

Housing for our Future

Falkland Islands Housing Strategy



Foreword

We are very pleased to introduce the Falkland Islands Housing Strategy, Housing for our Future.

A good home is important to everyone – whether that is young people finding their first home, people who want to own a home, or those who need affordable rental accommodation. A home not only provides us with security and shelter, but also supports our health and wellbeing, underpins our sense of community and belonging, and influences how we participate in the economic and social life of the Islands.

This strategy sets the direction for the next 10 years. It commits the Falkland Islands Government to working to achieve our vision for housing in the Falkland Islands, which is that:

- *People are enabled and encouraged to stay and build their lives in the Islands*
- *There is a choice of affordable housing for everyone, across ownership and rental*
- *We can all access suitable, secure homes of good quality that meet our needs*
- *We are empowered to make housing decisions and work towards our aspirations.*

Here, we set out our ambitions to achieve this vision, identifying some of the barriers that we know exist, and how we plan to tackle them. Our ultimate aim is to make housing better in the Falkland Islands. Among other things, we will:

- *Accelerate the pace of new FIG housing construction, and incentivise the private sector to develop new affordable homes for rent*
- *Bring forward a dedicated scheme to promote affordable home ownership for lower-income residents*
- *Deliver an incentive programme to encourage renovations of vacant, partially complete or derelict properties to bring them to market*
- *Offer some older FIG properties for sale to existing tenants, or to low-income buyers, as and when they become vacant*
- *Develop regulations to encourage good standards in the rented sector, providing protections for landlords and tenants.*

These, and many other actions, are set out in the strategy below. To put these plans into action will require commitment and hard work from both government and the private sector, working together to provide the housing that our community needs, both now and in the future. Change will not happen overnight. However, this strategy moves us in the right direction and sets a clear framework for immediate action that we look forward to seeing delivered over the coming months and years.

Members of the Legislative Assembly of the Falkland Islands Government

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Why do we need a housing strategy?

The Islands Plan 2018-2022 sets out an ambitious agenda to progress the sustainable economic, social, and political development of the Falkland Islands for the benefit of all residents. This includes commitments to grow the population, develop public services and infrastructure, support the expansion of local industries and businesses, and remove barriers to economic development. These priorities are all closely linked to housing provision. The Islands Plan also includes a commitment to “Develop a comprehensive housing strategy to ensure we meet current and projected requirements through an appropriate mix of Government housing, private sector housing and individual home ownership.”

A home is not just a roof over our head – good housing supports health, wellbeing, education, and employment outcomes.

Delivering on the ambition of the Islands Plan requires policies and actions to support a functioning housing market that delivers affordable, good quality and appropriate rental and ownership options for all segments of Falkland Islands society, both in Stanley and Camp.

We face a unique set of housing challenges in the Falkland Islands. Our location, small population, robust economy, and full employment make planning for future growth a complex task. There are also a number of pressures in the housing system which may worsen if we do not plan effectively for the future. This strategy sets out a vision for what we want our housing system to look like in 10 years. It commits us to taking forward work in a number of key areas in order to strive for that future. By doing so, we will not only bring benefits to our economy, but also to our community.

Where do we want to be?

Our vision for housing in the Falkland Islands is:

- People are enabled and encouraged to stay and build their lives in the Islands
- There is a choice of affordable housing for everyone, across ownership and rental
- We can all access suitable, secure homes of good quality that meet our needs
- We are empowered to make housing decisions and work towards our aspirations.

Vision and focus areas

People are enabled and encouraged to stay and build their lives in the Islands

There is a choice of affordable housing for everyone, across ownership and rental

Supply

Access and affordability

Housing literacy

Housing standards

We are empowered to make housing decisions and work towards our aspirations

We can all access suitable, secure homes of good quality that meet our needs

Outcomes and Actions

Future workstreams

Private sector development



FIG housing



Access and affordability



Tenancy protections



Housing standards



Data collection and communication

How will we get there?

We have identified four areas of focus for our vision. Within each focus area, we have set out a snapshot of the context and some of the main challenges faced. A more detailed analysis of the housing situation in the Falkland Islands, including further information on these key challenges, can be found in *Appendix 1*.

Under each focus area, we outline what the Falkland Islands Government (FIG) will do to meet these challenges – a set of outcomes to work towards, and key actions we will take to achieve them. Further detail on how these actions will be implemented can be found in the chapter, *What will we do now?*

Focus area: Supply

People are enabled and encouraged to stay and build their lives in the Islands

Focusing on supply does not simply mean building more homes – although this will be part of the solution. It also means building the right type of homes to house our population now and in the future, making the best possible use of the housing that we have already, and ensuring that people are housed in homes appropriate to their needs.

This requires:

A sufficient supply of homes of different sizes and tenures (e.g. rented, owner-occupied) to meet the current and projected demand in the Falkland Islands.

Both FIG and the private sector to contribute to a well-functioning housing sector that delivers homes that suit the needs of the community.

Efficient use of existing and future housing stock and strategic unlocking of land for new homes to make the best use of what we have.

FIG can influence supply both directly (by building FIG housing), and indirectly (through measures that impact on the development of private sector housing). Land availability is not expected to be a barrier to building more homes¹ - but just as we are looking to make the best possible use of our houses, we should also be looking at how to use land efficiently.

¹ *The Development Plan Health Check [2019]* reports a total allocation capacity of up to 768 homes between 2015 and 2030, based on 8.6 dwellings per hectare, the existing density at Sapper Hill. *Housing for Our Future: Supply, Demand and Policy Options [2020]* estimates a future housing demand is for 465 additional units by the end of 2035.

Some of the challenges we face in this area:

- The population is changing, which will increase the demand for housing and influence the type of houses which are required.
- There is an insufficient supply of rental homes to meet demand – currently a critical housing issue.
- Housing supply and availability should more closely match the needs of our population, both now and in the future.
- Current projections suggest a shortfall of one-bedroom properties in particular.

What we will do to meet these challenges:

We will deliver a plentiful supply of serviced residential plots in Stanley, by:

- Delivering Phase 2 of the Bennett’s Paddock development by mid-2022, releasing a similar number of new plots to the 30 previously released in Phase 1
- Regularly monitoring the need for additional serviced plots
- Delivering a continuous supply of additional serviced plots to meet the assessed need
- Offering a range of plot sizes, including some smaller plots.

The release and sale of serviced plots by FIG has been a continued success in the past and is a popular, tried and tested initiative. Creating smaller plot sizes, as has already been done in recent developments, will mean that there is a higher number of plots available for each land release, and we will continue to make the best use of land in future releases. The creation and release of more serviced plots will provide more opportunities for first-time owners to build their own home, eventually reducing pressure on the rental market as existing renters become property owners.

