DELIVERING THE HOMES LONDON NEEDS

What will it take?

Report Briefing – Highbury Group, 20 July

CENTRE FOR LONDON

Contents

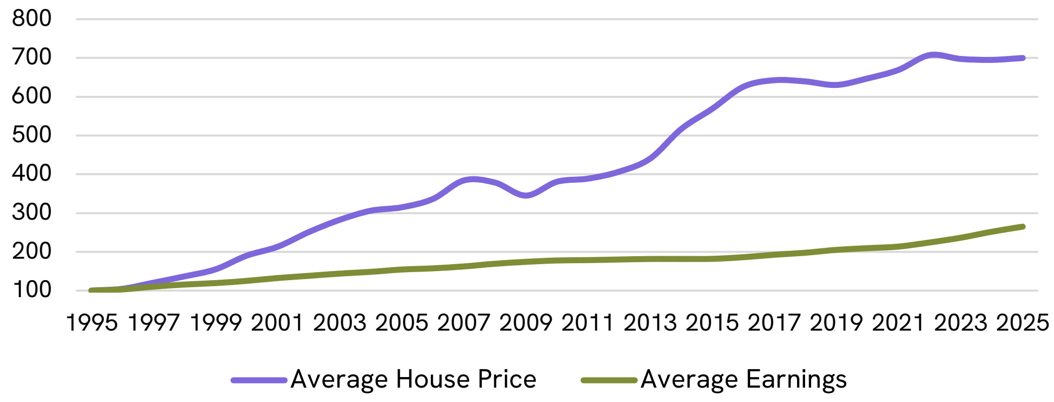
Understanding the London Housing Crisis – a summary of our diagnosis

Diagnosing the problem

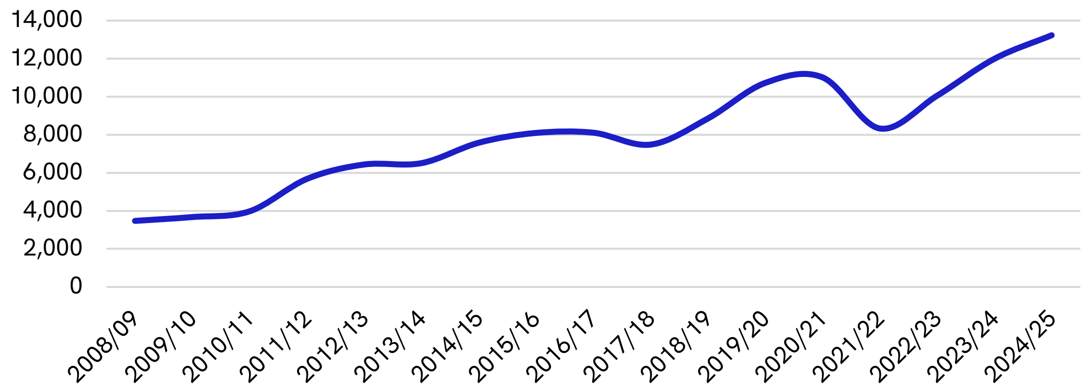
- London's housing crisis is worsening across multiple metrics and is destabilising civic life and public services.
- There's a strong consensus that **insufficient new supply** is a core driver of unaffordability. This is **correct** and expanding housing supply key is key to affordability.
- But this framing can become reductive and misses the key questions of why the system is failing to meet need.
- Meeting housing need means households can access homes of **appropriate cost, size and quality at the point they need them** – but this is driven heavily by **how efficiently stock circulates**, then complemented by net additions.
- To frame our analysis, we ask a different question: **how has housing availability changed relative to the people who need homes?**

The extent to which the London housing system meets housing need has dramatically worsened over the last two decades.

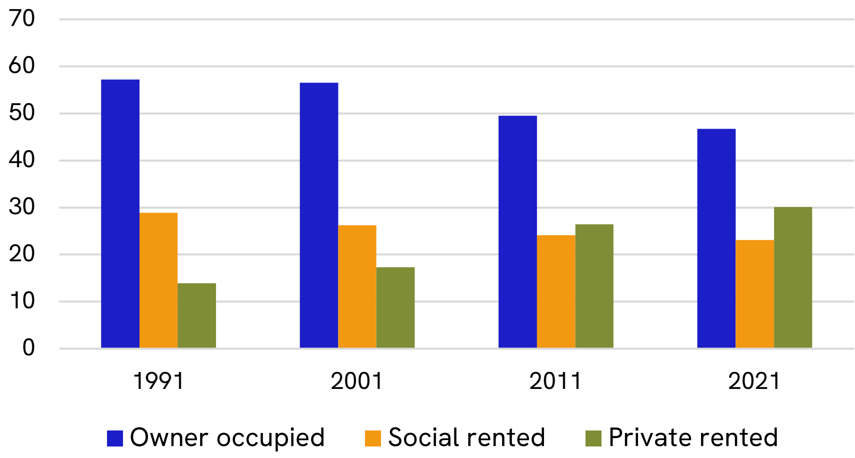
Average House Price vs Median Earnings Growth (1995=100)



Number of People Sleeping Rough



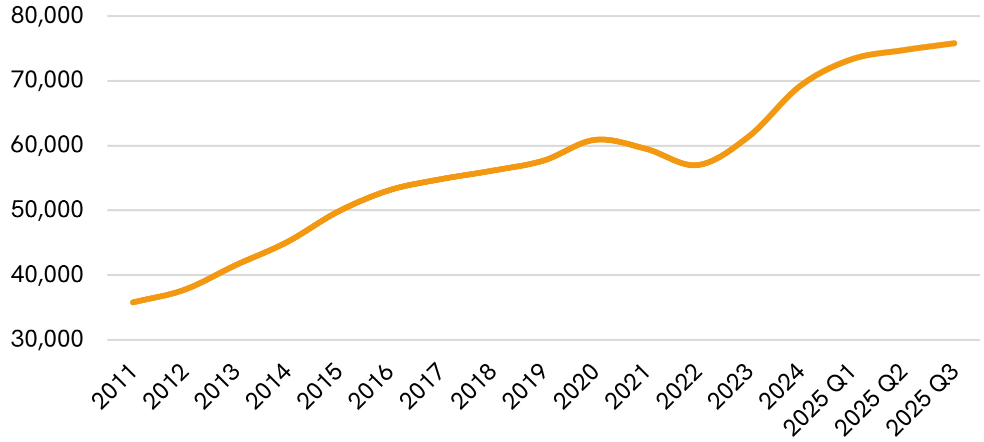
% Households by Tenure



42%

Average rent as a share of median private renter net income

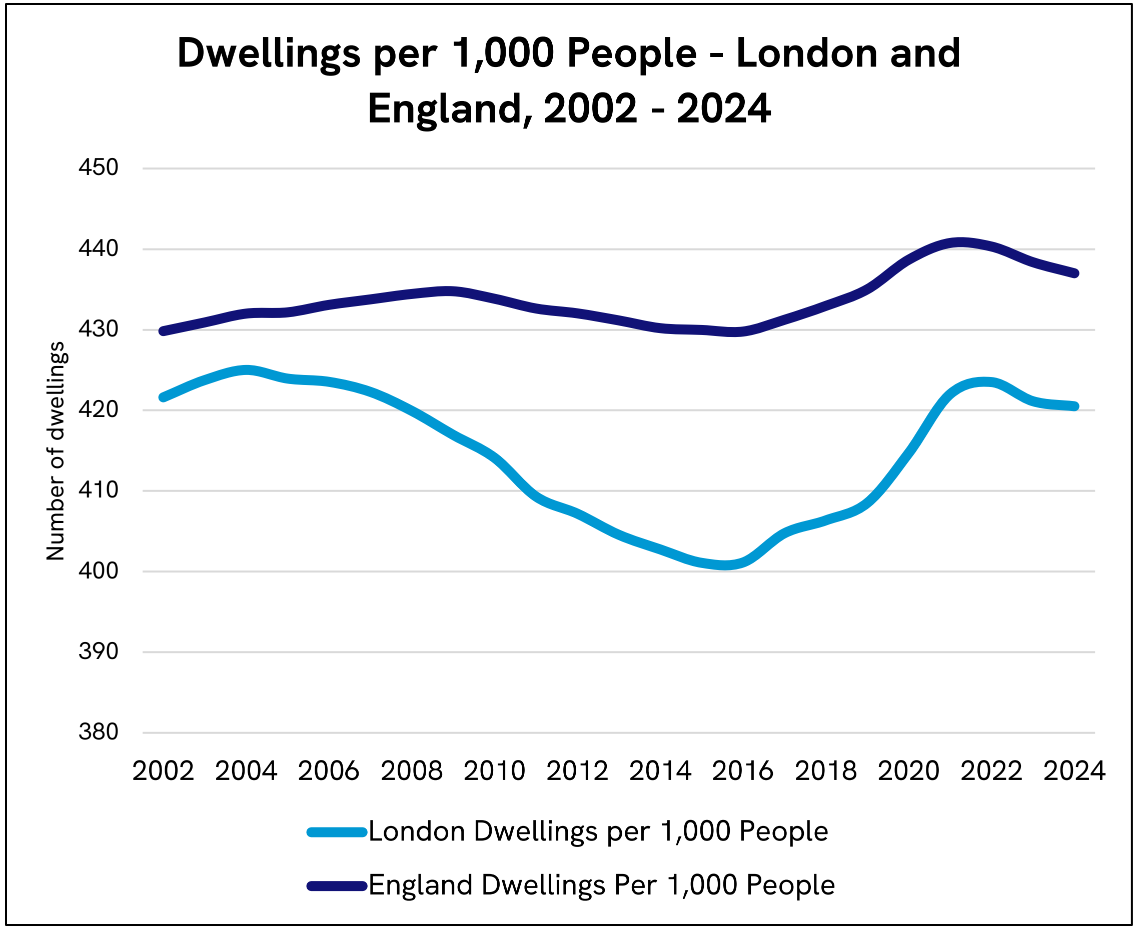
Number of Households in Temporary Accommodation

