

HOUSING AND INEQUALITY IN LONDON

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EXECUTIVE SUMMARY

Concern about the circumstances of the poor has been a recurring theme in London's public life since at least the nineteenth century when Henry Mayhew, Charles Booth and Charles Dickens used statistics, social science and literature to highlight the appalling conditions faced by many of the city's residents. Today the situation is no different: newspaper stories about "beds in sheds" compete for reader's attention with articles on million pound basement excavations.

This report draws attention to a new driver of inequality in London: the rapid increase in house prices ("the housing crisis"). We document three ways in which rapidly rising housing costs are affecting the fortunes of Londoners and increasing disparities in income and wealth.

First, we show how rising housing costs are eating away at discretionary income and undermining living standards. This has had the biggest impact on private renters who are least sheltered from increases in housing costs, with the result that the traditional association of poverty with social renting no longer holds. Income inequality in London is markedly higher after housing costs are taken into account.

Second, we show how the increased cost (or value) of housing has increased wealth disparities. Those who are already on the housing ladder have seen the value of their asset increase markedly, while everyone else is finding it harder to get on the housing ladder in the first place. Since most wealth is in the form of housing this process has inflated the wealth gap between the housing "haves" and the housing "have nots".

Third, we show how the housing crisis has affected spatial inequality. Inner London has historically had higher poverty rates than outer London, but rapidly rising house prices in the city centre mean that it is increasingly unaffordable for lower-income people. Meanwhile a movement of lower-skilled, lower-income workers into outer London has also increased poverty rates there. The housing crisis is therefore turning London's poverty map inside out.

London's housing crisis is by now infamous: it is the top issue for London voters¹ and for London businesses, who are increasingly worried about recruitment.² This report shows that there is another reason to worry about the housing crisis: inequality.

1

INTRODUCTION: INEQUALITY AND THE CITY

Concern about the circumstances of the poor, and about inequality between the rich and poor, has been an element in London's public life since at least the nineteenth century. Philanthropists and researchers including Henry Mayhew, Charles Booth and Charles Dickens used statistics, social science research and literature to highlight the appalling conditions endured by a substantial minority of the population in (what was then) the world's richest city. Comparing the Booth Poverty Map of 1889 with current deprivation maps shows that many patterns of poverty have persisted through the years and through a multitude of social and regeneration programmes.

Indeed, it seems cities have a tendency towards inequality. Highly-skilled people move to big cities because they are able to command a higher wage in urban labour markets. Once they arrive they also tend to acquire new skills at a faster rate, further increasing their earning potential (De La Roca and Puga 2012). Cities also attract the rich because they offer more opportunities for consumption. This was as true in Elizabethan London (Schwarz 2000) as it is today (Glaeser, Kolko and Saiz 2001). London, New York and Paris, in particular, have a scale and a density of wealthy inhabitants that allows them to support high-end shops, cultural institutions and restaurants.

Cities are also a magnet for the poor. In particular, international migrants flock to large urban areas, often putting up with smaller, more crowded accommodation in order to access the social networks and employment opportunities that cities provide (Ley 2007). New York has long been seen as a beacon for "huddled masses" fleeing poverty and persecution. The Lower East Side, just four miles from the Upper East Side, has a mythic status as the first home of these new arrivals. London's East End has had a similar function, at a similar distance from Mayfair.

Looked at in this way, it is hardly surprising that major cities produce large differences in income and wealth from neighbourhood to neighbourhood. A 2012

report considering income inequality in New York City concluded there was a “long-term trend toward greater inequality” in the city.³ Likewise, the London Poverty Profile shows that the capital is significantly more unequal than the rest of the country and this gap has been widening since the turn of the century.⁴

There are many economic and social forces that influence the distribution of income and wealth in a large city like London. This report draws attention to just one: house prices. These have risen rapidly in London in the last twenty years and the presence of a housing crisis in London is now universally acknowledged. We document three ways in which increasing housing costs are changing the face of inequality in London.

First, we show how rising housing costs are eating away at discretionary income and undermining living standards. This has had the biggest impact on private renters who are least sheltered from increases in housing costs, with the result that the traditional association of poverty with social renting no longer holds.

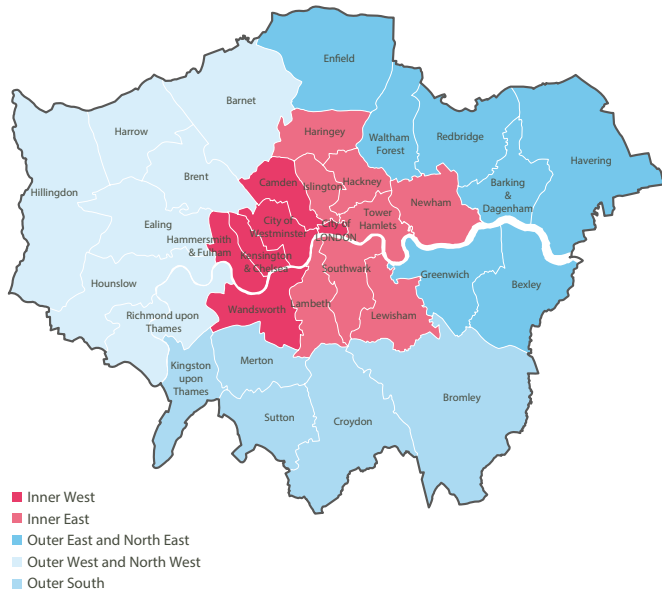
Second, we show how the increased value of housing has inflated wealth disparities. Those who are already on the housing ladder have seen the value of their assets increase markedly. Meanwhile, it is becoming harder and harder for the rest to get onto the housing ladder in the first place. Since most wealth is in the form of housing this process has increased the wealth gap between the housing “haves” and the housing “have nots”.

