



# SIZE DOESN'T MATTER

## Giving a green light to micro-homes

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BRIEFING PAPER

### EXECUTIVE SUMMARY

- Housing is the most crucial problem faced by Londoners as supply has not kept pace with demand, leading to a quintupling of average prices over the past 50 years.
- Many are now forced to endure long commutes, live in overcrowded shared flats, or leave the city. In the past 20 years, London's population has grown by 25%, but the number of homes by only 15%. By 2025, 3.5m Londoners will be living in rented housing, with 79% of the adults who moved to London in the last year renting.
- In addition to reforming the planning system to allow more houses to be built, micro-housing would enable land to be used more efficiently.
- Micro-housing is not for everyone, however, for many younger individuals smaller homes would provide the opportunity to live centrally: close to work, entertainment and other amenities at an affordable price.
- Micro-housing is about expanding the choices available to the many Londoners who are open to living in smaller apartments.
- Micro-housing is not the same as cramped sub-division of existing units, they are smart, modern, custom designed units that make good use of space which have won prestigious architectural awards. Micro-housing is often accompanied by communal amenities such as games rooms and open living spaces that help address loneliness.
- Local authorities must reverse their opposition to smaller units in order to provide Londoners with more housing choice at affordable levels.

More and more Londoners identify housing as the most crucial problem the UK capital is facing. Supply is not keeping up with demand and rents are under constant upwards pressure. Over the past 50 years, London's average house price has more than quintupled. Thousands are forced to pick between long commutes, living in overcrowded flats or leaving the city altogether.

Tweaking the status quo cannot solve the crisis. To bring rents down to truly affordable levels, alternatives to reforming the planning system to allow more homes to be built are inadequate. But the solution isn't simply to open more land up for development: it's also ensuring that land is used as efficiently as possible.

One way of using land more efficiently is *micro-housing*. Micro-flats are regularly in the media spotlight as a potential source of affordable housing. Public opinion is largely divided on the new trend; some see micro-flats as a solution to the crisis and others dismiss them as 'rabbit hutches' not fit for human habitation.

Micro-housing is not a panacea but it can be a partial solution to the problem—a policy shortcut. Building micro-houses cannot (and should not) be a substitute for profound reform of housing regulation. Certainly, micro-flats are not a suitable form of housing for everyone, yet for a particular group of Londoners they can be a remedy.

Among those most affected by the housing crisis are millennials ('generation rent' as the media labels them). Young and economically active, many would rather live in a smaller unit close to their workplace and the world-class entertainment a city like London offers rather than in a bigger suburban flat. For millennials, what is outside their home matters no less than what's inside — another sign of lifestyle 'uberisation'. Hence, for them micro-housing could be a suitable option.

Building more micro-flats is not about forcing everyone to give up a living-room as it has been crudely caricatured as before. Rather, it is about giving people more options to choose from. Decades ago, a standard office comprised of separate cabinets. But fast forward to the twenty-first century and most large companies have embraced the open space layout — it was a change of attitudes, not a lack of resources, that drove this change. A similar shift can happen in our perception of a home. For many millennials, it has probably happened already.

More and more Londoners, even in wealthy areas, are comfortable with living in smaller apartments.<sup>1</sup> Micro-housing has a number of advantages over its alternatives and is able to fill an important gap on the London real estate market. Notably, due to its small scale and adaptability, micro-housing helps to increase density in a given neighborhood without disrupting its routine.

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<sup>1</sup> [LCPq: London Central Portfolio Quarterly Review Prime Central London \(PCL\) Market Outlook Q2 2017.](#)

Nonetheless from a legal view micro-flats are in the ‘grey zone’. Getting approval for micro-housing schemes is deemed almost impossible as local authorities remain sceptical about building houses in unconventional ways. What first comes to their mind when they hear about micro-flats are disturbing images of cramped units in slums. But these dark airless rooms are not micro-flats. They are regular flats informally subdivided between residents: the direct result of a legal ban on purpose-built micro-apartments.

Micro-housing can become a crucial element of the UK’s residential market, and millennials could be the number one beneficiaries. However, the concept has several challenges to overcome in order to become a truly recognised alternative for tenants. In this paper, I will analyse the international experience of dealing with micro-apartments, address the most popular concerns about this type of housing and suggest a UK policy solution.

## HOUSING CRISIS IN LONDON

### NO HOMES, NO GROWTH

For about a decade, a growing proportion of Londoners have named housing as one of the most crucial problems their city is facing.<sup>2</sup> This was recently backed by official statistics published by the Greater London Authority (GLA). The new London Housing Market Report confirms that we are experiencing an unprecedented — and deepening — housing crisis.

London’s population is projected to grow over 10 million by 2035 if not constrained by housing supply. However, if we stay on the same trajectory of real shortages, the growth of population — and, consequently, the capital’s economic growth rate — may be much lower. **In the last two decades the London’s population has grown by 25%, but the number of homes by only 15%.**<sup>3</sup> Income per capita in the UK would get a massive boost if potential employees could afford living in the capital (Myers, 2017).

