RESEARCH INTO THE POTENTIAL MARKET FOR MID MARKET RENT IN GLASGOW

FINAL REPORT
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EXECUTIVE SUMMARY

Chapter 1 – Research objectives and method

Glasgow City Council appointed Anna Evans Housing Consultancy Ltd together with Mandy Littlewood Social Research and Consulting and IBP Strategy and Research to undertake research into the potential market for mid market rent (MMR) in Glasgow. Glasgow City Council and Glasgow Housing Association jointly commissioned and funded the research.

The overall objective of the research was to establish what the market is for MMR in Glasgow and assess what role it would play in meeting the city's strategic housing objectives. The expected outputs from the research were as follows:

- Assessment and quantification of the overall market for MMR or a derivative MMR product (e.g. rent to mortgage);
- Geographic spread of the MMR market across the city, and in different types of area;
- Characteristics of households that would access MMR and allocation criteria;
- Assessment of MMR role within the dynamics of Glasgow's housing system;
- Establish its strategic fit with Glasgow's strategic housing objectives.

The research method involved review of policy and practice in the intermediate sector across the UK; comprehensive data analysis and affordability assessments using demographic and income data, house sales and rental data to establish estimates of demand for MMR at the citywide and area level; an assessment of the nature and type of potential demand for MMR through a series of 10 focus groups with consumers in different parts of the city; a scoping exercise through indepth interviews with potential suppliers and existing private landlords/letting agents to explore who may invest, develop and manage MMR properties, and what the impact may be on the existing private rented sector. The study was completed with conclusions on the role that MMR could play within the dynamics of the city's housing system, and the fit with Glasgow City Council's strategic housing objectives.

Chapter 2 – The Glasgow housing system and strategic context

Demographic projections show continuing increases in population and households in Glasgow. The majority of these households are small – single people and single parents, although there is a projected increase of 4,000 family households.

The overall level of social deprivation has improved in Glasgow with many areas moving out of the top 15%, although there are still areas of persistent deprivation: areas that have been in the bottom 1%-5% for at least the last 5 years.

The housing boom from 2001 led to the average house price in Glasgow peaking at £145,656 in 2008, but as the recession kicked in, by March 2009 prices had fallen by 20% from their pre-recession peak. Over the past two years there has been considerable fluctuation in prices, reaching a mean price of £133,883 in Quarter 2 of 2011. For new build, sales prices have increased by 2.6% over the last year, compared to static resale prices.

There is a strong demand for affordable housing in the City as demonstrated through the 2011 Housing Need and Demand Assessment. This is confirmed through the qualitative Housing Options research undertaken in 2011, which revealed consumers are waiting longer for social housing in Glasgow and feel they have less housing options – the shortage of affordable housing is a relatively recent phenomenon in Glasgow. This study also confirmed high demand in the private rented sector.

There is a strong policy commitment to provide a range of affordable housing solutions in Glasgow including intermediate rent and options that assist households move into ownership if they wish. The Transformational Regeneration Areas (TRAs) are a key regeneration priority for the City, driven by GCC, GHA and the Scottish Government.

Chapter 3 – Comparative review: Intermediate and mid-market rent policy and practice

The definition of intermediate or mid-market rent used in this research is:

> *The proportion of younger working households (aged 20-39) in each area that could afford to pay more than a local housing association rent (without relying on housing benefit), but could still not afford to buy a two to three bedroom dwelling at the very low end of the local housing market, measured by lowest decile house prices.* (Narrow definition, Wilcox, 2007)

This definition is based on need rather than demand. A broader definition also includes those in work but claiming Housing Benefit at the lower end of the income distribution and those who could not afford to buy at the lowest quartile (rather than decile) at the higher end. The Wilcox analysis also includes consideration of the affordability of private rents by looking at the ratio of private renting costs to owning costs.

The comparative review discusses the different approaches to MMR in England and Scotland. The English experience is longer, originating in the Key Worker Initiative in 2004. Since then intermediate renting has normally been available on the basis of 80% of private sector rents, and is often associated with rent to buy products. In Scotland, the convention over the last four years has generally been 80% to 100% of Local Housing Allowance levels (LHA, which represents the lowest 30th percentile of private sector rents) although there are also examples of rent setting at sub-market prices (rather than sub-LHA).

The comparison between the evidence in the literature and recent lets in Scotland shows the likely profile of intermediate / MMR tenants. Household incomes are modest, typically under £30,000; renters tend to be single people or single parents, with a lower proportion of family households compared to those taking up intermediate ownership options; the large majority will be aged less than 40 years old, although MMR renters may be slightly older than households interested in low cost home ownership; previous circumstances will most commonly be private renting, living with parents, or council/housing association tenant.

The tenant profile inevitably reflects the most common letting criteria, typically: people should be in work, and there is usually a minimum and maximum household income threshold; Housing Benefit claimants and those that are deemed to be able to afford private renting or home ownership are usually excluded. Scottish experience suggests income criteria between £15,000 and £45,000 (with the higher end of the range for families). Other common criteria are social tenants, social housing waiting list applicants and 'key workers' or other priority groups.

Evidence of the English experience suggests there are different markets for a dedicated intermediate rental product, compared with products designed with the option or expectation to buy the property at a later date. The examples provided by L&Q show different rent levels (65% or 80% of market) targeted at different household incomes, with the options of renting indefinitely or purchasing equity shares or outright ownership, with the incentive of shares contributed by the provider. There is only one concrete example of a Scottish developer offering a deposit saving scheme attached to its NHT developments, although another two developers and LAs are considering options. Findings from the English Rent to Homebuy product suggest rents have to be sufficiently low to enable renters to save for a deposit. The appendices to the main report provide some useful examples of intermediate products which are designed to help renters save for ownership.

The review suggests there is scope for using MMR in regeneration areas, assuming the right location and a strategy to invest in the area. The absence of private sector rented markets does not necessarily mean there is not a market for MMR; investment in sub market rented housing may be part of the pump priming required to regenerate an area and to mix the income profile of residents.

The majority of the experience of MMR in Scotland and elsewhere in the UK has been focused on city centre and in pressured housing markets. The focus of activity in Scotland has been in Edinburgh and Aberdeen, which have the highest rents in Scotland, and higher household incomes than found in Glasgow. Dundee provides the most relevant comparable example to Glasgow, where the housing market is less pressured, and average private rents and household incomes lower; here there is also a proven market for renting at levels discounted to the private market (not discounted to LHA) for those on modest incomes. There are also examples of MMR being provided successfully in less central locations in Dundee, Edinburgh and Aberdeen.

The MMR market in Glasgow is in its infancy. The five developments that are in the pipeline present a range in size and type. Some have been brought forward to stimulate stalled sites, previously intended for housing for sale, some are new build in pressured areas, while one is a redevelopment of former social housing provision. Three out of five of these developments were approved by GCC, whilst two were approved for subsidy by the Scottish Government. There is currently no centrally agreed strategy for the development of MMR in Glasgow.

Chapter 4 – The potential scale of MMR in Glasgow

The purpose of the analysis is to estimate the potential market for MMR through analysing data on incomes, house prices, rents and household circumstances, based on the Wilcox definitions of the narrow and broad intermediate market. It is important to note that the analysis covers existing residents of Glasgow neighbourhoods. The market for MMR in Glasgow may well extend beyond neighbourhood or City boundaries and so in that sense the estimates provided are conservative.

The assessment, comprising analysis of the CACI PayCheck 2011 data and the CACI up-dated demographics 2011 at the neighbourhood level consisted of the following process.

1. Assessing the overall market size of the Intermediate Housing Market, through identifying the % of households with incomes that are above the Housing Benefit eligibility rate and so could afford MMR without Housing Benefit but below the rate where they could afford the lowest market prices.

2. Excluding those who are already homeowners, as they have already managed to secure housing in the market.

3. Assessing whether households are likely to be able to afford typically available mortgage products at 90% LTV for (a) lowest decile and (b) lowest quartile house prices.

4. Assessing whether the mortgage payment is affordable at the 33% affordability ratio and whether the household has access to savings of at least £1,000 (which a 90% LTV implies).

5. Another indicator of being able to afford market prices is the ability to afford private rents. A further test is the ability to afford rents at 100% of the Local Housing Allowance rate (LHA), which ensures that rents are at the lower end of the market (since LHA rates are based on lowest 30% of rents).

6. This analysis is then set against average social rents to show the rent differential between market rents, potential MMR rents and social rents.

If the broader definition of MMR is adopted, households eligible for Housing Benefit would not be excluded from the estimates. However, the analysis as described above enabled conclusions to be reached relating to the lowest levels of income required to ensure that MMR is affordable without Housing Benefit.

The assessment found that there is a substantial market for MMR ranging from around 24,000 of households aged under 45 years currently unable to afford LHA level rents to 28,500 unable to afford average private rents. The estimates based on not being able to afford to own are higher, at around 36,000-37,000. Excluding those without savings reduces this figure to between 12,200 to 19,400. The overall estimate of the market is likely to be around 10% of current Glasgow households.

Comparing the two different tests (ability to afford ownership, and the ability to afford private renting), it can be seen that the significant impediment to access ownership is not having savings, since the mortgage costs of a property in the lowest house price decile or quartile are considerably lower than average private rents. What is evident in the different scenarios is the lack of savings among younger Glasgow households - 25% of young Glasgow households have savings of more than £1,000, compared with 35% of younger households in Scotland overall. In the lower price affordability model, the lack of savings contributes to around two-thirds of the estimate. This might suggest that the 'true' market for MMR is closer to those unable to afford private renting, with a sub-market of households who would be able to afford owning in future.

The estimated 'market' for mortgage-guarantee or savings-orientated solutions is 16,500 based on lowest quartile house prices or 23,500 households based on lowest decile prices (at 4.5% mortgage interest rate).

Almost half of those in the market for MMR, based on current residents, are in the 15% most deprived datazones. This clearly suggests a strong regeneration role for MMR.

The likely income threshold for MMR to be affordable is between £15,000 (above the Housing Benefit threshold) and £30,000, although this may vary for larger households and by local markets.

Chapter 5 – Area analysis

The challenges associated with deriving estimates at sub-market level are considerable as highlighted by a recent Scottish Government paper on assessing demand for intermediate rented housing. Even though this analysis provides indications as to the areas that have the greatest potential for MMR, it is recommended that further local market appraisal will be required at the point of development proposal. It also emphasised that there will be some smaller areas where market indicators do not suggest a market for MMR but where the objective is to diversify household incomes and tenure by attracting households currently living outwith the area; TRAs and other regeneration areas will be particularly relevant here.

Two methods have been used to establish those areas with the greatest potential for MMR. The first considers a range of market indicators and neighbourhood characteristics, which when taken together provide conclusions as to which areas show the greatest potential market for MMR. A range of maps has been produced to illustrate findings. The second method is to produce modelled estimates of the prevalence of MMR under four different scenarios, using a methodology designed by Ipsos MORI. The outputs from this modelling are provided at datazone level and have been mapped for the purposes of this report. The availability of datazone prevalence rates will be important for decision makers assessing individual development proposals.

Analysis of house prices, income and rents alongside demographic data shows a strong potential market in pressured areas within the West End, City Centre and South Side. There is also a good market more widely, including within the TRAs. Inevitably, there will also be demand for MMR in areas where there are shortages of affordable housing, but where there may also be a relatively affordable and ready supply of private renting. The key consideration here is the affordability of private rents relative to local household incomes.

The different market and demographic characteristics and the potential for MMR in 10 specific neighbourhoods were explored in greater depth through a case study approach. The areas selected were a mix of pressured areas and TRAs, findings of which are set out in an annex to the main report.

Chapter 6 - Characteristics of the potential market for MMR

Ten focus groups were undertaken in Toryglen; Govan; Maryhill; Shawlands; Gallowgate; Partick; Dennistoun; Temple / Anniesland; Laurieston; and Woodlands. The focus groups were segmented by different household tenure types - low income private renters, aspiring owners, family households, frustrated social renters and key workers. Other criteria that group members had to meet included full or part-time employment, aged less than 45 years and a household income of between £15,000 and £30,000. Student households were excluded from the sample. The household tenure of the 64 participants were 37 private rent, 16 social rent, 7 home owners and 4 staying/renting with family and friends. The purpose of the focus groups was to understand more about the nature of the potential MMR market and what the likely target market might be; and to explore aspects of MMR – pricing, location and product. The most common themes arising in the focus groups are summarised below.

Images of tenure – consumers' views on tenures and types of landlords provided valuable insights into opinions on different tenure types, vital for the planning and design of any MMR product. This discussion was facilitated by asking people to associate different types of housing with an animal.

- *Private renting* - private landlords are generally viewed negatively, commonly associated with sharks, vultures and pigs. Problems in the private rented sector relate to unaffordable rents, poor condition, insecurity of tenure and the inability to make the flat or house 'your own'. But there are many positive aspects associated with private renting - choice of area, speed of access, flexibility and independence, all considered to be important at different stages in life and with changes in circumstances.

- *Social renting* – views on social landlords were mixed, and largely negative. The most common animals used to describe social landlords were elephants, sloths and snails– associated with the bureaucracy and power of social landlords, their slow pace and inefficiency. Problems relate to lack of availability and access to social housing, long waiting times, complex rules which vary by different landlords, poor areas, anti-social neighbours, perceptions that only non-working and 'problem' households were housed in the social housing sector and denying access to affordable housing to working households. Positive opinions about social housing related to help and care provided for vulnerable people, and their supportive, community-orientated roles. Social renting was considered as ideal by many people due to its affordability (assuming the right location), but in practice most people felt it is inaccessible, and thought only young vulnerable people, single parents and older people are housed in this sector.

- *Home ownership* - Overall, home ownership was discussed as the most positive housing tenure. It was associated with lions or birds, encompassing the feeling of 'king of the jungle', 'reaching the top of the tree', freedom, independence and making an investment. But its value was debated closely alongside its problems – difficulty of access (deposits and credit rating), risk and financial burden. Home ownership is seen to be a good option for families, couples and older people to provide security, stability and investment opportunities.

*Affordabilit*y - Location is the key determinant in most people's housing choices. 'More desirable' locations are described as those closer to work, with better transport, good amenities including a variety of shops, a good environment including the architecture, parks and leisure opportunities (especially for children), and most importantly, safety and security. Affordable family housing is difficult to find, unless you move to 'poorer areas'. People said they would rather compromise on type, size or condition of accommodation to live in safe and secure areas.

Pricing of MMR – Consumers were asked to consider two pricing options – 1) Rents set within Local Housing Allowance Levels – so that the rent would be a more standard price, regardless of area whether an expensive or cheaper area, but if people's employment changed all their rent would be covered by Housing Benefit if they needed it (rather than having to 'top up'); 2) Rents set at a percentage of private rents – so it reflects the 'market' – the fact that some areas are more expensive and some are less expensive, and people sometimes have to make choices of area they live according to what they can afford. This option could mean that rents may be above LHA, depending on the area. Consumers found the choice between the two rental options difficult: people grappled with the fact that it may be better to have a safety net in case financial circumstances changed (therefore option 1), but at the same time felt that the price should reflect the area that people choose to live in, albeit at a discounted rate (option 2). Option 1 was associated with creating more mix in types of households in the expensive areas, and giving opportunities for lower income families to have the benefits of bringing up their children in better areas. Others suggested no-one would want to live in the undesirable areas, and make them deteriorate further. Some people thought option 1 may be less fair due to the costs associated with travel for some areas, compared to savings with other areas.

Target markets and eligibility – Consumers felt that MMR should be for working households; apart from this there should be no restrictions and priority systems. Target markets were thought to be families over-crowded in social housing but having no prospect of re-housing; single people who have very low priority for social housing; single people and couples living with friends and family who cannot get access to social housing, but cannot afford private renting or home ownership; people coming out of a relationship breakdown and divorcees, including parents (usually fathers) who have access rights to their children but no suitable housing to enable them to have proper access to their children; couples who want to save for a mortgage; and disabled people living in unsuitable housing. No-one suggested older households as a potential market for MMR. Most thought that there should be some kind of income criteria for access to MMR but that there should be a simple affordability assessment. There was a strong emphasis on 'vetting' to ensure that only those people who 'respected their homes' would gain access to MMR.

Type of product – according to consumers:

- Location - MMR should be in all types of areas including pressured and regeneration / less popular areas.
- New-build or existing housing – new build would be preferred, and people in the focus group said they would not pay a higher MMR rent for refurbished social housing.
- Furniture – partly furnished (white goods, carpets and curtains) is preferred, with the option for a 'starter pack' or some basic furniture, the cost of which should be reflected in the rent.
- Tenancy arrangements – MMR should be more secure than short assured tenancies. The option of having SAT through a housing association made little difference to most participants, although some thought there should be probationary periods.
- Management arrangements – housing associations were the preferred management agent for MMR, bringing the advantage over the private sector of regulation and accountability.

Options for ownership – Opinions were split 50/50 for and against having the option to buy. Some people felt MMR should stay in the rented sector in perpetuity, whilst others thought there should be an option to buy on the grounds that households may want to make a longer-term investment in their preferred community.

Overall opinion of MMR - Generally MMR was seen to be a very good idea, and people thought there would be considerable demand for it. There were some caveats that the scheme needed to be inclusive and focus on affordability. Some people thought MMR signified the 'start of the end' of social renting.

Chapter 7 – Scoping the potential supply of MMR in Glasgow

The research with consumers has been accompanied by a scoping exercise to explore MMR with those who may invest, develop and manage MMR properties. Interviews were undertaken with 14 developers/RSLs. Research was also undertaken with existing private landlords and letting agents. This was to obtain information on the current private rented housing market (demand, prices and expectations from tenants), elicit views on what role MMR could play in Glasgow, and to explore the impact that MMR may have on the existing private rented sector (PRS). Eight landlords responded to invitations to over 300 landlords/agents. The participating landlords/agents had properties in a range of locations and of different sizes and types. The most common themes arising from the scoping exercise are summarised below.

Current activity and demand - since the recession, developers have been concentrating their activity building housing for social rent and NSSE, with a few now moving to MMR. The activity in the housing for sale market is still very limited, and seen as high risk, especially in the starter/ first time buyer market. Some believe that the combination of change in the mortgage markets and the recession may be resulting in overall structural change. In contrast, demand in the social and private rented sectors is strong.

Potential role that MMR could play – Developers, RSLs and some private landlords/agents agreed that MMR could widen access and provide greater choice of housing for those that cannot access housing for sale due to restricted access to mortgage finance, and those that cannot access social housing due to shortage of supply. The need for greater choice was associated with poor value for money provided by the private rented sector. MMR was also seen to have a role in regeneration by some – to mix the type and economic profile of households, whether in new communities, or to assist existing low income communities. Others were very cautious about the role MMR could have in regeneration areas suggesting it could become a new type of affordable housing, or set the price for the private rented sector for that area.

Impact on the existing private sector – Half of the private landlords consulted suggested the high level of demand in the current market would mean MMR would have no, or little impact. Developers and RSLs suggested if there was any impact, this may be to improve quality which was seen as a good thing. Some private landlords expressed concern about the impact MMR would have on the existing private rented sector. Concerns were greatest in areas where the average private rents were around the LHA level, and it was suggested that there was sufficient range of properties and prices in the private rented sector in Glasgow to meet needs.

Target markets – Targets were suggested as: new households, usually young single people or couples (aged between 25 and 40), working with low/modest incomes; young family households – as it is likely new households are unable to secure the appropriate mortgage to purchase; existing social tenants in work but who are unsuitably housed – typically overcrowded households; households with changing circumstances or specific requirements – for example, relationship breakdown.

Pricing MMR – Taking into account all consultees' views, including developers, RSLs and private landlords/agents, most stated that MMR rents should be discounted on market rent levels, or there should be flexibility to set rents considering the local market rent levels, but also recognising the need for affordability and the changing financial circumstances of tenants. The main reason cited for this choice was the limitation of the LHA rate in Glasgow which dictates one maximum level (by size) across the whole city.

Eligibility – Developers, RSLs and potential investors recognised the need for some form of rationing where public subsidy is involved, based on a household income range. But there were concerns that this should not be too restrictive, and provide some flexibility for operators, allowing some adaption according to market conditions. It was argued that any form of rationing should be straight forward, with many referring to the unhelpful bureaucratic processes used for NSSE and social renting.

Product – Most suppliers envisage MMR to be a new build product, built mainly in higher demand areas (although some saw the scope for it in regeneration areas), let on a short assured basis and unfurnished but with white goods, carpets and curtains.

Ownership options – Opinion was divided on ownership options. Most consultees felt that MMR should stay in the rented sector, to increase and maintain the rented housing options available. But some developers and RSLs thought an ownership option is a way of cementing the investment in a community, particularly in regeneration areas where the area would benefit from a mix of tenures and income profiles of households. It may also provide an opportunity for cross subsidy and make the investment work for developers. No-one thought that tenants should be forced to move on if they did not take up an ownership option that may be offered. Examples such as the NHT and other similar models were cited and generally discounted for this reason.

A range of developers and RSLs confirmed their interest in developing MMR in Glasgow, but a few are unclear at this stage as to the role of MMR in relation to other housing products. RSLs were seen to be a natural choice as property managers due to their expertise and the comfort provided by regulation. Most RSLs stated their intention to undertake marketing themselves, but for mixed tenure regeneration sites a number of developers highlighted their strengths in relation to marketing. They argued that marketing of MMR would have to be carefully managed to make a clear distinction from social housing and the existing private renting sector.

Chapter 8 – Conclusions and Recommendations

This study has found that there is a large potential market for MMR in Glasgow. In planning for investment in MMR, the Council and its strategic partners should consider the following recommendations:

- The diversity of Glasgow's housing sub-markets means that MMR should be targeted according to specific objectives, and according to clear criteria. This should ensure MMR is developed in areas where it is most needed, and provides a product that is currently not available in those areas in terms of price and quality.

- The evidence and tools produced as outputs from this study will assist planners and developers to appraise and agree specific MMR proposals, according to market indicators and prevalence rates. Clearly markets change over time, and so these market indicators and prevalence rates will have to be refreshed periodically.

- The single LHA rate (by size) across the whole of Glasgow does not reflect the number of sub-markets and range of prices in the City. This is a considerable limitation for pricing MMR if it is to be developed in line with the Scottish convention used to date (i.e. sub-LHA prices). It is recommended that a flexible approach be taken to rent setting for MMR in Glasgow, taking into consideration local evidence on household incomes, prices, affordability and viability of developments.

- Income criteria for allocation of MMR should be based on the affordability assessment undertaken in this study i.e. between £15,000 and £30,000. But the affordability assessment could not take into account different household sizes, so there should be flexibility in application of the income criteria to take account of larger households, and those with specific needs.

- The objectives and criteria for MMR in Glasgow are listed in the table below. Examples of relevant neighbourhoods are also listed, but it is emphasised that these are large and variable areas and individual development appraisals will be required to confirm MMR markets in specific locations. The list of criteria is not formulaic – the criteria should be considered together to make a judgement, and even though sometimes one indicator may not be strong as others, when taken in the round, the area may still have good potential for MMR. For regeneration and vulnerable neighbourhoods, the objectives are very different to pressured areas - the area may show only average potential for MMR, but the objective may be to attract households from wider areas to mix the demographic profile of the area.

- In all areas, but particularly in regeneration areas where there is currently a low supply of private rented housing, a product should be developed and marketed which is differentiated from the existing private rented and the social rented sectors to ensure MMR does not set the price for a 'new' private rented sector, or is seen as a more expensive social housing product. Marketing of the product, combined with the management approach should also provide assurances over 'security' of tenure, which is a key concern for consumers.

MMR typologies – objectives, criteria and examples

	Pressured areas	Regeneration areas:	Vulnerable areas:
Objective	MMR for rent in perpetuity under Short Assured Tenancy to widen access and choice to good quality affordable housing.	MMR provided for rent with the option to purchase to widen access and choice to good quality affordable housing, to mix the demographic profile in the area, provide affordable ownership options, and to cement investment from working households should they wish to purchase.	MMR is provided for rent to provide choice of good quality affordable housing, typically in areas where private rented housing is dominant, but often low quality and low priced. MMR provides consumers with a better quality rented alternative, but may also intervene in the existing market to improve standards. It may also be provided with the option to purchase to widen affordable ownership options in the area, particularly for existing working residents.
Criteria	– higher than average ratio of house prices to incomes – ratio of the LHA to mean private rents is lower than average – ratio of mean RSL rents to private rents is lower than average – higher concentration of owner occupation and private renting – higher than average pressure in the social rented sector – higher than average numbers of younger people, people employed in C1 and C2 occupations, single people/couples and economically active people – high prevalence rates for MMR.	– lower than average ratio of house prices to incomes – ratio of the LHA to mean private rents is average or higher than average – average or higher concentration of social renting, but there is a proven demand for owner occupation and private renting – higher than average numbers of younger people, people employed in C1 and C2 occupations, single people/couples, economically active people in the area <u>or</u> adjacent areas, <u>and/or</u> inward investment in the area to provide greater employment prospects for these types of households; – above average prevalence rates for MMR.	– lower than average ratio of house prices to incomes – ratio of the LHA to mean private rents is average or higher than average – private renting is higher than average, and generally of very poor quality – higher than average numbers of younger people, people employed in C1 and C2 occupations, single people/couples, economically active people in the area and an ethnically diverse population. – above average prevalence rates for MMR.
Examples of neighbourhoods	– City Centre and Merchant City; Dennistoun; Hillhead and Woodlands; Hyndland, Dowanhill and Partick East; Broomhill and Partick West; Langside and Battlefield; Maryhill Road Corridor; Pollokshields East; Shawlands and Strathbungo; Yorkhill and Anderston.	– Calton and Bridgeton; Greater Govan; Greater Gorbals; Ibrox and Kingston (TRA); Sighthill, Roystonhill and Germiston; Toryglen; Easterhouse; Castlemilk.	– Govanhill; Ibrox and Kingston.

1. Introduction

1.1 The research brief

Glasgow City Council appointed Anna Evans Housing Consultancy Ltd together with Mandy Littlewood Social Research and Consulting and IBP Strategy and Research to undertake research into the potential market for mid market rent (MMR) in Glasgow. Glasgow City Council and Glasgow Housing Association jointly commissioned and funded the research.

The overall objective of the research is to establish what the market is for MMR in Glasgow and assess what role it would play in meeting the city's strategic housing objectives. The expected outputs from the research are as follows:

- Assessment and quantification of the overall market for MMR or a derivative MMR product (e.g. rent to mortgage);
- Geographic spread of the MMR market across the city, and in different types of area;
- Characteristics of households that would access MMR and allocation criteria;
- Assessment of MMR role within the dynamics of Glasgow's housing system;
- Establish its strategic fit with Glasgow's strategic housing objectives.

1.2 Methodology

This comprehensive study has involved six key research stages, summarised below under the relevant report chapter:

- Chapter 2: *The Glasgow Housing System* – a policy / strategy review of Glasgow's current housing system, and an appraisal of the Council's strategic policies to meet housing need and demand in the City.
- Chapter 3: *Intermediate and mid-market rent policy and practice* - a literature review of policy and practice in the intermediate sector across the UK, complemented by data analysis and indepth interviews undertaken with providers currently involved in delivering MMR in Scotland.
- Chapter 4 and Chapter 5: *Potential scale of the MMR market in Glasgow* - data analysis and affordability assessments using demographic and income data, house sales and rental data to establish estimates of demand for MMR at the citywide and area level.
- Chapter 6: *Characteristics of the potential market* – an assessment of the nature and type of potential demand through a series of 10 focus groups with consumers in different parts of the city.
- Chapter 7: *Scoping supply* – the demand assessment was complemented by a scoping exercise through indepth telephone interviews with potential suppliers and existing private landlords/letting agents to explore who may invest, develop and manage MMR properties, and what the impact may be on the existing private rented sector.
- Chapter 8: *Conclusions* - Conclusions on the role that MMR could play within the dynamics of the city's housing system, and the fit with Glasgow City Council's strategic housing objectives.

1.3 Acknowledgements

The research steering group has provided the research team with vital information and direction. Thanks go to Jennifer Sheddan, Steve McGowan, and Jan Freeke of Glasgow City Council, Lorna Wilson of GHA, Jim Harvey from the Glasgow and West of Scotland Forum of Housing Associations, and David Horner of the Glasgow and the Clyde Valley Strategic Development Planning Authority.

This research team has benefited from support in accessing the most current data possible – in particular the team would like to thank Jan Freeke for his assistance on data sources, Chris Holmes of the Scottish Housing Regulator for provision of housing lets data, and Dan Cookson of Citylets for sharing the results of recent private rents neighbourhood analysis undertaken for GHA in 2011.

Thanks go to a number of stakeholders consulted as part of the study. Representatives came from: CCG; Isis; Keepmoat; New City Vision; Ogilvie; GHA; Home Scotland Housing Association; Partick Works (subsidiary of Partick HA); Queens Cross HA; Shettleston HA; Sanctuary (Scotland) HA; Thenue HA; and West of Scotland HA. Eight private landlords/agents also participated in the research.

We would also like to thank all 64 Glasgow residents who participated in the 10 focus groups across the City who provided insight on their housing experiences, and valuable reflections on the potential role which MMR might have in Glasgow in the future.

2. The Glasgow housing system and strategic context

2.1 The Glasgow housing system

This review synthesises information from Glasgow City Council's Housing Issues paper (GCC HI, September 2011), the Glasgow and the Clyde Valley Housing Need and Demand Assessment (HNDA, 2011) and the recent Glasgow Housing Association Housing Options research (November 2011) which provided useful insights from consumers and stakeholders on access to housing in Glasgow. The section also draws on housing market evidence from the Property Market Report for the Transformational Areas (Ryden, January 2011), Citylets Report Q3 2011, Council of Mortgage Lenders 2011 reports and analysis of Propvals residential sales information. Findings from this review have been tested through a discussion with representatives from the MMR research steering group.

The review highlights the key drivers relevant to a potential MMR market in Glasgow.

Drivers of demand - economy, population and households

- A sustained period of growth in the local economy during the 1990s resulted in higher level of employment and reduced worklessness in Glasgow. This led to lower levels of deprivation and contributed to improvements in neighbourhood quality. However, the onset of recession saw a drop in the employment rate from 67% to 61% between September 2008 and September 2010, indicating a steeper rate of decrease than nationally over the same period (Scotland from 74% to 70%; GB from 72% to 70%) (GCC HI, pg 14). High levels of volatility, combined with uncertainty in the European Union means the prospects for the national economy and the housing market remain very unclear.

- Average earnings in Glasgow have grown by over a quarter since 1998, a growth rate similar to Scotland and the rest of the UK (Glasgow Economic Partnership, GCC HI, pg 29). However, in 2010, Glasgow's median annual wage of £20,222 was below that for Scotland as a whole (£20,771) and for the UK (£21,221). The rate at which Glasgow's median annual pay grew ranged between 2% and 6.5% between 2003 and 2009 but, in 2010, the City experienced a small shrinkage in median annual wages of around 0.5%, a negative trend mirrored in the UK as a whole (GCC HI pg 29).

- The long-term trend of out-migration from Glasgow has stopped with the City experiencing net in-migration since 2002 (NRS, 2012). There have been recent population increases from natural change, and the projected population changes suggest that the long term decline since the 1950s has ended. The HNDA projects a 2.6% increase in population to 2018, and a further 3.6% increase to 2028. Assuming a lower migration scenario based on the negative impacts of the national economic situation, population increase would be expected to be lower 1.4% to 2018 and a further 0.4% increase to 2028 (GCC HI pg 18-19).

- The HNDA also projects substantial increases in the number of households – an additional 25,000 households to 2018, and a further 22,000 households to 2028. The projections suggest the majority of increases will be in one-person households, with the number of families with children expected to rise by 4,000 to 2018, and a minor reduction of families in the decade to 2028. The HNDA recognises some uncertainty over these projections. In the period 2001-2008 there has been a slow-down in the rate of household formation – there have been modest increases in the number of one person households, and reductions in the number of single parent households. Most recent evidence from 2010 household estimates implies a growth of 750 per year in 2008-10 compared to the projected 2,500 (GCC HI, pg 19).

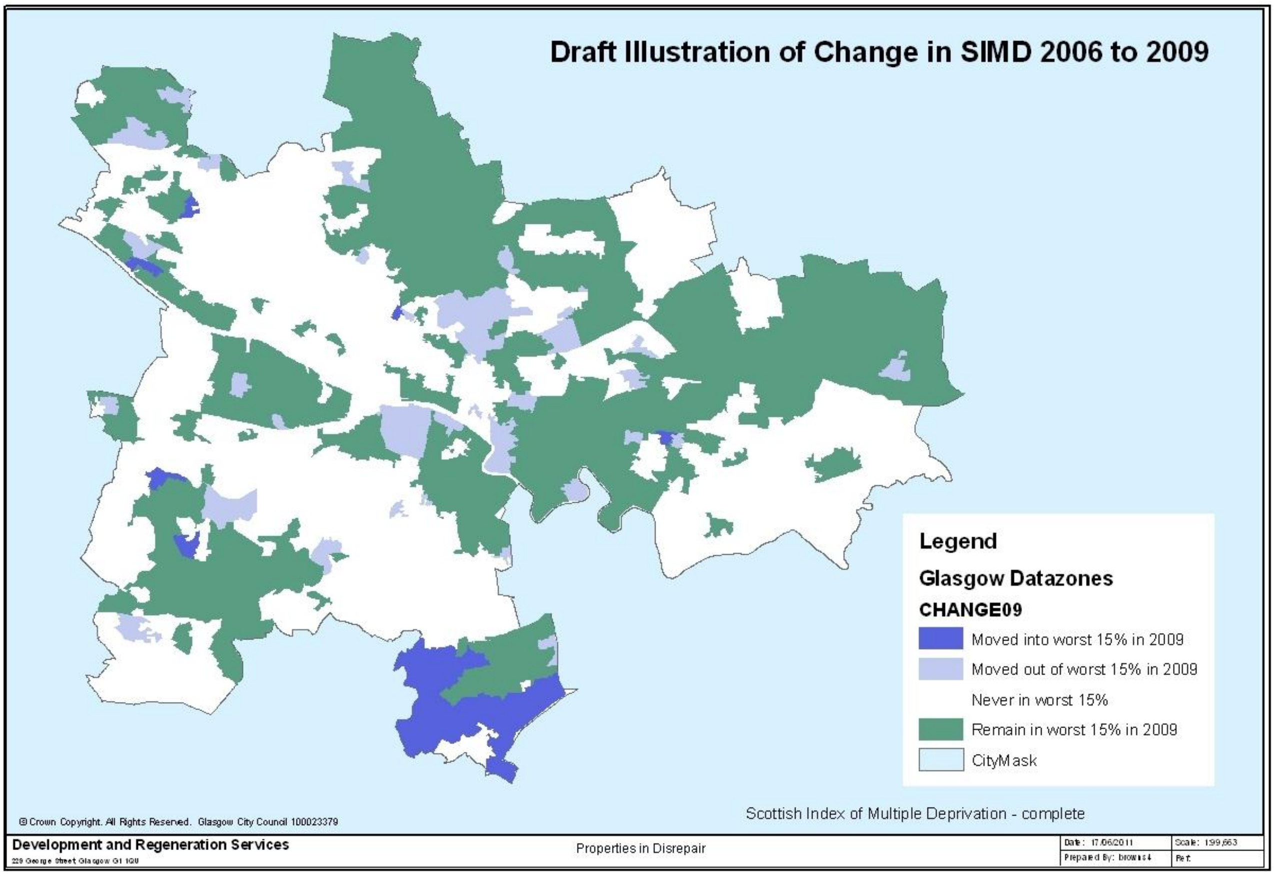
- 240,000 people (41% of Glasgow population) live in the most deprived parts of the City, although the results of the Scottish Index of Multiple Deprivation 2009 show that Glasgow continues to reduce its share of Scotland's deprivation. Table 1 below shows how deprivation has changed over time in Glasgow, and Figure 1 shows the effect on specific neighbourhoods. This shows the reduction in deprived areas (the bottom 1-15%) between 2004 and 2006 has been continued through to 2009. But the table also shows that the greatest proportionate increase in population has been in the top 51%-100% - the areas of least deprivation. The Council's analysis shows concerning evidence over the areas of persistent deprivation: areas that have been in the bottom 1%-5% in 2004, 2006 and 2009. The gap between the ranking of the median datazone in Glasgow and the median datazone in the 1%-5% category has been increasing. The consequence is that the areas of persistent deprivation are increasingly becoming left behind the rest of the City (GCC HI pg 27-28).

Table 1: Change in deprivation over time

Area Type	Definition of Area	Population (2008)	Examples
Moving into 16%-50%	Out of deprivation	62,366	Major housing demolition and new build – Sighthill, Shawbridge Stable areas in traditional areas – Knightswood, Carmyle, Baillieston Around City Centre - Anderston
Moving into 51%-100%	Into top half of datazones in Scotland	38,323	Middle and upper market new build – Robroyston, Springburn More up-market stable areas – Kelvinhaugh, Dennistoun, Shawlands
Remaining in 1%-5%	Persistent deprivation	113,727	Core areas of ex-SIPs – such as Castlemilk, Drumchapel, Govan Scattered areas within more stable areas – Knightswood, Mosspark, Riddrie/Carntyne
Gaining position	Up the rankings by 500 places or more	91,363	Scattered areas linked to specific housing developments – Greater Easterhouse, Greater Pollok West End, South Side, stretch from Swinton through Garrowhill to Mount Vernon
Losing position	Down the rankings by 250 places or more	39,681	Upmarket areas where decline counts for little – Newlands, Broomhill Possible effect of displacement – King's Park, Croftfoot

Source: Glasgow Housing Issues, September 2011, page 27

Figure 1: Change in SIMD



Source: Glasgow Housing Issues, September 2011, page 28

The Glasgow housing system

The Owner Occupied housing sector

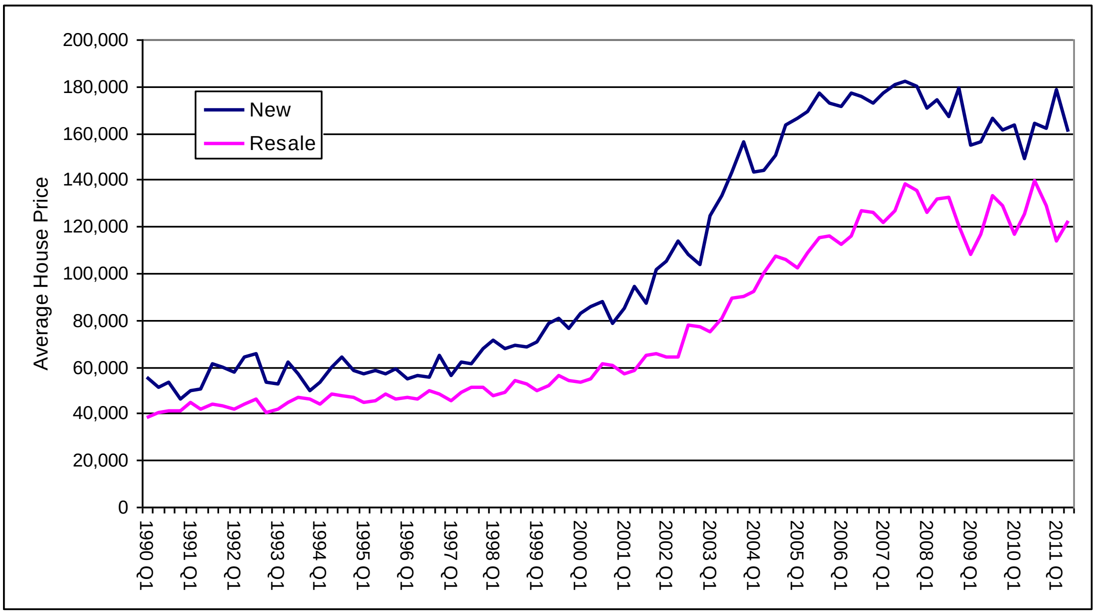
- The proportion of households in owner occupation has remained static at 48% between 2003 and 2010 although there has been considerable activity in new housebuilding in Glasgow. A significant proportion of this new supply may have been bought for buy-to-let investment – reflected in the increased proportion of the private rented sector (9% to 15% over the same period). The housing boom from 2001 onwards resulted in prices doubling in real terms in many parts of the City so that by the end of 2008 prices had peaked to a mean of £145,656 and median of £125,000; by March of 2009 prices had fallen by 20% from their peak (GCC HI, pg 88). Analysis of Propvals house price data undertaken for this research shows that since then there has been a two year period of considerable fluctuation in prices, reaching a mean price for Glasgow overall of £133,883 in Quarter 2 of 2011, compared with £133,787 for Q2 in 2010 (0.1% increase over the last year). However, these static prices disguise considerable variation by new build and resales, and by area. For new build the mean price was £163,656 at Q2 2011 having increased by 2.6% over the last year, compared to static resale prices of £129,858 - an average increase of only £50 over the last year. Area prices are show in Appendices (See Table 2, Table 3, Table A.1 and Figure 2).

