

# **Build to Rent Market Strategic Overview and Summary of Site-Specific Appraisals**

March 2021



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## Introduction

This report provides a strategic overview of Build to Rent for Cambridge City Council, South Cambridgeshire District Council & West Suffolk Council

The report considers national policy and the policy position taken by other authorities on Build to Rent, and provides feedback from Registered Providers and an investor about the appetite to deliver Build for Rent locally.

It also provides a brief summary of Build to Rent market appraisals prepared for the three local authorities, which considered market demand appraisals for Build to Rent units in six locations, over nine sites.

These were in:

- North East Cambridge
- Northstowe
- Waterbeach
- Bourn Airfield
- Haverhill
- Bury St Edmunds

It provides information on the potential for market rented products and proposes policy options which the councils may wish to consider.

Read in conjunction with the site specific market appraisals it should help the local authorities to understand the potential role Build to Rent and Affordable Private Rent could play across the three local authority areas. The report provides guidance on, amongst other things:

- location and mix in relation to other tenures;
- potential community, social and place making impacts;
- management arrangements likely to be needed;
- covenant periods likely to be required, including any associated issues and risks for the development in the long-term.



# NATIONAL POLICY AGENDA



## Introduction

Build to Rent is a distinct asset class within the Private Rented Sector and has been defined in the [National Planning Policy Framework \(NPPF\)](#).

**Build to Rent:** Purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more and will typically be professionally managed stock in single ownership and management control.

The National Planning Policy Framework states that affordable housing on Build to Rent schemes should be provided by default in the form of Affordable Private Rent, a class of affordable housing specifically designed for Build to Rent. Affordable Private Rent and private market rent units within a development should be managed collectively by a single Build to Rent landlord. 20% is generally a suitable benchmark for the level of Affordable Private Rent homes to be provided, (and maintained in perpetuity), in any Build to Rent scheme. National affordable housing policy also requires a minimum rent discount of 20% for Affordable Private Rent homes relative to local market rents.

It is expected that developers will usually meet their affordable housing requirement by providing Affordable Private Rent homes. However, all options should be agreed jointly between the local authority and the developer as part of the planning permission and set out in a section 106 agreement.

Eligibility for occupying Affordable Private Rented homes should be agreed locally between the local authority and the scheme operator, but with regard to criteria set out in planning guidance. Guidance states that the authority must take a reasonable position in negotiating eligibility.

Final decisions over the occupancy criteria for Affordable Private Rent homes should be made by the Build to Rent scheme operator, working with the authority, taking into account the criteria.

The eligibility criteria for the affordable private rent homes should be set out in the section 106 agreement. The national policy definition of Build to Rent in the National Planning Policy Framework glossary states that Build to Rent developers will as a norm offer longer tenancy agreements of 3 years or more to all new tenants who want one. There is no obligation on customers to take up the offer of a 3-year tenancy. They may prefer a tenancy of 6 months, 1 year or 2 years, and companies should offer these as an alternative, if requested. Tenants should not be locked into longer tenancies for the full period of the agreement. Tenants should have the option to terminate at 1 months' notice, after the first 6 months, without a break fee being payable.

Eligibility should not constitute grounds for refusing planning permission. From a local standpoint, eligibility should be determined with regard to household income levels, related to local rent levels. Where authorities maintain an 'intermediate housing list' they may wish to suggest names from this, or potentially even their statutory housing list, considering the affordability of the homes to those on the list. Authorities should refrain from having direct nomination rights from their housing list.



In the absence of an established local intermediate housing list, developers and authorities may consider assembling a unique dataset for the development. In so doing they should have regard to the local authority housing allocation policies and any relevant potential candidates from the statutory housing list. The list should also ideally include evidence about peoples' local residence or employment connections.

Build to Rent homes are normally designed, constructed and managed to a high-quality standard. Individual schemes should meet any relevant local and national planning policy requirements.

Affordable Private Rent homes within any particular scheme should be constructed and managed to the same high-quality standards as the private rental homes. They should be distributed throughout the development and physically indistinguishable from the market rent homes in terms of quality and size.

A separate registered landlord is not needed, and the view is that combining the two 2 tenures in this way will improve viability and the future alternation of units between Affordable Private Rent and market rent will be easier.

It is important to note that there is no national requirement for authorities to apply national space standards in their area. Space standards are optional (unless locally set).

The process for managing Affordable Private Rent units should also be set out in the section 106 agreement.

## Section106

[National Planning Policy Guidance on Build to Rent](#) states that the section 106 agreement should set out:

- parameters of the lettings agreement;
- rent levels;
- apportionment of the homes across the development;
- a management and service agreement;
- clawback arrangements
- marketing agreement including setting out how their availability is to be publicised; and
- requirements of an annual statement confirming: the approach to letting the affordable units, their ongoing status and detailing how the scheme is meeting the overall affordable housing level required in the planning permission.

Build to Rent schemes would normally remain within the rental sector, and the sale of the scheme or individual property to other tenures should not result in the withdrawal of the affordable housing contribution from the local community. In effect through the section 106 agreement the homes are provided specifically as a community benefit in perpetuity.

Circumstances may arise where developers need to sell all or part of a Build to Rent scheme, but under the section 106 agreement these scenarios would include a mechanism to recoup ('clawback') the value of the affordable housing provision that is withdrawn if Affordable Private Rent homes are converted to another tenure.



The national guidance contains a detailed section on how clawback mechanisms can be constructed and values calculated.

Consideration should also be given to a covenant period for the retention of private market rent homes in that tenure and potential compensation mechanisms if private market rent homes are sold before the expiration of an agreed covenant period.

Planning authorities should recognise that Build to Rent operators will want enough flexibility to respond to changing market conditions and onerous exit clauses may impede development. However, the sale of homes from a Build to Rent development should not result in the loss of affordable housing without alternative provision being made.

The councils may want to expand their existing policies to include any evidence of need and their aspirations for Build to Rent schemes.



# THE APPROACH FROM OTHER AUTHORITIES



## Introduction

Rented accommodation takes many forms. The Private Rented Sector is defined for the purposes of this report from the Census 2011 as 'Private rented: renting from a private landlord or letting agency, employer of a household member, or relative or friend of a household member or other person.'

Build to Rent is a term used to describe private rented residential property, which is designed for rent instead of for sale. As the name suggests, Build to Rent involves the building of homes specifically for the rental market. These developments are typically owned by companies (such as property companies or pension or insurance investment companies) and let directly or through an agent.

According to Property Investor Today (22/1/2020), there are 152,071 Build to Rent homes at various stages of completion in the UK. Of these, 40,181 of these are complete, with a further 35,415 under construction and 75,475 in planning, representing an increase of 15% over last year.

## The London Plan

The policy approach in London varies significantly between the local planning authorities, and less than half of authorities have an existing or emerging Build to Rent policy. However, with the London Plan taking a positive approach, and with increasing numbers of Build to Rent schemes being delivered, London's authorities are increasingly engaged in the sector.

