


Action on
**empty
homes**

Pretty Vacant

**The negative impact of wealth
investment on access to housing in London**

Policy analysis and recommendations

April 2020



This project is supported by Trust for London. For more on housing and poverty in London, see London's Poverty Profile: www.trustforlondon.org.uk/data

Action on Empty Homes campaigns for more empty homes to be brought into use for people in housing need. Our aims are to:

- Raise awareness of the waste of long-term empty homes.
- Campaign for changes to national policy.
- Support local communities in transforming their neighbourhoods.
- Provide advice for those seeking to bring empty homes back into use.
- Research and develop ideas for bringing long-term empty homes back into use for those in housing need.



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Rowntree Foundation, Just Space, London Rebuilding Society, The Professional Land Reform Group, Renters Rights London, Resolution Foundation, Shelter, Trust for London, Voluntary Action Camden and the YIMBY Alliance, plus The Connection at St Martin's and the homeless Londoners using its services.

- **During a discussion with London-borough empty homes officers:** Officers from the London boroughs of Barnet, Bromley, Camden, Croydon, Hounslow, Lambeth, Lewisham and Southwark, alongside the National Co-ordinator of the Empty Homes Network, Adam Cliff.
- **Local government officers and councillors** from Enfield, Kensington and Chelsea, Kingston upon Thames and Westminster, and from several councils in the wider South East, also participated in other parts of the project, including submitting responses to our stakeholder survey on policy responses to the impact of wealth investment on access to housing in London.

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Introduction

'Pretty Vacant' summarises Action on Empty Homes' policy analysis and recommendations regarding the negative impact of wealth investment on restricting access to housing in London. By 'wealth investment', we mean investment into residential property that yields profits for investors, whether corporate or individual, without ever providing a home for any primary or permanent residents. For most of the time, much of this type of property remains pretty vacant.

'Pretty Vacant' is informed by the views and experiences of the wide range of stakeholders with whom we explored the issue. We also include the results of public polling on policy responses to the current London housing crisis, commissioned from Savanta ComRes by Action on Empty Homes.

A major aim of this project is to impact on policymaking at a Greater London level. In particular, Action on Empty Homes wishes to influence debate around housing policy in the context of the May 2021 London Assembly and mayoral elections.

Reviewing the evidence and engaging with stakeholders

In early 2019, Action on Empty Homes researchers carried out a review of cities around the globe that had developed policies to meet the distorting effect of wealth investment on housing supply and affordability. This review formed the backbone of the case studies featured in our discussion document '*Homes Without Residents*' (January 2020)¹

Informed by this review, Action on Empty Homes convened a series of discussions with key stakeholders:

- We held an academic seminar to discuss research approaches and the availability of data with which to explore different evaluations of the numbers of such properties and their impact on London's housing supply.
- We sought the views and expertise of NGOs and policy-development organisations with an interest in housing and social policy, and of housing campaign groups working across London, including those represented on the Mayor's London Housing Panel.
- We drew on the views of local government officers with expertise in empty property and its classification, and experience in returning it to use.
- With the support of The Connection at St Martin's, we held discussions with some of the Londoners impacted most severely – through homelessness – by the capital's current housing crisis.
- To link these discussions to current policymaking at devolved London level, we held interviews with leading spokespeople and elected members.
- Finally, we surveyed all our stakeholders about a range of proposed policy responses to address the negative impact of wealth investment.

In this publication, we summarise the key themes that emerged during these discussions and make policy recommendations aimed at beginning to deal with the impact of wealth investment.

We thank all stake-holders who helped us with this project, but ask readers to note that the analysis and recommendations contained in this report are solely those of Action on Empty Homes.

To gather their perspectives on London's housing crisis, Action on Empty Homes spoke to Londoners experiencing homelessness and using the drop-in facilities at The Connection at St Martin's. Their comments appear throughout this publication.

London's housing crisis: follow the money

There isn't a shortage of empty houses in London. Almost every street has empty houses. People are playing a power game with housing – it's just a game for some people. It's like London's having a war with itself, and people are suffering

Baruch,
Homeless,
London 2020

It is widely accepted that there is a housing crisis in London. Those critical of the policy environment that has enabled this crisis to unfold have, in recent years, increasingly focused on what is termed the 'financialisation' of housing. Financialisation means housing is treated primarily as an investment and a means of accumulating wealth, rather than as a home for people to live in. Increasingly housing in the UK is now viewed through this lens, primarily as an asset, rather than a human right or a public utility.²

Financialisation, it is argued, has fuelled all three elements of our national housing crisis: supply shortfalls, massively reduced affordability and housing stock that is among the poorest-quality in the developed world, with among the world's worst insulation standards.³

In the world of financialisation, your home is either 'your' asset, if you own it outright, or it is someone else's. And if 'your' home is someone else's asset, how much you are paying to remain there is all about the returns required by the financial model that built, purchased or manages it.

Changes in tenure and ownership

The growing financialisation of all housing has contributed to significant changes in tenure and ownership. The provision of new social housing has stalled and owner occupation in London has fallen significantly. In 2018, 21% of London households were in social rented housing, including Affordable Rent housing – a drop from 35% in the 1980s. The proportion of households in London that own their home with a mortgage has also fallen in the past two decades, from 38% in 2000 to 29% in 2018.⁴

On the other hand, there has been a rapid expansion in the private rented sector (PRS). The Mayor of London's 'Housing in London 2019' report shows the PRS in London grew from around 12% in the early 1990s to over 25% today.⁵ Meanwhile, between 2006 and 2019, the percentage of residents in the PRS in one outer London borough, Enfield, rose from less than 20% to around 30% – a significant change in just over a decade.

Developers' returns dominate

The dominance of provision in line with developers' calculations of return, rather than London's housing needs, ultimately applies, whether the housing being developed is 'social', 'intermediate' or 'market-price', and for outright private sale, rental or shared ownership. This is the case even with social housing developers, such as housing associations.

The massive reduction in levels of Government investment in social housing in recent decades has intensified the process by which social housing construction has become increasingly predicated on the returns that developers calculate they can gain from particular types of development model. Government housing grants now represent only a small element of the financing of an already relatively limited number of social housing developments.

Much social housing finance now stems from either Section 106 developer contributions through the planning process, or from housing associations' own cross-subsidy model in mixed developments featuring private sale and other tenures. These are financed through a variety of means, increasingly including the raising of commercial return bonds.⁶

London is unaffordable

Whether they are renting privately or buying, a key outcome of financialisation is that housing in London is now unaffordable for many Londoners.

