

# Charity Property Matters

## Survey 2020

[www.propertyhelp.org](http://www.propertyhelp.org)



Garfield Weston  
FOUNDATION

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the  
**Tudor**trust

## Foreword

“We hope you enjoy reading this survey report. The future remains uncertain, but as we know, our voluntary sector is extraordinarily innovative and nimble as well as rich in the social capital of trust...”



When we launched this survey at a reception in our Farringdon offices in January 2020, COVID-19 was just a cloud on the horizon affecting other places. Building on our successful Charity Property Matters Survey 2018, our aim was to provide funders, policymakers and charities with a clear picture of the current property trends and challenges affecting charities and to shape our property advice services to the needs of the voluntary sector.

As we all know, the world changed in March 2020 and since then the COVID-19 pandemic has presented serious challenges to our sector. Understandably it became difficult to secure responses to the survey, which itself was made less relevant by the circumstances many charities found themselves in. We suspended the survey earlier than planned. We will undertake a new survey in 2022 to examine how our voluntary sector has changed its property requirements due to the pandemic.

The Ethical Property Foundation would like to thank our grant funders, Tudor Trust, Garfield Weston Foundation and City Bridge Trust, for their longstanding and generous support which has enabled us to build our services and our expertise over years of unprecedented change and challenge for the sector. I also thank our sponsor solicitors, Russell-Cooke, who are committed members of our register of property professionals and leading experts on charity law.

We hope you enjoy reading this survey report. The future remains uncertain, but as we know, our voluntary sector is extraordinarily innovative and nimble as well as rich in the social capital of trust; indeed, it is flexible in ways other sectors can only wonder at. We see property as playing a growing part in sector decision making as organisations seek out new opportunities and adapt to a COVID-19 world. Whatever the future holds, we know that our sector will still be here – as resilient as the communities we serve.

**Antonia Swinson, Chief Executive Ethical Property Foundation**



“This year has been extraordinarily difficult for charities and the pressures are greater than ever. The events of 2020 have raised some fundamental questions for charities about what their property requirements will be

in future. It is crucial to get an understanding of how smaller and medium-sized charities are grappling with these questions and this survey plays an important role, as does the work of the Ethical Property Foundation, in highlighting the issues and therefore letting us find some potential solutions.”

**Andrew Small, Partner, Russell-Cooke**

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## Survey Results **at a glance**

- Property represents a major risk factor to many charities and can prove to be a barrier to their work and delivery of their objectives; the level of risk shown was higher than that recorded in 2018, but this may be connected with the COVID-19 pandemic.
- The main property issues affecting charities essentially revolved around cost factors – affordability of premises, unforeseen costs of repair and maintenance, costs of accessing professional advice and cost/difficulties of compliance with workplace regulations.
- Charity capability in property management was revealed as having weaknesses, often due to a lack of in-house resources.
- Charities still have a lack of training and gaps in property knowledge and understanding; the survey also found very low awareness of environmental regulations impacting rented properties.

**73%** have received no property management training/education in the past 3 years.

**60%+** face problems relating to the suitability of premises for their operations.

**51%** believe property issues are a significant risk to their charity's future sustainability.

**51%** believe their charity has a good level of knowledge and understanding of property management.

**47%** have no regular reporting to trustees on property matters.

**45%** believe property issues are a barrier to delivering their charity's objectives.

**45%** have no designated fund for property maintenance and repairs.

**44%** find the cost and accessibility of professional advice to be an issue.

**43%** have no suitably skilled individual with responsibility for property.

**42%** report problems in finding suitable, affordable accommodation.

**39%** fail to make regular assessments of property service providers.

**25%** have been in dispute with their landlord.

**14%** undertake staff satisfaction surveys covering workplace comfort.



‘The main property issues affecting charities essentially revolved around cost factors...’

## Introduction

The Charity Property Matters Survey (CPMS) is run by the Ethical Property Foundation, the property advice charity serving the UK voluntary sector.

The first survey took place in 2012 and is run bi-annually to provide a series of snapshots and analyses of key trends of the issues that face charities in relation to the management of their real estate assets.

The 2020 survey coincided with the period of COVID-19 lockdown which presented an unprecedented hiatus in the property sector meaning that many charities were simply unable to use their premises; further, even where they could, relationships with landlords and tenants, depending on their tenure, were in part, overridden by temporary statute. With staff furloughed, volunteers disbanded or shielding, many charities were either operating with skeleton staff or closed their doors from March to June, or even longer.

Completion of the survey was understandably not a priority for those in work, and those on furlough were out of contact. Inevitably these circumstances have

impacted on the quantity of responses and the interpretation that we can place on the findings.

We have also noted that, whilst the survey asks respondents to reflect over the last three years, for some charities, their property issues in 2018 and 2019 had become irrelevant. They have looked to fashion a new way of operating within the constraints of COVID-19 related safety requirements for workspaces and for public-facing services, as well as the financial and organisational consequences of so long a period of disruption.

