

# Spotlight

## HOUSING: A BUILDING STORM

David Lammy / Ed Miliband / Bob Kerslake



# Spotlight



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# The need to build up



**T**he government's most recent statistical release shows that houses, as opposed to flats, now make up 81 per cent of the homes being built in the UK. This is mirrored in the country's existing housing stock; less than a quarter of homes in the last census were flats.

Houses are perceived as more spacious and more private. But in countries where flats are more popular, people get more space. The average UK home has 76m<sup>2</sup> of floor. In Spain, where two-thirds of the population lives in flats, the average floor area is almost 100m<sup>2</sup>. New homes in Denmark, where around half the population lives in flats, average 80 per cent more space than new homes in the UK.

Blocks of flats can use space and resources more efficiently, deploy innovation more effectively, and build communities more easily than houses. They can bring more people within easy reach of infrastructure, jobs and high streets, reducing the need for car use. They are better suited to cities. As the global population becomes more urban, the UK will need to build more flats in cities, of a better standard, connected by pleasant public spaces.

Given the necessary borrowing capacity, many local authorities might start doing this. But for the private sector, flats need to be made more profitable to build than houses. The opposite is currently true; by offering billions in generous loans to buyers of new-build homes (through Help to Buy), the government strongly incentivises the buying of the new-build properties developers find most cost-efficient to build – which, it turns out, are houses. With no financial restrictions on holding undeveloped land, it is cheaper and easier for developers to build out, away from developed infrastructure, than to build up, around it.

The government does not appear personally to have anything against flats. The Prime Minister is the landlord of a flat in central London, and the Foreign Secretary has seven flats on the south coast. But until policy reflects this, the UK will remain a nation which fools itself that its homes, however cramped, are still castles.

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DAPPLEPHOTOGRAPHY

## Leith Fort wins housing design award

*Sam Forsdick*

The Leith Fort housing regeneration, led by Collective Architecture, won the best affordable housing award at the 2018 Scottish Design Awards.

The new social and affordable housing project is located within the perimeter wall of Leith's 18th century military fort. Although the barracks were demolished in the 1960s, the surviving guardhouse and entrance gate are now listed buildings.

The project, situated north of Edinburgh city centre, has created 94 new terraced homes – 32 of which will

be socially rented, and the remainder for mid-market rent. The residential area is centred around a communal green space, which Collective Architecture says will “encourage interaction and familiarity between neighbours”. Nicola McLachlan, project architect for Leith Fort, said: “The project heralds an exciting time in Leith's rich history and plays an important role in stitching the Fort back into the community – both physically and socially – and encourages positive interaction between neighbours.”

## Help to Buy helps Persimmon profit

*Will Dunn*

The housebuilder Persimmon posted profits of £513.8m for the first six months of 2018, buoyed by low interest rates and the government's Help to Buy housebuyer incentive. The Help to Buy scheme supplements the buyer of any newly built home with a 20 per cent equity loan (or 40 per cent in London) that is interest-free for five years, allowing them to buy the house with as little as a five per cent deposit. The scheme strongly incentivises first-time buyers to choose new-build homes; an estimated 60 per cent of Persimmon properties sold use Help to Buy.

Other housebuilders have also benefited. The UK's biggest housebuilder, Barratt Developments, paid shareholders a £175m special dividend last year, and has proposed to do so again this year after forecasting a record profit of £835m.

When Help to Buy was announced in 2013, the International Monetary Fund warned that the scheme could boost demand without boosting supply, inflating the market. While supply has increased from the 2013 low point, the IMF warned last month that housing in the UK could now be overvalued by as much as 12 per cent.

## No deal will lead to £1bn tax, says BMF

*Augusta Riddy*

In the case of a no-deal Brexit, the Builders Merchant Foundation has warned, imported European building supplies will incur a £1bn VAT price tag.

If the UK leaves the EU without a “mutually beneficial customs arrangement”, the BMF argued, then UK businesses would be faced with the

prospect of paying 20 per cent VAT on goods before they can leave EU ports.

Britain currently imports 60 per cent of its timber from the EU, and is heavily reliant on the EU for other materials including bricks and paint. “Merchants already face significant cost increases due to rising world prices and currency fluctuations involving Sterling,” said chief executive of the BMF John Newcomb. “Paying 20 per cent more due to VAT rules will hit builders’ merchants hard.” The BMF warned of a knock-on effect on construction prices, and even the housing market.



SHUTTERSTOCK/PORMEZ

## Green paper offers tenants muscle

*Augusta Riddy*

The recently published Social Housing green paper – *A new deal for social housing* – has highlighted resident participation and empowerment as a key focus. The delayed green paper lists “empowering residents and strengthening the regulator” as one of its five principles.

The paper details how the government plans to “arm” residents with “information on landlord performance” to allow for easy comparison. This could include the publishing of league tables by the Regulator of Social Housing, and a

SHUTTERSTOCK/TYLER OLSON

“consumer” ratings system based on key performance indicators.

The green paper even suggested that grants could be allocated based on the aforementioned tools: “We want to explore whether the key performance indicators should help inform or influence the extent to which landlords receive funding.” The paper has now gone out to consultation.

## New Zealand bans foreign buyers

*Will Dunn*

The Overseas Investment Amendment Bill was passed into New Zealand law on 15 August, making the sale of current housing stock to non-residents illegal in an attempt to subdue the country’s housing crisis. In the capital, Auckland – home to around a third of the country’s population – house prices have almost doubled in a decade, and almost a quarter of the city’s housing stock is thought to be owned by foreign investors. New Zealand had the fastest-growing house prices of any country in 2016, and in 2017 Auckland was found to be the world’s least affordable city. Trade and Economic Development Minister David Parker said that New Zealanders “should not be outbid by wealthier foreign buyers”. However, domestic investors owning multiple properties continue to enjoy a favourable tax regime, and Australian residents – thought to account for 30 per cent of foreign investment – are still permitted to purchase property.

