

# Subject: The Impact Of Investor Buyers On The Market For New Build Homes In London

Report to: Housing Committee

Report of: Executive Director of Secretariat

Date: 10 February 2015

This report will be considered in public

## 1. Summary

- 1.1 This report sets out the proposed scope for an investigation into the impact of investor buyers on the market for new build homes in London.

## 2. Recommendation

- 2.1 **That the Committee agrees the scope for an investigation into the impact of investor buyers on the market for new build homes in London.**

## 3. Background

- 3.1 Data and press reports suggest that prices for new build homes have risen at a higher rate over the last five years than house prices generally rise in London. However, house price data from official sources relies on mortgage completion information, excluding cash purchasers, so may not provide a good indicator of London new build inflation.
- 3.2 Investor buyers, who particularly target new-build properties, not the re-sale market, are thought to have a significant impact on London's new build market.
- 3.3 Press comment has often focused on the impact of overseas investors, and London does indeed attract many wealthy individual investor-buyers from overseas. This makes inefficient use of the housing stock if properties are left vacant for long periods, either as second homes or because they are let for occasional occupancy. The London Borough of Islington has recently developed plans to force owners of newly built homes to prove they are occupied or face fines.

## 4. Issues for Consideration

- 4.1 Despite the recent focus on overseas investors, home-grown investor buyers may actually be a more significant force in the wider market for new build homes in London. Moliar London research from 2014, for example, indicates that some 60 per cent of new build London homes are bought by investor buyers, but that only 15 per cent of new build purchases are made by overseas buyers (ie those purchasing for investment purposes but who normally reside overseas).
- 4.2 Developers are keen to sell to overseas and institutional buyers because they frequently buy off-plan (which cashflows the scheme) and are looking for high-end developments. However, this type of scheme may not be suited to the needs of local people and the proportion of affordable housing offered within the development is usually relatively low. In Greenwich, which has plans for London's largest number of new build homes, concern has been voiced recently over the scale and impact of international investment on the local housing market and the benefits to local people.
- 4.3 The Mayor supports foreign investment but says he wants to see homes marketed and sold to Londoners not oligarchs. To this end he initiated a voluntary concordat in 2014, which around 60 developers have signed, committing to marketing properties simultaneously at home and abroad. However, there have been suggestions recently that some developers are not sticking to this arrangement. And if the role of overseas buyers is relatively limited, should the Mayor be focusing more on addressing the problems arising from investor buyers more widely?
- 4.4 Members may wish to question invited guests about the role of investor buyers in shaping the new build market, both in terms of driving prices and the types of properties which are built.

## 5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

## 6. Financial Implications

- 6.1 There are no financial implications to the GLA arising from this report.

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### List of appendices to this report:

None

<b>Local Government (Access to Information) Act 1985</b>
List of Background Papers: None
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