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#londoncostofliving

London Cost of Living Report

Fair Housing



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GREATERLONDONAUTHORITY | LONDONASSEMBLYLABOUR

FOREWORD

The shortage of homes, and the cost of living crisis this is fuelling, is the biggest challenge facing London government.

In October 2013 the average price of a London home hit a new high of £437,000 – almost £200,000 more than the average for England and Wales and more than 12 times London's median income of £33,308. In the same month, one estate agent reported that the average asking price for properties listed on its website increased by £50,000.

For those locked out of homeownership, the cost of renting still leaves a substantial hole in the pocket. Rents in London are more than twice the national average.

It's therefore no wonder then that half the people who returned the cost of living survey said that they are concerned about the rising cost of housing.

The survey in this report shows that the cost of housing is a particular worry for younger people. More and more young people are renting for longer because they cannot afford to buy a home, and increasing numbers are having to live with their parents for longer. Dubbed "Generation Rent", this group is trapped in an under-regulated private rented sector, with unstable short-term tenancies, the constant threat of 'no-fault' eviction and inflation-busting, uncontrolled, rent increases. There is a pressing need for reform of laws relating to private renting, which have essentially remained unchanged since the 1980s.

To bring down housing costs in London we desperately need a major house-building programme. Yet, the Mayor's target to build 42,000 new homes per year falls well short of his own research that says we need up to 60,000. It is also becoming clear that the Mayor will not fulfil his pledge to build 100,000 new affordable homes across his two mayoral terms.

The longer the Mayor and the government fail to take necessary action to deal with the housing crisis the worse it will get. This is not a problem that will solve itself. In this report I set out a number of recommendations which can help address a crisis which not only hits Londoners' wallets, but which also threatens London's economic competitiveness.



A handwritten signature in blue ink, appearing to read 'Tom Copley'.

Tom Copley AM

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FAIR HOUSING:

Building affordable homes in London

'He did nothing'

We rented a one bed flat in Clapham from a private landlord - just over £1000 per month. We realised it was damp pretty quickly and told the landlord. He provided a dehumidifier but did nothing else. We kept the heating on low and the vent open on windows etc. but we couldn't stop the condensation and damp - soon we had black mould on the walls which we tried to scrub off every week.

Our stuff went mouldy and it was cold all the time. We asked the landlord to come over and see how bad it was and said we couldn't stay if it didn't get better.

He did nothing and then terminated our contract. When we moved out, he took £400 of our deposit. We couldn't afford to fight it as we had to pay out estate agent fees on our new place - they have you over a barrel.

Jessica, South West London



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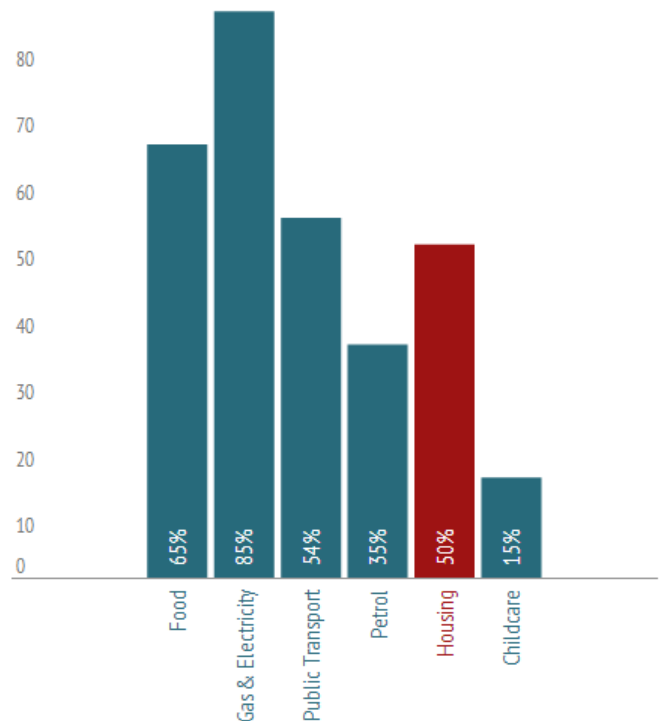
WHAT LONDONERS HAVE SAID

The Mayor needs to start tackling the housing crisis in London. Living comfortably in a home in this city simply isn't a reality for many residents. Rogue landlords, high rents, and poor quality homes have led to widespread concern across London.

