

Housing in the allocation process

James Pargeter – Greystar

11 October 2017



Who are Greystar?

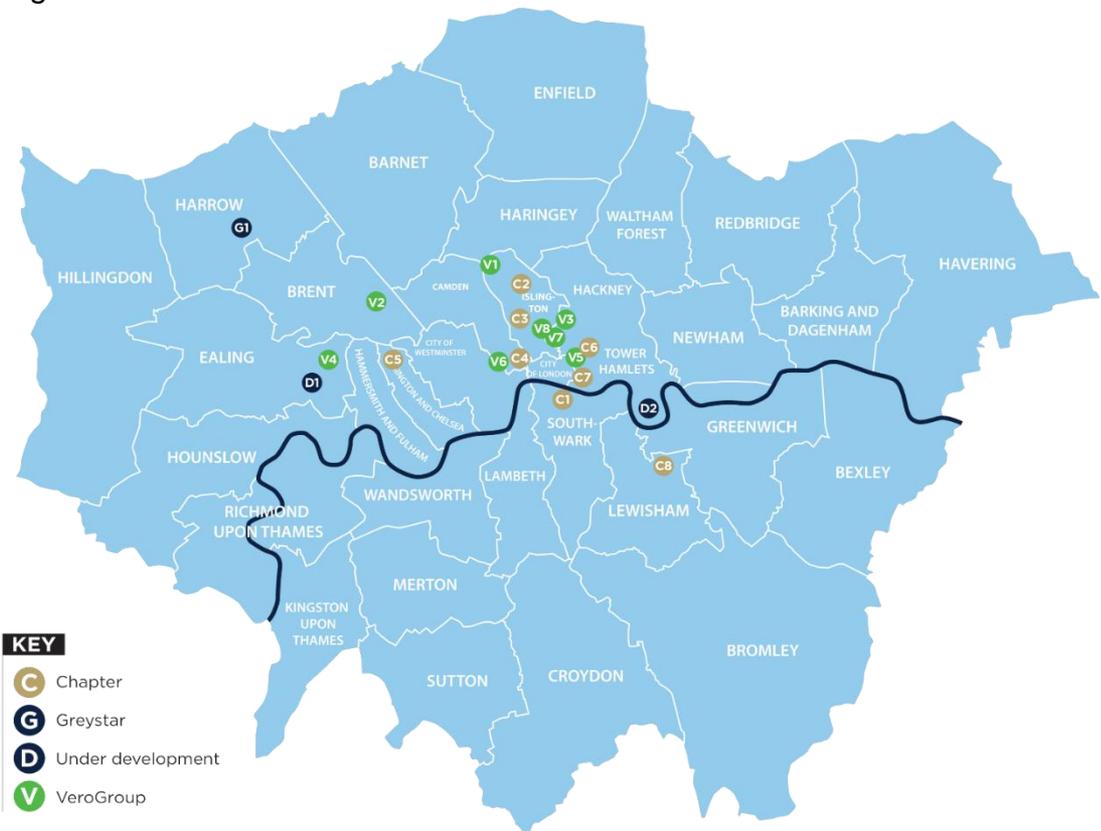
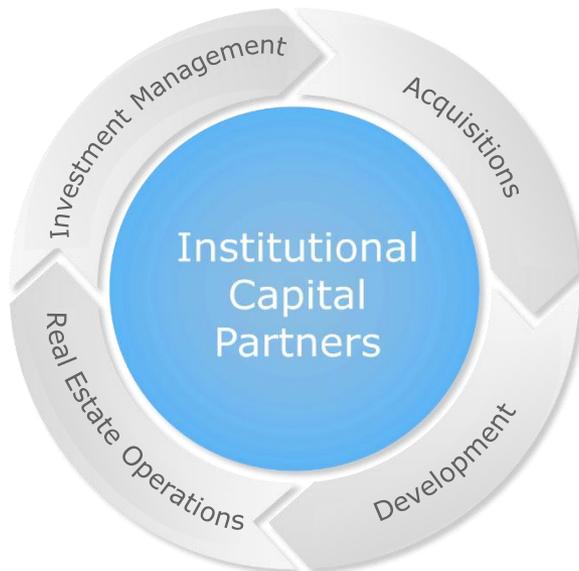
Greystar is a global leader in rental housing with expertise in property management, investment management and development.

Entered UK market in 2013. Greystar has since built up a £2.8 billion rental portfolio by investing in new housing and student accommodation.