In Islington, for example, the typical purchase price of a two-bedroom home is more than 12 times the average annual income. While average rental costs exceed 50% of average wages in most London boroughs.⁷ 962,000 private renters are now deemed to be living in poverty in the capital, with 298,200 children in the PRS defined as living in poverty in 2015/16.⁸ 57,000 households in London, including 80,000 children, have no stable home and are living in what is misrepresented as ‘temporary accommodation’ (see box below).

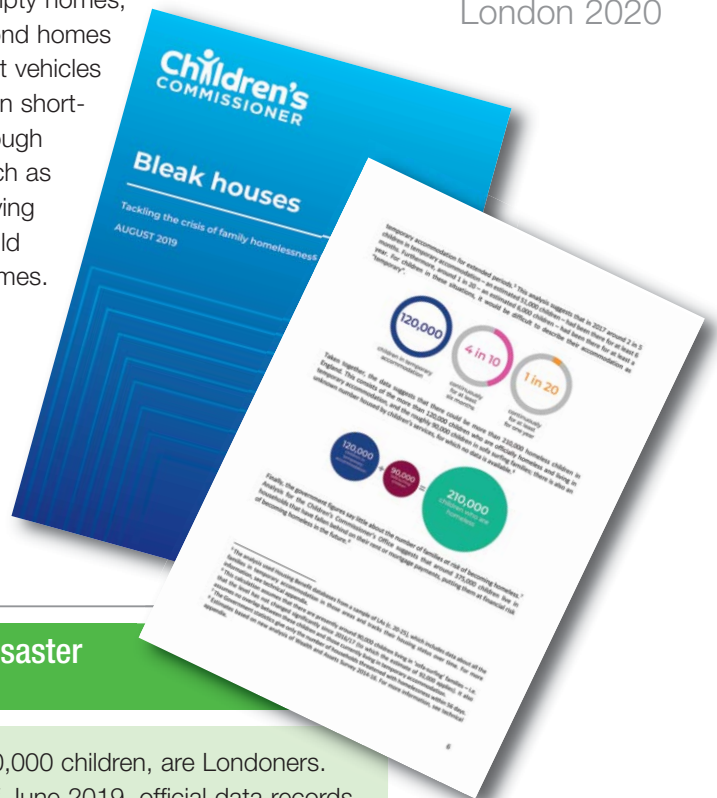
Wealth investment

At the same time as housing has become unaffordable in the capital, the financialisation of housing has created a form of wealth

investment in London’s housing stock that is producing a growth of underutilised properties.

This reaches well beyond ‘foreign investment’ in high-end, buy-to-leave-empty new-build apartments. In recent years, there has been an increase in the number of officially recorded long-term empty homes, a rise in second homes as investment vehicles and a surge in short-term lets through platforms such as Airbnb, involving both new-build and older homes.

“ People buy a house and they don’t even live in it for five years ”
Barach,
Homeless,
London 2020



Temporary accommodation: a social and financial disaster

Temporary accommodation is provided by councils for those they acknowledge they have a legal duty to house, but for whom they lack ‘permanent’ social housing.

This type of temporary housing isn’t, in any real sense, temporary, as most will spend many months, or even years, living there. And it shouldn’t really be termed housing, because it wouldn’t in many cases meet even the most basic space and quality standards. Southwark Council’s website answers the question ‘How long will you be in temporary accommodation?’ thus: ‘Due to the short supply for social housing, households may need to stay in temporary accommodation for over a year.’¹⁹

In England, there are currently 86,000 families, including 127,000 children, in temporary accommodation. 57,000 of these families, and

more than 80,000 children, are Londoners. At the end of June 2019, official data records that 35% of households accepted as homeless by a London borough were housed in a different borough, compared to 11% in the rest of England. In total, 86% of those 23,430 out-of-borough placements involved London authorities. This means that 20,173 London households were placed in out-of-borough accommodation, many of these outside London itself.¹⁰

London boroughs accounted for over £700m of the £1.1bn+ spent on homelessness alleviation and temporary accommodation in England.¹¹ The social harms caused to families and children are comprehensively summed up in the recent report by the Children’s Commissioner for England: ‘Bleak Houses’ (2019).¹²

“ Is Universal Credit going to help me get a home? ”
Robert,
Homeless,
London 2020

Identifying London's homes without residents

The media often carries stories of never-occupied high-rise towers of luxury investment flats – so-called ‘ghost towers’ – using the term ‘lights-out London’ as indicative of a foreign investor problem. The perception is of property sold ‘off-plan’ to overseas investors to use as a safe and appreciating store of capital, rather than a residence.¹³

Exploring the notion that these were unused homes, Action on Empty Homes looked at all residential properties declared empty and discovered that some property built for this market might appear in long-term empty homes statistics. This would include some unsold new-build properties. However, we determined that it was likely that not all, or even most, apparently empty homes commonly described as luxury investment apartments, would be recorded in this way in the official data – particularly where they had been sold and furnished. This is because an alternative classification exists: ‘second homes’.

The second homes classification requires flats to be furnished, but doesn't require them to be used or to have any primary residents. Where these were reported by London boroughs to Government, they were frequently far more numerous than long-term empty homes. In addition, in a legislative loophole, there is no such entity as a ‘third home’ – so an individual or company could be the owner of multiple ‘second homes’. According to Ministry of Homes, Communities and Local Government (MHCLG) data, London currently has 25,000 long-term empty homes and 46,000 ‘second homes’.

Discussions with local government officers suggested this classification deserved further scrutiny. Many of them reported that, rather than these properties being the bona fide ‘holiday homes’ or piers à terres of the wealthy, the ‘second homes’ classification was frequently used by owners to evade a property being classed as long-term empty and avoid being charged empty-homes council-tax premiums.

At the other end of the spectrum, we found one inner London borough, Haringey, claiming to have zero ‘second homes’ in data submitted to the MHCLG. In fact, it had simply stopped counting them, in 2013,¹⁴ despite it being a requirement of all local authorities to supply robust data on housing utilisation, including numbers of second homes.

In addition, by comparing the very divergent housing utilisation data returns of all London boroughs submitted annually to MHCLG, which are then released as official Government statistics, we were left questioning how these returns can be in any way an accurate reflection of how property in the capital is actually being utilised, and, more importantly, underutilised (see figures on page 5 and data table on page 19).

