

## “MOUNT CARRON”

# SWEAT EQUITY A CASE STUDY



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**Date: August 2010**



# A Case Study of Sweat Equity as an Affordable Housing Option

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**DEFINITION OF SWEAT EQUITY:** In relation to the renovation of a property belonging to another party – sweat equity may be defined as the use of a tenants' own labour and materials to carry out work and repairs to make good a property, in exchange for a period of free or reduced rental for a contracted and agreed upon period of time. Another term used is an "Improvement Tenancy".

**Essential to make the scheme work:** An empty or derelict house in need of repairs, redecoration or renovation; the proprietor, land owner/ agent (or similar); a willing tenant with practical knowledge, skills, time and enthusiasm and a solicitor (or equivalent) to prepare a contractual agreement (to safeguard both parties).

**Introduction:** This case study provides a source of information to be used by landowners, land agents, tenants and social housing providers to highlight the potential for using sweat equity as an alternative method to increase the supply of affordable housing in rural areas.

It has been compiled with gratitude to Nathaniel Havinden, who has shared knowledge gained through his own experience.

## **Profile**

**Name:** Nathaniel Havinden

**Age:** 31

**Background:** Attended college to study Sound Engineering, Video and Film Production and Photography. Worked in locations around London and France, renovated a narrow boat in Glasgow and spent 3 years working with The HALO Trust doing mine clearance. Metalwork/blacksmithing since age 14.

**Motivation:** Nathaniel's primary motivation for choosing sweat equity was financial necessity. As a local worker it was not possible to raise sufficient funds for a deposit to buy a property and due to irregular work /income, would not qualify for a mortgage.

The second motivational factor was having necessary skills. Previous building experience provided the confidence needed to embark upon the project.

The third motivational factor was finding a derelict property in a suitable area.

## **The process**

A sweat equity agreement was not something Nathaniel set out to do, in fact the term was new to him until well after the agreement was entered into.

**Nathaniel states:** *"not sure if I really chose sweat equity, more like it just happened!"*

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During attempts to rent an affordable local property and finding none available, Nathaniel approached a local estate on the assumption that they may have something available. The estate expressed interest in the potential for one of their properties to be brought back into circulation. The idea to enter a sweat equity agreement was a joint decision by both parties. Initially, Nathaniel was prepared to partake in some minor renovations (redecorating etc.) if needed, in exchange for a reduced rental. What he was not expecting was a total renovation, on visiting “Mount Carron”, the challenge was appealing and a contract negotiated.

### **Nathaniel’s recommendations to make sweat equity feasible**

(for a person willing to do the majority of work themselves)

#### **A— Tenant or “Sweat equitor”**

*Nathaniel states: “I don't believe a candidate such as me is necessary. I'm doing the work myself as it is the most affordable option and I have the time. Other candidates may well have enough capital to employ professionals - but whether the increased cost of employing others is worth it depends on the deal between owners/”sweat equitors”. Certainly I'm hoping that in effect I will be getting 10 years “free” rent by the time I'm finished. If I had to pay myself, at the rate I worked into estimates for the estate, I'd be lucky if I was getting 5 years “free” - which then makes it less attractive.”*

1. Capital or access to finance to cover essential costs and materials
2. At the minimum a basic knowledge of DIY or construction skills
3. Access to machinery (digger, tractor/trailer, forklift, generator etc)
4. Access to tools
5. Access to stocks of materials and time to source, deliver, store and make good items from the likes of recycled or construction/architectural salvage centres
6. Good working relationship with local tradesman - for advice, assistance etc
7. Time
8. Somewhere affordable to live whilst working on the project – This is an important aspect especially for a total renovation where the property is not habitable. Nathaniel states that this year he has spent more on living than on materials for Mount Carron and he is living rent free with his parents! If he had been renting as well as building he noted that cost could have made the project near impossible. Rental, living costs and transport can easily cost £8,000/yr

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### **B – Property owner**

Estate Factor states:

*“This is a way of getting wind and watertight but uninhabitable properties back into circulation. If we find we have more properties that are suitable and found the right person we would consider another such project” As with all tenancies, the right person is essential to make it work”*

1. Insist on all work complying with Planning and Building Regulations. (Especially if there are plans to rent/sell at a later date)
2. Detailed plans should be drawn up - this safeguards both parties. This process will raise awareness of the amount, extent and expenditure of work involved and “weed out” unsuitable candidates who would be unable to take on such a project
3. A time scale is necessary for all works to be completed; 5 years maximum for a large scale renovation project
4. Insist on professionals for specialised jobs such like gas/electricity - this may be necessary for insurance purposes
5. Encourage energy efficient building - cost wise it makes little if any difference, will benefit the tenants in low fuel bills and the environment in a low carbon producing dwelling
6. If the candidates accept the first contract with no quibbles then they probably don't fully understand what they're getting into! It should be a long term deal with a greater commitment on the tenant. This point should not be underestimated
7. The landlord must ensure that the contract is such that it assures tenant security and tenants rights are adhered to. It may be advisable to seek specialist advice on this matter
8. If the land/property owner is not prepared to spend capital on aspects such like servicing the site, then they must be prepared to compromise in ways such as ensuring the property is leased over a longer duration for a lower rental



## Mount Carron before any work progressed

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The cottage lies derelict. It was built late 19th Century. The last occupants left here at least 30 years ago. “The Robertson’s”, a family of 14 lived here for many generations.

