

# Subject: The Impact of Investor Buyers on London's New Build Market

Report to: Housing Committee

Report of: Executive Director of Secretariat

Date: 4 March 2015

This report will be considered in public

## 1. Summary

- 1.1 This report sets out the background information for the Committee's meeting on the impact of investor buyers on London's new build market.

## 2. Recommendation

- 2.1 **That the Committee notes the report as background to discussing with invited guests the impact of investor buyers on the market for new build homes in London, and notes the subsequent discussion.**

## 3. Background

- 3.1 Data and press reports suggest that the prices of new build homes have risen at a higher rate over the last five years than house prices generally in London. However, house price data from official sources rely on mortgage completion information, excluding cash purchasers, so may not provide a good indicator of London new build inflation.
- 3.2 According to a Moliar London report from February 2014, some 60 per cent of London's new build homes are bought by investor buyers compared with 40 per cent bought by owner occupiers. It seems likely, therefore, that investors have a significant impact on London's new build market, but the data is sketchy and difficult to interpret with certainty.

## 4. Issues for Consideration

- 4.1 Investors in new central London developments have attracted significant criticism in the press in recent months for a range of reasons. In some cases, this relates to the low level, or complete lack, of affordable housing included within regeneration developments. In others it centres around homes apparently being left unoccupied, or simply used as safe places to park cash, though a range of evidence suggests that the majority of investors do intend to rent out their properties.

- 4.2 Developers have been keen to sell to overseas and institutional buyers because they frequently buy off-plan, which cashflows the scheme and often unlocks the development finance which was hard to come by in the immediate aftermath of the financial crash of 2007/08. Indeed, some commentators indicate that international funding, in particular, offered vital support to the development industry in central London during this difficult period.
- 4.3 However, the type of scheme which attracts these investors is unlikely to be suited to the needs of local people. In Greenwich, for example, 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.
- 4.4 Moreover, recent evidence from agents and lenders indicates that the geographical definition of 'prime' London, which has been the main target of such investors, is expanding into new London neighbourhoods. Projections depict a growing pipeline of higher-end schemes which will likely be acquired by wealthy investors and block purchasers. These developments are probably mainly destined for the rental market but will not be targeted at Londoners on moderate incomes.
- 4.5 The Committee may therefore wish to discuss with guests:
- the current state of the market for new build in London, including the range of different investors, their motivations for investing, the locations and types of units they are seeking and the tenants they are accommodating;
  - how the market may have changed in recent years and short- to medium-term forecasts;
  - any impact of investor buyers on the types of homes which are built or in the pipeline; and
  - the impact of investor buyers on the prices of new build homes in different parts of London.

#### **Invited guests**

- 4.6 A panel of expert guests has been invited to discuss these issues with the Committee, including:
- Katy Warrick, Head of London Residential Development Research, Savills;
  - Prof Peter Rees, Professor of Places & City Planning, The Bartlett, University College London; and
  - Ian Fletcher, Director of Policy (Real Estate), British Property Federation.

## **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 direct financial implications to the Greater London Authority arising from this report.

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**List of appendices to this report:** None

**Local Government (Access to Information) Act 1985**

List of Background Papers: None

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