With a smaller population than Scotland but around three times the net migration and a population growth rate that is almost four times higher, New Zealand’s housing is a key issue. But building is taking place; Auckland (pop. 1.5m) issued planning permission for 12,369 homes in the past year, while London (pop. 81m) saw just 2,917 housing starts over the same period.



## NHS builds homes for hospital staff

*Augusta Riddy*

Salford Royal NHS Foundation Trust has taken the unprecedented step of dipping its toe in the housebuilding water, in response to a severe staff shortage at Salford Royal Hospital. Faced with 200 vacancies due, in part, to a lack of affordable homes in the area, the Trust is working with the housing association Salix Homes to build a 26-flat development which will only be available to clinical staff.

In the first scheme of its kind, the homes will be let to employees for six months as part of an employment package, which the Trust hopes will attract professionals to Salford and help to close the employment gap. The project was part-funded by the Homes England Shared Ownership and Affordable Homes Programme.

“It’s no secret that the country is in the grips of a housing crisis, but it really brings it home when our own local hospital cannot recruit staff due to a severe shortage of suitable accommodation,” said Sue Sutton, executive director of operations at Salix. “We believe this project to be among the first of its kind in the country and shows the importance of the health and housing industries working together.”

# The need for a new vision for public housing



The MP for Doncaster North and former Labour leader **Ed Miliband** explains why public housing should be viewed as an urgent policy priority

**T**he housing crisis is one of the defining issues of our time. And for that reason, I chose to join Shelter's social housing commission.

For a generation our country hasn't been building enough homes, ownership is in decline and the price of renting in the private sector is punishing. Earlier this summer our commission reported that nearly half of all homeless families are actually in work. A job no longer guarantees you a roof over your head in Britain in 2018.

In 1945, when Britain faced its worst housing shortage of the 20th century, it was clear that a big programme of public housebuilding was needed to alleviate the wartime devastation of housing and pave the way for economic and social success.

The sweeping changes introduced by the government worked. Homes were built and offered to those who needed them. Nye Bevan oversaw a revolution in both the NHS and housing, and the

radical policies of that postwar period became the conventional wisdom of both main parties. Housing was a large part of the successes of the 1950s and 1960s.

As home ownership took off, the conventional wisdom gradually changed. The market would provide. Governments of all persuasions forgot the true value of large-scale investment in bricks and mortar and abdicated much of the responsibility for housebuilding, including low-cost housebuilding, to private developers.

As the Letwin Review recently concluded, the whole system of housebuilding in this country keeps prices high, and ordinary people on lower incomes permanently shut out of home ownership. And with fewer social homes built in the past decade than we managed in just one of those postwar years, millions have nowhere to turn to for a home but the private rental sector.

But oversubscribed and poorly





## Social housing was sold and not replaced

regulated private renting is so often not up to scratch. Short-term tenancies mean that tenants might plant trees in their garden but won't be around long enough to see them grow. Or they might endure mould or vermin if they fear their landlord would sooner replace them than address the problem.

Moreover, private rents are just too expensive. The long-standing government solution to this is to top up people's income with housing benefit. But this has resulted in the cost of housing benefit rising to tens of billions of pounds a year – a subsidy to landlords, not an investment in the country's future. All the while, the leading cause of homelessness is still the loss of a private tenancy.

Meanwhile, social housing was sold off and not replaced. As a result, it has tended to become the domain only of the very neediest. From being seen as aspirational in its original inception, as well as a place of safety and security, social housing is often seen as something to be avoided.

As part of the commission's work, I recently had the privilege of attending a citizen's jury in Doncaster, where local social tenants got together with private renters to discuss the future of social housing. The overwhelming sense was that power lay elsewhere – with the private landlord or the social housing provider, never with them. People rightly wanted to have the power to be heard, to get repairs done promptly, to have decent homes at prices they could afford.

The tentacles of this crisis are far-reaching – whether it's the low-income couple putting off having children because of the cost of housing, teachers who cannot afford to live in our cities, leaving schools short staffed, or young professionals living in miserable and sometimes dangerous conditions trying in vain to save up for a deposit.

In recognition of the scale of the challenge, Shelter's social housing commission is cross-party, involving grassroots campaigners, including from Grenfell Tower, and is drawing

on a wide range of expertise. It will produce concrete recommendations in the coming months, but it is already apparent that we need a renewed vision for housing the British public, appropriate for the 21st century but learning from the past. In 1947, Bevan emphasised the role housing played in building strong, vibrant communities. "We should try to introduce in our modern villages what was always the lovely feature of English and Welsh villages, where the doctor, the grocer, the butcher and farm labourer all lived in the same street. I believe that is essential for the full life of a citizen."

The world is very different now but as in Bevan's vision 70 years ago, we need to think of housing as a building block of our communities. And the market alone simply cannot deliver homes either on that scale, nor with that vision in mind.

Housing needs to be seen again as a national asset, just like our transport infrastructure. The government is putting billions into projects such as HS2 and Crossrail. A fraction of that investment also invested in public housing would make a substantial contribution to the number of new homes we need.

Some people will argue that state investment in housing on this scale is unaffordable. But the value of homes cannot be measured just in pounds and pence, but rather in the quality of life lived by a country's citizens. The human cost of not investing in social housing is not one we should be willing to pay.

The postwar period of social and economic success for our country was built on the pillar of public housing, and in post-Brexit Britain this should be something to aspire to once again. Our commission will seek to provide a new vision for public housing that works for this and future generations. A vision for every priced-out renter and reluctant commuter, low-income worker and sofa surfer. That vision is needed now more than ever.

