

# Westminster Housing Market Analysis: Final Report

Clients:  
**City of Westminster**  
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## Glossary of Housing Terminology

1. **Market Housing:** Existing or new homes built that are sold without any restriction on who buys them. They may be bought by owner occupiers or investors, so market homes will either be owner occupied or privately rented property.
2. **Affordable Housing:** Housing that is provided to eligible households whose needs are not met by the market, with eligibility determined with regard to local incomes and local house prices. This includes social rented, affordable rented and intermediate housing (see definitions below).
3. **Social Rented Housing:** Housing owned by local authorities and private registered providers for which guideline target rents are determined through the national rent regime. Such rents are set at below market rents and rental increases are set by a Government determined formula. In the Mayor's Housing Strategy this form of housing is broadly equivalent to what the Mayor refers to as '*capped affordable rent housing*' (see below).
4. **Affordable Rented Housing:** Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable rented housing is subject to rent controls that require a rent to be no more than 80% of the local market rent (including service charges, where applicable). The Mayor's Housing Strategy proposes two different forms of affordable rented housing provision – capped affordable rent and discounted affordable rent (see below for more details).
5. **Social Housing:** This phrase is used to cover both social rented housing and affordable rented housing. To a large extent these two housing tenures are very similar in that both may be used to house people in similar circumstances.
6. **Intermediate Housing:** homes for sale or rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared ownership (part ownership, part rent) or shared equity (where part of the equity in the home is owned by someone other than the occupier), other low cost homes for sale and intermediate rent, but not affordable rented housing. In the Mayor's Housing Strategy, the Mayor's reference to Low Cost Home Ownership (LCHO) falls under this category of intermediate housing.
7. **PRS Housing for Benefit Claimants:** Private Rented Sector (PRS) housing occupied by those who receive Housing Benefit to enable them to pay their rent to a private sector landlord. Generally those occupying PRS Housing for Benefit Claimants have a similar profile to those housed in social rented and affordable rented housing.
8. **Housing Requirement:** The overall requirement for new homes, both market and affordable housing, in a particular Local Authority Borough, within a defined time frame.
9. **Housing Need:** The number of people in need of affordable housing. This is broken down into the need for **subsidised rent housing**, comprising social rented, affordable rented, and PRS housing for benefit claimants; and the need/demand for intermediate housing, which may be further broken down into demand/need for LCHO and intermediate rent products.

The Mayor's Housing Strategy sets out proposals for three types of affordable housing provision, but uses slightly different terminology and indicates both the type of affordable housing product and who the Mayor envisages will be housed by each product. The way that each product is described is set out below. The text in bold is how each product is referred to in this report.

- A. **The Mayor's LCHO product:** Low Cost Home Ownership is to account for 40% of the Mayor's affordable housing target. This will '*primarily be flexible low cost home ownership products. This will be a mixture of shared ownership, shared equity, rent-to-save, or other intermediate models*'
- B. **The Mayor's Capped Affordable Rent Product:** Half of the affordable homes to rent (30% of the Mayor's affordable housing target) are to be provided at capped rents targeted at those most in need.
- C. **The Mayor's Discounted Affordable Rent:** The other half of all affordable homes to rent (30% of the Mayor's affordable housing target) are to be provided at discounted rents, set at no more than 80 per cent of market rent and prioritised for working households.

Sources: Wessex Economics (1, 5, 7, 8, 9); National Planning Policy Framework Annex 2 (2, 3, 4, 6); GLA, Homes for Londoners – the Mayor's Housing Strategy, draft April 2014 (A, B, C).





## 1. Introduction

1.1 This report was commissioned by the City of Westminster to inform the development of housing policies in Westminster. Wessex Economics was asked to research and provide policy advice on a range of topics. The overall scope of work can be summarised in the form of 7 questions:

- Is the methodology for housing market analysis set out in National Planning Policy Guidance appropriate given the many unique features of the housing market Westminster?
- What are the distinctive characteristics of the Westminster housing market that need to be given special consideration in developing housing and planning strategy for the City?
- What quantum of housing is required over the next 20 years in Westminster to meet demographic needs and how does this compare with past patterns of housing delivery?
- What is the need for affordable housing, including the overall number of homes required, and the size, type and tenure mix of such housing?
- Given the presence of many major Higher Education Institutions in the City, is there a need to provide additional student housing in Westminster?
- What are the longer term prospects for change in the housing market in Westminster? What are the drivers of change and areas of uncertainty?
- What are the implications of the Mayor's emerging Housing Strategy in Westminster?

**Figure 1: The Study Brief**

1. Provide commentary on the methodology for housing market analysis in the National Planning Policy Guidance and if it is considered fit for purpose in Westminster, because of the uniqueness of how the housing market operates the land constraints, the influence of the London and South East region housing market, and in fact the world market (regarding prime residential)
2. Highlight trends which impact on traditional assessments of housing needs (including analysis of migration patterns in Westminster and how high levels of migration of people coming to work in London for just a few years impact on assessments of our housing needs, when the reality may be young migrants are often happy to share properties with un-related people)
3. Comment on the student accommodation analysis estimated by Ecorys, taking into account the impact of the private rented sector and the fact that students are willing to study in Westminster but live outside (as evident by the University of Westminster's half of residence being outside the City)
4. Draw together and summarise Westminster's market, social rented and intermediate housing needs from a range of sources such as the Local Housing Market Study and the Housing and Intermediate Registers, and from these realistically estimate Westminster's housing needs over the next 5, 6-10 and 11-15 years by tenure and bedroom size. The estimate of market needs should take into account demand in the market, i.e. there may be low 'need' for market housing but high 'demand for it' and we need to plan for that demand
5. Comment on the City Council's ability to meet the Mayor's emerging housing target for Westminster of 1,068 units per year (up from the current target of 770) and the policy directions signalled in the Mayor's Housing Strategy
6. Make projections on the future of Westminster's housing market

1.2 This report is structured as follows:

- Section 2 provides commentary on the methodology for housing market analysis as advised in the National Planning Policy Guidance.
- Section 3 identifies those factors that affect the assessment of housing requirements and which may have a particularly significant impact on housing need in Westminster.
- Section 4 provides an overview of overall housing requirements (market and affordable) and a commentary on housing delivery.
- Section 5 examines the need for affordable housing including the numbers, size and type of affordable housing needed in the future.
- Section 6 examines issues around housing used by students and the implications for Westminster.
- Section 7 provides an analysis of the key drivers of change in the Westminster housing market and the pattern of likely change to 2036.
- Section 8 comments on the CoW's ability to meet the emerging London Plan numbers for new housing and the policies contained in the Mayor's Housing Strategy.

## 2. National Planning Policy Guidance and Housing Market Assessments

Provide commentary on the methodology for housing market analysis in the National Planning Policy Guidance and if it is considered fit for purpose in Westminster, because of the uniqueness of how the housing market operates the land constraints, the influence of the London and south east region housing market, and in fact the world market (regarding prime residential).

### 2.1 Introduction

- 2.1.1 The National Planning Policy Guidance on the Assessment of Housing and Economic Development Needs was published in March 2014. It distils into 21 pages previous guidance contained in the Strategic Housing Market Assessment Practice Guide published by DCLG in 2007 (62 pages) and supporting Appendices (39 pages) and elements of the 112-page Employment Land Review Guidance published in 2004 by ODPM.
- 2.1.2 Given the much reduced detail in the NPPG on Assessment of Housing and Economic Development Needs, there is much greater scope for local authorities to determine how to go about *'objectively assessing and evidencing development needs for housing (both market and affordable)'*. The objective of the guidance as far as housing is concerned is to *'identify the future quantity of housing needed, including a breakdown by type, tenure and size'*.

### 2.2 The Housing Market Area

- 2.2.1 The NPPG presumes the assessment is being undertaken for the Housing Market Area, stating *'need for housing in the context of the guidance refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period'*.
- 2.2.2 London is not unique in England in having a two-tier system of local government. Outside of London there is the county and district structure. However, since the abolition of Structure Plans, County Councils no longer have any responsibility for development plan making, or any direct responsibility for housing. In contrast, the GLA has responsibility for preparing the London Plan and has responsibility for strategic housing issues.
- 2.2.3 London is unique in England in having a two tier planning system, with the GLA responsible for strategic planning. The National Planning Policy Framework (NPPF) and NPPG do not directly address the respective responsibilities of GLA and Boroughs in Plan making. The GLA clearly has primary responsibility for preparing a SHMA, since it is the only authority capable of taking a full London-wide view of the housing needs of the market area as a whole; and the legislative basis of the GLA means that Boroughs have to prepare their plans in accordance with the London Plan.
- 2.2.4 The NPPG acknowledges that many housing market areas may have smaller sub-markets with distinctive features – which is certainly true of Westminster; and that it is appropriate to evidence

how those distinctive features shape the pattern of demand and supply for housing within those sub-market areas.

- 2.2.5 The NPPG is not prescriptive, and therefore allows CoW to identify the particular nature of the housing market in its area and to craft policies in the light of this analysis. However, these will need to be in broad conformity to the London Plan. The emphasis of the NPPG is simply that policies must be based on evidence, and any departures from standard methodologies justified. CoW is therefore free to determine what evidence it needs to provide to support its housing policies, subject to the overall requirement of conformity with the London Plan.

## 2.3 The London SHMA

- 2.3.1 The GLA has prepared a London Strategic Housing Market Assessment. This was published in January 2014, prior to the publication of the NPPG in March 2014. The SHMA is informing the preparation of the Further Alterations to the London Plan (FALP), which in due course will be incorporated into a new London Plan. This will set the overall target for delivery of new homes in London, and, at a high level, the quantum of housing required broken down by tenure, size and type. The SHMA identifies the housing needs of particular groups.
- 2.3.2 The Greater London SHMA<sup>1</sup> makes it clear that London Boroughs are responsible for identifying housing requirements at a local or sub-regional level in the context of London Plan policy. Specifically the SHMA states '*(the SHMA) estimates the number of new homes needed in London by tenure and type, and also includes detailed analysis of the housing requirements of important sub-groups of the population. All of these estimates are provided at the Greater London level only – the London Boroughs remain responsible for identifying housing requirements at a local or sub-regional level in the context of London Plan policy.*'

## 2.4 The Implications for Westminster

- 2.4.1 The London Plan, the London SHMA, and the emerging policy set out in the FALP all provide a context for the preparation of Westminster's City Plan. But there is nothing in the NPPG that indicates that policies as regards the size, type and tenure of new homes in Westminster have in some way to mirror the distribution identified as necessary for London as a whole. The only implicit requirement is that, when the plans of individual Boroughs are aggregated, they should reflect the requirements as set out in the London Plan/identified in the SHMA.
- 2.4.2 The NPPG acknowledges that many housing market areas may have smaller sub-markets with distinctive features (Section 2, see Heading '*What areas should be assessed?*') and that '*it may be appropriate to investigate these specifically in order to create a detailed picture of local need*'. The NPPG also recognises the need for particular focused analysis where there are unusual characteristics (e.g. high and volatile migration rates are mentioned but equally this could cover the role of international or prime buyers). (See the Heading '*Is there a single source that will identify the assessment area?*').

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<sup>1</sup> The London 2013 Strategic Housing Market Assessment, GLA, January 2014

- 2.4.3 This is what CoW has done through commissioning the Local Housing Market Study (LHMS) and this report. There will be no difficulty in persuading an Inspector that the City of Westminster has unique characteristics that merit particular investigation, and which may call for a different mix of housing in terms of size, type and tenures to that which might be appropriate in a different London Borough. The key requirement, as stated at the start of the NPPG, is to assess objectively and evidence *‘the needs for housing both market and affordable’*.
- 2.4.4 The emphasis throughout the NPPF is on objectivity and ensuring policy is supported by evidence; but with the helpful, if hard to define, statement that the assessment of development needs *‘should be proportionate’* (NPPG page 2 Heading *‘What is the definition of need?’*)
- 2.4.5 The NPPG does allow local authorities to depart from standard methodology, but *‘they should explain why their particular circumstances have led them to a different approach where this is the case.’* (page 2 Heading *Can local authorities use a different methodology?’*). In the CoW there are strong reasons why what might be regarded as standard methodologies (though these are not always specified in the NPPG) are inappropriate. Work as part of this assignment illustrates that this is likely to be the case in Westminster.
- 2.4.6 This study has looked at the nature of housing need in a rather different way to that used in the Local Housing Market Study. There are similarities in the approach, but when it comes to considering the size of social rented accommodation, much more weight has been given to the housing needs of those in priority housing need, rather than the totality of all those deemed to be in housing need, the majority of whom will not be able to access social rented housing.
- 2.4.7 Similarly, this study recommends that a market-led approach should be taken to determining the size of market homes, rather than an approach based on analysis of household size derived from demographic projections and the income of existing residents. This is because, on past evidence, the majority of new homes in Westminster are likely to be bought by investors rather than by owner occupiers, and many of those buying a home to live in themselves will not be existing residents of Westminster.
- 2.4.8 Moreover, wealth has as much a part to play in the patterns of demand in Westminster as income. Given the national and international dimensions of the market sector in Westminster, developers are best able to judge what type of homes will be in demand at any point in time. CoW will wish to maximise the delivery of new homes, both to minimise the identified deficit in capacity for new homes in London as a whole and to maximise affordable housing contributions in Westminster.

## 2.5 Conclusion

- 2.5.1 The NPPG is not prescriptive, and therefore allows CoW to identify the particular nature of the housing market in its area and to craft policies in the light of this analysis. However, these will need to be in broad conformity to the London Plan. The emphasis of the NPPG is simply that policies must be based on evidence, and any departures from standard methodologies justified. CoW is therefore free to determine what evidence it needs to provide to support its housing policies, subject to the overall requirement of conformity with the London Plan.



### 3. Issues in the Objective Assessment of Housing Need

Highlight trends which impact on traditional assessments of housing needs (including analysis of migration patterns in Westminster and how high levels of migration of people coming to work in London for just a few years impact on assessments of our housing needs, when the reality may be young migrants are often happy to share properties with unrelated people).

#### 3.1 Introduction

3.1.1 In this report the term 'housing requirements' is used consistently to refer to the overall requirement for both market and affordable housing. The term 'housing need' is used to refer to the need for affordable – that is subsidised – housing. This section focuses on the assessment of housing requirements and the factors that may make it more difficult to assess the overall housing requirements in Westminster because of the unique characteristics of the city.

#### 3.2 The Assessment of Housing Requirements

3.2.1 The approach used to assess housing requirements at housing market and local authority level has become fairly standardised. The key components, now reflected in the National Planning Policy Guidance, are as follows:

- ONS Population Projections and linked CLG Household Projections are the starting point for the assessment of housing requirements.
- Assessments may need to take into account any factors reflecting local demography and household formation rates not captured in past trends.
- An example of a possible factor that should be taken into account is whether there has been any past constraint in household formation rates.
- Consideration should be given to the implications of the relationship of anticipated job growth compared to labour force growth for housing requirements
- Consideration should be given to what market signals (e.g. prices, rents, affordability, overcrowding) are saying about the need for more homes.
- Finally, an assessment should be made of the need for affordable housing, and whether overall housing targets should be increased in order to enable delivery of more affordable homes.

3.2.2 As discussed elsewhere in this report, the presumption of the NPPG is that Housing Market Assessments will be undertaken for the Housing Market Area as a whole. Thus, the assessment of overall housing requirements should be undertaken at the London level, and the GLA has undertaken such an assessment. Individual Boroughs, however, also have responsibility for assessment, particularly to identify the size, type and tenure mix of homes to provide.

### 3.3 The Components of Demographic Change

3.3.1 In order to understand the challenge of the conventional approach to estimating housing requirements in Westminster it is important to understand the key components of household projection methodology:

- Projected population is based on assessment of two components:
  - Natural change which is the product of deaths and births, and
  - Net migration, comprising both domestic and international migration.
- Headship rates<sup>2</sup>, which are the proportion of people in each age group and household type who are the 'head' of a household; this defines the number of households associated with the population in each age and household type group.

3.3.2 The challenge of generating robust projections of total household requirements for Westminster can be discussed by focusing initially on each of these components and explaining why forward projections of past trends are less certain in Westminster than in other areas.

### 3.4 The Market Area

3.4.1 First, it is important to reiterate that population and household projections are progressively less reliable at higher levels of disaggregation. Thus, national projections are more robust than regional projections, which are more robust than housing market area projections. Housing market area projections will be more robust than individual local authority projections.

3.4.2 The reason for this is simply that housing market areas have a high level of self-containment in terms of household movements and are generally closely aligned with travel to work areas, which are areas with high levels of self-containment in labour market terms. It is reasonable to assume that an increase in the number of households in an HMA will require housing in that area.

3.4.3 By definition, any household projections for Westminster will be prone to greater error factors and higher uncertainty than the household projections for London. Consideration is given below to where the greatest sources of uncertainty lie.

### 3.5 Migration

3.5.1 Migration is the component of population change that is most susceptible to change. Population projections prepared around the millennium anticipated that the population of England and Wales would be unchanged by 2010, and might even have fallen. In fact, the population of England and Wales grew by 3.7 million between 2001 and 2011.

3.5.2 Official projections, which simply roll forward past trends, did not, could not, anticipate the scale of net in-migration of young working age people to England and Wales in the period 2000-10, and the knock on effects on birth rates. This serves to remind everyone that projections assume that the future reflects the experience of the recent past.

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<sup>2</sup> Technically now referred to as Household Representative Person (HPR) rates



- 3.5.3 ONS population projections are based on the average levels of net migration over the past five years. This is important to bear in mind, when there is the possibility that the UK might decide to leave the EU in the next five years. This might have very significant effects on migration patterns to the UK and could particularly affect migration patterns to and from London.
- 3.5.4 Westminster has high levels of international migration. The 2011 Census identifies that some 14,500 Westminster residents (around 6.6% of all Westminster residents) were living outside of the UK a year before Census Day. However, it might be that the sort of overseas nationals who move to live in Westminster would be the sort of people least affected by any significant tightening of migration controls, were the UK to leave the EU.
- 3.5.5 There are also very significant domestic migration flows into and out of Westminster, as shown in Figure 2. In the year to April 2011 around 11% of the population of Westminster moved out of the City (24,750 people), and 37,400 people moved into the City, the equivalent of 17% of the April 2011 population. This implies a net gain in population in the City due to migration of 12,650; though this does not necessarily mean the population of the City grew by this amount since it may have been offset by a fall in natural population growth.
- 3.5.6 It is also worth noting that some 13,800 people moved within Westminster in the year to Census Day 2011, around 6.3% of the population. When combined with the outflow of people, this means that around 17.5% of the population of the 2010 Westminster population moved home by end March 2011. The combined inflow of people and movement within Westminster means that around 23% of the 2011 resident population had moved into a new home in Westminster in the previous year.
- 3.5.7 With such large annual migration flows, even small changes in the age, sex, and income profile of migrants can generate significant change in the resident profile of the City. They can also lead to quite rapid change in other factors, such as birth rates, that determine anticipated population growth. The large volume of international moves into and out of Westminster is an additional factor that makes it difficult to predict population change in Westminster.
- 3.5.8 The composition of Westminster residents is therefore less stable and very much less predictable than in areas where natural change accounts for the majority of demographic growth or decline. Projections of population change are most predictable in areas where natural population growth is the major component of change, since the age profile of the population is predictable, because birth and death rates and rates of household formation are stable.

Figure 2: Domestic Migration Flows in Westminster 2010-11



3.5.9 In contrast, in an area like Westminster where there is high mobility, the population is only really predictable with any accuracy if the overall numbers and the composition in terms of the age and sex balance of migrants stay the same year by year. While there may be much stability in the age and sex composition of migrants (in-migration of younger age cohorts, out-migration of older cohorts), there is the possibility of quite rapid changes in either overall numbers, or the age composition of migrants, particularly when there are large numbers of international migrants.

3.5.10 It must also be understood that data on migration numbers are much less robust than data on the established resident population of any area. Moreover, data are better on domestic migration than international migration. Given that London as a whole, and Westminster in particular, has very high levels of international migration, this means that population numbers and the projections based on Census numbers are all susceptible to significant error factors.