The sweat equity agreement was a joint idea by both parties. The original lease was to be for 12 years, this was increased to 15 years after inspection of work was carried out. Trustees were notably impressed with the quality and standard of renovations carried out.



Work commenced in April 2009, Closer inspection revealed the floor was totally rotten, all joists had to be removed exposing another surprise – no foundations! Stripping back to the basics Nathaniel reinforced the foundations with a ring beam, laid a damp proof course, insulated and laid a solid concrete floor. The result is a warm, damp proofed and protected ground floor with solid foundations.



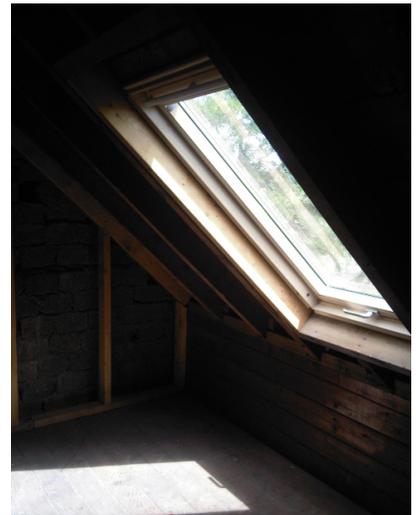
Every door and window needed replaced, the structural stone walls stripped back to basics and re-pointed, all non structural walls removed and new stud work and plaster board assembled. A joiner was employed for 7 days to assist, mainly with roofing and more specialised work.

## The work in progress

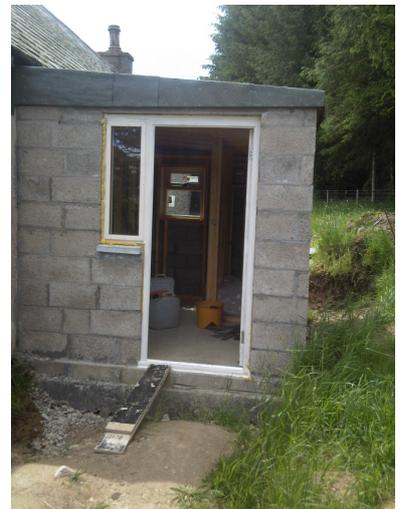
Maximum insulation is installed to keep future fuel costs to a minimum. An oil-fired Rayburn will provide heat, (some) cooking and top-up water heating to the solar panel. Main cooking on LPG hob and oven. The house is totally off grid, has a private water supply and a septic tank. A diesel powered generator is used for electricity.



Upstairs walls are all removed, insulated and wooden cladding replaced to retain original character. Sheep's wool is used for loft insulation. Upstairs windows are replaced.



Doors and windows are replaced with double glazing. A porch is built on to the rear entrance to help prevent heat loss and provide a larder and cold area for storage.



## Conclusion

Nathaniel has exemplified and shared his recommendations for good practice. He estimates his final cost will be in the region of £20,000 and has a 15 year agreement to pay £0.00/month for the duration of the lease. Nathaniel plans to live in the house for at least the duration of the 15 year lease. If he leaves before then he will forfeit the capital he has spent (this is a point worthy of consideration for future projects).

The entire renovation process should be complete within 3 years from commencement. Nathaniel has kept his costs low by doing the largest majority of the work himself and sourcing materials from recycled and reuse centres; picking up “bargains” whenever and wherever he could (he has the time and skills necessary for this to work successfully).

In the long run Nathaniel will have an affordable rental, close to his place of work, in an area nearby his family, and a sustainable, highly energy efficient home with low running costs. The estate will have a property which has increased substantially in capital value.

Sweat equity is a practical option to bring back into use empty and derelict properties and increase the supply of affordable housing in rural areas. However, it is not a scheme which should be entered into lightly by either party. Careful and realistic planning, on all levels, will prevent a tenant/”sweat equitor” from taking on a project out-with their skills , capacities and financial means as well as protecting the landlord/owner and the property.

The end result is a rural house brought back into circulation, a financial asset for the owner and an affordable home for the tenant.

When the scheme works well, it is a win - win solution!



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