

MAYOR OF LONDON

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Dear Darren

London Assembly Plenary Meeting 2 April 2014: Draft Housing Strategy - Motion

Thank you for your letter of 3 April restating the London Assembly's motion at the Plenary session that considered my Draft London Housing Strategy. You asked me to respond to the five specific points raised in the motion.

London Housing Corporation

First, the motion asks that I set up a new "London Housing Corporation" and transfer the GLA's housing and regeneration powers to that body.

The Government devolved responsibility for housing investment and delivery to the GLA in April 2012, alongside substantial budgets and land holdings, in order to ensure the most effective delivery of housing in London. I am using these powers and landholdings to maximise housing supply overall, and to boost affordable housing specifically. Since 2008, we have delivered around 75,000 of the 100,000 affordable homes that I have pledged to complete by 2016 and since April 2012 contracts have been entered into for over 137ha of land with gross development value of £3.6bn. In addition, I have set up the Homes for London Board, in partnership with London Councils, to develop proposals to tackle London's housing challenges.

I do not accept that the arrangement proposed in the motion could better that record of delivery in the capital; nor does the Government, or it would have devolved those powers to such a quango, rather than directly to the GLA, and nor did the London Assembly and London Councils when they jointly signed the letter with me in July 2010 proposing to Government exactly the arrangements this motion now proposes to extirpate. I do not think that the interests of Londoners would be best served by expending effort on bureaucratic reorganisation and setting up a new quango when we should be focusing all our attention on building on our excellent achievements to date.

Affordable Rent

Secondly, the motion rejects the Affordable Rent model and proposes that I should reallocate funding for rented homes to a lower rent product.

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The Government and I are clear that the Affordable Rent Programme is the best way to maximise delivery of sub-market housing with a limited amount of public grant. The National Audit Office (NAO) confirmed this in its July 2012 report which stated that the programme 'maximised benefits and the number of homes it could deliver within the £1.8 billion grant funding'. The courts also recently backed our position against some boroughs who sought to challenge my amendments to the London Plan using similar arguments. Were funding only available for social rent homes, far fewer homes would be delivered, helping house fewer people and therefore contributing less to meeting London's housing needs.

While the Assembly says it is concerned about perceived higher rent levels in the programme, it should be noted that the average rent across London for homes in the Affordable Rent programme is only 65 percent of market rent, all of the homes are below the LHA rent cap and many of the larger, family-sized homes are at or close to target rents. Given these safeguards, and given that the Government, the NAO and the courts agree with my position, I do not accept the motion's proposal that we should refocus investment in a way that could only reduce the overall supply of sub-market housing.

Family sized homes

Thirdly, the motion proposes that I should set targets for larger affordable homes of more than three bedrooms in size.

I recognise the need for such homes in London, and my draft Housing Strategy makes clear what the expected need for these will be in the coming years. To meet this need, I am making funding available for substantially larger homes (four bedroom plus) in the 2015-18 programme and have committed to a long-term aim to deliver larger family sized homes in line with the assessed needs of Londoners. My 2015-18 funding prospectus seeks to increase the overall supply of affordable housing and specifically seeks bids for 36 per cent of 'discounted' rented homes to be three bedrooms or larger. Where there is a specific local need, providers are encouraged to make provision for even larger homes, of four or more bedrooms. Alongside this, the strategy contains a range of proposals to ensure the more effective use of the existing family sized affordable homes. I believe that this more widely-based approach will achieve more than simply setting artificial targets that do not necessarily relate to the practicalities of delivery on the ground.

Private rent

Fourthly, the motion asks me to bring forward proposals for rent stabilisation in the private rented sector and specifically to pilot a statutory mechanism to make these apply across the sector.

I am keen to see landlords testing new and innovative tenancy agreements that will deliver more certainty for tenants. The assured shorthold tenancy regime is flexible enough to accommodate longer tenancies, as well as more certainty over rent increases. Some larger landlords are already providing this, with my support, such as Get Living London at East Village, Genesis at Stratford Halo and Thames Valley's Fizzy Living scheme. All those developing purpose-built private rented sector homes under the Build-to-Rent fund in London will be expected to offer an option of longer tenancies.

However, I believe that making rent controls compulsory across the whole sector would only have the effect of driving down investment and therefore, supply, and I do not believe that constraining the market in this way would be productive.

Overseas investment

Finally, the motion asks me to undertake research into overseas investment in the housing market.

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There is no shortage of research on this matter, and all of the available research has broadly the same findings. That is, any such impacts are highly localised in the prime central London market and on balance overseas investment does not cause harm to London's housing market, but rather helps it in many ways. The London School of Economics estimates that overseas buyers account for about 6.5 percent of total transactions by value in London, while the Bank of England estimates that it accounts for around 3 percent of all property transactions by number – too small to have significant impacts on the wider market. All the research into how the homes bought by overseas investors are used, including that by Savills, Knight Frank and Molior, shows that around 85 percent are occupied as main homes or rented out, with around 15 percent being second homes. So the buy-to-leave phenomenon is very much exaggerated, although I am clear that where owners do leave properties empty, local authorities should use their powers to increase council tax on these homes.

The research also shows that, without this investment, much of which is off-plan at early stages of development, many of these developments would not come forward at all. That would mean that they would not contribute to London's housing supply, including the affordable homes that these developments support. So, given that all the existing research and evidence points to the same conclusion, namely that overseas investment does not on balance cause harm to London's housing market but is generally beneficial, I am not minded to fund yet further research into the issue.

Yours ever,



Boris Johnson
Mayor of London