

## **Consultation on the New London Plan – June 2025**

### **Association for Rental Living (ARL) Response to Section 2.15 – Build to Rent**

The Association for Rental Living (ARL) welcomes the opportunity to respond to Section 2.15 of the draft London Plan, which addresses the role of Build to Rent (BTR) in meeting London’s housing needs.

The Association for Rental Living represents all institutionally backed, professionally managed purpose-built rental living sectors including urban and suburban single-family and multi-family rental, co-living and later living.

Association for Rental Living membership currently stands at over 310 organisations across the rental living sector ecosystem, reaching 5,400 professionals. It is committed to setting and raising standards across the BTR sector as demonstrated by the BTR Code of Practice.

The Build-to-Rent sector, while growing, currently accounts for just 5% of privately rented homes and would need to triple its output to meet demand.

In London there are currently 55,421 BTR homes open and operating, 14,979 under construction and 39,616 in planning (Savills/BPF April 2025).

We strongly support the recognition of BTR as a distinct and vital component of London’s housing supply. BTR has proven its ability to deliver high-quality, professionally managed homes at pace, with strong tenant satisfaction and long-term institutional investment. However, we believe the draft policy could go further in unlocking the full potential of the sector.

The Association for Rental Living has led the development of a Code of Practice and Customer Charter for BTR, which also applies to co-living. This Code and Charter is being taken forward by the BTR Taskforce and sets the standards to which all investors, developers and operators of BTR and co-living operate, with customer fairness, quality of accommodation, community and placemaking, and sustainability as core values.

#### **1. Definition and Thresholds**

We welcome the continued definition of BTR schemes as those comprising at least 50 units under single ownership and management. However, we urge the GLA to consider greater flexibility in this threshold, particularly in outer London boroughs and suburban centres where smaller schemes may still deliver significant benefits and meet local demand.

The Association for Rental Living (ARL) does broadly agree with the intention to distinguish Build to Rent (BTR) from other types of rental housing based on its scale, unified ownership, and professional management. These are the right principles — but the definition must remain flexible enough to reflect how BTR is actually delivered in practice and to avoid deterring much-needed investment.

In particular, ARL would caution against a definition that is so prescriptive that it excludes high-quality rental schemes that meet the spirit of BTR but not every element of the current wording.

For example, there will be many developments where homes were originally intended to be built for sale have been subsequently acquired and let under a multi-family or single-family rental model, with unified ownership and professional management. These schemes offer the same long-term stability, customer focus, and institutional oversight as purpose-built BTR and should be included.

The key policy objective here is not simply to define BTR, but to encourage large-scale investment into good-quality, professionally managed rental homes. That means promoting models that align investor and operator incentives with long-term resident satisfaction, service standards, and transparent management — regardless of the original intended market for the homes. We should avoid inadvertently disincentivising innovative or adaptive reuse schemes that meet these goals.

With that in mind, the Association for Rental Living proposes the following working definition for BTR:

Build to Rent (BTR) refers to residential developments comprising:

- homes that are held in either single ownership or a co-ordinated ownership
- made available for private rent with a long-term investment horizon
- Such developments may include new-build schemes, large-scale conversions, or homes originally intended for sale but subsequently acquired under single ownership and made available for rent.

In terms of a specific definition, BTR schemes are characterised by:

- Delivery at scale, typically on a single site or a group of related sites;
- Unified ownership of the residential units and any associated common areas;
- A professional management regime delivered by a single legal entity or its agent;
- A focus on customer service, including on-site or dedicated management, responsive repairs, and transparent communication;
- A site-wide building insurance structure and centralised governance.

This approach balances clarity and safeguards with the flexibility required to support investment, particularly in a London context where scale and delivery models can vary. The aim should be to promote long-term stewardship, not to limit BTR to only one narrow delivery route.

## 2. Affordable Housing Provision

The ARL supports the inclusion of affordable housing within Build to Rent (BTR) developments, particularly through Discounted Market Rent (DMR) models. However, we believe the policy should be refined to better reflect the operational realities of the BTR sector and to ensure affordability is both meaningful and deliverable.

