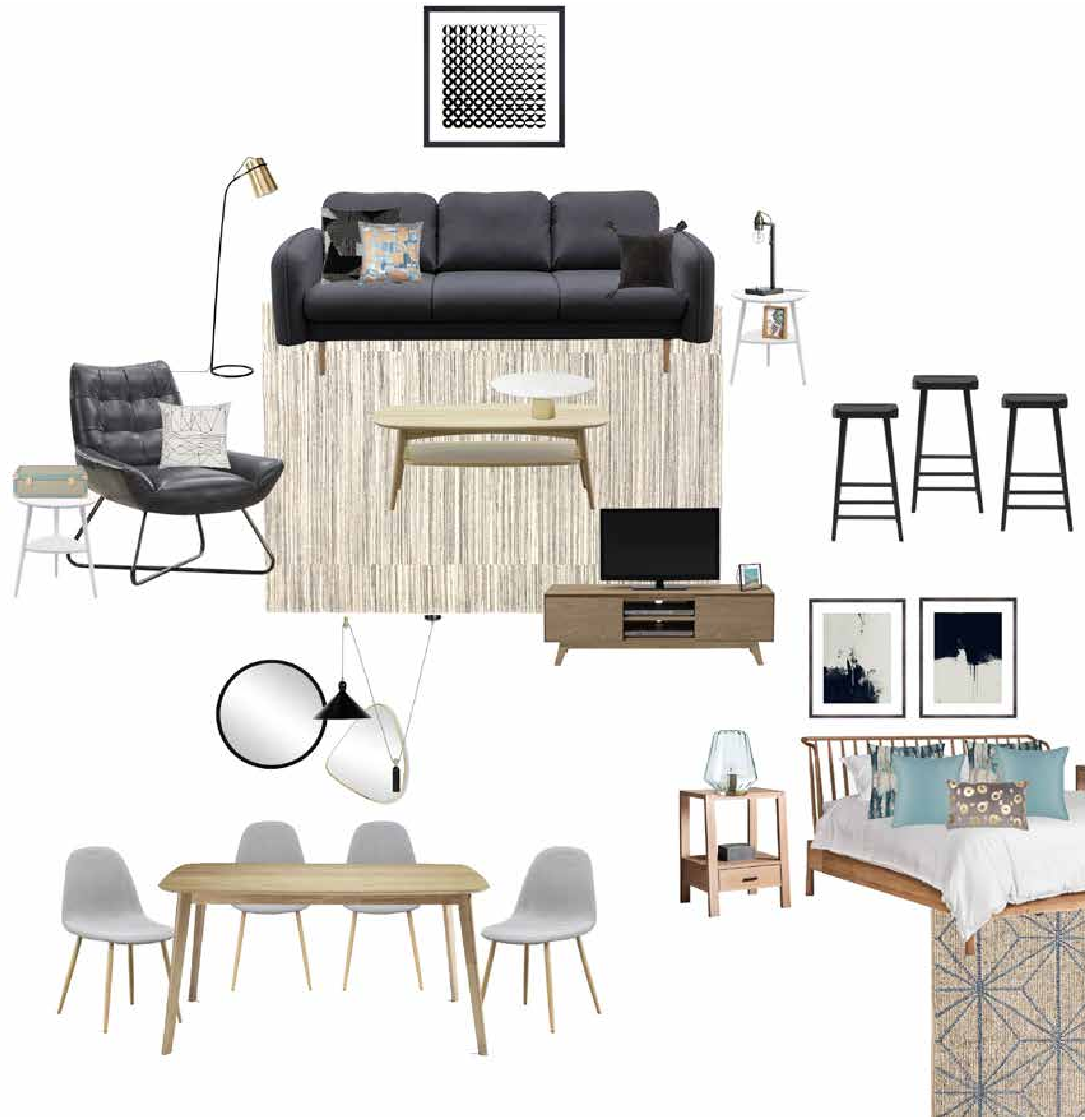
FULLY RENTED IN 6 MONTHS

"We designed procured and created bespoke furniture packages balancing style, durability and price point for Fulcrum Global."

Claire Gill: **Project Development Manager**

TRANSLATING SOCIAL TRENDS INTO MEANINGFUL DESIGN PLANS

Jessica Parker – LOFT



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

Furnishing a development is not the job it used to be: a one-size-fits-all approach won't cut it for the modern rental market. Tenants want options, and they want to know that thought has gone into every aspect of their new home.

Developers know this, and it shows through the research so many bring to the table when commissioning LOFT Interiors to fit-out their schemes. In London, for example, a 'young professional' might be the single male, in his 30s, living alone in the city. He's time-poor but has a healthy disposable income; he seeks a property that is furnished and ready to go, from the appliances right through to artwork, rugs and cushions.

When you begin to dig down into your demographic and key trends you can gain a lot of insight into how a property should be designed. So, what are those trends exactly, and how do they affect furnishings?

THE DESIRE TO ENTERTAIN

Young professionals are spending more and more time out of the home – including mealtimes – which means the traditional lounge and dining room set-up has lost relevance. Instead, many people want to use this space for drinks and dinner parties with friends.

For this they need extra seating that makes a statement and adds a pop of colour to the room. Formal living areas are being replaced with flexible seating and dining arrangements – accent chairs, footstools, pouffes and extendable tables – that can easily be moved around as required.

A SENSE OF COMMUNITY

Co-habiting is becoming the norm. Lots of people are 'buddying up' in major cities such as London and Manchester – and not just because of rental prices.

As work hours become more demanding, people are socialising less; having someone to live with can prevent feeling isolated, which makes the design of house shares and residential schemes crucial to their success.

As well as creating communal spaces in the units themselves, developers must foster a sense of community through social chill-out spaces. Sofas, TVs and pool tables can all encourage residents to talk to their neighbours.

WORK-LIFE BALANCE

The fact that our lives are revolving more and more around work has another consequence – people want areas where they can work from home. Developers must give residents fluidity by creating a zone where they can focus.

