

# CRISIS, WHAT CRISIS?

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## Facing up to the London Housing Emergency







# INTRODUCTION

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London faces a daunting task. Our capital will be home to 10 million people by 2030<sup>i</sup>, an unprecedented increase in population that speaks to its global appeal. Yet a broken property market and decades of inaction have created a housing crisis in which demand vastly exceeds supply and prices are rising while wages fail to keep up.

A recent London Councils report concluded that 810,000 new homes will need to be built in Greater London alone by 2021.<sup>ii</sup> In my constituency, Tottenham, the average annual salary is just over £20,000 while the average house price is now a massive £285,000. Private rents are rising even quicker than house prices. My constituents, like ordinary families and individuals all over London, are also being priced out of buying a home and, increasingly, being priced out of renting one. Meanwhile, London's housing crisis – which covers everything from instability of tenancy to poor conditions of housing stock, and from overcrowding to unsustainable rent rises - now eclipses other issues as the greatest challenge facing London's leaders.

A wilful refusal to accept the scale of the housing shortage in London has left us facing this crisis. Boris Johnson's plan to build 42,000 homes a year would be insufficient even if he were reaching his targets, which he is not: just 17,930 new homes were completed in London in the last financial year. A new era of catalytic public leadership is needed in our capital; freeing up public investment streams, investing in and challenging planning capacity and leadership to ensure departments are sufficiently resourced, holding true to a plan-led city so that housing is supported by core infrastructure and cooperation between national and local governments to ensure a unified approach to tackling this crisis.

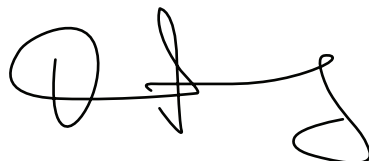
What London needs is more homes - of that there is no doubt. Yet this much-repeated truism obscures the difficult questions of how, and where, to get the capital building, and how to make new homes affordable for ordinary Londoners. This report will seek to provide clear and concrete solutions to these problems. Tackling London's housing crisis is a formidable challenge, but with strong leadership and bold solutions it is one we can meet.

Building more homes does more than it says on the tin. Every £1 of investment in construction is estimated to generate a total of £2.84 in the wider economy, while every new home creates 2.3 job opportunities.<sup>iii</sup> Both the Confederation of British Industry (CBI) and the London Chamber of Commerce have highlighted the cost and lack of affordable housing for employees as the biggest threat to London's position as one of the world's greatest cities for business. A recent report by Get London Living, meanwhile, found that London's economy will lose more than £1 billion each year due to the loss of employment resulting from housing shortages and if current trends continue a staggering £85 billion in lost output by 2025.<sup>iv</sup> Making housing affordable is also the only fair and sustainable way of reducing the UK's burgeoning housing benefit bill.

The lexicon used in the housing debate is one of affordability thresholds, equity loan schemes and brownfield designation. But housing is about more than that. The quality and location of our homes dictate the quality of our lives, and we need more homes not just to meet demographic demand and economic need, but to improve the quality of life for millions of Londoners. I know this from experience. Having spent much of my childhood on and around the Broadwater Farm estate in Tottenham, I was given a life-changing opportunity when I won a choral scholarship to a state school in Peterborough. These two worlds that I encountered growing up – one an Inner London suburb, the other a leafy commuter town – could not have been more different. Peterborough is of course a wealthier area than Tottenham. But it went deeper than that: to issues of planning and design. The people I met in Peterborough were better off not just because they had more money but because they lived in well-designed homes and streets. The opportunities that come from having a secure home, with good quality design and planning, are often overlooked in favour of the more headline-grabbing elements of the housing debate. We have a tendency to talk about housing in terms of numbers, targets and technicalities, but the bottom line is that building more homes, and building them to a certain standard, will improve the well-being, life prospects and security of Londoners.

I am hugely grateful to the expert group that met with me over several months to discuss the housing challenges facing London for this report. Representing interests from the construction, planning, social housing and private rented sectors, their honesty and forthright contributions to the discussion were a significant step in helping to formulate the recommendations outlined. They may not all agree with every conclusion drawn, but their insights and expertise proved invaluable in formulating the recommendations made below.

This report addresses in turn the three biggest challenges London faces when it comes to housing: building more homes, making those homes affordable, and keeping down rents, and offers wide-ranging solutions to each challenge. Considered together, these recommendations form a bold but realistic plan for tackling London's housing crisis.

A handwritten signature in black ink, appearing to read 'David Lammy', with a stylized flourish at the end.

**David Lammy**  
**August 2014**

# SUMMARY OF RECOMMENDATIONS

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For a city that must build more than 800,000 new homes by 2021, with a population that will hit 10 million by 2030, the urgency of getting London building is clear. London's housing crisis requires the city's leaders to take tough choices and provide robust solutions that will stand the test of time. It is a daunting challenge, but one that can be met by strong leadership and working together to launch a new era of house building in the capital.

While there are a myriad of complex policy dilemmas, economic models and incentive structures at play in the housing market - the core challenges that must be met are simple: build significantly more homes, ensure those homes are affordable and keep rents down.

To meet these challenges the following three areas of action require urgent reform:

- 1. BUILDING THE NEW HOMES WE NEED**
- 2. MEETING THE AFFORDABILITY CHALLENGE**
- 3. KEEPING RENTS DOWN**

# 1. BUILDING THE HOMES WE NEED

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- Broaden the GLA register of all publicly-owned sites in Greater London to also include privately-owned brownfield land that may be appropriate for housing.
- Encourage central government to release excess and underused land that it owns in Greater London.
- Build up where high-rise buildings are appropriate, such as in desirable areas of Central London or near transport hubs, but ensure that high-rise developments are of a minimum acceptable quality.
- Utilise innovative ways of building high density but high quality housing in the form of Victorian-style terraces or low-rise blocks.
- Establish a 'Greenbelt Land Use Review Process' to bring together local elected officials, the Mayor, local people and developers to determine where there are greenfield sites in Greater London that would best serve Londoners if they were developed for housing.
- Prioritise the release of poor-quality greenbelt land to smaller developers and those that commit to building a high proportion of affordable and family-sized homes.
- Investigate the use of green belt land swaps to ensure London's limited supply of land is used in the best interests of Londoners.
- Encourage the development of Community Land Trust through the planning process to ensure that land developed is done so according to the needs of the local area.
- Stipulate that any greenbelt sites developed for housing should include a certain proportion of open public spaces.
- Allow smaller developers to bid for land through the London Development Panel.
- Encourage the Mayor to create a public database of all land in London that is underdeveloped or due for redevelopment to enable small developers to easily access information about possible development opportunities.
- Bolster local authorities' planning departments to ensure there is sufficient capacity within the system to meet London's housing needs.
- Expand the GLA planning department to allow it to better pursue a strategic residential development plan in line with the London Plan, establish best practice across local authorities' planning procedures, and assist local planning departments to reduce the burden of the planning process on developers. This body should also support councils in using their compulsory purchase powers to bring undeveloped land back to market in cases where landowners are leaving land unused.

- Simplify the rules around Joint Ventures to increase partnerships between local councils and private developers.
- Launch a Treasury-backed Help to Build scheme to provide loans to smaller and community developers, as proposed by Labour Shadow Housing Minister Emma Reynolds.
- Build in and around London's surrounding new towns, including lobbying the government to commit to building the majority of any new towns in the South East, where demand is greatest, to take pressure off London's housing market.
- Capitalise on the huge benefit to housing stock provided by infrastructure spending by investing, as a minimum, in Crossrail 2, two new river crossings in East London, and improvements to the West Anglia Line, to open up undeveloped areas with significant investment potential.



