Notes on London’s housing crisis

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A new report released this week by the House of Commons library shows that private sector rent now comprises 62 percent of pre-tax income, up from 49 percent just five years ago.

Renters—who remain unprotected from annual price increases—are hardest hit by the cost of housing, with 25 percent of London renters in 20 out of the city’s 32 boroughs spending the overwhelming majority of their income on housing. Richmond Borough has seen the largest rent increase at 26 percent, while Westminster—the wealthiest borough—has risen by 22 percent. Hackney and Merton boroughs have risen 21 percent.

The high cost of rent means that far fewer young people are able to save to buy a home, which has resulted in an all-time high of young people renting privately. According to the most recent English Home Survey, almost half (48 percent) of all households aged 25-34 rented privately in 2014, up from 45 percent in 2012 and more than double the number since 2005.

The collapse in homeownership by individuals and families under 30 years old over the past decade is laid bare in an official analysis of the housing market in Britain since 1980. Remarkably, a report by the Office for National Statistics shows that through the 1980s and into the 1990s, one in three 16- to 24-year-olds were able to afford to buy their own home, compared to one in 10 today.

Housing and Planning Bill could end “affordable housing”

The Conservative government’s Housing and Planning Bill, which has reached the reporting stage and had its third reading in the House of Commons, contains anti-working class measures that could virtually put an end to affordable housing in London.

The bill contains requirements that force councils to sell vacant, high value properties in order to generate revenue, introduces “Pay to Stay” rules that increase council rents for households earning more than £30,000 (£40,000 in London), and includes reforms that obligate local authorities to ensure “Starter Homes” are built, with funding diverted from existing affordable housing funding within the planning system.

The government defines affordable as 80 percent of market rate. With the average cost of London homes now well over £500,000, Shelter housing charity argues, “As ‘Starter Homes’ are not currently affordable to most families on low-and-middle incomes, they should be built in addition to, not in place of, existing affordable housing. Local authorities should not be compelled to accept them if they are not affordable to their local community.”

Last April, Shelter housing charity research found that there were only 43 potentially suitable homes in London listed for sale on Zoopla that would be affordable for first time homebuyer families.

Low-income residents in London forced to use “poor doors”

Several new luxury housing estates in London are forcing lower income residents to use separate entrances, essentially poor doors, to access these estates.

Under current London planning laws, builders are normally required to construct a certain number of “affordable” units on new estates. In order for wealthier tenants to avoid coming in contact with their poor neighbours, estates are segregating them, sometimes entirely through separate bicycle storage, postal delivery boxes, and rubbish facilities.

Some of these estates even have an entirely different look and feel for the affordable housing side. Tracey Kellett, a buying agent for wealthy clients, said a number of developments have separate entrances "so the two social strata don't have to meet." In one, "The affordable [housing] has vile coloured plastic panels on the outside rather than blingy glass."

Chinese billionaire buys London mansion for £80 million

Wang Jianlin—China's richest man with a personal worth estimated at £20 billion—purchased a long lease from the British Crown Estate to buy the mansion at 15A Kensington Palace Gardens for £80 million—a sum roughly equal to the annual "living wage" of £18,570.40 of 4,307.93 Londoners. It is anticipated that he will spend tens of millions pounds more to renovate the already opulent 20,000 square foot, 10-bedroom estate located in London's Billionaire Row.

Wang, the son of a foot soldier in Mao's Zedong's Stalinist Communist Party of China, is a former People's Liberation Army commander turned real estate developer and theatre operator, who made his money through connections to the Chinese state. Corporate records of investments made between 2007 and 2011 reveal that Wang gave significant company shares to relatives of some of China's most powerful politicians and their business associates.

The previous occupant of the home was Ukraine-born oligarch Leonid Blavatnik, who made a fortune in the privatisation of oil and aluminium after the collapse of the Soviet Union in the 1990s. He is now famous for his Gatsby-style parties in Kensington.

The road leading to Billionaire Row is the most heavily guarded in London due to its proximity to Kensington Palace, the home of heir to the throne, William.

Former Labour minister blames immigrants for housing crisis

A new report, written by the notorious right-winger and former Labour Party minister Frank Field and published by Conservative think tank Civitas, warns that population growth is being driven almost exclusively by immigration and suggests that the government must control the borders, especially within the European Union.

Field said, "The longer-term solution to the housing benefit crisis is almost too obvious to state. In normal circumstances it would be difficult to meet the existing demand for homes. It becomes incredibly difficult to do so if the government operates an open-door immigration policy within the EU."

High rents and low wages lead to £25 billion housing benefit bill

The Centre for Cities think tank reports that the UK's estimated £25 billion housing benefit bill for 2015-2016 is due to soaring rents paid to landlords, particularly in the most prosperous parts of the country, combined with falling wages.

It calculates that almost 1 million jobs have been created in the UK's cities since 2010, but with the average annual wage having fallen by £1,300 per person.

Spending on housing benefit in more wealthy cities such as London, Cambridge, Bournemouth and Milton Keynes has risen by 50 percent more than in low-wage cities such as Glasgow and Liverpool. The average housing benefit claimant now receives £144 a month in London, compared with £72 in Doncaster.

Around a quarter of tenants in private accommodation claim housing benefit and a third of these are working poor.