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Overseas Investors in London's New Build Housing Market

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June 2017

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(Erratum: Figure 2.13 was corrected Feb 2018)

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1: Introduction

Research aims and methods

The Centre for Housing Policy at the University of York undertook research that addressed two key questions:

1. What proportion of new homes is sold to buyers who are resident overseas?
2. What proportion of new homes is kept empty and how many of these are owned by foreign buyers?

Land Registry Price Paid Data and Title information formed the basis for identifying new build properties owned by individuals or companies based in the UK or overseas. Property based commercial transactional data was used to identify vacant or little used homes.

Determining ownership

Land Registry Price Paid Data identified property sales in London between 1 April 2014 and 31 March 2016. The Price Paid Data provided details of the transaction date, the price paid and the property type. The time-frame was adopted to provide a sufficiently large pool of properties that had been sold, were built and capable of occupancy and had complete registrations with the Land Registry. There were 30,065 property transactions among new build homes during this period. Later datasets automatically remove sub-market sales but below market value sales from developers to housing associations were evident among the transactions. Therefore, property transactions for less than £200,000 were excluded to limit the volume of shared ownership or other transactions that involved registered housing providers. There were 2,039 such exclusions representing 6.8 percent of all residential new build sales during the study period.

Funds were made available that were sufficient to purchase a sample of 8,000 properties from the Land Registry. The sample, which was drawn from the resulting pool of 28,026 properties, was numerically split almost equally between the four groupings of London Boroughs set out below. Following the exclusion of a small number of sampled titles, as these were unavailable from the Land Registry, a sample of 7,996 properties formed the basis of the analysis.

In conjunction with the GLA, four key areas of new build areas were identified and the London boroughs allocated as follows:

Prime London - City of London, City of Westminster, Kensington & Chelsea.

New Growth - Camden, Greenwich, Lambeth, Newham, Southwark, Tower Hamlets, Wandsworth

Inner London - Hackney, Islington, Lewisham, Hammersmith & Fulham.

Outer London - Barking & Dagenham, Barnet, Bexley, Brent, Bromley, Croydon, Ealing, Enfield, Haringey, Harrow, Havering, Hillingdon, Hounslow, Kingston upon Thames, Merton, Redbridge, Richmond upon Thames, Sutton, Waltham Forest.

Sampling of addresses for inclusion in the research was weighted towards the areas of Greater London thought likely to comprise overseas investors, to aid identifying occupancy

among this group, and to provide sufficient cases within each group of areas to allow within-group analysis. The net result of the sampling is that approximately equal proportions of the sample were derived from the four types of area within the Capital. Thus, all new builds in the prime London areas were sampled, the outer London areas were under sampled, and the new growth and inner London areas were approximately representatively sampled (Table 1.1). Within each area type, the new builds were stratified by borough and price, and then they were randomly sampled. Analysis of the data was weighted such that aggregate results reflect the distribution of new build properties across the region.

Table 1.1: Sample of new build properties with a minimum value of £200,000, using Land Registry data, 2014 to 2016

London area	All new builds		7,996 sample of new builds		
	N.	%	N.	%	Sampling ratio
1. Prime London	1,857	6.6	1,856	23.2	1:1
2. New Growth	7,936	28.3	2,047	25.6	1:3.9
3. Inner London	6,549	23.4	2,047	25.6	1:3.2
4. Outer London	11,684	41.7	2,046	25.6	1:5.7
Greater London	28,026	100	7,996	100	1:3.5

The Land Registry supplied the title information that included the legal owner, their address, an indicator of whether there was a mortgage charge secured on the property and the name of any mortgage lender. For company owners the dataset also records the country in which the company is incorporated.

Characteristics of the sample

A total of 57.5 percent of all properties were owned by a resident occupier, or who at least had their legal correspondence conducted from the same property address. This varied from 34.3 percent of properties based in prime London boroughs, 55.8 percent in new growth boroughs, 51.9 percent in inner London boroughs and 65.6 percent of properties in outer London boroughs.

Table 1.2 Characteristics of the weighted sample of new build properties 1 April 2014 to 31 March 2016 by London area

	Prime	New Growth	Inner	Outer	All sales
All sales	6.6	25.7	26.0	41.7	100.0
Resident owner	34.3	55.8	51.9	65.6	57.5
Vacant, second-homes or let	65.7	44.2	48.1	34.4	42.5
- Incomplete off-plan sales	4.5	12.6	2.1	16.0	4.9
Apartments	98.9	96.9	96.4	76.3	88.3
Mortgage charge	4.7	25.2	26.8	43.3	67.3
Sold 2014	35.8	36.0	32.4	29.6	32.4
Sold 2015	43.8	49.1	50.8	56.8	52.4
Sold 2016	20.5	14.8	16.8	13.6	15.2
Mean sale value	£1,878,285	£522,599	£679,208	£420,258	£610,171
Median sale value	£1,279,450	£452,500	£490,000	£342,500	£425,000
Lowest value	£230,000	£200,000	£200,000	£200,000	£200,000

Flat/apartment	98.8	96.9	96.4	78.1	89.2
Detached	0.3	0.2	0.2	4.5	1.3
Semi-detached	0.1	0.4	0.2	4.4	1.3
Terrace	0.9	2.4	3.2	13.0	4.9
New build	81.8	95.8	92.7	86.4	90.0
Conversion	6.5	1.3	1.2	2.0	2.5
Change of use	11.3	2.6	5.6	11.1	7.1
Extension	0.4	0.2	0.5	0.5	0.4

Source: Land Registry * The sample excludes low value sales below £200,000

Determining occupancy

The Royal Mail's Postcode Address File (PAF) was used to ensure all properties were ready for occupation and were still not under-construction and, therefore, were not off-plan sales. The PAF includes only property addresses that are capable of having mail delivered and was used as a proxy indicator of building completion.

The Read Group provides demographic data derived from commercial and administrative transactions for the sample properties from which occupancy is inferred. The company routinely supply data on people and properties to public agencies and private companies, to efficiently target direct marketing campaigns by commercial companies or charity fundraising, understand the customer or service-user base of publicly funded arts or other services and verify residency. These data represent a digital footprint left after buying goods, registering to vote, obtaining financial services and other retail or administrative practices and typically offer geo-coded address or postcode level data. The data is compiled from numerous companies or agencies and as few entities provide monopoly services each source of data does not cover all households. Unlike survey data where generally each household or individual has indicated a response to each question, it is the convergence of information around a person or an address from different sources that provides an indicator of whether a property has been used retail, financial or administrative transactions as might be expected if the home was occupied as a principal residence.

The absence of demographic data is therefore used to indicate a home that is a second home, infrequently used or otherwise unoccupied. However, the coverage of commercial demographic data was not universal. To be confident that across the sample absences of data was a function of homes being under-utilised rather than insufficient time for the data company to collecting formation a control group was established to determine the expected match rate of demographic data to new build addresses. The control group comprised of new build properties sold during our study period in areas not subject to the second home or overseas investment phenomena. Annex 1 explains further about how the control group was constructed but was based upon new build sales in Crawley, Stevenage and Basildon, the three local authorities where the Census 2011 indicated the lowest level of 'no usual residents' on census day. The absence of demographic data matches to properties was not distributed randomly and by comparing this gap between the control group match rate and the London sample we can estimate the proportion of new build properties for different types of owner or price points that are under-used or unoccupied in someway.

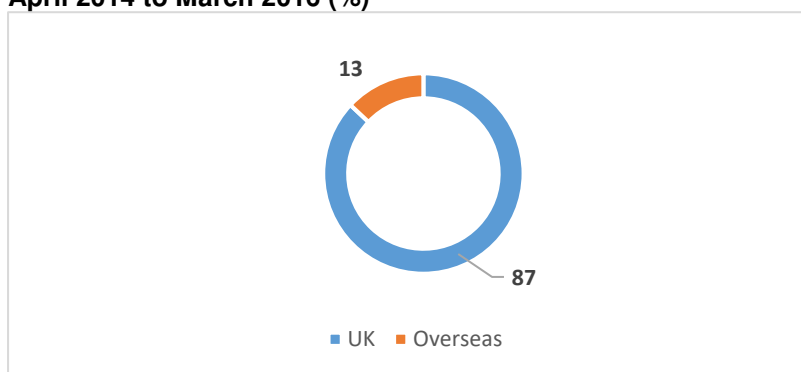
2: Determining ownership of London's new build properties

This chapter uses the Land Registry data to consider the extent of overseas ownership of London's new build residential market.

