

## **What is your assessment of the economic implications of the Build-to-Rent sector following the Global Financial Crisis?**

After the 2008 financial crisis, there was a notable transformation in global real estate markets, with stricter regulations, less accessible mortgages, and a decrease in confidence in the global economy. As a result of the challenges caused by the '08 crash, the Build-to-Rent (BtR) sector emerged, pioneering a fresh approach to housing delivery. In order to further understand the positive impact it has had on global real estate markets, we must analyse the economic implications of BtR and how they contribute to improved quality of life and economic growth.

After the 2008 crash, the BtR sector reshaped housing markets by helping economies adapt to changing consumer needs. It is clear that the impact was positive, In July 2023, rental satisfaction rates in the UK had reached 73%, showcasing the positive impact of BtR developments. BtR projects incentivize traditional landlords and developers to adapt to tenant demands, for instance, by upgrading properties with high-quality services. According to a nationwide survey by the Office for National Statistics, rental satisfaction across the UK has shown a significant increase post-2008, reflecting broader improvements in rental standards due to BtR. Furthermore, in economies like Germany, a so called 'renters market' economy that can be characterised by low homeownership rates at 47.8%, the BtR sector offers diversified housing tenure options that can meet the needs of an increasingly diverse tenant population, as seen in the 82% tenant satisfaction rate in Germany from the Deutsche Wohnen 2022 Tenant Survey.

Furthermore, I believe there is a case for the importance of Build-to-Rent (BtR) sector in China, where BtR is not yet widely adopted, leading to a slowdown in the housing market. In China, ANX predicts that an excess of 3 billion meters of property will remain unsold by 2023, highlighting the significance of the issue. I argue that this perfectly articulates the pressing need for innovative housing solutions. BtR could potentially alleviate the real estate challenges by repurposing surplus housing as rental units, which could resolve market pressures and lead to increased economic stability. Therefore, the staggering volume of unsold property in China reinforces the critical importance of exploring alternative housing models like BtR to address challenges in the real estate market. Ultimately, economies that have implemented BtR sectors have experienced positive microeconomic effects post financial crash.

Next, the emergence of the BtR sector post-GFC introduced financially supportive schemes like the Discounted Market Rent (DMR) schemes in London and the Multifamily Mortgage Revenue Bond (MMRB) program in Miami. These initiatives promote modern, sustainable living spaces while increasing the affordability of rent by reducing rent prices. Specifically, DMR rents falling 50-60% below market rates benefit the wider population, by reducing taxes paid by developers and operators and continuing the stimulus of production of BtR developments, as shown by data from the British Property Federation (BPF) in 2023 that states the BtR sector grows 11% annually and so far in 2024 at a 5% rate. Beyond immediate needs for developers and society, larger positive economic implications exist as increased housing affordability promotes geographic mobility, which yields long-term economic benefits such as reducing labour shortages as the affordability of movement is higher.

However, critics would argue that the impact of the BtR sector post financial crisis has worsened housing affordability due to the increase in house prices globally. Particularly in major urban centres where BtR developments are concentrated, such as Swathes of east London, house prices have doubled in price, outpacing any reductions in rent prices achieved through BtR schemes. House prices increased by 37% in the EU between 2010 and 2021, based on data from the European Commission. The increasing gap, between housing costs and household incomes has posed affordability challenges for people and families. Despite the rise in house prices following the 2008

crash, the significance of Build to Rent (BtR) initiatives in enhancing housing affordability cannot be underestimated; therefore, I would insist that the overall implications of the BtR sector post '08 crash still remain net positive.

Following the Global Financial Crisis, there has been an increase in investment in the BtR sector, underscoring its growing importance as a housing solution. Since the 2008 crash, there has been a rise in investment directed towards BtR developments, with data from Savills indicating a total investment of £4.5 billion into UK BtR by 2023. By injecting funds into real estate markets, BtR investments do not support rental property development. The significant influx of capital into BtR developments doesn't only support rental property developments but also stimulates other sectors, contributing to economic growth. The National Association of Home Builders estimates that residential investment, in the US typically accounts for 3.5% of GDP and encompasses the construction of single family and multifamily structures. This shows that there is importance for BtR, as it is increasingly becoming a larger proportion of residential real estate.

In conclusion, the Build-to-Rent sector has impacted real estate markets globally since its emergence after the financial crash in 2008; in some instances, it has had a negative effect. However, to a greater extent, it has had a positive economic effect on a microeconomic level by improving standards of living through higher rates of tenant satisfaction. On a macroeconomic level, BtR increased investment in the real estate sector, which resulted in crucial positive multiplier effects for economies post Global Financial Crash. The importance of the BtR sector can not be diminished or forgotten and should be seen as an avenue to continue to push through investment in times of economic crisis.

**Word Count: 912**

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