

Waterbeach Market Demand Appraisal Build to Rent

March 2021



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Introduction

Build to Rent is now a distinct asset class within the Private Rented Sector and has been defined in the National Planning Policy Framework glossary, in order to simplify its treatment within the planning system. It is defined as: *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.*

Build to Rent developments are typically owned by companies (such as property companies or pension or insurance investment companies) and let directly or through an agent.

National Planning Policy Guidance on Build to Rent gives information on what Build to Rent schemes should look like.

This report should help South Cambridgeshire District Council to understand the potential role that Build to Rent (BTR) Housing can play in Waterbeach.

The report provides strategic and market context, and will help the local authority to consider, amongst other things:

- location and mix
- 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; and
- how Build to Rent delivery should be balanced with the Waterbeach New Town Supplementary Planning Document.

A glossary of terms is available at the end of this report.



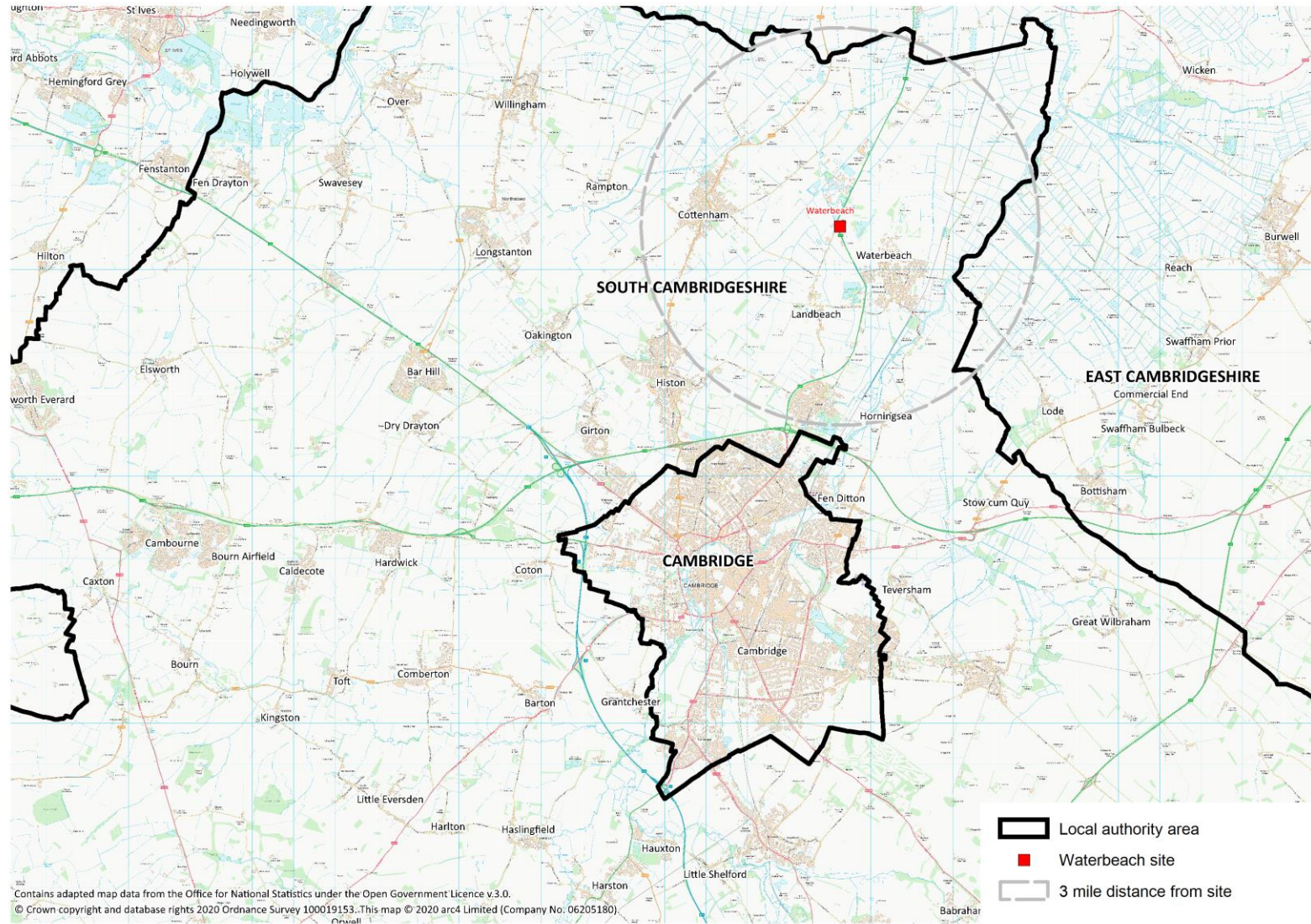


LOCATION AND STRATEGIC CONTEXT



Location

A 3-mile radius has been developed for analysis. This incorporates a radius large enough to access a robust data set but remains focused around the site.



South Cambridgeshire is a largely rural district which surrounds the City of Cambridge and comprises over 100 villages, none currently larger than 8,000 persons. It is surrounded by a ring of market towns just beyond its borders, which are generally 10 to 15 miles from Cambridge. South Cambridgeshire has long been a fast-growing district and in 2017 had a population of 146,800 persons (bigger than Cambridge itself) and has become home to many of the clusters of high technology research and development in the Cambridge Sub-Region.

South Cambridgeshire is located centrally in the East of England region at the junction of the M11 / A14 roads and with direct rail access to London and to Stansted Airport. The A14 bounds the north of the city and creates a link from the east coast and the Port of Felixstowe through to the M1 and M6 motorways. Cambridge is on the London to King's Lynn railway line, with London being accessible within 45 minutes.

Within the next decade, Cambridge should have a new railway line, the East-West Rail project, connecting it to Oxford and Milton Keynes. Cambridge is the centre of a wider travel to work and housing market area with its influence, both as a sub-regional centre and a major focus for employment, including most of Cambridgeshire, and parts of West Suffolk, Bedfordshire, Essex and North Hertfordshire.

South Cambridgeshire is consistently recognised as one of the top places to live and work in the country due to a thriving economy and quality of life. It has a successful local economy which is important on a national stage and South Cambridgeshire is one of the fastest growing areas in the country.

Waterbeach is a significant site that encompasses the current Royal Air Force barracks plus the redundant airfield strip adjacent to the A10. Set within an established residential village setting, the site is well served by transport networks with the A10 that connects into Cambridge (roughly 2 to 3 miles away), the A14 and M11. The village has a railway station which will be relocated so that it can successfully cater for this new development. Direct trains depart from the station to Kings Cross every hour (a 60-minute journey), and Ely to the north, (approximate journey time 45 minutes). The site is very close to the Cambridge Research Park.

The vision for Waterbeach New Town seeks to recreate the benefits of older patterns of development and living that are more in tune with natural systems. This focuses on delivering a high-quality environment to live, work and play in, promoting health and wellbeing and a high quality of life for all.



Local Plan 2018

The adopted South Cambridgeshire Local Plan covers the period 2011 to 2031 and sets out the planning policies and land allocations to guide the future development of the district. Policy S/5 sets out a housing requirement of 19,500 homes between 2011 and 2031 for South Cambridgeshire to meet its objectively assessed needs.

It commits to building new market and affordable homes to meet housing needs, and will support the creation of healthy communities and contribute to the success of the local economy. Building the right type of homes in the right places can also promote energy efficiency and help reduce fuel poverty.

The South Cambridgeshire Local Plan confirms through Policy H/8 Housing Density that:

Housing developments, including rural exception sites, will achieve an average net density of:

- a. 30 dwellings per hectare in Rural Centres, Minor Rural Centre villages, and Group villages;
- b. 40 dwellings per hectare in urban extensions to Cambridge and in new settlements.

The net density on a site may vary from the above where justified by the character of the locality, the scale of the development, or other local circumstances.

Policy H/9 Housing Mix confirms that a wide choice, type and mix of housing will be provided to meet the needs of different groups in the community including families with children, older people, those seeking starter homes, people wishing to build their own homes, people seeking Private Rented Sector housing (Build to Rent), and people with disabilities. The market homes in developments of 10 or more homes will consist of:

- a. at least 30% 1 or 2-bedroom homes;
- b. at least 30% 3-bedroom homes;
- c. at least 30% 4 or more-bedroom homes;
- d. with a 10% flexibility allowance that can be added to any of the above categories taking account of local circumstances.

This is subject to:

The housing mix of affordable homes (except starter homes) in all developments being determined by local housing needs evidence.



Policy H/10 Affordable Housing requires developments of 11 dwellings or more, or on development sites of less than 11 units if the total floorspace of the proposed units exceeds 1,000 metres square, to provide 40% affordable housing on site. This was agreed before the new National Planning Policy Framework threshold was introduced. In the application of this Local Plan policy significant weight will be given to the affordable housing threshold set out in the National Planning Policy Framework which allows for a lower threshold of 10 or more dwellings or where the site area is 0.5 hectares or more. An agreed mix of affordable house tenures will be determined by local circumstances at the time of granting planning permission. Viability evidence and past delivery has identified that 40% affordable housing is viable for most developments in most locations across the district.

Private rented and affordable accommodation

The South Cambridgeshire Local Plan 2018 confirms that the Private Rented Sector plays an essential role in the housing market. The Census 2011 identifies a tenure change to private rented of 3.1% from the Census 2001 for South Cambridgeshire. South Cambridgeshire has high house prices in relation to earnings and affordability within the private sector is a major concern for the district. The increase in size of deposit required for both market and shared ownership means there is likely to be a significant demand for private rented accommodation from low to middle income households. The council supports the Private Rented Sector to grow through Build to Rent, to meet the growing demand for rented homes as part of the market element of housing developments. The council recognises the need to rebalance the market toward smaller dwellings and generally requires 40% affordable housing on new sites.

The Strategic Housing Market Assessment identifies that 11,838 affordable homes will be required to meet current and arising need in the period to 2031, a considerable proportion of all the homes to be built to 2031, however the delivery of such housing will be constrained by development viability, the availability of land, and the need to create sustainable, inclusive and mixed communities.

The Homes for our Future; Greater Cambridge Housing Strategy 2019 to 2023, has seven priorities, including: building the right homes in the right places that people need and can afford to live in; increasing the delivery of homes, including affordable housing, along with sustainable transport and infrastructure, to meet housing need; and diversifying the housing market and accelerating delivery.



Local Plan Policy SS/6 and Waterbeach New Town Supplementary Planning Document

Waterbeach New Town has been allocated in the South Cambridgeshire Local Plan (2018) in Policy SS/6 for the development of a new town of approximately 8,000 to 9,000 dwellings and associated uses. The final number of dwellings will be determined through a design led approach and spatial framework diagram included in the Supplementary Planning Document.

The Local Plan advises that the implementation of the new town will be informed by a Supplementary Planning Document. The Waterbeach New Town Supplementary Planning Document was adopted in February 2019.

The new town will:

- Provide a range of uses appropriate to a new town:
- Deliver a residential development with a mix of dwelling sizes and types, including affordable housing, to achieve a balanced and inclusive community.
- Incorporate and deliver opportunities to exceed sustainable design and construction standards established by the Local Plan.
- Ensure the delivery of improvement to any existing infrastructure which will be relied upon by the new town as well as the provision, management and maintenance of new infrastructure, services and facilities to meet the needs of the town. Planning permission was approved in January 2020 for the relocation of the railway station.

- Be developed to maintain the identity of Waterbeach as a village close to the new town. The nature of the transition between Waterbeach village and the new town will be addressed through the Supplementary Planning Document.



The Supplementary Planning Document confirms that new build private rented/ Build to Rent schemes could make a valuable contribution to the overall mix of housing at the new town and its pace of development. Any such scheme would need to be understood clearly in terms of the financial model being used to create a scheme, the longer-term operation of the scheme and implications of the scheme for infrastructure requirements.

There is a commitment to affordable housing of 30%; this means nearly 500 affordable homes in the initial phase of 1,600 dwellings. This could rise to up to 40% subject to an economic viability test.