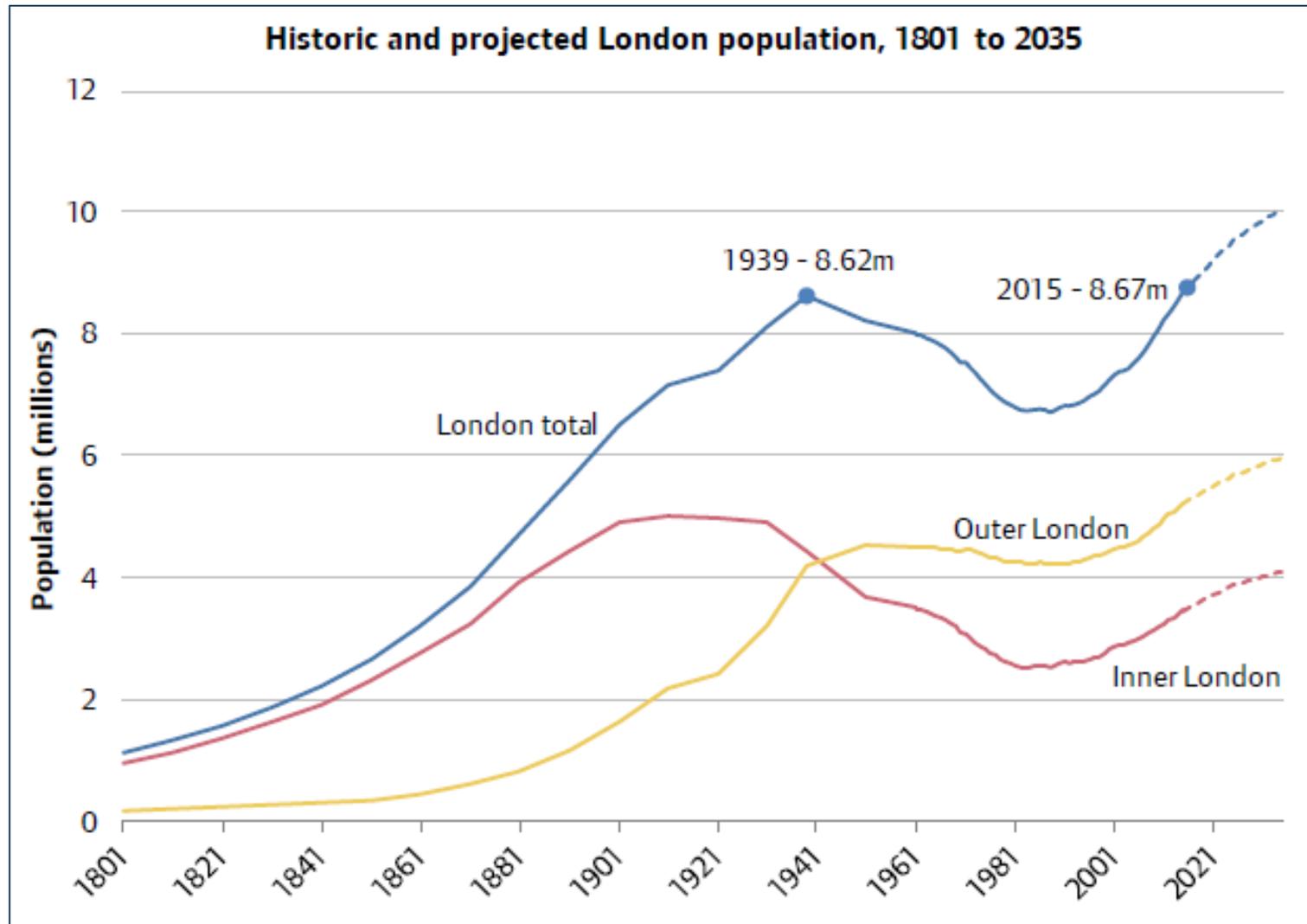
Our boutique student accommodation brand – Chapter – provides 4,456 student beds to date across eight of the best London locations.

To date three UK multifamily developments underway:

