DEVELOP CROYDON

Build-to-Rent in Croydon

ROUND TABLE

26 SEPTEMBER 2023

BUILD TO RENT IN CROYDON:

Build-To-Rent is growing in popularity across Croydon with investments both in high quality rental space from companies such as Native, Greystar and Amro and in affordable options from Housing Associations such as L&Q, Southern Housing and PA Housing.

The Develop Croydon Round Table brought together representatives from the Council, build-to-rent, private sector and housing associations to consider how Build-To-Rent can best meet tenant needs in Croydon as well as contribute to the overall regeneration and economic growth of the area.

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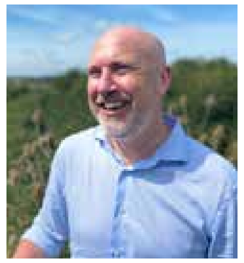
BUILD-TO-RENT IN CROYDON



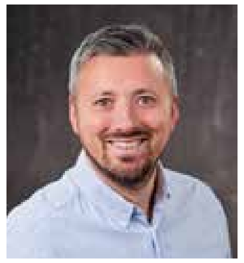
MAX FARRELL
Founder & CEO at LDN Collective (chair)

RONAN FARRELL
Head of Design at Tide

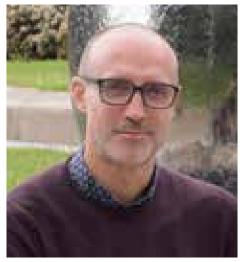
DIMITRIS TSOMPANIDIS
Development Manager at Greystar

ABIGAIL HERATY
Development Manager at Amro Partners

RICHARD PLANT
Partner at SHW Property



SAM CARR
Operations Manager at Macar Developments



MIKE SAUNDERS
CEO & Co-Founder at Commonplace

On Tuesday, September 26th 2023 Develop Croydon brought together a panel of experts to discuss the growth in Build-To-Rent (BTR) in the borough. The panel debated the generational shift in house buying which has contributed to the strength of the BTR sector, the value of Croydon's connectivity to the West End, City and major airports which can provide city living at affordable costs and considered the future opportunities for BTR and alternative living investment in the town to support its ongoing regeneration and renewal.

What factors have contributed to the rise in popularity of build-to-rent developments in Croydon specifically? What is the current mix in Croydon in regards to rental accommodation and how is this being considered in future planning decisions? Where is the main build-up of demand?

Richard Plant: I think part of this is house prices and people's ability to raise a deposit… that has been dialled up enormously by the interest rate rise. And then the other influences – there's the culture, the generation that doesn't necessarily settle because it moves through employment, and because it's more transient and less tied to where they grew up, perhaps that means that they need to be able to dip in and out of the market.

Dimitris Tsompanidis: And a quick fundamental, we can't forget that the housing crisis is a big one. Historically, rental accommodation in London has been of poor quality and poorly managed.

Richard Plant: But when you come to Croydon, you had a massive availability of potential sites due to the historic outmoded office stock. And then you had the best communications transport situation, certainly in South London.

Dimitris Tsompanidis: I guess if you put the two together, the opportunity for Croydon is in answering a whole rental demand - people can then access quality accommodation at a rental discount versus central London, and still have a similar lifestyle. So, I think that's really the sweet spot why Croydon works.

Abigal Heraty: And it's guaranteed investment. It has a track record of delivering BTR , the planners know and accept what it is so you know what you're going to get when you go in straightaway. And I agree there has been a bit of a shift in culture since COVID. Graduates moving to London no longer feel the need to live in Zone 1 and 2. They want to live in a 15-minute city and as long as they can get back into central London to do their work, and as long as their little 15-minute city has green space, a few bars, restaurants, that's enough. People don't want to be going into central at the weekend.

Where is the demand and what is the opportunity for scale?

Dimitris Tsompanidis: Croydon needs to scale 100%. Westfield is that opportunity for scale and will support regeneration. But big schemes and finding ways to tie them together will be fundamental to helping Croydon. If you look at the scale in Croydon, the opportunities would account for way more than 10,000 homes. We just need to get Croydon to become the place it can be. And then you can really leverage the demographic and the people that move from Canary Wharf. Needs to be a place for new grads that think Croydon is cool and can work from home – 'I can have co working space, I can go for a run, I can be in central London in 25 minutes'.