Third, we show how the housing crisis has affected spatial inequality. Inner London has historically had the highest poverty rates. But rapidly rising house prices in the centre mean that it is increasingly unaffordable for those on low incomes. Indeed, an influx of higher-skilled workers into inner London has significantly reduced the poverty rate in recent years. Meanwhile, lower-skilled, lower-income families have moved to outer London. The housing crisis is therefore turning London’s poverty map inside out.

Before we begin our analysis, some caveats are in order. We are not claiming here that increasing housing costs are the only, or even the most important, driver of inequality in the capital. Rather we are drawing attention to the links between housing costs and inequality because it has not been analysed in depth until now. Second, it is important to acknowledge that there are many different ways to measure inequality. All of them are contested to some extent and no one measure can capture all aspects of the concept. We therefore use several different measures and try to justify our choice in each case. Third, our analysis, like all quantitative research, is limited by the data we use. In particular, we rely heavily on detailed data collected in the 2001 and 2011 census. This means that more recent changes, including the consequences of recent welfare reform, are not fully captured by our analysis. Readers should bear this in mind.

Map of London Boroughs

This report adopts the standard Nomenclature of Territorial Units for Statistics (NUTS) classification, dividing the capital into five areas





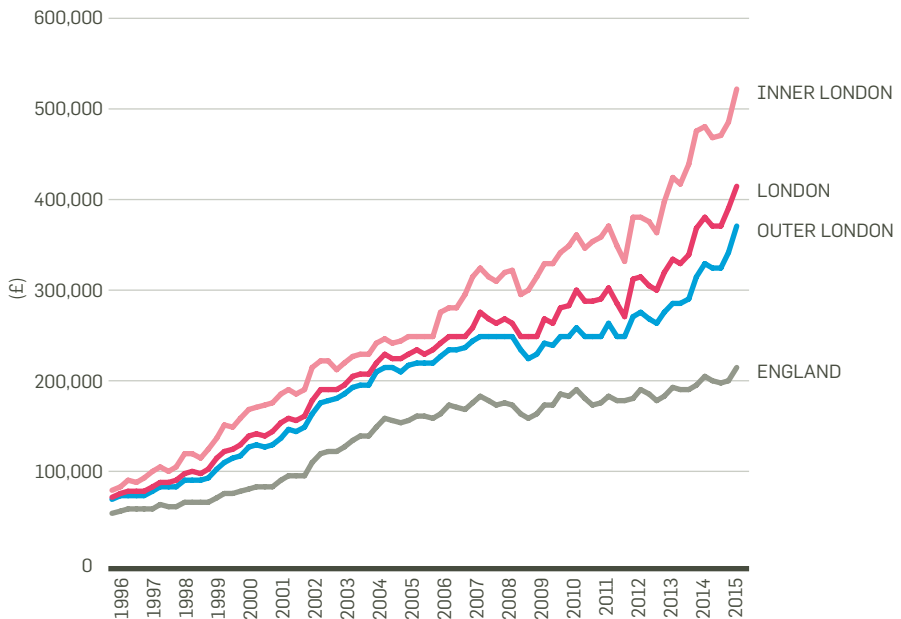
2

HOUSING COSTS IN LONDON

London's housing crisis is well documented, but before we can begin our analysis it is necessary to set out some basic facts about house prices. Figure 2.1 shows that median house prices in London have increased almost five-fold since 1996 and the difference between the median house price in London and the rest of England has grown continuously over that period.ⁱ Prices have risen faster in London than in England as a whole and inner London prices have in turn risen faster than in London as a whole.

Figure 2.1: Median House Price, 1996–2015

Source: DCLG, Land Registry, Average House Prices, 1996–2015



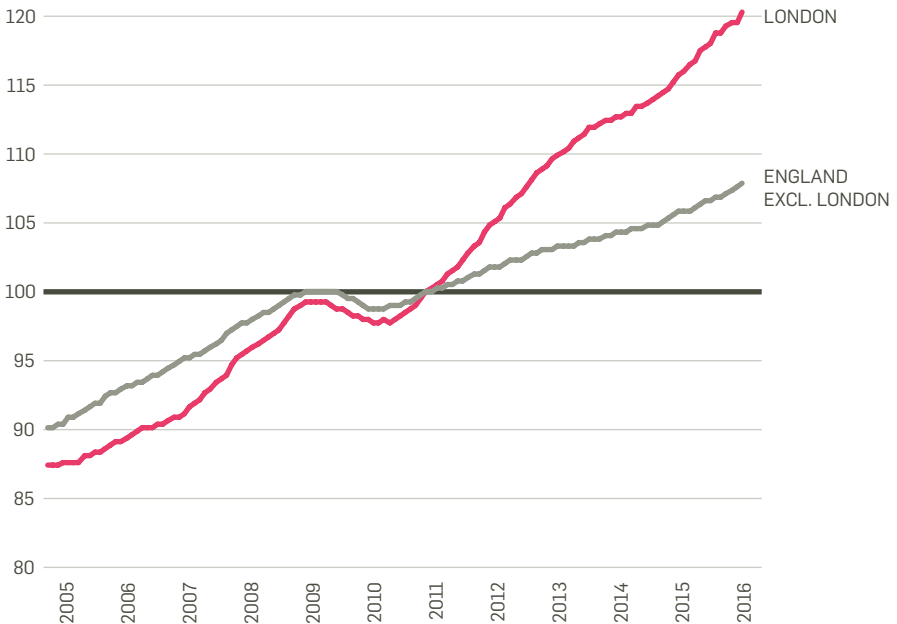
ⁱ The median house price avoids the bias of the mean house price – which is very sensitive to London's prime property market.

