

Northstowe Market Demand Appraisal Build to Rent

March 2021



Table of Contents

INTRODUCTION.....	3
LOCATION AND STRATEGIC CONTEXT	4
EXISTING PROVISION.....	16
ECONOMIC OPPORTUNITY	19
POPULATION CHANGE	26
ACTIVITY IN THE PRIVATE RENTED SECTOR MARKET.....	28
RENT LEVELS AND CHANGE.....	32
TIME TAKEN TO LET IN THE PRIVATE RENTAL MARKET	35
CAPITAL VALUES	37
AGENT FEEDBACK.....	42
COMPETITION – SALES	46
COMPETITION - RENTALS.....	49
THE PLANNING PIPELINE.....	52
THE ROLE OF BUILD TO RENT IN PLACE SHAPING.....	54
SUMMARY.....	59
RECOMMENDATIONS FOR POLICY OPTIONS	63
GLOSSARY OF TERMS	69



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 South Cambridgeshire District Council to understand the potential role purpose-built housing for rent (Build to Rent) could play in Northstowe. The report provides strategic and market context, and will help the local authority 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; and
- how Build to Rent delivery should be balanced with the Northstowe Area Action Plan.



LOCATION AND STRATEGIC CONTEXT



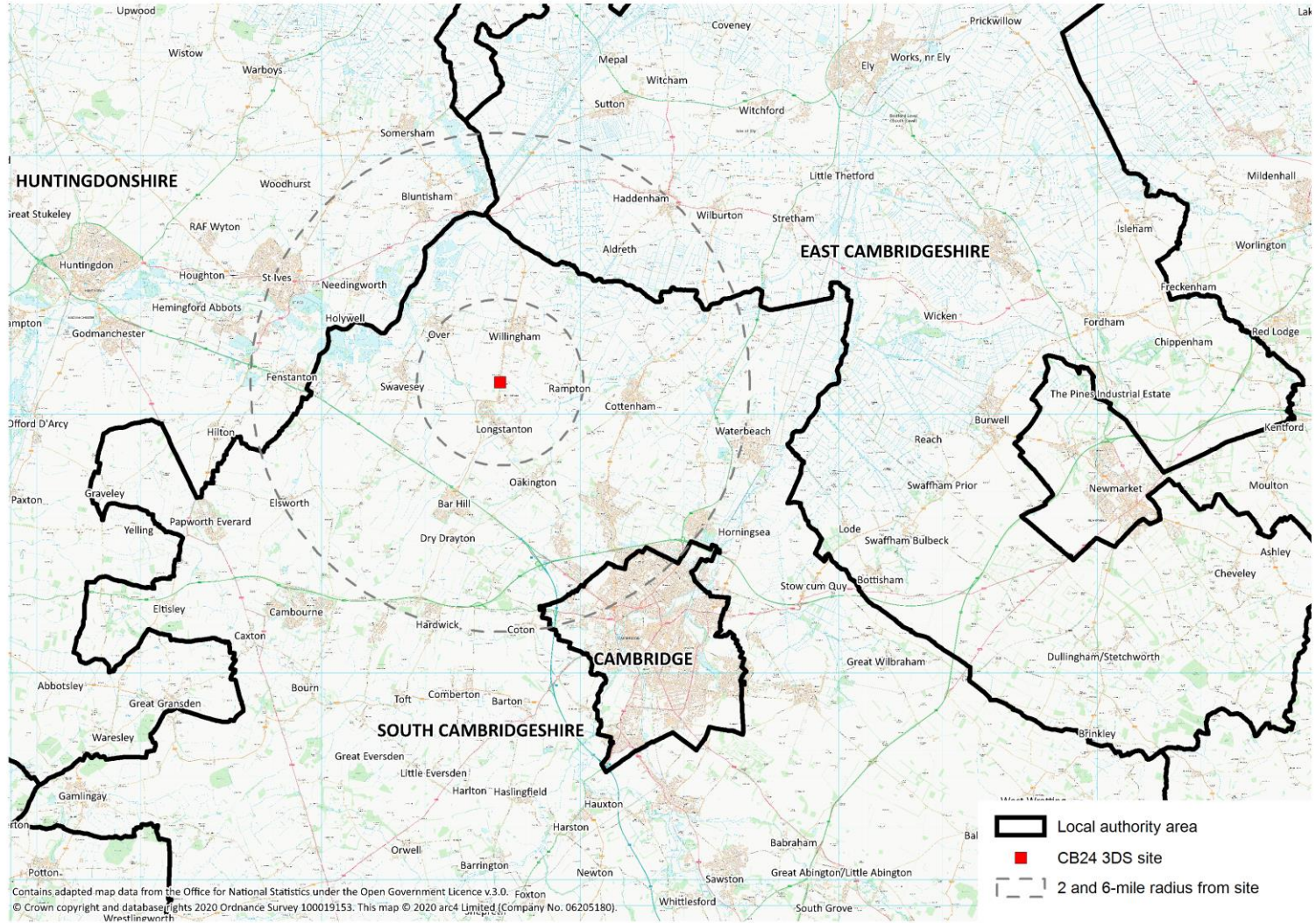
“Northstowe will be a sustainable and vibrant new community that is inclusive and diverse with its own distinctive local identity which is founded on best practice urban design principles, drawing on the traditions of fen-edge market towns, which encourages the high quality traditions and innovation that are characteristic of the Cambridge Sub Region. ” (Northstowe Area Action Plan 2007)



Source: Northstowe.com



Location



A 6-mile radius has been developed for analysis. This incorporates a radius large enough to access a robust data set but remains focused around the site.



South Cambridgeshire is a largely rural district which surrounds the City of Cambridge and comprises over 100 villages, none currently larger than 8,000 persons. It is surrounded by a ring of market towns just beyond its borders, which are generally 10 to 15 miles from Cambridge. South Cambridgeshire has long been a fast-growing district and in 2017 had a population of 146,800 persons (bigger than Cambridge itself) and has become home to many of the clusters of high technology research and development in the Cambridge sub-region.

South Cambridgeshire is located centrally in the East of England region at the junction of the M11 / A14 roads and with direct rail access to London and to Stansted Airport. The A14 bounds the north of the city and creates a link from the east coast and the Port of Felixstowe through to the M1 and M6 motorways. Cambridge is on the London to King's Lynn railway line, with London being accessible within 45 minutes.

Within the next decade, Cambridge should have a new railway line, the East-West Rail project, connecting it to Oxford and Milton Keynes. Cambridge is the centre of a wider travel to work and housing market area with its influence, both as a sub-regional centre and a major focus for employment, including most of Cambridgeshire, and parts of West Suffolk, Bedfordshire, Essex and North Hertfordshire.

South Cambridgeshire is consistently recognised as one of the top places to live and work in the country due to a thriving economy and quality of life. It has a successful local economy which is important on a national stage and South Cambridgeshire is one of the fastest growing areas in the country.



Local Plan 2018

The adopted South Cambridgeshire Local Plan 2018 covers the period 2011 to 2031 and sets out the planning policies and land allocations to guide the future development of the district. Policy S/5 sets out a housing requirement of 19,500 homes between 2011 and 2031 for South Cambridgeshire to meet its objectively assessed needs.

It commits to building new market and affordable homes to meet housing needs, and will support the creation of healthy communities and contribute to the success of the local economy. Building the right type of homes in the right places can also promote energy efficiency and help reduce fuel poverty.

The South Cambridgeshire Local Plan confirms through Policy H/8 Housing Density that:

Housing developments including rural exception sites, will achieve an average net density of:

- a. 30 dwellings per hectare in Rural Centres, Minor Rural Centre villages, and Group villages; and
- b. 40 dwellings per hectare in urban extensions to Cambridge and in new settlements.

The net density on a site may vary from the above where justified by the character of the locality, the scale of the development, or other local circumstances.

Policy H/9 Housing Mix confirms that a wide choice, type and mix of housing will be provided to meet the needs of different groups in the community including families with children, older people, those seeking starter homes, people wishing to build their own homes, people seeking Private Rented Sector housing (Build to Rent), and people with disabilities.

The market homes in developments of 10 or more homes will consist of:

- a. at least 30% 1- or 2-bedroom homes;
- b. at least 30% 3-bedroom homes;
- c. at least 30% 4 or more-bedroom homes;
- d. with a 10% flexibility allowance that can be added to any of the above categories taking account of local circumstances.

This is subject to:

The housing mix of affordable homes (except starter homes) in all developments being determined by local housing needs evidence.

Policy H/10 Affordable Housing requires developments of 11 dwellings or more, or on development sites of less than 1 metres square, to provide 40% affordable housing on site. This was agreed before the new National Planning Policy Framework threshold was introduced.



In the application of this Local Plan policy significant weight will be given to the affordable housing threshold set out in the NPPF which allows for a lower threshold of 10 or more dwellings or where the site area is 0.5 hectares or more. An agreed mix of affordable housing tenures will be determined by local circumstances at the time of granting planning permission. Viability evidence and past delivery has identified that 40% affordable housing is viable for most developments in most locations across the district.

Private rented and affordable accommodation

The South Cambridgeshire Local Plan 2018 confirms that the Private Rented Sector plays an essential role in the housing market. The Census 2011 identifies a tenure change to private rented of 3.1% from the Census 2001 for South Cambridgeshire. South Cambridgeshire has high house prices in relation to earnings and affordability within the private sector is a major concern for the district. The increase in size of deposit required for both market and shared ownership means there is likely to be a significant demand for private rented accommodation from low to middle income households

The council supports the Private Rented Sector to grow through Build to Rent, to meet the growing demand for rented homes as part of the market element of housing developments. The council recognises the need to rebalance the market toward smaller dwellings and generally requires 40% affordable housing on new sites.

The Strategic Housing Market Assessment identifies that 11,838 affordable homes will be required to meet current and arising need in the period to 2031, a considerable proportion of all the homes to be built to 2031. However the delivery of such housing will be constrained by development viability, the availability of land, and the need to create sustainable, inclusive and mixed communities.

'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, to meet housing need; and diversifying the housing market and accelerating delivery.

The Strategy recognises that alternative intermediate models, such as Rent to Buy and Private Rented Sector models (PRS), can help support the needs of those on middle incomes who work in the area but cannot afford to live locally.



Northstowe

Northstowe is a designated new town situated on the former RAF Oakington base and surrounding farmland between Cambridge and Huntingdon. The proposed development will deliver up to 10,000 new homes providing accommodation for 24,000 new residents with the development being brought forward in phases.

The new town of Northstowe, is located 5 miles north-west of Cambridge, within a dynamic sub-regional economy driven by the success of Cambridge as a hub for high growth business clusters in information technology, biotechnology and clean technologies. As a new economic driver, the town has the potential to perform a distinctive economic role, not only supporting and adding value to these clusters, but also developing and sustaining its own economic specialisms based on its unique status as a new town.

Northstowe will be Cambridgeshire's first new town since medieval times. It has been planned as such rather than as a detached suburb of Cambridge. Its economic role is to provide part of the labour force for Cambridge and its locality, as well as enabling people who live in Northstowe to work in the town.