Table 2 – Recent mean sale prices compared with the previous year – Glasgow-wide

	Q2 2010	Q2 2011	% change
All sales	£133,787	£133,883	0.1
New sales	£159,281	£163,656	2.6
Resales	£129,808	£129,858	0.0

Source: Analysis on Propvals house sales database

Figure 2: Average House Prices Q1 1990 – Q2 2011



Source: Analysis on Propvals data provided at September 2011: mean house prices excluding sales under £10k and over £1m, cumulative sales, sales to sitting tenants and shared equity sales.

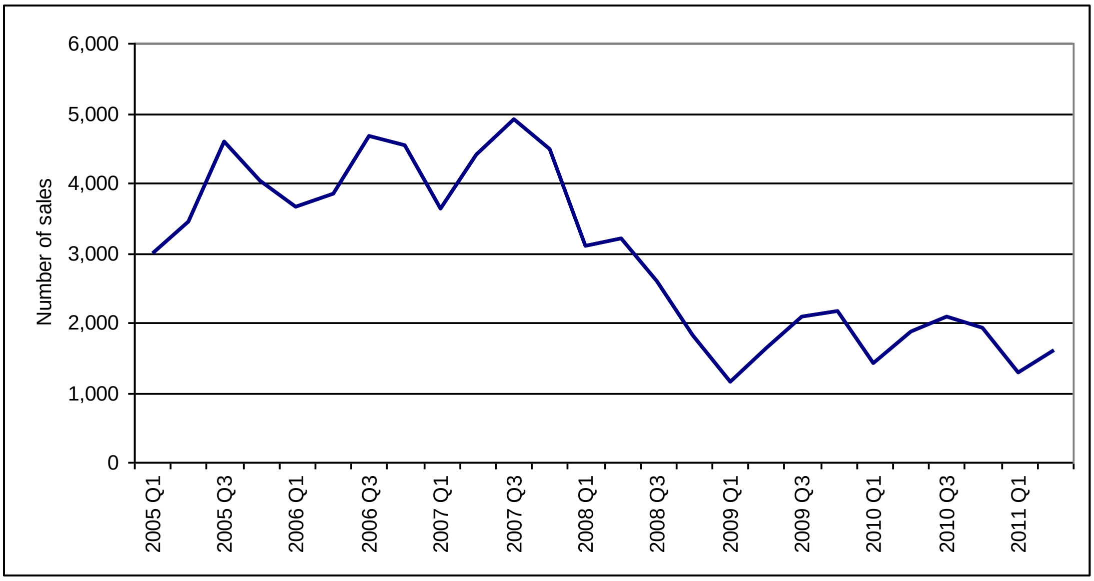
- Despite the incentive of continued low interest rates, the fluctuation in prices is driven by the extreme uncertainty in the market, and the continual adjustment of supply to balance reduced demand. This is evident by annual change in sales volumes (-17% Q2 2010 to 2011), albeit there is a short term improvement between the first and second quarter 2011, (+19%) (see Table 3 and Figure 3). A combination of predicted higher unemployment, restricted income growth, and negative equity in some areas may continue to stifle demand and threaten house price growth.

Table 3: Recent sales volumes compared with the previous year – Glasgow-wide

	2010	2011	% change
Quarter 1	1,680	1,495	-11.0
Quarter 2	2,160	1,789	-17.2

Source: Analysis on Propvals data provided by GCC in September 2011

Figure 3: Recent sales volumes Q1 2005 – Q2 2011



Source: Analysis on Propvals data provided by GCC in September 2011

- As discussed in the GCC Housing Issues paper, there was an improvement in the affordability of housing between 2007 and 2009; this was caused by lowering house prices resulting in an improvement in house-price-to-earnings ratios. However, between 2009 and 2010 the rate of improvement slowed down; this will have been caused by limited income growth relative to prices. Higher deposit requirements continue to act as a barrier to home ownership although this may be improving - the Council of Mortgage Lenders survey (CML, November 2011) suggests small improvements in lending criteria for all Scottish house purchasers in the third quarter 2011. First-time buyers typically borrowed 80% of their property's value, up from 79% in the second quarter, bringing the average loan-to-value ratio in Scotland in line with the UK average. Home movers borrowed on average slightly less – 70% compared to 71% in the previous quarter. CML also confirmed that loans to first time buyers are up by 7%, and for home-movers up by 8% between the last two quarters. The Ryden report (2011) on the TRAs also suggested an improving and more active housing market from first-time buyers and home-movers, but with a caution that this will not be near historic levels. As summarised by the CML (2011) "*The mortgage market in Scotland is currently stable albeit at a low level. We anticipate growth is likely to remain slow going forward, although welcome developments, such as smaller deposits, have emerged and a Scottish mortgage indemnity scheme for new build properties is being introduced. The uncertain economic outlook and low levels of consumer confidence will likely result in a continuing constrained mortgage market in Scotland as in the UK in general."*

The private rented sector in Glasgow

- According to GCC estimates (2011), there are 47,395 private rented properties in Glasgow. This sector has increased substantially from 14,000 in 1991 – an increase of 238% over the last 20 years (increasing from 5.2% of total stock in 2001 to 16% in 2011, GCC). The draft Housing Strategy confirms that it plays an important role for a range of households living in Glasgow. The sector is particularly strong in and around the city centre in areas around Partick West, Hillhead and Anderston (30% of housing stock), Calton and East Centre (13%), Pollokshields East and Southside Central (12%) and Linn and Langside (10%). According to the Scottish Government's Review of the Private Rented Sector in 2009[1], the sector in Glasgow is mainly made up of single landlords with single properties, although 18% is made up of business landlords. However, analysis of GCC's private landlord register undertaken for the recent Housing Options study (Littlewood et al, 2011) suggests this may over-estimate the proportion of business landlords in Glasgow: the table below shows that a much smaller proportion is likely to be business landlords[2].

Table 4: Number of properties owned by landlords in Glasgow

Number of properties	Landlords	%
1	14518	79.5%
2 - 5	3012	16.5%
6 - 10	463	2.5%
11 - 50	239	1.3%
50+	33	0.2%

Source: GCC Landlord Registration data, Table 4, GHA Housing Options Study, October 2011.

- This dispersed nature of ownership makes it difficult for the local authority and others to engage effectively with landlords. There are some areas in the City where there are serious management issues with Govanhill being the highest profile, and the Housing Issues paper (pg 43) points to poor housing conditions in tenements in the inner south side (Govanhill, East Pollokshields, Strathbungo, Shawlands, Langside and Battlefield) and the West End. In some of these areas the poorest condition properties are private lets.

- According to Citylets Report (Q3, 2011) private sector rents at Q3 2011 were on average £614 for a two-bedroom property. This is relatively low when compared to the two other main Scottish cities of Aberdeen (£812) and Edinburgh (£720), but must be considered relative to income levels. Citylets estimates that it advertises approximately 65-70% of the private rented market in Glasgow. This research has also undertaken a trawl of other rental websites to get a snapshot impression for what is on offer at the lower/mid end of the market. A trawl of four other websites was undertaken in January 2012. Based on 270 properties considered to be of a reasonable quality, it was found that the average price for a two-bedroom property in Glasgow was £577 pcm (6% lower than the Citylets average price). This average included rents in a range of pressured and lower rent areas.

- The Housing Options study (2011) revealed through consultation with private landlords that demand for private lets is currently very high, and prices are gradually increasing although most landlords consulted prefer fast letting periods and sustaining longer tenancies rather than increasing rents and risk longer voids and shorter letting periods. The Housing Options study also revealed that while the private rented sector is a good housing option for many households, it also has barriers to access including lack of affordability for lower income households, perceptions over poor management and lack of regulation, and shortage of good quality and consistent information and advice on the sector. Chapters 4 and 5 of this report provide findings on the affordability analysis of PRS, and Chapter 6 reports on consumers' experience of this sector in depth.

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[1] This Scottish Government study included a survey of 198 registered landlords in Glasgow.

[2] Caution is needed in the interpretation of this figure, as the total number of landlords can include joint owners, so may overstate the number in the one property category.

Social housing sector

- At 1 April 2003 the RSL sector had a portfolio of 123,000 homes in Glasgow. Scottish Housing Regulator statistics for 2009/10 showed that this sector has reduced to 110,485 houses – a reduction of approximately 10,500 properties. This has resulted in a proportional decrease in Glasgow's total stock from 43% in 2003 to 36% in 2010. The reduction in RSL stock is associated with sales to sitting tenants through the Right to Buy (5,923 between 2003-2010, GCC), and with GHA's demolition programme, although there has been a new-build programme of 4,000 over the same five-year period. Glasgow's social housing stock is managed by 68 different RSLs with GHA owning broadly 40% and the other community based RSLs owning and managing 60%. The average weekly rent for a two-bedroom RSL home in Glasgow in 2010/11 was £60.71, or £263.07 per month (SHR APSR).

Housing need and demand

- The results from the HNDA 2011 identify a continued demand for private housing and a significant shortfall of social housing in the city. In previous Social Housing Demand Studies (2004/2007) carried out in Glasgow, a surplus of social rented stock had been identified. The Housing Issues paper notes that the 2011 research findings were surprising given previous trends, but concludes that there does appear to be a change in demand and need for affordable housing in Glasgow. The economic situation and the lack of access to mortgages, and the improvement in the social housing stock through large-scale investment, will all influence the need and demand from existing households in Glasgow and new households to enter the social housing sector. Additional work was undertaken to look at housing needs based on more recent information including the needs of homeless households and population trends. This work estimates a range of need for social rented housing. At 2011, the range is from the city having a surplus of 500 social rented units to having a shortfall/ need of 1,445 units. By 2016, the range decreases to a potential surplus of 170 social rented units to a shortfall/ need of 1,109 units.

- The demand for social housing was confirmed in the Housing Options work – frustration over longer waiting periods and bottlenecks in temporary accommodation were commonly raised by households, housing professionals and other stakeholders who have to date been accustomed to easy access to social housing in Glasgow.

2.2 Glasgow's housing and regeneration strategy

Glasgow's Housing Strategy (Final Consultative Draft), was issued in August 2011 and sets out the City Council's housing vision and strategy. It is founded on three key interlinked strategic themes of: Housing Regeneration, Access, and Delivery through Partnership. The following discussion extracts the key stands of the strategy relevant to a potential MMR market in Glasgow. This section also draws on Ryden's Property Market Report for the Transformational Regeneration Areas (TRAs, 2011) and has been informed by discussions with GCC Regeneration and Housing Strategy staff.

Regeneration - Increasing the supply and improving the quality of housing available to Glasgow's people

The strategic outcomes to be achieved by 2016 are:

- We will have increased supply of good quality social housing and introduced more affordable housing to meet the city's housing needs.

- We will have increased the supply of good quality family housing across all tenures.
- We will have increased the supply of new and converted accessible housing, as well as housing for particular needs.
- We will have improved neighbourhood quality across the City.
- Across all tenures, we will have increased the energy efficiency of the City's housing and taken steps to mitigate the impact of increasing energy costs on the level of fuel poverty in the City.
- Across all housing tenures, we will have increased the proportion of the housing which meets the current SHQS.
- We will have increased the supply of good quality housing for owner occupation.

The strategy states that the supply of a range of affordable housing options is an important priority for the Council. The Council remains focused on the continuing need to revive private house building, particularly the promotion of mixed tenure regeneration and the provision of much needed family accommodation in the city. But the strategy notes that the change in the economy means that providing alternative or additional housing options for people is more important than it has ever been.

The LHS sees new social and intermediate housing as a way of meeting housing needs, but also that it has an important role in the delivery of major mixed tenure regeneration projects, particularly the TRAs. In the current economic climate, early phases of social and intermediate housing are seen as vital in order to kick start the development process, attract private sector partners, retain core communities and provide a step onto the housing ladder for local people in areas where previously one did not exist. The Council plans to work with partners to both develop and implement new intermediate tenure products, and to fulfill the promise of 13,000 new social rented homes made at stock transfer.

The strategy maintains the Council's commitment to help people secure sustainable home ownership – it will explore ways to improve accessibility for first time buyers with lenders and private developers. This could be through initiatives such as the Local Authority Mortgage Scheme (LAMS) and Glasgow Credit Union and Cruden Unique Property Solutions (UPS) Initiative and similar schemes across the City.

The strategy discusses the fact that during the housing market boom, private house building was focused on flatted developments for single people and couples, supported by demographics and the investor market at that time. It argues that now, the number of families with children is expected to increase and so the Council will promote increasing the supply of family housing to attract and retain families in the City.

The City's eight Transformational Regeneration Areas are considered to be of national importance and are supported by a Partnership Board comprising Glasgow City Council, Glasgow Housing Association and the Scottish Government. A key principal in enabling the TRA work to proceed has been reaching agreement with Scottish Government to set aside the stock transfer disposal claw-back agreement - this allows capital receipts to be recycled for use on the sites (rather than being returned to the Scottish Government). Agreement on this has been reached for three of the sites, which have now been designated as Demonstration Projects –

Maryhill, Laurieston and Gallowgate. Over the past 18 months the following progress has been achieved:

- **Maryhill –** Maryhill TRA has the advantage of proximity to the Kelvindale area of Glasgow's West End. 35 new social rented homes have already been completed in the former Botany area of the TRA by Maryhill HA. The latest phase of development is currently to go on site shortly at Maryhill locks. This phase will comprise of a further 106 homes for social rent along with 19 shared equity (NSSE) properties and is being developed by Maryhill Housing Association. ISIS, the regeneration arm of the British Waterways Trust, will develop out the remainder of the site, mainly for housing for sale. Recent market testing suggested this area is likely to comprise a number of smaller housing developments targeting a range of house types and markets, with mid-market tenures and private housing for sale complementing the investment in social rented housing that has already been completed and currently on site.

- **Laurieston** –Urban Union have been appointed as the TRA Private Sector Development Partner and will be party to a development agreement with the council to develop the entire TRA site. Laurieston is the closest TRA to the city centre and also benefits from being close to the Crown Street & Hutchesontown regeneration areas, where there is already a proven track record in successful urban regeneration. Most of the demolition of existing social housing stock has been completed, with only one block of multi-storey flats left on the site, which will be demolished following the completion of the first phase of homes for social rent (201 units). The social housing units are being developed for New Gorbals Housing Association and are scheduled to start in spring 2012. A further 108 homes for private sale are expected to start in early 2014. Further phases of private housing will follow, providing an additional 492 homes (minimum), subject to market conditions. Market testing as part of this study showed most developers were pragmatic about the current proposed phasing. It is concluded the area is likely to support a mix of social rent, mid-market rent, shared equity, housing for sale and other commercial uses.

- **Gallowgate** – A proportion of demolitions has been completed. Two multi storey blocks remain on site, but are currently being cleared and are scheduled for demolition within the next 18-24 months. 62 social rented homes are being developed by GHA and are currently on site, these units should be complete by mid 2013. A Regeneration Delivery Framework for the remainder of the site has also recently been approved, outlining a delivery strategy for the remainder of the site for private housing. There are some constraints associated with the site, but it has the advantage of having pedestrian links to Dennistoun which is now a mixed community including a range of tenures and where there has been a considerable increase in private rented housing. The site is also within walking distance of Parkhead Forge Shopping Centre and the 2014 Commonwealth Games Village site, where 704 new homes are being built for the Games in 2014. 100 of these units will be intermediate tenures i.e NSSE and MMR (50 of each). The Games Village site could potentially be a competitor site for the TRA in terms of the intermediate housing market. West of Scotland Housing Association recently provided New Supply Shared Equity housing in the neighbouring area of Camlachie, but found the properties took longer to sell than anticipated. Market testing suggested this would be a good site for 'affordable' family housing for sale in relative proximity to the city centre.

The remaining five TRA's have not yet been initiated for development, mainly because agreement has yet to be reached with Scottish Government around setting aside the aforementioned Disposals Clawback Agreement for these areas, but also due to current market conditions. The following commentary provides an indication of the current status of each area:

- **North Toryglen –** this is likely to be the next area for TRA activation. One multi-storey and some low rise properties have been demolished already, with the majority of the remaining stock also earmarked for demolition. 50 homes will remain on the site once the demolition programme is complete. North Toryglen has historically been an isolated single tenure estate, with unpopular poor quality housing stock, located close to an industrial area. However, the area has good potential for redevelopment. Barratt Homes have successfully completed and marketed a family housing development directly opposite the site. The site is adjacent to the new national indoor football training pitches and to a major supermarket. In addition, it has good public transport links to the city centre and the popular Shawlands area in the South side. North Toryglen has also recently benefited from being located close to the on/off ramps of the new M74 motorway link. Market testing suggested this is the most popular TRA with developers – it is near to private housing areas, has good amenities and is of a scale to create a new neighbourhood focusing on family housing. This area is currently nearing the end of a masterplanning/delivery Framework study which will require to be approved by the TRA Shadow Board before Scottish Ministers will consider setting aside the Disposals Clawback Agreement, allowing a mixed tenure development to proceed. Up to 100 homes for social rent for GHA will form part of the early development of the site, along with an early phase of housing for sale.

- **Shawbridge –** The 2010 TRA Business Plan identified Shawbridge as the most economically viable of the TRAs. The area is situated close to Shawlands which is considered to be Glasgow's 'alternative West End' both in terms of its cultural/social offerings and its housing provision. Four multi-storeys and deck access housing have been demolished with 93 GHA socially rented flats already completed on a cleared part of the site. Developers envisage a diverse range of tenures and house types including family townhouses, terraces, significant volumes of housing for sale and 'unsubsidised' mid-market rent. As with North Toryglen a revised master/delivery Framework exercise is planned by the TRA partners with a view to reaching agreement with Scottish Government Ministers to set aside the Disposals Clawback Agreement. Any receipts gained through sales of land to the private sector would be recycled through the TRA Programme.

- **East Govan/Ibrox –** This is the largest TRA by area, bounded to the north by the River Clyde and to the east by Pacific Quay. Inter-war tenements have already been demolished, with the majority of multi storey flats also either already demolished or planned for demolition. One multi storey block of flats at Ibroxholm Oval is being retained and renovated by GHA for MMR. The area has also benefited from significant HAG funding in recent years with many new build social housing developments spread throughout the area. In recent years the City Council, via TMDF (Transfer of Management of Development Funding) also provided PSR (Partnership Support for Regeneration) funding for 3 developments to help begin to establish a private sector housing market in the area.

- **Red Road/Barmulloch** and **Sighthill –** both of these TRAs are envisaged to have much longer time-lines, with considerable site constraints and no developer interest at present.

As part of the first City Plan, the Council identified a need to increase the quality and number of family homes in the city in order to curb population loss to surrounding areas. The Council introduced four key strategic development areas in the city known as New Neighbourhood Initiatives, where new quality mixed tenure family housing would be promoted and developed. These projects are situated in Garthamlock, Oatlands, Drumchapel, and Ruchill/Keppoch. There may be demand for some form of intermediate renting in these areas, or rent to mortgage product.

Improving access to appropriate housing for Glasgow's people

Under theme two, the Strategy refers to using the private rented sector to provide housing for homeless households, and also to support the private rented sector through a Private Rented Housing Forum. While these actions will probably be focused more on the existing private rented sector, this demonstrates that the Council sees the private rented sector as an important part of the housing system. The current and future use of the existing private rented sector is relevant to the potential development of an intermediate MMR market in future.

2.3 Chapter summary

In overall terms, the drivers of demand for mid-market rent look relatively strong:

- Demographic projections show continuing increases in population and households. Although there is a caution expressed over household growth figures for Glasgow, this is considered to be partly due to frustrated housing demand - lack of access to home ownership and limited supply of affordable housing. The majority of these households are small – single people and single parents, although there is a projected increase of 4,000 family households;

- The overall level of social deprivation has improved in Glasgow with many areas moving out of the top 15%, although there are still areas of persistent deprivation: areas that have been in the bottom 1%-5% for at least the last 5 years.

- The economic downturn and credit crunch has resulted in restricted access to mortgages, both due to credit restrictions, but also reduced and unpredictable household incomes.

- House prices have dropped and remained static overall in Glasgow, but various commentators suggest a slight loosening of the mortgage markets and more activity in the first time buyer and home movers markets. However, these same commentators conclude that there is no certainty, demonstrated by the Glasgow house sales figures which show ongoing fluctuations in house purchase transactions and prices.

- There is a strong demand for affordable housing in the City as demonstrated through the HNDA. This is confirmed through recent qualitative research undertaken with consumers who are waiting longer for social housing in Glasgow – the shortage of affordable housing is a relatively recent phenomenon in Glasgow.

- There is a strong policy commitment to provide a range of affordable housing solutions in Glasgow including intermediate rent and options that assist households move into ownership if they wish. The TRAs are a key regeneration priority for the City, driven by GCC, GHA and the Scottish Government.

3. Intermediate and mid-market rent policy and practice

This section sets out the policy background and origins of intermediate and mid-market renting in the UK, and provides examples of practice, with an emphasis on the types of areas where it has been developed, the type of product and price, allocation criteria and the types of households that have chosen this housing option. This section is informed by literature review, data provided by Scottish Government and three local authorities (LA), and telephone interviews undertaken during November 2011 with Scottish Government, LAs and MMR developers and managers. Consultees represented the following organisations: Aberdeen City Council, Aberdeenshire Housing Partnership, City of Edinburgh Council, CastlerockEdinvar Housing Association/Lothian Homes, DunedinCanmore Housing Association, Grampian Housing Association, Langstane Housing Association, Mactaggart and Mickle, Miller Homes, Places for People, Partick Housing Association, Scottish Government (NHT team), Stewart Milne Homes, Scottish Borders Council and Tweed Homes.

3.1 Need and demand for intermediate housing

As discussed in Mandy Littlewood's previous work on MMR for GHA, Haffner et al (2009) suggest there is some confusion about what MMR is:

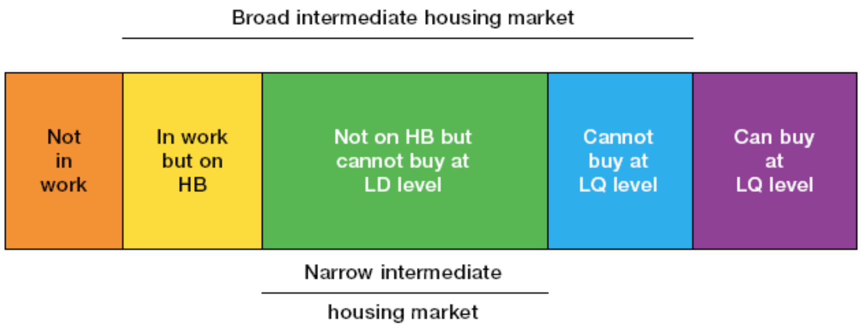
> As the government now promotes intermediate rented dwellings, provided at rent levels above those of social rented housing but below market rented housing, some bridge building between the social and market sectors is occurring. However, many of these dwellings are intended mainly for households who, according to policy guidance, are not able to buy as opposed to those who cannot afford to rent privately.

Steve Wilcox's analysis *Can't Buy: Can Rent* (2007), identifies criteria against which to assess the market for intermediate rent in terms of need rather than demand, arguing that the demand for intermediate market may exceed need if the offer is right i.e. households being able to afford larger properties, better quality properties or locations that they would otherwise not be able to access.

Wilcox illustrates the intermediate housing market using definitions of the 'narrow' and 'broad' intermediate housing market.

The main measure used by Wilcox is the narrow definition, which is - *the proportion of younger working households (aged 20-39) in each area that could afford to pay more than a local housing association rent (without relying on housing benefit), but could still not afford to buy a 2/3 bedroom dwelling at the very low end of the local housing market (measured by lowest decile house prices).*

The broader definition also includes those in work but on Housing Benefit at the lower end of the income distribution and those who could not afford to buy at the lowest quartile (rather than decile) at the higher end. The Wilcox analysis also includes consideration of the affordability of private rents by looking at the ratio of private renting costs to owning costs (albeit not for Scotland, where the Hometrack data available was less robust).



Source: Wilcox, Steve (2007) *Can't Buy: Can Rent*

3.2 The evolution of intermediate rent policy and practice in England

Intermediate renting became a common term in England with the introduction of the Key Worker Living Programme (KWL), funded by ODPM and launched in March 2004. Its aim was to address recruitment and retention problems in London, South East and East England by providing housing solutions to key front line personnel in public services, such as education, health and community safety. There were four main products: Key Worker Homebuy (an equity loan), Key Worker Shared Ownership, Intermediate Rent – sub-market rent (below 80% of market rates) and London Challenge Teacher Homebuy – a higher-value equity loan of up to £100,000. According to the programme's evaluation (ODPM 2006), the majority of take up was for KWL Homebuy, followed by intermediate rent, with shared ownership being the least popular. Some of the key messages from this programme were:

- KWL was successful in enabling households to exercise housing choices, including location and house types that would not otherwise have been available to them.
- For the 'New Build' part of the programme intermediate rent comprised 92%, and 8% shared ownership. 82% of the New Build evaluation survey respondents were aged under 40 years and 19% over 40 - this was a slightly older age profile to the Homebuy option.
- For household type, 51% were single people, 15% single parents, 18% couples, and 10% couples with children. This profile includes a greater proportion of single people and single parents than was found in the Homebuy option.
- The proportion of households with incomes of less than £35,000 was 83%, higher than Homebuy at 64% (it should be remembered this evaluation was undertaken 5 years ago).
- The largest category of previous household tenure for both Homebuy and New Build was private renting (55% and 52% respectively), followed by living with family (27% and 19%), and renting from the council or another social landlord (6% and 14%). Owner occupiers accounted for 8% of both Homebuy and New Build recipients.
- The main motivation for accessing intermediate rent was 'affordability' (74%), followed by not being eligible or able to access the Homebuy scheme. 9% said they didn't want the commitment of buying, and 4% wanted to be closer to work.

Since the evaluation of KWL, English policy has moved to mainstream Homebuy schemes through housing association Homebuy agents across England where the four main subsidised housing options of equity loans, shared ownership, intermediate rent, and Rent to Homebuy are generally offered. Each agent has their own, but very similar, eligibility criteria and these are no longer exclusive to keyworkers. The most common criteria for intermediate rent are summarised as[3]:

- Households with a total income of less than £60,000 a year who cannot afford to buy a suitable home on the open market without assistance

- Applicants must be able to afford 80% of the local market rent (some suggest without further assistance i.e. Housing Benefit, some take a broader definition)

- Social tenants, either LA or housing association tenants

- Those on social housing waiting lists, key workers and other priority groups.

Intermediate Rent in England tends to come in two forms – as a stand alone rented tenure and short-term rent to ownership option. The rented option is provided by housing associations based on an Assured Shorthold Tenancy (contract period of 6 months), at 80% of the private market rented rate. Some local authorities in England are also developing this as a rented tenure to create an alternative market to relieve the pressure there is on social housing, and with 'the primary aim to provide a rental market of quality' as in the case of Birmingham City Council where 1,500 new homes are being considered over the next three years. [4] The Chartered Institute of Housing (CIH) paper *Widening the rental housing market* (2010) argues there is scope for increasing the amount of intermediate rent but urges providers to carefully analyse their local markets to be clear on the place that intermediate rent has in terms of price, product, house type and size. Analysis should be based on the links between earnings and rents; the scale of difference between market rents and social rents; households' ability to access homeownership, and the relative costs of homeownership and renting; and the role and profile of the private rented sector. It also argues that providers should be aiming to produce homes which meet local needs and improve the function of the market. This may mean that they are not able to provide the sort of properties that are most needed, but they will be helping to create better options and choices within and between submarkets or supporting transitions between different life stages.

Commonly intermediate rent in England is associated with Rent to Homebuy (launched in 2008) and intended for the occupants to rent a property for up to five years for 80% or less than market rents before they intend (and often are required to commit) to purchase at a later date. Many Homebuy agents argue that this allows tenants to live in a new home without having to obtain a mortgage in the first instance, and gives tenants the scope to save in the meantime. However, an evaluation on the scheme for the Homes and Communities Agency (HCA 2009, unpublished)[5] questioned whether 20 per cent below market rates was enough to enable tenants to save up the size of deposit demanded by lenders. It surveyed 47 Rent to Homebuy customers and found the average deposit they had accumulated was just £2,368. The customer profile from the evaluation's survey found tenants were predominantly under 45 years; the vast majority were in childless households, with half being 2-adult households and 41% single adult households; just under half had been renting privately and a third living with friends and family.

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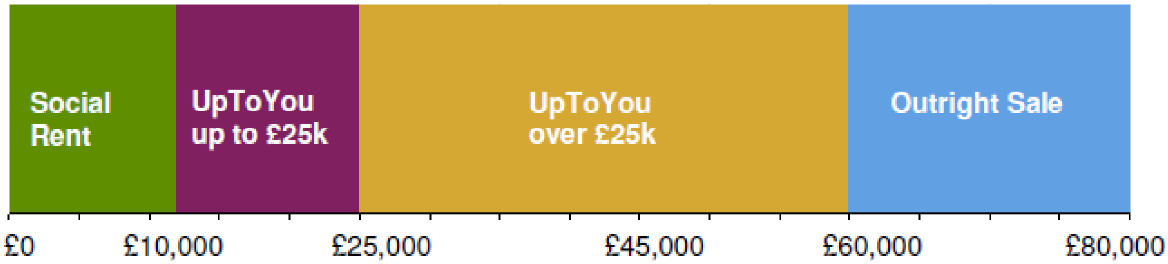
[3] www.direct.gov.uk provides the full list of Homebuy agents. A sample of eligibility criteria has been reviewed from the agents' websites.

[4] 'Birmingham to Build homes for intermediate rent', *Inside Housing* 20 May 2010

[5] HCA evaluation quoted in 'Rent to Buy deal queried', *Inside Housing* 5 June 2009, and 'Evaluating the rent to Homebuy Scheme', Campbell Tickell 2009, quoted in CIH Discussion Paper, *Future Directions in Intermediate Renting,* April 2010

Customers were very positive about the scheme particularly in respect of affordability, security, quality and the discounted rent increasing the chance of being able to buy later.

The CIH (2010) suggests there is no consensus on whether the provision of rented homes, particularly intermediate rent, should link to encouraging tenants into homeownership. It cites an example from L&Q Group which provides housing in London and the south east of England. Its products allow flexibility to meet the varying needs of the people who approach them for housing - they see this as a continuum which allows people on different incomes to choose the product which most suits their requirements. The figure below shows the way that the different products relate to different incomes, with social housing for those who most need it and LCHO products and outright sale for those who can afford it.



The two key intermediate products which L&Q have developed are called UpToYou up to £25k and UpToYou over £25k.

UptoYou up to £25k is a rent to buy product aimed specifically at low earning, priority-need working households earning between £12,000 and £25,000 per annum. The core customer group this represents is assumed to be existing social residents or low-earning singles and couples on the housing waiting list and those living in low quality private rented homes. The properties are let at 65% of market rent levels. Customers will be able to purchase a minimum share of 25% in their property after 5 years with the help of performance linked incentives from L&Q.

UptoYou over £25k is a flexible rent to buy proposition which allows customers to choose whether to rent at an 80% MMR or purchase through shared ownership. Those that choose to rent can do so indefinitely; and they also have the opportunity to purchase part of or their entire home after 6 months. The product is intended for customers with incomes of between £25,000 and £60,000 per annum and is primarily aimed at first time buyers who are locked out of the mortgage market due to large deposit requirements. To encourage customers to purchase, L&Q gifts 5% of the equity to residents who rent for more than 6 months if they purchase either a share or their entire home.

CIH argues these schemes can provide real benefits to the resident but if the aim is to meet the needs of the 'inbetweens' (those who are not in priority housing need, but do not have the income to access home ownership), then products aimed solely at feeding people into homeownership will further squeeze the 'inbetweeners' who are unable to afford such an option. Provision of a dedicated intermediate rental product with no option or expectation to buy meets a wider range of needs and could reduce pressure on the ownership market if people see a sustainable and long-term future in intermediate renting. This, along with the known fluctuations in incomes of people in this group, suggests the importance of an offer of accommodation which is flexible and would allow continued renting for some, rather than products with a fixed expectation of a move to homeownership for all.

The various different intermediate renting products in England may, over time, be superseded by the UK government's reform of social housing.[6] A new Affordable Rent product will be available to tenants up to a maximum of 80% of market rent and providers will be able to offer Affordable Rent homes on flexible tenancies, allocated in the same way as present. Where tenants are eligible for Housing Benefit it will continue to be paid in full in the same way as for social rented properties at present. The key difference discussed in the HCA paper is around flexibility in rent levels (up to 80% of gross market rents, although justification has be given where this is <u>not</u> charged) and flexibility in tenancies. Affordable Rent properties must be for a minimum period of two years but providers will have the flexibility to offer longer tenancies, including lifetime tenancies and options for tenants to purchase their home through shared ownership. For this option applicants are required to make a commitment to low cost home ownership products within five years and be able to demonstrate how the discounted rent will enable them to save a deposit (through a financial assessment).

3.3 The introduction of mid-market rent in Scotland

As outlined in Scottish Government's policy paper *Homes Fit for the 21st Century* (2011), the new housing supply context is one of reduced funding in the social rented sector and a policy steer towards the development of intermediate housing products, where demand and need is proven. This policy steer has been confirmed very recently in the Scottish Government's consultation on flexible tenancies *Affordable Rented Housing* (2012) which states that it sees a growing role for intermediate housing. The consultation also includes proposals to provide social landlords greater flexibility to provide intermediate rented housing, specifically through the use of Short Scottish Secure Tenancies.

The background in Scotland up until recently is that there has been very little promotion of intermediate rent supply, although for a limited period in the 1990s Grants for Rent or Ownership (GRO Grants) were introduced to help stimulate market rented housing (charging whatever rent levels the market would sustain) (Gibb et al, 1998). Housing association subsidiaries such as Malcolm Housing Association and Lothian Housing Association were active in this type of private rented market. A recent presentation by Bill Barron, Head of Investment and Local Strategies Group in Scottish Government suggested that while Scottish Ministers have no intention of following the English 'Affordable Rent' model which suggests rents can be up to 80% of private rents, there may be 'headroom' in the current rent levels in Scotland.[7] As a result of the national policy drive there has been a rapid expansion of the intermediate rent sector, with Edinburgh leading the way in volume terms – since March 2010 the City of Edinburgh Council has approved 1,349 MMR properties through various funding routes.[8]

There are now two Scottish Government subsidy routes for MMR – the National Housing Trust, and Housing Association Grant (HAG). There are also a number of market led models being developed in Scotland including The Resonance™ Model developed by property agents Retties and Co. Consultation for this research has demonstrated that some LAs are also using Affordable Housing Policy funds (including commuted sums and Council Tax Discount funding) to support development of MMR, and some schemes are self-funded through cross subsidy in

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[6] 2011-2015 Affordable Home Programme Framework, HCA 2011

[7] *Where now for Affordable Housing Funding*, CIH Conference, 23rd November 2011.

[8] Data supplied by City of Edinburgh Council, November 2011. Funding sources include AHIP, CEC 21st Century Homes Programme, Resonance Rental guarantee scheme, Innovation and Investment Fund, unsubsidized self funded schemes.

wider RSL developments. All of these models have sought to charge rents broadly between 80 and 90% of the Local Housing Allowance rate for the area. The change of LHA to 30 percentile means that for Phase 2 of NHT, it will be left to the discretion of local authorities to charge up to 100% of LHA, considered to be broadly equivalent of previous 84% of previous 50th percentile[9]. Many Scottish LAs are now building new houses, and in some LAs there is a rent differential between their existing and new properties, discussed further below. There is no central database providing the total MMR units in Scotland because of the various funding and delivery routes.

Apart from subsidised government and other funded schemes for new MMR provision, consultation was held with one Scottish housing association exploring a strategy to increase its MMR stock by converting existing social rent properties to mid-market rent.

Key points for these schemes are summarised below, drawing on findings from telephone interviews and from data supplied directly by consultees.

3.4 National Housing Trust

This is the Scottish Government rent guarantee model.[10] For Phase 1, as at November 2011 contracts have been agreed for nine projects involving seven developers and five local authorities. It is anticipated that Phase 1 will deliver almost 700 new affordable homes. NHT properties are rented under a short assured tenancy and aimed at households on low to moderate incomes (between approximately £17,000 and £25,000). The homes will be available for rent for 5-10 years under a short assured tenancy, after which the developer can choose to sell, with the sitting tenant having the first option to purchase. If this option is not taken up by the tenant, the property can be sold to others – whether investors, or individually on the open market. The Scottish Government is currently developing a RSL NHT variant and Phase 2 has recently been launched.

NHT Consultation findings

- The NHT consultation was undertaken in four LA areas (two cities, one urban and one rural authority) including LA representatives, developers and prospective RSL/subsidiary managing agents. The findings demonstrated the infancy of the schemes in terms of marketing and letting criteria (with housing development on-site, or not yet on-site).

- From the perspective of the three LAs consulted, the NHT is a means of providing greater supply of affordable housing, and choice for households that could not access social housing or owner occupation in pressured markets. For two LAs, it is also a means of supporting house builders and supporting employment where sites have stalled. On the issue of affordable housing being secured in perpetuity, all three LAs took a pragmatic view that the NHT could provide an affordable option for up to ten years, and also gives access to discounted housing for sale later. This was seen as “better than almost nothing” in the context of reduced resources for affordable housing.

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[9] Confirmed in telephone interview, November 2011

[10] For more information on the financial and legal model see http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/nht

- Developers saw this scheme as a means of kick starting their developments, and/or a means of meeting their Affordable Housing Policy requirements, or an additional source of borrowing.