By 2025, about 3.5 million Londoners are expected to be living in rented units.<sup>4</sup> Notably, as the GLA report shows, those renting privately tend to have lower levels of unemployment and economic inactivity than both outright owners and social tenants, thus contributing most to London’s economic activity. Fixing the market for rental houses, therefore, is most crucial for economic growth as the most productive members of the workforce depend on having affordable rent.

Similar tendencies are observed in most other major European cities. From Lisbon to Helsinki, urban dwellers find it easier to find a job than a home to rent. The Eu-

<sup>2</sup> Ipsos MORI Issues Index: 2017 in review.

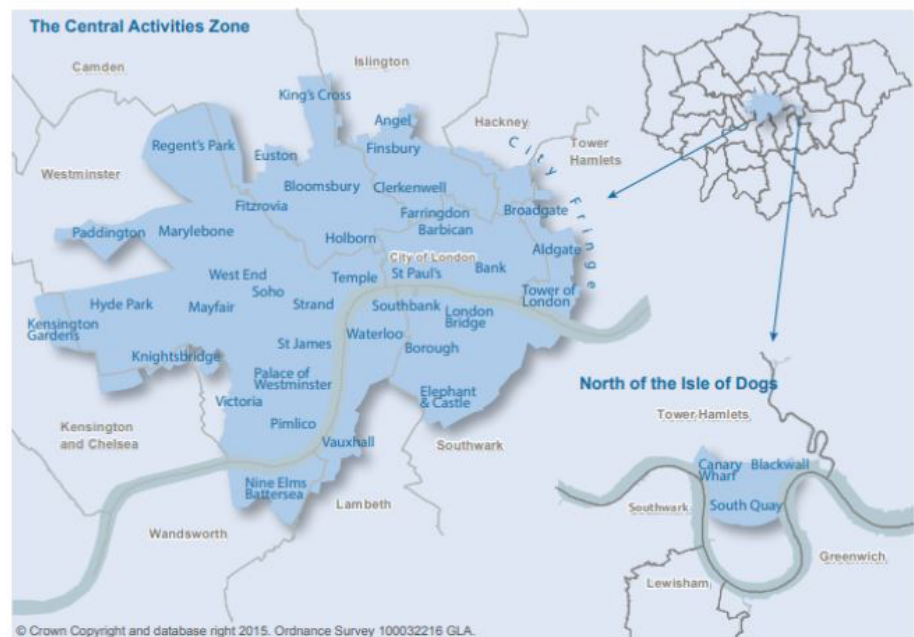
<sup>3</sup> [Housing In London 2017: The evidence base for the Mayor’s Housing Strategy.](#)

<sup>4</sup> [PwC \(2016\). London to be transformed from city of home-owners to city of home-renters in a generation.](#)

ropean Commission has identified a clear pattern; housing is particularly hard to find in cities with good employment prospects.<sup>5</sup> While being second after Paris in terms of job opportunities, London wins the bronze medal for difficulty of finding housing (surpassed only by Stockholm and Amsterdam).<sup>6</sup>

In London, it is particularly hard to find accommodation in the so-called Central Activities Zone — a term Greater London Authority uses for the most attractive commercial locations. Stretching from King's Cross in the northeast to Battersea in the southwest it offers one third of all jobs in London. Cumulatively these areas generate an impressive 10% of UK economic output.<sup>7</sup>

**Figure 0.1 London's Central Activities Zone and North of the Isle of Dogs**



Those who manage to find accommodation in the UK capital have to compromise significantly on their living standards. House prices in the UK are growing faster than in any other OECD country; unfortunately, the same does not apply to earnings (Hilber, 2015). Hence, **an increasingly large share of income is spent on housing — one third of income today compared to one fifth 15 years ago** (Corlett & Judge, 2017). Adding insult to injury, the quality of living space is also decreasing. in the southwest it offers one third of all jobs in London.

### **NO HOMES, NO GROWTH**

Like in any other market, housing market behavior is determined by supply and demand. With demand for new homes steadily growing, supply is failing to catch

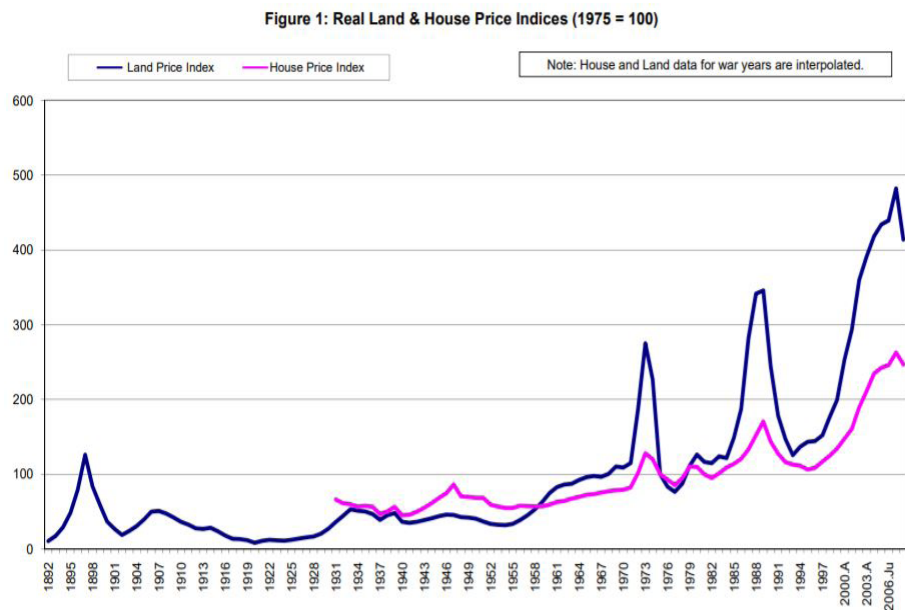
<sup>5</sup> EU Commission: [Quality of Life in European Cities 2015](#).

