Appendix 1

Housing Committee – 4 March 2015
Transcript of Item 6: The Impact of Investor Buyers on London's New Build Market

Darren Johnson AM (Chair): That brings us on to our main item today, which is the impact of investor buyers on London's new-build housing market. Can we welcome all five of today's guests? We have Katy Warrick, Head of London Residential Development Research at Savills, along with her colleague Jim Ward, Director of Residential Research and Consultancy. We have Peter Rees, Professor of Places and City Planning at University College London (UCL), Ian Fletcher, Director of Policy at the British Property Federation, and Paul Hunter, Head of Research at the Smith Institute. Thank you, all of you, for taking the trouble to come along this afternoon.

As an initial opener - and I will put this to Savills in the first place - last year's Molior report for the British Property Federation indicated that around 60% of all London's new homes were bought by investors rather than owner-occupiers. Is that an accurate assessment as far as you are concerned?

Jim Ward (Director of Residential Research and Consultancy, Savills): Actually, we would agree in terms of the order of magnitude. You will note on the slides we have submitted in advance[1] that the number we have is 40%, the issue being the weighting towards different sectors of the market. The Molior report referenced our data. If you take our data and weight it up to the whole London market, we think it is in the order of 40%. I guess the answer is within the order of magnitude of around half plus or minus 10% of the market. That gives you the order of magnitude of the market behaviour.

Darren Johnson AM (Chair): That is helpful just in terms of the figures. Has there been any change in that ratio since the report was published?

Jim Ward (Director of Residential Research and Consultancy, Savills): No, that would still be valid, in our view.

Darren Johnson AM (Chair): How does London's ratio of investors to owner-occupiers compare with that of other major international cities? Is London pretty much in line with comparative cities or is there a difference?

Jim Ward (Director of Residential Research and Consultancy, Savills): This is an area of imperfect data. Much of this area has imperfect data around it. We do not have the same depth of data for other global cities but, subject to Katy's [Warrick] view, I would say that they are a significant part of the market in other global cities.

Darren Johnson AM (Chair): Katy, would you like to add anything to that at this stage?

Katy Warrick (Head of London Residential Development Research, Savills): We know that especially in the new-build market Asian investors have been heavily investing in London, but we know that they are also investing in other global cities. Actually, an increasing element of it is that they are looking to Australian markets in the new-build market. London is certainly not the only place that they invest. It is also Canada and other Asian cities.

Darren Johnson AM (Chair): Do you see the proportion of owner-occupiers increasing in future or do you see this pattern continuing?

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[1] The slides or presentation referred throughout this transcript is attached at Appendix 2 to the Minutes of this meeting.

Katy Warrick (Head of London Residential Development Research, Savills): It is hard to say. There is has been a trend that we have seen as the strength of the UK market has recovered. We have seen that there has been an increase in the number of UK buyers, but that is not to say that overseas demand has fallen away. We have had the Mayoral Concordat, which has had an influence on where we have been marketing properties. We have seen an increase in the number of UK-based sales. Of course, one must remember that when we are talking about those UK-based sales, if you are looking at the nationality of those UK-based people, they are also of an international nature and it becomes very hard to measure these things.

Jim Ward (Director of Residential Research and Consultancy, Savills): Some of what we are seeing is a reflection of the very low interest rates globally and that is a factor that has fed into investment in assets across the world. The whole low interest rate thing encourages investors to come into the market. Part of the future is where global interest rates go.

Darren Johnson AM (Chair): Thank you. Ian Fletcher, can I bring you in at this stage?

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): Yes, certainly. As you said, we commissioned the work from Molior back at the start of last year, although the period covered was really 2013. At that time, as you said, it was 60% investors and 40% owner-occupiers; on a hunch I'm saying that it has gone to 40:60 and that is what the Savills figures had showed because there have been significant global changes, economic changes and policy changes that have taken place in that period. Even at that time when we published the report in February 2014, there were signs that that market was slowing slightly. Since then, we have obviously had significant changes in exchange rates. The buy-to-let market and lending for the domestic buy-to-let market has come back. Taxation changes in terms of changes to Capital Gains Tax for non-doms [people with non-domiciled status] and people are preparing for that. There have been quite a few changes.

Darren Johnson AM (Chair): In terms of the general picture, Professor Rees and Paul Hunter, is there anything you would like to say at this stage?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): I believe London and New York in particular are on the receiving end of a tidal wave of global investment which is being pumped into London simply to buy properties as 'safe deposit boxes'. Since I coined that phrase about 12 months ago, I have been amazed how frequently it is now used around New York to describe the same problem. There have recently been three full-page articles in *The New York Times* describing this problem; describing the shell companies that are being set up by Russians to buy high-end properties across New York. Of course, these are properties that are being bought to be kept empty.

I did not really understand why these vast amounts of money were coming from Russia, China, the Middle East and now Greece into London to buy this property until it was explained to me by a friend from Hong Kong, who said that you have to remember that these people are not frightened about this being a bubble and that they might lose half their capital. If they leave their money at home, they stand to lose 100% of their capital: they wake up tomorrow in Russia in prison; or they wake up in China where it has been renationalised; or they wake up in the Middle East where they probably do not wake up. Against those sorts of global trends, hundreds of millions of dollars are pumping out of those areas, looking for somewhere safe.

New York and London - or the US and the UK, I should say - are uniquely placed to receive that money because of the way that successive governments of both parties have stigmatised rented housing. In Paris and Vienna and Berlin, most people rent property. It is a much more efficient land use because people do not rent if they are not going to use. In the UK and in the US, successive parties have made people feel that if they did not own their own homes, they were not stakeholders in society. It is against that background that the British have a market of undersupply to meet that aspiration that attracts this capital.

That is what has led to us building the wrong kind of housing in London. We are building tower blocks that are designed specifically for investment. What we should be building are homes for people, no more than six to eight storeys tall, with much higher density, much better town planning and much better communities.

Darren Johnson AM (Chair): Thank you. We will come on to some of these points in more detail later on with questions from other Members. Paul Hunter, do you have anything to chip in at this stage?

Paul Hunter (Head of Research, The Smith Institute): Not too much, really. I guess we are reliant on these guys [private sector housing organisations] for our data on this issue. I would probably disagree with some of what was just said about the private rented sector (PRS) being stigmatised and some of the root causes but, like you said, we might come on to that in a bit. There are other issues at play around social housing and mortgage availability for people in the UK.

Darren Johnson AM (Chair): At this stage I was going to ask Savills to give us a brief overview of London's new-build buy-to-let market and what kinds of homes are being acquired by investors and why and I believe you have some background slides for us as well. Then I will bring in other guests and we will move the discussion on. Katy [Warrick] and Jim [Ward], do you want to begin on this?

Nicky Gavron AM: Darren, can we just clarify something? When Katy said that there was a change now and that there were more UK investors coming in: are they investors or are they homeowners?

Katy Warrick (Head of London Residential Development Research, Savills): It is both. It is not a clear trend of one more than the other. There has definitely been a re-emergence of UK buy-to-let and clearly that is linked to what the availability of buy-to-let mortgages has been and also owner-occupiers. It really depends on which segment of the market you are looking at.

Nicky Gavron AM: Thanks for that clarification.

Darren Johnson AM (Chair): Thank you. Jim and Katy, if you want to give us an overview of the buy-to-let market and the types of homes that are being bought?

Jim Ward (Director of Residential Research and Consultancy, Savills): Thank you. We have three slides here that provide background to what we understand as the range of questions that are at issue today.

The first one is simply to point out that in our view, given what we selling in the market and under construction - selling off-plan and under construction and heading towards completion - we are heading towards record high level of new homes supply in London over the next year when the 2014 figures are recorded eventually and this year and next. We see the investment that is going into London's housing stock, a large part of which, as we have established, is both UK and international investors. Indeed, international investors in development schemes are a significant part of that very sharp increase in housing supply. It is significantly greater than was seen in 2008/09, which was the peak of the previous housebuilding cycle.

To give some context, the latest figures at an England level say that net additional dwellings in the most recent figures are at around 135,000 in round numbers compared with the peak at the top of the market in net additional dwellings of 220,000 in all forms of contribution to net additional supply. You can see the great contrast between the increase in housing supply in London and elsewhere in the country. In our view, the amount of investment that is going into the end housing stock, the ability to forward-fund schemes and indeed funding of the sites is a significant reason for that increase in housing supply. That leads of course into questions about what is then happening to the housing supply and who is living in it.

Darren Johnson AM (Chair): In terms of the types of investors, what is the breakdown between large and small investors?

Jim Ward (Director of Residential Research and Consultancy, Savills): Predominantly, most of the investment is smaller-scale. Obviously, there are block private investors in there. We are seeing the emergence of large-scale built-to-rent as part of the picture. That is building. It is becoming a more significant part of the pipeline but, in terms of the current level of completions, it is a small part. It is more about the future.

Darren Johnson AM (Chair): New build versus existing homes: is there an emphasis on buying new build with investors?

Katy Warrick (Head of London Residential Development Research, Savills): Yes, definitely. They tend to like new build for a number of reasons.

Jim Ward (Director of Residential Research and Consultancy, Savills): International investors, that is. There is a difference there between international investors and UK investors because the predominant UK buy-to-let investor is still looking at the second-hand stock.

Katy Warrick (Head of London Residential Development Research, Savills): That is right, yes, absolutely.

Darren Johnson AM (Chair): Domestic buy-to-let investors are tending to concentrate on existing stock and the overseas investors are looking at new builds. Is that correct?

Katy Warrick (Head of London Residential Development Research, Savills): Yes.

