Falkland Islands Government – Policy and Economic Development Directorate

Housing

Supply, Demand and Policy Options

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Executive summary

With a very small population, robust economy and full employment, the Falkland Islands faces unique challenges and pressures in sustainably planning for the future growth of the nation. The Islands Plan 2018-2022 sets out an ambitious agenda for growth, including the delivery of improved infrastructure, enhanced public services and support for the economic development and growth that will secure long term prosperity for Falkland Islanders. This includes developing policies and actions that build on past successful programmes and support a functioning housing market that delivers safe, affordable, good quality and appropriate rental and ownership options for all segments of Falkland Islands society, both in Stanley and Camp.

This report sets out to estimate housing demand and supply over the next 15 years in both the rental and home ownership markets, as well as examining affordability, quality and the role of the private sector. Because of the high proportion of temporary workers in the population across all income levels (many on multi-year contracts), and the low rates of conversion from work permit holder to permanent resident, the Falkland Islands faces higher demand for rental accommodation and a reduced ability to plan for household size. Similarly, restrictions on property ownership for non-permanent residents also increase rental demand and may have the effect of reducing availability of affordable rental housing for lower income residents.

The most critical issue identified is the current and future shortage of rental housing, which constrains the ability of the Falkland Islands to attract and retain a sufficient workforce. Policy options presented look at both opportunities to increase supply and shift some demand from rental to ownership. Affordability of rental accommodation, and rental and ownership options for lower income households, are also important concerns. Policy options include a range of ways the FIG may wish to intervene in the market (captured under the headings of 'Affordability' and 'Security of Tenure' and 'Quality'.

Recommendations on building construction standards (including energy efficiency) are beyond the scope of this report and should be addressed elsewhere by the relevant FIG departments.

This report assumes that the private sector will have a greater role in the delivery and ownership of rental accommodation, but does not provide specific guidance on whether the Falkland Islands Government (FIG) should continue to own and manage non-social housing stock. Similarly, the issue of whether to privatise the management, repair and maintenance of existing FIG housing is not addressed. This is because these decisions would not, in themselves, address the key housing challenges facing the Falkland Islands and are largely driven by political preferences. Should the government wish to explore divestment and/or privatisation, we recommend that a full cost-benefit analysis be conducted to support decision-making.

Key findings

Population growth

The combination of increasing labour requirements driven by economic growth, and the demographic aging of the current permanent population, will result in a growing demand for foreign workers. In the absence of programmes and measures to encourage work permit holders to take up permanent residence and ultimately Falkland Island status, the result will be an increase in the percentage of temporary residents in the total population. This has implications for type, size and ownership of housing and contributes to some uncertainty as to the optimal housing supply mix. For the purpose of developing policy options, we have assumed that the proportion of temporary residents within the population will increase as described.

The population model[1] forecasts total long-term population growth from 2,834 in 2016 to 4,024 in 2035 (not including civilians at Mount Pleasant (MPC)). While over the long term this represents an average population growth rate of 1.9%, plans for major infrastructure projects and the potential start of the Sea Lion oilfield development could result in a short-term spike in population between 2020-2025. This spike will be almost entirely comprised of short-term, unaccompanied temporary workers who are not expected to contribute to housing pressures, for reasons described below.

Population Composition

In 2016, 24% of the Falkland Islands population could be classified as temporary – primarily work permit holders and their dependents – who are resident in the Islands for only a finite period of time, even though the jobs they fill are mostly permanent. As the economy grows and more workers are needed, it will be necessary to recruit more workers from abroad, which will increase the number of work permit holders in the population.

Approximately 25 individuals each year currently convert from Work Permit Holder status to Permanent Resident. If this trend continues, 511 new PRP/Status Holders will be added to the population by 2035. During the same period, there is expected to be a net decrease of 128 persons in the current population of PRP/Status Holders, due to aging and declining birthrates. This implies that 68% of the expected population growth will come from temporary residents; with 37% of the total population comprised of temporary residents by 2035.

Housing demand[2]

We expect total housing demand (including demand for second homes) to grow from 1,455 in 2019 to 1,945 in 2035. This will include a significantly increased requirement for rental accommodation and single-bedroom units, due to the expected increase in unaccompanied work permit holders. We have also analysed the current prevalence of individuals in non-nuclear households and expect that some of this is due to a lack of affordable options, rather than individual preference. We have assumed that many of these individuals would prefer to be in more traditional housing if it were available and affordable; this demand is included in our projections.

While it is beyond the scope of this report to recommend specific types of housing construction, we note that supply of single-bedroom rental accommodation is typically more efficiently delivered as flats or apartments rather than as semi-detached or terraced homes.

Housing Supply

We estimate that available housing supply could increase from 1,485 at the end of 2019 to 1,922 in 2035. Future supply projections are based on an analysis of past trends, currently planned housing projects by government and private owners and reducing the percentage of vacant houses in Stanley and in Camp. Supply forecasts assume that market conditions and the investment climate will support speculative[3] private sector participation in the rental housing market.

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1 A population growth model has been 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 has been regularly updated as new information has become available. 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.

2 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. These trends are part of the evidence base on which we have based the policy considerations and options presented in Chapter 7.

3 'Speculative' development is that which occurs ahead of expected future demand.

The FIG Development Plan Health Check 2019, produced by the Planning & Building Department, confirms that there is a minimum total land allocation capacity of up to 768 homes between 2015 and 2030, based on 8.6 dwellings per hectare (dph), the existing density at Sapper Hill. Even more housing could be accommodated if higher density development is pursued.

- **Housing quality.** In the 2016 Census only 1.7% of households in Stanley and 1.9% in Camp rated their housing as being 'not good'. By contrast 83% in Stanley and 76% in Camp rated their housing as 'good' (the highest rating). Notwithstanding, it is recognised that housing quality is variable in Stanley and Camp and particularly that some accommodation in the mobile home park is substandard. Some older FIG accommodation, particularly what are described as 'cabins', are 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.
- **Crowding**. There are reports of overcrowding in some housing units which reduces housing quality, as well as increasing safety risks. Reportedly, overcrowding is due to limited availability of suitable options, and possibly to some private sector employers attempting to minimise their costs to house lower wage foreign workers.

Rental housing market

The private sector has recently shown promising signs of mobilising to meet expected rental housing demand, and there have been a number of planning applications for multi-home development as well as new units being built. However, given the expected short-term population expansion, we project that there may still be a significant under-supply or rental accommodation in the short term, particularly if planned housing projects are delayed. We also note that private sector rents appear to be significantly higher than rents charged for equivalently sized FIG-owned housing and would be a challenge for some households.

In the medium to long term, in the absence of effective actions to encourage private sector supply or increase government capacity to deliver housing, there could be a continuing shortage of rental units, particularly in the affordable range. This in turn will further drive up housing costs and cost-of-living, decrease attractiveness of the Falkland Islands and make it more difficult to deliver services and to maintain the economy.

Home sale market

At any given time, there are few homes available on the resale market; this puts pressure on new home construction and on the continuous creation of new, serviced land for sale. This drives up bidding for serviced land when FIG makes it available for purchase, which can make it difficult for first time buyers to afford home ownership.

The constraints on both the resale market and serviced land also creates an artificial pressure on the rental market, as prospective home buyers who are able and willing to purchase, are forced to rent longer than they would like while amassing a down-payment, and then waiting, first to purchase land and then for housing construction to be completed.

Moreover, it appears that some older houses in the centre of Stanley are either uninhabitable and vacant, or in need of considerable renovation. Government does not currently have programmes or policies to encourage owners to rehabilitate this housing stock, or to demolish and create new, infill housing. These lots are already connected to services and therefore could reduce some of the pressure to create new, serviced land. A programme to incentivize the improvement of these properties could provide a contribution to rental or resale housing supply, as well as reducing safety hazards and contributing to the attractiveness of Stanley's residential streets.

Affordability

- **Rental affordability**. FIG rental housing is provided at a significant discount to the private sector, but is insufficient to meet demand for either social or contractor housing. Rental housing in the private sector is more expensive, but should still be affordable to the average 2-income household,

based on median incomes observed during the Census. However, single wage earners would struggle to find affordable accommodation in the private sector. In addition, the gap between FIG rents and the private sector drives unwillingness of even those who can afford it to pay the perceived premium and leads to a perception that private sector rents are unreasonable. This leads to reports that some occupants of FIG social housing no longer 'require' subsidised housing, but remain there due to the gap between the two markets.

It is reported that some private sector landlords prefer to keep properties vacant in anticipation of future 'super-heated' demand. There are also anecdotal cases from the previous oil exploration campaign of existing rental agreements being terminated in order to re-let accommodations at higher rents. In the absence of government actions to regulate the private rental market and protect tenants, opportunistic landlord behaviour can be expected to continue.

- **Home ownership affordability in Stanley.** The evidence would suggest that home ownership is affordable, based on Standard Chartered Bank (SCB) established lending criteria[4] and observed household incomes for most segments of the population. This is due both to house prices but, more importantly, to the low total tax burden enjoyed by Falkland Islanders. However, households earning below a median income of £30,000 would not meet the dual lending criteria.

  Government home ownership support programmes have been popular and have contributed to an overall home ownership rate of 71% within the permanent population (2016). Government support includes both an opportunity to purchase FIG-owned and serviced land in Stanley at 25% of actual cost for new home owners[5], and the Joint General Mortgage Scheme (JGMS), where FIG provides a guarantee to Standard Chartered for first time buyers, up to 95% of home value, or a maximum of £114,000. Although the data suggest that mortgage payments are affordable to most households, it should be noted that interest rates are significantly higher than those seen in other jurisdictions and there are only two mortgage products available.

  Home ownership is primarily available to PRP or FI Status holders only; limited opportunities exist for others to obtain a license to hold land. There are also restrictions on the eligibility of non-permanent residents to access the JGMS.

- **Home ownership affordability in Camp.** Based on a report by the Falkland Islands Development Corporation produced for the Rural Development Group in November 2018 (*Camp House Building)*, new home construction can cost as much as 30-45% more in Camp than a comparable house in Stanley. Camp households are eligible for both the Joint General Mortgage Scheme and the Variable Rate Mortgage Scheme, with similar rules as borrowers based in Stanley. However, the higher cost to build has the effect of increasing the minimum down-payment required for qualifying buyers and decreasing the proportion secured by the JGMS. In addition, all borrowers must demonstrate that their incomes will keep them within the maximum debt servicing ratio of 50% and must meet the purchase price criteria described above. Anecdotal evidence suggests that some prospective Camp buyers have difficulty assembling the required down payment and/or demonstrating sufficient income to qualify for a mortgage.

Policy priorities and options

In response to the issues identified in this report, we have highlighted seven policy considerations and a range of policy options to address each issue, as summarised in the following table. A more detailed discussion of the benefits and drawbacks of each option is provided in Chapter 7. All of the options presented will require additional policy development work, and in some cases legislative change, in order to bring them about should they be adopted as FIG policy. Timelines for implementation would vary for each of the options dependent on these factors.

4 SCB lending criteria require both that monthly payments not exceed 50% of net monthly income and that the loan amount does not exceed 4 times annual gross income of the main income earner plus one time the annual gross income of the second borrower.

5 In practice, demand for serviced residential plots is higher than supply and there is considerable competition when new land is released for sale, with bids often far higher than the baseline FIG cost.

Summary of Policy Priorities, Options and initial Recommendations

Policy Priority	Policy Options	Recommended Options
1. Insufficient supply of rental housing in Stanley	A. Reduce demand for rental accommodation	
	1.1 Provide further incentives for first time home ownership to move eligible households out of rental accommodation. 1.1(a) Create and release more serviced plots for subsidized purchase, with option to create smaller lot sizes 1.1(b) Set aside a higher percentage of each residential land release for qualified lower income first time buyers 1.1(c) Provide equivalent incentives for first-time buyers purchasing in the resale market including in Camp	1.1(a) and (b) are **recommended**, including developing some areas at smaller plot sizes to set aside as additional capped price for lower income first time buyers 1.1(c) is **recommended** to provide additional paths to ownership for prospective first time buyers, free up rental accommodation and improve perceived fairness
	1.2 Relax restrictions on home ownership for work permit holders: 1.2(a) Allow managed access to house purchase with restrictions 1.2(b) Provide managed access to house purchase for new arrivals, including purchase of serviced land for housing construction	1.2(a) is **recommended** as an action to encourage permanent settlement and free up rental accommodation in the medium term
	B. Increase supply of rental housing	
	1.3 Provide incentives to existing property owners to improve vacant, partially complete or derelict properties and bring them into the rental market 1.3(a) Provide financial or tax incentives to bring vacant houses into the rental market 1.3(b) Impose penalties on property owners who maintain vacant or partially completed properties	1.3(a) is **recommended** as a first step. Bringing vacant houses into the rental or resale market can help to address short term rental pressures 1.3(b) is **recommended** as a second step to address property owners who do not respond to incentives
	1.4 Increase pace and investment in FIG rental housing construction	Although this solution is desirable, there are limitations in construction sector capacity that will limit ability to deliver
	1.5 Change the mix of rental housing to include more multi-unit buildings	**Recommended** as a medium-term solution particularly for single person/couple accommodation
2. Affordability of rental housing in Stanley	2.1 Provide incentives for private affordable housing 2.1(c) Provide loan guarantees to help local firms raise financing for affordable housing development. 2.1(c) Provide tax incentives, through accelerated depreciation, for new construction or renovation of existing buildings 2.1(c) Sale of serviced land at reduced cost for affordable housing development only	2.1(b) is provisionally **recommended** pending consultation with the private sector to ensure that proposed tax incentives would be meaningful and result in action 2.1(a) has demonstrated success in other jurisdictions and is recommended for further study and consultation
	2.2 Implement rent controls	Not recommended at the present time, but should be part of voluntary landlord/tenant protections (6.1, below)
	2.3 Use the welfare benefit system to help eligible low income households to meet the cost of rent and other necessities	This action is being implemented as part of welfare reforms
	2.4 Increase the FIG local housing pool and set aside a portion specifically for lower income households	**Recommended**

Policy Priority	Policy Options	Recommended Options
3. Affordability of home ownership in Camp	3.1 Increase the JGMS cap for first time home buyers in Camp	**Recommended**
4. Affordability of home ownership for lower income residents	4.1 New home buyer saving scheme	**Recommended**
	4.2 Sale of older FIG properties to low income buyers or existing tenants at cost recovery	**Provisional recommendation**, provided concurrent capital budget commitment to replace sold-off units with new rental stock
	4.3 FIG low income rent-to-buy scheme	Further study is required, as this could be beneficial but would be administratively complex. A pilot project is **recommended**
5. Housing quality and suitability	5.1 Implement a moratorium on caravan/mobile home parks and improve standards in existing homes 5.2 Allow some additional caravan homes, but implement standards for basic construction, energy efficiency and safety	5.2 **Recommended**
6. Security of tenure	6.1 Implement landlord & tenant protection regulations	**Recommended** as a voluntary code of practice to be adopted by landlords – as a first step
7. Completeness of information on Falkland Islands housing stock	7.1 Develop a comprehensive property register for all houses in the Falkland Islands 7.2 Implement a mandatory, annual rental housing survey	**Recommended**

1. Assumptions and methodology

Key findings

- The combination of an expected continued increase in labour requirements driven by economic growth, and the demographic aging of the current permanent population, will result in increasing demand for foreign workers. In the absence of programmes and measures to encourage work permit holders to take up permanent residence and ultimately Falkland Island status, the result will be an increase in the percentage of temporary residents in the total population. This has implications for type, size and ownership of housing and informs the policy decisions required.
- Our 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 between 2020 and 2024, 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. Based on this information, we observe:

  Houses – and, in particular, detached houses – are the most common type of housing units in the Falkland Islands (88% of the total), while apartments in flats and mobile homes represent 12% of the total.

  75% of all housing units in the Falkland Islands were older than 10 years in 2016, including 37% older than 30 years; 15% of the total were less than 6 years of age.

  Nine percent of total occupied housing units were single bedroom, with 31% 2 bedroom units and 58% having 3 bedrooms or more.

  Only 28% of single-person households in the temporary population live in a 1-bedroom housing unit, with 51% living in a 2-bedroom and 19% in a 3-bedroom home; we interpret this apparent over-housing as partly caused by the scarce availability of 1-bedroom housing units overall.

  In 2016, 57% of all Falkland Islands households owned their home, with the remainder renting their accommodation or occupying it free of rent. However, there is a significant split between the temporary and permanent population: 71% of permanent residents own their home; home ownership is 8% for the temporary population.

Household and housing projections included in this 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.

1.1. Population projections

The population growth model covers a time horizon of 20 years, including:

- 2016: the base year;
- 2017-2035: the projected years.

In the model, forecasts of total population growth result from the layering up of a number of population categories:

1. core population growth;
2. population growth driven by oil & gas development;
3. population growth driven by the planned Islands infrastructure requirements; and
4. population growth driven by further economic development enabled by oil & gas development and infrastructure construction.

Population forecasts have been developed with reference to a number of population categories and time horizons. The following population categories are considered:

- Permanent population: Falkland Islands status holders and Permanent Residence Permit (PRP) holders;
- Temporary population: Work Permit holders (and their dependents) and people belonging to other immigration categories.

For the purposes of this forecast, the following time horizons are considered:

- Last Census: end of 2016;
- Current time: end of 2019;
- Immediate growth: end of 2022;
- Short term growth: end of 2025;
- Long term growth: end of 2035.

The model forecasts total population to grow from 2,843 in 2016 to 4,024 in 2035, at an average rate of growth of 1.9% per year (i.e. 63 people per year), as shown in the next table and figure.

Figure 1: Population growth projections

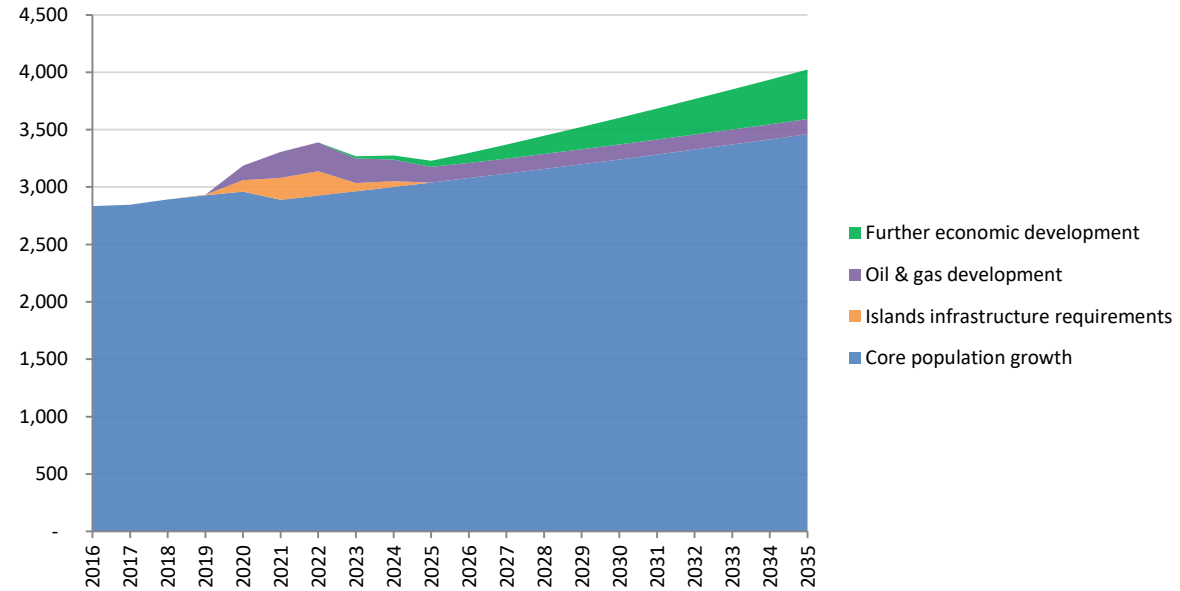


Table 1: Projections of workforce and population growth

	Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
Core population growth	2,834	2,928	2,926	3,039	3,462
Oil & gas development	-	-	251	137	131
Islands infrastructure requirements	-	5	212	-	-
Further economic development	-	-	-	53	431
Total population	**2,834**	**2,933**	**3,389**	**3,229**	**4,024**

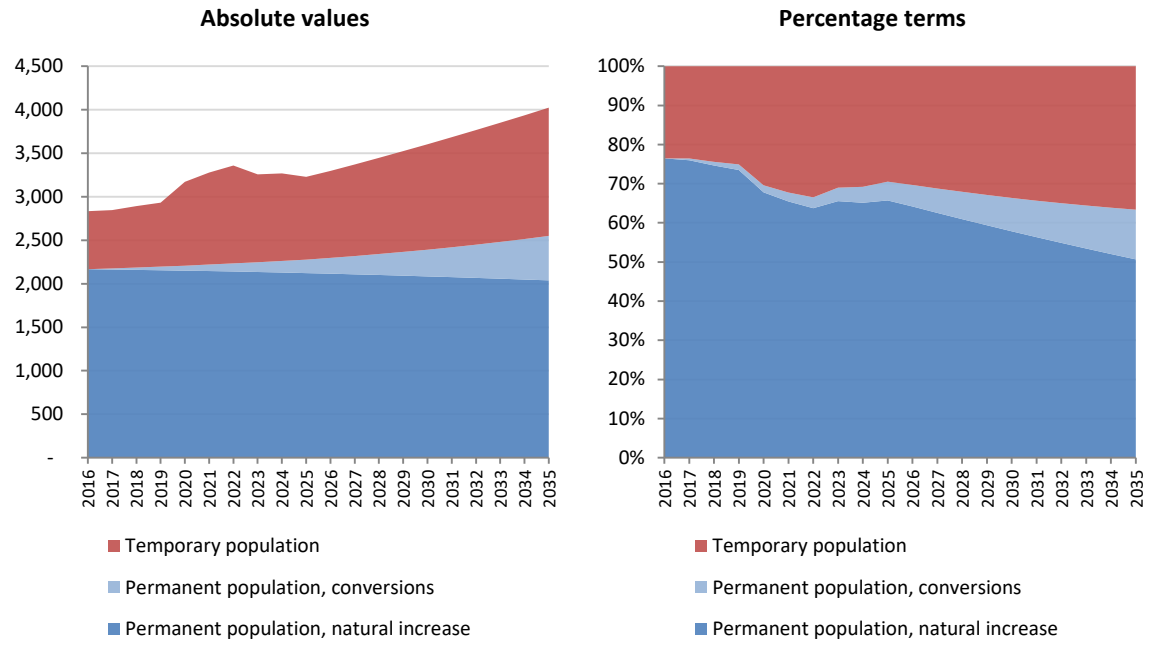
Figure 2 show our population projections with a breakdown by permanent population and temporary population, as well as the proportion of temporary population over total population. These projections are those under 'Condition 1' in the report 'Socio-economic impacts of oil & gas development in the Falkland Islands. Employment and population growth. A wider perspective' (October 2019), defined as following:

- **Condition 1**: conversion rates from temporary population to permanent population are assumed to remain at current levels – where 'conversion rates' were defined as a measure of the percentage of individuals moving from the temporary population pool to the permanent population pool.[6]

Currently, about 23% of the Falkland Islands population can be classified as temporary. Without a concerted effort to encourage individuals to stay and take up permanent residence and ultimately Falkland Island status, this percentage is set to increase to about 35% over the long run.

