



# STRONG FOUNDATIONS

MEETING RURAL HOUSING NEEDS

# THE CLA HOUSING SUMMIT

## STRONG FOUNDATIONS

Housing is one of the most significant challenges currently facing this country. The level of need in rural areas is particularly acute, impacting on businesses and economic growth and community cohesion. The CLA has long been an advocate for proportionate development to meet the needs of those living and working in the countryside.

This report provides new insight into the diverse role landowners play in the rural housing market, from small landlords with one or two properties to larger traditional estates with large lettings

portfolios and dedicated property management teams. Many CLA members also build new homes in their communities, and are well placed to meet the future housing needs of these communities if given the right support.

The report was published at the inaugural CLA Housing Summit: Strong Foundations that took place on 5 July 2017 at the Cavendish Conference Centre in Westminster, London.

SUMMIT SUPPORTED BY:



## CONTENTS

- PAGE 3** MEETING HOUSING NEEDS
- PAGE 4** LANDOWNERS AND THE RURAL PRIVATE RENTED SECTOR
- PAGE 6** UNDERSTANDING LETTING DECISIONS
- PAGE 8** OPPORTUNITY FOR GROWTH
- PAGE 10** RURAL HOUSING LANDSCAPE
- PAGE 12** SOLVING HOUSING NEEDS
- PAGE 14** BUILDING ON STRONG FOUNDATIONS

# MEETING HOUSING NEEDS

There have been numerous reports, studies and articles highlighting the lack of suitable housing options for those living and working in rural communities over the last twenty years. During this period there have been multiple policy changes, Acts of Parliament and funding programmes seeking to boost the supply of homes in our hamlets, villages and market towns.

Despite this activity, the availability and affordability of housing in rural areas has continued to decline, the rural population has aged year on year, and only half of the affordable homes small rural communities need are actually being built.

These facts are reflective of longstanding policy and market failures, not only in Government's approach to rural housing and planning, but also in the approach taken by many Local Authorities to economic development in the countryside. New homes of the right type in the right place act as an

enabler of economic growth, providing flexibility in the labour market, local employment opportunities, social facilities to communities and an important income for rural landowning businesses.

CLA members are ready and willing to build new homes in their communities. We know the vast majority of those planning on building do strongly wish to build at small scale. Building new homes is important, as is conversion of existing structures. What is also necessary is a wider range of tenures to provide choice, flexibility and affordability to the young and old and those in the middle too, who make our living, working countryside the wonder that it is.

**ROSS MURRAY**  
CLA PRESIDENT



## ABOUT THE CLA

The CLA is the membership organisation for owners of land, property and businesses in rural England and Wales. We help promote the interests of landowners, and those with an

economic, social and environmental interest in rural land. Our members own or manage around half the rural land in England and Wales and more than 250 different types of businesses.

