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Rental housing supply in rural Scotland: the role of private landowners

Madhu Satsangi

Introduction

This chapter looks at the supply of private rented housing in rural Scotland. In particular, it focuses on the role played by private landowners. Rural Scotland houses about a quarter of the nation's population. Rural land is predominantly privately owned and rural rental housing is predominantly privately supplied. This means that the views and housing market behaviour of rural landowners are extremely influential. The chapter draws on research recently completed for Scottish Homes and the Scottish Landowners' Federation (Satsangi et al, 2000)¹.

The first section sets the context by looking at the literature relevant to rural private renting in Scotland and by drawing attention to recent national policy debate. It then looks at new national evidence on the role of private renting. Section three examines the local scale, looking at evidence on landowners' motives from eight rural housing markets. The final section draws some conclusions.

Rural housing markets

From even the most cursory look at the geography of Scotland, it is clear that there is no homogeneity to rural areas. From readily obtainable data a variety of distinctions can be made including: lowland against upland; peri-urban against remote; relatively economically buoyant against relatively fragile. The same distinctions have important repercussions for housing demand and supply characteristics: availability, affordability, choice and constraint.

In terms of the way that housing systems work, and on a more general level, numerous classifications of rural areas have been made over the past decade (for example, Shucksmith, 1990; Departments of Geography and Land Economy, 1996; and, in England, Shucksmith et al, 1995. Using the characterisations of

demand and supply pressure that these suggest, with some descriptions of local housing markets (see Scottish Homes, 1998a), it is possible to reach a functional typology of rural Scotland's housing systems:

- 'Buoyant' areas where population, economic activity and housing pressure are all increasing, while supply is constrained. Examples include the Inner Moray Firth and much of West Lothian.
- 'Pressured' areas where population and housing pressure are increasing, some with indigenous economic growth. These are areas with demand increasing from external sources, notably second and holiday home ownership (well known examples are: Badenoch and Strathspey; Skye and Lochalsh; Lochaber; Wester Ross) and commuting (for example, parts of the Lothians and Forth Valley).
- 'Fragile' areas with limited economic growth, having seen emigration of young people but with continuing pressure on rental housing supply (examples include: North West Sutherland; the Outer Hebrides; much of Argyll and Bute).
- 'Regeneration' areas, with lower demand-side pressures, but problems of deprivation and land dereliction (including West Fife and North Lanarkshire).
- 'Intermediate' areas, with pockets of deprivation or pressure (including parts of Fife, the Mearns, East Perthshire).
- Areas that have mainly buoyant but some fragile markets (such as Orkney).
- 'Transitional' areas, recovering from the loss of traditional economic activity (including parts of Argyll).

All available recent sources on national rural housing trends concur in their broad descriptions of the characteristics of rural housing systems at the local level and in defining the nature of housing problems that these characteristics may pose for some people (see, for example, Scottish Parliament Information Centre, 1999; Shucksmith and Philip, 2000). The principal issues can be summarised as follows. Rural areas tend to have a relatively high rate of home ownership compared to the country as a whole. Lower rates of social rental housing provision, with low rates of turnover, mean that there can be access difficulties for people on low or seasonal incomes (see Chapter Five for matching evidence on the rural PRS in England). Studies have pointed to particular concerns for young people looking to gain their first independent home (Pavis et al, 2000; Satsangi et al, 2001). For rural markets in relatively economically buoyant areas (for example, Perthshire, East Lothian and Stirlingshire) and those close to prosperous cities (Aberdeen, Edinburgh and Inverness), house price inflation may exacerbate difficulties. In many other areas of the country, including those that are more remote from major settlements, supply difficulties may be exacerbated by holiday and second home ownership (for example, in many parts of Argyll, Inverness-shire, Ross-shire, Sutherland, Berwickshire and Dumfriesshire). Associated with this is a relatively high house vacancy rate. At the national level, rural areas also show a disproportionately high incidence of

poor physical housing condition, as defined by the Tolerable Standard (see Scottish Homes, 1997).

