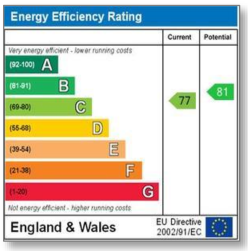

Bath & North East Somerset:

Build-to-Rent Rental Review

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Introduction

Build-to-Rent and National Policy

1.1 Bath & North East Somerset Council (B&NES) appointed Opinion Research Services (ORS) to prepare a Local Housing Needs Assessment (LHNA) to inform local planning.

1.2 The latest National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) sets out how Local Plans should provide for objectively assessed needs for housing (including affordable housing). The LHNA provides robust evidence about the need for housing over the 20-year period 2022-2042.

1.3 The National Planning Policy Framework defines Build-to-Rent (BTR) properties as:

> ***Build to Rent:*** *Purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses, but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.*
>
> **National Planning Policy Framework, December 2023 Annex 2: Glossary**

1.4 There are two developments[1] in Bath that were planned and built as Build to Rent housing. Build to Rent properties often offer extra facilities such as gym access, secure car parking, and/or common areas exclusively for the use of residents.

1.5 A distinction should be drawn between Build to Rent housing and purpose-built student accommodation. This form of student accommodation often offers similar facilities and professional management; however tenancies are usually for a fixed period of one year (i.e. not meeting the "usually offer longer tenancy agreements of three years or more" element of the definition), and occupants are usually restricted to solely being from the student populace.

1.6 Bath has some primarily student-based developments in which a small percentage (typically 10%) of the flats are occupied by non-students at any given time. These developments usually offer one-year contracts to non-students, with the option to renew at the end of this period. Due to their student focus, the rent charged for residential flats in these developments are typically considerably higher than the BTR apartments in Bath, as the rent is set by the student market, not the residential market. In the developments examined, the floor space offered was also considerably reduced compared to that found in BTR properties. These developments are excluded from this study as they do not constitute a build to rent as the term is generally understood, they should instead be considered under the umbrella of purpose-built student developments, albeit with limited residential provision[2].

[1] There is a third development in Bath that is often incorrectly referred to as Build to Rent, involving the conversion of a Georgian terrace into 83 luxury flats, which operate in a similar fashion. This development however does not fit the definition of Build to Rent as it not "purpose-built housing" as the NPPF definition requires. This study uses it as a comparator.
[2] i.e. their primary use class is sui generis with a minority C3 element.

1.7 Further developments that fit the definition of Build to Rent are planned in Bath, and as such the Council need to make appropriate judgements concerning affordable housing provision in these cases. PPG guidance suggests a "generally suitable" guideline that 20% of these developments are offered as affordable private rent:

> ***Affordable housing***
>
> ***What provision of affordable housing is a build to rent development expected to provide?***
>
> *The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided by default in the form of affordable private rent, a class of affordable housing specifically designed for build to rent. Affordable private rent and private market rent units within a development should be managed collectively by a single build to rent landlord.*
>
> *<u>20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme</u>. If local authorities wish to set a different proportion they should justify this using the evidence emerging from their local housing need assessment, and set the policy out in their local plan…*
>
> **Planning Practice Guidance, ID 60-002-20180913**

1.8 Given that affordable housing is defined by the NPPF as "housing for sale or rent, for those whose needs are not met by the market", it follows that those in affordable need (at least as regards rented properties) are those that cannot meet their needs in the market without Government subsidy (i.e. the Government have decided that their income is insufficient to meet their needs in the market, so would qualify for housing benefit), and/or those that could potentially be allocated an affordable rented dwelling (e.g. social housing). Affordable housing for rent is defined in the NPPF with explicit reference to Build-to-Rent schemes providing affordable private rented units:

> ***Affordable housing for rent:*** *meets all of the following conditions: (a) <u>the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents</u> (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. <u>For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision</u> (and, in this context, is known as Affordable Private Rent).*
>
> **National Planning Policy Framework, December 2023 Annex 2: Glossary**

