

North East Cambridge Market Demand Appraisal Build to Rent

March 2021



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Introduction

Build to Rent is now 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 within the planning system. It is defined as *Purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses, 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.*

Build to Rent developments are typically owned by companies (such as property companies or pension or insurance investment companies) and let directly or through an agent.

National Planning Policy Guidance on Build to Rent gives information on what Build to Rent schemes should look like.

This report should help Cambridge City and South Cambridgeshire District Councils to understand the potential role purpose-built housing for rent (Build to Rent), including Affordable Private Rent could play in the new development proposed as part of the emerging North East Cambridge Area Action Plan (NEC AAP). The report provides strategic and market context, and will help the local authorities to consider, amongst other things:

- location and mix;
- potential community, social and place-making impacts;
- management arrangements likely to be needed;
- covenant periods likely to be required, including any associated issues and risks for the development in the long-term;
- how Build to Rent delivery should be balanced with the North East Cambridge Area Action Plan vision and objectives.

A glossary of terms is available at the end of this report.

'We want North East Cambridge to be an inclusive, walkable, low-carbon new city district with a lively mix of homes, workplaces, services and social spaces, fully integrated with surrounding neighbourhoods.'

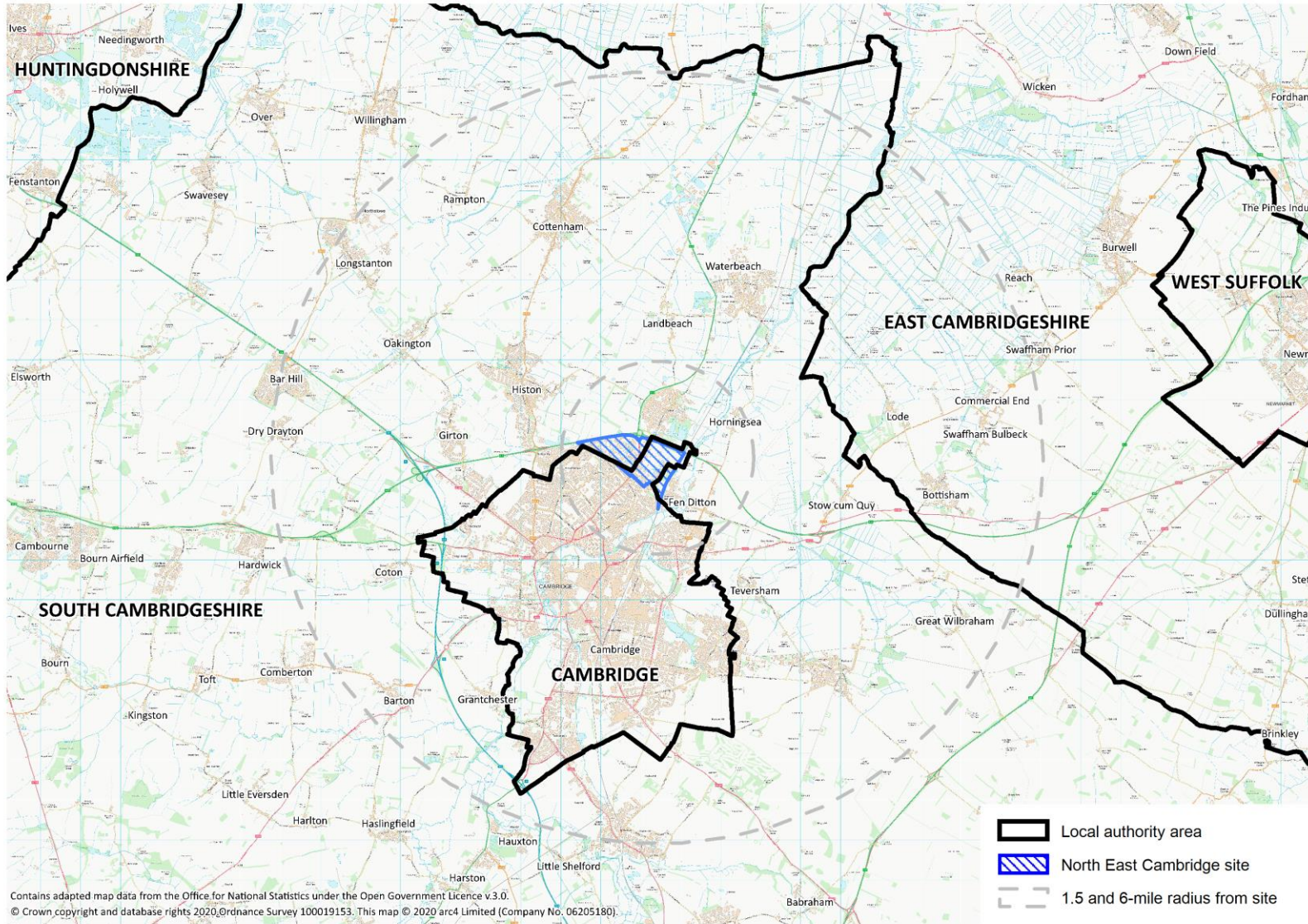
North East Cambridge Draft Area Action Plan consultation



LOCATION AND STRATEGIC CONTEXT



Location 2019



Meeting housing need

The need for 33,500 new homes across Greater Cambridge has been identified through the two Councils' recently adopted Local Plans. The housing sub-markets of Cambridge and South Cambridgeshire are interdependent in supporting sustainable economic growth, with the close functional relationship between the two areas recognised through the Local Plans, and the Greater Cambridge Partnership (GCP). This is further evidenced through the Cambridge & Peterborough Independent Review (CPIER) published in September 2018 which identified Greater Cambridge (in their report consisting of Cambridge, South Cambridgeshire and parts of Huntingdonshire and East Cambridge) as being one of three economies within the Cambridge & Peterborough Combined Authority area.

The Homes for our future; Greater Cambridge Housing Strategy 2019-2023, has seven priorities, including: building the right homes in the right places that people need and can afford to live in; increasing the delivery of homes, including affordable housing, along with sustainable transport and infrastructure and to meet housing need; and diversifying the housing market and accelerating delivery. The strategy recognises that intermediate models, such as rent to buy and Private Rented Sector models (PRS), can help support the needs of those on middle incomes who come to work in the area but cannot afford to live locally.

Greater Cambridge is an area of high national and international importance, specialising in science, technology and innovation. It is strategically placed to create co-ordinated growth and investment along the corridors of Cambridge, Milton Keynes and Oxford, London-Stansted-Cambridge and the Cambridge-Norwich agri-tech corridor. Whilst strong economic growth brings with it great opportunities for international recognition, investment into the area and local employment, it also creates challenges in terms of high housing costs and the ability to find suitable affordable accommodation within close commuting distance to places of work. Savills research in 2017 confirmed that there was an opportunity to deliver more purpose-built rental stock. *Cambridge is unusual in comparison to similarly sized regional cities as it currently has no build to rent schemes under construction, although there are proposals to deliver such schemes. In Cambridge there is strong rental demand both from young professionals to live in the city centre and increasingly from families looking for homes in more suburban or rural locations.*

With a strong economy, Cambridge is at the centre of an area of significant housing growth planned for the coming years. With high housing costs but only limited land available for housing, the city also has a strong housing need. The Councils recognise that meeting housing need is a key priority.



Cambridge City Council's Local Plan states that affordable housing shall be provided on development sites with the capacity of 11 dwellings or more in accordance with percentages and thresholds set out in the Plan, unless exceptional circumstances are demonstrated: affordable rent and social rent are supported, and intermediate housing which is defined as homes for sale and rent provided at a cost above social rent, but below market levels. These can include shared equity (shared ownership and equity loans), other low-cost homes for sale and intermediate rent, but not affordable rented housing.

Similarly, South Cambridgeshire District Council's Local Plan states that all developments of 11 dwellings or more, or on less than 11 units of the total floorspace of the proposed units exceeds 1,000m², will provide 40% affordable housing except in particular circumstances.

The Greater Cambridge Housing Strategy 2019-2023 confirms the requirement for *'a wide and varied choice of good quality, sustainable homes of different sizes, types and tenures, including new provision of council homes, to meet the needs of a wide range of different households and age groups'*

Build to Rent offers an additional sales outlet to the build-to-sell model. It provides an alternative end buyer for housing developments, which helps to de-risk schemes.

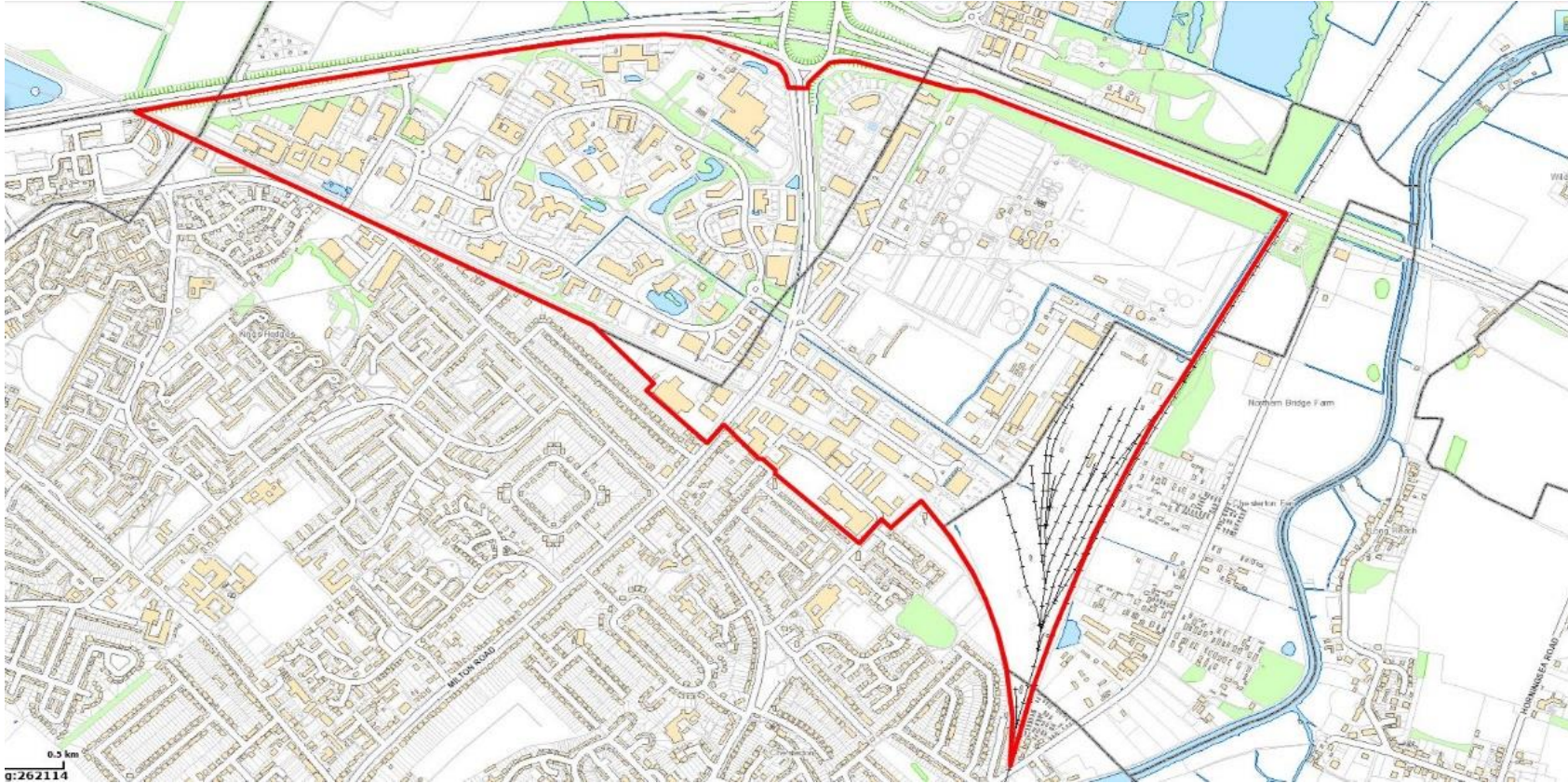
On larger sites, where there are multiple phases of development, it can help accelerate delivery because the developer or house builder can deliver stock for both open market sale and market rent at the same time. Build to Rent also provides benefits such as creating footfall and supporting diversity of occupiers for non-residential uses on mixed-use sites.

The Ministry of Housing Communities and Local Government confirms that as part of their plan making process, local planning 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.

The assessment enables an evidence-based planning judgement to be made about the need for Build to Rent homes in the area, and how it can meet the housing needs of different demographic and social groups. If a need is identified, authorities should include a plan policy setting out their approach to promoting and accommodating Build to Rent. This should recognise the circumstances and locations where Build to Rent developments will be encouraged – for example as part of large sites and/or a town-centre regeneration area.



North East Cambridge



The North East Cambridge Area Action Plan site is situated between the A14 to the north, the Cambridge to King's Lynn railway line to the east, and the Chesterton residential area to the south.

It is bisected by Milton Road, which then continues north as the A10 towards Ely and King's Lynn. It is approximately 3km from Cambridge City Centre and is made up of the Cambridge Science Park, the Cambridge Northern Fringe East, and Cambridge Regional College.

To the north of the A14 lies the village of Milton, 0.8km from North East Cambridge. The planned new town north of Waterbeach lies around 5.5km to the north. Cambridge Airport is two miles to the south east, of the site, as is Cambridge Railway Station. Cambridge North station is located within the Area Action Plan site.



Cambridge Local Plan (2018) and South Cambridgeshire Local Plan (2018)

Both South Cambridgeshire District Council and Cambridge City Council identified North East Cambridge as a potential location to achieve economic and housing objectives in their Local Plans and have committed to jointly developing an Area Action Plan for the site.

