The Build to Rent Resident Experience Report

2024

Knight Frank's assessment of how resident experience and location impact operational performance in Build to Rent schemes

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Setting the (new) standard

Resident experience can drive operational performance. Our index allows investors, developers and operators to understand the impact that design, management and satisfaction can have on the lived experience of their residents.

The total number of completed Build to Rent (BTR) homes stands at just over 114,000, having surpassed 100,000 earlier this year. A further 62,030 homes are under construction and 84,607 have full planning permission granted.

As more new entrants are attracted to the sector, the way schemes are designed, delivered and managed is changing, with resident experience at the forefront of investor's minds.

Consequently, BTR schemes are in high demand. Average lease-up rates have climbed from an average of 17 units per month for schemes which completed in 2020, to 47 for schemes which launched last year.

Occupancy levels in existing schemes are also high.

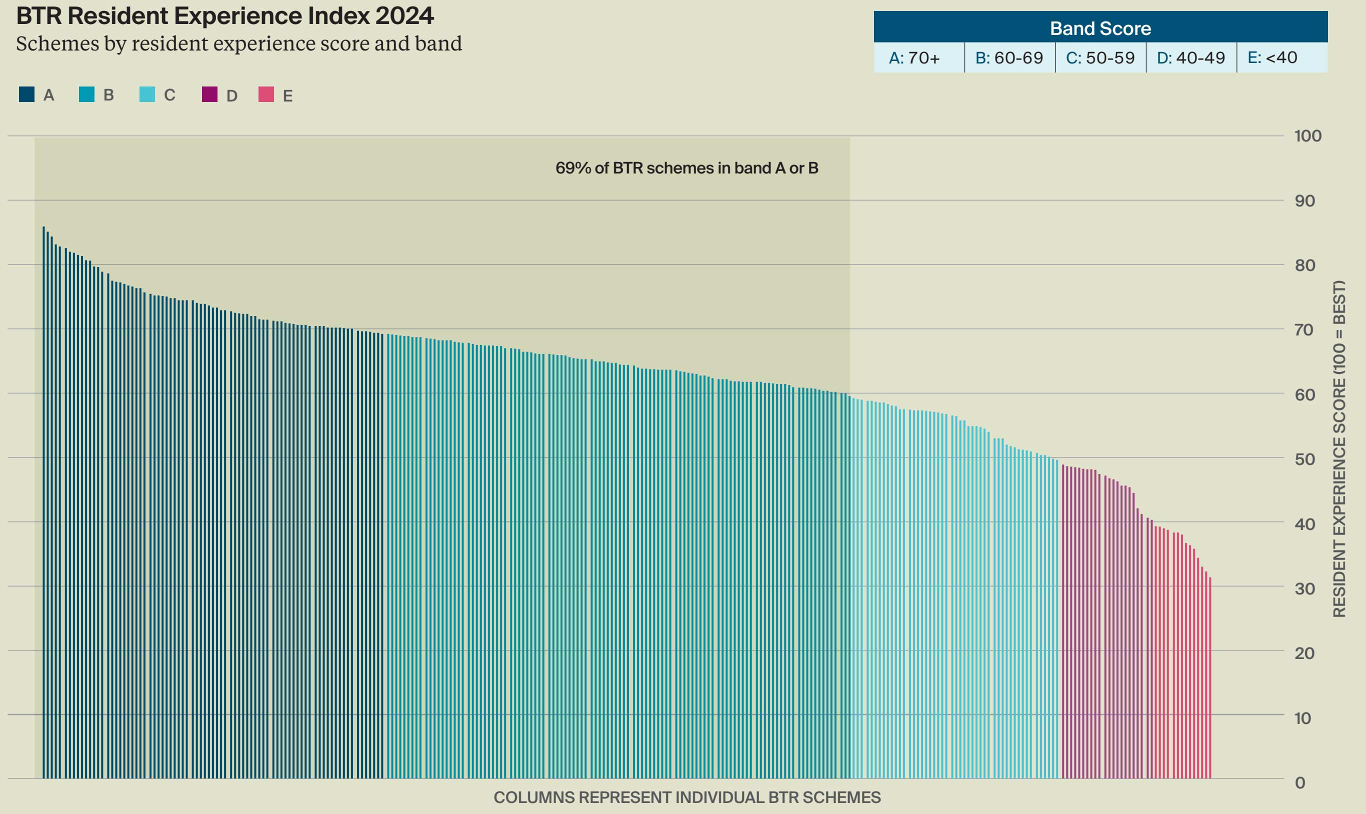
It is through this lens that, last year, we created our BTR Resident Experience Index (REI), to quantify how schemes are performing from a resident perspective. The Index allows us to draw conclusions as to what "best-in-class" looks like and to understand how both individual schemes and the sector can improve.