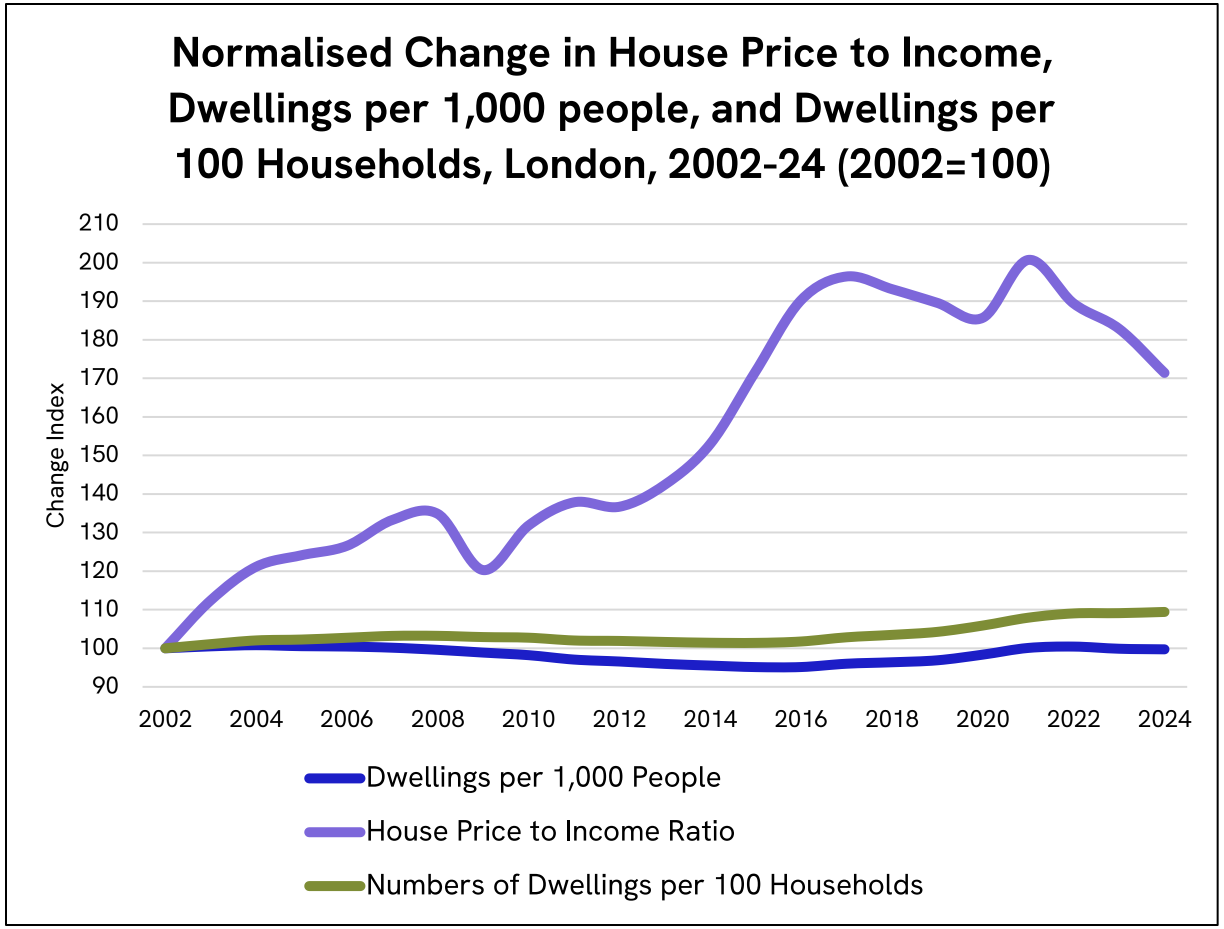


How has the number of homes in London changed over the last twenty years relative to the number of people who need one, and how does this relate to affordability?

- Housing availability in London in 2024, measured by the number of dwellings per 1,000 people, was **roughly the same as in 2002**.
- Availability worsened between 2007 and 2016, with the number of dwellings per 1,000 people falling by c.4%, before recovering.
- Over the same period, affordability, measured by the house price-to-income ratio worsened by 200%, **worsened much more than availability fell.**

The number of homes per 1,000 people is around the same in London now as it was in 2002.





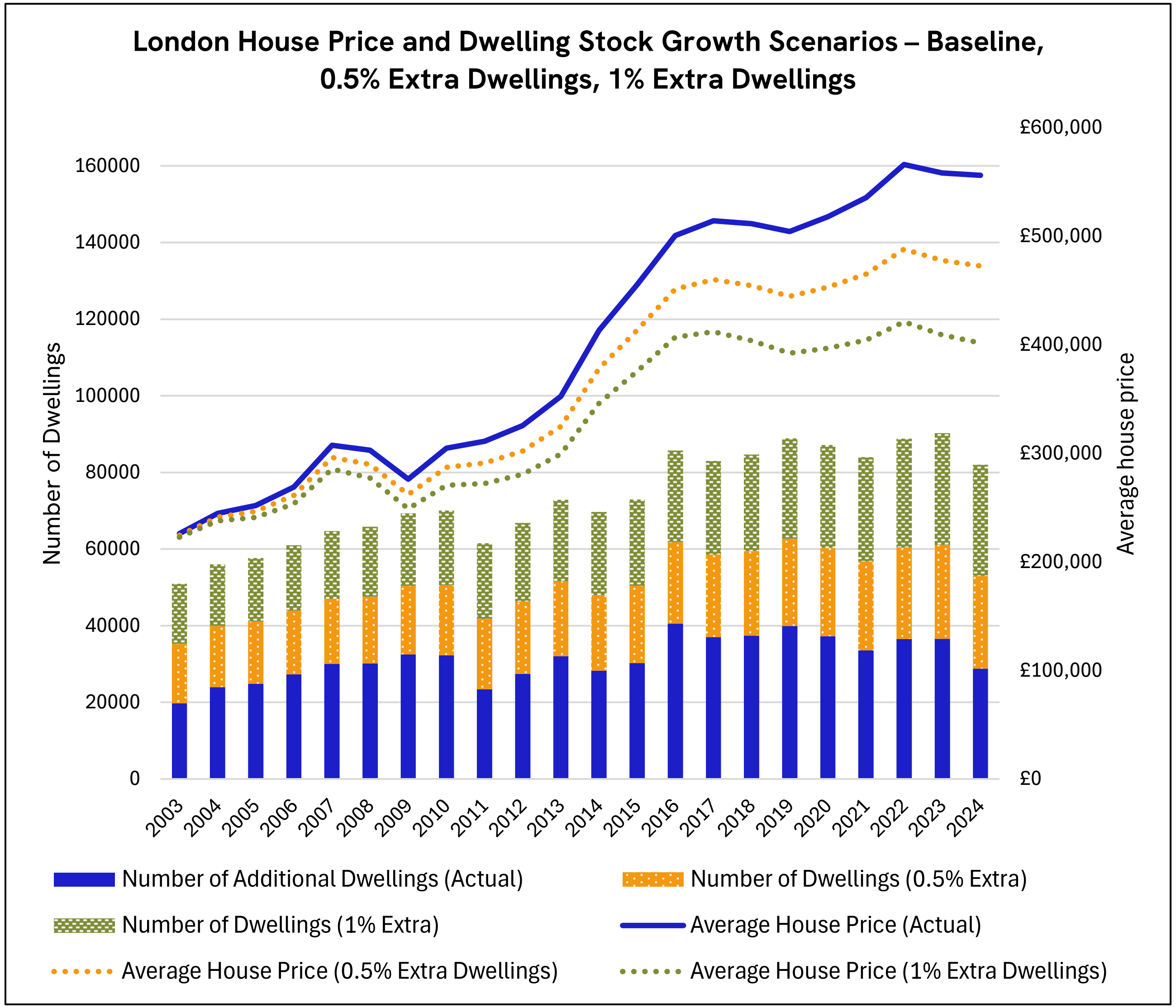
But housing affordability has collapsed.

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

Expansion of the housing stock in isolation has a limited effect on housing affordability in aggregate, with most elasticity estimates sitting around 1.5-2%.

The limited effect of additional supply on prices means that **improving affordability requires very large and sustained increases** in housing delivery.

