

Chapter 2

Tackling London's Housing Crisis



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1 Defining the Crisis

The origins of London's housing crisis can be traced to a failure over decades to provide the number and types of homes that people working in London's growing economy require. London is an incredibly successful global city but the pace of homebuilding has fallen far behind demand. Between 1997 and 2016, London's housing stock grew by just 15% (470,000 homes) (GLA 2017a), at the same time London's jobs increased by 40% (1.6m net additional jobs) and its population by 25% (1.7m more people). London's housing delivery is constrained by a reliance on private home-builders, with a homogenous business model.

If London's housing stock had grown at the same rate as its population since 1997, there would have been an extra 700,000 homes by 2016 (4.2m compared to 3.5m). The latest city-wide assessment found that London now needs 66,000 new homes a year, of which around 65% should be affordable to fully meet needs (GLA 2017b). Just 33,000 homes a year were built between 2013/14 and 2016/17 (GLA 2017c), resulting in a backlog of unmet need, and the worsening of affordability in the intervening years.

This shortage of homes means that Londoners are being forced sharing less space with more people. After a century of reductions in the average number of people in each household in London, it was 2.3 in 1991, but it has now started to rise. According to one survey London's average household size is now up to 2.7 (GLA 2017d). There is a rapidly growing number of unrelated people sharing accommodation contributing to this rise. The number of households containing two or more distinct family units rose from around 300,000 in 1996 to around 470,000 in 2016 (GLA 2017a). Contrary to some beliefs, the number of empty homes in London is at an historic low level (GLA 2017a).

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The failure to build the homes that Londoners need has also resulted in rapidly rising prices and rents. Once housing costs are taken into account more than a quarter of Londoners are now living in poverty (DWP 2017). Whilst housing in London has long been comparatively expensive, in 2016 the gap between average house prices in London and the rest of England reached the widest ever recorded. The average private rent for a three-bedroom home in every other English region is now less than the average for a one-bedroom home in London. Since 2010, average private rents in London have risen more than three times as fast as average earnings (GLA 2017e), and around a quarter of privately renting households in London spent more than half of their income on rent in 2015/16 (GLA 2017f). Perhaps unsurprisingly, given these trends, more than half of households in London's private rented sector have little or no savings (GLA 2017g).

The number of Londoners in the private rented sector who receive regular financial support from the Government through Housing Benefit to help pay their rent, more than doubled from 2000 to 2017 (from 100,000 to 230,000) (GLA 2017h). Since 2011, government reforms to the welfare system have reduced the amount of this support, in spite of increasing rents, resulting in increasing affordability problems for these tenants, highlighting the pressing need of those on low incomes for genuinely affordable homes.

Pressure on the housing stock is increased by the fact that Londoners are moving less often. This is likely to be due to the rising costs of moving house. Buyers have to pay Stamp Duty Land Tax, at a high level, on purchase, whereas renters face high tenancy deposits and agent fees. In every tenure the rate at which Londoners move has fallen over the last 20 years (GLA 2017i).

2 Building Homes for Londoners

The only way to solve London's housing crisis over the long term is to build significantly more new homes, especially genuinely affordable homes. This cannot be achieved by doing more of the same. Building significantly more homes needs substantial diversification in terms of what homes are being built, who builds them and where. For too long London's housing supply has been dependent on a homogenous business model of developers, large complicated development sites in expensive areas and a relatively narrow range of types of homes. The Mayor has expanded and strengthened his Homes for Londoners team to relentlessly pursue this agenda. He has tasked them with taking a much more proactive role in getting land into development for new housing, developing new funding and policy approaches and working in partnership with other levels of government and the housing industry (GLA 2017j).

London's current land use policies, and its land market, have failed to bring forward the sites the city desperately needs to be used for building new homes. There is a need to increase land supply by supporting more intensive use of London's available land, and by the public sector proactively intervening in the land market.

Public investment plays a central role in sustaining and supporting homebuilding. It helps to speed up build-out rates, unlock stalled schemes, and make more land available for housing. The Mayor has funding programmes to invest in homes and infrastructure, including through: his Affordable Homes Programme; the Housing Infrastructure Fund; targeted investment in areas where delivery of new and genuinely affordable homes can be maximised; and supporting access to finance for home builders. Targeted investment in new transport schemes can support new homes—whether through major new rail lines like Crossrail 2, high quality rapid bus transit, or more local investment to make cycling and walking easier.

London will not increase its levels of homebuilding unless more of the homes built can be accessed by more Londoners, and until more homes are built by a wider group of organisations including councils. In order to build many more homes in London, new players must enter the market to complement the work of traditional private sector developers. New purpose-built private rented homes can provide a more stable and well-managed supply of homes at a range of rent levels. Small- and medium-sized builders are more likely to build on smaller sites and in outer London, where homes can be built faster and at more affordable prices. Housing associations (not-for-profit housing providers) are showing strong ambition to deliver many more affordable homes—mixed in with private homes to create profit for their purpose. Support for ambitious councils could help them access the resources they need to boost their plans to build new council housing.

At present, there are not enough people who have the right skills and who want to work in London's construction industry, and relying on traditional building methods alone will make it hard to significantly increase the number of new homes. There is a need to improve London's construction skills training system, and support the industry through the risks posed by leaving the European Union. Leadership and coordination is needed to improve the image of construction, including by supporting a shift to more of the components of London's homes being precision manufactured, in factories.

3 Beyond Building

The Greater London Authority's analysis of London's housing requirement is that we need to build 66,000 homes every year for the next 25 years. Action to help Londoners cannot wait that long. More immediate actions to mitigate London's housing crisis are needed, alongside a recognition that not all manifestations of the housing crisis will be solved by supply alone.