To gain some insight into this aspect of the pandemic's impact, the Ethical Property Foundation also conducted a small lockdown specific survey which, although completed by only 33 organisations, elicited information which has been incorporated into this report. The COVID-19 Response Survey was reported in the Charity Times in July 2020.

### Note on Methodology

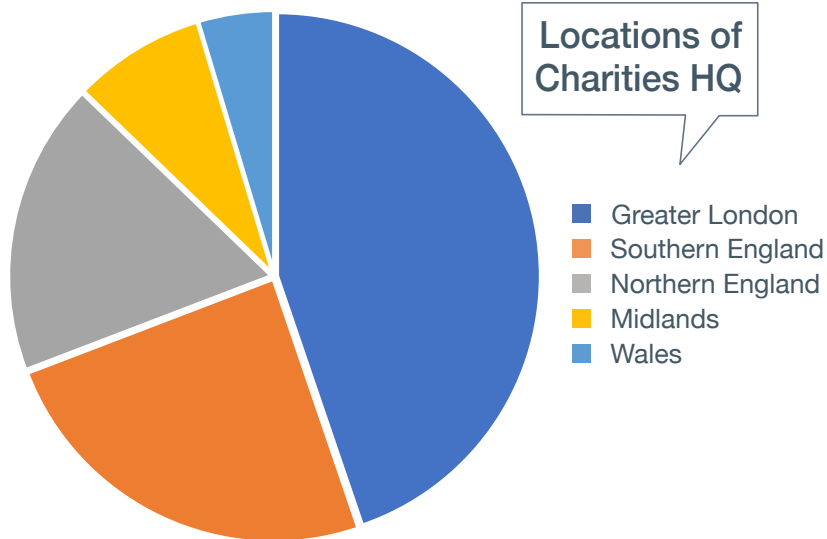
The CPMS 2020 ran from 22 January 2020 to 24 June 2020. The majority of responses were made online, but some were answered through telephone interviews. The survey questionnaire comprised a series of questions on the form of ownership and tenure of the charities' property holdings, the capacity and capability of the charities to develop and deliver a strategic approach to their assets, and the nature and impact of property issues faced by charities.

For the 2020 survey, the 2018 questionnaire was significantly revised to ensure its continued relevance in a rapidly changing social and economic environment, in which the whole property industry has become more aware of environmental concerns.

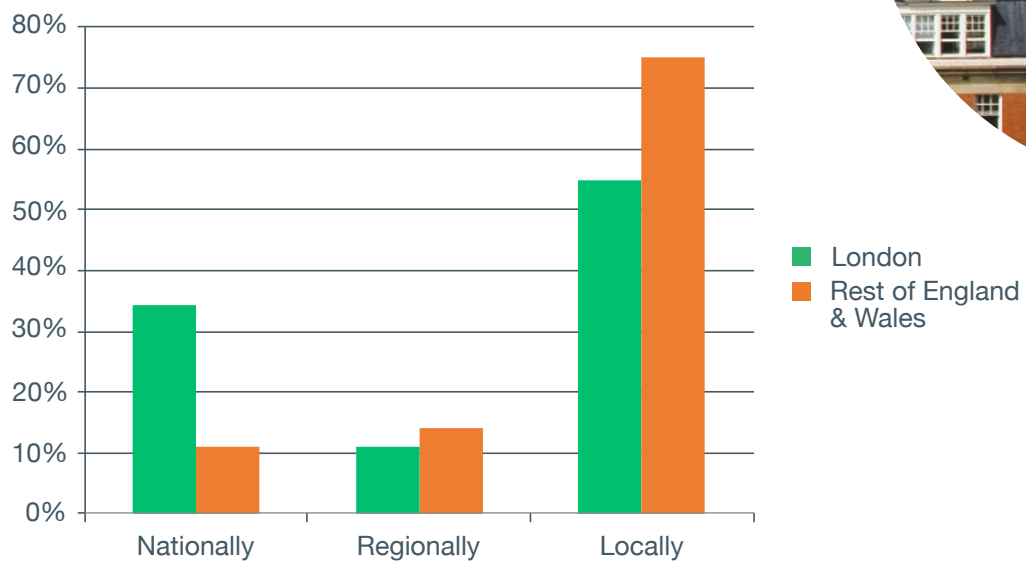
The 2020 survey sample included some 200 respondents compared with 474 in the 2018 survey. The smaller 2020 sample was spread across a wide diversity of charity sectors. The most common were involved in education, health/disability, village halls/community centres, culture and recreation, and community development – these five sectors accounted for 47% of the total. The sample was distributed across all regions of England and Wales with a concentration in Greater London (45%).



