

Micro solutions

to a macro problem

June 2018

Size matters – more in some sectors than others and in Residential, it matters a lot.

Minimum space standards are short-hand for the protection of private interests against development exploitation. That may sound a little harsh, but it's also fair, particularly when looking at some international Micro Living examples, as highlighted in this report. Sadly, we aren't immune to imperfect examples in the UK and it can be argued that, through Permitted Development Rights to convert offices to homes, Government has been complicit as an enabler.

That said, sweeping statements about micro units are unhelpful and often just wrong. There are some excellent quality PD right schemes. There are brilliant examples of small design going hand in hand with good design, as per Pocket and U&I, amongst many others, with the former achieving high design standards while remaining space standard compliant. In a world where households are smaller, we are living (alone) longer, and urban living across the planet is getting less and less affordable, we should be far more open-minded about the full spectrum of housing solutions available.

'Small' doesn't have to be a bad thing. In fact, where more homes across the tenure spectrum can get built, planners and the industry have an obligation to take a more objective view of the complete offer.

As JLL has said before, space standards should not be used as a lazy proxy for good design.

The risk is fewer homes get built. The risk is also that fewer homes, which people like and are in high demand get built, despite being at a price they can afford to buy or rent. To what extent do we take account of communal amenity space as part of a new scheme's overall offer? To what extent do we consider the priorities that many place on location over private space according to demand surveys? To what extent do we even have a common lexicon of terminology to describe the range of homes on offer?

JLL's recent work with the BPF to define this space is well overdue. This report places those definitions in the context of a global need and changing market demand. It is not an endorsement of 'race to the bottom' design – the planning protections remain even more important when private space is under pressure. However, it makes clear that micro units have a role to play in housing supply and a flat refusal to engage in this discussion is wrong.

We need all the good ideas we can get – that's about the size of it.



Nick Whitten
Residential Research

1.



Shared Living

Converted or subdivided houses / HMOs

2.



Co-Living

Purpose-built and managed developments including a combination of personal and shared amenity space

3.



Compact Living

Self-contained smaller homes

Location or size?

For the majority of society the decision on where to live involves a compromise. The question around how far our compromise can stretch brings us to discuss the size of homes.

Location and affordability are the fundamental drivers of all housing decisions – how fundamentally important is a particular location to someone, and can that person afford to buy or rent there. It is this conundrum that brings us to consider Micro Living solutions which can be used to make housing more affordable and to increase the number of people that can live in their desired locations by providing more homes per square metre.

Micro Living is not the only solution to the housing crisis in the UK. However, with appropriate checks and balances in place, it can provide an improved housing offering to a growing proportion of the population

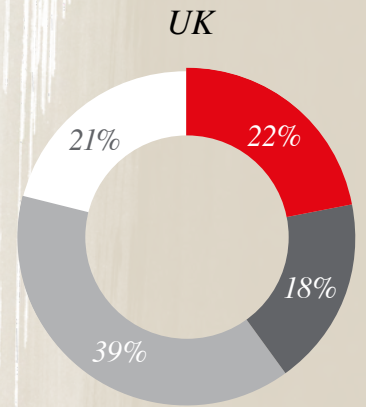
looking to live in cities. Crucially it is the prioritising of a city’s working and leisure options that can allow someone to sacrifice some of those same facilities and amenities in their own home.

There are now just over 6m households in the UK containing single working persons or house sharers, equivalent to 22% of all UK households, according to data from CACI. These are households who do not have the same housing requirements as families and for them Micro Living is a potential modern living solution in 21st Century Britain.

UK Households Breakdown 2018

Household Type	UK	London
Single working persons and house sharers (HMOs)	6.2m	1.1m
Couples with no children	5m	520,000
Families with children	11m	1.5m
Retirees	5.9m	500,000
Total Households	28.1m	3.65m

Source: JLL, CACI



- Singles and house sharers
- Couples no children
- Families with children
- Retirees

The planning position

In simple terms Micro Living can be defined as a housing solution that provides total personal living space below UK minimum space standards.