In short it will provide:

- up to 10,000 new homes;
- a town centre and 2 local centres providing shops, community facilities and business / commercial premises;
- 3 employment areas;
- 1 secondary school and 7 seven primary schools;
- 4 sports hubs;
- significant open spaces including a water park, informal open space and children's play areas; and
- a dedicated bus-way link through the site with direct connections onto the Cambridgeshire Guided Busway (travelling up to 60mph).

Outline planning permission for Phase 1 was approved in April 2014 and allows for up to 1,500 new homes, a primary school, a mixed use local centre, a community building, recreational space, and flood attenuation ponds. Outline planning permission for Phase 2 was approved in January 2017 for up to 3,500 homes plus new primary and secondary schools, a sports hub and a new retail centre, (a significant and important commitment). In addition, approval was given to extend the Cambridge Busway as well as to invest in creating a new southern access link road to the A14.



The development secured National Health Service status as a 'Healthy New Town' and the expectations within the planning framework and development plan is that this new town will be an exemplar sustainable community, with high quality architecture design of buildings and public realm with emphasis on measures to reduce the carbon footprint and energy use of the new homes and other buildings. At the time of writing, the Council is considering outline planning applications for Phase 3a and Phase 3b that will together provide for up to 5,000 new homes.

The Council's latest assumptions on the timetable for the delivery of Northstowe are set out in the [Greater Cambridge housing trajectory](#), which is updated annually.

The site is less than two miles from the upgraded A14 which links to the M11 motorway just 5 miles away. With major train connections to London's King Cross from Cambridge and Stansted International Airport just 35 minutes away, this new town has all the infrastructure aspects essential for any new resident to be reassured that moving to Northstowe will enable them to connect quickly to the whole of the South East, including London.

Discussion with Homes England confirms that the land at Northstowe is jointly owned by Homes England and Gallagher Estates and so there will be a focus toward delivering significant numbers of affordable homes through the three phases:

- Phase 1 – 20% (mix of Affordable Rent and Shared Equity)
- Phase 2 – 10% Affordable Rent plus 40% Northstowe Starter Homes (a discounted market sale capped at £250k for 5 years)
- Phase 3 - Under negotiation, but Homes England are seeking to deliver a policy compliant scheme (40%). The agreed tenure mix for the affordable housing will be:
 - Affordable Rent – 50%
 - Shared Ownership – 20%
 - Discount Market sale – 10%
 - Rent to Buy – 20%.



There is no Affordable Private Rent product in place. However, in phase 2, a new town centre is being developed with up to 1,000 apartments. This approach is underpinned with the belief that this will offer town centre living and is the opportunity to deliver market rented homes. Soft market testing will be undertaken soon on delivering the town centre.



Markets for these homes are considered to be focused on key workers and middle-income younger households working at Addenbrooke's Hospital and Cambridge Business Science Park.

Given that price ratios in Cambridge and South Cambridgeshire are high, market rented products would appear to be an opportunity that could support would be frustrated homeowners and active choice renters.

Source: BBC News Five ways the British landscape changed in 10 years Jan 2020: Northstowe Oct 2008





It is still work in progress, but eventually 10,000 homes will replace what was farmland, a golf course and a former airfield.

Source: BBC News, Five ways the British landscape changes in 10 years, January 2020: Northstowe Oct 2008



Cambridge & Peterborough Combined Authority

South Cambridgeshire is part of the Cambridge and Peterborough Combined Authority area.

The growth ambitions of the Combined Authority 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. The Spatial Framework and direct investment in new settlements will be used to encourage extra affordable housing provision, homes for first time buyers with price targets based on earnings.

- Development should be encouraged along transport corridors and around 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).
- 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.
- Pursuing a target of ensuring there are good jobs available within a 30-minute journey of home for our residents.

The Cambridgeshire and Peterborough Independent Economic Review (CPIER) published its final report in September 2018, which was developed by the Cambridgeshire and Peterborough Independent Economic Commission. The report evidences the fast rate of economic and employment growth in the region and highlights the importance of planning now to ensure that strong growth will be sustainable and more inclusive.



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.

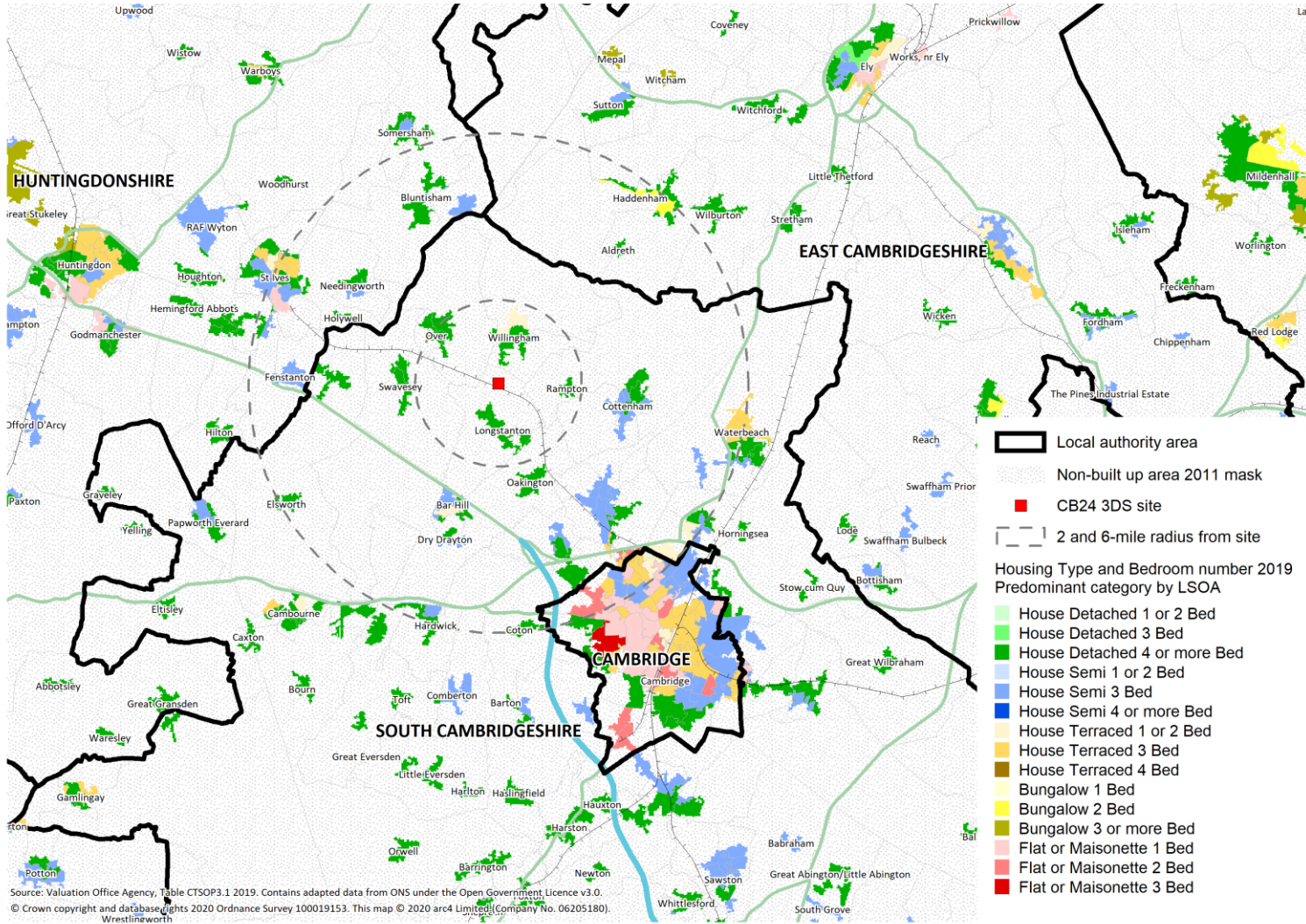
Opportunities for Build to Rent development could be brought forward as the vision for the CaMKOx Arc progresses. The National Infrastructure Commission estimates improvements in infrastructure and housing across the region will result in a close to threefold increase in the economic output of the Arc 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



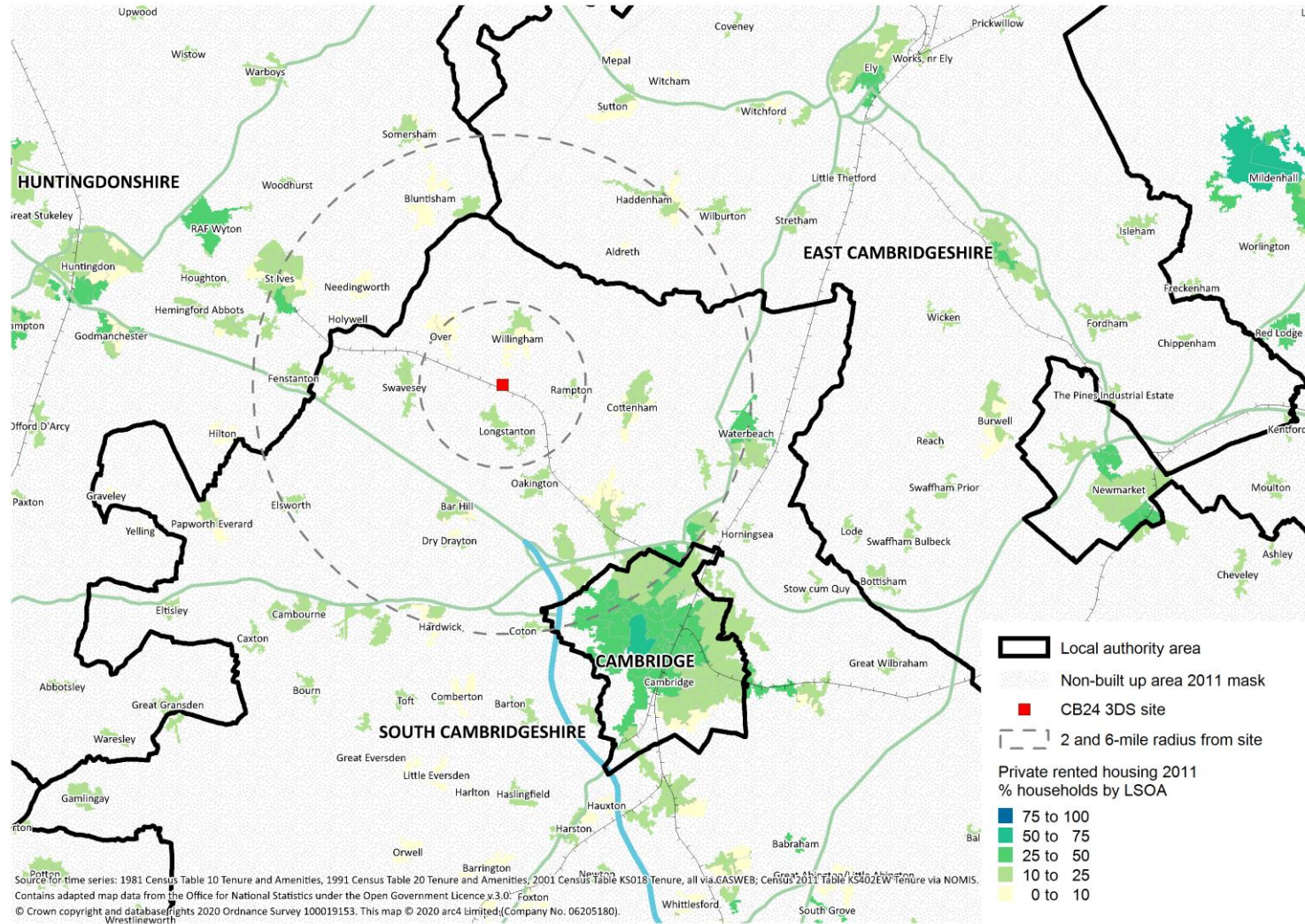
Predominant Housing Type and Size 2019



Generally, the Northstowe market is currently focused on houses rather than flats.



