

AFFORDABLE HOUSING MONITOR

Reviewing the Mayor's
housing commitments

June 2019

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Key points

- The Mayor estimates that London needs around 66,000 new homes each year. 2017/18 saw **32,000** additional dwellings – about 48 per cent of the homes needed.
- Over **7,500** affordable homes supported by the Mayor were completed in 2018/19, a significant increase on 2017/18. However, this is still well behind the average of over 10,000 per year in the preceding decade, when different funding arrangements were in place.
- The Mayor has secured **£4.82 billion** in government funding for affordable home starts. He has committed to starting 116,000 new affordable homes by 2022. Since 2015, **41,704** homes have been started towards this target (36 per cent), of which 34,515 have started this Mayoral term.
- In 2018/19, **14,544** affordable starts were made, supported by Mayoral funding. This surpasses the lower end of the Mayor's expected range, which was 14,000 homes. London needs 43,000 affordable homes annually, including affordable homes not funded by the Mayor.
- The majority of Mayoral-supported starts (8,544 – **59 per cent**) were for intermediate tenure homes, and just over a quarter (3,991 – 27 per cent) were for social rent.

About this report

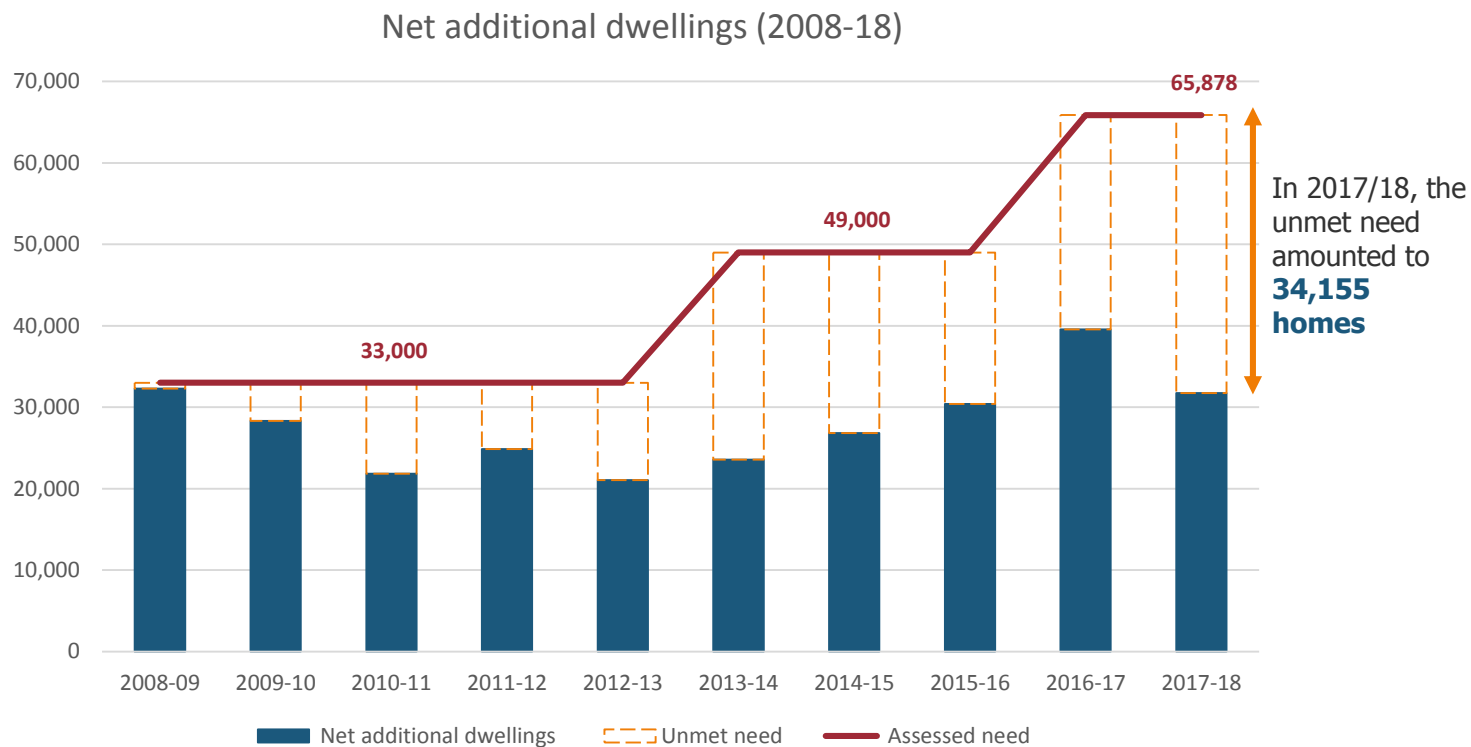
This report is predominantly based on GLA published affordable housing statistics showing performance from April 2018 to March 2019.