- Greenford in West London
- Sailmakers in Canary Wharf
- Nine Elms in Battersea

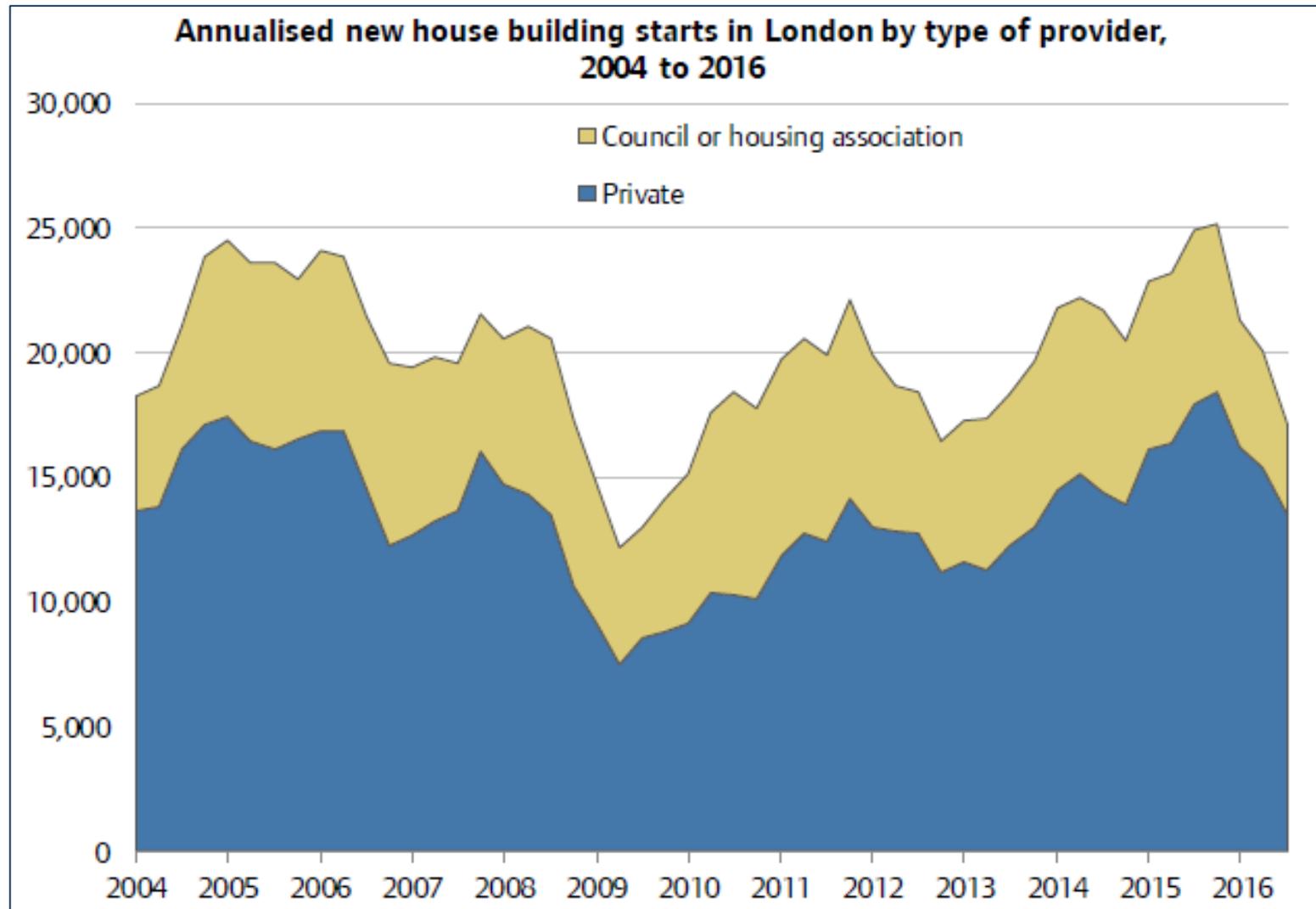


Context (London) – Population



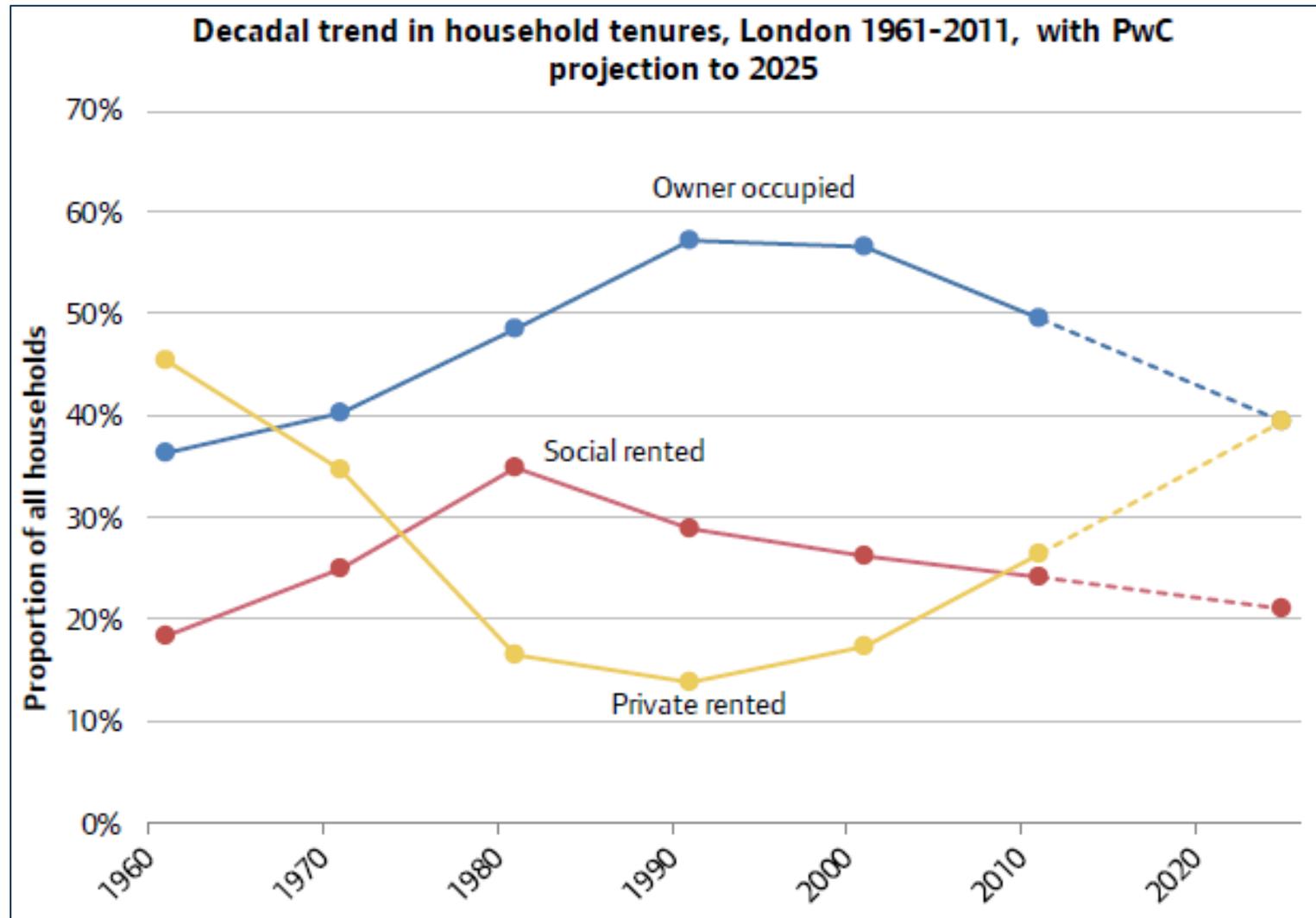
Source: Mayor of London – Housing for London: 2017

Context (London) – Construction



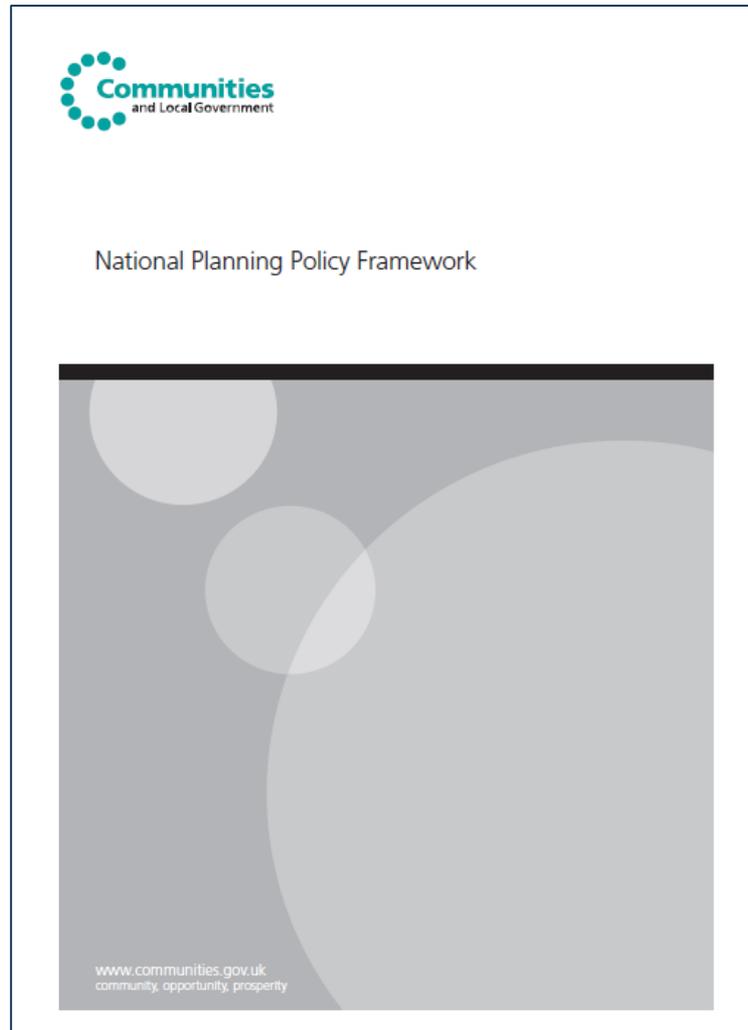
Source: Mayor of London – Housing for London: 2017

