RESEARCH

APRIL 2025

Encouraging Institutional Investment into UK Residential: A Discussion Paper

COMMISSIONED BY THE IPF RESEARCH PROGRAMME

This research was funded and commissioned through the IPF Research Programme 2022–2025.

This Programme supports the IPF's wider goals of enhancing the understanding and efficiency of property as an investment. The initiative provides the UK property investment market with the ability to deliver substantial, objective and high-quality analysis on a structured basis. It encourages the whole industry to engage with other financial markets, the wider business community and government on a range of complementary issues.

The Programme is funded by a cross-section of businesses, representing key market participants. The IPF gratefully acknowledges the support of these contributing organisations:

FOREWORD

In October 2024, the Prime Minister, Keir Starmer, pledged to, " ..get Britain building" (King's Speech), starting with 1.5m new homes across the country within five years. The Government has also shown interest in understanding how institutional investment can play a larger role in stimulating housing supply.

The IPF's interest in the challenge of securing large-scale institutional residential investment aligns with the organisation's mission to enhance the understanding and efficiency of property as an investment, including public, private, debt, equity and derivatives, for the benefit of our members and other interested parties, including Government.

When the IPF was established in 1988, the principal property investment sectors of interest to investors were retail, office and industrial/warehousing. Over the last 15 years, institutional investors have widened their perspective as to which are appropriate assets to sit within their portfolio. There has been a clear shift towards operational assets, a significant share of which are residential. This trend has been captured in the IPF's 'Residential investor intentions surveys' carried out every year from 2012 (triggered by the need to provide evidence to the Montague Review) to 2020.

There is a gradually increasing scale of institutional investment in the newbuild residential sector, but the contribution to the total residential stock by institutional investors is still extremely small, being only £109bn out of an estimated value of nearly £8.3tn.[1] However, institutional investment into the residential rental sector is growing in significance, accounting for over 5% of all new additions to the housing stock in England and Wales between 2018 to 2022.[2] Nevertheless, to make any significant contribution to the delivery of 1.5m new homes over a five-year term will require institutions, for example, to increase annual additional investment in the sector by two or three-fold.

At the end of November, the IPF decided to invite many of the leading participants in the UK institutional residential sector to a roundtable discussion as to how a faster pace of investment in the residential; sector could be achieved. I am delighted to present this paper, which outlines the key areas of discussion during the session.

Ben Denton

Chief Executive, Legal & General Affordable Homes, Chair of the roundtable and Chair of the IPF Residential Investment Special Interest Group.

[1] Source: The Size and Structure of the UK Property Market: End-2023 Update, Investment Property Forum, February 2025.
[2] Source: Savills, British Property Federation, Molior, Department for Levelling Up, Housing and Communities, StatsWales.

ACKNOWLEDGEMENTS

The IPF wishes to thank the following participants in a round table debate that took place on 25 November 2024 whose discussions formed the basis of this paper:

Ben Denton, *Legal & General Affordable Homes - Chair*

Andrew Allen, *Savills Investment Management*

Liam Galvin, *Edmund De Rothschild*

Guy Glover, *Columbia Threadneedle Investments*

Alex Greaves, *M&G Real Estate*

Richard Jackson, *From Now On*

Mike Keaveney, *Grainger plc*

Jurrien de Koning, *Hines*

Rob Martin, *Legal & General Investment Management Real Assets*

Sean Moran, *Aviva Investors*

David Peacock, *Heimstaden*

Guy Powdrill, *Delancey*

James Saunders, *Quintain Ltd*

Andrew Saunderson, *CBRE*

Andrew Smith, *Hearthstone Investments*

Harry Swales, *Dorrington*

Adam Tutka, *Thriving Investments*

Jean-Marc Vandevivere, *Platform_*

James Whidborne, *Edmund De Rothschild*

Ian Wilson, *Knight Frank Investment Management*

Thanks also to the other members of the IPF Residential Investment Special Interest Group for their comments during preparations for the roundtable and on the draft report of the event. Last, but not least, thanks to Rachel Portlock, IPF Research Consultant, and Sue Forster, IPF Chief Executive, for organising the event, documenting the discussions and writing this report.