We will use this report to track the Mayor's commitments annually.

NET ADDITIONAL HOMES

The Mayor's latest (2017) Strategic Housing Market Assessment finds that London needs **66,000** net new homes per year. In 2017/18, London met only 48 per cent of this need; around **34,000** fewer net¹ homes were built than were needed.

London has consistently built fewer homes than needed. The gap widened in 2017-18, reversing the upward trend of the last five years.



The net requirement for new homes in London between 2016 and 2041 is estimated to be 65,878 homes per year. Over the last decade, the number of homes London needs has only increased, and the number of homes actually delivered has not kept pace. In the 2008-12 Mayoralty, on average, every year, around 81 per cent of homes needed were built. In the following Mayoralty, the proportion fell to 57 per cent, and it has fallen to 54 per cent (71,283) over the first two years of this current Mayoral term. In 2017/18, **31,723** net new homes were built in the capital – about 48 per cent of the target. It should be noted that the number of homes needed has **doubled** since 2008-12, due to low levels of delivery over recent decades.

AFFORDABLE HOUSING STARTS (part-funded by the Mayor)

A large majority of London's affordable homes are part-funded by Mayoral grant.²

The Mayor secured £4.82 billion of government funding to start building 116,000 new affordable homes by 2022.³

In 2018/19, **14,544** affordable homes were started. This exceeds the bottom of the Mayor's targeted range for the year (**14,000 – 19,000**).

² On average, 89 per cent of affordable homes have been part-funded by the Mayorality over the last ten years (although this proportion has reduced somewhat in the last three years). Other affordable homes are built by the private sector as part of their planning obligations for new developments, by the boroughs using their own funding and by housing associations via cross-subsidy from other parts of their development programmes.

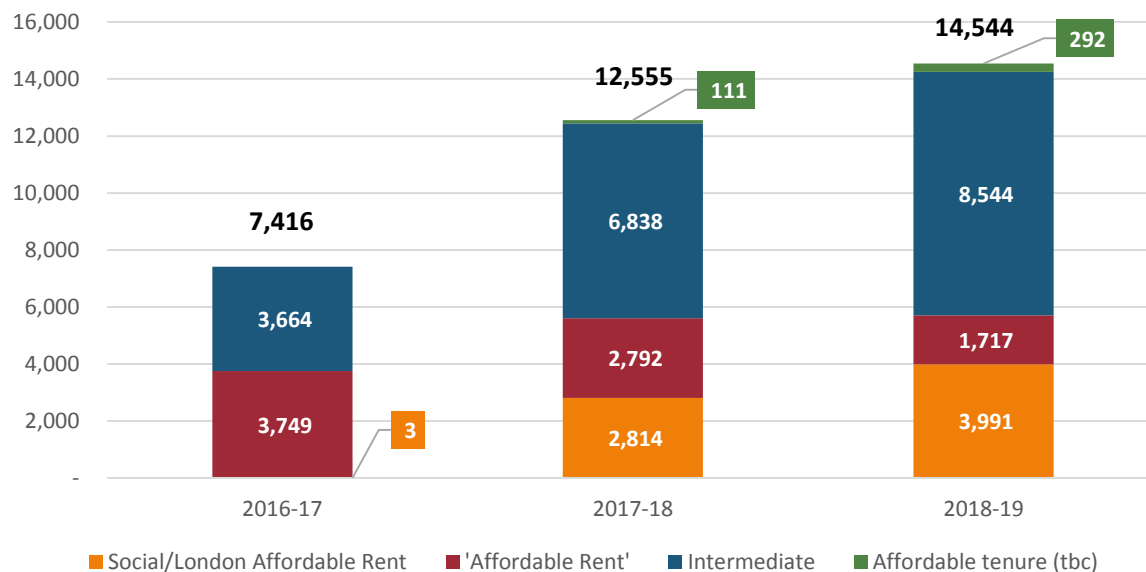
³ This represents only around £42,000 per home: capital grant rate is at a historically low level. Grant funding is supplemented by borough and housing association own resources and borrowing.

