

Reinvented Living

A progressive set of architects, developers, governments and local groups are stepping in to reinvent how and where we live, buy and rent.

Introduction

Housing: time to think differently

Whether you're a developer, investor or first homebuyer, it's hard to ignore the commentary on housing of late. Many of us know well that the world's dense urban centres are reaching a precipice: land is scarce, buying is becoming unattainable and gentrification is changing the demand, demographics and character of places. According to the US Federal Reserve Economic Data, home ownership across all ages in the US is at 62.9 per cent, the lowest in more than five decades.

While these are challenging times, let us not forget we are in the era of innovation, where traditional formats of living are undergoing a renaissance. A progressive set of architects, developers, governments and local groups are stepping in to reinvent where and how we live, buy and rent. We are seeing this manifest across multiple angles of affordability, an evolved sharing economy, and a utilisation of land not conventionally exploited for housing. We are also seeing local groups changing the status quo as they take housing into their own hands and become developers themselves.

The future could see us living in floating shipping containers, spearheading a community development – or even living in the inner city for an affordable price. The future of living is different – it requires an open mind by all parties involved – and sure enough there's a lot to be excited about.

Introduction

Housing: time to think differently

Our key takeaways:

- Progressive landowners are rethinking vacant assets, car parks and waterways, allowing utilisation for housing that supports a variety of groups.
- The rise of single-person households and nomadic professionals is driving the need for co-living options that are flexible, turnkey, and which offer social connections.
- Co-living is not always an affordable option, with some rents comparable to market rate. However, value is created by the access to additional spaces, amenities and in-house social events.
- Shared ownership and development models are emerging to cap project profits and provide a covenant upon resales, ensuring affordability is passed on to future buyers.
- Competitive economies of scale must be in place for prefabricated homes to help the affordability crisis. This may require a cultural shift in cities where prefab housing is uncommon.
- Policies that protect rents and slow development need to dually ensure that a city modernises sustainably, continues to be attractive for investors and supports the broader economy.

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Angles of affordability

Quick reference

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Affordability covers more than just closing price — it's about construction costs, egalitarian standards and policy reform.

Housing affordability is a nuanced topic that means different things to different audiences. It can be looked at through the lens of, cost-effective construction, egalitarian rental and purchasing standards, transitional models, and policy changes.

Specifically, innovations in fast manufacturing and prefabrication have created affordability in construction methods for homebuilders and architects. For first homebuyers, affordability can be about a transitional model that enables getting on the ladder. It can also be an excellent product that maintains the same design quality and location value as market-rate homes, challenging the stigma that affordability equates to such a compromise.

Finally, and crucially, governments can also instigate affordability, responding to economic patterns, as well as challenges in supply and demand, an important response if long-term housing reform and sustainability are to occur.



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Muji

Nationally, Japan

Construction

a. Prefabricated

Prefabricated housing has been around for a number of years. It is now gaining traction as an attractive option as pressures on affordability increase and design standards of such models rival those of conventional homes. The Place Report 2016 explored the prefab evolution as an extension of the DIY and maker movement, coupled with advances in technology and production line principles. Measures of affordability in prefabrication can be viewed in terms of the product itself, as well as the supply chain.

The impact of prefabricated housing is varied the world over, due to differing social contexts and economies of scale. In Japan, for instance, prefabrication accounts for 80 per cent of built homes, making it highly cost-effective and a cultural norm (Domain). In fact, for a number of years, lifestyle brand Muji has been offering multiple typologies of desirable housing product to the mainstream market. By contrast, Australia has less of a culture of prefabrication, equating to only 3 per cent of housing, with product coming in at 10–20 per cent cheaper than conventionally built homes.

Speaking to Domain, Bill McCorkell, architect and founder of Archiblox, states that modular housing is indeed a potential contributor to resolving the affordability crisis – but only when large orders make the economies of scale more competitive. A production request of 200 houses would allow costs to come down to \$1000 per square metre. (The current average build cost is \$3500 per square



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Naked House
London

metre.) This is where governments and developers can step in to commission projects of such a scale to pass down affordability to renters and purchasers.

b. Naked

Another model using materiality as an angle for affordability is Naked House, a London-based not for profit. The concept sees the creation of ‘bare-boned’ homes, devoid of interior fittings and set on land leased from the council, in an effort to drive down costs. The enterprise has come about in response to London’s unaffordable market, with house prices doubling since 2009, according to the Guardian, as well as a dissatisfaction with the interior furnishings of new and affordable builds.