All households and housing projections in this paper are based on population projections under 'Condition 1'.

Figure 2: Population projections, permanent vs. temporary population

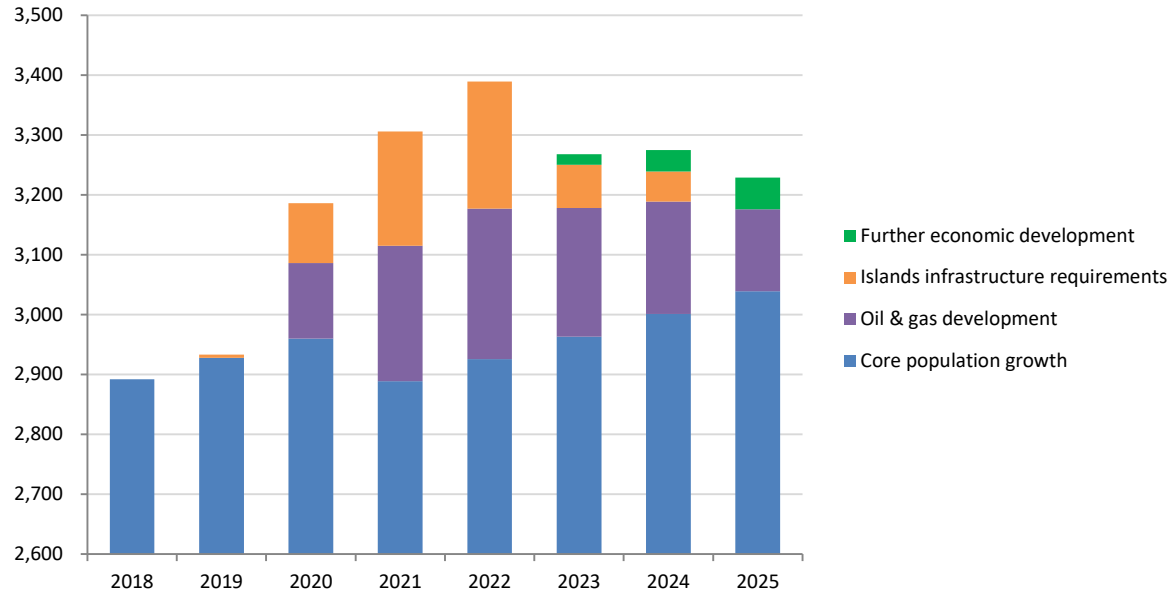


6 'Condition 1' was opposed to 'Condition 2' which assumed conversion rates to increase to such an extent that the share of temporary population over total population was the same in 2035 as in 2016.

1.1.1. Short-term surge in transient population

Should the Sea Lion project be sanctioned in early 2020, we expect oil construction activity to contribute to a temporary population surge, likely beginning in late 2020 and continuing to the end of 2024. This period of increased activity is expected to coincide with planned FIG construction of the new port, power station, air terminal, housing, vulnerable persons facility and other essential infrastructure. During this period, there will be a significant influx of temporary trades, services and support personnel.

Figure 3: Population growth projections, short term (2018-2025)



At the peak, expected approximately in years 2-4 of the Sea Lion campaign, there could be as many as 400 temporary workers involved in the construction of infrastructure (Figure 3). Most of this workforce will consist of transient (fly-in, fly-out) unaccompanied workers, for whom temporary housing facilities will be made available. However, a number of workers may remain in the Falkland Islands for the duration of the construction work and might then choose to bring their families; this accompanied workforce would have similar housing requirements as other residents in the contractor (temporary) population.

Premier Oil also envisages that a number of contractors will be required to cover managerial and other medium- to long-term positions. These contractors and their housing requirements have also been reflected in the population and housing demand projections.

For the purposes of this paper, we have estimated a split between:

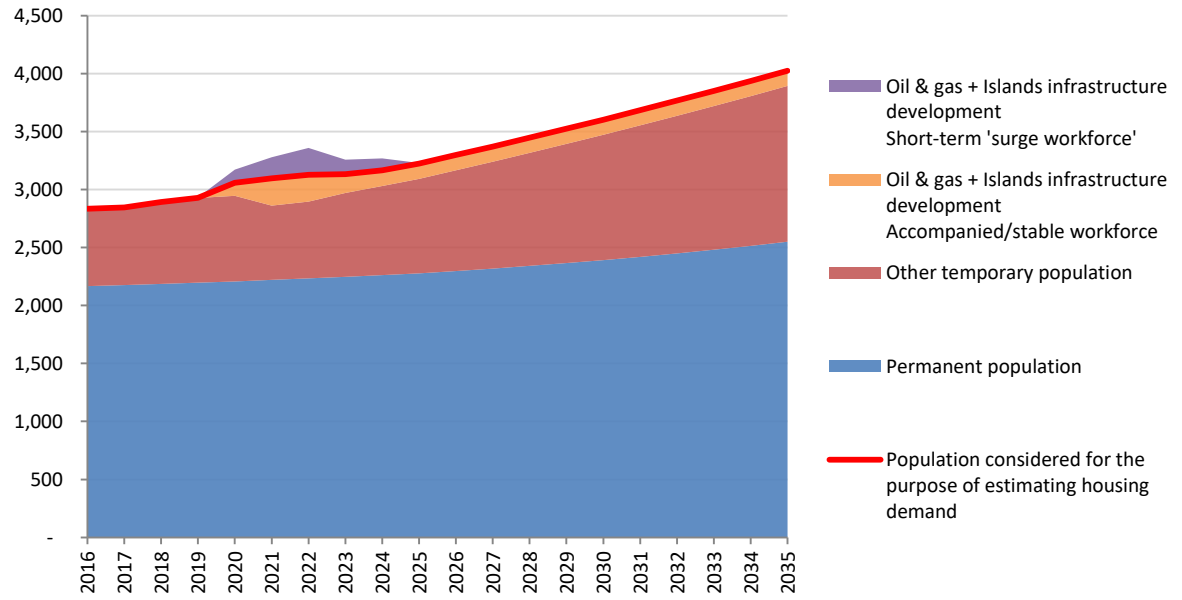
a. the short-term 'surge workforce' (defined as transient, unaccompanied workers accommodated in special-purpose temporary accommodation);
b. the stable and accompanied workforce related to oil & gas as well as delivery of FIG-funded capital projects (including FIG officers required to regulate and support oil development); and
c. other temporary residents, defined as temporary population net of population included in points a. and b. above.

Table 2: Temporary population, 2019-2026

		2019	2020	2021	2022	2023	2024	2025	2026
Oil & gas + Islands infrastructure development	Short-term 'surge workforce'	3	115	182	233	124	104	6	-
	Accompanied / stable workforce	2	111	235	230	163	134	131	131
Other temporary population		730	739	640	662	723	768	815	869

Households and housing demand projections are based on the sum of 'Permanent population', and 'Oil & gas + Islands infrastructure development – Accompanied / stable workforce' and 'Other temporary population' in Figure 4.

Figure 4: Population growth projections, permanent vs. permanent population



1.2. Available evidence and data on housing

Evidence on the size and characteristics of the Falkland Islands housing stock was mostly derived from the 2016 Falkland Islands Census (2016 Census); additional, limited information was obtained from other unpublished sources, including databases held by FIG PWD Housing and by FIG Planning.

1.2.1. Housing units occupied on census night

The 2016 Census collected data on the type and location of housing units occupied on Census night. However, this data included occupied housing units only, and do not provide any information on unoccupied housing units. Therefore, this data cannot be taken as a reference for total housing stock in the Falkland Islands.

Table 3 includes information on the breakdown of occupied housing units by type. Houses – and, in particular, detached homes – are the most common type of housing in the Falkland Islands (88.4% of the total). Housing units in flats represent 6.5% of the total, while mobile or temporary structures account for 5.0%.

Table 3: Housing units (occupied on census night) by type of housing unit and location, 2016

	Total	Total, %	Stanley	Stanley, %	Camp	Camp, %
Total	**1,189**	**100%**	**1,026**	**100%**	**163**	**100%**
House	1,051	88.4%	900	87.7%	151	92.6%
Detached house	862	72.5%	718	70.0%	144	88.3%
Semi-detached or terraced house[7]	188	15.8%	181	17.6%	7	4.3%
Unspecified	1	0.1%	1	0.1%	0	0.0%
Flat	77	6.5%	73	7.1%	4	2.5%
Mobile or temporary structure	60	5.0%	52	5.1%	8	4.9%
Unknown	1	0.1%	1	0.1%	0	0.0%

7 A 'semi-detached house' is defined as a dwelling that shares one common wall with the next house. A 'terraced house' shares a wall on both sides (i.e. one of a row of similar houses joined together).

Table 4 includes information on the age of housing units, with a breakdown by type.74.5% of all housing units in the Falkland Islands in 2016 were older than 10 years (including 37.3% older than 30 years); while ca. 15% of homes were less than 6 years old.

Table 4: Housing units (occupied on census night) by type of housing unit and age, 2016

	Total	House	Flat	Mobile	Unknown
Total	**1,189**	**1,051**	**77**	**60**	**1**
0-5 years	14.9%	14.6%	6.5%	31.7%	0.0%
6-10 years	8.8%	8.2%	14.3%	13.3%	0.0%
11-30 years	37.2%	35.3%	54.5%	48.3%	0.0%
>30 years	37.3%	40.2%	20.8%	6.7%	0.0%
Unknown	1.9%	1.7%	3.9%	0.0%	100.0%

With respect to FIG houses only, the breakdown by age[8] is as follows:

0-5 years	16.8%
6-10 years	13.5%
11-30 years	42.4%
>30 years	27.3%

Table 5 provides a breakdown of the housing stock in 2016 by number of bedrooms. Most houses have three or four bedrooms (respectively, 40.7% and 29.8% of all houses), while 1-bedroom houses accounted for 4.1% of the total; most housing units in flats have one (50.6%) or two bedrooms (37.7%); mobile homes generally have two (51.7%) or one bedroom (38.3%).

Table 5: Housing units (occupied on census night) by type and number of bedrooms, 2016

	Total	House	Flat	Mobile	Unknown
Total	**1,189**	**1,051**	**77**	**60**	**1**
1	9.1%	4.4%	50.6%	38.3%	0.0%
2	31.4%	29.8%	37.7%	51.7%	0.0%
3	36.8%	40.7%	6.5%	8.3%	0.0%
4	15.0%	16.9%	0.0%	0.0%	0.0%
5 or more	6.0%	6.5%	2.6%	1.7%	0.0%
Unknown	1.8%	1.7%	2.6%	0.0%	100.0%

The following table provides information on the breakdown of the housing stock by tenure. In 2016, 57.2% of Falkland Islands households owned their homes (32.7% owned outright, while 24.5% owned with a mortgage). 31.8% of all households rented their accommodation, while 9.2% occupied it free of rent.

Table 6: Housing units (occupied on census night) by type and tenure, 2016

	Total	House	Flat	Mobile	Unknown
Total	**1,189**	**1,051**	**77**	**60**	**1**
Owned[9]	57.2%	62.7%	1.3%	33.3%	0.0%
Rented or occupied free of rent	41.0%	35.6%	94.8%	66.7%	0.0%
Unknown	1.9%	1.7%	3.9%	0.0%	100.0%

8 Data updated in October 2019.
9 Either owned outright or owned with a mortgage.

2. Affordability

Key findings

- On Census night (2016) the average monthly home mortgage payment amounted to £475. Further analysis of data relating to all Joint General Mortgage Scheme (JGMS) home mortgages subscribed between 2015 and July 2019, revealed an average monthly payment of £650. This is likely due to higher costs for homes built or purchased as re-sales in the latter period.
- On Census night (2016) the average reported monthly rent was £534; this figure included both FIG houses and private market rents, with FIG houses representing approximately 80% of the total sample. Our estimates show that in 2016, FIG rents averaged ca. £430, while the average private market rent was ca. £725. In 2019, FIG rents currently average £450 per month (white goods hire fee included, service charge excluded). At the same time, based on limited information available on current private market rental rates, we estimate that the current average for a 2-bedroom home (all types) is between £750 - £1000, with larger houses renting between £1,000 - £1,800 depending on size and quality.
- Using standard measures of affordability, private sector rental rates are not affordable for many households in the Falkland Islands. Even if higher take-home pay is taken into account, higher rental costs mean that it is more difficult to save for a down payment on a first home.

The 2016 Census includes a number of tables that are useful to assess housing affordability. This data has been integrated with information from a number of additional sources, including FIG Treasury data on the Joint General Mortgage Scheme, as well as FIG PWD Housing data on FIG housing rents.

Rent affordability is typically defined as shelter costs of 1/3 of total household pre-tax income[10]. This ratio assumes an average overall tax burden of around 35-40%, including income, payroll, council and consumption taxes. It is worth noting that the total individual tax burden in the Falkland Islands is between 11%-23% (dependent on income), as the government imposes only income tax and pension contributions, with a generous exemption and only 2 tax brackets. Excise tax is only levied on alcohol and tobacco. The low tax burden, coupled with free-to-user health care and education, means that Falkland Islanders retain more after-tax income than their counterparts in most OECD countries.

With respect to mortgages, the FIG-backed Standard Chartered Bank Joint General Mortgage Scheme allows qualified households to obtain mortgages up to a Debt Service Ratio of 50% of net (after tax) income.

Table 7 illustrates affordability at various income levels, for single and dual income households. Notwithstanding relatively high median and average incomes, there will always be a small segment of the population requiring what can be defined as 'social housing'[11] – including vulnerable adults, pensioners with no additional sources of income, single parents earning the minimum wage and individuals unable to work full time.

10 See, for example: Chartered Institute of Housing (2013). Perspectives on Rents and Affordability in Scotland. Other definitions of affordable rent suggest a level that is 80% of market rent – however, this does not work in a tight housing market where market rents may far outstrip incomes.

11 Social housing is housing provided for people on low incomes or with particular needs by government agencies or non-profit organizations – rents are typically geared to income and set much lower than "affordable rents", and houses are allocated on the basis of need.

Table 7: Affordability levels – single/dual wage earners

	Annual income			Monthly income		Accommodation affordability (rent/mortgage)	
	Gross	Total tax + RPC	Net (after tax)	Gross	Net	1/3 of gross income	50% of net income
A. Single wage households							
Pensioner	£7,500	0	£7,500	£ 625	£ 625	£208	£312
Minimum wage (40 hour week @ £7.03)	£14,622	0	£14,622	£1,219	£1,219	£406	£609
Median income (2016 Census)	£22,500	£2,498	£20,002	£1,875	£1,667	£624	£833
Average income (2016 Census)	£26,352	£3,455	£23,077	£2,196	£1,923	£731	£962
Indicative salary	£35,000	£5,523	£29,477	£2,917	£2,456	£971	£1,228
B. Dual wage households (65/35 split)							
2x minimum wage	£29,245	0	£29,245	£2,437	£2,437	£811	£1,219
2x median income	£45,000	£4,996	£40,004	£3,750	£3,334	£1,248	£1,667
2x average income	£52,704	£6,997	£45,727	£4,392	£3,811	£1,462	£1,905
2x indicative salary	£70,000	£11,141	£58,954	£5,833	£4,902	£1,942	£2,451

2.1. Mortgages

There are currently two home mortgages schemes available from the Standard Chartered Bank in Stanley, described in Table 8. Joint General Mortgage Scheme (JGMS) mortgages currently represent about 90% of outstanding mortgages.

Table 8: Available home mortgage schemes

	Joint General Mortgage Scheme	Standard Variable Rate Mortgage
Availability	Scheme for first residence buyers only	Available for primary residence as well as second homes or investment properties
Guarantees	Backed by the Falkland Islands Government	Not backed by the Falkland Islands Government
Interest	Fixed interest rate of 7% for up to 25 years	Variable interest rate
Max financing rate	Up to 95% financing	Up to 75% financing
Borrowing limit	Max loans of £114,000	No maximum borrowing limit

Figure 5 provides a comparison of the monthly repayment costs for home mortgages in 2016 and 2019[12]. While the 7% fixed interest rate is high by international standards, there are no mortgage products in the UK that offer 25 year locked-in rates with a 5% down-payment, and only a few that offer 15-year rates with a 10% down-payment and high penalties for early repayment[13].

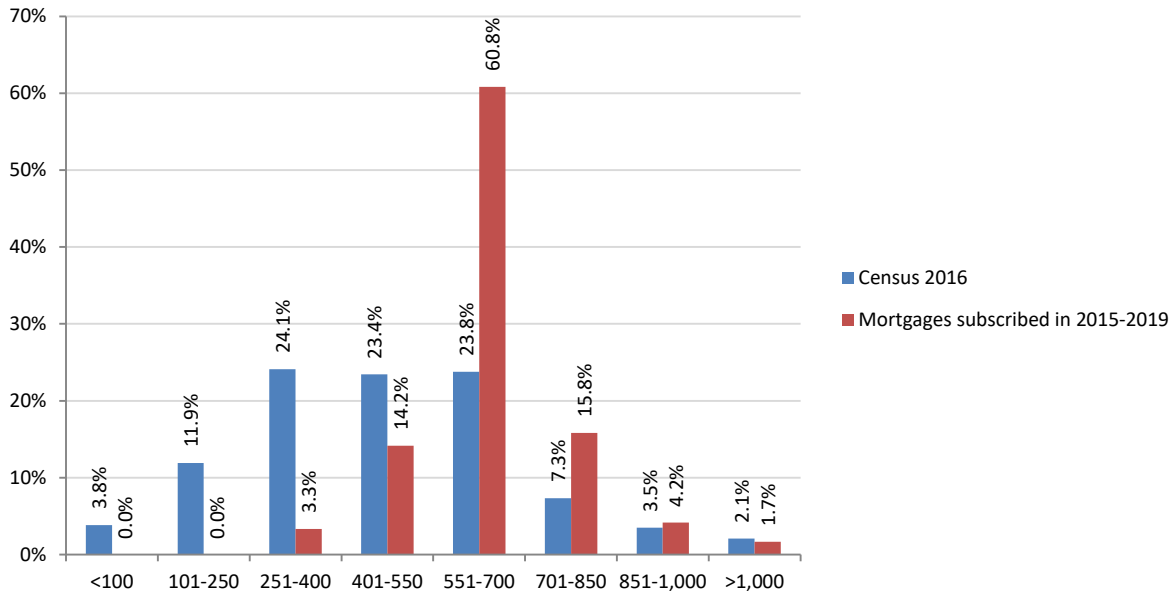
In 2016 both the average and median monthly repayment for a home mortgage amounted to £475. With respect to JGMS home mortgages subscribed between 2015 and July 2019, we found the average monthly repayment to be £651 and the median figure to be £671; the majority of this sample (61%) had monthly payments between £551 - £700. This is likely due to the higher cost of homes built or purchased in recent years.

A 25-year mortgage of $114,000, the maximum available under the JGMS, would have a mortgage payment of £805 per month.

12 '2016' figures refers to a sample of 291 outstanding home mortgages on Census night, as recorded by the 2016 Census; '2019' refers to a sample of 120 Joint General Mortgage Scheme mortgages subscribed between 2015 and July 2019 (source: FIG Treasury).