In the cost of living survey, **50%** of respondents said that they **are concerned about the rising costs of housing** in the capital.ⁱ Furthermore, **23%** of Londoners **spend over half of their take home pay on their housing costs**. Only 28% spend less than a quarter of their pay on housing.ⁱⁱ

These concerns cannot be ignored. The Mayor needs to act now and focus on delivering affordable homes for Londoners.

Price rise of concern



“Housing is a serious problem with rents rising and no places available to buy. This is the main reason we are thinking of leaving London.”
Joanna, Merton.

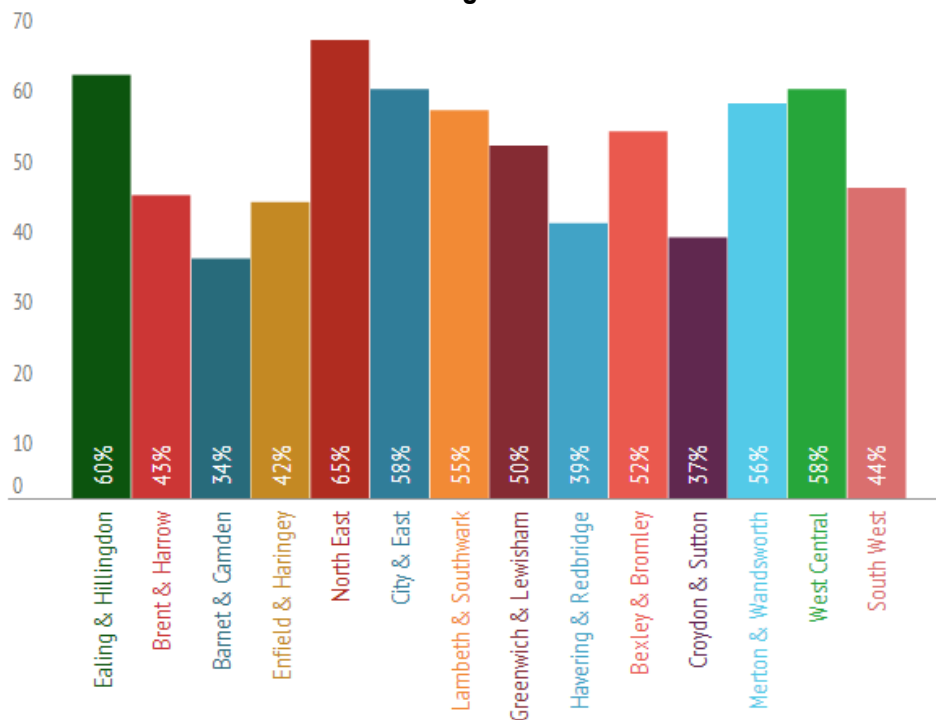


“I’m planning to leave London as I have effectively been priced out due to high rents and low wages. I’m sick of living in poverty in cramped housing conditions. London has become exclusively for those with high incomes; trying to live here with little money is sheer hell.”
Anonymous, Lewisham.

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Breakdown by GLA constituency

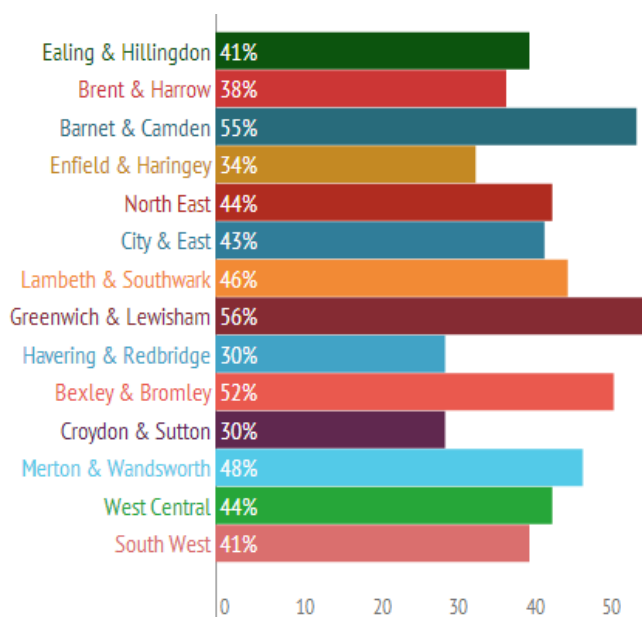
Concerned about the rising cost of housing in London^a



