HOME ADVANTAGE
Housing the young employed in London

Kath Scanlon, Melissa Fernandez, Emma Sagor and Christine Whitehead
September 2015

LSE London

Improving social mobility
through education

THE SUTTON TRUST

FOREWORD

The Sutton Trust has helped thousands of young people from low and middle income backgrounds to study at some of our best universities over the last eighteen years. But during that period it has become increasingly difficult for those with good degrees to afford to move to London.

This matters to social mobility because so many of our leading jobs in finance, politics and policy and the professions are based in the capital. Increasingly, as the evidence presented in this new report shows, it is clear that getting less advantaged young people to good universities is only half the battle – they need to be able to access the best jobs after graduation.

There are already plenty of barriers to post-graduation success. Less advantaged young people may still not be able to afford the £926 a month to take an unpaid internship still unfortunately essential in some industries. They may miss out on networks and work experiences gained through parental or old school tie connections. And increasingly if they want to work in London, the prospect of a flat of their own, even to rent, is an increasingly remote one. I've seen it trying to recruit older employees with families back to London; now it is a real problem for young people with fewer such ties.

As the authors note, the extent to which parents are able to help young professionals—by paying a deposit, guaranteeing a loan or indeed living in London themselves—is clearly an important factor affecting social mobility. Those whose parents and grandparents do not own their own home cannot count on this kind of help.

We need to move beyond expecting graduates in work to live at home or to continue living in student digs. That's why the ideas presented by the LSE team in this report are so promising. Of course, we need to build more affordable homes, but that appears more to be a political refrain rather than a policy delivered. Indeed the authors show that even the current Mayor's strategy would build 20,000 fewer homes a year than we need to keep pace with demographic change. So I hope that all the candidates to be London Mayor in 2016 – and the current team in City Hall – will look at these innovative ideas carefully and find ways to take them forward.

London needs to be able to continue to attract the best talent from across the UK, regardless of background. Our brightest young people from less advantaged backgrounds deserve the same chances to reach the top of their professions or to be able to turn their talents into businesses as their better off counterparts. Making it easier to get a foot on the capital's housing ladder is a key part of meeting that challenge,

I'm very grateful to Kath Scanlon, Melissa Fernandez, Emma Sagor and Christine Whitehead for their work on this report.

SIR PETER LAMPL
Chairman, Sutton Trust and Education Endowment Foundation

The question

This report addresses issues around housing opportunities for young professionals in London. The main research question was:

> *Is there evidence that declining housing accessibility for young people in London is affecting social mobility, and if so are there innovative methods of housing provision that could address this?*

The research

The research involved two distinct elements: first, an examination of the literature and statistical and focus group evidence on how younger professionals are faring in the London housing markets; and second, case studies of particular innovations that can help to provide better and more affordable housing for this group.

The findings: statistical evidence

Younger people are finding it far more difficult to move to London than in the past. They are more likely to have to share privately rented accommodation and to pay high proportions of their income for their housing. Young graduates appear to be hardly any better off than those without higher education. There is evidence that those who come to London for work are far more likely to come from areas with a tradition of sending children to university–42% of those who move to the capital for the first time after graduation come from the 20% of areas with the highest proportions of children going on to higher education, while only 6% come from the 20% of areas where the fewest go.

In 2011, London's population was 8.17 million, an increase of 12% from 2001. The housing stock, by contrast, increased by only 9% over the period. London's population has now risen to over 8.6 million, putting even more pressure on the housing system. The supply of housing cannot keep pace with increasing demands and new entrants, who are mostly young, have to compete for increasingly limited numbers of vacancies as fewer older people are leaving London than before. This position is likely to worsen into the future – unless the London economy declines – as future growth in population will almost certainly exceed the capacity to add to the housing stock.

Young professionals whose parents and grandparents are owner-occupiers have an immense advantage in the housing market over those who must make their own way. Also those whose parents live in London may be able to live at home and so find it easier to save to get on the housing ladder. Indeed, there has been a growth in the numbers of young people living at home as the numbers living alone has declined.

At present there are few opportunities for those without large deposits to buy their own homes except with government support. In 2014 there were only two boroughs—Bexley, and Barking and Dagenham—where the ratio of median house prices to annual incomes was below 8—meaning that even in the least expensive boroughs, the average house costs eight times an average person's income. For low-income households affordability was even worse. Private renting is generally poor value for money and often poor quality. New initiatives therefore have to look to provide: (i) more housing; (ii) cheaper housing; (iii) higher standards; and (iv) easier access for younger people: a major conundrum.

The findings: innovative schemes

Currently, the main sources of new and potentially affordable owner-occupied housing are coming from government schemes such as Help to Buy. These are helping a small proportion of young professionals but often add as much to demand as they do to supply. Here we consider more innovative supply-based schemes, mainly aimed at the private rented market.

Four scheme types were identified as having potential:

- market-based student housing;
- age-targeted housing developments;
- modular prefabricated schemes; and
- covenanted private rented housing.

For each scheme, examples were identified and assessed for their capacity to help fill the gaps in current provision.

Student-type housing had the major advantage of success - it has grown massively in London over the last decade and has attracted large scale institutional finance. However standards can be low and success depends on its specific status within the planning regime. Young professionals often want something of higher quality unless they can see it will help them move up the ladder.

There are a small number of good examples of **age targeted privately rented housing developments** with good management and access to services. The basic physical model is easy to replicate, and may be particularly suitable for young professionals who would rather have a smaller bedroom—'a crash pad'—in exchange for good quality spaces for socialising, an all-inclusive experience, and well-connected locations.

Modular pre-fabricated schemes, where homes are factory built, are a quite different way forward. They can provide good accommodation quickly and cheaply. They can also be used to provide transitional housing as they are quick to assemble. But to work they require affordable land of large size and good location.

Covenanted private renting, where as a condition of planning permission new dwellings remain in the private rented sector for a set number of years, has the potential to enable private rented accommodation to be provided on many large sites in London. However such developments would probably provide private renting at the expense of affordable housing and would not be targeted specifically at the young professional group.

If young professionals from all types of backgrounds are to be able to take the employment opportunities available in London and be reasonably housed, new methods of provision have to be encouraged. The examples set out here suggest some useful ways forward.

1. Introduction

Young employed Londoners are caught in a housing trap. Population and employment growth have increased demand for housing in the capital but supply has failed to keep up. A highly competitive labour market has suppressed salaries in the lower part of the market but the cost of housing continues to rise. In the past, a university degree, stable employment and frugality would eventually allow a young person to buy a home, but now a single professional income may well not allow the purchase of a small apartment. In turn, however, market rents can easily be higher than mortgage payments. These rents, education debt and the cost of housing continue to make it very difficult for London's young professionals to save enough for a mortgage down payment. For them the prospect of housing mobility—and by extension social mobility—seems remote.

This report puts forward evidence about the extent of the problem, and explores whether innovations in new housing supply could genuinely improve the housing situation of such households.

2. Research questions and methodology

Our overall research question is:

Is there evidence that declining housing accessibility for young people in London is affecting social mobility, and if so are there innovative methods of housing provision that could address this?

The target group for the research was individuals who are:

- young – those aged 34 years old or younger;
- childless;
- employed;
- not receiving housing benefit;
- not living in social housing.

Literature review and data analysis

We first examined the available quantitative and qualitative data, reviewing both academic and 'grey', or not formally or commercially published, literature (see Section 3 and reference list) and drawing information from the Census, Labour Force Survey, English Housing Survey and information on London rents and house prices from the Land Registry and the Valuation Office Agency. We looked for data about:

- The pattern of inflows and outflows of younger people to London (from overseas and from the rest of the country) over the last ten years;
- Evidence on where young in-migrants were coming from and what tenure they were living in;
- The incomes of younger single households and those sharing accommodation;
- Rent-to-income ratios for young professionals, what they can afford to buy or rent, and how that has changed over the last ten years.

Case studies

We conducted case studies of four housing innovations that we felt showed promise for accommodating young professionals (the emphasis was on unsubsidised housing):

- market-based student housing;
- age-targeted housing developments;
- modular prefabricated schemes;
- covenanted private rented housing.

Each represents a significant innovation with respect to dwelling type, construction method, funding and/or tenure. We carried out documentary research (including reviewing planning applications and other public records) and interviews with experts and scheme managers, and visited several sites (see Appendix G).

Each case study addressed the following questions:

- What are the advantages and disadvantages of this method?
- Who was the developer? What is the financial model? Was the scheme built with the aid of special guarantees, subsidy or the relaxation of planning requirements?
- Who lives there and would similar housing be suitable for young employed people? What would have to change to make it more suitable?
- Could the same method be applied more widely and achieve scale?

Our case studies focus on supply-side innovations, because only a step-change in new supply will provide a real solution to London's housing problems.

Focus group

On 17 March 2015 we held a focus group to explore their behaviour and preferences in terms of tenure, location, housing type and cost, as well as their experiences with housing search. We also asked for their views on the housing innovations we researched as part of the project. The participants were chosen using a snowballing technique, with researchers approaching members of their own social and professional networks who appeared to fit the target criteria (information about the focus group attendees is provided in Appendix G; names have been changed throughout the report to protect anonymity). The participants therefore reflected to some extent the characteristics of the researchers themselves: many (but not all) were professionals with graduate degrees involved in housing, planning or urban policy. While it was not a representative sample, the focus group shed light on the housing trajectories, renting experiences and aspirations of this cohort.

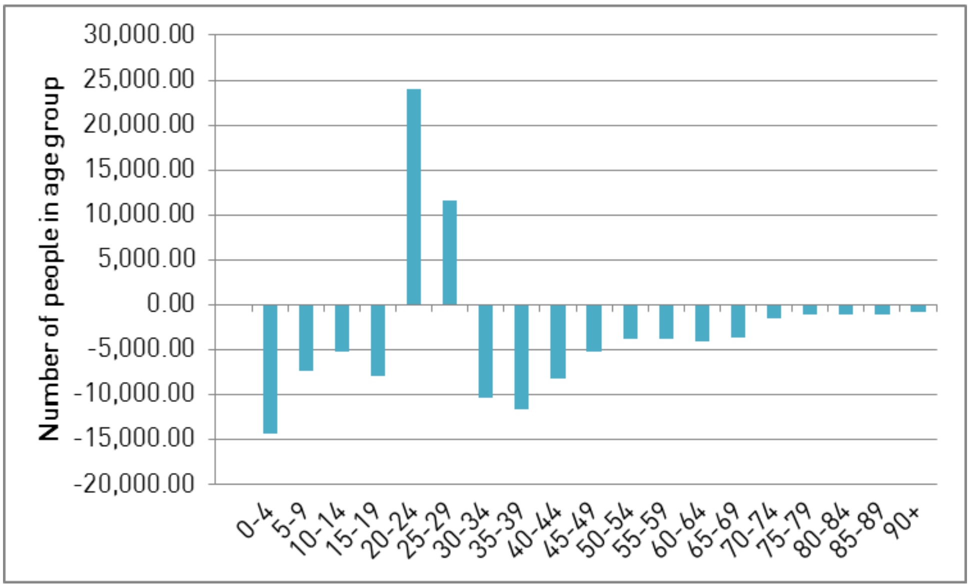
3. Defining the problem: housing pressures faced by young employed Londoners and impacts on social mobility

Population changes and housing pressures[1]

The housing supply and affordability crisis in London is largely the product of changing patterns of migration in the capital. London for decades has experienced large-scale in-migration both from within the UK and from abroad. Figure 1 shows that the vast majority of those entering London are in their twenties and indeed a significant majority are under 25 and likely to be looking for their first home. It is an attractive destination for students, entrepreneurs and graduates, and is the most global city in the UK. According to the Centre for Cities one in three 22- to 30-year olds within the UK who decided to relocate in 2013 moved to London.[2]

Much of this in-flow is offset by outflows of older households, often families. However, since the mid-2000s these patterns have changed, with outflows from London slowing and overall population rising rapidly. As a result homes for younger households are far less available—and more costly—than before the financial crisis.

