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21 May 2024

By Email – consultations@canterbury.gov.uk

Dear Sirs,

Consultation on Draft Canterbury District Local Plan 2040 – Representations by the Watkin Jones Group

Please find below the comments of the Watkin Jones Group PLC (WJG) in relation to the draft Canterbury District Local Plan 2040.

About Watkin Jones Group

With a focus on delivering for our customers since 1791, WJG is the UK's leading developer and manager of residential for rent homes. By spearheading this emerging sector, WJG is creating the future of living for a diverse and growing group of people who want flexibility, convenience, and a strong sense of community alongside the best location and value. Its purpose-built build to rent apartments (BTR, multifamily), co-living and student homes (PBSA) are designed and built sustainably, and welcome people from all backgrounds to enjoy a great way of life, generating a positive impact for wider communities. Beyond this, WJG's successful and well-established house building division focusses on the delivery of affordable and BTR single family houses.

With increasing pressure on many areas to speedily deliver new housing, WJG has an excellent track record of creating homes fast without compromising on quality. Over 95% of its developments are on site within six months of the grant of planning permission and its in-house construction capacity means that it can rapidly boost housing supply. Over the last 25 years WJG has delivered approximately 60,000 homes, including over 52,000 student homes, and approaching 5,000 BTR homes, and has a significant pipeline. In Canterbury, WJG delivered 197 student homes at Alma Court on Military Road in 2020.

WJG is also one of the first organisations in the UK to have delivered co-living. This includes at the Zinc Works in Bristol and at the Gorge in Exeter.

Today, WJG successfully works across every part of the UK focussing on centrally located, previously developed sites. WJG's end-to-end delivery model means that it acquires, designs, and builds places, and typically remain within communities as on-site building managers. Fresh is its multi award-winning operator-arm, who are currently managing approximately 17,500 rental homes across the UK and Ireland. This includes the Gorge co-living development in Exeter. Fresh achieves 95% customer satisfaction, and cares for its residents with a range of wellbeing and community building activities.

Purpose of Representations

These representations focus on the land use policies in the consultation document relevant to the residential tenures that WJG delivers and manages. As such, this focusses principally on the following policies:

- Build to Rent (BTR) – Policies DS2 and DS5.
- Purpose Built Student Accommodation (PBSA) – Policies DS1, DS2 and DS5.

The emerging Local Plan does not include any proposed policy for co-living. WJG considers that this is a form of residential accommodation which will be delivered within Canterbury over the lifetime of the emerging Plan. For



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this reason, WJG recommends that the Council assesses the need for co-living and positively plans for it. WJG provides suggestions below as to what should be included within such a policy.

These are addressed in turn, along with our proposed recommendations to ensure that the Plan meets the tests of soundness set out in Paragraph 35 of the National Planning Policy Framework (NPPF) – namely, positively prepared, justified, effective, and consistent with national policy.

Build to Rent (BTR)

Form and Quantum of Affordable Housing

Part 9(d) of draft Policy DS5 ‘Specialist Housing Provision’ suggests that for BTR schemes “*30% affordable or social rent housing is provided as part of the scheme*”. This form of affordable housing is inconsistent with national policy and WJG objects to this approach.

National Planning Practice Guidance states “*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.*”

The definition of ‘*affordable housing for rent*’ within the draft Local Plan’s glossary reflects national policy stating “*for Build to Rent Schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as affordable private rent).*” This definition adds that affordable private rental levels should be at least 20% below local market rents.

Despite an acknowledgement that affordable private rent is the correct form of affordable housing for BTR, this has not been reflected within draft Policy HS5. We can find no justification or explanation within the draft Local Plan, within the Housing Needs Assessment (Domus, 2021), within the Housing Needs Assessment Addendum (Edge Analytics and DLP, 2024), the Local Plan Viability Study (HDH, 2022) or Local Plan Viability Study Update (HDH, 2023), as to why the Council has adopted the approach advocated by draft Policy DS5. This approach is not sound – it is not justified and is not consistent with national policy.

