Homes without residents

Wealth investment in residential property – problems and policy responses in major global cities

This project is supported by Trust for London.
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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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Wealth investment in London homes

London is a prime location globally for wealth investment in residential property. New tower blocks have sprung up across the capital since the turn of the century, often accompanied by advertisements for luxury apartments. As of January 2020 over 500 more applications have been agreed for high-rise developments.

At the same time, London is at the epicentre of the UK housing crisis, with average prices for residential properties being well out of the reach of households on average incomes. In Islington, for example, the typical cost of a two-bed home is more than twelve times the average income – a couple both earning the average wage would need at least three mortgages to buy a home. Those on low-incomes are being shunted into low quality and relatively high-cost private accommodation. People sleeping on the streets have multiplied.

Many people have expressed concern about the impact of so-called buy-to-leave on the London housing market, with the finger of blame frequently being pointed at foreign investors for the growing number of 'lights out' unoccupied tower blocks in central parts of London. As recently as January 6th 2020 a Guardian editorial argued 'If foreign investors leave then house prices will almost certainly cool and people might be able to afford homes. That seems a win-win situation for everyone'.

Is foreign buy-to-leave empty investment the problem?

For the last year, Action on Empty Homes has been analysing the impact of wealth investment in residential property and discussing with a range of different stakeholders the role it plays in London's housing crisis and what might be done about it.

We began by reviewing international examples of housing markets in cities also experiencing a growth in such wealth investment in residential property while failing, like London, to deliver affordable housing for citizens on average incomes. We looked at the policy responses proposed and implemented by local, regional and national governments to tackle the problem. We have published a summary of the findings in this document.

We then held a series of discussions in the Autumn of 2019 with stakeholders to look at what could be the best policy responses for London. These included:

- Leading academic experts
- NGOs and thinktanks
- Housing campaigners from across London
- Londoners experiencing homelessness
- Elected representatives of all the parties represented in the Greater London Assembly

In late 2019 we conducted public polling on whether Londoners believe that London's housing market is delivering the housing that London needs. Results will be released with our policy recommendations in March 2020.
As a result of the international review, discussions we held, and our analysis of the utilisation of housing stock in London, it has become clear the focus on foreign investors buying to leave empty is masking a wider reality of wealth investment of different types distorting the London property market at a time of a deepening housing crisis.

We estimate there may be as many as 100,000 empty or mostly underutilised properties in the capital – be they empty homes, second homes or Airbnb type lets. This number dwarfs even the most generous estimates of numbers of newbuild apartments bought by apparently 'foreign' investors in London each year.[1]

The aim of this project

The May 2020 Greater London Assembly and Mayoral election offers a tangible opportunity to generate public debate about the impact of wealth investment on London's housing supply and affordability. The project aims to develop a publication about wealth investment in London property that can be fed into the upcoming GLA elections and Mayoral campaign and generate a broader public discussion of the issue.

We are particularly focused on how wealth investment impacts the chances of securing a permanent, secure and affordable home for those at most risk of homelessness or languishing in temporary accommodation, due to a lack of social housing and the policy measures that might address this.

Policy proposals and how you can contribute

We have created a short survey to assess our stakeholders' views on what might be the most effective policy responses for London. The proposals are drawn from the discussions we held with our stakeholder and expert groups during October 2019 and include both approaches which are possible under current legislation and those which would require legislative changes.

These include proposals which have been made both in other cities or regions around the world and in the UK. Broadly speaking these include enforcement and taxation proposals, planning and development controls, changes to housing policy and alternative approaches to the recording of the ownership and utilisation of residential property - linked in some cases to the regulation of particular forms of usage (for example short term lettings).

- **Please click here https://www.surveymonkey.co.uk/r/WNHH3TV to complete the survey – your views are vital and a valuable part of this project**

Context: when is a house not a home?

The answer starts with the intense degree of financialisation in the London housing market. Many London homes are not bought to be used as a primary residence by their owners, but rather as either a store of wealth, a vehicle to deliver capital appreciation, a source of rental income - or a combination of the three.

Capital appreciation, for example, is an obvious attraction in a market which saw property prices virtually triple between 1996 and 2007. Despite some fluctuation since the financial crisis, there has been further significant price growth, with average London house prices rising 64% from £282,726 in May 2007 to £463,660 in May 2019.[2]

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 this investment 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 becoming evident to us that income generation from residential property does not necessarily require the involvement of any permanent residents - wealth investors do not need to use these homes to house residents at all, rich or poor.