### a. Discounted Market Rent (DMR) – Clarity and Flexibility

- We recommend that the Plan provides clearer guidance on how DMR levels are to be set, ideally linked to local income bands rather than a fixed percentage of market rent. This ensures affordability is meaningful to local residents.

- The Plan should allow for flexibility in DMR rent levels to reflect scheme viability and location-specific market conditions, particularly in areas with lower rental yields.

#### b. Viability and Delivery

- BTR schemes operate on a long-term income model, and their viability assessments differ significantly from for-sale developments. We urge the GLA to:
  - Recognise the impact of rent caps on long-term investment returns.
  - Allow for bespoke viability assessments that reflect the operational nature of BTR.
  - Encourage boroughs to adopt standardised viability methodologies for BTR to reduce uncertainty and delays.

#### c. Tenure Integration and Management

- We support the principle of tenure-blind integration of affordable units within BTR schemes. This promotes social cohesion and avoids the stigma often associated with segregated affordable housing.
- The Plan should encourage professional management standards across all tenures, ensuring that affordable units benefit from the same level of service and amenities as market-rate units.

#### d. Family and Key Worker Housing

- BTR schemes are well-placed to deliver affordable homes for key workers and families, particularly in areas with high housing pressure. We recommend:
  - Incentives for schemes that include larger DMR units suitable for families.
  - Support for key worker-specific allocations within DMR provision, especially near hospitals, schools, and transport hubs.

#### e. Long-Term Affordability

- To ensure affordability is preserved over time, we support mechanisms such as:
  - Covenants of at least 15–20 years for DMR units.
  - Monitoring and enforcement frameworks to ensure compliance with affordability commitments.

### 3. Planning Certainty and Delivery Speed

BTR schemes often face delays due to uncertainty in planning policy interpretation. We urge the Plan to:

- Provide clearer guidance to boroughs on BTR viability and affordable housing expectations.
- Encourage boroughs to adopt BTR-specific policies in local plans.
- Recognise the faster build-out rates of BTR developments, as evidenced by government research.

### 4. Long-Term Investment and Management

Large scale investment in BTR brings long-term, institutional capital into the housing market and aligns the interests of investors and residents through a professional, customer-focused management model. The ability to attract this type of investment at scale is essential if London is to modernise and expand its private rented sector (PRS) in line with the ambitions of the London Plan and the broader policy goal of raising housing standards.

The Plan should explicitly support long-term institutional investment in BTR, which brings stability, professional management, and enhanced tenant experience. We recommend:

- Policies that protect BTR assets from early fragmentation or conversion to for-sale.
- Support for innovation in BTR, including co-living and family-oriented rental housing.

### Impact of Selective Licensing

The ARL is concerned about the announcement of a new General Approval, meaning local housing authorities in England are no longer required to obtain confirmation from the Secretary of State before implementing a selective licensing scheme of any size.

We recognise that local housing authorities must still satisfy all statutory requirements contained in Part 3 of the Housing Act 2004 and be expected to consult for a period of at least 10 weeks on the proposed designation. However, this devolution of control may open the door to all local authorities imposing Selective Licensing on all private rental and be used as a means of revenue generation

### Investment Impact

Private rented developments are typically appraised on an income capitalisation approach whereby the net rental income (gross rental income less operational costs) is capitalised at a market yield. As such the viability of new privately rented developments is directly linked to the operational expenditure and resultant net income. It is essential that all operational costs are accounted for prior to investments being made.

From an institutional investment point of view, the additional cost of licensing is not insignificant and, with additional pressures on construction costs and finance rates, has a major impact on project viability and housing delivery. This will likely lead to a significant increase in viability challenges to Section 106 and affordable housing contributions, as well as forcing many landlords to increase the rent to mitigate the impact of licensing costs.

The impact of property licensing on viability is highlighted by a recent planning approval for 100 Broad Street, Birmingham (application no 2023/04261/PA). The City Council acknowledged that the £1,175,000 cost of Selective Licensing, along with CIL and public realm works, significantly impacted viability. As a result, the affordable housing contribution was reduced to just 3.10%, far below the Council's target of 35%.