*Ed Miliband is a commissioner of Shelter's Big Conversation on social housing*

**Modular homes are built off-site, enabling quick and fuss-free construction. Are they the answer to Britain's housing needs, as prefabs once were? [Augusta Riddy](#) finds out**

# Solving the housing crisis piece by piece



**A**t the end of the Second World War, the UK faced a severe housing shortage. As troops made their way home, the government was desperate for a quick fix to the 200,000 shortfall of homes. Prefabricated – “prefab” – housing was used to plug that hole: structures built off-site which could be quickly assembled, with a planned life span of ten years. Encapsulated by the more than 100,000 bungalows that were assembled by German and Italian prisoners of war in the 1940s, the style has since developed a bad reputation as low-quality and visually displeasing, but it was vital in Britain’s housing trajectory.

Fast-forward 70 years, and once again the country finds itself in the midst of a serious housing crisis. On average, house prices in England are seven times people’s incomes, and over a million families with children now rent from private landlords. Could modular housing

be part of the solution? Maybe, but don’t call it prefab. “Don’t get me started,” retorts Lucian Smithers, director at modular residential developer Pocket Living. “It’s such a lazy association.”

Modular homes are constructed from “modules” that are pre-built off-site in factories. However, Nicky Gavron, former deputy mayor of London and long-time advocate for modular housing, says the recent models are “light years” away from prefab homes of the past. “Now they are precision-engineered, digitally designed, eco-efficient, slashing energy bills and affordable. Not just affordable to build, but to live in.”

“Building prefab bungalows and 27-storey towers,” Smithers continues, “the associations in terms of the technology, are poles apart.” He is referring to Pocket Living’s Mapleton Crescent development in Wandsworth – the tallest residential modular tower in

Europe. Both from the outside and inside, it’s hard to tell the development apart from any other tower block in the area. Watching a time-lapse video of its erection, on the other hand, is a unique spectacle. The lift and stair core was built first with slip form concrete – “you just pour in the concrete, move it up, move it up, move it up” – upon which a crane was installed to lift the modules into place. “We were doing a floor a day. That’s five pocket flats a day.”

Modular technology is quick to assemble, which is why historically it has been used in the military and public sector. This is exactly why the country needs it, Gavron argues. “The last time we were anywhere near reaching high housing targets was in the late 60s and early 70s, when factory-built homes played their part ... some estimates put completion rates at 60 per cent quicker than traditional construction.” She argues





Pocket Living's  
Mapleton Crescent,  
Wandsworth

**“Completion rates are up to 60 per cent quicker”**

that with such need, the traditional model of housebuilding can “only take us so far”.

As well as being quick to assemble, it is quick, and more sustainable, to disassemble. PLACE / Ladywell, a joint project with Lewisham Council, consists of 24 family modular homes on the site of the former Ladywell Leisure Centre, a site that was vacant and awaiting permanent development. The homes respond to housing need in the borough, but will be de-assembled after four years to be relocated somewhere else. The development is providing a “permanent solution in a temporary location”, according to architect Andrew Partridge, of Rogers Stirk Harbour + Partners.

Another key benefit of modular homes is the ability to use small plots of land that aren't easily accessible; the homes aren't built from scratch, reducing the size of the building sites and the number of lorries, mixers and other paraphernalia.

“They can now be built at all sorts of densities and for all sorts of sizes of sites, and are appropriate for urban areas as they work over constrained sites, such as those over tunnels, utility infrastructure and by railway lines,” explains Gavron.

“The business model is particularly suitable for the build-to-rent or social rented homes sectors,” she argues. Pocket Living is specifically targeting first-time buyers at the bottom of the affordability scale. “Everyone has to go through a lottery when they go through the purchase process, but you get more tickets if you are single, working in the public sector and you are on the affordability threshold,” explains Smithers. The flats in the company's Sail Street development were all sold at a minimum of 20 per cent below the market rate, and the cheapest were 40 per cent below it, at £267,000 for a one-bed. “It is for a certain target audience at a certain life stage ... we are helping people who are earning in the upper 30s and lower 40s ... People [who] have got a degree and a good job, but they don't have any capital behind them, their parents don't have loads of equity.”

The combination of modular and affordable housing has caught the attention of the Greater London Authority, who provided Pocket with a £21.7m seed fund in 2013 under then mayor Boris Johnson, followed by £25m more under Sadiq Khan. The developer used it to invest in land; “before that money came in, we were reliant on our own equity, meaning we had to sell a scheme to buy another plot of land. You can only do one scheme every couple of years.” Now the company is building over 200 homes a year. Meanwhile, Lewisham Council and Rogers Stirk Harbour + Partners have three more modular homes projects in the pipeline, one of which has already received planning permission.

It's clear why this type of construction would appeal to politicians; it's supposedly as good as a regular build – “to get mortgages, [builds] have to be insurable to the same standards as conventional builds,” points out Smithers – and it's quick. “They want to see housing, they want to see it fast, and →

## “You wouldn’t buy a car that’s made in a field”

PLACE / Ladywell development



→ good-quality.”

Gavron thinks yet more political will is needed. “[Modular housing] will only be used more widely if we can crack the issue of scale” she explains. “The industry told me that they are poised for a step- change in delivery. That change is dependent on strong political leadership from all spheres of government acting collaboratively to co-ordinate policy and resources, and provide continuity of demand.”

That most of the building work takes place in factories is also attractive, argues Smithers. “You’re using this pressure cooker of property prices in the South East to fund jobs in the Midlands and the North so I think politically that has a lot of appeal.” He also believes that a factory, compared to a construction site – “a confusing and harsh environment” – is more likely to attract workers and apprentices. Gavron agrees: “This is a new industrial sector where design meets manufacturing opening up a whole range of new job opportunities with the potential to attract new recruits.”