For house prices to have been 30% lower, London would have need to have added almost **1m additional dwellings** since 2002.



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 small, so 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.**

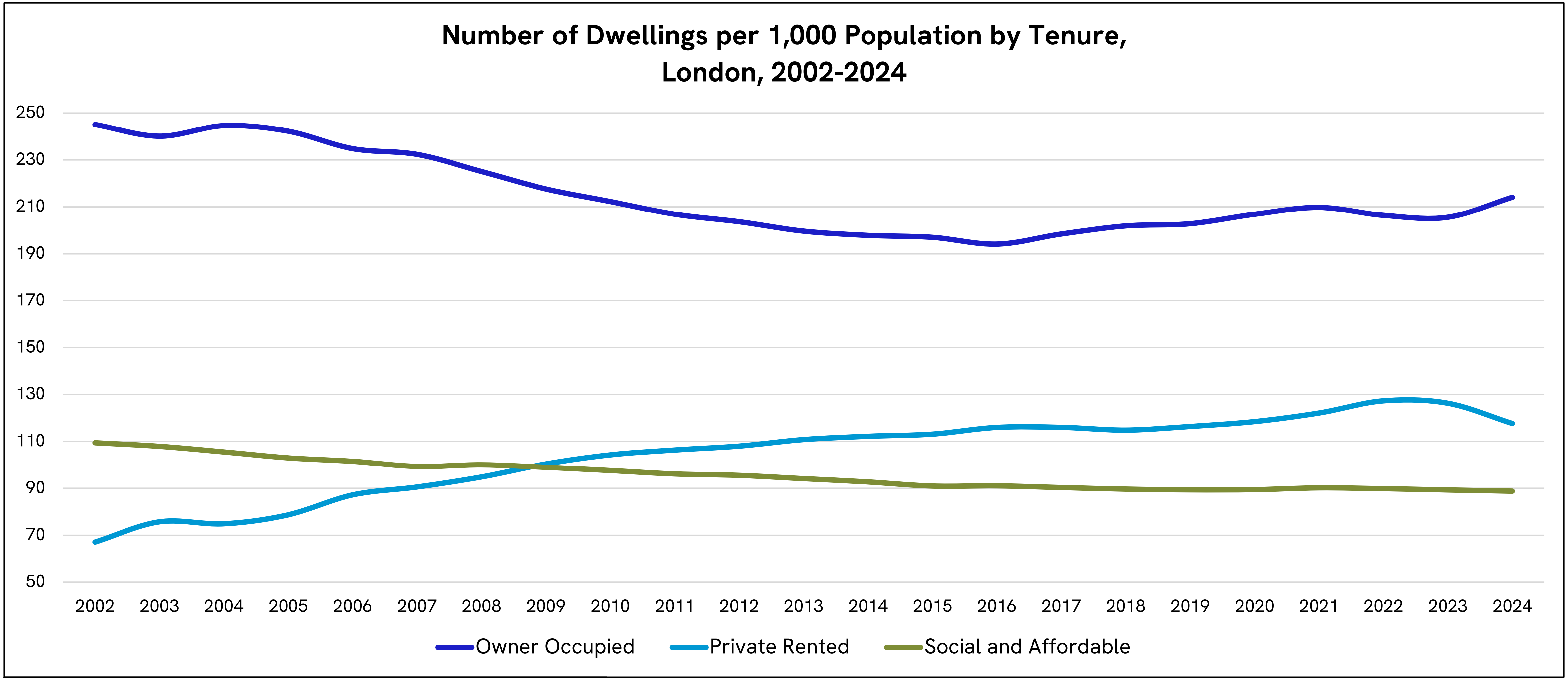
What else can explain dramatically worsening housing need when the number of homes available to meet need is around the same as in 2002?

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

This means that the relative **availability of different tenures and the access conditions for them determine how well need is met by a given stock of dwellings.**

Owner-occupied housing and private rentals are allocated primarily through market prices, while social housing and affordable housing is allocated by affordability and assessed need.

The tenure mix has changed significantly, with **affordable housing becoming much more scarce** and **private housing becoming more common** – but much **more expensive** to access.