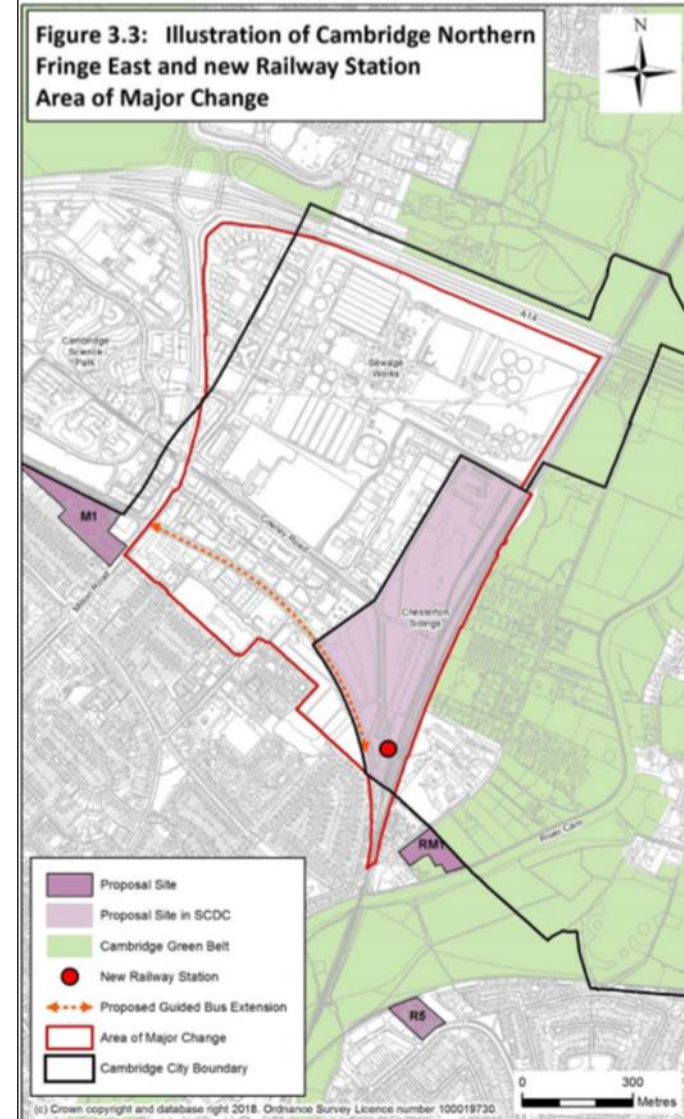
The Cambridge Local Plan states in **Policy 15 – Cambridge Northern Fringe East* and new railway station** that as an Area of Major Change the site would:

- enable the creation of a revitalised, employment focussed area centred on a new transport interchange
- be served by the Cambridgeshire guided busway and will include cycle parking facilities and car parking
- significantly improve the accessibility of the site and surrounding area, including access to and from the Cambridge Business Park, St John's Innovation Park and Cambridge Science Park, making the area a highly attractive business location.
- provide a catalyst for regeneration of this area.

The South Cambridgeshire Local Plan designates the area as a Strategic Site under **Policy SS/4 Cambridge Northern Fringe East and Cambridge North**, stating that the area is:

- allocated for high quality mixed-use development, primarily for employment within Use Classes B1, B2 and B8 as well as a range of supporting uses, commercial, retail, leisure and residential uses (subject to acceptable environmental conditions); and the amount of development, site capacity, viability, time scales and phasing of development will be established through the preparation of an Area Action Plan (AAP)

*Cambridge Northern Fringe East is now part of the larger North East Cambridge proposals.



North East Cambridge Draft Area Action Plan

(Please note: The plan referenced against the map above is referred to as the 'Cambridge Northern Fringe Area Action Plan' in the Local Development Scheme. Reflecting the more comprehensive vision being envisaged for the area, and the need to integrate development better with surrounding communities, the Councils considered that the plan should be renamed the 'North East Cambridge Area Action Plan'. The Issues and Option 2019 document explains that the proposed Area Action Plan boundary is to include the Cambridge Northern Fringe East area allocated in the Local Plans and the Cambridge Science Park.)

The North East Cambridge draft Area Action Plan sets out the blueprint for the comprehensive and co-ordinated regeneration of North East Cambridge.

The draft Area Action Plan, which was subject to public consultation in the summer of 2020, reaffirms that North East Cambridge provides a major opportunity to deliver sustainable development to help support the continued success of Greater Cambridge. The draft plan includes the retention of industrial uses and a growth in commercial uses to develop the already strong knowledge economy, alongside a growth in housing. The draft Area Action Plan indicates that the plan period could accommodate 8,000 new homes over seven land parcels. the largest being Anglian Water/ Cambridge City Council site at 5,500 and the smallest Milton Road Garage Site at 100.

The proposed development will deliver the draft Area Action Plan's vision by fulfilling its five stated Strategic Objectives, which suggest North East Cambridge will:

- be a low environmental impact urban district, addressing both the climate and biodiversity emergencies;
- be a characterful, lively, mixed-use new district where all can live and work;
- help meet the strategic needs of Cambridge and the sub-region;
- be a healthy and safe neighbourhood;
- be physically and socially integrated with neighbouring communities.

To make best use of the land available and to maximise the possibility of creating a self-supporting new neighbourhood, North East Cambridge needs to provide a mix of uses and at a density that creates the best conditions for this to happen and that creates an excellent and improved gateway to the City.

In terms of housing, the draft Area Action Plan confirms that North East Cambridge provides an opportunity to make a significant contribution to addressing the future housing needs of the Greater Cambridge area. Given the number of new homes that could be delivered in the area, it is proposed to seek a wide range of housing types, sizes and tenures. This could include a variety of affordable housing tenures, such as social housing for rent and other affordable routes to home ownership, purpose built private rented sector housing (PRS) and open market housing, including custom and self-build.



There is also an opportunity to plan and deliver a range of housing products aimed at specific groups, for example essential local workers, as well as housing tethered to employment use within the area.

A proportion of the new housing in the area could take the form of purpose-built Houses in Multiple Occupation. However, they can also adversely impact the amenity of neighbouring properties, especially if clustered, and need appropriate management arrangements to be in place.

[Local affordability analysis](#) suggests that around 35% of existing households across Cambridge and South Cambridgeshire are on lower incomes of less than £30,000, and 26% have middle incomes between £30,000 to £50,000. Social housing for rent is particularly important for supporting lower income households, and other affordable tenures can support those on middle incomes. Both Councils' Local Plans include a requirement for 40% of housing to be affordable on larger development schemes, subject to viability. It is proposed to maintain this approach in North East Cambridge.



Cambridge & Peterborough Combined Authority

Cambridge and South Cambridgeshire are part of the Cambridge and Peterborough Combined Authority area where the growth ambitions confirm:

- Not enough homes have been built in the past and as a result homes are becoming progressively less affordable; young people are projected to account for just 10% of future household formation; and commuting is increasing as firms and workers respond to these pressures by relocating, putting extra pressure on transport infrastructure and quality of life.
 - Housing delivery should rise from the current 3,000-3,500 completions a year to 6,500-8,000 a year.
 - New homes need to be affordable. The Combined Authority's housing strategy has established a £40 million revolving fund, which aims to allow for exceeding the 2,500 affordable homes committed to in the Devolution Deal. Spatial Framework and direct investment in new settlements will be used to encourage extra affordable housing provision, including by developing homes for first time buyers with price target based on earnings.
 - Development should be encouraged along transport corridors and new garden villages and include an emphasis on anticipating the future corridors that can be created by the infrastructure the Combined Authority is bringing forward, including the Cambridge Autonomous Metro (CAM). North East Cambridge is a proposed location for the CAM.
- This approach will be based on ensuring, by linking the Spatial Framework and Local Transport Plan, that transport and other infrastructure investment precedes housing development.
 - To pursue a target of ensuring there are good jobs available within a 30-minute journey of home for our residents.



The Cambridge, Milton Keynes Oxford (CaMKOx) Arc

The **CaMKOx Arc plans to** develop the 'brain belt' area between Cambridge, Milton Keynes and Oxford with several new towns, commercial developments and a million new homes with up to 1.9 million more people living in the area by 2050.

The CaMKOx Arc has potential to be one of the biggest economic and property development schemes the UK has ever seen. It has some of the most modern and high-tech industries in the country, providing some of the most highly paid jobs outside London. Currently it is home to 3.3 million people and has a multi-billion-pound economy. However, it is disparate and not very well connected.

The National Infrastructure Commission report 'Partnering for Prosperity: A New Deal for the Cambridge-Milton Keynes-Oxford Arc' suggests the Arc could be a focus for accelerated economic development as a single coherent unit. Connectivity will be improved through new road and rail networks as well as expanding existing settlements, with planning able to unlock large scale opportunities for housing growth. This could include whole new settlements of between 10,000-150,000 new homes, some of which could have city standing.

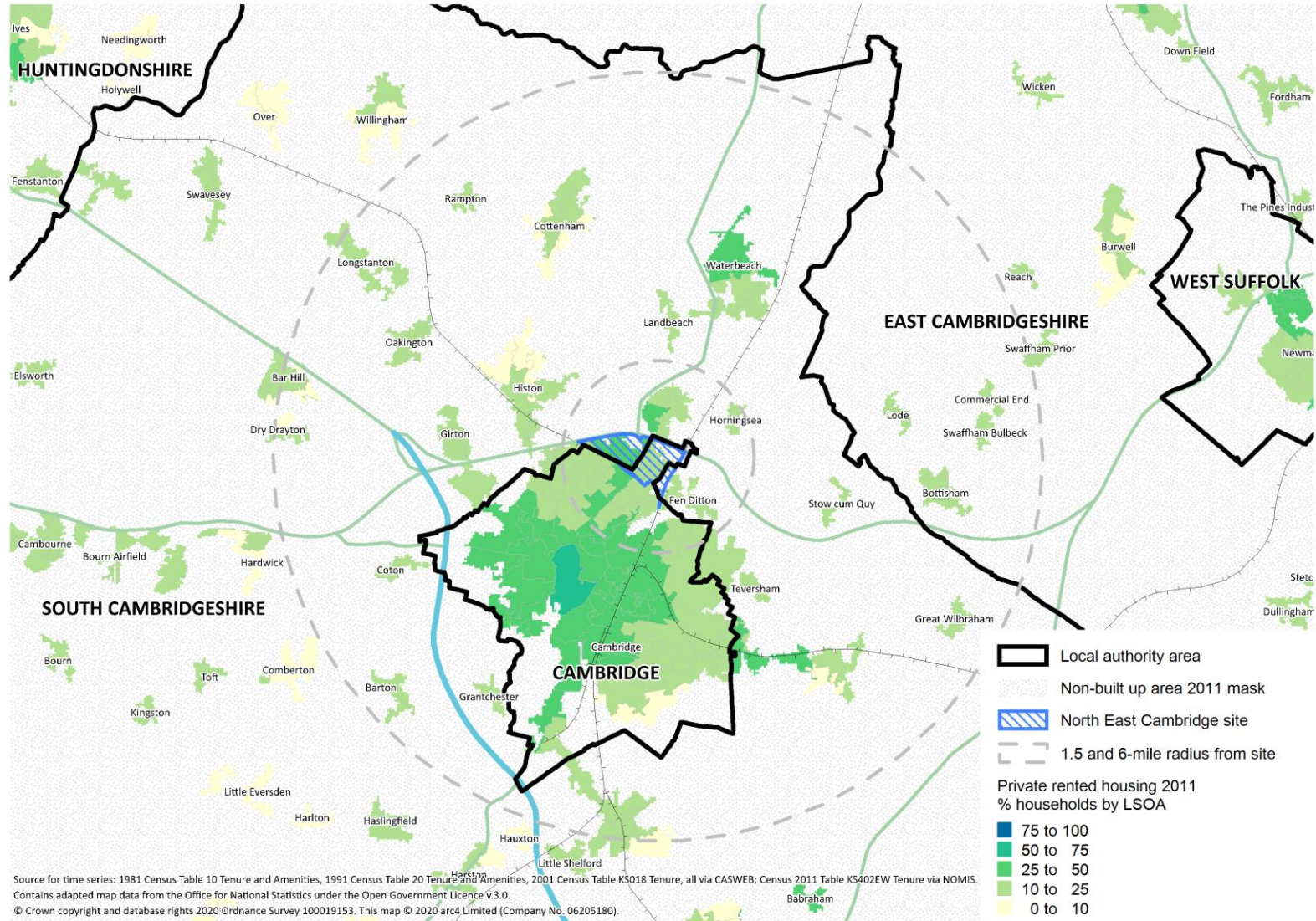
Opportunities for Build to Rent development could be brought forward as the vision for the CaMKOx Arc progresses. The National Infrastructure Commission estimates improvements in infrastructure and housing across the region will result in a close to threefold increase in the economic output of the Arc over the coming decades. This will provide the necessary critical mass to facilitate the expansion in scale and depth of the existing knowledge corridor, which already presents a unique proposition in the UK: Oxford and Cambridge are the only cities in the UK in the European top 20 list for innovation. (The Resolution Foundation 2018).



EXISTING PROVISION



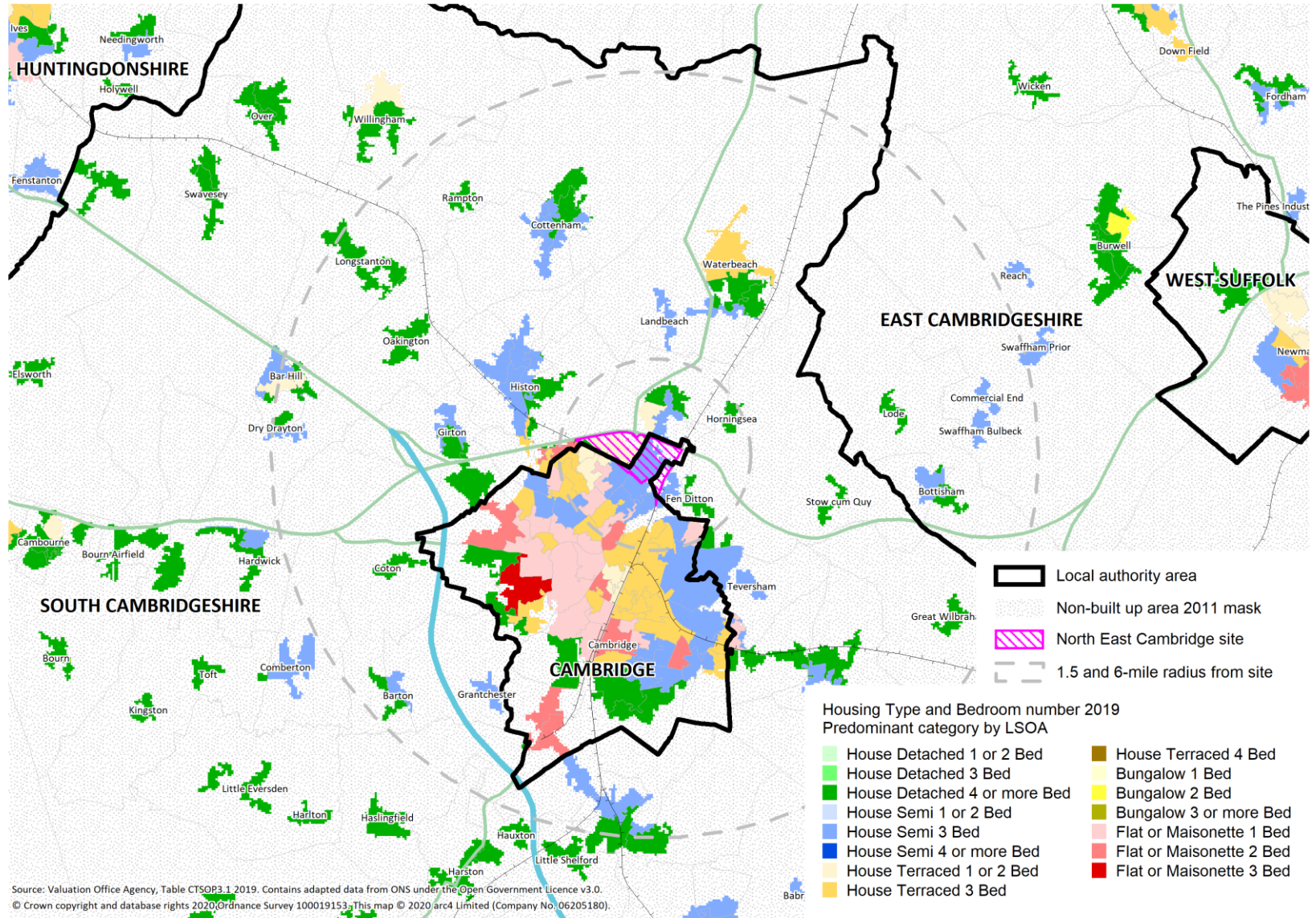
Private Renting 2011



Even in 2011
Cambridge had a
buoyant rental market
across the City.