This example demonstrates how a seemingly small £700 per home fee (and we are aware of recent Selective Licensing schemes implemented by some Councils being charged at £1,225 per home), charged every five years, can significantly affect investment value and lead to the loss of 18 affordable homes in a single development application.

This is one example – there are many others all impacting on the delivery of not only BTR homes but affordable homes which runs contrary to the stated aims and objectives of the Government.

Whilst the Association for Rental Living supports the concept and need for licensing of private rental, we do not believe that Selective Licensing is suitably applicable for the BTR sector. This is due to several reasons including:

- The existing high-standards across the BTR sector – the BTR business model relies on high occupancy based on customer satisfaction. As such, the offering provided by the BTR sector already far-exceeds the standards seeking to be set by licensing schemes.
- The onerous nature for large-scale landlords – with a form being required for each home, which is repetitive and often paper-based, and include questions that further highlight the unsuitability of the scheme for the BTR sector. The administrative time and cost to BTR operators is significant.
- Varying Licensing requirements – schemes vary significantly between local authorities, meaning there is no ability to create efficiencies in large scale operations from site to site. In addition, forms require a named individual to be responsible – this means that, should that individual leave the business, BTR operators are required to re-apply for all licenses once again.
- Enforcement savings – due to both the high standards and nature of BTR homes – often with over 200 homes on each site, the monitoring costs to local authorities is significantly reduced. This may be in-part the reason for the lack of enforcement we have seen to date.

We understand that the primary purpose of licensing schemes is to improve the quality of private rented properties and reduce antisocial behaviour. By their nature, BTR schemes are already contributing to these objectives and have been integral to countless regeneration schemes across the country – therefore the application of selective licensing to BTR schemes, and subsequent impact on BTR supply, runs counterintuitive to these objectives.

## 5. Sustainability and Design Quality

BTR schemes are well-placed to lead on sustainability and design innovation due to their long-term ownership model. We support the Plan's emphasis on high-quality design and recommend:

- Incentives for BTR schemes that exceed baseline sustainability standards.
- Flexibility in unit mix and space standards to reflect the needs of renters, including single-person households and sharers.

## Conclusion

BtR is a critical part of the solution to London's housing crisis. With the right policy framework, it can deliver thousands of high-quality, affordable, and well-managed homes across the capital. We urge the GLA to adopt a more enabling and flexible approach to BtR in the final version of the London Plan.

The Association for Rental Living would welcome the opportunity to engage with the GLA to explore these topics further with the relevant evidence to support the recommendations that we have proposed.

### **Later Living, Senior Living, and Assisted Living**

London's changing demographics demand a greater focus on purpose-built rental housing for older people, including Later Living and Assisted Living schemes. These developments offer self-contained homes designed to support ageing in place, often with on-site support services, communal facilities, and a strong emphasis on accessibility, wellbeing, and social connection.

Later Living rental models share many characteristics with BTR, including:

- Professional, service-led management;
- Long-term institutional ownership and operation;
- Communal amenities and shared spaces to support resident wellbeing;
- Predictable, stable rent levels structured to support long-term tenancies.

Assisted Living schemes may also offer additional care services, either directly or via third-party providers, supporting residents with increasing needs while avoiding early entry into residential care.

These forms of provision serve a critical and growing segment of the population, helping to ease pressure on health and social care systems, freeing up under-occupied housing, and delivering high-quality, age-appropriate homes. Their viability depends on stable investment conditions, long-term rent modelling, and regulatory certainty — all of which would be undermined by blanket rent control measures.

Recognising these models — where they meet agreed criteria on affordability, management standards, and resident outcomes — would ensure that London remains responsive to its ageing population while continuing to attract investment into this socially and economically vital sector.

The Association for Rental Living stands ready to discuss the issues raised in this submission in more detail. We also offer to arrange for GLA and Borough Council members to visit co-living sites on a Study Tour to gain further insight into BTR and the role it can play in helping meeting London housing targets.