

# Home Truths

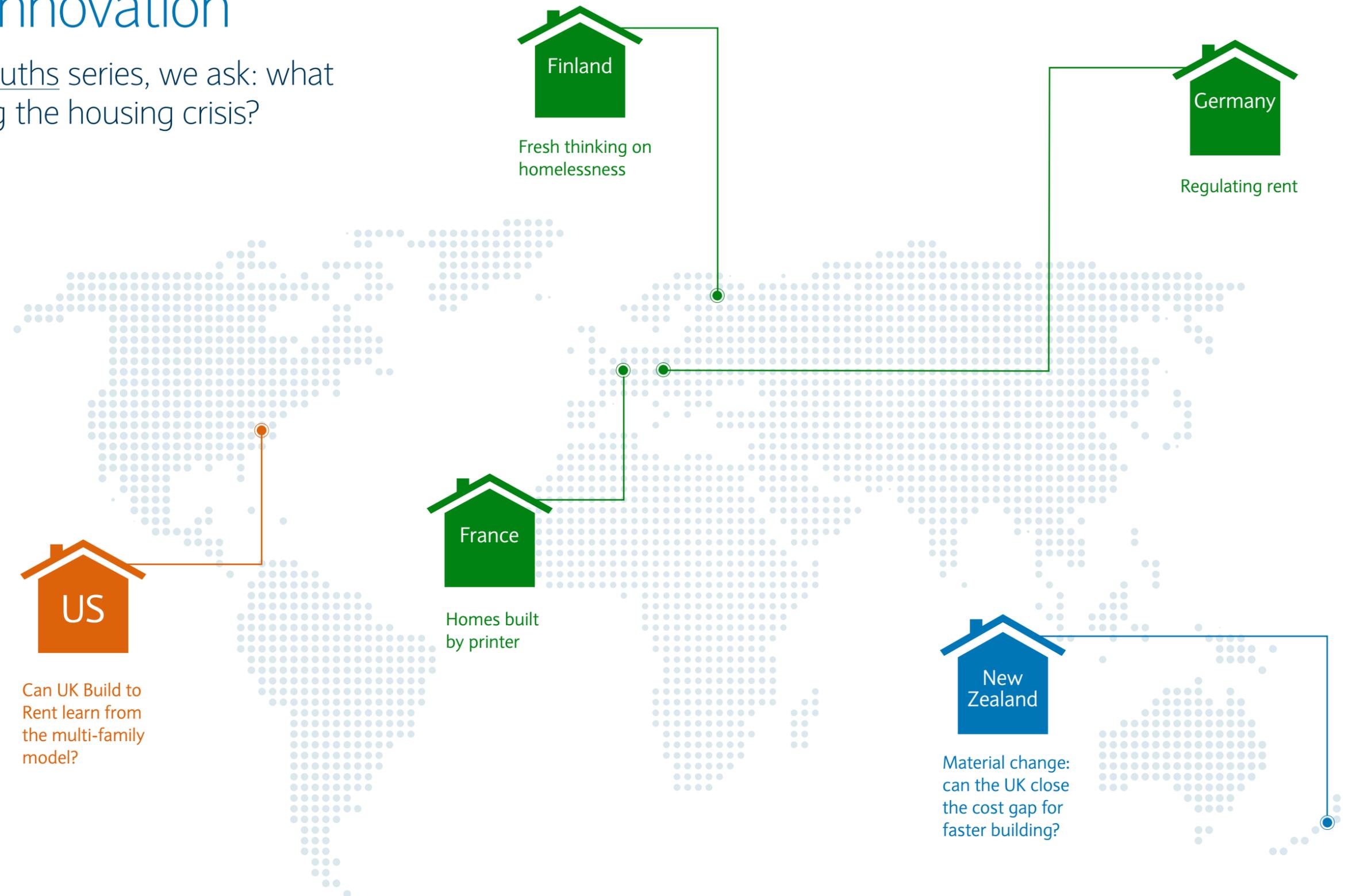
4. World of housing innovation:  
how international experience  
can inform UK responses  
to the housing crisis



# A world of housing innovation

In the fourth article in our [Home Truths](#) series, we ask: what role can innovation play in resolving the housing crisis?

The UK is not alone in wrestling with a housing crisis. Many countries face acute problems of affordability, housing shortages and homelessness. Some are finding new solutions in ways that differ from the UK model by offering advanced Build to Rent options, embracing more efficient build technologies, and using innovative approaches to support homeless people. We looked at a few global examples.