1.9 Clearly, these properties have the potential to make a useful contribution to the supply of affordable housing, however care must be taken in setting the rent level at an appropriate point:

> ***How should affordable private rent be calculated?***
>
> *<u>Affordable private rent should be set at a level that is at least 20% less than the private market rent (inclusive of service charges) for the same or equivalent property</u>. Build to rent developers should assess the market rent using the definition of the International Valuations Standard Committee as adopted by the Royal Institute of Chartered Surveyors.*
>
> **Planning Practice Guidance, ID 60-003-20180913**

1.10 However, this raises an issue. Due to the nature of these properties, the rent level is often relatively high for the area. If (for example) the rent charged for a Build-to-Rent unit was 30% more than an equivalent rented property, a 20% discount would result in a rent that was still 4% higher than the equivalent property[3]. Since the equivalent property would be at some level of market rent (often median or upper quartile market rents), the "affordable" private rent level of the Build-to-Rent property would not be affordable to those that cannot meet their needs in the market. The result is that, without due care in setting rent levels, the affordable rented units in a Build-to-Rent development could be outside of the means of any potential tenant in affordable housing need.

1.11 Therefore, it is clear that the affordability of these affordable Build to Rent options is highly dependent on the rent being discounted. Research by JLL[4] shows that the average Build to Rent option is 9.3% more expensive than the median rent. The LHNA utilised this figure in estimating rental levels for Build-to-Rent in Bath & North East Somerset. If it were assumed that Build to Rent levels were 9.3% higher than the equivalent in Bath & North East Somerset, and a discount of 20% were to be applied to these rents (as suggested by the NPPF/PPG) for the affordable units, then the range of rental costs available would be as shown in Figure 22 of the LHNA (presented here as Figure 1, with the addition of a column for upper quartile rents):

Figure 1: (LHNA Figure 22 with addition of upper quartile rents) Weekly rent thresholds in Bath City and the Rest of B&NES (Source: Valuation Office Agency 2021-22; SDR 2022, JLL. Note: cells highlighted in red indicates Affordable Build to Rent is higher than equivalent lower quartile rent)

	Upper Quartile	Build to Rent (Median +9.3%)	Median Private Rent	Affordable Build to Rent (BTR - 20%)	Lower Quartile Private Rent	Local Housing Allowance	Affordable Rent
BATH CITY							
1 bedroom	£244.59	£239.27	£218.91	£191.41	£195.67	£166.85	£133.34
2 bedrooms	£313.90	£303.51	£277.69	£242.81	£229.39	£195.62	£151.84
3 bedrooms	£405.15	£375.73	£343.76	£300.59	£282.38	£228.99	£167.22
4+ bedrooms	£686.99	£620.90	£568.07	£496.72	£473.79	£402.74	£305.69
REST OF B&NES							
1 bedroom	£168.39	£164.73	£150.71	£131.78	£134.71	£166.85	£91.80
2 bedrooms	£273.69	£264.62	£242.11	£211.70	£200.00	£195.62	£132.39
3 bedrooms	£350.40	£324.96	£297.31	£259.97	£244.22	£228.99	£144.62
4+ bedrooms	£592.08	£535.12	£489.59	£428.10	£408.33	£402.74	£263.45

1.12 The LHNA goes on to note:

> *"3.43 The illustrative rents in Figure 1 identify that the costs of affordable build to rent are likely to be higher than those of lower quartile private rents for properties with two or more bedrooms (shown in red). In the case of one-bedroom properties in both areas, the costs of affordable build to rent will be marginally lower, and it should also be noted that the local housing allowance is less than the cost of lower quartile rent and affordable build to rent in all cases.*

[3] e.g. if property A = £130 per week, and property B = £100 per week, £130 – 20% = £104, so still 4% more expensive than property B).
[4] https://www.jll.co.uk/content/dam/jll-com/documents/pdf/research/emea/uk/jll-residential-insight-build-to-rent.pdf

3.44 On this basis, there will be a very limited number of prospective tenants that could access affordable build to rent options depending on their circumstance. Therefore, while the promotion of build to rent by local authorities could be a potentially useful mechanism for bringing forward affordable housing options, the level of rent discount suggested by the NPPF renders such options of limited utility in servicing the housing needs of the localities, as in almost all cases the tenant could afford a lower quartile rented property at a lower price. To mitigate this, larger discounts than the suggested 20% would need to be sought by the authority, or the Build to Rent basic rent pre-discount would need to be meaningfully lower."

