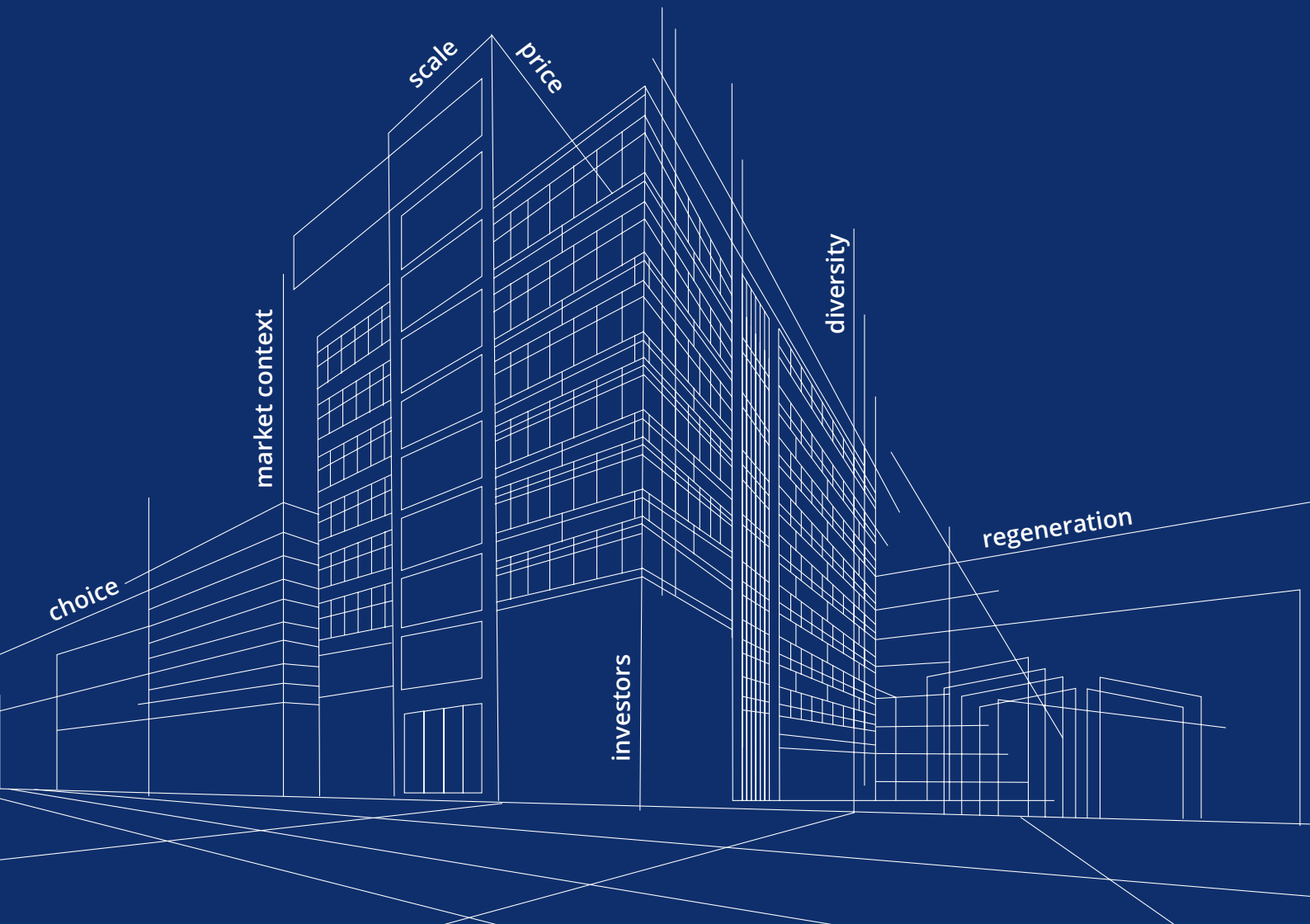


Everything you need to know about build to rent in London

second edition



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1. Summary

London must build 65,000 homes a year if it is to adequately house its growing population. Failure to do so is not just a social issue: it poses a threat to the capital's economic competitiveness. There are a complicated set of factors which make increasing housing supply in London challenging. However, it's clear that more support from all levels of government is needed to deliver a greater diversity of the types of homes that are built in London, as diversity will help to increase overall supply. A good example of the type of housing tenure that the capital needs, and currently largely lacks, is the construction of high-quality, professionally managed, purpose-built homes for private rent – commonly known as 'build to rent'.

This report – the second edition – provides an updated overview of why build to rent is relevant to housing in London, the benefits it can bring, and an explanation of key issues that boroughs need to consider when thinking about build to rent in their local areas.

Context

London is becoming a city of private renters. In 2017, the private rented sector accounted for 27 per cent of households in London, the second largest tenure just behind homes owned with a mortgage which stood at 29 per cent. The vast majority of homes in the private rented sector are owned by small-scale amateur landlords. Many of these landlords provide an excellent service, but many do not - and too many tenants have a poor experience as a result. Effective property management and security of tenure are variable for too many Londoners.

A growing part of the private rented sector is, however, now being driven by build to rent. In London, close to 15,000 build to rent homes have been built; just over 19,000 homes are under construction; and over 38,000 homes are at various stages of planning. This growth is being supported by changes in public policy by both central and London government. The planning system and housing policy are now starting to reflect the fact that build to rent is different from for-sale housing and requires a bespoke set of policies to support its growth. The introduction, for the first time, of a detailed build to rent policy in the draft new London Plan is a leading example of this.

The benefits of build to rent

There are several reasons why public policy is backing the growth of build to rent. This type of development offers a range of benefits which are outlined in Chapter Three. Among other things, build to rent can:

2. Introduction

- increase the overall supply and accelerate the construction of new homes;
- support greater choice for tenants in the rental market;
- deliver a better quality of rental product that is professionally managed; and
- provide boroughs with an opportunity to generate a long-term income stream to invest in local priorities.

The types of people who live in build to rent homes continues to expand. While the sector provides quality accommodation for the mobile professionals that London needs to remain globally competitive, it also offers homes for essential workers running London's key services. It is also not exclusively the domain of younger people, with families and older people living in build to rent homes.

Planning and housing considerations

Institutional investment is a driving force behind the expansion of build to rent. This type of investment is seeking a long-term income stream to provide, for example, a return for pension funds or a revenue stream for boroughs. Build to rent is therefore based on a different financial model to conventional for-sale housing. With for-sale housing, the money a developer puts into a scheme is tied up for a shorter period – until the homes are sold – compared to a build to rent scheme, where the money can be tied up for several years, if not significantly longer. Build to rent can complement and augment existing sources of housing supply, as it is not competing with new-build markets of other tenures. However, due to its financial model it requires a bespoke approach to several planning and housing policies, such as assessing the financial viability of development, the type of affordable housing that is provided, and the approach to design. A question and answer format in Chapter Four addresses these issues and others that are relevant to all boroughs.

Since September 2017, when this publication was first released, there have been significant changes to build to rent public policy, and the sector has continued to grow both in London and the rest of the country. This report has been updated to take account of these changes, providing a refreshed overview of the build to rent sector in London – high-quality, professionally managed, purpose-built homes for private rent. It outlines:

- the reasons why build to rent has grown in importance, its market context, and recent developments in public policy;
- the benefits that build to rent brings to local areas illustrated by case studies; and
- key planning and housing considerations for build to rent that boroughs will need to consider.

London must significantly increase its rate of housebuilding if it is to adequately house its growing population. Failure to do so is not just a social issue: it poses a threat to the capital's economic competitiveness. Businesses in London are increasingly concerned that a growing number of talented people across many levels of income will be driven away, or put off London in the first place, because the city cannot build the homes it needs, and housing costs continue to rise.

There are a complicated set of factors which make increasing housing supply in London challenging. However, it's clear that more support from all levels of government is needed to deliver a greater diversity of the types of homes that are built in London, as diversity will help to increase overall supply. As will be highlighted, build to rent has an important role to play in addressing London's housing problems by, among other things:

- increasing the overall supply and accelerating the construction of new homes;
- providing greater choice for Londoners in the rental market;
- delivering a better quality of rental product that is professionally managed; and
- allowing boroughs the opportunity to generate a long-term income stream to invest in local priorities.

