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Delivering the Homes London Needs

What will it take?

Rob Anderson & Daniel Reast
Centre for London

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Acknowledgments

This independent report is part of Centre for London's programme Developing London. As part of our 2025–2030 strategy – London: An Ascendent Global City – Developing London brings together decision-makers from across London's civil society, business and public sectors to explore how London's economic, social and community development can create:

A prosperous and thriving city, with more Londoners achieving a decent standard of living and participating fully in city life by 2030.

This report was supported by the Developing London founding partners – Barratt London, G15, the Royal Borough of Greenwich, Impact on Urban Health – and thematic partner for housing, London Housing Director's Group.

The findings, interpretations, and conclusions presented in this report are the result of independent research conducted by the authors. The findings of this report and its subsequent recommendations do not represent the views of the report's funders and are solely attributable to the authors, including any errors and omissions.

We are grateful to everyone who shared their time and expertise with us throughout this project. In particular, we thank the members of our Advisory Group: Naz Biggs, Catherine Burtle, Alastair Butcher, Craig Carson, Anna Clarke, Isobelle Connor, Ryan de Pledge, Claire Harding, Sue Hannah, Chloe Martin-Daplyn, Olamide Raheem, Simon Ricketts, and Alex Sewell.

We would also like to thank everyone who gave their time to be interviewed for this research, including Tanya Bass, Prof. Ben Clifford, Russell Curtis, Joanne Drew, Jacqueline Esimaje-Heath, Fiona Fletcher-Smith, Dan Hawthorn, Prof. Christian Hilber, Dr Tim Leunig, Prof. Geoff Meen, Jonny Popper, and Robyn Prince.

Thanks also go to Aimee Capstick for her work on the design of this report.

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Summary

The London housing crisis has become arguably the single greatest challenge facing the capital. Touching the lives of almost every Londoner, the housing system's ability to meet need has collapsed, destabilising civic life, worsening public service pressures, and undermining London's long-term social and economic settlement.

There is welcome consensus across sectors and political parties that something must be done. However, despite years of concerted effort, the crisis is worse than ever.

A fresh, radical and comprehensive response is required: one that simultaneously addresses the barriers to building new homes, while tackling the dysfunctions in the housing market which undermines the ability of the city's existing housing supply to meet Londoners' needs.



From spiralling housing costs to historic rates of rough sleeping, the extent to which Londoners' housing needs are met by the city's housing system has worsened on almost every metric over the last two decades.

The crisis has escalated to the point where it is undermining the capital and the country's prosperity. With ripple effects that harm lives and livelihoods both within and beyond the M25, London's housing issues are driving families out of the inner city, putting existential pressure on public services, and undermining the capital's productivity and slowing the UK economy.

There is broad consensus that this crisis is due to a lack of sufficient new housing supply. This view is grounded in robust literature showing that house price inflation in London has been caused by shocks to effective demand and a housing supply system that has been too restrictive and too unresponsive.

But this consensus can encourage a reductive framing: that London no longer has enough homes to go around. Building more homes is non-negotiable. However, a simple focus on housing delivery can act to obscure dynamics which are fundamental to the nature, extent and persistence of the housing crisis, including who benefits from additional supply and who is left in unmet housing need.

When examined in terms of the homes the city has relative to the people who need them, London had roughly the same number of homes per 1,000 population in 2024 as in 2002. There are also around 10% more homes per household than twenty years ago, in part because rising unaffordability has suppressed the formation of new households.

This does not indicate that London's housing supply growth over the last twenty years has been sufficient. If London's housing stock had grown by an extra 0.5% or more annually over the last two decades, house prices would have been materially lower and affordability more in line with the rest of the country.

But it does show that **the problem cannot just be understood as a simple shortage in the number of homes. Factors that determine how London's housing supply is used, allocated and accessed** are key to understanding the current crisis.

For example, **average floorspace per person rose by almost 30% between 2004 and 2023. But this additional floorspace accrued disproportionately to higher-income owner-occupiers.** This means that, despite London having more housing available for use per person than twenty years ago, housing inequality has widened rather than narrowed.

These widening inequalities highlight that London has experienced a deepening crisis of housing distribution as much as one of supply.

While chronic under-supply remains a fundamental driver of unaffordability, **the way housing stock is distributed is determined not only by overall availability but by changes in the tenure mix and by demand-side factors** including changes in income and wealth distribution, credit and mortgage lending, investment behaviours, and how the tax system treats housing.

It is changes in these factors which have shaped who benefits from London's housing system and **explains why housing need has worsened so significantly despite there being roughly as many homes per population head as there were twenty years ago.**

Therefore, rather than being understood exclusively as an issue of insufficient overall supply, **London's housing crisis should be understood as a 'winner-takes-all' problem.**

Households able to clear market prices have gained more space, enjoyed better housing standards, and accrued significant wealth (the 'winners') – while an increasing number of 'losers' who cannot are pushed into unmet housing need.

This unmet need is acutely visible in the hundreds of thousands of households on social housing waiting lists, record levels of homelessness and temporary accommodation use, and the millions of Londoners living in poverty after housing costs.

None of this reduces the central importance of building more homes. Efforts to increase supply in London are essential and affordability would be much worse today if concerted efforts to build more homes over the last two decades not taken place. **But these efforts to increase London's housing supply have demonstrably not achieved the goal of better meeting the housing needs of all Londoners.**

This means expanding housing supply is a necessary but far from sufficient response. Instead, **we must give much more attention to tenure mix and to demand-side factors.**

To do so, we argue that housing policy for London should seek to achieve three goals:

1. **Increase the number of social and affordable rented homes by radically expanding the capacity of local authorities and housing associations to deliver and acquire homes for social and affordable rent.**

A 20% fall in the number of social and affordable homes in London per 1,000 people is fundamental to understanding why housing need in the city is more poorly met now than in 2002, despite the city having roughly the same number of homes per population head overall.

Historic numbers of households on waiting lists for social housing and use of temporary accommodation are clear indicators that **access to the 'right' tenures is highly constrained**. This has an important policy implication: **adding units in the 'wrong' tenure will not relieve need where it is greatest**.

However, London's social housing sector has struggled to maintain, let alone expand, the levels of social and affordable housing in the city.

This is because the **prevailing model of financing affordable delivery through cross-subsidy and varying levels of grant funding has proved structurally fragile**. This model is **no longer fit for purpose**, particularly under current conditions where both viability and public finances are tight.

Therefore, to tackle the constraints facing London's social and affordable sector and **enable the significant expansion of social and affordable stock needed**, we make the following recommendations for a new settlement for affordable housing in London, built around:

- **A bigger social and affordable homes programme, backed by an extra £912m a year funded by local and city government through a progressive Proportional Property Tax, to deliver 106,000 social and affordable homes over the next decade**, with greater local control and more alignment with the city's housing needs and delivery costs.
- **Greater freedom to target funding where housing need is greatest**, including the ability to finance the supply of family-sized and specialist homes.
- **Robust, reliable counter-cyclical routes for the social sector to acquire homes** so that acquisition can scale up quickly when the private market slows.
- **A resilient long-term financial foundation for councils and housing associations through a Greater London Housing Fund** that enables councils and providers to sustain delivery, maintenance, upgrades and investment across the whole market cycle.
- **A new, municipal Build-to-Rent model that delivers good-quality, additional and affordable homes at intermediate rents** to meaningfully expand options for Londoners priced out of secure homes.

2. Address demand-side factors which accelerate price inflation as well as drive inequalities and inefficiencies in the circulation and distribution of housing stock.

The availability of dwelling space in London has increased substantially over the last twenty years, but these **gains have been unevenly distributed**, accruing almost exclusively to affluent owner-occupiers.

These widening inequalities highlight that London has experienced a crisis of housing distribution, **driven primarily by demand-side factors**, as much as one of supply.

Therefore, to address the ways in which demand-side factors influence housing outcomes, and to **promote a more efficient and equitable housing market**, we make the following recommendations:

- **Reform property taxation through a fairer and less distortive Proportional Property Tax**, scrapping Council Tax and removing Stamp Duty on ordinary movers to release an extra 79,000 homes a year, while raising funds for reinvestment in social and affordable housing.
- **Curb investment demand in parts of the market where it pushes up prices without reliably increasing supply**, while channelling investment towards genuinely additional homes.
- **Create practical pathways for better use and circulation of existing homes, including a London-wide 'Help to Move' scheme** to help households move into homes that better match their needs.
- **Introduce a new 'Right to Sell' offer** that enables homeowners to unlock equity to improve the liveability of their homes and fund at-home care while creating a route for councils to acquire homes over time.
- **Give councils stronger tools to tackle the most dysfunctional parts of local housing markets**, including routes to acquire long-term empty homes and properties linked to criminal landlords for conversion to social and affordable rent.

3. Accelerate private housing delivery and ensure long-run price stability by making it cheaper and easier to build in London.

The evidence is clear that growth in London's housing supply is fundamental to affordability.

However, even in recent years when London's housing delivery was at its highest, **new supply has been far below that needed to stabilise house prices.**

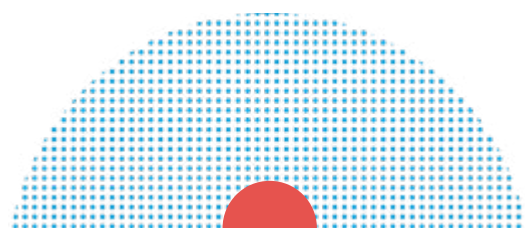
The recent collapse in housing delivery makes this issue even more urgent, with 2025 seeing the lowest number of housing starts in over a decade.

To tackle barriers and blockers to private housing delivery in London and **ensure the scale of market supply needed for long-run price stability**, we make the following recommendations:

- **Make the planning system more predictable and less risky**, with a clearer, more rules-based approach so delivery is less dependent on slow, uncertain negotiations.
- **Unlock more small and medium-sized sites and support SME builders**, to support 'gentle density' and ensure delivery is not overly dependent on a narrow set of large schemes and developers.
- **Clarify and streamline building standards and compliance processes**, maintaining quality while reducing avoidable uncertainty and delay.
- **Align planning with the realities of housing finance**, so policy expectations, infrastructure contributions, and delivery monitoring are transparent and investable.
- **Create a simpler, clearer approach to developer contributions towards affordable housing and infrastructure**, with a system that is predictable and workable across boroughs and market cycles.
- **Ensure any new first-time buyer support scheme is time-limited, tightly-targeted, and partly developer-funded**, and is focused on additionality.

London can build more homes, and it must. But if housing policy only focuses on increasing headline supply numbers and beating delivery targets, we risk missing the real problem: a housing system which is not delivering enough homes overall and has gotten much worse at ensuring the homes we already have are meeting the needs of Londoners.

This report reframes the problem and presents a threefold solution: radically strengthening social and affordable renting, taking bold new steps to tackle the demand-side problems that inflate prices and entrench housing inequality, and making it easier to build at the scale and pace needed to deliver the homes London needs.



Introduction

London's housing crisis touches the lives of nearly every Londoner. Parents unable to help their children move out and get on the property ladder. Renters paying thousands a month for tenancies in cramped, poorly maintained flats. Families crowded into damp and mouldy social homes or living hand-to-mouth in unsuitable temporary accommodation. Thousands of people forced to sleep on the streets every night.

This is happening because the ability of London's housing system to meet need has collapsed. This has destabilised the capital's civic life, as families are driven out of the inner city; put existential pressure on public services with rising homelessness costing £5.5m a day; and undermined the capital's economy by slowing productivity growth and harming London's global competitiveness. Rightly, it has become one of the biggest political and policy issues of this era – both in the capital and nationwide.

There is welcome consensus across political parties and the public, private and non-profit sectors that something must be done. Over the last decade or so, no effort has been spared. Successive governments, mayors and councils have introduced initiative after initiative to increase building or tackle homelessness; housing organisations, both private and charitable, work tirelessly to support those in need and to deliver more and better housing; endless numbers of reports and policy papers have described the problem and proposed solutions.

However, despite decades of well-meaning and concerted efforts, London's housing crisis shows no sign of abating and is worse than ever. Housing starts are at their lowest in over a decade. Record numbers of Londoners are living in temporary accommodation. House prices are 12 times typical earnings. One third of London's children live in poverty after housing costs. Businesses are increasingly citing housing as a constraint on growth, investment and recruitment of new talent.

Clearly something is not working. And for that reason, in this report, we take a different approach than many similar papers: whether it's weak private housebuilding driven by the planning system, insufficient investment to deliver enough social homes, or housing inequality, driven by financialisation leaving too many homes empty – policy analysis has tended to focus on specific problems with singular, short-term solutions.

Instead, we argue that tackling the housing crisis requires understanding the multiple and interconnected drivers of the failure of the housing system to meet London's housing needs. This involves recognising that the challenge is systemic – a structural socio-economic crisis characterised by self-reinforcing feedback loops. This requires robust action on all fronts.

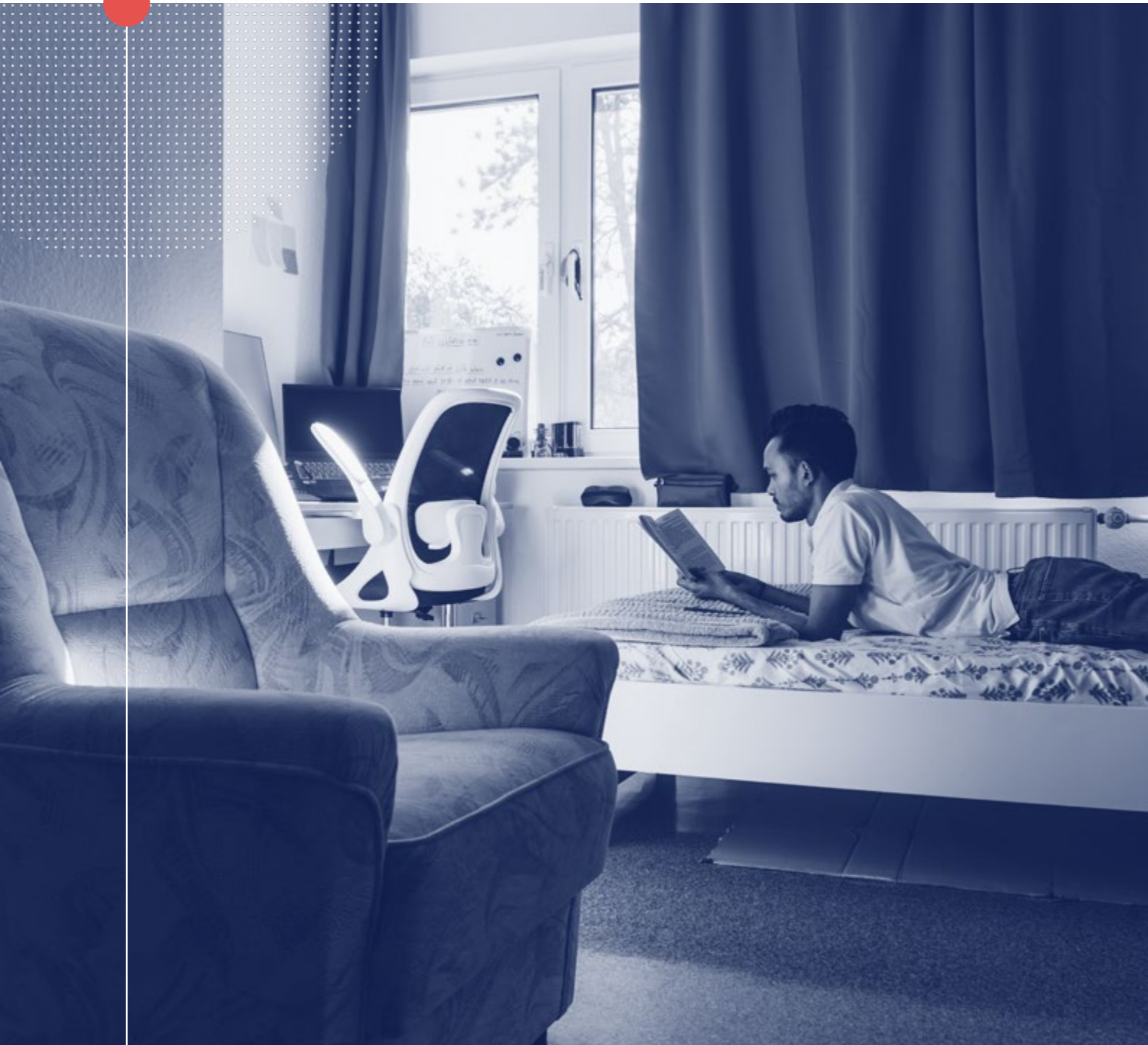
We also begin with the assumption that significant change is needed not just in what policies are needed but the levers available to London’s decision-makers to intervene. This paper argues that significant fiscal devolution and increased capacity for the Mayor of London and boroughs are crucial for addressing the capital’s housing crisis effectively. Although London’s economy has flourished through use of unique planning powers for more than 25 years, the ongoing housing crisis implies that the current devolved settlement is insufficient to resolve the city’s housing challenges – and more of the same will likely yield similarly unsatisfactory results.

Rather than beginning with important but second-order questions like ‘how many homes need to be built and how?’, the next chapter steps back and seeks to **frame the crisis in terms of how well London’s housing system has met need over time.**



Chapter 1:

Understanding the London Housing Crisis: a question of supply and demand



In this section, we discuss how housing policy has treated London's housing crisis as being one of insufficient aggregate supply, with debate framed around how many additional homes should be built and how. But this framing tends to bake in an assumption that there are 'not enough homes to go around' and is often unclear about what 'enough' means in practice for meeting housing need.

Instead, we pose a different inquiry: how has housing availability in London actually changed over the last twenty years, relative to the number of people who need somewhere to live? And how does that compare to the sharp deterioration in affordability which has played a key role in worsening housing need?

We analyse availability using stock-based indicators such as dwellings per resident and dwellings per household. We also examine English Housing Survey microdata on useable floorspace per person, to examine how London's housing is used and by whom.

What do we mean by 'meeting housing need' and how well are Londoners' housing needs met today?

Meeting housing need is the extent to which a city's housing supply works to ensure that households can access homes of appropriate cost, size and quality at the point they need them.

In practice, this is largely determined by how efficiently existing stock circulates through chains of moves (owner-occupied sales and re-lets), which is then complemented by net additions from new supply. Newly built homes matter primarily to long-term supply and through the chains of moves which net additions to housing stock trigger.

But for housing need to be met, both circulation and new supply need to be large enough, and frictions low enough, for households across income groups and tenures to obtain suitable homes.



Over the last two decades, the extent to which Londoners' housing needs are met has worsened dramatically on almost every metric.

Average house prices have risen from around seven times median earnings in 2002 to 12 times median earnings in 2024 – nearly doubling in the space of two decades.¹

This gap between earnings and affordability has shifted the tenure mix, with the proportion of London households who are owner-occupiers falling from 57% in 1991 to 47% in 2021, with private renter households increasing from 14% to 30%.²

Over this period, the most acute expressions of housing need have risen sharply, with more than 75,000 households living in temporary accommodation in Q3 2025 – of which 50,000 households were with children.³

At the sharpest edge of unmet housing need, London has seen rough sleeping rise precipitously, with over 13,200 people sleeping rough between April 2024 and March 2025 – a 10% year-on-year rise and highest number ever recorded.⁴

How has policy sought to better meet housing need in the city over recent decades?

The research and policy literature reveals a consensus that London's housing problems are due to insufficient new supply.⁵

The root of this lies in a robust economics literature which highlights that UK housing supply has not expanded in proportion to large shocks in effective demand, particularly in high-demand and supply-constrained areas like London, driving significant increases in house prices.⁶

In response to this evidence base, policy debate has almost exclusively focused on housing delivery rates and expanding aggregate housing supply. More recent influential analysis has considered how 'filtering effects' from new market supply have impacted wider affordability, further reinforcing a strong policy focus on aggregate housing supply.⁷

As a result, policy has largely sought to better meet housing need through supply-side reforms to increase housing delivery.

Measures have included:

- Planning system reforms (such as changes to the National Planning Policy Framework in 2012, 2024, and 2026)
- Capital grants and loans (e.g. Affordable Homes Programme, Build to Rent fund)
- Introduction of new tenures (such as Affordable Rent and Shared Ownership)
- Public land initiatives
- Partnerships with private developers and housing associations

The underlying logic of these measures has been to grow the overall housing supply by stimulating private housebuilding and using cross-subsidy mechanisms, paired with variable levels of government subsidy through grants, to deliver varying levels of social and affordable housing alongside market housing.

One consequence of this is that public debate tends to reduce London's housing problems to a question of how many additional homes should be built and how.

As we explore later in this chapter, this conversation on supply is vitally important. But as a framing it bakes in an assumption about the nature of London's housing problems: that the city 'doesn't have enough homes to go around'. This means the debate isn't always clear about what delivering 'enough homes' would mean in practice – enough homes for who?

That is why, rather than beginning with the question of 'how do we build more houses in London?', we ask a different question: how has the number of homes in London changed over the last twenty years relative to the number of people and households who need them, and how does that relate to the sharp deterioration in affordability that is at the root of the crisis of housing need?

How has the availability of housing changed in London over the last twenty years?

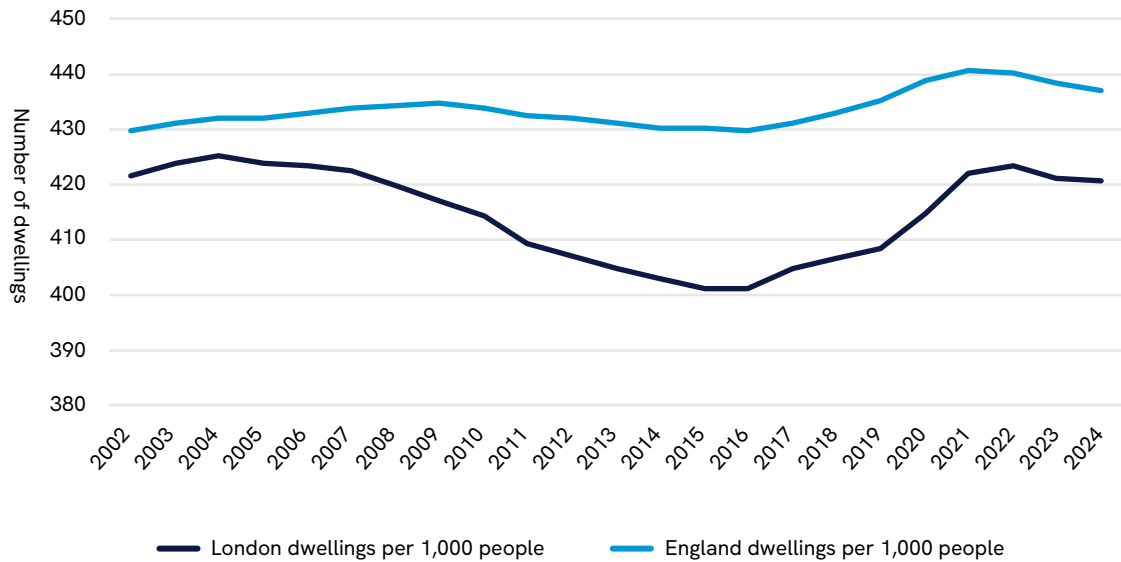
The number of homes per 1,000 people was roughly the same in 2024 as it was in 2002.

In 2002, there were roughly 422 dwellings per 1,000 people in London. Housing availability fell between 2007 and 2016 to 401 per 1,000 people, a 3.8% reduction. However, availability has recovered over the last ten years, with the result that the number of dwellings per person is roughly the same today as it was two decades ago.¹

1 To note, we use MHCLG Dwelling Stock estimates to allow for consistency when decomposing rates per 1,000 population by tenure. For validation, we also compared population data against VOA data on stock of Council Tax Properties which is more accurate for total dwelling count which presented the same trend in the ratio of dwellings per 1,000 people.

Figure 1

Dwellings per 1,000 people. London and England, 2002–2024



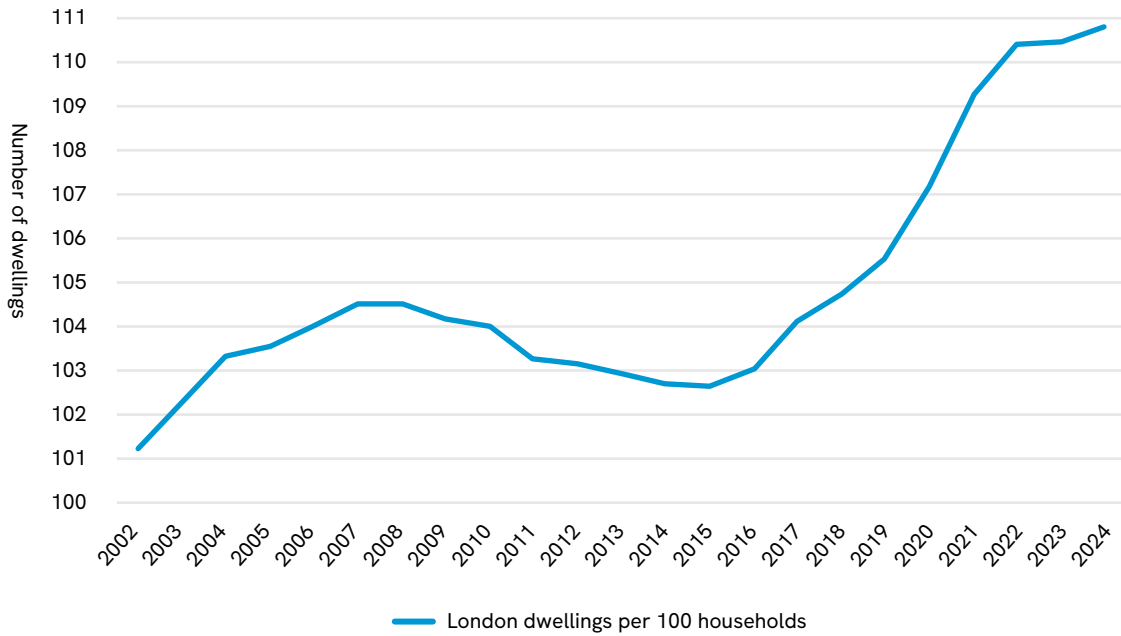
Source: Ministry of Housing, Communities and Local Government. (2026). Live tables on dwelling stock (including vacants), Table 109: by tenure and region, 2002–24; and Greater London Authority. (2025). Trend-based population projection, 2022.⁸

Over the same period, the number of homes per 100 households has increased significantly, with London having around 10% more homes per household in 2024 than in 2002.

