Housing was the most important issue of the mayoral race (ComRes/BBC London poll, 2016). It appeared to represent a shift in sentiment from the 2012 election. While not directly comparable, a survey at that time placed housing fourth after jobs, crime and transport.

This is perhaps not surprising. During Boris Johnson’s second term of office, nominal house prices in Greater London are forecast to have risen by 56%, vastly outpacing earnings (Nationwide, BNP Paribas Real Estate). When translated to a monetary figure, the reality is illustrated starkly – whilst house prices rose by £170,000, the average Londoner’s income is estimated to have increased by less than £10,000 over the same period.

This sentiment was inevitably reflected in the manifestos of the candidates. All but one of the aspiring mayors representing the major parties have placed housing as their first priority, with barely a page turned in any of the manifestos without coming across a reference to housing.

Given this, we might have hoped for some bold solutions to the challenge of delivering homes to ensure London’s place as a global city. All but one of the aspiring mayors representing the major parties have placed housing as their first priority, with barely a page turned in any of the manifestos without coming across a reference to housing.

However, there was much skirting around the issue of the barriers to achieving real growth in the number of new homes, affordable or otherwise. Many of the measures that achieved a step change in delivery would appear politically too unpalatable. Now London has decided on its new mayor and the electoral politics are over, now is the time to think radical to secure London’s social and economic future.

THE AVERAGE LONDON HOUSE PRICE IS FORECAST TO REACH £472,000 when Boris Johnson leaves office, an increase of 56% during the last mayoral term

Source: Nationwide; BNP Paribas Real Estate

THE AVERAGE LONDON HOUSE PRICE IS FORECAST TO INCREASE BY A FURTHER £100,000 by the end of the next Mayoral term

Source: Nationwide; BNP Paribas Real Estate

DURING THE LAST MAYORAL TERM

The average London house price rose by £170,000

While the estimated average London income increased by £10,000

Source: GLA, Nationwide; BNP Paribas Real Estate
THE AFFORDABLE HOUSING DILEMMA

Increasing numbers of first-time buyers are unable to access market housing in London, but at the same time, the need for rented housing for households who can never hope to purchase a home has become more pressing than ever before. Viability is being squeezed by a resurgence in commercial land values, which means that affordable housing levels secured through S106 agreements have failed to reach targets set by the boroughs (see Figure 4). The trade-off between securing land for employment use and housing is clearly evident where commercial land values are highest in the capital. Put simply, if boroughs are to meet the housing targets set in the London Plan, affordable housing levels may need to fall to ensure that residential development generates more value for landowners than commercial uses. This compounds the difficulties that would-be first-time buyers or those in pressing need for rented housing face.

The mayoral candidates have put the delivery of affordable housing at the top of their manifesto commitments. Increasing the supply of affordable housing was clearly a central goal for all candidates, but this was always going to be difficult using the established planning mechanisms, due to viability challenges. The new mayor has the opportunity to grasp the nettle of housing in the UK. Will he seek more fundamental change in how boroughs in London secure affordable housing? The answer is surely ‘yes’ but none of the candidates have yet articulated an alternative vision.

There has recently been considerable press coverage on the amounts that boroughs have collected through ‘payments in lieu’ of on-site affordable housing and how much of these funds have actually been spent. However, there has been little thought given to how these funds might be used more effectively to increase supply. Under current arrangements, a borough which receives a payment in lieu from a developer will try to invest the receipt in another development within its own boundaries. Should the new administration seek to put in place a pan-London approach to delivering affordable housing that could invest these receipts more efficiently to increase supply across the capital?

To test this proposition, we have calculated the number of units that could be delivered with the £78 million affordable housing contribution made by developers of Chelsea Barracks. The analysis compares what can be achieved both within the City of Westminster’s boundary and what is achievable through ‘out of borough’ investment. Figure 1 shows the average house price in each London borough and the numbers of units that could be converted from private to affordable using the £78 million. The results present a compelling case for a change to the status quo; in Westminster, the payment in lieu could deliver just 86 additional affordable housing units, a cost of almost £1 million each. However, if that money could be invested in the boroughs where market values are lower, the payment would stretch further to provide as many as 449 additional affordable housing units, a cost of just £174,000 per unit.

Figure 1: Numbers of affordable housing units delivered by £78 million fund

Source: BNP Paribas Real Estate, Land Registry
Note: We calculated the amount of subsidy a developer would need to convert a market housing unit to rented affordable housing so that the residual land value generated by their development is unchanged. The amount of subsidy required to deliver an affordable housing unit in Kensington & Chelsea is approximately 7.2 times the amount that would be required in Bexley.

