

MOVING OUT

HOW LONDON'S HOUSING SHORTAGE IS THREATENING THE CAPITAL'S COMPETITIVENESS



Background

This report outlines the findings of four surveys commissioned by Turner & Townsend and London First on the subject of housing. The surveys were undertaken by YouGov in August 2014 involving representative samples of four different groups within London with the purpose of seeking to understand each group's views about housing, the affects that housing has on each group, and the challenges that London faces in relation to housing.

The groups are:

- London employees
- London employers (business decision-makers)
- The general public in London
- London councillors

The report is divided into four parts and provides an overview of the key findings of each sample.

Foreword

Jon White, UK Managing Director, Turner & Townsend



Turner & Townsend is delighted to have partnered with London First to commission this research into public and business perceptions of London's well-documented housing crisis. We hope that this work contributes to the debate about where, how, and how much development should take place in the capital.

London is a dynamic, world-leading city but it is also a city whose status as metropolis of choice for national and global businesses and their staff is at serious risk. London's employees have crossed counties and continents to work in the capital, but our research raises serious questions about whether London can remain a magnet for their talent. This is because, quite simply, London is suffering from a major shortage of housing.

Rocketing house prices and rents are testament to the fact that for years too few homes have been built in London, leaving many people struggling to afford to either rent or buy a home. This directly impacts on their ability to work in the city – our research shows that two out of five employees would consider moving out of London and taking a job in a different city or region specifically to take advantage of lower rent/mortgage costs.

But it gets worse. Our survey found that if rental costs and house prices continue to increase at their present rate in London almost half of employees would consider leaving the capital to seek work elsewhere.

Of particular concern is the significant proportion of people aged between 18 and 39 that would consider leaving London and taking their talents with them. This poses a substantial risk to London's competitive advantage over its global rivals. Failure to attract and retain skilled people for all types of work undermines the rich mix of abilities needed to make the city function and prosper.

This threat to London's competitiveness is echoed by businesses in our research, with three-quarters of those decision-makers polled warning London's housing supply and costs are "a significant risk to the capital's economic growth".

When we asked councillors about barriers to development, perhaps unsurprisingly, the perceived lack of land was top of the list. We suspect, however, that it is not a lack of land per se, but a lack of serviceable land and supporting social infrastructure that restricts development.

The introduction of the Community Infrastructure Levy and innovative techniques to cost-effectively unlock development sites may go some way towards overcoming this hurdle.

London's housing dilemma presents opportunities for those towns within commuting distance of the city. Increased investment in the rail network, such as Thameslink and Crossrail that will bring improvements both to travel times and capacity, must continue. These projects and others open up the opportunity for new, higher density place-making in locations with fewer development restrictions and cheaper development costs.

Rather surprisingly, the long-held view that local nimbyism (not in my backyard) is a barrier to development appears to be far less of a problem than often perceived. A significant proportion of Londoners surveyed for this report actually supported an increase in house building.

The bigger challenge, perhaps, is the mechanism for delivering the range of quality housing products needed to meet the aspirations and incomes of London's financially diverse population, be they first time buyers, growing families, long term renters or downsizers.

We would like to thank London First for their commitment to representing London businesses and look forward to working with them to make the case to local, London and central government to deliver the housing solutions that London needs to maintain its position as the world's greatest city.



Jon White
UK Managing Director
Turner & Townsend

Executive Summary

Much has rightly been written about the social impact of the housing shortage in London. This has laid bare the many difficulties people have finding affordable property to rent, getting on the housing ladder, upsizing, and downsizing. Less attention, however, has been paid to the economic and political dimension of this issue and the long term consequences that a lack of housing supply could have on London's competitiveness.

To this end, Turner & Townsend and London First commissioned YouGov to poll four key groups in London – employees, employers, the general public and local councillors - to gauge their views about housing and, in particular, to understand how these groups respond to the lack of housing supply and rising prices.

Key Narratives

The surveys contain a wealth of information but there are two compelling findings that stand out. These are:

'Reverse brain drain': While London is commonly associated with attracting the best talent from the UK and around the world it is in danger of losing workers due to a lack of new homes and rising prices. Many London employees would currently consider leaving the city to work elsewhere due to difficulties with paying their rent or mortgage. This threat is echoed by businesses, with three-quarters of those polled warning London's housing supply and costs are "a significant risk to the capital's economic growth". The results indicate that it is not until employees are earning over £70,000 and/or over 60-years-old that the proportion who find it easy to service mortgages and rents balance out with those who find it difficult.

'Not so NIMBY': Londoners are less NIMBYish than their politicians think. Only one in six voters (17%) said they would view their local politicians in a more negative light if they advocated building more homes in their area; with a surprising 41% of public respondents saying they would look on a politician more favourably if they were to back more housebuilding in their community. Around a third of London councillors think they would receive less support if they advocated housebuilding. However, it is clear that overcoming local opposition to greater volumes of housebuilding is still a barrier that needs to be broken down, particularly in outer London.

Further Analysis

Reverse Brain Drain

The survey of London employees raises serious concerns about a 'reverse brain drain' from London, with many workers saying they would consider leaving the city due to difficulties with paying their rent or mortgage.

