

CPI Wellington Way 2 Ltd

**Build to Rent statement
Wellington Way**

January 2019

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1. INTRODUCTION

- 1.1 This Build to Rent statement has been prepared by Daniel Watney LLP on behalf of CPI Wellington Way 2 Ltd. in support of the application for full planning permission ref APP/18/00234 at Wellington Way, Waterloooville.
- 1.2 This statement will explain the proposals and the Build to Rent product, will review updated planning policy and look at the existing rental market and the benefits of Build to Rent to both tenants and the local planning authority.
- 1.3 This statement is set out as follows:
- Section 2 describes the existing site and its surrounding built content;
 - Section 3 describes the proposed scheme;
 - Section 4 explains the Build to Rent product;
 - Section 5 sets out current policy on Build to Rent;
 - Section 6 reviews the viability of the Build to Rent model;
 - Section 7 reviews the current rental market and available stock;
 - Section 8 summarises and concludes.

2. LOCATION

2.1 The site consists of approximately 0.2 hectares, situated within the heart of Waterloooville Town Centre. Figure 1 below shows the site edged in red, whilst Figure 2 highlights its location within Waterloooville.



Figure 1: Site Extent



Figure 2: Site Location

- 2.2 Wellington Way comprises a poor quality 1970s shopping parade. It consists of two rows of two storey buildings, providing ground floor retail units and ancillary storage at first floor.
- 2.3 The site is well connected to public transport infrastructure with several existing bus stops located adjacent to the site on Hambledon Road, along with pedestrian and cycling infrastructure. The site also benefits from being within walking distance of a number of local facilities.
- 2.4 Further information can be found in the planning statement that supports this application.

3. PROPOSAL

- 3.1 The proposal is for the demolition of the existing, low quality shopping parade and redevelopment of the site to provide a nine-storey, residential-led, mixed-use development, with the residential element built specifically for rent (Build to Rent). It is proposed to have a D2 gym and A3 café use at ground floor, with 264 residential units to the upper floors.
- 3.2 The 264 residential units would consist of studio apartments, with approximately 17% of the units designed to be wheelchair accessible.
- 3.3 Residents of the Build-to-Rent units will benefit from a range of on-site facilities including a ground floor concierge, communal lounge, cinema room and rented storage units. Residents would also benefit from use of the proposed gym and café at ground floor.
- 3.4 A communal tiered garden will be provided at ground level, as well as a fourth floor partially covered terrace area, accessed from the communal lounge/dining area, providing additional amenity space and views across Waterloooville. This communal outdoor amenity space is in addition to the private Juliet balcony that most units would benefit from.

4. BUILD TO RENT

- 4.1 Build to Rent is a term used to describe private residential property, which is designed for rent instead of for sale.
- 4.2 Up to now 80% of Build to Rent investment has been in London and major cities. However, rising property prices in the East and South East of England presents an increasing demand for rental housing across these regions.
- 4.3 In the past ten years, the number of UK residents renting property has doubled and roughly 20% of UK households are in private rented accommodation. It is estimated that a third of these tenants will continue to rent due to the rising costs of home ownership. Research suggests that one in three millennials (adults born between the early 1980s and 2000s) will stay in private renting beyond retirement.
- 4.4 The Build to Rent model is a long term business model that allows investors to generate sustainable income over time by renting residential property. Build to Rent benefits tenants and local areas by doing the following:
- Increasing the supply of new homes;
 - Providing a choice of housing types and sizes, for different tenant needs which otherwise would not be provided by traditional market or investor landlords;
 - Providing professional management, which is more reliable than an individual landlord;
 - Promoting long term investment and stewardship in the local areas;
 - Supporting the delivery of regeneration programmes in local areas.