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1. INTRODUCTION

The new UK government has set a target of 300,000 new homes to be built in England each year during the life of this parliament. It has also shown increased interest in understanding the role that institutional funding can play in stimulating more housing supply. At present only 1.3% of housing in the UK is owned by institutions, although in recent years these investors have provided over 5% of all new additions to the housing stock in England and Wales.[3]

1.1 The scale of the challenge

The scale of the challenge is clear. Over the last 10 years (2014-24), an average of 157,600 homes were completed per year, which, compared to the Government target, is a shortfall of just under 140,000 homes annually.[4]

In terms of affordable housing, 90,000 homes are required on an annual basis over a 10-year period to tackle the crisis around social housing and homelessness.[5] Provision is falling behind. Although the second highest output since 2014-15, it was reported that just over 62,000 affordable homes were delivered in England in 2023-24, slightly down from the previous year.[6]

Large parts of the traditional social housing sector have very limited capital to invest in new social and affordable housing, as every part of their business model is under pressure through rising costs, historic rent caps (meaning rents not keeping pace with inflation) and the need to future-proof their aging portfolio to meet the new regulatory and environmental requirements. Attendees at the roundtable commented that there is an estimated £20-£30bn annual shortfall in investment to support delivery at the scale this Government has set as a target. If not met, the impact will be across all housing delivery targets, as current planning rules generally require affordable units to be provided ahead of private units in a scheme.

1.2 Institutional investment – current environment

The roundtable participants highlighted the current challenges to a significant uplift in institutional investment in residential:

- **The cost of capital/level of interest rates:** Current interest rates are too high to be accretive to investment and represent a substantial risk to those using debt funding for residential development. It means that many investors invest without debt, which reduces the amount of capital available for new investments. It should be noted that most, if not all, other jurisdictions currently benefit from debt that is accretive to investment returns and are therefore more attractive destinations for investors than the UK.
- **A shortage of new capital being allocated by institutional investors:** The shortfall is to all real estate sectors, not just residential. For most investors, they have allocated sufficient funds to real estate so the strategies for current allocations tend to favour newer assets classes, such as infrastructure or private credit.
- **The UK's image:** The conduct of the previous Government, combined with Brexit, was a major issue for non-UK investors, many of whom have decided to stay away from the UK real estate market until they could see more stability.

[3] Source: Savills, British Property Federation, Molior, Department for Levelling Up, Housing and Communities, StatsWales.
[4] Table LT213 MHCLG live tables
[5] Source: 'Brick by Brick, A Plan To Deliver The Social Homes We Need', Shelter, July 2024.
[6] Source: 'Affordable housing supply in England: 2023 to 2024 - GOV.UK', sourced in January 2025.

1. INTRODUCTION

- **Political & regulatory stability:** Investors dislike volatility and uncertainty in government policies and regulations. The Government could do much to both signal and then provide a consistent and stable environment, and again, many investors have refrained from investing in the UK real estate market until they could see regulatory and political stability.

In November 2024, the IPF invited senior industry professionals (listed at the end of this report) involved in the UK residential market to debate the issues facing sector. The discussion focused on three main topics:

- How can institutional investment flows be increased?
- How can the physical delivery of UK homes be increased in significant quantity?
- How can the Government help support increased investment flows?

This report is a summary of the discussion, which was held under the Chatham House Rule, so represents an aggregation of views with no comments attributable to individual participants.

2. HOW CAN INSTITUTIONAL INVESTMENT FLOWS BE INCREASED?

2.1 Improve viability

For investors seeking to access the UK residential market, the principal challenges are relatively low income returns, coupled with the viability of development in the current climate.