Context (London) – Tenure



Source: Mayor of London – Housing for London: 2017

Planning system – NPPF key criteria



Key Criteria / Core Principles

- Plan-led system – with up to date, positive neighbourhood plans
- Supports sustainable development – identifies housing, business and other development needs of an area
- High quality design and good amenity
- Take account of different roles and character of areas, e.g. urban, Green Belt, etc.
- Support low-carbon future in a changing climate
- Conserve & enhance natural environment – preference for allocation of sites of lesser environmental value
- Promote mixed developments, and encourage multiple benefits from the use of land
- Conserve heritage assets
- Actively manage patterns of growth, to make the fullest use of public transport, walking and cycling
- Support local strategies to improve health, social and cultural wellbeing for all, and deliver sufficient community and cultural facilities and services
- Land allocations should be regularly reviewed

Source: DCLG – NPPF (March 2012)

Housing White Paper



Key Principles

- Planning for the right homes in the right places:
 - ensure that enough land released
 - best possible use made of that land
 - local communities have more control over development
- Building homes faster – deliver to expected timescales
- Diversifying the market – address lack of innovation and competition
- Helping people now – tackling the impacts of the housing shortage on ordinary households and communities
- Reinforced central role of local and neighbourhood plans
- Reinforced status of Green Belt
- Proposals for high quality homes in which people want to live

Identifying housing need

Latest initiatives

Housebuilding crisis is choking London, business chiefs warn

Jonathan Pryor
and Joanna Bourke

SADIQ Khan's ambition to solve London's housing crisis is under threat from "deeply worrying" record low levels of home building in the suburbs, an analysis warns today.

Just 3,477 new homes are projected to be built this year – or fewer than 10 a day – in transport zones 5 and 6, which covers a huge swathe of the commuter belt.

This is down almost a quarter from last year's 4,523, and represents only 17 per cent of the numbers needed to meet the level of demand estimated by the Government.

A chronic shortage of transport infrastructure, councils in thrall to "Nimby" opponents of development, and green belt planning restraints are all being blamed for the massive shortfall.

Naomi Smith, executive director of campaigns at business group London First, which compiled the data, said: "These new figures are deeply worrying. The housing crisis is getting worse, not better. London is falling far short in providing the homes it needs. The

Mayor and the Government must do more to drive construction in the city, and further devolution of powers to City Hall may be needed to make this happen.

"But this isn't just a political issue. The lack of building in much of zones 5 and 6 is choking London, pushing up prices and squeezing young, productive workers out of the city.

"The housing crisis is one of the most serious challenges facing business, preventing firms from recruiting the talent they need to grow and succeed. Business could provide thousands of additional jobs each year if the cost of housing was more manageable."

The figures were compiled by Ordnance Survey mapping specialists on behalf of London First using drones, plane and ground level observation to identify every housebuilding development of more than 10 units.

It found that while rates of construction are relatively healthy in the more expensive inner zones 1 to 4, they are chronically low in the outer zones where there is more space and land is far cheaper.

This year London First expects 42,543

homes to be built in the more central zones, 80 per cent of the 53,776 that Whitehall officials say are needed under proposed new methodology announced by Communities Secretary Sajid Javid last month. This is more than the 34,194 that the Mayor's current London Plan says must be built.

However, the picture is very different in zones 5 to 6, where this year's total is just 17 per cent of the Government's new estimate of housing need – or 42 per cent of the London Plan target.

Ms Smith said that this year there will be more homes built in Zone 1, where few Londoners can afford to buy, than in the whole of Zone 6.

The research comes two days after Theresa May announced that the Government has set aside £2 billion to spend on 25,000 new affordable and council homes for rent by 2021. This has been dismissed as "a drop in the ocean", and it is not clear how many of these would be in the South-East.

A spokesman for the Mayor said: "Sadiq has been clear from the outset that following years of neglect, fixing London's housing crisis is going to be a marathon, not a sprint."

Javid: we must understand how many homes are needed and where

NEWS 15 Sep 2017 BY LUKE CROSS



Department for
Communities and
Local Government

Planning for the right homes in the right places: consultation proposals

**Consultation ends:
9 November 2017**

Theory vs Practice

The difference between theory and practice...

...is that they are the same in theory but different in practice.

Challenges & balances

- Plan-led
- Policy & process
- Perfectionist?
- Lengthy
- Political cycle
- Adversarial



- Market-led
- Innovation
- Unforeseen need
- Need for speed
- Political narrative
- Consensual

Innovation – ‘Build to Rent’ (BTR)

- 95,918 build-to-rent homes in various stages of completion, compared to 69,824 in Q1 2017 (37.4% increase).
- London still leads the way in completed BTR / PRS units, but regions now have more Build to Rent homes under construction: 12,316 compared to 11,696 in London.
- Popular regional BTR / PRS locations include major cities: Manchester, Liverpool & Birmingham.
- Key hotspots in the Thames Estuary region include Barking, which has several schemes underway, and the London boroughs of Greenwich and Lewisham also have major developments in construction (and now Ealing)

London vs. regional development



Source: British Property Federation – Q3 2017

Our Rental Housing Investment Criteria

Location

- Strong **transportation links** into the city crucial for professionals commuting daily to work
 - Close **proximity to lifestyle amenities** such as shopping and leisure
 - Attractive neighborhood and **regeneration areas**, characterized by high housing values, incomes, and educational attainment
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Product