Extent of overseas ownership

Using the correspondence address of the first named proprietor¹ of the property indicates that an overseas person or entity owned 13 percent of London's new build property sold during the two-year study period 2014-2016 (Figure 2.1).

Figure 2.1: Extent of overseas ownership of London's residential new build properties sold April 2014 to March 2016 (%)



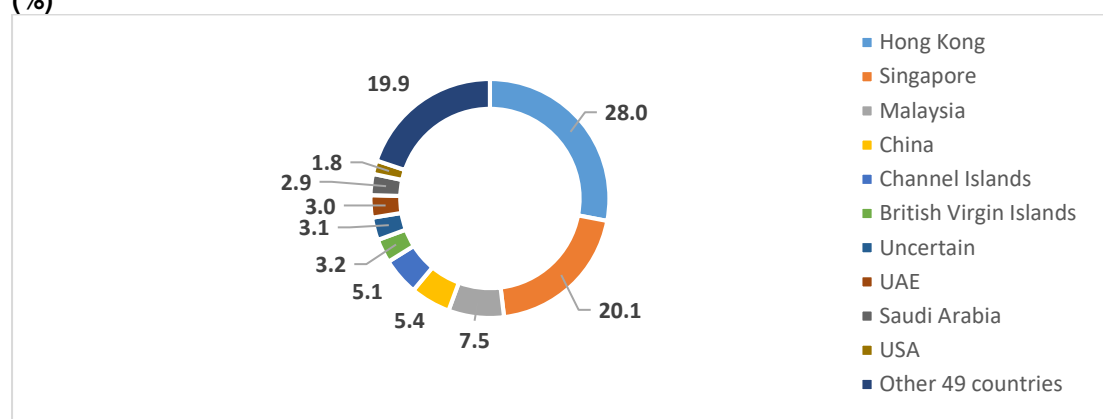
Source: Land Registry

The proportion of new build properties bought by overseas buyers rose across the study period. A total of 10.5 percent of the new build homes sold in 2014 were bought by overseas investors, 13.1 percent of the 2015 sales and 17.9 percent of the 2016 sales.

Three-fifths (61 percent) of all overseas sales were made by people or entities in just four countries in south-east Asia. Hong Kong, Singapore, Malaysia and China supplied the largest proportions of overseas investors. Figure 2.2 shows the top countries of the first named property owners, and a full list is available in Annex 2. Where owners provided only an email address for correspondence, the country location was marked as 'uncertain'.

¹ Some properties were purchased by several owners, indeed 18 different investors were present in one case.

Figure 2.2: Country location of first proprietor's overseas owners' correspondence address (%)

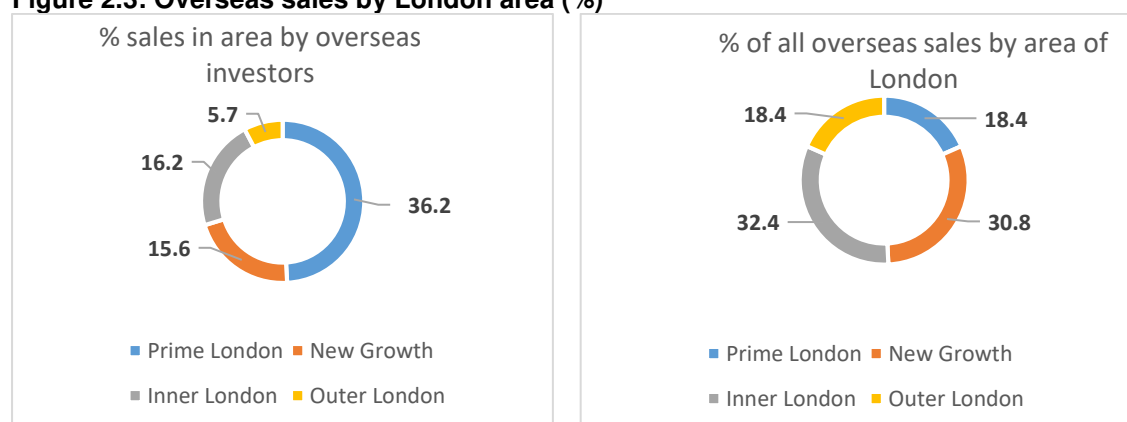


Source: Land Registry

It is difficult to determine the trajectory of overseas sales by country on such a short run, but Malaysian investment fell during the study period, with 11 percent of overseas sales in 2014 coming from Malaysia, 7.3 percent during 2015 and only 3.7 percent of 2016 overseas sales. Investment from Singapore fluctuated, forming 23.9 percent of the 2014 overseas sales, 18.0 percent of 2015 overseas sales and 20.8 percent of the 2016 sales. Hong Kong sales also fluctuated, forming 29.0 percent of the 2014 overseas sales, 26.2 percent of the 2015 overseas sales and 31.5 percent of the 2016 overseas sales.

Overseas property owners were more prevalent in prime central London boroughs where they comprised just over one third of all sales (36.2 percent), compared to 5.7 percent of sales in the outer London boroughs (Figure 2.3). However, as a proportion of all sales prime London as a destination for overseas investors was only as prevalent as outer London (18 percent), with by far the greatest proportion of sales to overseas investors being in new growth areas (31 percent) and the rest of inner London (32 percent). Of course, the prime markets comprise only 6.6 percent of sales and the outer London boroughs 41.7 percent of all sales, so overseas investors are over-represented in prime areas and under-represented in outer London areas.

Figure 2.3: Overseas sales by London area (%)



Source: Land Registry

Table 2.1 shows that the London boroughs with the greatest proportions of all the overseas sales made during the study period were the City of Westminster (11.0 percent), Tower

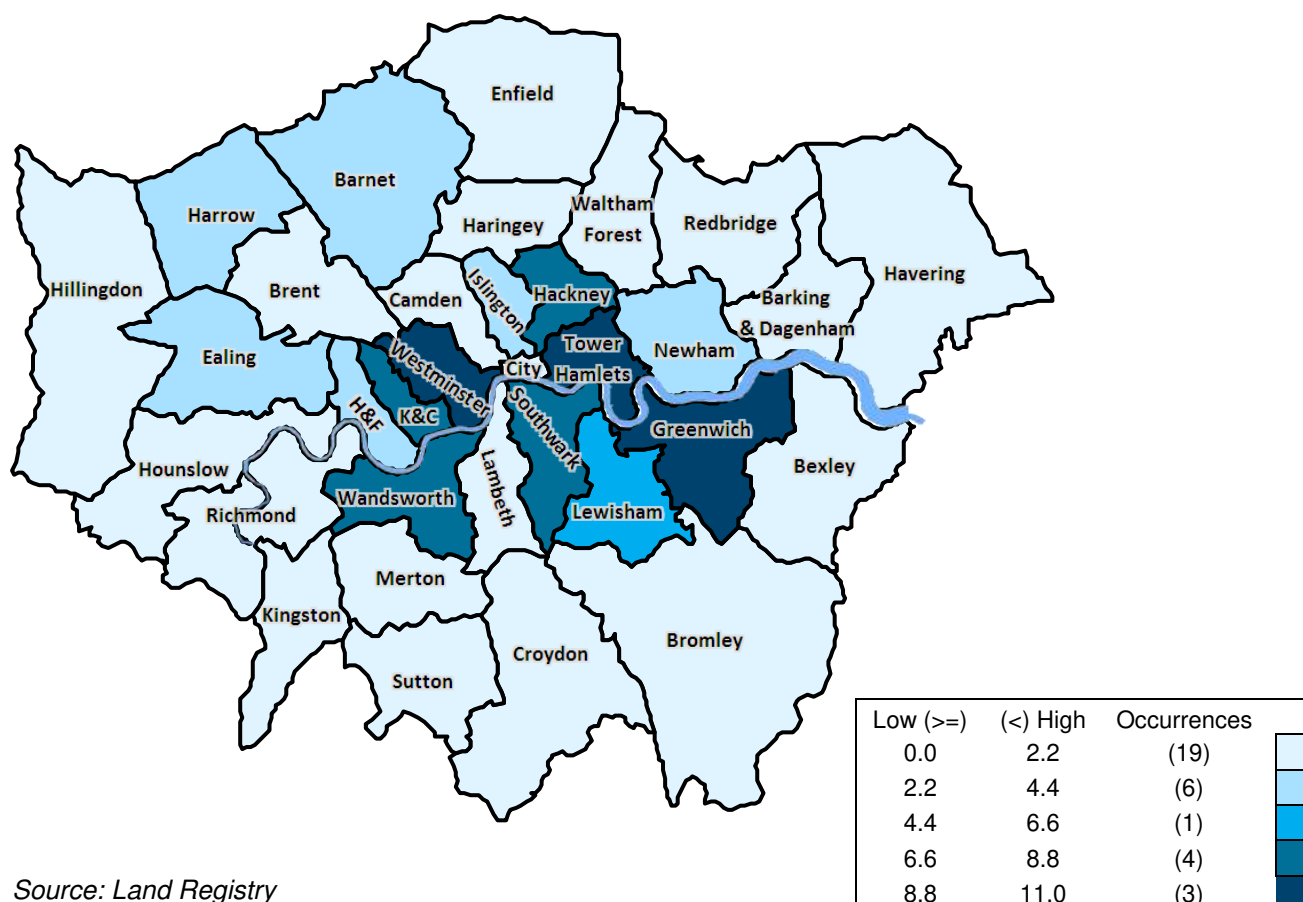
Hamlets (9.6 percent) and Greenwich (9.0 percent) with other areas of areas of new growth and inner London represented. A full list of overseas sales in London boroughs is included in Annex 3. However, the boroughs where overseas sales comprised the greatest proportions of all sales in that borough were in prime markets of the City of London (40.8 percent), Westminster (37.9 percent) and Kensington and Chelsea (32.2 percent). However, although overseas buyers were over-represented in prime London boroughs, there were lower rates of new builds coming to market in these areas, comprising only seven percent of all sales.

