



## The Future of Rent

"The Covid-19 pandemic and lockdown restrictions have shown the benefits of professionally managed purposed built rental housing.

As the office and retail sectors enter a period of readjustment in wake of changing behavioural patterns, BTR is well positioned to both meet housing demand as well as absorb City Centre space."



Gillian Mclees  
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## Key Findings

- The Covid-19 pandemic has shown the advantages of BTR in providing professional management and communication.
- Rettie & Co. has seen rent collection and occupancy remain high during lockdown at over 95%.
- Rettie & Co. sent over 4,000 communications to BTR residents during lockdown to keep residents informed and safe.
- BTR is well positioned to absorb City Centre space and development opportunity from changing demand in retail and office sectors.

## Time for BTR

As 2020 draws to a close, we may look back at this year as being the turning point for BTR in Scotland, and to some extent the wider UK. Long established as Multi Family Housing in the likes of America and Australia, BTR has slowly been rippling out from the South East of England, first to Manchester and Liverpool, and more recently North of The Border. However, unlike the pandemic, this spread has been slow and largely geographically contained. Covid-19 may act as a catalyst to change this, but it may not all be straightforward.

During the pandemic, the advantages of BTR have become increasingly apparent for residents and investor alike. For residents the centralised management, community, and quality of the living space has set BTR apart from traditional Private Rental Sector stock. The key driver for the sector has been the relative performance of the sector for investors when contrasted with other real estate sectors, such as office and retail, and the longer-term outlook in a post Covid-19 world. Since the lockdown, major BTR players such as MODA and Grainger have both reported rent collection rates of 95% or above. At Rettie & Co. our rent collection rates during lockdown dipped only 1% to 97% in May at the height of restrictions, before returning to 98% in June and July. When compared to reported collection rates of c.70% for office or 60% for retail, or worse, the granular and robust nature of BTR has a strong pull for investors.

The counter-cyclical nature of Purpose-Built Student Accommodation has long been attractive to investors, and the similarities and blurring of boundaries with BTR in terms of building, operation and services has not been lost on the operators and investors alike. The comparative strength of BTR against the office and retail sectors also offers potential changes in the space use on beleaguered high streets and town centres that may see sustained weakening of demand in the accelerated digital displacement and diaspora. This is a fact

not lost on retail giant John Lewis, which have identified 20 sites across the UK where there is potential for them to enter the BTR sector by repurposing elements of their stores for residential use, in the process creating instant demand for furnishing and food delivery.

However, there are still many unknowns regarding what shape BTR may take as we move into the future. The rise of home working will likely be a persistent driver for demand of high-speed broadband, flexible workspaces, and meeting rooms. However, the decline of the office and suburban flight, whilst on the rise may not be as significant as some are suggesting. Community and social connections are also likely to be an increased consideration as and when social distancing restrictions ease. Indeed, community has been one of the major advantages that BTR has offered during the lockdown. Useable outside space, be it balconies or roof gardens, will also likely be prioritised by residents. Accommodating these factors will likely require an approach which provides flexibility, both in the building design but also management as the market matures and refines.

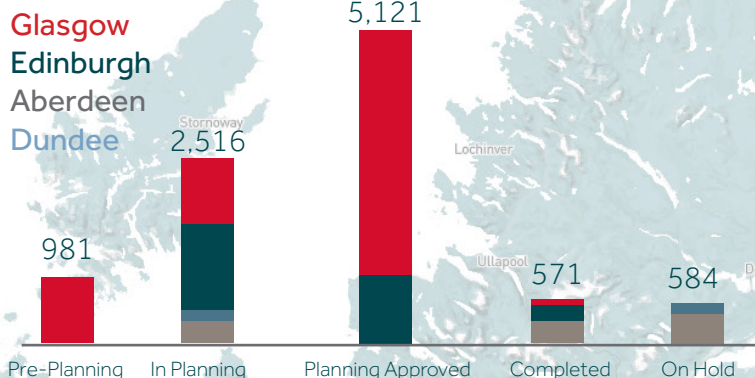
While these questions remain, and despite the challenges being faced during the pandemic, Build to Rent may look to the future with optimism.



