

Suburban Build to Rent



Where next for Suburban Build to Rent?

Suburban Build to Rent is attracting high levels of interest from investors because of its investment characteristics - reliable income streams, affordable and non-discretionary product, low turnover and low operational costs.

Two thirds of households across England & Wales (c.16.3 million households) live in suburban areas. Looking specifically at the private rented sector (PRS), we estimate that 53% (c.2.3 million households) live in suburban areas. Yet the development of new supply is skewed almost entirely to high density markets.

We have analysed the British Property Federation / Savills UK Build to Rent database to help understand the dynamics of different rental markets, picking out the common characteristics of new build rented homes in suburban settings.

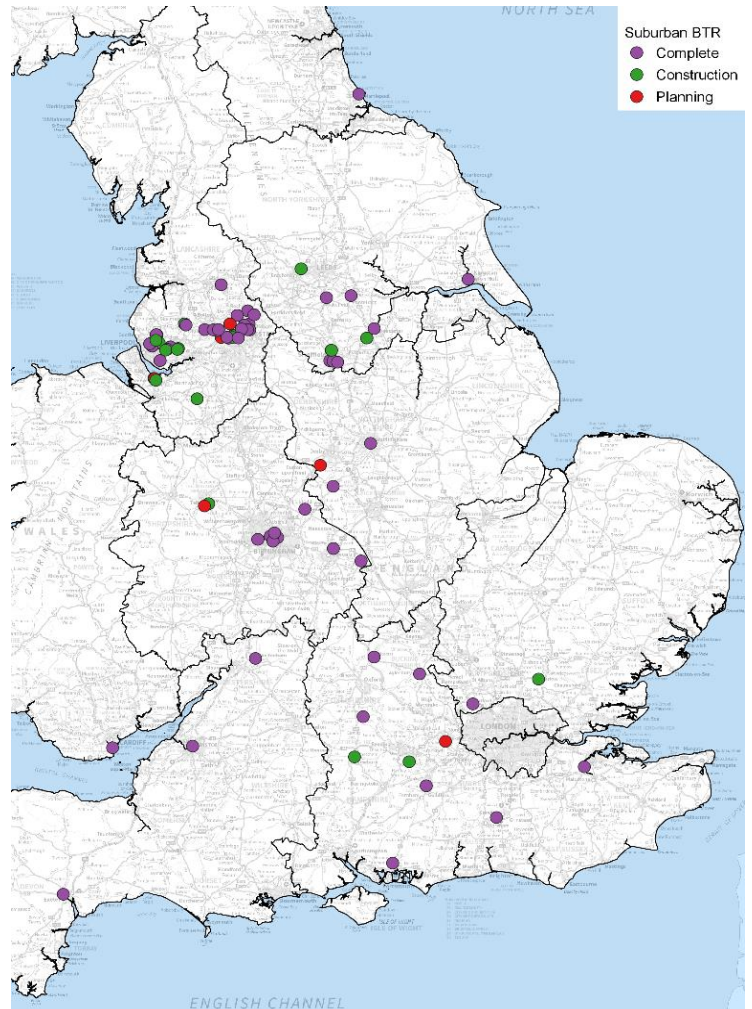
Of the 300 completed schemes in the database, we found that urban schemes are typically developed at a density of 600 to 700 units per hectare, city fringe at c.200, edge of town at 60 to 100 and suburban at 35 to 50 units per hectare.

There are a total of 88 schemes at suburban densities across all stages of the pipeline. As well as development density, suburban schemes differ from city centre schemes in terms of the type of housing product, their location, the amenity provision and the profile of renters.

Suburban locations are generally more heavily reliant on cars and road infrastructure. Of the 66 completed suburban Build to Rent schemes, all are located on the periphery of major employment hubs. Most have schools, local retail, medical centres, access to major roads and bus stops within a 1km radius.

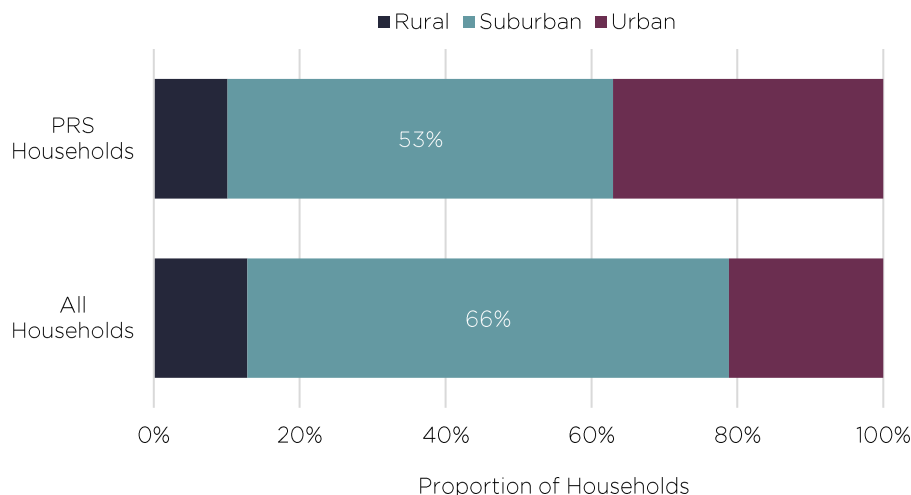
Amenities in suburban Build to Rent schemes are more geared to families. Common features are playgrounds, electric car clubs, and a community centre often with home working and exercise facilities.

