

BTR Demand Study - Ealing

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2 Alexandria Road, London W13 0NL

Prepared for John Lewis Partnership BTR
Limited

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Executive Summary

This demand study forms a comprehensive assessment of supply, demand and market performance drivers related to the delivery of a Build to Rent (BTR) scheme at 2 Alexandria Road, which is in the London Borough of Ealing. The key findings of the report are outlined below:

Benefits of BTR

Paragraph 4.11.1 of the London Plan states:

Boroughs should take a positive approach to the Build to Rent sector to enable it to better contribute to the delivery of new homes. Build to Rent developments can make a positive contribution to increasing housing supply and are beneficial in a number of ways. They can:

- attract investment into London's housing market that otherwise would not exist
- accelerate delivery on individual sites as they are less prone to 'absorption constraints' on build-out rates
- deliver more readily across the housing market cycle as they are less impacted by house price downturns
- provide a more consistent and at-scale demand for off-site manufacture
- offer longer-term tenancies and more certainty over long-term availability
- ensure a commitment to, and investment in, place-making through single ownership
- provide better management standards and better quality homes than much of the mainstream private rented sector.

Some of the key benefits of BTR can be summarised as follows:

- **Quality:** BTR provides high quality purpose-built homes, constructed with hard wearing and sustainable materials. The majority of BTR is funded by institutional investors, driving the delivery of futureproof assets with strong ESG credentials.
- **Community:** BTR schemes are designed and managed to stimulate social integration and foster community spirit. Many amenity areas are 'social' spaces and operators often offer free events such as yoga classes, wine tastings and quiz nights to encourage tenant engagement and interaction.
- **Amenities:** BTR schemes deliver a wide spectrum of amenities. These can typically include concierges, gyms, co-working spaces, residents' lounges and communal gardens/terraces. More highly amenitised BTR schemes can also offer cinema rooms, games rooms and other sports facilities.
- **Professional management:** BTR is operated by professional management teams ensuring that accommodation is maintained to a high standard, with many schemes benefitting from on-site maintenance teams. Additionally, professional management guarantees safety, with schemes having a CCTV strategy, and often an on-site security presence. Institutional landlords are also especially incentivised to deliver strong tenant satisfaction to maintain and enhance their public reputations.
- **Convenience:** BTR schemes are often furnished, connected to Wi-Fi and many are pet friendly communities. Furthermore, BTR schemes are typically located in urban centres or positioned near key public transport nodes, employment opportunities and amenities.
- **Sharing:** The purpose-built nature of BTR means that flats can be well suited to sharers due to well-proportioned unit layouts and appropriate bathroom and kitchen facilities.
- **Policy benefits:** BTR accommodation can absorb some of the demand for the stock in the wider PRS, consequently releasing homes to the family market. This may reduce the risk of localised supply conflicts in the rental market.
- **Security of tenure:** BTR providers are motivated by tenant satisfaction and retention, which can result in long tenancy lengths. This gives tenants peace of mind as they have the power to decide when they are ready to move on. This is not a luxury that many tenants can afford in the traditional PRS sector, where tenancies can be as short as six months.

Demand

- There are 43,687 private rented sector (PRS) households in Ealing. PRS households, i.e., households who are renting their home from a private landlord for a market rent, account for 34% of the total number of households, increasing from 19% of the total in 2001.

- 25% of PRS households in Ealing have a head of household aged 35 or under and a strong presence of young PRS households is an indicator of BTR demand.
- Ealing is expected to see 1.4% growth in households between 2023 and 2028, resulting in an additional 1,718 households who will require accommodation. Furthermore, Knight Frank's projections estimate that 1,086 of these additional households in the borough could be privately renting.
- The subject scheme will be a high quality, service-driven and professionally managed BTR scheme, which aims to provide its residents with a greater living experience compared with typical PRS stock, with residents having access to resident-only on-site amenity spaces.
- Furthermore, analysis produced by Knight Frank in 2023 found that the average cost of energy to residents in BTR schemes is 44% lower than non-BTR PRS homes, which reflects a significant saving. The proposed scheme will achieve an EPC rating of B for all units as a minimum and will be as energy efficient as possible. Currently, less than 1% of privately rented homes in Ealing have an EPC rating of A, and only 4% have a B rating. 64% of privately rented homes in Ealing currently have an EPC rating of D or lower, which will mean that they will not comply with the new Minimum Energy Efficiency Standards (MEES) regulations that could come into effect in 2030, and may mean that they are unable to be put on the rental market.

Supply

- Two-bed flats are the dominant unit type listed for rent in Ealing (35%), followed by one-bed flats (30%). This is aligned with the unit mix proposed for 2 Alexandria Road, which reflects a larger proportion of one- and two-bed flats with fewer studio and three-bed flats. New build PRS properties accounted for only 13% of the rental listings in Ealing over the 12 months to September 2024, which suggests that there is a limited supply of new build properties in the borough, and therefore, a lack of choice for renters.
- There are c. 8,360 HMOs in Ealing, which account for 19% of all PRS households in the borough, according to MHCLG Borough Housing Statistics. Ealing estimates that 3,247 of the HMOs require a mandatory licence, and the actual number of licences issued is 2,117. This means that 1,130 of the mandatory licensable HMOs are operating without a license, which could lead to poor quality, over-crowded and even unsafe accommodation. This is exemplified by the 62 HMO properties that were found to contain Category 1 hazards upon inspection. Category 1 hazards are those where the most serious harm outcome is identified, for example, death, permanent paralysis, permanent loss of consciousness, loss of a limb or serious fractures: these are not safe places to live.
- There are 17 operational BTR schemes in Ealing, which provide a total of 3,724 BTR homes. 11 of these schemes are Multifamily schemes and provide 2,391 units. BTR homes account for just 8.5% of PRS households in the borough. An additional 1,387 BTR units are under construction across five schemes. When combined, the complete and under construction BTR units in Ealing account for 11.7% of PRS households. This leaves over 38,000 PRS households in Ealing that are not provided for by existing or pipeline (under construction) BTR supply. These PRS households have limited accommodation options and many are likely to live in accommodation that was not built or designed with renters in mind, and may not be fit for purpose.
- The proposed BTR scheme at 2 Alexandria Road would absorb some of the growing local demand for rental homes.

Supply vs Demand Imbalance

- Based on current estimates of growth in both demand for and supply of BTR accommodation, there could be 44,773 PRS households in Ealing by 2028 who are unable to access purpose-built and professionally managed accommodation. However, not every PRS household in Ealing will want to live in BTR accommodation. If we assume that at least 30% of PRS households in Ealing would want to live in a BTR

home (comparisons with more mature international Multifamily markets and the UK PBSA sector allow us to estimate that the market saturation point for BTR in the UK is likely to be in excess of 30%), there could be a shortfall of 8,321 BTR homes by 2028. This outlines a significant shortfall between supply and demand for BTR homes in Ealing.

The analysis presented in this report supports the provision of a BTR scheme at 2 Alexandria Road, as demand for privately rented accommodation is outweighed by the current and pipeline supply of BTR homes. The proposed BTR scheme would provide high quality, purpose built rental accommodation for local renters, with 428 units and amenity space as well as being in a highly sustainable location next to an underground train station which would support BTR use. This would serve a significant, undersupplied demand pool of PRS households in Ealing.

The provision of BTR in Ealing could also relieve pressure on existing housing stock, offering a greater choice of housing types for renters, and diverting demand away from HMO accommodation that could be better utilised by low-income households or by single occupancy households, including families.

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1. Introduction

John Lewis Partnership BTR Limited has instructed Knight Frank to provide an analysis of the housing market in the London Borough of Ealing in relation to the proposed Build to Rent (BTR) development at the Waitrose at 2 Alexandria Road, London, W13 0NL (the site). The report takes a data analysis driven approach to assessing demand for BTR homes relative to supply, to demonstrate that there is a current and future shortfall of BTR style accommodation. Fundamentally, BTR provides local renters with an alternative accommodation choice that is designed and built for renter households. BTR has the potential to be a celebrated part of the solution to the UK's housing crisis – for the reasons that the London Plan (4.11.1) describes.

