



Kate Barker Review of Housing Supply

RESPONSE BY LONDON FIRST

August 2003

Table of Contents

London First Response	3 – 14
Appendix One	London First Consultation Team
Appendix Two	London First Housing Responses presented at the Examination in Public for the London Plan 2003
Appendix Three	London First Review of Safeguarded Wharves 2003
Appendix Four	London First National Planning Reform Briefing Paper 2003
Appendix Five	<i>Housing London</i> published by London First in November 2002

1 London First

London First is a business organisation set up in 1992 to improve and promote London with the objective of ensuring that London maintains and enhances its competitive position as a leading world city. It sets out to achieve that objective not simply by lobbying central and London government but also by developing and offering practical solutions to the challenges facing London.

London First delivers its activities with the support of over 300 of the capital's major businesses. Its members represent over 20% of London's GDP in key sectors such as finance, professional services, property, ICT, creative industries, hospitality and retail. Its membership also includes all of London's higher education institutions as well as many of the further education colleges, NHS trusts and independent hospitals. A list of businesses who contributed to this response is included in Appendix One.

London First Centre, a subsidiary of London First, is the inward investment agency for London.

2 Executive Summary

- There is not a shortage of land in London, however there is a critical shortage of land that is economically viable to develop, accessible and/or which has or will have planning permission in a timely manner.
- The problem of land supply stems from issues related to planning regulations and infrastructure needs. An excessive amount of underused land is currently zoned for employment. Over safeguarding of wharves prevents the redevelopment of major potential regeneration sites, in particular in the Thames Gateway. Onerous and inconsistent Section 106 obligations also act as a disincentive for bringing housing sites forward.
- High costs are associated with brownfield site development and the additional expenses are not reflected in the planning system. Tax incentives should be explored to catalyse development.
- There must be a cultural change within planning departments in order to facilitate a more cooperative relationship between planning officials and developers. More coordination is needed between planning and housing departments, in order to achieve a consistent approach to delivering housing supply. Increased resources should be dedicated to improving career development and competency of planning officers/departments.
- There is a shortage of skilled construction workers in the capital, caused partly by the volatility of the construction industry, lack of affordable housing within the London setting and lack of training resources.
- Off site production is limited due to lack of critical mass, consumer preference for traditional methods and local authorities' insistence on individual design and specifications.

- We are deeply concerned by the lack of consistency in interpreting and applying planning guidance across the 33 local planning authorities in London.
- There are increasing financial demands being put on developers through S106 agreements and this greatly reduces the economic viability of housing sites being developed.
- We strongly urge a review of relevant building regulations, as housing requirements in London have altered since the time when current regulations were conceived. London needs a regulatory environment that encourages high density development.
- Government should create a supportive fiscal and regulatory framework to encourage more institutions to invest in residential property for rent. Key worker/student housing must be recognised as satisfying affordable housing quotas. Revisions to VAT and stamp duty should also be explored to stimulate investment.

3 Land Constraints

3.1 *Is there a shortage of suitable land for development? Are there any factors which reduce land owners' willingness to sell?*

- London First does not subscribe to the view that there is a shortage of land potentially suitable for development within London. But there is a shortage in supply of land which is economically viable to develop, accessible and/or which has planning permission for development or the prospect of securing planning permission in a reasonable time.
- We do not believe land supply is constricted by the practice of 'land banking'. The banking of land with planning permission is not a financially viable option for commercial developers. The banking of 'speculative land' is merely a tool to create a pipeline of supply during the time it takes to secure a planning permission (often several years or more).
- The problem of land supply stems from issues related to planning regulations and infrastructure needs. First of all, a large percentage of underused land located in London is currently zoned for employment. Employment generating development is considered by many local authorities to be more important to regeneration than housing, resulting in significant numbers of sites being zoned for employment which remain undeveloped/ vacant as there is no market demand for this land use. For example, St George Wharf (Vauxhall) was vacant for 40 years. London First is very pleased to see that this issue is being addressed in the PPG3 consultations. London First will respond in full to this consultation by the 31st October deadline.
- Boroughs need to be encouraged to give greater consideration to the beneficial impact of mixed/residential development, which can more readily encourage investment and assist in bringing forward sites more urgently. (These points were highlighted in the London First response to the EIP for the Draft London Plan, which is broadly endorsed in the Panel Report released on 22 July, and is included in Appendix Two).
- The issue of safeguarded wharves (currently being reviewed) raises similar concerns to the retention of un-needed employment sites. Whilst we support the

safeguarding of wharves as an important part of sustainable waste and aggregate transport in particular, excess safeguarding prevents the redevelopment of major potential regeneration sites, in particular in the Thames Gateway. Our main concerns are:

- The review has been undertaken in isolation from the wider regeneration agenda. An additional 26 wharves in the Thames Gateway have been proposed for safeguarding. The Gateway is a national (Communities Plan) and regional (draft London Plan) regeneration priority. The opportunity cost of safeguarding, in terms of thousands of new homes, has not been considered.
- The forecasts of river usage upon which the safeguarding has been predicated are unreliable and greatly over estimate the need for wharves. The conclusion of industry experts is that there is currently over capacity in terms of wharves.
- A number of the safeguarded wharves are not viable (and un-operational) due to poor road/rail access and poor navigation.
- The river frontage safeguarded is in many instances far larger than is needed. Modern technology enables wharves to operate at greater intensity and with less land.
- Our detailed response to ODPM concerning Safeguarded Wharves is included in Appendix Three.
- Onerous Section 106 obligations discourage the release of land for development. The targets for affordable housing in residential developments laid down in the draft London Plan have greatly reduced incentives for bringing forward land for development. As expressed in the EIP, London First endorses the policy that a numerical value should be assigned to the target for affordable homes, rather than a percentage of all housing supply. Where such sites are developed without grant, they can only be implemented through cross subsidy. This greatly increases the sale price which would need to be achieved for those units sold on the open market. When there is no grant and the mandated percentage of affordable housing is high, this can potentially depress the land value to a level where the land owner will not sell since an alternative use of the land could be higher.
- In mixed use developments, a small percentage of the residential component should be designated affordable, in order to offer incentives for these types of development which are often inherently sustainable. The size and type of affordable housing should be appropriate to the nature of the site and the type and mix of private housing on the site. Off-site provision of affordable housing should be considered for appropriate development sites.

3.2 *Are there problems associated with land assembly particularly brownfield land?*

- Flood risk, lack of transport infrastructure and decontamination pose major obstacles. In addition, risk management is more complex, and sale values can be depressed if purchasers have concerns over previous (polluted) land uses.
- The costs associated with brownfield site development (e.g. decontamination, flood defence, infrastructure needs) discourage development. The additional expense and risk is not properly reflected in the planning system, especially in brownfield areas where lower land values do not deliver sufficient investment returns to make

developments viable. This can be exacerbated by requirements for high proportions of affordable units on such sites.

- Regulations and procedures surrounding the development of brownfield land are fraught with complexity and ambiguity; increasing risk for developers. London First encourages the Treasury to explore tax incentives for brownfield site development. In addition, government must be willing to reduce affordable housing and Section 106 contributions on such sites in order to off-set some of the wider development risks and encourage regeneration.
- Lack of transport infrastructure also poses an enormous barrier to development. Crossrail will potentially help produce 200,000 housing units in the Thames Gateway. Without Crossrail and only modest investment in infrastructure, e.g. DLR extension; C2C connection, etc., around 50,000 units might be developed. In the absence of any investment in infrastructure (a 'do nothing' scenario), we estimate the figure is likely to reduce further still, to around 5,000 housing units. Transport infrastructure projects are absolutely vital, and must be allocated sufficient priority, funding and urgent Government commitment.
- In addition, Government must commit to funding new flood defences, especially in the Thames Gateway region. It is unrealistic to assume private investors will bear this cost; sites will simply not be brought forward for development.
- The GLA has produced a survey of all major housing sites in London that will potentially deliver up to 144,000 housing units by 2016. The GLA has pronounced that 47% of these will come forward by 2006. London First believes that the asserted timeframe is unrealistic, primarily due to lack of infrastructure and delays in securing viable planning permissions.
- Because of the points described above, many major house builders have decided to stop building in London as it is more complicated, risky, uncertain and less profitable than house building in other areas of the UK. This means London is predominantly being served by house builders in the 'quality' market, where higher sales prices can better absorb development risk, resulting in an even greater shortfall of 'affordable' housing supply.

3.3 *Does the practice of optioning land restrict the overall supply of land?*

- We do not believe land supply is constricted by the practice of optioning.

3.4 *Is optioning necessary? If so, why?*

- Optioning is necessary to enable developers to forward fund projects, and to manage the supply of planning permissions (and hence the supply of product) being secured year on year.
- To bring land forward through the planning system is both expensive and requires a certain level of expertise in terms of understanding the system. Land owners very often do not have the financial resources or the expertise to accomplish this. An option to a developer ensures that the developer bears the cost of pushing the site through the planning system.