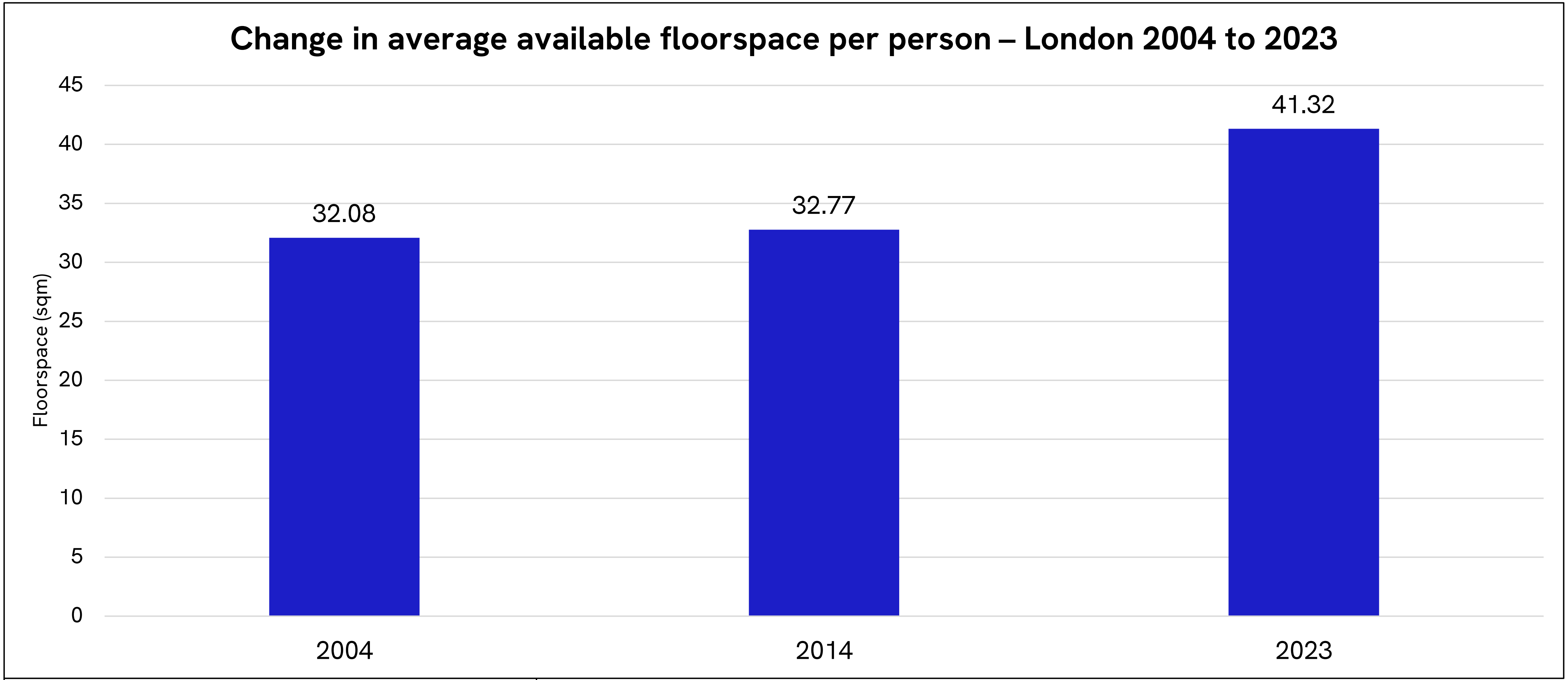


Source: MHCLG Dwelling Stock Estimates; GLA Population Estimates 2022-based

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

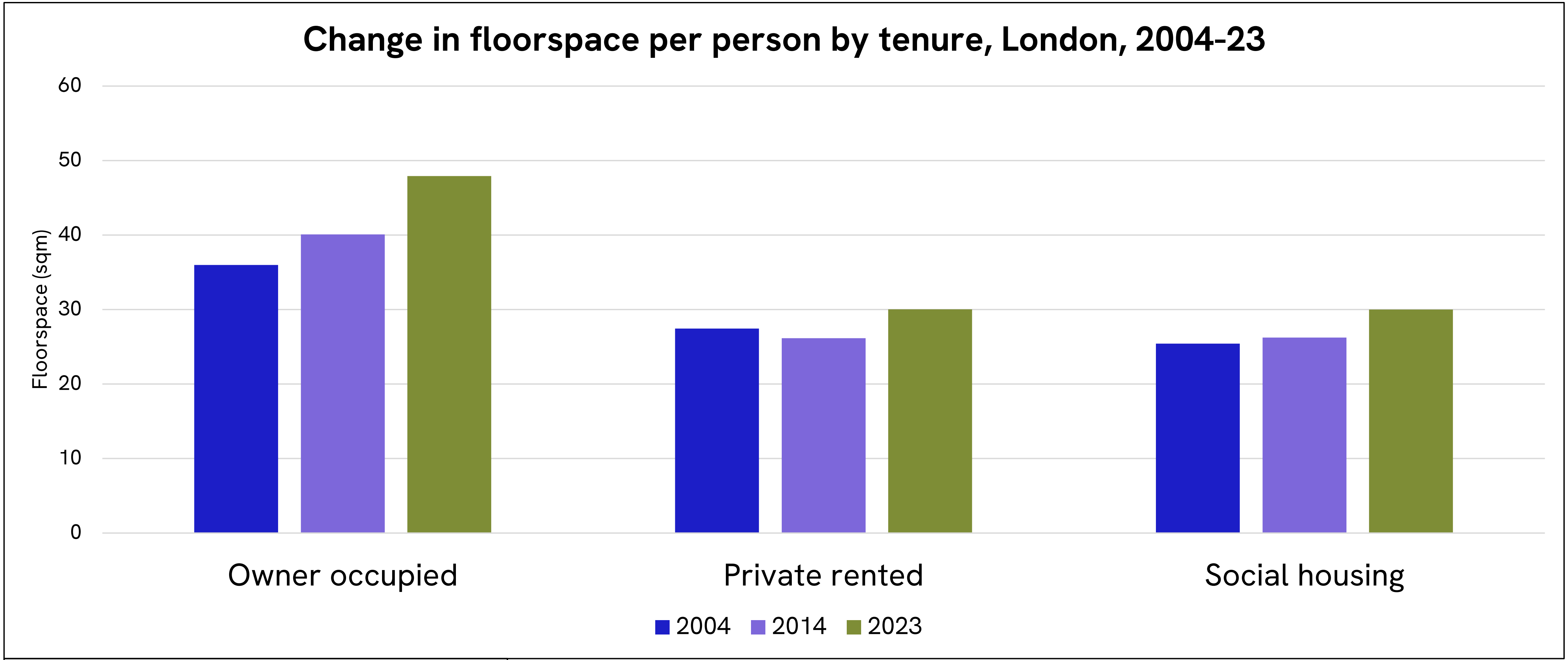
Changes in the availability and distribution of **useable floorspace can reveal how London’s housing supply is distributed** in ways that counts of stock cannot.

Average **floorspace per person has risen by almost 30%** since 2004.



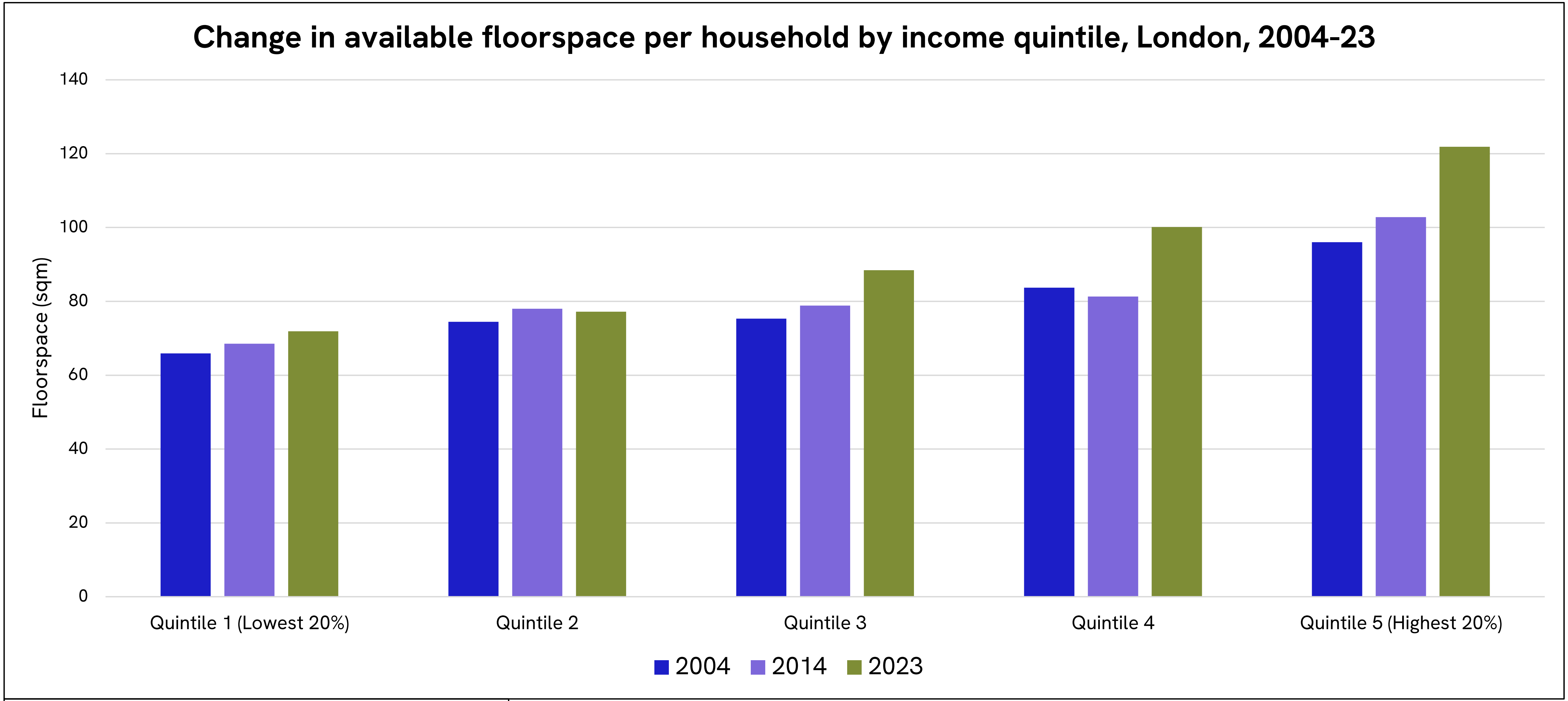
Source: CfL analysis – English Housing Survey 2004, 2014 and 2023.

But this **expansion in floorspace per person has accrued almost entirely to owner-occupiers,** who have seen average dwelling space per person rise by 33%.



Source: CfL analysis – English Housing Survey 2004, 2014 and 2023.

Households in the **top income quintiles have accrued significantly more space** than poorer households.



Source: CfL analysis – English Housing Survey 2004, 2014 and 2023.

These data on widening floorspace inequality highlight that London has experienced a deepening **crisis of housing distribution** - driven by demand-side factors and changes in the tenure mix - **as much as one of overall housing supply**.

This is because housing consumption (i.e. how much housing people 'use') is **influenced not only by physical availability** but **by the income and wealth distribution, fiscal and monetary policy, credit and mortgage lending**, and the broader macroeconomic conditions that influence these.

And, despite being **particularly important for London**, these factors are too-often **absent from the conversation** about the city's housing problems.

London’s housing crisis should therefore be understood as a **‘winner-takes all’** problem

Winners: A diminishing number of households able to ‘clear’ market prices have expanded housing consumption and accrued significant wealth:

- 46% of Londoners are owner-occupiers, 10% fewer than in 2001.
- The average owner-occupier has 33% more space than in 2004.
- London property wealth expanded by £606bn between 2010 and 2024.

Losers: Households who cannot clear market prices and are pushed into (unmet) housing need:

- 13,000 sleeping rough, highest on record.
- 76,000 in temporary accommodation, highest on record.
- 340,000 on the social housing waiting list, highest on record.
- 2.36 million living in after-housing-costs poverty, highest on recrd.

Sources: Savills Research; CfL analysis of MHCLG and DWP data.

The question isn't just 'how do we build more?', but 'how do we make the system meet need better – through both supply and how stock is accessed and used?'

A successful policy response therefore requires 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.

Delivering the Homes London Needs argues that an effective response must:

1. **Radically expand the delivery of social and affordable homes** to respond to unmet housing need.
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 manage long-run price stability.