Western part of the site (Urban & Civic):

Outline planning permission was approved in September 2019 for up to 6,500 dwellings (including up to 600 residential institutional units), business, retail, community, leisure and sports uses, a hotel, schools, and open spaces. This includes 30% affordable housing. The proposed outputs will also include up to 4,000 square feet of hotel accommodation, 16,500m² of retail space as well as 9000m² of community use which will incorporate a multi-purpose community centre, health care, nurseries, library, places of worship, and other community outlets. All this will be set within a landscaped woodland with both pedestrian walking routes and cycle pathways.

The first phase of the development will see 1,600 new homes constructed, the first primary school, health provision and a new library to complement the existing village, sports pitches, shops, and cafes, 25 play areas, as well as community orchards.

Eastern part of the site (RLW Estates):

The Council's planning committee in January 2021 gave officers delegated powers to approve an outline planning application for up to 4,500 dwellings, business, retail, community, leisure and sports uses, new primary and secondary schools and sixth form centre, and public open spaces, subject to the completion of a s106 agreement.



Cambridge & Peterborough Combined Authority

South Cambridgeshire is part of the Cambridge and Peterborough Combined Authority area where the growth ambitions confirm:

- Not enough homes have been built in the past and as a result homes are becoming progressively less affordable; young people are projected to account for just 10% of future household formation; and commuting is increasing as firms and workers respond to these pressures by relocating, putting extra pressure on transport infrastructure and quality of life.
- Housing delivery should rise from the current 3,000 to 3,500 completions a year to 6,500 to 8,000 a year.
- New homes need to be affordable. The Combined Authority's housing strategy has established a £40 million revolving fund, which aims to allow for exceeding the 2,500 affordable homes committed to in the devolution deal. The Spatial Framework and direct investment in new settlements will be used to encourage extra affordable housing provision and homes for first time buyers with price targets based on earnings.
- Development should be encouraged along transport corridors and around new garden villages and include an emphasis on anticipating the future corridors that can be created by the infrastructure the Combined Authority is bringing forward including the Cambridge Autonomous Metro (CAM).
- This approach will be based on ensuring the Spatial Framework and Local Transport Plan are linked and that that transport and other infrastructure investment precedes housing development.
- Pursuing a target of ensuring there are good jobs available within a 30-minute journey of home for our residents.

The Cambridgeshire and Peterborough Independent Economic Review (CPIER) published its final report in September 2018, which was developed by the Cambridgeshire and Peterborough Independent Economic Commission. The report evidences the fast rate of economic and employment growth in the region and highlights the importance of planning now to ensure that strong growth will be sustainable and more inclusive.



Cambridge, Milton Keynes Oxford (CaMKOx) Arc

The **CaMKOx Arc** plans to develop the 'brain belt' area between Cambridge, Milton Keynes and Oxford with several new towns, commercial developments and a million new homes with up to 1.9 million more people living in the area by 2050.

The CaMKOx Arc has potential to be one of the biggest economic and property development schemes the UK has ever seen. It has some of the most modern and high-tech industries in the country, providing some of the most highly paid jobs outside London. Currently it is home to 3.3 million people and has a multi-billion-pound economy. However, it is disparate and not very well connected.

The National Infrastructure Commission, in its report 'Partnering for Prosperity: A New Deal for the Cambridge-Milton Keynes-Oxford Arc' suggests the Arc could be a focus for accelerated economic development as a single coherent unit. Connectivity will be improved through new road and rail networks and as well as expanding existing settlements with planning able to unlock large scale opportunities for housing growth. This could include whole new settlements of between 10,000 to 150,000 new homes, some of which could have city standing.

Opportunities for Build to Rent development could be brought forward as the vision for the CaMKOx Arc progresses. The National Infrastructure Commission estimates improvements in infrastructure and housing across the region will result in a close to threefold increase in the economic output of the Arc over the coming decades. This will provide the necessary critical mass to facilitate the expansion in scale and depth of the existing knowledge corridor, which already presents a unique proposition in the UK: Oxford and Cambridge are the only cities in the UK in the European top 20 list for innovation. (The Resolution Foundation 2018).

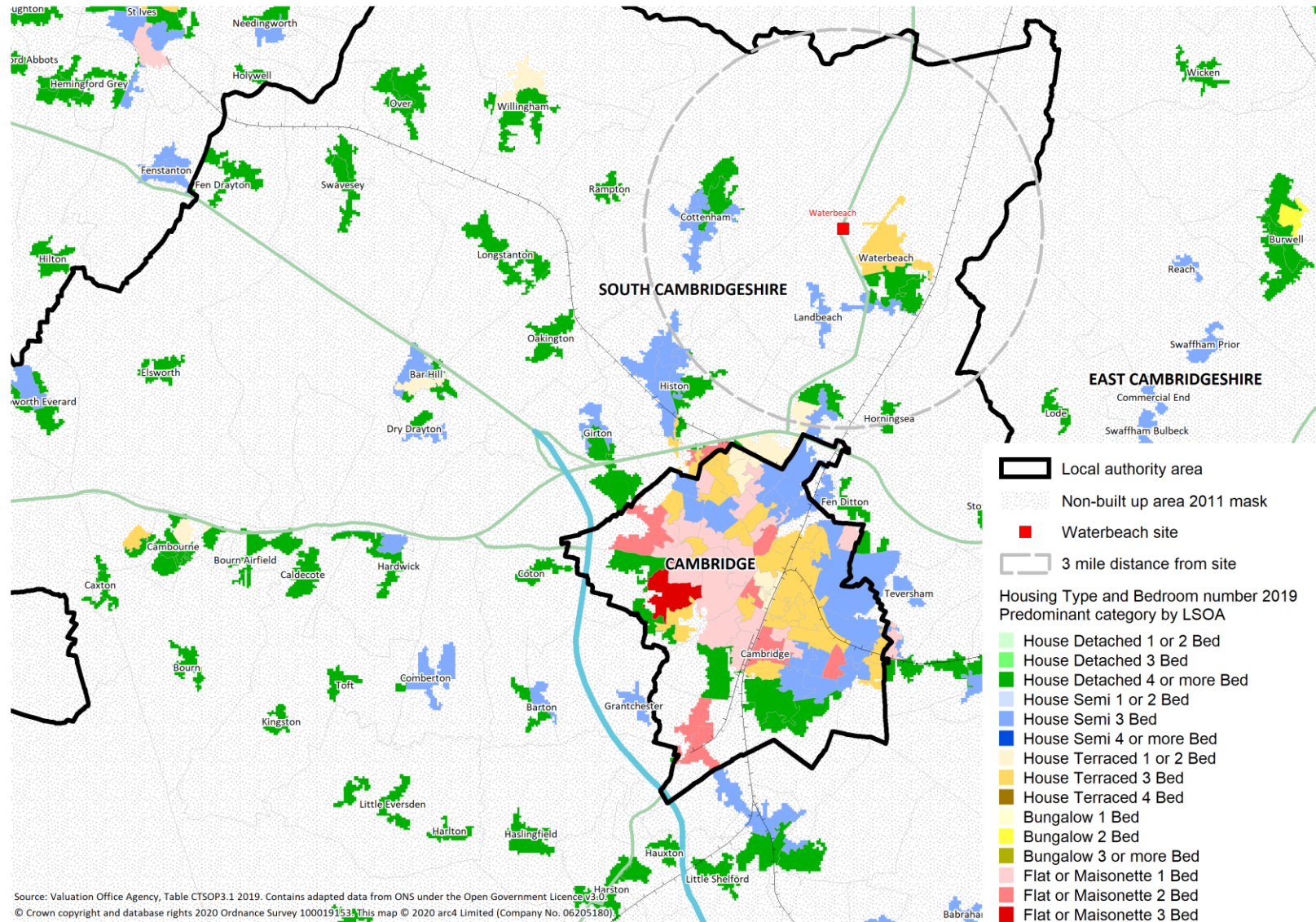


EXISTING PROVISION



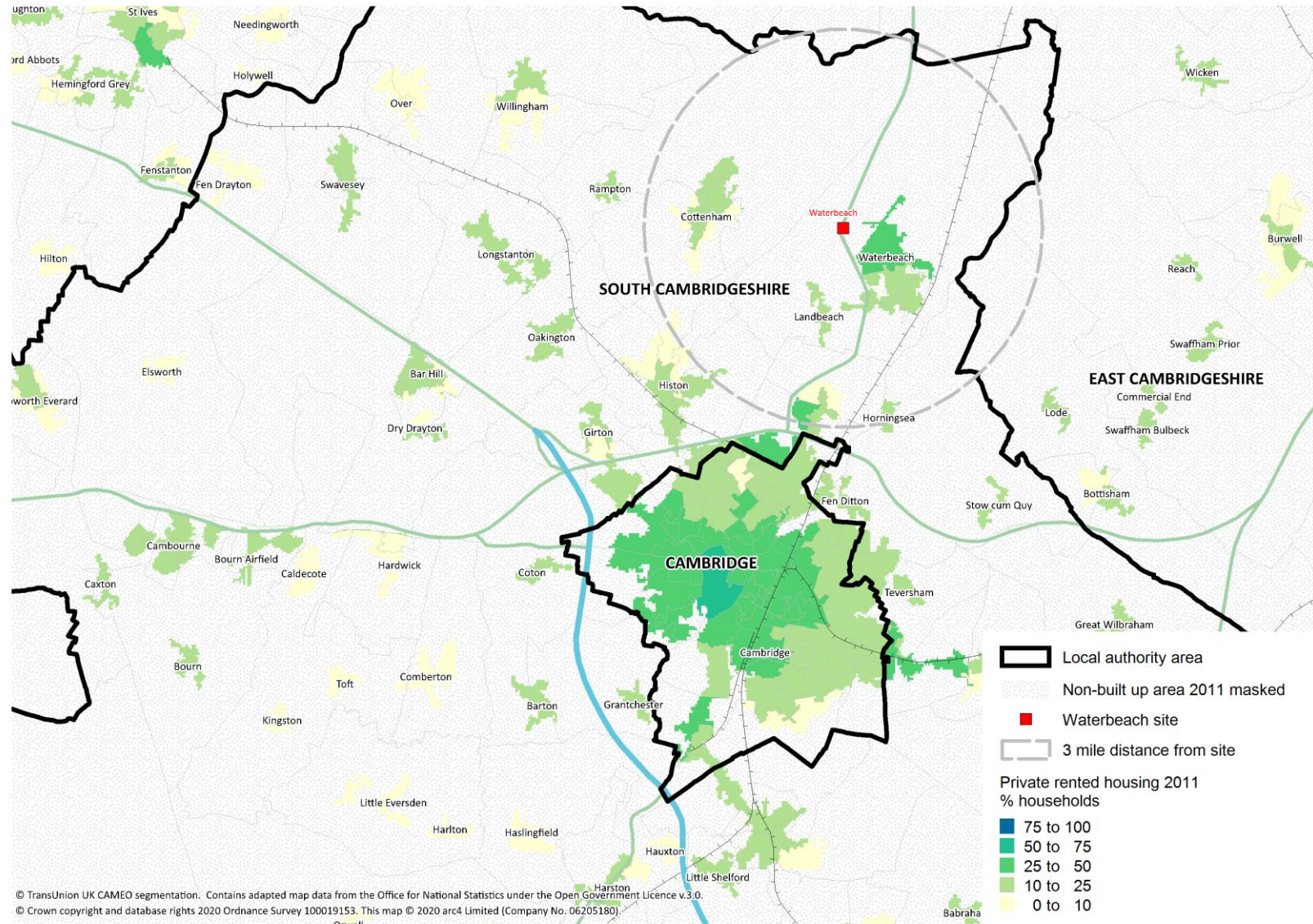
Predominant housing type and size 2019

Generally, Waterbeach is currently focused on houses rather than flats. There are also bungalows, potentially reflecting an older demographic.



Private Renting 2011

There is a reasonable Private Rented Sector market operating. It is larger than in Bourn and Northstowe.