Defining build to rent

For the purposes of interpreting and implementing housing and planning policy, it is helpful to have a clear definition of what build to rent is, particularly as it does not have its own planning Use Class. The draft London Plan¹ provides the following definition:

- a development, or block/phase within a development, of at least 50 homes (with boroughs also allowed to set their own threshold to reflect their housing market);
- the homes to be held as build to rent under a covenant for at least 15 years;
- a clawback mechanism is in place that ensures there is no financial incentive to break the covenant;
- all homes are self-contained and let separately;
- operate under unified ownership and management;
- offer longer tenancies (three years or more), with break clauses that allow the tenant to end

¹ Chapter 4, Policy H13 Build to Rent, Draft London Plan, Minor Suggested Changes, Greater London Authority: August 2018. This definition is a slightly amended version from the definition contained in Homes for Londoners, Affordable Housing and Viability Supplementary Planning Guidance 2017, The Greater London Authority: August 2017.

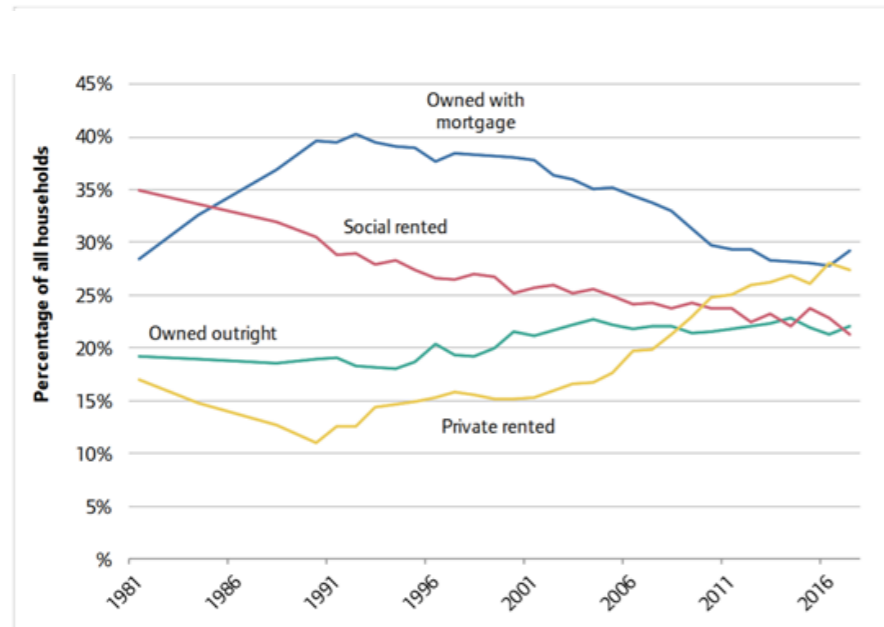
- the tenancy with one month's notice after six months;
- provide certainty about the rent and service charges for the length of the tenancy including the basis of any increase, which should be linked to a formula;
- provide some form of on-site management and ability resolve issues promptly;
- operated by a provider with a complaints procedure in place and are members of a recognised ombudsman scheme; and
- do not charge up-front fees of any kind to tenants or prospective tenants, other than deposits and rent-in-advance.

The build to rent sector is at an early stage but is rapidly evolving. There are several different business models already present in the market and more are likely to appear as growth continues. It is therefore difficult for any definition of build to rent to reflect the diversity of the sector. However, as the Mayor's Affordable Housing and Viability Supplementary Planning Guidance (AHV SPG) highlights, single ownership and single management are crucial principles in defining what constitutes build to rent development².

The growth in renting

London's mix of housing tenures has undergone significant change over recent years. As Figure 1 shows: the number of socially rented homes has declined; the number of homes owned with a mortgage has recently started to increase, having been in considerable decline; the number of homes owned outright has slightly increased; and the number of privately rented homes has dramatically increased. In 2017, the private rented sector accounted for 27 per cent of households in London - the second largest tenure just behind homes owned with a mortgage, which stood at 29 per cent³.

Fig 1: Annual trend in household tenure, London, 1981 to 2017



Source: Housing in London 2018, GLA

The private rented sector in London is dominated by small-scale, amateur landlords. Many of these landlords provide an excellent service, but many do not - and too many tenants have a poor experience as a result. Effective property management and security of tenure are therefore variable for too many Londoners.

Market and investment context

Build to rent is not new in London. In the early to mid-twentieth century, institutional investors owned mansion blocks in central London, but for a range of reasons, including increasing controls on rent and other legislation passed in the 1960s and 1970s, most of these were sold off. Europe and North America have well-established build to rent sectors, particularly in the United States of America, where the so-called 'multi-family' sector houses a wide variety and significant number of people. The market is extremely sophisticated in providing homes at different price points and sizes.

The build to rent sector is growing rapidly in London. Currently, there are 14,801 build to rent homes completed, 19,304 under construction, and 38,662 at various stages of planning⁴. These schemes are distributed across London, from Hayes in the west to Barking in the east, Croydon in the south to Wembley in the north, as well as several central locations, such as Elephant and Castle.

The breadth of geographical coverage is matched by the wide range of organisations active in London's build to rent market, including:

- institutional investors, such as private and public pension providers and sovereign wealth funds;
- private developers from bespoke build to rent developers and operators (i.e. those who build and manage the homes) through to mixed-use developers and 'traditional' housebuilders;
- local authorities, including general fund investment, council-owned development companies, and joint-venture arrangements with the private sector; and
- housing associations.

Significantly, this interest is underpinned by a strong appetite to invest in the build to rent sector. Recent research⁵ shows that £3.1bn was invested in 2018, up 33 per cent from 2017, and that £33.8bn of institutional equity is targeting investment in the sector over the next five years. This investment is not just generating new homes but new jobs as well, such as roles in property management and maintenance which are integral to the success of build to rent developments.

Why build to rent is important

Build to rent is different from the existing private rented sector offer: it provides high-quality, purpose-built homes with professional management and longer tenancies for those who want them. It already houses Londoners across a range of income levels, ages and household types.

² See paragraph 4.10, Affordable Housing and Viability Supplementary Planning Guidance, 2017.

³ Housing in London: 2018, The evidence base for the Mayor's Housing Strategy, Greater London Authority: July 2018.

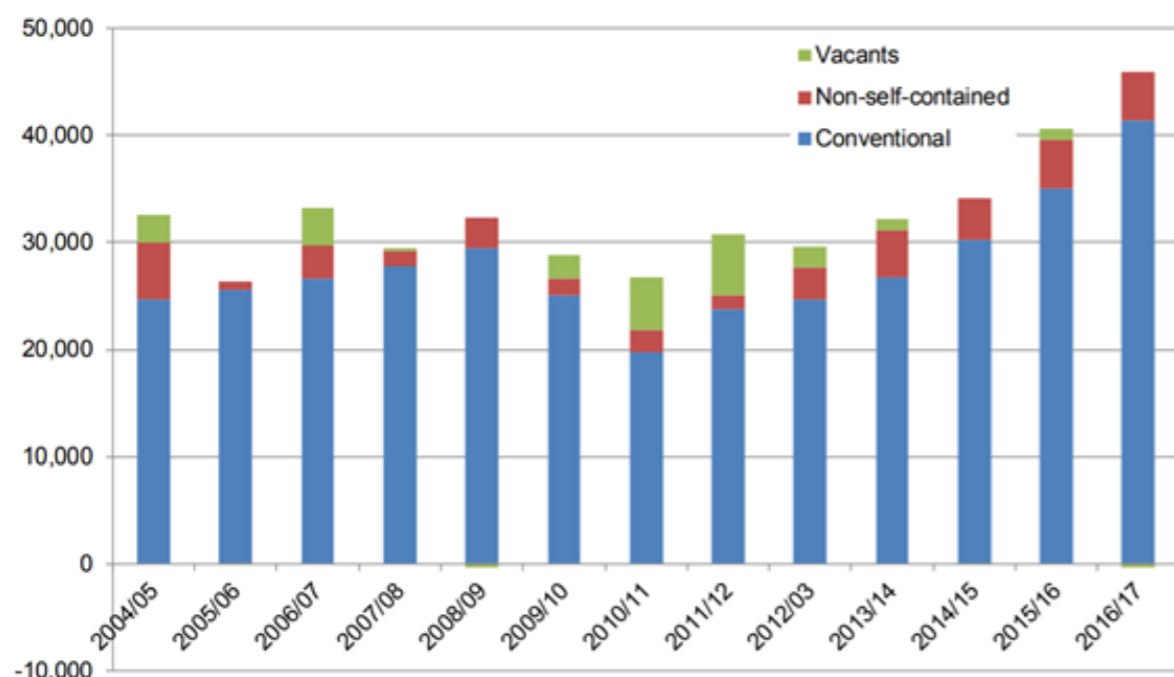
⁴ British Property Federation build to rent map: <http://www.bpf.org.uk/what-we-do/bpf-build-rent-map-uk> (correct as of time of publication).