There are a variety of names being used for such solutions in the UK including micro homes, shared living, co-living, co-housing, and house shares or houses in multiple occupation (HMOs). In effect Micro Living solutions sit along a spectrum with self-contained living at one end and shared and co-living at the other. Self-contained living sees the provision of all of a person's basic housing needs all within their personal space. Shared living involves 'deconstructing' a home so that some amenities or facilities are provided to occupiers on a shared basis.

Ultimately the planning system determines the quantum of new micro homes in the UK. Until recently planning guidance on minimum space standards was rooted in the influential Parker Morris committee's Homes for Today and Tomorrow report written in 1961.

However, it is difficult to understate how much life has changed over the past 57 years. For many decades new homes have been designed around family life and minimum space standards have served the important purpose of protecting vulnerable low-income families from living in over-cramped and inappropriate conditions.

But families now make up only around 40% of all UK households. Single person working households, house sharers and retirees were not a feature in the minds of policy makers in the 1960s and that has meant that these other types of household have effectively been forced to adapt their living to that of a family home.

Different household types have very different requirements for their homes. A pensioner may well say they need a bedside cabinet to put a lamp, clock radio, glass of water, family photo and a book. A millennial meanwhile is likely to be content with enough space to put a glass of water and a mobile phone, the latter of which doubles up as a lamp, alarm clock, photo album and reading device.

The above example may seem over simplistic, but it is entirely relevant when it comes to determining what a significant proportion of people in the UK now need from their homes. Ideas drawn from psychology, sociology and anthropology have all informed thinking about how to design homes in tune with human needs. Most agree that what is crucial is that people have enough private space for the normal functions of living: eating, sleeping, resting and working.



Micro Living defined

Definition: The provision of homes that do not conform to current minimum space standards

JLL worked in collaboration with the British Property Federation to identify and define a common set of terms to apply to Micro Living. A total of 62 schemes were analysed from around the world and three distinct Micro Living products were identified.

The three Micro Living product types are:

1.



Shared Living

Converted or subdivided houses / HMOs

2.



Co-Living

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3.



Compact Living

Self-contained smaller homes

Following interviews with developers, tenants, policy makers and planners the research also determined that the capacity to provide the following facilities/amenities should be available in all homes, no matter the size.



Bed



Washing machine



Toilet



Shower



Sink



Storage



Sofa/ arm chair



Cooking facilities



Fridge



Table

The question then becomes whether these need to be provided in a self-contained manner to each individual occupier, or whether they can be shared? Families share many of these amenities. But it also seems reasonable to conclude that like-minded but unrelated people can also share many amenities while retaining some self-contained personal living space.

Co-living solutions

The latest incarnation of the London Plan recognises the potential to deliver modern, shared Micro Living solutions. The document includes a section devoted to large-scale purpose-built shared living developments, which in planning terms are Sui Generis non-self-contained market housing. The London Plan section on Shared Living is a hugely important passage in terms of supporting the development of a new type of housing that forms a crucial part of the solutions to the housing crisis. This kind of development can provide more affordable housing for the ever growing squeezed middle, who are not eligible for social housing and are not in a position to purchase a home.

The London Plan sets out some important ground rules for these shared living developments such as that they should comprise at least 50 units which should be “appropriately sized to be comfortable and functional for a tenant’s needs”.

Crucially, it recognises that this form of housing is a short-term rental solution, rather than a long term housing solution. It recommends tenancies of at least three months to avoid the development becoming a hostel. Overall it sees these shared living developments as a modern alternative to traditional flat shares (HMO) with superior facilities and services such as room cleaning, bed linen, on-site gyms and concierge services. The analysis undertaken by JLL in collaboration with the BPF found that globally these modern forms of shared living are being referred to as Co-Living.

Modern solutions

House shares are the most common form of Micro Living in the UK, with millions of homes across the UK arranged in this format. The concept arose from the Housing Act 1985 and they are typically houses that have been subdivided and are let to at least 3 renters who are not from the same family. These occupants rent a room, which is their private space, and then share facilities such as a bathroom or kitchen. Part 10 of the Housing Act 1985 lays out standards which effectively set a minimum lettable room size of 6.5 sq m for adults.

However, there are a range of more modern versions of this house sharing concept starting to emerge in the UK, typically in city centres that are, in effect, large HMOs.

