

Claire Harding, Josh Cottell, Zarin Mahmud and Jon Tabbush

Homes fit for Londoners: London's homes today



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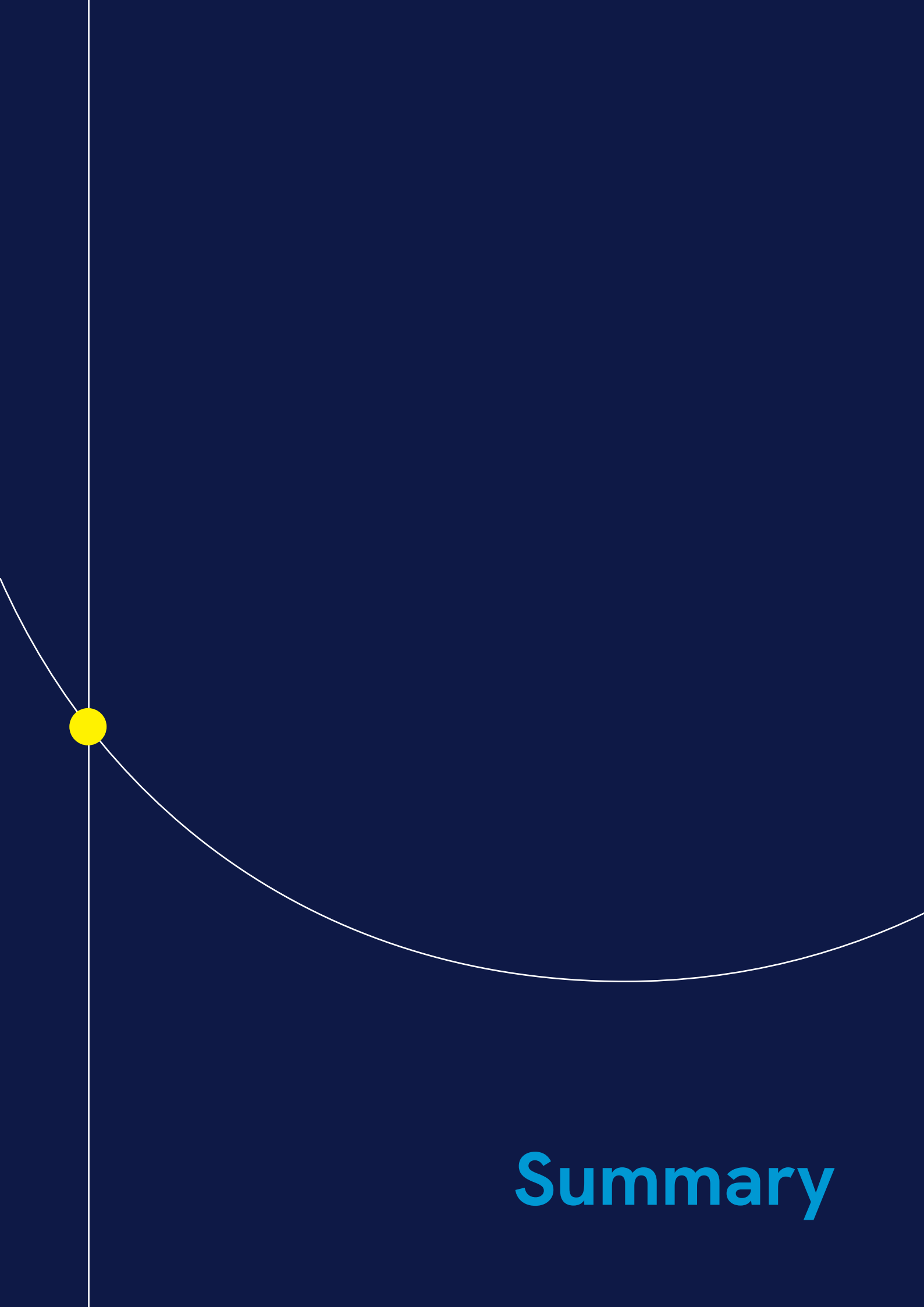
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Nonetheless, the views expressed in this report are solely those of the authors, and all errors and omissions remain our own.

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Summary

This is the first of two reports in our programme *Homes fit for Londoners*. In this report we describe London's housing market today and review the policy tools that might be used to change things so that more Londoners can find and afford decent homes.

There are massive issues with housing in London, and these are affecting almost everyone in the city. Homes are very expensive to rent or buy, causing financial stress for millions of people. Many also face problems with insecure tenure and unsafe homes – this often affects their health. Some people who would like to live here can't afford to, and this means businesses and the public sector can find it hard to recruit the right people for their jobs.

While there is broad agreement about the scale of the problem, there is much less agreement about what can be done about it. There is no shortage of reports and recommendations about how housing in London could be better, but they often consider certain aspects of the problem in isolation – for example, what would happen if we capped rent increases, or liberalised the planning system, or built on certain areas of land. But we are looking at a complex and difficult system in a large and complex city, so we think it makes sense to try to look at the impacts of different ideas in the round.

London's homes today

London is home to approximately nine million people – a population that has been growing in recent decades. Today, about half of homes in London (49 per cent) are owner-occupied, 29 per cent are rented in the private sector and 22 per cent are rented in the social housing sector. A significant number of people in London experience issues with their homes such as damp and mould, and these are more common in privately rented homes. London's housing market varies considerably both between boroughs and within them. For instance, while 11 per cent of homes across London are considered overcrowded, this varies from 5 per cent in Richmond upon Thames to 22 per cent in Newham.

Too many people in London don't have a secure home, or a home at all. London has more households in temporary accommodation than the rest of England combined, while the number of people sleeping rough in London has increased by nearly 50 per cent in the last decade. One reason for this is the cost of housing in London, which is much higher than across England as a whole, meaning that Londoners spend a bigger proportion of their income on housing. Another reason is that a quarter of all households on the waiting list for social housing across England are in London, with 300,000 people waiting for suitable accommodation in the capital. After taking into account housing costs, a quarter of Londoners (25 per cent) live in relative poverty – well above the average across England (22 per cent).

There are massive issues with housing in London, and these are affecting almost everyone in the city. Homes are very expensive to rent or buy, causing financial stress for millions of people. Many also face problems with insecure tenure and unsafe homes – this often affects their health. Some people who would like to live here can't afford to, and this means businesses and the public sector can find it hard to recruit the right people for their jobs.

How public policy influences housing in London

There are a number of ways to respond to this crisis. In this report we summarise how policies at all levels of government have influenced homes in London over the last few decades, and the policy changes that have been recommended by different people and organisations to improve the situation. We cover the following areas:

- Housing targets
- The planning system
- Land availability
- Finance for social and affordable housing
- Finance for private house building
- Developer contributions
- Regulation of the rental sector
- Making homes available
- Personal finance for homes
- Financial incentives for first time buyers

In our next report as part of this programme, we will set out which tools we believe will be most effective for London, its people and its businesses.



Chapter 1

20 charts to understand London's homes today



The following charts describe the picture of London's housing market today, how it has changed and how it varies across the capital.

Where do Londoners live?

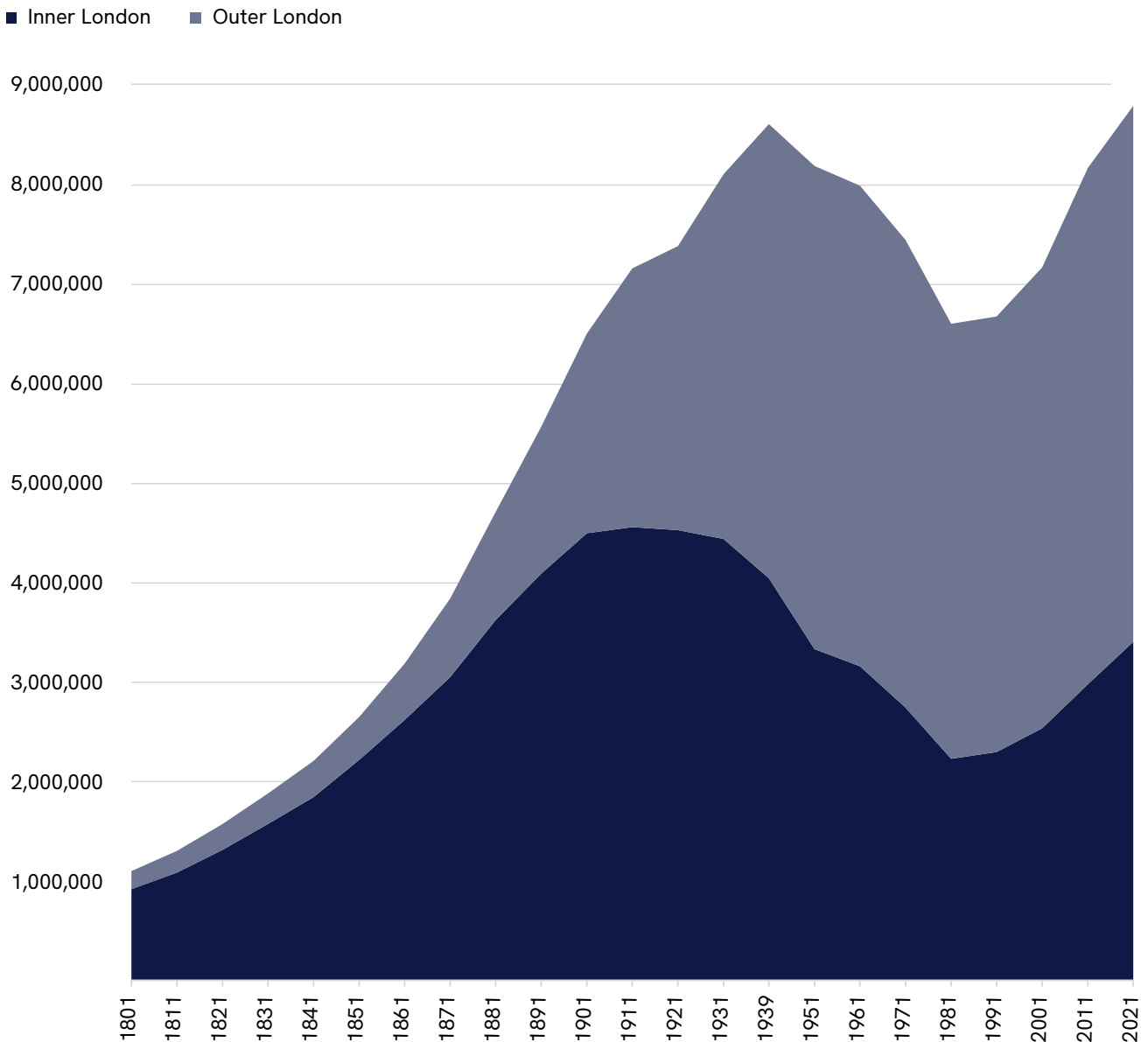
Two thirds of Londoners live in outer London

London makes up 1.2 per cent of England's land area, but one in six people who live in England live in London.

London's population today is nearly 30 per cent bigger than it was thirty years ago. Yet it is almost the same size as it was in 1939. Compared to then, a greater proportion of the population live in Outer London than Inner London.

Nearly two thirds of Londoners live in outer London

Figure 1: London's population, 1801-2021¹



Source: Greater London Authority (2019). Historical Census Tables.

The proportion of homes in London that are privately rented has doubled in the past two decades

Across the last 30 years, home ownership and social renting have become a relatively smaller part of London’s housing market as private renting has grown. In 2002, only 16 per cent of homes (500,000 homes) were privately rented – this figure has increased to nearly 30 per cent in 2021 (1.1 million homes). The number of homes in the social rented sector has stayed broadly stable, at around 800,000 homes – but as a proportion of all homes, it’s fallen from 29 per cent to 22 per cent. This has been driven by both a fall in the number of social housing built, and by the socially rented homes that have been bought via the Right to Buy scheme – more on that below.

The proportion of homes in London that are privately rented has doubled in the past two decades

Figure 2: London’s homes by tenure, 2002-2021²



Source: Department for Levelling Up, Housing and Communities (2023).

London has a higher proportion of renters than any other region. Londoners are also the least likely to own their home compared to households in other regions - less than half of Londoners own their home, compared to roughly two-thirds of households in all other regions across the UK.

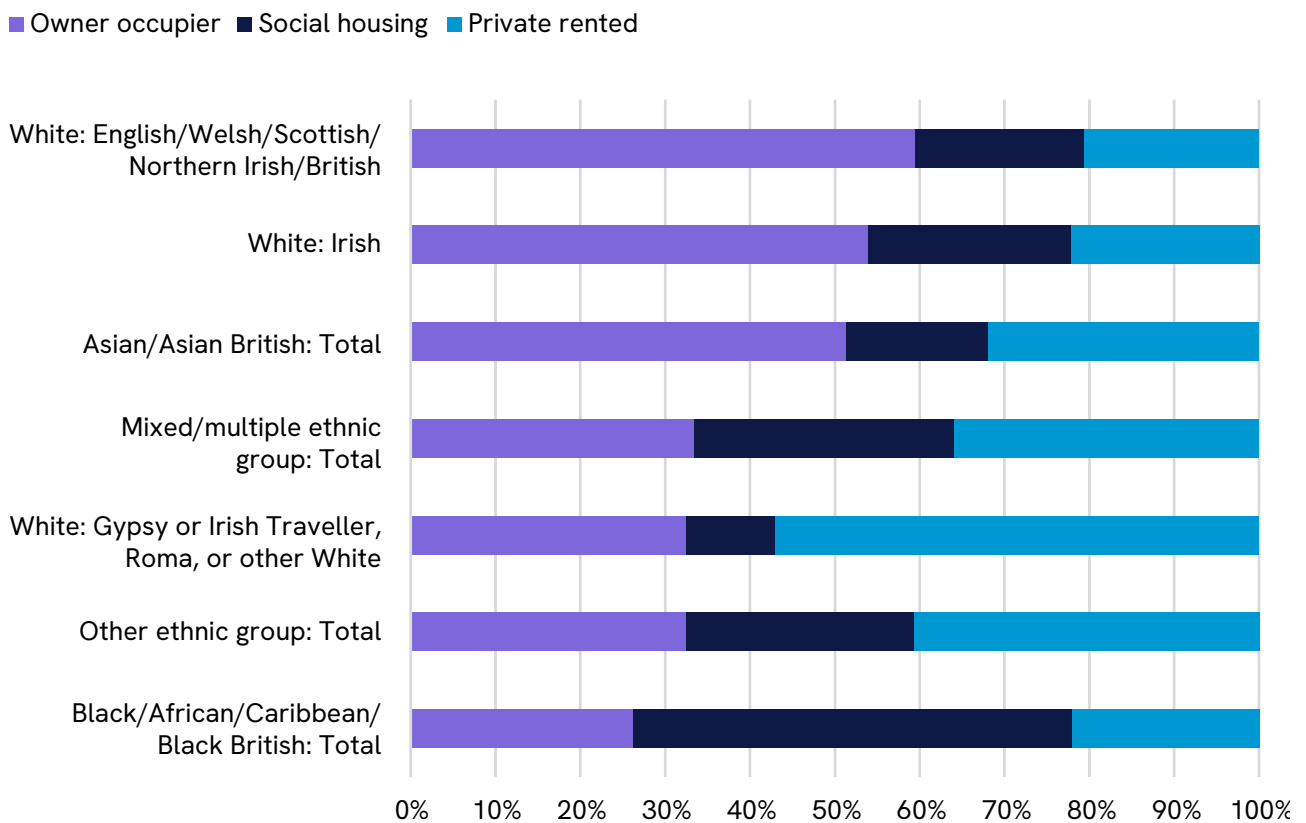
The distribution of tenure varies considerably among London’s 32 local authority areas. For instance, in 2021, fewer than 30 per cent of homes in Tower Hamlets were owner-occupied, compared to around 70 per cent in Havering. Meanwhile, 15 per cent of homes in Bexley were privately rented, compared to over 40 per cent in Kensington and Chelsea and the City of London.