Work is underway for a new phase of serviced plots at Bennett’s Paddock. Eight plots have been allocated at a fixed price to eligible first-time owners, and 19 of the 22 plots being sold by tender have also been allocated to eligible first-time owners. A similar number of plots are expected to be made available in the second phase of development in mid-2022.

We will enable the delivery of new public and private sector affordable rental homes, by:

- Increasing the pace and investment in the construction of new FIG rental housing, delivering 40 new units for FIG rental in Bennett’s Paddock over a period of approximately three years
- Reserving 50% of all new FIG rental homes for the local pool, while there are eligible people on the waiting list with a positive score on the needs-based points system for allocating FIG housing
- Regularly reviewing the need for new FIG rental homes, including both local and contractor housing, and using this information to ensure that we are delivering the right balance of homes for both groups
- Introducing, by the end of 2022, incentives to encourage the private sector to develop new affordable rental housing
- Encouraging private sector developers to bring forward construction on land where permission is already granted.

By accelerating the pace of FIG housing construction, we can ensure that new, good quality, rental housing is offered at affordable rates. However, FIG housing alone will not be sufficient to meet demand. Improving the supply of housing overall is a key element of addressing affordability challenges. The available construction capacity in the Islands will remain a constraint on the pace of development.

The delivery of new rental units for the ‘local pool’ will reduce the waiting list of eligible people with a positive score in the needs-based points system. In the longer run, we intend to reduce the need for government to provide rental housing outside of social housing provision. One way to do this is to encourage the private sector to develop new rental housing, providing more affordable options. We will review the rental rates for FIG contract workers, which are below the rates for equivalent housing in the private sector, but will also need to take into account recruitment needs.

Various types of incentives to build affordable rental housing will be considered, including loan guarantees, tax incentives, or sale of serviced land at reduced cost. We will also look at ways to encourage developers to accelerate construction on land where planning permission has been granted but work has not begun. We will assess which incentives will be most effective, in consultation with those affected, with a view to putting a programme in place before the end of 2022.

We will support a change in the housing mix to reflect current and projected need, by:

- Building more multi-unit residential buildings
- Encouraging the private sector to deliver more multi-unit residential buildings.

Increasing the proportion of multi-unit residential buildings, both FIG-owned and in the private sector, is intended to meet the expected growth in demand for one-bedroom units, and better match the current population profile. Work towards this objective has already begun – there are a number of flats developed by the private sector which are currently under construction, FIG has recently delivered a number of highly-regarded examples on Sapper Hill, and a further two FIG multi-unit buildings are planned at Bennett’s Paddock. New multi-unit buildings should be designed and built so that they are in keeping with the character of the Falkland Islands in terms of design, density, and location within developments.

We will introduce incentives to bring currently unavailable properties to market, by:

- Designing and delivering an incentive programme, by the end of 2022, to encourage landlords, first-time owners or developers to renovate vacant, partially complete, or derelict properties and bring these into the housing market

There are currently no FIG programmes or policies which look at the issue of vacant homes or seek to motivate landlords who have unavailable properties to bring them to market. Enabling owners, landlords, or developers to make improvements to their properties in order to bring them to market could have a relatively rapid impact, and maximise the use of existing infrastructure.

As well as tackling the issue of vacant homes and benefitting the whole community by potentially contributing to the attractiveness of residential areas, it could increase the number of rental homes available, and/or increase the supply of resale homes, therefore potentially reducing rental demand at the same time. Policy options could be aimed at encouraging first-time owners to purchase and renovate existing properties, or aimed at property owners or developers, encouraging them to renovate and make homes available on the market. We will assess which incentives will be most effective, in consultation with those affected, with a view to putting a programme in place before the end of 2022. We will ensure such incentives are coherent with those for the development of affordable rental housing.

Focus area: Access and affordability

There is a choice of affordable housing for everyone, across ownership and rental

Different groups face different barriers to accessing affordable housing options. There are a number of factors at play, including eligibility requirements for certain housing (social housing, private rented housing, or home ownership) or financial barriers such as access to finance for those who aspire to own their own home, and the rate of rent or other housing costs in the private sector. Some of the actions in the previous chapter will contribute towards achieving our ambitions on affordability, including by increasing the delivery of affordable rental homes. To support home ownership, our successful programme of serviced plot release has proven popular and effective. Since 2012, 166 plots have been released, with 153 going to eligible first-time owners². We are committed to continuing this programme to meet the established need.

This requires:

Tackling barriers for those facing challenges in accessing a home of their choice, whether that is through home ownership opportunities, or affordable rental options.

Working to equalise opportunities so that everyone, regardless of their income, circumstances, or background, can access affordable housing.

Some of the challenges we face in this area:

- Affordable housing options for lower-income households (particularly those with incomes of less than £30,000) are very limited. Such households are unlikely to qualify for a mortgage, and would struggle to find affordable rental options in the private sector.
- Private sector rents are reported to be significantly higher than rents charged for FIG-owned housing, and can be unaffordable³ for certain segments of the population.
- It can be difficult for lower-income first-time owners to afford home ownership – for example, the current bidding process for serviced land, a key route to home ownership, often drives up prices for new plots.
- Some people in need, for whom social housing could be more suitable, are living in the private rented sector out of necessity, because of a lack of available FIG rental housing.

² Figures include Sapper Hill, Mink Park, Kent Road, and the first phase of Bennett's Paddock.

³ Rent affordability is typically defined as shelter costs of 1/3 of total household pre-tax income.³ Please refer to *Housing for Our Future: Supply, Demand and Policy Options [2020]* for further details.

- There is a disparity in support provided to lower-income residents renting in the private sector and those renting from FIG.
- Some prospective Camp buyers have difficulty accessing mortgages, due in part to the higher cost of building a home.

We will equalise support for lower-income residents renting in the private sector by:

- Extending eligibility for Rent Rebates (due to become a component of the Income Support programme) to households renting from private and commercial landlords from July 2022.

FIG currently provides 128 local pool houses at affordable rents, which are set at a significantly lower level than current market rates in the private rented sector. This housing is prioritised based on need. However, we recognise that there are challenges in this system, particularly lengthy waiting times caused by the slow turnover of housing. We will review the local pool housing allocation criteria to ensure we are effectively allocating housing to those most in need.

We also offer a Rent Rebate for households in need who are living in FIG accommodation, but this is not currently available to households in private or commercial rental accommodation. Changes to the Rent Rebate system will ensure that eligible households renting in the private sector will have access to the same support as those in FIG housing.

We will expand access to home ownership and make it more affordable by:

- Establishing cost-to-build benchmarks for Camp by the end of 2021
- Based on that information, considering an increase in the Joint General Mortgage Scheme (JGMS) cap for first-time homebuyers in Camp
- Monitoring affordability and accessibility, in Camp and Stanley, by reviewing the terms and conditions of the JGMS every two years
- Bringing forward, by the end of 2022, a dedicated scheme to promote affordable home ownership for lower-income residents
- Offering some older FIG properties for sale to existing tenants, or to low-income buyers, as and when they become vacant.

