

Tax Haven Money in London's Real Estate

The Wealth Chain Project (WCP)

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Executive Summary

This report details purchases of London's residential property between 1999 and 2022, by owners registered in offshore tax haven jurisdictions. It focuses on estimates of the scale of these flows and considers the social and demographic consequences of this type of capital flow. Data on tax haven money flows are limited, such flows are deliberately shrouded in opacity that has the effect of discouraging social and economic research in an important area of enquiry. Her Majesty's Land Registry (LR) started to record such data on a systematic basis in January 1999 in the annually published *Overseas Companies Ownership Dataset* (OCOD) which records these statistics for England and Wales (see Appendix 1). This dataset is important but of poor quality with missing and incomplete data points. Most importantly from the economist's point of view, only 29% of prices paid are captured in the dataset - on this basis we provide estimates for prices and values.

Using machine learning methods we have enhanced the OCOD dataset, classifying each title into one of 6 use classes. Using this approach we have been able to identify unique properties within each title and make the dataset as a whole easily searchable by parsing the addresses. This means that a key output of the research is an augmented OCOD dataset that can now be used by other researchers to gain insights into offshore owned properties in England and Wales. In order to facilitate greater research engagement with tax haven real estate flows in our cities, we have made the code for creating the enhanced OCOD dataset available for use by scholars, journalists, policy makers, residents, and members of civil society under an open access licence.

The second part of this work focuses on the relationship between local council officials and residents. In the past it has been the job of the local officials to mediate the relationship between residents and other stakeholders in the various boroughs. We want to know how this role has changed and the ways in which the encroachment of tax haven money capital alters or recasts local governance in the city. To this end we carried out 24 semi-structured key actor interviews with residents and local councillors from four selected London boroughs (Kensington and Chelsea, Westminster, Lambeth, and Southwark). The second part of our work reports these findings. Our key/main findings are summarised in Box 1 (below).

Box 1: Key findings

A key motivation guiding offshore buyers of London's real estate is its use as a pure investment. London's homes are a store of value in the same way as safety deposit boxes are used to store value. The main findings from our study are as follows:

1. Concentration – residential offshore owned properties are heavily concentrated in the City of London and in Westminster, which together account for 23% of all offshore properties in Greater London. The other notable area of concentration is Kensington and Chelsea accounting for 13% of all offshore owned homes in London.
2. There are far more properties held offshore than previously estimated. Our analysis of offshore data moves beyond the basic number of titles. We have separated the number of titles from the number of properties and find 44,000 more properties than previously reported, making for a grand total of 138,000 offshore owned properties in England and Wales.
3. The dominant offshore centres funnelling money into London property were the British Overseas Territories & British Crown Dependencies. This raises important questions relating to our imperial past and the role of the former colonies in British economic life.
4. We reveal that offshore investment has negatively affected hard pressed and minority ethnic groups in London. These groups appear to have been pushed to the outer London boroughs.
5. The residents and representatives of affected areas show a pervasive mistrust of the local councillors who were responsible for key housing and planning decisions that have privileged investment capital in their areas.
6. We suggest the need for a progressive tax on offshore investment that could be used to offset the social costs induced by it in London and the UK more generally.

Introduction: The City of London, Offshore tax havens, and London's houses and flats as safety deposit boxes

In this research we use the term offshore to describe a heterogeneous group of jurisdictions (commonly called tax havens) that sell tax avoiding services to companies, institutions, and individuals around the world. Following Shaxson (2011) we believe that there are approximately sixty jurisdictions around the world that sell such secret investment vehicles and thereby an escape from tax obligations, primarily by wealthy and super-wealthy individuals and companies. Viewed in this way, "the offshore world is a world of secrecy jurisdictions that would include not only exotic island locations, but also onshore locations, like Delaware and Nevada in the USA, Luxembourg, Lichtenstein, Switzerland, the UK, and other mainland countries in Europe" (McKenzie et al, 2021, 3).

The literature on tax havens is dominated by the Organisation for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), Tax Justice Network (TJN), and the investigative journalists of the International Consortium of Investigative Journalists (ICIJ). Taken as a whole they offer what we call a professional literature whereas the academic literature to date is far more limited.

Garcia-Bernardo et al (2017) propose a network analytic approach that allows us to identify tax havens based on a country's position in the *network of global corporate ownership*. This approach characterises countries based on a distinction between *sink* and *conduit* jurisdictions. Sink tax havens are secrecy jurisdictions that attract and retain foreign capital. Most sinks have small domestic economies and large values of foreign assets, which are attracted through low or zero corporate taxes (p. 2). Conduits refer to jurisdictions that money is routed through, and sinks are tax havens where money is stored.

Harrington (2016) offers an in-depth examination of the professionals and the legal vehicles that operate in the offshore world. Her work shines a light on the wealth management profession that she portrays as an army who support the super-rich in gaming the system. Sharman's (2017) study of international kleptocracy also helps to focus our attention on the professional enablers of "legal corruption." In the face of the apparently benign neglect of many tax authorities, Sharman calls for tougher penalties and increased accountability for the accountants, bankers, real estate professionals and other agents who enable corruption.

A major challenge of work in this area to date has been the general absence of credible data and information. Palan et al (2010), assemble a range of off-shore-related information that summarises what we know about tax havens. The authors in this collection take the view that tax havens are part and parcel of globalisation and work to syphon off public revenues, thereby increasing the burden on other citizens who have to meet the shortfall in fiscal revues.

Zucman (2013, 2015) has tended to concentrate on the inequalities of a two-tiered world that allows the wealthy to store money and value away from the potential reach of the state in tax havens and which has created a massive tax drain from national governments and thus social and welfare spending. Zucman has been a vigorous proponent of the need for more effective forms of taxation and international accounting practices.

We follow Shaxson (2011) and Haberly and Wojik (2017) who see the offshore world in geo-political terms to include American, European, and British tax havens. Most of the money capital invested in London's real estate is routed through British tax havens that Shaxson (2011, 15) describes as, "a layered hub-and-spoke array of tax havens centred on the City of London." He places the City of London at the centre of the British offshore network surrounded by three main layers; first, the British Crown Dependencies (Jersey, Guernsey, and the Isle of Man), second, Britain's Overseas Territories (like the Cayman Islands), thirdly, an outer ring made up of jurisdictions that, "are outside of Britain's direct control, but nevertheless have strong historical and current links to the country like Hong Kong." (ibid) Shaxson likens this network to a spider's web and its purpose is in the first instance to corral mobile money capital from the different time zones around the world in nearby jurisdictions and then to channel this money into the City of London. The web of tax havens allows the *City* to take on business which might be illegal in Britain because it provides a degree of distance that allows the City's brokers, dealers and others in the finance sector to plausibly deny these arrangements should the need arise.

As we travel from the City to the outer rings of the web we move from the sanitised to the unhygienic (Christensen in Shaxson, 2011,15), so dirtier and dirtier business can be pursued with plausible deniability providing safety and security for the onshore core of the City of London. What is common to all three rings is that Britain has been able to retain control over and involvement with the vast flows of wealth, "in and out of these places, under the table." This means that illicit capital flight from, for example Africa, "flows mostly into the modern British spider's web to be managed by interests controlled from London." (Shaxson 2011, 18) In general, given the reported \$21-32 trillion that

passes through the offshore annually we conservatively estimate that the British offshore accounts for half of this total¹.

Throughout the study we focus on residential homes (houses and flats). The home (the house we live in) has a dual aspect; it is on the one hand a use value (in other words it has a value that is related to an important set of social and physical roles and functions), and on the other it possesses an exchange value (the tradeable or economic value of the house). Like fine art, wines and other collector's items houses can be a store of value, in that they have money value deriving from the way in which value can be stored in housing as a measure or unit of land (2014: 14). Focusing on transnational wealth elites² buying residential properties in New York and London as an investment rather than as a primary residence, Fernandez et al (2016: 2443) show that "New York and London real estate has the unique quality that it is perceived to be highly liquid i.e. that it can be easily resold to other investors. Together with the safe haven and desirable socio-cultural characteristics of both cities, and the way the real estate market and its professionals are organised, global city residential real estate can be seen to function as a *safe deposit box* in which money is stored, rather than being necessarily purchased for the uses it offers to its buyers. Thus, in economic terms, London's residential real estate is here acting as a store of value³.

Anti-inflationary policy in the United Kingdom since Mrs Thatcher and the Radical Tories of the 1970s and 1980s provided valuable added attractions for investors by underwriting real estate price appreciation over time: "Anti-inflationary policy bears down on the prices of goods and services that lose their value as they are consumed. Producers of food, material goods and services like restaurants or health centres confront an environment hostile to rises in their prices. This is not the case with assets, non-consumables that keep their value after purchase such as real property, financial holdings, many art objects. A rise in their price is simultaneously a rise in their value and does not contribute to inflation. It was seen as an act of political manipulation when the UK government removed mortgage repayments, but not rent, from its calculations of inflation, but it was technically quite correct. Assets, and earnings based on

¹ Bullough (2022), tells a historically complementary story, and describes contemporary Britain as a unique nation state that is a kind of financial "butler to the world." He suggests that with the loss of empire, and hence the ability to forcibly extract value and wealth from far flung corners of the world, contemporary Britain plays the role of high-class servant to the wealthy. Just like a butler the UK sets out to impress the master with superior service that is delivered with discretion and in the strictest of confidence. The aim remained the same in the era of Pax Britannia, when Britain ruled the waves - to extract as much value as one could from as many places as possible and repatriate the wealth and value to Britain.

² "A group of people that have their origin in one locality but invest their wealth transnationally since they entertain transnational jobs, assets and social networks." (Fernandez et al: 2443)

³ One of the fundamental functions of money in the Money and Banking literature.

assets, have not been the objects of neo-liberal counter-inflation policy. Therefore, anything that could be switched from earnings derived from the sale of normal goods and services to an asset base did very well. This applied to proportions of salaries paid as share options and to spending funded by extended mortgages based on property values rather than by salaries and wages" (Crouch, 2009: 391-392). Unlike a reduction in the price of oil which would generally be construed as good news,⁴ a decline in house prices is always a catastrophe, and the government's role is to act through fiscal or other measures to get prices rising again. The model received a public policy boost in the 1980s when Mrs Thatcher sought to privatise council housing. This had the effect of getting a greater number of people to take on mortgages, but as Crouch (ibid) observes, "the move to more explicit policies to have house prices constantly rising crept up during the first years of the 21st century until the massive interventions in housing finance by the banking sector" leading up to the generalised crisis during 2007 and 2008. In essence, offshore purchasers acquired an ever-expanding store of value that was being actively underwritten by UK macroeconomic policy.

The remainder of this Report is arranged as follows: Part 1 discusses who uses offshore jurisdictions to purchase residential property in London. In Part 2 we use a range of statistical sources to map prices and values in our selected boroughs. Part 3 presents our Key Actor Reports and Part 4 concludes. We found that when business/commercial real estate was added to residential property, the City of London had the greatest concentration of offshore owned property anywhere in London. In addition, we found that the highest value (measured in aggregate prices paid) of residential real estate was concentrated in Westminster and the City of London.

⁴Because it reduces inflationary pressure.

1.0 Who uses offshore jurisdictions to purchase residential property in London?

One of the headlines in the Guardian newspaper on the 1st December 2019 reads “Billionaires only, please! London vault for the ultra-rich opens” (Neate, 2019). The article tells of a bank vault “in a grade-II listed 120-year-old former mansion next to the Dorchester Hotel on London’s Park Lane” that was to open for business in the following week. What was noteworthy about the new service was its target market - the billionaire. “We will be dealing only with billionaires,” and the new site would be “far more exclusive than Harrods” (ibid). This type of advert has a great appeal among what Thorstein Veblen called the leisure class (Veblen and Mills, 2017). Among this wealthy group a house in London is as much a safety deposit box as is the bank vault. A house in the right part of London is as exclusive as it gets, and this class seeks exclusivity. The billionaires and millionaires who use offshore services to buy houses are part of a transnational wealth elite that includes the world’s oligarchs, super-rich, kleptocrats, tax dodgers and criminals. Perhaps for this reason London’s residents and the general public associate the lavish mansions of Kensington and Westminster with Russian oligarchs and kleptocrats. In other parts of London, the Nigerians and the Chinese are conspicuous in the prime property market. This group collectively are the most obvious among a transnational wealth elite that buy prime property in London. This would be the first and most visible group.

The second group is a group that we call the transnational managerial class. This is a class of professionals that is largely ignored by journalists and academics alike and consists of cadre of managers working in finance, insurance, scientific, and technical professions. The third group is a group of transnational corporations with global business interests. The final group can be considered to consist of the global affluent middle class who see property in London as a type of pension. In the remainder of this section we give a brief descriptive account of the aforementioned groups that buy homes in London using offshore secrecy jurisdictions for registration purposes. What is important to note is that only the first group use offshore investments for illegal purposes in that they seek to evade tax while the others, merely avoid taxation responsibilities. Tax evasion is illegal, tax avoidance is not.

1.1 Russians

In 2020, the Intelligence and Security Committee released a report examining the threat Russia posed to the United Kingdom (UK) and an examination of the

UK Government's responses. The report notes London's status as a 'laundromat' for the Russian elite was enabled by policies such as the UK investor visa system. It also explicitly notes the need for 'a new statutory framework to tackle espionage, the illicit financial dealings of the Russian elite and the 'enablers' who support this activity' (ISC, Russia, 2020, 3) that has enabled the patronage and influence across the British establishments – from charities to cultural institutions and political interests, all including beneficiaries of Russian money.

The activity is not solely that of oligarchs, but also of an affluent Russian middle class that sees property investment as a form of pension, as well as having interest in educating their children at British private schools. Historically, Russians have bought in areas such as Belgravia (where Eaton Square has become known as the 'Red Square', due to the number of Russians who moved into the area), Chelsea, Knightsbridge, Kensington, Mayfair and Notting Hill, often for permanent residence for their families (Midolo, 2018).

According to estimates by JLL⁵, in 2014 almost 10% of all money spent on London property was Russian (ibid), and according to Knight Frank, this increased to more than 20% for London luxury homes of £10m or more (ibid). Despite the sanctions imposed on Russia following the annexation of Crimea in 2014, the introduction of the 2015 stamp surcharge, Brexit, and changes to anti-money laundering measures that became effective in 2017, Russian capital has thus flowed to its investment satellite relatively unabated. It remains to be seen how the newest set of sanctions in response to the Russian invasion of Ukraine will impact the array of offshore flows into London's property market.

1.2 Nigerian money

Imperial Wharf is a residential development located in West London on Fulham's prime riverside site. It is an exclusive estate of luxury apartment blocks that was developed at the turn of century by property developers St George. In addition to amenities such as shops and restaurants, the redevelopment also included the creation of a new station on the London Overground. It is extremely popular with wealthy Nigerians in London and has consequently been renamed "Little Lagos," in some quarters. Property prices in the area start around half a million pounds for studio apartments, through to £6m for penthouse properties. Wealthy Nigerians also buy into areas like Belgravia and Chelsea, Cricklewood, St. John's Wood, and Westminster.

⁵JLL is a renowned real estate company that buys, builds, occupies and invests in a range of assets including industrial, commercial, retail, residential and hotel real estate.

According to a 2014 report released by Beauchamp Estates, Nigerian buyers accounted for 42% or £250m of the £600m spent on central London properties in the three years to late 2014 (Kolawole, 2014). These buyers were typically high net worth business owners in areas such as finance, minerals, oil and textiles, the majority of which were spending £15m to £25m (ibid).

HM Land Registry data analysed by the Centre for Public Data showed that the number of titles in England and Wales registered to an overseas correspondence address in Nigeria grew from 252 in January 2010, to 1278 in August 2021, an increase of 407% (The Centre for Public Data, 2021). An analysis of the Pandora Papers by Finance Uncovered revealed that Nigerians had bought 233 houses and apartments through 166 offshore companies, worth £250 million in 2021 (Bowers, Faull and Mukami, 2021). A significant number of these buyers worked in oil, banking and government contracting, however the biggest group were politicians.

1.3 Chinese money

A recent study by UK-China PR firm 11K Consulting and property developer Regal London revealed that demand for London homes from mainland China and Hong Kong has increased most rapidly in outer London areas such as Watford, Reading, Surrey and Harrow in 2022 (Lane 2022). These purchases seem to be driven by financial yields, connectivity and proximity to schools and universities. The increase in demand is connected to the expectation that life will be returning to “normal” and Chinese students will be returning to the UK as COVID-19 becomes less of a threat.

The pandemic appears to have shifted demand away from smaller homes and towards larger properties with extra space for home-working and flexible use. According to Knight Frank, buyers from China and Hong Kong accounted for over 8% and 9% of foreign buyer transactions in prime central London property between January and September 2020 (UK Property Market Outlook: 19 October 2020). According to Government data on estimated transactions by nationality, over the same period Chinese buyers accounted for 219 transactions and Hong Kong buyers accounted for 243. These transactions had an estimated value of £275m and £305m respectively (Price Paid Data, 2022).

1.4 Non-doms

This section of our study uses the work of Advani et al (2022a and 2022b) who have provided the first systematic analysis of the UK's non-dom population, using HMRC data. Non-doms are "individuals who are resident in the UK but who claim on their tax return that their permanent home ('domicile') is abroad" (Advani, et al., 2022)a, 2). Non-dom status conveys tax advantages on those individuals who possess it.

