

Build to Rent vs Buy to Let

Knowing the difference and making it work

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When investing in the UK property market, most of us would look to the Buy-To-Let (BTL) model. While this model has always played a crucial role in property investment, the UK property landscape has changed. Shifting tenant attitudes and taxation and mortgage lending regulation have left BTL investors increasingly constrained. Now, savvy investors are looking to alternatives and changing their investment strategy.

That alternative is Build-To-Rent (BTR). The British Property Federation has estimated that £30bn is to be committed nationally to this sector. BTR is a term that describes the market sector in which new developments are built purely to be rented out. Perfect for overseas landlords, these buildings often offer newer, higher quality homes, communal services such as a concierge, rooftop gardens, cinema rooms and gyms, as well as ready-made communities and amenities.

With 69% of landlords currently put off further BTL investment, the BTL industry is set to decline. That, combined with the UK's housing shortage and new tenant expectations, means that there is a vacuum that BTR is set to fill. In fact, the UK Private Rented Sector now has 5.7 million households and, according to PWC, is expected to grow to 7.2 million by 2025.

Why does it work?

'Generation rent', which will make up 60% of the UK by 2025, prefers to rent in BTR schemes, as they expect amenities such as a concierge that traditional BTL properties simply do not have. The millennial generation does not want to rent in older buildings; they want fully managed developments built with their end-user's needs in mind. With nationwide B2R brands growing, transient tenants can know what to expect from different schemes as they move around the UK. This takes an element of risk out of letting, where, in the past, landlord standards have always varied greatly.

This new way of living focuses on

community, shared spaces and facilities, creating a more convenient lifestyle, whilst professional management puts the resident's experience at the centre of their decision-making.

You only need to look at the success of the Purpose Built Student Accommodation (PBSA) market, one of the best performing asset classes in the UK right now. There has been a huge rise of privately owned PBSA schemes, filling a much-needed gap in student accommodation in UK cities. Students want to rent in new builds, and the same is happening with the grown ups.

The UK Housing shortage

The UK currently needs 270,000 homes in order to meet the deficit identified by government. According to Manchester City Council's residential growth prospectus, an additional 90,000 more properties across the city are required by 2027, and only 1,800 per year are actually being built. Up to 60,000 homes per year are needed in London. The UK Government is supporting developers' plans to plug this deficit with BTR schemes, and many are already underway.

Even with Brexit and the measures in-

troduced by the budget, the UK still has a growing population and tenant demand for private rental properties, meaning that the government continues to pledge support, legislation and resources to grow this sector.

BTR is particularly attractive to overseas investors due to its hands off capability. Most BTR schemes are fully managed by an in-house team already selected by the developer who manages the building and the tenants for you. It is in the developers' best interest to make sure the building is well managed, since this is the reason the tenants will seek them out, and in turn investors.

These new builds also offer a very low maintenance option when compared to traditional BTL properties, which are often older and require more maintenance. Older properties that are to be rented out are also potentially subject to the increasing health and safety regulations that pain traditional BTL landlords. A new build will be designed with all the legislation in mind and should come with a 10 year build warranty for additional peace of mind.

Get in touch at hello@hurstandwills.com or visit hurstandwills.com

HOW TO INVEST IN BTR (BUILD-TO-RENT)

As with any property investment, whether they are on the market with estate agents, or off-plan and brought to your attention by a property sourcing agent, you should never lose sight of the fundamental principles of property investment. Here are Hurst & Wills' top tips when considering an offshore BTR investment.

Invest in locations of identified demand, that work in line with government's plans.

Always research the projected yields and capital growth of the specific developments, as well as comparables in the area.

Only invest in schemes by credible and experienced developers, who specialise in this sector.

Check the developers' previous schemes, and that tenants are happy living there.

Consider the future planning of the immediate area of your chosen scheme - most BTR projects are approved as a larger master plan of an area.