<sup>6</sup> ECA International (2018): [London remains the most expensive location for rental accommodation in Europe](#).

<sup>7</sup> Central Activities Zones: [Supplementary Planning Guidance \(2016\)](#).

up. The leading cause of the situation is the lack of new homes being built. This is primarily due to excessive and inefficient regulation.

For centuries, house prices in London primarily depended on construction costs. Growth in demand was matched by increased building activity. Everything changed in 1947 when The Town and Country Planning Act was passed. From that moment on a permission was required for land development. Shortly after, the price of land started growing and pushed the price of houses upward. Research by Paul Cheshire, Emeritus Professor of Economic Geography at the London School of Economics, analyses real land and house prices from late 19th century up until a decade ago (Cheshire, 2009). The lag effect that he discovered as a byproduct of the 1947 Act is highly visible here:



Source: [Spatial Economics Research Centre](#)

Another study found that London rents might have been inflated by more than 300% because of planning restrictions (Myers, 2017). Consider this: only 25% of the price one pays for a house reflects its construction cost, the other 75% reflects the cost developers pay to get through red tape!

Delivering new housing units becomes an economically unprofitable enterprise in a regulatory environment where even a mansard roof extension takes two years and hundreds of pages of submissions to receive permission.

It has little to do with any shortage of physical land.

There is a buffer zone three times larger than the built-on area of London that could potentially allow the construction of millions of new homes if it wasn't for outdated restrictions.

The Metropolitan Green Belt was originally meant to give Londoners access to green space, only to limit their access to low-cost homes. Much of it today is, technically, not even green but comprises of wasteland with no particular aesthetic or

environmental value (areas of outstanding natural beauty have their own, independent protection).

The land in central, more densely populated areas, is also used in a highly inefficient way—half of Londoners live in buildings with just one or two floors.<sup>8</sup> Adding more high-rise buildings could allow millions of economically active people to live closer to their offices, reducing the pressure on public transport. The pace of building new homes in London’s neighbourhoods, apart from regulations, is slowed by the so-called NIMBY (“Not In My Backyard”) mentality. Although polls show that most Londoners generally support the construction of new residential houses (Myers, 2017), those opposing any changes to the existing landscape are usually more vocal and the planning system favours those making objections.

To summarise, burdensome regulations, planning constraints, green belt restrictions as well as NIMBYism all contribute to London’s housing shortage. A major reform of existing policies is required in order to tackle these problems. Removing regulatory bottlenecks is essential for creating sufficient housing supply in the long run. Despite its importance, however, it is not the subject of this paper. I am suggesting micro-housing as a partial solution to the problem. Micro-housing is no panacea — it is not going to be a suitable form of housing for everyone who needs a flat in London. Building micro-flats cannot (and should not) be a substitute for profound reform of housing regulation but for a particular demographic of Londoners — namely young professionals — micro-houses could prove transformative.

## **GENERATION RENT**

Micro-flats are obviously not suitable for everyone, yet there is a certain segment they seem to satisfy well. As researchers from Urban Land Institute found, the target market profile for micro-flats is largely young professional singles (Carey, 2014). A number of advantages make compact homes (another synonym for a micro-flat) particularly attractive for them.

Contemporary young professionals are more flexible than their 20th century counterparts. Becoming a homeowner is not an option for most of them at this stage in their career due to high costs and deposit requirements. *The Guardian, Independent, Financial Times, The Telegraph, BBC, The Times, Evening Standard* — all of them occasionally use the expression “generation rent” as a synonym of “millennials”. GLA statistics show that around 79% of adults who have come to London in the last year are renting. Unsurprisingly, the private rented sector becomes a “gateway” tenure for those new to London.

For young and economically active urban dwellers, renting micro-flats can be their only chance to stay within the Central Activities Zone. As a recent report by Goldman Sachs showed, millennials interpret their quality of life differently to the previous generation.<sup>9</sup> Instead of a bigger flat in the suburbs, they prefer to live close to

<sup>8</sup> [Housing In London 2015: The evidence base for the Mayor’s Housing Strategy.](#)

<sup>9</sup> [Millennials: Coming Of Age](#)



their workplace (and cycle or walk to the office if possible), even if that means living in a smaller unit. For them, renting a micro-apartment would be a close-to-perfect option.