People from minority ethnic groups are less likely to own their home

Londoners from a White British ethnic background are more than twice as likely as Londoners from a Black background to own their home. Nearly 60 per cent of people from a White British background own their homes, compared to around 50 per cent of Asian Londoners and around 25 per cent of Black Londoners. Black Londoners are significantly more likely to live in social rented accommodation compared to all other ethnic groups, with over half of all Black Londoners living in social rented housing.

People from minority ethnic groups are less likely to own their home

Figure 3: Tenure by ethnicity, 2021³



Source: Office for National Statistics (2023). Census 2021: Tenure by ethnic group - Household Reference Persons.

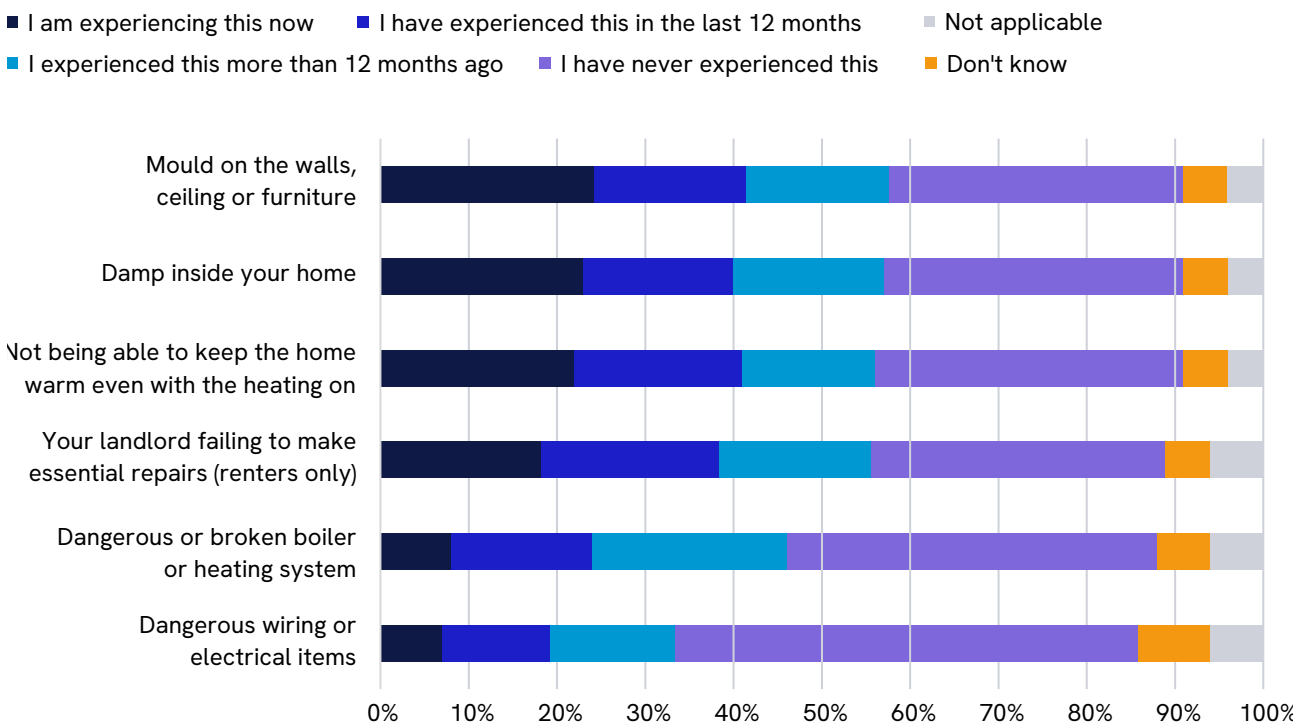
Tenure varies by age too. Just under three quarters of Londoners aged under 24 were privately renting in 2021 – an increase from 60 per cent in 2011, and more than double the average across age groups. Fewer young Londoners are living in the social rented sector compared to 10 years ago, with 18 per cent of under 24-year-olds socially renting in 2021, compared to 29 per cent in 2011. The acute shortage of social housing in London means many people on low incomes who would benefit from access to the social rented sector have no choice but to privately rent, while some will have left London entirely.

Two in five Londoners have experienced damp or mould in their home in the past year

For too long, too many Londoners experience poor housing conditions. A substantial minority of Londoners report experiencing potentially harmful conditions in their home such as damp and mould at present, or having done so in the past year. The most commonly experienced of these were: mould on the walls, ceiling, or furniture of their home (41 per cent); not being able to keep the home warm with the heating on (41 per cent); and damp inside their home (40 per cent).

Two in five Londoners have experienced damp or mould in their home in the past year

Figure 4: Londoners' responses to the question, "Which, if any, of these problems have you experienced with your home?"⁴



Source: Centre for London & Savanta (2023). The London Intelligence – Spring 2023.

A greater proportion of homes in London than elsewhere are well insulated: 56.1 per cent of homes in London have an EPC rating of A to C, compared to 47.5 per cent of homes across England.⁵ However, London's housing stock is older than elsewhere, with half of homes built before 1945. This contributes to the fact that in 2020, 64 per cent of homes in London (2.1 million homes) had poor or very poor efficiency walls; a higher proportion of which were uninsulated cavity walls that are defined as harder to treat (70 per cent vs 47 per cent across London). Moreover, fewer had a smart meter (30 per cent vs 39 per cent across England), and a higher proportion of the homes with uninsulated cavity walls were defined as hard to treat (70 per cent vs 47 per cent across England).

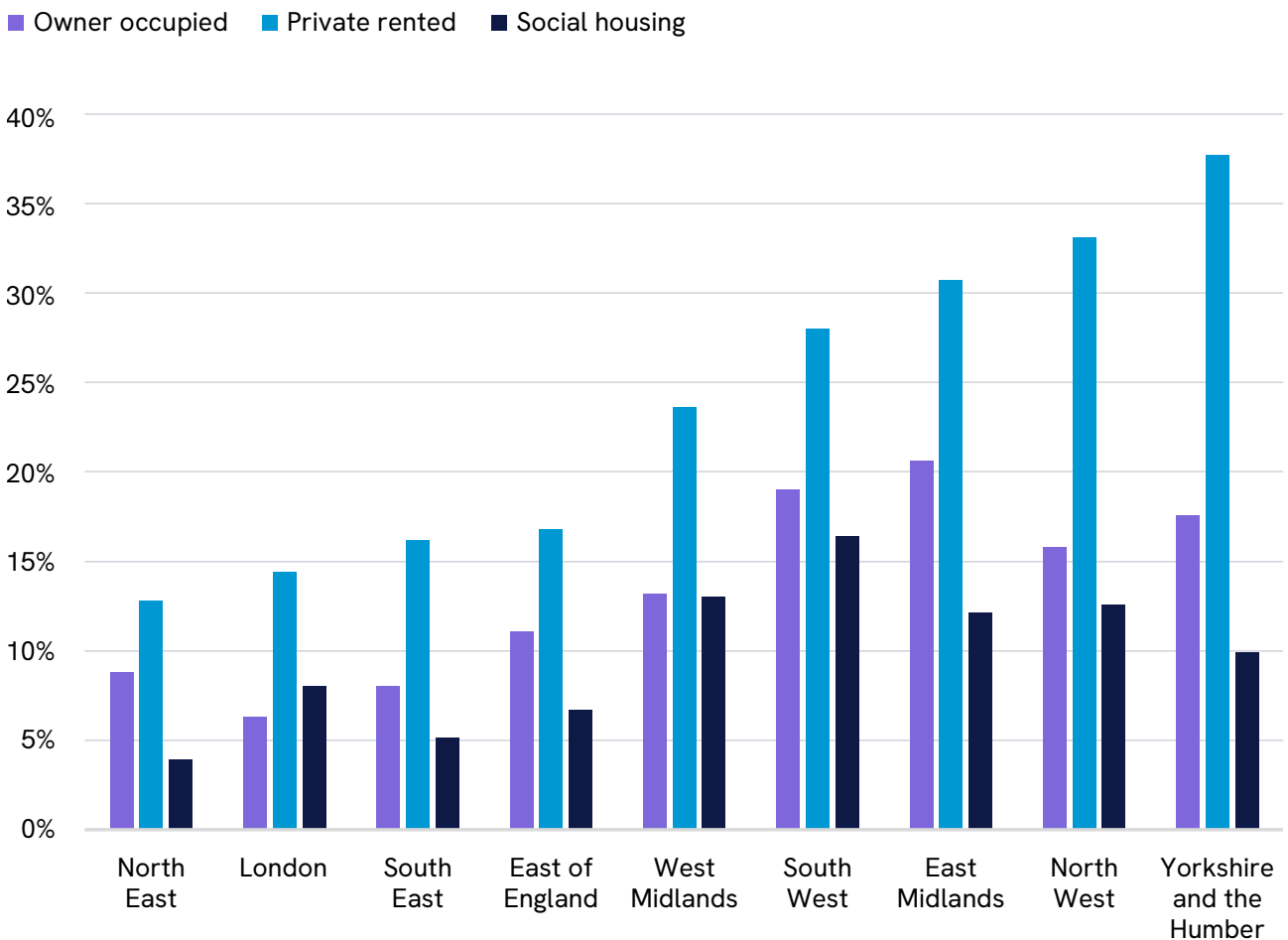
One in six privately rented homes in London don't meet the Decent Homes Standard

The Decent Homes Standard says a 'decent' home should be safe, in good repair, have modern facilities like a properly located kitchen and bathroom, and provide a comfortable level of warmth. In 2021, just under 9 per cent of homes in London did not meet this standard, a reduction from 25 per cent in 2010.⁶ This is positive but more needs to be done to ensure that all Londoners can access a decent home. Further, the proportion of homes that meet the standard varies significantly by tenure, with nearly 15 per cent of privately rented homes failing to meet it, compared to 8 per cent of socially rented homes and 6.3 per cent of owner occupied homes.

Around a sixth of private renters in London were living in non-decent homes in 2021, compared to almost 38 per cent in Yorkshire and the Humber, the region with the highest proportion. London has the lowest proportion of homeowners living in non-decent homes across the UK (6.3 per cent, in contrast to 20.6 per cent in the East Midlands).

One in six privately rented homes in London don't meet the Decent Homes Standard

Figure 5: Proportion of homes that don't meet the Decent Homes Standard, by tenure, 2022⁷



Source: Department for Levelling Up, Housing and Communities (2022).

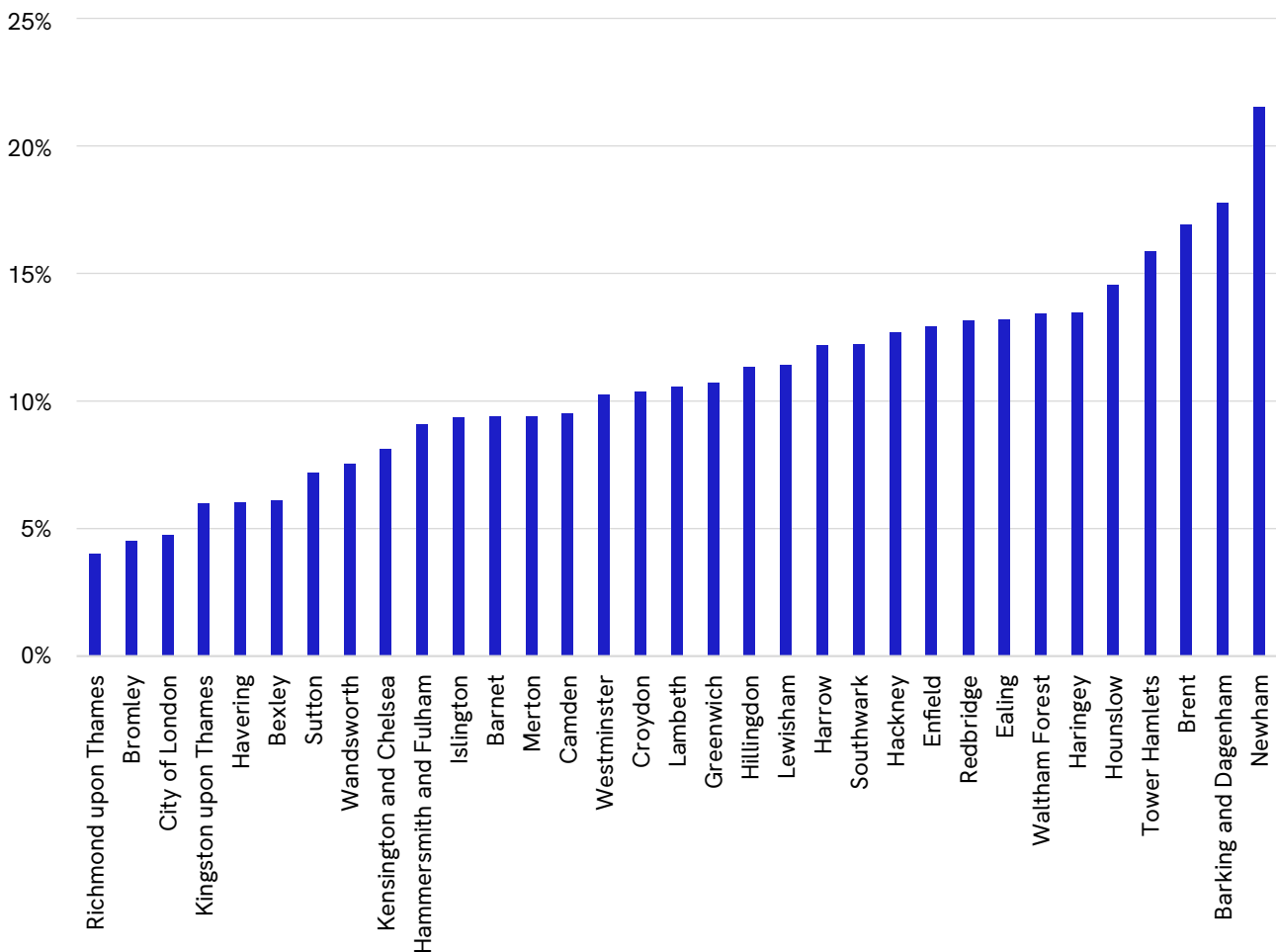
Londoners are more likely to live in overcrowded homes than people across the UK

11 per cent of homes in London are overcrowded, compared to 4 per cent of homes across England. In some parts of London, the proportion of homes that are overcrowded is even higher: it is over 20 per cent in Newham, for instance.