Figure 1: Net flows into London by age group, year ending June 2013



Source: ONS (2014)

The outcome of these pressures is that London's population is set to rise very rapidly unless the economics change for the worse. In 2011, London's population was 8.17 million, an increase of 12% from 7.3 million in 2001 according to ONS census statistics. The housing stock, by contrast, increased by only 9% over the period.[3] By 2029, the capital is projected to be home to around 10 million people, ballooning to 11 million by 2050.[4] London's population is younger than the rest of the country, with nearly two-thirds under the age of 44 (compared to 53% across the UK).[5]

Table 1: Origin of people who moved to London from a student term time/boarding school address in the year before the 2011 census

Age Bracket	Address One Year Ago											
	London	South East	East	South West	West Midlands	Yorkshire and The Humber	East Midlands	Wales	North East	North West	Scotland	Northern Ireland
16-19	3,567 (62%)	868 (15%)	339 (6%)	300 (5%)	173 (3%)	119 (2%)	119 (2%)	45 (1%)	33 (1%)	90 (2%)	54 (1%)	7 (0%)
20-24	22,926 (56%)	4,748 (12%)	2,029 (5%)	2,452 (6%)	1,658 (4%)	1,824 (4%)	1,888 (5%)	566 (1%)	928 (2%)	1,374 (3%)	798 (2%)	39 (0%)
25+	3,862 (58%)	803 (12%)	428 (6%)	289 (4%)	221 (3%)	227 (3%)	176 (3%)	114 (2%)	109 (2%)	179 (3%)	190 (3%)	9 (0%)
Source: ONS (2011)												

Table 1 provides some indication of where these younger people came from when they leave education. It shows that the majority of young people moving to London from student accommodation were already located in London. It also suggests that it is much easier for young people who live in the South East to gain a foothold in the capital and that fewer than 20% of movers into London from educational accommodation across the UK came from outside the South. This could be for a number of reasons—they may feel more familiar with London after studying in the area or they may be more likely to have family living there, making it easier to find accommodation and move.

Even so, data from the 2012/13 Destination of Leavers from Higher Education (DLHE) survey[6], analysed by the HECSU, show that over a third of new graduates living in London neither studied in the capital nor lived there before university. The proportion of such 'incomers' is higher than any other region in the country (Table 2). In itself this suggests that other regions are disproportionately losing graduates to London.

Table 2: DLHE data on new UK-domiciled graduates in London, 2012/13

Region	Loyals*		Stayers**		Returners***		Incomers****		Total respondents
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
UK	84,030	46	20,990	11	45,245	25	32,895	18	183,160
London	11,525	29	4,955	12	9,170	23	14,200	36	39,850
Polar Quintile	**Loyals**		**Stayers**		**Returners**		**Incomers**		**Percentage of all London graduates**
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
5 (High participation)	4,035	35	1,655	33	4,670	51	5,950	42	41
4	3,240	28	1,230	25	2,115	23	3,565	25	25
3	3,255	28	870	18	1,760	19	2,245	16	20
2	790	7	760	15	495	5	1,575	11	9
1 (Low participation)	195	2	435	9	130	1	850	6	4

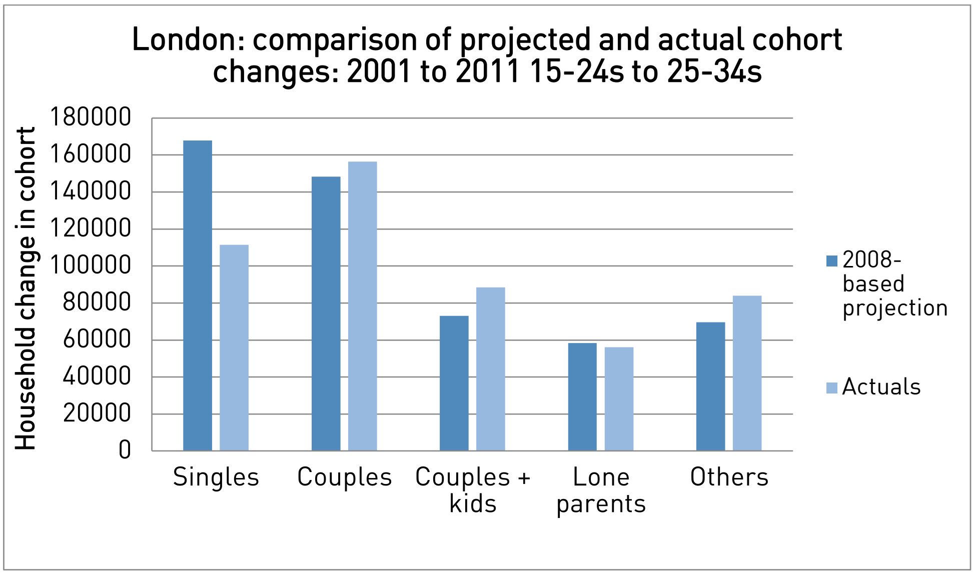
Source: HESA (2014)
*'Loyals' are graduates who are originally from London, studied there and continue to live there
**'Stayers' are graduates who are not originally from London, but studied and now live there
***'Returners' are graduates who are originally from London but studied elsewhere and have now returned to live in London
****'Incomers' are graduates who are neither from London nor studied in the capital, but now live there

The survey also includes data on the types of neighbourhoods graduates in London come from. Wards are classified by POLAR (Participation of Local Areas) quintile based on the higher education participation rate of local young people, which gives an indication of the level of educational disadvantage.[7] Table 2 suggests that 41% of graduates in London are originally from the 20% of areas where participation in higher education is greatest (5th quintile).[8] A similar proportion of incomers to London, and an even higher proportion of returners, come from areas in the two highest quintiles, indicating that most of those coming into London for work are from educationally privileged neighbourhoods. Moreover nearly 50% of incomers to all regions who come from the 20% of areas with the highest participation rates across the country come to London. On the other hand only 6 % of those coming to London for the first time come from the 20% of areas with the lowest participation rate.[1]

Figure 2 compares 2008 projections for younger age groups with actual numbers in 2011. It shows clearly that overall there are fewer non couple/family households than projected and that far fewer than expected were able to form single person households, but that there was some increase in 'other' (multi-adult sharing) households. This is a major outcome of the pressures facing young people.

[1] *According to the most recent UCAS figures, more than one in ten young first year students (11.5%) enrolled on full-time first degree undergraduate courses are from the most disadvantaged fifth of the UK. This is according to the POLAR2 measure, which classifies UK wards into five groups, based upon the proportion of 18 year olds who enter higher education between the ages of 18 and 19; the same measure used in this report (Independent Commission on Fees, 2015).*

Figure 2: Projected and actual cohort changes (15-34 year olds), 2001-2011



Source: DCLG (2010; 2013); Originally presented in Macdonald et al (2015)

Table 3: Change in household numbers by type in London, 2001-2011

Age Bracket	Household Type	2001	2011	Change	Percent Change
15-24	Single Living Alone	40,004	32,548	-7,456	-19
	Single Living in Multi-Adult Household	36,231	45,405	9,174	+25
	Total	125,295	125,688	393	0
25-34	Single Living Alone	185,974	151,538	-34,436	-19
	Single Living in Multi-Adult Household	94,084	120,170	26,086	+28
	Total	648,811	621,800	-27,011	-4
Source: ONS (2001; 2011)					

Table 3 provides more detail on how younger households have fared in the increasingly difficult circumstance since 2000. Singles living alone have fallen by almost 20% in the first decade while the numbers sharing have increased by more than a quarter.

Table 4: Household types for young people (15-34 years old), change over time (2005-2014) and by graduates and non-graduates (2014)

Type of household	2005	2006	2007	2010	2013	2014	Within 2014	
							Graduates	Non-Graduates
Living alone	9%	10%	9%	8%	6%	7%	11%	4%
Sharing	16%	16%	16%	17%	15%	16%	22%	11%
With parents	18%	18%	18%	17%	19%	19%	15%	22%

Source: Labour Force Survey (2005-2014)

Table 4 gives some indication of how this has impacted over time. It implies that the most important change has been in total numbers but also that there have been quite significant changes in those living alone and those living with family. Graduates are more likely to live independently (either alone or sharing) than non-graduates but there are still more living with family than on their own.

'When I look at my salary, 50% goes to bills and rent…and I share with my boyfriend. Sometimes, I wonder how much you'd have to earn to actually live normally here… a single person definitely wouldn't be able to afford living alone.' – *Begona, 30s*

Housing supply

The latest official projections suggest that London will need an average of 53,000 extra homes a year to accommodate the projected growth in households in London over the next ten years, but house building has been running at under 20,000 units per annum. Moreover, these projections assume that recent trends continue. Over the last decade younger people have found it harder to form separate households than in the past and this trend is built into the estimates. That means that conditions will continue to get worse for younger adults even if the 53,000 extra homes are built. To avoid any age group being worse off than in 2011, it is estimated that at least 63,000 extra homes will need to be built each year.[9]

"It's definitely become more and more extreme over the last few years. When I arrived to view my current flat [which was advertised on Gumtree], there were about 35 people already waiting outside' –Manuel, 25"

These numbers look hugely unrealistic. The Mayor's housing strategy has a target of 42,000 new homes per annum (although new estimates of land availability suggest that 49,000 could be built in the initial years of the strategy—albeit at higher densities). As importantly London added an average of only 27,000 extra homes per year between 2001-11 (not all new build—some units were added via subdivision and conversion as well), and current rates of production are still well below this average. Indeed London has only built on the scale needed for a short time in the 1930s. The likelihood is that London might manage around 30,000 if the economy remains buoyant – perhaps half of what is needed.

In the past London has been able absorb large increases in employment opportunities despite inadequate housing supply, but research suggests that the traditional strategies of occupying at higher densities or commuting from further out will become less sustainable.[10] Thus if the housing supply cannot expand at anything like the rate required this will put pressure not just on rents and house prices but on the capacity to grow the London economy.

Housing costs and incomes

As growing demand continues to outstrip new supply, prices have risen dramatically. While average house prices increased by 16% outside of London over the last decade, prices within the capital rose by 68%.[11] Compounding this, the financial crisis made credit more costly and lenders now require much larger deposits from potential homebuyers, making it even more difficult for first-time buyers to enter the market. At the beginning of the recession (2008-2009), 21% of households buying with a mortgage were aged below 35, but this fell to 18% by 2013.[12] In 2014 official statistics show that only in Bexley, and Barking and Dagenham, was the ratio of median of house prices to incomes below 8 while for those in the lowest quartile affordability was even worse with no borough below 9.[13]

As owner-occupation for young cohorts has fallen, commensurately more households have turned to the private rented sector. A quarter of all London households are in the PRS (Private Rented Sector), and in six boroughs more than a third of all households are private renters. The most recent Mayor's Housing Strategy projects this proportion will increase to just under 40% by the mid-2020s.[14] This increased demand has caused private rents to rise quickly. Rents in 2012 were 48% higher in London than in the rest of the UK.[15] For households who earn between £20,800 and £28,500, rents have increased by 14% in real terms over the last decade.[16] Those in the PRS also spend a higher proportion of their income on housing costs (40%) than social renters (30%) and owner-occupiers (20%) (based on 2012-13 figures).[17] Gardiner and Alakeson found that 'London is the only region in which all local authorities require modest income households to spend one third or more of their income on housing and in most cases half of their income when renting or buying.'[18]

Private renting has been traditionally seen as a transitional tenure that suits young professionals who value flexibility, but rising rents and cost of living mean even relatively well-paid households can struggle to save. London is undoubtedly a centre for high earners, with 28% of households earning over £1000 a week (compared to 20% of UK households).[19] Equally, however, many young employed Londoners do jobs for which they are overqualified (indeed, a quarter of Londoners in low-skilled jobs have a degree-level qualification).[20] While London professionals with above-average salaries have seen slow but reasonably steady growth in their wages over recent years, those earning median incomes or lower have seen their wages decrease faster than their national counterparts. This affects young people disproportionately. Between 2002-2013, hourly wages dropped by 8% for 16-24 year olds and by almost 9% for 25-34 year olds.[21]

Table 5 gives some limited evidence on the incomes of graduates and non-graduates living in London. It suggest that non-graduates who have been longer in the labour force than their graduate counterparts are if anything earning more in central London although almost certainly somewhat less in outer London. As importantly it suggests that those who are in employment are earning salaries well above the national average.

