

MAYOR OF LONDON

Sem Moema AM

Chair of the London Assembly Housing Committee
C/o Matty.Hadfield@london.gov.uk

Our ref: MGLA080324-8377

Date: 6 August 2024

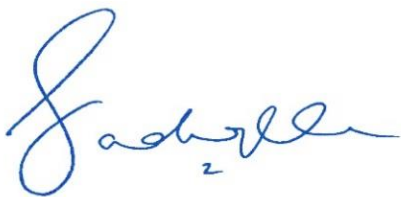
Dear Sem,

Thank you for the letter from Lord Bailey of Paddington AM on behalf of the London Assembly Housing Committee following its investigation on young Londoners and their access to home ownership. All Londoners deserve to have access to safe, decent, and affordable housing, and in my third term, I remain committed to ensuring London is a city for all Londoners to call home.

The long-term solution to London's housing crisis is more socially rented and affordable housing, and I am committed to continuing to deliver my Affordable Homes Programme and my ambitious manifesto pledge to build 40,000 new council homes by 2030. Working with key partners and a new Government will be crucial to solving the housing crisis, and I look forward to working with the Committee to address the challenges Londoners face.

I have responded to your recommendations in the annex below.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small '2' written below the name.

Sadiq Khan

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Annex

Mayor of London's response to the recommendations of the London Assembly Housing Committee's report Young Londoners' Access to Home Ownership

Recommendation 1:

The Mayor, in his role as Co-Chair of the London Partnership Board, should commission and publish analysis in 2024-25 on the London housing crisis to assess:

- a) how it is affecting young people's decisions about whether to stay in London or relocate out of the capital
- b) whether there is a new and growing trend of young people leaving the capital as a result
- c) the long-term consequential impacts on London's economy and society.

The Mayor is deeply concerned by the impact of the housing crisis on Londoners, including young people, across the capital, which is why he has committed to building 40,000 new council homes by 2030. Research by the Resolution Foundation demonstrates that young Londoners are less likely to be homeowners and more likely to rent in the private rented sector than previous generations¹. To support renters across London, the Mayor has committed to delivering 6,000 new affordable 'rent control homes' and a New Deal for Renters, which will support those in the private rented sector. Research by the Centre for London suggests that growing numbers of young people are planning to leave the capital due to the cost of living, of which housing costs can be assumed to form part². Nonetheless, data has found that following the pandemic, net migration returned to typical levels, where net migration to London from the rest of England and Wales is positive for those aged 20 to 27³. Young people play a key role in London's economy and society, and the Mayor is committed to working with the Government and the sector to improve housing outcomes for young Londoners. Last year, the London Partnership Board agreed to bring partners together to deliver work to identify the economic impact of poor housing in London, work that is ongoing between the Greater London Authority (GLA), London Councils, the G15 and Trust for London. The London Partnership Board will be agreeing its priorities for the coming year over the next few months.

Recommendation 2

The Mayor should monitor the use of registers and allocations policies for intermediate housing by London local authorities. These registers and allocations policies are important for boroughs to accurately assess the demand for and demographics of those who do not qualify for social housing, but are nonetheless in need of affordable housing support.

The Mayor is committed to ensuring all Londoners experiencing housing need benefit from the different types of affordable housing included in his London Plan and are supported through his Affordable Homes Programme. Whilst the Mayor does not have a statutory role in determining how affordable housing is allocated, his Capital Funding Guide sets out the expectation that local authorities and housing providers adopt an equitable and targeted allocation process for all intermediate housing, having regard to regional and local eligibility criteria and the established definitions of housing need. The Mayor also expects housing providers to ensure that their marketing and sales processes are consistent with making the greatest contribution to aiding local

¹ Resolution Foundation. Resolution Foundation 2023 Intergenerational Audit. 2023.

² Centre for London. Rebooting London's Economy. 2024.

³ Centre for Cities. Escape to the country? How Covid changed London's population. 2024.

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authorities in fulfilling their strategic housing function and their duties to meet identified local housing need.

Recommendation 3

The Mayor should commit, from 2024-25 onwards, to monitor who has taken up London Living Rent (LLR) tenancies since their introduction in 2016; and whether it is achieving home ownership goals for young Londoners. In doing so, the Mayor should use newly available data from the Government Continuous Recording of Lettings and Sales in Social Housing in England (CoRE) database, and require investment partners to provide the following information where it is not currently collected on CoRE:

- a) the number of transitions from LLR to shared ownership and how many years this takes.
- b) how providers of LLR are supporting tenants into shared ownership.
- c) how much tenants have saved towards a deposit on average, at the end of their LLR tenancy, and what kind of tenures they move to.
- d) demographic information on tenants moving into LLR, including age, ethnicity and income.