Gillian McLees  
Director of BTR



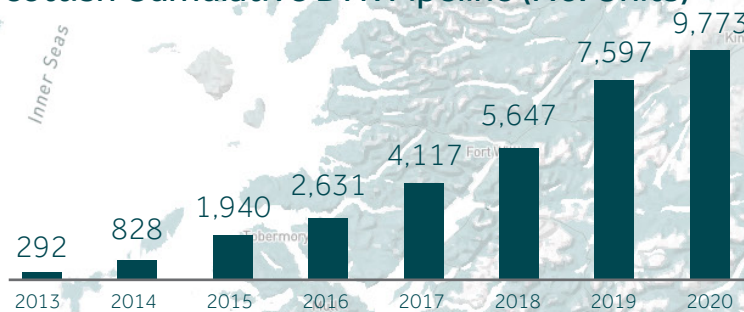
## Total Units by Planning Status & City



# 9,773

Scottish BTR Pipeline Units

## Scottish Cumulative BTR Pipeline (No. Units)



# 1,094

Aberdeen BTR Pipeline Units

# 228

Dundee BTR Pipeline Units

# 5,262

Glasgow BTR Pipeline Units

# 3,189

Edinburgh BTR Pipeline Units

## Client care in the time of Covid

The Covid-19 pandemic has challenged many practices and assumptions about our way of life and with it, many new realisations about how we want to live, and how we interact with neighbours, friends and the wider society. While the Government furlough scheme has acted to mitigate many of the immediate impacts of the lockdown, there has been a great deal of concern over the economic security of certain industries, and the financial position of households relying on these industries. Especially vulnerable are younger, or single income households, many of which are in the traditional Private Rental Sector. These unique conditions have led to a number of challenges for landlords and tenants during this time but have also proved the advantages of the emerging BTR sector in Scotland.

A major concern and priority for us and our BTR clients has been ensuring the wellbeing of tenants at a time of high risk to health as well as economic vulnerability. During this uncertainty, we have prioritised communication with clients to keep them informed on the ever-changing situation and to ensure they feel comfortable and safe in their homes. Over the 3 months of lockdown we have sent over 4,000 emails containing guidance and information to residents. In addition to this, we have made over 450 welfare calls to specific residents who might have been experiencing issues or were most vulnerable during this period. The use of technology, such as an online Residents' Portal, has also allowed this communication channel to be constantly open. During this time there have been 15 wellbeing interactions with clients through this platform. The advantage of working with the clients that we do, has been our shared belief in high-quality customer service which, in the current circumstances, has been validated.

The upshot of this focus on customer care and communication has been that many of the fears facing the sector as lockdown was introduced have mainly been avoided. Of the handful of tenancy notifications that were handed in during the lockdown period, the majority were not as a result of lockdown. This meant that over the April to July period our managed developments maintained high levels of rent collection and occupancy. During May, as the potential for an extended lockdown hit home for many, occupancy rates across the BTR portfolio were 95%, recovering to 98% by July as restrictions were lifted. Rent collection rates during this period also remained high, only dipping 1% down from the 98% through the period.

The pandemic has emphasised the benefits that a quality living environment, strong local community and professional management of housing can have on peoples' lives especially at times of difficulty. With BTR expanding in Scotland, we look forward to working with our clients to extend these advantages to more Scottish tenants.



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## Rettie & Co. BTR Covid-19 Management