Table 6 suggests that there is little difference between graduates and non-graduates in the proportion of their income going on rent. But, except for those living in houses in multiple occupation

(HMOs), the proportions are over 30% and include no services or other housing related costs. Thus for younger singles the option of living alone especially in central London appears unaffordable—especially if they are also looking to save to be able to move up the housing ladder.

Table 5: Mean gross weekly pay of 15-34 year old graduates and non-graduates living in inner and outer London, 2014

	Inner London		Outer London	
	Living as single household	Living in HMO	Living as single household	Living in HMO
Graduates	£723	£634	£346*	£663
Non-Graduates	£735	£638	£593	£454

Source: Labour Force Survey (2014)
*This figure is an indicative estimate only given low data counts

Table 6: Rents and proportion of weekly income spent on rent, 2014

Region	Property type and size	Weekly Rent	Percent of income spent on rent	
			Graduates	Non-graduates
Inner London	Living as single household (studio)	£234	32	32
	Living as single household (one-bed)	£318	44	43
	Living in HMO (renting a room)	£142	22	22
Outer London	Living as single household (studio)	£170	49**	29
	Living as single household (one-bed)	£218	63**	37
	Living in HMO (renting a room)	£114	17	25

Source: Valuation Office Agency (2014); Labour Force Survey (2014)
* The VOA data are the mean of the monthly rents recorded between 1 October 2013 and 30 September 2014. Monthly means were divided by 4.35 to derive mean weekly rents
**These ratios should be seen as indicative estimates only given low data counts

Table 7: Getting into owner occupation, 2005 vs 2015

	2005	*2015*
Median lower-quartile house price London	£177,000	£250,000
Typical down payment percentage for FTB	10%	20%
Down payment required	£17,700	£50,000
Sources: prices: Land Registry (2005, 2014); down payment percentages: LSL Property Services PLC (2015); FSA (2012)		

Access to owner-occupation in London, without government assistance, has become much more difficult over the last ten years (Table 7). The median lower-quartile dwelling price (roughly equivalent to the price of a two-bedroom flat, or a typical starter home) rose 41% over the period. However the down-payment required for a typical mortgage nearly tripled, from £17,700 to £50,000. This partly reflects the increase in house prices but more importantly the tightening of mortgage conditions. In 2005 it was possible for a young professional to get a mortgage at 90 or 95% loan-to-value (LTV) ratios, but these high LTVs have now almost disappeared from the market except for government-sponsored schemes such as Help to Buy. The government's Mortgage Market Review (which took effect in April 2014) has imposed much more conservative lending practices on the industry—which in any case had already tightened criteria significantly in the wake of the Global Financial Crisis. Thus without significant family support or other sources of wealth young professionals find it almost impossible to save enough to buy.

'Money is obviously a big issue, and the question of how much we can spend on being young and having fun and how much…we should be putting into the housing deposit fund definitely causes some tension.' –Lana, 29

Appendix E sets out the main government schemes currently available to help people get into owner-occupation—many of which are directed at young professionals. They support entry mainly by giving the option of buying a proportion of the equity in the first instance and thus reducing the deposit and repayments required at the cost of losing some capital gains. These are relatively small but popular schemes that concentrate on newly built property.

Inadequate housing options and standards

The flexibility of the private rented sector has long attracted young professionals, but what was once seen as a step on the path to home ownership is now, as is clear from the statistics above, for many at best a long-term prospect—so much so that this group has been labelled 'generation rent'.[22]

What does the tenure offer to young professionals? Quality and standards in the sector are extremely variable. The sector is lightly regulated, although a voluntary London-wide landlord accreditation scheme was introduced a few years ago, and some London boroughs now *require* landlords to register. Most private landlords own only one property, so standards are inconsistent and regulations hard to enforce. There are a few large company landlords, but they own only a tiny proportion of the London rental stock. UK tenants have shorter leases and less security of tenure than almost everywhere in the rest of Europe. There is evidence of dissatisfaction: in the 2012-13 English Housing Survey, just over half of private renters agreed that it was a good way of occupying a home, compared with 82% of social renters and 93% of owner-occupiers.[23] And the Citizens Advice Bureau has seen a 76% rise in the number of requests for help with problems in the private rental sector among 17-24 year olds since 2007.[24]

While some research indicates that living in groups is actually beneficial for young people making the transition to independent living, many people share only reluctantly in order to cut costs.[25]

The implications of housing constraints on social mobility

The government defines social mobility as the degree to which the patterns of advantage and disadvantage in one generation are passed on to the next.[26] In a socially mobile society, an individual's success and social betterment reflect their efforts, skills and talents rather than their background.

Much work on social mobility has focused on education, skills acquisition and socio-economic background.[27] Only recently has housing become a focus. A 2009 report for the Joseph Rowntree Foundation explored the issues faced by young people moving out on their own.[28] Another report, for the Centre for Population Change, looked at young people's transitions to adulthood.[29] Both concluded that young people today follow less clearly delineated trajectories than did their parents. Less secure and stable housing pathways during the transition to independent living can have important negative impacts, because this is a period of skills development and establishing aspirations.

Most recently the Centre for London reported on the 'trapped' position of people on modest incomes in the capital.[30] Their report did not address young professionals specifically but the overlap between the groups is large. Our report bridges an important gap in the existing literature, asking how decreasing housing affordability affects social mobility for young, *employed* people.

Decreasing ability to save and relying on 'coping strategies'

In 2014 the Resolution Foundation reported on how low-income households cope with high housing costs.[31] They identified two types of strategy: those that increase current or future resources and those that change housing circumstances. The former includes increasing working hours or earnings, delaying retirement and/or getting support from friends or family. The latter includes overcrowding, compromising on standards and living with other families. In London, families often combine coping strategies *and* spend at least half of their income in housing costs like rent or mortgage payments. These coping strategies will become less effective if housing costs continue to rise, and 'those on modest incomes will be left with fewer and fewer options for places to make their home'.[32]

Recent Centre for London research found that because an increasing proportion of earnings is directed towards rent, many lower-middle income earners (£20,000-£33,000) in London have eliminated almost all types of non-essential consumption.[33] While London households spend more on rent and housing related utilities (such as water, gas, and electricity), all but the lowest income decile spend less on recreation and culture.[34] Young people increasingly live far from their place of work in search of affordable accommodation. Gardiner and Alakeson argue that while this may reduce housing costs, often these savings are offset by higher commuting costs.[35]

Over 70% of young people aspire to homeownership, but in London most do not expect to be able to buy in the short to medium term.[36] Even with reductions in non-essential consumption, young professionals who spend between 30-40% of their income on housing are left with very little to cover other essential expenses and to pay off debts including student loans.[37] Households unable to save have limited ability to improve their housing situations.

Relying on parents

Young people now rely more on parental support for housing costs, and there is a growing divide between those who have that option and those who do not. Amassing the cash for a down payment is a challenge. Two-thirds of first-time buyers in the UK in 2011 received money from their parents when purchasing a home according to the National Housing Federation.[38] But relying on the 'Bank of Mum and Dad' is unsustainable, according to housing charity Shelter, given how rapidly prices are rising.[39]

Parents increasingly help not only with purchases but also with rent payments, and more young people are living in their parents' homes.[40] Twenty-four percent of 20-34 year olds in the UK live with their parents. Of those, 67% say that housing affordability was a factor, but only 27% actually prefer the arrangement.[41] More than half of working adults aged 20-34 who live at home with their parents are concerned that their living situation is holding them back in life.[42] Nevertheless, it is predicted that 3.7 million young people (18-30 years old) in the UK will be living with parents in owner-occupied accommodation in 2020.[43]

The extent to which parents are able to help young professionals—by paying (part of) a deposit, guaranteeing a loan or indeed living in London themselves—is clearly an important factor affecting social mobility. Those whose parents and grandparents do not own their own home cannot count on this kind of help. If in addition the young professional must pay rent in the private rented sector their chances of saving for a deposit are further restricted. Younger households with parents and grandparents in the rental sector have far less chance of being able to sustain employment in London and are thus excluded from many opportunities for social mobility for themselves and indeed their children.

Intermediate housing options for other 'trapped' market groups—such as key workers—have received increased attention in recent years. Rationales for concentrating assistance on these overlooked groups can be made on equity grounds, political grounds and economic grounds.[44] It is particularly important to consider young professionals within this group as the specific transition young people face moving into independent living gives some of these implications further weight. The first few years of independent living are a time of skills and confidence development.[45]

Young people's experiences

Our focus group allowed us to explore the residential trajectories of young London professionals in a more qualitative way. The picture that emerged was one of a temporary, contingent lifestyle. None of the participants was a native Londoner. All ten had moved at least once in the preceding five years, and one had lived in eight different places. Except for one man who lived in a flat owned by his father, none lived alone—they shared with between one and four other people. In many cases they were living not with friends but with individuals or groups they had never met before. This contributed to the stress of finding accommodation—a process one called a 'performance' and another said 'feels like an auction'.

Perhaps unsurprisingly, several of the participants said they felt little or no connection to their homes, calling them just 'temporary' or 'transitory' living spaces. On the other hand, some expressed a real sense of achievement in having found homes they liked and, importantly, said that signing a lease was an 'exciting' affirmation of adulthood.

Honestly, I'm not very happy here. The good job opportunities are what are keeping me in London… but on the other hand, I have to sacrifice—I don't know—my connection with friends. For example, last year I was living with Ana and I think this year we've met only two or three times. It's a lot to spend 2 hours commuting just to meet someone for coffee. –Leticia, 30

These young people wanted to live in central or inner London so they could take full advantage of the city. But to do this they spent so much on housing that they couldn't save—meaning the prospect of eventual home ownership continued to recede. None had entirely given up on buying, but some said it seemed increasingly out of reach: 'It's never going to happen…it's like a Dickens novel.' One said his housing situation directly affected his career opportunities because the salary level of his preferred career would not allow him to save enough for a deposit in London. Another spoke of 'postponing adulthood', saying that when the time came to buy he would leave London and move somewhere more affordable.

The main lessons we drew from the focus group were that:

- **Diversity and options matter.** Participants valued the various property features differently—including location, aesthetics, space, amenities, and diversity of the community. Producing a range of different housing typologies would give young people a better opportunity to find a home that reflected their preferences.
- **The physical form of the housing may matter less than other factors.** Focus group attendees were frequently more concerned about the location, local amenities and community than the specifications of the dwellings themselves. These factors were still intrinsically tied to *where* they lived and *what type* of housing they lived in.
- **Innovative models may have to overcome strong preconceptions.** Most of the attendees had strong initial reactions to proposed models based on (usually negative) past experiences which they associated with these typologies (e.g. student housing).
- **Flexibility is still important.** Different approaches work at different stages. For example, student housing-type models may appeal to those with limited time to search for a flat, or age targeted developments might appeal to people moving to a city in which you do not know anyone.

More detail about the focus group's discussion can be found in Appendix G.

4. Addressing the problem: supply-side innovations

This research has concentrated on examining supply side innovations as it is obvious that *the* problem in London is lack of supply. Adding to demand without expanding supply opportunities will simply increase demand.

Because the majority of young professionals are accommodated in the PRS, it makes sense to look at the sector for potential solutions. But young professionals need a variety of housing options—a single model for producing new housing supply will not deliver enough new supply fast enough or satisfy the needs of this population. A variety of approaches is required. Several schemes for producing housing more quickly and/or cheaply have been proposed, and some are already being piloted.

Below we discuss four main models:

- Scaled-up student housing;
- Age-targeted housing;
- Off-site construction and prefabricated units;
- Covenanted private rental.[46]

We identified these typologies as those with the most promise for creating a step change in the provision of housing for young professionals in London. The London new-build housing market is dominated by a few large speculative builders, who tend to produce a fairly standard product. The innovations we discuss are currently only very small components of the market—indeed, there are as yet no completed dwellings at all in one of the categories (covenanted private rental). But innovations always start small—and one of the categories (student housing) has in fact grown very rapidly over the past few decades, starting from a very successful government scheme.

Interestingly, as the case study work progressed, we have realised substantial areas of overlap particularly between our first two profiled 'models': scaled-up student housing and age targeted housing. We found that if student housing models were to appeal to young professionals, they would need to be less obviously 'studenty', while still offering convenience and amenities. This brings them very close to some of our age-targeted examples. In turn, age-targeted housing will inevitably appeal to some more independent students in London seeking private accommodation, even if young professionals rather than students are the target market.