## Locations and Areas of Operation



### Do you operate nationally, regionally or locally?



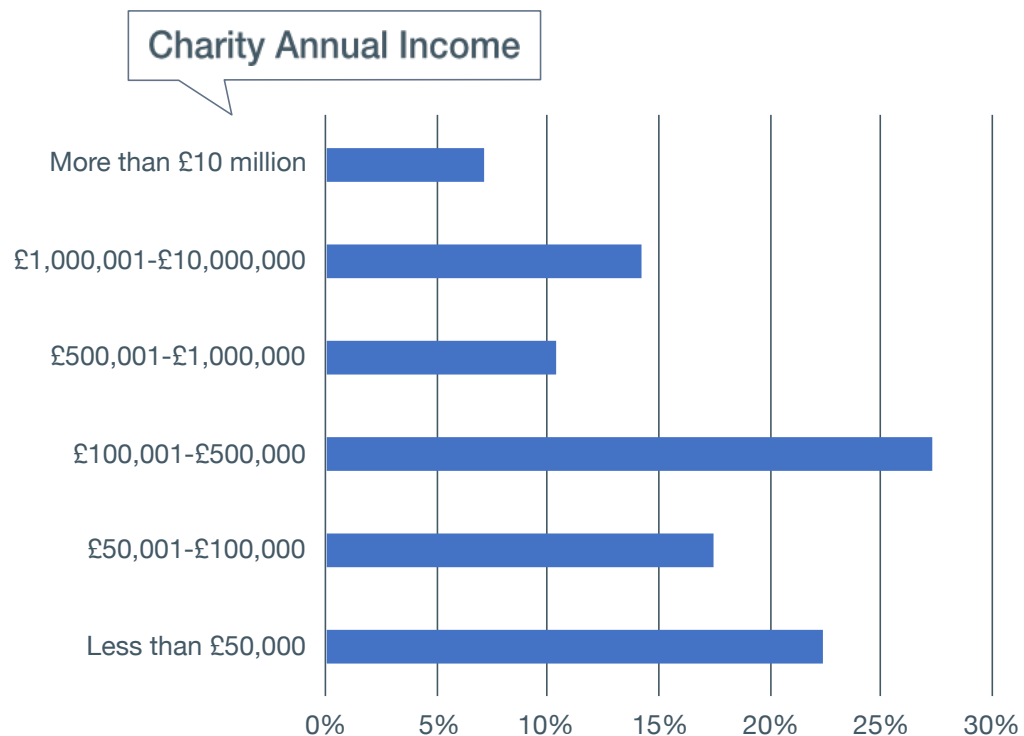
The 2020 sample predominantly comprised small charities measured by annual income, with 40% reporting incomes below £100,000 and 67% below £500,000. The majority (66%) were local charities with only 21% operating nationally. Charities based in London were more likely to operate nationally than those located elsewhere.

## Property Uses and Tenure

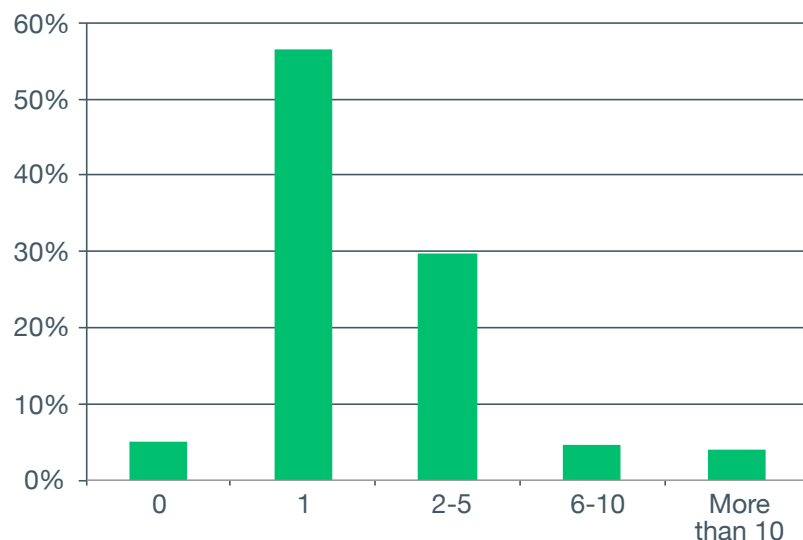
Reflecting on the average small size of charities in the sample, the majority (57%) occupied only one property. Thirty per cent had 2-5 properties and less than 10% had more than five.