Jim Ward (Director of Residential Research and Consultancy, Savills): The scale of expansion of the PRS in London is twice the rate at which we are adding new housing stock, which gives a feel for the scale of the expansion of PRS.

Darren Johnson AM (Chair): While we are getting our heads around the general picture-setting, I will bring in Tom and then Murad [Qureshi AM], who each want to come in on this. Tom?

Tom Copley AM (Deputy Chair): I was just trying to find the figures. I was wondering where your figures for completions are from because, as far as I am aware, in 2013/14 the Department for Communities and Local Government (DCLG) says there were only about 18,500 completions in London.

Jim Ward (Director of Residential Research and Consultancy, Savills): Yes. I would say the DCLG figures are notorious for their unreliability, particularly in relation to London. We prefer to rely on Greater London Authority (GLA) data, which are for net additional dwellings. These are actually net housing completions and they do not include vacants returning to use. This is completions net of demolitions, etc.

Darren Johnson AM (Chair): That is fine. You work on GLA figures?

Jim Ward (Director of Residential Research and Consultancy, Savills): Yes.

Murad Qureshi AM: I am also intrigued by the figures, particularly with the foreign investor point that Katy was making. I have just noticed something from an estate agent in one of my neighbourhoods, actually. Kay & Co have done some research and they have a brag, "More than half of our sales come from flying visits". I think they mean this niche market in W1 and W2. They suggest that second-hand purchases have stronger growth in this sector than new build. Their sample base is the Land Registry figures for W1 and W2. I just wondered what you think of that.

Katy Warrick (Head of London Residential Development Research, Savills): They are taking Land Registry data and trying to work whether the buyer was an overseas buyer or not based on --

Murad Qureshi AM: They worked out which were new builds, yes. I find that intriguing. This is happening in W1 and W2. I am looking at the database of Land Registry properties sold between 2008 and 2011 and subsequently between 2012 and 2014. It is a pretty comprehensive database.

Jim Ward (Director of Residential Research and Consultancy, Savills): It is price growth, I take it, that they are referring to there?

Murad Qureshi AM: Yes, price, but nonetheless it is a good judge. You are suggested that these investment buyers are coming out of Paddington Station and are buying any new build around, but actually they may be a bit more discerning that you realise.

Jim Ward (Director of Residential Research and Consultancy, Savills): Yes.

Murad Qureshi AM: OK. I just made that point because it does have an important bearing on our discussions later.

Darren Johnson AM (Chair): Thank you. Peter wanted to come in at this stage.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): If I can add something on that, the investment market is not uniform. Chinese money is attracted to new build. I discovered a few months ago that in China when you buy a new apartment, the minute you move into it, the value drops substantially. It is like buying a new car when you drive it out of the showroom. When the Chinese buy property to invest, they want brand-new property and they will frequently cling-film it. They ask for the kitchen not to be installed, they wrap the taps and the door handles in cling-film and they walk away from it. They do not want it to be not new or to be used.

A lot of other investors' money is much more subtle and the moves you are seeing across west London, where there is much less new build available anyway, is into the traditional high-value areas, Mayfair and westwards, where people are buying large traditional houses, possibly formerly offices. Westminster is losing 1.5 million square feet of offices back to residential every year at the moment. They will buy those properties and those are the ones that we find being excavated for two or three storeys of basements underneath, producing these large and almost uninhabitable properties of incredibly high value.

There are different ends to this sort of investment market, but it is not true to say that they go only for new build. It does tend to be the Chinese preference, though.

Murad Qureshi AM: Do you think that pattern holds in New York with brownstone buildings?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): In New York, they are buying the really prestigious addresses of existing apartments in the same way. Of course, the brownstones are not quite as available, but I believe they are being bought as well. However, it is mainly focused on the traditional high-end addresses of high-rise blocks and apartments in New York, I am told.

Darren Johnson AM (Chair): That has helped to clarify in terms of the general trends and the overall picture. I now want to explore far more about the benefits and disbenefits.

Tom Copley AM (Deputy Chair): Peter, first of all, I wondered if you could talk us through the pros and cons of overseas investment in new developments.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): I am not opposed to overseas investment. Behind you is a scene I helped to create, which has been created by overseas investment. However, the buildings on the skyline are fully occupied. They are offices, which are desperately needed by London. There is now a dearth of office accommodation because suddenly investment-residential has become four to six times more profitable than building the sorts of blocks that are behind you. In those circumstances, I do not blame developers for wanting to build them and I certainly do not blame investors for wanting to put their money into them. They are a very good investment.

The problem is whether it is a very good land use for London when we need to be building more homes that are utilised and when we desperately need to build more offices, which are also profitable but perhaps not quite as profitable. Therefore, I am not against overseas investment, but I would like to see us channelling that investment into utilities, into building offices, into building housing that people can actually use and into a professional rental sector.

There are glimmers of hope. If you think of small developments like Pocket Living, they are building one-bedroom apartments for sale 20% below market value to people who are on the affordable housing register.

The problem lies in planning. The problem is that there is no great belief in the power of planning at the moment. It seems to have gone out of fashion, just as the Use Classes Order is being ripped up week-by-week with categories being taken away. For a country where we do not have land use zoning as they do in most of the rest of the world, we are relying on that Use Classes Order. It needs to be refined. It needs to be replaced with something more fit for purpose. There needs to be new classes of land use like 'rented housing' and like 'affordable housing' where there are different categories of land use.

It is always worth bearing in mind that land value is created by planning permission. It is the only way that it is achieved. Therefore, we should be giving the permission for the things we need.

Tom Copley AM (Deputy Chair): That was interesting. In Jersey, I believe, they have different land uses for overseas investment and for domestic. There are certain bits of land that have to be domestic and certain bits that can be for investment. Do you think something like that would be desirable in London?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): I do not think it necessarily has to be restricted to say that only the British can invest in this. I do not mind, as I said, where the money comes from. It is the use class that is important. It is about what the land is being developed for. Is it something the community or the city needs for its economic wellbeing and its social wellbeing?

Tom Copley AM (Deputy Chair): I am interested in your point on channelling investment because it is a very interesting one. Do you think it is possible and do you think it is a way for us to channel this investment in a more productive way - perhaps into building the sorts of homes that people actually might end up living in and can afford - through some sort of wealth fund or something like that? Is this something the Mayor could be doing?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Part of it needs to be economic through setting up collective investment funds in the way they have in Germany. The Germans generally tend to invest their money through development trusts, which are low risk, have to have a social purpose to them, are a secure form of return on the money and are generally over the long term. We need to do that.

However, we also need to tighten up our planning control. The sort of product that is being approved, for instance, between Vauxhall and Battersea, is specifically focused on sale in Hong Kong to people who probably will not visit it. They will look at the view - or the computer generation of the view - from the window: "Can you see the Houses of Parliament? That is fine. I will buy one", or, "I will buy three".

I am not talking about this as necessarily having been council housing, but in the 1970s the Greater London Council was building estates like Lillington Gardens in Vauxhall Bridge Road. They were six to eight storeys tall, built around the edge of the block to shut out the traffic noise, with beautiful open space --

Tom Copley AM (Deputy Chair): A lovely space, yes.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): -- and green space in the middle. People have bought a lot of them privately now and they love living there. It is a true community. If we made more developments like that, we would create higher density because point blocks do not create high density for residential - it is different for offices but they do not for residential - and we would produce a product that is less attractive to the buy-to-leave or even the buy-to-let market and much more attractive to people to live in.

Tom Copley AM (Deputy Chair): Essentially, rather than people buying an individual property, if you have sort of investment fund, we could pay a return, which would be a secure investment, rather than say a risky investment buying a property.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Yes. With tighter planning control about the actual model of housing that you build and with an availability of investment vehicles to fund that, it would be just as much work for the developers, for the agents and for the construction industry. All of those people would be kept in work, but we would be building something that would actually be useful and would have much more efficient land use.

Tom Copley AM (Deputy Chair): Before I continue, I wonder if anyone else would like to come in on what we have heard so far in what Peter has said.

Jim Ward (Director of Residential Research and Consultancy, Savills): Yes. There is an understanding here we just need to get out there: are these properties where there is an international investor let or not? From what we see in the market, the vast majority of investors, be they UK or international, are intending to let the property and are looking for an income return. The subsets that are not are a small minority. There are those who are looking for an investment but not intending to let, just relying on the capital growth, but that is a really, really small minority.

Darren Johnson AM (Chair): Do we have figures on that, either Jim or Peter [Rees]?

Jim Ward (Director of Residential Research and Consultancy, Savills): It is horribly imperfect. It is horribly difficult to get at. Katy spent some time in our Singapore and Hong Kong offices last year and did a survey. It was not a huge survey but --

Katy Warrick (Head of London Residential Development Research, Savills): We did a survey of Asian investors and of people who had bought within the year up to last summer. It was an email survey with a sample size of about 80 and so we acknowledge that it is a relatively small sample. Just to get a feel for the motivations for their purchase, we asked them a question about their intended use for the property at the point of purchase and only 3% agreed that they would be looking to keep the property empty. Of that very small group of people, both also ticked that they would be using the property not just to keep it empty but also for owner-occupation because they see it as a spectrum of use of the property. They might visit it and spend some time in it. One of them also commented that it was for their children in case they come to study in London, which is something we hear a lot.

Tom Copley AM (Deputy Chair): I have heard tales of people buying and their children are three years old and they are buying them a place to live when they go to university.

Katy Warrick (Head of London Residential Development Research, Savills): Absolutely, that is not uncommon.

Tom Copley AM (Deputy Chair): The empty properties thing is something that of course could be dealt with if you were to apply a punitive tax, for example, to empty properties. Presumably people would then begin to rent them out.