This calls into question both the definition of such property as residential and the degree to which local planning targets for annual newbuild contribution to housing stock, homes for permanent residents to live in, are realistic or accurate.

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

1 London's Extraordinary Surplus of Empty Luxury Apartments – https://ponderwall.com/index.php/2019/12/31/london-surplus-luxury-apartments. London housing Supply Savills 2019 (Q2) September 2019 – https://www.savills.co.uk/research_articles/229130/289201-0/london-supply-update-q2-2019

2 Office for National Statistics UK House Price Index June 2019 – https://www.ons gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/june2019

Introduction to the case studies

The following case studies have two objectives. First, to indicate the problems of affordability in cities across the globe that are impacted by buy-to-leave and wealth investment. Second, to outline the policy responses by local and national governments aiming to tackle the problem to any degree.

As this publication is brief, the case studies chosen do not aim to be comprehensive but purely illustrative - their main role is to provide food for thought around policy options that might be adopted in tackling the impact of wealth investment in London's housing.

What happens next and how you can help

First please fill in the survey:
https://www.surveymonkey.co.uk/r/WNHH3TV

Please also get in touch with any additional input. For example readers may have their own examples of policies adopted by cities or governments not mentioned in this publication - please let us know about any you believe may be effective in dealing with this global phenomenon and we will endeavour to include them in our final report to be published in March 2020 ahead of the GLA and London Mayoral elections.

Vancouver

General Statistics

- Population (Metro Vancouver) – 2,463,431 (2016), British Columbia – 5,020,302 (2019 estimated)
- Population Density – 5,492.6/km^2
- Number of properties – 309,418 total dwellings (2016)

Nature of the Problem

- According to Demographia, Vancouverites have to spend 12.6 times the median income in order to buy a house. This level has more than doubled since 2004.
- In 2010, 18,445 renters (7% of all households) and 10,195 owners (4% of all households) were spending 50% to 99% of their household income on shelter costs in the City of Vancouver.
- The city has seen a de-coupling of the housing market and labour market, with many people who work in the city unable to afford to live there.
- There is a serious lack of available housing, with a rental vacancy rate of 0.8% (2016).

Attempted Policies

Empty Homes Tax

- An empty home is defined as being unoccupied for 6 months or more and is the primary residence of the owner.
- Annual property tax at the rate of 1% of the assessed value of a property, first introduced in 2016.
- In the first year of the tax, 8,500 properties were deemed vacant and paid the tax (which is lower than original estimates of 10,800 properties using utility data).
- In the first year, the tax earned around $38 million (approx. £21.6 million on 28/03/19), which, after covering implementation costs, will be used to fund winter shelters and making housing more affordable.
- The tax was originally expected to raise the rental vacancy rate to about 3.5%.
- But the leasable housing supply in Vancouver has so far remained below 1%, the overall vacancy rate has shrunk and average rents have continued to rise.
- As a result, it seems like people are choosing to pay the tax, rather than bring vacant properties back onto the market.
- However, there is some evidence to suggest that the number of homes paying the EHT in the second year has decreased, suggesting fewer vacant properties.
- Proposed future changes to the EHT include raising the rate to 3%, and introducing different rates for foreigner owners, different types of property and the amount of time left empty.

Foreign Buyers Tax

- Introduced because of a strong impression that foreign buyers (assumed to be largely Chinese) are limiting supply and driving up prices, especially in new-builds and condo-apartments, while potentially leaving their properties empty.

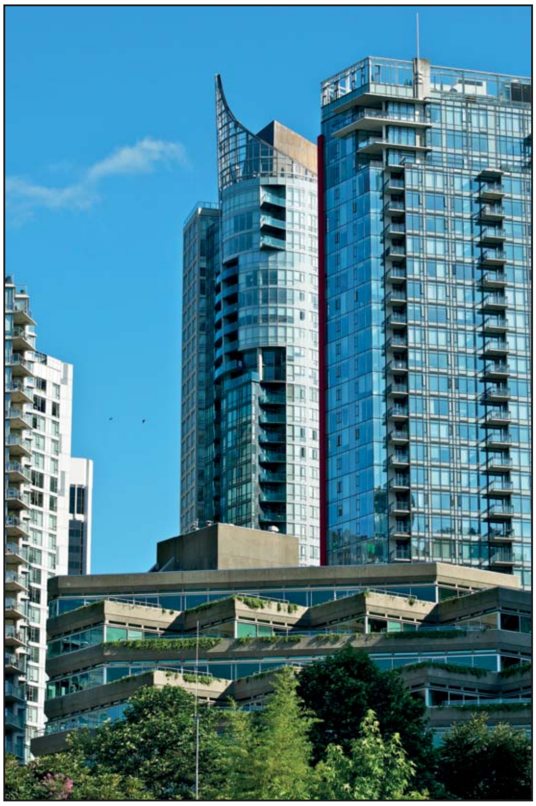
- However, the data to support this conclusion is quite mixed.
- First introduced in August 2016, the FBT is a 20% property transfer tax (i.e. stamp duty) on foreign nationals.
- There is evidence that it has cooled the Vancouver housing market, with home sales falling by 33% from the same time the year before the policy was introduced, and sales of high-end properties have dropped.
- However, house prices have continued to rise.
- There is concern over the fact that the tax does not address the supposed issue of proxy buyers who it has been suggested may be working for foreigners (such as family members who live in Vancouver).
- There was a legal challenge against the tax, claiming the tax was discriminatory and racist, however this claim was not upheld.[3]