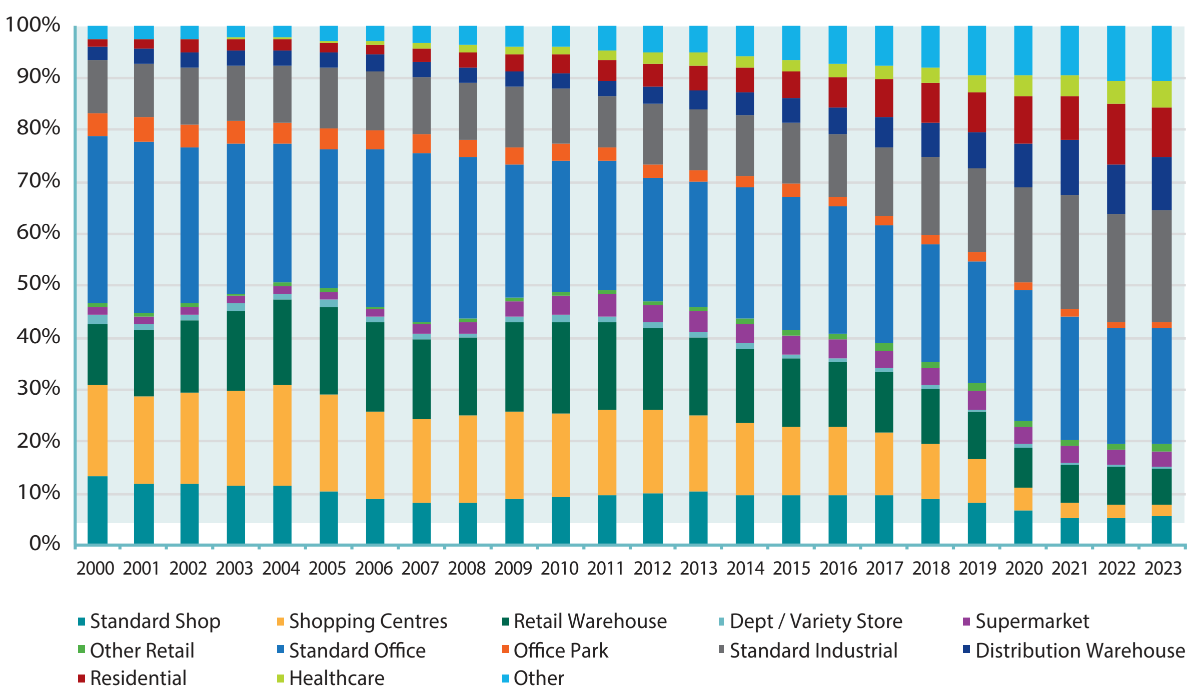
In terms of the latter, the shortage of existing residential institutional-quality investment stock means that investors are having to forward fund development to acquire the assets they require. With interest rates at their current level and rising building costs, viability is a challenge, particularly for those investors using debt. As many investors in the sector are not restricted to the UK market, and there is a shortage of residential accommodation in many countries, international investors have a lot of choice as to global location. Understandably, they are attracted to development projects in other jurisdictions where the debt finance is accretive.

Not only does the cost of debt need to fall per se, there also needs to be more confidence in the stability of the market. The Government is obviously key to providing this. Additionally, a strong message from Government that it understands the challenges, is actively supportive of the sector and recognises the need to have flexible approaches to planning to enable viability would be helpful.

2.2 Differentiate the sector from other real estate sectors

Before the 1970s, the residential formed a significant element of some institutional investors' real estate portfolios, particularly those of insurance companies. However, increased regulation in the 1960s and 1970s, culminating in the 1977 Rent Act, inhibited exposure to the sector. As shown in Figure 2.1, few real estate portfolios included residential until the 2000s, as this was seen as an entirely separate market to the retail, office and industrial/warehouse markets, which formed most of real estate portfolios. These commercial sectors were occupied by businesses and subject to regulations such as the Landlord & Tenant Act 1954.

Figure 2.1: UK Annual Property Index – sector breakdown



Source: MSCI.

2. HOW CAN INSTITUTIONAL INVESTMENT FLOWS BE INCREASED?

It has taken a consider length of time for residential to reestablish itself as an investment sector of substance, although levels still trail those of many overseas markets. For example, residential makes up nearly 60% of the Dutch domestic real estate index and almost 50% of the Swiss index.[7] UK allocations have increased (see Figure 2.1) and are viewed as part of relatively mature real estate portfolios owned by many UK institutional investors. Their infrastructure and private credit portfolios are less mature by comparison and, therefore, attract the greater share of a fresh allocations of funds.