In 2002, there were approximately 101 dwellings per 100 households – roughly a 1:1 ratio of homes per household. Household growth did not increase at the same rate as population or new dwelling stock (Fig. 3). As a result, in 2024 there were approximately 111 dwellings per 100 households in London, around 10% more than in 2002. (Fig. 2)

Figure 2

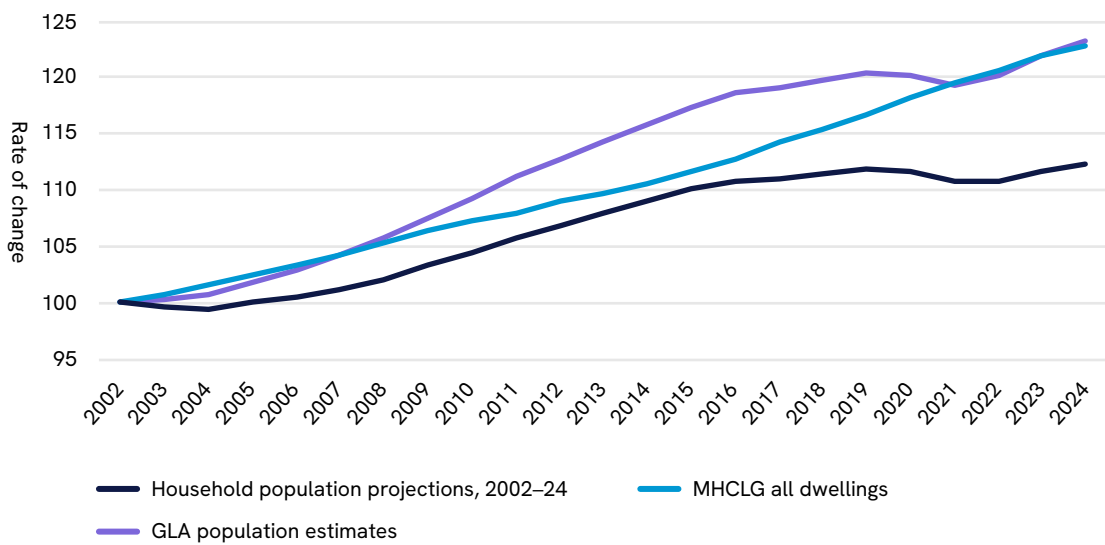
Dwellings per 100 households. London, 2002–2024



Source: Ibid.⁹

Figure 3

Normalised growth in dwelling stock, households and population.
London 2002–2024 (2002=100)



Source: Ibid.¹⁰

How has the availability of housing in London changed when compared with affordability?

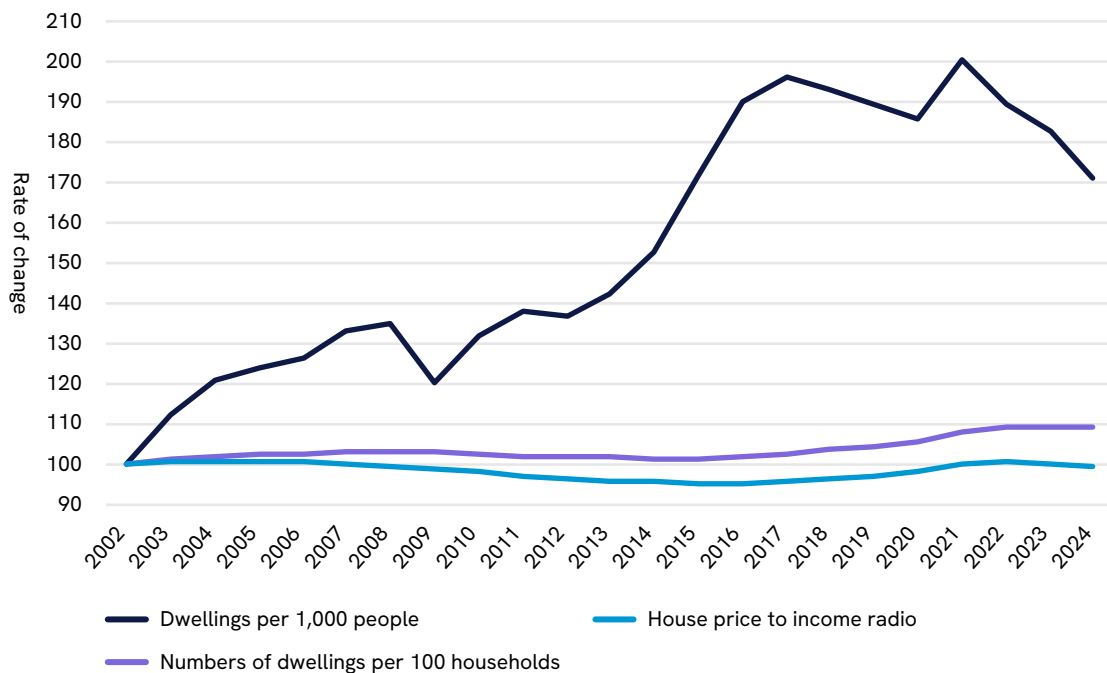
London’s housing affordability deteriorated by far more than housing availability fell and has remained poor, despite housing availability rising since 2016.

London’s house price-to-income ratio rose by almost 200% since 2002 while, at its tightest, the number of dwellings per 1,000 people contracted by 3.8% between 2007 and 2016, before recovering to similar levels to the early 2000s.

This substantial decline in affordability helps explain the disparity between the number of dwellings and numbers of households highlighted in Fig 3., with rising housing costs suppressing household formation e.g. young adults remaining with their parents or co-habiting rather than starting new households.

Figure 4

Normalised change in house price to income ratio, dwellings per 1,000 people, and dwellings per 100 households. London 2002–2024



Source: Ministry of Housing, Communities and Local Government. (2026). Live tables on dwelling stock (including vacants), Table 109: by tenure and region, 2002–24; Greater London Authority. (2025). Trend-based population projection, 2002–24; Greater London Authority. (2025). 2024-based Household Projections, 2002–24; Office for National Statistics, Annual Survey of Hours and Earnings, 2002–24; and HM Land Registry, UK House Price Index, 2002–24.¹¹

Why has affordability worsened so dramatically when overall availability of housing has been stable?

Part of the reason is that the expansion of housing stock has a limited effect on housing affordability in aggregate.

Most estimates of the sensitivity of UK house prices to increases in stock indicate that a 1% increase in stock leads to a 1.5–2% reduction in prices, when all other things are equal.¹²

The limited effect of additional supply on prices means that a meaningful improvement to affordability in London would have required very large, sustained increases in delivery.

To understand how many more dwellings would have been needed to improve affordability significantly, we modelled two counterfactual scenarios for dwelling stock and price growth between 2002 and 2024 – one where London’s dwelling stock grew by an extra 0.5% annually, and one where it grew by an extra 1%.²

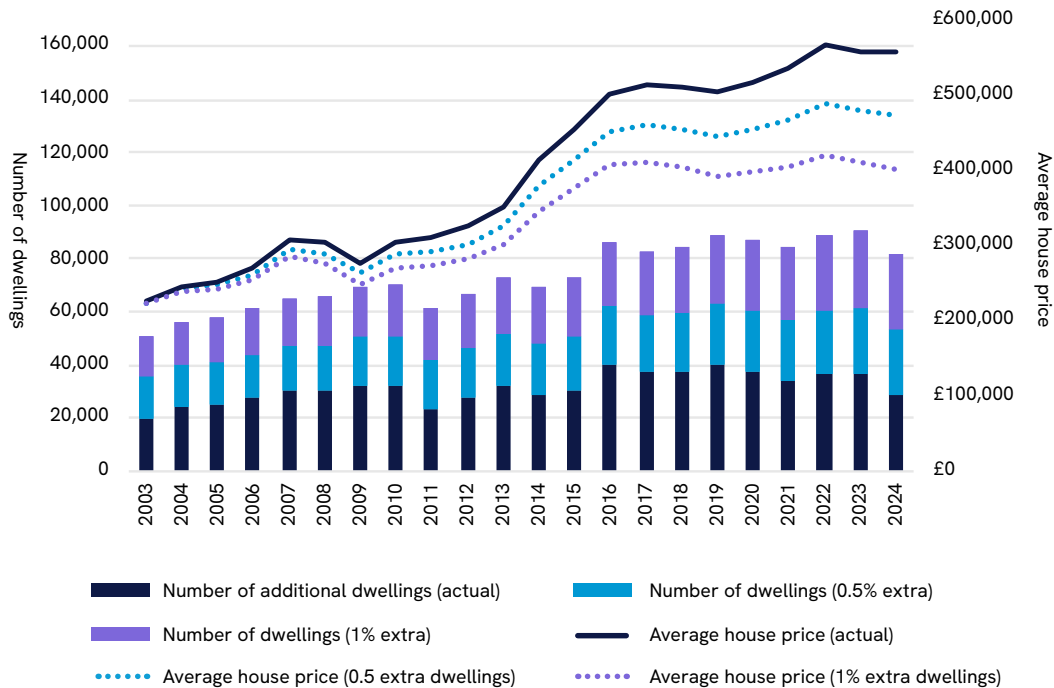
We assume elasticity at the lower end of the literature ($E=1.5$) but note that this likely over-estimates the impact of additional supply on prices given London’s very low observed elasticity, which has been estimated at closer to 1.¹³ Our conclusions should therefore be read as an optimistic assessment of the impact of additional supply.

This analysis suggests that, on top of the homes London did build between 2002–24, London would have needed to add around 11,600 additional homes per year to achieve a 10% reduction in prices, 23,100 per year for a 20% reduction, and 34,700 per year for a 30% reduction. These figures compare with an actual average increase of about 31,300 homes per year over 2002–2024.

2 See Appendix 1 for a summary of the analytical approach, data sources, assumptions and calculations used.

Figure 5

London house price and dwelling stock growth – baseline, 0.5% additional dwellings, 1% additional dwellings



Source: Ministry of Housing, Communities and Local Government. (2026). Live tables on dwelling stock (including vacants), Table 109: by tenure and region, 2002–24; Greater London Authority. (2025). Trend-based population projection, 2022; Office for National Statistics. (2026). Annual Survey of Hours and Earnings, 2002–24; and HM Land Registry, UK House Price Index, 2002–24.¹⁴

In a scenario where London’s housing stock grew by an extra 1% annually, if median incomes rose at a similar rate as they did in reality, the average London home would cost around 8 times median earnings; this is around the current average for England and would constitute a meaningful affordability improvement.

However, to achieve this, London would need to have more than doubled its long-run rate of stock growth. This equates to adding twice as many homes as were added in the capital’s best years for overall supply – in the mid-late 2010s where upwards of 35,000 homes were added – every year for the last twenty years, delivering a total of c.1m extra homes by 2024.

This stock expansion would be equivalent to adding twice the total number of dwellings in Birmingham, on top of the additional housing London actually built during the last two decades.

This has two important implications. The first is that, while changes in overall housing supply are central to affordability in the long run, the effects of new supply on prices are comparatively small. Therefore, meaningfully reducing housing costs would require very large volumes of housebuilding. The second is that supply increases must be consistent and sustained over decades rather than years, with effects on prices compounding over time to create meaningful effects on affordability.

As such, despite concerted policy effort to expand the supply of housing in London over the last decade, with the net result that housing availability is now the same as it was in the early 2000s, these efforts have had little real impact on affordability.

What else can explain worsening housing need when housing availability has been broadly stable?

The share of households housed in any given year through new supply is small relative to the number housed through the resale and re-letting of existing homes.

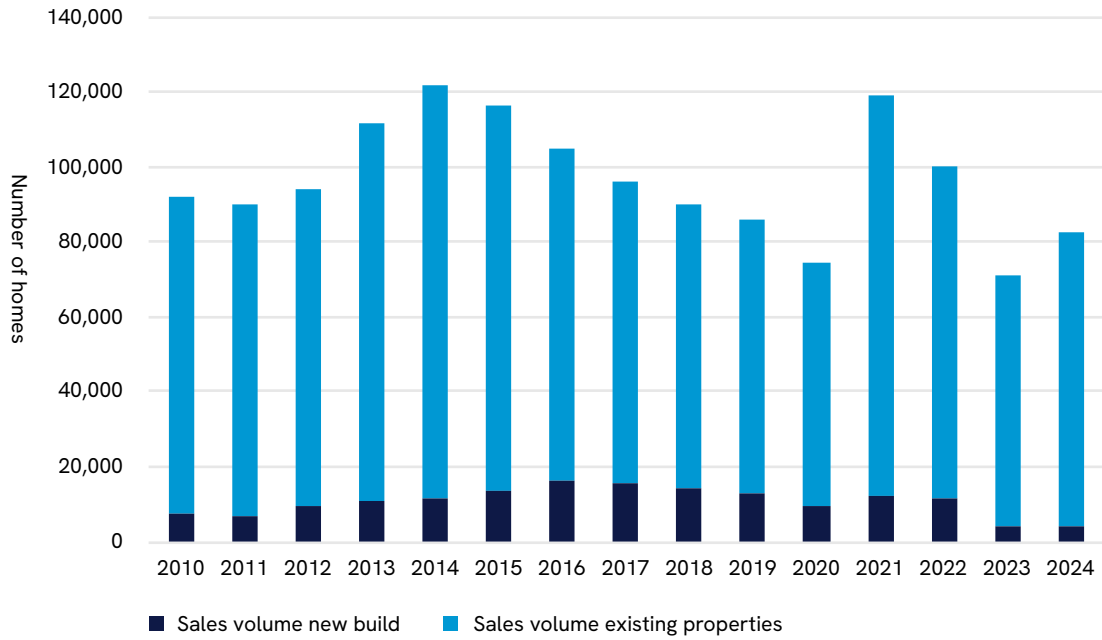
London's 3.8m dwellings circulate roughly as follows:

- **Private stock sales:** Between 2010 and 2024, on average 98,000 homes were sold to new owners in London every year, with 85% to 95% of this comprising turnover of existing stock.
- **New build:** London added around 20,000–40,000 net new homes annually in the 2010s. This is equivalent to c.1% of the existing stock per year. Since 2010, new builds have comprised between 5% to 15% of sales.
- **Lettings:** Turnover in rental stock also plays a large role in meeting housing need. In 2024–25, there were 21,849 social housing re-lets in London. Lettings turnover in England's private rented sector is considerably higher with 680,000 households moving between privately rented homes in 2023–24.¹⁵



Figure 6

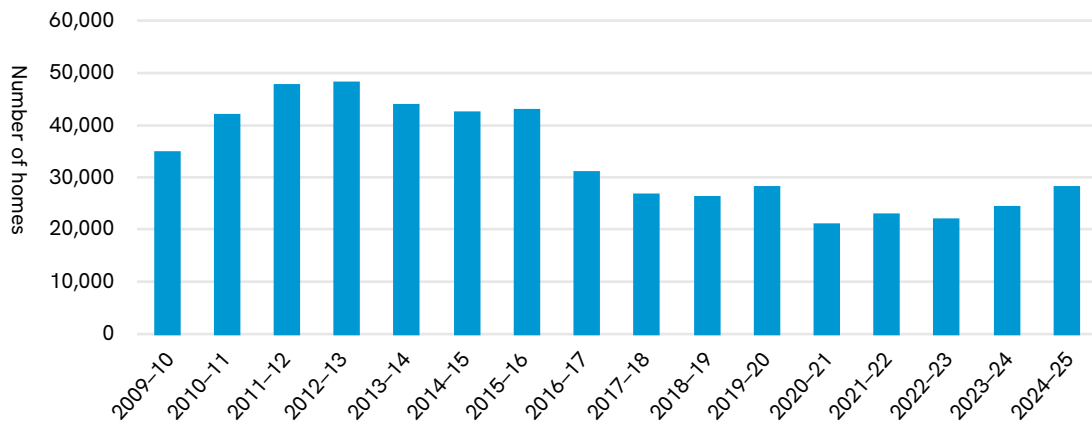
London house sales volume 2010–2024



Source: HM Land Registry. (2026). UK House Price Index, 2010–24.¹⁶

Figure 7

New social housing lettings by region property. London, 2009–10 to 2024–25



Source: Ministry of Housing, Communities and Local Government. (2025). Social housing lettings in England, tenancies, 2009–25.¹⁷

This means that the rules by which different tenures allocate housing, and the relative availability of those tenures, are a key determinant of how well housing need is met by a given stock of dwellings.

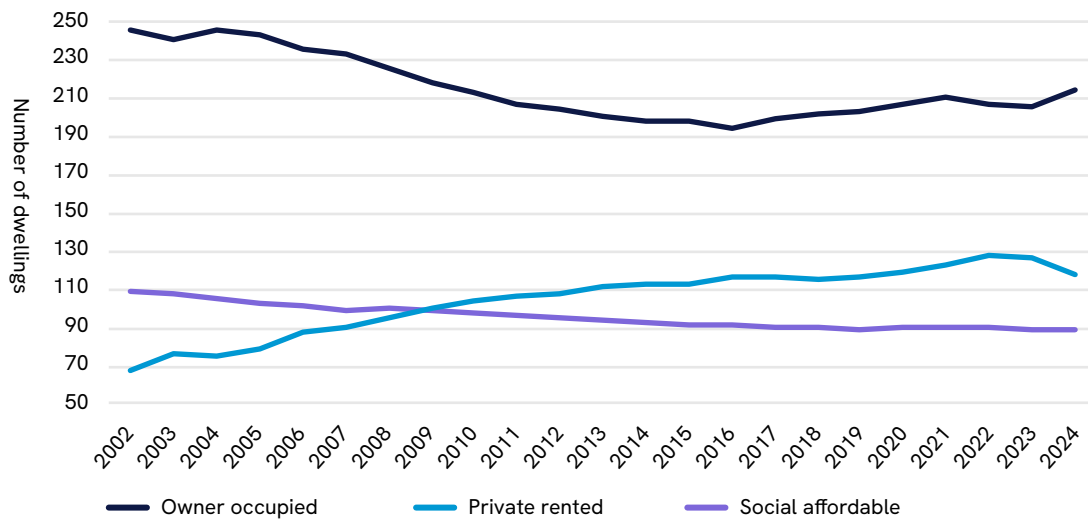
Access to owner-occupied housing and private rentals is determined by the ability of households to clear market prices, while access to social housing and affordable housing is determined by affordability, supply of homes, and/or level of assessed need.

While total housing stock has expanded to the extent that overall housing availability has been stable, the availability of social and affordable housing within this has fallen significantly.

The relative availability of social and affordable housing has worsened by 20% between 2002 and 2024 and is now by far the scarcest tenure (Fig. 8).

Figure 8

Number of dwellings per 1,000 population by tenure. London, 2002–2024

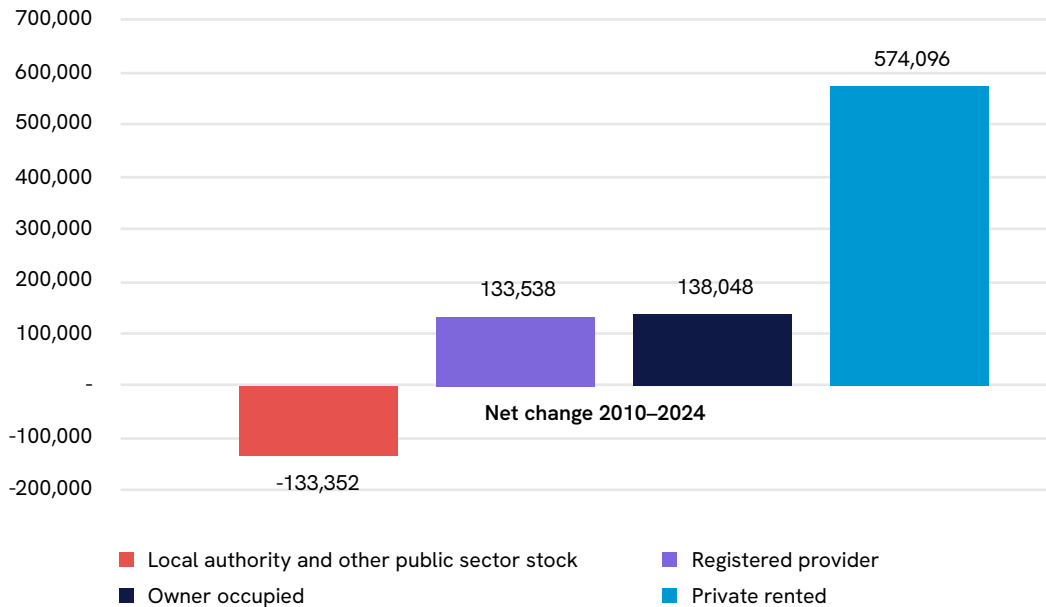


Source: Ministry of Housing, Communities and Local Government. (2026). Live tables on dwelling stock (including vacants), Table 109: by tenure and region, 2002–24; and Greater London Authority. (2025). Trend-based population projection, 2022.¹⁸

This is despite significant growth in registered provider-owned stock, with the net loss in social and affordable housing driven by a 33% reduction in local authority-owned stock (Fig. 9).

Figure 9

Net change in dwelling stock by tenure. London, 2002–2024



Source: Ministry of Housing, Communities and Local Government. (2026). Live tables on dwelling stock (including vacants), Table 109: by tenure and region, 2002–24.¹⁹

At the same time, while the overall availability of private market housing has been stable, the relative accessibility of both private rented and owner-occupied housing decreased significantly due to rising prices.

The availability of owner-occupied homes fell by 20% between 2002 and 2016. It has since stabilised and recovered somewhat and now is roughly the same as in 2010 (Fig. 8). But at the same time, house prices have grown by over 200%, making homeownership much more difficult. As we discuss in the next chapter, this price growth is the result of demand-side factors such as successive demand-side shocks, including lower real interest rates, liberalisation of mortgage credit, and growing investment demand for London real estate.

Meanwhile, the availability of private rented housing has expanded significantly, almost doubling between 2002 and 2022. But affordability also worsened significantly, with the ratio of private rent to median income of private renting households averaging c.47% between 2015–16 and 2023–24, reducing the accessibility of the tenure.²⁰

Also, the same or rising aggregate stock for a given population can be used very unequally across households, and inequalities can persist or rise even when dwellings per households increase.

A constant or rising number of units can conceal shifts in the size, usability and distribution of space between households, whereas analysing the available floorspace per person captures distributional changes in household consumption (i.e. who is 'using' what amount of housing) at a greater level of detail.

Therefore, we examine changes in the availability and distribution of useable floorspace to assess changes in how London's housing supply is distributed in ways that counts of stock cannot.

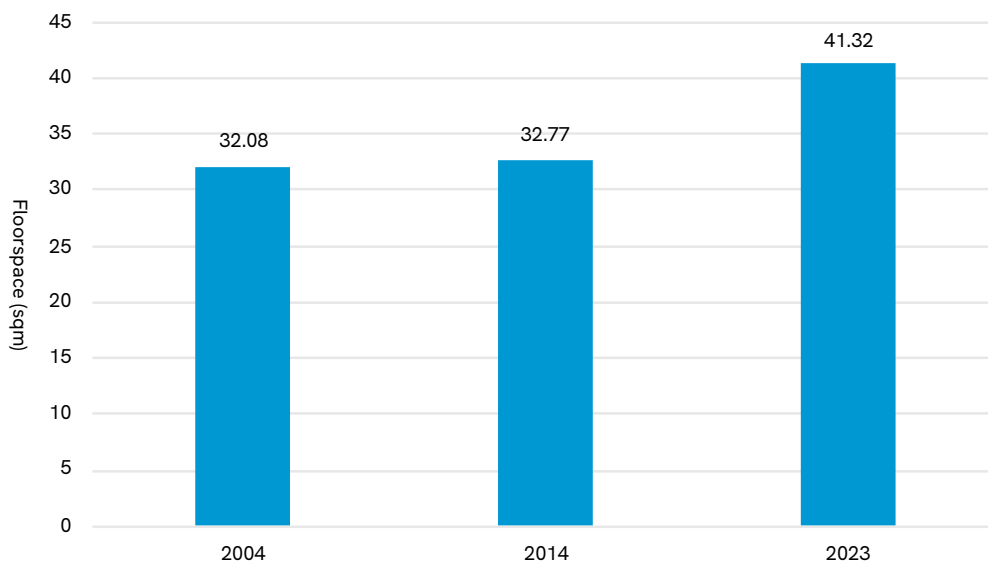
To do so, we analysed English Housing Survey micro-data from three snapshot years – 2004, 2014 and 2023 – examining changes in useable floorspace and how these differ across tenures and demographics.

Changes in floorspace per person and per household reveal significant increases in the availability of dwelling space in London between the early 2000s and today – but these have been highly unevenly distributed.