The literature also suggests that rural housing supply faces a series of constraints, varying in magnitude for different local markets (with more recent research presented by Satsangi et al, 2001):

- a) Infrastructure and location. In this class of constraint are considerations relating to access to land, costs and difficulties in site assembly, site servicing and the transport of labour and materials and "... landowners' fears that [affordable housing] development may reduce the attractiveness of adjoining sites for more lucrative development" (Scottish Homes, 1998b).
- b) Building material availability.
- c) Accessibility.
- d) Land and development costs.
- e) Land use and the planning system. Some important criticisms have been made of the land-use planning system for hindering or putting brakes on housing development (for example, Shucksmith et al, 1993, 1994; the Scottish Landowners' Federation, 1998; Shelter Scotland, 1998).
- f) Land ownership. The general issue here is that variations in land ownership have implications for land availability and owners' willingness to sell.

Land ownership, land tenure and land reform

MacGregor (1993, cited in Wightman, 1996, p 15) comments that "... in many areas of rural Scotland, large landowners play a crucial role in local development: they are the local planners". Wightman (1996) has expanded the argument, commenting that the wide range of types of landowner that own the country encompass diverse backgrounds, rationales and levels of wealth and interests, ranging from private enjoyment to profit maximisation. He notes that a landowner may be 'old' or 'new' money; a charity; absent; or a farmer working the estate. Each type of owner may have quite different views on and reasons for or against the provision of housing on their land. A national study conducted in the early 1990s, though limited by a relatively poor response to a postal survey of landowners, estimated that rural landowners own about 25,000 houses across the country. It was not able to clarify what proportion of owners let houses, nor to investigate fully landowners' motives in letting houses (System Three Scotland and Housing and Planning Consultants, 1992).

The principal representative body of landowners, the Scottish Landowners' Federation (SLF) has argued that "... many farms and estates meet some form of social need through their housing enterprises ... [they] admit to an allocation policy which aims to 'help local housing needs' or 'keep supporting the local school or shop'" (SLF, 1998). This argument is consistent with evidence from Kemp and Rhodes (1997) on the non-profit maximising behaviour of landlords (rural and urban) across Scotland. It also tallies with analysis of rural private

landowners' behaviour south of the Border (Bevan and Sanderling, 1996; see also Chapter Five in this volume).

The Federation points out that the private sector contribution to meeting housing needs in rural areas is commonly overlooked or underestimated and that, given the appropriate incentive, private landowners could do more. In some respects, the Housing Green Paper (Scottish Office, 1999) opened the door to this prospect in suggesting that it may be appropriate to widen eligibility to mainstream public grants. The Housing (Scotland) Act 2001 made no direct provision for this, though the Scottish Parliament is open to the prospect of (public) grants being made to private landowners where circumstances indicate that it is appropriate as a way of meeting rural housing needs.

This enabling of a modification to general procedure comes at a time when the country is also witnessing other sorts of evolution in property rights. The most significant parts of this are land reform and the abolition of feudal tenure. An early action of the then newly elected UK Labour government was to establish, through the Scottish Office, a Land Reform Policy Group to identify and assess proposals for land reform in rural Scotland. Its work has led, in Scotland's post-devolution coalition government, to a draft Land Reform Bill (Scottish Executive, 2001) to be brought to the 2001/2002 Parliamentary session. Wightman (1999) notes that the debate around reform has been wide-ranging, covering both land reform *sensu stricto* "... the nature and distribution of power over land" and land policy "...government or public policy towards how land is used and managed" (p 51). As summarised by Lloyd and Danson (2000), the issues that have received attention are associated with "...a concentrated pattern of land ownership, the effects of an out-dated land tenurial system, the sustainability of crofting, and the relationship of land to wider processes of rural development" (pp 214-15). Looking at each of these points in turn:

- a) *The pattern of ownership.* Wightman (1999) notes that 88 per cent of Scotland's rural land is privately owned, with a half of this being in the hands of only 343 owners. Dependent on ideology, this concentration might be argued to be iniquitous. Independent of ideology, conventional economic analysis tends to suggest that ownership dispersal is both economically and socially more efficient than concentration.
- b) *Land tenure.* The country's land laws were, until the passing of the Abolition of Feudal Tenure (Scotland) Act in 2000, feudal in origin in the 11th century). Over time, that highly hierarchical system had become increasingly complex and liable to delay development.
- c) *Crofting.* Crofting developed as a distinct form of land tenure following the 1886 Crofters' Holdings (Scotland) Act, which ensured the protection of agricultural tenants' rights in the seven crofting counties (covering the Highlands and Islands except Nairnshire). Its major impact has been the retention of people in some of the most economically fragile areas of the country though it has been criticised for its lack of provision to those without

land (cottars) and for having retarded agricultural development (Wightman, 1996).