ECONOMIC OPPORTUNITY



Economy and Labour Market: Key indicators

Indicator	Base	Year	South Cambs.	East Cambs.	West Suffolk	Cambridge	East Region	England
Gross Value Added (GVA)	£m	2016	4,591	1,906	4,282	5,127	167,223	1,509,306
GVA per person	£	2016	29,343	21,700	24,140	38,900	23,148	27,309
GVA per person index	2000 = 100	2016	153.2	158.8	151.2	164	152	163.2
Business count	Number	2019	8,500	4,100	7,420	4,950	146,893	2,360,780
Jobs	Number	2017	97,000	40,000	98,000	118,000	3,218,000	30,359,000
Jobs index	2000 = 100	2017	140.6	166.7	129.4	126.9	120.4	122.8
Job density	Per 16-64s	2017	1.02	0.75	1.02	1.33	0.85	0.87
Resident gross wages	£ per week	2019	755.2	614.2	539.2	631.9	610.4	591.3
Workplace gross wages	£ per week	2019	715.9	543.1	518.5	637.4	581	591.4
Employment rate	% of 16-64s	2018	85.1	81.8	80.0	75.7	78	75.4
Workless households	%	2018	9.7	6.4	10.1	12.9	12.2	13.9
NVQ4+	% of 16-64s	2018	51.4	39.4	33.1	61.5	35.2	39
No NVQ	% of 16-64s	2018	5.1	5	2.4	6.7	7.4	7.6
Households	Number	2018	64,151	37,262	74,312	44,566	3,101,330	23,053,707
Households index	2004 = 100	2018	118.7	120.7	113.3	104.4	113.5	111.9
Population	Number	2018	157,519	89,362	178,881	125,758	6,201,214	55,977,178
Population index	2001 = 100	2018	120.7	121.7	115.8	114.4	114.8	113.2
Net international migration	Rate 1,000 population	2013-18	10.5	15.8	-1.5	35.7	15.9	23.5
Births to non-UK born mothers	%	2018	27.1	22.5	31.8	53.5	25.6	29.1

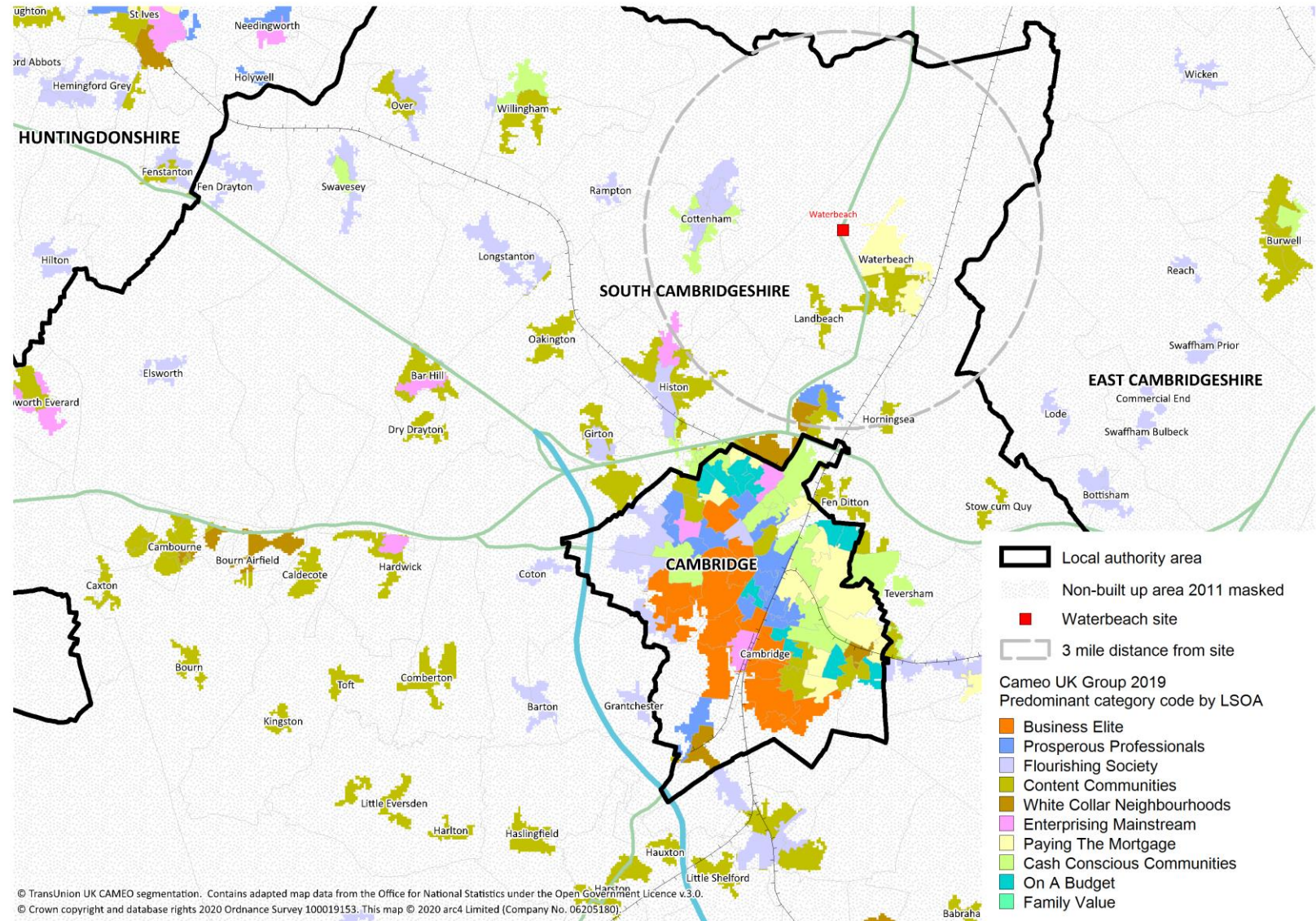
Sources:

Regional gross value added (balanced) reference tables; Regional Gross Value Added (Balanced) by Local Authority in the UK
UK Business Counts – enterprises by industry and employment size band via NOMIS
Business Register and Employment Survey via NOMIS
Annual survey of hours and earnings – resident and workplace analysis via NOMIS
Annual population survey, including households by combined economic activity status via NOMIS
2016-based household projections for local authorities and higher administrative areas in England
Population estimates – local authority based by single year of age via NOMIS
Local area migration indicators 2018
Adapted data from the Office for National Statistics under the Open Government Licence v.3.0