1.13 This document seeks to establish a local baseline equivalent to JLL's 9.3% to assist the Council in defining an appropriate discount for affordable private rented Build-to-Rent units to ensure that they are accessible to those in affordable housing need, thereby meeting the definition of affordable housing.

Methodology

The JLL Study

1.14 The JLL paper "Evaluating Build to Rent performance: Analysis of stabilised BTR data" (September 2018) seeks to explore various facets of Build to Rent operating performance, including average scheme size, vacancy rates, and an overview of the average occupier of Build-to-Rent units. The methodology employed is as follows:

> *Our research focuses on 7 completed schemes, encompassing a total of 911 units. Our sample group includes schemes from all over the country. We have only included stabilised schemes that have been operational for at least 12 months and have reached at least 90% occupancy.*
>
> *We have then undertaken a local market analysis of the area within 1km of our schemes to provide a benchmark for performance.*
>
> *Our sample includes purposely designed and constructed rental stock, converted office buildings and retrofitted old residential blocks. There is one thing in common though – they are all under single ownership with professional management...*
>
> **Evaluating Build to Rent performance (JLL, September 2018) – Page 1**

1.15 Whilst certainly a useful piece of work, the applicability of the results of this paper to any specific locality requires the assumption that its national findings ("includes schemes from all over the country"), are directly applicable to a given housing local market, given the diversity of such markets. Secondly, the paper investigated only seven completed schemes, some of which were in London, which is not a particularly wide sample size. Nevertheless, the results are interesting:

» Average rent premium achieved = 9.3% (Range of -6.8% to 26.2%)

» Average rent premium in London schemes = 8.4%

» Average rent premium achieved in regional schemes = 12.0%

» Average 1 bed rent premium achieved = -6.8% to 22.9%

1.16 In terms of the specific methodology employed, the paper does not include much detail. It states that they have undertaken a "local market analysis of the area within 1km of our schemes". We have taken this to mean that rents from other local rental properties were compared to the BTR scheme rents, however it is unclear as to the specific criteria used for selecting local properties for comparison.

