



Client breakfast briefing
Delivering homes for Londoners

March 2019



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Introduction

In 2018, Sadiq Khan stated that “as Mayor, I know that our housing crisis is the biggest threat to London’s future. It is the main reason why all Londoners cannot share in our city’s success.” London’s average population growth over the last five years was 1.4%, but its housing growth was only 0.8%. This disparity is reflected in a recent survey undertaken by YouGov, which reveals that 4 in 10 Londoners have considered leaving the capital because of rising housing costs. In light of the ongoing housing challenge that London faces, this Note provides an update on the latest housing targets and delivery to date, as well as a consideration of notable policy initiatives in the context of the draft new Local Plan which is currently going through Examination in Public.

Snapshot:

- 4 in 10 Londoners have considered leaving the capital because of rising housing costs.
- London’s average population growth over the five years was 1.4%, but its housing growth was only 0.8%.
- The draft new London Plan proposes a 53% increase in London’s ten-year housing target compared to the current plan. The new target also comprises 38% from small sites.
- Net additional dwellings for the period 2017/18 have fallen 23% on the previous year.
- New builds fell 13% for the period 2017/18 compared to the previous year.
- There has been a 30% reduction in planning applications for major schemes in 2017/18.
- 21 of the 33 London boroughs experienced a decline in net housing delivery for the period 2017/18.
- GLA has set a target of 116,000 affordable home starts by 2022, of which 34,994 (30%) has been delivered to date.

London’s Housing Target

To meet London’s projected population growth, the London Plan identifies need for 66,000 additional homes per year. The minimum ten-year target has increased from 423,887 under the current Plan, to 649,350 under the draft Plan. This represents a sizable increase of 53% on the ten-year target compared to the current Plan. There is a notable degree of variation in the uplift in the housing target across London, which is illustrated in Figure 1.

Notwithstanding this sizable uplift, the new target has been questioned by the Secretary of State for Housing, Communities and Local Government, James Brokenshire, who stated in a letter dated 27th July 2018 that, “I am not convinced your assessment of need reflects the full extent of housing need in London to tackle affordability problems.”

Following the announcement of an additional £1.67 bn (out of a total of £4.8bn) for affordable homes for London in the 2018 Spring Statement, the GLA set a target of 116,000 affordable home starts by 2022. This is broken down into the following annual target ranges:

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21– 2021-22
Starts of affordable homes	7,467	8,935	12,526	14,000– 19,000	17,000– 23,000	45,000– 56,000

Table 1

The figures quoted for the period 2015/16, 2016/17 and 2017/18 represent the affordable home starts achieved by the GLA. Notably for the period 2017/2018 the Mayor just hit his target of 12,500 by a margin of 26 homes.¹

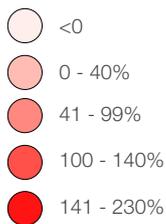
Housing delivery update

For the period 2016/17, 41,371 net additional dwellings were delivered in London. This is just under the current London Plan annual target of 42,389. For the period 2017/18, this fell to 31,723 which represents a reduction of 23%. This is below both the current London Plan target, and under half the level stipulated by the draft new London Plan.² Notably, new builds (27,000) and net conversions (1,500) were both down 13% on the previous year, with net change of use (5,500) seeing the sharpest fall, down 37% from 2016/2017. This reflects a slowdown in the level of permitted development conversions of commercial premises to residential units, which had boosted the previous set of figures.

In terms of affordable housing starts, for the period April to December 2018, only 6,066³ (out of a target of 14,000 to 19,000) affordable home starts were recorded. A full breakdown is outlined in Table 2. Whilst it should be noted that starts typically increase towards the end of the financial year, and the Mayor remains confident of hitting his target, delivery of between 14,000 to 19,000 affordable home starts by April this year represents a sizable challenge going forward.

A key area of concern is a decreasing planning pipeline, with fewer approved applications for major and minor schemes. Lack of confidence in the market is affecting housing delivery, with new build starts down 7% in the year to Q3 2018.⁴ Following a record 2016/17, net additional dwellings in 2017/18 fell to below half the level stipulated by the draft new London Plan, with many boroughs seeing declines of above 50%.

Figure 1. Map showing spatial variation in housing target uplift across London.



¹ GLA, 'Homes for Londoners Addendum,' June 2018
² Lichfields, 'House Building Statistics,' November 2018
³ GLA Housing Starts on site and completions to end of December 2018
⁴ Centre for London, 'The London Intelligence,' Issue 7, 24th January 2019
⁵ Centre for London, 'The London Intelligence,' Issue 7, 24th January 2019
⁶ London First, 'Who holds the key to unlocking London's Opportunity Areas,' 23rd January 2018

The number of submitted planning applications also continued to fall in the third quarter of 2018. In the quarter to September 2018, London planning authorities determined 108 major housing schemes, 30% fewer than in the corresponding quarter of 2017. There was a 25% decline in the amount of approved applications for major schemes (84% of the total applications) in comparison to this time last year. A similar pattern can be seen for minor applications, although there has been an increase in the proportion of applications approved.⁵

Policy Considerations

Opportunity Areas

The draft London Plan places significant emphasis on the housing growth potential of Opportunity Areas. It is anticipated that the 48 areas identified in the draft London Plan have the capacity to provide up to 497,500 homes. Whilst these are indicative figures, they provide an indication of the tremendous potential of these locations. However, the London Urban Transformation Commission