Designed by architects OMMX, the homes are offered at 20 to 40 per cent below market rate, and are delivered as an open-plan shell with a kitchen sink and toilet, with the rest left up to the owner. This allows the owner to decide when and how they choose to update their home, transferring an element of control over the budget and time scale. The concept is supported by the Mayor Sadiq Khan, who has approved three pilot sites across London to trial the concept in 2018.

It remains to be seen whether the overall expenditure will be less than a traditional home purchase over the long term, once the additional costs of fitting out the shell and leasing the land are taken into account.



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Nightingale Housing
Melbourne

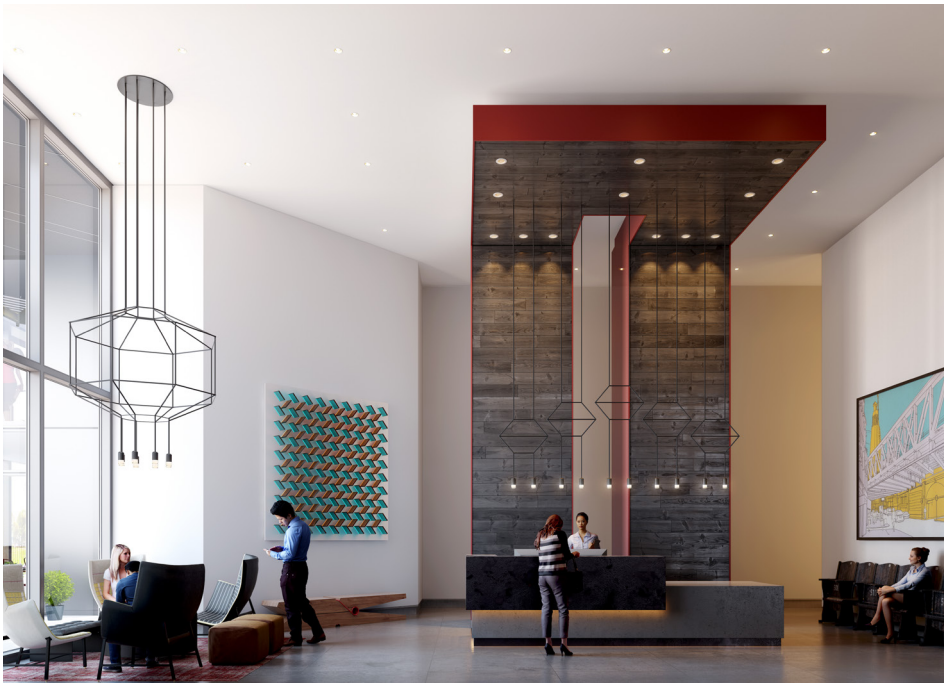
Egalitarian standards

a. Buying

Purchasing a home on the city fringes is unattainable for many, and for those who do buy, it can be at the compromise of size and design quality, as well as social stigma perceptions.

Nightingale Housing is a Melbourne-based not-for-profit that is reframing such challenges. The social enterprise supports the creation of high-quality multi-residential housing that is ecologically, socially and financially sustainable, which also gives both architects and purchasers (who must be owner-occupiers) agency in each project. Their key product is providing a new development model that is licensed to architects, enabling these architects to lead the development process.

This model ensures that each project delivers community well-being and engagement, along with high-design standards and financial and environmental sustainability. This is pertinent in the Melbourne city context where there are no building codes for minimum area or quantity of light in dwellings. The apartments are 10–20% more affordable than equivalent developments, and offer long-term savings through reduced energy costs. Twenty percent of each building is reserved for priority balloting for those struggling to get onto the property ladder in the inner city, such as key service workers. Such a practice also challenges the negative perceptions of affordable housing.



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UNCLE
Canada and the U.K.