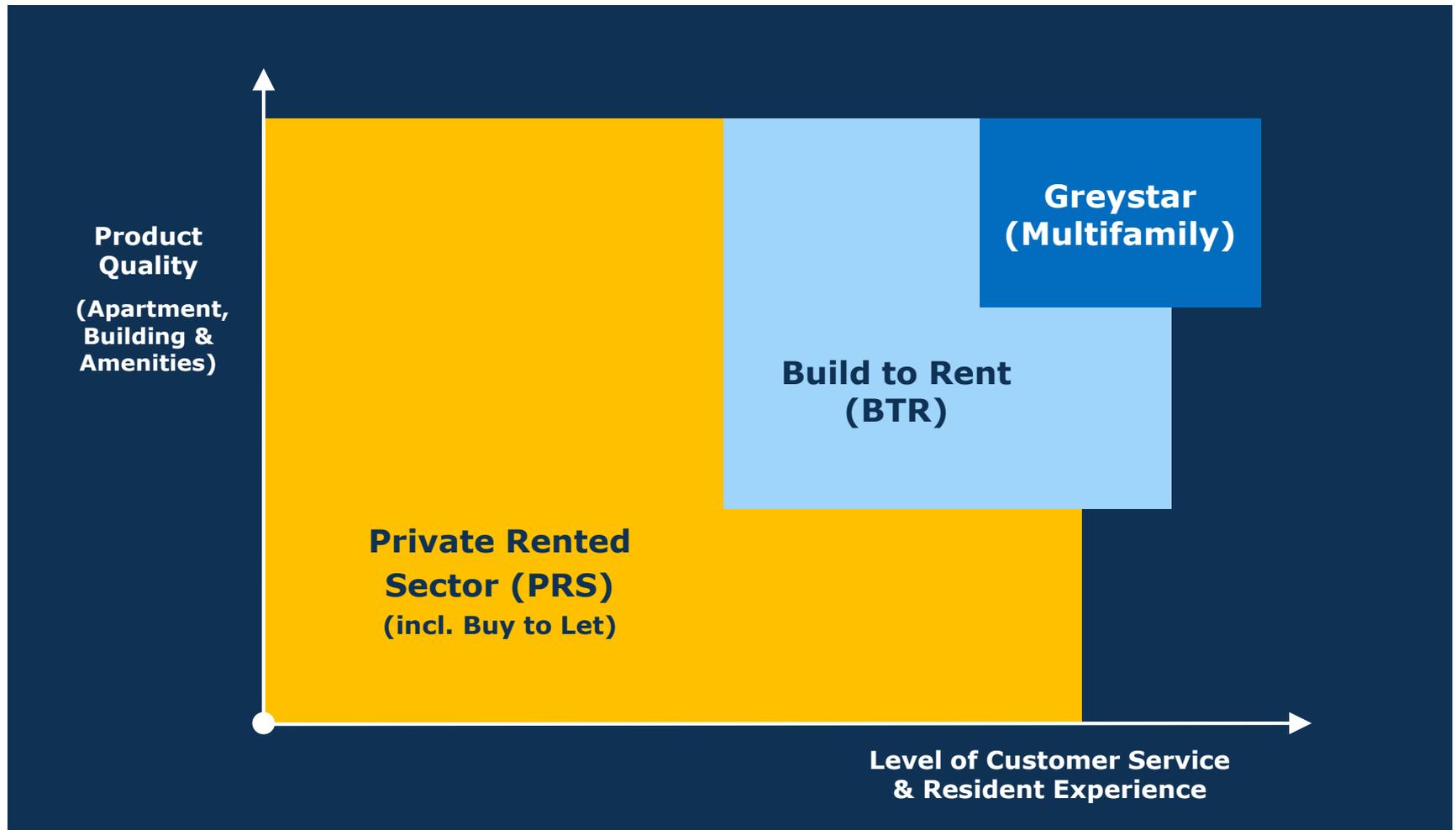
- Focused on **1-2 bed units** as well as **studios**, targeting single-living young professionals
 - **Purpose-designed**, fully furnished flats of high specification
 - **Best in class amenities** targeted to specific customer base. Examples include resident lounges, fitness centre, business centre, pool, cycle storage and maintenance facilities, cold storage, etc.
-

Service

- Integrated **leasing and maintenance services** for a hassle free experience
- Dedicated **on-site staff** to respond to residents needs quickly
- **Continuous quality monitoring**, allowing employee incentives to be tied to service metrics
- **Consistent property branding** to distinguish property attributes and service

Terminology

What are 'Build to Rent' and 'Multifamily' housing?



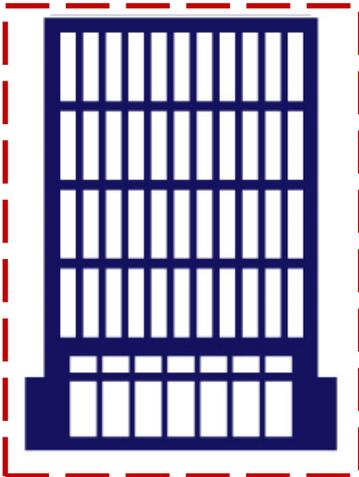
Multifamily housing

'Single-family' housing:



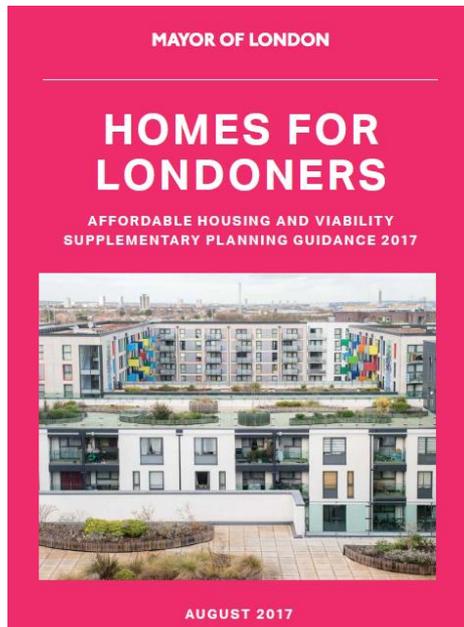
- Single resident group (whether family, individual or sharers)
- Building in single in ownership
- No operator / manager

'Multifamily' housing:



- Purpose-designed for rental operation, not individual unit sale
- Multiple residents (whether family groups, individuals or sharers)
- Includes resident amenities, and often other uses at street level (e.g. retail)
- Building in single ownership
- Single operator / manager

Build to Rent Policy – London



“The Mayor believes that Build to Rent developments can make a particular contribution to increasing housing supply and are beneficial in a number of ways.”

Source: Mayor of London

4.5 To encourage the development of this type of housing, the London Plan has made clear that LPAs should recognise the **distinct economics** of the sector relative to mainstream ‘build for sale’ market housing, and should

4.20 The second element of the Build to Rent pathway is the affordable housing offer, in which the aim is to maintain the integrity of the Build to Rent development, with unified ownership and management of all the homes. Where a developer is proposing a Build to Rent development which meets the definition set out above, the affordable housing offer can be entirely **discounted market rent (DMR)**, managed by the Build to Rent provider and delivered without grant, i.e. entirely through planning gain. As it is not

4.33 All schemes are expected to meet the minimum space standards, but it should also be noted that space standards are not prescriptive regarding the layout of dwellings. When assessing a scheme in relation to design LPAs are encouraged to take into account the value of on-site management and purpose-built design in dealing with some of the challenges that would otherwise arise were it a build for sale scheme. This may therefore allow **flexibility on some design standards**, such as the number of homes per core per floor, and number of single-aspect homes. The length of covenant may influence the level of flexibility that is acceptable - the longer the covenant the more justification there may be for flexibility on some standards.