5. POLICY

National Planning Policy Framework 2018 (NPPF)

- 5.1 The NPPF gives the Build to Rent sector formal policy recognition for the first time. In planning law, Build to Rent is not distinguished in the C3 Use Class from other forms of residential development despite its characteristics. Build to Rent is a distinct asset class within the private rented sector and has been defined in the National Planning Policy Framework glossary, in order to simplify its treatment in the planning system and recognise its distinct economics.
- 5.2 The NPPF (2018) definition of Build to Rent is 'Purpose built housing that is typically 100% rented out. It can form part of a wider multi tenure development comprising either flats or house but should be on the same site and / or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more and will typically be professionally managed stock in single ownership and management control.'
- 5.3 This definition in the NPPF is an important first step for the sector to become an accepted part of the vocabulary when local authorities are planning for residential development. The sector has long been a success in North America and allows the UK to gradually release its grip on the view that home ownership is the only option.
- 5.4 It is hoped that policy support at NPPF level will lead to positive planning at the local level and a recognition of the benefits of Build to Rent by local authorities allowing for opportunities to be created and even greater interest from investors.

Ministry of Housing, Communities & Local Government (13 September 2018)

- 5.5 Guidance published on 13 September 2018 from the Ministry of Housing, Communities and Local Government responds to the Housing White Paper, that was released on 7 February 2017.
- 5.6 A summary of the key guidelines is set out below;
- Local authorities should use a local housing need assessment to take into account the need for a range of housing types and tenures in their area including provisions for those who wish to rent.
 - Build to rent homes should be designed, constructed and managed to a high-quality standard.
 - Family friendly tenancies should be offered of 3 years or more to all tenants who want one.
 - Section 106 Agreement should have a clawback that sets out what should happen if any homes within a build to rent scheme are disposed of including the withdrawal of affordable private rent homes.

Draft Havant Borough London Plan 2036

- 5.7 The draft local plan references the emerging Build to Rent sector, and states that the Council is 'supportive in principal of schemes which will provide a diverse mix of housing and cater for new and emerging areas of housing need.'
- 5.8 Paragraph 2.59 states that 'given the challenges of average house prices in the Borough compared with average wages, purpose built market rented housing also has the potential to help provide more stable accommodation for the Borough's families as well.'

6. VIABILITY OF BUILD TO RENT SCHEMES

- 6.1 Build to Rent (BTR) developers operate on a longer term view than those developing Residential for Sale schemes, attracting investment from institutions that also want to invest in long term schemes for stability of income and returns. This enables the scheme to achieve stability over the longer term.
- 6.2 The nature of Build to Rent is such that, much like a commercial scheme, a rent and a yield is applied. This results in a scheme which initially is less valuable than a Residential for Sale scheme. This can affect BTR operators' ability to bid for land as usually the Residential for Sale schemes are more valuable and the winning purchaser will have the more valuable scheme.
- 6.3 The revised NPPF recognises the distinct economics of a Build to Rent scheme, and accepts that affordable housing should be treated differently to a build to sell development. The general requirement for major developments under the NPPF expects at least 10% of the overall affordable housing contribution to be affordable homes for sale. Paragraph 64 states 'Exemptions to this 10% requirement should also be made where the site or proposed development:
- a) Provides solely for build to rent homes
 - b)
- 6.4 We understand that a Financial Viability Assessment has been submitted to support this application which illustrates that the scheme is not viable and is unable to provide a contribution to affordable housing. When compared to the viability for a for sale scheme there is generally a longer time between initial investment and return as the capital receipt for sales gives way to rental income dependent on occupancy levels and prevailing rent levels.

7. CURRENT RENTAL STOCK

7.1 We have reviewed the existing available rental stock currently on Rightmove. There is limited choice for those looking to rent in Waterlooville with the majority of stock tired and of average quality. Conversations with local agents have confirmed that there is limited supply of high quality housing for those looking to rent in the area.