Furthermore the Council has not tested, through either of the viability assessments detailed above, whether BTR developments can viably support 30% of the units at affordable private rent. To ensure that the policy is sound and supported by a robust evidence base, this assessment of viability needs to be undertaken. The Council cannot rely on the viability testing already undertaken, as para. 4.44 of the Local Plan Viability Study (2022) recognises that the financial dynamics of BTR are different to for sale homes.

The Council’s suggested approach for the provision of affordable housing within BTR schemes is not sound, is not consistent with the national policy approach, and is not supported by a robust evidence base. Until such an evidence base is established, the Council should ensure that their policies are consistent with national policy.

Without this, it will mean that much needed rental homes will not be delivered in the borough as they will not be viable. The Council’s Housing Needs Assessment (2021) recognises that there is a significant and increasing need for more rental homes in the borough, so it is vital that the correct, evidence-based approach is produced.

To make Part 9(d) of Policy DS5 sound, we suggest that the current wording is replaced with the following, until such time as an evidence base is prepared which demonstrates whether (or not) 30% of affordable private rent is viable within BTR schemes:

“20% affordable private rent homes are provided by the development in line with the definition of ‘affordable rent for housing’ provided within the glossary”.

Housing Mix

Draft Policy DS2 ‘Housing Mix’ states that residential developments for more than 50 dwellings must accord with, or be within a 5% buffer of, the housing mix presented within the draft policy. The housing mix varies across the borough, with three- and four-bedroom properties accounting for at least 60% of dwellings across the borough and increasing to 72% in Canterbury where most multifamily BTR (i.e. BTR apartments) will be located.

The housing mix suggested does not align with the mix of units typically provided within multi-family BTR apartment schemes. Research by the British Property Federation (BPF) 'Who Lives in BTR (2022)' demonstrated that multi-family BTR schemes are typically occupied by the following:

- Single – 35% of occupiers
- Couples/ sharers – 60% of occupiers
- Families – 5% of occupiers.
- 75% of renters are under 34 years old.

This results in the majority of apartments within BTR multi-family developments being studios or one-bedroom apartments (for single occupiers and couples) and two-bedroom apartments (for couples and sharers). A small proportion of apartments (no more than 5%) are provided within three bedrooms for families. No four-bedroom apartments are provided.

The Housing Needs Assessment Addendum (Edge Analytics and DLP, 2024) recognises this stating:

"It is necessary to ensure that any policy is deliverable in real terms, including whether it is suitable and viable for the geography of Canterbury City. For example, it may be the case that in real terms there is still a need to deliver 1- and 2-bedroom properties in Canterbury City, taking into accounts circumstances such as affordability constraints (particularly upon younger households) and any demand for new models of delivery such as build to rent. More generally, the circumstances of flatted development are such that it is likely to include a high-proportion of 1-bed and 2-bed properties".

Similarly, housing mix within single family BTR schemes (i.e. BTR house led schemes) may similarly be different to its 'for sale' equivalent. The above mentioned BPF document demonstrates that for single family BTR schemes:

- 65% of renters are below 35 years old, 20% are between 35 and 44 (i.e. a younger group, who may go on to purchase a home after living within a single family scheme).
- 35% are single occupiers, 35% are couples, and 30% are families.
- A typical mix of single-family homes within a development comprises:
 - One- and two-bedroom flats – 15%
 - Two-bedroom houses – 15%
 - Three-bedroom houses – 60%
 - Houses with more than three bedrooms – 10%

WJG understands that there has been little delivery of BTR within the borough to date, either as multi-family apartments or single-family houses. It has not therefore been necessary for the Council to consider housing mix within BTR developments. The delivery of BTR housing is increasing across the UK to align with an increasing proportion of people who rent their homes. The Housing Needs Assessment (Domus, 2021) prepared for the Council recognises that the number of people renting within the borough has significantly increased over the last decade and is expected to continue to do so over the plan period. To align with this, WJG expects that the Council will see an increasing delivery of BTR homes within the borough.