⁵ CBRE, Market view, United Kingdom Residential Research Investment, Q4 2018.

While build to rent is well suited to house the mobile professionals that London needs to remain globally competitive, it does much more: providing homes for the essential workers who deliver London's key services, and for families and older people. Indeed, for this latter category, the lack of availability of suitable homes for 'downsizers' is a significant contributory factor to the shortage of family housing in the for-sale market, with substantial under-occupation of existing family homes.

Build to rent can also increase the overall supply and accelerate the construction of new homes, as its model is to build and rent the homes straight away so that income can be generated. The draft London Plan states that London needs to build 65,000 homes a year. This will require a significant increase in housebuilding given that in 2016/17 only 45,505 homes were delivered⁶ (see Figure 2) and the fact that the city has consistently failed to meet previous housebuilding targets.

Fig 2: London housebuilding rates 2004/05 to 2016/17



Source: Annual Monitoring Report, GLA, 2018

There is no simple solution to London's housing challenge – increasing supply requires action on multiple fronts. However, encouraging a range of housebuilders with different business models and which are focusing on different parts of the market to build homes in the capital is essential to increasing supply. Build to rent schemes are based on a different financial model

to conventional for-sale housing and can therefore complement and augment existing sources of supply. The institutional and other forms of investment supporting Build to rent are new sources of investment facilitating the construction of additional new homes.

Build to rent also helps provide resilience to the cyclical development market, giving London another source of supply across the cycle, including when, for whatever reasons, for-sale development may prove commercially unattractive. With the right market conditions and public policy in place, build to rent is likely to be a significant additional source of supply alongside for-sale development and affordable housing-led development by housing associations and boroughs. These benefits and others are discussed in more detail in Chapter Three.

Housebuilders moving into build to rent

Telford Homes traditionally built homes for sale but undertook its first build to rent project in February 2016 and has since expanded further into the sector. It now has 1,750 build to rent homes - either built or under construction - and has more to come. Two schemes with M&G are due for completion this year, delivering 125 homes at The Forge in Newham and 150 homes at Carmen Street in Tower Hamlets. Telford Homes is shortly due to announce a strategic build to rent partnership with an institutional investor to enable forward funding of future build to rent schemes.



Image: The Forge, London Borough of Newham ©Telford Homes

This partnership will mean that Telford Homes does not need to invest any debt into the scheme and only limited amounts of equity. This will allow for significant funds to be invested in new opportunities. The move into the build to rent sector has allowed Telford Homes to build more homes and play a greater part in tackling the housing shortage in London.

Policy context

At a national level, the National Planning Policy Framework (NPPF)⁷ and Planning Practice Guidance (PPG)⁸ give clear support for build to rent. The NPPF defines build to rent and comments on the type and quantum of affordable housing that should be provided in such development. The PPG comments on: how local authorities should plan for build to rent; the treatment of affordable housing, which should be provided as Affordable Private Rent (commonly known as Discounted Market Rent – an intermediate form of affordable housing); issues related to the management of schemes; and the distinct economics of build to rent (compared to build for sale) and how this relates to viability assessments.

6 London Plan Annual Monitoring Report 14 2016/17, Greater London Authority: September 2018. The 45,505 figure comprises 41,371 conventional completions and 4,375 non-conventional completions.

7 The National Planning Policy Framework, Ministry for Housing, Communities and Local Government: July 2018.

8 The National Planning Policy Guidance, Ministry for Housing, Communities and Local Government. See in particular Build to Rent, paragraphs 001-011 and Viability, paragraph 019.

There is also support for build to rent at a London-wide level. The Mayor's draft London Plan includes much of the build to rent guidance originally contained in the AHV SPG⁹ first published in 2017. The draft Plan sets out, amongst other things: a definition of build to rent for the purposes of the Mayor's housing and planning policies (see pages 5-6 of this report); that where a scheme meets this definition, and other criteria, the affordable housing within it can be solely Discounted Market Rent (although boroughs can seek a different mix – see Chapter Four); and a 'fast track route' for build to rent schemes providing 35 per cent affordable housing and viability tested route for schemes that do not. For schemes that fall into the latter category, the draft Plan states that viability assessments 'should take account of the differences between build to rent and build for sale development...'. Furthermore, the draft Plan calls on boroughs to 'take a positive approach to the build to rent sector to enable it to better contribute to the delivery of new homes'.

Housing associations moving into build to rent

A2Dominion is supporting a sector-wide move by housing associations to increase the number of private rental homes. Its private rented stock has grown by 182 per cent since 2014. A2Dominion's programme has been developed in response to the clear market demand for quality rental accommodation and they are seeking a return on their investment through rental and capital growth, with a target to provide between 180-240 build to rent homes a year. This represents 20 per cent of their total annual development programme. A2Dominion currently has 1,500 build to rent homes either in management or committed, including a mixture of standalone and mixed tenure development schemes. One example is Keybridge House, jointly purchased with Mount Anvil, which is a mixed-tenure development in Vauxhall, Lambeth. It will provide 470 homes and commercial space, including 159 build to rent homes acquired on a forward purchased basis by A2Dominion. To date, 68 homes have been handed over with a further 91 due to be occupied by March 2019. The whole scheme is due for completion in 2020.



Image: Keybridge House, Vauxhall, London Borough of Lambeth © A2Dominion

It's clear that at a local level in London, many boroughs are already doing this. Several have introduced, or are in the process of introducing, policies to support build to rent. For example, comparatively early on Ealing recognised the potential for build to rent through the Southall Opportunity Area Planning Framework (2014). Likewise, Wandsworth's Core Strategy (2016) supports a 'more structured development' for the build to rent sector. And more recently, Brent's Local Plan Preferred Options paper (2018) highlights the council's positive attitude to build to rent, given its ability to accelerate housing delivery and improve the quality of rented accommodation. Annex A provides further detail about the boroughs that have either adopted or are in the process of developing build to rent policies.

⁹ Homes for Londoners, Affordable Housing and Viability Supplementary Planning Guidance, The Greater London Authority: August 2017.

A diversity of models helping to increase overall housing supply

There are range of rental models that are helping to increase the overall supply of new homes in London. One example of this is Folio London, Notting Hill Genesis branded private rental sector business. Established in 2007, when Notting Hill began providing private rental homes in addition to its traditional affordable housing remit, it has a diverse portfolio comprised of older estates, leasehold arrangements, and new build schemes.



Image: New build development, Rathbone Market, Canning Town, London Borough of Newham © Notting Hill Genesis

Notting Hill recently merged with Genesis housing association and, as part of the post-merger rationalisation, Folio London's portfolio – existing and future stock – now stands at c.3000 homes spread across 14 boroughs, Suffolk, Essex and Hertfordshire. It has a £49m budgeted rental income for 2019/20 with a £29m budgeted net operating surplus.

Folio London offers a mid-market product which supports a varied customer base including residents from a range of backgrounds, income levels, household type, age and jobs - from young professional sharers and couples to families and students through to pensioners. Residents receive a full management 'one stop shop' service, delivered by a dedicated portfolio manager and estate and concierge teams.



Image: An existing development, St James Estate, Porters Edge in Canada Water, London Borough of Southwark © Notting Hill Genesis

In October 2018, Folio London launched its first build to rent development, Porters Edge in Canada Water, Southwark.

3. The benefits of build to rent to local areas

Build to rent development provides several benefits, but of course all of these benefits will not be present in all schemes; much will depend on site specific circumstances and the different parties involved in the development. As the growth in private renting in London continues, so too does the growth of the build to rent sector, bringing more developers into the market with different operating models and objectives. The developments deliver, collectively, a range of benefits including:

- homes at different price points in the market;
- a choice of housing types from one-bedroom accommodation to family homes;
- a long-term income stream for the public sector;
- large scale developments delivered at pace;
- stability and certainty for residents;
- professional management;
- social integration;
- place-making and stewardship in the local area;
- quality homes for people who want to share; and
- acting as a catalyst for regeneration.

