



How Many New Homes does London Need to Build by 2021?

This briefing updates members on the work that London Councils has undertaken to model existing housing need, alongside the capital's forecast population growth, to estimate the number of homes which need to be built in London by 2021.

Overview

For the past 30 years London's housing supply has failed to match household growth. Put simply, we have not been building enough homes for Londoners since the 1980s. Now, in 2013, Londoners experience the highest levels of overcrowding and pay the highest rent in the UK¹, and London is again the national centre for homelessness. The high cost of housing is affecting London's economic growth, with the CBI recently citing housing as London's second biggest weakness contributing to fewer businesses wishing to expand in the capital.

London's long-term under-delivery of housing is a deeply-rooted problem. Since 1981, on average, fewer than 17,000 homes have been built each year. In any of the 10-year periods since 1980, London has never managed to build more than 195,000 homes. Yet, in the same period, the city's population has risen by 1.4 million people.

Existing backlog

Based on data from the Department for Communities and Local Government and the Greater London Authority, we estimate that an additional 283,000 homes need to be built in London to meet the *existing* backlog of housing need. This unmet housing backlog includes households that are overcrowded, concealed, or sharing in the private and social sectors, plus a subset of the number of homeless households. The table below sets out how we have arrived at this figure, taking into account different methodologies for calculating the housing backlog (rounded to ,000s).

Households	Social Rented Sector	Private Rented Sector	Total
Overcrowded (below bedroom standard)	131,000	98,000	230,000
Concealed (containing other families)	20,000	39,000	59,000
Sharing (exc students)	3,000	14,000	17,000
Less overlaps (between categories)	-11,000	-14,000	-26,000
Statutory homeless (in B&Bs and hostels)			3,000
Totals	143,000	137,000	283,000

¹ The average rent for a 2 bed property in London was £1,495 in the 12 months to 2013, VOA Table 1.4

London's growing population

London's population rose by more than one million people between 2001 and 2011 (see member briefing no 227 for a more detailed analysis of the Census data) and is forecast to exceed 9 million by 2021 and reach almost 10 million by 2031. The table below sets out the projected population growth between now and 2031.

GLA Population Projections 2012 Round (trend-based)

	2001-11	2011-21	2021-31
Population at end of period (000s)	8,204	9,221	9,953
Cumulative increase from 2011		1,017	1,748
% change - cumulate from 2011		12%	21%
Age (% change):			
0-4	-	8%	-2%
5-19	-	12%	8%
20-64	-	11%	6%
65+	-	21%	27%

These forecasts indicate that 526,000 new homes will need to be built in London simply to keep pace with London's booming population.

Yet on current projections only 250,000 homes will be built in the capital by 2021.

If this were the case, London would face a cumulative deficit (of existing and forecast demand) of some 559,000 homes by 2021. Taking even the most conservative estimate of housing need (for example, excluding overcrowding), would leave London facing a deficit of 329,000 new homes.

If London was to build the number of homes currently forecast we would be facing a cumulative deficit of more than half a million homes by 2021

Commentary

Finding a place to live in London is becoming increasingly tough – restricting the opportunities and aspirations of its people and posing a real threat to the future growth and prosperity of the capital.

London Councils has argued forcefully that the housing crisis in the capital is a long-term issue of supply.

Our analysis of existing data and population forecasts highlights the fact that we are on track for a deficit of more than half a million homes by 2021.

We recognise that other commentators may argue that this sum may be slightly higher or lower, depending on their methodological approach. However, the fact remains that we cannot shy away from the debate any longer and that short term fixes will not satisfy the significant new housing supply challenges that London is facing.

London Councils will be undertaking further work over the coming months to develop a set

of propositions and solutions which we believe could begin to address London's housing supply deficit.

Any strategic approach to addressing London's housing supply crisis needs to address three issues: cash (funding new homes), consent (the planning system and its interaction with housing supply), and capacity (the ability of the building industry to scale up and supply homes at the level required).

London Councils is undertaking detailed work in this area with the aim of setting out how London's housing delivery challenge can be addressed. Members will be kept updated as this work progresses.

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