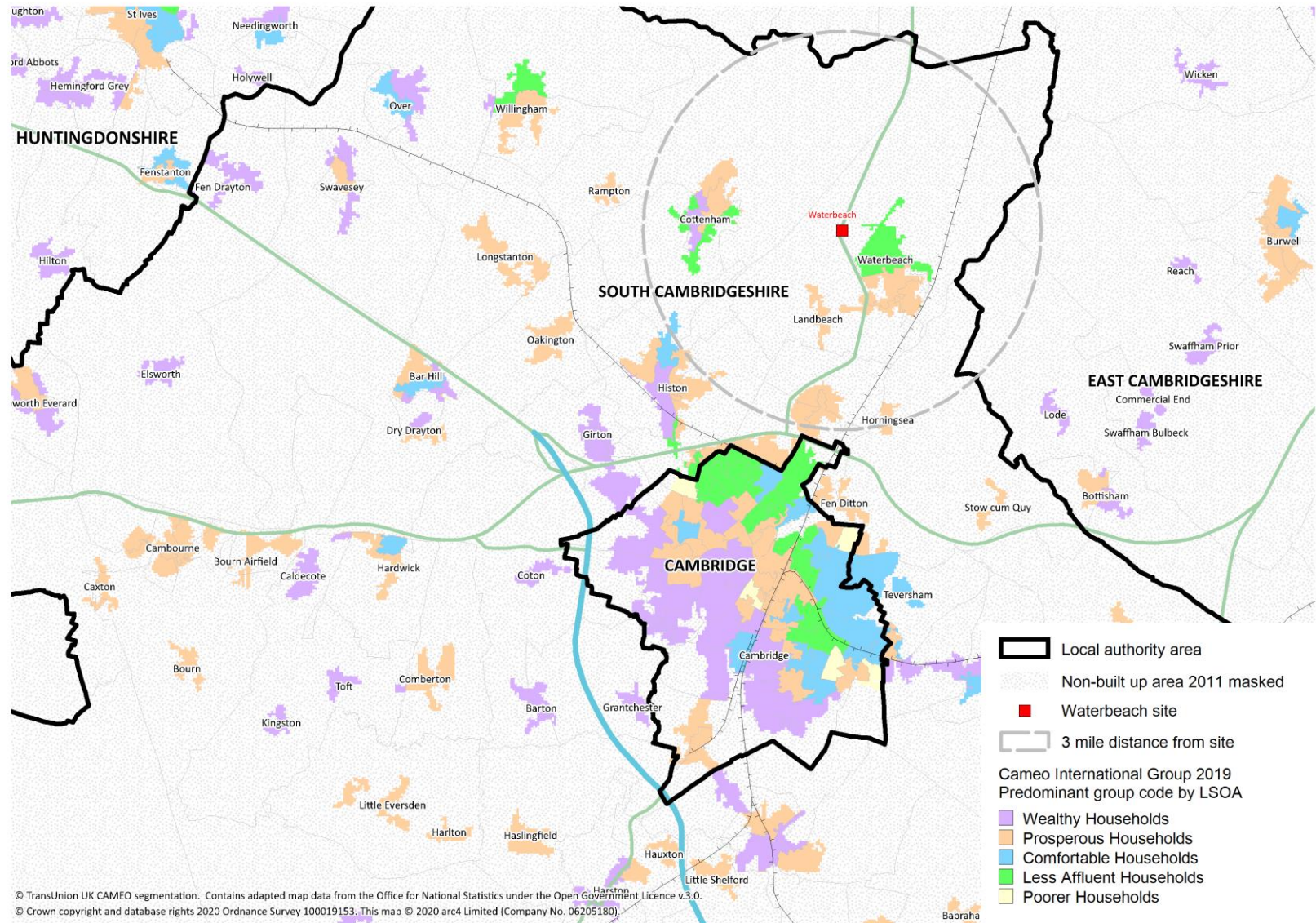


Geodemographics 2019

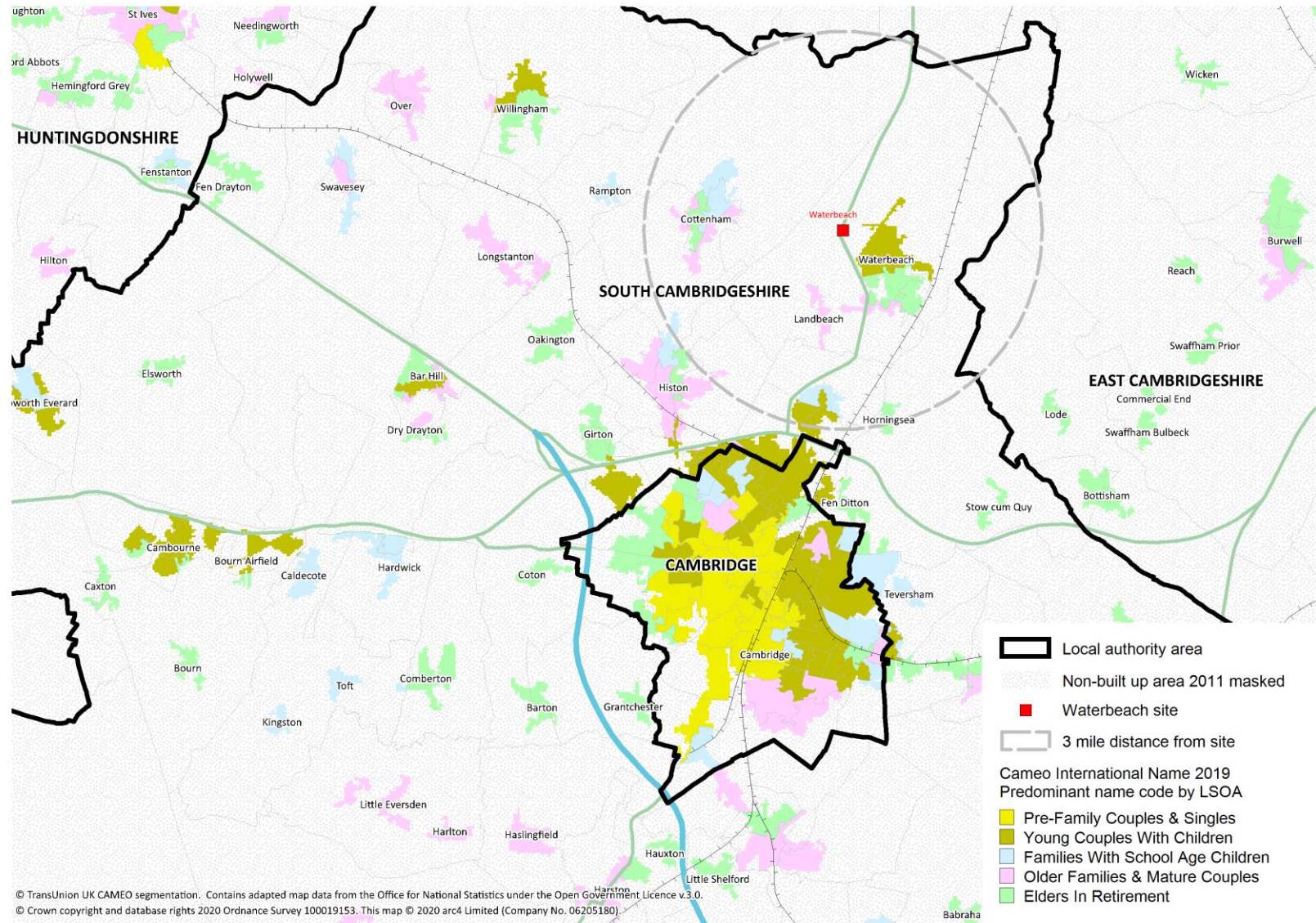
Generally, markets around Waterbeach are middle-income communities with some lower income households.



Markets around Waterbeach are generally middle-income communities with some lower income households and some prosperous households.

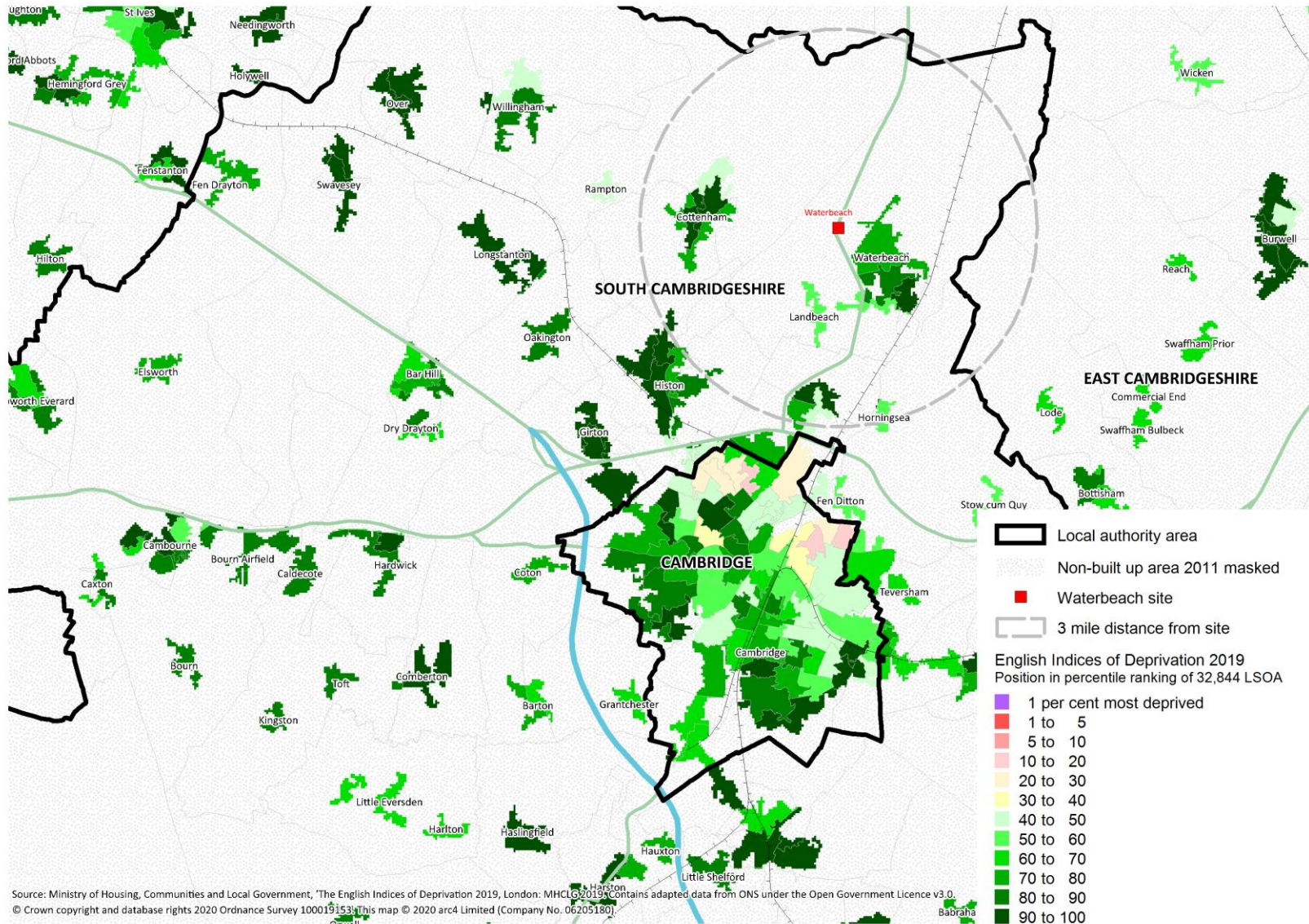


Markets around Waterbeach contain older households and younger/pre family markets.



Local Deprivation 2019

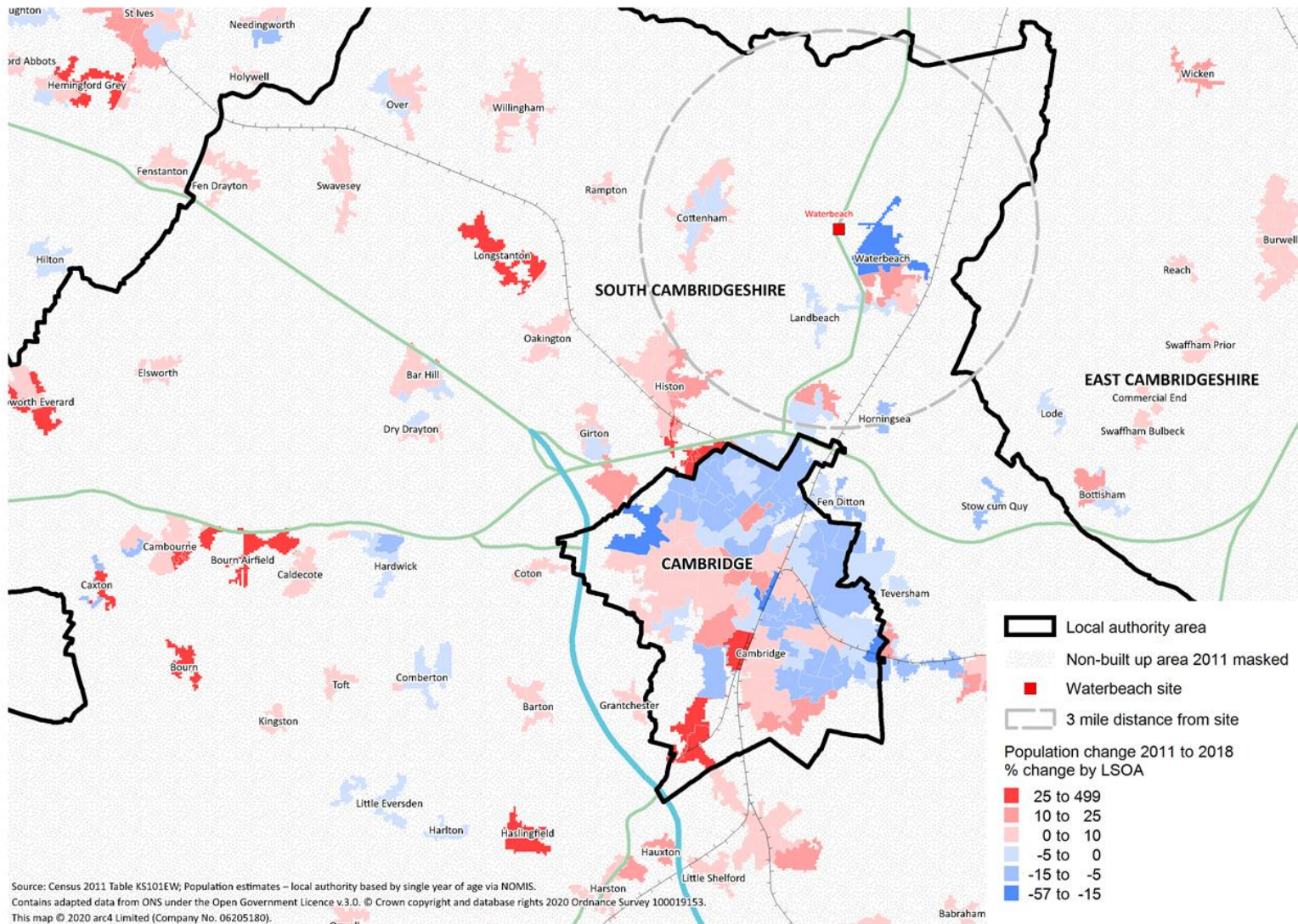
Markets around Waterbeach are not highly deprived.



POPULATION CHANGE



Population 2011 to 2018



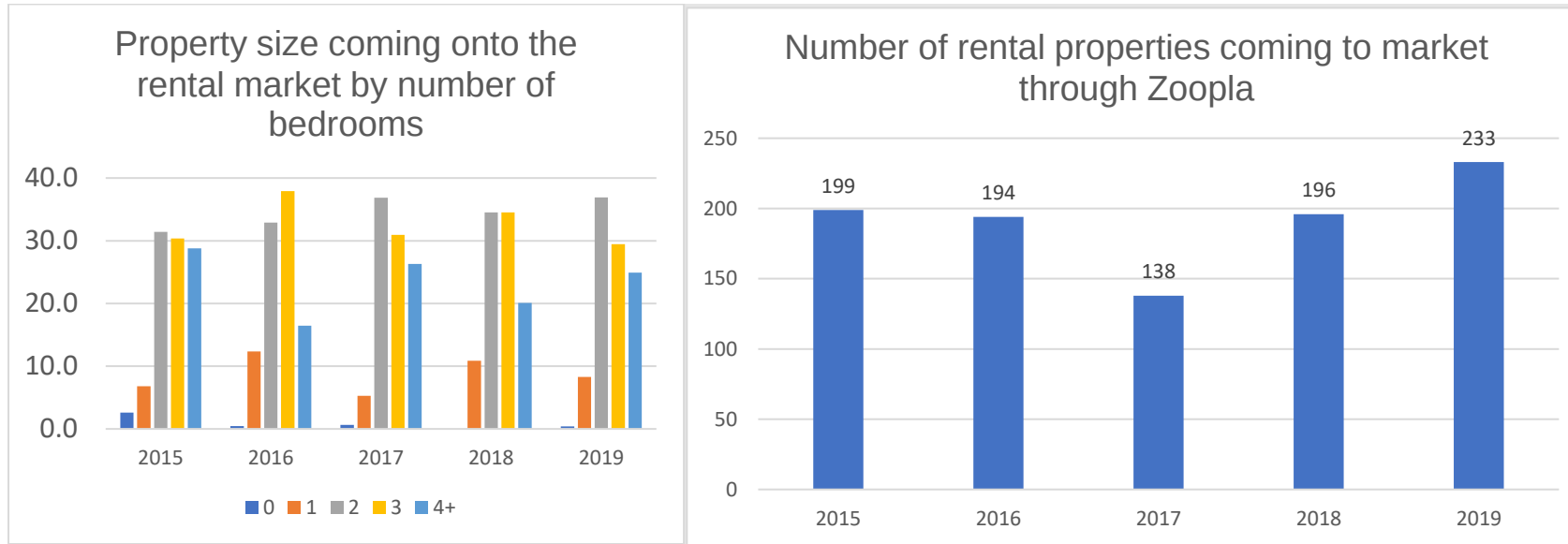
From 2011 to 2018, the market around Waterbeach has exhibited some population growth whereas in other locations, population losses are recorded.