3.5.11 In passing, it is worth noting that the strongest migration links between Westminster and other areas are as follows:

- The great majority of domestic in-migrants come from inner London, principally (in order of importance): Kensington and Chelsea, Camden, Islington, Brent, Hammersmith and Fulham, Tower Hamlets, Lambeth, Southwark, and Wandsworth. The fact that in-migration is dominated by people moving from areas of lower housing cost suggests that in-migration is dominated by those with wealth and good incomes.
- The great majority of out-migrants from Westminster go to pretty much the same list of authorities: Kensington and Chelsea, Camden, Hammersmith and Fulham, Brent, Wandsworth, Tower Hamlets, Islington, Lambeth Southwark, and Barnet. Overall, there is a net outflow to these authorities from Westminster.

- The fact that there is a net inflow to Westminster of domestic migrants, but a net outflow of Westminster residents to inner London Boroughs, demonstrates the overall balance of a net inflow into Westminster from across the UK. So, large numbers of people move in from a very wide range of places in the UK to live in Westminster.
- 3.5.12 It is worth noting that the GLA has also identified at the London level that ONS population projections may not appropriately reflect future population growth in London. At the London level the issue is that the 10-year trend of net migration to and from London is very different to the five-year trend on which the ONS projections are based. Migration patterns at the London level over the past 5 years have been markedly different to those prevailing in the 5 years before 2008.
- 3.5.13 Prior to the economic downturn in 2008, there was a pattern of large scale net out-migration of Londoners into the Greater South East; since 2008 these numbers have dropped significantly. If migration were to revert to the pre-2008 trend, GLA estimate there would be a need to build 35,000 homes per annum in London over the next 20 years. If the migration trends remain as they have been since after 2008, the requirement is for 46,000 homes per annum. A high level of uncertainty therefore characterises forward planning for housing in London.
- 3.5.14 The GLA central scenario, which is the basis the GLA are proposing to use in the next version of the London Plan, is to plan for provision of 40,000 homes per annum in 2011-36. This assumes that there will be some reversion to the historic patterns of out-migration from London into the Greater South East area.

Population change in Westminster is subject to much greater uncertainty than in most other local authority areas due to high levels of both domestic and international in and out migration. Data on migration are much less robust than the components of natural population change (births and deaths) and are much less predictable because migration, and particularly international migration, is very susceptible to political and economic change.

## 3.6 Natural Change

- 3.6.1 The LHMS indicates that over the period 2008-12 natural change has contributed much more to population growth in Westminster than net in-migration, with natural change (the excess of births over deaths) contributing on average an additional 1,900 people per annum to the population of the Borough in the period 2008-12. Net in-migration has contributed to only around 200 people per annum to population growth.
- 3.6.2 This does not mean that migration is unimportant in influencing the pattern of population growth. At the national level this is very evident. A significant factor in the growth of the population of England and Wales since 2004 has been overseas, particularly EU, immigration. Migrants came as young adults, decided to stay in the UK and are now forming families. This has had a significant effect in boosting the birth rate, which feeds through into population projections.
- 3.6.3 The LHMS data presented are based on 2008-12 migration flows, which as discussed above are significantly at odds at the London level with the pattern in the period 2003-07, when migration was

out of London to the South East. A key issue for policy makers is whether the trend of 2003-07 will re-establish itself now that the economy is in recovery.

- 3.6.4 One argument against the reversal of the trend of the past five years would be that London, and in particular Westminster, has become much more international. Residents of international origin may have a much stronger inclination to stay living in the centre of London, rather than pursue the time-honoured path of moving out to the suburbs favoured by the British.
- 3.6.5 There may also be cultural change within the British section of the population, partly with fewer couples having children, and childbearing in some sections of the population being delayed. The significant improvement in schools performance in London also removes one of the drivers that led family households to move out of central London.
- 3.6.6 The dramatic escalation in house prices in Westminster over the last 20 years may also have an effect on the representation of older people in Westminster. A number of older residents who are home owners may wish to realise the capital tied up in their home. Others, who are not home owners but have relative security in rented property, are likely to be replaced by younger age groups when they die, so the overall representation of those of retirement age in Westminster may well fall over time, despite the ageing of the UK population as a whole. This hypothesis would merit further study.

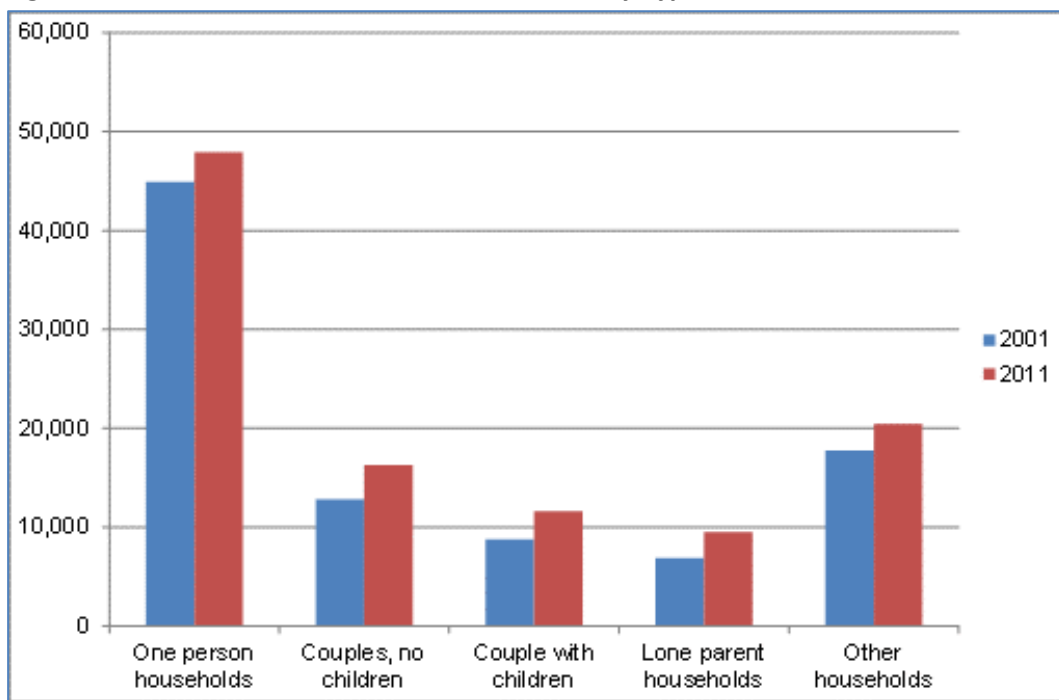
### 3.7 Household Formation and Household Types

- 3.7.1 High levels of in and out migration, and the potential for migrants to be concentrated in certain age and socio-economic groups, have the potential to produce change in the pattern of household formation in Westminster, and the balance between different types of household. Economic pressures associated with rising rents and house prices also influence patterns of household formation and the characteristics of households in Westminster compared to other cheaper parts of London.
- 3.7.2 Figure 3 identifies how household composition has changed over the period 2001-11 in Westminster. The figure highlights that single households are the most common household type; they account for 45% of all households (of which only 23% are older households aged 65 and over). Family households comprise 40% of all households split between couple households, couples with children and lone parent families. The 'other household' category, which comprises unrelated people who share accommodation, accounts for 14% of households in 2011. It is probable that the other household category is comprised mainly of young adults sharing housing.
- 3.7.3 Household projections will pick up on past trends in terms of changes in household type and composition. It is not as simple as saying that the CLG household projections will project forward the type of changes shown in Figure 3 for the next two decades. The propensity to form different types of households is in part age dependent, so the CLG Household Projections will take account of the changing composition of the population in forward projection of household types.
- 3.7.4 Demographic projections only deal in the age and sex profile of the population and different household types. A big challenge in projection methodology in a place such as Westminster is how

wealth and income is clearly a major factor in determining who lives and who owns residential property in Westminster.

- 3.7.5 Changing patterns of home ownership reflected in changing tenure patterns also have a significant impact on who lives in Westminster. In the last decade, the private rented sector has grown significantly, and now accounts for 43% of all households<sup>3</sup> (compared to 32% in 2001), and the proportion of households with permanent residents who are owner occupiers has fallen from 34% to 30% (see Figure 3).
- 3.7.6 Simple forward projection of past trends may mislead. However, it would be an expensive exercise to undertake alternative projections or forecasts. A better policy is simply to ensure that strategy and policy are nimble and capable of being adapted as new trends become apparent.

**Figure 3: Number of Households in Westminster by Type, 2001 and 2011**



Source: Figure 2.10, Local Housing Market Study, Ecorys

<sup>3</sup> Includes 3% of households living rent free

### 3.8 Housing with No Permanent Occupier

- 3.8.1 Around 12% of all homes in Westminster are recorded as having no permanent residents. This is another feature of the Westminster housing market that distinguishes it from other parts of London and the rest of the country. The extent to which new homes are bought by those who do not occupy them on a permanent basis is not known. However, to the extent that this is the case, then these new homes cannot be regarded as contributing to the demographically assessed need for new homes in London.

The task of anticipating the pattern of population and household growth in Westminster is made much harder than in many other parts of the London and the UK by high levels of international and domestic migration, large numbers of dwellings that are not in permanent occupation, and the fact that Westminster is just part of the UK's largest housing market – London. This would indicate the value of flexibility in strategy development and regular monitoring of change in the City.

## 4. Overview of Housing Requirements and Delivery

Draw together and summarise Westminster's market, social rented and intermediate housing needs from a range of sources such as the Local Housing Market Study and the Housing and Intermediate Registers, and from these realistically estimate Westminster's housing needs over the next 5, 6-10 and 11-15 years by tenure and bedroom size. The estimate of market needs should take into account demand in the market, i.e. there may be low 'need' for market housing but high 'demand for it' and we need to plan for that demand.

### 4.1 Introduction

- 4.1.1 Much confusion surrounds the terminology used in discussing the future provision of homes in a particular locality. In times past the term '*housing requirement*' was widely used in strategic planning to identify the overall level of housing required to accommodate a growing population. In parallel with this, an assessment would be made of '*housing need*', which focused on establishing the number of households unable to access market housing and hence in need of '*affordable housing*' (see glossary, page i).
- 4.1.2 The National Planning Policy Framework has introduced confusion by placing upon all planning authorities the requirement to use their evidence base to ensure that their Local Plan meets the '*full objectively assessed needs for market and affordable housing in the housing market area, as far as consistent with the policies set out in this Framework...*' (para 47, NPPF). In the context of the NPPF, '*need*' refers to the total requirement for market and affordable housing, essentially established through reference to demographic projections, informed by market signals, and taking into account economic development considerations.
- 4.1.3 In this report Wessex Economics uses the term '*housing requirement*' to refer to the total requirement for new market and affordable homes in Westminster; and '*housing need*' to refer to those who need access to subsidised housing – though the issue of whether all of the subsidised housing required would have to be provided in Westminster is considered in later sections of this report.

### 4.2 The Market Area

- 4.2.1 The NPPF, and accompanying guidance, is very clear that the assessment of overall housing requirements is to be assessed for the housing market area (HMA). Housing markets have been comprehensively and thoroughly mapped throughout the UK by the Centre for Urban and Regional Development Studies at Newcastle University on behalf of the former National Housing and Planning Advice Unit<sup>4</sup>. These studies show what any housing or planning practitioner would acknowledge, that there is a single London housing market – albeit that its boundaries go beyond the administrative area of London.

<sup>4</sup> <http://www.ncl.ac.uk/curds/research/defining/NHPAU.htm>

- 4.2.2 Of course, London contains a number of sub-markets with distinctive characteristics. That is true of Westminster. But all would acknowledge that Westminster cannot be thought of as a self-contained housing market. Indeed, parts of Westminster are part of a global property market attracting investment and buyers from around the world.
- 4.2.3 Even in terms of the more 'normal' parts of Westminster, there are substantial inflows to Westminster of people from outside London and then move away, often to relatively cheaper parts of London. Particular problems therefore arise when seeking to think about the housing market in Westminster alone – particularly so when considering the requirement for market housing, as distinct from affordable (subsidised) housing.

### 4.3 Housing Requirements in London

- 4.3.1 The GLA have prepared London wide and Borough level demographic projections through to 2041. The GLA have highlighted significant issues with the 2011-based interim CLG Household Projections. New Sub-National Population Projections (SNPPs) were issued in May 2014 by the ONS based on a full assessment of the 2011 Census (unlike the previous interim SNPPs) and CLG is expected to issue revised household projections sometime in 2015. It is expected that GLA will update their projections in the light of the new CLG projections.
- 4.3.2 However, the GLA highlights that there is significant uncertainty about the scale of projected household growth in London associated with different migration assumptions. In essence, if migration patterns revert to the pattern of the period prior to the 2008 downturn, then many more households can be expected to move out into the Greater South East than assumed in the CLG projections. This would substantially reduce the estimate of total housing requirements for London based on demographic projections.
- 4.3.3 The GLA have therefore produced three variant population projections based on different levels of projected growth, distinguished by different assumptions regarding migration between London and the Greater South East. Figure 4 shows the anticipated growth in households over the next 20 years based on these three scenarios for London. The central scenario assumed demographic growth of some 40,000 households per annum, but with a much higher average annual growth in households in the first 10 years of the period (50,000 additional households 2011-16, and 43,000 households per annum in 2016-21).
- 4.3.4 The latest GLA thinking, undertaken as part of the process of Further Amendments to the London Plan (FALP), implies providing for around 49,000 to 62,000 new homes in London per annum, which includes allowance for catch up on the backlog of under-provision. The new GLA Strategic Housing Land Availability Assessment identifies capacity for 42,000 dwellings per annum – which is between 7,000 and 20,000 homes per annum short of assessed need. Moreover, delivery in London has not averaged more than 25,000 units per annum over the past decade and longer.
- 4.3.5 These statistics highlight that there is little point at the London level in debating whether the requirement is 40,000 homes or 60,000 homes. The priority must be about boosting delivery, rather than on expending energy of the precise quantum of housing required. Similar considerations apply in Westminster.



Figure 4: GLA Household Growth Projections for London 2011-36

	London		
	Low	Central	High
2011-16	245,700	245,700	245,700
2016-21	186,700	214,100	241,700
2021-26	158,100	189,900	222,300
2026-31	147,500	176,500	206,400
2031-36	133,800	160,300	188,100
<b>Total 11-36</b>	<b>871,800</b>	<b>986,500</b>	<b>1,104,100</b>
	Average Dwellings pa Required		
2011-16	49,100	49,100	49,100
2016-21	37,300	42,800	48,300
2021-26	31,600	38,000	44,500
2026-31	29,500	35,300	41,300
2031-36	26,800	32,100	37,600
<b>Av dph 2011-36</b>	<b>34,872</b>	<b>39,460</b>	<b>44,164</b>

Source: GLA 2013 Round Household Projections, Wessex Economics

Note: Figures rounded to nearest 100

#### 4.4 Housing Requirements in Westminster

- 4.4.1 The most recent GLA household projections for Westminster anticipate household growth of between 15,400 to 21,500 dwellings over the period 2011 to 2036 – an average annual increase of between 600 and 860 households (see Figure 5). This implies delivery of between 600+ and 860+ new homes simply to keep up with anticipated household growth.
- 4.4.2 The central demographic projections indicates that the City of Westminster needs to plan for provision of some 740 dwellings per annum (dpa) in the period 2011 to 2036, albeit that the requirement is for 1,100 dpa in the period 2011-16, and 800 dpa in the period 2016-21<sup>5</sup>. These figures compare with the target for provision of 770 dpa contained within the current (2011) London Plan.

<sup>5</sup> Source: GLA 2013 Round, Household Projections, Central Projections, Wessex Economics – see Main Report, Figure 6

Figure 5: GLA Household Growth Projections for Westminster 2011-36

	Total Dwelling Requirement		
	Low	Central	High
2011-16	5,500	5,500	5,500
2016-21	3,200	4,000	4,900
2021-26	2,400	3,300	4,100
2026-31	2,300	3,000	3,700
2031-36	2,000	2,600	3,200
<b>Total 11-16</b>	<b>15,400</b>	<b>18,400</b>	<b>21,500</b>
	Average Dwellings pa Required		
2011-16	1,100	1,100	1,100
2016-21	600	800	1,000
2021-26	500	700	800
2026-31	500	600	700
2031-36	400	500	600
<b>Av dph 2011-36</b>	<b>616</b>	<b>736</b>	<b>860</b>

Source: GLA 2013 Round Household Projections, Wessex Economics  
 Note: Figures rounded to nearest 100

- 4.4.3 Over the last 14 years an average of 1,044 housing units per annum have been delivered in Westminster, comprised of an annual average total of 823 new self-contained homes, 68 non-self-contained housing units, and 154 vacant properties brought back into use (see Figure 6). Over the medium term CoW has therefore been able to deliver more homes than required by the current London Plan and at a higher rate than the demographically driven long term requirement.
- 4.4.4 In the context of an overall shortfall across London in planned housing supply relative to demographic projections, the GLA has undertaken a high level assessment of capacity for new housing development as part of the pan-London Strategic Housing Land Availability Assessment (SHLAA). The GLA has agreed with CoW that there is capacity to deliver 1,068 additional homes per annum in Westminster. The figure of 1,068 homes includes all sources of supply including non-self-contained units and success in bringing empty property back into use.
- 4.4.5 Were Westminster to adopt a target of delivering 1,068 additional housing units per annum, this would represent a modest (2%, or 24 units per annum) uplift on the actual levels of housing delivery achieved over the past 14 years, and a 5% uplift (51 units per annum) on the average number of units delivered over the past 10 years. It would be some 21% higher than the average number of homes delivered over the past 5 years. The target of delivering 1,068 additional housing units is therefore deliverable assuming there is an enduring increase in completions compared to the past 5 years and, with a relatively modest uplift on the level of completions achieved over the longer term (10 and 14 year periods).

Figure 6: Housing Completions in City of Westminster 2000-13

	Net New Housing Units	of which Affordable Homes	of which Market homes	Non-Self Contained Units	Vacant Returned to Use	Total All Supply
2000	1,156	385	771	143	81	1,380
2001	912	301	611	0	81	993
2002	537	347	190	80	81	698
2003	1,286	154	1,132	12	81	1,379
2004	539	153	386	145	113	797
2005/06	1,631	243	1,390	-25	175	1,781
2006/07	630	20	610	401	240	1,271
2007/08	720	132	590	44	250	1,014
2008/09	712	231	481	-26	220	906
2009/10	683	381	302	267	100	1,050
2010/11	751	152	599	-64	183	870
2011/12	834	71	763	7	183	1,024
2012/13	593	125	468	-115	183	661
2013/14	532	46	486	80	183	795
Total	11,516	2,741	8,779	949	2,154	14,619
Average pa 2000-14 (14 years)	823	196	627	68	154	1,044
Average pa 2004-14 (10 years)	763	155	608	71	183	1,017
Average pa 2009-14 (5 years)	679	155	524	35	166	880

Source: City of Westminster; Note The figures in this table differ from those published in Westminster's City Plan: Strategic Policies (Appendix 4) due to more accurate completion data coming direct from Registered Social Landlords and the Housing Corporation via the London Development Database allowing for more cross checking.

Note also that the figures for Non-Self Contained and Vacant Returned to Use Units between 2000 and 2004 are estimates based on known averages from past delivery periods

- 4.4.6 Achievement of the 1,068 target for additional housing supply will be assisted by the fact that the demand for market homes from investors and owner occupiers in Westminster is robust, and likely to remain so into the future. However, the development process is complex in Westminster because of the dense urban character of the city, and the interaction between residential and commercial development markets.
- 4.4.7 It must also be acknowledged that the housebuilding industry is currently facing delays in delivery of materials, skills shortages and cost pressures, at current levels of output. It could take time to build up to delivery of 1,068 units per annum. Thus, to hit the overall targets for the period 2011-2036, output might have to exceed the annual average for a number of years to compensate for any years in which output is below average.
- 4.4.8 On the other hand, it should be noted that under all scenarios the GLA demographic projections identify a requirement for at least 1,100 new homes in the period 2011-16 to meet anticipated growth in household numbers. Average delivery rates of housing from all sources over the past five and 10 years (see Figure 7) have fallen short of this level of housebuilding (880 homes per annum

over the past five years and 1,017 homes each year over the past 10 years). To meet a demographic determined requirement of 1,100 new homes per annum in the period 2011-16, will require development of 5,500 new homes. 2,480 homes have been built in the first three years of this period, leaving a requirement to deliver 3,020 new homes in the period 2014/15 and 2015/16 to achieve the requirement or 1,510 units in each of these two years.