Getting it right will drive investment metrics like occupancy and retention, lease up and rental income, as well as reducing costs and improving net operating income. The REI is, by definition, primarily inward looking, measuring scheme specific metrics like the number and type of community-focused services, management and resident satisfaction.

In this update we have supplemented that research with the launch of our new Local Living Quality Index (LLQI), designed to benchmark quality of location. Together, the two indices help BTR investors, developers and operators understand the impact and relationship factors such as location, design and resident satisfaction can have on the overall experience of living in a BTR scheme, as well as on rental values.

> "Average lease-up rates have climbed from an average of 17 units per month for schemes which completed in 2020, to 47 for schemes which launched last year."

BTR Resident Experience Index 2024
Schemes by resident experience score and band



Source: Knight Frank Research

RESIDENT EXPERIENCE

The BTR Resident Experience Index scores 277 BTR schemes, each of which can be seen in the chart on the previous page.

Each scheme is put into one of five bands, from A to E, with A including the highest scoring schemes.

Some 69% of schemes have a score of at least 60, placing them in Band B or higher. These results continue to suggest that existing BTR schemes perform strongly when it comes to delivering excellent experience for their customers.

We have identified commonalities between the top-scoring schemes to understand what best-in-class looks like. The average Band A-rated scheme has:

- Six community-focused services. These can include hosting resident events, having resident lounges, access to communal outdoor spaces, or concierges, all of which drive community engagement.
- Larger unit sizes, at 63 sqm on average, compared with 43 sqm for Band E schemes. This indicates that larger units support the resident experience.
- Better energy efficiency. Energy costs of £5.29 per sqm on average in Band A schemes – compared with £11.52 per sqm for Band E schemes. Band A schemes also have the highest EPC energy efficiency scores, at 84 on average (EPC B-rating), compared with an average of 71 for Band E (EPC C-rating). Cheaper utilities costs support resident satisfaction.
- Analysis of HomeViews review scores relative to our resident experience bandings show that the biggest difference in ratings between Band A and Band E schemes is seen in Facilities (Band A: 4.2, Band E: 1.7), Management (Band A: 4.0, Band E: 1.6) and Value (Band A: 4.2, Band E: 1.8), suggesting these are the most relevant factors driving resident experience.

Overall, the analysis identifies the key features that drive Resident Experience, with a focus on the internal factors that can be controlled, particularly at design stage. This includes amenity provision, unit sizes and energy efficiency.

What does it take to be a Band A scheme for Resident Experience?

Selected highlights across 12 metrics examined

4.0
Average HomeViews review score for Management

63 sqm
Average unit size

£5.29 per sqm
Lower energy costs

84
Average EPC score (EPC B-rating)

6
Average number of community-focused services, such as communal spaces and resident events

4.2
Average HomeViews review score for Facilities

4.2
Average HomeViews review score for Value

Location, location, location

Where we live has an impact on so many aspects of our lives. Financially, socially, environmentally and on our health. The built environment, and in particular new development, has an important role to play.

With this in mind, we created our Local Living Quality Index (LLQI) allowing us to understand and compare locations against a set of objective benchmarks. While there have been many studies of urban quality of life, they have tended to evaluate locations in their entirety. Such an approach is instructive, as it allows comparisons to be made between cities, for example, but it ignores the fact that many aspects of quality of life have very local characteristics.

It is possible to determine what characteristics a good location has. This can give developers and investors important insights into which areas are attractive as well as guiding how properties can and should be developed in terms of amenity provision.

Today, a wealth of location-related data is available including on transport, schools, green spaces, shops, restaurants and other important amenities. But amenity provision – is just one component of what makes a good location. As a result, our methodology also includes key statistics on the real estate market, as well as socio-economic and environmental data to measure the overall attractiveness of an area. Like our REI, areas can fall into one of five Bands, A to E.

By then overlaying scheme information from our BTR development database, along with the results of our updated REI, we can understand the impact location has on the overall experience of living in a BTR scheme.

The findings show that, overall, the majority of existing BTR communities fall into one of two camps; high scoring schemes for resident experience located in areas which also score well on our LLQI, or high scoring schemes for resident experience located in areas with lower LLQI scores.