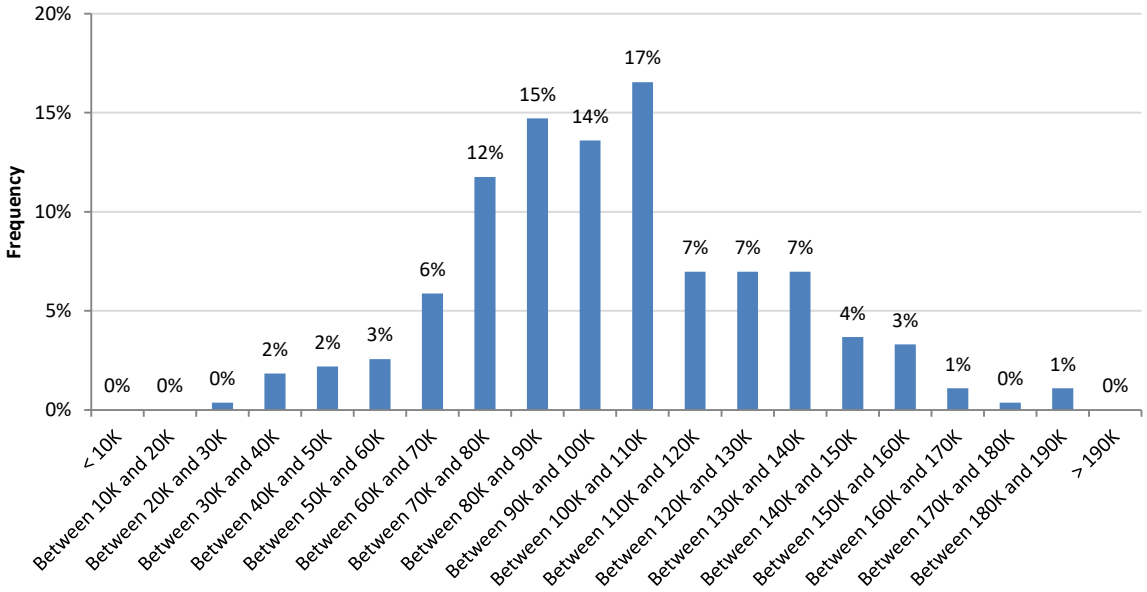
13 For example, at 28-01-2020, Virgin Money offered a 15-year fixed rate mortgage for 90% loan-to-value at an interest rate of 2.75%. Early repayment penalties of 8% in the first five years, reducing over time.

Figure 5: Monthly mortgage cost (percentage of total), Census 2016 vs mortgages subscribed in 2015-2019



When looking to JGMS home mortgages subscribed between 2015 and July 2019, we found housing units valued between ca. £20,000 and ca. £190,000, with an average valuation of ca. £100,000 and a median of ca. £94,000 (further information on the frequency distribution of mortgage valuations is shown in Figure 6).

Figure 6: Joint General Mortgage Scheme mortgage valuations (mortgages subscribed between 2015 and July 2019)



2.2. Rents

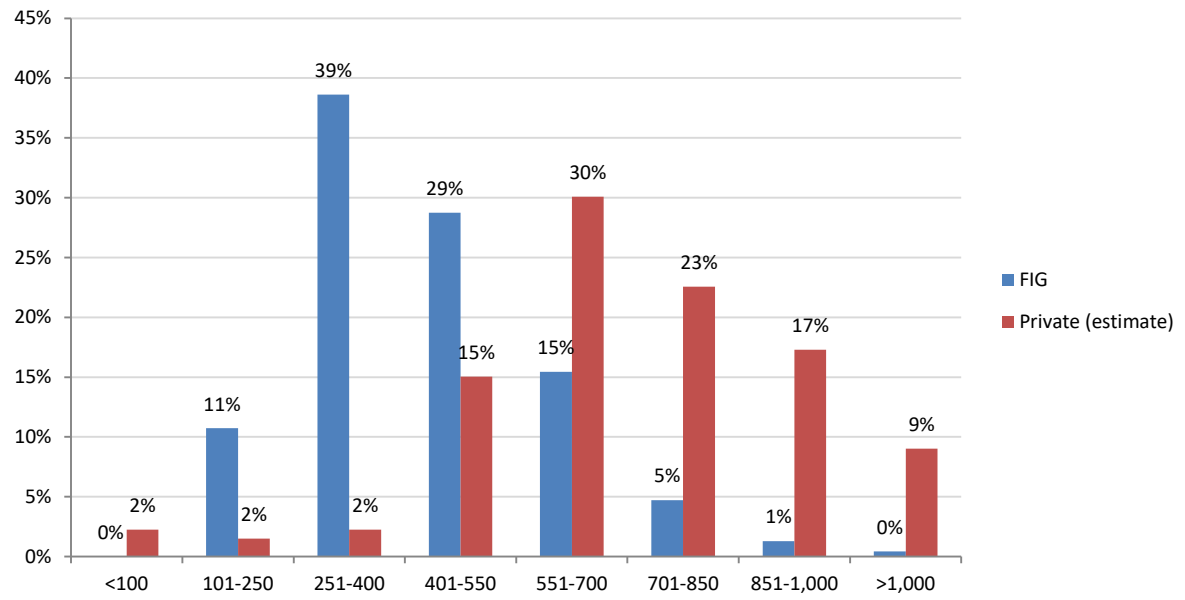
The 2016 Census includes self-reported data on housing rent payments. In 2016, the average reported monthly rent for all types of units was £534, while the median was £475. Houses were the most expensive, with average rents of £577 and a median of £625, while mobile homes were the least expensive, at an average rent of £349 and median of £325.

In 2016, FIG was the primary landlord, with ca. 310 housing units rented (or ca. 80% of the total). Based on FIG Treasury data on FIG rental rates in 2016, we have estimated a breakdown of rental rates in the private sector on Census night. Our estimates are shown in Figure 7, and highlight that

rents in the private sector tended to be distributed toward the high end of the spectrum (with 79% of them being higher than £550), while FIG rents were mostly distributed in the lower end (with 79% of them being lower than £550).

While the average monthly FIG rent in 2016 was £432, we estimate that the average monthly rent in the private market was between £700 and £750.

Figure 7: Monthly rent for housing units in the FIG pool and in the private market, 2016



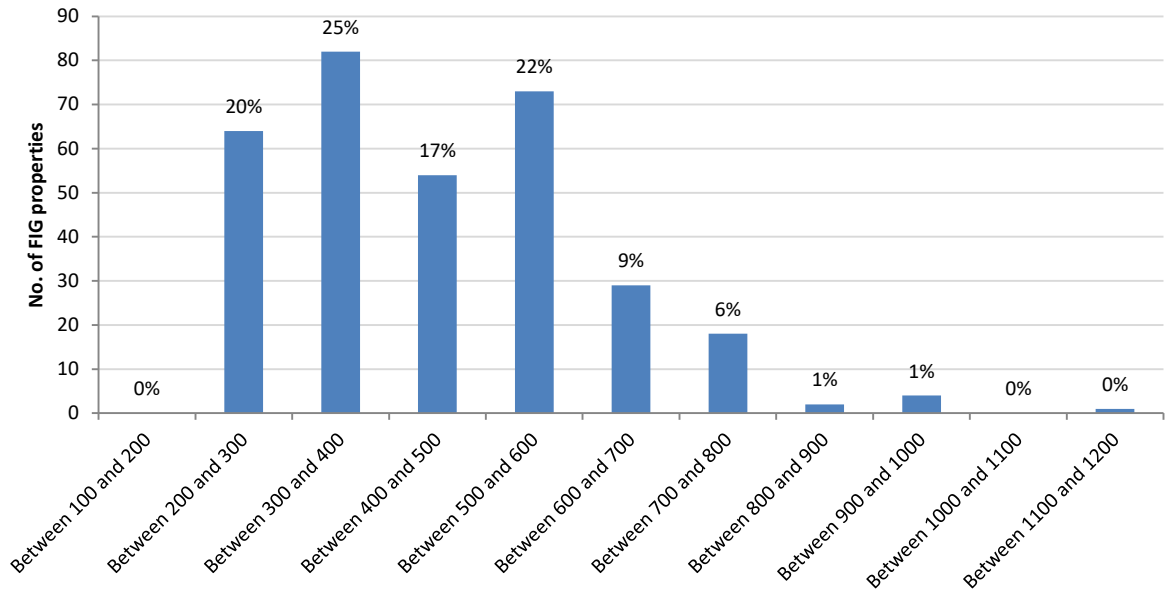
More recent data was used to estimate 2019 rental rates. In July 2019, the FIG housing pool included ca. 325 houses. The following chart provides a split of the number of FIG houses by rent bracket. The average rent is £450 per month, while the median figure is £414 per month (white goods hire fee included[14], service charge excluded). Slightly more than half of all FIG housing is designated for the 'local' population, including sheltered housing, with the remainder designated for FIG contract employees.

There is only limited information available about current private market rental rates; however, our analysis suggests there has been a significant increase private sector rental rates in 2019. Based on the cost to FIG to rent in the private market, we estimate the current average for a 2-bedroom house or flat is £750 to £1000, with larger houses renting from £1,200 to £1,800 (averaging £1,500). This estimate is corroborated by rental rate data received from one private sector landlord.

Following standard measures of affordability described above, 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.

14 White goods are hired in about 35% of FIG houses.

Figure 8: Monthly rent for a FIG house, July 2019



2.3. Fuel costs

Calculations of accommodation affordability typically include average monthly energy costs. Monthly median household running costs for fuel were reported in the last Census as detailed in the following table.

Table 9: Monthly median household running costs for fuel, 2016

Median monthly household cost (2016 Census)	Stanley	East Falklands	West Falklands	Outer Islands
Heating fuel	£110	£90	£110	£90
Electricity	£50	£30	£50	£90
Cooking fuel	£17.50	£17.50	£17.50	£41.25

3. Housing demand projections

Disclaimer

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. These trends are part of the evidence base on which we have based the policy considerations and options presented in Chapter 7.

Key findings

- With two notable exceptions, estimates have been based on assumptions reflecting the prevalence recorded in the 2016 Census for each household type.

  The first exception is that we assume that a proportion of people currently living in non-nuclear households (a category including extended families, family nuclei living with other unrelated persons, house shares and staff housing) may be 'forced' to be in that household configuration due to the lack of availability or affordability of appropriate alternative housing, and would normally prefer to live in a different configuration, if suitable housing was both available and affordable.

  The second exception is that we assume that one-person households in the temporary population would normally generate higher demand for 1-bedroom housing units. We believe the observed incidence of single work permit holders living alone (i.e. one-person household) in multi-bedroom houses is largely due to a shortage of 1-bedroom units.
- We expect total housing demand (including demand for second homes) to grow from 1,455 in 2019 to 1,945 in 2035.
- Based on analysis of additional housing demand by type of housing, we estimate that, in the long term, there will be an increasing requirement for semi-detached or terraced houses (25% of total additional demand, compared to 16% of demand in 2016) and apartments in flats (10% against 7%), and a lower demand for detached houses (59% against 71%). This is primarily due to the need to accommodate an expected increasing number of unaccompanied contractors in the population.
- We expect total demand for new rental units to increase by 328 over the forecast period. In other words, we expect that 71% of the total increase in households will require rental accommodation; this compares to the 2016 census data, which showed only 44% of households in rental units.
- With respect to housing configuration, we estimate that in the long term, there will be a higher need for 1-bedroom (19% of total additional demand, compared to 13% of demand in 2016) and 2-bedroom housing units (33% against 30%). The requirement for new 3 bedroom housing is expected to be lower (31% of total additional demand, compared to 36% of demand in 2016), as is demand for houses with 4 or more bedrooms (18% against 21%).
- We note that forecasts of household configurations are based on current immigration and residency patterns. Changes in immigration policy to encourage permanent settlement would be expected to result in changes to household configuration in favour of more family units.

To estimate future housing demand two steps are required:

1. Starting from the projections of population growth, the first step requires developing estimates of the future number of households, by population category (permanent vs. temporary population), household configuration (one-person households, couples with or without children, and non-nuclear households), and household size (defined by the number of people in each household).
2. Starting from the projections of growth in the number of households, the second step requires developing estimates of the future demand of housing units.

3.1. Household projections

The main assumptions adopted to estimate the future number of households have been based on the population projections presented in the paper '*Socio-economic impacts of oil & gas development in the Falkland Islands. Employment and population growth. A wider perspective*' (October 2019) as summarised in Chapter 1.

3.1.1. Assumptions

The 2016 Census collected data on a number of household configurations:

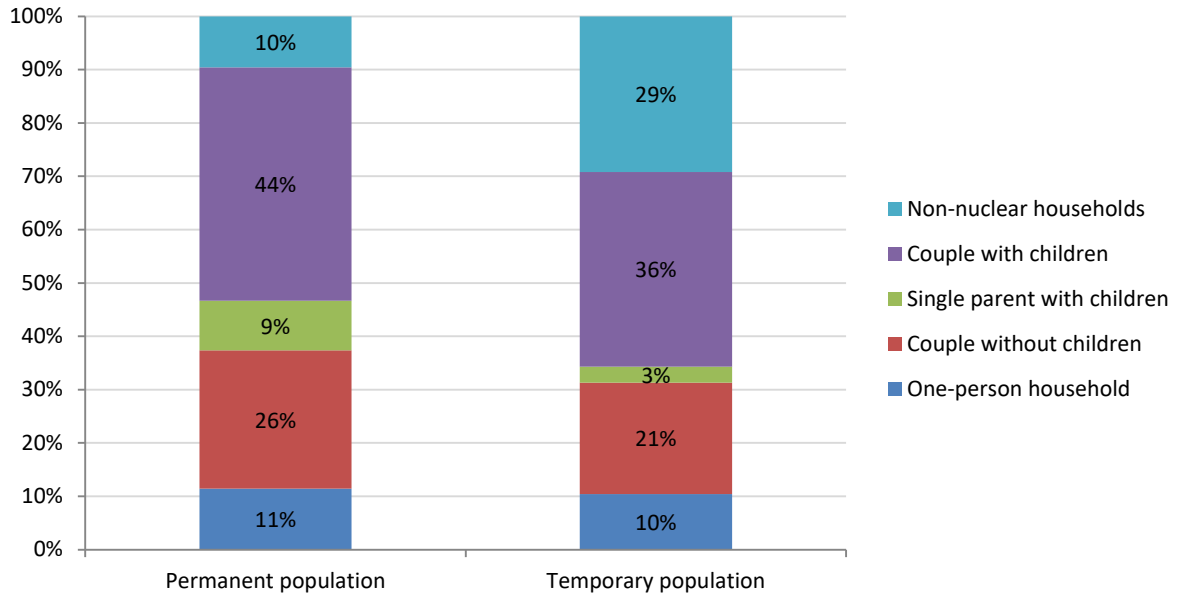
One-person household	
Nuclear household	Couple with children
	Couple without children
	Single parent with children
Non-nuclear household[15]	

To estimate housing requirements, we have aggregated the categories 'Couple with children' and 'Single parent with children' into a single category ('Nuclear household with children') as both configurations are characterized by similar housing needs.

Figure 9 provides data on the share of population living in each household configuration on Census night, by population group (i.e. permanent population vs. temporary population).

[15] Non-nuclear households include: a single family nucleus and other persons; two or more family nuclei; other non-nuclear households; and communal households.

Figure 9: Population in households by population category and household type, Census 2016



We have assumed these relative proportions will remain the same in the future for all household configurations, with the exception of 'Non-nuclear households'. This configuration refers to a number of different cases, including:

- Communal households, e.g. YMCA, Stanley House;
- B&B and lodges;
- Extended families, i.e. families that extend beyond the nuclear family, that might consist of one or both parents, children, aunts/uncles, grandparents, grandchildren, and/or cousins, all living in the same household;
- A single family nucleus plus other unrelated persons (such as a friend or a lodger), or two or more family nuclei living in the same household;
- Houseshares, including staff housing.

Based on an analysis of 2016 Census data, it appears that around 50% of non-nuclear households in the permanent population were extended families; conversely, the large majority of non-nuclear households in temporary population (around 75% of the total) could be classified either as staff housing or houseshares.

We have assumed that some people in non-nuclear households choose or prefer this arrangement (e.g. extended families including an older member of the family, friends sharing a house, etc.), or are in short-term employment where staff housing is appropriate. However, others may be in non-nuclear households primarily due to lack of availability or scarce affordability of appropriate housing (e.g. some adult children currently living in their parents' home, some temporary workers in houseshares, etc.).

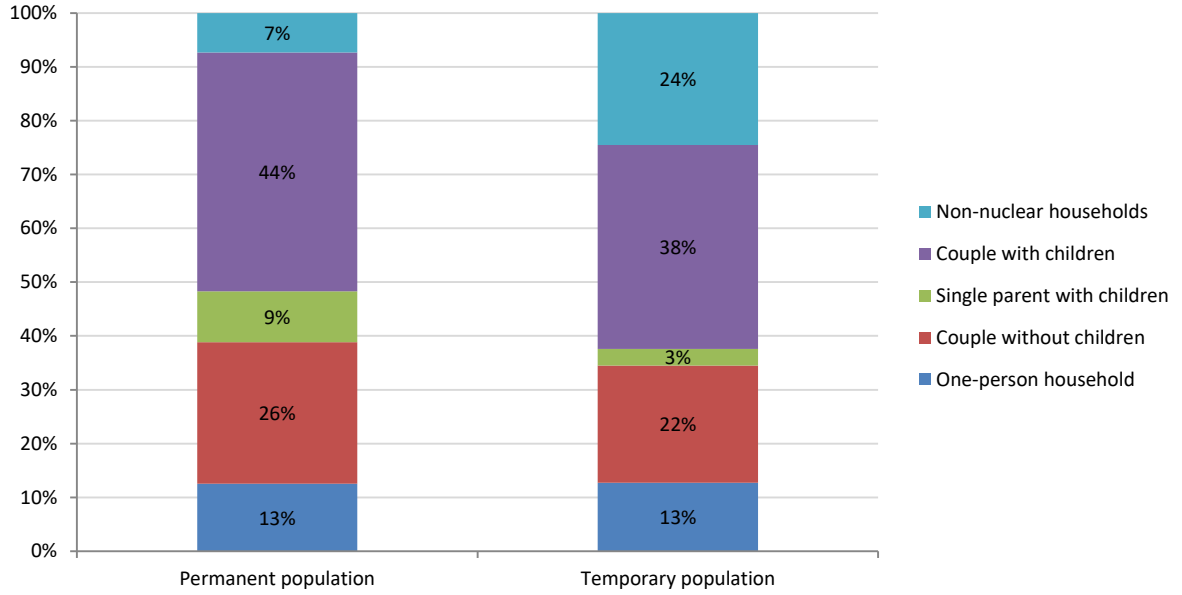
To take these considerations into account, we have made the following assumptions:

a. One fifth of extended families, one third of households including one family nucleus plus one or more unrelated persons, and one third of houseshares (excluding staff housing) are 'forced' to live in a non-nuclear household and their preference for a different household configuration is constrained by unavailability of suitable alternative housing. These shares should be allocated to a different household configuration when estimating the 'demanded' / preferred breakdown.

b. 50% of people living in households described above are allocated to the 'one-person household' configuration, while the remaining 50% are split among the other three configurations (single parent with children, couple with children, couple without children) according to the relative proportion of these configurations as recorded by the last Census.

From these steps, a new breakdown follows (shown in Figure 10 below) which has been adopted as assumptions in the model, for the purpose of estimating households. It must be noted that such assumptions (and all resulting projections) do not represent a forecast of the household breakdown that will prevail in the future – as the current constraints that 'force' a share of the population to live in non-nuclear households may continue to hold in future years. Rather, they are representation of the 'demanded' (i.e. preferred) breakdown and household configuration split over all the considered time horizons (at 2016 Census, current, and in the future).

Figure 10: Population in households by population category and household type, assumptions



The following figure provides data on the **average household size**, by population group and household configuration (source: Census 2016). We assume this breakdown will remain the same in the future.

Figure 11: Average household size by population category and household type, 2016

In the following pages our projections of the future breakdown of population by household configuration, as well as of the future number of households are presented.

3.1.2. Population in households

Based on the assumptions on the percentage weight of each household configuration over total population, described in Figure 10 above, we estimate the future split of total population among the household configurations as detailed in the following tables and figure.

The two population groups – permanent and temporary (net of the transient workforce surge) – have been considered separately.