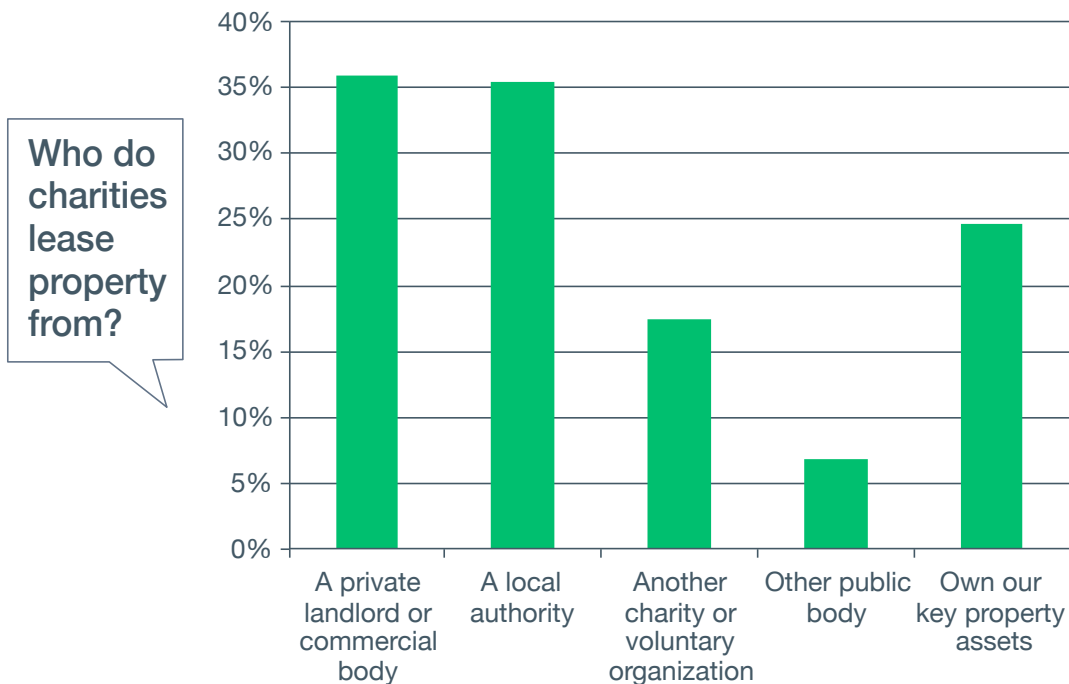
Offices were the most common property type used by the sample (46%), followed by community/cultural centres (35%).

There was a wide variety of property types used by smaller proportions of the survey sample including education/training facilities, residential, heritage property, agricultural and park land. Retail property use was reported by only 8%, reflecting the small size of charities in the sample compared with the larger charities which were more likely to have retail outlets.



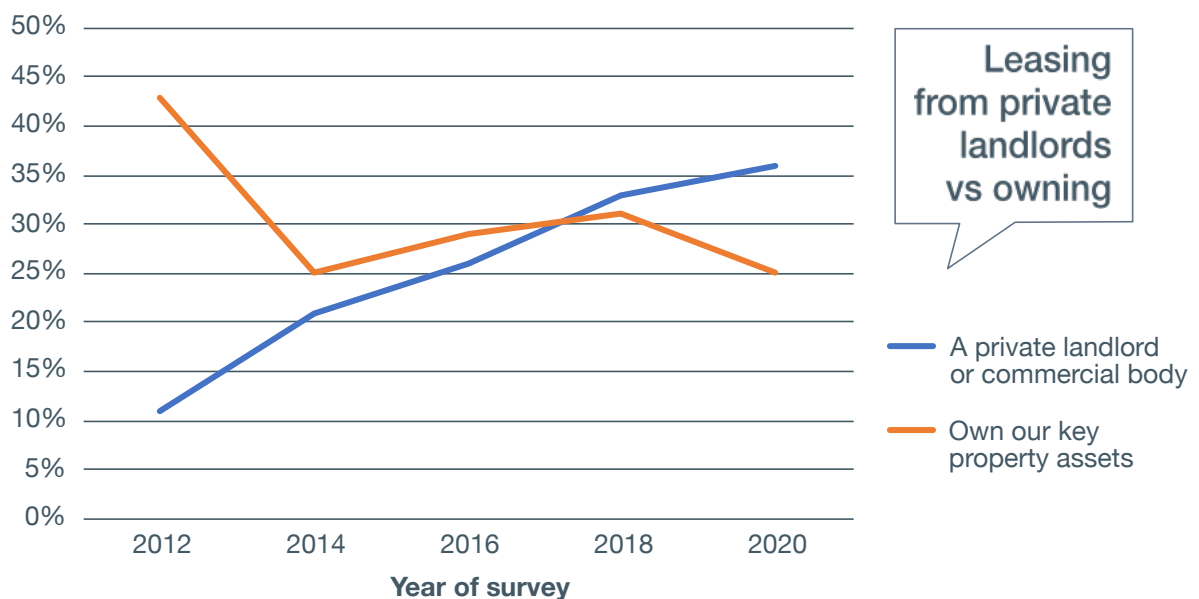
### How many properties do you occupy?





Most respondents were tenants with only 25% reporting that they owned their key property assets. Thirty-six per cent of the sample leased from a private or commercial landlord, consistent with a trend of increasing dependence of charities on commercial landlords evidenced in previous

EPF surveys since 2012. However, local authorities were landlords to 35% of the sample and 24% leased from another charity or other public body. Overall, therefore the small charities represented in the sample were heavily reliant on public or voluntary sector landlords.



## Property Costs

Property costs showed substantial variation as a proportion of charity expenditure across the sample, as was found in previous surveys. For 45% of respondents in 2020, property costs represented 10% or less of total annual expenditure. However, for one in five in the sample, property costs accounted for over 20% of total costs. The proportion was higher (31%) among charities running community and cultural centres.

There was some evidence of property costs bearing more heavily as a proportion of all costs among the smallest charities in the sample. Property costs were above 10% of all costs for 69% of charities with incomes below £100,000 compared with 49% among charities with incomes between £100,000 and £1 million. There was no clear pattern of property accounting for a higher proportion of total costs among London-based charities compared with those located elsewhere.