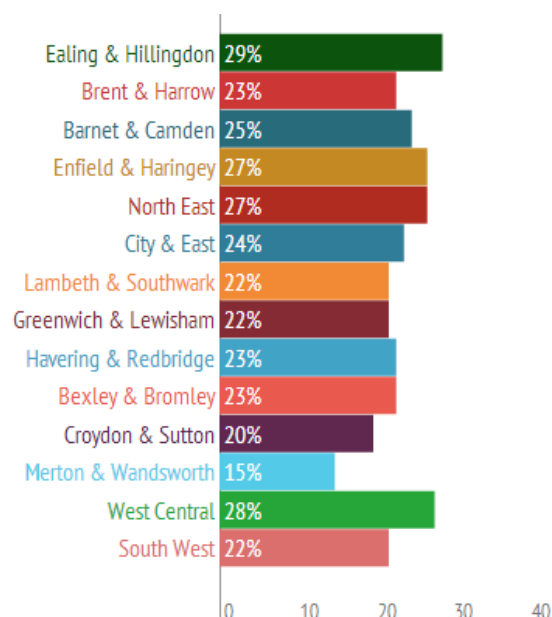
^a All constituencies have a sample size of at least 100 for this question with the exception of Havering & Redbridge (80), Bexley & Bromley (60) and West Central (43).

^b Constituents from Barnet & Camden were given a separate paper survey that did not ask this question. This figure is from the 67 online survey returns for this constituency.

25-50% of take home pay spent on housing^{ab}



50% or above of take home pay spent on housing^{ab}



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HARDEST HIT LONDONERS

Renters and homeowners

Londoners that rent appear to feel the brunt of the housing crisis the most. In the survey, 77% of respondents that rent their home said they are concerned about the rising cost of housing compared to 37% of those who own their home.ⁱⁱⁱ

Additionally, Londoners that rent are spending a significantly higher proportion of their take home pay on housing. 39% of respondents who own their own home spend less than a quarter of their pay on housing, compared to just 11% for those who rent. 52% of renters spend between 25-50% of their income on housing; 34% - a little more than one-third of Londoners - spend 50% or more.^{iv}

	Concerned about rising housing costs (%)	Proportion of take home pay spent on housing (%)		
		0-25%	25-50%	50% or above
Renters	77	11	52	34
Homeowners	37	39	37	17

Young people

75% of respondents aged 16-30 said they are concerned about the rising housing costs in London. A third of young people said they spend over half of their take home pay on these costs. A further 54% spend between a quarter and a half of their income.^v

Whilst young people are noticeably affected across London; the housing crisis is also impacting older Londoners. 40% of respondents over 60 recognise the rising cost of housing with 15% spending over half their income to pay for it.^{vi}