Rents have also increased much faster in London than in the rest of the country. As Figure 2.2 shows, they have increased by 20% in London in the last five years but only 7.5% in the rest of England.

Why have prices risen so much in London? On the demand side, sustained economic growth, sustained population growth and sustained inward migration have all pushed up demand (Dawkins and Nelson 2002; Otto 2006; Saiz 2006). Meanwhile restrictive planning policies such as protected industrial land and green belt have constrained supply (Green, Malpezi and Mayo 2004; Glaeser and Gyourko 2003). This combination of factors, which is common across successful major cities (Davis and Palumbo 2006) has conspired to produce the housing crisis.

Figure 2.2: Index of average private rents, 2005–2016 (Jan 2011 = 100)

Source: ONS, Experimental Index of Private Housing Rental Prices, 2005–2016



3

TREND 1:

**PRIVATE
RENTERS ARE
BEING PUSHED
INTO POVERTY**

This chapter shows how rising housing costs are eating away at discretionary income, increasing poverty among private renters and increasing inequality.

There are many measures of income. Which is most appropriate depends on what sort of claims are being made. We are interested in living standards so we measure income after housing costs in order to ensure that we are capturing the amount of money people have left to spend (Tunstall et al., 2013). This highlights the first way in which housing costs are linked to living standards: higher housing costs reduce the amount of money people have left to spend on discretionary goods. The extent to which this happens depends on people's housing tenure:

- Those in **social-rented** properties are to some extent shielded from increasing market rates for housing. Social rent levels are set based on the level of social rent in the prior period plus inflation and an adjustment set by government.ⁱⁱ Affordable rent levels are set at up to 80% of the market level so rise less in absolute terms than the market rate does in any given year.
- Those in **owner-occupied** homes have their housing costs determined by the price of the property at the time of purchase and the interest rate charged on their mortgage debt. Their housing costs are therefore insulated from changes in demand and supply, at least between house moves. If and when they do move, increases in house prices will be factored into their monthly costs.
- Finally, the housing costs of those in **private-rented** accommodation are affected by supply and demand even in the short run. Market forces will affect their housing costs each time their contract is up for renewal, usually annually.

ii In the past, social rents have risen above inflation. The Autumn 2015 Budget ordered a 1% cut each year until 2020.

The argument of this chapter is that the significant increases in housing costs in London have had a marked impact on the living standards and poverty rates for those least sheltered from price increase: private renters.

Figure 3.1 shows the change in median incomes for each of the tenancy groups between 2001 and 2011. As the table shows, the greatest declines in income after housing costs are concentrated in the tenures that are most exposed to increases in the market rate for housing. Social tenants, who are least exposed to increases in the market rate for housing, actually saw an increase in their income after housing costs over the period: indeed these changes are so stark that the median income of private tenants has converged substantially with that of social tenants over the period.ⁱⁱⁱ

Figure 3.1: Change in weekly median household income (£) after housing costs, 2001–2011⁵

The results are adjusted for inflation, that is: they use real incomes in 2011/12 terms

Source: HBAI Survey, Income estimates by Alex Fenton (2015)

	INNER LONDON			OUTER LONDON		
	PRIVATE RENTERS	SOCIAL RENTERS	OWNER OCCUPIERS	PRIVATE RENTERS	SOCIAL RENTERS	OWNER OCCUPIERS
2001	467	197	537	293	197	460
2011	335	226	513	270	218	429
CHANGE	-132	+29	-24	-23	+21	-31
	-28%	+15%	-4%	-8%	+11%	-7%

To some extent these patterns will reflect changes in the people living in private rented accommodation (Fenton et al., 2013) and the fact that private renters are more likely to derive income from wages, which fell during the recession. However, the huge rise in the cost of rent over this period (see Figure 2.2) means that rising housing costs will have played a part. This interpretation is also supported by the fact that there

iii This data relates to the 2001 and 2011 Census. It therefore does not show the impact of the 2012 welfare reforms, which will have affected the income of social tenants.

was a greater decline in incomes in inner London, where the market rate for housing has risen fastest, while Housing Benefit claimants who rent privately have risen faster in outer London.⁶

Figure 3.2 shows the impact of these changes on the distribution of people living in poverty (below 60% of median income) across tenure types between 2001 and 2011. The table shows a clear pattern. In 2001, half of all those living in poverty after housing costs were social tenants. By 2011 however, this had dropped to 39%. Meanwhile, the proportion of people in poverty after housing costs living in private rented accommodation increased by 10 percentage points over the same period. To some extent, this reflects the growth in the size of the private rented sector over the period, however the proportion of private renters in poverty has also increased suggesting that rising rent costs are playing a part.⁷ The proportion of those in poverty after housing costs who were owner-occupiers also increased by 3 percentage points.

Figure 3.2: Estimated distribution of poor households across tenure, 2001 and 2011

Poverty: earning under 60% of national median income after housing costs) across tenure

Figures may not add to 100% due to rounding

Source: HBAI Survey, Income estimates by Alex Fenton, 2015

	2001	2011
PRIVATE RENTERS	23%	33%
SOCIAL RENTERS	53%	39%
OWNER OCCUPIERS	24%	27%
TOTAL	100%	100%

In addition to looking at the distribution of poverty across tenure, we can look at poverty rates within tenures (Figure 3.3). This shows a similar pattern with social renters seeing the biggest declines in poverty rates and private renters and owner-occupiers seeing an increase.^{iv}

iv NB: Social tenants still had by far the highest poverty rates in 2011.