These benefits are outlined in more detail below, along with supporting case studies.

Homes at different price points

Build to rent developments can contain a range of rental levels, including affordable housing, depending on, among other things, market conditions and the operating model of the developer. For London as a whole, it delivers high-quality rental accommodation that supports social mobility and provides housing for the working population, particularly for those who are not eligible for affordable housing but who are not at a stage of life in which they either wish or are able to move into home ownership.

At Chesterfield House, an innovative approach to affordable housing, whereby a single investor owns and manages all the homes, is being used to offer a range of discount rents in its north tower. The scheme will deliver 239 homes for rent of which 103 will be Discounted Market Rent homes. In addition, a new public square, community centre, retail units, roof gardens and a communal room for residents will be provided. The building will act as a gateway to a site at the rear of the development which has the potential to deliver approximately 300 homes.



**Chesterfield House, Wembley
London Borough of Brent**

Size: 239 homes
Developer: HUB
Status: Due for completion in 2019

© HUB

Housing choice

As the build to rent market expands, the types of homes built and the types of people living in them will diversify. Even at this early stage in the growth of the build to rent market, developers are branching out with new developments catering for different types of Londoner at different stages of life.

With a family-focused building containing buggy storage, extra acoustic insulation, internal and external play space and an onsite nursery, Union Wharf is helping meet the need for family-friendly rental housing. As with all its other developments, Essential Living will be offering on-site management, long-term tenancies and high-quality social spaces where residents can meet, make friends, and build communities. Union Wharf will also be, at the time of construction, the UK's tallest purpose-built private rented scheme delivered using modular construction, improving both the quality and speed of delivery.



Union Wharf, Greenwich Royal Borough of Greenwich

Size: 249 homes

Developer: Essential Living

Status: Opening in early 2019

© Essential Living

Long-term income stream for the public sector

Build to rent easily supports the creation of joint ventures or other forms of collaboration between land owners, developers, investors, and building operators. In some instances, one organisation performs all these roles, while in others multiple partners are involved. Boroughs and Mayoral bodies are particularly well placed to enter into a joint venture or partnership through their land, property assets and investment power (e.g. local government pension schemes). At a time of constrained financial resource, build to rent can provide the public sector with a reliable long-term income stream.

TfL is seeking to appoint an investment partner to co-invest in a new revenue generating joint venture vehicle. The vehicle will have the right to jointly develop a significant portfolio of sites within TfL's estate with a clear focus that the sites will be developed for build to rent homes.

The anticipated seed portfolio has excellent diversification across London in terms of scale, location and accessibility, with the potential to deliver in excess of 3,000 homes over the next five to ten years. It will seek to generate a minimum net operating income stream of c.£40m a year to the investment partnership by 2025, generating TfL c.£20m a year to reinvest into the transport network. It will deliver a minimum of 40 per cent affordable housing (by habitable room) on all new planning consents, allowing TfL to reach its target of 50 per cent across all its sites.

The seed portfolio currently includes development sites at Nine Elms, Southall, Woolwich, Canning Town, Arnos Grove, Cockfosters, Hounslow West, Montford Place, Newbury Park and Wembley Park. In addition to investing in direct delivery, it is envisaged that the partnership may seek to acquire homes in completed developments. For TfL, the benefits of build to rent are that it will deliver homes more quickly, be able to retain a long-term interest in the future development of its property estate and create a stable long-term income stream with prospects of long-term growth.



©TfL

Transport for London (TfL) build to rent investment partnership, London-wide

Size: In excess of 3,000 build to rent homes in the next five to ten years

Developer: TfL and an investment partner TBC

Status: The partner is due to be selected by summer 2019



**Besson Street, New Cross
London Borough of Lewisham**

Size: 300 homes
Developer: 50/50 joint venture between Lewisham Council and Grainger
Status: Planning application expected in summer 2019

© Assael Architects/LB Lewisham

Lewisham’s main housing priority is to create more housing at social rent. By 2022, the council will have approved the building of 1,500 new council homes. However, it also wants to improve standards for private renters. The council has formed a 50/50 joint venture with Grainger to build up to 300 new build to rent homes at Besson Street and deliver a new, professional rental experience for Londoners.

35 per cent of these homes will be based on the London Living Rent calculation, where rents are set based on average incomes in the ward, meaning that homes will always be affordable, and 65 per cent will be let at market rent level. Residency periods of up to 10 years will be offered (an initial five-year tenancy with an automatic right to renew for another five years) and rent increases will be set at the time of sign-up, and linked to inflation, meaning that renters will know in advance what rent they will pay in the future.

The development also provides space for a GP surgery and health centre, community space for the New Cross Gate Trust, commercial space and new public realm. Crucially, the project will provide Lewisham with a long-term, sustainable and reliable income stream. This income will help the council to manage its budgets, provide essential services and make fewer cuts to services.

Delivering at scale and speed

Build to rent development relies on generating 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 it is aiming at a different part of the residential market.

Quintain is developing and managing build to rent at scale in the £3bn transformation of Wembley Park. The 85-acre site is one of the largest mixed-use developments in Europe and includes 500,000 sq ft of retail space, four office buildings, and state of the art infrastructure supporting ultra-fast broadband and innovative waste and recycling measures. Plans are in place for Wembley Park to become the single largest build to rent site in the UK, with homes being delivered at a pace not seen at any other London development site. Quintain wholly owns Tipi, the lifestyle-focused rental operator that manages all its build to rent buildings.



**Wembley Park, Wembley
London Borough of Brent**

Size: 7,500 homes, 5,000 of which will be for build to rent
Developer: Quintain
Status: Hundreds of rental homes already completed. Over 3,000 homes currently under construction, 750 of which will be completed by the end of 2019.

© Quintain

Stability and certainty for residents

The rental-income based model incentivises build to rent operators to secure high occupancy rates and limit void periods. Build to rent operators are therefore keen to offer longer tenancies - where residents want them - and predictable increases in rent within a tenancy to help achieve these objectives.

Abbeville Apartments is a forerunner in the build to rent market. Designed from the beginning with the rental customer in mind, and through extensive research, Grainger developed a bespoke product and services for its residents. To provide greater stability and engender a sense of community, Grainger offers flexible and long-term tenancies for up to three years, together with no administration or renewal fees.

More than half of the initial residents took three-year tenancies, and nearly a third of the residents are young families. At Abbeville, the residents benefit from a concierge, onsite management and dedicated maintenance team. Resident amenity space includes a communal garden, fitness studio, parcel storage and resident's lounge, which is used regularly for resident-led events such as homework groups, a chess club, art club, and parties.



Abbeville Apartments, Barking
London Borough of Barking and Dagenham

Size: 100 homes
Developer: Grainger
Status: Opened in June 2015

©Grainger

Professional management

At the heart of build to rent is the professional management of buildings. As the objective of such development is to generate income through high occupancy and to retain existing residents for the long term to minimise voids, the simple way to help achieve this is by providing excellent management and customer service. Professional management also enables much greater control over unauthorised short-term sub-letting, which build to rent operators are keen to ensure does not happen in their buildings.

Launched in January 2018, the 134-home Argo Apartments scheme is one of London's newest build to rent developments. Comprising one- and two-bedroom apartments and a range of spaces to work and socialise, residents at Argo benefit from a dedicated 24-hour on-site management team and concierge. Designed exclusively for rent, the spacious apartments, which are finished to a high standard, come furnished or unfurnished, include 100Mbps broadband, and are all Sky enabled with excellent storage space and a personal balcony.

A range of work spaces are available for residents, while a gym caters for fitness enthusiasts. For those wanting to relax, there is a reading snug, games room, residents' lounge, and roof terrace. Residents can also book the dining area, games room, guest suite and a section of the roof terrace for private events, while an app-based dry-cleaning service is also available.

Built, owned and managed directly by Grainger, residents benefit from the team's expertise and commitment to great service, and flexible tenancies of up to three years. Located in Canning Town, Argo offers great connectivity via Tube, DLR and bus routes.



Argo Apartments, Canning Town
London Borough of Newham

Size: 134 homes
Developer: Grainger
Status: Opened in January 2018

© Grainger

Social integration

Build to rent provides affordable homes typically in the form of Discounted Market Rent (DMR). These homes are generally provided on site and on a 'tenure blind' basis – i.e. they are integrated into the development, with all homes sharing the same entrance, communal facilities and management services (this is sometimes referred to as 'pepper-potted'). Being tenure blind is not just about design at the point of completion – residents also have the flexibility to move to different homes within the development at different rental levels if their personal circumstances change.