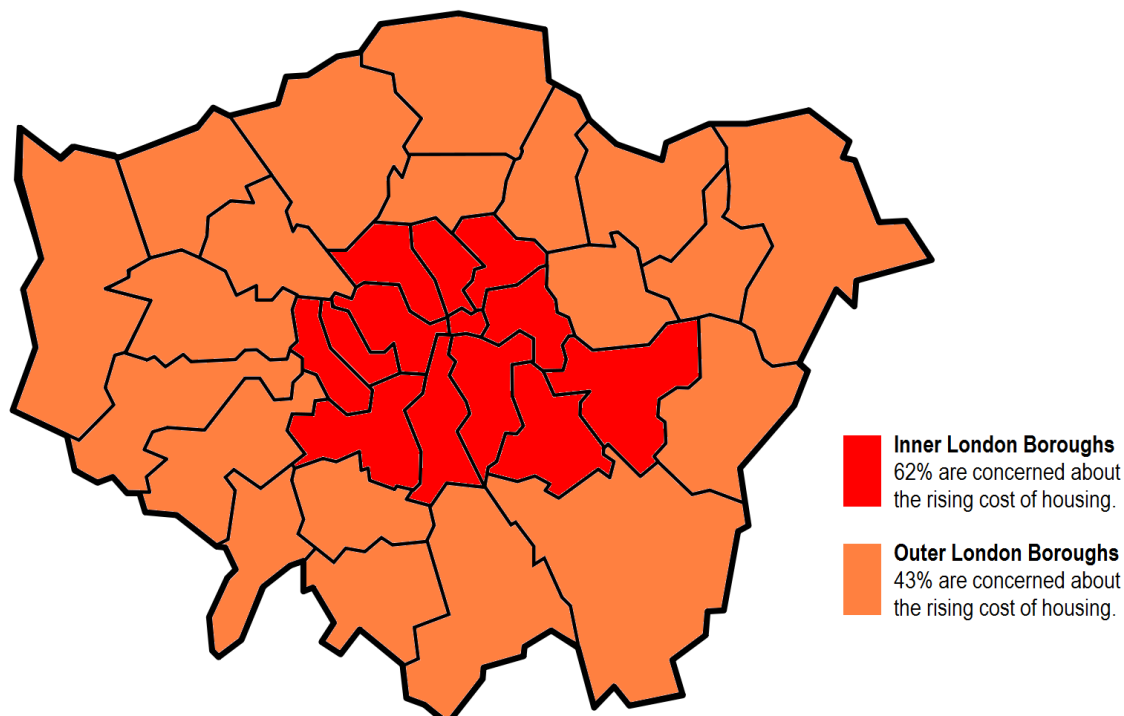
People with disabilities

62% of people with disabilities said that they are concerned about the rising cost of housing; 12% higher than the average for all respondents.^{vii} 29% of disabled respondents said that they spend 50% or more of their income on housing costs; 6% higher than the average.^{viii}

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Inner-London vs Outer-London



People living in inner-London boroughs are significantly more concerned about the rising cost of housing compared to those living in outer London. However, it is nonetheless alarming that 43% of outer Londoners are concerned.^{ix}

The survey results also shows that people in inner-London seem to be spending more of their take home pay on housing costs compared to outer-London. The results show that 49% of people in inner-London are spending 25% to 50% of their take home pay compared to 32% in outer-London. A slightly higher proportion of people in inner-London said that they are spending over half of their take home pay whilst a slightly lower proportion of people in outer-London said they are spending less than a quarter.^x

These findings reflect the research carried out by the Valuation Office Agency which found that from 2012 to 2013, rents in inner London increased by £2,076 extra per year compared to an extra £300 in outer London.^{xi}

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WHAT OTHER RESEARCH HAS SAID

Private rented sector

Living standards for tenants in the private rented sector are getting worse.

Valuation Office Agency data shows that in the first quarter of 2013, **London rents were 11.8% higher** than a year earlier standing at £1,250 per month. Inner Londoners are particularly impacted with rents having increased by **13.3%** compared to **2.56%** in outer London.^{xii}

This level of rent compares with gross monthly incomes (based on a 40 hour week) of £1,093 a month at the national minimum wage^{xiii} and £1,432 on the London Living Wage.^{xiv}

However, while rents have increased by far more than inflation, the increase in rents has not been matched by an increase in quality.

In the 5 years since the Mayor was elected, **tenant complaints** made to Shelter **increased by 47%**.^{xv} In addition to this, a quarter of a million privately rented London homes fail to meet the Decent Homes standard used in the social rented sector.^{xvi} This means that property standards in the private rented sector are worse than any other tenure of housing in London.

Affordable housing

The Mayor's target of building 55,000 affordable homes by March 2015 appears unlikely to be met. The London Assembly Housing Committee found that construction on 5,000 homes is yet to be started with each home estimated to take 18 months to build.^{xvii} It therefore seems likely that the Mayor will fail to achieve his already insufficient target for affordable homes.