The number of employees who said their rent/mortgage costs made it difficult to live and work in London outnumbered those who found it easy by a ratio of two to one.

The 25-39 age employee group is hardest hit in comparison with other age groups with 70% saying they find the cost of their rent/mortgage makes it difficult to work in London. This compares with just 24% who find it easy.

Indeed it is not until respondents are earning in excess of £70,000 that the number who were likely to find it easier to service mortgage and rents outnumbers those who find it difficult.

In terms of age, only once respondents pass 60-years-old do the number finding it easy to pay rent/mortgage start to balance out those who find it difficult.

Such difficulties are clearly having an impact on the desirability of living and working in London. Of the London employees surveyed, 41% of those finding costs difficult would currently consider moving out of London and taking a job in a different city or region specifically to take advantage of lower rent/mortgage costs.

If house prices continue to rise, even more Londoners could leave; half (49%) of those surveyed said they would consider leaving if house prices and rents in London continue to rise at present rates over the next ten years. This is a serious threat to London's global city status which is reliant upon attracting and keeping the brightest and best talent. Furthermore, for a city that owes much of its success to the service sector and knowledge-based industries, losing a tranche of its young professionals would be disastrous.

Such a conclusion is reflected by the three-quarters of businesses warning London's housing supply and costs are a significant risk to the

capital's economic growth.

Two out of five (38%) businesses already say they are concerned about the impact that London's housing supply and costs are having on their ability to recruit and retain staff. This rises to almost half (46%) if house prices and rents in London continue to rise at present rates over the next ten years.

Not so NIMBY

It is often thought that calling for more house building risks alienating sections of the electorate who fear the impact it could have on their community.

However, our survey indicates that while there is certainly a Nimby issue to be confronted, councillors in London are too worried about how they will be perceived if they advocate more housebuilding in their local area.

The vast majority of councillors recognise there is a housing shortage across London (92% agree). But a third believe they would receive less support if they supported building more homes in their local area, with Conservative councillors and voters expressing the highest levels of concern compared to other political affiliations.

However, when asked, 41% of public respondents said they would look on a politician more positively if they were to back more housing in the local area, while 32% said it would make no difference.

This left only one in six of the public (17%) who said they would see politicians in a more negative light if they advocated building more homes locally.

Councillors in South and West London are most concerned (both 42%) about receiving less support if they supported building homes in their local area. But perhaps they are more worried than they need to be as only 17% of public respondents in the South and 20% of those in the West said they would look on a local politician more negatively if they backed more housebuilding in their local area.

While the gap is less stark, councillors in North and East London also seem overly concerned, with 23% and 28% respectively thinking that supporting new homes would result in less support from local voters. This compares to a response of 15% from public respondents in the North and 19% of those in the East who said they would look on a local politician more negatively if they backed more housebuilding in their local area.

There is a significant difference between inner and outer London, with double the amount of councillors in outer London (40%) reporting they would receive less support if they advocated more housebuilding compared to inner London (21%).

There was considerable divergence along party lines in terms of both councillors and the public. Conservative councillors were most likely to believe more housebuilding would result in less support from voters (58%), compared to 17% of Labour councillors and 40% of Liberal Democrats.

Around a quarter (26%) of 2010 Conservative voters in the public survey said they would look more negatively on local politicians who backed more house building in their local area, compared to 12% of Labour past voters and 20% of Liberal Democrat past voters.

Voters who would regard local politicians more positively or wouldn't change their opinion of them if they backed more house building in their local area, heavily outnumbered those voicing negative opinions.

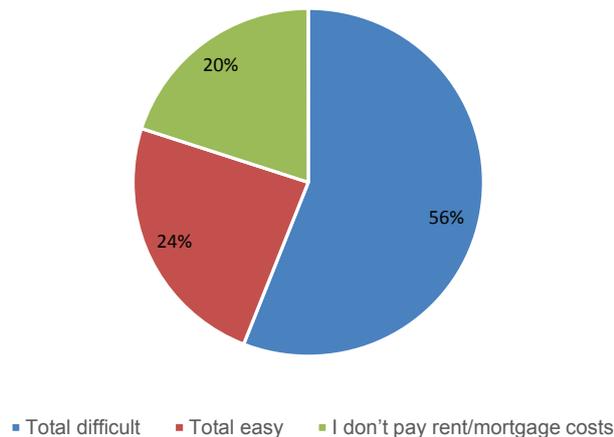
However, even if it appears councillors are overly concerned about support for local housebuilding there are certainly issues of Nimbyism at play in London. While three quarters (76%) of public respondents think there is a housing shortage in London that number drops to 58% of people who think the problem is evident in their area, dropping again to 53% of respondents who actually support more development in their locality.

Barring central London, in each region of London the proportion of people who think there is a housing shortage in their area is higher than the proportion from that area who think more homes should actually be built there.

1 London Employees

Over half (56%) find their rent/mortgage costs make it difficult to live and work in London, whilst 24% think that it is easy.