### KEY FIGURE

**HALF** OF CLA MEMBERS  believe there is a **HOUSING CRISIS** in their community

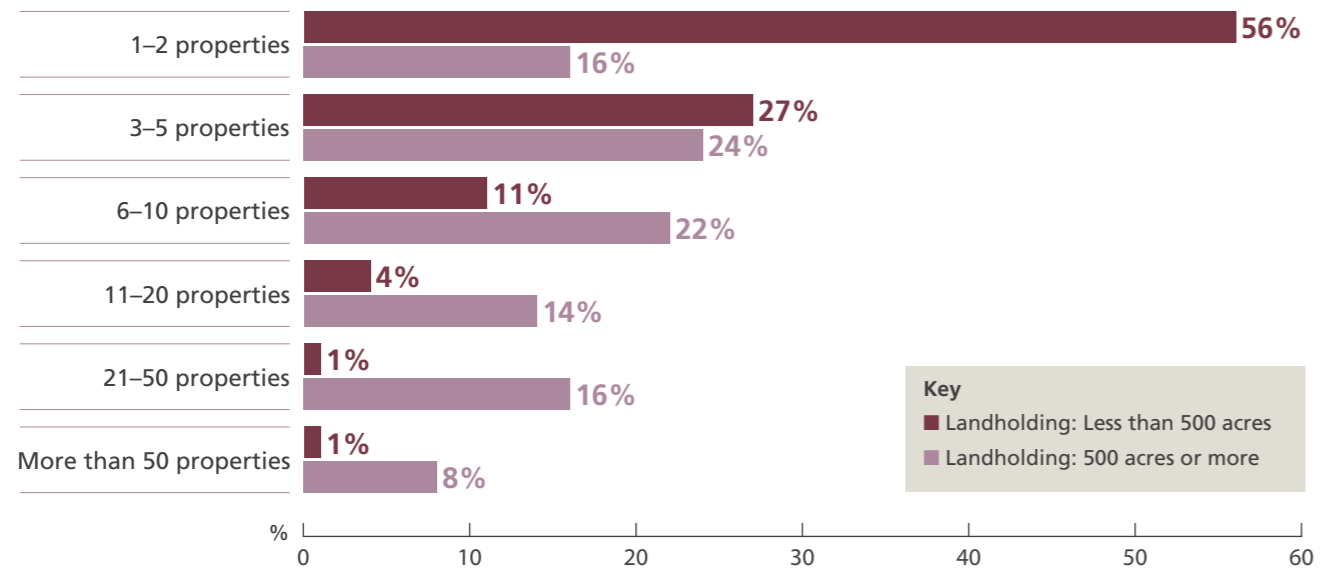
# LANDOWNERS AND THE RURAL PRIVATE RENTED SECTOR

## UNDERSTANDING THE MARKET

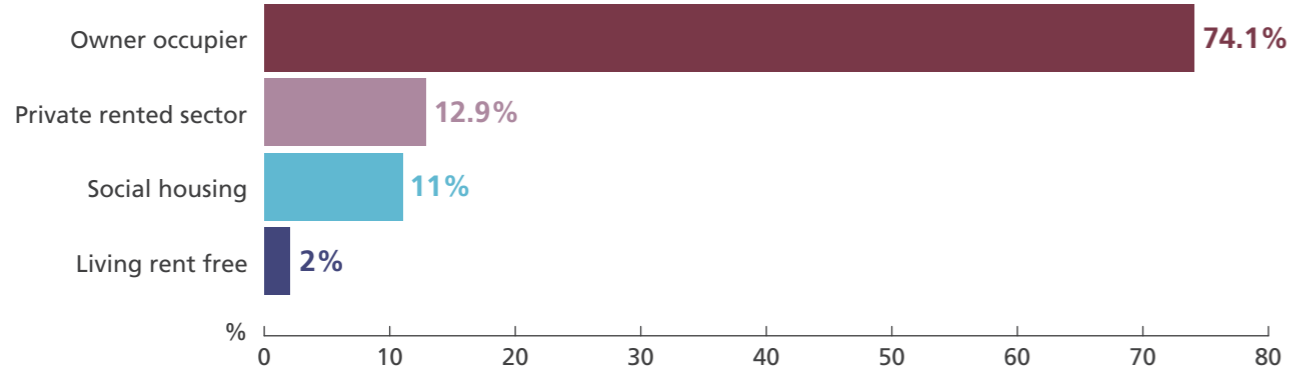


The CLA has undertaken the first large scale survey on the contribution of rural landowners to the residential property market in over 20 years. It comes at a time when housing is one of the most significant socio-economic challenges facing the English countryside. The survey was conducted from April to June 2017 and it quantifies the contribution CLA members make to residential lettings and the development of new property in rural areas. Respondents were also asked wider questions regarding their motivations behind letting property and their experiences of development. Nearly 1,000 members responded to the survey, with many completing it online, while a smaller proportion took part in longer more detailed discussions with the survey team.

### A NUMBER OF PROPERTIES LET BY LANDHOLDING

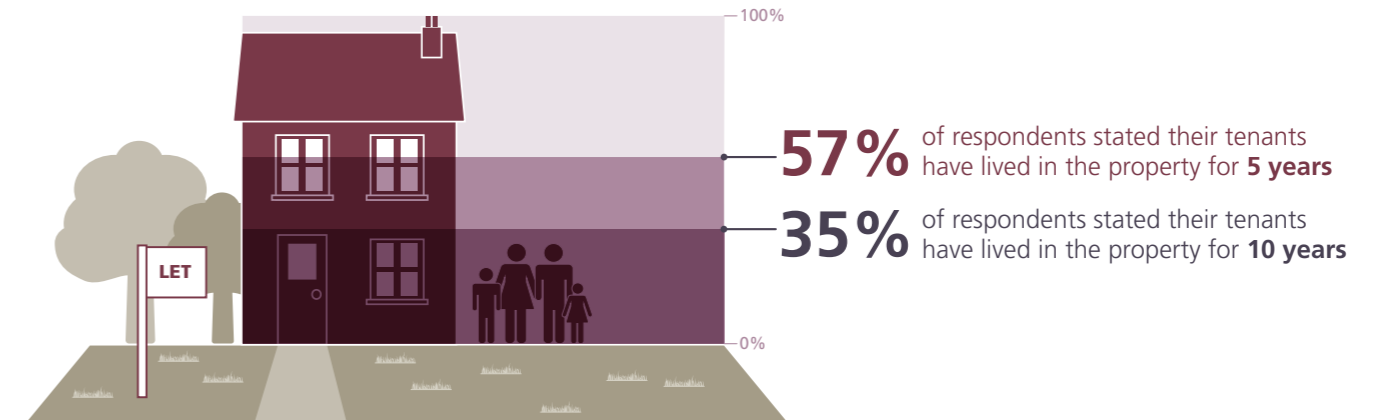


### B COMPOSITION OF THE RURAL HOUSING MARKET



### C TENANCY LENGTH

The average tenancy length reported was...



#### KEY POINT

Rural tenants have the highest levels of satisfaction in the country

#### CLA EXPLAINS

Nationally, the private rented sector (PRS) is very fragmented, with the vast majority of landlords owning one or two properties<sup>1</sup>. While housing associations and private companies have in recent years begun to build and manage new build PRS properties at scale, they still make up a small proportion of the market and have not ventured beyond major urban centres.

almost all of the PRS housing within several parish boundaries, operating their own letting policies to ensure a mix of occupiers<sup>2</sup>. This is consistent with the CLA's own qualitative research and underlines the importance of understanding the motivations behind these businesses in order to maintain a healthy rural PRS.

Estates with large rental portfolios play a substantial role in the local housing market. Research conducted by Smiths Gore in 2011 found that in some areas larger estates managed

#### CLA ANALYSIS

A number of studies have shown rural tenancies are on average significantly longer than those in urban areas. CLA data substantiates this with a mean tenancy length of 7.6 years (excluding Rent Act tenants who have regulated tenancies with long term security of tenure). When compared to the national average of 18 months reported by the Association of Residential Letting Agents in January 2017<sup>3</sup> it is clear that the rural sector is fulfilling a longer term role than in many other parts of the country.

