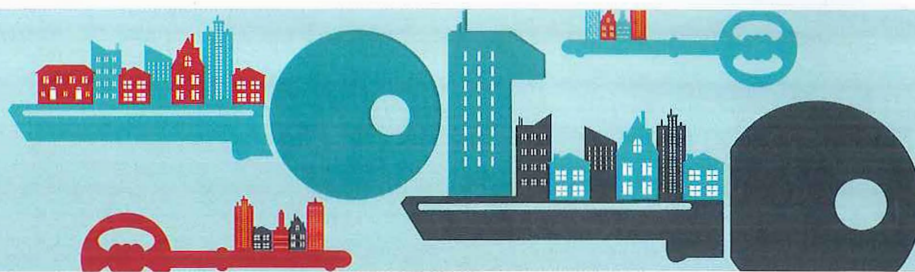


RESI

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Built to run build to rent?

Consumers in the burgeoning build-to-rent sector want schemes to be run with more focus on hospitality and smart technology than property

Build to rent is blossoming, with more than 60,000 units in the pipeline, according to the BPF. But are investors ready to run consumer-facing assets?

From a LaSalle Investment Management perspective, the answer is "unequivocally yes", says Andrew Stanford, regional director and former head of the government's private rented sector (PRS) taskforce. "The prospect of direct management is daunting to some. However, many in the industry have years of experience managing assets in the UK or elsewhere such as Germany or the US, and while build to rent in the UK will have its nuances, you can buy in that knowledge if you know what to look for."

During RESI's decade-long existence, chatter about revolutionising the private sector has often

been countered by accusations of a lack of action. That is changing. While many of the loudest talkers have yet to set a spade in the ground, a diverse mix of investors and developers are now building thousands of new homes.

Industry stalwarts such as LaSalle, Grainger and M&G, start-ups including Hub and Fizzy Living and all-in-one platforms such as Essential Living, Westrock and Moda Living underline an array of different routes being taken to market.

Many purpose-built developments are fast approaching the finishing line.

Once completed, the big question facing all investors will be how they are managed. Keeping operating costs low will be crucial to reducing those all-important gross-to-net differentials. But maintaining service levels will

also be vital to retain tenants, drive revenue streams and inflate valuations.

The practicalities

According to Essential Living's operations director, Ian Merrick, it is a question that should be asked at the design stage. "The more practical a building is, the less you spend on maintenance, which lowers costs and increases customer satisfaction," he says.

Jordan Perlman, co-founder of Newground Architects, the boutique architecture practice behind two of London's biggest build-to-rent schemes, agrees. He says that considering the operational use was key in designing the Material Store in Hayes, a Hub development forward-funded by Fizzy Living, and M&G's Rehearsal Rooms in Acton. "Having areas where people can socialise, make friends and feel they live in a genuine community is essential if they are staying over the long run," he adds.

But amenities like this pose their own management

“**While it's easy to get distracted, pet spas and golf simulators are not the priorities right now**”



Clockwise from this picture: M&G's Rehearsal Rooms, Acton; Fizzy Living rooftop terrace, Lewisham; the Urban Splash development at Royal William Yard, Plymouth

issues and the extent to which they add value to a development has yet to be determined. Gyms and swimming pools, practically standard in the well-established US multi-family sector, are less widespread here in the UK.

"While there is a lot to learn from US multi-family housing, we shouldn't be blindly copying everything," says Alexandra Notay, policy director at the Urban Land Institute UK. "The US multi-family sector is 25 to 30 years ahead of us, and we are just getting going, so while it's easy to get distracted, pet spas and golf simulators are not the priorities right now."

Emerging technology will also play a key role in driving both service and cost savings. Smart meters, keyless entry and app-based fault reporting are just some of the features set to become standard.

LIV, the specialist build-to-rent management operator, is creating an app available to its clients on a white-label basis that will give residents access to services and amenities in every building. "The age

profile of the typical PRS resident means they are responsive to smart technology and this is now a critical part of an integrated management approach," says Graham Bates, chief executive of LIV, which is already working with AIG, Moda Living and Westrock. "The emergence of the 'Internet of Things' could allow forward-thinking landlords to save money in greater sums than now."

People business

But beyond the bricks, mortar and wireless broadband, housing is fundamentally a people business. Being able to cater to the wants and needs of the customer is just as important as having the right building with a fast enough cloud wrapped around it.

Just as the B2B property community has rarely had to consider actual consumers, neither has it considered in any great depth the skills pipeline it would need to run these buildings.

Andrew Screen, senior director at CBRE, sees

management platforms eventually emerging as strong customer-facing brands in their own right, similar to airlines. "You'll have those that offer a Virgin Atlantic type of feel at the top and, more basic, easyjet-style offerings lower down," he says.

Whether the build-to-rent revolution breeds a new generation of property managers is uncertain. But fund managers will need to adopt new management techniques that focus more on hospitality and smart technology than property if they want build to rent to be built to last. ■

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