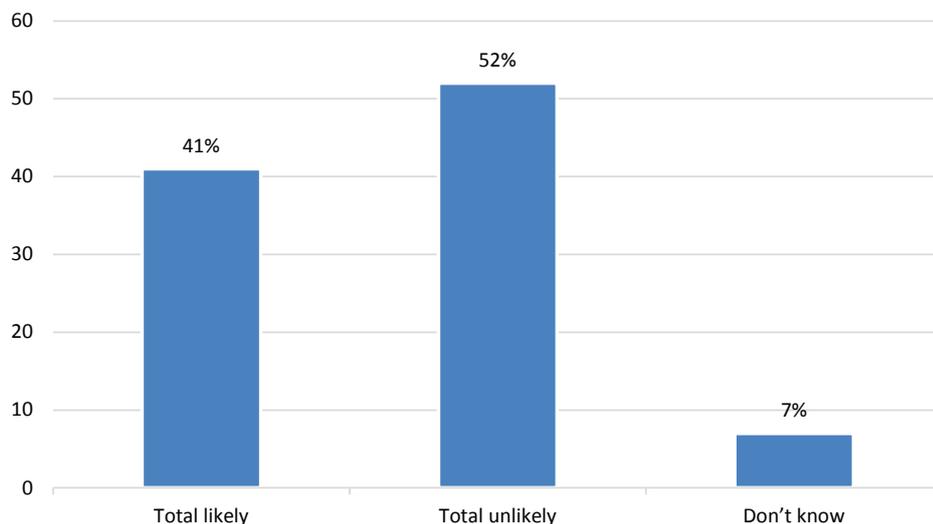
Impact of rent/mortgage costs on living and working in London for employees



The 25-39 age group is hardest hit with 70% saying they find the cost of rent/mortgage makes it difficult to work in London. This compares with only one in four of that age group (24%) who find it easy.

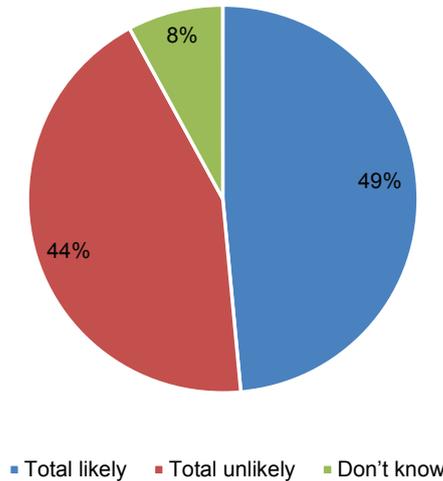
Of those who find it very or fairly difficult, 41% think it is likely they would consider moving out of London and taking a job in a different city or region to take advantage of lower rent/mortgage costs. Again this is highest amongst the 25-39 age group (50%).

Likelihood of employees living and working outside of London if current housing costs are difficult



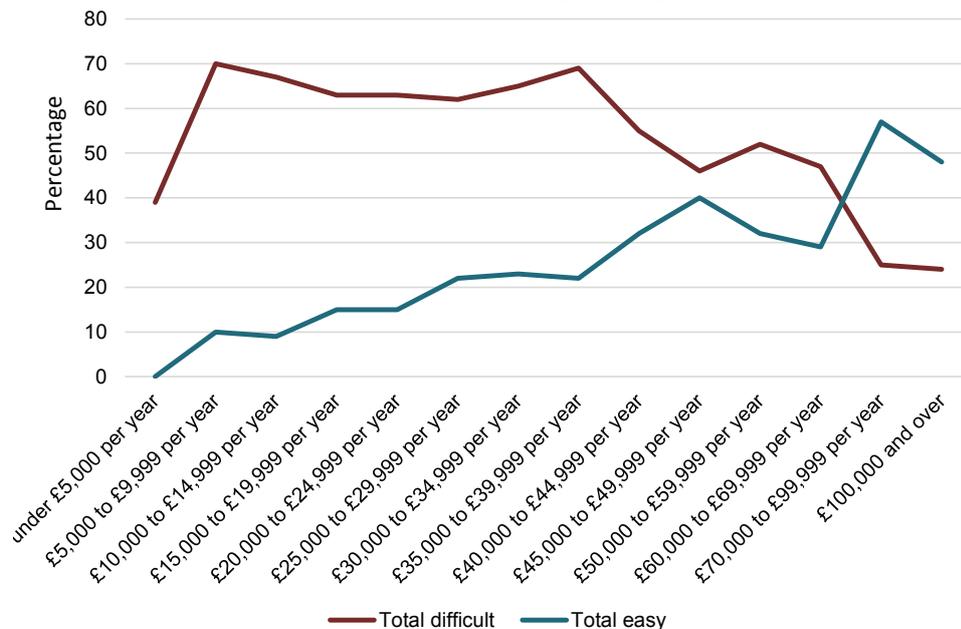
When asked how a continued rise in London housing prices and rents would affect their movement, nearly half (49%) said it is likely that they would consider moving out of London whilst 44% said it was unlikely.