- d) *Land and development*. In addition to the comments at the start of this section, it is worth bearing in mind the Scottish Office Land Reform Policy Group's (1998) judgement that "...housing in rural Scotland interacts with land tenure, ownership and use in many ways, few of which are well understood".

Attitudes toward housing supply: the national picture

The next two sections present recent evidence that can help formulate an answer to the challenge identified by the Land Reform Policy Group's judgement. The data are drawn from research funded by Scottish Homes (the government's National Housing Agency) and the Scottish Landowners' Federation. The research was designed to describe the scale of rural landowners' current involvement in housing provision, to identify what new housing opportunities (conversion and new build) there were on private rural land, what barriers there were to realising those opportunities and how those barriers might be overcome. Its data were drawn from a questionnaire survey of over 750 landowners or their factors, covering about 30 per cent of Scotland's privately owned rural land, and case studies of eight rural housing markets (see Satsangi et al, 2000 for the full research report).

Looking first at the overall scale of housing provision, the research estimated that landowner members of the SLF own approximately 21,000 houses (not including owners' principal residences) across rural Scotland. But the majority of landowners do not have many dwellings – a sixth of landowners have no houses other than their own, and four owners in five have ten or fewer. The 'average owner' has eight houses. Echoing the common urban picture, therefore, the new research confirms that rural private landlordism is generally a small-scale activity (Kemp and Rhodes, 1997).

The full-time renting out of housing to people other than those with a direct connection to the estate is an important housing activity of landowners and landowner members of the SLF let out approximately 10,000 houses across rural Scotland. The linkage of housing to other estate activities is important as there are approximately 5,300 tied houses in rural Scotland. Holiday lets are rarely numerically important with three quarters of landowners having under 2 per cent of their stock used for that purpose.

The importance of rented housing within a landowner's range of business activities is a factor that helps explain current and past investment behaviour and owners' thinking about future housing supply. Across the country, one landholder in four said that they earned at least a fifth of their total business income from (gross) house rents (and 10 per cent of owners earned at least half of their total business income). The median figure was 5 per cent, with a third of landowners receiving 2 per cent or less (and 29 per cent between 0.5 per cent or nothing). As might be expected, higher percentages were recorded in

estates with more houses, a greater proportion of dwellings being let full-time, a greater proportion of houses used as holiday lets and a lower proportion being tied housing or being tenant crofts. Taken together with the data on ownership, these figures are supportive of two broad generalisations: letting houses forms a significant business activity for the majority of landowners; and only for a minority is it a major source of income.

Turning to how much housing stock was vacant, there was again a wide range of circumstances – from none to 200 habitable vacant dwellings reported. However, three quarters of respondents indicated that they had no habitable empty properties, with one being the median number of those who had any. A third of the owners reported having uninhabitable houses – with one being the median number for those who had any. Approximately 40 per cent reported having had houses vacant for two months or longer – with one again being the median number for those who had any. Of those owners who indicated reasons why their dwellings were vacant, by far the most common were poor dwelling condition or an absence of services (water, gas, electricity and the like), and the cost of installing them, each mentioned by two fifths of respondents. A tentative estimate would be that across the country there are 2,000 habitable vacant houses owned by SLF members and a further 2,500 that are considered uninhabitable due to being in poor condition or lacking basic services or both.

For the first time, data at national level on rural landowners’ motivations in letting houses are provided. Respondents were asked to rate the importance of a series of different objectives on a scale from 0 (not an issue at all) to 5 (a very important motive). Table 6.1 shows the pattern of responses, excluding those landowners who had no houses apart from their principal residence.

What these data show is that owners can be divided into:

- the majority, whose prime concern is covering their costs, if not making a surplus, with support for the community a valuable secondary issue;
- a smaller group for whom connection with estate activities is the primary motive, with the viability of housing less of an issue than estate viability as a whole.