Paragraph 4.11.1 of the London Plan states:

Boroughs should take a positive approach to the Build to Rent sector to enable it to better contribute to the delivery of new homes. Build to Rent developments can make a positive contribution to increasing housing supply and are beneficial in a number of ways. They can:

- attract investment into London's housing market that otherwise would not exist
- accelerate delivery on individual sites as they are less prone to 'absorption constraints' on build-out rates
- deliver more readily across the housing market cycle as they are less impacted by house price downturns
- provide a more consistent and at-scale demand for off-site manufacture
- offer longer-term tenancies and more certainty over long-term availability
- ensure a commitment to, and investment in, place-making through single ownership
- provide better management standards and better quality homes than much of the mainstream private rented sector.

2. The Case for BTR Accommodation

2.1 UK PRS Market

Between the last two censuses (2011 and 2021) the number of households in private rented accommodation in England increased by 20%, equating to an increase of 814,432 households. In Q2 2024, it is estimated that there are 4.8 million households privately renting in England, accounting for 21% of all households.

In terms of supply, the Private Rented Sector (PRS) can be split into four broad categories relating to the life cycle of renters, each appealing to a different demographic group:

Traditional PRS: Traditional PRS (buy-to-let (BTL) / private landlord) stock forms the largest part of the private rented sector in the UK and consists of both small-scale landlords with fewer properties and larger private landlords with extensive portfolios of non-purpose-built stock.

Build to Rent (BTR): Institutionally owned private rental homes that are professionally managed and typically purpose-built. There are three sub-sectors of BTR: Multifamily, Co-living and Single Family Housing (SFH).

- **Multifamily:** Multifamily schemes are apartment-led in urban locations usually providing residents with internal amenities (gyms and co-working spaces), and typically target a wide demographic, including young professionals who work in varied sectors. Sharers, students, couples, singles, and families are household types that live in Multifamily schemes. This is the type of scheme under consideration at 2 Alexandria Road.
- **Co-living:** Co-living provides studio apartments with extensive shared amenity spaces and a strong focus on community. Co-living typically targets single occupant tenants who may otherwise be living as sharers (e.g. sharing a home with friends or living in House of Multiple Occupation (HMO)-style accommodation).
- **Single Family Housing (SFH):** SFH is housing-led BTR accommodation that targets young families and those aged 35+ in strategic suburban locations close to employment opportunities, amenities and schooling.

2.2 The BTR Concept

BTR describes purpose-built private rental accommodation that is institutionally owned and professionally managed. Living in a BTR scheme is often a lifestyle choice for tenants who would like good quality accommodation with a reliable landlord, as well as convenient access to amenities, transport connections and employment opportunities.

In addition, renters are becoming increasingly conscious of the cost of living and of their environmental impact. Our research from 2023 shows that residents living in BTR schemes can save up to 44% on their energy bills compared with renters living in non-BTR schemes. Therefore, BTR schemes can offer top quality homes in terms of safety and energy efficiency, whilst also providing cost-saving benefits to residents.

From an investor perspective, BTR schemes are owned by institutional landlords, who are incentivised to invest in the highest quality, most compliant residential buildings. They are motivated by future-proofing their investments in the context of evolving ESG and safety standards. Additionally, institutional BTR landlords are focussed on receiving a steady income stream, which means occupancy levels are key. BTR investors strive to create a positive resident experience. By creating a sense of community and giving their tenants a high quality of living, they hope that residents will be content, and turnover will be lower. This is not necessarily the case for traditional buy-to-let landlords, who are less motivated to prevent a high turnover of tenants.

Some of the key benefits of BTR can be summarised as follows:

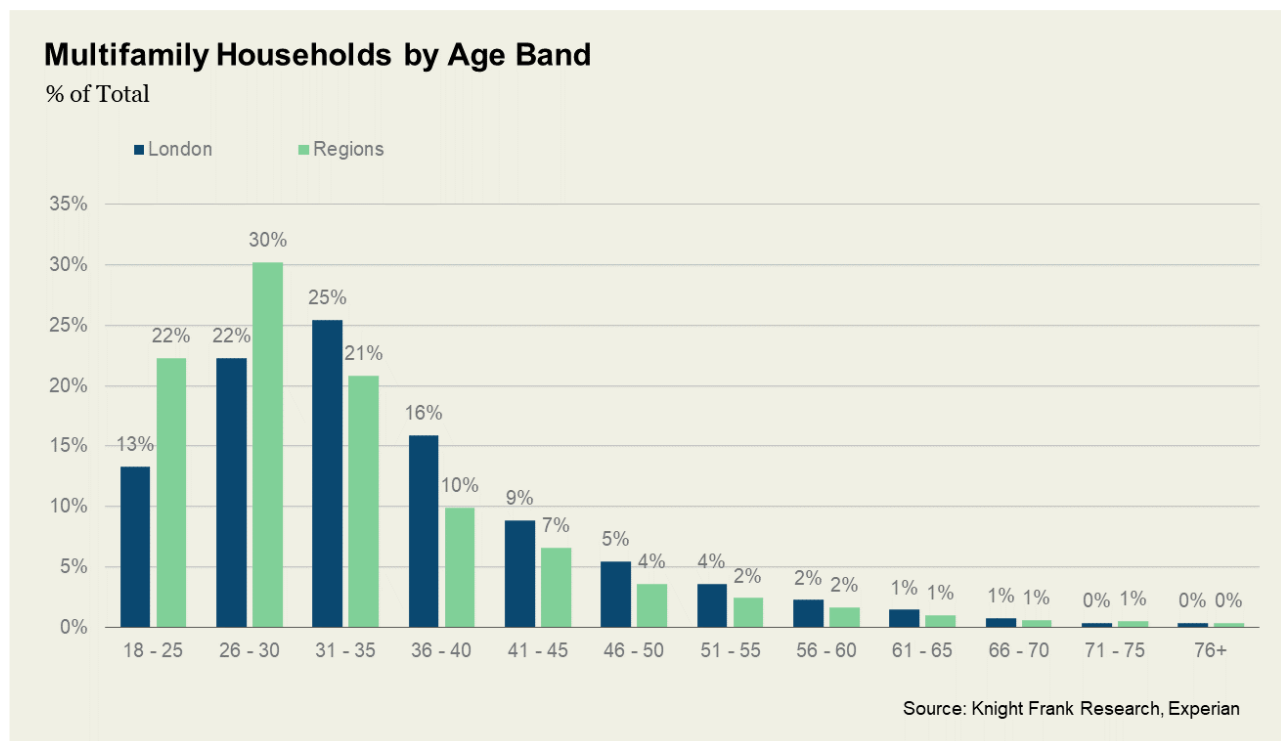
- **Quality:** BTR provides high quality purpose-built homes, constructed with hard wearing and sustainable materials. The majority of BTR is funded by institutional investors, driving the delivery of futureproof assets with strong ESG credentials.
- **Community:** BTR schemes are designed and managed to stimulate social integration and foster community spirit. Many amenity areas are 'social' spaces and operators often offer free events such as yoga classes, wine tastings and quiz nights to encourage tenant engagement and interaction.
- **Amenities:** BTR schemes deliver a wide spectrum of amenities. These can typically include concierges, gyms, co-working spaces, residents' lounges and communal gardens/terraces. More highly amenitised BTR schemes can also offer cinema rooms, games rooms and other sports facilities.
- **Professional management:** BTR is operated by professional management teams ensuring that accommodation is maintained to a high standard, with many schemes benefitting from on-site maintenance teams. Additionally, professional management guarantees safety, with schemes having a CCTV strategy, and often an on-site security presence. Institutional landlords are also especially incentivised to deliver strong tenant satisfaction to maintain and enhance their public reputations.
- **Convenience:** BTR schemes are often furnished, connected to Wi-Fi and many are pet friendly communities. Furthermore, BTR schemes are typically located in urban centres or positioned near key public transport nodes, employment opportunities and amenities.
- **Sharing:** The purpose-built nature of BTR means that flats can be well suited to sharers due to well-proportioned unit layouts and appropriate bathroom and kitchen facilities.
- **Policy benefits:** BTR accommodation can absorb some of the demand for the stock in the wider PRS, consequently releasing homes to the family market. This may reduce the risk of localised supply conflicts in the rental market.
- **Security of tenure:** BTR providers are motivated by tenant satisfaction and retention, which can result in long tenancy lengths. This gives tenants peace of mind as they have the power to decide when they are ready to move on. This is not a luxury that many tenants can afford in the traditional PRS sector, where tenancies can be as short as six months.