That's likely to reflect the maturity of the sector, which is still focussed on the development of new stock, either within existing high demand rental markets or within regeneration areas where lower land values can support viability. Indeed, the ability of BTR developments to rapidly move large numbers of people into a single area can turbocharge placemaking like few other housing models.

Our analysis shows that being in an area with a lower LLQI score doesn't mean compromising on rental values. Asking rent data for existing BTR schemes shows that, on average, developments located in areas which score lower on our LLQI command a premium of 9% over local market rents.

In these locations, however, a greater emphasis should be placed on delivering an excellent resident experience. Schemes with a Band A rating for resident experience, for example, can command a 14% premium over the local area on average, irrespective of location. This compares with Band E schemes which achieve rents 2% below the local average.

Over time, we expect the presence of BTR schemes that score highly for resident experience will act as a catalyst for areas which currently have lower LLQI scores to rise up our location rankings.

Indeed, the results of the LLQI index are not set in stone. Some characteristics of an area may change over time. For example, continued development and investment into an area could impact all or any of our five categories. Consequently, local index scores may change over time, representing an opportunity to sustain, develop or improve a neighbourhood experience.

> "Schemes with a Band A rating for resident experience can command a 14% rental premium over the local area, irrespective of location."

Local Living Quality vs Resident Experience

Points represent individual BTR schemes

Note: RE = Resident Experience. LLQ = Local Living Quality

Source: Knight Frank Research

Where are BTR homes located?

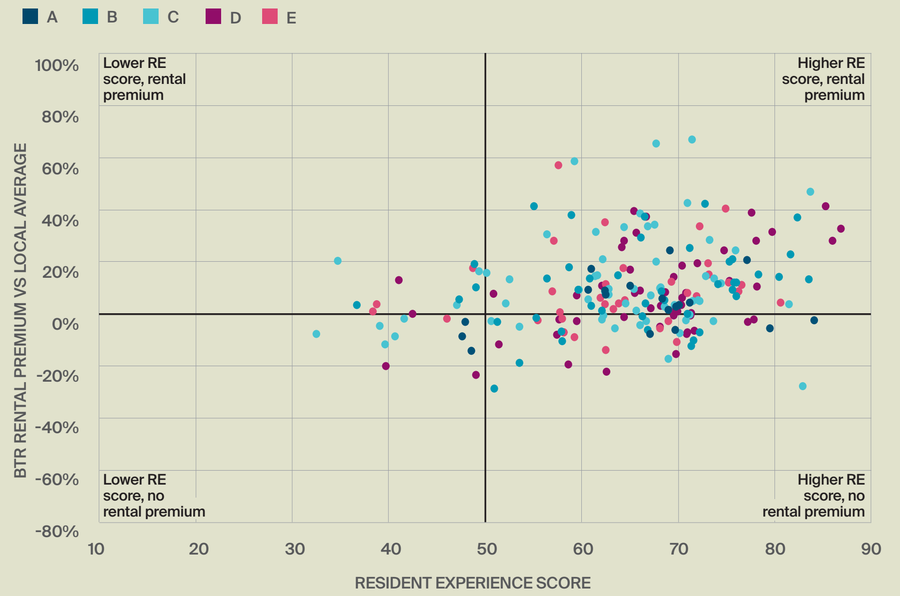
Distribution of BTR schemes by Local Living Quality Index score and band

LLQ score	Band	Number of schemes	% of total
More than 70	Band A	46	9%
60-69	Band B	104	20%
50-59	Band C	145	28%
40-49	Band D	151	29%
up to 40	Band E	76	15%

Source: Knight Frank Research

Impact of location and Resident Experience on rental values

Points represent individual BTR schemes. Legend reflects local living quality bands