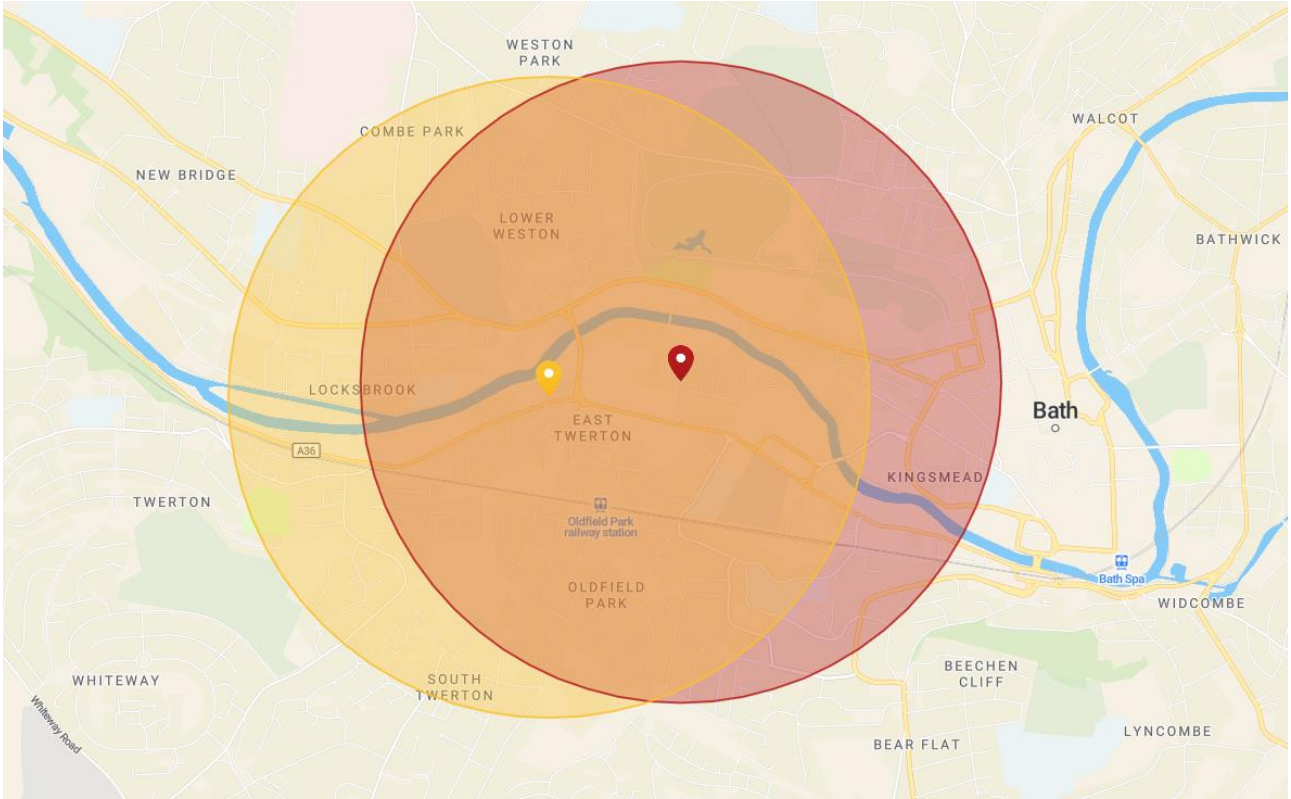
1.17 According to the ONS, the lower quartile monthly rent in Bath & North East Somerset as of 2023 was £795, whilst the upper quartile rent was £1,000, with a median rent of £900 per month. These rents vary depending on a number of factors, such as the size of the flat (i.e. size of rooms as opposed to number of bedrooms), how recently (and nicely) it was renovated, the property's location, whether there is private parking, whether it is furnished or unfurnished, quality of the view etc. Therefore, it is clear that certain assumptions have been made in terms of selecting the comparator properties. With the exception of location ("within 1km of our schemes"); the paper is silent on what these specific assumptions were.

ORS Methodology

1.18 ORS have attempted to replicate and build on the JLL methodology to derive a robust rent premium percentage for Bath & North East Somerset in 2024.

1.19 ORS took both of the operating BTR properties in Bath and found rental prices for available properties within a 1km radius of the each of them (Figure 2). The rents were drawn from property websites such as Rightmove, as ONS rental statistics are not available at the required sub-geography.

Figure 2: 1 km radius circles around the two operating Build to Rent schemes in Bath & North East Somerset (Note: Blue circle represents 1 km radius around hybrid student/BTR development)



1.20 Both BTR schemes in B&NES have typical rents that put them squarely in the upper quartile rental bracket. This is unsurprising as these schemes are located in Bath City centre, where rental properties tend to be higher than the local authority average. When researching local rents for comparison, all but one of the available properties found with the 1km radii of the BTR properties were also upper quartile rents[5]. It may be noted that this is not evidence that there are not median or lower quartile properties available in these areas, merely that only one of these cheaper rented properties that may or may not be available were advertised on the sources consulted at the time the research was conducted. Nonetheless, in choosing appropriate comparators, upper quartile rents are much more likely to be of a similar quality (good state of repair, how recently refurbished etc.) so the absence of cheaper properties from the sample should not be considered a weakness. For this reason, the single cheaper property was removed from the sample.