Figure 3.3: Poverty rates after housing costs for each tenure, and change between 2001 and 2011

Source: HBAI Survey, Income estimates by Alex Fenton, 2015 and count of people in households, 2001 and 2011 Census

	INNER LONDON			OUTER LONDON		
	PRIVATE RENTERS	SOCIAL RENTERS	OWNER OCCUPIERS	PRIVATE RENTERS	SOCIAL RENTERS	OWNER OCCUPIERS
2001 (%)	32	58	12	42	57	12
2011 (%)	34	49	13	43	50	16
CHANGE (PERCENTAGE POINTS)	+2	-9	+1	+1	-7	+4
CHANGE (PEOPLE)	+119,000	-91,000	+17,000	+208,000	-61,000	+139,000

Increasing housing costs have also had an impact on inequality. Figure 3.4 shows the 90:10 ratio, which compares the income of the 10th percentile and 90th percentile of the income distribution. A higher ratio indicates greater inequality. The table shows that inequality is higher when considered after housing costs, particularly in London. This is partly because poorer households in London are spending a greater proportion of their income on housing costs.⁸ Figure 3.5 shows that this finding holds using the 70:30 ratio measure of inequality, though the pattern is not quite as stark, because the middle classes tend to spend a lower share of their earnings on housing costs.^v

Figure 3.4: 90:10 Income ratio (between 10th and 90th percentile), 2013

Source: DWP, LSE CASE analysis of HBAI Survey, 2015, p.12⁹

	BEFORE HOUSING COSTS	AFTER HOUSING COSTS
LONDON	5.3	9.2
UK EXCL. LONDON	3.7	4.8

v Metric is weekly equivalised household income.

Figure 3.5: 70:30 Income ratio (between 30th and 70th percentile), 2013

Source: DWP, LSE CASE analysis of HBAI Survey, 2015, p.12

	BEFORE HOUSING COSTS	AFTER HOUSING COSTS
LONDON	2.1	2.4
UK EXCL. LONDON	1.7	1.9

In summary, the tenures least sheltered from increases in housing costs have seen the biggest increase in poverty rates, while those that are more sheltered have fared better up to 2011. Moreover high (and rising) housing costs mean that inequality is now substantially higher when income is measured after housing costs. Other factors will of course also have contributed to these changes. There have been significant changes in the composition of different tenure types (Fenton et al., 2013). For example there has been a significant increase in the number of households living in private-rented accommodation but effectively having their housing costs covered by the state through Housing Benefit. Nevertheless, the sharp increase in housing costs will have played a part in undermining the living standards of those living in the tenures most exposed to changes in market conditions.

4

TREND 2:

**WEALTH
DISPARITIES
IN LONDON
ARE BEING
INFLATED BY
INCREASING
HOUSE PRICES**

This chapter shows how increasing house prices are increasing wealth inequality within London and between London and the rest of the country. This is happening in two ways. First, increases in the market value of housing assets increase the disparity in wealth between homeowners and non-homeowners. Housing assets are the largest component of wealth for Londoners who own their home, so the effect is significant. Second, by increasing the size of the deposit necessary for first-time buyers to purchase a house, more and more people are unable to become homeowners in the first place. The housing crisis is therefore inflating the wealth of those who own their home, while simultaneously reducing the number of people who are fortunate enough to do so.

Figure 4.1 shows the wealth distribution in London compared to the rest of the country. It shows net total wealth, which is a household's total assets minus its total debts, including mortgages. It shows that Londoners in the top half of the wealth distribution are wealthier than those in the rest of the country, but in the bottom half of the distribution the rest of Great Britain are wealthier than Londoners.