4.44 The Mayor is keen to support Build to Rent through planning and investment policy and on the landholdings of the GLA group, and he wants such developments to showcase **best management practice** in the rented sector.

Build to Rent Policy – National



Department for
Communities and
Local Government

Planning and Affordable Housing for Build to
Rent

A consultation paper

February 2017
Department for Communities and Local Government

“The Government welcomes Build to Rent as a desirable and enduring feature of the housing market. This support is set out in the 2017 Housing White Paper.”

Source: DCLG: Planning and Affordable Housing for Build to Rent (a consultation paper) – Feb 2017

The number of new Build to Rent homes constructed is steadily increasing, but the Government has heard from developers and investors that barriers to development remain and that the capital available for investment could be deployed faster if those barriers are overcome. Acquisition of land, the predictability and speed of planning decisions for this emerging sector and the negotiation of planning obligations relating to affordable housing are frequently cited as key barriers.

Finally, Build to Rent schemes may generate benefits for other parties which are not fully priced into the income received by the investor. Examples of such externalities could include: earlier tax revenues for local authorities from faster development; the macro-economic benefit arising from a cyclically resilient form of investment; and, on larger regeneration schemes, the catalytic role of Build to Rent in galvanising development on the site and nearby town centres, and the stewardship role of the owner in the public realm.

The 2017 Housing White Paper sends a clear message of the Government’s support for Build to Rent. This consultation seeks views on several measures which should help to improve the financial viability and the predictability of planning outcomes for the sector. The main proposed measures are:

- Placing further emphasis on Build to Rent through planning policy;
- encouraging an alternative approach to affordable housing for Build to Rent called Affordable Private Rent (sometimes referred to as Discounted Market Rent); and
- strengthening the expectation on Build to Rent schemes to offer a Family Friendly Tenancy of three years or more, to those tenants who want one.

Multifamily / BTR – key principles

Key Principles

- Purpose designed & built for long-term rental
- Buildings remain in long-term single-ownership, under single management
- Design includes internal and external resident amenities, including gyms, shared roof level clubrooms & terraces, etc.
- Generous apartment sizes and ceiling heights exceed LHDG standards
- No single bedrooms – to suit families and/or sharers
- Sprinklers throughout allow open-plan apartment layouts
- Ample circulation and back-of-house spaces to allow for effective management
- Efficient design for ease of construction, operation and maintenance
- Quality landscaping to provide attractive environment for residents and the wider community
- Provision of appropriate community facilities and mixed uses to create daytime activity
- Promotes sustainable placemaking (as diagram)



UK Multifamily Development – In Construction

Sailmakers (Millharbour 2)

Location / Zone	Canary Wharf / Zone 2
Deal Type	Forward Fund
Total Units	327

- Forward Fund development with Galliard
- Greystar improved scheme design by including amenity space, amending unit layouts and adding additional units
- Currently seeking council approval for amendments
- Construction start Q4 2016
- Completion in phases Sep '18 – Apr '19

Greenford – former GSK site

Location / Zone	Greenford / Zone 4
Deal Type	Land Purchase
Total Units	1,965

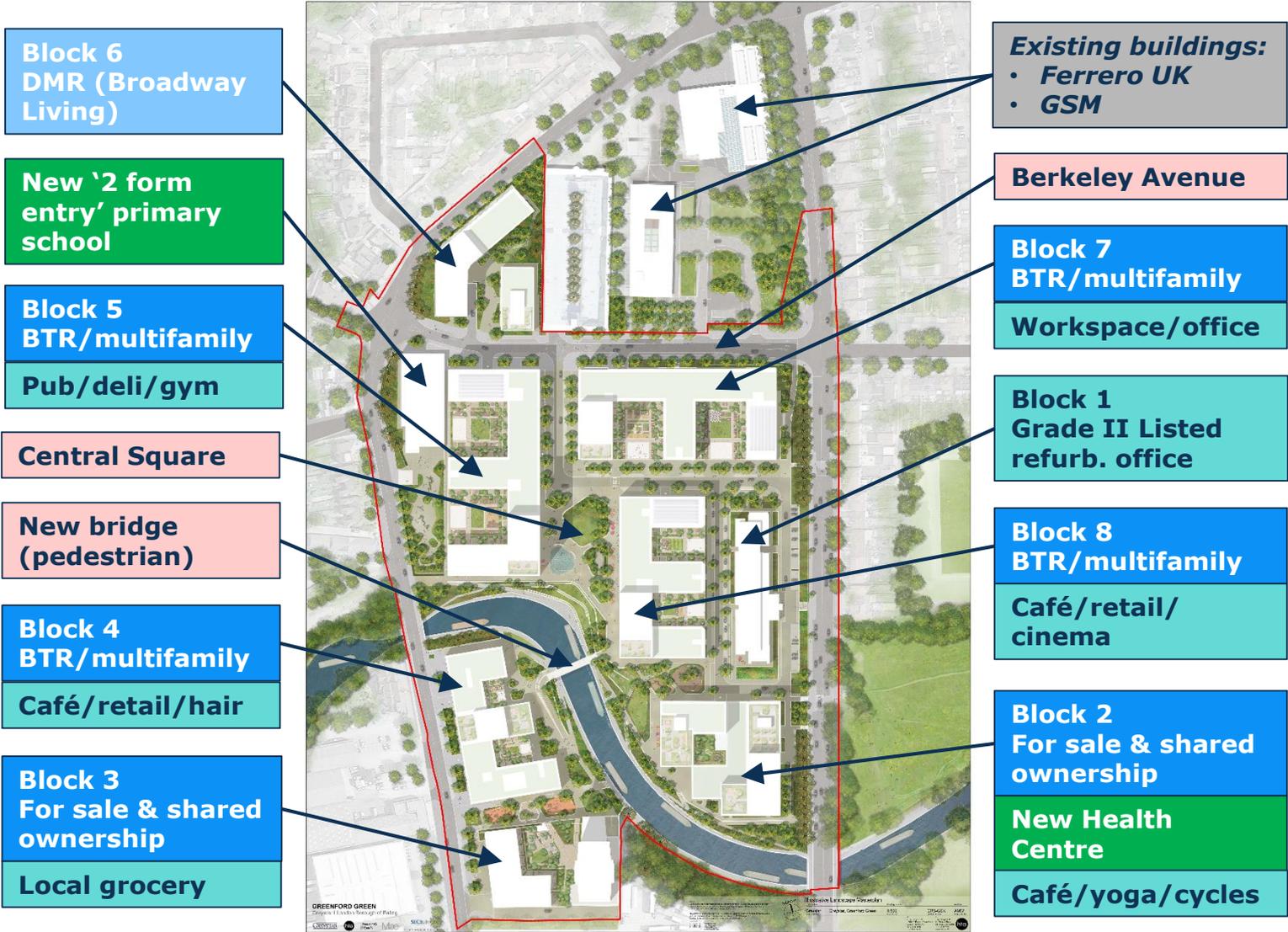
- Land purchase of 26 acre site in Greenford
- 600 unit planning permission in place
- Greystar devised completely new high density scheme achieving 1,965 units
- LB Ealing planning approval – March 2017
- Demolition / enabling works to start in Q3 2017, with vertical construction in Q1 18
- New community, mainly managed, long-term rental, driven by placemaking
- Mixed-tenure, mixed use development to act as a catalyst for regeneration of wider neighbourhood