So why aren’t all developers jumping on board? “The large-scale developers are not cut out for this,” says Smithers. “They have worked on their supply chain carefully, and they have negotiated their subcontractors down so efficiently. Why would they take the risk?” They’ll dip

their toe in the water “for the PR”, he says, but the business model is so different that they are not willing to take the leap.

The financial services company Legal and General, however, has invested £55m in a modular factory near Leeds, planning to deliver 3,500 modular homes a year. Smithers is suspicious of trying to produce “lots of little [modular] semis”, arguing that high-density builds are the most efficient and economical way of using this technology.

Returning to the prefab label, Gavron says there is “some nervousness, particularly from local politicians who are still involved in pulling down the systems-built housing of the past, whereas today’s models of factory-built homes are quality controlled, low-carbon, digitally designed and precision engineered.” Partridge says although the prefab characterisation is “slightly misguided,” he “doesn’t mind it really”. “We always say you wouldn’t buy a car that’s made in a field, so why would you do that for a house?” His argument is that building homes in a controlled environment means “you can guarantee quality and deliver it.” “We need more demonstrations and expos to show how far they have come,” says Gavron. “These are truly 21st-century homes.”

# The UK deserves healthier, happier housing

A joined up housing design strategy is crucial to improving new developments, writes

**Sarah Weir OBE,**  
chief executive of  
**Design Council**

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**T**he government committed £44bn to increase the number of houses built to 300,000 a year by the mid-2020s. But recent statistics from Public Health England show physical inactivity is estimated to cost the UK £7.4bn annually. Housing, and how it connects to transport, green spaces and jobs have a key role in reducing that. If we create badly designed places that don't play this role, we are simply passing the costs on to future generations of taxpayers.

And it's not just inactivity that can make housing unhealthy. Studies have shown the importance of light in mental health. Space, too, is a factor in how people feel, and how they move around – especially as we get older. Our current housing stock is not accessible or adaptable for people across their life course. As the Centre for Ageing Better's strategy shows, only seven per cent of homes meet basic accessibility features and relatively minor adaptations to many homes could save the NHS £500m a year by reducing falls, which cost huge numbers of hospital beds.

Healthy housing is the product of good design. This considers everything from its setting, access to infrastructure, jobs and the environment, down to light and space in each room. I would be the first to admit that this is a complex challenge. Where public space is concerned, sometimes it's not possible to satisfy everyone completely. But we can either say "it's all too difficult", or we make a step change in culture and think about housing more holistically. We all need to break the cycle.

Space is a contentious issue. Reams of words have been written, with hugely varied views and shifting policy positions. But recent research from Cambridge University and LABC warranty show that the UK's newly built homes are the smallest in Europe and that the average lounge in a new build is 32 per cent smaller than in the 1970s.

One perception about design is it costs money and, perhaps for that reason, less than 25 per cent have an architect involved. However, only 57 per cent of new builds are completed on time. Good design pays for itself, before anyone has even moved in. Design has benefits in the long term, too. Well-designed buildings typically use newer, more sustainable materials and techniques and they are more efficient. These savings can continue for many decades.

More innovation in the construction industry is also key to making change. If you look at the aerospace or automotive industry, for example, they put considerable resource into R&D and design. Our recent research shows design and innovation are inextricably linked; if you use design-led thinking, you also innovate. We might be able to build 300,000 homes, but what are they going to be like to live in?

Designing healthy, sustainable housebuilding needs the right people involved from the start. This includes architects, builders and communities. The government's social housing green paper highlights the importance of "promoting good design". Labour's social housing green paper talks about making sure that first-class design isn't only for people that can afford it. The recently published update of the government's National Policy Planning Framework now includes "promoting health and wellbeing". But to bring the considerable benefits of good design to individuals and communities for generations to come, we need a joined up housing design strategy with guiding principles that everybody can see, understand and adopt.

**For more information, please visit:**  
[www.designcouncil.org.uk](http://www.designcouncil.org.uk)



# Plugging the UK's lettings knowledge gap

**Paul Masters**, group operations director at KFH, discusses why expert insight is key to build-to-rent success

**I**nadequate levels of housebuilding alongside a growing population and a diminishing pool of small-scale private landlords, has increased the demand for privately rented homes, especially in major cities. Consequently, providing much-needed rental stock to satisfy this need via build-to-rent (BTR) has become an increasingly attractive real estate opportunity.

By the end of 2016, four times as many BTR schemes were under construction or in the pipeline than were built in the previous seven years. There are currently 124,037 build-to-rent units either completed or planned across the United Kingdom, with just over 62,000 of these units in London.

As clear confirmation that the sector is gaining momentum, it is reported that BTR could deliver a total of 240,000 homes in England by 2030. This would create a sector comparable in value to that of US Multi Family REITs (the American equivalent of BTR), which is worth approximately £60bn per annum. By mid-2018, in



London alone, there were more than 62,000 BTR units completed, under construction or with planning permission. With a current average monthly rent of nearly £2,100 per unit across London, this equates to an overall BTR rental income of more than £1.5bn a year in the capital.

While short-term property price growth is somewhat muted, historic trends show that the long-term prospects for steady asset value growth in new residential developments remains positive. This growth combined with the benefits of stable, long-term returns generated by rents make BTR an attractive investment option for sovereign wealth funds, asset managers, pension funds, local authorities and housing associations.

However, the sector also has its challenges. In addition to residential lettings being heavily regulated, the capital invested in any BTR project is tied up for a long period of time – sometimes up to 30 years. Revenue can flow quickly when units are occupied,

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**Kinleigh Folkard & Hayward**



but BTR is a long-term investment.