Average floorspace per person in London rose by 29% between 2004 and 2023, i.e. there was considerably 'more housing' for use per person in London in 2023 than in 2004.

Figure 10

Change in average available floorspace per person, all tenures, 2004 to 2023



Source: Centre for London analysis; and Ministry of Housing, Communities and Local Government. (2025). English Housing Survey, 2004, 2014 and 2023.²¹

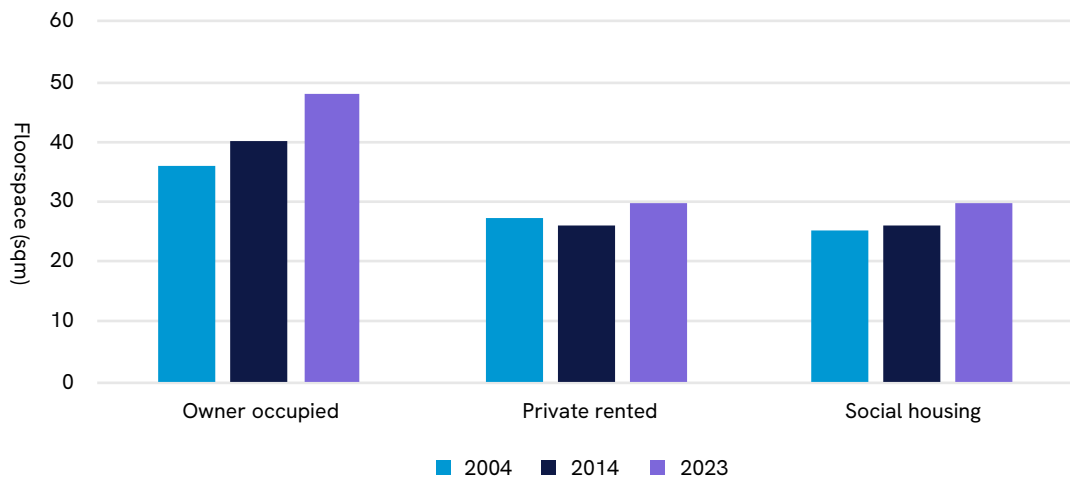
While this increase in average floorspace per person is partially attributable to declines in average household sizes, what is clear is that floorspace has been increasingly unevenly distributed across tenures and demographics.²²

Over the same period, owner-occupier households saw a 33% increase in average floorspace, compared to just 9% for private renters.

Floorspace inequality has thus risen between the average renter and the average owner-occupier by 88%.

Figure 11

Change in available floorspace per person by tenure, 2004 to 2023



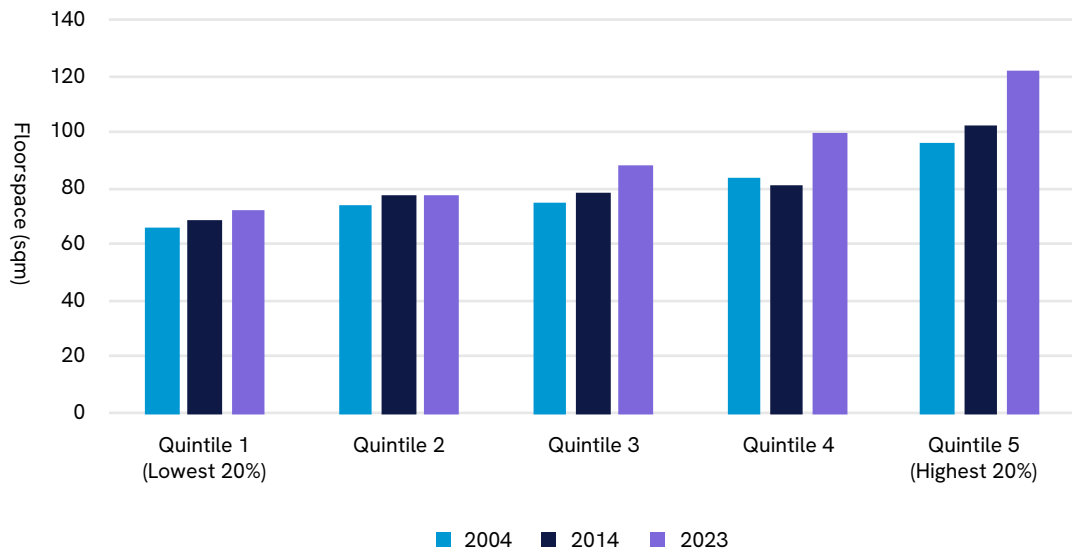
Source: Ibid.²³

In terms of household income, this inequality is even more apparent with households in the top income quintiles accruing significantly more space than poorer households.

Households in the top 20% of incomes saw average floorspace rise by 27%, while the poorest 40% saw average dwelling space rise by only 6%. This has widened the gap in average dwelling size between poorest and richest quintiles by 66%, from 30sqm to 50sqm – equivalent in size to a large bedroom.

Figure 12

Change in average floorspace by household income



Source: Centre for London analysis; and Ministry of Housing, Communities and Local Government. (2025). English Housing Survey, 2004, 2014 and 2023.²⁴

While change in floorspace consumption could be due to design preferences and priorities for new developments, regulatory standards do not support this view. Between the 2010 London Housing Design Guide and 2023 Housing Design Standards, published by the GLA, minimum size requirements for new homes increased only marginally (1–10%) for larger homes with 3–4 bedrooms, while decreasing by up to 7% for 1–2 bedroom homes.²⁵ This reinforces existing research indicating that household size and tenure have been the main driver of changes in the distribution of floorspace.²⁶



Conclusion: Understanding London's Housing Crisis

While supply constraints are a key long-run driver, London's housing crisis should not be understood solely as a problem of aggregate supply.

The availability of housing per person today is close to 2002 levels. Even at its tightest point in 2016, the number of dwellings per 1,000 people was only about 4% below 2002. Housing availability has since recovered and is stable on rates from two decades ago.

But by contrast, affordability deteriorated much more than availability fell: London's house price-to-income ratio increased by about 200% from 2002 to 2016 before easing slightly after 2021.

Modelling using optimistic elasticity assumptions shows that only very large, sustained uplifts in development would begin to reduce prices meaningfully, implying that substantial improvements to affordability would have required historically unprecedented rates of building, the effects of which would be felt in decades, rather than years, from now.

This is not to say that expanding housing delivery is not essential to better meeting housing need in London.

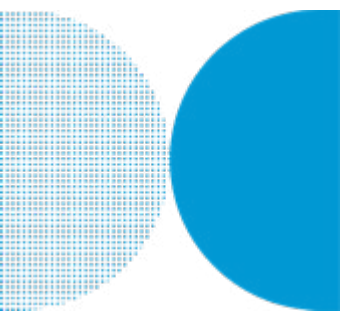
None of the evidence presented here suggests that London has built enough homes or doesn't need to build more. London needs more homes – and affordability would be considerably worse had there not been concerted effort to increase housing supply through the 2010s. Indeed, boosting housebuilding to 88,000 homes a year would begin to meaningfully improve affordability while generating up to £14.8 billion in annual GVA from 2028.²⁷

However, even where supply has expanded, London's housing market does not reliably translate this into reduced housing need. Therefore, expanding the housing supply must be understood as a necessary but far from sufficient policy response to the collapse in the ability of the city's housing system to meet the needs of Londoners.

Instead, London's housing crisis should be understood as a 'winner-takes-all' problem where changes in tenure mix and the distribution of stock are central to the sharp deterioration in the housing system's ability to meet need.

In a chronically supply-constrained market like London, increases in housing availability are not neutral. When allocation is mediated primarily through prices and credit, additional supply is disproportionately captured by households with greater purchasing power.

This 'winner-takes-all' dynamic favours the 'winners' – those households able to 'clear' market prices – are able to expand housing consumption, while the 'losers' who cannot are pushed into (unmet) housing need.





This dynamic is clearly visible in changes in housing consumption as measured by floorspace, where substantial overall increases in floorspace have been captured almost exclusively by more affluent owner-occupiers ('winners'), rather than addressing housing need where it is not met amongst the 'losers', whose unmet need is most acutely observable in rising social housing wait lists, increased temporary accommodation numbers and after-housing-costs poverty.

This dynamic reconciles two counterintuitive observations: London's aggregate housing supply has expanded in line with population growth, but affordability and housing need have deteriorated dramatically.

An effective policy response therefore needs much more attention to the tenure composition and, crucially, to demand-side factors which are instrumental to price inflation and the distribution and circulation of stock.

Intensive efforts over the last decade or so to increase the overall supply of housing in London have been marginally successful and politically popular – but as our diagnosis shows, on almost every metric, housing need has worsened rather than improved, even while aggregate supply has expanded.

Instead, as discussed in the next section, what is required is a comprehensive response that seeks to:

1. **Increase the number of social and affordable homes** by radically expanding the capacity of local authorities and housing associations to deliver homes.
2. **Address demand-side factors that accelerate price inflation** as well as **drive inequalities and inefficiencies** in the circulation and distribution of stock.
3. **Continue and accelerate expansion of private market supply to ensure long-run price stability** by making it cheaper and easier to build private housing in London.

Chapter 2:

Responding to the London Housing Crisis: a three-pronged approach



In this section, we build on the diagnosis set out in the previous chapter and reviews of the academic, policy and industry literature, secondary data analysis, and a series of cross-sector expert interviews to argue that the policy response to the London housing crisis should do three things to better meet housing need in the city:

1. Radically expanding the capacity of local authorities and housing associations to deliver and manage homes.
2. Tackling demand-side inefficiencies and inequalities in the housing market.
3. Making building private housing in London cheaper and easier.

We identify focus areas in each theme, diagnose the major challenges, and identify recommendations for local, regional and national policymakers.



Part 1) Radically expanding the capacity of local authorities and housing associations to deliver and manage homes.

The collapse in availability of social and affordable housing in London is key to understanding why housing need in the city is much more poorly met now than in 2002, despite the city having roughly the same aggregate supply of homes per population head.

Historic waiting lists for social housing and levels of temporary accommodation act as clear indicators that access to the 'right tenures' is constrained, with some households facing waits of over five years for an appropriately sized social home.

This has a clear policy implication: adding units in the 'wrong' tenure will not relieve need where it is greatest.

However, local authorities, housing associations and other registered providers have been critically under-resourced and have not been able to keep up with the scale of housing need, let alone to maintain and upgrade existing stock.

In this section, we analyse the biggest constraints facing London's social and affordable housing sector and identify recommendations which could enable significant expansion of stock, both through direct delivery and acquisitions.

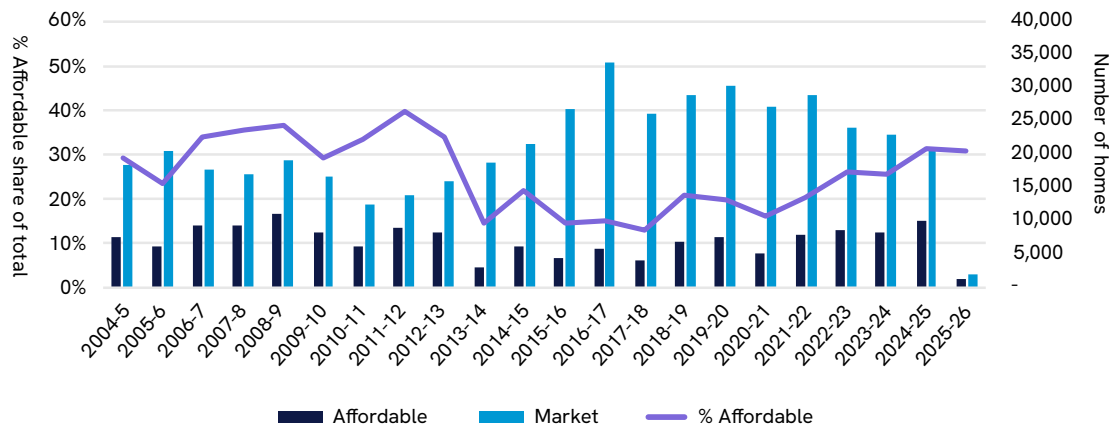
Understanding structural weaknesses in London's affordable delivery model

London's affordable housing system has been built around a key assumption: if the market delivers more homes, then affordable housing delivery will follow, largely through cross-subsidy secured via planning obligations.



Figure 13

Market and affordable housing completion volumes, and affordable completions as a share of total completion, London, 2004/05 to 2024/25



Source: Greater London Authority. (2025). Residential Commencements & Pipeline, 2004–25.²⁸

However, historical data on affordable delivery does not indicate a stable relationship between market and affordable housing supply.

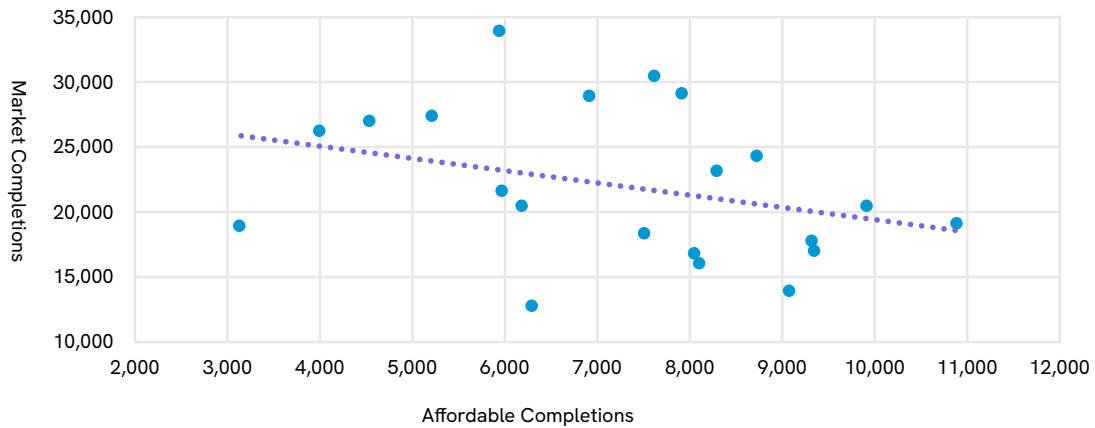
Between 2004–05 and 2024–25, levels of market and affordable delivery were weakly (and negatively) linked ($r = -0.33$; $R^2 = 0.11$). This means that, in aggregate, London has seen between 11–12 fewer affordable completions for every additional 100 market completions.³



3 We also tested this relationship with time lags (e.g. affordable units being delivered upfront OR being delivered following market upswings) and found this relationship was stable even when accounting for potential sequencing effects.

Figure 14

Affordable completions vs market completion. London – 2004/5 to 2024/25



Source: Ibid.²⁹

Each record represents a year in the time series.

This data also reflects the impact of differing planning policy approaches to affordable housing across political cycles, where affordable delivery was notably lower during the Conservative Mayoralty during the first half of the 2010s.

Over the long-run, neither counter-cyclical affordable delivery driven by grant funding during downturns, nor delivery driven by planning gain in strongly performing years have been robust enough to deliver sufficient affordable housing for London.

This reinforces perceptions from interviewees across multiple sectors that financing affordable delivery through cross-subsidy and varying levels of direct grant is structurally fragile. This model is no longer fit for purpose.

A reformed approach to social and affordable delivery secured through planning gain should therefore seek to do two things.

Firstly, reducing the reliance of social and affordable housing negotiated through cross-subsidy by embedding obligations into upfront rules.

This is not to reduce the responsibility for private development to deliver affordable housing through planning gain, but to deliver a stable, predictable and de-risked supply of affordable homes which can better respond to market shocks.

As set out in Part 3 of this chapter where we examine the system of developer levies and contributions to infrastructure and affordable housing, affordable housing thresholds set through district-level zoning, combined with a reformed levy that credits on-site delivery, would reduce renegotiation risk and protect delivery across the market cycle.

Secondly, building explicit counter-cyclical mechanisms by extending low-cost loan finance for acquisitions and new supply during downturns, to ensure that affordable units meet requirements of the social sector.

This would expand acquisition and conversion capacity, so that delivery can rise when private sale markets weaken, rather than falling in parallel. Enabling greater flexibility to deliver additional affordable units through low-cost or grant finance would reduce risk and support registered providers to better deliver for their tenants.

Improving sector capacity to build and acquire stock through social sector capitalisation and expanded grant subsidy and flexibility

Local authority and registered provider capacity to deliver and acquire social and affordable stock is constrained by several factors.

Housing associations and councils report that the cumulative effect of regulatory requirements for fire safety remediation, damp and mould works, consumer standards, and decarbonisation have diverted capacity away from new build and acquisitions.³⁰

In addition, the cost of capital has increased as borrowing costs have risen, reducing the amount that providers can borrow against rental income to invest in new development.³¹

Interviewees highlighted that the stability of acquisitions could be increased by measures to embed social unit requirements into scheme designs at an earlier stage, as acquisitions can be hampered by units not matching sector needs.

Best practice on supporting financing and acquisitions through Section 106 agreements was explored by the G15's guidance to private sector developers, illustrating how early engagement and collaboration can generate effective partnerships and more reliably deliver social and affordable completions.³²

Interviewees highlighted that London's social rent settlements remain insufficient to enable large-scale building and acquisitions because rental income determines borrowing headroom and long-run investment planning.

The Government recently confirmed that registered providers will be able to increase weekly rents by up to an additional £2 each year above CPI+1% from 1 April 2028 until formula rent is reached.³³

However, analysis by London Councils suggests that this is insufficient to recapitalise the social sector to build and acquire at the scale needed in London, with the shortfall resulting in an estimated 7,000 fewer council-led social units over the next ten years.³⁴



Interviewees also highlighted that the scale and flexibility of direct grant subsidy available for social and affordable housing are inadequate to fund delivery and respond sufficiently to housing need.

The main source of capital grant for new (and some acquired) affordable housing is the now-renamed London Social and Affordable Homes Programme (LSAHP).⁴

This grant funding is separate from, but interacts with, planning policy and Section 106 obligations. Under the current 2021–26 programme, funding is designed to subsidise delivery in addition to that delivered through planning gain – bridging the cost gap to unlock units where sufficient units cannot be viably delivered through other funding (e.g. cross-subsidy).

This model creates two issues. When borrowing costs are high, the limited grant coverage makes the timing of grant payments key, while the current emphasis on additionality creates friction and complexity which can add to delays.

Interviewees noted that the current programme’s additionality rules, which are designed to ensure that grant only supports homes that would not otherwise be delivered, add further complexity to the process. These rules often require extensive evidence that a scheme is genuinely additional, creating friction in the pipeline and limiting access to grant.

At the same time, the low proportion of scheme costs that the grant typically covers means that providers must fund most development through borrowing. For registered providers, grant funding typically covers around 30–40% of the cost of an affordable home, with the remainder financed through borrowing.³⁵

4 Formerly known as the Affordable Homes Programme.

In a development environment prone to delays and high costs (see Part 3), this undermines scheme viability. These pressures have contributed to some RPs borrowing an additional £250,000 to £300,000 per home to balance costs.³⁶

The level of subsidy available is also relatively inflexible for different types of home. There is often insufficient grant available to deliver social homes that match housing need where it is most acute.

Although schemes with higher costs might receive a larger grant, the current approach doesn't fully account for differences in cost and rental income potential among various types of homes.

For instance, building larger family homes leads to lower rental income per square metre compared to smaller units, even though they cost more to construct.

This is particularly relevant to larger family homes where there is the greatest mismatch between need and supply, as indicated by waiting lists for social homes of different sizes. Households can expect to wait for around two years for a one-bed property, while the wait for a family-sized home of four or more bedrooms is more than six years.³⁷

Restrictions in the use of funding for regeneration purposes at 10% of total grant also strain the ability of RPs to deliver social and affordable units on sites with additional and community needs, particularly where local authority regeneration funding is limited.

Improving the rate of social housing supply by local authorities requires a significant funding boost, after years of long-run capacity constraints.

The effects of reduced grant funding from 2015, and longer-term constraints to financial capacity since 2010, have severely limited municipal capacity to both maintain and build homes. Southwark Council, in collaboration with over 100 other English local authorities, reported in 2024 that council landlords face over £3 billion of deficits in Housing Revenue Accounts (HRAs), while London alone faces a £700 million budget gap for the next two decades.³⁸

This budget gap has undermined London local authorities' ability to deliver homes, upskill and maintain an adequately-sized workforce, and support public and community infrastructure needed for neighbourhoods to flourish. Initiatives such as the Future of London's Housing Development Academy and the Council Housebuilding Support Service, implemented by the Local Government Association, are effective at a local level, but smaller in scale compared to the level of strategic investment needed to increase the supply of social and affordable homes.

To generate a significant and integrated regional funding pot for housing development, the Greater London Authority could establish a similar fund to the Greater Manchester Good Growth Fund³⁹, leveraging low-cost loans from the National Housing Bank, developer contributions, and 'crowded in' private investment. Such a model could build on the recently launched City Hall Developer Investment Fund, which provides loans, grants, or equity to unlock stalled or complex sites, offering greater scale and flexibility, as well as reducing complexity in access to finance for social and private developers.⁴⁰

Recommendation 1 – The Government should accelerate efforts to recapitalise the social rented sector.

This would be best achieved by accelerating rent convergence to allow weekly rents to increase by £3 per week annually above CPI+1% in London, to account for the higher revenue requirements of London's social sector.



Recommendation 2 – The Government and the GLA should collaborate to increase the scale and flexibility of the 2026–2036 London Social and Affordable Homes Programme (LSAHP) to better respond to London’s housing needs and delivery context.

This should be achieved by:

- **Expanding the total programme envelope** by up to an additional £912m annually through a reformed and partially devolved Proportional Property Tax funded by local and city government, to replace Council Tax and Stamp Duty (see Part 2 of this chapter for details).
- **Fully devolving LSAHP programme objectives and design to the GLA**, giving it full discretion to design and deliver the programme in partnership with London’s local authorities and social housing providers in response to local housing need and delivery context.
- **Reforming LSAHP design to introduce greater flexibility on grant rates and levels** to ensure sufficient grant is available for family-sized units, with grant allocations set per habitable room, with greater consideration for funding specialist and supported housing.
- **Simplifying additionality assessments in line with a reformed, rules-based and transparent single London Infrastructure Levy** where zoning-based, minimum affordable thresholds and affordable housing top-up credit schedules reduce the need for scheme-by-scheme additionality reviews (see Part 3 of this chapter).



Recommendation 3 – The Government should work with the GLA to finance councils and registered providers to deliver and acquire social and affordable homes throughout the market cycle.

This should be achieved by:

- **Establishing a Greater London Housing Fund** by evolving the City Hall Developer Investment Fund to access and pool investment from private sector partners, low-cost loans, and revenue from reforms to developer contributions, creating a new regional wealth fund to strategically deploy investment in housing delivery.
- **Expanding the availability of National Housing Bank-backed 0.1% loans** to councils and, for time-limited periods of market weakness, allowing more than 10% of the fund to be used for acquisitions during time-limited periods of market weakness.
- **Requiring all schemes over a certain size to name a specific social sector partner at the planning stage** to work with developers on scheme and unit design, to mitigate against unsuitability for acquisition.



Expanding the role of the social sector in delivery and management in the private rented market to improve quality and affordability through municipal Build to Rent

One of the most significant changes to London's housing market has been the expansion of the private rented sector (PRS), where affordability has worsened due to rising rents in relation to incomes and where affordability and housing standards are poorest.⁴¹

With the Renters Rights Act now in place, the role of London's private rented sector is more important for policymakers than ever. And London's PRS is contracting. Between 2021 and 2023, 4.3% of London's privately rented homes were sold without replacement.⁴² Since the Covid-19 pandemic, landlord surveys and interviews have found that smaller and 'accidental' landlords are most likely to have exited the market.⁴³

And while Build To Rent (BTR) has expanded, it remains a small share of private rental supply, with industry estimates indicating BTR share at around 4%.⁴⁴

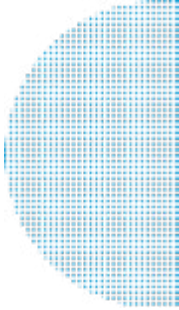
Where the conventional private rented sector has developed through the expansion of credit in the buy-to-let mortgage market, the current BTR sector targets the mid-to upper-market segments funded by private finance companies and institutional landlords – often offering amenities and charging premium rents – with only a subset of projects including units at below-market rates.

While the current London Plan includes guidance for the supply of affordable units in BTR schemes and has resulted in homes provided as Discounted Market Rents (DMR), off-site delivery, or as cash in lieu, this means the BTR sector also contributes less to affordability at the lower end of the market.⁴⁵

In this context, where new regulations may further tighten supply and where delivery of intermediate tenures hinges on volatile planning gain, other routes to delivering additional, quality and affordable private rental supply are key to better meeting London's housing needs, particularly for households unable to access homeownership or social housing.

Analysis of how to ensure sufficient, decent and affordable PRS supply in London is a significant gap in the evidence base and, while this report does not attempt a full reform plan for the PRS, our research did highlight one promising route to increasing the supply of private rented homes.

Specifically the development of a new municipal Build to Rent product could expand the supply of more affordable and better quality private rented housing, without the reliance on planning gain that characterises the current way intermediate rental tenures are delivered.



The current BTR approach is designed to secure a share of DMR units, often set at London Living Rent, through planning gain within private BTR schemes. However, this planning-led approach does not by itself guarantee delivery when schemes stall due to financing, absorption, or market stress. As with our findings on London's weakening cross-subsidy model, the supply of DMR units within private BTR developments is also reliant on a system of largely negotiated planning gain which does not guarantee affordability, despite evidence of the urgent need for affordable and intermediate rental units.⁴⁶

Also, while there is precedent for councils using wholly owned companies to build or hold homes for market rent or councils managing private rented stock (e.g. Newham's predecessor to Populo Living, Red Door Ventures), these have not achieved scale and have operated at market rents, so do not address affordability pressures where they are most acute in the private rented market.⁴⁷

A municipal Build to Rent product, backed by an enhanced and CPI-indexed Local Housing Allowance, could generate additional private rental supply at better affordability and higher standards.