Figure 4.1: Total net wealth of households (£) by percentile, 2010/12

Source: Wealth and Assets Survey, Wave 3 2010/12

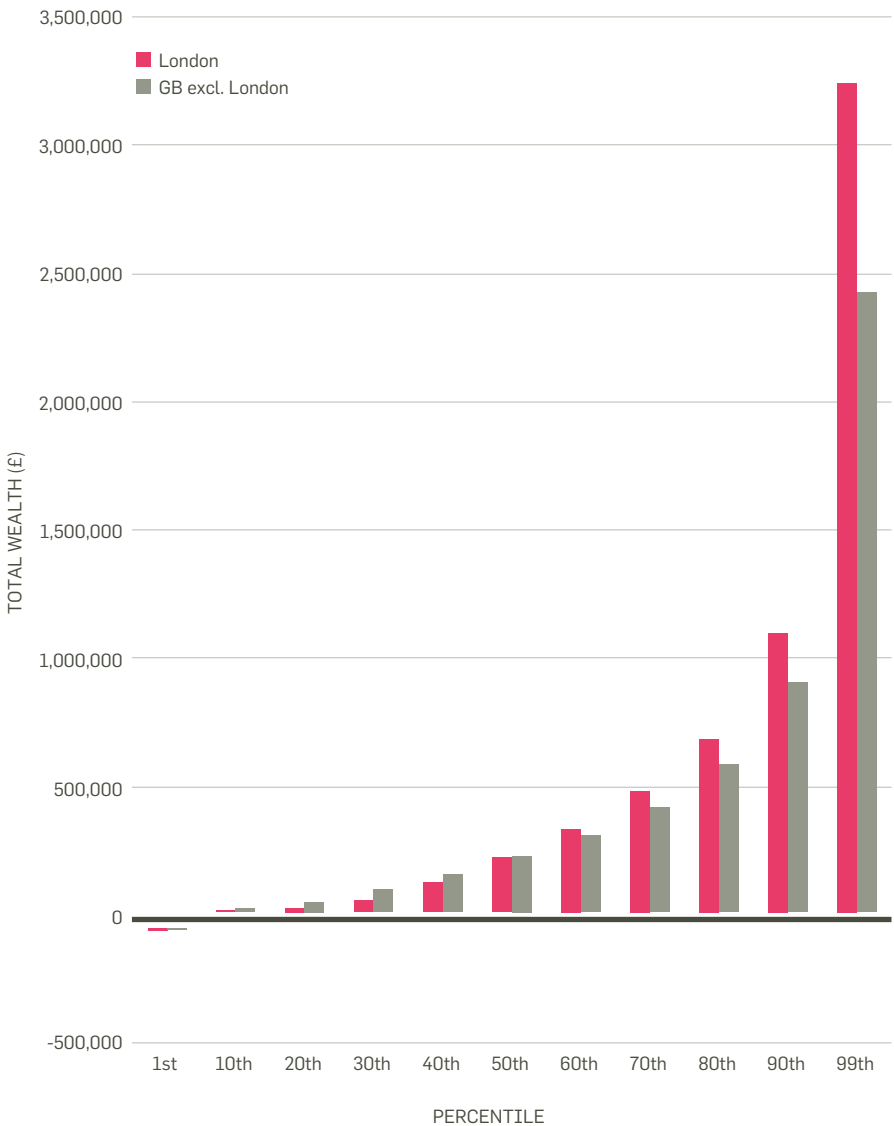
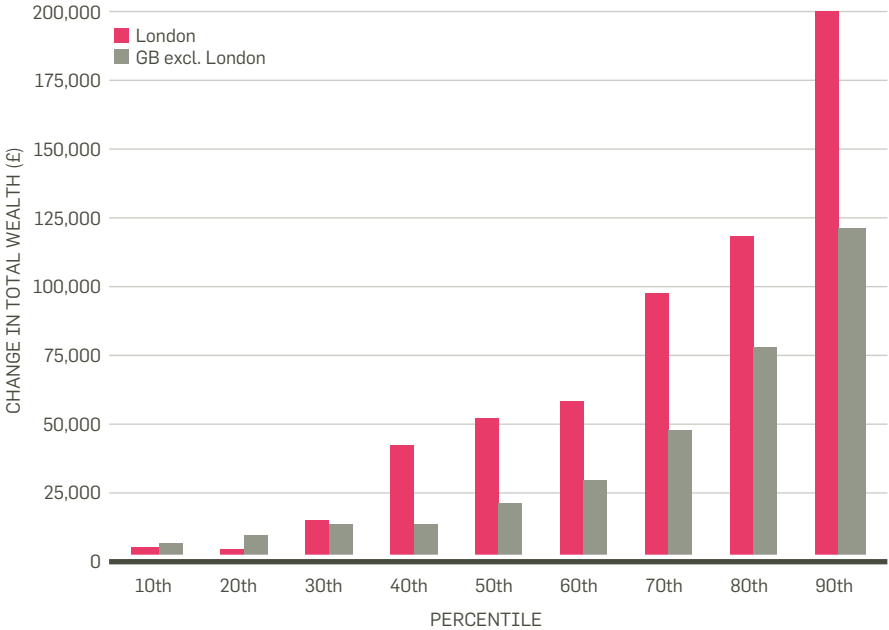


Figure 4.2 shows the absolute change in wealth by decile between 2006 and 2012 for London and the rest of GB. It shows that the wealthiest have seen their wealth increase fastest over the period, both inside and outside London. It also shows that wealth has increased significantly faster in London than in the rest of GB from the 40th percentile upwards. Wealthy Londoners are pulling away from less wealthy Londoners, and from the rest of GB.

Figure 4.2: Absolute change in net total nominal wealth (£) of households by decile, 2006–2012

Source: Wealth and Assets Survey, 2006–2012



A clue as to what explains these patterns comes from comparing the composition of wealth for different quintiles of the wealth distribution inside and outside London. As Figure 4.3 shows, the bottom quintile

(least wealthy 20%) generally have zero or negative housing wealth, whether they live inside or outside London. The third quintile (or middle 20%) also have a very similar level of housing wealth inside and outside London, around £100,000 per household on average. But a large difference is visible when we compare the property wealth of the second quintile where households outside London have substantially higher property wealth (and higher total wealth as a result).

This can partly be explained by differences between the London population and the rest of the country.^{vi} But a big part of the explanation will be that first-time buyers have to save for longer in order to afford a deposit in London¹⁰ and therefore have to wait longer before they begin accruing property wealth. Looking back at Figure 4.2, the Londoners that are pulling away from wealthier households in the rest of the country are the ones who own property (the top 60% of the distribution), suggesting it is the rising cost (or value) of housing that is driving the divergence. Direct evidence for this can be seen in Figure 4.4 which compares the change in property wealth inside and outside London.

vi For example, Londoners are younger on average, and wealth is highly correlated with age.