Private Renting 2011



There is a relatively small Private Rented Sector market operating.



ECONOMIC OPPORTUNITY



Economy and Labour Market: Key indicators

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

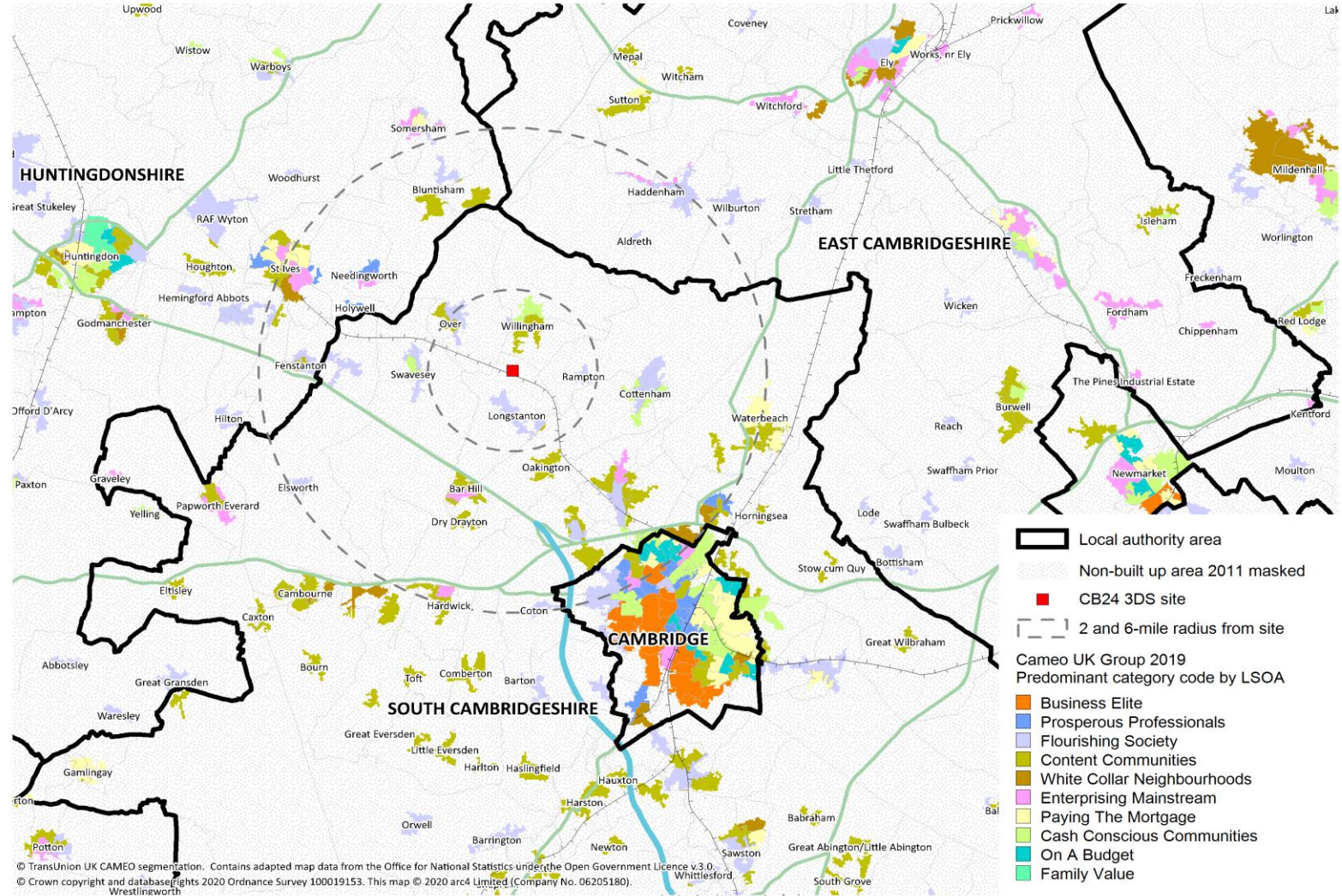
Business Register and Employment Survey via NOMIS

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

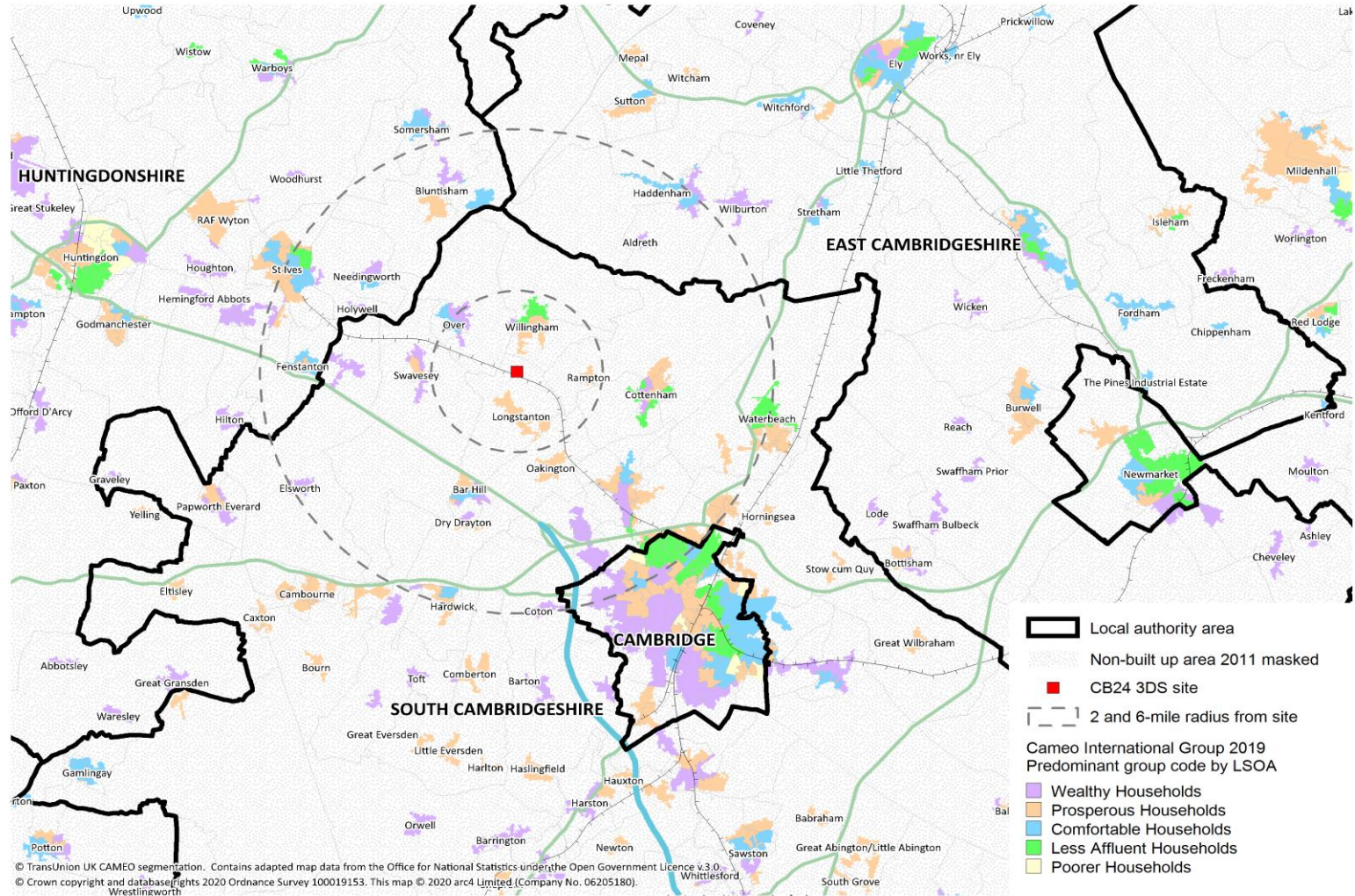


Geodemographics 2019



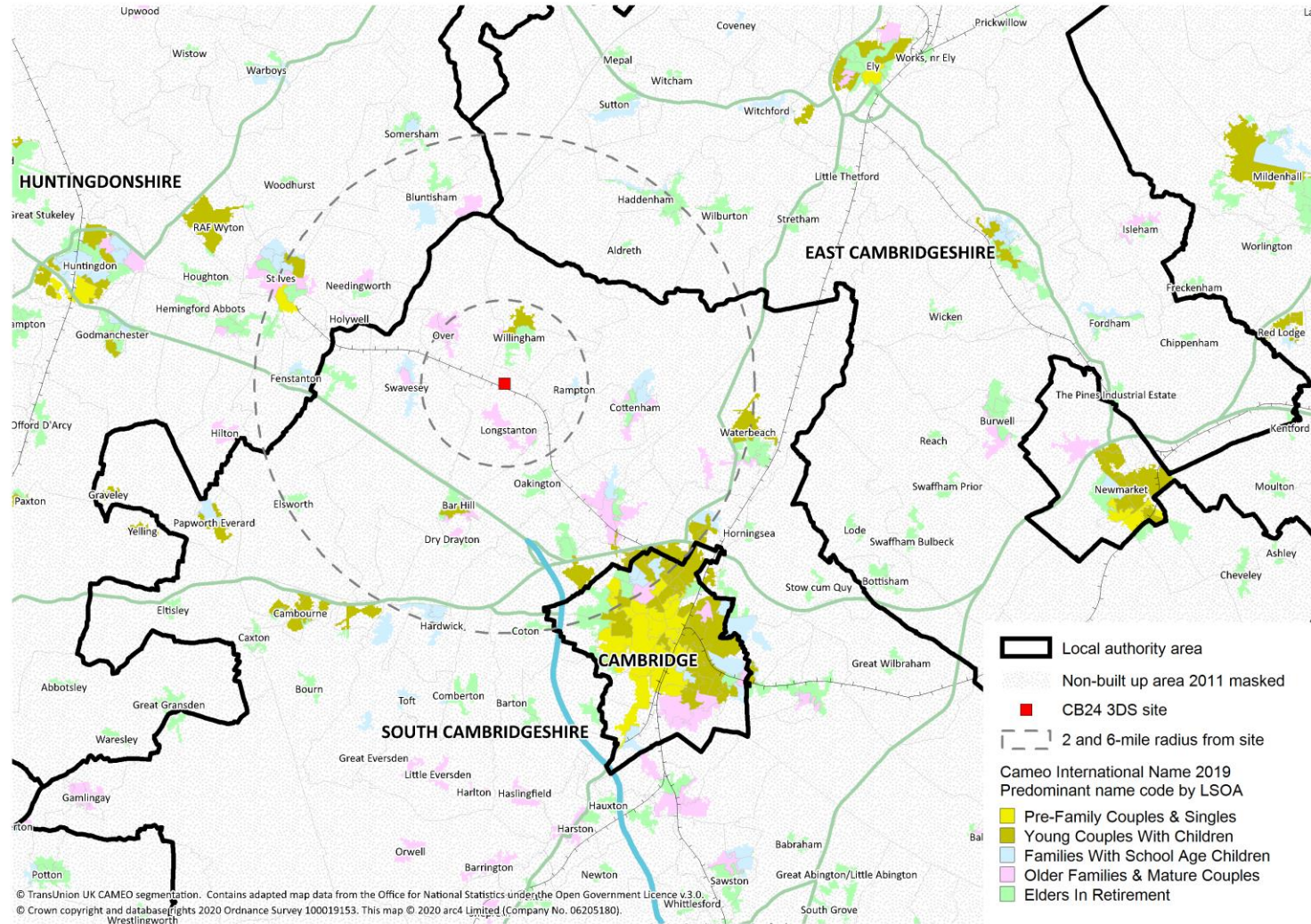
Markets around Northstowe are generally middle income/higher income communities with some lower income households.