## 2. MEETING THE AFFORDABILITY CHALLENGE

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- Make affordable housing genuinely affordable by linking the rate at which affordability is defined to average incomes in the area, and set an upper limit of 60% of market value on all affordable housing in London.
- Establish a London-wide affordability floor for the number of affordable homes per development, to ensure that developers do not continue to drive down the number of affordable homes in new developments.
- Launch an immediate review of the Community Infrastructure Levy and its suitability for helping to meet London's housing needs without deterring smaller developers from building.
- Lift restrictions on how housing associations value their assets, enabling them to more accurately value their stock for borrowing on future building.
- Introduce a government-backed loan scheme for developers seeking to build shared ownership properties.
- Relax regulations on the marketing and management of shared ownership properties in order to broaden the appeal of this tenure.
- Remove the limit on borrowing against existing housing assets in Local Authorities' Housing Revenue Account.
- Enable councils to retain existing council homes by:
  - introduce mandatory covenants on all Right to Buy properties that stipulate the home cannot be let through the private rented sector; and
  - reduce the discount provided to tenants through the Right to Buy scheme; and
  - place obligations and offering grants to local authorities for the replacement of homes sold under Right to Buy.
- Push the Treasury to undertake a review of council tax bands, and introduce new bands to reflect the housing boom that has taken place in the 20 years since the bands were last assessed, in order to help local authorities finance house-building.
- Incentivise local authorities to invest in affordable housing by allowing them to retain a proportion of any consequential savings in housing benefit.

## 3. KEEPING RENTS DOWN

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- Introduce a sensible system of rent controls that provide more secure tenancies, cap rent increases and incentivise good practice from landlords:
  - Introduce restrictions on maximum rent, defined in proportion to the average rent in the area.
  - Limit the extent to which rent can be increased each year, in order to prevent tenants being hit by excessive rent rises.
  - Reform tenancy agreements to specify that tenants can only be evicted for having broken the terms of the agreement, and are only expected to pay the full rental amount on the condition that the landlord ensures the property is maintained to an acceptable standard.
  - Extend the default Standard Assured Tenancy term to three years, thereby providing greater security for tenants and landlords alike.
- Introduce a London-wide compulsory landlord register of landlords who agree to abide by the London Rental Standard. This would help clamp down on rogue landlords and would professionalise the private rented sector, making it more appealing to institutional investors.



# **THE THREE CHALLENGES AND HOW TO MEET THEM**

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# CHALLENGE 1: BUILDING THE HOMES LONDON NEEDS

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Two central factors lie at the heart of London's housing crisis: population growth and a failure of both private and public sector bodies to build enough homes. Demand has increased on an unprecedented scale, yet supply has spectacularly failed to keep pace.

In the first decade of the new millennium, London's population grew at a faster rate than other global cities such as Paris, New York or Tokyo.<sup>v</sup> Following decades of population decline in the post-war era, London is now home to a staggering 8.4 million people.<sup>vi</sup> This has not been driven by a dramatic increase in in-migration, which has stayed relatively constant, but rather by a fall in out-migration as families increasingly choose to stay and raise a family and, crucially, the natural growth that has stemmed from the city's relatively youthful population, high birth rate and longer life expectancy.

This shift in demographics has contributed to an increase in the number of households in the capital, expected to continue to rise from roughly 3.3 million in 2013 to 4.1 million in 25 years time.<sup>vii</sup> Our housing market is under ever-increasing strain. There has been an increase of 540,000 households in London over the last decade but only 430,000 new homes built.

Estimates for the number of homes we need to build annually range from a conservative 42,000 (the Mayor's estimate) to closer to 100,000 (London Councils).<sup>viii</sup> The Mayor pretends that his target is ambitious and sufficient, but it is neither. Building 42,000 homes per year is less than the 49,000 that his own study (the Strategic Housing Market Assessment) suggests we need<sup>ix</sup>. But even if we build 49,000 homes per year, the aspiration is only to tread water. Building at this rate will not alleviate the unaffordability crisis that grips the capital and a generation will continue to be priced out of home ownership.

A target that is ambitious and sufficient would be closer to 63,000 homes per year. At first glance, it may seem an impossible number to build – completion rates rarely reached this level even during the building boom between the two world wars. And this is a target not just for one year, but one that must be sustained over decades. But with political commitment and bold leadership, it is not an unrealistic target.

Trebling our housing output and sustaining it will not take place overnight, but reaching it within an acceptable time frame requires decisions to be made now, not later. This ambition requires a comprehensive package of measures rather than a series of piecemeal initiatives and gimmicks. And to achieve these levels of building, we need nothing less than a revolution in how we build, where we build and who does the building. These reforms will not be universally popular. Indeed, some of the measures outlined below will no doubt illicit opposition in some quarters. But challenging times require difficult decisions – London has been let down for too long by leaders unwilling to be honest about what it takes to make our city liveable.

# SOLUTIONS

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Central to the challenge of increasing the number of homes that we are building is to identify where they can be built. London is a large and dense city, but within it there are vacant spaces ripe for residential development and other areas where there are already homes that can sustain many more.

## **Brownfield**

The greatest source of underdeveloped land in London is brownfield land. Given their geographical convenience and the environmental benefits that can come from redeveloping unsightly, derelict land, brownfield sites will prove invaluable as we look to build the homes London needs. The Mayor's recent announcement that 20 brownfield sites around London will be designated as 'housing zones' and fast-tracked for development is a step in the right direction but this will result in a total of just 50,000 new homes – fewer than we need to be building each year.

The costs of developing on brownfield land can be prohibitive, which has led developers to negotiate down the number of affordable homes such sites will deliver in the past. Governments – central and local – should be more willing to intervene to assist in the remediation of high value, developable brownfield. The first step in this process would be for the Mayor to broaden the GLA register of all publicly-owned sites in Greater London to also include privately-owned brownfield land that may be appropriate for housing. It is only by compiling a clear list of brownfield sites that a discussion can be had about which areas of land are most appropriate for housing, and efforts made to get these sites in to the hands of organisations capable of developing them. Furthermore, central government should do more to release excess and underused land that it owns in London.

However, we must be honest and accept that brownfield alone cannot be the answer to all our problems. There are around 4,000 hectares of brownfield land in London. That is enough to build 366,000 homes – just one fifth of the new homes we need to build in the next 20 years. To fit the quantity of new homes that London needs on to brownfield sites would require the average density of new builds in the next seven years to be double that of London's most dense borough, Islington.

## **Recommendations**

Broaden the GLA register of all publicly-owned sites in Greater London to also include privately-owned brownfield land that may be appropriate for housing.

Encourage central government to release excess and underused land that it owns in Greater London.

## **Getting density right**

Building more homes on a limited supply of land will mean being clever and innovative when it comes to housing densities. Soaring demand for new homes creates the temptation to pack them in as tightly as possible. One way of doing this is to build higher and higher residential buildings, with tower blocks becoming increasingly common in residential developments. London is considerably less dense than most comparable global cities such as New York or Paris, so there is scope for density to increase. When done well, tower blocks can offer high value, high quality and high density solutions for the prime market, particularly in desirable areas in central London or near transport hubs. It is important, as Centre for London director, Ben Rogers, has argued, that Londoners are engaged in the development of new high rise buildings in order to prevent a new skyline simply being imposed on them.

However, high rise development should be approached with real caution. Ask people, especially families, where they would choose to live and few will say the 14th floor of a concrete block. Ask people whether they want to live next door to a high-rise building and the answer will be similarly negative. Those living on higher floors are largely social housing tenants with little opportunity to move elsewhere. When people can choose, it is almost always to live closer to the ground; most say they want a garden for the children to play in and a front door to call their own. Furthermore, a number of studies have shown that high-rise living has numerous negative health consequences, especially for children, stay-at-home mothers and the elderly, even when allowing for socio-economic factors.<sup>x</sup> High-rise tower blocks are expensive and in many cases are bleak, soul-crushing places to live. They may be part of a solution, but we must be careful to avoid the errors of the past. Tottenham's Broadwater Farm estate, next to which I grew up, was once state-of-the-art, but is now a testament to the way in which designs that may initially seem modern and forward-looking soon prove to be outdated and ill-fitting to the needs of residents. We must provide solutions that work for ordinary Londoners, not that simply adhere to architectural orthodoxy that building "up" is better.