London charities vs rest of England & Wales: percentage of total annual expenditure spent on property costs



“Our premises costs are excessive, and don’t meet our current needs. Leases are too long / restrictive with no room for renegotiation. This is causing us issues in terms of sustainability and being able to be ‘agile’ and ‘fleet of foot’ ”



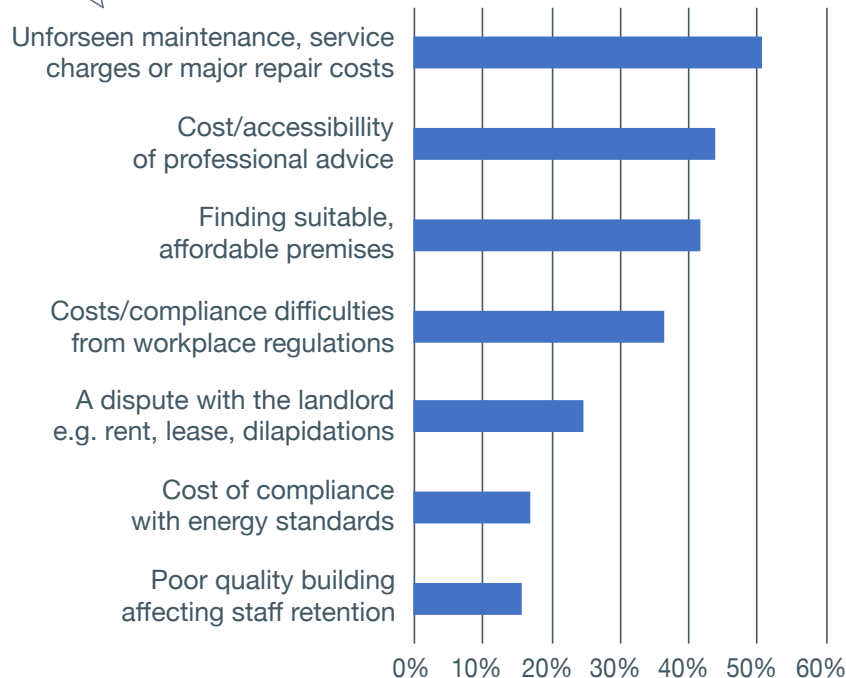
## Property Issues

### Problems, Risks and Barriers

The survey responses showed that property presents significant problems for many charities. Responses on specific accommodation issues showed that over 60% of the sample faced problems relating to the suitability of premises for their operations, in some cases affecting charities' ability to meet demand for their services. The most common, affecting 19%, was a lack of space in a charity's current premises. Difficulty in securing suitable, affordable accommodation was a problem for 16% while a similar proportion (15%) had a larger property than they needed. A smaller proportion (14%) suffered with property of poor quality and/or unsuitable for their purpose.

Charities had been significantly and adversely affected by a range of property-related issues over the past three years. The most common, reported by just over half the sample, was unforeseen maintenance and/or repair costs. Costs/accessibility of professional advice had been an issue for 44%, with 42% reporting problems in finding suitable, affordable accommodation. More than one in three cited compliance costs and difficulties arising from Health and Safety, environmental, access and other regulations. Notably, 25% had a dispute with a landlord.

#### Significant Property Issues in the Past 3 Years

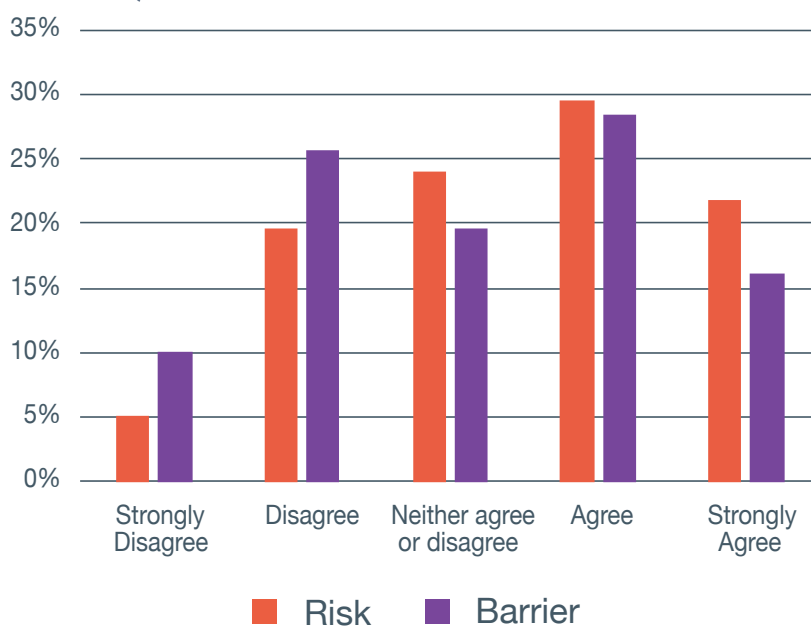


A majority (51%) of respondents agreed that property issues were a significant risk to their charity's future sustainability. Forty-five per cent agreed that property issues were a barrier to delivering their charity's objectives; this was significantly higher than the 30% recorded on a similar question in the 2018 survey.