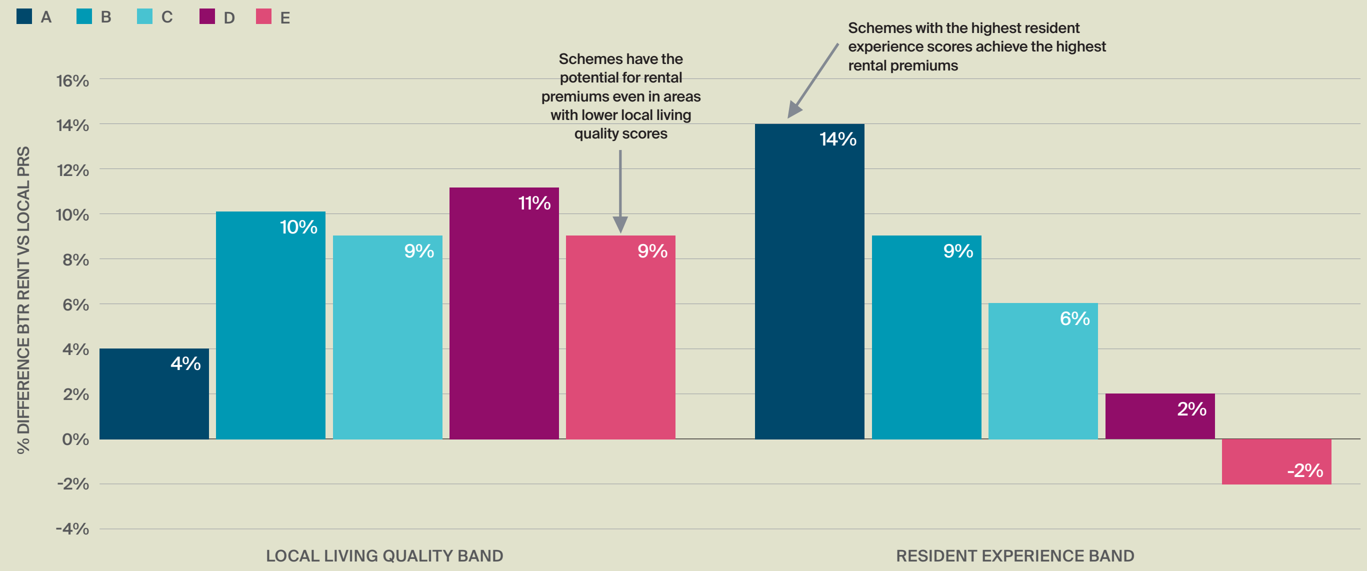


Note: RE = Resident Experience. LLQ = Local Living Quality

Source: Knight Frank Research

Resident Experience drives rental premiums

Average BTR rent vs local average PRS rent, by local living quality and resident experience bands



Source: Knight Frank Research

LLQI: Behind the numbers

To build our Local Living Quality Index (LLQI) we first had to split the UK into unique catchments. Each catchment is of fixed size equating to an approximate 10-minute walk time, ensuring a consistent comparison.

Our LLQI methodology encompasses 23 unique indicators that reflect the quality of place, including factors like amenity provision, cyclability, affordability, air pollution, and local crime levels.

These indicators fall under five broad categories that collectively influence the local quality of living – Community, Infrastructure and Connectivity, Health and Wellbeing, Socio-economics and Affordability and Housing Market Dynamics. These categories were selected with careful consideration to data availability and quality, ensuring a comprehensive assessment of any urban catchment across the UK.

A key challenge in creating this composite weighted index was determining the appropriate weighting for each category. Whilst an equal weighting across these categories could be assumed as a starting point, a more data-informed approach was used given the variability observed within the collated data.

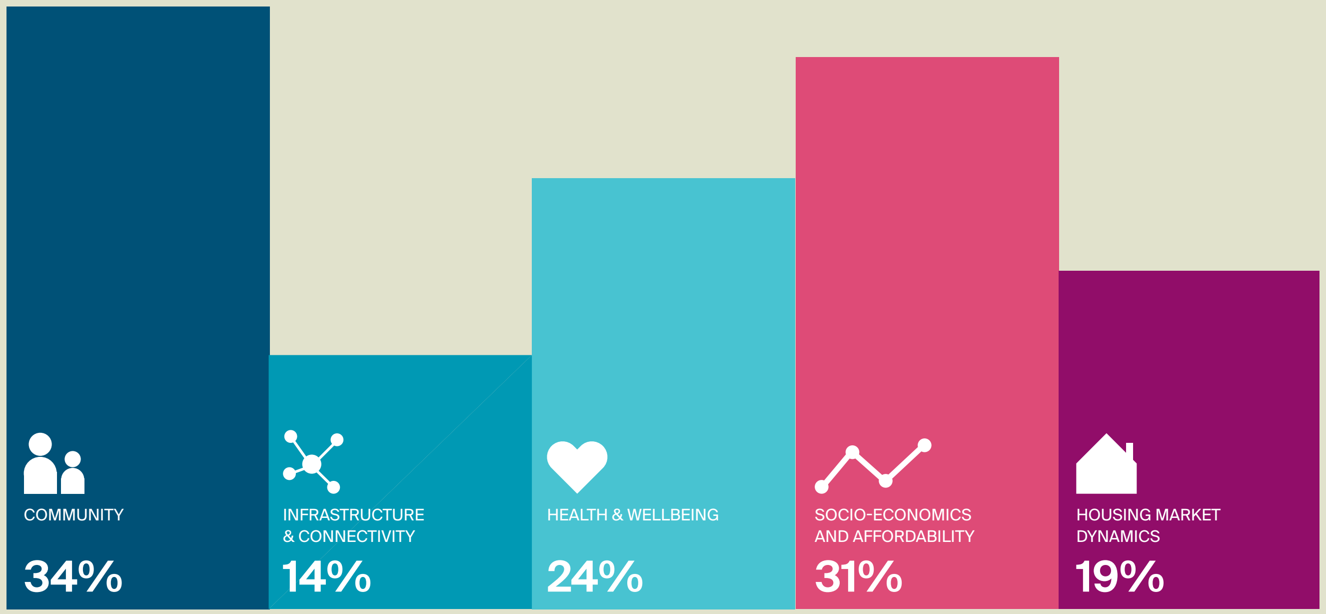
For each of the five categories the decisive factor to create the overall LLQ score is the weighting of the individual criteria – for example, what influence access to amenity should have on the attractiveness of a respective location compared to access to green space and leisure?