7.2 We set out below the average rental prices for the second hand market in Waterlooville:

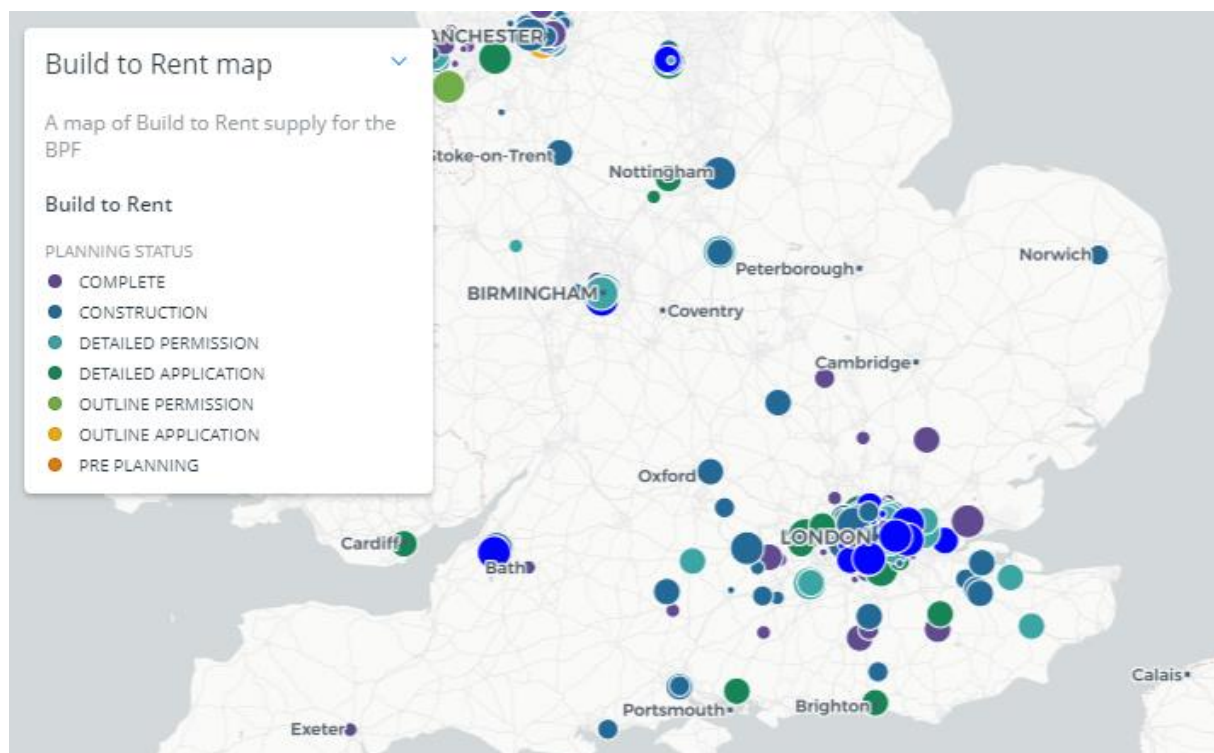
Apartment	Rent
Studio	£500 - £595
1 bed	£600 - £825
2 bed	£750 - £1,000
3 bed	£1,000

Source: Rightmove

7.3 The continued undersupply of homes for rent is a result of the restrictions on the tax relief available to mortgaged buy to let investors. With less tax relief and rising interest rates, many have chosen to consolidate or leave the sector. Savills research paper on 'UK Cross Sector Outlook' 2019 states that the result of this is that the investment focus has shifted further north where house price prospects are greater.

7.4 While putting pressure on buy to let the Government has shown growing support for the institutional build to rent sector. Purpose-built rental blocks that are managed by professional landlords could help rise standards across the rental market and increase the supply of rented properties in areas of high demand.

7.5 The map below shows the Build to Rent schemes in England from pre-planning to construction stages. The key focus of development has been London and major cities such as Manchester. BPF reports that approximately 50% of Build to Rent units in planning / construction phases are in London with 50% outside of London.