AFFORDABLE HOUSING DEFINITIONS

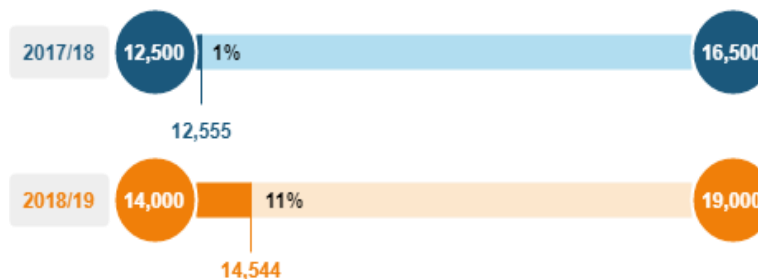
- Homes at a wide range of rent or price levels may be called 'affordable'. The term is defined by the Government, but the Mayor has three preferred affordable tenures.
- Of these preferred tenures, **London Affordable Rent** roughly corresponds to traditional social rent at around 40 – 60 per cent of market levels.
- The Mayor's other two preferred tenures are both **intermediate** i.e. sub-market tenures aimed at middle-income Londoners. Intermediate rents or prices must be at no more than 80 per cent of market levels.
 - **London Living Rent** offers time-limited tenancies for up to ten years, when tenants must be ready to buy their home, perhaps through shared ownership. London Living Rent is based on a third of average local household incomes, adjusted for the number of bedrooms and local house prices.
 - **Shared Ownership** offers households, earning up to £90,000 per year, part-purchase of a home, with a below-market rent on the unbought share.
- Other '**Affordable Rent**' homes continue to be built under previous funding programmes with rents of up to 80 per cent of market levels.

Affordable housing starts are increasing, driven by more intermediate tenure and social rent homes.

In 2018/19, **14,544** affordable homes were started, surpassing the lower end of the Mayor's target for the year by 544 homes (the year's target was 14,000 – 19,000).



How the number of starts actually delivered compare to the Mayor's annual target ranges



The annual average number of starts so far this Mayoral term is considerably higher than in the preceding four years.

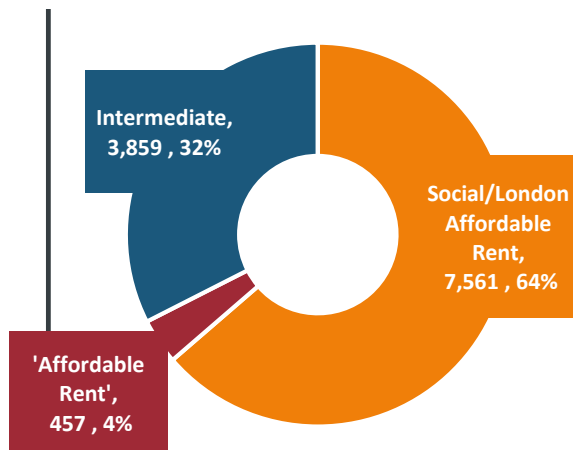
In 2018/19, **14,544** affordable homes were started. In this Mayoral term, the annual average number of starts is **29 per cent** higher than in the previous Mayoral term, but is three per cent lower than that of the 2008-12 Mayoral term. Funding arrangements have varied considerably over different Mayoral terms.

Mayoral term (2008-12)
Average annual starts

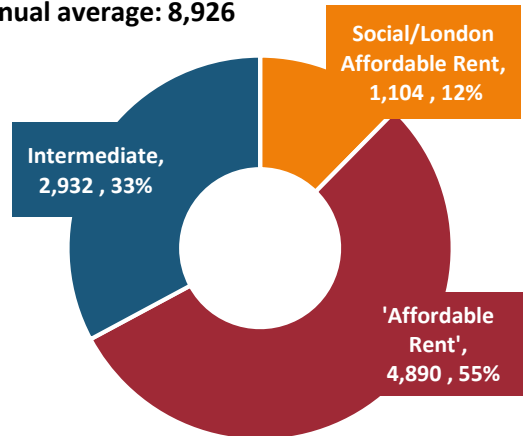
Mayoral term (2012-16)
Average annual starts