Markets around Northstowe are generally middle-income/higher income communities with some lower income households.

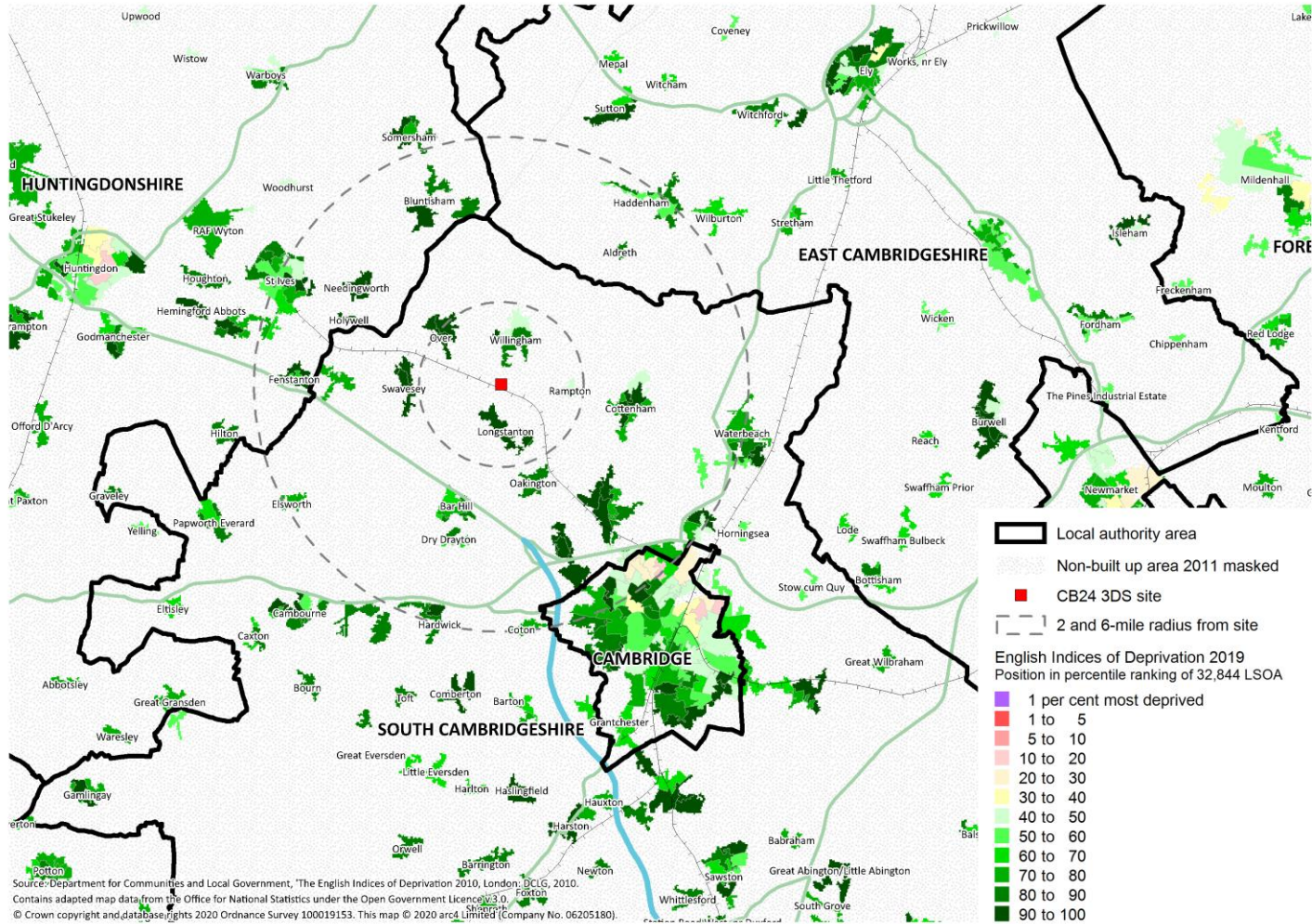




Generally, markets around Northstowe are older household with some younger/pre family markets



Local Deprivation 2019



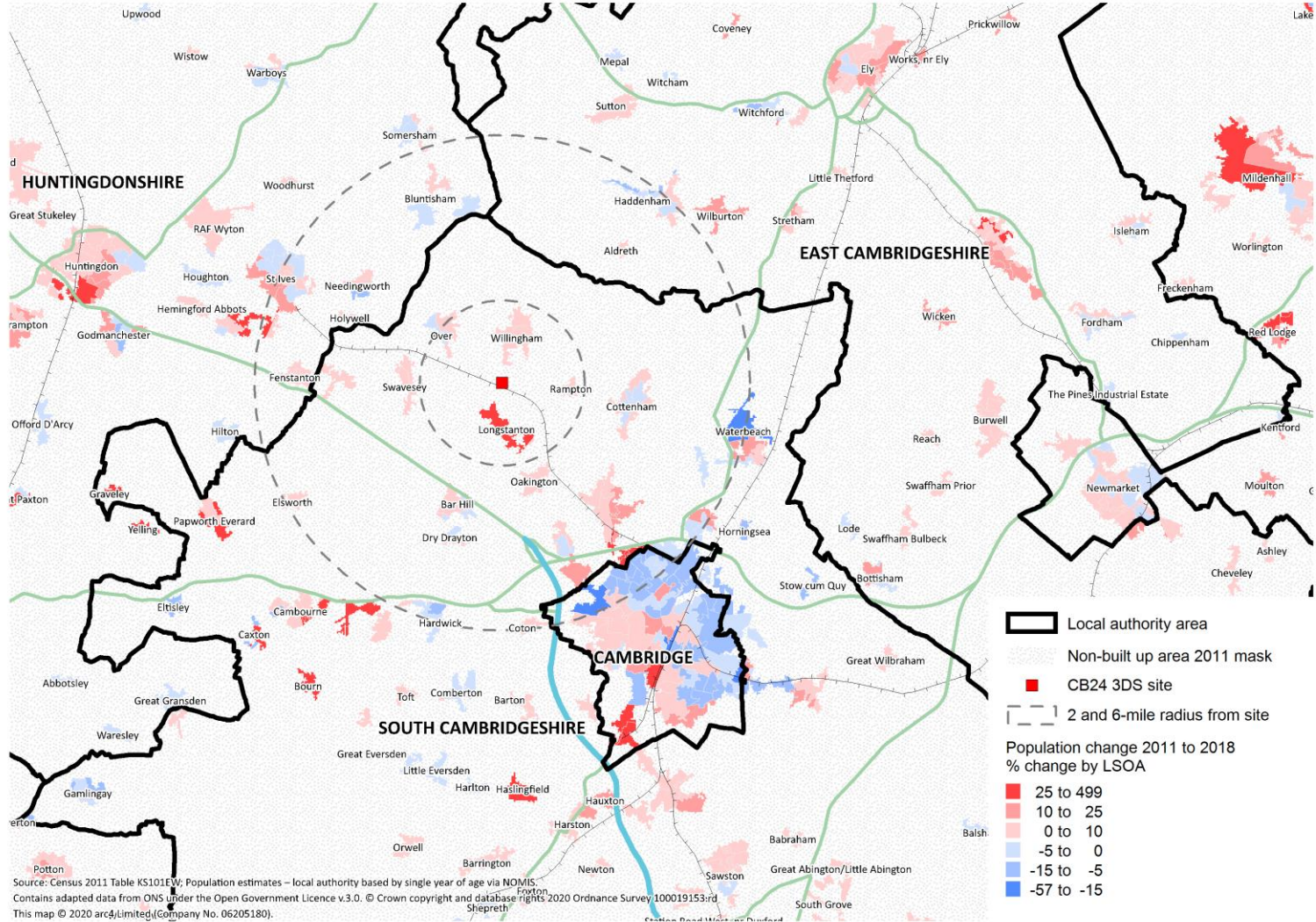
Markets around Northstowe are not highly deprived.



POPULATION CHANGE



Population 2011 to 2018



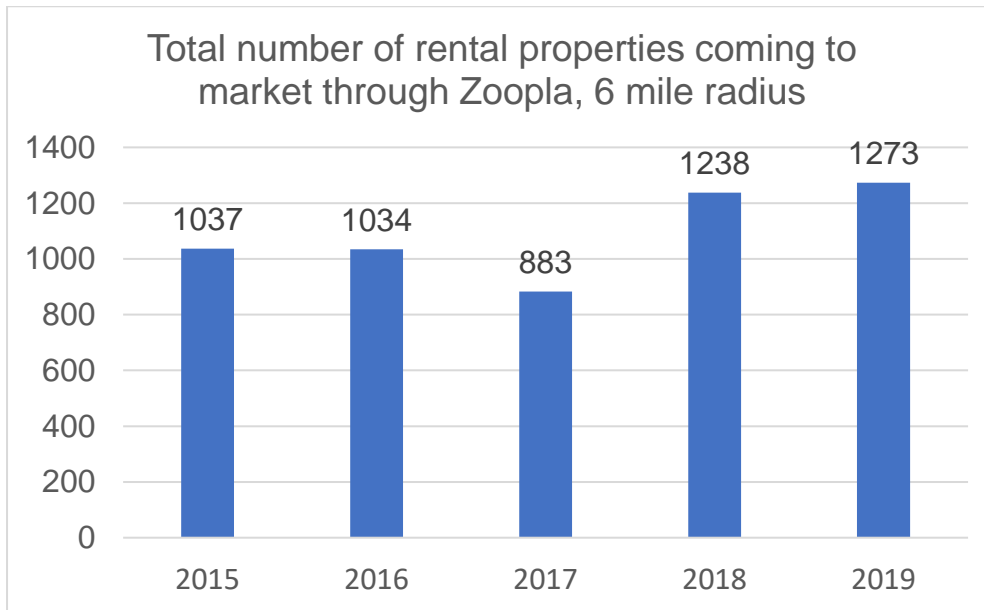
From 2011 to 2018, the market around Northstowe has exhibited some of the largest population growth in South Cambridgeshire.



ACTIVITY IN THE PRIVATE RENTED SECTOR MARKET

All data reflects a 6-mile radius around the Northstowe development





Zoopla records properties coming onto the market in terms of numbers that are advertised through its website. figures 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.