Calculating the weights of these categories follows a principal component analysis assigning values that maximise the correlation between indicators and the LLQ score. The weights, therefore, reflect the relative significance of each indicator and category.

As Community and Demographics are the categories with the highest weighting, locations that do particularly well within these categories are likely to have a higher overall LLQ score. While lower values for the Infrastructure and Connectivity category will bring the overall score down, the impact of this will be less extreme than a lower value for a category with a higher weighting.

Our LLQI allows us to evaluate any urban location within the UK for a given catchment whether fixed distance, walk times, official boundaries, or standardised hexagons serving as a comprehensive tool for assessing the quality of living in urban environments.

Local Living Quality Index category weights

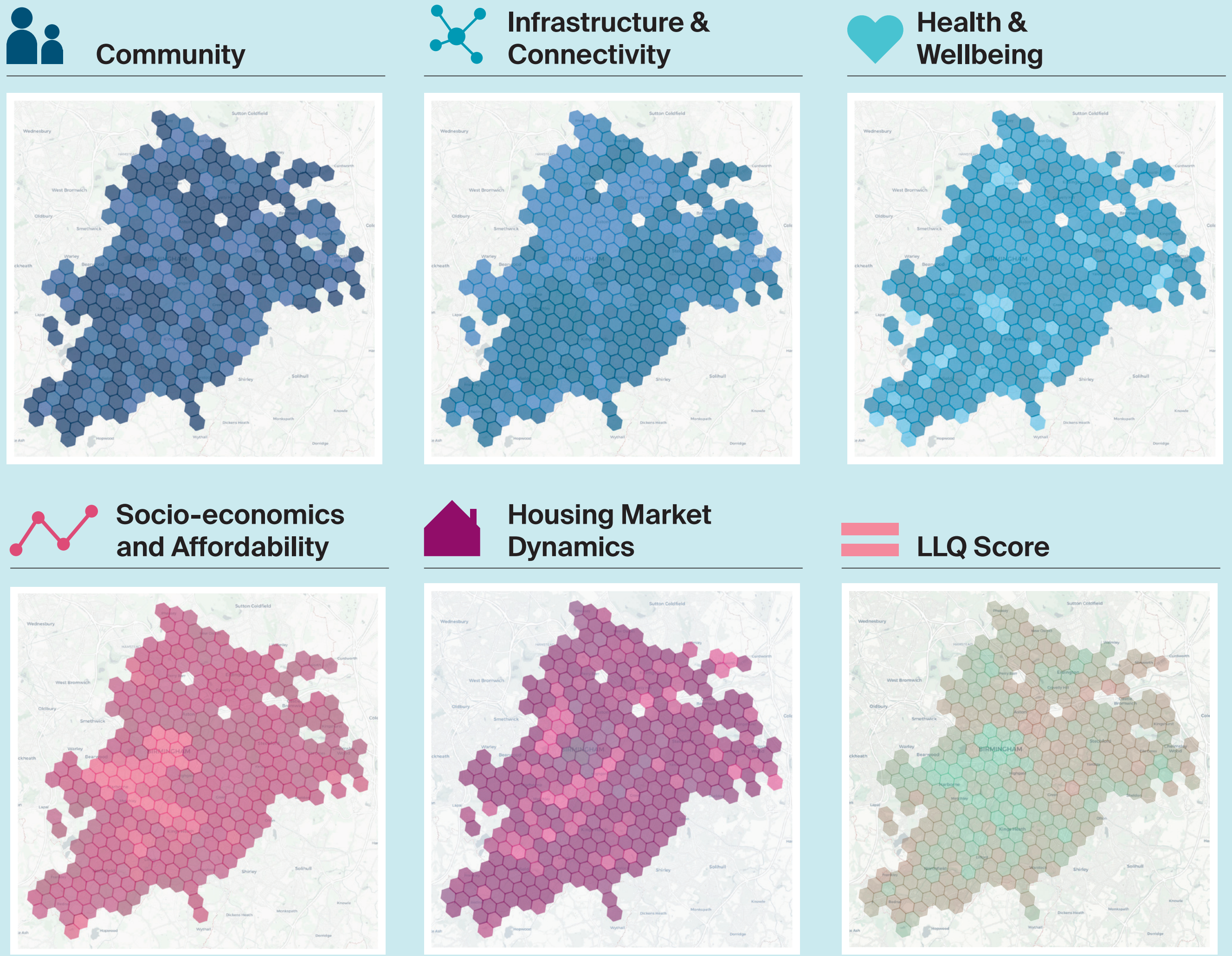


Birmingham: Case study

Below we have included the results of the LLQI for Birmingham. The six maps represent the overall score for the local authority, as well as the individual category scores.

The data suggests that the highest scoring locations are situated in the city centre as well as south and west of the city.

The city centre performs well across all our categories, with the exception of Health and Wellbeing – which contains metrics including access to green space and air quality – and Housing Market Dynamics – which includes metrics covering household density, tenure mix and time on market. Residents living in the city centre enjoy high amenity provision, as well as the best access to transport infrastructure, but don't benefit from access to the local authority's largest green spaces.



Note: Lighter areas on maps equal higher index scores

Assessing the social impact of Build to Rent developments

Hani Salih, a Senior Researcher at the Quality of Life Foundation shares the initial findings of a research project he has been working on looking at the social impact of BTR schemes.

In 2023, the Quality of Life Foundation started a research project to evaluate the social impact of Build to Rent (BTR) housing, in collaboration with the British Property Federation (BPF) and the Association for Rental Living (ARL). This project involves three BTR providers, which nominated the sites for our research: *East Village*, Stratford (GetLiving), *Greenford Quay*, *Greenford* (Greystar) and *The Gessner, Tottenham Hale* (Longharbour & Way of Life).

