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WHY WE NEED TO RETHINK OPERATIONAL EFFICIENCY IN SINGLE-FAMILY HOUSING

Senior figures from across the built environment sector joined Yardi and *BE News* to discuss how to optimise operations and build a scalable, resilient and investable SFH model

INDUSTRY GUESTS:

Mary-Anne Bowring, group managing director, Ringley Group

Rob Gill, director of acquisitions, Moda

Justin Harley, senior regional director, UK and Ireland, Yardi

Richard Jackson, founder and chief executive, From Now On

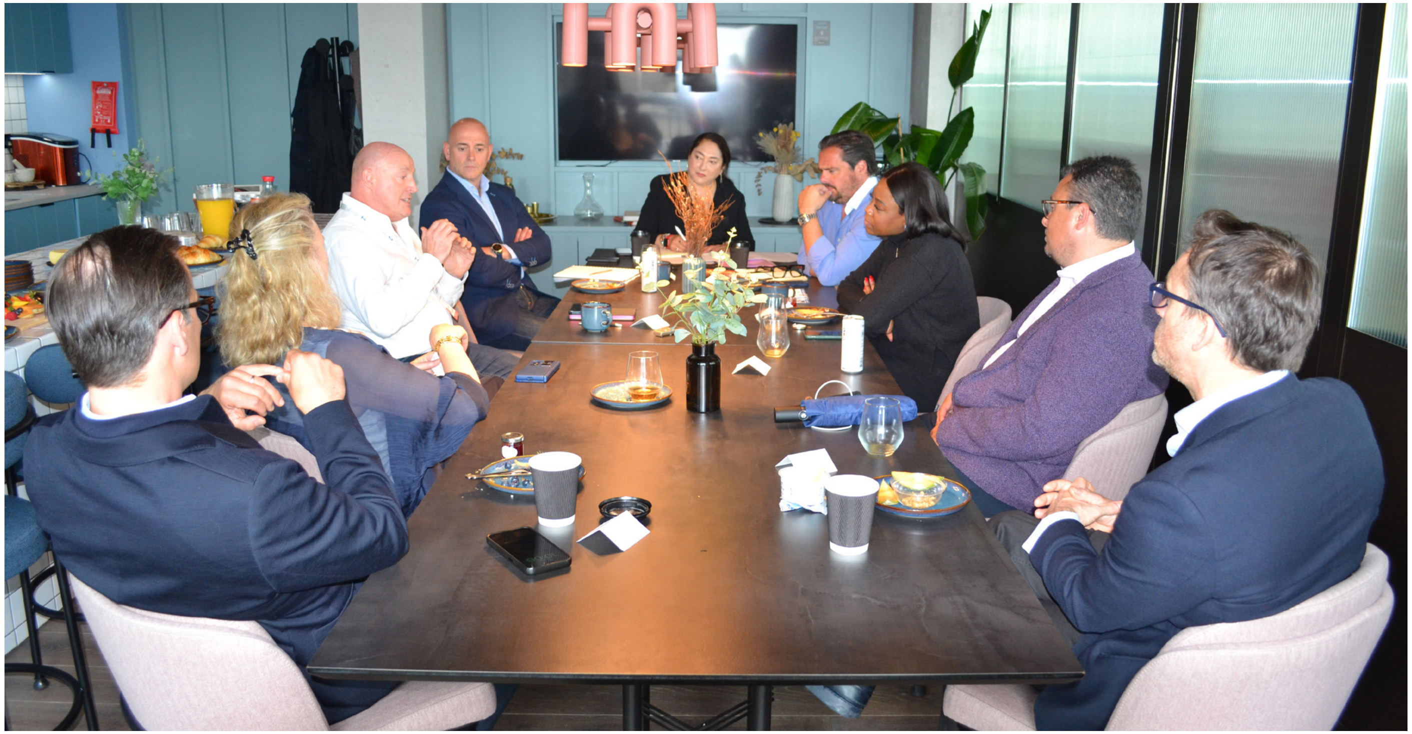
Alex Masters, senior asset manager, Allsop

Omotara Solomon, portfolio investment manager, Present Made/Apache Capital

Mark Woodrow, chief operating officer, Packaged Living

Rob Sumner, investment director, Sigma Capital Group

Liz Hamson, editor-in-chief, *BE News* (chair)



The UK single-family housing (SFH) market is growing rapidly but faces mounting pressure as a result of soaring costs, contractor and supply chain volatility and increased expectations from investors seeking predictable returns.