Chapter 2: Tackling the London housing crisis – a three-pronged approach

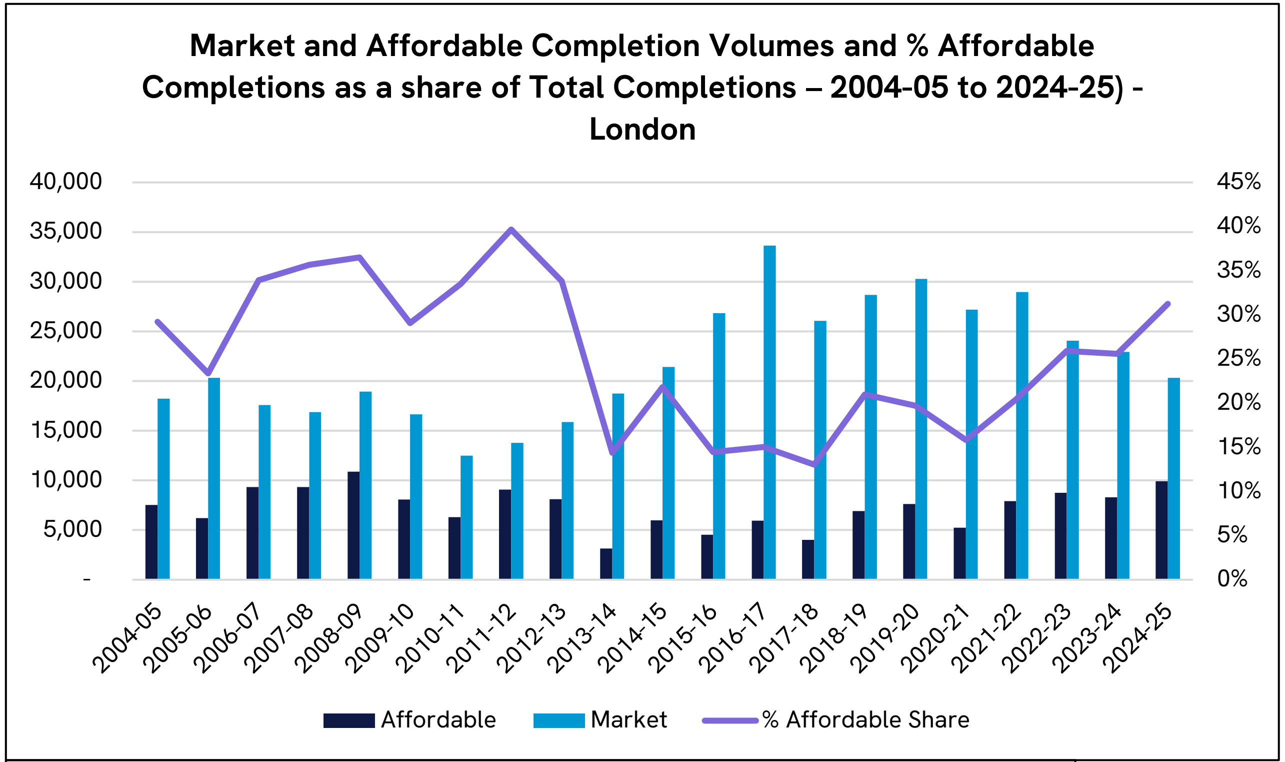
Radically expanding the capacity of local authorities and housing associations to deliver and manage homes

The cross-subsidy model is weak throughout the market cycle, delivering neither large numbers of affordable homes when the market is doing well nor delivering counter-cyclically during market weaknesses.

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

This is important because analysis of historical data on affordable delivery **does not indicate a stable relationship between market and affordable housing supply.**

We show that, in periods of strong private sector delivery in London, **there has not been a commensurate boost to affordable supply**, nor has affordable delivery **risen counter-cyclically during market downturns.**



Source: Greater London Authority, Residential Completions (2004-25), Planning London Datahub.

Neither planning-gain in boom years nor grant-funded delivery in downturns has been robust enough to sustain affordable housing supply.

Between 2004/5 and 2024/25, levels of market delivery and delivery of affordable supply were weakly (and negatively) linked (r = −0.33; R^2 = 0.11).

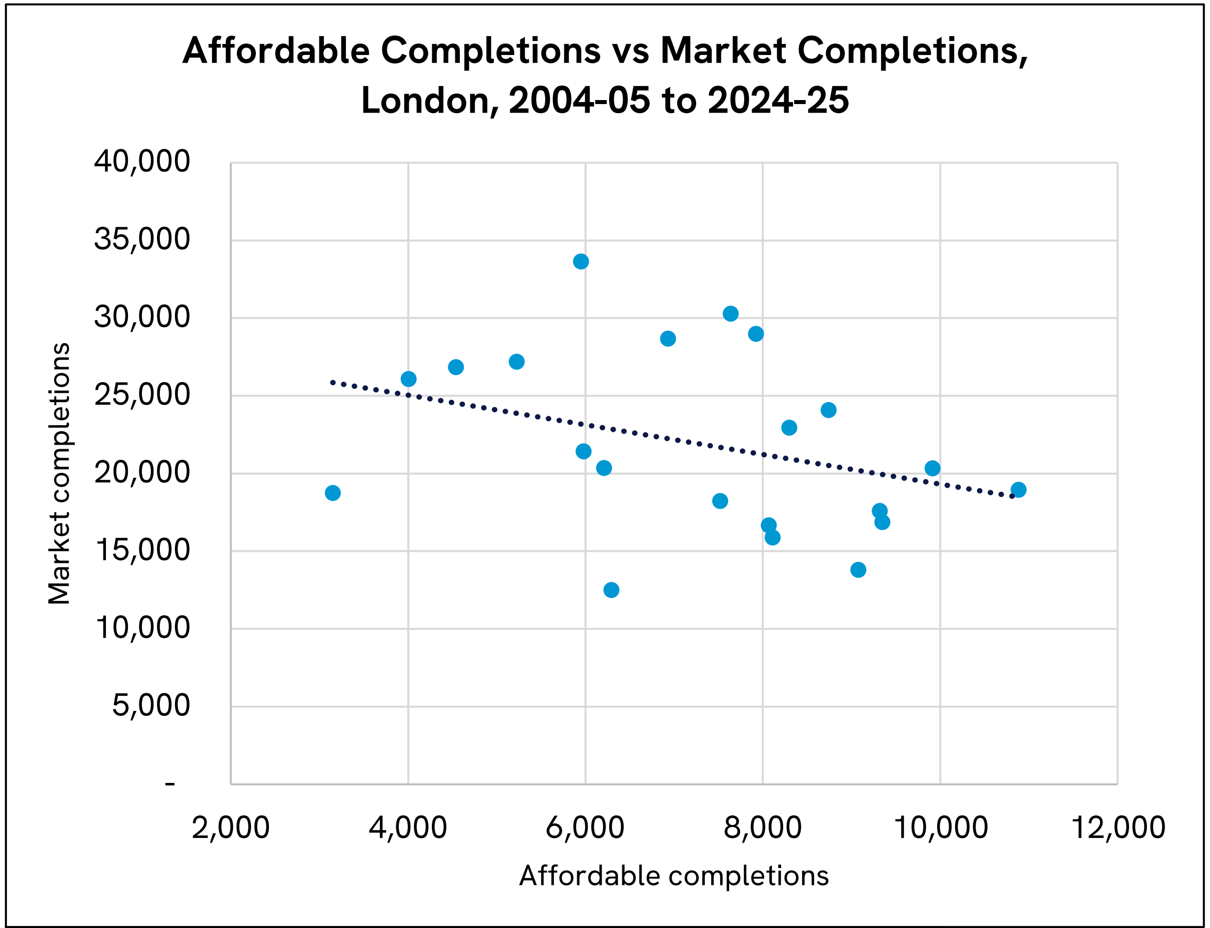
This means that, in aggregate, London has seen between **11–12 fewer affordable completions for every additional 100 market completions**.

This suggests that the current system **is structurally fragile** and arguably not fit for purpose, as it neither:

1) Supports private delivery throughout market cycles where during downturns affordable obligations can stifle viability

nor

2) Reliably delivers sufficient affordable and social housing for addressing housing need, even when the private market is booming.



Source: London Planning Database, Conventional Completions, 2004-05 to 2024-25. Each record represents a year in the time series.

A reformed approach to affordable delivery should therefore seek to do four things.

1. **Reduce the reliance of planning gain-funded affordable and social housing on negotiated cross subsidy by embedding affordable obligations into upfront rules, through a reformed single Infrastructure Levy**. This would not be to reduce the requirement for private development to deliver affordable housing, but to deliver a stable, predictable supply of affordable homes that is more resilient to market shocks.

2. **Build explicit counter cyclical mechanisms into the system so that affordable delivery can rise when private sale markets weaken, rather than falling in parallel**. This would require a sustained expansion in the capacity of the social sector to acquire homes, particularly during downturns.

3. **Ensure that grant subsidy for social and affordable housing is of a suitable size and flexibility to fund delivery of the scale and type needed to respond to housing need in London.** London's has uniquely high build costs, particularly for much-needed larger social homes. However, under the current regime, grant rates tend to remain constant regardless of the size or type of unit.

4. **Improve the availability of affordable private rental tenures meant for households unable to access homeownership or social housing.** Schemes like London Living Rent are currently secured through a planning-led approach which does not guarantee delivery when schemes stall due to financing, absorption, or wider market stress. Meanwhile, the existing housing benefit system primarily subsidises existing poor-quality private rented housing, rather than stimulating additional decent and affordable private rented supply.

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, the GLA and boroughs 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 and boroughs 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.

London's reliance on the private rented sector makes improving its affordability, quality and capacity central to meeting housing need – and a priority for local government

The private rented sector now accommodates a significant share of households and is where affordability, standards and security are poorest.

The London PRS has tightened in recent years, putting greater pressure on rents, thanks partially to the decline of Buy to Let. This has not been replaced by Build to Rent, which only makes up 4% of stock.

In this highly constrained private rented market, rather than improving affordability, **increases in subsidy Local Housing Allowance tend to be absorbed into higher rents.**

Renters reform may further tighten supply and **delivery of Discounted Market Rent units hinges on planning gain,** which is subject to the same binding viability constraints as other affordable supply.

Therefore **other routes to delivering additional, quality and affordable private rental supply is key** to better meeting London's housing needs, particularly for households unable to access homeownership or social housing.

