



Q U I N T A I N

Build To Rent – Making It Stack Up

Cath Webster, Strategic Finance & Investment Director

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Changing strategy from Build to Sell to Build to Rent

Case Study: Wembley Park



Sale or Rental model

What are the **economic and financial** differences?

Build to Sell

- Residential sales market is volatile; work to tight margins
- Pricing tension though controlling supply
- Pre-sale/ off-plan market is key as it offsets risk, *provides certainty for lenders*
- Amenities provided but less concern over long term performance and management due to early exit in life cycle
- If market weak, profits are hit by low sales prices and volumes
- Investment returned through early deposit receipts and sales at or shortly after PC

Build to Rent

- Leasing market relatively stable, particularly urban areas with good connectivity
- Speculative development with little market data so *lenders are more cautious*
- Typically high level of amenities provided, building configuration different, materials chosen for durability, efficiency is lower
- If market weak, lower initial rents can be grown over time
- Investment partly/ wholly returned once unit is stabilised 6-12 months post PC making BtR significantly more capital intensive



Why Build to Rent?

Look at the big picture

Plurality

- There is no silver bullet to fix the housing market
- Mix of tenures is optimal

Scale

- Economies of scale narrow the gap between sale and rental valuations
- Better efficiencies - share amenities across buildings
- Fixed cost base proportionately lower

Absorption

- Believe that occupancy will be good even with large scale delivery of homes
- Critical mass essential in a regeneration site, more so for renters

Income model

- Building a cashflow with strong inflation links
- Ultimate owners tend to be liability driven investors – eg pension funds

