

2 March 2018

Sadiq Khan (Mayor of London)  
New London Plan  
GLA City Hall  
London Plan Team  
Post Point 18  
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London  
SE1 2AA

Dear Mr Khan

**GREATER LONDON AUTHORITY – DRAFT NEW LONDON PLAN PUBLIC CONSULTATION REPRESENTATIONS BY GREYSTAR**

We, Greystar Europe Holdings Ltd (Greystar), wish to formally submit representations to the publication of the Draft New London Plan (DNLP), as issued for consultation and dated December 2017. We share the Mayor's broad ambitions with regards to addressing the historical problems of undersupply of new homes in London, and we wish to do everything we can to assist the delivery of additional rental homes at scale and at speed. In focusing on the 'Build to Rent' (BTR) and student housing sectors, Greystar will provide increased choice, variety, quality of experience and attainability in the types of homes that Londoners need across the affordability spectrum.

It is within this context that we welcome the opportunity to make representations to the Draft New London Plan and this letter sets out our response to proposed policies contained in the Plan more generally and then highlights specific areas relevant to our activities. Please note that Greystar are actively involved with the British Property Federation (BPF) and we refer you also to their responses to this consultation, to which we have contributed.

**About Greystar**

Greystar is the global leader in rental housing. As a vertically integrated investment, development and property management platform, it is active in the US, UK, EU, APAC and Latin America with \$21bn AUM and 425,000 homes managed globally. Despite recent policy advances in London in particular, Build to Rent is still a relatively innovative concept for the UK, but it is Greystar's heritage. With over 25 years of experience in the United States, Greystar is bringing its 'multifamily' BTR model to London and the UK, where it has approximately 6,000 homes under development and a further 6,000 beds under its Chapter student housing brand. We focus on the quality of our residents' experience and the long-term placemaking of our developments.

In the US, Greystar has been the largest rental apartment operator for the last 7 years and is also the largest developer. We have an ambition to make a similar impact within the UK's BTR sector, focused in London – to deliver much needed additional homes at scale and at speed. As an example, our Greenford development aims to deliver 1,965 new homes within a fully mixed-use neighbourhood in only 6 years, probably by use of modular construction techniques, and is currently on site.

### **Context – a broken housing market and the need for Build to Rent**

As noted in the Draft London Plan, London suffers from a chronic undersupply of new homes – this is not new, but a historic trend which has become progressively more acute. An urgent need to provide additional new housing supply is now widely accepted – we welcome the ambition for the proposed London target from the Mayor of 65,000 new homes per annum.

Successive housing policies across national, regional and local government have primarily focused on two areas of housing need – home ownership and conventionally defined affordable housing. This model has become increasingly polarised and is no longer fit for purpose in all locations – many Londoners are caught in the middle and simply not catered for by new housing, and are demanding a greater variety of homes across a fuller tenure spectrum. Although the private rented sector is forecast to grow into the future, it should be noted that approximately 95% of current private rental housing is provided through the fragmented 'Buy to Let' market, where the quality of both accommodation and management is highly variable, often resulting in poor experiences and a lack of security for people. As a leading player in the Build to Rent sector, Greystar will change this.

### **Greystar's approach and its benefits**

Greystar's multifamily model of Build to Rent is predicated on single ownership and single management buildings which have residential and mixed-use placemaking at their heart. Ongoing operational management is Greystar's core business, and our developments are designed with a focus on exceptional resident experience – relating to both the quality of the private space and shared amenities, as well as in the level of service provided to the residents within their communities. This type of accommodation will add to the spectrum and variety of market and affordable housing choices available to people who are not well served by the existing models, which themselves have become excessively and unsustainably polarised over recent decades.

Greystar view our developments as integral to the broader communities in which they are developed; we seek to join and enhance existing neighbourhoods through the provision of additional housing choices to address local needs alongside complementary mixed uses, whether these are commercial or community focused. The success of our model depends on the ability to retain tenants, and to build a place and an environment that people want to be a part of.

Greystar's provision of exemplary resident experience is achieved through quality of accommodation and amenities, alongside dedicated on-site management and maintenance teams. This approach avoids the typical and rightly well-publicised problems experienced within the existing private rental sector, which are often the result of individual 'buy-to-let' investment and a consequently arms-length and fragmented management regime. Our long-term rental approach brings many benefits to the community and surrounding neighbourhood.