**Figure 7: Historic Housing Completion Rates and Future Requirements**

	Total Additional Supply	Average Additional Supply pa
<b>Historic Additional Housing Supply</b>		
<i>2000-2013/14 (14 Years)</i>	14,619	1,044
<i>2004-2013/14 (10 Years)</i>	10,169	1,017
<i>2009/10-2013/14 (5 Years)</i>	4,400	880
<b>Housing Requirements</b>		
<i>Demographic Requirement</i>		736
<i>Capacity Constrained Target</i>		1,068

Source: City of Westminster

- 4.4.9 Given the extent to which delivery in London has fallen well behind assessed requirements for new homes, and the strong track record of delivery in Westminster, the CoW is being pressed to set higher targets to make up for other parts of London where securing delivery is more challenging. The GLA has undertaken a high level assessment of capacity for new housing development as part of the pan-London Strategic Housing Land Availability Assessment (SHLAA), and has agreed with CoW that there is capacity to deliver 1,068 new homes per annum in Westminster.
- 4.4.10 Although the average number of homes completed in Westminster over the 14-year period 2000-14 was 1,044 homes, Figure 6 highlights the challenge in consistently delivering 1,068 homes year in year out over the 22-year period to 2036. There have been six years where the total number of new homes has not even been close to the capacity-determined target of 1,068 units (more than 100 units short).
- 4.4.11 The contribution to supply made by vacant properties returning to use is only contributing to net supply if it is continually driving down the overall vacancy rate which cannot be done indefinitely. Therefore, it should be expected that this source of supply will eventually dry up.
- 4.4.12 Non-self-contained housing such as student accommodation, hostels and older people's accommodation in properties typically classified as residential institutions (C2 use class) or sometimes as hotels (C1 use class) are excluded from forecasts of household growth since they are classed as living in an institutional setting – though such housing provision may relieve pressure in parts of the mainstream housing market. For example, provision of purpose built student accommodation may reduce pressure in the private rented sector and so are included in total delivery figures. However, non-self-contained housing units are vulnerable to large losses owing to the potential for conversion to self-contained housing.

4.4.13 It should be noted that the GLA demographic forecasts are not in any way an assessment of market demand for housing in Westminster. They are derived from demographic projections and therefore essentially reflect, among other things, past patterns of levels of housing development, as well as projecting forward past patterns of social change (migration, birth rates, household formation, etc) in the City.

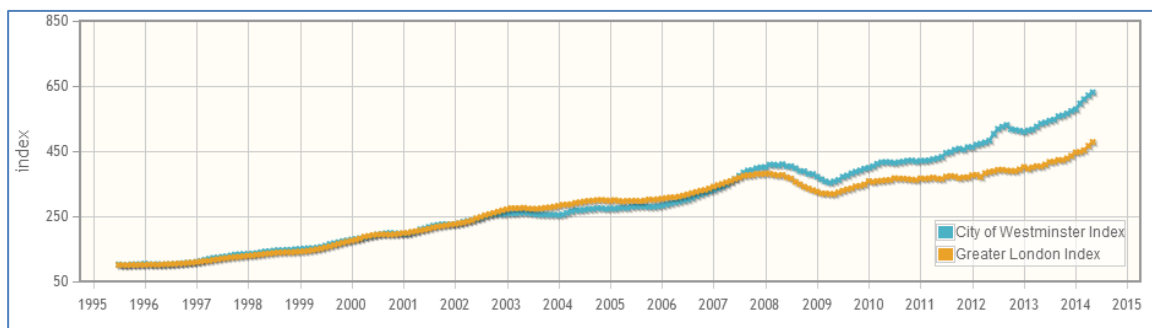
4.4.14 It is also critical to be aware that the household projections give very little insight into how the requirement should be met in terms of different types of tenure and size of property. Yet, more so in Westminster than many other areas, the patterns of demand and need are strongly differentiated by tenure, which has major implications for the size and type of property that should be provided (either in terms of market housing or affordable housing).

#### 4.5 The Requirement for Market Housing in Westminster

4.5.1 The NPPF and supporting guidance indicates that Objectively Assessed Housing Need should be assessed by reference to demographic projections and market signals such as price movements and affordability; and that in setting overall housing targets consideration should be given to the needs of the economy, and the need for affordable housing.

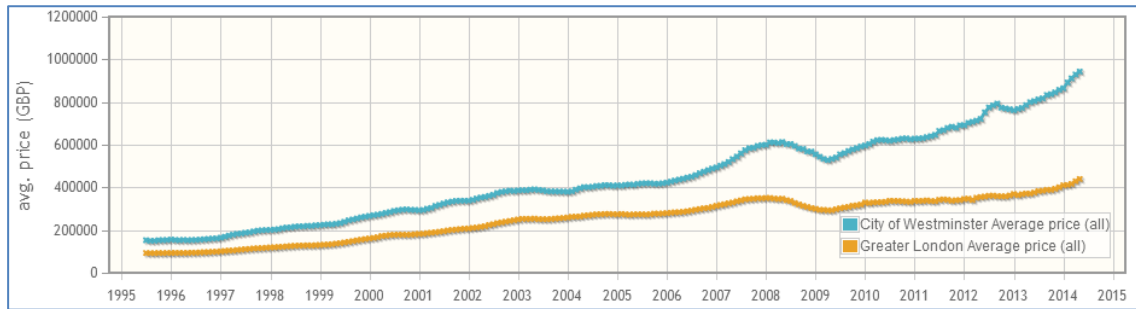
4.5.2 Demand for market housing is very high in Westminster – as evidenced by very rapid house price growth since 2009 and consistent growth over a much longer time frame (see Figures 8 and 9). This reflects the intrinsic appeal of many parts of Westminster and excellent accessibility to all of central London from most parts of the City.

**Figure 8: City of Westminster and London House Price Index 1995-2014**

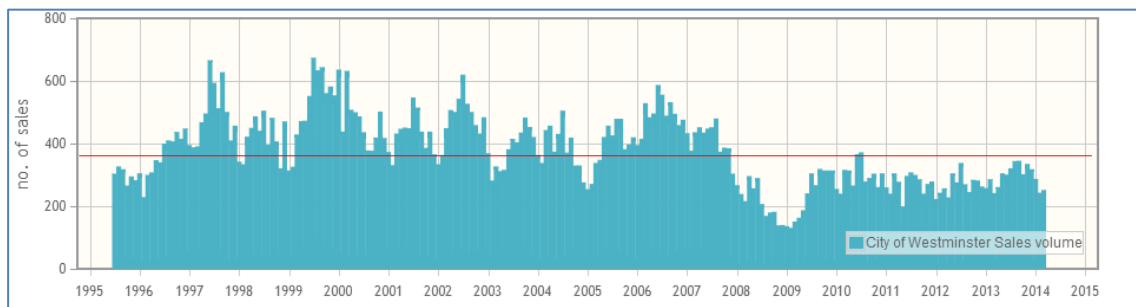


Source: Land Registry House Price Index

4.5.3 It is important to appreciate that over the last five years house prices in Westminster have risen substantially (see Figure 9) while transactions volumes have remained at well below long term averages (see Figure 10). It appears that once people have bought property in Westminster they hold onto it, so shortage of supply combined with expectation of continued capital values generates demand – which delivers further capital growth.

**Figure 9: City of Westminster and London Average House Prices 1995-2014**

Source: Land Registry House Price Index

**Figure 10: City of Westminster Transaction Volumes 1995-2014  
(Average 374 transactions per month)**

Source: Land Registry House Price Index

4.5.4 It is critical to appreciate that Westminster performs a particular role within the London housing market, which is reflected in a distinctive pattern of demand that is very different to that in the rest of the country, and quite different to many other London Boroughs.

- Investors account for a much larger proportion of demand than owner occupiers; 40% of all households are private market tenants compared with the 30% of Westminster households who are owner occupiers. Investors have different criteria in buying property than owner occupiers.
- A significant proportion of those buying homes in Westminster for their own occupation do not live there permanently; some 12% of all dwellings in the City (14,300 dwellings in total) do not have a permanent resident<sup>6</sup>. A high proportion of these homes are likely to be owned by overseas nationals, who make occasional use of their properties, though equally these figures would include second homes used by UK residents who regard their out of town residence as their primary home.<sup>7</sup>
- The level of house prices in Westminster is likely to mean that many buyers will be using accumulated or inherited wealth to buy a property – so income is relatively less important to the buying decision. Analysis of 2013 transactions identifies that 24% of all purchases in London have been by cash buyers. The figure in Westminster is likely to have been very much

<sup>6</sup> Source: 2011 Census

<sup>7</sup> This topic is covered more comprehensively in the report 'The Prime Residential Market in Westminster, Ramidus Consulting, February 2014, sections 2.2 and 2.3

higher.<sup>8</sup> In 2011, Cluttons reported that 74% of all buyers in Prime Central London were cash buyers, though this fell to 54% in 2012.<sup>9</sup>

- 4.5.5 In view of these considerations, Wessex Economics believe that the findings in the Local Housing Market Study (LHMS) about the requirement for market housing and the sizes of market homes is misleading due to methodology used. The LHMS suggests that there would be demand for around 500 new market homes in total in Westminster over the period 2014-18, based on the demographic projections and estimation of future affordability.
- 4.5.6 Over the past six years since 2007-08, more than 500 market homes have been built each year for market sale in Westminster. Wessex Economics would be confident that more than market 500 homes could be sold if they were to be built, given the demand for property in Westminster, even if it had some effect in moderating house price inflation. The issue is whether the development industry can or wishes to deliver much more than 500 homes per annum in the City.
- 4.5.7 The LHMS indicates that the predominant requirement for market housing is for one-bed properties, with little need for larger properties. This is very much at odds with market demand and current patterns of delivery (34% one-bed, 36% two-bed and 24% three-bed and 6% four-bed or larger) over the last 12 years. Wessex Economics would suggest that this is because market demand is only partly driven by demographics and household size.
- 4.5.8 Considerable numbers of households occupy properties larger than they need because they can afford to do so. This is particularly so of those overseas buyers purchasing for their own occupation; but Westminster also attracts wealthy UK purchasers wanting to live in the centre of the UK's capital and one of the premier league of global cities.
- 4.5.9 Investors, those buying with the intention to rent out property, are a mixed group but have certain characteristics and different buying behaviour to owner occupiers. By definition, they are wealthy if they can afford to buy an investment property in Westminster. Many will own a portfolio of rental properties.
- 4.5.10 The motivation to buy in Westminster is likely to be more about capital appreciation and wealth protection than rental income. Data from Investment Property Databank (IPD) consistently show that prime property in central London delivers low yields, but substantial capital growth. The capital return vastly outweighs the income return.
- 4.5.11 The data on actual delivery of new homes would indicate that two-bed properties are built in somewhat larger numbers than one-bed properties. Developers would not be doing this if this did not make commercial sense. While one-bed properties have the advantage of being more affordable to a wider range of potential purchasers, this limits letting or sales to singles and couples. New two-bed properties can also be marketed to owner occupiers or tenants; wealthy singles, couples, sharers and small families. Thus, in the market sector, Wessex Economics take the view that it is appropriate for CoW to plan for a mix of different units sizes, and not to be overly prescriptive. However, it may be appropriate to have policies to limit supersize properties since there is an opportunity cost to this in terms of a smaller number of units being delivered.

<sup>8</sup> <http://www.hamptons.co.uk/media/118933/cod971-cashbuyersreport-lr-web.pdf>

<sup>9</sup> <http://www.cluttons.com/gb/news/cash-purchases-down-prime-central-london>



- 4.5.12 Given Westminster's particular position in the London housing market, and high levels of migration in and out of the City, it seems inappropriate to be prescriptive. Indeed, to be overly prescriptive about the size and mix of market units may discourage delivery, when CoW is looking to boost delivery by over 35%. It is also important to point out that the CoW has no control over whether existing or new homes are bought for owner occupation or by investors who will rent out the property at market rents. Equally, the CoW has no control over occupation – whether large units accommodate families or single people.

## 4.6 The Scale of Housing Need in Westminster

- 4.6.1 The NPPF and supporting guidance makes it clear that in establishing Objectively Assessed Housing Need for an area, consideration should be given not only to demographic projections but to a number of other factors, including the requirement for affordable housing. This section focuses on headline figures derived from the LHMS, the level of provision of affordable housing secured in the past, and implications of the scale of housing need for the overall housing requirement in Westminster. A more detailed assessment of the scale of housing need is presented in Section 5.
- 4.6.2 The LHMS, unsurprisingly, identifies a large 'need' for subsidised housing in Westminster – either affordable rented properties or intermediate housing. Westminster is a high cost area, and unsurprisingly a large number of people are eligible to register for subsidised housing. The process of assessing the scale of 'need' is complex, but a very simple and unsurprising conclusion emerges. There is no practical way, given current funding mechanisms, that the CoW can deliver subsidised housing on a scale that would meet the level of housing need identified in the LHMS.
- 4.6.3 The LHMS identifies a requirement for delivery of around 1,180 social housing units each year over the next 5 years (2014-19), if the CoW was to clear its backlog in 10 years. In addition the LHMS identifies a need for intermediate housing over the period 2014-18 to of some 1,300 homes (260 homes per annum). Taking into account intermediate homes under construction and in the pipeline there is a requirement for provision of 355 intermediate homes per annum during the next 5 years.
- 4.6.4 Over the period 2019-33 the LHMS identifies a need for 8,329 affordable homes, the equivalent of 573 affordable homes per annum.

## 4.7 Affordable Housing Supply

- 4.7.1 To put the estimates of need for affordable housing as set out in the LHMS in context, it is useful to examine the level of affordable housing provision in Westminster. Over the past five years, 56 new social housing units on average have been completed each year (see Figure 11). Performance is better over a 10-year period. From 2004 to 2013, 140 new social housing homes on average have been completed each year. Over the 10-year period 2004-13, social and affordable rented homes have accounted for 18% of total housing completions, and intermediate housing for another 6% of total completions. The figures are very similar assessed on the past five years.
- 4.7.2 These data may not perfectly reflect changes in the stock of affordable rented and intermediate homes, since some addition to stock has been made by purchase of existing properties, especially through Westminster Community Homes; but there will have been some loss of affordable housing through Right to Buy Sales.



**Figure 11: City of Westminster Housing Completions by Tenure 2004-13**

Year	Market Units	Social Rent	Intermediate	Not Known	Total
Total 2004-13	5,844	1,396	426	-22	7,644
Av dpa	584	140	43	-2	764
% of total	76%	18%	6%	0%	100%
Total 2009-13	2,508	557	222	0	3,287
Av dpa	251	56	22	0	329
% of total	76%	17%	7%	0%	100%

Source: Wessex Economics, City of Westminster

4.7.3 The CoW has identified capacity for development of 1,068 new homes per annum through the London-wide SHLAA. If affordable homes account for 24% of completions as they have in the past 10 years, and this level of overall housing delivery is achieved, then about 255 additional affordable homes would be developed each year. This may be compared to the need for 573 affordable homes per annum identified in the LHMS over the long term, and the need for 1,180 social housing units over the next 5 years (2014-19).

4.7.4 A number of conclusions and issues emerge from this assessment:

- Unless there is a radical change in the mechanisms by which affordable housing is secured and funded, then it is possible to conclude that the need for social and intermediate housing will exceed supply by a significant multiple. Wessex Economics do not foresee any radical change in the scale of public finance provided for affordable housing.
- The CoW therefore needs to maximise the overall housing level of housing delivery, since provision of sites and funding for affordable housing delivery is directly tied to delivery of market housing. In Wessex Economics' view it will be challenging to raise delivery to the 1,068 new homes per annum identified as the potential capacity within the City.
- A question unanswered by the LHMS, as it is not required by the methodology used, is how many Westminster households in identified housing need could afford market housing (probably rented accommodation) elsewhere in the Housing Market Area – being the whole of London. The NPPF looks for authorities to identify housing need within the market area as a whole.
- It would be a reasonable proposition that if people can afford to rent privately outside of Westminster, then the expectation should be that they do so. In practice, this is what many households actually do since they have very limited prospects of securing subsidised housing in Westminster. It would be possible to question whether it is sensible to assess housing need purely at the Westminster level.
- It needs to be acknowledged, however, that even if a household could afford to rent privately outside of Westminster, there is a case for seeking to house low to middle income households in Westminster in terms of ensuring that those with long-standing community connections in Westminster can continue to live in the City, ensuring stability in local communities, and in the case of intermediate rented housing, a more stable form of tenure than private renting.

- Given the numbers set out above for need and likely quantum of delivery, CoW is going to have to focus a large share of its resources on housing those in priority housing need. Thus, the size (in terms of bedrooms) of social housing should be determined by reference to the profile of those in priority need, not the totality of all those in need. This may generate a very different size requirement for new affordable homes from that presented in the LHMS.
  - CoW will want to continue to provide intermediate housing, possibly with elements of both intermediate rent and low cost home ownership.
  - Policies will have to be developed to determine who is eligible for what type of intermediate products. The size of property needed by those who might access intermediate rented property will depend on the criteria set for allocating intermediate rented property.
- 4.7.5 Given that the CoW will only be able to meet only part of the total need for social housing identified in the LHMS, a more detailed assessment is made of the characteristics of those in priority housing need in Section 5 of this report.
- 4.7.6 Policy development should ideally be shaped around the questions of who is given priority for housing, including the balance between social and intermediate housing; the relative priority between different 'priority' groups; and implicitly the level of subsidy entailed in providing housing for different groups.

## 4.8 Social Housing - Statutory Responsibilities and Allocations

- 4.8.1 The CoW's scope for making its own decisions as to priorities in allocating affordable housing is heavily constrained by its statutory obligations to those in housing need as identified by the 1996 Housing Act and 2002 Homelessness Act.
- 4.8.2 The 1996 Housing Act requires 'reasonable preference' to be given in the allocation of social rented housing to a number of groups of people as follows:
- Those who are legally defined as homeless or owed a particular statutory duty by any local housing authority under certain provisions of homelessness legislation.
  - Those living in unsanitary, overcrowded or otherwise unsatisfactory housing (as defined by the Housing Act 2004).
  - Those needing to move on medical or welfare grounds (including grounds relating to a disability).
  - Those needing to move to a different part of Westminster to avoid hardship to themselves or others.
- 4.8.3 The CoW has additional statutory duties to provide suitable housing for homeless people under a variety of homelessness legislation (1996 HA, 2002 Homelessness Act) where they are eligible for assistance; unintentionally homeless; and they fall within a specified priority need group. The 'priority need groups' include:
- households with dependent children or a pregnant woman
  - applicants aged 16 to 17 not classed as being 'relevant child people'
  - someone below the age of 21 who has previously been in care

- someone over 21 who is vulnerable in some way, e.g. because of mental illness or physical disability
  - a person who is homeless/threatened with homelessness as a result of an emergency such as flood, fire or other disaster
  - people vulnerable as a result of having to flee their home because of violence or the threat of violence.
- 4.8.4 The majority of people on the CoW waiting list fall into one of the above categories although the Council also gives priority to:
- Cash Incentive Scheme – for those wishing to downsize
  - City West Homes tenants wishing to transfer
  - various ‘move on quotas’ for single people moving out of supported accommodation into independent living
  - various ‘social services’ quotas for people who need housing as part of a care package, nominated by Adult’s or Children’s Social care.
- 4.8.5 CoW gives priority to rehousing tenants who are being decanted as part of the Council’s housing renewal schemes. While ultimately the renewal programme will deliver a net increase in the number of dwellings, the need for rehousing in the short to medium term puts additional pressure on the existing supply of affordable housing.
- 4.8.6 The overall consequence of existing statutory responsibilities, plus other allocations to meet other priority needs, is that there is a very limited scope within the social housing element of the CoW affordable housing programme to consider any other types of housing need. It is in the intermediate housing programme that there is scope to address different types of housing need. However, CoW faces a challenge in how it distributes the resource available for affordable housing between social housing and intermediate housing.
- 4.8.7 There are two potential sources of relief to current pressures on limited social housing. The first arises from the new ability to meet the needs of homeless households by offering appropriate private rented sector housing. The key legislative change is that CoW now has the option to offer households appropriate private rented housing, and if the household turns down that offer, to say it has discharged its duty to find accommodation for that household. CoW has started to use this legislative power; and as yet, numbers are low, but if they increase it could reduce pressures on existing social housing.
- 4.8.8 The second mechanism that may reduce pressure in the long term is that, if the number of private rented homes in Westminster used to house people on housing benefit falls, it is quite possible that this may result in fewer people presenting themselves to CoW as homeless or in need. This is because low income households living in the private rented sector account for a significant source of homelessness. In the short term, were this to happen, this would put additional pressure on CoW, since it reduces a source of supply of homes which can be used to house homeless households. The growth in the use of temporary accommodation by CoW is partly linked to the shrinkage of the number of private rented units let to households on benefits.
- 4.8.9 Will the trend of falling numbers of housing benefit claimants being housed in the private rented sector in Westminster continue? Wessex Economics would anticipate that private rented sector

rents in Westminster will, over time, increase faster than increases in the benefit caps, unless there is a major change in Government policy. The net effect of this would be that the proportion of households that live in Westminster and are reliant on housing benefit would decline, and it could be anticipated that this would, over time, reduce the number of people presenting as homeless.