# United States

## Can UK Build to Rent learn from the multi-family model?

In the US, some states are suffering an acute shortage after construction of new houses – as a share of US households – slumped to nearly its lowest level since records began over sixty years ago.<sup>1</sup> But many cities offer an alternative to traditional home ownership in the form of a Build to Rent market that is more mature than in the UK.

Build to Rent is known as multi-family housing in the US. Many of the most successful developments there aim to create a community, offering communal lounge areas, business centres, gyms and social events.

Moda Living's Johnny Caddick has spent time in the US researching this model. He sees strong potential for UK developers to use "tech-savvy buildings" to offer tenants a good living experience, in the same way that offices have been adapted to improve working environments.

"Build to Rent is now adapting itself to accommodate lifestyles where people work from home one or two days a week. The building might offer work stations in the communal areas, where people can use their laptops and have coffee with neighbours – so you're not stuck in your apartment working on your own," he says.

This inspires a sense of belonging and friendships among neighbours. That's in the interests of the management companies, since it means tenants are more likely to stay over the longer term.

Alex Notay, Build to Rent Fund Director at PfP Capital, Part of Place for People, who also has experience of the US multi-family model, says that while amenity levels vary, the sector there is characterised by excellent service.

"Around 70% of the market is what they call B-grade suburban stock – it's not whizzy or flash, but it's amazingly well-run," she says. "Even if you have a three-star product in terms of a relatively basic fit-out, you can still have five-star service."

She says the UK market has yet to grasp this: "Many Brits struggle to separate service and amenity. They have the idea that if it's a five-star building there will be a concierge and a hotel-like atmosphere, but they can't have a good experience in a three-star type building. In fact, you can and you should."



# Europe

Most EU states have seen house prices grow faster than income, and growing levels of homelessness.<sup>2</sup> A variety of solutions are being attempted across the continent to combat these issues.

