

## Safely Home

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The situation with the COVID-19 pandemic is an unprecedented shock domestically and globally. The immediate impacts are being felt by everybody both personally and professionally. We are all grateful for the efforts of our healthcare workers, frontline and support, and for the community effort to help those in trouble. The situation further demonstrates how important a sense of communities really is.

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At BMO we have processes in place enabling us to stay at home while proactively working to bring positive outcomes to our stakeholders – investors, employees, commercial occupiers, residents and partners.

### **What impact could the COVID-19 Pandemic have on the UK Residential Housing Market?**

As we write, it is too early to forecast the full impact the pandemic may have on capital markets and investment activity, yet alone a specific subsector of the property market. However, what we do know is that it is crucial that low to medium income families, many who are key workers and are currently helping keep core services such as the NHS running, need to feel they have security of tenure.

Providing homes for those on low to middle incomes becomes particularly poignant amidst the worries about meeting outgoings and the threat of a recession. There is need to deliver more homes across the country and for key worker households ineligible for social housing and struggling in the current private rented sector or unable to get on the housing ladder is clear.

We saw during the last financial downturn, the Global Financial Crisis, that residential rents held up demonstrating that as a necessity of life, housing demand is inelastic. This demand characteristic is one of the primary reasons behind the lack of correlation between residential property investment and other asset classes and why meaningful diversification can be achieved by investment into the sector.

The two key factors the BMO UK Housing Strategy can influence are:

1. Housing supply, we need 300,000 more homes each year
2. Responsible property management so tenants have accommodation that is fit for purpose.

The UK housing market is on the verge of shutting down as social distancing is enforced and the likely slowing of transactions in the event of a recession. Overall, and without significant intervention, the result will be a reduction in the number of new homes being given planning permission, built and delivered. There will also be significant pressure on private landlords – will they pass on the benefit of the mortgage holidays afforded to them and could they default on their mortgages and repossessions increase.

### **Equally, how will Local Authorities have the capacity to manage their private rented sector during this crisis?**

Institutionally backed build-to-rent funds can focus on accelerating housing delivery and act counter cyclically. There will be some time taken to understand the fallout from the virus on pricing, but the longer-term view of a build-to-hold strategy and the underpin from providing housing to the deepest occupier market will enable transactions to be completed and schemes started thereby ensuring the continued delivery of housing.

Central to the BMO UK Housing strategy is safeguarding income and providing security of tenure to residents. We appreciate that some households will use the private rented sector as a stepping stone while others will struggle to ever purchase their own home and become part of the ever-increasing 'generation rent'. Some others may simply prefer to rent over committing to a long-term mortgage. In uncertain times people will naturally want greater certainty in their living arrangements and will be comforted by a landlord that is aligned to their residents' wellbeing. Through the ESG Impact policy of the BMO UK Housing Strategy we are committed to be a responsible landlord.

The BMO UK Housing Strategy will continue to:

- Engage with Local Authorities to address their housing needs,
- Work with our development partner to support local contractors to offer local employment opportunities
- Safely bring developments back online and to build long term rental homes for local key workers,
- Implement our property management platform and scheme engagement committees to enable greater dialogue between our scheme management teams, our residents and the local community to ensure everyone feels supported and safe at home.

In conclusion, we believe that our approach will generate sustainable long-term, inflation linked income for our investors and that increasing the supply of professionally managed mid-market rental housing will actively contribute to creating positive outcomes for low to middle income families while at the same time innovating and improving the UK's private rented sector.



### **Key risks**

Capital at risk and investors may not get back the original amount invested.

The value of directly held property reflects the opinion of valuers and is reviewed periodically. These assets can also be illiquid and significant or persistent redemptions may require the manager to sell properties at a lower market value adversely affecting the value of your investment.

## **BMO Real Estate Partners**

**BMO**  **Global Asset Management**