## **SURVIVING IN A BIG CITY**

### **THREE STRATEGIES: STRETCHING, CRAMMING, LEAVING**

The housing affordability crisis is taking its toll on every Londoner. However, for a number of reasons it disproportionately affects millennials. A young professional at an early stage of her career working as an analyst in the City or a software developer on Old Street would struggle to find a flat in close proximity to her office. With an average annual salary of £27,000, she will have to spend about half of her earnings on accommodation.<sup>10</sup> There are three options that she would consider instead, none of them particularly satisfactory.

#### **STRETCHING**

One way for a young professional to afford renting a flat in London is to find accommodation outside of the Central Activities Zones. In that case, she will be joining the weary army of commuters spending at least an hour per day travelling— a routine so unpleasant that, as Swiss economists found, a person with a one-hour commute to work has to earn 40% more money to be as satisfied as someone who walks (Frey & Stutzer, 2002). The UK Office for National Statistics came to a similar conclusion: personal happiness decreases with every mile of commute.<sup>11</sup> The stressful experience of travelling in a packed peak hour train is just one reason for that. The other is related to damaged social ties.

Harvard professor Robert Putnam in his best-selling book *Bowling Alone* warned about declining levels of social capital in the United States. Every 10 minutes of commuting, he wrote, cut community involvement by 10% (Putnam, 2000). Now that only half of Brits know their neighbor's name, it seems to be the case for the UK as well.<sup>12</sup> And, again, London millennials, despite all the social networks and dating apps, are suffering from loneliness more than any other group (Garrett, Blake, Byrne, 2017).<sup>13</sup>

#### **CRAMMING**

Sharing living space with complete strangers (a.k.a. flat-sharing) is a popular alternative to living far from the city centre. But it does not increase levels of happiness either. Trapped between two extremes, many Londoners have to make a dismal choice between living lonely and far away, or living with flatmates they barely know.

<sup>10</sup> [Total Jobs: What is the average salary for Graduate jobs in London?](#)

<sup>11</sup> [Office for National Statistics \(2014\). Commuting and Personal Well-being.](#)

<sup>12</sup> [Bisto Together Project](#)

<sup>13</sup> [Ipsos SRI: Social Isolation in London](#)

Unlike interacting with one's neighbours, sharing living space with strangers adds to the feeling of loneliness and insecurity rather than alleviates it (Kemp & Rugg, 1998). It requires investing certain mental energy into lengthy and recurrent negotiations over acceptable levels of noise, cleanliness and privacy. In extreme situations, some flat-sharers might even face anti-social behaviour, theft and violence (Rugg, 2008).

In attempts to avoid long commutes while securing at least some privacy, younger tenants turn to studio flats and other types of smaller units, which, besides being small, are also often of low quality. In a seller's market, which is the case for London's housing market, landlords are reluctant to invest in improving the poor quality of accommodation stock (Unison, 2014).

## LEAVING

The third strategy, probably the most detrimental for London as a city and as an economy, is simply to leave the UK capital for either another part of the country or another rapidly emerging metropolis outside Britain. This is, in fact, already happening, and the trend affects the domestic and foreign workforce. The number of people in their early 30s leaving the capital has doubled in last decade (Intergenerational Commission, 2018). For them, relocating from London to Berlin, Manchester, or Amsterdam can be exasperating but manageable. Yet for the future of the London economy this trend could be highly damaging.

## MICRO-HOUSING: A VIABLE SOLUTION?

### WHAT COUNTS AS 'MICRO'?

Micro-homes, micro-units, compact housing — these are all terms used to describe what can become a partial solution to the housing problem in metropolitan areas. As the trend is global, there is no standard definition — it can be 32 square meters in New York City or half that in Tokyo. In the UK, a micro-property has no strict definition but usually refers to properties with a floor area below 37 square meters.<sup>14</sup> The British Property Federation simply uses the term for “homes that do not conform to current minimum space standards” (which is 37 square meters). The second — and no less important — part of the definition implies that a micro-house has to be purpose-built and should provide some communal shared spaces and additional services.

Hong Kong developers were among the pioneers of micro-housing. They capitalised on the gap between the amount of jobs versus the amount of flats available in a big city. In 2009, architect Gary Chang presented a flexible [32-square-metre flat](#) which can be modified thanks to sliding walls attached to tracks on the ceiling. One of the first purpose-built micro-housing projects in New York, [Carmel Place](#), was inaugurated in 2016 and soon after won a prestigious award from the American

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<sup>14</sup> BPF: [Micro Living](#)



Institute of Architects, the country's biggest architecture association. The flats at Carmel Place range from 24 to 33 square meters — about half of an average Manhattan studio.

