

*Research Report*  
*Jones Lang LaSalle Incorporated*

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Abode Impact

# Tackling Private Housing Inequality: Accessible Housing

## Introduction

The status of the housing industry has never been more widely discussed in the academic, economic, and political environment. The UK population is increasing at a significant rate – predicted to rise at 5% over the next decade, equating to 2.7million people – therefore creating a substantial need to build more homes. Multiple Government reports have calculated that housing demand is significantly above current supply and the structural problems within the construction industry mean that this supply/demand imbalance is unlikely to remedy itself quickly. Government initiatives have been put in place to speed up housing delivery, including an overhaul of the planning process and Help to Buy. However the number of units being built is still woefully short of demand. The latest housing target for the UK is 300,000 homes built per annum. This level of output has not been achieved in the past 40 years, with the current build rate at around half the annual target.

This supply/demand imbalance has underpinned house price growth, increasing at a much faster rate than salary growth. Aspiring homebuyers have been forced to increase deposits to bridge the gap between their maximum available mortgage and the ever-increasing asking prices. With house prices growing at a faster rate than real wages, the number of first-time buyers who can afford to purchase a home is falling. Many who do not benefit from having financial support from relatives have had to turn towards the private rental sector for their housing needs. The increased competition from the growing number of renters has put upward pressure on rental values. This, coupled with high moving costs which prevents many from moving, is eroding disposable incomes, reducing the ability to save for a deposit.

Londoners are feeling this pinch the most - the proportion of households who privately rent in the Capital has increased from 20% to 27% in the past decade. The transient nature of the rental sector and the fact that the average lease length in the Capital is under a year prevents renters from laying down roots. This is even more of a problem for young disabled people who are struggling to find wheelchair-accessible places to live. The London Plan states that 10% of all new housing must be wheelchair accessible or easily adaptable for residents who are wheelchair users, but existing landlords understandably do not want to undertake expensive conversions to their buy to let properties which will restrict their customer pool. Many will also prevent renters from making changes to the property for the same reasons. There is also circumstantial evidence that the wheelchair accessible new housing developed in accordance with the London Plan is not ending up occupied by wheelchair users, typically due to a lack of affordability in London for these users to buy the properties outright. Abode Impact are estimating that around 30,000 London households have high level accessible housing needs that are not being met<sup>1</sup>. These market dynamics force wheelchair users to request housing assistance from social housing providers which have long waiting lists, or, increasingly, to live in unsuitable homes. It is important to note that 61% of UK households with an identified need for accessible housing, which equates to nearly 1,100,000 households across the country, have incomes in the lower half of the income distribution of the population as a whole (Habinteg, Papworth Trust, LSE & Ipsos Mori, 2017). It is these households that are in need of support.

JLL has worked alongside Abode Impact, a charity-owned fund sponsor seeking to deliver the UK's first accessible housing fund, to conduct some research to help them achieve their vision – to provide a safe and secure environment that wheelchair users can comfortably live in and call 'home'.

<sup>1</sup> Abode Impact applied UK wide percentages from LSE 2016 report '*No place like an accessible home: Quality of life and opportunity for disabled people with accessible housing needs*' to the population in London.

## Methodology

JLL has undertaken an analysis of each Local Authority within Greater London to consider where Abode Impact should seek to acquire new build properties for the fund. Three key metrics have been considered – accessibility, supply pipeline and affordability. These metrics were chosen to ensure that, in turn:

- a) The properties are situated in an area which is accessible, to avoid tenants being cut-off from transport and services;

- b) A large enough pipeline of development exists to provide sufficient supply of these specialist units; and
- c) The properties will be as affordable to tenants as possible taking into account the general level of London prices.

## Accessibility

Data has been taken from Transport for London (TfL) [Accessibility Guides](#) to identify the number of train stations and London underground stations that are currently step-free per Local Authority. Bus stop density has also been calculated and included in this analysis as the vast majority of London buses are wheelchair accessible.