ACTIVITY IN THE PRIVATE RENTED SECTOR MARKET

All data reflects a 3-mile radius around the site



Private rental market data

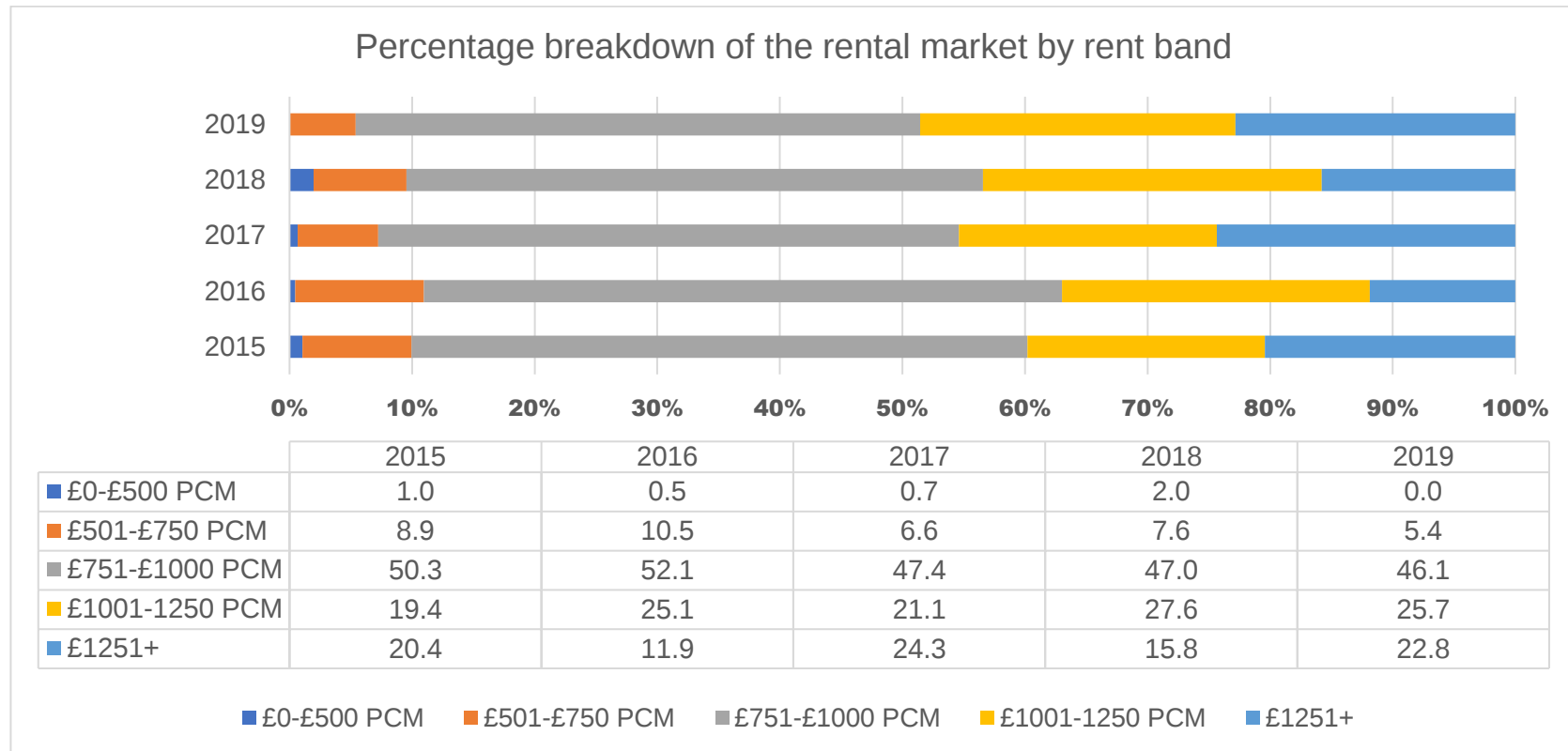


Zoopla records properties coming onto the rental market in terms of numbers that are advertised through its website. These figures represent the market before the outbreak of the Covid-19 pandemic, which may have altered trends and whose long-term impacts are still not known.

Over the past 5 years, in the 3-mile radius around Waterbeach, there has been a growth in the numbers coming onto the market overall. However, this is a relatively small tenure in South Cambridgeshire and the numbers coming onto the market are also relatively small. Growth has accelerated in the past 2 years.

The market is dominated by 2, 3 and 4 bed housing, suggesting a family orientated market. Agents confirmed these are popular property sizes. Throughout the report '0' beds represent a bedsit or equivalent.

Source: © 2020 Zoopla Limited



This chart illustrates how the market within a 3 mile radius of the site splits between monthly rent levels. The percentage size of the lower value market band (£0 to £750) per calendar month has reduced from 9.9% in 2015 to 5.4% in 2019.

Conversely, higher value market bands have exhibited growth. The £1001 to £1250 band has grown to 25.7% and the £1251+ band has grown to 22.8%. These two bands now make up 48.5% of the market in 2019 compared to 39.8% in 2015.

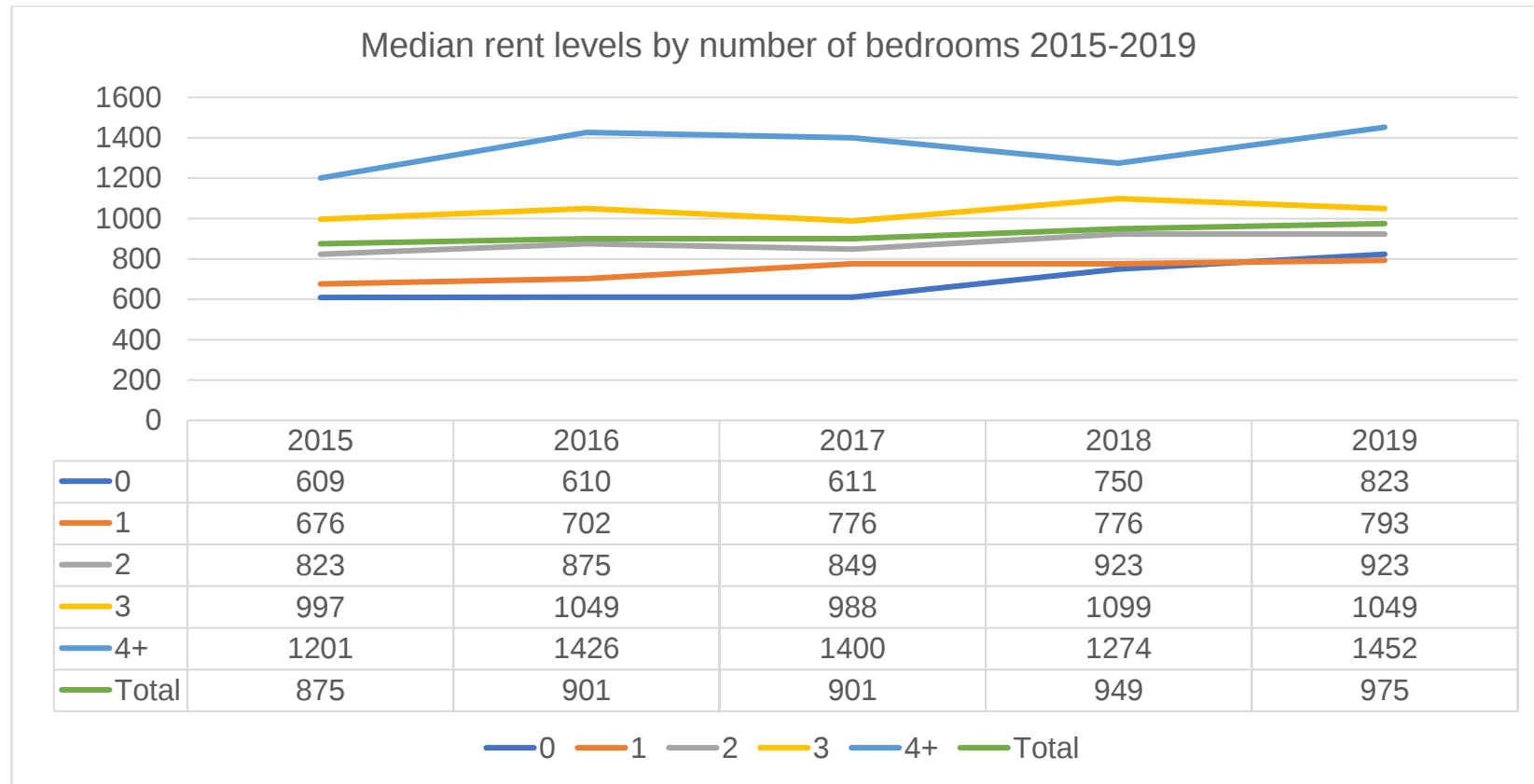
Given that the market is small, it is likely created through increasing rent levels, although agents did confirm demand for a higher specification offer.

Source: © 2020 Zoopla Limited

RENT LEVELS AND CHANGE

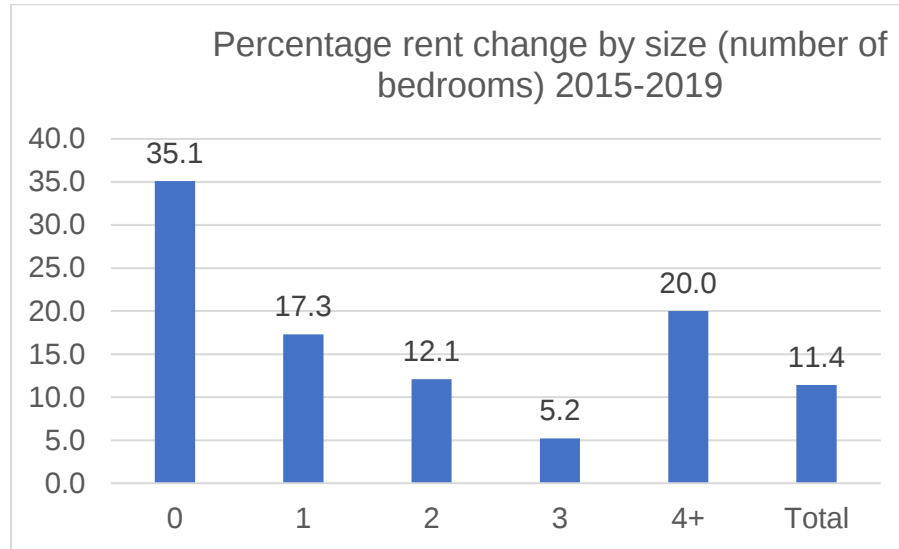
All data reflects a 3-mile radius around the site





The chart above shows that rent levels within a 3 mile radius of the site have exhibited growth between 2015 and 2019 for all property sizes. Overall, monthly rents are around £975. Higher level growth is recorded for smaller units, but this is a relatively small sample and should only act as a guide. Growth in rents here could be created through a shortage in supply.