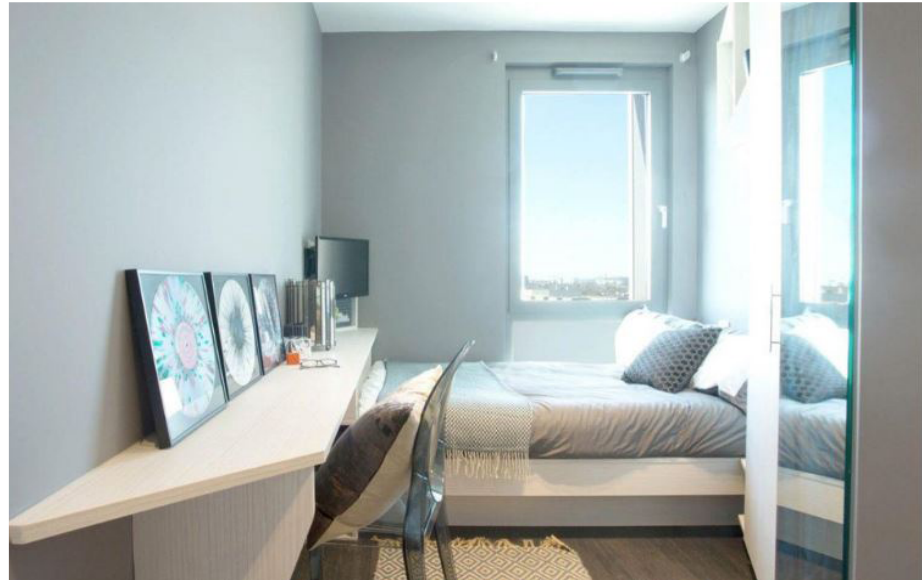


[Gary Chang's transforming micro-apartments in Hong Kong](#)



[NYC's first micro-housing project](#)

London has successfully implemented this model, too. The world's largest micro-apartment building can be spotted not far from Willesden Junction station. [The Collective Old Oak](#) offers 546 private units plus various communal spaces such as games rooms, gardens, and co-working. Not long ago the company has announced its plans to open three sites in the US and three sites in Germany, becoming the largest co-living provider in the world (Smith, 2018). Generally, London planning restrictions prohibit renting out flats as small as The Collective offers. It is only due to a loophole in regulation that a British startup is now on its way to becoming the world leader in co-living.



[A single room at The Collective Old Oak](#)

The cost of renting a micro-flat is, of course, lower than of a conventionally sized unit (Carey, 2014). But the popularity of micro-apartments in large urban centres is not entirely due to their lower costs. A survey by Kingsley Associates, a real estate intelligence firm, revealed that many respondents find micro-housing options attractive due to a highly desirable location, which in various contexts means hip, walkable, authentic or simply central. Most micro-apartments are located in prime urban areas giving tenants access to amenities they could not otherwise afford (Geffner, 2018).

### **A CURE FOR THE LONELINESS EPIDEMIC**

Another concept that is not synonymous to micro-housing but significantly overlaps with it is co-living. The Royal Society of Arts defines it as “a form of housing that combines private living space with shared communal facilities” (RSA, 2018). Unlike in the case of flat-sharing, the private and the public areas are clearly separated so that residents are not forced to interact with each other. At the same time, co-living encourages voluntary social interaction. Along with decent rent costs, a vibrant community becomes the main selling point of co-living. Almost two thirds of those seeking to rent a flat in London are singles.<sup>15</sup> While the media are warning about the ‘loneliness epidemic’ in the UK and Theresa May appoints a minister to fight loneliness, co-living can be part of the solution.

Co-living and micro-housing are not the same thing, although the media and the planning authorities sometimes confuse them. It is a mistake to compare the two solutions, co-living and micro-housing, as if they were meant for the same group of people. In reality, they are designed for people with slightly different preferences. People who prefer co-living might be more interested in becoming part of a community and thus value the atmosphere within the development more than the one outside. In contrast, people who are happy to live in plain micro-units are seeking

<sup>15</sup> [LCPq: London Central Portfolio Quarterly Review Prime Central London \(PCL\) Market Outlook Q2 2017.](#)

a more central location. For them the community in the building may be less of a priority.

London authorities seem to be warming towards co-living projects while still disapproving of the idea of micro-flats. Offering more diverse options to choose from would allow more people to satisfy their needs and help them find an appropriate place to live.

## CONCERNS

Public opinion so far has been largely divided on the new micro-housing trend. To get a glimpse of the most widespread opinions, one can simply search for ‘micro-housing’ in the news only to see two polarised viewpoints. About half of the headlines will be suggesting micro-flats as a remedy or at least a symptomatic treatment to the housing crisis:

*[The Telegraph](#): Can micro-flats solve Britain’s housing crisis?*

*[New Statesman](#): Tiny flats won’t solve the housing crisis, but they can help*

*[BBC](#): Are rented micro-homes the future for young singles?*

*[Metro](#): Micro-flats might be just what London needs to solve the housing crisis*

The other half unhesitantly rejects the idea of micro-flats, usually blaming their developers for abusing market deficiencies just to extract more profits from those who cannot afford anything better than a ‘rabbit hutch’.

*[The Guardian](#): London flats ‘worse than prison cells’ condemned by council*

*[Citymetric](#): No, microhomes are not the answer to London’s housing crisis*

*[Buzzfeed](#): Developers Want To Build Flats In London That Are Smaller Than Most Bedrooms*

*[EG Data](#): Microflats: making cities affordable, or unlivable?*

Building more micro-flats is not about forcing everyone to give up a living room, it’s rather about giving people more options to choose from. For every columnist dismissing tiny flats as claustrophobic there is at least one Londoner for whom moving to a micro-flat would be a significant improvement in their living standards.