1.21 It should be noted that the properties and associated rents included in the sample represent a snapshot in time. Properties will come off and on to the market on a daily basis, and rents will inevitably change moving forward in response to market conditions.

[5] Note that the upper quartile rent threshold for studio flats in Bath is £895 per month, which is equivalent to £205.83 per week.

1.22 The difficulty of determining the most appropriate direct comparators (i.e. properties most similar to the BTR schemes) is further compounded by the variation within the schemes themselves. For example, one scheme in Bath offers both furnished and unfurnished units, and some have a shared bathroom and kitchen, whilst others have private amenities. These factors are reflected in the rental price. As such, even when setting number of bedrooms aside, there is significant variation within schemes.

1.23 Furthermore, there is the matter of exactly what is covered by the rent. Some schemes charge extra for certain facilities such as a private parking space (with different prices depending on whether it is inside or outside) or for permission to allow pets to live in the scheme. To set an appropriate baseline, the cheapest advertised rent was used ("From £X per month").

1.24 This is also an open question for rental properties too. Rent on a property with an associated parking space, will, all other things being equal, be expected to be higher than one without. Similarly, some rents cover bills (water/electricity/gas/wifi) within the rent, whereas others do not. Equally, some rental properties will be furnished, others not; again with an impact on the rent charged.

1.25 The JLL paper discussed this briefly:

> *Our analysis found the 7 BTR schemes achieved an average rental premium of 9.3% when compared with the rental markets within 1km of each location. But can that rental premium be attributed to the operational nature of BTR? Put more simply, are occupiers willing to pay for services and amenities?*
>
> *It is likely that some part of the premium is simply due to the sample group being new or recent refurbishments compared with a wider secondary sample group – the more simple 'new build' premium.*
>
> **Evaluating Build to Rent performance (JLL, September 2018) – Page 2**

1.26 As explained above, it is not necessarily the case that a given rental property comes with no "services or amenities" included within the rent, therefore, to find ideal comparators for the BTR schemes in Bath, sufficient privately rented properties with similar amenities/services included within the rent would ideally be found. However, it is not immediately clear that there are such properties available in Bath. In an attempt to find out more about what rents cover, and what extras are available in the private rented sector, ORS attempted to organise a telephone survey of local letting agents, including those letting units in BTR schemes.

1.27 Using the same sources from which the rental properties were found, a set of 15 different rental agents were compiled, each operating one or more properties in the defined areas. A topic guide was devised that interrogated various aspects of the tenancy: what is covered by the rent, deposit amounts, administration fees, insurances, amenities, pets, service charges etc. An equivalent set of questions was created for agents of Build-to-Rent properties, to clarify and expand on the information available on their websites. Unfortunately, after three separate tries spaced over several weeks, of the 15 agents, only one was willing and available to be interviewed. As a result the data collected through this endeavour was insufficient to derive any robust conclusions so is absent from this document.

1.28 In the absence of information about rental properties with comparable amenities, the decision was made to quantify the BTR premium through a more direct method. The Minimum Energy Efficiency Standards (MEES) introduced in 2018 apply to almost all rented properties; and require landlords to have an Energy Performance Certificate (EPC) for the dwelling. The EPC survey includes floor space for the dwelling, allowing the calculation of an effective rent per square metre for the property in question as a comparator metric.

1.29 The BTR properties in Bath offer three broad sizes of property: studio, 1-bedroom and 2-bedroom. Therefore, to make appropriate comparisons, three- and four-bedroom private rented properties were removed from the sample. Furthermore, some rental properties had shared bathroom and kitchen facilities. Since there were no BTR properties with a similar shared facilities arrangement in the sample, these were also removed.