Legal & General's flagship build to rent scheme will regenerate the former Ferry Lane Industrial Estate along Walthamstow's High Maynard Reservoir into an environmentally-sensitive, high-quality and sustainable development. The affordable homes, spread throughout the five buildings to create a tenure blind development, will be in the form of DMR and London Living Rent, with the DMR offered at a 20 per cent discount and prioritised for local key workers.

In addition to the new homes, the scheme comprises 20,000 sq ft of flexible commercial and community space, including a microbrewery, grocery store, and start-up business units. Two hundred new trees, planting and grasses will be used to create an ecological corridor that connects the site to nearby emerging developments. Large areas of landscaping between the five buildings and the emerging sites will include a civic space and a new London square. Legal & General are also financially supporting the establishment and running of a Trust to protect the Walthamstow Wetlands and are Headline Partner to Waltham Forest London Borough of Culture 2019.



Blackhorse Mills, Walthamstow London Borough of Waltham Forest

Size: 479 homes
Developer: Legal & General
Status: Opening in 2019

© Legal & General

Place-making and stewardship

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 residents and the wider community.

In October 2017, Grosvenor Britain & Ireland ('Grosvenor') submitted its application for one of the capital's largest build to rent developments. Grosvenor's plan, in the heart of Bermondsey, would deliver around 1,350 new rental homes including homes at a range of DMR. All of these homes would be managed by Grosvenor for the long term. The proposed £500m plus investment plan for the 12 acre former biscuit factory site is backed by the company's 340-year history and track record of creating and managing some of London's most successful places. The plan, designed by architect Kohn Pedersen Fox Associates, outlines ambitions for a physically integrated neighbourhood with a brand new 600-place secondary school at its heart, over 120,000 sq ft of new public spaces, including a publicly accessible roof terrace, and almost 21,000 sq ft of new play space. Approximately 100,000 sq ft of ground-floor retail, food, leisure and culture will be included with shops, services, and facilities open to the community.



Bermondsey London Borough of Southwark

Size: c.1,350 homes
Developer: Grosvenor Britain & Ireland
Status: Submitted for planning consent

© Grosvenor Britain & Ireland

Quality homes for sharers

Many homes in the private rented sector are occupied by people who are sharing, whether that is due to cost, lifestyle choice or other reasons. These homes are typically family homes that have been divided to cater for sharers. Build to rent offers purpose-built, professionally managed homes that are designed for those who want to rent and if appropriate share. Homes are well sized and typically have equal sized bedrooms with en-suite facilities and high-quality, open plan shared living areas.

To be certain the homes met residents' needs, Be:here undertook detailed consultation with renters in the form of surveys and focus groups. With the development now fully let, Be:here constantly asks its residents what they want and tweak their service offer to meet changing demands. This knowledge is also then reflected in future developments.

Key features of the homes include open plan layouts, every bedroom having its own en-suite bathroom, built-in wardrobe, super-fast broadband, a balcony or garden (either a podium garden or roof top garden), storage pods, dry cleaning lockers, and furniture by Habitat.

Be:here directly manages the homes through a dedicated on-site team which includes a caretaker who looks after the development and fixes minor repairs. Be:here also markets and lets its homes using an on-line system designed to provide as much information as possible up front in a streamlined process. No fees are charged to residents.



© Be:here

Be:here, Hayes London Borough of Hillingdon

Size: 133 homes
Developer: Be:here (EcoWorld)
Status: Opened in January 2017

A catalyst for regeneration

Build to rent schemes can act as an anchor for regeneration, kick-starting wider development in an area and acting as a focal point for change. Build to rent's ability to bring new residents into a neighbourhood quickly, sometimes in significant numbers, provides the confidence for others to invest in retail and leisure uses, as there is immediate footfall in an area.

By putting placemaking at the heart of the regeneration of Greenford Green, this former industrial estate will become more integrated into the wider community. The development is opening up the previously disused site to introduce permeability and attractive public connections through Greenford, including a new pedestrian bridge over the Grand Union Canal, the re-opening of Berkeley Avenue - and improved access to Horsenden Hill. Most of the new homes will be specifically designed for rent, with Greystar providing long-term on-site management.

This mixed-tenure, mixed-use development is being delivered quickly using modular construction, which has also cut construction traffic and waste by 80 per cent. It will serve as a catalyst for regenerating Greenford more widely, providing new employment opportunities and creating a place where people can live, work and enjoy their leisure time. As well as the new homes, the refurbishment of the original listed Glaxo House will create new office space which will combine with the quality public realm and provision of a range of new cafes, restaurants, shops, other workspaces and a local cinema to introduce life and activity back into the site for the whole Greenford community. The scheme will also unlock investment in new social infrastructure, including a two-form entry primary school and a local healthcare hub on site.



© Greystar

Greenford Green redevelopment London Borough of Ealing

Size: c.2,000 homes approximately 75 per cent build to rent
Developer: Greystar
Status: Construction started 2017, first occupations in 2019

4. Planning and housing considerations for boroughs

The growth of build to rent in London is gathering pace. Boroughs will be experiencing increasing interest from build to rent developers in their area, and there are now planning applications submitted in the majority of boroughs for build to rent development. However, some boroughs do not yet have specific build to rent housing or planning policies or are at the early stages of developing them (see Annex A for further information about borough built to rent policies).

The Mayor's Affordable Housing and Viability Supplementary Planning Guidance (AHV SPG) helps to fill the current gap by providing London-wide guidance supplementary to the adopted London Plan. In addition to the boroughs that have adopted or have emerging build to rent planning policies, the draft London Plan has a detailed build to rent policy. At a national level, the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) set out specific policy and guidance for build to rent with the PPG requiring local authorities to promote build to rent, where a need for rental homes is identified.

Set out below are some key questions and answers about build to rent that all boroughs should consider.

Question One: Why is build to rent different from for-sale housing and how does this affect the viability of development?

Answer: The financial models and ownership structures for build to rent development are fundamentally different to that of for-sale housing. The intention of those who own a build to rent scheme is generally to maintain all the homes as rented accommodation for the long term and to generate income from the rent to support pension liabilities, for example.

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 will be invested over the longer term. A lump sum of profit – i.e. 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 don't generate an early profit, this means that the development is valued in a different way to for-sale development 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 (CIL) payments. The cost of capital may also vary compared with for-sale developments and this should also be taken into account.

In addition to these long-term cash flow issues and the operational costs of build to rent schemes, it is also significant to note that when a build to rent scheme is valued upon full occupation, it will be valued materially lower than an unencumbered, identical property which can be sold on the open market.

Notwithstanding these challenges, and as discussed below, build to rent schemes do make a significant contribution to affordable housing – often in the form of Discounted Market Rent (DMR) housing – and other planning obligations (plus CIL), where this is consistent with delivering a viable scheme. However, the issues of cash flow and capital value must be reflected in the viability assessment undertaken as part of the planning process.

Question Two: What guarantee is there that build to rent homes will not be converted to for sale homes in the future?

Answer: To retain new build to rent homes as rental accommodation and to reflect the distinct economics of this type of housing, a restriction within a Section 106 (S106) legal agreement can be applied that requires the homes to remain as rented homes for a minimum period and to require a financial payment if this restriction is broken.

The Mayor's AHV SPG expects a minimum period of 15 years, and this is also set out within the definition of build to rent schemes in the draft London Plan. This is generally referred to as a 'rental covenant'. The PPG also makes reference to the use of a covenant. At the end of the covenant, if the developer chooses to, some or all the homes can be turned into for-sale homes (although this is not generally the desire of build to rent developers). Notwithstanding this, the affordable homes delivered as part of the original development must remain in perpetuity, or alternative provision made (see Question Three for further information).

During the period of a covenant the overall ownership of a build to rent scheme can change if, for example, an institutional investor purchases the entire scheme. This would not affect the individual homes within the scheme, which would remain rented and managed by a single company.

Question Three: Will the affordable housing in a build to rent development remain in perpetuity?

Answer: Affordable housing is secured in perpetuity, as set out in the NPPF, the PPG, the Mayor's AHV SPG, and the draft London Plan. However, there are differences between the detailed guidance on this matter set out at a national and London level.