There are alternatives to tower blocks that provide good quality homes while delivering the same or higher density. These buildings usually take the form of Victorian-style terraced houses and low-rise apartments, and they can be built and maintained at a lower cost than high rise blocks. Projects such as Rational House in Hammersmith, Pocket Homes in Camden, Create Streets, and the Prince's Foundation's recent "Housing London: A Mid-Rise Solution" report illustrate these innovative, inexpensive and high-density solutions which maximise the number of homes that can be built on a particular site without sacrificing the quality of homes or the quality of life for those who live in them.

London needs homes, but it needs homes that people can afford and want to live in. Building up with high density apartment buildings should be part of the mix, but care must be taken not to repeat the mistakes of

ghettoisation and poor design that blighted tower blocks in the past. Our housing needs should not be an excuse for building poor quality homes that will blight future generations.

### **Recommendations**

Build up where high rise buildings are appropriate, such as in desirable areas of Central London or near transport hubs, but ensure that high rise developments are of a minimum acceptable quality and do not repeat the mistakes of the past.

Utilise innovative ways of building high density but high quality housing in the form of Victorian-style terraces or low-rise blocks.

### **Rethinking greenbelt**

Building on brownfield and increasing density where appropriate must be the priorities for building more homes. On their own, however, they are not sufficient. London's population is expected to increase by the equivalent size of Birmingham over the next ten years. By 2050, the capital will have an additional 3 million residents.

It is misleading to suggest that the 4,000 hectares of brownfield land and attempts to 'densify' a few town centres can support that population. Any honest attempt at building the homes London needs must involve taking difficult decisions to increase the land that is available for development.

It is inevitable, therefore, that solving London's housing crisis will involve tackling the complex issue of the capital's greenbelt. Established in the 1940s to keep green open space accessible to people who lived in cities after the war and to halt the atrophy of a bombed out central London, the city's greenbelt is rightly recognised by Londoners as a much-loved part of Greater London, playing a vital role in providing us with recreational space, natural beauty and environmental advantages. London's parks, woodlands and open spaces are an integral part of our city and they should stay that way.

There are, however, many parts of the greenbelt that provide far less public benefit. A decision must be made as to whether preserving disused factories, tracts of empty wasteland and hundreds of golf courses is really the best use of London's limited supply of land. The reason that talk of developing greenbelt land is so controversial is the misconception that this involves concreting over parks or demolishing swathes of ancient woodland. That misconception needs to be addressed.

In reality, large swathes of the green belt do not live up to the name; people associate the area with virgin woodland and pristine open spaces but nearly a third is used for intensive farming. Sites currently designated



as greenbelt include an open quarry in Hainault, a private car park in Hillingdon and an area of fenced-off wasteland in Hounslow. The fact that brownfield sites in Outer London classed as greenbelt cannot be redeveloped is a huge missed opportunity. In fact, the building ban on disused and waste areas of greenbelt land is forcing local authorities to resort to selling off genuine public spaces, such as playing fields, to fulfil their housing needs. That needs to change.

London's greenbelt also includes hundreds of golf courses. It is neither fair nor sustainable for millions of Londoners suffering from soaring rents, spiralling house prices and overcrowding to continue to effectively subsidise thousands of acres of land used for exclusive golf courses. Greenbelt has rightly been described, by LSE Professor Paul Cheshire, as a form of "discriminatory zoning, keeping the urban unwashed out of the Home Counties – and, of course, helping to turn houses into investment assets to live".<sup>xi</sup>

It is time to re-evaluate how land is used in the capital, and that must include a review of greenbelt land. No review of these measures has taken place since they were introduced nearly 70 years ago, since when the nature of our city and the needs of its inhabitants have drastically changed. Two thirds of all available land in Greater London is currently in the greenbelt, leaving just 33% of land that can currently be considered for housing. There are 35,190 hectares of greenbelt land within the Greater London area and a further 74,810 ha outside of London but within the confines of the M25. Developing just one fifth of this latter figure would be enough for 1 million new homes – going a long way to solving London's housing crisis in one move.

It is clear that the biggest barrier here is political. We need to move beyond the false dichotomy of the brownfield versus greenbelt debate to one which recognises what is good investment and what is bad investment, addressing the needs of today rather than being bound by those of the 1940s. Where land that currently serves little public benefit can be developed quickly, efficiently and at low cost to produce homes for ordinary Londoners, it should be done. For example, 11 London Underground stations already exist within areas designed as greenbelt. A report by London Councils, under the leadership of Hackney mayor Jules Pipe, found that building to a 10 hectare area around these stations would provide nearly 8,000 new homes in areas already well-connected to London's transport system.

While some areas currently designated as greenbelt should be considered for housing, we must ensure that London's public spaces and areas of natural beauty are protected. To ensure that only the land of least public and environmental value is designated for housing, a clear process must be developed for determining areas of land ripe for development. To standardise this process, a Greenbelt Land Use Review Process (GLURP) should be created. This would be similar to New York's Uniform Land

Use Review Procedure (ULURP) and would enshrine clear timescales, frameworks and processes for determining whether a particular area of greenbelt land is appropriate for housing.

The decision in the GLURP process should be made by a newly-created independent ombudsman in conjunction with local people, borough councils, developers and the Mayor. Where there is a disagreement, the different parties should make representations to the independent ombudsman, who would make a final decision based on what would provide the greatest benefit to local people.

The criteria on which any application should be judged are: environmental benefit conferred by keeping the land as greenbelt, current public usage of the land, historical and heritage value, current and planned transport connectivity, possible number of new homes, affordability of new homes and local housing needs,

Following the decision of the GLURP process, the release of greenbelt to developers who meet their obligations to develop brownfield sites first, or who agree to increase the proportion of affordable housing in their developments, is a possible way of ensuring this land is used responsibly and effectively in the interest of all Londoners. Similarly, developers who agree to prioritise the building of the family homes that London needs, in place of more profitable but less useful studio and one-bedroom flats, should be given the first right of refusal on new land. Furthermore, the lack of competition within the housing market could be partially addressed by releasing greenbelt land in a way that encourages new developers into the market to increase competition. The use of Community Land Trusts should also be incentivised to ensure that land made available for development remains ultimately owned by local people. Furthermore, a set proportion of every greenbelt site developed for housing should be stipulated to remain as open public space, meaning that developing privately-owned, poor quality greenbelt sites would actually result in the creation, rather than destruction, of green public spaces.

Politicians of all sides are terrified of being accused of wanting to “pave over the countryside”, which is why Boris Johnson is still bluffing about London’s “brownfield opportunity areas” as the sole solution to the housing crisis. But meeting solving London’s housing challenges will require bold leadership and brave decisions. This must include a review of a 70-year-old planning policy.

### **Recommendations**

Establish a 'Greenbelt Land Use Review Process' to bring together local elected officials, the Mayor, local people and developers to determine where there are greenfield sites in Greater London that would best serve Londoners if they were developed for housing.

Prioritise the release of poor-quality greenbelt land to smaller developers and those that commit to building a high proportion of affordable and family-sized homes.

Investigate the use of green belt land swaps to ensure London's limited supply of land is used in the best interests of Londoners.

Encourage the development of Community Land Trusts through the planning process to ensure that land developed is done so according to the needs of the local area.

Stipulate that any greenbelt sites developed for housing should include a certain proportion of open public spaces.