We have also looked at the potential impact of re-allocating the affordable provision within the top five highest priced inner London boroughs (Islington, Hammersmith & Fulham, Kensington & Chelsea and Westminster) into the outer London boroughs. If each of these boroughs collected £100 million towards affordable housing, they could deliver approximately 650 units within their respective borough boundaries. If they sought to invest these payments across the five lowest value boroughs (Bexley, Barking & Dagenham, Newham, Sutton and Havering), they could deliver an astonishing 2,600 units.

These calculations, although relatively crude, point to a need for the new mayor to get the 33 London boroughs working together more strategically to decide how affordable housing supply could be increased through more targeted investment of payments in lieu. There are some tough questions that would need to be asked. Should every development of 10 units or over provide on-site affordable housing? Should every borough provide affordable housing and if not, should all need just be met in boroughs where the money stretches the furthest? How would this approach impact on a long-held objective of securing mixed and balanced communities? How would those boroughs provide the necessary community infrastructure to support an increased level of affordable housing in the context of lower Community Infrastructure Levy (CIL) receipts compared to the higher value boroughs? Would boroughs who invest their payments in lieu also need to transfer some of their CIL receipts to provide the facilities that are required?

There will, understandably, be concerns that this all smacks of ‘social engineering’, with households on lower incomes being ‘exported’ to outer London. Arguably, however, it could help to bring greater social balance across the capital, as inner London boroughs have higher proportions of existing social housing than outer London.

Some thorny issues for the incoming mayor to consider, but addressing them would help bring about the step change in affordable housing delivery that is now so vital.

Source: GLA (2014 data)

We calculated the amount of subsidy a developer would need to convert a market housing unit to rented affordable housing so that the residual land value generated by their development is unchanged. The amount of subsidy required to deliver an affordable housing unit in Kensington & Chelsea is approximately 7.2 times the amount that would be required in Bexley.

Figure 2: Affordable housing in London

<table>
<thead>
<tr>
<th></th>
<th>INNER LONDON</th>
<th>OUTER LONDON</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of households renting from local authority or housing association</td>
<td>32.1%</td>
<td>16.7%</td>
</tr>
</tbody>
</table>

Source: GLA (2014 data)

Figure 3: Owner occupation in London

<table>
<thead>
<tr>
<th></th>
<th>INNER LONDON</th>
<th>OUTER LONDON</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of households own or are buying their own home</td>
<td>36.7%</td>
<td>59.3%</td>
</tr>
</tbody>
</table>

Source: GLA (2014 data)
**Figure 4: Delivery of affordable homes during Boris Johnson's tenure**

Affordable housing units agreed in planning on private schemes of 20+ units, by borough