A much higher proportion of Londoners from a minority ethnic background live in overcrowded homes compared to White Londoners. 20 per cent of Black Londoners, 18 per cent of Londoners from other ethnic backgrounds, and 17 per cent of Asian Londoners live in homes that do not have enough bedrooms, compared to only 5 per cent of White British Londoners. White British and White Irish Londoners are most likely of all ethnic groups to live in underoccupied housing, with around 60 per cent of White British and White Irish Londoners living in homes with more bedrooms than they require.

Homes in Newham are four times as likely to be overcrowded as homes in Richmond upon Thames

Figure 6: Proportion of homes that are overcrowded, by local authority, 2021⁸



Source: Office for National Statistics (2023). Census 2021: Occupancy rating for bedrooms.

Homelessness in London has risen substantially over the last decade

9,000 people were recorded sleeping rough in London in 2021-22, a rise of nearly 50 per cent compared to 2011-12.

In 2021-22, the boroughs in which the highest numbers of rough sleepers were seen were Westminster, Camden, Ealing, Lambeth and Newham. However, in Westminster, the number of people seen sleeping rough were at its lowest figure in the past ten years, with 1698 people recorded sleeping rough, compared to over 2000 every other year. The boroughs of Bexley, Bromley, Harrow and Sutton have consistently recorded lower numbers of rough sleepers compared to other boroughs, with less than a hundred people recorded sleeping rough every year from 2011-12 to 2021-2022.

London has more households in temporary accommodation than the rest of England combined. The majority of households (59 per cent) and majority of children (62 per cent) in temporary accommodation are living in London – 57,000 households and 75,000 children – more than one child in every classroom. Placing households ‘out-of-area’ is also more common in London, with 82 per cent of people in temporary accommodation who have been placed in a local authority outside their home district being in London.⁹

A survey of local authorities conducted by London Councils suggests that the number of people requiring temporary accommodation has increased by nearly 5 per cent in the year to February 2023.¹⁰ This is particularly illustrated by the increase in the number of families in Bed and Breakfast (B&B) accommodation. The Homeless code of guidance states that B&B accommodation should only be used for families as a last resort in emergency cases, and only for a maximum of six weeks.¹¹ Responses from 24 boroughs revealed that the number of families living in B&B accommodation increased by 167 per cent in the year to February 2023, and responses from 23

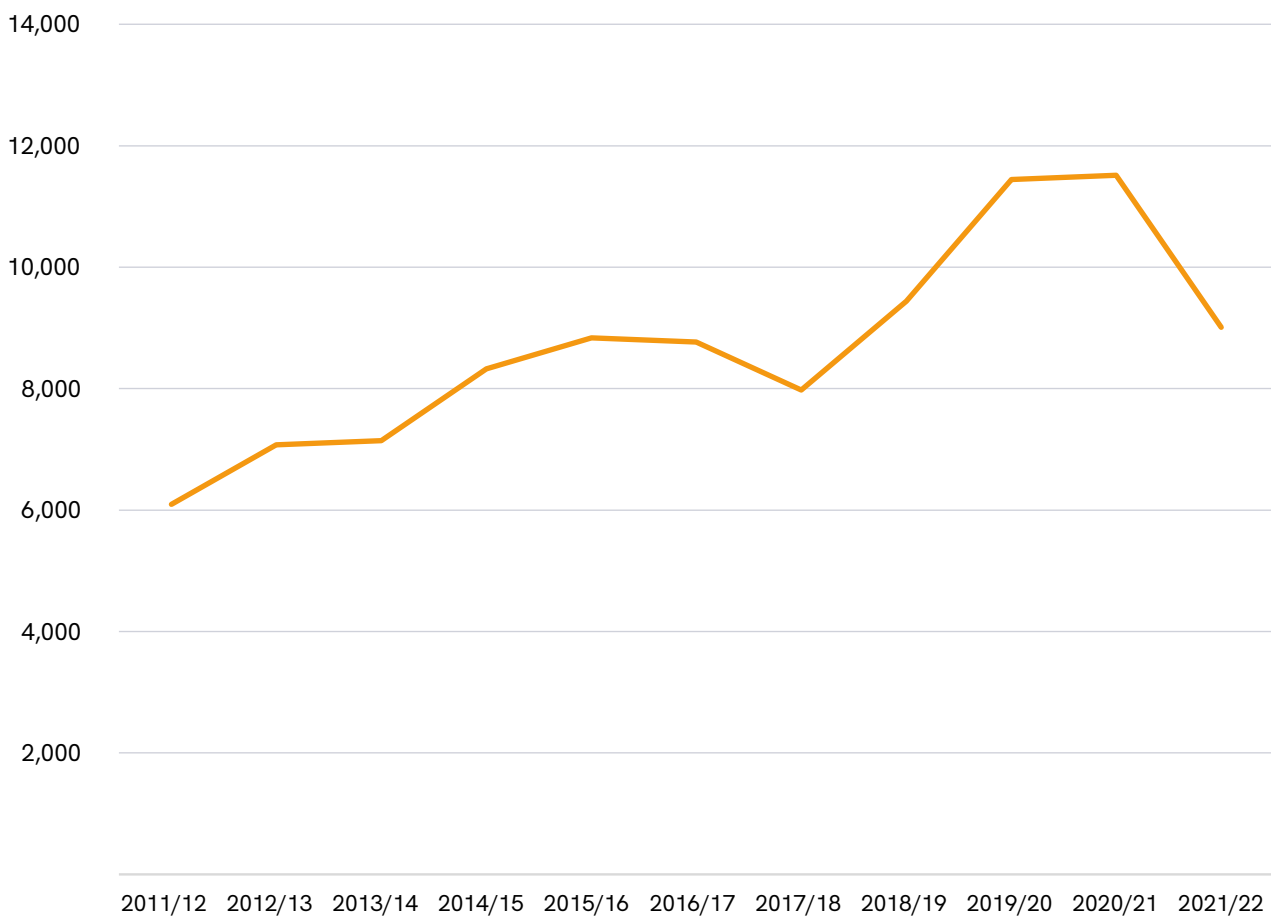


boroughs over the same period revealed that the number of families living in B&B accommodation for longer than 6 weeks increased by 823 per cent – from 64 to 591 families.¹² Difficulties procuring and retaining suitable temporary accommodation is driving this increase in B&B use; responses from 18 councils suggests that the number of temporary accommodation providers ending leasing arrangements was 150 per cent higher than the previous year.¹³ One reason for this could be increased competition for accommodation, with the Home Office seeking properties to house asylum seekers and outbidding councils.¹⁴

In London, the boroughs with the highest numbers of people in temporary accommodation are Newham, Southwark, Westminster, and Redbridge. In all boroughs excluding Barnet, Brent and Harrow, over a third of households in temporary accommodation are single women with dependent children, rising to around 50 per cent in the boroughs of Greenwich, Hammersmith and Fulham and Lewisham.

Homelessness in London has risen substantially over the last decade

Figure 7: Number of people recorded sleeping rough, across London, change from 2011-12 to 2021-22¹⁵



Source: Greater London Authority (2023). Rough sleeping in London (CHAIN reports), via Greater London Authority (2023).

How much do Londoners pay for housing?

Rent in London is higher than elsewhere in England for all sectors

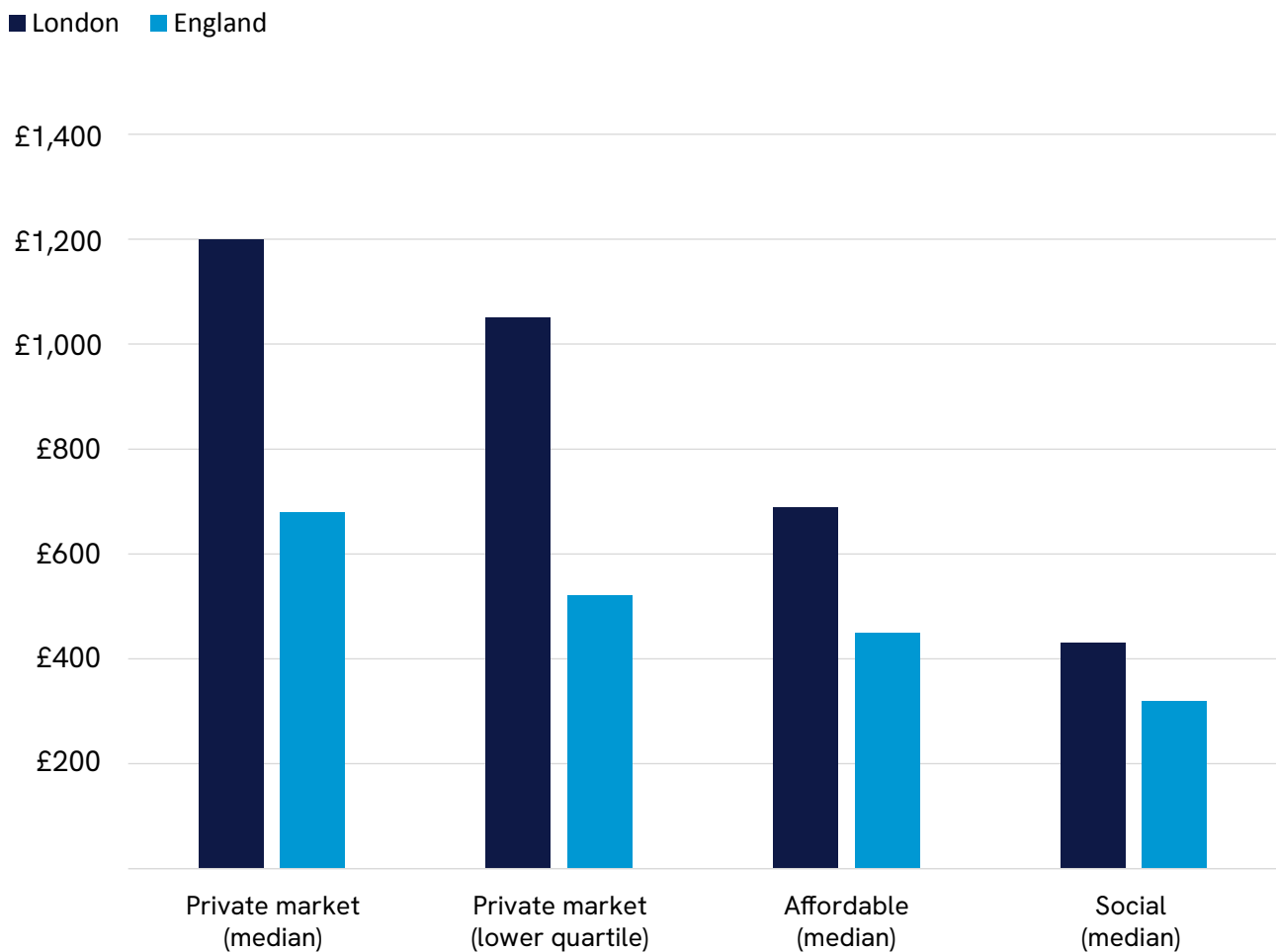
In London, as across England, in 2020/21, rents were higher in the private sector than in affordable housing or social housing. Rent was higher in London across all these sectors, and especially in the private sector. They have risen substantially across all sectors since then.

In the private sector, median monthly rents in London were £1,200 compared to £680 in England as a whole – a difference of 76 per cent. Even in the lower quartile of rents in the private sector, rents remained stubbornly high in London at £1,050 per month, or twice as high as in England as a whole (£520 per month).

Affordable and social rents are set using formulae which take into account local property values or rents, which means that they too are higher in London than across England. However, the gap in monthly rents between London and England was smaller than in the private sector, at 34 per cent for social rents and 53 per cent for affordable housing.

Rent in London is higher than elsewhere in England for all sectors

Figure 8: Monthly rent by sector, England and London, 2020/21¹⁶



Source: Private rental market summary statistics, Valuation Office Agency and Social housing lettings in England, Ministry of Housing, Communities and Local Government, via Trust for London (2023).