Traditional HMOs have seen single and working couple households ‘squeezed’ into family homes, which has provided a less than perfect solution for the occupiers and removed much needed family homes from the overall housing stock.

Modern forms of shared living or co-living as JLL is terming them are tailor made for their occupiers providing facilities and amenities in line with their lifestyle and expectations.

The most prominent example of a modern shared living housing solution in the UK to date is provided by The Collective which now has more than 500 beds open and in operation, with a further 2,500 beds in the pipeline. It provides personal living space of 12-16 sq m and an array of shared spaces for its tenants. Shared spaces range from ‘basic need’ spaces such as communal kitchens and lounges through to ‘added extra’ spaces unlikely to be found in a normal home such as a cinema or a gym.

Meanwhile, U+I’s Town Flats model, which is currently at a prototype stage, involves innovative design techniques to provide all of the basic housing needs in a personal space of just under 20 sq m. U+I is then proposing to provide added extras such as larger communal storage facilities and gardens or terraces on a shared basis.

Housing Association Catalyst has also drawn up proposals for a modern shared living solution after conducting research in which it found around 48% of single persons cannot afford to pay a market rent in standard housing models in London and the South East.

Catalyst is proposing to develop more than 200 units with initial designs providing individual units starting at 18 sq m with communal space shared between each occupant. Ongoing management of the community will be provided by the onsite concierge with sharers having exclusive use of the shared spaces in the building including the gym.

Rental option

JLL’s research found developers and policymakers alike were more comfortable with Micro Living solutions being a rental stop-gap product incorporating shared facilities as opposed to an owner occupier self-contained solution. But can planning policy accommodate self-contained micro units? Currently this type of property is defined by the UK planning system as Use Class C3 – residential use – which is determined by minimum standards to be at least 37 sq m in the UK. However engineering and technology solutions are demonstrating that all of the basic needs of a home can be provided in a much smaller amount of space, such as in the U+I Town Flats. Furthermore, several other countries also have minimum standards below that of the UK, as this report will demonstrate later on.

Small units

Despite the planning system stating a minimum residential threshold of 37 sq m, there has been an increasing number of micro homes built in the UK below that size with c.3,000 built in 2014, 5,600 in 2015 and 7,800 in 2016, according to research from Which?.

The increase is due to the 2013 introduction of Permitted Development Rights for the conversion of offices into residential use. PDR grants automatic planning approval for conversion of a vacant office to residential use and means developers do not have to comply with minimum space standards. This has led to the development of thousands of studio apartments below the 37 sq m minimum threshold.

The policy has drawn criticism for the quality of some of the housing it has created. However, it has fulfilled a role in helping to boost overall supply in the UK, which still lags well behind demand.

Furthermore, it is not wholly PDR that has facilitated the creation of micro homes in the UK. The conversion of old Victorian and Edwardian housing stock has been a feature of housing delivery since the Housing Act 1985 opened the door to HMOs.