Employees who would consider moving out of London if house prices and rents continue to rise



The results indicate that it is not until those polled were earning in excess £70,000 that respondents who found it easy to service mortgage and rents outnumbered those who found it difficult.

How difficult/easy do employees find paying mortgage or rental costs, by salary

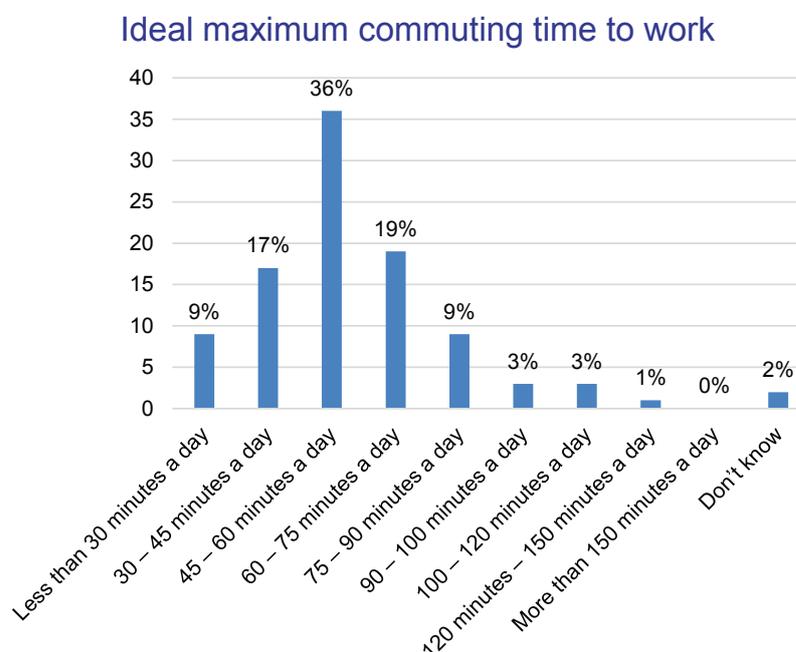


Only once they passed 60-years-old did the number of respondents finding it easy to pay rent/mortgage tend to balance out with those who found it difficult.

A much higher proportion of people who rent find it difficult to live and work in London (between 64-81% dependent on landlord type) compared to those who already own a leasehold/freehold property (16%) or are currently buying (48%).

A similar proportion of those who rent and who are buying, or already own, say they are likely to consider moving out of London and taking a job in a different city or region to take advantage of lower rent/mortgage costs. However, if costs keep rising in the future, those who rent are more likely to leave (Rent: 49-62% dependent on landlord type. Own/buying: 34/35%)

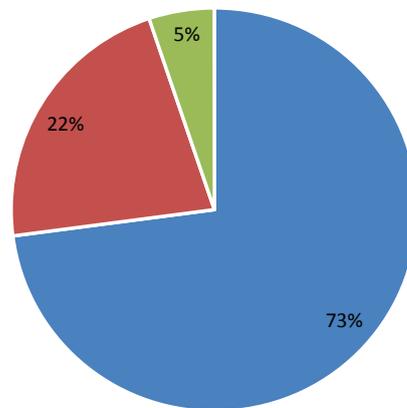
When polled on the maximum amount of time they would be willing to commute to work (i.e. one way, so the total commute would be double the time), the majority (36%) stated a commuting time to work of 45-60 minutes a day, whilst around a fifth said 30-45 minutes a day (17%) and 60-75 minutes a day (19%).



2 London Business Decision-Makers

Nearly three in four (73%) think London's housing supply and costs are a significant risk to the capital's economic growth whilst 22% think it as an insignificant risk.

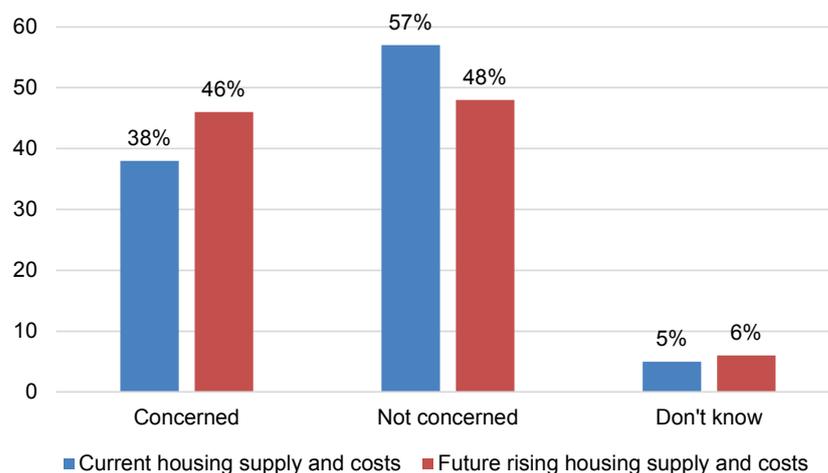
The risk London's housing supply and costs pose to the capital's economic growth