3.5 *Is the land allocated for housing in local development plans sufficient to meet housing need?*

- London First believes that there is insufficient land allocated to London's housing needs. London First estimates that 31,900 units per annum are necessary in order to deal with the 'backlog' of supply anticipated in the London Plan between 1998 and 2003. The mayor's draft London Plan sets an objective of 23,000 housing units per annum. However as the Panel Report (on the draft London Plan, Examination in Public) highlights, this is an under-provision against probable need. We strongly endorse the suggestion made by the Inspector's Report that plans for achieving this target will be thwarted without a detailed assessment of the capacity to achieve it. Land allocation does not ensure delivery of housing units.
- Local authorities and other public land owners should gift public landholdings to developers/housing associations in order to catalyse development.
- Less land should be zoned for employment use (as stated above), and significantly more land than is actually required to meet London's forecasted housing needs should be zoned in unitary development plans to allow for shortfalls/delays in specific sites being brought forward.
- In addition, there must be a cultural change within the local planning authorities. There is a pronounced feeling of 'nimbyism' within the local authorities which impedes delivery of housing. Developments are resisted by residents who do not want disruption, increased congestion and parking and strained local services. In many instances it is preferable for a local authority to refuse consent knowing the applicant will appeal, as this takes the onus (responsibility for the decision) away from the local planners and politicians.
- There is frequently poor co-ordination between planning and housing departments, which often results in different and/or conflicting briefs being given to developers by these two departments. London First welcomes the references made to improving this coordination in the consultations on PPG3. We will respond to this in full by the 31st October consultation deadline.

3.6 *Is the RPG housing shortfall explained by a shortfall in the number of appropriate planning applications?*

- The number of applications is not a problem in itself, but the amount of time involved in processing each application is prohibitive – this can often take anything up to two years or more. There are 33 different planning authorities in London, and no consistent approach either towards individual applications, or towards regional and national priorities.
- Consistency in Section 106 negotiations is crucial for a more stream-lined approach.
- London First is opposed to the Three Dragons model since it is completely inflexible and unable to adapt to market changes. In addition, it is a breach of commercial competitiveness to expect companies to expose their internal details, even where a confidentiality agreement is in place.
- Local authorities generally seem to discourage development, assuming a development control stance rather than welcoming investment and economic development opportunities. This worsened noticeably following the 1990 Town and Country Planning Act, which promoted a presumption in favour of the *Development Plan*, (as opposed to *Development*, which was enshrined in the earlier 1971 Act).

- In order to promote a cultural change, resources must be dedicated to the provision of better training and competitive remuneration for an increased supply of planners.
- Developers are willing to pay higher fees for planning applications if it helps to quicken the application process. Additional revenue must be ring-fenced within the planning department to supplement current funding. Experience from the recently introduced Planning Delivery Grant has shown that much of the additional revenue has not stayed in planning departments. Increased planning fees could be ring fenced to fund additional staff resources that would hopefully improve the morale and commitment of the planners. Planners should also work more closely with housing, regeneration and transport departments.
- The proposal in the Planning Bill that the life of planning consents should be reduced to three years (from five) will detrimentally affect development, as mixed use sites can often take several years to fund and bring forward.
- The potential replacement of Outline Consents by Statements of Development Principles will make development even more challenging. Without an outline consent, land can only be valued on the basis of its existing use, plus a modest amount of 'hope value,' which has inherently more risk. It will therefore be more difficult for developers to raise initial finance.
- Developers are strongly opposed to 'open book' negotiations, as this is contrary to planning guidance, prejudices commercial confidentiality, and forces them into negotiations with planning officers who have little or no training in development appraisal.
- All planning negotiations should be conducted with the presumption that grant is available at 100% Total Cost Indicator and amounts greater than this should be subjected to viability testing. However viability testing should not be 'open book'.
- Boroughs should be encouraged to pool resources by merging planning departments, possibly on a sub-regional basis.
- A paper outlining London First's main concerns surrounding the proposed new Planning Bill is shown in Appendix Four.

4 Industry Constraints

4.1 *Do house builders face difficulties accessing finance?*

- Access to finance is not an over-riding obstacle to housing supply.
- RSLs are able to access relatively inexpensive financing.
- There are more difficulties with private developers accessing financing which is not prohibitively expensive.
- Banks are inherently more reticent to finance risky investments such as brownfield sites. Financing is available for this sort of development, but given its risk, it is more costly. In addition, the short term volatility of the residential market creates further risk for banks.
- There is a timing conflict between financing needs of the housing industry and the financial requirements of financial institutions, which creates challenges to funding the industry.

