



THE

# LONDON HOUSING COMMISSION

A CALL FOR EVIDENCE

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NEW IDEAS  
for CHANGE

## ABOUT THE LONDON HOUSING COMMISSION

The London Housing Commission was established to explore new ideas and policies for tackling the housing crisis in London, conducting detailed market analysis and policy research to facilitate the development of a radical portfolio of solutions to the London housing crisis. Its five commissioners bring together a wealth of experience and expertise from the worlds of housing delivery, planning, academia, government and finance, and from across the political spectrum. The London Housing Commission is supported by IPPR staff in a research and secretariat capacity.

See [www.ippr.org/london-housing-commission](http://www.ippr.org/london-housing-commission) for more information, or email [londonhousing@ippr.org](mailto:londonhousing@ippr.org).



# ABOUT THE LONDON HOUSING COMMISSION

The London Housing Commission is being established to spearhead an ambitious programme of activity and research over the next nine months that will look at the critical issues facing the London housing market and set out a new housing strategy for the next mayor of London. This call for evidence offers an opportunity to be part of that process, and is aimed at all businesses, organisations and individuals who wish to contribute their research, analysis and policy ideas concerning the future of the London housing market.

The aim of the London Housing Commission is to define and articulate a clear housing strategy for London to boost the supply of housing, tackle affordability issues, and address failings in the private rented sector over the period of 2016 to 2020 and beyond. Its objectives will be threefold.

1. To set out a clear strategy to more than double housing delivery for the capital, and to hold development at these higher levels.
2. To address affordability in the capital in order to bring what Londoners pay for their housing more into line with their incomes.
3. To provide a series of practical, concrete proposals for improving the quality of the private rented sector for the rapidly growing number of tenants that it houses.

The Commission is made up of five high-profile figures who bring together a wealth of experience and expertise from the worlds of housing delivery, planning, academia, government and finance, and from across the political spectrum. It is supported by IPPR staff in a research and secretariat capacity.

Membership of the Commission is as follows.

- **Chair: Lord Bob Kerslake**, former head of the civil service, the Department for Communities and Local Government, and the Homes and Communities Agency.
- **Terrie Alafat**, chief executive of the Chartered Institute for Housing.
- **Professor Rebecca Tunstall**, University of York.
- **Nick Walkley**, chief executive of the London Borough of Haringey.
- **Mark Clare**, outgoing chief executive of Barratt Homes.

Short biographies of the commissioners can be found on the IPPR website.<sup>1</sup>

The work of the Commission will be structured into a number of phases: the collection and assemblage of existing evidence; the commissioning and generation of research to fill knowledge gaps; and reporting. Commission meetings in July and October 2015 will operate as 'hearings' in which the Commission will take evidence from a range of sources, with the aim of exploring and synthesising thinking on its key themes. It will produce an interim report in October 2015 that will set out key evidence drawn from the public call for evidence and IPPR research. It will then hold a final meeting in January 2016 to define its proposed housing strategy for the next London mayoral term. It will issue its final report in March 2016.

Alongside this call for evidence, a series of roundtables will be held during late summer and early autumn 2015. These will be open meetings where participants can debate key Commission themes with groups of commissioners.

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<sup>1</sup> <http://www.ippr.org/major-programmes/london-housing-commission>

## CONTEXT

The UK is in the midst of a national housing crisis, and at the epicentre of this crisis sits London. Our capital city faces unprecedented challenges in housing its citizens. Double-digit annual inflation has resulted in house prices that are now one-third higher than they were before the 2007–2008 financial crisis. With no corresponding uplift in wages, and no expansion in supply to curb price-inflation, affordability problems are deepening, and house-price-to-income ratios are rising rapidly (Land Registry 2015).

Such pressures have wider consequences: rising rents in a booming but substandard private rented sector, stubborn levels of housing-cost-induced poverty, and rising homelessness, not to mention 25 per cent of the housing benefit bill being spent to support renters in the capital (DWP 2015).

Providing enough secure, affordable and decent housing is one of the biggest challenges facing our nation, and at present we are not doing enough to meet that challenge. In the *Strategic London Housing Market Assessment* it was estimated that at least 49,000 additional homes need to be added to the London housing market per year in order to house the city's growing population and meet the needs of the many people who are currently living in unsuitable accommodation – yet last year only 18,700 additional homes were delivered (DCLG 2015a). The capital needs a radical strategy for solving its deep-seated housing problems. IPPR has been at the forefront of exploring new ideas and policies for tackling the housing crisis. For this project, focussing on London, where the challenges are most acute, we have established a five-member commission of experts to evaluate detailed market analysis and policy research in order to facilitate the development of a radical portfolio of solutions to London's housing crisis.