Given the potential of institutional residential investment to form the core of new placemaking and social value investment, there is a strong argument for rebranding these assets as 'social infrastructure' and putting them on a par with other infrastructure investment opportunities; this would help attract a greater proportion of those fresh allocations.

2.3 Attract new sources of capital

The institutionalised large-scale residential investment sector is still undersized in the UK, compared to other real estate sectors, making it difficult to attract global capital. Operationally, holdings must be a large size to facilitate management of the assets efficiently – one participant quantified this as at least 10,000 units. Consolidation seems inevitable to bring down costs and deliver economies of scale. Enabling more organisations to reach more than 10,000 homes and the formation of developer organisations, which are growing at scale, would all help to increase the rate of growth of institutional investment into the sector.

While residential investments are delivering real income growth, so could be compared to index linked gilts rather than nominal gilts, there is a restricted amount of UK-based funding. Private defined benefit (DB) pension schemes are largely closed and the insurers running defined contribution (DC) schemes are not in the same position to take the risks (development or otherwise) that the DB pension providers were.

Investment by Local Government Pension Schemes (LGPSs) into UK residential at scale would be a clear sign of validation and help attract overseas institutional capital. To date, LGPS investors have tended to allocate relatively small commitments to several investment vehicles. Investing into residential benefits from scale, given the intense operational requirements, hence LGPSs would be better investing more capital into a small selection of vehicles. The recent push on the pooling of LGPS portfolios should be positive in this regard.

One suggestion of a new source of capital is a product that invests in the UK housing market for retail investors; this could be structured as a long-term asset fund (LTAF). Given the end investor type, it would focus on completed projects and not take on the risks of development. It is unlikely to plug the gap in funding but could make a significant contribution.

In addition to the above examples, there were general comments about the fitness of current structures and fee models for attracting new large-scale investment. For example, it was felt that some quoted companies focussed on residential property business should not be trading below the value of their assets. It is appreciated that some of the discount to value to due to discounts in the wider REIT market but there were examples quoted where UK tax structuring had 'spooked' foreign investors.

[7] MSCI Annual European Property Index

2. HOW CAN INSTITUTIONAL INVESTMENT FLOWS BE INCREASED?

2.4 Improve the planning system

Addressing the issues of time taken to get through the planning process and the uncertainty in planning outcomes are seen as crucial in achieving new large-scale residential development. The industry is looking for consistency, clarification and speed from the planning environment.

There needs to be a presumption in favour of granting consent and simplification of the consents granted. By way of example, one participant mentioned that Hammersmith and Fulham Council has rejected 32 out of 34 permitted development rights (PDR) schemes for conversion of redundant office buildings over the last year on what were felt to be spurious reasons. This is against Central Government stated ambitions, with PDR meaning there is a presumption that if the application meets requirements, it will be granted. Government should be joined up centrally and locally to reduce the uncertainty for developers and their investors.

The other key challenge is the noticeable increase of the planning process timeline, which several participants commented on. The uncertainty and delays of the planning system are a major disincentive to many potential investors, particularly those from outside the UK. For those in the UK, it means that the pipeline of projects being pursued at any time to deliver new housing has to be greater than could be built at any point, given the bureaucratic processes that limit the number of consented schemes. This increases both the cost and resources required unneccessarily

2.5 Address Building Safety Act delays

The group highlighted the impact of the Building Safety Act (BSA) 2022's Gateway regime, which is a series of stages that higher-risk buildings, being at least 18 metres high or having at least seven storeys (HRBs), must pass through to be constructed, completed, and occupied. Gateway 1 of the BSA is the planning application stage. Gateway 2 requires the developer of the project to obtain building control approval from the Building Safety Regulator (BSR) prior to commencing development work.

The intention is that the design is significantly developed at that stage and that safety has been fully considered. However, there are often changes made to designs during the construction phase and Gateway 2 means adding 8-10 weeks for the design to be frozen before submission, followed by a further 12 weeks of waiting time for a decision, which in practice is around 20 weeks. Concern was expressed that 40% of schemes are being rejected at 11 weeks due to minor issues, e.g. typing errors in the paperwork. The net result of the BSA is that currently it can take an additional 7-8 months to build a scheme, which has serious impacts on certainty of delivery, the cost of financing the delays and the overall attraction of the UK as a residential investment market.