# 4.2k

INFORMATION /  
GUIDANCE  
EMAILS SENT

# 459

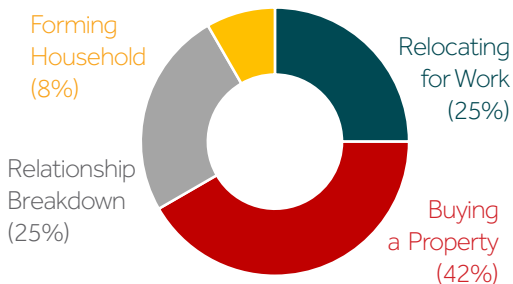
WELFARE CALLS  
MADE

# 15K

BTR BRIEFING  
VIEWS

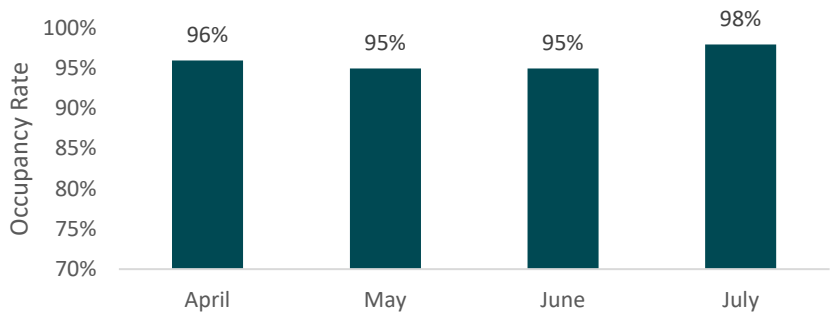
# 15

WELLBING  
INTERACTIONS ON  
RESIDENT PORTAL

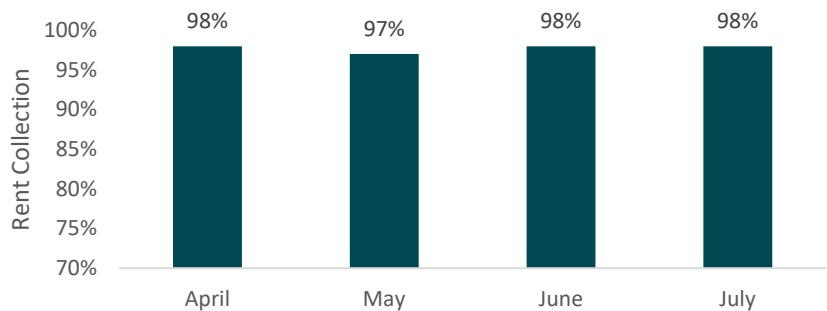


## TENANCY NOTIFICATION REASONS

## OCCUPANCY RATES



## PERCENTAGE OF RENT COLLECTED



## CLIENT TESTIMONIALS

*"The service we have recieved has allowed us to maximise our income on the asset as well as provide exceptional customer service to our esteemed residents. Our client objectives for the development are constantly met."*

- Aberdeen Standard Investments

*"Forth Ports are very grateful to the BTR Team at Rettie & Co. for ensuring that the residents at Harbour Point and Harbour Gateway have been looked after so professionally throughout lockdown. The Team moved swiftly to put protocols in place to ensure continuity of service."*

- Forth Ports Ltd



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## Build to Rent



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Our Build to Rent (BTR) team is at the heart of the private rented sector in Scotland, with almost £1bn in assets under management. We provide a comprehensive range of BTR services and have the research expertise, experience and network to make Build to Rent work north of the border.

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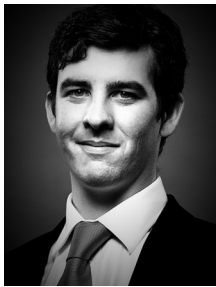
## Consultancy & Research



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Our Consultancy & Research team is the largest in the Scottish Private Sector and provides a broad range of services to both private and public sector clients. Covering all parts of the Scottish residential market, the team provides clients with in-depth, reliable and up-to date information that enables evidence-based decision making.

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## Structured Finance & Development Services



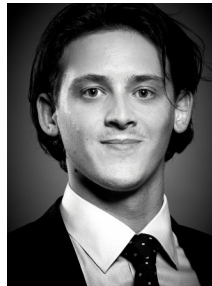
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Our Structured Finance team provides innovative funding solutions for both private and public sector developments. We are expert in all project stages including: initial financial modelling; JV/contract structuring; sourcing and securing short- or long-term funding; legal negotiations; public sector procurement; and asset management and rental.

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## Land & Development



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Our Land & Development team advises on land and property development projects, on residential investments and Build to Rent. We cover residential, non-residential and mixed-use development sites and advise on every stage of the project cycle, from early appraisals and funding through to site disposals.