Some of the 2020 survey responses on these questions reflect the impact of COVID-19 restrictions on charity operations and their use of property. For example, a charity running a community centre would face a major barrier to delivering its objectives if the centre were to be closed. Examination of the pattern of response within the sample revealed that agreement on property issues as a barrier to objectives was most common among charities using non-office properties that were specific to the charity's operation.



Property issues are:  
a) significant risk to future sustainability  
b) barrier to delivery of charity objectives



‘COVID-19 will drastically affect our property strategy and charity strategy in ways that we cannot foresee at this current moment’



## Property Management

### Knowledge, Capacity and Practice

Weaknesses in charities' capacity and ability to manage property effectively have been key themes in previous EPF surveys. The picture in the 2020 survey is marginally more positive in some respects but significant gaps still appear widespread. The fundamental problem for many small charities is the lack of relevant in-house knowledge and expertise in property management.

A large majority (73%) of the 2020 sample had had no property management training/education in the past three years. Just 51% thought that their charity had a good level of knowledge and understanding with regards to property management.

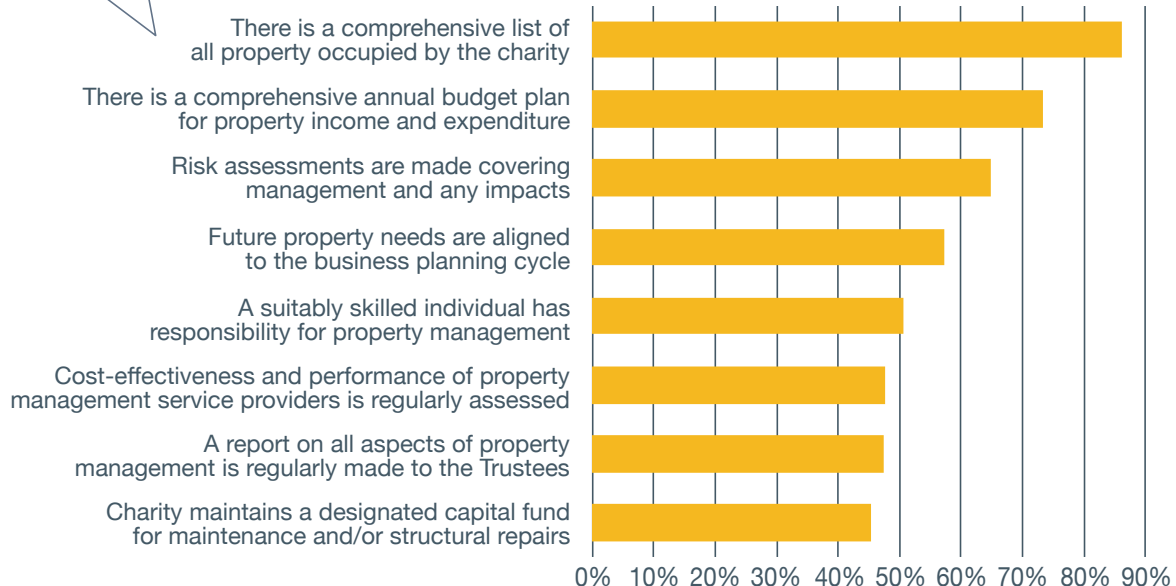
Only half the charities in the sample had a strategy for dealing with property. This result has to be interpreted in the context of the COVID-19 pandemic; there were comments from respondents indicating that many charities were now uncertain as to the relevance of their current strategy and/or what their future property strategy should be.

The 2020 survey findings on property management practices and capabilities presented a mixed picture. On the positive side, over 70% of charities had a comprehensive annual budget plan for property; 65% aligned their property needs to business planning and 57% made risk assessments relating to property management.

Less positive were the significant gaps in capacity and practice among substantial proportions of charities:

- 47% had no regular reporting to trustees on property matters.
- 45% had no designated capital fund for property maintenance and repairs.
- 43% had no suitably skilled individual with responsibility for property.
- 39% failed to make regular assessments of property service providers.