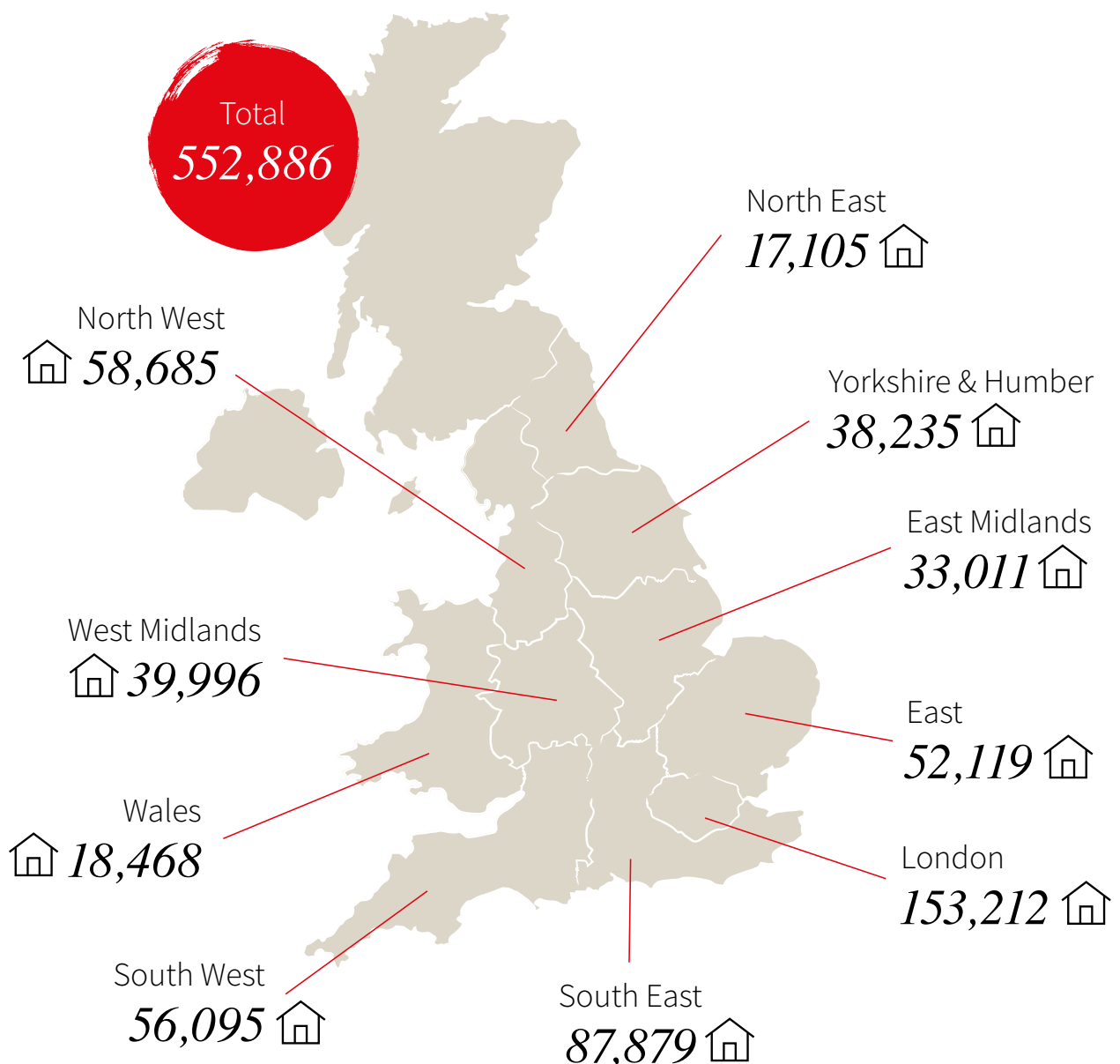
Data is available on the size of 15 million homes in England and Wales – equivalent to 60% of the 24.5 million total housing stock in those countries – through analysis of Energy Performance Certificates. This reveals that there is already more than 550,000 self-contained micro homes in the UK that are below the 37 sq m threshold. As the accompanying map shows, these are predominantly in London and the South East where population pressures are higher.

But who lives in these micro homes? Analysis from CACI reveals that 75% of the homes are occupied by households falling into one of six Acorn demographic groups – 23% are Career Climbers and City Sophisticates, 10% are Students, 16% are Poorer Pensioners and 24% are classed as Young Hardship or facing Difficult Circumstances. Typically the Career Climbers and City Sophisticates are upwardly mobile and have sufficient income to

make a choice when it comes to where they live. This means these groups will have actively chosen to live in these micro homes. Students are also likely to have chosen to live in the micro homes as they prioritise location and access to cultural and leisure offerings over personal space.

However, the Poorer Pensioners, Young Hardship and Difficult Circumstances groups are typically less fortunate and will likely be living in the micro homes through necessity, with little choice to move elsewhere. This analysis highlights the importance of protecting vulnerable people and ensuring they live in adequate housing. But are minimum space standards the most appropriate way to ensure this protection? The fact that micro homes exist is perhaps not the issue. Of greater importance is to ensure we have a system in place that requires those homes to be of a high standard.

Number of self-contained homes in the UK below minimum space standards



International perspective

Urbanisation, the rise of the sharing economy and changing demographics are all contributing to a significant shift in people’s attitudes towards what they want from their homes.