Table 2.1: Top ten London boroughs by proportion of overseas sales

	LB by % of all overseas sales	Overseas sales as % of LB sales	LB sales as % of all sales
City of Westminster	11.0	37.9	3.8
Tower Hamlets	9.6	16.2	7.6
Greenwich	9.0	14.4	8.1
Wandsworth	8.6	14.6	7.6
Kensington And Chelsea	8.4	32.2	2.2
Southwark	8.4	25.6	4.3
Hackney	7.4	18.4	5.2
Lewisham	6.2	17.1	4.7
Hammersmith and Fulham	4.2	18.8	2.9
Newham	3.7	20.3	2.3

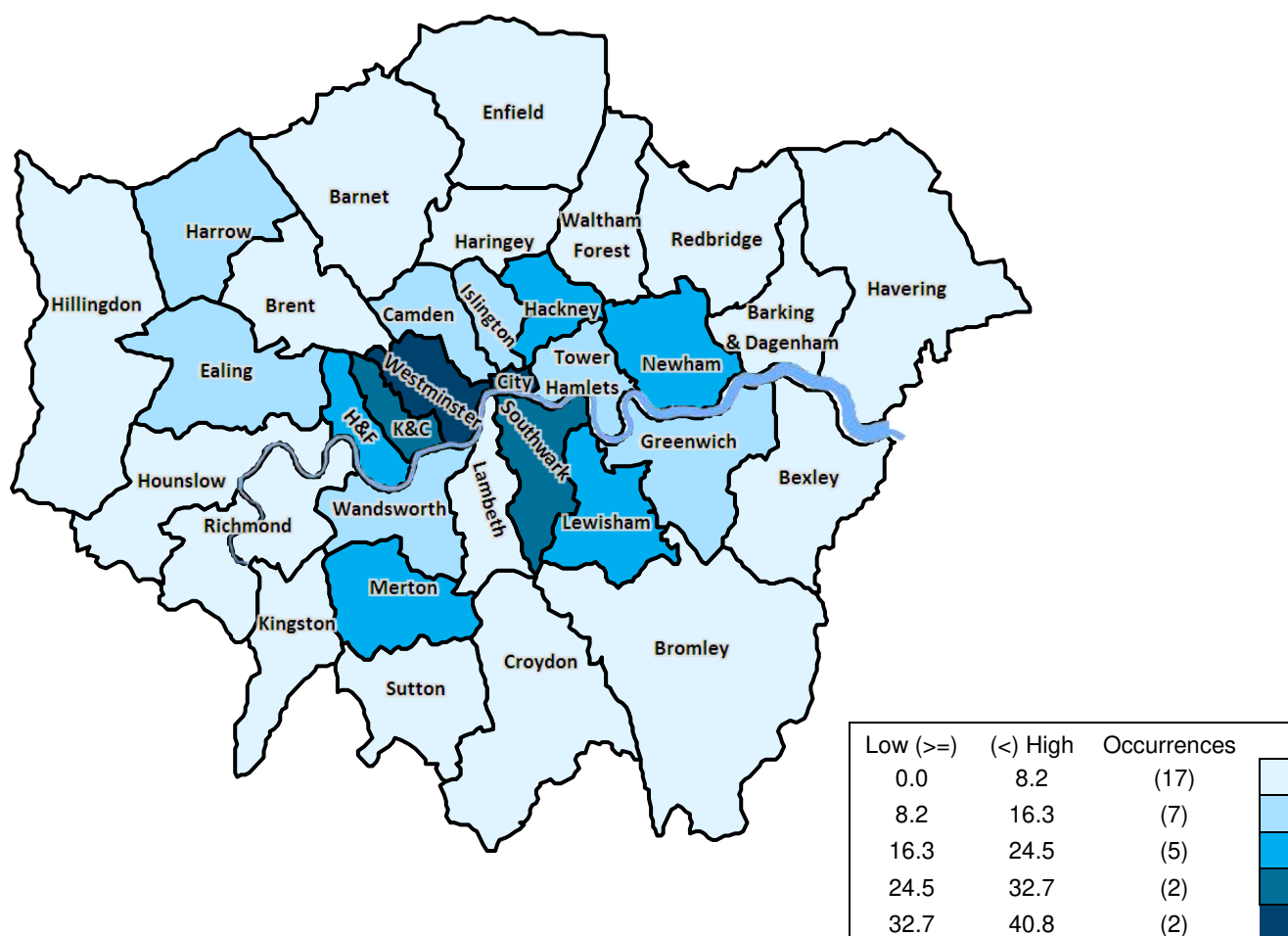
Source: Land Registry

Figure 2.4: Distribution of all overseas sales by London boroughs (%)



Source: Land Registry

Figure 2.5: Proportion of all sales in each London Borough made to overseas buyers (%)



Source: Land Registry

The top destinations of investors varied by country (See Annex 4). Hong investors most frequently purchased in Tower Hamlets (13.4 percent of all sales from Hong Kong), Greenwich (10.0 percent) or Southwark (10.0 percent). While investors from Singapore favoured Westminster (17.2 percent of all sales from Singapore) above Tower Hamlets (12.9 percent) and Southwark (10.0 percent), and Malaysian investors bought most frequently in Hackney (24.4 percent), Westminster (11.5 percent) and Wandsworth (11.5 percent). The most popular destination for Chinese investment was Greenwich (24.6 percent), for investment through the Channel Islands was Harrow (30.2 percent) and investment routed through the British Virgin Islands centred on Westminster (21.1 percent).

Company sales

Company sales were more frequent among overseas purchases. A total of 6.6 percent of all sales during the study period were undertaken by companies rather than individual people. However, 15 percent of sales undertaken by owners based overseas were made through a company (Figure 2.6), and 29.7 percent of all company sales had an overseas correspondence address.

Company sales were concentrated in Prime London boroughs (14.4 percent). Much lower proportions were found in all other areas of the city, with company purchases representing only 5.3 percent of sales in the New Growth boroughs.

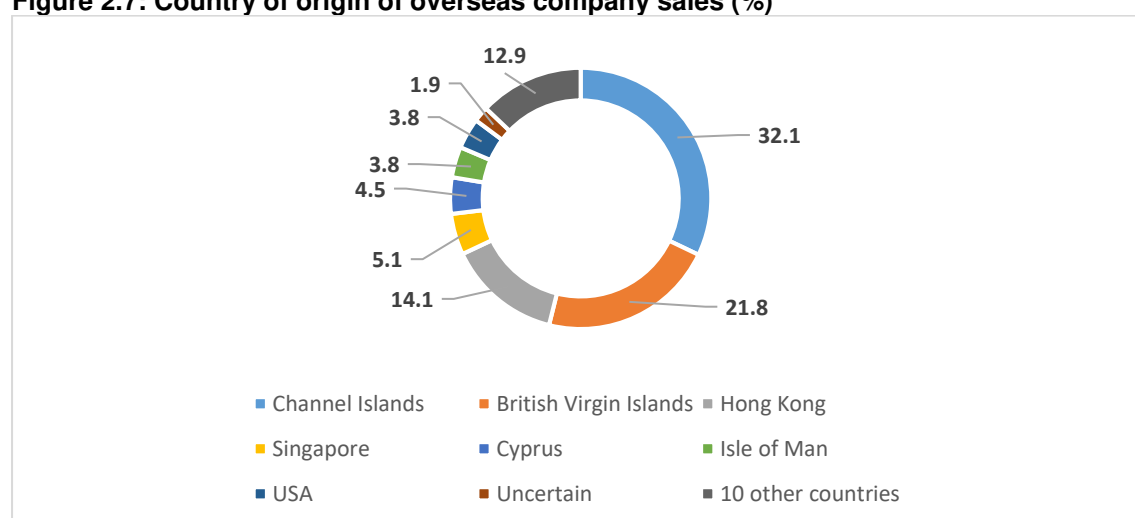
Figure 2.6: Country of owners by type of purchase (%)



Source: Land Registry

UK based firms formed the majority of company transactions (70.3 percent), with 29.7 percent based overseas. Of all overseas company sales, 32.1 percent were based in the Channel Islands, 21.8 percent in the British Virgin Islands and 14.1 percent in Hong Kong (Figure 2.7).