#### Property Management Practice and Capacity

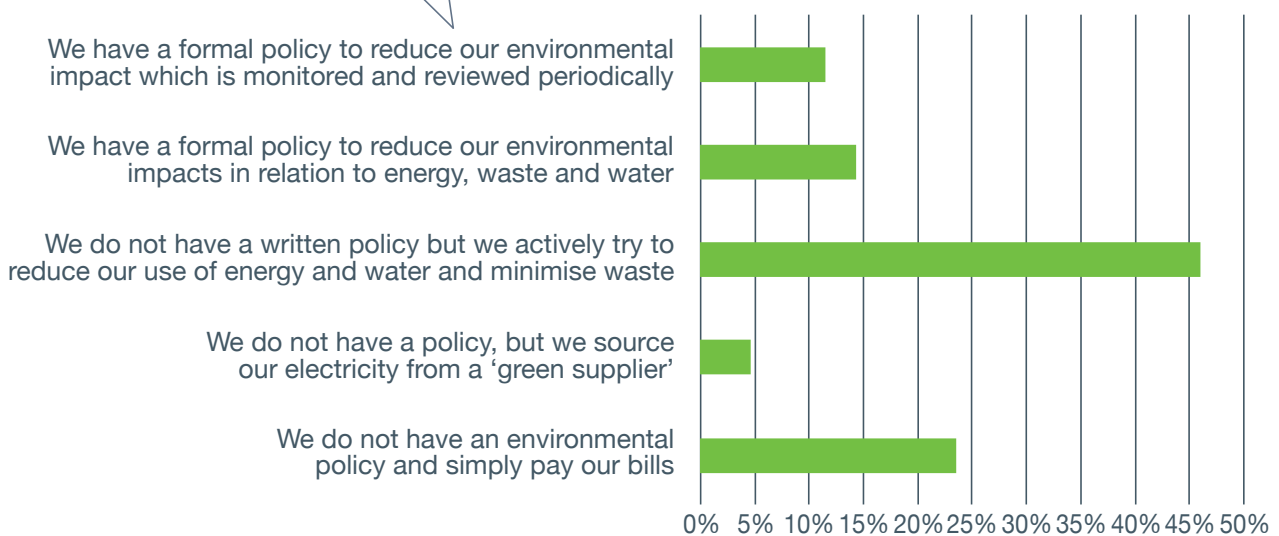


## Environmental Matters

For the first time, the 2020 survey included questions on charities' policies and knowledge of environmental matters relating to property. The survey found that most charities in the sample did not have a formal policy for environmental management of their property; furthermore only one in four

said that they had a written environmental policy to reduce energy and water use and minimise waste. However, almost half (46%) claimed that, while they had no written policy, they did try to reduce energy and water use and minimise waste. One in four said they "just paid their bills".

### Environmental Policy Approaches



The survey revealed a general lack of measures taken by charities to manage the workplace environment to maximise the social wellbeing of staff. Only 14% of charities undertook staff satisfaction surveys covering the comfort of buildings to work in.

The most common measure aimed at optimising social wellbeing was provision of social spaces for staff to gather informally, reported by 38% of charities. A much smaller proportion took other measures to ensure access to natural light, monitor air quality or provide individual heating controls.

### Awareness of Minimum Energy Performance Standards (MEES)

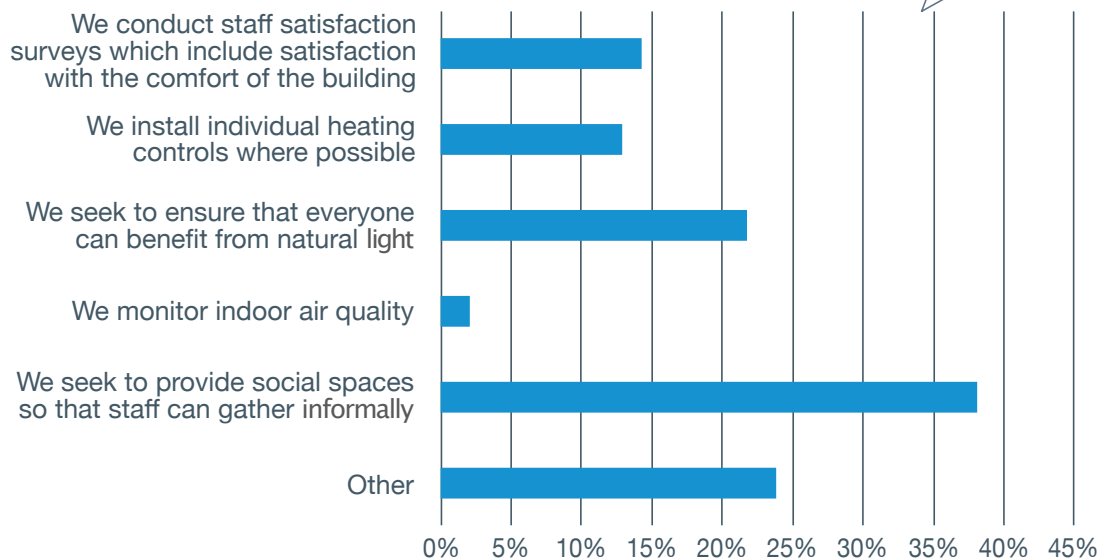




There was an extremely low level of awareness in the sample of the government regulations on Minimum Energy Performance Standards (MEES) regulations which potentially can outlaw the letting of a significant proportion of buildings. With some exceptions, such as certain 'listed' buildings, these regulations have, since 2018, banned new lettings of buildings which fail to meet a minimum standard of Energy Performance Certificate; the regulations now extend to all lettings of domestic buildings and will extend to all non-domestic lettings by 2023. There are also plans to tighten the regulations.

