A CITY FOR ALL LONDONERS

Housing Workshop
21st November 2016, 9.30 – 13.00

Build to Renr
Table 4 Session 1

Facilitator in bold facilitator – comments in bold
Respondents in regular text

These notes are a summary of the conversation

Session 1, Table 4

Alan Benson: Facilitator
Portia Msimang: Renters' Rights London
Andrew Brentnall: Savills
Alison Thomas: Tower Hamlets Council
Shanaz Zaman: Royal Borough of Greenwich
Oliver Jefferson: Turley
Rebecca Lewis: Grainger plc
Thomas-Emanuel Hoepfner: New Garden Cities Alliance
Emma Brown: Southern Housing Group
Steve Cole: London First

We can discuss build to rent in terms of: design, definition, housing policy viability, shared living.

Can you define affordable rent?

GLA working on definition. Anyone else have a definition?

Institutionally backed products, held in perpetuity.

Perpetuity. Want to be able to sell it out at some point.

Viability, not just exit into open market and make a profit.

Do covenants work?

Has GLA looked at what is most efficient and what worked previously in London and different countries, in terms of affordable housing and cost side of things?

Incorporated ownership at the outset. Thought of as in perpetuity.

Idea of in perpetuity – can sell, but have to repay. Explanation of covenant. 15 years at present. As sector grows, investors will become more relaxed about length.

How do you get affordable housing into planning permission? Need for consistency around discount and intermediate housing tenures between London boroughs. It is very varied at the moment.

Who has right to put forward tenant? Marketing arrangement with local authorities or nominations agreement. Investors are less attuned to nominations.

Possible tension between build to rent and housing associations. Build to rent could cherry pick easier-to-manage tenants.

Investors not interested in renting; want to keep margins high. Supply is not meeting demand. Lots of building permission and no building taking place. Can make more money waiting to build.

Co-op model – build for rent is far from that.

Nature of institutional investment. There is serious money laundering through London's property market. Will build to rent be another money laundering operation? Are there any guarantees?

We are backed by Aviva and are as present and correct as it can be. There are about 20 proper build to rent investors.

Co-op ownership – works well, investors are trade unions etc. Form of tenure that people achieve by contributing skills and borrowing money.

Attitude towards housing is goods to market, when housing is actually a basic need.

Money laundering question is a separate discussion. Build to rent development – what should it be?

Based on income. In our schemes, rent is a third of income per month. We have schemes in Barking and Chelsea. Rents are based on area too. Could go to larger discount levels.

Tied to incomes rather than rents.

Difficult for boroughs with aspirations for change over time. Look at boroughs in terms of what they will look like in 20 years' time. Need to look at non-residential use in boroughs too.

London living rent will be targeted at people who are working.

In a case where investor broken up and sold off, they go back to borough at that time if they have had preferential treatment.

Institutional investors – building groups. Hamburg in Germany, 30 percent council to be managed by certain groups. Benchmark quality for institutional investors.

Not in the UK, apart from some new towns.

Good to put this forward. Follow Europe. Providing secure housing.

London living rent – trade off between discount and number of affordable homes.

Links back to threshold.

Registered providers build social rentable housing outside programme – balancing act, additionality.

Build to rent and social rent – not a lot of crossover.

Investors will always look at what their exit price might be. Challenge of projecting future value. Covenant – ten years max from planning consent.

15 years from completion. Longer covenant means can be more relaxed about design standards.

Investors want sustainable rent over long period.

Not looking at margins in the same way, so design standards can be pushed upwards.

Different build to rent schemes. Definition supplementary planning guidance. Core model.

Two ways – quantum varies or definition varies. Delayed by debate.

Viability – conversations with councils with investors.

Key thing is consistency in councils with developing an acceptable model.

How does growth work for London living rent?

Marketed by income, then rent increases by inflation plus.

Housing need – three to four bed units are hugely expensive. Concerns about this.

Risk of replenishment of that stock.

What if you are a tenant and your rent is slowly increasing over time? Between ages 24 and 35, time of economic growth, wages increase at a faster rate, so tenants are in flats not suitable for their long-term needs. Eventually, they will be at an economic advantage.