Does the significance of different possible rental housing investment motives have any bearing on the ways in which stock is used? Owners with property let on a full-time basis attach a high importance to ‘earning a surplus’, especially

Table 6.1: Motives for letting houses

Motive	Response pattern
Covering costs	Very important 40%, not an issue 37%
Connection with estate activities	Very/quite important 8%, not an issue 72%
Earning a surplus	Very important 38%, not an issue 38%
Following family practice	Very important 5%, not an issue 74%
Support for local community	Very/quite important 19%, not an issue 53%

those with a greater proportion of stock let full-time. None of the other motives shows a clear correlation with that figure. There is also a clear association with all owners between a high degree of importance attached to 'connection with estate activities' and a higher proportion of housing stock being let to current or former employees. The data also show a significant, strong negative correlation between the proportion of stock let on a full-time basis and the proportion of stock used as tied housing. These data were probed further in the more qualitative case study phase of the research (see below).

Owners' motives for renting housing also correlates with the level of rent charged. Most commonly, a distinction is made between the rent that is levied on houses let to 'local people' and the 'market rent'. In one sense, the terminology applied here (owners' own) suggests a clear form of segmentation of market rents, in another it implies that 'local rents' are not market rents. In most places local rents are about 75 per cent of market rents. Owners earning more of their income from housing tended to have greater differentials between local and market rents for three-bedroom houses. Owners with higher rental incomes rated more highly the importance of covering costs, earning a surplus, supporting other estate activities and supporting the community, and lower ratings to the significance of following family practice.

Another comparison can be made between private and public sector rents. Table 6.2 presents national and sub-national (generally local authority) data. Bearing in mind the different economics and finances of the two landlord types, the broad similarities in figures might be interpreted as indicative of the private sector adopting affordable housing rent policies.

The study was designed to produce evidence on development opportunities and constraints. These were investigated with respect to both conversion of non-residential buildings and new building. Half of those responding said that their holding contained buildings that were suitable for conversion into housing. Landowners estimated that these could provide numbers of homes ranging from 1 to 50, though active consideration to conversion had been made by about three landowners in ten. Most commonly this was consideration of the conversion of one building, which would provide one or two homes. Nationally, the data suggest active consideration of around 750 buildings that would convert into approximately 1,800 houses.

For all owners with suitable buildings, the major constraint to their redevelopment was financial viability (noted by 71 per cent). Planning restraint was recorded by two in five, and service provision and access or the location of the building by one owner in five respectively.

If financial support were available, 64 per cent of owners would consider providing low-cost housing from buildings surplus to requirements, for local people. It can be assumed that a number of owners with buildings in non-housing use might be keen to explore alternative, more profitable, development opportunities. Of the owners who expressed a preference, the vast majority said that they would rather make housing available for rent rather than for home ownership.

Table 6.2: Private landowners' local rent levels and council housing

Area	3-bedroom houses		2-bedroom houses		Local authority housing*
	Median rent £ per month	Number of owners £ per month	Median rent £ per month	Number of owners	Average rent 1999-2000 £ per month
Western Isles	218	6	140	3	166
Ross & Cromarty ¹	284	13	160	18	178
Caithness /Sutherland ¹	200	15	200	23	178
Aberdeenshire/ Kincardineshire	300	65	160	75	138
Renfrewshire /Ayrshire ²	200	31	250	13	147
Inverness-shire ¹	230	74	250	30	178
Argyll/ Bute	200	29	200	24	158
Perthshire/Angus ³	250	141	243	134	191
Central/Fife ⁴	350	88	303	86	148
Orkney/Shetland	180	5	130	3	167
Dumfries + Galloway	220	95	180	66	149
Lothian ⁵	300	36	225	54	135
Borders	200	103	180	86	137
Moray/Banff/Nairnshire ⁶	200	26	250	45	153
Scotland ⁷	249	734	200	652	152

Notes: All local authority figures are weekly rent figures, multiplied by 52/12; the averages (arithmetic means) are not adjusted for local authority house size.

¹ Local authority figure is that for Highland Council.

² Local authority figure is the average for East Ayrshire, East Renfrewshire, Inverclyde, North Ayrshire, Renfrewshire and South Ayrshire Councils.

³ Local authority figure is the average for Angus and Perth and Kinross Councils.