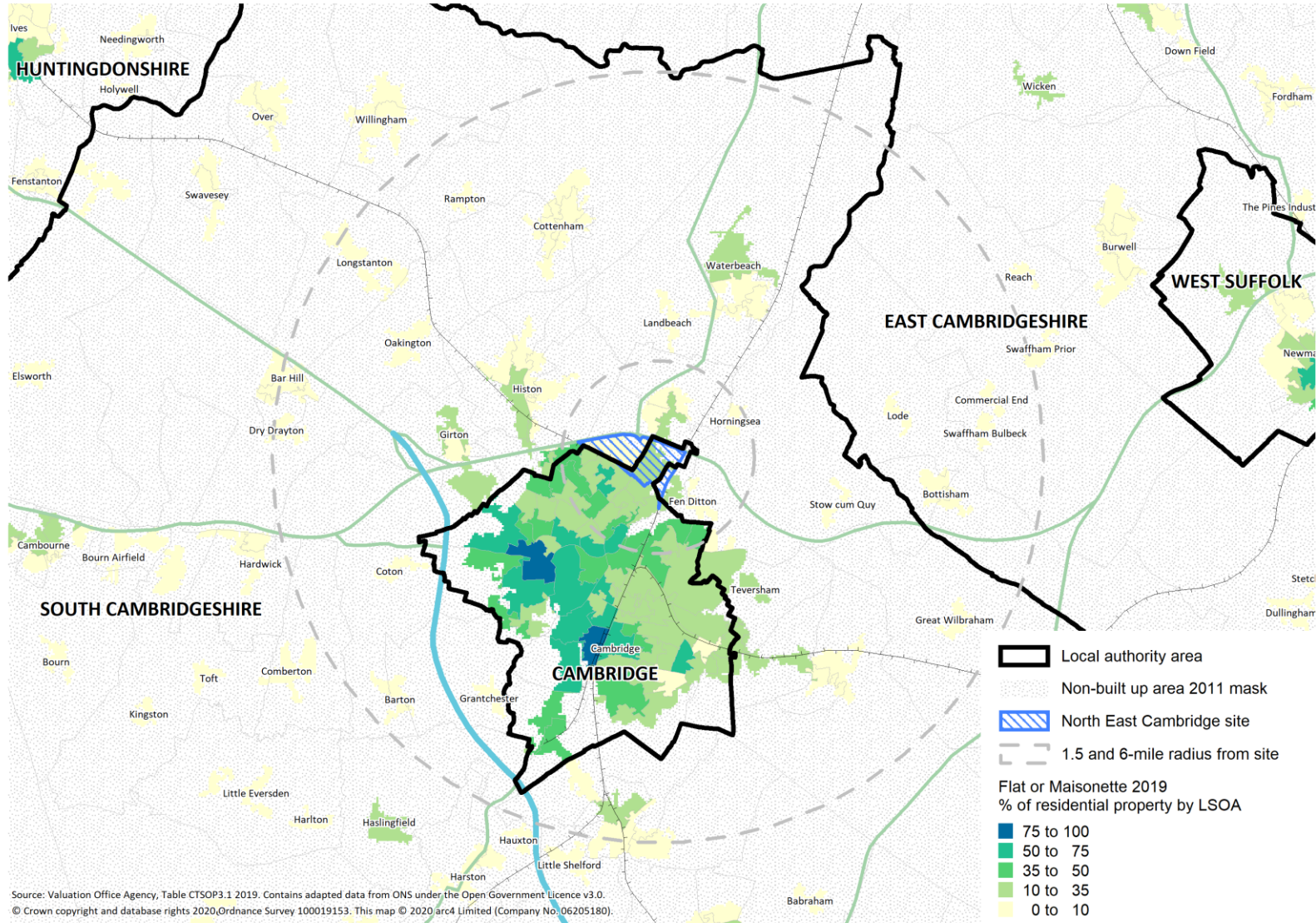
Predominant Housing Type and Size 2019



The north-east area of the City and the wider area beyond has mainly a house (as opposed to apartment) based market. Some of these particularly in and close to the City are likely to be Houses in Multiple Occupation.



Apartments 2019



The north-east of the City and the wider area beyond the City has a relatively low density of apartment housing



ECONOMIC OPPORTUNITY



Economy and Labour Market: Key indicators

Indicator	Base	Year	Cambridge	South Cambs	East Cambs	West Suffolk	East Region	England
Gross Value Added (GVA)	£m	2016	5,127	4,591	1,906	4,282	167,223	1,509,306
GVA per person	£	2016	38,900	29,343	21,700	24,140	23,148	27,309
GVA per person index	2000 = 100	2016	164	153.2	158.8	151.2	152	163.2
Business count	Number	2019	4,950	8,500	4,100	7,420	146,893	2,360,780
Jobs	Number	2017	118,000	97,000	40,000	98,000	3,218,000	30,359,000
Jobs index	2000 = 100	2017	126.9	140.6	166.7	129.4	120.4	122.8
Job density	Per 16-64s	2017	1.33	1.02	0.75	1.02	0.85	0.87
Resident gross wages	£ per week	2019	631.9	755.2	614.2	539.2	610.4	591.3
Workplace gross wages	£ per week	2019	637.4	715.9	543.1	518.5	581	591.4
Employment rate	% of 16-64s	2018	75.7	85.1	81.8	80.0	78	75.4
Workless households	%	2018	12.9	9.7	6.4	10.1	12.2	13.9
NVQ4+	% of 16-64s	2018	61.5	51.4	39.4	33.1	35.2	39
No NVQ	% of 16-64s	2018	6.7	5.1	5	2.4	7.4	7.6
Households	Number	2018	44,566	64,151	37,262	74,312	3,101,330	23,053,707
Households index	2004 = 100	2018	104.4	118.7	120.7	113.3	113.5	111.9
Population	Number	2018	125,758	157,519	89,362	178,881	6,201,214	55,977,178
Population index	2001 = 100	2018	114.4	120.7	121.7	115.8	114.8	113.2
Net international migration	Rate 1,000 population	2013-18	35.7	10.5	15.8	-1.5	15.9	23.5
Births to non-UK born mothers	%	2018	53.5	27.1	22.5	31.8	25.6	29.1

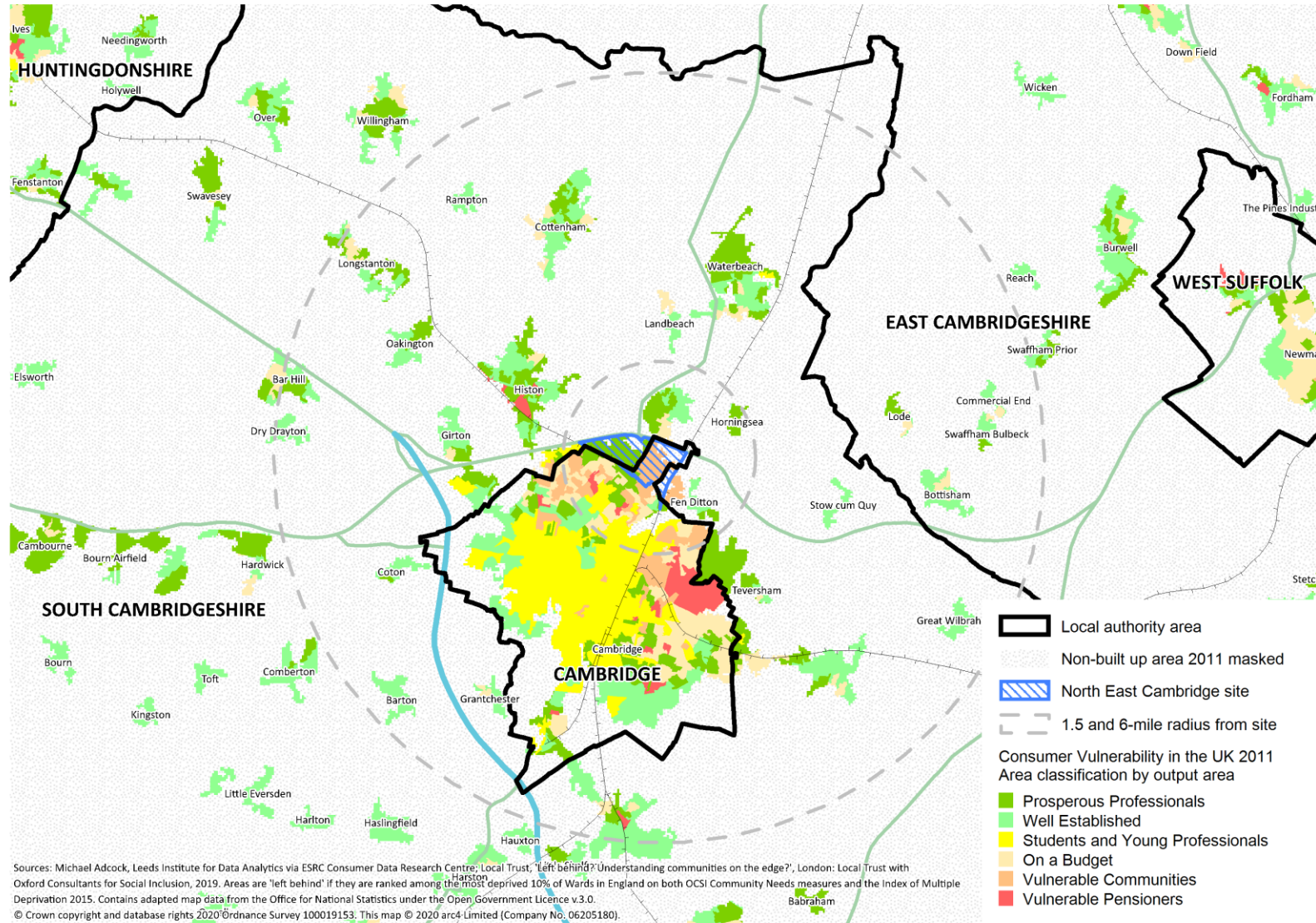
Sources:

Regional gross value added (balanced) reference tables; Regional Gross Value Added (Balanced) by Local Authority in the UK
UK Business Counts – enterprises by industry and employment size band via NOMIS
Business Register and Employment Survey via NOMIS
Annual survey of hours and earnings – resident and workplace analysis via NOMIS
Annual population survey, including households by combined economic activity status via NOMIS
2016-based household projections for local authorities and higher administrative areas in England
Population estimates – local authority based by single year of age via NOMIS
Local area migration indicators 2018
Adapted data from the Office for National Statistics under the Open Government Licence v.3.0



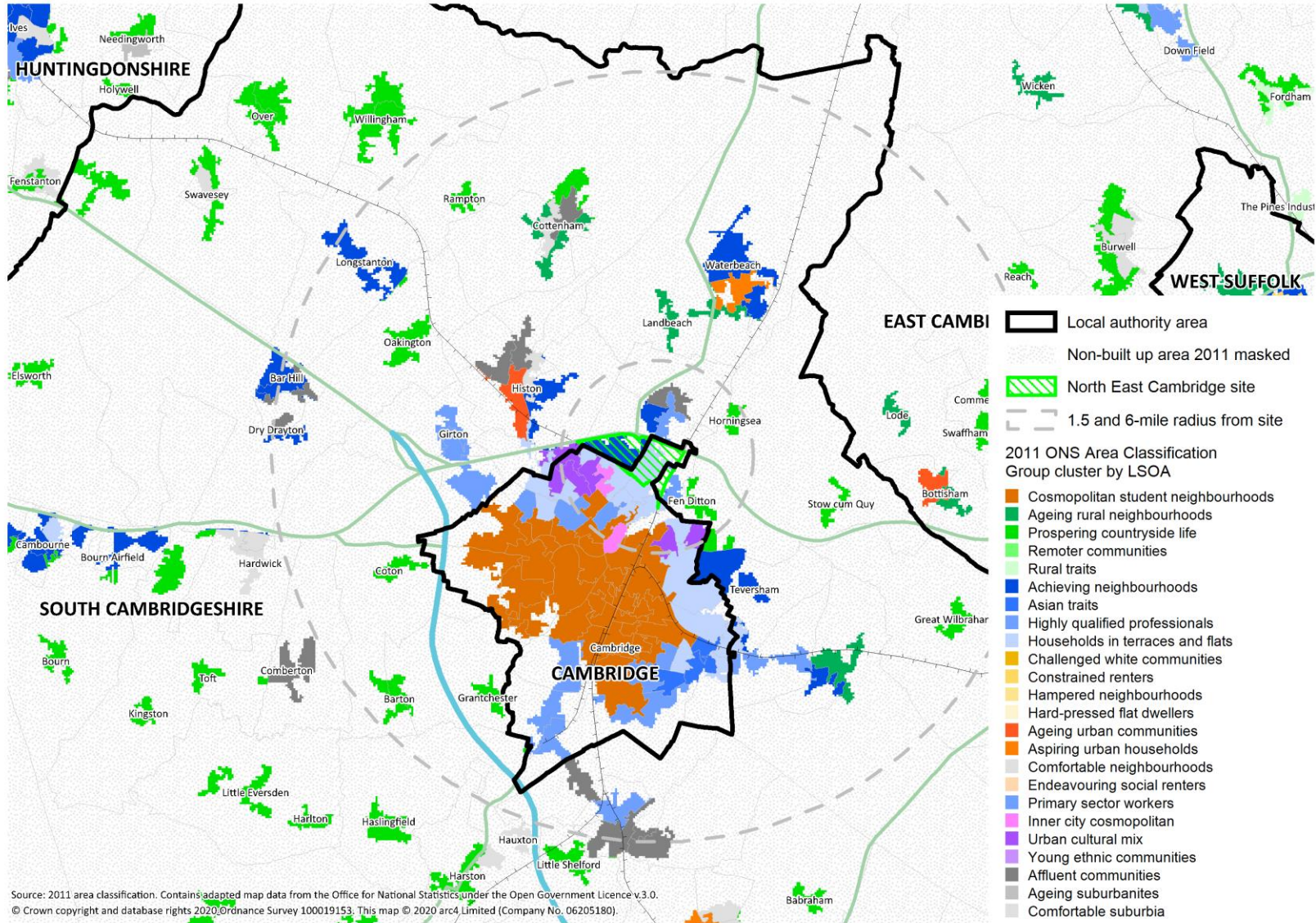
Consumer Vulnerability 2011

The area immediately surrounding the North East Cambridge site shows a mixed pattern of consumer vulnerability in the immediate surrounding area, but a higher proportion of Prosperous Professionals and Well Established households further out into South Cambridgeshire.