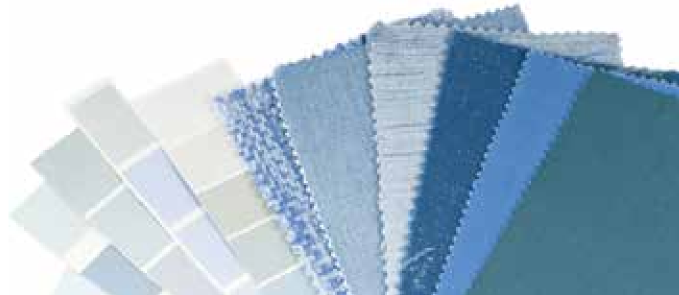
As a result, desks are replacing more traditional furnishing pieces in the household (most commonly, the dressing table). Interior designers must think carefully about how this can be done without removing the feeling of retreat that coming home should offer.

DOING MORE WITH LESS

As rental prices rise, tenants are accepting that in order to find quality accommodation in a good location they must compromise on space. The popularity of micro homes is testament to this – people want more with less – so never underestimate the power of storage.

Storage beds that lift up to become ottomans, beds that fit suitcases beneath (important for international residents), coffee tables with shelving and drawers… furniture that doubles up as storage prevents apartments from appearing cluttered.

There are also ways to create the illusion of space: placing a large mirror opposite a window, for example, to maximise natural light. Meanwhile, choosing the correct rug size is important for living areas. A rug that is too small will just make the room look smaller. A large yet subtly designed rug will mean your focus spans a larger footprint, making the area appear bigger. Space is your biggest asset – show it off!



DEMAND FOR SUSTAINABILITY

The pace of life might be moving faster than ever before, but people are looking after themselves – and the planet. Residents want to live sustainably where possible, which is driving the trend for rooftop terraces where tenants can grow their own veg and top up their vitamin D.

This carries through into furniture; we're seeing wood being implemented throughout developments. It brings an organic, natural feel to such a modern setting, and is much more hygienic and easy to maintain than upholstered chairs and beds. Pale oak is in particularly high demand, in line with the Scandi theme that continues to dominate.

INDIVIDUALISM

In all of this, residents want to know that they're not just an anonymous face in a big city. The home is a place where individuals can express themselves – a difficult quandary when units are pre-furnished.

This is where creativity during the design stage of a development really pays dividends. People don't want uniform, off-the-shelf solutions anymore; they want to feel like their belongings have a story.

The popularity of rustic furniture with a pre-loved look, such as imitation Persian rugs or industrial tables and lighting, can be attributed to individualism. Mixing up furniture can really bring personality to a room, but be careful to ensure that consistency remains.

Eclecticism is all about balance and works through peppering accent fabrics and tones throughout the space. To mix completely different styles in different colours with no flow will just make for a busy, cluttered appearance – not the look you want. Instead, add character through carefully chosen pieces, adding dimension and showing real insight and covetability.

DESIGN BY LOFT INTERIORS

Establishing your style identity in accordance with your brand is something LOFT really thrive at. When working with developers, we pull together a range of mood boards and concepts based on the audience we're catering for. It gives our clients well-thought-out options, from which they can pick and choose elements that fit their demographic and optimise flow within the rooms. Floorplans are essential to this, particularly in smaller units. Scale can be very tricky; furniture must be proportional. How much seating will be required? What is most flattering for the space? Should items be matching, or contrasting? How can we add depth and dimension to the room? These are just some of the questions we ask to build a design-led solution. Then, we source furniture in-keeping with the theme, putting an individual stamp on every unit, at any scale.

Interior design, in essence, comes down to social trends – how people are living and what they want their property to be doing for them. At LOFT, we continue to invest our time into ensuring that the schemes we furnish reflect these movements and the people they are trying to attract.

JESSICA PARKER

jessica@loft-interiors.co.uk
www.loft-interiors.co.uk

LOFT

INTERNET OF 'BRIGHT NEW' THINGS

James Wragg – Student Cribs

One of the great things about working within student accommodation is the little experience our tenants have had of the rental sector. Since the move into university halls is largely assisted by parents or guardians, students get their first taste of rented life when they secure a house for their second year of university.

The student demographic is a customer base that has never experienced the sector before and is re-writing the rulebook. They directly affect the value proposition that most companies must offer to attain these newly defined expectations. This, combined with a thirst for technology means that students are going to assist in driving forward the smart home revolution.

THE STORY SO FAR

Ten years ago students expected to live in low-standard accommodation for two years and then move out into better professional rented accommodation whilst saving for a deposit to purchase their own home.

Over the past decade, students have begun to wise up and wonder why they can't live in high-quality accommodation like other human beings. Our CEO Charlie Vaughan-Lee was refused a nice property to rent whilst studying at Bristol, which led to him establishing Student Cribs. Lots of companies have since provided quality accommodation to students, bringing up the market standard.

THE FUTURE – AND ARE WE READY FOR IT?

Another, similar paradigm shift is coming to the student (and later, professional) rental sector. Don't believe me? Ask yourself this question: "Were flat screen TVs offered by student landlords ten years ago?" Well... no. But they're offered by most student landlords now.

In the 2023 edition of LOFT's PRS Magazine I'll be asking the same question regarding smart home technology and we'll probably have the same answer. It's definitely worth studying up on the sector if you're unsure how you would integrate smart home technology within your property. If you're looking for inspiration, check out our flagship Crib of Tomorrow, 48 Woodcroft Road, which will include smart lighting, smart heating, smart blinds, smart locks, a video doorbell and voice control throughout. But before you get too excited and start impulse-buying tech online, make sure you have the WiFi infrastructure to support it.

