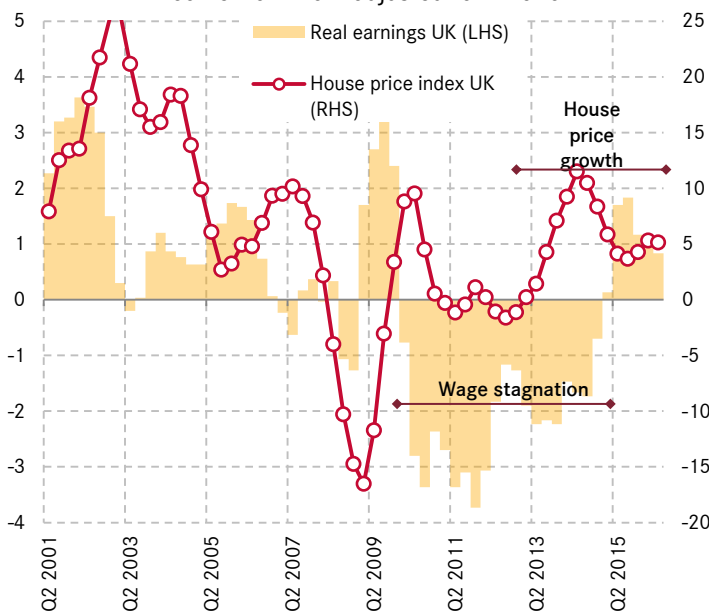


## GOVERNMENT POLICY SHIFT TOWARDS PRS / BTR

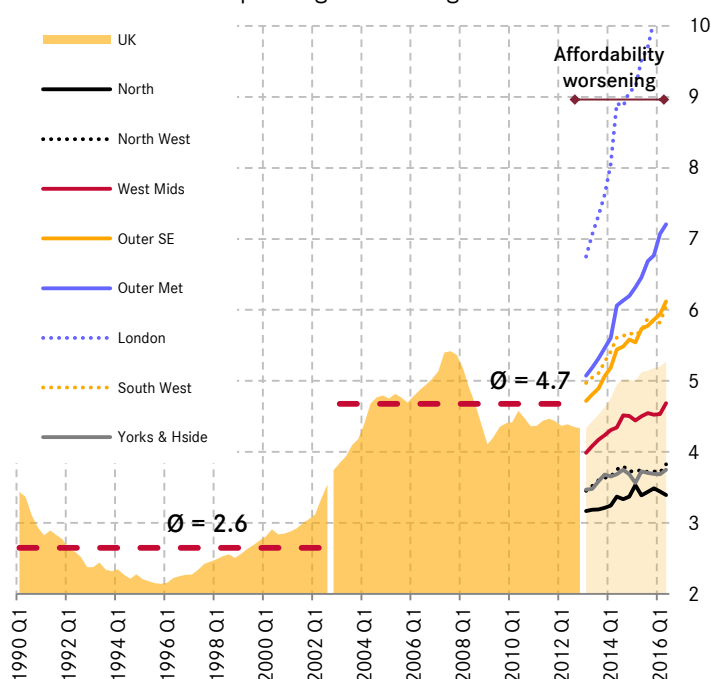
The UK Government has announced a change in housing policy from home ownership towards rental property. “Help to Buy” mortgage guarantee scheme, which has supported over 86,000 first time buyers to enter the property market, has now been abolished. The Housing Minister has indicated strong support for PRS / BTR as a mean to achieve the government’s delivery target of 200,000 affordable units per annum to tackle the UK structural housing deficit.