WHAT THE FOUNDATION DID

The project started with desk research on each site, understanding as much as possible about amenities and social infrastructure already in place. This research was followed up by a scoping visit to each development to further develop an understanding of the site and its context and to establish contact with key stakeholders and site leads.

An online survey ran for 12 weeks over the summer. This survey was complemented with a series of face-to-face engagement events, which aimed to raise awareness of the survey, and to reach residents and community members that might not be otherwise able to complete the survey themselves. Data was collected from both residents and the wider community to give an understanding of the different ways that both groups interact with and experience the presence of the development.

The value of using qualitative research and evidence allows a deeper understanding for resident experience. It is something that provides depth, and helps quantify how residents experience their homes and neighbourhoods. This kind of approach therefore centres on the experiences of residents and the community to help bridge the gap in current research and thinking around social impact.

The survey is still running at all three sites. Below is a selection of a few key emerging findings that we're seeing as residents are taking part in the survey. It's important to note that these are not indicative of the final conclusions, and are only a small sample aggregated across all three sites.

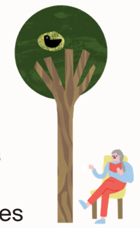
Quality of Life Framework

The Quality of Life Framework helps you to understand how your home and neighbourhood affects your health and wellbeing, highlighting what makes for a happy and healthy life. The Framework explains the evidence base that underpins these themes. It is intended for use by community groups; housing developers; planners and designers; architects; investors; housing associations; operators and local authorities.

1. A SENSE OF CONTROL

a. Influence and contribution
b. Safety
c. Affordability and permanence

2. HEALTH EQUITY



a. Housing standards
b. Air, noise and light
c. Healthy food choices

3. CONNECTION TO NATURE

a. Green and blue spaces
b. Biodiversity
c. Climate resilience and adaptation

4. A SENSE OF WONDER

a. Distinctive design
b. Culture
c. Play and recreation

5. GETTING AROUND WITH EASE

a. Walking, cycling and wheeling
b. Public transport
c. Cars

6. CONNECTED COMMUNITY

a. Belonging
b. Local businesses and jobs
c. Local services

WHY QUALITY OF LIFE?