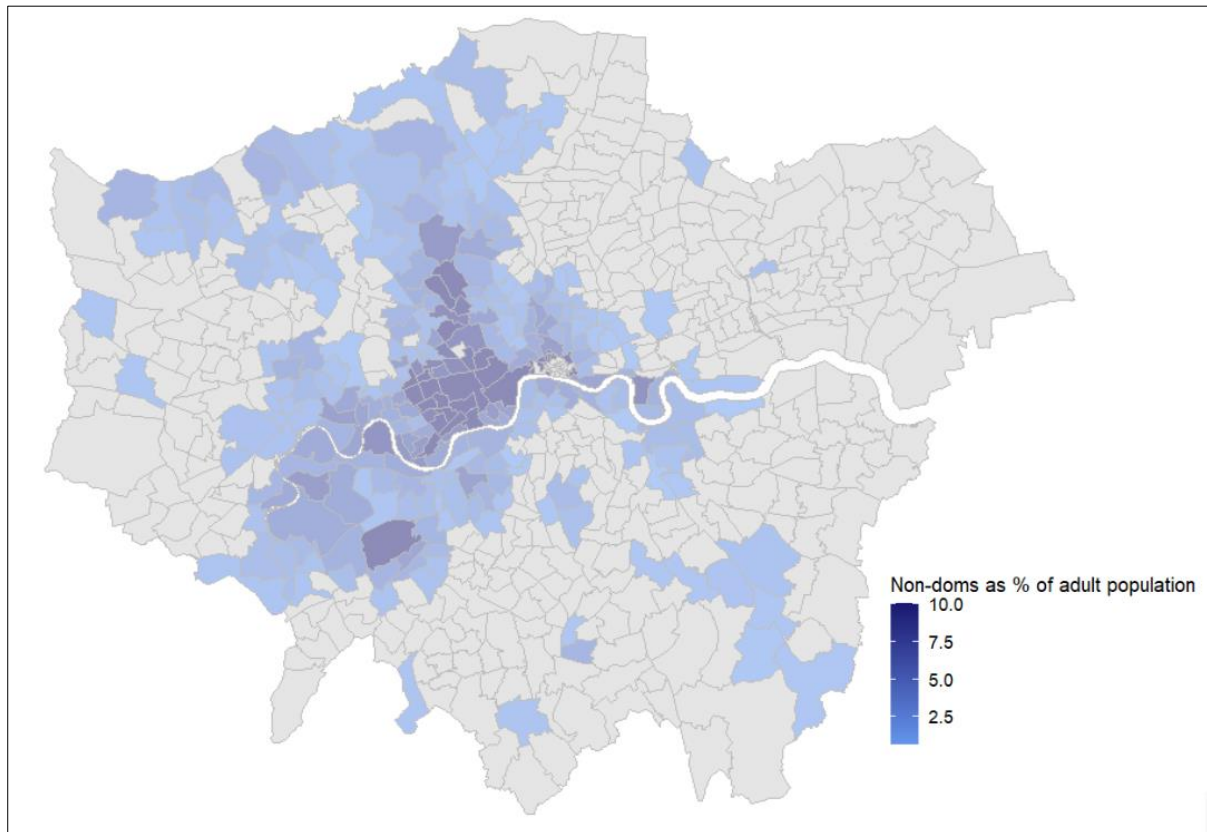
Figure 1 (see below) tells us where non-doms live in London. We can observe here a strong geographical concentration of non-doms in Kensington and Chelsea, and in Westminster. In these boroughs in 2018, 12% of the residents were registered as non-doms compared with less than 0.5% of the entire UK adult population (ibid). In some areas non-doms make up more than 20% of the local population (see data tables for Advani et al., 2022a, 2), and in London, there is a strong positive correlation between the non-dom share of the population, high offshore and high local house prices (Advani et al., 2022b, Figure A5, 44).

This data reveals that central London boroughs are dominated by non-doms from Western Europe, and not by 'Rich Russians', Asians, and Middle Eastern populations as press reports tend to suggest. Americans are the main nationality in parts of Hackney, Islington, Camden and, and Westminster. Non-doms of the former dominion states (Australia, Canada, Ireland, New Zealand, and South Africa) tend to cluster around the boroughs of Wandsworth, Merton, and Richmond: "The dominance of the ex-dominion countries within South-West London also radiates beyond London, to the commuter constituencies of Surrey and surrounding areas and here again these feed into prices" (Advani, et al. 2022a,18). In the affluent areas of North London, (Barnet, Brent, and Harrow) the profile of non-doms is very different. The non-doms in these areas are British, with no other nationality present. According to Advani et al. (2022a), these are non-doms who were "most likely born and raised in the UK before spending significant time abroad, are the most common group" (p.18)

Indian non-doms are to be found in the perimeter boroughs of Harrow, Hillingdon, and Bromley in Southeast London and again, this group radiates outside of London to surrounding areas. In general, the evidence suggests that the location of specific nationalities: "is strongly correlated with the location of corresponding international schools." So French and Italian non-doms settle in the Borough of Kensington and Chelsea, where the Lycée Français Charles de Gaulles and La Scuola Italiana a Londra are located. We find the same thing in South Kensington close to the French Consulate and the Institut Français.

Likewise in Richmond, the home to the German School, we find more non-doms from Germany than from any other EU-6 nation.

FIGURE 1: NON-DOMS AS A % OF ADULT POPULATION



Source: Advani et al. 2022a :16.

Around 80% of non-doms have earnings from some type of employment (or pension income) as their main source of income. Thus, while the non-dom population are clearly an economic elite, they are in large part engaged in substantial paid work in the UK, rather than being passive rentiers (Advani et al, 2022: 8). However, a significant minority of non-doms do appear to be what Advani et al call the 'rentier rich, and approximately 20% receive either no reported income in the UK (although they may have income abroad) or receive most of their UK income from investments. At nearly 50,000 individuals, this population is certainly large enough in absolute terms to fuel the common non-dom stereotype (Advani et al, 2022a: 9).

For the most part, it is work/employment that determines where the non-dom settles. Crucially, we know that 57% of non-doms with a known industry association work in two sectors: 'financial and insurance activities' and 'professional, scientific, and technical activities' (this would include services like management consultancy and accounting). These are industries that are known to be concentrated in London (Advani et al, 2022a: 14).

Taken as a whole this exciting new evidence suggests that those who make use of the offshore are not all super wealthy despots and kleptocrats. Non-doms are an important professional group or a transnational managerial class whose professional skills are valued by the state to the extent that it confers preferential tax status to this group. In doing so the legal system builds advantages and disadvantages (and hence inequalities of tax treatment) into the social and economic dynamics⁶.

1.5 Transnational Corporations

One of the clearest ways of understanding how and why transnational corporations use the offshore world to buy prime real estate in London comes from McKenzie and Atkinson (2020) who disentangled the process through which Blackstone's (a US private equity group) effected a £480 million purchase of Chiswick Park (a business park in West London). In order to effect the acquisition Blackstone sought tax advice from Price Waterhouse Cooper (PwC), a leading Transnational Corporation (TNC) accounting firm with its headquarters in the UK. "The advice offered fixed on four objectives (Osborne, 2017):

1. Reduction of taxes on acquisition;
2. Reduction of continuing income, corporate, withholding and other taxes in Luxembourg, Jersey and the UK;
3. The implementation of structures that provided flexibility for additional acquisitions, separation, development and divestment, and;
4. The minimisation of tax 'on exit' from the UK, Luxembourg and Jersey.

The efforts revealed by this process highlight the elaborate nature of offshore purchases of London property by TNC. In this particular case, seven companies were created in Luxembourg to facilitate the transaction. Each company cost €75, and for this trivial outlay Blackstone was able to significantly reduce the tax burden on the £30 million in rent it received each year, and subsequently on the £780 million sale of a major part of Chiswick Park to Chinese investors in 2014" (McKenzie and Atkinson, 2020: 29-30).

⁶ Pistor (2019) shows how the legal system codes capital and thereby builds inequality into the social and economic system.

2.0 Mapping the Statistics

In this section we start by mapping the statistics relating to offshore owned properties in London and more generally in England. The approach here is statistical, and we are interested in observation and estimation of the volume (numbers of transactions) and value (cost of properties involved in purchases) distributions. The statistical highlights of this work are presented in Box 2, below.

Our work is based on a custom data set that we produced, enhancing HM Land Registry (2022b) and counting 44,000 more properties than ownership titles had initially suggested in this dataset. This means that each title owned by offshore companies includes, in reality, about 1.47 properties on average, either commercial or residential. For academic and other interested readers our assumptions, theorisation and methodology are all set out in our related report: *What's in the laundromat? Mapping and characterising offshore owned domestic property in London* (Bourne, Ingianni and McKenzie, 2022).

In this section, we concentrate on the prices paid for offshore owned property, and the demographic character of the areas where offshore owned homes are highly concentrated. Our analysis here is deeply reliant on the Office for National Statistics 2011 Area Classifications (ONS, 2017) for each area in the city. Our aim is to illustrate the characteristics of the boroughs (and one administrative district - the City of London) that we focus on in terms of their socio-demographic structure, and to examine how this structure might be related to the concentration of purchases in the areas concerned. These classifications are hierarchical and are made up of what the ONS describes as “three tiers of supergroups, groups and subgroups” for each area (Pen Portraits for the 2011 Area Classification for Output Areas, 2018: 2).

Box 2 Statistical Highlights

1. Our enhanced dataset contains 138,000 residential and commercial properties in England and Wales owned by offshore companies that we derive from 94,000 real-estate titles in the original Land Registry dataset. Residential real-estate titles owned by offshore companies tend to include multiple properties, while residential titles owned by domestic entities mostly include individual properties.
2. Across England and Wales, 95,000 properties registered to offshore owners are residential. Almost half of these residential properties are located in London (42,000).
3. We estimate that the average offshore owned residential property in London costs £1.33 million making for an aggregate cost of approximately £56 billion.
4. Our estimates show that offshore owned property is the most expensive property type in London⁸.
5. Property counts reveal that tax haven money is highly concentrated in the centre of the city and spills- over to nearby boroughs.

Source: Bourne et al, 2022

For empirical researchers studying tax haven purchases of property in England and Wales is challenging because of the absence of hard data. Where the data does exist, as is the case with the Land Registry's publicly available *Overseas Companies that Own Property in England and Wales Dataset* (OCOD), it is quite often of very poor quality. Our work attempts to remedy that situation by using machine learning techniques to enhance this dataset (Bourne et al, 2022). Analysis of the enhanced data set reveals that offshore purchases were concentrated on six uses:

1. Airspace
2. Business
3. Car park
4. Residential property (houses and flats)
5. Land
6. Unknown

⁸ Property types are defined either in terms of ownership (offshore, onshore) or use (empty/low-use, Airbnb rental, standard living/rental) and are not mutually exclusive. Some (not all) of the more-expensive offshore properties may be empty or used as Airbnb's. Similarly, some (not all) of the less expensive Airbnb's may be owned offshore.

These categories are the broad use values that offshore property investors have acquired in London in the last twenty years. Our emphasis is on the price(s) paid and the share of tax haven owned residences relative to other property uses/types in the areas concerned. We are interested in how offshore property investment has been developed and deployed in the city and its social impact on long term residents from borough to borough.

2.1 London

The Greater London area (Figure 2) is home to 8.9 million residents and is administered by 32 local authority districts plus the unique administration district of the City of London. Our first aim in this study is to physically locate the offshore owned properties and to examine the distributions of values across core and spill-over boroughs in our study.

FIGURE 2: THE GREATER LONDON BOROUGHES

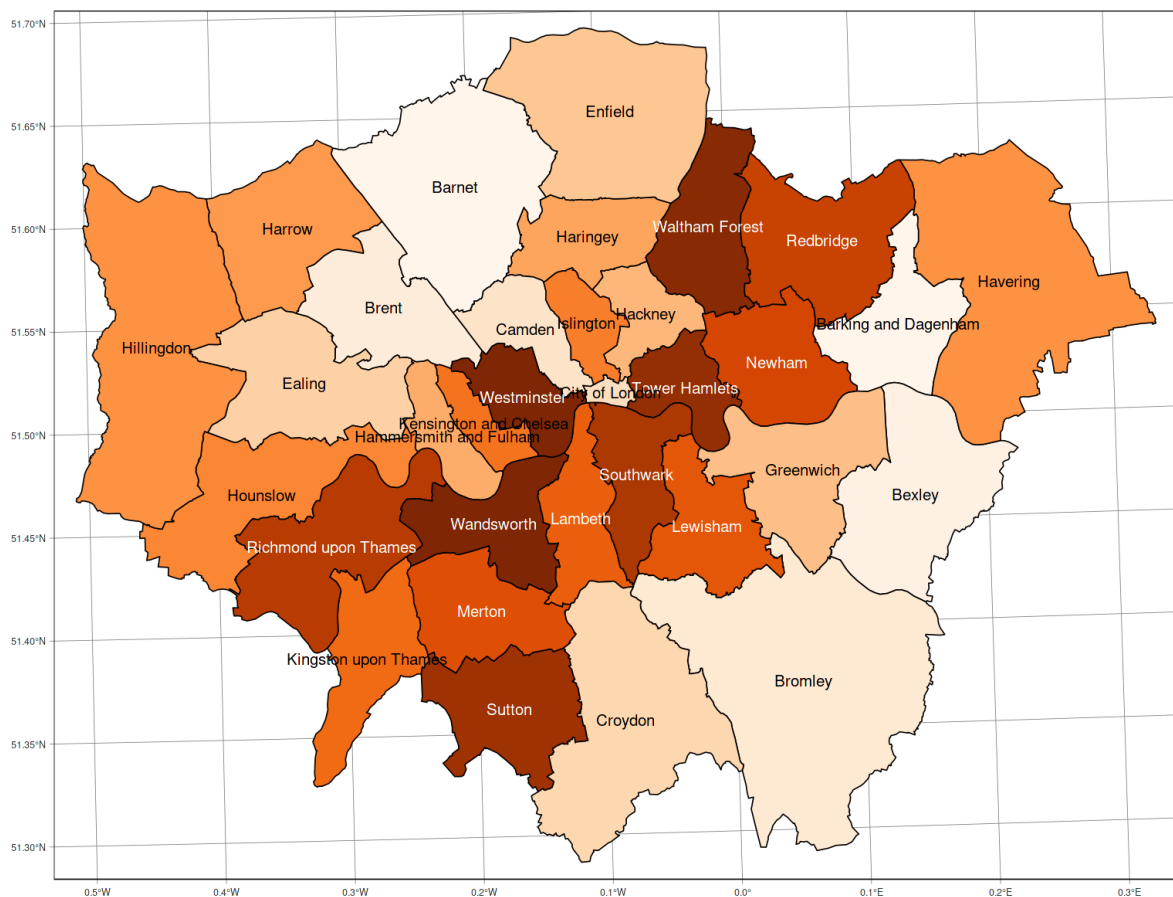
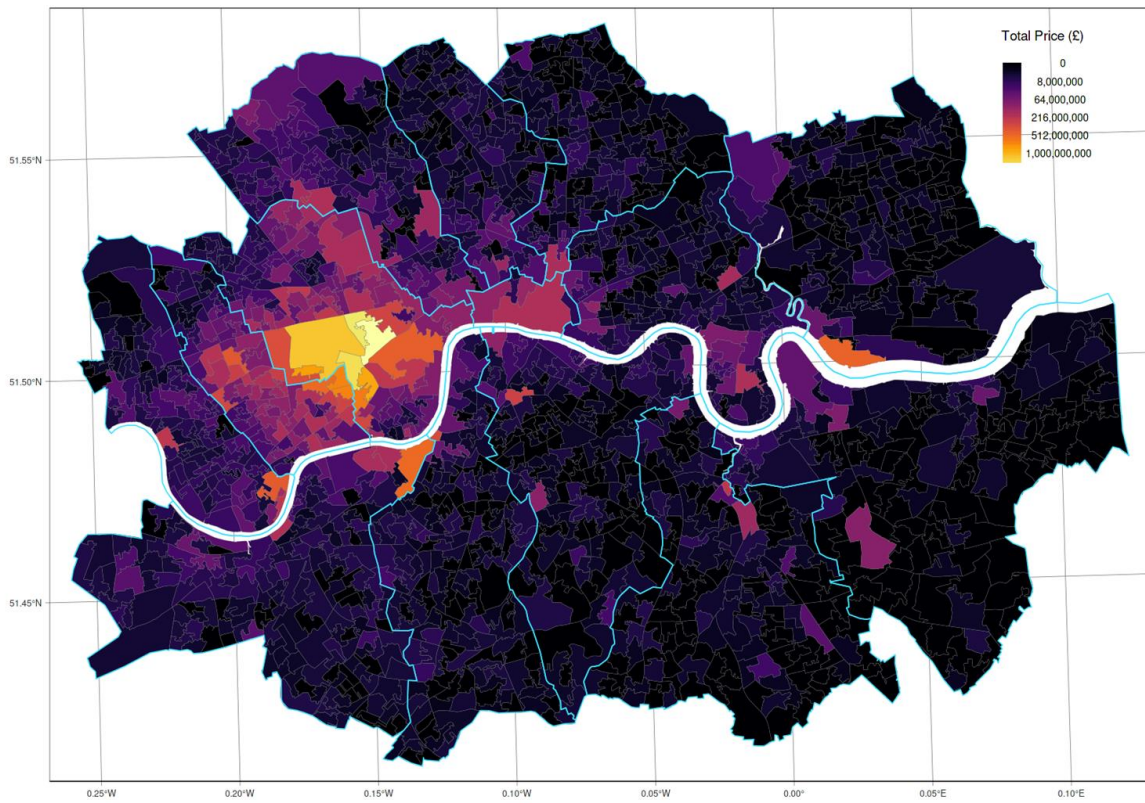
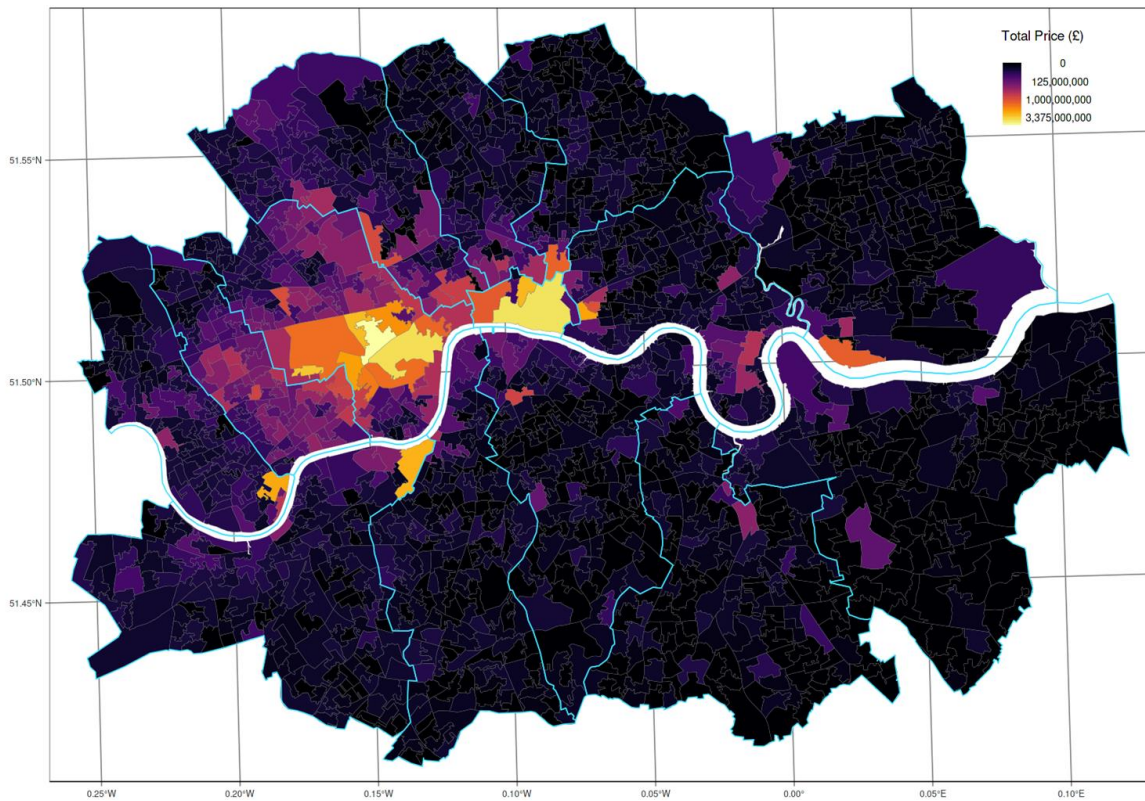