■ Significant ■ Insignificant ■ Don't know

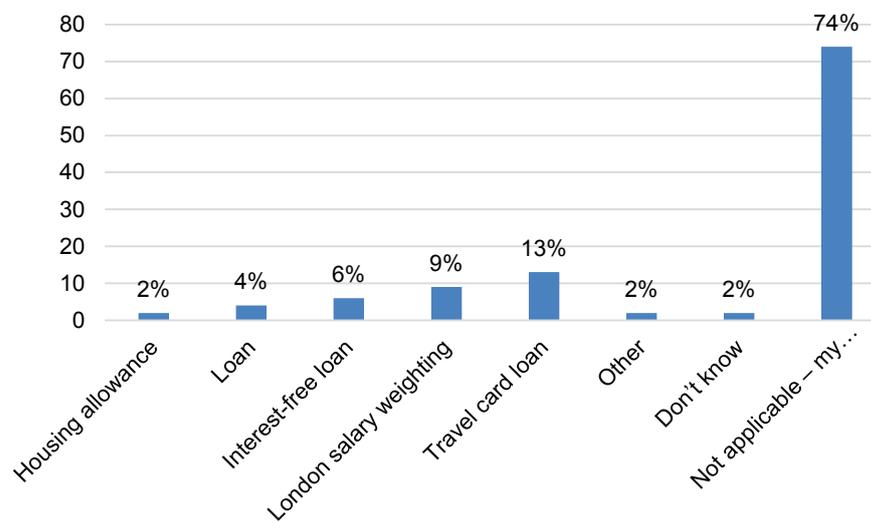
Nearly two in five (38%) business decision-makers are concerned about London's housing supply and costs for employees at their company/organisation and the impact that this has on recruitment and retention levels. If house and rent prices continue to rise over the next 10 years, the level of concern increases to 46%.

Impacts of housing supply and costs on the company's recruitment and retention levels



To help with mortgage and rent costs, just over one in ten (13%) companies provide their staff with a travel card loan, followed by London salary weighting (9%) and an interest-free loan (7%). The majority (74%), however, do not provide any assistance.

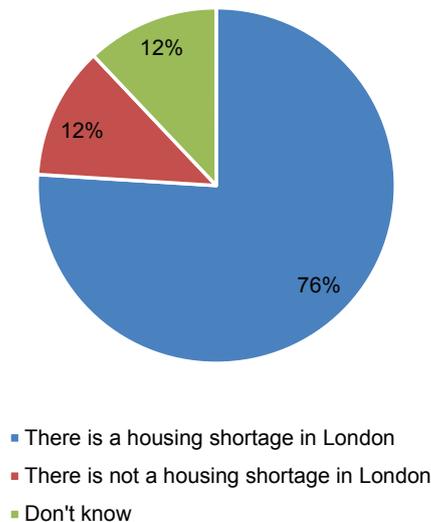
Company provisions to help employees with mortgage/rent costs



3 London General Public

Around three quarters (76%) of Londoners think there is a shortage of housing in London. This opinion increases with age with just over half of 18-24 years-old (56%) having this opinion, growing to 86% of those aged 60 and over.

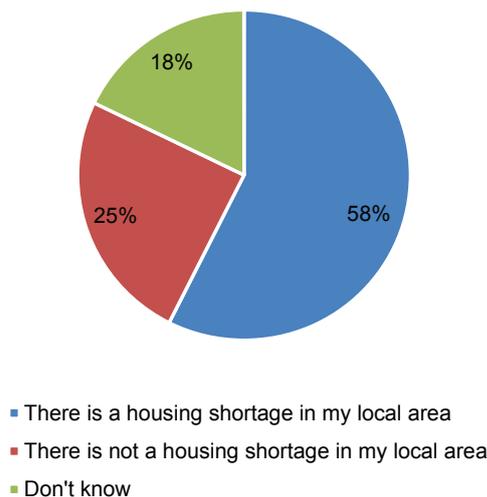
General public views on London's housing shortage



This awareness is almost uniform across different regions of London – ranging from 73% in central London to 79% in south London.

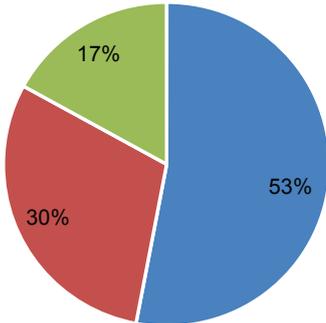
Around three in five (58%) think there is a housing shortage in their local area, and again, this response is more likely the older the respondent is. However, a substantial number – a quarter - still think their area has no housing shortage.

General public who believe there is a housing shortage in their local area



Over half (53%) of Londoners think that there should be more housing developments in their local area whilst three in ten (30%) think the opposite.