⁴ Local authority figure is the average for Clackmannanshire, East Dunbartonshire, Falkirk, Fife, North and South Lanarkshire, Stirling and West Dunbartonshire Councils.

⁵ Local authority figure is average for East, Mid- and West Lothian Councils.

⁶ Local authority figure is the average for the Highland and Moray Councils.

⁷ Local authority figures excluding Aberdeen City, Dundee City, City of Edinburgh and Glasgow City Councils.

Source: Satsangi et al (2000, Table 3.7)

Incentives to make conversion and subsequent rental viable could take a number of forms. Owners declaring an interest in conversion were asked to rank the attractiveness of possible mechanisms, these being:

- Capital grant assistance
- Repair and improvement grants
- Treating house rental as a business, eg with respect to Schedule D and inheritance tax provisions

- Depreciation allowances
- Tax relief on capital gains
- Easier reposessions

The result was that owners had a very strong preference for direct capital grant.

Around one owner in ten said that they had sold some of their land for residential development during the last decade. A large purchase by one individual accounted for half of the sales. Sales to developers were five times as popular as sales to housing associations. Although there was some evidence of sale of land having been more likely on bigger holdings, there was no correlation between the amount of land sold and the size of the holding. It was estimated that land sales have resulted in the development of some 4,000 houses over the past decade.

Rather more landowners, however, indicated that their holdings had surplus land on which housing could be built. The responses showed that rural landowners might supply up to 26,000 acres of land for housing across the country. The main constraints on them doing so were planning restraint (46 per cent), financial viability (23 per cent) and service provision (19 per cent).

Owners were asked whether they thought there was a problem in the local availability of low-cost housing and 54 per cent thought that there was. Comparing responses with landowners' motives for renting housing, there was a clear association between the perception of a problem and 'support for the local community'.

Local housing market evidence of supply behaviour

Case studies were undertaken in order to examine with landowners, their agents and local housing bodies, issues regarding local rural housing markets and the behaviour of local landowners in relation to housing and land supply. Professional planning and housing staff were also approached for their views and for information on local provision, areas of housing need and opportunities and constraints on local housing provision.

To understand the opportunities and constraints for developing land and building supply the research sought to distinguish between different types of rural situation. Four area contexts were chosen so as to reflect diversity in housing demand conditions and to distinguish between accessible and more remote areas:

- *Type 1*: an accessible rural area, experiencing some indigenous and higher commuting economic growth pressure, with constrained land supply.
- *Type 2*: an accessible rural area, experiencing commuting economic growth pressure, with a stable/declining indigenous economic base.
- *Type 3*: a remote rural area, experiencing housing market pressure from second and holiday home-ownership, with a stable/improving economic base.

- *Type 4*: a remote rural area, with static/declining economic base, with housing market pressure from second and holiday home-ownership.

Eight case study areas were chosen, with two case studies fitting each of the four types identified above. The areas chosen were:

- *Type 1*: West Aberdeenshire, Speyside and Nairn
- *Type 2*: Borders, Lower Nithsdale
- *Type 3*: South Skye, Oban and Lorn
- *Type 4*: Mid Ross, Lochgilphead

The case study areas only partially coincide with local authority local administrative area boundaries, although reference is made to such boundaries in the discussion of the context for housing markets in the case study areas.

This section is a discussion of the similarities and differences between the case studies in the four areas. Key themes are identified that relate to local rural housing markets, and the behaviour of local landowners in relation to housing and land supply. The material is analysed in two sub-sections: the first takes each pair within each area type and discusses the similarities and differences between them; the second is a summary of the main points arising from a comparison of the four area case studies.

Looking at the case studies as pairs

Type 1

Both case studies featured communities where commuting and income levels were comparatively high, and other areas where local industries were less buoyant, and where local wage levels were relatively low due to dependence on the primary sector and on seasonal tourism. Both areas featured high demand for both expensive and 'affordable' housing, both rented and bought.

It was surprising to find a high degree of support from local landowners for providing affordable rented accommodation for local people. Even though landowners could, theoretically, rent their properties at higher prices, they often chose not to do so in order to privilege access for local people, particularly if they had families. This reflected landowners' concern for the maintenance of local continuity and the role of local families, and those of new residents, in keeping community facilities such as the local school open. They were also aware of difficulties for locals in low-income brackets in entering the home ownership market where prices were inflated by influences beyond the local economy; however, they were cautious of subsidising home ownership in these circumstances as the buyer could then sell on the open market.