- Future managing agents (all RSLs subsidiaries) saw it as an opportunity to provide good quality housing and choice to households with modest incomes. Prices were all at the NHT stipulated levels – 84% of LHA. The majority of consultees had not decided on final letting criteria; indeed, most wanted to keep this as broad as possible with some citing strict void performance criteria in the NHT contract as an incentive to broaden the criteria. However, it was generally envisaged households would have 'modest' household incomes between £10,000 and £40,000 (although one stated there should be no limit and the house type and location would naturally determine the market). Tenants may also come from social housing waiting lists or be nominated by the LA, and generally it is anticipated they will be in employment or have a track record of employment. One developer could not envisage the situation where current (city-based) social tenants would choose to almost double their rent by moving to one of these properties, other than if they required a specific location. The rural LA and developer confirmed that current social tenants wanting to live in high demand areas was a key target market, as were 'key-workers' and family households.

- Two schemes were developing family sized three or four bedroom houses within mixed developments of one and two bed flats, and both were keen (albeit slightly nervous) to see the results of 'testing' family sized housing for MMR. In all developments the products were to include carpets and white goods, and some would also include curtains or blinds.

- Three developers are building house types which attract the ability to secure lower deposit rates compared to flats (10%-15% rather than 25% for new build flats) which was seen as a distinct advantage for the sitting tenants should they wish to purchase later.

- Three of the developers and two LAs were actively considering a purchase deposit scheme for tenants - one of these developers had firm proposals. In this scheme the tenant could over-pay rent by £50 per month and this would be matched by £25 per month by the developer and the total put aside in a deposit account. The resulting £4,500 to go towards a deposit and it is envisaged the scheme will also help to provide proof of a saving track record and assist towards achieving a credit rating for a future mortgage.

3.5 HAG for MMR

HAG for MMR is available to non-charitable subsidiaries of RSLs which are financially viable. Properties eligible for Scottish Government grant include new build projects, off the shelf properties and rehabilitation (requiring improvement or conversion) projects. In terms of location, this should tie in with the Council's Local Housing Strategy/Strategic Housing Investment Plan. MMR grant funded properties must be available for let for at least 30 years and grant funding is not available for more than £45k per unit (based on a three person equivalent). Scottish Government guidance states that at the point of let, tenants must be employed or have received a formal letter of employment in the area of the development and an income no more than the level set by the relevant local authority's LHS/Affordable Housing Policy. Rent levels should not exceed 80% of LHA and properties are let under short assured tenancy agreements. The Scottish Government database shows that since March 2010, 293 grant funded MMR units have been approved, with 209 (80%) of these being in Edinburgh, 22 in Glasgow, 20 in Fife and 12 in Midlothian.

HAG-MMR consultation findings

Consultation was undertaken with the key players in the Edinburgh market – Lothian Homes (subsidiary of Castlerock Edinvar Housing Association) and Malcolm Homes (subsidiary of DunedinCanmore Housing Association). Consultation was also undertaken for the Aberdeen housing market with Aberdeenshire Housing Partnership, Grampian Housing Association and Next Step Homes (subsidiary of Langstane Housing Association) whose MMR activity has been categorised here, although the funding sources were either the LA's AHP budget or self-funding/cross subsidy schemes. All are let under short assured tenancies, with the exception of one development which is owned by a non charitable RSL and so properties are let as Scottish Secure Tenancies. There is some overlap in findings here with the approach described under the NHT above (as some of the MMR developers as also developers and/or managers of NHT schemes). Some also have successful bids under the Investment and Innovation Fund (IIF) for MMR properties. Separate findings are provided on Dundee's MMR stock provided through the Northern Housing Company (see 3.9 below under the section on regeneration areas).

- MMR is seen as a way of providing a choice of good quality, well managed housing at a more affordable rent than market rent, particularly in pressured areas. In Edinburgh and Aberdeen MMR has very strong demand so long as it is in the right location. For the majority of consultees, location was seen as key (near transport routes, employment sources and good amenities) and for some tenants location is said to be even more important than affordability (i.e. they will stretch their budget to get the right location). One scheme was less popular due to its longer distance to the City centre.

- Rents were all reported to be 80 to 85% of the LHA (see exception below for Dundee). In Edinburgh and Aberdeen the typical Gross MMR rent including service charges was indicated to be between £500 and £600 for one and two bedroom properties.

- Letting criteria varied but at the point of let was 'modest incomes', with the bottom of the range suggested as £12,000, but more commonly between £15,000 and £30,000 as a general guide. Providers generally do not let to HB claimants, although believe that being within LHA levels works as a safety net for those that have periods out of work. Otherwise criteria are broad and include people in work or with a history of work, and social housing waiting list applicants. Thereafter allocations are taken on a first come first served basis. In Edinburgh there is now a pilot for all MMR allocations (including NHT properties) to go through the Edindex common waiting list register to capture potential renters from the waiting list (although the letting criteria are still to the discretion of the provider). In Aberdeen City it is the expectation that there will be 50% nominations from the LA. Consultees stated that they either undertake a financial assessment to establish affordability, or at least make sure tenants understood the implications of the rent levels.

- The property types were generally flats (there were some house types in suburban or regeneration areas), one and two bedroom properties and typically city centre, or in neighbouring areas close to transport links and amenities. Properties are let with carpets, curtains (or blinds) and white goods; usually oven, hob and fridge, some with and some without washing machines. This level of furnishing was seen as critical to cement the affordability and quality of the product (see exception below for Dundee).

- None of these properties are envisaged to act as stepping stones to ownership. For the self funded scheme the Association may sell some of the MMR units in future, although not necessarily to the sitting tenant. This Association has many shared ownership and NSSE properties and believes there are a range of LCHO options to offer tenants.

- Only one consultee systematically records the tenant profile. Others suggested that their MMR tenants are mainly single people or couples, and less likely to be families. Results from recent lets of one housing association in Edinburgh shows the following tenant profile for two developments with a total of 24 properties, and gross rents ranging between £498 and £570 per month:

  - Average household income of £25,000, ranging from £18, 360 to £42,957;
  - The greatest proportion were single adults (9), followed by single parent with children (7), couples (6) and two adults with at least one child (2);
  - Occupations include nurses, prison staff, care assistants, self employed tradesmen, a retired solicitor, administrator, quantity surveyor and engineer;
  - Previous circumstances included private renting (9), living with parents (6), council or housing association tenant (4), flat sharing (2), relationship breakdown (2) and temporary accommodation (1);
  - Only three of the tenants had any savings, ranging from £1,000 to £2,500.
  - Customer survey responses provided by 15 tenants in October 2011 showed the most common reason for choosing the MMR properties were affordability (73% of respondents) and location (60%) (multiple choice). When asked what their experience of the property was 20% stated they considered the rent and service charges to be very affordable, 66% affordable, 7% average and 7% costly.

3.6 The Resonance™ Model

The Resonance™ model provides a partnership to deliver affordable properties with the capital cost shared between an RSL and a private investor. The RSL borrows against future income streams to fund the build cost, whilst the investor funds 'land' costs. The RSL rents out the units at affordable rates and keeps a percentage of the units in perpetuity, while a proportion of the units are sold to occupants, failing which on the open market after 5 to 10 years.

Resonance consultation findings

Malcolm HA (DunedinCanmore) was the only consultee with developments under this model. Their approach and experience of letting is included in the MMR findings above. The key difference is that the sitting tenants have the option to purchase the property within between 5 to 10 years of letting (similar to NHT principle). Like MMR, it is seen as a way of providing another high quality affordable housing option, with quality management, but with the option of easier access to discounted home ownership (due to savings in marketing costs). There is no deposit saving scheme, but the ability to offer tenants the option of buying 'their' home later in their preferred location is considered to be attractive to some tenants.

3.7 Local authority MMR

21st Century Homes is the name of the City of Edinburgh Council's new programme to build up to 1,400 homes for sale and for rent over the next three years. Some of the housing for rent will be set at MMR levels priced to within LHA levels (up to £456 pm for two bedroom and £552pm for a three bedroom property), although still let on SST basis[11]. This could be up to double the average CEC monthly rent of £324.40 (£74.87 per week) in 2010/11, but 63% lower than the

[11] Scottish local authorities are not permitted to let settled accommodation on anything other than an SST or SSST .

average two bedroom private rented property (£720) [12]. Many other local authorities are now building new council homes, and some charge a 'premium rent' for new build properties priced between 10% and 25% higher than their existing SST rents[13].

It should be noted that one key difference between SST and SAT is that a local authority (or RSL) is not permitted to take income into account when allocating SST properties. One of the RSL consultees raised this as a potential disadvantage for letting MMR properties under an SST.

3.8 Transferring social rented properties to MMR

One housing association consultee indicated it is currently exploring a strategy to transfer some of its social rented properties to MMR. The purpose is to restructure capital assets to release embedded values which can then be re-invested in new supply. The plan is currently being discussed with Scottish Government.

3.9 Pressured or regeneration areas?

This comparative review has shown that the majority of new MMR supply is provided in pressured areas. The literature suggests this is where MMR is likely to be most successful – where there is an affordability gap between earnings and prices, and large differentials between social and private market rents. Consultees were asked whether they consider there to be a role for MMR in regeneration areas; most suggested that there may be potential markets in these areas, so long as these areas are in the right location – access to employment and good amenities, and should be an area where there are good prospects of private investment, even if pump primed by public sector investment. Examples were provided of the Waterfront (brownfield regeneration), Craigmillar (former mono-tenure council housing estate), and Donside Mills in Aberdeen (brownfield, close to mono-tenure housing estate) all where MMR is in the pipeline or completed. Two consultees suggested it was a good way of providing a mix of incomes whilst not expecting households to 'commit their life savings in the area' through home ownership. Two consultees also reflected on the NHT initiative (or similar products with a route to home ownership) suggesting that if provided in regeneration areas it would give tenants the option to 'try before they buy' and give them some time to ensure they were happy to invest in the area. It was also mentioned that many of these regeneration areas do not have any private rented market, but if a quality, well-managed product is supplied in the right location this would help to create the market. Another consultee emphasised that MMR is a good way of providing stability – in their experience there is very low turnover in MMR, so long as it is in the right location.

Below are some notable examples where MMR is being used successfully in regeneration areas. These include Dundee, Edinburgh and a large development in Arsenal, London.

Dundee

The Northern Housing Company was originally established in 1996 to continue the activities of the former Northern Housing Association – a long established charitable organisation that has provided sub-market housing in Dundee since 1930. The company merged with the Hillcrest Group in 2010 and is now one of its subsidiaries. The Company has built up a positive reputation for contributing to the restoration and regeneration of once derelict tenements in Dundee's city

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[12] Citylets Report, Q3, 2011

[13] Survey undertaken by ALACHO on longer term sustainability of grant rates, presented by Jim Hayton at *Where now for Affordable Housing Funding*, CIH Conference, 23rd November 2011

centre, by acquiring and modernising whole or near whole tenement blocks some of which were in very low demand. One notable example is the Stobwells area of Dundee where the Company acquired derelict tenements which at that time had extremely low values. Their work contributed to the regeneration of the area, which has resulted in a more stable community, improved physical environment and higher property values.

The Northern Housing Company has 430 MMR flats – mainly in Dundee with a small number in Perth (46). Historically the company has provided housing with no subsidy, but is now expanding through various means including NHT and leasing unsold properties from private developers. It wishes to expand the portfolio of MMR across Hillcrest's area of operation including Dundee and Edinburgh.

Hillcrest Group has also been considering transferring the management of some of Hillcrest Housing Association's older social rented stock to MMR, on the basis that HAG would be waived when properties were transferred (as discussed in the Scottish Government's paper *Homes fit for the 21st Century*). However, consultation indicates that agreement with Scottish Government has not been reached on this initiative.

The gross MMR rent charged (including service charges) by the Northern Housing Company is generally 75-80% of market rents. The Company does not base their rent charge on LHA in Dundee on the basis that tends to be higher than the open market rent in the areas in which they operate. Examples of prices given through consultation (December 2011) were LHA rate of £415 across Dundee City, open market rents of £380 and Company rents of £310 for 2 bedroom flats. It was noted that because the rents are within LHA levels, this helps should someone fall out of work. The criteria for letting are based on employment and income – prospective tenants must be in employment and have an income of up to £28,000 for a single household, and £45,000 for family. Thereafter properties are let on a 'first come first served' basis, assuming suitable credit checks and references. Flats are generally City centre, one and two bedroom and let unfurnished (no carpets, curtains or white goods). The rational for unfurnishing flats is to encourage stability – the Company's experience is that the less furnishing provided, the more likely households are to invest in their furnishing and decoration and therefore stay longer. Turnover is very low, the Company currently has no voids, demand is high and there is a waiting list for the MMR properties. The Company's opinion is that private renting market is 'extremely buoyant' in Dundee, and demand for MMR very high, confirmed by a recently completed MMR demand study.

Edinburgh

City of Edinburgh Council purchased 19 unsold new-build properties from a developer in Cakemuir in the regeneration area of Craigmillar and piloted MMR through these properties. The properties were made available to applicants at the end of 2009 and all 19 were let within two weeks to working households registered on Edindex, the Common Housing Register. Rents are 78% of private sector rent for 2-bedroom properties and 65% for 3-bedroom properties. The properties are let under SST but the risk of right to buy was considered to be low. Consultation indicates that these properties are in high demand, with low turnover and making a positive contribution to mixing income profiles in the area, and the choice and quality of affordable housing in Craigmillar.

Islington, London

Arsenal Football Club's move from Highbury to their new home at Emirates stadium was the catalyst for one of the largest regeneration projects in Europe. At the outset of the programme, Islington Council was committed to ensuring that the development of the new stadium linked to the needs of local people. This led to the creation of the Arsenal Regeneration Team, which was a partnership between Islington Council, Arsenal FC and Newlon Housing Trust (the lead housing association for the project). The regeneration programme covered four wards, each of which was rated in the top 10% for deprivation in the UK, according to the Government's Index of Multiple Deprivation. The programme would also see the redevelopment of a significant area of brownfield land. The plans included the provision of more than 1,400 new homes and uniquely for a scheme this size in London, more than 50% of the new homes are affordable housing. This affordable housing includes a mix of social rented general needs housing, shared ownership and a high proportion of MMR, as well as privately owned housing. Hundreds of MMR properties have been developed. However, differing from MMR examples in Scotland, the allocation of these units has been restricted to key workers and their families only, with a household income of less than £60,000 per year. Rents are set at between 70% and 80% of the market rents in the area.

3.10 MMR experience in Glasgow

To date there has been no experience of MMR in Glasgow although there are five projects in the pipeline. These have been funded by HAG or through the Innovation and Investment Fund (IIF; two approved by Glasgow City Council, and three by Scottish Government).

- Partick Works (Partick HA) - Ferry Road – 22 MMR units as part of a mixed development of 87 units including social rent and NSSE. These properties are HAG funded and due for completion in March 2013. These will comprise a mix of one, two and three bedroom flats, priced at 84% of LHA, currently projected as £393, £500 and £530 respectively (projected rent levels to 2013 which may change). It is planned to provide these flats with white goods, and carpets and curtains are under consideration. The objective is to provide quality, affordable rented housing in a pressured area for households that cannot gain access to social rented housing, or for who private renting is unaffordable. Partick's transfer tenants will be prioritised so as to release social rented housing for those in greatest need of this type of housing.

- Home (Scotland) HA - Cathcart Road - 26 MMR units with 40 units for social rent. Funded through IIF approved by GCC. Provision of 18 houses (mix of two and three bed semi detached and terraced) and eight, two bedroom flats. All properties will be provided with white good, carpets and curtains. Rents will be set at 85% of LHA. The rationale for the development is that it is believed that the Cathcart/Mt Florida area presents many characteristics suitable for MMR market including higher proportion of emerging households unable to access social renting or ownership.

- Lowther Homes - Ibroxholme Oval - 98 MMR units. This is a conversion of one block of former GHA highrise social rented flats. These properties are IIF funded, approved by Scottish Government. The conversion will comprise a mix of one and two bedroom flats, priced at 84% LHA - £336 for one bedroom, and £422 for bedrooms. All properties will be provided with white goods, carpets and curtains. The flats were going to be demolished, but option appraisal suggested the good location, close to large employers in the area may mean it could work for MMR for key workers.

- Lowther Homes - Strachur Wharf, Lambhill – 24 units for MMR. Funded by IIF through Scottish Government. All newbuild, two bedroom flats bought 'off-the-shelf' from a developer. To be priced at 84% LHA - £422 for two bedroom and semi-furnished with white good, carpets and curtains. The rationale for this site is to unlock a stalled site that was failing as a result of the recession. Originally there were 200 units intended for housing for sale. Some have been sold to Cairn Housing Association for social rented and Open Market Shared Equity. This development is less central (5 miles out of town), and so is seen as an opportunity to test MMR in a market that is neither regeneration, nor a pressured area. It envisaged that the market will be local emerging households who want independence, but who cannot access social renting or ownership, and for whom there are few affordable private renting options in the area.

- CCG Tantallon Road – 24 units for MMR. Funded by IIF through Scottish Government. 16, two bedroom flats and eight, one bedroom flats. This site was originally intended for housing for sale, and conversion to MMR was to unlock the otherwise stalled site. Rents will be priced at £300 / 405 per month for one and two bedroom flats respectively. Properties will be provided with white good, floor covering and curtains.

From the consultation discussions undertaken for this research, it is clear that these developments are experimental in nature, with most of the providers suggesting that they are testing the market for MMR. There does not appear to be a centrally led and agreed strategy for the development of MMR across the City.

3.11 New Supply Shared Equity experience in Glasgow (NSSE)

Of relevance for this research is the experience of NSSE in Glasgow – the following summarises the GCC's anonymised database of 335 recent NSSE purchasers. Based on the literature review, it may be expected that NSSE owners are likely to be slightly younger than intermediate renters, have higher incomes and a greater proportion of family households than typically found in intermediate rented properties, although this evidence shows relatively low income levels.

- Of the 90% responding to the income question, most common total household income was £20,000-£25,000 (38%), followed by £15,000-£20,000 (28%), £25,000-£30,000 (13%), £30,000 and over (11%) and the lowest proportion under £15,000 (10%).
- Average household size of 1.9, ranging from one to five;
- Average ages of the first and second household members were 31 and 27 years respectively;
- Previous circumstances included; renting (49%), living with parents/relatives (41%), home ownership (4%) and living with friends (1%). Of those that had been renting most were in private rented housing (59%), followed by housing association (32%), Council renting (8%) and other (1%).

3.12 Chapter summary

- The most commonly used definition of mid-market rent is that proposed by Wilcox (2007), which identifies criteria against which to assess the market for intermediate rent in terms of <u>need</u> rather than demand. His definition is based on the 'narrow' and 'broad' intermediate housing market.

- The narrow definition is - *the proportion of younger working households (aged 20-39) in each area that could afford to pay more than a local housing association rent (without relying on housing benefit), but could still not afford to buy a 2 to 3 bedroom dwelling at the very low end of the local housing market (measured by lowest decile house prices).*

- The broader definition also includes those in work but on Housing Benefit at the lower end of the income distribution and those who could not afford to buy at the lowest quartile (rather than decile) at the higher end. The Wilcox analysis also includes consideration of the affordability of private rents by looking at the ratio of private renting costs to owning costs.

The comparison between the evidence in literature and recent practice shows the likely profile of intermediate / MMR tenants and products demanded as follows:

Tenant profile:

- Modest households incomes, typically under £30,000. MMR renters typically will have less income than households purchasing intermediate home ownership products;

- Most will be single people or single parents, with a lower proportion of family households compared to those taking up intermediate ownership options.

- The large majority will be aged less than 40 years old, although MMR renters may be slightly older than households interested in low cost home ownership.

- Previous circumstances will most commonly be private renting, followed by living with parents, or council/housing association tenant.

- The most common reason intermediate renters take up their properties is due to affordability and location.

The tenant profile inevitably reflects the most common letting criteria, but it is also driven by different types of products:

- Evidence on letting criteria suggests people should be in work, and there is usually a minimum and maximum household income threshold. Usually HB claimants and those that are deemed to be able to afford private renting or home ownership are excluded. Scottish experience suggests income criteria between £15,000 and £45,000 (with the higher end of the range for families). Other common criteria are social tenants, social housing waiting list applicants and 'key workers' or other priority groups.

- Evidence of the English experience suggests there are different markets for a dedicated intermediate rental product, compared with products designed with the option or expectation to buy the property at a later date. The examples provided by L&Q show different rent levels (65% or 80% of market) targeted at different household incomes, with the options of renting indefinitely or purchasing equity shares or outright ownership, with the incentive of shares contributed by the provider. There is only one concrete example of a Scottish developer offering a deposit saving scheme attached to its NHT developments, although another two developers and LAs are considering options. Findings from English Rent to Homebuy product suggest rents have to be sufficiently low to enable renters to save for a deposit.

- All MMR providers in Scotland consulted currently provide one or two bedroom flats (although family housing is currently being developed through NHT). All but two landlords provide carpets, curtains (or blinds) and white goods. For most these are seen as critical in cementing affordability. For one landlord that does not furnish the properties it believes the investment required by tenants to carpet and furnish their property increases the sense of 'ownership' and has an impact on stability and turnover.

- MMR rent levels in Scotland have all been found to be within LHA levels, but the rents set vary according to market rates. In those areas where market rents are high (Edinburgh and

Aberdeen) MMR levels tend to 80-85% of LHA (typically £500-£600 pm for 2 bedroom flat), whereas in Dundee where rent levels are lower - the one Dundee MMR provider consulted sets rents at 80% of the market rent for its areas of operation, typically equivalent to 75% of LHA (£310 for 2 bedroom flat). Even at these lower market prices there is proven demand for MMR.

- MMR is being pursued by some local authorities through their new build activity, although it is not always defined as 'MMR'. One housing association consulted is considering transferring social rented properties to MMR to lever in greater borrowing capacity, meet demand for MMR and enable more supply of social rented housing.

- The review suggests there is scope for using MMR in regeneration areas, assuming the right location and a strategy to invest in the area. The absence of private sector rented markets does not necessarily mean there is not a market for MMR; investment in sub market rented housing may be part of the pump priming required to regenerate an area and to mix the income profile of residents. Many consultees also suggested that MMR brings stability, created through affordable, high quality, well managed and well located housing.

- The majority of the experience of MMR in Scotland and elsewhere in the UK has been focused on city centre and in pressured housing markets. The focus of activity in Scotland has been in Edinburgh and Aberdeen which have the highest rents in Scotland, and higher household incomes than found in Glasgow. Dundee provides the most relevant comparable example to Glasgow, where the housing market is less pressured, and average private rents and household incomes lower; here there is also a proven market for renting at levels discounted to the private market (not necessarily discounted to LHA) for those on modest incomes. There are also examples of MMR being provided successfully in less central locations in Dundee, Edinburgh and Aberdeen.

- The MMR market in Glasgow is in its infancy. The five developments that are in pipeline present a range in size and type including new build and redevelopment proposals. Some have been brought forward to stimulate stalled sites, previously intended for housing for sale, some are new build in pressured areas, while one is a redevelopment of former social housing provision. Three out of five of these development were approved by GCC, whilst two were approved for subsidy by the Scottish Government. There is currently no centrally agreed strategy for the development of MMR in Glasgow.

4. Potential scale of the MMR market in Glasgow

4.1 Introduction

This section of the report aims to use the principles outlined in Chapter 3 to examine the potential market for MMR in Glasgow at the City-wide using a range of different data sources. The main purpose of the analysis is to estimate the potential market for MMR through analysing data on incomes, house prices, rents and household circumstances, based on the Wilcox definition of the narrow and broad intermediate market. It is important to note that throughout this section and the following section, the analysis covers existing residents of Glasgow neighbourhoods. The market for MMR in Glasgow may well extend beyond neighbourhood or City boundaries. In that sense, the estimates here are conservative.

4.2 Household and income data analysis

The analysis of the CACI PayCheck 2011[14] data and the CACI up-dated demographics 2011 at the neighbourhood level consists of the following process.

1. Assessing the overall market size of the Intermediate Housing Market, through identifying the % of households with incomes that are above the HB eligibility rate and so could afford MMR without Housing Benefit but below the rate where they could afford the lowest market prices.

2. Excluding those who are already homeowners, as they have already managed to secure housing in the market.

3. Assessing whether households are likely to be able to afford typically available mortgage products at 90% LTV for (a) lowest decile and (b) lowest quartile house prices.

4. Assessing whether the mortgage payment is affordable at the 33% affordability ratio and whether the household has access to savings of at least £1,000[15] (which a 90% LTV implies).

5. Another indicator of being able to afford market prices is the ability to afford private rents. A further test is the ability to afford rents at 100% of the LHA rate, which ensures that rents are at the lower end of the market (since LHA rates are based on lowest 30% of rents).

6. This analysis is then set against average social rents to show the rent differential between market rents, potential MMR rents and social rents.

Clearly, if the broader definition of MMR is adopted, households eligible for Housing Benefit would not be excluded from the estimates. However, the analysis above enables us to conclude the lowest levels of income required to ensure that MMR is affordable without Housing Benefit if that is the aim of the product.

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[14] Although the data is labelled as '2011' as the data for CACI PayCheck and Updated Demographics come from various sources, the 2011 indicates the date of data issue rather than the date of data collection.

[15] Unfortunately, the SHS question on savings does not collect detail about the amounts saved, beyond it being more or less than £1,000.

4.3 City-wide estimates of Mid-market rent

In this section, the estimated market for MMR is estimated using the following tests: (1) not being able to afford to buy at lowest decile and lowest quartile house prices; (2) not being able to afford average PRS rents or 100% LHA rates. These two are calculated at the City-wide level using the Scottish Household Survey data alongside house price and Citylets rents data. (3) an income threshold for Housing Benefit eligibility.

(1) Not being able to afford lowest decile or quartile house prices.

For the year 2010-2011 the lowest decile house price was £61,888 and the lowest quartile house price was £84,770[16]. Table 5 shows the mortgage costs and implied net monthly incomes for that level of house price with an LTV rate of 90%. SHS data suggest that an LTV of 75% is not at all feasible for the majority of Glasgow households due to low savings levels (see below).

Table 5: Income scenarios – based on different house price assumptions and mortgage costs

Property prices	Mortgage costs – 4.5%*	Net monthly income - 33%	Mortgage costs – 7%	Net monthly income – 33%
Lowest Decile (£61,888)	£310	£930	£394	£1,182
Lowest Quartile – (£84,770)	£424	£1,272	£539	£1,617

* Mortgage calculated on 4.5% overall interest rate, based on the average of top ten mortgage rates from moneysupermarket.com at 25th November 2011. Overall interest rate is the total cost of mortgage once interest rate and all charges are factored in. It is averaged over the period including fixed and subsequent rates. Mortgage assumed to be repayment (capital and interest), with average of the top ten for first time buyers with mortgages of 90% LTV. A sensitivity on the base mortgage rate has also been run at 7%, anticipating that mortgage rates may increase over the next few years.

Table 5 shows the net monthly incomes associated with the two interest rate calculations at the 33% affordability thresholds at each house price level (lowest decile and lowest quartile). So based on being able to afford the lowest decile house price of £61,888 a net income of £930 a month would be required at an interest rate of 4.5% to spend no more than 33% of the household's net income on housing. Assuming a higher interest rate of 7% would need net household incomes of £1,182 at 33%.

Affordability based on lowest quartile house prices would need a net household income of £1,272 at the 33% affordability level (where less than 33% of net income is spent on housing costs) and a 4.5% interest rate. A higher interest rate (7%) would increase the net monthly income required to £1,617.

Table 6 shows the extent to which households aged under 45 years might be expected to be able to afford market housing. Table 6 is based on lowest decile and lowest quartile prices at 4.5% and 7% interest rates.

[16] Including new-build properties

Table 6: SHS income analysis - % of households where the Highest Income Householder is aged <45 years

Lowest decile house prices (£310 pcm)	Net monthly income - 33% (4.5% interest rate)	Net monthly income - 33% (7% interest rate)
(a) On Housing Benefit	18.7	18.7
(b) Income above threshold and has savings	4.0	3.8
(c) Already a homeowner	48.5	48.5
(d) MMR – Income above threshold but no savings	19.0 (23,500)	15.9 (19,600)
(e) MMR – Income below threshold (regardless of savings)	9.8 (12,150)	13.2 (16,250)
Estimate of market for MMR*: No. households (sum d+e)	**35,650**	**35,850**
Lowest quartile house prices (£424 pcm)		
(a) On Housing Benefit	18.7	18.7
(b) Income above threshold and has savings	3.7	2.9
(c) Already a homeowner	48.5	48.5
(d) MMR – Income above threshold but no savings	13.4 (16,550)	8.9 (11,000)
(e) MMR – Income below threshold (regardless of savings)	15.7 (19,400)	21.1 (26,050)
Estimate of market for MMR: No. households (sum d+e)	**35,950**	**37,050**
Total Glasgow household population (private households)	**282,200 (129,800 aged under 45)**	

Source: Scottish Household Survey 2009-10 dataset * Using the SHS Grossing weight to calculate the number of households, based on GRO 2010 household population estimates.

What is evident in the different scenarios is the lack of savings among younger Glasgow households, which has a considerable impact on the affordability of owning. 25% of young Glasgow households have savings of more than £1,000, compared with 35% of younger households in Scotland overall[17].

The estimates of the market for mid-market rent range from 28.8% of those aged under 45 years (35,650 households) assuming lowest decile house prices and a 4.5% interest rate, to 30.0% (37,050 households) assuming lowest quartile house prices and a 7% interest rate. Lack of access to savings affects a third of households in the lower quartile model and two-thirds in the lowest decile model.

Of the overall estimate of 36,000 to 37,000 households in the market for MMR, the Scottish Household Survey data suggests that 43% of these (an estimated 15,400) are in the most deprived 15% of datazones.

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[17] Scottish Household Survey 2009-2010, younger households are those where the Highest Income Household is aged under 45 years.

(2) Not being able to afford private rents

Table 7 shows the proportion of households that could not afford average rents for a 2-bedroom property, based on mean private rents for Q2 2011 and the 2011 LHA rates on a 2-bedroom property. Again, the 33% affordability threshold is used and those currently on HB and owners are treated separately.

Table 7: SHS income analysis - % of households aged under 45 not able to afford average private rents and LHA rents (excluding owners and those on HB)

Mean rent for a 2-bed property	Net monthly income - 33%	Estimate No. households
PRS £614 pcm	23%	28,450
LHA £495 pcm	19%	23,900

PRS – Citylets data Q3 2011 (mean 2-bedroom rent), LHA – GCC April 2011 2-bedroom rate; Scottish Household Survey 2009-10 dataset

Just under a quarter of younger households (an estimated 28,450 households) would be unable to afford average private rented sector rents, assuming an affordability ratio of 33%. Almost 20% of younger households (an estimated 23,900 households) would not be able to afford rents at the LHA rate of £495 a month, based on a 33% affordability ratio. As above, analysis of the Scottish Household Survey data suggests that 44% of those unable to afford average private rents are in the most deprived 15% of datazones.

It is important to note that Tables 6 and 7 include all households where the Highest Income Householder is under 45 years old. We might expect larger households and those with children to have more complex affordability issues that are not captured by assessing household incomes and housing costs. There will also be households who we determine unable to be able to afford to rent or buy who do. Indeed, some current owners also have lower incomes not included in this analysis.

Comparing Table 5 and Table 7, we can see that the significant impediment to access to ownership is not having savings, since the mortgage costs of a property in the lowest house price decile or quartile are considerably lower than average private rents. In the lower price affordability model, the lack of savings contributes to around two-thirds of the estimate. This might suggest that the 'true' market for MMR is closer to those unable to afford private renting, with a sub-market of households who would be able to afford owning in future.

Working backwards from potential rent levels, we can assess the household income required based on different likely MMR options. The most common models are 80%, 84% or 100% LHA rates. The English model tends to use 80% of private rent levels. Table 8 shows the different income levels associated with different levels of LHA and at mean and 80% PRS. The income levels required range from £17,350 at 80% LHA to £22,500 assuming 100% LHA, and compares to £28,800 for an average private rented 2 bedroom flat at a 33% affordability ratio.

Table 8: Income affordability scenarios – based on different LHA assumptions

% of 2-bed rent	Rents	Net monthly income - 33%	Gross annual income - 33%
Mean PRS	£614pcm	£1,842.00	£28,800.00
80% of the mean PRS	£491.20	£1,473.60	£22,300.00
100% LHA	£495.00	£1,484.99	£22,500.00
84% LHA	£415.80	£1,247.39	£18,400.00
80% LHA	£396.00	£1,187.99	£17,350.00

Like the house price assessment above, it is useful to consider the role of Housing Benefit thresholds in setting MMR rents. For instance, should rents be set so that only people who are not eligible for Housing Benefit afford MMR? Certainly, in Wilcox's work, eligibility for Housing Benefit is an indicator of the inability to afford MMR. The following third test therefore considers what the *minimum* income would be, assuming the narrow definition of MMR was to be used and those households eligible for Housing Benefit were not considered for MMR at the point of let of the property[18].

(3) Above the Housing Benefit eligibility threshold

The rules around Housing Benefit entitlement are complex and so some households with higher incomes might be eligible for Housing Benefit depending on what incomes they receive. However, looking at SHS data suggests that 7% of households (79% of single people) in receipt of Housing Benefit have annual net incomes of less than £15,000 a year. The mean net annual income of those with Housing Benefit is around £13,000 while the median is around £12,000. This suggests that the minimum net annual income for eligibility needs to be around £15,000 to target MMR at above Housing Benefit income levels.

4.4 Chapter summary

- There is a substantial market for mid-market rent (MMR) ranging from around 24,000 of households aged under 45 years currently unable to afford Local Housing Allowance level rents to 28,500 unable to afford average private rents.
- The estimates based on not being able to afford to own are higher, at around 36,000-37,000. Excluding those without savings reduces this figure to between 12,200 to 19,400.
- The overall estimate of the market is likely to be around 10% of the current Glasgow household population.
- The lack of savings contributes significantly to access to mortgage finance. The estimated 'market' for mortgage-guarantee or savings-orientated solutions is 16,500 based on lowest quartile house prices or 23,500 households based on lowest decile prices (at 4.5% mortgage interest rate).

[18] It is acknowledged that circumstances change and households may move in and out of Housing Benefit eligibility, but the definition adopted in these MMR 'tests' assume that prospective tenants are not claiming HB at the point of let.

- Almost half of those in the market for MMR, based on current residents, are in the 15% most deprived datazones. This clearly suggests a strong regeneration role for MMR.
- The likely income threshold for MMR to be affordable is between £15,000 (above the Housing Benefit threshold) and £30,000, although this may vary for larger households and by local markets.

5. Area analysis

5.1 Introduction

The area analysis undertaken for this study is at a neighbourhood basis. There are ten planning areas in Glasgow, each with five or six neigbourhoods to make a total of 56 of roughly 10,000 households. These areas are shown in the maps and tables included below.

There are two methods by which area analysis has been undertaken:

- The first considers a range of market indicators, which when taken together provide conclusions as to which neighbourhoods show the greatest potential market for MMR.

- The second is to produce modelled estimates of the prevalence of MMR under four different scenarios, using a methodology produced by Ipsos MORI (see methodology below).

Whilst this work has produced reliable estimates the neighbourhood level, the challenges associated with deriving estimates at sub-market level should not be underestimated; this has been discussed in a recent Scottish Government paper which highlights the complexity in assessing demand for intermediate rented housing.[19] Inevitably at the neighbourhood level there are some limitations, and in particular that a 'neighbourhood' size of 10,000 households will not necessarily capture considerable local area variations. These limitations relate to the use of averages over large areas, for the whole range of datasets including house prices, rental levels and household income. For example, some areas which intuitively should show higher or lower mean house prices than may be expected, may be skewed by pockets of particularly affluent or poor local areas within neighbourhoods and so may show a higher or lower potential for MMR than expected. This means further local market appraisal will be required at the point of development proposal. There will also be some smaller areas where market indicators do not suggest a market for MMR but where the objective is to diversify household incomes and tenure by attracting households currently living outwith the area; TRAs and other regeneration areas will be particularly relevant here.

5.2 Market indicators

The following sets out a range of market indicators and neighbourhood characteristics, which when taken together help identify locations with larger potential MMR markets. These indicators comprise:

- House prices relative to incomes
- Private renting costs, and ratios of PRS relative to social renting and the LHA
- proportion of younger adults (aged under 45 years),
- proportion of households in junior managerial and technical occupations (C1 and C2)
- household type – single/couples, families, older singles/pensioners
- areas of mixed economic activity (% employed/economically active)

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[19] Report on Assessing the Scale of Demand for Intermediate Renting in Scotland, 2012
See http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/marketcontextmaterials/IntermediateRentingReport

- minority ethnic communities
- more mixed tenures – (% of dominant tenure, % in PRS)
- evidence of market pressure (high demand for social renting).

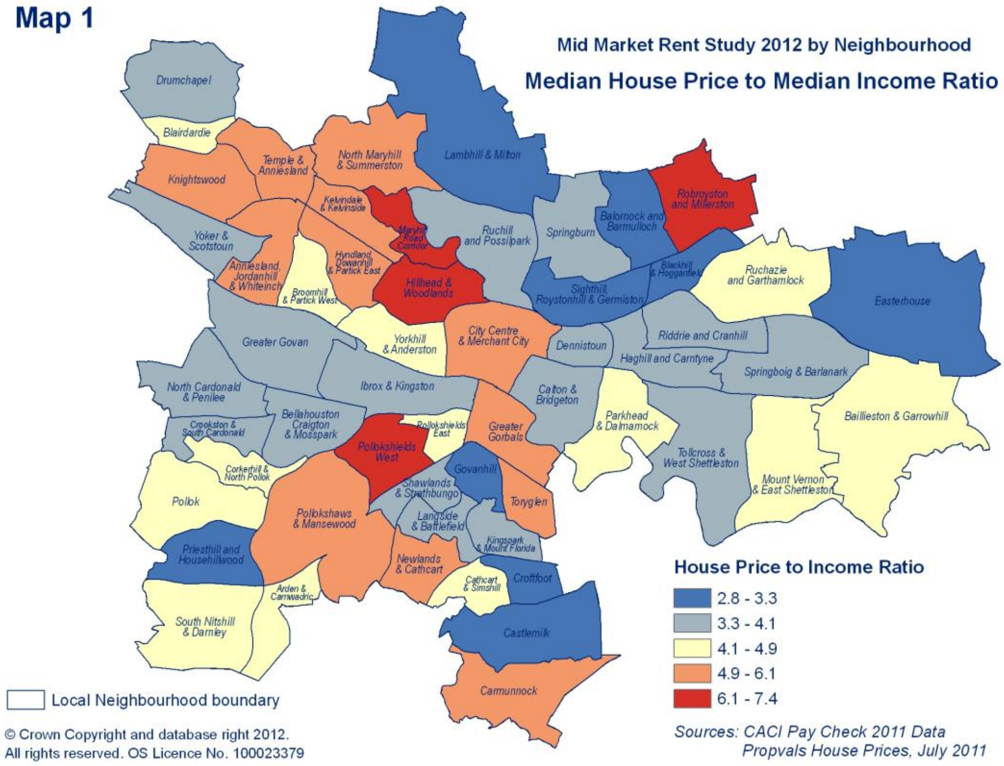
Appendices A1 to A5 show the analysis of house prices, household incomes, private rents and the other characteristics of households and housing markets by neighbourhood.

Area incomes and housing costs data

One strong indicator of the potential for MMR is where house prices are high relative to incomes, and are therefore relatively unaffordable. Map 1 shows areas of higher house prices relative to incomes in the West End, City Centre and South Side and the lowest in parts of the East End. The full list of incomes and house prices for different areas appears at Table A2 in Appendix 1.