Speculation and Vacancy Tax

- Annual property tax at the rate of 1% of the assessed value of a property, first introduced in 2016.
- British Columbia province-level tax, announced in the February 2018 provincial budget.
- The aim of the policy is to catch tax money from those not paying income tax in British Columbia, but storing wealth in the region in the form of property.
- Annual personal tax based on the assessed value of a residential property set at 0.5% for Canadian citizens or permanent citizens, and at 2% for foreign owners or satellite families (who earn most of their income over-seas).
- Residents are exempt from the tax if they live in the property as their primary residence or rent out the property for at least 6 months of the year (although this cannot be split up into periods of short-term rental).
- There was some controversy when it was revealed that two-thirds of those paying the tax would be British Columbians since there was a feeling that it was foreigners who were engaged in property speculation.

Next Steps

- The British Columbia Real Estate Association recommends the introduction of a residency declaration in land and property transfer forms in order to monitor foreign ownership.
- The Vancouver City Council Green Party 2018 election campaign platform contains a number of potential further solutions to Vancouver's dysfunctional housing market:
  - Introducing resident-worker housing zones.
  - Limiting pre-sale of properties to foreigners
  - Building affordable housing on city-owned land.



3 Foreign buyers tax not racist court report: https://www.burnabynow.com/business/b-c-s-foreign-buyers-tax-not-discriminatory-court-1.23988631

New York City

General Statistics

- New York City is the most populous city in the country.
- Population – 8,622,698
- Population Density – 11,000/km^2
- Number of properties – 3,469,240 total number of housing units (based on 2017 New York City Housing and Vacancy Survey)

Nature of the Problem

- In 2017, one-third of renter households spent 50% or more of their household income on housing costs.
- In 2017, the median gross rent to income ratio was 31.4 per cent.
- According to Demographia.com, New Yorkers have to spend 5.7 times the median income to buy a house.
- In 2017, the citywide rental vacancy rate was 3.63 per cent.
- There is an increasing issue of vacant housing in the city, with the New York City Housing and Vacancy Survey reporting that the number of unoccupied apartments throughout New York City has grown by 35 per cent to 65,406 apartments between 2014 and 2017.
- Leaving aside properties in the sales pipeline, whose owners are ill, being renovated, held up in court, 100,000 of New York City's apartments are empty. Census data finds that 74,945 are only occupied temporarily or seasonally, with 27,009 held off the market for unexplained reasons.
- Foreign direct investment in property and little used or speculative non-primary residences are significant problems in New York City, particularly since there are tax breaks for purchasers of new-build properties.
- This is combined with a very opaque property purchasing process– "ownership of a New York property can be made as untraceable as a numbered bank account".[4]

Attempted Policies

Pied-à-terre Tax

- 2014: New York Senator Brad Hoylman proposed a pied-à-terre tax, consisting of an annual tax on non-primary residences valued at over £3.8 million. The rate would begin at 0.5% levied on properties between £3.8 million and £4.6 million on a sliding scale up to 4% plus a £282,000 fee for homes valued over £19 million.
- However, due to the mobilisation of real estate lobbyists against the policy, the bill has been quashed as of March 2019. The real estate sector raised concerns over the feasibility of assessing the non-primary status of a property, and the potential damage it would do to the property market.