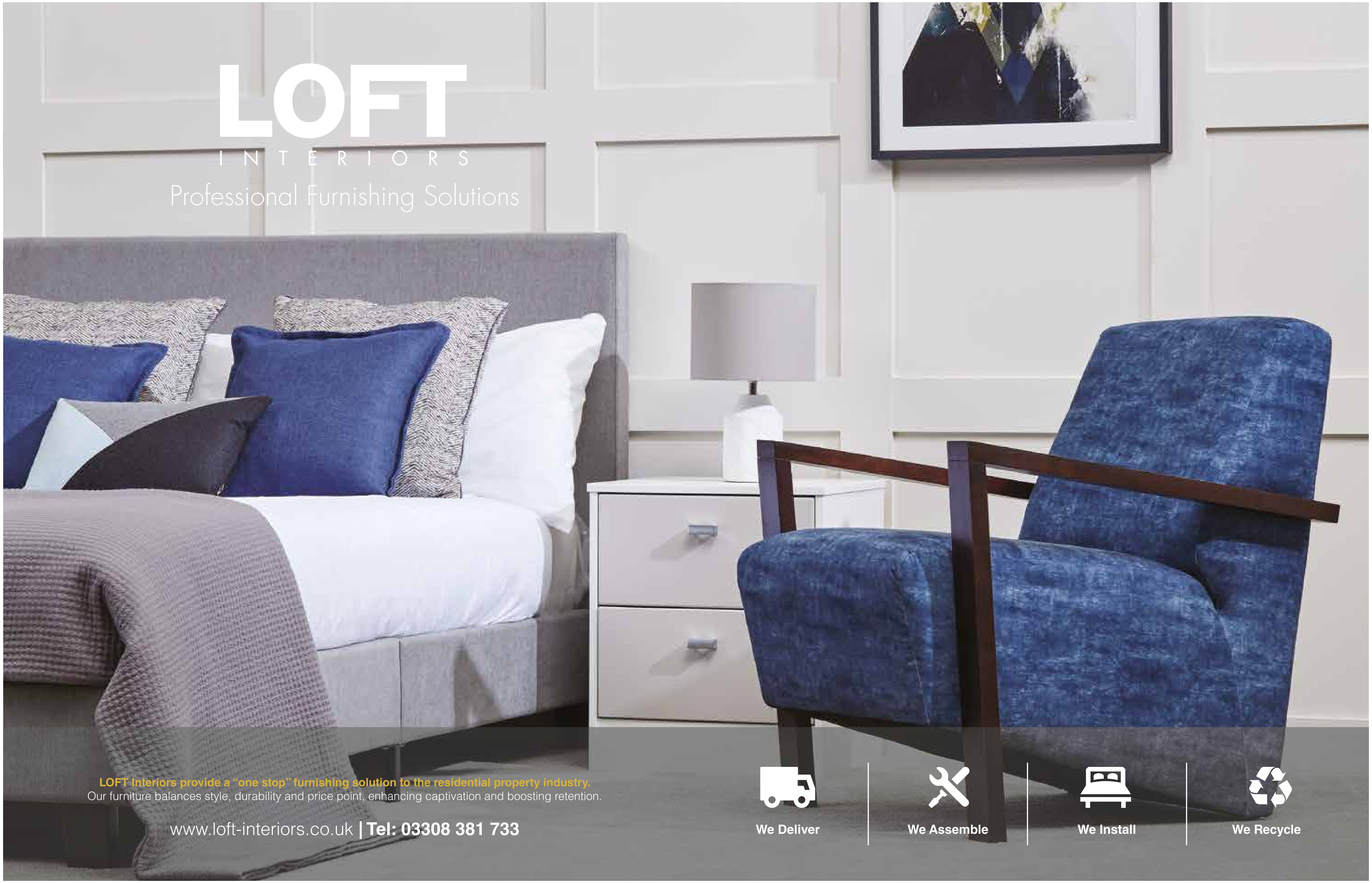
Tenants from the United Kingdom have 3.1 connected devices per person. In a five-bed house this is 15.5 devices. The smart home revolution probably won't be televised, but it will definitely require a robust internet connection to ensure your tenant's browsing speed isn't throttled by poor infrastructure choices.

JAMES WRAGG

james.w@student-cribs.com
www.student-cribs.com

STUDENT CRIBS
STUDENT-CRIBS.COM

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



MAYORAL SUPPORT FOR CO-LIVING HOUSING SCHEMES IN DRAFT LONDON PLAN

Charles Rose – City Planning

Mayor of London Sadiq Khan expects large-scale, purpose-built, shared-living accommodation to continue contributing towards housing needs in London. He has drawn up a policy within the draft London Plan that specifically supports co-living schemes and outlines what developers need to do to obtain planning permission for them.

Policy H18 of the draft London Plan sets out what requirements should be met and will specifically apply to developments of over 50 non-self-contained units in *sui generis* use.

Any proposed development will have to:

- Meet an identified need
- Be under single management
- Provide a detailed management plan
- Provide tenancies that are longer than three months
- Provide sufficient communal facilities
- Encourage a sense of community and social interaction.

Whilst at the moment there are no set minimum space standards for large, purpose-built shared accommodation, the Mayor suggests that they could be introduced by way of supplementary planning guidance in the future.

Finally, the policy seeks cash contributions towards affordable housing in C3 Use Class – equivalent to 35% of units provided at 50% discounted market rate – either as a single payment or continuous contribution. In light of this, we at City Planning strongly suggest that planning and affordable housing advice be sought from the outset of any project. City Planning consult with a number of co-living developers and are well placed to provide insights on such developments nationwide.

Following the consultation phase, which has now come to a close, an examination in public of the draft London Plan is now expected to take place in the autumn of 2018. The plan and consultation responses will be examined by an independent Planning Inspector, and the new London Plan will likely be adopted in the autumn of 2019.

CHARLES ROSE

crose@city-planning.co.uk
www.city-planning.co.uk

City Planning

MICRO LIVING: ONE SOLUTION TO THE HOUSING CRISIS?

