

# City of London Strategic Housing Market Assessment Supplement 2024

Report of Findings  
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# 1. Introducing the Study

## Background to the project

### Introduction

- 1.1 Opinion Research Services (ORS) was commissioned by the City of London to prepare a Strategic Housing Market Assessment (SHMA) Supplement.
- 1.2 The City of London SHMA 2022 identified a need for 1,240 affordable homes over the 20-year period 2023-2043, or 62 per annum. This figure is based upon households who are unable to meet their own housing needs in the City of London. This was used as the basis for the Regulation 18 and 19 consultations for the City Plan 2040 which will run from 2025-2040. For the City Plan 2040, the assumed annual need for affordable housing is 62 per annum and overall need for all housing is 146 dwellings per annum for 2025-2029 and 102 dwellings per annum for 2029-2040. This gives a total affordable housing need of 930 dwellings for the 15-year period and a total need for 1,710 dwellings.
- 1.3 The purpose of this supplementary report is to consider three issues:
  - » How does the need for 930 affordable units split between those who can only afford social rent and those who can afford more expensive affordable products such as London Living Rent;
  - » Some households can afford to rent in the City of London, but may aspire to own and cannot afford to do so. Is there any opportunity in the City of London to meet some of their needs through products such as First Homes and Shared Ownership; and
  - » What is the required size mix for housing.
- 1.4 We will initially consider the cost of housing in the City of London and then consider how this drives the affordability of different housing products.

## 2. Local Housing Market

### Housing trends and cost of housing in City of London

#### Introduction

- 2.1 This chapter explores the cost of housing in the City of London and the incomes needed to rent or buy at market prices.
- 2.2 It highlights the potential income gaps and identify where and how people may fall into affordable housing need. This includes consideration of Social Rent, London Living Rent, Shared Ownership and First Homes.

#### Cost of Renting

- 2.3 When considering renting in City of London, it is important to reflect on the range of rental options available together with the impact of the housing benefit levels in the area. There are a number of rates to consider. There are four key definitions to consider when looking at the cost of renting in City of London. These include:
- » Median and lower quartile private rent;
  - » Local Housing Allowance (LHA) for Central London BRMA<sup>1</sup>; and
  - » Social Rents.
- 2.4 The Local Housing Allowance (LHA) is the maximum payment for claimants in receipt of housing benefit. These are based on broad rental market areas (BRMAs). The LHA was previously calculated on the 30<sup>th</sup> percentile private rent, however more recent increases have been based on CPI and rates were frozen in the July 2015 budget.
- 2.5 Figure 1 sets out the median weekly rents for different property sizes in City of London together with the local housing allowances and the calculated affordable rent rates. Please note that too few market properties of 3 or more bedrooms and too few social rent properties of 4 or more bedrooms are available to have rents recorded.

Figure 1: Weekly rent thresholds in City of London (Source: ONS 2022-23; SDR 2023)

Weekly Rent £	Median Private Rent	Lower Quartile Private Rent	Local Housing Allowance Central London BRMA	Social Rent
1 bedroom	£473.30	£402.46	£331.39	£130.97
2 bedrooms	£620.94	£540.45	£412.86	£142.62
3 bedrooms	-	-	£497.10	£151.91
4+ bedrooms	-	-	£704.22	-

<sup>1</sup> This represents the maximum amount of housing benefit that can be claimed. Previously based on the 30<sup>th</sup> percentile private rent, however more recent increases are based on Consumer Price index (CPI) and rates were frozen in the July 2015 Budget.

- 2.6 Across all property sizes, lower quartile private rent and higher than the maximum LHA in City of London. This highlights that the needs of those on benefits cannot be met in the private rental sector even if full benefits can be provided within Universal Credit and sufficient properties can be found for the households.

### Income Needed to Rent Housing

- 2.7 The income needed to rent housing will depend on the monthly rent together with the income multiplier allowed for housing costs. Figure 2 shows the gross household incomes needed to afford median and lower quartile private rent, Affordable Rent and Social Rent if 35% is spent on housing.