The analysis might suggest that in areas of low house price to income ratio owning should be affordable, but access to mortgage finance might be problematic at current mortgage loan-to-value rates. Scottish Household Survey data for 2009-10 suggests that 39% of all households in Glasgow have no savings, and a further 16% have less than £1,000 in savings. In the under 45 age group, 45% have no savings and 18% have less than £1,000 in savings. In the under 35 year age group 48% have no savings and 18% have less than £1,000 in savings.

Map 1



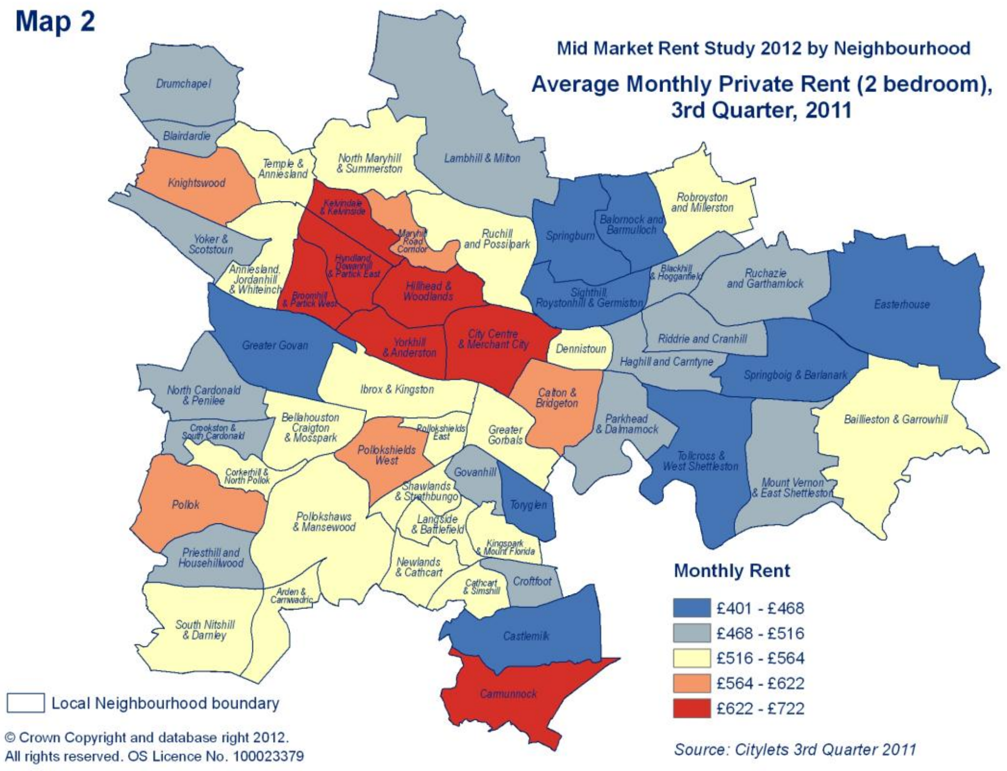
Private renting costs and the market for MMR

Another indicator for the potential of MMR is where private rents are relatively high, and the differentials between social rents and LHA are high. Map 2 shows a comparison of the average (mean) rent for a 2-bedroom property in each neighbourhood for private rented properties based on Citylets data (Quarter 3, 2011). Again, the West End, City Centre and South Side show higher mean rents. The data presented in Map 2 is based on Citylets data, which covers an estimated 65-70% of the market. A trawl of other websites suggested an average of £577pcm compared to Citylet's £614pcm. Full details of average private rents, Local Housing Allowance and average RSL rents are shown in Appendix A3.

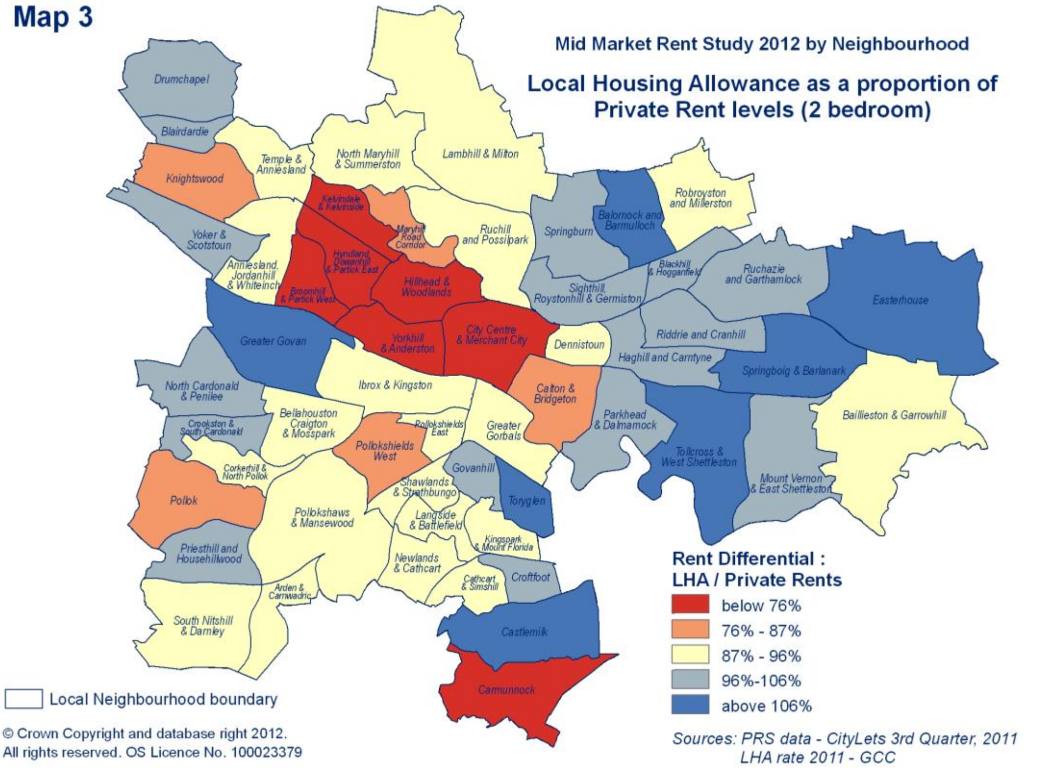
The West End, City Centre and South Side also have a greater differential between the Local Housing Allowance and private rents (Map 3) and between RSL rents and private rents (Map 4). Rent differentials are widest in the City Centre/Merchant City, Hyndland/Dowanhill/Partick East, Broomhill/Partick West, Hillhead/Woodlands and Kelvindale/Kelvinside.

There are a number of areas where the differential between the LHA rate and the average private sector rent is very small or negative (i.e. LHA exceeds average PRS rent)(Map 3). These may be areas where the market for MMR may appear smaller as private rents are low. These include Easterhouse, Castlemilk, Toryglen, Springboig/Barlanark and Balornock/Barmulloch. However, these areas tend to have very low rates of private renting (with the exception of Govanhill), so there may be a market for more renting of any sort in these areas.

Map 2



Map 3


Mid Market Rent Study 2012 by Neighbourhood
Local Housing Allowance as a proportion of Private Rent levels (2 bedroom)
Drumchapel
Blairdardie
Knightswood
Temple & Anniesland
North Maryhill & Summerston
Lambhill & Milton
Yoker & Scotstoun
Anniesland, Jordanhill & Whiteinch
Kelvindale & Kelvinside
Maryhill Road Corridor
Hyndland Dowanhill & Partick East
Broomhill & Partick West
Hillhead & Woodlands
Ruchill and Possilpark
Springburn
Balornock and Barmulloch
Robroyston and Millerston
Blackhill & Hogganfield
Ruchazie and Garthamlock
Sighthill, Roystonhill & Germiston
Easterhouse
Greater Govan
Yorkhill & Anderston
City Centre & Merchant City
Dennistoun
Riddrie and Cranhill
Haghill and Carntyne
Springboig & Barlanark
North Cardonald & Penilee
Ibrox & Kingston
Calton & Bridgeton
Bellahouston Craigton & Mosspark
Crookston & South Cardonald
Pollokshields East
Greater Gorbals
Parkhead & Dalmarnock
Baillieston & Garrowhill
Pollokshields West
Corkerhill & North Pollok
Govanhill
Tollcross & West Shettleston
Pollok
Shawlands & Strathbungo
Toryglen
Mount Vernon & East Shettleston
Pollokshaws & Mansewood
Langside & Battlefield
Kingspark & Mount Florida
Priesthill and Househillwood
Newlands & Cathcart
Cathcart & Simshill
Croftfoot
Arden & Carnwadric
South Nitshill & Darnley
Castlemilk
Carmunnock
Rent Differential :
LHA / Private Rents
below 76%
76% - 87%
87% - 96%
96%-106%
above 106%
Local Neighbourhood boundary
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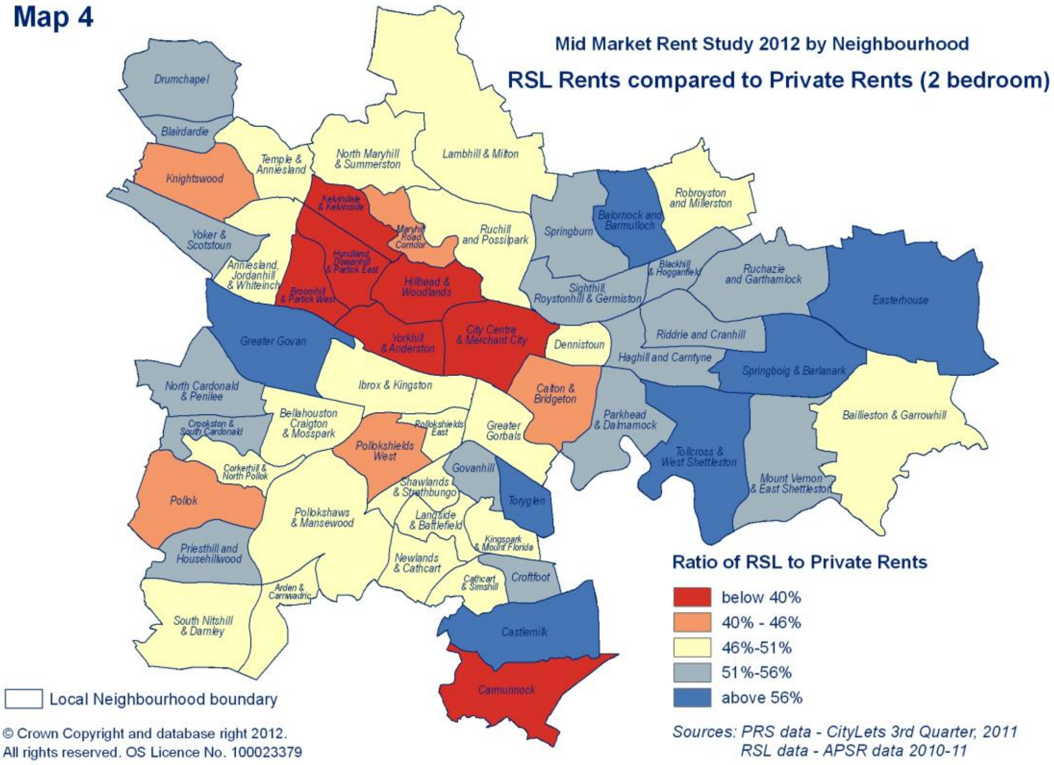
Sources: PRS data - CityLets 3rd Quarter, 2011
LHA rate 2011 - GCC

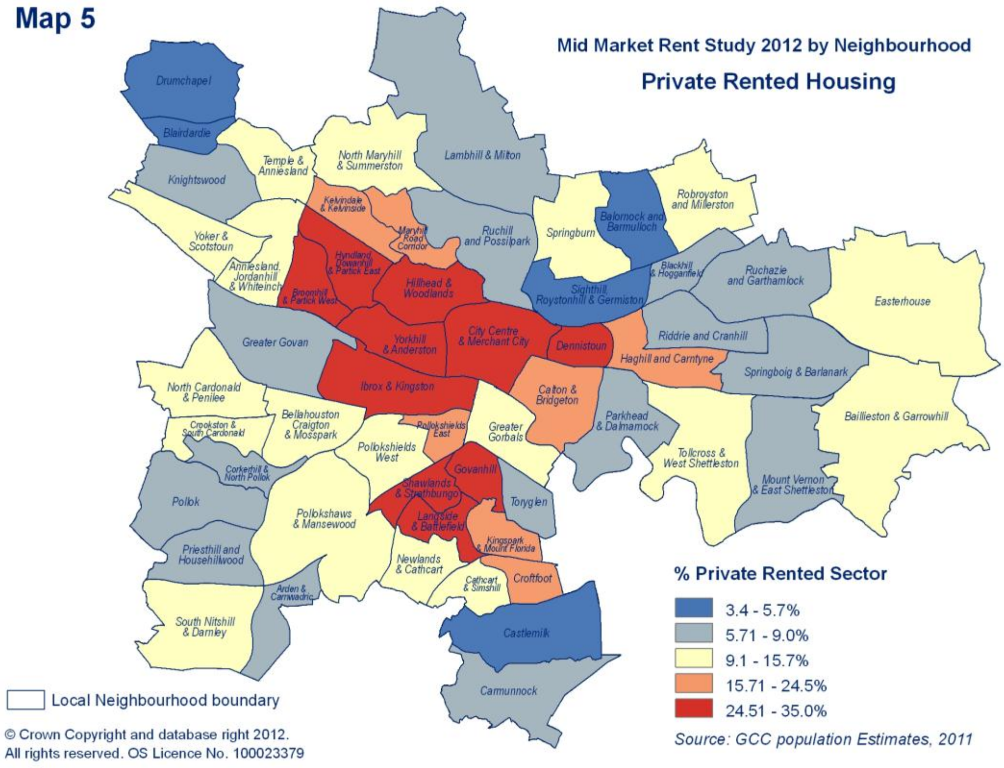
Map 4


Mid Market Rent Study 2012 by Neighbourhood
RSL Rents compared to Private Rents (2 bedroom)
Drumchapel
Blairdardie
Knightswood
Temple & Anniesland
North Maryhill & Summerston
Lambhill & Milton
Yoker & Scotstoun
Anniesland, Jordanhill & Whiteinch
Kelvindale & Kelvinside
Maryhill Road Corridor
Hyndland Dowanhill & Partick East
Broomhill & Partick West
Hillhead & Woodlands
Ruchill and Possilpark
Springburn
Balornock and Barmulloch
Robroyston and Millerston
Blackhill & Hogganfield
Ruchazie and Garthamlock
Sighthill, Roystonhill & Germiston
Easterhouse
Greater Govan
Yorkhill & Anderston
City Centre & Merchant City
Dennistoun
Riddrie and Cranhill
Haghill and Carntyne
Springboig & Barlanark
North Cardonald & Penilee
Ibrox & Kingston
Calton & Bridgeton
Bellahouston Craigton & Mosspark
Crookston & South Cardonald
Pollokshields East
Greater Gorbals
Parkhead & Dalmarnock
Baillieston & Garrowhill
Pollokshields West
Corkerhill & North Pollok
Govanhill
Tollcross & West Shettleston
Pollok
Shawlands & Strathbungo
Toryglen
Mount Vernon & East Shettleston
Pollokshaws & Mansewood
Langside & Battlefield
Kingspark & Mount Florida
Priesthill and Househillwood
Newlands & Cathcart
Cathcart & Simshill
Croftfoot
Arden & Carnwadric
South Nitshill & Darnley
Castlemilk
Carmunnock
Ratio of RSL to Private Rents
below 40%
40% - 46%
46%-51%
51%-56%
above 56%
Local Neighbourhood boundary
© Crown Copyright and database right 2012.
All rights reserved. OS Licence No. 100023379
Sources: PRS data - CityLets 3rd Quarter, 2011
RSL data - APSR data 2010-11

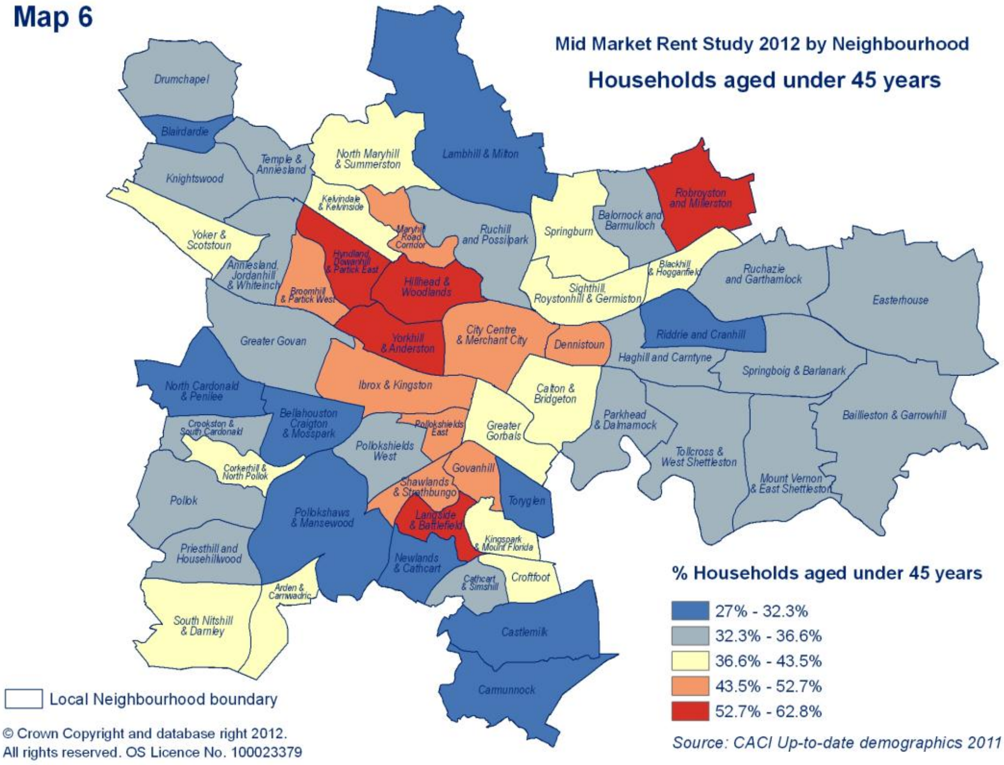
The characteristics of neighbourhoods

Maps 5 to 10 below show the profile on neighbourhoods across Glasgow in terms of the key features discussed above. Where there particular concentrations of these neighbourhood characteristics, it may be concluded that there may be a greater potential for MMR. Where there are concentrations of ethic communities and private renting, there may be the need to develop particular affordable housing solutions including larger sized properties.

- % in private renting
- younger adults (aged under 45 years),
- in junior managerial and technical occupations (C1 and C2)
- the % of households that are single/couples
- % economically active
- % in minority ethnic communities.



Map 6



Mid Market Rent Study 2012 by Neighbourhood
Households aged under 45 years
Drumchapel
Blairdardie
Temple & Anniesland
North Maryhill & Summerston
Lambhill & Milton
Knightswood
Kelvindale & Kelvinside
Maryhill Road Corridor
Ruchill and Possilpark
Springburn
Balornock and Barmulloch
Robroyston and Millerston
Yoker & Scotstoun
Anniesland, Jordanhill & Whiteinch
Broomhill & Partick West
Hyndland, Dowanhill & Partick East
Hillhead & Woodlands
Blackhill & Hogganfield
Ruchazie and Garthamlock
Sighthill, Roystonhill & Germiston
Easterhouse
Greater Govan
Yorkhill & Anderston
City Centre & Merchant City
Dennistoun
Riddrie and Cranhill
Haghill and Carntyne
Springboig & Barlanark
North Cardonald & Penilee
Ibrox & Kingston
Calton & Bridgeton
Crookston & South Cardonald
Bellahouston Craigton & Mossparl
Pollokshields East
Greater Gorbals
Parkhead & Dalmarnock
Baillieston & Garrowhill
Corkerhill & North Pollok
Pollokshields West
Govanhill
Tollcross & West Shettleston
Shawlands & Strathbungo
Pollok
Toryglen
Mount Vernon & East Shettleston
Pollokshaws & Mansewood
Langside & Battlefield
Kingspark & Mount Florida
Priesthill and Househillwood
Newlands & Cathcart
Arden & Carnwadric
Cathcart & Simshill
Croftfoot
South Nitshill & Darnley
Castlemilk
Carmunnock
% Households aged under 45 years
27% - 32.3%
32.3% - 36.6%
36.6% - 43.5%
43.5% - 52.7%
52.7% - 62.8%
Local Neighbourhood boundary
Source: CACI Up-to-date demographics 2011
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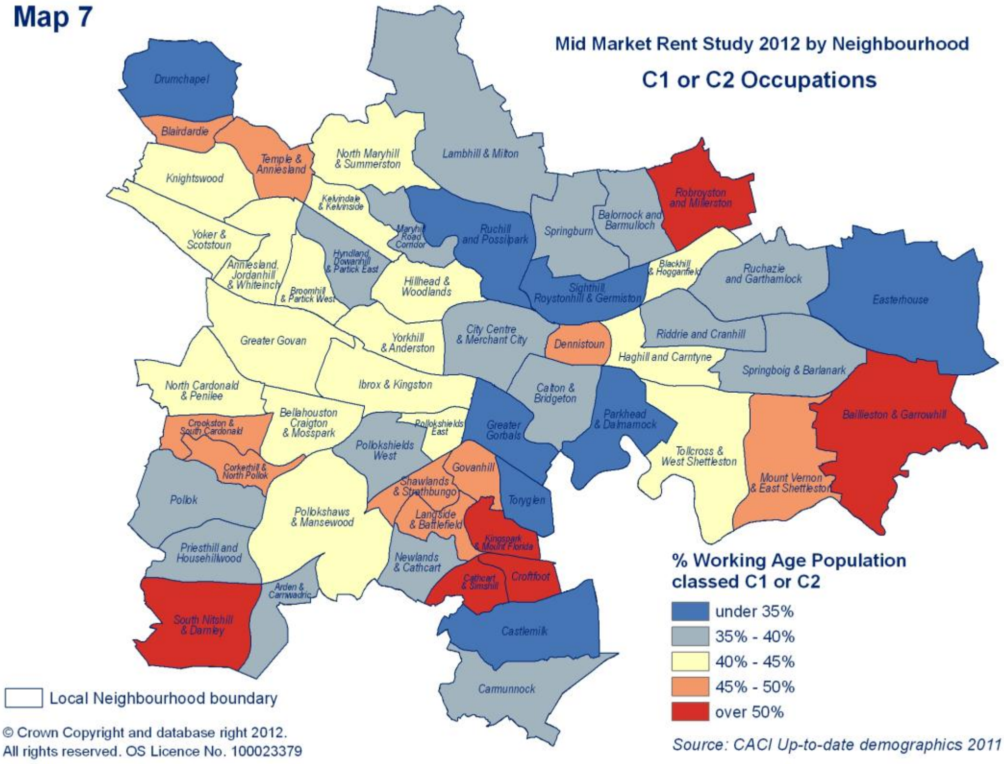
Map 7



Mid Market Rent Study 2012 by Neighbourhood
C1 or C2 Occupations
Drumchapel
Blairdardie
Temple & Anniesland
North Maryhill & Summerston
Lambhill & Milton
Knightswood
Kelvindale & Kelvinside
Maryhill Road Corridor
Ruchill and Possilpark
Springburn
Balornock and Barmulloch
Robroyston and Millerston
Yoker & Scotstoun
Anniesland, Jordanhill & Whiteinch
Broomhill & Partick West
Hyndland, Dowanhill & Partick East
Hillhead & Woodlands
Blackhill & Hogganfield
Ruchazie and Garthamlock
Sighthill, Roystonhill & Germiston
Easterhouse
Greater Govan
Yorkhill & Anderston
City Centre & Merchant City
Dennistoun
Riddrie and Cranhill
Haghill and Carntyne
Springboig & Barlanark
North Cardonald & Penilee
Ibrox & Kingston
Calton & Bridgeton
Crookston & South Cardonald
Bellahouston Craigton & Mossparl
Pollokshields East
Greater Gorbals
Parkhead & Dalmarnock
Baillieston & Garrowhill
Corkerhill & North Pollok
Pollokshields West
Govanhill
Tollcross & West Shettleston
Shawlands & Strathbungo
Pollok
Toryglen
Mount Vernon & East Shettleston
Pollokshaws & Mansewood
Langside & Battlefield
Kingspark & Mount Florida
Priesthill and Househillwood
Newlands & Cathcart
Arden & Carnwadric
Cathcart & Simshill
Croftfoot
South Nitshill & Darnley
Castlemilk
Carmunnock
% Working Age Population classed C1 or C2
under 35%
35% - 40%
40% - 45%
45% - 50%
over 50%
Local Neighbourhood boundary
Source: CACI Up-to-date demographics 2011
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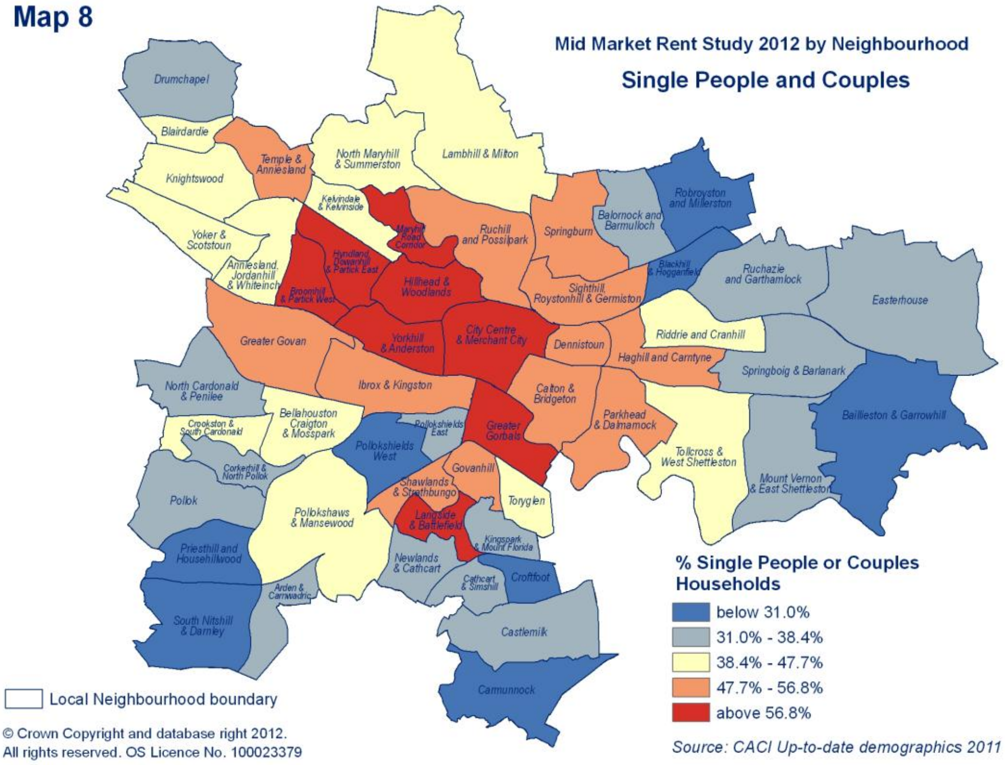
Map 8



Mid Market Rent Study 2012 by Neighbourhood
Single People and Couples
Drumchapel
Blairdardie
Knightswood
Temple & Anniesland
North Maryhill & Summerston
Lambhill & Milton
Kelvindale & Kelvinside
Maryhill Road Corridor
Yoker & Scotstoun
Anniesland, Jordanhill & Whiteinch
Hyndland, Dowanhill & Partick East
Broomhill & Partick West
Hillhead & Woodlands
Ruchill and Possilpark
Springburn
Balornock and Barmulloch
Robroyston and Millerston
Blackhill & Hogganfield
Ruchazie and Garthamlock
Easterhouse
Sighthill, Roystonhill & Germiston
Greater Govan
Yorkhill & Anderston
City Centre & Merchant City
Dennistoun
Riddrie and Cranhill
Haghill and Carntyne
Springboig & Barlanark
Ibrox & Kingston
North Cardonald & Penilee
Calton & Bridgeton
Baillieston & Garrowhill
Bellahouston Craigton & Mosspark
Pollokshields East
Greater Gorbals
Parkhead & Dalmarnock
Crookston & South Cardonald
Pollokshields West
Tollcross & West Shettleston
Corkerhill & North Pollok
Govanhill
Shawlands & Strathbungo
Toryglen
Mount Vernon & East Shettleston
Pollok
Pollokshaws & Mansewood
Langside & Battlefield
Kingspark & Mount Florida
Priesthill and Househillwood
Newlands & Cathcart
Arden & Carnwadric
Cathcart & Simshill
Croftfoot
South Nitshill & Darnley
Castlemilk
Carmunnock
% Single People or Couples Households
below 31.0%
31.0% - 38.4%
38.4% - 47.7%
47.7% - 56.8%
above 56.8%
Local Neighbourhood boundary
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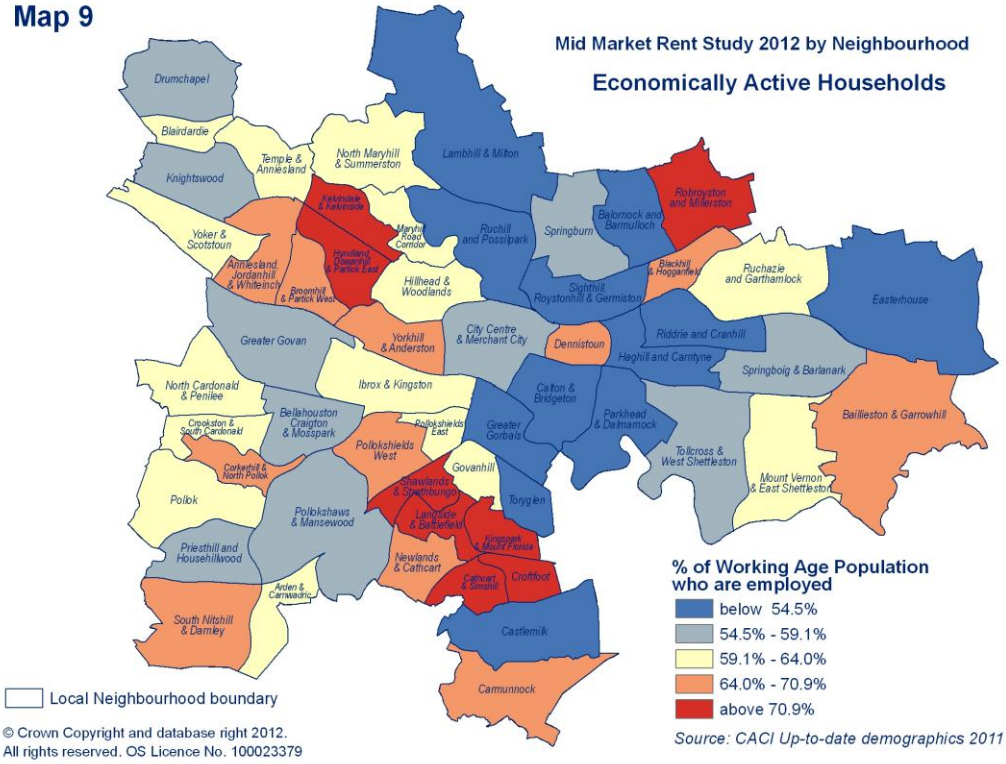
Source: CACI Up-to-date demographics 2011

Map 9



Mid Market Rent Study 2012 by Neighbourhood
Economically Active Households
Drumchapel
Blairdardie
Knightswood
Temple & Anniesland
North Maryhill & Summerston
Lambhill & Milton
Kelvindale & Kelvinside
Maryhill Road Corridor
Yoker & Scotstoun
Anniesland, Jordanhill & Whiteinch
Hyndland, Dowanhill & Partick East
Broomhill & Partick West
Hillhead & Woodlands
Ruchill and Possilpark
Springburn
Balornock and Barmulloch
Robroyston and Millerston
Blackhill & Hogganfield
Ruchazie and Garthamlock
Easterhouse
Sighthill, Roystonhill & Germiston
Greater Govan
Yorkhill & Anderston
City Centre & Merchant City
Dennistoun
Riddrie and Cranhill
Haghill and Carntyne
Springboig & Barlanark
Ibrox & Kingston
North Cardonald & Penilee
Calton & Bridgeton
Baillieston & Garrowhill
Bellahouston Craigton & Mosspark
Pollokshields East
Greater Gorbals
Parkhead & Dalmarnock
Crookston & South Cardonald
Pollokshields West
Tollcross & West Shettleston
Corkerhill & North Pollok
Govanhill
Shawlands & Strathbungo
Toryglen
Mount Vernon & East Shettleston
Pollok
Pollokshaws & Mansewood
Langside & Battlefield
Kingspark & Mount Florida
Priesthill and Househillwood
Newlands & Cathcart
Arden & Carnwadric
Cathcart & Simshill
Croftfoot
South Nitshill & Darnley
Castlemilk
Carmunnock
% of Working Age Population who are employed
below 54.5%
54.5% - 59.1%
59.1% - 64.0%
64.0% - 70.9%
above 70.9%
Local Neighbourhood boundary
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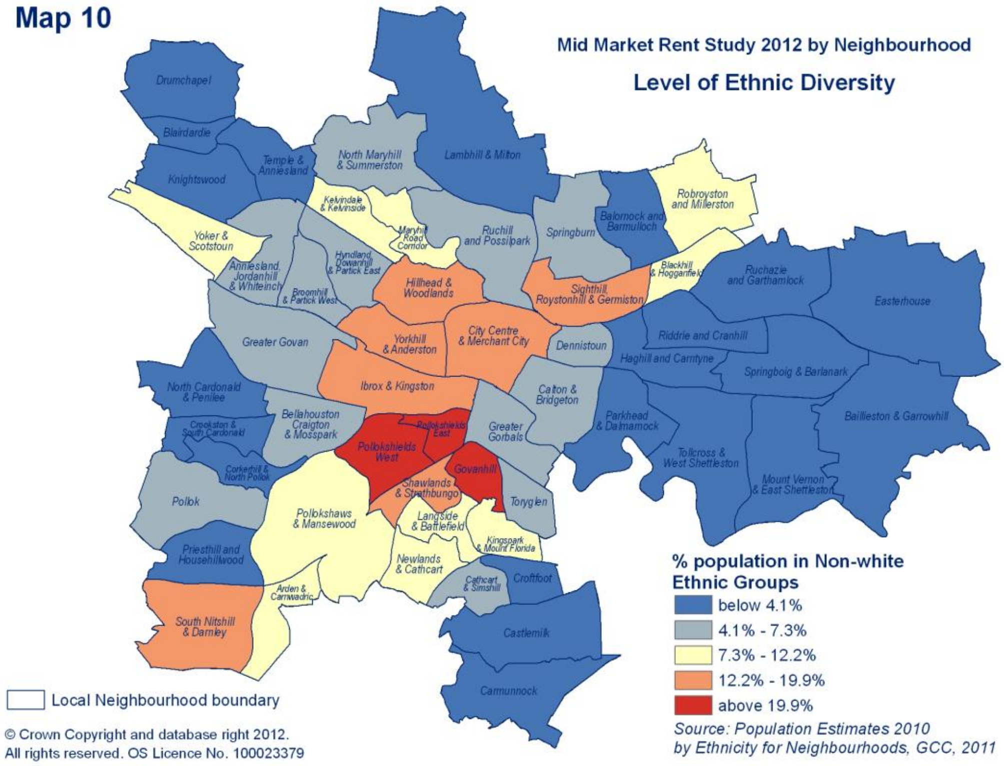
Source: CACI Up-to-date demographics 2011

Map 10



Pressure in social renting

One purpose of MMR might be to take pressure off of social housing areas where demand far outstrips housing supply. Table 9 shows the top and bottom 10 'pressured areas' from Glasgow Housing Association's allocations databases. The full list is shown in Appendix 1, Table 5.

Table 9: Housing pressure in GHA Local Housing Organisations

LHO – top ten	**Housing pressure indicator**
Nth Maryhill	123.4
Dennistoun	75.1
Shawlands	66.5
Mosspark	55.7
Nth Knightswood	50.1
Anniesland	47.7
Crookston	36.2
Partick/Hillhead	34.7
West Baillieston	27.3
Hillington/Berryknowes	25.2
LHO – bottom ten	**Housing pressure indicator**
Cranhill	2.6
Dougrie Heights	2.5
Valley	2.3
Sighthill	2.2
Nitshill	2.1
Milton	1.9
Carnwadric	1.9
Broomhill	1.6
Linkwood Crescent	0.8
Broadholm	0.6

Source: GHA waiting list data, October 2011

Other indicators of housing pressure include low level of lets relative to number of applicants. Table 10 shows the 10 postcode sectors in Glasgow with the fewest new lets during the 2010-2011 data period, from SCORE. Table 11 shows an analysis of applicant to let ratios based on data provided by the Scottish Housing Regulator.

Table 10: Housing pressure by postcode areas (Fewest lets 2010-2011)

Postcode Sector	Location	Number of lets	% of all lets
G12	Hyndland/Hillhead	31	0.4%
G69	Baillieston	31	0.4%
G2	City Centre	36	0.4%
G1	Merchant City	38	0.5%
G44	Cathcart/Croftfoot	44	0.5%
G23	Summerston/Lambhill	98	1.2%
G34	Easterhouse	116	1.4%
G41	Pollokshields	127	1.6%
G11	Broomhill/Thornwood	130	1.6%
G43	Newlands	143	1.8%

Source: SCORE 2010-2011 Glasgow lets, Chris Holmes (Scottish Housing Regulator)

Table 11: Top 20 most pressured RSLs* (based on applicants to lets)

RSL	Applicants per let
Craigdale Housing Association Ltd	72.6
Partick Housing Association Ltd	52.3
New Gorbals Housing Association Ltd	34.1
Loretto Housing Association Ltd	31.4
Yorkhill Housing Association Ltd	27.8
Link Group Ltd	25.3
Hawthorn Housing Co-operative Ltd	22.7
Blochairn Housing Association Ltd	19.7
Charing Cross Housing Association Ltd	17.7
Broomhouse Housing Association (1986) Ltd	15.0
Southside Housing Association Ltd	14.7
Margaret Blackwood Housing Association Ltd	14.4
North Glasgow Housing Association Ltd	14.0
Spire View Housing Association Ltd	13.5
Parkhead Housing Association Ltd	13.2
Kingsridge Cleddans Housing Association Ltd	12.8
Maryhill Housing Association Ltd	11.9
Cube Housing Association Ltd	11.2
Copperworks Housing Co-operative Ltd	11.1
Thistle Housing Association Ltd	11.0

Source: APSR data 2010-2011 (Scottish Housing Regulator), * Unfortunately, a number of RSLs cannot be included in the analysis, as all lets are let through a Common Housing Register or other means, not recorded on APSR

Conclusions on market indicators

Table 12 draws together the data on house prices, rents and neighbourhood profiles, with areas highlighted that suggest a strong market for MMR on the different measures. Due to the different geography, these indicators exclude pressure in the social housing sector. It is clear looking across the table that some areas are stronger on some measures and weaker on others.

Again, it is emphasised that the data presented here is at the neighbourhood level and that decisions about mid market rent will involve developments in smaller areas. The data in Table 12 also shows the current profile of residents in these areas. Clearly, the injection of new housing supply in an area has the scope to attract people into the area from outside. As such, the existing population gives an indication of the potential markets but cannot capture the extent to which people would be attracted into areas by new MMR products.