Scaled-up 'student' housing

The only segment of the private rented sector which has attracted private institutional investment that no longer requires subsidy or guarantee is dedicated accommodation for university students. It is a strong and growing market: there are over 457,000 purpose-built student bed spaces in the UK[47] and the number of students renting rooms from private providers has increased by 42% since 2009.[48] In London, an average of 2,420 bed spaces were created every year since 2007—more than the London Plan target. These are concentrated in Islington, Tower Hamlets, Southwark and Camden.[49]

According to Savills, student housing performs for investment purposes much like commercial property, which made it more resilient and stable during the economic downturn.[50] An executive of

UNITE, the UK's leading specialist developer, said the efficiency and predictability of core tenancies mean student housing offers stronger, more secure returns than traditional PRS. Because of its ability to deliver at higher densities and attract institutional investment, it closely resembles the type of housing delivery the Government is trying to encourage through build-to-rent with the added benefit of a successful, proven track record.

Student housing currently benefits from special planning treatment. There is no associated affordable-housing requirement, and car-parking spaces are not required. This allows for higher densities—East London's Nido Spitalfields, for instance, is the tallest dormitory tower in the world (112 metres) inaugurated in 2010 with a capacity of 1,200 students. These higher densities are said to allow for a greater number of shared amenities, better views and closer (more sustainable) links to the urban environment for its inhabitants. It also keeps a lid on rents, although the new-build offer which now tend to include higher specs can be as costly as regular market PRS.

Major specialist developers like UNITE have looked at mixed models which would incorporate housing for employed people, but decided for the moment not to pursue them. But some private student housing operators do already accommodate recent graduates and young workers. For example, London Hostels Association ltd (LHA) operates twelve large properties in London providing affordable accommodation for nearly 2,000 students and young professionals.[51] Accommodation includes dormitory-style shared rooms, rooms shared between two or three people, or single rooms. Rents range from £156 to £266 per week, depending on type of room, with Wi-Fi, Freeview and all bills included. Some have shared kitchens while others have buffet-style cafeterias. It is largely a short-term option with flexible, affordable tenancies and offers some of the same high-spec features and amenities of other mainstream private student housing providers.

Our focus group participants were not keen on this model. Having lived in student accommodation while in university, many associated it with that period and said that moving into private rented housing was part of becoming an independent adult. They recognised, though, that the model might appeal to professionals in their 20s and 30s who were new to the city and did not have the time to devote to the 'painful' process of searching for a flat.

> ***I think one of the most off-putting things would be having your sleeping and your eating and your working all happening in one room. It's a bit too much. –Stuart, 25***

> ***For me it would actually be a really good solution… I really hate the interview process you have to go through when you find places for example on SpareRoom, and this way I can meet more people. For socialising, it would be great. –Leticia, 30***

It would not be entirely straightforward to scale up the model. First, the type of lease used for students might not work for young professionals. Second, such housing is not necessarily more affordable than renting from private landlords; rents can exceed £250/week in London.[52] Purpose-built accommodation also requires effective asset management: high churn, which leads to high maintenance and management costs, may put off some potential investors. Finally, one of the contributors to the success of the student-housing model is the absence of the affordable housing requirement, but the Mayor is now reconsidering this. In any case the concession would be unlikely to apply to housing targeted at young professionals rather than students.

Even if this option were not found to be suitable for young professionals, building more housing for students could have beneficial knock-on effects. At the moment 29.4% of students live in the PRS.[53] If more purpose-built units for students were available, this could free up other housing and ease prices for young professionals.[54]

Age-targeted developments

Student housing is now a lucrative niche market (above); the young professional market might similarly offer benefits to investors. We found no developments strictly *limited* to the young professional market,[55] but an increasing number—both for rent and for purchase—target young employed people.

One example is The Collective, founded by Reza Merchant while he was a student at LSE.[56] The business started as an agency helping young people looking for high quality rental options. It then bought or leased five properties of its own and is now building a 323-unit scheme at Old Oak Common. The Collective offers high tech, clean, well-equipped shared accommodation, with an emphasis on appealing shared facilities and spaces (gyms, spas, cinemas, rentable dining rooms, games rooms, bars and lounges, terraces and more). Rents cover cleaning, weekly linen changes, council tax, utilities, a live-in concierge, and Wi-Fi. All the schemes are in TFL zones 1-3. Merchant says The Collective is an 'ideal stepping stone' for young professionals who would rather have smaller bedrooms—'a crash pad'—in exchange for high quality spaces for socialising, an all-inclusive experience, and well-connected locations.

On the owner-occupation side, Pocket Living develops affordable one-bedroom properties 'for the millions of young, middle-earning Londoners who contribute to their city in so many ways but can't afford to buy their first home'.[57] Prospective buyers must earn less than £66,000, work in the borough where they want wish to live, and be a first-time buyer. Pocket homes are at least 20% cheaper than other properties in the local market, largely because the units are smaller and have no car parking. Pocket also has negotiated agreements with local authorities that exempt it from providing affordable housing. Pocket homes are designed to be very space-efficient. The firm works closely with local authorities to bring forward development on complex 'pockets' of land within 30-45 minutes of central London and near public transportation and local services. Pocket recently received a £21.7m grant from the Mayor's Housing Covenant to invest in sites that can accommodate 15-80 units.

Age-targeted housing could offer other benefits. Research has found that, post-university, young people benefit from support networks, flexibility, feelings of community, and accessibility.[58] Leaving university and living independently for the first time involves a multitude of important life transitions, and studies have shown that 'availability and continuity of support are important' for many young people to successfully adapt to the pressures and anxieties associated with them.[59] In turn, transitions to 'adulthood' have become 'extended' and less linear—with people choosing to form partnerships and start families later—and traditional housing typologies may not always offer appropriate and accessible options.[60] Housing specifically for young professionals could create this sense of security, community and flexibility.

As this category is broader and encompasses multiple tenure types, the participants initially responded more to the aesthetic look of the schemes we presented (The Collective, Pocket Homes and Fizzy Living—a purpose built PRS scheme operated by Thames Valley Housing) rather than to the housing specifications (space, amenities, etc.). In general, the reaction to the youthful aesthetic was quite negative, with one person describing it as 'terrifying' and another stating it 'looks like a youth ghetto'. One participant stated that this was the type of housing they 'wanted to get away from', and multiple participants agreed that the way young people were being targeted seemed quite prescriptive, which put them off. Many agreed that the PRS in London already 'targets young professionals' and wondered why this more blatantly marketed option was needed. There were concerns about who was being left out or excluded from schemes like this, specifically wondering whether mixed age couples would be permitted or feel comfortable living in these schemes. When informed that some of the more targeted developments do allow families and other aged residents to live there as well (as Fizzy Living does), some participants questioned why this kind of model would seem attractive to these groups.

As the conversation continued, the discussion developed in a similar way to the discourse around student housing, with some participants stating that they feel some in their age group would appreciate the amenities and 'all-inclusive' nature of some of the age-targeted schemes.

Specifically concerning the first-time buyer schemes that target young people—like Pocket Homes—the conclusion of the group was that the size of the units would not be the issue, but location would factor heavily into their decision of whether to buy the property. One attendee argued that buying a place in a scheme like Pocket 'requires a completely different mindset, noting that these purchases could not be seen as an investment purchase in the way people normally think about when buying property.

For our parents' generation, you bought a house because it was something that increased in value, whereas if you buy something which is a purposefully small thing managed by a company which sells only at a limited price…it requires a completely different mindset about why you're buying a house. It's kind of the use value versus exchange value thing. We should all be using the use value model, but the rest of the country is using the exchange value model. – Manuel, 25

Off-site construction and pre-fabricated units

Off-site construction methods are already extensively used within the house-building industry, and wider adoption of pre-fab techniques could increase options for young professionals in London. Manufacturing housing materials off-site has been proven to significantly increase build rates, decrease costs (due to shorter build times and the need for fewer sub-contractors), improve quality and sustainability of construction and reduce waste.[61] A review commissioned for the DCLG and Department for Business, Innovation and Skills in 2013 concluded that in light of the current affordability and supply crisis, the fact that off-site construction models can deliver finished units and bring homes to the market quicker—and often at higher densities—is a strong argument in their favour.

While off-site manufacturing can produce a wide range of end products, it is especially well-suited for producing affordable, flexible temporary dwellings. This may permit production of relatively affordable housing in inner London where land is more expensive, which would appeal to this market. There are a few examples already underway—notably Y:Cube, a low-cost studio-sized factory-built apartment that can be stacked. The scheme, designed by Rogers Stirk Harbour + Partners (RSHP), is currently being developed in Mitcham in partnership with the YMCA London Southwest as temporary accommodation (up to five years) for single people and couples in housing need. A second, larger Y:Cube scheme (Ladywell Pop-Up Village) will be built in Lewisham for young households and families. This design, which is quick, flexible and inexpensive (about £30,000 per unit) could be licensed for use by other clients elsewhere in London—although innovative construction methods can only go so far to reduce costs when the price of land is very high.

Our focus group participants found this model intriguing and wanted to hear more details about tenancy terms, the longevity and strength of the structures, the amenities, and the heating and soundproofing. Some did express reservations, saying it was important that a house felt 'like home', and that a prefab would only be acceptable if it conferred major benefits like lower rents or a great location. In fact location was key—like many other young professionals we have interviewed, they said they would prefer to live in smaller accommodation if it meant that they could be in more desirable or central locations. This echoes the latest Knight Frank tenant survey, which found that proximity to central London matters more to the majority of young Londoners than space, with 54% of 18- to 24 year-olds reporting they would be happy to live in a studio flat if doing so meant they could live in a more central location.[62]

Covenanted private rental

Increasing institutional investment in the private rented sector could boost supply and help develop 'bespoke PRS building typologies' that better meet the needs of those in the sector, including young professionals.[63] However in the UK, there is no permanent stock of private housing for rent —any private dwelling can be owner-occupied or rented. The challenge then is to ensure that such bespoke private properties are not sold into owner-occupation. One way to do this is to protect it with a covenant that requires that the new dwellings remain in private renting for a set number of years as a condition of planning permission.

Few covenanted schemes currently exist as the model is relatively new, but several are proposed or being developed. GRIP Unit Trust—owned by APG (All Pensions Group) and Grainger—and Bouygues Development are bringing forward a 16-story, 134-unit scheme in Canning Town which will be restricted to private rental for the first eight years.[64] Additionally, the outline plans for the Old Oak Common Opportunity Area in West London designate at least 1,000 units of the new development for long-term private rent.[65] The GLA supports rental covenants, and more such schemes should follow.

Young professionals are projected to be 'core' renters in the new-build rental market (Ball, 2014). There is no use class within the planning system, however, which relates to occupants, so targeting a development towards young professionals would have to be the decision of the developer or owner. Some have done so already: Fizzy Living and Get Living London are both large-scale, institutionally-funded landlords that aim to attract young professionals. Their schemes offer quick and easy access to property managers, often through a concierge-type service; longer lease and flexible lease options; high quality communal and amenity spaces (gyms, gardens, etc.) and modern design and high-tech touches.[66]

These developments offer amenities that appeal particularly to young professionals but their rents are no lower than in the wider market, so they do not directly address the affordability problem.

5. Conclusions and recommendations

Data on social mobility, the effects of the housing crisis and changing tenure patterns, and the housing transitions of young people starting their careers demonstrate why this study is needed. The housing affordability crisis has important implications for social mobility: poor quality housing; too little income left over after paying housing costs; the effects of reliance on parents and the imbalance between those who can turn to the 'Bank of Mum and Dad' and those who cannot; and the longer-term risk of accumulating debt and the inability to save.

To address this problem requires that the supply of housing available to young professionals is increased and their housing costs reduced. There are two main ways to do this. The first is to provide subsidies to selected consumer groups (as for example with the current Help to Buy programme). This helps the recipients of the subsidy, but by increasing effective demand for housing raises costs in the market overall.