Nightingale's development and financial model is also unique in that it caps project profits and has a covenant upon resales to ensure affordability is passed on. This is quite a radical shift that takes the financial 'heat' out of developing and buying property, allowing a refocus on a fair and affordable acquisition for the buyer.

b. Renting

Realstar Group's UNCLE is a privately owned residential real estate brand operating in Canada and the UK. Marketed as 'a landlord that's got your back', UNCLE's service model takes the gripe out of renting with fair, personable practices and accountability. With a selection of apartments across the UK, their product is a combination of rental home meets hotel. While rents are in step with the market, if not a bit higher, costs are likely to be saved through the stability of 12- to 36-month leases, no admin fees, an ability to transfer leases to other apartments in the portfolio free of charge and discounts on furniture and installation costs from partner company, MADE.

The rent includes access to all communal areas as well as 24-hour service by resident managers, who manage viewings, conduct repairs and collect parcel deliveries. The service sets a new benchmark for standards in lease terms and property management, offering a sense of greater respect and empowerment to tenants.



Big World Homes
Australia

Transitional models

Britain's Resolution Foundation estimates that nine out of ten Britons under the age of 35 on modest incomes will be frozen out of home ownership within a decade. Central to this is the gap between renting and owning, whereby saving for a sufficient deposit is prolonged by expenditure on increasing rents.

Big World Homes is an Australian-based crowdfunded concept that attempts to fill this gap, helping new buyers acquire a tangible asset as a transition to traditional home ownership. A Big World Home (BWH) is a modular, mobile, off-grid housing system made from structural, thermal, waterproof integrated panels. The home is affordably priced at \$65,000 AUD (\$48,067 USD), a cost comparable to a deposit. The home is ordered online, arrives flat-packed and can be built by two people over a few days using simple tools, negating the need for construction costs.

The concept supports the vision that clusters of Big World Homes will be formed on vacant urban land creating a thriving new model of neighbourhood. While this presents a good transitional solution to home ownership, the key challenges to the model are additional costs in the rent or purchase of land, as well as finding urban land in locations that have attractive amenity and transport connections. Such considerations would need to be viable both financially and from a lifestyle perspective to make a Big World Home purchase worthwhile. The model also presents an opportunity for governments and developers to activate under-utilised land to support solutions to urban challenges.

Policy

Taking a macro view, cities need to be affordable to retain talent and remain competitive. Urbanist Richard Florida argues that places' diversity and tolerance are essential elements for attracting knowledge workers and the 'creative class'. Such groups are crucial to the long-term economic sustainability of cities at a time when world economies are strongly driven by innovation (Florida R, *Who's Your City?: How the Creative Economy Is Making Where You Live the Most Important Decision of Your Life*, 2008).

An SGS study on the economic benefits of cultural diversity also points to tourism as a means for cities and neighbourhoods to remain competitive. Such diversity finds itself in a mix of ethnicities, demographics and ages – and through planned areas, such as Chinatowns, as well as ethnic quarters that develop more organically. Cities need to be equitable and support diversity, not just for economic outputs, but for the livelihood of communities.

Governments around the world are taking heed of these factors with various initiatives in economic reform to make living affordable in tier-one cities.

<https://www.sgsep.com.au/publications/economic-benefits-cultural-diversity>

a. Development affordability inclusion

San Francisco, a victim of its own economic success, has seen the region add 446,000 jobs but only 54,000 housing units from 2010–2014, according to SPUR (the San Francisco Bay Area Planning and Urban Research Association). The government has responded to this with the voter-approved \$310 million bond to finance the construction of new affordable housing and the acquisition and rehabilitation of existing units. The city is also considering revising its 'inclusionary housing law', which requires developers of market-rate housing to provide units of – or funding towards – affordable housing as part of their developments. Currently, the city requires developers to sell or rent 12 per cent of units in new developments at below-market to low- or middle-income households. To make this attractive for developers, the numbers must work such that the potential losses in the provision of affordable units are offset by a strong return from the sales of market-rate units.

b. Rezoning

Looking to Europe, city officials in Berlin have been under pressure from grassroots organisations to slow gentrification and conserve the city's diverse cultural fabric. Among rental caps and development-free zones are the Milieuschutz laws, translated as 'social environment protection'. Landlords in these areas are prevented from imposing expensive renovations that would price out existing tenants, as well as converting apartments to condos (unless they are sold to current tenants for a period of seven years). There are currently more than 30 Milieuschutz zones in Berlin. It is anticipated that the zones will slow the heat in Berlin's property market, which has grown by 94 per cent from 2010–2016, according to the German Property Federation.