Table 10: Population in households by household configuration and time horizon, permanent population

		Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
One-person household		272	276	280	286	320
Nuclear household	Without children	570	578	588	599	671
	With children	1,165	1,182	1,202	1,225	1,371
Non-nuclear household		159	161	164	167	187
Total		**2,166**	**2,197**	**2,234**	**2,277**	**2,549**

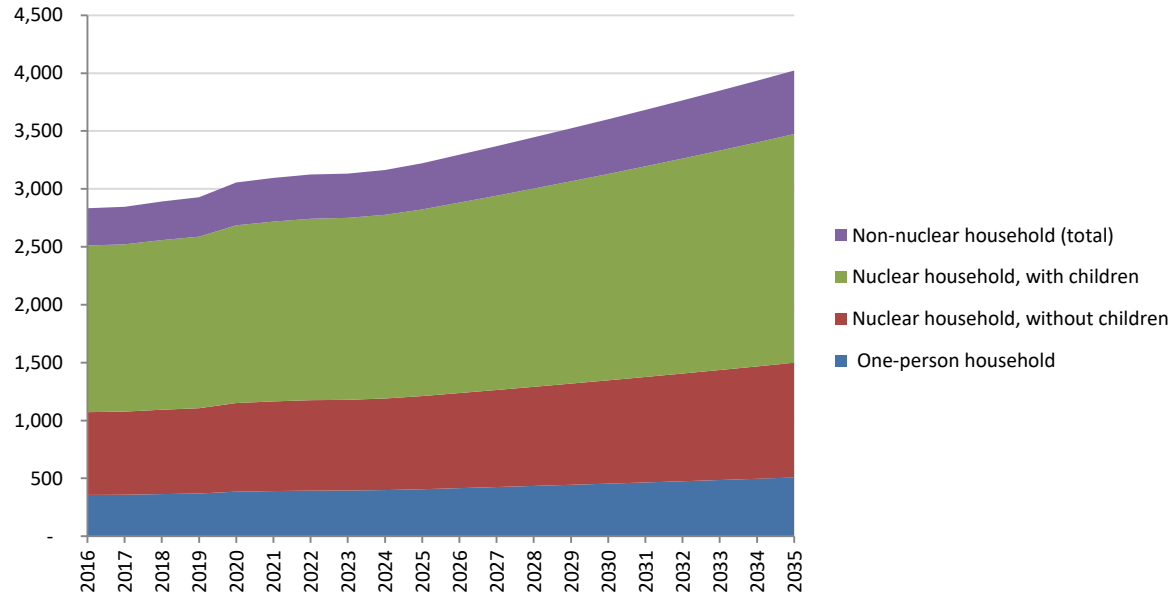
Table 11: Population in households by household configuration and time horizon, temporary population

		Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
One-person household		85	93	113	120	187
Nuclear household	Without children	145	159	194	205	320
	With children	273	300	365	388	603
Non-nuclear household		163	179	218	232	361
Total		**666**	**731**	**890**	**945**	**1,471**

Table 12: Population in households by household configuration and time horizon, total population

		Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
One-person household		357	369	393	406	507
Nuclear household	Without children	715	737	782	804	991
	With children	1,438	1,482	1,567	1,613	1,974
Non-nuclear household		322	340	382	399	548
Total		**2,832**	**2,928**	**3,124**	**3,222**	**4,020**

Figure 12: Population in households by household configuration, 2016-2035



3.1.3. Number of households by household configuration

Based on information about the average household sizes described in Figure 11, it is possible to estimate the future number of households, with a breakdown by household configuration, as detailed in the following tables and figure.

The two population groups – permanent and temporary (net of the transient workforce surge) – are considered separately in the tables.

Table 13: Number of households by household configuration and time horizon, permanent population

		Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
One-person household		272	276	280	286	320
Nuclear household	Without children	285	289	294	300	335
	With children	342	347	353	360	403
Non-nuclear household		47	47	48	49	55
Total		**946**	**959**	**975**	**994**	**1,113**

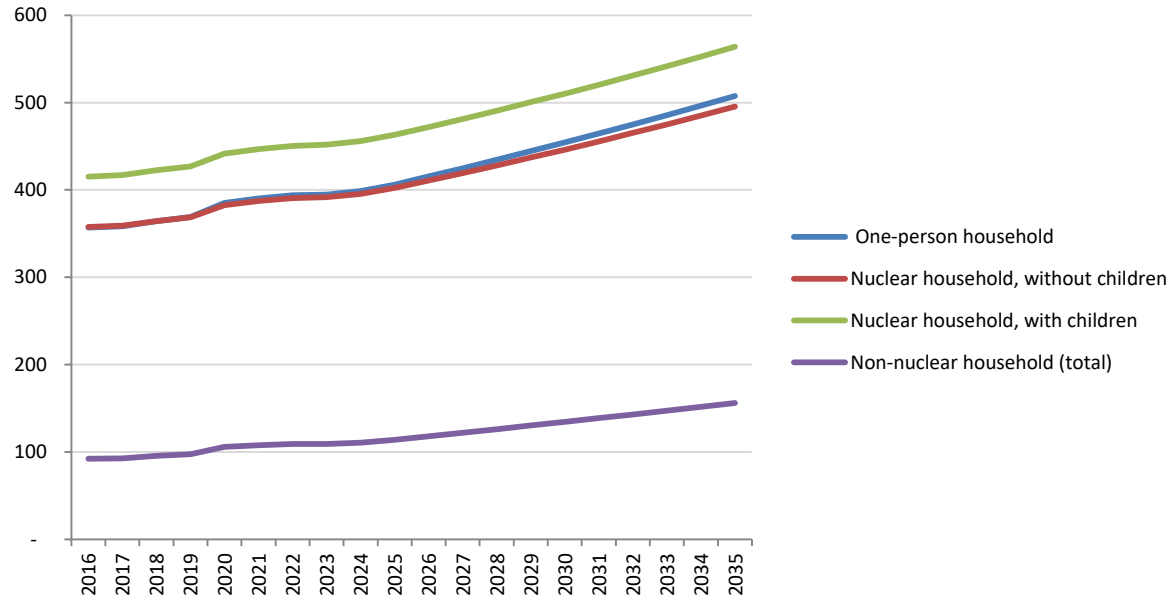
Table 14: Number of households by household configuration and time horizon, temporary population

		Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
One-person household		85	93	113	120	187
Nuclear household	Without children	72	79	97	103	160
	With children	73	80	98	103	161
Non-nuclear household		46	50	61	65	101
Total		**276**	**303**	**369**	**391**	**610**

Table 15: Number of households by household configuration and time horizon, total population

		Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
One-person household		357	369	394	406	508
Nuclear household	Without children	357	368	391	402	496
	With children	415	427	450	463	564
Non-nuclear household		92	97	109	114	156
Total		**1,222**	**1,262**	**1,344**	**1,385**	**1,723**

Figure 13: Number of households by household configuration, 2016-2035



3.1.4. Number of households by household size

Based on our population growth assumptions, as well as observations about the current average size of each household configuration, we have estimated the future number of households, with a breakdown by household size, as detailed below.

Table 16: Number of households by household size and time horizon, permanent population

	Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
1 person	272	276	280	286	320
2 people	347	351	357	364	408
3 people	163	165	168	171	191
4 people	113	115	117	119	133
5 people or more	51	52	53	54	61
Total	**946**	**959**	**975**	**994**	**1,113**

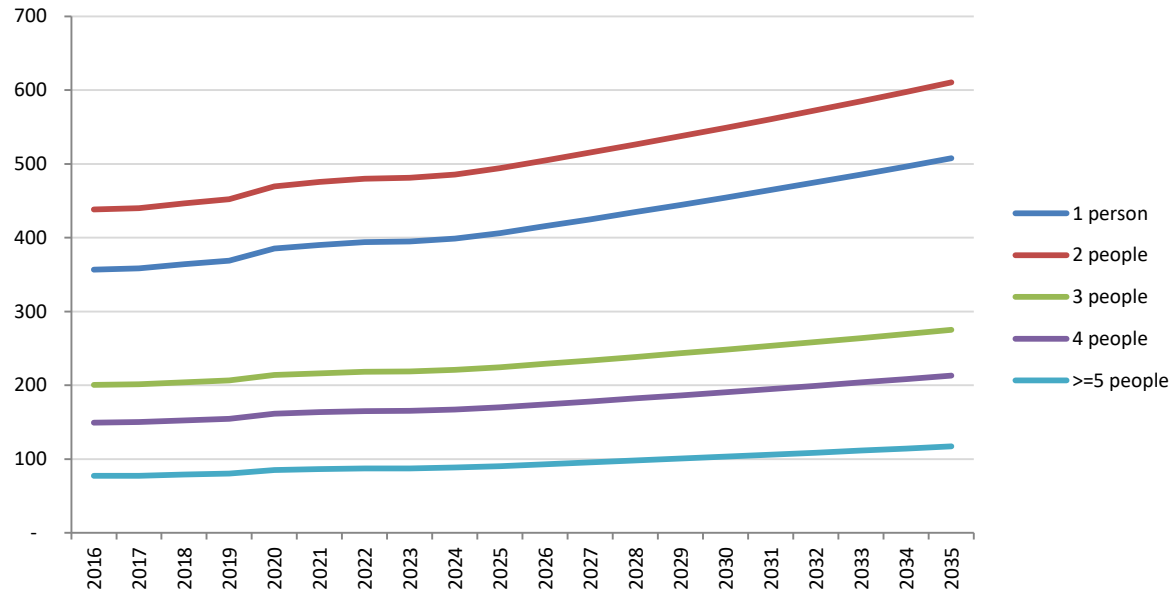
Table 17: Number of households by household size and time horizon, temporary population

	Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
1 person	85	93	113	120	187
2 people	92	100	122	130	202
3 people	38	42	51	54	84
4 people	36	39	48	51	80
5 people or more	26	28	34	36	56
Total	**276**	**303**	**369**	**391**	**610**

Table 18: Number of households by household size and time horizon, total population

	Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
1 person	357	369	394	406	508
2 people	438	452	480	494	610
3 people	200	206	218	224	275
4 people	149	154	165	170	213
5 people or more	77	80	87	90	117
Total	**1,222**	**1,262**	**1,344**	**1,385**	**1,723**

Figure 14: Number of households by household configuration, 2016-2035



3.2. Housing demand projections

The following paragraphs describe the main assumptions and methodology adopted to estimate the future demand of housing units, by type of housing unit, tenure, and number of bedrooms, as well as presents the resulting projections.

3.2.1. Assumptions

The 2016 Census reported data on a total of 4 types of housing units (in Stanley and in Camp), as detailed in Table 3. In addition, a very small number of unspecified housing types were reported. The following analysis continues to use the same housing categories:

- Detached houses;
- Semi-detached or terraced houses;
- Apartments or flats; and
- Mobile or temporary structures.

Table 19 and Table 20 detail the share of households living in each accommodation type in 2016, with a breakdown **by household configuration** (source: Census 2016). The two population groups – permanent and temporary – are considered separately.

Table 19 highlights that the vast majority of households in the permanent population (78%) lived in a detached house in 2016. Semi-detached houses were the next most common accommodation type.

By comparison, only 49% of households in the temporary population pool (Table 20) lived in a detached house, while 34% lived in a semi-detached house and 10% in a flat (compared against 5% of households in the permanent population pool).

In the absence of any policy change, we have assumed this breakdown will remain the same in the future.

Table 19: Breakdown of housing units by type of housing and household configuration, permanent population

		One-person household	Nuclear household		Non-nuclear household	Total
			Without children	With children		
Total		**248**	**281**	**337**	**69**	**935**
House	Detached house	65.4%	83.2%	83.5%	77.5%	78.2%
	Semi-detached or terraced house	16.3%	8.9%	11.1%	13.2%	11.9%
Flat		10.2%	3.1%	3.0%	7.8%	5.3%
Mobile or temporary structure		8.1%	4.8%	2.4%	1.5%	4.6%

Table 20: Breakdown of housing units by type of housing and household configuration, temporary population

		One-person household	Nuclear household		Non-nuclear household	Total
			Without children	With children		
Total		**69**	**70**	**70**	**46**	**255**
House	Detached house	31.9%	49.1%	63.2%	47.3%	49.5%
	Semi-detached or terraced house	33.3%	40.4%	29.4%	29.8%	33.9%
Flat		27.5%	5.3%	2.5%	8.9%	10.4%
Mobile or temporary structure		7.2%	5.3%	5.2%	14.0%	6.4%

The next tables report on the share of households **by tenure**, with a breakdown by household configuration (source: Census 2016). The two population groups – permanent and temporary population – are considered separately.

As illustrated in Table 21, in 2016, the vast majority of households in the permanent population (71%) owned their accommodation (either outright or with a mortgage). Conversely, in the temporary population pool (Table 22) only 8% of households own their homes.

In the absence of any policy change, we assume this breakdown will remain the same in the future.

Table 21: Breakdown of housing units by tenure and household configuration, permanent population

	One-person household	Nuclear household		Non-nuclear household	Total
		Without children	With children		
Total	**248**	**281**	**337**	**69**	**935**
Housing unit owned	59.3%	80.0%	71.3%	66.2%	70.5%
Housing unit rented or occupied free of rent	40.7%	20.0%	28.7%	33.8%	29.5%

Table 22: Breakdown of housing units by tenure and household configuration, temporary population

	One-person household	Nuclear household		Non-nuclear household	Total
		Without children	With children		
Total	**69**	**70**	**70**	**46**	**255**
Housing unit owned	6.0%	7.0%	9.3%	10.2%	7.8%
Housing unit rented or occupied free of rent	94.0%	93.0%	90.7%	89.8%	92.2%

The next tables report on the share of housing units by number of bedrooms, with a breakdown **by household size** (2016 Census). The two population groups – permanent and temporary population – are considered separately.

Sixty-two percent of households in the permanent population lived in a home with 3 or more bedrooms in 2016 (Table 23), while 29% lived in 2-bedroom accommodation. In the temporary population (Table 24) 44% of households lived in a 2-bedroom housing unit, while 46% were in houses of 3 or more bedrooms. One-bedroom housing units are about 10% of the total in both cases.

Table 23: Breakdown of housing units by number of bedrooms and household size, permanent population

	1 person	2 people	3 people	4 people	≥5 people	Total
Total	**248**	**351**	**166**	**115**	**55**	**935**
1 bedroom	23%	8%	1%	0%	0%	9%
2 bedrooms	39%	35%	24%	5%	8%	29%
3 bedrooms	29%	41%	48%	51%	25%	40%
≥4 bedrooms	9%	17%	26%	43%	68%	22%

Table 24: Breakdown of housing units by number of bedrooms and household size, temporary population

	1 person	2 people	3 people	4 people	≥5 people	Total
Total	**69**	**91**	**37**	**35**	**23**	**255**
1 bedroom	28%	5%	0%	0%	0%	10%
2 bedrooms	51%	64%	37%	6%	6%	44%
3 bedrooms	19%	17%	43%	66%	41%	30%
≥4 bedrooms	1%	14%	20%	28%	53%	16%

In the absence of any policy change, we assume the breakdown shown in Table 23 and Table 24 will remain the same in the future – except for one-person households in the temporary population pool, as discussed below.

We note that in 2016, only 28% of one-person households in the temporary population lived in a 1-bedroom housing unit, with 51% living in a 2-bedroom and 19% in a 3-bedroom housing unit. We interpret this data as an issue of over-housing due to the scarce availability of 1-bedroom homes. For the purposes of our projections we assume that 70% of one-person households in the temporary population could be housed in a 1-bedroom unit, resulting in the demand assumptions below.[16]

	1 person, temporary population
1 bedroom	70%
2 bedrooms	21%
3 bedrooms	8%
≥4 bedrooms	1%

In the following pages we present projections of future housing demand by resident households, with a breakdown by type of housing, tenure, and number of rooms.

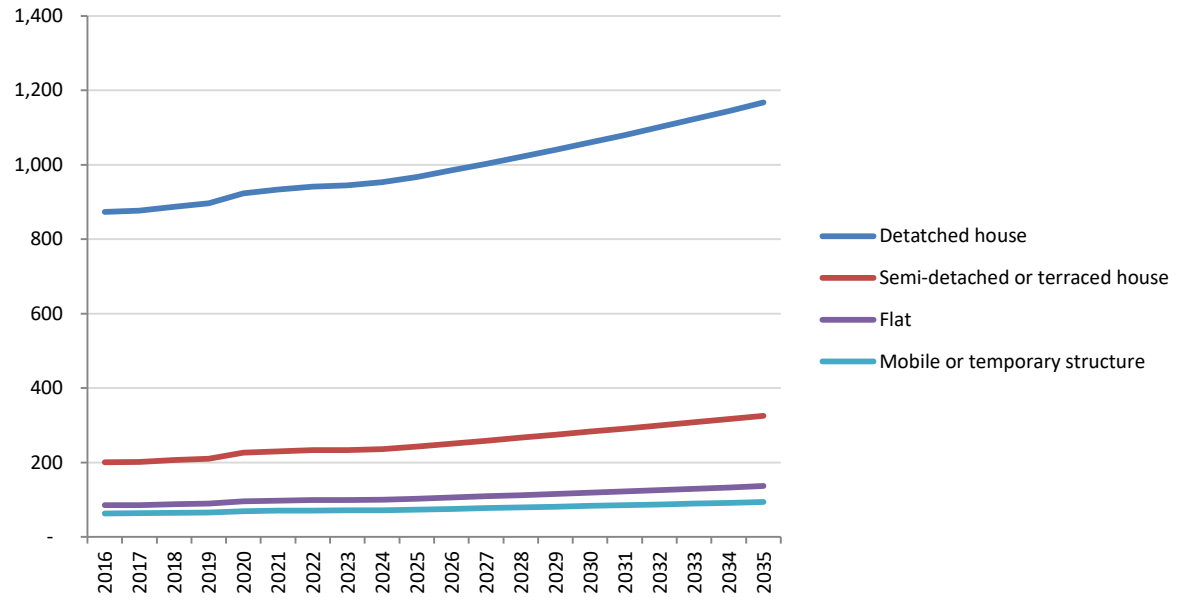
3.2.2. Primary[17] homes by type of housing

All projections reported in this Section, as well in Sections 3.2.3, 3.2.4, and 3.2.5, refer to first homes only; we discuss demand for second homes in Section 3.2.6. Based on assumptions about preferences for types of housing by population category and household configuration discussed above, it is possible to estimate the future demand for housing units by type of housing, as detailed in Table 25 and Figure 15.

Table 25: Demand of housing units by type of housing and time horizon

		Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
House	Detached house	873	896	941	967	1,167
	Semi-detached or terraced house	200	210	233	242	325
Flat		85	89	99	103	137
Mobile or temporary structure		63	66	71	73	94
Total		**1,222**	**1,262**	**1,344**	**1,385**	**1,723**

Figure 15: Number of housing units by type of housing, 2016-2035



16 We make assumptions for their preferences for the other housing size categories so that the proportions reported in Table 24 are respected.

17 "Primary home" refers to the ordinary residence of the household. Demand for second homes is calculated separately.

3.2.3. Primary homes by tenure

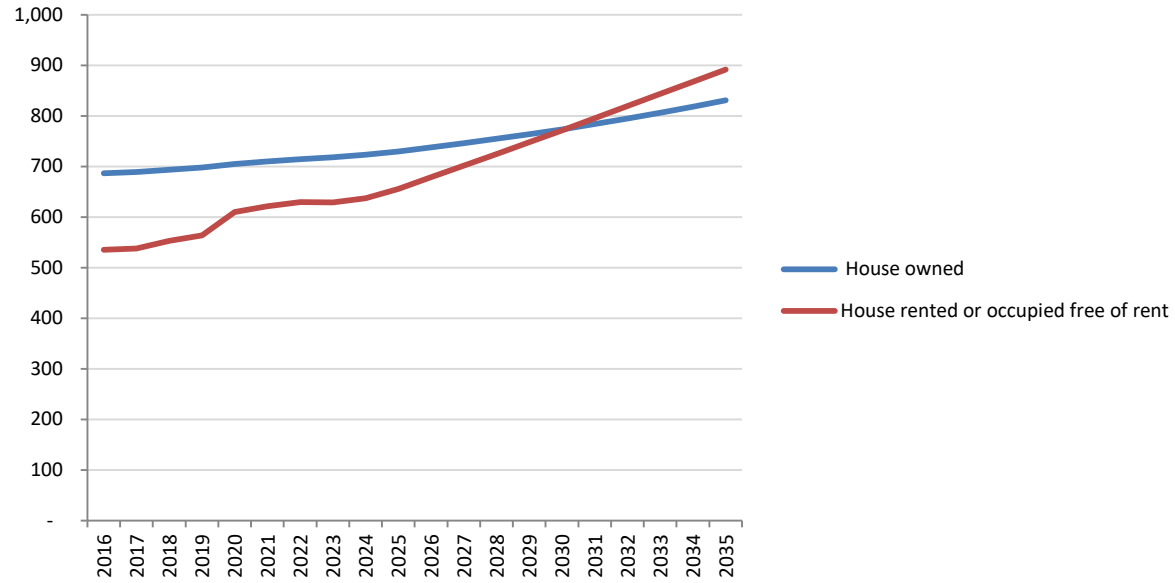
Based on the assumptions on tenure by population category and household configuration, discussed above, it is possible to estimate the future demand of housing units by tenure.

The requirement for rental housing can be expected to increase, as a share of total housing, from 44% in 2016 to 52% in 2035, due to the expected increasing share of temporary residents within the total population, and the fact that households in the temporary population are found to live much more frequently in rented rather than owned accommodation.

Table 26: Demand for housing by tenure and time horizon

	Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
House owned	687	698	715	730	831
House rented or occupied free of rent	535	564	629	656	892
Total	**1,222**	**1,262**	**1,344**	**1,385**	**1,723**

Figure 16: Demand for housing by tenure and time horizon, 2016-2035



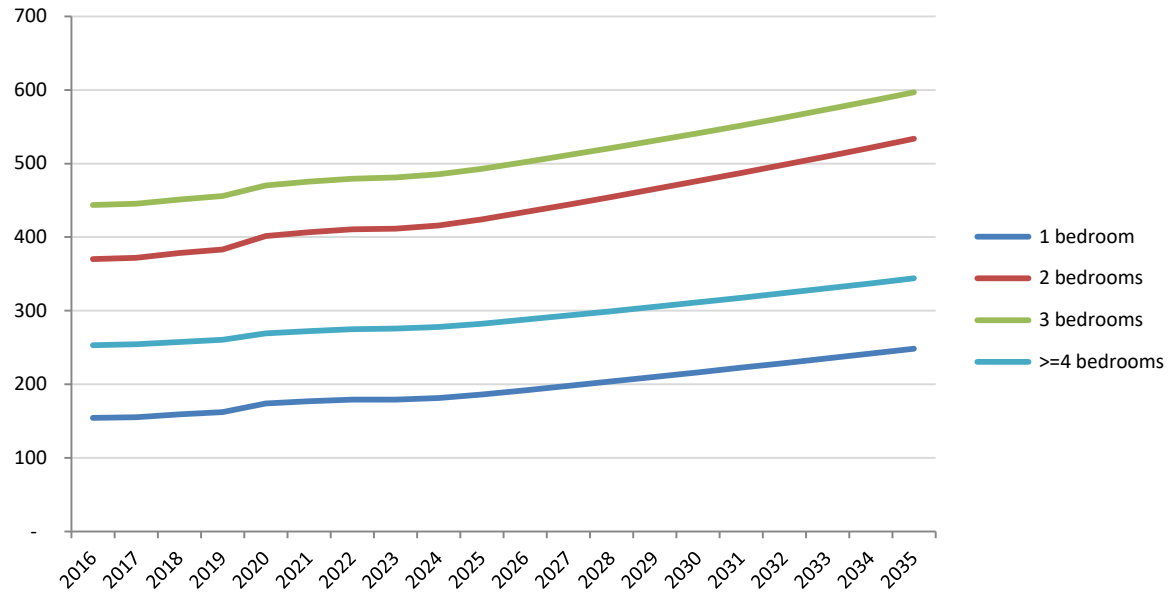
3.2.4. Primary homes by number of bedrooms

Based on assumptions on accommodation size (number of bedrooms) by population category and household size discussed above, it is possible to estimate the future demand of housing units by number of bedrooms.