Brand new, well-designed, affordable micro-flats can alleviate housing pressure for one socioeconomic segment, the young professionals. Empirical research done on micro-apartments in other countries, first of all the U.S., suggests that the most commonly raised worries about this type of housing are baseless (Geffner, 2018). This chapter will address the five most popular concerns about micro-flats and, hopefully, make those in doubt reconsider their attitudes.

### CONCERN 1: REDUCTION OF PRIVATE SPACE

Micro-flats offer tenants too little private space, claim some real estate analysts. 25 square meters is, indeed, not much of a floorspace. To understand why micro-apartments are still in high demand in big cities we need to consider the alterna-

tives. The alternative to living in a micro-flat is very often flat-sharing which usually offers less space and — importantly — far less, if any, privacy. In that sense, moving from a shared accommodation to a micro-flat or a co-living unit where private and public zones are clearly separated means an increase in private space, not the opposite.

Unlike in a shared flat, neighbours in co-living developments are not forced to interact with each other. As Nicholas Boys Smith, the founding Director of Create Streets, argues communal living isn't entirely alien to Britain (RSA, 2018). Despite the 'unshakeable preference for privacy', he writes, Brits have always valued community but only if they had a private space to retreat. It is the right balance between privacy and social interaction that co-living projects can deliver.

### **CONCERN 2: INFRINGEMENT ON HUMAN DIGNITY**

Micro-flats are often condemned as degrading to live in, hence the emotionally charged epithets like 'rabbit holes' and 'shoeboxes'. [Experts say](#) that minimal standards are set for a reason; to prevent profit-seeking developers from depriving low-income citizens of their human dignity by putting them into 'shoeboxes'. However, different people have different notions of dignity. For some, living in a flat with no living room is completely undignifying. For others, spending two hours a day in a packed train with barely enough air to breathe is much more humiliating. Needless to say, cleaning someone else's dirty dishes, which often happens in flat-sharing homes, is by any reasonable standard an infringement on dignity.

Once again, we need to admit that dignity is a relative thing. What is considered degrading in some cultures is totally fine in others; what one generation dismissed as an outrageous indignity is happily embraced by another. The white collar employee of the mid-20th century would probably feel aggrieved if forced to work in an open-plan office. Today's yuppies find it the best option — in fact, they would be discouraged if put into an old-fashioned isolated office. The world is changing so fast that it simply needs a better variety of options to satisfy everyone's preferences. In essence, no one will be forced to live in a micro-flat. Some critics seem to believe that relaxing regulations for minimal floor space is somehow equal to the massive government-led relocation to smaller flats. In fact, it is about giving an option to those who see dignity not in extra square meters but in living closer to things they enjoy. Introducing micro-housing on a larger scale would give them that choice.

### **CONCERN 3: LONDON WILL TURN INTO A SLUM**

In online debates around micro-housing, the ultimate argument of its opponents is likely to be a picture of a slum-like cramped room in a dilapidated building somewhere in China or India. Such critics would hate to see London, a modern European capital, turn into a similar slum.

But one can browse Dezeen, a leading architecture and design portal online, for '[micro apartments](#)' to get a different idea. Clearly, there is no strict correlation between the size of a unit and its apparent liveability. Although bigger homes, in

general, provide greater utility, when it comes to compact living, it largely depends on design whether a flat looks like a decent place to live in.

An important distinction needs to be made here. Those unappealing (and sometimes disturbing) images of cramped units in slums often used by critics are not micro-flats. They are the direct opposite. In most cases those are flats subdivided between residents — the direct result of a legal ban on purpose-built micro-apartments.

All over the world, slums — often unpleasant and unsafe — emerge as the result of deep institutional problems in the land market rather than the lack of control. Economist Hernando de Soto (de Soto, 2014), who analysed the so-called ‘informal economy’ in Peru, came to the conclusion that only strong property rights incentivise property owners to invest in beauty and safety. Private ownership of land and well-defined minimal regulations encourage developers to compete with each other in delivering homes of better quality, thus maximising their profits and upgrading the city’s housing stock.

In contrast, vague and weak property rights and over-regulated and corrupt land use hinder the development of new homes. In that case, residents of 1980’s Lima or 2010’s Mumbai are left with no option other than to nestle in temporary constructions which can be bulldozed at any time. It is not from the lack of land that millions of people in emerging countries live in slums but from the absence of the rule of law. There is no reason to expect that parts of London could turn into Mumbai outskirts.

#### **CONCERN 4: MICRO-FLATS WILL CROWD OUT OTHER TYPES OF ACCOMMODATION**

There is another fear that, as soon as it is legal to build flats smaller than 37 square meters, tiny units will immediately replace all other types of accommodation. Critics believe that real estate firms are likely to give up regular-sized apartments in favour of micro-flats to maximise their revenues.

