

# Notes on London's housing crisis

By Allison Smith  
3 March 2016

## Surging London home prices decimate living standards

Recent employment growth and low inflation helped increase overall incomes in London by 2.9 percent since 2008. However, the high cost of housing in the capital city has pushed the region to the bottom of the league table for living standards in the United Kingdom.

Most Londoners have in fact suffered falling living standards, especially when the slant towards rising incomes for the wealthy is taken into account.

Matthew Whittaker, chief economist at Resolution Foundation remarked, "Londoners have experienced some of the strongest income growth in recent years, with typical household incomes now well above pre-crash levels, but the wider picture on living standards changes completely once housing costs are included. On this measure living standards have actually fallen over the last seven years, and by far more than anywhere else in the UK."

House prices leapt 9.4 percent last year, pushing the average cost of a London home to a record £536,000, while average rents jumped up to an average all-time high of £1,301, far outpacing every other U.K. region.

In many areas of London, landlords are renting out sheds and rooms without windows, smoke detectors, or hot water—and even, as in one case in east London's Newham borough, a converted walk-in freezer.

## Record number of evictions nationally, with most in London

The Ministry of Justice reports that tenants living in 42,728 rented households across England and Wales were forcibly removed from their homes last year—a 53 percent increase since 2010 and a record number since statistics began to be reported in 2000.

Most of the evictions took place within 16 London Boroughs—mostly by social landlords. This is a result of stagnating or declining wages and cuts to benefits, at the same time that the cost of living is skyrocketing, especially rent. Councils have a dwindling supply of social housing units available due to the forced selloff of high-value council properties.

Increasingly, poor tenants are finding it unaffordable to move and forced eviction is fast becoming the only way they can

secure new housing, as councils require them to demonstrate they are homeless before they are allocated emergency housing.

Emergency housing is often bed and breakfast or hostel accommodation that are unsuitable for families with children. The charity Shelter reports that nearly 4,000 families are now living in hostels and the most dramatic rise is in central London.

## 22,000 London homes left empty

A Freedom of Information request revealed that 22,000 houses lay empty in 31 out of 33 London boroughs. However, this could be considerably higher as local authorities do not require owners to declare their properties uninhabited.

Helen Williams, chief executive of the charity Empty Homes, told the *Guardian*, "With so many people priced out of decent housing across London it makes sense to make the most of existing properties as we build new homes to address the capital's housing needs."

London's free newspaper *City A.M.* reported that one offender, the Crown Estate, "is sitting on over £800m worth of empty properties in London alone... exposing the scale of the developer's property footprint in the capital. The monarchy's portfolio of property and land includes 312 vacant properties in the Greater London area, according to a Freedom of Information request, ranging from rooms on Regent Street and other prime central London locations to garages and commercial space."

## Housing charity sells off affordable housing to developers

Glasspool Charity Trust auctioned off apartments currently occupied by low income and benefits tenants at the Butterfields Estate in the north London borough of Walthamstowe.

A statement said, "As trustees of the Glasspool Charity Trust we sought assurances regarding our tenants, their rights and protection from our selling agents at the time of the negotiations. We were assured that they would be protected within the law. We have no power to prevent a new owner from reviewing their position with the existing tenancies post-sale."

In 2012, the Shelter housing charity found that in 25 percent of all London areas, rents increased by an average of £300 a year. As demand grows for rented accommodation, many more

residents are being priced out of decent homes and forced into deplorable conditions and, increasingly, homelessness. Last year, Shelter researched the huge emotional and financial costs of the lack of affordable housing on low income households.

### **Nearly 30 percent of renters moved three times in five years**

According to a Shelter and YouGov study, 27 percent of renters in the United Kingdom have moved three or more times within the last five years—the equivalent of 400,000 families.

One report described it as almost a nomadic form of existence. Alarming, nearly half of parents in rental accommodations were forced to borrow money to move or had fallen behind on rental payments. Sixty-five percent of families report having to change schools after their last move, and one in four parents say that moving causes distress and feelings of insecurity in their children.

Shelter CEO Campbell Robb said, “With short-term contracts, sudden rent hikes and expensive moving costs putting huge pressure on family life, it’s no wonder that millions of parents are battling to give their children a stable home.”

He added, “We know the vast majority of parents are crying out for longer term tenancies, so it’s about time the government turned this into a reality and gave England’s 11 million private renters a better deal.”

A 2010 study by Queens University in Belfast found that children who move five or more times are at least three times more likely to experience serious mental health issues.

### **Record low home ownership among young Londoners**

Resolution Foundation’s Living Standards 2016 report shows there continues to be a sharp decline in new entrants to the U.K. housing market, with home ownership rates between 2001 and 2014 down an average of 11 percentage points for people under 60 years of age.

Millennials (born between 1982 and 2004) experienced the sharpest home ownership decline—a 49 percent reduction since 1998 and a full 16 points lower than residents in the Generation X group (born between 1965 and 1981).

The figures for young Londoners are devastating, with home ownership among low-to-middle income residents under 35 years of age plummeting by 67 percent to just 13 percent of residents in 2014. The percentage living in private rented accommodation has increased 87 percent, from 37 percent in 2000 to 70 percent in 2014. Londoners in this age group are also more likely to live in social housing as opposed to owning their own home, with 17 percent living in council properties.

### **Record wait time for council housing**

According to recent figures provided by the Department for Communities and Local Government, up to 25 percent of households in some areas of London are on a waiting list for social housing. Although the overall number of applications for

housing is down, nearly all those on the list are waiting a record period to be placed into social housing.

In 2015, Camden had the highest percentage of residents waiting for social housing—nearly one-in-four residents, totaling 24,644—up 10 percent from 2014. In Islington, nearly 20 percent of households were on a waiting list, and the equivalent of one-in-six residents were waiting for housing in Barking and Dagenham, Brighton, Bolton, Tower Hamlets, Medway and Reading in 2015.

The overall decrease in the number of households waiting for housing isn’t due to fewer residents needing assistance. Rather, cuts to housing benefits and other government policies, such as the Localism Act 2011 and Right to Buy, have given local councils the power to restrict eligibility for social housing, especially for those residents who cannot prove a connection to the area.

### **Report warns number of £1 million homes in UK will triple by 2030**

A report co-authored by Professor Paul Cheshire of London School of Economics and Santander Bank, forecasts that by the year 2030, the number of £1 million homes in the United Kingdom will triple and the average home price will more than double from £283,565 to £557,444.

The report projects that within fifteen years London home prices will increase by a factor of 16.5 and nearly one-in-four homes across the capital city will sell for £1 million or more. Prices in Kensington and Chelsea and Westminster boroughs are set to increase by 70 percent. Professor Cheshire said, “By 2030, the divide between housing haves at the top and the have-nots at the bottom will be even wider than it is now.”

Young people under 35 years of age are hardest hit by the staggering increase in home prices. The vast majority are only likely to own a property through inheritance. A recent survey of teachers in London reports that one in 10 young teachers still live at home, even after five years of tenure in their career. Sixty-one percent of those surveyed said that the high cost of living might force them to move out of London altogether.

To contact the WSWs and the  
Socialist Equality Party visit:

<http://www.wsws.org>