Table 27: Demand for housing by number of bedrooms and time horizon

	Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
1 bedroom	155	162	179	186	248
2 bedrooms	370	383	411	424	534
3 bedrooms	444	456	479	493	597
>=4 bedrooms	253	261	275	283	344
Total	**1,222**	**1,262**	**1,344**	**1,385**	**1,723**

Figure 17: Demand for housing by number of bedrooms, 2016-2035



3.2.5. Additional demand for primary homes

Table 28 details estimated **additional housing demand by type of housing** in the 'Immediate', 'Short term', and 'Long term' time horizons, compared to 'Current' (end 2019). We estimate that in the long term there will be a higher demand for semi-detached or terraced houses (25% of total additional demand, compared to 16% of demand in 2016) and apartments or flats (10% against 7%), and a lower demand for detached houses (59% against 71%), as shown in Figure 18.

Table 28: Number of additional housing units (compared to 'Current' time horizon), by type of housing and time horizon

		Immediate End 2022	Short term End 2025	Long term End 2035
House	Detached house	+45	+71	+271
	Semi-detached or terraced house	+23	+32	+115
Flat		+10	+14	+48
Mobile or temporary structure		+5	+7	+28
Total		**+82**	**+123**	**+461**

Figure 18: Housing demand by type of housing, Census (2016) vs. additional demand in the long term

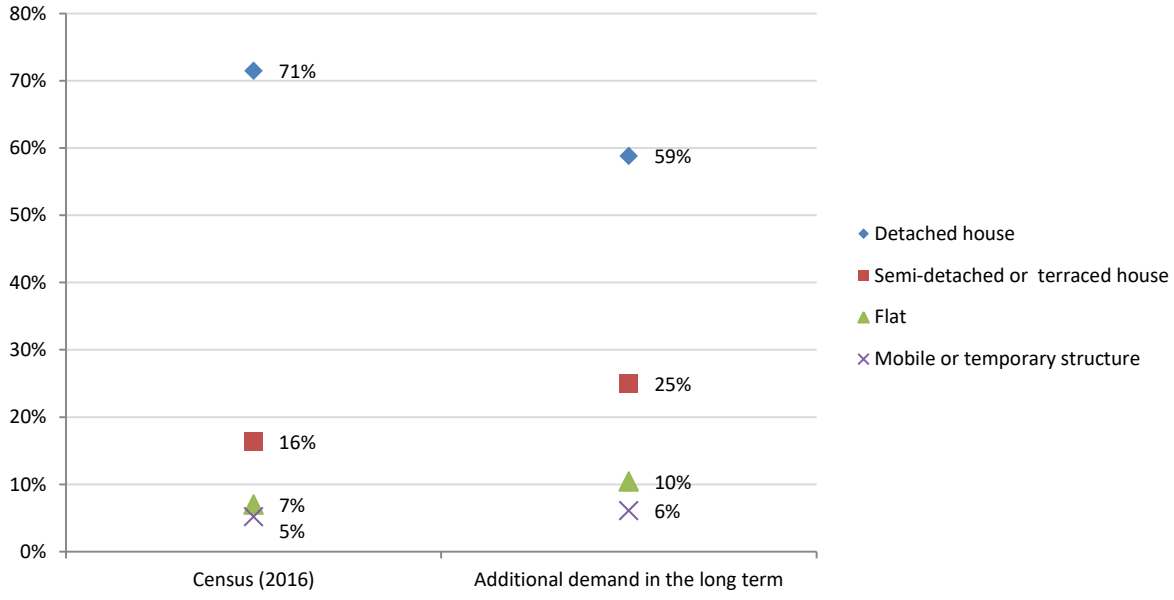


Table 29 highlights the **additional housing demand by tenure** in the 'Immediate', 'Short term', and 'Long term' time horizons, compared to 'Current' (end 2019); we estimate that in the long term, 71% of additional housing demand will occur in the rental market. In 2016, 44% of all households lived in rental accommodation (or occupied free of rent).

Table 29: Number of additional housing units (compared to 'Current' time horizon), by tenure and time horizon

	Immediate End 2022	Short term End 2025	Long term End 2035
House owned	+17	+32	+133
House rented or occupied free of rent	+65	+92	+328
Total	**+82**	**+123**	**+461**

Figure 19: Housing demand by tenure, Census (2016) vs. additional demand in the long term

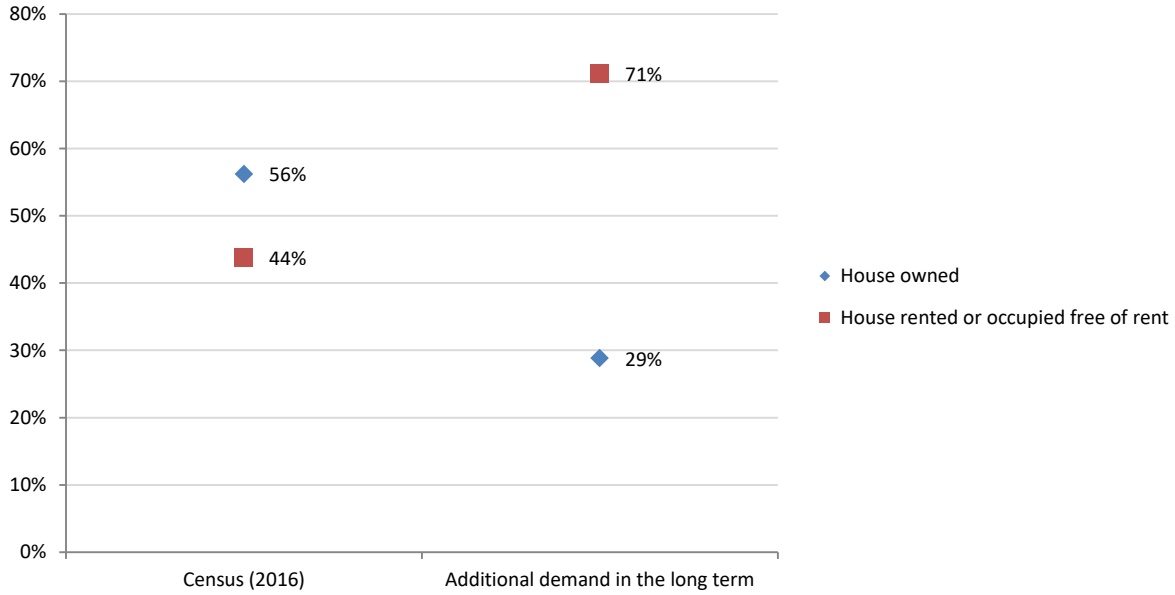
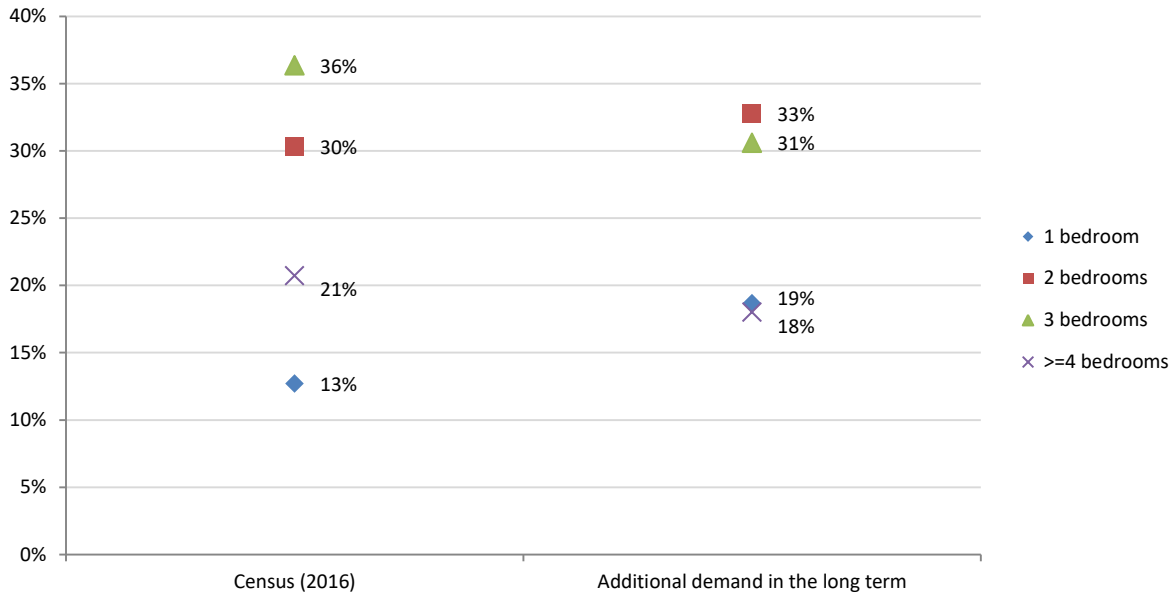


Table 30 highlights **additional housing demand by number of bedrooms** in the 'Immediate', 'Short term', and 'Long term' time horizons, compared to 'Current' (end 2019). We estimate that in the long term there will be a higher demand for 1-bedroom housing units (19% of total additional demand, compared to 13% of total demand in 2016) and 2-bedroom housing units (33% against 30%); and a lower demand for 3-bedrooms houses (31% against 36%) and houses with 4 or more bedrooms (18% against 21%), as shown in Figure 20.

Table 30: Number of housing units by number of bedrooms and time horizon

	Immediate End 2022	Short term End 2025	Long term End 2035
1 bedroom	+17	+24	+86
2 bedrooms	+28	+41	+151
3 bedrooms	+23	+37	+141
>=4 bedrooms	+14	+22	+83
Total	**+82**	**+123**	**+461**

Figure 20: Housing demand by number of bedrooms, Census (2016) vs. additional demand in the long term



3.2.6. Second homes

The 2016 Census collected information on the number of households with multiple home ownership, by purpose and location. While additional homes in the category 'Owned and rented out' have most likely been counted already as occupied housing units in the main Census housing tables, those in the categories 'Owned for personal use' and 'Rented as a tenant' have most probably not been included.

Those housing units – 79 in Stanley and 111 in Camp in 2016 – represent an additional factor of housing demand (classified as 'demand for second homes' in this paper) that must be included in order to estimate total housing demand.

Table 31: Total number of additional homes, Stanley and Camp, 2016

	Owned for personal use	Owned and rented out	Rented as a tenant	Total
Stanley	74	98	5	177
Camp	102	7	9	118

To project demand for second homes in the future, we have assumed that it will grow in line with demand for primary homes in Stanley, while we assume demand will remain flat in Camp. This suggests that total demand for second homes will grow from 190 in 2016 to 222 in 2035.

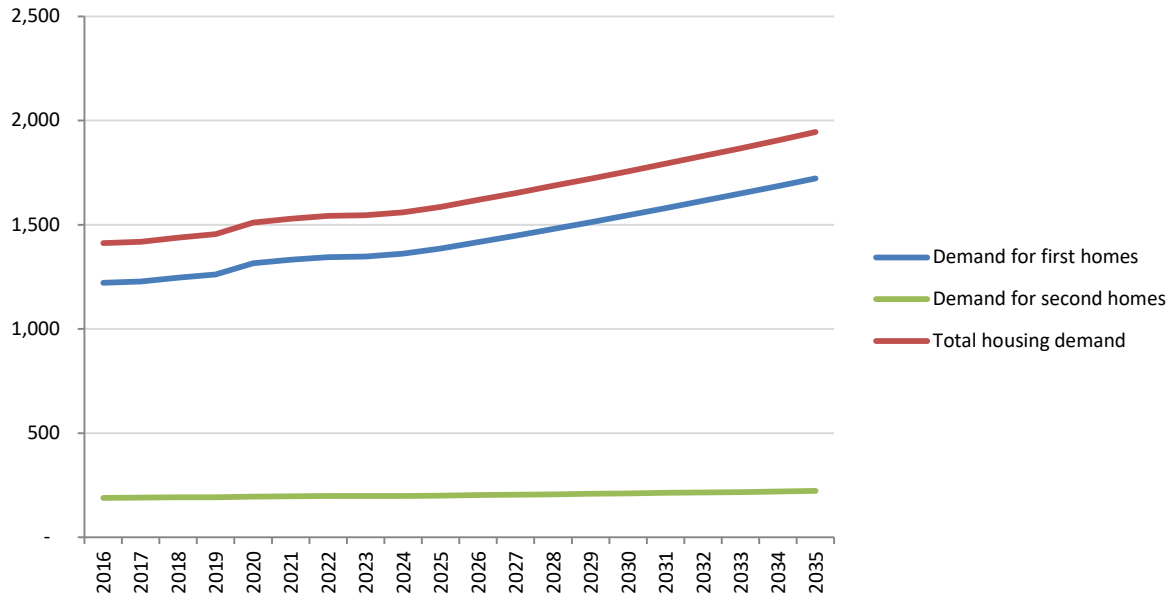
3.2.7. Total housing demand projections

Table 32 and Figure 21 provide projections of total housing demand, which is projected to grow from 1,412 in 2016 to 1,945 in 2035.

Table 32: Housing demand for primary and second homes by time horizon

	Census End 2016	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
Demand for primary homes	1,222	1,262	1,344	1,385	1,723
Demand for second homes	190	193	198	201	222
Total housing demand	**1,412**	**1,454**	**1,542**	**1,586**	**1,945**

Figure 21: Housing demand by number of bedrooms, Census (2016) vs. additional demand in the long term



4. Housing supply projections

Key findings

- Data limitation is a serious issue when trying to estimate current housing supply, in absence of a comprehensive Property Register reporting detailed information on the whole stock of existing properties and housing units.
- Based on an analysis of past trends, we have assumed that 25 housing units can be built every year in the private market, in addition to the housing development planned by FIG and to the planned Joint FIG/MOD housing procurement. This can be seen as an indication of the private sector's current capacity to supply housing, independent of government housing initiatives.
- We have also assumed a 10% vacancy rate to estimate available housing, based on our estimates of total housing supply. In addition to properties that are available to rent, vacancies may include properties that are currently unavailable, such as homes under renovation or awaiting resale, those which are derelict or uninhabitable, and those whose owners choose to keep them vacant. The breakdown of vacant houses between these categories is unknown.
- We estimate available housing supply could increase from 1,485 at the end of 2019 to 1,922 in 2035. However, this assumes that market conditions will support speculative[18] private sector participation in the rental housing market.
- According to FIG Planning and Building Services, land availability will not be a barrier to housing development. 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 (dph), the existing density at Sapper Hill. By comparison, our estimate of future housing demand is for 465 additional units by the end of 2035.
- Should there be a future need, higher densities would support a greater number of houses to be delivered over the same amount of land; for example, at 30dph it would be possible to deliver 4,158 homes. Higher densities are currently being encouraged by FIG Planning and Building Services, based on the recognition of a number of economic, social, and environmental benefits. The expected growth in population and households can therefore be accommodated within the existing housing land allocations, leaving a significant surplus of housing land available.

4.1. Available evidence and data

The following chapter discusses the available evidence about the current supply of housing in Stanley and Camp, and presents our estimates of future housing supply in the Falkland Islands.

4.1.1. Data limitations

Data limitation is a serious issue when trying to estimate current housing supply, in absence of a comprehensive Property Register reporting detailed information on all existing properties and housing units.[19] At the moment, the available information is scattered across several FIG Departments, and significant difficulties arise when trying to cross reference data to get a complete and accurate picture of the existing housing stock.

18 'Speculative' development is that which occurs ahead of expected future demand.

19 A comprehensive Register would ideally include a wealth of information on the whole existing housing stock – detailing housing units by tenure, type of dwelling, number of bedrooms, occupancy, etc. – and would allow to easily and quickly extract data; thus eliminating the need to estimate. This would facilitate planning and help ensure FIG resources are directed effectively and efficiently.

The following table shows information on the existing data sources and highlights the major limitations of each source. From the table it emerges as the areas with respect to which the least amount of information is available are:

- the size of the stock of unoccupied / vacant houses, which are not recorded in any of the available data sources;
- tenure of existing properties, which is recorded in the Census only (thus data can be updated with a 5-years frequency only).

Table 33: Main data sources used to estimate housing supply

Database	Department	Data recorded	Main limitations
Falkland Islands Census	Policy Unit	Data on housing units occupied on Census night: • Number of bedrooms • Type of housing unit • Quality of housing unit • Tenure	• Data are updated every 5 years only • Does not distinguish between housing units in the private market vs. FIG housing units • Does not record information on housing units which were unoccupied on Census night
FIG Housing List	PWD Housing	Data on the FIG housing stock: • Address • Number of bedrooms • Occupant	• Does not include information on houses in the private market
Service Charge Master List	PWD	Properties liable to pay Service Charge: • Address • Owner • Annual Service Charge	• Does not include properties not liable to pay Service Charge (e.g. unoccupied / derelict housing units)
Planning and Building Register	Planning Services	Data on new building applications: • Address • Applicant • Description of property • Planning decision • Issuing of Building Permit and Occupation Certificate	• Does not include information on existing properties • Does not include detailed information on the type of property (e.g. type of dwelling, number of bedrooms, etc.)
Property info spreadsheet	Registry	Data on trade of properties: • Address • Buyer • Price • Size of property	• Does not include information on the type of property sold (e.g. land vs. housing unit)

4.1.2. Stanley

According to the "Service Charge Master List" approximately 1,215 houses were assessed in Stanley as of October 2016. At the same time, the 2016 Census recorded 1,026 households in Stanley.

Therefore, we assume that there were 189 unoccupied houses in Stanley (or 16% of the total) at that time. Approximatively 40 of these unoccupied houses were FIG properties, while the rest belonged to the private housing pool.

Some vacant properties in the private pool appear to be second homes, a share of which is most likely to be for own use by Camp residents. According to the 2016 Census, at the end of 2016 there were 79 additional homes owned for personal use or rented as a tenant in Stanley.

Based on this data, we can estimate that in 2016 there were 110 vacant houses in Stanley (40 FIG properties + 70 vacant private houses), or 9% of the total housing stock.

Vacant houses are likely to include:

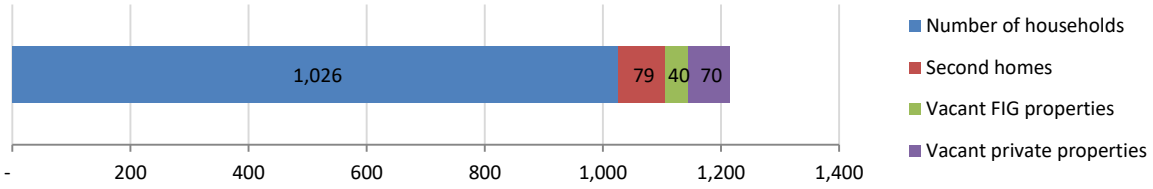
- houses vacant for renovation or awaiting resale;
- uninhabitable / derelict houses;
- houses which are deliberately kept vacant by owners;
- houses which are available in the market.

We currently do not know the breakdown of vacant houses between these categories.

Table 34: Estimate of housing supply in Stanley, 2016

	Source	Formula	Stanley
Number of households	Census 2016	A	1,026
Total number of houses	Service Charge Master List 2016/17	B	1,215
Unoccupied houses		C = B – A	189
Unoccupied FIG properties	PWD	D	40
Unoccupied private properties		E = C – D	149
Second homes (owned for personal use or rented as a tenant)	Census 2016	F	79
Vacant private houses		G = E – F	70
Total vacant houses		H = D + G	110
Vacancy rate		I = H / B	9%

Figure 22: Estimated housing supply in Stanley, 2016

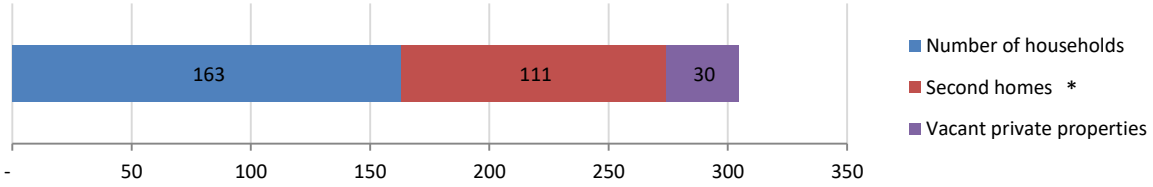


4.1.3. Camp

According to the 2016 Census, there were 163 reported households in Camp. Nine households were reported as being in rental accommodation. In addition, at the end of 2016 there were 111 secondary homes in Camp (whose owner reported that this was not their primary residence). This suggests there were 274 occupied houses in Camp.