Table 12 highlights in blue and bold text those neighbourhoods –

- that are in a Transformational Regeneration Area or New Neighbourhood Initiative
- where there is a higher than average ratio of house prices to incomes
- where the ratio of the Local Housing Allowance to mean private rents is lower than average
- where the ratio of mean RSL rents to private rents is lower than average
- where there is a higher concentration in one tenure (as MMR may help provide more choice and diversify tenure)
- where there are higher than average numbers of younger people, people employed in C1 and C2 occupations, single people/couples, economically active people and an ethnically diverse population.

The neighbourhoods with more blue shading would be those where the market for MMR would appear to be strongest, based on the current population. As mentioned earlier, where MMR is part of a broader regeneration initiative or an initiative to introduce better quality accommodation or tenure diversity, the current population may be less relevant.

From Table 12, the areas with the greatest number of 'highlights' across the rows show the strongest potential for MMR. These markets are in the 'classic' pressured areas such as the West End, City Centre and South Side. There are other neighbourhoods spread throughout the City where the market may be strong such as Calton & Bridgeton, Ibrox & Kingston, Arden & Carnwadric and Greater Gorbals.

It is important to note that there is a clear regeneration role for MMR, with almost half those unable to afford owning or renting in the most deprived 15% of datazones. However, areas where the Local Housing Allowance exceeds the mean private rent pose specific challenges.

Table 12: Summary of market information by neighbourhood

Neighbourhood	TRA or NNI	Ratio - median house price to median income	Rent diff (LHS/ PRS)	RSL/ PRS	% in largest tenure	% <45 years	% C1C2	%single/ couples	% econ. active	% minority ethnic group
Anniesland, Jordanhill & Whiteinch		**5.9**	92%	49%	**60.7%**	36.1	40.7	**46.2**	**66.2**	5.4%
Arden & Carnwadric		4.2	89%	47%	**56.4%**	38.9	39.8	37.9	**63.0**	**10.9%**
Baillieston & Garrowhill		4.5	92%	49%	**78.0%**	36.3	**51.3**	27.1	**68.3**	2.6%
Balornock and Barmulloch	**TRA**	3.3	110%	58%	**48.7%**	33.3	36.4	33.4	54.4	1.4%
Bellahouston, Craigton & Mosspark		4.1	92%	49%	**60.1%**	28.9	**43.1**	**47.7**	58.4	7.3%
Blackhill & Hogganfield		3.0	99%	53%	**54.3%**	**41.0**	**44.7**	28.5	**66.7**	**9.9%**
Blairdardie		4.7	104%	55%	**61.9%**	27.0	**46.9**	40.2	61.6	3.0%
Broomhill & Partick West		4.8	**70%**	**37%**	**53.4%**	**49.9**	**43.8**	**58.7**	**70.2**	6.2%
Calton & Bridgeton	**TRA**	4.1	86%	46%	44.1%	39.6	35.9	**55.1**	54.3	6.7%
Carmunnock		**5.7**	**76%**	**40%**	**74.2%**	27.1	36.4	29.5	**65.4**	1.9%
Castlemilk		3.3	113%	60%	**73.7%**	32.3	33.5	38.4	53.3	2.6%
Cathcart & Simshill		4.5	92%	49%	**83.7%**	36.6	**51.1**	32.9	**72.9**	5.1%
City Centre & Merchant City		**5.5**	**69%**	**36%**	37.9%	**52.7**	37.0	**71.6**	56.6	**17.0%**
Corkerhill & North Pollok		4.7	90%	48%	**50.4%**	38.6	**45.1**	32.3	**64.8**	3.4%
Croftfoot		2.8	98%	52%	**75.2%**	**42.1**	**56.0**	28.8	**76.4**	3.9%
Crookston & South Cardonald		3.6	101%	54%	**61.9%**	34.2	**47.8**	**43.7**	**62.1**	3.0%
Dennistoun		4.0	94%	50%	45.1%	**49.1**	**47.2**	**55.5**	**65.8**	6.1%
Drumchapel	**NNI**	3.9	100%	53%	**74.1%**	35.3	34.3	38.1	57.9	2.4%
Easterhouse		2.8	123%	66%	**62.5%**	36.2	32.7	35.9	54.5	1.4%
Govanhill		3.0	101%	53%	38.7%	**47.7**	**45.6**	**55.9**	**63.3**	**30.9%**
Greater Gorbals	**TRA**	**5.7**	88%	47%	**61.7%**	38.6	30.3	**59.1**	50.3	6.8%
Greater Govan	**TRA**	4.1	109%	58%	**60.1%**	35.9	40.1	**51.1**	58.0	4.5%
Haghill and Carntyne		3.9	103%	55%	42.9%	33.4	41.1	**48.9**	51.5	3.0%
Hillhead & Woodlands		**6.5**	**71%**	**38%**	42.3%	**60.0**	41.1	**63.5**	**63.4**	**17.4%**
Hyndland, Dowanhill & Partick East		**6.0**	**69%**	**37%**	59.3%	**55.0**	39.0	**59.4**	**73.0**	5.7%
Ibrox & Kingston	**TRA**	3.5	90%	48%	39.2%	**50.7**	**41.9**	**56.8**	**63.3**	**18.7%**
Kelvindale & Kelvinside		**5.9**	**74%**	**39%**	**77.1%**	**43.5**	**42.9**	**46.2**	**73.7**	**10.6%**
Kingspark & Mount Florida		3.5	95%	50%	**71.0%**	**41.6**	**52.5**	38.2	**72.9**	8.5%
Knightswood		**5.2**	87%	46%	**55.0%**	33.4	**44.0**	**44.3**	57.6	4.0%
Lambhill & Milton		3.1	96%	51%	**51.0%**	31.5	37.7	39.9	53.6	2.6%
Langside & Battlefield	**TRA**	3.5	91%	49%	**59.8%**	**56.6**	**48.4**	**58.3**	**77.5**	**9.8%**
Maryhill Road Corridor	**TRA**	**6.8**	**80%**	**42%**	**48.7%**	**48.0**	39.0	**61.1**	**61.7**	**8.6%**
Mount Vernon & East Shettleston		4.3	99%	52%	**67.1%**	34.1	**48.3**	37.7	**64.0**	1.6%
Newlands & Cathcart		**6.1**	95%	50%	**83.9%**	30.5	39.9	33.0	**66.2**	**9.9%**
North Cardonald & Penilee		3.6	98%	52%	**57.0%**	32.2	**43.0**	37.4	60.4	3.4%
North Maryhill & Summerston	**TRA**	**5.4**	94%	50%	**49.6%**	38.4	**42.9**	**41.2**	**63.2**	5.4%
Parkhead & Dalmarnock		4.3	104%	55%	**73.8%**	35.8	30.5	**49.6**	51.1	1.9%
Pollok		4.7	82%	44%	**68.4%**	33.4	39.1	32.9	60.5	6.7%
Pollokshaws & Mansewood		**5.5**	92%	49%	**47.8%**	32.2	**42.1**	**44.2**	59.1	**10.8%**

Neighbourhood	TRA or NNI	Ratio - median house price to median income	Rent diff (LHS/ PRS)	RSL/ PRS	% in largest tenure	% <45 years	% C1C2	%single/ couples	% econ. active	% minority ethnic group
Pollokshields East		4.6	93%	49%	**47.7%**	**47.7**	**45.0**	35.5	60.6	**51.9%**
Pollokshields West		**7.4**	82%	44%	**85.5%**	35.6	37.9	30.0	**67.3**	**37.4%**
Priesthill and Househillwood		2.8	99%	53%	**63.7%**	36.0	35.2	29.0	56.9	2.0%
Riddrie and Cranhill		3.9	98%	52%	**51.5%**	30.2	39.5	**44.2**	51.5	1.3%
Robroyston and Millerston		**7.1**	90%	48%	**87.7%**	**54.7**	**55.0**	20.4	**85.1**	**12.2%**
Ruchazie and Garthamlock	**NNI**	4.5	100%	53%	**52.1%**	35.4	35.8	35.0	60.3	1.8%
Ruchill and Possilpark	**NNI**	3.9	91%	48%	**69.1%**	36.6	33.1	**51.0**	52.4	4.9%
Shawlands & Strathbungo		3.6	90%	48%	**61.6%**	**50.9**	**45.7**	**56.2**	**74.6**	**17.7%**
Sighthill, Roystonhill & Germiston	**NNI**	3.2	106%	56%	**76.6%**	39.7	30.5	**54.6**	52.3	**17.3%**
South Nitshill & Darnley		4.9	94%	50%	**66.6%**	**42.9**	**51.1**	31.0	**70.9**	**19.9%**
Springboig & Barlanark		3.5	110%	59%	**58.3%**	35.7	38.3	35.0	56.9	1.0%
Springburn		3.5	106%	56%	**58.8%**	39.8	38.6	**50.3**	57.7	6.4%
Temple & Anniesland		**5.7**	91%	48%	**57.5%**	35.5	**47.4**	**49.4**	60.7	4.1%
Tollcross & West Shettleston		3.7	109%	58%	44.7%	35.4	41.2	**42.8**	58.0	2.6%
Toryglen	**TRA**		113%	60%	**62.0%**	31.5	33.1	**43.9**	52.1	5.3%
Yoker & Scotstoun		3.7	102%	54%	45.6%	39.5	**42.3**	**43.2**	**61.8**	8.0%
Yorkhill & Anderston		4.6	**75%**	**40%**	37.7%	**62.8**	**42.4**	**66.5**	**64.7**	**15.9%**
Glasgow		5.0	81%	43%	47.0%	40.5	41.2	46.4	61.7	9%

Note: for the tenure diversity a Glasgow figure has been included in the bottom row, but in practice, tenure is less diverse at the neighbourhood level. This is because the social renter neighbourhoods cancel out the owner neighbourhoods which makes the whole of Glasgow look more diverse than it is.

5.3 Prevalence rates

The second approach to area analysis is to produce modelled estimates of the prevalence of MMR under four different scenarios, using a methodology produced by Ipsos MORI. The approach is designed to provide a credible estimate that points to clusters of people with a higher than average prevalence of a particular characteristic, using the proximity to survey estimates, census data and other official sources as a test of credibility. The approach is a variation on simple prevalence estimates, using the ONS output area classification (OAC - www.areaclassification.org.uk). Prevalence rates within each category of OAC are applied to the population of every output area and these estimates are then aggregated to higher geographies such as datazones.

The approach has been used to generate modelled estimates of the prevalence of four mid-market rent scenarios. These scenarios are based on the data analysis undertaken for the Citywide estimates. That is:

(1) having a Highest Income Householder aged under 45 years, being over the HB threshold and being unable to afford houses in the lowest price decile ;

(2) having a Highest Income Householder aged under 45 years, being over the HB threshold and being able to afford lowest decile prices but not having savings ;

(3) having a Highest Income Householder aged under 45 years, being over the HB threshold and being unable to afford average private rents; and,

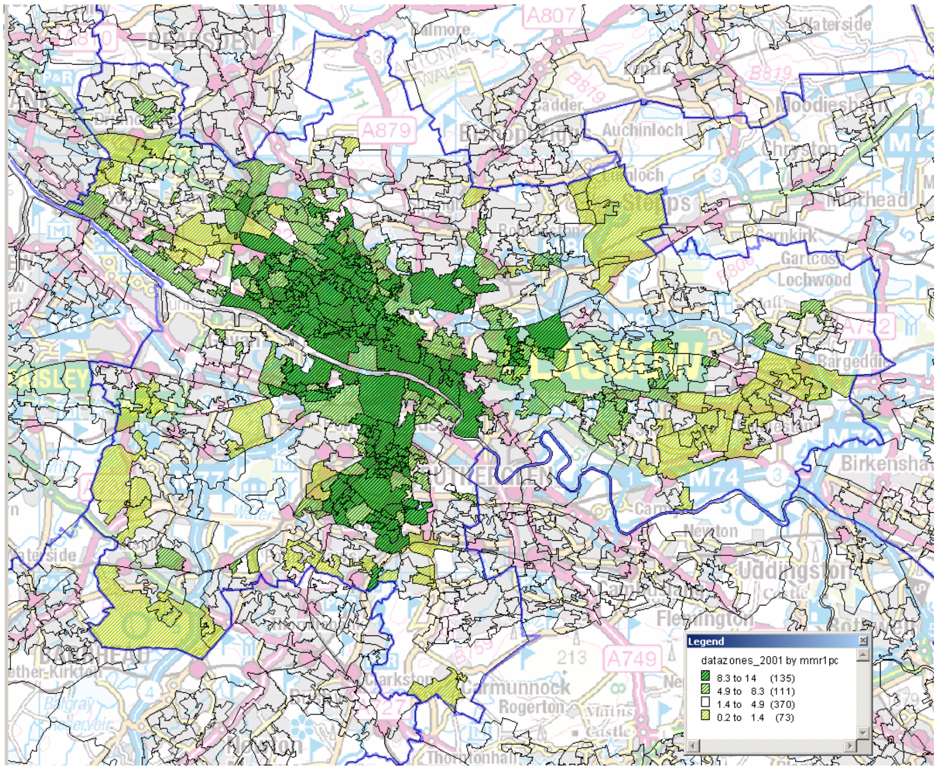
(4) having a Highest Income Householder aged under 45 years, being over the HB threshold and being unable to afford rents at 100% of the Local Housing Allowance.

For all four scenarios, affordability is based on the 33% affordability ratio. Scenarios (1) and (2) assume a 4.5% mortgage interest rate.

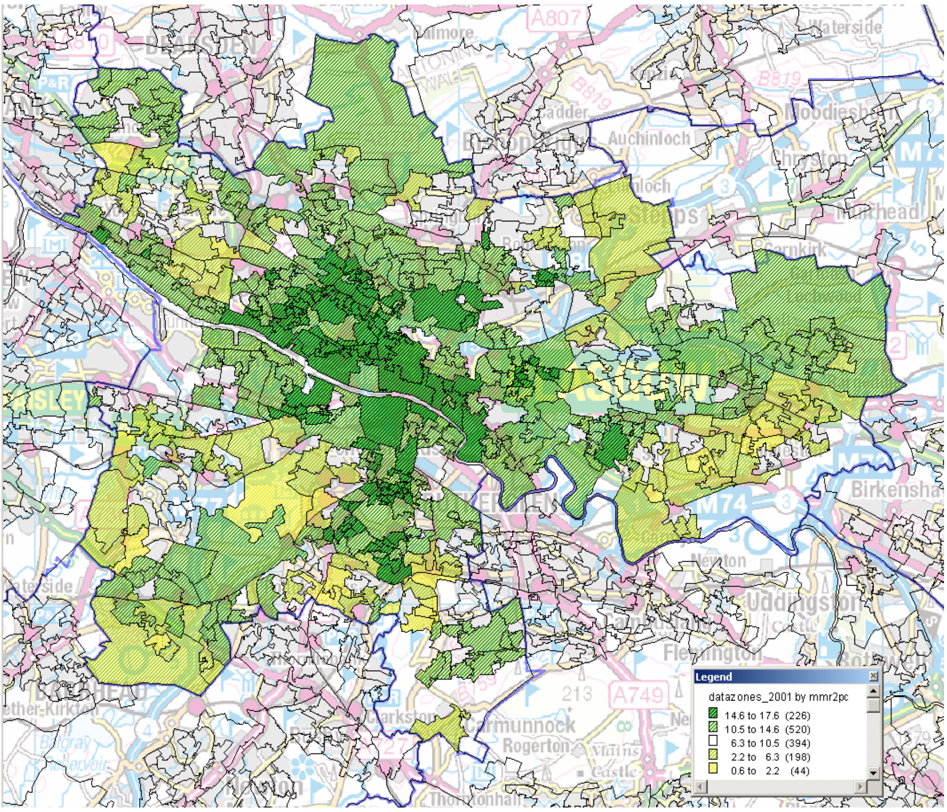
The results of this modelling are shown in Maps 11-14 and Appendix A6. These findings are in line with the conclusions drawn on the market indicators suggesting again the classic pressured areas in the City centre, West End and Southside, along with other areas such as Ibrox and Denniston in the areas of greatest prevalence. The provision of the outputs by datazone gives much finer grained information on prevalence rates which will be helpful to assess the merits of individual development appraisals (supplied as a separate database appendix to this report).

The neighbourhood level analysis has been developed further through the selection of 10 areas for further investigation through a case study approach; the ten areas represent a mixture of pressured areas and TRAs: North Toryglen; East Govan / Ibrox; Maryhill; Shawbridge; Gallowgate; Hyndland, Dowanhill and Partick East; Dennistoun; Temple / Anniesland; Laurieston; Woodlands. Findings from these case studies are set out in an annex to the main report and explore the various market, demographic and area characteristics and conclude on the potential application of MMR in these neighbourhoods. The ten areas were selected in consultation with the steering group, and were also used for focus group work across the City to gain an understanding on the consumer perspective of MMR in Glasgow. Findings from the focus groups are set out in the following chapter.

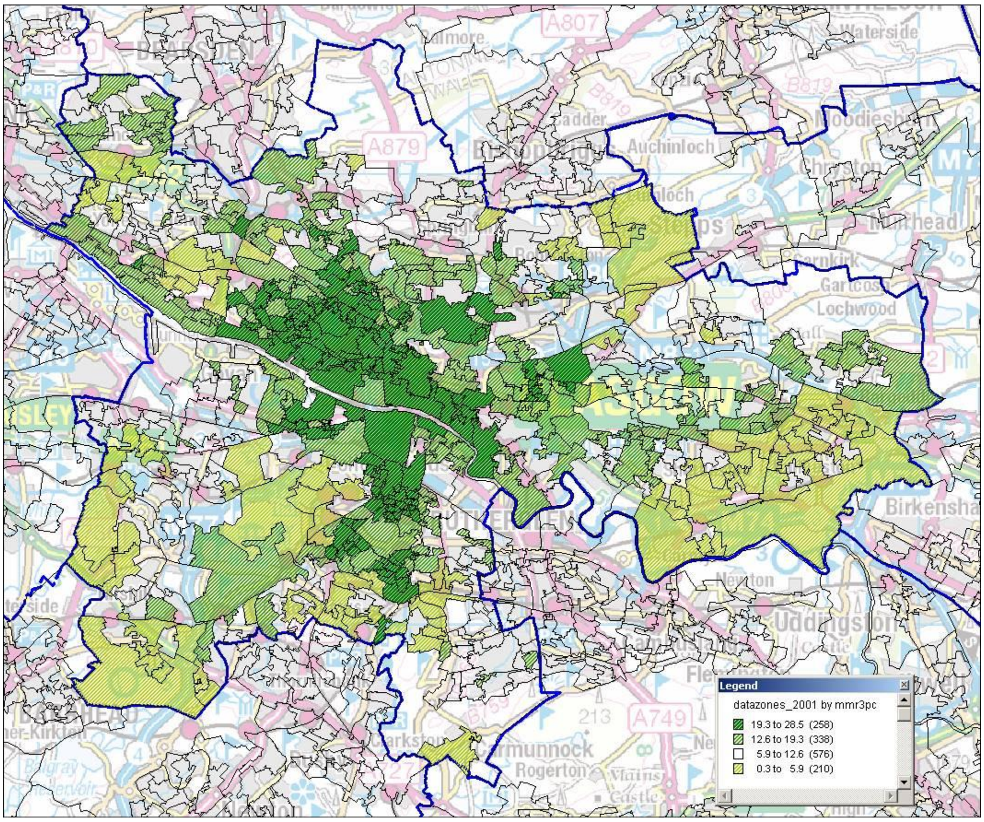
Map 11 - Prevalence rates: Scenario 1 – Aged under 45 years, over the Housing Benefit threshold and **unable to afford houses in the lowest house price decile**



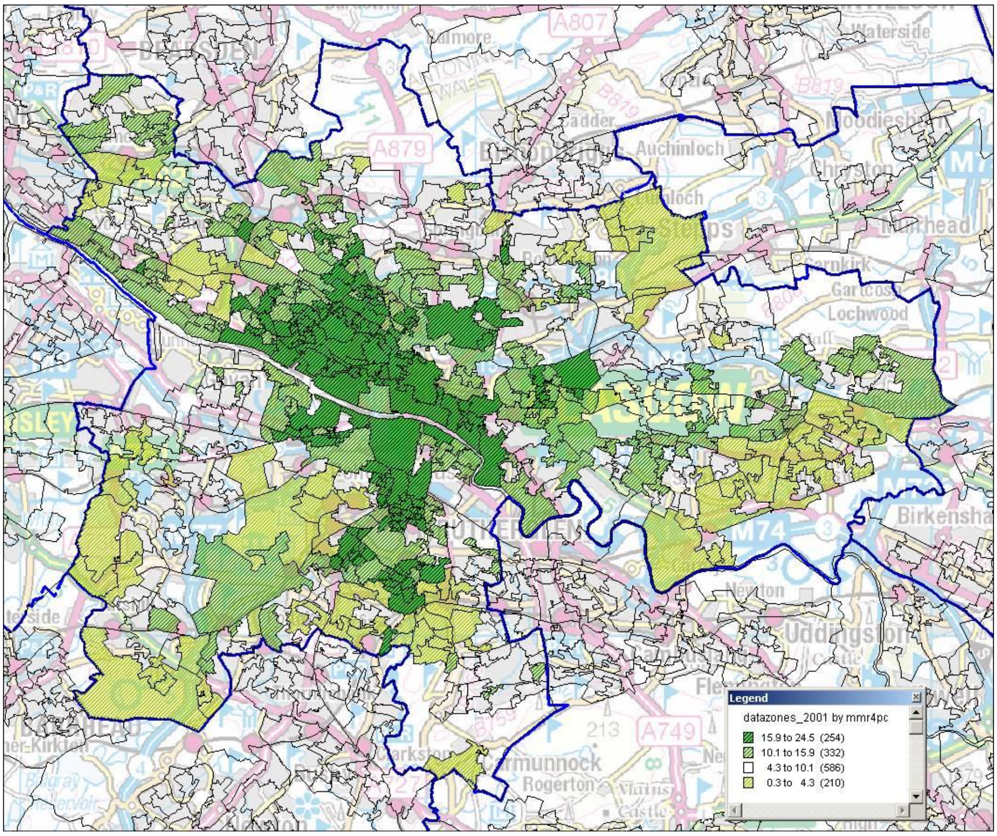
Map 12: Prevalence rates: Scenario 2 - Aged under 45 years, over the Housing Benefit threshold, **able to afford lowest decile prices but do not having savings**



Map 13 - Prevalence rates: Scenario 3 - Aged under 45 years, over the Housing Benefit threshold and **unable to afford average private rents**



Map 14 - Prevalence rates: Scenario 4 - Aged under 45 years, over the Housing Benefit threshold and **unable to afford rents at 100% of the Local Housing Allowance**.



5.4 Chapter summary

- The challenges associated with deriving estimates at sub-market level are considerable as highlighted by a recent Scottish Government paper on assessing demand for intermediate rented housing. Even though this analysis provides indications as to the areas that have the greatest potential for MMR, it is recommended that further local market appraisal will be required at the point of development proposal. It also emphasised that there will be some smaller areas where market indicators do not suggest a market for MMR but where the objective is to diversify household incomes and tenure by attracting households currently living outwith the area; TRAs and other regeneration areas will be particularly relevant here.

- Two methods have been used to establish those areas with the greatest potential. The first considers a range of market indicators, which when taken together provide conclusions as to which neighbourhoods show the greatest potential market for MMR. The second is to produce modelled estimates of the prevalence of MMR under four different scenarios, produced by Ipsos MORI. The outputs from this modelling are at datazone level and mapped for the purposes of this report. The availability of datazone prevalence rates will be important for decision makers assessing individual development proposals.

- Analysis of house prices, income and rents alongside demographic data shows a strong potential market in pressured areas within the West End, City Centre and South Side. There is also a good market more widely, including within the TRAs. Inevitably, there will also be demand for MMR in areas where there are shortages of affordable housing, but where there may also be a relatively affordable and ready supply of private renting. The key consideration here is the affordability of private rents relative to <u>local</u> household incomes. Conclusions in the last chapters will consider the relative priorities that should be placed against these different types of markets.

- The different market and demographic characteristics and the potential for MMR in 10 specific neighbourhoods were explored in greater depth through a case study approach. The areas selected were a mix of pressured areas and TRAs, findings of which are set out in an annex to the main report.

6. Characteristics of the potential market for MMR

6.1 Introduction

The preceding data analysis gives estimates of the potential scale of the MMR market at the Citywide and area level. This has been complemented by qualitative research with potential MMR consumers. Ten focus groups were undertaken in the areas identified for indepth analysis and were segmented by different household tenure types as listed below - low income private renters, aspiring owners, family households, frustrated social renters and key workers. Other criteria which group members had to meet included full or part-time employment, aged less than 45 years and a household income of between £15,000 and £30,000. Student households were excluded from the sample. Appendix 2 provides further detail on the focus group design and definition of the household types recruited.

1. North Toryglen (TRA) – family households
2. East Govan / Ibrox (TRA) – frustrated social renters
3. Maryhill (TRA) – aspiring owners and family households
4. Shawbridge (TRA) – low income private renters and family households
5. Gallowgate (TRA) – low income private renters
6. Hyndland, Dowanhill and Partick East (pressured area) – low income private renters
7. Dennistoun (pressured area) – frustrated social renters
8. Temple / Anniesland (pressured area) – low income private renters
9. Laurieston (TRA) – low income private renters and family households
10. Woodlands (pressured area) – family and aspiring owners

The focus groups were undertaken during January 2012. A total of 64 participants attended the focus groups, ranging from 4 to 10 at each group. The household tenure of participants were 37 private rent, 16 social rent, 7 home owners and 4 staying/renting with family and friends.

The purpose of the focus groups was to understand more about the nature of the potential MMR market and what the likely target market might be; the type and size of households, employment, household income, and existing tenure of potential customers. The groups also considered pricing and eligibility for MMR, and type of product that may be demanded including the location, furniture, tenancy, management arrangements and whether MMR should be used as a stepping stone to ownership.

The following analysis draws out the most common themes arising in the focus groups, identifying where there were particular differences in opinion by household tenure or area.

6.2 Images of tenure

The focus groups were first asked to explore different tenure types by thinking of an animal that best described a private landlord, a social landlord and home ownership. As well as being a useful ice-breaker to the focus groups, this exercise provided very valuable insights into opinions on different tenure types, vital for the planning and design of any MMR product. Participants were also asked to consider what tenure is best for different life stages: young people leaving home for the first time, couples moving in together, families, and older people.

Private landlords and private renting

The comments provided about private landlords were generally negative – the most common animals used to describe them were vultures and pigs; this related to perceptions of greed, charging high, unaffordable rents, asking for considerable deposits and unjustifiable agency fees. Other negative views were in relation to poor quality and condition - private landlords were often described as lazy and irresponsible, particularly in relation to completion of repairs. Other problems relating to the private rented sector were over lack of security, and inability to make the flat or house 'your own' – people talked about being evicted at any time with little notice, and not being given permission to decorate or make small improvements.

However, there were some positive aspects of private renting. Most people with experience in private renting spoke about the choice of area that it provides, speed of access, flexibility and independence, all considered to be important at different stages in life and with changes in circumstances e.g. moving for work, relationship changes or just deciding they did not like the area. This was compared to social renting which was seen to be much more restrictive, requiring long waiting times, both to access the sector in the first place, and to move home if circumstances changed. A few private renters in the focus groups had had very positive experiences of good private landlords with some letting the same property from them for up to five years.

"They're sharks – they charge what they want to make the most money – it's really expensive around here"

"I think it is disgusting – a thousand pounds just to get your foot in the door"

"You might have more choice of where to go, and get a bigger place maybe, but they move the goalposts quicker and can make you homeless, and they don't do the repairs, you have to fix them yourself, and they charge what they want"

"They're like turtles – they are difficult to get hold of, like they just retreat away into their shell"

" Cat – they're solitary and independent, not restricted by any regulation and do their own thing"

"You never get a professional tradesman coming to fix the repairs, you get the landlords trying to fix the taps and do it themselves"

"Some of the buildings are falling apart, but they're not all bad, I've had some good landlords"

"Dog – reliable and trustworthy – I've only had good experiences of private landlords"

The focus group members generally felt that private renting is most suitable for young people moving away from home for the first time, or couples. This was to do with the ease of access to housing, choice of location and flexibility that it provides if circumstances change. The caveat to this was affordability issues – many people thought that young single people are unlikely to be able to afford private renting on their own (depending on their household income) and suggested sharing was a good option. Some had negative experiences of sharing but this was felt to be part of the 'learning' experience. For couples it was thought to be ideal as people settled into living together, and more affordable if there were two incomes. Many people also saw it as the natural precursor to home ownership, although some also reflected that private renting is too expensive to enable saving for large mortgage deposits. Private renting was generally not thought to be suitable for families and older people due to the lack of security – it was suggested that families and older people need to know they are secure, that they will be stable in their local community (for schools and support), and that they are not going to be evicted with one or two months' notice.

"private rent is better for getting better areas, if you research it, and if you don't like it you can just move on"

"easier to get it, young people don't get many points when trying to get a social house, private is ok if you have a bit of money behind you"

"Private renting is extortionate so it would have to be both of you working to be able to afford it"

"anyone with children are going to think about security first so that takes out private renting straight away – you could get put out in a month, and that just doesn't work when you're talking children, school, your community"

"private renting with children is like walking on egg-shells. I just expect things to get damaged or drawn on… it's just not your own"

Social landlords and social renting

Opinions regarding social landlords and renting in this sector were mixed, and largely negative. The most common animals used to describe social landlords were elephants, sloths and snails– these related to the bureaucracy and power of social landlords, but also their slow pace and inefficiency. Many groups discussed the problems of availability and access to social housing, and the complex rules which varied by different social landlords across the city. Many debates related to the long waiting time for social housing (with some examples of 7 to 10 years) and poor areas in which social housing was located and problems with anti-social neighbours and area decline. The groups thought this was to do with lack of supply (particularly for larger family housing), but also who social housing providers prioritise for housing – there was a strong perception across several focus groups that only non-working and 'problem' households were housed in the social housing sector, denying access to affordable housing to working households and the creation of poorer areas.

There were numerous comments about poor repair services in the social rented sector (numerous visits and poor quality), but many compared this to the speed of response in pursuing rent arrears. This was contrasted by a few people who suggested that the repairs service they experienced in the social rented sector was better (kept appointments and good quality) than their experience in the private rented sector (slow, unprofessional and poor quality).

There were positive opinions about social landlords – some people reflected that social landlords are there to help and care for vulnerable people, while one person said that their housing association had a proactive regeneration and support role in the local community. In one group, social landlords were thought to be like giraffes – non-predatory, community-orientated and supportive. That group discussed the strong socialist principles still existing within Glasgow and within social renting.

"Elephants, they're large and powerful, but not very agile, you have to speak to lots of people to get things done. They'll also charge you out the way if it wants to. That's one thing about the private sector, its quick for getting a house, but in social sector its long lists and everything takes a long time and you never get anywhere. But they are faster than private landlords at repairs"

"Sloth – because they are lazy and selfish. If you want a new home it is very difficult – finding your way round the rules. Makes you feel vulnerable because you don't understand the system, even if you're not vulnerable. They don't care where you go they just want to get you off the list."

"The points system, I can't understand how that works – bureaucratic with lots of hoops to go through."

"They don't build large enough houses – there are not enough family houses to go around - to meeting families' needs. So many people are over-crowded, with same sexes sharing bedrooms when they shouldn't be."

"you don't get much choice of where you stay, can't pick and choose where you live, if you don't like where they offer you have to go to the bottom of the list ……"

"monkey because they're sociable, they do more than just housing, they're not just a housing provider, its about the wider community, they're involved in tenancy support, youth work, different areas of regeneration, support different clients groups, mental health, young people."

"they are a good thing, but there are not enough houses and its quite selective"

"like a giraffe … they are vegetarian, not predators and think about the group, they are not just out for themselves"

Many of the focus groups felt that social renting was suitable for a wider range of households. For young people many participants felt this would be the most affordable option, although many suggested that in practice young people would have low priority. It was seen to be an affordable and secure option for families, although many people argued that the type of housing, location and poor areas were not suitable for bringing up children. Social renting was also seen as a good option for older people, to provide them security and a greater chance of support, through adaptations, visiting carers or moving to sheltered housing. Many groups discussed that this sector may seem ideal because it is affordable, but concluded that in practice it is mainly young vulnerable people, single parents or older people that are housed in the social rented sector.

"For young people, if you haven't got the finance to get a private let, and they can help you with a furniture package. But you have to be on list for ages, but its handy to have your name on the list to keep it open as an option"

"I have never ever known a couple starting out to get a council house. Social housing is not for couples, if they're just starting out - if it doesn't work out, that's not fair for other people and families that really needed that house"

"when I was growing up my Mum got offered a front and back door when I was fifteen – what the point of that – she needed a garden when I was younger – you still hear about that now, you can't get a family council house in a good area"

"As a child we lived in council housing, but we moved a lot as my mum was not happy with the areas, and she wasn't going to bring us up in bad areas, horrible areas, so we got moved to areas that weren't much better so I don't think social housing is for families, I stick to private renting for me and my daughter"

"Young people just can't get social renting, unless they are a single parent with a kid. You would wait forever"

Home ownership

Overall, home ownership was discussed as the most positive housing tenure. Animals most commonly used to describe this tenure were lions or birds, encompassing the feeling of 'king of the jungle', 'reaching the top of the tree', freedom, independence and making an investment. But whilst it was considered the aspirational tenure for many participants, its value was debated closely alongside its problems – difficulty of access, risk and financial burden. Restricted access was discussed in relation to high deposit and strict credit requirements, while risks included potential changes in work and financial circumstances, and the impact of the ongoing financial burden and responsibilities with owning a home. This was one of the main attractions of renting in later life in order to remove the worry of maintaining a home on a diminished income, possibly dealing with 'cowboy' builders and so on. A minority of people, most of whom were social renters, did not view home ownership as positive arguing that it was about status and led to a range of negative outcomes including debt, negative equity and relationship problems.

"Lion – its what people aspire to, feel proud of it when you've got it, you're the king of the jungle"

"Eagle – you can rise above it all – it gives you freedom and independence."

"nice to feel you own it and getting somewhere with it, its about investing not just renting, but its also quite scary"

"turtle – its got its own home and its safe and everything but the weight of the mortgage is heavy and it makes everything slow going"

"*Mad dogs – its madness, chasing your tail with costs, but the bank owns it, and it's a continuous cycle of remortgaging, and there's always the risk of losing it"*

Most of the focus group participants thought that home ownership could be a good option for families, couples and older people but was very much dependent on income. It was envisaged that family households and older people would be the most likely to be living in home ownership due to the stability and the potential investment this tenure offered. It was also considered to be an option of couples, although some considered this to be a 'messier' option compared to private renting in the case of relationship breakdown. Young people were thought to be the least likely to be able to afford this option, unless there was some financial support from parents.

"Buying is the ideal, most people would want to buy because you want to choose the best area for your kids, and have something secure and settled; know that you're not going to get moved on, and once the mortgage is paid up, then that's for the kids, or for paying for care."

"[for older people] ideally in ownership assuming they have paid off their mortgage, or social rent so they are secure"

"*For young people now its so difficult to get a job and if you do get one you hardly get paid anything. So by the time I'm old, I'll be lucky if I'll have been able to pay off my mortgage, or have a pension or anything like that."*

6.3 Affordability

The focus groups included some exercises to consider the affordability of housing in various places in Glasgow, and explored the choices that people make in relation to housing relative to price – location, size and condition.

The discussions on affordability showed that location is considered to be the key determinant in setting price and affordability. People described good locations as 'more desirable', 'nicer', 'better'. The factors that people thought made these places 'better' were proximity to work and/or better transport, good amenities including a variety of shops, the environment including the architecture, parks and leisure opportunities (especially for children), and safety and security.

While focus group members agreed that location was the key determinant in setting prices, many discussed that it was possible to find more affordable places to live by searching and compromising slightly on location and still find the right quality and size of property. This was caveated by the fact that people wanted to live in safe areas. This was particularly true for family households who would search for 'good', safe areas, where there were better schools and community/leisure facilities. This would not necessarily mean they had to live in the most expensive locations, but they would take some time to search for the right place, and then find the right property within that area.

There were mixed opinions on what quality people are willing to accept, and some people thought this was the most important factor, followed by location and size. Many people spoke about new build as an ideal, while others said that they preferred older, more traditional flats, so long as the overall condition of the property was good (including bathrooms, kitchens and common parts). For those in more marginal areas, or currently living far from family and friends, location was more important than anything else.

In terms of size and type of accommodation, different households had different requirements on size and so would compromise to a greater or lesser extent on this. Not surprisingly, single households tended to suggest they were more willing to compromise on size, compared to couples and family households. The focus groups were also asked to consider the availability and affordability of a two-bedroom houses with a garden in their area. None of the focus groups considered this type of housing to be readily available or affordable in their area, and discussed having to move some distance, or to move into 'poor' areas to find this type of property. Most of the participants in the focus groups said they would not move to these poorer areas and would rather compromise on type or size of accommodation.

Participants were asked to consider to what extent it was worth stretching the budget to get the right location, better quality or a bigger sized property. Overall, the feeling from participants was that they had 'to live within their means', and that there were higher priorities to finding a nicer or bigger property, particularly for family households. There appeared to be more flexibility for single households and couples, who may push their budget a bit more.

"its about the best places, close to the amenities, location is the key thing – there is a sliding scale – can go down a bit on location and get bigger size – there's a trade off between location and size."

"condition is most important – I would compromise on location and size"

"You need to work out what you need, depending on how many kids you have or whatever, and then see what you can afford"

"Stretching depends on your priorities – you might want to live in a really nice location, but it depends on your budget"

"if it comes to spending say £50 extra per month to get a really nice place in a nice location then I'd pay that, but probably no more than that"

"a house with a garden comes down to cottage flats, or council houses that have been sold but not in good areas, so you have to go further for houses that you can afford – there are hardly any and they're quite small."

"I'd rather have a crappy house in a nice area than a nice house in a crappy area"

6.4 Price

The focus groups then went on to explore the concept of MMR in depth. They were first asked to consider two broad pricing options –

1) Rents set within Local Housing Allowance Levels – so that the rent would be a more standard price, regardless of area whether an expensive or cheaper area, but if people's employment changed all their rent would be covered by Housing Benefit if they needed it (rather than having to 'top up').

2) Rents set at a percentage of private rents – so it reflects the 'market' – the fact that some areas are more expensive and some are less expensive, and people sometimes have to make choices of area they live according to what they can afford. This option could mean that rents may be above LHA, depending on the area.

Most of the focus groups found this a difficult choice and many were undecided; people grappled with the fact that it may be better to have a safety net in case financial circumstances changed (therefore option 1), but at the same time felt that the price should reflect the area that people choose to live in, albeit at a discounted rate (option 2).

Participants in favour of the first option tended to be social renters and/or living in lower priced areas. They believed that if the price was set within LHA levels across the city then households would be more likely to be able to access what they needed in a better area, it would create more mix in types of households in the expensive areas, and give opportunities for lower income families to have the benefits of bringing up their children in better areas. This option was also thought to be more 'fair', as a wider group of households may then be able to afford MMR in different areas, rather than concentrating low income households in the same 'poor' areas. Some people also believed that rents should be sufficiently low to enable saving for deposits for home ownership. One person argued that there needed to be a substantial gap between private renting and MMR for it to work, which was used as an argument against option 2.