The rise of short-lets

Our concern about the accuracy of utilisation data was reinforced by evidence of the increased use of property for short-term-let purposes – in many cases, the use of whole homes, apparently year-round, only for this purpose. In early 2020, the growth of Airbnb rentals in London became the focus of attention for both London Councils (the body representing London boroughs) and the national media. This is an area we have been evaluating through online tracking platforms



that provide information on the short-let sector.

In January 2020, London Councils issued a press release about the growth of short-term lets in the capital. It stated that one in 50 homes in the capital was now a whole-home short-term let.¹⁵ Amid a focus on the growing scale of the problem, calls were made for new powers to deal with it.¹⁶

The following month, the tech magazine *Wired* published a story reporting 'year-round Airbnb lets' in residential buildings across London, and the existence of 'Airbnb hotels' – blocks of flats dedicated wholly or largely to this use.¹⁷

The *Wired* 'Airbnb hotel scam' story and subsequent investigation serve to illustrate our view that, rather than buy-to-leave-empty foreign investment being central to the crisis of

affordability and supply in London, it is the broader phenomenon of 'wealth investment' by individuals and companies that distorts housing supply. The exponential growth of the short-term-lettings market in the capital is now a major factor in enabling these wealth investors to generate rental returns from homes without residents.

While neither London Councils nor *Wired* was in a position to provide accurate data, due to the unregulated nature of this sector, London Councils' research suggested that more than 70,000 properties in London were being used as whole-home Airbnbs.



The homes we aren't living in...

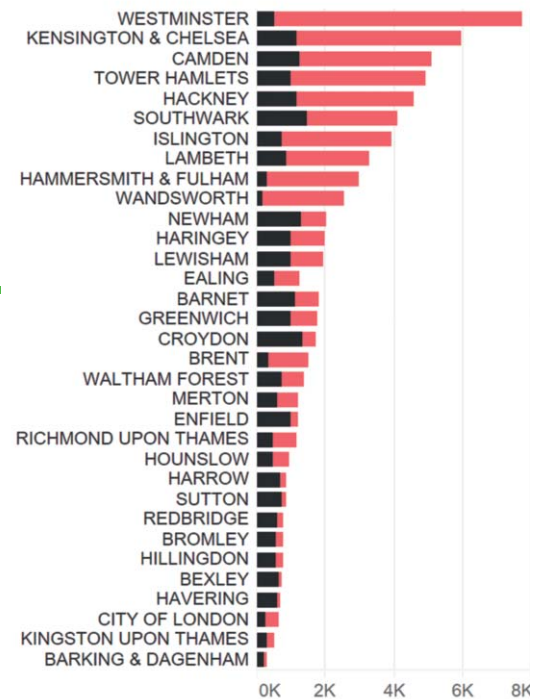
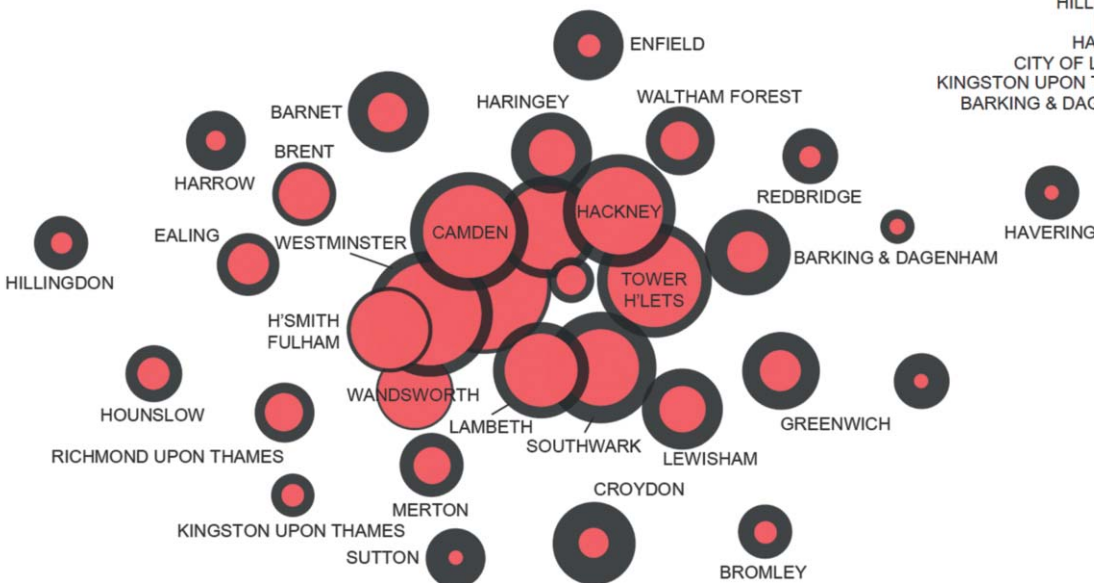
A snapshot of whole homes available for let on Airbnb in Nov 2019

47,445 Airbnb's ●

LISTINGS FOR WHOLE HOME LETS

24,677 empties ●

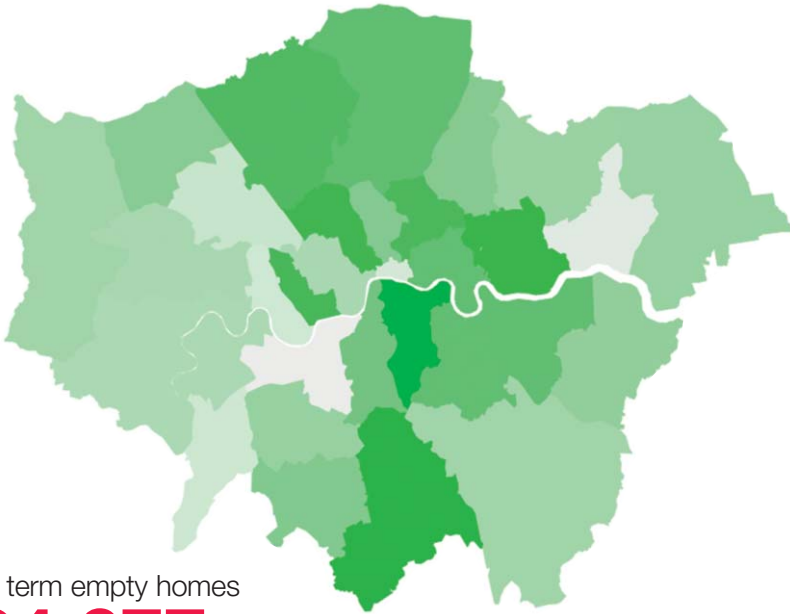
HOMES UNOCCUPIED 6+ MONTHS



It's only recently that squatting has become illegal, isn't it? Lee, Homeless, London 2020