The adherence of BTR schemes to the proposed housing mix detailed within draft Policy DS2 will result in much needed rental homes not being delivered within the borough. To make draft Policy DS2 effective and deliver much needed rental homes, WJG suggests that an additional point is added to draft Policy DS2 which states:

"8. Proposals for build-to-rent housing are not required to adhere to the requirements of parts 1 to 7 of this policy. Development proposals will be required to justify their proposed housing mix, both for new market housing and new affordable housing, demonstrating how this mix responds to the housing needs of the borough."

Clawback Period

Part 9(a) of draft Policy DS5 'Specialist Housing Provision' requires that BTR "*homes are secured in single ownership providing solely for the rental market for an extended period minimum 20-year term with provision for clawback of affordable housing contributions should the covenant not be met*". Whilst WJG supports the principle of the Council's suggested approach, it can find no explanation as to why the covenant period is 20 years.

As mentioned above, BTR housing is typically institutionally funded. Those funds rely on established investment assumptions. One of these is that BTR is covenanted to remain as a rental product for a period of 15 years. This is an approach established more widely across the UK, for example within Policy H11 of the London Plan. WJG is not aware of any policy which has a covenant period of greater than 15 years.

Whilst it may appear to be a minor point, a longer covenant period of 20 years will deter investment in BTR. To ensure that the policy is effective in delivering BTR, and supports the borough in being attractive to BTR investors, WJG suggests that the covenant period underlined above is reduced to 15 years.

Purpose Built Student Accommodation (PBSA)

Accessible Homes

Part 6 of draft Policy DS2 'Housing Mix' states "*proposals for older persons housing and student accommodation will provide a minimum of 15% of new properties to be built to M4(2) standards, and 5% to be built to M4(3) standards*". Cat M4(2) and Cat M4(3) are not applicable to PBSA. This is evidenced below.

Cat M4(2) and M4(3) standards are detailed with 'The Building Regulations 2010, Approved Document M – Access to and use of buildings – Volume 1: Dwellings'. Relevant extracts from Volume 1 are provided below (WJG's emphasis in bold)

"Requirements M4(2) and M4(3) are 'optional requirements' as defined in the Building Regulations. An optional requirement only applies where a condition that one or more dwellings should meet the relevant optional requirement is imposed on new development as part of the process of granting planning permission. Where no condition is imposed, dwellings only need to meet requirements M4(1). Compliance should be assessed against only one of requirements M4(1), M4(2) or M4(3) for any given dwelling".

A dwelling is defined in Volume 1 as – "A house or flat". The same definition goes on to state "*Student accommodation is treated as hotel/ motel accommodation*".

The relevant Building Regulations document for PBSA is 'The Building Regulations 2010, Approved Document M – Access to and use of buildings – Volume 2: Buildings other than dwellings'. Notably there is no reference to Cat M4(2) or M4(3) within Volume 2.

Rather than stating that PBSA should adhere to Cat M4(2) or M4(3), and to remove this inaccuracy, Part 6 of draft Policy DS2 should be corrected and read as follows to ensure that it is sound:

"Proposals for student accommodation will provide a minimum of 5% of the rooms to be wheelchair accessible".

Affordable Housing Contribution from PBSA

WJG has reviewed draft Policies DS1 and DS5, as well as the documents which support the proposed introduction of a requirement for PBSA to pay an offsite contribution towards affordable housing. These include the Local Plan Viability Study (HDH, 2022) and the Local Plan Viability Study Update (HDH, 2023).

WJG considers most assumptions made within the above viability documents do not accurately portray the true financial characteristics of developing and operating PBSA within Canterbury. The Council needs to underpin any requirement to provide affordable housing contributions from PBSA by a correct and robust evidence base, which it has not. Without a correct evidence based, the result will be that much needed student homes not being viable and therefore not being delivered.