In London the proposed threshold is for Build to Rent schemes to deliver 35% of units as Affordable Private Rent and 30% of affordable homes to be at '[London Living Rents](#)'. London Living Rent is a type of affordable home, offering Londoners on average incomes a below-market rent, enabling them to save for a deposit to buy their own home.

[The London Plan](#) includes a chapter on housing which contains 18 policies of which H13-Build to Rent is one.

The policy starts by recognising that a Build to Rent development model differs from a traditional for sale scheme and that it can play a potential role in accelerating delivery. However, the policy makes it clear that to be classed as a Build to Rent scheme it must meet certain criteria:

The policy then details through supporting text (also known as reasoned justification), how the sector and the development type should be treated and considered.

- The planning system should take a positive approach to the Build to Rent sector to enable it to better contribute to the delivery of new homes.
- The Build to Rent policy has been developed in recognition of the fact that Build to Rent operates a different model to Build for Sale. Build to Rent relies on income through rent over a number of years, rather than an upfront return on sales, (this is often referred to as the 'distinct economics' of the sector).



- Where a developer is proposing a Build to Rent development which meets the definition, the affordable housing offer can be entirely Discounted Market Rent (sometimes known as Affordable Private Rent) and the discount may be more than 20%). It will be managed by the Build to Rent provider and delivered entirely through planning gain without a grant. The mayor's strong preference is for Discounted Market Rent homes to be let at London Living Rent level, to ensure city-wide consistency in approach.
  - A threshold level of affordable housing has been introduced to provide an opportunity for Build to Rent schemes to take advantage of the Fast Track Route offered to Build for Sale schemes. To follow the Fast Track Route at least 30 per cent of the affordable housing must be let at London Living Rent levels. The remainder should be provided at a range of discounts below market rent based on local need to be agreed.
  - In all cases the borough must ensure that the Discounted Market Rent units fully meet the definition of intermediate housing and are affordable to those eligible for intermediate rented housing.
  - Schemes that do not meet the Build to Rent definition and that do not provide a 15-year covenant or a clawback agreement will not qualify for the Build to Rent policy approach. These will be treated as Build for Sale developments for the purposes of determining affordable housing requirements.
  - Schemes that qualify for the Fast Track Route will not need to provide a full viability assessment. The Fast Track Route offers developers of private land a fast-track route through the planning process, (bypassing costly and protracted viability negotiations that have become the norm for applications in London), if they meet a strict minimum of 35 per cent affordable housing without public funding. Developments on public land will have to achieve at least 50 per cent affordable housing to qualify for the fast-track route.
  - The majority of Discounted Market Rent products, where they meet the requirements of the Community Infrastructure Levy (CIL) regulations, qualify for mandatory CIL relief.
  - Further support for Build to Rent can be given by boroughs through:
    - allocating specific sites for Build to Rent or requiring an element of Build to Rent on larger sites in order to accelerate build out of the site;
    - encouraging long-term institutional investment, working with the Greater London Authority and partners;
    - supporting institutional investment on public land, including exploring the use of joint ventures or deferred receipts.
- A valuation of the market and affordable units must be included within the section 106 agreement to enable the level of clawback to be calculated in the event that the covenant is broken.



## Greater Manchester

There are nearly 23,000 properties either completed or in the development pipeline in Salford and Manchester.

### Salford Policy H8 - Build to Rent Policy (Revised Local Plan Chapter 12: Housing)

The policy explains where (geographically) the council will look to support the development of Build to Rent schemes.

The policy requires:

- the whole development being under common ownership and management control for the long term;
- operators offering tenancies of three or more years to all tenants, with tenants having the option to terminate at one month's notice, after the first six months, without a break fee being payable;
- schemes to be provided in accordance with the space standards in the case of non-furnished developments; and
- consistency with the need to deliver a broad range of tenures across Salford and within individual areas, including owner-occupied dwellings.

All Build to Rent schemes on sites of 10 or more dwellings, or having an area of 0.5 hectares or more irrespective of the number of dwellings, shall provide a minimum of 20% of the dwellings in the form of Affordable Private Rent, with these dwellings being:

- at a rent that is at least 20% less than the private market rent (inclusive of service charges) for an equivalent dwelling;
- maintained as affordable private rent in perpetuity;
- distributed throughout the development and physically indistinguishable from the market rent homes in terms of quality and size; and
- occupied by eligible households having regard to household income levels and local rent levels.

Changes of use of existing buildings to uses that are similar in nature to Build to Rent, such as from purpose-built student housing, will be expected to comply with the above affordable housing requirements.

The change of Affordable Private Rent dwellings to another tenure will be permitted only where:

- it is clearly impracticable to retain the dwellings in Affordable Private Rent, for example because the Build to Rent development is being converted to owner-occupation; and
- the full value of the subsidy for the affordable private rent dwellings is paid as a commuted sum to the city council for reinvestment in the provision of affordable housing.



## Manchester

Manchester City Council has responded to growth in both the wider Private Rented Sector and the Build to Rent sector through the provision of numerous area-specific regeneration frameworks, for example in relation to the St John's former Granada Studios complex. These provide site-specific policy context, delivering certainty but often a good degree of flexibility, and in many cases directly encourage the development of Build to Rent accommodation.

This support is provided in the context of the Manchester Residential Growth Prospectus, which encourages and guides residential development across the city. The prospectus identifies six key principles for the future growth of the residential sector, including support for a quality Private Rented Sector, which makes an important contribution to the city's housing market.

A formal policy is not in place.

## Leeds

Savills reports around 40,180 Build to Rent homes are now complete. The level of completions in Leeds is around 3% equating to 1,205 homes. Build to Rent developments in Leeds can either provide affordable housing on-site as advised in national guidance or in line with the Policy H5 (Core Strategy - as amended by the Core Strategy Selective Review 2019- Leeds Local Plan) which states:

Build to Rent developments shall provide either:

- on-site, according to national policy advice, currently 20% Affordable Private Rent dwellings at 80% of local market rents administered by a management company with appropriate arrangements for identifying households in need, including city council nomination rights, which apply in perpetuity;
- on-site, the percentage of affordable housing specified by Leeds with a mix of intermediate and social rented types of affordable housing at affordable housing benchmark rents, administered by either a registered provider or a management company, with appropriate arrangements for identifying households in need, including city council nomination rights, which apply in perpetuity;
- a commuted sum in lieu of on-site provision of affordable housing of option

Departures from this policy need to be justified by evidence of viability considerations.



## Birmingham

Birmingham has embraced Build to Rent and is an early adopter of positive planning policies. This is set out in the Birmingham Development Plan to include positive modifications stating specific support for Build to Rent developments. The Birmingham Development Plan also gives explicit recognition of the economic circumstances surrounding the delivery of Build to Rent schemes and the need to have regard to each scheme's particular characteristics when assessing viability. There has been a wave of Build to Rent proposals in the city since adoption of the Plan in 2017, and this has been supported by the positive approach of the city council. The city council has also established a delivery vehicle to bring forward schemes for private rent on council owned land.