Data: Ministry of Housing Communities and Local Government and Inside Airbnb

Last year London spent over **£733m on temporary accomodation** for the homeless, while **over 24,000 homes** sat empty



Long term empty homes
24,677

Homes without residents

We estimate that the combined numbers of long-term empty homes, second homes, short-term-let investments and a possibly smaller stock of genuinely foreign-owned buy-to-leave empty investments are likely to exceed 125,000 residential properties. All of these are without any primary residents, unavailable for rental or purchase by Londoners and either totally empty or significantly underutilised as a result of wealth investment.

“ We estimate there are 125,000 homes in London without permanent residents ”

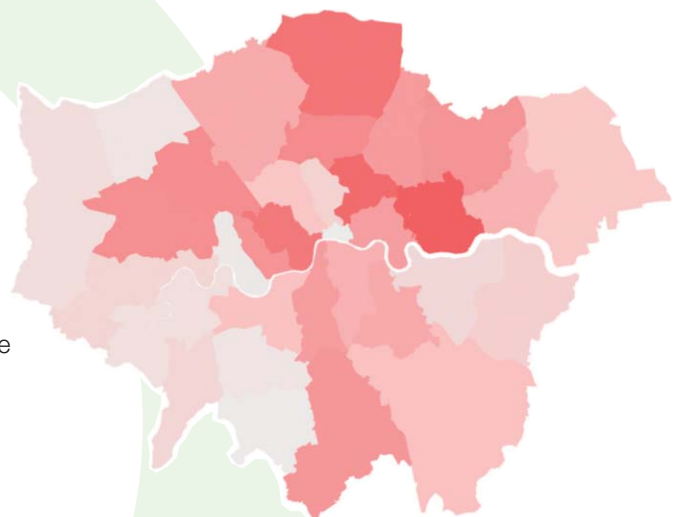
Some wealth investment will be domestic in origin, some international. In London, where over half of that ‘international’ investment is made by entities registered in a small number of UK-linked tax havens, there is strong evidence to suggest that some of it is more likely to be

a product of domestic tax minimisation, so not ‘foreign’ in any way.

Whatever the source of the wealth investment, it is evident that income generation from residential property doesn’t require the involvement of permanent residents. Wealth investors don’t need to use these homes to house residents, rich or poor, at all. The result is that, while property is standing empty across the capital, tens of thousands are homeless or living in temporary accommodation.

This calls into question both the definition of such property as residential and, crucially, the degree to which local planning targets for annual new build contributions to housing stock are realistic or accurate. Since these assume that the new build stock will be used as homes for permanent residents.

Put simply, if we claim to be adding housing stock, yet a significant percentage never houses anyone or is significantly underutilised, should we really count that as a contribution to meeting the needs of those without homes in London?



Temporary accomodation costs
£733.7m



In 2019 long term empty homes rose for the third consecutive year to **226,000 nationally**.

Action on Empty Homes campaign for these homes to be brought into use for people in housing need. Use the map to check your borough then find out how to help at <https://www.actiononemptyhomes.org/london-empty-homes-mapped>

What the academics told us

Our academic partners raised a very wide range of issues with regard to wealth investment in London's residential property market. In this section, we summarise the five key themes that appear to Action on Empty Homes to be most relevant to tackling the problem of underutilisation and therefore most worthy of policy attention.

1. The city has been captured

Prof Rowland Atkinson, Research Chair in Inclusive Societies, University of Sheffield, posited a model of 'city capture' by coalitions of interest such as developers and financiers of housing, delivered through dominant commercial models. These allow for relatively few concessions to politicians' requirements for social housing to comprise up to 35% of developments.¹⁸

City capture means local politicians and 'urban managers' no longer attempt to mitigate or mediate the impact of major investments of capital into London property, but, instead, partner and facilitate it to chase 'growth' and apparent local economic advantage. In the process, however, this distorts local housing markets. A recent example might be the Biscuit Factory, a luxury 28-storey build-to-rent scheme in the London Borough of Southwark. Mayor of London Sadiq Khan used his powers to 'call in' the development and overrule the planning committee's rejection of the £500m scheme submitted by the developer, Grosvenor. The Mayor agreed limited concessions to affordability, achieving a small number (140) of 'social-rent equivalent' homes and a larger number (342) of 'sub-market discounted rent' homes in an expanded 1,548-home, 36-storey scheme.¹⁹

It could be argued that the Mayor was working within 'the law of the possible'. In negotiating with Grosvenor, the Duke of Westminster's property company, he was arguably not allowing the notional perfect to become the enemy of the deliverable good. However, what the Biscuit Factory may also demonstrate is how little power the Mayor actually has, when

confronted by big finance and big developers, whether domestic or international.

2. Wealth investment isn't necessarily foreign

Dr Rex McKenzie, Senior Lecturer in Economics at Kingston University London, argued that what he terms 'global wealth chains' lie behind many London property transactions recorded as overseas or corporate investments. These, he suggested, are often UK-linked and channelled via overseas tax havens to avoid accountability and tax. This means many apparent foreign investments in the UK are actually linked to domestic interests and individuals, though they may also benefit from international capital flows.