- 4.8.10 Over the longer term, CoW might have a wider range of choices about allocating social housing, if it becomes broadly accepted that CoW can discharge its duty to homeless households outside of Westminster. Some modest relief on the current pressure on CoW housing stock will also come as the CoW Housing Renewal programme starts to deliver new homes, and the one off impact of the first wave of decanting on available social housing units passes.

## 4.9 The Intermediate Sector

- 4.9.1 The analysis indicates that the CoW currently has very limited freedom of action when it comes to the allocation of social housing or other housing where Housing Benefit covers all of rents, or the majority of rents, and that this is not likely to change in the medium term. Therefore, the scope for achievement of wider policy objectives for housing depends in the medium term very much on policies for intermediate housing.

- 4.9.2 CoW does not have a totally free hand in deciding who intermediate housing is provided for. The Mayor requires that priority be given to social housing tenants and former armed forces personnel, but in general the number of households that fall into these two categories is small. The Mayor's Housing Strategy (see Section 8) also sets out the expectation that 40% of all new affordable housing in London should take the form of Low Cost Home Ownership – though it is perhaps debatable if every Borough has to achieve this quota, and whether in fact other intermediate housing options may be more suitable in areas such as Westminster.

- 4.9.3 Overall, however, the CoW has greater freedom to set its own priorities for intermediate housing than it does for social rented housing.

## 4.10 The Market Sector

- 4.10.1 For all practical purposes the CoW has no control over the occupation or ownership of housing in the market sector. Specifically CoW has no control over:

- whether existing or new homes are bought by investors or owner occupiers;
- whether owner occupied property is lived in permanently or only on an occasional basis (12% of the housing stock has no permanent occupation);
- who lives in privately rented housing, except in so far as it might take on tenancies or enter in contracts to use privately owned property for housing those in need; or
- private sector rents or prices.

- 4.10.2 The sole area where the CoW has influence (by and large, not control) over the private sector housing market is the type of new homes built, the size of new homes, and conversions to residential use or in sub-division of existing homes. This influence/control is exercised through planning policies (for example CoW's Family Housing Zones) and the development control system.

- 4.10.3 Analysis of demographic data on household size does not provide any significant insight into the size and type of market dwellings which will be in demand in Westminster, since demand is driven more by investors than owner occupiers, and many of these are overseas buyers. In the owner occupied sector demand is driven as much by income and wealth as household size. This is evidenced by the analysis of under-occupancy across the City presented in the report on the Prime Residential Market in Westminster prepared by Ramidus Consulting.<sup>10</sup>
- 4.10.4 The development sector will accurately reflect patterns of demand in terms of the proposals it brings forward for new housing developments. While CoW may appropriately seek to change the dwelling mix in development schemes, to call for major change in the housing mix of new market homes would need a very robust evidence base if the developer were to oppose such a change. This evidence base does not currently exist.
- 4.10.5 Seeking major change to development proposals in terms of the size mix of dwellings could also affect development viability, and hence work against the objective of maximising housing delivery in Westminster and maximising affordable housing contributions. Therefore there must be robust reasons for seeking to change the size mix of dwellings in proposals put forward for private housing development.
- 4.10.6 The only issue where CoW should consider whether to seek to change the size mix of residential development proposals is where development proposals that contain flats with very large floor plates. The size of such flats mean that the floor area of one flat could be used to secure two, three, or more conventionally sized flats. Such schemes are uncommon, but not unknown, in Westminster.
- 4.10.7 Such proposals reflect demand and offer the developer a premium, but there is an opportunity cost in terms of achieving policy objectives, since only one unit is developed where 2, 3, or more units could have been delivered. They contribute less to meeting 'conventional' demand and to delivery of housing targets, and the council loses out on New Homes Bonus which is paid for every new home.
- 4.10.8 The judgement to be made with respect to these development proposals is whether the economic benefits in attracting investment by High Net Worth Individuals who purchase super-sized properties, almost certainly from overseas, who will make occasional use of the property, outweigh the opportunity costs of reduced provision for conventional demand. This is a value judgement essentially between the economic benefits to London of the expenditure by the owners of such property versus maximising supply of housing for conventional demand.
- 4.10.9 The report '*The Prime Residential Market in Westminster*' prepared by Ramidus sets out the economic benefits associated with the buyers of these sorts of property.
- 4.10.10 It is worth noting that the affordable housing contributions made by such developments should be comparable with the development of the same amount of floorspace in a number of smaller units, since contributions are worked out on the basis of floorspace, not the number of units in a development proposal.

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<sup>10</sup> See Section 2.2 of the Ramidus Report

- 4.10.11 To summarise, CoW has very limited influence over patterns of change and ownership in the private housing sector in the City. The only substantive areas of influence are over the size of dwellings (space standards and number of bedrooms), and related design issues. The CoW also has enforcement powers that can be used to secure improvements of sub-standard private sector housing.
- 4.10.12 However, it should not be forgotten that decisions by central government, particularly around taxation and regulation, could have substantive effects on the CoW. There have been extensive legislative changes that affect overseas purchasers of Prime property, and proposals for a Mansion Tax continue to be mooted by political parties.
- 4.10.13 In terms of mainstream housing, it is important also for CoW to be aware that Government legislation in relation to the Private Rented Sector could impact the CoW significantly. The PRS has grown enormously since the 1988 Housing Act deregulated rents and introduced Assured Shorthold Tenancies; and as a result of the financial innovation in the form of Buy-to-Let mortgages and the decision that mortgage interest on rented properties could be offset against rents in the calculation of income from letting.
- 4.10.14 Tighter regulation is unlikely to lead to the decline of the PRS, but could make it less attractive to prospective investors.

## 5. Assessment of the Need for Affordable Housing

Draw together and summarise Westminster's market, social rented and intermediate housing needs from a range of sources such as the Local Housing Market Study and the Housing and Intermediate Registers, and from these realistically estimate Westminster's housing needs over the next 5, 6-10 and 11-15 years by tenure and bedroom size. The estimate of market needs from a planning perspective should take into account demand in the market, i.e. there may be low 'need' for market housing but high 'demand for it' and we need to plan for that demand.

### 5.1 Introduction

- 5.1.1 This section considers the need for affordable housing in Westminster in more depth than Section 4 which gives an overview of the demand and need for housing. This section examines the scale of current need, how this is likely to change in the future and the availability of affordable housing stock and supply to meet these needs.
- 5.1.2 It is useful first to consider what the term 'affordable housing' means when it is used in this section. The National Planning Policy Guidance, which accompanies the Government's NPPF, includes a definition as follows: '*...households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market.*' (Para 22, NPPG).
- 5.1.3 The NPPG does not specify whether households who are able to meet their needs in the private rented market, but are unable to buy, are considered to be in need of affordable housing. Implicit in the NPPF definition is a focus on those who cannot access the market – ownership or rental market – without assistance, i.e. those who need some form of subsidised rental accommodation.
- 5.1.4 There are a number of different groups who are unable to meet their own needs within Westminster but they vary in terms of the severity of their need, their priority for assistance, and how much choice they have. Broadly, there are two groups of households unable to afford market housing within the City:
- **Households that cannot afford to rent.** They are either living in existing social housing, supported by housing benefit in the PRS, or with fragile living arrangements in poor quality accommodation, or with friends or family on a temporary and insecure basis. There are 4,500 households registered with the City Council who have a need for social housing and have some form of priority, but the severity of their needs varies. Local authorities have a statutory duty to give reasonable preference to particular households, e.g. homeless households, when allocating social housing.
  - **Households that cannot afford to buy** and are stretching their finances to pay rents in the City. Wessex Economics' understanding is that these households are not defined as in need of affordable housing in the NPPF/NPPG. They have more choice. For example, they could move outside of Westminster, or out of London, but over the long term the loss of this segment of the

community might have consequences for the labour market, public services and community cohesion.

- 5.1.5 This Section examines the scale and nature of need for affordable housing for those who cannot afford to meet their needs in the market and the characteristics of those households in the intermediate market – those able to afford market rents but unable to access home ownership.

## 5.2 An Overview of Housing Need in Westminster

- 5.2.1 The LHMS identifies a requirement for delivery of around 1,180 social housing units each year over the next 5 years (2014-19), if the CoW was to clear its backlog in 10 years. In addition the LHMS identifies a requirement for provision of 355 intermediate homes per annum during the next 5 years. Over the period 2019-33 the LHMS identifies a need for 8,329 affordable homes, the equivalent of 573 affordable homes per annum.
- 5.2.2 The need for social housing, over the next 5 years exceeds the assessed maximum capacity for new housing delivery of all tenures of 1,068 new homes per annum; and for the period 2019-33 the requirement for affordable housing set out in the LHMS represents more than 50% of the annual capacity target of 1,068 homes per annum. This indicates that the need for social housing far exceeds what can be supplied.
- 5.2.3 Wessex Economics provides an estimate of housing need at the end of this section using the data from the CoW waiting list and focusing on the need for social housing. This estimate demonstrates that the scale of need for social housing is far beyond what has been delivered in the past. Given capacity constraints on the volume of new homes that can be built in Westminster, the implication is that there is no way in which housing needs arising in Westminster can be met in full within the City.
- 5.2.4 Figure 12 shows that there are almost 4,500 households on the waiting list for social housing in Westminster. All of these households have some form of priority need; they meet the criteria that they have lived in the City for more than three years and have household incomes below £32,000. It is reasonable to assume that the vast majority of these households would not be able to afford a market rent, though it is possible, but unlikely, that some of those needing a one-bed property might have incomes greater than £30,600 (the approximate threshold needed to access a room in a shared house affordably).

**Figure 12: Number of Households on the Waiting List in Westminster, by Size of Home Needed**

	1 Bed (inc studios)	2 bed	3 bed	4+bed	Total	%
Homeless	160	1,190	730	200	2,280	51%
Other Households	380	30	30	10	450	10%
Transfer Tenants	550	530	510	160	1,750	39%
All Applicants	1,080	1,760	1,260	370	4,470	100%

Source: City of Westminster. Note: Rounded to nearest 10

- 5.2.5 Half of all households on the CoW waiting list are homeless. The majority of these live in some form of temporary accommodation, arranged by the Council. The fact that more than 2,000 households are homeless and living in temporary accommodation is a clear signal of the urgent need for affordable housing within Westminster or, in the absence of sufficient housing in Westminster, housing outside of the City.



- 5.2.6 It is worth noting that in England as a whole, 58,600 households were homeless and living in temporary accommodation at the end of Q1 2014. The vast majority of these households (74%) were in London. Westminster's homeless households in temporary accommodation account for just over 5% of the London total. Westminster has a disproportionate share of homeless households in temporary accommodation – 2.2% of the household population, compared to 1.3% in London as a whole and 0.3% in England.
- 5.2.7 The vast majority of homeless households, almost 2,000 or 86%, contain children; 35% of all homeless households have one child, 26% have two children and 25% have three or more children. Just over half of all homeless households containing children are single parent families.
- 5.2.8 Just over half of all CoW's homeless households in temporary accommodation are housed in Westminster, in short-term lets agreed with PRS landlords, specific temporary accommodation (typically annexe accommodation provided by hotels) and bed and breakfast accommodation. Around half – over 1,000 households – are housed outside of Westminster in other London Boroughs – the largest numbers in the East of London (see section below on stock and supply).
- 5.2.9 Households in temporary accommodation do not have security of tenure and a proportion (8% of all households in temporary accommodation) do not have self-contained accommodation and so may have limited facilities for washing clothes or cooking meals. It is an unsatisfactory arrangement, though it is only a short-term measure. CoW does not breach the statutory requirement that households do not stay more than six weeks in B&B and other non-self-contained accommodation.
- 5.2.10 Around 40% of households on the waiting list are existing tenants housed by Westminster City Homes or one of the housing associations active in the City. The number of existing tenants who need to move (known as transfer tenants) on the waiting list may be higher than in previous years because of the City Council's regeneration programme and the need to move tenants out of their existing accommodation until new developments are completed. The remaining 10% of eligible applicants include those in the private rented sector and hostel accommodation in urgent need of re-housing.
- 5.2.11 Figure 13 presents the need for social housing by size of property, based on the actual assessed requirements of real households currently on the CoW waiting lists. Being based on actual rather than modelled data, Wessex Economics believe that these provide a more robust assessment of the size of properties required to meet housing need than the modelled requirements set out in the LHMS.

**Figure 13: Percentage of Households on the Waiting List in Westminster, by Size of Home Needed**

	1 Bed (inc studios)	2 bed	3 bed	4+bed	Total
Homeless	7%	52%	32%	9%	100%
Other Households	84%	6%	6%	3%	100%
Transfer Tenants	31%	31%	29%	9%	100%
All Applicants	24%	39%	28%	8%	100%

Source: City of Westminster. Note: Rounded to nearest 10

- 5.2.12 Three-quarters of all applicants need a property with two or more bedrooms. The proportion of applicants needing two or more bedrooms is even higher when applicants for community supported housing (CSH), which accommodates older people, are excluded. There are around 350 applicants

for CSH, with all but a few eligible only for a one-bed property. Amongst homeless applicants, 93% of applicants require two-bed or larger properties with a significant proportion (41%) needing a three-bed or larger property.

- 5.2.13 The process of allocating social housing to households on the waiting list is highly rationed and reflects the shortage of supply in relation to need. Applicants are awarded points according to their needs and points determine the applicant's place on the waiting list or priority for housing. Broadly, highest priority is given to:
- Existing tenants who wish to downsize (and who would thereby release a larger home for re-letting).
  - Existing tenants affected by decanting (who need re-housing urgently because of regeneration works).
  - People with urgent medical needs
  - Overcrowded households.
  - Vulnerable people – including children leaving care, people with learning disabilities, etc
  - Homeless households.
- 5.2.14 Additional points (and therefore higher priority) are given to residents who have lived in the Borough for more than 10 years and to people who have been in employment for more than two years. In addition to the points based system, the Council also apply quotas to allocations to ensure that different groups of households have a chance of being housed. There are effectively several 'queues' for social housing.
- 5.2.15 It is important to recognise that there are numerous additional households who approach the Council each year but do not have a priority need, have not been residents for long enough or have household incomes above £32,000.
- 5.2.16 The need for social housing in Westminster is not restricted to those currently on the waiting list. Given the relationship between house prices, rents and household incomes in the City, it is unsurprising that a significant proportion of newly forming households will be unable to meet their needs in the market each year. The extent to which this will add to pressure on the City Council's waiting list will depend on the extent to which these households move away from Westminster to places they can afford; and the extent to which household formation is constrained because of affordability, e.g. children living at home longer, couples sharing with parents, etc.
- 5.2.17 Figure 14 presents projections of the number of new households expected to form within Westminster over the next 5, 10, 20 and 25 years. Dates presented are tied to the Census 2011 and conventional planning timeframes. In the short-term, around 1,000 households are expected to form each year in Westminster. GLA projections expect this rate to fall over time as greater numbers of households are expected to migrate out of London to the South East.

**Figure 14: Projected New Households in Westminster**

<b>Period</b>	<b>Total new households</b>	<b>Per annum</b>
2011-16	5,500	1,100
2017-21	4,000	800
2022-26	3,300	700
2027-31	3,000	600
2032-36	2,600	500
<b>2011-21 (10 year)</b>	<b>9,500</b>	<b>1,000</b>
<b>2011-31 (20 year)</b>	<b>15,800</b>	<b>800</b>
<b>2011-36 (25 year)</b>	<b>18,400</b>	<b>700</b>

Source: GLA central projection, based on CLG interim 2011 based household projections. Wessex Economics has rounded to nearest 100.

Note: different migration assumptions kick in after 2017. The Central Projection assumes a partial return to pre-downturn levels of outmigration from London to the South East.

- 5.2.18 The modelling undertaken in the Westminster LHMS, using the current distribution of household incomes, house prices and rents and projected household growth, suggests that 89% of new households would need some form of subsidised rent. 5% could buy in the open market, 6% could rent in the open market. However, the assumption has been made that the income distribution of households moving into Westminster will reflect the distribution of current household incomes. In fact, the likelihood is that households moving in to Westminster will have incomes significantly higher than those currently resident in Westminster.
- 5.2.19 The prices and rents in the Borough essentially filter future residents. Households forming from existing households within the Borough, for example children growing up and leaving the family home, are only likely to be able to form if they can afford to rent or buy; or unless they are threatened with eviction by their family and become eligible to join the Council's waiting list. Therefore, although LHMS analysis is correct in showing how inaccessible the housing market in Westminster is to the general population; it conceals the actual processes at work through selective migration and selective household formation which determine the characteristics of new households in the Borough.
- 5.2.20 Those households about to form within the Borough but who have insufficient incomes to afford to rent or buy within Westminster have a number of options:
- Do not form a new household. For some, this will be a genuine option, i.e. continue living with parents. For others, continuation of their existing housing situation will not be an option.
  - Move out of Westminster to access cheaper market accommodation elsewhere in London, or outside of London and within commuting distance to their place of work if that is in London.
  - Access the private rented sector in Westminster with housing benefit. Some households will be eligible for housing benefit and may be able to secure accommodation within the budget available.
  - Some will have urgent housing needs (e.g. threatened with eviction) and will be eligible to join the Council's waiting list, though this does not guarantee they will be housed immediately.

### 5.3 Stock and Supply of Affordable Housing in Westminster

- 5.3.1 There were 118,300 dwellings in Westminster in 2011 as recorded by the Census. There is no tenure breakdown provided in the Census on the basis of dwellings. However, 105,800 of the City’s dwellings are reported to contain residents, with 14,300 dwellings containing no usual residents. This amounts to 12% of all dwellings within the Borough that are essentially unoccupied.
- 5.3.2 Figure 15 presents data on tenure in 2011. These data relate to households rather than dwellings and therefore excludes those 14,300 dwellings that contain no usual residents. The private rented sector is the largest tenure within Westminster, accounting for 43% of all households. If it is assumed that the 14,300 dwellings without usual residents are homes that are used very occasionally by their owners, then the owner occupied sector would make up 44% of all dwellings, the private rented sector 38% of the stock and the social rented sector 23% of the stock. Nevertheless, the majority of residents within Westminster rent their homes – either from a private or social landlord. The intermediate tenure is likely to be slightly higher than the 1% of the stock identified in the Census, as it also includes rented products, and is estimated to make up 1.5% of the stock.

**Figure 15: Household Tenure in Westminster 2011**

	Number	% of households
Owned	32,300	31%
Private Rented (inc living rent free)	45,300	43%
Social Rented	27,300	26%
Shared ownership	900	1%
All Households	105,800	100%

Source: Census 2011

- 5.3.3 The social rented sector is significant in size. There are over 27,000 social rented homes, with over one-quarter (26%) of all households in the Borough renting from a social landlord. This compares to 24% social renting in London and just under 18% in England as a whole.
- 5.3.4 In 2011, a further 8,600 households were supported in the private rented sector with housing benefit. Those on housing benefit accounted for 19% of all households that are private rented sector tenants in Westminster. However, the number of households resident in Westminster and claiming housing benefit has fallen overall over the last four years – by around 2,200 households – an 8% reduction as shown in Figure 16.

**Figure 16: Households Claiming Housing Benefit, Resident in Westminster**

	2011	2012	2013	2014	Change 2011-2014	% change 2011-2014
Westminster	27,500	28,000	26,100	25,300	-2,200	-8%
London	818,800	843,600	852,900	843,400	24,500	3%
England	4,147,400	4,272,500	4,340,200	4,275,000	127,700	3%

Source: DWP StatXplore

- 5.3.5 There could be a range of factors behind the decline in the number of housing benefit claimants in Westminster. Improvements in the economic environment and reductions in unemployment may

mean that fewer households in the Borough need to rely on housing benefit. However, the number of households on housing benefit in London and England has increased over the same period so it would seem that other factors are at work. The most likely factors are related to increases in private rents and reductions in housing benefit payments.