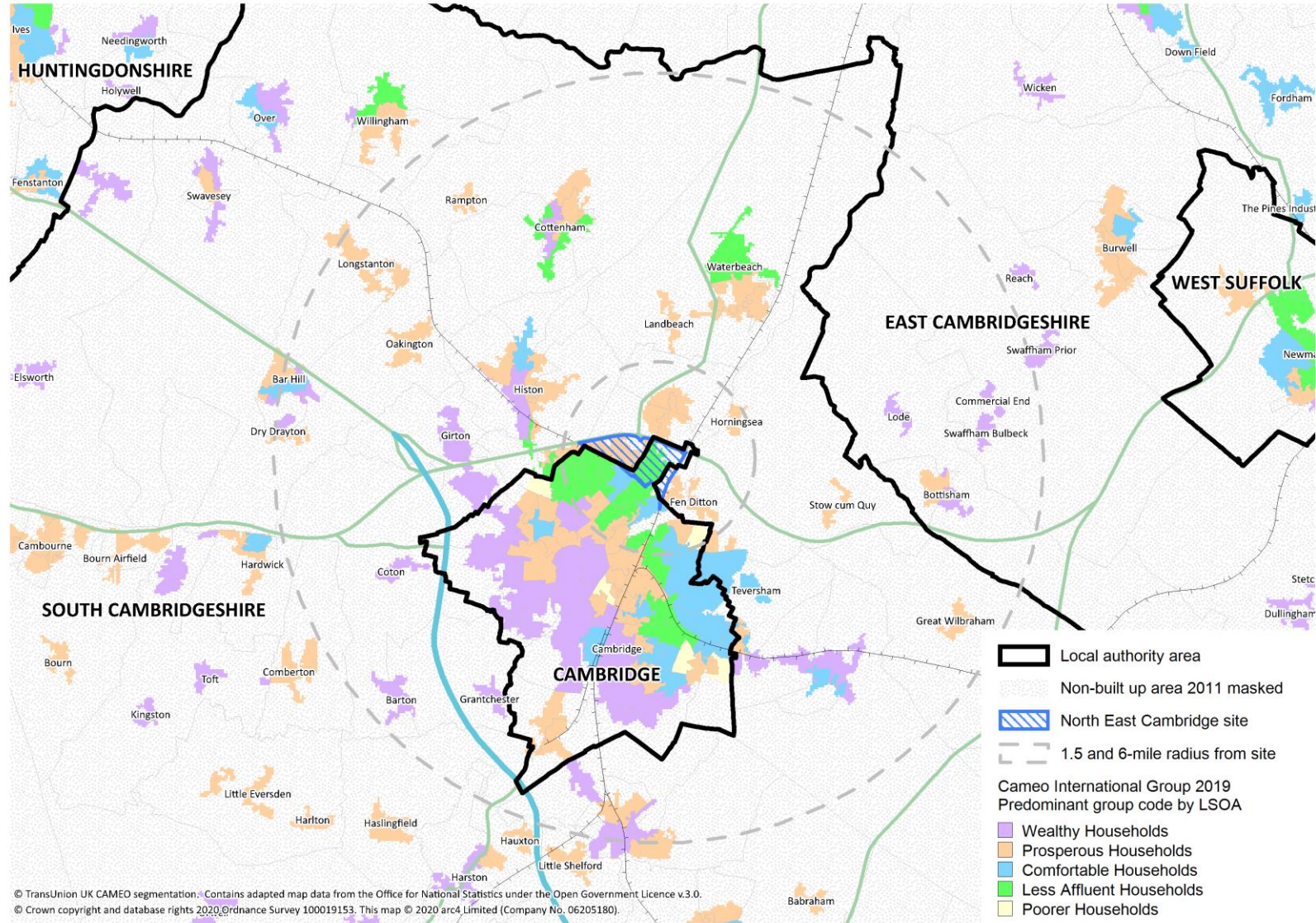


Geodemographics 2011

This map shows the wide mix of household types in the surrounding area using ONS area classification groups.

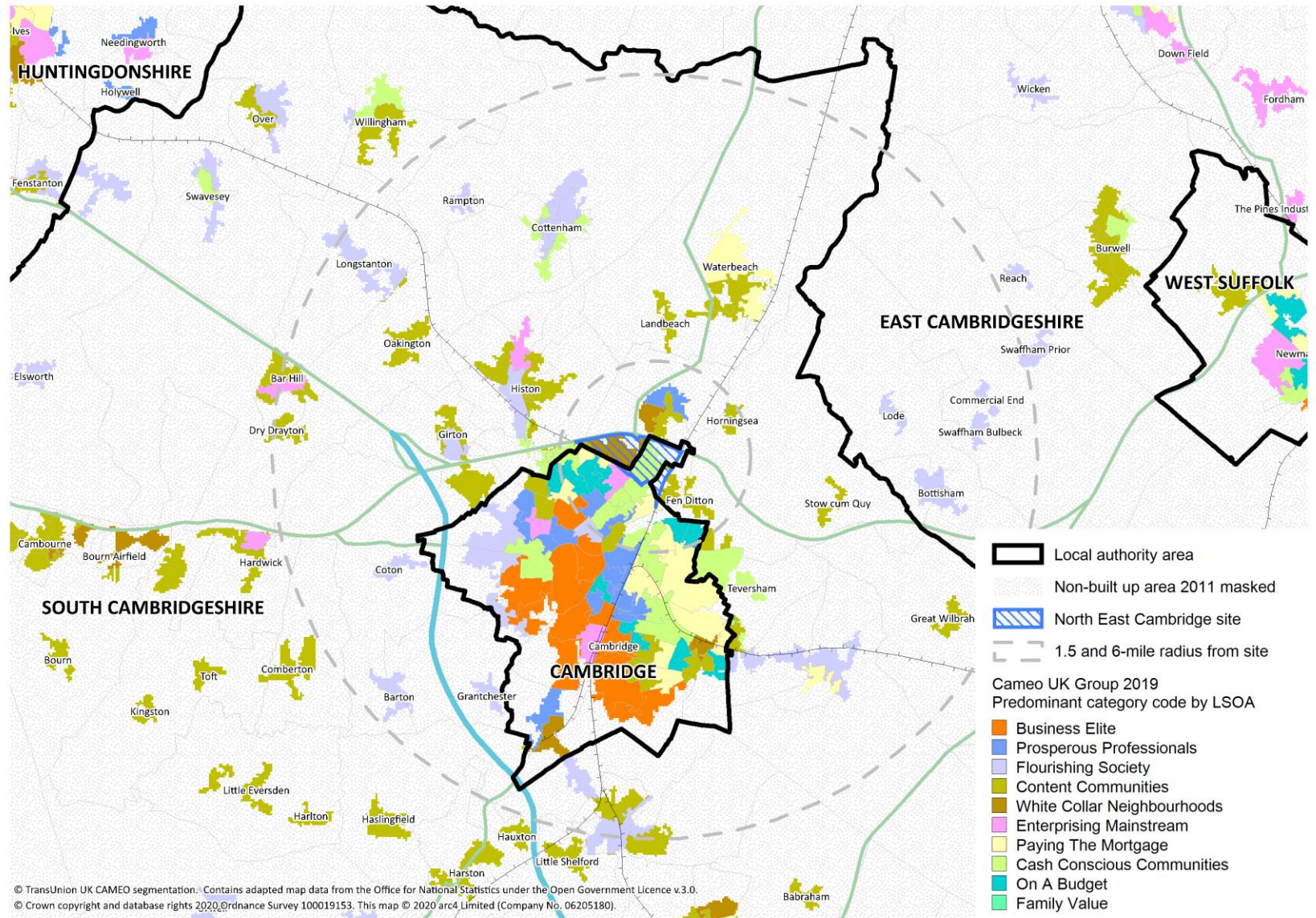


Geodemographics 2019



This map shows a wide mix of household types in the surrounding area as measured by levels of financial prosperity.

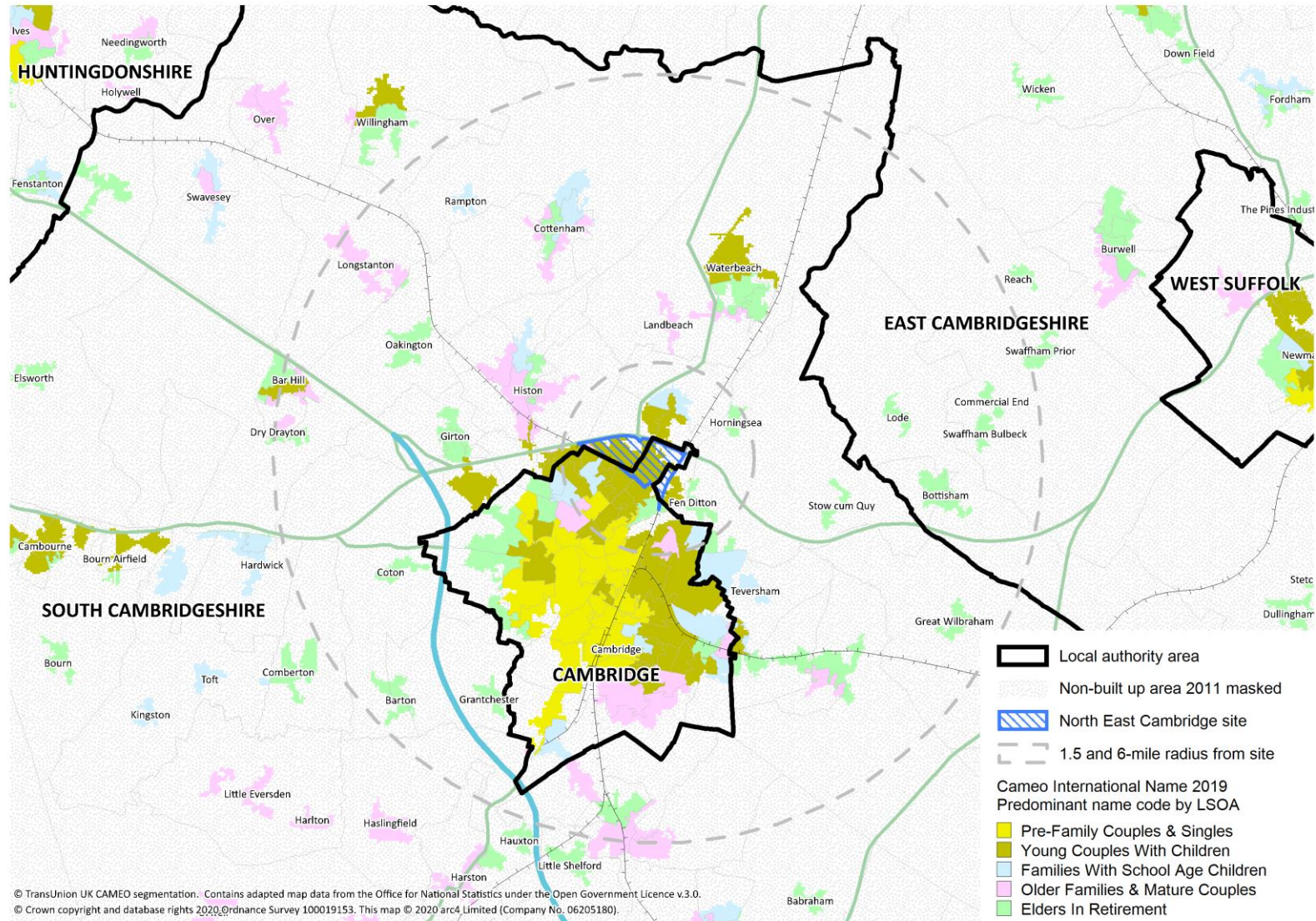




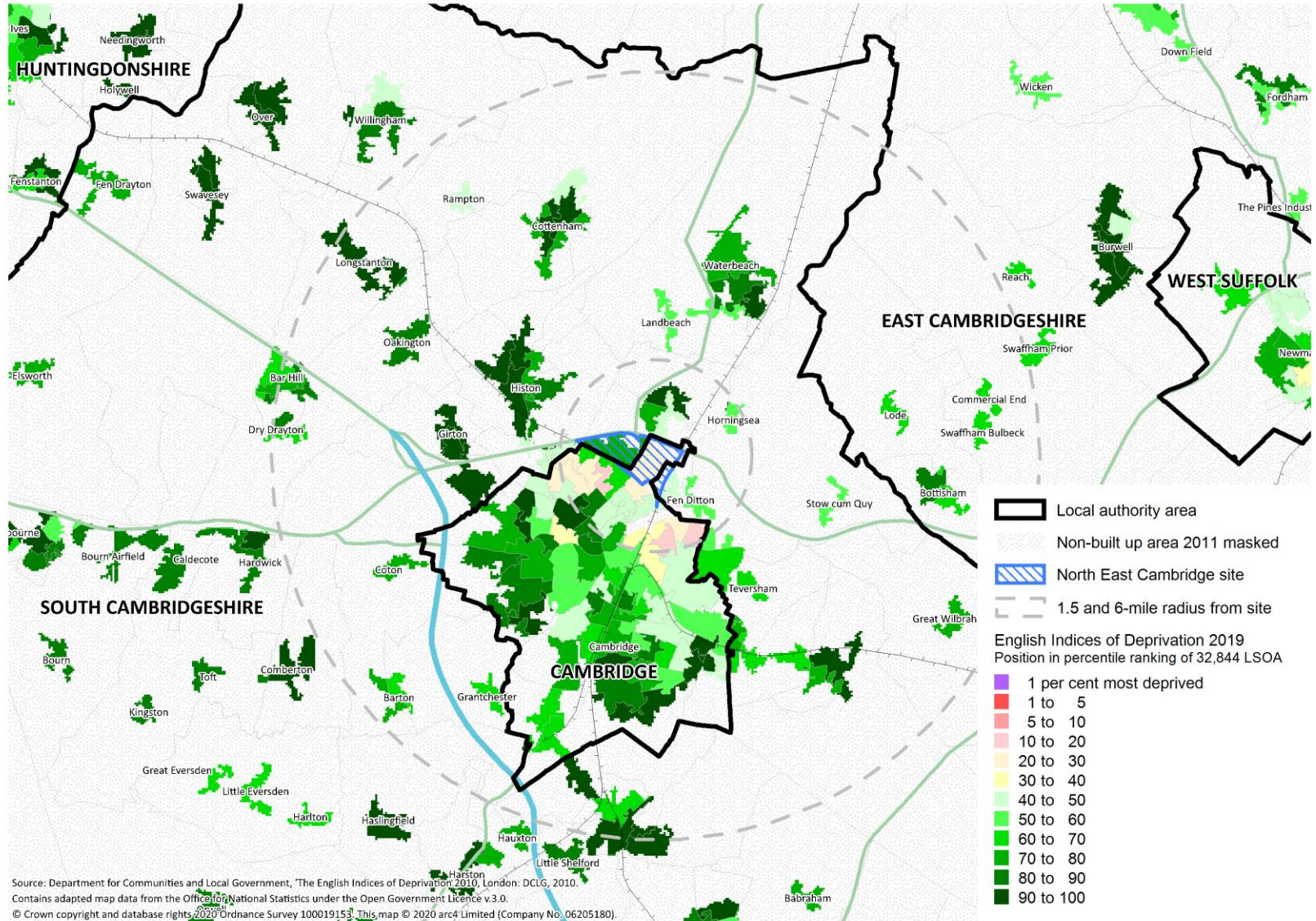
This gives another example of how household profiles are broken down in the surrounding area, using CAMEO segmentation classifications.