Camp households are eligible for both the Joint General Mortgage Scheme (JGMS) and the Variable Rate Mortgage scheme, with similar rules as borrowers in Stanley. FIG guarantees a higher percent of the total mortgage value for borrowers in Camp – up to 45%, compared to

20% for Stanley properties. However, the higher cost to build has the effect of increasing the minimum down-payment for qualifying buyers in Camp. The first step to better supporting prospective Camp buyers is to build a clearer understanding of the actual cost to build in various parts of Camp (e.g. East Falkland, West Falkland, and the Outer Islands), as this can vary depending on the exact location. This information will help us consider the need to raise the JGMS cap for first-time homebuyers in Camp.

Barriers to home ownership, including for lower-income groups, are complex and varied. They might relate to eligibility for mortgages (e.g. the ability to save for a down payment), the supply of land or housing, or the cost of home ownership itself. A regular review of JGMS terms and conditions, including the caps, will help us monitor ongoing access and affordability in both Camp and Stanley. Any changes to the guarantees provided by FIG would have to be approved by the Secretary of State.

We will also bring forward a dedicated scheme to promote affordable home ownership. Some options which may be relevant for the Falkland Islands include:

- A tax-free savings scheme – for instance, developing a registered home-buyer saving scheme, with payments to be deducted from taxable income.
- Rent-to-Buy – some new FIG housing could be designated as rent to own, whereby tenants rent the property and are responsible for maintenance, as well as making payments towards purchasing the property to split the cost of ownership over a longer period.
- Targeting or prioritising the release of serviced plots – making changes to the FIG plot allocation and bidding system to target more first-time owners, or prioritise access to plots.
- Shared ownership (or part buy/part rent) – allowing some buyers to secure a mortgage to buy a share in a property whilst paying rent on the portion of the property they do not own.
- Help to Buy – a government-backed equity loan scheme, which helps buyers by reducing the need to build up a deposit.

We will investigate the various options and potential impacts, consulting as appropriate, in order to make recommendations to tackle the specific issues for the Falkland Islands.

Focus area: Housing standards

We can all access suitable, secure homes of good quality that meet our needs

This requires:

Investing in measures to improve housing quality in the areas where this is needed.

An appropriate framework to ensure good standards of residential accommodation.

The suitability, security and quality of good housing has no standard definition, but often takes into account factors such as⁴:

- Overcrowding: that the accommodation has enough bedrooms for the size and composition of the household⁵.
- Quality: both the condition of the home itself and of the wider environment in which the home is located.
- Tenure: rights of occupation in a home, whether as owner-occupier or as a tenant⁶.
- Affordability: an issue which is considered in previous chapters.

Suitability can also take into account factors linked to sustainability and the environment. The links between housing and the environment are considered within the Falkland Islands Environment Strategy, which includes topics such as energy efficiency and development⁷.

Housing in the Falkland Islands is generally of a good standard, but there are some specific issues which have been highlighted to us.

Some of the challenges we face in this area:

- Standards of accommodation can vary considerably, and there are pockets of lower standards of housing and infrastructure, particularly in mobile/caravan homes and parks.
- There are concerns about security and suitability of some accommodation in the private rented sector, and reports of opportunistic behaviour from some landlords.

⁴See for example, Suitability of homelessness accommodation, Shelter at:

https://england.shelter.org.uk/professional_resources/legal/homelessness_applications/offers_and_suitability_of_accommodation_for_homeless_applicants/suitability_of_homelessness_accommodation

⁵ See for example Housing Suitability, Statistics Canada at: <https://www12.statcan.gc.ca/census-recensement/2016/ref/dict/households-menage029-eng.cfm>

⁶See for example, What is security of tenure?, Shelter at:

https://england.shelter.org.uk/professional_resources/legal/renting/introduction_to_security_of_tenure/what_is_security_of_tenure

⁷ Falkland Islands Government [2021]. Falkland Islands Environment Strategy 2021-2040. Stanley, Falkland Islands. 51 pages. Available from: website: <https://www.fig.gov.fk/policy/environment/environment-strategy>

What we will do to meet these challenges:

We will introduce an appropriate regulatory framework to encourage good standards in the rented sector, by:

- Working with tenants and private landlords to develop, within two years, regulations that afford tenancy protection rights to those living in private and FIG rented accommodation, as well as providing appropriate protections for landlords
- As part of this work, exploring the possibility of implementing a fair rent scheme.

We want to ensure that adequate safeguards are in place to protect both tenants and landlords from unreasonable behaviour, however the current system is not equipped to deliver on this. We will develop and deliver new regulations to manage standards in the rented sector, addressing some of the key concerns that have been raised with us. To do so, we will work closely in partnership with stakeholders including both tenants and private landlords.

Measures to be developed might include:

- A standardised landlord/tenant lease agreement;
- Default one-year tenure (except by mutual agreement);
- First right of refusal or renewal;
- Limiting rent increases;
- Clarity around acceptable grounds for eviction in case of tenant misbehaviour;
- A standardised notice period of intention to renew lease or vacate property;
- Maintenance and repair obligations for both parties.

We will work to improve housing quality in current and future mobile/caravan homes and parks, by:

- Investing in infrastructure improvements in mobile home parks, to bring it up to a good standard within five years
- Discouraging the creation of mobile/caravan home parks, and improving standards in existing mobile/caravan homes.

Current FIG planning policy already encourages the use of “conventional” homes for permanent accommodation over mobile/caravan homes⁸. FIG policy will discourage the creation of new mobile/caravan home parks, including through planning and the release of FIG-owned land. Other commitments within this strategy, such as the creation of more one-

⁸ Falkland Islands Development Plan [2015]

bedroom homes, will also help to promote low-cost permanent alternatives to mobile/caravan homes and serve as a vital step on the housing ladder.

There is ongoing investment to improve the infrastructure at Murray Heights. We will work with owners of existing caravans/mobile homes (owner-occupied and rental) to improve standards in the accommodation itself. The proposed tenancy protections could include basic standards for services and repair that would apply to rented caravan/mobile homes as well as conventional homes.

Focus area: Housing literacy

We are empowered to make housing decisions and work towards our aspirations

Housing literacy means that people in the Falkland Islands, including policy-makers and the community, are able to access and use information about housing to make well-informed decisions.

Individuals are faced with choices about their housing throughout their lifetime, from moving into their first home, to buying a property, to changing their housing as their needs evolve over time.

For policy-makers and decision-makers, access to accurate data on the housing situation in the Falkland Islands means that policies and interventions, including some of those outlined in this strategy, can be designed to ensure that they are successful and monitored to check that they are having the intended result.

This requires:

Clear communication about the housing choices open to residents in the Falkland Islands, for both the temporary and the permanent population.

Making sure that individuals, households and decision-makers have the ability to access, understand and use relevant housing information.