Figure 4.3: Total net wealth owned (£), by type, 2010/12

Source: Wealth and Assets Survey, Wave 3, 2010/12

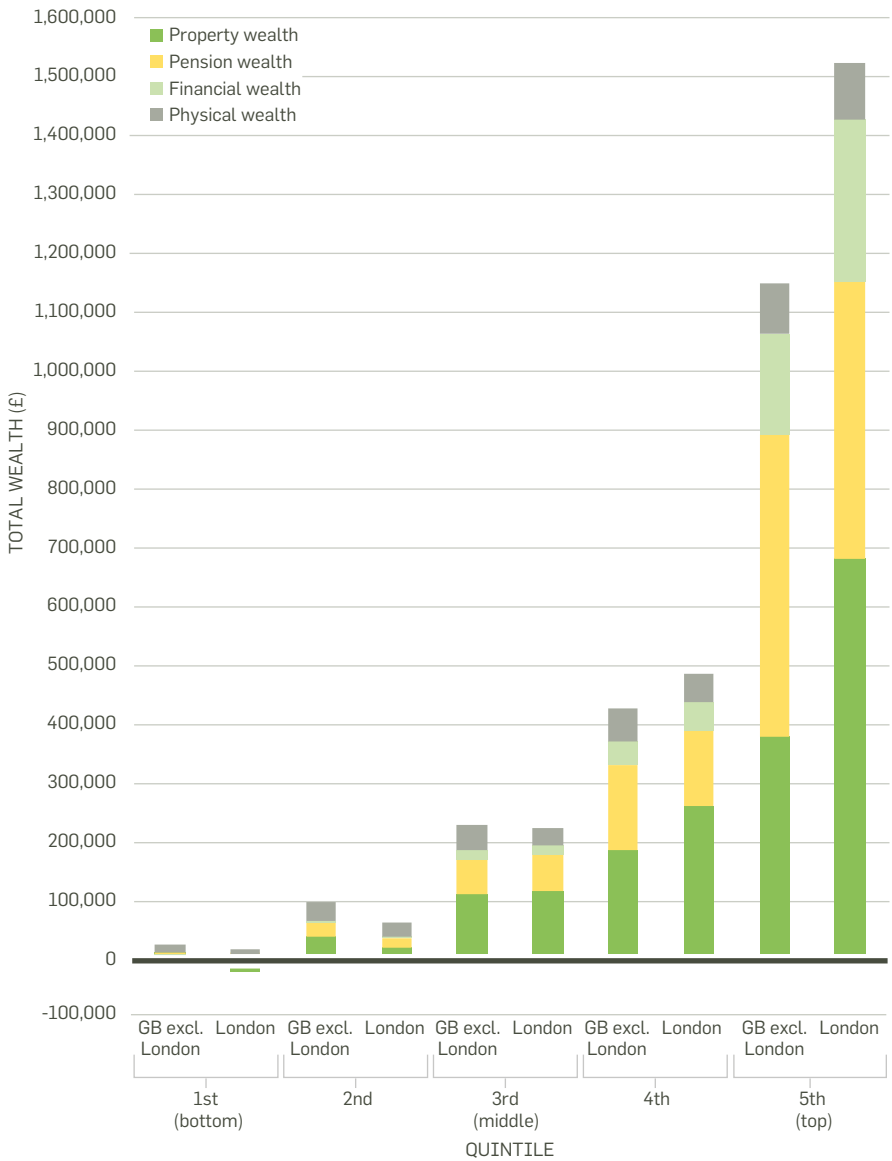


Figure 4.4: Change in net property wealth, 2006–2012

Source: Wealth and Assets Survey, 2006–2012

QUINTILE	3RD (MIDDLE)	4TH	5TH (TOP)
LONDON	+24%	+10%	+24%
	+£21,000	+£23,000	+£130,000
GB EXCL. LONDON	-3%	0%	-4%
	-£4,000	+£2,000	-£17,000

Increases in house prices have also increased disparities in wealth by excluding more people from getting onto the housing ladder in the first place.

The decline in affordability documented in Chapter 2 has caused a marked reduction in the proportion of owner-occupiers in London. The latest edition of the National Housing Survey shows that between 2004 and 2014 the proportion of people who are homeowners with a mortgage in London fell by 12 percentage points to 27%, meaning it is now smaller as a tenure category than private renting. In the rest of the country, by contrast, buying with a mortgage remains the largest tenure category.¹¹ Over the same period, the proportion of outright owners in London remained stable, which also suggests that the decline in people paying a mortgage was due to fewer people getting onto the housing ladder, rather than people paying off their mortgages and becoming outright owners.

In summary, the housing crisis is increasing wealth at the top of the distribution by inflating the value of housing assets while at the same time putting a block on wealth accumulation at the bottom end of the distribution by stopping people getting on to the housing ladder in the first place.

5

TREND 3:

**RISING HOUSING
COSTS ARE
SUBURBANISING
POVERTY**

We have seen how increasing housing costs have redistributed income and wealth across different types of households in London. This chapter adds to the story by showing how the crisis is also redistributing income and wealth across London itself.

The charts in chapter 2 show how the cost of housing in inner and outer London have risen at different rates in recent years. Figure 5.1 shows how this inner London premium, measured as the difference between median house prices, has grown from 17.6% in 1996 to 46.7% in 2014. Comparing rental figures over time is difficult because of limitations of the data, but the two are likely to move along a similar trend.¹² This increase in the inner London premium means that inner London is becoming increasingly expensive for those without access to social-rented housing.