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Barking and Dagenham</td>
<td>3,914</td>
<td>40%</td>
<td>50%</td>
<td>Use London Plan Policy</td>
</tr>
<tr>
<td>Barnet</td>
<td>5,029</td>
<td>20%</td>
<td>50%</td>
<td>40% (Sept 2012)</td>
</tr>
<tr>
<td>Bexley</td>
<td>1,026</td>
<td>29%</td>
<td>35%</td>
<td>50% and a minimum of 35% of units to be affordable housing (Feb 2012)</td>
</tr>
<tr>
<td>Brent</td>
<td>1,955</td>
<td>26%</td>
<td>50%</td>
<td>50% (July 2010)</td>
</tr>
<tr>
<td>Bromley</td>
<td>371</td>
<td>13%</td>
<td>35%</td>
<td>35% (March 2008)</td>
</tr>
<tr>
<td>Camden</td>
<td>1,671</td>
<td>31%</td>
<td>50%</td>
<td>50% for &gt;50 dwellings, 10-50% for &lt;50 dwellings (Nov 2010)</td>
</tr>
<tr>
<td>City of London</td>
<td>40</td>
<td>4%</td>
<td>50%</td>
<td>30% on site and 60% off site (Jan 2015)</td>
</tr>
<tr>
<td>Croydon</td>
<td>1,053</td>
<td>17%</td>
<td>40%-50%</td>
<td>50% (April 2013)</td>
</tr>
<tr>
<td>Ealing</td>
<td>5,035</td>
<td>37%</td>
<td>50%</td>
<td>50% (April 2012)</td>
</tr>
<tr>
<td>Enfield</td>
<td>415</td>
<td>19%</td>
<td>LONDON PLAN</td>
<td>40% (Nov 2010)</td>
</tr>
<tr>
<td>Greenwich</td>
<td>8,285</td>
<td>25%</td>
<td>35% minimum (50% on greenfield/readily developable former employment land)</td>
<td>35% minimum (July 2014)</td>
</tr>
<tr>
<td>Hackney</td>
<td>4,992</td>
<td>34%</td>
<td>50%</td>
<td>50% (Nov 2010)</td>
</tr>
<tr>
<td>Hammersmith and Fulham</td>
<td>3,099</td>
<td>19%</td>
<td>50%</td>
<td>40% (Oct 2011)</td>
</tr>
<tr>
<td>Haringey</td>
<td>662</td>
<td>17%</td>
<td>50%</td>
<td>50% affordable housing on site (March 2013)</td>
</tr>
<tr>
<td>Harrow</td>
<td>765</td>
<td>21%</td>
<td>50%</td>
<td>40% (Feb 2012)</td>
</tr>
<tr>
<td>Havering</td>
<td>670</td>
<td>14%</td>
<td>50%</td>
<td>50% (2008)</td>
</tr>
<tr>
<td>Hillingdon</td>
<td>654</td>
<td>12%</td>
<td>LONDON PLAN</td>
<td>35% (Nov 2012)</td>
</tr>
<tr>
<td>Hounslow</td>
<td>1,441</td>
<td>23%</td>
<td>LONDON PLAN</td>
<td>40% (Sept 2015)</td>
</tr>
<tr>
<td>Islington</td>
<td>1,734</td>
<td>33%</td>
<td>LONDON PLAN</td>
<td>50% (Feb 2011)</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>1,223</td>
<td>24%</td>
<td>33%</td>
<td>50% (Dec 2010)</td>
</tr>
<tr>
<td>Kingston upon Thames</td>
<td>124</td>
<td>13%</td>
<td>30%-50%</td>
<td>50% (April 2012)</td>
</tr>
<tr>
<td>Lambeth</td>
<td>2,094</td>
<td>25%</td>
<td>40% (50% with grant)</td>
<td>50% when public subsidy, 40% without (Sep 2015)</td>
</tr>
<tr>
<td>Lewisham</td>
<td>3,624</td>
<td>23%</td>
<td>35%</td>
<td>50% (June 2011)</td>
</tr>
<tr>
<td>Merton</td>
<td>361</td>
<td>25%</td>
<td>LONDON PLAN</td>
<td>40% (July 2011)</td>
</tr>
<tr>
<td>Newham</td>
<td>7,294</td>
<td>23%</td>
<td>LONDON PLAN</td>
<td>50% (Jan 2012)</td>
</tr>
<tr>
<td>Redbridge</td>
<td>375</td>
<td>18%</td>
<td>50%</td>
<td>50% (March 2008)</td>
</tr>
<tr>
<td>Richmond upon Thames</td>
<td>150</td>
<td>15%</td>
<td>40%</td>
<td>50% (April 2009)</td>
</tr>
<tr>
<td>Southwark</td>
<td>5,506</td>
<td>29%</td>
<td>35% or 40% in CAZ, 50% overall</td>
<td>35% (April 2011)</td>
</tr>
<tr>
<td>Sutton</td>
<td>520</td>
<td>19%</td>
<td>50%</td>
<td>50% (Dec 2009)</td>
</tr>
<tr>
<td>Tower Hamlets</td>
<td>7,759</td>
<td>24%</td>
<td>50% overall, 35% on individual privately owned sites</td>
<td>50% overall (Sept 2010)</td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>625</td>
<td>28%</td>
<td>50%</td>
<td>50% (March 2012)</td>
</tr>
<tr>
<td>Wandsworth</td>
<td>4,173</td>
<td>17%</td>
<td>50%</td>
<td>33% minimum (Oct 2010)</td>
</tr>
<tr>
<td>Westminster</td>
<td>921</td>
<td>14%</td>
<td>50%, 30% in CAZ</td>
<td>30% (Nov 2013)</td>
</tr>
<tr>
<td>London Total</td>
<td>77,560</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Full consent date = 2009 to 2015 inclusive; Excludes GPOD Office to Resi; Most recent consent per scheme only; Shaded indicates % affordable above London average. However, greater impact could be attained within this policy regime. Leaving aside Section 106 payments in lieu agreed for the purpose of affordable housing, which have already received considerable press coverage, the delivery of agreed affordable units could be more efficiently achieved.

Source: BNP Paribas Real Estate; Molior
ACCOMMODATING A GLOBAL CITY

All the mayoral candidates from the major parties acknowledged London’s role as a global city, with economic importance not just to the South East but the UK as a whole. Despite this, there was a lack of ambition and creativity in the manifesto policy pledges on accommodating the growth necessary to maintain this pre-eminent position.