A growing share of the population in the Western World is living in towns and cities putting pressure on the need for higher density housing in these locations. Meanwhile over the past 40 years demographic changes have taken effect that are seeing people live longer, be less likely to get married and delay the decision to start families – all of which leads to a growing group of people who require less space in which to live.

Changing nature of UK households

Household Type	1976	1986	1996	2006	2016
Average age at birth of child	28.1	28.9	29.8	30.7	31.9
Number of marriages	359k	348k	279k	239k	245k
Average life expectancy UK	72.8	74.9	77.1	79.3	81.6
Average household size	2.9	2.7	2.5	2.4	2.3

Source: JLL, ONS

Urbanisation has increased access to amenities and decreased the need to ‘own’ certain goods. Furthermore, technological advances have given rise to so-called sharing initiatives in which accessibility to goods and services is more important than actual ownership. Examples of sharing initiatives include Zipcar, Netflix and Spotify.

Not only in the UK are urban areas the focus of heightened housing demand. There is a global trend towards city-living with young professionals, in particular, attracted by the allure of city employment and leisure offerings.

This has placed undue pressure on housing provision in cities. Planners and developers alike need to find solutions to up the rate of new housing delivery and given the finite supply of land in urban areas, all roads point to densification.

One way to densify housing is to build smaller, which creates an opportunity to up the number of homes available in areas of greater demand. Hong Kong provides perhaps the best global example of this scenario. Hong Kong is one of the most densely populated countries in the world with a population of 7.5 million spread across a land area of just 1,104 sq km, equivalent to just over 6,700 people per square kilometre. To put this into context the UK has a density of 271 people per sq km. The solution to this population pressure in Hong Kong has been to build small – it has the world’s smallest average amount of residential space per person at 15 sq m, less than half the average amount of residential space per person in the UK (33 sq m).

Sharing economy drivers



Location

This is one of the main drivers of the sharing economy. Centrally located spots are more suitable for social interaction and lead to a higher sharing level.



Connectivity

Wi-Fi is no longer optional, it is a necessity. The internet and connectivity is now more important than ever and crucially this provides access to sharing platforms such as Netflix, Spotify and Uber.



Education

A highly skilled workforce and access to talent is of increasing importance to business. It all starts at university and therefore access to education remains an important driver of success in the sharing economy.



Amenities

The growing demand for a variety of amenities, including eating out, ordering food online and the availability of leisure facilities has contributed strongly to the growth of the sharing economy, with many of these facilities now available via a variety of platforms.

International housing space standards

While the sheer weight of demand in Hong Kong has created a need for densified housing provision, the lack of a minimum space standard has driven down average sizes. This has earned Hong Kong a reputation in some quarters for providing poor quality 'shoebox' homes.

Singapore is another Asian city-state with equally high population pressures. It has 5.6m people in a total land area of just 719 sq km, equivalent to 7,788 people per sq km. However, Singapore has maintained a minimum housing space standard of 35 sq m and does not have any of the housing 'image problems' that Hong Kong has at times suffered from.

The high population densities in the major Asian city-states may seem a little irrelevant when compared with the UK as a whole. However the UK's major urban areas have much higher population densities than the national average – 5,600 people per sq km in London; 4,600 in Manchester and 4,100 in Birmingham. This highlights how Micro Living becomes a much more relevant housing consideration for major urban centres rather than the country as a whole.