Landowners unanimously said they preferred letting to people in employment, although this was not the only criterion in choice of tenants. In Speyside, and

closer to Cairngorm, there was a particular problem for temporary, migrant, and low-paid workers in the tourism sector.

Landowners in Type 1 were markedly more aware than others of the local economic and housing situations, especially in pockets of intense growth pressure. Most were interested in developing in a cautious way income from house rental or land sales, against the common rural backdrop of decline in the agricultural sector.

Most landowners had been approached by local housing bodies, as well as by individuals seeking housing. They were keen to provide land and housing and to explore new ways of working in partnership with agencies, especially for new build projects. It was found that most estates in Type 1 had already thought through and explored development and grant possibilities, and that the empty properties remaining on their estates required much higher rates of capital and other grant support to make it financially viable to renovate them. Virtually all Type 1 area landowners were clearly aware of land that could be developed, and were prepared to allow the building of affordable housing in return for planning permission and support for housing development. This matched Type 1 landowners' expectations of a higher rate of net return from housing investments. However landowners in this group were also more critical of 'restrictive' local authority housing and planning policies.

Most Type 1 area landowners also wished to retain influence in allocation of local affordable housing, and in property development rights. Few had the capital resources to build for new so preferred to supply land and to maintain ownership of that land.

All were critical of policies that allowed the sale of public housing stock, especially if housing/land was acquired which was sold for lower than market prices. In conclusion, while mindful of estate business priorities, landowners in Type 1 areas were informed about local supply difficulties, had explored grant mechanisms, and made some provision for lower paid and local populations, and were willing to participate in affordable housing provision programmes providing their business interests were not compromised at a later date by housing and land speculation.

Type 2

Landowners were well aware here of locally depressed employment sectors and wage levels, and of buoyancy created by better waged commuters. This resulted in no homogenous view of how estates could develop housing possibilities. Landowners realised that commuters were likely to wish to buy properties, but problems had been widely experienced by estates in getting planning consent to renovate such properties for sale and some expressed disagreement with planning policy for rural housing. Landowners were also faced with the dilemma of whether to sell or rent out good estate accommodation; they did not want to be left with only poor quality housing, as there was perceived to be little

market and grant structure to help with the substantial costs of renovating poor stock.

Landowners were aware of pressure for accommodation from lower income groups and generally they were supportive of keeping estate accommodation tenanted, especially by local people and by families, because of perceived links between their 'social responsibilities' and support for local facilities and populations. Many landowners had already carried out minor repairs on letting properties, but most had mainly properties that required serious financial input, and in the absence of a buoyant, high-priced rental market, this was seen as uneconomic.

All landowners were concerned about the downturn in the agricultural sector, and this resulted in a tension between supporting local, low-paid populations and developing the estate as a more diversified business, charging higher rents. Landowners however were less aware than Type 1 landowners of grant mechanisms, partly because they had no pressing need to access them, and partly due to a lack of approach or information from the local authority. But some landowners did express strong interest in developing housing for rental, particularly given the downturn in the local economy and limited opportunity and prospects to develop the economy. Landowners agreed that there was adequate subsidised housing.

Type 3

In both areas the 'improving local economic base' was in fact strongly related to tourism activities and other generally low-income jobs. This meant a supply of low-paid jobs and resultant pressure on low-cost home options of renting or buying. Tourism also brought in second or holiday home ownership, further exacerbating the low availability of affordable housing. Estate owners were well aware of local housing problems. They reacted by supplying their own estate workers with housing first, to ensure labour supply. Landowners expressed a preference to let to local people where possible, especially if they were in employment. Rents were reported to be set for locals at lower levels than market prices, and circumstances were frequently taken into consideration in both letting decisions and rents. Estates were willing to bring derelict stock back into the housing rental market, but lack of substantial grants meant that major improvements were uneconomic.

Landowners were also willing to sell land for home ownership. Again, they were interested in low-cost provision of homes, but were keen to retain land rights so that the estates did not pass on the development value of their property to another individual, especially when the local building plot and housing markets were very buoyant.

