

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2088

Title: Commissioning of consultants to research the proportion of overseas buyers in London new build property purchases and in relation to empty homes

Executive Summary:

The Mayor is committed to developing an evidence base to understand the proportion of overseas buyers in new build property purchases and empty homes. This decision authorises expenditure to commission specialist consultants to undertake this work and supersedes ADD 2062, approved on 9 January, by making provision for an expanded sample database.

Decision:

The Assistant Director approves:

- expenditure of up to £46,000 for the procurement and appointment of consultants to support the GLA's work to understand the scale of overseas buyers in new build property purchases and empty homes; and
- an exemption from the requirements of the GLA's Contracts and Funding Code to seek three or more written quotations for goods or services between £10,000 and £150,000.
- This decision supersedes ADD 2062 by making provision for an expanded database to sample in order to optimise the robustness of the research.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT:

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Jamie Ratcliff

Position: Assistant Director, Programme, Policy and Services

Signature:



Date: 15.3.17.

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The GLA wishes to commission the University of York to undertake detailed examination into the proportion of overseas buyers in new build property purchases and empty homes in the London housing market. This will be part of an evidence base supporting policy development into maximising use of London's housing stock, particularly to ensure that newly built homes will be occupied.
- 1.2 The GLA is also commissioning research in a related area to understand the role of overseas investors in the London housing market, specifically looking at their role in financing development, the location of their activities, and the extent to which they add to London's housing supply. This has been approved through ADD2054 'Commissioning of consultants to research the nature, extent and role of overseas investors in London's residential property market'. The research in this commission will complement that work. Further detail of the exact nature of the work to be undertaken is set out in the research brief (appendix 1).
- 1.3 The single supplier being sought for the provision of this service is the University of York. It had previously jointly bid with the University of Sheffield for the commission referenced in paragraph 1.2. Although they did not win the commission, the University of York provided a robust and unique methodology for achieving a particular aspect of the research. No other bidders for this commission provided a methodology of comparable quality or rigour. Their proposed methodology uses a bespoke combination of commercial databases, Land Registry information and a further database looking at nationality and ethnic origins to make robust estimates of overseas purchases of homes and their relation to occupancy of those homes. This is considered to be of particular value to achieving the outcomes and outputs noted in section 2, and will significantly enhance the quality of both the research into overseas investors into London's property market as well as the evidence base for the new London Plan, and as such is considered to add value to both.
- 1.4 ADD 2062 approved expenditure of £28,000 for this research (appendix 2). This has not yet been paid. Following a review of the scope of the research in light of new requirements for data and evidence, officers consider that the sample database that will be analysed should be widened. This will be achieved by purchasing a larger number of Land Registry titles than originally proposed, enabling a more detailed analysis of the issues at a pan-London level. The number of Land Registry titles purchased will be double that originally proposed, necessitating an increased budget. This ADD therefore seeks approval for a revised total budget for this commission and supersedes ADD 2062.

2. Objectives and expected outcomes

- 2.1 The objective of the research is to significantly improve our understanding of the role of overseas buyers in the London property market in order to inform public knowledge and policy-making. The outcome will be a robust evidence base that will inform the development of the Mayor's housing and planning policies.
- 2.2 The research will provide detailed data on the proportion of new homes in London that are bought by overseas buyers, and the extent to which those homes are vacant. The main output will consist of a detailed report of the consultants' work, currently scheduled to be completed by the middle of April 2017.

3. Equality comments

- 3.1 The aim of the work is to enhance the GLA's understanding of the London housing market, particularly the extent and nature of how housing stock is used, Londoners' ability to access housing in the city and how this affects housing outcomes in London. The Integrated Impact Assessment of the London Housing Strategy states that delivering new housing, including affordable housing, is likely to have broadly positive benefits in relation to social and economic sustainability objectives such as improving health, reducing inequalities, increasing accessibility, and economic development. Any new policy documents arising from this research will be subject to a similar assessment.