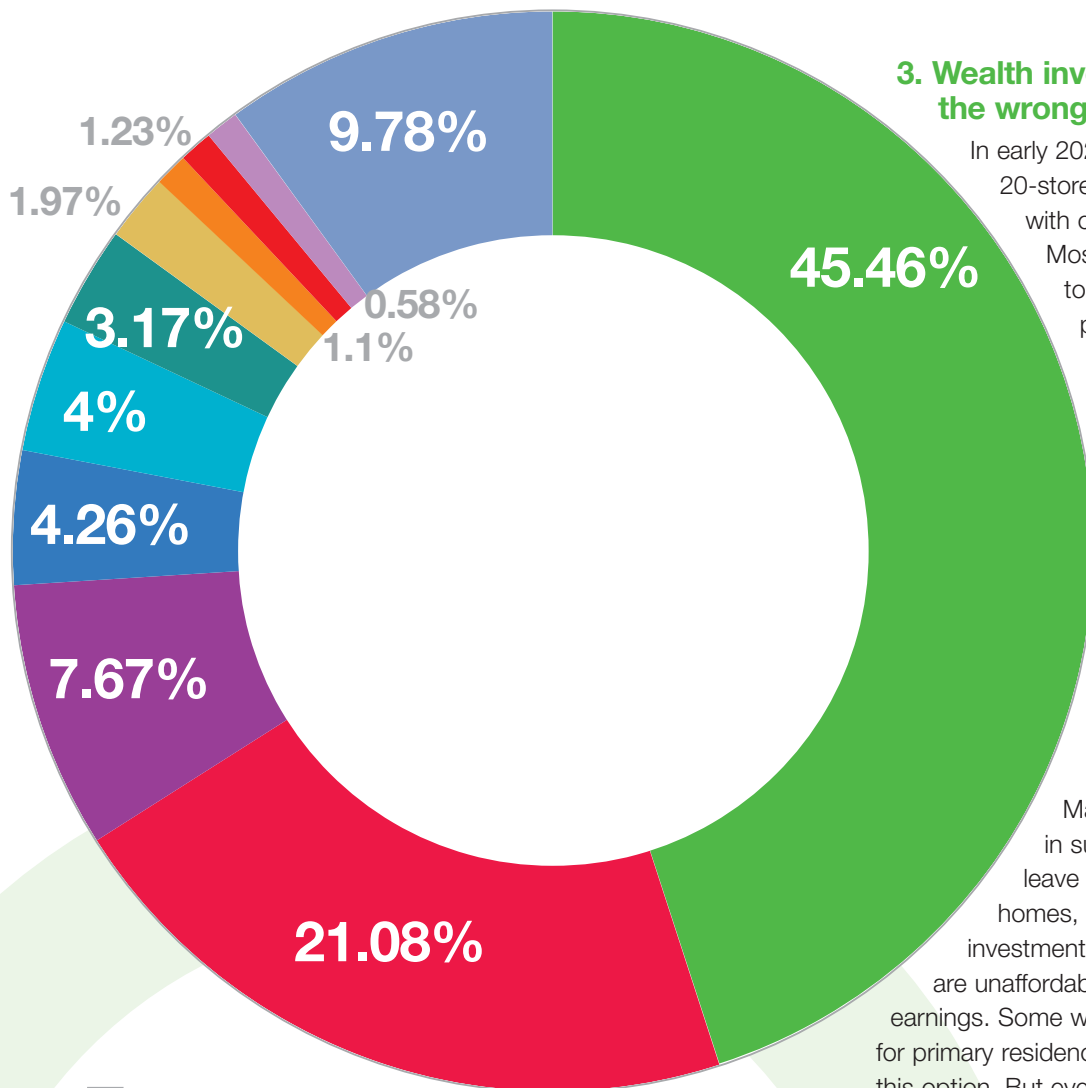
Evidencing this, Dr McKenzie cited the high proportion of 'overseas investments' in London property from entities registered in a small number of UK-linked tax havens. His detailed work on the Royal Borough of Kensington and Chelsea illustrates this starkly, with almost 80% of overseas-owned property in the borough owned via tax havens. Of the total, 45% is registered in the British Virgin Islands, 21% in Jersey, 8% in Guernsey and 4% in the Isle of Man.²⁰ (see diagram opposite).

In our academic seminar, research was also cited establishing that 40,000 London properties were owned by offshore entities and that £170bn of UK property was held by entities registered in tax havens.²¹

Nothing is free. We want to pay, to contribute. Surely it's better that these homes are used?]
Robert,
Homeless,
London 2020



Geographic distribution of ownership (% of property value) of property owned by overseas entities (individuals or companies) in the Royal Borough of Kensington and Chelsea



3. Wealth investment is building the wrong kind of homes

In early 2020, there are more than 500 20-storey-plus buildings in London with current planning permission. Most Londoners won't be able to afford the open-market sale price, rent levels or shared-ownership deals, where offered, regardless of supposed definitions of 'affordability'. These bear no relationship to average wages in the areas concerned. Meanwhile, social housing contributions, as demonstrated by the Biscuit Factory, will be woefully small.

Many of the 'residential units' in such towers become buy-to-leave empty homes, second homes, short-term lettings or PRS investments with rents set at rates that are unaffordable to Londoners on average earnings. Some will, of course, be purchased for primary residence, where the scheme offers this option. But even those deemed affordable, or offered for sale with Help To Buy Government loans, will remain out of reach for most if not all of those in need of housing in London.

It is a case of building the wrong houses at the wrong price for the wrong people. This is because they are marketed to and priced to target investors, whether international or – as is predominantly the case in London – domestic. What is lost is the opportunity to build housing that meets Londoners' needs.

- British Virgin Islands
- Jersey
- Guernsey
- Isle of Man
- Luxembourg
- Bahamas
- Panama
- Cayman Islands
- Gibraltar
- Unable to Confirm
- Other

4. Second homes as a form of wealth investment

Looking particularly at the growth of so-called ‘second home’ purchases, Jonathan Bourne of University College has adopted a collective definition for all underutilised properties (that is, second homes, empty homes and ‘under-used’ or ‘under-occupied’ homes): ‘low-use properties’.²²

Bourne’s research, based on Freedom of Information requests to councils, utilised data collected at Lower Layer Super Output Area level – that is, around 1,500 people or 650 homes. This draws attention to the issue of low use in London as disproportionately significant at very localised levels. Indeed, six London neighbourhoods had low-use properties that amounted to 30% of homes. Bourne also utilised estimates of housing value to compare low-use properties to other homes and determined that 72% of London’s low-use properties were more expensive than average homes in these areas, offering evidence of so-called ‘luxury buy-to-leave-empty’ as a factor in such investments.

He suggested there is a need to focus on concentrations of low-use properties and their impact on local services in creating ‘ghost areas’ where low occupancy can damage the viability of



local businesses and reduce service provision for residents. There are at least 46,000 second homes in London that should fall within the remit of any policy that is trying to tackle the impact of wealth investment on the capital’s residential market, but Bourne’s data indicates there may be a much higher number still of low-use properties.