### **Levelling the playing field: helping smaller developers to access land**

If we want to tackle the supply of housing we need to engage with why there are so few firms building. A small number of larger firms dominating the market inevitably leads to a lack of competition and, as such, prices are driven up. However, it is no use complaining about private companies behaving in the interests of their shareholders – they have never claimed to do anything else. The problem is that incentives for developers to expand production volume are simply not in place; firms will only build as fast as they can sell at the highest possible margin. At best, the largest developers in London will only grow their output incrementally, not exponentially. Relying on them alone to reach London's ambitious housing target will be a fruitless endeavour.

While there are important and innovative models, such as custom building being used across the EU – and particularly successfully in Holland – the reality is that to increase the supply of housing in London we need to encourage new entrants into the house-building market and help existing smaller firms to grow.

Although larger developers have no particular appetite to grow volume, there are many other developers in London and outside that do. The aim must be to make developing in London easier, cheaper and faster than it currently is. By doing so, London's private house-building sector will become more diverse, more competitive and will deliver a higher output of homes.

The Mayor has a significant role to play in levelling the playing field and making London an easier place to build homes. As detailed above, access

to land is a common complaint amongst developers but it is especially so amongst smaller developers. The Greater London Authority owns over 500 ha of undeveloped brownfield land in London and the Mayor has rightly made it a priority to dispose of this land to firms that are willing to build housing on it. However, only the largest developers are able to bid through the London Development Panel (LDP) – the medium through which the Greater London Authority sells the land. Although some of the larger sites that the GLA owns are only of interest to bigger developers given the scale of the investment required to deliver substantial numbers of homes on each site, the opposite is true for the smaller sites that the GLA owns which can have limited commercial value to anyone but smaller firms.

By extending access to GLA-owned land beyond just the 25 largest firms, the Mayor would not only help diversify the house-building sector but would also ensure that public land can be developed more quickly.

The Mayor and the Government have another role in levelling the playing field for small firms by making information on land ownership more transparent and easily accessible. Larger house-builders benefit from years of market intelligence on available and soon-to-be-available sites. Smaller developers and new entrants do not have the experience nor the resources to obtain the same level of information on potential sites to bid for. A centrally-held and publicly available register which outlined all public and private land in London that is either undeveloped or due for redevelopment, and listed the present owner of the land, would not only help planners identify sites that have been left undeveloped for numerous years but also provide invaluable support to smaller firms and new entrants who wish to grow in the London market.

Another frequent complaint made by developers concerns the efficiency of local authority planning departments. In fact, developers now list cumbersome planning delays as the biggest obstacle they face (after land availability). Whereas delays to planning applications can affect firms of all sizes, the smallest developers are the least able to withstand the cost of additional time and resources to secure planning permission from an over-whelmed and under-staffed planning department. Central government should invest resources in bolstering local authority planning departments, both in terms of officer numbers and staff training. In addition, the GLA's planning department should be significantly expanded and given a greater role in developing 'best practice' guides both for boroughs' planning departments, for elected councillors overseeing planning policy but also crucially for the developers seeking to build.

The GLA planning team should also be more prepared to offer advice and resources to authorities that consistently fail to process applications within an acceptable period of time, and should encourage those that wish to use Compulsory Purchase Orders to bring land back to market in cases where important land is being left undeveloped. There are 400,000 unbuilt homes in London that have already been granted planning permission. In the midst of a housing crisis, that is not a statistic we can accept. Councils should be supported in using their powers to ensure that land is being used for the public good.

Further changes that the Mayor and the Government can make to assist small developers and new entrants build more in London could involve more innovative collaborations between developers and local authorities in order to reduce the upfront costs to developers. For example, if the rules around Joint Ventures were simplified to encourage councils to work with developers, councils could release land to developers at little or no cost whilst at the same time retaining a stake in the development and a share of the return. Councils have political will, local support and aren't constrained by profit motive. Making it easier for them to work with developers will help ensure developments are brought forward, standards are met and more affordable housing is made available for ordinary Londoners.

### **Recommendations**

Allow smaller developers to bid for land through the London Development Panel.

Encourage the Mayor to create a public database of all land in London that is underdeveloped or due for redevelopment to enable small developers to easily access information about possible development opportunities.

Bolster local authorities' planning departments to ensure there is sufficient capacity within the system to meet London's housing needs.

Expand the GLA planning department to allow it to better pursue a strategic residential development plan, establish best practice across local authorities' planning procedures, and assist local planning departments to reduce the burden of the planning process on developers. This body should also support councils in using their compulsory purchase powers to bring undeveloped land back to market in cases where landowners are leaving land unused.

Simplify the rules around Joint Ventures to increase partnerships between local councils and private developers.

### **Stimulating supply, not demand: helping smaller developers to access finance**

To increase competition in the house-building sector and boost housing output, smaller developers must be helped to overcome the financing barriers they currently face. The capital required up front to build houses means many smaller developers are priced out of the game in areas, such as London, where land is expensive. Smaller sites are therefore left undeveloped, too expensive for smaller developers and not profitable enough for bigger ones.

There needs to be a greater range of options for developers to incentivise building by companies that cannot rely on large balance books to finance their own projects. With banks usually only loaning up to 60% of development costs, 40% needs to be provided by the developer. New initiatives should be introduced to ensure that smaller firms do not have to rely on a one-size-fits-all system of financing and are able to borrow more while not working against the tide of the market.

This means doing more to stimulate supply rather than demand. Since its launch in January 2013, just 1,750 Londoners have received from Help to Buy loans. Clearly, Help to Buy is not working for Londoners. For many Londoners even the 5% deposit that Help to Buy loans require is unaffordable; even with a supporting loan from the government, prospective buyers must still have tens of thousands of pounds save up. Stimulating demand while failing to properly increase supply, meanwhile, is a recipe for a housing bubble.

Instead of continuing to invest money in Help to Buy, the government should focus on developing a much more beneficial and forward-looking loan scheme that really tackles the undersupply problem. It should introduce a Help to Build initiative, providing equity loans to community and smaller developers so they can access the finance they need to build homes for Londoners. It has been estimated that such a scheme could lead to 3,000 new homes per year. The Shadow Housing Minister, Emma Reynolds, and Shadow Chief Secretary to the Treasury, Chris Leslie, have outlined bold and far-reaching plans for this type of loan scheme, and the Government should commit to introducing it as a matter of priority. Such a move could expand and enhance the Builders Finance Fund announced in the 2014 Budget. But whereas the benefits of the Builders Finance Fund are heavily limited, because it is only available to developers with pre-existing planning permissions, Help to Build would provide support for all smaller developers.