Rough sleeping

Despite the Mayor's pledge back in 2008 to end rough sleeping in London by the 2012 Olympics, the number of people sleeping rough in the capital has risen by 85% to 6,437. This has steadily increased year on year since he was elected; up by almost 3,000 people. The number of rough sleepers spending more than one night on the streets has risen by 30% during this period.^{xviii}

	Number of rough sleepers	Rough sleepers spending more than one night on the streets
2007/08	3,035	1,792
2008/09	3,471	1,953
2009/10	3,708	1,991
2010/11	3,933	2,066
2011/12	5,673	2,499
2012/13	6,437	2,480
+/- (08-13)	+2,966 (85%)	+527 (30%)

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House prices

London house prices reached a high of £437,000 in October 2013, nearly £200,000 higher than the average for England and Wales.^{xxix} This is over twelve times the median income in London of £33,308.^{xx} A combination of interest from overseas investors and the impact of the second phase of Help to Buy, has further fuelled increases in London house prices, with one estate agents highlighting that the average asking price increased by £50,000, in October 2013 alone.^{xxi}

Luxury homes

In recent years there has been a significant level of overseas investment in London residential property. This demand has been placing inflationary pressure on house prices in the capital forcing those Londoners who could potentially have bought a home to rent instead.

‘Over 60% of new homes in central London are currently being bought by overseas investors. Anecdotal reports suggest that a high proportion are kept empty.’

Smith Institute, July 2012^{xxiii}

Furthermore, estate agents Knight Frank recently announced that nearly 75% of new homes sold by the company in inner London are being advertised at overseas events before being advertised to UK buyers.^{xxii} In July 2012, the Smith Institute described the ‘huge rise in overseas investment in expensive properties for the super-rich’ and highlighted that investment in luxury homes had doubled to over £5 billion a year. This is five times more than the annual investment in affordable homes in London and a third of all loans made for house purchases.^{xxiii}

In October 2013, Knight Frank estimated that 65% of overseas buyers intend to rent their London properties rather than live in them.^{xxiv}

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POLICY ANALYSIS

Need for urgent reform

It is completely understandable why half of Londoners are concerned about housing in the city. Spending over half of an individual's take home pay is unsustainable and even more so with rising living costs elsewhere. As constituents from across London repeatedly say to me; they, their friends or family are being forced to leave the city due to high housing costs. This is particularly the case with our young people with 75% of them concerned and a third spending over half of their income on housing. Ultimately, this will result in London losing a wealth of talent.

In addition to this, one of the most alarming symptoms of the cost of living crisis is that the number of rough sleepers in London has more than doubled under the Mayor with over six thousand now being forced to sleep on the streets. The Mayor needs to recognise this and realise that the homeless in our city are in need of his support; not the super-rich.^{xxv}

Not enough affordable homes

The Mayor has presided over housing reforms that will worsen the cost of living crisis and price low income Londoners out of even the lowest cost housing available to them. By forcing through reforms to affordable housing that squeezes out social housing in favour of the government's 'Affordable Rent' – so called 'affordable' housing that can be charged at up to 80% or market rent – some households will need incomes in excess of £100,000 a year to afford the rent on a family-size 'affordable' home in parts of inner-London.

The Mayor inherited a record-breaking affordable housing programme in 2008, funded by a record £5 billion budget that was agreed in September 2007. Since Boris' programme started in 2011, affordable housing starts have fallen off a cliff.

Inequality gap widening

The great scandal of the Mayor's housing crisis is the mass inequality that he has been encouraging. The number of rough sleepers in the city has increased by 85%, rent for inner Londoners has risen by 13.3%, and house prices have become £200,000 more expensive than the average for England and Wales^{xxvi}; yet the investment in luxury homes is five times more than the investment for affordable homes. Under Boris Johnson, London has become a city where the super-rich thrive and the poor are left to fend for themselves.

“I don't believe that economic equality is possible; indeed some measure of inequality is essential for the spirit of envy.”

Boris Johnson, Mayor of London^{xxvii}

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Poor value for money

Despite the much higher costs that Londoners are paying for their homes; the quality of these homes is severely lacking. One third of London's privately rented homes currently fall below the Decent Homes standard used in the social rented sector, the largest proportion of any tenure in London.^{xxviii} Furthermore, as the Centre for London reports, nearly half of private rented homes fail even the most basic tests of health and safety, with 356,000 London private rented homes reported as having Housing Health and Safety Rating System Category 1 hazards in 2011/12.^{xxix}