5. Dirty money necessitates ownership transparency

A number of participants in Action on Empty Homes’ academic seminar drew attention to estimates of the significance of money laundering in the London property market. In 2016, the Home Affairs Select Committee reported that it ‘concluded that the London property market was the primary avenue for the laundering of £100bn of illicit money a year’.²³

Based on analysis of capital flows, it is speculated that some of these holdings are the result of so-called ‘dirty money’ investments, the scale of which has distorted parts of London’s property market towards servicing the needs of this easily available ‘international investment’.²⁴

Despite the Government’s promises to legislate to reveal the beneficial ownership of such properties,²⁵ this has been repeatedly shelved and still hasn’t become law. The opacity of the beneficial ownership of large numbers of homes and developments in London is a major factor in the overwhelming support among both our stakeholder consultation respondents and many social and housing policy analysts for a register of beneficial ownership and usage of UK residential property. It also drives support for proposals that would link the beneficial ownership of property to the individual tax status of UK taxpayers.

Ownership and use are two separate things, aren’t they? »

Lee, Homeless, London 2020

Is there a shortage of officials to find out about the empty houses. Is that why so many are empty? »

Barach, Homeless, London 2020

What the NGOs, think tanks and campaign groups told us

“ Me and a guy I know, we were in Victoria and there’s this street we used to live in 10 years ago. The whole street of houses is empty and they’ve been empty for years and years, and we were thinking of squatting them. And there’s a massive building with maybe 50 rooms, too. A commercial building, That’s empty as well ”
Steven,
Homeless,
London 2020

Lost social housing is being replaced by ‘the wrong kind of housing’

Housing campaigners focused on the overall loss of social housing in the capital while the need for it grows, with Right to Buy sales of council housing, regeneration demolitions and housing association ‘disposals’ continuing to outstrip new social housing additions. Wealth investment, it was argued, both facilitated and accelerated this.

Campaigners highlighted the themes of towers of new-build housing with lights rarely lit. They argued that there was ample evidence of buy-to-leave empty, under-use and homes used exclusively for short-term lettings, whether to City professionals and business visitors, or as visitor and party-hire targeted Airbnb lets.

There was also concern about ‘the poor being pushed out’ as existing affordable housing, including social rental estates (and council housing) were ‘regenerated’ and replaced by new homes targeted at wealthier ‘professional’ residents and investor purchasers. Regeneration schemes were also criticised for leaving thousands of homes empty when estates scheduled for demolition were ‘decanted’ – often many years in advance of the eventual demolition.

The shortage of affordable key worker accommodation for teachers and healthcare staff near inner London borough workplaces was also seen as a major issue.

There’s too little regulation and too little accurate information

Many tenant organisations and campaigners favour rent controls. Most think better regulation of short-term lets is needed and would improve

housing supply if meaningful controls were introduced and enforced.

Improved local government resources and access to lettings data to investigate the use of homes and identify those that are empty or unused and landlords ignoring controls on short-term letting were supported. However, it was felt that landlord and property usage registers would be needed to make such controls effective, as well as specific new powers to regulate short-term lettings.

Among policy development organisations, the difficulty of ascertaining who owned which residential property, and what they were using it for, was felt to be a significant obstacle to providing solutions to London’s housing crisis.

The National Planning Policy Framework is deficient

The framework was considered to be open to abuse by developers of large-scale schemes that use viability assessments to reduce social and affordable housing contributions. The assumption in favour of development facilitates the building of housing that is targeted at investors through design, marketing and sales techniques that include off-plan (or pre-build) sales and pricing.

Current initiatives such as the Mayor’s ‘first dibs for Londoners’ voluntary agreement with developers were considered to be toothless, when so much of the housing being built is unaffordable to so many Londoners.

The suggestion was made that amendments to the current framework should reduce the attractiveness of developments targeting investors over primary residential purchasers.

This would allow local planners to prioritise meeting local housing need over maximising profitability, creating a more level playing field between development options. Campaigners also argued that, as the London Mayor has more devolved housing power than most local authorities, he should 'drive a tougher bargain with developers' to ensure this need is prioritised.

The Government's latest pronouncements on prioritising shared ownership in social housing developments were viewed as particularly unhelpful, as this model still prices out most Londoners on average incomes and required significant deposit savings.

When it comes to housing investment, mind the generation gap

NGOs and policy development organisations viewed the growth of wealth investment in housing of all types as a feature both of England's economy and the result of decades of government policy. They were of the opinion that this had steadily led to a worsening housing crisis and increased levels of additional-home ownership – the majority as rental investments that were often viewed as an alternative to the uncertain or insufficient rewards available from devalued pensions. Meanwhile, social housing stock had failed to keep pace with need and had actually proportionately declined, as had home ownership among Londoners. This means that some people are owning more homes, while an increasing number in London have none.

Intergenerational disparities were also seen as a factor, with the older generation having access to assets to borrow against, or to utilise to fund investments. As one participant put it, 'The older generation is buying up homes to rent to its peers' children and grandchildren at a big profit.' Lengthy periods of low interest rates post-2008 were also noted as facilitating such investments. Meanwhile, devaluations in the pound were effectively offering overseas

purchasers discounts of 15 to 20% in the years following 2016.

The London market was considered the worst example of a UK housing economy driven by investor profit, out of touch with the needs of those unable to purchase housing at current rates and, in many cases, impoverished by rental alternatives. The attractiveness of London housing as an investment was viewed as having disproportionately intensified this local crisis, while Government initiatives to assist buyers, such as Help to Buy, were seen as simply propping up prices unattainable to those on average incomes, as well as open to abuse by those who could purchase homes anyway.

“ The older generation is buying up homes to rent to its peers' children and grandchildren at a big profit ”
Will McMahon,
Action on Empty Homes



What the politicians told us

At the end of 2019, Action on Empty Homes spoke to politicians from each of the parties currently represented in the London Assembly.



Andrew Boff

There was broad agreement among the politicians we met with that, against the background of an acknowledged housing crisis, when local government leaders talk to voters about delivering new homes, they should mean, as Liberal Democrat councillor Adele Morris put it, that ‘a home is somewhere someone should live in – not simply an asset.’ There is an implicit

understanding that delivering homes isn’t the same as seeing so-called ‘additional residential units’ completed.

Politicians from all parties expressed the view that London housing development is driven primarily by a model that relies on high returns upfront from investors buying off-plan. As Andrew Boff, from the Conservative Party, expressed it, this can ‘kick-start development’. He suggested that ‘even the current Mayor recognises that penthouses can subsidise social housing’.