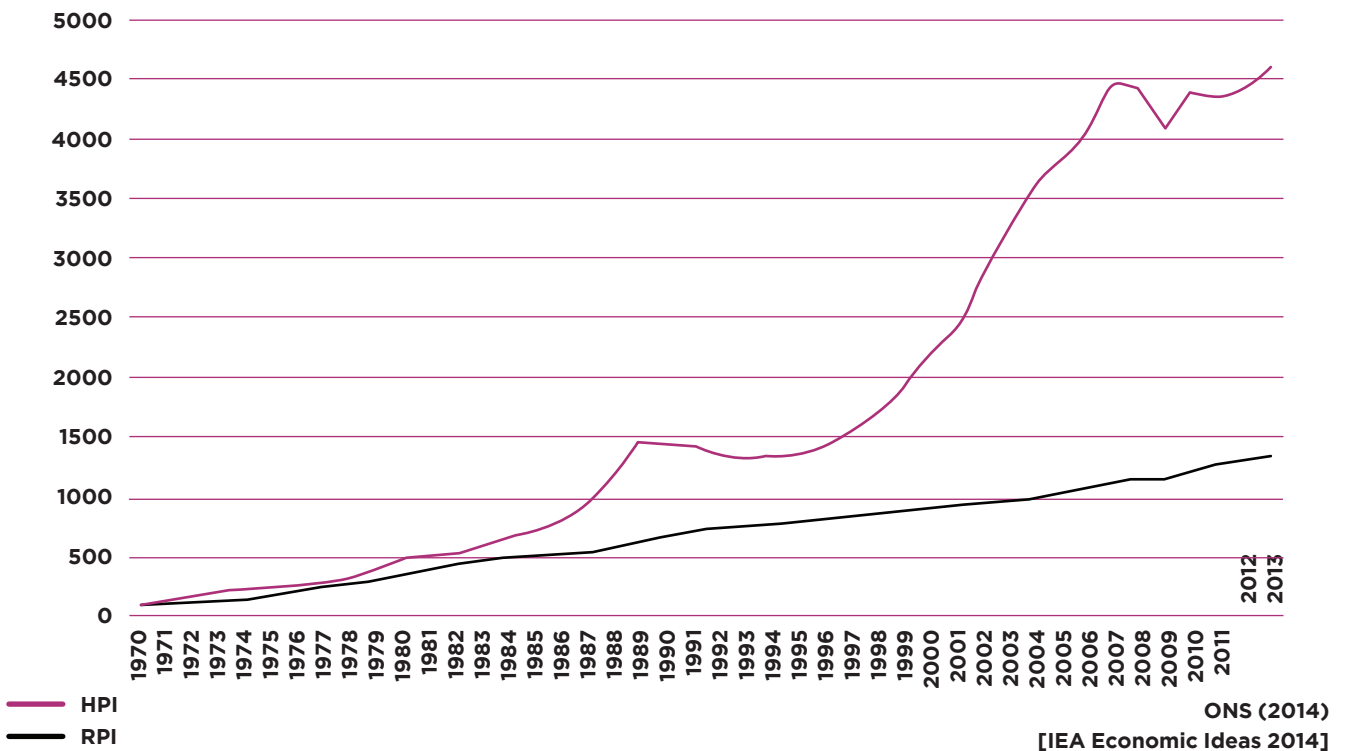
#### **Recommendations**

Launch a Treasury-backed Help to Build scheme to provide loans to smaller and community developers, as proposed by Shadow Housing Minister Emma Reynolds.

## New Towns

Building new towns outside Greater London will help to alleviate the housing pressures on the capital. The post-war Abercrombie Plan for the regeneration of a bombed out London proposed a series of new towns in order to provide good equality and well-connected homes for those working in the capital. The new towns that followed, including Stevenage, Crawley and Hatfield, have all developed into popular and thriving urban areas. Similar ambition to Abercrombie's will be needed to tackle the current crisis. Ed Miliband has already pledged that a Labour government would build five new towns in its first term. The vast majority of these should all be in the South East, where demand is substantially higher than elsewhere and where they would help take the pressure of the London housing market. At the same time, existing new towns such as Stevenage must be allowed to realise their untapped potential.

HOUSE PRICE INDEX VS. RETAIL PRICE INDEX, 1970-2013



Investment in infrastructure – from transport links such as roads or rail networks, or more technological infrastructure such as with 4G and fibre broadband - is vital in cultivating vibrant, attractive communities and opening up previously underdeveloped land for residential development. We must continue to invest but also seize on the opportunity provided by new infrastructure such as Crossrail to regenerate existing communities and to build new suburbs and towns. Equally importantly, we must continue to invest in new infrastructure to keep up with growing demand. This should include, as a priority, a commitment to developing Crossrail 2 and building at least one new river crossing in the Lower Thames Estuary, with a second to follow by 2025. The continuing growth in Ebbsfleet shows just how important transport infrastructure can be in stimulating urban development.

Connectivity in all senses of the word is key here; high quality and high frequency transport links are necessary to attract commuters while the spread of fibre broadband and 4G mobile reception will enable remote working. There has always been a balance between cheaper housing and more expensive commuting. The lack of investment in transport routes such as the West Anglia Main Line, for example, has proved a huge obstacle to the growth of a number of towns on this lines.

However, the solution to London's housing crisis cannot simply be to export our problems outside our borders. The truth is that the wider South East has a housing crisis of its own. Any new towns will be a positive development for satiating demand, but will not single-handedly solve London's own crisis. Building within Greater London, including new garden suburbs, is the only way to do that.

### **Recommendations**

Build in and around London's surrounding new towns, including lobbying the government to commit to building the majority of any new towns in the South East, where demand is greatest, to take pressure off London's housing market.

Capitalise on the huge benefit to housing stock provided by infrastructure spending by investing in proposals including Crossrail 2, two new river crossings in East London, and improvements to the West Anglia Main Line, to open up undeveloped areas with significant investment potential.



## CHALLENGE 2: MEETING AFFORDABILITY NEEDS

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The capital is the most unequal region in England, and the gap between rich and poor is growing.<sup>xii</sup> The latest London Poverty Profile found that 2.1 million Londoners – more than a quarter – live in poverty, meaning the city's poverty rate is 28 per cent. That's seven per cent higher than the rest of England, and significantly higher than New York and Tokyo. The real reason for London's growing poverty and inequality is the constantly increasing cost of housing: when poverty is measured before housing costs, London has the same rate as the rest of the country.

This highlights the urgent need to providing more secure, good quality, affordable housing to rent for those on lower incomes. Yet under the current Mayor, London managed to build just 8,700 affordable homes in the whole of London last financial year<sup>xiii</sup> – less than 5 per cent of the 200,000 new homes per year that the city needs. Meanwhile, changes to his City Plan mean that 'affordable housing' now means a property available at 80 per cent of market rate, a stark contrast to the 50 per cent at which social housing rents used to be set. In many parts of London, 80 per cent of market rent is simply not affordable to those on an average salary.

The Mayor's own Strategic Housing Market Assessment outlines the need for at least 26,000 affordable homes to be built annually, yet even his aspirational target of 17,000, which he is yet to reach in any year of his mayoralty, falls far short of this. With the need for more homes of all prices to be built and an absence of coordinated public leadership on this issue, developers have been allowed to exploit the opportunity to push through developments with a lower percentage of truly affordable housing.

This lack of affordable homes particularly hurts prospective first-time buyers. Indeed, the projected average age by which a young person will be able to buy their first home in London is now 52. 66 per cent of first home buyers are supported by the bank of Mum and Dad in order to afford a deposit. The typical London home now costs over £414,000 after an annual increase of over 13 per cent – more than double the increase of the UK as a whole. Whereas London's house prices increased by more than anywhere else in the UK, pay for those working in the capital rose less than in any other region. The average full-time London salary in 2013 was £36,781 while the average house price rise was over £50,000.<sup>xiv</sup> Similar rises are already becoming visible this year, with the government's Help to Buy scheme raising the spectre of a housing bubble in the capital.

There are very real consequences of this affordability crisis. Already, unaffordability is hitting London businesses. A London Chamber of Commerce and Industry survey found that nearly half of London businesses report that housing unaffordability is negatively impacting their ability to attract and retain skilled employees. Londoners on average now spend more than half of their income on their rent or mortgage. Not only does that disincentivise the best and brightest employees from living in London, it also significantly reduces the disposable income of those with the highest propensity to spend, threatening the future of the retail sector in particular and the economic recovery in general. For some of the

capital's lowest paid, the crisis cuts even deeper: too many are unable to escape the clutches of overcrowding and homelessness.

The housing crisis has been estimated to cost £1 billion per year to London's economy, causing an exponential loss of up to £85 billion by 2025.<sup>xv</sup> London's shortage of housing means that the city loses its competitive edge, as internationalised professional labour demands higher pay to be able to afford to live here. This increase in the marginal costs of doing business has the potential to drive businesses (and potentially entire sectors) out of London entirely. In an economy where real wage growth has stalled and youth unemployment has remains stubbornly high, London simply cannot afford the cost of failing to address the housing crisis.

Soaring prices are a reflection of the fact that London has failed to build enough homes of any kind, but we have particularly neglected to replace the depleted social housing stock in the capital following Thatcher's Right to Buy revolution. While Right to Buy has enabled many Londoners to own their own homes, the decision to prevent local councils reinvesting the proceeds of sales in new social housing has proved misguided.