Moreover, there is an observed drop in the number of occupied households between the 2006 and 2016 Census which suggests that there should be a pool of vacant houses in Camp – perhaps as high as 30. This leads us to believe that the total number of houses in Camp in 2016 can be therefore estimated as approximately 304, with a 10% vacancy rate. However, this data must be treated with caution, as it says nothing about the location or state of these vacant homes.

Figure 23: Estimated housing supply in Camp, 2016



* 'Second homes' include those being rented by tenants

4.1.4. Summary

The total number of houses (occupied and vacant) in the Falkland Islands at the end of 2016 is estimated at 1,520.

Based on data from the 2018/19 "Service Charge Master List", as well as on data from FIG Planning on the number of dwellings built in Camp between 2016 and 2018, we estimate the total number of dwellings in the Falkland Island to have increased to 1,612 at the end of 2018. Based on the vacancy rates discussed above, we estimate available housing supply to be at 1,472 at the end of 2018.

4.2. Planned new accommodation

The following table details our assumptions with respect to planned new permanent accommodation between 2019 and 2035.

Based on an analysis of past trends, we assume that the private sector has the capacity to add some 25 housing units per year, in addition to housing built or commissioned by FIG. This analysis forecasts that these privately built homes will indeed be added to the market, however as previously discussed, this assumes sufficient market or government incentives to support speculative development.

Table 35: Planned new permanent accommodation, 2019-2035

	2019	2020	2021	2022	2023	2024-2035
Total	**33**	**45**	**55**	**48**	**35**	**25 houses per year**
FIG permanent accommodation	8	20	20	3		
Joint FIG/MOD housing prospectus			10	20	10	
Private sector	25	25	25	25	25	25 houses per year

Other planned permanent accommodation projects include the following, which development does not appear to be 100% sure: some projects appear to be on hold, while information on the time schedule to completion for others with planning permission is not currently available.

These developments can be listed as following (as of mid-February 2020):

Development	Applicant	Available information	Planning permission
ESRO site	ARGOS	Ca. 50 additional homes	Elapsed (though still represent a potential opportunity for development)
Auster place	Fortuna	16 x 2-bed flats with the loss of the existing bungalow	Granted
Moody Brook	F.I.C.	58 houses	Granted
Narrows place	Goodwin	11 dwellings • 6 x 1-bed terraced flats • 3 x 2-bed detached houses • 1 x 2-bed semi detached house	Granted
YPF site (Ross rd East)	F.I.C.	26 houses	Not granted yet

Other short-term accommodation developments include the following, intended primarily to support the short-term, foreign workforce required to complete planned FIG infrastructure projects and private sector construction activity. These have not been included in the housing supply projections, consistent with the approach of excluding the short-term workforce surge (2020-2024) from population counts for the purpose of estimating housing demand. Accommodation required for the Sea Lion oil field development phase will be provided by the project owner and is also not included in these projections.

These developments can be listed as follows:

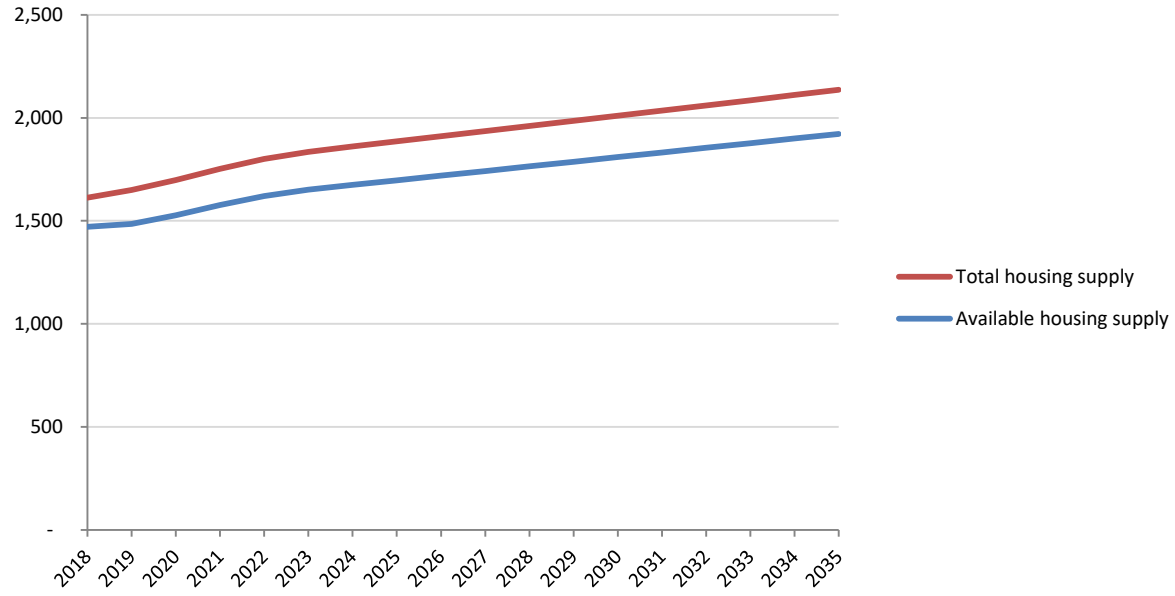
Short term development	Number of additional units	Year
Hillside	25 additional units	2018-19
Lookout Lodge expansion	50 additional units	2019
FIG multi-unit short-term accommodation	75 additional units	2020

4.3. Available housing supply projections

Based on our analysis of housing supply in 2016, we assume a 10% vacancy rate when estimating available housing supply over the forecast period.

The following figure shows our estimates of total and available housing supply between 2018 and 2035.

Figure 24: Total housing supply and available housing supply, 2018-2035



The FIG Planning and Building Services' *Development Plan Health Check 2019* reports that the Falkland Islands Development Plan (August 2015) accounted for a minimum of 362 homes being built in Stanley between 2015 and 2030. For comparison, our estimates of future housing supply in Stanley are for 532 additional housing units being delivered between 2017 and 2030.

According to FIG Planning and Building Services, land availability is not a barrier to development. The quoted document reports that the Development Plan's total allocation capacity amounts to 768 homes between 2015 and 2030[20], estimated at a density of 8.6 dwellings per hectare (dph), equivalent to the density levels in previous Sapper Hill housing developments.

Should the need arise, higher densities could facilitate a greater number of houses to be delivered over the same amount of land. Higher densities are currently being encouraged by FIG Planning and Building Services, based on the recognition of a number of economic, social, and environmental benefits. The quoted document therefore concludes that the expected growth in population can be easily accommodated within existing housing land allocations, leaving a significant surplus of housing land available.

20 Over a total allocated housing land under policy TP6 of 138.6ha.

5. Comparison of housing demand and supply

Key findings

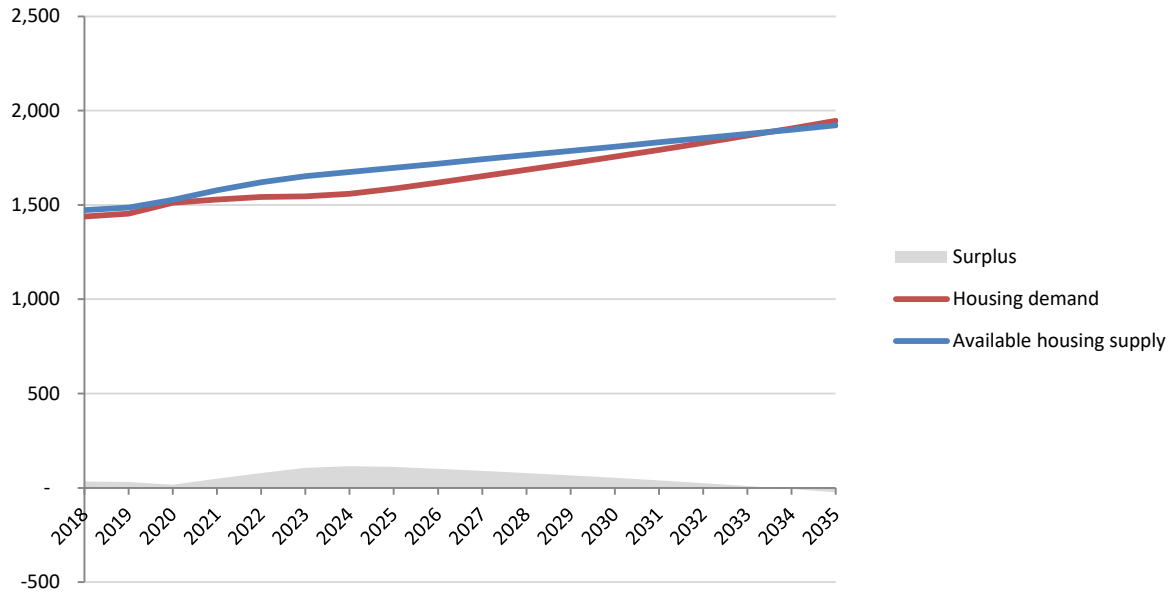
- The surplus of housing supply over demand includes both housing units available in the market and units which are currently kept outside the market, but that might be brought into the housing market with the right incentives.
- Overall, there appears to be sufficient housing units to meet current demand. However, this includes a number of vacant houses that have not been made available for rent, or that may be available only at rents that are unacceptable to most prospective tenants. Therefore, we observe an existing and foreseeable shortage of rental accommodation. Unlocking a portion of this existing vacant supply would be desirable, but would likely require considerable intervention by government.
- Currently, there is little speculative housing development in the Falkland Islands: most private sector housing construction is generated by purchasers of owner-occupied dwellings, the vast majority of whom are in the permanent population. While our supply projections for future owner-occupied housing reflect private sector capacity to build, projections on the growth of the permanent population suggest that demand from this segment will diminish over the forecast period.
- Therefore, we expect that the private sector can continue to build houses at its capacity rate, but only if it shifts to supply housing units into the rental market or if there is additional demand for home ownership.
- Given current conditions – that is, absent policy changes to shift demand from rental to home ownership or to stimulate speculative private sector rental development and provision (including bringing vacant homes into the market) – it is evident that there could be an actual shortage of rental accommodation as early as 2020, and that a significant gap could develop after 2025 even with all the planned new construction.
- With respect to housing size, our estimates suggest that, while supply will be sufficient to meet demand for houses with two bedrooms or more, supply of 1-bedroom houses will be below demand over the whole forecast period. This is based on the expected number of single person households in the total population. The preference for building homes with two or more bedrooms for the rental market has been largely justified by flexibility, as many jobs within the Falkland Islands rely on a contractor workforce to fill permanent positions and the number of accompanying dependents cannot be predicted with certainty.

Table 36 and Figure 25 compare projected available housing supply and total projected housing demand. The current (2019) estimated surplus of housing supply over housing demand – 31 units – includes both housing units that are currently available in the market and those kept outside the market, but that might be made available with the right incentives.

Table 36: Comparison of housing demand and supply, by time horizon

	Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
Total housing supply	1,650	1,800	1,885	2,135
Available housing supply	1,485	1,620	1,697	1,922
Total housing demand	1,454	1,542	1,586	1,945
Surplus	+31	+78	+111	-23

Figure 25: Comparison of housing demand and supply, 2018-2035



5.1. Results by tenure

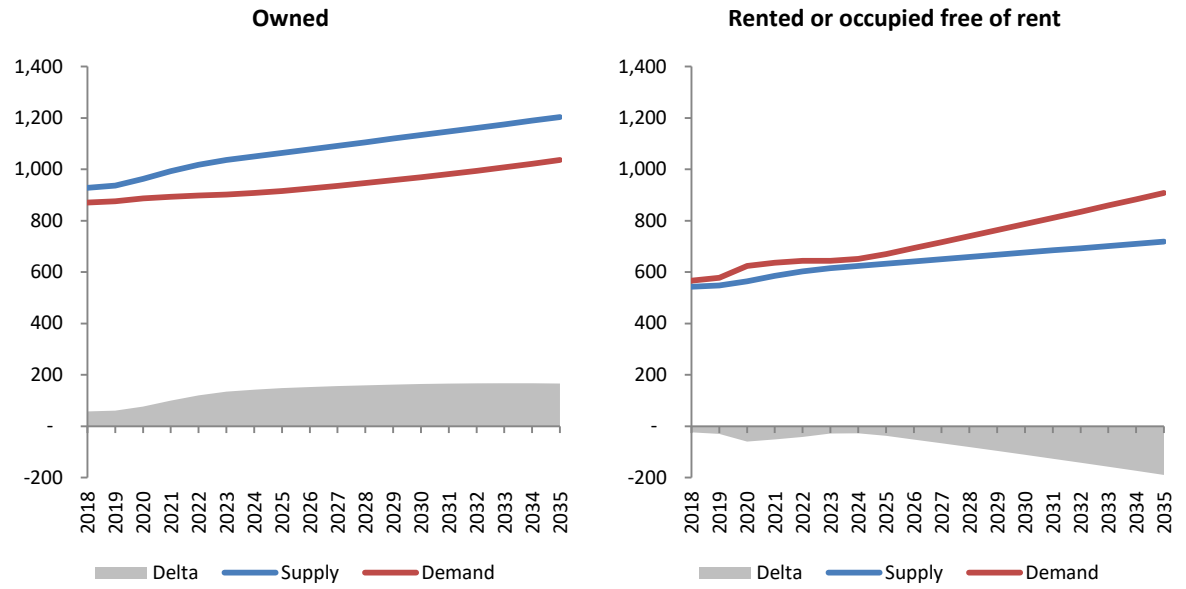
A comparison of estimated housing demand and available supply[21], by tenure is shown in Table 37 and Figure 26.

Table 37: Comparison of housing demand and supply, by tenure and time horizon

		Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
Owned	Housing demand	876	898	915	1,037
	Available housing supply	937	1,018	1,064	1,203
	Delta	+61	+120	+149	+166
Rented or occupied free of rent	Housing demand	578	644	670	908
	Available housing supply	548	602	633	719
	Delta	-30	-42	-37	-189

21 Available supply by tenure has been estimated assuming that the overall split between housing units owned and rented (or occupied free of rent) recorded by the last Census (owned = 59%; rented or occupied free of rent = 41%) will remain unchanged in the future.

Figure 26: Comparison of housing demand and supply, by tenure, 2018-2035



Our estimates suggest that if the existing proportion of owner-occupied versus rental homes does not change in the future – in other words, in absence of policy changes to shift demand from rental to home ownership or to incent speculative private sector rental development – the supply of rental housing may not be sufficient to meet demand as early as 2020, and that a significant gap could develop after 2025.

In the current policy environment, it is unlikely that houses in excess of ownership demand would be built. Therefore, supply of owner-occupied housing is directly related to the number of new homes commissioned by households. While the private sector would have the capacity to build ca. 375 homes, only 157 are expected to be commissioned by individual home buyers.[22] From this it follows that the supply projections provided below for future owner-occupied housing reflect private sector capacity to build.

While the housing supply/demand forecast assumes that the private sector will continue to build houses at its capacity rate, this will only hold true if the private sector supplies 218 housing units into the rental market (either directly or by contract to FIG) or if there is additional demand for home ownership. There is some indication of private sector appetite to enter the rental market, with 52 housing units at various stages of the planning approval or development process, while another 50 planned units appear to be on hold. There is no clear timeline for completion.

5.2. Results by number of bedrooms

The following table and figures compare estimated housing demand and available supply[23] by number of bedrooms. Our estimates suggest that, while supply will be sufficiently high to meet the need for houses with 2 bedrooms or more, supply of 1-bedroom houses will be below demand over the whole forecasted period.

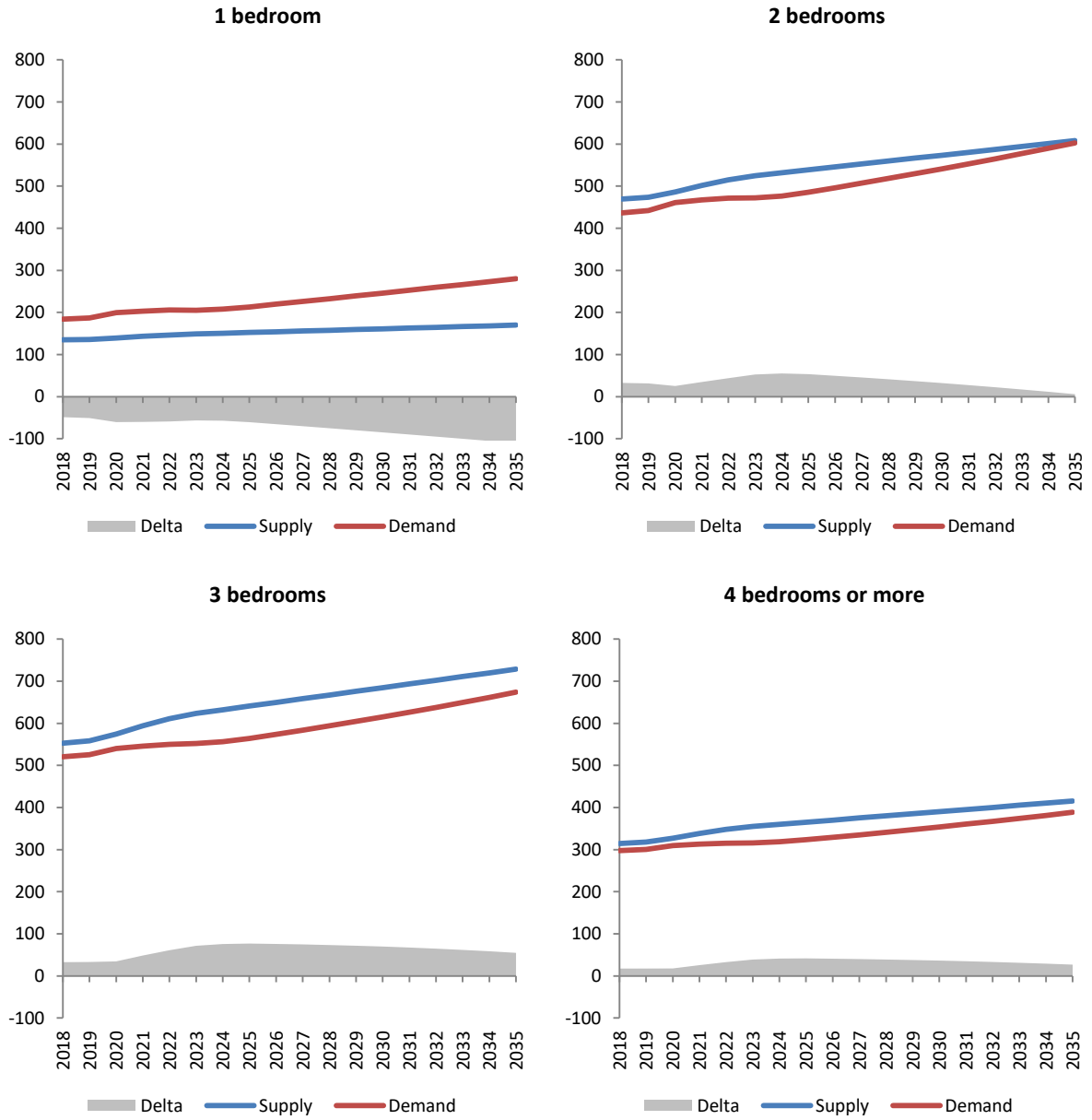
22 Estimates of demand for new owner-occupied housing during the forecast period is for 129 new first homes and 28 new second home builds – 157 in total.

23 Available supply by number of bedrooms has been estimated assuming a constant housing mix for new houses, reflecting the existing mix as recorded by the 2016 Census.

Table 38: Comparison of housing demand and supply, by number of bedrooms and time horizon

		Current End 2019	Immediate End 2022	Short term End 2025	Long term End 2035
1 bedroom	Housing demand	187	205	213	280
	Available housing supply	136	146	152	170
	Delta	-51	-59	-61	-110
2 bedrooms	Housing demand	442	471	485	602
	Available housing supply	473	515	539	608
	Delta	+31	+44	+54	+6
3 bedrooms	Housing demand	525	550	564	674
	Available housing supply	558	611	641	729
	Delta	+33	+61	+77	+55
4 bedrooms or more	Housing demand	300	315	323	389
	Available housing supply	318	348	365	415
	Delta	+18	+33	+42	+26

Figure 27: Comparison of housing demand and supply, by number of bedrooms, 2018-2035



5.3. Comparison of housing demand and supply in Camp

The Falkland Islands Rural Development Strategy has set a goal to achieve 5% population growth in Camp every 5 years. At this rate, we would expect population in Camp to increase by 78 individuals over the forecast period; at the current average household size of 2.34, this would imply formation of an additional 33 households, generating demand for 33 additional homes in Camp by the end of 2035. This projection does not consider demand for new second homes in Camp, which is discretionary and not readily predicted.

At the 2016 Census, 85% of the Camp population reported being permanent residents (Status or PRP). It is impossible to predict whether the population in 2035 will continue to reflect this ratio. Therefore, it is impossible to predict the breakdown of demand between rental and owner-occupied housing.

6. Priority considerations

6.1. Housing demand

Despite high rates of home ownership in the permanent population (71%), the overall percentage of home ownership in the Falkland Islands was just 57% in 2016, lower than in comparable jurisdictions. For example, in 2018, 65% of all households in the United Kingdom owned their home. We forecast overall home ownership could drop to just 49% by 2035.