Figure 1 Suburban Build to Rent schemes at Q1 2020



Source Savills, British Property Federation, Molior

Figure 2 Distribution of households by rural, suburban and urban areas



Source Census 2011

Typical social and transport infrastructure found within 1km of Build to Rent schemes

- ✓ Primary school
- ✓ Secondary school
- ✓ GP surgery
- ✓ Dental practice
- ✓ Supermarket
- ✓ Access to main road
- ✓ Bus stop

Specific Scheme Amenities

- ✓ Community centres
- ✓ Flexible space
- ✓ Home working
- ✓ Gyms
- ✓ Electric cars

Who lives in suburban BTR?

In suburban markets renters tend to be older relative to those in urban schemes - 60% are aged over 40 years, many of whom have families. According to Government data this segment of the rental market is growing faster than other parts. The latest English Housing Survey data show that the proportion of people living in the PRS that are aged between 35-44 years has risen to 30%, up from 17% a decade ago.

Rented households in this age group are much more likely to have children and also tend to have limited savings. Moving from rental accommodation to home ownership is likely to be more difficult for these households, especially for those living in the south, where the average first-time buyer deposit is over £70,000.

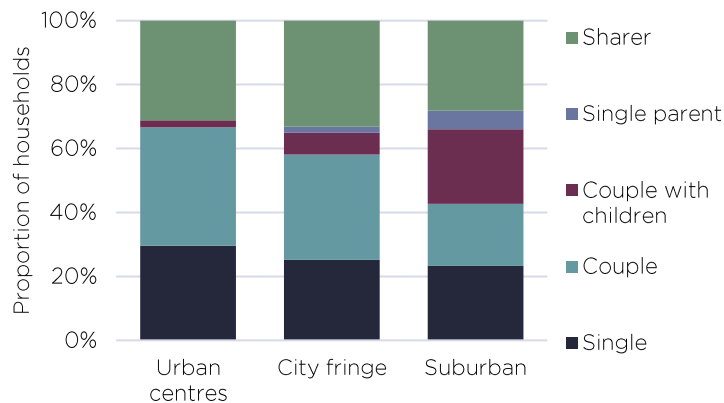
City centre Build to Rent schemes are dominated by young professionals, typically singles, couples and sharers, living in flats with high levels of disposable income and categorised as ‘City Prosperity’ and ‘Rental Hubs’ groups.

In contrast, lower density Build to Rent locations have a broader mix of households. This includes a high proportion of ‘Aspiring Homemakers’. This demographic group is typically in their 30s and looking to settle down. They may be starting a family and tend to want to live in houses as opposed to apartments.

Households aged 35-44 years old living in the PRS may also find it more challenging than younger households to secure mortgages. This group is often referred to as ‘Generation Rent’ – a generation that missed the opportunity to get on the housing ladder because of the Global Financial Crisis. Looking at the composition of these households shows that 56% have children, which will further impact on their ability to raise a deposit to purchase their first home.

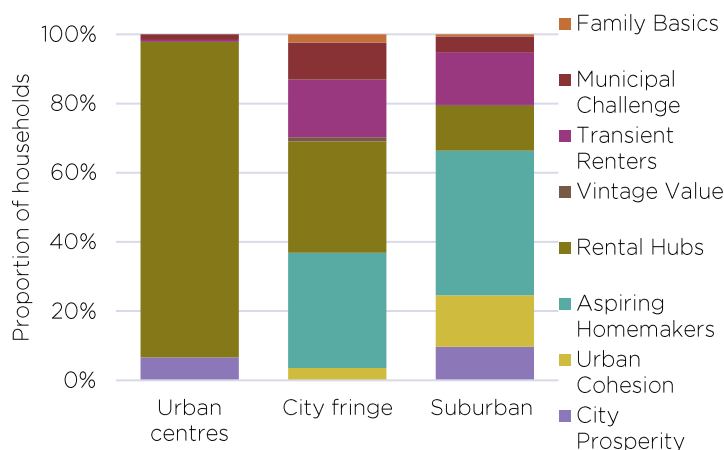
Combined, these factors may mean that many of these households are likely to be life-time renters. This supports the rationale for investing in and providing family friendly accommodation, such as the homes being delivered in suburban Build to Rent schemes. Family housing clearly has a role to play in meeting demand from growing numbers of privately renting households in older age bands and raising children.

Figure 3 Households that have moved to Build to Rent



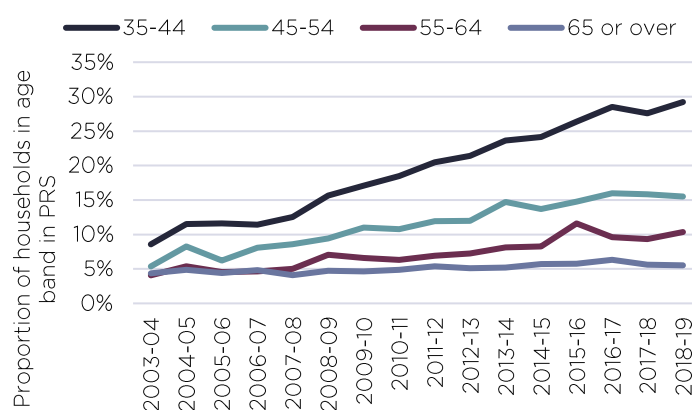
Source Savills using Experian

Figure 4 Aspiring homemakers dominate suburban markets



Source Savills using Experian

Figure 5 Growth of rental households by age band



Source English Housing Survey

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