Katy Warrick (Head of London Residential Development Research, Savills): As I said, it is a very small amount and we are not seeing any evidence of this at all. It varies massively by market segment. There are a handful of cases at the very top end of the market where the central areas of London operate in a different way, but to talk about this as a London-wide problem is simply irrelevant.

Tom Copley AM (Deputy Chair): Yes. We are going to come on to the prime market.

Darren Johnson AM (Chair): Peter, is there any research that you can point to on the numbers left empty?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): The one thing we would all agree on is that data is remarkably absent in this field, but I have some hearsay evidence. I live in the Heron in the City, which is the only block of this kind that was permitted in the City because we needed to expand the Guildhall School of Music & Drama. That was why it was done: to fund that. In that block, we have been trying to form a residents' association and 25% of the owners have not collected their keys, even after 12 months. A lot of the other flats are lived in by student offspring and there is a considerable underuse of property. Even more are visited for a few weeks a year, as has been suggested. The Russians who buy flats in London tend to use them for vacations and leave them empty for the rest of the time.

It is very difficult to get data even to tell whether a place is occupied or empty. After all, if there is a cleaner going in every week and cleaning the place if it is furnished, it is difficult to say it is not occupied. If people are vacationing there, it is very difficult. I have great sympathy with there being a lack of data. It is a very difficult thing to research.

Darren Johnson AM (Chair): Paul or Ian [Fletcher]?

Paul Hunter (Head of Research, The Smith Institute): Just in terms of clamping down on buy-to-leave landlords, I will just echo that point. It is very difficult to think of a system that would actually be enforceable and would have the resources with which to enforce it. How often would you have to go around and check whether someone is living at a property or not?

Tom Copley AM (Deputy Chair): You could make the fines so prohibitive that people would not even risk it.

Paul Hunter (Head of Research, The Smith Institute): Yes, but you would still need someone to monitor. Councils at the moment cannot even monitor the bottom end of the PRS particularly well and they struggle to do so. They cannot introduce licensing or additional regulations on some of the least desirable landlords out there at the bottom end.

In terms of some of the problems we might associate with overseas investment, certainly there is a case to be made around the impact on affordability not just for homeowners but on the rental market as well. If you are adding to demand, then that is only going to push up the prices on a limited amount of stock. Those looking for a yield on investment will only be doing so if it is there and so they are going to be looking to maximise some of the rental stream they have. Figures that we have from 2011 show that overseas investment accounted for a third of the value of mortgage loans in the whole of the capital and that is going to have a big impact on price.

Secondly, there is instability in the housing market if you have that much investment from overseas. There are questions about what happens if the policy landscape in the UK or overseas changes. Are they going to simply withdraw their money? What will that mean, especially for new development? There are certainly some questions about what type of investment we want. I would also say that there is nothing wrong with overseas investment in itself but --

Tom Copley AM (Deputy Chair): It was the point that Peter [Rees] was making about it being the right kind of housing that we are getting.

Paul Hunter (Head of Research, The Smith Institute): The right kind of housing and I guess the right kind of landlords as well.

Tom Copley AM (Deputy Chair): In your view, is the tax regime for international investors suitable?

Paul Hunter (Head of Research, The Smith Institute): We have looked at the idea of a property speculation tax, basically to try to combat some of the problems around instability in the market.

Tom Copley AM (Deputy Chair): How would that work? How would that be applied?

Paul Hunter (Head of Research, The Smith Institute): Basically, it would not be punitive but it would be a gradual tax on someone who exits the market quickly. If they buy and exit within a year, they will face a higher rate of tax.

Tom Copley AM (Deputy Chair): It is exit and not entrance? That is interesting.

Paul Hunter (Head of Research, The Smith Institute): Yes. If they are basically there to speculate, then we should be penalising that kind of behaviour.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): I own a house in France and that is the case in France. If you trade the property within the first few years, the punitive rate of Capital Gains Tax or their equivalent.

Tom Copley AM (Deputy Chair): That applies across the board to anyone?

Darren Johnson AM (Chair): It is a souped-up Capital Gains Tax within the early stages?

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): Yes, it is 34.5% but it tapers down to virtually nothing for the long-term holder of the property.[2]

Tom Copley AM (Deputy Chair): That is interesting.

Jim Ward (Director of Residential Research and Consultancy, Savills): That is how we had Capital Gains Tax taper relief under Gordon Brown [former Prime Minister]: the longer you held the property, the lower the rate of Capital Gains Tax.

Murad Qureshi AM: On a second home, yes.

Tom Copley AM (Deputy Chair): I see. On a second home.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): I just wanted to chip in with three very quick points.

Tom Copley AM (Deputy Chair): Yes, of course.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): The first was just that the evidence I brought in terms of what was happening with the foreign-owned property was a similar survey to Savills' from Jones Lang LaSalle. They had surveyed their Asian buyers of property and 85% was for renting out. Then the residual 15% was pretty much split evenly between second homes, buying for children and leaving empty, about 5%, 5% and 5% for those.

On tackling the empties, one of the best ways has been identified by Peter. My life's work has been as a proponent of trying to get this build-to-rent sector off the ground. Apart from measuring the foreign ownership of London property, the other reason for doing the Molior research was to get a first touch of light on how that build-to-rent sector was developing. In 2013, it delivered 1,650 units or 8% of delivery and there were at that time about 6,000 units at various stages of the planning system. That build-to-rent is excellent because the people who are investing are investing for the long term for income and therefore they have no interest whatsoever in leaving property empty. The whole rationale of owning the property is to get it let out as quickly as possible. That is attracting a lot of money and foreign funds from pension funds aboard - US pension funds, Dutch pension funds and German pension funds - as well as now UK pension funds putting their money in.

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[2] The British Property Federation wished to add the following clarification after the meeting at this point: *"the French system provides no relief in the first five years, but tapers down to zero after 30 years."*

The only other thing was on the empty properties. We have been strong supporters of Empty Dwelling Management Orders. It was a pity that the current Government significantly weakened those. I feel a little bit uncomfortable about depriving people who have bought property of it, but I have no qualms if you are not using that property being forced to let it out or to use it.

Tom Copley AM (Deputy Chair): Absolutely. Given the housing crisis, yes. I just want to ask one final thing about the Mayor's Concordat on developers marketing homes to people domestically first. How have developers engaged with that? Is it making a difference? Is it working?

Katy Warrick (Head of London Residential Development Research, Savills): Most of the developers that we work with have signed up to it. It works well because the UK market has been strong over the last year or so and there has been demand to see the level of take-up --

Tom Copley AM (Deputy Chair): Do you think that more people domestically are buying homes now because of the Concordat?

Katy Warrick (Head of London Residential Development Research, Savills): No, not because. They might be buying more new build. They are being given the opportunity to buy at a different time within the marketing phase. They are essentially being offered it first, rather than having the remainder of the unit. Previously the units might have been taken out to Asia and other centres and then, at the UK-based marketing centre launch, you would be left with the remainder of the units, whereas now those UK buyers are being given the first choice of units and the Asian market is perhaps getting the remainder. That is in the cases where they still decide to do an overseas launch, but that is not always the case.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): Clearly, you would be very silly as a developer to have signed up to the Concordat and then not to follow it. There was one instance where somebody had not followed it and the media, rightly, picked up on that and made hay with it. In terms of our membership, yes, those who are signed up are following it.

I do not think it was ever the case that they were solely marketing abroad London developments. In the vast majority of cases, it was to stimulate the start of the development and then the vast majority would be then marketed to UK buyers, both investors and owner-occupiers.

One issue I have come across which to some extent prejudices the owner-occupiers is that with those off-plan sales, a UK owner-occupier mortgage, you can only get six months in advance. However, if you are looking for funding for an investor, then that restriction is not there.

Darren Johnson AM (Chair): There is an inbuilt bias against the potential owner-occupier.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): Yes, that is unfortunate in terms of --

Nicky Gavron AM: Even with the Concordat?

Katy Warrick (Head of London Residential Development Research, Savills): Simply because of the mortgage --

Darren Johnson AM (Chair): Simply because of the nature of off-plan, it does not work for the mortgage market.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): Yes.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): The Concordat differentiates only between overseas and British investment. It does not differentiate between use or 'stash-the-cash'.

Darren Johnson AM (Chair): That is the point you were making earlier. It is actually less about where the money is coming from and more about how it is spent.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Absolutely.

Tom Copley AM (Deputy Chair): Yes, exactly. It is about how it is spent, yes.

Nicky Gavron AM: Just a clarification point again. Earlier, I cannot remember which one of you said it, but it was said that you could penalise or fine or tax the speculative market if somebody buys and then one year later sells. What proportion of the investment of the homes is that? Has that been analysed? It was an interesting point.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): In our Molior research in 2013, it was about 5% of the market. It has probably reduced. The motivation for buying up property and flipping it has reduced because the price growth in London is not what it was at that point in time.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): It is investment for capital security, not short-term profit, by and large.

Jim Ward (Director of Residential Research and Consultancy, Savills): Just one quick point that is probably worth making. If you are looking at the profile of an international buyer, there is a difference between a buyer in the prime market and in the rest of the market. The likelihood of having a second-homeowner with partial occupancy is higher in the prime market than in the rest of the market where you are more likely by a long chalk to see an investor looking for an income return.

Our second slide shows our view on the distribution of supply amongst all the different market segments including corporate and buy-to-sell and puts the prime market at 13% of the total.

Darren Johnson AM (Chair): Murad, the first part of your question on the number of empty homes has been dealt with comprehensively, but do you want to move on to the second part?