By delivering purpose-designed, purpose-built rental homes into long-term professional management, Greystar provides a better rental experience for all of our residents. For them, this includes:

- high-quality homes and shared amenity spaces that provide a sense of living in the entire building, not just in an apartment. This approach also promotes social interaction and cohesion, leading to people wanting to put down roots via longer tenancies, and to be part of a lasting community;
- excellent customer service – delivered by a dedicated on-site team responsible for leasing, management and maintenance in an effective, efficient and welcoming environment;
- an innovative affordable housing model which is fully integrated, 'tenure blind' and flexible to suit residents and families as their circumstances change over time – creating a balanced, strong and inclusive community that is a template for 'sociable' housing.

In addition to improving renting for residents, Greystar's developments also improve the local communities where they are based, through:

- a focus on sustainable placemaking through appropriate mixed-use and ongoing on-site management;
- faster delivery than 'for-sale' development, driven by embracing new construction methods, higher occupation absorption rates and the BTR sector's distinct economics;
- quicker, fuller occupation enables mixed uses and the new 'place' to establish faster, and to be sustained – providing new long-term employment and benefiting local economies;
- acceleration of Council Tax and New Homes Bonus receipts for local authorities.

In delivering these objectives, Greystar's overall aim is to re-position rental accommodation as an aspirational tenure type, not simply a short-term necessity before buying a first home. In addition, our product seeks to retain residents, thereby contributing to London's continued role as World City.

Based on these principles, Greystar have been establishing operations in the UK since 2014 and have secured presence in both the student rental accommodation and BTR sectors. Current BTR

communities which Greystar have committed to delivering include schemes in Ealing, Millharbour, Nine Elms, and Croydon. Current student communities under the Chapter Living brand are located at eight central London locations, with three more communities in active development.

### Overall Remarks on the DNL

As a general note, Greystar supports the Mayor's strategic vision to prioritise the development of Opportunity Areas, brownfield land, and sites which are well-connected by public transport, whilst also proactively promoting higher density development in suitable locations. We further support the Mayor's ambitious approach to facilitating and delivering "good growth" and "healthy streets".

Whilst the overarching aims of the draft Plan are positive, we note that it places a number of new and substantial obligations on developers, which need to be reviewed and considered in the round. Cumulatively, these policies and obligations will have a significant impact on development viability and will risk project deliverability, thereby potentially jeopardising the Mayor's strategic objective for growth. The threshold approach to delivering affordable housing under **Policy H6**, the urban greening targets introduced by **Policy G5**, the carbon offset payments required under **Policy S12**, the increased cycle parking provision required under **Policy T5**, amongst others, all have a notable impact on development viability. These obligations, when considered alongside MCIL2, S106 obligations and other development costs, have the potential to severely impact on the viability of a scheme, which could dis-incentivise developers and their funding partners from investing in London. We therefore urge the Mayor to review the obligations placed on developers and consider their impact cumulatively.

In addition to the above, we comment as follows:

- The principles set out in **Policy SD1** 'Opportunity Areas' are strongly supported. Much of Greystar's future pipeline of student and BTR properties is located in such highly accessible locations and we welcome the recognition that these are the most appropriate locations for good growth;
- Support given for cultural uses in **Policy SD4** 'The Central Activities Zone' and, in particular the recognition of London Bridge as one of these cultural centres (paragraph 2.4.9), is also supported;
- The provision of BTR and student accommodation in town centres (**Policy SD6** 'Town Centres') is welcomed. As with Opportunity Areas, Greystar's future pipeline of development is focused in such well-connected town centres for the reasons set out in the policy;
- The spirit of **Policy D2** 'Delivering Good Design' is encouraging. However, whilst there is a level of prescription and detail that is well suited to a strategic plan, we believe it should be for local planning authorities to determine the level of scrutiny appropriate to any given scheme.