Having a decent, affordable home in a safe, well-designed and resilient neighbourhood is the foundation of a healthy, happy life. But right now the UK is faced with a health and wellbeing crisis, partly determined by where people live.

The Quality of Life Foundation has a vision for homes and neighbourhoods that improve people's quality of life over the long term. The Foundation's mission is to make health and wellbeing central to the way we create and care for homes and neighbourhoods across the UK.

90%

of residents across all three sites felt that their home has a positive impact on their health and wellbeing

82%

of respondents were either very or fairly satisfied with their accommodation

We asked residents...
What do you like about your area?

"The extensive access to green area. How well connected it is. The community vibe."
30-34, FEMALE

"New and modern - good mix of people. Nice surrounding nature views."
35-39, MALE

"All the facilities in one place. Lots of pop ups events. How close is it to the tube. Roof terrace. Flats are great."
NO DEMOGRAPHIC INFORMATION

When asked the same question, **the wider community said...**

"We live 3 minutes walk outside the Olympic Village and spend much of our free time in the Olympic Park, and in East Village particularly. As well as the large pedestrianised space with cafés, we love the sense of community. My daughters go to Chobham Academy and we always see friends as we walk through the park"
40-44, MALE

"I like the community area. I like how cleaned up it's become, an area focused on its residents, as well as being an inviting environment to locals too. The events are often enjoyable, and the activities they host are inclusive and mindful."
25-29, FEMALE

We also asked residents...
What do you like about your home?

"Modern, clean, highly insulated, equipment working well, big windows, sunlight is enough during summer."
45-49, MALE

"Love the modern features the flat has to offer, especially in the kitchen and bathrooms, as well as how bright and spacious the flat feels. The furniture provided also feels like it's really been thought about and cared for, so you feel really at home straight away, rather than being given cheap pieces of furniture like I've had before in previous places. Also love the resident spaces within the building, such as the gym (including the free classes they have on offer) and the amazing roof terrace upstairs, which I have used a lot already."
25-29, FEMALE

CASE STUDY: MODA GROUP

Driving social value

Oscar Brooks, Executive Director, Brand and Acquisitions, at Moda Group, shares the results of a biannual survey of residents focussing on how they interact with their local communities.

Driving positive and impactful social value is a real strength of the Build to Rent (BTR) model. Long term, our goal at Moda goal is to understand the quantitative data behind this change, so that we can make investment and operational decisions around it and identify the best ways to integrate ourselves as a neighbour and knit ourselves into the fabric of the wider communities.

This aim was the reason we partnered with Knight Frank last year for the first Resident Experience Index. It was a brilliant first step in understanding what makes a valuable resident experience, and this year we are excited to widen the parameters of that insight to examine resident interactions with the businesses and services within a 15-minute walk of their home, and the change happening around the BTR neighbourhoods since their opening.

Whenever we look at a new site, we spend significant time walking the areas, understanding the local grain, culture, community, businesses and spaces. We imagine not just how our residents could benefit from the local amenities and services, but how the local area might benefit from the addition of a rental neighbourhood to the community. This feeds into our design, underwriting and business planning.

The data and insights from Moda residents on these pages are beginning to paint a clear picture of what is valuable to a resident on their doorstep. The less used facilities are perhaps unsurprising; fewer residents are using local gyms, no doubt in part because they have a state-of-the art facility in their buildings. These spaces are where the benefits of operating hundreds of homes in an area can come in, and operators have an opportunity to work creatively and collaboratively with businesses so that they can still feel the benefit of our presence in their community. For example, we partner with local fitness centres and welcome coaches to Moda to teach classes to residents, or with local theatres or cultural centres to incentivise residents to use them more. Do people want on-site F&B or to be located close to it? Do people want to live next to the office or have a short commute? As we look to refine our product and price ranges, and our data-first approach to pipeline growth, these insights provide real tangible value.

With a number of product verticals and a growing pipeline that includes eleven operational BTR and SFH neighbourhoods across the UK, we are constantly aware of the sector's growing impact on towns and cities, the opportunities this presents and the responsibility and custodianship that comes with them.