The area immediately surrounding the North East Cambridge site is predominantly made up of young couples with children, although the wider area has a wider mix of household types.



Local Deprivation 2019



The North-East area of Cambridge City has higher levels of deprivation than many other areas of Cambridge and South Cambridgeshire

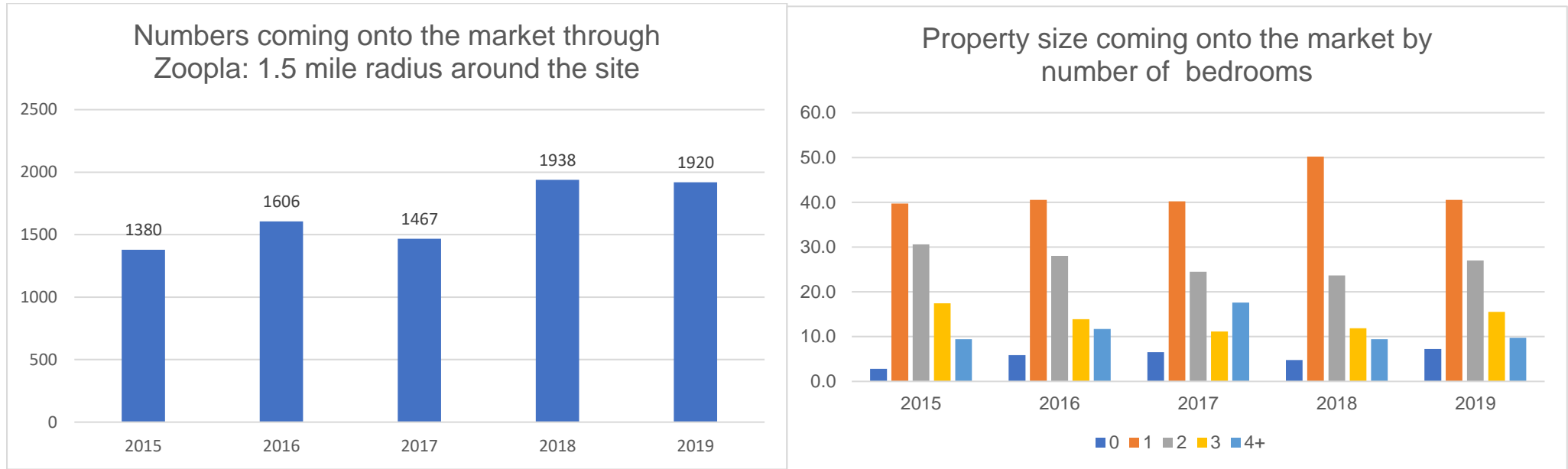


ACTIVITY IN THE PRIVATE RENTED SECTOR MARKET

All data reflects a 1.5 mile radius around the site



Private rental market data



Source: © 2020 Zoopla Limited

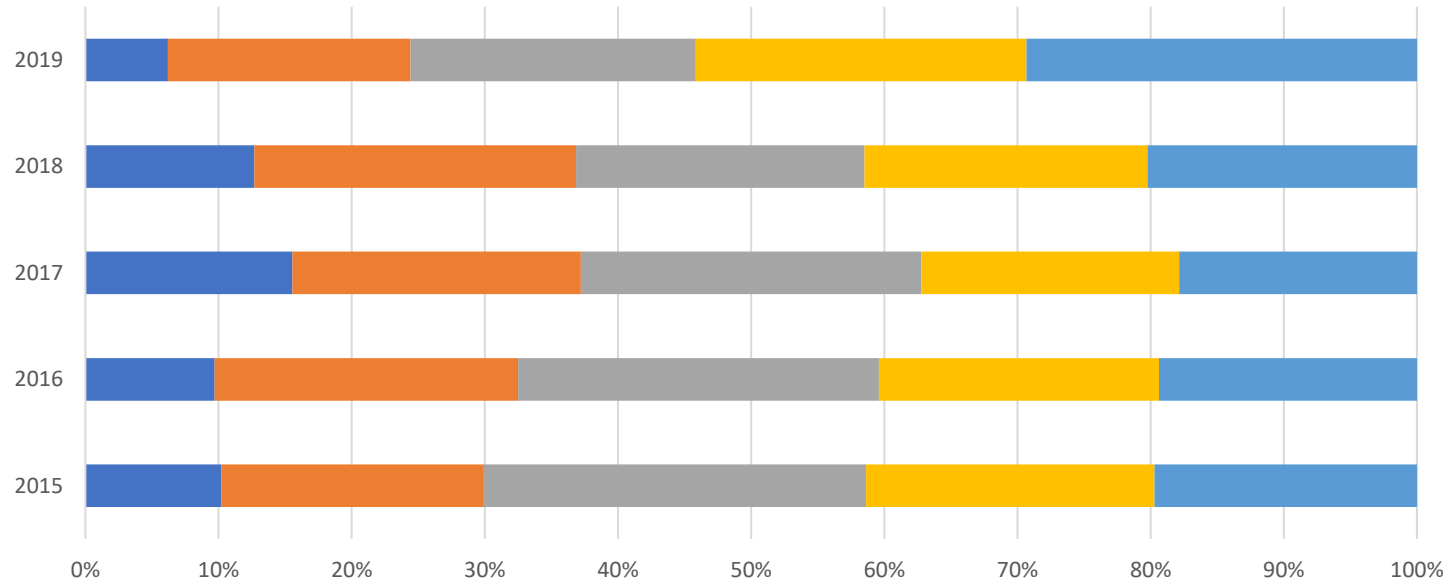
Zoopla records properties coming onto the market in terms of numbers that are advertised through its website. Figures in the charts above represent the market before the outbreak of the Covid-19 pandemic, which may have altered trends and whose long-term impacts are still not known.

Over the past 5 years, in the 1.5 mile radius around the site, there has been a growth in the numbers coming onto the market overall. This reflects a growing market rented sector in and around Cambridge but does not include the whole Cambridge City footprint. As a comparison in Cambridge (local authority) in 2019, 4,054 units were advertised through Zoopla.

The market is dominated by 1 bed properties, although the gap between 1 and 2 bed properties reduced in 2019.

(Throughout the report 0 beds represents a bedsit or equivalent).

Percentage breakdown of the rental market by rent band



	2015	2016	2017	2018	2019
■ 1 £0-£500	10.2	9.7	15.5	12.7	6.2
■ 2 £501-£750	19.7	22.8	21.7	24.1	18.2
■ 3 £751-£1000	28.7	27.1	25.6	21.7	21.4
■ 4 £1001-£1250	21.7	21.0	19.4	21.3	24.8
■ 5 £1251+	19.7	19.4	17.9	20.2	29.3

■ 1 £0-£500 ■ 2 £501-£750 ■ 3 £751-£1000 ■ 4 £1001-£1250 ■ 5 £1251+



The chart above illustrates how the market within a 1.5 mile radius around the site splits between monthly rent levels. The percentage size of the lower value market band (£0 to £500), although it grew between 2015 and 2017, has reduced overall from 10.2% in 2015 to 6.2.% in 2019. The overall fall between 2015 and 2019 is reflected in all rent bands up to £1000. Conversely, higher value market bands have exhibited growth; the £1001 to £1250 market band has grown to 24.8% and the £1251+ bands have grown to 29.3%. These two higher bands now make up over half of the overall market in 2019 compared to 41.4% in 2015.

With the confirmation of feedback from agents this is a clear indication of a growing rental market, likely to mean demand for a higher specification product.

Source: © 2020 Zoopla Limited

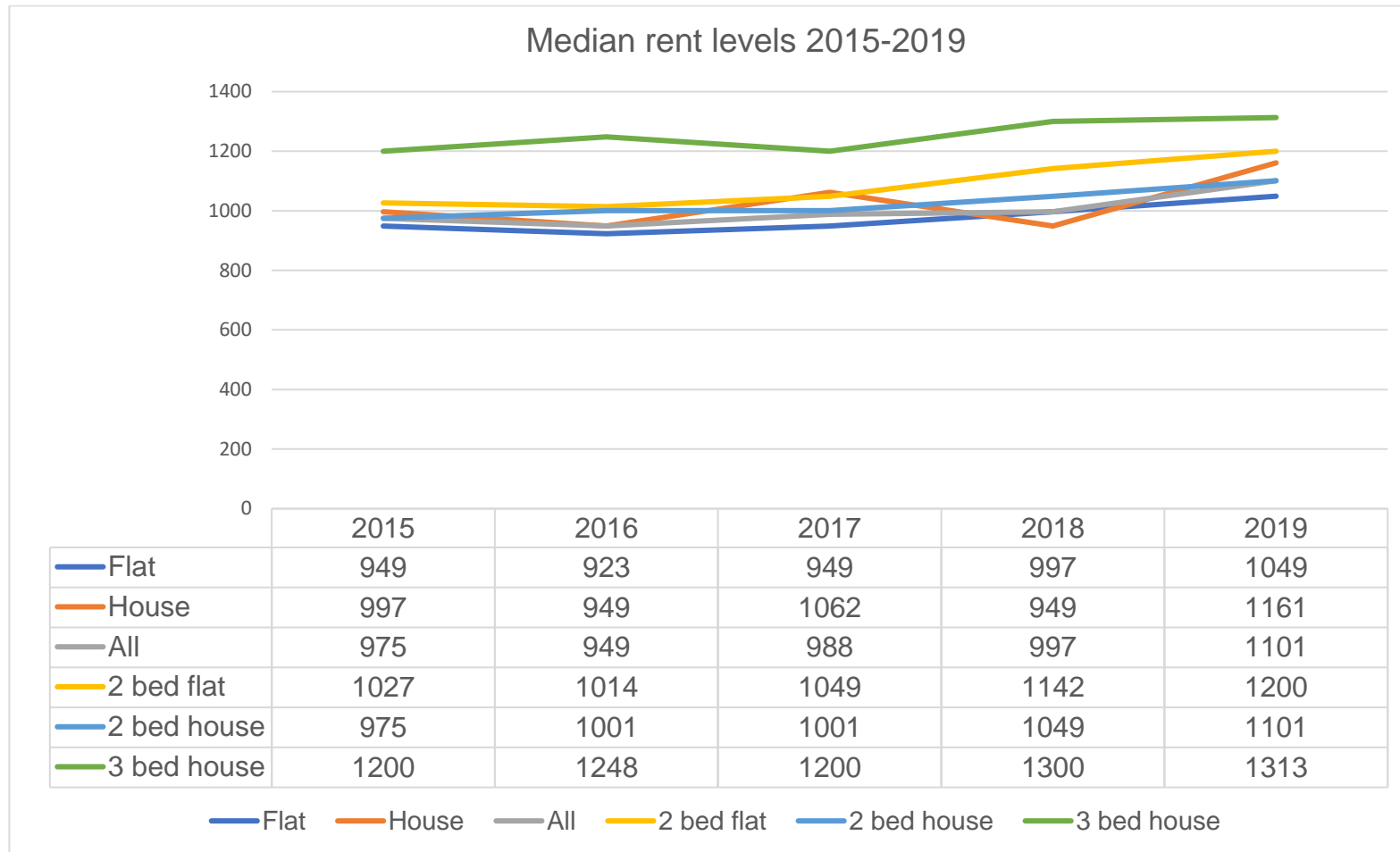


RENT LEVELS AND CHANGE

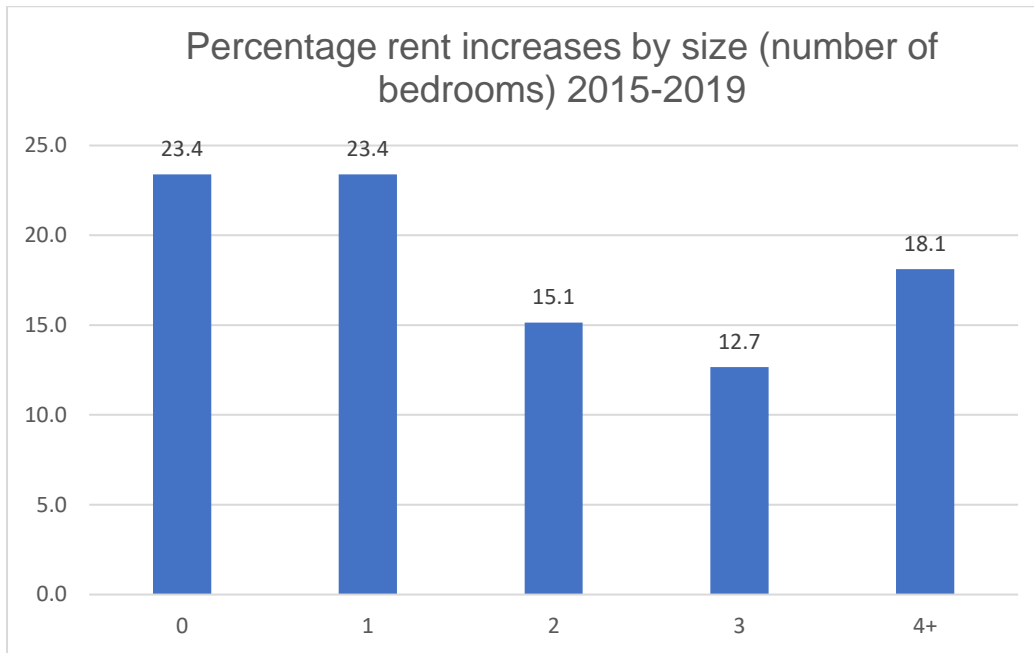
All data reflects a 1.5 mile radius around the site



Rent level and change data



Rent levels within 1.5 miles of the site have exhibited strong overall growth between 2015 and 2019 for all property sizes. Overall, median rents are around £1100 per calendar month but this will be impacted by the dominance of lower value 1 and 2 bed units. This is similar to the Cambridge City median of £1148 per month. This could reflect a growing demand here, and/or demand from sharing students/tenants.