Almost two-thirds (64%) of respondents had either never heard of MEES or had no real knowledge of how it might affect them. Only one in four had sufficient knowledge to be of the view that it would not adversely affect or force them to relocate. Awareness of MEES was lower among tenants of private sector landlords and particularly low among the smallest charities in the sample who are perhaps those most likely to occupy energy inefficient buildings.

### Measures taken to maximise social wellbeing in the workplace



“The survey found that most charities in the sample did not have a formal policy for environmental management of their property”

## Reflections and Recommendations

This year's survey coincided with the height of the COVID-19 outbreak. Therefore, it was probably inevitable that there were fewer responses received than had been the case in 2018. The Ethical Property Foundation additionally conducted a small, short, focused survey to establish what particular issues had arisen from the initial 'COVID-19 shocks' to property occupation by charities. The findings from that focused survey have been separately reported but do underscore and support some of the findings here which doubtless have themselves been 'COVID-19-related'.

We have detailed above the key findings; here we reflect on what collectively they could mean for charities, especially small charities, moving forward, together with some recommendations for actions.

### • Property: a risk to continuity

Many charities rely on occupation of, or income (trading or through rent) derived from, their property assets. It is therefore critical that these risks are monitored and evaluated.

Many charities, big or small, fail due to external or financial shocks. A rent review, service of a notice to terminate occupation or unplanned and unaffordable property expenditure can often contribute to an inability to continue in operation. Conversely, charities often cannot predict their space requirements moving forward. So, it must be a balance between ensuring continuity is

assured with flexibility to meet changing needs. The current property market downturn could be advantageous to some charities as landlords seek to re-purpose premises or avoid voids.

### • A need for affordable accommodation and informed landlords

The survey confirmed, once more, that many problematic property management issues for charities relate to their experiences as tenants. Finding accommodation at an affordable rent remains an issue, but so too is the offer of a lease term which can be inappropriate for the nature of occupation or provide a lack of security. Combined with the findings from our COVID-19 specific survey, there is an overwhelming case to negotiate with landlords. Many charities rent from commercial landlords who may not be aware of the specific issues facing charity tenants: for example, they may not consider the impact of VAT on tenants who are VAT exempt. It may pay to talk early!

Further, this survey has underscored that many charities have local authority or other public landlords; these organisations have their own financial pressures which may have resulted in outsourcing property management teams or simply reducing the number of personnel employed. In either case, the reduction in trained personnel may result in the issuing of leases which are straightforward commercial arrangements unsuited to a charity's situation. Again, it could pay to make an informal approach and it is critical to ensure that the potential landlord is fully aware of the situation of the charity tenant.



### • Owners and tenants often face property maintenance and management issues

It is not only tenants, but owner occupiers who face property challenges. Failure to plan adequately for preventative maintenance can lead to a lack of maintenance with attendant issues impacting on the efficient operation of the charity. Further, small charities who cannot afford in-house expertise can face issues around compliance with health and safety, for example. All these matters can present unplanned costs to charity occupiers which can undermine viability.

COVID-19 has undoubtedly presented additional issues in this area, with restrictions imposed on property usage by employees and by members of the public. Charities that are reliant upon a volunteer workforce are very much aware that the workspace offered may need substantial upgrading or changing to deliver the safety and wellbeing required in the post-COVID-19 workplace. This is perhaps more acute in the charity world than in the commercial sector given that a high proportion of volunteers are aged over 60.

Further, several property-owning charities reported the adverse impacts of issues around title or disputes resulting in delays in executing plans for alterations or development. Again, this underscores that all property occupation requires expert legal or property advice from time to time – but to many small charities the cost of this can prove prohibitive.

### • A lack of capability in-house

Property management is complex and failure to understand what is required and when, and lack of awareness of the statutory and regulatory requirements, can prove costly – if not fatal. However, it is unrealistic for small charities to employ such expertise ‘in-house’. Whilst there is ‘free’ advice available, including from EPF, one step that charities could take is to ensure an adequate skills matrix is used when new trustee appointments are made. Property expertise within the trustee base could potentially help charities to avoid some of the experiences highlighted in the survey responses.

### • Environmental regulation is now a critical factor but charities’ awareness is very low

Every CPMS has revealed that lack of training and gaps in property knowledge and understanding are risks to charities. This year was no exception. However, this year, for the first time, respondents were asked about the new regulatory energy efficiency framework affecting (nearly) all let properties, covering new lettings since 2018 and all continuing lettings from 2023. These regulations prescribe a minimum standard of an ‘E’ grade certification and could, if not met, result in landlords seeking termination to refurbish, where they can, or to upgrade with the tenant *in situ*. The current standards needed are not high – but are likely to impact an estimated one-third of buildings fairly immediately. However, it is widely expected that the regulatory standards will be ratcheted up, so more properties will be affected. Whilst the financial burden falls on the landlord to comply, it is imperative that occupiers develop awareness and understanding of the possible impacts on them before this happens.





**The Ethical Property Foundation  
offers London's voluntary sector:**

**Property Consultancy**

On-site health checks, property strategies, project management and feasibility studies delivered by our expert in-house team.

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**Contact us to discuss your property needs:**

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