The map illustrates that there has been limited investment in Build to Rent to date around the Waterloo / Southampton / Portsmouth area. We have reviewed the three schemes that are currently on the market in the area:

Berewood, Grainger

- 7.6 Berewood offers homes to rent to suit all lifestyles. The scheme is currently advertising two, three and four bedroom homes to rent with prices starting from £1,100 pcm for a two bedroom house, £1,200 pcm for a three bedroom house and £1,400 pcm for a 4 bedroom house. In addition, there is a one bedroom flat available, advertised at £825 per month and
- 7.7 Conversations with the developer has confirmed that take up of the product has been strong, and that the units let very quickly.

Centenary Quay (Phase 3), HCA, A2 Dominion

- 7.8 Further afield in Southampton are 102 residential units for Build to Rent, which are part of a wider development. The development was brought forward within phase 3 which provided 329 residential units, 5,500sqm of A1, and 1,685sqm of commercial space. This was all part of the wider regeneration application (ref: 08/00389/OUT).
- 7.9 The scheme is currently advertising one-bedroom flats at £700 - £795 per month, two-bedroom flats at £815 - £1,095 per month, and three-bedroom flats at £1,295 per month.

PLATFORM, Crawley

- 7.10 PLATFORM Crawley consists of a high-rise apartment block in central Crawley offering studio, one bedroom and two-bedroom apartments. Residents benefit from several facilities including a concierge service, gym, dining room, residents' lounge, roof terrace, yoga studio, bicycles and car and cycle parking.
- 7.11 Studio apartments are being advertised at £835 pcm, one bed apartments from £960 - £980 pcm and two bed apartments from £1,200 pcm.

Local lettings market

- 7.12 A review of the lettings market illustrates that the only studio flats currently available are on the second-hand market. The introduction of studio apartments for rent within the proposed Build to Rent scheme will introduce a new product onto the market that is affordable for those who are unable to be owner occupiers. Tenants will also have the benefit of being able to use on site facilities.
- 7.13 The proposed studio apartments also provide an alternative option for those who wish to live alone and are unable to afford a one-bedroom apartment. Grainger's Build to Rent scheme is currently advertising a one bedroom flat however it is substantially more expensive, priced at £825 per month. The cheapest one-bedroom apartment that we could find on the second hand market is advertised at £600 per month, however it is not comparable in terms of facilities or specification of finish.
- 7.14 The supporting planning statement has reviewed the affordability of a studio flat priced at £600 pcm relative to income. It states 'with the average salary in Havant at £27,636 per annum, and the average private rent in Havant at £785 per month; the average rent to income ratio in Havant is 34%. Therefore, the proposed pricing of £600 pcm for a studio these units will be more affordable than the average rent to income ratio.' Further information can be found in the supporting Planning Statement.

8. SUMMARY

- 8.1 We have considered National Guidance and Local Planning Policy in our Build to Rent statement.
- 8.2 The BTR model can provide a much needed alternative tenure for professionals who either cannot afford a home of their own or prefer the flexibility of renting and appreciate the communal benefits of such a scheme. It also provides security of tenancy, that is not found in the traditional buy to let market.
- 8.3 Additionally, a review of the existing rental market in Waterlooville illustrates that there is limited, good quality existing stock available to those who wish to rent. Studios are priced at £500 - £595 per unit on the secondhand rental market however these are of low specification and do not provide facilities comparable to those in a Build to Rent scheme.
- 8.4 The Local Planning Authority is also able to benefit in the following ways:
- Meets local demand for market rented housing;
 - Increases tenant choice;
 - Customer focused landlords;
 - Creating sustainable private rented sector, mixed use and mixed tenure communities;
 - Increases housing supply;
 - Stimulates and supports growth, employment and labour mobility;
 - Brings forward phasing of large or regeneration sites;
 - Stalled sites can be moved forwards.
- 8.5 Our client, as a long-standing and reputable developer, seeks to identify long-term trends and invest in those areas. The Private Rented Sector (BTR) is an undersupplied market sector. Waterlooville adds to residential stock levels, provides much needed accommodation for part of the market struggling to find acceptable quality and quantity of rented stock. CPI Wellington Way Ltd. believes there to be long term value and stability in Build to Rent and is prepared to invest now in anticipation of long-term growth.