Source: © 2020 Zoopla Limited



Source: © 2020 Zoopla Limited

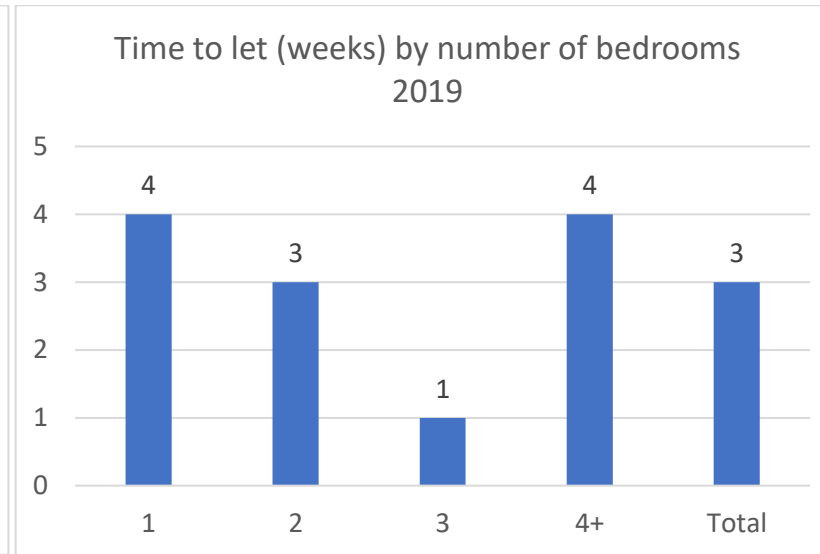
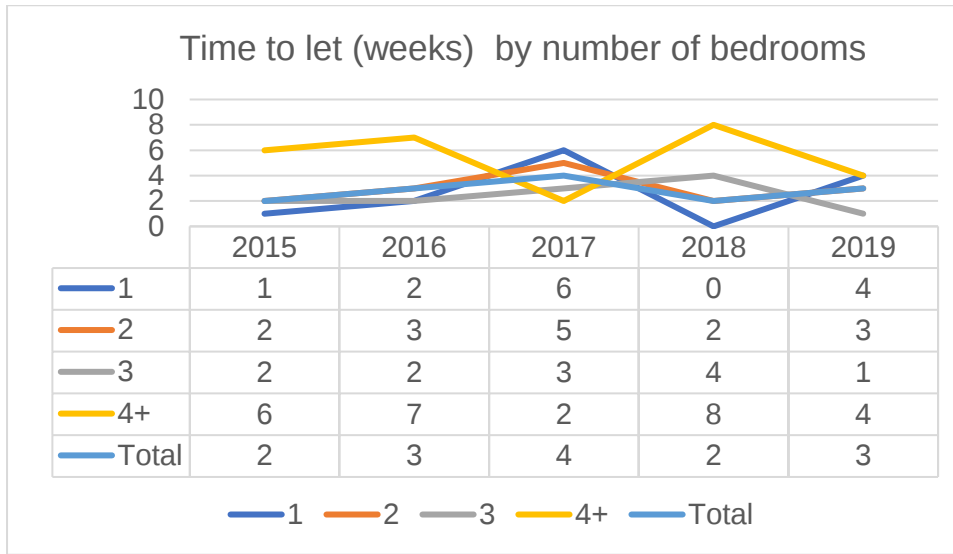
The chart to the left shows that rent levels are increasing in the 3-mile radius around Waterbeach for all property types and percentage increases are higher for bedsits, 1-bed and 4-bed units. This may be due to a small number of these type of units.

Agents confirmed that rent levels had been rising over time.

TIME TAKEN TO LET IN THE PRIVATE RENTAL MARKET

All data reflects a 3-mile radius around the site





Source: © 2020 Zoopla Limited

The time to let can be a useful indicator of demand / under supply in the market.

The timescale in the tables above is shown in weeks and should be regarded in terms of trends.

Agents confirmed properties can let very quickly.

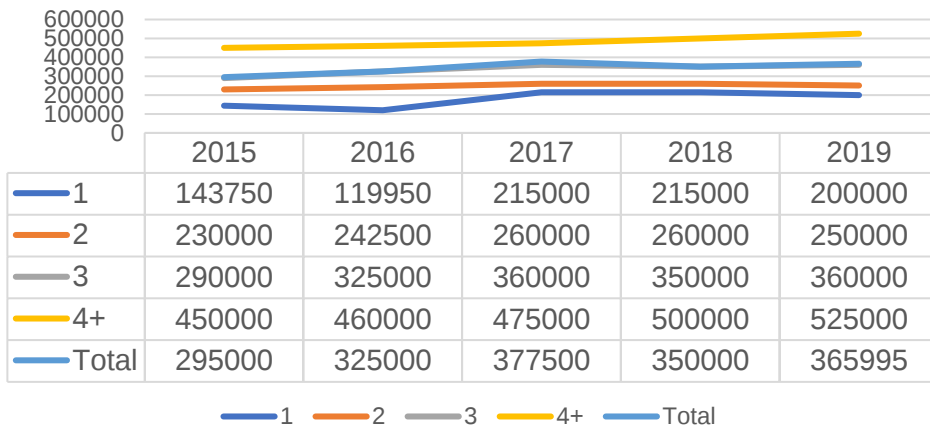
This data is based on agent definitions and therefore we cannot ensure consistency in approach. However, as trend data, it confirms that all property lets quickly.

CAPITAL VALUES

All data reflects a 3-mile radius around the site

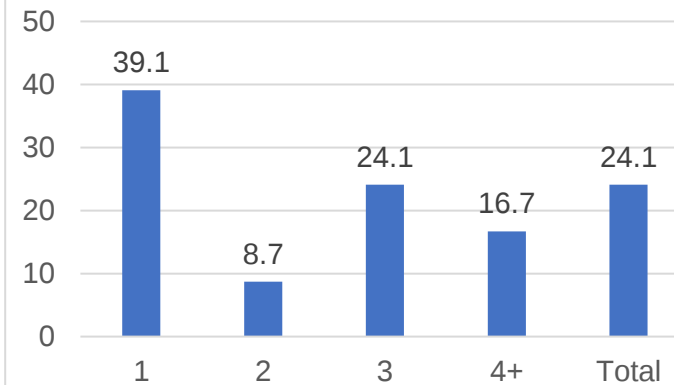


Property values by number of bedrooms (Zoopla)



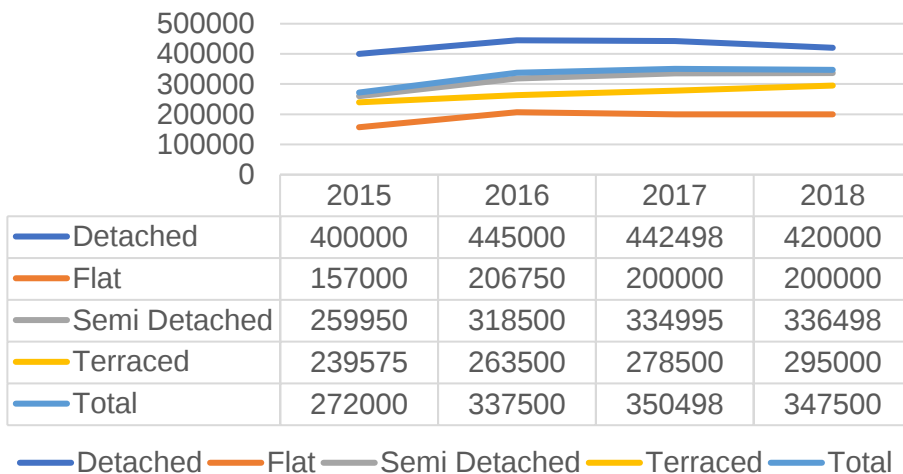
Source: © 2020 Zoopla Limited

Property value increases by number of bedrooms 2015-2019 (Zoopla)



Source: © 2020 Zoopla Limited

(Land Registry)

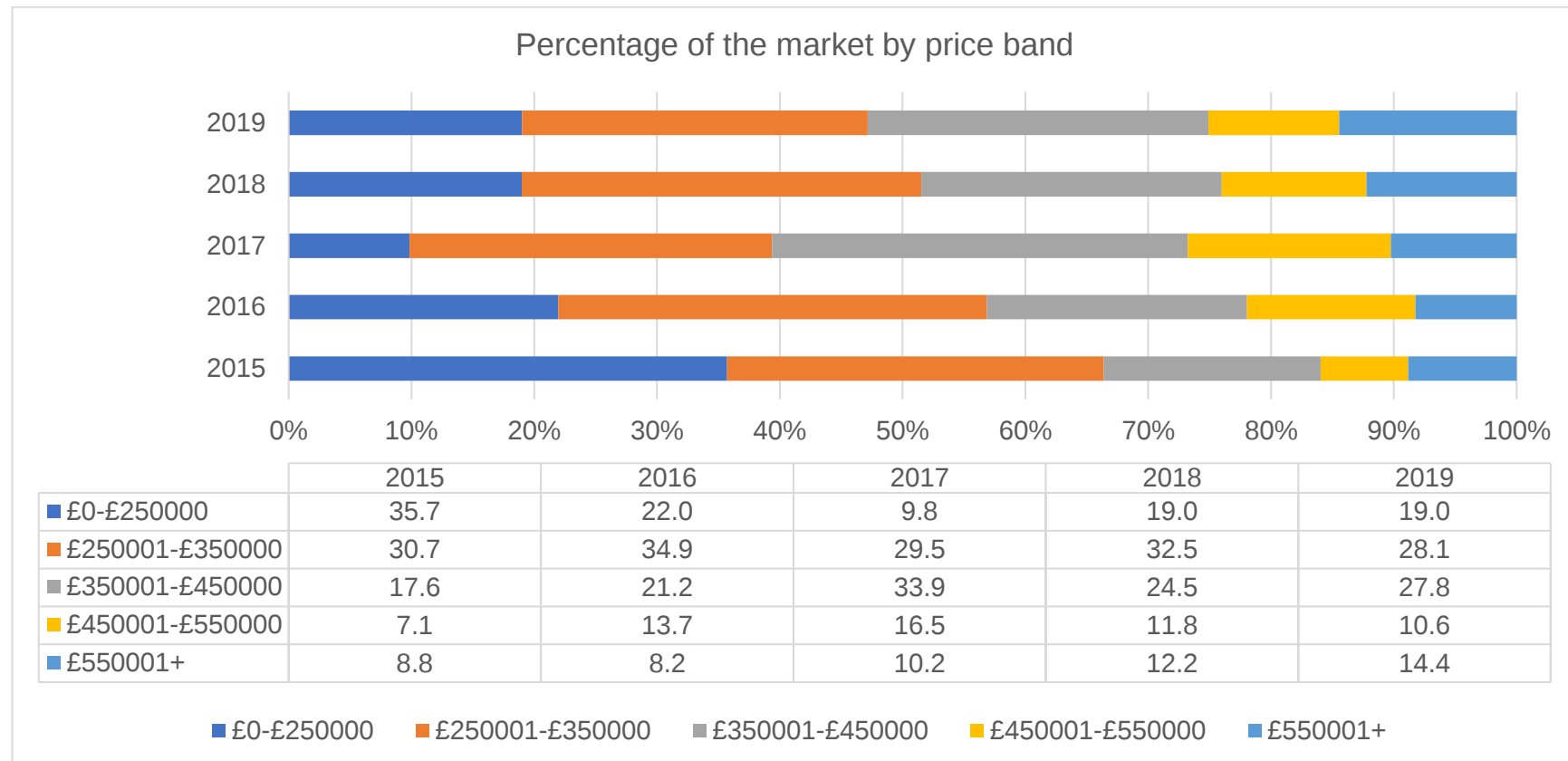


Capital values are considered from two data sources. Land Registry is a more accurate source but cannot consider property size. Zoopla is a good sample of the market and can consider property size.

Zoopla confirms rising property values within the 3-mile radius for all property types.

Land Registry data confirms increasing values for all property types.

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The sales market is distributed across price points.

Over time, the higher value markets (£350k+) have shown growth, whilst lower value properties have reduced in their market share in the 3 miles around Waterbeach.

Source: © 2020 Zoopla Limited

Help to Buy Programme 2013 to 2019 First Time Buyer

In this table, HTB stands for Help to Buy; FTB stands for First Time Buyer.