Source: © 2020 Zoopla Limited

This chart shows that rent levels are increasing in the 1.5-mile radius around the site.

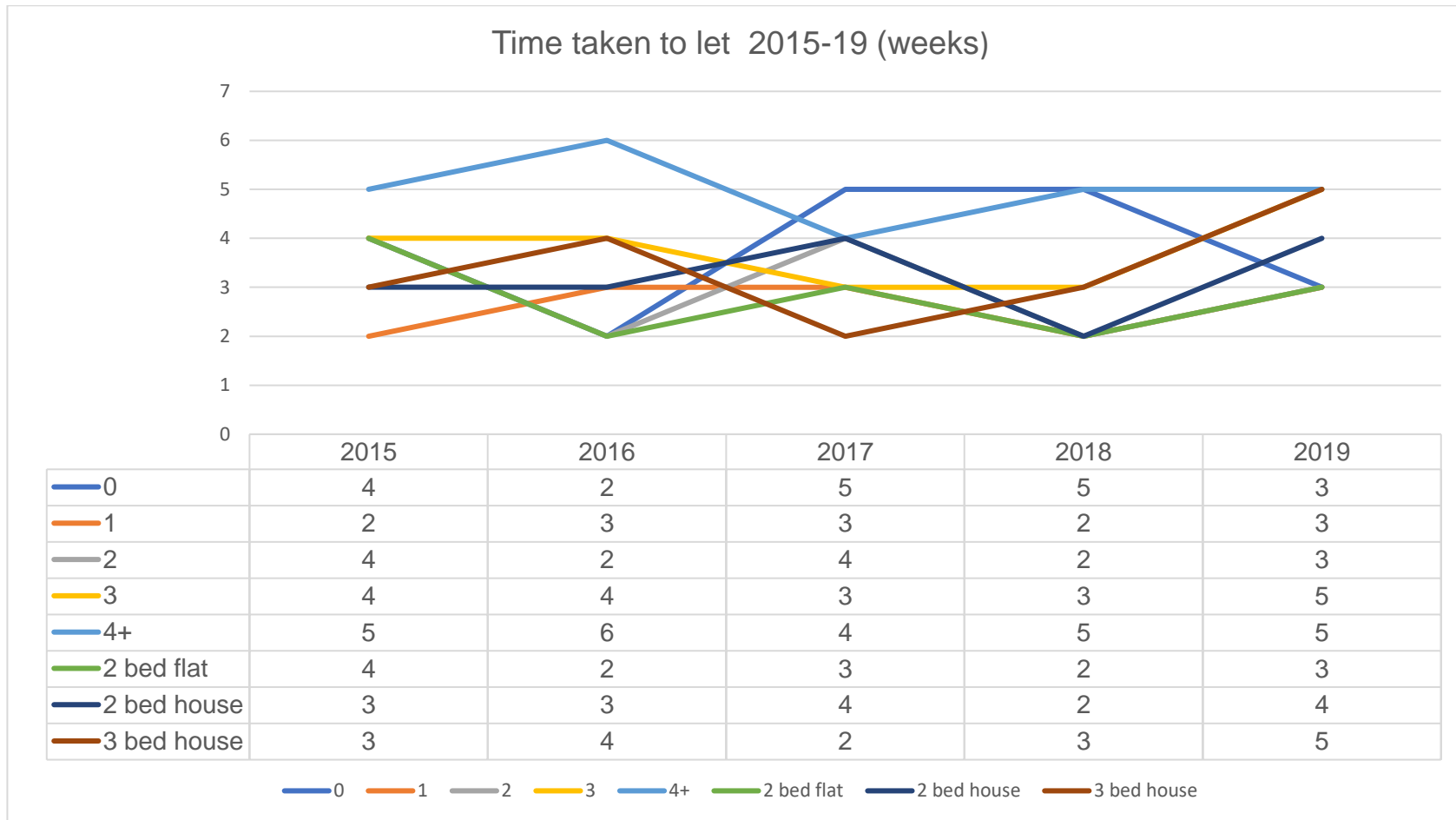
- In April 2018, Bidwells property Consultants estimated that Build to Rent values in Cambridge were £1,400 for a 1 bed unit and, £1,800 for a 3-bed unit. This was estimated as a 50% rent affordability ratio*. Yields were estimated at 3.58% as £700 per square foot.
- In 2019, Bidwells property consultants estimated that Build to Rent values in Cambridge are just under £1,200 for a 1 bed unit, £1,900 for a 3-bed unit. This was estimated as a 40% rent affordability ratio*.
- In 2019 Bidwells published reports confirming that across the Oxbridge Growth Corridor as a whole, capital values for apartments in city centre locations generally remained stable in 2018. Highly accessible locations with quality city centre environments continue to record premiums.

Assumptions: *Affordability based on a ratio of Bidwells' mid-point rental value in city centre location and average gross local income.

TIME TAKEN TO LET IN THE PRIVATE RENTAL MARKET

All data reflects a 1.5 mile radius around the site





The chart above shows the average time, in weeks, taken to let different sizes of properties by number of bedrooms (studios shown as 0)

The time taken to let private rental homes can be a useful indicator of demand / under supply in the market.

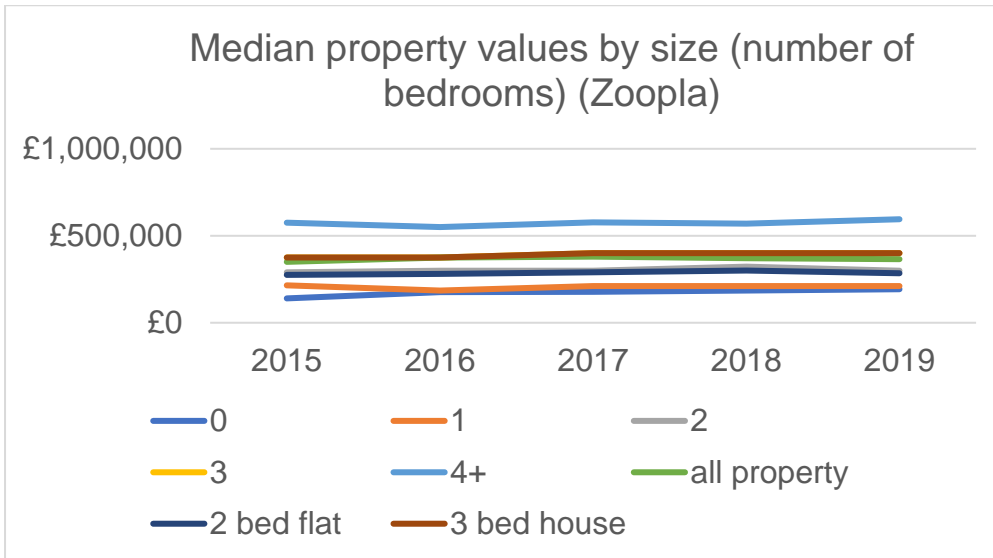
The timescale is shown in weeks and should be regarded in terms of trends. Agents confirmed properties can let very quickly. This data is based on agent definitions and therefore we cannot ensure consistency in approach. However, as trend data, it confirms that all property lets quickly.

Source: © 2020 Zoopla Limited

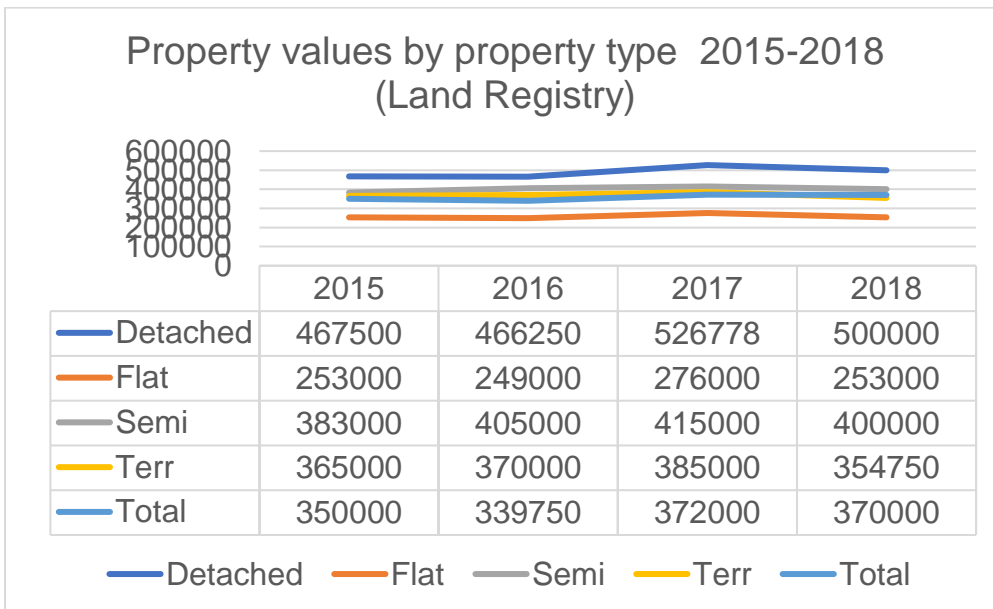
CAPITAL VALUES

All data reflects a 1.5 mile radius around the site





Source: © 2020 Zoopla Limited



Capital values in the tables on this page are considered from two data sources. Land Registry is a more accurate source but can only consider apartments as a property type without considering size by number of bedrooms. Zoopla is a good sample of the market and can consider property size.

Zoopla confirms rising property values (although not significant) since 2015 within the 1.5-mile radius for all property types (with the exception of 1 bed).

Land Registry confirms increasing values overall since 2015, but not in all property types and not significant.

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Help to Buy Programme 2013 to 2019

In this table, HTB stands for Help to Buy; FTB stands for First Time Buyer.

Local Authority name	Private new build 2013-19 (units)	Total Help to Buy Equity Loans 2013-19 (no.)	Total HTBs as % of new build 2013-19	FTB Help to Buy Equity Loans 2013-19 (no.)	Total HTB Equity Loans 2013-19 (£m)	FTB Help to Buy Equity Loans 2013-19 (£m)	FTB as % of HTB loan value 2013-19
Cambridge	4,090	299	7.3	261	24,117,449	20,773,131	86.1
South Cambridgeshire	3,960	886	22.4	689	58,461,422	44,062,397	75.4
East Cambridgeshire	1,360	249	18.3	200	12,417,635	9,760,012	78.6
Huntingdonshire	3,620	1,015	28.0	772	55,204,113	40,009,403	72.5
East Region	103,970	30,019	28.9	23,763	1,694,541,279	1,293,761,719	76.3
England	852,620	236,068	27.7	192,012	13,444,463,510	10,765,005,419	80.1

This table shows that Help to Buy purchases during 2013-19 in Cambridge were considerably lower as a proportion of new build than in other parts of the county, the Eastern Region and England as a whole although the amount lent through equity loans was relatively high. This also indicates the strength of the local market.

Sources

MHCLG, Table 253 Housebuilding: permanent dwellings started and completed, by tenure and district, 2013-19

MHCLG, Help to Buy (equity loan scheme) statistics, April 2013 to 30 June 2019, England

Adapted data from the Office for National Statistics under the Open Government Licence v.3.0

AGENT FEEDBACK



Agent feedback

Please note: The following feedback was received prior to the Covid-19 pandemic taking hold.

The agent work focused on Cambridge as the largest urban rental market to the site and the strategic plans for North East Cambridge to create a new higher density area of destination.

Cambridge is a popular area and is attractive due to its history, location and prestigious university education. It is also a cycle friendly place, with access to anywhere in Cambridge in around 10 mins.

Agents confirmed that the sales and rental market in Cambridge is buoyant and demand will continue in the future. The market for rent is focused on students in many locations but there is also a popular market for postgraduates and families starting out. Many people who are renting are working relatively locally and cannot afford to buy or do not want to buy at this stage in their lives. All property is in demand but there is little availability of family accommodation/larger homes. Agents confirmed that properties let quickly in Cambridge, with re-let void periods being a few days long and new build lets finding tenants usually before completion. Build to Rent is popular and agents can see a growing demand for this product in Cambridge.

Recently, rents have slowly been increasing and demand has increased for good quality rental accommodation. Agents confirmed that properties let quickly in Cambridge, with re-let void periods being a few days long and new build lets finding tenants usually before completion.

As well as the student market, the characteristics of renting households are:

- Professional couples and singles wishing to maintain their independence and flexibility within the employment market; and
- Couples and small families ready to settle down but can't afford a deposit for home ownership.

Furnished accommodation is popular which agents believe is a reflection of many renters' short-term approach to the market, however this depends upon individual preference. Agents were not aware of any Build to Rent schemes in and around Cambridge, however we were told that the market is potentially buoyant enough for it and agents expect them to be built.

There is a growing market for a higher specification rental product in Cambridge. They considered that Build to Rent would be a welcome addition to the market and tenants are likely to be willing to pay a premium for a 'different' kind of living. Given the lack of build to Rent, agents think any initial developments will be very popular and may cause some other rental offers to be less popular.

Agents reported that there would likely be demand from London workers for Build to Rent in Cambridge as prices would be a lot more affordable in comparison to London, as long as the scheme is as competitive and offers a higher option specification

North Cambridge is an up and coming area, with lots of new developments planned, including: hotels, car parks, cafes etc; it has the potential to become a new 'hub' in the City. The Science Park is also located here, attracting workers, and there are excellent transport links via Cambridge North station, guided bus route, A14 and so on.

In terms of the rental market, 1-bedroom and 2-bedroom apartments are in high demand, particularly in North Cambridge as the area mainly consists of houses. Agents did not understand the future plans for North East Cambridge but when these were explained were very positive about this market and felt that it would provide opportunity for lower and middle income households who cannot afford to buy in the City and potentially could offer a higher specification offer for people wanting a better product. Agents felt that it was an ideal location for renting and would provide a range of houses and apartments.

In terms of other new rental schemes, agents noted the new developments in Trumpington and said that this is a more expensive area with potential for higher rental income. However, agents warned that the market is potentially flooded with new development there. Further north, in the target area, properties are slightly cheaper.