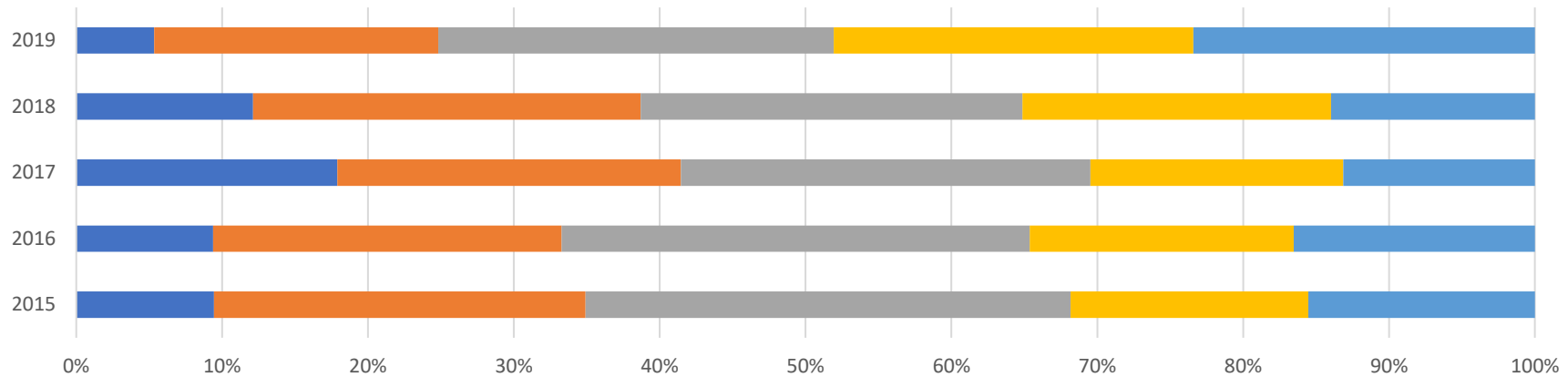
Over the past 5 years, in the 6-mile radius around Northstowe, there has been a growth in the numbers of private rental properties coming onto the market overall. However, this is a relatively small tenure in South Cambridgeshire and the numbers coming onto the market are also relatively small.

The private rental market is dominated by 1-and 2-bed properties but overall, 1- bed properties make up the greatest market share. There are a smaller proportion of larger properties although in 2019, the property offer did rebalance the offer between 1-and 2-bed homes. Families wishing to rent would find a limited offer in terms of property size.

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

Source: © 2020 Zoopla Limited

Percentage breakdown of the rental market by rent bands (© 2020 Zoopla Ltd)



	2015	2016	2017	2018	2019
■ 1 £0-£500	9.5	9.4	17.9	12.1	5.3
■ 2 £501-£750	25.5	23.9	23.6	26.6	19.5
■ 3 £751-£1000	33.3	32.1	28.1	26.2	27.1
■ 4 £1001-£1250	16.3	18.1	17.3	21.2	24.7
■ 5 £1251+	15.5	16.5	13.1	14.0	23.4

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

This chart illustrates how the market within a 6-mile radius of the site splits between monthly rent levels. The percentage size of the lower value market band (£0 to £500) has reduced from 9.5% in 2015 to 5.3% in 2019. The fall 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 24.7% and the £1251+ market has grown to 23.4%. These two higher bands now make up 48.1% of the market in 2019 compared to 31.8% in 2015.

This is a clear indication of a growing market creating a higher specification product and demand for it



Market review on Zoopla (January 2020)

Within 3 miles of Northstowe:

- 43 properties* for rent;
- 3 appear new (or nearly) - for example 1 Claudius Walk 1B Flat £875pcm;
- significant bungalow element;
- some nearly new Build to Rent relets;
- no sense from adverts of large organised investment;
- 2-bed is the model offer;
- median price for all offers = £885 pcm;
- median property is a 2-or 3- bed terrace;
- median advert time is 13/1/20 so the market appears to let very quickly;
- Longstanton and Willingham are closest major alternatives; and
- parking is a major feature of the offer.

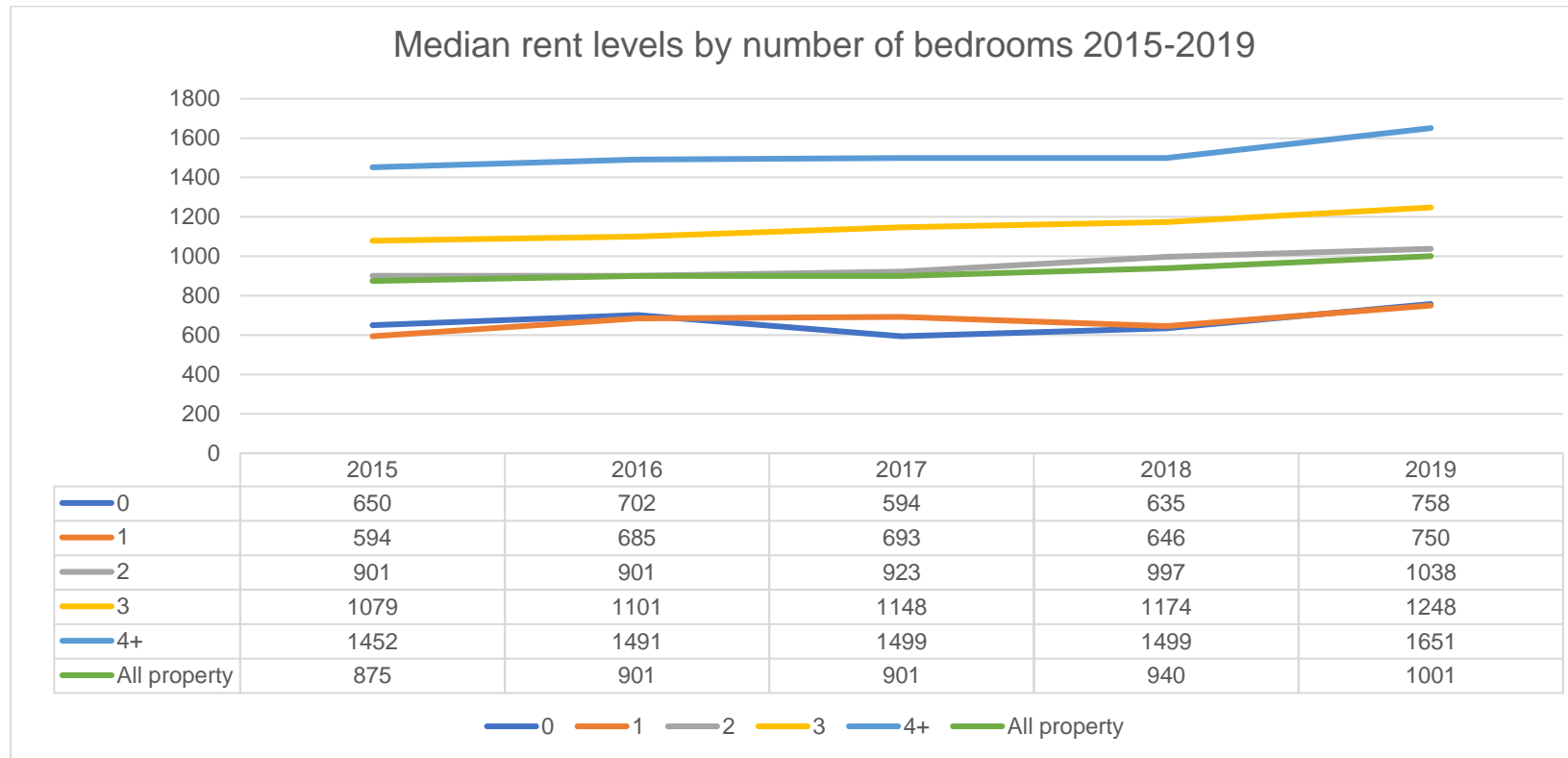


RENT LEVELS AND CHANGE

All data reflects a 6-mile radius around the Northstowe development

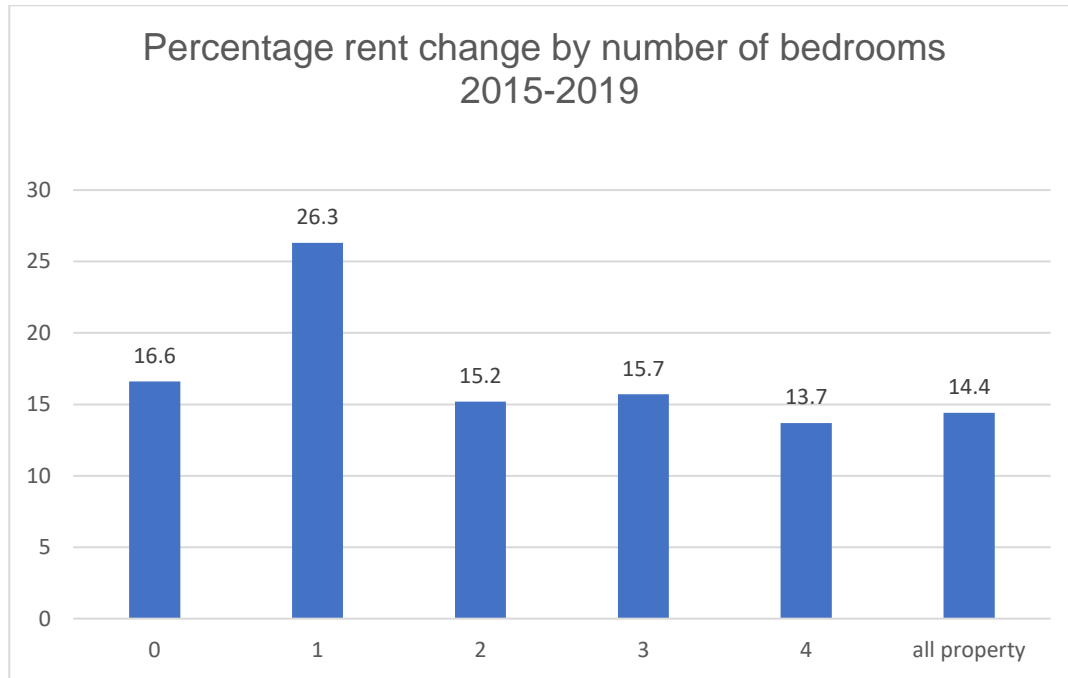


Rent level and change data



The chart above shows that rent levels within 6 miles of the site have exhibited strong growth between 2015 and 2019 for all property sizes. Overall, median rents are around £1000 per calendar month, but this will be impacted by the dominance of lower value 1 and 2 bed units. The growth in rents at a higher level appears smaller but starts from a higher base figure, potentially demonstrating their popularity and low supply in the market. A 4-bed property will currently command a median of £1,651 per month.

