

## CoStar column: How can we accelerate the completion rate for BTR developments?

By Guy Nixon - Thursday, October 05, 2017 12:07

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The number of build to rent homes being delivery is steadily increasing but more needs to be done to move schemes from the planning to completion, according to Guy Nixon, founder and chief executive of serviced apartment provider Go Native.

The latest data from Savills and the British Property Federation shows real momentum in the build-to-rent sector with nearly 100,000 homes complete, under construction or in planning across the UK.



But while this is cause for celebration, given the scale of the UK housing supply that BTR needs to help address, we should make sure that everything possible is being done to support the sector.

Taking a closer look at the Savills data, the vast majority of schemes are still in the planning pipeline with just under a quarter actually complete. Coupled with this week's news that construction rates are contracting, it is clear that we cannot rest on our laurels and should be continuing to explore what else can be done to enable BTR to deliver on its projected contribution to the country's housing needs.

The good news is that the public sector is giving a lot of attention to the role that it can play. Most recently, this took the form of a Government consultation into potential policy interventions including tweaking planning rules to enable councils to proactively plan for long-term BTR homes.

However, it is fair to say that the tone of the consultation was exploratory with the Government appearing to be testing the level of intervention needed, so proposals such as higher housing densities are far from certain. There were also references to corresponding increases in regulation including setting the terms of Family Friendly Tenancies.

It was disappointing that there was not more focus on the call to exempt BTR schemes from the 3% stamp duty surcharge on second homes. The sector is continuing to clamour for this to be re-examined and it was a much argued point at RESI 2017. This would be the single most effective way to boost BTR's appeal amongst investors and ensure that BTR schemes stack up from a commercial perspective.

I am in full agreement with the Government's intention that BTR is utilised to unlock town centre regeneration, as more and more schemes start to spring up outside key hubs such as London and Manchester.

This will obviously suit the typical younger audience and I believe further work needs to be done to achieve the right mix of tenures for this market, as well as density. Affordability is a critical factor for many inner city schemes where land values are high which of course feeds into rents. Many young people will happily give up space to be in a good location. Schemes such as the Collective have demonstrated this point.

We see increased density as absolutely key to unlocking both the viability and affordability of schemes. What this means in practice is creating more studio spaces as opposed to one bedroom flats and more larger two and three bedroom flats. We need local planners to embrace this logic and for the White Paper to carry this through into planning guideline changes.

The Government should play its role in ensuring professional single management of all BTR developments. This is a key differentiator for the sector with the capacity to deliver massive benefits for renters, which in turn generates momentum behind the market. It also paves the way for better data aggregation, so that we can all benefit from better market information and transparency.

But it is not just statistics that tell us the health of the sector. There has been huge demand for BTR properties as they hit the market, particularly when the price point is right. Our scheme Dalston Work, for example, is 90% let within three months of launch.

The next few months will be crucial in creating the right climate for the BTR market to continue to build momentum at scale. I would urge the Government to listen carefully to the sector's feedback and make the necessary interventions to ensure that progress continues apace with this nascent sector. All being well, we should see another set of positive numbers from Savills in their next quarterly report.