

Subject: Affordable Home Ownership in London

Report to: Housing Committee

Report of: Executive Director of Secretariat

Date: 11 November 2014

This report will be considered in public

1 Summary

- 1.1 This report sets out the proposed scope for the Housing Committee's review into affordable home ownership in London.

2 Recommendations

- 2.1 **That the Committee notes the broad scope for its review of affordable home ownership in London as outlined at paragraphs 4.2 to 4.4 of this report; and**
- 2.2 **That the Committee delegates authority to the Chair, in consultation with party Group Lead Members, to agree the final scoping paper and terms of reference for the investigation into affordable home ownership in London in advance of the December meeting of the Committee.**

3 Background

- 3.1 Rising house prices make home ownership increasingly unaffordable for many Londoners. House prices in London are increasing faster than in any other part of the country: recent figures put London's growth at 18.1 per cent, in comparison to 9 per cent nationally.¹ This rapid growth has driven the average house price to a record £514,000 in July of this year.² As a result, 80 per cent of the new build sales market is affordable to only 20 per cent of working households in London, a situation which is likely to continue if low wage growth becomes the norm over the medium to long term.³
- 3.2 Eligibility in London for affordable housing is set at a gross household income of no more than £66,000 per annum for a one or two bedroom home, or no more than £80,000 per annum when for a family sized home (three or more bedrooms). Priority will be given to housing association and council tenants, and armed forces personnel.⁴ The Mayor has also identified low income households where one or two people are working as deserving of particular support during his second term, in

¹ [September 2014 - Hometrack House Price Cities Index](#)

² [London Housing Market Report](#), Greater London Authority

³ Homes for London: London Housing Strategy 2014, The Mayor of London, page 5

⁴ Homes for Working Londoners, The Mayor of London, page 9

recognition of the difficulty that this group has in finding affordable housing on the open market or within private rented accommodation.

4 Issues for Consideration

- 4.1 The Mayor has made increasing the level of affordable home ownerships a key priority in his Housing Strategy. The Strategy outlines several policies which aim to make the shared ownership market function more like the mainstream housing market⁵:
- Using the First Steps programme to assist 50,000 Londoners to gain a foothold on the property ladder by 2016;
 - Introducing a “flexible home ownership product” which decouples a property from a specific financial package, potentially allowing first time buyers more freedom to choose the financing which suits their budget best;
 - Opening up all First Steps homes funded by the GLA to Londoners regardless of where they live in the city if there is insufficient local demand after a specified time period; and
 - On 15 February 2013, the Mayor unveiled the first phase of up to £100 million to stimulate new supply and new products. The first phase funding will see 27 organisations sharing £78 million to build 3,000 new homes across London, supporting around 6,000 jobs in construction.⁶
- 4.2 This investigation will examine the current state of affordable home ownership in London, looking in particular at who are the main beneficiaries of current affordable home ownership policies from the Mayor and boroughs, what the effect of continuing growth in house prices has on affordable home ownership and how successful it is in moving Londoners to full home ownership. It will also examine alternative routes to affordable home ownership in London.
- 4.3 Members could explore if the relatively high eligibility thresholds for affordable housing are correct, the appropriateness of the Mayor’s specific target group including the challenges that this group faces in accessing affordable home ownership, and the sustainability of policies in the face of continuing house price increases.
- 4.4 Finally, the Committee may also look to investigate alternatives to the Mayor’s focus on shared ownership as a vehicle to increase the number of low and middle income Londoners owning property. These include examining housing co-operatives, housing mutuals, and ‘naked house’ initiatives.
- Meetings**
- 4.5 It is proposed that the December meeting will focus mainly on examining the current state of affordable home ownership in London, including a review of the Mayor’s flagship First Steps programme.

⁵ Information taken from Homes for London: London Housing Strategy, The Mayor of London, pages 26 - 29

⁶ [Home for Working Londoner’s Progress Report](#), March 2013

4.6 It is proposed that the January meeting will tackle how the secondary market can be improved for affordable homes as well as alternatives to increasing the number of shared ownership homes in London.

5 Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6 Financial Implications

6.1 There are no direct GLA financial implications arising from this report.

List of appendices to this report: None

Local Government (Access to Information) Act 1985
List of Background Papers: None
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