Since the introduction of Right to Buy in 1980, over 271,438 council homes have been lost from the local authority housing stock in London, with governments from across the political spectrum failing to replace them in any significant number.<sup>xvi</sup> Between 1998 and 2011, only 880 new council homes were completed in London<sup>xvii</sup> compared to the 85,254<sup>xviii</sup> that were sold. This is a ratio of almost 100 sales for every new home built. When combined with stock transfers, there were 285,000 fewer council homes in London in 2011 compared with 1991.<sup>xix</sup>

A significant proportion of this former social housing ends up being rented out privately; 'Right to Buy' quickly turns into 'Buy to Let'. Research by London Assembly member Tom Copley, in one of his many impressive contributions to the London housing debate, found that across the capital more than 36 per cent of all the homes sold by councils now appear to be let through the private rented sector.<sup>xx</sup> In some boroughs as many as half of all the homes that were sold through Right to Buy are rented privately - sometimes, absurdly, back to the council so that they can fulfil their statutory duties. This data is drawn from records of leaseholders who have registered an 'away' address with their local council (i.e. those owners who do not live in the property). However, the fact that landlords are not required to register such an 'away' address (and many do not) means that the 36 per cent figure is likely to be a significant underestimate of the number of London homes sold by councils that are now rented through the private sector.

In 2012 the Coalition Government vowed to "reinvigorate" Right to Buy, pledging to replace all homes sold on a 1-for-1 basis. It was a tacit acknowledgement of some of the failures of Thatcher's reforms. However, evidence submitted to the House of Commons Communities and Local Government Committee suggests that in London 1.6 Right to Buy sales are actually required to fund each new council home, meaning that the way

things stand it is simply not financially possible to replace every home that is lost.<sup>xxi</sup>

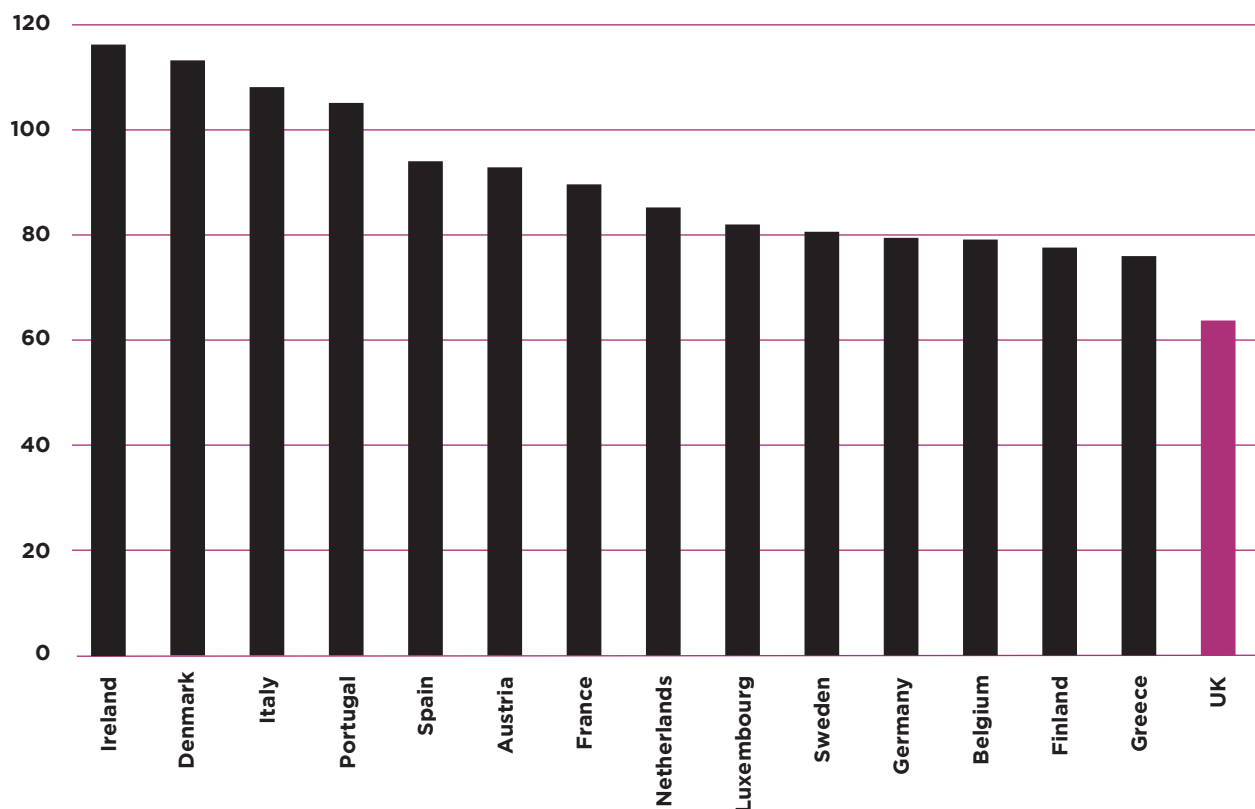
The shortage of council houses means that, for the first time ever, there are more people in England and Wales renting privately than in social housing.<sup>xxii</sup> There are around 340,000 Londoners on the housing waiting lists for council and housing association affordable housing - an increase of over 94 per cent in just the last 15 years.

While the promise to replace sold social housing on a one-for-one basis is a welcome change, the decision to replace social rented housing with 'affordable rented housing' is less so. This change means that properties currently rented to low- income families at 40-60 per cent of market value can now be replaced with homes let at 80 per cent of market value.

### Overcrowding

As buying and renting becomes increasingly unaffordable, more and more people are being forced to live under the same roof. Overcrowding is an increasingly harmful reality in the lives of too many Londoners. Around 255,000 households in London - seven per cent of the total - live in overcrowded homes, over (three times the national average).<sup>xxiii</sup> And, worryingly, levels of overcrowding have been on a steady upward trend since 2005. No advice surgery I hold in my constituency passes without a number of parents describing the problems caused by having four or five brothers and sisters crowded into one bedroom. This kind of Dickensian

### RESIDENTIAL FLOOR SPACE PER HOUSEHOLD (IN M<sup>2</sup>)



overcrowding leads to a breakdown in family relations, missed educational opportunities, exposure to physical and mental health problems and a growth in the drop-out culture.

The Mayor has set himself the laudable target of halving severe overcrowding in London by 2016, yet has done little to actually address the issue. Meanwhile possible solutions to overcrowding are coming into conflict with the Coalition's damaging changes to the benefit system, notably the bedroom tax. The National Housing Federation, for instance, argues that "the risks to housing associations' revenue streams from the bedroom tax, coupled with affordability concerns and the overall benefit cap mean that it is harder for associations to develop larger family homes."<sup>xxiv</sup>

### **Homelessness**

Another consequence of London's increasing unaffordability is the rise of homelessness in the capital. 6,437 people slept rough at some point in London during 2012/13, an increase of 62 per cent over 2 years. A third of those listed the ending of a tenancy by a landlord as the reason for their homelessness.<sup>xxv</sup> Over 42,000 households, meanwhile, are living in temporary accommodation. The repercussions of homelessness are far-reaching and lasting, stretching into several overlapping policy areas from education to unemployment and health to crime. Taking steps to deal with London's housing crisis will help reduce the prevalence of homelessness.

Homelessness is a complex, multifaceted challenge that has undoubtedly been exacerbated by the current housing crisis. The No Second Night Out policy is helping to address some of the worst cases of homelessness. Where a suitable home cannot be found in the social or private rented sector, secure temporary accommodation must be provided for those homeless and at-risk households. However, the incredibly high rents private landlords know they can command on the open market makes it increasingly difficult to attract them to participate in even the most reasonable scheme. While building more homes is a part of the solution, other policy prescriptions aimed at targeting rough sleeping - in the areas of mental health and education, for example - merit their own report, not a subsection of this one.