5.3.6 Figure 17 confirms that the decline in the number of Westminster households claiming housing benefit has been driven entirely by a reduction in the number of private rented tenants claiming housing benefit. There has been a reduction of 2,700 households in Westminster claiming benefit to live in the private rented sector between 2011 and 2014. This is a reduction of almost one-third of all private rented housing benefit claimants.

5.3.7 The same pattern has not been replicated in London and England as a whole; in both London and England as a whole there has been an increase in the number of private rented housing benefit claimants over the 2011-14 period (see Figure 17). So Westminster is unusual in a national context in the sense that the role of the private rented sector in Westminster in meeting housing needs within the City has declined significantly in recent years.

**Figure 17: Private Rented Tenant Households Claiming Housing Benefit, Resident in Westminster**

	Westminster	London	England
2011	8,600	266,500	1,371,400
2012	8,400	280,200	1,448,400
2013	6,500	281,800	1,487,600
2014	5,900	279,000	1,472,100
Change 2011-14	-2,700	125,600	100,800
% Change 2011-14	-31%	5%	7%

Source: DWP StatXplore

5.3.8 There are on average 500 lettings in the social rented stock each year (see Figure 18); that is, around 610 properties become available to house those on the general needs waiting list. This figure excludes re-lets to transfer tenants since these households are also likely to be releasing a home for re-letting. There are on average an additional 110 lettings within Community Supported Housing for older people. These are primarily 1 bedroom properties.

**Figure 18: Lettings within the General Needs Social Rented Stock Compared to Households on the Waiting List (Average of 2013/14 and 2012/13)**

	Studio/1 Bed	2 bed	3 bed	4 bed +	Total
Number on waiting list (excluding transfer tenants and CSH)	1,270	610	370	220	2,480
Number of lettings (excluding transfer tenants and CSH)	290	140	70	20	500
Number of households waiting per property let	4	5	6	13	5

Source: City of Westminster waiting list and lettings data, analysed by Wessex Economics

5.3.9 Lettings figures reported in the LHMS suggest that:

- There are 4 households on the waiting list for every one-bed property that becomes available. Amongst older people, there are 2 housing on the waiting list for every Community Supported Home that becomes available.
- There are 5 households on the waiting list for every two-bed property that becomes available.
- There are 6 households on the waiting list for every three-bed property that becomes available.
- There are 13 households on the waiting list for every four-bedroom property that becomes available.

5.3.10 The analysis above indicates that the pressure on one-bedroom social rented properties is much less than for larger homes. Thus, the shortage of supply is relatively greater the larger the home, when one looks at the figures based on requirements of those on the CoW waiting list. This provides a case for boosting the supply of larger homes.

5.3.11 Westminster City Council houses a large number of homeless households in temporary accommodation. There are currently 2,340 households (comprising 7,300 people) living in temporary accommodation.

5.3.12 Although Westminster has a large social rented sector there have been losses to this stock of housing over time as tenants have exercised their right to buy (RTB) their home at a discount. Figure 19 provides data on the number of applications and sales through RTB over the last 10 years. Overall, since the policy was introduced in 1988, just over 6,300 social rented homes have been sold in Westminster. In the last 10 years, sales have averaged around 30 per annum.

**Figure 19: Sales of Social Rented Homes through Right to Buy**

<b>Year/ Period</b>	<b>Applications</b>	<b>Sales</b>
2004/05	298	141
2005/06	132	39
2006/07	135	22
2007/08	112	21
2008/09	73	4
2009/10	82	3
2010/11	49	9
2011/12	36	9
2012/13	354	14
2013/14	271	60
<b>5 year average</b>	158	19
<b>10 year average</b>	154	32
<b>Total Since 1988/89</b>	11,838	6,308
<b>Average per annum since 1988/89</b>	455	243

Source: City of Westminster

- 5.3.13 Over the last 10 years, around 760 new homes have been developed each year in the City (Figure 20). On average, just under one fifth of new homes (20%) have been delivered as affordable homes. Around 15% of all new homes have been delivered as social rent, with a further 5% as intermediate (largely shared ownership).
  
- 5.3.14 Thus, the social rented stock lost through Right to Buy sales (6,300 properties sold since 1988/89) has not been replaced by new supply, even though new supply of social rented homes has outstripped RTB sales in recent years. A comparison of the number of social rented homes reported in the Census in 1981 (28,400 homes) with 2011 (27,300) suggests there has been an overall net loss of around 1,000 social rented homes over the 30-year period 1981-11.

**Figure 20: Net Completions of New Conventional Housing by Tenure in Westminster 2004-13**

Financial Year	Number				Percentage		
	Market Housing	Social Rent	Intermediate	Total	Social Rent	Intermediate	Affordable
2004	390	140	10	540	26%	2%	28%
2005	1,390	170	70	1,630	10%	4%	15%
2006	610	20	0	630	3%	0%	3%
2007	590	110	20	720	15%	3%	18%
2008	480	140	90	710	20%	13%	32%
2009	300	310	70	680	46%	10%	56%
2010	600	110	40	750	15%	5%	20%
2011	760	30	40	830	4%	5%	8%
2012	470	100	30	590	17%	5%	22%
2013	490	10	40	530	2%	8%	9%
<b>Total</b>	<b>6,080</b>	<b>1,140</b>	<b>410</b>	<b>7,610</b>	<b>15%</b>	<b>5%</b>	<b>20%</b>

Source: City of Westminster. Rounded to nearest 10

## 5.4 The Market for Intermediate Housing

- 5.4.1 The National Planning Policy Guidance, which accompanies the Government’s National Planning Policy Framework, includes a definition of the need for affordable housing as follows: ‘...households and projected households who lack their own housing or live in unsuitable housing and **who cannot afford to meet their housing needs in the market.**’ (Para 22, NPPG) [WEc emphasis].
  
- 5.4.2 The NPPG does not specify whether households who are able to meet their needs in the private rented market, but are unable to buy, are considered to be in need of affordable housing. Implicit in the NPPG definition is a focus on those who cannot access either home ownership or the private rented accommodation without assistance; that is, those who need some form of subsidised rental accommodation.
  
- 5.4.3 However, this does not mean that local authorities cannot develop policies to support other groups in addition to those in housing need. This may include developing a specific quota for the provision of products such as low cost home ownership or intermediate renting.



5.4.4 There are three main methods for identifying the need/demand for intermediate housing:

- The theoretical scale of the intermediate market can be estimated through analysis of household incomes and house prices. A distinction needs to be made between:
  - a. Households who can afford more than a social rent but less than a market rent. These households are included in the definition of affordable housing but may be able to afford intermediate rents or even low cost home ownership depending on the level of subsidy. A significant proportion of this group are likely to be eligible for, or in receipt of, housing benefit which allows them to access properties in the PRS. However, their ability to afford more than a social rent is wholly dependent on housing benefit and therefore they may not be regarded as true intermediate households.
  - b. Households who can afford market rents but cannot afford to buy. These households are typically thought of as the '*squeezed middle*'. It is important to emphasise that these households, who are often referred to as the 'can rent; can't buy' sector, do have choice within the market. They do not necessarily *need* intermediate housing because they have the option to rent. Furthermore, they may be able to move elsewhere either within or outside London to access homeownership in relatively cheaper areas, though this has consequences for the mix of households living within Westminster. Nevertheless, there may be demand from these households for intermediate options within the City since many aspire to more secure forms of tenure than the PRS can provide.
- Whilst it is possible to identify a very large theoretical intermediate sector on the basis of house prices and incomes, this type of analysis captures households who may have no interest in intermediate housing options. It is often more useful to focus on households who have expressed an active interest in intermediate housing within the Borough, as evidence of expressed demand for intermediate housing products, though if there is such a small number of properties being made available or the criteria applied to applications is tight, this approach might under-estimate demand. Were the supply to be expanded, it might call forth increased demand as it would be possible to loosen application criteria, and the probability of securing an intermediate home would be increased.
- It is useful to further narrow down the demand for intermediate housing for sale by focusing on the take-up of these products over a period of time, since this reflects what households are actually prepared to buy in the market. As set out above, the caveat with this analysis is that the take up may depend on the type of product that is available and this is subject to funding constraints, policy directions, viability issues, etc. It is likely that other products might be taken up, were they offered to the market. Furthermore, in Westminster and to a great extent in London as a whole, take up is limited to the available supply, and it may be the case that intermediate homes could be sold or rented three or four times over.

5.4.5 Evidence of demand is examined below using each approach.



## 5.5 Approach 1: Analysis of Intermediate Housing Demand through Assessment of Household Incomes and House Prices

- 5.5.1 This is the approach taken in the LHMS. It provides an indication of the scale of the intermediate sector based on prices, rents, household incomes and assumptions about the proportion of household income that households can afford to spend on housing costs.
- 5.5.2 The LHMS estimates the number of new households likely to be able to buy in the market in Westminster and those able to rent but unable to buy. The LHMS concludes that around 6% of new households have sufficient incomes to rent in the open market but would be unable to buy and on this basis can be defined as intermediate households.
- 5.5.3 However, as noted earlier in this section, this analysis applies the distribution of current household incomes to new households that will form within, or move to, Westminster. Although this analysis is correct in showing how inaccessible the housing market in Westminster is to the general population, it conceals the actual processes at work through selective migration and selective household formation which determine the characteristics of new households in the Borough.
- 5.5.4 Around 45,000 existing households in Westminster rent in the market sector, representing 43% of all households. Whilst some of these households are renting with the support of housing benefit (around 6,000 households), it is likely that a significant proportion of the rest fall into the 'can rent; can't buy' group of households – if it is assumed that a key reason that many are renting is that they cannot afford to buy. This suggests there might be a pool of almost 40,000 households in the City who could be defined as intermediate households on the basis of their income or their ability to afford more than a social rent but are unable to buy.

## 5.6 Approach 2: Estimating Demand for Intermediate Products based on Expressed Interest in Intermediate Housing

- 5.6.1 This approach may not measure the full size of the intermediate market but it does reveal the scale of households actively considering this housing option, so it may be a truer reflection of actual demand.
- 5.6.2 Through its Homeownership Westminster service, CoW maintains a list of households interested in intermediate housing. At the date this analysis was undertaken, just over 3,500<sup>11</sup> households have registered and are eligible for intermediate housing in the City (see Figure 21). To be eligible, households must live or work within Westminster and have an income below £66,000 if they are interested in a one or two-bedroom property, or an income up to £80,000 if they are interested in three-bed or larger properties.
- 5.6.3 Existing social tenants and social housing applicants are given higher priority for intermediate housing, but ultimately whether they can take up intermediate opportunities will depend on whether they can afford the homes available. Highest priority is given to existing Westminster

<sup>11</sup> The figure had risen to 3,800 household by end August 2014

Council tenants, followed by households on the waiting list for social housing, other Westminster residents and finally those working but not living in Westminster.

- 5.6.4 The majority of those registered for intermediate housing are looking for a one-bedroom property – though it is likely that this reflects what they can afford, rather than what they might aspire to. Almost one-third have expressed interest in a two-bedroom property, with a small proportion expressing interest in three-bed or larger properties. The majority of applicants fall within the 25-39 age group and over three-quarters are single adults; 13% are couples and a further 11% families with children.

**Figure 21: Households Registered for Intermediate Housing, by Size of Home Required, July 2014**

Size of Home Required (bedrooms)	Number of Applicant Households	%
1	2,260	64%
2	1,130	32%
3	110	3%
4	10	0%
Not Specified	10	0%
<b>Total</b>	<b>3,500</b>	<b>100%</b>

Source: City of Westminster. Figures rounded to nearest 10.

- 5.6.5 Over half of those registered for intermediate housing in Westminster are currently living in the private rented sector (Figure 22). A further 34% are living with friends and family. There is significant, almost complete, overlap between households in the private rented sector (if it is assumed that those living with friends and family are effectively renting even though they may not be paying full market rent) and those eligible and interested in intermediate housing.

**Figure 22: Current Accommodation of Households Registered for Intermediate Housing**

Current Accommodation	Number	%
Council Homes	100	3%
Housing Association Homes	220	6%
Private Rented Sector	1,880	54%
Temporary Accommodation	10	0%
Friends/family	1,180	34%
Other	110	3%
<b>Total</b>	<b>3,500</b>	<b>100%</b>

Source: City of Westminster. Figures rounded to nearest 10.

- 5.6.6 However, around 10% of registered households currently live in social rented accommodation. This indicates that there is some potential to use intermediate products to enable households to move on from social renting and free up much needed stock for households in priority need, assuming that there are not in effect two households living in these social rented homes.
- 5.6.7 Analysis of lower quartile rents in Westminster (the cheapest 25% of properties) reveals that rents in Westminster are around 40% higher than London as a whole and around three times higher than in England as a whole (see Figure 23). Unlike the position in most other areas of the country, the bottom end of the rental market is not accessible to those on lower incomes.

**Figure 23: Lower Quartile Rent, Year Ending Q1 2014 (£ per calendar month)**

	Westminster	London	England
Property Size			
Room only	715	440	300
Studio	1,083	700	375
1 bedroom	1,430	875	415
2 bedroom	1,900	1,100	475
3 bedroom	2,708	1,300	550
4 bedroom	3,900	1,806	800

Source: Valuation Office Agency Private Rental Market Statistics. Figures rounded to nearest £5

5.6.8 Figure 24 estimates the household income that would be required to access the cheapest market rents in Westminster. This analysis assumes that households can spend up to 40% of their net income on rent. It also assumes that net incomes are around 70% of gross incomes, i.e. a 30% allowance for tax.

**Figure 24: Income Required to Rent**

	Westminster	London	England
Room only	£30,600	£18,900	£12,900
Studio	£46,400	£30,000	£16,300
1 bedroom	£61,300	£37,500	£17,800
2 bedroom	£81,400	£47,100	£20,400
3 bedroom	£116,100	£55,700	£23,600
4 bedroom	£167,100	£77,400	£34,300

Source: Wessex Economics. Assumptions: households can spend up to 40% of their net income on rent. Net incomes are 70% of gross incomes (allowing for 30% tax). Figures rounded to nearest £100

5.6.9 Households need an income of £61,300 or above to afford to rent a one-bedroom property on the open market in Westminster. Cheaper options are available for studio flats or room only house shares – starting at incomes in excess of £30,000. Not surprisingly, there is a significant overlap between these groups and those who have registered interest in intermediate housing in Westminster.

5.6.10 CoW eligibility criteria for access to intermediate housing are that eligible households looking for one or two-bedroom properties should have an income of no more than £66,000. Those with an income of no more than £80,000 are eligible to buy intermediate homes of three bedrooms or more, but the supply of such properties is very limited. Any household looking to rent a three-bed property in Westminster would need an annual income in excess of £100,000.

5.6.11 There is therefore broad overlap between households interested in intermediate options and those able to afford to live in the private rented sector. However, the overlap is limited to those needing up to two bedrooms as the gap between the income needed for private rents and the incomes of intermediate applicants diverges significantly for larger properties.

## 5.7 Approach 3: Evidence from Past Sales and Take Up of Intermediate Housing

- 5.7.1 Sales of intermediate homes have averaged just over 100 each year over the last three years (Figure 25). Around nine homes have been sold each year to households living in social rented housing or on the waiting list for social housing, representing about 8% of all intermediate sales. This level of sales broadly matches the proportion of these types of applicants as a percentage of all those who have their interest in intermediate housing. Such sales have the very substantial benefit of freeing up existing social housing or reducing the pressure on existing waiting lists.
- 5.7.2 The remainder of the sales of intermediate housing (92%) have gone to other residents and workers on the register for intermediate housing who meet the eligibility criteria (92%), but are not deemed to be priority households – that is, they are not existing social housing tenants or on the waiting list for social housing. Efforts are being made and targets have been set to boost the number of priority households on the register, since the benefits of take up by these groups produces a double win – providing people with a new home they want and freeing up other social rented housing.

**Figure 25: Take Up of Intermediate (Low Cost Home Ownership) in Westminster, Last 3 Years**

	2011/12	2012/13	2013/14	3 Year average
<b>Completed Sales</b>	<b>150</b>	<b>84</b>	<b>88</b>	<b>107</b>
<i>Priority households</i>	4	4	18	9
<i>% Priority households</i>	3%	5%	20%	8%
<i>Other residents/workers</i>	146	80	70	99
<b>Number on register</b>	<b>3,455</b>	<b>3,361</b>	<b>3,769</b>	<b>3,528</b>
<i>Of which live in Westminster</i>	51%	51%	51%	51%
<i>Of which priority households</i>	269	276	282	276
<i>% of which priority households</i>	8%	8%	7%	8%

Source: Catalyst – Homeownership Westminster End of Year Reports

## 5.8 Estimates of affordable housing need

- 5.8.1 An updated assessment of the need for social housing (social and affordable rent) for households who are unable to meet their own needs in the market, indicates a requirement for around 180 additional social homes every year over the next 20 years (see Figure 26). It differs from the LHMS by assuming the backlog of need will be addressed over the plan period rather than in 5-10 years. It also makes a more conservative estimate about newly arising need than the LHMS, which assumes almost 90% of new households in the CoW will need social housing. It is important to keep in mind that Figure 26 is an estimate and based on a number of assumptions about the future.
- 5.8.2 The estimate of the need for social housing in Figure 26 takes account of the current need for social housing (social and affordable rent) as represented by the backlog of households on the CoW waiting list; and estimates future needs using household projections and assumptions about the proportion of households unable to meet their needs in the market. The supply of social homes through re-let is also taken into account to identify how much additional social housing is needed to meet current and newly arising need. It assumes that the backlog of current need will be addressed over the plan period (20 years).

**Figure 26: Estimate of the Annual Need for Social Housing Over 20 Year Period (2015-2035)**

		Average per annum over 20 years
	<b>Subsidised Rent (per annum)</b>	
A	Backlog excluding transfer tenants (address over 20 year plan period)	135
B	<i>Newly arising need (assume 30% of new households need subsidised rent reflecting current 25% population on HB plus those who have been placed outside the Borough - estimate additional 5%)</i>	272
C	<i>Newly arising need (assume 89% need subsidised rent, based on SHMA modelling)</i>	712
D	Mid point newly arising need (average of B + C)	492
E	Existing households falling into need (net growth in waiting list)	166
F	Supply (excludes transfers but includes CSH)	610
G	Shortfall (A+D+E-F)	183
H	% of housing requirement	17%

Source: Wessex Economics, using CoW waiting list and lettings data, GLA household projections and LHMS

- 5.8.3 Figures 26 and 27 presents a simple estimate of the need for social and intermediate housing which is broadly based on an approach agreed with CoW officers following the same steps as set out for calculating housing need in the NPPG. These estimates are based on best readily available data but, as with all estimates of housing need and demand, are uncertain as they rely on a range of inputs and use a short period of history to project forward over a long period of time.
- 5.8.4 These estimates are also sensitive to changes in the economic and policy environment and would increase radically if less conservative assumptions are made e.g. on the anticipated future growth of the waiting list. Wessex Economics therefore consider this a minimum estimate of housing need. It will be important to monitor changes in need given future uncertainties.
- 5.8.5 This suggests that around 180 additional homes are needed each year to accommodate households unable to meet their own needs in the market. In absolute terms, the requirement to provide 180 social homes per annum is around 20% higher than what has been delivered in terms of new social housing over the last 10 years.
- 5.8.6 The need to provide 180 new social rent homes per annum does not make any allowance for other forms of affordable housing – specifically the demand for intermediate housing from households who, by and large, no longer want to rent and aspire to a more stable and secure form of tenure. The provision of intermediate housing would be on top of the need for 180 new social rent homes. Around 4,000 households are currently registered as seeking intermediate housing in the Borough.

Figure 27: Estimated Annual Demand for Intermediate Housing

Step	Source	Per Annum (Over 20 years)
A. Current Demand (Backlog)	CoW Intermediate Waiting List (households living in Westminster only)	91
B. Newly Arising Need – new households	GLA household projections X 23% (estimate based on % of CoW households who are ‘stable’ households in PRS and not on housing benefit) <sup>12</sup>	183
C. Newly Arising Need – existing households	Average growth in waiting list over last 4 years	n/a
D. Supply	Average number of re-sales or re-lets of intermediate housing over last 3 years	32
<b>E. Shortfall (A+B-D)</b>		<b>242</b>

5.8.7 The intermediate market is typically defined as those households who are not eligible for social housing but cannot afford market housing. There is no guidance on how to estimate intermediate demand in the NPPG. Wessex Economics has therefore adopted the same approach to assessing the requirement for intermediate housing as used to assess the need for social housing (see Figure 27). This implies the need for an additional 240 intermediate homes each year.

