



**PRIVATE RENTED SECTOR:
BUILD TO RENT POLICY BACKGROUND**

snapdragon
consulting

OVERVIEW

The Private Rented Sector (PRS) and associated Build to Rent (BTR) development is one of the fastest growing subsets of the housing industry in the UK and although it has not been a priority for central government – who have favoured home ownership in recent years – there are signs of this culture changing, in an attempt to move away from ‘buy-to-let’.

Housing and Planning Minister Gavin Barwell was recently quoted as saying that the country’s housing ambitions will never be achieved without a ‘good, thriving private rented sector’, whilst the Mayor of London has more directly incentivised its provision through policies outlined in Supplementary Planning Guidance (SPGs). Most recently, the publication of the Government’s Housing White Paper has emphasised a shift towards the sector.

Leading industry organisations have also entered the fray, in order to identify the need and promote the delivery of BTR properties. The British Property Federation recently published its BTR Manifesto, which stated that the Department for Communities and Local Government Taskforce has found that the property industry is chomping at the bit to invest more than £10bn in purpose-built private rented sector homes.

The future is looking bright for the sector, but policy will need to keep pace in order to ensure that incentives for developers lead to longevity, particularly as BTR providers are unlikely to be able to outbid private market housing developers for the respective land.

So what is BTR, and why is it worth keeping an eye on?

Defining BTR

As per the guidance provided in the Mayor of London’s most recent SPG document, a BTR development is defined as follows:

- 50 units or more
- 15-year minimum life cycle
- Self-contained and separately let
- Under single ownership and management
- Under professional onsite management
- Longer than average tenancies – ideally 3 years plus

GLA POLICY BACKGROUND

In order to inspire the provision of more-high quality rented homes and to encourage Local Planning Authorities (LPAs) to recognise the 'distinct economics of the sector', the Mayor of London has set out a new approach to viability in the determination of BTR applications. The recent publication of the Mayor of London's draft Affordable Housing and Viability SPG document has already caused some increased activity and positivity in the sector with a number of key house builders announcing their ambitions to deliver BTR units. The Mayor of London has stated a desire to see 5000 BTR homes provided year on year.

It should be noted that the SPG is only guidance and once adopted is not formal policy, but rather a recommendation.

The key tenets of the draft SPG in relation to BTR include:

- BTR developments exempted from the new (35%) threshold approach to viability
- New 'pathway' created for BTR planning applications
- Applications assessed on a case-by-case basis
- BTR will be treated differently to market sale products, therefore affecting viability
- Affordable housing contributions to be 'clawed back' if development is not maintained as 100% BTR for 15 years
- Discounted market rent will form the basis of Affordable Housing provision

The above policy points seem to lend themselves to a BTR affordable housing regime that will see the delivery of PRS developments with affordable housing provision below the newly targeted 35% mark. Should this be the reality, BTR providers will likely be incentivised to further increase their PRS investments.



LOCAL PLANNING AUTHORITIES

The BTR offering also provides a number of distinct benefits for LPAs as they consistently struggle to meet their housing delivery targets. These benefits include:

- Delivery of car-free housing
- Swifter build out timescales for BTR schemes (through modular design)
- Developments often constructed with built-in amenities
- Longer term secure tenancies (in contrast to wider private rental)
- Tenancy can be restricted to borough residents/employees

The London Borough of Wandsworth has been one such LPA to promote the delivery of BTR developments. The council even went as far as to include a call to this effect within their 2016 Local Plan. The trend is not limited to London, where the PRS market is likely to be strongest. Birmingham City Council have led the way with an announcement in April 2014 that the authority was to set up its own wholly-owned company to deliver PRS homes on council land. The authority's long term strategic goal is to provide 80,000 new homes in Birmingham by 2031 and it is thought that as much as 62% of these homes could come from both private rented and for sale homes.