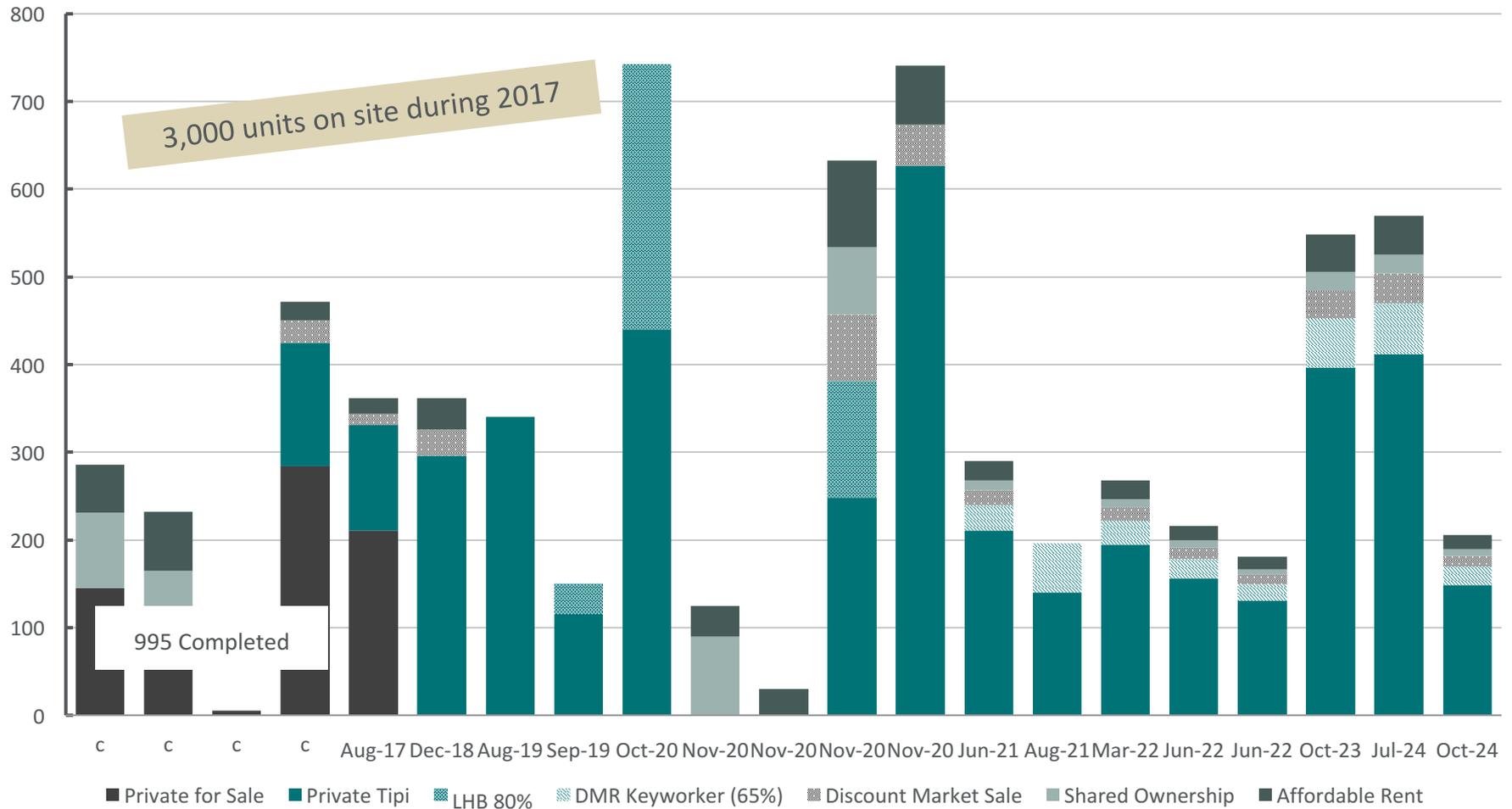
Long term ownership

- Propensity to invest
- Virtuous cycle



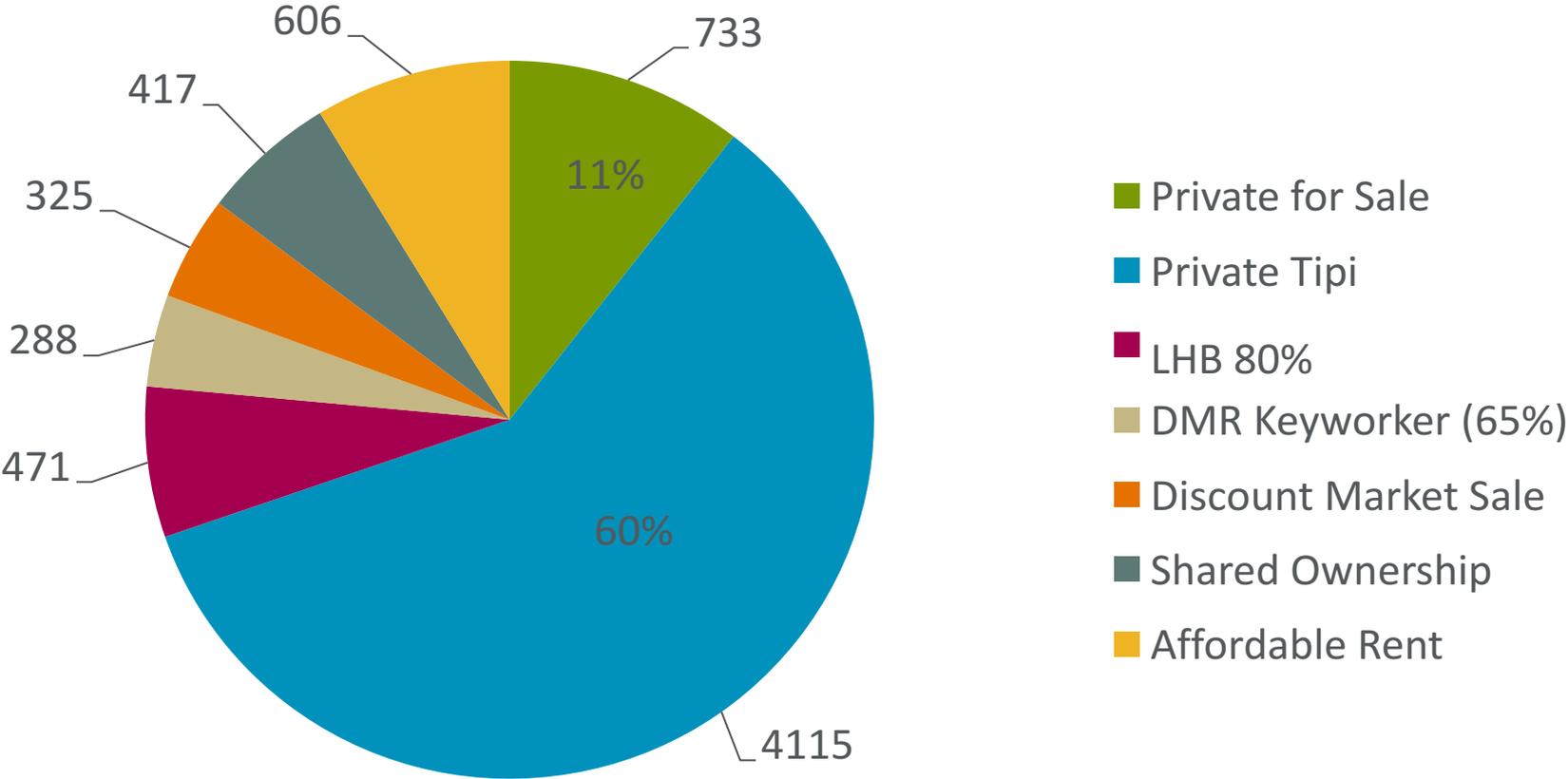
Delivery

Faster and more certain delivery – Quintain is now funded through to 2020 to deliver at scale



Delivery

By unit tenure type



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RED CARPET RENTING

Meet Tipi, the new way to rent in London designed with an easy life in mind.



Chic, modern apartments with no fees, ready to go with utilities and broadband included. Our stylish social spaces and tireless service team are here to make your everyday life as hassle-free as possible. And with Central London just 12 minutes away, the world really is your oyster.



No fees and much smaller deposits

Super service

Every Tipi building has a concierge on hand to make life as easy and simple as possible. From taking in your deliveries and handling dry cleaning to organising storage, parking and even helping you move in, going the extra mile is what we do best.



Social spaces

Home at Tipi extends beyond your apartment. Stylishly designed lounges, cinema rooms, gyms, and kitchens are always open and even available for exclusive hire. Perfect for dinner parties, working from home or just hanging out.



Utilities & broadband included