Housing, Not Warehousing Act

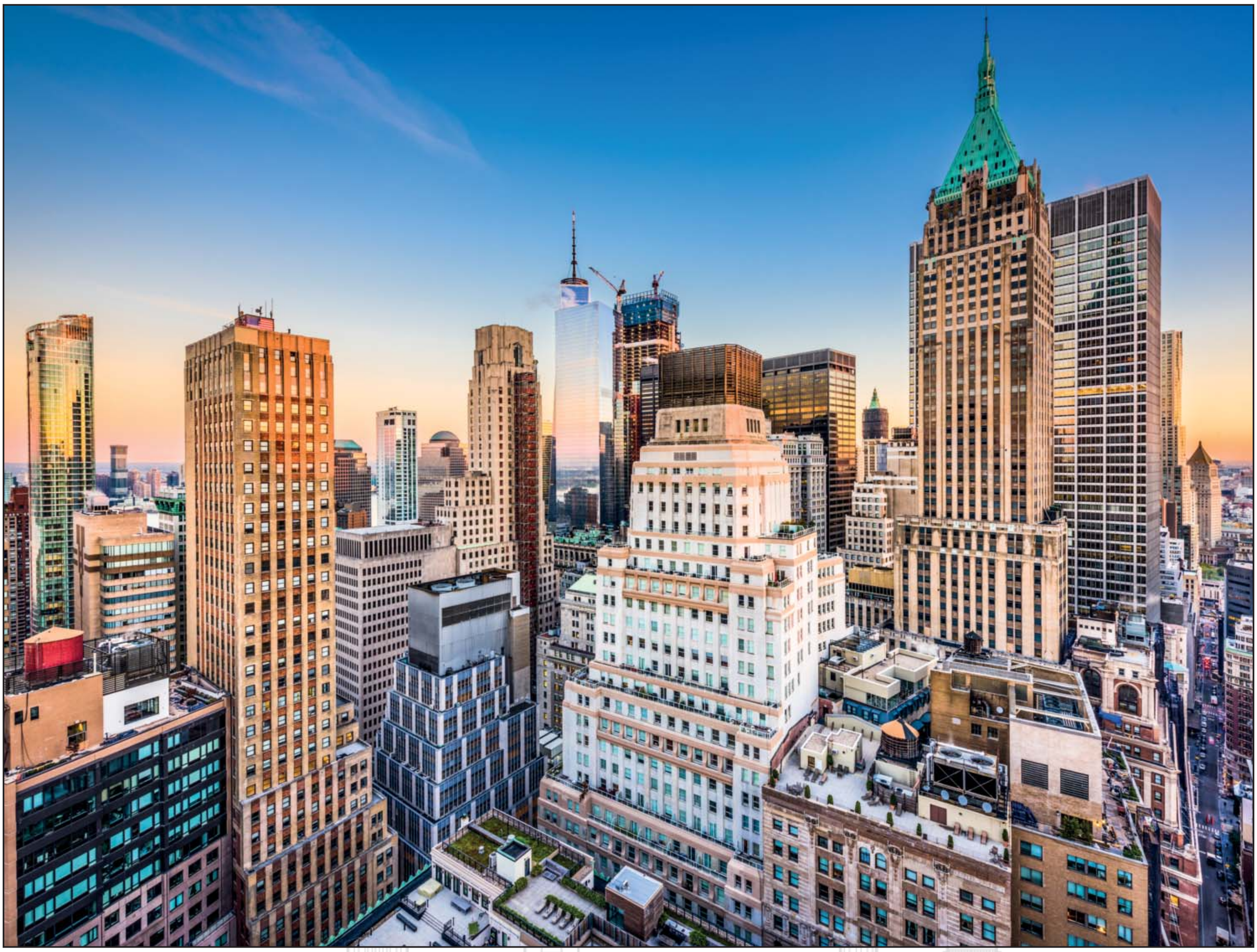
- The phenomenon of 'warehousing' is visible, where landlords sit on vacant apartments
- January 2018: The Housing, Not Warehousing Act was signed into law. The law focuses on getting a better idea of how many empty properties there are in New York City. It requires a list to be compiled of all city/state/ federally/authority-owned vacant property suitable for development into affordable housing, an annual count of all

4 http://nymag.com/news/features/foreigner

vacant property in New York City, and a mandatory registry for all landlords holding property vacant.

Next Steps

- Since moving away from the idea of a pied-àterre tax, New York lawmakers are now discussing a one-time transfer tax on all real estate transactions over about £2.3 million, although that threshold is still fluid. This kind of tax is likely to make much less tax income than the proposed pied-à-terre tax.



