

Building For Generations

The BPF manifesto for Unlocking Investment into Housing

The British Property Federation is the voice of the UK property sector. Our industry helps power the economy, adding more than £137.5bn a year, or 7% of Gross Value Added. We support one out of 12 jobs across the country and pay more than £7bn in direct taxes each year, contributing another £7bn indirectly to local communities through the planning system.

Building for Generations: Unlocking Investment into Housing is the BPF's residential manifesto for the 2024 general election, setting out the ambitions of the sector, and the policies required to achieve them.

Introduction

Housing is essential to the UK's economic and social prosperity. The need for more homes is well-recognised across the political spectrum.

Homes for private sale form the core of the housing market, but this sector has historically not built at the scale required. This will only be achieved through unlocking funding from a wide variety of sources, building homes of different tenures to meet diverse housing needs.

Pensions funds are a key source of new capital for delivering homes. They are already funding genuinely affordable social homes, student housing, homes for long-term private rent and older people's housing. More than this, however, they are building the places and communities that turn houses into homes.

Our offer to the next Government is to deliver a step change in output of homes across these tenures, in turn, generating the social value created by high quality homes built for the long term. This manifesto sets out a range of recommendations for four housing models. Their adoption will provide long-term confidence to investors, driving the delivery of more:

- ✔ Affordable housing;
- ✔ Purpose-built student accommodation (**PBSA**);
- ✔ High-quality build-to-rent (**BtR**) homes; and
- ✔ Fit-for-purpose homes for older people.

Increased delivery of the above would in turn release existing homes back into the for-sale and rental market and so is genuinely additional new supply. The proposals that follow will enable the industry to thus play a fuller part in addressing the UK's housing crisis.



1. Affordable Housing

Our offer

There is an overwhelming need for more affordable housing. In England, approximately 4.2 million people, including 1.3 million children, need affordable homes. Overcrowding is a significant issue, affecting nearly 3.7 million people, with an additional 1.2 million on council waiting lists and associated costs of almost £2bn per year on temporary accommodation.

A significant increase in affordable housing should be a priority for the next Government. The entrance of institutional investment into the UK's affordable housing sector can enable a step change in overall supply.

What investors offer

- ✔ Addressing the affordable housing shortage requires institutional investors who can provide £10bn of equity.

Why they are needed

- ✔ Housing associations are nearing borrowing limits, hindering their ability to secure more funds. They also struggle to raise equity due to their not-for-profit structure, and prioritising existing housing maintenance. Government funding for affordable housing has decreased leaving a significant capital grant shortfall.

The solution

- ✔ Legislative changes have opened doors for For-Profit Registered Providers to own affordable housing, attracting interest from institutional investors who value the long-term stability and social purpose behind the investment. Investors are offering a range of affordable housing types from social and affordable rent to shared ownership.
- ✔ Government support is crucial to maintain regulatory standards and provide assurance for investors, fostering a conducive environment for partnership.

What is needed

To facilitate this partnership with private capital providers, we suggest the following:

- ✔ **Increasing subsidy levels by £9bn - £14bn per annum to support the delivery of 145,000 new affordable homes each year in conjunction with a review of how to target subsidy better.** This could be through increasing grant levels or supporting new delivery models.
- ✔ **Longer term rent settlements** - to reassure investors, reduce the amount of capital required for investment and lower the subsidy requirement per unit.

- ✔ **Review treatment of For-Profit Registered Providers**
 - by creating a level playing field with tax policy and grant uplift treatment to remove obstacles to closer collaboration between institutional investors and housing associations.



2. Purpose-Built Student Accommodation

Our offer

The UK higher education system is an essential part of the UK economy. It supports over 2 million students and 750,000 jobs, providing £130bn to the economy, and is world-renowned for its educational excellence¹. This system requires sufficient quality housing to support continued student and economic growth. PBSA is an established contributor to student accommodation, housing over 710,000 students and post-graduate researchers. BPF members providing PBSA can support clusters for continued growth across the UK without public funding, alleviating pressure on local housing markets. We build high-quality, student-centric accommodation prioritising student wellbeing, community, and building safety, with a focus on ESG credentials.

PBSA is a growing sector but has trouble keeping pace with ever-growing demand. The demand for student accommodation increased by over 65,000 units between 2020/21 and 2021/22, while headwinds have driven down delivery.

What is needed

Improved planning processes for PBSA

There is variable practice across planning authorities in dealing with PBSA, with many authorities failing to adequately plan for and address undersupply of student accommodation.

- ✔ There must be **greater PBSA recognition in the National Planning Policy Framework (NPPF)** - particularly the need for PBSA development in addressing student housing supply.
- ✔ **Needs assessments for student accommodation** akin to housing needs evaluations, should be integrated into local authorities' planning cycles and specified in the NPPF. This process would identify and address student accommodation requirements, ensuring local needs are met.
- ✔ **CIL relief for affordable PBSA** affordable student accommodation is disadvantaged compared to affordable housing in CIL relief eligibility. Rectifying this inconsistency will help address the affordability of student housing and ensure consistency across local authorities in addressing the issue of affordable student accommodation.

Require universities to plan for student accommodation

Universities often lack an efficient method to plan for student accommodation alongside increased enrolment, risking accommodation shortages. Prioritising accommodation availability alongside enrolment growth would alleviate potential shortages, especially for second- and third-year undergraduate students.

- ✔ **Universities should be required to plan for student accommodation** in their future growth plans, and to collaborate with local authorities and student accommodation providers on relevant aspects of these plans.

Exempt PBSA from selective licensing

PBSA providers are already regulated by mechanisms like the ANUK/Unipol National Codes, which mandate accountability and high management standards. Selective licensing imposes unnecessary financial and administrative burdens on top of this, potentially raising property costs and rents.