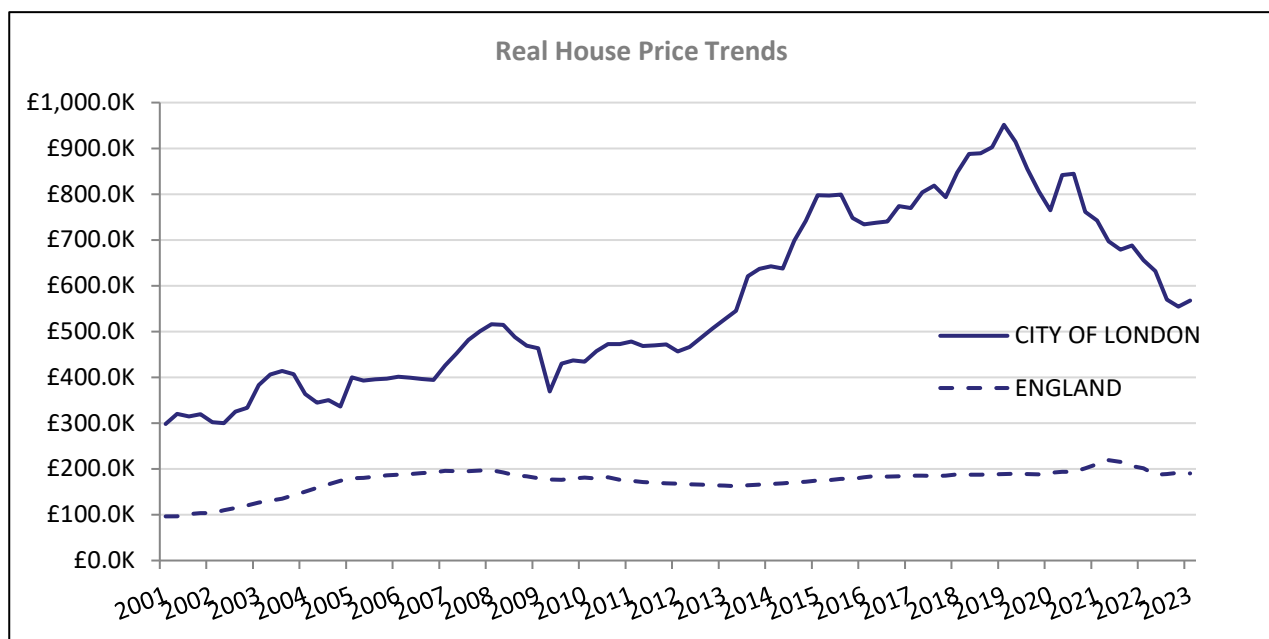
**Figure 2: Annual income required to afford to rent properties at the lower quartile and median price based on 35% income multiplier by property size in City of London (Source: ORS based on ONS data October 2022 to September 2023)**

CITY OF LONDON	Private Rent Median	Private Rent Lower Quartile	Social Rent
1 bedroom	£70,560	£60,000	£19,525
2 bedrooms	£92,571	£80,571	£21,262
3 bedrooms	-	-	£22,647
4+ bedrooms	-	-	-

## Cost of Home Ownership

- 2.8 When considering home ownership, it is worth reflecting on house prices during the past twenty years. House price trends (2001-2023) are shown in Figure 3. This is based on lower quartile prices and data is adjusted for inflation so that values reflect real changes in house prices since 2001.
- 2.9 Real house prices in the City of London increased substantially in the period 2001-2008 before falling 2009. Values then grew steadily until 2020, but have been falling in real terms since that time. This is out of step with most of the rest of England where real house prices only started to fall in 2022 as inflation and interest rates rose.

