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NEVER KNOWINGLY UNDERSTOOD

John Lewis is the latest big brand to invest in build to rent. *Emanuele Midolo* offers a guide

The announcement this month that John Lewis is to be a purveyor not only of homewares but also of homes, after unveiling plans to build 10,000 new properties on land it owns across the UK, has made middle England wake up to the build to rent (BTR) sector. Lloyds has also said that it will be the first big bank to become a landlord, joining Aviva and Goldman Sachs, which have already made a sizeable investment in residential property. It's an idea that is never knowingly understood, so here's our beginner's guide.

What is build to rent?

It is what it says on the tin: homes built specifically for rent rather than for sale. Instead of being owned by a private landlord, they are owned and managed by a professional firm. The homes are furnished and are available on a flexible basis. There are generally no letting fees or deposit, and included in the rent is access to services and amenities, such as broadband, gyms or rooftop cinemas. For this reason, BTR units – generally flats, not family houses – are particularly attractive to students or young professionals.

Where does it come from?

The idea comes from the US, where it is known as "multifamily" residential – a type of housing that includes anything from a condo building to a row of houses to rent. "The American model is rich with amenities, while European BTR is very amenity-light: standardised blocks with basic apartments," says Oscar Brooks, a co-founder of Moda Living, one of the earliest BTR operators in the UK. "The UK is probably the last to the party."

How many BTR homes are out there?

In the UK, only 1 per cent of rental homes are BTR, according to the property consultancy Savills. But experts estimate that the sector will grow exponentially over the next few years.

Research from the estate agency Ascend Properties shows that planning permission requests for BTR units across the UK rose 52 per cent during the pandemic.

According to the British Property Federation, there are 188,000 BTR homes completed, under construction or with planning permission. Institutional investors, such as the pension funds Aviva and Legal & General, or investment banks including Goldman Sachs, have started investing heavily in the sector.

"BTR was still seen as a relatively small investment class, but it has come into its own during the pandemic," says Lesley Roberts, a partner at Allsop and the president of the UK Apartment Association, the industry body for BTR. "There's a wall of money coming, but it's been ages in the making."

What do the homes look like — and should I live in them?

"When I try to describe it to my friends I often say they are like hotels, but hotels that you live in," Brooks says. "Similar amenities, similar services, but instead of staying for one or two nights you stay for six months to three years."

Moda's first block, Angel Gardens in Manchester, offers amenities that can be found at high-end hotels: football, tennis and basketball courts; cinema and media rooms; co-working spaces for smart working and business presentations; libraries and quiet reading spaces; gyms and so on.

Richard Jackson, the managing director and a co-founder of the BTR investor Apache Capital, which has developed the tower block in partnership with Moda, says that the idea is to create

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"future-proof" homes. "Covid has changed the way our buildings are being designed," he argues. "What it enables people to do is to work within their own homes, should they choose to do so, or from the co-working lounges. They can book individual meeting rooms, they can get food and beverages on site."

What's the quality like?

BTR developers and managers claim that the quality of the build is higher because, unlike housebuilders, they are interested in keeping tenants for as long as they can. "You're not stacking them high and selling and moving on to the next building," says Tony Brooks, the managing director of Moda. "If the customer has a really good time, our business model works. If the customer has a crappy time, they're going to walk."

Martin Bellinger, the principal at Goodstone Living, the BTR arm of the Australian bank Macquarie, says that the UK has the oldest housing stock in Europe. "This means there are a lot of issues with ageing stock, inappropriate design and maintenance generally," he says, "while with BTR you benefit from living in a newly built home that will be more sustainably designed and engineered to be energy efficient – and comes with on-site professional management, which means any maintenance issues can be sorted easily."

How much does it cost?

There are different levels of cost. The more amenities and the more services you want, the more you'll pay. Extras are usually offered as a package included in the rent.

In Moda's Angel Gardens, prices for studios, one, two and three-bedroom apartments range from £850 to £2,500 a month. "It's probably in the third or fourth quartiles of rents in the city," Oscar Brooks says. "But in that rent you get things like free internet, a smart TV, discount passes on public transport, a gym membership and nutritional advice." He reckons there are between £400 and £700 of savings a month.

What's the catch?

Again, cost. According to the property consultancy JLL, tenants in BTR buildings pay an 11 per cent premium in rent compared with the local market. That makes it unaffordable for many people, who in places such as London are spending more than half of their salaries on rent.

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Above and right: Allsop's The Vox, Manchester, where rents start from £845pcm. Below: Moda Living's Angel Gardens in Manchester, where rents are between £850 and £2,500pcm. Bottom: The Keel, Liverpool, where three-bedroom flats are £1,450pcm