- Real wages, adjusted for inflation, fell across the UK considerably from 2009 until 2014, making it more difficult for households to acquire property, especially for first time buyers.
- With the overall economy bottoming out since 2013, house prices rose continuously by ca. 5% p.a. on average across the UK.
- This situation has led to a continuous worsening in households’ affordability for (new) houses.
- Prior to 2013, the affordability multiple – measuring the house price relative to gross annual income – was stable at 4.7x for the UK. In 2016, the affordability multiple raised to 5.25x.
- The introduction of Mortgage Market Review (MMR) and the implementation of Basel II has forced debt lenders to limit debt exposure for high LTV mortgages, forcing the UK government to introduce the “Help to Buy” mortgage guarantee scheme in 2013.
- In September 2016, the Chancellor of the Exchequer announced the closure of Help to Buy. Since 2013, 86,000 transaction used Help to Buy, representing over 20% of all new housing completions. At the same time the Prudential Regulation Authority has increased the affordability assessment test for Buy-to-Let mortgages from 5% to 5.5%. These changes will further affect first time buyers’ and buy-to-let investors’ ability to access the mortgage market.
- Furthermore, fiscal changes such as the introduction of capital gains tax to non-domicile UK residents and the abolition of both, tax relief of debt interest and 10% wear-and-tear allowance, have exacerbated the decline in home purchasers by international and domestic private buy-to-let investors.
- As a result, many households look at the rental sector as a viable alternative, especially due to the large deposit required to access the mortgage market. Also, the traditional housebuilder funding model, heavily reliant on off-plan sales to Buy-to-Let investors, is facing headwinds, giving way to “buyers market” opportunity for PRS/BTR investors, seeking well located, of scale brownfield sites, near transport nodes.

**Real wage vs. house price development yoy% UK**  
Income from work adjusted for inflation<sup>(1)</sup>



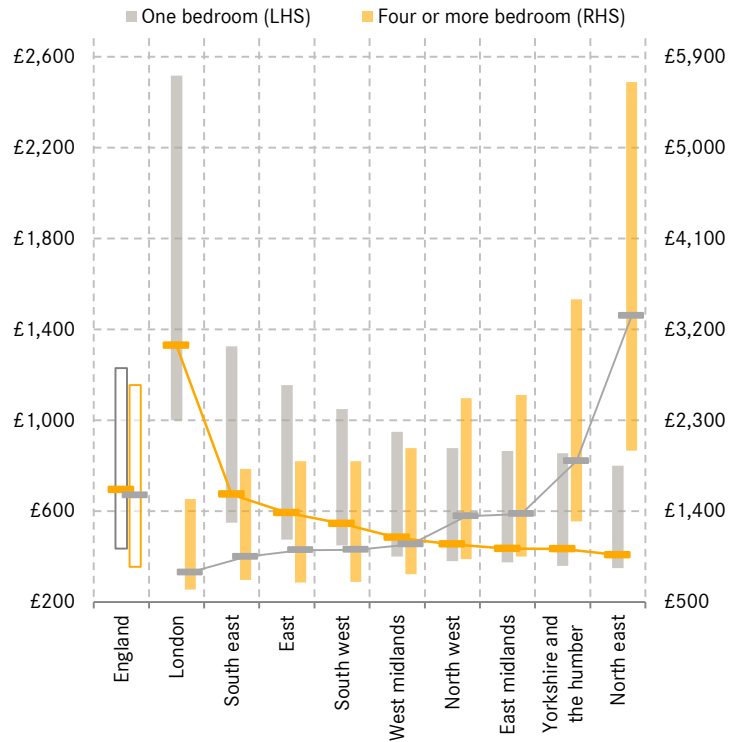
**Affordability multiple**  
House price - gross earnings ratio<sup>(2)</sup>