In addition to this, the Mayor's continued faith in 'voluntary self-regulation'^{xxx} of the sector, regulation created by landlords for landlords, has failed to address the cost of living crisis and tackle problems faced by tenants. Under Boris Johnson, rogue landlord practices are becoming more commonplace. Shelter reports a 47% increase in private sector tenant complaints in London since 2008. In the year up to April 2012, Citizens Advice London bureaux dealt with 18,539 enquiries about issues such as disrepair; possession actions; security of tenure; harassment; problems with letting agents; and deposits.^{xxxi} This large figure is itself likely to represent a significant underreporting of infringements by landlords as some argue that many concerns go unreported for fear of retaliatory eviction.^{xxxii}

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RECOMMENDATIONS

To prevent further hardship for Londoners, the Mayor needs to address the cost of living crisis immediately.

In order to ensure the **private rented sector presents value for money to tenants**, the Mayor should:

- Lobby the government to allow for the introduction of a form of rent stabilisation, which would create index-led rent increases and provide greater stability for tenants and allow them to better plan their finances. Such systems currently operate in other Western economies, including Germany and Switzerland, and have allowed for the creation of larger and better functioning private rented sectors than tenants currently experience in London.
- Create a '**Decent Homes Fund**' that provides low-cost loans for landlords that helps them to bring London's stock of privately rented accommodation up to a decent standard.
- Establish a '**London Bad Landlords Register**' similar to that now operating in New York along with a tenants '**Know Your Rights**' website;
- Provide targeted match **funding for environmental health officers** in order to enforce property and landlord standards;
- Establish a framework for a new **London-wide ombudsman** that is capable of resolving disputes between tenants, landlords and letting alike;
- Seek for **the abolition of so-called 'no fault eviction'** clauses in tenancy agreements, which allow landlords to evict tenants with just two months' notice for no reason whatsoever. This creates uncertainty for tenants and can prevent a stable family life.

To **ensure that housing in London is affordable**, the Mayor needs to:

- **Drive forward housing supply** by reorganising the work of the GLA Land and Housing Directorate into a new 'arms-length' body called **Homes for London**. Homes for London would provide a focal point for driving forward investment and housing delivery in London in the same way that Transport for London gives greater focus to improving transport infrastructure.
- Within Homes for London, the Mayor should **establish a London Housing Corporation, which would borrow against the GLA's revenue stream to rapidly expand housing supply by directly commissioning new homes**. A London Housing Corporation would intervene in the house building market in order to correct the market failure that occurs when house builders limit the supply of housing in order to maintain higher prices.
- **Lobby the government to increase investment in affordable housing.**
- Make available to boroughs a London-wide Housing Revenue Account Headroom Trading System to help redistribute borrowing capacity and to maximise housing delivery. The UK has never built enough homes to meet housing need without the intervention of local government; this project can **help London boroughs to build more homes** for constituents.

METHODOLOGY

The London Cost of Living Survey ran from September 24th 2013 until January 6th 2014. Paper surveys were distributed across all constituencies in London and the survey was also available online.

In total, 2,366 Londoners responded to the survey. 872 Londoners answered the paper versions and 1,494 answered the online version. The respondents were self-selected.

The results reflect similar findings in Ipsos Mori's poll for London Councils which shows that 64% strongly agree that there is currently a housing crisis in London.^{xxxiii}

The breakdown for the London Cost of Living Survey can be found at <http://cityhalllabour.org/>.

The term 'rent' in the survey refers to both social and private rent.

Other sources of research can be found in the references.