Intervention is possible when tenancy runs out. Hopefully, the gap between lower rent and higher wage will mean that tenant has the opportunity to save money for deposit. If their income rises above cap, they will lose their tenancy. Alternatively, if they wanted to stay in that unit it could then have full market rent and shift the subsidy to another unit.

Meeting the need for larger housing not part of build to rent plan.

One to two-bed units flooded already.

Never going to meet this need unless offer is expanded.

Families do not take up larger units. They are expensive and are taken up by sharers.

Build to rent want to be near transport links, so typically in more urban areas.

Genuine additionality. Is there a mechanism in mind to ensure this?

The need for family-size houses for poor people. Will build to rent sector increase supply? Difficult to measure.

Time is really key.

SPG on thresholds. Is it across London?

SPG is stuck – cannot change that. Third of homes shared ownership, one third London living rent and one third for local planning. Income cap for LLR £60,000; £90,000 for shared ownership. Too high, too low?

Quantum and affordability.

Time is an issue. Plan in 2019 – need to think about term. SPG a great chance to make change.

£60,000 income?

Household income, London-wide cap.

Cap won't really apply. No test. People will apply differently. Cap is higher than median income. Someone earning £60,000 could apply for rent that is for someone on £21,000.

Circumstantial element. Families with children.

Many nuances.

We don't want to create different caps. £90,000 and £60,000 – disjunction already exists in shared ownership sector. £35,000 to £40,000 expected household income for London living rent.

Trying to keep system simple and fair.

Onus on management of development to check income of renters.

London living rent as affordable housing product with housing association right to buy.

No right to buy.

Income cap lower.

Different models. Mix – smaller units, not family-size units. Affordability – deeper discount and less quantum.

More affordable units.

Families are the ones who are in need.

Two bed is defined as a family unit.

Separate planning class for build to rent?

Will investors be comfortable with this?

Citizen sector.

Not planning classes in the UK.

Important to open up and get more inspiration. Housing associations are doing good work.

We have looked at systems in other countries, but these are part of different institutional structures. If you take the housing part, you have to take other things from that structure also.

Affordable housing should be built by government .

Viability of looking at rewarding good construction. Quicker.

Review mechanisms in place. Start to build within two years of obtaining land.

Build to Rent
Table 4 Session 2

Facilitator in bold facilitator – comments in bold
Respondents in regular text

Session 2, Table 4

Alan Benson Facilitator
Rachel Ormerod: Hammersmith & Fulham Council
Roland Shanks: University of London Housing Services
Seb Klier: Generation Rent
Sem Moema: Hackney Council
Luke Burroughs: London Councils
Simon Chatfield: be:here Ltd
Tom Weaver: Southwark Council
Tom Tyson: Lambeth Council
Robert Davy: Enfield Council

What do we think of the SPG's five elements?

Build to rent, affordable London living rents – wonder how that meets mixed community vision.

Expectations of longer tenancies and better management – how does that become a reality?

Thresholds of viability – are market rent homes the best option? Have a discussion about threshold.

London living rent policy itself.

Viability studies – logic behind having one behind each site. Could there be standard affordable criteria across sites?

It takes about three years for land values to catch up with landowners' expectations.

Ability to fix percentage of affordable housing not in last Mayor's plan – can be put into the new plan.

Changes mean introduction of more one to two beds. No provision for families. Larger properties in private rented sector likely to be rented to groups of sharers. High demand for larger social housing units.

Understand that in local authorities there is a pressing need for family-size housing for poor families.

Not just families on low incomes; medium-size incomes too.

We cannot let one beds in our borough – this is in social housing.

Greenwich is an example where larger units taken up by groups of sharers.

To do with cost and not lack of demand. London living rent unit – what that might be for larger family units? Retrograde to back away from family provision.

Build to rent is part of market, but huge market for young professionals. Get good occupation rates. Affordability is low. Percentage of renters with income less than £50,000 and percentage less than £30,000. 29 percent of gross salary on rent. Renters rent for the here and now. Popular accommodation is studios for singles and couples. London living rent – believe that pushing this too much constrains the market.

Mandatory longer tenancies?

Not mandatory; people do not want that. They want flexibility.

Planning permission – built in rent escalator?