The advantage of the long-term nature of BTR is that the asset value of developments is less exposed to market downturns. The longer-term nature of BTR profit, however, means developers of schemes for sale often find themselves in a stronger position to bid for land.

The biggest challenge for those investing in BTR, though, is the lettings knowledge gap. Regular market intelligence and quality data is scant and just a fraction of the existing PRS stock across the UK, particularly in London, has been built specifically for renting. Therefore, optimising investor returns by designing a product for the demands of different tenant types remains a challenge.

Many of the large corporate BTR investors are looking to grow their product at scale and offer the end user – tenants – a consistent standard of property and service across different and multiple locations. If investors are able to achieve this consistency, it provides the opportunity to create brands.

By building a brand, not only can BTR owners forge trust and loyalty ... among existing tenants, they can also build a reputation among a wider target audience that will encourage potential tenants to actively seek out these developments as places to live. This level of trust is invaluable in a business scenario that relies on maximising occupancy rates and minimising tenant churn and void periods.

In a market where insight on trends is limited, particularly around tenant demand, how can investors begin to develop, maintain and manage a product that will create long-term success in the sector? To date, the only source of insight into the sector is fragmented data from the buy-to-let market. As a result there is little industry understanding about what different tenants want from a bespoke private rental product and how these needs relate to the cost of development, cost of management, terms of tenancy and rent levels.

Understanding a target audience in the rental market can be challenging, particularly in London where tenant demographics can vary from street to street, let alone borough to borough. The added complication for investors is that development location, size and feasibility is often dictated by the availability of land and local planning requirements.

When opportunities are driven by land availability, seeking expert advice and guidance on the rental market outlook for that particular location is crucial. It is critical to understand who the tenants driving the market are and what they are looking for. Unfortunately, there is no publicly available PRS data source that will provide a rounded understanding of demand for private rented property in a particular area.

We recently launched the only in-depth research into tenant sentiment across London. The annual appraisal of tenant sentiment explores tenant attitudes and expectations with regard to the private rented sector including their views on the market, their

priorities when choosing property, and their expectations for the future.

We know, for example, that tenants in London expect to continue renting in the capital for another 4.2 years on average and that tenancy length is an increasingly important factor when making decisions on property. We have been able to form a picture of what tenants prioritise after factors such as location, property size and price have been considered and we know how this sentiment varies across boroughs.

Insight into tenant demand at all stages of the rental life cycle allows investors to structure their developments in a way that best caters for the market in which they want to operate. But an area often overlooked is the ongoing management of a BTR scheme or development. Not just the management of the buildings and units themselves, but the management and administration of the tenancies.

Of course, cost is important when evaluating the long-term returns on an investment; but poor management decisions driven purely by finances can actually have a detrimental effect on tenant sentiment and can increase longer-term management costs.

Expert insight and advice at all stages of build-to-rent development, from construction or refurbishment, to marketing, letting and ongoing management is the only way for investors to know they are making the most of their product – from creating an appealing development, to efficiency of costs and maximising income.

Our ongoing research programme combined with the expertise of our lettings agency branches, property and building management teams and portfolio managers built over 40 years allows us to provide bespoke advice and service to BTR investors and developers. With BTR so critical for the future of the housing market, particularly in London, it has never been so important to plug the lettings knowledge gap.

**For more information, please visit:**  
[www.kfh.co.uk/build-to-rent](http://www.kfh.co.uk/build-to-rent)

**David Lammy, the Labour MP for Tottenham and vice-chair of the all-party parliamentary group on racism, talks to Rohan Banerjee about the relationship between race and housing**

# “For this government, race has fallen off the agenda”



**T**he government’s race disparity audit, published in October last year, aimed to “examine how people from different backgrounds are treated across different areas”, including housing, health, education, employment and the criminal justice system. Damian Green, the former First Secretary of State, wrote in the report’s foreword that “how far you go in life should be based on your talent and how hard you work.” The Labour MP for Tottenham, David Lammy, doubts the sincerity of this statement. “For this government,” he says, “race has fallen off the agenda.”

And statistics from the housing sector suggest that Lammy may have a point. In the United Kingdom, black people are much less likely to be homeowners than white people – just 32.3 per cent of people of African or Caribbean ethnicity are homeowners, compared to 50.6 per cent of people of white ethnicity. “I think

racial bias and social prejudice must be factors [in housing],” Lammy says, “as they are in all walks of life. We know that outcomes for certain ethnic minorities in education are still a work in progress. And we know that there are different outcomes for ethnic minorities in health. It has to be the case, then, when one in three instances of homelessness, comes from an ethnic minority background, that there have to be real issues for ethnic minorities in housing.”

There is evidence that housing conditions in both the public and private sectors are worse for ethnic minorities. Ethnic minority households, the audit found, are “more likely to live in overcrowded, inadequate or fuel-poor housing” than white people. One in six ethnic minority families face a “category one hazard” in their homes, which is defined as an immediate threat to physical wellbeing. Category one hazards include





SHUTTERSTOCK/CLAUDIO DIVIZIA

mould, damp, exposed wiring and vermin infestation. “One of the reasons I spend a lot of my time talking about housing,” Lammy says, “is that it’s very clear that you could do be doing very well at a comprehensive [school] with a super head teacher and all the rest of it, but if you are going back home to overcrowded, cramped, damp or decrepit housing, then it’s going to harm your life outcomes.”

Meanwhile, research by Danny Dorling, professor of geography at the University of Oxford, found that “the majority of children living above the fourth floor in blocks of flats in England are black or Asian”. Living higher up, Nadine El-Enany argued in a blog for *Verso*, carries significant safety risks because people would have “limited access to escape routes” in the instance of a fire, especially when lift use is actively discouraged.