3.1 Genuinely Affordable Homes

The clearest immediate action is ensuring that as many of the new homes built as possible are genuinely affordable. As stated above affordable homes can accelerate the rate of home-building overall but they are also a valuable resource in and of themselves. Social housing enables Londoners on low incomes from a fantastically varied range of backgrounds to live here, contributing to London's vibrancy and economic success. Yet for many years London has failed to build sufficient new affordable homes (GLA 2017k) resulting in net reductions to London's overall social housing stock (Wellman 2018).

Londoners have become suspicious of the term 'affordable housing' in recent years. Clearer definitions of what homes are affordable for Londoners on low and middle incomes to rent and buy are needed. The Mayor of London is investing in homes based on social rent levels for Londoners on low incomes, in London Living Rent homes for middle income Londoners struggling to save for a deposit, and in shared ownership homes for Londoners who cannot afford to buy on the open market.

The Mayor is committed to a long term strategic target for half of new homes built to be genuinely affordable. To achieve this, he will ensure the planning system secures more affordable homes as part of new developments, including through fast tracking developments that deliver a set level of affordable housing (currently 35%). Further increases in the levels of new affordable homes can be delivered through investment, including London's funding of £4.82 billion to support starts of 116,000 affordable homes by 2022. London's surplus or underutilised publicly-owned land can also be used to support the delivery of more genuinely affordable homes.

3.2 London's Private Rented Sector

There are two million private renters in London, who face a range of challenges including rising rents and other costs, a lack of security and stability, and, in some cases, unacceptable conditions. To visitors from most other jurisdictions London's private rented sector would appear strange. The majority of landlords are individuals, typically only owning one or two homes as an amateur business. The sector is incredibly lightly regulated with no controls on rent setting or increases, limited quality standards for properties and landlords and almost no security of tenure. After an initial period of 6 months a landlord can near automatically end a tenancy for any reason or none, with almost no legal protections for tenants.

London's high rents impact upon a wide range of people from young people unable to save for a home of their own, to low-income Londoners whose rent is no longer covered by welfare payments, to families with children struggling with the high costs of living in the capital. In 2017, around 550,000 London children lived in the private rented sector. The Mayor believes there is an urgent need to offer greater

stability and tenant rights, balanced with the legitimate interests of landlords, to make the legal system underpinning London's private rented sector fit for the 21st Century (GLA 2017j).

3.3 Homelessness and Rough Sleeping

London is one of the richest cities in the world. Yet in recent years homelessness has been increasing due to the high cost of housing, and lack of support for those who need it. One in 50 Londoners is now homeless, according to a recent study, including around 8000 people who last year were seen sleeping on the streets (GLA 2018a). The Mayor believes that it is unacceptable that in one of the richest and most successful cities in the world thousands of people are sleeping rough on the streets every year. He has called it our basic moral responsibility as a society to right this wrong (Khan 2018).

More and more Londoners have been finding themselves without a place to call home. Fundamentally this is due to the shortage of affordable homes, the insecurity of private renting, and changes to the welfare system, but immediate action can have an impact. There is a need to invest in places for homeless Londoners to live, better coordination between councils when accommodating homeless Londoners and focus on homelessness that is caused by violence against women and girls.

It is unacceptable that anyone has no choice, or feels they have no choice, other than to sleep on London's streets. The Mayor's aim is to ensure there is a way off the streets for every single rough sleeper in London (GLA 2018b). This will be achieved through coordination with councils, charities, Government, and others to boost services beyond the £8.5 million a year he has committed toward support for rough sleepers. The Mayor has also made available funding to invest in improving and expanding London's network of hostels and refuges (GLA n.d.).

4 Devolution

Whilst the Mayor has been clear with Londoners that tackling London's housing crisis will be a marathon and not a sprint, there have been significant successes in his first 2 years including record levels of funding, ambition from housing providers, construction starts of genuinely affordable homes and radical policies to drive homebuilding faster. The Mayor is doing all he can within his existing powers and resources, but to effectively tackle the housing crisis more support is needed from national government.

The UK remains a highly centralised state, which means that devolution or national government action is needed to support the Mayor. It is not feasible to deliver the right level of affordable homes and infrastructure with the current level of funding on offer. Life for London's private renters cannot be transformed through

existing regulations alone. Homelessness will not be solved if its root causes are ignored.

The planning system can identify capacity for new homes, but there is now consensus that planning policies and consents alone cannot be relied upon to ensure sufficient land comes forward to support the housing targets we have set, with too much developable land lying empty or poorly used. The Mayor needs effective powers that can be used proactively to support land assembly and incentivise more efficient use of scarce land. This includes radical reform of land assembly rules, including the reform of compulsory purchase powers and the introduction of new land assembly mechanisms and resources, and a long term commitment to a more progressive system of land taxation. The Mayor also needs much stronger powers over publicly-owned land earmarked for new homes, particularly central government land.

London government lacks the funding it needs to provide adequate numbers of the right types of affordable homes, or to invest in the infrastructure that will underpin more homebuilding. Funding deals are negotiated with Government periodically, or for specific schemes, on terms that tend to change with each iteration. This makes long term and joined-up thinking very challenging. There is a need for an immediate boost in funding for affordable homes alongside a commitment to negotiating a substantial and long-term affordable housing and infrastructure settlement, underpinned by fiscal devolution.

London's private rented sector is amongst the most poorly regulated in Europe. The Mayor is calling for a radical overhaul of regulation of standards and conditions in the private rented sector, alongside a commitment to work with him to implement a new model of private renting aiming to provide much more stability for tenants, and to explore options for addressing high rents and unacceptable rent increases.

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