2.3 BTR Resident Profiles

Knight Frank has used a bespoke methodology to identify BTR households within Experian's household-level dataset.¹ This allows us to analyse the demographics of tenants in BTR schemes as distinct from the wider PRS. This results in a sample size of c. 40k Multifamily households in London and c. 30k outside London that are accounted for in this analysis.

Households living in Multifamily schemes in London do not have quite as young an age profile as households living in Multifamily homes across the regions (Figure 1). 61% of households living in London Multifamily homes have a head of household (the eldest person of the highest income in a household) aged between 18 and 35, compared with 73% for households living in regional Multifamily homes (N.B., the chart does not account for rounding and why the individual numbers do not sum to 100).

Figure 1: Multifamily Households by Age Band



Source: Knight Frank Research, Experian

2.4 Resident Experience

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

Our BTR Resident Experience Index scores 277 operational BTR schemes across the UK. 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

¹ Experian are a data provider that Knight Frank purchase household level data from. This data is used throughout this report to provide insights regarding the households living in Ealing, London, and the UK.

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.

This analysis shows that renters are willing to pay for schemes that treat the tenants' living experience as the utmost priority.

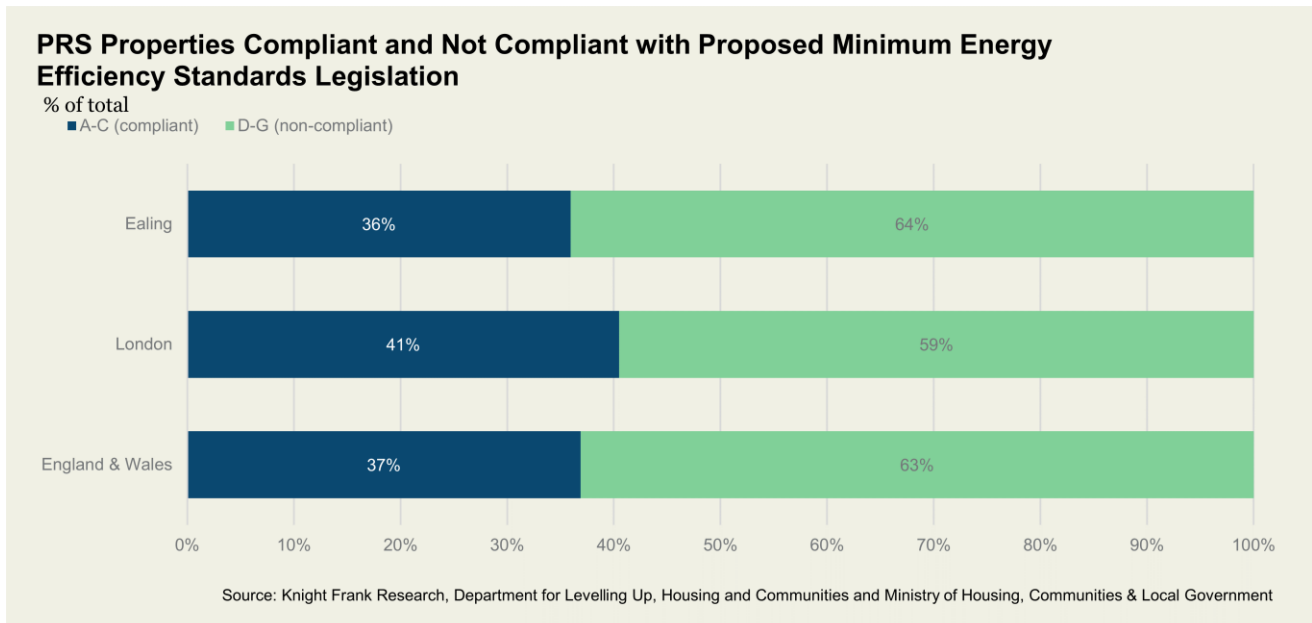
2.5 Energy Efficiency

Knight Frank has produced an analysis to show how increasing a property's energy performance certificate (EPC) rating can impact the money spent by household on their core energy bills.

Our analysis found that non-BTR PRS households spend £10.42/m² every year, versus £5.83/m² for BTR renters. In other words, BTR tenants save an average of 44% annually on their core energy costs compared with non-BTR PRS properties, which reflects a significant saving.

The proposed scheme will achieve an EPC rating of B for all units as a minimum and will be as energy efficient as possible. Currently, less than 1% of privately rented homes in Ealing have an EPC rating of A, and only 4% have a B rating. 64% of privately rented homes in Ealing currently have an EPC rating of D or lower, as seen in [Figure 2](#), which will mean that they will not comply with the new Minimum Energy Efficiency Standards (MEES) regulations that could come into effect in 2030 and may mean that they are unable to be put on the rental market. This could lead to a loss of PRS stock and thus potentially lead to an exodus of renter-households from Ealing (impacting the local economy), and it is therefore imperative to have rental homes that comply with future regulations already on the market.

Figure 2: PRS Properties Compliant vs Not Compliant with Proposed MEES, Aug 2024



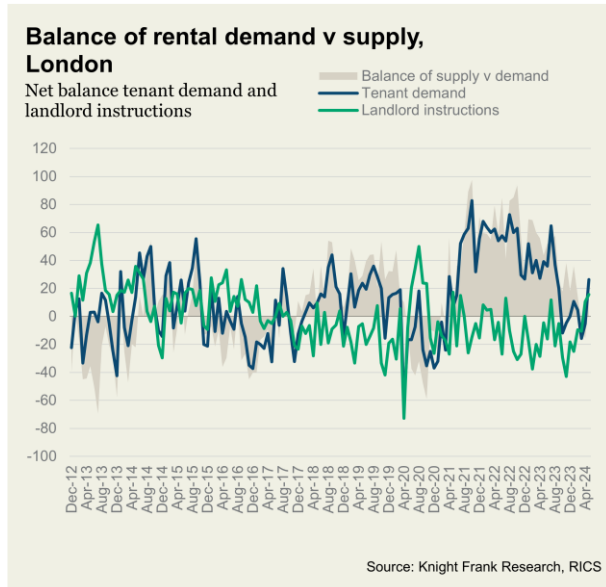
Source: Knight Frank Research, Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government

2.6 Housing Delivery and the Role of BTR

Structural Undersupply of Housing: There is a structural imbalance between supply and demand for rental homes in the UK. The RICS survey demonstrates that tenant demand outstrips supply in London (Figure 3). There is a clearly a need for more rental homes to meet this demand.