Ensuring that the relevant housing information and data is available for decision-makers to use, at the right time.

Some of the challenges we face in this area:

- Different people and groups in the community need different types of housing – their needs may change over time and are difficult to predict with certainty.
- There is a lack of reliable data on housing (particularly housing stock and information on the private rented sector) to inform decision-making, understand issues as they develop, and monitor progress.
- Some housing options available in the Falkland Islands are not well-understood within the community – for instance, the detail of the bidding system for serviced plots.

What we will do to meet these challenges:

We will develop a complete and accurate picture of existing housing stock and improve data collection on the private rented sector, by:

- Improving the information held on residential property in the Falkland Islands
- Collecting more regular data on the private rented sector, particularly rental rates.

Reliable information is critical to facilitate good planning and decision-making, and to help ensure FIG resources are used efficiently and effectively, and are directed at the right issues. *Housing for Our Future: Supply, Demand and Policy Options (2020)* summarised the available data and evidence, but also identified the gaps, such as the absence of a single data source with a complete picture on all existing properties and housing units. We will examine if and how we can make better use of existing data sources and fill in the identified gaps to develop a clearer picture of the housing stock across the Islands, including the number of vacant homes.

The 2021 Census will provide some up-to-date data on housing, including the size of rental units (number of bedrooms), the number of occupants, and some information on rental rates. We will investigate how we can collect similar data in between Census years, to provide more regular, up-to-date information in the areas where gaps have been identified. Data would be anonymised and aggregated to provide average, minimum, and maximum rents.

We will introduce resources to help everyone in the community understand their housing choices and make informed decisions, by:

- Providing and promoting clear information on rental rights – starting with what is in place now, and eventually encompassing any new regulatory framework that we introduce
- Introducing clear public guidance on the allocation of serviced residential plots and the competitive bid system
- Providing information on existing routes to home ownership for everyone.

Housing literacy means that everyone is able to access, understand, and use relevant housing data to make choices about their own housing options. We want to ensure that we are providing information in a way that can be used by individuals and households across our community. In the first instance, this means addressing some of the gaps that have emerged as part of this strategy development process, such as access to information on the competitive bid system, or housing options for Work Permit holders who are interested in staying in the Falkland Islands (alongside information about the pathway to citizenship). In the longer-term, this means ensuring that the detailed policy and actions coming out of this strategy (such as any new rental regulations) are communicated effectively to different groups across the community.

What will we do now?

The purpose of the strategy is to provide a clear direction for housing policy and activity across government. It will serve as a starting point for developing further work in the areas identified. Housing is a cross-cutting issue, and a unified effort across multiple directorates and departments is required - although DPED will have lead responsibility for delivery of the strategy overall. The other areas of government that will be most closely involved in delivery are:

- Public Works Directorate (PWD)
- Planning and Building Services
- Attorney General's Chambers
- Treasury

Success will depend on a clear operational framework and robust governance procedures. Ultimately, many of the specific proposals identified in this document will require further detailed consideration and consultation. There will be further engagement as substantive plans are developed, including internally at FIG, with the business community (such as private sector developers), with the public, and with other stakeholders.

The governance and delivery structures set out here will drive and monitor progress on all of the commitments set out within each section of the strategy. Some workstreams are already being developed, and the commitments in this strategy will feed into this ongoing work. More detailed policy proposals will be brought forward for ExCo/Legislative Assembly consideration at the appropriate time. To guide the work on the strategy into the next stages, we will develop a number of workstreams, which will translate the commitments into action, including establishing next steps,

accountabilities, and timeframes for delivery. This will include workstreams looking specifically at:

1) Private sector development

Encouraging private sector developers to contribute towards realising the ambitions set out in this strategy, including by building new affordable rental housing, constructing more multi-unit residential buildings, developing vacant properties, and bringing forward construction on land where permission is granted. Lead Directorate: PWD, with DPED, Treasury, and Planning and Building Services.

2) FIG housing

FIG's direct role in bringing forward housing for the community, covering commitments on the ongoing development and provision of FIG rental housing, local pool allocation policy, review of rental rates for contractors in FIG housing, the sale of older FIG housing units, and the development and delivery of serviced plots. Lead Directorate: PWD, with DPED.

3) Access and affordability

Developing detailed policy programmes to tackle the barriers to accessing affordable housing (ownership and rental), including the issues identified around home ownership in Camp and for lower-income households. Lead Directorate: DPED.

4) Tenancy protections

Developing and implementing appropriate regulations to ensure that adequate safeguards are in place to protect both tenants and landlords. Lead Directorate: DPED, with support from the Attorney General's Chambers.

5) Housing standards

Continued development and implementation of policy on caravan/mobile homes, and infrastructure improvements in caravan/mobile home parks. Lead Directorates: PWD and Planning and Building Services.

6) Data collection and communication

Improving availability and accessibility of data and information on housing in the Falkland Islands for the community and for use in policy and decision-making. Lead Directorate: DPED.

A number of commitments in this strategy envisage FIG action to improve the incentives in the system – including to stimulate more affordable rental housing; to encourage more multi-unit residential buildings; to encourage the renovation of vacant, partially complete or derelict properties; and to promote affordable home ownership for lower-income residents. The overall package will need to be carefully designed, to ensure that it is

affordable and that the elements do not conflict with each other. We aim to complete the detailed work and be in a position to launch a coherent package of incentives by the end of 2022.

These areas of work will continue to be developed by the relevant directorates, who will take account of the ambitions set out in this strategy to guide their work. The investment needed to support this work will be subject to consideration in future budget processes. If changes to the law are required, they will need to be considered against other legislative priorities, and may take time to implement.

The workstreams set out above will be subject to a robust monitoring, reporting and review process. The strategy itself will also be subject to regular review and reporting. The issues set out in this document are not static, and will change over time. Because of the size of the population and number of homes in the Falkland Islands, small developments or changes could have a relatively large impact on the overall picture. Updates to this document should be produced to reflect this. Ongoing monitoring, review and reporting of the strategy and the action plans will be incorporated into regular FIG tracking and monitoring procedures.