Rent in the private sector varies substantially between and within boroughs

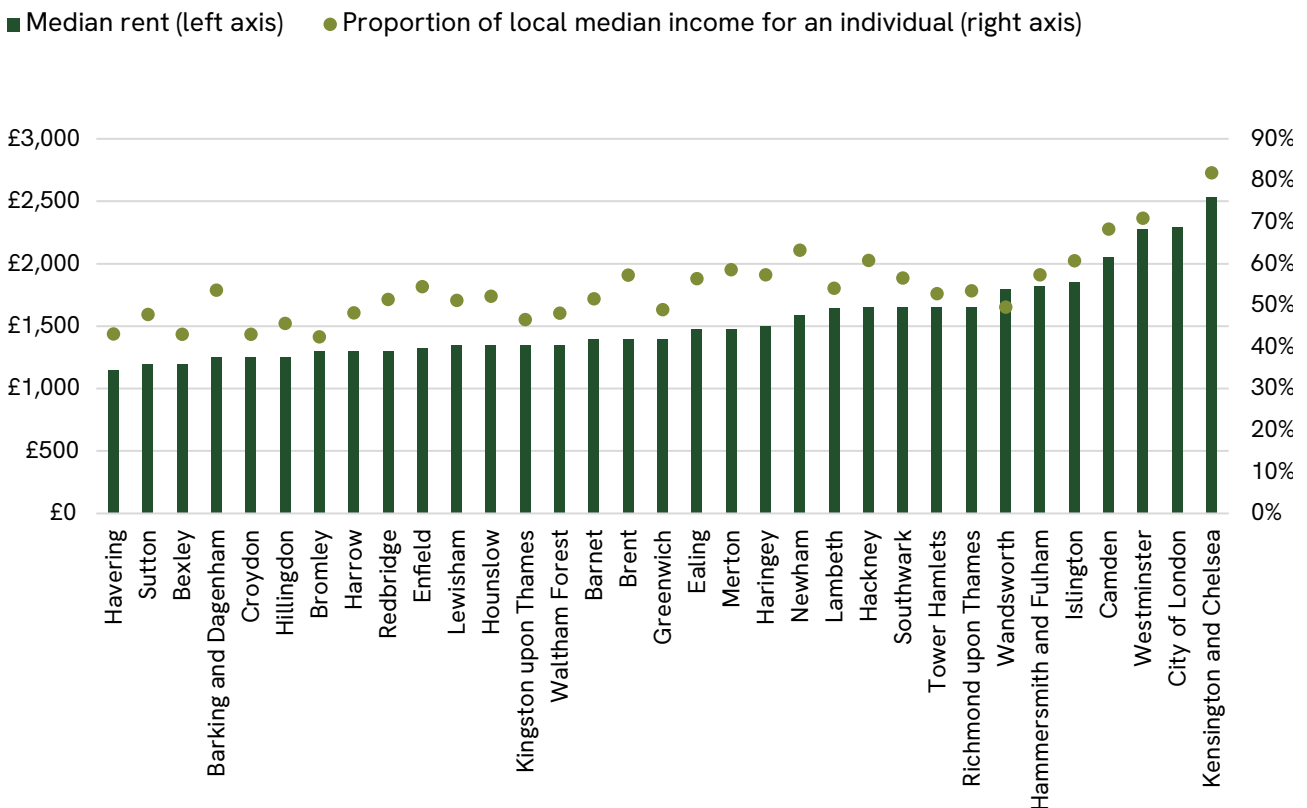
Average private rents for two-bedroom homes vary widely between boroughs. The highest median monthly rent for a two-bedroom home is in Westminster, at £2,925. This is over 2.3 times higher than the lowest median monthly rent, which is £1,250 in Barking and Dagenham.

Richmond-upon-Thames is the Outer London borough with the highest median private rent for a two-bedroom home (£1,673). Lewisham is the Inner London borough with the lowest median private rent for a two-bedroom home (£1,450). Comparing homes of different sizes reveals even greater discrepancies between areas in London. The median rent for a one-bedroom home in Westminster (£2,102) is almost a third higher than a home with over four bedrooms in Bexley (£1,600).

While data on average household incomes isn't available at the level of a local authority, we can compare how the average rent in each area compares to the average income of an individual living there.¹⁷ Doing so reveals that rent represents a much higher proportion of incomes in some parts of London than others. For instance, in Bromley renting a two bedroom home would cost 42 per cent of the local average income, while in Kensington and Chelsea it would cost 82 per cent.¹⁸

Rent in the private sector varies substantially between and within boroughs

Figure 9: Average monthly private rent for two-bedroom homes by London borough, April 2022 to March 2023¹⁹



Source: Office for National Statistics (2023). Private rental market summary statistics in England.

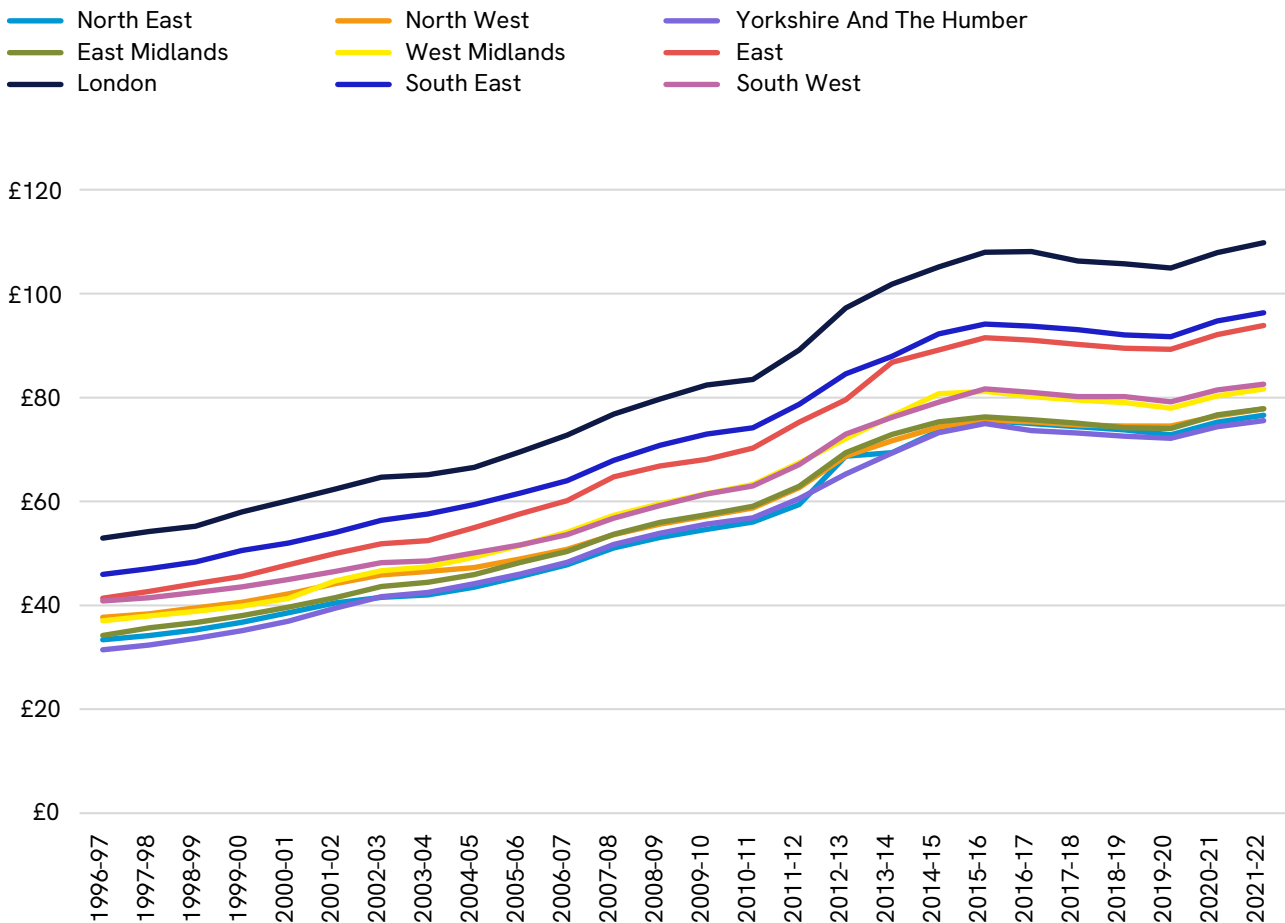
Rent in the social sector varies less between regions, but remains higher in London than elsewhere

The average across London of weekly rents in social housing provided by local authorities has doubled from 1996-97 to 2021-22, from £54 to £110. The boroughs that have witnessed the largest proportional increases in weekly rents over this time period are three Olympic boroughs - Tower Hamlets (158 per cent increase), Newham (145 per cent) and Barking and Dagenham (144 per cent). In 2021-22, the boroughs with the most expensive weekly rents were Wandsworth (£130), Westminster (£127) and Kensington and Chelsea (£125).

From 1996 to 2022, London has remained the region with the highest local authority weekly rents. However, weekly rents in London have increased by a smaller proportion over this time compared to other regions, and in 2021-22, London's rents were just over 20 per cent higher than the average across England, compared to nearly a third higher in 1996-97.

Rent in the social sector varies less between regions, but remains higher in London than elsewhere

Figure 10: Median weekly social and affordable rent, by region, in nominal terms, 1996-97 to 2021-22²⁰



Source: Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government (2023).

Private rent amounts to two fifths of Londoners' earnings, on average

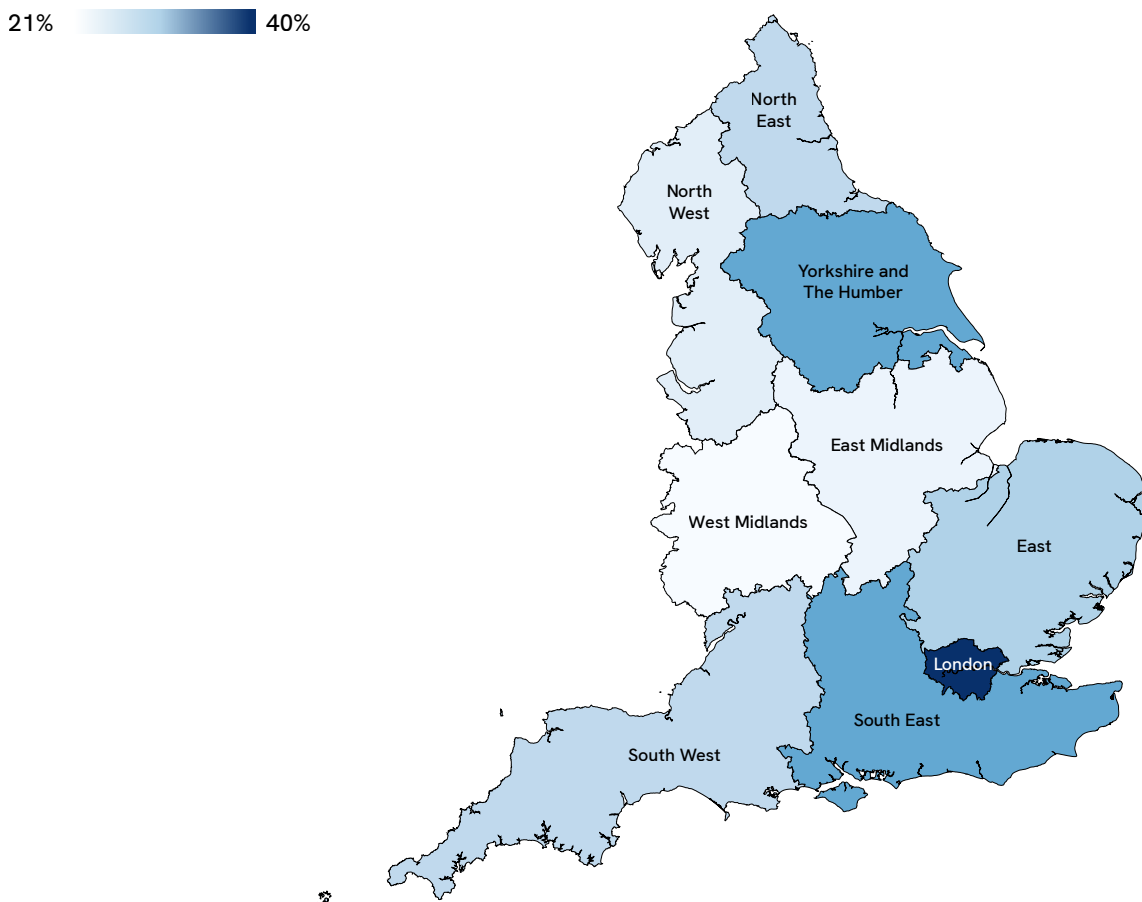
Londoners spend by far the highest percentage of their income on private rent of any English region. An average London household needs to spend 40 per cent of their income to afford the average private rent. Across England as a whole, rents represent a significant but smaller proportion of household income, at 26 per cent – this is lowest in the West Midlands (21 per cent) and East Midlands (22 per cent).

If we compare instead the lower quartile of rents – the rent price that is cheaper than 75 per cent of rents in an area – to lower quartile incomes, we find that low-income Londoners also pay the highest proportion of their income on rent of any English region. A household in this lower quartile of income in London would spend 51 per cent of their income on a lower quartile private rent, compared to 32 per cent across England as a whole.

However, it is worth noting that while these figures compare household incomes with private rental costs, not all households rent: those with higher incomes are more likely to be owner occupiers. Given this, it is likely that the median London renter will look for homes with rents below the overall median, concentrating demand in areas with lower rents. This could cause displacement.

Private rent amounts to two fifths of Londoners' earnings, on average

Figure 11: Median private rent as a proportion of median household income, by region, 2021²¹



Source: Office for National Statistics (2022). Private rental affordability, England, Wales and Northern Ireland.