The plan states, *'The Private Rented Sector, where multiple units are developed and held in single ownership for long term rental, is supported by the city council as making an important contribution to the supply of housing in the city, and meeting the needs of a mobile workforce, young professionals, households who have deferred house purchase or those who prefer to rent as a lifestyle choice. The city council recognise the different characteristics of such developments (typically funded by large institutions or investors), including the lifetime development economics, which look to longer term returns rather than short term 'market' gains (compared to more traditional open market schemes), and will have regard to its particular characteristics during the decision making process when assessing the acceptability and viability of schemes.'*

## Belfast

Within the City Centre Regeneration and Investment Strategy, the council has identified an aspiration to increase the city centre residential population and has acknowledged that the Private Rented Sector could assist in contributing to this objective. The council has published a Draft Plan Strategy as part of the emerging Local Development Plan which identifies a requirement for 6,000 homes in the city centre. These representations have included consideration of the potential impact of policy requirements, such as affordable housing, on the Build to Rent market.

The strategy confirms, *'Available publicly owned sites should be marketed in this context where possible, and development of key privately-owned sites should also be supported. Market and Development Briefs should be prepared for key residential sites, and if necessary financial models should be prepared to underpin and support funding package applications (e.g. Build to Rent for private rented housing). There is a need to ensure that future city centre residential developments are appropriately located and contribute to the creation of balanced communities. Such a strategy could initially focus on quality market housing to ensure that a market can be firmly established and address the imbalance that currently exists in the city centre's residential provision. Emerging planning policy regarding developer contributions and the existing requirements for social and affordable housing will ensure that an appropriate mix of affordable units is provided as new market housing is developed. The aim is to stimulate the private sector in order to encourage the development of a self-sustaining quality residential market environment that provides a mixture of tenures and meets the range of needs of a growing city centre population. Care should be taken to bridge the divide between the centre and its adjoining communities'*.

## Newcastle Upon Tyne

Newcastle has introduced policies in line with Government recommendations and have applied space standards in line with other tenure types following viability work.

## Summary

From reviewing the existing policy documents available, it is clear that there are few authorities that have developed detailed planning policies. The London Plan presents the most developed position in relation to this new type of accommodation asset class.

From the outset the London Plan is positive and directive in terms of Build to Rent. The London Plan is also the only policy which references Discounted Market Rent.

Where a developer is proposing a Build to Rent development which meets the definition set out in the policy, the affordable housing offer can be entirely Discounted Market Rent, managed by the Build to Rent provider and delivered through planning gain without grant.

The mayor's strong preference is for Discounted Market Rent homes to be let at London Living Rent level, to ensure city-wide consistency in approach.

In all cases the borough must ensure that the Discounted Market Rent units fully meet the definition of intermediate housing and are affordable to those eligible for intermediate rented housing.

The majority of Discounted Market Rent products, where they meet the requirements of the Community Infrastructure Levy (CIL) regulations qualify for mandatory Community Infrastructure Levy relief.

The London Plan is also unique in providing a fast track route for developers if they provide the required affordable requirement.

Due to the geographical make-up of London, the plan does indicate further support can be secured from individual boroughs in particular in relation to accessing institutional investment.



# POTENTIAL LOCATIONS FOR BUILD TO RENT



## Introduction

Because of differences in demographics and income levels across the study area, and the varying nature of each site, Build to Rent would most likely attract a range of households and incomes across the study area, and a diverse range of quality jobs and neighbourhood facilities. Build to Rent may be attractive to a range of households who may not be able to afford to buy a property given the affordability challenges across the study area. It is also likely to be attractive to younger households starting out, who may not be able to afford to buy or who may actively choose to rent, and households fulfilling key or local worker roles whose incomes limit their housing options and for whom securing a quality rental product might be attractive. A Build to Rent product can help to fulfil all of these requirements.

This study has focussed on assessing 9 strategic sites which could offer opportunity for Build to Rent, these briefly reviewed below. Please note that there may also be other sites which offer opportunities for Build to Rent, not picked up in these reports, such as town centre or regeneration sites located close to public transport networks.

### North East Cambridge

North East Cambridge is within an up and coming area including land within Cambridge and South Cambridgeshire, with lots of new development planned including hotels, car parks and cafes. It has the potential to become a new 'hub' in the city. The Science Park is also located here, attracting workers, and there are excellent transport links. The emerging draft North East Cambridge Area Action Plan identifies potential for at least 8,000 new residential units made up of a range of housing types, sizes and tenures.

The new homes will be available to meet many needs, and local workers and housing tethered to employment use are being considered as target groups.

Cambridge is unusual in comparison to similarly sized regional cities as it currently has no Build to Rent homes under construction, although some potential schemes are under discussion. One of the drivers for Build to Rent growth is likely to be affordability and agents confirmed there is strong rental demand both from young professionals looking to live in the city centre, and increasingly from families looking for homes in more suburban or rural locations. The rental market in Cambridge performs well, property is letting quickly, and rents are increasing.

The market is showing signs of a growing demand for a higher specification offer. Agents felt that it was an ideal location for renting and would provide a range of houses and apartments.

### Northstowe

Northstowe is in South Cambridgeshire and a designated new town situated on the former RAF Oakington base and surrounding farmland between Cambridge and Huntingdon. The proposed development will deliver 10,000 new homes providing accommodation for 24,000 new residents with the construction split across 3 separate planning applications. Northstowe is located 5 miles north-west of Cambridge, within a dynamic sub-regional economy, driven by the success of Cambridge as a hub for high growth business clusters in information technology, biotechnology and clean technologies.



As a new economic driver, the town has the potential to perform a distinctive economic role, not only supporting and adding value to these clusters, but also developing and sustaining its own economic specialisms based on its unique status as a new town. The site offers potential for Build to Rent as an urban product for younger people in the town centre but also has the potential to offer family homes perhaps away from the main centre.

## Land north of Waterbeach

Is a significant site that encompasses the RAF barracks plus the redundant airfield strip adjacent to the A10 and agricultural land to the east. The site is in South Cambridgeshire and has been allocated in the South Cambridgeshire Local Plan (2018) (policy SS/6) for the development of a new town of approximately 8,000 to 9,000 dwellings. It will provide a range of uses appropriate to a new town, including a residential development of market & affordable dwellings. A mix of tenures, dwelling sizes and unit types will enable the scheme to grow into a balanced and inclusive community.

Local letting agents recognise the potential of the proposed area to provide affordable rented alternatives to sale and recognise a wide catchment area reaching into Cambridge as well as surrounding towns. Demand for a higher specification product is clearly recognised as well as the opportunity of providing affordable private rent.

## Bourn Airfield

Bourn Airfield is in South Cambridgeshire and has been allocated in the South Cambridgeshire Local Plan (2018) and Local Plan policy SS/7 'Bourn Airfield' for the development of a new village of approximately 3,500 homes. Situated some 8 miles west of Cambridge City Centre, the new village should include a wide range of housing types and tenures throughout the site, including affordable housing and specialist housing for older people.

The final number of dwellings will be determined through a design-led approach and be appropriate to creating a high-quality community which can support a range of local facilities. The location of the site and the connectivity to Cambridge, plus transport links to the wider area including London, provides an ideal base for developing a private rented offer within this scheme.