This would comprise of council-led development of BTR units where local authorities or appointed social providers are the named landlord. While the private sector BTR model relies on planning gain for affordability, with the associated viability risks, municipal BTR would be supported through a new enhanced, CPI-indexed Local Housing Allowance Rate (LHA).

As with existing intermediate rental tenures (e.g. London Living Rent), units would be let through Assured Periodic Tenancies, with rents set at market level but with affordability supported through access to the enhanced LHA at the 50th percentile of local market rents. This would provide long-term guaranteed rental income against which to finance delivery and revenue flow for stock management, while creating a genuinely affordable option for households unable to access social housing but for whom the private rented market is unaffordable.

This would be a more productive use of housing subsidy through LHA, as it would be linked directly to generating additional and quality supply – which the current system does not. By contrast, in London's existing highly constrained private rented market, increases in housing subsidy tend to capitalise into rents rather than improving affordability.⁴⁸

This is why a new higher LHA rate is essential for municipal BTR to supply new homes and improve affordability. Access to the higher LHA rate would be conditional on units being genuinely additional (either true additional or unlocked from stalled sites) and meeting the Decent Homes Standard. Municipal BTR would also act as a counter-cyclical mechanism to deliver affordable housing in market downturns when the certainty of new affordable units supplied through planning gain is more volatile.

These units would then be managed directly by the local authority or appointed registered provider (RP) partner. Direct management offers efficiency and housing need benefits.

As municipal BTR would be managed by local authorities, local authority-owned housing companies or RPs, established social sector management practices regarding right-sizing incentives could also be utilised (e.g. incentives and support for under-occupiers to downsize).

Unlike under current BTR guidance, which cautions against local authorities having direct nomination rights for private BTR units, councils would also hold rights for their directly owned and managed BTR units. This would enable local authorities to set nominations policies to use municipal BTR as a route for discharge of homelessness duties and could address the acute shortage of suitable housing options for households at risk of homelessness, or in temporary accommodation who are not eligible for social housing.

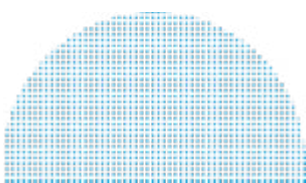
Crucially, for the purpose of providing sustainable, well-designed homes for rent, it enables local authorities to deliver rented housing which meets the Decent Homes Standard and is subject to its own regulatory environment.

Municipal BTR would complement, not replace, existing Key Worker Living Rent and Shared Ownership delivery secured in private BTR developments through planning gain, especially where conditions make this viable.

Municipal BTR could also provide a supplementary acquisition mechanism to act as a delivery stabiliser when private sale absorption falls.

Municipal BTR could take suitable schemes/units that are stalled – including Discounted Market Rent units in private schemes – and provide an exit that enables completion, becoming a stabiliser in downturns to complement a more consistent programme of affordable acquisitions. This would ease challenges faced by the private sector where weak demand and low absorption have led to an overall downturn.

This could work similarly to the proposals set out above for social acquisitions, requiring developers of mid-to-large schemes to work with the local housing authority/ RP partner to identify potential municipal BTR units alongside affordable units from the development outset.



Recommendation 4 – The Government and GLA should work with boroughs to introduce a new municipal Build-to-Rent model delivered and managed by local authorities, council-owned housing companies or registered providers.

This should be achieved by:

- **Introducing a new ‘Municipal Build-to-Rent’ sub-category in the next London Plan**, establishing that schemes owned by councils (or council-owned housing companies and council-RP partnerships) can qualify as municipal BTR when they meet the necessary criteria on quality and additionality, as well as meeting existing requirements on covenant, management and security of tenure.
- **Introducing a new, enhanced Municipal Local Housing Allowance Rate, established through a new LHA ‘uplift class’ for accredited homes, delivered and operated by local authorities and RP partners, set at the 50th percentile of local rents and CPI-indexed annually.** This would be subject to additionality and quality tests to the Decent Homes Standard which would be set out in London Plan guidance, as well as additional flexibilities provided by a relaxed HRA. This would include enabling direct payment mechanisms where appropriate (similar to existing Universal Credit landlord payment arrangements) to ensure subsidy can support scheme financing and revenue flow.
- **Require planning applications for schemes over a certain size to consider the suitability of municipal rent off-take options**, in line with proposed requirements for schemes to identify a named acquisitions partner to ensure suitability and maximise absorption potential.





Part 2) Tackling demand-side inefficiencies and inequalities in the housing market

As the previous chapter showed, the availability of dwelling space in London has increased substantially over the last twenty years – but these gains have been unevenly distributed, accruing to affluent owner-occupiers.

These inequalities highlight that London has experienced a deepening crisis of housing distribution – originating on the demand-side – as much as one of supply.

This is because housing consumption (i.e. how much housing people ‘use’) is influenced not only by availability but by income and wealth distribution, fiscal policy, credit and mortgage lending, and broader macroeconomic conditions.⁴⁹

This is significant because while ‘tackling the housing crisis’ has become a dominant issue in both regional and national politics, the policy response to date has focused on supply-side measures to increase delivery.

Dramatically deteriorating housing need indicates that this policy logic has not, on its own, been sufficient to address the capital’s housing issues.

As such, an effective response must consider how demand-side factors influence housing consumption, as well as how London's scarce housing stock is distributed to promote a more efficient and equitable market.

In this section, we examine the demand-side drivers of price inflation and housing stock distribution and consumption patterns to identify routes to addressing these demand-side distortions and resulting inequalities in London's housing market.

Understanding the dual functions of housing as a consumption and investment good and its implications for London

The expansion of investment demand for housing since the 1990s has acted as a key driver of the UK's housing affordability crisis.

As highlighted by Ryan-Collins (2024), housing serves two economic functions. It acts both as a fundamental and non-substitutable consumption good – the provision of shelter – but also an investment good with several uses. Housing can act as an asset to generate capital gains or rental revenues, as a store of wealth, and as collateral to increase borrowing potential and purchasing power.⁵⁰

These dual uses mean that demand for housing as an investment can impinge on its function as a consumption good, as the expansion of aggregate demand from investment can exceed expansions in supply.⁵¹

This is particularly salient for London given the low elasticity of housing supply in the city, which means that increases in effective demand form quickly into higher prices rather than increased housing supply.

This means that policy – which has focused on supply-side responses to the crisis – must engage more with demand-side factors, as these are particularly consequential for the London market.

The impact of credit liberalisation in London's housing market

Declines in real interest rates and the liberalisation of mortgage lending have been major, long-term drivers of UK house price inflation, an effect which has been most acute in London.

Much of the rise in average UK house prices relative to incomes can be explained by sustained declines in real interest rates since the mid-1980s.⁵² In the UK, the inflationary effects of lower overall rates were compounded by liberalisation of mortgage lending policy, with comparative studies indicating that different approaches to credit liberalisation policies in Japan versus the US and UK helped explain larger house price increases in the latter economies.⁵³

This mechanism is likely to have been especially potent in high price-to-income markets like London, where recent UK-focused empirical work by Hilbur et al. (2022) demonstrates how cheaper credit capitalises rapidly into higher prices.⁵⁴

However, rising house prices have not led to falling demand for London’s housing stock, either as a consumption good for living in or as a financial asset.

Rather, rising prices prompt increased demand for mortgage credit, as larger loans become necessary for home purchases. Additionally, prior price growth tends to elevate expectations of further appreciation, thereby enhancing the appeal of housing as an investment.

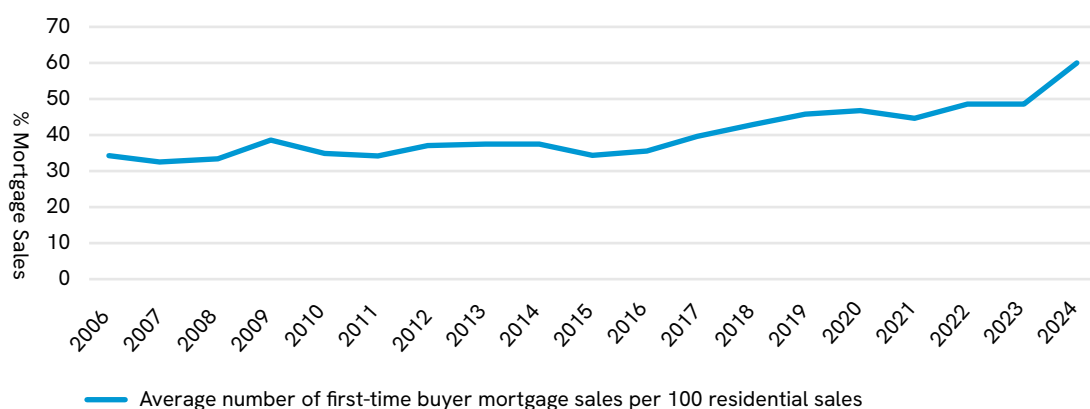
In practical terms, this creates a ‘double bind’ for policy: measures that expand access to credit can help households clear market prices to purchase homes, but the same measures can also inflate prices, worsening affordability overall.

This is visible in the increasing dependence on mortgage credit to access home ownership among first-time buyers in London.

The share of residential sales by mortgaged first-time buyers in London rose from around 30% in 2006 to more than 60% in 2024, while data illustrates how first-time buyers must borrow a larger share of the purchase price – London’s average FTB loan-to-value ratio increased from 67.1% in Q1 2024 to 72.0% in Q1 2025.⁵⁵⁵⁶

Figure 15

Average number of first-time buyer mortgage sales per 100 residential sales. London 2006–24



Source: Bank of England. (2025). Quarterly changes of monetary financial institutions’ sterling secured gross lending to individuals (in sterling millions) seasonally adjusted, 2006–24.⁵⁷

This reliance on credit to bridge the gap between first-time buyer incomes and house prices has given rise to politically popular demand-side subsidies, like Help to Buy, which boost household purchasing power, despite robust evidence that these have tended to worsen affordability in London.

The Help to Buy scheme offered a Government-backed equity loan of up to 40% of property value to first-time buyers purchasing new-build properties in London. This was politically popular, extended several times and had significant uptake with over 375,000 equity loans issued nationally by 2023.⁵⁸

However, while the policy supported tens of thousands of first-time buyers into new homes in London, the additional subsidy from the Government's equity loan did not expand overall supply in London and effectively capitalised into prices, worsening affordability in the aggregate.⁵⁹

This means recent calls for a similar measure to be introduced must be treated with caution in the London context, which we explore further in Part 3.

The double-bind of investment demand as a price driver and a supply enabler

Investment demand for housing has also generated a challenging double-bind for London's housing market, acting as a key enabling condition for private rented and new-build supply in specific periods and sub-markets, while also driving price inflation.

Buy-to-Let is a key route through which investment demand has shaped London's housing market.

The expansion of London's private rented sector was in part fuelled by the introduction of Buy-to-Let mortgages, a specialised loan designed for property investors seeking to acquire residential properties to rent out, rather than for personal residence. These loans typically require higher deposits (usually 25%+) and are often interest-only with borrowing capacity based on projected rental income.

More than half of England's private landlords own stock through a Buy-to-Let mortgage, with 42% borrowing through an interest-only product.⁶⁰ Given London's large PRS, this suggests a significant number of private rented properties in London were financed through Buy-to-Let.⁶¹

While Buy-to-Let expanded the number of homes available to rent privately in London, it did this by increasing effective demand for existing homes – raising prices, while reshaping the tenure mix by reallocating existing homes from owner-occupation to private renting.

Buy-to-Let introduced new investor demand that competed for existing residential properties, utilising leverage and underwriting predicated on projected rental income and anticipated capital gains to enhance bidding capacity.

This did not increase overall supply but increased competition for existing homes. Studies indicate that Buy-to-Let investors disproportionately acquired homes that might have been purchased by first-time buyers, particularly in London and other high-demand housing markets.⁶² This means that Buy-To-Let investors competed with owner-occupiers and first-time buyers for the same properties; a dynamic that contributed to rising prices and reallocated owner-occupied properties to private renting.



This dynamic has also been analysed as a driving force for gentrification and social displacement in London, whereby council homes lost through Right to Buy or new developments acquired by Buy-to-Let investors drove increases in rental prices in emerging districts.⁶³


However over recent years, as Buy-to-Let has become a weaker investment proposition, investment demand has fallen and landlords have exited. This has had acute effects on the supply of private lets, with knock-on effects on rent prices, which have in turn contributed to rising homelessness.

Rising interest rates as well as policy changes have increased the cost of Buy-to-Let landlordism, including a Stamp Duty surcharge on additional dwellings introduced in 2016 and the removal of higher-rate income tax relief on mortgage interest for rental properties.⁶⁴

Buy-to-Let lending more than halved over the course of 2023, a trend which has been linked to sharp contractions in London's private rented market, with knock-on effects on rents and increases in homelessness following the end of a PRS tenancy.^{65 66}

Investment demand, albeit of a different form, has also played important roles in financing housebuilding in the capital, particularly during the mid-2010s, while also acting to worsen affordability by decoupling house prices from local purchasing power.

While Buy-to-Let investment in the 2000s was largely driven by domestic buyers often holding smaller portfolios, investment demand for London properties has become increasingly speculative and globalised since 2010.⁶⁷ A recent FOI-based estimate suggests overseas buyers accounted for roughly a quarter of London transactions in 2024, underlining the scale of non-local demand.⁶⁸



Industry analysis highlights that overseas investor demand played a crucial role in underpinning major developments in London during the peak in housebuilding in the 2010s by underwriting early stages of large schemes through 'off-plan' pre-sales.⁶⁹

However, international investment has since cooled, contributing to the current downturn in housing delivery – partially due to policy changes such as the abolition of Multiple Dwellings Relief which reduced Stamp Duty on bulk purchases of new homes.

70 71

However, investment demand here again creates a double bind. Studies have shown that overseas investment had substantial and persistent impacts on London house prices during the 2010s, often in particular areas, playing a powerful role in decoupling house prices in London from local purchasing power.⁷²

This means that, while restricting investment demand could improve affordability and reduce speculative demand, if not carefully targeted and accompanied by measures to stabilise supply, this can also generate acute shocks to the rental market and weaken housing delivery that depends on investor absorption.

Policymakers must therefore consider how to channel demand-side stimulus towards where it can effectively meet housing need – for example for first-time buyers, or investment capital that supports private housebuilding at scale – while cooling speculative demand which inflates prices without stimulating additional supply.

Reforms should therefore seek to limit specific forms of investment demand least likely to support additional housing supply, especially in areas where housing supply is particularly constrained, like London.

This could replicate measures undertaken internationally to introduce investor-specific macroprudential regulation on mortgages, such as caps on loan-to-value ratios. These could be targeted by location, property type and investor model – for example, Singapore imposes a 20% cap for corporate purchasers or buyers with one or more properties.⁷³

A similar approach for the UK could restrict Buy-to-Let investor demand in places like London where investment-driven price inflation and supply constraints are most acute and consequential.

This should be matched with a greater focus in strategic planning policy on managing housing investment finance, to ensure that measures to cool inflationary investment demand do not undermine viability of new supply. This is discussed further in Part 3.

Measures to restrict Buy-to-Let activity should be matched with a supply-side strategy to ensure stability in the private rented market, especially as new regulations under the Renters Rights Act have the potential to tighten supply. This should include measures set out in this paper to enable local authorities to more directly influence rental supply in their local areas, including delivering affordable rented housing through municipal Build to Rent, a 'Right to Sell' route for long-term acquisitions from owner-occupied housing, and additional Compulsory Purchase powers to convert long-term empty homes and the most poorly managed private rented properties into affordable rent.

Recommendation 5 – The Government should introduce caps on Loan-To-Value ratios for Buy-to-Let properties in supply-constrained areas like London.

To reduce price inflation and competition for existing homes driven by investor demand, while protecting rental supply and supporting first-time buyers in supply-constrained areas, the Government should:

- Set a **lower maximum Loan-To-Value ratio for Buy-to-Let mortgages** (for example, 60–70%), with periodic review and adjustment based on market conditions and rental supply trends.
- Target the cap to **areas with acute supply constraints and high investor-driven price inflation** such as Inner London.

These measures should be matched by efforts to stimulate additional rental supply, such as through restoring Multiple Dwellings Stamp Duty Relief on off-plan BTR sales, establishing an enhanced-LHA-backed Municipal Build-to-Rent, and stimulating additional routes to acquisition for local authorities and registered providers.



The role of the circulation and distribution of stock and the property tax system

As set out in Chapter 1, London's available housing stock is highly unequally distributed, and has become more so since the early 2000s, a trend which helps explain why the same aggregate housing supply is meeting housing need much more poorly in 2024 than in 2002.

This is particularly because the London housing market is ‘sticky’, with low turnover which contributes to inefficiencies in the distribution of stock.

Between 2010 and 2024, on average around 96,700 property sales occurred annually in London, equating to an average annual turnover of 2.7%, compared to 4.3% nationally.⁷⁴

This low turnover means that properties change hands fewer times so a given stock of housing is less likely to meet current housing need in a given year.

A key driver of this is the tax system. Stamp Duty is particularly distortive in the London market and reinforces inefficiencies and inequalities in the distribution of existing stock by adding material costs to purchases, depressing transactions and disincentivising right-sizing.

Stamp Duty Land Tax (SDLT) is a tax payable by individuals and companies buying property or land in England and Northern Ireland. It is charged on a tiered basis, starting at £250,000 with higher rates applying to properties at higher prices.

London’s higher property prices mean most transactions are affected by SDLT, even at the lower end of the market. For example, a typical London first-time buyer home worth around £500,000 would levy £10,000 in Stamp Duty.⁷⁵

This means SDLT acts both as a meaningful additional cost for those seeking to purchase a home for residence – around 10% on top of a typical first-time buyer deposit – and as a powerful ‘tax on moving’.

The distribution of London’s housing stock across households makes Stamp Duty particularly problematic, as under-occupiers are most likely to be smaller and older households, living in larger and higher value homes, while affordability constraints mean larger households (e.g. families) are increasingly found in the overcrowded private rented sector and in smaller and lower value homes.

For an older household seeking to downsize, while the equity released from downsizing from a larger and higher-value property to a smaller and cheaper one will likely exceed the Stamp Duty bill, the fact that the tax is payable upfront and is likely to be sizeable (upwards of £20,000 for larger homes) mean SDLT acts as strong disincentive for under-occupying households to downsize.⁷⁶

Meanwhile, Council Tax remains anchored to 1991 values and is a regressive tax on residency, rather than ownership or consumption, which pulls in the direction of inefficient and inequitable use of existing housing stock.

Inflation in London property prices since the 1990s mean that the well-established inequities of the Council Tax system are particularly acute in the capital. London’s most valuable and largest homes pay a far smaller share of value in Council Tax than lower-priced homes which are typically smaller.



This means there is little to no 'cost' to consuming more space or value than needed, which weakens incentives for efficient use of larger homes, particularly in high-value areas.

For example, under the current system, a homeowner living in a large 5-bed house worth £1.8m in Kensington and Chelsea pays just £48 more a year in Council Tax than a renter living in a 2-bed flat in Croydon.⁷⁷

The wider tax system gives housing advantages as a vehicle for wealth accumulation and intergenerational transfer, which further weakens incentives for households to release housing as their needs change while compounding inequalities in the distribution of stock.

Capital gains on a primary residence are usually exempt through Private Residence Relief, while gains on other assets are taxed at lower rates than income, meaning the return to holding housing wealth is taxed less than earnings. There is also no Capital Gains Tax (CGT) charge on death and assets are treated as acquired at market value at the date of death, so lifetime gains can pass to descendants without charge, reinforcing the role of housing as a tax-advantaged store of wealth.

Set against the transaction cost of moving incurred by Stamp Duty and the negligible marginal cost of larger and higher-value homes incurred by Council Tax, this preferential treatment of property by the capital tax regime adds a further incentive for households to 'hold' housing as an investment.

This phenomenon is not exclusive to older owner-occupiers in larger and more expensive homes. Some of our interviewees suggest that younger households able to 'clear' market prices are choosing to 'over buy' larger houses, partially to avoid multiple moves and associated costs but also to maximise equity returns.



Treating property as a tax-advantaged store of wealth is consequential for wealth inequality, both between and within generations, as well as having impacts on housing inequality.

Property wealth is the largest component of household wealth in Great Britain, and older households hold larger stocks of net property wealth.⁷⁸ Savills estimates that owner-occupiers aged 65+ hold £2.58 trillion of net housing wealth nationally, and housing wealth held by over-65s in London rose by around £146 billion over the past decade.⁷⁹⁸⁰

Property wealth accumulation drives intra-generational inequalities, with the ‘bank of mum and dad’ providing deposits which enable some younger households to buy earlier and at higher price points than their own incomes would permit, bringing forward entry into owner occupation and the start of equity accumulation.⁸¹

This mechanism is particularly potent in London. In 2024, the deposit gap between assisted and unassisted first-time buyers was significantly bigger in London than elsewhere, with unassisted buyers putting down £150,000 compared with £225,000 for those receiving family help.⁸²

Taken together, this means that reforms to property taxes should form an essential part of reforms to address inequalities in the distribution of housing in London and promote a more rational, efficient and equitable housing market.

The case for a partially devolved and progressive Proportional Property Tax in London


The argument for property tax reform in the UK is well-established (see e.g. the Mirrlees Review), specifically the replacement of Council Tax and residential Stamp Duty on primary residences with a Proportional Property Tax (PPT).⁸³⁸⁴

In the light of the particularly distortive effects of the current regime on the London market, a proportional tax levied on the owner rather than occupier and charged annually on the property value, rather than on transactions, would be particularly impactful for London.

The abolition of Stamp Duty would remove a major transaction friction and increase the circulation of stock, releasing an estimated extra 79,000 homes a year while improving the efficiency of the distribution of stock over time.

One analysis from 2021 estimated that the shift to a PPT would release up to 47,000 one and two bed homes, 24,000 family-sized three or four bed homes, and 8,000 larger homes in London – more than any other part of the country.⁸⁵

It would also act as a more equitable tax on housing consumption rather than on transactions and residency as per the current system, introducing an ongoing cost to under-occupation in larger and high-value housing while reducing monthly costs for renting households.



This would mean that people who own larger, more expensive properties would pay more, and those living in lower value and smaller homes would pay less. Renters would not pay a PPT, removing a significant monthly cost in the form of Council Tax. As property owners, landlords would be liable for a PPT, but this would be deductible against rental profits as a business expense, mitigating the extent to which the new tax would be passed on into rents.

Finally, if rate setting were partially devolved to regional and local government and aligned to local market values, it would offer new flexibility for the GLA and London's local authorities to influence the demand-side of the housing market and raise revenues.

More progressive rates could be set for the highest value homes, acting to counter speculation-driven price inflation. The higher value of London's dwelling stock means that relatively low rates could generate additional revenues to invest in affordable and social housing supply.

In terms of design, a PPT would need to be revenue neutral against lost Stamp Duty and Council Tax revenues currently received by national and local government. It would also need to be implemented in a way that is workable for 'asset-rich, cash-poor' households, of which London has a higher concentration than other UK regions.⁸⁶

To illustrate how this could work in England and London, we modelled how a partially devolved Proportional Property Tax could replace Stamp Duty on domestic purchases for sole residence and Council Tax revenues, while generating a significant surplus for reinvestment in the delivery of social and affordable housing in London.⁵

To do so, we used Land Registry data on 2.7 million London property transactions since 1995, VOA data on Council Tax dwelling stock, and Price Paid data from the UK House Price Index to estimate the current value of dwelling stock in London and England.

We model a partially devolved property tax applying to all privately owned residential dwellings currently eligible for Council Tax, payable by the owner and excluding social homes. This is composed of three rates: a national rate set by central government applying to all residential dwellings in England, a local rate set by the local authority applying to all residential dwellings in the area, and a regional rate set by current Major Precepting Authorities (in London's case, the GLA).

5 For a detailed explanation of our methodology and policy design approach, see Appendix 2. This includes an estimate of PPT rates required to replace lost Council Tax revenue for non-London local authorities and major precepting authorities. To note, this proposal recommends retaining the current SDLT regime for second/multiple home purchases (the Higher Rate Additional Dwellings charge) and for Non-Residential purchases as part of the broader aim to reduce speculative investment while encouraging greater circulation of stock for residential use.



A national rate set at 0.07% charged annually on the property's current value would be revenue-neutral for the Treasury, replacing the £4.9bn in Stamp Duty receipts received in 2024–25 on residential transactions for primary residences. This would provide a more stable and predictable revenue stream than Stamp Duty, which is influenced by property market activity, and for national government to set rates according to fiscal need (e.g. equalisation).

Outside of London, we estimate that a partially devolved Proportional Property Tax at an average effective rate of 0.8% – comprised of a 0.07% national rate and an average local and regional rate of 0.73% – would be revenue-neutral, save the average first-time buyer money, and give considerable flexibility to local and regional authorities to respond to local housing market dynamics and funding needs.

For non-London local authorities and Major Precepting Authorities, we estimate that an average rate of 0.73% would be revenue-neutral and replace the £37.7bn in anticipated Council Tax receipts in 2024–25 for all non-London local authorities and Major Precepting Authorities. Crucially, these authorities would be able to set their own rates according to their own housing markets and needs.

For a first-time buyer outside London purchasing an average-priced property worth £282,000, which would currently levy a typical Band D annual Council Tax charge of £2,280, a PPT at this rate would result in a saving of £108 in their first five years of owning their own home (Fig. 16).