The Mayor's starting position is that affordable homes should be retained on site, even in the event of sale of the private rented homes (into owner-occupation). However, the AHV SPG does include provisions for developers to demonstrate that the affordable homes cannot be retained on site and in such cases requires firstly, their re-provision within the vicinity of the development and secondly, in exceptional cases, a cash lieu contribution. This contribution

is an additional consideration to the clawback payment which may be due in the event of the rental covenant being broken more generally (which is calculated based on the value difference between for sale and rented tenures).

The PPG also sets out details of how both a clawback and a rental covenant should operate. The focus of the PPG is on securing a payment for any lost affordable homes. However, the PPG also refers to a broader rental covenant and states that local authorities can decide how to structure any covenant and clawback relating to retaining market rented homes in rented tenure.

Notwithstanding these complexities, the key message is that the build to rent model is based upon long-term ownership and operation of the new homes and not upon the break-up and sale of assets. It is therefore a model that supports the provision of affordable housing on site, in perpetuity. Section 106 agreements can be used as a mechanism to secure this affordable housing.

Question Four: What type of affordable housing can a borough expect to be delivered in a build to rent scheme?

Answer: The Mayor supports the provision of DMR homes as the affordable component for build to rent schemes. The NPPF also supports this and refers to this type of housing as Affordable Private Rent (APR). APR is a defined affordable housing product listed in the NPPF. The NPPF states that APR should be the default form of affordable housing and the Mayor's AHV SPG takes the same approach. However, both Government and Mayoral policy also allow for other forms of affordable housing to be provided. The PPG states that where there is agreement between the developer and local authority, other forms of affordable housing as defined in the NPPF can be provided or a cash in lieu payment can be made.

The Mayor, through supporting text in the draft London Plan, also allows for boroughs to require a proportion of social rent or London Affordable Rent homes to be provided in a build to rent development if this has been outlined in a borough's Development Plan. Some boroughs are bringing such policies forward, as set out in Annex A to this document.

There are practical advantages to using DMR, including tenure blind provision, which supports social integration, and crucially DMR allows for the single management of all the homes in a build to rent scheme as DMR homes do not have to be owned and managed by a Registered Provider.

It should also be noted that build to rent generally supports the on-site provision of affordable housing. There may be circumstances where an off-site contribution results in better public value, but this will always be subject to the agreement of the borough.

Question Five: If DMR homes are the affordable component in a build to rent scheme, what rental levels can be charged for these homes?

Answer: There are a range of rental levels possible within the broad term of DMR, including London Living Rent (LLR). In order to qualify for the Mayor's fast track approach (see Question Seven), the draft London Plan requires 30 per cent of affordable housing within build to rent schemes to be set at LLR. The remaining 70 per cent can reflect local circumstances and can be up to 80 per cent of market rent, which aligns with the national definition of APR. Maximum rents for LLR are available by number of bedrooms in relation to every local government ward in London. Rents are based on average local incomes and are set so that the rent for a two-bedroom property is around one third of the local median household income and this typically equates to around two thirds of the cost of median monthly market rents.

Question Six: What level of affordable housing provision can a borough expect to be delivered in a build to rent scheme?

Answer: The provision of affordable housing is based on the viability of each scheme, assessed against relevant planning policies. In build to rent development, there is a direct correlation between the level of rental discount on the affordable housing and the number of affordable homes that a scheme can provide. For example, a scheme may contain a high percentage of affordable homes, but these homes might have a low discount to the market rent in the area and vice versa.

The PPG sets a benchmark of 20 per cent provision of affordable housing for build to rent schemes, unless there is local evidence available to justify an alternative approach, and notes that these affordable homes should be at a minimum discount of 20 per cent from market rent. While the draft London Plan has a strategic target for 50 per cent of new homes to be affordable, in relation to site-specific decisions for build to rent schemes there are two options for determining the percentage of affordable housing:

- One way is to use the fast track approach which requires 35 per cent affordable housing (as well as other policy requirements to be met). Here, there is an expectation that at least 30 per cent of the affordable homes are set at LLR levels.
- The other way is to use the viability tested route. The draft London Plan requires detailed viability information at application stage and a late stage viability review for schemes, which do not qualify for the fast track. For longer-term phased schemes, the GLA may seek to secure mid-term reviews prior to implementation of later phases.

The draft London Plan's introduction of a fast track route for build to rent schemes which provide 35 per cent affordable housing (the same percentage required for for-sale residential development to access the fast track) marks a change from the position outlined in the AHV SPG. The latter set out that there was insufficient evidence at the time of writing the SPG to support a specific percentage of affordable housing for build to rent schemes to access the fast track.

Viability review mechanisms secured within S106 agreements ensure that boroughs are not disadvantaged in the provision of affordable housing in a build to rent scheme compared to for-sale schemes. Where schemes qualify for the fast track, they do not need to provide a full viability assessment but will be subject to the 15-year covenant and clawback, and will be required to undertake a valuation of the market and affordable homes to enable the terms of the clawback to be set out in the section 106 agreement.

Question Seven: Who will manage the affordable homes?

Answer: DMR homes are generally managed as part of the overall estate management regime of the build to rent scheme, because, amongst other reasons, the homes are pepper-potted throughout the development. The Government is clear that affordable homes in a build to rent scheme should, by default, be provided as rented homes and managed collectively by a single operator.

While the traditional approach of affordable homes being managed by a Registered Provider is more familiar (and this option does still exist on a build to rent scheme – see Question Four), the build to rent model ensures that all residents benefit from: a high-quality service; a dedicated management company dealing with all the development; and an on-site management presence. Detailed long-term management plans secured by condition in a section 106 agreement can provide reassurance to boroughs about the appropriateness and quality of management arrangements. This also takes away a resource requirement from local housing authorities.

Question Eight: Who is eligible to live in the affordable housing being provided?

Answer: Through a section 106 agreement, boroughs can influence the household types eligible for the affordable homes in a build to rent scheme. The extent of a borough's control of this process depends on the type of affordable housing product being delivered and the borough's housing policies.

Affordable Private Rent homes (i.e. DMR homes in London) are referred to within the NPPF definition of 'affordable housing for rent' and must be at least 20 per cent below local market rents, including service charges. The draft London Plan refers to this as an intermediate affordable housing tenure. These affordable homes are distinct from social rent or affordable rent housing, which is the equivalent of what is commonly referred to as 'social housing'. The provision of social rent or affordable rent housing would be subject to established eligibility processes.

The section 106 agreement should set out agreed eligibility criteria for the DMR homes. This approach requires less resource input from the borough (for example, in terms of managing and administering the nominations process), yet they retain control over the target residents and the nature of housing need being met.

Some boroughs, such as Southwark, have consulted on establishing a separate nominations process for intermediate affordable housing, including rented homes, to reflect the growing need for this type of housing in their area.

Question Nine: Are there differences between the design standards for build to rent and for sale housing?

Answer: Build to rent is subject to the same planning policy requirements as other residential development, including in relation to sustainable design, architectural design, residential amenity, public realm and transport. However, build to rent provides purpose-built accommodation that is designed to serve long-term renters. Typically, this includes well-proportioned bedrooms, en-suite facilities, and shared living spaces. In this respect, build to rent schemes should be viewed in terms of the whole building rather than the individual homes.

The Government's Housing White Paper notes that it may be necessary to review national minimum space standards to reflect different residential products. In some circumstances build to rent schemes have a greater emphasis on communal space, including shared external amenity space, and may require a different application of residential design standards. This is a redistribution of space rather than a net reduction. The adopted (i.e. current) London Plan and Mayor's AHV SPG allows for a degree of flexibility in the application of housing design standards in relation to innovative designs where they meet an identified need and are of an exceptional design and standard.

For example, the AHV SPG highlights that there could be justification for flexibility in the number of homes per core per floor and the number of single-aspect homes. It also states that local policies requiring a range of home sizes should be applied flexibly to build to rent to reflect greater demand for one and two beds than in the owner-occupied or social/affordable rented sector.

Flexibility is not always required, but boroughs may need to consider this because build to rent schemes are different from for-sale housing, and they are lived in by residents in a different way compared with a home that is owned.

The draft London Plan sets out that guidance will be produced by the Mayor on the implementation of the housing quality and standards policy in relation to all tenures.

Annex A: Borough policy approaches to build to rent

Planning policy in London is beginning to incorporate a response, largely positive, to build to rent housing. Below is a summary of current or emerging build to rent policies across London.