Agents confirmed that there is interest in rented options in South Cambridgeshire and that a Build to Rent offer would likely be popular and attract a range of incomes. This could provide much needed key worker accommodation to the likes of Addenbrooke's Hospital. The key driver affecting the need for affordable housing including Affordable Private Rent will be the high cost of buying or renting on the open market in comparison to local household incomes.



## Haverhill North East

Haverhill North East is approximately 1 km north-east of the town. The site has been identified by West Suffolk Council to deliver a new sustainable urban extension to Haverhill.

Over the next 20 years, it can provide 2,500 homes, new employment space, transport improvements, new schools, community leisure and recreation facilities and public open space including a country park. The proposed development will deliver residential units in phases. A mix of dwelling types will be provided both in terms of size and tenure. The exact mix will be determined at the reserved matters stage for each phase, in order to respond to the prevailing housing needs at that time. 30% affordable housing will be required.

## Haverhill North West

Haverhill North West is 1.2km north of the town. The West Suffolk Housing Delivery Study (2019) indicates a capacity of 1,150 homes, including 375 assumed completions between 2017 and 2022. As part of the North West Haverhill development proposals, a new link road will be delivered from the A143, Haverhill Road ('the Bury Road') around the north-west of the town to the A1307 Withersfield Road.

The north-west site has capacity for up to 1,150 dwellings, whilst **North East Haverhill**, up to 2,500.

The Haverhill sites could include rented accommodation with Build to Rent with Affordable Private Rent on offer for new residents.

## Bury St Edmunds West

Is currently open farmland located off the A14 Newmarket Road on the outskirts of the village of Westley, which itself is within 2 miles from the centre of Bury St Edmunds.

The site is well positioned for vehicular traffic with the A14 linking Ipswich (23 miles) to Cambridge (28 miles). The attraction of the site is obvious given its proximity to Bury St Edmunds and the lifestyle offer this town can afford to families and commuters. Bury St Edmunds has a good range of restaurants, the contemporary Arc Shopping Centre with a conglomerate of high street retailers, two cinemas, the Apex Arts venue and a plethora of bars etc., along with many sports facilities. This site is allocated to deliver around 450 homes of mixed tenure and size, including affordable homes.

## Bury St Edmunds North East

Is agricultural land. The development will provide around 1,250 new homes, the site is being promoted by Berkeleys.

## Bury St Edmunds South East

Is a large site which is primarily farmland, it lies within 1 mile of the town centre and is adjacent the A14 highway. The site has capacity of 1,250 homes. As with all of the Bury St Edmunds sites there is a market opportunity to develop a Build to Rent site at scale to provide a product in the market aimed at those consumers who cannot afford market homes nor qualify for affordable housing.

Some sites in West Suffolk are already at an advanced stage of planning and have developers on board and so may no longer offer opportunities for Build to Rent development.



# STAKEHOLDER FEEDBACK



## Registered Provider feedback

Feedback was received from four Registered Providers operating locally about their interest and appetite for Build to Rent in the study area. These were BPHA, Cross Keys, Clarion and Hastoe.

Registered Providers who provided feedback had no experience of developing or managing Build to Rent.

Of the four Registered Providers who responded, only Bedfordshire Pilgrims Housing Association (BPHA) would consider delivering this product albeit this was not a commitment. BPHA confirmed that whilst the “Affordable Rent” model allows housing providers to charge 80% of market rent, it is BPHAs’s policy to cap rents at Local Housing Allowance in every area, or sometimes 90% (4-bedrooms) or 95% (3-bedrooms) of the Local Housing Allowance in high value areas such as Cambridge City, as this assists the BPHA lettings team with affordability and generally leads to more sustainable tenancies.

Cross Keys Homes confirmed that their priority was Affordable Rent but delivering Build to Rent and Affordable Private Rent would be considered if Affordable Rent could not be achieved. Cross Keys did not rule out delivering Build to Rent but the focus would need to be investment driven. This was the same for Clarion where it was not part of the business plan.

Hastoe confirmed that it does not deliver the Build to Rent product as it only delivers traditional exception sites. Its primary focus is on affordable housing, preferably for affordable rent, which it believes meets the housing needs of the local area.

The appetite to deliver Build to Rent across the study area was limited, with Registered Providers clearly prioritising Affordable Rent as a better use of capital resources. There was some potential interest in managing Build to Rent.

In terms of planned Homes in Multiple Occupation development, there was a mixed response to delivery. Whilst further details would be required, Cross Keys Homes, confirmed potential interest.

Whilst only four Registered Providers responded, amongst whom there was little appetite for developing or managing Build to Rent, there may still be an opportunity to engage with Registered Providers in Build to Rent.



## Investor feedback

We spoke with the Live Group who represent investment research and decisions for a significant number of Build to Rent developers and investors across the UK. The feedback is set out below:

Build to Rent developer and investors invest significant resources in demand appraisals and due diligence on all individual Build to Rent schemes before making investment decisions. This would include access to detailed information on written viability /investment reports and red book valuations. In terms of market information, this is considered on population, local income levels, target profiles, market competition and specifications, average rent, unit mix, rent comparisons, affordability, rent projections, operating cost model and absorption rates.

It would be useful for councils to request sight of the findings of individual market demand appraisals at planning application stage.

Investors consider the market to be very buoyant and have no concerns about future demand diminishing. In fast moving markets, the market can usually absorb between 30 to 40 leases per month (per scheme), so on a 200 unit scheme a letting time of 5 to 6 months would be envisaged.

Rent levels are inclusive of service charges and sometimes utility bills. This impacts on viability. Investors understand that planning requirements vary between planning authorities, but that local authorities are generally keen to support development models that provide more rental accommodation, and especially more affordable rented properties rather than high-end projects. Investors also support this.

The luxurious add-ons of high-spec (and unsold) build to sell developments e.g. the gyms and saunas and rooftop infinity pools, may be of less importance to working tenants than secure bicycle storage, hassle-free superfast Wi-Fi, and a concierge service accepting deliveries during the day.

To share the management services costs, 50 units is seen as the minimum to drive economies of scale, and plans are developed for schemes as large as 2,000 units. But there are still opportunities for small to medium scale developers to adopt elements of the model.

The main target market is 24 to 35-year olds who cannot afford to join the housing ladder, but investors also have good demand from empty nesters up into their 80s. Investors are supportive of councils having some involvement in client eligibility for all units that are let as affordable private rent. Choosing the right tenants is central to success. Aside from the fact that investors depend on them for rental property income, they can also have a good or bad impact on investment. Choosing the wrong tenant often means investors must pay for unnecessary maintenance and repairs, or worse, eviction.

Location has always been the most important feature of a property. If you are in the right location, you can command higher prices for rentals without having to do much else. Renovations and square footage become secondary concerns. People are much more willing to compromise on other amenities if they are in a location that is desirable to them in some way. Think of any area close to a large city. People are willing to pay much higher prices to be in the heart of it all, being close to transportation, shopping, food, and entertainment.

Renters tend to make more use of public transport. Popular build-to-rent developments are built close to transport and other infrastructure, making use of brownfield development opportunities, and supporting activity in town and city centres.