Richard Plant: The current demand is all proximity to station. No one wants to cross the flyover on the southern boundary or north of west Croydon station. It's all very centralised. With huge schemes from Tide and Greystar, alongside Westfield and development in Queen's square, there will be thousands of units that you could walk through in ten minutes. Westfield won't happen in short or medium term, but a level of progress is needed which is starting now.

Ronan Farrell: The more big schemes Like One Lansdowne, Ten Degrees and Amros that come through, the more viable Westfield will be. By the time they deliver, Croydon will be a very different place.

Richard: The original Town Centre plan was that they want 10,000 homes in the opportunity area. We may already be there with more yet to be delivered. And interestingly, several schemes which started as private have pre-sold as build to rent.

Ronan Farrell: If you build it they will come so it's about how much and how quickly can you develop it to meet this demand. Pick-up on our latest Croydon scheme Enclave has been good, with over 100 pre-lets (15%) ahead of its launch last week. Similarly, Ten Degrees was way ahead of its leasing targets and we're currently at 90-95% targets and stabilised within a couple of months. Croydon has a better offering than other successful schemes outside the borough as it has that city centre living proposition.

Dimitris Tsompanidis: Whilst I think the big opportunities are commuters and that kind of demographic, Gatwick, tech communities in the south and the industrial market are also driving demand for BTR. Schemes in Croydon can cater to this as long as we continue to drive them forward – fundamentally there is a lack of housing in this country.

What is the planning environment like?

Ronan Farrell: Croydon is one of the most fair boroughs in terms of planning. When we were planning our two schemes in Croydon, it was very collaborative and not an us verses them exchange. Ten Degrees is great example of where the local authority used scale to their advantage and ultimately it worked for us as well. The local authority had the flexibility in design terms to give us an extra four to six floors, in exchange for a higher level of affordable housing, which you wouldn't have in a lot of other areas. Very few councils think that way.

Abigail Heraty: Croydon has some of the strongest officers. They will have frank conversations but will back you in you meet them their requirements.

Mike Saunders: Historically, Croydon has had a very well structured, but quite pragmatic approach to planning.

What are the requirements from tenants and how can these be met?

Max Farrell: The answer is not just more housing, you need the other associated amenities, the culture, the leisure, the green space - all to be improving in similar proportions. It's not just about the housing, it's about the communities that you're creating and the different neighbourhoods – not just within the town centre, but its surroundings too.

Dimitri Tsompanidis: It's top priority for project planners and the council - making the place safer and the streetscape looking more attractive. Croydon needs to improve its streetscape and it is the developers job to support.

Ronan Farrell: Public art, amenities, sheltered space, public gardens are what we're delivering to help Croydon - all driven by local authority to ensure it meets their requirement to really regenerate these spaces and make them safe. When the former Brick by Brick site comes forward, and you have that shortcut through to Fairfield halls, that will transform and be the final piece of the jigsaw on that area.

Dimitris Tsompanidis: Co-working is a massive thing. We see people carrying their screens up to the rooftops to work and be around people. It's a big driver for BTR – dining areas and amenities is an attractive proposition to inviting friends over for dinner.

Max Farrell: Smart Growth analytics talks about 3 elements of workspace: home, work and flexible work space that means you leave home but have no commute. This lends itself nicely to converting existing buildings and regenerating high streets.

How can Croydon ensure that supply and demand remain stable and future proof development for long-term success?

Max Farrell: It's been interesting to hear about developers moving from flats and multifamily to suburban single-family homes and how people are moving within these brands as their life changes or their family expands.

Dimitris Tsompanidis: This is something we're seeing too, and we like it because it improves customer retention. People start by renting a studio or a one bed, then they may want to move in with a partner to a two bed and so on. For us, it's something we want to target. There is however a 'ladder' when it comes to the BTR market and Croydon may have opportunities to have for-sale blocks as part of planning where renters can progress to if they want to buy.

Ronan Farrell: People could progress within the same building and live there for ten years. Rent is becoming the new norm thanks to interest rates and the end of the help to buy scheme. There's also been a cultural shift in attitude to purchasing.

Sam Carr: I think the biggest change has been affordability, people being able to get a deposit. It's just not possible with the cost of living to try and save, especially with help to buy gone now. So renting is the only option, but BTR schemes are an option where people can get good quality living and have a good quality of life.

Max Farrell: Property became an investment class for a long time, and a lot of people benefited. But in a way that created this generational contrast, which is a big issue. And perhaps also, it's a younger generation coming through that realise that the homeownership is not achievable. But they also like the idea of not having to worry about paying for maintenance costs, about being able to do the laundry on site and having the right amenities and having that interaction with people in the way that you wouldn't if you're a homeowner.