Using its extensive and current knowledge of the funding, delivery, and operation of PBSA, WJG provides evidence to demonstrate that most of the assumptions made within the above viability documents are incorrect. WJG currently objects to the requirement for PBSA to contribute towards affordable housing, as the evidence which has been used to assess whether this approach is viable is incorrect. To satisfy the requirements of the NPPF in making this policy sound, WJG encourages the Council to revisit its viability evidence supporting the approach, correct this information where highlighted and, if required by such changes, remove the requirement for PBSA to contribute towards affordable housing.

We set out below those assumptions which are inaccurate:

Input	Approach within VA	Recommended Change	Commentary
Land Costs as a Proportion of GDV	30%	5-15%	<p>Section 2.4 of Appendix 2 of the Council's Commuted Sums Calculator states "the financial contribution sought in lieu of affordable housing will represent the land, servicing and purchasing costs which the council or Registered Provider would need to pay to buy plots on the open market in order to develop equivalent affordable housing on another site. Land costs (including servicing and purchasing costs) typically represent 30% of the open market value of housing".</p> <p>This figure is incorrect. Our four most recent developments have demonstrated that land cost is between 5% and 15% of the gross development value.</p>
Development Efficiency	29 sq. m per bed space	32.5 sq. m per bed space (or greater)	<p>The approach detailed within the viability study (23 sq. m² + 26% circulation space) equates to an efficiency of 28.98 sq. m per bed.</p> <p>Modern PBSA schemes become long term investments for institutional capital that exhibit strong environmental, social, governance (ESG) characteristics. They therefore necessitate reception spaces/ front of house spaces with back-office areas, post rooms and a variety of amenity spaces, both internal and external. A good outcome for a typical, space efficient PBSA scheme delivered by WJG, with an appropriate living environment for residents and suitable investment product, would be 32.5 sq. m per bed minimum. The efficiency is affected if the building is a 'high risk building' within Building Safety Act, requiring a second stair. A second stair increases floor space, increases build cost, and reduces scheme efficiency.</p> <p>The viability study assumes an overall GIA of 1,739 sq. m for the 60-bed scheme illustrated therein. This is incorrect and the overall GIA should be a minimum of 1,950 sq. m. This would require an additional 211 sq. m of floorspace to be built above that demonstrated within the viability study, at a viability study assumed cost of £1,659 per sq. m (i.e. £350,000 more expensive to build). The build cost used within the viability study appraisals is therefore understated. This does not take account of our additional comments on build costs, where we demonstrate that the build costs within the viability study are far too low.</p> <p>It is also important to note that Canterbury is not well supplied with large, regular shaped sites that are conducive to efficient scheme design when compared to other regional PBSA markets. An efficiency of 32.5 sq. m per bedspace may therefore be difficult to achieve in Canterbury and is likely to be much higher.</p>
Build Costs	£1,659 per sq. m	£2,500-£3,000 per sq. m	<p>The base build cost assumption in the viability study of £1,659 per sq. m is very outdated and does not take account of significant build cost inflation over recent years. Typical average build costs for a PBSA scheme outside of London are now between £2,500 and £3,000 per sq. m. Build costs within the viability study are therefore significantly understated and compounded further by an unrealistic scheme efficiency as detailed within our comments above.</p>
Scheme Size Scenarios	Range of scheme sizes – 60, 175 and 500 beds	Disagree	<p>A distinction must be drawn between studio and shared living schemes (i.e. cluster flats) and how operationally efficient schemes are to run.</p> <p>WJG considers 60 beds (both studio and cluster flats) to be erroneous – this size of scheme is operationally inefficient and would be institutionally un-fundable.</p> <p>A scheme of 175 beds would be the minimum to meet institutional investor funding requirements. A scheme of this size could be studio or cluster flats, or preferably a mix.</p> <p>Whilst a scheme of 500 beds is operationally efficient and would therefore meet investment requirements, this is only likely to be for cluster flat or cluster flat led scheme (i.e. with 20% to 25% studios). WJG considers the testing of a scheme of 500 beds comprising wholly of studio accommodation to be erroneous.</p> <p>Investors are assessing underlying student demand of a given market in formulating their investment strategies. Given the latest HESA data demonstrates that 89% of full-time students in Canterbury are UK students (who typically occupy cluster flats) and 11% are international students (who typically occupy studios), WJG can infer that investors are likely to consider an appropriate scheme make-up of 90% en-suite clusters and 10% studios. 100% studios in a 500-bed scheme would therefore not be fundable nor deliverable.</p>
Cluster flats	Cluster flats are unlikely to be able to support an	Agree	<p>Following on from the comments above, the Council's 2022 Viability Study concludes in paragraphs 10.78 and 12.97 that "shared living housing [i.e. cluster flats] is unlikely to be viable with affordable housing." As detailed above, WJG considers that investors are likely to consider a scheme make-up</p>