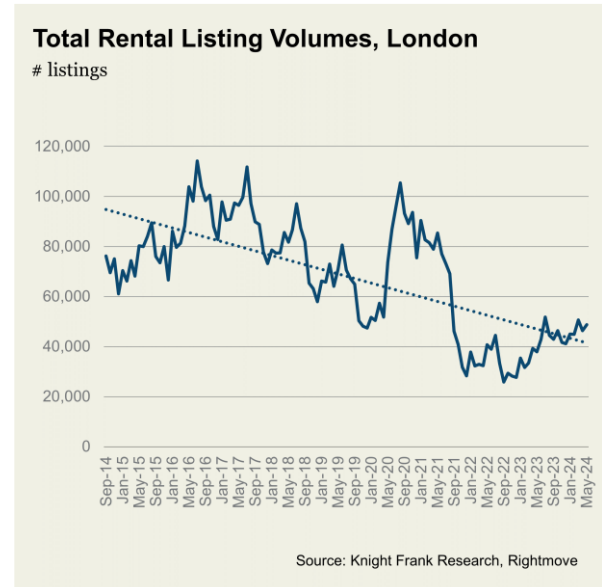
Additionally, the number of properties listed to let on Rightmove has been falling in recent years, as shown for London in Figure 4. Whilst the fall in rental listings has stabilised, it has done so at a very low base. The number of rental listings in the UK in May 2024 was 42% below the pre-pandemic (2017-2019) average, which equates to 108,546 fewer properties. This is partly a function of less churn in the market, with tenants staying in their properties for longer, but it also reflects the tax and regulatory changes that are motivating BTL landlords to rationalise their portfolios or to exit the market.

Figure 3: Rental Demand vs Supply, London



Source: Knight Frank Research, RICS

Figure 4: Rental Listing Volumes, London



Source: Knight Frank Research, Rightmove

Housing Delivery: The UK has failed to build enough houses on an annual basis for decades, resulting in a shortfall of new supply relative to demand. Government figures state that 234,397 net additional homes were added to England's housing stock during 2022-23. This is 22% below the former housing target of 300,000 new homes per year. The new Government target of 370,000 per annum requires 58% more homes than the 234,379 added to England's housing stock during 2022-23, as per the new method of calculating housing need.

Insufficient levels of housing delivery, coupled with a growing population and increasing affordability constraints in the sales market, will put further pressure on the UK housing market. Ealing is no exception: the borough has failed to meet its collective housing delivery target from 2019-2022, with only 86% of its target delivered (Figure 5).

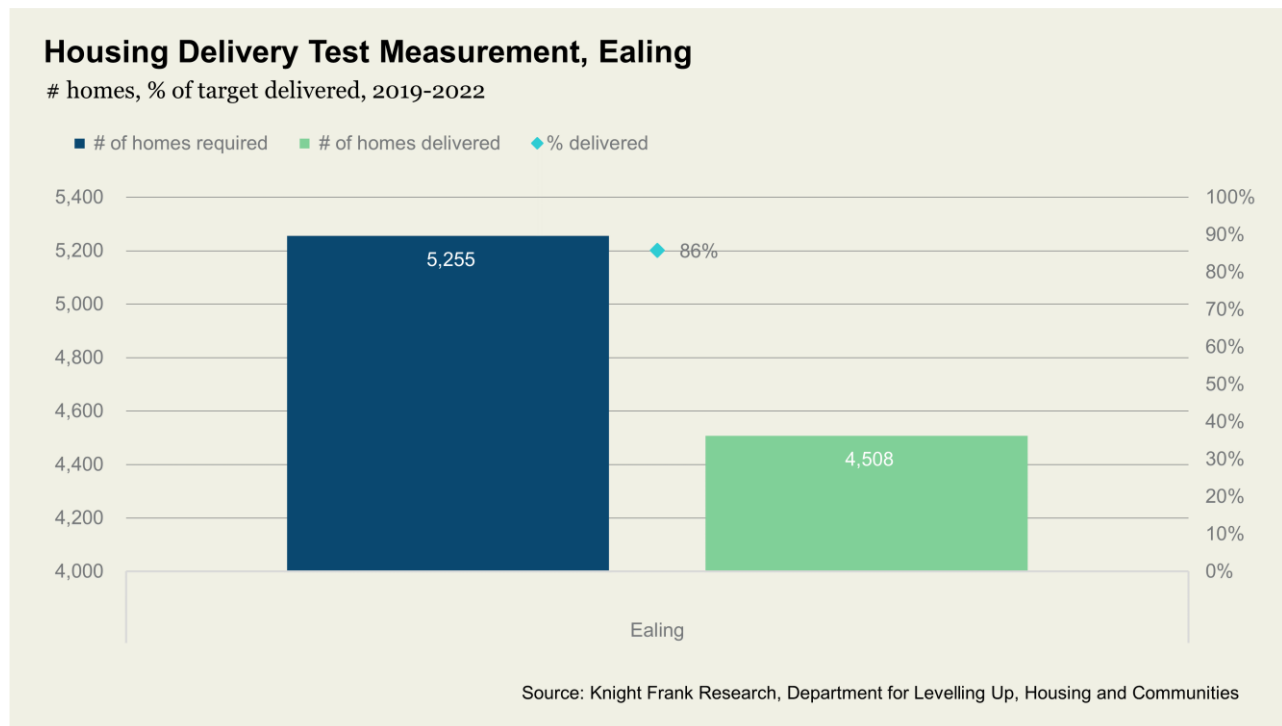
Granting planning permission for new homes does not ensure that these homes will be delivered. Traditional build to sell schemes are built to demand and if demand drops, delivery can slow or stall. If the economic backdrop causes a reduction in demand for new homes, as it has done over the last two years where high mortgage rates have led to lower demand from buyers, the pipeline of new homes can stagnate or fall.

Built to rent is more immune to economic shocks, because demand from renters is not linked to economic factors in the same way. In fact, a difficult sales market often results in increased rental demand. Additionally, granting permission for traditional build to sell schemes does not necessarily result in an increase in rental stock, albeit some units may end up being purchased by buy to let investors.

Granting permission for a build to rent scheme gives planning authorities more certainty in the future supply of rental stock. Additionally, once a BTR scheme has been granted planning permission and secured the institutional funding needed for development, it is very likely that those homes will be delivered. Whilst the BTR investment market is not immune to the broader macro-economic backdrop, investment and delivery has proven to be robust even during times of economic stress. More than 18,000 BTR homes have been delivered from Q1 to Q3 in 2024, which puts the sector on track for a record year for delivery. This comes despite the macroeconomic conditions.

Considering that the developer of 2 Alexandria Road already has a partnership in place with an institutional investor, the likelihood of development after planning is secured is high.

Figure 5: Housing Delivery Test, 2019-2022



Source: Knight Frank Research, Department for Levelling Up, Housing and Communities

Political Context: The government's reduction of tax relief on BTL mortgages, legislative changes such as Gas Safety Certificates and Right to Rent Checks, and the changes to stamp duty in respect to second homes and investment properties is affecting investors, in some cases prompting them to sell properties. Higher interest and mortgage rates have also put pressure on highly leveraged investors. We have tracked over 500k net BTL mortgage redemptions since 2016. From a BTR perspective, this fall in supply across the wider PRS sector has translated into high occupancy rates in existing schemes and record lease-up rates in new ones.

This increases pressure on the remaining privately rented stock, widening the gap between supply and demand for PRS homes. This gap could be plugged by BTR homes, if they are given the support needed for them to be delivered.

Affordability: While many households choose to rent their home, others look to buy a property. There have been increasing difficulties associated with buying a home in recent years. Mortgage rates have risen sharply since 2021, and the house price to income ratio in the UK has risen continuously from 5.51 in 2000 to 8.83 in 2022. These factors, coupled with the removal of government support for first-time buyers via the Help to Buy Scheme, has kept many would-be first-time buyers living in the private rented sector for longer.

Mortgage affordability constraints have contributed to the number of private renters significantly increasing to become the second most prominent tenure after homeownership. BTR caters for the existing PRS demand pool in the local area, as well as for households entering the PRS.

BTR schemes, such as 2 Alexandria Road, often contain discounted market rent units that can be provided on a tenure blind basis, with these units being pepper-potted throughout a scheme. This ensures that all residents have the same access to the high-quality management and amenity provision and fosters a more inclusive community.

Social Changes: There is an increasing requirement for flexibility in the location of where people live and work. Renting often enables tenants to live in homes and areas that would otherwise be unaffordable to buy in. BTR investors target the best locations so that the tenants living in their schemes have excellent access to local

amenities, transport connections and employment hubs. It is often cheaper to rent in these locations than it is to purchase a home, especially for first-time buyers.