Consider, for example, that of the

80 people who died in the Grenfell Tower fire in 2017, over 83 per cent lived higher than the building’s tenth floor. And Lammy highlights that living high up can also have an “impact on a person’s capacity to integrate with their communities. I overwhelmingly believe in mixed communities and the government has a responsibility in social housing to create them. I don’t believe that ghettos or sink areas, with a predominance of one community, are in the public interest.”

For Lammy, born in north London in 1972 to Guyanese migrant parents, the “policy focus around social mobility in relation to race and class” has largely “centred on education, without appreciating the role of housing. It is even more the case now in the UK, that with the collapse of social housing – we are not building enough, or building it well enough – and the collapse of home

ownership in the context of the current economy, that there is an opportunity for bias.”

So, what are the reasons for the “disproportionalities”, as Lammy terms them, in ethnic minorities’ experiences of housing? For one, Lammy describes a “representation deficit” that is not “commensurate to the population” in the make-up of housing associations. Figures from the Chartered Institute of Housing in 2015 confirmed that on average just seven per cent of senior staff at mainstream housing associations came from ethnic minority backgrounds, even in areas with higher ethnic minority populations, such as the borough of Lambeth in south London.

While Lammy stops short of suggesting that a lack of diversity in housing associations directly correlates to decision-making bias in the distribution of lettings, he is sure that “something isn’t working. Hundreds of thousands of decisions are being made every day, and we need to prevent any trace of bias. We do have race relations legislation in the UK. We do have regulatory bodies and they have a responsibility to do their job. Local authorities do need to be subjected to the law, and that law needs to be properly upheld.”

Too often, Lammy argues, the voices of those living in social housing are not heard – an issue that could be exacerbated within ethnic minority communities. The Grenfell Tower disaster, he says, “demonstrated that, and the fact that, as we speak, there are still tower blocks and estates with combustible cladding is unacceptable. And it is unacceptable that there are discrepancies for ethnic minority communities. What came out of Grenfell at the time was the indifference with which the leadership of the local authority regarded the tenants.” Of the 80 victims of the fire, at least 60, Lammy points out, were not white.

Many of the residents of Grenfell Tower had raised multiple concerns about the risk of a fire in the months before the

## “You are made out to be something totally other”



✦ fatal blaze, including the placement of boilers and gas pipes, the absence of a building-wide fire alarm or sprinkler system, and combustible cladding. But residents said that their concerns had fallen deaf ears at the Kensington and Chelsea tenant management organisation (KCTMO) and the borough council. Lammy sighs. “I know from direct, personal experience, when you are speaking English, perhaps as a second language, and when there is a culture where your immigration status is constantly questioned, then you are going to have problems. You are made out to be something totally other and the narrative is that you are living off the state. This is something that ethnic minorities experience every day and it’s extremely easy for tenant management organisations to overlook your concerns. That can have a knock-on effect on the quality and safety of housing that you’re living in.”

But Lammy says that “race-blind” application processes, of the sort that have been used for some job opportunities and suggested for university admissions, are too “generalised” to be transferred to mortgage or letting decisions. “I think it [housing] requires a lot more

careful scrutiny. What I would prefer is more accountability, oversight, regulation, regular audits and the ability to challenge decisions that we don’t think are quite right.”

Lammy says levels of public sympathy for ethnic minorities in the UK are low, and that “more people seem to be asking why they are in the country in the first place, rather than whether they are being treated fairly or not.” According to a study by the Migration Observatory at the University of Oxford, immigration is “unpopular” among UK voters, with around 75 per cent in favour of tighter border control. Lammy sees this as a result of “ten years of a government that has not prioritised race issues.”

What does he hope can change? What will help to provide ethnic minorities with a better housing experience? Lammy says he wants to see more support for “racial equality councils that can monitor this [housing decisions] at a local level”, for “the equality laws that already exist to actually be upheld”, and for the government to “abandon austerity, which has onset much of the social housing problem in the first place”. Lammy shrugs. “For me, that’s obvious.”

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**Graham Farrant, chief executive and chief land registrar at HM Land Registry, explains how technology can make the process of buying and selling homes easier**

# A housing market fit for the future



**T**hink of any housing development in England and Wales and consider who is ensuring the homes are built and sold. HM Land Registry is probably not high on your list of key partners and may not feature at all. Yet the role we play in providing secure homes for owners and tenants is crucial and growing.

Our ongoing transformation to become the world's leading land registry for speed, simplicity and an open approach to data is focused on supporting homebuilding and making the conveyancing process simpler, faster and cheaper for everyone. We are at the forefront in determining how data and digital technology can improve property transactions. As a result we are reforming our working practices, introducing new digital services, exploring the future of land registration through our Digital Street project and operating in new areas where our experience and skills

are relevant and beneficial.

Our involvement in complex housing developments and infrastructure projects begins long before the first digger moves onto the site. We work with property developers to help them with their land acquisition decisions and estate planning. In the past year we have improved our service to them by creating expert teams to support them. By standardising the work associated with site acquisition, our instructions on how plots of land within a development should be processed and training for recently recruited colleagues to work on large-scale applications, we have created a far more fluid system.

At the former Hendon Police College site at Colindale Gardens in North London, for example, more than 3,000 residential and commercial plots will form 24 phases of development over the next 10 to 15 years. Our experts made recommendations to the developer on



the creation of multiple “parent” titles, from which leases are created, and gave guidance on requirements which have sped up the conveyancing process for subsequent sales.

We are now looking further into the needs of developers when they undertake larger schemes and will continue to develop specific products aimed at making the registration of large developments simpler. We will also promote homebuilding by fulfilling our strategic aim to register all land and property in England and Wales by 2030. A comprehensive register of freehold land where the owner is known and the extent of their ownership can be geospatially defined will be a boon for everyone involved in developing new homes.