Some commentators referred to such social housing contributions as a ‘price for planning permission’; however, other politicians alluded to the use of dubious viability assessments and planning appeals by developers to drive down these contributions.

The notion of developer contributions on large sites funding a proportion of social housing, whether on-site or as a contribution to housing

elsewhere, is known as the ‘cross-subsidy model’. Speaking in February 2019, Sadiq Khan said, ‘The cross-subsidy model, based on funding affordable housing through profits made from the open market, is broken’. Nonetheless, some commentators contended that news of the model’s demise is somewhat exaggerated and, in any case, reflects current market conditions more than anything fundamental.²⁶

Sian Berry, from the Green Party, suggested what was required was a strategy that encourages people to use housing more efficiently, with, for example, planning permission requiring freeholders or property management companies to ensure homes are used for rental purposes at affordable rents, rather than simply as stores of wealth. She also echoed the concerns about the second-home definition that were expressed by many stakeholders and raised the issue of ‘below the radar and unregulated renting’ of some second



Sian Berry

Tom Copley



homes. She supported the idea of a register of landlords and owners of residential property.

David Kurten, from the Brexit Alliance, thought there was a problem with foreign investment, but felt that it was the size of the investment that was the critical issue, with larger institutions dominating investment at the expense of what could be a bigger space for small landlord domestic investment.

Tom Copley, from the Labour Party, has argued for improved council powers to bring empty homes into use. While he didn't see this alone as a 'solution to the housing crisis', he thought that powers such as Empty Dwelling Management Orders required improvement.²⁷ He has also been vocal on the temporary accommodation crisis in London, noting the 29% rise in the use of temporary accommodation in the past five years. He called both for Government investment in housing and an end to Right to Buy to protect existing social housing stocks.²⁸

The democratic deficit

As demonstrated by London Councils' intervention in the Airbnb debate, there is a developing political appetite for regulating Airbnb and other short-term letting platforms.

This draws attention to a key issue: the democratic deficit at the heart of London's housing delivery. The lack of mandatory regulation of short-term lettings means no one knows how many homes are being permanently sucked out of residential supply by this growing market, which appears to involve at least 70,000 homes across London. Nor does anyone know how many of London's 46,000 second homes are sometimes or always let on Airbnb, and how many are rarely used or simply empty, having been bought as buy-to-leave investments or even as the product of money-laundering. No one knows, too, how many homes masquerading as primary residential properties are actually let on Airbnb and similar short-term letting platforms full-time, rather than

being lived in. The best estimate currently possible of the total number of underutilised and empty properties is the figure of 125,000 cited earlier.

Equally important, this lack of regulation of the short-term lettings market is reflected more widely in the absence of a register of property ownership and usage of all residential properties in London. Without one, it is impossible to know who the owners and landlords are of property kept empty or let short-term, whether they pay any tax on their earnings from homes without residents, or indeed, how many homes those individuals or companies even own.

In effect, whether it is about short-let platforms or the wider ownership of residential property in London, policy-makers and the public are shaping and voting on housing issues without the information required to make good policy.

It's not just politics – it's policies. We need policies that will help us. I would vote for that
Baruch,
Homeless,
London 2020



What the public told us

During December 2019, as the public prepared to go to the polls in a General Election, Action on Empty Homes commissioned polling of Londoners on housing issues.

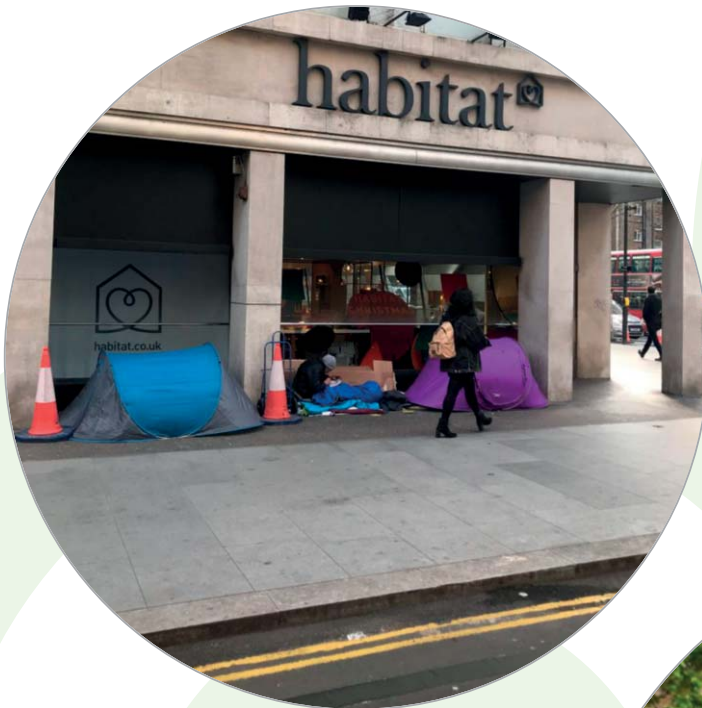
Savanta ComRes interviewed 1,014 London adults from 3 to 5 December 2019. Data was weighted to be demographically representative of all London residents by age, gender and region.

Most Londoners think London's property market focuses on the needs of investors, not Londoners

Two-thirds (68%) of Londoners think the London property market is focused on building housing that appeals to investors, with just one in 10 (9%) saying that the London property market is focused on building the housing that Londoners need.

Londoners want action on empty homes

Half of Londoners (52%) think that, if local councils had the power to take over homes that have been unoccupied for more than six months and rent them to people in need of housing, it would be an effective way to improve access to housing in London.



Londoners want more housing built

The majority of Londoners think the highest housing priority should be building social and affordable homes (65%), whereas just over one in 10 (13%) think the highest housing priority should be building homes specifically for people who are currently homeless. Fewer than one in 10 (8%) Londoners think that building new homes shouldn't be a housing priority for London.