Operators are being asked to deliver greater efficiency and stronger margins across dispersed portfolios, often while managing fragmented processes and limited real-time visibility.

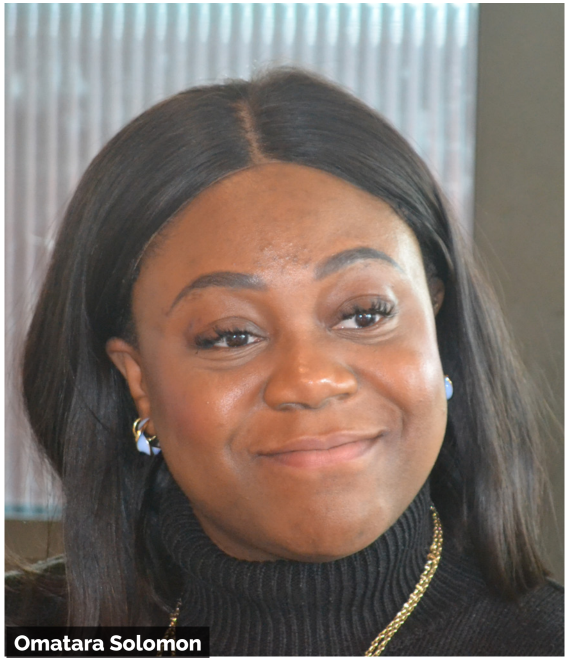
This roundtable, held at UKREiiF and sponsored by Yardi, a global leader in real estate software and technology, set out to explore practical, commercially grounded strategies senior leaders can use to optimise operations and build a scalable, resilient and investable SFH model.

QUESTION: Where are we now and what are we doing wrong? What might we learn from build-to-rent (BTR)?

BOWRING: The key difference with BTR is


Rob Sumner


Richard Jackson


Omatara Solomon

that if there's a problem, that's going to get reported pretty much immediately to your desk downstairs.

In SFH, you've got to have an 'Internet of Things' as it were, to know what's happening before you get told.

A mess can stay in a property for quite a long time, until it comes outside the property. Early warning tech is quite crucial, but the infrastructure is not there as we're talking about individual houses.

SUMNER: You can actually bring these portfolios together, which is what we've done. We spent an awful lot of time building an app for our customers, which is nothing new across BTR. So if there is a problem, our customers understand what the SLAs [service-level agreements] are.

If we can get them through to self-fix on anything that's non-regulatory – changing a light bulb, re-pressurising your boiler, those sorts of things, and we even provide videos for those kinds of fixes now – it'll automatically divert to that. We can triage effectively and quickly.

QUESTION: If we're looking at operational efficiency, what does good look like in the BTR and SFH sectors and what's missing in the SFH space?

> ***With SFH, the service offering is very different. Technology becomes more important and predictive***
>
> *Richard Jackson*

JACKSON: With SFH – because of the amenities and because of the way people use the spaces, and you have more families and longer-term renters – the service offering is very different. Technology becomes more important and predictive.

It's about making sure that when you drive or cycle or walk to where you live, the grounds look amazing, that it feels really fantastic, but it's a much more personalised space, and you have more independence.

Whereas I think within multi-family ▷

you're literally on top of each other, aren't you? So I think it's a lighter model.

SOLOMON: Traditionally, when we looked at multi-family, it's always been almost on a gross-to-net-leakage basis, whereas when you look at it on a single-family basis, what really matters is actually the cost per unit.

