



The Mayor's Housing Covenant: making the private rented sector work for Londoners
London First Response
15 February 2013

Introduction

1. London First is a business membership organisation with the mission to make London the best city in the world in which to do business. We represent the capital's leading employers in key sectors such as financial and professional services, property, infrastructure, ICT, creative industries, hospitality and retail. Our membership also includes higher education institutions and further education colleges.
2. We welcome the opportunity to respond to this consultation. Our comments focus on the parts of the document that are most relevant to our members, primarily using the Private Rented Sector (PRS) to increase housing supply.
3. Securing greater levels of institutional investment into housing, leading to the creation of a flourishing market for purpose-built private rented accommodation, would boost the construction of new homes in London. A lack of new homes in London is a problem that has confronted the city for some time. The Mayor has a target of a minimum of 32,210 new homes to be built every year but, even when London's economy was growing, this was not being met. This historic and continuing under supply of new homes, combined with a growing population - which now stands at 8.17 million people, according to the 2011 Census, and is forecast to increase to almost 10 million by 2031 - suggests that London faces a significant challenge to solve its housing shortfall.
4. It is important not to overstate the potential of build to rent development – it is not the 'silver bullet' to increase housing supply, but it could be part of the solution. We therefore welcome the Mayor's focus on this issue in the latest part of the Housing Covenant.

Investing in the private rented sector

5. We support the Mayor's view that rent controls would damage investment into the sector, almost certainly leading to a decline in the number of new homes being built. We welcome the Mayor's acknowledgment that the PRS brings economic benefits to London, with one of those benefits

being foreign and domestic investment into London. Increased investment leading to a step change in housing supply is the best way to make market housing more affordable for Londoners.

Increasing housing supply through changes to policy

6. The Mayor is right focus on the role that the PRS can play in increasing housing supply, particularly institutional investment into build to rent development. Previous attempts to stimulate such investment have had limited success so if the sector is to help build more houses in London it seems likely that some form of public policy support is required to at least pump-prime the market.
7. As the Housing Covenant explains, the Mayor recently altered his Housing Supplementary Planning Guidance to state that the planning system at both a local and strategic level should provide positive support to private renting and to ensure that 'the distinct economics of the sector relative to mainstream market housing' are taken into consideration when undertaking viability assessments. This is a step in the right direction. The next step should be to introduce this policy into the London Plan itself in way which strengthens the wording making it explicitly clear that build to rent proposals should be considered favourably and should not be determined against the same requirements as market housing. And, that under certain circumstances, a flexible approach to planning obligations should be pursued.
8. Furthermore, London Plan policy should provide more detail on build to rent development in general. This should require boroughs to ensure that they are taking full account of the potential of build to rent development to meet local housing need, and an acknowledgment that build to rent development can support the build-out of large sites, particularly where the viability of the development is of concern.
9. We endorse the Mayor's approach to the use of the GLA's land holdings and assets, which have recently been expanded, and welcome the fact that some sites are specifically being marketed for build to rent development. Some sites will be more suitable than others for this type of development and, where appropriate, payment for the land should be deferred or the land offered as an equity investment.

Working with Government and beyond

10. We welcome the GLA's role in assessing London applications to the Government's £200 million Build to Rent Fund and support the Mayor's desire to, at the very least, play a role in allocating the Government's £10 billion debt guarantee scheme (applied to both PRS and affordable

housing). It is unclear what will be the exact role of the Government's Private Rented Sector Taskforce and how this might work (or not) with the Mayor. It is important that those seeking to invest in London are clear about to whom they should be speaking.

11. To that end, we are keen for the Mayor to issue a comprehensive 'offer' to the market. This would bring together in one document all the strands of work currently underway and explain to interested parties what London will do to support investment into the sector. Importantly, it should also state what is expected of build to rent development in return for public policy support, particularly where scarce public resource may be invested.

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