Australia
(Sydney / Melbourne / Canberra)

General Statistics: Sydney

- Sydney is a city on the Eastern coast of Australia, and is the country's most populous city and the state capital of New South Wales
- Population – 5,230,330 (2018)
- Population Density – 423/km^2 (2018)
- Number of properties – 1,858,608 (2016)
- Based on the 2016 census, 14.2% of households in Greater Sydney had rent payments greater than or equal to 30% of household income

General Statistics: Melbourne

- Melbourne is a city on the South Eastern coast of Australia, and is the country's second most populous city and the state capital of Victoria
- Population – 5,000,000 (2018)
- Population Density – 500/km^2 (2018)
- Number of properties – 1,834,357 (2016)
- Based on the 2016 census, 11% of households in Greater Melbourne had rent payments greater than or equal to 30% of household income

General Statistics: Canberra

- Canberra is a city in South Eastern Australia, in the Australian Capital Territory, between Sydney and Melbourne. It is the capital of Australia, the largest inland city and the eighth-largest city overall.
- Population – 410,301 (2017)
- Population Density – 428.6/km^2 (2017)
- Number of Private Dwellings – 82,693 (2016)
- Based on the 2016 census, 7.2% of households in Canberra had rent payments greater than or equal to 30% of household income

Nature of the Problem

- According to Demographia, Sydney residents have to spend 12.9 times the median income in order to buy a house, which, globally, is second only to Hong Kong. Melbourne residents have to spend 9.9 times the median income.
- Statistics from 2016 census suggest that more than a million homes across Australia (11.2% of all dwellings) were vacant on census night.
- The past 35 years' worth of census data showing about 10% of homes were consistently vacant at the time of the national survey. However, it is worth noting that census data is incredibly unreliable when assessing long-term vacant properties since it only provides a snapshot of one evening – there are many unrelated reasons a property might be vacant.
- This is in combination with rising property prices and rent costs, especially on the east coast.
- In 2017, ANZ (Australia and New Zealand Banking Group) found foreign buyers owned up to 400,000 of Australia's 9,924,844 homes (about 4%).

Attempted Policies

- Since 1987, Australia has maintained a national policy that seeks to limit foreign ownership of existing residential real estate stock and channels foreign real estate investment money towards creating new housing supply. Foreign non-resident buyers are not allowed to purchase existing dwellings, unless they are purchasing the property to redevelop it and add to the housing supply.

- 2015: The federal government introduced strict punishments for those breaking the rules of the Foreign Investment Framework. Also, the introduction of the Foreign Investment Application Fee, payable by foreign investors to the Foreign Investment Review Board – an AUD $5,000 (approx. £2,732) application fee for a property worth up to AUD $1 million (approx. £546,000). For properties over this amount, there is an AUD $10,000 (approx. £5,500) fee for every extra million dollars (approx. £546,000).
- However, a property market survey by the National Australia Bank in 2015 found that only 18% of properties bought by foreign buyers were for redevelopment, suggesting that many foreign buyers are still breaking existing laws governing foreign ownership.

Federal Budget 2017

- Introduction of empty homes tax for foreign buyers who leave a property vacant for six months or more in year—set as an annual charge equal to their foreign investment application fee, which is relative to the cost of the residential land.
- Introduction of a 50% cap on foreign ownership in new developments, applied through conditions imposed on New Dwelling Exemption Certificates (granted to property developers as a pre-approval for the sale of new dwellings to foreigners).
- Foreign and temporary tax residents also denied any access to capital gains tax exemptions.

Victoria Government Penalties

- Introduced a self-reported vacant property tax of 1% of assessed value of the property, for properties left empty six months or more in a year.
- However, the tax only applies to properties in Melbourne's inner and middle suburbs; and in the case of vacant second homes, only foreign owners pay the tax.
- Questions remain over the fact that the tax is self-reported and whether Melbourne's empty homes are in fact in the central suburbs.

Australian Capital Territory (ACT) Land Tax

- The ACT mainly consists of the city of Canberra, the capital of Australia.
- 2012: The ACT government launched a 20-year plan to phase out stamp duty, replacing it with broad-based property taxes imposed via the council rates (council tax) base. "As a result, annual general property rates on a family home on land worth $500,000 have increased from roughly $2,200 a year in 2012 to $3,000 just four years later. At the same time, the stamp duty on a home worth $500,000 has fallen by more than five times that amount: from $18,050 to $13,460".[5]
- This policy carries a potential negative impact on those who are asset-rich but income-poor (such as retired older people who live in their own homes). However, in some parts of Australia, state governments allow these households to defer paying the levy until they sell their property.
- A Green Party policy proposal costed by the Parliamentary Budget Office in March 2017 found that a move to this kind of land tax "would save home buyers up to $40,000 in Sydney and $55,000 in Melbourne, while delivering billions of dollars to fund schools and hospitals and encouraging older Australians into smaller homes".[6]

Next Steps

- March 2019: Green Party councillors in Wollongong (a city in the Illawarra region of NSW, south of Sydney) called for an empty homes levy.