The importance of housing to London’s economic future has been set out by policy makers (including the outgoing Mayor) and academics alike. When corporates can no longer attract and retain their most productive staff due to the cost of living and associated quality of life issues, the capital loses its business appeal. Simply expanding affordable housing provision is not enough: many are still excluded from affordable housing. For example, a couple on individually relatively modest incomes in useful and productive jobs could easily exceed the threshold over which they would not qualify.

Furthermore, at a time when all sides of the political spectrum are acknowledging the challenge of boosting productivity in the UK, the role of housing is missing from the debate. Young, highly skilled workers are preoccupied with housing, rather than being creative and entrepreneurial. Capital tied up in a house is not invested in new ideas, building businesses and ultimately growing our economy. It is not contributing to our beleaguered productivity that featured so highly in the recent Budget. The calculated productivity of a skilled young person full of ideas and energy is diminished if owner occupation forces them into a long, time wasting commute, if they are unable to move for work or invest in a brilliant idea.

Figure 5: Selective release of land for residential development

<table>
<thead>
<tr>
<th>BOROUGH</th>
<th>GREENBELT (HA)</th>
<th>TRAVEL TIME TO CENTRAL LONDON</th>
<th>1% OF GREENBELT LAND (HA)</th>
<th>UNITS DELIVERED</th>
</tr>
</thead>
<tbody>
<tr>
<td>BROMLEY</td>
<td>7,730</td>
<td>16</td>
<td>77.3</td>
<td>4,252</td>
</tr>
<tr>
<td>HILLINGDON</td>
<td>4,970</td>
<td>18</td>
<td>49.7</td>
<td>2,734</td>
</tr>
<tr>
<td>CROYDON</td>
<td>2,310</td>
<td>16</td>
<td>23.1</td>
<td>1,271</td>
</tr>
<tr>
<td>HAVERING</td>
<td>6,010</td>
<td>29</td>
<td>60.1</td>
<td>3,306</td>
</tr>
<tr>
<td>ENFIELD</td>
<td>3,060</td>
<td>25</td>
<td>30.6</td>
<td>1,683</td>
</tr>
<tr>
<td>REDBRIDGE</td>
<td>2,070</td>
<td>18</td>
<td>20.7</td>
<td>1,139</td>
</tr>
<tr>
<td>BARNET</td>
<td>2,380</td>
<td>27</td>
<td>23.8</td>
<td>1,309</td>
</tr>
<tr>
<td>HARROW</td>
<td>1,090</td>
<td>15</td>
<td>10.9</td>
<td>600</td>
</tr>
<tr>
<td>WALTHAM FOREST</td>
<td>840</td>
<td>19</td>
<td>8.4</td>
<td>462</td>
</tr>
<tr>
<td>BARKING AND DAGENHAM</td>
<td>530</td>
<td>15</td>
<td>5.3</td>
<td>292</td>
</tr>
<tr>
<td><strong>TOTAL UNITS</strong></td>
<td><strong>17,045</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Assumption of 55 units per hectare.

Source: BNP Paribas Real Estate
While improving and extending transport infrastructure to open up the commutable reach of London’s hinterland formed a central plank of most manifestos, no candidate was brave enough to suggest that perhaps London’s greenbelt policy should be reviewed. This does not mean abandoning the greenbelt, but rather critically considering its function whilst adopting a strategic planned approach for the South East, which is fit for purpose in a global city context; a global city that continues to attract the best. Figure 5 provides an illustration of the impact of the release of just 1% of greenbelt land within the 10 London boroughs with the fastest travel times to Central London. Even greater impact could be achieved through the release of greenbelt land that is not serving its designated function in the accessible home counties.

Unless something substantive changes, by the end of Mr Khan’s mayoral term the average London house price will have increased by over £100,000 while the average London salary is likely to have grown by around just 10% of that. This is a bad thing for London’s vitality. The alternative is to relegate the young and capital deficient to ever longer commutes during which their creative contribution to London’s future growth will be whittled away. While some planning authorities seek to counter this by planning for even greater intensification of homes in the capital, there must be questions over how this adapts as our young skilled creative workers pass through their life cycle and feel the inevitable need for more space.
So, a plea to Mayor Sadiq Khan, please consider three policy commitments that could actually make a difference to London’s housing crisis:

1. Allow London to operate as a single organism in housing its workers, without the curbs of artificial administrative and political boundaries.

2. Review the greenbelt boundaries and definitions as part of a strategic regional plan.

3. Adopt flexible density assumptions to deliver a diverse and liveable city.
Main locations

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** Covering Transaction, Valuation & Consulting

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