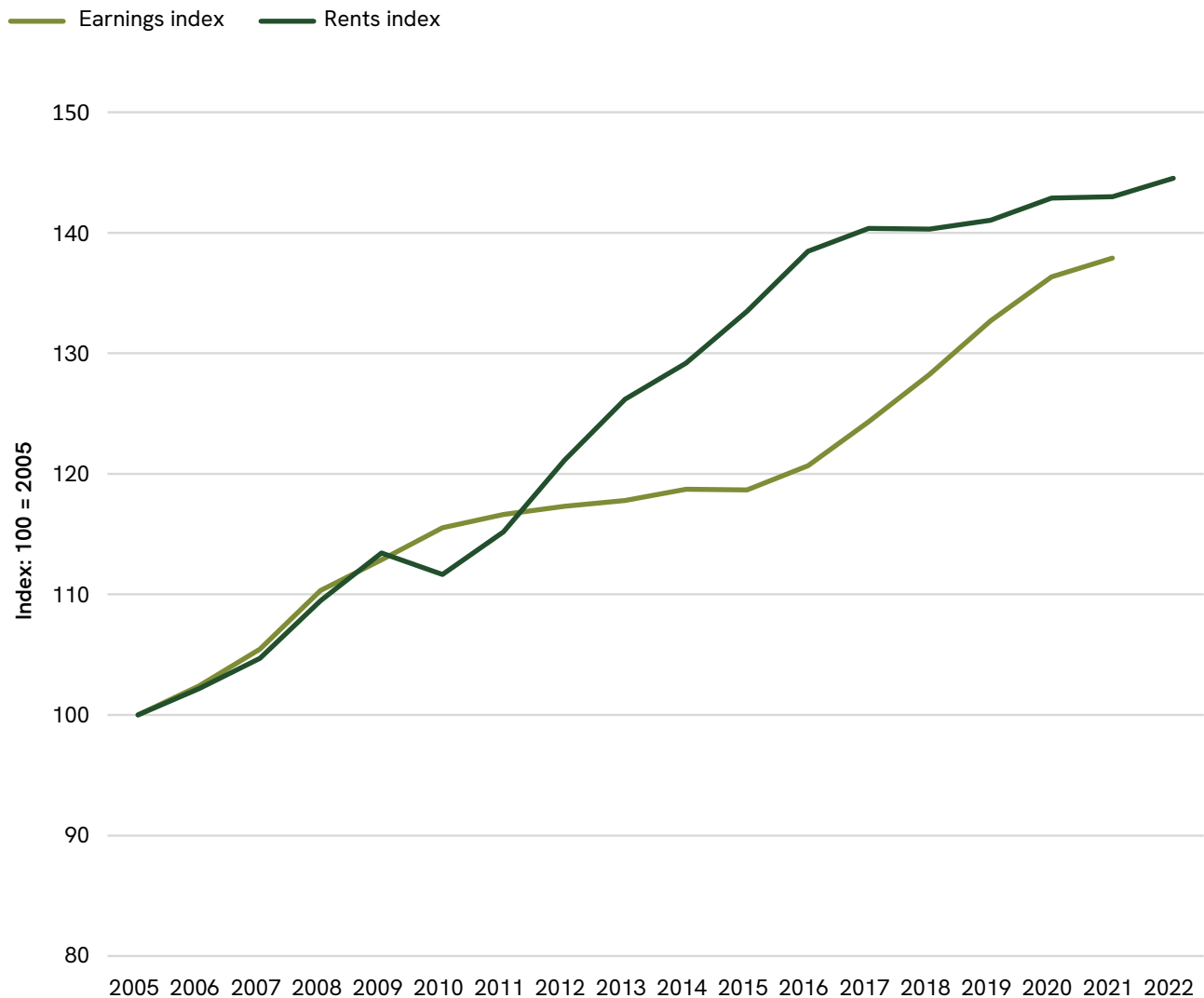
Rents have increased slightly faster than earnings since 2012

Between 2005 and 2009, the indices of earnings and rents in London tracked each other, indicating that they were growing at the same rate. After a blip, in 2009, when rents fell due to the financial crisis, rent increases have outpaced earnings in every year, though the gap began to close in the late 2010s.

This data suggests that private rents in London became substantially less affordable in the 2010s, peaking in 2016. Since then, earnings have caught up, leaving rent around 4 per cent more expensive relative to incomes in 2022 than in 2005.

Rents have increased slightly faster than earnings since 2012

Figure 12: Index of cumulative change in private rents and earnings, 2005 to 2022 (2005=100)²²



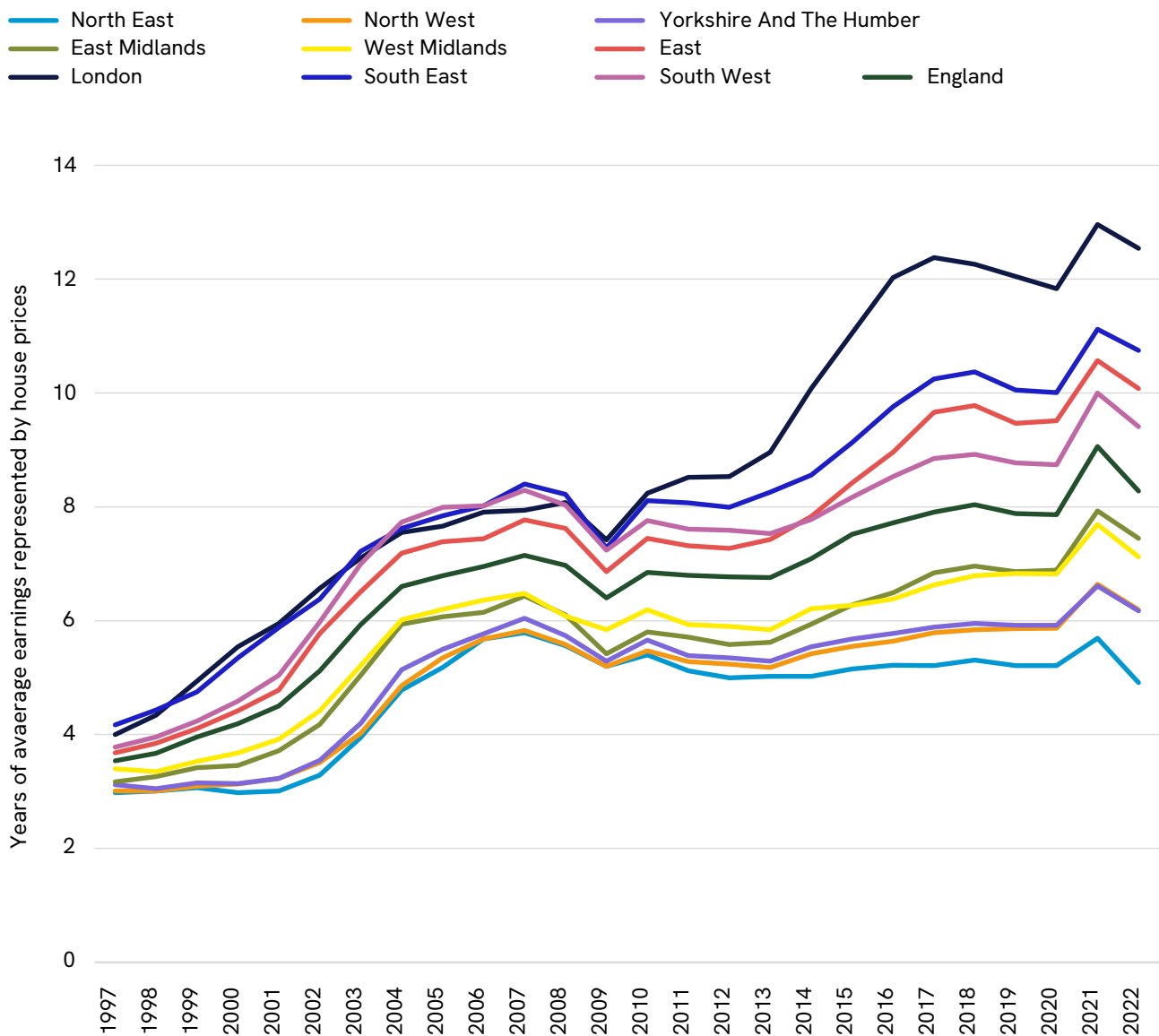
Source: Greater London Authority (2023). Housing in London.

House prices have increased faster than earnings, and this is most pronounced in London

House prices in London are less affordable than in any other region, when compared against how much local people earn. The difference between regions has grown substantially over the past decade, with average house prices in London now representing 12.5 years of average annual earnings in the region, compared to 10.8 years of earnings in the South East, and 4.9 years in the North East.

House prices have increased faster than earnings, and this is most pronounced in London

Figure 13: Ratio of median house prices to median gross annual workplace-based earnings, by region, 1997-2022²³

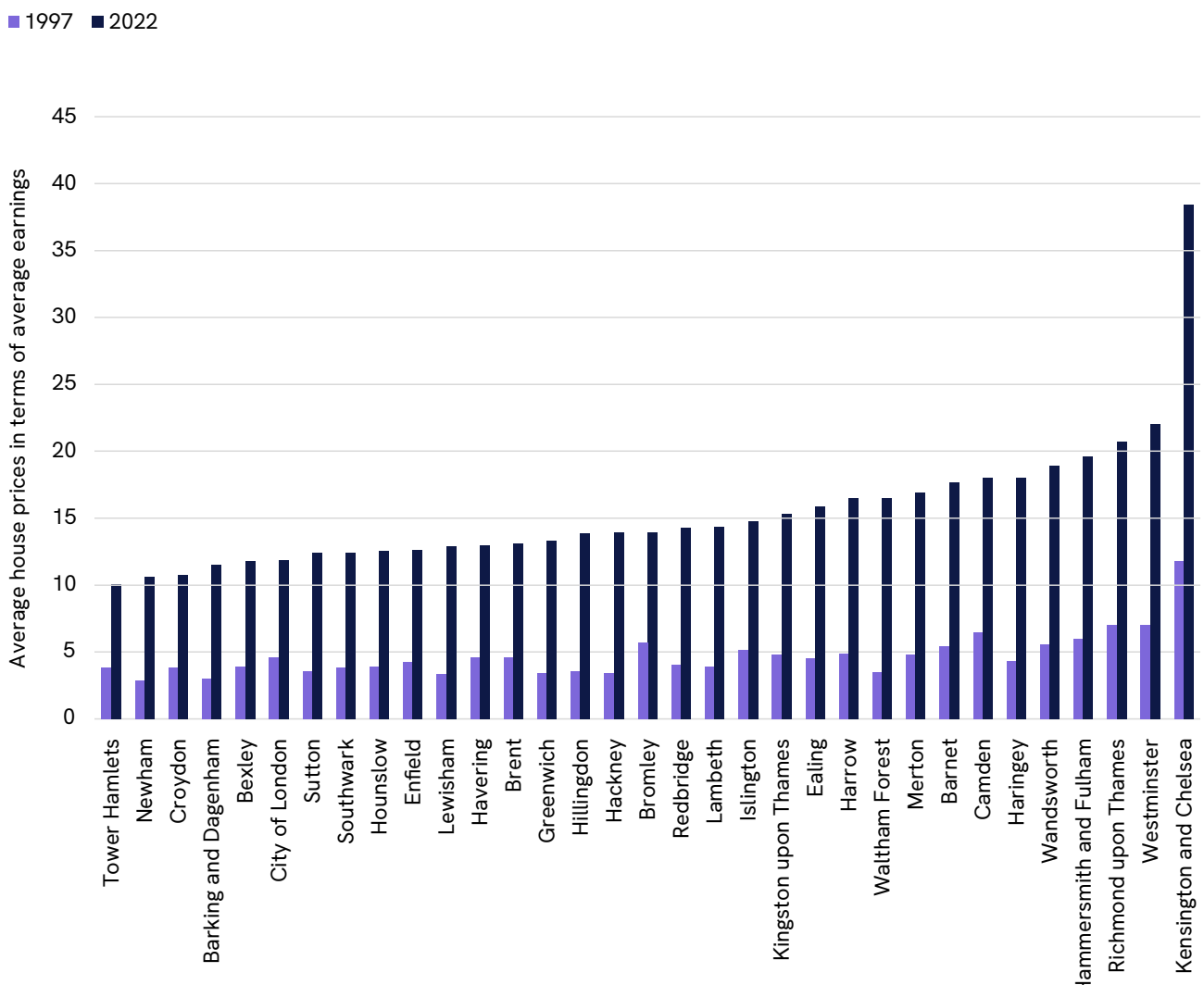


Source: Office for National Statistics (2023). House price to workplace-based earnings ratio.

All London boroughs have seen significant rises in the ratio of median house prices to median gross annual earnings, when measured by where people work, since 1997. The highest house prices relative to local earnings are found in Kensington and Chelsea, where the average house costs the equivalent of 38 years of average earnings in the borough. The lowest is in Tower Hamlets – however, this is likely driven by the high wages on offer in part of the borough, Canary Wharf; it does not mean that living in Tower Hamlets is affordable for most residents.

The average home in Kensington and Chelsea costs the equivalent of 38 years of the average local salary

Figure 14: Ratio of median house prices to median gross annual workplace-based earnings, by region, 1997-2022²⁴



Source: Office for National Statistics (2023, March 23). Statistical bulletin: Housing affordability in England and Wales: 2022.

How many homes have been built in London?