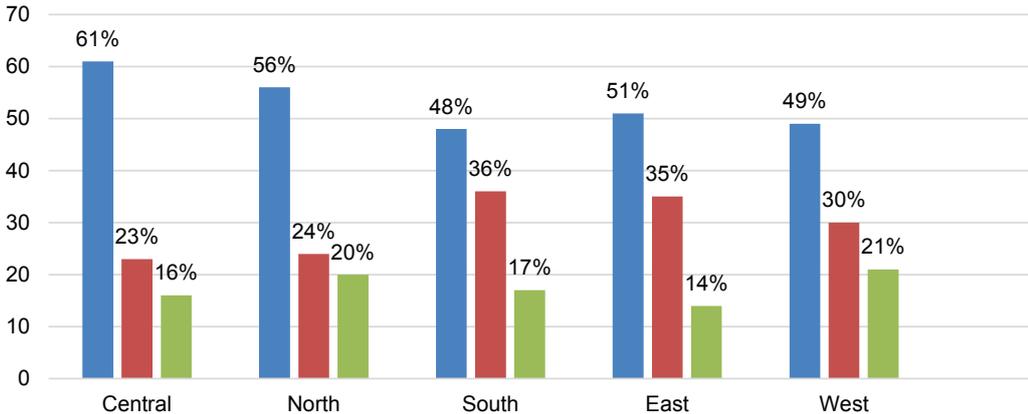
General public opinion of housing development in their local area



- There should be more housing developments in my local area
- There should not be more housing developments in my local area
- Don't know

When broken down by region we see that public support for more housing building in their local area outstrips negative sentiment in each case.

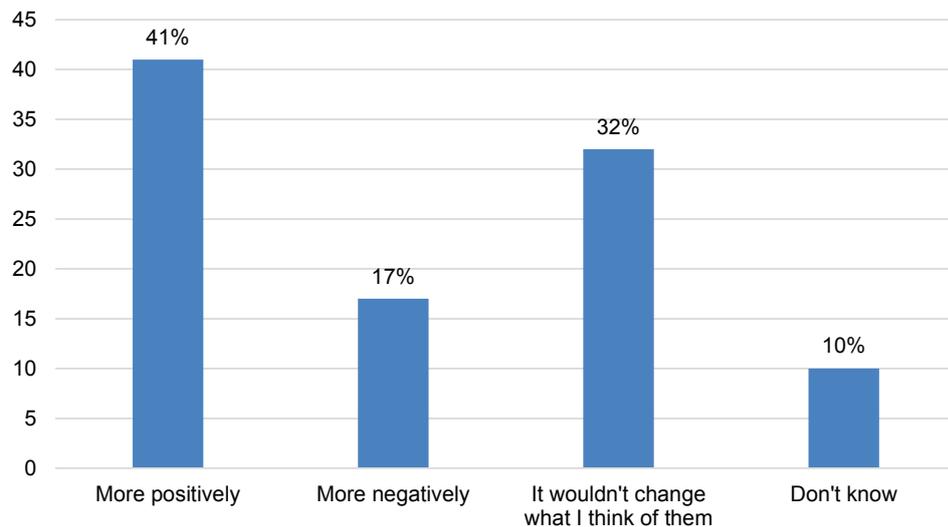
General public support for more development in their local area



- There should be more housing developments in my local area
- There should not be more housing developments in my local area
- Don't know

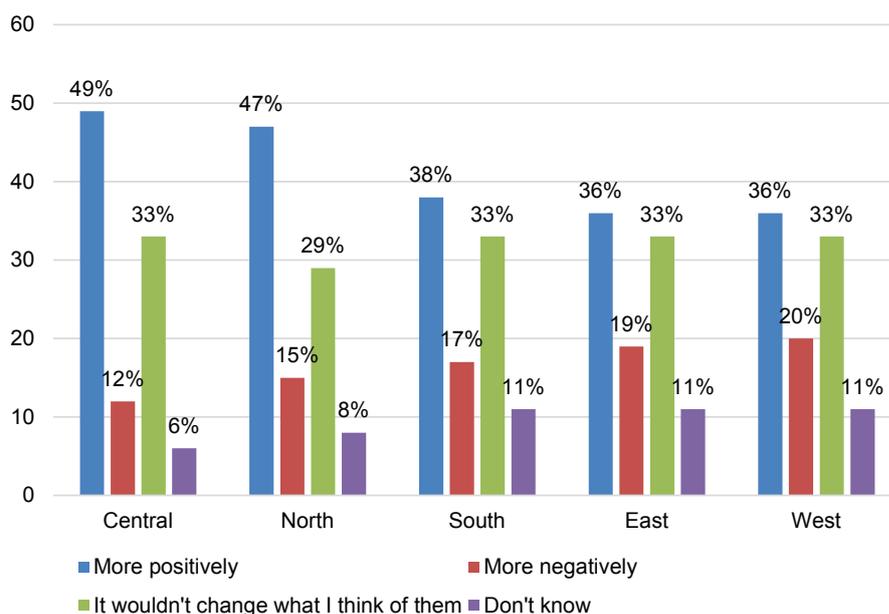
The majority (41%) of the general public would look upon a local politician more positively if they were to back more house building in their local area and around a third (32%) say it wouldn't change their opinion of them. Only 17% would have a negative view.

How the general public would view local politicians who support more housebuilding in their local area



In terms of London regions, central London respondents are the least likely to look upon local politicians who back more house building in their area negatively (12%). This area was followed by North London (15%), South (17%) and East (19%) with West at 20%.