4.2 *Do shortages of essential workers exist? Can alternative production techniques overcome this problem?*

- There is a shortage of skilled workers. This is partly caused by the lack of career stability in the construction business, given that the industry fluctuates with market volatility. However with a more concerted effort on multi-disciplined training programs, construction workers would be competent in several fields and thus have greater security.
- London's crisis of affordable housing also has a direct impact on finding skilled labourers within the city. As London becomes ever increasingly expensive for workers earning less than £35,000 per annum, the construction industry faces shortages as more people move out of the city.
- Increased resources must be dedicated to improving and expanding vocational training opportunities within the construction field. Modular construction alone will not ameliorate the skills shortage as the skill base within this speciality is even more pronounced than in traditional methods.
- The effective role of the CITB must be increased. The construction business has a national levy imposed on it for training purposes and the industry is currently facing a crisis of qualified workers. Thus there is substantial room for improving the CITB as a mechanism for training delivery and skill supply.

4.3 *Do attitudes to risk deter investment in land for housing?*

- Risk is inherently an over-riding factor in land development. However property developers are accustomed to managing risk and factoring it into their decisions.
- Risk becomes a deterrent when its proportions and character become impossible to forecast. This has become an increasingly frequent phenomenon within London. For example, it is not uncommon for a local authority to alter the terms of Section 106 agreements half way through a negotiation process.
- Capacity issues also affect investment for land. The private sector has never produced more than 15,000 units per annum in London for sale.

4.4 *Do internal rates of return deter additional investment either in land or alternative production methods?*

- Internal rates of return deter investment in land. This is particularly relevant to brownfield sites and hence why it is absolutely crucial that the tax structure and Section 106 agreements reflect this. Please see 3.1 and 3.2.

4.5 *Is there potential for increasing the use of alternative manufacturing methods? Is this potential affected by consumer preference or the attitude of mortgage lenders and insurers?*

- The government is currently encouraging off-site production. However this conflicts with the local authorities' insistence on individual designs and specifications.

- There is potential for increasing the use of timber framed and steel framed homes. However, due to consumer perception that timber framed houses are of inferior quality, the public is wary of them.
 - There is a severe shortage of workers who have the necessary skills to build framed homes. However, with an increased demand for this sort of housing, the industry could respond quite quickly and workers could be rapidly trained for this sort of construction.
- 4.6 *It has been suggested that the economies of scale are not sufficient in the UK to make these off-site production techniques a viable option. Is this the case?*
- This is true to a certain extent and exacerbated by the relative uncertainty of supply requirements resulting from delayed planning. However, economies of scale can be created by combining appropriate commercial and residential sectors in order to create a critical mass which may make off-site production a more feasible option.
- 4.7 *Are the working capital requirements and cash flow implications of modular building a barrier to their use?*
- The working and set up capital requirements for off-site fabrications are higher than those for traditional construction, but the overall production and construction costs of the houses are frequently less – this is especially true for development of apartments. The real barrier is poor market appetite for modular construction which, as stated above, is perceived by the general public as being inferior.
 - Until modular construction is proven less costly than traditional construction, there is no evidence to suggest that the public will pay a premium.
- 4.8 *Are there particular problems in developing brownfield land due to contamination or dereliction? To what extent are such problems obstacles to development decisions? How much more expensive can this make brownfield land?*
- Given that London is a highly developed urban environment, the majority of development sites are on 'brownfield' land, if defined as previously developed land. However there are wider issues surrounding areas like the Thames Gateway and other areas of outer London that have had manufacturing sites previously located on them.
 - This type of brownfield land is particularly challenging to develop not only because of environmental concerns but also because of the time frame involved. Brownfield sites are much slower to be profitable due to the time lag between purchase of land, planning permission and actual development.
 - Decontamination can be extremely costly. It is also very difficult to evaluate the amount and nature of decontamination needed until the actual process begins.
 - This ambiguity increases a developer's risk and complicates the process of accessing institutional financing.
 - Brownfield sites in the Thames Gateway region, for example, are not isolated pockets that can be developed independently. Thus there is an issue of critical mass as it is very difficult for one developer to bring forward housing sites far in advance of other developers.