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- ⁱ London Cost of Living Survey (24/09/13 - 06/01/14). 1,182 out of 2,366 respondents said that they are concerned with the rising price of housing in London.
- ⁱⁱ Ibid. 605 out of 2,137 respondents said that they spend 0-25% of their take home pay on housing; 910 said that they spend 25-50%; 500 said that they spend 50% or more.
- ⁱⁱⁱ Ibid. 551 out of 712 respondents who said that they rent said that they are concerned with the rising price of housing in London; 429 out of 1,164 homeowners said that they are concerned.
- ^{iv} Ibid. 77 out of 712 respondents who said that they rent spend 0-25% of their take home pay on housing costs; 368 said they spend 25-50%; 239 said they spend 50% or above. 459 out of 1,164 respondents who said that they are homeowners spend 0-25% of their take home pay on housing costs; 427 said they spend 25-50%; 202 spend 50% or more.
- ^v Ibid. 173 out of 230 respondents aged 16-30 said that they are concerned with the rising price of housing in London. 35 out of 230 respondents said they spend less than 25% of their take home pay on rent; 124 out of 230 spend between 25-50%; 69 out of 230 spend 50% or above.
- ^{vi} Ibid. 74 out of 182 respondents aged 60 or over said that they are concerned with the rising price of housing in London. 99 out of 182 respondents said that they spend less than 25% of their take home pay on rent; 47 spend between 25-50%; 27 spend 50% or above.
- ^{vii} Ibid. 101 out of 164 respondents with disabilities said that they are concerned about the rising price of housing in London.
- ^{viii} Ibid. 47 out of 164 respondents with disabilities said that they spend 50% or above on housing costs.
- ^{ix} Ibid. 575 out of 1,341 respondents from outer London boroughs said that they are concerned with the rising price of housing. 543 out of 881 respondents from inner London boroughs said that they are concerned.
- ^x Ibid. Respondents from outer London boroughs: 349 out of 1,341 (0-25%); 430 (25-50%); 278 (50% or above). Respondents from inner London boroughs: 210 out of 881 (0-25%); 436 (25-50%); 202 (50% or above).
- ^{xi} 'Average private rents by local authority' (median rental data), Valuation Office Agency – accessed 15 October 2013.
- ^{xii} Ibid.
- ^{xiii} <https://www.gov.uk/national-minimum-wage-rates>.
- ^{xiv} 'London Living Wage increased to £8.55 by mayor', BBC News, 5 November 2013.
- ^{xv} 'Rent reform: Making London's private rented sector fit for purpose', London Assembly Housing and Regeneration Committee, June 2013, p.23
- ^{xvi} 'Rent Reform', London Assembly Housing and Regeneration Committee June 2013.
- ^{xvii} Richard Blakeway, Deputy Mayor for Housing, Land and Property speaking to the London Assembly Housing Committee, 12 November 2013.
- ^{xviii} Mayor's Question Time, 19 December 2012 written question by Tom Copley and Chain Annual Report 2012-13.
- ^{xix} Office for National Statistics, House Price Index, 17 December 2013
- ^{xx} 'Average earners priced out', G15, 20 May 2013
- ^{xxi} 'London House Prices Rose £50,000 In A Month, Says Rightmove', Huffington Post, 21 October 2013
- ^{xxii} 'Foreigners buy nearly 75% of new homes in inner London', Financial Times, 3 August 2013
- ^{xxiii} 'London for sale? An assessment of the private housing market in London and the impact of rowing overseas Investment', July 2012, p.6
- ^{xxiv} 'House Prices: 'Tax To Tackle London Bubble'', Sky News, 31 October 2013
- ^{xxv} 'Boris Johnson: Super-rich are an oppressed minority like homeless people', Politics.co.uk, 18 November 2013.
- ^{xxvi} Office for National Statistics, House Price Index, 17 December 2013
- ^{xxvii} 'Boris Johnson speech at the Margaret Thatcher lecture in full' - <http://www.telegraph.co.uk/news/politics/london-mayor-election/mayor-of-london/10480321/Boris-Johnsons-speech-at-the-Margaret-Thatcher-lecture-in-full.html>
- ^{xxviii} 'Stressed: A review of London's private rented sector', Centre for London, August 2013, p.50
- ^{xxix} 'Stressed: A review of London's private rented sector', Centre for London, August 2013, p.12
- ^{xxx} 'The Mayor's Housing Covenant: Making the Making the private rented sector work for Londoners', Greater London Authority, December 2012, p.5
- ^{xxxi} 'Rent reform: Making London's private rented sector fit for purpose', London Assembly Housing and Regeneration Committee, June 2013, p.23
- ^{xxxii} 'Rent reform: Making London's private rented sector fit for purpose', London Assembly Housing and Regeneration Committee, June 2013, p.28
- ^{xxxiii} London Councils Poll – October 2013 p34 - http://www.ipsos-mori.com/Assets/Docs/Polls/13-077264-01_London_Councils_weighted_tabs_social_care_Final_PUBLIC.pdf

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