The increasingly high proportion of renters in the Falklands is due to the increasing share of temporary workers filling permanent jobs in the economy, as well as to restrictive government policies that make it difficult for most contractors to own land, even if they have made a multi-year commitment to the Falkland Islands. A secondary issue is the shortage of homes in the resale market, which may force some households to remain in rental accommodation until they can purchase land and build a home.

Thus, our forecasts predict that there will be demand for an additional 161 owner-occupied homes (primary and second) during the period of 2020-2035, or about 11 per year. At the same time, demand for rental units will increase by 330 units (22 per year).

6.2. Housing supply

With respect to the entire housing stock, it appears that there is capacity to ensure a surplus of houses to demand at each time horizon analysed. At the same time, we show shortages in the availability of rental housing. At the end of 2019 we see an existing shortage of rental housing, at the same time as there appears to be a stock of vacant homes in private ownership. We cannot tell whether these vacant properties are available but unaffordable, are unavailable due to owner preference or are unavailable due to their condition.

Forecasts of new housing development assume that the private sector will continue to provide 25 new houses into the market each year. In recent years, private sector housing construction has been mostly commissioned for owner-occupied single-family dwellings (either as primary or second homes). We do not expect demand for this type of home to continue at the same rate over the forecast period, due to the expected deceleration of new household formation in the permanent population, as the existing population ages and is not supplemented through permanent immigration.

If government actions can be taken to decrease the number of homes held vacant and if private sector capacity can be mobilised to also create rental housing, it would ensure sufficient homes to meet expected demand in the medium to long term.

Over the last two years, FIG has increased its capital investment to accelerate the pace of constructing FIG-owned houses, purchase additional development land and create new serviced land in the Sapper Hill area of Stanley. In addition, the private sector is showing promising signs of mobilising to increase supply of rental housing to the Stanley market. However, logistical issues and a chronic shortage of construction trades have delayed and constrained the pace of development.

Throughout the forecast period, in the absence of effective policies to encourage independent private sector supply, there is likely to be an ever-increasing shortage of rental units, which in turn will increase housing costs and cost-of-living, decrease the attractiveness of the Falkland Islands as a destination for work or immigration and make it ever more difficult to deliver services and to maintain the economy.

6.3. Affordability

6.3.1. Rental affordability

FIG has 128 houses in its affordable (local) housing portfolio[24] and offers a further rent rebate programme for households in need living in FIG accommodation. There appears to be insufficient FIG affordable housing to accommodate all of the applicants, but there is no means test required for eligible households; notwithstanding, allocation is prioritised based on need. FIG accommodation is only available to permanent residents (with PRP or FI Status) or to FIG work permit employees (in a separate housing pool). FIG housing is provided at a significant discount to the private sector.

All work permit holders in the private sector must access the private rental market (employers are required to demonstrate that they have secured accommodation before a work permit is granted). There are also permanent residents renting in the private sector, either by preference or necessity, due to insufficient FIG housing availability.

Rental housing supplied by the private sector is more expensive than government housing, but still affordable to the average household, based on median incomes observed during the Census. This does not mean that private sector rents are affordable to every household (as by definition, half of households in each configuration would be on a spectrum somewhere below the median, with half somewhere above). In particular, minimum wage workers in a single-income household would struggle to find affordable accommodation in the private market. Proposed welfare reforms will provide income support for households in need, regardless of whether they are in FIG or private accommodation, which could alleviate some pressures on demand for FIG housing.

In addition, the gap between FIG rents and the private sector drives unwillingness of even those who can afford it to pay the perceived premium and leads to a perception that private sector rents are unreasonable. This is partially due to the robust economy which has created a 'seller's market' in a tight housing sector, but has led to reports that some occupants of FIG social housing no longer 'require' subsidised housing, but remain there due to the gap between the two markets.

It is reported that some private sector landlords prefer to keep properties vacant in anticipation of future 'super-heated' demand. There are also reports from the previous oil exploration campaign of existing renters being faced with sudden steep rent increases or being forced to vacate their accommodation. We note that there are neither rent controls nor landlord-tenant regulations in the Falkland Islands.

In the absence of government action to increase specifically increase construction of affordable housing and to regulate the private rental market to protect tenants, we could expect the market to remain difficult for lower income renters. In addition, opportunistic landlord behaviour can be expected to re-emerge if supply remains constrained.

6.3.2. Home ownership affordability in Stanley

Home ownership in Camp is at 60% of total households, while 32% report living in rent-free. In Stanley, 56.7% of all households own their own home. 75.2% of Stanley residents hold Status or PRP, compared to 85% in Camp. Home ownership in the permanent population is 71%. Although the 2016 Census noted an overall decrease in the rate of home ownership across all households, this is attributable to the increase in work permit holders and families as a proportion of the population.

The evidence would suggest that home ownership is affordable, although this option is primarily available to permanent or long term residents. Government home ownership support programmes have been popular and have contributed to strong ownership rates for permanent residents.

24 We define all houses in the 'local' FIG housing pool as affordable, both because of below-market rent and programmes that essentially gear rent to income. There are an additional 29 sheltered/emergency houses that are not included here. As of January 2020. FIG also had 153 houses that are used to house its contractor employees.

Government support includes both the opportunity to purchase FIG-owned and serviced land at 25% of actual cost for first time buyers in Stanley, and the Joint General Mortgage Scheme, where FIG provides a guarantee to Standard Chartered Bank that allows qualified first time buyers to borrow up to 95% of the home's value (to a maximum of £114,000). It should be noted that while serviced land is offered at a substantial discount, households are still responsible for the unsubsidised cost of actual services provided (i.e. service charges, electricity consumption).

This paper considers ownership of a second home as a discretionary purchase rather than a basic necessity for shelter. While there may be social benefits to owning a second home, it is not usually considered a function of government to make the purchase of an affordable second property a policy priority.

6.3.3. Home ownership affordability in Camp

At the 2016 Census, 78% of households in Camp reported living in a home that was either owned outright (free of mortgage) or lived in rent free. The remaining households were split between those with a mortgage (15%) and those paying rent (7%). This compares to 36% of households in Stanley living either mortgage or rent free. Median mortgage in Camp was £475, while the average was £564. Median rent was £175, while the average was £195.

The Falkland Islands Development Corporation (FIDC) produced a report for the Rural Development Steering Committee in November 2018 (*Camp House Building*) which attempted to quantify costs and available government subsidies for new home building in Camp. The report concluded that new home construction could cost as much as 30-45% more in Camp than a comparable house in Stanley primarily due to higher labour and transport costs. This would suggest that new home construction for a 3-bed home could cost between £156K and £174K, based on the average new home value in Stanley of £120,000.

Camp households are eligible for both the Joint General Mortgage Scheme and the Variable Rate Mortgage Scheme, with similar rules as borrowers based in Stanley. The main difference is that FIG will guarantee up to 45% of the total JGMS mortgage value (up to £120,000 purchase price) for Camp borrowers, versus 20% for Stanley properties. The higher cost to build has the effect of increasing the minimum down-payment required for qualifying buyers to build a 3-bedroom property in Camp from £6,000 based on £120,000 to £18,000 based on £156,000. In addition, all borrowers must demonstrate that their monthly incomes will keep them within the maximum debt servicing ratio of 50% and that the total amount borrowed does not exceed 4 times primary income plus 1 time secondary income. Anecdotal evidence suggests that some prospective new homeowners have difficulty in assembling the required down payment and/or in demonstrating sufficient income to qualify for a mortgage.

There are some additional financial subsidies available from FIDC for construction of housing in Camp. These include rural energy grants for installation of wind or solar power that have historically provided an average of £9,100 per grant for wind installations plus an additional £2,000 if solar is added. In addition, there are grants available to support water and waste systems (up to £2,000 for each). While these grants are available to businesses, it can be assumed that the primary residence of a farm, as well as housing for temporary farm workers, would qualify in most circumstances.

6.4. Home resale market

An additional area of concern is the limited home resale market. At any given time, there are few homes available on the resale market; this puts pressure on new home construction and on the continuous creation of new, serviced land for sale. It also creates additional pressure on the rental market, as prospective home buyers, who are able and willing to purchase, are forced to rent longer than they would like while waiting first to purchase land, and then for housing construction to be completed.

An additional challenge is the incidence of older houses in the centre of Stanley that are either uninhabitable and vacant, or in need of considerable renovation. Government does not currently have any programmes or policies that would encourage owners to rehabilitate this housing stock, or to demolish and create new, infill housing. These lots are already connected to services and therefore could reduce some of the pressure to create new, serviced land. A programme to incentivize the improvement of these properties could provide a relatively rapid contribution to rental or resale housing supply, as well as reducing safety hazards and contributing to the attractiveness of Stanley's residential streets.

6.5. Housing quality

In the 2016 Census, 83% in Stanley and 76% in Camp rated their housing as 'good' (the highest rating). By contrast, only 1.7% of households in Stanley and 1.9% in Camp rated their housing as being 'not good'. Similarly, only 1.2% of Camp respondents and 2% of Stanley respondents stated that their housing was not suitable to their needs.

Notwithstanding, it is recognised that housing quality is variable in Stanley and Camp and particularly that some accommodation in the mobile home park is substandard. Some FIG local housing is old and no longer fit for purpose (in particular, some of the 'cabins'), but without replacement properties available remain in the local housing pool. In addition, public infrastructure in the mobile home park is not to the same standard as in other Stanley neighbourhoods.

There have been reports of overcrowding – where multiple individuals or families are sharing houses that were meant to accommodate fewer people. This could be the result of the tight housing market where availability is constrained and affordability is an issue. Overcrowding can lead to building safety concerns. It will also be a source of dissatisfaction with housing suitability.

6.6. Data availability

Currently, data on the number and condition of houses in Stanley and in Camp is incomplete. In addition, there is insufficient accurate information on rental costs and availability in the private sector. While Census data provides some insight, the Census only occurs every five years and relies on self-reporting. In particular, the absence of a comprehensive property register is an important gap that could hinder informed decision-making.

Our analysis suggests that there are pressures in the housing market which will require more frequent and accurate monitoring in order to ensure that existing problems do not escalate. In addition, FIG, elected Members and the public need to be able to monitor the effect of policies, programmes and actions that are meant to address housing concerns and ensure that all residents of the Falkland Islands have sufficient, good quality, secure and affordable housing suitable to their needs.

7. Policy Priorities and Options

In response to the issues identified in this report, we have highlighted seven Policy Priorities and a range of Policy Options to address each issue, summarised in Table 39 and discussed in detail below.

Table 39: Policy Priorities and Policy Options

Policy Priority	Policy Options
1. Insufficient supply of rental housing in Stanley	Solution A. Reduce demand for rental accommodation
	1.1 Provide further incentives for first time home ownership to move eligible households out of rental accommodation 1.1(a) Create and release more serviced plots for subsidized purchase, with option to create smaller lot sizes 1.1(b) Set aside a higher percentage of each residential land release for qualified lower income first time buyers 1.1(c) Provide equivalent incentives for first-time buyers purchasing in the resale market
	1.2 Relax restrictions on home ownership for work permit holders through 1.2(a) Allow managed access to house purchase with restrictions 1.2(b) Provide managed access to house purchase for new arrivals, including purchase of serviced land for housing construction
	Solution B. Increase supply of rental housing
	1.3 Provide incentives to existing property owners to improve vacant, partially complete or derelict properties and bring them into the rental market 1.3(a) Provide financial or tax incentives to bring vacant houses into the rental market 1.3(b) Impose penalties on property owners who maintain vacant or partially completed properties
	1.4 Increase pace and investment in FIG rental housing construction
	1.5 Change the mix of rental housing to include more multi-unit buildings
2. Affordability of rental housing in Stanley	2.1 Provide incentives for private affordable housing 2.1(a) Provide loan guarantees to help local firms raise financing for affordable housing development 2.1(b) Provide tax incentives, through accelerated depreciation, for new construction or renovation of existing buildings 2.1(c) Sale of serviced land at reduced cost for affordable housing development only
	2.2 Implement rent controls
	2.3 Use the welfare benefit system to help eligible low income households to meet the cost of rent and other necessities
	2.4 Increase the FIG local housing pool and set aside a portion specifically for lower income households
3. Affordability of home ownership in Camp	3.1 Increase the JGMS cap for first time home buyers in Camp
4. Affordability of home ownership for lower income residents	4.1 New home buyer saving scheme
	4.2 Sale of older FIG properties to low income buyers or existing tenants at cost recovery
	4.3 FIG low income rent-to-buy scheme
5. Housing quality and suitability	5.1 Implement a moratorium on caravan/mobile home parks and improve standards in existing homes 5.2 Allow some additional caravan homes, but implement standards for basic construction, energy efficiency and safety
6. Security of tenure	6.1 Implement landlord & tenant protection regulations
7. Completeness of information on Falkland Islands housing stock	7.1 Develop a comprehensive property register for all houses in the Falkland Islands 7.2 Implement a mandatory, annual rental housing survey

PP1. Insufficient supply of rental housing in Stanley

The first Policy Priority relates to the insufficient availability of rental housing in Stanley.

We identify the following **main causes**:

a. inadequate supply in the private market;
b. increasing proportion of temporary (work permit) residents on total population;
c. restrictions on home ownership for temporary (work permit) residents that make it difficult for non-permanent residents to purchase their primary residence;
d. FIG capacity to commission and deliver public housing, particularly on accelerated timelines;
e. cost and availability of resale homes or serviced land for purchase by existing renters.

There are two **overarching solutions** to address this Priority:

A. reduce demand for rental accommodation; and
B. increase supply of rental housing.

Both solutions will likely need to be deployed and each can be addressed in a number of ways.

A. Reduce demand for rental accommodation

Option	1.1	Provide further incentives for first time home ownership

Option	1.1(a)	Accelerate creation and release of more serviced plots for subsidised purchase in Stanley, with option to create smaller plot sizes

Benefits

- Provides more opportunities for first time buyers to build their own home, eventually reducing pressure on the rental market as existing renters become property owners.
- This programme has proven to be both popular and effective in supporting home ownership in the past.
- The private home construction sector has proven adept at serving this market.
- If smaller plot sizes are made available, this could be an attractive option to lower income residents as there is an opportunity to increase affordability for purchase, construction and ongoing ownership costs such as maintenance and fuel.
- The availability of more, and smaller, plots could drive down competition and increase land affordability.

Challenges

- The proportion of the population that would qualify for this incentive is shrinking, so it is unlikely that sufficient rental supply can be released through this action alone.
- At existing plot sizes, additional release of serviced plots for subsidised purchase would likely reduce the serviced land available for building FIG-commissioned rental housing.
- Existing competition makes land affordability itself an issue, even with the FIG land subsidy.
- Based on shifting demographics, we predict that demand for rental accommodation will grow at twice the rate of demand for owner-occupied homes.
- Requires that FIG continue to spend on developing new serviced land, rather than encouraging the private sector to invest in speculative housing development.
- The direct cost to FIG is significant, but not as high as the cost to commission and build new houses directly.

Option	1.1(b)	Set aside a higher percentage of each residential land release for qualified lower income first time buyers

During the last major release of land in late 2018, 43 serviced plots were released for private home building (an additional 15 plots were set aside for FIG-owned housing). Of these, 10 (23.2%) were reserved for individuals on the first-time buyers scheme waiting list, to be purchased at 25% of FIG cost.

First time buyers are also preferentially eligible to submit bids during the competitive round, and in 2018 all bidders were successful in obtaining land.

However, the competitive round often results in bid prices that are significantly higher than the base bid of 25% of cost, which can be difficult to afford for lower income buyers. Making a higher percentage of plots available for the first time buyers scheme and possibly prioritising the waiting list by means-testing, would help to ensure lower income buyers are not disadvantaged.

Benefits

- Would align with the original intent of the programme to support first time buyers entry into the housing market.
- Some application of means testing to prioritise lower income households on the first-time buyers list would direct the greatest level of benefit to those with the highest need.
- Could move renters out of FIG accommodation more quickly, freeing up housing for more households in need.

Challenges

- Means testing requires an additional administrative burden and status will need to be verified and updated regularly.
- Prospective buyers would still have to meet all mortgage eligibility requirements.
- Reduced revenues for FIG and increased pressure to provide serviced land.

Option	1.1(c)	Provide equivalent incentives for first-time buyers purchasing in the resale market

This option would provide first time buyers with incentives to purchase and renovate existing properties in Stanley and Camp, equivalent to the subsidy available for first home construction – (i.e. 75% of the FIG cost of serviced land). Additional incentives could be made available for rehabilitation or demolition and rebuild of derelict housing stock.

This option could also be made available as a targeted incentive for the private sector to purchase and renovate homes for sale to qualified lower income or first home buyers.

Benefits

- Equally available for both Stanley and Camp residents.
- Could encourage vacant properties into the housing pool and eventually free up rental properties, as existing renters become property owners.
- Could result in quicker release of rental housing, if resale homes do not require renovation.
- Rehabilitation of substandard or uninhabitable housing stock in central Stanley will benefit the entire community and maximise use of already existing infrastructure.

Challenges

- There is a shortage of all skilled construction trades and contractors across the Falkland Islands, and it may be difficult to get renovation work completed in a timely and satisfactory manner.
- There is also a shortage of architects and engineers that could advise on renovations.
- Could be more complex to get planning permission, depending on the location of the property and the proposed renovation.
- Could strain existing, older infrastructure, including roads, water and sewer.

Option	1.2	Remove or relax restrictions on home ownership for work permit holders

Option	1.2(a)	Allow managed access to house purchase with restrictions

Although restricted access to home ownership can take many forms, the following restrictions and features would serve to minimise possible harms related to foreign ownership of land:

- Available to workers on contracts of 3 years or more.
- Purchase of existing (resale or new) housing only in the private sector.
- Purchaser must occupy the home for a minimum period.
- Minimum 25% down payment (consistent with the requirements of the SCB variable rate mortgage and similar to requirements in other markets for non-government guaranteed mortgages).
- Could feature specific ownership structures such that foreign ownership of a principal residence in the Falkland Islands is controlled and the risks are mitigated:
    - For new arrivals to the Falkland Islands, original purchase could provide for a 50-year life interest in the property which can be sold back to the Falkland Islands Government at the lower of the current or originally independently assessed value, should they move away from the Islands in less than 3 years;
    - Once the homeowners have resided in the Falkland Islands for more than 3 years and/or have obtained PRP, they can apply for conversion of the life interest into a full license to hold land, with full rights of ownership.
- It is not recommended that unrestricted access to home ownership be implemented immediately for work permit holders as there are insufficient safeguards in place.

Option	1.2(b)	Allow managed access to home ownership for new arrivals, including purchase of serviced land for housing construction

A different option for restricted home ownership would add the option of purchasing serviced land for new home construction:

- Could allow purchase after 1 year of residence, provided an employment contract of at least 4 years.
- If this is advantageous to the Falkland Islands, FIG could consider providing a small incentive (such as purchase of land at 75% of serviced cost) for work permit holders who commit to seeking PRP after 3 years – with incentive recoverable by FIG if property is sold and the owner leaves the Falkland Islands within 5 years of purchase.

Benefits – Options 1.2(a) and (b)

- Encouraging home ownership for new arrivals to the Falkland Islands is a potential way to reduce demand for house rentals.
- Placing restrictions on eligibility could have the effect of encouraging some potential new arrivals to consider their move to the Falklands as permanent.
- Would be of interest primarily to higher skilled, higher wage workers.
- Maintaining restrictions on resale, as well as a staged approach to full ownership during an initial period will help to mitigate the risk of flipping, profiteering or absentee landlords.
- Allowing new arrivals to purchase homes will strengthen the resale market and encourage some private sector owners of vacant properties to bring these to market.
- Would provide new demand that could stimulate private sector housing development to construct a small stock of new homes that can be sold into the market or made available for rent.

Challenges – Options 1.2(a) and (b)

- Will be of interest only to a portion of new arrivals to the Falkland Islands and will not significantly reduce the need for new rental housing in the short term.
- While there may be concerns about discrimination under the Constitution, the Falkland Islands already restricts home ownership through its application processes for a licence to hold land. Positive discrimination is allowed under the Constitution if there is a compelling reason and there is precedent from other UK jurisdictions, such as the Crown Dependency of Jersey, where different residential/employment statuses confer differential rights for housing (see Appendix 1).
- Could become complex to regulate or administer, although we could learn from our sister jurisdictions.
- Would likely require a specialist position within FIG to administer -which could be paid for through a fee levied on applicants to cover the cost of administration.
- Could drive up the cost of resale homes in the short term, if housing supply does not increase in response to demand. Careful monitoring will be required.

B. Increase supply of rental housing

Option	1.3	Provide incentives to existing property owners to improve vacant, partially complete or derelict properties and bring them into the rental market

Option	1.3(a)	Provide financial or tax incentives to bring vacant houses into the rental market

- Consider grants tied to affordability – for example a commitment to lease properties at no more than 110% of FIG average rental for similar size and age of accommodation.
- Grants should be tied to timing – with added incentive for renovating existing buildings and bringing into the rental market within 12 months.
- Instead of grants, a time-limited accelerated depreciation scheme could be offered for landlords with multiple properties. As an example:
  - 100% first-year depreciation of renovation/completion costs for units of acceptable quality brought into the rental market within 12 months;
  - 50% straight line depreciation of renovation costs for units of acceptable quality brought into the rental market within 24 months.

Option	1.3(b)	Impose penalties on property owners who maintain vacant or partially completed properties

FIG could consider imposition of penalties on property owners who keep habitable houses vacant for more than twelve months or who do not complete partially constructed houses. Exceptions can be made for registered second homes (for example, for Camp residents who maintain a property in Stanley). Penalties can be structured to accelerate over time.