The Mayor should also set and publish targets relating to:

- e) the percentage of LLR tenants who move into shared ownership or home ownership within 10 years.

The Mayor recognises the value of understanding who is benefitting from the different types of affordable housing mandated by his London Plan and supported through his Affordable Homes Programme.

While LLR was introduced in 2016, the Government did not require registered providers to report data on CoRE on intermediate homes, including LLR, until 2021/22. The data will, therefore, be limited, but the GLA can utilise the available data where appropriate.

The GLA expects LLR tenants to be in a position to purchase their home on a shared ownership basis after 10 years. The GLA would, therefore, only expect to see a significant number of transitions from LLR to shared ownership from 2026 onwards. In this way, data on the number of transitions from LLR to shared ownership, how providers of LLR are supporting tenants into shared ownership, and how much tenants have saved towards a deposit is likely to be limited due to the limited time tenants have had to save following the home being built, allocated and let from 2016 onwards.

The GLA is unable to source data on intermediate homes before the Government's introduction of reporting requirements in 2021/22. Sourcing this data would require the GLA to apply retrospective reporting requirements to registered providers allocated grants to develop LLR homes through a funding programme that has already closed (the Affordable Homes Programme 2016-23), which would not be practical or fair to registered providers.

The GLA does not hold sufficient data on which to base targets for the transition from LLR to shared ownership. This is in part because the Government only introduced requirements for registered providers to report data on their intermediate rent homes in 2021/22, and partly because, more generally, LLR is still in its relative infancy.

The rate at which LLR tenants are able to buy a share in their homes is also subject to a range of factors beyond the GLA's control, including house price inflation, interest rates, and products available in the mortgage market.

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Recommendation 4

The Mayor should publish, each year, the number of all LLR in perpetuity homes that are being developed in London and ensure that all of those homes are advertised on the Homes for Londoners portal.

Any data the GLA holds or could source on the number of intermediate rent homes that are for rent in perpetuity (i.e., without the route to home ownership that we expect registered providers to provide where we fund LLR homes) with rents at LLR benchmarks would be planning data since the Mayor does not fund these homes through his Affordable Homes Programme.

The GLA publishes [data on planning applications](#) that are referable to the Mayor of London and updates this annually. The GLA will review the information it holds on the numbers of homes in planning applications that are intermediate rent in perpetuity with rents at LLR benchmarks to determine if this can be included in the next report.

The Planning London Datahub, which covers all planning applications in London (not just those referable to the Mayor of London), collects data on different tenures, including intermediate rent in perpetuity with rents at LLR benchmarks. Data is supplied by applicants and planning authorities, and the GLA is currently running a data improvement programme, increasing the availability and quality of the data.

The London Plan encourages providers of intermediate housing to advertise these homes on the Homes for Londoners portal.

Recommendation 5

The Mayor should commission an evaluation, in 2024-25, of why housing providers are not providing more homes at the LLR tenure, and apply any learning to his plans for LLR tenures under the 2021-26 Affordable Housing Programme. The Mayor should also publish targets and delivery profiles for tenures under the 2021-26 Affordable Housing Programme.

The Mayor's housing team engaged with registered providers to understand their views on LLR and, for those that have done so, their experience of delivering and managing them. The housing team did so with a view to supporting registered providers to deliver LLR homes through the Mayor's Affordable Homes Programme 2021-26. As a result of the insights gathered, the housing team took several steps to support registered providers. Steps included holding a roundtable session for registered providers interested in LLR to learn from the GLA and each other about LLR and making clarificatory amendments to the Capital Funding Guide.

The Mayor has agreed with the Department for Levelling Up, Housing and Communities to set a range target for his Affordable Homes Programme 2021-26, as well as a breakdown between social rent and affordable home ownership. Setting targets for specific affordable homeownership tenures would risk curtailing registered providers' flexibility to respond to local needs in the context of a changing and challenging housing market.

Recommendation 6

The GLA must proactively monitor Government data on the demographics (e.g. age, gender, ethnicity) and home ownership outcomes for Shared Ownership tenants, and publish London-specific analysis on the London datastore. Once sufficient data is available, the GLA should analyse Shared Ownership to determine whether it is an effective stepping stone to home ownership.

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As outlined above, the Government requires data on the demographics and home ownership outcomes for low-cost rent and intermediate home ownership homes to be reported via its CoRE system. Assessing the effectiveness of shared ownership as a stepping stone to home ownership requires complex analysis, which will be covered as part of the Government's evaluation of the Affordable Homes Programme 2021-26. The GLA will contribute to this evaluation.