5.8.8 It is important to emphasise that the estimates presented in Figure 27 are of the *demand* for intermediate housing rather than *need*. Intermediate households are likely to have greater choice as many can afford to rent in the PRS in Westminster without housing benefit, albeit many will be stretching their finances to do so. Some may be able to afford to buy outside of the Borough. Nevertheless, these households aspire to greater security of tenure, financial stability and having a stake in their local community.

5.8.9 The groups in Figures 26 and 27 are not directly comparable but there is some overlap. Some intermediate households could be accommodated in social housing if allocation policies were different. Similarly, some households in need could access intermediate housing given the right products and level of subsidy.

<sup>12</sup> **Further explanation of Step B in Figure 27:**

GLA household projections for CoW are 800 per annum. Wessex Economics have estimated approximately how many of these might be intermediate households. A good proxy for this is the current size of the private rented sector, not supported by housing benefit. In 2011 this was 36,700 or 35% of households. The PRS was 45,250 households with those on housing benefit included. However, many of these are transient households who come to the City temporarily and are therefore unlikely to be interested in or to take up intermediate housing. Wessex Economics has estimated the stable part of the PRS by looking at the turnover of the household population. Around 1/5 of the household population moves in/out of Westminster each year – 180 out of every 1,000 households. This equates to around 19,000 households each year. There are approx. 3,200 house sales each year (c.800 per quarter) and around 600 social lets. This leaves the majority - around 15,200 moves - associated with the private rented sector. This means that 34% of private rented households move in/out of Westminster each year and 66% remain stable. If we apply this 66% ‘stability’ to PRS households not supported by housing benefit this equates to 24,200 households. These households are privately renting, not supported by housing benefit and are not short term residents. In 2011, this equated to 23% of the household population (household population 105,770). We apply this 23% to the GLA household projections of 800 per annum. This gives a figure of 183 households and provides a realistic estimate of the number of intermediate households forming in the City each year.

- 5.8.10 The majority of those households that are actively interested in intermediate homes in the City are young, single people. However, couples and families make up the majority of priority households. These households need larger properties of 2 bedrooms or more.
- 5.8.11 The vast majority of intermediate households interested in intermediate housing in Westminster are open to opportunities to rent or buy. Only 3% of applicants are specifically interested in buying and not renting.

**Figure 28: Indicative Size Requirements for Affordable Housing**

	A	B
	Social/Affordable Rent Households	Intermediate Households
Annualised Requirement for Additional Provision	180	240
<i>of which</i>		
1 bedroom/studio	5%	40%
2 bedrooms	40%	40%
3 bedrooms	40%	20%
4 bedrooms	15%	~
Total	100%	100%

Source: Wessex Economics. Size requirements for social households based on waiting list size requirements, lettings of social homes by size, ratio of households to re-lets by size of property and priority households on intermediate waiting list. Size requirements for intermediate households based on Priority 1 and 2 applicants on intermediate register.

- 5.8.12 Figure 28 summarises how these requirements might be broken down by the size of property. There is no accurate way of apportioning the size of homes required and so Figure 28 presents Wessex Economics' judgement based on the available evidence. It will be important to keep the evidence and policy under review.
- 5.8.13 For social/affordable rent, indicative size requirements are based on the characteristics of households on the waiting list, the profile of the existing stock of homes and pattern of re-lets in recent years. The dominant requirement across both social and intermediate tenures is for 2-bed and larger properties. The proportions suggested in Figure 28 recognise that, although households who need one bedroom properties are numerous, the stock is biased heavily in favour of 1 bedroom properties, lettings are most frequent amongst this type of accommodation and the greatest pressure is on the larger housing stock. For this reason, Wessex Economics suggest that the focus is on the provision of 2 and 3 bedroom properties as the first priority. There is very significant pressure on 4 bedroom properties but relatively fewer numbers are needed.
- 5.8.14 The proportions suggested for intermediate housing are based on the size requirements of priority households (Category 1 and 2) and therefore those most likely to be allocated an intermediate property rather than the totality of intermediate households that are registered with the CoW. Focusing on the latter would imply the need for a much greater proportion (60% +) of 1 bedroom properties to address demand from single people who make up the vast majority of those registered.



## 5.9 Maximising supply

- 5.9.1 Three clear conclusions emerge from the analysis of the overall requirement for new homes in Westminster and the analysis of the need for affordable housing.
- 5.9.2 **First**, there is a need to maximise the delivery of new homes (market and affordable) in Westminster. The GLA has identified that the capacity to deliver new homes in London falls short of projected household growth. GLA and CoW have jointly identified capacity for supply of an additional 1,068 housing units per annum in Westminster. This is only slightly higher than the quantum of additional housing supply delivered over the past 14 years, 1,044 units per annum. However, the challenge of securing higher levels of delivery should not be underestimated. There is a significant challenge for CoW to work with developers and the GLA to boost the volume of housing delivery to achieve the emerging target for new homes.
- 5.9.3 **Second**, there is a need to maximise the availability of social housing in Westminster either through new development or provision of subsidy (housing benefit) to those living in market rent housing. The scale of housing need in Westminster is such that it will be challenging for CoW to meet priority housing needs in Westminster through new building given its current statutory responsibilities. Recent changes to the Housing Benefit system (the overall benefit cap and the rent caps), mean that its ability to address housing need by housing those in need in the private rent sector within Westminster has fallen and can be expected to fall further; though some relief may come from the new ability to discharge the Council's duty to homeless people by offering appropriate housing in the private rented sector.
- 5.9.4 **Third**, the Mayor's Housing Strategy highlights the requirement for provision of intermediate housing in London and gives high priority to delivery of such housing. The CoW has also worked to support the development of intermediate housing over many years to meet a number of housing objectives. Yet the stock of intermediate housing is a small fraction of the stock of social rented housing. Around 1.5% of all households are either shared owners or are tenants living in intermediate rented accommodation. This compares to 26% of all households who rent from a social landlord. Consideration needs therefore to be given to how available resources should be divided between meeting the considerable need for social housing and meeting the requirement for intermediate housing.

## 5.10 The Link between Market and Affordable Housing Delivery

- 5.10.1 There is no conflict in a strategy to maximise the delivery of both market and affordable homes, since the primary mechanism for delivery of new affordable homes is through the requirement that a proportion of all residential developments of 10 or more new residential units or 1,000 sq m or more of new residential floorspace provide an element of affordable housing. This provision is to be made on-site, but, by agreement, may be provided off-site elsewhere in Westminster. Where this is not possible a financial contribution in lieu of provision of affordable housing can be made to the City Council's Affordable Housing Fund (AHF). The AHF is used to support delivery of additional affordable homes in Westminster, including development by City West Homes.



5.10.2 Thus, the development of market housing is the principal way by which both sites and subsidy are secured to deliver affordable housing in Westminster, though an element of subsidy will come through the Mayor's Affordable Housing Programme. Additional affordable housing can be delivered through new building or purchase of existing properties. Some contribution to overall housing requirements can also be achieved by bringing empty homes back into use, and development of non self-contained housing units, such as hostels. This leads to an obvious conclusion, that CoW needs to be satisfied that it is securing the largest contribution to the provision of affordable housing through its Affordable Housing Policy taking into account the overall impact of all development obligations on viability, and hence delivery of new homes as a whole.

## 6. Student Housing

Comment on the student accommodation analysis estimated by Ecorys, taking into account the impact of the private rented sector and the fact that students are willing to study in Westminster but live outside (as evident by the University of Westminster's hall of residence being outside the City)

### 6.1 Introduction

6.1.1 CoW has not posed particular questions, but it seems that the following questions are relevant for housing strategy in the City:

- How many post-18 students live in Westminster, ideally broken down by HEIs and other types of educational institution; and what sort of accommodation do they live in?
- How many post-18 students attend HEIs and other institutions in Westminster, ideally broken down by institution; and what sort of accommodation do they live in?
- In terms of students living in both Westminster and outside, how many are couple households or family households (with how many children)? Do these groups live in different types of accommodation?
- Should CoW have a policy for the provision of student accommodation in Westminster? If so, what should it be?

6.1.2 Within the scope of this assignment, it is not possible to answer these questions fully but it is possible to develop some hypotheses based on our knowledge of the student accommodation market, and the pattern of market demand in London.

### 6.2 Student Numbers

6.2.1 As noted in the LHMS, there are nearly 22,000 full time students living in London according to the Census. Census Day was 27<sup>th</sup> March 2011, so the majority of students recorded by the Census should have been at their term time address and not recorded at their home address; but it would not be surprising if there were some under-recording of student numbers.

6.2.2 However, these figures will overstate the number of post-18 students resident in Westminster since the Census definition of students includes 16-18 year olds in full time education. There are 5,600 people in the City aged 16-18, the majority of whom will be in some form of full-time education. Nationally, 74% of all 16-18 year olds are in full time education (68.5%) or part time education (5.5%). So the number of post-18 students is likely to be closer to 18,000, rather than 22,000.

6.2.3 In London there are 700,300 people in full and part time education. There are 281,400 people aged 16-18. So using the same approach as above, there would be an estimated 492,000 students over 18 in London. This implies that the 18+ students in Westminster account for around 4% of all students in London. However, students account for 8% of the resident population of Westminster.

6.2.4 Post-18 students in London account for 6% of the London population, so students are somewhat over-represented in Westminster. This probably reflects the fact that outer London Boroughs will have very much lower levels of post-18 student representation in their population, while inner London has much stronger representation.

### 6.3 Where Students Live

6.3.1 It is probable that students are relatively unrepresented in Westminster compared to other inner London Boroughs, given relative housing costs. Those students living in Westminster are likely to be living in university accommodation or the private rented sector. Those living in the PRS are likely to be from wealthy UK or overseas families who either own property in Westminster, or are willing to subsidise sons and daughters to live in rented accommodation in Westminster.

6.3.2 The LHMS reports there are 119,000 students attending the HEIs that are located in Westminster, but this will include those studying at campuses outside Westminster. These students represent 35% of all students at an HEI in London, so by implication there are around 330,600 HEI students in London. Slightly more than a third (36%) of students at Westminster-based HEIs are from overseas. Undergraduates account for 64% of students at Westminster-based HEIs, and 34% are postgraduates, with the remaining 2% attending FE courses.

6.3.3 It is very probable that a significant proportion of 18+ students who live in Westminster attend HEIs in Westminster, but also that many attend HEIs in central London but outside of Westminster. The level of 'self-containment' will probably depend greatly on the amount of accommodation directly owned by the HEIs located in Westminster. Where students are living in privately owned accommodation, there is no formal tie between where they live and where they study. Thus, the most that can be said is that students living in privately-owned accommodation are likely to be studying in central London.

6.3.4 The figure of 119,000 students attending the Westminster-based HEIs compares to an estimated 18,000 students resident in Westminster. This figure will include resident students studying at HEIs not part of Westminster-based HEIs. Unless very large numbers of students at Westminster-based HEIs are studying in campuses not in the City, it is reasonable to assume that the vast majority of those who study at Westminster-based HEIs must be commuting into the City; that is, the commuting patterns of students are not different to those who work in Westminster.

6.3.5 This would support the hypothesis that there is not a strong relationship between where a student lives and the location of the HEI where they study. London students are commuters.

### 6.4 Policy Implications

6.4.1 There are no compelling reasons for CoW to plan for provision of student housing in Westminster unless there is clear evidence that this is having adverse consequences:

- for Westminster's HEIs, which are major employers and important to UK exports and significant economic base activities in London
- for other CoW residents – e.g. competing for property with the effect that other 'more worthy' elements of the population cannot live in the City

- other adverse consequences.
- 6.4.2 In considering whether there are adverse impacts associated with the current pattern of where students live, it is worth considering the type of accommodation in which students may live. It may be worth CoW undertaking some specific analysis on this topic using Census data.
- 6.4.3 However, 18+ students are likely to be accommodated in the following types of accommodation:
- University owned student accommodation
  - Privately owned student accommodation
  - Housing association or charitable student accommodation
  - Living with parents or relatives
  - Shared accommodation in the private rented sector
  - Self-contained accommodation in the private rented sector
  - Lodgings (i.e. accommodation with a resident landlord).
- 6.4.4 From a housing policy perspective, there are a number of issues to consider.
- 6.4.5 First, there is the possibility that demand from students at central London HEIs is an additional factor boosting demand for PRS property in Westminster which, other things being equal, will push rents up. This may be a factor in the shrinking amount of private rented accommodation available to accommodate low income groups.
- 6.4.6 This could have the adverse consequence of making it harder or more expensive for CoW to house those in housing need in private rented accommodation in Westminster, and a factor in the increased use of expensive temporary accommodation. However, the pressure of demand on the PRS from students is unknown and there is also significant pressure of demand for PRS property from those in work.
- 6.4.7 Second, if there are a large number of students living in the PRS in Westminster, this will be a factor that contributes to the high level of churn in the City. In most cities, students are likely to be short-term residents, since when their courses finish, they are likely to move as they seek work. This may actually be less so in London, given the scale of graduate job opportunities in London.
- 6.4.8 Often, a high level of turnover among residents is regarded as inherently undesirable, since it can work against social cohesion and the development of strong locally-based relationships. The counterpart of this is that the PRS is important in providing accommodation to a mobile labour force, which works to London's economic advantage.
- 6.4.9 There is a suggestion in the LHMS that there may be a requirement to provide additional student accommodation linked to Westminster's HEIs to help them maintain their international competitiveness. There is no question that London's HEIs are a major source of competitive advantage for London and the UK, and the market for international students is very competitive. The LHMS makes it clear that the HEI sector in Westminster is a major employer – employing over 20,000 people.
- 6.4.10 It is appropriate therefore that the CoW works with Westminster-based HEIs to identify their development plans and what that means for the physical environment and in terms of the housing

needs of students. The Universities have the necessary expertise to examine the student housing market in much more detail than considered here or in the LHMS, and its implications for the Westminster housing market. It may be appropriate to commission some joint studies.

- 6.4.11 It would be wrong to pre-judge the outcome of joint working with Westminster-based HEIs. On the basis of existing evidence, the majority of students at Westminster-based institutions commute into Westminster – just as do the great majority of people who work in Westminster.
- 6.4.12 It will be more cost-effective for HEIs to build student accommodation outside of Westminster, given the high land values in Westminster. It is no surprise that the private providers of student accommodation focus their developments in London Underground Zone 2, rather than anywhere in Zone 1. On the assumption that there is a linkage between the cost of student housing provision and what students are charged, this will also be cheaper for students.
- 6.4.13 However, the issue to be addressed is whether the current situation is a satisfactory solution or not, and whether it would improve the competitive positioning of Westminster's HEIs were they to have more accommodation within the City itself.

## 6.5 Conclusion

- 6.5.1 It would appear that the vast majority of students at Westminster-based HEIs live outside Westminster and commute into the City to study. This is unsurprising since it mirrors the pattern of those in work, and most students have limited incomes, so are unlikely to be able to pay for market accommodation in Westminster.
- 6.5.2 However, there are 18,000 students in Westminster aged over 18, accounting for about 8% of the resident population. However, no analysis has been undertaken of where they live (with family or friends, in private shared or self-contained accommodation in the PRS, or in purpose-built/converted student accommodation). Nor is it known where these students study.
- 6.5.3 Wessex Economics would recommend that CoW undertakes additional research into this group, possibly in conjunction with Westminster-based HEIs. The analysis should start with Census data, before any primary research is considered.

## 7. Westminster Housing Futures

Make projections on the future of Westminster's housing market.

### 7.1 Introduction

- 7.1.1 This section examines the future of both market and affordable housing in Westminster. It deliberately takes a long-term perspective, seeking to set out the likely direction of change in the housing market in Westminster over the 22 years to 2036, given that this is the timeframe being used for the current updating of the London Plan.
- 7.1.2 When thinking in long-term timescales and about the scale of change that might be reasonable to expect over the next 22 years, it helps to think back 22 years, to the year 1992. The housing market nationally in 1992 was still at a low ebb, with prices substantially below their 1989 peak; they would not start to rise again in a sustained way until 1996.
- 7.1.3 At start of 1992, retail price inflation was around 7% and official interest rates at around 6%. The economy was just starting to recover from a significant five quarter recession. On 16<sup>th</sup> September 1992, there was a full blown sterling crisis, and the UK was forced to leave the European Exchange Rate mechanism – a process that pegged the exchange rates of the EU nations.
- 7.1.4 Email was just starting to gain popularity as a business tool in UK, though there was no such thing as browsing the net, let alone broadband connectivity. The IRA bombed the Baltic Exchange in the City of London, killing three people; and detonated another bomb in Manchester City Centre, injuring 65 people.
- 7.1.5 A great deal can change in the space of 22 years. But much of the built environment of Westminster has not changed. The tube network that serves Westminster is unchanged in terms of lines, with the exception of the Jubilee Line extension beyond Green Park to Westminster, the South Bank and Canary Wharf.
- 7.1.6 Westminster was a popular and expensive place to live in 1992, and a major centre of employment. The average price of a home in Westminster was £150,000 at the start of 1995, compared to £62,000 in England and Wales as a whole. The average house price in Westminster now is a little less than £1 million (£943,000), compared to the average for England and Wales of £172,000.

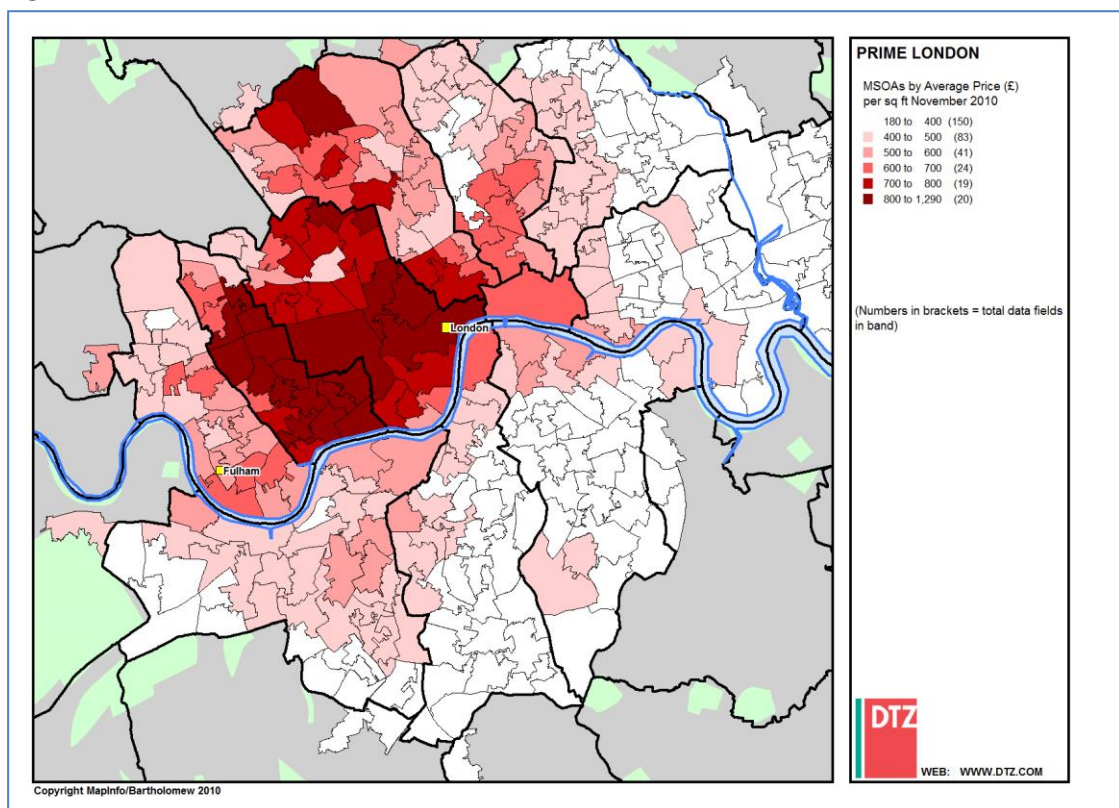
### 7.2 The Place of Westminster in the London Housing Market

- 7.2.1 Westminster is located at the heart of London. The City of Westminster is the major centre of employment in London with a total of 656,000 jobs, followed by the City of London with only 418,000 jobs; Camden is third in line with 318,000 jobs.
- 7.2.2 Westminster is host to the centre of Government, London's principal shopping and entertainment areas, as well as headquarters of corporate and professional businesses. Along with the City of

London, Westminster is the most accessible part of London, and residents of the City have access to an unrivalled range of services and amenities.