A municipal Build to Rent model would enable supply of more affordable, high-quality homes – while acting as a counter-cyclical stabiliser during downturns or for stalled sites

A **municipal Build to Rent** home would be owned by the local authority and managed either directly by the council or by a registered provider under a contracted management agreement, subsidised by a new enhanced LHA rate.

This would seek to achieve two aims:

1. **Generate additional rental supply at better affordability and higher standards.** This would comprise of BTR rental homes that are viable to deliver **because their rent model is supported by a new enhanced, CPI-indexed LHA rate**, available conditional on the homes being genuinely additional and meeting the Decent Homes Standard. These would then be managed directly by the local authority or RP partner.
2. **Provide a supplementary acquisition mechanism to acts as a delivery stabiliser when private sale absorption falls.** Weak effective demand and absorption risk are key to the current drop-off in private starts. Municipal BTR could take schemes/units that are consented but stalled for sale, and provide a rental exit that enables completion, acting as a stabiliser in downturns to complement a more stable and predictable programme of social acquisitions.

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.

Tackling demand-side inefficiencies and inequalities in the housing market

Expanding access to credit is often seen as a first line measure to increase home-ownership, but has historically been counter-productive for affordability

Declines in **interest rates and the liberalisation of mortgage lending have been a major, long-term driver of UK house price inflation.**

In practical terms, this **creates a double bind for policy**: measures that expand credit access **can help some households purchase homes**, but the same measures – e.g. 'Help to Buy' - **tend also to inflate prices**, worsening affordability overall.

High demand and need for mortgage credit to clear prices and purchase homes

Increased dependence on mortgage credit capitalises into higher prices

These effects have particularly acute in London where supply is particularly constrained and resulting in a classic inflationary scenario: **a near-unlimited supply of money chasing a finite number of homes.**

Investment demand has also generated a double-bind for London’s housing market, as it has acted as a key enabling condition for private rental and new-build supply while at the same time inflating prices.

While **Buy to Let helped expand the number of homes available to rent privately in London, the aggregate effect was to increase effective demand for existing homes**, raising prices, while reshaping the tenure mix by **reallocating existing homes from owner-occupation to private renting.**

However, as Buy to Let has become a less attractive proposition, **demand has fallen which has contributed to rental supply contractions.** This contraction has had significant knock-on effects on rental prices and, in turn, and on housing insecurity visible in rising rates of homelessness from the private rented sector since 2022.

Similarly, **investment demand played an important role in financing housing delivery in the capital** during the recent peak in housebuilding in the mid-2010s through pre-sales on large developments, but has also helped **decouple house prices from local purchasing power.**

Policy should therefore seek to limit forms of investment demand least likely to support additional housing supply while taking steps to channel investment demand and public subsidy towards additional supply, particularly in the rental market

The double bind of how credit affects the London housing market means that policy must be **carefully calibrated** and balance the following goals:

1. Limiting forms of **investment demand which do not generate additionality** and drive price inflation.
2. **Enabling access to homeownership** and **easing affordability** for first-time buyers, but with minimum ‘dead weight’ i.e. subsiding households who could have bought anyway (e.g. those with access to the Bank of Mum and Dad) (See Part 3 on demand-side support).
3. Stimulating **investment demand that supports private housebuilding**.

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 current property tax system reinforces London's housing inequalities

Stamp Duty is particularly **distortive in the London market and reinforces inefficiencies and inequalities** in the distribution of stock by adding material costs to purchases, depressing transactions and disincentivising right-sizing.

An average first-time property purchase of around £500,000 would levy £10,000 in Stamp Duty – around **10% on top of a typical first-time buyer deposit** – while a typical home-owner faces a bill of £20,000+, a strong **disincentive to 'right size'.**

Council Tax is 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 stock.**

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.

Finally, the **tax system gives housing strong advantages as a vehicle for wealth accumulation and intergenerational transfer (i.e. 'Bank of Mum and Dad'**), which further weakens incentives for households to release or right-size housing as their needs change while also acting to compound inequalities in the distribution of stock.

Housing wealth held by over-65s in London rose by around £**146 billion** over the past decade.

London's 'Bank of Mum & Dad' first-time buyers typically put down **40% more in deposit** (£225,000) than those without.

Policy should therefore seek to address distortions and inequalities in the distribution of housing fuelled by the tax system that are particularly acute in London.

In the first instance, this should build on **the well-established case for property tax reform,** specifically the **replacement of Council Tax and residential Stamp Duty on primary residences** with **a partially devolved proportional property tax (PPT).**

For London, a PPT would have several positive effects:

1. **Circulation.** Abolishing Stamp Duty would remove transaction friction and increase stock circulation – making more homes available annually to meet need and improve efficiency of distribution over time.
2. **Efficiency.** It would act as a tax on housing consumption rather than transactions or residency, as with the current system – this would generate significant efficiency and equality benefits, particularly for private renters, while disincentivising over-consumption of housing in high-value areas.
3. **Flexibility.** If devolved to regional and local authorities, tax rates would be more aligned to local market values and offer greater fiscal autonomy for the GLA and boroughs to influence local housing markets and raise revenues.

A partially-devolved proportional property tax that works for London and nationally

A partially devolved property tax would apply to all privately owned residential dwellings currently eligible for Council Tax, payable by the owner not the occupier. Social homes would be excluded. It would be composed of three rates – a central rate set by national government applying to all residential dwellings nationally, a local rate set by the local authority applying to all residential properties in the area, and a regional rate set by current Major Precepting Authorities (in London's case, the GLA).

Local government

Base rate: 0.25%
(London average)

Charge:
£1,250

Regional government (GLA)

Base rate: 0.07%

Charge:
£350

National government

Base rate: 0.07%

Charge:
£350

Total annual tax: £1,950 | Effective tax rate: 0.39%

VALUE:
£500,000

All privately owned homes
Paid by the owner, not the occupier
Social homes excluded

We model how a partially-devolved PPT could be revenue neutral outside London, generate savings for many households and, if set progressively in London, create a significant surplus.

Outside London

A **national rate of 0.07%** and average **local and regional rate of 0.73%** would be **revenue-neutral**, replacing £4.9 billion in Stamp Duty and £37.7 billion in Council Tax revenue, and give considerable flexibility to both national and local government.

The average **renter** of a Band D property **saves £2,280** a year.

A first-time buyer purchasing an average Band D property with £282,000 **saves £108 in their first five years** of owning their own home.

In London

An average **effective rate of 0.39%** – composed of the national base rate at 0.07%, an average rate of **0.25% across the London boroughs** (though replacement rates differ), and a **progressive Mayoral rate starting at 0.07% with higher rates on properties worth £800,000 or more** – would replace existing Council Tax revenues and **raise an extra £912m annually,** a near 60% increase in total revenue for the GLA.

An **average renter** living in a Band D property saves **£1,893** a year.

A first-time buyer purchasing an average Band D property worth £500,000 saves **£8,593** in the first five years of owning their own homes.

This reform could finance an extra 4,100 social rented homes in London annually, more than twice recent average rent delivery rates.

An additional £912m could finance c.**4,100 extra social homes a year** at current grant rates.

This would be a significant increase on recent norms – for example, between 2020-21 and 2022-23, an average of only 1,148 social rented homes were completed annually.

Assuming a 2% annual increase in PPT revenues, this would complement the 2026-2036 London Social and Affordable Homes Programme budget and **enable a combined delivery of 100,000 social homes** over the next 10 years.

	Local	Regional	National
Effective PPT base rate	0.25%	0.07%	0.07%
Revenue (PPT)	£4.52bn	£2.36bn	£5.02bn (inc. outside of London)
Revenue (% difference compared with SDLT/CT revenue 2024-25)	+£36.4m (+1%)	+£875.8m (+58%)	+£69m (+1%)

Compared to 2024-25 SDLT/CT revenue.

Transitioning to a PPT would generate savings across the property market while protecting 'cash poor, asset rich' households from instantly higher bills

For most London households moving home, the abolition of SDLT in itself would more than offset the amounts due under a PPT due to the capital's higher property values.

But for 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, transitioning to a PPT would not be an immediate saving.

Therefore, to alleviate the impact of this immediate cost, households who are 'cash poor, asset rich' would be able to defer their PPT payment for up to 10 years while paying the current Council Tax rate, rising at 5% per year.

After 10 years, a property worth £950,000 and deferred would incur a £16,758 bill, payable on sale, to ensure a smoother, fairer transition. They would also save from the resulting abolition of SDLT on their next house purchase.

Recommendation 6

The Government should introduce a partially-devolved Proportional Property Tax and abolish 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.

Local authorities remain at risk of losing crucial social stock through the the Right to Buy scheme, with continual outflow of stock meaning boroughs 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. 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

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. But the Right to Buy policy, even if neutered, results in councils struggling to maintain and grow sufficient stock to meet need.

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.