2.6 Provide a stable investment environment

Brexit, the impact of the Liz Truss mini budget and other disruption in government, diminished the perception of the UK as an investment destination. Foreign investors have been shocked by the political and economic instability within the UK over the past 7-8 years and transferred their investment focus to Asia, the USA and Continental Europe. As a Middle Eastern investor put it to one of the contributors, "The UK government has spent the last eight years shooting itself in the head" and a Dutch investor commented to another contributor that, "the UK is a second-tier market".

2. HOW CAN INSTITUTIONAL INVESTMENT FLOWS BE INCREASED?

However, the UK has always been globally appealing in terms of commercial real estate, given factors such as its transparency and strong legal system. Globally, it has the third largest real estate market in terms of market size (after US and China) and is the largest real estate market in Europe.[8] It was suggested that there is no reason why this should be any different for residential. The consensus of the roundtable attendees is that the UK has reached the bottom of the investment cycle, and the market is starting to see inflows of capital. There is an opportunity to capture investment from overseas, given the growing level of political upheaval outside the UK (France and Germany in particular), but only if the political, economic and policy environment here is perceived to be stable. Delivery of this scenario should lead to a fall in interest rates and a repricing, making the sector more attractive compared to bonds.

Investors hate uncertainty and capital will be allocated to those jurisdictions that provide the best returns with the least potential volatility.

2.7 Provide regulatory stability

The roundtable contributors highlighted several recent changes that had led investors to question the consistency of the Government's thinking if it is really seeking to increase supply. These changes include:

- **The Renters (Reform) Bill:** Concern was expressed about the tenants' right to contest any rental increases. There is no provision to fast-track these challenges through the courts, so they are likely to take at least 18 months to be determined. As any increase in rent is not backdated, there is every incentive for tenants to dispute them. If investors cannot be assured of rental growth, the sector will become unattractive for future development.
- **Changes to Stamp Duty Land Tax (SDLT):** The abolition of Multiple Dwellings Relief (MDR) for SDLT from 1 June 2024 had a downward impact on existing residential investment valuations and detrimentally affected the viability of development schemes. The imposition in the recent Budget of a further increase from 2% to 3% in the SDLT surcharge applicable to non-UK residents, was not considered to send a "helpful message" to would-be foreign investors. This was particularly destabilising as there had been no consultation on this prior to the change and its removal was viewed as, "a sledgehammer to crack a nut", compromising significant large scale, institutional development, rather than focusing on the small-scale abuse on individual residential properties that it was intended to address.
- **Second staircases:** In March 2024, the Government published amendments to Approved Document B, which clarifies that, from 30 September 2026, all residential buildings over 18 metres high must have two staircases. The original consultation of second staircases was based on buildings of 30 metres and above. Delays in technical guidance and viability issues - the additional costs and reduction in the number of housing units - to provide two staircases have led to development schemes being put on hold with the risk of permanently rendering those schemes unviable. This has been further exacerbated by the surprise inclusion of the requirement to include an evacuation lift with the second staircase in the Building Safety Regulations (BS9991:2024), released in November 2024. This is in contradiction to earlier regulation and will cause further delays in housing delivery until clarification is provided.
- **Building Safety Act (BSA):** The details of this are outlined in 2.5 above. The consensus was that the provisions under the Act were proving, "Unworkable and poorly structured". One contributor said, "With regard to Gateway 2 and 3 applications, one is dealing with a faceless organisation that hides behind a call centre. There is a lack of accountability. Without extra staffing and more openness, these provisions will be responsible for tens of thousands of units not reaching market on time. This will have an impact on financing and operational costs and affect developer confidence to build and investor confidence to lend".

[8] Source: 'Real Estate Market Size', MSCI, July 2024.

3. HOW CAN THE PHYSICAL DELIVERY OF UK HOMES BE INCREASED IN SIGNIFICANT QUANTITY?

The group recognised the need for a massive increase in the delivery of housing units in the UK. It identified several key issues that are holding back the ability to scale-up, as discussed below.