People making such claims seem to have little understanding of how markets work. If it were true that developers always prefer the densest accommodation possible, London would look differently today with all of us living in studios. One can equally argue that since 37-square-meter studios are legal to build at the moment, most London developers will resort to building just studios in order to maximise profits. However, it is, obviously, not the case: the market offers options for people with different levels of income and preferences.

The fear of micro-flats taking over all other forms of accommodation is as unsubstantiated as the fear that all of us would have to move into 37-square-meter studios under the current regulatory regime.

The growth of the micro-housing sector could somewhat increase population density which may be a concern for some Londoners. First of all, it should be noted that micro-housing is only suitable for a narrow segment of urban dwellers. Hence, it is not going to become a mass phenomenon and is not likely to have a major effect on density.

The other argument is that London is among the least densely populated centres of world economic growth. I am not comparing London to immensely overcrowded cities in emerging economies like Delhi and Manila. I am comparing it to European capitals such as Paris, Athens, Milan, or Copenhagen. Even among UK metropolitan areas, London (with its 5,491 people per sq km) is losing to Portsmouth on the density score.<sup>16</sup>

And then there is a broader question about the effect of density in cities. Within certain limits, population density has many advantages. From an economic standpoint, density minimises transaction costs: facilitating the process of matching producers with consumers. From a cultural standpoint, it leads to diversity of lifestyles, opinions, goods and services that would have never emerged in a suburban area (Jacobs, 1961). Dense neighbourhoods are also more walkable as residents of micro-apartments are less likely to use automobiles (Geffner, 2018).

## **LEGAL BACKGROUND**

### **OVERCOMING THE 'GREY ZONE'**

Micro-housing is able to fill an important gap on the London real estate market. Nonetheless, from a legal point of view it lies in the “grey zone”. In London, the minimum space standard for a flat is 37 sq m. Even though some are willing to trade extra square meters for a chance to live closer to their workplace (RSA, 2018), planning rules prohibit people from making that trade-off.

Yet the above-mentioned U+I flats are to have a floor size of 24 square metres. Noiscape’s [Red House](#), a 15-unit building set in West London will offer rooms ranging from 22 to 33 square meters. [Respublica](#) is planning to build a mixed-use development in Camberwell offering units of 35 square meters. To make this possible, The Collective and other co-living projects had to innovate around planning regulations to be exempt from the prohibitive legal requirements. Some of them did it by registering as a flat-share scheme, others by making minor material amendments, or S73 applications, which are not referable to the GLA.

Because of the sector’s infancy, London authorities are still undecided about micro-housing, with some councils cheering the new, more affordable flats and others resisting them. In any case, the GLA cannot ignore the rising popularity of

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<sup>16</sup> UK: [100 Cities with the Highest Population Density](#)



compact living and so they are, too, engaged in the debate. The Mayor's office is going to soon decide on the optimal regulatory framework for micro-housing. This is a positive development for projects which are waiting to leave the "grey zone". However, for micro-flats to become a truly affordable alternative, we must ensure that new regulations will not curb their creativity.

### **A NEW MASTERPLAN TO REGULATE MICRO-FLATS**

The [draft new London Plan](#) that is aimed at guiding policies for the next 20-25 years dedicates a whole chapter to co-living ("Large-scale purpose-built shared living"). The plan, which has undergone public consultation but has not been finalised yet, strengthens its policy of 37 square meters for minimum space standards for traditional housing. What is important is that the document sets no minimum standard for co-living units, apart from the vague demand that they should be "appropriately sized to be comfortable and functional for a tenant's needs". The Mayor, however, reserves the right to issue additional planning guidance for these kind of developments.

Although it refrains from regulating the minimum floorspace for co-living, the GLA is being very precise in what counts as "large-scale purpose-built shared living" and can, therefore, be exempted from the 37 square meters standard. To fall into this category the development must satisfy a long list of requirements regulating features from the number of units (no less than 50) and the minimal length of stay (no less than three months) to the layout of public amenities. The latter includes not only shared spaces within the building but also the ones that the surrounding neighbourhood should provide. A co-living project, the Plan says, must be located in an area that is walkable and cyclable and not car-dependent.

Probably the most vague part of the chapter is dedicated to the sense of community. A developer is expected to ensure that the future shared living scheme is going to "lower barriers to social interaction and encourage engagement between people" by designing communal kitchens in a certain way, hiring an on-site community manager etc. And even if all the requirements are met, schemes like this "should only be supported where they meet an identified market need". Lack of clarity and arbitrary rules like this are always a hurdle for new developers. For more homes to be built, regulation has to be clear and should only introduce requirements where it is necessary, not for the sake of making it more difficult to build new houses.

### **MICRO-HOUSING WORLDWIDE**

The new draft London Plan suggests a very narrow definition of co-living. In real life, the market is more diverse than any plan can prescribe, which can be seen from analysing micro-housing projects worldwide. Each success story demonstrates an innovative solution that fits certain time and place and cannot become a universal template.