FIGURE 3: TOTAL VALUE OF OFFSHORE RESIDENTIAL PROPERTIES AT MEDIAN PRICES (2019-22)



Source: Authors' elaboration, based on HM Land Registry (2022a, 2022b) data.

FIGURE 4: TOTAL VALUE OF OFFSHORE RESIDENTIAL PROPERTIES AT MEAN PRICES (2019-22)



Source: Authors' elaboration, based on HM Land Registry (2022a, 2022b) data.

Figure 3 estimates the total value of prices paid for offshore-owned residential properties in inner London based on median lower layer super output area (LSOA⁹) prices (2019-22). The highest values are tightly concentrated in Westminster, where in top LSOAs we estimate the total of prices paid sum to £1bn.

In Figure 3 the lighter colours (yellow, cream, red) indicate the greatest concentrations of value, predominantly north of the River Thames in central London. The main boroughs affected are Westminster, the City of London and the Royal Borough of Kensington and Chelsea. Together these three are the main sites (or core areas) of offshore owned real estate in London and in the United Kingdom in general. Moving eastwards we find the Royal Wharf area south of Victoria dock in Newham, where a large regeneration project on the site of the 1917 Silvertown explosion was approved at the time of the 2012 Olympics. Moving westward, we have Imperial Wharf (Little Lagos) new developments in Fulham and Hammersmith. Where and when offshore property capital moves south of the river, it moves to the area between Vauxhall Nine Elms¹⁰ and Battersea Dogs Home redevelopment projects in Wandsworth (bordering Lambeth). These are our spillover areas for offshore owned real estate purchases in London. As we move away from the centre and head to the outer boroughs, there are fewer and fewer offshore purchases (the map gets darker and darker).

Figure 4 shows the total value of offshore-owned residential property (based on LSOA mean prices for 2019-2022) to be concentrated firstly in Westminster, secondly in the City of London, thirdly, in the Kings Road Park Imperial Wharf area in Fulham and fourthly in Wandsworth on the south side of the river. The estimated total value of offshore residential properties in the City of London is higher relative than that in Figure 3.

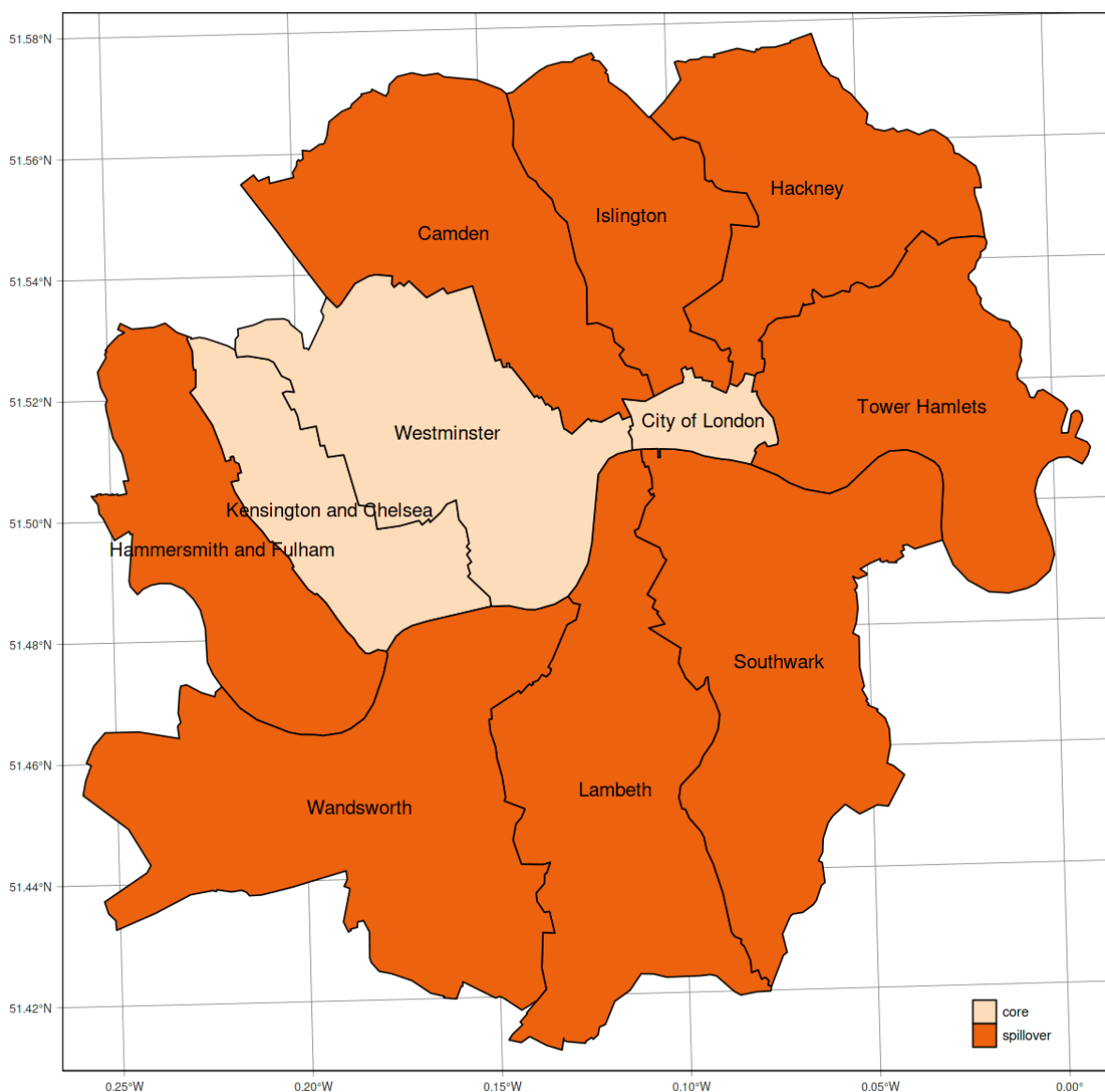
Overall we can see that the greatest value is generally concentrated in the centre of London, with very few if any offshore-owned properties in the outer boroughs. As in Figure 3, the highest concentrations of values are to be found north of the Thames.

⁹LSOAs (Lower-layer Super Output Areas) are small areas designed to be of a similar population size, with an average of approximately 1,500 residents or 650 households. There are 32,844 Lower-layer Super Output Areas (LSOAs) in England. They were produced by the Office for National Statistics for the reporting of small area statistics." (English Indices of Deprivation 2015 - LSOA Level - data.gov.uk, 2022)

¹⁰Around the site of the new American Embassy.

Figure 5 shows the three core districts for offshore purchases plus spillover boroughs. These include Tower Hamlets, Hackney, Islington, Camden, Hammersmith and Fulham in the north of London, and Wandsworth, Lambeth, Southwark in south London. In comparing living standards in these boroughs, Trust for London's (TfL) Poverty Profile data (see Appendix 3) shows that income deprivation at the neighbourhood level is highest in Tower Hamlets, with the median neighbourhood income deprivation rank 2.03 times higher than in the median London neighbourhood. It is lowest in the City of London where the income deprivation rank is 0.42.

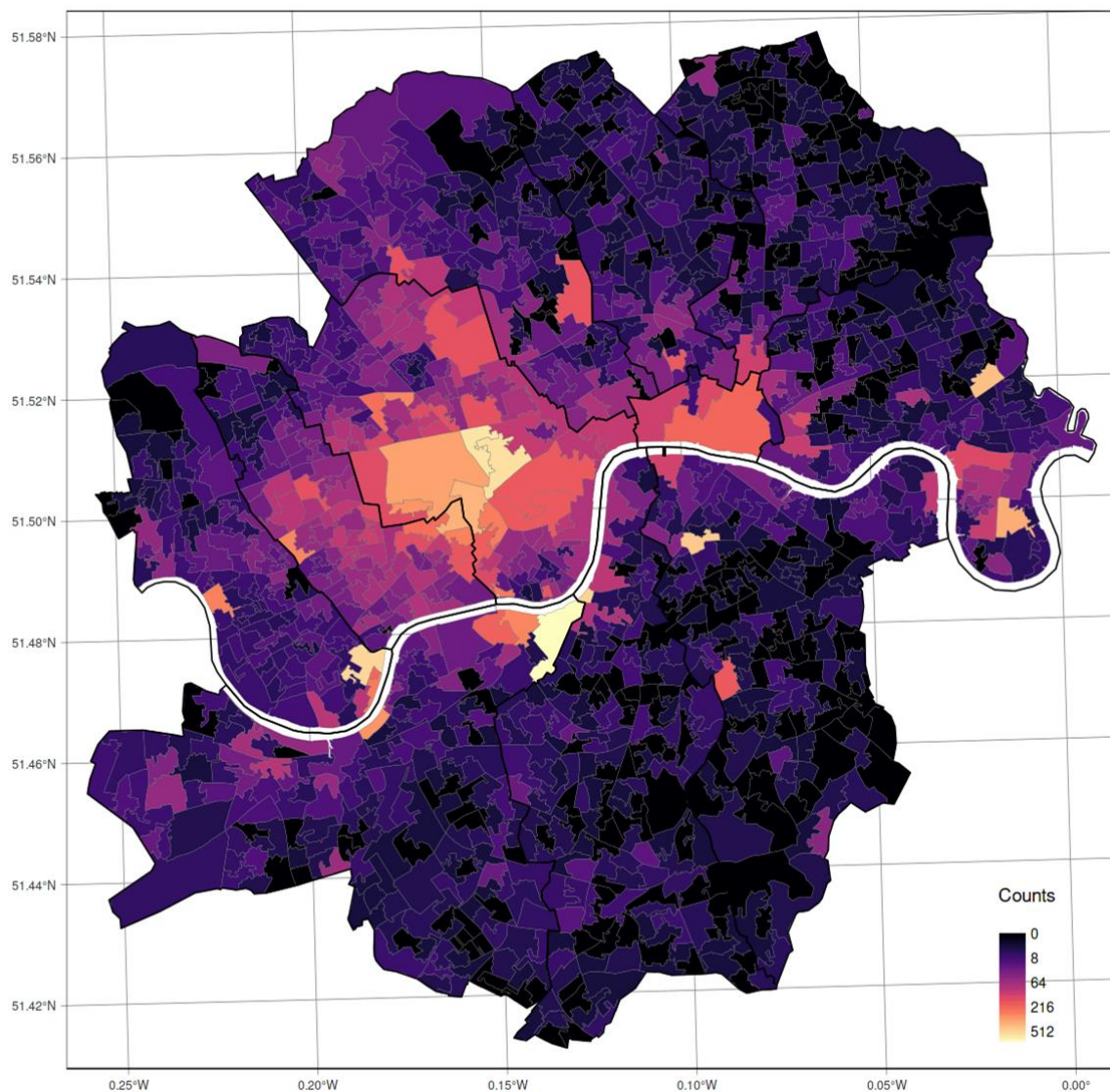
FIGURE 5: CORE AND SPILL-OVER LONDON BY BOROUGH



Again, Tower Hamlet records the highest share of people living in poverty at 39%. The lowest is again the City with 16% of its residents in poverty (Trust for

London, 2022). Thus, in terms of its relationship to social conditions, the geography of offshore capital investment appears to be relatively indiscriminate. Figure 6 looks at offshore investment volume by showing the distribution of offshore-owned residential properties (by count) across London core and spillover boroughs. The highest concentration of these properties is in the areas around Mayfair, Nine Elms, and parts of Fulham (around the Kings Road Park Imperial Wharf area in West London) where such properties number 512.

FIGURE 6: NUMBER OF OFFSHORE OWNED RESIDENTIAL PROPERTIES (BY COUNT)



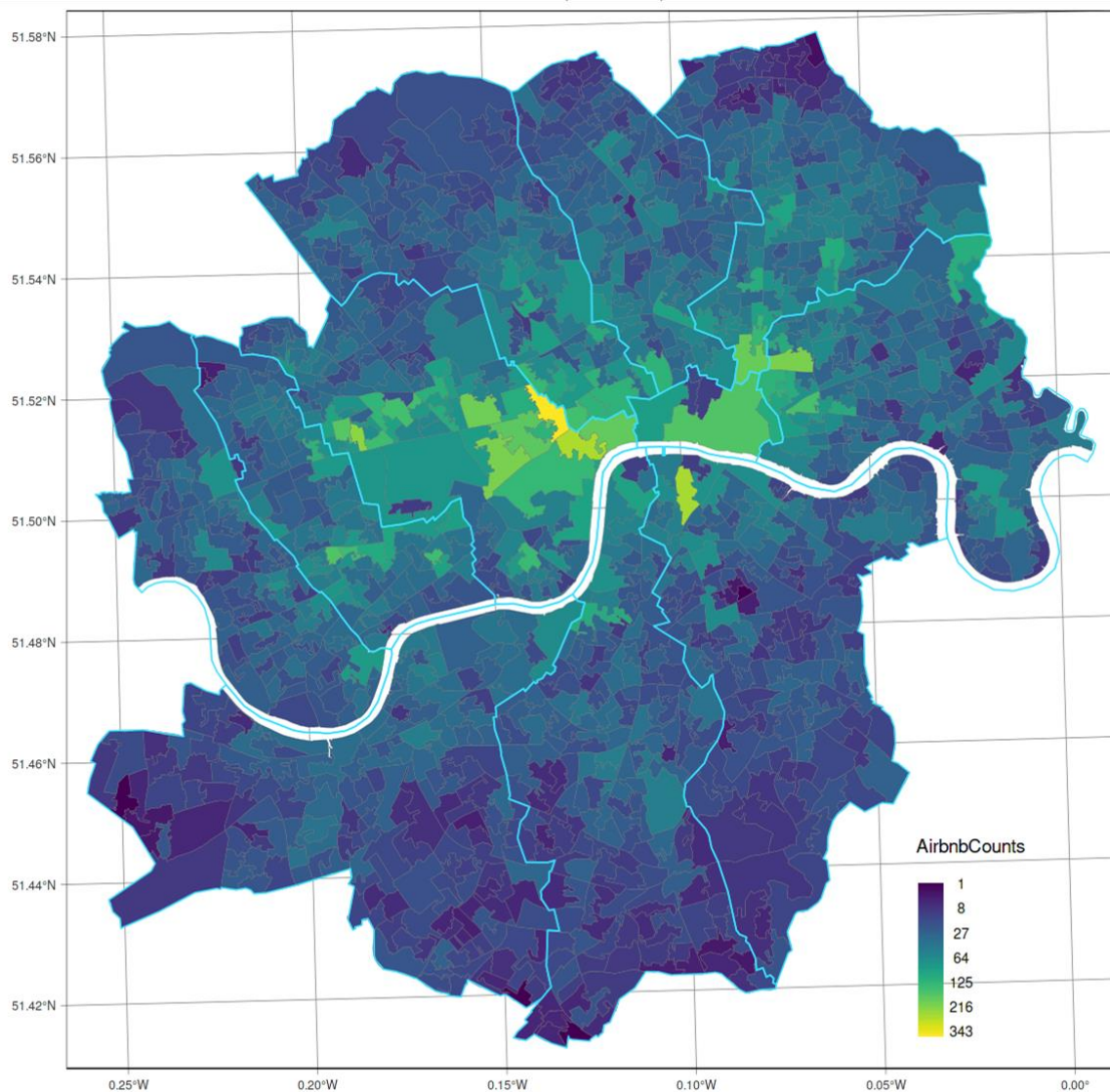
Source: Own elaboration based on HM Land Registry (2022b) data.

