

The Association of Rental Living response to the MHCLG Working Paper on Speeding Up Build Out
7 July 2025

The Association for Rental Living is responding to specific elements of this MHCLG Working Paper on behalf of its members within the broad Build to Rent (BTR) sector.

We recognise and support the Government's ambitions to increase the rate of delivery for homes of all types. A target of 1.5m additional new homes within this Parliamentary term is suitably ambitious to address the under-supply of recent decades and is entirely welcome.

General Comments

Who is the Association for Rental Living (the "ARL")

The Association for Rental Living (ARL) is the principal membership body representing 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. Our membership includes (1) a large number of the largest national and international financial institutions, (2) developers seeking to build new BTR schemes and (3) operators of BTR schemes. ARL members own or operate over 80% of the 127,000 completed and operational BTR homes in the UK.

What is Build to Rent (BTR)?

The BTR sector is a distinct subset of the private rented sector. BTR developments are purpose-built and professionally managed rental homes, backed by long-term institutional investment. BTR provides a diversity in rent rates, offering and demographics (from young professional, through families to later living, and including key workers). In turn, there are a further two subsets of BTR developments:

1. multifamily rental ("MFR") apartments (comprising carefully designed high quality blocks containing, generally, upwards of 200 residential apartments); and
2. single-family rental ("SFH") houses (comprising houses which are let on the open market).

The role of BTR in the delivery of homes at pace: the role that BTR homes can (and do) play within the residential sector as a whole is very significant:

1. Each MFR scheme commonly comprises upwards of 200 residential flats for rent. As such MFR schemes are a fast and effective way of helping achieve the Government's housing target by delivering homes in volume and density;
2. The success of Build-to-Rent (BTR) developments is grounded in a strong sense of stewardship and a commitment to resident wellbeing. Resident needs are central to the

operation of these schemes, which are typically owned by institutions that place high value on their reputations. As a result, BTR schemes are professionally managed to consistently high standards. This professional drive not only ensures the delivery of excellent accommodation for residents but also supports wider community engagement—often through the provision of shared amenities and spaces that benefit the broader local area. The dual focus of BTR management is to foster thriving, inclusive communities while safeguarding the integrity of ownership

4. The rental sector is shrinking fast (6% in the last 3 years alone, a loss of 290,000 rental properties) without adequate replacement for the housing that is being lost. This is causing chronic supply issues resulting in rental pressures and the associated societal problems (with people being unwilling or unable to look outside of their local areas, resulting in a lack of aspiration to seek better employment elsewhere round the country). A lack of quality rental options can also be a significant barrier to recruitment for local employers, as potential employees cannot find suitable homes to take up new jobs. As such there is a desperate need to replace the homes which have been lost from the rental sector; and
5. As the UK economy develops and changes, it is evident that there is a need to cater for greater flexibility in social and working patterns than in previous generations. Good quality rental properties throughout the UK are essential to meet the growing needs and choices of a modern thriving society and economy. BTR housing also facilitates social and aspirational mobility leading to a flexible and dynamic workforce.

Who invests in BTR schemes and why:

Investment in BTR schemes is predominantly driven by institutional capital rather than public funding. These institutions typically invest with a long-term view, seeking stable and sustainable returns that justify their commitment.

We should however point out that returns on investment into this sector are generally low – in the region of 3-4%. As a result of these low returns:

1. Investors require (when making their long-term appraisals) market-certainty and stability with known and manageable risks. For BTR schemes to be funded, it must be demonstrated to the investors and their development teams that the schemes are not only financially viable, but also capable of being delivered and thereafter sustained. This requires high levels of confidence around perceived risks and predictability (whether such risks are financial, political or relate to the construction process).

The low returns inevitably make BTR schemes particularly sensitive to potential regulatory risks.