No. Stopped by aim to create community. Better to have longer tenancies than change over every year. Happy to give three-year tenancies, but tenants don't want them.

Mandatory to offer but not to take up. Build to rent aims to meet segment housing need in London, not all housing need. Bringing investment will build housing quicker.

Very theoretical. What evidence backs that up?

600 units in Barking. Funding there. It is secure. Investors, M&G for example, need to put £500 million over year into an inflation-linked investment. Private rental sector fits this. Tracks inflation plus. Broadly index linked.

What is the target percentage of build to rent?

5,000 units per annum.

Concession in regard to housing standards – what does that mean?

Flexibility. 12 units off the core. Provision of amenities. Standards mean we cannot deliver what market would like eg building smaller units.

GLA standards superseded by national standards with regard to space.

Sector arguing not for a change in standards but a fair hearing at planning stage.

At what stage will there be enough private rented accommodation on the market? Consumer to be able to make a choice.

Study seven or eight years ago said 65,000 homes a year to stop prices rising.

Rents in London not gone up as fast. Problems with viability. Not looking for massive growth – tenant retention is more important.

Question about enforcement against landlords. Apply principles in plan retrospectively?

Mayor agrees to more power to local authorities, but is a separate issue.

Good build-to-rent operators will drive up standards.

Rents more expensive?

Market rents. New build at a premium.

Ten developments across London less than market rents. Most premium product at premium rents.

How do you keep the management good?

Manage on site.

Longer tenancies, member of Housing Ombudsman scheme etc.

What if standards go down?

Is there accreditation? Like student accommodation. Have a specific body?

There is the United Kingdom Apartment Association – they would like to be involved in this.

Management is a factor. If you have a business plan for 30 years you will manage it as well as you can.

Inevitably there are disagreements.

Manage with on-site team. Manage out a lot of those issues at that level. Tenants are met. On-site team deals with repairs and has relationship with tenants.

Size of studios – 39 square metres. 70 percent are one person occupied.

What happens when family size increases?

They move out.

What about developing family-size homes?

We have a second scheme that includes three-bed units with gardens. Suspect they will be let to sharers. Very flexible terms for tenants. Want to keep people in the building.

Larger homes. East Village experience is that larger units taken up by sharers. There are developments with larger units in Hackney and Greenwich. They have a higher level of rent.

Local authorities – how they define housing need. Private tenants and sharers – where do they go? May not be a sharer through choice. Flexibility in unit size so that people can stay within community they live in. Provide stability and support to those between private and social sector.

Other European sector families live in rented sector. We are not providing for them.

There is huge growth in families in the rented sector, mainly in short-term insecure homes.

Build to rent may free some larger Victorian family home from sharers.

Affordability – discounted rent. London living rent is Mayor's preference. Investors prefer a shallower discount. Deeper discount means less affordable housing. What do you think?

Need more genuinely affordable housing.

Depletion of housing stock.

If it is less affordable, who is it for?

Why encourage this sector?

We believe that build for rent will accelerate delivery of quality homes.

Provides wider range of housing. Not everyone wants to buy.

Build to rent – introduce guidance on how this sector should be run. Good management standards. Will provide leverage to local authorities. Provides security to renters.

London living rent 60 percent of market rent. Discount rent can provide genuine flexibility.

What about the community aspect of building whole blocks of studio flats? Are there communal spaces? Benefits to local area. More pleasant experience for tenants.

We put all that in. Managers organise events for the community. Get external companies to get involved. Discounts with local business etc. Our buildings are part of the community.

Lots of build-to-rent developments are good quality.

Our rents are at market levels. We want to get it occupied and keep the tenants.

Affordable housing – who would be allocated to it?

Not allocated; marketed more like shared ownership. Local authorities can use intermediate housing registers. Lower income cap about £60,000 for eligibility for London living rent.

Easy for us to evidence; we collect that data. Average household income for our tenants is £39,000, ranging from £13,000 to £150,000.

We do affordability check.

Have to collect affordability information.

Gyms to be enclosed just for that development. Why not open to public?

Facility put in because tenants want it. Can work out what is needed.

We want to activate and animate the ground floor – doctors, dentists etc.

Covenants – investors nervous at first, but more relaxed now they see them working.

Investors want a wide range of tenants.