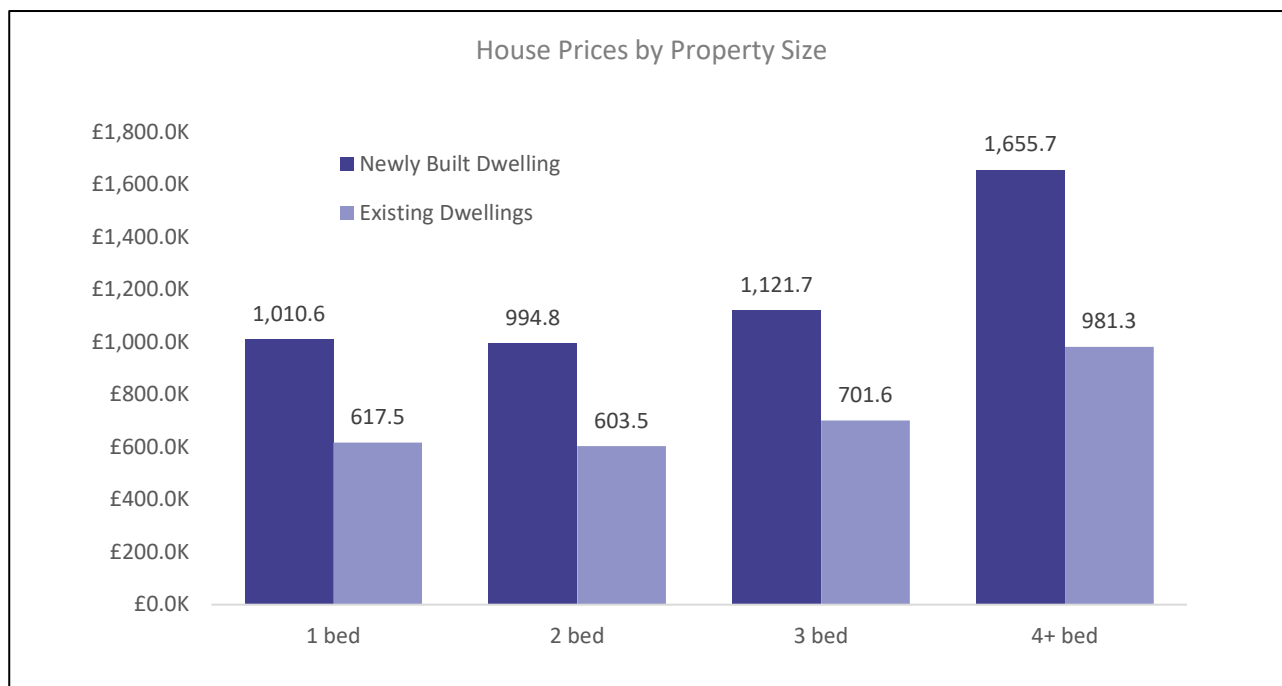
**Figure 3: Real House Price Trends: Lower Quartile Prices adjusted to 2023 values using CPI (Source: ONS; Bank of England)**



2.10 House prices clearly vary in accordance with a range of factors. An important component is the size of the property, with the number of bedrooms being key. Figure 4 shows lower quartile house prices in City of London by bedroom size, while noting that the sample sizes for each dwelling size are very small.

2.11 There is also a difference between existing properties and new build dwellings. New build dwellings generally attract a premium and this is the case in City of London.

**Figure 4: Lower quartile prices (adjusted by CPI) (2023) by property size (Source: ORS based on ONS House Price Statistics, Bank of England, Valuation Office Agency and Land Registry Price Paid Data)**



2.12 The difference in values between new build and existing properties is likely to be down to a range of factors which include the location of new build housing, the relative size of properties, comparative quality and condition of existing stock, and other intangible issues such as character.

## Identifying the Gap for Affordable Home Ownership

2.13 The NPPF encourages local authorities to widen opportunities for home ownership.

2.14 When identifying the need for Affordable Home Ownership (AHO), it is necessary to consider the housing costs for both renting and buying market housing in order to understand the relative incomes required and establish the appropriate income range for AHO products and the associated purchase costs.

Figure 5 summarises the income thresholds for the range of different housing options based on the costs for home ownership and rents which emphasises that owner occupation is much less affordable.

**Figure 5: Annual income thresholds for different housing options, single bedroom and two bedroom (Source: ORS based on ONS House Price Statistics, Department for Work and Pensions, Valuation Office Agency and Land Registry Price Paid Data. Note: All figures rounded to nearest £100)**

Annual Income Needed to Own at Lower Quartile Prices	Single Bedroom Properties	Two Bedroom Properties
Minimum income needed to own a newly built dwelling with 10% deposit and 3.5x mortgage	£259,900	£255,800
Minimum income needed to own an existing dwelling with 10% deposit and 3.5x mortgage	£158,800	£155,200
Minimum income needed for median private rent to be less than 35% in City of London	£70,600	£92,600
Minimum income needed for lower quartile private rent to be less than 35% in City of London	£60,000	£80,600
Minimum income needed for affordable rent to be less than 35% in City of London	£34,200	£42,800
Minimum income needed for social rent to be less than 35% in City of London	£19,500	£21,300
Upper end of range of maximum income for Housing Benefit support in City of London	£32,600	£46,100
Lower end of range of maximum income for Housing Benefit support in City of London	£30,400	£40,400

- 2.16 There is large income gap between being able to afford market rent (£60,000) and being able to afford home ownership (£158,800) which, in theory, leaves a large gap for affordable home ownership housing products (AHO's). However, AHO products in London are capped at a maximum household income of £90,000 per annum. This leaves households with a higher income than £90,000 unable to afford to buy in the open market in City of London, but ineligible for AHOs.