The other possibility is directly to increase supply. The ideal solution would be to increase the overall supply of London housing to such an extent that prices fall across the board. While ideal, this is also unrealistic in the current environment (or perhaps ever). But it *would* be possible to increase supply of housing for the target market, resulting in easier access and lower prices for that group. This might require excluding other consumers (e.g. age-targeted housing), or it might involve producing the kind of housing that would be unlikely to appeal to the broader market (Y:Cube and similar).

If the goal is to reduce costs to the consumer there is almost certainly a role for social housing providers (and/or their commercial subsidiaries), who may be more willing to forego some profits in the interest of providing good-quality housing that is affordable for the target market. Fizzy Living, a subsidiary of Thames Valley Housing Association, is an example where they charge rents that provide a good return but also ensure high quality management and provide a range of services targeted at this group.

Our research looked at a number of approaches to expanding the supply of housing for young professionals. Several could undoubtedly provide more appropriate and affordable housing for young professionals than the current offer in London. We covered only a selection—there are others, and more are being developed all the time.

One important question is whether the models could easily be scaled up and replicated.

- There is potential to scale up Student-type housing, producing similar units specifically for the young professional market. This would overlap significantly with age-targeted housing. The approaches taken by Fizzy Living and Pocket Homes could be adopted more widely.
- Pre-fab and modular construction approaches clearly have the potential to reduce costs if produced at scale. They are suitable for shorter term transitional accommodation as well as for households who are looking for longer term urban living.
- Covenanted private rental could provide more accommodation for this market, although it would not necessarily be particularly low-cost. The approach also shows promise for addressing wider issues in the housing market, such as the rate of new development.

It should be emphasised that, even if these models were adopted enthusiastically across London, they would only accommodate a small minority of the target market. This does not mean that they are not worth doing. Our conversations with developers and local authorities have convinced us of the value of demonstration projects—for example, the Y:Cube development in Lewisham was started because a council officer happened to see a model of it at an exhibition in central London and recognised the possibilities.

London is the UK's financial hub and biggest city—and it is growing. It needs to be successful if the country as a whole is to prosper. Housing is a major constraint on that success. Younger households have to compete against more settled, mature households and have increasingly been losing out. Those who cannot call on family support are at a particular disadvantage. If young professionals are to be able to take the employment opportunities available in London and be reasonably housed, new methods of provision have to be encouraged. The examples set out here suggest some useful ways forward. But they will require commitment from a wide range of stakeholders to move them on from successful demonstration projects to delivery at scale.

Appendix A: Further data on new graduates in London

Nationally, around 66% of graduates are working in a graduate job—professions in the top three classes of the Standard Occupation Classification System (SOC)—six months after graduation, but in London, this is 70%, and many of those who are not are working in jobs just outside of the top three classes, usually in administrative or secretarial roles (Table A.1). Around 43% of graduates in London who are working in a graduate job six months after they leave university are incomers, while 22% are returners, 12% are stayers and 23% are loyals.

Table A.1: Recent UK domiciled graduates working in graduate or non-graduate jobs (based on SOC) by DLHE graduate categories, 2012/13

Region	Graduate or non-graduate job	Loyals	Stayers	Returners	Incomers	Proportion of all graduates in region
London	Graduate jobs (SOC 1-3)	23.1%	12.2%	21.7%	43.0%	70%
	Non graduate jobs (SOC 4-9)	42.6%	12.9%	26.2%	18.4%	30%
UK	Graduate jobs (SOC1-3)	43.4%	12.0%	22.1%	22.5%	66%
	Non graduate jobs (SOC 4-9)	50.8%	10.3%	29.9%	9.0%	34%
Source: HESA (2014)						

Table A.2 shows the employment groups that different categories of graduates in London are working in six months after leaving university. It reveals that 23% of incomers work in business, HR and finance roles—larger than any other group. Incomers are also likely to work in marketing, PR and sales as well as the arts. Loyals are more likely to work in retail, catering, waiting and bar staff, or in clerical or health work.

Table A.2: Recent UK domiciled graduates in London by employment group and DLHE category, 2012/13

Employment group	Loyals		Stayers		Returners		Incomers	
Managers	480	4.2%	165	3.3%	360	3.9%	545	3.8%
Health Professionals	1370	11.9%	570	11.5%	615	6.7%	950	6.7%
Education Professionals	725	6.3%	225	4.6%	410	4.5%	345	2.4%
Legal, social and welfare professionals	580	5.0%	150	3.0%	370	4.0%	345	2.4%
Science Professionals	55	0.5%	25	0.5%	45	0.5%	125	0.9%
Engineering and Building Professionals	240	2.1%	140	2.8%	185	2.0%	685	4.8%
Information Technology Professionals	430	3.7%	160	3.2%	355	3.9%	860	6.1%
Business, HR and Finance Professionals	885	7.7%	525	10.6%	1515	16.5%	3245	22.9%
Marketing, PR and sales professionals	560	4.9%	495	10.0%	1165	12.7%	2575	18.1%
Arts, Design and Media Professionals	655	5.7%	745	15.0%	615	6.7%	1600	11.3%
Other Professionals, Associate Professionals and Technicians	445	3.9%	210	4.2%	410	4.4%	715	5.0%
Childcare, Health and Education occupations	865	7.5%	165	3.3%	540	5.9%	220	1.5%
Clerical, secretarial and numerical clerks	1430	12.4%	490	9.9%	965	10.5%	925	6.5%
Retail, Catering, Waiting and Bar staff	1930	16.7%	560	11.3%	1130	12.3%	565	4.0%
Other occupations	850	7.4%	320	6.5%	485	5.3%	485	3.4%
Unknown occupations	15	0.1%	10	0.2%	5	0.1%	20	0.1%

Source: HESA (2014)

Appendix B: Scaled-up student housing

Private student housing is a strong and growing market: the number of students renting from private providers has increased by 43% since 2009 and there are over 457,000 purpose built student bed spaces in the UK.[67] While halls of residence have traditionally been associated with specific universities, they are increasingly owned and managed by private companies who sign up to a voluntary code of health and safety, maintenance and repair and relationships between managers and tenants. The sector is characterized by small unit sizes and short tenancy periods, with assured short hold tenancies typically fixed at 43 to 51 weeks (although some shorter summer lets are available as well). This provides a secure and stable form of income that is attractive to investors. Previously (see policy section) the lack of an affordable housing requirement also made it more financially attractive for developers than conventional housing.

Purpose-built student housing behaves more like commercial property (yield driven investment) while still working within the housing market and offering direct lets. Because of this, it is the only segment of the private rented sector that has demonstrated an ability to attract private institutional investment without subsidy or guarantee—although when the industry was younger it was supported by guarantees from universities. Its ability to deliver at higher densities and attract institutional investment resembles the type of housing delivery that the Government is trying to encourage through build-to-rent with the added benefit of a successful, proven track record.

According to Richard Simpson, Managing Director of UNITE Group, Plc., developers who provide only for students can meet their needs in terms of space and experience. Catering for a single client group helps with efficiency, management and servicing, as well as offering a secure financial model for investors. This, he argues, ensures steady capital, raises standards and competition, which in the end is also good for the consumer. Other residential student accommodation developers like Berkeley First (part of the Berkeley Group) focus on identifying and purchasing, securing planning consent and new-build units to a university (who might get a lease or nominations agreement or even buy the completed development) or other specialist manager.

Often, however, the high specifications offered by some of these new schemes mean their rents are accessible only to the better off. Berkeley First schemes such as Griffon Studios Battersea and Goodman's Fields offer high-gloss furniture, stone kitchen worktops, SMEG appliances, fully tiled en-suite shower rooms, high-speed wireless internet and flat screen TVs. This raises rents to levels significantly above what the GLA considers reasonable for students (£150 p/w).

Policy environment

Student housing is described by the Mayor's office as 'an issue of contention between some of the constituencies of interest'[68], and the policy environment around it has changed considerably over the past five years or so. While City Hall continues to support new-build student accommodation, it now prioritises open-market developments as a way of making supply more affordable and putting a lid on rent growth. This has been to the detriment of other use classes, including student housing. The Mayor's office is now considering requiring an affordable housing contribution from new student housing, which would bring it into line with other private residential development. Some developers have responded by working more closely in partnership with universities and negotiating on a case-by-case basis with boroughs, which have discretion about how to apply the affordability requirement.

Example: LHA (London Hostels Association Ltd)

Figure B.1: LHA Development
Source: Melissa Fernández

A unique example of a housing scheme that has successfully developed a mixed offer for students and young professionals is the London Hostels Association Ltd (LHA). Originally set up by the government in 1940 after the Blitz and charged with the task of providing hostels for the homeless, the organisation now offers affordable student-like accommodation in twelve large properties around London (in Zones 1 and 2) to nearly 2,000 'students, up-and-coming working people and those starting out in London for the first time.' Their accommodation offers the option of dormitory-style shared rooms, rooms shared between two or three people or single rooms. Some have shared kitchens while others have buffet-style cafeterias. While it is largely a short-term option with flexible, affordable tenancies, it also includes longer-term tenancies that can be renewed indefinitely.

One LHA property, Newington Court, is located in a highly desirable area of Stoke Newington. Rents range from £156 to £266 per week (or £31 to £40.50 per day) for a self-contained twin studio or single studio respectively. A single en-suite is £202per week, or £36.50 per day. There is a financial incentive to rent for more than two weeks at a time, as weekly rates fall the longer the tenant stays. A £300 deposit is required, and tenants' visitors pay an additional £20 per week. While the weekly rents may seem high compared to standard private rented housing (which may offer more space and the flexibility of having friends stay free), LHA rents do cover all bills and Wi-Fi, and all residents have a bike parking space.

LHA responds to the specific needs of some young working Londoners and has managed to successfully expand a student model to accommodate an older, more professional customer base as well. This model may particularly suit young, single professionals new to London who want to live near work and need time to get to know the city. It provides a sociable environment for residents to meet new people, as well as flexibility to respond to changes in personal circumstances.

Few other private student housing operators now accommodate recent graduates and young workers. Barriers include council tax complications when housing both students and working professionals, and the need to offer different lease types to the two groups.

Example: UNITE

Mixing students and young professionals in the same building could complicate the business models of major providers like UNITE. Founded in 1991, UNITE is one of the largest private student housing providers in the UK, catering for over 41,000 students in over 120 purpose-built properties around the country. They are strongly committed to brand management and own properties outright as well as operating a small number of specialist funds and joint ventures with institutional investment partners (including their £1.35 billion UNITE Student Accommodation Fund).

UNITE operate 23 properties in London with more in the pipeline. The cheapest accommodation they currently offer students in London begins at £155/week. Accommodation includes en-suite rooms in shared flats and studios in buildings that also have common areas and study rooms.

As its Managing Director, Richard Simpson explained, UNITE does not currently rent to young professionals who are not actively studying, but they did experiment with this model in the mid-2000s. Their 'Livocity' project sought to build on their specialist knowledge and cater to young professional graduates. The developments were granted planning permission as hostels, and UNITE built three successful buildings in Camden, Westminster and Fulham, with 30-60 units. But the company pulled back after financial constraints made them rethink their strategy; they found it difficult to scale the business quickly and efficiently, especially as build-to-let was not a recognised sector at the time.

When asked if the firm would consider mixing students with professionals, Mr. Simpson said that designing in greater diversity could increase costs, as would the lower densities appropriate for graduates with a greater need for private space. Even if single young professionals were very similar to students, borough councillors might consider them to be less transient and require the developer to provide more amenities, which would reduce the total number of flats that could be built and increase development costs. Finally, it would open up their specialist offer to a more volatile and less secure PRS market (which, 'by definition, makes it more expensive').[69]

Appendix C: Age-Targeted Housing

According to Rugg et al, niche markets are those where supply specifically addresses the needs of a certain subgroup.[70] There is a small but increasing number of developments that tailor their design, amenities, and business models to suit the needs of young professionals. Very few formally *limit* their market by enforcing age requirements or ceilings although it would seem that they could legally do so, as age-specific housing schemes are specifically exempt from the 2010 Equality Act.