There is also a growing cultural shift as people are delaying settling down for longer. Between 2000 and 2020, the average age for first time marriages in England and Wales has increased from 30 to 33 for men, and from 28 to 31 for women. Additionally, the average age of new mothers has increased from 27 to 29 over this period. These social considerations contribute to the increase in PRS households.

The performance of the PRS and BTR markets in the UK is underpinned by the structural imbalance between supply and demand for rental accommodation.

Constraints in the PRS underpin the need for increased delivery: Any further rationalisation of landlord portfolios in the face of higher mortgage rates, alongside growing regulation, will deepen the existing shortfall, and offset any rise in rental supply coming from the BTR sector. Tighter regulation as proposed in the Renters Rights Bill (RRB) and the introduction of minimum energy efficiency standards, which will require every rented home to achieve an energy performance certificate (EPC) rating of C or above by 2030, could result in a further increase in landlord sales. Around 63% of existing stock in the private rented sector has an EPC of D or below.

BTR has delivered over 100k units since inception, and there have been more than 500K net BTL mortgage redemptions since 2016. BTR homes are not being delivered at a fast enough pace to make up for the decline in PRS homes.

2.7 The Impacts of a Lack of BTR Supply

Having seen the role of BTR in the context of a decreasing supply of rental homes and an increasing demand for such homes, we will outline the impact that a lack of BTR supply will cause to the private rented sector.

Economic Growth: One of the aims of The London Plan is to foster economic growth in the capital and the availability of housing is integral to this. This means providing a variety of accommodation options for Londoners at varying stages of their lives, including rental homes. If Ealing does not provide good quality rental accommodation, the local economy will suffer, as workers and businesses are likely to go elsewhere, where their accommodation needs and preferences can be met. Choice is vital: not every household living and working in London (and Ealing) aims to be a homeowner, so provision of good quality rental stock is essential.

Under Supply: The fall in BTL supply (see 2.6) has led to a widening gap between supply and demand for rental homes. As there is no guarantee that any build-to-sell homes will end up on the rental market, it is highly unlikely that the supply vs demand gap will be plugged without the delivery of new BTR homes.

Rental Growth: The imbalance between supply and demand for rental properties puts upwards pressure on rents. When the supply and demand gap for rental homes widens, rental prices increase while affordability decreases, meaning that only those who have high enough incomes are able to afford a rental home. This could lead to the private rented sector becoming accessible to a smaller demographic while pressure on the already overburdened social housing sector would increase. Without new BTR homes, the gap between the supply of rental homes and demand for them will widen, leading to rental prices in the PRS rising more sharply.

Risk of Poor Quality: BTR homes are professionally managed whereas traditional buy-to-let homes are usually not. This creates a higher risk of sub-standard homes within the buy-to-let sector. To substantiate this, 35% of HMO properties in Ealing that require a licence to operate, do not possess one, which could lead to people living in poor quality homes.

Suitability: A lack of BTR supply causes localised supply conflicts in the private rented sector. A lack of choice could mean that households have no choice but to live in homes that are not fit for purpose and may be better suited to accommodating other household types. For example, a lack of BTR supply can mean that houses that were originally designed with families in mind, end up being sub-divided into flats.

3. Demand

3.1 Household by Tenure

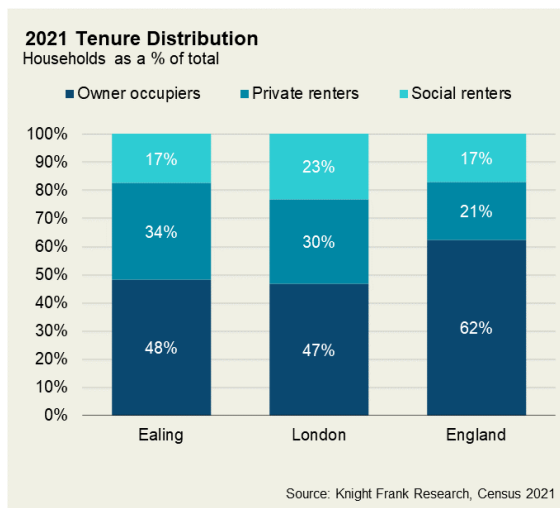
A large population of renters, coupled with strong historic growth in PRS households in Ealing is an indicator of growing demand for both PRS and BTR accommodation in the borough.

According to the latest Experian data, there are 43,687 PRS households in Ealing. Data from the Office for National Statistics (ONS) suggests that PRS households account for 34% of total households in the borough (see **Figure 6**).

According to the 2021 Census, the proportion of PRS households in Ealing has increased from 19% in 2001 to 34% in 2021 (see **Figure 7**). When looking at the total number of PRS households, there has been a 127% increase from 2001 to 2021 living in the borough.

Figure 6: Tenure Distribution

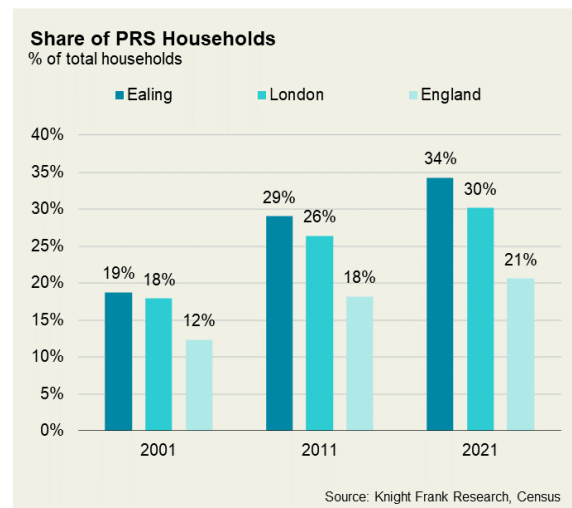
Households as a % of total



Source: Knight Frank Research, Census 2021

Figure 7: Growth in PRS Households

% total of households



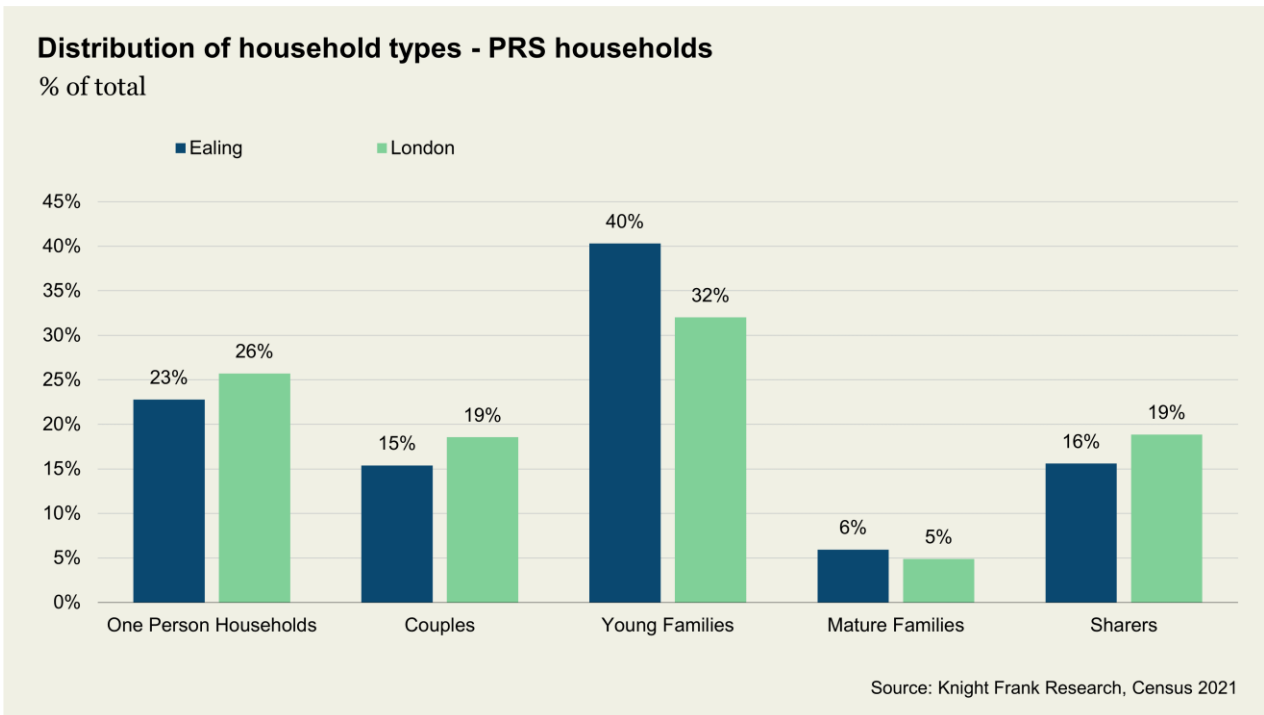
Source: Knight Frank Research, Census 2021