- ✔ **PBSA should be exempt** – given that providers are not the intended target of selective licensing and are already regulated.

3. Build-to-Rent

An aerial view of a modern apartment complex featuring a rooftop garden and playground. The garden includes a wooden pergola, a small artificial green field, and various plants and trees. The playground has wooden structures and a sand area. The apartment buildings are multi-story with balconies and large windows. A blue van is parked on the right side of the garden.

Our offer

The BtR sector is becoming an established contributor to UK housing supply, with over £40bn of investment since 2011 (£3.5b of this in 2023 alone), and over 260,000 BtR homes either in planning, under construction, or completed.

Long-term property investors are turning to BtR because of the shortage of rental properties and the growing demand for better managed homes.

BtR is more focused on affordability than other sectors like the for-sale market, as investors are motivated to ensure schemes are fully occupied over a period of many years, which cannot be achieved unless schemes have competitive, attainable rents. Affordable homes are also provided (on a tenure-blind basis) via section 106 agreements and discount market rents.

BPF members want to build more of these high quality, professionally managed homes, at a range of price points. With the right policy support, we are confident that we can **double current output from 15,000 homes a year to 30,000**.

What is needed

Planning for BtR

- ✓ **NPPF wording should require local authorities to assess the need for market homes of different tenures.** This will allow councils to address the needs of private renters effectively.

Boost capital investment in new homes

Significant capital is available to invest in creating new homes, but attracting this investment is challenging, especially in uncertain economic conditions. Establishing the right policy framework is essential to attract investment, particularly when competing against global opportunities.

We recommend:

- ✓ **Stamp Duty Land Tax (SDLT) exemption for new residential developments** of more than 100 units. This will increase liquidity in the market, and therefore 'de-risk' the development phase of these assets.
- ✓ **Extend the PRS Housing Guarantee scheme** to offer BtR developers a debt funding option, instilling confidence in the market during international headwinds and market cycles.

Amend fiscal policy

- ✓ **Zero-rate VAT on repairs and maintenance.** The tax system should not create barriers to improving the safety, quality, or energy efficiency of homes, and should encourage repair and recycling.
- ✓ **Explore ways to deliver more discount market rents for key workers.** The sector could provide further discount market rent homes for key workers and will work with the next Government to explore delivery mechanisms.

Encourage local authority collaboration

- ✓ **Amend the Local Government Act 1972 to allow councils to sell land outside the best consideration rule** where the land will be used for a development project delivering below market rents, and/or housing for key workers.
- ✓ **Government should set a framework pathway for joint ventures between BtR developers and local authorities** to promote public-private partnerships and ensure consistency and certainty for developers and councils.

Promotion of tri-tenure development on large sites

Tri-tenure developments combining market rental, for sale, and social housing, efficiently meet diverse housing needs². Large sites over 1,500 homes should prioritise housing diversity for timely, high-quality development and these sites should:

- ✓ **Require planning applicants in areas of high housing demand to prepare a diversification strategy** - specifying the types and tenures of housing that would be provided on that site, complementing the local needs assessment as recommended above.

Creation of a sector-wide rental charter

To outline best practices for signatories, committing them to surpass minimum standards, and addressing maintenance, consumer rights, and transparency. Developed in partnership between the industry and the Government, this sector-led charter will serve as a benchmark for government, investors, and tenants to identify reputable operators and encourage continuous improvement.

4. Older Peoples' Housing



Our offer

The UK population is ageing without sufficient appropriate housing. There are currently 12.9 million over-65s in the UK (expected to rise 31% by 2040) and only 602,633 senior housing units.

Good quality older peoples' housing allows for our older population to live longer, have more independent lives, and reduces the burden on the social care system.

The sector is attractive to private capital, with an estimated £6.5bn ready to be deployed. The projected appetite for investment supports a target of:

50,000 annual new senior housing units

Based on projections, this would accommodate 20% of the UK's annual increase in the over-65 population, with the ratio of over-65s to senior housing units surpassing 6% (from 4.6% today) by 2030. This would facilitate 'rightsizing', releasing housing stock back into the market.

What is needed

Planning Reform

- ✓ **A new use class 'CR2' for Seniors' Housing** – to ensure consistent consideration of infrastructure levies and community benefits in planning decisions, which does not exist currently under C2 and C3 use classes, thus reducing tenure diversity.

- ✓ **Require needs assessments for older peoples' housing** in local plans, which align housing policy and social care under a consistent approach, not at the current local and county level.
- ✓ **Provide at least 10% of new housing as specialist older peoples' housing via local plans** as directed by the NPPF, unless a local authority can demonstrate that it is inappropriate³.
- ✓ **Prioritise delivery of older peoples' housing** where need exists. This should include a direction to waive CIL charges on new developments which address any shortage.
- ✓ **Develop and deliver a national housing for an aging population strategy** which uses a holistic approach encompassing social care, housing policy, and healthcare. This is supported by a wealth of recent research which has found that there is a stark need for integrations across these areas.

Driving Transparency

- ✓ **Clear consumer and operator guidelines for older peoples' housing:** to drive transparency in this crucial sector, the next Government should adopt the Law Commission's principles on Event Fees⁴.

Facilitating Investment

- ✓ **The next Government should investigate avenues to facilitate private investment into the older peoples' housing market** with priority for projects committed to the UK's net zero ambitions.

³ As recommended by the Retirement Housing Group.

⁴ <https://lawcom.gov.uk/project/event-fees-in-retirement-properties/>



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bpf.org.uk/our-work/general-election-2024