Figure 2.7: Country of origin of overseas company sales (%)



Source: Land Registry

The country base of company property owners varies by location within London (Annex 5). Companies based in different countries bought property in different areas of London. The British Virgin Islands formed 16 percent of all company sales in prime London markets, and was the key location for investment from this jurisdiction, In comparison the largest proportion of sales from the Channel Islands (14.5 percent) were in the outer London boroughs. Hong Kong firms also accounted for a significant portion of outer London borough sales (6.6 percent).

Overseas company sales are not currently obliged to declare the beneficial owner of the property², and indeed pay large sums of tax (Annual Tax on Enveloped Dwelling) to avoid doing so³.

Of the company sales, three-quarters of sales were to single owners (76.1 percent) but around a quarter (23.7 percent) had between two and five owners listed. Of the company purchases with multiple owners, 67.7 were companies with UK correspondence addresses. Overseas purchases (25.6 percent) were just as likely to include multiple owners than UK company purchases (22.8 percent), any difference was not statistically significant.

Sales prices

Overall overseas owners bought higher value properties (median price of £500,000) than UK-based buyers (median price of £415,000). But this was not uniform across London. UK owners bought slightly higher value properties than overseas owners in prime London boroughs but there was little difference in other areas, and in inner and outer London boroughs the differences were not significant.

Table 2.2: Mean and median average prices by London area and country of owner (£)

	UK Owner		Overseas Owner		Total	
	Mean	Median	Mean	Median	Mean	Median
Prime London	2,045,199	1,378,862	1,584,885	1,175,373	1,878,285	1,279,450
New Growth	521,046	455,000	531,014	445,525	522,599	452,500
Inner London**	672,549	485,000	713,598	554,000	679,207	490,000
Outer London**	420,529	340,000	415,768	362,500	420,257	342,500
Total	587,302	415,000	763,207	500,000	610,101	425,000

Source: Land Registry *NB sales below £200,000 removed ** Not significant at $p < 0.05$

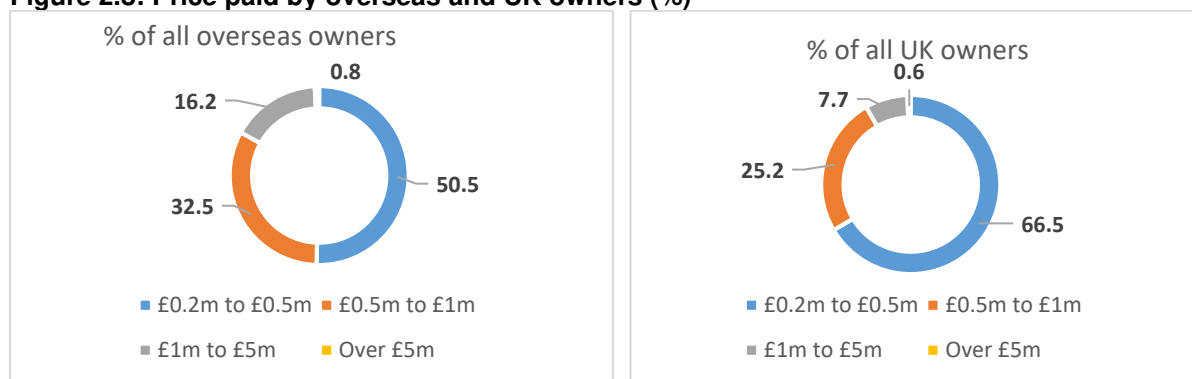
Overseas purchasers more frequently bought higher value properties than UK owners (Figures 2.5). A quarter of UK sales (25.2 percent) were made between £0.5 million and £1 million compared to 32.5 percent of purchases by overseas owners. Similarly, overseas buyers bought property between £1 million and £5 million at twice the rate (16.2 percent) of UK buyers (7.7 percent).

A total of 14.9 percent of overseas sales were made via companies, and these purchases also tended to be of a higher value. Around half of all overseas individuals and company purchases were in the lower price bands (under £0.5 million) (Figure 2.8). However, 23.2 percent of company sales were over £1 million compared to only 15.9 percent of sales to overseas individuals.

² The UK government have recently consulted on making it a legal requirement that foreign companies register their beneficial owners prior to buying UK property or bidding for UK public contracts (BEIS, 2016)

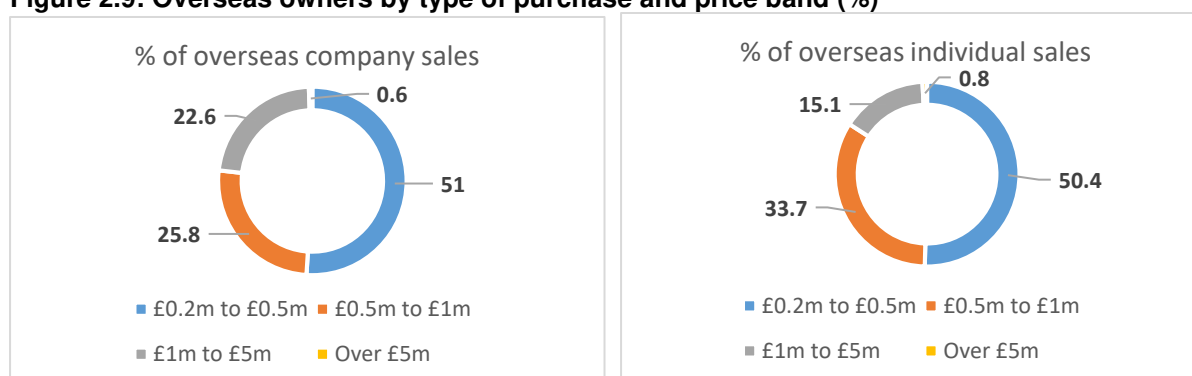
³ Annual Tax on Enveloped Dwelling was introduced in 2013 and is based on banded property values. Total receipts in 2015/16 were £178 million and increased by 53 percent on the previous years total (HMRC, 2016).

Figure 2.8: Price paid by overseas and UK owners (%)



Source: Land Registry

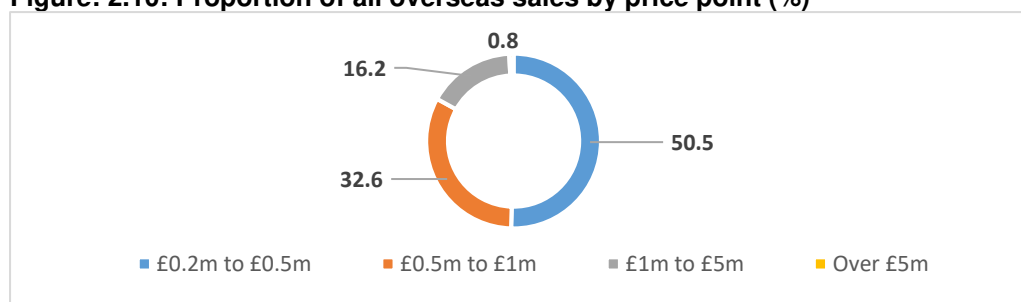
Figure 2.9: Overseas owners by type of purchase and price band (%)



Source: Land Registry

Overseas investment is not just about prime high value sales. Indeed half of all overseas sales were made at values below £0.5 million (50.5 percent) (Figure 2.10). The next largest proportion of overseas sales were made at values between £0.5 million and £1 million (32.5 percent). Only a fifth of sales were made at values above £1 million.