As such, the prospect of a 'Delayed Homes Penalty' would be entirely counterproductive, compromising both stability and long term viability. Investors will view such measures as a further significant risk, reducing their appetites to invest on the sector. Indeed, such a

penalty will, (instead of speeding up supply) almost certainly result in a sharp decline in the number of new BTR schemes; and

2. In order to recover the considerable costs associated with procuring planning consent, investors need the building to be built, operational and income-generating as quickly as possible. There is, therefore, a natural incentive to build BTR homes as quickly as possible once planning and other approvals are secured. Any delay to the development and construction process carries inherent costs (e.g. the cost of allocating and holding monies towards to a development, during which period monies will not be generating any income). Any delay will also postpone the point at which rent can start to be collected from the new residents. There is, therefore, no incentive whatsoever for the construction of BTR homes to be intentionally delayed by those delivering them.

Current headwinds affecting the BTR sector: over the last few years, the viability of BTR schemes has been challenging due to a number of factors including elevated interest and gilt rates, construction cost inflation and the time it takes to get planning consent and the lack of certainty as to what planners will require across the UK. Regulatory factors now also impact – a lot of this however is outside of investor control.

That said, investor appetite was, until the advent of the Building Safety Regulator (the “BSR”), returning. However, that resurgent appetite has been dampened due to the chronic delays introduced by the BSR. Those delays are outside of the investors’, and their developers’, control. Without knowing the likely length of the delay which may arise due to the BSR, it is impossible for investors to quantify the likely associated cost. As such, the BSR represent a risk which is, presently, frequently insurmountable.

Supercharging the development of BTR schemes:

Investment of £300bn is needed to meet the future household growth requirements of an additional 1 million homes in the Private Rented Sector (PRS) by 2031 (Savills). The BTR sector has already delivered £35bn investment in 127,000 completed BTR homes across the UK in the past decade, with a further 146,100 in the planning and delivery pipeline.

To unlock the potential investment in the institutionally backed rental living sector, the ARL recommends a number of policy interventions to provide clarity and confidence that will encourage long term investment in high quality rental housing:

1. recognition of BTR as a sector that delivers quality homes in volume and service to customers and acts as a catalyst for regeneration and community creation
2. targets for purpose-built rental homes within local authority local plans as part of a mixed tenure approach that delivers homes for all
3. urgently addressing the delays created by the BSR would unblock a large number of stalled schemes and would give investors the confidence to re-enter the BTR sector.
4. fiscal measures that encourage investment in purpose-built, professionally managed rental homes, such as the re-instatement of Multiple Dwellings Relief on SDLT for BTR schemes.
5. ‘less stick and more carrot’; the focus of policy should be on relieving the burden of potential risk and enabling scheme viability to be achieved without delay so that investors can be encouraged

and supported to enter into more projects which in turn procures that more homes can be provided. Additional penalties and complexities would only further disincentivise investors from undertaking BTR developments.

The views of our members: the points highlighted above is not speculation but is a summary of feedback from our members (both developer within the BTR sector and the institutional investors (often international) with whom they seek to partner).

The ARL is leading the development of a Code of Practice for Build to Rent operators, setting out standards of practice in terms of quality of accommodation, customer service, response to resident issues, communication and resident well-being as well as clear and fair terms of tenancy.

The ARL stands ready to work with government on the future development of BTR as a means of increasing housing supply with high quality homes that put the customer at the heart of the development.

Questions (referenced as in paragraph 29 of the Working Paper):

a. Do you agree with the evidence base and theory we have set out on build out rates?

In part, although it does not properly reflect the nuance and differences between the incentives for delivery of different tenures and types of housing. As mentioned above, the suggestion that delivery could be deliberately slowed to maximise profits in the context of local markets might, perhaps, be assumed for 'for sale' housing. However, this does not apply to BTR developments where there is pressure to procure the building of developments and thereafter secure tenants in each case as quickly as possible (and therefore the rental income stream required by the institutional investors).

However, even this is too simplistic as there will be inherently different absorption rates that apply to MFR apartments on high-density urban sites rather than SFR houses which tend to be located in suburban sites at lower densities.