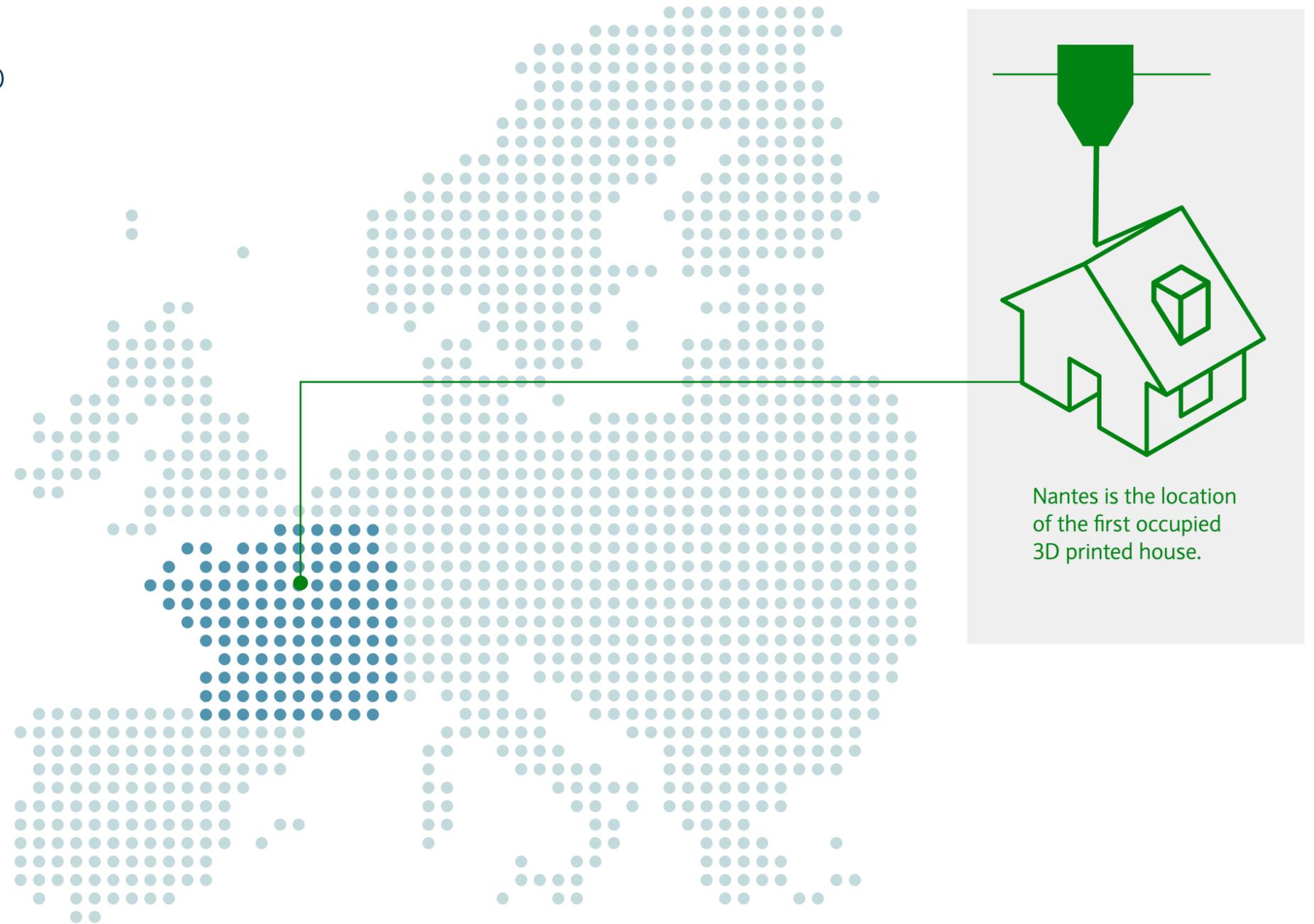
## France: homes built by printer

A deprived neighbourhood of Nantes is the location for the first occupied house built by 3D printer.<sup>3</sup> Its creators predict this technology will revolutionise the industry through faster, cheaper and more personalised homes.

Designed and programmed in a studio, the main structure of the Nantes house was then created on site by printer in little more than two days. The walls are made of polyurethane lined with cement. Contractors then added the roof, doors and windows.

The project was a collaboration involving the University of Nantes, the city council and a housing association.

Meanwhile in Eindhoven in the Netherlands, a group of five 3D houses are scheduled to go on the rental market next year.<sup>4</sup> They are under construction in the Meerhoven district, again with input from a local university.





A similar effort could be **5x as effective** as existing homeless services and more cost-effective

## Finland: fresh thinking on homelessness

Finland is tackling homelessness through an innovative policy known as Housing First, where National and local government, NGOs and volunteers have collaborated on delivering the policy since 2007.<sup>5</sup>

Housing First is based on the principle of giving homeless people a permanent tenancy without requiring them to first resolve other issues, such as substance or alcohol misuse.

To achieve this, Finland's government bought flats from the private market and built new homes to increase the supply of affordable rented housing. Intensive community engagement accompanied building work, to get neighbours onside in each area.

This integrated approach, combining Housing First with a wider strategy for the prevention of homelessness, has successfully cut the number of homeless people by 23% between 2012 and 2016.<sup>6</sup> A study by Crisis has found that a similar effort in the UK could be around five times as effective as existing homeless services, and up to five times more cost-effective – but would need to be integrated as part of a mainstream approach. In the Liverpool City Region, estimated cost savings range from £3.9m to £5m.<sup>7</sup>





London schemes

11%

more expensive than nearby private rentals

Source: JLL Residential

### Germany: rent controls

The German model of rent control is often hailed by rent campaigners in this country, but it is not favoured by our panel.

Germany has used rent controls at various times since the 1920s. A new system was introduced in 2015.

Rents are initially set by the market, but then can only be raised in the course of a tenancy through inflation or increases in the landlord's costs.<sup>8</sup>

One counter-argument to rent limits is that they cause landlords and lenders to focus on lower-risk investments, causing new, high quality, developments to decline.

While controls may not be the solution, our panel agreed that the Build to Rent market does need to provide for all levels of affordability. There has been criticism that too many schemes are targeted at affluent young professionals. One study found that London schemes were, on average, 11% more expensive than other private rentals nearby.<sup>9</sup>



# New Zealand

Building apartments in three weeks, and with very little noise, might sound too good to be true. But in Auckland, it is now a reality.

New Zealand's housing crisis is so acute that its government recently passed a law to ban non-resident foreigners from buying homes.<sup>10</sup>

The country has embraced new technologies as a way to build new homes faster. Cross-laminated timber – large structural building panels made from solid wood board – is gaining ground as a faster construction alternative to steel and concrete.

The first homes built in this way by Housing New Zealand were completed last year in Auckland.<sup>11</sup> They are small apartments designed as transitional accommodation for young people at risk of homelessness.

The timber is stacked at right angles, bonded together and vacuum-pressed, resulting in a material as strong as prefabricated concrete. Off-site manufacture makes for speedy installation: the Auckland apartments were installed in three weeks.