In New York City, another metropolis suffering from the shortage of homes, the local government relaxed the zoning code to allow for the building of micro-flats. Before 2016, a minimum apartment size had to be 400 square feet (the same 37 square meters). The requirement was waived for American studio nARCHITECTS who won the design competition among affordable micro-flats projects. [My Micro NY](#), a building of 55 apartments ranging from 250 to 370 square feet (23 to 34 square metres), was completed in early 2016. Apart from private units, it offers its residents a number of communal areas including a gym, a lounge and a roof terrace.



[Inside My Micro NY, New York's first micro-apartment development](#)

### SMART DESIGN

To make smaller rooms look and feel bigger architects often add light. A London-based firm Ab Rogers Design has equipped a [19-square-metre concept flat](#) with a large front window that floods it with natural light. Another visual trick is to make ceilings higher — after all, “micro” describes the floor area but not the height. In Ab Rogers’ flats, the ceiling was placed at just over three metres in height to keep the space from feeling too cramped. In Beirut, another capital where “downsizing became trendy”, a [15-square-metres flat](#) was painted all white to add more reflected light into the room.

Adaptive and multi-purpose furniture also helps designers to save the precious square meters. In the above-mentioned Beirut example, tables and chairs can be packed away to avoid clutter, and storage spaces have been adjusted to almost every piece of furniture. In [25 Loft](#), a micro flat project in central Barcelona, the area under the bed serves as a storage which includes a cupboard for the washing machine, a deep wardrobe, 11 drawers, and bedside tables with integrated power sockets. In [Sydney](#), sliding partitions and moveable furniture were used to make the most of a 24-square-metre flat.



[‘Smart furniture’ creates valuable storage space in 25-square-metre flat in Lebanon](#)

#### ADDITIONAL BENEFITS

Services such as communal spaces and community events, 24/7 concierge, a gym, a bar, room cleaning and so on have almost become a commonplace for co-living projects. Market competition, however, forces providers to come up with additional features reflecting the varied lifestyles of potential tenants. *Roam* in Tokyo and *Hive Arena* in Seoul are targeting “digital nomads” offering them a mix of co-working and co-living. As many young urban professionals would prefer an eco-friendly living, co-living enthusiasts introduce solar panels and encourage residents to engage in car-sharing in order to reduce their carbon footprint. The latter is true for *Arcadia* project in North Carolina where “shared resources reduce energy usage and cost”.



[Common room with a city view at the ‘boutique apartments’ in Denver, Colorado](#)

*Moda 17*, a micro-apartment complex in Washington DC, offers each resident, apart from a 33-square-meters flat, their own reserved rooftop space where they can keep

their own patio furniture and enjoy the city views. In Denver, an old high-rise hotel was transformed into “[boutique apartments](#)” offering residents a view of the skyline or the mountains. These are amenities one could hardly get in a traditional flat, unless they were prepared to pay a much higher price.

### FOR A BETTER HOUSING POLICY

Innovations that help alleviate the housing crisis in London, New York, Tokyo and elsewhere are only possible in a competitive environment. It is highly unlikely that an optimal model of affordable housing could be discovered through the process of top-down decision-making. Compared to conventional flats, micro-units are undoubtedly more affordable, yet so far GLA refuses to acknowledge them as genuinely affordable housing units. The draft *London Plan* indicates that co-living “is not considered suitable as a form of affordable housing”.

Seeing homes solely as units of certain parameters and characteristics that must be distributed evenly among the population, overlooking the great diversity of people’s preferences and lifestyle choices, community ties and social capital, leads to rather poor results (RSA, 2018). Unfortunately, the new draft *London Plan* is taking a narrow, top-down, paternalistic approach to micro-housing. There is, however, still time to correct this mistake.

Acknowledging micro-housing while at the same time over-regulating it, as is being suggested at the moment, will limit its ability to become a short- and medium-term answer to the housing crisis. If only a certain type of co-living unit is exempted from the 37 square meter standard, the crisis won’t be alleviated. Each borough, each context, community, age group etc. needs its own tailor-made solution.

### CONCLUSION

Resolving the London housing crisis will be an uphill battle. Excessive regulations, planning restrictions and the NIMBY mindset are all responsible for London’s housing shortage, and all of them must be addressed in due course. In the meantime, I am suggesting micro-housing as a policy shortcut. In this paper I have explained why micro-housing can alleviate the problem for a certain group of urban dwellers, namely young professionals.

Millennials would rather pay for easy access to the city’s entertainment than for extra square meters. Hence, developers suggest building micro-flats with that in mind. Design is what distinguishes a modern purpose-built micro-housing scheme from something the micro-housing critics are afraid of. “There is a place in the market for homes that are smaller than the minimum space standards [but only if] they are well designed, well managed and targeted at a specific housing need — for example at young people and key workers”, said Andy von Bradsky, chairman of the PRP Architects (Waite, 2015).

A green light to micro-housing developments in London would encourage more architects to come up with cutting-edge projects similar to U+I, Pocket Living and other aforementioned examples. This can only happen if their innovative potential will not be curbed by more unnecessary planning restrictions. The soon-to-be-enacted *London Plan* suggests a very narrow definition of micro-housing. But life is more spontaneous than any plan can prescribe. The variety of people's preferences requires a diversity of options. In that sense, micro-housing has its market niche.

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