Murad Qureshi AM: No, sorry. There is an aspect of that question that has not been dealt with. Coming to the Concordat that the Mayor set up, ultimately, developers can always price out local homeowners quite easily by overpricing their properties. If you push them over the £1 million mark, I am sure that instantly pushes out a lot of Londoners who may want that accommodation.

Saying that, can I come back to the empties? You are right that it has been covered, but there is one aspect that has not. I am aware of developments like Paddington Basin just off Praed Street, not too far away from me. You will be lucky if you see anyone moving around in the evenings or on weekends as you walk through the development itself. There is one aspect that I am particularly concerned about: are these developments actually depopulating central London? It is bad enough that no one lives in the City of London, which is teeming with people, but it is quite another thing that this is happening as well in other parts of central London and very rapidly. Peter, you are nodding.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): You only have to pay a visit to Chelsea Harbour and see how many of the local shops are operating. They have all been converted into showrooms for rather specialised operations. The place has a completely dead feel whether you go in the daytime, the evening or the weekends. Imperial Wharf next door is no different and I have every reason to believe that the Vauxhall Nine Elms Battersea development will be very similar.

I am not suggesting that all of these apartments are being bought to be kept empty deliberately, but what I am saying is that they will be incredibly underused. There will be very little usage. There will be very few people there at any one time. That does have a depressing effect on the neighbourhood. It does not support local schools, local shops or local facilities of any kind. We cannot really afford to give over large areas of central London to underuse. It will eventually have a very negative impact on London as people, to find homes, are pushed further and further out both by the pricing effect that we are having and by the under-population of central London. At least in the City there are other activities taking the place of people living there and more recently --

Murad Qureshi AM: Only for the working days.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): -- nightlife and other things coming in. However, I agree with you that in population terms it is underpopulated. It is a shame to see other large parts of London going in the same direction.

Murad Qureshi AM: My colleague Councillor Paul Dimoldenberg in the City of Westminster has done some research and it is quite interesting if you just go by the registration and whether there are registered voters. In recent developments, we have had a 33-apartment development at 2 Hyde Park Square and there are no registered voters. In Hyde Park Ward itself, we have seen a 9.3% drop in voters since last year. We have a 39 apartment development in North Row, W1, where there is only one registered voter. That is in the West End Ward, where we have seen a 9.5% drop. A 22-apartment development at the corner of Baker Street and George Street has only three registered voters and again a similar drop in voters since last year. A 129 apartment development at 70 Horseferry Road has only nine registered voters and that is a similar drop of 9.5%.

Jim, is that not what these developments are doing, just making London sterile in the centre of town?

Jim Ward (Director of Residential Research and Consultancy, Savills): The electoral register route to identifying occupancy is notoriously inaccurate, as is looking at the council tax records. We know one of our developer clients was put this on one of their developments and, through inquiries with the property manager, they established that what appeared from the sort of statistics you are talking about to be something around 50% to 60% occupancy was in actual fact 95% occupancy, according to the property manager.

Murad Qureshi AM: I would like to see that evidence because I have given some evidence to the Committee from my neck of the woods and it holds from what I am seeing. I fear for the south of the City of Westminster becoming like the City of London and no one actually lives there. That is the danger. Given how much resource, time and effort has been put into investing into central London, it is deeply ironic.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): You could say the West End and Kensington have traditionally been under-occupied. Properties have been owned by people who travel a great deal, for instance, and who do not live there all the time. They might have a second home in the country.

However, what worries me more is to see what is happening in places like Hoxton, Haggerston and Dalston, where we are seeing new builds spreading out through the East End of London, areas that you traditionally would have expected to be occupied by young professionals and people buying first homes in London. I hear reports from people moving into these blocks and they are finding that a quarter or a third of the flats have been bought by overseas investors and are either under-occupied or not occupied at all. I have even found evidence as far afield as Swansea. The highest building in Wales is 29 storeys by the edge of the sea in Swansea and they could not find buyers. All the flats have now been bought by the parents of Chinese students from Swansea University. This is a considerable trend that we are facing.

Jim Ward (Director of Residential Research and Consultancy, Savills): That does not match at all what we are picking up. What we are seeing is that where there is partial home occupancy and the second-home thing, it is very much in prime markets and it is an issue within both second-hand and new. If you are talking about new build in places like Hoxton, all our data says that they are going to investor buyers. We just have different data and different intelligence.

Actually, one of the big things that comes out of this for me is that we both have our data and none of it is perfect. There are some big policy issues here and we need better data.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): I agree.

Murad Qureshi AM: I have always gone by the data from the Land Registry rather than building societies and what-have-you because that is the whole sample, not just a bit of the sample. That had always been my view when I was in the sector.

Can I just move on to the other area, Jim and Katy? A lot of these are speculators. What proportion is buying them in cash without any mortgage commitments as such? Do you have any idea?

Katy Warrick (Head of London Residential Development Research, Savills): Again, it varies depending on the capital outlay. Of course, a lot of them would choose to mortgage and to leverage up rather than to pay in cash because, however they structure their finances, they will get a slightly better return on it that way. Actually, it is usually around half in the prime markets who buy in cash versus those who are reliant on a mortgage. That is in prime.

Jim Ward (Director of Residential Research and Consultancy, Savills): That is prime, which is 13%, yes.

Murad Qureshi AM: That is prime central London. I have understood that. How many of them would have done it through hidden companies and offshore havens?

Katy Warrick (Head of London Residential Development Research, Savills): I do not know the figures off the top of my head.

Murad Qureshi AM: It is quite interesting. The *Financial Times Weekend* keeps an eye on that issue and rightly so.

I just say that because I just want to know the extent to which we have speculators and money-laundering. Today we have had Transparency International release a report, which suggests that:

"Some 36,342 properties in London have been bought through hidden companies in offshore havens ... The flow of corrupt cash has driven up average prices with a 'widespread ripple effect down the property price chain and beyond London', according to property experts cited in [this report] carried out into the long-suspected money-laundering route through central London real estate."

I just wondered what Jim and Katy [Warrick] have to say about that and I will come to you, Ian [Fletcher].

Jim Ward (Director of Residential Research and Consultancy, Savills): I saw the report. I thought it was very interesting. We have no data to challenge that or verify it.[3]

Murad Qureshi AM: You cannot challenge it, OK.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): In any transaction that involves a lawyer, the lawyer is bound to follow the existing money-laundering rules in the UK. My wife works in one of the law firms next door to this building and spends a great deal of time checking people and checking their backgrounds to ensure that the law firm is compliant with its legal responsibilities. Yes, the ultimate owner may be offshore, but I disagree with the tenor of that report in terms of this creating a climate in which money-laundering can be rife.

Murad Qureshi AM: If it is proven, do you think it is something that we should do something about, given the impact it is having on the housing market?

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): If it is proven, yes, but, as I said, I would be very surprised if law firms were not following --

Murad Qureshi AM: For example, maybe we need the Metropolitan Police Service (MPS) to spend more time on it.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): It would be an extremely serious offence for a law firm not to be fulfilling its obligations.

Murad Qureshi AM: We have seen a lot of that with the HSBC Switzerland stuff and so I am not sure where you want to take us. Paul [Hunter], you must not be too happy with that presentation of buyers who are not just speculators but who are doing something else when investing in --

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): Just coming back on that, if you are a lawyer and you break the Law Society's rules, you can be struck off. It is not quite the same as bankers.

Paul Hunter (Head of Research, The Smith Institute): Yes, clearly: if it is illegal, it is illegal, and it is a matter for people to be prosecuted. We certainly saw that the incorporated bodies - not to say they are doing anything illegal at all - were certainly concentrated in Westminster and Kensington and Chelsea. They had the same amount of properties owned by companies as the next eight London boroughs put together and there is also that element to it.

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[3] Following the meeting, Savills added: *"This is because, under the current arrangements that are in place, we rely on purchasers' lawyers fulfilling their duty to verify the good standing of their clients."*

There is also the wider issue of who we are trying to house, which is quite important, and what we are building, who we are building it for and what role the PRS has. I know it is not quite the question you asked, but a lot of these questions about what we are building are really about that. Do we want the PRS to be --

Murad Qureshi AM: Yes, I accept there is a wider question, but I just want to deal with the phenomenon that we have happening in London. Dare I suggest that if we are going to recommend anything on money-laundering, maybe the MPS needs to take it more seriously and deal with white-collar crime in a way that they have not done because it may have a beneficial effect on the housing market.

Paul Hunter (Head of Research, The Smith Institute): Absolutely.

Murad Qureshi AM: Peter, you had a wry smile all the way through that discussion.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): I do not have any data on this. Simon Jenkins [journalist] was suggesting at the time of the crisis in Cyprus with Russian money-laundering that London was probably multiples worse in terms of the amount of cash that was flowing through. I have no evidence for that. Judging by the recent articles about the inflows of hundreds of billions of dollars from Russia into New York, I would have thought it would be sensible for somebody from the Mayor's Office here to be talking to the Mayor's office in New York to at least compare notes and see if there is any evidence because it is a phenomenon across both cities.

As I said, proving money-laundering is a very difficult thing and of course there are checks in place to ensure that it does not happen. I am not convinced they are 100% effective.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): Can I just come back also on the speculation point? One thing to stress would be that in comparison, if you look back to 2007, there is a lot less speculation. If you remember, at that time you could not pick up a newspaper without reading adverts saying, "Turn up to the local Copthorne Hotel and become a property millionaire overnight". Thankfully, because of the crash, the Royal Institute of Chartered Surveyors, the Law Society and the Council of Mortgage Lenders significantly tightened up their regulations so that these property investment clubs are far harder to establish now. Thus far in the recovery, I have not seen anything like the sorts of advertisements in the press that were so prevalent at that time.

