



## Review of the barriers to institutional investment in private rented homes

### Call for evidence

The Government's Housing Strategy – *Laying the Foundations: A Housing Strategy for England* – explicitly recognised the importance of the private rented sector to the housing market. In December, the Minister for Housing and Local Government asked me to undertake an independent review to examine how best to encourage greater investment in homes to rent.

The review will consider: what are the barriers to new sources of institutional investment, and what steps can be taken to increase the supply of rented homes to meet growing demand.

The private rented sector has grown rapidly in recent years, and now houses 3.6 million households. However, this growth has not contributed to overall housing supply. It remains the case that very little housing is built specifically for private rental. This is a consequence of the structure of the sector which is overwhelmingly dominated by small landlords who, quite naturally, lack the resources to underwrite the development of new housing. But it also points to an opportunity for larger scale investment targeted on new build housing for market rent.

The published terms of reference for the review noted the work that Government has recently undertaken to explore the scope of the sector to attract investment. This led to measures in the 2011 Budget Statement, and recent work by the Homes and Communities Agency to bring Build-to-Let pilot sites to the market. This review will build on existing work and seeks new insights and evidence.

## Terms of reference

The terms of reference of the review are:

.... [To] build on this work and avoid re-visiting issues which have already been considered in detail – in particular through HM Treasury’s 2009 consultation. [To] focus on the potential for investment in the private rented sector in current market conditions. In particular:

- What evidence is there about the ability of the private rented sector to respond to future demand, and the impact of this on labour markets and growth? Is there a market failure?
- How does this compare to other countries?
- What interest is there among institutional investors for long term investment in housing?
- What are the characteristics of housing investment which might attract (or deter) institutional investors?
- What has been the experience of those who are developing new models for investment in the sector?
- What can we learn from large-scale investment in student housing?
- What drives current landlords’ business plans – costs, income, risks, long term strategies?
- How has the sector responded to the changing profile, expectations and aspirations of those who rent?

At the outset, I want to focus on two fundamental questions. Will the changes that Government has introduced go far enough to generate significant new flows of investment? And, if not, what can be done to accelerate things?

In conducting the review I am assisted by an expert reference group consisting of Vidhya Alakeson (Resolution Foundation), Graham Burnett (Universities Superannuation Scheme), Tim Brown (De Montfort University), Ian Fletcher (British Property Federation), Nick Jopling (Grainger plc), Victoria Mitchell (Savills), Martin Moore (Prudential Property Investment), Nick Salisbury, and Peter Vernon (Grosvenor Ltd). We are now seeking submissions and evidence on the subjects raised by the review. Given our wish to build on existing work, submissions which present new thinking and evidence will be of particular interest. Our intention is to provide the Minister with a report in June 2012, which will describe our findings and possible recommendations.

Sir Adrian Montague

## **How to submit your response**

This call for evidence was published on 21 February 2012; the last date that responses can be received is 30 March 2012. Please limit your responses to no more than 3,000 words. We would prefer to receive submissions by email where possible but they can also be sent by post. Contact details for the review team are below:

[PRSIInvestmentReview@communities.gsi.gov.uk](mailto:PRSIInvestmentReview@communities.gsi.gov.uk)

**The PRS Investment Review  
Department for Communities and Local Government  
Eland House – Floor 1/D1  
Bressenden Place  
London  
SW1E 5DU**

When responding, please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, it would be helpful to know who the organisation represents and how the views of members were assembled. Please also include the name and contact details of the person to contact for any follow up discussions.

If you have questions about the review, please contact the review team by email or post using the addresses above.

### **Confidentiality and data protection**

Information provided in response to this call for evidence, including personal information, will be held by the Department for Communities and Local Government on behalf of Sir Adrian Montague. It may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004). If you want information, including personal data that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

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