At Tipi all your utilities and 40mb/s broadband are included in your monthly rent. We think it makes life a whole lot easier. Also, we hook it all up so it's ready to go when you move in. The call centre guy will miss your chats.

Tipi

Quintain's PRS operating business

Reduce extraneous costs, maximise income through direct relationship with customers

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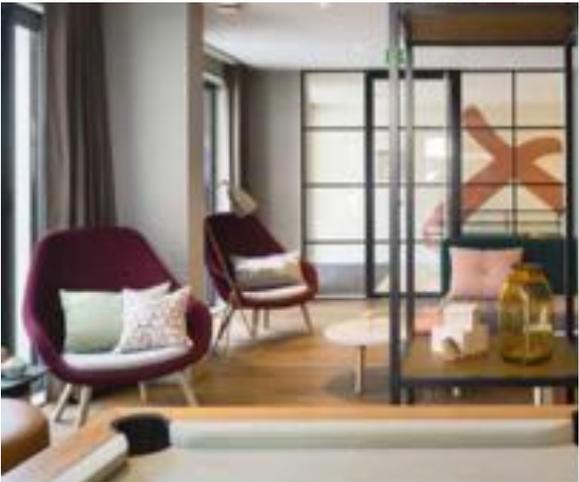
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Residents' communal amenities spaces

Kitchen/ dining area, work space, relaxation, Sky TV, games, gym, cinema room etc



PRS specification differs

Practical considerations for maintenance, move-ins, replacement cycle

Move-in / Move-out

- Goods lifts
- Increase corridor width
- Basement car parking allows headroom for long wheel based vans

Maintenance

- Removal of mechanical kit from units (heating, meters)
- Centrally located maintenance staff
- Standardised white goods etc for ease of repair

Ease of living, security

- Efficient Circulation
- Centrally located front door, concierge, security
- Rubbish Chutes / Bin Room locations
- Provide ample storage both within unit and elsewhere “for-hire”

Unit mix/ facilities

- Lower proportion of 2-beds?
- Match bath and beds

Life cycle

- Wood flooring?
- Tech obsolescence



Basement designed with 2750mm clear headroom to allow access for Ford Transit van (EL Jumbo)