When you take away personnel that's not necessarily needed, and what that looks like on a gross cost basis, and being able to streamline that number, that's really fundamental. That's quite different from multi-family, but it's really, really important.

MASTERS: It's the personnel that we found challenging. We launched our first scheme about four years ago. I started one scheme with about 349 houses. We employed one person who did the whole leasing and property management journey, and it worked really well, but that's just not scalable.

Now we're about 2,000 units and it is a challenge getting the right people in the right places, because our portfolio is basically a big circle around London out to the regions. We've tried to base all our back office in Leeds, and then have RSMs [regional service managers]. But it's a challenge, deciding between someone with great customer service and trying to use them properly, or someone with property knowledge, and trying to train them. I think it's generally rare you'll get both at the same time.

Alex Masters

Justin Harley

QUESTION: What about remoteless? Can AI or other types of technology help to handle that?

HARLEY: I think AI and technology can handle it beautifully. You can set resources and it makes it easy, because all your information is in one place. The other thing is the way we communicate now. It's so quick and easy on phones, whether it be WhatsApp or whatever you choose. It just makes it easy for people to get out in the field.

BOWRING: We're probably slightly lucky, because we're already so heavily automated. There's 141 automated processes in leasing already. We have one person for 17,000 properties and finance, and that's it. All the arrears is automated, so we're really focusing on where community meets stewardship

> ***I think AI and technology can handle it beautifully***
>
> *Justin Harley*

Mark Woodrow

Rob Gill

to try to get a greater sense of belonging, a greater sense of caring.

We have introduced neighborhood watch schemes that are digital; we've got messages queuing every four hours to bring up conversations of what's topical, to hook them into the local community.

Then we're looking at a whole lifecycle. We see our job as not just providing a home, but also providing utility bills mining. When the tenant signs up for open banking, we're actually able to permanently optimise their water and their broadband packages and everything, and actually take that one stage further, where there isn't a means of provision on site, to provide that outcome.

I mean, the real journey is that we're looking to also use the open banking to mine when people begin to save, because some of our clients are actually people who want a mortgage product.

It's about looking at the whole lifestyle value of that client and where they are in their journey from their cash movements and everything else, so we're profiling people to prepare them as customers for our clients for the next stage of their journey,

QUESTION: How are you leveraging technology to control or reduce operational costs while simultaneously improving efficiency and the tenant experience?

WOODROW: Between 10% and 25% of all the homes that we're doing are zero bills and we're just about to launch an impact fund. It's about trying to create social impact. It's also about where's the social value, and that value point is a big one because all of a sudden you can calculate it very easily, because of what's happening with technology within the house.