## Supply pipeline

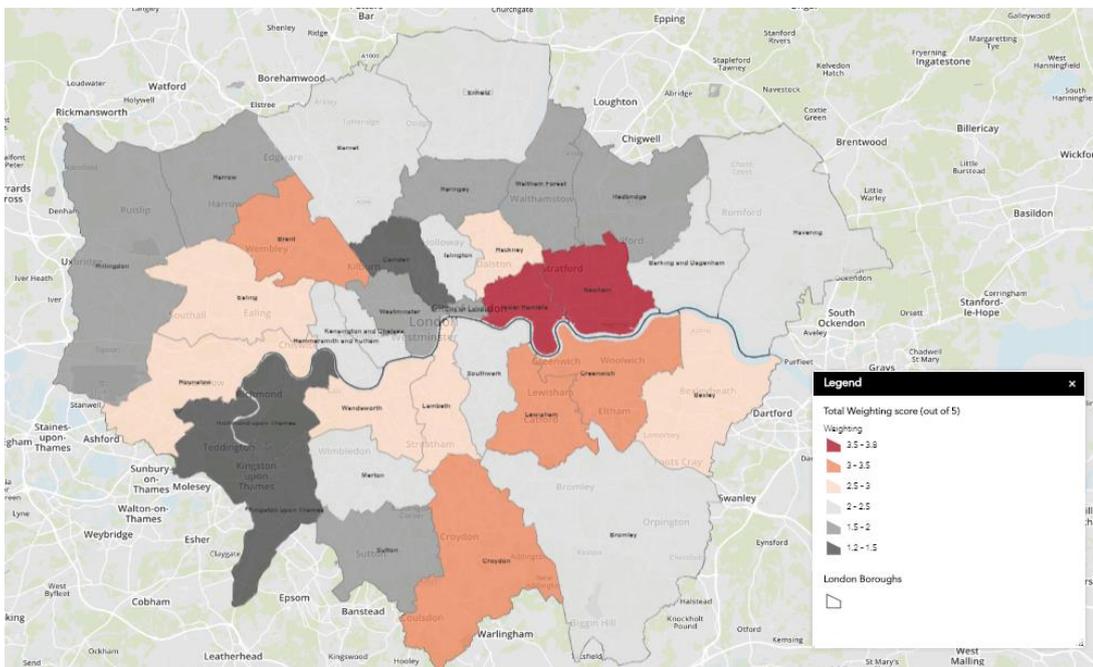
It is important to understand the number of units under construction as this gives an indication of how many units will be available to purchase. This, coupled with the number of units that have obtained planning permission, will help identify which Local Authorities Abode Impact should be targeting. All supply pipeline information has been sourced from Molior.

## Affordability

As there are a significant number of variables that impact pricing, an analysis was undertaken to rank Local Authorities by average new build prices taken from Land Registry. This helps focus which Local Authorities Abode Impact should be considering.

## Quantitative Scoring process and heat map

Each of the metrics above was loaded into a customised heat map and the results overlaid against the London boroughs. A sample of the output is below:



The metrics were also analysed in a tabular format and given individual scorings that were weighted into quartiles, depending on how each Local Authority performed out of the 32 boroughs. These quartile scores were then given a further weighting depending

on the relative importance to Abode Impact and their rental portfolio of that particular metric. It was decided that weighting of the metrics should be as follows:

Accessibility – 45%

Supply pipeline – 25%

New build value – 30%

The resulting weighted scores created an aggregate score for each Local Authority and a hierarchy that Abode Impact should target, which was placed into the heat map as a final layer. The sections below cover in more detail the four Local Authorities which JLL recommends Abode Impact should prioritise, although other areas such as Brent and Greenwich are also worthy of consideration based on the data.