Appendix 1: Overview - housing in the Falkland Islands

Where are we now?⁹

Housing stock

In 2016:

- 88.4% of homes in the Falkland Islands were houses
- This was made up of 862 detached homes and 188 semi-detached/terraced homes
- Housing units in flats = 6.5% of housing units
- Mobile/temporary structures = 5.0% of housing units

- 36.8% of housing units had 3 bedrooms
- 31.4% of housing units had 2 bedrooms
- 15 % of housing units had 4 bedrooms
- 9.1% of housing units had 1 bedroom

- 62% of households in the permanent population lived in a home with 3 or more bedrooms
- 29% of households in the permanent population lived in 2-bedroom accommodation
- 44% of households in the temporary population lived in a 2-bedroom housing unit
- 46% of households in the temporary population were in houses of 3 or more bedrooms
- One-bedroom housing units were about 10% of the total in both cases

Household profile

In 2016:

- 57.2% of Falkland Islands households owned their own home
- 32.7% of home owners owned outright, 24.5% owned with a mortgage
- 31.8% of households rented their accommodation
- 9.2% of households occupied their accommodation free of rent
- Rate of home ownership in the permanent population = 71%
- Home ownership in Camp = 60%
- Home ownership in Stanley = 56.7%

- 357 1 person households
- 438 2 person households
- 200 3 person households
- 149 4 person households
- 77 households of 5 people or more

⁹ This information is intended as a snapshot of available housing information in the Falkland Islands. All information is taken from the report *Housing for Our Future: Supply, Demand and Policy Options [2020]* and from the *Falkland Islands Census [2016]*. For a fuller report of data available, please refer to the original reports.

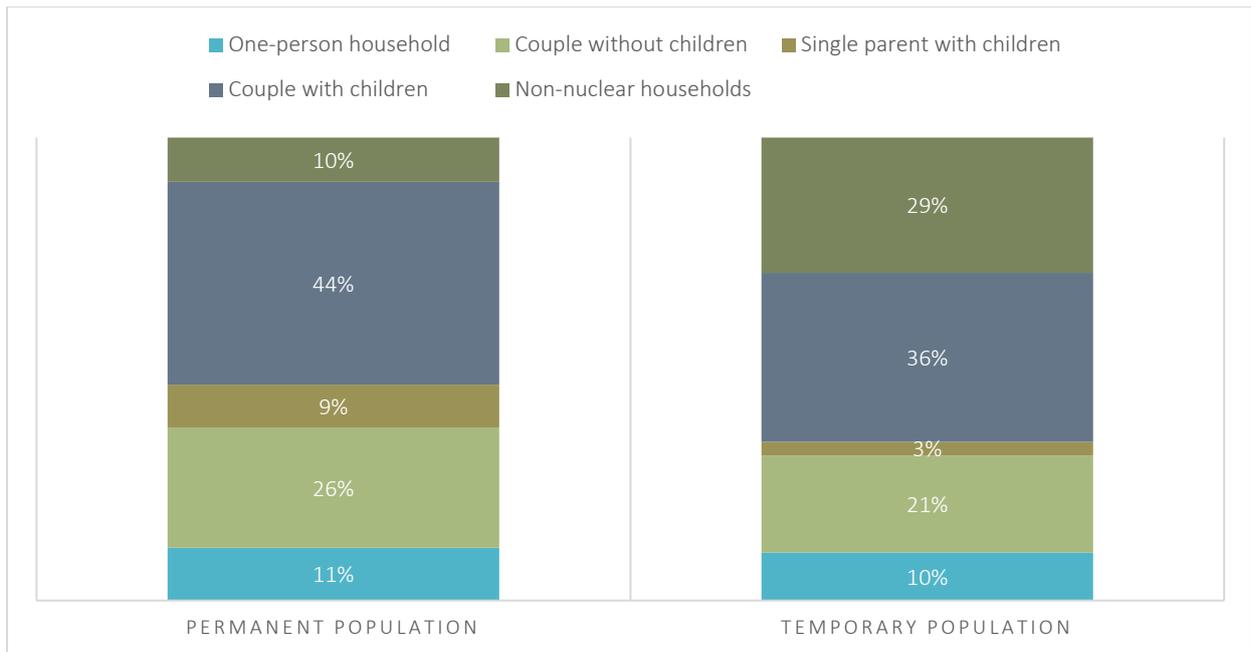


Figure 1: Population in households by population category and household type, Census 2016. This graph shows the breakdown of household type within the temporary and permanent population. Couples with children are the dominant household type in both populations. In the temporary population, the second largest household type is non-nuclear households. In the permanent population, the second largest household type is couples without children. There is a higher proportion of single parents with children in the permanent population. The proportion of one-person households across both populations is roughly the same.

Quality

In 2016:

- 83% in Stanley rated their housing as 'good' (the highest rating)
- 76% in Camp rated their housing as 'good' (the highest rating)
- Only 1.7% in Stanley rated their housing as not suitable to their needs
- Only 1.9% in Camp rated their housing as not suitable to their needs
- 75% of all housing units were older than 10 years (of which 37% were older than 30 years)
- 15% of all housing units were less than 6 years of age

Affordability

In 2020:

- Estimated private sector rental rate for a 2-bedroom home was £750 - £1000
- Estimated private sector rental rate for larger homes was £1200 - £1800 (average £1,500)
- Rental housing is affordable to the average household, based on median incomes observed during the Census
- Private sector rents for 2-bedroom units could be unaffordable for households earning <£30,000/year
- Rental rates for larger homes only affordable¹⁰ to households earning £45,000 and above, most likely dual income

¹⁰ Following standard measures of affordability e.g. 1/3 of gross income, 50% of net income

Ownership

- In 2016, average monthly home mortgage payments = £475
- Analysis of data of home mortgages subscribed between 2015 – July 2019 show an average monthly payment of £651 (likely due to higher build or purchase costs in later years)
- Evidence suggests that home ownership is affordable – however, households with incomes of less than £30,000 would likely not qualify for a mortgage
- Some prospective new homeowners in Camp have difficulty accessing mortgages

Planning for the future

Population growth

Understanding and planning for the housing needs in the Falkland Islands is fundamentally linked to modelling future population trends. In the Falkland Islands, we expect the population size to continue to increase over time because of an increasing demand for foreign workers as the economy grows, as well as the demographic aging of the current permanent population.