Renters like an open floor plan. An open floor plan can help a smaller space appear larger. Many feel a kitchen that is open to the living space allows for better entertainment. This of course, is an individual preference and some target households may not choose this.

For renters with cars, parking is important in Build to Rent. Off-street parking is even more desirable. Being able to provide the tenant with a parking spot on the driveway or in a garage will help to get the unit rented quickly. In suburban locations, parking is more readily available. If this garage is too far away from the property, for example more than 100 metres, this could be a deal-breaker. (Although there is also evidence that Build to Rent can attract less car usage, and schemes should be treated individually).

Developers may choose to keep control of the project from securing the planning permission through to rental income or selling on to a management company. So, funding vehicles range from development finance to bridging finance transferring to a buy to let mortgage.

Build to Rent development needs to generate rental income to make a return on investment. This means there is a strong incentive to implement a planning permission and to start building at pace. This model supports the acceleration of construction on large (phased) sites and means that Build to Rent development can also be delivered simultaneously with other housing tenures as Build to Rent is aiming at a different part of the residential market.

The financial models and ownership structures for Build to Rent development are fundamentally different to the 'for sale' housing market. The intention of those who own a Build to Rent scheme is generally to maintain them as homes for rent for the long-term, not breaking up the scheme to turn some or all of the homes into for sale housing, and to generate long-term income from the rent that could be used, for example, to support pension liabilities. When homes are built for sale, the money the developer puts into the scheme is tied up for a shorter period, until the homes are sold, compared to when a developer is delivering a Build to Rent scheme, when the money can be tied up for several years, if not significantly longer.



A lump sum of profit - capital growth - is only made on a Build to Rent scheme when it is sold at the end of an investor's holding (if indeed at all, given that the investment model is generally based on long term rental yield). As Build to Rent developers do not generate an early profit, this means that the development is valued in a different way to for sale developments and this may affect the viable level of planning requirements such as affordable housing and other planning obligations, particularly when also accounting for mandatory Community Infrastructure Levy payments. In addition to these long term cash flow issues, it is also significant to note that when a Build to Rent scheme is valued upon completion, it will generally be valued lower than an unencumbered, identical property which can be sold on the open market.

The Build to Rent model offers the opportunity for joint ventures or other forms of collaboration between developers, investors and operators of buildings. In some instances, one organisation performs all these roles, while in others multiple partners are involved. Councils are particularly well placed to enter into a joint venture or partnership through their land, property assets and investment power (local government pension schemes for example). At a time of constrained financial resource, Build to Rent can provide councils with a reliable long-term revenue stream.

Tenants that meet the terms of their tenancy agreement are encouraged to stay longer, with longer-term leases and tenant-only break clauses. They may also have more freedom to make internal changes and improvements to their properties. Also, longer-term tenancies of course mean fewer voids for the landlord. Investors are more than willing to offer 3-year tenancies but confirm that few take up this offer.

Build to Rent generally supports the on-site provision of affordable housing. There may be some scheme specific circumstances which result in better public value via an off-site provision. Investors would be more than happy to provide on-site contributions. Investors understand and are supportive of the need to offer tenure blind Affordable Private Rent but did point out that there may be good reasons, such as reducing the management costs for tenants, why in some instances the affordable homes are not integrated into the development and are built in a separate block and/or have different entrances and cores.

Investors suggest that 20% on-site provision at 20% discount from market rent is the maximum affordable private rent that can be provided. Investors seemed comfortable with this across the study area but would be prepared to consider alternative options of variations in the percentage of affordable housing versus the percentage of discount from market rent. Investors know that additional discounts and larger proportions of Affordable Private Rent have been secured in London but generally support 20% on site provision elsewhere.

Investors are positive about the potential of the Cambridge market but understood South Cambridgeshire and West Suffolk less. Having explained the markets, investor feedback confirmed that both single/couple type provision as well as family-based provision would potentially be options to consider, and confirmed the attractiveness of sites close to public transport networks.



# **PLACE SHAPING, AND THE ROLE AND RISKS OF BUILD TO RENT**



## How Build to Rent can make a positive contribution

The Build to Rent sector is focused on generating long-term income so it takes a long-term interest in the property, surrounding public realm and the wider community within which a development sits. Single ownership of a building and its associated public realm provides a strong ability and incentive to create, manage and maintain good quality places. Build to Rent operators (and those who ultimately own the building) rely on the strength of their reputation and brand and this is directly associated with the quality of the homes and the places they create and maintain. Build to Rent operators will invest in the maintenance and renewal of their schemes covering everything from the accommodation itself through to the public realm and any commercial uses in the development such as cafés or restaurants to ensure they remain attractive for tenants and the wider community.

There are potentially a number of reasons why the industry considers that Build to Rent schemes, particularly in town centre/urban contexts, can bring wider regeneration and economic benefits. For example, Build to Rent schemes in town centre locations tend to offer greater opportunities for higher density development, increased local household incomes and propensity to spend in the local area. A report by the British Property Federation 'Unlocking the benefits and potential of Build to Rent' Feb 2017 confirmed ways this could operate including:

Residents of Build to Rent schemes may bring greater economic benefits. This, for example, is in terms of greater local spending, leading to creation of more local jobs in services including retail and leisure. If schemes also include / support co-working and/or business start-up type space, it could also facilitate creation of digital and media type jobs.

Build to Rent schemes may deliver more housing units and take more appropriate advantage of the higher public transport accessibility of town centre location than other types of development. An element of this case could be that residents of Build to Rent flats are less likely to own cars and want car parking spaces, consequently freeing up more of the sites for homes and/or employment uses. Research has shown that tenure has an impact on private car ownership levels (Households that occupy rented accommodation can have up to 0.5 fewer cars than owner-occupied households in dwellings of similar size and type (Department of Communities & Local Government, 2007).

The higher absorption rates of Build to Rent compared to sale developments can mean that delivering a proportion of Build to Rent on larger multi-phase regeneration sites can have placemaking benefits by accelerating the occupation of the site, helping foster a sense of community whilst the wider development may still be on-going.

Arc4 observations are that Build to Rent developments can make a positive contribution to increasing housing supply and are beneficial in a number of ways. They can:

- attract investment into the housing market that accelerate delivery on individual sites as they are less prone to 'absorption constraints' on build-out rates;
- deliver more readily across the housing market cycle as they are less impacted by house price downturns;
- provide a more consistent and at-scale demand for off-site manufacture;
- offer longer-term tenancies than are available in the wider private rented sector and more certainty over long-term availability;



- ensure a commitment to, and investment in, place-making through single ownership;
- provide better management standards and better-quality homes than much of the mainstream Private Rented Sector; and
- provide accommodation to support local economic mobility, enabling people, particularly key workers access to good quality accommodation.

Another positive externality the industry associates with the management of Build to Rent schemes is the number of additional jobs generated. It is estimated that for every 500 Build to Rent units approximately 15 jobs are created (including concierge, estate management, building management, cleaners, maintenance and gardeners). Source: Build to Rent: Unlocking the potential of an emerging sector, British Property Federation.