The mayoral elections in 2016 provide a clear window of opportunity to offer all of the candidates both an evidence base and substantive policy recommendations that would enable London to provide new homes for its booming population, and to guarantee decent standards of security and quality for those who cannot own their own home.

This call for evidence seeks to bring together existing research, and the valuable experiences of those working in the housing sector in London, and put it at the disposal of the London Housing Commission. The Commission, launched in June 2015, will consider that evidence as it develops a 10-year strategy for driving greater housing development, addressing affordability issues, and improving private renting in the capital.

# WE WANT TO HEAR FROM YOU

## THE CALL FOR EVIDENCE

### Who is this call for evidence aimed at?

It is aimed at all businesses, organisations and individuals who wish to contribute their research, analysis and policy ideas concerning the future of the London housing market. Accounts of your personal and organisational experiences are also invaluable, and will be crucial to the success of the Commission's work.

### What is the duration of the call for evidence?

The call for evidence period begins on 7 July and runs until Monday 12 October 2015. It is hoped that the majority of responses will be submitted well ahead of the final deadline in order to allow the Commission secretariat ample time to collate and consider their contents ahead of the Commission's mid-term hearing.

### How do I respond to this call for evidence?

Submissions by email (as attached Word documents) are preferred, and should be emailed to [londonhousing@ippr.org](mailto:londonhousing@ippr.org). Paper submissions can also be posted to: London Housing Commission Secretariat, IPPR, 14 Buckingham Street, London, WC2N 6DF. Submitted evidence may be printed, circulated or posted on the internet by the Commission at any stage; personal contact details supplied to the Commission will, however, be removed before publication. If you do not wish your submission to be made public, please state this clearly at the start of your submission. Respondents may publicise their written evidence themselves, but in doing so should indicate that it was prepared for the Commission.

### How long should my submission be?

Evidence should be no longer than 4,000 words in length, and can respond to any one or more of the key questions listed overleaf. Longer submissions should contain a short summary of their own key points at the beginning. Please make it clear which question(s) your submission is addressing. The Commission welcomes the submission of existing reports, but these must be accompanied with a covering submission that highlights how the report addresses one or more of the Commission's key questions.

The Commission will take a broad view of what constitutes evidence. It might include research evidence, accounts of personal or organisational experience, or views about issues connected to one or more key questions. However, you should indicate what type of evidence it is that you are submitting.

When responding, please ensure that you include your relevant contact details. Evidence should be attributed and dated, with a note of your name and, if applicable, your position. Please state whether you are responding as an individual or representing an organisation. If you are responding on behalf of an organisation, please make it clear whom the organisation represents and, where applicable, how the views of members were assembled.

Please ensure that your response reaches us by 12 October 2015. We will acknowledge all responses to this call for evidence.

Please do share this document with, or tell us about, anyone you think will want to provide evidence. Thank you!

# SUMMARY OF KEY QUESTIONS

We are seeking evidence on the three key questions, and sub-questions within each of them, listed below. Further explorations of the themes highlighted by each question, and the concerns driving the London Housing Commission's work, can be found in subsequent sections of this document.

The questions listed below are our suggestions for what the Commission might consider. They are intended only as a guide, and respondents should feel free to pose and answer any other relevant questions within their submissions.

## Core and supplementary questions

### 1. How can we double the delivery of homes in London every year, and maintain high levels of housing delivery in the long term?

- a. What are the core barriers to high development rates?
- b. What are the key planning powers needed to ensure that targets are met? And should these instruments be held by the government, the London mayor, London boroughs, or some other body?
- c. How can the land market be reformed to increase output? What role should public land, greenfield, brownfield, new towns, garden cities and estate regeneration play in providing enough land for target levels of housebuilding?
- d. What changes to the development and construction industries are needed to increase the speed and scale of supply?
- e. How are the current range of demand-side measures (such as Help to Buy) performing in the capital?
- f. How are the current range of supply-side policies performing in the capital? What changes need to be made in order to build the required number of homes?
- g. How can the tax system support more housing development?
- h. What policy changes would drive greater social sector housebuilding?