In one group, there was a shared view that living in the city centre provided considerable savings in terms of transport costs and so this should be taken into account in the setting of rents for MMR. In their view, option 1 was less fair because this provided those in the city centre with an unfair advantage over those paying £495 elsewhere and also paying transport costs. They were lower income private renters who felt that even with the discounted rent, the city centre was beyond the means of lower income households and so was a less good option all-round. They felt that having MMR in the very high-pressured areas was inherently unfair unless it was restricted to much lower income households with very heavily discounted rents.

"Especially if you have just lost your job, your house is going to be your biggest worry and you will want to know that its secure ….. having housing benefit paying for all the rent gives you peace of mind, rather than having to top it up."

"for some areas in Glasgow the gap won't warrant this – 20% discount [off private rent] only gives you £100 difference a month in some areas of Glasgow – should be able to find a private

rented flat for that difference somewhere decent in Glasgow. Just take a lodger in, that would make more of a difference"

"I just can't see (option 1) adding up. These areas are too expensive to be able to finance something with the same rents everywhere"

"Why no give people with nothing the chance to live in a nice area and have nice things about them"

For those that chose the discounted market option, most suggested that rents should reflect the area you chose to live in. It was argued that if rents were more of a standard price then no-one would want to live in the undesirable areas, and much more demand for MMR would be created in the better areas. One person wondered whether any developer or housing association would be able to afford the land in pressured areas, and a number of people argued that option 1 could create social friction in high-income areas, especially if a large proportion of the households were not working. Some people felt that 'topping-up' the rent would not be unreasonable for short periods of time.

"If you mix it too much, with people on low incomes moving into high income areas like the West End, you will get some social friction"

"If you have more of a standard rent across the City rather than varying by area, then this will drive down the prices in some areas, and drive down areas."

6.5 Target markets and eligibility

The focus groups considered the target markets for MMR. The majority of people felt that MMR should be for working households. However, in three of the groups containing families and lower income private renters, there was a concern that excluding people on benefits would create a 'two-track' system, where working people could access nicer places to live while people out of work couldn't. Single parents were identified as a group who would be excluded from MMR almost entirely if it depended on being in full-time employment and not on Housing Benefit, for example. There was a feeling in these groups that MMR could potentially further polarise and residualise the social rented areas. In these groups, the importance of having mixed, sustainable, communities was discussed at length.

Other than a common stipulation for working households, overall it was felt that MMR should be available for most types of households, coming from many different situations – young people, single, couples and families. People reflected on the restrictions and bureaucracy associated with the social rented sector, and argued strongly that this should be avoided. No-one felt there should be priority systems or particular types of households prioritised for MMR.

Debates in the focus groups suggested households interested in MMR may be people who are in unacceptable housing situations – such as families over-crowded in social housing but have no prospect of re-housing; single people who have very low priority for social housing; single people and couples living with friends and family who cannot get access to social housing, but cannot afford private renting or home ownership; people coming out of a relationship breakdown and divorcees, including parents (usually fathers) who have access rights to their children but no suitable housing to enable them to have proper access to their children; couples who want to save for a mortgage. No-one suggested older households as a potential market for MMR.

A number of participants felt that there should be a proportion of MMR housing built and specifically targeted towards families, and also disabled people, and families including a disabled adult or child. These suggestions were made on the basis that they felt there is a lack of housing suitable for these types of households in Glasgow.

"Its annoying when you see people that don't work get a house, especially when it's a brand new house, that annoys a lot of people, so maybe this mid market rent will help more people that are working, and will give them something they can actually afford to live in."

"People on the list, or people in social housing – its like bridging a gap between social and private housing – so if you want to get a bigger or better house to move up its an option if you're willing to pay more"

"This kind of option will help people who can't get a mortgage; that's going to take at least five years anyway to get sorted [access to mortgages]."

"Its good for getting a mortgage as well – being in the house and getting a record of paying your rent, but you're not in social housing, so you provide references and show your evidence and credit rating for a mortgage."

While most groups agreed that the types of households should be open, with no priority or eligibility system, most thought that there should be some kind of income criteria for access to MMR. This was on the basis that if it was subsidised it should be targeted towards those least able to afford the private rent or sale markets. Most of the focus groups struggled with putting an income bracket on access, but a few suggested between £20,000 and £40,000, whereas more thought it would be better to have some form of straight forward affordability assessment so that different household sizes and circumstances could be taken into account. Again, the emphasis here was on the need for simplicity and lack of bureaucracy. In the lower income focus groups, a lower income bracket was decided upon – between £15,000-£25,000 – unless the purchaser had children. However, there was lengthy discussion in lower income groups about affordability and budgeting.

There were people that disagreed with means testing. Some suggested that housing should be available regardless of income, arguing that there would an element of self selection, with people on very high incomes not choosing this type of housing anyway. While there were arguments for and against income criteria, there was a recurring theme across most groups that there should be a strong emphasis on 'vetting' to ensure that only those people who 'respected their homes' would gain access to MMR. One group suggested the need for a probationary tenancy period of an initial 6 months before having access to a longer tenancy. A number of people suggested MMR should be prioritised for people currently living in the community where MMR was to be provided.

"This should not be for people who can afford a private house - our tax money could be subsidising people earning £100,000 – I don't agree with that."

"Housing is basic human right – it shouldn't matter how much you earn or don't earn….this could be a sandwich of class and excluding certain people, you should not exclude anyone on finances."

"Need to be strict who you put in, otherwise you will go down the same route as social housing, people who are benefit dependent."

"This should be for working class people but people that are working - it should be for people that will take care of their properties, rather than those that say 'I'm not paying for it so I don't care."

"I'm down here (Laurieston) because there is nothing for me there (Pollok). And people get a house there who want to be in Castlemilk because they are from Castlemilk"

6.6 Type of product

Location

Focus group members were asked whether MMR should be available in pressured, highly priced areas, or regeneration and lower priced areas. Most of the groups generally felt that it should be available everywhere. This was on the basis that MMR would provide more choice, it may give some people the opportunity to stay in their preferred community where they had established support and social networks, and enable a greater mix of incomes and household types - alleviating the problem of 'ghettos' in social housing areas, and mixing gentrified communities at the other end of the market. In two lower income groups there was more support for MMR in communities as part of regeneration.

However, there were some reservations about building MMR in very expensive areas – a number of people thought this would create some 'social tension', and some people questioned why government / the tax payer should subsidise lower cost housing in very expensive areas. Some people argued that neither the existing or new residents would be comfortable with this situation. One group in particular felt that MMR in the city centre would end up subsidising people who could afford somewhere else quite easily but just wanted to live in the city centre.

One group extended this discussion to the impact that MMR could have on the existing private rented sector. Most of the group felt that competition would be a good thing for the private rented sector as it may put pressure on them to improve their quality and reduce their rents. However, one member was concerned that MMR may reduce the incentive for landlords to provide housing and could have the effect of reducing overall supply.

New-build or existing housing

Participants envisaged that MMR would be a new build product, and many talked about the willingness to pay more rent for a flat or house that better suited their needs, and was 'brand new'. Discussions, particularly from private renters, suggested that there would need to be major investment in existing social housing if the reputation was to be changed sufficiently to make it worth paying a higher rent for the same property – the critical factor here was location and the inability to change that aspect. Others suggested that this initiative should be about increasing the supply of housing, rather than raising the rents on existing housing.

Two groups talked about examples of converting existing social housing into MMR. The majority of participants involved in these discussions could not envisage why they would pay more rent for this type of housing, especially because it was previously low demand, high rise social housing. However, a few people reflected that perhaps hospital workers moving into the area may need and want something near to the hospital which is relatively affordable, but not social housing.

"Why would they go mid-market and not go for social housing – I don't understand why you would rent for a higher rent if it's the same flat in the same location, even if it is done up. If it was low demand then, its still going to be low demand."

"P*eople are aspirational, whether we like it or not. A nurse wants to come home and see something pretty and feel comfortable and feel she has done something with her life - she doesn't want to be living next to anti-social families."*

Furniture

Participants were asked to consider whether MMR should be furnished or unfurnished. All groups suggested they should be partly furnished (white goods, carpets and curtains), but otherwise unfurnished with an option for a 'starter pack' or some basic furniture. Most suggested the cost of optional furniture should be added to the rent, and spread over an agreed period of time. Some participants felt that different people had different perspectives – some would prefer a lower rent and to build their home through 'Free-cycle' or charity shops/furniture initiatives while others would prefer to pay a higher rent and have new white goods and larger/more costly items.

Private renting participants in the focus groups stated that increasingly flats are let on the basis of options for furnished or unfurnished. Younger private renters stated they preferred furnished due the cost and hassle of moving furniture each time they had to move, whereas families and more established private renters stated they preferred to have their own furniture.

Some focus group members also suggested that MMR should give some scope for making the properties more personal, through decorating, without the need for permissions required in the private rented sector. This was particularly important for people with children, who would like to add 'Buzz Lightyear' or 'Princess' touches to their home.

Tenancy arrangements

The focus groups were asked whether MMR should be let on a secure or short assured basis. Nearly all the focus groups members suggested it should be secure, or at least an annual contract. A number of people suggested that different types of households want and need different levels of security e.g. a young single person, compared to a family household. The desire for security from most participants was based on their own experience or friends' experiences of being given one or two months' notice at regular intervals in their housing history. People talked about how unsettling this was, particularly for families, but they also talked about the costs involved in moving every year or so. There were a few examples of private renters living in the same private rented accommodation for four or five years, but this was the exception.

Participants were asked to consider if MMR was provided by a housing association (or a subsidiary) whether this would make any difference to the desire for a secure tenancy. With the exception of a few, this made little difference to the participants, who clearly believed that SAT provides a likelihood of eviction at any time, regardless of the type of landlord.

"You've always got that seed of doubt in the back of your head that how long have you got 'till you're going to get chucked out, whereas if it's a secure tenancy you can put more into it to make your home, and you know that its yours and someone's not going to turn round to say, by the way I'm selling it, you're out."

A small number of focus group members thought that there would be a need for shorter contracts, particularly in relation to disruptive tenants whom the landlord may wish to move on quickly. Others debated this issue, but suggested a six-month trial lease, followed by something more secure would be preferable, so long as there was careful vetting of prospective tenants.

Families in less affluent areas were more likely to see the need for tenancy arrangements that allowed the letting agent or landlord to ensure that tenants were trust-worthy before entering into a longer-term tenancy. They felt the need to 'learn' from the experience of anti-social neighbours in social renting. Indeed, the inability to deal with anti-social neighbours was a major criticism these groups had of social landlords.

Management arrangements

The participants were asked what management arrangements would be most suitable for MMR – housing association (or a subsidiary) or private landlords/ agents. There was some debate over this issue and split opinions.

Many people felt the fact that housing associations are regulated and non-profit making would give tenants comfort over affordability, quality of service, and for a few people the feeling of more security. Some people disagreed with this – as discussed above, they argued that HAs can be bureaucratic and slow, deliver poor repair services, and suggested that if HAs were to be providing MMR it should be *"one of the better ones".* People also struggled with the fact that housing associations are associated with social housing, and felt that MMR should be something different - they felt that if a housing association was marketing and managing these properties it would give the wrong message, and possibly attract the wrong people.

The alternative of private landlords and letting agents was generally not welcome on the basis of lack of regulation and accountability, and the perception that profit making enterprises are associated with being less trustworthy and making the rent more expensive.

"With private landlords there is nothing you can do if things don't get done, so I think you need someone that will be held accountable, and has that aspect of care as well, because trying to get hold of anyone [private landlord] to do anything is a nightmare"

"*Housing association – you're more secure, you're not going to be put out – especially for families."*

"Housing associations – they need to give a different image, there are some good housing associations that give high standards of service, but there is a stigma with housing associations – it needs to be something different."

One group of lower income families with more direct experience of both social renting and private renting felt that there was benefit in having a management approach that benefited from the 'good points' of private and social sector approaches. That group was also keen to see some element of tenant management, like in RSLs. One member suggested developing a special agency to oversee the programme, distinct from the private sector and RSLs.

6.7 Options for ownership

The focus groups were asked to consider whether MMR should include an option to purchase the property after a few years. Opinions were split 50/50 for and against.

The people that opposed an ownership option argued that MMR should stay in the rented sector to increase the supply of affordable housing for working households. Most of these people referred to the original Right to Buy being the reason for the shortage of rented housing in the country, particularly rented family housing.

However, other households had equally strong views that there should be an option to buy on the grounds that households may be committed to the area and so may want to make a longer-term investment, for the benefit of their family, or to get them started on the property ladder.

There was no particular household type or area that held an opinion for or against the ownership option.

In one pressured area group, people thought that you could have an element of shared equity if the tenant could sell their equity share back when they moved, making a profit, but not leading to the 'loss' of the property from the MMR system.

"No, it would take us back to square one – where we are now – it will stop other families getting rented housing, with older people living in big houses on their own, it would defeat the purpose."

"Definitely yes – if you have stayed in there for a while and like it, have put down roots, and it gives you an incentive to go for the scheme, and to make a long term plan in the area"

In the same pressured area where the group suggested shared equity and sell-back rather than a 'Right-to-Buy' suggested the same could be achieved by getting the landlord to invest part of the rent for the tenant. For example, paying £550 in rent rather than £500, with £50 saved on behalf of the tenant towards a deposit. In that area, people felt that buying on the open market is likely to remain a better option for most but this would deal with the issue of needing to save for a substantial deposit.

Affordability was a major concern for lower income families. The main issue for them was being able to afford any housing, rather than owning as such. This was particularly the case for lone parents, for whom budgeting and household costs were an important issue. For lower income households, having access to advice about affordability, budgeting and debt was important. This might be an important element of MMR in regeneration areas, for younger people and lone parents in particular.

6.8 Overall opinions of MMR

In overall terms, the focus groups members felt that MMR was a very good idea, and that there would be considerable demand for it. However, there were caveats in some groups that the scheme needed to be inclusive and focus on affordability.

"I think it would work everywhere, for everyone. But it needs to be for everyone"

"The situation I'm in right now, I'm getting nowhere with them [HA], I've had to move back in with my mother, and the HA are telling me 'I'm getting nothing' so my options are stay with my mother, which at my age I don't want to do, get a private let which I can't afford, or go for a mortgage which I can't afford, so the only option I have is stay with my mother – so something like this to me does sound appealing for my circumstances, because I'm not going to get anywhere with a points system."

One respondent felt that people would always prefer to be social renters if they were able to access that, or be owners if they had enough income. However, MMR would be a good option for some people.

"I think some people, a minority, will be interested but not everyone"

Some people were more sceptical about the idea, concerned that it would signify the 'start of the end' of social renting. In one of the focus groups people were keen to see MMR available for everyone, whether they are on benefits or not. One lone parent who worked part-time and receives HB towards her private rented property commented:

"Is this what it's all about? Mid Market Rent? I get benefits to help pay my rent at the moment and I wouldn't be able to afford £495 a month".

6.9 Chapter summary

The most common themes arising in the focus groups were:

- *Private renting* - Problems in the PRS relate to unaffordable rents, poor condition, insecurity of tenure and the inability to make the flat or house 'your own'. There are many positive aspects of private renting associated with choice of area, speed of access, flexibility and independence, all considered to be important at different stages in life and with changes in circumstances.

- *Social renting* – Experiences of social renting are associated to the bureaucracy and power of social landlords, their slow pace and inefficiency. Problems relate to lack of availability and access to social housing, long waiting times, complex rules which vary by different landlords, poor areas, anti-social neighbours, perceptions that only non-working and 'problem' households were housed in the social housing sector and denying access to affordable housing to working households. Positive opinions about social housing related to help and care provided for vulnerable people, and their supportive, community-orientated roles. Social renting was considered as ideal by many people due to its affordability (assuming the right location), but in practice most people felt it is inaccessible, and only young vulnerable people, single parents and older people are housed in this sector.

- *Home ownership* - Home ownership was discussed as the most positive housing tenure. It was associated with independence, stability and making an investment. Its value was debated closely alongside its problems – difficulty of access (deposits and credit rating), risk and financial burden. Home ownership is seen to be a good option for families, couples and older people to provide security, stability and investment opportunities.

- *Affordabilit*y - Location is the key determinant in most people's housing choices. 'More desirable' locations are described as those closer to work, with better transport, good amenities including a variety of shops, a good environment including the architecture, parks and leisure opportunities (especially for children), and most importantly, safety and security. Affordable family housing is difficult to find, unless you move to 'poorer areas'. People said they would rather compromise on type, size or condition of accommodation to live in safe and secure areas.

- *Pricing of MMR* – Consumers found the choice between the two rental options difficult: people grappled with the fact that it may be better to have a safety net in case financial circumstances changed (therefore option 1), but at the same time felt that the price should reflect the area that people choose to live in, albeit at a discounted rate (option 2). Option 1 was associated with creating more mix in types of households in the expensive areas, and giving opportunities for lower income families to have the benefits of bringing up their children in better areas. Others suggested no-one would want to live in the undesirable areas, and make them deteriorate further. Some people thought option 1 may be less fair due to the costs associated with travel for some areas, compared to savings with other areas.

- *Target markets and eligibility* – Consumers felt that MMR should be for working households; apart from this there should be no restrictions and priority systems. Target markets were thought to be families over-crowded in social housing but having no prospect of re-housing; single people who have very low priority for social housing; single people and couples living with friends and family who cannot get access to social housing, but cannot afford private renting or home ownership; people coming out of a relationship breakdown and divorcees, including parents (usually fathers) who have access rights to their children but no suitable housing to enable them to have proper access to their children; couples who want to save for a mortgage; and disabled people living in unsuitable housing. No-one suggested older households as a potential market for MMR. Most thought that there should be some kind of income criteria for access to MMR but that there should be a simple affordability assessment. There was a strong emphasis on 'vetting' to ensure that only those people who 'respected their homes' would gain access to MMR.

- Type of product – according to consumers:

  - Location - MMR should be in all types of areas including pressured and regeneration / less popular areas.

  - New-build or existing housing – new build would be preferred, and people in the focus groups said they would not pay an MMR for former, but refurbished social housing.

  - Furniture – partly furnished (white goods, carpets and curtains) is preferred, with the option for a 'starter pack' or some basic furniture, the cost of which should be reflected in the rent.

  - Tenancy arrangements – MMR should be more secure than short assured tenancies. The option of having SAT through a housing association made little difference to most participants, although some thought there should be probationary periods.

  - Management arrangements – housing associations were the preferred management agent for MMR, bringing the advantage over the private sector of regulation and accountability over the private sector.

- *Options for ownership* – Opinions were split 50/50 for and against having the option to buy. Some people felt MMR should stay in the rented sector in perpetuity, whilst others thought there should be an option to buy on the grounds that households may want to make a longer-term investment in their preferred community.

- *Overall opinion of MMR* - Generally MMR was seen to be a very good idea, and people thought there would be considerable demand for it. There were some caveats that the scheme needed to be inclusive and focus on affordability. Some people thought MMR signified the 'start of the end' of social renting.

7. Scoping the potential supply of MMR in Glasgow

7.1 Introduction and methodology

The research with consumers has been accompanied by a scoping exercise to explore MMR with those who may invest, develop and manage MMR properties. This was undertaken through indepth telephone interviews: 14 interviews were achieved with 13 organisations involving a range of developers and RSLs. These included CCG; Isis; Keepmoat (part of the Urban Union consortium); New City Vision; Ogilvie; GHA; Home Scotland Housing Association; Partick Works (subsidiary of Partick HA); Queens Cross HA; Shettleston HA; Sanctury (Scotland) HA; Thenue HA; and West of Scotland HA. Four of these developers/RSLs have approval to build MMR in Glasgow whether through Housing Association Grant (HAG) or the Innovation and Investment Fund (IIF). Others have a potential interest in providing MMR (although some are at very early stages of exploring the idea), while a small number stated that it was unlikely to be relevant for their business (albeit they were interested in how the MMR role may evolve in Glasgow) but they had very relevant experience and opinions for this research.

Qualitative research has also been undertaken with existing private landlords and letting agents. This was to obtain information on the current private rented housing market (demand, prices and expectations from tenants), elicit views on what role MMR could play in Glasgow, and to explore the impact that MMR may have on the existing private rented sector (PRS). Registered private landlords and agents were invited to take part in the research by the City Council's Private Sector Registration team, and separately the Scottish Association of Landlords invited their 300 Glasgow members to participate. Eight landlords responded to the invitations and indepth telephone interviews were achieved with seven. The landlords/agents had properties in a range of locations and of different sizes and types. Portfolio sizes included two with 10 and 40 properties, two with over 100, and three with approximately 200 properties. Areas of activity included the West End, Maryhill, Langside, Battlefield, Govanhill, Pollokshields, Shawlands, Cardonald, Hillington, Cathcart, Bridgeton, Dennistoun, Parkhead and Carntyne. The types of properties held were mainly flats, with some cottage flats and houses, mainly one and two bedroom. Rents ranged from £300 per month for one bedroom properties to £700 per month for two and three bedroomed properties. There were also examples of large 6 bedroom houses let as shared accommodation for £2,300. The average rent discussed by landlords was £450 to £500 pm for a two bedroom flat.

7.2 Current activity and demand

Developers in Glasgow have been concentrating their activity through the recession on partnership work with RSLs – building housing for social rent and NSSE, with a few now moving to MMR. The activity in the housing for sale market is still very limited, and seen as high risk by many, especially in the starter/ first time buyer market. All developers spoke about demand for sale still being adversely affected by restricted access to mortgages, high deposits and stringent credit requirements – "*some of which are dubious… they use any excuse not to lend*" and "*we have huge throughput before you can get an actual sale as so many can't get the finance*". Some believe that the combination of change in the mortgage markets and the recession may be resulting in overall structural change – "*there may be a change in attitudes, a waning in the underlying demand for home ownership; many young people are scared of being saddled with large debts ….*" . Developers and RSLs spoke about varying demand for NSSE – in some places there was said to be strong demand, whereas in others, developers suggested that the branding of NSSE and the association with RSLs may be limiting the market. Many spoke about the stringent and bureaucratic rules affecting access to home ownership through NSSE (discussed further below).

In contrast, demand for the rented sectors is strong. RSLs spoke about very high demand for social rented housing with thousands on their list that will never get a chance of an offer. The consultation with private landlords and agents showed that demand in the PRS is also high - some said the highest they have had for 15 years. A number working in the higher demand areas referred to having no vacancies (whereas pre-recession they were used to 5 to 10 vacancies at any one time), with properties being relet very quickly within 10 days compared to up to 6 weeks previously - "*we haven't got enough stock to meet demand*". Others with properties in lower priced areas and those targeting the LHA market stated that demand was solid or steady; *"we don't have people queuing at the door, but its steady".* All stated that the good quality, well-located properties let very quickly.

Consultees were also asked about expectations from customers and whether these had changed over time. Developers spoke about the desire for good quality new build, in good locations that represent value for money compared to other options that are available. RSLs discussed rising quality expectations, a preference for houses over flats (where this is an option), and location also driving demand for social renting. Private landlords confirmed increasing expectations over the last 10 years; the basic offer demanded being clean, tidy, neutrally decorated with modern furnishing (if it is furnished). Some thought that the demand for higher quality has been fuelled by the increasing choice and competition in the market, in particular the availability of more new build housing for rent through the 'buy-to-let' market - *"landlords have to do more work, and have to respond to the market if they want to let the property quickly"*. Two agents stated that those people who do not go through letting agents, perhaps to avoid the need for referencing and credit checks, will have less choice and will have to accept lower standards.

7.3 Potential role that MMR could play in Glasgow

Consultees were asked to consider what role they thought MMR could play in Glasgow.

Access to housing – the majority of developers and RSL consultees, and some in the PRS envisaged that MMR would widen access to housing. The key drivers were seen to be coming from two distinct parts of the housing market - reduced access to housing for sale due to restricted access to mortgage finance, and the shortage of social housing relative to demand. Many (excluding the PRS) discussed the remaining option of private renting giving poor value for money in terms of quality and affordability, and NSSE providing very restricted access to home ownership. It was noted that while renting may not be some households' tenure of choice, mid-market renting could provide an opportunity for independence, whilst saving for a mortgage deposit which would probably not be possible while living in the private rented sector.

Choice and quality – Closely associated with access to housing was the need for greater choice. Many developers and RSLs referred to the existing private rented sector as unaffordable, poor quality and providing poor value for money. Some considered that MMR could provide a better quality and better priced product for those that need it, mainly where the PRS is pressured and prices are high. This could increase the options for people who may want to stay in their preferred community, but who otherwise may have to leave to find the right type and size of housing that they could afford. Some of these people may be inappropriately housed in the social rented sector (typically overcrowded) but who could afford MMR, and so "*release a highly subsidised social rented property for a household that really needs it"*. At the same time many thought MMR may help drive up quality and standards in the existing PRS. One consultee felt it was legitimate for MMR to provide an alternative to the PRS differentiating on quality alone in order to increase the supply of good quality rented housing (this was in an area where MMR prices would be similar to relatively low private rented sector prices).

Regeneration – A few consultees saw there to be a role for MMR in regeneration areas, or to assist in regenerating existing low income, vulnerable communities. In existing communities the objective would be to retain working households by providing opportunities to access good quality affordable housing, and in new communities the objective would be to mix the type and economic profile of households. Developers stated that it is important to provide the right volume and mix of housing options to provide the best return on investment. MMR should also be carefully differentiated from either social renting or private renting: the risks are that it may just be seen as a new kind of social/affordable housing, or it may set the price for the area's private renting supply where it does not currently exist. It would therefore require a well thought through marketing and branding strategy. A number of developers stated that MMR could act as an effective means of unlocking stalled sites, with the assistance of relatively low levels of subsidy compared to that required for social rent.

A few disagreed, or were very cautious about the role MMR could have in regeneration areas stating the key role for MMR is in specific pressured markets to provide a more affordable alternative to the private rented sector. The reasons for caution were similar to the risks identified above – it could just become a new type of affordable housing, or become the private rented sector for that area.

Limited role – A number of consultees across sectors felt that MMR would have an important, but limited role in Glasgow – confined to a few specific pressured markets. It was emphasised that Glasgow is a diverse city in terms of prices and quality of housing offer and this type of product should be carefully targeted to those areas where it is needed most. This view was particularly strong amongst private landlords/agents – some certainly supported the concept, but others were very concerned about the potential impact it could have on the existing PRS (discussed further below). One RSL saw the role of MMR as cross subsidising the provision of social rented housing which was felt to be required since the reduction of HAG rates.

7.4 Impact on the existing private rented sector

The majority of developer and RSL consultees, and around half of private landlords/agents consulted felt there would be very little or no impact on the existing PRS. They considered that current demand is far greater than both the private and social rented sectors can satisfy, and that MMR would only be able to meet a small proportion of that demand. None of the developers or RSLs envisaged new supply of MMR would be on a large scale, or sufficient to impact on the existing PRS. Some suggested that MMR may well compete with the PRS at the lower end of the market on quality; many thought this may serve to put pressure on the existing PRS to improve quality, seen as a good thing.

However, some private landlords/agents were very concerned about the potential impact, especially if there was to be aggressive expansion of MMR. They felt that in most areas of Glasgow MMR would be direct competition, undercutting the current market by offering a higher quality, cheaper alternative – this was felt to be unfair if this competition was subsidised by the tax-payer. It was argued that many landlords do not make large profits, claiming that the difference between social and private rents covers their costs and a small margin. One landlord envisaged that many 'buy-to-let' landlords with mortgages on their properties will suffer once interest rates start increasing, and this combined with another, cheaper offer in the market would make private letting a marginal or loss making business. Two landlords discussed examples of MMR where is to be a relatively large volume of supply in one place, and in their opinion was pitched at full market levels, not mid-market rent. One of these landlords used this as example of unfair competition, describing GHA as a large RSL with substantial financial and political power competing against the private sector and using public funds to do so.

A number of these private landlords/agents confirmed that some of their low paid working tenants are struggling to afford rent levels of more than £400pm, and acknowledged that there are shortgages of housing for rent, particularly in better areas and for family households. However, several landlords claimed that there is sufficient choice in price and quality in Glasgow to meet most needs; as stated by one landlord "*Glasgow is such a mix, most people will be able to find something that is affordable*".

7.5 Target markets for MMR

Consultees across sectors envisage that the key target markets for MMR are:

New households - usually young single people or couples (aged between 25 and 40), working with low/modest incomes. These would come from two distinct markets - those that previously would have aspired to home ownership but are now delaying this option due to restrictive mortgage requirements, or those that have little priority for social housing and cannot afford private renting in their own community, or area of preference. These types of households may include 'key workers' – those perhaps moving into the area for public service orientated work e.g. nursing, education, police, public administration. One consultee pointed to the fact that lower income workers often cannot afford to commute to work, or commuting makes the decision to work a marginal one, so providing housing that is more affordable and nearer their place of work *"makes working affordable".*

Young family households – perhaps those that are in private renting, but are unable to find a suitable or affordable private rented property, and like new households are unable to secure the appropriate mortgage to purchase.

Existing social tenants in work but who are unsuitably housed – typically overcrowded households but for whom there is lack of social housing of the right size and type available in their preferred area, in particular three-bedroom accommodation.

Households with changing circumstances or specific requirements – for example, relationship breakdown, or those trading down as a result of change in work and financial circumstances, or those households for whom the traditional Glasgow tenement would not be suitable including disabled people.

7.6 Pricing

Consultees were asked to consider the pricing options for MMR. Two broad options were posed: the current norm and guidance in Scotland where MMR rents are usually set at between 80—100% of Local Housing Allowance (LHA), or the model in England where MMR rents are more commonly set at 80% of prevailing private market rents. Consultees were also asked if they had any alternative suggestions to these two options.

Taking all consultees' views, including developers, RSLs and private landlords/agents, most stated that MMR rents should be discounted on market rent levels, or there should be flexibility to set rents considering the local market rent levels, but also recognising the need for affordability and changing financial circumstances of tenants. Three consultees stated that MMR should always be within LHA levels. The main argument for flexibility in rent setting was the limitations of the LHA rate in Glasgow which dictates one maximum level (by size) across the whole city. Many consider this to be unsophisticated for a city the size and type of Glasgow, which contains a large range of local markets and prices. Developers/investors and private landlords stated that the rent should reflect the demand and economic drivers of the area. This influences the cost of land, and so if MMR is to be developed in pressured markets, it will only be viable if appropriate rent levels are charged. A number of developers/RSLs provided examples where the current LHA rates would not enable viable projects in certain parts of Glasgow. A few developers stated that there were presentational and marketing issues if it was more of a 'fixed' rent aligned to LHA – it was suggested this would give more of a feel of an RSL/ social rent product. Private landlords also suggested that by providing a rent within or below LHA levels in higher demand areas, MMR could be viewed as a type of social housing.

However, there were a number of concerns about affordability, with many RSLs ideally aiming for rents to stay as close as possible to LHA, while recognising the need for flexibility to reflect local markets and costs. It was also suggested that rents must be pitched at a level that allows people to save for a deposit and so move on to home ownership if they wished. One RSL consultee stated that MMR rents must be set very carefully, reflecting on the possibility (however remote it may seem now) of the mortgage markets loosening and the risks that this could pose to MMR.

7.7 Eligibility

Consultees felt that if MMR was to be provided through subsidy there should be some form of rationing through a minimum and maximum income bracket, or an alternative affordability assessment. Consultees were clear that people that could afford private housing should not have access to MMR. Few people wished to suggest actual income thresholds: one RSL suggested between £25,000-£40,000 (single/joint household) and three consultees from the PRS stated that based on their own affordability assessments, households earning £20,000 to £30,000 would be able to afford rents of £400 to £500pm.

While developers and investors recognised the need for some form of rationing, at the same time many would be concerned if this was too restrictive. Many consultees (developers and RSLs) referred to NSSE criteria being too restrictive, claiming this had resulted in limiting the potential market, missing many households that NSSE really should have reached and creating "*very marginal home ownership".* It was argued that MMR criteria must be broad enough to capture the broad policy objectives whilst providing some flexibility for those operating it, and allowing some adaption according to the market conditions. It was argued that any form of rationing should be straight forward, with many referring to the unhelpful bureaucratic processes used for NSSE and social renting.

Consultees generally did not favour other eligibility criteria, other than people being in work, and perhaps having some local connection to the community. Two private landlords mentioned priority systems for 'key workers' including health workers, teachers, those in part or full time education, and public administration.

7.8 Product

Most consultees discussed MMR on the basis that it would be a new build product. The exception was GHA consultees who are currently working on the Ibroxholme redevelopment. Most saw new build as providing a different and better quality product than is currently available in the private rented sector, or the older social rented sector, and offering a comparable product to that which many first time buyers would consider.

In terms of location, most consultees saw the potential for MMR across the city, mainly in higher demand areas where there is a substantial rent differential between social and private rents. Consultees also saw a role for MMR in regeneration areas, but as discussed above, developers thought that the volume and tenure types should be carefully mixed, phased and marketed to ensure it is not confused with either social or market renting. A number of RSL consultees saw a role for sustaining existing communities by encouraging working households to stay in the areas by providing good quality housing options – most of these consultees worked in areas where there was a buoyant private rented sector, although one saw a role for providing MMR that is good quality but at a similar, relatively low rent to the existing PRS.

Consultees were asked whether they envisaged MMR to be let under Short Assured Tenancy (SAT), Scottish Secure Tenancy (SST) or whether there should be an alternative. All but two consultees had an opinion on the tenancy type; all of these stated that MMR should be let under SAT – they were comfortable with this form of tenure for MMR on the basis that if let by RSLs, in practice it would have a longer term prospect than many properties let in the PRS, but would not have the 'lifetime home' security of the SST. It was felt that the overall ethos associated with MMR and professional management through RSLs or other reputable property managers should give tenants reassurance on more 'security' while not compromising on the benefits of SAT for landlords.

Consultees were asked whether they envisaged an MMR product to be furnished or unfurnished. Most of those that had a view of this felt the properties should be unfurnished but provided with white goods, curtains and carpets. A number of people also talked about the option of providing basic furniture for an addition on the rent, targeted towards those new households that had not acquired any household goods. Private landlords/agent consultees confirmed that demand varies in the PRS and in general is 60/40 in favour of furnished to unfurnished with many landlords providing the option to furnish if required. New, younger households tend to demand furnished properties, whereas households in their mid twenties and thirties, and family households usually have their own furniture.

7.9 Ownership options

The consultation considered whether ownership should be provided as an option through MMR. Opinion was split on this – some developers and RSLs saw this as a way of cementing the investment that a person may have made in the community, particularly in regeneration areas where the area would benefit from a mix of tenure and income profile of households. From an investors point of view it could also provide an opportunity for cross subsidy and make the investment work. However, the majority of consultees felt that MMR should stay in the rented sector, to maintain and increase rented housing options available, stating that there were other options that could be pursued if people wished to move into ownership. Some developers were concerned that options to buy may create 'pepper-potting' which would dilute the ability to manage the properties, and therefore their value.

No-one thought that tenants should be forced to move-on if they did not take up an ownership option that was offered. Examples such as the NHT and other similar models were cited and generally discounted for this reason. Consultees were concerned that if tenants were required to move-on they would have very few options for rehousing, particularly in their current location. There were also concerns over an influx of properties coming onto the market at one time with the impact on sales prices this could have. Some concluded that if there was any option to buy it would have to be voluntary and sales carefully phased.

7.10 Ownership, management and marketing

Consultees were asked to consider who would most likely be interested in developing, owning, managing and maintain properties. A number of private investors and developers confirmed an interest in the MMR product, one of which has approval for one MMR project. Two developers stated they did not currently have intentions to develop MMR – at this stage they were unclear about the product and where it would fit in relation to other housing offers, or felt that it would not give an adequate return on investment.

Most of the RSLs consulted saw MMR as having an important role in extending choice for a wider range of client group in their areas and intended to pursue development, ownership and management. A number of RSLs were still cautious about MMR, with some concerns over affordability and whether it may evolve into the new 'affordable housing'. RSLs were very clear that this should not be the case, and that it is not the solution to the shortage of affordable housing in Glasgow – rather it should be seen as one more option to complement other housing products which RSLs and private developers offer.

Most developers saw RSLs taking the lead in management of MMR – they see them as experts in housing management and well regulated. They could also give tenants assurance of more 'security' whilst still letting the properties under SAT. Some compared RSLs' strong track record to the relatively poor service they had experienced from private letting agents, and they considered the lack of regulation in this sector as a weakness.

Developers considered that they have very strong marketing skills, and most felt that they were well placed to undertake the marketing role, particularly in mixed tenure regeneration sites. Some RSLs agreed with this view, whereas other RSLs stated they would do their own marketing in-house. Developers and RSLs were conscious of the marketing challenge required to differentiate MMR from the existing PRS and social renting sectors.

The private landlords/agents felt strongly that the existing PRS could have a role in managing, and to a lesser extent owning MMR properties. They stated there are a number of reputable and capable letting agents that could fulfil this role, perhaps in partnership with developers and RSLs.

7.11 Chapter summary

The most common themes arising from the scoping exercise were as follows:

- *Current activity and demand* - since the recession, developers have been concentrating their activity building housing for social rent and NSSE, with a few now moving to MMR. The activity in the housing for sale market is still very limited, and seen as high risk, especially in the starter/ first time buyer market. Some believe that the combination of change in the mortgage markets and the recession may be resulting in overall structural change. In contrast, demand in the social and the private rented sectors is strong.

- Potential role that MMR could play – Developers, RSLs and some private landlords/agents agreed that MMR could widen access and provide greater choice of housing for those that cannot access housing for sale due to restricted access to mortgage finance, and those that cannot access social housing due to shortage of supply. The need for greater choice was associated with poor value for money provided by the private rented sector. MMR was also seen to have a role in regeneration by some – to mix the type and economic profile of households, whether in new communities, or to assist existing low income communities. Others were very cautious about the role MMR could have in regeneration areas suggesting it could become a new type of affordable housing, or set the price for the private rented sector for that area.

- Impact on the existing private sector - Half of the private landlords consulted suggested the high level of demand in the current market would mean MMR would have no, or little impact. Developers and RSLs suggested if there was any impact, this may be to improve quality which was seen as a good thing. Some private landlords expressed concern about the impact MMR would have on the existing private rented sector. Concerns were greatest in areas where the average private rents were around the LHA level, and it was suggested that there was sufficient range of properties and prices in the private rented sector in Glasgow to meet needs.

- Target markets – Targets were suggested as: new households, usually young single people or couples (aged between 25 and 40), working with low/modest incomes; young family households – as it is likely new households are unable to secure the appropriate mortgage to purchase; existing social tenants in work but who are unsuitably housed – typically overcrowded households; households with changing circumstances or specific requirements – for example, relationship breakdown.

- Pricing MMR - Taking account of all consultees' views, including developers, RSLs and private landlords/agents, most stated that MMR rents should be discounted on market rent levels, or there should be flexibility to set rents considering the local market rent levels, but also recognising the need for affordability and the changing financial circumstances of tenants. The main reason cited for this choice was the limitation of the LHA rate in Glasgow which dictates one maximum level (by size) across the whole city.

- Eligibility – Developers, RSLs and potential investors recognised the need for some form of rationing where public subsidy is involved, based on a household income range. But there were concerns that this should not be too restrictive, and provide some flexibility for operators, allowing some adaption according to market conditions. It was argued that any form of rationing should be straight forward, with many referring to the unhelpful bureaucratic processes used for NSSE and social renting.