3.2 PRS Households by Type & Age

Typically, the majority of BTR demand comes from One Person PRS Households, Couples PRS households and PRS Sharers. When combined, these three household types account for 54% of PRS households in Ealing, and for 63% in London. This indicates that there is a significant potential demand pool for a BTR product such as the proposed scheme. **Figure 8** illustrates the distribution of household types among PRS households in Ealing, London, and England, according to the Census 2021. Young Families are the most prevalent household type in Ealing, accounting for 40% of PRS households. This is followed by One Person Households (23%) and Sharers (16%).

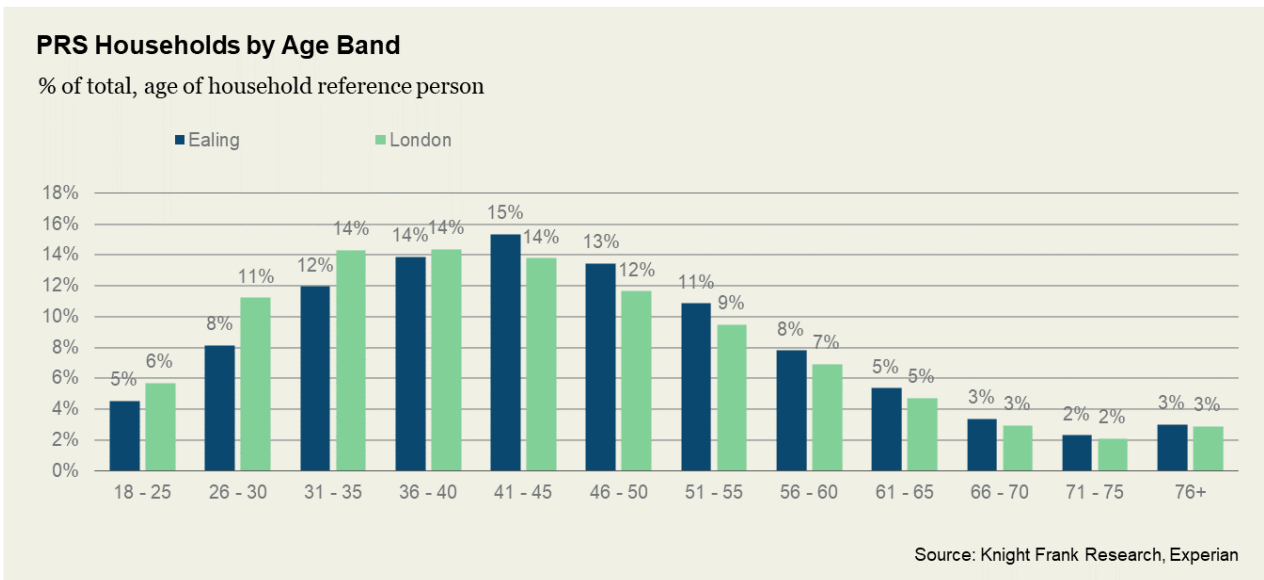
A strong presence of young PRS households is an indicator of BTR demand. According to Experian data, 25% of PRS households in Ealing have a head of household aged 35 or under, as shown in **Figure 9**.

Figure 8: **PRS Household Type Distribution**



Source: Knight Frank Research, Experian

Figure 9: **PRS Household Age Distribution**



Source: Knight Frank Research, Experian

3.3 Historic and Projected Household Growth

Historic and projected growth among Other Households (two or more adults, including Sharers), and One Person Households suggests that there is increasing BTR demand in Ealing.

Table 1 shows that the total number of households in Ealing has marginally decreased by 0.5% from 2013 to 2023, resulting in 34 fewer households. However, the group Other Households have grown by 2.8% over this period, equating to an additional 1,318 households.

Ealing is expected to see strong household growth, with projected household growth of 2.9% over the ten years to 2033 (+3,611 households). The highest growth in percentage terms is expected to be among Other Households, having 8.1% growth forecasted (+3,871 households). This is followed by One Person Households, which are expected to grow by 7.4% over this period (+2,591 households). Young Families, though, have decreased by 7% (-2,851 households).

Table 1: Ealing Household Growth by Type

Ealing	# households					Historic growth				Projected growth			
						5 year		10 year		5 year		10 year	
	2013	2018	2023	2028	2033	%	#	%	#	%	#	%	#
One Person Households	35,485	35,022	35,197	36,490	37,788	0.5%	176	-0.8%	-287	3.7%	1,292	7.4%	2,591
Young Families (households with dependent children)	42,083	41,708	40,457	38,914	37,606	-3.0%	-1,251	-3.9%	-1,626	-3.8%	-1,543	-7.0%	-2,851
Other Household (two or more adults)	46,639	46,847	47,957	49,925	51,828	2.4%	1,109	2.8%	1,318	4.1%	1,969	8.1%	3,871
All	124,206	123,577	123,611	125,329	127,222	0.0%	34	-0.5%	-595	1.4%	1,718	2.9%	3,611

Source: Knight Frank Research, ONS 2018-based projections

3.4 PRS Household Growth Projection

Ealing is expected to see a 2.9% growth in households between 2023 and 2033, which equates to an additional 3,611 households. 63% of these additional households are expected to enter the PRS because they are unable to afford the average first-time-buyer property. Also, the borough's social household waiting list already has 12,669 households on it. This could result in 2,283 additional PRS households in the borough by 2033 (Table 2).

These additional PRS households will require a home to live in that meets the future and other private rented sector regulations. Currently, the supply of rental homes is at risk of diminishing, not increasing.

Table 2: Ealing PRS Household Growth

Ealing	2023-2028	2023-2033
# new households (all tenures)	1,718	3,611
% households who can afford to buy the average first time buyer property	37%	37%
% households who cannot afford to buy the average first time buyer property	63%	63%
# of new households who cannot afford	1,086	2,283
Social housing waiting list 2022/23	12,669	12,669
# additional PRS households	1,086	2,283