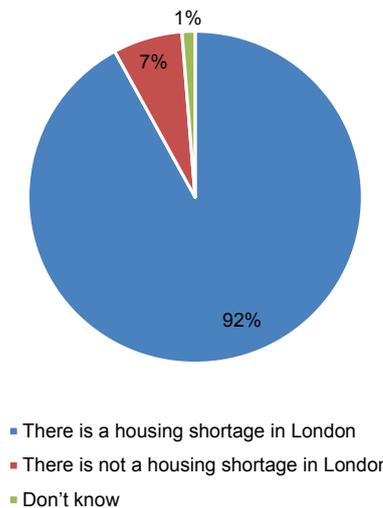
How general public would view local politicians who support more housebuilding by region



4 London Councillors

Overall, around nine in ten London councillors (92%) think there is a housing shortage in London, with just 7% thinking there is no shortage.

Councillors who believe there is a housing shortage in London

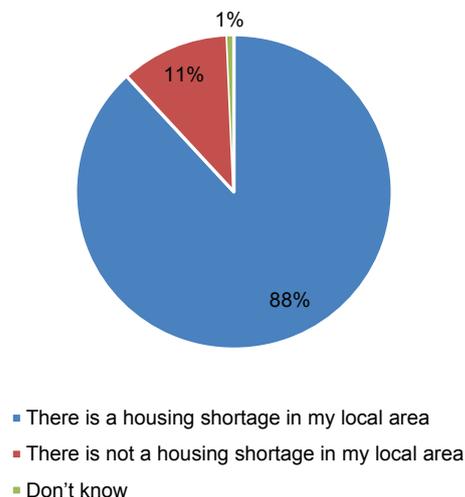


In terms of geographical responses, the proportion who think there is a housing shortage in London ranges from 100% in the North to 89% in the South.

In terms of party splits, 98% of Labour councillors agree that there is a housing shortage in London, 95% of Liberal Democrat councillors and 81% of Conservative councillors.

A similar overall proportion (88%) think there is a housing shortage in their local council area (as opposed to across London).

Councillors who believe there is a housing shortage in their local area

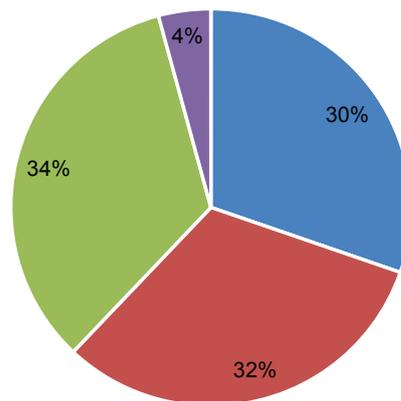


However, there are bigger variations between the parties in terms of shortages in their local areas, with 98% of Labour and 93% of Liberal Democrat councillors stating that there is a housing shortage in their local area, compared to 76% of Conservative councillors.

The more recently councillors have been elected the more they seem to be aware of the problem (95% elected in May 2014 versus 80% elected in May 1998).

There is roughly an even split in how councillors think supporting more housebuilding would influence local votes; 30% think they would gain more support, 32% think less support and 34% think it would generate about the same level of support.

London overall:
Perceived impact on public support if
councillors back more local housebuilding

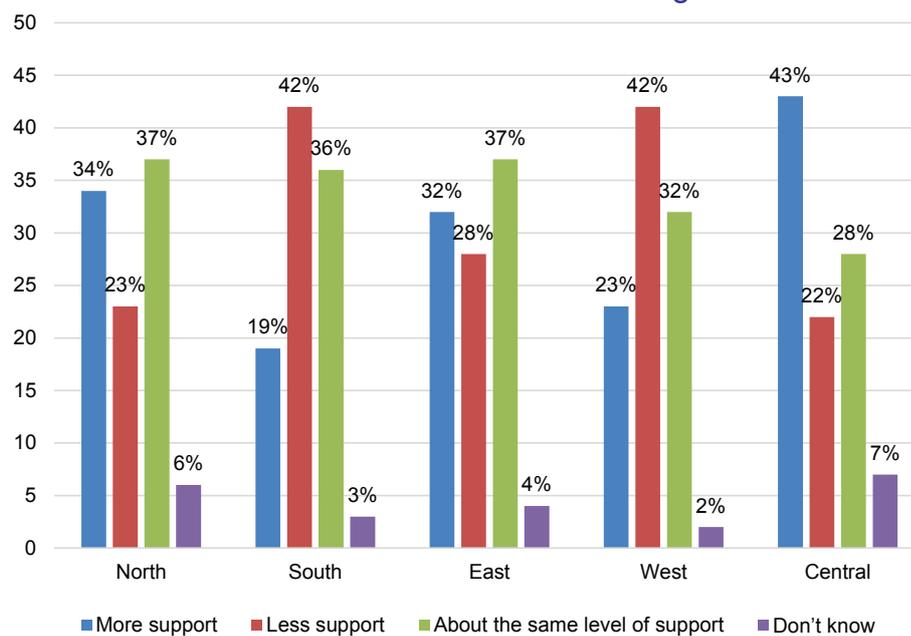


■ More support ■ Less support ■ About the same level of support ■ Don't know

Councillors in south and west London are most concerned (both 42%) about losing support if they pushed for more housebuilding in their local area.