### 2. How can we reconnect the costs of home ownership and renting to incomes in London?

- a. What are the key factors driving up house prices in the capital, and what measures are needed to counter them?
- b. Are there new models of affordable housing that could work in London?
- c. How can the mayor maximise the impact of London's share of Homes and Communities Agency (HCA) funding, and should this be linked to a rental model other than 'affordable rent'?
- d. What role should the mortgage market play in constraining accommodation costs?
- e. How can the boroughs maximise affordable housing supply under s106 planning obligation agreements?
- f. Beyond supply responses, how can we address the issue of rising rents?
- g. What can be done to ensure that housing benefit continues to support people to live in every borough of London?

**3. How can we provide a high quality private rented sector?**

- a. How can we increase the volume of new-build private rented homes?
- b. How can we professionalise the private rented sector (PRS)?
- c. How can we improve the regulatory and enforcement regimes to drive up standards in the PRS?
- d. What is the role of the tax system in improving the quality of the PRS?
- e. How can we give renters more power as consumers of the PRS?

# EXPLORING THE KEY QUESTIONS AND THEMES

## 1. How can we double the delivery of homes in London every year, and maintain high levels of housing delivery in the long term?

London is growing quickly. It is estimated that it will need to house an additional two million people by 2030, when its population will reach 10 million (GLA 2015a). This growth will be driven by both natural change and inward migration from abroad (ONS 2014).

As a result of these trends, the London Strategic Housing Market Assessment estimates that the city will need an additional 50,000–60,000 homes per annum in order to keep pace with population growth and respond to the needs of the growing number of people who are currently living in unsuitable accommodation, as a consequence of years of anaemic levels of housing development (GLA 2013).

Meeting London's future housing needs will require a major effort, and potentially a transformation of its public policy framework. Last year, only 18,000 homes were delivered in the capital (DCLG 2015a), and the long-term trend rate of building over the past four decades has not exceeded 30,000 new units per year.

Undersupply itself creates a range of challenges for the social and economic fabric of the capital, not least growing affordability problems, overcrowding and, potentially, the outward migration of low-income households and key workers who are essential to the capital's day-to-day functioning.

The current rate of building needs to be doubled, at the very least, to respond to growing demand and stabilise the growing mismatch between what Londoners are earning and what their housing costs. In light of this, the London Housing Commission will be considering how we can dramatically increase the supply of new homes.

Housing development levels are volatile, and subject to a range of factors that influence the housing market and the actions of major developers. Consequently, the second part of this key question for the Commission is concerned with outlining a strategy for maintaining higher output levels for a period of at least 5–10 years.

In summation, the first question that the Commission will consider is:

### **How can we double the delivery of homes in London every year, and maintain high levels of housing delivery in the long term?**

This leads to a series of other questions.

- a. What are the core barriers to high development rates?
- b. What are the key planning powers needed to ensure that targets are met? And should these instruments be held by the government, the London mayor, London boroughs, or some other body?
- c. How can the land market be reformed to increase output? What role should public land, greenfield, brownfield, new towns, garden cities and estate regeneration play in providing enough land for target levels of housebuilding?



- d. What changes to the development and construction industries are needed to increase the speed and scale of supply?
- e. How are the current range of demand-side measures (such as Help to Buy) performing in the capital?
- f. How are the current range of supply-side policies performing in the capital? What changes need to be made in order to build the required number of homes?
- g. How can the tax system support more housing development?
- h. What policy changes would drive greater social sector housebuilding?

## 2. How can we reconnect the costs of home ownership and renting to the incomes of Londoners?

Directly related to inadequate housing supply is the growing crisis of affordability in the capital. The average price of a home in London is now around £500,000, with house prices in the capital now 32 per cent higher than their pre-crisis peak in 2008 (Land Registry 2015). London house prices are now 2.6 times higher than the average price for England and Wales (ibid).

It is often noted that high prices in part reflect the premium that Londoners enjoy in their pay packets. However, the average wage premium is not commensurate with the cost of buying accommodation: the ratio of house prices to average earnings in England is around 7:1, but in inner London this is now 13:1 and continues to rise steeply (GLA 2015b). London house prices are shifting further away from both average prices in England and average earnings within the city itself.

The burgeoning crisis of affordability is one of the factors behind plummeting owner-occupancy rates, which is in turn driving up demand for property in the private rented sector (PRS) – the fastest-growing tenure type in the capital. Median private rents in London are already more than double the median rent for the England as a whole (VOA 2015), and are set to rise faster than wages over the next five years (Chick 2015). The costs of PRS accommodation feed into other policy problems, such as supporting home ownership in the capital at a time where renters struggle to put together enough for a deposit on a mortgage, and the ballooning cost of housing benefit (25 per cent of national spending on which is accounted for by London [DWP 2015]), particularly the marked growth of in-work rent subsidy.