4. Other considerations

a) Key risks

- 4.1 The key risk associated with this piece of work is the difficulty in accessing robust and consistent data on which to base analysis. This is mitigated by the consideration that the University of York presents particular value, as they offer a unique methodology for collecting and analysing data around the nature of overseas purchasers of new homes in London, and related issues of occupancy. This would be of significant benefit to the GLA's development of housing and planning policy.

b) Links to Mayoral strategies and priorities

- 4.2 The Mayor's manifesto committed to improving Londoners' access to new homes. The Mayor has since commissioned 'the most thorough research on this matter ever undertaken in Britain' (see paragraph 1.2). The research will also form part of the evidence base for the new London Plan, particularly in relation to policies on empty homes and maximising use of housing stock.

c) Impact assessments and consultations

- 4.3 Any new statutory London Housing Strategy containing policies that are relevant to this issue will be subject to consultation and a full and independent Integrated Impact Assessment. Any new London Plan will be subject to consultation and an Examination in Public.

5. Financial comments

- 5.1 This decision requests an approval to expend £46,000 to commission consultants supporting the GLA's work in understanding the scale of overseas buyers in new build property purchases and empty homes.
- 5.2 £36,000 of this expenditure is available from Housing & Land Management and Support Consultancy Budget, with a further £10,000 from the Planning Unit London Plan Budget. The total expenditure is expected to be incurred in the 2016/17 financial year.

6. Legal comments

- 6.1 Sections 1 to 4 of this report indicate that:

- 6.1.1 the decision requested of the Assistant Director, in accordance with the GLA's Contracts and Funding Code (the "Code"), falls within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the discharge of its general functions; and

6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people;
- consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- consult with appropriate bodies.

6.2 Section 4 of the Code requires the GLA to seek three or more written quotations in respect of the services required or call off the services required from an accessible framework. However, the assistant director may approve an exemption from this requirement under section 5 of the Code upon certain specified grounds. One of those grounds is where the supplier is unique in its ability to provide compatibility with an existing service. Officers have indicated in this report that this ground applies, and that the proposed contract affords value for money.

On this basis the assistant director may approve the proposed exemption if satisfied with the content of this report.

7. Planned delivery approach and next steps

- 7.1 The GLA will procure the consultants by sending a brief to the University of York asking for a tender to be submitted to the GLA for consideration. Following receipt of the tender it will be considered according the criteria set out in the research brief.
- 7.2 Particular consideration will be given to the extent to which any received bid offers value for money, the cost for which this might be supplied, and the timescale in which it could happen.
- 7.3 Once the consultants are appointed, an inception meeting will be held to refine the timetable and methodology for the research. Following this, GLA officers will be in regular contact with the researchers to ensure that the outputs described in the project brief are delivered.

Activity	Timeline
Distribution of brief to consultants	Early March 2017
Appointment of consultants	Mid March 2017
Delivery start date	Mid March 2017
Completion of report	April 2017

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? NO**

The decision form contains sensitive information that could influence the procurement process – in particular details of the GLA's maximum budget for this work

Until what date: (a date is required if deferring):

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form –NO

ORIGINATING OFFICER DECLARATION:

Drafting officer
to confirm the
following (✓)

Drafting officer:

Dominic Curran has drafted this report in accordance with GLA procedures and confirms that the Finance and Legal teams have commented on this proposal as required, and this decision reflects their comments.

✓


Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 13 March 2017.

HEAD OF FINANCE AND GOVERNANCE:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:



Date:

13.03.17

Appendices and supporting papers:

Appendix 1 –Overseas buyers in new build purchases and empty homes research brief

Brief: Overseas investors in new build purchases and empty homes in the London residential property market

1 Summary

- 1.1 There are public concerns about the role that overseas money plays in London's property market. The GLA wants to ensure any discussion of policy responses is underpinned by clear evidence and understanding, and so it has commissioned the London School of Economics to undertake a piece of work to review the scale and nature of overseas investment into London's residential property market. The brief for this is set out here: <https://www.london.gov.uk/what-we-do/housing-and-land/housing-and-land-publications/overseas-investors-london-residential>
- 1.2 Specifically, this work looks at the proportion of new homes that are bought by overseas buyers, the extent to which those homes are occupied or kept empty, the reliance of development viability on overseas sales of new homes, and the contribution of overseas financing of development toward housing supply.
- 1.3 The research that has been commissioned is looking in broad terms at the first two issues. The GLA wishes to supplement this with a further piece of focused research that gathers and analyses data on the extent to which overseas buyers buy new homes and the extent to which those homes are kept empty. This brief sets out the requirements for this research, which is intended to complement its broader research into overseas investment into London's property market.
- 1.4 In addition to this research, the GLA is drawing together other sources of information that may be of use in developing policy, including planning and legal advice, and international comparisons of how other world cities are responding to similar public concerns. The GLA is also working with the Government on their research into the transparency of foreign ownership of property.