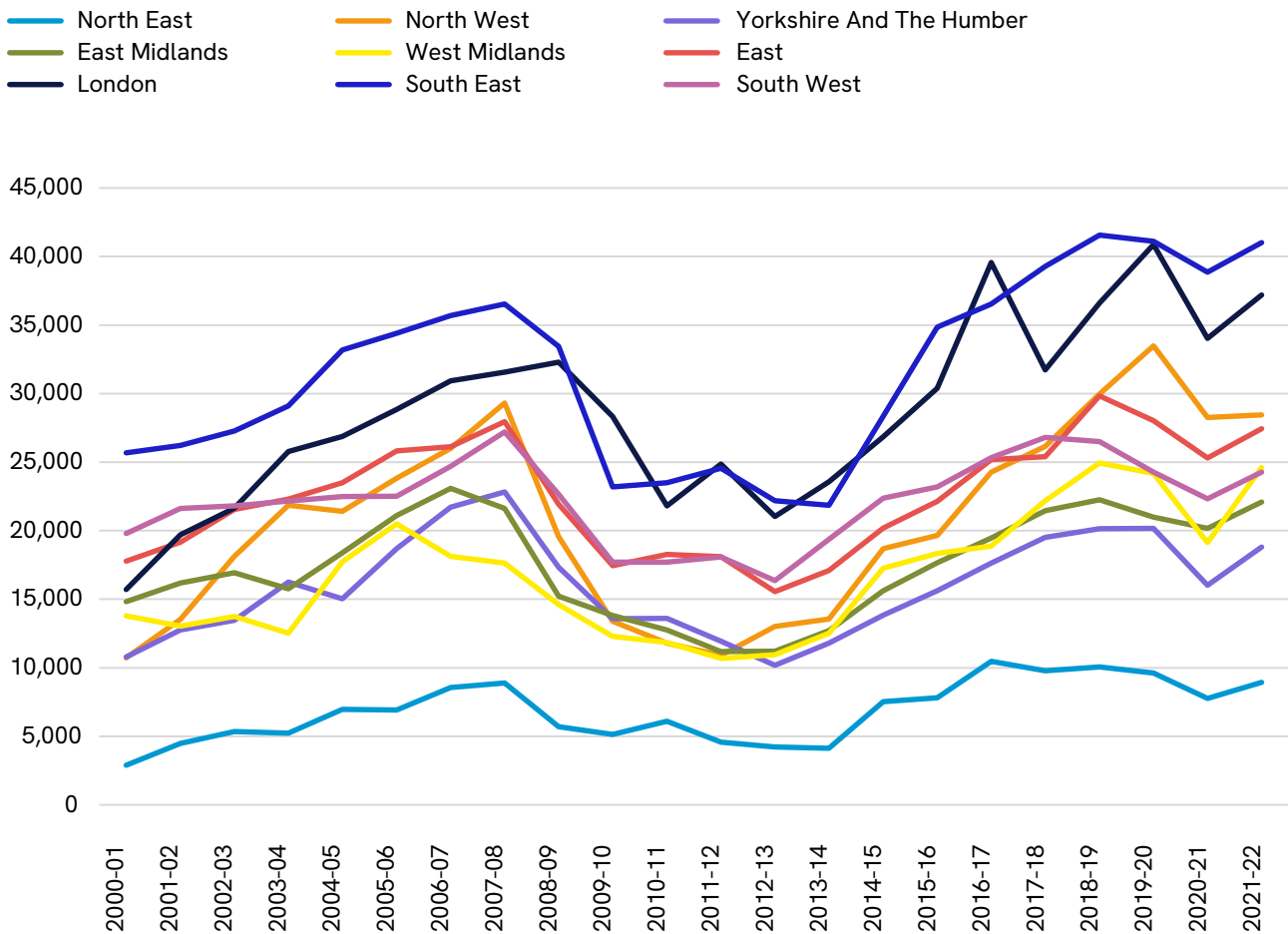
London provides a greater share of England's new homes than it did at the turn of the century

In 2021-22, London saw over 37,000 net additional homes added to its stock (taking into account demolitions, conversions, and changes of use) – the second highest figure of any region, just below the South East. After the slump in building caused by the 2008 financial crisis, London's net figures have recovered quickly, but have been volatile, falling sharply after 2016/17 and during the first year of the pandemic, only to bounce back. In 2021-22, London provided 16 per cent of total net homes built across England, a figure which has risen significantly since the start of the 2000s, when it provided just under 12 per cent.

Across England, 2021-22 saw the most homes added to the housing stock since 2018-19 – the second highest figure since the start of the data in 2000-01.

London provides a greater share of England's new homes than it did at the turn of the century

Figure 15: Net additional dwellings 2000-2022, by region²⁵



Source: Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government (2023).

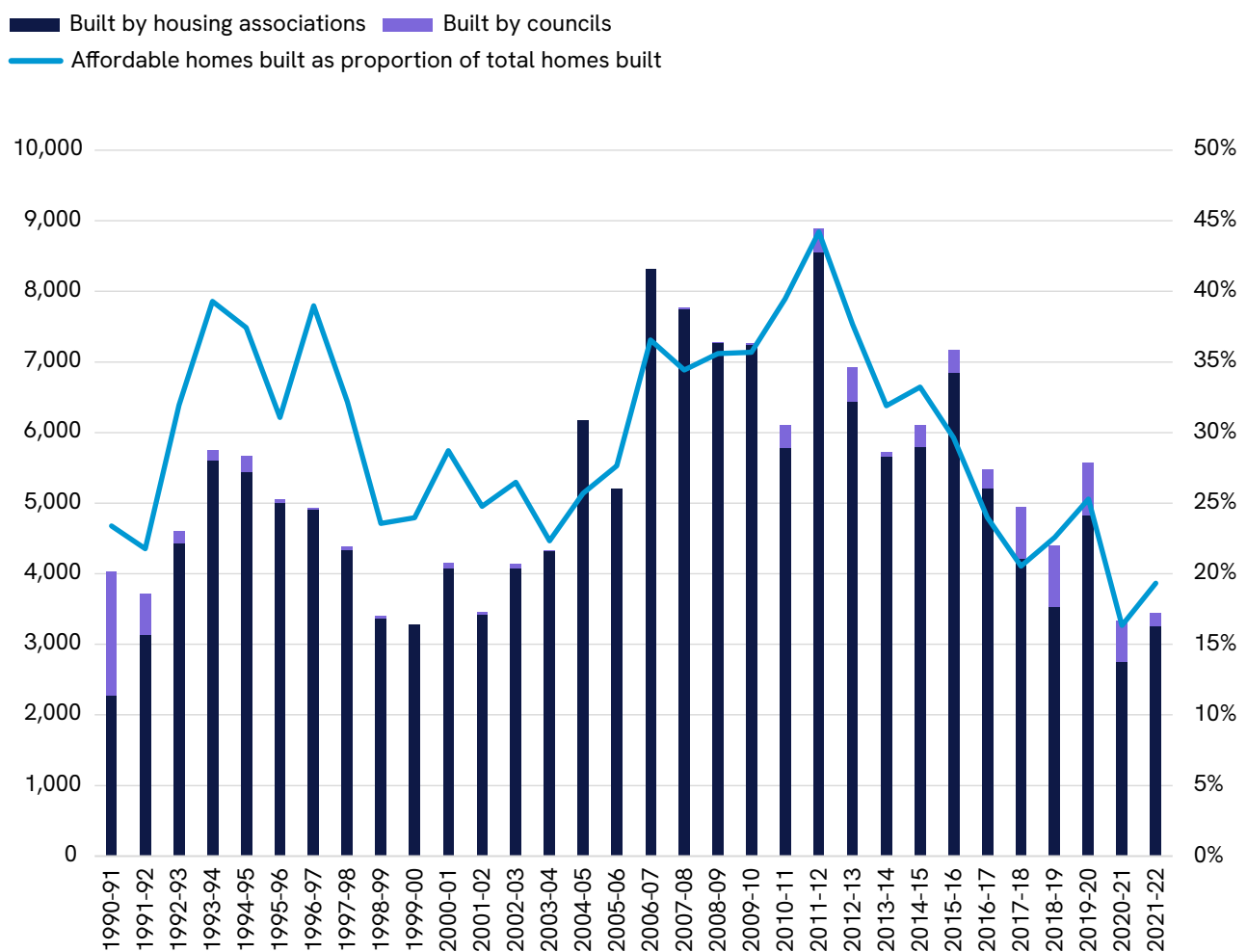
Homes are still being built by councils and housing associations, but they represent a smaller proportion of all new homes than in the past

In 1990-91, a total of just over 4,000 homes for social rent were built in London, representing just under a quarter of the total homes built that year. By 2021-22, the number is fairly similar – just under 3,500 social homes built, which now represents just under a fifth of total homes built. However, the composition of those social homes has changed – at the start of the 1990s, councils built 43 per cent of social housing in London. By 2021-22, they built just 5 per cent, with housing associations building the rest.

Social housing completions rose during the 2000s, hitting just under 9,000 in 2011-12, but were almost entirely built by housing associations, which benefitted from New Labour policies that transferred council stock to them and incentivised them to invest using capital markets, which typically involves borrowing from banks and other financial institutions.

Homes are still being built by councils and housing associations, but they represent a smaller proportion of all new homes than in the past

Figure 16: Homes built in London for social rent, 1990-2022²⁶



Source: Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government (2023).

Affordable housing is increasingly offered at rates less subsidised than social rent

Over the past 30 years, London has delivered 354,567 affordable homes, accounting for 23 per cent of affordable homes delivered across England over the same period.²⁷ Two thirds of those homes were for rent (including Social, Affordable, London Affordable, and Intermediate Rent), a similar proportion to the proportion across England (71 per cent).

At the start of the 1990s, the vast majority of sub-market housing completed in London was for social rent – a tenure where rent is set by central government typically around 50 to 60 per cent of local market rent, and which is available for those signed up to social housing registers or in need of specialist supported housing. In 2020-21, the median social rent in London was £430 a month.²⁸ In 1991-92, social rent made up 73 per cent of new affordable homes built. By 2020-21, just 4 per cent of new affordable homes were for social rent.²⁹

All 'affordable' housing for rent has to be at least 20 per cent below market rent to classify for the title. The main affordable home ownership product is shared ownership, which allows first time buyers to buy an initial share of the property, between 10 and 75 per cent, and pay rent to a landlord for the share the buyer doesn't own.

Under the Johnson mayoralty, the category of 'Other Affordable Rent' began to make up an increasing proportion of affordable completions, particularly in 2014-15, when it comprised just under half of the total. This is made up of a variety of sub-market-rate rented products, largely provided by housing associations. The category was created in the early 2010s due



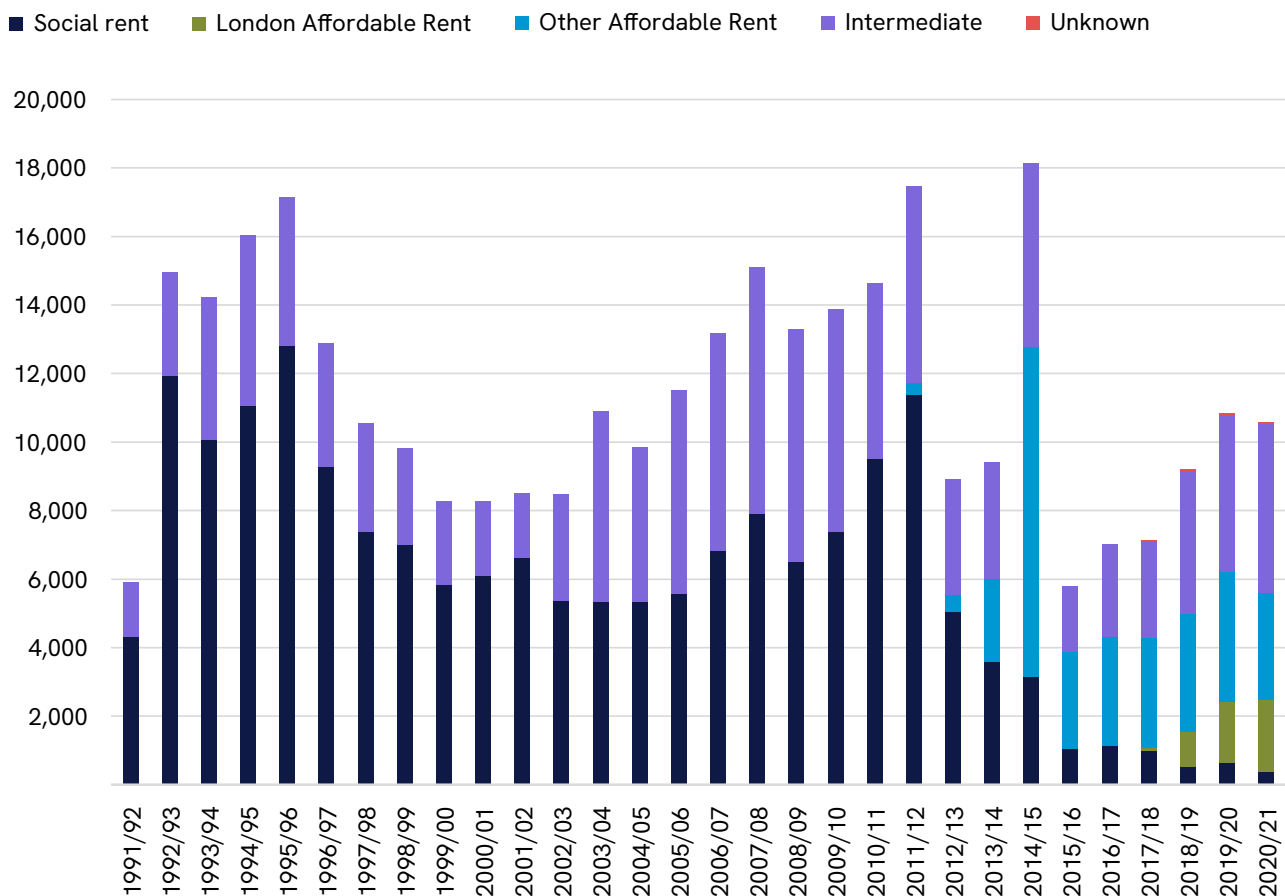
to austerity-era cuts to social housing grants and was intended to fund new development. Affordable rented homes are available for those on social housing registers and, in the case of specialist schemes, for those who require supported housing. Most local authorities restrict rents to below the maximum 80 per cent of market rents through planning rules, and many housing associations choose to charge below this level.

Then, under Mayor Khan, the category of London Affordable Rent came into being – a tenure specific to London that charges close to social rent levels and is generally considered a comparable, if not identical, category. By 2020-21, Social and London Affordable Rent together made up a quarter of new affordable housing completions, with intermediate still comprising the lion’s share.

Intermediate rental, such as London Living Rent, is a category of affordable housing intended for those who don’t qualify for social rent, but who can’t afford to buy or rent on the open market. Although only tenants below a certain income are eligible, it is not intended for housing those on social housing registers. The small proportion of homes for ‘intermediate’ rent in the early 1990s (27 per cent of new completions in 1991-92) has expanded, making up a peak of 52 per cent of total affordable completions in 2005-06.