	affordable housing contribution.		of 90% en-suite clusters and 10% studios to be appropriate for the underlying student demographic in Canterbury. Two of the most recent PBSA schemes to be built in Canterbury namely Currus Court and Alma Court (the latter built by WJG) are cluster-led schemes. If institutional investment in cluster-led schemes to suit the underlying student demographic in Canterbury and reflecting those schemes being delivered in Canterbury, then one can infer that most PBSA schemes which will come forwards within Canterbury will not be viable with an affordable housing contribution. If the Council wish to maintain conditions for high-quality appropriate PBSA to be delivered, allowing Canterbury higher education institutions to be competitive in continuing to attract students, then an affordable housing contribution from PBSA must be avoided.
Operating Costs	25-30% (£1,940 to £2,008 per bed)	£2,400 to £3,000 per bed	Section 4.94 of the Council's 2022 Viability Study incorrectly sets out assumptions on operating costs. Based on our considerable experience, WJG considers that realistic operating costs to be £2,400 to £3,000 per bed for the 60, 175 and 500 bed schemes tested.
Yield	4%	5.75 - 6%	Section 4.94 of the Council's 2022 Viability Study incorrectly sets out assumptions on yield. The latest advice by Cushman & Wakefield, Knight Frank and CBRE (three leading agents in the PBSA sector) suggest prime regional yields are 5% to 5.25%. We do not consider Canterbury to be a prime regional market on account of the modest size of its student population (approximately 35,000 students) and therefore consider a 75-basis point discount to be appropriate. The effect of the yield assumption is overstating sales values when applied to adopted rents.

Co-Living

The emerging Local Plan does not contain any draft policy for co-living. Despite still being within its relative infancy, WJG expects that the Council will see an increasing number of planning applications for co-living over the lifetime of the emerging Local Plan. WJG therefore recommends that the Council positively plans for co-living and includes a policy within its emerging Local Plan. WJG provides suggestions below as to what should be included within such a policy.

Co-living, a form of BTR, is a relatively new concept of housing which aims to provide a housing option for single person households, who cannot or chose not to live in self-contained homes or houses in multiple occupation (HMOs). In planning terms this housing type is *sui generis* non-self-contained market housing and is not considered conventional residential, which would fall under Use Class C3. This type of housing is not restricted to particular groups by occupation or specific needs.

In addition, communal amenity space is provided in lieu of private floorspace to create a sense of community and encourage social interaction and engagement between its residents. The private units are appropriately sized to be comfortable and functional for tenant's needs and generally include en-suite bathrooms and limited cooking facilities (e.g. a kitchenette), but with access to larger kitchen and dining facilities elsewhere in the development. It is important to note that the Nationally Described Space Standards (NDSS) do not apply to this type of accommodation due to its key attribute as a 'cost-effective' alternative form of housing, which would be proven negligible should unit sizes be increased.