This is supported by the fact that rural tenants tend to be older than those in urban, areas and far more likely to be families with children. It is interesting to see that at a time when Government is looking to introduce longer tenancies to give tenants more stability it is already happening in rural areas.

A reason for this could be that many of the properties will have originally been for agricultural workers who would have occupied them for many years, creating a culture where long term rental agreements are considered the norm.

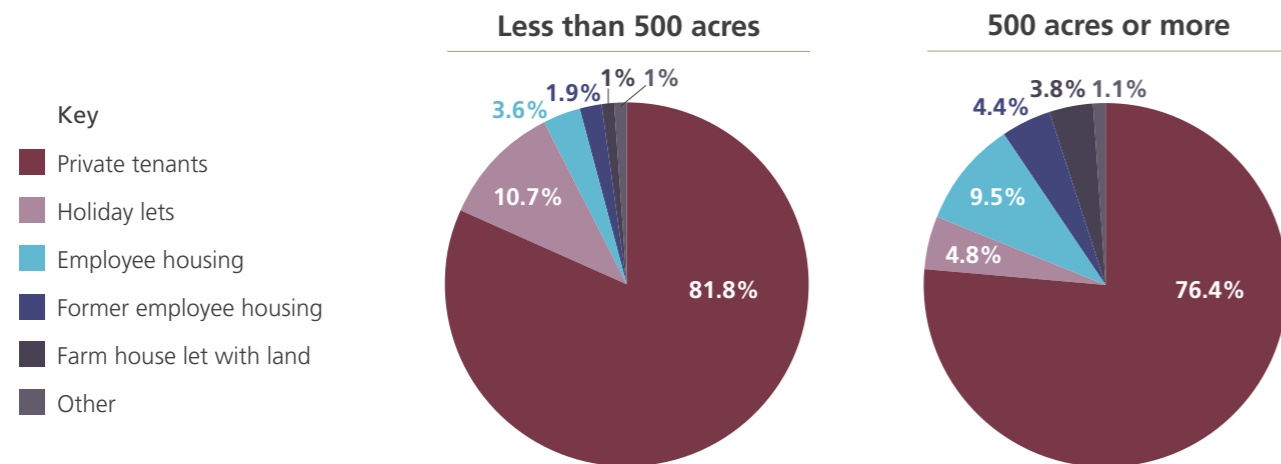
Tenants staying in their properties for longer is also an indication they are satisfied with their accommodation. This is supported by the English Housing Survey in 2014/15 which showed that 75 per cent of tenants in rural areas were satisfied with the housing services provided by their landlord<sup>4</sup>, which is 6 per cent above the national average and 12.4 per cent above tenants in London.

# UNDERSTANDING LETTING DECISIONS

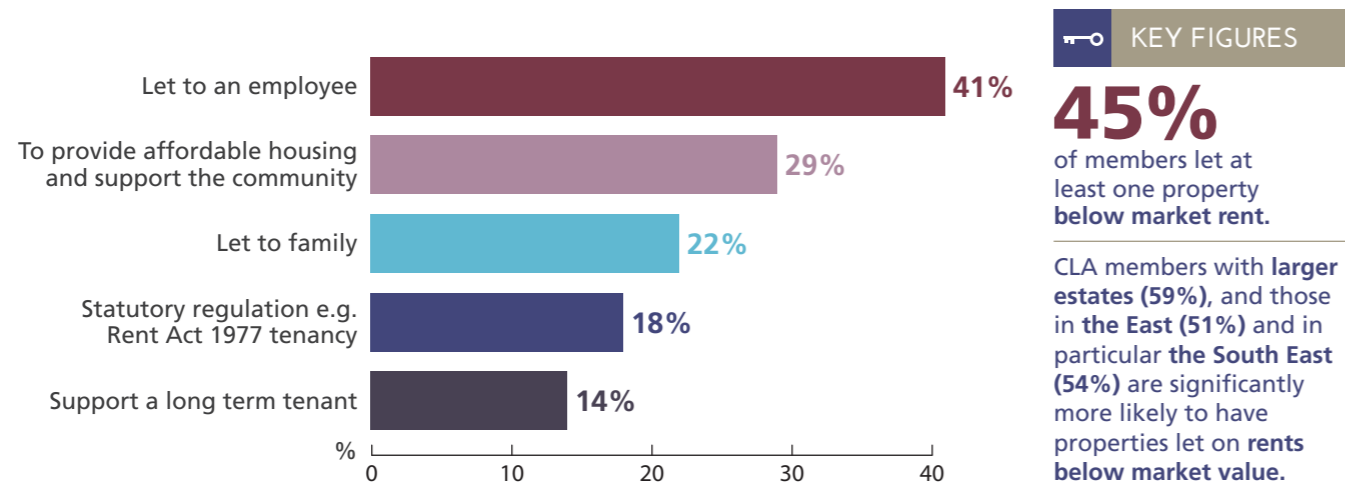
## OVERVIEW

This page further explores the letting policies of CLA members and their views of the sector compared to 10 years ago. What emerges from the data is while the majority of properties are let to private tenants, a significant proportion of housing stock is let at below market rent. This range of tenancies and the high proportion of landlords letting properties below market rent underlines the complex role the rural PRS plays, and the different considerations made by landlords when deciding who to let their properties to.