- We believe that **Policy D4** ‘Housing Quality and Standards’ is – in the same vein as Policy D2 – also very prescriptive on design standards and not in-keeping with the strategic policy direction of this Plan. Furthermore, there is no appreciation of the different design requirements of different residential types. For example, BTR developments address a different part of the residential market compared to standard ‘for sale’ market or affordable accommodation. They generally include an element or range of shared amenity spaces which are accessible to all residents, in addition to their private space, which could allow efficiencies in certain design standards without decreasing the quality of accommodation but improving density and even affordability in high value areas. As they are fully managed buildings, Greystar also design their BTR buildings with different circulation arrangements to conventional housing – not only does this provide a better layout for both residents and our operational teams to get around the building, but we feel that such layouts also enhance the BTR covenant that is provided to ensure that the homes are provided for long-term rental and management. If this level of detailed policy is maintained in the final Plan, there should at least be a recognition of the different needs and design priorities for different housing types;
- The consideration of tall buildings at **Policy D8**, is welcomed by Greystar. However, given the significant challenge in delivering London’s required housing, it is considered unnecessary for local authorities to be encouraged to prescribe maximum building heights. Instead, it is considered that proposals for tall buildings should be considered on a case by case basis, utilising the detailed application material to assess the appropriateness of any given height;
- **Policy H5** ‘Delivering Affordable Housing’ is broadly welcomed, and largely follows on from the ‘Homes for Londoners’ SPG of August 2017. However, we would like to emphasise a few specific points:
  - BTR development is able to deliver housing to the market at a much quicker rate than standard residential for sale product. On this basis, the BTR sector has the ability to significantly increase the supply of affordable units over the short to medium term.
  - The combination of this contribution and the financial constraints of BTR’s previously recognised ‘distinct economics’ should be recognised through a modified affordable housing target and viability tested threshold. See also our response to Policy H6 below.
  - It should also be noted that even open market BTR units are generally more attainable to people who do not qualify for affordable housing, in the context of not requiring the sort of significant deposits, stamp duty or other transaction costs which access to a ‘for sale’ market home would require;
- **Policy H6** ‘Threshold Approach to Applications’ builds upon Policy H5.
  - We reiterate the suggestion that BTR should be recognised separately and treated differently in terms of the viability threshold to allow a greater number of units to come to market more swiftly.

- Greystar's own experience to date demonstrates that the 35% threshold within the BTR sector is extremely challenging and will be rarely met, if ever. We believe that a lower threshold value for BTR of between 20% and 25% would be appropriate, whilst still providing a financial challenge. Such a threshold would actually enable some of this much needed development to progress under 'fast-track' conditions (bearing in mind that BTR developers are most likely to want to deliver quickly), as well as clearly signalling to local planning authorities that BTR proposals genuinely differ from the conventional 'for sale' model that they are used to. As a result, this would facilitate the provision of more affordable homes, more quickly.
- We request clarity on how any 'fast-track' process would work in practice without the need for a potentially time-consuming viability assessment exercise, given that the calculation of the clawback amount (as described in the SPG) is based on a viability assessment at application stage. It therefore currently seems to us that even reaching a threshold amount of affordable housing within BTR development proposals would not actually allow access to a genuinely 'fast-track' route.
- We believe that BTR has a real part to play in the future re-development of public sector land, whether on its own or as a component of a wider mixed-tenure range of new homes on large sites to create a successful strong, balanced and integrated community. However, we assert that this will not be possible with a target of 50% affordable housing (unless perhaps the land price is distorted downwards), and that the policy should include sufficient flexibility to reflect this.
- Furthermore, there is no recognition in either Policy H5 or H6 of the role that affordable housing credits can play, particularly where the affordable housing can be delivered far in advance of the main scheme coming forward;
- The supporting text to **Policy H7 'Affordable Housing Tenure'** in paragraph 4.7.8 appears to suggest a positive discrimination towards Discount Market Sales (DMS).
  - Household income caps for the DMS products are set at £90,000 pa, whilst Discount Market Rent (DMR) and London Living Rent (LLR) is limited to £60,000 pa.
  - Furthermore, this was varied in the Mayor's Annual Monitoring Report 13 (August 2017) from a common level of £90,000 pa, thereby penalising BTR compared to the 'for sale' sector. This sudden change has had a significant and adverse effect on the confidence of established and potential investors into this sector, as there is no visibility or predictability on how such thresholds may be changed in the future.
  - The change has also had an unfair effect on households with incomes between £60,000 and £90,000 pa, who may have been looking forward to being eligible for the LLR / DMR homes within new BTR developments, but who are now effectively deemed to be too wealthy to qualify for this tenure. As this could relate to, for example, three sharing key workers on

average salaries of just over £20,000 pa each, this does not seem to be equitable to those in housing need. Counter-intuitively perhaps, the income caps as described could actually lead to under-occupation of much needed intermediate rental accommodation.