Figure 5.1: Median house price, 1996–2014

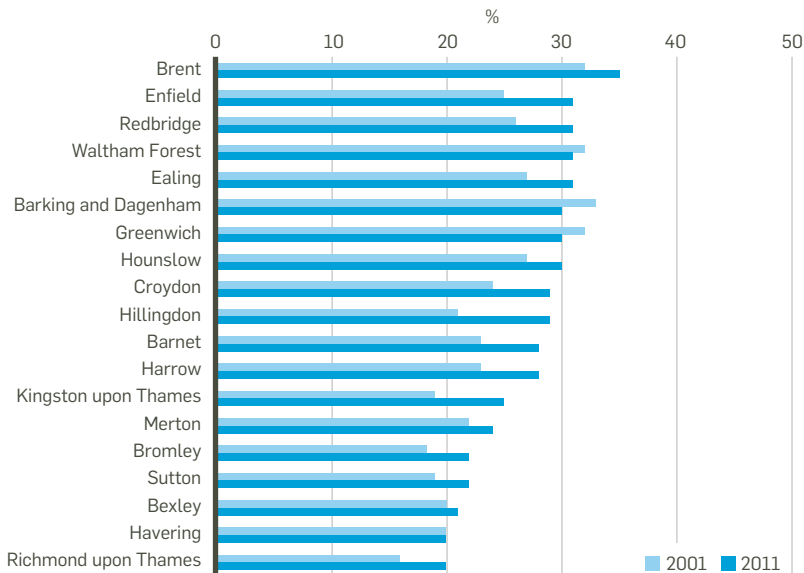
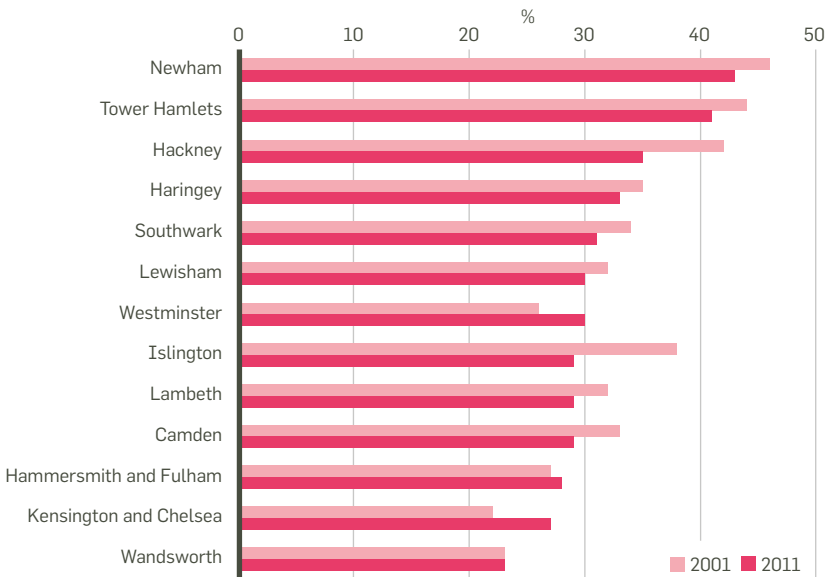
Source: Marsden (2015), adapted from table 1¹³

	1996	2007	2009	2014
INNER LONDON	87,000	313,000	323,000	462,000
OUTER LONDON	74,000	249,000	235,000	315,000
INNER PREMIUM	18%	26%	37%	47%

Figure 5.2 shows a consistent picture of decreased poverty rates in inner London and increased rates in outer London. Nine out of thirteen inner London boroughs have seen a reduction in poverty rates; while fifteen of the nineteen outer London boroughs have seen an increase in poverty.

Figure 5.2: Poverty rates in inner and outer London boroughs, 2001–2011

Source: HBAI Survey, Incomes estimates by Alex Fenton (2015)



Does this reflect the same households getting richer/poorer or different households moving in to these areas? An important clue comes from comparing the occupation of residents because changes in occupations are more likely due to spatial mobility (people moving into an area) than social mobility (people changing occupational group). In fact the reduction in poverty rates in inner London has been accompanied by a big increase in higher-skilled occupations, while the increase in poverty rates in outer London has not^{vii} (Hanna and Bosetti 2015). This strongly suggests that we are seeing richer households moving to inner London and poorer households moving to outer London. This is likely caused, in part, by the increasing inner London premium.

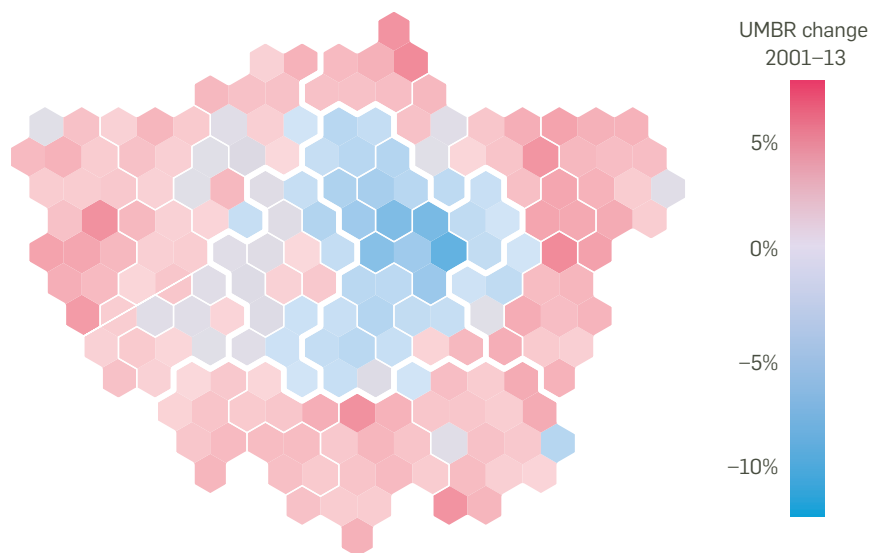
Of course, the changes documented here do not exclusively reflect the relocation of poorer people to outer London. Other factors, such as falling real median wages (down 10% between 2008 and 2015) will also have played a part (Machin 2015). This probably explains the income fall among outer London owner-occupiers, for example. Nevertheless, our claim is that the patterns seen in the data above are partly due to rising housing costs, implicating the housing crisis in the redistribution of poverty to outer London.