All the landowners had discussed housing provision with local housing bodies. In Skye no grants had ever been received. In Oban and Lorn only one landowner had successfully obtained a repair grant. In Skye local housing bodies have proactively approached estate owners regarding land and housing provision. In

both areas such bodies and estate owners have reached a good compromise, where one opportunity to develop is sanctioned if another low-cost opportunity was made available. As in the Aviemore area of Speyside, intense pressure in Sleat has resulted in proactive approaches to landowners, with signs of success. In Skye, Highland Council has implemented its Empty Homes strategy, and progress is beginning in this.

Type 4

As in the other areas Type 4 area estates are strongly affected by the agricultural sector decline. This has in some cases increased the business focus of estates on diversifying income sources, to include letting properties for market rent. However, all landowners rented property to locals at lower rates; this was a key feature of Type 4 area estate housing policy. This resulted, however, in lower improvement and investment in housing stock, because rental income was reduced.

Landowners were aware of pressures created by second and holiday home ownership; in Mid Ross the winter let problem was exacerbated by the influx of winter let 'victims' from other areas. Many estates commented that summer lets did not generate sufficient income to support local people at locally affordable rents. Estates reported lower expectations of return on their housing portfolios, with rates of return down to 2 per cent in one case.

Some landowners had accessed grants, but thought them insufficient to develop dilapidated housing on estates. Much interest was expressed in a better grants system and in better information on grant support. Landowners thought that the majority of capital costs of redevelopment should be met through grants.

Landowners had sold land for private development by individuals. All of them said they were keen to support affordable housing, but the trade-off would be to have choice in selecting tenants and a ban on resale for profit.

Looking at the case studies overall

Common to all four area types is their rural situation, a history of dependence on the primary sector, and a related historical link with large, feudal landed estates. Population and local wealth in the population largely depends on diversification of businesses so that they overcome problems such as distance from markets, educational and work opportunities for different age groups, shortage of skilled labour, training, and a lack of social amenities. Housing development, and landowners' positions regarding their involvement in the provision of low-cost home options, is clearly related to economic opportunity. Agricultural decline has led to an increase in most areas of properties requiring extensive renovation; but such renovation, along with new build, is not feasible for estates if economic prospects and markets are depressed, capital is difficult to access, and returns are not guaranteed. Increasingly, estates are run as businesses that seek to cover costs, if not make a profit; and while this creates potential for

affordable housing development through partnerships with agencies and better grant systems (and landowners are actively supporting local communities), it is still the landowners' view that the onus is on public agencies, not landowners, to plan more generally for society.

The rural nature of all of the areas above makes them popular with tourists. There are also in all four areas high rates of second or holiday home ownership and dependence upon seasonal, low-paid and often part-time work opportunities. Where local income is low, this dependence on tourism is particularly negative in terms of a resulting lack of affordable, year round housing opportunity and of land affordable development opportunities.

The most significant variation between the areas was the nature of local housing markets, but they all had pockets of depression and, to varying degrees, of 'boom', or at least of activity spurred by high demand. Types 1 and 2 differed from 3 and 4 in the degree of presence of economically active and comparatively high income residents: they, it seems, could swim in the tides of home ownership with greater ease and get higher quality accommodation than could those people more typically found in 3 and 4, who relied on low-cost housing. In Type 1 areas landowners were perhaps more likely to be aware of specific local needs, were more likely to be interested in development and already involved in this, and were more likely to have thought through development opportunities and grants. They were also more likely to have been proactively approached by housing development bodies, especially when economic development depended upon better, appropriate housing supply.

What is particularly striking about all four areas is that landowners as a group are almost universally positive towards local people and the local area, and are keen to be socially responsible people, not just towards estate employees and tenants but towards the wider community. Allocation policy in most cases makes local tenants equally if not more desirable. Rents are never privileged over general issues of reasonably low thresholds of affordability. Landowners share the need to diversify estate income away from traditional forms of agriculture to, for example, the rental or housing plot market.

Landowners are willing in all cases to participate in affordable housing schemes, but not in cases where low-cost homes can be sold on and therefore removed from the affordable homes market. They prefer the option of renting buildings to developers of housing rather than the option of outright sale of buildings or land, especially in areas of demand. They also wish to retain some of their traditional influence over who tenants are in new affordable housing projects on their estates. Given their vocal support above for accommodating local and low-income new residents, as well as private home owners, this is not perhaps such an unfair request as it might at first seem, particularly if allocation can be agreed in partnership with public housing bodies.