The draft London Plan includes a specific build to rent policy, H13, with ten criteria that must all be met for a scheme to qualify as build to rent. For example, the development must include 50 homes, be held under a covenant of at least 15 years, and be under unified ownership and management. This broadly reflects the definition of build to rent set out in the Affordable Housing and Viability Supplementary Planning Guidance (AHV SPG).

To qualify for the draft London Plan's fast track route on viability, build to rent schemes must deliver at least 35 per cent affordable housing. The affordable housing offer can be solely Discounted Market Rent (DMR), with the Mayor expecting at least 30 per cent of DMR homes to be provided at London Living Rent level, with the remaining 70 per cent at a range of below market rents. DMR homes must also be secured in perpetuity.

If the criteria for the fast track route are not met, then build to rent schemes must follow the viability tested route set out in the draft Plan but taking account of the differences between build to rent and build for sale developments.

In revisions to the draft Plan, the Mayor now also proposes that boroughs can require a proportion of affordable housing as low-cost rent (social rent or London Affordable Rent) on build to rent schemes where this has been justified in their Development Plan.

Outlined below are the current policy approaches taken by boroughs to build to rent.

Barking and Dagenham

The Issues and Options report, draft Local Plan (2015) refers to and supports the old London Housing Strategy (2014, Policy P1) target that 12 per cent of new homes should be institutionally owned rental property. It is noted that purpose-built accommodation can provide a better alternative to buy-to-let accommodation.

Barnet

The Core Strategy (2012, paragraph 9.6.9) notes that 'An increased supply of decent housing in the private rented sector is of value to households wanting to live in Barnet but not able to access owner occupation'. Policy CS4 supports a mix of housing products to provide housing choice to enable residents 'to progress on a housing journey that can meet the aspirations of home ownership'.

Brent

The Core Strategy (2010) refers to current issues of poor-quality private rented accommodation. Brent's Wembley Area Action Plan (2015, paragraph 7.29) notes that 'Wembley is a town centre location that represents an opportunity to deliver a new type of private rented accommodation. The council is keen to see private rented accommodation delivered at a scale that can support more professional and less fragmented management as well as greater stability and longer rental periods'.

Policy WEM 22 (Private Rented Sector) encourages:

'Purpose-built private rented sector accommodation where dwellings are of demonstrably good design and there are suitable long term financial management and nominations arrangements. Where such accommodation can be delivered the council will be flexible on housing unit size mix and the proportion of affordable housing, if that accommodation, or a reasonable proportion thereof, can be made available at or below local housing allowance levels'.

Brent's Harlesden Neighbourhood Plan (consultation draft, March 2017) also sets out 'explicit support for both the private rented sector and for shared ownership as solutions for those people wishing to live locally but who cannot afford market housing or Starter Homes'.

Published in November 2018, Brent's Local Plan Preferred Options paper highlights the growing contribution of build to rent to meeting housing needs in the borough. It states that the council has been 'positive' about the tenure given its potential to accelerate housing delivery and the quality of the homes/services provided. The backing of the Government and Mayor of London for build to rent is also highlighted.

A draft new policy within the Preferred Options paper, BH3 build to rent, states:

'To encourage increased housing delivery, within Growth Areas or on development sites of 500 dwellings or more, the provision of Build to Rent properties will be expected unless this would:

- be shown to undermine the overall site's timely development; or*
- would undermine viability to such an extent that it significantly undermines affordable housing delivery'.*

Camden

Local Plan policy (2017) H6 sets out that the council will *'support the development of private rented homes where this will assist in the creation of mixed, inclusive and sustainable communities'*.

City of London

The draft City Plan 2036 states:

'The London Plan includes a detailed policy which supports Build to Rent developments. Build to Rent accommodation is specifically designed for renting and is typically owned by institutional investors and will be supported where it meets the detailed requirements in the London Plan'.

Croydon

The Local Plan (2018) enables a degree of flexibility with regard to affordable housing provision for private rented schemes provided that such schemes are subject to a rental covenant of at least seven years.

Ealing

The Southall Area Opportunity Area Planning Framework (2014) encourages large-scale build to rent schemes where they provide good-quality, professionally managed homes.

Enfield

Enfield's draft New Local Plan 2036, Consultation Draft (December 2018), states that *'The Council supports BtR and will positively promote this housing product through policy making...'*.

Draft policy H5 states that proposals for build to rent developments will be supported in appropriate locations where schemes meet identified local and strategic housing needs and provide affordable housing in line with London Plan and Local Plan policies on affordable housing.

Greenwich

The Spray Street Supplementary Planning Document (2015) notes in section 3.3 that *'In addition to standard residential development there may be scope to diversify the offer through Private Rental Sector schemes and student accommodation – both of which are considered to be growth sectors with keen developer interest'*.

Hackney

Hackney's Development Management Local Plan (2015, paragraph 5.3.15) notes:

'The Council recognises the increasing importance of the private rented sector in meeting housing needs in the Borough, and supports the provision of 'build-to-rent private rented homes', where these are well-designed, where evidence is provided that high standards of management will be put in place, and where the benefits of such housing are balanced against the level of affordable housing provision. The Council will work with the GLA and other delivery partners to seek to increase and improve the private rented sector in line with the London Plan and the Mayors Housing SPG'.

This supports policies on housing supply, including DM19 – General approach to new housing development.

The proposed submission Local Plan (2018) contains a specific build to rent policy, LP15, which sets out a positive approach to build to rent developments subject to a 15-year covenant. A policy requirement for at least 50 per cent affordable housing to be set at London living rent level (subject to viability) is also proposed.

Hammersmith and Fulham

The Local Plan (2018) states that build to rent has the potential to boost the supply of private rented accommodation and may offer a greater choice to private renters. The Local Plan sets out a range of considerations about build to rent, including acknowledgement of the different financial model and requirements for suitable long-term management arrangements. Policy H01 – Housing Supply states that the council will work to improve the quality of private rented housing.

Haringey

The Tottenham Area Action Plan (2017) supports private rented housing as part of a broad housing mix to be delivered through comprehensive estate renewal of Northumberland Park and Love Lane.

The Wood Green Area Action Plan (Preferred Option, 2017, paragraph 7.30) sets out that private rented developments are considered to have a role to play in meeting housing need in the borough.

The borough's Development Management DPD (2017, paragraph 3.9), notes the increasing importance of the private rented sector in providing housing choice in London and to support housing delivery rates. The council will apply a rental covenant of an 'appropriate length' and is keen to ensure that purpose-built rental accommodation is of a high standard. This text supports policy DM11 Housing Mix.

Hounslow

As part of its Local Plan Review (October 2017) it is proposed to include an additional clause in Policy SC2 on sustainable mixed communities to '(i) Support a variety of housing products in the market and affordable tenure'. It is explained that the policy is seeking to support housing products such as Build to Rent, and any such development will be required to demonstrate optimisation of land and how it meets housing needs through consideration of household incomes in relevant locations.

Islington

Islington's Local Plan Review, draft Strategic and Development Management policies Development Plan Document (November 2018) sets out a restrictive policy approach to the 'purpose built private rented sector'. Policy H11 states that: *'Proposals for purpose built Private Rented Sector (PRS) development will not be permitted unless it has been robustly demonstrated...that more conventional models of housing delivery are undeliverable; and where there will be no adverse impacts on local amenity and the mix and balance of uses in the area...'*. The draft policy also states that 'Affordable Private Rent is not considered to be an acceptable affordable housing tenure' and that a rental covenant for PRS units of at least 50 years will be required.

Kensington and Chelsea

The Local Plan Partial Review (submission version, 2017) acknowledges the significant role of the private rented sector in the housing market and refers specifically to build to rent. Paragraphs 35.3.69-35.3.71 refer to the benefits of build to rent and the distinct economics of the tenure and the Mayor's AHV SPG is referred to. Policy CH4 supports build to rent, particularly where an element of intermediate rent is included.

Examination of the updated Local Plan has yet to be completed at the time of writing. However, the council has proposed modification to the submission version including an expectation that build to rent schemes should provide intermediate rent or Affordable Private Rent in line with the Mayor's AHV SPG and the updated NPPF.