Source: Knight Frank Research, Land Reg, ONS, Experian, MHCLG

4. Supply

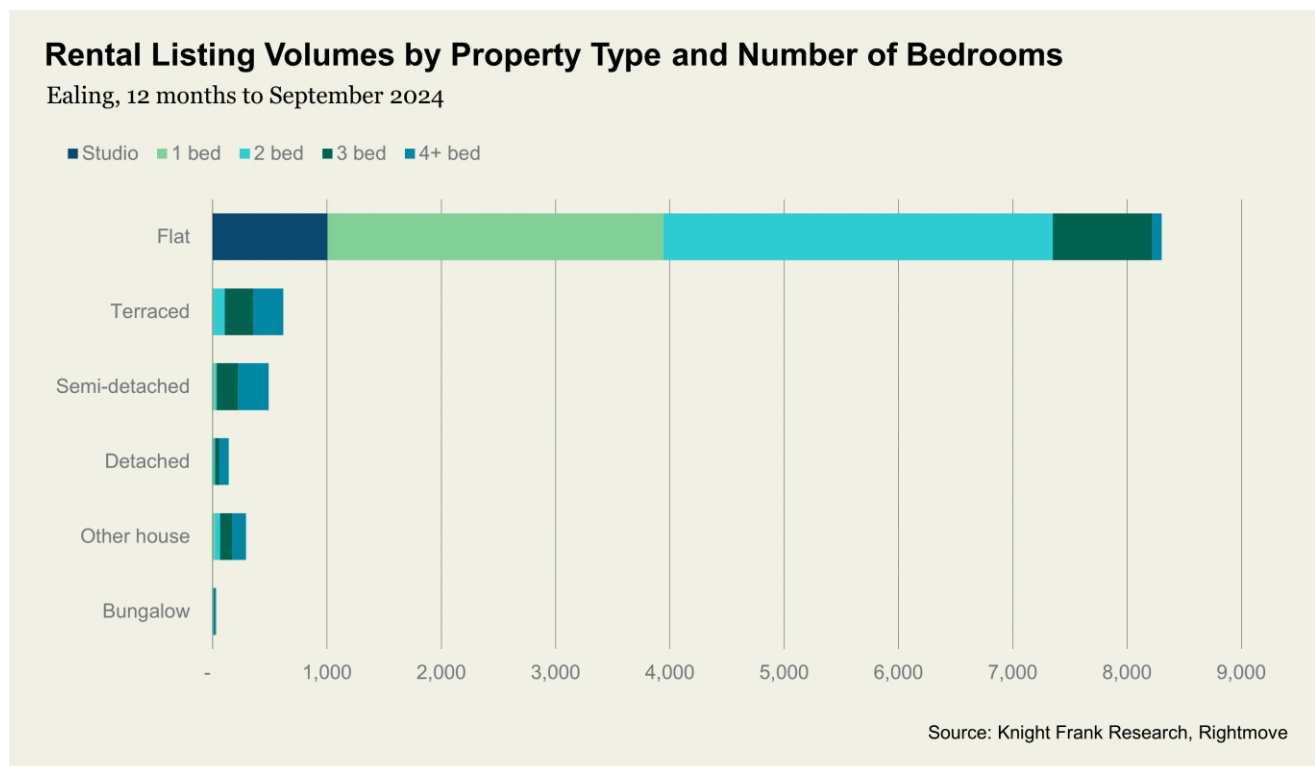
4.1 Rental Listing Volumes

We have analysed Rightmove rental listing volumes in Ealing for the 12 months to September 2024 in order to understand how the proposed BTR scheme will fit within the current residential supply. As seen in **Figure 10** and **Table 3**, the majority of rental listings volumes in the borough over this period have been flats (84%), followed by terraced houses (6%) and semi-detached houses (5%). This is based on 9,870 rental listings ranging from studios to properties with four or more bedrooms. We can use rental listings data as a proxy for supply, so the analysis suggests that most of the rental stock in Ealing is likely to be flats.

The analysis also shows that across Ealing, two-bed flats are the dominant unit type listed for rent in the borough (35%), followed by one-bed flats (30%). This is aligned with the unit mix proposed for 2 Alexandria Road, which reflects a larger proportion of one- and two-bed flats with fewer studio and three-bed flats.

Figure 11 presents the number of Rightmove listings for new build and secondary PRS properties in Ealing. New build PRS properties accounted for only 13% of the rental listings in Ealing over the 12 months to September 2024 (87% of listings were for secondary stock, that is, properties that have been listed previously). This suggests that there is a limited supply of new build properties in the borough, and therefore, a lack of choice for renters. Consequently, the proposed BTR scheme will offer alternative new-build accommodation specifically designed and purpose-built for local PRS households.

Figure 10: Rental Listing Volumes by Property Type and Number of Bedrooms, Ealing



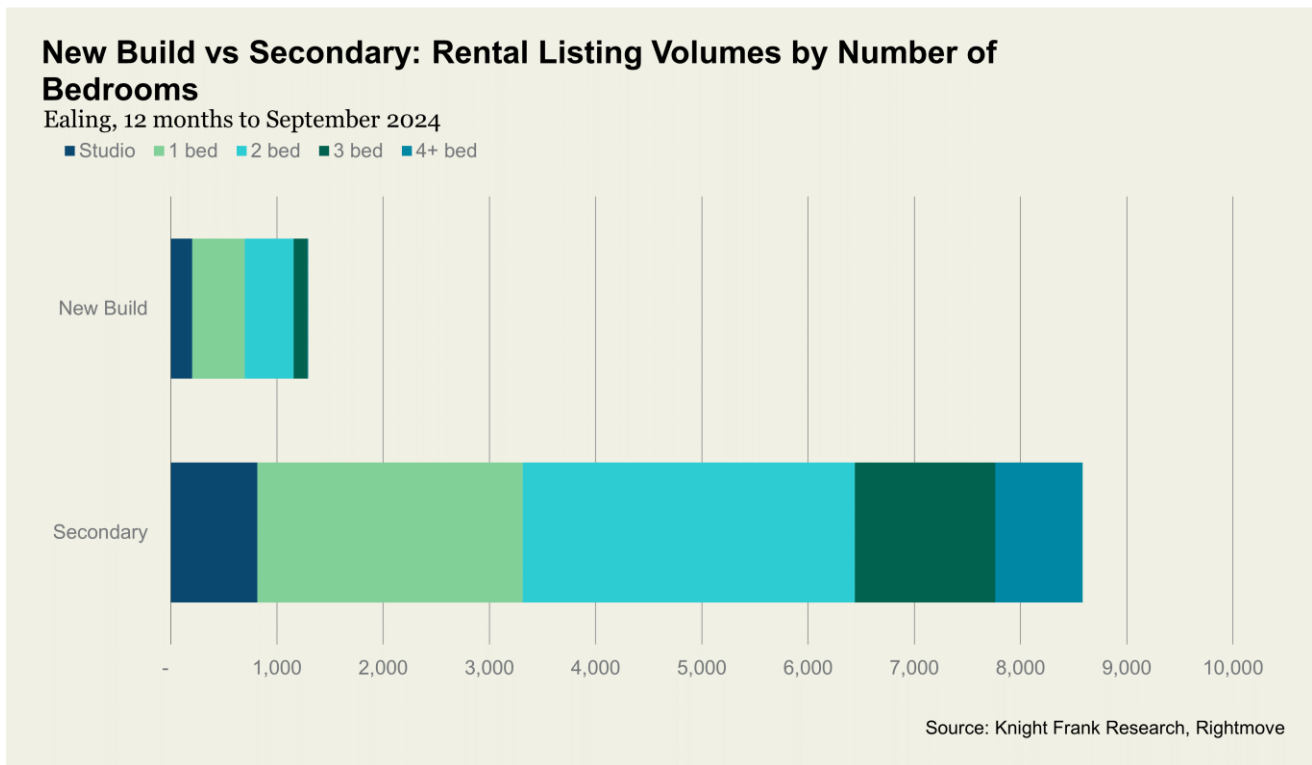
Note: this analysis is based on 9,870 rental listings.
Source: Knight Frank Research, Rightmove

Table 3: Proportion of Rental Listing Volumes by Property Type and Number of Bedrooms, Ealing

Ealing	Flat	Terraced	Semi-detached	Detached	Other house	Bungalow	All properties
Studio	10%	0%	0%	0%	0%	0%	10%
1 bed	30%	0%	0%	0%	0%	0%	30%
2 bed	35%	1%	0%	0%	0%	0%	36%
3 bed	9%	3%	2%	0%	1%	0%	15%
4+ bed	1%	3%	3%	1%	1%	0%	8%
All	84%	6%	5%	1%	3%	0%	100%

Source: Knight Frank Research, Rightmove

Figure 11: New Build vs Secondary PRS Properties, Ealing



Note: 'Secondary' refers to properties that have been let at least once before.
Source: Knight Frank Research, Rightmove

4.2 HMO supply

A fifth (19%) of the private-sector accommodation in Ealing is in the form of HMOs let through the private rental market. HMO properties have at least three tenants who form more than one household, and they share one or more basic amenities (e.g., toilet, bathroom or kitchen facilities). HMO properties require a mandatory licence if the number of people living there increases to five.