Current Mayoral term
Average annual starts

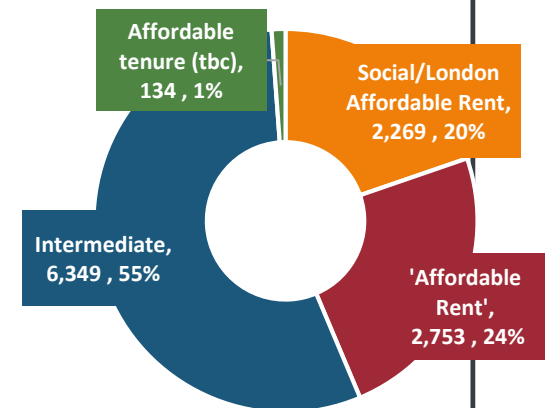
Annual average: 11,876



Annual average: 8,926



Annual average: 11,505

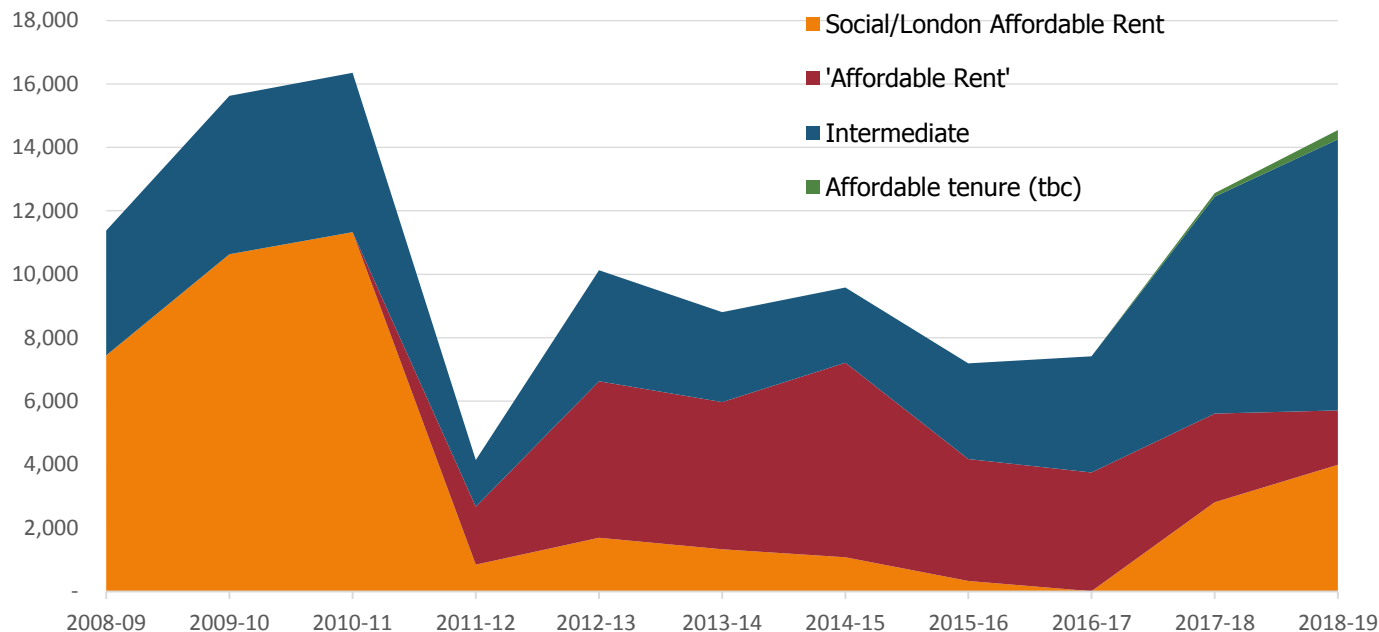


Building for social rent/London Affordable Rent has started again; however, it only accounts for **one fifth** (20 per cent) of all affordable home starts so far in this Mayoralty. This is in contrast with starts for intermediate tenure homes: 55 per cent of affordable starts this term are for London Living Rent or shared ownership.

A condition of the £4.82 billion of government funding given to the Mayor was that the funding should be used to support at least 58,500 intermediate affordable starts – 50 per cent of the agreed target of 116,000 affordable starts. Right now, the Mayor is on course to build a slightly higher proportion than that. Social/London Affordable Rent tenures, whilst greater in number than under the previous Mayoralty, still represent a minority of all starts.

Starts at social rent levels have increased significantly in this Mayoral term, compared to the last, but we still need many more.

