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Young opt for life in London microhouses

Kate Allen



Pocket Living flat in Camden Town

London property developers are building hostels and microhouses for young workers who are not only priced out of buying a home but are even struggling to afford to rent more than a room in shared accommodation.

The properties range from bedrooms and studios with shared social areas through to small flats, and are designed for professionals in their 20s and early 30s.

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An investigation by the Financial Times last year found that London was becoming increasingly unaffordable for recent graduates, with house prices and rental costs continuing to soar as population growth outpaces construction.

Just under 20,000 homes were built in London in the 2013-14 financial year, according to the Department for Communities and Local Government, while its population is growing by 52,000 households a year.

The average price paid by a first-time buyer in London hit 8.8 times the average wage this year, the highest level since records began in 1983, according to building society Nationwide.

New start-up landlord The Collective houses 350 tenants in 20 refurbished buildings. It plans to build a 300-unit property in Willesden, northwest London, and a 29-storey tower in Stratford, east London.

Its properties average 15-20 square metres, with some including kitchenettes. Prices in most buildings range from £190 to £250 a week, including all bills, WiFi and council tax. Many have communal facilities such as gyms, common rooms, gardens and private dining rooms.

Because many new arrivals in the capital need to set up from scratch, its properties are fully furnished, down to pots, pans, knives and forks. It also offers weekly bed-linen changes and room cleaning, and a concierge service.

Canadian landlord RealStar Living has taken its first step into the microhousing market in London by offering blocks of studios in Old Street and Clapham and in a converted students' hall of residence in Stockwell.

They follow apartment developer Pocket Living, which last year attracted £21.7m of investment from Boris Johnson, mayor of London. Pocket creates space-saving flats that are 20 per cent cheaper than other similar

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properties, though it prefers to be called “compact” rather than “micro”.

shared houses

Pocket will build 400 homes in the next 18 months. “Our build cost per unit is the same as any other developer — [the lower price] is purely about density and efficient use of space,” said Marc Vlessing, its chief executive. For example, Pocket installs underfloor heating rather than taking up floorspace with radiators.

Just 12.5 per cent of London’s 1.5m workers aged 22-39 can afford to buy on their own with a typical 20 per cent deposit, according to recent research by property advisers JLL. By building homes at Pocket’s average size of 400 sq ft, the number of eligible buyers nearly doubles to 22.5 per cent, JLL found.

Reza Merchant, founder of The Collective — and one of its tenants — said he was inspired to start the business when he saw how hard his fellow students at the London School of Economics found it to secure affordable, decent-quality homes. His biggest groups of tenants work in technology, consulting, finance and public services.

“There is a massive group of young professionals being forced to rent substandard rooms in often illegally converted shared houses,” Mr Merchant said. “There is no good-quality, affordable option for them. We [at The Collective] are the target market ourselves.”

Modern hostels “reflect the way that people want to live: transient, good quality service, and communal — a good social life”, he added.

Microliving

Jennifer Jones, 42, lives in The Collective’s Hyde Park scheme, a Georgian mansion converted into 24 studio flats.

She pays £400 a week but says it is worth it because of the apartment’s location and extra services, such as cleaning and a concierge, which are included in the price.

Ms Jones works as a user experience designer for advertising agencies, particularly on websites and mobile apps. The space doubles up as her freelance office. She moved there in February and is on a six-month contract, which she has already renewed once and intends to do again.

“It might be a bit pricey for some people but I really believe it’s worth it,” she said. “Before I found this, I went to see so many flats, even in nice central areas, which were so awful and charging the earth. [The London rental market] is ludicrous.”

Does the lack of space bother her? “You could get a larger apartment for the same price but you’ve got to think about location and convenience. I’m pretty cosy here.”

Colin Stanbridge, chief executive of the London Chamber of Commerce and Industry, said microhousing was an “innovative idea” that would “help make the best possible use of available space”. However, “the very fact that there is a demand for such properties shows the desperate situation we are in”, he added.

More than 40 per cent of London businesses were finding it hard to recruit staff because of the availability and cost of suitable housing with satisfactory transport links, an LCCI survey found this year.

A recent survey of employees by business lobby group LondonFirst found more than half were struggling to pay their rent or mortgage, with younger people particularly affected.

Jonathan Seager, a policy officer at LondonFirst, said an increasing number of employers were becoming concerned about the unaffordability of housing for young people. “Employers are starting to think about what they can offer their staff to mitigate a lack of homebuilding,” he said.

“Businesses are looking at offering support on interest free loans for rental deposits, and also starting to talk to housebuilders and builders for rent, to do deals where they reserve a proportion of stock for their staff at a discounted rate.”

Accounting firm KPMG recently signed a deal with Clydesdale and Yorkshire Banks to give preferential interest rates to its employees in the capital as a way of helping them on to the housing ladder.

Peter Rees, professor of places and city planning at University College London, said the developers were following in the footsteps of London landlords in earlier times. When women first began to enter the capital’s professional workforce in the Victorian and Edwardian eras, they lacked respectable and affordable places to live. Working women’s hostels were created to cater for their needs.

“It gives you a start in the big metropolis,” Mr Rees said. “You didn’t put down roots because you didn’t know if you’d be staying. You just needed somewhere as central as possible with like-minded company where you could put your head down at night.”

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