### A TENANCY TYPES



### B REASON FOR LETTING BELOW FULL MARKET VALUE



#### KEY FIGURES

**45%** of members let at least one property below market rent.

CLA members with larger estates (59%), and those in the East (51%) and in particular the South East (54%) are significantly more likely to have properties let on rents below market value.

### CLA ANALYSIS

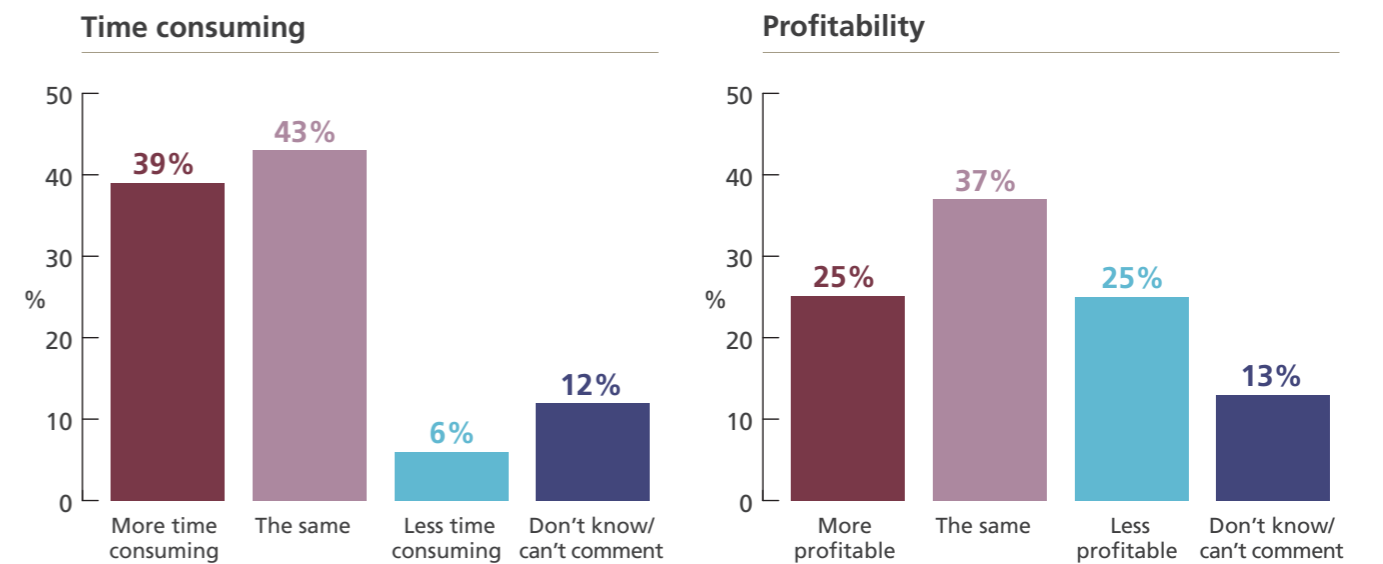
Nearly half of CLA members let at least one property below market rent. While the majority do so to provide housing for employees, almost one third let to support those in the community.

Analysis of rural landowners in Scotland has pointed to estates performing a quasi-social role in their allocation of rented housing, with community cohesion an important consideration. The CLA survey shows that this sentiment of 'stewardship' is prevalent in England and Wales as well, with larger estates (59 per cent), those in the East of England (51 per cent) and in particular the South East of England (54 per cent) having properties they let on rents below market value.

At a time when it is estimated that only 12 per cent of rural housing in England is considered affordable it is positive to see landowners helping to support those who may otherwise not be able to live in their communities.

Introducing a process or affordable private rented tenure for landowners to manage affordable homes would be a sensible step, particularly for those landowners building new homes. A frequent concern raised by members is the difficulty they encounter trying to find a registered provider interested in a small number of affordable homes built as part of developments. This can delay or curtail a development. Policies should reflect the reality of development in rural areas, and adopt a more flexible approach to the management of affordable homes.

### C PROFITABILITY AND TIME SPENT MANAGING PROPERTY COMPARED TO 10 YEARS AGO



#### KEY FIGURE

**OVER HALF** of respondents stated that increased regulation, upkeep and maintenance are the key challenges in managing their rented portfolios.

### CLA ANALYSIS - BARRIERS TO LETTING

A common assumption is that the PRS detracts from rather than contributes to housing supply, with landlords purchasing properties to let out at the expense of first time buyers. Data from a CLA survey conducted in 2015 found that just over 60 per cent of respondents had never purchased property on the open market; rather properties were built to be let.

With average rural salaries lower than the national average and rural house prices significantly higher than the average, housing lost from the rural rented sector is unlikely to be affordable to those in the local area, and is instead liable to be purchased for use as second homes, retirement properties or homes for commuters. Ultimately, this will reduce housing options for those living and working in rural areas, exacerbating affordability problems.

With this in mind, it is important to ensure that landlords in rural areas are not forced into a position where selling their stock is a rational business decision. This is particularly crucial for properties owned by landowners, which as has been stated, can comprise the entire private rental market across multiple parish boundaries.

While members had mixed views on how profitable and time consuming the sector is compared to 10 years ago, maintenance and increased regulation were identified by half of respondents as key challenges in managing their residential portfolios, with larger estates significantly more likely to deem these as the main challenges.