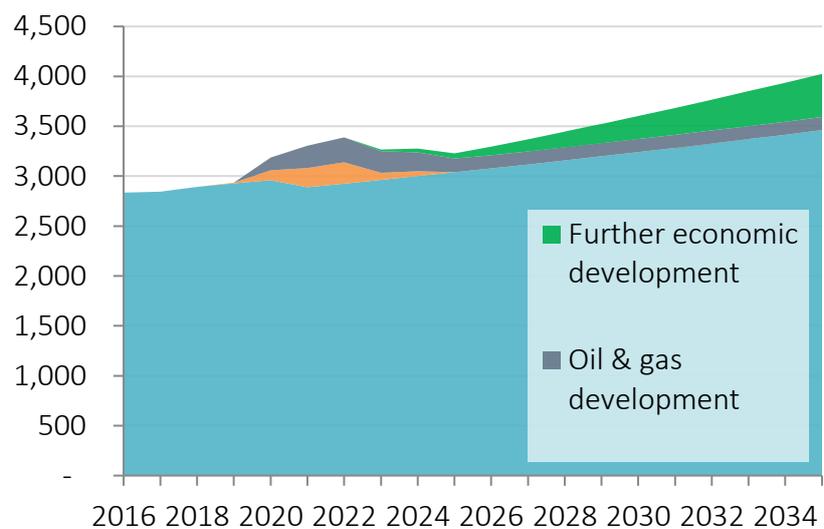


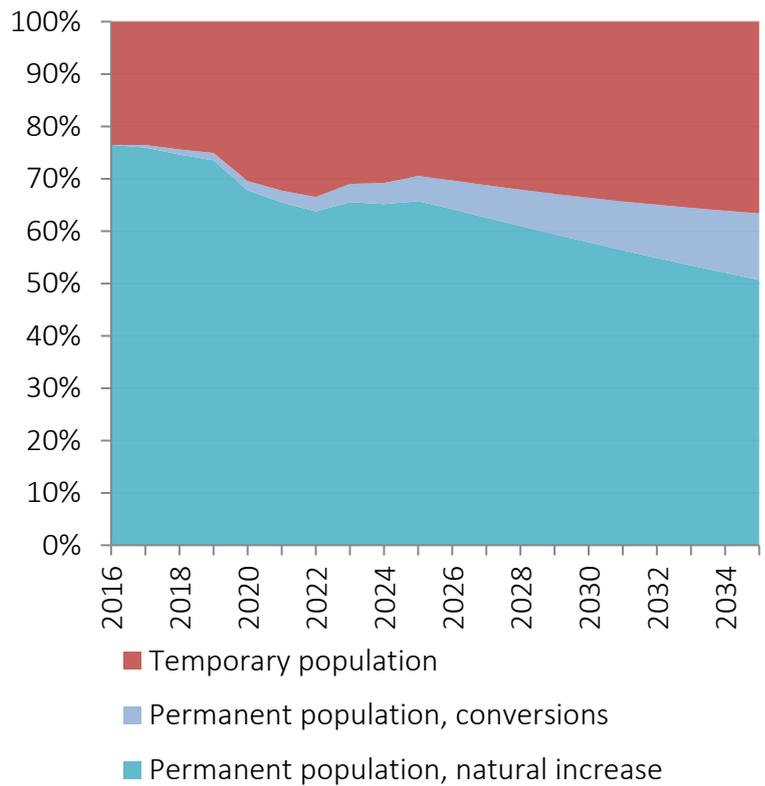
Figure 2: Population growth projections. Shows an expected increase in population to around 4,000 by 2035 (not including civilians at Mount Pleasant Complex), at an average rate of growth of 63 people per year. These figures include a possible short-term spike in population between 2020-2025 for major infrastructure projects and the potential start of the Sea Lion oilfield development¹¹.

¹¹ It is expected that this spike will be almost entirely comprised of transient short-term, unaccompanied temporary workers who will be accommodated in special-purpose temporary accommodation, and therefore will not affect demand for permanent housing. Further information on how this expected short-term surge accounted for in housing demand projections can be found in *Housing for Our Future: Supply, Demand and Policy Options [2020]*.

Population composition

As the economy grows and more workers are needed, recruitment of more workers from abroad will increase the number of work permit holders in the population. By 2035, it is expected that 37% of the total population will be temporary (work permit holders and their families). This will change the type, size, and tenure of homes that are needed in the Falkland Islands.

Figure 3: Population projections, permanent vs temporary population. Shows that, without efforts to encourage individuals to stay and take up permanent residence and ultimately Falkland Islands status, the percentage of temporary workers in the overall population is set to increase to about 35% over the long run.



Comparison of demand and supply

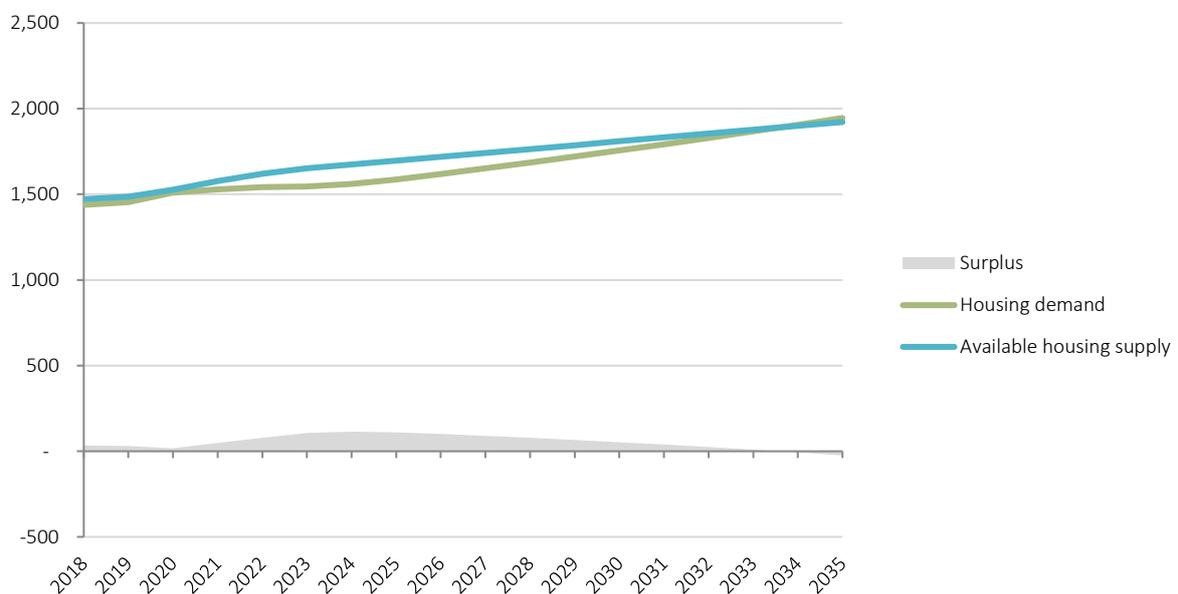


Figure 4: Comparison of housing demand and supply, 2018-2035. Shows that currently there are sufficient housing units to meet demand. However, this includes a number of housing units which are not currently available on the market (e.g. vacant homes).

As the proportion of temporary workers is expected to grow, this will mean there is more demand for rental units. It is anticipated that 71% of the total increase in households will require rental accommodation. In the current conditions, a significant gap between the demand and supply of rental homes could develop after 2025, and actual shortages could take place earlier than this, which may exacerbate issues such as over-crowding. This would particularly be the case in the affordable range. FIG rental housing is let at a significantly lower level than current market rates, but is insufficient to meet demand for either social or contractor housing.



Figure 5: Comparison of housing demand and supply by tenure, rented or occupied free of rent, 2018-2035. Shows a current shortage of rental housing units, with a bigger gap projected to develop after 2025.

It is estimated that in the long term there will be a higher need for 1-bedroom and 2-bedroom housing units, based on a breakdown of average household size¹².