Ealing also has an additional licensing scheme if a property has three or four occupants. Additionally, an S257 licence is required for a sub-divided property with three or more self-contained rented flats in Ealing.

Furthermore, Ealing has a selective licencing scheme for specific areas within the borough for renting to single persons or a single household. These further licensing schemes are likely to have been put in place to combat known existing issues with HMO properties in Ealing.

As shown in **Table 4**, there are c. 8,360 HMOs in Ealing, which account for 19% of all PRS households in the borough. Ealing estimates that 3,247 of the HMOs require a mandatory licence, and the actual number of licences issued is 2,117. This means that 1,130 (35%) of the mandatory licensable HMOs are operating without a license, which could lead to poor quality, over-crowded and even unsafe accommodation. This is exemplified by the 62 HMO properties that were found to contain Category 1 hazards upon inspection. Category 1 hazards are those where the most serious harm outcome is identified, for example, death, permanent paralysis, permanent loss of consciousness, loss of a limb or serious fractures: these are not safe places to live.

Conversely, the proposed BTR scheme at 2 Alexandria Road would provide a purpose built, professionally managed, high-quality alternative to HMO accommodation for local renters. The London Plan stipulates that BTR schemes should have ‘some daily on-site presence [of management staff]’, which aids the prompt resolutions of issues, should there be any. The scheme could also free up HMO stock for those who seek low-cost housing or allow for conversion back to family homes, by drawing in renter households currently living in HMO homes into the scheme.

Table 4: HMO Supply in Ealing, 2022/23

Houses of Multiple Occupation	Ealing
Mandatory licensable estimate	3,247
Mandatory licensable actual	2,117
Operating without a license	1,130
Mandatory HMOs with Category 1 hazards on inspection	62
All HMOs	8,360
HMOs as % of PRS market (PRS households)	19%

Source: Knight Frank Research, MHCLG, Borough Housing Statistics, Experian

4.3 BTR Supply and Pipeline

There are 17 operational BTR schemes in Ealing, which provide a total of 3,724 BTR homes. 11 of these schemes are Multifamily schemes and provide 2,391 units (see **Table 5**). This accounts for just 8.5% of PRS households in the borough, which means that the vast majority of PRS households in Ealing do not have access to professionally managed, purpose-built accommodation and are likely to be reliant upon traditional PRS stock, including HMO style accommodation, which may not be fit for purpose.

An additional 1,387 BTR units are under construction across five schemes. When combined, the complete and under construction BTR units in Ealing account for 11.7% of PRS households. This leaves over 38,000 PRS households in Ealing that are not provided for by existing or pipeline (under construction) BTR supply.

The BTR sector in the UK is growing at pace but it is a long way from full maturity. In order to estimate the size of the potential for BTR supply in the UK, we can compare with more mature BTR markets abroad. This gives us an insight into the potential future growth of the sector. We are also able compare with the UK Purpose Built Student Accommodation (PBSA) sector, which is the most similar real estate sector to BTR in terms of supply and demand dynamics.

These comparisons allow us to estimate that there is potential for BTR to account for at least 30% of the rental market in the UK. In the US and in Germany, BTR accounts for circa 40% of the rental market. In the UK, PBSA has an average market penetration rate of 35%. Therefore, we believe that our 30% BTR market penetration assumption is a conservative estimate, and the true market potential could be greater than this. A 30% BTR market penetration in Ealing equates to over 13,100 BTR homes. With just over 5,000 BTR units complete and under construction, the BTR market across the borough has significant room for growth based on the size of the demand pool.

Table 5: **BTR Supply by Status, Ealing**

Status	Multifamily		Co-living		Total	
	# units	# schemes	# units	# schemes	# units	# schemes
Complete	2,391	11	1,333	6	3,724	17
Under Construction	1,387	5	0	0	1,387	5
Planning Granted	3,275	10	1,258	4	4,533	14
Total	7,053	26	2,591	10	9,644	36

Source: Knight Frank Research

5. Supply vs Demand

5.1 Current and Projected Shortfall Between BTR Supply and Demand

As detailed in section 3.1, there are 43,687 PRS households in Ealing, and as detailed in section 4.3, there are 3,724 complete BTR units in Ealing. This leaves a shortfall of 39,963 PRS households in Ealing who do not have access to purpose-built and professionally managed accommodation (see **Table 6**). These households have no choice but to seek accommodation in alternative PRS stock, including HMOs, which may not be fit for purpose.

We have projected this analysis to 2028, taking into account the expected growth in PRS households in Ealing (+1,086) and the current supply pipeline of BTR homes that are under construction (1,387). This will bring the total number of PRS households in the borough to 44,773, while the supply of BTR homes would increase to 5,111 units. This would result in a shortfall of 39,662 PRS households in 2028 who do not have access to BTR accommodation.

Although there has been a small uptick in supply, this is not significant enough to cater for the growing demand pool of PRS households, especially in the context of the diminishing supply of rental homes, resulting in a worsened supply vs demand imbalance.

Table 6: **BTR Demand vs Supply, Ealing**

Supply/Demand Metrics	2023	Projected change to 2028	2028
Demand (PRS Households)	43,687	1,086	44,773
Supply (BTR Homes)	3,724	1,387	5,111
Shortfall	39,963	-301	39,662

Source: Knight Frank Research

However, we acknowledge that not every PRS household will want to live in BTR accommodation. Therefore, we have produced a simple sensitivity analysis to show how the shortfall of BTR homes changes based on different levels of demand. As referenced in section 4.3, there is potential for BTR to account for at least 30% of the market in the UK. Therefore, we think that it is appropriate to assume that at least 30% of PRS households would want to live in a BTR scheme. In reality, the demand could be even higher, which is why we have provided a range of demand levels from 30% to 100%.

As shown in **Table 7**, if we assume that 70% of PRS households in Ealing would want to live in a BTR scheme in the borough, the shortfall between supply and demand by 2028 reduces to 26,230 homes. Based on a 50% and 30% assumption, the figure decreases to 17,276 and 8,321, respectively. To put this in context, in order to cater for the shortfall in supply for 30% of the total demand pool, Ealing would need at least 19 BTR schemes of the equivalent scheme proposed here.

Comparisons with more mature BTR markets abroad and the UK PBSA market allow us to estimate that there is potential for BTR to account for at least 30% of the market in Ealing. Therefore, we believe it is reasonable to

assume that at least 30% of PRS households in Ealing would want to live in a BTR home. If this is the case, there could be a shortfall of 8,321 BTR homes by 2028.

This analysis indicates that there is a shortfall between supply and demand of up to 39,963 good quality, purpose-built, professionally managed BTR homes in Ealing, which could increase to 39,662 by 2028.

Table 7: Demand vs Supply Sensitivity Analysis

Sensitivity (% of PRS households aspiring to live in BTR)	Shortfall Between Supply vs Demand		
	2023	Projected change to 2028	2028
100%	39,963	-301	39,662
70%	26,857	-627	26,230
50%	18,120	-844	17,276
30%	9,382	-1,061	8,321

Source: Knight Frank Research

The analysis presented in this report supports the provision of a BTR scheme at 2 Alexandria Road, because current and future demand for privately rented accommodation drastically outweighs the current and pipeline supply of BTR homes. The proposed BTR scheme would provide high quality, purpose built rental accommodation for local renters, with 428 units and amenity space as well as being in a highly sustainable location next to an underground train station which would support BTR use. This would serve a significant, undersupplied demand pool of PRS households in Ealing with homes that are compliant with proposed regulation changes.

The provision of BTR accommodation in Ealing could also have the added benefits of relieving pressure on existing housing stock, offering a greater choice of housing types for renters, and diverting demand away from HMO accommodation that could be better utilised by those on low incomes or by single occupancy households, including families. The proposed BTR scheme has significant potential to boost the local economy with the supermarket on the ground floor, and supporting the local labour market by ensuring people who wish to live and work in Ealing have the choice to live in good quality accommodation.

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