

London housing rental crisis: “A bad situation is now becoming disastrous”

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The number of rental properties in London has fallen substantially since the pandemic according to research from the London School of Economics (LSE) and property firm Savills.

A shortage of rental properties is forcing record numbers of tenants into temporary accommodation.

The number of one-, two- and three-bedroom properties available to rent across London was down by 36 percent in January-March 2023 compared to the same period in 2017-2019. Available four-bedroom rental properties fell by 46 percent in London, compared to 33 percent for the rest of the UK.

Rental affordability has worsened dramatically as the gap between supply and demand has widened. The Office for National Statistics (ONS) surveyed tenants in February 2023 and found that half had experienced rent increases in the last year.

The LSE found that average rents listed for London were 20 percent above pre-Covid levels.

The overall lack of rental properties has seen an explosion in demand, with prospective tenants forced into bidding wars that have forced renters to offer above market value to secure accommodation.

A landlord who took part in an LSE focus group reported receiving 35 enquiries in one day about a vacant property. Asking prospective tenants to give their best offer, the owner received £350 above the monthly asking price, with one person offering to leave a deposit without even viewing the property.

An estimated 300,000 London renters who are dependent on housing benefits are being priced out of the private sector.

The dire shortfall between LHA rates and rents is confirmed by research from the Institute for Fiscal Studies, showing that just 5 percent of properties on the Zoopla platform are covered by housing benefit,

compared with 23 percent when LHA rates were frozen in April 2020.

Emma Haddad, CEO of housing charity St Mungo's, has called on the government to increase housing benefits to prevent people ending up on the streets.

With nowhere to live, increasing numbers of people are turning to local authorities. But the public housing system, largely run by local councils, has no capacity to help.

Councils in London have an estimated 166,000 people living in temporary accommodation, a number equal to the entire population of some London boroughs, or the population of cities the size of Oxford.

Local authorities are collectively spending £52 million each month on temporary accommodation, including hostels and refuges. They have warned that suitable accommodation is becoming increasingly difficult to acquire.

With a population of 9 million, London accounts for two thirds of all those living in temporary accommodation.

Darren Rodwell, London Councils' executive member for regeneration, housing and planning, said, “A bad situation is now becoming disastrous. We're seeing fast rising private rents and reduced availability of rental properties against a backdrop of continuing cost of living pressures and London's long-standing shortage of affordable housing.”

Growing numbers of people are sleeping on the streets of London, with the Conservative government's manifesto promise to eradicate rough sleeping by 2024 in tatters.

At the same time, home ownership is an ever-receding prospect for millions of people. According to Generation Rent it takes UK renters almost 10 years to save for a mortgage deposit.

Generation Rent's director Ben Twomey said, "That gets close to two decades for Londoners and that's only possible by sharing with other people into their forties."

The rise in interest rates is putting intense pressure on monthly mortgage repayments, with a looming threat that many will lose their homes.

Recent forecasts by the Bank of England show that among 4 million homeowners expected to roll over to a new mortgage contract in the next three years, the majority will be paying an extra £220 each month by the end of this year.

By the end of 2026, nearly one million UK homeowners will need to find an extra £500 a month for mortgage repayments due to rising interest rates.

Mortgage providers say that households fixing deals now will face a typical increase of £350 per month in repayments. According to Moneyfacts, average two-year fixed mortgage rates rose last Monday by 6.7 percent--the highest level since the middle of the financial crisis in 2008.

The Institute for Fiscal Studies has warned that interest rate rises are hitting landlords' borrowing costs and were part of the reason for the increases in rents.

Landlords have passed on higher mortgage repayments via rent hikes to an estimated 9.2 million tenants. Over 50 percent of landlords in England have a buy-to-let mortgage, with figures from UK Finance showing 2 million are outstanding, with 230,000 about to exit cheaper fixed-rate deals between March 2023 and March 2024.

Almost two thirds of surveyors reported rising numbers of buy-to-let landlords are looking to sell their properties, according to the Royal Institute of Chartered Surveyors, potentially reducing further the number of available properties to rent.

The freezing of the LHA rate and increased rent rises are a perfect storm for hundreds of thousands of renters amid the worst cost-of-living crisis in generations. Private rent paid by tenants across the UK rose by 5 percent in the twelve months to May 2023, the biggest jump since January 2016. Outside London, rents surged at the fastest rate since 2006.

Matt Downie, CEO of housing charity Crisis said, "Low-income renters face a catastrophe. They can't rely on housing benefit as it's been frozen since March 2020 and is completely inadequate. There isn't enough social housing to go round and over a million

households are on waiting lists for the few genuinely affordable homes we do have."



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