- 7.2.3 It is not surprising, therefore, that it is the most expensive place in London to live. Figure 29 shows the pattern of house prices in central London on a localised basis. Westminster, along with parts of Kensington and Chelsea, makes up the bulk of what is defined as the Prime Central London housing market, shown as the darkest red areas.
- 7.2.4 While not all of Westminster is deemed to be Prime London, Figure 29 shows that the majority of the City is high priced. The less desirable areas stand out clearly. Most of these less expensive areas are those with a stronger representation of social housing, and in particular of large council owned estates.

**Figure 29: The Pattern of House Prices in Central London, 2010**



Source: DTZ

### 7.3 The Drivers of House Price Growth

- 7.3.1 There are two key drivers of house price growth in Westminster. The first is the performance of the London economy and in particular the way it supports a large and growing number of highly paid jobs. It is a reasonable presumption that most of the owner occupied property within the City is owned by those in well paid employment in central London. This group will probably include a majority of UK nationals but have a large representation of overseas nationals working in London.
- 7.3.2 The London economy is also the key driver in the private rented sector, since the great majority of tenants will be in well paid employment in central London. While landlords probably gain more from capital growth than through income returns, the performance of Westminster residential property as



an investment will be related to the economy. If employment and wages in central London were to start to fall, this would affect demand for rented property and the rents commanded, and undermine the confidence of continued capital growth which encourages new investment in the Westminster private rented sector.

- 7.3.3 In general it might be argued that the wealth creating capacity of the London economy should spread out across all of London's housing market and so it does. But the appeal of living in Westminster, and the relative shortage of other locations which offer the same benefits, is likely to continue to result in price rises above the London average. Put simply, Westminster's most attractive neighbourhoods have features not easily replicated elsewhere in London.
- 7.3.4 There is an added twist that has historically boosted average house prices in Westminster, which is the demand for property from overseas buyers. Such demand has various drivers. An important factor in why London, and central London in particular, attracts overseas property investors is that the UK is seen as a safe haven for wealth. The UK is politically stable, and has a well-respected legal system. For those who retain use of their property, it is a place their families wish to visit, be that for a short or longer period.
- 7.3.5 The report prepared for CoW by Ramidus on the Prime Residential Market contains a wealth of detail about the nature of the Prime market in Westminster. The report defines Prime property as having a value of over £2 million. Ramidus estimate that there are around 15,000 properties in Westminster valued at £2 million or more, representing 13% of all properties in the City; 16% of privately owned properties (i.e. excluding local authority and housing association stock).
- 7.3.6 An alternative way of defining Prime property, used by many residential agents, would be based on the £ per sq ft (or sq m) value of residential property. On this definition, the number of Prime properties in Westminster would be considerably larger than the 15,000 properties worth over £2 million – the definition of Prime used by Ramidus – and would include a number of properties valued at less than £2 million.
- 7.3.7 The Ramidus report indicates that over half of all overseas buyers in much of Prime Central London were of overseas origin between 2011 and 2013, with significantly higher proportions in Belgravia and St John's Wood (and Knightsbridge in Kensington and Chelsea). Overseas buyers are more strongly represented among buyers of new build properties (73%) than of second-hand properties in Prime London (38%).
- 7.3.8 The Ramidus report identifies three types of overseas buyer:
- The global super wealthy comprising a small number of people who buy super-prime homes (more than £5 million)
  - London-based workers who live and work in London, contributing to the economy and the community in the same way as UK citizens
  - Investors who buy mainly new homes of £500,000 to £2 million as income-producing assets in the same way as UK investors.
- 7.3.9 For the majority of those buying in London, the performance of the London economy is likely to be a key consideration since, for the majority of buyers whether from the UK or not, it is where they



make their living, or where their tenants make their living. The future performance of the London economy is therefore the key factor that is likely to shape the future of the Westminster Housing Market in terms of prices and rents.

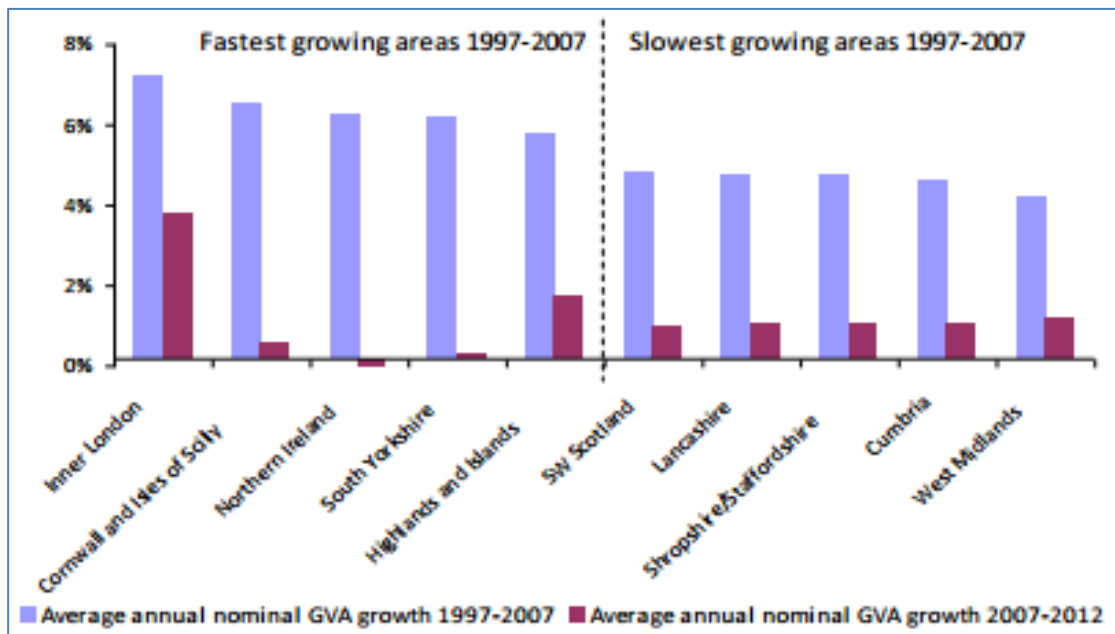
### 7.4 The Performance of the London Economy

7.4.1 The Inner London economy has consistently out-performed the rest of the UK economy over the last 20 years in terms of output (GVA) and employment growth. Figure 30 shows that Inner London has had the fastest growth in GVA of anywhere in the country over the period 1997 to 2007 and 2007 to 2012.

7.4.2 It is not just in terms of output growth that London has out-performed the rest of the UK:

- There was a 267,000 increase in workforce jobs in London between September 2007 and September 2012. All other regions except the South East and Wales experienced a decline in workforce jobs over the same period.
- Between the final quarter of 2007 and the final quarter of 2012, London’s employment rate showed an improvement of 0.9 percentage points. The combined employment rate for the rest of the UK experienced a decline of 1.7 percentage points over the same period.
- London increased its active business stock by 11.5% between 2007 and 2011 period. With the exception of Scotland, the number of active businesses in all the other parts of the UK either decreased or increased by less than 3%.
- All this has had a direct impact on the incomes of residents. 2010 data show that average household income per head in London was 30% above the UK average. This is an increase from 26% above the UK average in 2006.

Figure 30: Inner London Growth 1997-2007 and 2007-12



Source: BIS Growth Dashboard

- 7.4.3 The majority of economic forecasters anticipate that London will continue to outperform the UK economy as a whole, and every other region, in terms of output and income growth. The success of the London economy is a major factor in the growing population of London, and the shortage of housing.
- 7.4.4 The likely result is continued upward pressure over the long term in house prices and market rents. This will probably be only partly relieved if housing delivery is lifted from its historic levels, and price pressures will be worse if planned levels of housing are not delivered. Westminster is at the centre of multiple transport networks and thus highly accessible. It is also one of the most attractive parts of London in which to live, and as a consequence the pattern of the last 15 years of increasing divergence between house prices in Westminster and the London average is likely to be maintained.

## 7.5 Risks to the London Economy

- 7.5.1 London has in effect been reborn since 1986, the year of 'Big Bang' – the deregulation of the financial services sector. Between the end of WWII and 1986, the population of London was falling and the economy of London was ailing. Ever since 1986, the population has grown year by year, and it is expected to continue to grow over the next 20 years.
- 7.5.2 What could happen that might reverse almost 30 years of growth in the population and economy of London? At present the prevailing expectation is that London house prices and rents will continue to increase over the long term, especially given the expectation that housing supply will not match anticipated growth in households. What events might produce a very different housing market outcome than generally expected?
- 7.5.3 It is helpful in future analysis to think about what changes might occur using the PEETS framework for the discussion of significant future trends:
- Political
  - Economic
  - Environmental
  - Technological
  - Social.

## 7.6 Political Change

- 7.6.1 The UK is regarded as politically stable, with a strong rule of law and open markets. It therefore attracts international investment, and London is a particular beneficiary since it is the preferred home to the UK headquarters of many overseas owned businesses. The issue to be considered here is not short-term political risks, such as a change in government, but longer-term effects that might undermine confidence in London as a place to do business.
- 7.6.2 It is easy to forget the risk of a sovereign debt crisis in the UK. The UK still has very high levels of sovereign debt relative to output, and there is a long way to go to achieve the Government's targets of reducing public expenditure. The Coalition government has won the confidence of lenders, but it cannot be assumed that this will automatically continue in perpetuity. The impact of failure to

maintain the confidence of international financial markets remains an important risk to London and the UK economy.

- 7.6.3 The other obvious political risk to London would be a sustained and successful terrorist campaign waged in London. This is a London-specific risk since London rather than other cities in the UK would likely to be the prime target of any terrorist organisation. London has handled occasional terrorist attacks without significant impact, but a successful campaign waged over many years could change peoples' perceptions of London as an attractive place to live.
- 7.6.4 State-sponsored cyber-attacks is another significant source of risk, and an added cost as business and governments seek to protect themselves. It is not impossible to conceive of growing tensions between states. Most likely this will not result in major global powers engaging in traditional confrontations, but through hostilities conducted through proxies, sanctions and cyber-attacks.
- 7.6.5 Other political risks that would affect the long-term success of London would include a succession of governments without a proper mandate to govern, in a country without a tradition of coalition government. This would have an effect on the UK, and, given that the economy of London is more international than the rest of the UK, this might have a greater adverse impact on London than other parts of the UK.

## 7.7 Economic Risk

- 7.7.1 There is the clear possibility of the UK leaving the EU. For London, the key issue this raises is what this would do to the London-based financial services industries. Could and would London retain its effective status as the premier financial centre in Europe or would its dominance as the leading financial sector be eroded? The EU, and more particularly the Eurozone nations, face major issues in terms of sovereign debt, and the level of debts and exposure to risk of much of the banking system, so it is by no means certain that countries in the Eurozone could steal a march on London.
- 7.7.2 There are arguments that London could thrive as a financial centre outside of the Eurozone and the EU (as Singapore does outside of the major Asian economies). It is the centre of the Eurobond market without the UK being part of the Eurozone. It is seeking to establish its pre-eminence in the renmimbi and Islamic finance markets. Decline would by no means be certain if the UK was outside the EU. However, there are concerns that outside of the EU, or even outside of the banking union being forged by the Eurozone, the City will have limited influence on the rules being set for the banking sector in Europe, and would thus be disadvantaged.
- 7.7.3 London, however, has a much broader representation of international banks than any other European financial centre, is more international, works in the world's dominant language of business – English, and at a scale lacking in other European financial centres. This advantage could be squandered in other ways by failures of political decision making. Visa rules could make it more difficult to recruit top talent to London businesses, and send the message that the UK does not welcome overseas investment and workers.
- 7.7.4 There are also risks to UK business in the inadequacy of long-term planning for infrastructure in the UK in terms of telecoms, energy, land transport, airports, and housing. In general, the economic importance and wealth of London is likely to mean that issues in London are given priority over the

rest of the country. This lessens the risk of adverse impact on London. But in global competition for economic power, London might become less competitive as a result of these factors.

## 7.8 Environmental Risk

7.8.1 The environmental challenges facing London over the next 50 years are likely to be substantial, particularly in terms of rising sea levels and average temperatures. In general the risks are known, but the historic pattern of change in London has been that there has to be a crisis to break the political deadlock that unlocks significant new investment. For example, the 1858 'Great Stink' was the trigger that led to approval of Bazalgette's proposals for a new sewage system; the 1953 floods in East London eventually led to the commitment to the Thames Barrier which opened 29 years later.

7.8.2 London will face challenges in terms of water supply and energy for a growing population. However, the economic and political importance of London is such that it is reasonable to expect that the infrastructure required to deal with the growing population of London and major environmental risks will be provided in due course. Other global cities could, however, steal a march on London if they are better at long-term planning and funding of infrastructure, but London's just-in-time approach does avoid unnecessary upfront expenditure and associated taxation to pay for this infrastructure.

## 7.9 Technological and Social Change

7.9.1 Over the next 22 years it is reasonable to expect substantial technological change that will transform social dynamics. However, the growth of cities is a world-wide global trend, and this is driving global technology development across a wide range of sectors relevant to cities, including environmental technology, transport and information and communication technologies.

7.9.2 Short of major global catastrophes, be they environmental (acceleration of extreme climate change) or the result of political failure (war), it is reasonable to expect that the City of Westminster in 2036 will still be recognisable to those who know the City today, in terms of its people, the way people live, where they live, the way that work is done, and how people move about, just as the City would be familiar to those working or living in Westminster were they to be able to travel back in time to 1992.

## 7.10 Housing Futures for Westminster

7.10.1 In the light of the analysis presented above, key trends in house prices, transactions volumes, appetite for residential development, tenure change, and housing need can be discerned. The direction of travel is relatively certain; less certain is how fast and how extreme the divergence from the rest of London will be.

### 7.10.2 House Prices

7.10.2.1 Over the past 15 years house price inflation in Westminster has exceeded the average for London. Wessex Economics expect this pattern to persist into the future, producing a still larger gap in average house prices in Westminster and the London average. This is the result of the following:

- Relatively limited scope for bringing forward new supply relative to demand, with a significant proportion of new supply likely to be of Prime properties (e.g. Chelsea Barracks) if these are

defined in values per sq ft and arising through conversion of office space in the Central Activities Zone.

- Over the period 2000-2013, over 40% of all new market homes in Westminster were delivered in just three wards – Knightsbridge and Belgravia, St James's, and West End, all of which would be regarded as part of Prime Central London locations based on £ per sq ft values.
- A further 23% of all new market homes have been delivered in Hyde Park, Marylebone High Street and Bryanston and Dorset Square wards, which would also be viewed as on their way to becoming part of Prime Central London if the definition is based on £ per sq ft values (see Figure 29).
- A continuing pattern of relatively low transaction volumes, with the possibility that they will fall still further; once people buy property in Westminster they hold onto it. This reflects the fact that residential property in Westminster is being used widely as an investment asset.
- The expectation is that the global and UK trend of growing income and wealth inequality will continue, so the number of High Net Worth Individuals (HNWI) in London and globally will continue to grow, stimulating demand for 'positional goods' – those goods that acquire value and prestige precisely because very few people can afford them.
- Residential property in many parts of Westminster is a 'positional good'. The stock of residential property in, for example, Belgravia is relatively fixed, and as the price of property in Belgravia increases, so given the cachet of living in Belgravia grows.
- The pressure of demand for property and high prices in Prime neighbourhoods will impact on adjacent areas which have good accessibility and intrinsic quality. The opening of Crossrail in 2018 will boost the appeal of areas around Paddington, Bond Street and Tottenham Court Road.
- It can be expected that rising travel costs from locations outside of central London to the centre will continue to be a factor that boosts central London house prices.

### 7.10.3 Transactions Volumes

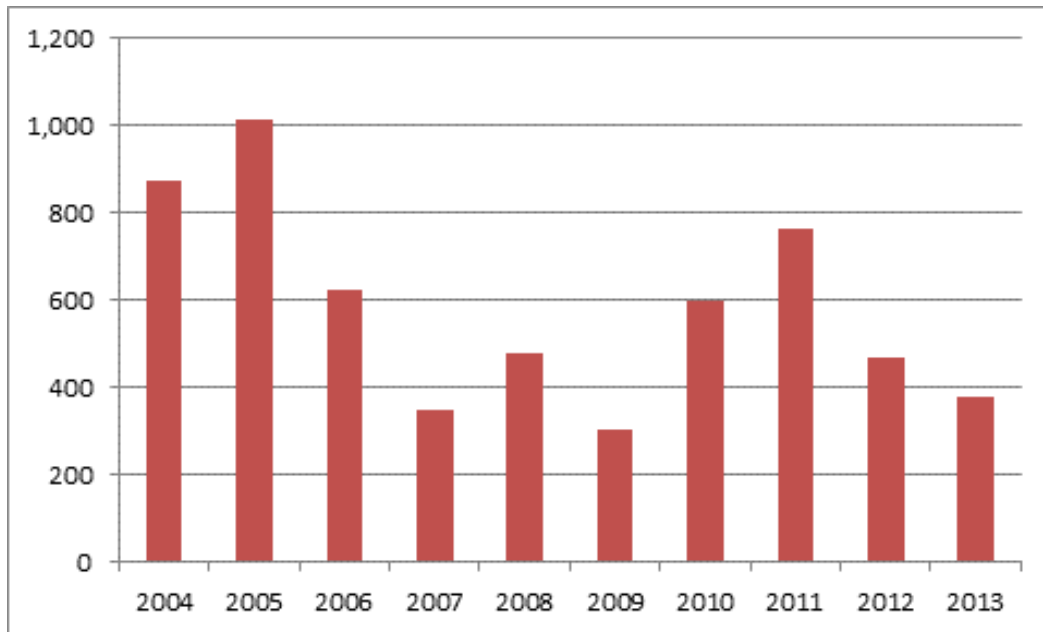
7.10.3.1 There has been a trend over time for the volume of transactions in Westminster, and in particular in Prime areas, to fall in relative terms, while still showing a cyclical pattern. The high proportion of property bought by investors rather than owners, and the use of owners of Prime property as a store of wealth, are both factors that encourage long-term ownership of property. In contrast, those parts of London where owner occupation is more prevalent experience a higher turnover of stock.

7.10.3.2 The relative shortage of properties coming onto the market provides continuing support for prices and competitive bidding when sought-after properties in desirable locations come onto the market; while strong capital growth provides investors with high returns, albeit those returns will not be realised until the property is sold. A sell off which could depress prices and erode confidence would only be triggered if investors thought they could not get their wealth out of the UK, or in some major global crisis that causes HNWI's to realise their assets.

#### 7.10.4 Appetite for Residential Development

- 7.10.4.1 In broad terms the market for new residential development is expected to remain robust in the long term. However, development in Westminster is complex, because, for all practical purposes, new development only arises through redevelopment. The CoW also has policies that require mixed use development, so a buoyant commercial development market can boost residential supply. But equally, it is possible that development trends might swing away from residential to focus more on commercial property.
- 7.10.4.2 Figure 31 shows the overall number of market completions in Westminster for the period 2004-13. Annual delivery has been quite variable. This probably reflects a number of factors, including the state of the sales market, the availability of development sites and of development finance; and the buoyancy or otherwise of the commercial development market. Intrinsically, the market environment for residential development in Westminster is likely to remain robust, given the underlying fundamentals of demand and supply.
- 7.10.4.3 A key factor influencing future supply is likely to be the return to be made on commercial, particularly office, development, and patterns of occupier demand in terms of location, type and size of property. This will have a material bearing on residential development schemes that entail redevelopment or conversion of office space. Crossrail has the potential to reshape patterns of demand for office space within central London (West End, City, and Canary Wharf). The availability and cost of development finance is another key issue.
- 7.10.4.4 The Government has been actively seeking to encourage institutional investment in the residential sector, particular to fund purpose-designed build to rent developments. Wessex Economics' assessment of this emerging sector is that it will work best in parts of London with relatively low value land and large sites, which largely excludes those parts of LUL Zone 1 to the north of the River Thames. In Westminster, higher values can be obtained by building for the mainstream investor and owner occupier market.