5 Policy Environment

5.1 *Are there problems with the interpretation of planning guidance by local authorities? Is so what are they and why?*

- London First is deeply concerned by the lack of consistency in interpreting and applying planning guidance across the 33 local planning authorities in London. There is an urgent need for the draft London Plan to be consistently implemented in order to ensure one set of rules governs the planning process, and we are concerned that the proposed reforms in planning regulations will exacerbate this problem.

5.2 *Are there any particular aspects of planning policy which do not properly reflect the wider social and economic costs and benefits of housing?*

- London First is very concerned by the continued demands placed on developers. As stated in the draft London Housing Strategy, private investment will play a crucial role in bringing forward housing sites. However the contributions expected from private investors continue to increase, to the point that they outweigh the economic benefits of developing housing in London.

5.3 *Does the planning system provide incentives to develop brownfield land?*

- No. As stated above, the planning system does not take into account the costs associated with brownfield site development.

5.4 *Is planning guidance applied appropriately?*

- No. Inconsistencies apply as described in 5.1 above.

5.5 *Is the current reform programme sufficient to address inefficiencies in the planning system?*

- London First has some serious concerns about the planning reform programme, as described in the attached Appendix Four.

5.6 *Are Section 106 agreements an effective means for addressing and mitigating the impact of development?*

- We question whether the Social and Economic Assessments proposed in the draft London Plan are effectively in place.
- In addition, Section 106 agreements are handled on a site by site basis, and often fail to address the cumulative impact of a series of developments in local areas e.g. Tower Hamlets planning team is currently handling 25% of all of the development in London. The cumulative impact should consistently be assessed on a regional and sub-regional basis and Section 106 agreements negotiated within this geographic context. *This categorically does not imply that Section 106*

requirements should be applied both on a site basis and a regional basis but only that local authorities should determine site obligations with a larger regional context in mind in order to achieve truly sustainable development. It is important however to ensure that local authorities use similar criteria in assessing housing needs and affordability in order to achieve an equitable allocation of affordable housing along borough lines.

5.7 Do Section 106 agreements create any perverse incentives?

- Thresholds for affordable housing requirements on smaller sites can act as a disincentive. The Section 106 requirements for additional school facilities on larger sites will also cause more developers to strongly resist this sort of development.
- The proposed 50% target of all housing to be affordable will cause perverse incentives. If Section 106 requirements become too onerous, developers will stop bringing forward housing sites and development will cease.
- The Panel Report (on the draft London Plan, Examination in Public) will exacerbate uncertainties over Section 106 negotiations unless the government says it will uphold UDP policies on a site basis until they have been brought in line with the London Plan. This should occur as quickly as possible.

5.8 Do building regulations restrict development?

- London First strongly urges the Treasury to re-analyse relevant sections of the building regulations. Current building regulations were initiated in a time of low density needs, but the requirements in London's housing market have radically changed and the city requires a regulatory environment that encourages high density developments. For example, by altering the fire regulations currently implemented in housing to a system that employs relevant sprinkler systems, developers would be able to maximise higher density developments.

5.9 Do regulations governing 'change of use' affect the use of existing buildings for housing?

- Local authorities often resist the loss of employment land, as stated above. In some cases consent for a change of use is only granted if the housing created is all affordable. Unless there is grant made available to deal with these situations, developers are not likely to bring such sites forward.
- The Use Class Order needs re-defining to reflect use of buildings, for example modern manufacturing is often less likely to be a 'bad neighbour' than office use. There needs to be greater clarification so that Use Classes can be interpreted with greater clarity and consistency.
- Residential conversions are often made more difficult and costly as they require planning consent for intensification of land use, i.e. for the creation of several flats within an existing house.

5.10 Are there market failures you can identify affecting the development of environmentally sustainable housing, regeneration of urban areas and protection of the countryside?

- Market failure exists because although many developers and house builders subscribe to the production of environmentally sustainable housing, these frequently cost more to construct and, in order to maintain profit margins developers are forced to ask higher prices in comparison with similar size properties. This makes such products commercially uncompetitive. We believe the pioneering BedZed development in Sutton resulted in a loss of c£10M.
- There is no evidence yet that the public is willing to pay a premium for environmentally sustainable housing.

