

Homes for London: the London Housing Strategy consultation

Shelter response

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1. Summary

Shelter welcomes the opportunity to respond to the Mayor of London's consultation on the draft London Housing Strategy 2013. The Mayor is right to say that at the heart of London's housing crisis is that "[for thirty years] we just did not build enough homes".

Shelter believes the Mayor has identified the right things to focus on:

- **Building more homes in London than at any time since the 1930s.**
- **The strategy to get those homes built.** More investment from government as well as reform to the land market and house building industry are the core elements that will be needed for an appropriate house building strategy.
- **Introducing 'Housing zones'.** Interventions in the land market could make a significant contribution to housing affordability and quality, so long as the planning gain (the extra value from giving land planning permission) is harnessed for public benefit. **This could happen through Mayoral Development Corporations, which would be an excellent use of the Mayor's proposed 'housing zones'.**
- **Looking at ways to improve the "intermediate" market in London.** Efforts to make it easier for shared owners to move without being restricted by the rules of whichever product or scheme they started with are welcome.

However, while Shelter supports and welcomes the Mayor's ambition to get many more homes built we do not think these plans will be sufficient to make housing more affordable in the capital. The Mayor's plans do not meet London's objectively assessed housing need for market or affordable homes, as outlined in the London Strategic Housing Market Assessment (SHMA)¹. Unless we build at least as many homes as London needs – and especially more affordable homes – we cannot expect rents and house prices to become more affordable.

Secondly, while the commitment to improving the intermediate market is welcome, the funding balance between intermediate and genuinely affordable homes must be carefully struck. London's greatest need is for homes on genuinely affordable rents, and building those should be the priority.

Thirdly, the Mayor needs to take a stronger view on the housing market. Most Londoners want to own a home, but with rising prices this is fast becoming an impossible dream. The majority of Londoners do not want house prices to rise further, and there is growing outrage at the proportion of new homes bought by investors, to the detriment of London's families who find themselves priced out.

Finally, much more could and should be done to support the millions of Londoners who will remain trapped in the private rented sector for the foreseeable future. If 100,000 landlords are recruited the London Rental Standard will represent a positive step forward in improving standards in the private rented sector, but it will not tackle the wider issues facing renters.

¹ Mayor of London .The London Strategic Housing Market Assessment 2013 (SHMA), GLA. 2014

2. The Context

Housing in London is unaffordable

House prices in the capital are 18.1 per cent higher than the pre-recession peak in January 2008. The average home was valued at £441,000 in November, up from £393,000 a year previously². Average London rent for a two bed flat is now £1,495 a month³.

This is particularly concerning as recent analysis by Savills suggests that the bulk of demand for homes in London comes from families with an income of less than £50,000. This equates to homes available at a maximum cost of £280,000 to buy. Or £1,200 month in rent for a two bed flat.⁴ Many London families will need homes at lower costs than that.

There is also a significant gap between the rich and poor in London. The tenth of the population with the *highest* income have weekly incomes after housing costs of over £1,000 while people in the *lowest* tenth have under £94 per week.

Too many Londoners do not have stability

One in 56 households in London are at risk of mortgage or landlord repossession. This compares to one in every 105 households nationally⁵. A YouGov poll commissioned by Shelter revealed that over a third (36 per cent) of workers in the capital say they could not pay their rent or mortgage for more than a month if they lost their job.

Renting is no longer the preserve of the young and mobile. A quarter of a million of London's families now rent their homes privately. Taking into account population growth, this is a 119% increase in the proportion of families renting in the capital since 2001⁶. The loss of an Assured Shorthold Tenancy is now the leading cause of homelessness⁷. One third (33 per cent) of London households accepted as homeless between July and September 2013 lost their home because their landlord decided to stop letting it to them.

In the third quarter of 2013 61,310 children in London were living in temporary accommodation. An increase of 15 per cent from the same time last year⁸.

Not enough homes are being built

London can only remain competitive, and tackle its ever growing housing crisis through building more homes. At present the rate of house building is far too low in the capital. In 2011-12 there

² <http://www.standard.co.uk/news/london/homes-earn-londoners-more-than-their-jobs-as-house-prices-soar-9058704.html?origin=internalSearch>

³ Valuation Office Agency, Average Rents England for the 12 months to the end of March 2013.

⁴ <http://www.savills.co.uk/news/newsitem.aspx?intSitePagelId=72418&intNewsSitePagelId=171271-0&intNewsMonth=11&intNewsYear=2013>

⁵ The possession claims statistics are produced by the Ministry of Justice and the time period covered is October 2012 to September 2013 - the last four available quarters.

⁶ 2011 Census Data compared with 2001 Census Data.

⁷ DCLG Live Tables on Homelessness- Table 774: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness> [accessed on 17/02/2014]

⁸ The number of dependent or expected children who are part of households which are housed in temporary accommodation by their local authority at the end of the period specified, waiting either for a decision on their application or for settled accommodation to become available, Q3 2013 (DCLG).

were just 14,700 house building starts. This did increase to 16,620 starts in 2012-13⁹, however is still far below the levels identified in the SHMA and London Plan. Bold action is needed if the Mayor is going to significantly increase levels of house building.