Paul Hunter (Head of Research, The Smith Institute): However, it is the opposite of the overseas effect. We have changes to our pension system coming though in April, which will mean that people no longer need to buy annuities. That is going to have --

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): They will be buy-to-let investors --

Paul Hunter (Head of Research, The Smith Institute): It is not about --

Murad Qureshi AM: That is interesting about what people do, but it is going beyond the scope of my questioning here. Darren, I do seriously think that if we could make a recommendation on that front. On Transparency International's work on that front.

Darren Johnson AM (Chair): Yes. This is a very serious report and it is something that we need to look at further. Murad, do you want to pick up on the other point about estimating local demand?

Murad Qureshi AM: Jim and Katy [Warrick], in these prime areas, to what extent can you identify whether the demand is coming in locally? I do not know; you could use the postcodes of people's previous registered addresses. Is there any sign of that picking up at all?

Jim Ward (Director of Residential Research and Consultancy, Savills): When you are looking at the very local demand, it is probably more of an outer London issue because generally across the UK markets, when a house-builder is selling new homes, they know that most of the demand will come from within quite a tight radius of the scheme. Clearly, central London is different because you have the global demand and you also have a very mobile workforce coming into London. They might be relocating from outside London from elsewhere in the UK. The root of your demand is much wider within central and inner London. Was that your question?

Murad Qureshi AM: I have given you some figures for deregistration of voters on new schemes. I am just wondering on the stock that you have already whether people --

Jim Ward (Director of Residential Research and Consultancy, Savills): The second-hand stock, the re-sales, yes?

Murad Qureshi AM: Yes, the second-hand stock. For example, is there any movement at all of people living in Marylebone and moving into one of these new developments that we have up and down the Marylebone Road?

Katy Warrick (Head of London Residential Development Research, Savills): Yes, definitely.

Murad Qureshi AM: The Chiltern Street development is happening in W1 on the other side of Baker Street. Would you say that 50% of that is going to locals?

Katy Warrick (Head of London Residential Development Research, Savills): I do not know the details of that individual scheme, but we certainly do see people who are downsizing from lovely big houses in Chelsea and moving to areas that are slightly further out and a little bit more peripheral. They might want a bit of a smaller space for themselves to free up some cash.

Murad Qureshi AM: That is local demand within central London and some of it may be making its way into these prime environments?

Katy Warrick (Head of London Residential Development Research, Savills): Yes, within prime and also just outside.

Darren Johnson AM (Chair): Is there potentially an issue with some of the overseas investment that lack of local knowledge about the profile of an area and patterns of demand is leading to overestimations in some cases? You read about adverts selling bits of Luton as prime central London up-and-coming locations and so on. Do you come across this?

Katy Warrick (Head of London Residential Development Research, Savills): When I was out in Asia, I spent quite a lot of time talking with individual investors, like I said, with the survey trying to understand their motivations for buying. They are very familiar with London. I was focused only on London schemes and talking to them about London in general, but they know London. They are very familiar with the Tube map. They like to think about things in zones, within Zone 1 and Zone 2, whereas a UK buyer would not necessarily think in quite such strict terms. They are fairly familiar with London.

Darren Johnson AM (Chair): It is a very savvy market, you would say?

Katy Warrick (Head of London Residential Development Research, Savills): Very, yes, and they do their homework.

Stephen Knight AM: I am interested in the impact of investor buyers in particular on house prices and inflation in the housing market. Clearly, we have had high levels of inflation in London's housing market over the last few years and I think everyone agrees with that.

In terms of the ratio of average earnings to average house prices, the gap is massively growing. Part of that, presumably, one could ascribe to supply not meeting demand as London's population grows, but part of it must be driven by money flowing in in terms of investment. I am interested in a view from the panel of guests as to what proportion of this housing inflation is attributable to each of those two factors, if that is possible to estimate. To what extent is this rise attributable just to the gap between supply and demand in terms of the need for homes and the population of London? Presumably, the investors are looking at what they know to be an undersupply of homes as part of what is driving prices, but then it reinforces itself with the money flowing in.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): As you said yourself, one reinforces the other because the lack of supply is pushing prices up and making it even more attractive to invest.

The most worrying thing is that this has happened many times in London. We have had bubbles. Prices have escalated because of undersupply and increasing demand. However, in all previous cases, those bubbles have been filled by mortgages and there would come a point when people could no longer afford the mortgages and the bubble either burst or started to deflate. What worries me this time is that this bubble is not fuelled by mortgages by and large. People are using mortgages if it is more convenient to do so, but they are not dependent upon them. It is this tidal wave of investment cash and loose money looking for somewhere safe that is fuelling it and it is in almost infinite supply.

I cannot see what it is that will burst this bubble other than London's economic collapse because the more expensive they get, the more attractive they become for people who are seeing them as investments.

Stephen Knight AM: Just to follow that up, do you see the measures the Bank of England has taken in terms of capping maximum mortgage earnings-to-loan ratios, effectively, as ineffective in controlling this housing inflation because it is being driven by buyers who have access to cash and therefore limiting mortgages really is not going to --

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Yes, indeed. All you do with those sorts of caps is to drive out more of the owner-occupiers who cannot afford to keep on going up the ladder and make it more available for the investment market.

Paul Hunter (Head of Research, The Smith Institute): If you go back to the changes in the buy-to-let mortgage market in the mid-1990s, they really helped the onset of buy-to-let mortgages and enabled a doubling in rates of the PRS over the last decade, as we have seen across the country, and if you looked to tackle some of those problems. You have to split the buy-to-let mortgage in the UK who has maybe one or two properties as a hobby or they are an accidental landlord from the big investors who are putting in money. They are perhaps more professional about what they are trying to do and are there perhaps for the long term.

It goes back to the point I was going to make about what kind of proportion of private rented properties London wants to have and what means can it use to bring that about. Most of what we are talking about is not new build; it is the secondary market. You could regulate in terms of standards for landlords to push out some of this investment and let homeowners through. Obviously, there is a massive issue around social housing as well and there is an issue around the mortgage market. There are levers that can be used.

Stephen Knight AM: Indeed. I will come on to levers in a second.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): Apologies. When I accepted the invitation today, I explained to your kind Scrutiny Manager that I could stay only until 3.00pm because I have another appointment. I am sorry to have to leave.

Stephen Knight AM: Is there anything you need to urgently tell us that we have not covered before we let you go?

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): I suppose there are two points I would make.

I am very fearful that people are basing policy on the very core central market. When you look at new build, for example, in our 2013 research, 1,000 units were built in the three central boroughs of London and the vast majority of housing was developed in the outer boroughs, Greenwich, Wandsworth and Barking, to put that in perspective.

Secondly, ultimately tenures will come and go and the key thing for London at the moment is to get stock built. In that respect, foreign investment helps that to happen, particularly on the mega-developments that my members represent. As I said, apologies for having to leave.

Darren Johnson AM (Chair): Thank you for that contribution.

Ian Fletcher (Director of Policy (Real Estate), British Property Federation): If the Committee has any further questions, I would be happy to respond in writing.

Stephen Knight AM: Can I return to Professor Rees? You referred to it being difficult to see what will burst the bubble, if you like, of the inflation in London's house prices. Is there not an issue with a bigger proportion of London's homes being owned by investors rather than occupiers and with relatively little security for tenants in the rental market because landlords can evict tenants fairly quickly? If you are buying a home for an investment and if the market does turn downward, arguably, you could see a much more significant crash in prices than you would if you had much more stable ownership by people who were living in their homes? Investors, in theory at least, can get out of the market just as quickly as they can get into the market, whereas an owner-occupier obviously cannot do that. Is there a risk that when the crash does come, it will be a harder crash than it would have been in the past?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Yes, in some senses. You have to take the market apart into different categories. The hard investors with loose capital are taking probably a longer view and are less worried about dips and undulations in the market and are more concerned about the safety of the bulk of their capital, even if not all of their capital, having it in London. I do not think they are going to suddenly sell out if there is a dip.

However, as you say, the buy-to-let market, particularly the British investment in buy-to-let, is people who are incredibly sensitive to wanting to make a return on their money. It may be instead of a pension. It may be for all sorts of reasons they are doing it. They are looking much more at the general day-to-day performance of property. They are going to be much more concerned if there is a downturn in demand for rental because rents have gone up. They are going to be much more concerned if prices start to fall.

As you say, there could be some parts of London where you could have sudden collapses in that way because everybody tries to sell at once. However, interestingly, I predicted that was going to happen at the time of the banking crash because I thought that with the banking crash a lot of the young employees of banks in London who had bought buy-to-let properties on mortgages would have to cash in their chips as their jobs came to an end. I sold my flat in preparation for the slump, which never came. I had to get back into the market and so I had that one wrong. Therefore, it is very difficult to predict, but there is segmentation in that market and some areas, as you say, could be more vulnerable than others. I am afraid I am obviously no good at predicting it.

Stephen Knight AM: I can see that Jim is anxious to come in on this point.

Jim Ward (Director of Residential Research and Consultancy, Savills): Yes. Can I come back on two points? One was your first question about what is driving the cycle and then possibly that second point about sensitivity to a crash.

To take the first point first on what is driving the house price growth, in our view it would be a mixture of equity amongst both investors and owner-occupiers because there are higher levels of housing equity in London than in other markets, plus mortgages. The rate at which mortgages were being approved in London at high loan-to-income ratios has been part of that.

In our view, with interest rates probably rising over the next five years, our published house price forecasts say that London will have the lowest level of house price inflation over the next five years amongst all parts of the UK because of where house price inflation has been and the role of mortgages in London's housing demand.