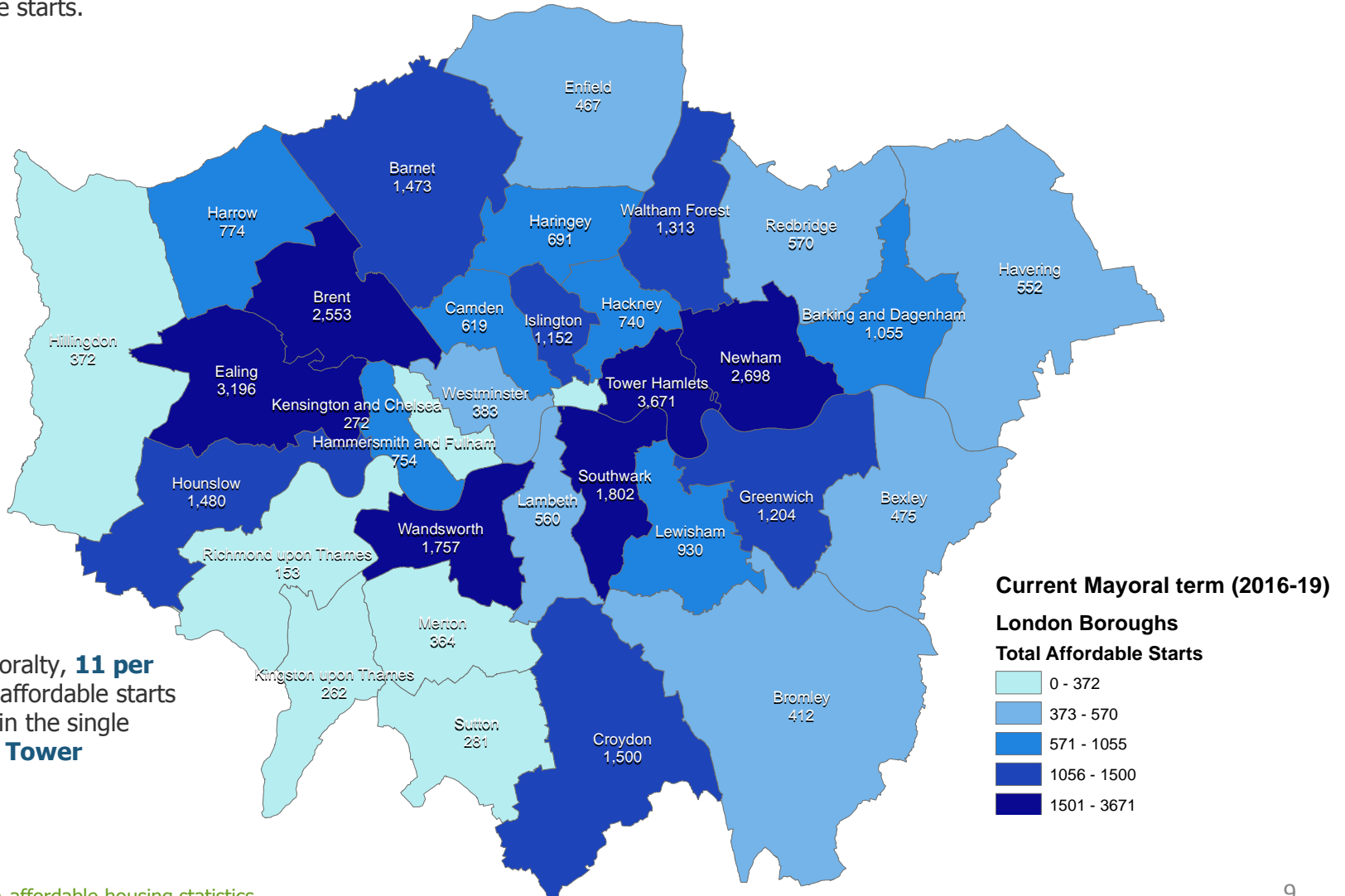
GLA-funded affordable starts (2008-19)



London needs around **31,000 homes** each year at the social rent level. Progress has been made towards addressing this annual need, but London is far behind where it needs to be. In 2018/19, the Mayor part-funded **3,991** starts at social/London Affordable Rent levels – an increase of **42 per cent** on 2017/18. This is the greatest number of starts since 2010-11, which saw starts for 11,329 social rent homes. New funding freedoms for the boroughs should now allow them to deliver more homes at social rent levels themselves. London Affordable Rent is set London-wide and will attract a new build premium, so may be above traditional social rent levels.

Total affordable starts (2016-19)

