

## Summary: 20 June 2013

# Build to Rent - Guaranteeing the Future

### 1. Introduction by Stephen Stringer, Communities and Local Government:

Government was now making a major effort to stimulate larger landlords, against the background that despite the expansion in the private rented sector only 1.8% of market was in portfolios with more than 100 properties. This involved supply side measures – encouraging new entrants, seeking management standards at the very highest level, using existing powers against rogue landlords and ‘beds in sheds’, but not overall increasing regulation and controls. The two main interventions - debt guarantees and build to rent fund – were linked to other measures on home ownership, affordable housing and planning changes to secure new homes.

Government was now looking forward to how to create a self sustaining market after the initial injection had been increased from £200 million to £1bn given huge interest in the demonstration fund. The first bidding round was now at due diligence stage and the Taskforce was supporting ideas for the second round. All the money would be allocated by summer 2014.

There would shortly be an announcement about the debt guarantee on the outcome of consultation and procurement process with a delivery body for the PRS scheme. This would provide capital and a better return on investment would encourage a supply chain

The Taskforce was headed by Andrew Sanford and included 5 others with expertise in supply, regulatory and the formal accreditation process. It was a sounding board designed to be pro-active with pension funds, looking at the outputs of investment vehicles, how debt guarantees would work in practice and the longer term position so that the legacy would be a vibrant, self sustaining and dynamic rented sector.

### 2. Key points in discussion

- UKR was in the 2 stage round of Build to Rent Fund for 500 units of mixed use and, despite earlier concerns about the use of government support, could see that Government was imbuing confidence especially in the investors

- There were parallels with the mid 90's in the states. Did Treasury understand what was really needed? Stephen – People might tell you what you want to hear, but the story is they understand and are interested in long term income stream. Talk them through B to R fund and understand dynamics; real life examples with data & management information – ONS on rent & data sets.
- There were current examples of attempting to manage large mixed use schemes. Involving registered providers was proving difficult. Many of them had no experience or background in the management and services that are provided in the PRS, especially in the American model with high quality, high services, high price. There was some positive experience with other RPs and it was important to make use of the asset base. The NHF was reviewing standards and the offer that RPs could make.
- The US experience included different design standards taking account of the operational effect and the views of investors and occupiers. Although the formal tenancy might be relatively short the sector was about long term occupation: places had to be constantly attractive. This meant new ideas on amenities.
- There was a separate debate to be had about design standards. UK still had a problem of providing homes that were too small. PRS was really a people business both in attracting tenants and establishing norms of behaviour by consent not eviction. Focus should be on rental returns rather than capital return.
- There were issues to be checked around the rights of tenants. The approach should be about flexibility, loyalty cards and rewards like other business and thinking of tenants as assets rather than liabilities
- PRS might be made a separate a use class. So far the government had not seen the case made (eg by Montague). There was a risk that this added complexity rather than flexibility to the planning system and limited options for investors on their exit route.
- The Taskforce would look at how the framework beds in especially on the downstream consequences including the liabilities on government books. The RICS was looking at valuation methodology.
- Government was thinking further about criteria for the Build to Rent scheme including space and design standards and management. This could stifle innovation at this stage: in 10 years time it would be right to show the evidence of best practice.

The Forum congratulated Stephen on having got the new regime off to a flying start.