Recommendation 7

The Mayor should re-engage with developers delivering the 'First Dibs' scheme and encourage changes to the scheme, with the aim of increasing the number of homes listed as 'First Dibs' for Londoners on the Homes for Londoners portal.

'First Dibs' was a voluntary commitment made by a number of developers governing how homes are marketed. The GLA reviewed the operation and impact of the first 18 months of the scheme, and while there is no formal monitoring of this voluntary sector offer, we will continue to encourage developers to make use of the principles of First Dibs.

The Mayor has also supported would-be first-time buyers who are struggling to secure homes on the open market into home ownership by using his planning policies and his Affordable Homes Programmes to increase the number of intermediate homes delivered.

Recommendation 8

The Mayor should lobby Government to either increase the house price threshold for the Lifetime ISA (LISA) in London, or remove the penalty for withdrawal for Londoners who have entered the scheme since 2017.

The LISA can be used by Londoners to help buy their first home if the value of the property is £450,000 or less. In 2023, the average property price for first-time buyers in London was £462,000⁴. Both the previous Government's Help to Buy and Right to Buy schemes have set a precedent for adopting different thresholds in London, so there is a case for looking at the same flexibility for the LISA. First-time buyers in London were able to benefit from a higher equity loan through the Help to Buy scheme than first-time buyers elsewhere. Similarly, the Right to Buy discount is higher for homes in London. It is worth noting that the LISA house price threshold has been frozen since the scheme was established in 2017, at which point the average property price for first-time buyers in London was £422,000⁵.

Recommendation 9

The Mayor should convene a London roundtable with mortgage providers to discuss the opportunities for better provision of long-term fixed-rate mortgages.

The Mayor acknowledges that long-term fixed-rate mortgages could support first-time buyers in the medium- to short-term by reducing the risk that mortgage payments become unaffordable due to a sudden increase in interest rates. Long-term fixed-rate mortgages could also incentivise lenders to reduce the deposit required by first-time buyers. Nonetheless, interest rates currently remain high, which means it may no longer be a good time to explore the introduction of longer-term fixed-rate mortgages as a product, and the Mayor does not have the statutory powers to instruct lenders. The Mayor will keep this area under review and, in the meantime, focus on

⁴ ONS. Table 28 Housing market: simple average house prices, mortgage advances and incomes of borrowers, by new/other dwellings, type of buyer and region, United Kingdom, from 1986. March 2024.

⁵ ONS. Table 28 Housing market: simple average house prices, mortgage advances and incomes of borrowers, by new/other dwellings, type of buyer and region, United Kingdom, from 1986. March 2024.

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doing everything possible to support Londoners into home ownership through the delivery of intermediate homes.

Recommendation 10

Now that the Affordable Homes Programme (AHP) 2021-26 has been reprofiled and renegotiated with the Government (in 2023), the Mayor must begin delivering affordable homes 'starts' under the AHP 2021-26 in 2024-25. The Mayor must also work with the Government to ensure that London has the resources it needs to deliver sufficient new supply to meet housing demand.

It is regrettable that Michael Gove's delay in signing off the reprofiled Affordable Homes Programme 2021-26 meant that the new programme could not get underway as quickly as the Mayor would have liked. On top of this, the previous Government's dithering and delay over new regulations for mandatory second staircases created huge uncertainty that led to many of our delivery partners pressing pause on new homes. However, starts have now begun under the Affordable Homes Programme 2021-26 in 2023/24 and the Affordable Housing Programme Outturn data is available via the GLA website. Homes will continue to be delivered through the programme to meet the new reprofiled target from the Government.

In March 2024, the Mayor launched a package of kickstart measures, including to convert market-rate homes into affordable homes on development sites that have started but stalled due to economic conditions. They include funding from new money made available from City Hall to help boost delivery during this national downturn. The Mayor has also committed to utilising City Hall's existing funding, skills and experience to unlock and accelerate the building of homes on brownfield sites. Two sites, in Newham and Southwark, are benefitting from a multi-million-pound injection of new funding, accelerating the delivery of 1,450 housing starts by March 2026. At least 40 per cent of homes on both developments will be affordable. The Mayor also secured a £124m investment at Barking Riverside from the previous Government that is expected to unlock 7,200 homes. The funding is a combination of the Brownfield Infrastructure and Land Fund (BIL) and a loan.

Alongside these measures, and since the conclusions of the London Housing Delivery Taskforce, the Mayor has continued to engage with the sector to explore further measures that might be needed. City Hall is implementing the nine recommendations made to the Mayor, and the Mayor continues to make the case for other measures to support housebuilding, including a long-term rent settlement and a grant to support investment in existing stock.