International minimum space standards



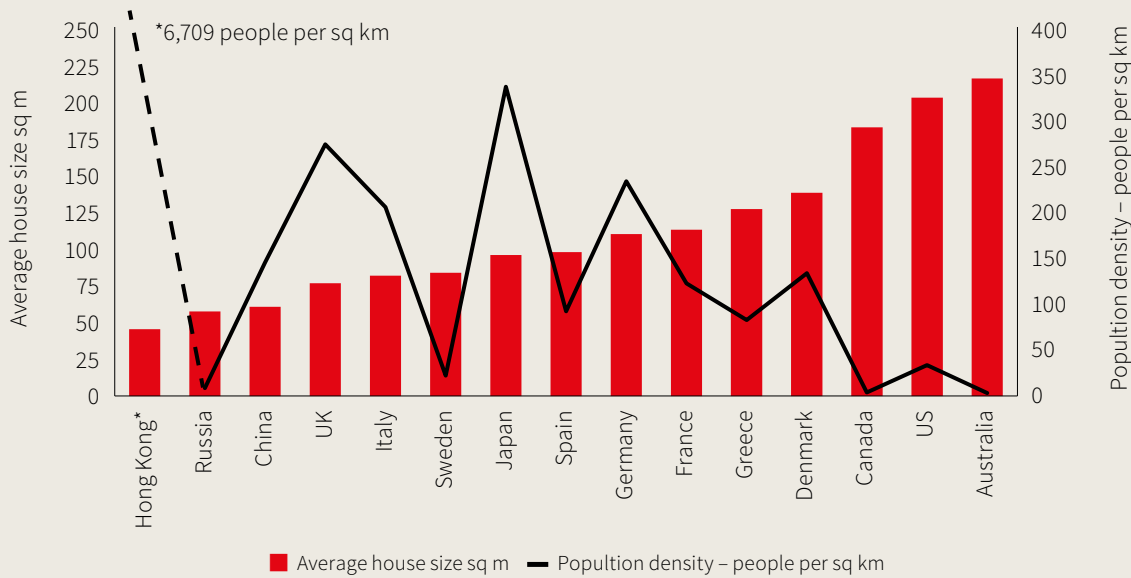
Source: JLL

In Europe and the US there are several examples where minimum space standards are more relaxed than in the UK, as shown on the preceding page. In Germany and in New York, no actual minimum space standard is applied. However, it should be noted that requirements are in place at a regional level within Germany to provide minimum living spaces per person of at least 9 sq m while in New York a similar policy requires bedrooms of at least 7.5 sq m.

Internationally there is a correlation between average new build house sizes and population densities with Hong Kong at one end of the spectrum and Australia at the other end where houses average 215 sq m in size but the population density averages just 3 people per sq km. However, Australia has a lower minimum housing space standard than the UK at 30 sq m. This is reflective of the fact that despite Australia’s overall vastness, the majority of the population live in dense cities around the coast. These areas experience housing pressures and one solution, where appropriate has been to build more densely.

Average new build house size by country (m²)

Correlation exists between smaller houses and countries with higher population densities



Affordability

Building smaller can also mean providing more affordable housing as buyers or renters are paying for less space. Using a host of clever engineering solutions, Pocket Living provides 1 bed homes to purchase that are just above the minimum space standards for a studio, at 38 sq m. JLL research in 2015 found that Pocket Living’s model of building smaller well-designed housing “priced in” around 150,000 additional 22-39 year old Londoners who would otherwise have not been able to afford to buy in the Capital.

However, it is not always the case that smaller leads to more affordable housing, as demonstrated once again in Hong Kong, where housing costs are among the highest in the world. This highlights that while Micro Living is a facilitator of potentially more affordable housing, it is crucial that standards and controls are applied.

Final word

A range of solutions are needed to solve the acute housing crisis facing the UK, particularly in urban areas where demand vastly outstrips supply. Given the rising demand for residential space in cities, Micro Living offers a solution in a variety of ways. It has the potential of being a step towards a more sustainable way of living both because space is used more efficiently and because amenities are shared. Furthermore, micro homes can offer more affordable housing to residents, ensuring that living in major cities will not only be possible for the lucky few that are able to afford it.

Modern purpose built micro homes are not the silver bullet solution to all our housing problems, but crucially, they can provide an improved option for people living in the UK's growing proportion of single person and shared households.

There has to be a place for Micro Living in a modern society – one that can entrust itself with ensuring those smaller homes are well designed on the back of 21st century technology solutions.

To provide standards and polices is to provide protection against unscrupulous housing provision.

But to allow those standards to block potential housing solutions that suit a particular demographic appropriately is also short sighted.

Ultimately we need to significantly increase the rate of housebuilding in the UK to meet the accommodation needs of our growing population. If in achieving that goal we can also provide housing specifically engineered more appropriately to the end user – homes for families, homes for working singles or couples, homes for the elderly – that has to be a good thing.

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