Figure 2.10: Proportion of all overseas sales by price point (%)



Source: Land Registry

Table 2.3 and Table 2.4 show the distribution of sales prices by area of London for Overseas and UK-based buyers. While overseas and UK-based buyers have a tendency to buy in different areas – with overseas buyers being more interested in prime London and less interested in outer London compared to UK-based investors – when they do buy in the different areas there is not a lot of difference in the price points at which they enter the market. The prime London market is obviously more important to overseas buyers than UK-based buyers and their spending is leans towards the £0.5-£1m price band where 39.6 percent of sales are made, compared to UK-based buyers where only 30.3 percent of their

purchases are made. And in inner London overseas buyers favour property in the price bands £0.5-£1m and £1-5m more than UK-based buyers, who more frequently purchase at the lower end of the market £0.2-£0.5m.

Table 2.3: Overseas sales by price and area of London (%)

	Banded price paid for property				Total
	£0.2m to £0.5m	£0.5m to £1m	£1m to £5m	Over £5m	
Prime London	5.7	39.6	50.5	4.2	18.5
New Growth	64.7	30.0	5.3	0.0	30.8
Inner London	44.2	40.9	14.8	0.0	32.4
Outer London	82.7	14.7	2.6	0.0	18.4
Total of price band	100.0	100.0	100.0	100.0	100.0
Total of all overseas sales	50.5	32.6	16.2	0.8	100.0

Source: Land Registry

Table 2.4: UK-based sales by price and area of London (%)

	Banded price paid for property				Total
	£0.2m to £0.5m	£0.5m to £1m	£1m to £5m	Over £5m	
Prime London	7.4	30.3	55.5	6.8	4.8
New Growth	62.2	33.8	3.9	0.1	24.9
Inner London	54.9	34.4	9.9	0.7	25.0
Outer London	81.7	14.8	3.4	0.1	45.2
Total of price band	100.	100.	100.0	100.0	100.0
Total of all overseas sales	66.5	25.2	7.7	0.6	66.5

Source: Land Registry

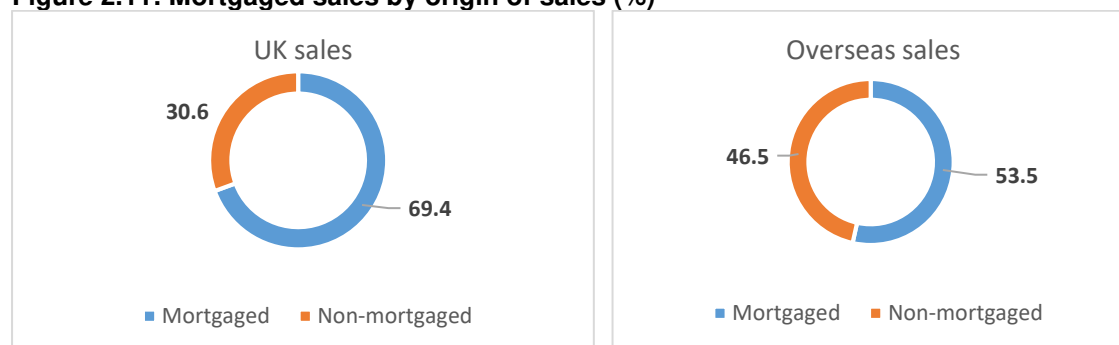
Mortgage charges

While overseas investment has offered counter-cyclical investment in UK residential markets, such investment is also subject to market fluctuations in the host countries. The extent of leveraged investment that may be subject to economic shifts overseas is therefore also important to monitor.

Across all sales 67.3 percent of sales were supported by a mortgage, and overseas purchasers were less likely to hold a mortgage charge against their property (53.5 percent) than UK based purchases (69.4 percent) (Figure 2.11). Mortgages on properties purchased by overseas investors were slightly over-represented in areas of inner London (37.1 percent), despite forming only 32.4 percent of overseas sales, and were slightly under-represented among overseas sales in outer London boroughs, where they formed 14.4 percent of mortgaged properties and 18.4 percent of all overseas sales (Figure 2.11).

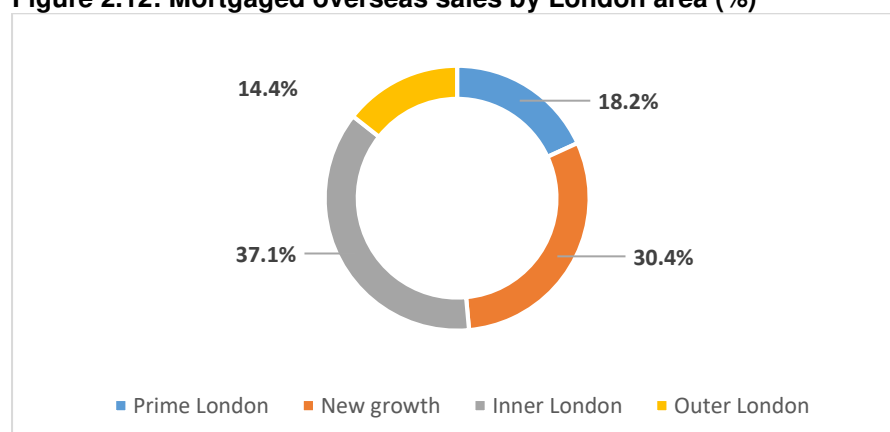
There was little difference between the rates of mortgages used by overseas companies and individuals and any apparent difference was not statistically significant. A greater proportion of overseas purchases in the rest of Inner London (61.1 percent) have a mortgage charge on the property, compared to only 41.9 percent in Outer London.

Figure 2.11: Mortgaged sales by origin of sales (%)



Source: Land Registry

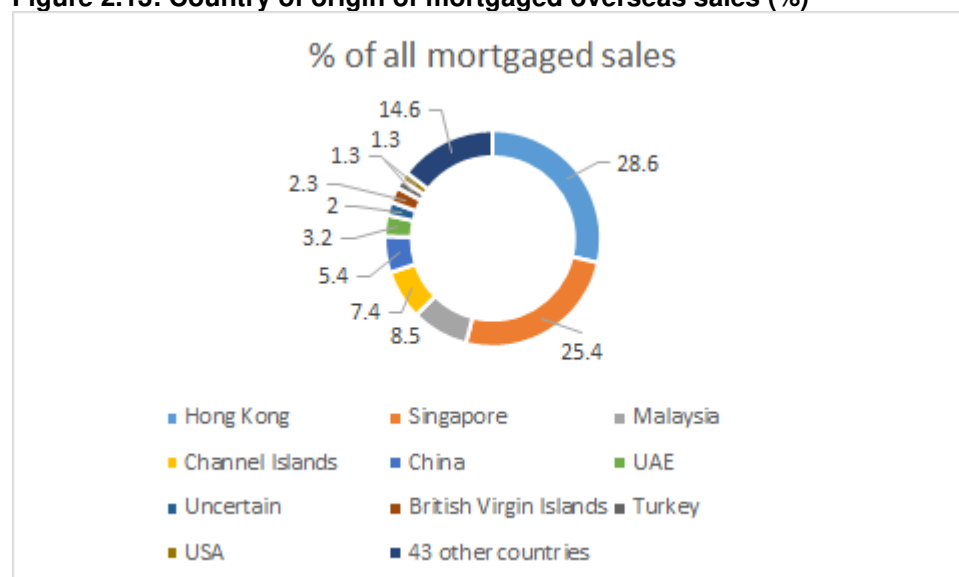
Figure 2.12: Mortgaged overseas sales by London area (%)



Source: Land Registry

By far the greatest proportion of mortgaged overseas sales originate from south-east Asia, with over half coming from Hong Kong and Singapore alone (Figure 2.13). Overseas sales from these countries comprised 48.1 percent of all overseas sales but 54 percent of all mortgaged sales meaning they were slightly more likely to have borrowed to facilitate the purchase than other overseas owners.

Figure 2.13: Country of origin of mortgaged overseas sales (%)



Source: Land Registry

The ten London Boroughs with the greatest proportions of mortgaged overseas sales are shown in Table 2.5. Westminster, Greenwich and Tower Hamlets account for 31 percent of all mortgaged overseas sales, which is similar to their share of all overseas sales. However, mortgaged sales were over-represented among London boroughs in areas of New Growth and Inner London.

The median price paid for any mortgaged property was £400,000 compared to £480,000 for ones with no mortgage charge attached. The median price paid for mortgaged properties by overseas purchasers was significantly higher (£495,892) than UK-based purchasers (£394,995). The title data does not reveal the size of the mortgage, so the extent of leverage among overseas buyers remains uncertain. The data does suggest, however, that overseas buyers have greater purchasing power, with or without finance.