1.30 Quoted rents for build to rent properties are as follows:

Figure 3: Rents and Sizes of Build to Rent Developments in Bath

Property	Size	Weekly Rent	Monthly Rent	Floor Area	Weekly Cost per m^2	Monthly Cost per m^2
Property A	Studio	£280	£1,215	37	£7.57	£32.84
	1-bed	£294	£1,275	46	£6.39	£27.72
	2-bed	£399	£1,730	56	£7.13	£30.89
Property B	1-bed	£288	£1,250	47	£6.13	£26.60
	2-bed	£377	£1,635	68	£5.54	£24.04
Average	Studio	£280	£1,215	37	£7.57	£32.84
	1-bed	£291	£1,263	46.5	£6.26	£27.16
	2-bed	£388	£1,683	62	£6.34	£27.47
	All	**£328**	**£1,421**	**51**	**£6.55**	**£28.42**

1.31 Rents for other properties within the defined areas were as follows:

Figure 4: Rents and Sizes of Rental Properties with 1 km of BTR development in Bath

Property	Size	Weekly Rent	Monthly Rent	Floor Area	Weekly Cost per m^2	Monthly Cost per m^2
1	Studio	£242	£1,050	25	£9.68	£42.00
2	Studio	£250	£1,083	52	£4.81	£20.83
3	Studio	£250	£1,083	52	£4.81	£20.83
4	Studio	£250	£1,083	52	£4.81	£20.83
5	Studio	£250	£1,083	52	£4.81	£20.83
6	Studio	£277	£1,200	56	£4.95	£21.43
7	Studio	£280	£1,213	56	£5.00	£21.66
8	Studio	£300	£1,300	40	£7.50	£32.50
9	Studio	£300	£1,300	48	£6.25	£27.08
Average	**Studio**	**£266.56**	**£1,155.00**	**48**	**£5.85**	**£25.33**
10	1-bed	£288	£1,250	38	£7.58	£32.89
11	1-bed	£294	£1,275	35	£8.40	£36.43
12	1-bed	£335	£1,450	46	£7.28	£31.52
13	1-bed	£335	£1,450	46	£7.28	£31.52
14	1-bed	£346	£1,500	60	£5.77	£25.00
15	1-bed	£346	£1,500	68	£5.09	£22.06
16	1-bed	£420	£1,826	57	£7.37	£32.04
Average	**1-bed**	**£337.71**	**£1,464.43**	**50**	**£6.97**	**£30.21**

17	2-bed	£276	£1,195	55	£5.02	£21.73
18	2-bed	£312	£1,350	68	£4.59	£19.85
19	2-bed	£323	£1,400	52	£6.21	£26.92
20	2-bed	£323	£1,400	59	£5.47	£23.73
21	2-bed	£329	£1,425	83	£3.96	£17.17
22	2-bed	£358	£1,550	66	£5.42	£23.48
23	2-bed	£387	£1,675	76	£5.09	£22.04
24	2-bed	£392	£1,700	75	£5.23	£22.67
25	2-bed	£415	£1,800	102	£4.07	£17.65
26	2-bed	£428	£1,855	57	£7.51	£32.54
27	2-bed	£457	£1,980	68	£6.72	£29.12
28	2-bed	£485	£2,100	61	£7.95	£34.43
29	2-bed	£485	£2,100	68	£7.13	£30.88
30	2-bed	£485	£2,100	83	£5.84	£25.30
31	2-bed	£508	£2,200	75	£6.77	£29.33
32	2-bed	£508	£2,200	75	£6.77	£29.33
33	2-bed	£519	£2,250	87	£5.97	£25.86
34	2-bed	£554	£2,400	72	£7.69	£33.33
35	2-bed	£565	£2,450	98	£5.77	£25.00
36	2-bed	£565	£2,450	105	£5.38	£23.33
37	2-bed	£654	£2,834	95	£6.88	£29.83
Average	**2-bed**	**£444.19**	**£1,924.48**	**75**	**£5.97**	**£25.88**
	All sizes	**£380.84**	**£1,650.27**	**64**	**£6.13**	**£26.57**

1.32 When considering the above, it is notable that studio flats are very close in size to 1-bed flats (48.1 vs 47.8 square metres), however 1-bed flats come with a premium likely due to the convenience of separation between rooms. That said, there is considerable variance in size, with the largest 1-bed flat covering 68 square metres, with the largest studio covering 56 square metres. Whilst there is one particularly small studio flat, all the others are at least 40 square metres, whereas the one-bedroom sample contains two out of seven properties which are smaller than this. 2-bedroom properties are in general considerably larger; and have an associated higher rent. However, in terms of cost per square metre, studio flats work out at approximately the same value as 2-bedroom properties.

