

Record Year So Far For BTR Investment

22 July 2019 -Investment in the UK build-to-rent sector slowed in the second quarter of 2019, according to new data from CBRE. And yet, the first half still set a record for investment in the growing sector.



Courtesy of Greystar

Greystar and Henderson Park's Nine Elms BTR scheme

Mike Phillips, Bisnow London

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A total of £359M was invested in UK BTR in Q2, a big drop on the nearly £900M invested in the same period last year.

But when combined with the £1B invested in the first quarter, the £1.36B of first half investment represented a 20% increase on the first half of last year, CBRE said. There are also £500M of deals under offer, the broker said.

“Since the strong start to the year, the second quarter of 2019 has seen some adjustment, but there was a good showing for the first half of 2019 overall, with yields remaining stable across the board,” said Kate Brennan, CBRE's director of valuation and advisory services. “Investors are now looking for ways in which to diversify their portfolios, whether by geography, seeking to invest in new markets, or by the type of deal.

“We may now have reached a point where land prices are reaching viable levels from a build-to-rent perspective. Indeed, L&G announced this quarter that they have exchanged contracts on two adjacent sites in Wandsworth. These sites will combine to deliver their largest scheme to date, providing around 1,000 homes and 85K SF of commercial space.”

Investment in Q2 reflected a combination of forward funding deals (£210.9M) and direct land acquisitions (£148.5M), CBRE said. London accounted for two-thirds of total volumes with £232.6M transacted in the capital. The prime regional centres attracted a further £119.5M in Q2.

According to the British Property Federation, an additional 2,909 private rented homes have either completed or are in the pipeline since Q1 2019. This is up 2% from the first quarter of 2019, and up 17% from the same period of 2018.

“We have also seen new entrants to the market,” Brennan said.

For example, Mitsubishi Estate London will forward fund part of the former Royal Mail sorting office in Nine Elms, its first foray into UK build to rent. Cain International has provided an approximately £385M development loan facility for the Henderson Park/Greystar £101M site acquisition for part of the same site. And Grainger will deliver around 3,000 new homes across the capital, including up to 400 units at Nine Elms tube station, on behalf of Transport for London.