Besides efficiency, the method has noise benefits too. There is little to be nailed, sawed or hammered on site, so the assembly is almost silent.<sup>12</sup>

In the UK, the cost of manufacture of modular materials has been a sticking-point until now, but Lucian Cook believes the price gap is now shrinking. He suggests a tax initiative, perhaps in the form of an accelerator capital allowance for the factories involved: “That is a fiscal incentive that would materially boost production and close that cost gap.”

Alex Notay says the sector also needs to overcome challenges relating to incompatible modular systems and standards, which leaves developers dependent on a single manufacturer. “The very obvious stumbling block that will have to be addressed is the lack of standardisation and compatibility,” she concludes.

## 3 weeks: time taken to install Auckland apartments



# Delving deeper

Barclays' expert panel has helped to draw up a further [four articles](#) focusing on aspects of the housing crisis in detail, and offering potential solutions to break the current cycle. The articles cover:

- What we really mean when we talk about the housing crisis
- How different generations experience the housing crisis
- The impact of the recent Housing White Paper
- Housing's social purpose and the need for community.

<sup>1</sup><https://www.kansascityfed.org/publications/research/mb>

<sup>2</sup><http://www.housingeurope.eu/resource-1000/the-state-of-housing-in-the-eu-2017>

<sup>3</sup><https://www.bbc.co.uk/news/technology-44709534>

<sup>4</sup><https://www.theguardian.com/artanddesign/2018/jun/06/netherlands-to-build-worlds-first-habitable-3d-printed-houses>

<sup>5</sup><https://www.weforum.org/agenda/2018/02/how-finland-solved-homelessness/>

<sup>6</sup><http://www.ara.fi/en-US>

<sup>7</sup><https://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/housing-models-and-access/housing-first-feasibility-study-for-liverpool-city-region-2017/>

<sup>8</sup>[http://www.iea.org.uk/sites/default/files/publications/files/DP\\_Rent%20ceilings.pdf](http://www.iea.org.uk/sites/default/files/publications/files/DP_Rent%20ceilings.pdf)

<sup>9</sup><http://residential.jll.co.uk/new-residential-thinking-home/blog/will-tenants-pay-more-rent-for-amenities>

<sup>10</sup><https://www.reuters.com/article/us-newzealand-politics-housing/new-zealand-passes-ban-on-foreign-homebuyers-into-law-idUSKBN1L00KO>

<sup>11</sup><https://www.hnzc.co.nz/news/roof-shout-newsletter/roof-shout-spring-2017/cross-laminated-timber-used-in-otara-prefab-redevelopment/>

<sup>12</sup><https://www.xlam.co.nz/case-studies/housing-new-zealand-apartments.html>

# What are the solutions?

To achieve housing that promotes community, safety and wellbeing, we must:



Policy initiatives such as **standardisation and tax incentives** to encourage modular building.



A **service-led approach** to raise awareness and adoption of Build to Rent models, serving all levels of affordability.



A nationally coordinated effort to **tackle homelessness**, based on Finland's successful model.



Restore and reinforce the **social purpose** of housing associations.

To find out more about how Barclays can support your business, please call **0800 015 4242\*** or speak to your local **Relationship Director**.

[barclayscorporate.com](https://www.barclayscorporate.com)

 [@BarclaysCorp](https://twitter.com/BarclaysCorp)

 [Barclays Corporate Banking](https://www.linkedin.com/company/barclays-corporate-banking)

The views expressed in this report are the views of third parties, and do not necessarily reflect the views of Barclays Bank PLC nor should they be taken as statements of policy or intent of Barclays Bank PLC. Barclays Bank PLC takes no responsibility for the veracity of information contained in third-party narrative and no warranties or undertakings of any kind, whether expressed or implied, regarding the accuracy or completeness of the information given. Barclays Bank PLC takes no liability for the impact of any decisions made based on information contained and views expressed in any third-party guides or articles.

Barclays Bank PLC is registered in England (Company No. 1026167) with its registered office at 1 Churchill Place, London E14 5HP. Barclays Bank PLC is authorised by the Prudential Regulation Authority, and regulated by the Financial Conduct Authority (Financial Services Register No. 122702) and the Prudential Regulation Authority. Barclays is a trading name and trade mark of Barclays PLC and its subsidiaries.

\*Calls to 0800 numbers are free from UK landlines and personal mobiles, otherwise call charges may apply. To maintain a quality service we may monitor or record phone calls.