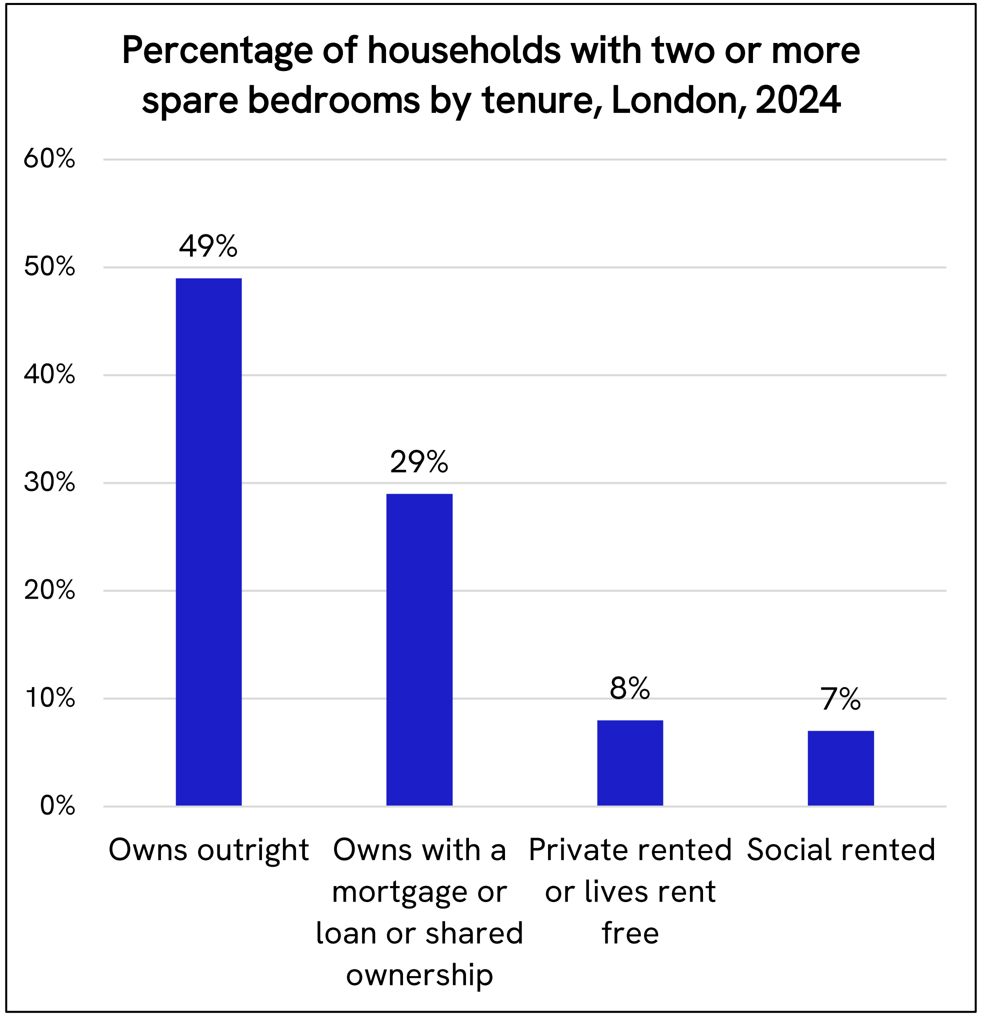
Councils have limited ability to shape local housing outcomes, such as under-occupation and poor standards in owner-occupied homes

Efforts to reduce under-occupation in social stock are mainstream in the social sector, but **far less attention is paid to under-occupation in owner-occupied homes.**

Yet almost **three-quarters of owner-occupied dwellings in London are under-occupied**, and around half have two or more spare bedrooms, with evidence of 'lock-in' among older and lower-income households in homes that do not meet their needs.

Replicating social sector right-sizing services for owner-occupiers, alongside a new 'Right to Sell', could support better use of existing stock and create a pipeline for council acquisitions.

If scaled across c.350,000 under-occupied owner-occupied homes (2+ spare bedrooms), **a scheme with similar performance to Islington downsizing scheme could enable up to 4,000 additional moves per year.**



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:

- **Personalised support** with a named case worker to assist downsizers in finding suitable homes and supporting them through the moving process.
- 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.
- Allowances to **support the costs of moving home** such as furniture removals, service disconnection and reconnections of white goods.
- Offering **limited cash incentives** for lower-income households to support moves. This could comprise discounts or exemptions to a new Proportional Property Tax.

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.

Councils are also limited in their ability directly intervene and enforce standards in the most dysfunctional parts of their local housing markets, such as long-term empty homes and 'slum landlord' properties.

Councils' current enforcement-oriented tools **do not reliably shift the poorest functioning parts of the private rented market**, with limited enforcement capacity and incomplete intelligence meaning that standards often go unenforced in practice.

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 the total dwelling stock, and the highest proportion in a decade.

A significant part of this rise is due to homes are being left empty after the death of their occupant and due to delays in probate.

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.

Making building private housing in London cheaper and easier

Delivery is constrained after planning approval, not at decision stage - planning reform should prioritise certainty, not just speed of approval

London’s delivery slowdown is not primarily due to planning refusals. **Most boroughs approve a high share of major applications**, and there is a large pipeline of consented schemes.

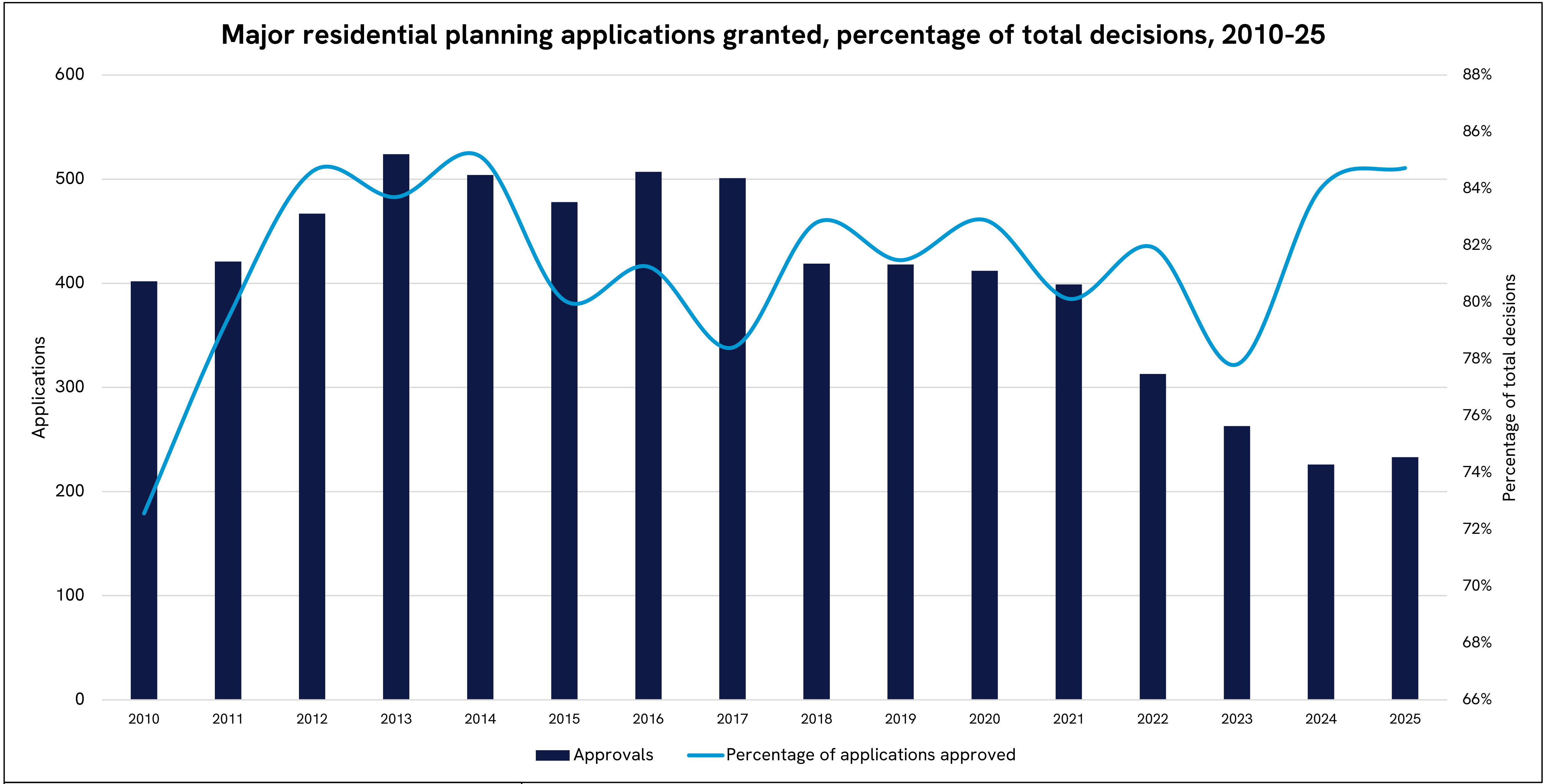
The constraint is post-consent: worsening viability and rising risk mean many approved schemes do not proceed, particularly as higher construction and financing costs interact with long timelines and late-stage uncertainty.

This is reflected in stable approval rates alongside falling delivery, indicating the blockage lies after permission is granted.