The most significant regulatory challenge the rural PRS currently faces is the requirement for properties to have minimum levels of energy efficiency in order to be legally let. With 40 per cent of all rural properties not connected to the gas network and 40 per cent of all properties in villages constructed before 1919<sup>5</sup>, the rural PRS is disproportionately affected by these regulations which ignore the fact that older properties are designed to work differently from more modern buildings.

In March 2017 the CLA produced a report entitled 'The Retro Fit-Up' highlighting how the Government's energy efficiency policies should be reformed to avoid landlords deciding the costs of improvements are too high and selling stock to owner occupiers.<sup>6</sup>

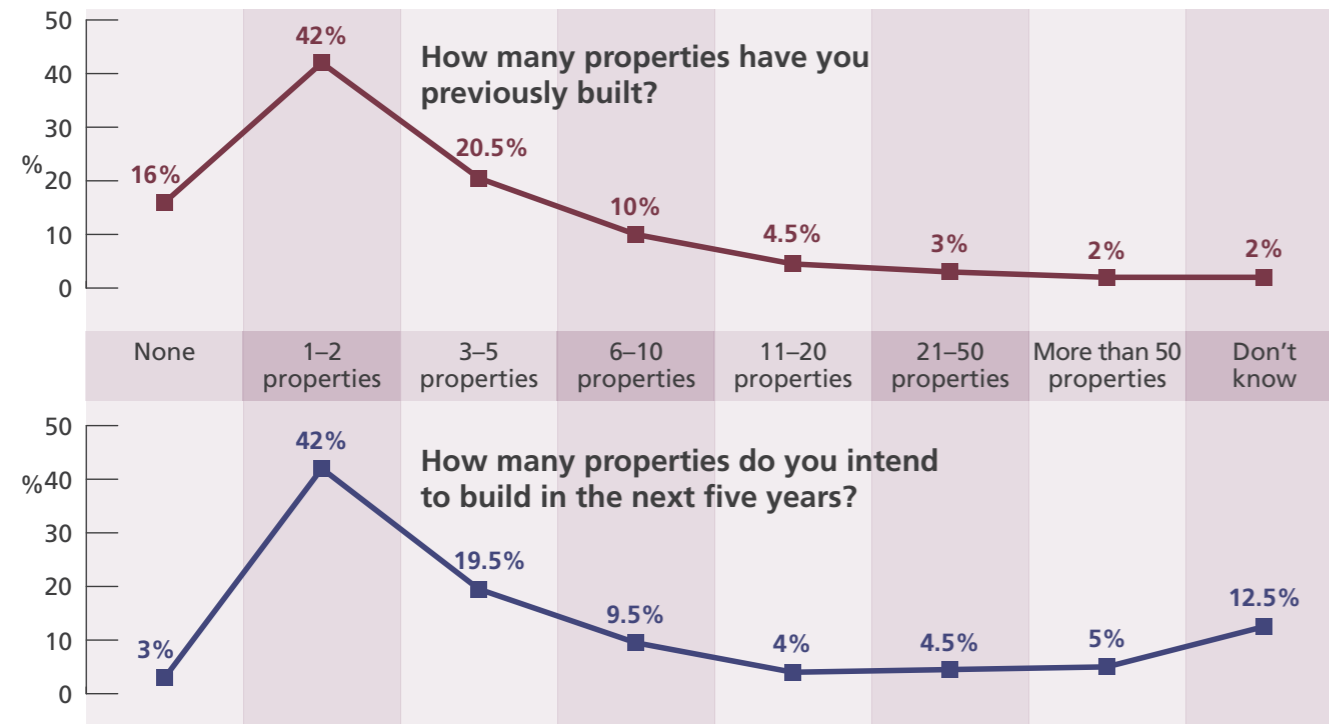


# OPPORTUNITY FOR GROWTH

## OVERVIEW

New housing at the right scale in the right location is vital to sustain communities and unlock economic growth. Landowners are important stakeholders in their communities, often being local employers and providing housing. In addition to the properties they let, 43 per cent of members intend to build properties in the next five years. Encouraging more landowners to build homes in their community should be a priority for Government as it seeks to increase the diversity of housing providers.