Table 2.5: Top ten London Boroughs by proportion of overseas sales

	% of mortgaged sales	% non-mortgaged sales	% of all sales
City of Westminster (prime)	11.0	11.0	11.0
Greenwich (new growth)	10.1	7.7	8.9
Tower Hamlets (new growth)	10.1	8.9	9.5
Lewisham (inner)	8.6	3.3	6.2
Hackney (inner)	8.1	6.6	7.4
Southwark (new growth)	8.1	8.9	8.5
Wandsworth (new growth)	7.5	9.7	8.6
Hammersmith And Fulham (Inner)	5.2	2.9	4.1
Kensington And Chelsea (prime)	5.0	5.8	5.4
Harrow (outer)	3.8	1.4	2.7

Source: Land Registry

Property type

A total of 89.2 percent of all sales related to flats. Overseas purchasers were more inclined to buy flats (97.9 percent) compared to UK purchasers (87.9 percent).

The price paid for different types of new build varied (Table 2.6).

Table 2.6: Price paid by type of new build (£)

Type of new build	Mean	Median	Minimum	Maximum
Change of Use	745,587	535,000	200,000	6,200,000
Conversion	1,189,517	480,000	229,724	18,850,000
New build	743,168	475,000	200,000	50,000,000
Extensions	414,571	385,000	205,000	815,000
Total	753,001	478,000	200,000	50,000,000

Source: Land Registry/GLA

Conclusion

The Land Registry data demonstrated that 13 percent of new build sales during our study period were made to overseas investors, drawn mainly from south east Asia. Overseas investment in London property was greater in prime London boroughs but these sales

comprised only seven percent of all transactions. It was notable that during our study period, around half of all overseas investors bought properties at sales points between £0.2 and £0.5 million, indicating that the phenomenon was more widespread than prime London's high value homes alone.

3: Determining occupancy of London's new build properties

Introduction

This chapter reports on data sources that tell us about the extent to which London's new build homes are fully or partially used or occupied. It is based on Census data relating to no usual residents on Census night and demographic transactional data.

Determining the exact proportion of under-used or under-occupied homes is a challenge, not least as there are various reasons why a property may not be fully utilised due to transactional voids, disrepair, are vacant for speculative purposes (buy to leave), used for the academic year, for the summer season or during the working week. Setting parameters for the different type of 'under-use' is therefore difficult.

Census data – household spaces with no usual residents

The 2011 Census provides us with data of unoccupied household spaces on census day (27 March 2011). While this resource is somewhat dated, not least in relation to some of the new neighbourhoods that have emerged from extensive new development in some locations, for example, the Greenwich Peninsula, they nevertheless provide some insight into the types of locations in which our sample properties are situated. Unoccupied housing is not a clear indicator of an unused dwelling, as the usual occupiers may be temporarily absent, vacant during a sale or for refurbishment, the property could be used as a second home or other infrequent use, as well as being empty. The Census records household spaces (similar to dwellings but not necessarily self-contained) where there is no usual resident⁴. There are associations between household spaces having no usual resident on census day, second homes and empty properties (Gask and Williams, 2015). We therefore use this to highlight patterns in our sample of new build homes.

There were 4.36 percent of household spaces unoccupied on the night of the 2011 Census across England and Wales, compared to 3.9 percent in the 2001 Census.⁵ Greater London had the lowest rate of household spaces without a usual resident (3.58 percent) compared to 5.97 percent in Wales and the South West. This varies by local authority with greater proportions of no usual residents recorded in the City of London (20.7 percent), Westminster (11.9 percent) and Kensington and Chelsea (10.5 percent).

The Census data identifies the proportion of household spaces with no usual residents on census night in Census output areas, which cover approximately 125 households. These data were appended to our sample of new build properties. Overall, the proportion of no usual residents in the output areas where our sample properties were located was 8.4 percent. This ranged from 10 percent of new build properties being in locations where there were less than one percent of spaces with no usual resident on census day, to ten percent of

⁴ The Census definition of 'usual resident' is anyone who, census day, was in the UK and had stayed or intended to stay in the UK for a period of 12 months or more, or had a permanent UK address and was outside the UK and intended to be outside the UK for less than 12 months.

⁵

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/articles/householdsandhouseholdcompositioninenglandandwales/2014-05-29#household-spaces>

new build homes situated in locations with 15.7 percent or more no usual residents. Prime London areas contained the greatest proportions of new build homes in areas with high rates of no usual residents found (18.1 percent), but was much lower in new growth areas (7.2 percent), inner London (4.3 percent) and outer London (5.1 percent). However, the median proportions signify some wide variation in areas other than in prime London. The median rate of no usual residents found in prime London was similar to the mean (19.5 percent) but is much lower and consistent for the new growth, inner and outer areas of London (3.1 or 3.2 percent across all of these areas).

The top ten London boroughs with new build properties in locations with the greatest proportions of no usual residents on census day are shown in Table 3.1. While the prime boroughs of City of London, Westminster and Kensington and Chelsea could be anticipated, new build homes in outer London boroughs were also located in areas of high rates of homes with no usual residents.

Table 3.1: Top ten London boroughs by proportion of no usual residents on 2011 Census day in locations of new build properties

London Borough	Mean	Median
City of London	25.5	29.6
City of Westminster	19.0	14.8
Kensington and Chelsea	14.4	20.3
Newham	10.2	0.9
Bromley	9.9	4.2
Croydon	9.3	4.7
Wandsworth	8.9	11.0
Tower Hamlets	8.6	2.0
Hillingdon	8.1	3.8
Harrow	7.1	5.3

Source: Census 2011; Land Registry

Read demographic transactional data

The commercial demographic data includes attributes derived from a range of different commercial and administrative sources. Data is not available for all property addresses, not least new build properties as it takes some time to accumulate commercial and administrative data around an address. The match rate between the demographic data and our London sample addresses was compared to the match rate for the control group sales. The gap between the expected match rate and the actual match rate indicates where homes are not being used as a site of financial, retail or administrative transactions as would be expected from a primary residence.

A total of 19.6 percent of addresses were matched with demographic data for the control group but only 17.6 percent for properties across London (excluding off-plan sales where the building work is incomplete and the properties therefore unable to be occupied) (Table 3.2). From these data we can infer that 10.2 percent of properties were under-used in some way and not used as a primary residence and a site of retail, financial and administrative transactions ($100 - (17.6 \times 100 / 19.6)$).

Table 3.2: Read demographic match rates and inferred occupancy (%)

Year of sale	Match rate London sample	Control Group average	Inferred full occupancy rate	Inferred under- occupancy rate
2014-2016	17.6	19.6	89.8	10.2

Source: Read Group

Table 3.3 examines the distribution of the gap between the matches achieved in London and the matches achieved in the control group, indicating the areas and properties where we can infer there are greater numbers of properties not used as a primary residence. Here we find that around half of new build properties in prime areas of London are not fully occupied, but under-used in some manner. In contrast, all new properties in outer London are fully occupied as the match rate exceeded the expected match rate of 19.6 percent (derived from the control group). In areas of new growth and new builds in inner London a quarter and a fifth of new homes are under-used according to the expected baseline rate of 19.6 percent.

Table 3.3: Demographic match rates by London area

Area	Matched	Unmatched	Total sales	Inferred full occupancy rate	Inferred under- occupancy rate
Prime London	9.9	90.1	503	50.5	49.5
New growth	16.7	83.3	1796	85.2	14.8
Inner London	15.8	84.2	2036	80.6	19.4
Outer London	20.5	79.5	3272	100.0	0.0
Grand Total	17.6	83.2	7607	89.8	10.2

Source: Land Registry; Read Group

Table 3.4 finds a similar differential between properties according to value with properties over £1m experiencing a lower match rate / higher vacancy rate and properties over £5m an even greater variation from the London average.

Table 3.4: Match rates by value of property (%)

Value of property	Matched	Unmatched	Total sales	Inferred full occupancy rate	Inferred under- occupancy rate
1 over £5m	7.1	92.9	42	36.2	63.8
2 £1m-£5m	12.0	88.0	652	61.2	38.8
3 £0.5m-£1m	14.3	85.7	1908	73.0	27.0
4 £0.20m-£0.5m	19.7	80.3	5006	100.0	0.0
Total	17.6	82.4	7608	89.8	10.2

Source: Land Registry; Read Group

Table 3.5 shows that overseas owners are much more likely to hold property that is under-used, 42.3 percent compared to 5.6 percent of UK owners. However, as overseas investors are a smaller proportion of the market, in absolute terms similar numbers of under-occupied new build properties are likely to be owned by UK and overseas purchasers (402 of this sample are estimated to be overseas owned under-occupied new builds versus 389 of the UK owned new builds).

