

# BTR AND HOSPITALITY

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As home ownership becomes a less viable option for many, there is an increasing opportunity for the BTR sector to thrive. It can do this by differentiating its offering from the wider private rented sector (PRS), using innovation to provide a space residents want to call home and take some ownership over, and to create a community atmosphere within each development.

Hospitality – such as the provision of concierge, leisure and entertaining facilities – is increasingly being used to differentiate BTR from the general PRS. As recognised by Allsop Partner Paul Winstanley, “the notion of having a customer rather than a tenant is very important”. Providing desirable homes, and longer tenancies of up to three years – commonplace in BTR – are both being used to make residents want to stay.

Hospitality facilities are also being used on larger multi building schemes to encourage community interaction within the development, including the provision of food and beverage (F&B) outlets. Millennials account for a large chunk of BTR’s target market, and they also account for 29% of revenues for restaurants. The savvy BTR operator should therefore aim to cater to what millennials look for in F&B.

## Providing new F&B facilities in London

Priding itself on ‘reinventing renting’, Fizzy Living recognises that the community atmosphere so important to the BTR sector is bolstered by the inclusion of a strong F&B offering, which in turn must be underpinned by a hospitality-led service. One of Fizzy’s developments, The Gatefold in Hayes, West London, will include on-site restaurants to serve the 133 homes in the scheme.

Quintain’s Wembley Park project, with 5,000 homes completed by 2024, makes it currently the UK’s largest BTR development site. Management is carried out by Tipi, its own ‘Build to Rent Management Brand’, which boasts 24 hour hotel inspired services.

## Harnessing existing F&B facilities in Manchester

GreenGate, on the Salford/Manchester border, endeavours to create “a place that residents are proud to call ‘home’”, with residents encouraged to spend time together enjoying the complimentary tea and coffee available in the Residents’ Lounge. Residents are offered discounts so that they can go to restaurants in the surrounding area and eat at discounted prices, rather than including a restaurant in the development.



Such a scheme capitalises on the fact that the target millennials tend to be loyal to the casual dining chains they know and love. Indeed, a recent survey found that, despite food delivery apps like Deliveroo and Uber Eats, millennials dine out more than ordering in, and tend to choose casual dining chains.

Moda Living has partnered with Uber to offer residents of Angel Gardens in Manchester monthly credits for Uber rides, and this approach could be used to partner with F&B operators to offer residents non-discount perks, such as a certain number of free meals per month or year. Alternatively, if tenants prefer dining in, a subscription service could be offered to deliver meals to their door.

## Food or beverage

Although there can be a tendency to focus on the eating element of F&B, wet-led concepts seem to be enjoying a renaissance after lagging behind casual dining brands for many years. It seems that we could be experiencing the return of the pub.

There could therefore be some merit in incorporating a pub into a BTR scheme to bolster the community atmosphere so integral to the BTR sector. Indeed, there has already been some uptake of wet-led schemes within the BTR sector; the Ferry Lane BTR development in Walthamstow includes 2,000 square metres of commercial and community space, including a microbrewery, alongside its 440 residential apartments and townhouses.

While F&B within BTR is not yet considered essential, as the BTR sector matures, providing F&B on site is becoming an increasingly compelling slice of BTR operations. Operators should therefore look to incorporate restaurants and pubs into their offering to entice, and cater, to the rental generation.



## Legal structure

F&B within BTR is not yet so commonplace that a uniform approach to the legal structure incorporating F&B has emerged. The table below sets out the advantages and disadvantages for a BTR operator of three different methods by which a F&B operator could potentially occupy BTR space.

	LEASE	AGREEMENT	MANAGEMENT AGREEMENT
Advantages for BTR operator	Greater security of income. There is a known risk/reward profile in standard leases.	Opportunity for economies of scale across a BTR operator's developments. Opportunity to develop brand.	Day to day running controlled by the F&B operator.
Disadvantages for BTR operator	If the leaseholder F&B operator goes into a CVA or similar, the BTR operator is stuck with a lease. Stifles the ability to 'swap in, swap out' F&B operators which would provide flexibility.	Greater asset management time. Less certainty of income.	Lack of input to F&B operation. Careful drafting is required to ensure that the management agreement does not bear the hallmarks of a lease.