Stephen Knight AM: It is not boom and bust but boom and stagnation?

Jim Ward (Director of Residential Research and Consultancy, Savills): Boom and slowdown, yes.

Nicky Gavron AM: Flat-lining.

Jim Ward (Director of Residential Research and Consultancy, Savills): This is not new. This happens in every cycle. If you look at the anatomy of the previous cycle, London led regional house price inflation across the country between the early 1990s and 2000. Between 2000 and 2005, it had the lowest levels of house price inflation. Therefore, our view is that the next five years will look more like 2000 to 2005 with regard to London vis-à-vis the rest of the country because of the affordability limits to mortgage demand. In our view, this is a cyclical point with a slowdown coming through rather than any crash.

What causes a crash tends to be forced sales and they generally come from debt. A spike in interest rates would bring forward forced sales amongst the most heavily indebted owners, be they investors or owner-occupiers. I would not differentiate between the two. Investors are going to strive to keep properties even if capital values are falling. They are going to strive to keep them as long as they are not in a forced sale position and take the income.

Stephen Knight AM: It depends also on the availability of other assets they could put their money into that could produce a better return.

Jim Ward (Director of Residential Research and Consultancy, Savills): You tend not to sell in a falling market. The moment the market is falling, it is a less liquid market.

Stephen Knight AM: I wonder if we can talk a bit about - assuming we take the view that housing inflation is a damaging thing socially and there is some evidence that there is significant social damage caused by the kind of housing inflation we have seen over recent years - the sorts of levers that policymakers might look at to control inflation in the housing market. Presumably, one could look at some of the policy environment that is driving the attractiveness of housing as an investment: things like capital gains rates, mortgage tax relief for investor buyers and so on.

One change that has happened recently is the Capital Gains Tax on overseas investors and I do not know if there has been any real impact in terms of demand that has come about as a result of that recent change for overseas buyers. Has that affected the attractiveness of London as an investment?

Katy Warrick (Head of London Residential Development Research, Savills): It is very hard to separate out just this one change because obviously we are in the lead-up to the election and there has been a lot of talk of a 'mansion tax'. We have also had a wave of other changes to taxation over the last few months and so it is very hard to separate out those factors. However, yes, we are seeing that it is a concern for overseas buyers. One other element of the survey that I did was talking about, "If any, what are your concerns on the London market?" The top of that was taxation and it is on the radar.

Jim Ward (Director of Residential Research and Consultancy, Savills): On the other hand, there is some sentiment amongst the investor buyers that says that a tax on future profits is a fair tax.

Stephen Knight AM: Do you think investors would stomach a bigger Capital Gains Tax? I suppose if they are an overseas investor they have not had a Capital Gains Tax up until now, but a Capital Gains Tax would be levied at 28% of capital growth, or something like that.

Katy Warrick (Head of London Residential Development Research, Savills): Yes.

Stephen Knight AM: That is still, arguably, a relatively low proportion of capital gains when you are looking at the 15% to 20% per annum gains that people have experienced in the last few years.

Katy Warrick (Head of London Residential Development Research, Savills): As long as it is in line with what UK buyers are subject to, then that is an equitable tax. Once that is explained to them, it is usually something that is understood.

Stephen Knight AM: Professor Rees, what do you think the impact would be of a higher rate of Capital Gains Tax than the current 28% on the investor buyer? Do you think it would drive a lot of investor buyers out of the market if the rate was 40% or 50% rather than 28%?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): The taxation vehicle as a means of controlling investment would probably have quite an effect on the buy-to-let market, especially with home-grown investment. It would have much less impact on international capital, where what they are looking for is long-term security for capital that they cannot leave at home. All of these adjustments we are talking about from their point of view would be marginal in terms of the impact, but they certainly could have a significant impact on the buy-to-let market where people are looking much more for the return. Anything that eats into that return would have a much bigger impact.

Stephen Knight AM: The buy-to-let market, in a sense, probably has a bigger impact on overall housing inflation in London than the buy-to-leave market, which is much more central prime, is it not?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): There is probably more of them, but at least the buy-to-let market is letting them out and so in land use terms it is not as bad as buy-to-leave, as I call it. That is not to say that the buy-to-let market is not having the effect of pushing prices up through investment, but it is substantially less serious than leaving large numbers of properties almost underused or empty.

Stephen Knight AM: Understood. Paul, did you have any comments?

Paul Hunter (Head of Research, The Smith Institute): On capital gains?

Stephen Knight AM: Or any other policy levers available to deal with housing inflation.

Paul Hunter (Head of Research, The Smith Institute): As I touched on earlier, you can look to regulation rather than to tax to solve some of these issues.

Stephen Knight AM: Do you mean in terms of things like rent controls?

Paul Hunter (Head of Research, The Smith Institute): Not even just rent controls. Obviously at one end you have rent controls but you also have, in terms of tenure, minimum tenure for tenants at the other end. Whenever you have these debates, you have to be careful about what some of the negatives might be in terms of people exiting out of the market altogether and ending up with rapidly falling house prices. I am sure lots of Londoners who are homeowners will not be very happy about that, but it is a question for politicians to ask about what the wealth distribution and the distribution of housing assets within London and the UK should be.

There are also regulations you can introduce around what you expect of landlords as well in terms of quality of housing that they provide and things like registration. It may mean that some exit out of the market, which could help move prices down without hurting those landlords who are providing decent homes to those who want to live in the capital. Again, there is also the worry about what that means for the bottom end of the market: those who have the least money are reliant on the housing benefit and what it might mean for them. It could mean that they are literally priced out of the market.

Stephen Knight AM: Thank you. Just turning to Savills now, clearly, your clients want to see housing values go up and up and up as fast as possible. I imagine that is to the benefit of the owners. The question to you is: what is it about the current policy landscape that makes London so attractive to investors?

Jim Ward (Director of Residential Research and Consultancy, Savills): Our clients want to see sustainable market conditions because they do not like 'boom and bust' and so, if we can clarify that --

Stephen Knight AM: They would rather see 5% growth per annum than 20% one year and a 10% cut the following?

Jim Ward (Director of Residential Research and Consultancy, Savills): Yes, indeed.

Katy Warrick (Head of London Residential Development Research, Savills): Also, the consistent changes in regulation is very unsettling. Clearly, we are all experiencing this in the lead-up to the election anyway. This whole period of uncertainty is being reflected in the housing market as well.

Murad Qureshi AM: I just want to make an observation, really. The present circumstances of the housing market are unique not so much because of demand and foreign money coming in, so to speak, but also the monetary context is such that we have record low interest rates and a lot of money that has been printed in the economy to stop the bogeyman of deflation coming in. To what extent has that contributed to the inflation that we have, particularly in London, with housing prices? That is what I really want to know. Jim, I do not know if that really registers with your analysis at all.

Jim Ward (Director of Residential Research and Consultancy, Savills): It was my opening comment, or close to my opening comment, that low interest rates are an essential part of what we see in front of us now. Certainly we anticipate a moderating of demand as interest rates rise. A very rapid, unexpected rise in interest rates could be destabilising for the market.

Murad Qureshi AM: Does that include the printing of money, quantitative easing (QE), and the extent to which we have had hundreds of billions now?

Jim Ward (Director of Residential Research and Consultancy, Savills): There is a question --

Murad Qureshi AM: Indeed, that is why I am posing it.

Jim Ward (Director of Residential Research and Consultancy, Savills): -- which is, quite frankly, beyond me as to what the impact of QE is going to be on --

Murad Qureshi AM: Or has been.

Jim Ward (Director of Residential Research and Consultancy, Savills): -- interest rates because we could debate that all afternoon in terms of the impacts of where that actually goes.

Murad Qureshi AM: Has it had an impact on housing and on price levels? Forget the extent of it. Let us just try to --

Jim Ward (Director of Residential Research and Consultancy, Savills): If we forget the influence of QE on low interest rates, we have low interest rates and QE may or may not be part of why they are low. That has fed directly into demand for housing, yes, from two sources. One is that those looking to place equity when there are few places to put equity with an income return. Those looking for an income return look at housing-to-let as a good place to invest. That is certainly part of the market. Also, of course, mortgage rates are low and they have been trickling down over recent months again. Then it is, "Where are we? When does the 'V' start moving up again?" We are all taking a view on that.

Murad Qureshi AM: I only bring it up because I have always been an advocate that the money that has been printed could easily have been put into the real economy, straight into housebuilding, if the political will was there.

Nicky Gavron AM: Yes. Stephen Knight was talking about bringing down inflation. We have talked about some fiscal measures but nobody has talked at all about any of the planning mechanisms for bringing down inflation. I just wonder; if we take the rate of return on viability assessments, if anyone has views on that. The rate of return is about 20%. Viability assessments are saying these rates mean you cannot have affordable housing, etc.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): I was going to say, of course, affordable housing has all but disappeared since the introduction of the Community Infrastructure Levy (CIL), which takes priority over section 106. Of course, there is hardly any money left for the section 106 at the end and that is negotiable, whereas the CIL is not.

At a time when a major office development in central London is profitable - they are being built and so they must be - if the residential equivalents are four to six times more profitable, I fail to see why they do not provide more planning gain. I cannot for the life of me see why you cannot have more than 15% affordable housing with half of that for sale at Battersea. I find the mathematics very confusing.

Nicky Gavron AM: It is not the place to go into it --

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): No.

Nicky Gavron AM: -- but there are over half a dozen planning mechanisms you can use to bring down inflation.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): As I touched on earlier, the actual granting of planning permission and a more controlled land use categorisation would be a very good mechanism of keeping land prices down and actually achieving the product we need whilst at the same time ensuring that the developments are profitable.