London's high property values mean that replacement rates would be lower, meaning a Proportional Property Tax with an average effective rate of 0.39% would raise a total of £6.8bn for local and regional government a year, replacing current Council Tax and the Greater London Authority's precept while raising an additional £912m annually through higher rates on the most valuable properties.

Given London's high property values, replacement rates would be lower than for authorities outside of London. While rates vary across boroughs, a mean average local rate in London of 0.25% would raise £4.5bn, slightly more (£36.4m) than the £4.4bn raised by London boroughs in Council Tax in 2024–25.⁶

Regionally, a base rate of 0.07% would replace the £1.4bn raised by the Council Tax precept for the Greater London Authority in 2024–25.⁸⁷

We also modelled how this regional rate could be set to rise progressively on the most valuable homes in the capital in order to raise additional revenues for reinvestment in social and affordable housing.

This progressive approach would mean homeowners living in areas where values are lower would pay similar rates as under the current Council Tax system while households living in the most high-value properties would contribute more. It is worth noting that in both scenarios, homeowners would make significant savings when moving house thanks to the abolition of Stamp Duty on purchases for sole and primary residences (Fig. 16).

To illustrate this, we modelled a progressive regional rate applying to properties worth £800,000 or more, rising from an additional 0.01% on properties worth £800,000 to £1 million before increasing incrementally at 0.02 percentage points for each £200,000 value band to a maximum of 0.43% on properties worth £5 million or more. This additional rate would apply to around one in five (22%) of properties in London, and only 0.3% of the capital's most expensive properties, around 9,400 homes, would pay the effective top rate of property tax rate of 0.86%.

This progressive rate would raise an additional £875m annually for the Greater London Authority, to a total of £2.3bn.

This would result in a London-wide effective rate of 0.39% – composed of the national base rate at 0.07%, an average rate of 0.25% across the London boroughs, a base regional rate of 0.07% and with a rising progressive Mayoral rate applying to the most expensive properties.

This would raise a total of £6.8bn a year, with £2.3bn accruing to the GLA and £4.5bn accruing to local authorities, a net increase in revenue of £912m annually.

At current grant levels, this could finance an extra 4,100 social rented homes in London annually, more than doubling typical social rent delivery in recent years, with the potential to finance a step-change in social housing delivery over the next decade.

6 See Appendix 2 for a breakdown of estimated replacement rates for each borough.

Noting that councils and the GLA may use additional revenues from a progressive PPT to address other funding pressures (e.g. temporary accommodation costs), an additional £912m levied annually could finance 4,100 additional homes for social rent a year at the current benchmark grant rate of £220,000 per home.⁸⁸ This would be a large increase on recent norms – between 2020–21 and 2022–23, 1,148 social rented homes were completed annually.⁸⁹

If grant levels set in November 2025 carry into the Mayor's allocation from the new London Social and Affordable Homes Programme 2026–36⁹⁰, this additional funding from a PPT added to the £11.7bn programme envelope could deliver around 9,400 social homes a year. By 2036, if PPT revenue rose at 2% annually, this could fund delivery of over 100,000 social homes over the course of a decade.

By abolishing Stamp Duty on purchases of primary residences, it would generate a net saving of £8,593 for an average London first-time buyer over their first five years of owning their home.

While many homeowners would pay more than they currently do annually in Council Tax, the abolition of Stamp Duty on primary residences would more than offset the amount due in PPT over the first five years of ownership for most households seeking to buy a home for residency in London.

The table below (Fig. 16) illustrates the net savings for different households based on the value of their property, tenure, and whether they are involved in purchasing a new home.

For example, a young family purchasing their first home – a typical London Band D property valued (and rated) at £500,000 in 2024–25 – would expect to pay an estimated total of £10,000 in Stamp Duty and £10,460 in Council Tax over the first five years of ownership.

Under this proposal, if their home increased in value by 2% annually, they would pay a total of £11,867 over their first five years of ownership, a net saving of £8,593.

To avoid 'double taxation' for recent buyers, households who had recently paid Stamp Duty (e.g. in the last five years) could also offset their Stamp Duty payment against their PPT bill.

Despite higher annual charges, households seeking to own and live in higher value properties in London's more expensive boroughs would also see savings under this model, due to the abolition of Stamp Duty for primary residences which currently incurs higher charges on expensive homes. For example, an existing homeowner buying a Band F home in Kensington and Chelsea worth £1,700,000 would currently pay £2,055 in Council Tax alongside a £117,500 Stamp Duty charge. Under a PPT, they would save £59,000 over 10 years under PPT, even while paying an annual charge of £6,630.

Figure. 16

Property tax household scenarios based on total tax revenue compared to PPT. Year 5 and 10 savings are inclusive of total Stamp Duty paid on purchases in Year 1 – this is not reflected in scenarios not purchasing. Renter savings include 2024–25 Council Tax both local and mayoral precept.

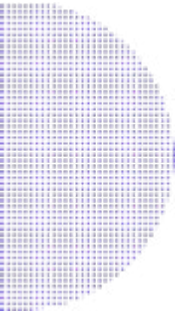
Household type	Property value	Purchasing a new home in Year 1?	Year 1 Net Saving/Cost	Year 5 Net Saving/Cost	Year 10 Net Saving/Cost
First-time buyer (London)	£500k	Yes	£9,613	£8,593	£8,841
Renter (London)	N/A	No	£1,893	£10,460	£23,810
Cash-poor, asset-rich with PPT deferral for up to 10 years (London)	£950k	No	£0	£0	(£16,758) if not buying a new home. £3,242 if buying a new home at £600k.
Higher-value owner (London)	£1.7m	Yes	£119,555	£92,218	£59,951
First-time buyer (non-London)	£282k	Yes	£20	£108	£246

‘Asset-rich, cash-poor’ households would have the option of deferring the PPT bill while continuing to pay their current Council Tax rate to reduce the final sum owed.

The abolition of Stamp Duty for primary residences would not provide an immediate saving for current owner-occupiers who wish to remain in their current property and whose property value would incur a larger charge than their current Council Tax payment.

For example, for a property worth £950,000 with a Council Tax annual bill of £1,893, transferring to a PPT would result in an immediate notable increase in costs compared to current system.

To address this, households who are ‘asset-rich, cash-poor’ would be able to defer their PPT payment for up to ten years while continuing to pay their current Council Tax rate, which we model as rising at the current maximum of 4.99% (inc. social care precept).



As illustrated in Fig. 16, deferring payment for up to ten years would result in a final bill due of £16,758 after ten years, payable on sale, ensuring a smoother, fairer transition to PPT for the (relatively small) number of owner-occupiers for whom a PPT might incur unmanageable additional costs.

If this household then bought another property in London, removing Stamp Duty would reduce net costs or create savings. For instance, buying a £600,000 property would normally mean £20,000 Stamp Duty; with the proposal, they'd be £3,242 better off.

By lifting all renters out of paying Council Tax, this reform would save a London renter living in a Band D property £1,893 a year, rising to £23,810 over 10 years, greatly easing living cost pressures and enabling renters to save towards their first home-purchase.

As a tax levied on the property owner, all social and private renters in London would be lifted out of paying Council Tax entirely, saving the average private London renter living in a Band D property £1,893 annually at 2024–25 Council Tax rates.

Over the subsequent five years, this would allow a renter to save up £10,460, rising to £23,810 over 10 years.

While it is likely that some of the additional cost of a PPT levied on landlords would transfer into rents, over time this annual saving could make a significant difference to renters seeking to save for a deposit for a first home-purchase.

As property owners, private landlords would be required to pay the Proportional Property Tax, but as a business expense this would be tax deductible against profits.

Under the proposed Proportional Property Tax, liability would sit with the property owner, so private landlords would pay the annual charge as part of running a rental property business. In practice, under this proposal, this would be treated in the same way as other business costs, meaning it would be deductible against rental profits, which would materially reduce the net cost.

To help avoid an unintended contraction in supply, this proposal envisages giving boroughs rate setting powers to enable them to apply targeted PPT discounts for landlords who meet compliance and quality conditions.

For example, discounts could be conditional on registration or licensing compliance, meeting the Decent Homes Standard, and good management, with the tax system therefore helping incentivise the retention of well-run private rented homes.

The core purpose of a Proportional Property Tax would be to improve the fairness and efficiency of the property tax system – but it need not be the only way that residents contribute to the funding of local services.

Due to the vital importance of Council Tax as a revenue stream for local government, reforming property taxes represents a significant change in how local authorities would raise and manage public funds.

As such, exempting private and social renters from paying a PPT – because they do not own property – raises the question of how residents who are renters would contribute to local authority services.

One way that residents, regardless of tenure, could contribute to the funding of local services would be through the retention of a share of income tax, as suggested recently by the Chancellor in her commitment to a roadmap to fiscal devolution.⁹¹

Alternatively, the Government could also empower councils to introduce a Local Services Charge, payable by all residents and at a much lower rate than Council Tax.

This would be payable by all residents regardless of tenure and, if the PPT were introduced in the way we model above and therefore replacing and generating additional revenues, this could be set at a much lower level than current Council Tax, thus preserving the equity benefits of property tax reform while ensuring that all residents contribute to local services.

Recommendation 6 – The Government should introduce a partially-devolved Proportional Property Tax and remove Council Tax and Stamp Duty for primary and sole residences.

To achieve this, the Government should:

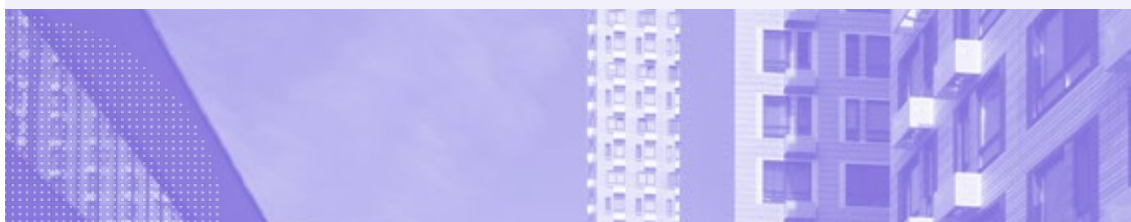
- **Remove Council Tax on all dwellings and Stamp Duty on transactions by UK residents purchasing their sole primary residence**, retaining the current levies on additional dwellings and non-residential transactions.
- Introduce a **partially devolved Proportional Property Tax**, applying to all private dwellings and excluding social homes, with a national rate set at a minimum of 0.07% to replace lost Stamp Duty revenues and devolve regional and local rate setting to existing Council Tax collection authorities.

Once granted rate-setting powers over a Mayoral PPT, the Greater London Authority should:

- Introduce a **progressive Mayor’s Housing Levy** with a base rate of 0.07% with incrementally higher rates on homes worth £800,000 and above.
- Set rates to raise **up to £912m additional funding for reinvestment** alongside boroughs in the London Social and Affordable Homes Programme.

Once granted rate-setting powers over a local PPT, the London boroughs should:

- Introduce a **single local Housing Levy**, with a city-wide average rate of 0.25% required to replace lost Council Tax revenues, and set rates and discounts according to local need and housing market conditions e.g. additional social and affordable housing delivery, temporary accommodation costs, or other service priorities.



Expanding routes for local authorities to influence local housing outcomes through a 'Right to Sell' and new intervention powers in the most dysfunctional parts of local housing markets

One of the main drivers of the reduction in the availability of social housing in London has been the Right to Buy, with continual outflow of stock meaning local authorities are reliant on expensive new-build social homes.

Since 1980, more than 316,000 council homes have been sold in the capital with an estimated net loss of around 45% by 2024.⁹² Although councils are now able to retain 100% of Right to Buy sales receipts for reinvestment in new delivery and acquisitions, replacement has not been achieved, contributing to the structural gap between need and available social homes. Councils must rely on costly new-build for replacement, the total cost of which is now estimated to have risen in London to around £450,000 per unit.⁹³

Newly announced reforms to increase minimum eligibility periods to 10 years, amend discount rules and introduce a new build exemption period for 35 years are positive steps towards reducing the net loss of social housing.⁹⁴ However, while Right to Buy overall remains in place, it is likely that councils will still struggle to maintain and grow sufficient stock.

Recommendation 7 – The Government should fully abolish Right to Buy to end the loss of social rented homes.

Despite recent reforms that allow councils to retain receipts and use them more flexibly, replacement remains constrained in high-cost markets like London because discounted sale receipts rarely cover the full cost of replacing like-for-like social rented homes in the same communities.

The Government should therefore:

- **Legislate to end Right to Buy for council homes in England**, preventing further depletion of social rented stock.



This loss of publicly-owned housing has coincided with a significant contraction in other methods where local authorities can influence their local housing markets to better meet need.

Prior to the 1990s, local authorities played more active roles in local housing markets beyond their current focuses of stock management and housing delivery.

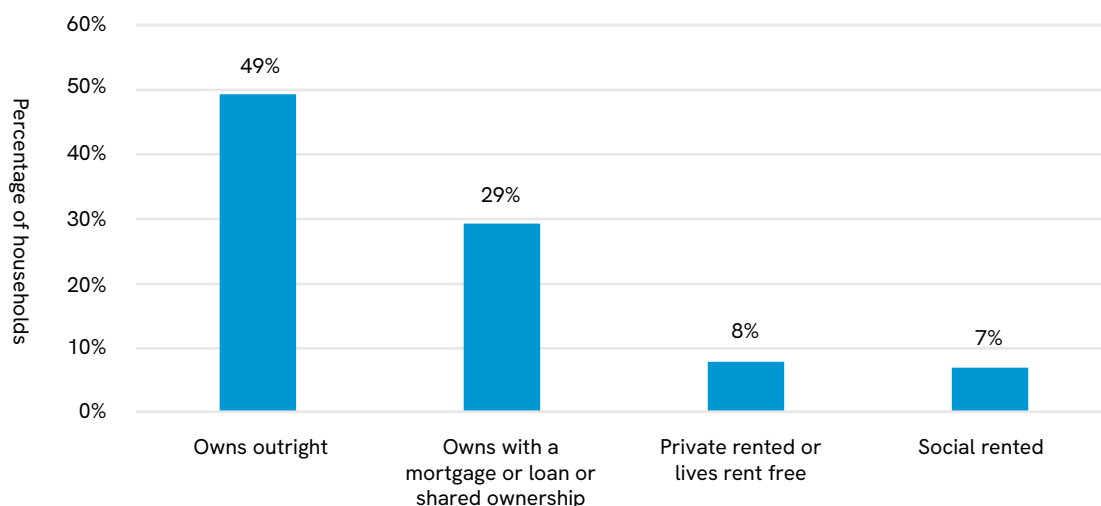
These included local authority mortgage lending offers (e.g. the Supporting Lending Scheme) and more routine use of compulsory purchase (CPO) powers, with the use of CPO seen as an 'important tool' for regeneration and wellbeing in central guidance as recently as the early 2000s.^{95/96} From the late 1980s, however, this capacity to influence local housing markets directly contracted as policy shifted toward market housing provision, alongside the loss of publicly-owned stock.

While social landlords continue to play active roles in shaping stock utilisation and standards within their own stock, little successful policy attention has been given to addressing similar issues within London's (now considerably larger) private housing market.

This is visible in the contrast between efforts to address under-occupation in the social versus the owner-occupied sectors. Under-occupation is heavily concentrated in the larger owner-occupied sector, where almost three-quarters of dwellings are under-occupied and almost half have two or more additional bedrooms.⁹⁷

Figure 17

Percentage of households with two or more spare bedrooms by tenure. London, 2024



Source: Ibid.⁹⁸

To enable councils to more actively address local housing need, particularly in constrained markets, reforms should seek to: 1) Enable more active management of local housing outcomes on affordability, standards and size; and 2) Offset social stock losses by expanding acquisition routes, especially where this would entail addressing particularly dysfunctional parts of the market.

Support and incentives to right-size in the owner-occupied sector

While social housing is managed through lettings policies, 'right-sizing' incentives and support to maximise efficient use of stock, policy has given little attention to comparable methods to improve efficiency in the owner-occupied sector.

This is despite evidence of 'lock-in' among London's older and/or lower-income homeowners living in homes that are simultaneously under-occupied and unsuitable for their needs. For these households the costs and friction of moving or adapting is high and suitable move-on options (e.g. specialist older people's housing) are scarce.⁹⁹

Both London councils and social landlords have well-established and reasonably effective programmes to incentivise and support tenants in under-occupied social homes to downsize.

These include well-advertised schemes with personalised engagement to build trust and guide households through the process, small cash incentives (£500 to £2,000) for moves, and support with relocation (e.g. moving costs, furniture removals).¹⁰⁰

Analysis by Islington Council and EY suggests that social tenant downsizers were rarely motivated just to move to a smaller home, but also by the prospect of moving closer to relatives, moving to a better-quality property, or one that better suited their current or future health and care needs. The same research also noted that cash incentives do not make a significant difference to the scheme's appeal, but they can be more effective with lower-income households.¹⁰¹

Given widespread under-occupation in London's owner-occupied stock, a similar programme of support for owner-occupiers could release up to 10,000 larger homes a year.

Islington Council's under-occupation scheme supported an average of 135 moves per year over five years, a rate of 5.6 moves per 1,000 units a year. Assuming similar levels of uptake within the owner-occupied sector and applied to an estimate of the amount of London's owner-occupied dwelling stock with higher rates of under-occupation (2+ extra bedrooms) – around half of London's outright-owned stock or approximately 350,000 homes – an expanded scheme of similar effectiveness could support up to 4,000 additional moves a year.

Given these would be focused on larger homes that are scarcest and for which need is greatest, releasing these homes would create significant additional marginal benefits to meeting housing need through chains of moves, while also helping existing residents to move into more suitable homes.

While such a large-scale scheme of this kind would create additional costs for councils, these should be compared with the exceptionally high costs of delivering new larger homes in London. As a service for homeowners, this could be partially funded through additional revenues raised through the flexibility presented by a locally-set Proportional Property Tax as outlined above, and/or through new burdens funding from central government.

Recommendation 8 – The GLA should work with London local authorities to introduce a London-wide ‘Help to Move’ Scheme targeted at owner-occupiers in larger homes, offering personalised support to right-size and move into suitable homes.

This should target owner-occupiers with current or future health and care needs, and replicate and scale up existing approaches delivered by local authorities and registered providers, with the following principles:

1. **Personalised support** with a named case worker to assist downsizers in finding suitable homes and supporting them through the moving process.
2. Well-advertised and promoted within the community, ideally with a **recognisable London-wide brand** as well as an accessible route to engagement in each local authority, including a non-digital (e.g. telephone) service.
3. Allowances to **support the costs of moving home** such as furniture removals, service disconnection and reconnections of white goods.
4. Offering **limited cash incentives** for lower-income households to support moves. This could comprise discounts or exemptions to a new Proportional Property Tax.



A 'Right to Sell' – equity release for home improvements and re-expansion of socially-owned housing stock

A 'Right to Sell' offer would give owner-occupiers the opportunity to sell equity in their homes to the local authority for reinvestment in their homes (e.g. adaptations, efficiency upgrades, social care costs), with the local authority having the right of first refusal upon sale to acquire and convert to social or affordable rent in line with local housing need.

This would sit alongside the existing Mayor's Right to Buy-back programme and other acquisition tools, aiming to create a pipeline of existing homes for social rent. This would often be at lower whole-life cost than new build in high-value areas, as well as providing a route to financing housing stock upgrades in hard-to-reach segments of the owner-occupied market.

As such, the Right to Sell would be targeted and tailored to the needs of households living in unsuitable and inefficient stock who cannot finance upgrades or an imminent move into alternative housing (e.g. adapted older people's housing). This approach would also ensure that upgrade costs are paid by householders through any equity released, not by the local authority, ensuring value for money.

To create a route to acquisition, the lending local authority would then have right of first refusal to acquire the dwelling outright at sale, enabling conversion into social or affordable rent or onwards sale where this best meets local needs.

To help promote uptake and increase consumer confidence, the programme would be publicised nationally as a government-backed 'Right to Sell', backed by a low-cost loan facility provided by the National Housing Bank and administered through a Greater London Housing Fund managed by the GLA and outlined in Part 1 of this chapter. This would ensure sufficient capitalisation in local authorities' General Funds to finance equity purchases.

The equity stake purchased from the homeowner would be held initially in the council's General Fund as a financial asset, compliant with prudential and investment guidance on risk, liquidity and expected credit loss.

Released funds would be solely for re-investment in the property to improve its suitability (e.g. mobility adaptations), energy efficiency and/or to fund at-home care. This would be intended to help households whose current property is unsuited to their needs and enables them to remain in their home for longer and with better housing standards.

This arrangement would be agreed through a Right to Sell agreement, with funds released only for the agreed purposes and works processed directly by the local authority, i.e. the household would release a set fund, which would be held by the local authority, and spent down against the agreed service delivery (e.g. adaptations, and then ongoing live-in care costs).

This would require integrating the Right to Sell offer within existing care and housing improvement services. For example, energy efficiency upgrades and adaptations would be delivered through similar mechanisms as are currently in place for social housing improvements (e.g. London’s Warmer Homes Programme), reducing administrative burden on households and improving value for money through economies of scale. Social care contributions and delivery would also be processed through the local authority.

This approach would avoid funds being used for purposes other than housing improvements and care (e.g. wealth transfer), and minimise the administrative burden on local authorities that would be created by equity being released to the household in cash. Equity could also be released towards additional Proportional Property Tax charges on higher value homes to ease costs on lower-income homeowners.

At sale, if suitable and in line with local housing need, the remaining equity would be purchased through the local authority’s Housing Revenue Account for conversion of the property to social or affordable rent. If not suitable or not aligned with local need, the local authority would be able to recover its equity share from the proceeds of market sale.

For the homeowner, the equity finance would be a simple low interest charge payable on sale at a lower rate than the current private equity release market, where rates are typically upwards of 7%.¹⁰² This would be indexed, for example at CPI+2%, to preserve public value and set against the council’s borrowing cost at the National Housing Bank wholesale rate, resulting in net asset growth accruing to the local authority balance sheet over time.

Mirroring consumer protections in the private equity release market, a no-negative equity guarantee would be included, ensuring owners retain sufficient equity to facilitate named priorities, with limits on the total equity released (e.g. 15%) in place.

Figure 18

‘Right to Sell’ Example: A homeowner releases £100,000 to fund £20,000 of liveability upgrades and £80,000 of at home care costs. The property rises in value by 2% annually, with interest charged on released equity at an average of 5% a year.

Year	Property Value (+2% annually)	Equity Released (+5% Annually)	Homeowner Equity	Local Authority Equity
1	£750,000	£100,000	£650,000	£100,000
5	£811,824	£121,551	£690,273	£121,551
10	£896,319	£155,133	£741,187	£155,133

Recommendation 9 – The Government should empower local authorities to introduce a ‘Right to Sell’ scheme, enabling owner-occupiers to sell equity in their home to the local authority to fund liveability improvements and care costs and to expand the acquisition of stock by local authorities over time.

Allow owner-occupiers to sell a defined equity share in their home to the local authority (with the council holding right of first refusal at eventual sale) to finance essential adaptations and upgrades while creating a pipeline of homes for social or affordable rent. The scheme would:

- **Unlock and improve stock through releasing equity** to support upgrades, retrofits or adaptations.
- **Increase lettings at social and affordable rent** and reduce pressures on temporary accommodation by aligning acquisitions with local housing need and nomination pathways.
- **Be financed by a National Housing Bank low-cost loan facility** and managed by the GLA through a new Greater London Housing Fund, ensuring value for money and effective implementation.



Additional Compulsory Purchase routes for long-term empty homes and criminal landlord properties

To further shape local housing markets to better meet need, councils could be empowered to more directly intervene in the most dysfunctional parts of their local housing markets, such as the bottom end of the private rented sector.

While reforms under the Renters Rights Act seek to address well-established issues of poor standards and low security of tenure in the PRS, there is good evidence that councils' limited enforcement capacity and incomplete intelligence mean that standards often go unenforced in practice.¹⁰³

Even with greater market intelligence and stronger powers under the new legislation, current evidence suggests that the combination of extreme demand pressure, tenant vulnerability, and enforcement constraints will likely mean that there will still be limited deterrence for 'slum' and criminal landlords in parts of London's PRS, despite these being where standards must improve most dramatically.¹⁰⁴

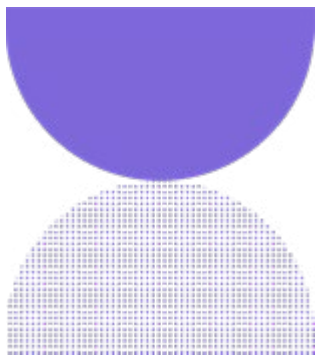
Similarly, councils have relatively limited capability to intervene in cases of long-term empty homes, such as those stuck in probate.

There were 93,602 empty homes in London in 2024, equivalent to 2.5% of dwelling stock, up from a low of 1.7% in 2014, and the highest proportion since then. A significant part of this rise is due to homes left empty after the death of their occupant and delays in probate.¹⁰⁵

As it stands, councils have limited ability and funding capacity to expedite bringing these properties back into use, even in London's constrained housing market. For example, while councils may offer loans or grants for owners of empty homes, these schemes require any form of probate process to have been completed prior to becoming eligible, presenting few options to intervene in complex cases.¹⁰⁶

Reforms could therefore also seek to resource and empower councils to use Management Orders and Compulsory Purchase Powers in the most extreme cases – such as long-term empty homes and the most serious 'slum landlord' cases of private rented sector negligence – to bring vacant or very poorly managed private stock into public ownership and management.