### A PROPERTY CONSTRUCTION BY LANDOWNERS



#### KEY FIGURES

**43%** of members intend to build property in the next five years

**32%** of members have built properties for sale or let

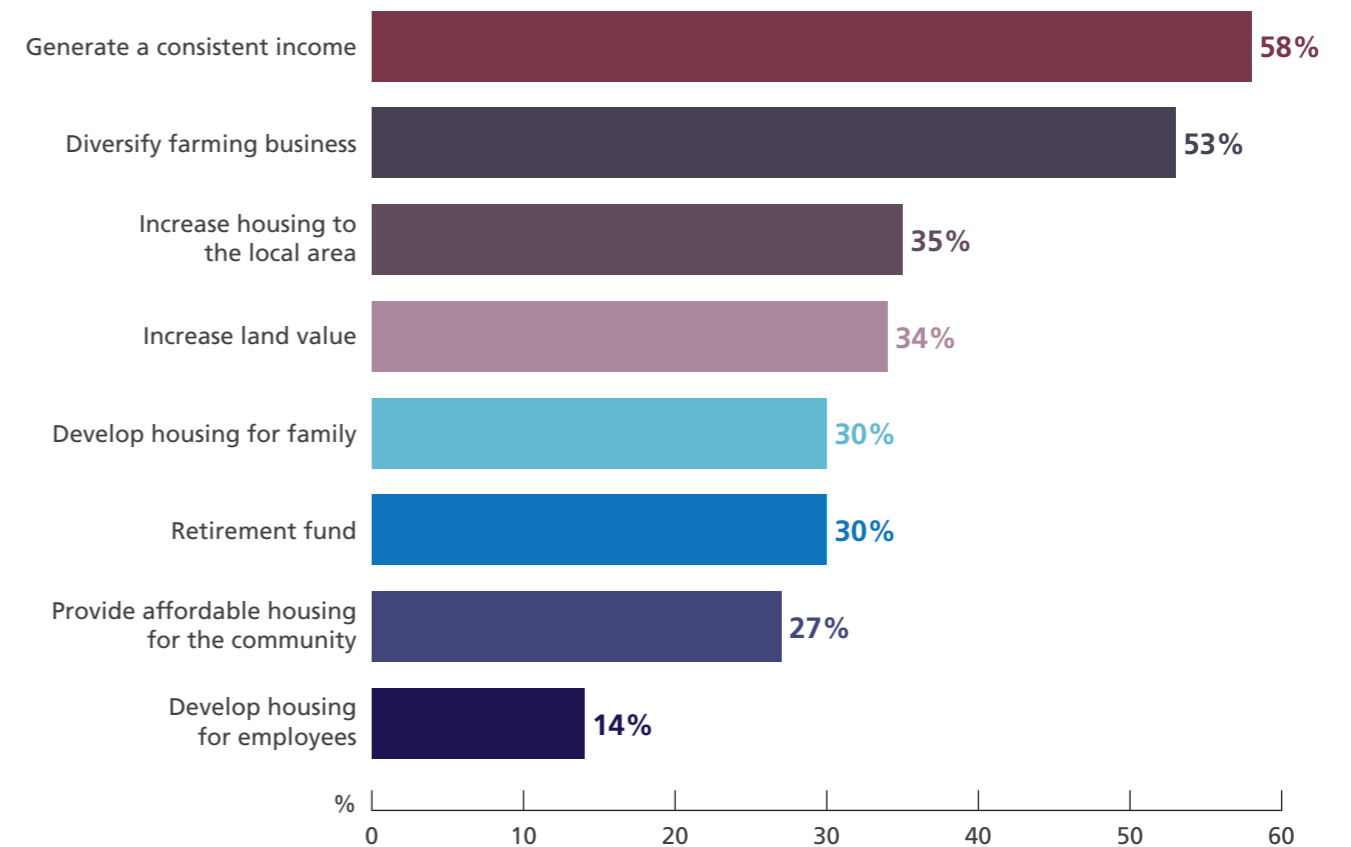
### B BARRIERS TO DEVELOPMENT



#### KEY FIGURE

**63%** of members would be more likely to build new homes if there was greater support from the local authority to work through the planning process.

### C WHY MEMBERS WISH TO DEVELOP RESIDENTIAL PROPERTY



#### KEY FIGURE

**24%** of members have made use of permitted development rights

#### CLA ANALYSIS

As figure C shows, the vast majority of members are intending to build fewer than 10 properties. While it is encouraging that over 40 per cent of members are planning on building new homes in the next five years, and one third have previously developed property, development is still seen as a risky process, with the uncertainty and cost of the planning system a major factor in this.

Figure B shows that members wish to develop property to generate a revenue stream from any property they build, rather than for a one off capital sum. Building new homes for rent in the countryside can provide those unable to access home ownership with another housing option.

One of the advantages of the private rented sector is the range of roles it can play, whether that is providing a long term alternative to owner occupation, a flexible option for those moving to an area for employment or an opportunity for an elderly owner occupier to release equity and downsize.

Government has signalled its intent to support new build private rented housing. The CLA believes its members can play an important role in building high quality homes in their communities to increase the mix of housing options available to people living in the countryside.

# RURAL HOUSING LANDSCAPE

## INTRODUCTION



One of the core planning principles in The National Planning Policy Framework (NPPF) is planning should take account of the different roles and character of different areas. In relation to rural areas it states that “planning should recognise the intrinsic character and beauty of the countryside and support thriving rural communities within it”. These principles sit alongside profound demographic shifts – people are living longer, there has been an increase in single person households and the population has grown significantly over the last 30 years. All of these factors increase the need for housing and the countryside will have to play a role in meeting this demand. While recognising the need for new homes, the CLA wishes to see a living working countryside that prioritises homes for those with a strong connection to rural life.

### GREEN BELT

Green Belt is a planning policy designed to prevent urban sprawl and the coalescence of settlements. The amount of land designated as green belt has doubled since 1979 and now covers more land in England than every city, town and village combined.<sup>8</sup>

While acknowledging the value placed on the Green Belt by the public, more must be done to provide appropriate housing for those who have strong local connections to settlements within the Green Belt.

Rural areas have seen the outer boundaries of Green Belt move inexorably further out over currently undesignated countryside and farm businesses in order for urban areas to expand into what was Green Belt. Taking land from the inner edge for development and replacing it with additional land on the outer edge does not fulfil the original purpose of Green Belt policy and should be stopped.

### URBAN FRINGE SETTLEMENTS

In order for housing needs to be met, settlements on the urban fringe are accommodating an increasingly large proportion of new houses. Urban local authorities and rural local authorities separated by the Green Belt are under a growing pressure to co-operate to meet housing targets. This is especially true of those rural areas surrounding towns and cities experiencing economic growth such as Oxford, Cambridge and London.

