

# Montague Review: Not the holy grail of housing investment

***Kathleen Kelly** looks at the recently released Montague Review that calls for greater institutional investment in housing and argues that it does not go far enough in solving the housing issue.*



I get a very strong sense of déjà vu every time the words 'institutional investment' reach my ears. It's been the holy grail of housing investment for quite some time so great if we can finally unlock some and get building more homes. But has the [Montague Review](#), a Government-commissioned report into barriers to institutional investment, made the most of its remit? Ultimately I'm not convinced it has.

Institutional investment could offer a really important part of the answer to our housing supply problem. But only if:

1. it's additional new housing supply, rather than displacing other developments;
2. if developments can deliver the right returns for investors over the right timescale (and there's still a big if hanging around that issue); and
3. it improves the sector enough to make it work better for everyone.



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No one doubts that we need more homes or questions the importance of the private rented sector. But as the Montague report recognises, many of the problems affecting the viability of private rented developments apply equally to housing developments in general – i.e. land, construction and management costs. Oh, and planning obligations. That means many of the solutions are the same – releasing public land, deferred payments for land and risk-sharing approaches.

The private rented sector is an important shock absorber in the housing market. It can expand (and contract) more quickly than the other sectors. Where I think the report might have gone further is in looking across the [housing system as a whole](#).

To make sure the welcome leadership of government on this report can be harnessed to deliver more homes, not just different ones, any development needs to be very strongly rooted in local market analysis. The report does acknowledge this but not as strongly as it could have.

Whilst the Montague report also acknowledges issues around quality standards and longer-term tenancies, I don't think these run sufficiently deep through the report or its recommendations. The things that make longer-term renting more attractive to people in [other countries](#) are the certainty around longer-term tenancies and rent levels. Neither of these are necessarily givens with institutional investment, although they might of course be negotiated.

I accept that there's a delicate balancing act to be struck here. To attract the money to build sorely needed homes we need to make the investment attractive. But given the very welcome suggestion of restrictive covenants on developments to ensure they stay as rented units, it seems like a missed opportunity to more fully explore solutions to the fundamental problems tenants face. I hope that point won't be lost in any pilot developments.

And that brings me to my last point. No-one could disagree that we simply don't have enough homes and that's a big problem. Neither could anyone ignore the growth of private renting. But is removing planning obligations for one type of development over another really the answer?

My worry is that preferring one type of development misses the point. We don't want to distort markets by substituting building private rented homes instead of, rather than in addition to, other types of homes. But maybe this type of distortion is better than the continued alternative of not enough homes. Only time will tell.

**This article was first published on the Joseph Rowntree Foundation [blog](#).**

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### **About the author**

**Kathleen Kelly** is policy and research manager at the Joseph Rowntree Foundation.

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