2 Background and policy context

- 2.1 The issue of overseas buyers buying London homes has received an increasing amount of media attention in recent years. For example, there have been several press reports about the scale and nature of overseas buyers, often in high profile developments or locations such as One Hyde Park¹, Nine Elms², St George's Tower³ and Bishops Avenue⁴, and often suggesting that homes are bought and deliberately kept empty (the so-called 'Buy to Leave' phenomenon). However, much of the existing research into overseas buyers tends to be limited and increasingly historic in nature.⁵

¹ <https://www.theguardian.com/money/2013/sep/27/one-hyde-park-sold-but-unoccupied>

² <http://www.thisismoney.co.uk/money/mortgageshome/article-2340858/85-homes-Central-London-sold-overseas-buyers.html>

³ <https://www.theguardian.com/society/2016/may/24/revealed-foreign-buyers-own-two-thirds-of-tower-st-george-wharf-london>

⁴ <http://www.standard.co.uk/news/london/londons-3bn-ghost-mansions-foreign-investors-are-using-capital-s-finest-homes-as-real-life-monopoly-9128782.html>

⁵ For example: 'Savills World Spotlight: The World in London 2013'; 'Creating the Conditions for Growth', LSE, 2013; 'International Buyers in London', Knight Frank, 2013; 'Who Buys New Homes in London and Why?', Molior/BPF, 2014

- 2.2 The limited available evidence suggests that sales to overseas buyers are highly localised, with 'prime central London' accounting for a relatively high proportion of such purchases.⁶ Knight Frank has suggested that almost half of new build sales in 'prime central' London in 2012 were to buyers resident overseas.⁷ Savills reported that, in 2012, of all sales in prime central London, 46% were to people born overseas (however, it is not clear whether they were resident overseas or in London).⁸
- 2.3 The Mayor is committed to improving access to new and affordable homes for Londoners and various different policy options are being looked at to address this. On 30 September, the Mayor announced that he wanted to commission the "most thorough research on this matter ever undertaken in Britain", saying that there were "real concerns" over the number of homes bought by overseas buyers in London.⁹
- 2.4 Given the importance of overseas buyers in development, and given the uncertainty in the housing market following a number of taxation changes and the recent vote to leave the European Union, it is vital that any policy that seeks to support Londoners' access to new homes has a robust evidence base and is developed with a clear understanding of the extent of overseas buyers of new homes, and their role in empty homes.

3 Scope of the project

- 3.1 The research will consider two specific questions:
- i. What proportion of new homes is sold to buyers who are resident overseas?
 - ii. What proportion of new homes is kept empty and how many of these are owned by foreign buyers?
- 3.2 The intention of the research is not simply to map the nationality of property ownership in London. Rather it is to assess the extent to which homes bought in London are owned by people not normally resident in the city. Therefore, for the purposes of this research, 'overseas buyers' would ideally be defined as people whose principal residence is outside of the UK. This will therefore include UK nationals living abroad for a period of time but exclude foreign nationals who are normally resident in London.
- 3.3 The research should focus on sales and occupancy of new homes.
- 3.4 The GLA is also open to other value-adding information that the research organisation is able to provide. If there is such information that could be provided this should be detailed along with any additional cost that may be associated with gathering it.
- i) *What proportion of new homes is sold to buyers who are resident overseas?*
- 3.5 There is limited public information regarding the origin or current residency of purchasers of homes in London. Reports referenced in paragraphs 2.1 and 2.2 set out some data on sales of new homes in central London, but these are limited in scope – mapping only parts of 'prime' central London – and reflect the property market in 2013 at a different point in the development cycle.

⁶ Different estate agencies tend to use different definitions of what constitutes 'prime central' London, but it generally means London west of the City, east of Fulham, north of Nine Elms and south of Regent's Park.

