



Housing in London
Addressing the supply crisis
HEIF 5

Introducing the Themes

*17th September, 2014
32 Lincoln's Inn Fields, Room 1.04
London School of Economics
and Political Science*

<http://lseondonhousing.org/>

Introducing the Project: Context



- London's housing problems stem largely from insufficient supply
- Debate heated but often one-sided or ill-informed
- Increasing political imperative to do something about the capital's housing
- National elections 2015; London elections 2016—the moment is now



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Rationale

- To facilitate dialogue between academics, practitioners, residents and policy makers on reducing housing inequalities and expanding supply in London
- To strengthen the evidence base
- To influence policy by identifying practical improvements
- To bring LSE research to a wider audience
- To contribute to the political debate and
- To improve London's housing market



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Theme 1: Planning, Land Supply, and Development

A well rehearsed story:

- London's population has been rising
- Incomes have been growing
- Household size in long term decline



A growing **demand** for housing into the foreseeable future

- Housing delivery peaks
 - 1930s circa 80,000
 - 1960s circa 38,000
 - Pre-crash circa 20,000



Not enough **supply** to meet demand



NEW HOUSING AND
THE LONDON PLAN

Theme 1: Planning, Land Supply, and Development

- **20 February 2014:** LSE London responded to Mayor's Draft Housing Strategy
 - We welcomed a step-change in targets and felt that **42,000 units** or, ideally more, per year was desirable,
 - We were concerned that the strategy as proposal lacked any mechanism to bring about genuinely radical change
 - We argued that housing *is* a real and major crisis impacting on London's future and that radically different approaches across London and the wider region needed
 - We saw the strategy as missing an opportunity to set out the nature of the obvious market failure in London and how it might be addressed to generate far higher levels of output well beyond the time horizon of the London Plan



Theme 1: Planning, Land Supply, and Development

- **Areas of Concern:**
 - 42,000 units per year is lower than need identified in 2008 and is far below current GLA population and household estimates (52k vs. 42k). We are pleased to see that the SHMA identifies 49,000 units
 - This is to be achieved significantly by building high - but quality/environment being sacrificed?
 - Anyway, London has no obvious means of delivering these output levels
 - Evidence that planning permission are being transformed into starts but not to completions at anything like required levels
 - The Mayor can only ever really persuade boroughs, developers or other market actors – he cannot force



Theme 1: Planning, Land Supply, and Development

- **Our research suggests:**
 - We must focus on the reducing the barriers to new housing supply. This means:
 - Developing a clear understanding of barriers from the perspective of developers, investors and local government – sounds easy but it is not
 - Recognising that pulling at one lever may exacerbate the problem – integration is required
 - We need to distinguish between short term solutions for increasing output and more fundamental changes for the long term.



NEW HOUSING AND
THE LONDON PLAN

Theme 2: Improving Renting

Particular issues in building the private rented sector

- Rising rents—especially for new lets
- New build still mainly for owner-occupiers - private renting needs different configurations; different services; high quality management of the building and environment
- Greater stability in the market needs long term landlords
- Difficulties attracting institutional investment because of lot sizes, yields, reputational risk, political risk
- **Suitability of the sector for families who want a permanent home**



IMPROVING
PRIVATE RENTING

Theme 2: Improving Renting

Our research interviewing middle-income families living in the private rented sector in four cities---

Are such households happier to live in private renting in Berlin and New York?



Theme 2: Improving Renting

How London compares for family renters

	London	Berlin	New York City
% of dwellings in PRS	27	90	56
Rents regulated?	No	Rent rises within lease	'Rent stabilisation' covers over half of PRS
Standard lease length	6-12 months	Indefinite	1-2 years for rent stabilised Negotiable for market
Typical monthly rent for family-sized flat	£1,500 for 3 beds £2250 for 4	£433 - £644	£950 entire city £1605 Manhattan



Theme 2: Improving Renting

What do families say?



- Even in cities with high proportions of tenants, families would often prefer to buy if they could afford to
- Most liked their housing, landlords, and neighbourhoods
- They valued social networks, good schools and other child-friendly facilities
- Tenure security is important.



Theme 2: Improving Renting

What are the implications for London?

- Different attitudes to renting are not determined only by lease conditions and rents, but also by deep-rooted cultural factors and the wider housing market. These can change, but slowly.
- Longer leases and greater certainty could benefit many tenants (especially families) and many landlords.
- Some (mainly corporate) landlords are starting to offer longer leases/indexed rents—but are prospective tenants suspicious?



Theme 3: Alternative Housing

Alternative logics, models and practices that

- Recognise the inadequacies of current market offer;
- Challenge dominant forms of provision.