WJG is actively pursuing co-living schemes in core cities across the UK, noting that co-living has played an important role in attracting and retaining talent and supporting economic development. In fact, it is of note that some UK cities (e.g. Exeter) have installed a specific and pro-active drive for more co-living developments, recognising that those cities with already established co-living opportunities are at an advantage when seeking to retain and attract graduates seeking quality and cost-effective accommodation. On this basis, WJG has identified Canterbury as an ideal location to support, sustain and derive benefit from this residential model.

Other considerations for co-living homes policy include:

Location - co-living development should be supported on sustainable and accessible sites across the borough, particularly on brownfield land.

On site facilities - not all co-living schemes will provide concierge/ communal workspaces and/ or gyms for example, and many do not include room cleaning. We believe that the interrelationship between private rooms and shared amenity in terms of size and facilities is important, and that this should be judged on a case-by-case basis. The location of the building will influence the necessity or otherwise of some of these facilities – for example, a centrally located offer will benefit from a range of facilities nearby and therefore providing them within the building will not be viable.

Space standards/ minimum unit sizes - each co-living scheme should be considered on its own merits in terms of space standards as the layout of each can vary dependent on its scale and the specific market within locations. Therefore, each scheme should provide functional and high-quality private space which is supplemented by areas of shared communal space. This would facilitate a wider range of residential accommodation to be delivered within Canterbury to support additional choice both in the type of offer and the costs of accommodation. As noted earlier in this representation, NDSS does not apply to this type of accommodation due to its key attribute as a 'cost-effective' alternative form of housing, which would be proven negligible should unit sizes be increased. We do not believe that there should be minimum unit sizes as this unnecessarily restrict the market through delivering innovative design across a building, and the ability to offer affordable price points. Further, the whole premise of co-living is based on smaller units in return for higher levels of shared space and better service/ affordability. Therefore, setting a higher bracket for room sizes will either prevent development from being viable, or lead to decreased affordability for local residents. By way of comparison, the average room sizes of WJG's two completed co-living schemes are 20.5 sq. m.

Quantum of shared communal spaces/ facilities – we believe that the area of amenity/ common space per resident and how this is split depends on the size of the scheme, as there are economies of scale at play. Examples of co-living schemes elsewhere have provided 2 to 3 sqm per co-living studio.

Management - management plans should support developments to ensure they are managed and maintained and can integrate with surrounding communities. WJG provide long-term operational management platforms for each of their developments to ensure the well-being, safety, and satisfaction of residents, and ensuring operators are being 'good neighbours' within local communities.

Affordable housing – whilst co-living development can significantly contribute to flexible and affordable housing stock, as noted earlier, co-living is considered to constitute *a sui generis* use and thus on-site affordable housing policy requirements are not considered applicable to such schemes. In this regard, within localities elsewhere which have been at the forefront of co-living, those local authorities have not sought any affordable housing from co-living schemes, as they recognise that it is a cost-effective form of residential accommodation. If the Council is minded to include a requirement for affordable housing from co-living, it is suggested that this is in the form of a payment in lieu towards Class C3 affordable housing elsewhere in the borough.

Car free - due to the general location of co-living schemes within highly accessible areas, such developments are considered appropriate for car-free development. This is further supported by the general occupiers of co-living development expected to live and work within the same city area. In fact, co-living development should be expected to be car-free as a base standard. Car-free schemes within city centre areas are commonplace, can significantly reduce reliance on the private car, and can promote more sustainable methods of travel such as cycling.

In summary, co-living is a uniquely flexible form of accommodation with numerous recognisable benefits, which can serve to facilitate the supply of cost-effective housing to meet specific needs in the city. On this basis, we recommend that the Council includes a specific policy on co-living within the emerging Local Plan. This policy should recognise the importance that co-living can have in the delivery of housing for single households and key workers, whilst also recognising that this housing type can retain young graduates/ professionals and further enhance and stimulate the localised economy.

Final Comment

We trust that our above objections and recommended amendments are of assistance to the Council and will be considered. Please do not hesitate to contact Iain Smith on [REDACTED] or [REDACTED] should you have any queries.

Yours faithfully



Iain Smith
Planning Director