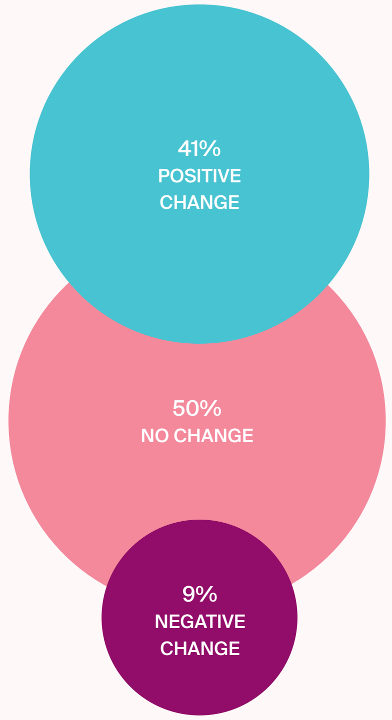
We look forward to continuing to work with Knight Frank and industry partners to generate tools and insights to help the whole residential sector, key stakeholders and policy makers with their understanding of the benefits and aims. We hope this is useful for the wider built environment industry to deliver outstanding spaces for communities across the UK.

How often do you use the following amenities within a 15-minute walk of your neighbourhood

	Daily	Once or twice weekly	Once or twice monthly	Rarely	Never
Bars	6.2%	43.5%	32.9%	9.3%	8.1%
Restaurants	8.7%	55.9%	31.7%	3.7%	0.0%
Supermarkets	47.8%	46.6%	5.0%	0.6%	0.0%
Convenience stores	39.1%	41.6%	11.8%	5.6%	1.9%
Other retailers	11.8%	34.2%	41.0%	9.3%	3.7%
Gyms	24.8%	18.0%	14.3%	11.8%	31.1%
Museums/Exhibitions	2.5%	13.7%	36.6%	30.4%	16.8%
Outdoor spaces (ie. parks)	19.9%	37.3%	27.3%	9.9%	5.6%
Fashion retailers	9.9%	30.4%	38.5%	15.9%	6.2%

Source: Moda Group resident survey

How has the area around your neighbourhood changed since moving in?



Source: Moda Group resident survey

RESIDENT ENGAGEMENT

In our biannual, UK-wide resident survey, we asked residents from our eight operational BTR neighbourhoods how they interact with local businesses and services, building a picture of what's useful to them nearby, and how the presence of Moda residents is contributing to local and regional economies and communities.

Their responses showed very high levels of engagement with a range of businesses. Supermarkets and convenience stores are shown to receive the most visits from Moda residents, with 95% visiting multiple times a week and 48% of residents using them daily.

Restaurants and outdoor spaces proved the next most popular with residents, with 64.6% and 57.2% respectively using them several times a week.

The least used local amenities by residents were gyms and cultural experiences such as museums or exhibitions.

Moda's specialty in brownfield regeneration means its city centre neighbourhoods typically sit in districts undergoing further development, presenting exciting prospects for new things to see, do and shop in. This is reflected in answers to our questionnaire, with 41% of Moda residents reporting seeing positive changes around their neighbourhood since they moved in.

It is worth noting that a number of respondents will have moved into their homes more recently, so are less likely to have seen changes, painting an overall picture of positive development around the UK-wide BTR neighbourhoods. Similarly, the majority of residents that reported a negative change in environment specified that it was because of development works nearby – a short-term factor that's indicative of long-term progress.

Our hope is that through long-term partnerships with industry peers, we will in time be able to define the benefits of BTR communities to their surrounding areas as the market continues to mature.

However, from adjacent statements shared with us by residents suggest that the areas around our BTR neighbourhoods are already witnessing changes that will enhance their lifestyle while living with Moda.

41%

of residents report positive change to the local area since moving in

HOW HAS THE AREA AROUND YOUR NEIGHBOURHOOD CHANGED SINCE MOVING IN?

"We've noticed cleaner areas, landscape improvements, more outdoor activities, and improved postal services"

"It's becoming more modern which is refreshing in a place like Edinburgh!"

"I've noticed more community-based activities"

"There are more restaurants from different cultures"

"Opening of new bars and restaurants has made the neighbourhood more lively"

"There's more development in the area and more people, so community is forming"

Quality of Life Foundation research: Next steps

The Quality of Life Foundation's research project to evaluate the social impact of Build to Rent housing is ongoing. An industry report will be written which summarises and aggregates the full analysis and findings, and points towards industry-wide recommendations that will help maximise the social impact of future BTR developments.

The full project will be published in autumn 2024. To keep up to date with this, as well as other upcoming research from the Foundation, you can sign up to their newsletter: http://eepurl.com/hgqNZL

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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