5 https://grattan.edu.au/news/following-the-act-land-tax-approach-boosts-growth-andstate-budgets/.

6 https://www.smh.com.au/politics/federal/census-snapshot-one-million-homes-leftempty-across-australia-20170717-gxcpiw.html

New Zealand
(Auckland / Wellington)

General Statistics: Auckland

- Auckland is a city in the North Island of New Zealand, and is the largest urban area in the country.
- Population – 1,628,900 (2018)
- Population Density – 1,500/km^2 (2018)
- Number of Properties – 509,625 (2013)

General Statistics: Wellington

- Wellington is the capital city of New Zealand, located at the south-western tip of the North Island, and is the second most populous urban area of New Zealand.
- Population – 418,500 (2018)
- Population Density – 950/km^2 (2018)
- Number of Properties – 77,466 (2013)

Nature of the Problem

- According to Demographia, Auckland residents have to spend 8.8 times the median income in order to buy a house.
- Only a quarter of adults in New Zealand own their own home.
- The Economist recently named Auckland as the world's second most overvalued city for real estate, with New Zealand as the world's most overvalued country.
- In 2016, New Zealand house prices went up by 10.4%.
- In the capital city Wellington, over the last decade (to 2018) house prices have risen around 18% year over year.
- Based on 2013 census data, 33,360 of the roughly 500,000 dwellings in Auckland were officially declared empty, putting the city's vacancy rate at 6.6%.

Attempted Policies
Bank Reactions

- June 2016: In reaction to record property prices and fears about the New Zealand housing market heating up, all four major New Zealand banks (Westpac, ANZ, BNZ and ASB) announced they would stop issuing home loans to foreign buyers without New Zealand citizenship or permanent residency.
- Changes to loan to value ratios offered by banks mean that only 60% of the income of New Zealand citizens or permanent residents who earn their income overseas (thus generally avoiding 'paying in' to the New Zealand tax base) will be taken into account when applying for a new home loan. "A loan-to-value ratio is a measure of how much a bank lends compared to the value of a property".[8]
- September 2016: The Reserve Bank of New Zealand confirmed nationwide restrictions on all residential property buyers. "Residential property investors will need a 40% deposit for a mortgage loan, and owner-occupiers will need a 20% deposit".[9]

Foreign Buyers Ban

- August 2018: Ban on non-resident buyers, introduced by PM Jacinda Ardern, applied to all nationalities, except buyers from Singapore and Australia, as a result of 'existing free-trade agreements'.
- This may cause problems given that, after buyers from the People's Republic of China, Australians make up the second biggest group of foreigners buying property in New Zealand.
- Overseas buyers will still be able to buy New Zealand pre-sale homes off-plan, as the

7 Note on statistics: Statistics New Zealand took a census in 2018, but as of 11 April 2019, the data has not yet been released.
8 https://www.stuff.co.nz/business/industries/80941945/bnz-latest-bank-to-anforeign-home-buyers
9 http://www.themovechannel.com/magazine/stories/new-zealand-banks-restrictlending-for-foreign-buyers

government does not want to halt construction of new homes (much of which is funded by foreign property sales).

- However, if the rate of foreign purchases of property is only at 3.3 per cent (according to Statistics New Zealand), the impact that restricting foreign ownership will have on New Zealand's rapidly rising housing market is questionable.

Hong Kong

General Statistics

- Hong Kong is a special administrative zone of the People's Republic of China, located on the southern coast, consisting of Hong Kong Island, Kowloon and the New Territories.
- Population – 7,448,900 (2018 estimate)
- Population Density – 6,777/km^2
- Number of properties:
  - Stock of private residential units – 1,158,800 (2016)
  - Stock of public rental housing – 808,800 (2017)
  - Stock of subsidised sale flats – 403,200 (2017)

Nature of the Problem

- Nearly half of flats are renting for 70% of the city's average monthly household income.
- The Hong Kong housing market is generally recog-nised as the most unaffordable market in the world. According to Demographia, Hong Kong residents have to spend 20.9 times the median income in order to buy a house, making it the most severely unaffordable housing market in the world for the ninth year in a row.
- On Hong Kong Island, midsize homes are priced at more than approx. £19,600 per square meter, while estimated repayments of mortgage loans account for 70% of income.
- This extreme level of unaffordability has forced many on the margins into 'coffin homes' – tiny unsanitary unregulated rooms.
- Part of the strain on the HK housing market has been apartments being left empty by developers. "Some 42,942 flats, or 3.7 per cent of the citywide total, lay vacant in 2017. Among them, 9,370 were unsold new flats – 5,000 of them having been completed last year, according to the Rating and Valuation Department".[10]
- Housing speculation is also being fuelled by the middle class in Hong Kong who fear that house prices will outstrip earnings, resulting in a scramble for apartments that further pushes up prices.