Benefits – Options 1.3(a) and (b)

- Could bring unavailable properties into the rental market fairly quickly.
- Discourages landlords from holding housing back until renters are willing to pay rents that are much higher than existing levels.
- Encourages landlords to complete partially constructed homes and bring them into the rental market quickly, rather than waiting for future high demand conditions.

Challenges – Options 1.3(a) and (b)

- Penalties are likely to be seen as interventionist and unwarranted by property owners.
- The shortage of skilled construction trades and contractors, as discussed above, also applies as a constraint here.
- Would require FIG monitoring to calculate annual affordable rent caps and landlord reporting to ensure that they maintain their commitment to affordable rents.
- Does not overcome concerns expressed by some owners that renting is not worth the potential problems if rental rates are not sufficiently high.

Option	1.4	Increase pace and investment in FIG rental housing construction

In practical terms, there are few options available that could accelerate the pace of FIG housing construction, due to a shortage of construction labour across all skill levels and a shortage of accommodation that limits use of foreign labour. However, recent decisions to secure accommodation for temporary, unaccompanied workers should help to alleviate one cause of the construction worker shortage.

Benefits

- Would ensure new rental housing is offered at affordable rates and is of a consistent quality and standard.
- Could accelerate the pace at which FIG can choose to divest of older houses (although this would counter efforts to increase overall rental housing availability.
- FIG capital investment could attract new construction companies to enter the market, particularly from overseas.

Challenges

- Recent experience has demonstrated limited appetite from overseas companies, despite considerable effort by FIG.
- Over the last two years, FIG has allocated considerable additional capital budget to accelerated housing development but has experienced delays in delivery.

- Allocating additional capital budget to housing will divert investment from other necessary economic and social infrastructure such as the new port, power station and air terminal.

Option 1.5	Change the mix of rental housing to include more multi-unit buildings

While this is a longer term solution, consideration should be given to encouraging construction of affordable, good quality, multi-unit buildings suitable for singles, active seniors and young couples.

Benefits

- This change would respond to the expected demographic shift to more single person households.
- Availability of this type of housing could replace demand for caravans and additional mobile home parks.
- Heating costs for flats/apartments are typically lower than for stand-alone or semi-detached dwellings, making costs more affordable to lower income households.
- Construction and operation of this type of building could be more cost-effective and attractive to potential developers.

Challenges

- May require modifications to the building code and regulations to ensure appropriate safety and quality standards.
- Is a deviation from existing expectations and practice in Stanley.
- Would have to consider effects on infrastructure to ensure no negative consequences.

PP2. Affordability of rental housing in Stanley

The main **causes** for high rental prices in the private rental market include:

- insufficient housing supply and lack of competition in the private market, leading to higher than expected market rents;
- growth in the FIG contractor pool, which has priority access to FIG housing;
- FIG capacity to commission and deliver new public housing in a timely manner;
- previous experience of uncontrolled housing demand during oil campaigns has led to expectations of windfall rents and reluctance to rent into the local market at reduced rates even though the campaigns ended in early 2016.

To address the challenge of affordable rental housing, four Policy Options are proposed:

2.1. provide incentives for private, affordable housing;
2.2. implement rent controls;
2.3. use the welfare benefit system to help eligible low income households to meet rental costs both in FIG accommodation (as is currently available) and in the private sector; and
2.4. increase the FIG local housing pool and set aside a portion specifically for lower income households.

Option 2.1	Incentives for private affordable rental housing

There are few countries in the world where government is the primary provider of rental housing or affordable housing in the market. Although the Falkland Islands is likely too small to support the establishment of not-for-profit, arms-length housing corporations, incentive schemes could attract some private sector

provision of affordable housing. This is turn could reduce the need for government participation outside of social housing provision.

Features of an incentive programme could include:

- Value of incentive could be tied to rental rates – for example a basic incentive could be offered for housing offered at 110% of FIG median rates, with higher incentives available for housing offered at rents equivalent to 90% or 100% of FIG median rates.
- Tied to meeting minimum quality and home efficiency standards.
- To qualify for incentives, landlords should agree to a code of tenant rights including:
  - protection from eviction except in case of persistent non-payment of rent or significant damage to property;
  - option of one-year or short term lease, at the tenant's preference, with automatic right to renew subject to satisfactory payment of rent and good conduct;
  - annual rental increases no higher than the 12-month RPI increase except where a necessary and substantive improvement to the quality of the building or unit has been made.

Three types of incentives could be considered:

Option	2.1(a)	Loan guarantees to help local firms raise financing for affordable housing development
Option	2.1(b)	Tax incentives, through accelerated depreciation, for construction or renovation of existing buildings
Option	2.1(c)	Sale of serviced land at reduced cost for affordable housing development only – with provisions for claw-back by government if construction is not completed within a promised timeframe

Benefits – Option 2.1(a), (b), and (c)

- Loan guarantees have been demonstrated effective in the UK as one of the only government actions in recent years that has resulted in increased affordable housing construction.
- Incentives are less costly to government than investment in construction and would free up capital and resources for use in other infrastructure priorities.
- Would allow the government to introduce regulation into the rental market.
- Could introduce innovation into the rental market – in the form of new design, construction methodology, energy efficiency, etc.
- Private sector investment could speed up delivery of housing units – particularly if additional construction capacity is introduced at the same time (for example, through foreign partnerships).

Challenges – Option 2.1(a), (b), and (c)

- Could result in the creation of a private rental sector monopoly if there is interest from only a single investor.
- Incentives could be resource-intensive to administer if overly complex.
- Would require the development of landlord-tenant regulations to limit predatory behaviour.
- Would require ongoing monitoring to guard against land-banking (in the case of land incentives) and to ensure that commitments are being honoured.

- Could divert private sector capital and expertise away from other productive areas of the economy such as commercial and industrial development.

Option 2.2	Implement rent controls in the private sector

In order to reduce the likelihood of predatory landlord behaviour in the case of another demand spike, such as was seen during the 2015/16 oil exploration round, FIG could implement rent controls on the private sector, ideally as part of a package of landlord-tenant protections.

If applied retroactively to unilaterally reduce existing rental rates, we believe this action would result in withdrawal of existing rental units from the market, as well as the cessation of new rental housing construction. Therefore, this option is likely to further constrain rental housing supply, placing further pressure on FIG to play an even greater role in rental housing provision.

However, in the absence of a well-functioning rental market, which would see supply develop in anticipation of demand, some form of tenant protection is desirable and likely necessary. FIG should work with the private sector to agree the features of either a voluntary or regulated code that would provide measures of predictability, protection and fairness.

Option 2.3	Use the welfare benefit system to help eligible low income households to meet the cost of private sector rent

Under current income support mechanisms, which are in the process of being reformed, very low income households in FIG accommodation are eligible for rent and fuel rebates but those in private-sector housing are not. As the FIG social (local) housing pool is currently insufficient to meet demand, this has the effect of doubly penalising low income households that can only find accommodation in the private sector.

Under this option, rather than intervene in regulating rental rates, FIG would use the mechanism of the welfare system to help low income households afford the cost of rent. This reform is included as part of the welfare reforms recently approved by ExCo and expected to come into force in 2020.

Option 2.4	Increase the FIG local housing pool and set aside a portion specifically for lower income households

Currently, FIG has prioritised adding to its contractor housing pool to accommodate the increasing number of FIG work permit holders required to provide necessary services to the Falkland Islands population.

PP3. Affordability of home ownership in Camp

Anecdotal evidence suggests that some prospective new Camp residents have difficulty in assembling the required down payment and/or in demonstrating sufficient income to qualify for a mortgage.

There is evidence that costs to build new homes in Camp can be from 30 – 45% higher than a comparable property in Stanley. This would suggest that the cost of a new 3-bedroom home could be between £156K and £174K. Although Camp residents are eligible for both the Joint General Mortgage Scheme and the Variable Rate Mortgage Scheme, the rules governing minimum down payment and available FIG guarantee are based on the value of construction in Stanley, with the

JGMS capped to a house value of £120,000.[25] In addition, all borrowers must demonstrate that their incomes will keep them within the maximum debt servicing ratio of 50%.

Therefore, while FIG policy is to guarantee up 50% of a Camp JGMS mortgage, this would in reality be capped at £57,000 (50% of £114,000). The effective guarantee therefore, if the average price of an equivalent build in Camp is £156,000, would be 40% of the mortgage value.

Increasing the JGMS cap for 1st time home buyers in Camp might represent a potential solution to this issue.

Option 3.1	Increase the JGMS cap for first time homebuyers in Camp

- It is suggested the FIG Treasury work with the SCB and FIDC to establish a cost-to-build benchmark for each of the East Falklands, West Falklands and the Outer Islands.
- Once this benchmark is established, FIG should work with SCB to understand the implications of raising the JGMS cap for first-time Camp home buyers, in order to reflect the higher average cost of house building so that a higher percentage of the overall property value could be subject to the 5% down payment requirement.
- If FIG maintains its 50% guarantee for Camp properties, this would imply a higher guarantee would need to be provided to the bank, with the associated risk factors.
- The treatment of any direct grants would have to be considered and rules established in advance.

Benefits

- Would be seen to be more equitable to Camp residents and would respect the intent to provide meaningful FIG support to first home buyers.
- Would support long-standing Islands Plan objective to actively encourage and support living in Camp.

PP4. Affordability of home ownership for lower income residents in Stanley

Although the evidence presented suggests that home ownership would be affordable for most Falkland Islands households, based on average new home values and monthly mortgage costs, this is not the case at every income level. In particular, households with incomes of less than £30,000 would likely not meet the borrowing limit imposed by SCB for a £120,000, even though they might meet the monthly payment threshold. There is a real risk that these households will be permanently priced out of home ownership if lower cost housing is not available.

Given the limited supply of serviced land for sale, coupled with strong demand, the tendered bids for residential plots have been rising – reducing the effectiveness of the first-time buyer land rebates to support affordable home ownership. The same is true in the resale market, where limited availability has been driving higher prices. These factors mean that some families will find it harder to accumulate the necessary down payment to allow them to construct or purchase a home. They also mean that FIG and SCB should be regularly reviewing the overall JGMS mortgage cap, to make sure that it continues to reflect an achievable home purchase value.

There is considerable risk in reducing initial down payment requirements below the existing 5% for first time home buyers, or in reducing the minimum debt service ratio that currently exists. To date, the mortgage programme has an excellent track record of no mortgage foreclosures or serious

25 To illustrate, the down payment required for a qualified buyer's first home construction of a 3-bedroom house could be as high as £15,000, assuming a cost to build of £156K. This is 2.5x the down payment required for an equivalent Stanley property based on the average new home value (including land) of £120,000.

delinquencies, which is evidence that borrowers have been able to afford the obligations they have taken on. Allowing a higher debt service ratio or an even more highly leveraged mortgage could lead borrowers into taking on monthly costs that they cannot afford. Therefore, we suggest that this option is not prudent.

We have identified three Policy Options that could help to mitigate or resolve this issue, namely:

4.1. introducing a first home buyer saving scheme;
4.2. sale of older FIG properties to low income buyers at cost recovery; and
4.3. introducing a FIG low income buyer co-investment scheme.

Option 4.1	First home buyer saving scheme

- FIG could work with SCB to develop a registered home buyer saving scheme whereby taxpayers could save up to £2,000 per year (for a period of 5 years to be used towards the purchase of a first home. A higher maximum annual contribution and accumulation may be appropriate for Camp residents.
- Payments into the scheme to be deducted from taxable income in the year they are made.
- Accumulation of up to £10,000, plus accumulated interest, over 5 years. For a 2 income household, the accumulation could be as much as £20,000.
- Withdrawal from the scheme must be to put towards the purchase of a first home in Stanley or Camp.
- If funds are withdrawn for another purpose, they will be fully taxable as income in the year they are withdrawn.

Benefits

- Provides support for savings at nominal cost to FIG (average foregone personal income tax of approx. £520 per individual per year).
- Provides a mechanism to increase affordability for a greater number of households.
- Once the programme is set up, provides flexibility to increase or decrease maximum annual contributions based on house price trends.

Challenges

- Could require a legislative framework to set up and regulate the scheme, for potentially only a small group of users.
- Will require administrative changes to the personal tax reporting system.
- Will require coordination with SCB to offer the specialised savings accounts as part of their suite of products in the Falkland Islands.

Option 4.2	Sale of older FIG properties to current low-income tenants, at cost recovery

It has been suggested that FIG could sell some of its older properties to long-term, low income tenants at a discounted price that is no greater than cost recovery. This could provide a potential option for home ownership for lower income residents currently in FIG housing. Should this option be pursued, a housing survey should be conducted amongst FIG tenants to pre-determine potential interest and ability to afford.

Benefits

- Divesting of older properties could relieve FIG of the need to invest in extensive refurbishing or renovation in order to bring these homes to current standards.

- Could provide an affordable option for those in low income households who can afford monthly mortgage payments if the home purchased was significantly below the current average house price.

Challenges

- This option would reduce FIG's available social housing stock even further and would not be recommended without a concurrent commitment to investment in replacement housing (as there is still a waiting list for FIG housing).
- FIG could be accused of selling houses it knows are in need of extensive refurbishment or repairs, to households who may not be able to afford the maintenance and upkeep. This could eventually pose building safety concerns.

Option 4.3 FIG low income rent-to-buy scheme

In order to support lower income buyers in saving for a first home, FIG could designate a percentage of all its new builds as 'affordable housing', to be made available to the local community on a rent-to-buy basis.

- As a pilot project, FIG could begin by designating 10% of its planned new housing as rent-to-own.
- Priority could be given to those currently in local pool (social) housing and those living in non-nuclear households (i.e. with parents or friends), as well as to first-time buyers with incomes below the median Falkland Island annual income for their household configuration.
- Prospective participants should have demonstrated ability to make afford monthly housing payments.
- To illustrate, rental on these properties could be set at cost + 15%.
- The additional 15% would be deposited into a tenant savings fund, to be used as a down payment towards the eventual purchase of the unit they are occupying after an agreed period of time.
- Value of the property could be set at actual construction costs plus 25% of serviced land cost (equivalent to the existing first-time buyer programme). To support affordability, FIG cost of capital/borrowing might not be included in the property value, but should be noted as a 'grant' to the eventual owner to accurately reflect the cost of this support programme to FIG.
- Rent-to-buy properties will be maintained by the tenant who will be the eventual owner.

Benefits

- Rent-to-buy schemes have proven effective in the UK and other jurisdictions in supporting lower income households into home ownership.
- If applied to new FIG accommodation, home buyers will have access to energy efficient new homes with lower maintenance costs.
- The scheme will reduce FIG maintenance requirements for these designated properties.
- Has the potential to free up houses in the social housing pool, making affordable housing available to those currently on the waiting list.

Challenges

- This scheme would be administratively complex and entail some risk of default or poor maintenance on the part of the tenant.
- Would require a legal contract between FIG and the tenant, setting out the terms of the co-investment as well as the consequences of default.

- FIG would need to work with SCB early in the process to establish the value of the property and ensure that the tenant would eventually qualify for a mortgage.

PP5. Housing quality and suitability

Most Falkland Islanders rated their own housing as either good or fairly good, both in Stanley and in Camp. Notwithstanding, it is recognised that housing quality is variable in Stanley and Camp and particularly that some accommodation in the mobile home park is substandard, as are some older FIG 'cabins'. In addition, public infrastructure in the mobile home park is not to the same standard as in other Stanley neighbourhoods.

There have been accounts of overcrowding in some houses which can be seen as an issue of housing suitability, as well as increasing safety risks. Reportedly, overcrowding is due to limited availability of suitable options, and possibly to some private sector employers attempting to minimise their costs to house lower wage foreign workers. It is suggested that this issue be considered when developing landlord/tenant regulations, described as Priority 6.

Option 5.1	Implement a moratorium on caravan/mobile home parks and improve standards in existing homes

- Work with owners of existing caravans, particularly in the rental market, to meet minimum building standards within 5 years.
- Consider providing small renovation grants to help individual owners improve their caravans to minimum safety and comfort standards.
- Commit to FIG providing infrastructure improvements to minimum neighbourhood standards within 5 years.
- Develop planning guidelines and possible incentives to build alternatives to caravan/mobile homes that meet demand for lower cost basic accommodation and single bedroom units, including flats or multi-unit dwellings.
- Consider designating some land for higher density housing to reduce the cost per square metre.

Benefits

- Would result in improvements to the existing caravan park and would promote permanent alternatives for low income housing.
- Would ensure that all residents of Stanley receive a standard of public service.

Challenges

- Would require resources to identify, communicate and enforce minimum standards for existing homes and may require legislative tools or grants to incentivise improvements.
- Would require resources to improve public infrastructure.
- Would require government resources to develop planning guidelines for low income housing alternatives suitable to the Falkland Islands.
- Some individuals may prefer to live in caravan housing rather than multi-unit buildings.

Option 5.2	Allow some additional caravan homes, but implement standards for basic construction, energy efficiency and safety

- Some residents of the mobile home park are there by choice rather than necessity alone and may prefer to have a standalone unit, however small, over accommodation in an apartment building.
- Therefore, this housing may fill a small but necessary market niche and therefore will continue to be the choice of some, into the future. This includes homeowners who may want to put a caravan on their property to house extended family members such as aging relatives.
- It may be appropriate to limit permits for new caravan homes to individuals, rather than for landlords.
- For this segment, standards should be implemented to ensure these homes meet appropriate safety and quality standards.

Benefits

- Recognises and respects individual choice.
- Limiting this option to individuals rather than companies will encourage the latter to construct better quality housing for their own temporary staff.
- Minimum standards will reduce the creation of 'slums' – poorly maintained, undesirable and low quality housing.

Challenges

- Would require resources to identify, communicate and enforce minimum standards.
- Public perception of caravan parks as undesirable may lead to criticism if new caravan park development is designated.

PP6. Security of Tenure in Rental Accommodation

Option 6.1	Landlord/tenant protections

With the increased participation of the private sector in the housing rental market, it will be important to ensure that adequate safeguards are in place to protect both tenants and landlords from unreasonable behaviour. This could take the form of regulation or voluntary adherence to a landlord code of practice.

Such protections might include:

- Execution of a standard lease agreement.
- Default one year tenure, except by mutual agreement.
- First right of refusal for renewal.
- Rent increases limited to once per year and based on inflation plus recovery of costs for necessary premises improvements.
- Grounds for eviction in case of tenant misbehaviour (non-payment of rent, disturbance, damage to property, etc.).
- Three month notice period of intention to renew or vacate.
- Maintenance and repair obligations for both parties.

Benefits

- Would reduce opportunities for opportunistic behaviour in the event that super-heated rental demand recurs.
- Would provide assurance to tenants.
- Would provide assurance to landlords.

Challenges

- Difficult to enforce a voluntary code in the case of individual landlords with only a few units on the market.
- Could further discourage some landlords from putting vacant properties on the rental market, in order to be ready for anticipated 'super-heated' demand.
- If landlord-tenant protections are regulated, this will create a significant burden for FIG in monitoring and enforcement, even if a complaint-driven monitoring protocol is implemented.

PP7. Completeness of information on Falkland Islands housing stock

Data limitation was a serious challenge when trying to estimate current housing supply, in the absence of a comprehensive and up-to-date Property Register. At the moment, information is scattered across several FIG Departments and is both incomplete and inconsistent – resulting in significant limitations in developing a complete and accurate picture of existing housing stock.

Reliable information is critical to facilitate planning and to help ensure that FIG resources are used efficiently and effectively and are directed to the right problems. We suggest that two sources of information be developed:

7.1. develop and maintain a comprehensive property register for all houses in the Falkland Islands; and

7.2. develop and implement a mandatory, annual rental housing survey.

Option	7.1	Develop and maintain a comprehensive property register for all houses in the Falkland Islands

- A comprehensive Register could include information on the whole existing housing stock, detailing housing units by tenure (rented, owner-occupied, or vacant), type of dwelling, number of bedrooms, age of the building, etc.
- This Register could be structured in such a way as to allow a link to other relevant databases such as those on planning permissions, certificates of occupancy, service charges, etc.

Option	7.2	Develop and implement a mandatory, annual rental housing survey

- The intent of the survey would be to have an annual list of rental rates for every rental unit in Stanley and Camp.
- This information could be most efficiently collected as part of the tax return system – requiring any individual or company reporting residential rental income to fill in a short form indicating size of unit(s), number of occupants and monthly rent at January 01 (or whatever date is deemed most appropriate).
- Data would be compiled and anonymised and reporting would be aggregated to provide average, minimum and maximum rents. The survey would also provide information to calculate vacancy rates.

Appendix 1

Residential/employment status categories in Jersey

Residential / employment status	Definition	Housing	Work
Entitled	Someone who has lived in Jersey for 10 years (more details below)	Can buy, sell or lease any property	Can work anywhere and doesn't need permission to be employed
Licensed	Someone who is an 'essential employee'	Can buy, sell or lease any property, apart from assisted purchase or social rented housing, in their own name if they keep their 'licensed' status	Employer needs permission to employ a 'licensed' person
Entitled for work	Someone who has lived in Jersey for five consecutive years immediately before the date the card is issued, or is married to someone who is 'entitled', 'licensed', or 'entitled for work'	Can buy property jointly with an 'entitled' spouse / civil partner. Can lease 'registered' (previously 'unqualified') property as a main place of residence.	Can work anywhere and doesn't need permission to be employed
Registered	Someone who does not qualify under the other categories	Can lease 'registered' property as a main place of residence	Employer needs permission to employ a 'registered' person

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