3.1 Planning

There is no planning use class for purpose-built housing for rent. The need for this has been debated over the last 10 years as more institutional investors have become invested in the market. We have not reached the point yet where standing residential assets are being traded frequently, as happens in the other real estate sectors. This being the case, investors have traditionally wanted to have the comfort of dual exit strategies, allowing them to sell as an investment or sell individual units to individual owners.

The group considered what lessons could be learnt from the purpose-built student accommodation (PSBA) sector, which gained momentum in the UK much earlier than the BtR residential sector and now has a market value of some £45bn.[9] Standing PSBA assets trade at scale and development within this sector continues to attract investment, despite the assets having no immediate alternative use.

If introduced, a dedicated use class would enable parts of large sites to be separately mandated in local plans for market and affordable rented housing, which also needs a separate planning use class, alongside residential units for sale. This level of finessing in terms of tenure is not possible under the current planning regime.

3.2 Securing land

A number of problems with securing sites for development were identified, as follows;

- **Greenfield sites:** The group pointed to the lack of intermediaries sorting out the planning and infrastructure to develop these sites at scale over a relatively short period of time. This is a different approach to that of the traditional housebuilders who develop units at a slower rate in line with achievable sales. The roundtable participants wondered if there was potential for a body such as Homes England to facilitate this service.
- **Green Belt land:** Any landowners, including farmers, with holdings close to urban areas have little incentive to be proactive.
- **Urban land:** The UK needs to increase the amount of high-density housing in cities to meet net zero carbon targets and housing demand. One contributor said that developing in urban areas is extremely challenging - his organisation has to secure twice as many sites than required to deliver a certain number of units per year because of the time required to sort out planning and infrastructure issues. In addition, the subsidy required for high-density affordable housing is twice that for single family in less built-up areas.
- **Competition with housebuilders:** Interest in single family rented accommodation is growing amongst large-scale investors, not least because of increasing occupier demand from those who do not view renting as a transitory state, coupled with recent regulation around tall residential buildings. Traditionally, such housing is built for sale by housebuilders. As ‘for sale’ is more profitable than ‘for rent’ to housebuilders, this underlines the need for a new delivery model for rented housing.

[9] Source: ‘The Size and Structure of the UK Property Market: End-2023 Update’, IPF, January 2025.

3. HOW CAN THE PHYSICAL DELIVERY OF UK HOMES BE INCREASED IN SIGNIFICANT QUANTITY?INTRODUCTION

3.3 Lack of construction capacity and need for modern methods of construction

The reduced capacity in the construction market is a major hurdle for scaling up housing delivery. This problem is due to several factors including:

- **Skills shortage:** As a result of several factors including fewer apprentices going into the building industries, the aging profile of skilled workers in the sector and restrictions on skilled workers from outside the UK due to Brexit and immigration policy.[10]
- **Constraints in the supply chain:** Supply chain issues because of the Covid pandemic have not been fully resolved and costs have risen significantly for raw materials, manufacturing and transportation.
- **More public spending:** There is more competition for materials and resources from the public sector because of increased expenditure on infrastructure, education and healthcare.
- **Competing global projects:** Major global development projects attracting UK workers who would otherwise be available for domestic projects.

In addition to addressing these issues, the residential construction industry as a whole needs to take a fresh look at modern methods of construction (MMC) and digital technology if it is to meet the challenge of building 1.5m new residential units. MMC has had a 'bad press' in the UK but has been successful elsewhere. The success of MMC relies on sufficient and regular demand to be able to tap into economies of scale and timesaving. Members of the group suggested that Homes England / Government should investigate how sufficient orders could be guaranteed to facilitate a re-launch of MMC operations in the UK.

[10] The Construction Products Association Autumn 2024 forecasts highlighted that UK construction is set to lose over 500,000 workers, over a quarter of the workforce, within 10-15 years due to the ageing workforce.

4. HOW CAN THE GOVERNMENT HELP SUPPORT INCREASED INVESTMENT FLOWS?

Institutional capital is inherently responsible and long term and is making a positive investment in UK housing. Participants felt the Government can be a catalyst for funding if it creates suitable conditions and this additional investment will be potentially substantial and sustainable. The recommendations outlined below were discussed at the roundtable and during follow-up correspondence.