Comparisons

Local Comparisons (within 1km)

1.33 Comparing the average Build to Rent with the average privately rented flat within the examined area:

Figure 5: Average costs and Floor Areas of Build to Rent and Regular Rented Flats in Bath

		Build to Rent			Rented Flats/Apartments			Cost per m^2 of rented as a %age of BTR	BTR premium per m^2
	Size	Weekly Rent	Floor Area	Cost PW by m^2	Weekly Rent	Floor Area	Cost PW by m^2		
Average	Studio	£280	37	£7.57	£267	48	£5.85	77%	29%
	1-bed	£291	46.5	£6.26	£338	50	£6.97	111%	-10%
	2-bed	£388	62	£6.34	£444	75	£5.97	94%	6%
	All	**£319.67**	**48.5**	**£6.72**	**£349.57**	**57.7**	**£6.26**	**93.2%**	**7.3%**

1.34 Comparing the two types of property, it is clear that there is a premium for BTR studio flats, however these flats have considerably less floor area than normal rented flats. There are a number of comparatively large studio flats available in the sample area with lower/similar rents but a much larger floor area than the BTR studios (see properties 2-7). As a result, the BTR properties have a 29% premium when measured by this metric. Alternatively, since the average private rented studio is 77% of the average BTR studio, a BTR property would require a discount of 23% to be of equivalent value by area.

1.35 In one-bed flats however, the floor area is again larger (although not to the same extent) on average, but the average rent is higher too. Since the average cost for a one-bed flat in the sample area is substantially higher than one-bed BTR properties, the value based on floor area is lower than that of BTR properties in comparison, despite the private rented flats being on average moderately larger. As a result, the BTR premium is negative.

1.36 In two-bedroom flats, the average rent for a regular privately rented property is substantially more than that of BTR, and the floor area that that rent commands is also significantly higher. It is the case that there are some extremely high-end two-bedroom flats in the area, with extras such as parking spaces and bills included. Some of these two-bed properties exceed 100 m^2 in area (e.g. properties 25 and 36), more than 50% larger than the largest 2-bed BTR. Nonetheless, despite their higher rent, they still have a substantially lower cost per m^2 than the BTR properties.

1.37 Overall, when looking at the averages[6], BTR properties are cheaper than regular rented flats, however the BTR properties are, on average, smaller. As such, BTR properties are 7.3% more expensive in terms of cost per metre squared.

[6] It should be noted that the averages in the "All" row in Figure 5 is the average of the three figures above, which are themselves averages of all properties of the given number of bedrooms. This is more appropriate than averaging all properties, as there were more 2-bed rented properties in the sample than other types. As such averaging all properties would skew the data unduly toward 2-bed prices and sizes.

1.38 In terms of the range of properties available in the 1 km radius, Build to Rent properties in Bath seem to be priced within the range of prices charged for comparable properties in terms of bedroom size within 1km of their location. In terms of floor size, they are also within the range, if a little toward the low end:

Figure 6: Build to Rent average rents and floor areas, with the range of rents and floor areas found within 1km of their location

Size	Avg BTR Weekly Rent	Minimum rent within 1km	Maximum rent within 1km		Avg BTR Floor Area (m^2)	Minimum area within 1km (m^2)	Maximum rent within 1km (m^2)
Studio	£280	£242	£300		37	25	56
1-bed	£291	£288	£420		46.5	35	68
2-bed	£388	£276	£654		62	52	105