Source: © 2020 Zoopla Limited



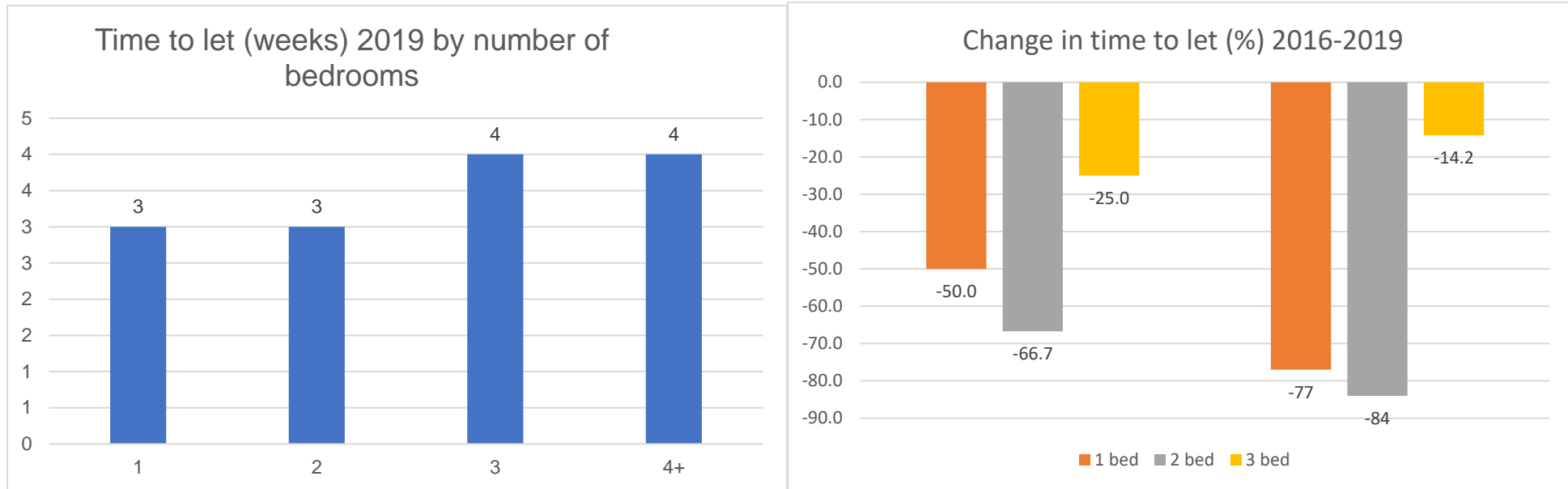
The chart above shows that rent levels are increasing in the 6-mile radius around Northstowe for all property types and are higher for 1-bed apartments (the dominant property type).

Source: © 2020 Zoopla Limited

TIME TAKEN TO LET IN THE PRIVATE RENTAL MARKET

All data reflects a 6-mile radius around the Northstowe development





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

The time to let 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 properties let quickly and time to let has been reducing.

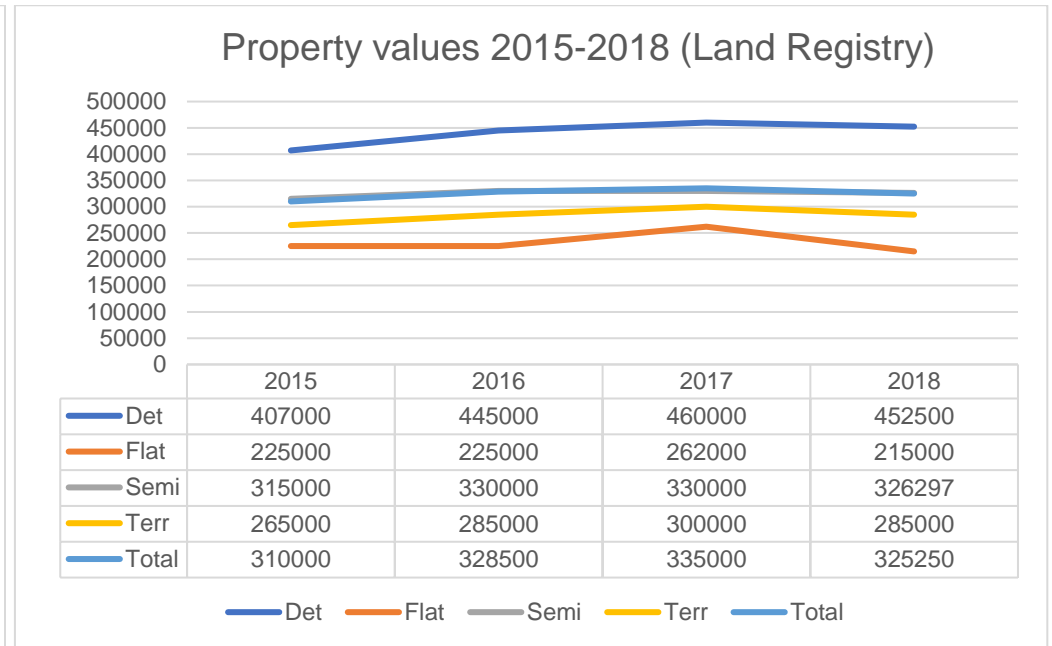
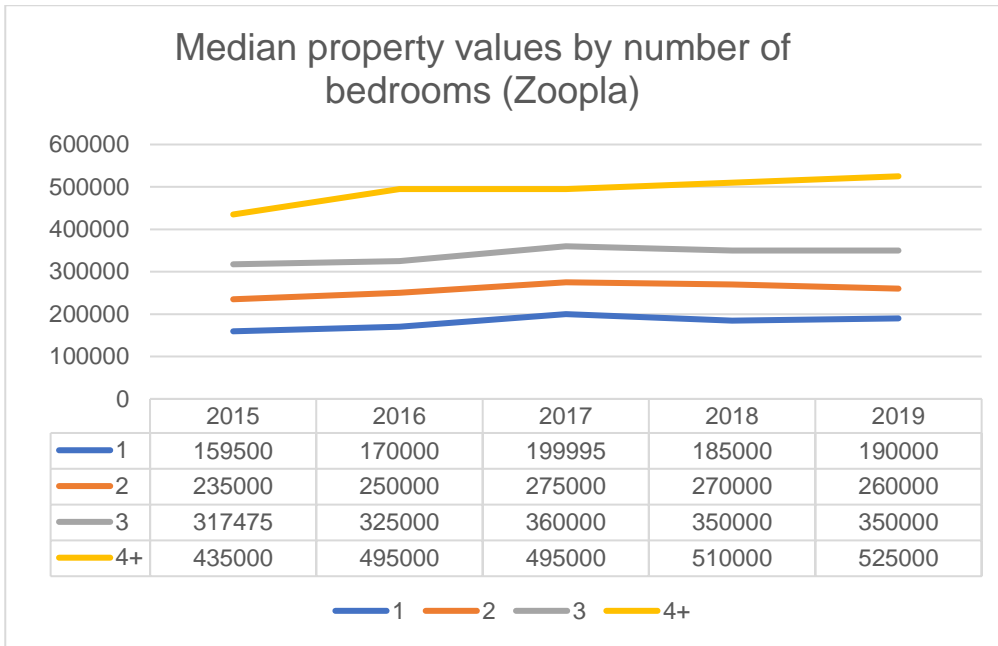
The large percentage reduction in time taken to let should be treated with caution. Lettings started from an already low base in 2016.).

Source: © 2020 Zoopla Limited

CAPITAL VALUES

All data reflects a 6-mile radius around the Northstowe development





Source: © 2020 Zoopla Limited and Land Registry

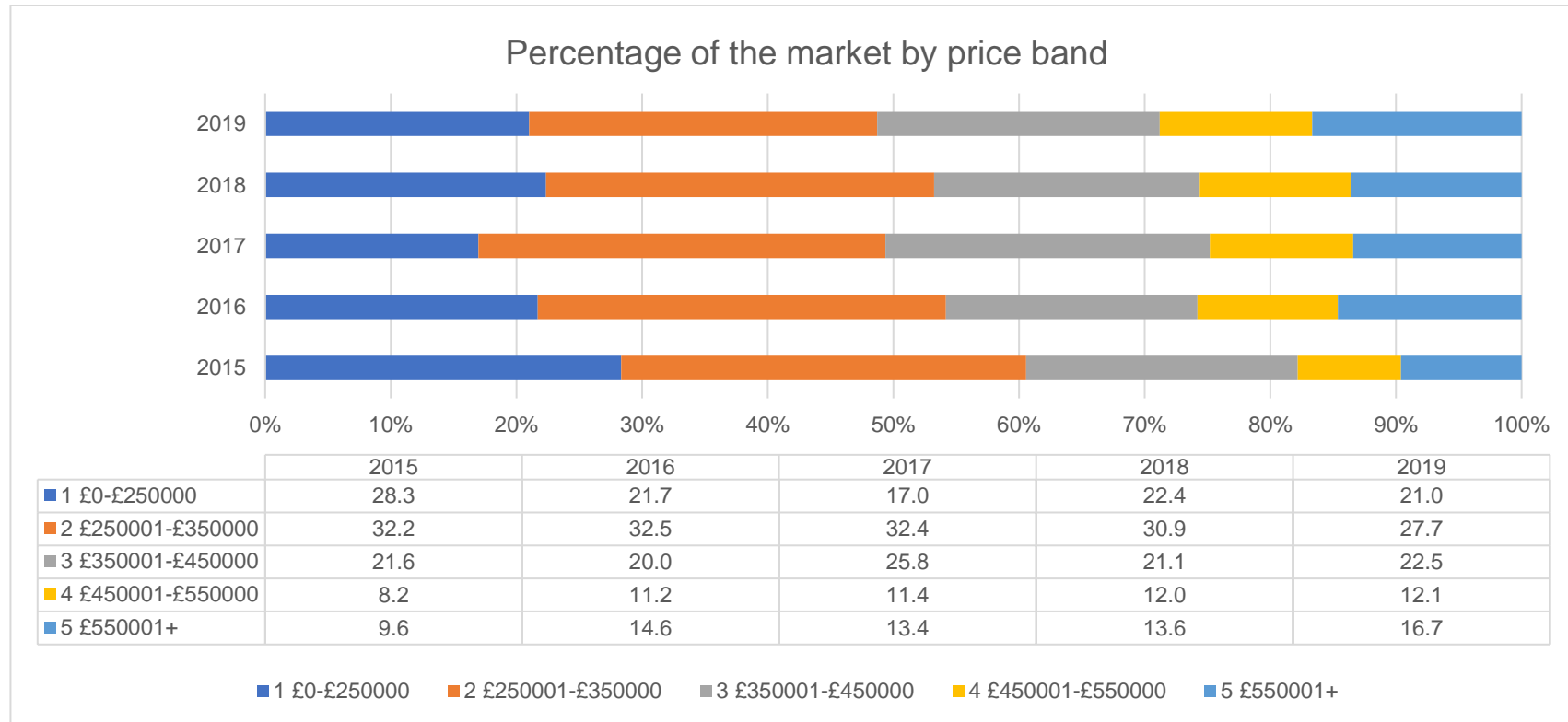
Capital values in the charts above are considered from two data sources. Land Registry is a more accurate source but can only consider property type without considering size by number of bedrooms. Zoopla is a good sample of the market and can consider property size.

Zoopla confirms rising property values within the 6-mile radius for all property types but particularly for larger properties.

Land Registry data confirms increasing values for all property types except flats.

(Land Registry data © Crown copyright and database right 2020. This data is licensed under the Open Government Licence v3.0)





The chart above shows that the sales market is distributed across price points, although in 2019 properties priced at £250k to £350k accounted for 27.7% of the market

Over time, the higher value markets (£350k+) have shown growth, whilst lower value properties have reduced in their market share in the 6 miles around Northstowe. This is likely influenced by the higher value property offer being promoted at Northstowe.