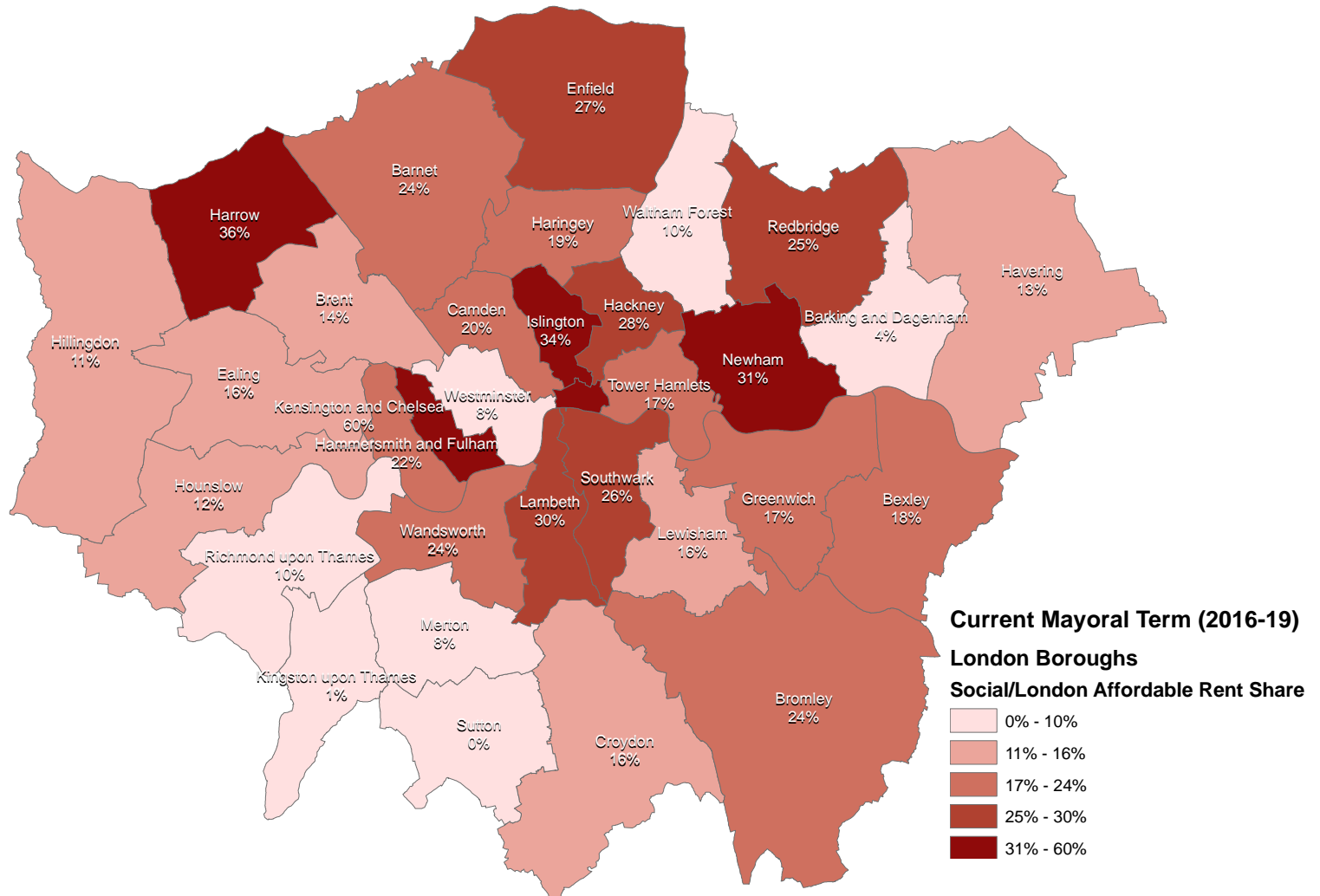
In 2018/19, the most affordable starts were in Brent (2,002), followed by Tower Hamlets (1,442), Ealing (1,082) and Wandsworth (1,078). Over this Mayoralty, Tower Hamlets (3,671), Ealing (3,169) and Newham (2,698) have seen the most affordable starts.



In this Mayoralty, **11 per cent** of all affordable starts have been in the single borough of **Tower Hamlets**.

Share of affordable starts that are for social/London Affordable Rent (2016-19)

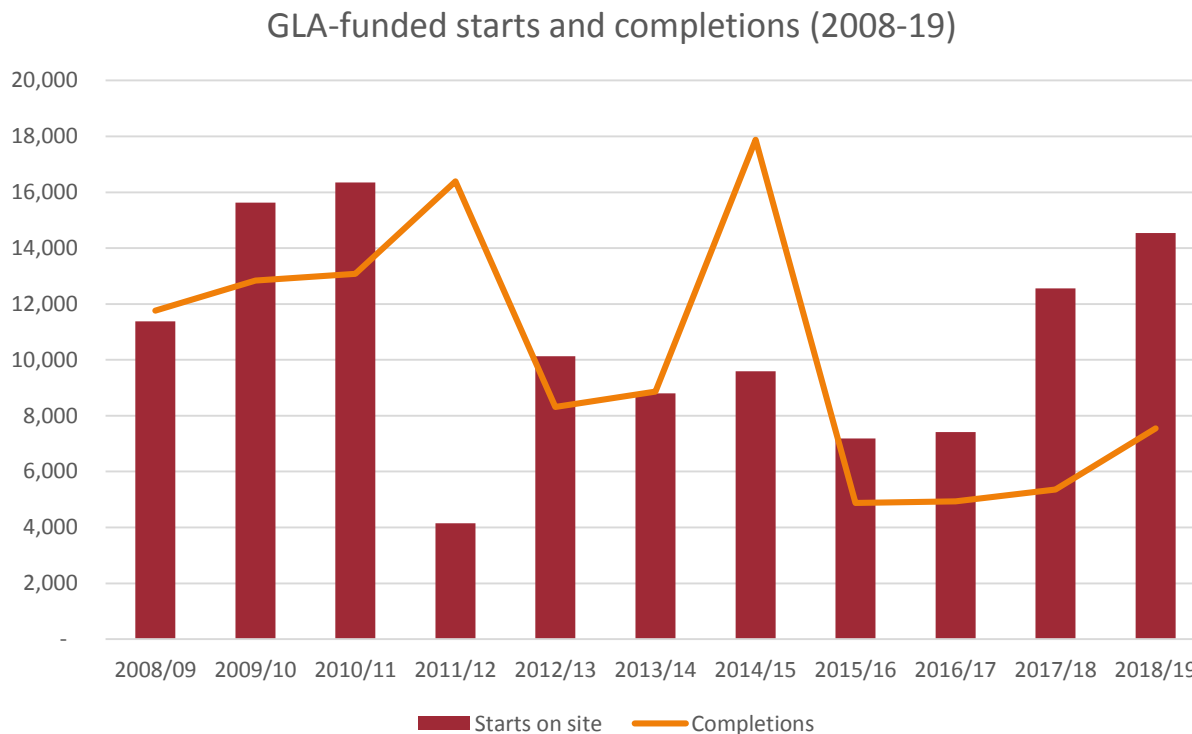
Almost half (48 per cent) of the homes London needs should be at social rent levels. However, only a fifth of affordable starts this term have been at this low rent. In some boroughs where there have been relatively few affordable starts, a higher proportion of those starts have been at social rent levels (which is more expensive to provide), e.g. Harrow and Kensington & Chelsea.