### VILLAGES

There are over 16,000 villages with populations under 3,000 in England with a combined population of close to six million people<sup>9</sup>. Too many of these villages are struggling due to a lack of services, amenities, and housing. New housing in these communities can act as a catalyst for socio economic development and growth, and if nothing is done, these communities will fade and be impossible to revive. Local planning authorities need to do more to prioritise policies which ensure socio-economic benefits are not being overlooked in favour of other objectives such as restricting development just outside of settlement boundaries.

### RURAL EXCEPTION SITES

Rural exception sites are small sites used for affordable housing in perpetuity where sites would not normally be used for housing (i.e. outside of the settlement boundary or not allocated in the Local Plan). Rural exception sites seek to address the needs of the local community by accommodating those who are either current residents or have an existing family or employment connection. Rural exception sites were originally a CLA idea and remain an important way to breathe new life into smaller rural communities.

### ISOLATED RURAL HOMES

The introduction of permitted development rights to convert agricultural buildings into residential properties is one of the steps Government has taken in recent years to support housing need in rural areas. The policy has the potential to increase rural housing and is a platform on which to build other policies that make more efficient use out of previously developed sites. The high proportion of applications to convert agricultural buildings which are rejected is of concern, if this trend continues, the CLA will be calling on Government to review the policy to ensure it is achieving its objectives.



# SOLVING HOUSING NEEDS

## INTRODUCTION



Between the 2001 and 2011 census the average age of rural populations increased from 42 to 45, currently less than 50 per cent of those living in rural areas are aged below 45<sup>10</sup>. This is in part due to high house prices which prevent younger people from moving to or staying in villages, but it also relates to employment opportunities, higher education and a lack of connectivity. Galvanising housing and planning policies to build more homes and create new employment opportunities for those who live and work in the countryside are vital to the long term sustainability of rural areas. This page explores the role landowners could play in building a range of different homes to suit the needs of key rural demographics.

### RURAL LANDOWNERS

Landowners are well placed to build new homes in their communities. Analysis of the survey data shows that only three per cent of members interested in developing property are motivated by a one off capital return, with 58 per cent looking to generate a reliable income stream from any property they develop. This desire to own and manage housing should be encouraged as a way to provide homes for those who are struggling to buy.

Data from the Halifax shows the average house price was almost seven times' average earnings in 2014 and first time buyers made up 42 per cent of mortgages in rural areas compared to 54 per cent in urban areas<sup>11</sup>. Building new homes to rent in rural areas that cater for both younger and older residents, particularly in smaller communities, will provide a more accessible housing option than the build to sell market and will help to maintain community cohesion.

In addition to building market homes for rent, the CLA believes greater incentives should be offered to landowners to encourage them to build and manage affordable housing for rent, and planning policy should be updated to recognise the unique housing requirements of older farm workers.

### KEY FIGURES

# 41%

of members would like to build and manage new homes for market rent

### YOUNG PEOPLE



#### DEMOGRAPHIC INFORMATION

- 15 per cent of the rural population is comprised of 15-29 year olds.<sup>12</sup>
- Between 2001 and 2015 predominantly rural areas have proportionately seen large falls in the population aged 30 to 39.<sup>13</sup>
- 42 per cent of properties bought in rural areas are bought by first time buyers compared to 54 per cent in urban areas.<sup>14</sup>

#### HOUSING SOLUTION

Younger people are the worst affected by the rural housing crisis. They are unlikely to be able to afford new homes for sale. Building more homes for rent would provide a way for young people to stay in their communities or relocate to a new rural area for employment. Younger people are also likely to be on lower incomes and with 27 per cent of members wishing to build affordable homes for the community there is potential for landowners to meet this demand with the right support.

### COMMUTER



#### DEMOGRAPHIC INFORMATION

- 21 per cent of respondents who are moving home told Strutt and Parker they wanted to live in a village.<sup>15</sup>
- In 2013/14, the UK saw net internal migration of 60,000 people to predominantly rural areas in England. It is a trend that has been positive every year since 2001.<sup>16</sup>

#### HOUSING SOLUTION

There are a broad range of demographic, social and economic reasons for the levels of 'counter-urbanisation' experienced in England over the last 50 years. There have been similarly broad positive and negative consequences as a result of it. While this group has largely bought either new build properties or existing homes, research by Strutt and Parker indicates that this cohort is increasingly willing to live in a professionally managed private rented home.<sup>17</sup>

### FAMILY



#### DEMOGRAPHIC INFORMATION

- 3.1 million couples across the UK say they are delaying having children/having more children due to housing costs.<sup>18</sup>
- Between 2001 and 2015 predominantly rural areas have seen an increase of 7 per cent in infants (0-4 year olds) compared with a 22 per cent increase in predominantly urban areas.<sup>19</sup>

#### HOUSING SOLUTION

Families in rural areas need more support to own their own homes through affordable home ownership schemes in addition to a greater number of private homes to rent. Housing associations, community groups and landowners all have a role to play in building new homes and increasing the range of housing options for families. Ensuring communities are balanced and have a healthy proportion of young people is critical if local services are to be developed and sustained.