4.1 Multiple Dwelling Relief

Multiple Dwelling Relief (MDR) was introduced in 2011 with the key aim to increase rental stock by providing relief from SDLT for purchases of multiple residential properties in one single transaction or in a series of linked transactions. MDR allowed SDLT to be calculated based on the average value of the properties bought, rather than the total value of the transaction. This reduces the overall SDLT so that it is closer to what it would have been if all the properties had been acquired separately.

In the 2024 Spring Budget, it was announced by the then Conservative Government that the relief would be abolished from 1 June 2024, citing a lack of evidence that MDR was encouraging investment into the private sector.

It is important to note that there is a disproportionate impact of the removal of the MDR on delivery of homes in towns and cities outside London and the South East. One contributor highlighted the difference between Sheffield and London. In the case of Sheffield, where the average apartment value is £250k, the MDR change alone eliminated the full £2.2m land value and more, rendering the site unviable (See Table 4.1). In the London example, where the average apartment value was £500k, there would be a similar reduction in land value of £2.5m but this represents only a 14% reduction in the appraised land value of £17.5m – a shift in value that is more likely to be accommodated by the seller.

Table 4.1: Impact of removal of MDR on Sheffield and London

Locations	Number of units	GDV per dwelling	Purchaser's SDLT with MDR	Purchaser's SDLT without MDR	Increase in Purchaser's SDLT (Reduction in value to developer)	Movement in Project Profit on Cost	Impact on land value
London	350	£500,000	£5.3m	£8.7m	£3.4m	-2.2%	-14%
Sheffield	350	£250,000	£0.9m	£4.2m	£3.3m	-4.4%	-100%

Source: Roundtable attendee

Members of the group would like to see the reintroduction of MDR to encourage institutional investment into large-scale properties. Charging an institutional investor a higher SDLT percentage on a purchase of multiple properties than someone buying a single property was questioned. It was felt that the Government should encourage bulk purchase and one attendee commented that, "if anything, the SDLT should be reduced for bulk purchase to encourage institutional investors to buy in bulk and invest more into the UK residential real estate sector".

4. HOW CAN THE GOVERNMENT HELP SUPPORT INCREASED INVESTMENT FLOWS?

4.2 Provision of guarantees / co-investment

There was strong feeling expressed by roundtable participants that the Government ought to be invested in the residential sector as the lack of housing in the UK is a national problem. There should be particular focus on supporting the delivery of affordable housing.

This support could be achieved by a number of options:

- **Guarantees:** The provision of guarantees by the Government would assist in the reduction of the cost of debt to support the funding of investment. A preference for this, compared to the provision of co-investment, was muted.
- **Expansion of the PRS Guarantee scheme:** This should focus on the development-to-stabilisation phase, rather than on completed assets.

  Affordable construction finance remains scarce for smaller SME housebuilders and developers. This limits the viability of smaller projects, reducing overall housing delivery. A 2022 report published by the House of Lords Built Environment Committee, on meeting housing demand, noted that SME builders produced 39% of new homes in 1988. By 2022 they are building no more than 10%.[11] Restricted access to finance and land were key barriers. Expansion of the PRS Guarantee Scheme to construction finance could address this market gap.

  The addition of a five-to-seven-year composite construction, stabilisation and investment loan, with corresponding margin step-downs to the PRS Guarantee Scheme offer, would be welcomed. This kind of product is rarely available currently, except at low leverage levels that hinder viability. Access to such financing would improve project viability by reducing financing costs over the traditional five-year develop-to-stabilisation hold period and enhance investor confidence with the elimination of post-construction refinancing risk.

- **Public private partnerships:** These are not always well understood by the public sector. However, there are examples of where they have worked well in commercial real estate. The successful regeneration of Liverpool city centre was the result of the public private partnership between Liverpool City Council and Grosvenor.
- **Absorb some development risk:** Homes England (or other public sector bodies such as the Combined Authorities) could absorb some development risk on development projects, which is discouraging some institutional investors, by investing high up in the capital stack (via subordinate equity). This should begin to deliver more attractive risk-adjusted returns. Such an investment does not need to be structured as 'grant' funding but this capital can attract profit participation to compensate for the additional risk taking.