The characteristics of existing schemes targeted at young professionals include:

- *Efficiency and ease* – achieved by making rent 'all-inclusive' of costs like utilities and council tax, and by providing a concierge service;
- *High quality standards and high-tech accommodation* – achieved through innovative design that efficiently uses small spaces and provides maximum functionality, light and modernity;
- *Convenient, shared amenities and communal spaces* – achieved by reducing the size of individual units and limiting space for things like car parking;
- *Convenient locations* – achieved by building on difficult infill sites in popular areas or taking advantage of initiatives like Opportunity Areas;
- *In some cases (but not all) affordability* – achieved by shrinking unit sizes, negotiating with local authorities regarding other affordable housing provision requirements, increasing use of communal living spaces and kitchens, etc.

Increasingly, the affordability crisis is forcing those on more modest incomes to locate further from their places of employment and leisure, leaving many feeling isolated. Housing models targeted at young professionals could address this.

Example: Pocket Living

Pocket Living develops compact, affordable one-bedroom properties 'for the millions of young, middle-earning Londoners who contribute to their city in so many ways but can't afford to buy their first home'.[71] Pocket homes are at least 20% cheaper than homes in the surrounding areas; prices start at £231,000.

Figure C.1: Interior of a Pocket property
Source: Pocket Living

Pocket homes are designed around a strict design code which aims to use space in the most efficient way possible—responding to what their target clients most need. This includes ample windows and lighting options, a wide range of high quality residential amenities (refrigerators, laundry machines, dishwashers, etc.), high ceilings and high tech functionality; Pocket's Head of Product even attends caravan and boat shows seeking design inspiration.

Pocket's financial model is based on securing affordable small sites in the most expensive areas and constructing units in a way that maximises returns for investors. For now they are focusing on one-bed flats, which have higher profit margins, and on building for owner-occupation, although there are plans for the development of two and three-bed units and rental units down the road. They are able to keep costs down in a number of ways: they conserve space further by forgoing car parking and they have convinced local authorities to exempt them from the requirement to provide affordable housing through a Section 106 agreement.

Also, at 38m², the flats are smaller than normal minimum space standards, meaning Pocket is able to fit more flats on a site than other developers. Initially the GLA and local authorities opposed this reduction in floor space. Various experts have decried the trend towards smaller floor areas and overcrowding brought about by the housing supply and affordability crisis.[72] Pocket therefore has had to work hard to make its case that 'micro-housing' when well-designed can be not only liveable but appealing to a market that would rather prioritise location and accessibility over space.

Pocket's ability to attract this investment is testament to its appealing model. In addition to a £21.7m interest-free loan from the GLA to develop 4,000 homes over the next decade, Lloyds Bank has provided the group a £30m revolving ten-year debt facility. The Greater London Enterprise Group, a social investment fund owned by London's local authorities, purchased 10% of Pocket's shares last year for £1m. To attract small and medium investors, Pocket used a crowdfunding platform called Crowdcube to sell Pocket Bonds, which provide 7.5% gross interest annually for an initial four-year term—this has already resulted in an additional £1m for the development of more Pocket schemes.[73]

Figure C.2: Pocket Home Layout
Source: Pocket Living

Because Pocket homes are only available to those who live and/or work in a borough already, young people can remain in an area they know rather than commuting long distances. This certainly responds to the concerns about isolation and fragmentation that emerged from our focus group. But Pocket's waiting lists are already exceptionally long, and many young professionals relocating to London do not have any ties to a particular borough, and may want the flexibility of living and working in different areas.

Figure C.3: Interior of a room at a property owned by The Collective in Camden
Source: The Collective

Whereas some of the other innovative supply models we profile do not offer below-market prices or rents, Pocket ensures that the affordability of their units is 'entrenched in perpetuity' by requiring that the homes be re-sold to buyers who meet their criteria, at prices 15% below market value. Perhaps most significantly, Pocket responds to the desire of many young professionals to get on the property ladder and offers a tenure option beyond private renting for young people on average incomes.

Strong investor interest, the increasing acceptance of the design standards by local planning authorities and incredibly high demand suggest that this model could be scaled up and replicated across the city. Its focus on small sites, is an intriguing counterpoint to supply initiatives that require the scale of larger, more fringe areas—including some of the Mayor's Opportunity Areas—in London.

Example: The Collective

The Collective was founded by Reza Merchant while he was a student at LSE. Frustrated by the lack of good-quality rental options for students and young people, Merchant formed an agency in 2010 that focused on this market. Starting in 2011 the company began to operate its own accommodation. To date they have purchased and renovated five properties (with from 10 to 50 units) in zones 1-3. The success of their first three years attracted interest from investors, and in 2013, The Collective decided to develop their first project from the ground up, a 323-unit scheme in the Old Oak Common opportunity area.

The Collective offers high tech, clean, well-equipped, *sui generis* shared accommodation, with an emphasis on appealing shared facilities and spaces (gyms, spas, cinemas, rentable dining rooms, games rooms, bars and lounges, terraces and more).[74] Rents cover cleaning, weekly linen changes, council tax, utilities, access to a live-in concierge, and Wi-Fi. All of the developments are close to public transport and within a 20-30 minute commute of central London.


Figure C.4: Shared dining room in a property owned by The Collective
Source: The Collective

The average resident at The Collective is between 21 and 35, and while the organisation says it never discriminates, it does require prospective tenants to apply so they can ensure the right atmosphere is created. Average tenancies are 9-12 months. All-inclusive rents for rooms in The Collective properties start at £220 per week or £953 a month.

Like Pocket, The Collective believes that young people in London need functional—but not large—personal spaces. Merchant calls The Collective an 'ideal stepping stone' for young professionals who would rather have a smaller bedrooms—'a crash pad'—in exchange for high quality spaces for socialising, an all-inclusive experience, and well-connected locations. They compare their properties to 'boutique hotels'. While The Collective works with a range of architects, they have an in-house design team that oversees their product standards.

The 'shared living' experience offered by The Collective may not be a long-term solution for young professionals in London who aspire to home ownership, for example, or want to live with a partner. The living situation they offer can be thought of as a stepping stone for young people newly arrived in London who are looking to socialise and want an all-inclusive experience. Interestingly, the tenancy renewal rate across The Collective is 58%, indicating that while many view it as short-term option, a significant minority is willing to spend more than a year in such accommodation.

The rapid growth of The Collective suggests that its 'shared living' model could be scalable. London's Housing Strategy promotes the development of bespoke rental products that respond to unmet demand.[75] The Collective is an example of one of these bespoke products; it offers a unique rental option for those who would typically qualify for intermediate housing (on incomes of between £20,000 and £45,000), who want to avoid the hassle and often poor standards of typical shared accommodation, and who need a stepping stone before moving into types of private rented housing or other tenures.[76]

Appendix D: Pre-Fabricated and Modular Construction Methods

Off-site construction methods are already extensively used within the house-building industry. Manufacturing housing materials off-site has been proven to significantly increase build rates, decrease costs (due to shorter build times and the need for fewer sub-contractors), improve quality and sustainability of construction and reduce waste.[77] A review commissioned for the DCLG and Department for Business, Innovation and Skills in 2013 concluded that the ability to deliver finished units and bring homes to the market quicker—and often at higher densities—is a strong endorsement for investing in off-site construction models. A 2014 McKinsey report also made the case for in the use of off-site manufacturing of prefabricated components in relation to its affordability potential, arguing that total housing development costs could be cut by 30% and timings reduced by 40% as well as improving efficiencies in procurement and process.[78] While recognising the difficulties in accessing land and the need to unlock it, particularly in cities like New York (and, by extension, London), these technologies are framed as a positive option for middle and lower income city dwellers as well as for developers who can save both cost and time.

While off-site manufacturing can produce a wide range of housing end products, it is specifically well-suited for producing affordable, flexible dwellings that can be temporary and optimise short term space, features which might be ideal for the young professional market. Utilising cheaper construction methods may allow for the production of relatively more affordable housing options closer to Inner London where land is more expensive, which would appeal to this market. According to the latest Knight Frank tenant survey, proximity to central London matters more for the majority of young Londoners than space, with 54% of 18 to 24 year-olds reporting they would be happy to live in a studio flat if doing so meant they could live in a more central location.

Still, concerns do exist about how far cheap construction methods can truly go in lowering house prices when the price of land continues to rise. Furthermore, to construct at scale, high-up front capital investments are required which are, in turn, only justified via sufficient demand.[79] The historically negative perceptions on prefab in London have made its demand rather low; therefore, policy-makers and planners would need to lead the way into a step-change via demonstrator projects that can dismantle the stigma associated with it. One such model located in Mitcham, Merton called Y:Cube is currently being pursued by YMCA London South West (YMCA LSW).
Y:Cube

The Model

The Y-Cube project, currently under development in Mitcham and soon to be developed in Lewisham is a modular housing scheme using semi-permanent, pre-fabricated units that cost £30,000 to build. The site will provide thirty-six 26m^2 studios for single occupancy. This scheme is specifically targeted towards singles ready to move out of supported housing and into independent living. Units take 8 weeks to construct in a factory and 1 week to build on site, although in this first development instance, the timings are longer as all stakeholders (engineers, builders, infrastructure providers, etc.) become familiarized with the methods and schedule.

Figure D.1: Y:Cube prototype model. Source: Melissa Fernández

Financing and Development

The low cost of rents (65% below market rent in the area, or £145pw) were achieved through a unique partnership model between four social investors that lent the required £1.7m capital costs to develop the site; a £300,000 GLA grant for the prototype unit in Wimbledon; and the pro bono design services of Roger Stirk Harbour & Partner (RSHP). The cost of a one bedroom unit is now £30,000. Long-term, the investment made in Mitcham is expected to pay off in less than 10 years (with their low-rent revenue) and to bring a 5% rate of return.

YMCA LSW also retains a licence on the Y:Cube name and construction system. Any organisation wanting to replicate it has to buy this license but also to work with the partners that contributed to Y:Cube: RSHP, AECOM, and SIG in order to develop it. This mechanism allows the YMCA to generate revenue from the license, which it can then reinvest into further Y:Cube developments. In order to safeguard the scheme against private sector interests and spiralling market-driven costs, there are hopes to tie the licence to an affordability clause.

Advantages and Disadvantages

The Y:Cube represents significant innovation in design and is more flexible than usual container homes as the units can be joined together and partition walls can be freely arranged within. This could be ideal for young households who, depending on changing life circumstances, may need to subdivide space to share, or open it up for single occupancy.

But even though young professionals whose salary levels bar them from market rents could benefit from a scaling up of the Y:Cube concept, expanding the model is a costly and time-consuming process that requires a minimum of 24 units to make it economically viable. Furthermore, to keep costs down, the materials used in producing the Y:Cube walls are visually distinct to London's more traditionally uniform brick housing landscape. While practical and necessary, its modern finish can be perceived as too different to the norm and face resistance by both neighbours and planners. Its novelty, therefore, can help to convince and mobilise those seeking solutions different to the tried and tested housing methods at the same time that it can pre-empt support from those unwilling or unfavourable to what appear to be significant material changes or contrasts. As our focus group participants suggested, added benefits such as coveted central locations and significantly lower rents may need to be offered as part of the prefab package in order to offset what can be regarded as an unpleasing look.

Scalability

At present, the Y:Cube model has been conceived and is being implemented as a temporary housing scheme for young residents otherwise destined to live in hostels. But the flexible design of the model does not constrict the size and kind of tenant. In theory, then, the Y:Cube model could be adapted to any kind of household or type of family. Given the resistance to the 'funny' prefab look, as its principal architect Andrew Partridge told us, this may imply having to change the façade materials—which is doable, but more costly for the end-user. The final rents would need to be lower than market rents in order to increase demand.