There was a big variation in views of the potential of proposed land reform legislation on estate objectives and their role in housing provision. One view was that estates had to be viable businesses; another view was that agricultural coverage was a major issue and if this were to be changed significantly the

estate as a unit could not continue. It was generally felt that the proposed land reform legislation was not (at least yet) a significant factor in encouraging landowners to develop their estate's role in the provision of housing. A strong sense of social responsibility and stewardship continues, despite major changes in the nature of rural communities.

Conclusions

It is clear that across rural Scotland, exemplified in our case study areas, a relatively high percentage of rental housing is owned privately rather than by public or social landlords. This means that landowners' housing supply decisions are particularly significant. Landowners providing rented housing to employees, former employees or others with no direct connection to an owner's main business have an extremely important role in local communities. Across the country, our survey and case study data show that many landowners would concur with the view that "... housing is ... the single most important issue in the sustainable development of rural Scotland" (Scottish Office, 1998, p 41). At the same time, however, as housing to rent is rarely the *major* source of business income for landowners, it quite clearly forms an important source for many.

This point has important resonances across the country (and in England; see Chapter Five). Constant across rural Scotland, for each of the area types, has been a decline in primary sector employment – in arable and cattle farming over a period of decades, in forestry rather more recently. A concern for all estates has been to bolster the profitability of their prime activities, or to adopt a deliberate policy of diversification of income sources. In less remote areas, estates have been able to use the combination of high locally generated demand and demand from commuting and in-migration to develop rental housing as one income source. All estates recognise tourism, employment-related and holiday home pressures on the housing market. Across the areas, however, there is a degree of reticence to reliance on income from housing. In the more remote areas, estates have had greater difficulty developing income from letting houses. It is important for all of the estates, particularly those with higher proportions of tied housing, that housing development should not detract from their prime activities. It remains to be seen, however, whether, or in what amended form, estates can survive sustained recession.

Maintaining and encouraging the development of local communities is most strongly exemplified in the clear preference among owners to let housing to local people. Very commonly, rent levels for local people are lower than open market rents. This shows that most landowners' behaviour towards rental housing does not fit with idea of the profit maximising investor. In this respect, this study corroborates other research, that a complexity of behavioural factors underlies private rental supply decisions (Kemp and Rhodes, 1994).

Generally landowners regard their housing role as being complementary to the social housing agencies rather than being a substitute for them. Landowners invest a significant amount of time in finding suitable tenants, in many cases to

create social balance, often so that school rolls can be maintained, in some cases to fill fairly remote houses, and generally to reduce management and maintenance problems. There is no evidence that landowners or factors fail to meet the equal opportunities standards that are incumbent on social landlords. But it is clear that there is a reluctance to let housing to benefit-dependent households.

Across Scotland, housing development opportunities are available through upgrading vacant houses, the reuse of surplus/redundant buildings and the development of surplus land. This study shows that lack of financial viability is the major constraint on redevelopment, and many owners in higher demand contexts have canvassed support from local housing providers. In lower demand situations, it is acknowledged that redevelopment for housing is unlikely to be a viable option. Much more attractive would be development to facilitate local enterprise growth and improve housing quality. The evidence suggests that given changes to grant regimes, new supply could be encouraged. In addition, the study points to willingness on the part of landowners to consider local partnership arrangements with public or voluntary agencies.

The evidence clearly suggests that owners are not averse to considering land sales or development. Indeed, a significant number of owners have made recent sales. The fact that these have been small scale probably suggests that any future sale or partnership development may be small scale too. The net effect of new development in small communities may, nevertheless, be significant. The inability of estates to finance development from their own resources is a major constraint. In addition, the postal survey and case study interviews both highlighted a perception that local planning policies were overly restrictive.

The study has added to the slim body of research evidence available on private landowners' housing supply behaviour. New research questions will inevitably arise from land reform, particularly whether a more diverse ownership structure will lead to different attitudes towards housing and community development.

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Note

¹ Since the completion of the research, Scottish Homes has been replaced by Community Scotland.