Within this, Shelter is particularly concerned that the number of genuinely affordable homes being built is extremely low. In 2011-12 16,173 affordable homes were completed in London. This collapsed to 8,114 in 2012-13 and for the first half of 2013-14 was only at 1,490¹⁰.

It is therefore unsurprising that a recent poll carried out by Ipsos MORI/ London Councils shows that four in five Londoners (82 per cent) agree there is a “housing crisis in London”¹¹.

3. Responding to policies

- Ensuring affordability

Meeting the need for affordable homes is not just important in ensuring families and households can afford their living costs. It is also essential if London wants to remain a competitive city, which young people can move to and in which key workers, who are essential to keep the capital running, are able to live.

Failure to meet this need is a false economy. Where genuinely affordable housing is not available, those on lower incomes, even when working full-time, are instead forced to claim increasing levels of housing benefit just to meet their housing costs¹². Reduced investment in genuinely affordable housing inevitably results in higher spending on subsidising rents, and the terrible costs of homelessness.

The suggestion that key workers should move further away from London and commute in is another red herring. Shelter analysis shows that high transportation costs and rising rents in outer London boroughs mean there are little or no cost savings for those that decide to make this move¹³. Rising housing costs actually create a less mobile workforce, again risking London’s economic competence.

It is therefore essential that the Mayor plans to meet London’s affordable housing gap – both for the intermediate market and for those on lower incomes.

In January 2014 the London SHMA made an independent assessment of London’s housing need, demonstrating that the greatest need is for lower rent homes. Of the 48,841 new homes needed per year, it recommended that 15,722 social and affordable rent homes should be built, and 9,902 intermediate rent homes, a total of 25,624¹⁴. Following the publication of the SHMA the London Plan¹⁵ has been revised to set a target of 17,000 affordable homes per annum. 15,000 of these will be delivered through projects the GLA is directly involved in. Within this number, 4,500 (thirty per cent) will be capped rent, another 4,500 (thirty per cent) will be discounted, or affordable rent, and the final 6,000 homes (40 per cent) will be shared ownership homes.

⁹ Shelter housing data bank, Shelter, 2014

http://england.shelter.org.uk/professional_resources/housing_databank [accessed on 17/02/2014]

¹⁰ Ibid.

¹¹ <http://www.standard.co.uk/news/london/four-out-of-five-londoners-say-the-capital-is-in-the-midst-of-a-housing-crisis-9056404.html>

¹² Bricks or benefits? Rebalancing housing investment, Shelter, 2012

¹³ London Rental Standard: Shelter’s response to the Mayor of London’s Consultation, Shelter, 2013

¹⁴ Mayor of London .The London Strategic Housing Market Assessment 2013 (SHMA), GLA. 2014

¹⁵ Draft Further Alterations to the London Plan, GLA, 2014

Whilst Shelter recognises the many competing demands facing housing developers and the GLA when delivering new homes, it is essential that the GLA lays down plans that strive to meet affordable housing need in the capital. Consecutive Mayors have now under-delivered on the number of affordable homes London requires. This has only served to worsen the housing crisis, forcing many Londoners into homes well beyond the limits of what they can genuinely afford to pay. As stated in the SHMA 'this long-standing legacy of under-supply of housing compared to requirements, particularly of affordable housing, contributed towards the large backlog of need which exists today'.¹⁶

Shelter believes that the target for affordable housing should be increased to 25,624 homes, to ensure London begins to meet its backlog of affordable housing, and caters for increasing need in this area.

Within this it is also important that the types of affordable housing delivered match what is required. As well as strategic planning for market homes, the Mayor is able to set the terms of a £1 billion affordable home building budget for a three year period. The Mayor can decide how this public money is split between lower rent homes, higher rent homes, and shared ownership homes. Whilst Shelter believes shared ownership represents a valuable offer to many on intermediate incomes, it is still out of reach for those on the lowest incomes.¹⁷ The Mayor should ensure the distribution of affordable housing matches the recommendations laid out in the SHMA.

Finally, greater clarity is needed regarding the precise definition of capped rents. Shelter's strong preference is for these to match traditional target rents.

- A larger and better intermediate housing market

We recognise that as well as building more intermediate homes, the intermediate homes market should be easier and simpler for Londoners to access. We therefore welcome the Mayor's efforts and commitment to create a more structured and user-friendly intermediate housing market through First Steps. As part of this work, we support plans to find a more equitable split in service charges between landlord and purchaser, but believe that the strategy's stated 'interest in exploring ways' to make this happen is too limited. We will continue to work with the Mayor to offer options for improving the intermediate market even further.