Steve O'Connell AM: We touched upon the definition of 'prime' property in London. I want to continue the debate about what is prime in London and where is prime in London and, following on from that, the effect of this marked increase in prime property on the market and the supply of general affordable housing which has, again, been touched upon.

First of all, particularly to my colleagues in Savills, we have looked at prime London and it has been moving around a bit and moving to different parts. When I was younger it meant Kensington and Chelsea and Westminster being bought up by people from Saudi Arabia, or wherever. From what we have talked about and the information we have, that has changed over the last ten or 20 years. It has moved away from those core areas. Is that a fair thing to say? Not just in Swansea; I mean in London.

Katy Warrick (Head of London Residential Development Research, Savills): There are many definitions of 'prime London'. If you compared our Savills definition to Knight Frank's [estate agent], it would be different. At Savills we have an index and we have an official definition of 'prime London' and 'prime central London' based on that index. When we are reporting price movements according to that index, we are talking about a very specific geographical region and we analyse the data in that way.

Steve O'Connell AM: Your clients are interested in the geographic aspect as opposed to a broader subjective aspect?

Katy Warrick (Head of London Residential Development Research, Savills): Not necessarily. We choose to represent it geographically just because it gives people a better idea of the sort of basket. We use a selection of properties. We have a selection of actual properties and we are monitoring the same property over time in order to give a view of that particular segment of the market. Since our index was first established

20 or 30 years ago now, we have started including other prime areas. We started off with prime central London, which is the area of Knightsbridge, Mayfair, Chelsea, Belgravia and so on. We have then included areas such as prime southwest. We are looking at the most expensive properties within Wimbledon, Richmond, Wandsworth and so on.

Steve O'Connell AM: Clearly today our focus is more on the new-build client market.

Katy Warrick (Head of London Residential Development Research, Savills): Exactly. Our index does not cover new builds. When we are talking about the new-build market in any development analysis that we do, we tend to break it down by price point. When Jim [Ward] and I have been referring to prime London in terms of the statistics on investors, nationality and so on, it is looking at anything over £1,000 a square foot, which arguably is quite a low --

Steve O'Connell AM: That is your pie chart, is it not?

Katy Warrick (Head of London Residential Development Research, Savills): Yes, that is right.

Steve O'Connell AM: The briefing we have had is that new-build prime London is increasing exponentially and I think we would all agree on that. It seems to be spreading its tentacles around other parts of London, almost reaching towards Croydon, no doubt.

Katy Warrick (Head of London Residential Development Research, Savills): Not quite.

Steve O'Connell AM: I am sure it will get there in time and that will be wonderful. Following from that, what comes first? Is this because there is a bigger demand for new-build prime London? Are you sensing that? Is the demand following the build or is it the other way around? How does it work in Savills? Is there bigger demand for prime London?

Jim Ward (Director of Residential Research and Consultancy, Savills): If it is about where you reach the price points --

Steve O'Connell AM: Yes.

Jim Ward (Director of Residential Research and Consultancy, Savills): -- it is about where the market takes you. That is just the market sorting itself out. The market comes in two parts here. One is the sales market and the second part is the rental market. For a lot of the property that is selling off-plan at the moment at high prices, we do not yet know at what point it will be let. In terms of thinking about how this property is made available to the Londoners who live in this expanding amount of property that is prime, on some of it the jury is out as to where it ends up in terms of pricing because we will not actually know until it is let. The price that tenants are willing to pay will set the level at which it is rented, no matter what price the investor paid.

Steve O'Connell AM: Earlier we also touched upon the effect of this expansion of the prime new-build market on other forms of tenure and build and the factual, detrimental effect on perhaps numbers of affordable housing and elsewhere. Would you like to comment on this big increase on prime new-build, geographic and otherwise, and how that has affected housing supply and the market generally? Peter, you have already touched upon it.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): There is only one building site we can see out of the window and it is just on the riverfront next to the Custom House. That is the Candy brothers [Christian and Nick Candy, British luxury property developers] building high-end residential because there was a loophole in the planning regulations in the City on the riverfront that allowed them through. It would have been preferable for an office building. I do not think anybody would be surprised that a building going up on that site will be regarded as prime residential and will attract the sort of investors that we are talking about.

Steve O'Connell AM: Indeed.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): What surprises me more is to see this money moving outwards. I do not think it is a simple market. Middle Eastern money has historically focused itself on a crescent from St John's Wood through Mayfair and Belgravia and out into Kensington. That probably is still as true now as it was. Chinese and Russian money is more mobile than that and tends to look for value and the price level. Probably the most promiscuous money at all is Greek money. Historically the Greeks have bought up residential property across London for generations. They will go out into the undiscovered areas in terms of buy-to-let. There are different markets for different kinds of money.

As I said earlier, there is evidence that these flats are being bought wherever there is substantial new development at a reasonable market level. It is spreading up northwards with the opening of the Overground up through Hoxton to Dalston. The trend is seen in that area. For instance, at the moment young people are being pushed south of the river. Brixton is now becoming a very trendy area for young people to buy property. Again, in due course, one can see that pressure moving up to the south --

Steve O'Connell AM: Moving away from the geographic aspect, the issue is around the increase in prime new-build developments over there and how that is countering against the need for affordable supply.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): All of that has an effect because it is pushing the general price up as people invest in whatever there is in the central area. That is multiplied by the demand for investment property moving outwards as well and mopping up more and more of the product.

Steve O'Connell AM: You mentioned earlier that with the advent - which is an opinion, but a strong opinion - of CIL and getting up there at section 106, the pendulum is swinging away from the levers that might be applied for the increase of affordable housing supply.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Given the change in the market and the kind of development that is going on and the type of investment behind it, it probably is time to be reviewing the value capture mechanisms. I am not sure that CIL as it currently stands and certainly what is left of section 106 are fit for purpose at the moment especially with regard to affordable housing. This is not just a London problem, I believe. Across the country even some of the developers got together recently about two months ago and were complaining that not enough affordable housing was being achieved because the section 106 mechanism no longer works.

Steve O'Connell AM: That is a debate again for another time.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Of course.

Steve O'Connell AM: What we are probably commenting on is that the increase of prime new-build is probably worsening the situation that you have just referred to.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): It certainly is not helping.

Jim Ward (Director of Residential Research and Consultancy, Savills): It is slightly more complex than that because the increased volume of new builds comes amidst an overall increase in the supply of pipeline coming through. I refer you back to my opening chart, which is showing the rising supply of pipeline as we go through, in our view, turning into a rising number of completions. We said that 13% of supply is prime. We know that the biggest shortfalls in supply are lower down the price bands, less than £700 per square foot and in particular less than £450 per square foot. Those are where the big shortfalls are.

Going forward, there may well be an increase in prime but we are seeing the biggest increases in terms of where the land is and where there is the biggest prospect of more supply coming through in the lower price bands. When you start looking at what the housing zones are doing, our very positive view, which we share with many others, is that the housing zones will bring forward accelerated supply in those areas through the various measures, affordable and market and PRS. Those measures will be much more important than any concern about the volumes of prime coming through. The numbers are just so much bigger elsewhere in the supply pipeline and in terms of the availability of land. It would be a mistake to get so caught up in the prime issue when actually the real issues are over here in the 85% of supply that is outside prime.

Nicky Gavron AM: Can I just ask what the 30% is of housing supply per annum; 30% of what?

Jim Ward (Director of Residential Research and Consultancy, Savills): Thirteen. This was our second slide, which said that in 2012/13 our view is that 13% of the supply was at more than £1,000 per square foot.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Going back to that point on protecting the 85%, as you were talking about, we heard very positive words from the Mayor and from the Chancellor of the Exchequer the other day about building out areas like Abbey Wood, for instance. Ideal, one would say: this is just the sort of thing that young people need for first homes. There need to be steps to protect that housing for people on, say, the affordable housing list and young professionals. If we are not going to attract the investment market even towards those sorts of properties for buy-to-let, we could easily see that becoming an investment product in its own right if that is what is available and there is less of the other stuff.

Nicky Gavron AM: Sorry about this. You are countering what was just being said. Maybe I have it wrong. Savills is seeing a whole pipeline of completions and more supply coming forward. Given what we have heard earlier that that should suppress house prices and see them not flat-lining but not going up so much, Peter is saying that there is going to be more of the prime market in there --

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Sorry, no. What I have suggested is that in the non-prime market, this 85%, shall we say outer London or the less investment attractive locations historically, we could well see the development of more investment activity because that is what is available. As I have said, some of the money that is coming in - and particularly some of the money that is coming out of Greece for the moment - is looking for a product and is much less sensitive to historically famous investment areas. What I am suggesting is that we need to take steps to ensure that we do not end up with portions of that 85% being sucked into the investment market.

Jim Ward (Director of Residential Research and Consultancy, Savills): On the Abbey Wood move point, I see a solution where the early phases do have investment funding for income return so that they are let and you establish the point that Abbey Wood is becoming a more desirable place to live. It is becoming a different place that more people want to live in. Then the later phases are there for a full range of tenures, including some investment, possibly the large-scale build-to-rent, owner-occupied, various forms of affordable housing and so on. That notion of the investor being an important part of the early phases of a major regeneration area is something that runs through a lot of our analysis in terms of how places change because investors are more willing to take a place on a place than owner-occupiers.

Steve O'Connell AM: That is a good analysis, in fact, of a welcome point of investors coming from abroad into an area like Thamesmead, which could trigger and support the build for the general good and provide affordable housing. It is a nuanced picture, Chair, that we are arriving at.