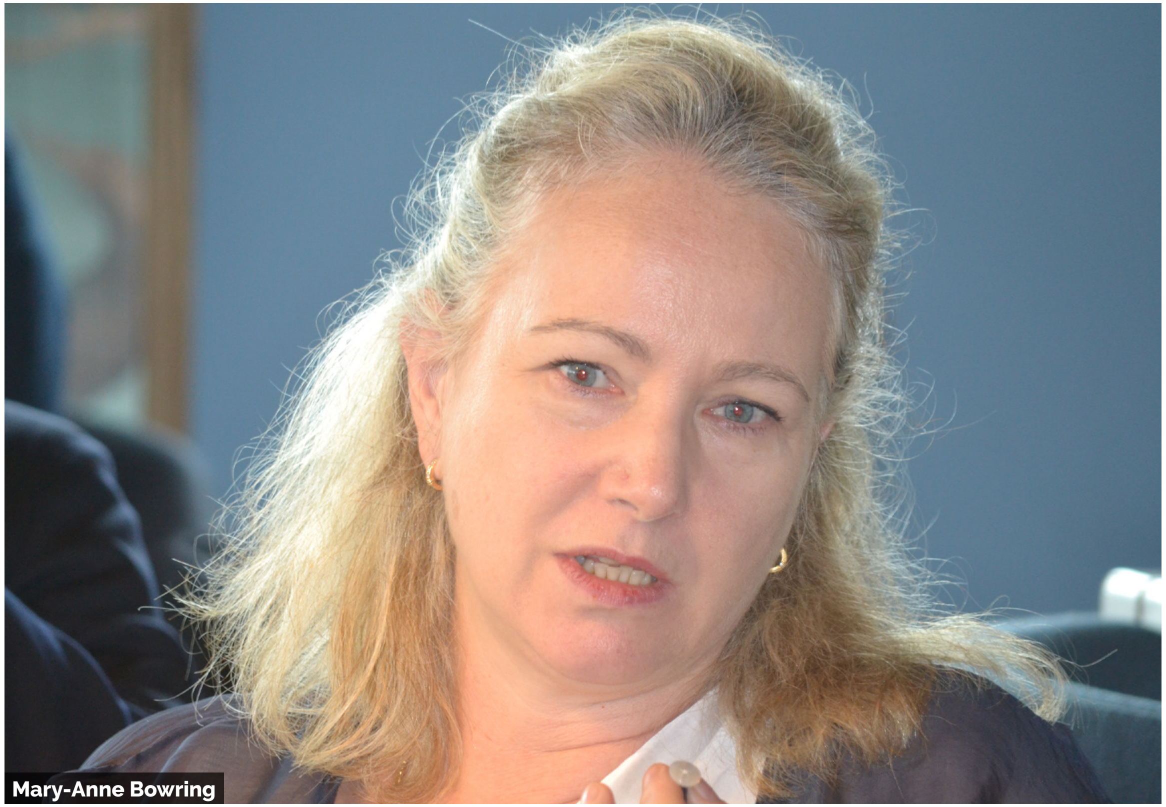
Zero bills works both from the numbers and the impact point of view. It's a shame you can't do it in all houses, because not all of them have the right aspects, right roof size, that kind of stuff.

GILL: The theories behind zero bills and the need for energy efficiency are driven by government policy that is capturing votes. The actual delivery of properties that would need minimal heating and minimal energy consumption, and could actually be self-sustaining, is possible at a small increased cost to the customer.

But the desire to do that isn't there, because the overall infrastructure associated with energy consumption globally is a political game. So we're solving a problem that shouldn't be there.

Yes, it is beneficial to the customer to have zero bills. It fundamentally can be delivered, but I think socially we should be looking at other ways of delivering housing that eliminates bills.

QUESTION: Is it essential SFH operators



Mary-Anne Bowring

have a strong data strategy?

HARLEY: Data is the lifeblood of any organisation, but without clear ownership and governance it quickly becomes fragmented and unreliable. A strong data strategy creates a single source of truth, enabling better decisions, greater operational efficiency and ultimately stronger business outcomes..

QUESTION: What pressures, risks and opportunities are there in the SFH sector?

SOLOMON: I think one of the biggest risks is the unknown, in terms of government legislature, government intervention or government aid. What you know you know. What you don't know you can mitigate.

SUMNER: The returns profile of this business is what makes it interesting to. What feeds us is third-party equity, and the caveat here is that you've got to manage your portfolio with probity, and with the customer at the centre of the proposition. But any external influence that starts to in any way reduce control is always going to be problematic.

> ***We're just seeing a slight pause or lag effect while the market realises that uncertainty is the new certainty***
>
> *Mary-Anne Bowring*

QUESTION: How confident are you that we will be able to build a scalable, resilient, and investable SFH operational model, and the SFH subsector will fulfil its potential?

WOODROW: I think they can improve but, you know, this is a core investment product now.

GILL: I totally agree. The only thing I would add is that I think it will be limited to a handful of major investors, but once you achieve scale it is there already.

BOWRING: We're just seeing a slight pause or lag effect while the market realises that uncertainty is the new certainty. □

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