In recognition that not all intermediate housing is equally affordable we urge the Mayor to prioritise the delivery of intermediate housing that is genuinely affordable for Londoners on lower and middle incomes. With limited detail about how long-term ambitions will be delivered we are concerned that, given the growth in need for housing for Londoners on low incomes, building more intermediate housing cannot be regarded as an alternative to new social housing provision.

Furthermore, we support the opportunity that intermediate housing offers Londoners to invest in their home, but do not believe that purchasing equity should be the only way that Londoners are able to gain secure housing over the long-term. We therefore welcome efforts to encourage longer term tenancies within the private sector and remain convinced that shorter fixed-term tenancies within the social sector are damaging to families on low incomes.

¹⁶ Mayor of London .The London Strategic Housing Market Assessment 2013 (SHMA), GLA. 2014, Paragraph 1.12

¹⁷ Shelter's analysis of shared ownership suggests that even micro-share products at 12% ownership are not affordable to lower incomes (lower quartile earnings) families with two incomes in London.

- **Encouraging self-build**

Shelter welcomes the Mayor's recognition that self and custom builders could make a considerable contribution to London's housing shortage and that demand currently far exceeds opportunities to self-build. We recognise that bringing about a true step change in the number of self and custom builders will require strong measures and look forward to seeing further details on how the Mayor will make it a genuinely affordable option for ordinary Londoners and not just those living on high incomes. We are currently conducting work in this area, and would be glad to share our findings with the GLA when our final report is published.

- **Improving the private rented sector**

In the last decade London's private rented sector has changed rapidly. Between 2001 and 2011 the number of renters increased by 62%.¹⁸ This growth placed significant pressure on the capital's private rented sector. In nine boroughs, rents rose by more than seven and a half per cent between 2012 and 2013. In Merton, the increase was nearly fourteen per cent in just one year.¹⁹

Not only did the numbers of renters increase rapidly, the types of people who rent has changed too. Thirty per cent of London's renters are now families with children. This combination of rapidly growing costs and demographic shift has necessitated a change in the market offer available to renters. Renting families are in desperate need of longer term tenancies with predictable rent increases, to ensure they can settle down in their homes for longer periods of time and plan ahead for the future. Not only would this kind of rental contract help families, it also works for landlords too, reducing void periods and money paid out in letting fees to find new tenants. Shelter has advocated this approach widely²⁰, and have been pleased to see it beginning to be adopted by major institutional investors, such as that seen within the Olympic Park development.

Shelter believes all properties funded through the build-to-rent scheme should be let to private renters on a five year tenancy, in the format as outlined in our report 'A Better Deal'.²¹

More than seven in ten Londoners surveyed agreed that landlords should have stronger and clearer rules to follow in order to protect renters.²² The Mayor's chosen method of dealing with standards and conditions within London's private rented sector is the London Rental Standard. The scheme has set an objective of signing up 100,000 landlords by the end of this current Mayoral term. Shelter believes if this target is met, this could lead to significant progress in improving private renting standards across the capital. The Mayor has already committed a substantial marketing budget to this scheme, which we also commend.

To ensure the scheme functions properly, Shelter also believe the following is necessary:

- A tenant portal, where renters can check on the accreditation status of their landlord (or future potential landlords).
- An anonymous complaints system, that renters can use regardless of whether their landlord or letting agency is signed up to the London Rental Standard. This would enable accreditation schemes to understand how their landlords are failing tenants; it would enable local authorities to understand what problems exist within their local private rented

¹⁸ [2011 Census: KS402EW Tenure](#), Office for National Statistics, 2011

¹⁹ RentWatch, Shelter, 2013

²⁰ [A Better Deal](#), Shelter, 2012

²¹ Ibid.

²² You Gov for Shelter, 2012

sector; and it would provide the GLA with meaningful data on the impact the LRS is having across London.

Whilst the London Rental Standard will do much to improve standards across the capital, other programs and investment will be needed to tackle rogue landlords. Twenty of London's thirty-two boroughs have signed up to Shelter's Rogue Landlords campaign, and we are keen for the Mayor to use his influence to ensure the rest of London's boroughs do the same²³.

Later this year Shelter is also publishing recommendations on how property conditions can be improved in the private rented sector. We will be more than willing to share our findings on this area with the GL.

- The land market and Housing Zones

Shelter welcomes Mayor's decision to place greater emphasis on Housing Zones as a means to increasing supply in key areas, as our analysis shows that land market dysfunction is a primary blockage to the provision of more homes at reasonable prices. Shelter is currently conducting research on land market interventions, which will be of direct relevance to the Mayor's emerging agenda for Housing Zones. We look forward to responding to the consultation on this matter.

Contact:

Tom McCarthy
Campaigns Officer
0344 515 2254
thomas_mccarthy@shelter.org.uk

²³ Those that haven't yet signed up include: Barking and Dagenham; Bromley; City of London; City of Westminster; Croydon; Hammersmith and Fulham; Hillingdon; Hounslow; Kingston; Merton; Richmond; Waltham Forest; and Wandsworth.