These jobs can generate wider economic benefits for the economy which are again not priced into the narrower commercial incentives relating to Build to Rent schemes and alternative competing potential uses of possible Build to Rent development sites.

In the sites considered across Cambridge, South Cambridgeshire and West Suffolk, Build to Rent has the potential to support the delivery of these locations by:

- providing alternative tenures and property type for rent, including affordable housing;
- providing additional opportunity for smaller housing that assists people to downsize their home as they move through the life cycle;
- potentially supporting home working, as schemes can be developed with shared workspace opportunities;
- providing the potential to speed up delivery;

- creating job opportunities;
- maximising the potential of public transport, requiring fewer car park spaces;
- helping to foster a sense of community whilst the wider development is still ongoing;
- creating a more diverse property market from what is currently on offer by introducing different property types and tenures to support a range of incomes;
- providing homes to economically mobile professionals and homes for essential workers who deliver key services, for families and for older people; and
- potentially providing a long-term income stream to the local authority if it has considered investment in Build to Rent.



## Improving quality and design of Build to Rent

Quality and design is key to ensuring successful schemes, and a number of recent reports have been developed which should be considered in delivering Build to Rent developments

[The Good Quality Homes for all Londoners Supplementary Planning Guidance consultation draft](#) sets out how to get the right quantity of new housing, at the right quality, in the right places. It is a set of documents designed to ensure that land is used in the best way to deliver the right quantity of new housing, at the right quality, in the right place, embedding high-quality design at the centre of housing delivery.

This draft housing design guidance is made up of a foreword and four modules that work together to support the implementation of a number of the London Plan's policies including optimising site capacity, and housing design.

Another report, [Revolutionary Low-Rise](#), seeks to 'explore and reveal a set of ground-breaking historic housing typologies as a means to offer spatial solutions to the contemporary challenge of the densification of London's suburbs'.

'As the capital searches for solutions to an ongoing housing shortage and adopts a policy driven pro-growth agenda, low-rise high density typologies offer an approach to development which enables densification and an increased number of homes, without reducing quality of life or negatively impacting existing neighbourhoods. '

Place Alliance published a [National Housing Audit](#) in January 2020 on the design quality of new housing developments. It was based on a design audit of 142 housing developments across England, and correlations with data on market, contextual and design governance factors. A check list of 17 design considerations was published which confirmed the need to provide a mix of housing types to meet housing local needs. We recommend that the local authority considers the specific recommendations when considering Build to Rent schemes:



## Potential disadvantages and risks around Build to Rent schemes

Most of the documentary evidence available highlights the positive benefits that Build to Rent can bring to an area. However, the market is still relatively young, and larger schemes are now starting to come forward as investor confidence grows. As Build to Rent becomes more mainstream there is the potential for more critical research and analysis to start coming forward around whether there are disadvantages and risks around Build to Rent schemes, for councils, for scheme residents and for the wider community.

An internet search suggests the following potential issues which may require consideration:

- Although offering longer tenancies for tenants than in the wider private rented sector can go some way to mitigate risks around high turnover of tenants, this needs to be balanced with the need for residents to have choices around length of tenancy and how long they stay. Tenants choosing a shorter length tenancy may limit the ability to mitigate any issues which might arise.
- Fewer requirements to provide affordable housing on site. This has a “pro” built in for developers (who can often choose to provide a commuted sum as an alternative) looking to get away from the Government standards to provide more affordable housing as part of new developments. So far it seems that Build to Rent projects are bypassing many of the more stringent requirements to provide affordable housing as the Government looks to the Build to Rent market to help solve the issue of housing supply.
- A lower percentage of affordable housing than might normally be delivered through planning obligations on other types of residential development. This in turn may make it more difficult to deliver the overall required percentage of affordable housing across larger developments to meet identified need.
- There may be community risks if a scheme is decommissioned at any point; local authorities may have limited control over future use of housing.
- Whilst there is a significant amount of profit to be made in the long-term from a Build to Rent property, investment return can take time which can make planning negotiations more challenging as investors may prioritise return over mitigating against wider place-shaping concerns and other issues.
- With Build to Rent development valued in a different way to for sale developments, this may impact on the viability of delivering planning requirements, including a lower proportion of affordable housing, and Community Infrastructure Levy payments in those districts which have Community Infrastructure Levy.
- Registered Providers won’t necessarily see Build to Rent as a priority as part of their core business, which are the usual organisations that Local Planning Authorities engage with for affordable housing. This can lead to the need to develop new relationships with providers of Affordable Private Rent whose priorities for the area may not necessarily reflect a local council’s priorities.



- There is potentially less control from the council on who takes up Affordable Private Rent units than there is for Social/Affordable Rent housing and it may then not support councils 'objectives to achieve a mixed community or to target particular groups or income levels.
- There is no national regulatory management of Build to Rent schemes in place as there is for social housing and much of the success of the scheme will be dependent on the quality and control of the management company. For example, Issues relating to anti-social behaviour may increase if poor management in place, especially if the Build to Rent scheme is of high density. Although it should be noted that it is in the interests of the provider to ensure schemes are effectively managed and attractive to prospective tenants.
- A high proportion of privately rented homes in an overall development could impact on community development. As observed in the private rented sector more generally, tenants may have less of an invested commitment to the area than those who would generally purchase on the open market.
- All the benefits of Build to Rent can be expensive and the extra facilities and services mean the average rent on these developments is higher than the norm. [JLL Residential Research](#) recently undertook analysis of 25 schemes across London, which confirmed that on average, Build to Rent charged a rental premium of 11% over their respective local markets:

[A recently published report on high density living from the London School of Economics](#) is based on research that took place from 2016 to 2019. It considered 14 high-density schemes in London and considered five broad questions:

- Who lives in these homes?
- How did residents come to live in these schemes, and why did they choose them?
- What is day-to-day life like, and what are the pros and cons of high-density living?
- Do residents feel a sense of community in their developments and belonging to the surrounding neighbourhoods?
- What are residents' housing aspirations? Do they consider their flats to be long-term homes?

The findings and recommendations would also apply to the development of Build to Rent as it is likely that Build to Rent schemes will create sharp increases in new residents over a short time frame. The findings consider: how to better engage community and integrate people into neighbourhoods; the need to develop infrastructure before schemes are delivered; and to think creatively about storage space. The report recommends the benefits of post occupancy surveys to learn from resident experience.

It is recommended that the local authorities visit Build to Rent schemes elsewhere and discuss with other authorities whether there have been down-sides to promoting Build to Rent as an option.



# POTENTIAL DEMAND FOR BUILD TO RENT



## Assessing need for private rented sector (market rented) housing and associated demand for Build to Rent

As previously confirmed, there is clearly an opportunity for Build to Rent in all 9 locations

The Ministry of Housing Communities and Local Government confirms that as part of their plan making process, local planning authorities should use a local housing need assessment to take into account the need for a range of housing types and tenures in their area including provisions for those who wish to rent.