Local Authority name	Private new build 2013-19 (units)	Total Help to Buy Equity Loans 2013-19 (no.)	Total HTBs as % of new build 2013-19	FTB* Help to Buy Equity Loans 2013-19 (no.)	Total HTB Equity Loans 2013-19 (£m)	FTB* Help to Buy Equity Loans 2013-19 (£m)	FTB* as % of HTB loan value 2013-19
South Cambridgeshire	3,960	886	22.4	689	58,461,422	44,062,397	75.4
East Cambridgeshire	1,360	249	18.3	200	12,417,635	9,760,012	78.6
Huntingdonshire	3,620	1,015	28.0	772	55,204,113	40,009,403	72.5
West Suffolk	2,700	52	1.9	39	3,249,025	2,346,836	72.2
Forest Heath (to 2019)	1,150	336	29.2	259	18,050,998	13,153,790	72.9
St Edmundsbury (to 2019)	1,550	362	23.4	272	19,916,073	14,300,923	71.8
Cambridge	4,090	299	7.3	261	24,117,449	20,773,131	86.1
East Region	103,970	30,019	28.9	23,763	1,694,541,279	1,293,761,719	76.3
England	852,620	236,068	27.7	192,012	13,444,463,510	10,765,005,419	80.1

This table shows that the number of Help to Buy purchases during 2013 to 2019 in South Cambridgeshire was high compared to most other parts of the sub-region, and considerably higher than in Cambridge City. Although as a percentage of new-builds they were lower than some other parts of the sub-region and lower than the Eastern Region and England as a whole.

Sources

MHCLG, Table 253 Housebuilding: permanent dwellings started and completed, by tenure and district, 2013-19

MHCLG, Help to Buy (equity loan scheme) statistics, April 2013 to 30 June 2019, England

Adapted data from the Office for National Statistics under the Open Government Licence v.3.0



AGENT FEEDBACK



Agent feedback

Please note: The following feedback was received prior to the Covid-19 pandemic taking hold.

Waterbeach is a rural village to the north of Cambridge, close to the A10 linking Cambridge to Ely and to the Milton Park and Ride. There is a main railway station which is walkable from the barracks.

In terms of the rental market, 2-, 3- and 4-bedroom houses are in high demand, especially those properties with gardens. There is no obvious over or under supply of property in Waterbeach. Agents confirmed that the rental market is busy and strong in Waterbeach. Rents have risen steadily, and agents confirmed that properties let very quickly in Waterbeach and if they are priced correctly, they will let quickly. Unfurnished accommodation was most popular in Waterbeach for longer term lets.

The characteristics of renting households are:

- professional couples and singles wishing to maintain their independence and flexibility within the employment market; and
- couples and small families ready to settle down but cannot afford a deposit for home ownership.

Agents were very positive about the potential of introducing rental property in Waterbeach. Agents felt that Waterbeach will capitalise on its ability to attract households wishing to rent but currently living in Cambridge and facing expensive rental options and wanting to live in a more suburban setting. Agents felt that Waterbeach could *'absorb rental properties in their 100s, rather than 10s.'*

Agents confirmed that rented products would be attractive in Waterbeach and would likely attract a range of household incomes and could provide much needed accommodation to the likes of Addenbrooke's Hospital.

Agents confirmed that affordability was a major stumbling block for households looking to get onto the property ladder in both Cambridge and South Cambridgeshire. For lower quartile price, the price income ratio in Cambridge in October 2019 was 14.4 and in South Cambridgeshire 10.2. These figures are 10.5 and 8.3 for median quartile property prices respectively (Housing Market Bulletin issue 43).

Agents felt that Waterbeach would likely be attractive to people working in the business park / science park in Cambridge, providing an out of city environment and potentially providing a more affordable option. Agents described Waterbeach as a 'family-oriented area' and therefore believed that houses would be more popular than apartments.

Agents estimated monthly upper quartile rents for the following properties in Waterbeach as:

- 2-bedroom apartment: around £800 to £900 per month;
- 2-bedroom house: around £950-£1,100 per month
- 3-bedroom house: around £1,250-£1,300 per month;

Agents confirmed there is a market for a higher specification product, as a lot of the current offer is of 'basic standard'. In terms of affordability, some of the families and young professionals interested in the area have a decent disposable income. Agents felt that both apartments and houses would be popular and rent easily. Gardens were said to be important. Car parking was also deemed to be a priority.

Peterborough

Peterborough has a strong and buoyant housing market with demand set to continue in the future. Agents reported that it is an affordable area in comparison to other areas further south, such as Bedford and Cambridge, especially with regards to rental prices. In relation to sales prices, one agent quoted that buyers could get a 3-bed property for as little as £140k. It is also a popular area for people from London.

Agents confirmed that prospective buyers and renters from Peterborough, would potentially be willing to travel further afield, for example South Cambridgeshire, to buy or rent. Agents told us that they have experienced people from Peterborough looking in areas surrounding Cambridge such as Milton, Newport and Royston to buy and rent. Agents confirmed some demand in Waterbeach would likely come from Peterborough and other surrounding towns.

Agents also reported that London workers may be interested in a Build to Rent scheme in the target area as prices would be a lot more affordable in comparison to London, if schemes had the right specification and offer. Agents took the view that rental properties will be popular, especially from people with temporary jobs or those wanting to test the area before purchasing.

Agents confirmed that there will be interest from commuters, specifically people who work in Cambridge who currently live in Peterborough as they can move closer to work.



COMPETITION - RENTALS



We conducted a Rightmove search (February 2020) on the current rental offer in Waterbeach (+1mile), which produced 12 results, with 5 being in Waterbeach.



Gibson Close

Location: Waterbeach CB25 9HY

Stock: 20x 2, 3, 4- and 5-bedroom houses

Prices: 2-bedroom house - £375,000 <https://www.rightmove.co.uk/new-homes-for-sale/property-89058512.html>

Amenities: Private gardens, car ports, garages, en-suites, small communal areas, integrated Bosch appliances etc.

Extra info: <https://www.epqi.co.uk/development-gibson-close.php>



Abbey Court

Location: Abbey Court, Waterbeach, CB25

Prices: 2-bedroom flat - £800pcm <https://www.rightmove.co.uk/property-to-rent/property-88895255.html>

Amenities: Allocated parking



Wheatsheaf Way, Waterbeach

Prices: 4-bedroom detached - £1,450pcm <https://www.rightmove.co.uk/property-to-rent/property-54715309.html>

Amenities: Garage, parking

THE PLANNING PIPELINE



Pipeline Overview

Obviously, this is a very active and competitive market. South Cambridgeshire has an annualised average housing requirement of 975 homes per year to 2031. The Council's latest assumptions on housing delivery within the adopted plan period are set out in the [Greater Cambridge housing trajectory](#), which is updated annually.



THE ROLE OF BUILD TO RENT IN PLACE SHAPING



Place shaping

In assessing what Build to Rent schemes might bring to an area, there is a need to consider what impact they might have in terms of place-shaping.

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.

At Waterbeach, where the market is planning to deliver up to 11,000 units, Build to Rent should support the development of the site by contributing to the Supplementary Planning Document Strategic Development Objectives as shown in the table below.

Waterbeach Supplementary Planning Document strategic development objectives	Potential Build to Rent contribution to Waterbeach Supplementary Planning Document Objectives
Comprehensive & sustainable development; biodiversity; sustainable movement to, from and round the town; and high quality, innovative and distinctive design	- Maximise the potential of public transport, requiring fewer car park spaces. - Provide energy efficient buildings that minimise operational carbon. - Provide high quality, well managed schemes that contribute to public realm and establish new local amenities. - Provide the potential to speed up delivery.
Access to open space and the natural environment	- Provision of high quality outdoor spaces.

Health & Wellbeing, and strong communities & future governance; co-ordinated delivery

- Create a more diverse property market from what is currently on offer; introducing different property types and tenures including affordable housing to support a range of needs and incomes.
- Provide an additional opportunity for smaller housing that assists people to downsize their home as they move through the life cycle.
- Provide active uses on the ground floor to contribute to the 'eyes on the street' principle.
- Potentially support home working, as schemes can be developed with shared workspace opportunities.
- Provide concierge services to enhance resident safety.
- Create job opportunities and support the local economy.
- Provide homes to economically mobile professionals and homes for workers who deliver key services, and for families and older people.
- Provide longer term tenancies than are generally available in the private rental market
- Establish gyms and other facilities to improve health.
- Potentially provide a long-term income stream to the local authority if it has considered direct investment in Build to Rent.

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.

A desktop search suggests there may be potential issues around things like: high tenancy turnover if tenants opt for shorter length tenancies; less affordable housing and community infrastructure contributions provided than on other s106 developments; community risks later if schemes are decommissioned; long-term investment returns impacting on viability and therefore on mitigating against place-shaping concerns; and questions around the extent to which schemes will deliver mixed communities.

There is a potential friction between the 20% affordable rent recommendation in National Planning Practice Guidance (NPPG) and the 30 to 40% plus ambition for affordable housing that the Waterbeach Supplementary Planning Document contains. Any shortfall may increase pressure on other developments' viability as they may have to increase their own provision to bring the whole level back to the required percentage. This means that all Build to Rent proposals should be considered in the context of broader objectives and housing targets at the time that they are developed to ensure that place-shaping is not negatively impacted.

More detail on place-shaping issues is provided in the overarching Overview and Summary of Site-Specific Appraisals published alongside this report.



SUMMARY



South Cambridgeshire is a largely rural district which surrounds the City of Cambridge and comprises over 100 villages, none currently larger than 8,000 persons and Waterbeach will potentially provide 8,000 to 9,000 new homes.

South Cambridgeshire has become home to many of the clusters of high technology research and development in the Cambridge Sub-Region and is recognised as one of the top places to live and work in the country and is one of the fastest growing areas in the country. The socio-economic indicators all support this, and it is one of the least deprived locations in the country. It is ideally located with readily accessible transport routes to London, Stansted airport and the Port of Felixstowe.

Waterbeach is likely to be a popular alternative offering high quality architecture design of buildings and public realm with emphasis on measures to reduce the carbon footprint and energy use of the new homes.

Economic growth in Cambridge and South Cambridgeshire continues, and jobs growth in the area remains strong. The attractiveness of the area as a place to live combined with this growth has led, over the years, to high house prices. Therefore, many people who work in the area are unable to afford to live in the area.

The Private Rented Sector plays an important part in the overall housing market in the sub-region and factors such as affordability of purchase and the national policy agenda mean that private renting is likely to continue to grow over the coming years. At present it remains relatively low in South Cambridgeshire at 12%, with a slightly larger social housing sector and owner occupation at around 70%. The Waterbeach Supplementary Planning Document confirms that new build private rented/Build to Rent schemes could make a valuable contribution to the overall mix of housing at the new town and its pace of development.

The existing rental sector seems popular and whilst generally smaller numbers come onto the market, this has been growing over the past few years. The market is dominated by larger properties, but all properties are in demand, according to agents who also confirmed the rising rent levels and that properties let quickly.

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 utilising Affordable Private Rent.



Essentially the nearest comparable scheme to this opportunity is Northstowe. Again, we can assume that the focus will be on executive homes aimed at the £300k plus mark along with smaller family homes for rent, to be popular. With the connectivity and proximity to Cambridge, this site is a prime opportunity to deliver a private rented offer.

The key driver affecting the need for affordable housing and Affordable Private Rent will be the high cost of buying or renting on the open market in comparison to local household incomes.

There is a strong commitment to provide affordable housing in Waterbeach. The South Cambridgeshire Local Plan confirms that the number, type, and tenure of affordable housing will be negotiated on a site by site basis and informed by the current housing strategy, local housing need and relevant site constraints.

There is clearly an opportunity for Build to Rent here and it is recommended that the planning authorities should develop a clear policy approach to Build to Rent in Waterbeach, taking into account the need for positive place-shaping to meet the Waterbeach Supplementary Planning Document objectives.

At present there is not a comparable rental market to consider. However, evidence from Bidwells summer 2019 Build to Rent analysis confirms that given accelerating demand for globally mobile talent by knowledge-based industries across the Oxbridge Growth Arc, demand for Build to Rent and investor interest across the region has increased. Agents confirmed that affordability was a major driver for households looking to get onto the property ladder in both Cambridge and South Cambridgeshire.