There has been a change in terms of the types of landlords that we have now - institutional landlords that can build that sense of trust and look for longer term tenancy arrangements How much of that has been driven by the institutional investors, the pension funds and their ESG driven criteria for investment?

Dimitris Tsompanidis: There is long term capital behind BTR. You can't beat it in terms of investment. But you have to be patient with money. People want the service model and landlords need high levels of service as their reputation is on the line.

Richard Plant: Residential property has moved as an asset class and there have been big changes. Pension funds are all following up. If you want to be a pension fund investor in residential as an asset class, it's got to be BTR. Croydon has many advantages from an institutional investment point of view - the availability or the historic availability of sites of a reasonable size; lots of building coming

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to end of life all at the same time which were built in the sixties and very unique.

Dimtris Tsompanidis: Croydon is a good opportunity, because pension funds wouldn't invest in a 10 billion pound project because it isn't worth their time, but they would like to invest in 500 or 600 units or more, and Croydon can really offer that, which makes it quite attractive.

How can build to rent developers in Croydon contribute to the overall regeneration and economic growth of the area? How can collaboration between local authorities, developers and community stakeholders be fostered to ensure the success of build-to-rent and alternative renting projects in Croydon and address any potential concerns from local residents?

Ronan Farrell: The Section 106 means the onus is on the developer to deliver which ensure these changes happen and that works because it is in both our interest. We can procure better. They're not forcing our hand, but they're putting the responsibility on us to deliver as part of the application. And as a result, they're getting what they want.

Mike Saunders: Wellbeing came top of requirements from tenants. Access to green space. Local amenities and businesses were secondary considerations. Having opportunities locally is important for the local community too. Croydon offers green space that out of town doesn't.

Dimitris Tsompanidis: Providing residents' information packs and residents' discounts. It would be great to collaborate with Croydon businesses and the Croydon BID to drive this locally.

Abigail Heraty: We need more work on engaging with the community. There is quite a lot of misconception and potentially anger in Croydon around all these buildings which have gone up. It's important to get communities involved in designing the buildings. Build to rent might actually help with community engagement too, especially as many of them have on-site operations managers and community managers, compared to traditional build for sale.

Mike Saunders: Research shows a sense of community amongst tenants and prospective tenants came really high – around 70%. Obviously, you've got a sense of community in the actual building but there's also a sense of the importance of the community outside. Bringing those two together, I think is really interesting and also quite tricky, because it's not something you can do overnight. You have to build it over a period of time.

Looking to the future, what's next for the Croydon market?

Dimitris Tsompanidis: Students is an interesting market. Croydon is more domestic. It would take bravery to build a student block but there's potential with LSBU. A lot of students travel from Brighton up but haven't looked into the potential for student accommodation in Croydon yet. There could also be an argument for international students by saying Croydon is only 20 mins from their London universities.

Mike Saunders: Would be great to get research and facts on the BTR occupancy and occupants in Croydon through post occupancy evaluations. Not just one development, but about the whole ecosystem of BTR where we could get some really good quality feedback from the community.

Richard Plant: It would be good to resurrect the campaign for rezoning of Croydon in the train network – it would help with travel costs and make it more appealing to commute from here.

Max Farrell: If you make that argument about students and how building these schemes here is dependent on transport costs, then you have a strong argument for rezoning.

KEY TAKEAWAYS:

- Croydon remains a sweet spot for BTR investment – its connectivity, proven BTR success and its appeal to those looking for an affordable 15-minute city lifestyle.
- Westfield remains Croydon's biggest opportunity to scale up its regeneration – but it needs to get its fundamentals right and the development already underway will support the town's future success.
- 'If you build it, they will come'. Demand for BTR in Croydon is already high and is only likely to go higher due to the UK's housing shortage. Developers are seeing that considered, well designed BTR schemes are attracting people to places like Croydon, despite not having connections to the location.
- Creating communities is as important to a successful future for Croydon as the buildings themselves – streetscape, public art, green space, a safe environment and key routes between train stations to ensure accessibility as well as re-zoning to make travel to London cheaper.
- Post-occupancy evaluation is key to understanding the occupiers and their behaviour. This concrete data can be used to influence the future of the schemes and their design.

If you are interested in Develop Croydon, or in coming to Croydon and seeing its office offer for yourselves on our one of our investor tours, please contact the team on info@developcroydon.com