### AGRICULTURAL WORKER



#### DEMOGRAPHIC INFORMATION

- In 2013, there were 185,203 persons working on agricultural holdings in England. Of these, 97,212 (52 per cent) were family members and 87,991 (48 per cent) were non-family workers.<sup>20</sup>
- The average annual salary for people who work on farms in 2014 was £25,578 – close to the national UK figure of £26,500.<sup>21</sup>

#### HOUSING SOLUTION

The Future of Farming review conducted by DEFRA in 2013<sup>22</sup> highlighted the lack of suitable housing as one of the main problems faced by agricultural and rural land based businesses. If an area has a lack of housing options accessible to those on the national average income, businesses will struggle to find labour. Addressing housing need for rural workers through new build rented housing, affordable home ownership and affordable rented homes are all crucial to maintaining a working countryside.

### RETIRED FARMER



#### DEMOGRAPHIC INFORMATION

- The average age of a UK farmer is 59.<sup>23</sup>
- The population aged 65 and over increased by 37 per cent in predominantly rural areas between 2001 and 2015.<sup>24</sup>
- As many as 83 per cent of those who have been employed in farming for 50 years did not plan to move house on retirement.<sup>25</sup>

#### HOUSING SOLUTION

Supporting those retiring from agriculture and encouraging the next generation into the sector is key to the long term success of the sector. For those who have worked in sparsely populated rural areas for their entire lives, the idea of moving away from this to a town is unlikely to be attractive. Whereas Northern Ireland<sup>26</sup> has a planning strategy to allow the development of a property to facilitate the orderly transfer or sale of the farm England does not.

# BUILDING ON STRONG FOUNDATIONS

## CONCLUSION

This report is entitled Strong Foundations because it sets out the important contribution CLA members make to housing in their communities, both by managing property and building new homes. The data highlights how rented properties managed by CLA members do not conform to the common assumptions about renting, with tenants staying longer than the national average, having higher levels of satisfaction and a high proportion of members choosing to let property below full market value for a range of reasons.

Regardless of the size of their landholding, the vast majority of members who wish to develop property intend to build fewer than 10 new homes. Rather than sell these properties, members are keen for new properties to provide a consistent income and help them to diversify their farming business. Supporting members to build new properties to rent that offer

greater choice to those unable to purchase rural properties should be a priority for the Government.

Members have identified concerns about the complexity and uncertainty of the planning system and the need for greater support from local planning authorities. Giving rural businesses the confidence to pursue developments is crucial if the longstanding affordability crisis in the countryside is to be addressed.

Half of members believe there is a housing crisis in their area. This paper has identified a desire among the membership to build homes for a range of occupiers, and has highlighted the main problems members face in doing so. The CLA is well placed to build on this report and to continue leading the thinking on how to meet the housing needs of rural communities.

## NEXT IN THE STRONG FOUNDATIONS SERIES

The housing crisis in rural areas needs practical solutions from those who live and work and who understand the countryside. In the coming months the CLA will be releasing further

documents that will focus on identifying policy solutions to overcome the challenges identified by members in this report.

**“Housing is a national issue in town and countryside. The young cannot afford to buy so will not have that saving in retirement. Older people need special retirement housing so they can downsize and more houses are needed both in towns and country. Rural landlords like us would deliver small schemes if regulations permitted and it was financially viable.”**

CLA member response to the survey



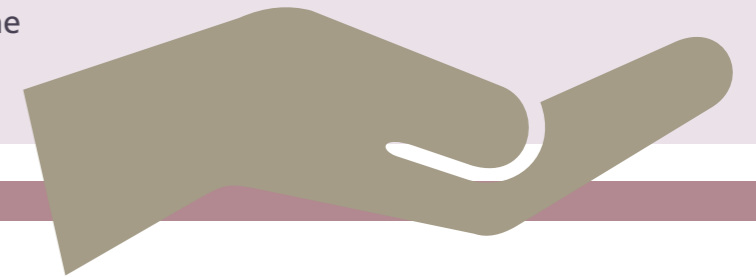
# ABOUT THE CLA

We represent diverse and successful businesses located at the heart of rural communities.

We help landowners work in the best interest of the land, wildlife and the environment.

Our purpose is to ensure that our members have the security, certainty and support they need to make investments in their land and business.

The CLA (Country Land and Business Association) is the membership organisation for landowners, farmers and other rural businesses. We have more than 32,000 members and together our members own around half of the rural land in England and Wales.



## REFERENCES:

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- <sup>2</sup> Working positively with rural estates: the scale and nature of estates and their contribution to the East Midlands of England, Smiths Gore, 2011
- <sup>3</sup> Private Rented Sector Report, Association of Residential Letting Agents, January 2017
- <sup>4</sup> English Housing Survey 2014/15, DCLG, 2015
- <sup>5</sup> English Housing Survey, DCLG, 2008
- <sup>6</sup> The Retro Fit-Up, CLA, 2017
- <sup>7</sup> National Planning Policy Framework, DCLG, 2012
- <sup>8</sup> Local Planning Authority Green Belt: England, DCLG 2015/16
- <sup>9</sup> Environment, Food and Rural Affairs Committee - Sixth Report - Rural Communities 2013
- <sup>10</sup> Rural population and migration, DEFRA, 2015
- <sup>11</sup> Buyers pay an average premium of £46,600 for homes in rural areas, Halifax 2014
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- <sup>15</sup> Housing Futures: Village Revival, Strutt and Parker, 2016
- <sup>16</sup> Rural population and migration, DEFRA, 2015
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- <sup>18</sup> Generation Pause – Shelter 2016
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