The map signals the closer we are to Central London, the greater the property counts¹²; as we move to the outer boroughs, offshore-owned residential property counts get progressively smaller.

¹² In most of these areas average residential prices are also very high relative to spillover boroughs, as shown in Appendix 4.

Outside of Central London we get isolated redevelopment projects like Imperial Wharf in Fulham or the Vauxhall Nine Elms project. Looking into the future, these redevelopments could act as a trigger promoting an expansion of amenities and services extending a new core into current spillover areas. It is equally possible that once profit has been extracted, no new investments will materialise (a frequent legacy of, for example, Olympic redevelopment) and offshore property capital will look elsewhere for its next opportunity.

FIGURE 7: DISTRIBUTION OF AIRBNB PROPERTIES



Source: Own elaboration based on Airbnb (2022) data.

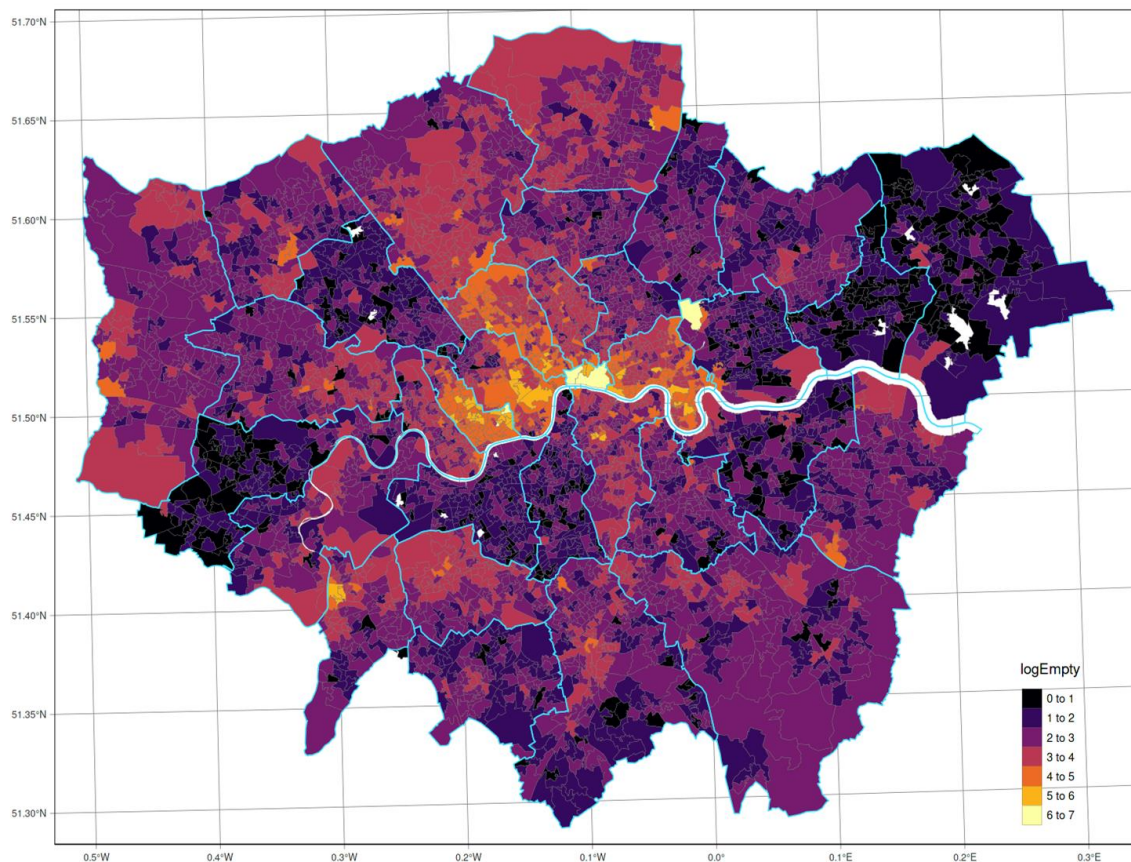
Figures 7 and 8 take up two recurrent themes from our interviews with residents - Airbnb properties and empty homes. Figure 7 shows the distribution of Airbnb properties across London. As is the case with offshore owned residences, Airbnb's are concentrated in the centre of the city with the greatest concentration to be found in Westminster (east of Mayfair, around Soho and the east

side of Marylebone). In this quite small area Airbnb properties total 343, which as far as we are concerned is a blanket type of coverage. Other notable areas of concentration for Airbnb include Kensington and Chelsea, and the City where Airbnb properties totalled 216.

Figure 8 shows the distribution of the number of empty homes across London. Bourne (2019), found the greatest concentration of empty homes were concentrated in the City of London. If we include commercial offshore owned properties, here again the greatest concentrations are to be found in the City of London and Westminster (Mayfair, Soho and East Marylebone).

We were unable to observe any direct empirical link between Airbnb properties and offshore jurisdictions but the correlation with the location of offshore owned residences is high and is worthy of further research that explores this relationship. With respect to empty homes, Bourne (2019) empirically establishes the link with location and Atkinson (2021) investigates the link between what he calls necrotecture (dead buildings) and the super-rich who only use second or third homes for very short periods in the year.

FIGURE 8: GREATER LONDON DISTRIBUTION OF EMPTY HOMES (BY LOG COUNT)

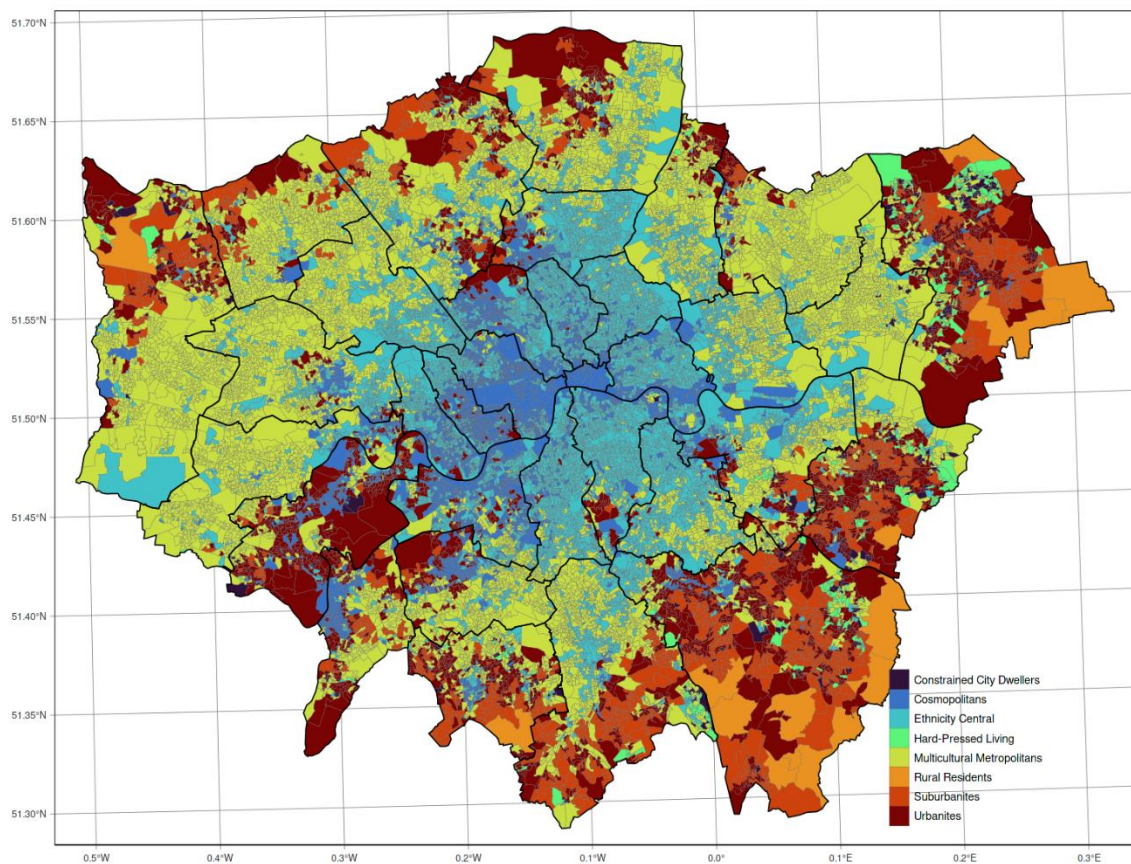


Source: Own elaboration based on Bourne (2019) data

2.2 Office of National Statistics - Demographic Classification

The maps in this section use the demographic classification of the ONS and tell us who lives where. This demographic classification is described by Pen Portraits, and it provides an informal view of the characteristics of each cluster that make up the 2011 Area Classification for Local Authorities. The classification is hierarchical, consisting of three tiers of supergroups, groups and sub-groups (Gales et al. 2016).

FIGURE 9: GREATER LONDON ONS RESIDENTIAL-BASED CLASSIFICATION



Source: Own elaboration based on ONS (2017) data

Figure 9 shows the demographic classification of residents across Greater London at the Supergroup level. For the most part the outer boroughs are populated by Suburbanites (light brown) and Urbanites (dark brown) except in West London where Hard Pressed Living (green) and Multicultural Metropolitans (light green) predominate in the outer boroughs. Central London is dominated by Cosmopolitans (coloured dark blue on the map) who reside in the centre of the city, they form the inner ring. Immediately around this ring is a much larger ring of what the ONS classify as Ethnicity Central (light blue on the map). Surrounding these Supergroups is a ring of Hard Pressed Living (green) and of

course the Multicultural Metropolitans (light green) that we have already referred to in the periphery of the city forming the outer ring.

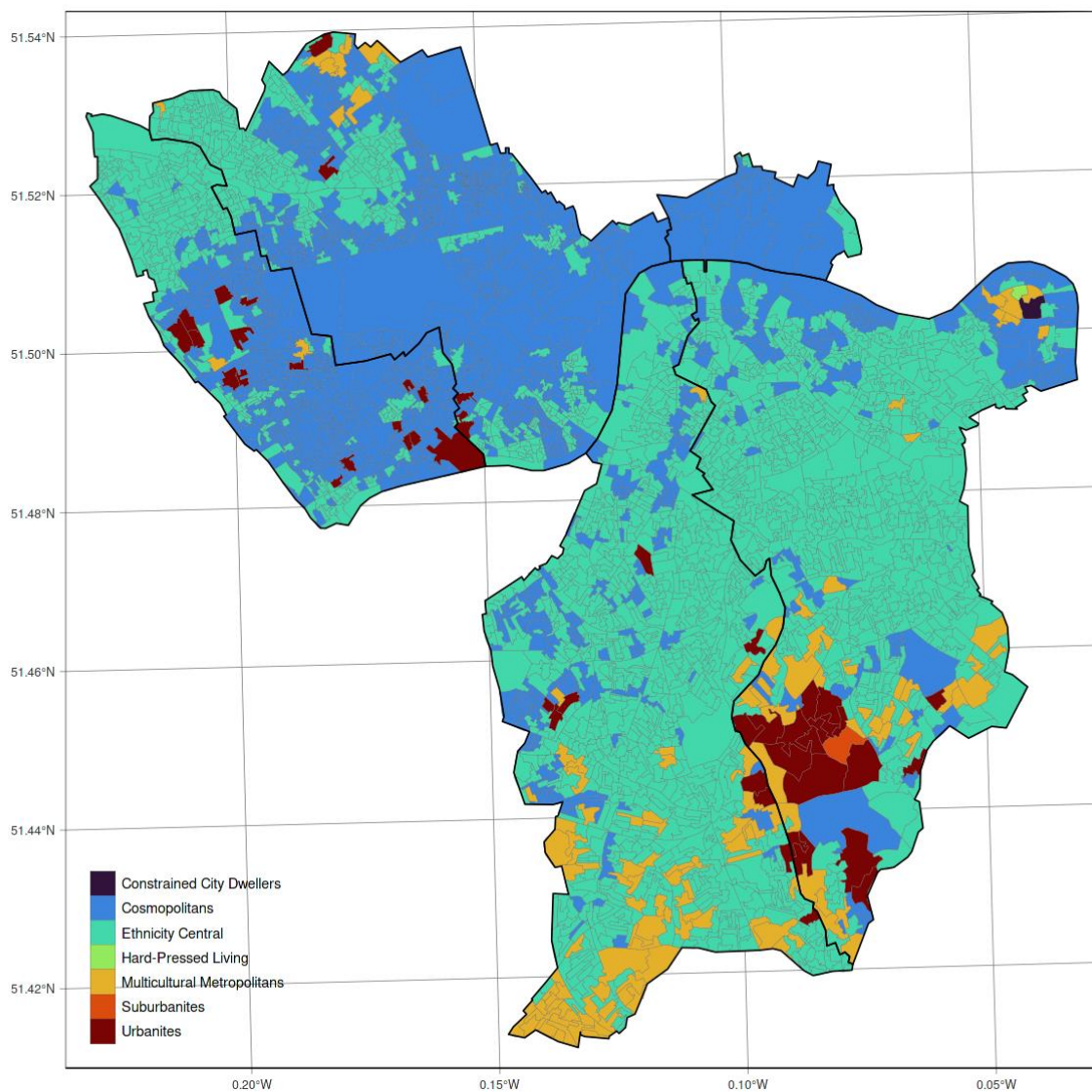
According to the ONS, Cosmopolitans are a group characterised by a high degree of ethnic integration. They have a high number of EU accession country nationals among them and they are less likely to speak English or Welsh as a first language: "The population of the group is characterised by young adults, with a higher proportion of single adults and households without children than nationally. There are also higher proportions of full-time students. Workers are more likely to be employed in the accommodation, information and communication, and financial related industries, and using public transport, or walking or cycling to get to work" (ONS 2018: 6).

The Hard Pressed Living Supergroup is usually to be found in the north of England and south Wales: "There is a smaller proportion of people with higher level qualifications, with rates of unemployment above the national average. Those in employment are more likely to be employed in the mining, manufacturing, energy, wholesale and retail, and transport related industries" (ONS, 2018: 19). The outer ring of Urbanites according to the ONS are more likely to live in either flats or terraces, and to privately rent their home. This supergroup has an average ethnic mix, with an above average number of residents from other EU countries. They are less likely to speak English or Welsh as their main language. Those in employment are more likely to be working in the information and communication, financial, public administration and education related sectors. Compared with the UK, unemployment is lower" (ONS, 2018: 12). In general we find more Cosmopolitans and Ethnicity Central in the centre of London. Urbanites and Multicultural Metropolitan tend to live more in the periphery, so they are only represented at the outskirts of London south of Wandsworth and Lambeth. They are generally a minority in areas where we observe large numbers of offshore properties (residential or commercial).

Figures 10 and 11 show the demographic distributions at the Supergroup and Group tiers for Kensington and Chelsea, Westminster, Lambeth, Southwark and the City of London that our study focuses on. In general, the maps show Cosmopolitans are concentrated north of the river. The Hard Pressed Living demographic dominates in the south with Urbanites also represented. Cosmopolitans generally live north of river Thames where offshore owned properties tend to have a higher price than in South London. The south in general is classified by the ONS as Ethnicity Central: "The population of this group is predominantly located in the denser central areas of London, with other inner urban areas across the UK having smaller concentrations. All non-white ethnic groups have a higher representation than the UK average - especially people of mixed ethnicity or who are Black, with an above average number of residents born in

other EU countries. Residents are more likely to live in flats and are more likely to rent. A higher proportion of people use public transport to get to work, with lower car ownership, and higher unemployment. Those in employment are more likely to work in the accommodation, information and communication, financial, and administrative related industries" (ONS, 2018: 8).