## Tower Hamlets

Tower Hamlets has undergone a huge transformation in recent times. The amount of heavy industry and scale of the working docks made it a significant strategic bombing target in World War Two. In the aftermath of the War, many council estates were developed in a large-scale rebuilding programme that took place across the local authority. Although many of these estates are now in need of further regeneration, the organic growth in vibrant locations to the east of the city, such as Shoreditch and Hoxton, has seen a stark increase in demand to live in these areas. Development activity has increased dramatically and accounts for 16% of all units under construction in the Capital. The average new build value for Tower Hamlets is marginally over £450,000, which will be skewed by some of the more luxury schemes, predominantly located in Canary Wharf. More affordably priced units exist throughout the borough, with one and two bed flats having asking prices starting from £305,000 and £350,000 respectively. Combining 16 step-free public transport nodes with a bus stop density of 22 stops per sq km, this makes Tower Hamlets one of the most attractive Local Authorities in London for wheelchair users.

## Newham

Newham is arguably the most wheelchair accessible borough within the Capital. It benefits from 21 step-free train and underground stations, 535 bus stops (equating to a bus density of 15 per sq km) and an international airport. Connectivity will increase when Crossrail is completed, offering five new interchanges – Stratford, Manor Park, Forest Gate, Maryland and Custom House. The borough also has a huge residential development pipeline which is predominantly within two main regeneration areas - Stratford and around London City Airport. The 2012 Olympics attracted £9billion of inward investment into Stratford, and created a build programme of 10,000 homes to be built by 2030. Lendlease and Starwood Capital are to invest £1.2billion into the new Silvertown Quays, providing 7million sq ft of mixed use space. New build values average £465,000 across the borough, with one and two bedroom flats having starting from £330,000 and £445,000 respectively.

## Lewisham

The lack of London underground stations within South East London has meant that it has an unfair reputation of being somewhat unconnected from the Capital. It benefits from considerable overground rail access, and TfL are considering extending the Bakerloo line, which will further improve connectivity in South East London. Two new stations will be located in the borough – New Cross Gate, which will create an interchange with London Overground, and Lewisham Station, which will create an interchange with the DLR. The borough also benefits from 650 bus stops, equating to a bus stop density of 19 stops per sq km.

The perceived lack of connectivity has restricted house price growth when compared with other London boroughs. Families have been attracted to the southern areas of the borough such as Grove Park, Sydenham and Forest Hill to benefit from more space. Areas such as Deptford and Blackheath benefit from being on the periphery of sought-after locations but at a lower entry point. Aspiring homeowners are targeting new build schemes in these locations, and investors are hoping that values will become more

aligned with the more expensive neighbouring villages and benefit from stronger levels of capital growth. There are currently over 1,600 units under construction, with a planning pipeline of nearly 8,800 units across the borough. New build values average £410,000 – the sixth most affordable borough across London. One and two bed flats have asking prices starting from £305,000 and £395,000 respectively.

## Croydon

One of Croydon's best attributes is its public transportation network. Rail links between East Croydon and Central London are fast and frequent – only 15 minutes to both London Victoria and London Bridge, providing connectivity to both the West End and the City. Historically, Croydon provided affordable back-office accommodation for firms looking for quick access to central London. As overall rents remain competitive, especially in comparison to central London, many firms in recent years have relocated to the area resulting in over 30 blue chip companies having their regional or national headquarters in Croydon. These major organisations include AIG, Network Rail, Mott MacDonald, Paribas Law, LV, Aecom, Allianz, Goldman Sachs, EDF and UKBA with the most recent significant addition being HMRC. Residential developers are also investing in the area, with nearly 2,500 units under construction and a further 5,600 units in the planning pipeline. New build values in Croydon average £365,000 – the second lowest average new build value of London's 32 boroughs. One and two bed flats have asking prices starting from £265,000 and £300,000 respectively.

## Conclusion

Our research clearly identifies an opportunity for Abode Impact's funds to acquire one and two bedroom new build accessible properties within the boroughs of Tower Hamlets, Newham, Lewisham and Croydon at reasonably affordable prices from current and future development pipeline. The attributes within each borough meet Abode Impact's strategy to provide accessible housing for rent in London that offers wheelchair users better choice, independence within the home, affordable rent and close proximity to step-free transport links. It will be interesting to see how the accessible housing sector develops in the coming years and whether other landlords in the PRS follow Abode's lead.

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