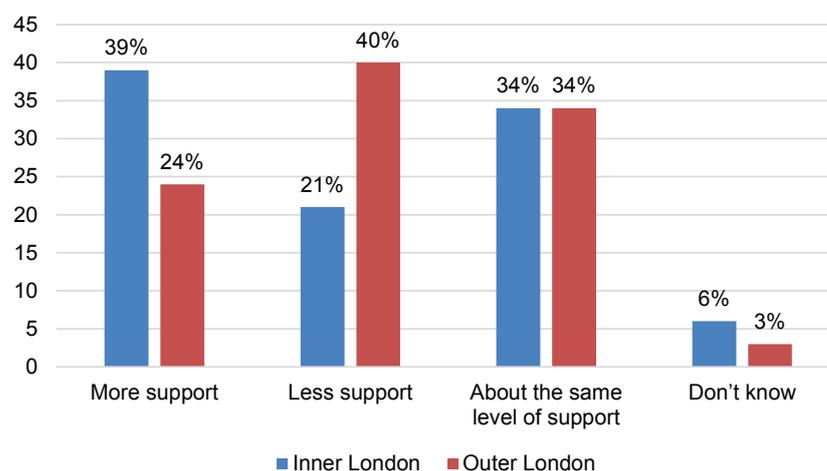
Councillors in north and east London are less concerned, with the proportion saying they thought advocating more building would lead to less support from local voters standing at 23% and 28% respectively.

London regions:
Perceived impact on public support if councillors back more local housebuilding



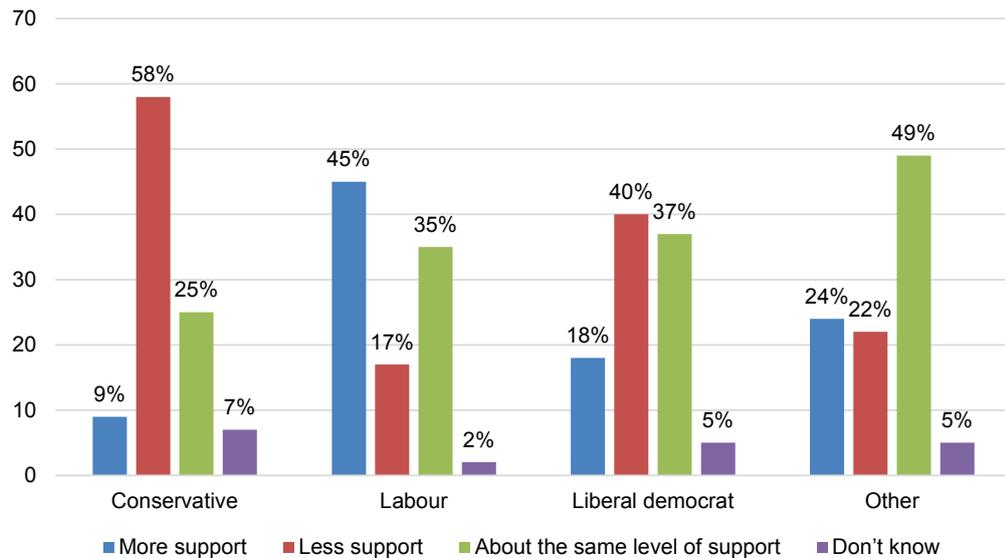
When comparing inner and outer London, those in outer London are much more concerned about losing support than in inner London - 21% in inner London said they thought they would receive less support, versus 40% in outer London.

Inner/outer London:
Perceived impact on public support if councillors back more local housebuilding



There is a considerable split between Conservative and Labour councillors with regard to the level of support they believe that they would receive from local voters if they supported more housebuilding in their area, with Conservatives reporting that they would get less support and Labour reporting the opposite.

Political party:
Perceived impact on public support if councillors back more local housebuilding



END/EDITOR NOTES

The four samples were fielded separately in August 2014. The details of each sample are as follows.

London general public sample: All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,200 adults. Fieldwork was undertaken between 8th - 13th August 2014. The survey was carried out online. The figures have been weighted and are representative of all London adults (aged 18+).

London councillor sample: All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 302 councillors and the data is correct at a 95% confidence interval of +/- 6%. Fieldwork was undertaken between 5th August - 19th August 2014. The survey was carried out online. The figures have been weighted and are representative of London Councillors.

London decision-makers sample: All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 576 B2B Decision Makers in London. Fieldwork was undertaken between 4th - 12th August 2014. The survey was carried out online.

London employees sample: All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,000 adults who live and work in London. Fieldwork was undertaken between 13th - 19th August 2014. The survey was carried out online. The figures have been weighted and are representative of all London employees (aged 18+).

CONTACTS

For more information on how Turner & Townsend can help you find solutions to housing delivery, please email steve.perkins@turntown.co.uk

For more information on London First's work on housing, planning and built environment, please email Jonathan Seager at jseager@londonfirst.co.uk