5.11 *How does the tax regime influence the use of land? For example the tax treatment of new build homes differs from that for conversions of existing housing stock. Does this preclude certain types of development? Does taxation prevent the most efficient and effective use of land?*

- In order to encourage more residential development, we recommend that VAT should be decreased to 5% on all residential refurbishment and conversion projects. Marginal residential schemes are more likely to progress with reduced tax liabilities.
- Government should create a supportive fiscal and regulatory framework to encourage more institutions to invest in residential property for rent. The growth in capital value of private residential property has proved in excess of that available from the ownership of commercial property or shares. The case for residential property as an asset class for institutional investors is mounting but the investment market evaluates rented residential properties as vacant possession stock.
- Key worker housing must be recognised as satisfying affordable housing quotas. A restrictive covenant might be placed on the properties such that they can only be used by key workers.
- We do not believe that a separate *Residential for Rent* land use class is the best way to achieve more key worker housing since it likely to devalue land and may prevent land being brought forward for housing purposes.
- Corporation Tax should not be moved to an income based taxation as has been proposed by the International Accounting Standards. If property companies are taxed each year on any appreciation in the value of their property holdings (instead of at disposal only) it will serve only to make many large regeneration schemes unviable.
- Stamp duty on the residential property should also be reviewed so that it does not act as a disincentive to institutional investors. Currently private investors only pay 1% for individual properties with a purchase price of less than £250,000. This tariff could be reduced for purchasers of multiple properties in order to encourage property as an attractive investment portfolio option. We are aware that there is currently a discount offered to buyers of more than six properties, but perhaps this could be lowered slightly.
- Refurbishment that produces new housing units should be 0% VAT. This would immediately provide an incentive to provide housing out of existing stock and would make it much more financially viable for developers.
- Housing Associations are forced to pay capital gains taxes if they sell a property acquired through a developer at a discounted value. They are required to pay capital gains tax on the difference between the market value at which they sell the

property and the discounted value at which they acquired the property. This discourages sales. If Housing Associations are encouraged to sell part of their stock, this could result in increased housing supply through higher densities on the site, the likelihood of more mixed and balanced communities and enhanced quality of housing units. This is particularly true where schemes involve demolition of unfit homes and replacement of new residential units.

6 Social Housing and the Rental Sector

6.1 Are there additional barriers that have prevented this expansion?

- London First encourages the Treasury to review the policies governing social housing. The current tax regime acts as an obstacle to encouraging investment. It is apparent that housing provided through public subsidy or developer subsidy still produces rents that are unaffordable (despite being in accord with rent convergence policies). In London 67% of new lettings are to tenants who are eligible for housing benefits. It seems illogical to inject a large capital subsidy in order to create the dwelling, only to then offer indefinite support through Housing Benefits to cover rents which are supposedly affordable.
- Privately rented key worker/student housing units must be recognised as satisfying 'affordable' housing requirements in the planning process. A restrictive covenant might be placed on the properties such that they can only be used by key workers/students.
- The government should be persuaded to directly transfer social housing grants to private developers. We are aware that this is currently out for consultation and London First is very supportive of progress made towards achieving this.
- Please see additional points under 5.1.

6.2 Are these areas of provision simply not profitable?

- There is potential for making this sector very profitable if the correct policies are applied. Please see point 6.1 for more specific recommendations.

6.3 Is the private rental sector an unattractive investment option? If so, why?

- The private rental sector has been discouraged as an attractive investment option. Housing Investment Trusts do not offer sufficient tax incentives to make them viable choices. However the Business Expansion Scheme was very successful and thus should be studied in order to determine whether a similar model could be used again to encourage private investment.
- VAT regulations also create an adverse environment by making residential investments effectively 17.5% more expensive than commercial property investments. Under current legislation it is possible to VAT exempt a commercial building thereby transferring the 17.5% VAT management service charge liability to commercial tenants. This is not possible for residential property investments.

- VAT should therefore be reduced from 17.5% to the 5% minimum level permitted by EC regulations for all services relating to residential development and management.
- London First is aware that the Treasury is currently undertaking a review of stamp duty in order to encourage expanded investment. We welcome this initiative and are hopeful that progress will be made to reduce the financial burden of such legislation.

Finally, London First undertook a detailed review of Housing Supply in the capital in 2002. Our findings were published in a document entitled *Housing London* in November, and we are pleased to enclose a copy in Appendix 5.

London First

4th August 2003

Contact details

Housing Supply and Investment

Valerie Owen 0207 665 1592

vowen@london-first.co.uk

Molly Hollo 0207 665 1438

mhollo@london-first.co.uk

Planning Issues and Safeguarding Wharves

Judith Salomon 0207 665 1584

jsalomon@london-first.co.uk

Kate Vandermeer 0207 665 1560

kvandermeer@london-first.co.uk