

Telford Homes plc

15:45 04 Jul 2019

CBRE's takeover of Telford Homes: What is build-to-rent?

American property services giant CBRE launched its surprise £267m takeover bid for Telford Homes plc (LON:TEF) earlier this week.

Why? Because Telford has been steadily growing its presence in the UK's nascent build-to-rent industry.

Faced with slowing sales in its core London market and the dawning realisation that the government's Help to Buy scheme - dubbed 'Help to Profit' by critics - will end in a few years' time, Telford has been looking to diversify.

The AIM company has moved away from building homes for private sale towards the build-to-rent sector, which now makes up almost three-quarters of its development pipeline.

But what is build-to-rent?

Usually, housebuilders build homes which they then sell on to families, individuals and small, private landlords.

But while we usually think of landlords as being an individual, in the case of build-to-rent, the landlord is an institution, such as a big bank, insurer or pension fund.

Although not a brand-new idea, the popularity of build-to-rent among institutions has soared in recent years as they wake up to the fact that property can be a reliable and potentially very lucrative income stream - especially with the growing numbers of renters in the UK.

Win-win-win?

After all, if you could invest £200m and get £20m back in rent every year, plus the potential for some capital growth (property price rises) as well, why would you not?

The benefit to the housebuilder is that these developments are often forward-financed by the institutions, making it a less cash intensive and lower risk venture, although that is also reflected in the lower margins.

For the renter, they get a professionally managed, well kitted-out flat, in a snazzy building that tends to come with luxury amenities such as gyms, swimming pools and communal lounges.

With the institutions looking at these developments as long-term investments, they aren't going anywhere any time soon, so tenants can also secure long leases, up to five years.

'Secular shift' towards BtR

According to the British Property Foundation, there are just over 30,000 build-to-rent properties up and down the UK, but the pipeline is considerably bigger. There another 110,000+ units either being built or awaiting planning consent

Price: 349.5

Market Cap: £267.01 m

1 Year Share Price Graph



Share Information

Code: TEF

Listing: AIM

52 week	High	Low
	419	260

Sector: Real Estate

Website: www.telfordhomes.plc.uk

Company Synopsis:

Telford Homes is principally engaged in the acquisition and development of properties, particularly in and around East London. Telford Homes is traded in the ISDX Exchange [HERE](#).

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That's up from next to nothing just five or so years ago.

But CBRE expects the UK market to rocket in a similar way to how the US has over the past 20 years or so, and it wants Telford to be at the forefront of that sky-bound journey.

"The UK is in the early stages of a secular shift toward institutionally owned urban rental housing, similar to what we have seen in the US over the last two decades," said CBRE's boss, Bob Sulentic.

"Telford Homes is well positioned to lead this trend."

If the UK build-to-rent market grows to even a fraction the size of the US, CBRE's investment could prove an astute bit of business.

According to industry data, there are 14.5mln build-to-rent units in the US.

The UK will almost certainly not grow to that extent, but there is serious demand for new homes, and build-to-rent would go some way to providing the 300,000 new-build homes officially needed in Britain.

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