While such measures support communities, they do of course need to also be attractive for investors and support the broader economy.

c. Empty homes tax

Also leading the way is Vancouver with the introduction of the Empty Homes Tax, a measure to increase rental supply. A home is assessed as 'empty' if it is vacant for more than six months of the year. Such homes will be subject to a tax of 1 per cent of the property's assessed value. Data suggests this could total 20,000 homes. Net revenues from the Empty Homes Tax will be reinvested into affordable housing initiatives. Most homes will not be subject to the tax, as it does not apply to principal residences or homes rented on a long-term basis. This scheme will be applied annually from 1 January 2017.

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Sharing 2.0

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As the sharing economy matures, we are seeing its integration into the property sector, not just in the way we share physical space, but also financial risk.

The sharing economy has begun to influence the property sector in recent years, both in how we share space and how we pay for it – leading to the rise of co-living and the co-financing of residential developments. A significant driver of this is Airbnb, whose presence is so embedded, city policies now exist to ban, cap or support the platform with equitable models in strata management and the division of profits. Another key trend in the property sector is the proliferation of coworking spaces, setting expectations for flexibility, affordability and the value of forming personal connections and community. Such factors have led to the creation of co-living models of apartment buildings with shared amenities and a social focus. The rise in single-person households and pressures on density have also fuelled the creation of co-living models.

Consumer expectations in product customisation are also playing a role here. We are now seeing collectives taking on the development process to share risk and create a place that truly serves their unique lifestyle needs.



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Common
New York

Co-living

The co-living trend clearly responds to the problem of an urban housing shortage. According to the Australian Bureau of Statistics, one-person households in NSW are projected to rise from 630,000 in NSW in 2011 to more than 1.03 million by 2036, with the demand for studio or one-bedroom apartments far outstripping supply. But moving beyond demand, the co-living is now becoming a preferable option for persons wishing to live and connect with a community. Another factor pushing co-living is the rise of professional nomads, who increasingly seek living arrangements that are short-term, flexible, turnkey and sociable.

Common, in New York, is an apartment whose primary proposition is creating community connections among its residents. Their buildings can be described as 'pre-made' social systems, and come with an on-site 'house leader' whose role is to help everyone make friends through introductions and a program of weekly gatherings. These include dinners, cinema trips and the occasional concert. Though originally targeting millennials, interest for co-living is being expressed by single mothers and older persons, and is considered as a preferred choice, not a necessity.

Regarding rental costs, at least for Common, co-living is not an 'affordable' option, as rents are comparable to market rate, though value is created by the access to additional space, which is rare in New York. Regarding development costs, the creation of co-living apartments can be highly profitable for developers due to the installation of fewer plumbing facilities for kitchens and bathrooms.



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PDX Commons
Portland

Co-development

It could be argued that consumer expectations in product customisation are trickling down to the property sector as collectives take on the development process to create a place that truly serves their unique needs.

PDX Commons is a co-housing development in Portland led by seniors who are taking charge of their retirement living. To make autonomous decisions, the collective is assuming all the risk and fully funding the initiative. The model functions as a Limited Liability Corporation, which gives each member the right to purchase a unit. The expectation is that each member must put up 20 per cent of the cost of their unit before construction – this goes towards the build cost as well as the equity to get a loan. In addition to owning a unit, each buyer will own an ‘undivided’ share of all of the common spaces, which may include retail, craft rooms, storage areas, gardens, walkways, elevators and utility areas. Members can put in additional money where they have it. The pool of funds also goes towards developer and architect fees. Each member has an obligation to participate fully in the decision-making guiding the project.

This level of control has enabled the group to co-create the types of spaces most suited to the quality of lifestyles they desire. The key principles of the development are proximity of community (beyond that of existing family and friends), walkable urbanism, i.e., living within 20 minutes of key services and social amenities, and ‘ageing in community’ – ensuring that the design of the units and communal



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LILAC
Leeds

areas support their needs with specific architectural features. The process has since taken approximately four years and is set to open in late 2017.

Co-ownership

New models of ownership are also emerging that decrease risk and enable affordability to be passed on to subsequent investors. LILAC (Low Impact Living Affordable Community) is an affordable and ecologically sustainable community development consisting of 20 homes in Leeds in the UK. It is operated through a 'mutual home ownership society' (MHOS) that provides a shared model for owning a stake in the housing market and allowing affordability for generations to come.