Table 3.5: Match rates by type of purchaser (%)

	Matched	Unmatched	Total sales (n)	Inferred full occupancy rate	Inferred under-occupancy rate
Overseas owner	11.3	88.7	952	57.7	42.3
UK owner	18.5	81.5	6955	94.4	5.6
Total	17.6	82.4	7608	89.8	10.2

Source: Read Group/Land Registry

We know that in the case of 57.5 percent of properties the owner used the same correspondence address for the legal transactions as the property address, plausibly indicating owner-occupation or at least a primary residence. By way of a validity check, the match rates of demographic data to these homes assumed to be in owner occupation was 19.8 percent, essentially the same as for the control group (19.6 percent) (Table 3.6). Estimates of under-occupancy are zero among resident owners, but a quarter (25.5 percent) of homes bought by non-resident owners were under-occupied in some way.

Table 3.6: Match rates by correspondence address (%)

	Matched	Unmatched	Total sales	Inferred full occupancy rate	Inferred under-occupancy rate
Resident owners	19.8	80.2	4596	100.0	0.0
Non-resident owners	14.6	85.4	3400	74.5	25.5
Total	17.6	82.4	7608	89.8	10.2

Source: Land Registry; Read Group

The difference in occupancy rates remains when comparing UK non-resident owners with overseas non-resident owners (Table 3.7). Of all non-resident owners who are using the properties as a variety of second homes, buy to let, or buy to leave uses, 18.4 percent of UK owners' properties are under-used, less than half the rate at which overseas owners' homes are under-used.

Table 3.7: Match rates among non-resident owners by type of owner (%)

	Matched	Unmatched	Total sales (n)	Inferred full occupancy rate	Estimated under-occupancy rate
Overseas owners	11.3	88.7	952	57.7	42.3
UK owners	16.0	84.0	2244	81.6	18.4
Total	14.6	85.4	3196	74.5	25.5

Source: Land Registry; Read Group

Conclusion

The estimates show that the propensity to leave homes empty or under-used in some way is greater among properties of higher values, in prime areas of London and among overseas investors. These sales represent a smaller portion of London's new build housing market, so in absolute terms UK and overseas owners hold similar numbers of homes that are under-used or under-occupied.

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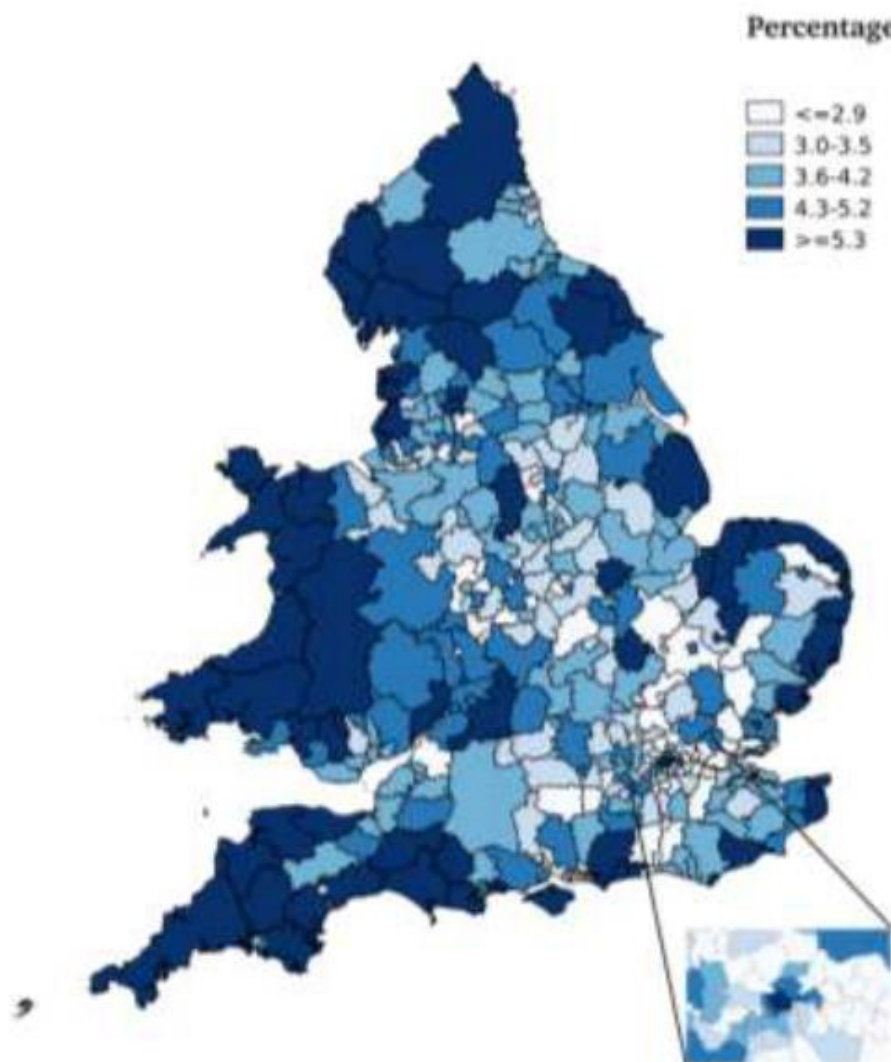
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Annex 1: Establishing a control group

To provide a robust estimate of homes that are little used or vacant among new build homes in London we need to compare the 'match rate' of demographic data achieved amongst the sample of these homes in London with what is achieved in a location free from overseas investment or other holiday or second home phenomena.

Census 2011 data identifies whether household spaces had any usual residents on Census day. The local authority districts with the highest rates of no usual residents are those associated with vacant or second homes, holiday homes and *pied et terres* (see Figure 1). Table 1 reflects the research teams' own analysis of Census data and shows the top ten local authorities with the highest and lowest rates of homes with no usual residents on Census day. Interestingly, London Boroughs appear in the lists, with prime boroughs having a high incidence of no usual residents and outer London boroughs low rates of no usual residents.

Figure 1: Percentage of household spaces with no usual residents on Census day 2011



Source: Reproduced from Gask and Williams (2015)

Table 1: Highest and Lowest local authority districts by no usual residents on Census day 2011

Top LA districts	%	Bottom LA districts	%
Isles of Scilly	28.9	Crawley	1.7
City of London	20.7	Basildon	1.7
King's Lynn and West Norfolk	15.0	Waltham Forest	1.9
South Hams	14.8	Stevenage	1.9
Gwynedd	14.1	Tamworth	2.0
North Norfolk	13.5	Redditch	2.0
South Lakeland	12.9	Newham	2.0
Scarborough	12.8	Enfield	2.0
Pembrokeshire	12.5	Havering	2.1
Westminster	11.9	Lewisham	2.1

Source: Census 2011

The top three towns, outside of London, with low rates of no usual residents were Crawley, Basildon and Stevenage. Crawley had 239 new builds during our study period, Basildon 805 new builds and Stevenage 250. Together these local authorities achieved 1,294 new build homes from which we can determine a robust 'match rate' of geo-demographic data for new build homes during our study period and use these to compare to our match rates within the London boroughs. The proportion of flats to houses is greater in these southeast towns compared to the London boroughs, and the sales prices were obviously lower. However, the point is to establish a baseline 'match rate' for new build homes for areas without a second or vacant homes phenomena in local housing markets. The development patterns in large cities like Manchester or Birmingham will more closely align with that in London may also be subject to the vacant and second home phenomena, and therefore would not provide a suitable baseline comparator.