#### Low Cost Home Ownership

- 2.17 A range of Low-Cost Home Ownership (LCHO) products have also been developed to assist households into homeownership, including London Living Rent, Shared Ownership and First Homes.

#### London Living Rent

- 2.18 London Living Rent properties are rented for 5 years, with an option to buy the property after that period. The maximum income for a household entering a London Living Rent property is £67,000 per annum. Rents are set at 33% of local median incomes, or a maximum of £1,400 per month, whichever is lower. The estimated cost of London Living Rents in the City of London is taken from the GLA data for 2024/25<sup>2</sup> and are £1,400 per month for all property sizes. This in turn would require an income of over £51,000 to be able to afford the rent. Therefore, for a household to be able to afford a London Living Rent property, they must have an income between £51,000 and £67,000 per annum, with the exception of those who require one bedroom where the entry point for market rent starts at £60,000.

<sup>2</sup> [London Living Rent | London City Hall](#)



Figure 6: Average Total weekly costs for London Living Rent (Source: GLA London Living Rents 2024/25)

Total Weekly Cost £	London Living Rent
1 bedroom	£321.97
2 bedrooms	£321.97
3 bedrooms	£321.97
4+ bedrooms	£321.97

### First homes and Shared Ownership

- 2.20 First Homes were introduced in 2021 to assist households into home ownership. In London:
- a) a First Home must be discounted by a minimum of 30% against the market value;
  - b) after the discount has been applied, the first sale must be at a price no higher than £420,000,
  - c) the income of the household must be no more than £90,000.
- 2.21 Shared Ownership schemes involve purchasing a share of a property, often around 30%-40%, but this figure can be lower, and paying rent on the remaining share which will be owned by a register provider. The purchasers can then buy out further shares in the property over time. In London, the household income of someone purchasing a Shared Ownership property is again capped at £90,000 per annum.
- 2.22 Typically, Shared Ownership properties will have a higher weekly cost when compared to a First Homes because the purchase comes with no discount. The lower quartile newbuild house prices set out in Figure 4 show that First Homes cannot be delivered in the City of London for less than £420,000, even if they have a 50% discount. Similarly, a Shared Ownership property will require an income of over £90,000 per annum to meet the mortgage, rent and service charge costs. Therefore, neither First Homes or Shared Ownership properties are a means of meeting any form of need in the City of London.

## Housing Cost Summary

- 2.23 The price of newbuild housing in the City Of London makes it unlikely that First Homes and Shared Ownership properties can be delivered within the £90,000 per annum income cap in London. This means that afford to own products for those who can afford private rent cannot be delivered. However, London Living Rent does have the potential to meet the need of household whose income are £67,000 or lower. Therefore, we will now explore how many of the 930 total need for affordable housing can afford London Living Rent.

## 3. Affordable Housing Need

### Identifying households who cannot afford market housing

#### Affordable Mix

- 3.1 Within the overall need of 930 affordable homes identified for those unable to afford market rents, it is possible to further consider the mix of affordable housing products that would be appropriate based on the mix of households needing affordable housing<sup>3</sup>. In order to profile affordability, income data from the English Housing Survey (2012-14)<sup>4</sup> and ONS Survey of Personal Incomes (2014 and 2018) has been used and modelled to establish the income distribution by household type and age in the City of London. The reason for using this data is that it excludes any income from housing benefit, while other datasets such as CACI Paycheck include benefit data, as the analysis seeks to determine to what extent housing benefit would be needed by households in each group. The data therefore considers the income profile of households in the City of London against the cost of housing for each property size required by a household.
- 3.2 The types of affordable housing that households can afford is influenced by the percentage of income that is assumed to be available to pay rent or mortgage costs. Figure 2 identified the minimum annual income in the City of London needed to afford by property size (based on spending up to 35% of total income). This allows for disaggregation that are unable to afford market rents to be split into those who can, and those that cannot afford London Living Rents. The model looks at households affordability before housing benefit is added, so households who cannot afford Social Rent are assumed to be able to access housing benefit to assist with their housing costs.