Our first targets are to complete the registration of publicly held land in areas with the greatest housing need, and the registration of all local authority housing

stock by 2020. We have worked with government partners to create a list of all unregistered public land, which will be the starting point for the landowners to identify their priorities for registration. We have also been talking to the top 51 local authorities in terms of highest housing need to assess what support they need in the registration process and we’ve started four pilots with local authorities.

For buyers, our new digital service, which finds property information, makes it easier to find and understand the information they need to decide upon a purchase for a small fee. The property hunter can download a summary of information, including the address, title number, the owner’s name and address, the price paid for the property, whether it is freehold or leasehold, whether there is a mortgage on the property, and the lender’s contact details.

Even newer is our Local Land Charges Register. Local land charges such as smoke control orders and historic building listings are essential information for conveyancers and lenders but the ease and expense of searches vary widely across the country, depending as they do upon the efficiency of the relevant local authority’s service. Our new digital register, with its easy-to-use interface, will change all that by bringing the data of 326 English local authorities together in one place with consistent charging and search times.

The register was launched in July with Warwick District Council’s data the first to be available. We are now working with up to 26 local authorities in England to migrate their data in a phased approach this year and we estimate that during this phase up to 125,000 homebuyers will benefit from the new service.

When the prospective owner has made their decision on a property and their conveyancer has made all the relevant searches, the time has come to secure their loan. Our new service allows people to sign their mortgage digitally and has revolutionised the process. The borrower no longer needs to find a witness, apply pen to paper and send their signed deed by post. Instead they can view the deed

created by the conveyancer by logging on at a time that suits them and confirm their identity using the GOV.UK Verify service. A code is sent by text to their phone which they use to confirm they are signing the deed in a single click.

We are applying this process to remortgaging at first, and several homeowners have now digitally signed their new loan deeds through our partnership with Coventry Building Society and Enact Conveyancing. Eventually, we expect, every lender will follow their lead.

Once the registration of the owner’s mortgage and property title is complete, we continue to provide services which help guarantee their security of ownership. Our Property Alert service provides individuals with early warning by email of certain activity affecting the property they are monitoring, such as a new mortgage being taken out. We are also developing another new digital service for protecting properties, to help owners protect their property, or interest in a property, by keeping their contact details up to date. The service will raise awareness of what we do and the potential implications of our being unable to contact an owner.

Overarching all of this is Digital Street, our ongoing research and development project investigating how technology can improve and ultimately transform land registration. It allows us to explore and visualise different ideas of how land registration might work in the future and the difference a digital register could make. A “hackathon” bringing together software developers and others in an intensive collaboration produced three working prototypes demonstrating how technologies such as artificial intelligence could be employed to everyone’s benefit. The research continues, and we aim to complete the first fully digital transfer of a property within a year.

We will now take our digital projects to the next stage of delivery, increasing the help we give to all our partners in our joint endeavours to improve the process of homebuilding and buying in England and Wales.

# Could the housing crisis turn into social unrest?

The former head of the Homes and Communities Agency and the Civil Service, **Bob Kerslake**, tells Will Dunn why the housing crisis is “fertile ground” for extremist politics



**A**t the Conservative conference in Blackpool in 1985, Margaret Thatcher told her party that she planned to make “owning shares... as common as having a car”. Specifically, the PM was referring to shares in the newly privatised British industries, utilities, and transport networks. But at the same time, the British public was given the opportunity to invest in another aspect of British life being privatised by Thatcher policy: their council houses.

Bob Kerslake, who has worked as DCLG permanent secretary, head of the Civil Service and is now chair of Peabody, one of the UK’s largest housing associations, points out the difference between these two forms of investment. Housing, he says, “is an unproductive asset, as opposed to new manufacturing, or business, which are productive forms of economy.”

The country did not follow Mrs



Thatcher’s plan. Quite understandably, people opted overwhelmingly to invest in the stable, unproductive assets in which they lived, rather than the riskier but more productive assets of the stock market. British citizens are now half as likely to own shares in UK companies as they were in 1985, but by late 2017, 4.5m council homes had been sold. The UK’s stock of social housing has fallen to its lowest level since records began.

Kerslake says that housing is the “visible and stark” aspect of an economy that “is not working for ordinary people”. Divisions created in the Thatcher era, he says, have eaten at the social fabric, and we are now seeing the results in how people feel about the gaps between rich and poor, young and old, white and





## “You don’t get mixed communities anymore”

non-white.

“This issue could create unrest,” he says, “because there are such massive disparities. Even those on reasonable incomes now see their prospects of buying as very low. At the same time, we have deprived a whole swathe of people on lower incomes of the opportunity for a stable, high-quality housing offer.”

Kerslake says this is a situation ripe for “exploitation by populist politicians. The reason you haven’t got a house is because of immigrants – that’s been a story for a long time.” It is a story that Dominic Raab, the new Brexit Secretary, used during his short tenure as Housing Minister earlier this year when he claimed ONS figures showed that immigration had driven house prices up by 20 per

cent. The UK Statistics Authority questioned the accuracy and the applicability of the statistics, which were revealed to have been a decade old.

Kerslake calls this kind of claim “a very easy lie to use. And it is a lie,” he adds, “because we know that most immigrants go into the private sector.” But immigration is not the only social issue to be warped by the housing bubble’s magnifying lens. “People take longer to build a family. Older people cling on to properties that are larger than they need, and are isolated. You don’t get the mix that you used to get. In the 80s, the people who lived in social housing might have been a postman, or a care worker – not any more. You don’t get mixed communities.”

