

BTR: the modern alternative living solution



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This industry has always resonated powerfully with me. Shelter is one of our most basic human needs and securing a home is one of the most important financial and emotional commitments in our lives. That's why it has been my vision from day one that housing should become inclusive. I have worked in this field for the last 28 years with a success that I cherish.

In my 20s, I lived in Bangalore, India (where I grew up), and was astounded as an influx of capital led to rising demand for quality and premium real estate locally. I was among the few able to successfully cater to this demand - an experience that I was able to draw on to set up independent businesses in Dubai and Singapore. I developed my network, skills, relationships and processes so that when I arrived in London during the height of the subprime crisis in 2008 these served as a platform and launchpad for Strawberry Star in the UK.

What's my advice to someone beginning a career in the property industry today? As a first-generation entrepreneur, hands-on experience has proven invaluable throughout my career. My advice would be to start from scratch, learn the basics and think from the customer's perspective to deliver excellence. To build and value relationships with people, whilst maintaining transparency and dedication in every interaction.

The property sector is one of the most stable job markets in the UK. The sector is growing immensely here and the opportunities for job-seekers are immense. If candidates have potential, grit and talent, there's no ceiling to what they can achieve!

What's my proudest career achievement to date? The fact that we have developed a strong pipeline of over 2,000 properties in the UK, which is among the top residential markets. Value of the assets under management is £1.4bn with 1.5m sq ft acquired to date. When I consider where I started, the milestone that we have reached now is unimaginable!

There is an acute shortage of affordable homes, particularly those priced below £300,000 which appeal to first-time buyers. The lettings market is also characterised by growing demand from students, professionals and families, as well as shortages in housing. For BTR, specifically, this presents both an immense challenge and opportunity. Providing alternative choices, with ample supply that is adaptable to modern needs, is going to prove essential as market trends - such as hybrid, remote and flexible work - evolve. Moreover, the national drive for net zero carbon emissions by 2050 has made it incumbent upon BTR providers to take the lead in providing innovative solutions in construction and operation of developments that are energy efficient and sustainable.

BTR has been the fastest growing sector in UK real estate over the last decade and there is little sign to indicate that this will abate. The demographic data suggests that population growth over the next decade is set to be predominantly urban and that home ownership has slowly been trending down in favour of rental.

The private rental sector is typically characterised by the young professional bracket. However, homes with children grew the fastest as a cohort over the last decade. Multifamily developments have met the majority of this need so far. These larger sites have an incredibly regenerative effect, transforming towns across the country and harmonising both residential and commercial property assets.

One seismic attitudinal shift in the market has been the recalibration of preferences in terms of location, size, space and amenities. A broader range of housing options holds appeal to customers throughout different life stages - presenting a phenomenal market opportunity.

No wonder there is still extraordinarily strong interest in UK BTR from overseas investors – myself being an example! The resilient performance of BTR as a stabilised income-producing asset during the pandemic has driven much of that interest. Moreover, there is room for further growth of Britain's BTR sector which, if it matched that of the US, would grow ten times in size. As the sector reaches scale and maturity the investor mentality is expected to shift from a vacant possession valuation model to one that integrates the primacy of income as the most important value driver.

The key challenges with regards to modern methods of construction (MMC) include limitations in sizing due to transportation restrictions, maximum road widths, low bridges, weight restrictions and general disruption to traffic. Further, there can also be limitations on design flexibility, due to the modular structural construction approach. However, for investors these offer important cost levers to increase affordability as well as reduce building time by enabling assemblage off-site in factories.

From a net zero, ESG perspective, Britain's legislative requirements for energy efficiency are imposing stringent conversion costs on landlords that incentivise divestment of private lettings assets. This is forecast to boost demand for BTR products, reflected in the heightened investment levels for the sector.

The Government has set a nationwide target for all homes in England and Wales to reach a minimum "C" level of energy efficiency by 2035. But rental homes are required to reach this

level by 2025 for new or renewed tenancies, and all existing ones by 2028. This is likely to induce greater selling pressure, as BTL landlords divest ahead of looming regulatory deadlines, reducing available lettings stock and driving BTR demand.

The WELL building standard heightens the weighting of wellbeing as a key focal aspect of the living experience. This is an aspect of sustainability we have seen have a significant impact on value. At our trophy BTR project in Luton for example, a key challenge we have faced and overcome is noise-proofing the development. The use of triple-glazed windows has served to both insulate the development from noise, as well as enhance energy efficiency, strengthening LU2ON's environmental credentials.

From a social perspective, communal living is central to the Strawberry Star experience. This is something we engender through specific means such as placemaking through well connected and pedestrianised infrastructure, as well as sustainable architecture to heighten the health and wellbeing of our residential settings.

The principles that underpin WELL buildings definitely drive value, with access to amenities or services which enhance air, water, nourishment, light, fitness, comfort and mind continuing to prove integral to our long-term performance.

Are investor attitudes to BTR shifting? Lifestyles are certainly changing and cross-generational renting is increasingly the de-facto choice that offers location flexibility, lifestyle and amenity choices. BTR is set to play a pivotal role in the Government's plans to build back better from the pandemic and level up the economy so regulations that ensure fair competition for BTR, with other parts of the housing market, will go a long way towards tackling the national housing shortage.

The UK BTR market also can learn valuable lessons from overseas. In both the UAE and Singapore, most of the BTR schemes are owned by government subsidiaries and are very well equipped with top-class amenities, making them out of reach for the mid and lower segments. The UK market gives private developers the chance to cater BTR to mid-markets.

What are Strawberry Star's upcoming priorities? The first is the realisation of our housing vision in the dedicated BTR arm of the business: Star Living, which will first launch its BTR schemes at sites in Harlow and Gravesend.

Driving regeneration, energy efficiency and sustainability initiatives are also priorities across our developments in line with government initiatives, such as the net zero 2050 goal and the levelling up agenda. Another priority is the ongoing improvement in the execution of our end-to-end services that enable the foundation for community building and placemaking that enriches the localities we are blessed to work with and for.

Finally, we aim to be one of the largest BTR providers in the commuter belt by 2027. This is our focus. And we have built substantial experience offering unique solutions to housebuyers, such as residential-led integrated mixed-use schemes, quality homes at lower capital values for first-time buyers, buy-to-rent homes and owner-occupied homes.

The macroeconomic environment presents a number of challenges and opportunities now and in the future. On the other hand, I entered the London market in 2008 amid the



financial crisis and such uncertain periods offer tremendous risk-adjusted returns with the application of a strategic approach.

And what we offer is a unique - end-to-end service to our customers. Be it capital or acquisitions, development, homes, sales, lettings or marketing teams, we maintain regular communication to understand the business progress. While the teams continue to focus on their routine P&L mandates, I work with them to realise the housing vision from the long-term perspective. We have regular workshops and brainstorms to evolve strategies. We undertake review meetings to monitor and understand the constant changes in the market; aligning our business to the market trends to realise our long-term housing vision.

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