Most recently, Surrey and East Sussex County Councils have announced a joint 'business service partnership' to deliver new homes – including institutional BTR – on 36 sites across the local authority areas. With LPAs across the country considering the sector as a viable route to delivering often-inconceivable housing targets, the long-term strength of the sector seems all but assured.

Some LPAs may however be reluctant to promote the wide delivery of BTR schemes, as they often require lower affordable housing and S106/CIL contributions than their market sale counterparts.

We will continue to watch this space to see how different LPAs take their own unique approaches to BTR.



HOUSING WHITE PAPER

The May Government's long awaited Housing White Paper was finally released on the 7th February, after a rather protracted lead in. It was published to a backdrop of calls from developers to loosen restrictions on the Green Belt and expectation that significant changes would be introduced to speed up the planning process.

The resulting guidelines set out in the Paper were for many a drop in the ocean, and did not go far enough to reform a housing sector that is struggling to keep up with demand. There was however, some notable guidance on BTR.

The Paper established the need for more good quality private rented homes, and notes that despite the sector doubling in size over the previous decade, rising rents suggest that demand is still growing. The Government has attempted to understand and promote the BTR model in the UK since a 2012 review into the barriers to institutional investment. A £3.5 billion Private Rented Sector Housing Guarantee Scheme and the £1 billion Build to Rent Fund have exemplified this.

The goal remains to attract major institutional investment in new large-scale housing that is purpose-built for market rent. The growth of the sector will not only boost the supply of housing, but also comes with the benefits mentioned previously, namely speed of delivery.

The key announcements within the Paper include:

- Amending the NPPF to ensure that LPAs plan proactively for BTR delivery
- Ensure family friendly, longer tenancies of three or more years
- Make it easier for BTR developers to offer affordable private rented homes
 - Introduce a definition of affordable private rented housing
- Separately consult on a range of measure to support BTR

Although these measures seek to increase the profile and delivery of BTR schemes, the role of LPAs will be crucial, as will amendments to the NPPF.

Government Consultation – Planning and Affordable Housing for Build to Rent

A notable consequence of the publication of the Housing White Paper was the subsequent opening of a Government consultation on changes to planning policy to encourage authorities to plan for Build to Rent Schemes. Part of this consultation will also relate to substituting Affordable Private Rent for other existing forms of affordable housing and promote the availability of longer tenancies (of three years or more).

The Government is requesting responses on questions ranging from the extent and role of Affordable Private Rent to the actual definition of Build to Rent.

The consultation will run until the 1st May 2017 and seeks the views of developers and investors in the BTR industry, and local authorities, but also developers and landlords of other housing tenures.

BTR IN THE MEDIA

BTR lending market springs to life with landmark deals **02.02.17 | Property Week**

Property Week has reported a boost in the lending market for BTR development as several landmark deals have been secured since the end of 2016.

In mid-January Apache Capital Partners and Moda Living secured an £85m loan from Deutsche Bank for its Angel Gardens scheme in Manchester - thought to be the largest-ever debt deal for a single BTR scheme.

The deal followed hot on the heels of a £60m loan to fund Essential Living's Creekside Wharf scheme in south London from Royal Bank of Scotland and HSBC late last year and Quintain's £800m corporate development facility with Wells Fargo, AIG and Canada Pension Plan Investment Board to fund its building plans at Wembley Park, which will include a large amount of BTR.

The rush of deals appears to reflect an increased appetite among lenders to fund the development of BTR schemes, one that only looks set to grow as the burgeoning sector matures.

The full story can be read [here](#).

Quintain to build final 5,000 Wembley homes for the PRS **09.02.17 | Property Week**

Quintain recently unveiled plans to build all the remaining private homes at Wembley Park in north London for the rental market.

The commitment means that the developer will deliver 5,000 private rented sector homes at the site, which is set to accommodate just shy of 7,000 homes in total. Notably, the announcement was a major change in strategy for Quintain, who had originally planned on most of the site being allocated for private sale.