Agents confirmed that there is interest in rented options in South Cambridgeshire and this offer would likely be popular and would likely attract a range of incomes and could provide much needed accommodation to the likes of Addenbrooke's Hospital. Clearly, any new town has to bring forward a rental offer, and we would expect any opportunity from a niche developer to build on scale, apartments or small dwellings and apartments for shared ownership and affordable rent.

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. The provision focuses on 30% affordable housing but with potential for additional units up to 40% based on viability. Whilst Affordable Private Rent is not specified, Build to Rent is confirmed as having the potential to make a valuable contribution to the overall mix of housing at the new town.



RECOMMENDATIONS FOR POLICY OPTIONS



Recommendations for policy options

The following section provides some key potential policy options based on the research presented in the sections above to be considered for Waterbeach.

Affordable Private Rent

Identified issue: Both Cambridge and South Cambridgeshire's Local Plans require 40% of homes on sites of 11 or more dwellings to be provided as affordable housing. Therefore 60% of all section 106 developments (subject to viability) are expected to be market housing. In terms of delivering Affordable Private Rent, national guidance states that 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. If local authorities wish to set a different proportion, they should justify this using the evidence emerging from their local housing need assessment and set the policy out in their Local Plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.

Policy option: We would recommend that a minimum of 20% is established, subject to local evidence. Subject to viability, local authorities may wish to seek a higher percentage based on local evidence and policy requirements.

Rent levels for Affordable Private Rent

Identified issue: The National Planning Policy Framework requires a minimum rent discount of 20% for Affordable Private Rent homes relative to local market rents. In line with national guidance, the discount should be calculated when a discounted home is rented out, or when the tenancy is renewed. The rent on the discounted homes should increase on the same basis as rent increases for longer-term (market) tenancies within the development.

Policy option: Affordable Private Rent 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.

Build to Rent developers should assess the market rent using the definition of the International Valuations Standard Committee as adopted by the Royal Institute of Chartered Surveyors (or local equivalent).



Housing mix

Identified issue: 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.

The South Cambridgeshire Local Plan 2018 confirms: A wide choice, type and mix of housing will be provided to meet the needs of different groups in the community including families with children, older people, those seeking starter homes, people wishing to build their own homes, people seeking private rented sector housing, and people with disabilities. It goes on to give a percentage mix in relation to sizes of homes.

The Greater Cambridge Housing Strategy confirms the need for 'a wide and varied choice of good quality, sustainable homes of different sizes, types and tenures, including new provision of council homes, to meet the needs of a wide range of different households and age groups'

Policy option: Waterbeach provides opportunities for a wide mix of sizes, types and tenures of housing. This could include a variety of affordable housing tenures for rent and other affordable routes to home ownership, purpose built private rented sector housing and open market housing. There is also an opportunity to plan and deliver a range of housing products aimed at specific groups, for example local workers, as well as housing tethered to employment use within the area.

In relation to Affordable Private Rent, consideration should be given to providing a range of unit sizes, including family sized units, potentially in equal proportions to the market Build to Rent units, based on local market conditions.

Management and location

Identified issue: Affordable Private Rent homes risk being relegated to less prominent parts of the site.

Policy option: Affordable Private Rent homes should be under common management control, along with the market rent Build to Rent homes. They should be distributed throughout the development and physically indistinguishable from the market rent homes in terms of quality and size. Combining the two tenures this way, as well as supporting a more mixed community, improves viability and any alternation of units between Affordable Private rent and market rent over time is made easier.

Covenants

Identified issue: Build to Rent schemes would normally be expected to remain within the rental sector, under common ownership and management, for the long term; although circumstances may arise where schemes need to be decommissioned at some point in the future.

Any Affordable Private Rent homes included as part of a scheme, through a section 106 agreement, are provided specifically as a community benefit in perpetuity. The sale of a Build to Rent scheme, or the sale of individual homes within the scheme to other tenures, should not result in the withdrawal of the affordable housing contribution from the local community. National guidance sets out a recommended formula for calculating any clawback.

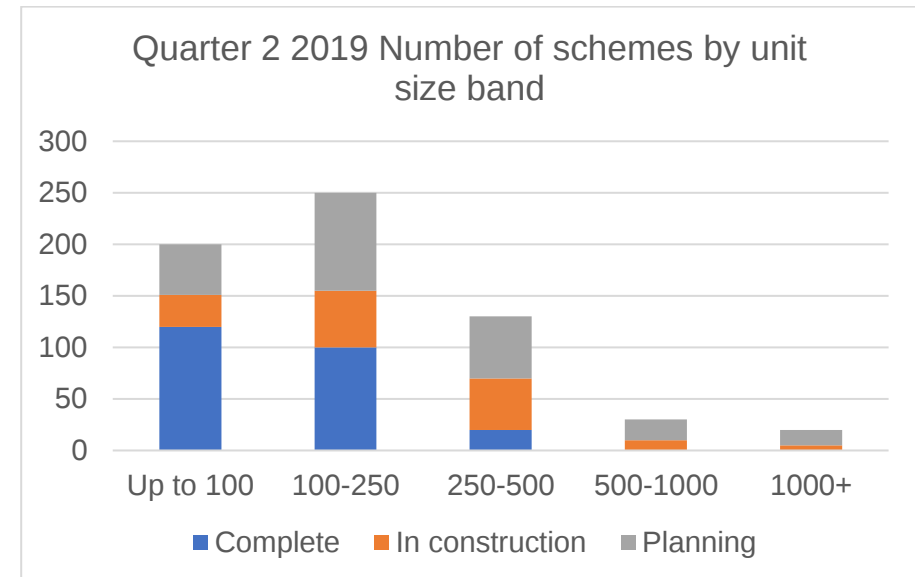
Policy option: As well as ensuring any affordable housing contribution is set in perpetuity, consideration should be given to a covenant period for the retention of private market rent homes in that tenure and potential compensation mechanisms in the event that they are sold before the expiration of an agreed covenant period.

The government guidance on Build to Rent states that operators will want sufficient flexibility to respond to changing market conditions and onerous exit clauses may impede development. However, the Greater London Authority's latest planning guidance recommends that all Build to Rent developments have 15-year covenants. The Greater London Authority has the most experience of Build to Rent in the UK and as such we recommend that the councils consider using this as a baseline to work from.

Size of schemes

Identified issue: There is no best practice or policy guidance on the potential size of Build to Rent schemes. Generally, the national market (those completed or in construction) is focused on schemes of a scale around 100-250 units. The units in planning nationally confirms where the market is most likely to grow.

There will continue to be many sites coming forward of up to 250 units but there is also likely to be a growth in developments of larger numbers of units of 250+. There are also a significant number of schemes of up to 100 units coming forward, and there will be more at 250+ as schemes are completed. There are 15 schemes in planning at over 1000 units. Clearly the size of schemes is increasing.



Source: [British Property Federation](#)

At the end of Quarter 4 2019 (not illustrated), the average size of each completed Build to Rent scheme was 141 homes; this increases to 253 homes for the schemes under construction, while the average size of schemes in the planning system is higher still at 317 homes.

The British Property Federation says the larger size of schemes underlines the growing importance of Build to Rent in increasing UK residential supply and meeting government house building targets.

Policy option: The minimum number of units that a scheme should have in Waterbeach, as a strategic site, should be 50 units. There is no maximum number that it is appropriate to apply to all sites, but it is recommended that any planning submissions should 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.

Target markets and affordability

Identified issue: Waterbeach will provide mixed use functions encompassing housing, retail, employment and leisure. It will promote active travel and public transport and have excellent transport links into Cambridge.

Therefore, it will most likely attract a range of households and incomes, and access to a diverse range of quality jobs and excellent neighbourhood facilities. This will mean providing accommodation for a range of households who may not be able to afford to buy a property given the affordability challenges in the 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 working households whose incomes limit their housing options and for whom securing a quality rental product would be attractive.

The table below illustrates the sorts of rent levels that could potentially be affordable, based on different affordability ratios, for a number of key worker groups and for someone on a local authority median full-time wage.

South Cambridgeshire	Monthly wage	30%	35%	40% ²
1.5 x median full time wage¹	4295	1,289	1,503	1,718
Police sergeant (starting)	3458	1,038	1,210	1,383
Median full time wage¹	2864	859	1,002	1,145
Health visitor (starting)	2614	784	915	1,046
Teacher (mid-main range)	2550	765	892	1,020
Social worker (fully trained-starting)	2470	741	864	988
Police constable (3 years)	2186	656	765	875
Supported lettings officer (starting)	2108	632	738	843
Classroom teacher (minimum)	2031	609	711	812
Ward nurse/midwife (starting)	2018	605	706	807

Notes:

1. Median monthly earnings for people working in the local authority area regardless of where they live. This gives a sense of the potential earnings in the market.
2. 40% of gross income raises affordability issues and may not be sustainable in the long term.

Policy option: Development applications should be based on clear evidence of need, identifying the scope of the target market in the area. Also the Housing Knowledge pages of the [Cambridgeshire Insight](#) website provide a range of information on average local rent levels and local housing affordability. This, along with other relevant data, should be taken into account in determining rent levels in Build to Rent schemes.

Further recommendations

Further recommendations around policy options which could be applied to any Build to Rent proposals for Waterbeach are summarised in the Build to Rent Market Strategic Overview and Summary of Site-Specific Appraisals published alongside this site-specific appraisal.



GLOSSARY OF TERMS



This section defines some of the terms and acronyms used within this individual site appraisal and/or the Strategic Overview and Summary of Site Specific Appraisals Report.

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

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.

Affordable housing contribution: The contribution made from individual developments toward 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 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](#)

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

Cambridge, Milton Keynes, Oxford ([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

Clawback mechanism: Build to rent schemes would normally, by definition, remain within the rental sector, under common ownership and management, for the long term. Any affordable private rent homes included as part of a scheme, through a section 106 agreement, are provided



specifically as a community benefit in perpetuity. The sale of a Build to Rent scheme, or the sale of individual homes within the scheme to other tenures, should not result in the withdrawal of the affordable housing contribution from the local community.

Circumstances may arise 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 should consider such scenarios and, in particular, 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.

Consideration should also be given to a covenant period for the retention of private market rent homes in that tenure and potential compensation mechanisms in the event that 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 sufficient 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 section 106 should set out what should happen if any homes within a build to rent scheme are disposed of including the withdrawal of affordable private rent homes at any time, or conversion of private market rent homes to another tenure before the end of a covenant period. This can take the form of alternative provision of other affordable housing, as defined in national planning policy. Alternatively, clawback arrangements can be used, the proceeds of which should be spent on the provision of alternative affordable housing, for the benefit of the community. The following is a formula that may be used to calculate the amount of clawback payable when affordable private rent homes are withdrawn.

Clawback sum = D x E

where:

D is the price at which the home(s) withdrawn from Affordable Private Rent are sold

E is the percentage discount that had been applied to the rent in respect of the Affordable Private Rent home(s) being sold

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.

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 2 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.



CPIER: [Cambridgeshire and Peterborough Independent Economic Review](#). Report developed by the Cambridgeshire and Peterborough Economic Commission, published in 2018. 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.'

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.

DMR: Discount Market Rent. DMR the same as Affordable Private Rent, although the discount may be more than 20%,

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.

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 your newly built home, so the purchaser only needs a 5% cash deposit and a 75% mortgage to make up the rest.

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.



MHCLG : Ministry of Housing, Communities and Local Government

NEC AAP: North East Cambridge Area Action Plan

NVQ: National Vocational Qualification

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.'

Registered landlord: A provider of affordable housing registered with [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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This report relies significantly on Zoopla data. This is accessed through a research license with Zoopla. Zoopla data used in this report is sourced from Zoopla Market View. The data we use is extracted from Zoopla Market View which is derived from Zoopla listings data and includes all listings that have been advertised on Zoopla during the time periods being reported. We use full year data only to allow for year on year analysis and we always use full Zoopla market data (on the market) unless otherwise specified.

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