Charlotte Hutchison & Lorna O'carroll – Iceni Projects

Gone are the days of owning 'things'. Millennials own Kindles not books, they watch Netflix not DVDs, and they listen to Spotify not CDs. Our requirement for more space has decreased whether we acknowledge it or not, as the younger generation spend their disposable income on experiences, entertainment and eating out more than ever before.

Recent research conducted by Savills has highlighted that the habits of Londoners are changing; what they expect from their workplaces, homes and neighbourhoods is in a constant state of flux. According to this research, millennials typically value convenience and experience over material goods. Our workplace and home experiences need to follow suit. We are becoming more sociable, and associating the 'London way of life' with sharing and living collectively.

COMPACT NOT COMPRESSED

The ability to afford single living within the City has meant that it has become the norm for the younger generation to live with friends in shared houses in the Private Rented Sector. Whilst some thrive on this norm, others wish for their own space and freedom – largely unaffordable in the wider housing market.

Smaller-sized units could be the answer to this problem; micro living (units of less than 37sq.m) is on the rise. Yet micro homes still face the misconception that they provide a low quality of life, despite the emergence of well-designed compact homes and in-house facilities that enable individuals an affordable place to call home.

Prospective residents are now willing to accept much smaller apartment footprints as a result ofan extensive offering of amenities within the wider building block.

What happens outside the walls of one's apartment is just as important, if not more so, than what goes on inside.

In this respect, the Build-to-Rent sector has come into its own, providing a well-managed service for which there is a gap in the market. Savills' 2017 report found that a quarter of tenants surveyed moved out of their last rental due to poor management – an obvious sign of a gap in the market.

Building micro homes is just one of the possible innovative and efficient solutions. It is, however, ideal for people that do not consider unit size a priority when seeking housing that suits their way of life as well as their purse-string.

There is an acute housing shortage across the country, which many describe as a crisis. Nowhere is this felt more than in London. The idea of micro homes as a response to the housing issue is increasingly viewed by politicians and developers as an appropriate option that encourages young people to move back into the core of central London and its surrounding areas. So, why not build housing that recognises our sociable needs?

We examined this concept in more detail within our recently published paper, *Micro Living: Part of the solution to the housing crisis.*

CHARLOTTE HUTCHISON

chutchison@iceniprojects.com
www.iceniprojects.com

iceni

LORNA O'CARROLL

locarroll@iceniprojects.com
www.iceniprojects.com

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 decline. Since the late 1970s the UK has been a nation made up pre-dominantly 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

OMIArchitects

OPTIMISE TO MAXIMISE NET OPERATING INCOME

Alastair Thomas – ATLP Consulting

25-year leases are a thing of the past. Five to ten years is now the norm, and the power is no longer with the landlord but with the tenant. However, landlords are now operators and tenants are residents… it's no longer a "them and us" situation – we are all having to work together.

Nowhere is this demonstrated more than in the "alternative property investment" sector that is Purpose-Built Student Accommodation (PBSA) and Build-to-Rent (BTR). Lease lengths here are generally between 12 months and three years, which makes it crucial to keep an eye on the bottom line.

THE IMPORTANCE OF NOI

Net Operating Income (NOI) is the key metric in PBSA and BTR investments. It is a function of two annual variables – income and operating costs – where the former is maximised, and the latter minimised.

Achieving a successful NOI requires the optimisation of a number of variables, and that comes with the experience of designing, building, managing, and living with operational buildings over time.

A building's location is still important, but NOI is relative. Design is one aspect of the overall proposition; as is the positioning of a scheme in the marketplace at the right price point. A strong marketing and social media presence and – most importantly – high-quality management will also help to reduce churn and maximise NOI.

THE IMPACT OF DESIGN, FURNITURE, FIXTURES AND EQUIPMENT

PBSA and BTR developments are much more complicated to design, build and fit out. There are so many more component parts than, say, offices and business parks.

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

Here, the British Council of Offices has set design and specification standards that the industry, landlords and tenants are generally accustomed to.

PBSA and BTR projects are less generic, and that requires a particular expertise in understanding how buildings are designed and specified – both internally and externally. This extends to how they are lived in, the facilities they provide, and how they are managed. The interior design and furniture, fixtures and equipment (FF&E) of a building must also reflect the style and design of the wider marketplace, as residents range from students to retirees.

The game has changed, and operators are now even more dependent on receiving the right advice. But there is a dearth of development and operational experience in the "alternative property investment" sector.

THE CHALLENGES TO OPTIMISATION…

Managing design development is key, but many design consultants are still operating in the past. They have little or no interest in seeing how the buildings that they have helped design, or the FF&E they have specified, perform. Similarly, they appear to have little interest in how they can learn from the impact that their design has had on operations and, ultimately, NOI.

How often does a design consultant follow up with the client and ask for reviews? After a year, and five years thereafter? In our experience, it's almost never. We think that is simply wrong; clients will live with, and carry the cost of, any specification defects that impact their bottom line.

But we can't live in a world where over-specification provides a "warm comfort blanket", otherwise a scheme becomes commercially unviable. Nor can we "value engineer" a scheme to a level that achieves a short-term cost benefit and high replacement cost within a few years.

Far too often, building and FF&E design advice is accepted and not challenged. That is more usually due to a lack of experience in understanding the impacts that design decisions have on NOI.

…AND HOW WE MIGHT OVERCOME THEM

The selection of an experienced supply chain – from main contractor to the client's direct suppliers – is essential to delivering completion within budget and on programme.

This is particularly important in the PBSA market. The window of opportunity is a matter of weeks, liquidated and ascertained damages can be substantial on the contractor, and the impact on NOI and Internal Rate of Return can be significant.

Provisions for the delivery and installation of the FF&E should always be programmed in to the main contract. Whilst some responsibilities can be placed on the main contractor, others will remain with the client's own suppliers. This is often because they want to maintain flexibility and not commit too early to a design decision.