Figure 31: Market Housing Completions 2004-13



Source: Wessex Economics

## 7.11 Tenure Change

- 7.11.1 Over the period 2001 to 2011, the proportion of all households in Westminster living in the Private Rented Sector increased by 7.5 percentage points, from 32.2% to 39.7%. The proportion of owner occupiers fell by 3.7 percentage points; and those living in social rented homes by 3 percentage points. Will this trend continue into the future?
- 7.11.2 Wessex Economics expect that the proportion of residents who are owner occupiers will continue to fall in the future and the proportion of those who rent from private landlords will increase. This reflects the rising cost of property in Westminster which increasingly precludes more and more owner occupiers from buying in Westminster, in part because of absolute affordability issues. It is expected that growth in capital values will make Westminster less and less affordable to owner occupiers.
- 7.11.3 In contrast, the private rented sector will continue to grow because investors, particularly those looking for capital growth with limited risk rather than income, will be drawn to Westminster. Overseas investors in particular will continue to be drawn to invest in central London, as a safe haven investment. This is the result of the expectation that prices in Westminster will increase more rapidly than London as a whole, which makes Westminster an attractive place for those with large capital sums to invest.
- 7.11.4 The growth in the stock of private rented property is likely to come both through the majority of new build flats being sold to owner occupiers; but also as long established residents of Westminster die or sell up, their properties are relatively more likely to be bought by investors than owner occupiers.
- 7.11.5 What might upset this pattern? Much tougher regulation of the private rented sector, and in particular rent controls, could change perceptions of the PRS. However, the scale of the PRS and the wide spread of UK residents who are amateur landlords will discourage such action. The reforms

under discussion by the mainstream political parties are aimed essentially at bad landlords, rather than at discouraging investment in the private rented sector. There is widespread recognition of the value of the private rented sector in a city such as London in providing a flexible tenure which enables people to move easily between jobs, location and countries.

## 7.12 Rents and Low Income Households in the Private Rented Sector

- 7.12.1 The general trend of rising values in Westminster, combined with the appeal of living in the City, is likely to mean rising rents in Westminster, even if they do not rise in line with capital values. Unless the Housing Benefit system/Universal Credit system is changed to meet the costs of private rents in Westminster, this can only mean that the number of low income households accommodated in the private rented sector will continue to fall.
- 7.12.2 Both Conservative and Labour parties are committed to put restraint on public sector expenditure, which implies continued pressure on Welfare Benefits. There has been some suggestion that the Labour Party if elected might raise the overall cap on Benefit Payments (currently £26,000), but what is said prior to an election is very frequently not translated into policy. It seems unlikely that the Labour Party if elected to government would reverse in full the new Local Housing Allowance (LHA) caps that have made it harder for low income groups to access housing in Westminster.
- 7.12.3 Recent research published on the impact of changes to the LHA system of Housing Benefit concludes that the impact of these changes has been far more marked in the London housing market than elsewhere; and that *'the on-flows of LHA claimants at LA level since the reforms have reduced most sharply in the London central areas, reflecting the wider gap between average rents and LHA rates in these boroughs. The anticipated displacement of existing LHA households in these areas has not yet taken place. The transitional measures, such as DHPs, appear to have temporarily blunted the impacts in London'*.<sup>13</sup>
- 7.12.4 These research findings support the view that over time the numbers of housing benefit claimants living in the PRS in Westminster will fall,, as private sector rents in Westminster trend upwards compared to other areas. This will be assisted by the expectation that there will be robust demand from market tenants given expected household growth in London and challenges in boosting new housing supply.
- 7.12.5 Another threat to the continuation of private landlords letting to those in receipt of Housing Benefit is the proposal that, as the system transitions to Universal Credit, the single benefit payment will be made direct to tenants not landlords. A new government might scrap Universal Credit or change this proposal. Removal of direct payment would remove one clear advantage for landlords of letting to those on Housing Benefit of security; namely that they will receive the rent due, and do not have to incur significant costs in terms of rent collection and pursuing arrears.
- 7.12.6 The DWP research on the impact of LHA does raise another issue. It is possible that, if fewer people on Housing Benefit are housed in the PRS in Westminster, this could reduce the numbers of people who present themselves as being in priority housing need. This reflects the likelihood that in part the large numbers of homeless acceptances in Westminster are the product of having a large social

<sup>13</sup> Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit, DWP, 2013



rented sector and at least historically a large private rented sector, a significant proportion of which has historically housed low income households.

## 8. The Mayor's Housing Strategy

Comment on the City Council's ability to meet the Mayor's emerging housing target for Westminster of 1,068 units per year (up from the current target of 770) and the policy directions signalled in the Mayor's Housing Strategy.

### 8.1 Introduction

8.1.1 The Mayor of London published a draft Housing Strategy in April 2014<sup>14</sup>. The overriding aim of the Strategy is to increase the supply of housing of all tenures. The long-term ambition is to increase supply to 42,000 new homes per annum, which is around double what has been delivered over the last 20 years.

8.1.2 While the Mayor's Housing Strategy focuses on overall housing supply, it has a number of other objectives and policies. The strategy has five key priorities:

- increasing supply to levels not seen since the 1930s
- better support for working Londoners and helping more of them into home ownership
- improving the private rented sector and promoting purpose-built and well managed private rented housing
- pushing for a new long-term financial solution for London Government to drive housing delivery
- bringing forward land for development and accelerating the pace of housing delivery through Housing Zones and the London Housing Bank.

8.1.3 This section considers the implications of the Mayor's Housing Strategy for Westminster, focusing first on housing supply issues. The other principal topics in the Mayor's Housing Strategy are considered in less detail.

### 8.2 Increasing Housing Supply and the Delivery of the Emerging Housing Target for Westminster

8.2.1 The GLA and the CoW has undertaken an assessment of the capacity for new homes in Westminster. The findings of this work indicated the potential in terms of sites and scope for intensification to deliver 1,068 new homes per annum over the next 22 years. This capacity-derived figure is being used as the emerging housing target for Westminster in the period to be covered by the City Plan.

8.2.2 The Mayor's Housing Strategy expects 60% of new homes to be provided as market homes, and 40% as affordable housing. Within the affordable housing component, the Mayor's Strategy proposes that:

<sup>14</sup> The Mayor's Housing Strategy was formally adopted in October 2014 after this report was substantially completed. Wessex Economics has not identified any fundamental changes to the Strategy compared to the April 2014 Draft used in the preparation of this report.

- 30% of all affordable housing should be provided at ‘capped affordable’ rents for low income, benefit dependent households
- 30% should be provided at ‘discounted affordable’ rents, which the Mayor indicates will be focused on low income working households
- 40% should take the form of homes built for low cost home ownership.

8.2.3 The key dimension of the Mayor’s Housing Strategy of relevance to the CoW is the proposal that, in future, resources for affordable housing will be divided up between three different affordable housing products.

8.2.4 Figure 32 shows the housing numbers set out in the Mayor’s Housing Strategy in terms of the totals and the split between market and affordable housing, and the parallel figure for CoW.

**Figure 32: Proposed Annual Housing Completions 2014-34**

	London		CoW (Indicative)	
	No.	%	No.	%
<b>All Homes</b>				
Market Homes	25,000	60%	641	60%
Affordable Homes	17,000	40%	427	40%
Total Homes	42,000	100%	1,068	100%

Source: Wessex Economics

8.2.5 Figure 33 identifies the breakdown of affordable housing by the different elements identified in the Mayor’s Housing Strategy, and how this would translate into the number and percentages of different affordable homes if the same split between types of affordable homes as set out in the Mayor’s Housing Strategy were to be adopted in Westminster (although it should be noted that CoW strategic target for affordable housing is 30%).

Figure 33: Proposed Annual Affordable Housing Completions 2014-34

	London		
	No. of Affordable Homes	% all homes	% of Affordable Homes
<b>Affordable Homes</b>			
Capped Rents	5,100	12%	30%
Discounted Rents	5,100	12%	30%
LCHO	6,800	16%	40%
<b>Total</b>	<b>17,000</b>	<b>40%</b>	<b>100%</b>
	CoW		
	No. of Affordable Homes	% all homes	% of Affordable Homes
<b>Affordable Homes</b>			
Capped Rents	128	12%	30%
Discounted Rents	128	12%	30%
LCHO	171	16%	40%
<b>Total</b>	<b>427</b>	<b>40%</b>	<b>100%</b>

Source: Wessex Economics

- 8.2.6 There is little doubt that there will be a demand for market homes in Westminster. The challenge in Westminster is whether it is possible to deliver new homes at the level of some 1,068 new homes year in year out over a 22-year period to 2036.
- 8.2.7 Figures 34 and 35 show that in the last 14 years there have been four years when this emerging target of 1,068 completions has been exceeded and another two years when it was nearly achieved (less than 50 units short). The average number of homes completed in Westminster over the 14-year period 2000-14 was 1,044.

**Figure 34: Housing Completions in City of Westminster 2000-13**

Net New Housing Units	of which Affordable Homes	of which Market homes	Non-Self Contained Units	Vacant Returned to Use	Total All Supply
1,156	385	771	143	81	1,380
912	301	611	0	81	993
537	347	190	80	81	698
1,286	154	1,132	12	81	1,379
539	153	386	145	113	797
1,631	243	1,390	-25	175	1,781
630	20	610	401	240	1,271
720	132	590	44	250	1,014
712	231	481	-26	220	906
683	381	302	267	100	1,050
751	152	599	-64	183	870
834	71	763	7	183	1,024
593	125	468	-115	183	661
532	46	486	80	183	795
11,516	2,741	8,779	949	2,154	14,619
823	196	627	68	154	1,044
763	155	608	71	183	1,017
679	155	524	35	166	880

Source: City of Westminster The figures in this table differ from those published in Westminster's City Plan: Strategic Policies (Appendix 4) due to more accurate completion data coming direct from RSLs and the Housing Corporate via the LDD allowing for more cross checking.

Note: The figures for Non Self Contained and Vacant Returned to Use Units between 2000 and 2004 are estimates, based on averages of previous known delivery figures.

**Figure 35: Historic Housing Completion Rates and Future Requirements**

	Total Additional Supply	Average Additional Supply pa
<b>Historic Additional Housing Supply</b>		
2000-2013/14 (14 Years)	14,619	1,044
2004-2013/14 (10 Years)	10,169	1,017
2009/10-2013/14 (5 Years)	4,400	880
<b>Housing Requirements</b>		
Demographic Requirement		736
Capacity Contstrained Target		1,068

Source: City of Westminster

- 8.2.8 There will be a number of challenges to delivery of the emerging target for Westminster of delivering an average of 1,068 additional homes, year in, year out of an extended period. First, there is the issue of capacity within the housebuilding sector. The construction industry as a whole lost significant capacity during the economic downturn and will take time to recover. Some of the current issues being experienced, for example shortage of bricks<sup>15</sup> for new homebuilding, is evidence of how long it takes to build back capacity once it has been lost. Demand for construction materials is also rising globally, putting pressure on supply chains.
- 8.2.9 However, the challenge of boosting housing supply is not just about getting the materials and people to build homes. It is also about the organisational and financial capacity to build new homes. The requirement for new homes in England based on demographic projections is put at around 222,000-240,000 new homes per annum. Yet in the last four decades, private sector builders have never built on average more than 141,000 new homes each year in England, and that was in the decade 1970-79. The comparable figures are 136,000 homes per annum in the decade 1980-89, 124,000 in the decade 1990-99, and 127,000 in 2000-2009.
- 8.2.10 The industry is in much better health now than it was three years ago at the depth of the recession, but significant capacity has been lost among small and medium size builders. Moreover, there have been multiple mergers and takeovers in the last five years, and it is unlikely that the new combined enterprises will build more homes each year than the individual firms that merged. Even if output rises year by year to 150,000 per annum new homes in 2019, private housebuilders will have only achieved an average output of 120,000 new homes per annum over the decade 2010-20, because of the very low level of completions in 2010-13.
- 8.2.11 Moreover, private housebuilders will build in response to demand, but they have a commercial interest in not flooding the market at the local level. As private enterprises, they build for profit and their decisions are not informed by any overall national requirement for housing.
- 8.2.12 The position is somewhat different in terms of London in that there is a wider range of developers than in the country at large, including major property companies that also invest in developing commercial property. The ability to finance new residential development is therefore broader and deeper than anywhere else in the country. But set against this is the complexity of delivering new homes in a densely developed historic city, with a complex pattern of land and property ownerships and complex underground infrastructure.
- 8.2.13 Nowhere, except perhaps the City of London, is this complexity greater than the City of Westminster. An added layer of complexity arises with the Mayor's Housing Strategy and the emerging London Plan's proposals for delivery of 40% of all new homes as affordable housing. The CoW currently has a strategic requirement for 30% affordable housing. Other things being equal, a 30% affordable housing requirement can be regarded as preferable to a 40% requirement if the aim is to boost overall housing completions by over a third compared to historic rates of delivery.
- 8.2.14 It is also hard to predict the speed at which housing developments will emerge in Westminster because this depends at least in part of the behaviour of those who own potential development sites – which in Westminster are all buildings and sites in existing uses. In a context where development values are expected to continue to increase over the long term, landowners will make judgements

<sup>15</sup> <http://www.rics.org/uk/knowledge/news-insight/news/brick-shortages--is-there-a-crisis/>

about when they wish to release and realise value from buildings, and this may be linked directly to their own investment strategies. Thus, sites suitable for redevelopment may not come forward for many years.

- 8.2.15 Put simply, the City of Westminster can identify the capacity for new homes in the City, but it has no way to control the pace of development. All that it can do is to ensure that its own policies and working practices do not impede development – while holding the line that it needs to ensure that the scale and type of development is consistent with its development policies and that it seeks to secure an appropriate level of affordable housing.

### 8.3 Supporting Working Londoners and Helping More of Them into Home Ownership

- 8.3.1 There are two key dimensions of the Mayor’s Strategy for supporting Londoners who work:
- the first is that 16% of all new homes built in London should be for low cost home ownership (see Figure 33)
  - the second is that another 16% of all new homes be provided as discounted affordable rent homes (as distinct from capped affordable rent homes) aimed at low income households.
- 8.3.2 Wessex Economics would expect that CoW would be supportive of the Mayor’s emphasis on seeking to give greater priority to working Londoners, and improving housing choices for working Londoners across all tenures. There is logic in housing some lower income groups in employment relatively close to their places of work, which in many cases will be in central London.
- 8.3.3 Given the pressure on social housing, it is quite probable that the Discounted Affordable Rent product will have to be focused on meeting CoW statutory housing obligations. Alternatively, CoW may well need to also seek to negotiate a higher level of provision of Capped Affordable Rent properties and a lower level of Discounted Affordable Rents properties, given the way that Housing Benefit caps interact with rents.
- 8.3.4 The issue is the scale of CoW’s current statutory responsibilities for housing. As noted previously, CoW has large numbers of people who are deemed to be in acute housing need, such that 2,400 households are being housed in temporary accommodation, at high cost. The provision of 30% of affordable housing in the form of capped affordable rents will not provide sufficient homes to meet such need.
- 8.3.5 Thus, it would seem probable that, if CoW sticks to the tenure split set out in the Mayor’s Housing Strategy, some or all of the homes provided at discounted affordable rents will have to be used to meet those to whom CoW has statutory responsibilities. However, very few of those to whom CoW has a statutory responsibility are in work.
- 8.3.6 There is also the challenge, particularly for larger households requiring larger properties that the rents charged for discounted affordable rent homes may exceed the benefit cap and hence would not be suitable for housing such families. In view of these issues, CoW is negotiating with the Mayor to permit a 70% capped affordable rent and 30% discounted affordable rent split on sites where there is no grant.

- 8.3.7 These challenges may diminish over time, if discharge of duty were to prove effective and demand from homeless households is reduced; or if the burden of housing those in acute housing need is more widely shared across London. In such circumstances, some intermediate customers could be brought into the allocation scheme and discounted affordable rent units would be a better product for them.
- 8.3.8 However, under current responsibilities for meeting urgent housing need, financial drivers would indicate that CoW needs to prioritise provision of capped affordable rent and new affordable homes. But given current pressures, CoW would ideally want to have the flexibility to regard the discounted affordable rent product as a means of fulfilling its statutory responsibilities.

## 8.4 Improving the Private Rented Sector and Promoting Purpose-built and Well Managed Private Rented Housing

- 8.4.1 The private rented sector is a mainstream housing sector in London and the largest tenure in Westminster. Wessex Economics take the view that encouraging good standards in the management and maintenance of the PRS properties is a desirable aim, with appropriate action being taken against rogue landlords. The Mayor's proposal to lobby Government to make payments of Housing Benefit direct to landlords makes sense in terms of trying to ensure that some element of the PRS in Westminster can continue to be used to house those on benefit.
- 8.4.2 The Mayor is also keen to promote institutional investment in new build PRS developments. The major insurance companies and pension funds are now genuinely interested in investing in the residential sector, but very little attractive product is being offered to them. In principle, London should be an attractive market in which to develop, but with a very buoyant sales market there is little incentive for developers to promote build-to-rent developments.
- 8.4.3 The Mayor has indicated that he will particularly seek to promote build-to-rent developments on GLA owned land and in the Housing Zones. Wessex Economics' view is that it will require some element of implicit subsidy, in terms of reduced or deferred receipts for land, guarantees and gap funding to get the model established in London. It is not likely to be a favoured option in Westminster where there is much greater scope to attract funding for conventional developments for sale, often supported by overseas off plan sales.
- 8.4.4 Taking a broader perspective, the build-to-rent development model in England is in its infancy. It has taken 20 years to establish student residential property as an investment asset class, and initial developments were backed by the covenant provided by Universities, often with land provided by the University. Wessex Economics would be very surprised if by 2020 more than 5,000 new homes are being built each year as build-to-rent properties – which implies annual investment flows of probably at least £500 billion.

## 8.5 Pushing for a New Long-term Financial Solution for London Government to Drive Housing Delivery

- 8.5.1 The Mayor has correctly identified that the largest barrier to delivery of new homes in London is the lack of long-term finance for housing. This is also the major issue across England as a whole. The last time more than 200,000 homes were built in England in a single year was in 1980 – and this was not



a flash in the pan. More than 200,000 homes were built every year in the 1970s. How was this achieved?

- 8.5.2 Of 204,000 new homes built in 1980, just 110,000 were built by private housebuilders; 19,000 by housing associations; and 75,000 by either New Town Development Corporations or local authorities. It is hard to avoid the conclusion that it will never be possible to build more than 200,000 new homes a year in this country without the public sector taking a more active role in land assembly, infrastructure provision, planning, and procurement.
- 8.5.3 This does not necessarily mean that the long term finance for housing has to come from the government. But the government will under almost any scenario be able to borrow and fund housing development at a lower cost than any private financial institution. With long-term house real price inflation over the past 30 years in excess of 2.5%, the government could stand to make money from investment if there is the appetite to boost home ownership by sales of homes.
- 8.5.4 The Mayor is seeking more flexibility in the borrowing rules for housing for both the GLA and for Boroughs which would obviously include the City of Westminster. Wise borrowing by the CoW could contribute significantly to enhancing the supply of housing, and might in the long term deliver returns that could support further investment.
- 8.5.5 The Major also argues for enhanced equity investment by the public sector. CoW could consider whether some of the funds within its Affordable Housing Fund should be used for investment rather than grant.
- 8.5.6 The final element of the Mayor's proposed new financial solution is for devolution of London's property taxes to the London Government. Were this to happen, CoW would have an interest in how these resources were distributed between GLA and the Boroughs, and whether the share of property taxes generated in Westminster would be reflected in the financial distribution.

## 8.6 Bringing Forward Land for Development and Accelerating the Pace of Housing Delivery through Housing Zones and the London Housing Bank

- 8.6.1 To provide land for development, the Mayor aims to have an exit strategy for all GLA landholdings by 2016, will seek a greater role in bringing forward surplus government land and will lobby government for additional funding to acquire land to drive up housing delivery. The Mayor also sets out proposals to declare up to 10 housing zones, and promote three garden suburbs. .
- 8.6.2 From a CoW perspective, the most interesting dimension of these proposals would be the proposal for a London Housing Bank, which might open up a new avenue for funding development.