[11] Source: 'Meeting Housing Demand', House of Lords Built Environment Committee, January 2022.

4. HOW CAN THE GOVERNMENT HELP SUPPORT INCREASED INVESTMENT FLOWS?

4.3 Improved planning process

To simplify and shorten the planning process, the following were highlighted:

- **New planning use class:** Some participants suggested a new use class for multifamily build-to-rent (BtR) residential could be introduced and might be of benefit for reasons outlined earlier in paper. However, it was also noted that it is important for investors that the option to break up a BtR asset and sell units on the open market to owner occupiers is maintained and not lost through a use class designation. There is precedent for this flexibility in other European jurisdictions and in the UK, under certain circumstances, it is permissible to sell affordable housing. The point is also that these homes are not lost from the total housing stock.

- **Simplify BSA and Gateway regimes:** The Building Safety Regulator was established as part of the BSA 2022 to: regulate higher-risk buildings; raise safety standards of all buildings; and to help professionals in design, construction, and building control.

  The more stringent requirements of the BSA 2022's Gateway regimes are impacting the delivery of high-rise BtR, as the regulator is currently understaffed and overwhelmed and therefore is not meeting its agreed review timelines for Gateways. It is requested that the Government increase relevant resources; one attendee commented that, "triple the amount of resources is required". Without this, the timely delivery of new buildings will be severely impacted and future investment into the sector will be discouraged.

4.4 Building Safety Levy

The Building Safety Levy introduces further financial challenges for developers by increasing overall project costs and reducing viability. With levy rates based on local land and property prices, this is likely to discourage investment in the areas where housing affordability is already challenged. Many developments are already operating on marginal viability so this is likely to make more schemes unviable.

4. HOW CAN THE GOVERNMENT HELP SUPPORT INCREASED INVESTMENT FLOWS?

4.5 Renters (Reform) Bill review

Establishing a regime where tenants have rights that are practical to enforce and do not incentivise tenants to challenge fair market rents will be key to maintaining long-term, responsible investment in rental housing from the institutions.

An adjustment of the Bill to recognise its impact on BtR is requested, especially in the areas of minimum terms (six months), court reform and backdating of unsuccessful rent increase appeals.

Suggestions put forward by the participants were:

- do not extend the claim possession timeline;
- continue to allow fixed annual increases;
- if there is a right to appeal, ensure it is not a free process and rent is back-dated to the initial review date;
- introduce a nominal fee for referring a rent increase to the tribunal;
- the opportunity for rents to be moved up as well as down by the tribunal; and
- do not prevent tenants from paying rents upfront (up to a full year), as this would allow foreign tenants and students moving to the UK to find accommodation without referencing issues.

4.6 Expanding the offer for Discounted Market Rent

Discounted Market Rent (DMR) is a type of affordable housing for the rental market. It allows build-to-rent residential owners to offer homes to rent at a large discount to the market price. DMR properties are typically rented at a level at least 20% below local market rents. They are an essential part of the housing solution offering the ability for residents who are unlikely to ever qualify for social rent (and would permanently be on the councils' waiting list) and cannot qualify for shared ownership, to be housed in professionally managed BtR stock providing security of tenure, energy efficient housing at an affordable price point. The offer is usually tenure blind and is entirely fundable by private sector although a greater proportion of DMR units could be accommodated with greater Government support. Typically, the price point and need are focused on the 'keyworker' (including essential NHS employees, across varying salary bands, and teachers).

It is suggested that the Government supports this sector via greater promotion within the planning framework as a long-term alternative tenure. Additionally, the provision of funding to facilitate greater DMR offers, including 100% DMR, would escalate delivery at scale, although it is likely to take funding from the affordable housing 'pot'. Government grant rates could be lower than the traditional affordable offerings and target a cohort who fall between other alternative offerings but where there is a compelling need.

There are variations on the theme of DMR, including Flexrent, which can be used as a live and ongoing viability assessment, enabling additional DMR units to be created over time. This can balance the needs of the local authority for new housing provision, whilst not impacting viability for a developer.

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