⁷ Knight Frank, (October 2013), 'International Buyers in London'

⁸ 'A World in London', Savills 2013

⁹ <https://www.theguardian.com/cities/2016/sep/29/london-mayor-sadiq-khan-inquiry-foreign-property-ownership>

- 3.6 The research will build up a thorough evidence base recording the proportion of new build homes in London sold to buyers resident overseas. Ideally, it should determine:
- The proportion of new build homes in London sold to buyers with overseas addresses;
 - The country/region of origin of purchasers;
 - The locations of the homes sold to overseas buyers, especially any recent trends, such as increases in such sales in outer London;
 - The price points at which homes are sold – i.e. whether sales are concentrated in higher value areas or property types;
- ii) *What proportion of new homes is kept empty and how many of these are owned by foreign buyers?*
- 3.7 There is limited information on the number of empty homes in London. The data usually records long term empty homes that are derelict, rather than new homes that are barely lived in. The former is recorded by London Boroughs and reported by central government, and shows that the number of empty homes in London has fallen by more than 30% since 2004, from 87,000 to 60,000 homes, and that the number of long term empty homes (unoccupied for more than six months) has fallen by 50%, from 42,000 to 21,000 homes.¹⁰
- 3.8 However, some organisations have suggested that these figures do not accurately account for the scale of ‘buy-to-leave’ as these homes will tend to be occupied for at least part of the time and are less likely to be reported to the local authority as vacant.¹¹ Similarly, there are some media reports with anecdotal evidence of central areas of London where the local permanent resident population is felt to have fallen¹², but there is no comprehensive assessment of the extent of the phenomenon.
- 3.9 The most recent research in London on the issue of ‘buy-to-leave’ was undertaken by Islington as part of the evidence base for their 2015 Supplementary Planning Document (SPD) ‘Preventing Wasted Housing Supply’, which introduced an occupancy requirement on new developments as a condition of planning permission.¹³ The council cross-referenced electoral roll data with Council Tax records and Land Registry data to identify the levels of ‘unexplained’ non-registration on the electoral roll in market sector properties, and used this data as a proxy for vacancy. The SPD acknowledges that some of the developments that had no-one registered to vote living in them may have been nonetheless occupied.
- 3.10 The research undertaken for the SPD was focused on the borough of Islington. Research with the same objective will need to be undertaken over a much broader sample of homes across London to build up a picture of the extent to which new homes bought by overseas buyers are not occupied.
- 3.11 Ideally, the information that research will need to ascertain is:
- The extent of non-occupancy of new homes;
 - The locations of those homes;
 - The extent to which those homes are owned by overseas buyers;

¹⁰ DCLG Table 615

¹¹ Empty Homes, ‘Empty Homes in England’, 2015

¹² <https://www.theguardian.com/uk-news/2015/jan/25/its-like-a-ghost-town-lights-go-out-as-foreign-owners-desert-london-homes>

¹³ London Borough of Islington, ‘Preventing wasted Housing Supply’ 2015

4 Key partners

4.1 The key partners for this project are listed below, with an outline of their role:

- **GLA** – the GLA is London’s strategic housing and planning authority, with responsibility for drawing London’s spatial development plan and ensuring that policies are put in place to support delivery of housing to meet London’s housing requirements and the well-being of Londoners;
- **Holders of data sources** – such the Land Registry, who collect data on home ownership and purchase prices; and
- **Sales consultancies, e.g. Hometrack, Molior** – gather data on industry practice and sales prices and trends, and may help developing knowledge of industry practice.

5 Methodology

5.1 It is for consultants to propose what they consider to be the most effective methodology for addressing the objectives of the study. However, it is recognised that a number of research reports already exist in this subject, and the role of this project is not to repeat or duplicate any of these.

5.2 All the data collected in answering the research questions should be collected by geographical area, ideally at a borough level, to aid cross-tabulation of results across the two areas of research. Ideally the data would be a time series for the last five years if this is achievable within the budget available. If not, it should at least cover the previous two years to give a snapshot image of the scale of the issue in London.

5.3 In responding to this brief, there are a number of ways that researchers could gather the evidence needed to answer the questions above. Below we set out some of the data sources and methodologies that could be used, though we welcome and encourage the inclusion of any other innovative sources of direct or proxy data to inform the research.

i) *What proportion of new homes is sold to buyers who are resident overseas?*

5.4 To find out the proportion of homes sold to buyers registered overseas, the required data could be collected using a sample of Land Registry records for recent sales and/or through access to sales databases for estate agencies and/or developers, where they monitor data. The sample should be representative of Greater London’s new homes market as a whole. Reports produced on the subject by Knight Frank and Savills use a sampling methodology combined with access to sales data, and this method may be replicated if possible. Consultancies such as Molior also collect data on sale of private developments of over 20 units, and consultants may wish to draw on this database.

ii) *What proportion of new homes is kept empty and how many of these are owned by foreign buyers?*

5.5 To understand the nature of the ‘buy-to-leave’ phenomenon, datasets such as those discussed in paragraph 3.0 could be used, and a sample of developments could be taken in selected areas across the whole of London to build up a representative picture of the scale of the issue across the whole city. It is envisaged that this research would yield two datasets – one showing the proportion of empty homes in new developments, and another showing the proportion of these that are owned by buyers registered overseas.