Agents estimated monthly upper quartile rents for the following properties in Cambridge as:

- 1-bedroom apartment: c£1,100-£1,300pcm
- 2-bedroom apartment: c£1,400-£1,500pcm

While car parking is said to be requirement in many residential developments, this can be mitigated where amenities are local, and where high quality active travel provision and public transport networks are available. This is reinforced by Build to Rent schemes often offering other amenities such as a concierge, workspace, gym, and / or café within their schemes.



COMPETITION - RENTALS



We conducted a thorough search of Rightmove (Jan 2020) in order to get a feel for the current rental offer in Cambridge. This is detailed below and shows a spot check of the Cambridge rental market.



Marque House

Location: 143 Hills Road, Cambridge, CB2

Prices: 2 bedroom apartment - £1,750pcm <https://www.rightmove.co.uk/property-to-rent/property-70383544.html>; 3 bedroom apartment - £2,275pcm - <https://www.rightmove.co.uk/property-to-rent/property-77039332.html>

Amenities: On-site porter, gym, en-suite, allocated undercroft parking with hybrid charging point



Newton Court

Location: Kingsley Walk, Cambridge, CB5

Prices: 1 bedroom flat - £1,250pcm - <https://www.rightmove.co.uk/property-to-rent/property-68068038.html>; 2 bedroom flat - £1,700pcm <https://www.rightmove.co.uk/property-to-rent/property-77181316.html>

Amenities: Parking, gym, concierge, balcony, underfloor heating



Pepys Court

Location: Pepys Court, Cambridge

Prices: 2 bedroom apartment - £1,595pcm <https://www.rightmove.co.uk/property-to-rent/property-57928349.html>

Amenities: Parking, en-suite, balcony



Parkside Place

Location: Parkside Place, Parkside, Cambridge, CB1

Prices: 1 bedroom apartment - £1,550pcm <https://www.rightmove.co.uk/property-to-rent/property-53078547.html> ;
3 bedroom apartment - £2,800pcm <https://www.rightmove.co.uk/property-to-rent/property-77204752.html>

Amenities: En-suite, parking, underfloor heating, phone-entry system, on-site porter



Orchard Park development

Location: Sweet Pea Way/Buttercup Road, Cambridge

Prices: 2 bedroom flat - £1,075pcm <https://www.rightmove.co.uk/property-to-rent/property-67446405.html>

2 bedroom apartment - £1,100pcm
<https://www.rightmove.co.uk/property-to-rent/property-88011242.html>

Amenities: Allocated parking





Midsummer Court

Location: Midsummer Court, Manhattan Drive, Cambridge

Prices: 1 bedroom apartment -- £1,050pcm <https://www.rightmove.co.uk/property-to-rent/property-77152543.htm>

Amenities: Communal parking area, gardens and bike store



Malachite Building (Kaleidoscope development)

Location: Glenalmond Avenue, Cambridge

Prices: 2 bedroom penthouse -- £2,100pcm <https://www.rightmove.co.uk/property-to-rent/property-76631785.htm>

2 bedroom apartment -- £1,500pcm

<https://www.rightmove.co.uk/property-to-rent/property-88712081.htm>

Amenities: Underfloor heating, en-suite, secure parking



The Belvedere

Location: The Belvedere, Homerton Street, Cambridge

Prices: 1 bedroom apartment -- £1,350pcm <https://www.rightmove.co.uk/property-to-rent/property-88952921.htm>

Amenities: Balcony, allocated underground parking, on-site concierge and leisure facilities



The Steel Building (Accordia development)

Location: The Steel Building, Kingfisher Way, Cambridge, CB2

Prices: 2 bedroom apartment - £1,900pcm <https://www.rightmove.co.uk/property-to-rent/property-76864060.html>

Amenities: Balcony, parking



The Light Building (Accordia development)

Location: The Light Building, Brooklands Avenue, Cambridge

Prices: 2 bedroom apartment - £1,750pcm <https://www.rightmove.co.uk/property-to-rent/property-88430441.html>

Amenities:



The Ash Building (Northwest development)

Location: The Ash Building, Rudduck Way, Cambridge, Cambridgeshire

Prices: 2 bedroom penthouse - £1,950pcm <https://www.rightmove.co.uk/property-to-rent/property-87430082.html>

Amenities: Underfloor heating throughout. Phone entry system. Communal bicycle stores





Paragon development

Location: Whittle Avenue, Trumpington, Cambridge

Prices: 2 bedroom apartment - £1,295pcm <https://www.rightmove.co.uk/property-to-rent/property-88428758.html>

Amenities: Balcony, parking



Palmer House (NOVO development)

Location: Palmer House, Harvest Road, Cambridge

Prices: 2 bedroom apartment - £1,350pcm <https://www.rightmove.co.uk/property-to-rent/property-77131402.html>

Amenities: Allocated parking, en-suite



Trumpington Meadows

Location: Consort Avenue, Trumpington, Cambridge

Prices: 2 bedroom apartment - £1,325pcm <https://www.rightmove.co.uk/property-to-rent/property-89069375.html>

Amenities: Parking





Student Castle

Location: 1 Milton Road, Cambridge, CB4

Prices: Studio flat - £1,270pcm <https://www.rightmove.co.uk/property-to-rent/property-77550773.html>

Amenities: Common area, study room, gym open 24/7, free bike hire & storage, 24/7 security, courtyard area



Nido Castle Hill

Location: Nido Castle Hill, 3 Histon Road, Cambridge, Cambridgeshire, CB4

Prices: Studio flat - £1,127pcm <https://www.rightmove.co.uk/property-to-rent/property-51850314.html>

Amenities: 24 hour security, gym, year-round events programme, bike storage



There are several schemes offering rental properties in Great Kneighton, Trumpington, Cambridge – a new development encompassing new homes, schools, shopping, community and health facilities and public open space. For example:



Virido

One, two, three bedroom apartments to rent for Intermediate market rent

Location: 16 Hartree Lane, Cambridge, CB2 9HB

Stock: 89 PRS properties (L&Q)

Prices: Starting from: £1360.00pcm for 3 bedroom apartments;
£1560.00pcm for 4 bedroom houses

Amenities: Private balcony, patio or terrace to all homes, some benefitting from multiple outdoor spaces; Video entry system

<https://www.lqgroup.org.uk/find-a-property/details/377>

Focusing on the 1.5-mile radius around the North East Cambridge development site, the rental market is doing well, property is letting quickly, and rents are increasing. The Cambridge market as a whole is showing signs of a growing demand for a higher specification offer; agents confirmed this. The sales market is not showing the same levels of growth, but values are holding and increasing for some property types.

North Cambridge is an up and coming area, including land within Cambridge and South Cambridgeshire, with lots of new developments planned, including hotels, car parks, cafes and so on. The North-East Cambridge site has the potential to become a new 'hub' in the City. The Science Park is also located here, attracting workers, and there are excellent transport links via Cambridge North station, guided bus route, A14 etc.

In terms of the rental market, 1-bedroom and 2-bedroom apartments are in high demand, particularly to the north of Cambridge as the area mainly consists of houses. Agents did not understand the future plans for North East Cambridge but when these were explained were very positive about this market and felt that it would provide opportunity for lower and middle income households who cannot afford to buy in the City and potentially could offer a higher specification offer for people wanting a better product. Agents felt that it was an ideal location for renting and could provide a range of houses and apartments.



THE PLANNING PIPELINE



Pipeline Overview

Obviously, this is a very active and competitive market. The Council's latest assumptions on housing delivery within the adopted plan period are set out in the [Greater Cambridge housing trajectory](#), which is updated annually.



THE ROLE OF BUILD TO RENT IN PLACE SHAPING



Place shaping

In assessing what for Build to Rent schemes might bring to an area there is a need to consider what impact they might have in terms of place-shaping.

The Build to Rent sector is focused on generating long-term income, so there is an incentive to take a long-term interest in the property, surrounding public realm and the wider community within which a development sits. Single ownership of a building and its associated public realm provides a strong ability and incentive to create, manage and maintain good quality places. Build to Rent operators (and those who ultimately own the building) also rely on the strength of their reputation and brand.

There are potentially a number of reasons why the industry considers that Build to Rent schemes, particularly in town centre/urban contexts, can bring wider regeneration and economic benefits. These may include for example: accelerating occupation of a site; positive impact on the local economy; longer-term term tenancies; and higher quality management than the wider private market. .

At North East Cambridge, where at least 8,000 units are planned, Build to Rent has the potential to support the development of the site by contributing to the fulfilment of the draft Area Action Plan's Strategic Objectives as shown in the table below.

Draft Area Action Plan Strategic Objective	Potential Build to Rent contribution to draft Area Action Plan objective
1. Low impact, climate and biodiversity	<ul style="list-style-type: none"> - Maximise the potential of public transport, requiring fewer car park spaces. - Provide energy efficient buildings that minimise operational carbon.
2. Characterful, lively, mixed use	<ul style="list-style-type: none"> - Create a more diverse property market from what is currently on offer; introducing different property types and tenures including affordable housing to support a range of needs and incomes. - Provide an additional opportunity for smaller housing that assists people to downsize their home as they move through the life cycle.
3. Meet strategic needs of Cambridge and wider region	<ul style="list-style-type: none"> - Create job opportunities and support the local economy. - Provide the potential to speed up delivery.

	<ul style="list-style-type: none"> - Potentially provide a long-term income stream to the local authority if it has considered direct investment in Build to Rent. - Potentially support home working, as schemes can be developed with shared workspace opportunities.
4. Health and safety	<ul style="list-style-type: none"> - Provide concierge services to enhance resident safety. - Provide active uses on the ground floor to contribute to the 'eyes on the street' principle. - Establish gyms and other facilities to improve health.
5. Physical and social integration	<ul style="list-style-type: none"> - Provide homes to economically mobile professionals and homes for workers who deliver key services, and for families and for older people . - Provide longer term tenancies than are generally available in the wider private rental market. - Provide high quality, well managed schemes that contribute to public realm and establish new local amenities.

Most of the documentary evidence available highlights the positive benefits that Build to Rent can bring to an area. However, the market is still relatively young, and larger schemes are now starting to come forward as investor confidence grows. As Build to Rent becomes more mainstream there is the potential for more critical research and analysis to start coming forward around whether there are disadvantages and risks around Build to Rent schemes, for councils, for scheme residents and for the wider community.



A desktop search suggests there may be potential issues around things like: high tenancy turnover if tenants opt for shorter length tenancies; less affordable housing and community infrastructure contributions provided than on other s106 developments; community risks later if schemes are decommissioned; long-term investment returns impacting on viability and therefore on mitigating against place-shaping concerns; and questions around the extent to which schemes will deliver mixed communities.

There is a potential friction between the 20% affordable rent recommendation in National Planning Practice Guidance and the 40% ambition for affordable / social homes that the draft Area Action Plan contains. Any shortfall may increase pressure on other developers' viability as they may have to increase their own provision to bring the whole Area Action Plan level back to 40%. This means that all Build to Rent proposals should be considered in the context of broader objectives and housing targets at the time that they are developed to ensure that place-shaping is not negatively impacted.

More detail on place-shaping issues is provided in the overarching Overview and Summary of Site-Specific Appraisals published alongside this report.



SUMMARY



Summary

North East Cambridge is in an excellent location, close to national and international transport links. The area is being brought forward as a coherent whole as part of an emerging Area Action Plan to include housing, leisure, retail and employment in a way that adds value to each, and the new railway station and proposed CAM will enable high quality sustainable development.

The draft Area Action Plan envisions the development of at least 8000 new residential units delivered through a wide range of housing types, sizes and tenures; including a variety of affordable housing tenures, such as social housing for rent and other affordable routes to home ownership, purpose built private rented sector housing and open market housing. It also recognises the opportunity to plan and deliver a range of housing products aimed at specific groups. For example local workers and housing tethered to employment use are being considered as target groups.

Affordability issues locally are likely to be a key driver, and indicate a need for a proportion of Build to Rent homes to be available at Affordable Private Rents. [Local affordability analysis](#) suggests that around 35% of existing households across Cambridge and South Cambridgeshire are on lower incomes of less than £30,000, and 26% have middle incomes between £30,000 - £50,000. Social housing for rent is particularly important for supporting lower income households, but other affordable tenures can support those on middle incomes.

In Cambridge there is strong rental demand both from young professionals to live in the city centre and increasingly from families looking for homes in more suburban or rural locations. This was confirmed by agents.

In September 2018, a research report titled 'Changing focus for residential development' was published by Savills which confirmed that much of the new development in Cambridge is aimed at the top end of the sales market; the average transaction value in the year to June 2019 for a new build house was £814,865, 33% higher than the average value for second hand houses. In 2017, Savills research recognised the opportunity to deliver more purpose-built rental stock.

Cambridge is unusual in comparison to similarly sized regional cities as it currently has no Build to Rent schemes under construction, although some potential schemes are under discussion.

Build to Rent opportunities are likely to be brought forward as the vision for the CaMkOx Arc progresses, and recent research by Bidwells confirms rents for Build to Rent are around £1,200 for a 1 bed and £1,900 for a 3 bed. Bidwells also confirmed that highly accessible locations with quality city centre environments continue to record premiums.

Cambridge and South Cambridgeshire exhibit powerful economic performance with high economic output, growing populations and high net international migration.

The Area Action Plan site is located between an area of Cambridge households who are overall less prosperous than most other parts of the City, and other households that are more affluent. However, agents confirm demand is high and whilst there are pockets of deprivation across Cambridge, primarily this sub region is not a deprived market, offering significant opportunities for investment.

There is clearly an opportunity for Build to Rent here and it is recommended that the planning authorities should develop a clear policy approach to Build to Rent in North East Cambridge, taking into account the need for positive place-shaping to meet the North East Cambridge Area Action Plan objectives.



RECOMMENDATIONS FOR POLICY OPTIONS



Recommendations for policy options

The following section provides some key potential policy options – based on the research presented in the sections above to consider including in the emerging Area Action Plan.

Affordable private rent

Identified issue: Both Cambridge City and South Cambridgeshire District Councils require 40% of homes on sites of 11 or more dwellings to be provided as affordable housing. Therefore 60% of all s106 developments (subject to viability) are expected to be market housing. In terms of delivering Affordable Private Rent, national guidance states that 20% is generally a suitable benchmark for the level of Affordable Private Rent homes to be provided (and maintained in perpetuity) in any Build to Rent scheme. If local authorities wish to set a different proportion, they should justify this using the evidence emerging from their local housing need assessment and set the policy out in their Local Plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.

Policy option: We would recommend that a minimum of 20% is established, subject to local evidence. Subject to viability, local authorities may wish to seek a higher percentage based on local evidence and policy requirements.

Rent levels for Affordable Private Rent

Identified issue: The National Planning Policy Framework requires a minimum rent discount of 20% for Affordable Private Rent homes relative to local market rents. In line with national guidance, the discount should be calculated when a discounted home is rented out, or when the tenancy is renewed.