Attempted Policies

Stamp Duty Rise for Multiple Flat Purchases

- November 2016: Under former Chief Executive Leung Chun-ying, in a bid to curb runaway property prices, the government more than doubled stamp duty to a flat rate of 15% for all residential purchases.
- However, this did not apply to first time buyers, allowing first time buyer speculators to lump several purchases together under a single transaction deal.
- July 2017: This loophole was closed, meaning those buying several flats with just one sales and purchase agreement will now have to pay 15% stamp duty for each of the properties.

Vacancy Tax

- June 2018: Chief Executive Carrie Lam announced a vacancy tax of 5% assessed value of a property on completed homes that are left vacant for more than 6 months after receiving the occupation permit.
- There are concerns over loopholes in the tax (developers leasing properties to associates or selling to shell companies to avoid the vacancy tax) and whether the tax poses a significant enough incentive for developers to sell or rent properties.

10 https://www.scmp.com/news/hong-kong/politics/article/2150559/decision-vacancy tax-flat-hoarders-coming-june-hong-kong.

- However, there are signs of a positive impact from the tax:
  - Several Hong Kong developers are cutting prices for the first time in three years.
  - September 2018: Since the announcement of the policy in June 2018, Hong Kong developers sold about 1,677 properties that had been kept off the market, which is about 12% of the total number of properties sold in Hong Kong during the same period (13,570 flats).[11]

Next Steps

- Potential for Hong Kong to follow the lead of Mainland Chinese cities in limiting property purchasing to locals, which has been proposed by Hong Kong legislative councillor Regina Ip.
- By 2017,18 Chinese cities (including all the major cities in China and the smaller cities around Beijing and Shanghai) had introduced home purchase restrictions to curb speculative buying.
- Details of these various restrictions include:
  - Limiting local residents to owning two or three homes while limiting non-locals to one.
  - Raising the number of years non-local residents have to pay into the social security fund to gain purchase eligibility.
  - Raising down payments for second-time buyers of private sector-developed homes to at least 80 per cent of the purchase price, and broadening the definition of "second-time buyer" to include those who have any mortgage history, regardless of where or whether they currently own a flat.

11 https://www.scmp.com/business/companies/article/2165220/looming-vacancy-taxprying-long-held-flats-hong-kong-developers.

London

General Statistics

- Population – 8,900,000 (2019 estimate)
- Population Density – 5,729/km² (GLA estimate)
- Number of residential properties – 3,662,131 (2019)
- London Boroughs house 56,000 homeless families in Temporary Accommodation at an annual cost of over £700m (2019)

Nature of the Problem

- It is widely acknowledged that there is a housing crisis in London, as well as the wider UK, featuring rising rents and lack of affordability, lack of house building on the supply side and long waiting lists for social housing.
- 2015: Figures showed that the median house price in London cost 12 times the median income. Even in the most affordable areas of England and Wales, houses prices are six times the median income.[12]
- "Since 2010 average private rents in London have risen more than five times as fast as average earnings. Average private rent for a one-bedroom home in London is now more than the average for a three-bedroom home in every other English region".[13]
- "In 2016, the gap in house prices between London and the rest of the country reached the widest ever recorded. Between 1990 and 2016, the proportion of households in London headed by someone aged 16-24 who owned their own home fell from 25 per cent to three per cent".[14]
- 2017: "More than a quarter of Londoners now live in poverty once housing costs are taken into account. One in 50 Londoners is homeless, and there are 90,000 children housed in temporary accommodation".[15]
- Evidence to suggest that wealth investment in property is particularly significant in London.

Attempted Policies

Empty Homes Council Tax Premium

- 2013: Empty Homes Council Tax Premium intro-duced in England and Scotland (introduced in Wales in 2017), providing billing authorities to "increase council tax on properties which have been 'unoccupied and substantially unfurnished' for a long period of time". In England, "billing authorities can charge up to 150% on properties which have been unoccupied and substantially unfurnished for over two years." Furthermore, "a period of occupation of over six weeks in England …qualifies as a break in the empty period, 'resetting the clock' for the purposes of the empty homes premium".[16]
- 2019: 100% premium (200% rate) introduced for 2 year empties; with 2020 seeing a 200% premium (300% rate) follow on 5 years empty homes. 2021 will see a 300% Premium (400% rate) introduced for 10 year empties'.