- Given the benefits noted above about the speed at which BTR units can be brought to market and their relative attainability, it seems unnecessary and counterproductive to set the bar lower for the discounted rental product.
- We have already suggested a compromise which would retain the £60,000 household income cap for 1-bedroom LLR / DMR homes, whilst reverting to a cap of £90,000 for 2-bedroom homes or larger on the basis that it is likely that the combined household income will comprise the income of more than one individual;
- **Policy H12** 'Housing Size Mix' is welcomed as this allows a more market-led approach to the provision of units.
  - As we are investing in and developing BTR communities for successful long-term rental and management, Greystar need to be able to provide units in a mix resulting from market research, which we know will work.
  - Of particular note within the propose policy is Part C, which suggests that Boroughs should not set prescriptive dwelling size mixes for market and intermediate homes.
  - We also strongly welcome the recognition in the supporting text (paragraph 4.12.3) that families can, and do, live in two-bedroom homes. Greystar's strategy is always to provide full-sized bedrooms, so that our two-bedroom homes are designed for occupation by up to four people, rather than only three people.

Having provided commentary above on the general policies of the DNLP, policies specific to Student Housing and BTR – the two product categories that are central to, and a priority for, Greystar – are considered in further detail and under separate sub-headings below.

### **Build-to-Rent (BTR) / Multifamily**

As highlighted above, one of Greystar's primary products is 'Build to Rent' BTR. Therefore, Greystar welcome the early recognition in the DNLP of the contribution that BTR can make to the residential housing market and new supply. Paragraph 1.4.6 specifically mentions and recognises the speed at which BTR models can deliver homes to the market for rent swiftly; a key message which Greystar are delivering in practice and promoting at a local level across London.

- Building upon this paragraph in the DNLP, **Policy H13** 'Build to Rent' seeks to recognise and describe how the BTR model differs from a traditional 'for sale' development scheme, as well as the potential it has in accelerating the delivery of much needed new homes. Furthermore, this

policy begins to recognize the importance of this sector in diversifying occupational tenure and the specific role this has in London, particularly in its appeal to young professionals and young families and integration with wider trends of career patterns, technology and lifestyle choices.

- Whilst the distinction between the benefits of a BTR scheme and a traditional for sale are recognised, **Policy H13** goes on to state that *“where a development meets the criteria set out below [part (B) of the proposed policy], the affordable housing offer can be solely Discounted Market Rent as a genuinely affordable rent, preferably London Living Rent level.”* Again, whilst there is acknowledgement in the policy that a BTR scheme can deliver a different form of affordable housing – which is welcomed by Greystar – it is considered that further flexibility should be allowed for.
- Part (B) of **Policy H13**, lists 10 different criteria that a development must meet in order for it to qualify as a BTR scheme. Greystar – and their multifamily product - satisfy all 10 criteria and therefore support the inclusion of this in the drafted policy.
- With regards to Parts (C), (D) and (E) of **Policy H13**, it is considered that these are too prescriptive and flexibility needs to be added. This is particularly pertinent to Parts (C) and (D) which state that, where a scheme doesn’t deliver the prescribed 35% affordable housing (30% of which is to be at London Living Rent level), the scheme shall be considered under the regulations set out in **Policy H6**, which is for traditional build to sale schemes. As reiterated from the ‘Overall Remarks’ earlier in this submission, BTR should be recognised separately and treated differently in terms of the viability threshold to allow a greater number of units to come to the occupational market more swiftly.
- In addition to the wording of **Policy H13** itself, we welcome and wholly support paragraph 4.13.1 which states that *“the planning system should take a positive approach to the Build to Rent sector”*. Greystar hope that this will start to encourage local authorities to accept BTR schemes and specific BTR policies at a local level will be included within new Local Plans. A recent report suggests that half of Greater London’s local authorities do not yet reference Build to Rent in their adopted or emerging planning policies, with only 30 per cent currently taking a clear position on the sector. Greystar are keen to work with the Mayor’s office to accelerate the culture change that is required to bring the benefits of BTR within the housing choices for all Londoners, through collaborating in communications and education as may be deemed appropriate.
- However, whilst there is support for paragraphs 4.13.1 and 4.13.2, there are concerns with supporting paragraphs 4.13.3 and 4.13.4 as it is considered that elements of these are again too prescriptive in what is to be delivered.