AFFORDABLE HOUSING COMPLETIONS **(part-funded by the Mayor)**

The Mayor's targets are for affordable housing starts rather than completions. While focusing mainly on starts, against which the Mayor can be held accountable, we are also tracking the number of completions.

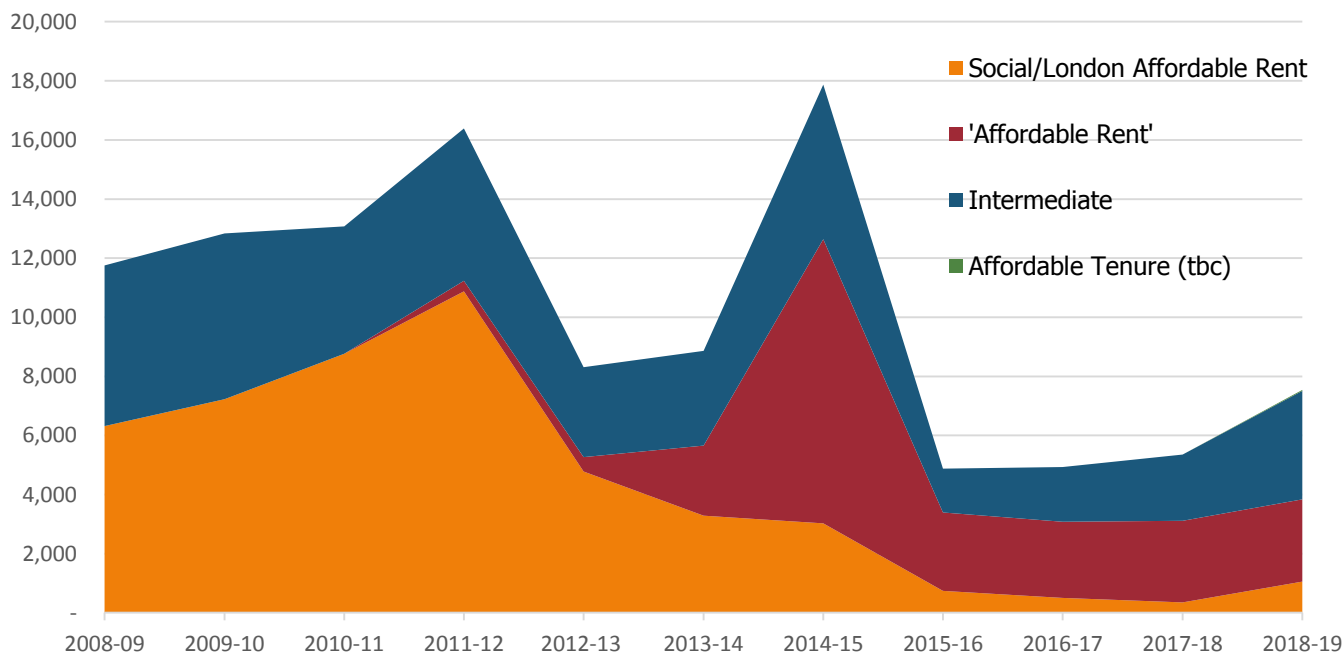
Completions picked up significantly in 2018/19, compared to the previous year.



7,544 affordable homes were completed in 2018/19 – a 41 per cent increase on 2017/18. This marks a significant acceleration in completions over the last year, compared with that of the previous year: the number of completions in 2017/18 improved by only 9 per cent on 2016/17.

2018/19 saw a 202 per cent increase in completions of social/London Affordable Rent homes compared to 2017/18, but from a very low base.