Nicky Gavron AM: On that, I will just say that Peter Rees mentioned Battersea. That whole development, Battersea Vauxhall Nine Elms, is now 20,000-plus homes but only 3,000 are going to be affordable. When we say that, when you take out the part-rent/part-buy and the affordable rent, we are talking about probably at the very maximum 1,000 of those being for rent on low incomes. When you talk about the investment making the running at the beginning and being there to galvanise the rest, really, what is the rest? I am interested in that.

Do comment on that if you want to, but I just want to go on to what I am supposed to be asking about, which is how far you think investors are guiding the types of homes we are getting. Such a high proportion are one- and two-bedroom. At the moment, because large flats are seen as three-bed-plus, you get a situation where investors do not go beyond the three-bed in most cases. The Mayor is going to bring in a target for four-bed too with the recent Further Alterations to the London Plan (FALP).

Anyway, the point I want to make is that we do not seem to be getting the housing types we want. I just wondered if any of you had any comments on that. It is mainly one- and two-bed. Also, how far is that investment market influencing that?

Jim Ward (Director of Residential Research and Consultancy, Savills): Partly, it is a product of the extraordinarily strong demand in locations where new homes are built for rental flats and in particular flats to share.

One of the questions I know you wanted to ask us was how the product has changed and how homes have changed to reflect investor demand. One of the answers is that a two-bed flat will now more often than not be built as a sharing flat with equal-sized bedrooms and ensuites and so these are sharing units rather than any other configuration. That brings us back to a load of evidence about the increase in sharing in London. That came through the census very strongly. It is something we spend a lot of time looking and thinking about. What is the demand for new build? What are the price points? You see much greater propensities for young singles and couples to share --

Nicky Gavron AM: With another couple?

Jim Ward (Director of Residential Research and Consultancy, Savills): -- and become a double-income household.

Nicky Gavron AM: I am sorry; two-person households?

Jim Ward (Director of Residential Research and Consultancy, Savills): Yes, two in a household.

Paul Hunter (Head of Research, The Smith Institute): Some of the demographic trends are also pushing towards smaller-home ownership. Smaller households in terms of people splitting up from partners and migrants often looking for smaller properties is certainly something as well. You have also student housing obviously as well. Some of the issues around what we might need to be building are demographic changes.

That is not to say we are not building enough family homes, especially in inner London, for those on low incomes. If you look at some of the prices in the graph, how affordable are they for certain people? If you look at the second band, which is 36%, if it is a 1,000 square foot place, it would be £450,000, which is probably outside the means of most Londoners. Even if you go down to the next band, you are looking at lots of homes that are beyond the means of most Londoners who may want to be on the property ladder. If they are not on the property ladder, they are in the rental market and then they are going to be paying a significant part of their income in rent. We have to put those numbers in some perspective about the proportion of Londoners and their incomes, how much is really truly affordable and how many people are on low incomes and need those houses to be affordable. Some context around what is being built is needed.

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): I suggest in the ownership category that the larger the property the lower the occupation. Certainly in the investment market the larger the property the more likely it seems to be left empty or under-occupied. From the experience I have in the Heron in the City, we insisted when it was built that half the units there had to be studio flats. Half the flats on each floor are studios and those are almost all fully occupied. It is the larger flats that tend to be locked and left.

Nicky Gavron AM: Larger?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Two-bedroom --

Nicky Gavron AM: Three-bed or two-bed?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Two- and three-bedroom flats. The smaller units tend to be used more intensively. They are less likely to be bought purely for investment purposes. We have to bear in mind that the cohort that is most important to keeping London as a world city are the 20- and 30-somethings who are passing through London at the start of their careers. These are the brightest kids from all over the world who come to work here and who keep our creative industries and various other aspects of London working. We need to be able to ensure that we can house them in London. If we frighten them away and if they choose other places, London will lose tremendously from that. That is not to diminish the need for social housing, the need to house families in inner London and all of the other pressing needs, but we must be very careful to ensure that the price of small units for people starting their careers in London does not disappear and we lose all of that creative talent.

Paul Hunter (Head of Research, The Smith Institute): We also need the creative talent who are in their 30s and having children.

Darren Johnson AM (Chair): When we have done previous work on social housing, we have certainly heard about the need for larger properties to be built: the two, three, four-bedroom homes and so on. You are talking about the private owner-occupier market and we need the smaller units that can be accessed by the sorts of people you are talking about?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): Yes. You could almost say it reverses. In the rental market, what you are saying is true: you need larger units for family housing and you need sharable units, as we have been talking about. In the ownership market, you will find it almost works in reverse.

Darren Johnson AM (Chair): That is useful because it is always good to see how our different strands of work fit together into the overall picture.

Nicky Gavron AM: I just want to make sure I really heard the point properly. It was Savills' point, which was about the sharing. You are talking about two couples sharing a two-bed flat?

Jim Ward (Director of Residential Research and Consultancy, Savills): No. Typically, it would be two singles.

Nicky Gavron AM: Singles, yes. I take that for granted.

Murad Qureshi AM: I just want to come back to the prime market. To what extent is that market determined by postal codes and what-have-you? Actually, some of the most sophisticated marketing I have seen in London has always been postcode-determined. It is amazing how they go about doing it. I am just trying to work out whether these speculators are similarly disposed to looking at London in a similar way.

Katy Warrick (Head of London Residential Development Research, Savills): In some places certainly they will go for nothing but the SW1 postcode. Certainly in the very central areas that you are talking about, they orientate themselves around landmarks. A view of the Palace or something like that would give them the postcode they require, probably.

Murad Qureshi AM: That confirms what I have already known. The other thing that is happening in central London is that the West End is expanding. Westminster City Council is looking at ideas of expanding it into Paddington to deal with the demands of the night economy. I am wondering to what extent that affects those particular markets. I have always been of the view that if the West End were to expand it should really go into the City of London.

Katy Warrick (Head of London Residential Development Research, Savills): Sorry, I am not quite sure I understand what you --

Murad Qureshi AM: I am trying to work out the expansion of the West End. It is going into Paddington, quite clearly. Westminster Council is looking at quite extensively at the moment, largely to accommodate the needs of the central London economy, particularly the West End --

Katy Warrick (Head of London Residential Development Research, Savills): The expansion of the commercial markets?

Murad Qureshi AM: Yes.

Katy Warrick (Head of London Residential Development Research, Savills): Certainly we see a good example of this --

Murad Qureshi AM: Sorry, it will be the office market. It will be the night economy, the entertainment industry and even a few theatres, I suspect.

Katy Warrick (Head of London Residential Development Research, Savills): Yes. We are seeing this already along the South Bank, obviously, where there is a strong residential pipeline but there is also the commercial element of that. That is one of the things that are supporting the residential development. A lot of it is mixed-use development and that is one of the things that investors are interested in. It is a new place for them and they want to understand what the local economy is like. Clearly, the local economy at the moment is very patchy along that particular area but there is a lot of change going on and some big employers are moving in there. We are seeing some of the technological and media side of things happening around that hub. That is something investors will be interested in.

Jim Ward (Director of Residential Research and Consultancy, Savills): That is a strong theme for us, thinking about the new distribution of employment across London, not just the three central business districts, but the new map of London employment and that distribution changing. It does bring forward opportunities for housing to come forward. If you are in the business of creating different places and bringing forward housing in different places, then the mix of employment and residential use has great potential to bring forward more housing.

Murad Qureshi AM: For example, I dare say, with these ghost investors, is proximity to airports a consideration at all and getting in and out of there?

Jim Ward (Director of Residential Research and Consultancy, Savills): Transport is, yes, important to everything.

Murad Qureshi AM: Critical.

Jim Ward (Director of Residential Research and Consultancy, Savills): Yes.

Murad Qureshi AM: Just to confirm, I say that because I will come back to these friends I picked up in this estate agent, Kay & Co. It is quite an amazing brag. They are saying:

> *"In the last year, 52% of all our sales have come from foreign buyers. They see London as a safe haven and a wonderful place to live and work. These buyers are sophisticated, excellently financed – and we know them well. Give us your property and watch it fly."*

They sent that to my Mum.

Jim Ward (Director of Residential Research and Consultancy, Savills): That is estate agents for you!

Stephen Knight AM: One final point. It is about data and research. We have heard an awful lot this afternoon about how there is little information on this and how we do not really understand the impact, whether it be foreign investors, on price or on supply. As an Assembly we have asked the Mayor on numerous occasions in the last year or so to commission research on these kinds of issues and we have always been told, "No, the Mayor does not see the value in it and thinks there is enough data out there". What particular bits of research do you think are necessary or would help in informing this whole debate that we have been having? Where are your gaps in knowledge?

Peter Rees (Professor of Places and City Planning, The Bartlett, UCL): The only way of really getting on top of this under-occupation is through monitoring of electricity usage. That is not say whether there is any or none because most of these places have automatic appliances and cleaners coming in and cleaning flats.

If you compare electricity usage in comparison with a square footage of property, you could get a very good take on how much occupation you have in an area and what the intensity of human activity is. That would give you a much better take than whether people are promising to let their property. People might say it when they buy it, but it does not mean to say they are going to do it. It is notoriously difficult to work through either rating information or electoral information or even to go out and do surveys. It is very difficult to tell whether a place is heavily under-occupied or even unoccupied through that mechanism. We need to be looking for new ways to do that. The only way that has occurred to me in thinking about this is through electricity consumption.

Jim Ward (Director of Residential Research and Consultancy, Savills): I would like to see better occupancy data.

Darren Johnson AM (Chair): Thank you. There clearly is a need for more information and research in this area. Thank you to each of the guests today for your perspectives.