The MHOS functions as a registered co-operative that owns the home and land, which are financed by a mortgage loan from Triodos Charity Bank in the UK. The society is run by members, who are the residents of the homes in the community. According to the LILAC website, under the terms of the lease, members pay an equity share to the co-operative and retain equity in the scheme. After deductions for maintenance and insurance, these payments service the mortgage. Monthly payments are income dependent and set at 35 per cent of net income to maintain affordability and standard of living. A member's income also affects the number of equity shares held. If a member's income drops, they can choose to sell their shares, switch to renting, and not lose their home. Members who sell and leave the community earlier than three years are not entitled to the increases in the value of their equity shares.



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LILAC
Leeds

While the return on investment may not be as high as the open market, the varying aspects of this scheme also flatten the ladder, mitigating risk, and lowering the barrier to home ownership somewhat.

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Utilising space

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Waterways, car parks, and development sites are reframing how and where we live.

A key challenge of urban living is the demand to live in city centres, which often drives up the cost of rent. This affects a number of demographics, particularly middle-income service workers and students, who both need to reside close to social infrastructure. Creative typologies of housing are emerging to combat the scarcity of land and serve these groups, and we are now seeing the utilisation of car parks, waterways and development sites for new models of living.

One benefit of these kinds of models is that they allow a diverse mix of ages and demographics to remain part of the city fabric. The variety of people and cultures is often what contributes to the unique identity of a place, enabling cities to remain distinct, attractive and competitive for tourism and working talent.



ZEDPods
Nationwide, U.K.

Car parks

Open-air car parks are proving to be highly economical and beneficial for a new form of fast-fabrication housing. ZEDPods Ltd. is a company that provides first homes for young people and key workers utilising inner-city car parks close to transport, amenities and jobs. This fully funded model allows for the increase of supply of affordable homes without the need to source land or outlay capital expenditure. ZEDPods has been funded by the UK government's Enterprise Investment Scheme (EIS), with the objective of manufacturing and erecting the pods across the UK.

Owners of supermarkets, universities, schools, hospitals and local authorities can purchase the homes, erect them in their car parks and lease them to local residents. According to a Global Construction Review article, ZEDPods has a funding partner that will build, maintain and lease pods back to local authorities and healthcare organisations for use as service worker housing, in exchange for long-term leases for 'air rights' above their car parks.

At 22.5 sqm, the entry-level model is intended for two people and costs £65,000 (\$83,370 USD). The home can be bought outright or installed and rented out for £650 a month. In the long term, tenants can get a lease purchase, enabling them to own the home after 25 years. Most ZEDPods come as single dwellings, but the model is also expandable, enabling the creation of villages and co-housing terraces with communal space that fit the overall size of the parking area.



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Urban Rigger
Copenhagen

Waterways

Harbours and canals are also being utilised for floating living spaces. This too is a response to a housing shortage and increased density in city centres, particularly in Europe.

In Denmark, where there is a current crisis of 24,000 students being without residences – famed Danish architecture firm BIG has created the Urban Rigger, an affordable model of student housing situated in Copenhagen's harbour. In a press release last year, the company stated: 'There are few strategies that allow cities to expand. Yet, Copenhagen's harbour remains an under-utilised and underdeveloped area at the heart of the city.'

BIG's scheme comprises nine shipping containers stacked and arranged on a floating base to create 15 studio residences over two levels (23–27 sqm each). Not scrimping on lifestyle, the studios each have harbour views, with common facilities including a 160-sqm green courtyard, kayak landing, bathing platform, BBQ area, as well as a 65-sqm communal roof terrace – and lease at \$600 per month. Urban Rigger helps to keep students at the heart of the city, allowing them to be active contributors to the diversity of the city. The Urban Rigger design is a patented model which can be sold to other ports, river and canal-intensive cities worldwide as a solution to housing shortages.



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Bert & May
London

In London, barges and canal boats, which have long been a living option for some of the city’s inhabitants, are starting to have a modern reinvention. Keeping in step with consumer expectations for customisation, there is an emerging market that seeks high-quality interior design finishes specifically for barge living. Bert & May Spaces is a company meeting this demand and has created a prototype Barge No. 1., with RaT Architecture and creative consultant Laura Fulminate. Design features include modular furnishings, murphy beds, luxe handmade concrete tiles, wall cladding and engineered flooring from the Bert & May catalogue. Though no longer available, Bert & May Spaces offered two variations – a 16-metre ‘country’ two-bedroom and a 14-metre ‘urban’ one-bed barge – which started from £120,000 fully fitted.