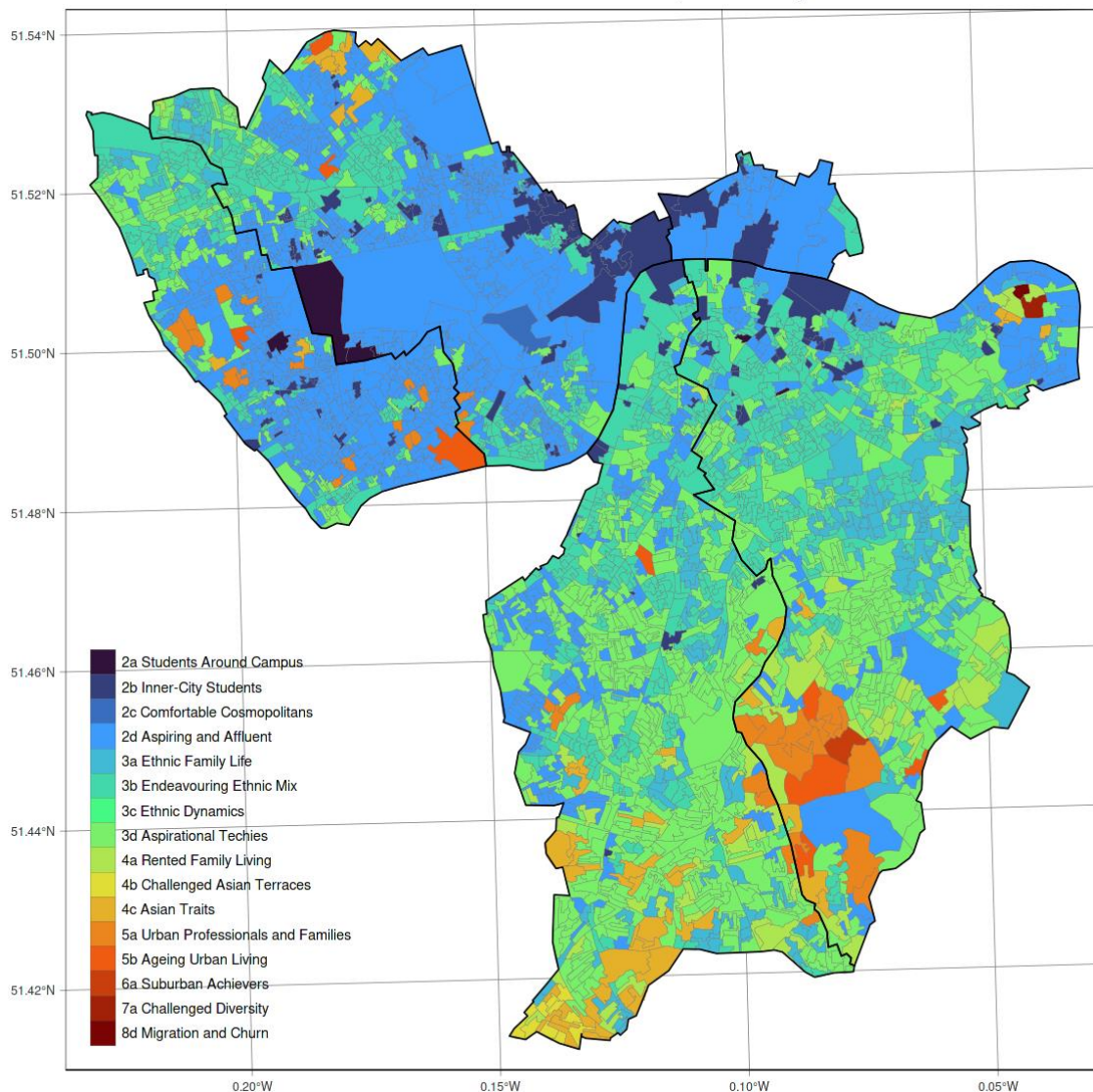
FIGURE 10: ONS SUPERGROUPS AREA CLASSIFICATIONS (KENSINGTON AND CHELSEA, WESTMINSTER, THE CITY, SOUTHWARK, LAMBETH)



Source: Authors' reworking of ONS (2017).

Interestingly at the Supergroup tier, we have in South London the largest cluster of Urbanites (anywhere in London) who live alongside Cosmopolitans and Multicultural Metropolitan around Richmond Park.

FIGURE 11: ONS GROUPS AREA CLASSIFICATIONS (KENSINGTON AND CHELSEA, WESTMINSTER, THE CITY, SOUTHWARK, LAMBETH)



Source: Authors' reworking of ONS (2017).

Figure 11 at the Group tier shows the preponderance of Students Around Campus in the adjacent areas of Kensington and Chelsea, Westminster, City of London in the northern part of Central London, where we have cosmopolitan students.

2.3 Shaxson's Spider's Web

In this section we utilise Shaxson's idea of the tax haven and financial system as a kind of spider's web to map the outcomes of tax haven money flows into London's real estate. Recall that Shaxson Spider's Web speaks to three main rings in a hub and spoke array that aims to capture money capital from around the world and direct it to the City of London. The first ring is made up of the British Crown Dependencies (BCD - Jersey, Guernsey, and the Isle of Man), the

second ring is made up of the 14 British Overseas Territories (BOTs), and finally the third ring is made up of territories that were historically a part of the British Empire (BFE) but are today outside of direct British control making it possible for financial operators in the UK to invoke plausible deniability in the event of any dirty or criminal flows. Of the 42,583 titles that make up the data set, over 33,000 are distributed between these three rings with the lion's share (over 33,579) distributed between the BOT, BCD (see Figure 12, below). Rankings of London's top 15 offshore jurisdictions can be found in Appendix 6.

FIGURE 12: GREATER LONDON SPIDER'S WEB BY THE NUMBER OF PROPERTY TITLES

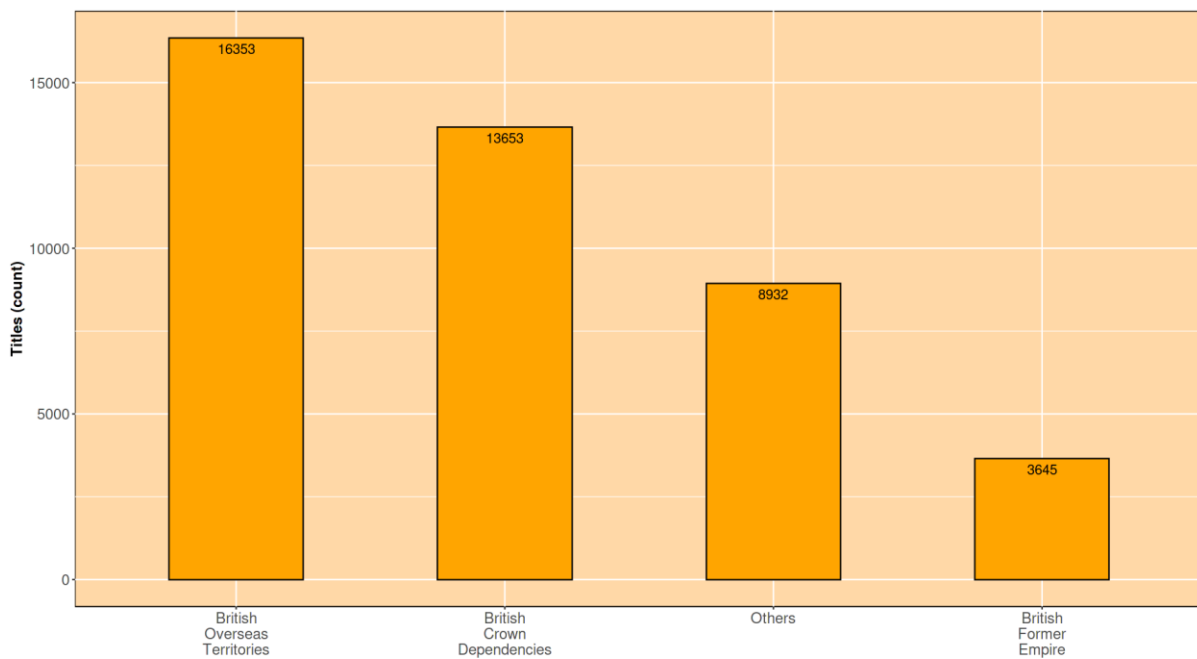
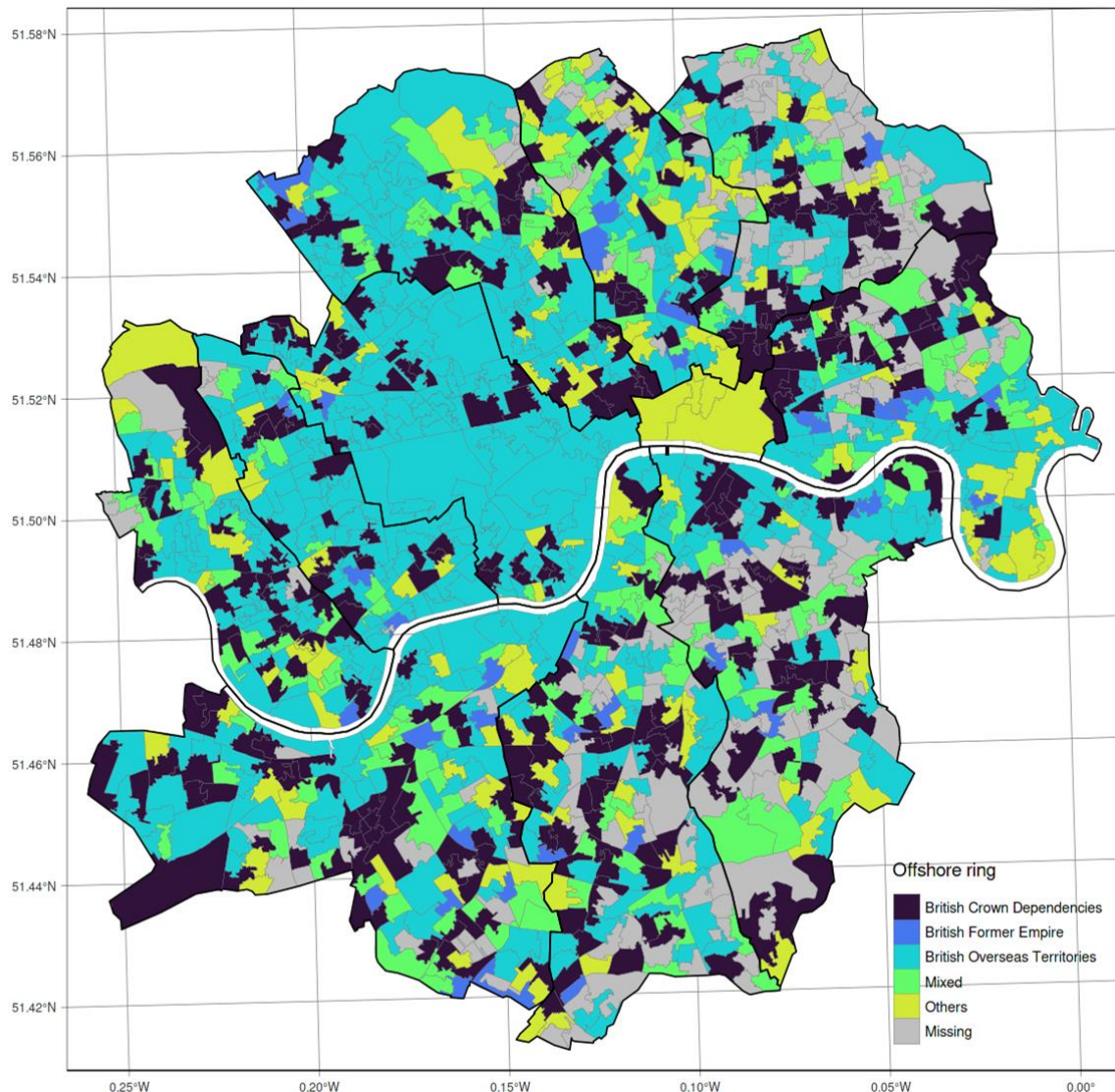


Figure 13 shows how property ownership, split across the Spider's Web jurisdictions, are distributed across core and spillover boroughs. Central London (north of the river) is the preserve of the BOT and in north east London BOT shares the space with BCD. The spillover boroughs on the south side of the Thames are clearly evident with the properties hugging the south bank of the river being shared between BCD and BOT. Further south there are a number of missing entries indicating that there are no offshore purchases in these areas. In general, south of the river we find a more contested space. BOT and BCD still dominate the landscape but not to the extent that we observe in North London. The clearest observed patterns are north of the river, where the greatest volumes offshore purchases are located in the core areas.

Figure 14 shows the distribution of Spiders Web ownership in the core areas. The map shows that BOT ownership overwhelmingly dominates in both Kensington and Chelsea, and in Westminster. The City of London is different, here it is the

BCD that dominates. This is consistent with the fact that these jurisdictions are known for their specialisms in property transactions (Musaya 2008).

FIGURE 13: DISTRIBUTION OF SPIDER'S WEB OWNERSHIP IN CORE AND SPILLOVER BOROUGHS

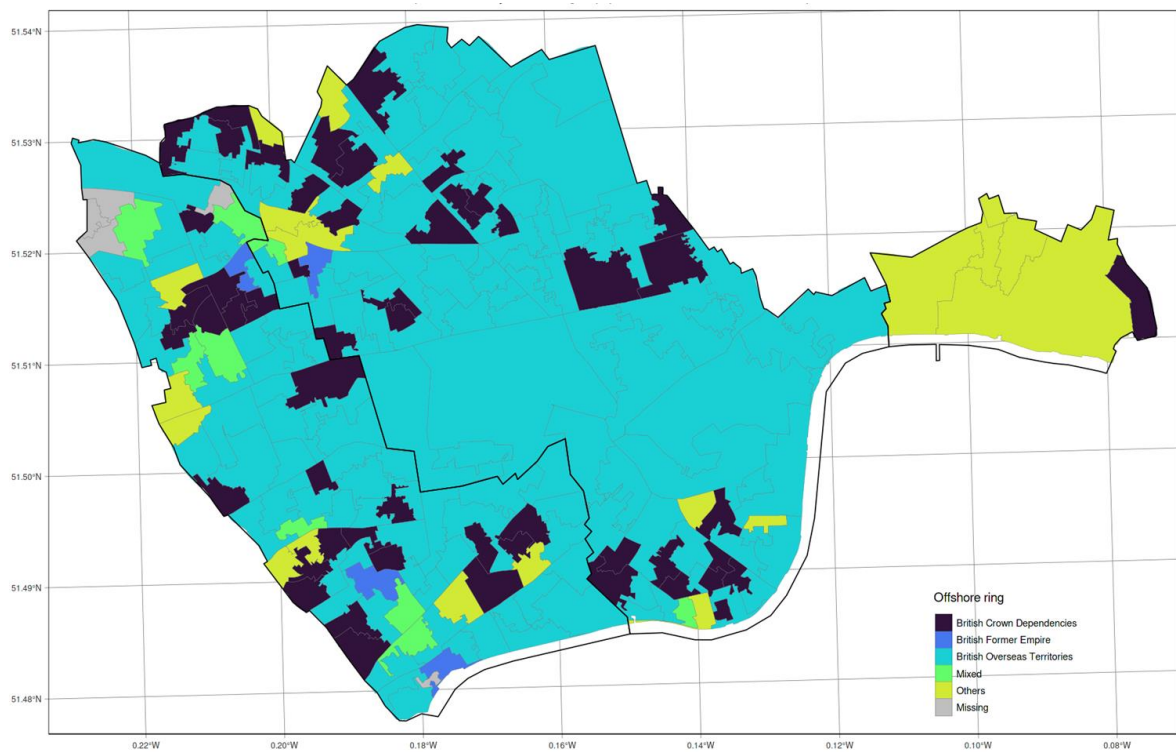


Source: Own elaboration based on ONS (2017) data.

In summary, in this section, we started with the question 'where' - where are the physical locations of offshore purchases in London and how are these purchases distributed across London's boroughs?¹⁶ We observed the spatial patterns and reported on the variation in offshore property purchases in selected boroughs. Essentially, we have combined the statistical techniques used in economic research with the spatial focus of the geographers to map offshore purchases across London.

¹⁶ In the second part of our study, we used interviews to explore how certain features are distributed in the demographic and cultural landscape of the different locations.