‘The assessment enables an evidence-based planning judgement to be made about the need for Build to Rent homes in the area, and how it can meet the housing needs of different demographic and social groups. If a need is identified, authorities should include a plan policy setting out their approach to promoting and accommodating Build to Rent. This should recognise the circumstances and locations where Build to Rent developments may be encouraged, for example as part of large sites and/or a town-centre regeneration area.’

It is expected that work will be progressed as part of a separate project to assess the housing needs of specific groups across Cambridgeshire and West Suffolk.



# RECOMMENDATIONS FOR POLICY OPTIONS



## Recommendations for policy options

It is recommended that the local authorities develop a clear policy approach to Build to Rent. They should consider including some of the following as policy options.

| Recommendations for policy options    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>All Build to Rent homes</i></b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Type/ Quantum                         | Generally, on the larger strategic and urban developments, the minimum number of units for a Build to Rent should be 50, (ie where the development is in a block or phases the development has to have at least 50 units). However, for more rural settings and on smaller schemes, the local authority may consider a lower number for a Build to Rent scheme. There is no maximum number that it is appropriate to apply to all sites but any planning submissions must evidence how the scheme will support the place shaping agenda and meet local housing need, and demonstrate that the scheme complements the existing or proposed surroundings in terms of scale and other wider policy considerations including overall scheme viability. |
| Unit Mix                              | A range of unit sizes should be provided, in line with up to date evidence, including family sized units.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Management and Marketing              | <p>A single management company/operator should provide management of the development.</p> <p>All homes should be under common management, and Affordable Private Rent managed alongside the market private rented homes.</p> <p>All residents should have access to the same high-quality amenities.</p> <p>Marketing and management plans will need to be agreed with the council.</p>                                                                                                                                                                                                                                                                                                                                                            |
| Distribution across development       | Build to Rent schemes on larger sites should be distributed across large scale developments in small groups wherever possible and be designed to be tenure blind.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Tenancy                               | A minimum 3-year tenancy should be offered, with a 'tenant only' break to allow tenants to end the tenancy with a months' notice after the first 6 months.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

| Recommendations for policy options                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual Rent Increases                                           | Rent certainty should be provided to tenants for the period of their tenancy by clearly setting how rent reviews will be carried out.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Letting Fees and Deposits                                       | No upfront letting fees should be charged to tenants. Deposits must be held securely in an appropriate Deposit Protection Scheme.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Service Charges                                                 | All rents should be inclusive of any service charges.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Renewal Option                                                  | All tenants who have complied with their tenancy conditions should be given the option to renew their tenancy at the end of the tenancy period.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Covenant Length                                                 | The market rent homes should be retained in rental use for 15 years or a clawback mechanism will be applied.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Covenant Clawback for Build to Rent and Affordable Private Rent | <p>A clawback mechanism will ensure there is no financial incentive to break the covenant. The mechanism could follow the formula set out in government guidance.</p> <p>A clawback mechanism should apply for circumstances where developers need to sell all or part of a Build to Rent scheme into owner occupation or to multiple landlords or, exceptionally, to convert Affordable Private Rent units to another tenure. The section 106 agreement should consider such scenarios and, in particular, include a mechanism to recoup ('claw back') the value of the affordable housing provision that is withdrawn, if Affordable Private Rent homes are converted to another tenure.</p> <p>The following is a government guidance formula that may be used to calculate the amount of clawback payable when Affordable Private Rent homes are withdrawn.</p> <p>Clawback sum = <math>D \times E</math></p> <p>where:</p> <p>D is the price at which the home(s) withdrawn from affordable private rent are sold</p> <p>E is the percentage discount that had been applied to the rent in respect of the affordable private rent home(s) being sold.</p> |

| Recommendations for policy options |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                    | <p>For example, if the home had a sale value of £500,000, and the discount level is 20%, this would generate a clawback of £100,000.</p> <p>It is for local authorities to decide how to structure any clawback arrangement for private market rent homes. Clawback could be calculated by reference to viability and values at the time of the original application, or values and viability when the scheme is sold. One approach could be for authorities to encourage developers to submit two sets of figures when applying for the original permission; one for a 'Build to Rent scenario' and another for a 'build for sale scenario'. This would provide certainty and clarity for all parties as to all the initial values applying to the scheme, including the affordable component under a sale scenario, in the event that all or part of the Build to Rent scheme is sold.</p> |
| Design Standards                   | Build to Rent homes should be designed, constructed and managed to a high-quality standard. Individual schemes should meet any relevant local and national planning policy requirements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Place shaping                      | Consideration should be given to the potential implications of Build to Rent schemes, both positive and negative, on place-shaping.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Short Term Lets (Air B&B etc.)     | Consideration should be given to how the potential negative impacts of short term lets can be mitigated.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Monitoring                         | The councils should be clear on the sorts of monitoring arrangements that will be required to ensure that conditions and obligations are fulfilled.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Affordable Private Rent</b>     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Quantum                            | In line with national guidance, a minimum of 20% of the homes should be required as affordable housing (Affordable Private Rent), subject to local evidence. Local authorities may wish to seek a higher percentage based on local evidence and/or broader policy requirements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| On-site                            | It is generally expected that developers will meet their affordable housing requirement by providing Affordable Private Rent homes on-site.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Recommendations for policy options |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tenure and Discounts               | <p>All Affordable Private Rent homes should be let at an agreed discount from the local market rent based on an equivalent local property. Discount levels should reflect local affordability to ensure the homes meet the local need for affordable housing. Some properties (such as. larger ones) may require a higher discount than others to meet local affordability requirements.</p> <p>The local authority may wish to vary the proportion of, and explore a trade-off between the number of Affordable Private Rent units and the discount offered on them across the development, with the proviso being that these should accord with the headline affordable housing contribution agreed through the planning permission.</p> <p>All options should be agreed jointly between the local authority and the developer as part of the planning permission.</p> <p>Build to Rent developers should assess the market rent using a locally appropriate equivalent of the definition of the International Valuations Standard Committee as adopted by the Royal Institute of Chartered Surveyors. (Or local equivalent).</p> |
| Unit Mix                           | A range of unit sizes may be required for the Affordable Private Rent homes, potentially in equal proportions to the Build to Rent units, based on local market conditions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Eligibility                        | <p>Eligibility should be determined with regard to local household income levels, related to local rent levels. The councils may want to consider whether first priority should be given to applicants with an agreed local connection. The council concerned may also want to seek a proportion of the Affordable Private Rent homes to be tethered to local employment where appropriate, or to meet other local needs, based on local circumstances.</p> <p>A bespoke eligibility agreement should be agreed with the council on all developments.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Monitoring                         | An annual statement should be required to demonstrate how the Affordable Private Rent homes are meeting local housing need.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Covenant                           | The Affordable Private Rent homes to be retained as affordable housing in perpetuity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Covenant Break Clause              | There should be no break clause for the affordable housing which shall remain as a community benefit in perpetuity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

**Recommendations for policy options**

|        |                                                                                                                                                                                                                                                                                                                                                                             |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Design | <p>All the affordable homes should be tenure blind, and physically indistinguishable and designed to the same high design quality and specification as the market homes.</p> <p>The affordable housing should be distributed throughout the scheme, to help support a mixed and balanced community. Different buildings for different tenures should not be acceptable.</p> |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