Furthermore, the needs and provision of local infrastructure and amenities (as appropriate to different types of housing development) will also have an impact on delivery rates.

b. How could we go further to support models of housebuilding which build faster, such as small sites, strategically master-planned and mixed tenure?

We note the evidence quoted in the Working Paper (para. 7(f)) that the inherent build-out incentive within BTR results in enhanced delivery. Residential schemes that include BTR homes are delivered faster than other types of housing, with "build out rates 30% to 60% faster on projects with build to rent compared with non-BTR projects". This suggests that additional BTR development should be encouraged rather than deterred, and that this would help to achieve the Government's objectives.

To help meet the 1.5 million homes target, BTR (both MFR and SFR) should continue to be integrated into Local Plans and major masterplans with clear policy support for institutional rental typologies, alongside tenure-specific land parcels, design guides, and delivery frameworks. Furthermore, planners should be provided with support to encourage the mass delivery and approval of such schemes. These sectors require no pre-sales, are not constrained by mortgage availability, and can be delivered alongside ‘for-sale’ and affordable housing without directly competing with either. As a result, site-wide delivery and absorption rates are increased throughout, much needed new homes are provided more quickly across the tenure spectrum and the placemaking benefits of the development can be established sooner.

The Government should urgently address the current headwinds that are obstructing BTR delivery:

1. **BSR:** we welcome recent moves to streamline the Building Safety Regulator, and hope that this can be suitably resourced to enable new homes to be delivered with certainty around the timescales of the approval process;
2. **Viability assessments:** we also suggest that an improved pragmatic and collaborative approach to viability assessment in relation to planning obligations should be explored with the BTR sector. This could speed up the planning and s106 approval process, provide clarity over financial viability and give greater programme certainty; and
3. **Public land and Homes England:** additionally, the Government could utilise public land and the Homes England agency to structure sites for tenure diversification, offering BTR (MFR & SFR) parcels with service plots and delivery guarantees. It could support SME and regional developers to partner with institutional landlords for delivery of SFR units on smaller schemes and could provide grant or infrastructure support where upfront enabling works delay BTR delivery, especially in multi-phase developments.

c. For mixed tenure, what would you consider to be an appropriate threshold level?

The ARL is supportive of a mixed tenure approach to enable faster delivery of new homes. Such an approach is beneficial to people and places, through balanced communities that address the full spectrum of housing need and meets the Government’s ambitions for enhanced build out rates for the reasons already outlined.

It is felt that the previous recommendation of 1,500 homes is certainly too high to be able to make a significant difference. However, it is difficult to define a ‘one size fits all’ threshold that would suit the different permutations of tenure types to suit the housing needs in different locations. Whilst the suggestion that 500 homes might be a better threshold is welcome, there are also arguments to adopt lower thresholds still, and for these to be flexible where appropriate to suit local needs. This is particularly the case in lower density schemes, where an element of BTR (SFR) rental houses would be beneficially introduced at a lower threshold than higher density schemes, where BTR (MFR) apartments need a greater number of homes to co-located, in order to provide operational efficiencies through economy of scale.

d. Do you have any views on how the proposed CPO measures would work best in practice?

[Whether to answer this question remains to be confirmed]

e. How should MHCLG guide local authorities and developers towards reasonable build out schedules (noting that ultimately this will be negotiated locally)?

It is felt that a separate build out schedule process will be viewed as an additional risk by investors and developers. Not only could it deter planning applications from coming forward, due to uncertainty around factors outside the developer's control, but we foresee that it may also require additional time, resources and cost being required by both Local Planning Authorities (LPAs) and development teams in the negotiations and monitoring of the conditions around such schedules. If schedules form part of the trigger for future Delayed Homes Penalty, they will be perceived as a significant risk factor and will deter investors from entering into projects which will procure the delivery of new BTR schemes.