Includes

- Experimental , life-style and utopian schemes (e.g., co-housing and self-build)
- Technical solutions (e.g., live-work units and flat-pack housing)



Theme 3: Alternative Housing

Recent policy context:

- 2011: Localism Act
- 2012: GLA 'Build Your Own Home – the London Way'
- 2013-15: HCA 'Community Right to Build'
- DCLG:
 - Funding for self-build
 - Guidance for councils
 - Modified tax regime
 - Using modular pre-fab
 - Housing Zone prospectus



Theme 3: Alternative Housing

One example: Co-housing

'intentional communities... created and run by their residents. Each household has a self-contained, personal and private home but residents come together to manage their community, share activities, eat together. Cohousing is a way of combating the alienation and isolation many experience today, recreating the neighbourly support of a village or city quarter in the past'

(UK Co-housing network)



Theme 3: Alternative Housing

Co-housing in UK

- Both senior and inter-generational schemes
- Ideologies vary widely
- In UK-
 - 18 established groups;
 - 46 developing groups
- In London-
 - 6 developing groups;
 - 2 in post-planning application stage;
 - 1 in pre-planning application stage



Theme 3: Alternative Housing



Our research into one scheme

Located in Forest Hill, South London

Began in 2011 after Housing Association bought the land/site [site-first]

Senior (50+) group, mainly single women

Long process: still awaiting planning permission—start-finish minimum 5 years



Theme 3: Alternative Housing

What are the issues and how can they be addressed?

- Finding a site and high cost of land (for developers and groups): difficult to compete with commercial providers; need improved access to finance
- Newness of the endeavor leads to misunderstandings in relationships with Housing Association & Local Authorities; so greater knowledge needed



Theme 3: Alternative Housing

What are the issues and how can they be addressed?



Alternative housing models could contribute to supply, although at the moment they are marginal. More empirical work is needed to understand what makes them successful.

Need to rethink current valuation of housing and more bottom-up resident and community participation.



Theme 4: The Role of Foreign Money

What is the problem?

- International investment into the UK economy is usually highly prized
- But international residential investment seen as harmful by many (especially media), because:
 - increasing house prices;
 - excluding local buyers;
 - leaving homes vacant; and
 - ruining local services
- Also potentially destabilising if the money turns out to be 'easy come, easy go'



Theme 4: The Role of Foreign Money

Overstating the problem?

- Mainly a 'prime' central London issue – a small number of areas in a small number of authorities at the top end of the market
- Also a new build issue – far higher proportions of new build going to international buyers – perhaps 70% in prime central, but around 20% in inner London and less than 10% in outer London
- Overall international sales, including those to residents, perhaps 7% of total sales but falling as activity rates rise
- Basically another issue of supply - if supply could expand then international money would be part of the solution



Theme 4: The Role of Foreign Money

Our research suggests:

- International money saved central London development immediately after the crisis
- Through off plan sales, international money provided cash flow and the confidence to unlock stalled sites
- As a result output levels recovered more rapidly in centre London and thousands of affordable homes negotiated before the crisis were made available
- International money has continued to support new supply and also looks for secure well managed, good quality homes, demonstrating what could be made available more generally
- International money for private renting is regarded as absolutely necessary if projected outputs are to be achieved – bringing experience from countries with well operating private rental sectors in the form of equity finance



Theme 4: The Role of Foreign Money

Ways forward:

- A range of proposals many of which are more like knee jerk reactions. Instead should:
- Require all new developments to be offered for sale in the UK
- Ensure local authorities have the capacity to increase tax rates on vacant units and second homes whoever owns the properties
- Try not to distort the property tax system more than it is already - what is required is a more coherent and progressive system which transparently taxes property in relation to its value
- The easiest and most equitable policy to implement quickly is to extend the council tax bands up a long way – making property taxation progressive so that the property rich pay more



The Project

Where Next?

- The launch showcases work LSE London has done in the last year. Now the hard work begins on this project.
- We have seven months to draw the strands together, provide new evidence, analysis and coherent ideas—and in particular to identify specific initiatives that might help shift the dynamics of housing supply and persuade politicians.
- After the election we have six weeks to set out challenges and potential solutions. Our longer-term objective is to help change London's housing landscape – following through to the mayoral election in 2016 and the 2018 borough elections.



Events

When? September 2014 – June 2015

What? Seminars, workshops and site visits + debate and final conference

Who? LSE London academics, with outside experts and local residents

Where? Seminars and workshops at LSE; site visits across London

Themes:

1. Planning, land supply and development
2. Improving renting
3. Alternative housing
4. The role of foreign money



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Programme

- October 2014 – April 2015: for each theme

Seminar
Site visit
Workshop

- Debate: “Accelerating Residential Development in London” in December
- Final conference in June

We hope you will

Participate in our events
Share your knowledge
Give us feedback about the approach



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<http://selondonhousing.org/category/publications/reports/>

Links



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Discussion: What can be changed and how?

Alan Benson, Head of Housing, GLA

Duncan Bowie, Senior Lecturer in Spatial Planning, University of Westminster

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Thank you for coming

<http://lse.londonhousing.org/>