The rent on the discounted homes should increase on the same basis as rent increases for longer-term (market) tenancies within the development.

Policy option: Affordable private rent should be let at an agreed discount from the local market rent based on an equivalent local property. Discount levels should reflect local affordability to ensure the homes meet the local need for affordable housing. Some properties (larger ones for example) may require a higher discount than others to meet local affordability requirements.

Build to Rent developers should assess the market rent using the definition of the International Valuations Standard Committee as adopted by the Royal Institute of Chartered Surveyors (or local equivalent).

Housing mix

Identified issue: Place Alliance published a National Housing Audit in January 2020 on the design quality of new housing developments. It was based on a design audit of 142 housing developments across England, and correlations with data on market, contextual and design governance factors; a check list of 17 design considerations was published which confirmed the need to provide a mix of housing types to meet housing local needs.

The Cambridge Local Plan 2018 confirms: Developments should include a balanced mix of dwelling sizes, types and tenures to meet projected future household needs within Cambridge. The mix of dwellings and tenure types shall have regard to the differing needs for different unit sizes of affordable housing and market housing. In terms of the dwelling mix in North East Cambridge, further research is being undertaken and this report will be updated in light of that research.



The Greater Cambridge Housing Strategy confirms the need for ‘a wide and varied choice of good quality, sustainable homes of different sizes, types and tenures, including new provision of council homes, to meet the needs of a wide range of different households and age groups’

Policy option: The draft North East Cambridge draft Area Action Plan confirms that the site provides an opportunity to make a significant contribution to addressing the future housing needs of the Greater Cambridge area. Given the number of new homes that could be delivered in the area, the draft Area Action Plan seeks a wide range of housing types, sizes and tenures. This could include a variety of affordable housing tenures for rent and other affordable routes to home ownership, purpose built private rented sector housing and open market housing, including custom-build. There is also an opportunity to plan and deliver a range of housing products aimed at specific groups, for example essential local workers, as well as housing tethered to employment use within the area.

In relation to Affordable Private Rent, consideration should be given to providing a range of unit sizes, including family sized units, potentially in equal proportions to the market Build to Rent units, based on local market conditions.

Management and location

Identified issue: Affordable Private Rent homes risk being relegated to less prominent parts of the site.

Policy option: Affordable Private Rent homes should be under common management control, along with the market rent Build to Rent homes. They should be distributed throughout the development and physically indistinguishable from the market rent homes in terms of quality and size. Combining the 2 tenures this way, as well as supporting a more mixed community, improves viability and any alternation of units between Affordable Private Rent and market rent over time is made easier.

Covenants

Identified issue: Build to Rent schemes would normally be expected to remain within the rental sector, under common ownership and management, for the long term; although circumstances may arise where schemes need to be decommissioned at some point in the future.

Any Affordable Private Rent homes included as part of a scheme, through a section 106 agreement, are provided specifically as a community benefit in perpetuity. The sale of a Build to Rent scheme, or the sale of individual homes within the scheme to other tenures, should not result in the withdrawal of the affordable housing contribution from the local community. National guidance sets out a recommended formula for calculating any clawback.

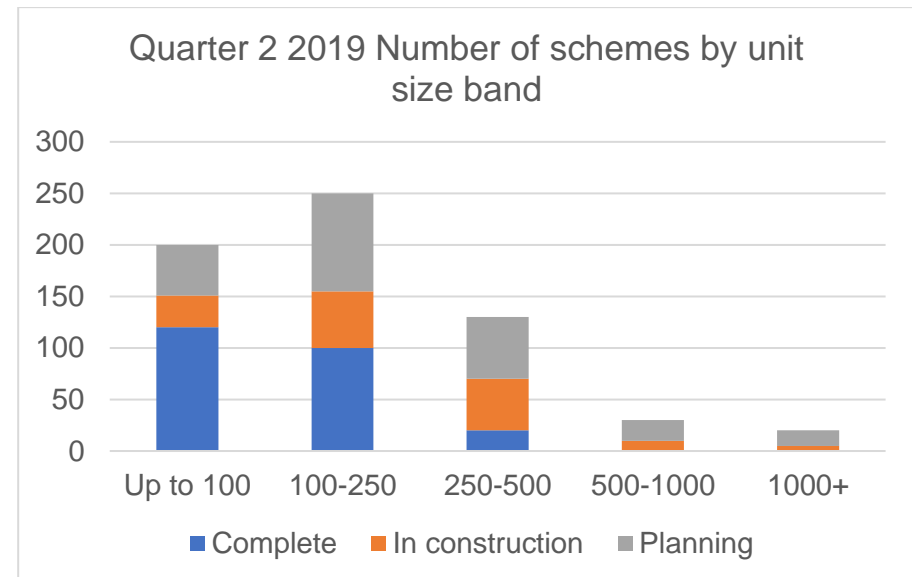
Policy option: As well as ensuring any affordable housing contribution is set in perpetuity, consideration should be given to a covenant period for the retention of private market rent homes in that tenure and potential compensation mechanisms in the event that they are sold before the expiration of an agreed covenant period.

The government guidance on Build to Rent states that operators will want sufficient flexibility to respond to changing market conditions and onerous exit clauses may impede development. However, the Greater London Authority's latest planning guidance recommends that all Build to Rent developments have 15-year covenants. The Greater London Authority has the most experience of Build to Rent in the UK and as such we recommend that the councils consider using this as a baseline to work from.

Size of schemes

Identified issue: There is no best practice or policy guidance on the potential size of Build to rent schemes. Generally, the national market (those completed or in construction) is focused on schemes of a scale around 100-250 units. The units in planning nationally confirms where the market is most likely to grow. There will continue to be many sites coming forward of up to 250 units but there is also likely to be a growth in developments of larger numbers of units of 250+ . There are also a significant number of schemes of up to 100 units coming forward, and there will be more at 250+ as schemes are completed. There are 15 schemes in planning at over 1000 units. Clearly the size of schemes is increasing.

At the end of Quarter 4 2019 (not illustrated), the average size of each completed build-to-rent scheme was 141 homes, this increases to 253 homes for the schemes under construction, while the average size of schemes in the planning system is higher still at 317 homes.



(Source: British Property Federation).

The British Property Federation says the larger size of schemes underlines the growing importance of Build to Rent in increasing UK residential supply and meeting government house building targets.

Policy option: The minimum number of units that a scheme should have in North East Cambridge, as a strategic site, should be 50 units. There is no maximum number that it is appropriate to apply to all sites, but it is recommended that any planning submissions should evidence how the scheme will support the place shaping agenda and meet local housing need, and demonstrate that the scheme complements the existing or proposed surroundings in terms of scale and other wider policy considerations including overall scheme viability.

Target markets and affordability

Identified issue: North East Cambridge will create a new location in Cambridge with mixed use functions encompassing housing, retail, employment and leisure. It will have excellent transport links and link into the Cambridge Business Park, and St John's Innovation Park; and Cambridge Science Park is also located here, making the area a highly attractive business location. It will provide a catalyst for regeneration of this area.

Therefore, it will most likely attract a range of households and incomes, a range of quality jobs and excellent neighbourhood facilities. This will mean providing accommodation for a range of households who may not be able to afford to buy a property given the affordability challenges in the area. It is also likely to be attractive to younger households starting out who may not be able to afford to buy or who may actively choose to rent, and working households whose incomes limit their housing options and for whom securing a quality rental product would be attractive. The table to the right illustrates the sorts of rent levels that could potentially be affordable, based on different affordability ratios, for a number of key worker groups and for someone on a local authority median full-time wage.

Cambridge	Monthly wage	30%	35%	40%
1.5 x Median Full time wage¹	3824	1,147	1,338	1,530
Police Sergeant (starting)	3458	1,038	1,210	1,383
Health Visitor (starting)	2614	784	915	1,046
Teacher (mid-main range)	2550	765	892	1,020
Median Full time wage¹	2550	765	892	1,020
Social Worker (fully trained - starting)	2470	741	864	988
Police Constable (3 years)	2186	656	765	875
Supported Lettings Officer (starting)	2108	632	738	843
Classroom Teacher (minimum)	2031	609	711	812
Ward nurse/Midwife (starting)	2018	605	706	807

Notes:

1. Median monthly earnings for people working in the local authority area regardless of where they live. This gives a sense of the potential earnings in the market.
2. 40% of gross income raises affordability issues and may not be sustainable in the long term.

Policy option: Development applications should be based on clear evidence of need, identifying the scope of the target market in the area. Also, the Housing Knowledge pages of the [Cambridgeshire Insight](#) website provide a range of information on average local rent levels and local housing affordability. This, along with other relevant data, should be taken into account in determining target markets and rent levels in Build to Rent schemes.

Further recommendations

Further recommendations around policy options which could be applied to any Build to Rent proposals for North East Cambridge are summarised in the Build to Rent Market Strategic Overview and Summary of Site Specific Appraisals published alongside this site specific appraisal



GLOSSARY OF TERMS



This section defines some of the terms and acronyms used within this individual site appraisal and/or the Strategic Overview and Summary of Site Specific Appraisals Report.

Absorption rates: Absorption rate is the rate at which homes sell in a given area during a given time period or properties rent.

Affordable housing: Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers), and which complies with one or more of the definitions in the [National Planning Policy Framework](#) (NPPF). In terms of rented housing, as well as Affordable Private Rent it includes social housing at social or affordable rents.

Affordable housing contribution: The contribution made from individual developments toward affordable housing. It can be made in terms of units on a site or as a sum of money, commuted sum.

Affordable Private Rent: Affordable private rent is the affordable housing provision in build to Rent schemes. 20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme.

AOMC: Area of major change

BPF: [British Property Federation](#)

Build to Rent: Build to Rent is a term used to describe private rented residential property, which is designed for rent instead of for sale. As the name suggests, Build to Rent involves the building of homes specifically for the rental market.

Build out rates: the speed at which developments are constructed

The Cambridge, Milton Keynes Oxford [CaMKOx Arc](#): The area between Oxford and Cambridge, incorporating the ceremonial county areas of Oxfordshire, Buckinghamshire, Bedfordshire, Northamptonshire and Cambridgeshire forms a core spine that the government recognises as the Oxford-Cambridge Arc

Clawback mechanism: Build to rent schemes would normally, by definition, remain within the rental sector, under common ownership and management, for the long term. Any affordable private rent homes included as part of a scheme, through a section 106 agreement, are provided



specifically as a community benefit in perpetuity. The sale of a build to rent scheme, or the sale of individual homes within the scheme to other tenures, should not result in the withdrawal of the affordable housing contribution from the local community.

Circumstances may arise where developers need to sell all or part of a build to rent scheme into owner occupation or to multiple landlords or, exceptionally, to convert affordable private rent units to another tenure. The section 106 should consider such scenarios and, in particular, include a mechanism to recoup ('clawback') the value of the affordable housing provision that is withdrawn if affordable private rent homes are converted to another tenure.

Consideration should also be given to a covenant period for the retention of private market rent homes in that tenure and potential compensation mechanisms in the event that private market rent homes are sold before the expiration of an agreed covenant period.

Planning authorities should recognise that build to rent operators will want sufficient flexibility to respond to changing market conditions and onerous exit clauses may impede development. However, the sale of homes from a build to rent development should not result in the loss of affordable housing without alternative provision being made.

The section 106 should set out what should happen if any homes within a build to rent scheme are disposed of including the withdrawal of affordable private rent homes at any time, or conversion of private market rent homes to another tenure before the end of a covenant period. This can take the form of alternative provision of other affordable housing, as defined in national planning policy. Alternatively, clawback arrangements can be used, the proceeds of which should be spent on the provision of alternative affordable housing, for the benefit of the community. The following is a formula that may be used to calculate the amount of clawback payable when affordable private rent homes are withdrawn.

Clawback sum = D x E

where:

D is the price at which the home(s) withdrawn from Affordable Private Rent are sold

E is the percentage discount that had been applied to the rent in respect of the Affordable Private Rent home(s) being sold

For example, if the home had a sale value of £500,000, and the discount level is 20%, this would generate a clawback of £100,000.

It is for local authorities to decide how to structure any clawback arrangement for private market rent homes. Clawback could be calculated by reference to viability and values at the time of the original application, or values and viability when the scheme is sold. One approach could be for authorities to encourage developers to submit 2 sets of figures when applying for the original permission, for example one for a 'build to rent scenario' and another for a 'build for sale scenario'. This would provide certainty and clarity for all parties as to all the initial values applying to the scheme, including the affordable component under a sale scenario, in the event that all or part of the build to rent scheme is sold.



CPIER: [Cambridgeshire and Peterborough Independent Economic Review](#). Report developed by the Cambridgeshire and Peterborough Economic Commission, published in 2018. Purpose is to 'create a single strategic position to help the greater Cambridgeshire and Peterborough area consider the case for greater fiscal devolution and powers to unlock the delivery of major infrastructure, including showing how the area delivers benefits to the rest of UK.'

CPCA: [Cambridgeshire and Peterborough Combined Authority](#): A Combined Authority is a legal body set up using national legislation that enables a group of two or more councils to collaborate and take collective decisions across council boundaries. CPCA is headed by an elected Mayor. Through a devolution deal with government, powers and funding have been passed to CPCA in a number of areas including: delivery of new homes; boosting growth in the region; and chairing a review of 16+ skills in the area.

DMR: Discount Market Rent. DMR the same as Affordable Private Rent, although the discount may be more than 20%,

FTB: First time buyer

GCP: [Greater Cambridge Partnership](#): The local delivery body for a City Deal with central Government, bringing powers and investment for improvements in infrastructure, and for supporting and accelerating the creation of new jobs, new homes, and additional apprenticeships.

GLA: Greater London Authority

GVA: Regional gross value added using production (GVA(P)) and income (GVA(I)) approaches. Regional gross value added is the value generated by any unit engaged in the production of goods and services. GVA per head is a useful way of comparing regions of different sizes. It is not, however, a measure of regional productivity.

HMO: House in multiple occupation

HTB Help to Buy: With a Help to Buy: Equity Loan the Government lends the purchaser up to 20% of the cost of your newly built home, so the purchaser only needs a 5% cash deposit and a 75% mortgage to make up the rest.

North East Cambridge Area Action Plan: A development plan to guide the strategy for regeneration of the North East Cambridge area. It will provide detailed policies and proposals for the area.



MHCLG : Ministry of Housing, Communities and Local Government

NEC AAP: North East Cambridge Area Action Plan

NVQ: National Vocational Qualification

PRS: Rented accommodation takes many forms. The private rented sector is defined for the purposes of this report from the Census 2011 as 'Private rented: renting from a private landlord or letting agency, employer of a household member, or relative or friend of a household member or other person.'

Registered landlord: A provider of affordable housing registered with [Homes England](#)

Viability: Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.



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