Annual Tax on Enveloped Dwellings

- Aimed at discouraging property purchasing through off-shore companies, hoarding empty and potentially money laundering operations. Introduced an annual charge on residential properties worth more than £500,000 purchased through a company and left empty or occupied only by the owner or

12 https://www.theguardian.com/uk-news/2015/sep/02/housing-market-gulf-salaries-house-prices.
13 https://www.london.gov.uk/press-releases/mayoral/mayor-calls-for-bold-housing-reforms.
14 https://www.london.gov.uk/press-releases/mayoral/mayor-calls-for-bold-housing-reforms.
15 https://www.london.gov.uk/press-releases/mayoral/mayor-calls-for-bold-housing-reforms.
16 House of Commons Library Briefing Paper, 'Council tax: empty properties', November 2018.

family members of the owner, commercially let property is unaffected. Rates are £3,600 per annum on properties valued at £500K to £1m; £7,250 p.a. on property valued at £1m - £2m and rise to £113K p.a. on property valued at £10-20m, with a top rate of £226K p.a. on properties valued at over £20m.[17]

- However, Private Eye pointed out that HM Revenue & Customs data shows that "the number of properties owned by offshore companies worth £20m or more (the serious launderer's preferred range) actually increased from 220 in 2013/14 to 230 in 2014/15. In other bands it fell by just 7 percent, showing that a tax running into six figures for properties worth £10m or more is still a price worth paying for secrecy.[18]

Stamp Duty

- 2014/15: Then-Chancellor George Osbourne introduced a 3% stamp duty surcharge on all second or additional residential properties effective April, this is added to the percentage rate for each price level band of the tax. In December 2014 he had also introduced a reform of Stamp Duty from a 'slab' tax to a tiered tax like income tax with differing banded rates charged on each portion of the purchase by value on a rising scale up to a maximum of 12% (Giving a rate of 15% with surcharge on the portion of a properties value over £1.5m).[19]
- "Those anticipating that buy to leave may have been stopped dead by prime central London's stark housing slowdown after the late-2014 introduction of higher stamp duty for properties above £937,500 appear to have been proved wrong. In the year to December 2015 prices in Knightsbridge fell 6.1 per cent, according to Knight Frank. In South Kensington they fell 3.7 per cent and in Chelsea 2.7 per cent."

Next Steps

- The U.K. government is considering introducing a new 1% Stamp Duty Land Tax (SDLT) surcharge for non-residents buying homes in England and Northern Ireland, according to Elizabeth Small, partner at Forsters law firm in London. It "could take the top rate of SDLT to 16%," she said. "The highest rate is 12%, which is charged on the cost of the property above £1.5 million… In addition, a 3% charge is levied on those purchasing a property with the intention of renting it out or for those who already own a home".[19]
- "The surcharge will apply to those homeowners who spent fewer than 183 days in the U.K. during the 12 months before the effective date of the transaction".[20]
- The revenue for this tax would be hypothecated to tackling homelessness.
- 2019 A Conservative Manifesto proposal to add 3% (not 1%) was made in the December 2019 General Election, this would be levied on all purchasers not tax domiciled in the UK.[21]
- February 2018: Mayor of London secured promises from developers that lower-cost (up to £350,000) new builds are marketed and sold exclusively to Londoners and UK-based buyers first. This was known as the 'First dibs' policy.

17 Annual tax on enveloped Dwellings rates: https://www.gov.uk/government/publications/annual-tax-on-enveloped-dwellings-annual-chargeable-amounts-for-2018-to-2019/annual-tax-on-enveloped-dwellings-annual-chargeable-amounts Residential Landlords Association: https://news.rla.org.uk/annual-tax-enveloped-dwellings-affected
18 http://www.private-eye.co.uk/registry.
19 Stamp Duty Reform Factsheet: https://www.gov.uk/government/publications/stamp-duty-reforms-factsheet Stamp Duty Rates for residential property purchase: https://www.gov.uk/stamp-duty-land-tax/residential-property-rates
19 https://www.mansionglobal.com/articles/what-are-the-property-tax-increases-being-considered-in-london-122156?mod=article_inline
20 https://www.mansionglobal.com/articles/what-are-the-property-tax-increases-being-considered-in-london-122156?mod=article_inline
21 Conservative General Election Campaign Press Release Nov 2019: https://vote.conservatives.com/news/stamp-duty-land-tax-surcharge-for-non-uk-residents-to-make-housing-fairer

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