However, early access provisions for FF&E installation allow the client to have a full range of apartments available and fully fitted for viewings on completion, enabling tenancies to be immediately entered into, and therefore minimising voids and maximising NOI.

The client's representative or development manager considers all aspects of a scheme and focuses on "adding net value". This can involve more subjective opinions – as opposed to the objective view that comes with project management, which tends to be more building contract related.

Some decisions can take into account all aspects of optimisation (i.e. rent, yield, construction and operating costs, design, programme, and marketability), but more often than not there will be at least two or three variables.

Coming to the right decision is being able to understand, from experience, how the respective variables interact to maximise value. This is where ATLP Consulting come in.
Our directors have spent most of their careers as the client. It puts us in a position to provide "client-side" development advice, with a focus on adding net value.

We advise on acquisition, design development and the operation of PBSA, BTR, hotels, serviced apartments and business parks, with clients that include LetterOne Treasury Services, Patrizia, Frasers Property, private property companies, and high-net-worth individuals.

Our results speak for themselves; in March 2015, we advised LetterOne Treasury Services on the acquisition of the Pure Student Living business and McLaren portfolio, and then moved "client-side" to successfully deliver 911 of the beds under development in 19 days in September 2015. By September 2016, all 1,256 beds under development had been completed and the whole portfolio moved from 67% to 99% "income stabilised", thereby maximising NOI.

ALASTAIR THOMAS
athomas@atlp.co.uk
www.atlp.co.uk

atlp CONSULTING

BTR UTILITIES – TAILORING A SOLUTION TO ENHANCE YOUR PROJECT

Daniel Clegg – amber energy

From a utility perspective, Build-to-Rent (BTR) projects can sometimes feel in no man's land between the domestic metering typically applied to residential properties (where residents choose their own supplier and pay their own bills), and an all-inclusive model with utility bills included in the cost (like student accommodation and hotels).

BTR owners and operators have the luxury of being able to choose either of the above options, or a bespoke combination of the two. An enviable position, but one that requires a careful and informed decision to enjoy "the best of both worlds".

OPTION 1: ALL INCLUSIVE – USE AS MUCH AS YOU WANT

This is the simplest solution for residents and, because of the lack of metering hardware required, it is also the solution with the lowest build cost. However, bundling these extra costs into your headline rent can make your property appear expensive relative to others not using this method. The approach does provide scope to enhance income if the additional rent exceeds utility costs, but this can quickly become reversed. Energy prices can move, leaving owners exposed to rising costs that cannot be passed on due to restrictions on rent increases.

For residents, the simplicity of the approach can often be outweighed by the perceived unfairness of everyone being charged the same for utilities irrespective of usage.

A recent BEIS survey highlighted that all-inclusive district heat networks result in 20% savings compared to domestic gas, but residents were still dissatisfied with the arrangement because they were not being billed for their own usage. With a CMA study underway into district heat networks, further obligations for such arrangements may be on the horizon.

Research shows that, without an incentive for residents to be efficient in their energy use, consumption on an all-inclusive plan can often be as much as 30% higher than when residents are billed for actual use. Fair usage policies can provide some protection on this but require sub-metering investment and careful communication with residents.

OPTION 2: DOMESTIC METERING – IN THE HANDS OF THE RESIDENTS

Domestic metering puts the control and administrative burden back in the hands of residents, requiring them to choose suppliers, provide meter readings and pay multiple bills.

A limitation to this approach is that it cannot be applied in properties with a central heating and/or hot water network since residents consume heat rather than gas. Many operators also find that it does not align with the full-service proposition they offer BTR residents, who must find their own supplier (and change suppliers to secure the best tariffs), provide meter readings and deal with payment. With potentially different suppliers for power, heat and water this is not an insignificant administrative task and feels at odds with the aim to streamline the lives of time-poor residents.

Financially, the infrastructure required for domestic metering can add to build costs, although this may be partly or wholly offset by energy suppliers funding elements of the infrastructure to position themselves as the incumbent supplier.

OPTION 3: SUB-METERING – THE BEST OF BOTH WORLDS

True to the innovative spirit of the BTR community, operators and owners are increasingly looking to combine the best elements of the two options outlined above to create a new hybrid approach.

Energy is purchased for the property as a whole (at commercial rates) and then billed to tenants using consumption data collected remotely from sub-meters. Users are incentivised to be economical, and build costs are typically between the two traditional options. The difference between domestic and commercial utility costs means a dministrative costs can be covered whilst still providing residents with an exclusive tariff that beats anything they could obtain on comparison websites. Owners also have the opportunity to derive additional income through effective energy procurement.

Variants of this hybrid can be tailored to fit individual projects and resident demographics. Some operators use it to bill for heat usage from a district heat network as part of residents' monthly bills. Others opt for a full service for all three utilities – providing them, billing for them and collecting cash from residents in one monthly payment.

One attraction here is the increased potential for bespoke solutions, using utilities as a tool with benefits far beyond boiling the kettle.

Engaging usage data and account information, as well as energy-saving tips, can be integrated into resident apps and portals, reinforcing the digital leadership of BTR brands. 100% renewable electricity can be used if desired by investors and/or residents. Funds collected can even be put towards designated charities to help build a sense of community purpose amongst residents.

LIV Group chose the sub-metering approach for Lochrin Quay, the first live BTR property in Edinburgh. Working with amber energy, residents have their energy supplied by Comm:UNITY, amber energy's sub-metering brand. Residents get a streamlined service, enjoy a market-beating tariff, and contribute 2.5% of their bills to Power 2 Africa – a project installing robust renewable community energy in parts of Africa where limited availability of reliable power hampers development.

"We continually seek new and innovative approaches to improve customer experience in the properties that we manage, enhancing property owners' yield. Comm:UNITY is a solution designed with the resident in mind, combining great service and value. We have found that meaningful charitable contributions included within an exclusive market-beating tariff are a real selling point."