**Figure 7: Overall need for Affordable Housing 2025-40 disaggregated based on ability to access Affordable Rented and London Living Rent, by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)**

	Require Social or Affordable Rent	Able to afford London Living Rent – and income under £67,000 per annum	TOTAL
1 bedroom	350	51	401
2 bedrooms	351	46	397
3 bedrooms	59	8	67
4+ bedrooms	59	7	66
<b>TOTAL HOUSING NEED</b>	<b>818</b>	<b>112</b>	<b>930</b>

#### Size and Tenure Mix based Upon Overall Housing Needs

- 3.3 Figure 8 provides a breakdown of the need for 1,710 dwellings between market and affordable housing on this basis. The affordable homes are subtracted from the overall dwelling need calculated above. The size mix for each tenure is derived from a mixture of the household type and past trends. The key driver of size for affordable to rent is many overcrowded households in City of London.

<sup>3</sup> While this section is about need and not supply, nor whether is it feasible to supply sufficient homes to meet the need in any particular LPA. The supply to deliver against the need may be affected by such factors as thresholds for affordable housing on individual sites where, for example, a smaller proportion of affordable housing or none may be required on smaller sites.

<sup>4</sup> This is the most recent data available that allows this analysis

- 3.4 It is important to note that the affordable housing figures quoted are for the net delivery. Therefore, if any properties are sold under right to buy, or lost through demolition then they are required to be added to the figures one for one. Similarly, we have not counted any pipeline supply delivery and any homes brought back into use can be counted against the needs. The market housing figure contains both market rent and owned occupied dwellings.

**Figure 8 Overall Dwelling need for Affordable Housing (including households aspiring to home ownership) and Market Housing by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)**

	Require Social or Affordable Rent	Able to afford London Living Rent – and income under £67,000 per annum	Total Affordable Housing	Total Market Housing	Total
1 bedroom	350	51	401	228	<b>629</b>
2 bedrooms	351	46	397	484	<b>881</b>
3 bedrooms	59	8	67	67	<b>134</b>
4+ bedrooms	59	7	66	0	<b>66</b>
<b>TOTAL</b>	<b>818</b>	<b>112</b>	<b>930</b>	<b>779</b>	<b>1,710</b>
1 bedroom	20.5%	3.0%	23.5%	13.3%	36.8%
2 bedrooms	20.5%	2.7%	23.2%	28.3%	51.5%
3 bedrooms	3.5%	0.5%	3.9%	3.9%	7.8%
4+ bedrooms	3.5%	0.4%	3.9%	0.0%	3.9%

- 3.5 The most significant finding overall from Figure 8 is that **the need for affordable to rent housing, which effectively will be social housing is 818 dwellings**. Around 12% of the need is for London Living Rent.
- 3.6 In terms of size mix, the vast majority of the affordable need is for one and two bedroom properties, reflecting the relatively small household sizes projected for the City of London. However, there is also a need for over 100 affordable to rent properties which would help larger families and address some current overcrowding in the affordable stock.

## Policy Implications for Affordable Housing Need

- 3.7 This document represents a technical analysis for the housing needs of City of London. We do not consider that it should set firm policies for the Council, but should instead be seen as underwriting the evidence of policies which will be developed. However, we are able to make a series of recommendations.
- 3.8 Of the total need for 930 affordable homes, around 112 of the need could potentially be in the form of London Living Rent, or around 12% of the total housing need. This product only works in the City of London for households with incomes between £51,000 and £67,000 per annum.
- 3.9 The majority of the total need is for other affordable rented products, which in the City of London are typically London Social Rent. This would pick up the needs of households with income of less than £50,000, with many requiring housing benefit support to pay their rents. On this basis, a potential policy response to the affordable needs would be to seek a 90:10 split between affordable rented and London Living Rent for affordable housing on qualifying sites. **However, it is noted that such a split on small sites such as that that come forward within the square mile may be inappropriate or unachievable due to site specific circumstances, or management arrangements.**

- <sup>3.10</sup> The high cost of housing in the City of London imply that other affordable to own products such as First Homes and Shared Ownership have no role to play in meeting needs. In practice there is no product available which would meet the needs of those with incomes between £67,000 and £90,000 per annum.
- <sup>3.11</sup> In terms of size mix, the vast majority of the need is for one and two bedroom properties to address the needs of those with relatively small household sizes projected to arise in the City of London. However, there is a need for over 100 larger affordable units to help address current overcrowding and to accommodate larger families seeking affordable housing in the City of London stock.

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