As the need for housing stretches into formats that were once undesirable, standards in livability and quality are shifting these new options out of novelty and compromise – and into schemes that are realistic, attractive and credible.



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Transportable homes
Melbourne

Vacant land

With the urge of philanthropists and innovative architecture studios, governments are being pushed to utilise their vacant land for projects that support access to housing.

A recent initiative in Victoria, Australia sees the usage of state-owned land for the deployment of portable and affordable housing units to accommodate some of Melbourne's homeless population. The project is funded through a \$4 million donation from philanthropists Geoff and Brad Harris, and is a collaboration between VicRoads (the state road and traffic authority in Victoria) and Launch Housing, a housing organisation for the homeless.

According to an article in the Age (2017), the project will utilise nine disused housing blocks in Ballarat Road in Footscray and Maidstone, where a public acquisition overlay is in place should the government choose to widen the road in the future. The lease of the land, which will be managed by the Department of Health and Human Services, is for a fixed 5-year period, with a 12-month notice clause for vacating. Designed by Schored Projects, the proposed homes are studio-sized units that come to site fully assembled. The design enables the units to be easily dismantled and relocated should VicRoads require the land. Speaking to the Age, in January 2017, philanthropist Brad Harris said: 'Utilising vacant government land at no cost, I see this project as essentially the trial for a new economic model to provide fast, large-scale affordable housing.'

The project comes as new benchmark for social responsibility in supporting disadvantaged groups, and utilising assets in prime locations. It also provides inspiration for private developers to rethink the usage of assets that are vacant for extended periods.

Conclusion

Reinvented living: putting it into practice

Following are five key takeaways for property professionals who wish to apply the insights offered in this trend.

1. Engage early and collaboratively with local governments and bring them on the journey. Local building codes can be resistant to new ideas, but if a project can be shown to support the goals of the local authority, e.g., achieve new density targets, reduce reliance on private car ownership or provide affordable inner-city housing or more attractive shared space within a community, it may be easier to navigate the development approval process.
2. Consider appealing to a broader variety of market segments when planning a development. Targeting a single life stage or income profile creates a less diverse and often less appealing neighbourhood. People no longer want to live in communities where everyone is just like them.

Conclusion

Reinvented living: putting it into practice

3. Minimise risk in the implementation of innovative formats by allocating a small portion of a development to trialling a new concept. Such prototyping can permit changes and tweaks to be made before embarking on a more ambitious project.
4. Involve your audience in the design of new spaces, particularly co-living or residential projects that intend to offer a lot of shared space. Consumers are eager to help and can provide important insights into what they value and what they are willing to trade off. Focus groups are only the tip of the iceberg, and new ways of consulting consumers, such as structural collaboration, involve the end user on a longer term, more meaningful basis.
5. Investigate prefabrication methods that still allow for some variation and customisation across a development. Many consumers find 'Legoland' style sameness unappealing and want to put their own stamp on the place they live.

About

Brickfields Consulting

Brickfields Consulting delivers customer and market insights that enable dynamic and innovative property investment solutions.

Over the past six years, we have developed a reputation in the property sector for unlocking project possibilities through a progressive and adaptable mindset. Our commissions involve a complex challenge which requires our clients to embrace change and seize future opportunities.

By partnering with the owners and operators of physical assets, we provide the insight through research which ensures that places develop a competitive advantage, allowing them to command a price premium and achieve financial returns above the market.

Brickfields Consulting offers a range of services covering four broad capabilities: user research, market strategy, customer experience and design activation. We provide custom strategy solutions as well as standard research and strategic tools.

Appendix

Credits

Our Team (Alphabetical order)

Researchers

Stephanie Bhim
David Grant
Jeanette Lambert
Paul O'Connor
Georgia Watson

Writers

Stephanie Bhim
Jennifer Cook

Editor

Ginny Grant

Design and web development

Paul O'Connor
Joel Warren

Photography and video

Jeanette Lambert
Ash Watson
Georgia Watson

Thank you.

*We hope you enjoyed Trend #52 of
The Place Report. Keep your eyes
peeled in the coming months for
Trend #53: Emerging Prop-Tech*