Alternatives: The New Mainstream
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Movers & Shakers
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CoStar Column: The US multifamily trends that will have a big impact on UK Build to Rent

The UK’s fledgling build to rent market has much to learn from the considerably more mature US multifamily sector. Andrew Yates, Commercial Real Estate Partner from Berwin Leighton Paisner, reports back from the 2018 National Multifamily Housing Council.

The US Multifamily market has been maturing for 25 years. In this time, a cultural change has taken place Americans now see renting as a viable lifestyle choice. In this busy market, investors and developers are increasingly looking to high-tech solutions to attract and retain customers... With so much maturity, expertise and innovation on display at the 2018 National Multifamily Housing Council (NMHC) Annual Meeting in Florida, what do Brits need to know about the US experience?
CRE Investment in 2017 Was Strong, But Momentum Eased Sharply In Q1 2018

UK CRE Investment, Quarterly by Sector & Rolling Annual

Quarterly Investment (£bn)

Office Retail Industrial Mixed Alternatives Rolling Annual Investment (RHS)

Source: CoStar Group

As of Q1 2018
Alternatives Attracting Record Levels of Investment

UK Alternative Investment, Quarterly & Rolling Annual

Source: CoStar Group

As of Q1 2018

Quarterly Investment (£bn) vs. Rolling Annual Investment (£bn)

Source: CoStar Group
Alternatives
Provide Living Spaces and Social Infrastructure
Alternatives Have Overtaken Industrial And Retail Sectors

Investment by Sector, Rolling Four-Quarter Total

Source: CoStar Group

As of Q1 2018
Investors Shifting Away From Challenging Sectors

Share of UK CRE Investment by Sector

Source: CoStar Group (excludes mixed-use portfolios)

As of Q4 2017
Alternatives Led Growth In 2017

UK Investment by Sector (£bn) & Y-o-Y Growth (%)

Source: CoStar Group

As of Q4 2017
And Momentum Has Continued Into 2018

UK Investment by Sector (£bn) & Y-o-Y Growth (%)

Source: CoStar Group

As of Q1 2018
Investors Seeking Product Across The Main Subsectors

UK Alternative Investment by Main Subsector (£bn) & Y-o-Y Growth (%)

As of Q4 2017

Source: CoStar Group; LSH
And Targeting Opportunities Across The UK

Alternative Investment by Region (Last 4 Quarters Vs 5-Year Average)

Affinity Living PRS, Manchester
- Sector: Build-to-Rent
- Quarter: Q1 2017
- Buyer: Select Property Group
- £7,460m Multi-Region Portfolios
- 66%

Grow Student Halls, Brighton
- Sector: Student Acc
- Quarter: Q3 2017
- Buyer: GCP Student Living
- £282m Yorkshire & Humber
- 56%

Renaissance Villages, Portfolio
- Sector: Healthcare
- Quarter: Q4 2017
- Buyer: L&G
- £188m North East
- 57%

Source: CoStar Group

As of Q1 2018
Overseas Buyers Keen on UK, Encouraged by Exchange Rate & Fundamentals

UK Alternative Investment by Buyer Nationality

Overseas Buyers Keen on UK, Encouraged by Exchange Rate & Fundamentals

Source: CoStar Group

As of Q1 2018
Key Alternative Deals by Foreign Buyers in Q1 2018

**Enigma Portfolio**
- **Sector:** Student Housing
- **Buyer:** Brookfield (Canada)
- **Seller:** Curlew Capital

**SACO Portfolio**
- **Sector:** Serviced Apartments
- **Buyer:** Brookfield (Canada)
- **Seller:** Oaktree Capital

**Double Tree Hilton, Islington**
- **Sector:** Hotel
- **Buyer:** LRC (Israel)
- **Seller:** Lone Star

**Caledonian Hotel, Edinburgh**
- **Sector:** Hotel
- **Buyer:** Twenty14 Holding (UAE)

Source: CoStar Group
Build-to-Rent Poised To Hit New Levels Of Activity

Source: Glenigan, Molior, BPF, Savills
US Experience Provides Guide To The Future

US CRE Investment, Annual by Sector & Multi-Family Share of Total

Investment (£bn) vs Share of Total (%)

Source: CoStar Group

As of Q4 2017

Multi-Family
Office
Retail
Industrial
Multi-Family Share (RHS)
Huge Potential Upside In UK Multi-Family Sector

UK vs US Investment by Sector (2017)

Source: CoStar Group

As of Q4 2017
Investment in alternatives – ‘the New Mainstream’ – is at record levels

Investment levels have eclipsed industrial and retail sectors

Investors attracted by strong fundamentals, higher returns, and increased availability of good data to anchor decisions

Lack of ready supply is a challenge, encouraging investors to develop new products and geographic markets

Overseas and institutional investors ratcheting up their exposure

All main subsectors attracting increased investment, with BTR set to grow rapidly

US multi-family experience suggests huge upside for investment
If you are interested in finding out more about the report please email me

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