Source: © 2020 Zoopla Limited

Property type	Number on the market
4-bed detached	17
5-bed detached	13
2-bed terrace	9
3-bed detached	8
3-bed semi - det	8
2-bed apartment	6
2-bed semi-det	6
4- bed semi-det	6
1-bed flat	4
2-bed link det	4
3 -bed link det	4
3- bed terrace	4
3 -bed end terrace	3
2 -bed bungalow	1
2 -bed end terrace	1
2- bed house	1
3 -bed bungalow	1
4 -bed town house	1
2-bed detached	1

The table to the left shows that the current market is targeted towards families and to a lesser extent starter homes, but houses not flats. A quick deep dive into Rightmove reveals that Heylo are buying up stock. There is investment by Annington and some small-scale local Build to Rent vehicles. A couple of units have been bought by their own developers.

Within 3 miles of Northstowe there are 96 new properties for sale. The median price is £358k, (but 23 of advertisements are “From ...” or “Guide prices”). There are mainly houses for sale and only 10% of the market are flats. 47% are detached and 22% Semi-detached. There are no studios and only 4% 1-bed properties. This is a family/starter home market; “Family” is mentioned in 35% of adverts, “First time buyer” in 11% of advertisements.

28 units of shared ownership were being advertised. The median shared ownership price is £125k. The table below shows that the median tranche bought is 40%. The median sized property is a 2-bed terrace/semi, and properties appear to sell very quickly.

Shared ownership tranche advertised	Proportion of sales
25%	25%
40%	29%
50%	18%
75%	29%
	101%

Help to Buy Programme 2013 to 2019 * First Time Buyer

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
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
Cambridge	4,090	299	7.3	261	24,117,449	20,773,131	86.1
West Suffolk	2,700	52	1.9	39	3,249,025	2,346,836	72.2
<i>Forest Heath (to 2019)</i>	<i>1,150</i>	<i>336</i>	<i>29.2</i>	<i>259</i>	<i>18,050,998</i>	<i>13,153,790</i>	<i>72.9</i>
<i>St Edmundsbury (to 2019)</i>	<i>1,550</i>	<i>362</i>	<i>23.4</i>	<i>272</i>	<i>19,916,073</i>	<i>14,300,923</i>	<i>71.8</i>
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 the number of Help to Buy purchases during 2013-19 in South Cambridgeshire was high compared to most other parts of the sub-region, and considerably higher than in Cambridge City. Although as a percentage of new-builds they were lower than some other parts of the sub-region and lower than the Eastern Region and England as a whole.

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.

There is limited information available on a market for rent in Northstowe because the market has not been established. Cambridge has an impact on this market and is therefore considered before the specifics of the Northstowe market is reviewed.

Cambridge is a popular area. 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.

Across the Oxbridge Growth Corridor, 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. Recent evidence in the analysis underlines the positive impact of an improved town centre offer and the delivery of quality residential stock.

Savills' further analysis confirms in all locations, that values slip back sharply away from the city core, although this reduction is particularly marked in Oxford and Cambridge. In Cambridge, capital values are around £550 per square foot in the city fringe offering greater Build to Rent) opportunities for investors, (Bidwells Build to Rent 2019 summer analysis).

Agents confirmed that affordability was a major stumbling block for households looking to get onto the property ladder in both Cambridge and South Cambridgeshire. For the lower quartile price, the price income ratio in Cambridge in October 2019 was 14.4 and in South Cambridgeshire 10.2. These figures are 10.5 and 8.3 for median quartile property prices respectively (Housing Market Bulletin issue 43).

All agents knew of Northstowe and believed its attractiveness was due to its accessibility via the A14, its guided bus route and its commuter distance to Cambridge.

In terms of the South Cambridgeshire sales market, all property sizes are in demand, although it is very much a family market and houses are popular. There seems less demand for apartments, with 2, 3 and 4 -bed houses in highest demand, due to the need for family homes. Whilst 2-bed apartments are more popular than 1-bed apartments, these do not form a large part of the market. Shared ownership apartments were noted as doing well in the area. Agents suggested that house prices decreased last year in line with the overall market.



Agents told us that prices are slightly lower in the target area as compared to Cambridge City centre, and estimated broad prices for new build properties as:

- 2-bed: c£250k-£300k;
- 3-bed: c£350k-£400k;and
- 4-bed: c£400k-£500k.

Car parking was said to be important. Other amenities specifically aimed towards families such as play areas were deemed necessary.

Whilst the new build rental market is not as established as the new build sales market in Northstowe, agents confirmed that the rental market is a busy and strong market in the whole of Cambridge. The buy-to-let market is extremely buoyant and there are lots of active investors in Cambridge.

Agents could not give estimated rental prices for new build properties in Northstowe. In the towns surrounding Northstowe, it is mainly professional couples who rent property, as well as families and older people. Agents believed that Northstowe has the potential to compete with Cambridge, as not everybody wants to live in the city centre, whilst at the same time being ideally located for travel into the city centre and elsewhere.

Agents confirmed that people looking in this area are mainly looking to buy, rather than rent and the target market is mainly families and first-time buyers, but also up-sizers and those of retirement age. Agents confirmed that they regularly get asked about alternative locations to rent other than in Cambridge, but that there are extremely limited options and locations available. Families want to rent larger houses within Cambridge or further afield, and South Cambridgeshire is cited as a potential location. Families like the more rural 'feel' of South Cambridgeshire. Agents felt that rented products would be attractive in Northstowe and would likely attract people with a range of incomes and could provide much needed accommodation for the likes of Addenbrooke's Hospital.

Agents warned about pricing and specification. Competition is significant and getting the offer right is critical. Presently, there are 5 house builders delivering phases 1 and 2 namely Barratt, Bovis, Taylor Wimpey, Linden Homes Eastern and David Wilson Homes. Bedford Pilgrim Homes are also the designated housing association for providing affordable housing on site (phase 1 only).

Taylor Wimpey is currently marketing the phase 2 of their 'Varsity Grange' scheme, where they are offering a total of 152 new homes, primarily family houses, with over 50% of the scheme consisting of either 4-bedroom or 5-bedroom dwellings, with prices currently released from £490k to £520K. 2- bed houses sold for £285,000. There are a limited number of 2-bed apartments for market sale which have been sold for shared ownership by Bedfordshire Pilgrims Housing Association.



David Wilson Homes have over 115 new homes being sold within this phase with more emphasis on smaller family houses and 2-bed apartments. The latter are priced from £234k to £267k. 2-bed houses are being marketed at £285k and their top selling 4-bed homes at £520k. No 1-bedroom flats are being offered. Bovis are selling over 250 homes on the current phase with an emphasis on the lower end of the market and smaller homes. Through their sales arm Linden Homes, they are offering 2-bed houses at around £150,000 for shared ownership through the Home Reach initiative.

Developers are regularly approached for rental units and many families would be interested in a longer-term rental product. This is not an option being considered by developers.

The other house builders did not have the marketing suites open at the time of our visits but from those visited all reported a steady stream of sales, although they are not inundated with customers. Certainly, the availability of Help to Buy guaranteed deposits was a major plus in terms of selling homes. Little is known about housing association activity but Rightmove shows Bedfordshire Pilgrims selling 18 units on the development at present.

Rightmove shows that a 1-bed flat in Claudius Walk in Phase 1 has been put onto the rental market at £875pcm.

Peterborough

Peterborough has a strong and buoyant housing market with demand set to continue in the future. Agents reported that it is an affordable area in comparison to other areas further south, such as Bedford and Cambridge, especially with regards to rental prices. In relation to sales prices, one agent quoted that buyers could get a 3-bed property for as little as £140k. It is also a popular area for people from London.

Agents confirmed that prospective buyers and renters from Peterborough would potentially be willing to travel further afield, for example South Cambridgeshire, to buy or rent. Agents told us that they have experienced people from Peterborough looking in areas surrounding Cambridge such as Milton, Newport and Royston to buy and rent. Agents confirmed that there would also be interest from London workers as Northstowe is connected by the M11 and A1, which creates an attractive area due to the easy transport links. There is similar demand in Peterborough.

Agents also reported that London workers may be interested in a Build to Rent scheme in the target area as prices would be a lot more affordable in comparison to London, if the scheme was competitive. Agents took the view that rental properties will be popular, especially from people with temporary jobs or those wanting to test the area before purchasing.

Agents confirmed that there will be interest from commuters, specifically people who work in Cambridge and who currently live in Peterborough as they can move closer to work.



COMPETITION – SALES





Varsity Grange

Location: Pathfinder Way - Northstowe - Cambridgeshire - CB24 3DS

Stock: 2, 3, 4 and 5 bed homes

Prices: £350,000-£520,000

Specification: Multiple car parking spaces, garages, en-suite, flooring included, upgraded specs/kitchens etc.

Extra info: Offers Easymover, Help to Buy, Part Exchange

Developer: Taylor Wimpey

<https://www.taylorwimpey.co.uk/find-your-home/england/cambridgeshire/northstowe/varsity-grange>





Location: **Pedersen Way**, CB24 1BJ

Stock: 2, 3 and 4 bed homes

Prices: £299,995 to £545,995

Specification: Multiple car parking spaces, garages, en-suite, upgraded kitchens, flooring included, curtains/blinds package included,

Extra info: £10,000 price reduction on selected plots and only a £99 reservation fee in January; Offers Part Exchange, Help to Buy

Developer: Barratt Homes

<https://www.barratthomes.co.uk/new-homes/cambridgeshire/h740701-northstowe,-cambridgeshire/>



COMPETITION - RENTALS



There are currently no Build to Rent schemes in Cambridge, however there are schemes being considered such as North East Cambridge.



North East Cambridge

Location: Land near to Cambridge North railway station

Stock: 1,000 homes

Prices: Unknown

Amenities: Balconies, communal social areas, private car parking spaces,

Operator/Developer: Brookgate

Extra info: Part of a wider regeneration project including new homes, places of work, a hotel, shops, cafés and open spaces

<http://cambridgenorth.co.uk/homes>

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

Location: 16 Hartree Lane, Cambridge, CB2 9hb

Stock: 89 Private Rented Sector properties (L&Q)

Prices: Starting from: £1360 per calendar month for 3 bed apartments; £1560 per month for 4-bedroom houses

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

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



THE PLANNING PIPELINE



Pipeline overview

Obviously, this is a very active and competitive market. South Cambridgeshire has an annualised average housing requirement of 975 homes per year to 2031. 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, including accelerating occupation of a site, positive impact on the local economy, longer-term term tenancies and higher quality management than the wider private market.

In Northstowe Build to Rent has the potential to support the development of the site by contributing to the relevant character and design principles in the Northstowe Area Action Plan 2007.

Northstowe Area Action Plan 2007 character/design principle	Potential Build to Rent contribution to Area Action Plan principle
Distinctive town character, well designed and landscaped, neighbourhoods with their own character and legibility	<ul style="list-style-type: none"> - Provide high quality, well managed schemes that contribute to public realm and establish new local amenities
Balanced, viable and socially inclusive community in a safe and healthy environment	<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 longer term tenancies than are generally available in the private rental market. - Provide an additional opportunity for smaller housing that assists people to downsize their home as they move through the life cycle.