6 Outputs

- 6.1 The project will have the following outputs and indicative timetable (the exact timetable will be agreed with the successful bidder and will be subject to the timetables of associated internal GLA processes):
- An interim report, to be presented to the GLA setting out initial findings from the research [January 2017];
 - A draft final report to be presented to the GLA for officers to review and comment upon [March/ April 2017];
 - A final report, which may be made public, setting out the findings in answer to the two research questions [March/ April 2017].
- 6.2 Data and research findings should be presented in Excel or another format which enables cross-tabulation and interrogation after the research has been completed. All data, including that which is not used in the final report, will be made available to the GLA for retention and subsequent analysis.
- 6.3 Findings and recommendations should be set out in a report of publishable standard. This should be concise and written in plain English, and include the following: an executive summary, a description of the project methodology, assumptions and findings. The contractor will be required to provide robust evidence to support the findings.

7 Timetable

- 7.1 A full response to this brief should be emailed to Dominic Curran (dominic.curran@london.gov.uk) at the Greater London Authority's City Hall by no later than midday on 19 December 2016.
- 7.2 If the received bid is of a sufficiently high standard, the consultants may be invited to attend an interview on 20 December 2016.
- 7.3 Upon award of contract, the GLA will hold an inception meeting as soon as practicable and finalise the brief and other details of the project, including the timetable.
- 7.4 An indicative timetable is set out below:
- Stage 1 – Tenders submitted by: 19 December 2016
 - Stage 2 – Interviews: 20 December 2016
 - Stage 3 – Successful consultant appointed: 20 December 2016
 - Stage 4 – Complete draft final report: March/April 2017
 - Stage 5 – Sign off of final report: March/April 2017

8 Budget

- 8.1 The GLA is seeking proposals up to and around the value of £28,000 excluding VAT. Bids with a higher value than this may be accepted but they should offer a detachable demonstrated added value over and above the core research aims and outputs detailed in this brief. The GLA reserves the right to reject bids that are above this value, so bidders should give options in their bids accordingly.

9 Project management

- 9.1 The Project Sponsor is the Executive Director for Housing and Land and the project will be managed on a day to day basis by Dominic Curran, Senior Housing Policy Officer. There will be at least two meetings with the appointed consultants, at project inception, and final report stages.
- 9.2 In addition to these meetings, it is expected that the appointed consultants will maintain regular contact with the project manager, including through at least weekly telephone conversations/meetings as appropriate.
- 9.3 The research is being commissioned and managed by the GLA. It is expected that it will form the evidence base for the development of policy with regard to overseas buyers. This is likely to be considered by a Homes for Londoners (HfL) sub-group on overseas buyers. The final research may therefore be presented to the HfL sub-group in order for them to take it into account when making policy recommendations to the Mayor. Consultants should assume that they will be asked to present their findings to a group of stakeholders, and this should be included in the costs and project plan.

10 Announcement

- 10.1 On receipt of a satisfactory proposal, the successful organisation will be contracted using the GLA's standard purchase order terms and conditions, which are non-negotiable.
- 10.2 The successful organisation shall not sub-contract any part of the work without the previous consent in writing of the Project Manager at the GLA. The GLA reserves the right to view sub-contracts before consenting to them being let.
- 10.3 The GLA reserves the right to pay for work on the basis that it is satisfactorily completed.
- 10.4 The tender submission must describe your approach to safeguarding confidential information including any policies/procedures for handling sensitive documents and for protecting sensitive computer files from unauthorised access. Results and data from the work should not be made public without the prior written consent of the Mayor's office. The GLA will own the intellectual property rights for this research and resulting report.

Appendix 2 – signed ADD2062

Contact

Enquiries about any aspect of this project should be addressed to:

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