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Creators: Field, M.

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Does the UK's community-led sector need to accept providing housing properties for 'market rent'?

Dr Martin Field

University of Northampton, UK

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Communal Studies Association (ICSA)

Findhorn Community and Eco-village

Scotland 26 – 28th June 2013

Submitted abstract

Does the UK's community-led sector need to accept providing housing properties for 'market rent'?

This paper examines the impact of the UK's private rental sector upon proposed and existing intentional communities. It notes the growing provision within this 'private' sector and the manner in which different commentators and housing interests are declaring their support for its revitalised role within the UK's housing 'offer'. It notes also the readiness to accept 'market rent' as the standard cost benchmark at which such property will be occupied, and explores what this means for the costs of new housing and residential provisions and the extent to which 'market rents' may differ from 'cost' rents.

The paper then raises questions on the extent to which the terms by which 'market rent' properties may be created could impact upon the dynamics of intentional communities. This will particularly consider contemporary debates on how to attract capital investment into new housing, and on the tenancy terms routinely being associated with private sector 'market' engagements. The argument will be put forward that the UK's 'mutual' / 'community-led' sector can already access alternative models and experiences for equitable property rental and ownership that will be more sustainable than 'market rent' arrangements, and that it should be wary of courting partnerships or investments that do not respect its values and intent.

A set of final thoughts will then be provided on the challenge that mutually-based residential development can make to the UK's unbalanced housing market, and how its investment-models entails much less risk to the wider economy than the 'market rents' that consume increasing levels of housing income for minimal return.

Content

- Context and foundations of PRS in UK
- Typical PRS benchmarks
- Scope of community's PRS choices
- Likely PRS impact on :
 - financial issues
 - 'affordable' frameworks
 - community dynamics
- Some alternatives to PRS
- Future challenge from the 'mutual' sector

Intellectual foundations to PRS

Far-ranging review of PRS and its ability to expand (Rugg & Rhodes, 2008);

Recommendations for planning and regulatory change (Smith Institute, 2008);

Expansion of long-term 'area stewardship' (British Property Federation, 2009);

Promoting favourable 'buy-to-let' conditions (Smith Institute, 2009);

Using funds from financial & pensions sectors (HM Treasury, 2010);

Long-term supply to meet national shortfalls (CLG Select Committees, 2012);

Less 'risk' for building of new homes (Montague Report, 2012);

Housing those excluded from social housing / home-ownership (Resolution Foundation, 2012 & 2013).

Present context of PRS in the UK

- PRS now @ 17% of UK households – ahead of social sector [UK Housing Review 2013]
- 1.8m total new UK dwellings 2002 -2011, but 2.1m properties to PRS in same period
- £1b. equity support for PRS development funds
- £10b. loan guarantee support for PRS schemes
- ‘Market rents’ as benchmarks for other tenures
- ‘Cost’ rents covers development, not investment

Typical PRS benchmarks in UK

- Market level rents
- Limited short-hold tenancies
- Management fees
- Investors' conditions
- Shared accommodation

Scope of community's PRS choices

- Rent or lease external properties from private landlord - all 'benchmarks'
- New provision commissioned on external site – benchmark of higher rents, at least
- New provision commissioned on community site – benchmark of higher rents, at least
- Change of existing units to PRS conditions – benchmark of higher rents, at least

Impact upon financial issues

- Typical rent levels (business returns) are higher than mortgages for equivalent homes
- Acquisition costs are loaded with increased economic returns to non-community interests
- Pressure on household capacity to service regular repairs / engage with local economies
- Difficulty to maintain justifications for cost variations between tenancies in the long-term

Impact upon 'affordable' frameworks

- UK communities access 'affordable' rents and general support from accepted frameworks
- PRS being justified to meet 'housing needs' / 'needs' justify PRS rents and conditions
- UK pressures to increase existing rents to maximise rental streams to PRS levels
- Undermining rationale to provide affordable housing 'where needs not met by market'

Impact upon community dynamics

- Key to 'intentional' groups is to provide equal benefit for all, in equal measures
- Equality ethos will be undermined by new differentials with no compensatory return
- Introduction of market rents will decrease community attraction to future members
- Also problems for communities to deal with ad hoc 'in-house' renters / lodgers

Some alternatives to private rent

- Frameworks for feasible rental provision at 'affordable' / sub-market rates
- Limited 'ownership' options and other equity share models
- Manage 'ad hoc' renting / lodging on a licence basis, operated by the community as a whole
- Invite investment into the community as a whole, not just for PRS properties

Challenge from the 'mutual' sector

- UK's housing market remains fundamentally unbalanced due to 'speculative' habits
- Mutually-based provisions have enviable history in providing consistent financial returns
- 'Market rent' models present divisive economic gains, and monopolise increasing levels of household income for a minimal return
- Reduced risks by investing in known 'mutual' models - Co-ops, Cohousing, Land Trusts.

Concluding remarks

- *Does the UK's community-led sector need to accept providing housing for 'market rent'? – **No***
- *As there concerns and implications for PRS use that communities need to recognise? - **Yes***
- *Are there alternatives to PRS provision? – **Yes***
- *If rationale for the use of the PRS is to bring in funds, can suitable funds be obtained elsewhere? – **Communities need to review.***