**UK REGIONAL RENTAL SPREAD**

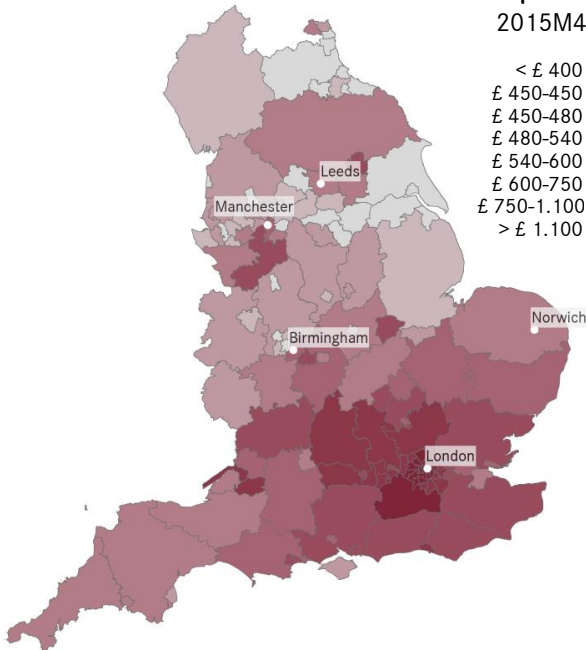
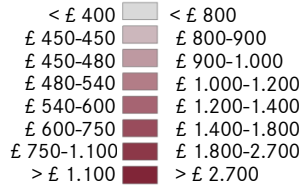
- Based on the largest PRS data sample (> 490k observations) from the Office of National Statistics (ONS), in the UK there is a distinct segmentation in the typology of private rental properties which attract the highest rents. The segmentation of the market is primarily driven by the rapid urbanisation of large city centres.
- The demand for large dwellings is primarily located in outer regions away from the Capital. This typology of units will be compensated by higher rents. In contrast, London and the South East show high market activity in the segment for small apartments as space come to a premium.
- Urbanisation of major city centres such as London, Manchester and Birmingham is driving tenants towards a more affordable housing typology, such as one and two bedroom apartments. Developing higher density schemes targeting the lower to medium rental quartile becomes a key target market as affordability becomes an spiralling issue.
- Market knowledge and local access to opportunities is therefore essential when looking at the rented sector.

**Ø Range of private rents p.m. by size and regions**  
2015M4 – 2016M3<sup>(3)</sup>

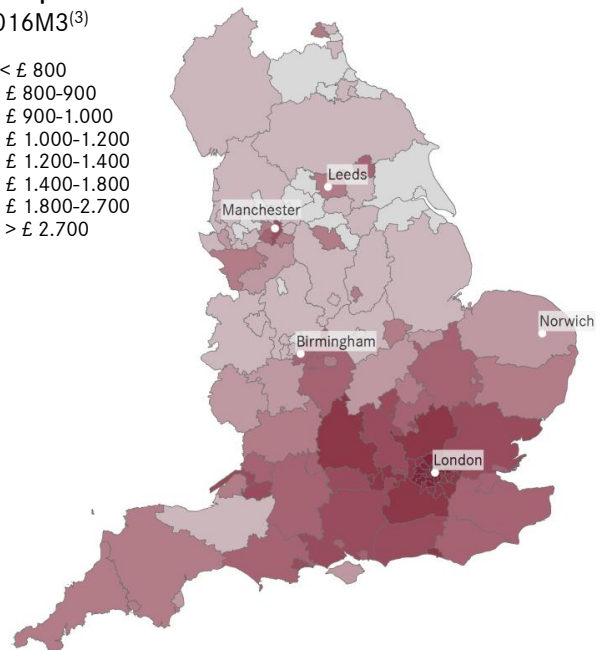


**Dwellings with one bedroom**

**Ø private rents p.m.**  
2015M4 – 2016M3<sup>(3)</sup>



**Dwellings with 4 or more bedrooms**



## Update of PRS / BTR Projects – Secured Pipeline of 1,200 Units

### FIRST STREET, MANCHESTER

- ◆ Planning permission obtained in 2016 for the development of 624 ‘Build to Rent’ units
- ◆ Stage 4 of detailed design now completed
- ◆ Projected start on site January 2017
- ◆ Largest privately owned green/open space in Manchester city ward
- ◆ Purposely designed for renting, including amenity space, gym and central management office
- ◆ Complementary ground floor retail/restaurant/café
- ◆ Secure car parking spaces and ample cycle storage



### TROCOLL HOUSE, LONDON

- ◆ 198 units ‘Build to Rent’ tower with views across London
- ◆ Stage 3 of detailed design now completed
- ◆ Projected start on site in January 2017
- ◆ Ground floor retail use
- ◆ Communal amenity space / two roof top terraces



### EDGBASTON, BIRMINGHAM

- ◆ Subject to planning ‘Build to Rent’ lead mixed use site for 377 units with ground floor retail.
- ◆ Adjacent to Edgbaston cricket ground
- ◆ 222 car parking spaces
- ◆ PATRIZIA has exclusivity



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