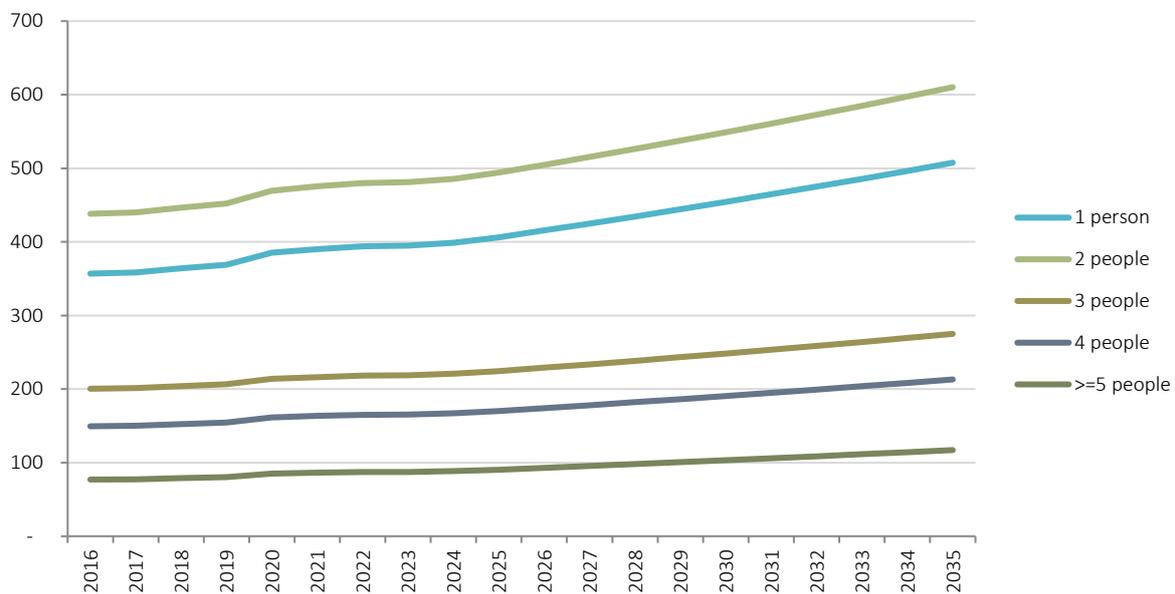


Figure 6: Number of households by household configuration, 2016-2035. Shows a larger increase in the expected number of 1 and 2 person households over time.

¹² Full details of household projections can be found in *Housing for Our Future: Supply, Demand and Policy Options [2020]*.

While housing supply is projected to be sufficient to meet demand for houses with two bedrooms or more, the expected number of single-person households in the total population suggests that supply of 1-bedroom homes will be below demand. Evidence from the 2016 Census shows that only 28% of single-person households in the temporary population live in a 1-bedroom housing unit, which is assumed to be partly caused by the scarce availability of 1-bedroom housing units overall. The requirement for bigger houses (houses with 3, 4 or more bedrooms) is expected to be lower, and supply is expected to exceed or meet demand.

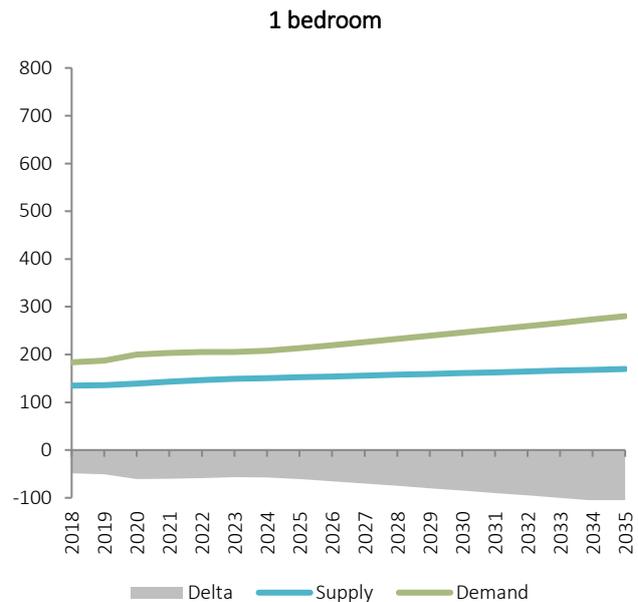


Figure 7: Comparison of housing demand and supply, 1-bedroom units, 2018-2035. Shows that the supply of 1-bedroom units is projected to be below demand for the whole of the forecast period.

There are a number of other housing challenges identified¹³:

Access to home ownership in Camp

Building a new home can cost as much as 30-45% more in Camp than in Stanley¹⁴. Camp households are eligible for both mortgage products available in the Falkland Islands, with similar rules as borrowers based in Stanley. However, a higher cost to build effectively increases the minimum down-payment required. All borrowers must also demonstrate that their incomes will keep them within the maximum debt servicing ratio of 50%. Anecdotal evidence suggests that some prospective Camp buyers have difficulty accessing mortgages as a result of the higher costs to build in camp or issues demonstrating sufficient income to qualify.

“Worried that living in camp is put into a ‘difficult pile’ rather than looked at as part of the issue we need to overcome. There isn’t assistance that lines up in a way that is solely dedicated to making home ownership easier there.”

“...the additional costs that are incurred when building in Camp put those wishing to do so at a severe disadvantage...I’m sure there’s people wishing

¹³ These pressures are outlined in further detail in *Housing for Our Future: Supply, Demand and Policy Options [2020]*. All quotes shared in this Annex are taken from the public consultation report *Housing for our Future, Report following public consultation on policy options to address the challenges of growth and affordability [2021]*.

¹⁴ Camp House Building, Falkland Islands Development Corporation for the Rural Development Group [2018]

to live in Camp, not necessarily as farmers, but the costs prevent them from doing so.”

“The key issue of building in Camp is the additional cost compared to Stanley, as well as the cost of putting in services (water, power, and communications) and this may not be reflected in the potential resale value of Camp homes.”

Affordability in the private rented sector

Private sector rents appear to be significantly higher than rents charged for equivalently sized FIG-owned housing. It is estimated that private sector rents for 2-bedroom units could be unaffordable for households earning less than £30,000 per year, while rental rates for larger homes are only affordable to households earning £45,000 and above – most likely dual income. Single-wage earners would struggle to find affordable accommodation in the private rental sector.

Security, suitability and standards in the private rented sector

There are some reports of opportunistic behaviour in the private rented sector, including linked to the previous oil exploration campaign. Some tenants were seemingly faced with sudden, steep rent increases or forced to vacate their accommodation. It is indicated that some private sector landlords

The COVID-19 Impact Assessment team reported [ExCo 36/21] being told about:

- Tenants being asked to move out before the end of their tenancy
- Significant mid-tenancy rent increases with no notice
- High rent/poor quality tied accommodation
- Tenancy rights in houses of multiple occupancy

prefer to keep properties vacant in anticipation of future “super-heated” demand, and we can expect some of these issues to re-emerge if the supply of rental housing remains constrained. Some of these issues were also highlighted during COVID-19 recovery work. There are reports of overcrowding in some housing units.