In cities, Kerslake says, the problem has been compounded by the fact that much of the social housing that was sold was not kept by the original right-to-buyers but “sold on to absentee landlords, who sub-let to people who often are from new communities. So you get higher churn in those populations, and that builds resentment, as well.”

“Unless we tackle this problem, it gets worse, and it will become fertile ground for people who want to exploit differences and disadvantages.”

In his years as the head of the Homes and Communities Agency and at the DCLG, Kerslake says he “lost count of the number of people who came to me with whizzo ideas, often founded on some technicality” to fix the problem of social housing supply. Not one of these, he says, addressed the fundamental problem that councils are limited in what they can borrow to build more social housing. “And yet we’re perfectly happy to see local authorities borrow to build swimming pools or buy shopping centres, but we won’t let them borrow to build desperately needed homes. It’s absolute madness.”

But rather than giving local authorities the means to build more social housing, Kerslake says governments have pursued the “insane” policy of reducing social housing still further. In 2015, the Conservative election manifesto

## “Social housing has been stigmatised”



→ committed to extending Right to Buy to housing associations, which hold around half of the UK’s remaining social housing. A pilot scheme was scheduled to start this month. Kerslake calls the policy “a double whammy” for social division, because even with the maximum discount of £108,000 applied to a London flat, “the only people who could buy it were people who could find the other £360,000, or whatever the property required.” Worse still, the policy states that the discount funded by the forced sale of high-value council housing, which Kerslake says will only deepen divisions still further because higher-value areas, being more expensive, are also the areas of greatest need for social and affordable housing. “You couldn’t get a more grotesquely unfair policy.”

Social divisions in Britain will only stop deepening, Kerslake argues, when the government stops seeing social housing “as a problem, stigmatising its occupants – and start seeing it as an important part of the social fabric of this country.” Nobody in government would argue with the fact that more homes need to be built, but for Kerslake “at least a third of the new housing built, the 300,000 that the government is talking

about, must be for genuinely affordable, social accommodation.”

But for now, housing policy continues to be dictated, as it was in 1985, by the Conservative tenet that home ownership and prosperity are the same thing. Kerslake points to Germany as an alternative model; with the lowest rate of home ownership in the EU, at 52 per cent, German citizens also spend a lower proportion of their income on rent than any of the top 15 EU economies. In the UK, more people (63 per cent) own their home, but while people in Berlin spend 27 per cent of their income on rent, the average Londoner spends almost half their income on accommodation. People in the UK own more property, but they pay for it dearly with significantly higher levels of consumer debt, less disposable income, and higher economic inequality.

Kerslake says housing should not be seen as an asset, as Thatcher saw it, but as “core infrastructure” that must be managed and made resilient to market fluctuations. “A well-functioning housing market is a critical part of a well-functioning economy. If we don’t address it, our economy will continue to become less functional, and more unfair.”

# Getting working families on the housing ladder

**Rentplus has a unique model offering families affordable home ownership. Chief executive Steve Collins explains how the rent-to-buy plan is making dreams a reality for working families**

IN ASSOCIATION WITH



**R**entplus recently handed over keys to new homes to 12 local working families in Shaftesbury. What's so unusual about this? Rentplus' unique affordable rent-to-buy model means that their dream of buying their own home is a step closer. They now have long-term security of tenure, pay an affordable rent, and their homes are managed by a housing association, supporting them to achieve their goal.

What makes the Rentplus model innovative and unique is the premise that ordinary working people can rent, save and then own their own home, something 86 per cent of the population still aspire to, despite the lack of a deposit.

The average first-time buyer needs to save for 13 years to get on the property ladder. Families are unable to save for a deposit while paying full market rent, remaining locked out of existing schemes which require substantial up-front funds in the form of deposits, or exceptional credit worthiness, to obtain a mortgage.

The Rentplus model overcomes these barriers. It was established to help working households who are unable to access other affordable home ownership options, and are low priority for social housing.

We are the leading national provider of affordable rent-to-buy housing, giving aspiring home owners a real opportunity to get on the housing ladder, and off housing waiting lists. To date, 60 per cent of Rentplus tenants have come from social housing waiting lists, and some 35 per cent have moved out of existing social housing, freeing up those in-demand homes for families in need.

Rentplus tenants pay an affordable rent (at 80 per cent market rent or LHA cap, including service charges), with no repair or maintenance costs and low running costs, meaning they are able to save towards their deposit. They have the opportunity to buy their home in five, ten, 15, or 20 years (depending on their circumstances), with security of tenure until they are ready. And when they come to buy their home, Rentplus provides a 10 per cent gifted cash deposit.

Despite this home ownership desire, in 2017 housing became less affordable for first-time buyers in 78 per cent of local authorities. In June 2018, house building statistics from MHCLG showed that quarterly new build starts were down five per cent on the previous three months and down eight per cent on 2017; quarterly completions were estimated to be nine per cent lower than the previous three months and four per cent lower than 2017.

To address the housing crisis, accelerating delivery is essential. So is introducing market disruptors, innovation and different funding sources, otherwise nothing will change. Our offer is fully funded by institutional investors with no public subsidy or grant; we work with local authorities, housing associations and developers to accelerate delivery and provide genuinely affordable homes.

July's changes to the National Planning Policy Framework definitions on affordable housing confirmed that Rentplus is an NPPF-compliant affordable housing tenure. It gives local authorities the confidence to include the model within their affordable housing options to meet the needs and aspirations of local people and businesses.

We have homes in Plymouth, Devon, Dorset, the Cotswolds, Cambridgeshire, Northamptonshire and Oxfordshire. In the next year, we plan to have families move in to Rentplus homes in Somerset, Northamptonshire, Essex, and Milton Keynes. With a pipeline of 10,000 homes, our ambition is to secure 5,000 homes by 2020. We're working creatively with local authorities to make this possible.

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