Conducting business through a partnership model like the one employed here may be a more efficient, if not always a replicable way of providing more quality affordable housing. While they did rely on some subsidy for initial investment, Y:Cube is expected to quickly pay off and become self-sustainable. It offers a viable model for other local authorities (LAs) and housing developers to follow. Specifically, its licence and affordability clause could help smooth the planning application process and help LAs save on housing benefit costs.[80]

Figure D.2: Finished model Y:Cube apartment, Mitcham.
Source: Melissa Fernández

Appendix E: Covenanted PRS

While the private rented sector (PRS) has grown rapidly in recent years, 80% of new supply in the sector over the past decade has come from London's existing housing stock rather than new build.[81] Buy-to-let is much more popular than *build-to-let,* but introducing major institutional investment into the sector is key to improving standards, fostering innovation and quickly delivering new supply. In 2012, the Montague Review explored the barriers to institutional investment in the PRS, concluding that high management costs along with concerns about viability and return on investment were major factors in keeping institutions from entering the market.[82] Other concerns include house builders being able to out-bid for land, a lack of understanding of the benefits of build-to-rent, and confusion over the differing business models of PRS.[83]

Figure E.1: Courtyard of a Fizzy *Living* Development
Source: Rodrigo Peon-Veiga

Covenanted PRS refers to developments which, as a condition of planning approval, must remain in the private rented sector for a specified duration of time. This prevents private rented accommodation from being sold for owner-occupation—thus sustaining the supply of the sector—and can encourage more institutional investment by increasing certainty. According to the GLA, increasing institutional investment in the private rented sector has the potential not only to boost supply but also can foster 'bespoke PRS building typologies' that better meet the needs of tenants, including young professionals.[84]

According to the 2012 Montague Review of barriers to institutional investment in private renting, there is significant support for covenants and most stakeholders believe the covenants should be in place for at least ten years.[85] A covenant allows investors and developers to calculate land value based on rental tenure rather than on sale, which allows rental developments to compete in terms of viability with schemes developed for owner-occupation.

According to Nick Jopling, Executive Property Director at Grainger, 'the covenant is simple, effective, flexible and does not require any change in legislation'.[86] If planning permission is granted with a covenant requiring that units on that land be offered for private rent for a certain number of years then developers can build private rented housing in tandem with homes for sale. Because the rate at which developers build homes for sale is determined by how fast they can be sold, major developments can take many years to 'build out'. The addition of PRS-only housing to a development can mean the entire scheme is built much faster. Councils could ensure long-term supply of rental homes, and the formalisation of arrangements and conditions would reduce uncertainty and encourage investment.[87] Various developers have expressed support for covenants, with Peter Vernon, CEO of Grosvenor, stating 'such a policy would end the uncertainty created by viability testing, which after all is based on negotiations that offer no predictable outcome to investors'.[88]

Young professionals are projected to be 'core' renters in the new-build rental market.[89] There is no use class within the planning system, however, which relates to occupants, so targeting a development towards young professionals would have to be the decision of the developer or owner. This presents an opportunity, then, for the development of a 'PRS typology' that addresses the needs of this sector. Although not formally covenanted, Fizzy Living and East Village represent large-scale, institutionally-funded rental schemes that aim to attract young professionals (although families and other household types have moved in as well). In their efforts to appeal to young professional renters, these and similar schemes—including Stratford Halo, operated by Genesis—are offering certain amenities and options that they believe this sector desires and which are not currently offered by most of London's PRS: quick and easy access to property managers, often through a concierge-type service; longer lease and flexible lease options; high quality communal and amenity spaces (gyms, gardens, etc.); and modern, 'youthful' design and high-tech touches throughout the buildings and units.

The covenanted PRS model does not necessarily address affordability as most schemes posit market rents. It should be emphasised that few covenanted schemes exist as the model is relatively new, but several are currently proposed or under development.

Example: GRIP Unit Trust, Canning Town

GRIP Unit Trust (owned by APG and Grainger) and Bouygues Development are bringing forward a 16-story, 134-unit scheme in Canning Town which will be restricted to private rental for the first eight years.[90] It is part of the wider Hallsville Quarter masterplan, an element of the £3.7 billion Canning Town and Custom House Regeneration Programme which seeks to create a new town centre for Canning Town. The purpose-built tower has been designed specifically for private renters. It provides 4,173 square feet of resident amenity space and is designed to optimise efficient property management. Construction began in January 2015 and the development is intended to finish in summer 2017.

Grainger and Bouygues have worked together on two other purpose-built PRS developments—a 211-unit development at Pontoon Dock and a 100-unit scheme in Barking. The GRIP trust was formed in 2013 and brings together Grainger, the UK's largest residential landlord, with APG, Europe's largest pension fund asset manager, reflecting the growing interest and scope for investment in build-to-rent development.

Example: Old Oak Common

The outline plans for the Old Oak Common Opportunity Area in West London designate at least 1,000 units of the new development for long-term private rent 'to help relieve pressure on the capital's housing market, improve standards for tenants and boost the economy'.[91]

Appendix F: Demand-side possibilities – shared ownership and Help to Buy

Supported home ownership schemes allow first-time buyers to get on the property ladder by reducing the deposit and repayments required and thus making it easier to secure a mortgage. Shared ownership schemes, through housing associations, do this by offering a percent of the leasehold for purchase by first-time buyers. The buyer purchases a share (25%-75% of the home's value) with a mortgage and pays rent on the remaining portion. In London, households must earn £66,000 a year or less to qualify for a one- or two-bedroom property, or £80,000 a year or less for a property with three or more bedrooms. Households may 'staircase up' to 100% at any time.

There have been a wide range of shared equity schemes over the years. These provide an equity loan for usually around 15%-20 % of the purchase price. As these equity loans are usually free of interest they reduce outgoings and allow the purchaser to buy with a 5% deposit.

Help to Buy is the government's current set of schemes to help buyers purchase homes (new build or existing properties) priced up to £600,000. Through the Help to Buy equity loan scheme element , the government lends buyers up to 20% of the cost of a new-build home (worth up to £600,000), which enables buyers to purchase property with a cash deposit of as little as 5%. Loan fees are not charged on the loan for the first five years of homeownership. Through the mortgage guarantee scheme, the Government offers lenders the option to purchase a guarantee on mortgage loans. Lenders who take part can offer mortgages at loan-to-value ratios (80-95%) than the market would normally support.

In 2015 the government announced a new starter home scheme which would aim to provide some 200,000 new homes across the country on land currently not designated for housing where the price could be held to 80% of market values. This cannot be combined with Help to Buy and therefore mainly helps to reduce outgoings. A deposit of at least 10% and possibly up to 20% would still be required.

One of the main ways the current housing affordability crisis affects young people's social mobility is the amount of the down payment required. Shelter recently estimated that it would take the average single Londoner 30 years to save for a deposit.[92] So while many young professionals envision home ownership as part of their housing trajectory, the affordability crisis is forcing them to alter their expectations or consider relocating out of the capital.

Example Case Studies:

- **FIRST STEPS:** The mayor's low-cost home ownership programme, FIRST STEPS is the key portal for Londoners looking to buy a property either through shared ownership or Help to Buy schemes.

- **L&Q Shared Ownership:** L&Q housing association offers shared ownership. Priority is given (in this order) to council and housing association tenants, MOD personnel, applicants on council housing waiting lists, people in demonstrated housing need, people living with family or friends, people renting from the private sector, and key workers. Buyers need savings or access to at least £4000 and a good credit history.

Appendix G: Focus group discussion, questions and exercises

On 17 March 2015, we held a focus group for young professionals with three main aims:

a) to better understand the housing trajectories of young professionals in London;
b) to gather information about how housing pressures, affordability and accessibility are affecting the social mobility of young employed Londoners; and
c) to 'test' the innovative models studied as part of this research and record reactions and perceptions of these models, including whether or not the focus group attendees would be interested in living in these types of developments.

Twelve people attended the focus group, with ages ranging from 23 to 34. Although it is important to note that due to the snowballing technique used to recruit focus group members the attendees are not fully representative of young professionals in London, the group did represent a wide range of neighbourhoods, property types, and housing trajectories. Key information about the attendees is summarised in Table G.1

Housing trajectories and experiences of focus group attendees

Our Focus Group began with an introduction that involved presenting a 'personal item' that represented home. Some, like Emily's personalised pillow and Maria's kitchen scale, related strongly to their emotional attachments to their domestic space. The designer and architects brought drawings or sketches depicting the physical or social elements of their space (Ana made a precise layout sketch; Manuel drew a 'submarine' which reminded him of his unusual converted warehouse home). Lana brought a mini Lego home to represent the masculine nature of her house (which was her partner's before she moved in), its temporary qualities, small space and the playfulness (child-like qualities) of renting.

Conflicted attachments

Feelings towards their current homes swayed quite strongly between love, indifference and dislike—Manuel, who shares with four others a converted warehouse in Dalston said:

> *'…it doesn't fit any building or regulation standards but it's half the market rent. The place is huge, probably 250 square metres with a massive communal area and everybody absolutely loves it. It's the best place I've lived in- by far the most fun and the cheapest. You kind of live on top of each other, but it's great'.*

Table G.1: Focus Group Attendees Information

Name	Age	Profession	Current Neighbourhood	Type of property	Number of Different Homes in Last 5 Years	What do you value about where you live?
Noel	32	Architect	Bethnal Green	3-bed house occupied by 3 people	8	Nice area
Stuart	25	Research Assistant	Clapton	4-bed home occupied by 5 people	5	Diversity of people and shops
Manuel	25	Project Manager	Dalston	Converted warehouse	8	Space in home
Samantha	31	Events & Communications Professional	Stoke Newington	4-bed house occupied by 4 people	2	Cafes; community; creative atmosphere; culture
Begona	28	Assistant project manager	East Finchley	2-bed flat occupied by 2 people	3	Reasonable space; nice neighbourhood with green spaces; proximity to tube and shops
Ana	30	Project assistant and researcher	Peckham	4-bed flat occupied by 4 people	4	Diversity
Michel	25	Project manager	Highbury	2-bed house occupied by 2 people	5	Accessibility to restaurants and cafes; aesthetic value and quiet neighbourhood
Lana	29	Admissions officer	Finsbury Park	1-bed flat occupied by 2 people (couple)	5	Local shops; good transport links; good facilities (swimming pool, climbing centre)
Leticia	30	Local Authority Planner	Islington	Student accommodation	4	Amenities (local shops, cafes)
Antoine	25	Architect	Clapham	Living in his father's flat	3	Really nice flat; can live for free while studying for MA
Maria	34	Researcher	Finsbury Park	2-bed flat occupied by 2 people	4	Having a second bedroom and a garden; proximity to tube station; close to local shops
Emily	23	Research Assistant	Harpenden (London commuter belt)	1-bed flat occupied by 2 people	2	Green space; proximity to transport and local amenities; character of the area

For him, the benefits of sharing a large space at an affordable price at this point in his life outweighed the pitfalls—like mould and damp. Underlying his satisfaction was a feeling that he had found something unique (spatially and financially) for London's rental market, which he described as 'more extreme over the past five years'. 'Now that we've got it', he continued, 'we never want to let it go'. For others like Manuel who had experienced the stress and pressures of flat hunting in London which can 'feel like an auction' or an interview process and is 'personally tiring', finding a place they liked (or being selected by existing tenants as a housemate) was seen as a 'lucky' break. Under these strained searching circumstances, the narrative of chance is not surprising, but as flat/house hunting fatigue sets in, this language can actually help cover an attitude of resignation or, at least, acceptance of what could otherwise be intolerable.

In Ale's case, for instance, she went straight from describing the difficulties and pains involved in the 'performance' of flat hunting, to saying she had been very lucky to find her 1980s former council maisonette in Camberwell, to saying 'this place is probably over-priced for the area because we live in front of a very dodgy disco and have a carwash underneath, not really suited to my needs.' She recognised the discomfort, at first, of moving into a flat occupied by the landlord who had (luckily) since become her close friend. These narrative fluctuations—between luck and exploitation-- were not uncommon and reflect the very difficult yet conscious kinds of negotiations young employed households must endure and indeed do accept as normal in contemporary London. The chronology of their housing path experiences (more below) leads them to that point.

Unlike Manuel and Ale, three attendees felt little to no connection at all with what they described as 'temporary' or 'transitory' living spaces. While Stuart was happy with this unstable scenario, as he can 'feel homely in different countries as long as I have my electric toothbrush', Leticia, who switches from place to place, does not 'feel much at home anywhere'. Lying somewhere in between, Begona who lives with her partner felt nothing special for the flat she rents—it is in very good condition and she has no complaints but there is nothing personal about it as 'it's not my home'.