Almost all Londoners think expensive housing is a significant problem

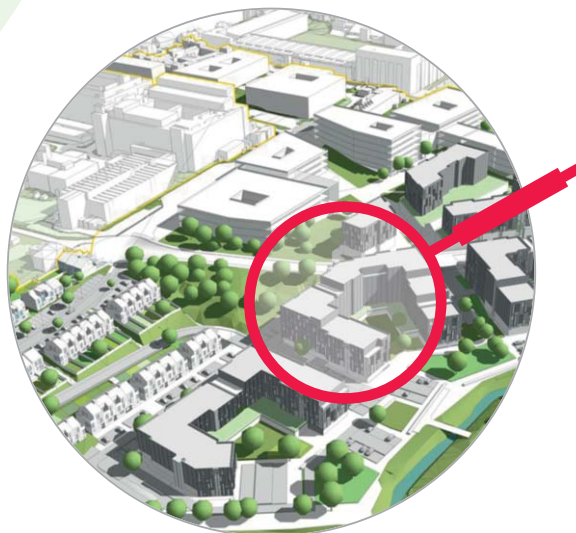
Almost nine in 10 (86%) Londoners think expensive housing is a significant problem in London. This compares to over half (54%) who think overcrowded housing is a problem, and two in five (38%) who say the same about unoccupied housing.

Many Londoners think planning permission needs to change

Just over two in five (43%) think that, if local councils stopped giving planning permission to developments that are likely to increase the number of buy-to-leave-empty investments in London, it would be an effective way to improve access to housing in London.

“What about planning gain, where housing developments have to have some social housing?”

Lee, Homeless, London 2020



Conclusion and policy recommendations

The financialisation of the housing market means that the value of London properties as assets presently trumps their value as homes. As long as this is allowed to be the case, both existing and newly built housing will be significantly impacted by wealth investment that produces both large profits for investors and large numbers of homes without residents.

The London skyline has changed dramatically in recent decades. The only significant high-rise clusters used to be in the City and Canary Wharf. More recently, not only have new clusters emerged, but, now high-rise buildings are being built in previously low-rise areas as land values soar alongside house prices amid an intensifying housing crisis.

One example is the huge Woodberry Down development on the borders of Islington, Hackney and Haringey.²⁹ Another is the isolated pair of towers under construction at City North, in Islington's Finsbury Park area.³⁰ Yet another is the 36-storey Lexicon, in Islington's City Road basin,³¹ sited in a rapidly expanding new high-

rise cluster in the south of that borough. It was developed by a partnership that involved Clarion, England's largest social housing provider.

The developers will tell politicians and voters that the answer is simply to build more and more of the same kind of developments. But is it? This new development model for London, which has held sway in the 21st century, in many cases isn't housing that many Londoners and, as a result, isn't solving London's housing crisis, which worsens as ever more new developments fill the skyline.

For example, based on current average sizes for London housing, 407 homes for just over 1,000 people could be comfortably housed in the 26,700 square metres of the 'iconic' Lexicon and would make a significant contribution to resolving the housing crisis in Islington.³² That means that, even assuming many don't reach the Lexicon's scale, the 500 new towers in the capital with planning permission could provide homes for hundreds of thousands of Londoners.

Yet Lexicon's 300 apartments and 52 car parking spaces, like those in most of the 500 new towers planned, aren't earmarked for households that really need somewhere affordable to live. What's more, many of the apartments won't have permanent residents at all – a quick search at the time of writing revealed that it is possible to rent a whole apartment in the Lexicon for £150 a night.³³

How these new-build apartments and London's current housing stock are utilised is at the heart of the housing crisis. But, at present, no one



knows how many will be bought to leave empty, rented only on short-term letting platforms, used purely as second homes or, for that matter, used for someone to live in permanently – because there is no accurate data about property utilisation in London.

Recommendations for change

'*Pretty Vacant*' reports on Action on Empty Homes' year-long investigation into how wealth investment has contributed to London's current housing crisis.

This has led us to a series of policy recommendations that would help policymakers better understand and tackle the problem of wealth investment in the capital.

■ We need to know the facts and figures to create policy that delivers

London needs a register of residential property ownership and usage. Only this can help ensure that property is utilised and taxed appropriately.

■ 'Second home' isn't currently a meaningful or useful category

The second home definition requires reform. It must be established whether these homes are really being used in this way or are actually just buy-to-leave empty homes or being used as short-term lets.

■ Short-term lets are taking property out of residential supply, but we can't tell how much or control it

Airbnb and other short-term letting platforms require effective regulation. Their data must be shared with local government.

■ Planning powers are undermined if property built as homes is used for other purposes

Local authority planning powers need review. It must be ensured, through specific planning criteria, that housing developments prioritise primary residential use and limit homes without residents.

■ Where councils find abuses and wasted homes, stronger powers and faster action are needed

Councils need new powers to take effective, timely action on London's empty homes:

- Two years is too long to wait to charge premiums on homes that are empty for no good reason, and there are ample exemptions to avoid abuses of existing powers.
- All councils need dedicated officers to appraise empty homes and second homes, and, where possible, to support owners in bringing them into residential use.
- Where owners don't co-operate, councils need enhanced powers to bring property into use, including improvements to Empty Dwelling Management Orders to allow them to be more effectively utilised. See: Action on Empty Homes, *Empty Homes England 2019*³⁴



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Table 1: Inconsistent Data? London Boroughs' homes without residents (Nov 2019)

London Borough	Airbnb whole home lets (Nov 19)	Second Homes	Long-term empty homes
Barking & Dagenham	112	141	206
Barnet	699	3,253	1,113
Bexley	88	38	645
Brent	1,160	252	336
Bromley	242	833	554
Camden	3,852	7,525	1,241
City of London	389	1,969	273
Croydon	406	408	1,340
Ealing	726	216	516
Enfield	226	1,097	992
Greenwich	764	302	996
Hackney	3,428	728	1,154
Hammersmith & Fulham	2,683	1,946	296
Haringey	984	0*	996
Harrow	176	743	708
Havering	95	166	604
Hillingdon	213	1,553	551
Hounslow	464	224	492
Islington	3,164	294	750
Kensington & Chelsea	4,769	8,573	1,179
Kingston upon Thames	231	545	305
Lambeth	2,414	414	868
Lewisham	965	304	989
Merton	613	1,639	611
Newham	756	296	1,275
Redbridge	205	731	594
Richmond upon Thames	661	433	489
Southwark	2,635	523	1,469
Sutton	92	114	756
Tower Hamlets	3,950	6,240	984
Waltham Forest	6,654	578	733
Wandsworth	2,398	635	156
Westminster	7,231	3,018	506
Totals? *	53,445	45,731	24,677

* Haringey doesn't count second homes

Action on empty homes



This project is supported by Trust for London.

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