# SOLUTIONS

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## **Redefining affordability**

Before building affordable homes it is crucial to understand exactly what affordable means. Current 'affordable' housing is, in reality, nothing of the sort. Boris Johnson's decision to change the City Plan in order to allow 'affordable' rates to be charged up to 80% of market value was quite clearly a bad one. As the many London councils who legally appealed the move at the time knew, 80% of market value in most London boroughs is still unaffordable for millions of Londoners. As such, we should redefine affordable housing, avoiding the temptation to simply set arbitrary rates and instead link the definition of affordable in each London borough to the average salary in that borough, while setting an upper limit that means affordable housing can never be charged at more than 60% of market value.

### **Recommendations**

Make affordable housing genuinely affordable by linking the rate at which affordability is defined to average incomes in the area, and setting an upper limit of 60% of market value on all affordable housing in London.

## **Standing firm on affordable housing regulations**

The power of developers to drive down, through negotiation with planning officers, the proportion of affordable housing in their developments could be restricted by a London-wide floor for the number of affordable homes per development. This will remove developers' uncertainty on this issue from the planning process and help to address the shortage of affordable homes in the capital. Furthermore, an immediate review of the Community Infrastructure Levy should be launched. The transition to CIL will allow local authorities to place a levy on new developments in their area providing money that can be used to fund infrastructure that the council, local community and neighborhoods want.

There is concern, however, that two thirds of local authorities in England and Wales will not have a community infrastructure levy in place by April 2015, raising concerns for developers about how infrastructure will be delivered. The review should be launched in order to evaluate the efficiency of the process and provide guidance and support to the local authorities having difficulty implementing, achieve transparency for the community, ensure that resulting infrastructure meets local need and the development contributes to London's affordable housing needs.

### **Recommendations**

Establish a London-wide affordability floor for the number of affordable homes per development, to ensure that developers do not continue to drive down the number of affordable homes in new developments.

Launch an immediate review of the Community Infrastructure Levy and its suitability for helping to meet London's housing needs without deterring smaller developers from building.

### **A bigger role for housing associations**

A core feature of London's affordable housing market is the city's vast and disparate network of housing associations, which together account for between a quarter and a fifth of all new homes built in London.

Housing associations play a key role in bringing new affordable homes to market but, given the size of their assets, they could be building significantly more. Their inability to do so is a result of the fact that they currently operate under strict, centrally-imposed regulations.

Lifting restrictions on the way housing associations value their assets would make it easier for them to borrow money to fund new home-building. For example, allowing housing associations to value their stock at 'Market Value Subject to Tenancy' instead of the current 'Existing Use Value – Social Housing' would significantly increase the capacity of associations to finance new developments.

### **Recommendations**

Lift restrictions on how housing associations value their assets, enabling them to more accurately value their stock for borrowing on future building.

### **Shared Ownership**

A much better way of helping first time buyers is through shared ownership. In recent years this has emerged as a fourth type of tenure to rival the traditional three of owner-occupied, private rented and social housed.

While the trend towards shared ownership is still in its infancy, it offers great potential for making London housing affordable for first time buyers and those on lower incomes. A report by the Resolution Foundation think tank last year concluded that shared ownership had the potential to transform our property market and offer hope to millions of prospective buyers.<sup>xxvi</sup>

To promote the growth of shared ownership, the Government should introduce a loan scheme to help developers looking to build shared ownership properties. This would do far more to make housing affordable for Londoners than the ineffective Help to Buy scheme. Furthermore, regulations on how shared ownership properties must be marketed and managed should be relaxed in order to increase the flexibility and appeal of this tenure. A commitment to shared ownership has the potential, in time, to transform the affordable housing market in London.

### **Recommendations**

Introduce a government-backed loan scheme for developers seeking to build shared ownership properties.

Relax regulations on the marketing and management of shared ownership properties in order to broaden the appeal of this tenure.

### **Addressing the council housing shortage**

The above recommendations for increasing the supply of affordable housing should not in any way detract from the continued importance of social housing. Encouraging councils to build and retain more council homes is a crucial prerequisite to meeting London's housing needs. Many councils are more than willing to take a more active role in the delivery of new homes, but, as mentioned above, Treasury rules need to be amended or relaxed to enable them to invest more. Removing or raising the limit on borrowing against existing housing assets in the Housing Revenue Account would generate funds for a significant increase in council house building and also help deliver complex estate regeneration projects like that of Woodberry Down in Hackney.

If we are serious about providing more affordable housing for those who want to live and work in our city then we simply must do more to prevent London's social housing disappearing into the mass of private rented sector accommodation. The Government should consider introducing mandatory covenants on all Right to Buy properties that stipulate that the home cannot be let through the private rented sector. Reducing the discount provided to tenants through the scheme is another option. Central government may also consider placing obligations on, and offering grants for, the replacement of homes sold under Right to Buy. Rather than subsidising the depletion of social housing stock, the government should support its renewal.

An obvious and sensible way to raise revenue for council house building would be to review the current council tax boundaries, which are, inexplicably, still based on 1991 valuations. A sensible government would re-evaluate these rates and introduce new council tax bands on high-value properties in recognition of the housing boom that has taken place in the intervening last two decades. The result of this would be a much

more progressive property tax system, under which a family in Barnet or Bromley would no longer pay the same rate of council tax as the owners of a Belgravia mansion. This straightforward reform would raise a significant amount of revenue for local councils to reinvest in council housing for those on lower incomes.

Lastly, local authorities could be further incentivised to deliver new affordable homes through a model that rewarded them financially for reducing housing benefit payouts.

A proportion of the savings made in housing benefit costs as a result of new affordable homes being built should be given back to local authorities to give them an added incentive to invest in affordable housing stock. A similar model has been implemented in Manchester and London should copy this innovation by trialling it in the capital.

### **Recommendations**

Remove the limit on borrowing against existing housing assets in the Housing Revenue Account

Enable councils to retain existing council homes by:

- introduce mandatory covenants on all Right to Buy properties that stipulate the home cannot be let through the private rented sector; and
- reduce the discount provided to tenants through the Right to Buy scheme; and
- place obligations and offering grants to local authorities for the replacement of homes sold under Right to Buy.

Push the Treasury to undertake a review of council tax bands, and introduce new bands to reflect the housing boom that has taken place in the 20 years since the bands were last assessed, in order to help local authorities finance house-building.

Incentivise local authorities to investment in affordable housing by allowing them to retain a proportion of any consequential savings in housing benefit.



## CHALLENGE 3: KEEPING RENTS DOWN

Rising house prices and falling numbers of council homes mean that a quarter of London's households are now private renters - almost double the number of twenty years ago and the highest since the early 1970s. 60% of London's private renters are under 35 years of age, and only 4 per cent older than 65, meaning rising rents disproportionately affect London's young people. However, the increasing unaffordability of home ownership means the demographics of the private rented sector are changing fast, with families that have children now accounting for 20 per cent of the recent growth in the tenure.<sup>xxvii</sup>

Private rented homes now make up more than two thirds of the new supply of market homes in London. However the vast majority of homes rented privately— over 80 per cent in the last decade – have come from London's existing housing stock rather than from new builds.

The private rented sector once functioned by absorbing excess pressure on the owner-occupier and council sectors, creating a balanced property market in which these three tenures each contained around a third of the population. But with so many Londoners now unable to afford their own home or find social housing, plus the market-distorting effects of overseas buyers and buy-to-let investors, London's private rented sector has now hit capacity - sending private rents sky-rocketing. In the year ending September 2013, the average private rent in London was £1,468 per month, a more than 10 per cent year-on-year increase and triple the average 3.2 per cent increase across England and Wales. Indeed, it is currently more than twice as expensive to rent a home in the capital as the rest of the UK. The rent, in short, is too damn high.