As the link between what Londoners earn and what they pay for their accommodation becomes increasingly stretched, the Commission will need to consider what the key causes are of this growing gap between income and prices, as well as what – alongside enlarging the housing supply – can be done to address issues of affordability.

In short, the second key question that the Commission will set out to answer is:

### **How can we reconnect the costs of home ownership and renting to incomes in London?**

Within it, the following issues will be explored and addressed.

- a. What are the key factors driving up house prices in the capital, and what measures are needed to counter them?
- b. Are there new models of affordable housing that could work in London?
- c. How can the mayor maximise the impact of London's share of Homes and Communities Agency (HCA) funding, and should this be linked to a rental model other than 'affordable rent'?
- d. What role should the mortgage market play in constraining accommodation costs?
- e. How can the boroughs maximise affordable housing supply under s106 planning obligation agreements?

- f. Beyond supply responses, how can we address the issue of rising rents?
- g. What can be done to ensure that housing benefit continues to support people to live in every borough of London?

### 3. How can we provide a high quality private rented sector?

The private rented sector (PRS) has become a critical part of the London housing market. The PRS is, as mentioned above, the fastest-growing tenure in the capital: the proportion of households in London that rent from private landlords rose from 13 per cent in 2003/04 to 29 per cent in 2013/14 (DCLG 2015b). It appears that this shift is largely accounted for by the falling number of owner-occupiers with a mortgage, down 12 percentage points over the decade, and by fewer social renters, down 3 percentage points over the same period (ibid).

The PRS offers many advantages to some tenants: it is more easily accessible than either social housing or owner-occupation, and its flexibility allows tenants to move regularly to accommodate changing employment and family circumstances. However, the dramatic rise in the number of households in the PRS has brought with it significant difficulties as well as benefits.

Cost, clearly, is one core challenge. Rents are rising faster than wages in the capital (Chick 2015) and, across all regions, monthly mortgage payments are now cheaper for first-time buyers than average rents (Halifax 2014). This stymies wider access to the housing market by preventing families from being able to save for mortgage deposits.

Another challenge is security of tenure. Assured shorthold tenancies, which are the norm, generally last only a year, and often as little as six months. As the London Assembly's strategic assessment of the housing market reflected, this insecurity feeds into cost pressures, and reduces the incentive to improve the quality of the stock available: 'Short tenancies encourage more frequent rent increases and can allow for "retaliatory eviction" should tenants ask for improvements to their homes' (GLA 2013). Short tenancies also present an obstacle to creating vibrant and stable communities, as they make people reluctant to put down roots and contribute to the wider community since they know that their stay will be a short one (Cooke and Hull 2012).

The quality of the private rented sector is a final, critical issue. The English Housing Survey shows that homes in the PRS are typically the worst-quality in the housing market, with nearly one-third failing to meet the decent homes standard, and a further 700,000 unsafe to live in (DCLG 2015b). In London specifically, around 32 per cent of private rented homes fail the decent homes standard, and approximately one in seven contain a category 1 hazard under the housing health and safety rating system (HHSRS) – again higher than in other tenures (GLA 2011). The Commission will therefore need to consider how standards in the PRS can be raised, and these issues addressed.

In summary, the Commission's third and final question is:

#### **How can we provide a high quality private rented sector?**

This requires us to ask the following.

- a. How can we increase the volume of new-build private rented homes?
- b. How can we professionalise the private rented sector (PRS)?
- c. How can we improve the regulatory and enforcement regimes to drive up standards in the PRS?
- d. What is the role of the tax system in improving the quality of the PRS?
- e. How can we give renters more power as consumers of the PRS?

# CONCLUSION

The three key questions set out in this call for evidence demonstrate the breadth and depth of the challenges facing the London housing market, and those who live and operate within it. Each question is interrelated, and raises some quite profound questions regarding the nature of the housing market and the scale of the policy response that is required if we are to address this most entrenched of issues.

In addressing these questions from a pan-London perspective, it is expected that the Commission can provide a strategy and framework for the London boroughs as well as the next mayor. Our hope is that council leaders and their local partners will draw on the work of the Commission and feed it in to their own housing strategies.

The London Housing Commission will depend upon evidence, insight and analysis from a wide range of partners. Many of them will have very specific contributions to make on just one aspect of the picture set out in this paper – but it is through such collaboration and mutual endeavour that the most successful economies are nurtured. We welcome your insight and experience – without which we could not operate – and look forward to receiving your submissions.

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