This would build on existing powers to take over the management of the very worst private rented homes where normal enforcement has failed. Currently, Management Orders under the Housing Act 2004 allow a local authority to act in specified circumstances to secure safe management, collect rent and undertake necessary action to protect occupants and neighbours.¹⁰⁷ These powers have been used sparingly due to a lack of enforcement capacity, but where they have been deployed, they have prompted genuine improvements.¹⁰⁸



In cases where infractions are sufficiently serious, these powers could be complemented by a new, tightly defined statutory 'mandatory sale' power, enabling councils to transfer persistently unsafe stock into public ownership or onward sale and management by a registered provider. This would be the endpoint of escalation following the exhaustion of existing enforcement and, where appropriate, Management Orders to stabilise conditions and protect tenants. If serious criminality or infractions persist (e.g. illegal eviction, harassment, repeated refusal to comply with housing standards), the council would be able to apply for a mandatory sale order, with clear statutory thresholds, notice periods and appeal rights.

This approach would need to ensure acquisition does not socialise the cost of bringing 'slum rental' housing up to standard, with owners remaining responsible for remedial works, consistent with existing legislation. Councils would therefore acquire homes that are safe and lettable, with any outstanding recoverable costs settled through the sale process.

A parallel route should apply to long-term empty homes, for example those out of use during prolonged probate, with the rationale that empty homes in high-need areas represent a direct loss of housing supply. While local authorities are empowered with methods to incentivise sales of these homes, such as through additional Council Tax rates or Management Orders, these pathways are not pursued due to a lack of legal and funding capacity. Therefore, a mandatory sale pathway for long-term empty properties would focus on homes that have been vacant for an extended period with no credible plan for reoccupation or sale, using a staged approach which begins with support and engagement and escalates only where inactivity persists.

The effect of these reforms is to enable local authorities to undertake targeted, supply-stabilising interventions that improve standards without inadvertently worsening housing need. Properties brought into public ownership could then be allocated, let or resold to the private market according to local need.



Recommendation 10 – The Government should introduce new grounds for local authorities to use Compulsory Purchase powers to acquire long-term empty homes and properties owned by criminal landlords.

This would enable boroughs to act decisively where engagement and standard enforcement have failed. The policy would reduce harmful vacancy, deter repeat criminality in the private rented sector, expand the stock available for social and affordable letting, and lower pressures on temporary accommodation by converting problematic dwellings into safe, occupied homes.

To achieve this, Government should:

- Create a '**Vacant Dwelling CPO**' route (for example, vacant and unfurnished for 12+ months with no credible plan for re-occupation or sale), due-process safeguards and compensation rules.
- Create a '**Mandatory Sale Order**' power for persistently unsafe or unlawful PRS properties, activated after due enforcement so that chronic non-compliance can lead to acquisition where tenants' safety is at risk.
- Restore the usability of **Empty Dwelling Management Orders (EDMOs)**, returning to a 6–12 month threshold.





Part 3) Making building private housing in London cheaper and easier

As evidenced by literature and the analysis presented in Chapter 1, growth in the overall housing supply is fundamental to affordability. If London's housing stock had grown by an extra 0.5% or more annually over the last two decades, house prices would have been materially lower and affordability more in line with the rest of the country.

However, the level of housing delivery required to achieve this is significantly greater than historical norms. Even in recent years when London's housing delivery was at its highest, such as 2016–17 and 2018–19 when delivery reached upwards of 35,000 new units a year, overall volumes have been far below what is needed to stabilise house prices.

The recent collapse in housing delivery makes this even more urgent, with 2025 seeing the lowest number of housing starts in over a decade – leading to a set of emergency measures designed to accelerate delivery.¹⁰⁹

In this section, we analyse key barriers and blockers to private housing delivery in London and identify recommendations to better secure the market supply needed for long-run price stability.

Understanding the role of the planning system in London's housing supply issues and the potential for a rules-based 'London system'

The planning system is frequently cited as central to the UK's housing crisis with acute effects in urban areas like London where supply is constrained.

Evidence from the literature review finds that where demand is strong, tighter planning constraints produce higher house price responses to income growth and with greater price volatility. For example, Hilber and Vermeulen show that restrictiveness in the English planning system has had a substantive, causal effect on house price to earnings elasticity, with a shortage of developable land amplifying the effect in denser urban areas like London.¹¹⁰

National government has therefore focused most of its supply-side reforms on improving the planning system – including through reforms to the National Planning Policy Framework.

Data on approved planning permissions indicates that London's current low levels of delivery is not explained by refusal rates or an inability to secure permission.

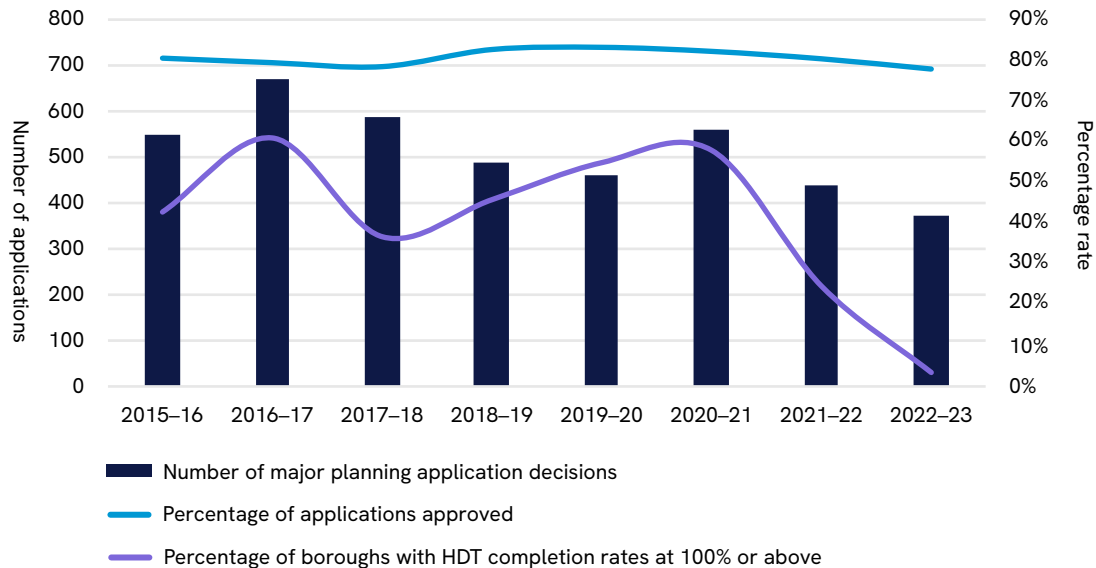
According to data by Molior, as of Q3 2025 an estimated 281,000 unbuilt homes in London currently have planning permission¹¹¹, and 26 of 32 boroughs in the year to March 2025 approved between 70–90% of major residential applications.¹¹²

Analysis of planning performance metrics – approvals and housing targets – also suggests that planning approvals can remain consistently high even while delivery collapses. The number of London local authorities failing to meet housing delivery targets has increased substantially in the past five years, despite planning approvals remaining high (Fig. 19). This suggests that the biggest barriers to housing delivery arise after consent is granted, rather than at the point of decision.

While analysis of planning decisions does not reflect the number or size of residential schemes which are discarded or abandoned earlier in the process, this further strengthens the case for a more predictable, de-risked planning system. The same limitations of the current system can be seen through the additional demands on developers to submit multiple regulatory assessments, further increasing the time needed to clear planning permission.¹¹³

Figure 19

Planning applications granted to borough-level housing delivery test targets, 2015–16 to 2022–23



Source: Ministry of Housing, Communities and Local Government. (2025). Housing Delivery Test annual measurements, 2015–16 to 2022–23; District planning application statistics (PS2), 2015–16 to 2022–23. ¹¹⁴

The planning system still matters, but it matters because it increases uncertainty.

While receiving planning permission itself may not be the major barrier, the planning process acts as a constraint on housing delivery.

Our interviewees reinforced the consensus in the literature that the discretionary, highly uneven nature of the planning system carries risk into the late-stages of development and makes securing investment and pricing land at acquisition difficult – which suppresses housing starts, particularly when market conditions tighten.¹¹⁵

The planning system acts as a vehicle for other factors to impact viability – where even small adjustments to macroeconomic conditions (e.g. higher interest rates), planning gain requirements or local market conditions (e.g. weakening demand) can stall projects that are consented. This is especially the case for larger, multi-phased housing schemes where longer timeframes compound viability pressures to the point where consented schemes stall or are abandoned.

Reducing risk at land acquisition and planning stages – not increasing speed or the process of receiving consent – is therefore key to whether schemes proceed, with the implication that future planning reforms should focus more on predictability.

Shifting towards a rules-based, zoning system could therefore reduce discretionary decisions and negotiations, reduce late-stage risk and introduce greater predictability. While the Government's reforms to Local Plan-making processes and the creation of a clear scheme of delegation at a local level are positive steps towards more 'by-right' approvals, London's density and increased housing need requires more comprehensive reform.

For example, implementation of district-level zoning and setting out clearer, codified design parameters, where compliant schemes can proceed with a simpler route to approval, improving certainty and enabling land to be priced on deliverable assumptions. This would translate into more stable investment in housing delivery and help increase the supply of new homes.



Introducing greater standardisation through National Development Management Policies (NDMPs) could further reduce ambiguity in the planning system, if implemented as a statutory requirement.

London's planning map includes a complex range of different land use categories and policies which require different, often-competing approaches to development. Analysis of the London Planning Map shows the total number of land use categories utilised by local planning authorities, without removing duplicates, is 1,174. This includes both statutory and non-statutory designations for uses across housing, economy and environment policy.¹¹⁶ This approach to land use categorisation is complex and lacks a shared spatial grammar which would make housing easier to deliver.

Greater standardisation of the planning map through a set of clear NDMPs would also make land pricing and investment decisions more reliable, whereby uncertainty in planning decisions is mitigated against through a priced-in set of deliverable assumptions. This approach would mirror similar spatial frameworks developed in Scotland and Wales.¹¹⁷

Setting an agreed planning 'dictionary' through NDMPs – whereby land use is categorised across all authorities using the same land definitions, density expectations and environmental standards – would establish a sophisticated and more easily applied spatial framework. While NDMPs would not increase housing supply by themselves, they would reduce ambiguity, risk and variability across planning authority boundaries, while making land for new housing supply easier to finance and quicker to start.

At the same time as increasing predictability, boosting resident engagement in plan-making is essential in ensuring a rules-based planning system functions with confidence and democratic legitimacy.

Reforms to local planning implemented by the Planning and Infrastructure Act 2025 to modernise planning committees and set a national scheme of delegation will require London planning authorities to grow their capacity for engagement at the Local Plan-making stage. This has been supported by £43 million in government funding to support local government to transition to the new plan-making system.¹¹⁸

Moving towards a more rules-based 'by-right' planning system must also involve planning authorities investing in additional resourcing for public engagement as capacity is low: 66% of public sector planners in the UK report their teams lack capacity to meet demand.¹¹⁹

Doing so would enable local communities to meaningfully scrutinise, influence and contest Local Plans – boosting public buy-in and grounding strategic growth in resident engagement.

Recommendation 11 – The GLA, boroughs and central government should collaborate to introduce a rules-based ‘London system’ for plan-led approvals under the upcoming London Plan and national planning reforms.

To achieve this, as part of a broader shift away from discretionary decision-making towards a rules-based framework, the GLA, boroughs and central government should collaborate to ensure the next stage of national planning reforms, upcoming London Plan and borough Local Plans:

- Adopt a **rules-based route to planning permission** so that proposals which follow clear, published rules are approved through officer-level delegated decisions with a discretionary route only in justified complex cases.
- Publish a collaborative **London-wide rulebook of zones or street-type categories** with measurable parameters which is agreed on and enforced by every local authority, with special designations for statutory land uses as required.
- Create **meaningful low-friction routes for compliant schemes** using Local Development Orders (LDOs) and/or Permission in Principle (PiP) in mapped areas. The GLA and boroughs should work to design a London-specific template for implementing these routes, while setting a standard process for code-compliant schemes to be granted by officers under an agreed scheme of delegation, with non-compliant schemes following the existing discretionary route.
- **Standardise the planning ‘dictionary’** across London by publishing an agreed common set of spatial classifications through statutory NDMPs, so that similar land contexts have similar rules across borough boundaries, reducing cross-borough variation.
- Work with central government to **secure a long-term funding and capacity boost to local authority planning departments** to facilitate and support greater resident engagement in a reformed plan-making process, enabling local buy-in, scrutiny and validation at a strategic level.



Expanding the role of small-sites and SME builders in London's private housing delivery

London's under-used land is concentrated in small sites with opportunities for 'gentle density' rather than overly relying on large towers or major regeneration schemes.

Our interviews reinforced recent research highlighting the scale of opportunity across boroughs. For example, RCKa's research into small-site development compiles planning and capacity data for every borough, reflecting the scale and distribution of these opportunities across the city.¹²⁰ International analysis by Centre for Cities also suggests that densifying London to the same level as Paris could realise an extra 500,000 homes.¹²¹

This approach has been effective in London when local planning conditions enable it.

Croydon's 2019–22 Suburban Design Guide introduced rules-based guidance for small sites which led to an increase in construction on 6–10-unit sites. If scaled, this could add nearly 6,000 homes per year across London.¹²²

However, the current cost structures of the planning process disproportionately impact small schemes and deter SME developers best placed to deliver them.

Fixed costs for planning, design and multi-party negotiation do not scale with scheme sizes. This means that, even where demand is strong, a small infill scheme can be rendered marginal by the same professional fees, risk premia and holding costs that larger schemes can absorb more easily. With thinner budgets than major developers, SMEs are more sensitive to these costs and to discretionary and late-stage negotiations on design and developer contributions.

Resourcing in the planning system has also become weighted towards prioritising decisions for larger schemes, creating a complex regulatory environment for smaller housing developments. This is especially the case for schemes involving a householder development in addition to small-site intensification, such as extensions, conversions or infill schemes.¹²³

Scaling up delivery of small-site schemes requires repeatability, and the variability of the London development landscape makes this difficult. Scaling up small-site delivery requires predictability. If requirements shift late in the process, the time and cost risk converges towards that of large schemes, further undermining viability for small schemes and SME developers.

Variations in policy and spatial classifications between London's local authorities create further barriers to scale. Infill developments can face different tests, evidential burdens and timetables in different boroughs because key spatial classifications are defined locally and are, to a significant degree, discretionary. This makes it difficult to price land, assess risk at acquisition and plan financially from the outset – discouraging firms from scaling small-site approaches across London.

Recommendation 12 – The GLA and boroughs should collaborate to develop a London Small-Sites Delivery Strategy to increase density and support SME builders.

To achieve this, the GLA and boroughs should collaborate to ensure the next London Plan and borough Local Plans:

- Require borough-level **Small Sites Design Codes** with a standardised ‘by-right’ consent route for schemes that comply with a published schema of common small-site typologies such as corner infills and side-plots.
- Introduce greater **London-wide standardisation of key building parameters** for small-site units to reduce cross-borough variation.
- Set clear planning **guidance for small-site developments containing householder-led elements** such as extensions, garage conversions or infills.
- Continue to set **measurable small-sites targets**, with boroughs working with the GLA to publish a small-sites capacity map and pipeline data.

This should be supported by reforming the developer contribution system to introduce a single Infrastructure Levy (see Part 3) which should include:

- **Exemptions or discounts** for developer contributions for small schemes.
- **Cash-flow sensitive payment schedules**, including deferred payments, to support SME builders on small-sites.



Reforming developer contributions to improve viability, deliver reliable infrastructure and affordable housing gain

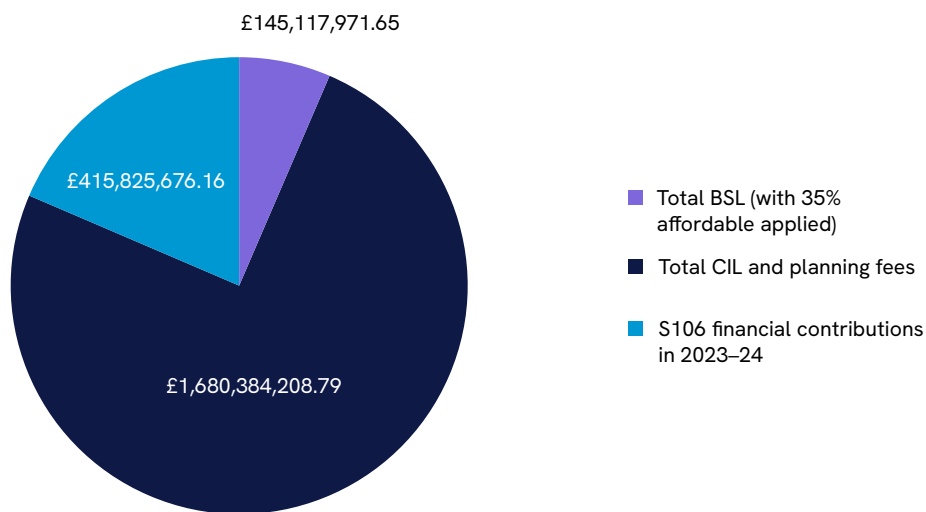
Community Infrastructure Levy (CIL) and Section 106, alongside planning fees and the upcoming Building Safety Levy, create substantial upfront costs for developers and are frequently cited as a blocker to development.

The cumulative cost of developer contributions is large, and upfront costs are challenging when viability is tight and finance is expensive.

Using London’s delivery targets and the current London Plan’s design, tenure and market guidance as assumptions, delivering London’s target of 88,000 homes per year would levy in the region of £1.6 billion in CIL and planning fees annually. This is in addition to national tax levies from a reviewed Landfill Tax¹²⁴ and the Residential Property Developer Tax, which raised £102 million in 2024–25.¹²⁵

Figure 20

Cost of developer contributions for yearly housing targets, London, 2023–24



Source: Centre for London analysis.¹²⁶

The levy system is also fragmented with the various levies and requirements operating through different rules, timings and negotiations processes.

Interviewees and industry literature cited the complexity of the developer contributions system as a driver of uncertainty. Where Section 106 is largely negotiated, requiring extensive and often costly advisory input, the calculation of CIL is more standardised and based on an indexed, zone-specific development levy. Negotiations in this way can produce a more favourable agreement for both planning authority and developer, but its flexibility is undermined by uneven outcomes across different schemes and an overall lack of resourcing in local government.

This complexity in upfront obligations creates conditions which make schemes difficult to cost, creating risk which deters investment, becoming a driver of delays post-planning approval which can stall schemes.

While borough CIL spending is subject to a charging schedule and agreed programme of spending, the ability to assess whether developer contributions are delivering intended benefits is significantly hampered by the lack of transparency and consistency in how planning authorities accurately capture and review development.¹²⁷ Community infrastructure and 'in-kind' developments secured through Section 106 agreements are essential for housing and regeneration schemes to go forward – but the contributory system which secures them is complex, uneven and lacks effective transparency.

These costs occur alongside impacts from shortages in the construction workforce, associated materials costs, access to utilities, insurance and financing, which have also played a significant role in the current slowdown in housing delivery.

While this report does not fully explore solutions to the significant increase in materials cost since 2022 and long-standing shortage in key skills sectors, particularly construction, this was cited by interviewees and literature review as a significant supply-side barrier to housing delivery in the current climate.

CITB's labour market intelligence forecasts that the UK construction industry needs to recruit the equivalent of around 47,860 additional workers a year over 2025–2029 to meet expected demand, with shortages particularly acute in key trades needed for housing delivery.¹²⁸

Official materials and construction price indices show that input and output costs rose sharply during the recent inflationary period, with the Department for Business and Trade's construction material price index for 'All Work' up 16.7% year on year in September 2022, adding materially to build costs and viability pressures.¹²⁹¹³⁰

Delays and uncertainty in utility connections can also hold up build-out: Ofgem has cited developers facing connection delays of years beyond their original offers and reported cases where costs have increased substantially because of bottlenecks in the connections process and supply chains, while wider infrastructure planning challenges can add further cost and delay to making new housing sites serviceable.¹³¹

This has been evidenced in London by the significant delay in connection to the grid for major residential schemes in West London, where constraints on power supply, transmission and distribution have stalled the delivery of new housing projects.¹³²

These factors have played a key role in the slowdown in housing starts, in response to which the Government and Mayor of London have recently agreed measures intended to improve viability by reducing some of these costs, particularly developer contributions.

Central to this is a new fast-track planning route for schemes delivering at least 20% affordable housing, temporarily lowering the previous 35% threshold until March 2028 or the adoption of a new London Plan. The package also introduces temporary relief from borough CIL for eligible schemes meeting affordable housing thresholds, with enhanced relief for those going further. In parallel, some London Plan design requirements have been relaxed (e.g. dual aspect).¹³³

While these measures should provide some relief in the current downturn, they pose long-term questions for the delivery of social and affordable homes in London.

As affordable housing delivery in London has depended heavily on negotiated obligations within private schemes, market downturns create pressure to reduce those obligations to support viability. While this may improve viability for some schemes, it will destabilise affordable supply over the short-term and, if made permanent, in the long run. As a result, this destabilisation also impacts the delivery of community infrastructure, affordable workspace and 'in-kind' venues negotiated through Section 106 agreements.

This reinforces the analysis presented in Part 1 of this chapter that the cross-subsidy model is structurally fragile and has been insufficient to deliver enough affordable and social housing throughout the market cycle.

A previous attempt to standardise the system of developer contributions through a single levy, as legislated by the Conservative Government in the Levelling Up and Regeneration Act 2023, was undermined by its perceived uncertainty and market risk.

While the previous government's aims were to speed up housing delivery through reducing administrative burden and complexity, the application of levy rates to final development value (GDV) meant that receipts would be known at a later-stage, rather than upfront, creating further investment risk. This weakened the guaranteed link between market and affordable housing delivery, resulting in criticism that affordable housing would become more residual and discretionary.¹³⁴

Due to the importance of stability in the levy system, the late-staging of contributions under the proposed Levy were perceived as creating market uncertainty. Despite being passed into legislation, the planned single levy was ultimately abandoned by the 2024 Labour Government.

Reform to developer contributions should therefore achieve three goals – to increase predictability and certainty at land acquisition, to align costs with development phases, and to reduce volatility in planning gain, particularly of affordable housing.

A reformed system of developer contributions should be designed to solve these three linked problems, as well as address weaknesses in previous attempts at reform:

1. The current mix of Section 106, CIL and other charges is complex and negotiated, which increases uncertainty and makes obligations difficult to price at land acquisition.
2. Costs can be front-loaded or crystallise late in the process, which is harmful when finance is expensive and viability margins are thin.
3. The current system produces uneven and volatile affordable housing and infrastructure outcomes while becoming harder to sustain during downturns, which have prompted short-term relief measures with long-term trade-offs.

Our interviewees agreed that reform should not remove the principle of value capture, but to convert an uneven process of layered regulation into a predictable system that reduces discretionary negotiation, supports viability through market cycles, and protects affordable housing delivery and infrastructure receipts.

Reforms would align with more rules-based and predictable international comparators, such as New York, Paris and Tokyo, which the OECD suggests are more effective for land value capture.¹³⁵ This approach would also enable planning authorities to better budget and resource the planning system itself, further enhancing plan-making public engagement as discussed in Part 3 of this chapter.



Recommendation 13 – The Government should work with the GLA and boroughs to introduce a reformed and devolved Infrastructure Levy (IL) to replace the existing system of developer levies.

We recommend that the Government use the dormant Infrastructure Levy legislation and its forthcoming devolution legislation programme (e.g. review of the GLA Act) to empower the GLA and boroughs to phase in a **single Infrastructure Levy (IL)**, integrated with a refreshed rules-based planning approach where non-monetisable obligations (quality, space, design) would sit.

The IL would comprise a single, floorspace-based levy at local level that replaces the financial components of Section 106, borough CIL and mayoral CIL with a simpler rules-based system that can be priced upfront, calculated accurately to market conditions, and delivered consistently across all local authorities. It would build on the current charging model used in CIL, setting an indexed £s per sqm rate coordinated regionally, which offers greater certainty than a rate on Gross Development Value (GDV).

The IL would adhere to the following principles:

1. **Simplicity and predictability:** A single levy that integrates multiple charges and makes them more predictable, allowing developers to price obligations at acquisition and finance stages rather than renegotiate late in the process.
2. **Locally led with strategic coordination:** Boroughs set and collect the levy, while the GLA sets a mayoral precept and coordinates standards, priorities and pooled funds for strategic developments or infrastructure schemes.
3. **Affordable housing protected by design, not negotiation:** Affordable housing requirements are embedded in zoning codes, with the levy reinforcing, not substituting, delivery. Similarly, non-financial obligations and 'in-kind' venues would be embedded in zoning codes and agreed early at the planning stage, improving the viability and quality of community infrastructure.
4. **Cash-flow sensitive phasing:** Payments are staged and aligned to development phasing to reduce viability risk, with options for deferred payments, interest-bearing deferrals, or municipal bonds/guarantees for higher-risk schemes in complex circumstances.
5. **Land value capture, not developer taxation:** Levy rates are calibrated to local market conditions and indexed with minimum and maximum bounds to ensure viable schemes, enabling flexible adaptation to site-specific conditions with bounded adjustments to avoid volatility and ensure local authorities are guaranteed revenues. This means that the floorspace levy can still capture land value uplift, as the £/sqm rates are set by zone and indexed to market conditions, based on viability testing of residual land values at Local Plan-making stage.

6. **Retain flexibility for abnormal costs:** A narrow, rules-based exceptions protocol would be triggered when exceptional costs exceed defined benchmarks (e.g. decontamination, heritage, remediation), to handle outliers without reopening full negotiations.