KATE LISTER, SENIOR PRS ASSET MANAGER AT LIV GROUP

CHOOSE WISELY, CHOOSE EARLY

It's always great to have choices; but finding the ideal solution for your project can appear difficult, with lots of conflicting advice in the market. It's also a decision that needs to be made as early as possible in a project in order to allow the metering set-up to be optimised.

At amber energy we have built our reputation on making the complex world of energy simple. We are helping many BTR owners and operators on this decision, developing individually tailored solutions to fit their objectives and provide a great resident experience. Whichever route is taken, our complete range of energy services drive effective delivery.

DANIEL CLEGG

dan.clegg@amberenergy.net
www.amberenergy.net

amber energy™

CONNECTING YOUR COMMUNITY THROUGH CONCIERGE SERVICES

Stephen Brady – PingLocker

As the relentless march of the Private Rented Sector continues to gather pace, the boastful addition of a round-the-clock concierge service within a building's sales prospectus is now very much the norm. The reality, however, is somewhat different.

What does "concierge" mean? Looking at the Cambridge Dictionary definition, a concierge refers to someone who is employed to help guests arrange things such as theatre tickets and visits to restaurants.

The word is inextricably tied up with hotels, provoking images of front-desk staff reacting to the ring of a bell – arranging reservations, travel plans and various general duties on behalf of valued guests. The iconic Beverly Wilshire Hotel Manager Barney Thompson, supporting Julia Roberts' character in the film Pretty Woman, sets the bar and expectation.

THE CURRENT REALITY

Far from organising wonderful treats, such as massages or an executive car into town, building reception teams spend most of their time handling packages, dealing with maintenance issues and keeping on top of overall day-to-day challenges.

Therein lies the rub. How can we appreciate the real value, or indeed impact, of a concierge service if residences are offering what could perhaps be more aptly described as a complaints desk? This is of course through no fault of the reception teams. The simple fact is that buildings are by definition very busy environments where things will invariably go wrong.

What is missed amongst the mayhem however is a golden opportunity. An opportunity to add sparkle to residents' lives and arm them with multiple reasons not to leave – or, at least, to stay longer at – your development.

During a recent survey across 1,500 PingLocker customers aged 18-35, we found:

• 47% would attend an event in the building if it was advertised

• When asked what services residents would love to access beyond the core offering (apartment cleaning, storage, dry-cleaning, etc.), in-house massages, nail beauticians, personal training and dieticians ranked highest

• 78% strongly agreed that convenient access to a wide range of concierge services had enhanced their overall living experience.

The responses are important on two levels.

From a transformational standpoint, engaged residents using services linked to their building experience feel more connected to the overall community. The power of positive word-of-mouth referrals cannot be overestimated. Happy, connected and engaged communities are much more likely to stay together for longer.

From a transactional standpoint, there is a powerful opportunity to drive ancillary income and customise retention strategies based upon concierge service usage. Let's take a resident, coming to the end of their tenancy, who has booked frequent apartment cleans throughout their stay as an example. A good approach to help engage and ultimately retain such a tenant would be to personalise a renewal offer. A year's free apartment cleaning would match the resident's needs in this instance. The more varied the service type, the more targeted your retention strategies become.

The value of such resident data goes way beyond pounds and pence.

A convenient multi-service concierge offering should have four key outputs:

• Enhance the living experience
• Help build a community
• Help retain residents
• Drive ancillary income

A simple comparison between the true cost to acquire a new tenant versus the cost to deliver a world-class concierge offering will further illustrate the need for building owners to shift focus. With annual rent rates increasing by 3-5%, the ability to unlock additional revenue streams to deliver greater yields is one worth exploring.

The great news is that the opportunity is there for the taking if we are brave enough to look at everything from a resident's perspective. I fear that until a 24/7 Concierge is actually a 24/7 Concierge, the benefits will never be realised.

PINGLOCKER

STEPHEN BRADY
stephen@pinglocker.com
www.pinglocker.com

CUTTING-EDGE PRS: TECHNOLOGY SHAPING THE SECTOR

Josh Locke – Revere 3D

Private Rented Sector (PRS) developers are increasingly partnering with technology businesses to cater to the needs of a changing demographic of renters. A study by American Express showed that, by offering great customer service, their customers were willing to pay more up to 86% of the time. The same premise is at play in the PRS market, as young professionals give high priority to convenience and an enjoyable city living experience.

While not strictly PRS-specific, the following are all set to be implemented in upcoming PRS developments in Manchester. Forward-thinking developers will be able to improve their offering to their tenants, thus being able to maximise occupancy rates and yields.

UBER CREDITS

Harrogate-based PRS developer Moda Living have teamed up with tech giant Uber to incentivise a reduction in car ownership amongst tenants - and, ultimately, car parking spaces. Residents who don't own cars will receive £100 in Uber credit per month, which can be accessed through the MyModa app. The app also allows tenants to control the heating and lighting in their home.

This is a clever move from Moda. It caters to the growing appetite for environmental sustainability and the sharing economy, while enabling them to design buildings that have more space for social interaction.

SMART HOME TECHNOLOGY

One of the recurring themes you hear when talking about PRS is the changing needs and desires of tenants. There is a new generation of renters who want convenience, and a place to live that fits their lifestyle.

One key aspect of this is the smart home. Manchester-based Wondrwall have built a system which controls heating, lighting, security and safety for its tenants. Using AI, their system will collect huge amounts of data on how people use their apartments. This, in turn, may influence maintenance and future design in the PRS sector.

CCO of Wondrwall Mark Lufkin commented that their system has been of interest to various PRS schemes in Manchester, including The Toast Rack. Undoubtedly renters will benefit from lower running costs, while anecdotal evidence suggests that owners will be able to charge higher rents to tenants.

