

# CAPITALISING ON GROWTH:

A BLUEPRINT FOR BUILDING  
THE HOMES LONDON NEEDS

LONDON ELECTIONS 2016



## THE STORY SO FAR

London stands at a crossroads. The capital's success in attracting people, businesses and investment to this growing metropolis has, for decades, powered the economy, creating jobs and wealth far beyond the borders of the Boroughs that comprise Greater London.

But success has come at a price. For decades the capital has failed to build the homes it needs to keep housing affordable for the individuals and families that live and work here.

Average house prices are now more than 10 times average earnings and the absolute price of housing has meant that home ownership has slipped out of the reach for many young people, even after the successful introduction of the new London Help to Buy scheme.

For this year's London Mayoral election, housing is not just an important issue. It is the single biggest challenge on which the candidates will be judged. The capital has seen a 26% increase in housing supply in just two years. The next Mayor of London must have a credible plan to build on this progress by creating the conditions needed for a major increase in housing supply.

In addition to the obvious benefits of better matching supply with demand and the many thousands of additional households who would have a place to really call home, house building brings significant benefits to Londoners. It is estimated that even at current delivery rates, the home building industry in London supports more than 100,000 jobs located predominantly in the capital and wider South East.



## 1. SECURING THE DELIVERABILITY OF MORE HOUSING SITES

Residential development brings huge economic and social benefits to London at the same time as helping to deal with the acute housing crisis that the capital is dealing with. Some potential development sites, however, remain undeliverable due to the obligations and requirements placed on those housing schemes.

The next Mayor should consider viability issues presented by additional obligations and requirements on developers over and above the prevailing position with particular concern for how they may affect the deliverability of sites. Imposing unrealistic and inflexible requirements on builders in terms of affordable housing or specific design measures inevitably threatens the site's viability and thus determines whether or not developers will be in a position to build homes. We have seen in the past that excessive affordable housing requirements from City Hall have actually led to fewer developments being viable in London and ultimately less housing being delivered.

## 2. MAINTAINING INVESTMENT IN LONDON

In certain circumstances, for instance on some high-rise schemes which are extremely capital-intensive, the forward funding of developments is realistically most likely provided by investor purchasers who intend to rent out properties. This is far from the norm on London developments but by ensuring that construction goes ahead, the role of investors is important in allowing sites to be built out and, where possible, speeding up delivery. By financing the development during the initial phase, this investment ensures that more homes are built, a proportion of which will usually then be available to buyers with mortgages and for use as affordable housing.

While London's reputation as a pre-eminent global city is attractive to both domestic and international investors we should not take that position for granted. Most of the large home builders operating in London have signed up to the Mayor's Concordat, committing to marketing homes in the UK at the same time as, or before, they are available elsewhere. Central Government has also introduced a series of measures to make it more complex or costly to purchase property to let.

The Mayor should support investment in London residential development and take a proportionate approach to overseas investment in our global city. A very small proportion of London's property is bought from overseas with the majority of 'foreign buyers' actually resident in the UK. This is unsurprising in a city in which an estimated 4 in 10 people were born overseas.

## 3. COOPERATION WITH WIDER SOUTH EAST

London's housing need is now so severe that radical thinking is required to deal with the challenge. Some estimates suggest that despite large increases in recent years, delivery is still only around one-third of what is required.

London is not an island and cannot be viewed in isolation from the wider South East. The relationship between the metropolitan area and the hinterland beyond should remain mutually beneficial. The next Mayor should take an active approach to working with local authorities in the South East to plan for the homes the region needs and base any assumptions of migration from the capital to the South East on more concrete evidence.

## 4. EFFECTIVE PLANNING RESOURCES

Home builders depend on the services provided by the planning and legal departments within London's Boroughs. Continuing to increase delivery of new homes in the capital will be extremely difficult whilst the capacity of Boroughs to deal with planning applications dwindles.

Boroughs should prioritise planning departments as drivers of local economic growth but we also believe that the Mayor could have an important role to play. With finite overall resources, the new Mayor should consider whether London is best served by having more than 30 separate monopolistic local authority planning services advising planning committees on applications, and what use London could make of new powers to introduce an element of competition into the planning application process while retaining the democratic decision-making.