Case Study: Greenford Green

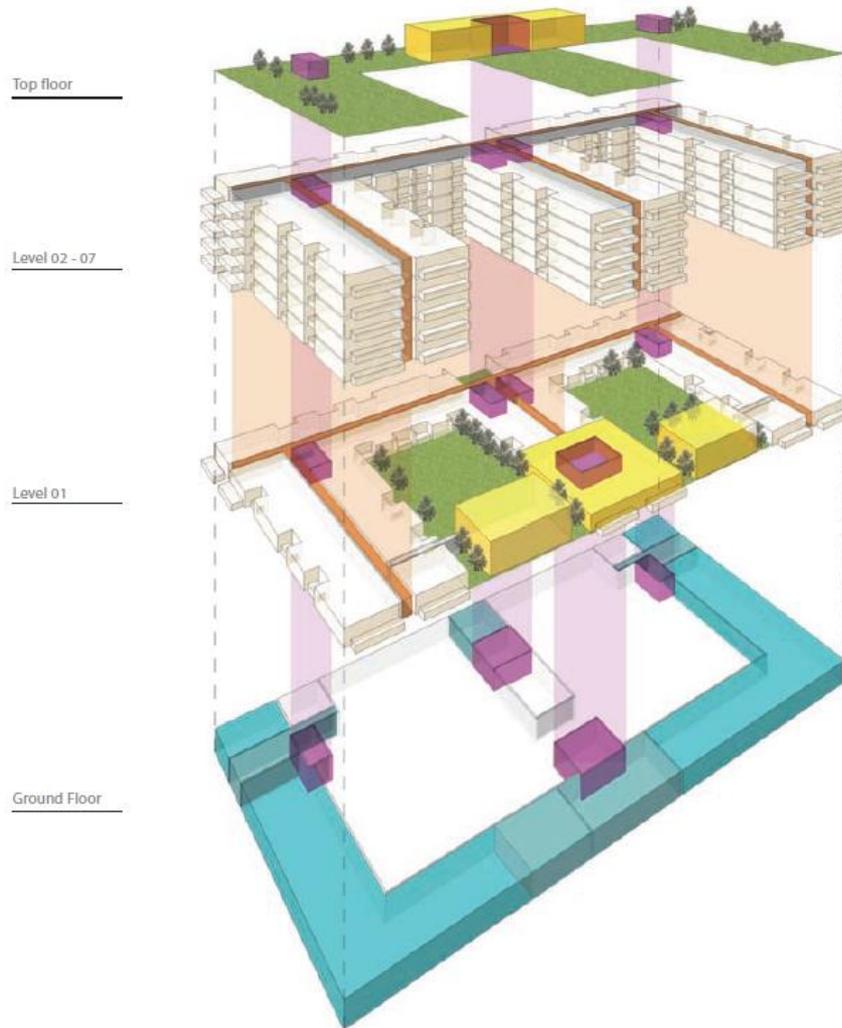
GSK headquarters (North) and Sunblest Bakery site (South)