FIGURE 14: SPIDER'S WEB IN KENSINGTON, CHELSEA, WESTMINSTER AND THE CITY (CORE BOROUGHS)



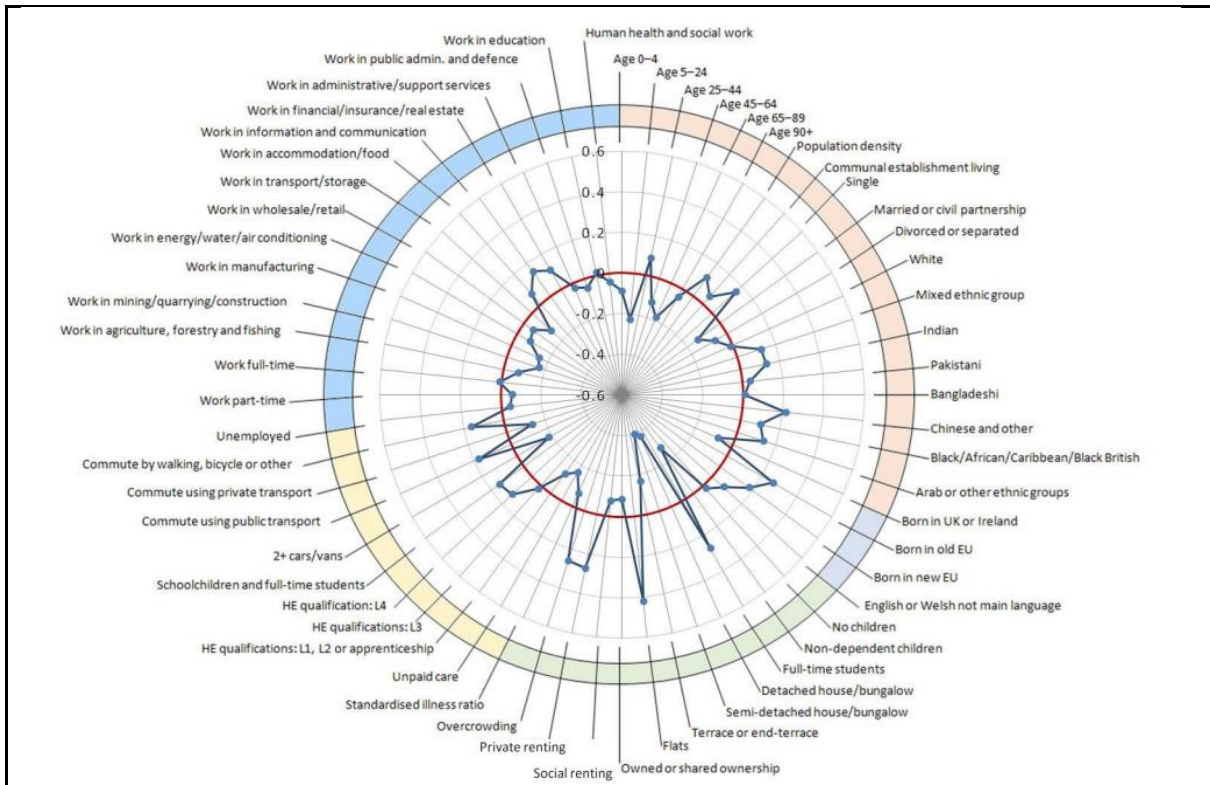
Source: Own elaboration based on ONS (2017) data.

In the following section we join the spatial statistics to ONS Radial Plots (demographic classifications) in order to be able to say something about what is happening among the demographic groups that are directly impacted by off-shore property purchases.

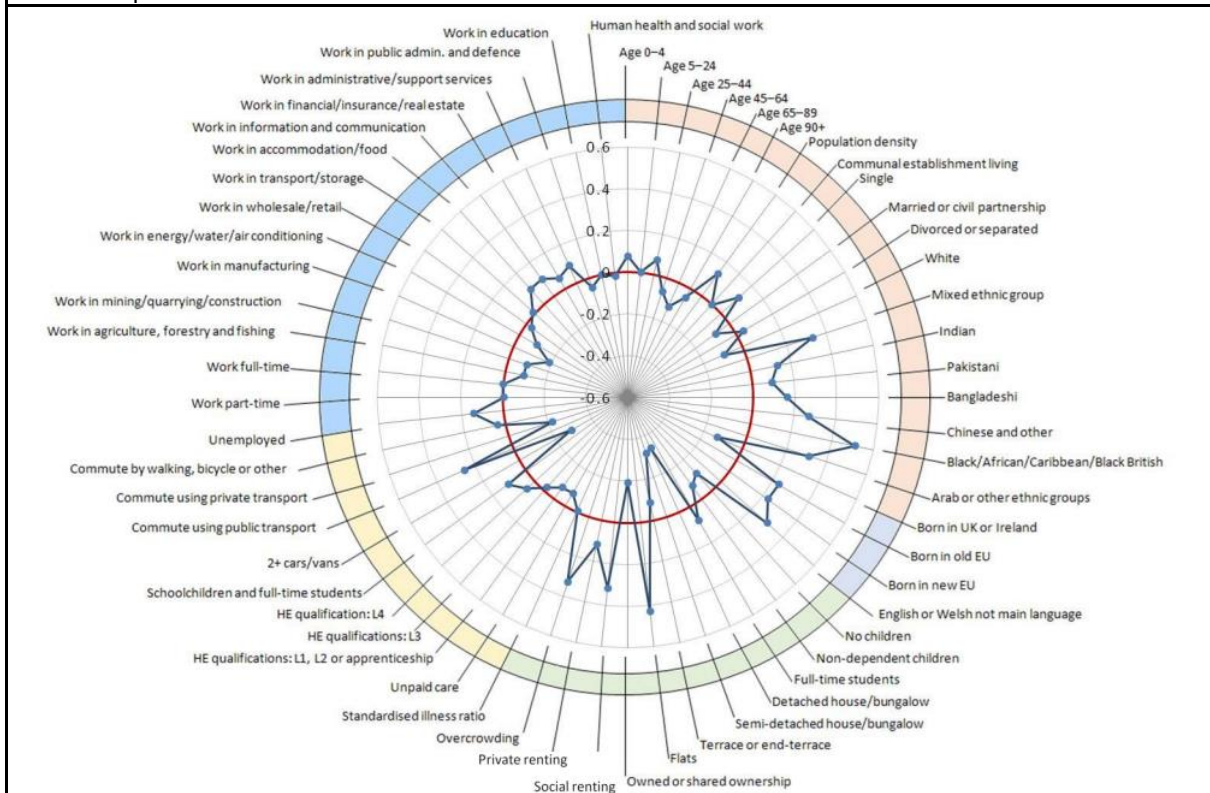
2.4 Radial Plots

In Figure 15 below we present the ONS Demographics Classifications - Radial Plots focussing on four main demographic groups we observe in the three London price, value and volume hotspots that we have identified. These are statistical alternatives to the descriptive Pen Portraits that we have cited above. On each radial plot there is a red circle representing “the standardised UK mean and the standardised parent cluster mean” (zero in both cases).

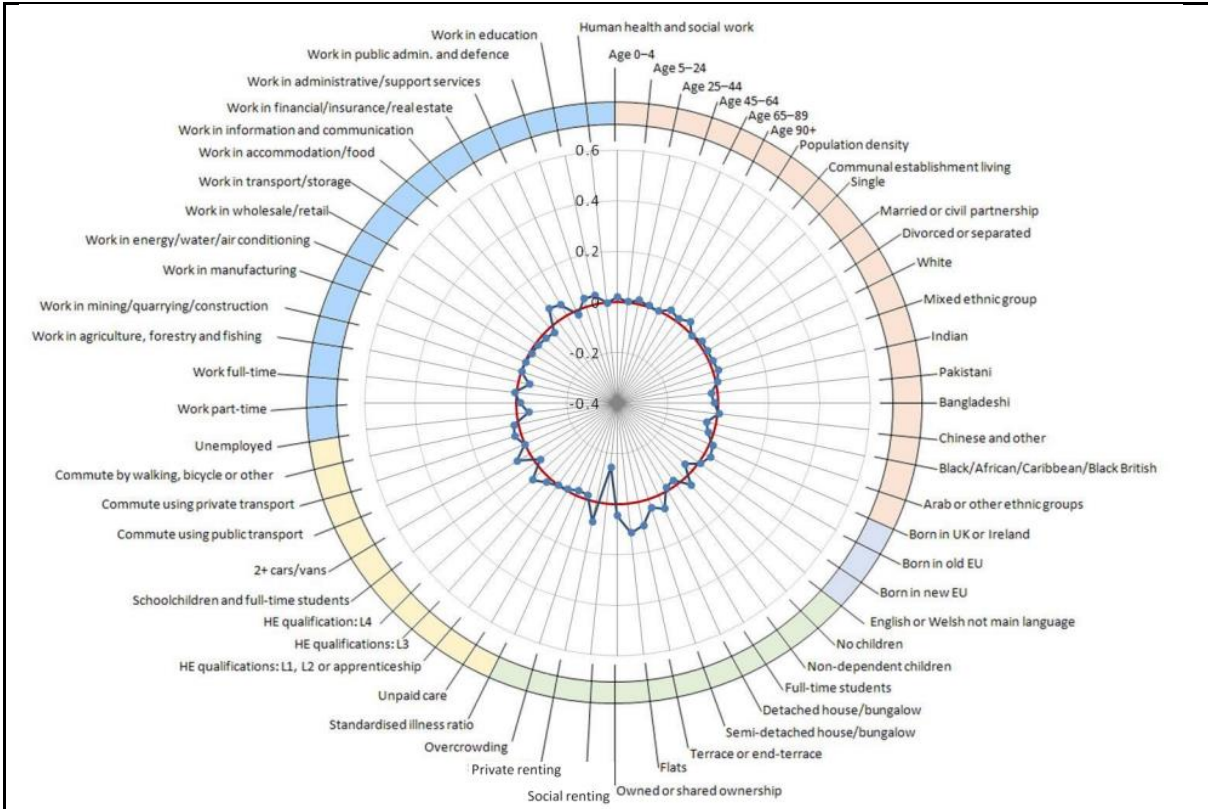
FIGURE 15: ONS DEMOGRAPHIC CLASSIFICATION – RADIAL PLOTS



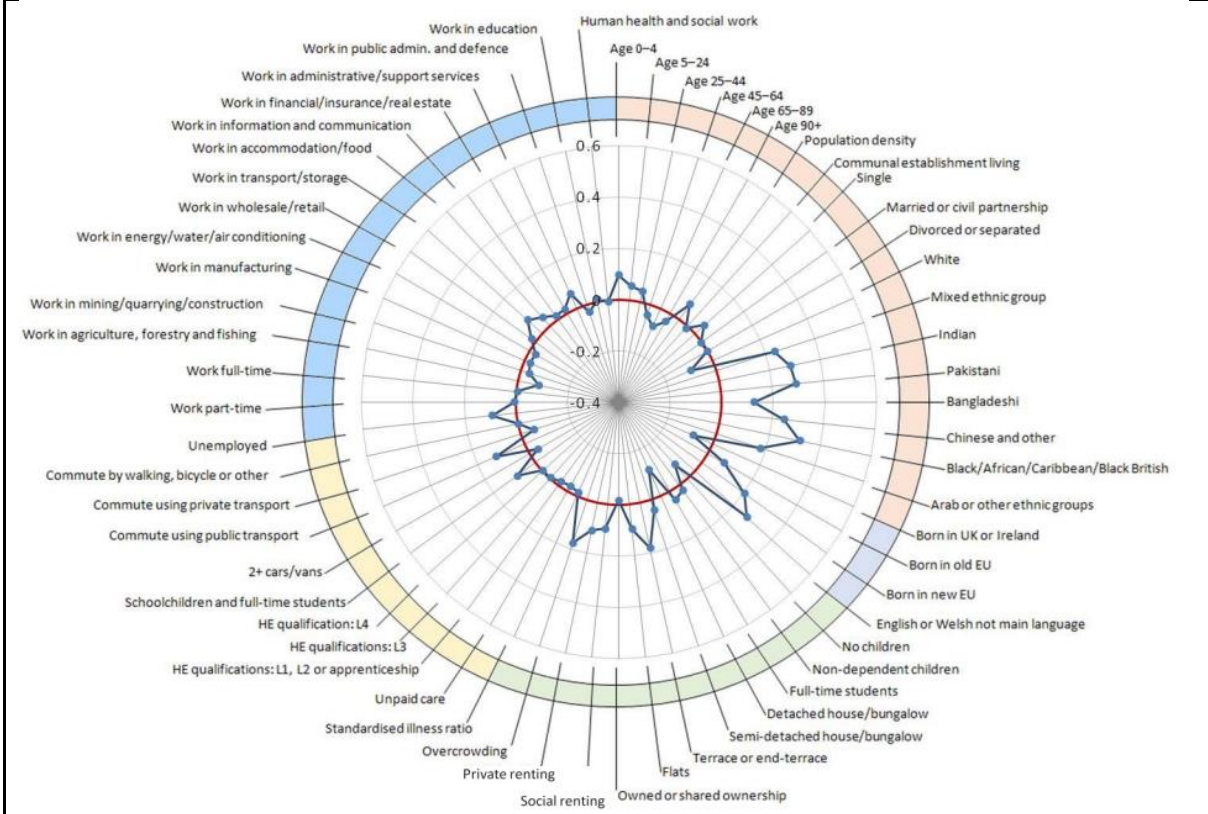
Cosmopolitans



Ethnicity Central



Urbanites



Multicultural Metropolitans

Source: Office for National Statistics (2018).

The circle around the radial is at a constant distance from the centre. Therefore, data points that appear on the outside of the circle represent variables that have a higher value than the standardised UK mean or the standardised parent cluster mean, while data points that appear on the inside of the circle represent variables that have a lower value than the standardised UK mean or the statistical parent cluster mean" (ONS, 2018, 3).

There are four supergroups that concern us in this study - Cosmopolitans, Ethnicity Central Urbanites and Multicultural Metropolitans. These are the groups most impacted by offshore property purchases in London. The Radial Plots tell us that Cosmopolitans are a young demographic, primarily aged between 25 and 44. Further, there are an unusually high number of students among them, and they tend to live in overcrowded flats. In Cosmopolitan areas unemployment is below the national mean average. Ethnicity Central is made up primarily of Black, African Caribbean, Black British who live in overcrowded flats. These are primarily social renters in areas where unemployment is higher than the mean average. The third super group Urbanites are Social renters and private renters of flats in areas where unemployment is below the national average. The final group - Multicultural Metropolitans live in overcrowded terrace and end of terrace homes. They are for the most part, Black, Pakistani, Indian and mixed ethnicity. Unemployment in these areas is above the national average.

We only have data from the 2011 Census, so there can be no definitive statements on demographic change in the core and spillover boroughs we are investigating without further research. However, our hypothesis surrounding the pattern of settlement (see Map 8), along with several key actor reports in the next section, suggest that purchases in areas that were formally the preserve of the Ethnicity Central and Cosmopolitans Supergroups are now increasingly Cosmopolitan. In these areas Ethnicity Central residents appear to be moving to the outer boroughs where they become members of the Multicultural Metropolitans or Urbanities Supergroups. Thus, the impression here is that the displacement associated with the encroachment of offshore property purchases impacts this group of citizens first and foremost.

3.0 Key Actor Reports

The accounts in this section come from interviews with 24 key actors who were either local councillors or local residents of the four case study London boroughs that our study concentrates on - Kensington and Chelsea, Westminster, Lambeth and Southwark. Kensington & Chelsea and Westminster are both affluent boroughs that together account for 42% of the offshore-owned properties in London. Lambeth and Southwark account for 6% of the offshore owned properties and are included by way of contrast in that they are not as affluent as either Westminster or Kensington.

Box 3: Ideological Divide

'I talked to a couple of councillors, and they feel they don't know enough, plus it is clear to me that the matter is beyond the purview of the Council, having now seen the exact definition of "wealth chain". If you think about it, "circumvention [of] taxation obligations" is a matter for the home authorities of the persons or entities concerned, isn't it? And what is "circumvention? Avoidance (legal) or evasion (not legal)? From a property-market point of view, if property is bought for X pounds, what does it matter whether the funds come from somebody who has some sort of tax advantage or not?' **Kensington councillor**

'In this borough, if it's to do with the highest amount of returns on anything, it goes. It doesn't matter if there's abusive human rights, this borough is not bothered because it's quite corrupt, the whole council. We know that. So, they will sell anything, if there's somebody wants to build a penthouse on a roof somewhere, and it's blocking out the light for other buildings, you go to the council and see the planning department – it will go, because those people have big, mega moneys so they turn a blind eye to whether these people are offshore, onshore, they don't care about anything. Bring it on. These people are saving money and they're gaining from it. So, you know there's offshore people, they save, they don't pay their taxes and these people gain from it, even if they leave them empty. In this borough it doesn't matter at all. Rich people here - if you want to develop your house - make pools underneath and penthouses on top. You can do it, despite the fact that a lot of them fall down. Chesterton Road had one crumble down the other night, the whole thing fell in. Half the house landed on the street. It's happened in rich penthouses in Chelsea, and the terrace house completely collapsed. Look, anything goes here.' **Kensington resident**

'I think what's happening is beyond gentrification really. This is something totally not seen before I think. If people have worked hard and built up something and that happens, that's a gentry activity, this is sorta money coming in from countries which are impoverished and corrupt. It's a moral issue and you've got illicitly gained money washing through.' **Westminster Councillor**

The key actors were drawn from the ranks of the local residents and local councillors who represent the various political parties at the local level. They provide a social contextualisation to the statistics in the previous section, and they give us an insight into the relationship between the state and the citizen that is being altered by the encroachment of anonymous investors from offshore secrecy jurisdictions. The interviews give us an insight into the state of local governance in London as a result of what is a recent development in real estate investment London (Appendix 5). What is it that residents expect from their local representatives? What do they get? These are the key questions that we address here.

As Box 3 makes clear, not everyone we contacted was willing to speak to us. The first quote in Box 3 came in the form of an emailed response from a Kensington councillor that we had contacted. In many ways they address the crucial issue that we are raising when he asks what difference does it make whether the money comes from a tax haven or any other source. By narrowing the frame of reference to a “property market point of view” they conclude that nothing is wrong and indeed such an outcome supports a type of efficient market. The narrative from the Kensington resident provides a counter narrative and it does so by extending the parameters to include *abuses of human rights*. This more critical viewpoint, cites corruption, substandard construction, power asymmetries and a two-tiered world that allows the rich to opt out of civic responsibilities that is fostered by the pure market ethos seemingly advocated by the local councillor.