Affordable housing is increasingly offered at rates less subsidised than social rent

Figure 17: Affordable housing completions in London, 1991-2021³⁰



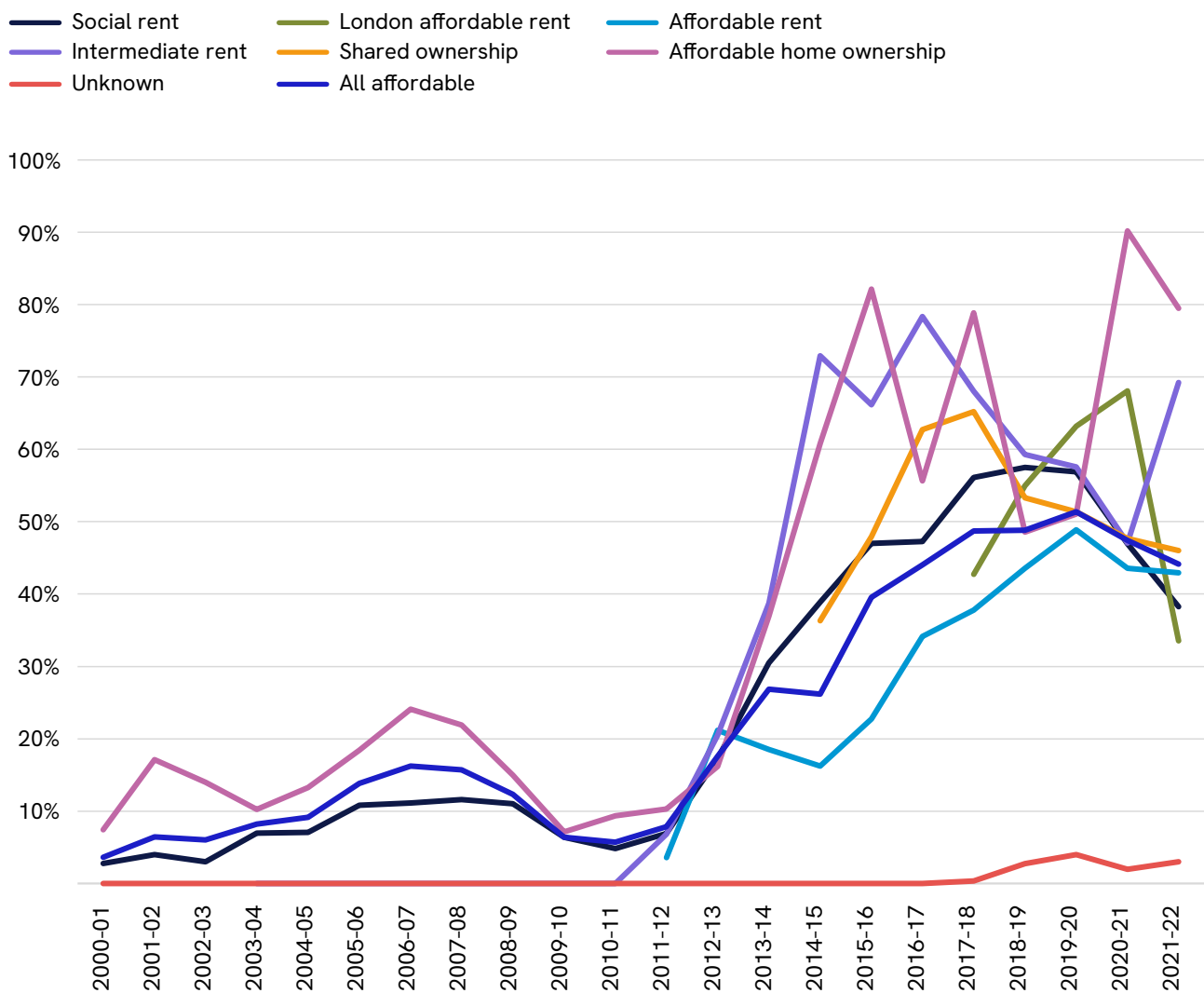
Source: Greater London Authority (2023). Housing in London report.

Section 106 contributions have become a key source of funding for new affordable homes

Before 2000, no affordable homes, whether social or another type, were funded using S106. By 2019/20, more than half of all affordable homes built in England were fully or partly funded by private developments, though this has fallen to 44 per cent in 2021-22. Some less common affordable tenures rely almost entirely on Section 106 funding, like 'Affordable Home Ownership', 90 per cent of which was paid for by planning gain in 2020-21. The majority of intermediate rent and shared ownership units receive some S106 funding, along with more than a third of social and London Affordable Rent units.

Section 106 contributions have become a key source of funding for new affordable homes

Figure 18: Percentage of units across England funded (partly or entirely) by S106 contributions³¹



Source: Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government (2023).

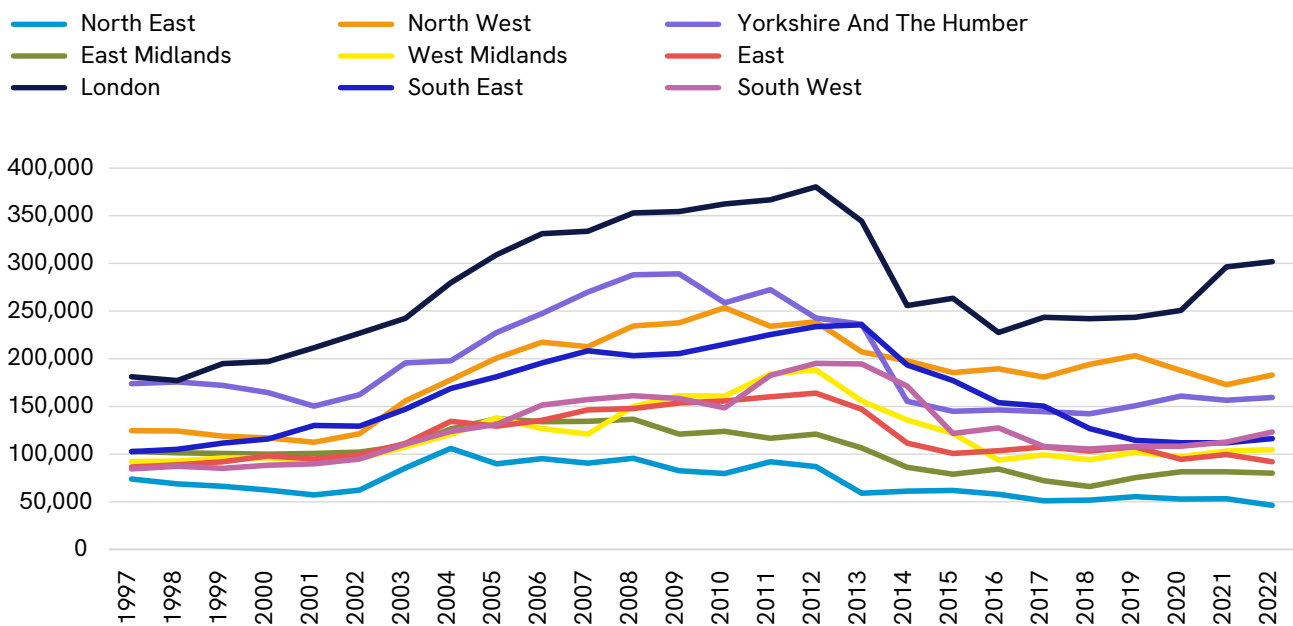
What does this mean for Londoners?

A quarter of all households in England waiting for social housing are in London

Of all regions in the country, London has the greatest number of households on the social housing waiting list, with over 300,000 households on the waiting list for social housing in 2022. This makes up 25 per cent of the total number of households across the country on the social housing waiting list. In 2012, over 380,000 households were on the waiting list for social housing in London, the largest number in the period 1997 to 2022. The sudden fall after around 2012 can be attributed to changing eligibility for social housing, with increased emphasis on 'local connections' to access waiting lists following the Localism Act in 2011, so this decrease doesn't necessarily mean that more households were placed into social homes in this period.³²

A quarter of all households in England waiting for social housing are in London

Figure 19: Number of households on the social housing waiting list by region, 1997-2022³³



Source: Ministry of Housing, Communities & Local Government (2023).

The chronic shortage of social housing in London means that in multiple boroughs, there are over 10,000 people waiting for suitable accommodation. The boroughs with the largest waiting lists for social housing in 2022 were Lambeth (33,640 households), Newham (33,246) and Brent (25,218). From 1997 to 2022, the largest growth in the number of households on the social housing waiting list occurred in Newham in 2016, where the list of 17,453 households grew to 25,729 in 2017. Some boroughs witnessed significant drops in the numbers of households on the waiting list in particular years. For example, from 2015 to 2016, Camden's waiting list decreased from 24,644 to 2,930. However, this has not always been due to the allocation of more social housing, but the tightening of criteria needed to qualify, which vary by borough and so do not perfectly correlate with the number of people in need of a home.

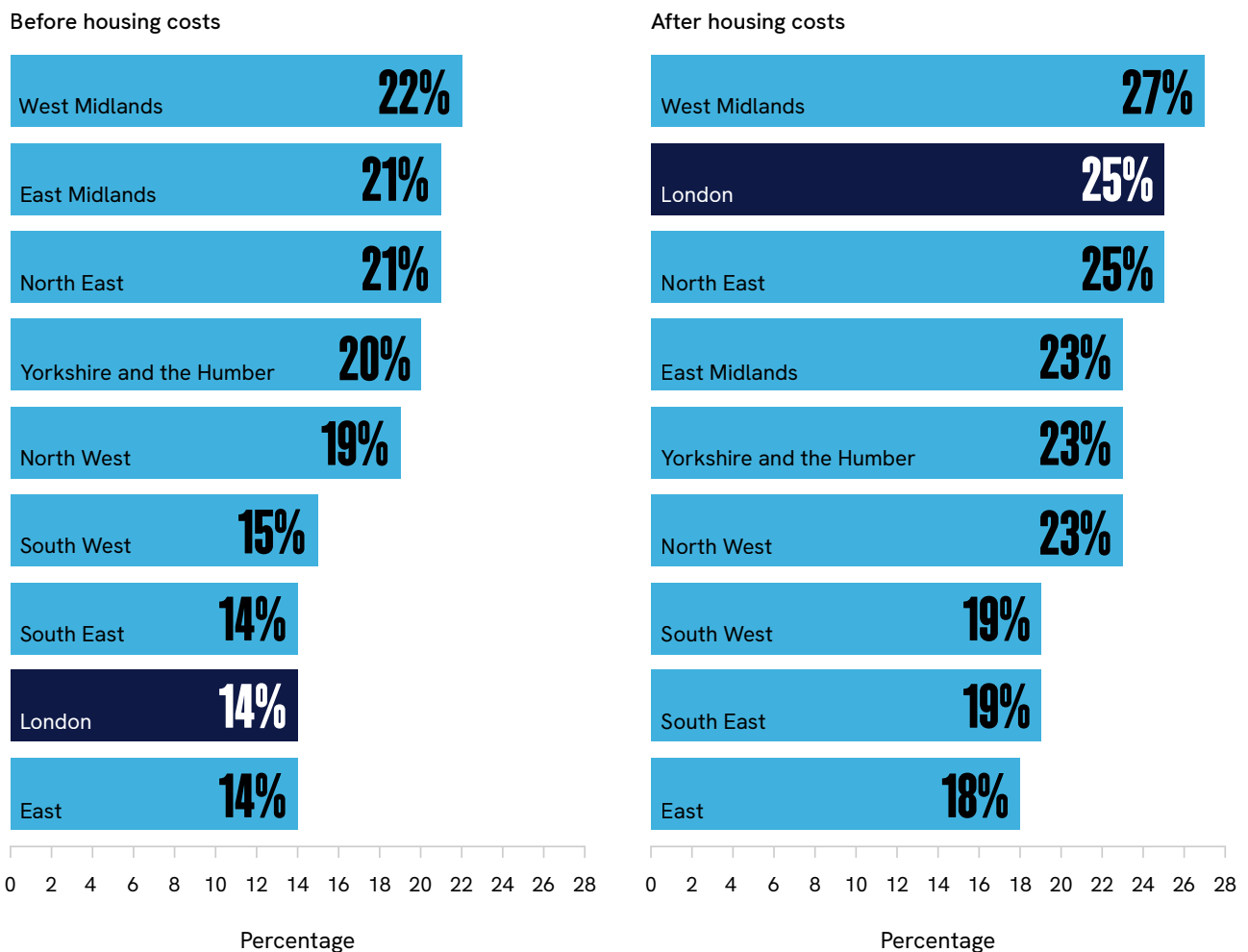
After paying for housing, more people live in poverty in London than in most other regions

Relative poverty is often defined as when a household earns under 60 per cent of median income (after taxes and benefits). Using this definition, before housing costs, the poverty rate for individuals in London is lower than that of England as a whole. This has been largely consistent from 1994 to 2022.

Since 2009, before housing costs, around 14 per cent of people in London have lived in households in relative poverty, compared to around 16 per cent nationally. However, after housing costs, around 27 per cent of people in London live in households in relative poverty, compared to 22 per cent nationally. Excluding the most recent figures, which have been affected by the coronavirus pandemic, since 1999, London has been the region with the highest percentage of individuals living in relative poverty after housing costs.

After paying for housing, more people live in poverty in London than in most other regions

Figure 20: Proportion of households in poverty, before and after housing costs, 2021/22³⁴



Source: Department for Work and Pensions (2023).

The proportion of Londoners living in poverty after housing costs fell in the most recent year for which we have data, to 25 per cent in 2021-22. This may be due to falling incomes during the pandemic pushing the median down. However, between 1994-95 and 2029-20, it remained stubbornly high, between 27 per cent and 30 per cent.

Working age adults in London are more likely than adults of other ages to be in poverty after housing costs. Since 2000, the poverty rate among working age adults in London has been the highest across all regions in England.

Children are more likely to be living in poverty than adults. In London, the proportion of children in poverty, both before and after housing costs, has declined since 1994-95. London is one of the regions with the lowest proportion of children in poverty before housing costs, with less than a fifth of children living in households below average income in 2019-20 to 2021-22, below the national average of 21 per cent.