- Product – Most suppliers envisage MMR to be a new build product, built mainly in higher demand areas (although some saw the scope for it in regeneration areas), let on a short assured basis and unfurnished but with white goods, carpets and curtains.

- Ownership options - Opinion was divided on ownership options. Most consultees felt that MMR should stay in the rented sector, to increase and maintain the rented housing options available. But some developers and RSLs thought an ownership option is a way of cementing the investment in a community, particularly in regeneration areas where the area would benefit from a mix of tenures and income profiles of households. It may also provide an opportunity for cross subsidy and make the investment work for developers. No-one thought that tenants should be forced to move on if they did not take up an ownership option that may be offered. Examples such as the NHT and other similar models were cited and generally discounted for this reason.

- A range of developers and RSLs confirmed their interest in developing MMR in Glasgow, but a few are unclear at this stage as to the role of MMR in relation to other housing products. RSLs were seen to be natural choice as property managers due to their expertise and the comfort provided by regulation. Most RSLs stated their intention to undertake marketing themselves, but for mixed tenure regeneration sites a number of developers highlighted their strengths in relation to marketing. They argued that marketing of MMR would have to be carefully managed to make a clear distinction from social housing and the existing private renting sector.

8. Summary and conclusions

The conclusions have been developed on the basis of the following two key questions:

- What is the role of MMR within the dynamics of the Glasgow housing system?
- What is its strategic fit with Glasgow's strategic housing objectives?

Before these conclusions are drawn, the following provides a summary of findings and concludes on the individual research outputs required by the brief.

8.1 An assessment and quantification of the market

The potential market for MMR should be seen in the context of the wider housing system in Glasgow. The current drivers for MMR are strong – increasing population and number of households, reducing household incomes, uncertainty over employment, restricted access to home ownership and strong demand in the social and private rented sectors.

Chapters 4 and 5 set out the findings from comprehensive data analysis undertaken to estimate the potential market for MMR. This was achieved by identifying the percentage of households with incomes that are above the Housing Benefit eligibility rate, but below the rate where they could afford the lowest market prices (ownership and renting) [20]. The estimates excluded households that are currently owner occupiers, and those aged over 45, although there may be a market within those categories. There may also be a market for MMR from households currently living outwith Glasgow City's boundaries, and so the estimates are likely to be conservative.

There is a substantial market for mid-market rent ranging from around 24,000 of households aged under 45 years currently unable to afford Local Housing Allowance level rents, to 28,500 unable to afford average private rents. The estimates based on not being able to afford to own are higher, at around 36,000-37,000, but the lack of savings contributes significantly to access to mortgage finance. Excluding those without savings reduces this figure to between 12,200 to 19,400. The overall estimate of the market is likely to be around 10% of the current Glasgow household population. Almost half of those in the market for MMR, based on current residents, are in the 15% most deprived datazones. This suggests a strong regeneration role for MMR.

The assessment has also identified the affordability of MMR based on different rental options, and in so doing projected the likely household incomes of MMR households. The most common models are 80%, 84% or 100% LHA rates. The English models tend to use 80% of private rent levels. At a Citywide level, the household incomes required range from £17,350 at 80% LHA, to £22,500 assuming 100% LHA. In fact in Glasgow, 100% LHA is equivalent to 80% of PRS at the citywide level, with the income required almost identical at £22,300. These incomes compare to £28,800 required to afford an average private rented two bedroom flat at a 33% affordability ratio.

Wilcox's narrow definition of intermediate housing suggests that eligibility for Housing Benefit indicates inability to afford MMR. The data suggests that 71% of households (79% of single people) in receipt of Housing Benefit have annual net incomes of less than £15,000 a year – this

[20] See Wilcox's definition of narrow and broad definition housing markets as discussed in Chapter 3

suggests that the minimum net annual income for eligibility to MMR needs to be in the region of £15,000 if this type of housing is to be targeted at above Housing Benefit income levels.

These results therefore suggest an income range of between £15,000 and £29,000 for households that would be best suited to MMR - based on the 'narrow' definition. As discussed in Chapter 3, the experience elsewhere in Scotland shows MMR residents' incomes tend to be between £15,000 and £45,000; this reflects providers' eligibility criteria to some extent, which in some cases allows for some flexibility towards the higher end of the income range for family households. Chapter 6 provides findings from the extensive qualitative research undertaken with consumers in Glasgow. This shows people are generally not in favour of strict income criteria for MMR; they would prefer to see no restrictions, or a flexible approach based on simple affordability assessment that recognizes different household circumstances. As discussed in Chapter 7, few stakeholders and potential developers/managers of MMR in Glasgow had strong opinions on what the income range should be, but agreed that there should be some form of means testing where public subsidy was involved. They anticipated that households would be in work but have 'modest' incomes, such that private renting and home ownership were inaccessible.

The analysis of private rents at the neighbourhood level has shown that there is a large range of rent levels with many local markets. Highest mean rents are £722 for a two-bedroom flat in the City Centre and £719pcm in the West End (45% higher than the LHA) and there are 10 neighbourhoods where mean rents are £600pcm or more (20% higher than LHA). But there are many more areas in Glasgow where the mean private rent is similar or lower than the 100% LHA rate (which is itself an indicator of the lower end of the market since it represents the lowest 30% of rents). Around 50% of the 56 neighbourhoods have mean private rents which are slightly above the LHA rate – between £5 and £50 more per month, and 30% have private rents priced at the LHA level or up to 20% lower than it. Some of these areas have very low proportions of private rented housing (e.g. Castlemilk at 3.5% and Toryglen at 6.5%), but others have average or high levels (e.g. Tollcross/Shettleston at 15.7% and Govanhill at 29.8%).

The evidence on rent levels in the private rented sector puts some substance behind some strongly held concerns from some private landlords/agents that MMR would act as direct competition to the existing private rented sector. It was questioned how the use of public subsidy could be justified to compete against an existing market. Not all private landlords/agents shared these concerns suggesting that there was more than enough demand to make any difference to the existing market, and saw the potential positive role that MMR could play, particularly in higher priced areas by providing another affordable option for households on modest income (some suggesting below £20,000). Some consumers saw the potential for competition with the existing private rented sector as a positive thing – providing an incentive to improve conditions and/or lower rents. Many potential developers/managers shared the view that the sheer scale of the private rented market would result in minimal impact from MMR, and agreed with the potential to offer a much better quality product, at a more reasonable price.

One obvious conclusion from this work is that the flat LHA rate of £495 does not adequately recognize these local markets, the effect of which will be to exacerbate problems of access and sustainability of housing in the private rented sector in pressured areas in Glasgow. This evidence also suggests that the policy intention of MMR in Glasgow must be clearly identified and its development targeted to avoid unintended consequences and impacts on the existing private rented market, which is relatively affordable in many areas of Glasgow. The possible policy objectives for MMR are discussed in the conclusions below.

8.2 Geographic spread of MMR market across the city, in different types of areas

The study has analysed the geographic spread of the potential MMR market demonstrated through a series of maps showing market indicators and prevalence rates. Table 12 in main report (coupled with detailed appendices) brings together key market indicators and neighbourhood characteristics to identify locations with greatest potential for MMR. This table, and the detailed appendices and prevalence rates provide important tools for investment planning. The market for MMR is greatest in pressured areas where costs to purchase and to rent in the market are high relative to incomes, and the differential between private renting, social renting and LHA is greatest; however, there will also be potential in lower priced and regeneration areas where the purpose of MMR is designed to meet specific objectives.

The potential application of MMR has also been explored through 10 case study discussions (provided in an Annex to this report), which draws together the demographic and market data, and evidence from consumer focus groups for each area. Potential developers/managers also provided their opinion on where they saw the greatest potential for MMR. The following presents examples of the two main typologies where MMR could be used in Glasgow.

<u>Example of MMR in pressured areas - Hyndland, Dowanhill and Partick East</u>

The area is predominantly owner-occupied, but it also has large private rented sector at 27% of the total stock. It is part of the postcode with the lowest social lets and there is a low proportion of affordable social rented housing at 14%. Partick Housing Association has among the highest applicant to let ratios in Glasgow. Mean private rents in this area are £719, 45% higher than the city-wide LHA rates. Private sector rents are only affordable for a relatively high *net* monthly household income of £2,157. High house prices make purchase out of reach for many with an implied income of net £2,474 for the lowest quartile prices which are £164,819. Given these affordability issues, prevalence rates for MMR potential in this area are ranked within the highest four neighbourhoods across all four MMR tests. The most likely objective of MMR in this area is to provide access to housing in a pressured area. It may also offer greater choice in the type and size of housing by providing a new build product built to high quality and space standards in an area where the majority of housing is traditional tenements, which may not be suitable for many families and others with specific requirements. It is concluded that MMR in this type of area should be kept in the rented sector in perpetuity to meet the objective of increasing access to housing in pressured areas. Focus group participants in Partick felt the concept of MMR may be a good way of giving opportunities for families and young people to stay in their preferred community and stay close to their existing networks. The consumers were split as to whether MMR should be extended to an ownership option – some suggested it would give young people the opportunity to gain access to home ownership in their preferred community, but others in the group disagreed suggesting the priority should be to provide affordable rented options in the long term. Developers and RSLs saw a role for offering MMR to existing working social renters who may be unsuitably housed, but due to pressure in social housing in the area cannot get access to the type of property in their preferred location. MMR may meet their needs, albeit at a higher but still affordable rent, and release a social rented home for another in housing need but with a lower household income.

Example of regeneration area - North Toryglen TRA

The wider neighbourhood is dominated by social renting, and it has a very small private rented sector at 6.5% of the total stock. In the area near the TRA, pressure in the social renting sector is low, in part due to the unpopularity of the poor quality housing stock in the area. Mean private rents in this area are £439, 11% lower than the city-wide LHA rates – these rents would be affordable for a relatively low net monthly household income of £1,317. The tenure mix suggests in reality there would be very little private renting available, and it would probably be focused on ex-local authority/RSL housing. Relatively low house prices make purchase more affordable than private renting with an implied income of £1,141 for lowest quartile prices £57,940 (for the wider Tortyglen area). However, it is very unlikely that at this level of income that households will be able to save the deposits required to access home ownership. House purchase opportunities may also be concentrated in re-sale of ex-LA housing, although the successful Barratt development will have provided a new build option historically not available in this area. In the absence of any significant supply of private rented housing in this area, a new build MMR supply would provide something different that is currently not on offer. Prevalence rates for MMR in this area are ranked at around the average Glasgow rate across all four MMR tests. However, funders and providers would wish to be clear on the policy intentions as any new build MMR may in fact set the market rent level for a 'new' private rented sector i.e. subsidising the provision of increased supply of private renting, rather than providing an affordable renting option. If the MMR is to remain in the rented sector there would should be clear positioning and marketing of the product, or there would be high risk of it being viewed as private rented housing. An alternative for MMR in this area would be to use it as a stepping stone to ownership as a rent to mortgage product – the relatively low rents possible in this areas, combined with low house purchase prices would make a 'save for deposit' scheme much more feasible than it would be in higher priced areas. Tenants could make a saving contribution, made as part of the monthly rent, to be set aside by the developer in a suspense account to contribute to a deposit for later purchase, and to help the tenant secure a suitable credit rating. Focus group participants for the North Toryglen area said they would be willing to pay a higher rent for something 'brand new', and some (but not all) were also in favour of MMR providing an opportunity for ownership, especially for family households, and those households including a disabled adult or child for whom affordable housing options are limited.

8.3 Different types of product and elements of the product

The comparative research has explored examples of using MMR as a route to ownership. The National Housing Trust is the main Scottish example, but will remain untested for some time in terms of its ownership objectives. The HCA Evaluation of Rent to Homebuy provided some valuable lessons in this respect and some useful case studies of different rent to purchase schemes, including deposit saving schemes are provided in Appendix 3. As noted above, the consumer view on whether MMR should include an ownership option varied, with strong opinions held for and against and no particular household type or area leaning in one direction. Some potential developers and managers saw the benefits of offering an ownership option on the basis of community stability, but none wished to see an obligation to purchase (as per the NHT model), but rather an option to buy, or continue renting. An equal number of developers felt that MMR should stay in the rented sector in perpetuity to widen the choice of rented housing in pressured areas, or had concerns over the potential pepper potting of ownership and rented housing and the impact this may have on value in regeneration areas.

All but one developer/manager discussed MMR on the basis that it would be a new build product. This was confirmed by consumers who could see the merits in paying more for a new, good quality product; those that debated the concept of existing social housing being improved and marketed as MMR generally could not see how there would be demand for it at a higher rent - the critical factor here was location and the inability to change that aspect and possibly the poor reputation of existing stock. It was also suggested that MMR should be about increasing the supply of housing, rather than raising the rents on existing housing.

The issue of pricing for MMR was explored with consumers who grappled with the fact that it may be better to have a safety net in case financial circumstances changed (therefore prices within LHA), but at the same time felt that the prices should reflect the area that people choose to live in, albeit at a discounted rate. This was also discussed with potential developers/managers, most of whom erred on the side of a 'flexible approach' whereby rents would be set on a site to site basis, taking into account affordability for tenants, but also viability of the project – a number highlighted that MMR based on the LHA rate would not be viable in high cost areas due to the costs of development.

Other product issues researched included furnishing, tenancy and management arrangements. Comparative research, and the qualitative research with consumers and potential developers showed that demand in the type of housing is likely to be for unfurnished or semi-furnished (white goods, carpets and curtains). Consumers and some potential developers/providers talked about providing options which could be paid for through an additional charge on the rent.

There was a strong feeling from consumers that MMR should be provided through a more secure tenancy than offered by the Short Assured Tenancy (SAT). Their preferred prospective managers would be housing associations. There is an equally strong message from potential developers/managers that MMR should be provided through SAT, for reasons of management control, but also to make a distinction from social renting. Most private developers saw the merits of using housing associations as managing agents, although some were concerned that this could give the message of social renting. This presents a considerable challenge for potential developers/managers to ensure the marketing of MMR is sufficiently sophisticated to ensure assurances are provided on security (cultural rather than legal), whilst marketing it as something different to both social and private renting.

8.4 Characteristics of households that would access MMR and allocation criteria

Comparative evidence suggests the type of households demanding MMR have been single people, single parent families and couples, although this will probably have been dictated by the type of housing (mainly city centre two-bedroom flats). There are some schemes under development in Edinburgh and the Scottish Borders which will soon be testing the MMR market for families through the provision of three bedroom houses. Prospective developers/managers in Glasgow suggested the target market would be smaller working households, although this could vary according to the site and location, and so could offer opportunities to provide family housing – many of the stakeholders discussed the need and demand for more family housing in Glasgow. They envisaged the target market would be younger households under 40, most of whom would be new households or young families that could not gain access to home ownership or could not afford private renting, or find a suitable type of property (typically for a family) in their preferred location. Some stakeholders also identified the potential market from existing social renters who are unsuitably housed (typically over-crowded) and would be willing to pay more rent to obtain the right size and type of property in the right location.

Consumers took a broader view of the potential target market. Other than a common (but not unanimous) stipulation for working households, overall it was felt that MMR should be available for most types of households, coming from many different situations – young people, single people, couples and families. Debates in the focus groups suggested households interested in MMR may be people who are in unacceptable housing situations – such as families over-crowded in social housing but have no prospect of re-housing; single people who have very low priority for social housing; single people and couples living with friends and family who cannot get access to social housing, but cannot afford private renting or home ownership; people coming out of a relationship breakdown and divorcees, including parents (usually fathers) who have access rights to their children but no suitable housing to enable them to have proper access to their children; and couples who want to save for a mortgage. No-one suggested older households as a potential market for MMR.

People in the focus groups reflected on the restrictions and bureaucracy associated with the social rented sector, and argued strongly that priority systems should be avoided. While most groups agreed that the types of households should be open, with no priority or eligibility system, most thought that there should be some kind of income criteria for access to MMR (discussed in 8.1 above). While there were arguments for and against income criteria, there was a recurring theme across most groups that there should be a strong emphasis on 'vetting' to ensure that only those people who 'respected their homes' would gain access to MMR, and a number of people suggested MMR should be prioritised for people currently living in the community where MMR was to be provided.

8.5 Overall views of MMR

In overall terms MMR was viewed positively by consumers and potential developers/managers. For consumers there were some caveats around inclusion and affordability, and for some potential developers there was some caution over clarity of objectives, affordability and positioning in the market. Not surprisingly, some of the private landlords/agents had the strongest concerns over the impact that MMR may have on the existing private rented market.

8.6 MMR's role in the housing market and strategic fit

This final discussion considers what the role of MMR is within the dynamics of the Glasgow housing system, and what its strategic fit is with Glasgow's strategic housing objectives.

In considering what the potential role of MMR is in Glasgow, first we list what the potential role/policy objectives of MMR *could* be.

- Access to housing – this objective covers the basic need of newly forming households to find housing that they can afford. In this study, housing affordability has been assumed to be 33% of household income. It should also include those households who require a different size or type of housing if they are inadequately housed e.g overcrowded households or disabled people. The key question here is, in a city the size and diversity of Glasgow how far should households be expected to travel to find housing they can afford?
- Choice and quality of housing – this objective relates to choice in tenure, location, size and quality. It is closely related to access due to the ongoing constraints in the current housing system where access to housing is limited for newly forming households. The question of location, size and quality arguably may be more demand led, assuming basic standards and amenities are met. For location this will depend on households' different needs for access to work, family and community support networks, and safety and security. In terms of quality, it has been argued by many through this research that MMR could have a role in making good quality affordable housing more widely available, especially for those with

least choice who may have to revert to poor quality, and sometimes unaffordable private rented housing. The question also arises here as to whether the objective of increasing choice through MMR is a short-term option until/or if the mortgage markets loosen when home ownership may be a more attractive option than MMR.

- Contribution to regeneration – the role of MMR could encompasses two types of regeneration: 1) the comprehensive regeneration of large areas and creation of new neighbourhoods, in this context the TRAs, and 2) sustaining and regenerating existing vulnerable, low income communities.

  For the TRAs the opportunity exists to create new housing mixes in type and tenure, to achieve mixed and sustainable communities. As discussed in the North Toryglen example, where no substantial private rented sector exists, MMR may become the new private rented sector, or a more expensive social rented sector; it may be that one of the objectives of MMR is to stimulate the creation of a private rented sector through subsidy in these areas. If it is this should be clear, with properties developed and marketed accordingly. It is assumed that it is not the objective to use MMR as a higher priced (and lower subsidised social housing), but there is the risk that it may be seen as such if the product is not differentiated. Because rents and house prices are often low in these areas there is the opportunity here to use MMR as a stepping stone to ownership. Lower rents leave more scope for saving for deposits, and the deposits will have greater leverage for lower priced home ownership. This may be particularly relevant for young couples and family households.

  In order to assist in sustaining existing but vulnerable communities, the objective of MMR would be about providing greater choice and better quality housing to encourage working households to stay within their existing communities. More vulnerable communities tend to have lower rent profiles, and so new build MMR would be competing head to head on quality with the existing private rented sector. Like the TRAs, there is the opportunity in lower rent and lower house price areas to use MMR as a stepping stone to ownership and therefore contribute to stabilising communities.

All of these potential roles for MMR are consistent with Glasgow's strategic objectives as set out in its recent Housing Strategy:

- We will have increased supply of good quality social housing and introduced more affordable housing to meet the city's housing needs;

- We will have increased the supply of good quality family housing across all tenures.;

- We will have increased the supply of new and converted accessible housing, as well as housing for particular needs.

- We will have improved neighbourhood quality across the City.

- We will have increased the supply of good quality housing for owner occupation.

8.7 Recommendations

This study has found that there is a large potential market for MMR in Glasgow. However, in planning for investment in MMR, the Council and its strategic partners should consider the following recommendations:

- The diversity of Glasgow's housing sub-markets means that MMR should be targeted according to specific objectives, and according to clear criteria. This should ensure MMR is developed in areas where it is most needed, and provides a product that is currently not available in those areas in terms of price and quality.

- The evidence and tools produced as outputs from this study will assist planners and developers to appraise and agree specific MMR proposals, according to market indicators and prevalence rates. Clearly markets change over time, and so these market indicators and prevalence rates will have to be refreshed periodically.

- The single LHA rate (by size) across the whole of Glasgow does not reflect the number of sub-markets and range of prices in the City. This is a considerable limitation for pricing MMR if it is to be developed in line with the Scottish convention used to date (i.e. sub-LHA prices). It is recommended that a flexible approach be taken to rent setting for MMR in Glasgow, taking into consideration local evidence on household incomes, prices, affordability and viability of developments.

- Income criteria for allocation of MMR should be based on the affordability assessment undertaken in this study i.e. between £15,000 and £30,000. But the affordability assessment could not take into account different household sizes, so there should be flexibility in application of the income criteria to take in account of larger households, and those with specific needs.

- The objectives and criteria for MMR in Glasgow are listed in Table 13 below. Examples of relevant neighbourhoods are also listed, but it is emphasised that these are large and variable areas and individual development appraisals will be required to confirm MMR markets in specific locations. The list of criteria is not formulaic – the criteria should be considered together to make a judgement, and even though sometimes one indicator may not be strong as others, when taken in the round, the area may still have very good potential for MMR. For regeneration neighbourhoods, the area may show only average potential for MMR, but the objective may be to attract households from wider areas to mix the demographic profile of the area.

- In all areas, but particularly in regeneration areas where there is currently a low supply of private rented housing, a product should be developed and marketed which is differentiated from the existing private rented and the social rented sectors to ensure MMR does not set the price for a 'new' private rented sector, or is seen as a more expensive social housing product. Marketing of the product, combined with the management approach should also provide assurances over 'security' of tenure, which is a key concern for consumers.

Table 13 - MMR typologies – objectives, criteria and examples

	Pressured areas	Regeneration areas:	Vulnerable areas:
Objective	MMR for rent in perpetuity under Short Assured Tenancy to widen access and choice to good quality, affordable housing.	MMR provided for rent with the option to purchase to widen access and choice to good quality affordable housing, to mix the demographic profile in the area, provide affordable ownership options, and to cement investment from working households should they wish to purchase.	MMR is provided for rent to provide choice of good quality affordable housing, typically in areas where private rented housing is dominant, but very low quality and low priced. MMR provides consumers with a better quality rented alternative, but may also intervene in the existing market to improve standards. It may also be provided with the option to purchase to widen affordable ownership options in the area, particularly for existing working residents.
Criteria	− higher than average ratio of house prices to incomes − ratio of the LHA to mean private rents is lower than average − ratio of mean RSL rents to private rents is lower than average − higher concentration of owner occupation and private renting − higher than average pressure in the social rented sector − higher than average numbers of younger people, people employed in C1 and C2 occupations, single people/couples and economically active people − high prevalence rates for MMR.	− lower than average ratio of house prices to incomes − ratio of the LHA to mean private rents is average or higher than average − average or higher concentration social renting, but there is a proven demand for owner occupation and private renting − higher than average numbers of younger people, people employed in C1 and C2 occupations, single people/couples, economically active people in the area <u>or</u> adjacent areas, <u>and/or</u> inward investment in the area to provide greater employment prospects for these types of households; − above average prevalence rates for MMR.	− lower than average ratio of house prices to incomes − ratio of the LHA to mean private rents is average or higher than average − private renting is higher than average, and generally of very poor quality − higher than average numbers of younger people, people employed in C1 and C2 occupations, single people/couples, economically active people in the area and an ethnically diverse population.; − above average prevalence rates for MMR.
Examples of neighbourhoods	− City Centre and Merchant City; Dennistoun; Hillhead and Woodlands; Hyndland, Dowanhill and Partick East; Broomhill and Partick West; Langside and Battlefield; Maryhill Road Corridor; Pollokshields East; Shawlands and Strathbungo; Yorkhill and Anderston.	− Calton and Bridgeton; Greater Govan; Greater Gorbals; Ibrox and Kingston (TRA area); Sighthill, Roystonhill and Germiston; Toryglen; Easterhouse; Castlemilk.	− Govanhill; Ibrox and Kingston.

Appendix 1 - Data tables

Table A.1: Price changes[21] Q2 2010 to Q2 2011 by neighbourhood (means and % change)

Neighbourhood	Q2 2010	Q2 2011	% change
Kelvindale and Kelvinside	179,181	230,637	28.7
Newlands and Cathcart	188,060	240,137	27.7
North Maryhill and Summerston	119,698	147,087	22.9
Priesthill and Househillwood	58,190	70,303	20.8
Blackhill and Hogganfield	99,928	115,856	15.9
Blairdardie	149,131	172,276	15.5
Riddrie and Cranhill	80,808	91,171	12.8
Lambhill and Milton	85,477	94,063	10.0
Greater Govan	75,789	82,420	8.7
Springboig and Barlanark	75,790	80,156	5.8
Crookston and South Cardonald	88,306	93,393	5.8
Pollokshaws and Mansewood	134,204	141,863	5.7
Corkerhill and North Pollok	98,600	103,800	5.3
Calton and Bridgeton	105,627	110,485	4.6
Hillhead and Woodlands	186,370	194,763	4.5
Arden and Carnwadric	103,375	107,110	3.6
Shawlands and Strathbungo	137,321	141,425	3.0
Anniesland Jordanhill and Whiteinch	185,784	190,867	2.7
Maryhill Road Corridor	153,057	153,899	0.5
Dennistoun	97,514	97,807	0.3
Govanhill	84,049	83,612	-0.5
Cathcart and Simshill	142,180	141,424	-0.5
Kings Park and Mount Florida	122,857	121,337	-1.2
Greater Gorbals	121,279	119,283	-1.6
Sighthill Roystonhill and Germiston	69,893	68,500	-2.0
Hyndland Dowanhill and Partick East	230,403	225,493	-2.1
Parkhead and Dalmarnock	93,247	90,800	-2.6
Ruchazie and Garthamlock	108,440	105,496	-2.7
City Centre and Merchant City	141,548	137,373	-2.9
Temple and Anniesland	134,467	130,186	-3.2
North Cardonald and Penilee	87,809	84,722	-3.5
Croftfoot	84,656	81,596	-3.6
Ibrox and Kingston	90,476	85,930	-5.0
Baillieston and Garrowhill	136,759	129,672	-5.2
South Nitshill and Darnley	161,745	151,862	-6.1
Langside and Battlefield	123,301	115,482	-6.3
Pollokshields West	261,392	241,317	-7.7
Ruchill and Possilpark	100,660	91,324	-9.3
Tollcross and West Shettleston	81,429	73,822	-9.3
Springburn	82,702	74,800	-9.6
Toryglen	111,190	100,115	-10.0
Robroyston and Millerston	192,895	173,545	-10.0
Knightswood	122,284	109,440	-10.5
Pollok	153,605	136,500	-11.1
Pollokshields East	124,928	110,722	-11.4

[21] Based on actual prices

Table A1(contd): Price changes Q2 2010 to Q2 2011 by neighbourhood (means and % change)

Easterhouse	76,583	66,568	-13.1
Haghill and Carntyne	91,702	79,677	-13.1
Yorkhill and Anderston	156,058	135,084	-13.4
Broomhill and Partick West	167,384	142,969	-14.6
Yoker and Scotstoun	129,925	109,088	-16.0
Drumchapel	92,650	74,250	-19.9
Mount Vernon and East Shettleston	145,503	115,254	-20.8
Bellahouston Craigton and Mosspark	153,932	119,321	-22.5
Balornock and Barmulloch	83,000	63,875	-23.0
Castlemilk	91,291	69,122	-24.3
Carmunnock	317,600	210,763	-33.6
Neighbourhood not know	113,975	135,144	18.6
Glasgow	**133,787**	**133,883**	**0.1**

Source: Propvals House Price data, July 2011, supplied by Glasgow City Council 2011

Table A2: Incomes and House prices

Neighbourhood	Lower quartile income	Median income	Mean income	Median house price	Lower decile house prices	Mortgage costs - lowest decile @ 4.5%	Monthly net income implied by low dec. HP (4.5%)	Lower quartile house prices	Mortgage costs - lowest quartile @ 4.5%	Monthly net income implied by low quartiles HP(4.5%)	Mean house price	Ratio - median house price to median income
Anniesland, Jordanhill & Whiteinch	17,452	29,906	36,041	177,765	70,034	350	1,051	104,159	521	1,563	235,485	5.9
Arden & Carnwadric	13,406	23,522	29,640	99,631	54,865	274	823	74,943	375	1,125	108,061	4.2
Baillieston & Garrowhill	17,773	30,586	37,169	138,241	82,820	414	1,243	100,500	503	1,508	151,768	4.5
Balornock and Barmulloch	13,399	22,757	28,086	74,178	55,634	278	835	58,160	291	873	76,673	3.3
Bellahouston, Craigton & Mosspark	13,021	23,157	29,436	96,091	63,985	320	960	76,555	383	1,149	129,323	4.1
Blackhill & Hogganfield	24,723	40,187	46,456	120,628	77,965	390	1,170	93,743	469	1,407	119,909	3.0
Blairdardie	15,609	27,984	34,936	132,728	94,735	474	1,422	120,225	601	1,804	157,030	4.7
Broomhill & Partick West	18,770	32,342	38,741	156,779	96,760	484	1,452	124,346	622	1,866	164,245	4.8
Calton & Bridgeton	14,317	25,041	31,209	101,493	51,209	256	769	67,820	339	1,018	110,923	4.1
Carmunnock	14,942	26,496	34,030	151,613	85,974	430	1,290	123,797	619	1,858	203,536	5.7
Castlemilk	12,383	21,297	25,604	70,828	39,421	197	592	49,972	250	750	84,122	3.3
Cathcart & Simshill	19,914	33,589	39,819	151,535	75,861	379	1,38	92,607	463	1,390	176,644	4.5
City Centre & Merchant City	14,098	24,580	30,400	135,533	80,828	404	1,213	107,704	539	1,616	141,040	5.5
Corkerhill & North Pollok	12,091	20,968	26,100	98,114	55,136	276	827	78,146	391	1,173	98,719	4.7
Croftfoot	16,988	28,932	34,311	79,907	63,327	317	950	68,635	343	1,030	88,406	2.8
Crookston & South Cardonald	14,317	24,923	30,424	89,347	65,629	328	985	76,181	381	1,143	112,360	3.6
Dennistoun	14,588	25,162	30,302	101,055	66,091	331	992	83,164	416	1,248	104,263	4.0
Drumchapel	12,348	21,275	26,026	83,715	49,006	245	735	59,347	297	891	91,775	3.9
Easterhouse	13,316	23,207	28,555	64,410	27,816	139	417	44,056	220	661	87,516	2.8
Govanhill	15,119	26,095	31,552	78,843	38,026	190	571	56,008	280	841	91,564	3.0
Greater Gorbals	12,711	22,407	28,562	126,937	78,622	393	1,180	98,419	492	1,477	126,797	5.7
Greater Govan	11,477	19,828	25,211	81,244	48,069	240	721	62,937	315	945	86,455	4.1

Neighbourhood	Lower quartile income	Median income	Mean income	Median house price	Lower decile house prices	Mortgage costs - lowest decile @ 4.5%	Monthly net income implied by low. Dec. HP (4.5%)	Lower quartile house prices	Mortgage costs - lowest quartile @ 4.5%	Monthly net income implied by low quar HP (4.5%)	Mean house price	Ratio - median house price to median income
Haghill and Carntyne	12,890	22,135	27,005	87,109	33,334	167	500	55,501	278	833	90,276	3.9
Hillhead & Woodlands	16,376	28,235	34,016	184,378	101,024	505	1,516	131,693	659	1,976	205,520	6.5
Hyndland, Dowanhill & Partick East	22,046	36,722	43,111	219,078	129,542	648	1,944	164,819	825	2,474	247,677	6.0
Ibrox & Kingston	15,051	26,109	31,655	91,922	44,728	224	671	62,797	314	942	99,468	3.5
Kelvindale & Kelvinside	21,592	36,915	44,030	219,477	110,334	552	1,656	147,502	738	2,214	235,781	5.9
Kingspark & Mount Florida	17,487	30,185	36,286	106,604	65,975	330	990	83,342	417	1,251	125,297	3.5
Knightswood	12,936	22,541	28,365	116,656	80,918	405	1,214	94,038	470	1,411	127,405	5.2
Lambhill & Milton	13,915	24,558	30,989	76,562	50,574	253	759	59,442	297	892	90,161	3.1
Langside & Battlefield	19,490	32,918	38,881	115,357	76,494	383	1,148	94,149	471	1,413	125,080	3.5
Maryhill Road Corridor	13,331	23,283	28,806	157,559	79,034	395	1,186	111,013	555	1,666	181,818	6.8
Mount Vernon & East Shettleston	15,307	26,594	32,885	114,292	71,328	357	1,070	81,556	408	1,224	131,284	4.3
Newlands & Cathcart	19,024	34,067	42,266	206,236	74,540	373	1,119	95,703	479	1,436	252,392	6.1
North Cardonald & Penilee	13,218	22,751	27,847	82,110	60,689	304	911	69,825	349	1,048	90,872	3.6
North Maryhill & Summerston	13,258	23,174	29,036	125,929	68,806	344	1,033	88,133	441	1,323	145,465	5.4
Parkhead & Dalmarnock	12,179	20,962	25,573	89,754	39,499	198	593	58,176	291	873	93,151	4.3
Pollok	15,878	27,555	33,057	130,604	73,604	368	1,105	87,892	440	1,319	142,658	4.7
Pollokshaws & Mansewood	12,342	21,268	26,055	116,612	64,177	321	963	80,897	405	1,214	153,761	5.5
Pollokshields East	15,208	26,253	31,500	120,775	53,877	270	809	69,504	348	1,043	113,933	4.6
Pollokshields West	18,693	33,103	41,069	245,856	93,056	466	1,397	152,174	761	2,284	291,797	7.4
Priesthill and Househillwood	15,869	27,795	33,964	77,403	21,317	107	320	36,004	180	540	82,341	2.8
Riddrie and Cranhill	12,674	21,600	26,632	84,474	48,554	243	729	68,793	344	1,032	86,415	3.9
Robroyston and Millerston	14,620	24,718	29,657	174,649	96,248	481	1,444	138,643	694	2,081	210,103	7.1
Ruchazie and Garthamlock	14,010	23,697	28,396	105,598	46,349	232	696	70,483	353	1,058	115,592	4.5
Ruchill and Possilpark	14,359	24,621	29,883	97,102	35,793	179	537	56,854	284	853	97,319	3.9
Shawlands & Strathbungo	22,185	36,774	43,057	130,658	80,075	401	1,202	108,123	541	1,623	150,133	3.6
Sighthill, Roystonhill & Germiston	12,152	21,086	27,215	67,883	21,597	108	324	41,471	207	622	64,034	3.2

Neighbourhood	Lower quartile income	Median income	Mean income	Median house price	Lower decile house prices	Mortgage costs - lowest decile @ 4.5%	Monthly net income implied by low. Dec. HP (4.5%)	Lower quartile house prices	Mortgage costs - lowest quartile @ 4.5%	Monthly net income implied by low quar HP (4.5%)	Mean house price	Ratio - median house price to median income
South Nitshill & Darnley	18,303	31,694	38,328	156,788	93,103	466	1,397	125,536	628	1,884	165,309	4.9
Springboig & Barlanark	12,173	20,988	25,888	74,477	45,300	227	680	56,606	283	850	78,697	3.5
Springburn	12,194	21,192	26,699	73,426	49,342	247	740	57,138	286	857	80,780	3.5
Temple & Anniesland	12,776	22,201	27,228	126,152	77,841	389	1,168	96,615	483	1,450	128,840	5.7
Tollcross & West Shettleston	11,678	20,123	25,281	74,178	33,091	166	497	52,316	262	785	80,623	3.7
Toryglen	15,746	27,130	32,769	141,111	57,940	290	870	76,033	380	1,141	120,110	5.2
Yoker & Scotstoun	15,069	26,593	33,229	99,675	62,022	310	931	78,328	392	1,176	135,063	3.7
Yorkhill & Anderston	16,732	29,755	36,735	136,138	96,745	484	1,452	111,888	560	1,679	143,954	4.6
Glasgow/average	14,475	24,916	30,327	124,599	61,888	310	930	84,770	424	1,272	146,052	5.0

Source: CACI Pay Check 2011 Data, Propvals House Price data, July 2010-2011

*The intermediate datazone for Maryhill Road corridor in the CACI PayCheck data includes the datazones S01003517 and S01003519, which include Maryhill but also some of Hillhead and Woodlands and also some parts of Hyndland, Dowanhill and Partick East. These areas cannot be excluded from the CACI PayCheck data, which is categorised by intermediate datazone, so the income data for the Maryhill Road corridor must be interpreted with caution.

There is missing CACI Paycheck income data for some neighbourhoods where the neighbourhoods do not correspond directly to Intermediate Datazones so cannot be assigned income data. This appears to affect a number of regeneration areas where substantial demolitions have taken place. mean of adjacent datazones have been taken as a proxy for the missing data in these nine neighbourhoods.