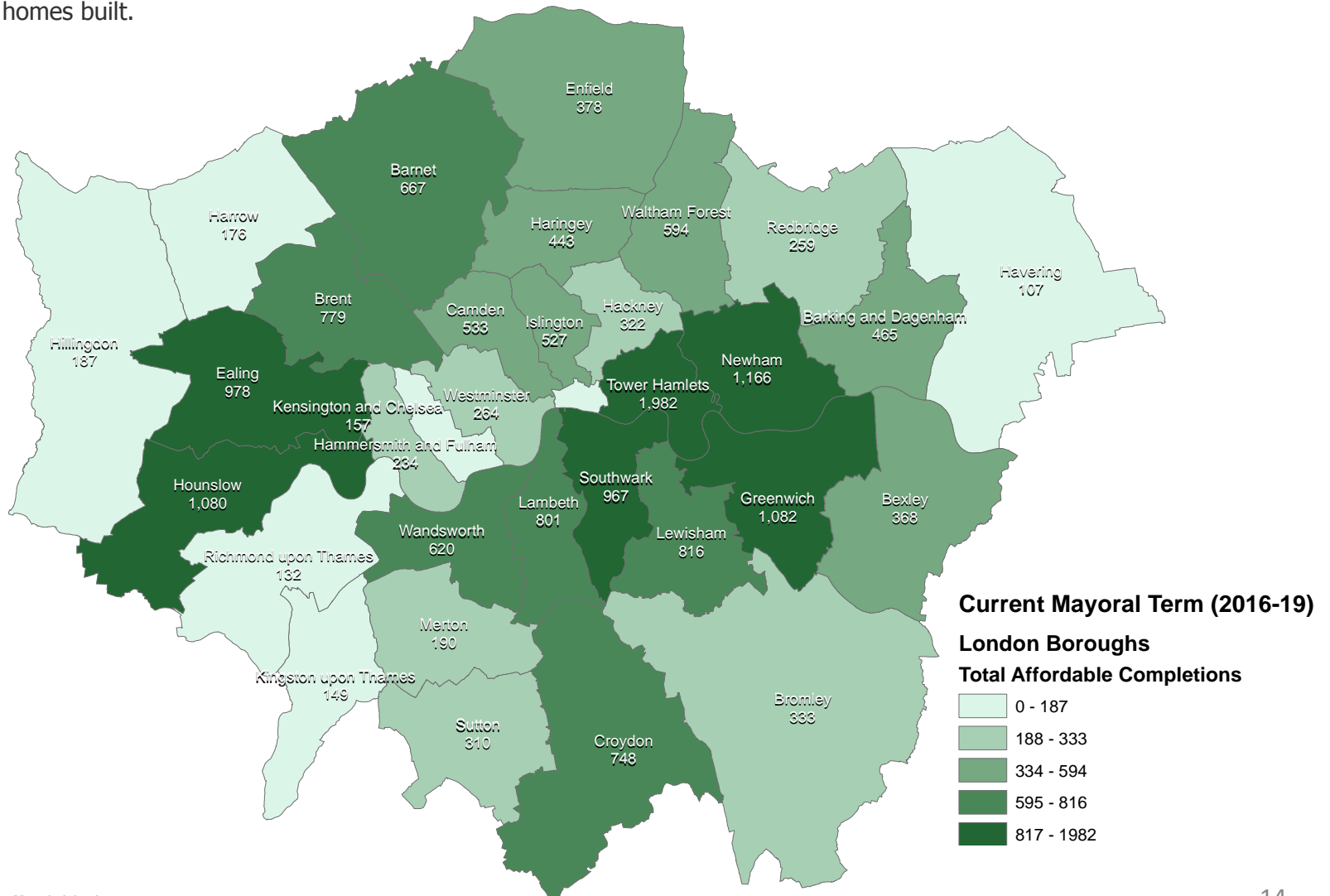
GLA-funded affordable completions (2008-19)



Completions of social/London Affordable Rent homes rose from 348 in 2017/18 to 1,051 in 2018/19. The number of social rent homes completed is still well below the high of 2011-12 (10,880), but progress has been made. With the Mayor's new Council Homes for Londoners funding programme underway (which will fund more social rented homes), numbers can be expected to increase. Intermediate tenure homes still have the greatest share of completions (49 per cent in 2018/19), and considering the pattern of affordable starts in this Mayoralty, the share is likely set to increase.

Total affordable completions (2016-19)

In 2018/19, the most affordable homes were built in Ealing (574), followed by Tower Hamlets (528) and Southwark (490). Over this Mayoralty, Tower Hamlets (1,982), Newham (1,166), Greenwich (1,082) and Hounslow (1,080) have seen the most affordable homes built.



Share of affordable completions that are for social/London Affordable Rent (2016-19)

As with starts, for some of the boroughs delivering the lowest numbers of affordable housing, a greater share of that housing is at social rent levels (which is more expensive to provide), e.g. Westminster, Kensington & Chelsea and Hammersmith & Fulham.