“My son and his girlfriend have to live with me because they can’t afford to rent privately on their wages- it would cripple them! Both are FIG employees who contribute to the community...All they can do is save and build...but not everyone wants to be tied to a mortgage.”

“Private rents are out of control. Although they seem to have no problem getting tenants you have to question their standard of living. I have heard rumours of overcrowding, people turning sitting rooms into extra bedrooms and families sharing bedrooms. A friend of mine recently gave up their rental home as their landlord doubled his rent overnight to reflect the top end of the market.”

“At present, rent on private housing is, in many cases, unaffordable. However, demand is extremely high which has led to overcrowding in unsuitable

accommodation. We are close to some landlords being described as 'slum lords' which is simply unforgivable."

Affordability of home ownership in Stanley

Some segments of the population (households earning below a median income of £30,000) would likely not meet the lending criteria for a mortgage. At any given time, there are few homes available on the resale market, which puts pressure on new home construction and the continuous creation of serviced land for sale. This drives up bidding for serviced land, which can make it difficult for lower-income first-time owners to afford home ownership.

"I think any help FIG can provide to people to be able to purchase a property and get on the housing ladder would be a huge benefit to the local community"

Housing quality

In the 2016 Census 83% of households in Stanley and 76% in Camp rated their housing as 'good' (the highest rating). However, it is recognised that housing quality is variable across the Islands. In particular some accommodation in the mobile home park is substandard. Some older FIG accommodation, particularly what are described as 'cabins', is in poor condition. In addition, public infrastructure such as roads in the mobile home park is not to the same standard as in other Stanley neighbourhoods.

"The roads are unsurfaced and there are no pavements or street lighting. There is little privacy, with no thought having been put into layout or landscaping, or even the provision of basic windbreaks."

Vacant/derelict properties

It appears some older houses in the centre of Stanley are either uninhabitable and vacant, or in need of considerable renovation. This could feed into some of the other issues identified, especially if there are vacant homes which could be made available for rent but are not on the market, or are available only at rents which are unacceptable to most prospective tenants.

Lack of data and accessible information

Data on the number and condition of houses in Stanley and Camp is incomplete, and there is insufficient accurate information on rental costs and availability in the private sector. The pressures on the housing market outlined above will require frequent and accurate monitoring to ensure that they do not escalate. The absence of comprehensive data could hinder informed decision-making and the ability of FIG, MLAs, and the public to monitor the current situation and the impact of policies, programmes and actions intended to address housing concerns.

Evidence also suggests that some information about the housing system in the Falkland Islands could be better shared. 44% of respondents to the Housing for our Future survey¹⁵ indicated that they were unsure if the competitive bid system for serviced plots is easy to understand, and 21% felt that it was not easy to understand. Anecdotal evidence suggests that information

¹⁵ Housing for our Future, Report following public consultation on policy options to address the challenges of growth and affordability [2021]

on existing housing options (including home ownership) for Work Permit holders could be better shared, to encourage eligible members of the temporary population to explore this option.

Appendix 2: Strategy development process

In 2020, the Falkland Islands Government undertook a study to estimate housing demand and supply over the next 15 years in both the rental and home ownership markets. The final report, *Housing for Our Future: Supply, Demand and Policy Options*, was published in August 2020. It set out an estimate of housing demand and supply over the next 15 years, looking at both the rental and home ownership markets. It also examined affordability, quality, and the role of the private sector in developing housing. It identified a number of issues and pressures in the housing market, and set out policy priorities and options identified by FIG in response to those issues. Please see *Appendix 3* for a more detailed description of the methodology, modelling, and assumptions used to develop the report.

Housing for Our Future was then subject to a detailed public consultation process to communicate the findings of the report and seek public views on the proposed policy options.

The consultation ran for 8 weeks and included:

- Presenting the report findings and discussing the proposed policy options with Chamber of Commerce members, and at a series of public meetings in Stanley and Camp;
- A detailed questionnaire to gather public views on each of the proposed policy options.

Using the findings of the survey¹⁶, the level of public support for the policy options set out was used to inform more detailed discussions with MLAs and subject experts within FIG. Options were refined with a specialist Housing Strategy Working Group, including representatives from key directorates and departments:

- Public Works
- Planning and Building Services
- Treasury
- the Attorney General's Chambers.

The strategy follows the structure of the report in that it focuses principally on supply and demand issues, but also looks at related policy areas such as affordability, housing quality, and the role of the private sector. The strategy does not look at recommendations on land use, housing density, and building construction and standards.

¹⁶ Housing for our Future, Report following public consultation on policy options to address the challenges of growth and affordability [2021].

Appendix 3: Methodology

The recommendations in this strategy are based on the paper *Housing for Our Future: Supply, Demand and Policy Options [2020]*. Please refer to the paper directly for a full, detailed explanation of the modelling used. The following is a summary of key points relating to the assumptions and methodology in that report, which have, in turn, informed the development of this strategy:

- Housing demand projections do not include the short-term housing needs for an expected short-term workforce surge, which is assumed will be met by transient, largely unaccompanied foreign workers. This short-term increase in construction workforce could occur, should the Sea Lion project be sanctioned and all planned government infrastructure projects go forward. It is expected that these temporary workers will be accommodated in special-purpose temporary accommodation, and therefore will not affect demand for permanent housing.
- Evidence on the size and characteristics of the housing stock in the Falkland Islands was mostly derived from data in the last Falkland Islands Census (2016); additional information has been obtained from other unpublished sources, including FIG databases kept by PWD Housing, Planning and Building, and Treasury.
- Household and housing projections included in the paper are based on the outcomes of a population growth model developed in June 2018 by the FIG Policy and Economic Development Unit, which aimed at projecting population growth in the Falkland Islands under a number of scenarios and based on a number of assumptions. The model is regularly updated as new information becomes available and projections reflect all data available to December 2019.
- The methodology, assumptions, and results of the population growth model have been extensively described in the paper 'Socio-economic impacts of oil & gas development in the Falkland Islands. Employment and population growth. A wider perspective' (October 2019) prepared by the FIG Policy and Economic Development Unit. Population projections presented refer to a 'central case' scenario and incorporate a high level of uncertainty.
- Housing demand and supply projections – as well as projections of the gap between demand and supply (i.e. surplus or shortages of housing supply against demand) – should not be taken as an exact forecast of what will happen future years, primarily because they are based on a large number of assumptions that may or may not hold in the future. Such assumptions are dependent, among other drivers, on the housing policies that the Falkland Islands Government will choose to adopt in the future. Therefore, all projections presented must be considered only in light of their ability to reveal a number of trends that will unfold in the future if FIG does not take appropriate measures to reform current housing policies.