	<ul style="list-style-type: none"> - Create job opportunities & support the local economy. - Provide homes to economically mobile professionals and homes for workers who deliver key services, and for families and for older people . - Provide the potential to speed up delivery. - 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. - 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. - Provide the potential to speed up housing delivery.
Flexible design – energy efficient and an exemplar of sustainable living, accommodating impacts of climate change	<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.



In addition it could help to meet the specific housing objectives in the Area Action Plan as follows:

Area Action Plan Housing Objectives	Potential Build to Rent contribution to Area Action Plan housing objectives
Target of 10,000 dwellings	<ul style="list-style-type: none"> - Provide the potential to speed up delivery.
High quality housing with higher densities close to services, facilities and public transport	<ul style="list-style-type: none"> - Provide high quality homes that contribute to public realm and establish new local amenities. - Establish gyms and other facilities to improve health. - Maximise the potential of public transport, requiring fewer car park spaces.
Well integrated mix of housing types, tenures and sizes, including affordable housing, to meet identified needs of all sectors of community including key workers.	<ul style="list-style-type: none"> - Create job opportunities and support the local economy. - 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. - Potentially support home working, as schemes can be developed with shared workspace opportunities. - Provide longer term tenancies than are generally available in the private rental market.

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 also a potential friction between the 20% affordable rent recommendation in National Planning Practice Guidance and the ambition for affordable / social homes that the 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 the required percentage of affordable housing. 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



South Cambridgeshire is a largely rural district which surrounds the City of Cambridge and comprises over 100 villages, none currently larger than 8,000 persons, and Northstowe will provide 10,000 new homes providing accommodation for 24,000 new residents.

South Cambridgeshire has become home to many of the clusters of high technology research and development in the Cambridge Sub-Region, is recognised as one of the top places to live and work in the country and is one of the fastest growing areas in the country. The socio-economic indicators all support this, and it is one of the least deprived locations in the country. It is ideally located with readily accessible transport routes to London, Stansted airport and the Port of Felixstowe. More locally, Cambridge and South Cambridgeshire are linked through a guided bus route.

Northstowe is likely to be a popular alternative offering high quality architecture design of buildings and public realm with emphasis on measures to reduce the carbon footprint and energy use of the new homes. The current planning pipeline confirms these numbers.

Economic growth in Cambridge and South Cambridgeshire continues, and jobs growth in the area remains strong. The attractiveness of the area as a place to live combined with this growth has contributed, over the years, to high house prices. Therefore, many people who work in the area cannot afford to live in the area.

The Private Rented Sector is an important part of the overall housing market in the sub-region and factors such as affordability of purchase and the national policy agenda mean that private renting is likely to continue to grow over the coming years. At present it remains relatively low in South Cambridgeshire at 12%, with a slightly larger social housing sector and owner occupation at around 70%.

The sector seems popular and whilst generally smaller numbers come onto the market, this has been growing over the past few years. The market is dominated by 1-and 2-bed properties, but overall, 1-bed properties make up the greatest market share. There are smaller proportions of larger properties although in 2019, the property offer did rebalance the offer between 1-and 2-bed homes coming onto the market. Families wishing to rent would find a limited offer in terms of property size. This is a clear indication of the high demand and growing market demanding a higher specification product, which was confirmed by agents.



Rent levels have exhibited good growth for all property sizes. Properties are letting quickly and times have reduced over recent years. A 4-bed property will currently command a median of £1,651pcm.

The Northstowe market is currently dominated by the sales market. A higher value offer is clearly in demand and families are the dominant market here. This shows developer and consumer confidence but will be taking its toll on affordability. 22.4% of new sales were supported by Help to Buy in South Cambridgeshire between 2013 to 2019 and 75.4% of these were first time buyers. Shared ownership seems more popular than Help to Buy.

At present market rent is not a product offered in Northstowe although there is a market for it. Evidence from Bidwells summer 2019 Build to Rent analysis confirms that given accelerating demand for globally mobile talent by knowledge-based industries across the Oxbridge Growth Arc, there is demand for Build to Rent and investor interest across the region. However, agents confirmed that affordability was a major stumbling block for households looking to get onto the property ladder in both Cambridge and South Cambridgeshire.

Agents confirmed the demand for family homes in Northstowe, and although it is lower there is also demand for 2-bed apartments. Whilst 2-bed apartments are more popular than 1-bedroom apartments, these do not form a large part of the market. Shared ownership apartments were noted as doing well in the area.

Agents confirmed that there is interest in rented options in South Cambridgeshire and this offer would likely be popular and would likely attract a range of incomes and could provide much needed accommodation to the likes of Addenbrooke's Hospital. Developers are regularly approached for rental units and many families would be interested in a longer-term rental product.

At the time of writing there was no developer looking to provide private rent or Affordable Private Rent within the current approved phases and this seems an obvious gap. All the properties currently being marketed are aimed at the market sale sector with a limited amount of shared equity. No developer is building apartments in any significant number let alone one bed flats or offering Build to Rent options for apartments or family housing. There are plans to deliver 1000+ apartments in the town centre and these may benefit from offering a rental product.

In effect, the cost of buying a new home on these developments is high, and affordability prices many households out of the buying market but presents options to rent. Whilst the affordability data showed some similar weekly incomes required to buy resale lower quartile homes, first time buyers struggle to raise deposits and the new build offer requires far higher income levels. Even the low-cost home ownership products for larger homes required incomes far higher than rental markets.



There is a significant sector of the economy being frozen out from living here and who are not being catered for, including: people new to the job market; people in the service industry working in Cambridge & South Cambridgeshire; local workers; part time workers; people downsizing who may want to realise the equity in their home; and people wanting to rent.

Clearly, any new town should bring forward a rental offer, and we would expect this to be popular. With the busway and improved road access to the M11, this site is a prime opportunity to do so.

There is much evidence that a market rent product will provide an alternative tenure product to owner-occupation, and provide Affordable Private Rent as a much-needed affordable rented product. The key driver affecting the need for affordable housing, including Affordable Private Rent will be the high cost of buying or renting on the open market in comparison to local household incomes.

There is a strong commitment to provide affordable housing in Northstowe, with over 2,000 affordable homes planned amongst the first 5,000 homes, and 300 of these within Phase One. For Phase Two it has been agreed with Homes England that 50% of the housing provision will be affordable (10% will be Affordable Rent and 40% will be starter homes). Property sales are being underpinned with a range of products and the Northstowe discount market product will be offered in future phases.

Source: Northstowe Archive

The South Cambridgeshire Local Plan confirms that the number, type, and tenure of affordable housing will be negotiated on a site by site basis and informed by the current housing strategy, local housing need and relevant site constraints.

There is clearly an opportunity for Build to Rent here and it is recommended that the planning authority should develop a clear policy approach to Build to Rent in Northstowe, taking into account the need for positive place-shaping to meet the Northstowe Area Action Plan principles and 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 be considered for Northstowe.

Affordable Private Rent

Identified issue: Both Cambridge and South Cambridgeshire's Local Plans require 40% of homes on sites of 11 or more dwellings to be provided as affordable housing. Therefore 60% of all section106 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 South Cambridgeshire Local Plan 2018 confirms: A wide choice, type and mix of housing will be provided to meet the needs of different groups in the community including families with children, older people, those seeking starter homes, people wishing to build their own homes, people seeking private rented sector housing, and people with disabilities. It goes on to give a percentage mix in relation to sizes of homes.

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: Given the number of new homes that could be delivered in the area, the Northstowe Area Action Plan seeks a wide range of housing types, sizes and tenures. There is also an opportunity to plan and deliver a range of housing products aimed at specific groups, for example key local workers

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 homes. They should be distributed throughout the development and physically indistinguishable from the market rent homes in terms of quality and size. Combining the two 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.

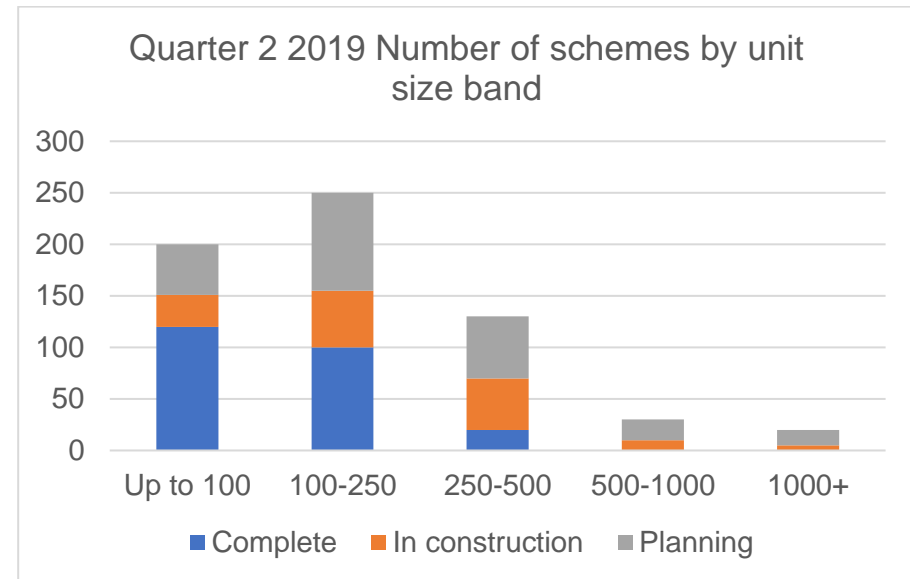
Policy option: As well as ensuring any affordable housing contribution is set in perpetuity, consideration should be given to a covenant period for the retention of private market rent homes in that tenure and potential compensation mechanisms in the event that they are sold before the expiration of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



Source: [British Property Federation](#)

At the end of Quarter 4 2019m (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.

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 Northstowe, 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: Northstowe is a new town with mixed use functions encompassing housing, retail, employment and leisure with good access to public transport and active travel options.

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 below 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.

South Cambridgeshire	Monthly wage	30%	35%	40% ²
1.5 x median full time wage¹	4295	1,289	1,503	1,718
Police sergeant (starting)	3458	1,038	1,210	1,383
Median full time wage¹	2864	859	1,002	1,145
Health visitor (starting)	2614	784	915	1,046
Teacher (mid-main range)	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 Northstowe 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

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: 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.



This report takes into account the particular instructions and requirements of our client. It is not intended for and should not be relied upon by any third party and no responsibility is undertaken to any third party. arc⁴ Limited accepts no responsibility or liability for, and makes no representation or warranty with respect to, the accuracy or completeness of any third-party information (including data) that is contained in this document.

This report relies significantly on Zoopla data. This is accessed through a research license with Zoopla. Zoopla data used in this report is sourced from Zoopla Market View. The data we use is extracted from Zoopla Market View which is derived from Zoopla listings data and includes all listings that have been advertised on Zoopla during the time periods being reported. We use full year data only to allow for year on year analysis and we always use full Zoopla market data (on the market) unless otherwise specified.

Registered Address: arc4, 41 Clarendon Road, Sale, Manchester M33 2DY

Email: businesssteam@arc4.co.uk www.arc4.co.uk

arc4 Limited Registered in England & Wales 6205180 VAT Registration No: 909 9814 77

Directors - Helen Brzozowski - Michael Bullock

© 2020 arc⁴ Limited (Company No. 06205180)