Wider Comparisons

1.39 A 20% discount from the average BTR rent in each size of property leaves it far from affordable in the sense of being accessible to those in affordable housing need. Indeed it is the case that a 20% discount on a BTR studio in Bath does not bring the cost below the level of upper quartile rent for Bath City (see Figure 1), and for 1 and 2-beds, significantly above the level of median private rent (Figure 7):

Figure 7: BTR rents and 20% discount with wider rent levels in Bath City

BATH CITY	Build to Rent	Build to Rent with 20% discount	Upper Quartile Rent	Median Private Rent	Lower Quartile Private Rent
Studio	£280	£224.00	£205.83	£182.83	£159.84
1 bedroom	£291	£232.80	£244.59	£218.91	£195.67
2 bedrooms	£388	£310.40	£313.90	£277.69	£229.39
All	**£319.67**	**£255.73**	**£254.77**	**£226.48**	**£194.97**

1.40 Since those in affordable need cannot by definition afford lower quartile rent, it remains the case that a 20% discount will not go sufficiently far to render Build to Rent properties accessible to this cohort.

1.41 To assist the Council in setting an appropriate discount for these dwellings, a fuller comparison of the minimum discount to achieve parity with other rent levels in the Bath City area is provided below:

Figure 8: Discounts necessary for BTR rent to be in line with wider rent levels in the Bath City area

		Discount Required to Bring BTR Rent in Line With:					
BATH CITY	Build to Rent	Upper Quartile Rent	Median Private Rent	Lower Quartile Private Rent	Local Housing Allowance	Affordable Rent	Social Rent
Studio	£280	26%	35%	43%	40%	52%	64%
1 bedroom	£291	16%	25%	33%	43%	54%	65%
2 bedrooms	£388	19%	28%	41%	50%	61%	71%
All	**£319.67**	**20.5%**	**29.3%**	**38.9%**	**44.2%**	**55.8%**	**66.6%**

1.42 For example, for a 2-bed Build to Rent flat to be affordable to someone claiming the maximum local housing allowance, a discount of 50% would be required.

Conclusions

1.43 The existing Build to Rent properties in Bath are priced in line with the range exhibited by the market as defined by a 1km radius from their location. However, the BTR properties tend to be smaller than similarly priced equivalents, and so from the perspective of rent per metre squared, there is an approximately 7% premium over comparable upper quartile rented properties. Since there are several upper quartile rented properties available that offer extra amenities such as car parking, included bills, wifi, furnishings etc., it is not clear that the renter's willingness to pay this premium can wholly be ascribed to the available amenities and extras that these build to rents provide.

1.44 Nonetheless, these properties are very expensive compared to the wider Bath City area, beyond the 1km radius. For the Council to ensure that affordable units in properties like the existing BTR developments are accessible to those in affordable housing need, a discount of 40-50% would be required (Figure 8). However, it may be noted that since the rents charged seem to be in line with the local market (i.e. rents charged for equivalently sized properties in a 1km radius), a future development in a cheaper area may well charge lower rents in line with its local market. In such a case a 40-50% discount may be inappropriately large. Equally, if a more expensive BTR property were built (for example with larger floor areas per units), such a discount may be insufficient for rents to be accessible to those in affordable housing need.

1.45 As an alternative strategy to a set percentage discount, the Council may introduce a policy whereby all affordable private rented units in future BTR properties are limited to the maximum local housing allowance, or indeed the level of affordable rent at that time (currently approximately 20% below the local housing allowance). Since the local housing allowance is intended to allow the claimant access to properties at market rents, the use of affordable rent as the benchmark would be in line with the NPPF's definition of affordable housing to rent quoted following paragraph 1.8, specifically "the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents".

1.46 This would avoid the issue of a given set discount being unsuitable if it were the case that BTR properties with significantly more expensive or indeed significantly cheaper rents than current developments were brought forward in the future.

Table of Figures