VIRTUAL REALITY

Developers are beginning to leverage new visualisation tools, namely Virtual Reality (VR) to give investors and tenants the clearest understanding of what a proposed scheme will be like to live in. Those who have toured a to-scale home in 3D

using the HTC Vive or Oculus Rift can immediately see the value of virtually stepping inside the property before it's been built. From walking up to the building, to going through reception, up in a lift and into a new home, VR really comes in handy for selling a lifestyle vision of the future.

Although VR is still in its relatively early days, developers and marketers who adopt this technology will be able to help prospective tenants and investors visualise new schemes in a way unparalleled by traditional mediums – a serious advantage over the competition.

As technology progresses over time, VR will likely become an essential and ubiquitous marketing tool. In some cases, it might even render physical show homes obsolete.

The new generation of renters are increasingly using on-demand services like Uber and Netflix, and PRS providers are tapping into this mentality to attract tenants. The upwards trend of a better service for renters looks set to continue; soon, we could start to see its influence in the property market at large.

PRS tenants are proving much happier to remain renters than previous generations. While this could mean that they stay put for longer, the flexibility which allows renters to move from one home to another might come back to bite developers that aren't quick enough to adapt to their expectations.

JOSH LOCKE
josh@revere3d.co.uk
www.revere3d.co.uk

REVERE 3D

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

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GREAT EXPECTATIONS – MANCHESTER AND THE PRS

Ged McPartlin – Ascend Properties

Over the last 12 months, Private Rented Sector (PRS) developments have been booming. As popularity increases, standards are getting higher. Developers may be planning for the future, but they need to ensure they are doing everything in their power to meet the needs of tenants. No longer satisfied with basic amenities and standard city living, what does today's resident look for in rental property?

A SHIFT IN THE MARKETPLACE

Manchester city centre is rife with students, graduates and young professionals. These millennials live in an ultra-fast, social-driven digital world where everything they could possibly need is right at their fingertips. So why should this not extend to the property in which they live? It's become almost expected for our needs to be met on demand. Instant gratification now extends into our homes, and tenants of the PRS are no different.

The beauty of PRS schemes is that they prioritise the needs of those who live in them over anything else – a typical development can provide a social hangout within the blocks themselves, such as a resident's lounge or on-site bar, a place to work-out, somewhere to relax and everything in between. This is something that few other city centre units have been able to achieve before. As such, it's not difficult to see why these developments are so popular – the days of renters putting up with substandard student halls and poky apartments are long gone. PRS has already shifted the market, making renting a glamorous and desirable way to live. Not only is it an attractive way to socialise; it also takes any potential stress out of living in a rented home, a key aspect for today's no-nonsense city dweller. A selling point for these schemes often lies in their ability to provide Wi-Fi and satellite services – something a tenant would typically have to set up themselves and, arguably, an essential service in 21st century living.

At Ascend, we have already noticed the dynamic shift in what an average tenant expects. They're not just looking for a property – they're looking for a home. A sanctuary. A lifestyle. A community.

PRS has cultivated this movement and, subsequently, the demand for build-to-rent property has never been bigger. The market for luxury-style living is booming and the rise of the international student population has spurred the development of easy city living with a difference.

WHY MANCHESTER?

Manchester's future has never looked brighter. In 2017, it was named the second best city in the UK to live and work in. So when it comes to a new PRS development, there's pressure to deliver.

Build-To-Rent has infiltrated the UK market, but in terms of a wider reach, few other cities get a look-in. The sector has boomed in the last few years, yet Manchester certainly appears to be at the heart of the property action. If there isn't currently a new PRS development coming to market, then there's one being built around the corner. Blossom Street in Ancoats, Cornbrook Works in Trafford and Ellesmere Street in Castlefield are just a few of the schemes on the horizon for the city.

We know that today's modern city dweller looks for so much more than just a property – the average residential apartment block delivers 24-hour concierge, an on-site gym and even a rooftop bar in some cases, all whilst having the offerings of the city on their doorstep.

Expectations are high in Manchester thanks to the wealth of dedicated PRS developments that have already proven a success, such as New Bailey. Even those that haven't yet been built, like Circle Square, are already firmly on the property radar and making headlines. There's a buzz in the city like never before. Competition may be fierce, but it continues to fuel the wave of developers currently pouring much-needed, high-quality rental property into Manchester.

WHAT DOES THE FUTURE HOLD?

The property sector has proven ruthless in recent years; with an average of seven tenants chasing a single property that comes to market, the stakes are high. Rental accommodation is sought-after across the board and there is a severe imbalance in the market. PRS developments may be on the up, but the rate of construction may still not be enough at this stage to supply the necessary number of homes to keep up with demand.

2017 was the year of a budding Build-to-Rent community. 2018 could well be the year that it explodes. As these tenants grow accustomed to this stylish way of living, who knows where the future of the PRS lies. With demand increasing and more tenants racing to sign up for developments before they're even built, it's most certainly a concept that's here to stay.

GED MCPARTLIN

ged.mcpartlin@ascendproperties.com
www.ascendproperties.com

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PRS – GODWIN DEVELOPMENTS LEADING THE WAY IN THE REGIONS

Stephen Pratt – Godwin Developments

The Private Rented Sector (PRS) market continues to grow within the UK. In the current economic climate, many are opting to privately rent – whether they are young professionals, families, or those looking for city living.

As well as rising house prices in comparison to the national average income, it is becoming increasingly more difficult for first-time buyers to get onto the property ladder.
According to research from the Government, the percentage of 25–34-year-olds now living in private rental properties has grown from 24% to 46% in the last ten years.

BUILDING THE PRS SECTOR

In recent months, Godwin Developments have secured several sites across the UK to build the sector. We have submitted planning to build the tallest building in the heart of Derby city centre. Situated on Phoenix Street, this 17-storey development of 200 units will bring much-needed accommodation to the growing city. Derby now has the 3rd fastest-growing economy in the UK – positioning them behind Aberdeen and Cambridge.

We expect not only young professionals, but also families, to be attracted to this scheme.