Box 4: Tax Evasion, Financial Investment and the Housing Shortage

‘I understand that offshore companies are sort of an instance for tax evasion. And I also understand probably, if they’re selling them, they may well be selling them to foreigners partly as investment - that clearly goes on a lot. And a lot of the property investment in London at least until recently was coming from people abroad who were looking for a safe space to put their money, so the property market was treated partly as a financial instrument or as a means of safe and lucrative investment. And that’s one of the reasons why property prices are so high in London, it’s not the only reason. The first and obvious one is that so far as people making these investments aren’t actually using properties that they buy, it means that in the borough, there’s a desperate shortage of housing. The second thing is that those people who would like to buy here, would like to live here, who can actually use them, find it that much harder because these purchases have driven up the prices of property’. **Kensington resident**

In general, we found that residents did not have a detailed knowledge of tax haven property investment in their boroughs so for instance none of the respondents could speak to the secrecy jurisdictions routing money into their boroughs, instead residents told stories in which tax havens were linked to tax evasion and tax haven purchases of residential homes in the borough fuelled high house prices. Bob (the resident in Box 4) goes a step further and points to the social harm generated by the finance and investment industry, in the form of empty homes and a housing shortage in the borough.

Empty homes were highlighted by several residents. This is most likely explained by the fact that it is the most visible aspect of neighbourhood change (especially at Christmas - see Box 5) and the contribution of civil society groups like Action on Empty Homes (AEH) who estimate that there are approximately 125,000 empty homes in London¹⁷.

Box 5: Empty Homes

'If I were an overseas investor and I had a choice between buying 60 units (as they call it in international trade) in a new block in Stepney or Shadwell or somewhere like that, or the choice of buying 10 homes in Clapham, I guess a) the 60 units are easy to get hold of because they can be bought before they've even been built, b) if there's a concierge and maintenance of the site, the owner does not have to worry anything about them at all, whereas these ten homes can be broken into much more easily, they fall apart more easily because they are Victorian buildings especially after they've had work done to them, who knows how long they'll last when they start caving in on themselves. And obviously houses here are not at the stage where they are worth buying and then giving to someone like they are in Chelsea. The whole, Cheyne Walk [Chelsea] I don't think a single person lives in one of those houses, they all are looked after by mostly men from eastern Europe, Ukraine and Poland who keep the place tidy, put up Christmas decorations dutifully- they don't live there or own it.' **Lambeth resident who works in Chelsea.**

'There are some unoccupied homes and that is in new Caledonian Wharf and the reason I know about that is because a guy who used to be a plumber was woken up in the middle of the night when the police broke down the door 'cause the water was flooding through two floors and it was Russian owners who didn't live in it most of the time.' **Southwark resident**

¹⁷ In addition, the 2014 Guardian newspaper investigation found that of the sixty six houses on The Bishops Avenue, 3 used full time. Knight Frank's 2016 wealth report estimates that the population of multi-millionaires (those with net worth above \$10m) varies from 34,230 in summer to 10,450 in winter, potentially leaving almost 24,000 homes empty at a time.

Both residents and councillors connected the number of empty homes to the Airbnb model where houses were often left empty for extended periods (see Box 6). In relation to Airbnb rentals the Lambeth Resident in Box 6 echoes other residents who have formed the view that the majority Airbnb rentals in the borough are being used for illicit purposes. Councillors from Westminster and Lambeth spoke to the damage that Airbnb rentals were doing to communities and neighbourhoods in their borough, by supporting absentee landlords, encouraging transient residents who came from overseas and could pay rental prices that local residents could not. It's fair to say that the response to the Airbnb rental model was stridently negative among both residents and councillors.

Box 6: Airbnb

'I know for sure there are so many properties that are empty and could be put to use but the people who own them are under no obligation to do anything with it and another issue right is the Airbnb's – a friend of mine she's got a flower shop, Battersea Park Road, there's an Airbnb somewhere up there, it's been used as a betting shop and a drugs dealing premises and basically this all happened over Christmas, they were getting so much hassle with people coming and going, and people ringing on their bell and apparently their husband like grabbed one of the guys and took his phone or something, and the police got called, and the police said it was something like... 80% of Airbnb's were now being used as brothel. It needs to get sorted, I'm not a politician, I'm not a councillor, I don't have any power, I don't have any access too, but the solutions are there. They just stick their head in the sand and pretend they can't do anything about it.' **Lambeth Resident**

'The community was non-existent because a lot of the properties that had been sold were bought up by people who were investing in like Airbnb's, so they were using it as fairly transient accommodation for people, so there was literally no community and they weren't well built, he was complaining about leaks and such like from flats around him because there's nobody around.' **Lambeth councillor**

'They're either empty for a while, just as an asset or they're rented out on a temporary basis like Airbnb but they're so expensive there's a type of market they're looking for which has to be overseas people.' **Westminster councillor**

'My focus tends to be on those who are sorta parts of regimes with dubious lineages and stuff like that rather than the rising Chinese upper middle class who are sorta buying a property as an investment in London because the latter group is more likely to rent it out. So those two things. The people who price-out the markets to buy property, but it is less of an impact if that property is bought into the PRS but there are obviously separate issues of those properties being used for Airbnb with absentee landlords.' **Westminster councillor**

Generally, the residents we interviewed associated the process of offshore property investment in their neighbourhoods with the wider social process of gentrification. With residents, conversations on the subject of offshore property

investment quickly became conversation about gentrification. However, the gentrification described by residents north of the river differed from the gentrification south of the river in Southwark and Lambeth. North of the river, we have absentee owners that we associate with the super-rich where buildings stand empty, and watchmen are paid to turn the lights on at night (Box 5). In the less affluent south of the city the gentrification is associated with a group of new neighbours the Lambeth resident in Box 7 describes as Instagram couples. This second type of gentrification is newer than the gentrification patterns in North London; the South London gentrification emerged during the lockdown period of the pandemic. What seems to have happened in Lambeth is that the borough has been resettled by geeky, techie young people¹⁸ who bring with them a culture that comes to dominate social interactions and is quite simply so stifling that longer term residents feel forced to leave the area.

Box 7: Instagram Couples

'They look like Instagram couples. The guys have all got their three-quarter length trousers and their little glasses and they've all got their little dogs, they're like £700 trainers, where do these people come from? They've appeared during lockdown, I'm like ok...and then meanwhile my daughter she can't live in this area, you know, it's hard because they're not horrible people but its just... this is social cleansing at work, you're only allowing a certain demographic to live in this area now ... I just want to get out, that is what I feel, everyday I'm like I don't belong here anymore. It's kinda suffocating actually.' **Lambeth Resident**

While there was a general consensus among residents that offshore purchases were correlated with the number of empty homes and the process of gentrification, as Box 8 suggests we could find no such consensus among local councillors.

Box 8: Not all councillors agreed that offshore correlated with empty properties or indeed gentrification

'It's certainly not generating empty properties. The only empty properties we really have in Westminster relate to COVID-19 and all the small businesses, particularly in hospitality and in the arts that have found it really difficult.' **Westminster councillor**

'I think what's happening is beyond gentrification really. This is something totally not seen before I think. If people have worked hard and built up something and that happens, that's a gentry activity, this is sorta money coming in from countries which are impoverished and corrupt. It's a moral issue and you've illicitly gained money washing through.' **Westminster councillor**

¹⁸ These are the Aspirational Techies described by the Pen Portraits in the previous section.

We found wide variations in viewpoints among councillors across all the political parties ranging from those who were comfortable with the market process of offshore property investment in their boroughs to those who questioned the morality of such investment.

It is very clear from the narratives of the residents that offshore purchases resulted in a gentrification that weakened traditional community life. In the boroughs to the North new neighbours are members of a transnational wealth elite who may live in more than one city around the world at different times of the year. In so doing, this group manages to buy its way out of civic responsibilities and participation. The biggest red flag surrounding offshore investment comes from the Lambeth resident in Box 9 who points to the lack of transparency surrounding the relationship between property developers (and others from the property lobby), the local councils planning department and its department. The big question posed by the resident in Box 8 is what is there in the relationship between the property lobby and the local council that needs to be hidden?

Box 9: Participation in the community

'They refuse to engage with you and this is another thing, they get the planning permission on the premise they are going to connect with the community and then they just ignore the community and I think that if anything, if they actually allowed people to get together to come up with solutions and we could change so much within our communities and our society but they are not doing it and that is probably the biggest issue or the red flag about it all. It's like what have you got to hide?' **Lambeth resident**

3.1 Whose side are they on?

The biggest point of divergence among councillors was between those who saw the homes in the community in terms of exchange value rather than use value. This emphasis represents a shift in the thinking from the urban manager of the 1960's and 1970's to the market emphasis of the neoliberal years from the 1980 onwards. What appears to have happened is that: "Urban government became urban governance implying a culture of partnership, coalitions of stakeholders and a decentring of both old-style state control and dominant market providers" (Forrest and Wissink, 2017, 8). Despite the promise of the new dispensation the description of the relationship between residents and councillors was best articulated by one of the residents who during the course of the interview asked (of the councillors): 'Whose side are they on anyway?' Minton's work (2013) in Southwark helps to provide some answers.

In a 2013 Spinwatch report Anna Minton examined allegations of dirty tricks, sham local consultations and she showed how lobbyists set out to intimidate local opposition to the controversial HS2 high speed railway. Of particular concern to us is the “well-oiled revolving door between developers and councils¹⁹ (Minton, 2013). She found that, “20 percent of Southwark’s 63 councillors work as lobbyists” for developers in the planning industry and that a significant number of Councillors and Council officers were making use of a ‘well-oiled revolving door’ to the industry. According to Booth and Crossley, (2018) writing in the Guardian, this is twice the average number of Councillors working in the property development sector in other London boroughs.

Beyond those who directly work for the property lobby there are others like Fiona Colley whose story is instructive. Ms Colley, “is Southwark’s former (Labour) Cabinet Member for Finance, Modernisation and Performance. Colley is a Cambridge graduate and former investment banker who worked for Kleinwort Benson and Barclays Global Investors. She used to be Southwark’s Cabinet Member for Regeneration up until 2014 and was subsequently Cabinet member for Modernisation until she left the Council in 2018. According to her LinkedIn profile Ms Colley now works as an independent consultant advising tech companies on how to get contracts with local authorities. During her time on the Council, she oversaw the conception of many regeneration schemes including the Heygate estate and Canada Water regeneration. She liked the latter scheme so much that she bought two flats off-plan from the developer (and then flipped them on once they had been built)” (Southwark Council’s Revolving Doors, 2022). Neither is she an unusual case; the 35% campaign lists 8 council officers and 17 councillors (including Colley) who have allegedly leveraged their positions in the council for private gain via developers and members of the property lobby (ibid).

¹⁹ According to Minton, “Intimidation, bullying or conflicts of interest are common practice among lobbyists, developers and local authorities involved in pushing through contentious development such as HS2.”

4.0 Conclusion

We have found that there are five key processes related to offshore purchases of London property; first, such purchases are heavily concentrated in the City of London and in the Borough of Westminster. Second, there are far more offshore owned properties than previous estimates have shown. Third, the dominant tax havens channelling money to London's real estate are all former colonial territories. Fourth, hard pressed and ethnic groups of residents appear to be pushed into the outer boroughs by what they experience as gentrification of their inner-city neighbourhoods. Fifth, the residents of the affected areas displayed a pervasive distrust of their local councillors. Finally, in order to address the social costs resulting from offshore investment in London's real estate we have suggested a progressive tax on offshore purchases with the receipts being used to offset the social costs that result from this type of offshore investment.

Our research design was very simple; we wanted to know how offshore property capital was transforming neighbourhoods and how this impacted the residents; we interviewed selected residents and local councillors about these developments in order to find out how this impacted local governance. Because of an absence of statistical data in this area we carried out our own statistical enquiry so as to provide the study with a baseline anchor of estimates and measures. The data dictated that we focused on three core areas where both volume and values of offshore purchases were highly concentrated - Westminster, the City of London, the Royal Borough of Kensington and Chelsea (all North of the River Thames). To these core areas we added Lambeth and Southwark (South London) because we were curious about the areas in which we live (or have lived) in. In addition, Lambeth and Southwark make for interesting counterfactual contrasts in comparison to the core areas that are far more affluent.

We anticipated and ultimately found that the greatest concentrations of offshore owned properties would be found in Kensington & Chelsea and in Westminster; what we did not anticipate was the prominence of the City of London in this offshore property story. We found that when business/commercial real estate was included the City of London's residential real estate in terms of aggregate price paid is on par with Westminster in having the highest prices in the UK. That the country's financial district should have the most expensively priced real estate is hardly surprising, but that its ownership should be concentrated in offshore hands is certainly a feature that warrants further research.

Key-actors interviews pointed to something of a gulf in the understandings of the residents and local councillors on what offshore property investment entailed (or more correctly what it meant) in their boroughs. For residents in general, offshore property purchases represented gentrification by another name, echoing concerns of numerous studies on issues like displacement and exclusion (see Atkinson, 2000; Rozena, 2022). Areas with a high proportion of offshore owned residences were strongly associated with larger aggregate numbers of empty homes in the area. The underlying story among the residents we interviewed was that encroachment through offshore purchases signalled demographic change in their neighbourhoods that would eventually force them to relocate. Here, it seems that the decisive factors were changes in the cultures of communities with words like 'stifling' and 'suffocating' being frequently used to describe neighbourhood change. The understandings and interpretations from the local councillors were far more varied with some aligning closely with the viewpoints articulated by residents, others were far more market friendly. In the latter case, offshore real-estate investment was seen as a rational deployment of scarce capital reflecting a socially neutral market process.

The ONS demographic classifications tell us that the Ethnicity Central group are most negatively impacted by the encroachment of offshore purchases. In parallel research we conducted six interviews with West Indian residents who once lived in Brixton (at one time perhaps the capital of Ethnicity Central in London) and now live in places like Croydon on the outskirts of London. These respondents exhibited a strong distrust of Councillors and the mode of local governance to the extent that they affirm that Geoffrey Howe's managed decline thesis has been well applied in Lambeth²⁰. In general, the West Indian subset of interviews support our hypothesis around the pattern of ONS Supergroup settlement across London whereby Ethnicity Central residents move away from the centre to settle in Multicultural Metropolitan locations in London's periphery. Using Shaxon's spider's web typology we were able to show how offshore money flows bear down on Ethnicity Central residents who themselves come

²⁰ Confidential government documents made available under the 30-year rule in 2011 revealed the content of Cabinet discussions following the July 1981 Toxteth riots. While a section of the cabinet argued the case for regeneration funding to rebuild the riot-hit communities, Sir Geoffrey Howe, now Lord Howe, thought it would be a waste of money in Toxteth's case. His solution was to starve the area of resources so that it became even more impoverished which would eventually lead to its troublesome residents would eventually move out of the area. Thirty years later, when these document became public, Howe said, "I wasn't in any sense advocating managed decline. The whole of that is based on some misunderstanding of some short letter with specific objectives." (Toxteth riots: Howe proposed 'managed decline' for city, 2011)

from the Overseas Territories and former British Empire countries that make up the offshore world that is being used to extract value from the built environment in London.

When an offshore investor buys a home in the centre of London, s/he purchases a plethora of services in close proximity to the home. The investor buys access to shops, parks, theatres, businesses, finance, hospitals, schools, transportation and so on. The tax advantage conveyed by the offshore jurisdiction translates to a living environment advantage that allows owners to enjoy all the available amenities while opting out of civic responsibilities. Alternately for residents who according to the ONS Pen Portraits are typically private or social renters, housing tenure itself acts as a barrier to participation in local politics because the transience of renting prevents them from becoming actively involved in community issues. On both counts, community life would seem to be impaired. Finally for councillors (in general) and other local government officials' offshore money inflows into their areas fill the gap left by central governments cuts in expenditure allocations to the various boroughs.

From our research it is clear that the City of London plays an important part in offshore real estate purchases (and is also a key location for purchases), yet we know very little about its role. Shaxson's Spiders Web provides us with historical and geo-political framing that links Britain's use of its tax havens to its imperial past. Combining the model with the ONS data we have been able to investigate some of the social and demographic effects on the ground in specific areas.

5.0 Policy

In order to address the social harms associated with tax haven inflows into London's property market, an annual progressive tax levied on offshore owners is needed. The design of this tax could involve a partnership between HMRC and the big four accountancy companies to ensure it would be effective. The proceeds of such a tax should be directed at supporting both housing and social and economic services in Multicultural Metropolitan boroughs in peripheral areas.

Until quite recently this would have been an inoperable policy possibility because we simply would not know who to tax. The Russian invasion of the Ukraine in February of this year has transformed the policy possibility landscape. Britain responded by enacting the Economic Crime Act on March 15th. The Act aimed at curbing illicit inflows from Russia and its oligarchs. Among other things, the Act included provision for a new Register of Overseas Entities owning or buying property in the UK.