Case Study: Greenford Green

Greenford Green – placemaking and mixed-use facilities



Design Principles – multifamily

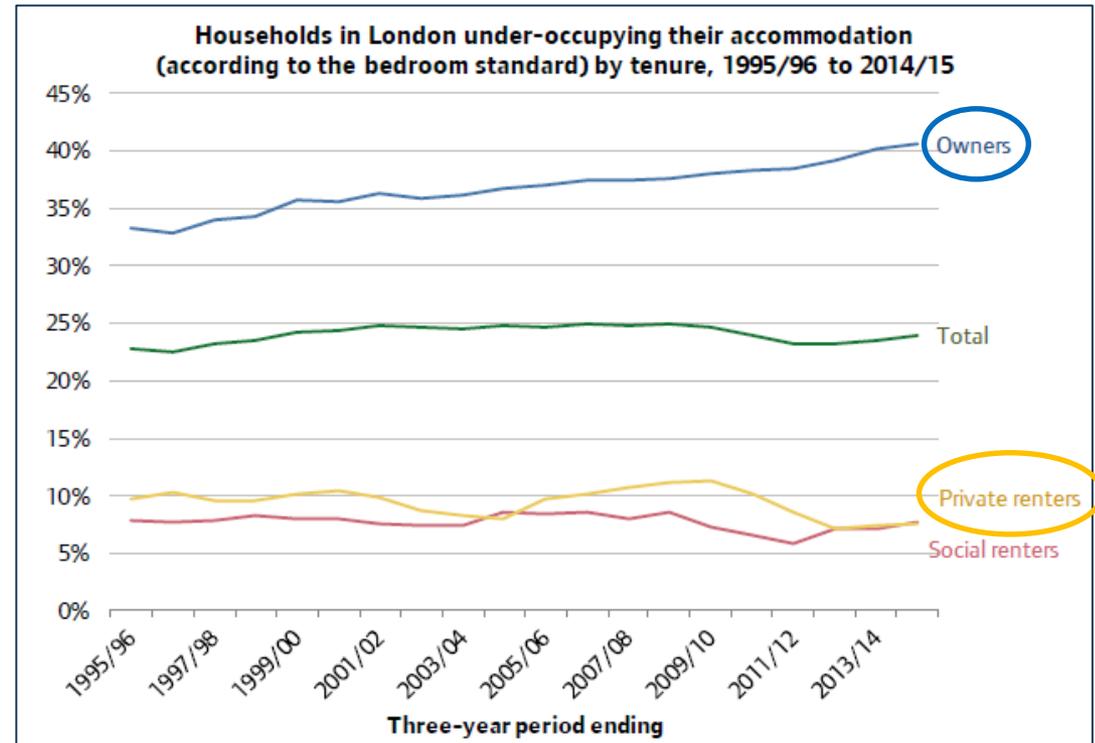


- **The experience** – each building contains:
 - *Ground floor residential entrance, management space, public access retail & non-residential uses, and parking*
 - *Podium level courtyard gardens, resident amenities and further management areas*
 - *Efficient floors of mid-rise apartments*
 - *Roof level amenities, incl. clubroom, garden & terrace areas*
- **Apartments** – key features:
 - *Floor areas larger than LHDG standards*
 - *Generous ceiling heights*
 - *Sprinklers throughout, to allow open-plan layouts*
 - *Balconies where beneficial, related to wider amenity spaces*

Multifamily / BTR – key benefits

Key Benefits for Local Area

- Provides additional, high-quality housing and variety of choice
- Will provide long-term jobs on site, via management teams and mixed uses
- Community infrastructure and mixed uses open to all – e.g. retail / café / gym / workspace / school / health centre / restaurant / public realm / etc
- Speed of construction and faster absorption rate – also help to establish and support mixed uses
- Generates Council Tax and New Homes Bonus receipts more quickly
- Generates additional spending more quickly in the local economy
- Can be a catalyst for wider regeneration
- Provision of flexible, tenure-blind affordable DMR housing in perpetuity
- High levels of occupancy in the development – more people housed and fewer voids



Source: 'Housing in London: 2017' (Mayor of London)

Affordability

UK 'conventional' housing



BTR / 'Multifamily' housing – a more continuous spectrum



Mayor's SPG – August 2017:

- Discount Market Rent (DMR) is most appropriate tenure
- Quantum may be determined through viability assessment – but BTR **not** expected to reach for-sale level
- Range of DMR may be agreed for local need, subject to viability

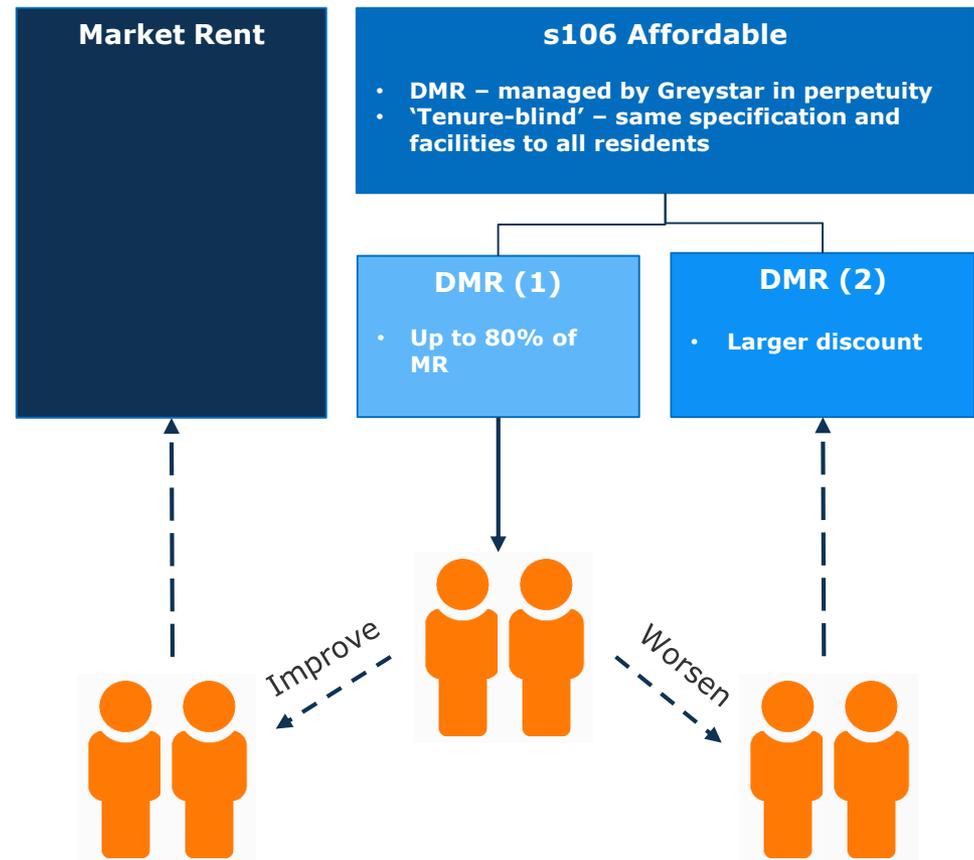
Affordable Housing – Discount Market Rent (DMR)

Key DMR Features

- DMR (intermediate tenure) provided in accordance with emerging BTR policy (GLA and DCLG)
- Subject to covenant and clawback
- Quantum and discounts subject to viability assessment and distinct economics of BTR
- More than one tier of DMR is possible
- All DMR units integrated into wider development – flexible and ‘tenure-blind’
- Units not ‘red-lined’, but indicative / target mix

Future Flexibility

- Greystar’s DMR model provides flexibility and security for people into the future
- Circumstances inevitably change through people’s lives – household composition will vary, and incomes can either improve or worsen over time
- Our DMR model allows people to adapt to change – either by changing apartment size or by changing lease type
- People therefore have options to remain within the community if they wish, which adds to sustainability of the place



Sociable Housing?

Sociable housing? What if, instead of talking about social housing, we talked about sociable housing? The problem with social housing is that it's socially one-dimensional - it contains those in deep need. At times, it mixes in others, but it's mainly given to people who are struggling.

But what if we had sociable housing that mixed up society? This would collapse the notion of "them and us". It would offer a mix of old and young, prosperous and struggling. It would galvanise people into getting themselves out of poverty - rather than ghettoising them into social exclusion zone because of life's hardships.

Sociable housing presents a move away from the zoning that goes on today. Where the poor are administered to at arm's length, and outside polite society. Where the disadvantaged are warehoused because others have given up on them. Zoning creates a monoculture out of which it's hard to climb.

John Bird

House of Lords



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