(LUTC), which is a working group of urban practitioners, has been exploring why London's large, under-utilised brownfield sites, especially the Opportunity Areas (OAs), have too often failed to deliver the scale and pace of regeneration need. The LUTC has identified four themes underlining this:

1. A persistent shortfall in sense of urgency, vision and leadership, not least among politicians and public agencies;
2. Flawed expectations of the respective roles of the private and public sectors, in particular over-reliance on private development to fund public goods such as infrastructure and social housing, as the public sector has retreated from these roles;
3. The inhibiting effect of planning complexity, upfront risk-taking and uncertainty; and
4. The scarcity of skills commensurate with the challenges, and of financial resource, with the latter constrained by a lack of financial devolution to local authorities.⁶

The ongoing challenge is therefore to ensure that the growth potential of these opportunity areas is fully realised and maximised in supporting housing delivery.

Housing delivery mechanism	Other Affordable Rent	Social Rent	Other Intermediate	London Living Rent/ Shared Ownership	Affordable Tenure TBC	Total Affordable Starts
Homes for Londoners 2016-21	759	1,324	297	3,103	184	5,667
2015-18 Programme	5	0	0	4	0	9
Housing Zones	97	11	0	122	0	230
Care and Support	0	0	0	0	0	0
Supported/Specialised Housing 2016-21	0	3	0	0	54	57
Tenant Incentive Scheme	103	0	0	0	103	103
Total	964	1,338	297	3,229	238	6,066

Table 2: GLA Funded Affordable Housing Starts (April to December 2018)

Viability

As demonstrated by the fall in the number of planning applications submitted, developing in London is increasingly costly and challenging. In this environment, the need for certainty for developers is even more important. A key part of the draft Plan is the introduction of a threshold approach to viability assessments, or the so called 'Fast Track Route.' First introduced in 2017 in the Mayor's affordable housing Supplementary Planning Guidance, if a developer agrees to provide 35% or more affordable housing, they do not have to provide a viability assessment which should result in a more streamlined decision-making process. Whilst many had reservations regarding this approach initially, developers are increasingly appreciating the certainty that it brings to the planning process. However, the draft Plan states that a review of the threshold figure will be held in 2021 with a view to increasing this number, which will likely have a bearing on viability.

At both a national and London level, funding undoubtedly represents one of the primary barriers to housing delivery. According to a report prepared for London First by Volterra, a £20bn brick wall stands in the way of the government's ambition to deliver its promise of building 300,000 homes a year in England. This problem is most acute in London, with an additional £8.6bn required. The Mayor has introduced a range of housing funding initiatives (see Table 3) to support delivery.⁷

A further consideration is the proposal for greater viability at the plan-making stage. The updated National Planning Policy

Framework (NPPF) outlines the option for a typology approach using average value and cost assumptions based on site characteristic groupings, such as greenfield, brownfield, or based on size and use. Local plan makers are encouraged to engage key stakeholders to ensure that any resulting obligations are realistic and will not undermine the deliverability of the plan.

Rent control

The Mayor of London, as part of his 2020 Mayoral re-election bid, has identified rent control measures as a key policy initiative to take forward. This is in the context of average private rents in London rising by 38% between 2005 and 2016, with prices for an average one-bedroom rented home in London higher on average than for a three-bedroom home in every other English region.⁸ Such a change would require a change to the laws for private renters in order to allow new restrictions on rent to be imposed, thus requiring central government intervention.

Notably, many major cities in both Europe and North America apply certain limits on rents in the private sector. In New York for example, the rent for some apartments is capped by the NYC Rent Guidelines Board, while in Berlin, rents are controlled both within and between tenancies. Critics, most notably James Brokenshire, have highlighted that the introduction of rent controls is likely to lead to a decline in housing standards, with landlords unable to afford to maintain their properties as a result. Notwithstanding, it is undoubtedly going to be a popular policy amongst London's private renters facing rising housing costs.

Mayoral housing initiatives⁹

Homes for Londoners: Affordable Homes Programme (2016-2021)	Mayor Sadiq Khan has secured more than £4.8bn from the Government to help start building at least 116,000 affordable homes by March 2022. This includes the Mayor's Innovation Fund which provides funding for innovative ways of delivering more affordable homes in London. This could take the form of offsite and precision manufacturing of homes. Of the 6,066 affordable home starts in the period April to December 2018, 5,667 of them were provided for under this programme.
London Housing Bank	The £200m London Housing Bank provides loan funding to accelerate the development of up to 3,000 homes. The low cost loans mean more homes can be developed at a faster rate, particularly on large multi-phased sites.
London Community Housing Fund	This new £38m fund for community-led housing is designed to enable Londoners to play a leading role in building new social rented and other genuinely affordable homes for local people.
Homebuilding Capacity Fund	The Mayor is making up to £10 million of revenue funding available for councils to deliver new approaches for increasing housing delivery. There are 4 key areas where councils can bid for support: <ul style="list-style-type: none">- Delivering a new generation of council homes- Increasing housing supply by supporting the development of small sites- Proactive planning in areas with significant growth potential- Ensuring optimal density of new residential developments.

Table 3

⁷ Volterra, 'Hard Choices: How much should the nation spend on building new homes?' September 2018)

⁸ Guardian, 'Sadiq Khan makes rent control key plank of mayor re-election bid,' 23rd January 2019

⁹ www.london.gov.uk 'Increasing Housing Supply'

<https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply>



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