These variations in attitudes towards their place of residence as a more personal or impersonal home space did not seem to relate to the condition of permanence. All attendees knew their situation was in some sense impermanent. Their attachments were instead tied in to things like location, the connections they had with those they lived with, or to a real satisfaction with the layout itself. For two attendees, it was about a very personal but also symbolic sense of accomplishment entangled in the act of renting. Noel described signing his first contract as representing the end of 'moving from place to place' and finally 'having the feeling that it's my house'. For Michel, there was a real sense of 'achievement' in his latest find, as he had always wanted to live in a Victorian house and this one has 'the red brick and everything'. For them, renting their current homes was about 'making it', or 'moving up' some kind of pre-imagined path towards adulthood.

Conceptualising adulthood through housing

There was an interestingly paradoxical framing of the issue of adulthood. On the one hand, all attendees who introduced themselves as professionals in one career or another, spoke eloquently and with much understanding of what their situation was like, how it related to larger structural circumstances in the economy and therefore how it was out of their control (though they were able, based on their experiences, to be savvy and knowledgeable about making the best possible choices in that scenario). Max, who said 'I'm not going to be here forever…' spoke of how renting for his age group is becoming 'more extreme' as they realise home ownership is less feasible. For them, he said, there is this idea that because salaries are decent, it is better to just have fun in your 20s/30s and save hardly anything, exploiting what London has to offer: great gigs, museums, cultural events, travel, eating out. When 'ready to settle down', they you can move out of the expensive city and go somewhere more affordable. This he described as 'postponing adulthood', which suggests a continued equation of adulthood with housing stability and homeownership, and a displacement of their own sense of agency in the matter.

Indeed, while some spoke of the idea of buying as completely out of reach and fictional—one stating 'it's never going to happen…it's like a Dickens novel' where job opportunities and salaries allow for mere survival—no one fully disavowed buying as a future option or goal. Michel, for instance, felt that the housing situation directly affected his career opportunities because, given that he still would like to maybe save for a deposit and own someday, going into planning (what he studied) would not pay the high salary necessary for a London deposit. This suggests he may have to switch career at some point in order to fulfil his housing dream. Three of the female respondents were actively thinking about the possibility of buying (some more imminently than others).

Trajectories and compromises

Since none of the participants were Londoners, the 'rental trajectory' stories were told either from the perspective of those that came from other cities to those who had been in London for a very long time and could speak to frequent movement within the capital. The reasons for coming to London varied (though many came for studying) and as their personal circumstances changed, they sometimes stayed on for others. In general, the stories of compromise were traversed by a narrative of struggle in flat hunting. Overall, for them, renting in London does not seem to be simply about the house in and of itself but rather is significantly understood through the process (frequent, stressful and semi-traumatic) of securing housing. Except for those with partners, sharing with strangers who had since become friends was also part of the story and no one lived on their own.

Michel spoke about how he had lived in 'the Highbury equivalent' neighbourhood of Montreal, but paying three times less than he would here. He 'felt the weight of London' and its massive sense of sprawl when he first moved here to Elephant and Castle. Lana felt she had lost the closeness to landlords which she had experienced in Liverpool, where 'it's a renters market', no holding fees are needed and 'landlords dealt with everything'. While she had only moved to London for her boyfriend and strongly felt that 'fighting over crappy flats is rubbish', she also said they 'have a pretty sweet deal- the landlord got rid of letting agent because they were charging for things they hadn't done' and that they would stay there until buying somewhere outside of the capital.

Sara, an urban enthusiast, moved to London from Barcelona with her then partner for career prospects and the cultural amenities this city could offer a freelancer like herself.

> *'For me, one of the reasons to move to city is to feel closer to all that, to the movement, the buzz. I love where I live because of its community feeling, lots of young creative, the life and cafes but I do feel that I live a bit more in a village than how I felt when I lived in Barcelona where I actually lived in the middle of the city*

centre. In a few years' time, I would've thought that I would be more connected to all that and actually I find that in my 10 hour day, working 4 days a week, because I usually do something after work before going home, I'm spending a lot of the time on buses…I'm not actually able to do things in the evenings I'd like to- so, I do spend much more time moving and it gives me less time to be enjoying the things I actually enjoy about this city. I live in zone 2, I don't' live too far out but I would actually absolutely love living in Soho or Holborn'

Three out of the four British respondents had come to live with a friend, a family member or a partner after their undergraduate studies concluded. The fourth national, like many of the other respondents, originally came to study and had subsequently found employment on a full or part-time basis. Many of the participants had lived in student housing and described the move to private rental as 'exciting'. A unique case was Begona who had lived without paying rent in her partner's previous huge company rented flat in St. John's Wood. When that contract ended, they relocated to East Finchley. While the area is relatively cheap, the costs are high for them compared to their salaries – she and her partner each pay £900-1000 per month. One participant chose a worse job for a nicer life. She had been offered a better job in London with a lower salary but chose her current one instead in order to commute less and live in a more central/desirable area. But, in doing that, she felt that she had 'lost the chance to go back' or progress along the other career path.

While the majority were positive and even enthusiastic about living in London, some were less impressed. After living in more affordable cities like Liverpool and Oxford London's cultural events and amenities seemed to be less accessible to Lana. She also feels like there is a lot of 'specialisation' in London—in terms of social groups and activities—which makes it very difficult to form relationships and build community. Distances, real and perceived, exacerbated this sense of isolation as even living only a few miles apart from friends, Noel added that it 'can feel like living in different cities'. Everyone felt there was a kind of paradox to living in London—that despite or perhaps because of its great diversity, which is one of its more attractive characteristics, people end up socialising in more homogeneous groups with people like themselves because 'it is hard to mix'. Indeed, very few in the group knew any 'real' Londoners.

"As soon as I have the leverage to get out of London, I am leaving… in terms of community, I feel like because London is so large there's lots of specialisation—like, in Oxford or Liverpool, I joined a cycling club and we'd all be at different abilities but we'd rub along together because we were the cyclists, but in London I have to find the right cycling club: do I want the really fast one? do I want the women's only one? do I want the one that's more focused on road safety? I just wanna' meet some people! And even with our neighbours. Previously, neighbours were neighbours, but in London you have so many neighbours you have to find the subset of your neighbours that are people like you and I feel like in a way, in London, I come across a smaller diversity of people than I would do somewhere else because there are so many people, that you end up choosing only to associate with those that are [pause] most like you."

But despite the real concern expressed for strained relationships and the feeling of temporary or difficult-to-find communities, Stuart said that he values London's historical richness and beauty.

Samantha said that the more she lived here, the more she felt a duty towards the city—to stay and become more and more a part of it. After a while, she said, 'you begin to love London for its faults'.

Reactions of focus group attendees to innovative supply models

In their 2014 report 'The Home Stretch', Gardiner and Alakeson note that 'any new supply needs to be better matched to the needs of those who are currently excluded from making effective choices in the market. Doing so requires a broader conception of housing need than has traditionally been adopted in housing policy and a shift away from a market oriented solely around homes for sale.' Our focus group participants represent those who are increasingly being squeezed out of choices. As such, their reactions to certain models can provide useful indications as to which alternatives actually match their needs and aspirations.

Following the broader discussion of housing trajectories and experiences, we briefly presented three of our case study housing models to the focus group attendees in order to record their honest reactions to and initial perceptions of these typologies. We chose not to gather feedback on the covenanted PRS model because all of the attendees currently live in private rented accommodation. We believed, therefore, that the earlier discussion of their current and past experiences had already shed important light on what should be considered in these long term PRS schemes.

These reactions and impressions should be viewed as initial, perhaps emotional 'gut feelings' about a particular model. While we explained the broad concept of each typology and offered visuals and details about existing or proposed developments, we did not have time to fully explain all of the details of the case studies nor were we able to give the attendees time to conduct their own research on the schemes. Consequently, the information recorded cannot be seen as wholly representative of how young professionals might feel about these models, but rather as a baseline read of what might and might not appeal to certain people and what some young professionals might consider when assessing the suitability of a type of housing for themselves. Furthermore, only ten young people attended the focus group, so the sample size is likely not representative of the diversity of young professionals in London.

The reactions recorded, however, do reveal a) that less mainstream models would likely have to overcome some (perhaps incorrect) preconceptions in order to appeal to a wider range of clientele, b) that factors other than just the housing typology—such as location, amenities, neighbourhood, and aesthetics—matter significantly to young people when choosing where they live; and c) most importantly that the development of a *range* of housing options for young professionals would best respond to the diverse needs of this sector and the various impacts the current limited selection of housing options is having on their social mobility.

The reactions of the focus group attendees to the three case study innovative housing models were undeniably mixed, but they point to important values and desires that should be taken into account when considering how to scale up affordable and accessible housing options for young professionals:

- **Diversity and options matter.** Our attendees placed different amount of value on different features of a property—namely location, aesthetics, space, amenities, and diversity of the community. Linking these considerations to the more broad discussion from the focus group, it is evident that these values are tied to feelings of belonging, ability to make and maintain relationships, stress and security, and the formation of plans for one's future. Therefore, addressing the negative impacts London's current housing environment may be having on the social mobility of young professionals should involve the production of different housing typologies that reduces the compromises young people have to make concerning these key values.

- **The physical form of the housing may indeed matter less than other factors.** Interestingly, the focus group attendees were frequently more concerned about the location, amenities provided and community surrounding the housing sites, rather than the specifications of the individual living units themselves. This suggests that young people may place more value on factors that are external to their actual flat or home but are still intrinsically tied to *where* you live or *what type* of development you live in.

- Innovative models will likely have to overcome strong pre-conceptions that are entrenched thanks to the relatively unvaried range of housing options available today. Most of the attendees are currently living in broadly similar housing typologies, and it is clear that—particularly concerning student housing or age targeted housing—they were inclined initially to compare the proposed model against what they are currently familiar with or with preconceived notions of what that model might entail.

- **Flexibility is still important.** During all three discussions but specifically during the discussions about student housing and age-targeted models attendees often said that the models might appear during certain stages of their lives. For example, they remarked that student housing-type models may appeal if you have limited time to search for a flat, or age targeted developments might be helpful if you are moving to a city in which you do not know anyone. This association of certain housing types with certain stages in one's residence in the city indicates that, at least for the young professionals at this focus group, needs and desires might change from one year to the next, and perhaps a range of typologies that respond to this would be most helpful for young people living in London.

Group discussion semi-structured guiding questions

- What kinds of places have you lived in while you've been in London? Do you feel like you've had a wide variety of housing options available to you?
- In terms of housing, your community and amenities, what are you prepared to compromise on and what would you not compromise on when choosing a place to live?
- Why do you like living in London? What has been positive about your housing experience here?
- What has been difficult about living in London for you related to finding housing or the housing on offer?
- If you've faced any difficulties relating to housing in London, what have been the impacts of those challenges? In other words, has your housing situation had any impact on:
    - your feelings about staying in London?

- your social life?
- your plans for the future?
- your career aspirations?
- other aspects of your life?

Case study feedback

How would you feel about living in the following types of housing (we'll provide some details about what the schemes are like):

- 'Modular', pre-fabricated units
- Private, student housing-like accommodation
- Professionally managed schemes that target young professionals

Mapping personal housing timelines

Individual blank sheets were provided to each participant to represent where they've been, where they are now, and where you'd like to be in 10 years (and where they think they will be) in terms of:

- Tenure/typology
- Rent
- Location

Group mapping exercise: Visualising young professional housing in London

A large map of London was provided where participants drew out representations of their housing trajectories in London, and aspirations.

Appendix H: Case Study Details and Acknowledgements

We would like to thank all of the individuals who allowed us to interview them as part of this research and those who attended our focus group. Their time and perspective was invaluable for this research. We are also grateful to Chihiro Udagawa, University of Cambridge, and Charlie Ball, HECSU, for their assistance with the statistical analysis in the report.

List of interviews

- Matthew Biddle, Managing Director, Berkeley First (Berkeley Homes)
- Harry Downes, Fizzy Living
- Reza Merchant, Founder and CEO, The Collective
- Andrew Partridge, Rogers Stirk Harbour & Partners
- Andy Redfearn, YMCA/Y:Cube
- Asha Saroy, Public Affairs Assistant, Pocket Living
- Richard Simpson, Managing Director, Unite Group, Plc.
- Marc Vlessing, CEO, Pocket Living
- Matthew Woolgar, Development Manager, Pocket Living

List of case study sites

- The Collective
- Fizzy Living
- LHA
- Y:Cube
- Pocket Living
- UNITE- Student Housing

Notes

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