Operationally, the Levy would comprise two ring-fenced components:

Local Infrastructure Fund: This would fund transport, health, environment or borough-specific priorities set through Infrastructure Delivery Plans, effectively replacing CIL.

Social & Affordable Housing Fund: A fund used for supply and acquisition of affordable homes and for stalled-site interventions linked to affordable housing issues (empty properties, buyer/developer collapse etc).

This two-pot structure ensures that affordable housing outcomes are insulated from volatile conditions in the private market and reduces reliance on cross-subsidy development.

How the IL would secure affordable housing delivery:

- **A mandatory affordable housing requirement:** Each borough sets a minimum threshold for affordable delivery which is viability-tested at plan-making stage and embedded into Local Plan policy. This would be coordinated at a regional level. It is non-negotiable and cannot be offset by additional levy payments, but firmly embedded in strategic planning policy to reduce investment risk for the private market.
- **A credits system to incentivise additionality:** The IL would include a credits system which would enable developers to reduce overall levy costs through delivering additional social and affordable units on-site. Credits would be set in accordance with borough tenure priorities and would be non-transferrable between developments. The developer would not receive credits unless the scheme meets or exceeds the minimum threshold, with credits acting as a strictly post-compliance incentive mechanism.
- **Credits would only apply to the affordable housing share of the levy:** The total levy, when calculated, would be divided into its two strategic funds. Credits would only apply to the affordable housing component, not the infrastructure component. This would ensure boroughs maintain healthy returns for local infrastructure.
- **Credits would not substitute other existing mechanisms for affordable supply:** Grant funding (e.g. through the Affordable Homes Programme) would remain an essential tool for building affordable homes. A new credits system would reduce pressure on this fund and ensure there is a healthy supply, while enabling grant to support more direct delivery and acquisitions and to finance more challenging or specialist developments such as supported housing.



Ensuring good building standards while reducing regulatory risk

Standards and safety requirements have also become a material driver of delivery risk in the London context.

The Building Safety Act 2022 and subsequent design guidance introduced new requirements for residential buildings over 18 metres or six storeys such as second staircases which added complexity and cost to mid-to-high rise buildings. Also, delays at the Building Safety Regulator (BSR) 'Gateway 2' review are impacting construction, with a recent FOI finding that as of August 2025, 37 London schemes had been waiting for Gateway 2 decision for more than 12 weeks.¹³⁶

Our interviews emphasised that high standards are not a 'nice to have' – but that shifting requirements and regulatory risk do affect viability.

Our interviewees described 'policy creep' in building safety requirements, citing long timelines and regulatory risk as factors that are now able to stall schemes significantly.

That said, some interviewees noted that if reforms to BSR succeed and the process becomes more predictable and applicant quality improves, Gateway 2 could become a more stable 'known cost' rather than a delay risk, which would mitigate long-term suppressive effects on starts.

For this to be achieved, adequate resourcing of the BSR in the long run is crucial. A recent international review emphasised that a regulator's structure matters less than it having the capacity (staff, data systems, expertise) to do its job effectively.¹³⁷

There are promising signs that decision rates at Gateway 2 are improving. The regulator reported a record 272 decisions to November 2025 (578 since August) with a 73% approval rate and 76% of determinations in London. By December 2025 it recorded the highest quarterly total so far (347 decisions) with good-quality Innovation Unit cases achieving approvals in around 12–13 weeks.¹³⁸

Recommendation 14 – The GLA should use the next London Plan to refine building design and safety standards guidance and advice for clarity, quality and deliverability to reduce regulatory risk.

To help integrate and smooth the adoption of existing and any incoming design standards and safety requirements, while ensuring necessary safety and quality standards are met, the GLA should:

- **Publish key design tests as clear parameters** (e.g. height/storey bands) to ensure applications provide suitable and sufficient evidence so that planning officers can determine compliance consistently.
- **Develop and publish a clear and consistent London Tall Buildings design guidance checklist** to implement 18m+ buildings requirements (e.g. second staircases, fire safety requirements).
- **Expand and formalise a ‘BSR Gateway Readiness Clinic’ to raise submission quality and reduce Gateway-2 delay risk.** This would build on the existing GLA pre-application service, BSR Planning Gateway One pre-application advice, and London Fire Brigade fire-engineering consultations to help applicants to submit compliant Gateway-2 applications.



Improving policy around development finance and managing the double-bind of demand-side stimulus

Our interviewees described the cost of finance and risk premia as central to the current downturn in private market starts and completions.

Higher borrowing costs since 2022 have impacted residual land values and made housing delivery harder to fund. The broader environment of higher inflation and interest rates have also impacted development costs and reduced viability at every stage of the construction process.

Some interviewees also suggested that uncertainties in planning, developer contributions and design requirements have increased the risk margin required by lenders and investors, making accessing sufficient and affordable finance for development more challenging than in the 2010s when private delivery was strongest.

Interviewees also highlighted weakening effective demand and low absorption as significant contributors to the current downturn.

When effective demand for private sale weakens, developers reduce starts because they cannot sell units quickly enough to recycle capital. Analysis by Molior highlights a correlation between reduced sales and starts since 2016, citing falling investor demand in the latter part of the 2010s and weakening of household demand since 2022. This has resulted in an estimated 3,897 completed homes sitting unsold as of early 2026.¹³⁹

Industry analysis highlights that overseas investor demand played a crucial role in underpinning major developments in London during the peak in housebuilding in the 2010s by underwriting early stages of large schemes through 'off-plan' pre-sales.¹⁴⁰

More recently however – and partially due to the abolition of 'Multiple Dwellings Relief' on bulk purchases of new homes – international investment in London's property market has cooled, contributing to the current downturn in delivery.¹⁴¹¹⁴² The growth in alternative real estate markets such as purpose-built student accommodation, commercial and logistics sectors has accelerated in response to these conditions.¹⁴³

Industry commentators argue that the current focus on starts and completions underplays the role of development finance and aggregate investment levels in housing delivery.

While current policy uses starts and completions as performance indicators, in practice, development depends on a chain of financing decisions and risk assessments across land acquisition, construction, and sales. This means that policy which optimises for starts and completions can produce a strong pipeline that is consented on paper but is not financeable.

A greater focus on how development is financed in aggregate could complement existing policy by explicitly seeking to identify how the GLA and boroughs can crowd in investment at scale and shape policy in response to where risk and transaction costs are highest.¹⁴⁴

This in turn would enable planning authorities to be better informed and prepared for conditions to deliver homes at scale, thus influencing how Local Plan-making can respond strategically. There is however limited published empirical work that quantifies how London-specific planning uncertainty translates into a measurable risk premium in development finance pricing.

Recommendation 15 – The GLA should introduce a ‘Development Finance’ section as part of the next London Plan.

A finance-focused section would complement existing planning approaches and the Greater London Housing Fund we proposed in Part 1 to give improved conditions to investment capital and produce a framework for strategic planning to maximise aggregate investment throughout the market cycle. This should seek to:

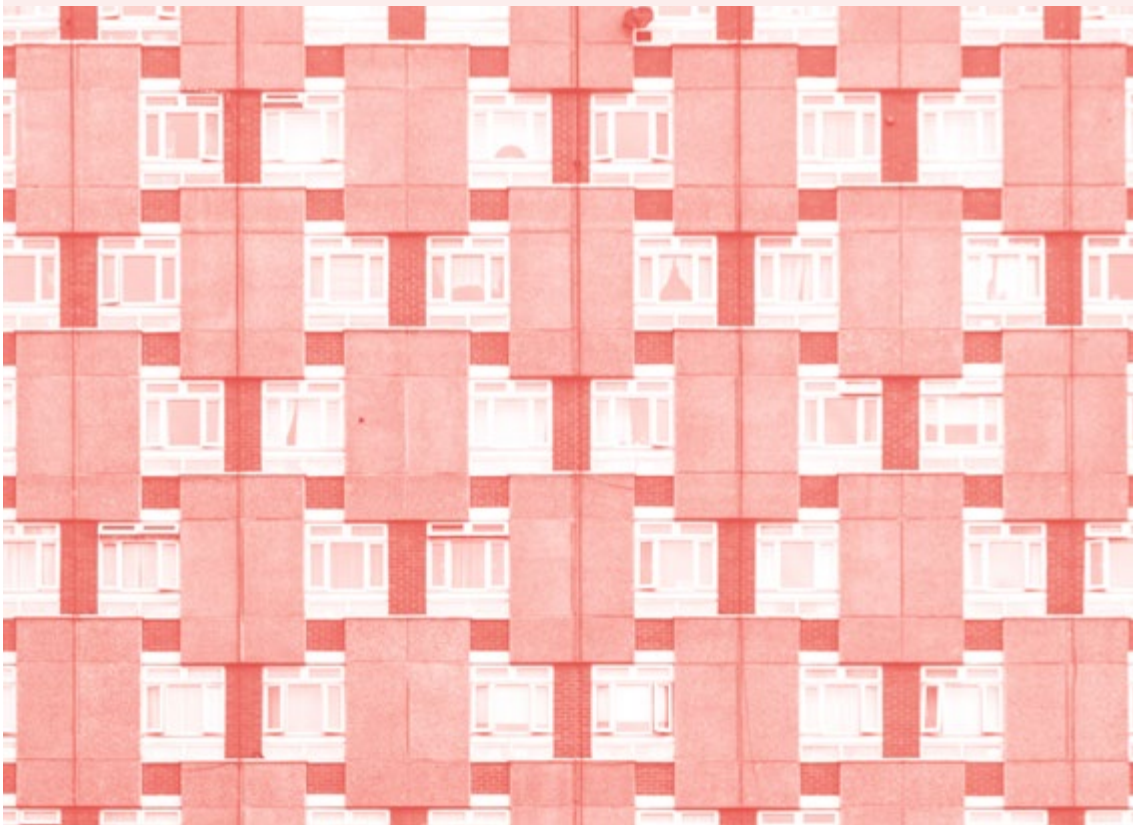
- **Align London policy with national public investment instruments**, setting out how the GLA will broker access for major schemes eligible for Homes England’s National Housing Bank products (debt, equity, guarantees) or the Affordable Homes Guarantee Scheme through a single Greater London Housing Fund.
- **Help evidence de-risking for lenders and equity**, by providing templates for presale and forward-fund heads of terms and disclosure on large schemes and encouraging voluntary reporting on presales volumes.
- **Introduce a finance and delivery monitoring approach**, publishing indicators covering starts, construction pipeline, unsold completions, presales or forward-funding status for major schemes, levy receipts and spending. This would help to guide pro and counter-cyclical measures to support delivery and stability through the market cycle.



Recommendation 16 – The Government should restore Multiple Dwellings Relief for bulk purchases of new-build housing in the Build-to-Rent sector.

In response to the downturn in investment demand for high-quality private rented sector housing, tax relief for purchasing multiple homes off-plan should be reinstated so as to reduce the upfront financial impact of development and re-attract early investment in large-scale BTR developments.

This tax relief is intended to directly respond to the growing need for viable, investable new private rented supply. This would then limit the effects of speculative investment in the real estate market while stabilising delivery rates and viability for the BTR sector.



While demand-side subsidies intended to support access to homeownership are politically popular and can stimulate housebuilding, they run the risk of being counter-productive.

Demand-side subsidies like Help to Buy can act as a stimulus for housebuilders to deliver homes at certain price points, often aimed at first-time buyers. The introduction of Help to Buy supported residential development through much of the 2010s – and enabled an estimated 42,000 households to buy in London.¹⁴⁵

The slowdown in London's housing market has led to increasing calls for a similar subsidy to stimulate effective demand for first-time buyer homes. However, any new stimulus package needs to be approached with caution.

While Help to Buy increased the delivery of first-time buyer homes and boosted viability for housebuilders, this effect was only observed in areas with lower supply constraints and no additionality was observed in London.¹⁴⁶ Empirical analyses show that the injection of subsidy into London's supply-constrained market raised prices by roughly twice as much as the original Help to Buy subsidy, as well as crowding out other affordable tenures.^{147,148}

Recent analysis by the Institute for Fiscal Studies found that Help to Buy was least effective in London. While the scheme significantly increased how much buyers could borrow, this mainly translated into higher prices rather than better affordability. In London, the policy pushed up the maximum price households could pay more than anywhere else, but did little to increase the proportion of homes that less affluent households could afford. As a result, a large share of the subsidy was absorbed into higher house prices, with few lasting benefits for affordability.¹⁴⁹

In other words, while a significant number of Help to Buy homes in London were built and sold, in aggregate this contributed to worsening rather than improving affordability overall.

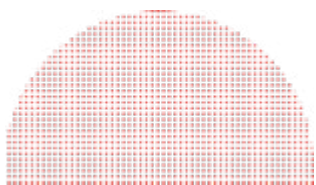
This is in addition to evidence showing that a significant share of Help to Buy loans supported households who were able to buy anyway as well as a small proportion of people who already owned a property.¹⁵⁰

Therefore, to avoid repeating the counterproductive effects of Help to Buy, any successor demand-side scheme should be smaller in scale, time-limited, and tightly targeted to low and middle-income first-time buyers who would not have been able to buy without it.

Any new demand-side support, if pursued, must be smaller in scale and available only to low- and middle-income first-time buyers for whom a smaller equity loan makes the marginal difference between their existing purchasing power and the cost of a first-time buyer home delivered through the scheme.

While there are calls for extending demand-side support to 'second-steppers', which could in theory create chains of moves, any broadening of subsidy is likely to drive the kind of counter-productive price inflation seen under Help to Buy.

Also, rather than a general affordability measure – which Help to Buy was framed as – any demand-side subsidy should also be properly understood as constituting a targeted and time-limited stimulus for housebuilders to deliver homes specifically for the first-time buyer market during the current downturn, and its success should be evaluated on additionality – not on numbers of loans made.



Industry-led proposals published by Enfield Council and Pocket Living for a first-time buyer scheme underpinned by developer contributions could reduce the risk of price inflation and better align incentives with additionality. Government involvement would be primarily to improve consumer confidence, with a much lower level of equity backing than previous models.¹⁵¹

Recommendation 17 – The Government should ensure any ‘Help to Buy’ style-equity loan scheme is time-limited, tightly-targeted, and partly developer-funded, and is focussed on additionality.

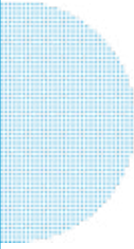
To help those who would not be able to buy otherwise, this demand-side subsidy must be available solely for low-to-middle income first-time buyer households, and be funded with a minimum of Government equity support to minimise subsidy capture and maximise additionality. If pursued, the scheme should:

- Be **available for middle-to-low income first-time buyers** only.
- Be available **only for new-build housing**.
- Backed by a **limited amount of Government-backed equity loan** (e.g. 10% or less to limit inflation effects), intended to bridge marginal gaps between low-and-middle income household’s purchasing power and new-build first-time buyer homes supported by the scheme.
- **Supported with developer contributions for developers to access the scheme**, acting to bridge the gap between unit cost, available subsidy, and household purchasing power.
- Be **time-limited to up to 5 years** to stimulate delivery during the current downturn and minimise capitalisation when market conditions improve.





Conclusion



“But just as we can move mountains when our liberties are threatened and we will have to fight for our lives, so can we when the future of our London is at stake. If only we will.

The economics are difficult, the timing is difficult, the moral, physical and intellectual effort is difficult. I do not believe, I do not think any one of us really believes, that any of these difficulties are insurmountable.”

– *The Rt. Hon. Lord Latham, Leader of London County Council, writing in the London County Plan, 1943.*¹⁵²

In the aftermath of the Second World War, strategic urban planning for London’s future redesigned the city after six years of destruction. Slums, burned-out ruins, and an evacuated population looking to return to their homes spurred an ambitious plan to rebuild a capital city.

In 2026, 80 years after the publication of the Abercrombie Plan for post-war regeneration and development in London, the same spirit of urgency and structural reform is required.

London’s housing crisis is not a local or temporary problem. It is a national priority that has destabilised London’s civic life and is increasingly undermining the capital and the country’s economic success.

This report is not arguing that London doesn’t need to build more homes. Building more is non-negotiable.

But reducing the crisis solely to a supply issue and treating higher headline housing delivery rates as a sufficient strategy on its own is an incomplete explanation for the problem and an insufficient jumping off point for solutions.

The experience of the last two decades or so shows us that focusing solely on new supply at any cost will not deliver the pace or breadth of change required.

The collapse in the availability of social and affordable housing and widening inequalities in how London’s existing housing stock is distributed are shaped primarily by demand-side factors and are central to the problems the city faces.

And it is these dynamics which explain why **London's housing market has become a 'winner-takes all' system that has created the harshly unequal city we see today.** A city where the diminishing share of Londoners who own their home have gained more space, have lower housing costs and accumulated significant wealth, while millions of others face poverty, insecurity and poor conditions in cramped private rented homes, on social housing waiting lists, in temporary accommodation, or sleeping on the streets.

To deliver the homes Londoners need, we must simultaneously:

1. Deliver a **step-change in the number of social and affordable homes.**
2. Promote a **more efficient and equitable housing market** that ensures London's existing housing stock better meets Londoner's needs.
3. Enable **sustained increases in private housing delivery** to ensure long-run price stability.

Marginal changes will not be enough. The steps set out above are intended to work together and should be treated as a coherent package rather than a menu. **If action is taken on only one aspect of the London housing problem, we will entrench the system that needs change.**

And, with a new London Plan on the way, two confirmed new towns in the city, and a Government that remains committed to increasing housing delivery, **the time to act is now.**



Recommendations

Radically expanding the capacity of local authorities and housing associations to deliver and manage homes

This report sets out recommendations for public policy at the national, regional and local level to address London's housing crisis, and what would need to be true to deliver the homes London needs. Throughout this report, we have described the rationale, focus and intention behind each recommendation. A description of each of the 17 recommendations are provided below.

1. The Government should accelerate efforts to recapitalise the social rented sector.

This would be best achieved by accelerating rent convergence to allow weekly rents to increase by £3 a week yearly above CPI+1% in London to account for the higher revenue requirements of London's social sector.

2. The Government and the GLA should collaborate to increase the scale and flexibility of the 2026–2036 London Social and Affordable Homes Programme (LSAHP) to better respond to London's housing needs and delivery context.

This should be achieved through:

- **Expanding the total programme envelope** by up to an additional £912m annually through a reformed and partially devolved Proportional Property Tax funded by local and city government to replace Council Tax and Stamp Duty (see Part 2 of this chapter for details).
- **Fully devolving LSAHP programme objectives and design to the GLA**, giving it full discretion to design and deliver the programme in partnership with London's local authorities and social housing providers in response to local housing need and delivery context.
- **Reforming LSAHP design to introduce greater flexibility on grant rates and levels** to ensure sufficient grant is available for family-sized units, with grant allocations set per habitable room, with greater consideration for funding specialist and supported housing.
- **Simplifying additionality assessments in line with a reformed, rules-based and transparent single London Infrastructure Levy** where zoning-based, minimum affordable thresholds and affordable housing top-up credit schedules reduce the need for scheme-by-scheme additionality reviews.

3. The Government should work with the GLA to finance councils and RPs to deliver and acquire social and affordable homes throughout the market cycle.

This should be achieved through:

- **Establishing a Greater London Housing Fund** by evolving the City Hall Developer Investment Fund to access and pool investment from private sector partners, low-cost loans, and revenue from reforms to developer contributions, creating a new regional wealth fund to strategically deploy investment in housing delivery.
- **Expanding the availability of National Housing Bank-backed 0.1% loans** to councils and, for time-limited periods of market weakness, allowing more than 10% of the fund to be used for acquisitions during time-limited periods of market weakness.
- **Requiring all schemes over a certain size to name a specific social sector partner at the planning stage** to work with developers on scheme and unit design to mitigate against unsuitability for acquisition.

4. The Government and GLA should work with boroughs to introduce a new municipal Build-to-Rent model delivered and managed by local authorities, council-owned housing companies or registered providers.

This should be achieved by:

Introducing a new 'Municipal Build-to-Rent' sub-category in the next London Plan, establishing that schemes owned by councils (or council-owned housing companies and council-RP partnerships) can qualify as municipal BTR when they meet the necessary criteria on quality and additionality, as well as meeting existing requirements on covenant, management and security of tenure.

Introducing a new enhanced Municipal Local Housing Allowance Rate, established through a new LHA 'uplift class' for accredited homes delivered and operated by local authorities and RP partners, set at the 50th percentile of local rents and CPI-indexed annually. This would be subject to additionality and quality tests to the Decent Homes Standard which would be set out in London Plan guidance, as well as additional flexibilities provided by a relaxed HRA. This would include enabling direct payment mechanisms where appropriate (similar to existing Universal Credit landlord payment arrangements) to ensure subsidy can support scheme financing and revenue flow.

Require planning applications for schemes over a certain size to consider the suitability of municipal rent off-take options, in line with proposed requirements for schemes to identify a named acquisitions partner to ensure suitability and maximise absorption potential.

Recommendations

Tackling demand-side inefficiencies and inequalities in the housing market

5. The Government should introduce caps on Loan-To-Value ratios for Buy-to-Let properties in supply-constrained areas like London.

To reduce price inflation and competition for existing homes driven by investor demand, while protecting rental supply and supporting first-time buyers in supply-constrained areas, the Government should:

- Set a **lower maximum LTV ratio for Buy-to-Let mortgages** (for example, 60–70%), with periodic review and adjustment based on market conditions and rental supply trends.
- Target the cap to **areas with acute supply constraints and high investor-driven price inflation** such as Inner London.

These measures should be matched by efforts to stimulate additional rental supply, such as through restoring Multiple Dwellings Stamp Duty Relief on off-plan BTR sales, establishing an enhanced-LHA-backed Municipal Build-to-Rent, and stimulating additional routes to acquisition for local authorities and registered providers.

6. The Government should introduce a partially devolved Proportional Property Tax and remove Council Tax and Stamp Duty for primary and sole residences.

To achieve this, the Government should:

- **Remove Council Tax on all dwellings and Stamp Duty on transactions by UK residents purchasing their sole primary residence**, retaining the current levies on additional dwellings and non-residential transactions.
- **Introduce a partially devolved Proportional Property Tax**, applying to all private dwellings and excluding social homes, with a national rate set at a minimum of 0.07% to replace lost Stamp Duty revenues and devolve regional and local rate setting to existing Council Tax collection authorities.

Once granted rate-setting powers over a Mayoral PPT, the Greater London Authority should:

- Introduce a **progressive Mayor's Housing Levy** with a base rate of 0.07% with incrementally higher rates on homes worth £800,000 and above.
- Set rates to raise **up to £912m additional funding for reinvestment** alongside boroughs in the London Social and Affordable Homes Programme.

Once granted rate-setting powers over a local PPT, the London boroughs should:

- Introduce a **single local Housing Levy**, with a city-wide average rate of 0.25% required to replace lost Council Tax revenues, and set rates and discounts according to local need and housing market conditions e.g. additional social and affordable housing delivery, temporary accommodation costs, or other service priorities.

7. The Government should fully abolish Right to Buy to end the loss of social rented homes.

Despite recent reforms that allow councils to retain receipts and use them more flexibly, replacement remains constrained in high-cost markets like London because discounted sale receipts rarely cover the full cost of replacing like-for-like social rented homes in the same communities.

The Government should therefore:

- **Legislate to end Right to Buy for council homes in England**, preventing further depletion of social rented stock.

8. The GLA should work with London local authorities to introduce a London-wide 'Help to Move' Scheme targeted at owner-occupiers in larger homes, offering personalised support to right-size and move into suitable homes.

This should target owner-occupiers with current or future health and care needs, and replicate and scale up existing approaches delivered by local authorities and registered providers, with the following principles:

1. **Personalised support** with a named case worker to assist downsizers in finding suitable homes and supporting them through the moving process.
2. Well-advertised and promoted within the community, ideally with a **recognisable London-wide brand** as well as an accessible route to engagement in each local authority, including a non-digital (e.g. telephone) service.
3. Allowances to **support the costs of moving home** such as furniture removals, service disconnection and reconnection of white goods.
4. Offering **limited cash incentives** for lower-income households to support moves. This could comprise discounts or exemptions to a new Proportional Property Tax.

9. The Government should empower local authorities to introduce a 'Right to Sell' scheme, enabling owner-occupiers to sell equity in their home to the local authority to fund liveability improvements and care costs and to expand the acquisition of stock by local authorities over time.

Allow owner-occupiers to sell a defined equity share in their home to the local authority (with the council holding the right of first refusal at eventual sale) to finance essential adaptations and upgrades while creating a pipeline of homes for social or affordable rent. The scheme would:

- Unlock and improve stock through releasing equity to support upgrades, retrofits or adaptations.
- Increase lettings at social and affordable rent and reduce pressures on temporary accommodation by aligning acquisitions with local housing need and nomination pathways.
- Be financed by a National Housing Bank low-cost loan facility and managed by the GLA through a new Greater London Housing Fund, ensuring value for money and effective implementation.

10. The Government should introduce new grounds for local authorities to use Compulsory Purchase powers to acquire long-term empty homes and properties owned by criminal landlords.

This would enable boroughs to act decisively where engagement and standard enforcement have failed. The policy would reduce harmful vacancy, deter repeat criminality in the private rented sector, expand the stock available for social and affordable letting, and lower pressures on temporary accommodation by converting problematic dwellings into safe, occupied homes.

To achieve this, Government should:

- Create a '**Vacant Dwelling CPO**' route (for example, vacant and unfurnished for 12+ months with no credible plan for re-occupation or sale), due-process safeguards and compensation rules.
- Create a '**Mandatory Sale Order**' power for persistently unsafe or unlawful PRS properties, activated after due enforcement so that chronic non-compliance can lead to acquisition where tenants' safety is at risk.
- Restore the usability of **Empty Dwelling Management Orders (EDMOs)**, returning to a 6–12 month threshold.