REGION	AVERAGE	LOWER QUARTILE	MEDIAN	UPPER QUARTILE
ENGLAND	728	455	595	800
NORTH EAST	479	395	450	550
NORTH WEST	527	400	495	595
YORKSHIRE AND THE HUMBER	534	395	480	595
EAST MIDLANDS	530	425	500	595
WEST MIDLANDS	554	425	525	625
EAST	676	500	600	775
LONDON	1,468	950	1,300	1,725
SOUTH EAST	857	595	750	950
SOUTH WEST	684	520	625	750

\*Summary of monthly rents, in £, recorded in the 12 months to Q3 2013 (1 Oct 2012 to 30 Sep 2013) by Region for England<sup>xxviii</sup>

## **Rent Stabilisation and Landlord Regulation**

There is an understandable stigma in the UK around rent control that goes back to the consequences of The Increase of Rent and Mortgage Interest (War Restrictions) Act of 1915. Much has changed in the century since then. To be clear, when this report talks of rent control it does not mean the old-style “first generation” rent control that was introduced in the UK during the Great War, which prevents any increase in rents, diminishes investment returns in real terms over time, and discourages people from becoming landlords. Neither does it refer to the type of rent control that keeps rents so low that they prove inadequate for the proper maintenance by the landlord of a home in a liveable condition.

Instead we need rent controls that nod to the market but allow for the realities of what it is to have a home to live in: the type that are espoused and implemented abroad by centrist leaders such as German Chancellor Angela Merkel and former New York Mayor Michael Bloomberg.

Britain has had a tumultuous relationship with rent control, but the dramatic deregulation that came with the 1988 Housing Act has allowed a market to develop that is simply unsustainable.

The unfair practice of landlords increasing rents on a whim by unjustifiable amounts, thereby effectively evicting families from their home, needs to be regulated. Like in Germany, a cap should be set on the percentage by which rent can be raised each year – for example, by no more than 20 per cent in any three-year period. The initial rent should be set by the market, but constrained by a stipulation that it cannot be more than 20 per cent higher than similar properties in the area.

The rights of tenants should be bolstered and tenancy agreements made to include the condition that tenants can only be evicted during the tenancy for consistent non-payment of rent (over a number of months), damage to the property, unauthorised subletting, or to allow the landlord or a member of his or her family to live in or to sell the property. We should also increase the default term of a Standard Assured Tenancy to three years. As well as providing stability to renters, retaining tenants is also in the interests of the landlord given that the costs of letting agents are borne by the landlord. Furthermore, we should incentivise proper maintenance of the property by the landlord by stipulating that a tenant should only be expected to pay 100 per cent of the rent if the property is in 100 per cent good condition.

A common criticism of rent controls is that they discourage investment in the private rented sector. But British history since the deregulation of the rental market in the late 1980s has shown that argument to be flawed; 89 per cent of landlords are individuals or couples, not builders or developers. In general, they buy pre-existing properties as an investment or nest egg. They aren't the part of the housing market that builds new homes in London, but they do compete against first homebuyers for existing properties. The fact that more rental accommodation has not been built in

London, with its high rent prices, shows the inelasticity of housing supply in London which has more to do with cautious developers, the planning process, and a scarcity of developable land than it does with rent prices. But developers' cautiousness can be turned into an asset in this regard – a low profit yield but one tied to an inflation-linked increase to rents may represent a perfectly sound investment to some cautious institutional investors. Furthermore, to encourage investment in new homes (rather than locking up investment equity in pre-existing houses), there could be concessions on rent controls in new developments.

Finally, a London-wide compulsory landlord register should be introduced, with registered landlords agreeing to abide by the London Rental Standard. This would follow the commendable introduction of a similar register by the London Borough of Newham Council. Such a measure would help to identify the rogue landlords who continue to inflict misery on thousands of tenants across London. It would also support attempts to create a more professional private rented sector that would attract new institutional investors, who are often better placed than amateur landlords to provide a professional service to tenants and maintain better quality homes. What's more, their need to ensure a steady return for investors would also mean that retaining tenants is prioritised over short-term return increases.

Regulation of the private rented sector is not a silver bullet that will singlehandedly solve the housing crisis, but it will help to ease the pain for families in the short to medium term. Done sensibly, rent controls and landlord registration can be part of a comprehensive plan to ensure that all Londoners can afford a home in our city.

### **Recommendations**

Introduce a sensible system of rent controls that provide more secure tenancies, cap rent increases and incentivise good practice from landlords.

Introduce restrictions on the maximum allowable rent, defined in proportion to the average rent in the area.

Limit the extent to which rent can be increased per year, in order to prevent tenants being hit by excessive rent rises.

Reform tenancy agreements to specify that tenants can only be evicted for having broken the terms of the agreement, and are only expected to pay the full rental amount on the condition that the landlord ensures the property is maintained to an acceptable standard.

Extend the default Standard Assured Tenancy term to three years, thereby providing greater security for tenants and landlords alike.

Incentivise proper maintenance of properties by landlord by stipulating that a tenant should only be expected to pay 100 per cent of the rent if the property is in 100 per cent good condition.

Encourage investment in new homes for rent by allowing concessions on rent controls in new developments.

Introduce a London-wide compulsory landlord register of landlords who agree to abide by the London Rental Standard. This would help clamp down on rogue landlords and would professionalise the private rented sector, making it more appealing to institutional investor.

# CONCLUDING REMARKS

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The challenge facing London policymakers is clear. Our housing market is broken and requires decisive leadership to provide long-term solutions and short-term help to ordinary Londoners. There is no quick fix, no magic wand to be waved at a problem that has been left to worsen for decades, but there are substantial steps we can take to address the crisis.

London is at a pivotal juncture. If we put in place effective long-term policies now, we can ensure that the London of 2030 will still be the greatest city in the world. Continue to practice wilful ignorance for the scale of our housing challenge, however, and 21st Century London will fail to deliver on its promise.

That is why our next steps on housing are so important. This report does not pretend to have all the solutions, but it does set out the scale of the challenge we face and provide a comprehensive plan to finally address the supply and demand imbalance that has left so many ordinary Londoners struggling to afford the cost of living in the capital. I hope that the Mayor will consider these recommendations and make the ambitious commitments necessary to transform London's housing market into one that Londoners deserve – one that is befitting of a modern, diverse, innovative and forward-looking world city.



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**David Lammy**  
**August 2014**

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- <sup>xv</sup>Ball, Michael, Get Living London (2014) Core renters in London's new-build market and the future of the London economy, London, p.26



<sup>xvi</sup>Department for Communities and Local Government, Live Table 685: Annual Right to Buy sales by local authority

<sup>xvii</sup>Department for Communities and Local Government, Live Table 232

<sup>xviii</sup>Department for Communities and Local Government, Live Table 685

<sup>xix</sup>Department for Communities and Local Government, Live Table 109

<sup>xx</sup>Copley, Tom (2014) From Right to Buy to Buy to Let, London, p.4

<sup>xxi</sup>Hometrack evidence to House of Commons Communities and Local Government Committee, “Eleventh Report on the Financing of New Housing Supply, Vol II”, April 2012

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<sup>xxiii</sup>“Homes for London: The London Housing Strategy’ draft for consultation, Mayor of London, November 2013,, p.10

<sup>xxiv</sup>National Housing Federation (2014) Response: Homes for London, the London Housing Strategy, London, p.11

<sup>xxv</sup>Prynn, Jonathan. “Third of homeless are tenants thrown out by private landlords.” The Evening Standard. N.p., n.d. Web. 7 Mar. 2014. <http://www.standard.co.uk/news/london/third-of-homeless-are-tenants-thrown-out-by-private-landlords-9173689.html>

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<sup>xxvii</sup>“Homes for London: The London Housing Strategy’ draft for consultation, Mayor of London, November 2013, p.9

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