In the May 2022 Queen's Speech, the Government announced its intention to follow up on this first step with an Economic Crime and Corporate Transparency Bill that aimed to, "crack down on illicit finance and strengthen the UK's reputation as a place where legitimate businesses can grow" (Queen's Speech, 2022). This legislation would give Companies House the power to "check, remove or decline" the data submitted to the Company Register. Importantly from the perspective of researchers and policy makers, this legislation would mean better data cross-checking with other public bodies like the Land Registry. The key change under the law will be that all overseas entities who do not declare their beneficial ownership will be confronted with restrictions on the sale of any property they own in the UK. Alternatively, an overseas entity seeking to purchase property in the UK will not be able to be registered as proprietor with the Land Registry unless the entity appears on the register at Companies House.

We believe that the legislative initiatives outlined above will make for effective and better targeted policy initiatives if the laws were to be properly enforced. However, Bullough's *Butler to the World*, and Shaxson's idea of the spider's web of offshore finance centres, speak to a macroeconomic policy choice in which tax havens are central in the UK's geopolitical arrangements that militates against proper enforcement.

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Appendices

Appendix 1: Land Registry OCOD Description

Field	Description
District Name	Name of an administrative district created since local government reorganisation in 1974. Administrative district also covers the London boroughs, unitary authorities and (for HM Land Registry's purposes) the Isles of Scilly parishes.
County	Name of current county in England and Wales.
Region	Name of a geographic region which comprises one or more current counties, former counties or unitary authorities or any combination of these. The names and extents of the regions are the economic planning regions used by various bodies.
Postcode	Code which is a combination of up to 7 letters and numbers (plus one embedded blank), which defines different levels of geographic units. It is part of a coding system created and used by the Post Office across the UK, to facilitate the mail service.
Price Paid	The sale price stated on the transfer deed.
Country Incorporated	The name of the country where the company is incorporated
Proprietor name	Name of a company, corporate body, local authority or other organisation or establishment registered as the owner of the property.

Source: Muasya, 2018.

Appendix 2: Non-doms

- Non-doms are globally connected, whether by birth or from time spent living abroad. More than 93% of those who we classify as non-doms in 2018 were born abroad. An additional 4% have lived abroad for a substantial period.
- The share of people claiming non-dom status rises rapidly with income. Three in ten individuals who earned £5 million or more claimed non-dom status in 2018, and a further one in ten had claimed non-dom status at some point in the past. This compares with less than three in one thousand who had ever claimed non-dom status among those earning less than £100,000.
- More than one in five top earning bankers is a non-dom. Around 22% of bankers in the top 1% (income above £125,000) have claimed non-dom status at some point. Non-doms also make up a large proportion of other finance and 'city' jobs.
- Most non-doms come from Western Europe, India, and the US. There are also sizeable minorities from other English-speaking countries. Since 2001, there has been a rapid rise in the number of non-doms from India, China and the former Soviet states.
- Most non-doms reside in and around London, with non-doms making up more than one in ten adults living in Kensington and the Cities of London and Westminster. Outside London, the largest non-doms presence is in the Home Counties, the university towns of Oxford and Cambridge, and in Aberdeen with its petrochemicals industry.
- Within London, non-doms tend to live in the most expensive districts. Most non-doms live in the West End, the affluent areas along the upper sections of the Thames, and around the financial hubs in the City and Canary Wharf.
- Non-doms locate within distinctive national enclaves. Western European non-doms dominate in Westminster, Kensington, and Chelsea. American non-doms are most prevalent in parts of North Central London. Non-doms from other English-speaking countries are clustered south of the River Thames around Richmond, whilst Indian non-doms prevail in more suburban areas such as Harrow, Hillingdon and Bromley.

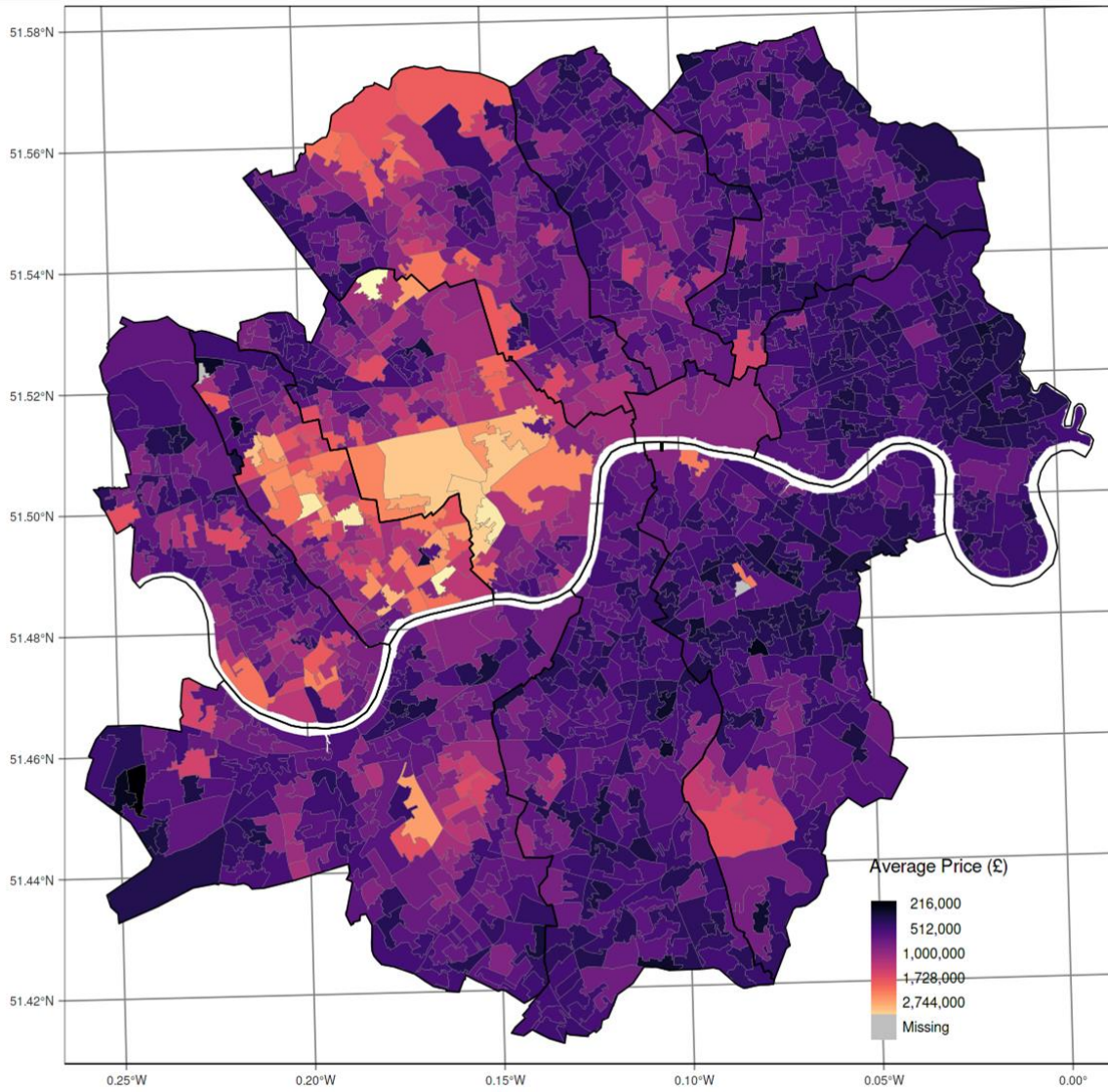
Source: Advani et al., 2022

Appendix 3: Trust for London's Poverty Profile & Income inequality in Offshore London

Boroughs	Living in Poverty (average)	Income Inequality
Tower Hamlets	39%	2.03
Islington	34%	1.58
Camden,	32%	1.18
Hammersmith and Fulham	31%	1.03
Wandsworth,	22%	0.77
Lambeth	30%	1.19
Southwark	31%	1.50
City of London	16%	0.42

Source: London's Poverty Profile - Latest Poverty & Inequality Data for London | Trust for London, 2022

Appendix 4: Average residential property prices (2019-2022)



Source: Own elaboration based on HM Land Registry (2022a) data.

Appendix 5: Semi-structured Interviews - Guide and Methodology

A) Opening Statement:

We are researching the relationship between property investment coming from offshore tax havens and wealth inequality in the four London boroughs of Kensington and Chelsea, Westminster, Southwark and Lambeth. We are interested in how and why offshore wealth chains have been developed the city, and the social and economic impact of offshore investment.

B) Interview Questions:

1. Do you know of any examples of relatively recent (last 5-10 years) offshore financial or property investment in the borough?
2. Are you aware of how these forms of investment occur? Can you describe the process that offshore companies use to buy property in the borough?
3. Do you have a sense of what kind of contribution or negative impact this kind of housing transformation is having on the residents financially or socially? Do you have a sense of what kind of contribution or negative impacts this kind of offshore investment (if any) may be having on the borough/city (probe - financially or socially?) EXAMPLE – So perhaps if this investment is extensive it may be creating gentrification pressures? Or is it perhaps being used to hoard land resources? Is it generating lots of empty properties? You may have other examples of problems or issues.
4. What has been the response to this investment in the borough, such as by the city authority or by residents or business groups? Has this kind of investment been met with any resistance or challenges? Perhaps some groups have welcomed this investment (real estate agents, business groups, local politicians)?
5. Which areas of the city have been most affected and how? Has offshore investment affected local services in particular areas, such as in terms of providing jobs or reduced housing affordability?
6. What kind of impact might this kind of investment have on the future of the borough/city? Are there any solutions? For example, spending money on refurbishments of social housing rather than regeneration projects? Density restrictions on new developments? or regulations on any of the environmental factors that may harm residents?

Is there anything we haven't covered that you think we should be aware of or would like to raise before we close?

C) Methodology - Why semi structured open-ended interviews?

Our respondents were selected randomly or more accurately, the respondents selected themselves by indicating whether or not they would be willing to talk to us on the subject of wealth chain investment. Global Wealth Chains (GWCs) are defined as transacted forms of capital operating multi-jurisdictionally for the purposes of wealth creation and protection. In non-technical terms this would include the tax haven money used to purchase houses and homes in the city.

In total, we carried out 24 semi structured interviews (with 28 participants) between January 2021 and June 2022 with residents and local councillors from four selected boroughs (Kensington and Chelsea, Westminster, Lambeth, and Southwark) in London. Semi-structured interviews, using open-ended questions were valuable for ascertaining the many experiences, feelings and opinions of participants (Davies et al 2014). Unlike a rigid set of fixed questions, semi-structured interviews allowed for a fluid dialogue between the researcher and the participants (Valentine 2005: 111). The semi-structured format also means that the researcher does not stray from the main themes of the project (see appendix 1 for semi-structured question guide) but still enables participants to introduce new topics of discussion. In this context new themes included the psycho-social costs of offshore investment and the pressures of displacement in place.

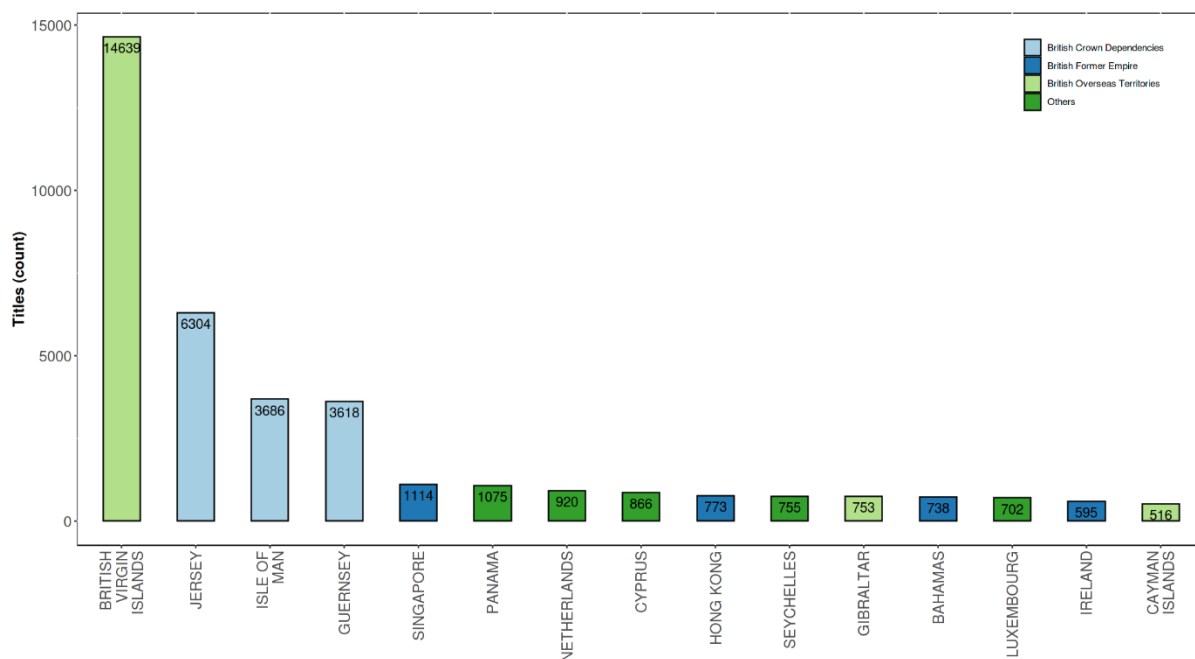
While semi-structured interviews are time-consuming and require preparation, they enable spontaneous discussions, shared knowledge, and a genuine connection to be created - thus leading to honest and in-depth conversations (Valentine, 2005; Freeman, 2007). Analysing the data from semi-structured interviews can take time; a 60-minute interview can equate up to four hours of transcription time (Dunn 2016, 101). Consequently, the researchers avoided unstructured interviews which would have been longer and more difficult to write up, code and analyse (Dunn 2016, 120). Instead, semi-structured interviews were more easily coded using NVivo, a content analysis system that tallies the number of times words are mentioned and allows sections of text to be grouped into relevant themes. While semi-structured interviews allow for fluid exchanges, the entire process is still controlled by the researchers, who select the quotes and experiences most relevant to their particular research aims and objectives (Davies et al 2014: 210). Therefore, this methodology is interpretive because it centres around the researchers' interpretations of their participants' interview data. While one can raise issues around researcher bias, generalisability and subjectivity concerning this analysis, an interpretivist epistemology, as utilised here with semi-structured interviews, aims

to discover how offshore investment is understood and experienced (Davies et al 2014, 203).

Initially some of the participants were known to Rozena, including friends living in London and councillors she had prior contact with during her PhD research on Kensington. Then we used snowball sampling methods to find more people, this is when existing participants help to recruit others (see Sullivan and Shaw 2011). Participants were found via Nextdoor posts, social media (Twitter, Instagram, Facebook) and word of mouth. We emailed every councillor in the four boroughs with the research information sheet, with a success rate of only 9 in 230. Potentially timing was an issue, due to the run up to the 2022 local council elections. In some cases, councillors stated they were not qualified to speak about this topic. Arguably the lack of responses highlights the unwillingness of councillors to engage in discussion on offshore investment in their borough

All participants have been anonymised, their name replaced with a pseudonym, and any identifying comments removed. 16 of the interviews took place on the phone, 2 over Zoom and 6 in-person. The face-to-face interviews took place inside a participant's home and a local pub. All interviews were audio recorded (with the permission of the participant) and this allowed the researcher to engage in the conversation without having to continually look down and take notes (Dunn 2016, 119). Face-to-face interviews enabled gestures and expressions to be noted down and this helped to determine how participants really felt about a situation (Davies et al 2014: 210). However, telephone and Zoom interviews were also effective and time efficient, giving the researcher an opportunity to speak to people in their own time without the cost of travelling to a venue (see Brill 2022).

Appendix 6: Greater London - Top 15 Offshore Jurisdictions (by title count)



Source: Authors elaboration based on OCOD

Appendix 7: Shaxson's Spiders Web typology

Group/Class	Jurisdictions
British Crown Dependencies	Jersey, Isle of Man, Guernsey
British Overseas Territories	Bermuda, Anguilla, British Virgin Islands, Cayman Islands, Falkland Islands, Gibraltar, Turks and Caicos Islands
British Former Empire	Hong Kong, Singapore, Dubai, Ireland, Bahamas, Trinidad and Tobago, St Kitts and Nevis, St Vincent and the Grenadines, Botswana, Swaziland, Nigeria, Ghana, south Africa, Uganda, Canada, Antigua and Barbuda, British Columbia, Canada, Cook, Islands, federation of Malaya, Grenada, Jamaica, St Lucia, West Indies.

Source: Authors elaboration based on Shaxson (2011)

Appendix 8: One Hyde Park



Photo: Rowland Atkinson

Appendix 9: Economic Crime and Corporate Transparency Bill (“Economic Crime Bill”)

- *Companies House Reform*
 - Companies House will be given powers to check, remove or decline information submitted to, or already on, the Company Register.
 - Companies House will be given effective investigation and enforcement powers.
- *Enhanced verification requirements*
 - Verification requirements for people who manage, own, and control companies and other UK registered entities.
 - Strengthened transparency requirements to wind up and tackle abuse of limited partnerships (including Scottish Limited Partnerships).
- *Cryptoasset seizure*
 - Creating civil forfeiture powers to seize and recover cryptoassets, described in the government materials as “the principal medium used for ransomware.”
- *Information Sharing*
 - Measures to enable “businesses in the financial sector to share information more effectively”.

(The Queen's Speech 2022, 2022)



Cover: A.I. vision of offshore London.

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