Recommendations

Making building private housing in London cheaper and easier

11. The GLA, boroughs and central government should collaborate to introduce a rules-based 'London system' for plan-led approvals under the upcoming London Plan and national planning reforms.

To achieve this, as part of a broader shift away from discretionary decision-making towards a rules-based framework, the GLA, boroughs and central government should collaborate to ensure the next stage of national planning reforms, upcoming London Plan and borough Local Plans:

- Adopt a **rules-based route to planning permission** so that proposals which follow clear, published rules are approved through officer-level delegated decisions with a discretionary route only in justified complex cases.
- Publish a collaborative **London-wide rulebook of zones or street-type categories** with measurable parameters which is agreed on and enforced by every local authority, with special designations for statutory land uses as required.
- Create **meaningful low-friction routes for compliant schemes** using Local Development Orders (LDOs) and/or Permission in Principle (PiP) in mapped areas. The GLA and boroughs should work to design a London-specific template for implementing these routes, while setting a standard process for code-compliant schemes to be granted by officers under an agreed scheme of delegation, with non-compliant schemes following the existing discretionary route.
- **Standardise the planning 'dictionary'** across London by publishing an agreed common set of spatial classifications through statutory NDMPs, so that similar land contexts have similar rules across borough boundaries, reducing cross-borough variation.
- Work with central government to **secure a long-term funding and capacity boost to local authority planning departments** to facilitate and support greater resident engagement in a reformed plan-making process, enabling local buy-in, scrutiny and validation at a strategic level.

12. The GLA and boroughs should collaborate to develop a London Small-Sites Delivery Strategy to increase density and support SME builders.

To achieve this, the GLA and boroughs should collaborate to ensure the next London Plan and borough Local Plans:

- Require borough-level **Small Sites Design Codes** with a standardised ‘by-right’ consent route for schemes that comply with a published schema of common small-site typologies such as corner infills and side-plots.
- Introduce greater **London-wide standardisation of key building parameters** for small-site units to reduce cross-borough variation.
- Set clear planning **guidance for small-site developments containing householder-led elements** such as extensions, garage conversions or infills.
- Continue to set **measurable small-sites targets**, with boroughs working with the GLA to publish a small-sites capacity map and pipeline data.

This should be supported by reforming the developer contribution system to introduce a single Infrastructure Levy (see Part 3) which should include:

- **Exemptions or discounts** for developer contributions for small schemes.
- **Cash-flow sensitive payment schedules**, including deferred payments, to support SME builders on small-sites.

13. The Government should work with the GLA and boroughs to introduce a reformed and devolved Infrastructure Levy (IL) to replace the existing system of developer levies.

We recommend that the Government use dormant Infrastructure Levy legislation and its forthcoming devolution legislation programme (e.g. review of the GLA Act) to empower the GLA and boroughs to phase in a **single Infrastructure Levy (IL)**, integrated with a refreshed rules-based planning approach where non-monetisable obligations (quality, space, design) would sit.

The IL would comprise a single, floorspace-based levy at the local level that replaces the financial components of Section 106, borough CIL and Mayoral CIL with a simpler rules-based system that can be priced upfront, calculated accurately to market conditions, and delivered consistently across all local authorities. It would expand the current charging model used in CIL, setting an indexed £s per sqm rate coordinated regionally, which offers greater certainty than a rate on Gross Development Value (GDV).

The IL would adhere to the following principles:

- 1. Simplicity and predictability:** A single levy that integrates multiple charges and makes them more predictable, allowing developers to price obligations at acquisition rather than renegotiate late in the process.
- 2. Locally led with strategic coordination:** Boroughs set and collect the levy, while the GLA sets a Mayoral rate and coordinates standards, priorities and pooled funds for strategic developments or infrastructure schemes.
- 3. Affordable housing protected by design, not negotiation:** Affordable housing requirements are embedded in zoning codes, with the levy reinforcing, not substituting, delivery. Similarly, non-financial obligations and 'in-kind' venues would be embedded in zoning codes and at the planning stage, improving the viability and quality of community infrastructure.
- 4. Cash-flow sensitive phasing:** Payments are staged and aligned to development phasing to reduce viability risk, with options for deferred payments, interest-bearing deferrals, or municipal bonds/guarantees for higher-risk schemes in complex circumstances.
- 5. Land value capture, not developer taxation:** Levy rates are calibrated to local market conditions and indexed with minimum and maximum bounds to ensure viable schemes, enabling flexible adaptation to site-specific conditions with bounded adjustments to avoid volatility and ensure local authorities are guaranteed revenues. This means that the floorspace levy can still capture land value uplift, as the £/sqm rates are set by zone and indexed, based on viability testing of residual land values at plan stage.
- 6. Retain flexibility for abnormal costs:** A narrow, rules-based exceptions protocol would be triggered when exceptional costs exceed defined benchmarks (e.g. decontamination, heritage, remediation), to handle outliers without reopening full negotiations.

Operationally, the levy would comprise two ring-fenced components:

Local Infrastructure Fund: This would fund transport, health, environment or borough-specific priorities set through Infrastructure Delivery Plans.

Social & Affordable Housing Fund: A fund used for acquisition of the affordable homes, delivery of new affordable homes by local authorities, stalled-site interventions linked to affordable housing issues (empty properties, buyer/developer collapse etc.).

This two-pot structure ensures that affordable housing outcomes are insulated from volatile conditions in the private market and reduces reliance on cross-subsidy development.

How the IL would secure affordable housing delivery:

- **A mandatory affordable housing requirement:** Each borough sets a minimum threshold for affordable delivery which is viability-tested at plan-making stage and embedded into Local Plan policy. This would be coordinated at a regional level. It is non-negotiable and cannot be offset by additional levy payments.
- **A credits system to incentivise additionality:** The IL would include a credits system which would enable developers to reduce overall levy costs through delivering additional social and affordable units on-site. Credits would be set in accordance with borough tenure priorities and would be non-transferrable between developments. The developer would not receive credits unless the scheme meets or exceeds the minimum threshold, with credits acting as a strictly post-compliance incentive mechanism.
- **Credits would only apply to the affordable housing share of the levy:** The total levy, when calculated, would be divided into its two strategic funds. Credits would only apply to the affordable housing component, not the infrastructure component. This would ensure boroughs maintain healthy returns for local infrastructure.
- **Credits would not substitute other existing mechanisms for affordable supply:** Grant funding (e.g. through the Affordable Homes Programme) would remain an essential tool for building affordable homes. A new credits system would reduce pressure on this fund and ensure there is a healthy supply, while enabling grant to support more direct delivery and acquisitions and to finance more challenging or specialist developments such as supported housing.

14. The GLA should use the next London Plan to refine building design and safety standards guidance and advice for clarity, quality and deliverability to reduce regulatory risk.

To help integrate and smooth the adoption of existing and incoming design standards and safety requirements while ensuring necessary safety and quality standards are met, the GLA should:

- **Publish key design tests as checkable parameters** (e.g. height/storey bands) to ensure applications provide suitable and sufficient evidence and planning officers can determine compliance consistently.
- **Develop and publish a clear and consistent London Tall Buildings design guidance checklist** to implement 18m+ buildings requirements (e.g. second staircases, fire safety requirements).
- **Expand and formalise a 'BSR Gateway Readiness Clinic' to raise submission quality and reduce Gateway-2 delay risk.** This would build on the existing GLA pre-application service, BSR Planning Gateway One pre-application advice, and London Fire Brigade fire-engineering consultations to help applicants to submit compliant Gateway-2 applications.

15. The GLA should introduce a 'Development Finance' section as part of the next London Plan.

A finance-focused section would complement existing planning approaches and the Greater London Housing Fund we proposed in Part 1 to give improved conditions to investment capital and produce a framework for strategic planning to maximise aggregate investment throughout the market cycle. This should seek to:

- **Align London policy with national public investment instruments**, setting out how the GLA will broker access for major schemes eligible for Homes England's National Housing Bank products (debt, equity, guarantees) or the Affordable Homes Guarantee Scheme.
- **Help evidence de-risking for lenders and equity**, by providing templates for presale and forward-fund heads of terms and disclosure on large schemes and encouraging voluntary reporting on presales volumes.
- **Introduce a finance and delivery monitoring approach**, publishing indicators covering starts, construction pipeline, unsold completions, presales or forward-funding status for major schemes, levy receipts and spending. This would help to guide pro and counter-cyclical measures to support delivery and stability through the market cycle.

16. The Government should restore Multiple Dwellings Relief for bulk purchases of new-build housing in the Build-to-Rent sector.

In response to the downturn in investment demand for high-quality private rented sector housing, tax relief for purchasing multiple homes off-plan should be reinstated so as to reduce the upfront financial impact of development and re-attract early investment in large-scale BTR developments.

This tax relief is intended to directly respond to the growing need for viable, investable new private rented supply. This would then limit the effects of speculative investment in the real estate market while stabilising delivery rates and viability for the BTR sector.

17. The Government should ensure any 'Help to Buy' style-equity loan scheme is time-limited, tightly targeted, and partly developer-funded, and is focussed on additionality

To help those who would not be able to buy otherwise, this demand-side subsidy must be available solely for low-to-middle income first-time buyer households, and be funded with a minimum of Government equity support to minimise subsidy capture and maximise additionality. If pursued, the scheme should:

- Be **available for middle-to-low income first-time buyers** only.
- Be available **only for new-build housing**.
- Backed by a **limited amount of Government-backed equity loan** (e.g. 10% or less to limit inflation effects), intended to bridge marginal gaps between low-and-middle income household's purchasing power and new-build first-time buyer homes supported by the scheme.
- **Supported with developer contributions for developers to access the scheme**, acting to bridge the gap between unit cost, available subsidy, and household purchasing power.
- Be **time-limited to up to 5 years** to stimulate delivery during the current downturn and minimise capitalisation when market conditions improve.

Methodological Annex for London Dwelling Stock and Price Modelling

This annex documents the analytical approach, data sources, assumptions and calculations used to estimate how London house prices might have evolved had dwelling stock expanded more rapidly between 2002 and 2024. It also describes how we derive the number of additional homes required to achieve specific price reductions under different supply elasticity assumptions.

Data Sources

We use Valuation Office Agency (VOA) data on the stock of Council Tax properties for London's dwelling stock and Land Registry data for London average house prices for 2002 to 2024. The annual growth rate of the stock in this period averages 0.9% per year, with values typically between 0.6% and 1.2%. These historical rates inform the design of our counterfactual supply scenarios.

Modelling Approach

We construct two alternative dwelling stock trajectories by adding an additional constant percentage growth rate to the observed annual growth between 2002 and 2024.

This keeps London's historical growth profile intact while simulating a sustained uplift in construction.

To translate supply changes into price effects we use the standard log-linear definition of price elasticity with respect to dwelling stock. Evidence for the UK generally places this elasticity between -1.5 and -2.0 .

Several UK-level studies use a price-elasticity of supply in the range -1.5 to -2.0 , based on macro-level UK market responses to dwelling stock changes. The OBR and HM Treasury often reference this range, and it has been widely applied in policy modelling.

Some studies (e.g. IFS 2022) show local supply responses in London are substantially more muted (elasticity of around 0.1)

As such, we treat $E = -1.5$ as a most policy-relevant, conservative assumption that remains aligned with UK literature but is more mindful of London's unique supply limitations and report this as our central scenario.

We also calculated the number of additional homes required to achieve a given proportional reduction in prices.

Limitations and caveats

The analysis is subject to several standard limitations, which should be stated explicitly.

- The model holds demand-side conditions constant; we do not attempt to account for changes in incomes, credit conditions, migration, and investment behaviour.
- Elasticities are applied uniformly across time.
- London is treated as an isolated housing market, without spillovers to surrounding regions
- Prices are modelled in nominal terms for consistency with the supplied data.
- Differences in elasticity or dwelling stock growth within London are not modelled; borough-level price and supply dynamics may differ.

Methodology for modelling of a partially-devolved Proportional Property Tax

This section details the methodology used for the development of this research paper's Proportional Property Tax model. It explains the rationale behind the levy's modelling and calculation, as well as how the regional progressive tax rate was implemented.

Data Sources

We model a revenue-neutral (or near-neutral) replacement of Council Tax and Stamp Duty Land Tax (SDLT) in London with an annual, value-based Proportional Property Tax (PPT). The model estimates borough-level and London-wide receipts; profiles distributional impacts across the value distribution; and allows sensitivity testing of rates and thresholds, including a GLA regional base precept plus progressive marginal top-ups on high-value homes.

- We assemble residential transactions from HM Land Registry's Price Paid Data for England and Wales and use these transactions as the primary dataset for the private housing stock and as sources for developing valuations. Postcodes are used to assign each record to a London borough (and, where needed, to wards). [HM Land Registry Price Paid Data](#)
- To uprate prices to current estimated values we use HM Land Registry's UK House Price Index (UK HPI), with the most granular geography and property-type splits available. [UK House Price Index: reports and data](#)
- To align modelled counts to official dwelling totals we use the Valuation Office Agency Council Tax: stock of properties at billing authority level. [VOA Council Tax: stock of properties, 2025](#)
- For revenue-neutral calibration of Council Tax we use the Ministry of Housing, Communities and Local Government's statistical release for 2024–25, including Council Tax requirement, tax base and average Band D. [Council Tax levels 2025 to 2026](#)
- For SDLT we use HMRC's Annual Stamp Tax Statistics 2024/25 tables and commentary, including the higher rates on additional dwellings (HRAD) and the non-resident surcharge (NRSDLT). [Annual Stamp Tax Statistics](#)

Modelling Approach (London)

Using the Price Paid Data, we collected transaction data for over 3 million individual properties over London's 33 local authorities. To ensure the dataset was both financially and spatially accurate, we applied a postcode filter to each property and removed properties with more than one transaction, leaving the most recent record per property with individual, ward-level identifiers and transaction values.

To ensure our tax model was reflecting current prices, we used House Price Index data to uprate each property to current values. This provided a more accurate, standardised estimate of each individual property's value.

Where borough's transaction records fell below dwelling stock estimates as recorded by VOA Council Tax counts, we imputed missing counts for properties in each local authority which were not present in the Land Registry data. Using property-type mixes unique to each local authority, we estimated the number and approximate value of missing dwellings per each local authority and added to the overall model. This process aims to ensure modelled counts align with the best available stock data while preserving local authority value mix.

National modelling approach (England)

In addition to the London model, we carried out a national exercise for England to estimate a PPT schedule and benchmark London against other billing authorities.

For the England benchmark we used a deliberately simple, transparent approach to construct each billing authority's PPT tax base from published averages, avoiding property-level imputations.

- For each English local authority, we took the average residential property price from the UK House Price Index (UK HPI) in May 2025 at local authority level. This provides a single, consistent per-dwelling value anchor for each area.
- We multiplied that average price by the number of dwellings on the Council Tax list for the same authority, using the VOA Council Tax: stock of properties (as at 31 March 2025). This yielded an aggregate property value base for each billing authority:
aggregate value base = UK HPI average price × VOA dwelling stock.
- We then applied the PPT rate schedule to this aggregate value base to estimate authority-level receipts. For Council Tax neutrality, each authority's local PPT precept was calibrated to replace its 2024–25 Council Tax requirement (pounds), using MHCLG's official statistics on the Council Tax requirement, tax base and average Band D. Data on Council Tax receipts for 2024–25 include arrears collected in the tax year. Total Council Tax receipts for local authorities are also calculated to subtract Greater London Authority precept base.
- For the SDLT element, the PPT replaces only core residential SDLT. We therefore derived an England-only SDLT figure by taking residential SDLT from HMRC's Annual Stamp Tax Statistics 2024–25 and removing the HRAD surcharge and the non-resident surcharge (NRSDLT), as reported in the same release.

Components of Tax Policy

The PPT itself is formed of three core components applied to each property value V_i :

Local government base precept: calibrated so that local authorities replace Council Tax revenue on a pound-for-pound basis.

Regional (GLA) base precept: used in the London model for strategic revenue.

National base precept: calibrated so that, in aggregate, the PPT replaces the England share of core residential SDLT after removing HRAD and NRSDLT.

To generate estimates which are both revenue neutral and as low as possible to improve overall affordability, we optimised each local authority's base precept to replace Council Tax. In 14 of London's local authorities, property values are higher and as such allow for lower local government precepts to be revenue neutral. This further illustrated the underlying structural challenge in London's property market where boroughs with higher property values could apply a lower precept to reach revenue neutrality, whereas lower-value boroughs would be required to increase their precept.

Progressive Regional Tax

The regional component is, like the local government precept, highly adaptable. To generate sufficient returns to enable the GLA to secure additional revenue for purposes such as reinvestment in social housing delivery, we applied progressive marginal rates to higher-value homes. Recognising the associated risk of introducing cliff-edge style tax precepts, we intended to create a model which was marginal at its core and reducing the likelihood of market crowding below taxable rates.

Where properties are valued above the chosen threshold, we applied small incremental additional precepts at defined value bands. This simulates a progressive model which would apply higher rates to a minority of London properties while the majority would be subject solely to paying the baseline rates.

Local authority tax rates to achieve revenue-neutrality

Borough	Local Rate	Local Revenue
Barking and Dagenham	0.38%	£82,470,612.08
Barnet	0.23%	£229,278,118.83
Bexley	0.32%	£120,144,767.03
Brent	0.25%	£158,282,171.01
Bromley	0.18%	£141,657,287.23
Camden	0.19%	£147,891,114.72
City of London	0.17%	£9,933,667.50
Croydon	0.39%	£254,610,396.33
Ealing	0.25%	£192,131,704.89
Enfield	0.28%	£165,344,861.55
Greenwich	0.41%	£141,367,483.33
Hackney	0.24%	£124,907,408.90
Hammersmith and Fulham	0.13%	£80,701,258.71
Haringey	0.22%	£138,364,854.99
Harrow	0.32%	£163,424,069.82
Havering	0.34%	£160,348,328.77
Hillingdon	0.28%	£146,012,433.75
Hounslow	0.28%	£145,168,599.99
Islington	0.22%	£119,147,088.09
Kensington and Chelsea	0.10%	£115,060,707.44
Kingston upon Thames	0.30%	£128,656,884.81
Lambeth	0.25%	£158,970,921.38
Lewisham	0.28%	£143,710,644.15
Merton	0.22%	£123,528,861.08
Newham	0.26%	£111,799,116.76
Redbridge	0.28%	£149,142,386.74
Richmond upon Thames	0.23%	£166,059,959.73
Southwark	0.24%	£146,482,302.20
Sutton	0.33%	£128,733,555.48
Tower Hamlets	0.26%	£131,780,022.07
Waltham Forest	0.28%	£138,634,144.52
Wandsworth	0.08%	£81,423,030.43
Westminster	0.06%	£77,333,012.32

Limitations and caveats

The model includes several assumptions and standard data limitations, including:

- The model uses transactions as a proxy for exact value of privately owned dwellings, which is updated using House Price Index data. While this is granular, it may not fully reflect accurate values for each individual property and assumes that each property's value changes in line with a local authority's average.
- This averaging does not consider micro-location, tenure or dwelling type specific market effects, or the impact of any material changes to properties made following its transaction. As such, this is not captured in the valuation.
- Modelling privately-owned properties is intended to provide a best estimate of tax revenue but excludes social and affordable housing stock. This would require tenure-specific incidence decisions and data outside of the core purpose of the PPT's design.
- Revenue neutrality for local authorities is assumed on a pound-for-pound basis accounting solely for revenue of total Council Tax receipts from 2025/26. This may include revenue from deferred tax receipts or prepayments made in the previous financial year.
- In the England national exercise, the SDLT element replaced by the PPT excludes HRAD and NRSDLT surcharges. Estimates are based on HMRC's published 2024/25 breakdown.

Glossary

AHP – Affordable Homes Programme (national capital grant funding programme to support the costs of developing affordable housing in England; introduced in its modern form in 2010).

ASHE – Annual Survey of Hours and Earnings (ONS dataset on the levels, distribution and make-up of earnings and paid hours worked for employees in all industries and occupations).

BoE – Bank of England.

BSR – Building Safety Regulator (executive non-departmental public body and regulator responsible for overseeing building safety and compliance with building standards).

BTR – Build-to-Rent (residential developments designed specifically for the rental market; usually purpose-built, professionally managed by a single landlord)

CGT – Capital Gains Tax (tax levied on profits made from the sale of assets).

CIL – Community Infrastructure Levy (a planning charge that allows local authorities in England and Wales to raise funds from developers to help deliver infrastructure projects; introduced by the Planning Act 2008).

CMA – Competition and Markets Authority (independent non-ministerial department responsible for consumer protection and promotion of market competition).

CPI – Consumer Prices Index (statistical estimate of the level of prices of goods and services bought for consumption purposes by households; used to measure inflation).

CORE – Continuous Recording of Lettings and Sales in Social Housing (records information on the characteristics of new social housing tenants and the homes they rent and buy).

CPO – Compulsory Purchase Order / compulsory purchase powers (authority for a public body to acquire land from a third party compulsorily, usually under planning, highway or housing powers).

DLUHC – Department for Levelling Up, Housing and Communities (former department name for MHCLG; introduced in Johnson ministry 2019–22).

DMR – Discounted Market Rent (form of intermediate rent designed for middle-income households set typically at 20% below market rent).

EDMO / EDMOs – Empty Dwelling Management Order(s) (legal order enabling local authorities to put an unoccupied property back into use as housing).

EPC – Energy Performance Certificate (a regulatory rating scheme to summarise the energy efficiency of buildings; introduced in 2007).

FOI – Freedom of Information (a general right of access to recorded information held by public authorities).

FTB – First-time buyer (term used for household purchasing their only or main residence who has never previously owned a home in the UK).

GDV – Gross Development Value (estimated total open-market value of a property development upon completion).

GLA – Greater London Authority.

H2B – Help to Buy (government-funded equity loan program that helped home buyers purchase new homes; ran from 2013–23).

HBF – Home Builders Federation.

HDT – Housing Delivery Test (national annual measurement of housing delivery).

HMOs – Houses in Multiple Occupation (a property rented by at least 3 people who are not from one household).

HMRC – His Majesty’s Revenue and Customs (government department responsible for tax collection, national minimum wage setting, and issuance of National Insurance numbers).

HRAD – Higher Rates on Additional Dwellings (SDLT surcharge levied on purchases of second and subsequent homes).

IFS – Institute for Fiscal Studies.

IL – Infrastructure Levy (first proposed in the Levelling Up and Regeneration Act 2023; a proposed reformed single levy replacing current developer contributions/levies).

IPPR – Institute for Public Policy Research.

LDO – Local Development Order (provide permitted development rights for specified types of development in defined locations).

LHA – Local Housing Allowance (calculated rent allowance for private tenants on housing benefit).

LSAHP – London Social and Affordable Homes Programme (Mayoral allocation of the main grant programme for affordable housing delivery).

LSE / CASE – London School of Economics / Centre for Analysis of Social Exclusion

LTV – Loan-to-Value (ratio) (financial metric used by lenders to assess the risk of a mortgage by dividing the loan amount by the property’s appraised value).

MHCLG – Ministry of Housing, Communities and Local Government (government department responsible for housing, communities, and local government policy).

NAO – National Audit Office (independent Parliamentary body in the United Kingdom responsible for auditing government departments, agencies and non-departmental public bodies).

NPPF – National Planning Policy Framework (sets out government’s planning policies for England and how these are expected to be applied).

NRSDLT – Non-Resident SDLT surcharge (additional levy on SDLT for non-UK residents).

OBR – Office for Budget Responsibility (the government’s official independent economic and fiscal forecaster).

ODPM – Office of the Deputy Prime Minister (historic departmental name responsible for housing, communities and regional development).

OECD – Organisation for Economic Co-operation and Development (international economic and trade affairs organisation).

ONS – Office for National Statistics (government agency responsible for published statistics on economy, health and work et al.).

PiP – Permission in Principle (introduced in 2018, a faster planning route for residential sites of 1–9 homes).

PPT – Proportional Property Tax (proposed annual tax replacing Council Tax and SDLT on sole primary residences; partially devolved).

PRS – Private Rented Sector (used for London’s private rental market, including affordability, standards and supply dynamics).

RP / RPs – Registered Provider(s) (housing associations; used in delivery/acquisitions and social sector capacity discussion).

SAHP – Social and Affordable Homes Programme (the main grant programme for affordable delivery introduced in 2026; related to LSAHP).

S106 – Section 106 planning obligations (negotiated planning gain mechanism, central to cross-subsidy and affordable delivery).

SDLT – Stamp Duty Land Tax (property transaction tax introduced in 2003).

SME – Small and Medium-sized Enterprise (used mainly to describe smaller builders and their role in small-site delivery).

UK HPI – UK House Price Index (Land Registry metric assessing changes in the value of residential properties).

VOA – Valuation Office Agency (government agency which values properties for the purpose of Council Tax and for non-domestic rates in England and Wales).

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London faces complex and evolving challenges.
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We are London's independent think tank. We are uniquely dedicated to developing new solutions to our city's challenges, for the benefit of all its people. We help policymakers and city leaders think for the long term about London's biggest issues and plan for a better future. We do this through:

Research and evidence: conducting robust, unbiased research and analysis, and collaborating with Londoners and stakeholders across all sectors, to generate new ideas and recommendations.

Convening and collaborating: bringing together citizens, experts and decision makers from diverse standpoints to discuss complex issues in a safe space, devise solutions and work out how to implement them.

Awareness raising and advocacy: being an authoritative policy voice on London and promoting our research and ideas to those with the power to act on them – from the grassroots to London's and the nation's leaders – through briefings, publications, social media, press and events.