To mitigate this, it is essential that planners are provided with clear support and guidance and equally clear parameters to help them understand and confidently support such schemes, ensuring that the planning process remains enabling rather than restrictive.

Rather than a one-sided potential penalty, there may be another way of imagining this in order to provide incentive for development to progress. The construction costs that form part of any viability appraisal will naturally assume a build out programme. If this is defined within the viability process, and agreed with the LPA, there should be no further risk to the development of further obligations if that programme is met – subject to a suitable tolerance. The obvious example, which is considered a significant risk and deterrent to investment and development at present, is that of Late-Stage Review of viability and planning obligations. If the threat of potential additional costs, time and obligations were to be lifted if an agreed construction programme of build out is met, this would incentivise both starts on site and reliable delivery rates, rather than being perceived as a risk.

f. What are the right set of exemptions for external factors that impact build out rates? Should this include economic downturns which reduce sales rates, or does that mean that payments would be too weak to induce the shift toward the partnerships business models we want to see?

Exemptions should be limited but could include:

- Delays in critical infrastructure provision (e.g. utilities, access roads) or local amenity such as schools and surgeries which could support the unlocking of otherwise unviable sites.
- Discovery of contamination or ground risk post-planning.
- Moratoria linked to environmental or heritage conditions.

For BTR (MFR) schemes, delays may also result from the need to complete entire blocks before occupation—this must be factored into any delivery timeframe.

Importantly, soft market conditions should not be sufficient to trigger exemption, as this undermines the logic of tenure diversification. Institutional BTR tenures like MFR and SFR are precisely the solution to slow absorption.

g. For the Delayed Homes Penalty, do you agree with the intention to use it to incentivise the shift towards higher build out models of housebuilding?

No. We believe that a Delayed Homes Penalty mechanism will prove counterproductive for the reasons given in previous responses. Housing development backed by non-public funded, institutional investment is facing enough discouragement, headwinds and blockers at present, and another obstacle will prove to be a further deterrent.

This would have the opposite effect on getting planning submissions in until developers had established exit strategies with an institutional investor.

Since investors often will not take planning risk and only commit to a purchase once planning is approved, this creates a circular impact which would only exacerbate the delays in delivery.

h. How should the Penalty be calculated? What are the strengths and weaknesses of using a percentage of house price, or reference to local council tax rates? What information would local authorities require?

The Association for Rental Living is not in favour of a Delayed Homes Penalty.

i. Are there wider options you think worth worthy of consideration that could help speed up build out of housing?

To deliver more homes of all tenure types including BTR, the policy focus should be on incentives rather than penalties, and greater collaboration to encourage the additional new homes that all parties want to see delivered.

An approach that is pragmatic, rather than dogmatic, will be more likely to deliver the results that we all aspire to, and that will provide the homes of all types that people need.

j. Do you anticipate any environmental impacts from these proposals that the government must consider and the Environmental Principles Policy Statement?

A mixed tenure approach will have positive environmental effects, compared to a conventional approach. As well as being delivered more quickly, mixed-tenure neighbourhoods can optimise land use, reduce travel demand, and support biodiversity. BTR development is better suited to include elements of off-site modern methods of construction, which can save time, materials waste and construction traffic to sites.

k. Do you anticipate these proposals giving rise to any impacts on people who share a relevant protected characteristic, as defined by the Equality Act 2010, that the government must consider under the Public Sector Equality Duty?

Multi-tenure developments that incorporate purpose-built rental homes through BTR delivery offer a valuable opportunity to increase housing supply for a broader spectrum of people and households—whether they choose to rent or do so out of necessity.

BTR schemes are already leading the way in this space, particularly through initiatives such as key worker housing, which demonstrate a commitment to social value, alongside economic sustainability. By delivering high-quality, professionally managed homes alongside amenities that can benefit the wider community, BTR developments actively support local engagement and contribute to more inclusive, sustainable neighbourhoods.

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