Annex 2: Country of the first proprietor's address

	% of all overseas sales	% of all sales
United Kingdom	<i>n/a</i>	87.0
Hong Kong	28.0	3.6
Singapore	20.1	2.6
Malaysia	7.5	1.0
China	5.4	0.7
Channel Islands	5.1	0.7
British Virgin Islands	3.2	0.4
Uncertain	3.1	0.4
UAE	3.0	0.4
Saudi Arabia	2.9	0.4
USA	1.8	0.2
Turkey	1.3	0.2
Kuwait	1.2	0.2
Cyprus	1.1	0.1
Nigeria	0.9	0.1
Bahrain	0.9	0.1
Australia	0.8	0.1
Switzerland	0.7	0.1
Egypt	0.6	0.1
Japan	0.6	0.1
South Africa	0.6	0.1
Thailand	0.6	0.1
Russian	0.6	0.1
Israel	0.5	0.1
Canada	0.5	0.1
France	0.5	0.1
Isle	0.5	0.1
Ireland	0.5	0.1
Italy	0.5	0.1
Qatar	0.4	0.1
India	0.4	0.1
Mauritius	0.4	0.0
Jalan	0.3	0.0
Belgium	0.3	0.0
Spain	0.3	0.0
Bangladesh	0.3	0.0
Seychelles	0.3	0.0
Kenya	0.3	0.0
Indonesia	0.2	0.0
Greece	0.2	0.0
Kazakhstan	0.2	0.0
Luxembourg	0.2	0.0
Netherlands	0.2	0.0
Jordan	0.2	0.0
Ukraine	0.2	0.0
Zimbabwe	0.2	0.0
Argentina	0.2	0.0
Cayman	0.2	0.0
Brunei	0.2	0.0
Oman	0.2	0.0
Macau	0.1	0.0
Bermuda	0.1	0.0
Portugal	0.1	0.0
Vietnam	0.1	0.0
Lebanon	0.1	0.0

Barbados	0.1	0.0
Jamaica	0.1	0.0
Malta	0.1	0.0
Sweden	0.1	0.0
Monaco	0.1	0.0
Azerbaijan	0.0	0.0
Bahamas	0.0	0.0
Brazil	0.0	0.0
Estonia	0.0	0.0
Hungary	0.0	0.0
Maldives	0.0	0.0
Marshall	0.0	0.0
Pakistan	0.0	0.0
Tunisia	0.0	0.0
Uzbekistan	0.0	0.0
Total	100.0	100.0

Source: Land Registry

Annex 3: Overseas sales by London borough

	LB by % of all overseas sales	overseas sales as % of LB sales	LB sales as % of all sales
City of Westminster	11.0	37.9	3.8
Tower Hamlets	9.6	16.2	7.6
Greenwich	9.0	14.4	8.1
Wandsworth	8.6	14.6	7.6
Kensington And Chelsea	8.4	32.2	2.2
Southwark	8.4	25.6	4.3
Hackney	7.4	18.4	5.2
Lewisham	6.2	17.1	4.7
Hammersmith and Fulham	4.2	18.8	2.9
Newham	3.7	20.3	2.3
Barnet	3.0	6.3	6.2
Harrow	2.7	12.4	2.8
Islington	2.5	11.3	2.9
Ealing	2.2	11.7	2.5
Lambeth	2.1	5.9	4.4
City of London	2.0	40.8	0.6
Hounslow	2.0	7.6	3.5
Brent	1.9	7.1	3.5
Camden	1.7	13.4	1.6
Croydon	1.6	6.7	3.0
Merton	1.4	18.8	1.0
Hillingdon	0.8	3.7	2.7
Barking and Dagenham	0.5	6.5	1.0
Enfield	0.5	6.5	1.0
Bromley	0.5	2.2	2.8
Richmond upon Thames	0.3	4.2	0.9
Haringey	0.3	3.3	1.1
Kingston Upon Thames	0.3	2.6	1.5
Redbridge	0.2	2.6	1.0
Waltham Forest	0.2	1.7	1.5
Bexley	0.2	1.4	1.7
Havering	0.0	0.0	3.0
Sutton	0.0	0.0	1.2
Total	100.0	100.0	100.0

Source: Land Registry

Annex 4: Top 10 destinations of overseas investors by country (% of country sales)

British Virgin Islands (3.2% of overseas investors)	
City of Westminster	21.2
Kensington and Chelsea	12.1
Merton	15.2
Wandsworth	15.2
Southwark	9.1
Ealing	9.1
Hillingdon	6.1
Camden	3.0
Greenwich	3.0
Newham	3.0
Tower Hamlets	3.0

Channel Islands (5.1%)	
Harrow	30.2
Hillingdon	13.2
Wandsworth	9.4
Ealing	5.7
Lewisham	5.7
Merton	5.7
Bromley	3.8
City of Westminster	3.8
Hackney	3.8
Hammersmith and Fulham	3.8

China (5.4%)	
Greenwich	24.6
Hackney	14.0
Hammersmith and Fulham	8.8
Lewisham	8.8
Newham	7.0
Southwark	7.0
Islington	5.3
Tower Hamlets	5.3
Wandsworth	5.3
Brent	3.5

Hong Kong (28.0%)	
Tower Hamlets	13.4
Greenwich	10.0
Southwark	10.0

City of Westminster	9.3
Lewisham	8.6
Hackney	7.2
Newham	5.2
Islington	4.1
Wandsworth	4.1
Barnet	3.8

Singapore (20.1%)	
City of Westminster	17.2
Tower Hamlets	12.9
Southwark	10.0
Greenwich	8.6
Kensington and Chelsea	7.2
Hackney	6.7
Hammersmith and Fulham	4.8
Lambeth	4.3
Lewisham	4.3
Wandsworth	4.3

Malaysia (7.5%)	
Hackney	24.4
City of Westminster	11.5
Wandsworth	11.5
Greenwich	7.7
Tower Hamlets	7.7
Hounslow	6.4
Lewisham	6.4
Kensington and Chelsea	5.1
Southwark	3.8
Hammersmith and Fulham	2.6

Source: Land Registry

Annex 5: Country location of company owners by area of London

Source: Land Registry

%	Prime London	New Growth	Inner London	Outer London	Total
UK	64.0	67.0	77.6	69.9	70.2
Bahrain	0.0	0.0	1.7	0.0	0.4
Barbados	0.0	0.9	0.0	0.0	0.2
British Virgin Islands	16.0	7.3	3.4	4.4	6.5
Cayman Islands	0.0	0.0	0.0	0.9	0.4
Channel Islands	5.3	5.5	6.0	14.6	9.5
Cyprus	1.3	0.9	4.3	0.0	1.3
Hong Kong	2.7	2.8	1.7	6.6	4.2
Isle of Man	1.3	1.8	0.9	0.9	1.1
Jalan	0.0	0.0	0.9	0.0	0.2
Malta	0.0	0.9	0.0	0.0	0.2
Mauritius	1.3	0.0	0.0	0.9	0.6
Nigeria	0.0	0.9	0.0	0.9	0.6
Seychelles	0.0	0.9	0.0	0.9	0.6
Singapore	4.0	3.7	0.9	0.0	1.5
Switzerland	1.3	0.0	0.0	0.0	0.2
UAE	1.3	0.0	0.9	0.0	0.4
Uncertain	1.3	0.9	0.9	0.0	0.6
USA	0.0	5.5	0.0	0.0	1.1
Total	100.0%	100.0	100.0	100.0%	100.0%

Annex 6: Proportion of no usual residents in output area on 2011 Census day by London borough and type of owner

	% of unoccupied	% unoccupied homes in output areas of new build homes	% of unoccupied homes in areas of new build properties owned by overseas investors	Difference in % unoccupied in locations of all new build and overseas owners' new build homes
City of London	20.7	25.5	27.5	2
Croydon	2.6	9.3	21.7	12.3
Westminster	11.9	19	17.9	-1.1
Newham	2	10.2	16.2	5.9
Kensington and Chelsea	10.5	14.4	13.7	-0.7
Tower Hamlets	4.6	8.6	13.1	4.5
Bromley	3.4	9.9	10.2	0.4
Wandsworth	4	8.9	9.9	1
Southwark	3	5.4	8.1	2.7
Ealing	3.2	6	7.4	1.4
Hackney	2.6	4.2	7	2.8
Islington	4.7	5.7	6.6	0.9
Lambeth	3.1	4.2	6.4	2.2
Harrow	2.8	7.1	5.8	-1.2
Barking and Dagenham	2.1	6.4	5	-1.4
Hammersmith and Fulham	4.3	4.6	4.9	0.3
Hillingdon	3.6	8.1	4.6	-3.5
Camden	5	4.3	4.3	0
Richmond upon Thames	3.6	4.8	4.1	-0.7
Kingston upon Thames	3.1	4.4	4	-0.4
Barnet	3	4.8	3.9	-0.9
Greenwich	2.7	3.3	3.4	0.1
Redbridge	2.4	2.7	3.4	0.7
Brent	2.7	2.7	3	0.3
Bexley	2.6	4.1	2.9	-1.1
Hounslow	2.4	3.1	2.6	-0.5
Merton	3	3.3	2.5	-0.8
Lewisham	2.1	2.4	2.3	-0.1
Waltham Forest	1.9	1.9	2.3	0.4
Haringey	3.9	3.2	1.9	-1.3
Enfield	2	2.6	1.9	-0.6
Sutton	2.2	3	0	-3
Havering	2.1	2.2	0	-2.2

Source: Census 2011; Land Registry