Lambeth

Lambeth's Local Plan (2015, paragraph 2.58) states that the council supports the private rented sector and notes that *'The Council, through the Housing Strategy, supports growth in the private rented sector and the provision of well-managed and good quality private rented homes.'*

A draft Local Plan was consulted on until December 2018 that included a new specific build

to rent policy. Draft Policy H12 states that Lambeth supports build to rent developments that meet the build to rent definition in the draft London Plan Policy H13, subject to additional/ alternative requirements, including a longer covenant period (25 years), nominations rights set out within a section 106 agreement, and a review of the potential to include a separate core for low cost rented accommodation.

London Legacy Development Corporation (LLDC)

The LLDC consulted on a revised Local Plan in 2018 that expressed positive support for build to rent development. The LLDC intends to apply the Mayor's definition of build to rent as set out in Policy H13 of the draft London Plan

Merton

The draft Local Plan 2020 contains a draft Policy H4.7 on build to rent stating that schemes must meet the requirements of draft London Plan policy H13 and the Mayor's AHV SPG.

Like Lambeth's draft policy approach, Merton has included a requirement that developments capable of providing more than one block or core should allow one to be managed by a Registered Provider. The council want 70 per cent of the affordable housing requirement to be low cost rented housing and the remaining 30 per cent to be DMR (with the DMR split 30:70 between London Living Rent and affordable rent). However, where the council accepts that these expectations cannot be met, they may permit all affordable housing requirements to be delivered as DMR. Merton also intends to secure nomination rights to the affordable housing component of any scheme via section 106 agreement.

Newham

Newham's Local Plan (2018, interim version) Policy H1 states that, where build to rent is justified as part of a broader housing mix, delivery should occur on strategic sites. Build to rent accommodation must be under single ownership in developments of at least 50 homes, be secured for a minimum of 15 years, and offer long-term tenancies for private renters of at least three years. The format of build should accord with the definition in the draft London Plan (as carried through into subsequent SPGs). The policy seeks family housing as part of the build to rent housing mix but allows for off-site contributions to family housing where justified in accordance with the policy tests.

Under Policy H2 on affordable housing, there is an expectation that all developments, including build to rent, will provide 35 to 50 per cent affordable housing, comprising a tenure mix of 60 per cent social housing and 40 per cent intermediate homes. The policy also states, *'Dual viability assessments are required that incorporate viability testing that set out outcomes in relation to 'Build*

for Rent' and 'Build for Sale' approaches and the subsequent impact upon the delivery of affordable housing. Where it is demonstrated that a build to rent approach will deliver less affordable housing in terms of a capital subsidy, a revenue subsidy may be considered as an appropriate alternative'.

Old Oak and Park Royal Development Corporation

A Local Plan is currently undergoing examination and contains a specific build to rent policy, H6, which broadly accords with the Mayor approach to build to rent.

Richmond-upon-Thames

The Local Plan (2018) Policy LP 37 states: *'Planning permission will be granted for new accommodation where housing is providing for an identified local need, across a range of tenures, providing they are on a site and in a location suitable for that particular use'*. Although build to rent itself is not specifically mentioned, the Plan asserts that *'the Private Rented Sector (PRS) can assist in meeting a range of needs and be particularly suitable for certain locations. It can for example offer longer term tenancies/more certainty over long term availability and ensure effective management through single ownership. Any PRS schemes are strongly encouraged to sign up to the London Rental Standard. Wholly PRS proposals are unlikely to be supported where they do not contribute to the higher priority need for affordable housing'*.

Southwark

The New Southwark Plan, due for submission in early 2019, contains a policy on private rented homes. Policy P4 supports self-contained private-rented homes subject to a range of criteria, including a 100-home threshold, a 30-year rental covenant, and a requirement to provide affordable homes in perpetuity.

The policy expects a minimum of 35 per cent affordable housing comprising a minimum of 15 per cent social rent equivalent and a minimum of 20 per cent affordable rent capped at London Living Rent equivalent. DMR homes and social rent equivalent must be allocated to households on Southwark's housing waiting list.

Tower Hamlets

A new Local Plan is undergoing examination and its Policy S.H1 expresses support for a variety of housing products in the market and affordable tenures which meet local need. The draft Plan goes on to state that this is intended to support a range of innovate housing products, including build to rent, as long as schemes optimise the use of land and facilitate the delivery of housing to meet needs in each tenure. There is an expectation that any development

should meet other policy requirements including unit size mix, affordable housing, and space standards.

Waltham Forest

The Local Plan Direction of Travel document (2017) proposes a policy direction of encouraging a range of housing including build to rent.

Wandsworth

The Local Plan, Core Strategy (2016, paragraph 4.183) identifies that there is a need to increase private rented sector housing and that this has the potential to meet the needs of low-middle income households.

The Core Strategy supports *'more structured development'* of the sector, which is essentially setting out support for built to rent development. This text supports Policy IS 5 (housing mix) with part (g) noting:

'The Council supports the development of private rented sector housing and schemes offering a mixture of private and intermediate rented housing aimed at working households.'

'Where developers are willing to enter into legal agreements securing such housing for local needs or lower to middle income households with security of tenure, any impacts on the market value of such developments will be taken into account in viability assessments'.

Westminster

Westminster's draft City Plan 2019–2040 (2018) contains a new policy 11 in support of innovative housing delivery, which includes build to rent:

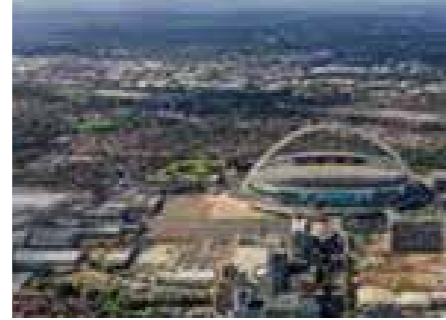
'The council has an ambition to be at the forefront of innovative housing delivery and welcomes applications for new types of high quality housing – particularly where they are provided at rent levels equal to or less than Westminster's intermediate rents or enable access to more affordable housing than market housing'.

The draft Plan states that innovative housing models will be required to provide affordable housing, but this expectation may be waived if rent levels are comparable to intermediate rent and secured by legal agreement.

Annex B: Borough case study map



Chesterfield House, p13



Wembley Park, p17



Blackhorse Mills, p20



The Forge, p9



Rathbone Market, p11



Argo Apartments, p19



Be: here Hayes, p22



Greenford Green, p23



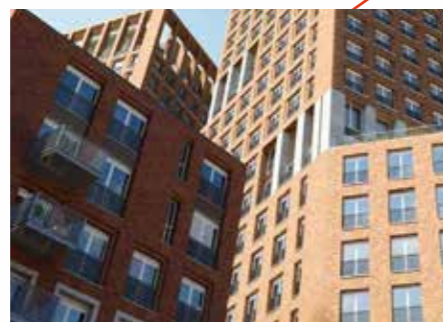
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London Councils represents London's 32 borough councils and the City of London. We are a cross-party organisation that works on behalf of all of our member authorities regardless of political persuasion.

London Councils makes the case to government, the Mayor and others to get the best deal for Londoners and to ensure that our member authorities have the resources, freedoms and powers to do the best possible job for their residents and local businesses.

London Councils acts as a catalyst for effective sharing among boroughs – be that ideas, good practice, people, resources, or policies and new approaches.

The strategic direction of London Councils is set by our Leaders' Committee, comprising the Leaders of all of London's local authorities. There is also a cross-party Executive Committee which guides the organisation's day-to-day work.

London First is a business membership group which campaigns to make London the best city in the world to do business. We convene and mobilise business leaders to tackle the key challenges facing our capital.

Our membership comprises 200 leading employers across a wide range of sectors. We have been instrumental in establishing the Mayor of London, pioneered Teach First, driven the campaign for Crossrail and achieved a win for businesses when Government announced a review of the Apprenticeship Levy.

We're now focused on three key priorities to keep our capital working for the UK: people, homes and transport. Alongside the core priorities our policy experts work with members on year round activity across infrastructure including addressing London's congestion, the built environment, economy and tax and tourism and retail - all key to the future success of our capital.

Turley is a full service national planning and development consultancy. We bring deep thinking, smart strategy and expert delivery.

Our core services are Planning, Design, Economics, Heritage, Strategic Communications and Sustainability. These are supplemented by specialist advice on Landscape and Visual Impact Assessment (LVIA), Environmental Impact Assessment (EIA), Development Viability and Expert Witness.

We operate in all jurisdictions in the UK and are located in major cities and growth areas. Our teams are experts in their fields; they shape better places and achieve success for our clients.

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