Another way of seeing this redistribution of poverty is to look at the change in the rate of means-tested benefits claimants (UMBR) across London. This metric has the advantage of allowing comparisons across time and across small areas.¹⁴ Figure 5.3 shows an increased proportion of households receiving benefits in outer London and a decrease in inner London, especially inner east London. To some extent, this will reflect changes to Housing Benefit made after 2010, which will have forced some people out of central London, as well as a sharp rise in unemployment during the recession in outer east London. However, the increase in the inner London premium will also have played a part.

vii While the rate of people in higher-skilled occupations for the whole of the UK increased from 39% to 44% between 2004 and 2014.

Figure 5.3: Change in the rate of households claiming means-tested benefits, 2001–2013^{viii}

Source: Alex Fenton (forthcoming), *Gentrification in London: a progress report, 2001–2013*



In summary, the sharp increase in the inner London premium has changed settlement patterns in London which, amongst other things, has contributed to a redistribution of poverty towards outer London.

viii Income Support, Job Seeker's Allowance (Income-Based and Contribution-Based), Pension Credit, Guarantee Element (2003 onwards), Employment and Support Allowance, Income-Based and Contributory (2008 onwards).

6

CONCLUSION: WHAT CAN POLICY DO?

The main aim of this report has been to examine the role of the housing crisis in rising inequality in London. While it is not the main objective of this report to develop policy proposals, the findings raise questions about what government can do to mitigate the impact of the housing crisis on poverty and inequality.

The table on the next page provides a broad summary of the ways in which government affects household and individual circumstances. Central government, by its control of taxation and welfare policies, currently has the greatest scope to influence the distribution of income. The Mayor can influence discretionary income through control of transport fares, though this will be marginal at most. The Mayor may also be able to dampen house price inflation through housing policy, though this is only likely to be effective in the long term. The boroughs also have a role in housing delivery and the provision of services and support for those on very low incomes.

Under the current governance arrangements, central government has perhaps the greatest ability to influence house price growth in the short term. Reforms to the system of land/housing taxation could help mitigate the impacts of house prices on living standards. At present, the council tax system does not provide strong incentives for the effective use of housing by affluent households in London because it does not accurately reflect property values. This is largely because central government has failed to revalue the council tax base since it was introduced, meaning many homes which have increased in value are now under-taxed.

LEVEL OF GOVERNMENT	INFLUENCE ON INCOME/WEALTH
CENTRAL GOVERNMENT	Taxation: structure and rates
	Welfare – Social security system
	Public expenditure allocations – By service – By geographical area
	Structure/outcomes of NHS and schools
	Skills training, further education
	Business regulation and incentives
MAYOR/GLA	Transport – Development of system – Fare structure – Concessions
	London plan – Regeneration and development – Allocation of housing, land use
	Housing allocations, subsidy
	Policing and fire services
	Land (GLA+TfL)
BOROUGHES	Social care
	Local planning
	Local housing – Including homelessness
	'Quality of life' services
	Migrants' and asylum seekers' support
	'No recourse to public funds' support^{ix}
	Borough land

ix Destitute families, single adults with care needs and young people leaving care.

The London Finance Commission has made detailed proposals for giving London government greater control over the taxation raised in the city.¹⁵ Property taxes are particularly appropriate candidates for devolution, given the place-specific nature of the tax-base. By taking control of council tax out of the hands of central government, this could allow the introduction of additional council tax bands, increases to the rates for higher bands and the introduction of regular revaluations. Taken together these would help dampen property price inflation and encourage the more efficient use of housing by affluent households in London. Because council tax is paid by tenants, large families or flat-sharing groups living in large private rented houses could lose out from these measures. Transitional arrangements may therefore be necessary in order to allow for adjustments to occur. Concentrating increases in tax rates in the upper bands would also help minimize the impact on lower-earning households.

A more radical change would be to rethink capital gains tax. In November 2015, the Government announced an increase in the rate of stamp duty payable on purchasing second homes, which reduces the incentive to invest in additional property, but capital gains on principal residences remain tax-free. The Institute for Fiscal Studies' Mirrlees review (Mirrlees and Adam 2011) and others (Kumar et al., 2014) have suggested an end to this exemption. By reducing the tax advantages of housing as an asset class (see Cheshire 2014) this would also help to reduce price growth. Potential downsides would need to be evaluated, however, and whatever the merits of individual proposals, we need a comprehensive review of property taxes and the incentives they create, to produce a less distorted, more economically efficient and socially sustainable housing market.

Even without devolution, the GLA and London boroughs can intensify efforts to increase the rate of housebuilding, which should dampen house price growth over the long term. Transport for London has now begun to systematically develop housing on the

land it owns and many local authorities are now beginning to build again. Others have written at length on how local and regional government can increase the rate at which they deliver new housing and policymakers would do well to study these proposals.¹⁶

In any case, the main aim of this report is to point out that tackling the housing crisis is important not just for households and businesses, but also as a matter of social justice. If house prices are allowed to continue rising this will make the centuries-old struggle against poverty and inequality in London even harder.

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London's housing crisis is by now infamous. It is the top policy concern for London voters, who are worried about rising housing costs, and the top concern for London businesses, who are worried about recruitment. This report shows that there is another reason to worry about the housing crisis: inequality. We document three ways in which rapidly rising housing costs are changing the face of poverty and inequality in London.

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