Quintain's Chief Executive Angus Dodd has stated that the company has shifted its focus "because we can". The demand for PRS accommodation is clearly apparent as more and more people can't afford to buy property, whilst the decision to switch tact is likely to significantly speed-up the timescales for delivery.

The full story can be read [here](#).

OUR EXPERIENCE

Cherry Park, Stratford - Westfield Europe Ltd

Overview

As part of their wider vision for Stratford City, Westfield Europe Ltd sought to provide a further mix of uses by delivering residential accommodation alongside retail and leisure uses on a triangular site to the south of the existing Westfield shopping centre.

Westfield Europe Ltd had previously gained consent for a residential led, mixed-use development on the site, however the economic circumstance in which these plans were formulated and approved, had changed somewhat in the interim.

As such Westfield Europe Ltd began the process of preparing a revised planning application to deliver 1,224 new privately rented homes, a new retail anchor store, and a new public park on the site known as 'Cherry Park'.

Programme

From the outset, the consultation programme sought to frame the proposals within the wider vision for Stratford, taking a holistic view of the area as a hub for businesses, new and existing residents, as well as the millions of shoppers that visit Stratford each year.

Key messages were developed to ensure that a consistent set of values ran through all materials and contact with stakeholders. The engagement programme culminated in a public exhibition held within the existing Westfield Stratford City shopping centre, an area of high footfall and excellent accessibility.

The Cherry Park development site is unique in its location, not purely due to the presence of two political authorities, but due to the vast mix of stakeholders operating in the area. The programme was thus supplemented with stakeholder meetings, including contact with neighbouring landowners, and Stratford Original BID, a newly formed Business Improvement District set up to represent the interests of over 150 local businesses. Newham councillors and members of the London Legacy Development Corporation were also informed of the plans and invited to engage with the project team throughout the pre-application period.

Outcome

The application was approved by the LLDC Planning Decisions Committee in December 2016.



Royal Engineers Road, Maidstone - U + I

Overview

Snapdragon Consulting was instructed by U+I to undertake a programme of community and political engagement for their proposals on Royal Engineers Way, Maidstone. The proposals included the development of 310 new residential units. Of these, 220 would be delivered as Build to Rent (BTR) across a range of studio, 1 bed and 2 bed units. U+I intend to operate and manage the Build to Rent units themselves.

The BTR concept was fairly new to Maidstone, and a substantial stakeholder engagement programme was undertaken to ensure the proposals and BTR model was understood and well received by the local community and decision makers.

Programme

An introductory presentation on the principles of BTR was held for members of Maidstone Borough Council, in order to portray U+I's vision for the site and their expertise in this sector.

Further to this, a series of stakeholder meetings with local resident groups and ward Councillors took place to advise them of the detailed proposals coming forward. Due to the complex political nature of Maidstone Borough Council, and controversy surrounding their Local Plan, it was important to ensure thorough communication with ward members, residents and stakeholders.

In addition to the meeting programme, two set piece public consultation events were held in July 2016. During these events the BTR concept was explained in detail to attendees to ensure a thorough understanding of the benefits and intricacies of the model.

Following submission of the application, an updated leaflet was issued to local residents and a further members presentation held to ensure any concerns were mitigated ahead of determination.

Outcome

The application was approved by Maidstone Council's Planning Committee on 2nd February 2017, by a vote of 7 in favour and 5 against, with a single abstention.



CONTACT US

Snapdragon London
Studio 2.11
The Print Rooms
164 – 180 Union Street
London
SE1 0LH

Snapdragon Cambridge
East Road
Cambridge
CB1 1BH

Snapdragon Midlands
43 Temple Row
Birmingham
B2 5LS



0203 176 4161



info@snapdragonconsulting.co.uk



[@TeamSnapdragon](https://twitter.com/TeamSnapdragon)



www.snapdragonconsulting.co.uk/



[instagram.com/TeamSnapdragon](https://www.instagram.com/TeamSnapdragon)