## Student Housing

The recognition that the role student housing makes to the residential sector, as set out in paragraph 4.1.1, is welcomed.

- The recognition of the local and strategic need for student housing identified in **Policy H17** 'Purpose-Built Student Accommodation' (PBSA), is strongly welcomed by Greystar. However, the need for Point A(2) within the policy is questionable given that the land-use for student accommodation is Sui Generis and will be secured within any given planning permission through the description of development, and associated application documentation that is approved.
- Linked to this, Point A(3) is considered to be unnecessarily restrictive where it requires student accommodation to be occupied by students from specified higher education institutions. Greystar's student lettings via specific institutions currently accounts for approximately a quarter of our total in London but, by limiting the accommodation students can access to certain developments in certain places, the market will be unnecessarily skewed.
- Furthermore, there is relatively little PBSA in London and therefore much of the student accommodation is substandard conversions of existing stock, often at the expense of family dwellings.
- To limit PBSA to certain institutions, it is considered that this will not alleviate this issue and could in fact increase the problem in certain geographical areas. Furthermore, the higher education system is dynamic, constantly changing and is moving away from the historic focus on a smaller number of larger institutions. The proliferation of smaller institutions is growing swiftly, and these organisations will not have access to the residential capacity or financial ability to link to a PBSA development. As a result, this could severely restrict the number of students from smaller institutions living in PBSA, putting even more pressure on the residential housing market.
- With regard to Point A(4) of **Policy H17**, there are concerns with regard to this requirement and particularly the link to government policy on grants. PBSA developments are undertaken in a market context with all the associated costs of development. Any discounted rate should be considered against the market, not against government policy on grants (which could change). Furthermore, requiring affordable student accommodation will inevitably force up the cost of the market product which will make the units less affordable more generally.
- Greystar remain concerned that the combination of Points A(3) and A(4) of **Policy H17** will serve to constrain future opportunities for PBSA and for the affordability of the market units within PBSA. Where the pipeline of units is constrained, and the units coming forward are artificially costly, the result is surely to be increased pressure on the wider London housing market.

- A further concern relates to supporting paragraph 4.17.4. This paragraph notes that where a scheme is not linked to a higher education institute, it will be treated in accordance with **Policy H18** 'Large-Scale Purpose Built Shared Living'. Greystar believe that a scheme must be able to be approved as student accommodation without a nominations agreement, but **Policy H18** is not currently drafted to allow for such an occurrence. Equally, the affordable housing requirement that such schemes are subject to is far in excess of those in **Policy H17** and would thus further reduce the likelihood of PBSA schemes coming forward.
- With regard to supporting text paragraph 4.17.13, it is suggested that the link to conventional Use Class C3 affordable housing is removed entirely. Allowing such a link will again reduce the affordability of the PBSA units brought to the market and reduce accessibility to a wider group of students. Furthermore, it will also serve to dis-incentivize PBSA developers from bringing forward much need student accommodation to relieve the strain on the housing market.
- Lastly, we note that Policy T5 'Cycling' and associated Table 10.2 sets minimum cycle parking standards. These suggest student accommodation should be provided with one cycle space per studio i.e. 1 space per bed. This level of cycle parking is far in excess of what is needed, used or is reasonable to provide. As evidence for this view, Greystar currently operate over 4,500 bed spaces in TfL Zones 1 and 2 (the remainder of our portfolio is in active development). In the 2017-18 academic year, we note there are currently 118 bikes stored throughout this portfolio. There is cycle parking capacity for 646 cycles and so this equates to a usage level of less than 20% overall, or 0.14 spaces per bed in the portfolio.
- The policy requirement in Policy T5 would therefore be to increase this ratio by ten-fold. In Greystar's experience there is no evidential basis for this substantial increase in provision and this should be revised downwards, particularly where operators promote specific cycle-hire schemes within their communities or where PBSA is located within easy reach of wider community cycle hire schemes. If the currently prescribed level of provision is not amended, it is considered that this requirement would be a further burden on development and at the detriment to the delivery of providing PBSA.

## Summary

We trust that our representations will be fully considered and taken into account as the preparation of the Draft New London Plan continues. We would welcome the opportunity to discuss these representations with you and look forward to doing so in due course. If you require any clarification on any matters, or wish to discuss our representations further, please do not hesitate to contact James Pargeter, Projects Director, of this office.

Yours sincerely,