## Recommendations on criteria for a proposed scheme to qualify as Build to Rent

For a scheme to qualify as a Build to Rent scheme within the context of this report we propose that the following criteria are considered:

- on the larger strategic and urban developments, the minimum number of units for a Build to Rent should be 50 (where the development is in a block or phases the development should have at least 50 units). However, for more rural settings and on smaller schemes, the local authority may consider a lower number for a Build to Rent scheme. There is no maximum number that it is appropriate to apply to all sites but any planning submissions should evidence how the scheme will support the place shaping agenda and demonstrate that the scheme complements the existing or proposed surroundings in terms of scale;
- units should be distributed across large scale developments in small groups and be designed to be tenure blind;
- the homes should be held as Build to Rent under a covenant for at least 15 years;
- a clawback mechanism should be in place to recoup additional affordable housing contributions in the event of the covenant being broken;
- all the units should be self-contained and let as individual units;
- there should be unified ownership and unified management of the development;
- longer tenancies (three years or more) should be available to all tenants. These should have break clauses for renters, which allow the tenant to end the tenancy with a months' notice any time after the first six months.
- the scheme should offer rent certainty for the period of the tenancy, the basis of which should be made clear to the tenant before a tenancy agreement is signed, including any annual increases which should always be formula-linked;
- there should be on-site management. This does not necessarily mean full-time dedicated on-site staff, but all schemes need to have systems for prompt resolution of issues and some daily on-site presence;
- providers should have a complaints procedure in place and be a member of a recognised ombudsman scheme;
- providers should not charge up-front fees of any kind to tenants or prospective tenants, other than deposits and rent-in-advance.



## Additional policy option recommendations to consider:

- that a positive approach is taken towards Build to Rent development in line with national guidance, where it will clearly help meet local housing need;
- that the councils keep abreast of emerging policy and research;
- that study visits are made to existing Build to Rent schemes to better understand both the positive and negative aspects of Build to Rent;
- that a local approach to Build to Rent viability is established based on local circumstances;
- that authorities request sight of findings of individual market assessments made by applicants at an early stage in the planning process;
- that authorities assess whether policies from other authorities such as a fast track process and local living rents may be appropriate locally; and
- that a development prospectus for Build to Rent is considered for the study area, setting out information about the market and the council's planning policy. It would set out an evidence base for Build to Rent, the benefits and risks for the area in terms of the potential for Build to Rent, potential sites and opportunities, potential returns, invitations to submit applications and the authority's planning policy.



# GLOSSARY OF TERMS



**This section defines some of the terms and acronyms used within the individual site assessments and/or this summary report**

**Absorption rates:** Absorption rate is the rate at which homes sell or rent in a given area during a given time period.

**Affordable housing:** Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers), and which complies with one or more of the definitions in the National Planning Policy Framework (NPPF). In terms of rented housing, as well as affordable private rent it includes social housing at social or affordable rents.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/810197/NPPF\\_Feb\\_2019\\_revised.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810197/NPPF_Feb_2019_revised.pdf)

**Affordable housing contribution:** The contribution made from individual developments towards affordable housing. It can be made in terms of units on a site or as a sum of money, commuted sum.

**Affordable private rent:** Affordable private rent is the affordable housing provision in Build to Rent schemes. 20% is generally, according to government guidance, a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any Build to Rent scheme.

**AOMC:** Area of major change.

**BPF:** British Property Federation [www.bpf.org.uk](http://www.bpf.org.uk)

**Build to Rent:** Build to Rent is a term used to describe private rented residential property, which is designed for rent instead of for sale. As the name suggests, Build to Rent involves the building of homes specifically for the rental market.

**Build out rates:** the speed at which developments are constructed.

**CaMKOx Arc:** The area between Oxford and Cambridge, incorporating the ceremonial county areas of Oxfordshire, Buckinghamshire, Bedfordshire, Northamptonshire and Cambridgeshire forms a core spine that the Government recognises as the Oxford-Cambridge Arc.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/799993/OxCam\\_Arc\\_Ambition.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/799993/OxCam_Arc_Ambition.pdf)

**Clawback mechanism:** Compensation mechanism to apply in the event that any of the market homes are disposed of or converted to another tenure within the covenant period, and/or the affordable private rent homes are withdrawn at any time.

**CPIER:** Cambridgeshire and Peterborough Independent Economic Review. A report developed by the Cambridgeshire and Peterborough Economic Commission, published in 2018. The purpose is to, 'create a single strategic position to help the greater Cambridgeshire and Peterborough area consider the case for greater fiscal devolution and powers to unlock the delivery of major infrastructure, including showing how the area delivers benefits to the rest of UK.' <https://www.cpier.org.uk/about-us/>



**CPCA: Cambridgeshire and Peterborough Combined Authority:** A combined authority is a legal body set up using national legislation that enables a group of two or more councils to collaborate and take collective decisions across council boundaries. CPCA is headed by an elected mayor. Through a devolution deal with Government, powers and funding have been passed to CPCA in a number of areas including delivery of new homes, boosting growth in the region, and chairing a review of 16+ skills in the area. <https://www.cambspboroca.org/>

**DMR: Discount market rent.** DMR the same as affordable private rent

**FTB:** First time buyer

**GCP:** Greater Cambridge Partnership, the local delivery body for a City Deal with central government, bringing powers and investment for improvements in infrastructure, and for supporting and accelerating the creation of new jobs, new homes, and additional apprenticeships. <https://www.greatercambridge.org.uk/>

**GLA:** Greater London Authority

**GVA:** Regional gross value-added using production (GVA(P)) and income (GVA(I)) approaches. Regional gross value added is the value generated by any unit engaged in the production of goods and services. GVA per head is a useful way of comparing regions of different sizes. It is not, however, a measure of regional productivity.

**HMO:** House in multiple occupation

**HTB Help to Buy:** With a Help to Buy: Equity Loan, the Government lends the purchaser up to 20% of the cost of their newly built home, so the purchaser only needs a 5% cash deposit and a 75% mortgage to make up the rest. <https://www.helptobuy.gov.uk/>

**North East Cambridge Area Action Plan:** A development plan to guide the strategy for regeneration of the North East Cambridge area. It will provide detailed policies and proposals for the area.

**Market Rent Homes: Includes Build to Rent and Private Rented Sector homes.**

**MHCLG :** Ministry of Housing, Communities and Local Government.

**NEC AAP:** North East Cambridge Area Action Plan.

**NVQ:** National Vocational Qualification.

**Private Rented Sector (PRS):** Rented accommodation takes many forms. The Private Rented Sector is defined for the purposes of this report from the Census 2011 as 'Private rented: renting from a private landlord or letting agency, employer of a household member, or relative or friend of a household member or other person.'

**Private Market Rent Homes:** homes in a Build to Rent scheme which are not let as affordable private rent homes.



**Registered landlord:** A provider of affordable housing registered with Homes England <https://www.gov.uk/government/organisations/homes-england>

**Viability:** Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.



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