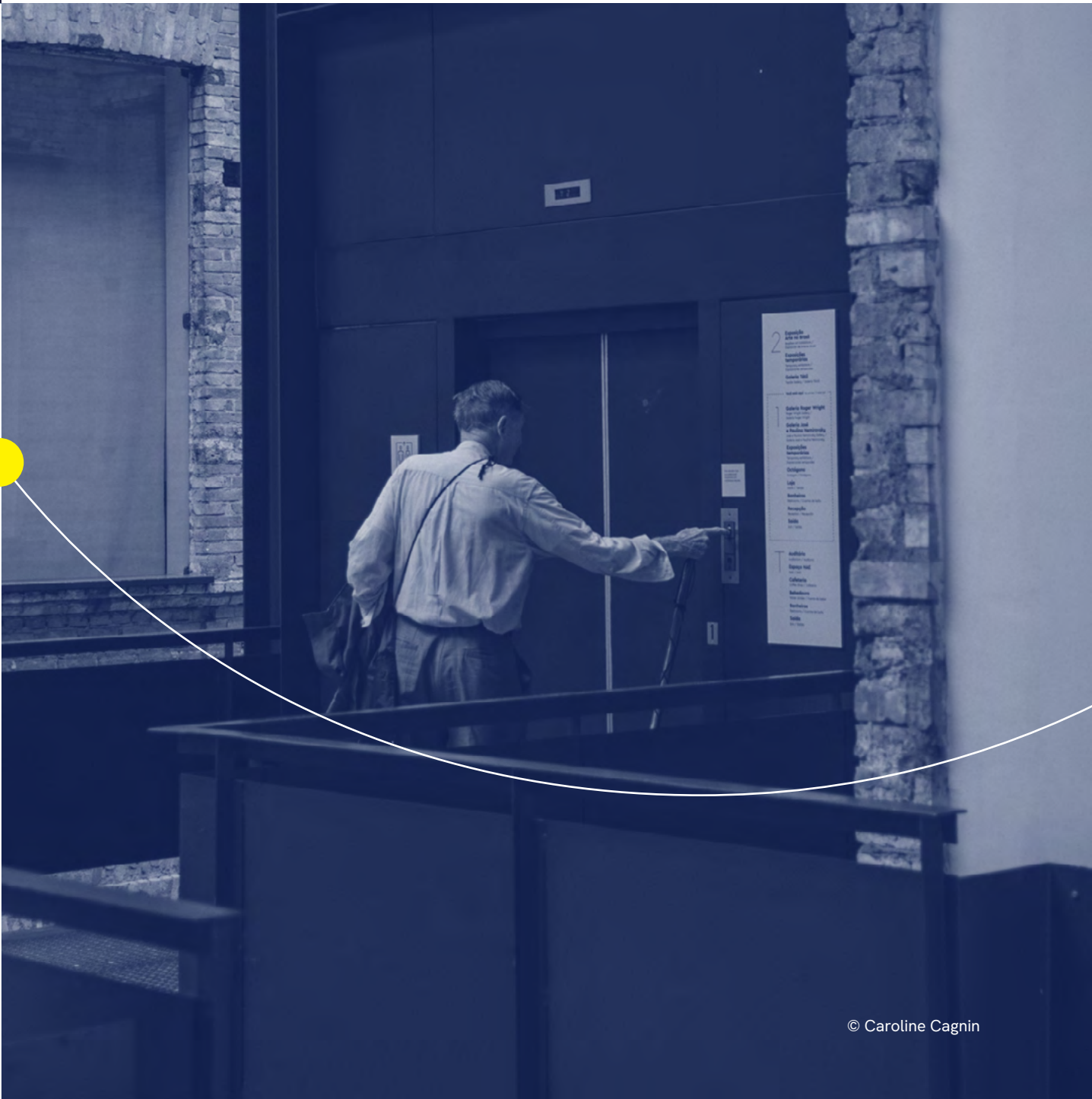
But after housing costs, this increases substantially, with a third of children in London living in households below average income across 2019-20 to 2021-22. However, this is the lowest figure recorded for child poverty in London since 1994. The latest child poverty rate in London remains above the national level, but is, for the first time, below the rates recorded for other several other regions.

Across England, 19 per cent of pensioners are in relative poverty before their housing costs have been considered. After taking into account housing costs, this drops slightly to 18 per cent because pensioners have relatively lower housing costs than others. In London, high housing costs mean that pensioners are more likely to be considered in poverty once housing costs have been taken into account.



Chapter 2

How public policy influences housing in London



This part of the report is about how policies at all levels of government have influenced housing in London over the last few decades, and the policy levers available. In the next report we will look at what should change.

The types of homes people live in, and the amount that they pay for them, are the result of the interactions between policies and markets. Primarily these are about housing and land policy and the housing market, but they spread much wider - for example, tax policy influences how much people have to spend on housing, and the market for building materials affects how much a home costs.

The policy tools in this list are ones which have been proposed by politicians, campaigners or trade bodies, or which have been used in other cities or countries. Including them in this list does not mean we endorse them or believe they would be effective in London. Indeed, some of the proposals would directly contradict each other. But we think it's important to think about a range of ideas offered by different groups.

In the next report, we will set out which tools we believe will be most effective for London, its people and its businesses.

Housing targets

Government sets national targets for building new homes, and in London they are set in the London Plan, which is the responsibility of the Mayor. The London Plan sets out targets by borough, broken down by types of home.³⁵ In recent years, neither national nor London Plan targets have been met - but targets are still an important tool for accountability.³⁶

Central government has recently made local targets for housebuilding advisory.³⁷ This doesn't directly affect London since the London Plan targets still hold for London boroughs, but the housing markets in London and the wider south east are highly integrated: if there is less supply in the regions close to London, this is likely to put greater pressure on housing stock within London.

Possible policy tools:

- Change how housing targets are set (hyper-locally, locally, regionally, nationally).
- Link transport improvements to housing targets.³⁸
- Change how high housing targets are and how specific they are on housing type and location (eg. older people's housing, affordable housing).³⁹
- Incentivise local government or local communities to meet targets, through direct grants⁴⁰ or through ensuring they benefit from economic growth.⁴¹
- Review the interaction between the National Housing Development Framework, the London Plan and other regional plans.⁴²
- Review the proposed National Development Management Policies in the Levelling Up and Regeneration Bill.⁴³

The planning system

Housing targets set the number of homes to be delivered in each area, but it is the local planning system which determines what actually gets built. For most new homes, this is the responsibility of the local authority: planning officers make recommendations and local councillors make decisions, though the GLA or national government can sometimes intervene in them. These decisions must take into account national legislation (such as on building safety), London Plan guidance (such as on space standards), and the local authority Local Plan, which sets out the framework for development in the area.

Some people feel that local communities do not have enough control over what gets built in their area.⁴⁴ Others feel that the involvement of local politics, the unrepresentative nature of those who get involved in contesting decisions, plus constrained resources in local authorities, means that decision making is slow and unpredictable, making it harder to build.⁴⁵

Possible policy tools:

- Change the requirements for submitting planning applications and how decisions are made (eg. through zoning/pre-approval/non-council planning authorities).⁴⁶
- Change when and where people have a right to appeal.⁴⁷
- Allow “street votes” on local developments.⁴⁸
- Add speed incentives to encourage faster or off site/modular building.⁴⁹
- Increase resources for local authority planning departments to speed up decisions or to allow greater scrutiny.⁵⁰
- Reduce or increase regulations, such as space standards and environmental requirements.⁵¹

Land availability

Homes can be built on sites where there is already some housing (densification or demolition and replacement, usually through building higher), on “brownfield” sites which have previously been used for transport, commercial or industrial purposes, and on “greenfield” sites which have been used for agricultural. The supply of developable greenfield sites in or near London is very low, partly because of the density of the city, and also because of severe restrictions for building on the Green Belt.

Possibly policy tools:

- Change land use designations to allow for more home building, including on the Green Belt – perhaps involving Green Belt land swaps.⁵²
- Use more public land (or purchase land for public use) for building homes, or homes of different tenures.⁵³
- Make it easier to densify existing areas of housing.⁵⁴
- Reform compulsory purchase and use class regulation to make it easier to free up land for housing, especially social housing.⁵⁵

Finance for social and affordable housing

Social and affordable housing in London can be brought about through government grant, through government backed low interest loans, or through developer contributions (discussed below). Most social housing is built for the purpose, but London also has a buy-back scheme, where local authorities re-purchase homes which were sold under right to buy.⁵⁶

The Mayor has recently celebrated meeting London’s target for social housebuilding starts – this is welcome news but even if all these homes are completed fairly quickly, we will still have very long waiting lists for social homes.⁵⁷

As well as investment in new social housing, some of London’s existing social homes are in a poor state of repair and these numbers are likely to increase as post-war blocks of flats come towards the end of their planned lifecycle. Renovating these homes to meet modern standards, especially for insulation and heating, is likely to be very expensive and it is not clear where this money will come from.

Possible policy tools:

- Increase funding availability for social housing through volume and flexibility of capital grants or loans – including for projects which renew existing stock but don't result in a net gain of new homes.⁵⁸
- Use government or local authority backed guarantees to finance affordable housing
- Make funding settlements multi-year, without repeated competitive bidding.⁵⁹
- Leverage private investment for affordable homes – discussed below
- Increase developer requirements to deliver social or affordable housing, including removing the exemption from affordable housing requirements for permitted development conversions.⁶⁰
- End right to buy, to stem loss of homes from the social sector.⁶¹
- Purchase homes for social housing which were previously in the private rental sector.⁶²

Finance for private house building

The costs of building homes in London can be very high, especially because land is so expensive. Some developers say it is hard to make a profit even with high sale prices because costs are high, planning permission unpredictable, and requirements placed on developers to supply affordable housing and to meet certain standards for space, safety and so on can be challenging – especially as these requirements sometimes change. There is always a risk that falling prices will mean schemes lose money (or that developers will negotiate out of affordable housing contributions to avoid this); with rented properties where rent is set at affordable levels, there is also a risk that policy changes in future will also change the return.

Housing development is often funded through third party investment - the availability and terms of this will depend on the goals of each investor (increasingly including social impact goals), how attractive housing is compared to other assets, and how attractive investing is in London compared to elsewhere.

Possible policy tools:

- Use incentives to encourage impact investment in housing (or certain types of housing).⁶³
- Use guarantees to fix policy requirements to introduce more stability for people building or investing in homes.⁶⁴
- Use other policy tools to reduce the cost and uncertainty of planning applications or other costs associated with building (covered elsewhere in this document).

Developer contributions

When developers build larger unit numbers of private homes, they are required to deliver some form of public benefit. This can include building affordable or social homes, or facilities such as playgrounds, schools or libraries. In some boroughs with high levels of development, these contributions can represent a significant proportion of all public spending.

The Levelling Up and Regeneration Bill, which is currently being debated in parliament, proposes adding to the current mechanisms for developer contributions with a new Infrastructure Levy. Some people are concerned that the way this is designed means developer contributions will be lower for many schemes, and therefore less affordable housing will be built.⁶⁵

Possible policy tools:

- Reform current and proposed developer contribution schemes to ensure that they continue to deliver affordable homes plus wider social benefits.⁶⁶
- Consider mechanisms to guarantee levels of affordable housing: “zoned” affordable policies, negotiation blocks, profit clawback.⁶⁷
- Consider land value uplift taxation as an additional or alternative means of raising funding for housing development.⁶⁸

Regulation of the rental sector

The last few years have seen a welcome emphasis on the rights of social and private tenants to a secure and safe home, through tighter build regulations after the Grenfell tragedy, tougher energy efficiency regulation, and (when the legislative process is complete for the Renters Reform bill) bans of section 21 “no fault” evictions.⁶⁹

These changes have the potential to make life better, especially for the most vulnerable renters, but some people are concerned that loopholes in the law will mean that private landlords can still treat tenants badly.⁷⁰ Some are also concerned that regulation could ‘crowd out’ institutional investment, resulting in less homes being built overall. Councils and housing associations face high costs in improving the quality of existing homes, and this is likely to mean they have less money left for housebuilding over the next few years.

Possible policy tools:

- Tighten existing and planned regulations for social and private rental (including property licensing schemes).⁷¹
- Increase resourcing for local authority enforcement, and for legal support for tenants to seek redress.⁷²
- Introduce rent controls or rent stabilisation.⁷³
- Increase public funding for safety remediation, including cladding and other issues.⁷⁴

Making homes available

Not all houses and flats in London are lived in. They may be used as holiday lets, owned by (often overseas) investors and left empty all or most of the time, be second homes, or be vacant between tenancies or owners.⁷⁵ The percentage of vacant properties in London is fairly low⁷⁶ – underoccupancy is arguably more of a problem, particularly where older individuals or couples live in larger properties.⁷⁷

Possible policy tools

- Restrict the ability of overseas investors to purchase properties, or increase tax on their purchases.⁷⁸
- Introduce a vacancy tax, or increase local authority’s ability to increase council tax on empty homes.⁷⁹
- Restrict the use of properties as holiday lets or second homes, through regulation or tax.⁸⁰
- Incentivise older people living in large homes to move to smaller ones, and ensure the supply of suitable downsize properties.⁸¹

Personal finance for homes

When people buy a home, mortgage terms and interest rates are a significant influence on what they can afford. Stamp duty levels for different purchasers can also incentivise different people to buy at different times.

As rents in London are high, many renters depend upon benefits to pay for their home. But many Londoners find that their benefits are not enough to pay their rent, either because housing benefit is simply too low or because they have hit the benefit cap - this is a key driver of poverty, especially for families with children.

Possible policy tools:

- Either loosen or tighten mortgage deposit, loan proportion or affordability requirements.⁸²
- Change tax treatment of landlords to increase or reduce the number of buy to let properties.⁸³
- Increase or reduce stamp duty, particularly for foreign or buy to let investors.⁸⁴
- Replace council tax and stamp duty with a proportional property tax.⁸⁵
- Increase benefit levels and/or remove the benefit cap.⁸⁶

Financial incentives for first time buyers

In the last few decades, governments have tried various schemes to help first time buyers to buy a home. They are often specifically for new build homes. While these schemes have certainly helped some individuals, some argue that they distort the market, and that any savings people make through the scheme are cancelled out by the rises in property prices which result.⁸⁷

Possible policy tools:

- Reintroduce the Help to Buy Scheme (or the opposite: permanently remove it).⁸⁸
- Offer state-backed mortgage affordability loans, insurance products or guarantees.⁸⁹
- Reform shared ownership to make it easier for shared owners to sell.⁹⁰
- Increase cap on lifetime ISA house value limit for withdrawal of savings plus bonus.⁹¹

What to expect next from this research programme

This is the first of two reports planned for Centre for London's programme, *Homes fit for Londoners*. During the second part of the project, running to December 2023, we want to:

- Deliver a list of policy recommendations for housing in London – which we think would work together as a set, and
- Use them to influence manifestos and campaign events for the upcoming GLA and general elections.

In early 2024 we will hold a public event to discuss the findings and what the changes that need to happen to improve things for Londoners are.

We want to explore complex topics and difficult ideas. We know that this might be controversial and that it might at times be hard to find agreement, but we think the seriousness of the problem means it's important for us to ask difficult questions.

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