As a result of recent developments, Godwin currently have over 1,100 units in design, planning and construction for the PRS market in cities such as Liverpool, Manchester, Leicester, Peterborough and Worcester. This gives us a unique insight into regional challenges and opportunities.

REGIONAL CHALLENGES

Working on PRS sites in the Midlands is challenging; capital values in these areas are lower than central London and Manchester, yet build costs are increasing. The key to making the sites work is controlling the design. Godwin employ the very best consultants to ensure that all schemes are viable when they achieve planning.

Height can be also be an issue that needs to be controlled through the planning process. In some cases councils have requested the construction of tower buildings, but there is a limit to how many storeys that can be built before they become unviable in certain locations.

Godwin have also worked on projects where landowners have obtained planning for schemes which cannot be built with today's increasing build prices.

They have simply gained a consent at any cost. Funds are also looking for value, so the key to making sites work in these regions is keeping a tight control on planning and design.

We have built good working relationships with several well-known PRS funds and institutions who trust us to deliver sites in areas where capital values are challenging. Creating and building specifications which work in these cities is key, and Godwin have shown real determination and attention to detail in making sure the design matches the local market conditions.

Our team pride themselves on having a good reputation for professionalism, quality and delivery. This has resulted in various PRS funds seeking Godwin to deliver their pipeline during 2018/19.

STEPHEN PRATT

sjp@godwindevelopments.co.uk
www.godwindevelopments.co.uk

RENTING IS THE NEW BRITISH LIFESTYLE CHOICE – FACT OR FICTION?

Jane Morcom – Centrick Property

The UK Private Rented Sector (PRS) or Build-to-Rent (BTR) market is catching up with the more mature market, now well established in the US. There has been a cultural change in the UK and renting is now widely viewed as a lifestyle choice.

This demand for a professional lifestyle of convenient luxury city living was born out of our increasingly transient way of life and the restrictions lenders felt necessary to levy post-recession. According to the English Housing Survey, 46% of 25 to 34-year-olds are tenants living in the PRS – an increase from the 26% reported in 2006. On the back of this shift in the marketplace, Birmingham has become the hotspot for BTR, with investors such as Legal & General, Rockspring, LaSalle, Long Harbour and Seven Capital declaring their interest.

On average, rents have risen 15% across the UK since the start of 2011. With the extra 3% stamp duty on additional homes, and the gradual reduction on tax relief for landlords with Buy-to-Let mortgages, the dynamics of this market sector have altered. The demand for rental property remains strong, however, making this a viable market for builders and investment institutions.

IN FOCUS: BIRMINGHAM

Birmingham is experiencing major regeneration that will see the next 10 to 20 years creating 86,000 new households and 100,000 new jobs. With three reputable universities and several major colleges, Birmingham has a student population of approximately 73,000. According to the Office for National Statistics, it also experienced a growth rate of 19.2% in the last five years, and has an economy worth £24.8 billion.

It is estimated that over a third of students remain in the city where they studied, so the demand for rental homes would seem to be a never-ending one. Young professionals often aspire to have a home close to work and their social life – renting a furnished, good-quality home with a community feel is the ideal choice.

BTR in Birmingham is growing, with sites being sought for regeneration purely for this sector. One of the largest sites outside London was completed at the end of 2016: Broadway Residences, Broad Street. With infrastructure improvements – including the refurbished Birmingham New Street station, HS2 and the Midland Metro – getting about the city will become easier, making Birmingham a prime target for BTR developments. Many believe that, in 15 or 20 years' time, there will be more renters than homeowners in the UK. This is due to a foreseeable lack of affordable 'Built for Sale' housing stock. Birmingham has a very strong international target market, particularly the Chinese market. And, as a consequence of Brexit and the poor rate of exchange, the cost of living in the UK is now more attractive than ever.

Those who have never visited Birmingham often have a vision of a grey, industrial town, with little greenery and even less cosmopolitan diversion. In fact, nothing could be further from the truth. Brummies remain staunchly proud of their home's illustrious industrial history (enhanced by the cult following of the Peaky Blinders series). Yet one of the most successful regeneration schemes in the world has transformed Birmingham into a cosmopolitan hub where you can find Michelin-star dining, world-class shopping, and some of the best cultural and contemporary entertainment on offer.In fact, The New York Times rated Brum's remarkable cuisine so much that it included it in its list of 45 places to go in 2012.

Its regeneration and improved infrastructure was also instrumental in the decision to have Birmingham as the city to host the next Commonwealth Games.

Birmingham is ranked as having the highest quality of living of any English city outside the capital by Mercer's 2017 Quality of Living report. With blue chip companies such as HSBC, Deutsche Bank and HMRC relocating to the city (and talk of Channel 4 moving too), the demand for city living looks set to increase for at least the next five to ten years.

WHAT'S NEXT FOR THE BTR SECTOR?

If the BTR sector is to reach its full potential in the UK, it needs to fully embrace technology. The UK is currently lagging behind the US market in this department; Silicon Valley's technology companies continue to design apps and processes to drive greater efficiency.

Operators in the UK need to be incentivised to invest in improved systems for managing and monitoring a building. This could be anything from automated air conditioning and keyless entry, to innovative building methods and sensors to highlight maintenance issues before they become a problem. Venture capitalists are exploring opportunities in this area.

This is an exciting time for BTR – an area which will, according to property experts, not be adversely affected by Brexit.

Indeed, it may actually benefit from further international investment – not only from the Asian market, but across the pond from American investors too.

JANE MORCOM

jane.morcom@centrickproperty.co.uk
www.centrickproperty.co.uk

centrick property

www.centrickproperty.co.uk

LOFT

loft-interiors.co.uk/a-btr-tomorrow
www.loft-interiors.co.uk

LOFT HQ & Showroom

Venture House
227 Ayres Road
Old Trafford
Manchester
M16 0WQ

Tel: 0330 838 1733