## 5. SUPPORTING THE DELIVERY OF RENTED HOUSING

London needs many more homes of all tenures. Large-scale investment in the Private Rented Sector provides housing and flexibility for the capital's population. It can also help provide upfront financing for large residential developments without which new homes may not be completed.

The new Mayor should take a positive approach to the rental market as a means of securing viability of sites and to increase the speed of delivery, particularly on large strategic sites upon which London will be increasingly reliant.

The background is a detailed architectural blueprint of a building floor plan, rendered in white lines on a blue background. The plan includes various rooms, corridors, and structural elements, with numerous dimensions and labels. A yellow rectangular text box is centered over the plan, containing the title. The blueprint features a grid system with dimensions in millimeters and meters. Key areas are labeled with numbers in circles, and various structural details are shown with hatching and dimension lines.

# A BLUEPRINT FOR BUILDING THE HOMES LONDON NEEDS

## 6. MAKING THE MOST OF EXISTING ESTATES

Many of London's existing local authority and housing association estates have huge potential for redevelopment that would improve the quality of housing for existing tenants and owners whilst significantly increasing the number of homes in attractive and well-connected parts of the city.

By working with Boroughs and with Central Government, the Mayor could play an important role in leading London's efforts to enhance and expand estates. Following the election the new Mayor should initiate a detailed study to assess the redevelopment capacity of London's local authority and housing association estates. By identifying the biggest barriers to estate renewal in London the Mayor could address roadblocks and work with the industry, Boroughs and others to establish some principles of best practice. If the new Mayor is truly committed to estates regeneration we would hope to see clear financial and administrative support for major schemes which could take many years but deliver significant volumes of additional housing.

## 7. RELEASING MORE SURPLUS PUBLIC SECTOR LAND

London's public sector land contains huge potential for housing delivery on sites which are underused or could yield significant returns for public bodies which could then be used for investment elsewhere. Regulatory issues, complex sign-off procedures and a lack of necessary skills too often prevents or delays public land disposals.

The new Mayor should build on the work of the London Land Commission and, in particular, work closely with non-GLA Family bodies such as NHS Trusts and Network Rail to bring forward sites that could have a meaningful impact on London's home building potential.

Where the Mayor brings forward sites for disposal, consideration should be paid to the new principles of disposal published by the Homes and Communities Agency (HCA) which were developed in conjunction with HBF and its members. A specific disposal objective should be identified upfront to aid in the bidding process for home builders. The Mayor should acknowledge that there is a trade-off between achieving the best possible financial return and layering additional restrictions and requirements onto the eventual developments.

## 8. SUPPORTING LONDON HELP TO BUY

The new London Help to Buy scheme has been enormously popular with prospective buyers since it launched in February. The new Mayor should support the scheme which is making home ownership achievable to many households who would otherwise not be able to take their first steps on the housing ladder. As the original Help to Buy Equity Loan scheme has done elsewhere in the country, improving the ability of first-time buyers to purchase homes is positive for developers in assessing investment options.

## 9. BACKING POWERS TO TURN UNDERUSED COMMERCIAL SPACES INTO HOMES

Greater flexibility to transform underused office spaces into housing has helped to create thousands of new homes for Londoners over the past couple of years. Broadly, residential properties created out of changes of use (from all previous use classes), were responsible for more than 3,500 new homes for Londoners in 2014/15.

The new Mayor should support these efforts to convert redundant commercial properties into new homes for the capital's growing population.

## 10. INVESTMENT IN INFRASTRUCTURE AS THE LIFEBLOOD OF THE CAPITAL

Cities depend on infrastructure and a productive capital city needs a modern transport system that the population can rely upon. In addition to contributing to the long-term productivity of London, the Crossrail project has made more of Greater London an attractive proposition for buyers and renters and opened up development opportunities.

The new Mayor should work to secure the planning and construction of an extensive Crossrail 2 at the earliest opportunity.

The Home Builders Federation (HBF) is the representative body of the home building industry in England and Wales. HBF's members' accounts for 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from multi-national, household names through regionally based businesses to small local companies.

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