Each core can be served from the basement

Can also allow for parcel deliveries

Estate Management

Long term management across Wembley Park

Buildings and public realm under same ownership

Commitment to place making

Active ground floor retail and workspace

Dynamic interim uses

Public realm animation and events programme

Transport improvements

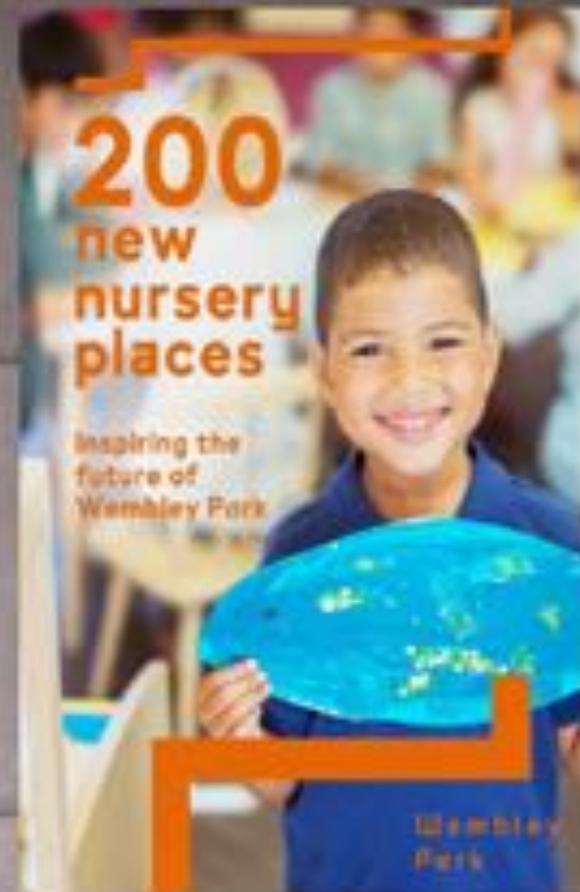
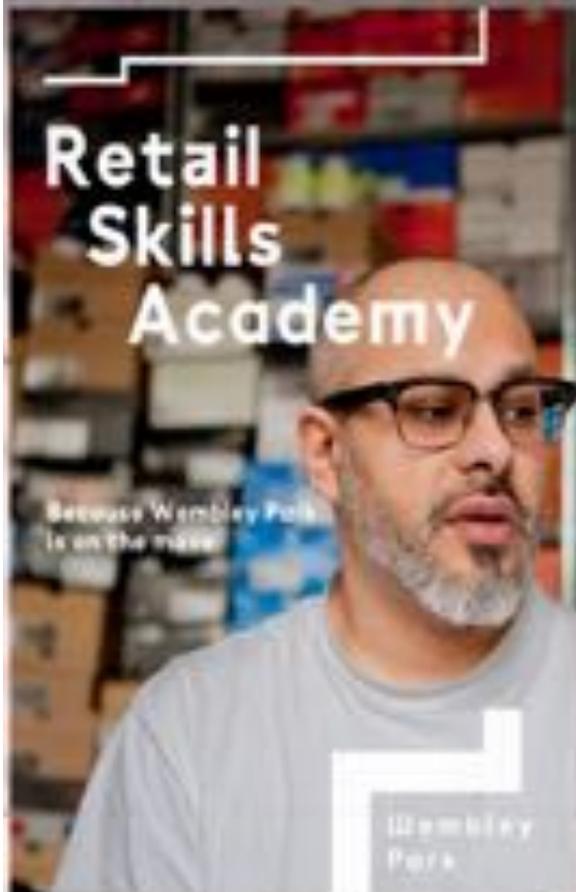
Low carbon energy

Skills and apprenticeships programme

Lighting and security

Community hubs





Wembley Park's community

How is this scale of development funded?

Greater capital intensity necessitated an innovative funding model

Challenge:

- Going private meant Quintain lost its corporate facilities: unknown credit rating, no significant income producing asset base to provide cashflow
- Asset base dominated by the land holdings at Wembley; negligible income
- Separate SPV financing for developments would require significant equity, doubts as to depth of funding market
- Bridge loan – and likely any investment financing – sweeping cash receipts to pay down debt

Solution:

- Hybrid corporate/ mortgage facility, secured against all assets
- Maintain 50% LTV across all assets and development
- 70% of the facility is revolving i.e. pay down and subsequently redraw
- Investment loans refinance buildings at stabilisation which repays corporate debt