Table A3: Average rents and incomes needed, the ratio of the LHA to mean rents and the ratio of mean RSL rents to mean PRS rents (All neighbourhoods) (£)

Neighbourhood	PRS 2-bed	Net monthly income implied by 80% PRS	RSL 3 apt	80% LHA	84% LHA	100% LHA	Net monthly income implied by 100% LHA	Rent diff (LHS/ PRS)	RSL/ PRS
Anniesland, Jordanhill & Whiteinch	539.00	1,293.60	263.07	396.00	415.80	495.00	1,484.99	92%	49%
Arden & Carnwadric	555.00	1,332.00	263.07	396.00	415.80	495.00	1,484.99	89%	47%
Baillieston & Garrowhill	540.00	1,296.00	263.07	396.00	415.80	495.00	1,484.99	92%	49%
Balornock and Barmulloch	450.00	1,080.00	263.07	396.00	415.80	495.00	1,484.99	110%	58%
Bellahouston, Craigton & Mosspark	539.00	1,293.60	263.07	396.00	415.80	495.00	1,484.99	92%	49%
Blackhill & Hogganfield	500.00	1,200.00	263.07	396.00	415.80	495.00	1,484.99	99%	53%
Blairdardie	475.00	1,140.00	263.07	396.00	415.80	495.00	1,484.99	104%	55%
Broomhill & Partick West	709.00	1,701.60	263.07	396.00	415.80	495.00	1,484.99	70%	37%
Calton & Bridgeton	575.00	1,380.00	263.07	396.00	415.80	495.00	1,484.99	86%	46%
Carmunnock	650.00	1,560.00	263.07	396.00	415.80	495.00	1,484.99	76%	40%
Castlemilk	438.00	1,051.20	263.07	396.00	415.80	495.00	1,484.99	113%	60%
Cathcart & Simshill	539.00	1,293.60	263.07	396.00	415.80	495.00	1,484.99	92%	49%
City Centre & Merchant City	722.00	1,732.80	263.07	396.00	415.80	495.00	1,484.99	69%	36%
Corkerhill & North Pollok	550.00	1,320.00	263.07	396.00	415.80	495.00	1,484.99	90%	48%
Croftfoot	503.00	1,207.20	263.07	396.00	415.80	495.00	1,484.99	98%	52%
Crookston & South Cardonald	490.00	1,176.00	263.07	396.00	415.80	495.00	1,484.99	101%	54%
Dennistoun	526.00	1,262.40	263.07	396.00	415.80	495.00	1,484.99	94%	50%
Drumchapel	494.00	1,185.60	263.07	396.00	415.80	495.00	1,484.99	100%	53%
Easterhouse	401.00	962.40	263.07	396.00	415.80	495.00	1,484.99	123%	66%
Govanhill	492.00	1,180.80	263.07	396.00	415.80	495.00	1,484.99	101%	53%
Greater Gorbals	564.00	1,353.60	263.07	396.00	415.80	495.00	1,484.99	88%	47%
Greater Govan	453.00	1,087.20	263.07	396.00	415.80	495.00	1,484.99	109%	58%
Haghill and Carntyne	479.00	1,149.60	263.07	396.00	415.80	495.00	1,484.99	103%	55%
Hillhead & Woodlands	701.00	1,682.40	263.07	396.00	415.80	495.00	1,484.99	71%	38%
Hyndland, Dowanhill & Partick East	719.00	1,725.60	263.07	396.00	415.80	495.00	1,484.99	69%	37%
Ibrox & Kingston	551.00	1,322.40	263.07	396.00	415.80	495.00	1,484.99	90%	48%
Kelvindale & Kelvinside	670.00	1,608.00	263.07	396.00	415.80	495.00	1,484.99	74%	39%
Kingspark & Mount Florida	522.00	1,252.80	263.07	396.00	415.80	495.00	1,484.99	95%	50%
Knightswood	572.00	1,372.80	263.07	396.00	415.80	495.00	1,484.99	87%	46%
Lambhill & Milton	516.00	1,238.40	263.07	396.00	415.80	495.00	1,484.99	96%	51%
Langside & Battlefield	541.00	1,298.40	263.07	396.00	415.80	495.00	1,484.99	91%	49%
Maryhill Road Corridor	622.00	1,492.80	263.07	396.00	415.80	495.00	1,484.99	80%	42%
Mount Vernon & East Shettleston	502.00	1,204.80	263.07	396.00	415.80	495.00	1,484.99	99%	52%

Neighbourhood	PRS 2-bed	Net monthly income implied by 80% PRS	RSL 3 apt	80% LHA	84% LHA	100% LHA	Net monthly income implied by 100% LHA	Rent diff (LHS/ PRS)	RSL/ PRS
Newlands & Cathcart	521.00	1,250.40	263.07	396.00	415.80	495.00	1,484.99	95%	50%
North Cardonald & Penilee	503.00	1,207.20	263.07	396.00	415.80	495.00	1,484.99	98%	52%
North Maryhill & Summerston	527.00	1,264.80	263.07	396.00	415.80	495.00	1,484.99	94%	50%
Parkhead & Dalmarnock	478.00	1,147.20	263.07	396.00	415.80	495.00	1,484.99	104%	55%
Pollok	603.00	1,447.20	263.07	396.00	415.80	495.00	1,484.99	82%	44%
Pollokshaws & Mansewood	536.00	1,286.40	263.07	396.00	415.80	495.00	1,484.99	92%	49%
Pollokshields East	533.00	1,279.20	263.07	396.00	415.80	495.00	1,484.99	93%	49%
Pollokshields West	600.00	1,440.00	263.07	396.00	415.80	495.00	1,484.99	82%	44%
Priesthill and Househillwood	498.00	1,195.20	263.07	396.00	415.80	495.00	1,484.99	99%	53%
Riddrie and Cranhill	504.00	1,209.60	263.07	396.00	415.80	495.00	1,484.99	98%	52%
Robroyston and Millerston	550.00	1,320.00	263.07	396.00	415.80	495.00	1,484.99	90%	48%
Ruchazie and Garthamlock	497.00	1,192.80	263.07	396.00	415.80	495.00	1,484.99	100%	53%
Ruchill and Possilpark	543.00	1,303.20	263.07	396.00	415.80	495.00	1,484.99	91%	48%
Shawlands & Strathbungo	550.00	1,320.00	263.07	396.00	415.80	495.00	1,484.99	90%	48%
Sighthill, Roystonhill & Germiston	468.00	1,123.20	263.07	396.00	415.80	495.00	1,484.99	106%	56%
South Nitshill & Darnley	525.00	1,260.00	263.07	396.00	415.80	495.00	1,484.99	94%	50%
Springboig & Barlanark	448.00	1,075.20	263.07	396.00	415.80	495.00	1,484.99	110%	59%
Springburn	467.00	1,120.80	263.07	396.00	415.80	495.00	1,484.99	106%	56%
Temple & Anniesland	544.00	1,305.60	263.07	396.00	415.80	495.00	1,484.99	91%	48%
Tollcross & West Shettleston	454.00	1,089.60	263.07	396.00	415.80	495.00	1,484.99	109%	58%
Toryglen	439.00	1,053.60	263.07	396.00	415.80	495.00	1,484.99	113%	60%
Yoker & Scotstoun	483.00	1,159.20	263.07	396.00	415.80	495.00	1,484.99	102%	54%
Yorkhill & Anderston	658.00	1,579.20	263.07	396.00	415.80	495.00	1,484.99	75%	40%
Glasgow/average	614.00	1,842.00	263.07	396.00	415.80	495.00	1,484.99	81%	43%

Source: PRS data – Citylets, GCC LHA rate 2011, RSL data – Scottish Housing Regulator

Table A4: Demographic profile of areas

Neighbourhood	OO (%)	PRS (%)	SRS (%)	% in largest tenure	% <45 years	% 45+ years	% C1C2	%single/ couples	% families	% econ. Active	% white	% mixed ethnicity	% Asian	% black	% other ethnicity
Anniesland, Jordanhill & Whiteinch	60.7%	11.8%	27.4%	60.7%	36.1	42.9	40.7	46.2	53.8	66.2	94.6%	0.6%	3.8%	0.5%	0.5%
Arden & Carnwadric	37.5%	6.1%	56.4%	56.4%	38.9	33.5	39.8	37.9	62.1	63.0	89.1%	0.5%	8.0%	1.0%	1.4%
Baillieston & Garrowhill	78.0%	9.5%	12.5%	78.0%	36.3	40.5	51.3	27.1	72.9	68.3	97.4%	0.1%	2.1%	0.1%	0.2%
Balornock and Barmulloch	46.6%	4.7%	48.7%	48.7%	33.3	43.6	36.4	33.4	66.6	54.4	98.6%	0.2%	0.5%	0.4%	0.4%
Bellahouston, Craigton & Mosspark	60.1%	10.2%	29.7%	60.1%	28.9	55.7	43.1	47.7	52.3	58.4	92.7%	0.3%	5.6%	0.4%	1.1%
Blackhill & Hogganfield	54.3%	8.0%	37.7%	54.3%	41.0	32.8	44.7	28.5	71.5	66.7	90.1%	0.2%	8.2%	0.9%	0.5%
Blairdardie	61.9%	4.5%	33.6%	61.9%	27.0	54.8	46.9	40.2	59.8	61.6	97.0%	0.2%	1.8%	0.6%	0.4%
Broomhill & Partick West	53.4%	28.0%	18.7%	53.4%	49.9	37.0	43.8	58.7	41.3	70.2	93.8%	0.5%	4.2%	0.6%	0.8%
Calton & Bridgeton	31.4%	24.5%	44.1%	44.1%	39.6	41.1	35.9	55.1	44.9	54.3	93.3%	0.2%	4.2%	1.5%	0.9%
Carmunnock	74.2%	6.9%	18.9%	74.2%	27.1	51.7	36.4	29.5	70.5	65.4	98.1%	0.3%	1.1%	0.4%	0.1%
Castlemilk	22.8%	3.5%	73.7%	73.7%	32.3	40.6	33.5	38.4	61.6	53.3	97.4%	0.2%	1.2%	0.7%	0.4%
Cathcart & Simshill	83.7%	13.0%	3.3%	83.7%	36.6	43.5	51.1	32.9	67.1	72.9	94.9%	0.2%	4.1%	0.4%	0.5%
City Centre & Merchant City	37.9%	31.9%	30.2%	37.9%	52.7	35.8	37.0	71.6	28.4	56.6	83.0%	0.7%	10.5%	2.0%	3.8%
Corkerhill & North Pollok	42.5%	7.1%	50.4%	50.4%	38.6	33.7	45.1	32.3	67.7	64.8	96.6%	0.2%	2.2%	0.3%	0.6%
Croftfoot	75.2%	21.6%	3.2%	75.2%	42.1	31.0	56.0	28.8	71.2	76.4	96.1%	0.1%	3.0%	0.3%	0.5%
Crookston & South Cardonald	61.9%	10.6%	27.6%	61.9%	34.2	44.7	47.8	43.7	56.3	62.1	97.0%	0.2%	1.9%	0.3%	0.6%
Dennistoun	45.1%	28.2%	26.7%	45.1%	49.1	34.0	47.2	55.5	44.5	65.8	93.9%	0.2%	4.1%	1.1%	0.7%
Drumchapel	22.5%	3.4%	74.1%	74.1%	35.3	34.1	34.3	38.1	61.9	57.9	97.6%	0.4%	0.8%	0.7%	0.5%
Easterhouse	27.9%	9.6%	62.5%	62.5%	36.2	34.2	32.7	35.9	64.1	54.5	98.6%	0.3%	0.4%	0.4%	0.2%
Govanhill	38.7%	29.8%	31.4%	38.7%	47.7	33.2	45.6	55.9	44.1	63.3	69.1%	0.5%	25.7%	1.6%	3.1%
Greater Gorbals	26.7%	11.6%	61.7%	61.7%	38.6	44.3	30.3	59.1	40.9	50.3	93.2%	0.2%	4.3%	1.5%	0.9%

Neighbourhood	OO (%)	PRS (%)	SRS (%)	% in largest tenure	% <45 years	% 45+ years	% C1C2	%single/ couples	% families	% econ. Active	% white	% mixed ethnicity	% Asian	% black	% other ethnicity
Greater Govan	32.3%	7.6%	60.1%	60.1%	35.9	42.0	40.1	51.1	48.9	58.0	95.5%	0.2%	2.6%	1.0%	0.7%
Haghill and Carntyne	39.6%	17.5%	42.9%	42.9%	33.4	51.0	41.1	48.9	51.1	51.5	97.0%	0.2%	1.7%	0.6%	0.5%
Hillhead & Woodlands	42.3%	31.2%	26.5%	42.3%	60.0	23.9	41.1	63.5	36.5	63.4	82.6%	0.7%	13.9%	1.4%	1.4%
Hyndland, Dowanhill & Partick East	59.3%	27.0%	13.7%	59.3%	55.0	31.8	39.0	59.4	40.6	73.0	94.3%	0.5%	3.9%	0.5%	0.7%
Ibrox & Kingston	39.2%	32.2%	28.5%	39.2%	50.7	31.2	41.9	56.8	43.2	63.3	81.3%	0.4%	15.2%	1.5%	1.8%
Kelvindale & Kelvinside	77.1%	21.0%	1.9%	77.1%	43.5	38.7	42.9	46.2	53.8	73.7	89.4%	0.5%	8.0%	0.9%	1.2%
Kingspark & Mount Florida	71.0%	21.4%	7.6%	71.0%	41.6	36.9	52.5	38.2	61.8	72.9	91.5%	0.4%	7.0%	0.4%	0.7%
Knightswood	55.0%	7.5%	37.5%	55.0%	33.4	47.4	44.0	44.3	55.7	57.6	96.0%	0.3%	2.2%	0.8%	0.8%
Lambhill & Milton	42.4%	6.7%	51.0%	51.0%	31.5	45.9	37.7	39.9	60.1	53.6	97.4%	0.1%	1.7%	0.5%	0.3%
Langside & Battlefield	59.8%	32.1%	8.1%	59.8%	56.6	29.8	48.4	58.3	41.7	77.5	90.2%	0.5%	7.8%	0.6%	0.9%
Maryhill Road Corridor	33.9%	17.4%	48.7%	48.7%	48.0	36.5	39.0	61.1	38.9	61.7	91.4%	0.6%	5.4%	1.7%	0.8%
Mount Vernon & East Shettleston	67.1%	7.1%	25.8%	67.1%	34.1	46.6	48.3	37.7	62.3	64.0	98.4%	0.1%	1.1%	0.2%	0.2%
Newlands & Cathcart	83.9%	10.0%	6.1%	83.9%	30.5	48.5	39.9	33.0	67.0	66.2	90.1%	0.3%	8.6%	0.4%	0.6%
North Cardonald & Penilee	57.0%	10.3%	32.7%	57.0%	32.2	45.3	43.0	37.4	62.6	60.4	96.6%	0.2%	2.4%	0.3%	0.4%
North Maryhill & Summerston	49.6%	9.8%	40.6%	49.6%	38.4	37.9	42.9	41.2	58.8	63.2	94.6%	0.4%	3.7%	0.8%	0.6%
Parkhead & Dalmarnock	17.2%	9.0%	73.8%	73.8%	35.8	41.6	30.5	49.6	50.4	51.1	98.1%	0.3%	0.8%	0.6%	0.3%
Pollok	68.4%	8.4%	23.2%	68.4%	33.4	42.8	39.1	32.9	67.1	60.5	93.3%	0.2%	5.2%	0.3%	1.0%
Pollokshaws & Mansewood	47.8%	11.6%	40.6%	47.8%	32.2	47.6	42.1	44.2	55.8	59.1	89.2%	0.5%	8.2%	1.0%	1.1%
Pollokshields East	47.7%	23.3%	29.0%	47.7%	47.7	22.4	45.0	35.5	64.5	60.6	48.1%	0.6%	47.7%	1.1%	2.4%
Pollokshields West	85.5%	12.8%	1.7%	85.5%	35.6	42.0	37.9	30.0	70.0	67.3	62.6%	0.4%	33.4%	1.2%	2.4%
Priesthill and Househillwood	30.2%	6.1%	63.7%	63.7%	36.0	36.4	35.2	29.0	71.0	56.9	98.0%	0.2%	1.0%	0.4%	0.4%

Neighbourhood	OO (%)	PRS (%)	SRS (%)	% in largest tenure	% <45 years	% 45+ years	% C1C2	%single/ couples	% families	% econ. Active	% white	% mixed ethnicity	% Asian	% black	% other ethnicity
Riddrie and Cranhill	42.0%	6.4%	51.5%	51.5%	30.2	49.6	39.5	44.2	55.8	51.5	98.7%	0.1%	0.6%	0.4%	0.2%
Robroyston and Millerston	87.7%	12.3%	0.0%	87.7%	54.7	18.2	55.0	20.4	79.6	85.1	87.8%	0.1%	10.3%	0.5%	1.2%
Ruchazie and Garthamlock	39.2%	8.8%	52.1%	52.1%	35.4	37.7	35.8	35.0	65.0	60.3	98.2%	0.1%	0.9%	0.7%	0.1%
Ruchill and Possilpark	23.3%	7.6%	69.1%	69.1%	36.6	40.5	33.1	51.0	49.0	52.4	95.1%	0.3%	2.2%	1.5%	0.9%
Shawlands & Strathbungo	61.6%	34.6%	3.8%	61.6%	50.9	35.5	45.7	56.2	43.8	74.6	82.3%	0.4%	15.8%	0.7%	0.8%
Sighthill, Roystonhill & Germiston	17.8%	5.7%	76.6%	76.6%	39.7	36.4	30.5	54.6	45.4	52.3	82.7%	0.5%	6.8%	6.8%	3.2%
South Nitshill & Darnley	66.6%	10.0%	23.5%	66.6%	42.9	29.5	51.1	31.0	69.0	70.9	80.1%	0.1%	16.1%	0.7%	3.0%
Springboig & Barlanark	35.2%	6.6%	58.3%	58.3%	35.7	38.2	38.3	35.0	65.0	56.9	99.0%	0.1%	0.5%	0.2%	0.2%
Springburn	31.6%	9.7%	58.8%	58.8%	39.8	38.4	38.6	50.3	49.7	57.7	93.6%	0.2%	3.6%	1.8%	0.8%
Temple & Anniesland	57.5%	14.8%	27.6%	57.5%	35.5	47.4	47.4	49.4	50.6	60.7	95.9%	0.3%	2.5%	0.8%	0.5%
Tollcross & West Shettleston	39.6%	15.7%	44.7%	44.7%	35.4	41.7	41.2	42.8	57.2	58.0	97.4%	0.2%	1.6%	0.6%	0.2%
Toryglen	31.5%	6.5%	62.0%	62.0%	31.5	45.1	33.1	43.9	56.1	52.1	94.7%	0.5%	2.8%	1.4%	0.7%
Yoker & Scotstoun	43.2%	11.1%	45.6%	45.6%	39.5	35.6	42.3	43.2	56.8	61.8	92.0%	0.6%	4.6%	1.6%	1.3%
Yorkhill & Anderston	37.7%	35.1%	27.3%	37.7%	62.8	23.5	42.4	66.5	33.5	64.7	84.1%	0.5%	13.0%	1.3%	1.1%
Glasgow/average	47.0%	16.0%	37.0%	47.0%	40.5	38.9	41.2	46.4	53.6	61.7	91.4%	0.3%	6.3%	1.0%	1.0%

Source: Tenure – GCC dwelling tenure estimates 2011, Demographics – CACI up-to-date demographics 2011, Ethnicity – GCC population estimates 2011

Table A5: Pressure GHA LHO areas – all LHOs

LHO	Housing pressure indicator (Oct 2011)
Nth Maryhill	123.4
Dennistoun	75.1
Shawlands	66.5
Mosspark	55.7
Nth Knightswood	50.1
Anniesland	47.7
Crookston	36.2
Partick/Hillhead	34.7
West Baillieston	27.3
Hillington/Berryknowes	25.2
Yoker	24.7
Cairnsmore	21.9
Kelvindale	21.6
Bishoploch	21.3
Cathcart	20.8
Baillieston/Crosshill	20.2
Barmulloch tenement	20.1
Old Pollok	19.8
Croftfoot	18.8
Sth Cardonald	18.0
Scotstoun	17.3
Windlaw	16.9
Parkhead	16.7
Cessnock/Kinningpark	16.5
Pollokshaws	16.0
Sth Knightswood	15.3
Jordanhill	15.3
Carntyne	15.0
Toryglen	14.6
Mid Knightswood	14.6
Peterson Park	13.7
Penilee	13.6
Bluevale	13.3
Darnley	12.6
Summerston/Acre Road	12.5
East Balornock	12.1
Priesthill	11.6
Pkhse/Lhill	11.2
Househillwood	10.9
Mansewd/Hillprk/Eastwd	9.6
Dougrie	9.4
Pinewood	9.2

Table A5: Pressure GHA LHO areas – all LHOs

LHO	Housing pressure indicator (Oct 2011)
Townhead/Ladywell	9.1
Blairdardie	9.0
Greenfield	8.8
Riddrie	8.7
Kingspark	8.7
Langlands/Drumoyne	8.5
Garscadden	8.4
Ibrox	7.9
Bridgeton	7.9
Shieldhall/West Drumoyne	7.9
Glasgow Cross/Calton	7.4
Craigend	7.3
North Pollok	7.1
Glenwood	6.8
Stonedyke	6.2
Govan	5.5
Sth Nitshill	4.9
Central Pollok	4.9
Craighead	4.8
Temple	4.5
Garscube/Netherton	4.4
Sandyhills	4.4
Dumbreck	4.1
Sth Carntyne	4.0
Germiston	3.9
Corkerhill	3.9
Garthamlock	3.7
Roughmussel	3.5
Bellahouston/Craigton	3.5
Ruchazie	3.4
Springboig	3.2
Royston	3.2
Craigbank	3.0
Commonhead	2.9
Cranhill	2.6
Dougrie Heights	2.5
Valley	2.3
Sighthill	2.2
Nitshill	2.1
Milton	1.9
Carnwadric	1.9
Broomhill	1.6
Linkwood Crescent	0.8
Broadholm	0.6

Source: GHA, 2012

Table A6: Prevalence rateS - descending order

Unable to afford lowest decile		No savings		Unable to afford private rent		Unable to afford LHA	
Yorkhill and Anderston	11.29	Yorkhill and Anderston	16.42	Yorkhill and Anderston	24.57	Yorkhill and Anderston	20.58
Hillhead and Woodlands	10.80	Hillhead and Woodlands	15.67	Hillhead and Woodlands	23.54	Hillhead and Woodlands	19.73
Langside and Battlefield	10.48	Langside and Battlefield	15.34	Langside and Battlefield	22.77	Langside and Battlefield	18.89
Hyndland, Dowanhill and Partick East	9.49	Hyndland, Dowanhill and Partick East	14.64	Hyndland, Dowanhill and Partick East	20.80	City Centre and Merchant City	17.11
Shawlands and Strathbungo	9.16	City Centre and Merchant City	14.27	City Centre and Merchant City	20.55	Govanhill	17.04
City Centre and Merchant City	9.09	Govanhill	14.15	Govanhill	20.46	Hyndland, Dowanhill and Partick East	16.92
Govanhill	9.08	Ibrox and Kingston	14.11	Ibrox and Kingston	20.04	Ibrox and Kingston	16.81
Ibrox and Kingston	8.96	Dennistoun	13.93	Shawlands and Strathbungo	19.90	Shawlands and Strathbungo	16.37
Pollokshields East	8.91	Shawlands and Strathbungo	13.53	Pollokshields East	19.38	Pollokshields East	15.98
Broomhill and Partick West	8.15	Sighthill, Roystonhill and Germiston	13.29	Dennistoun	18.57	Broomhill and Partick West	15.13
Dennistoun	7.95	Pollokshields East	13.28	Broomhill and Partick West	18.36	Dennistoun	15.11
Maryhill Road Corridor	7.80	Maryhill Road Corridor	13.17	Maryhill Road Corridor	18.19	Maryhill Road Corridor	15.06
Kelvindale and Kelvinside	6.54	Broomhill and Partick West	12.98	Sighthill, Roystonhill and Germiston	16.11	Sighthill, Roystonhill and Germiston	12.98
Sighthill, Roystonhill and Germiston	6.37	Calton and Bridgeton	12.64	Calton and Bridgeton	15.50	Calton and Bridgeton	12.49
Calton and Bridgeton	5.96	Easterhouse	12.45	Kelvindale and Kelvinside	14.66	Kelvindale and Kelvinside	11.43
Greater Gorbals	4.91	Ruchill and Possilpark	12.20	Greater Gorbals	13.66	Greater Gorbals	10.87
Yoker and Scotstoun	4.79	Castlemilk	12.19	Yoker and Scotstoun	12.75	Springburn	10.21
Springburn	4.63	Greater Gorbals	12.05	Springburn	12.68	Yoker and Scotstoun	10.18
Kingspark and Mount Florida	4.50	Drumchapel	12.01	Easterhouse	12.64	Haghill and Carntyne	9.95
Haghill and Carntyne	4.45	Parkhead and Dalmarnock	11.67	Ruchill and Possilpark	12.59	Ruchill and Possilpark	9.93
Tollcross and West Shettleston	4.19	Springboig and Barlanark	11.22	Drumchapel	12.47	Easterhouse	9.85
Temple and Anniesland	4.18	Kelvindale and Kelvinside	11.20	Haghill and Carntyne	12.44	Drumchapel	9.74
Ruchill and Possilpark	4.10	Yoker and Scotstoun	11.04	Parkhead and Dalmarnock	12.15	Parkhead and Dalmarnock	9.47
Easterhouse	4.08	Toryglen	10.96	Tollcross and West Shettleston	11.87	Tollcross and West Shettleston	9.43
Drumchapel	4.01	Springburn	10.91	Toryglen	11.59	Toryglen	9.05
Parkhead and Dalmarnock	3.79	Priesthill and Househillwood	10.85	Springboig and Barlanark	11.38	Springboig and Barlanark	8.98
Greater Govan	3.78	Tollcross and West Shettleston	10.74	Temple and Anniesland	11.34	Castlemilk	8.92
Toryglen	3.75	Greater Govan	10.49	Castlemilk	11.26	Temple and Anniesland	8.91
Springboig and Barlanark	3.71	Haghill and Carntyne	10.36	Greater Govan	11.23	Greater Govan	8.74
Pollokshaws and Mansewood	3.51	North Maryhill and Summerston	10.16	Kingspark and Mount Florida	10.52	Kingspark and Mount Florida	8.17
North Maryhill and Summerston	3.49	Arden and Carnwadric	9.79	North Maryhill and Summerston	10.51	North Maryhill and Summerston	8.08
Anniesland, Jordanhill and Whiteinch	3.46	Temple and Anniesland	9.63	Priesthill and Househillwood	10.18	Priesthill and Househillwood	7.95

Castlemilk	3.23	Corkerhill and North Pollok	9.54	Pollokshaws and Mansewood	9.96	Pollokshaws and Mansewood	7.88
Arden and Carnwadric	3.03	Balornock and Barmulloch	9.32	Arden and Carnwadric	9.72	Arden and Carnwadric	7.59
Ruchazie and Garthamlock	2.94	Ruchazie and Garthamlock	9.29	Ruchazie and Garthamlock	9.47	Anniesland, Jordanhill and Whiteinch	7.27
Riddrie and Cranhill	2.87	Blackhill and Hogganfield	8.75	Balornock and Barmulloch	9.31	Riddrie and Cranhill	7.27
Priesthill and Househillwood	2.78	Pollokshaws and Mansewood	8.70	Riddrie and Cranhill	9.27	Ruchazie and Garthamlock	7.22
Balornock and Barmulloch	2.73	Riddrie and Cranhill	8.67	Corkerhill and North Pollok	9.27	Balornock and Barmulloch	7.02
Knightswood	2.70	Lambhill and Milton	8.66	Anniesland, Jordanhill and Whiteinch	9.24	Corkerhill and North Pollok	6.91
Lambhill and Milton	2.68	Kingspark and Mount Florida	8.35	North Cardonald and Penilee	8.92	North Cardonald and Penilee	6.83
North Cardonald and Penilee	2.59	North Cardonald and Penilee	8.10	Lambhill and Milton	8.88	Lambhill and Milton	6.71
Corkerhill and North Pollok	2.46	Anniesland, Jordanhill and Whiteinch	7.86	Knightswood	8.46	Knightswood	6.60
Bellahouston, Craigton and Mosspark	2.40	Knightswood	7.80	Bellahouston, Craigton and Mosspark	7.45	Bellahouston, Craigton and Mosspark	5.95
Pollokshields West	2.35	Croftfoot	7.27	Blackhill and Hogganfield	7.42	Blackhill and Hogganfield	5.69
Newlands and Cathcart	2.28	Bellahouston, Craigton and Mosspark	6.41	Croftfoot	7.00	Crookston and South Cardonald	5.00
Croftfoot	2.21	Pollok	6.38	Crookston and South Cardonald	6.65	Pollok	4.97
Cathcart and Simshill	2.06	Crookston and South Cardonald	6.34	Pollok	6.58	Croftfoot	4.59
Pollok	2.00	South Nitshill and Darnley	6.14	Newlands and Cathcart	5.68	Newlands and Cathcart	4.22
Blackhill and Hogganfield	1.96	Carmunnock	5.61	South Nitshill and Darnley	5.54	South Nitshill and Darnley	4.16
Crookston and South Cardonald	1.95	Mount Vernon and East Shettleston	5.13	Pollokshields West	5.28	Cathcart and Simshill	3.98
Mount Vernon and East Shettleston	1.67	Pollokshields West	5.09	Cathcart and Simshill	5.22	Mount Vernon and East Shettleston	3.95
South Nitshill and Darnley	1.63	Newlands and Cathcart	4.89	Mount Vernon and East Shettleston	5.17	Carmunnock	3.45
Carmunnock	1.32	Cathcart and Simshill	4.63	Carmunnock	4.49	Pollokshields West	3.43
Blairdardie	1.26	Baillieston and Garrowhill	4.17	Blairdardie	4.17	Blairdardie	3.04
Baillieston and Garrowhill	1.11	Blairdardie	4.05	Baillieston and Garrowhill	3.83	Baillieston and Garrowhill	2.79
Robroyston and Millerston	0.59	Robroyston and Millerston	3.15	Robroyston and Millerston	2.21	Robroyston and Millerston	1.38
Average	**4.50**	**Average**	**10.03**	**Average**	**11.85**	**Average**	**9.43**

Appendix 2

Focus group design

	East	West	North	South/SE
TRA – low income PRS	Gallowgate			
Pressured area – low income PRS		Temple/ Anniesland		
TRA – aspiring owners/ family			Maryhill	
Pressure area – low income PRS		Hyndland, Dowanhill & Partick East		
TRA – low income PRS/ family				Laurieston
Pressured area – family and aspiring owners			Woodlands	
TRA – low income PRS/family				Shawbridge
Pressured area – frustrated SRS	Dennistoun			
TRA – frustrated SRS and key workers				East Govan/Ibrox
TRA – family housing				North Toryglen

Focus groups participants were recruited through IBP Strategy and Research on-street and by door-to door recruitment. Individuals were provided a £30 incentive to participate.

Group characteristics

Group members will have a full or part time employee in their household (C1C2). In all the groups except the family group, the participant will be a single person or couple, or live with parents/flat-share at the moment. The guide income is between £15K- £30K. They should be aged less than 45, although there is some flexibility on this where it is a family household (one may be older, one within that age group).

Frustrated social renters

These are people who are on a waiting list at the moment or who would like to have a social tenancy but don't see any point putting their name on the list.

Low income PRS

Anyone living in the PRS at the moment or living with parents and hoping to rent in future.

Aspiring owners

This group might overlap with the groups above but participants are more likely to want to own. They will have looked into buying, be saving for a deposit or see themselves as having some prospect of owning in the next 5 years or so. No current home owners.

Family housing

Single parents or couples with children under 16 living in the household, living locally at the moment who may think of moving further afield but have some attachment to the area.

Key workers

C1C2 and typically those in public sector occupations eg hospital staff, teachers, police etc. Potential for housing staff for new Southern General, and the media quarter of Glasgow, Pacific Quay - particularly relevant for Ibrox group.

'Attitudes' and circumstances

Examples of how people may categorise themselves according to their current and 'ideal' tenure – e.g. renting from a private landlord with a view to buying in future, renting but not likely to be able to afford to buy, staying with parents while saving for a deposit, on the list for social rented housing but have had no offers, renting from a social landlord but not happy where they are, moving into Glasgow but can't find somewhere affordable near work.

Appendix 3
Rent to Homebuy case studies

Extracts from Evaluation of Rent to Homebuy, Homes and Communities Agency, Campbell Tickell, 2009, Permission to publish extract provided by HCA to Anna Evans in November 2011

Case Study 1

Optima Community Association

Optima Community Association was founded in 1999 as a stock transfer from Birmingham City Council. The Association owns and/or manages over 2,000 homes based in the city and is heavily engaged in regeneration work (some of it currently stalled – the outright sale aspects for example – because of the prevailing market conditions). It markets its own rent now, buy later product (outside the Agency's RtHB pilot), Flexibuy, through Attwood Homes, its subsidiary, with Mercian Housing Association acting as the HomeBuy Agent. It has therefore not had to apply for approval to convert New Build Home Buy (NBHB) to intermediate rent (IMR). Fifty-four units have been marketed as Flexibuy, which are not subject to cross-subsidy in Optima's appraisal.

Optima views the chief advantage of Flexibuy to be the fact that customers build up a deposit and so are therefore more likely to become future purchasers.

The key features of Flexibuy are:

- Properties are let on an AST with no cost floor built into the agreement – the customer will pay the market value at the time that they buy.
- In addition to the AST, Flexibuyers sign an 'option to purchase' document. The tenancy agreement keeps running until they purchase.
- Tenants build up a deposit through the difference between a social housing rent and intermediate market rent being placed in a suspense account which becomes their money only as and when they take up the option to purchase.
- No time limit is applied to the rental period although the rental period is not open ended as such. There is an option to invoke a terminations clause when the customer has acquired 10% of the value of the property through the 'deposit' built up in the suspense account.

Naturally there are certain circumstances in which Optima would not insist on pursuing this option, for example: lack of suitable mortgage products in the market, inability to find an affordable mortgage, pending unemployment, ill-health etc.

Optima's marketing has included: advertising in the *Metro*, on buses, signage, use of Facebook and Rightmove, as well as email targeted campaigns.

Case Study 2

Bromford Homes

The Group is one of the major providers of affordable housing across Central England. They manage 25,000 homes in 58 local authorities in the East & West Midlands, East of England and South East regions. Before the credit crunch, they were developing around 400 homes for sale per annum. At 30 November 2008, they had 244 unsold homes for outright sale and HomeBuy, with the most severe problems concentrated in the West Midlands where some stock had been unsold for 9-12 months.

A key strategic priority of the Group is to implement a programme that aims to manage their existing sales programme and reduce the number of unsold homes. This programme includes Try Before You Buy (TBYB) and IMR as well as conversions to social rent.

TBYB was launched on 21 September 2008 with intensive press and radio advertising and editorial, mail shots and presentations. To date, this has generated 87 TBYB applications, which have led to 47 TBYB lettings and 19 NBHB completed sales. This demonstrates the value of a one-stop shop and offering options to customers, in that sites previously dormant have generated 19 sales as a result of this initiative and the flexible response. Of 78 IMR units offered (let through a lettings agent), 61 have now been let. The same application forms and systems have been used for NBHB, TBYB and IMR.

IMR is seen as a good way to obtain a good quality house cheaply, but there is no evidence yet about tenants' commitment to longer term occupancy or interest in NBHB. Customers who have pursued TBYB are generally more committed, seeing it as a way of getting a house before they can obtain a mortgage or save a deposit. They want the security of being able to continue living in that particular home once they are able to buy it. The customer signs a standard Assured Shorthold Tenancy, which contains reference to an Option to Purchase agreement.

The Option to Purchase Agreement is signed at the same time as the AST, is for three years, and refers to a savings plan. The agreement also includes a cost floor, i.e. that the tenant cannot exercise their Option to Purchase in the event of the value having dropped more than 10% below that at the date of the tenancy agreement.

A savings plan (FSA agreed) involves a fixed sum per month being deposited in a separate account under the control of the tenant. This is clearly seen as a way of saving for their deposit. When the tenant exercises the option, the Group will contribute 5% of the equity purchased to match their deposit. The option can be exercised at any time within three years.

As a matter of course, the Group re-values all NBHB homes every three months. The Group maintains regular contact with TBYB customers, monitoring values, their financial position, mortgage availability, etc., to help them identify the optimum time to buy.

Case Study 3 East Thames Group

East Thames Group manages more than 13,500 homes in east London and Essex and is a member of the G15 group of housing associations. East Thames has a considerable development programme, with nearly 550 units for shared ownership completed over the last year and a strong demand for housing in its areas of operation. The Group is also involved in the development of the Athletes' Village in Stratford, east London.

Around 136 NBHB sales were completed before confidence started draining away from the market and sales slowed. Compared to last year [2008], when about 65% of East Thames' New Build Homebuy (NBHB) buyers had 100% mortgages, availability of higher loan to value mortgages has fallen. East Thames recognised early on that, with large numbers of NBHB handovers and a significant slowdown in the market, a radical solution was needed to avoid long-term voids.

Rent to Homebuy was chosen as a viable solution and the Group applied to convert 100 properties by late 2008. The Group now has approval for 252 conversions to Rent to Homebuy, 225 of which have already been let.

Rent to Homebuy is marketed through its subsidiary East Homes and is called Rent Now, Buy Later. The scheme was launched in October 2008 and publicised using various methods, including bus tours around show homes at different developments.

The key features of Rent Now, Buy Later are:

- No options agreement – the AST has a clause setting out that tenants have the option to purchase the premises that they are renting at any time within a five-year period provided that they fulfil NBHB scheme criteria.

- Tenants are offered an incentive to buy of approximately £5,000 per property. This is given as a six-month rent refund.

- Although originally converted with no grant, HCA have now confirmed a grant for the programme.

East Thames feels that it made a positive choice in opting for Rent to HomeBuy, rather than converting the units to General Needs rent, because the scheme encourages sustainable, mixed income communities – a priority for the Group.

With a substantial portfolio of properties now let through Rent Now, Buy Later, East Thames is monitoring values and availability of mortgages. They plan to run regular marketing campaigns encouraging Rent Now, Buy Later tenants to convert to sale.

Two tenants have already shown an interest in converting to sale. Our own interviews with East Thames customers show that Rent Now, Buy Later has been very positively received. Customers like how the programme has been marketed, with special lunches, bus tours of show homes and briefings. They are hugely positive about the location of the homes and the 'brand new' nature of the properties.

Case Study 4

L&Q

L&Q (London & Quadrant Housing Trust) manages more than 57,000 homes across London and the South-East, and builds around 1,100 new homes each year, a mix of outright sale, shared ownership and affordable rent.

L&Q is the Government appointed HomeBuy Agent for south east and south west London, acting as a one-stop-shop for home seekers looking to access low cost home ownership. L&Q is one of the largest housing associations in London and a leading developer of affordable homes.

L&Q has launched a variant of a try before you buy scheme called UpToYou. This was launched in March and the first letting occurred on 27 March 2009. Interest levels have been extremely high with over 500 expressions of interest received to date.

UpToYou was developed by L&Q's in-house Research and Development team, following detailed research of customers' needs and patterns of demand. This flexible product has been developed in response to the feedback and statistical data gathered. UpToYou was conceived with two key objectives in mind, first to offer flexibility for customers locked out of the current housing market through lack of finance who are happy to rent and buy later; and more importantly, to kick-start development on stalled construction sites.

For this reason, the UptoYou programme is a mix of schemes on site already in marketing and those still under construction.

The key features of UpToYou are:

- No requirement to purchase at a set point. The business plan assumes a rental period of 30 years which means any sales within this period will be an upside.

- Purchasers can buy their property on a shared ownership basis from day 1 or start on an intermediate rent and then purchase additional shares in the home after 6 months and if they do so will receive a 5% equity 'gift'.

- Customers can also purchase their home 100% outright after 6 months of renting and will receive a 5% equity 'gift'.

- Homes are let on a 6-month Assured Shorthold Tenancy basis at not more than 80% of market rents. There is flexibility to set lower rents if letting proves problematic.

- Customers will benefit from a stable rent regime that will rise by no more than RPI + 0.5% and all rents are inclusive of service charges.

L&Q has just been funded by the HCA to develop nearly 500 UpToYou homes in phase one of this scheme. This will kick-start nearly 900 additional affordable homes for rent on the sites concerned.

Appendix 4
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Glossary

APSR	Annual Performance and Statistical Return [required by the Scottish Housing Regulator]
CACI	CACI Paycheck – commercially developed income dataset
GCC	Glasgow City Council
GHA	Glasgow Housing Association
GRO	Grant for Owner Occupation [Scottish Government scheme now superseded]
HA	Housing Association
HAG	Housing Association Grant
HNDA	Housing Need and Demand Assessment
IMR	Intermediate Rent
KWL	Key Worker Living [programme]
LA	Local Authority
LHA	Local Housing Allowance
LIFT	Low cost Initiative for First Time buyers
LTV	Loan to Value [ratio]
MMR	Mid Market Rent
NBHB	New Build Home Buy
NHT	National Housing Trust
NSSE	New Supply Shared Equity
OO	Owner Occupied [sector]
PRS	Private Rented Sector
PSR	Partnership Support for Regeneration [Scottish Government scheme which replaced GRO Grant for Owner Occupation]
RPI	Retail Price Index
RSL	Registered Social Landlord
SAT	Short Assured Tenancy
SCORE	Scottish Continuing Recording System [monitors new tenancies granted by registered housing associations and cooperatives in Scotland]
SHR	Scottish Housing Regulator
SHS	Scottish Household Survey
SRS	Social Rented Sector
SSST	Short Scottish Secure Tenancy
SST	Scottish Secure Tenancy
TMDF	Transfer of Management of Development Funding
TRA	Transformational Regeneration Area