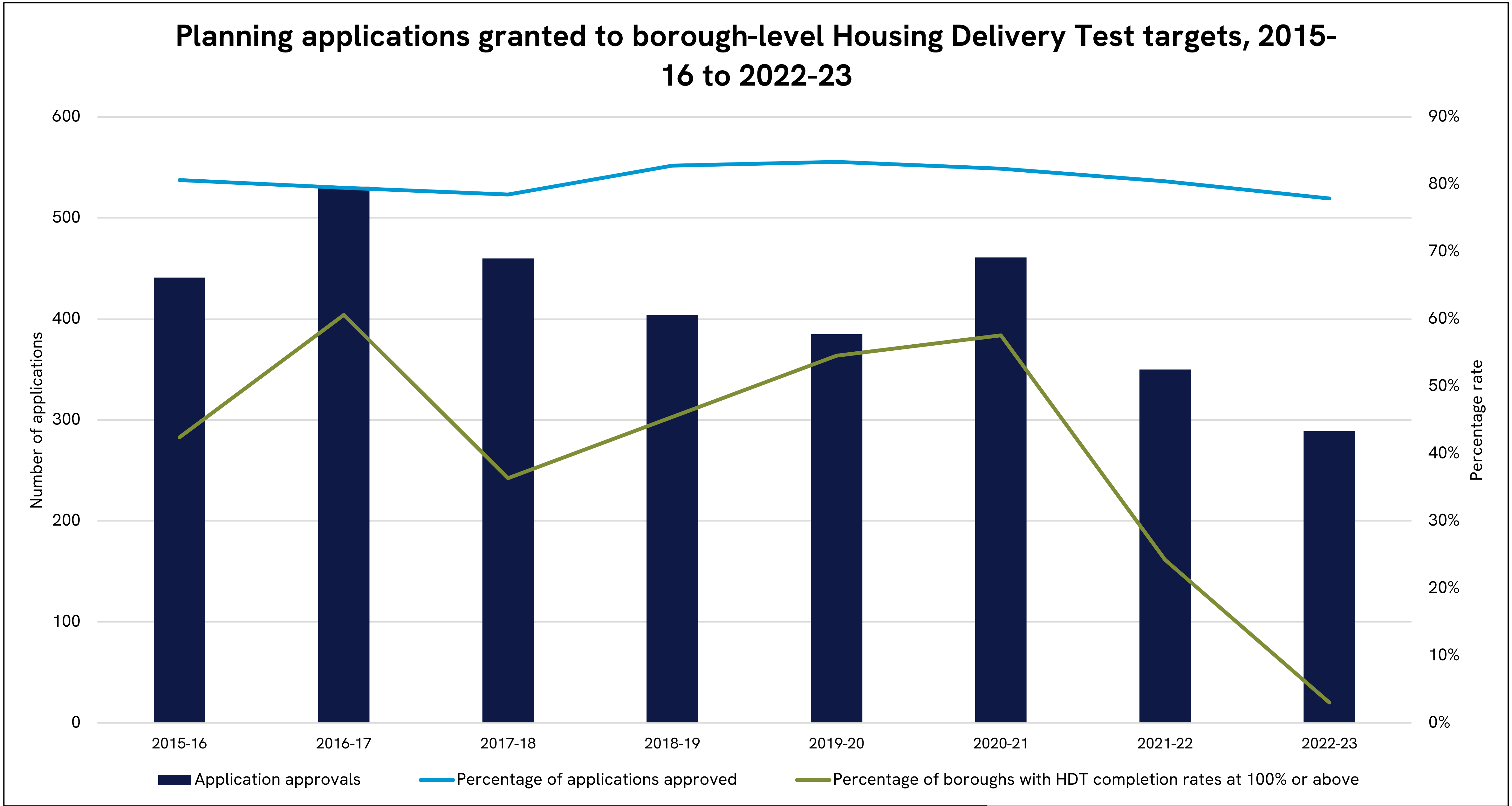
What matters is **certainty at land acquisition**, **not just the speed or likelihood of consent**. When schemes cannot be priced on predictable outcomes, starts fall as market conditions tighten.

Planning reform should therefore prioritise **predictability**. A more **rules-based system in defined areas,** including zoning and codified design parameters, could **reduce late-stage risk** and allow schemes that meet the code to proceed more simply.

Greater standardisation across London, including a more consistent spatial framework, would further reduce ambiguity for applicants and lenders and improve market confidence.



Source: MHCLG, District planning application statistics (PS2), 2010-25.



Source: MHCLG, District planning application statistics (PS2), 2015-16 to 2022-23; Housing Delivery Test: measurements, 2015-16 to 2022-23.

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.

Uncertainty in the planning system also suppresses densification on small sites where much of London's under-used land is found

London's under-used land is concentrated in small sites and opportunities for 'gentle density'. Croydon's Suburban Design Guide shows the potential of rules-based approaches, with scope to deliver up to 6,000 homes per year if scaled.

These markets are **best suited to SMEs**, but are highly **sensitive to planning risk**. Small schemes rely on high volumes of modest projects, so speed, certainty and repeatability are critical.

Late-stage changes and complex negotiation create disproportionate time and cost risks, deterring SMEs that cannot absorb prolonged uncertainty.

The next London Plan and borough Local Plans could treat **small-site densification as a core delivery strategy, supported by a 'small sites rules route' using design codes and standard typologies.**

Further support could include clearer **guidance for householder-led schemes, greater standardisation of spatial classifications, and reforms to levy and affordable housing requirements** such as simplified, phased or exempted contributions for genuinely small developments.

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.

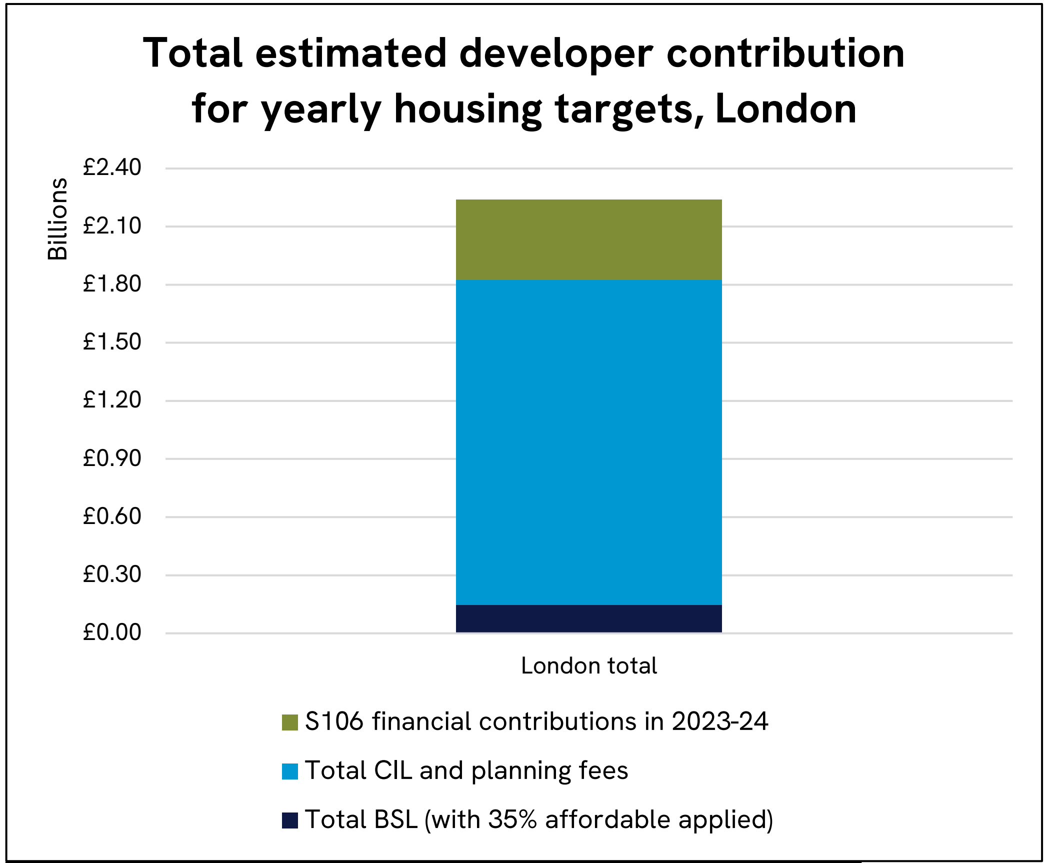
The cumulative cost of developer contributions is large and upfront costs are challenging when viability is tight and finance is expensive.

CIL, Section 106, planning fees and the Building Safety Levy create significant up-front costs and are frequently cited as blockers to delivery in current conditions, despite recent 'emergency measures' to mitigate these.

Our research highlighted two key issues:

1) **The cumulative cost is large, and upfront costs are particularly challenging when viability is tight and finance is expensive.** Using London's existing delivery targets and the current London Plan's design, tenure and market guidance as assumptions, a rough estimate indicates that reaching annual targets would levy in the region of £1.6 billion in CIL and planning fees each year.

2) **The levy system is fragmented and complex.** The various levies an requirements operate through different rules, timings and negotiations, so the overall system is difficult to model with confidence at the land acquisition stage.



Source: CfL analysis – Borough CIL/S106 receipts 2023-24; MHCLG, Building Safety Levy rates by local authority

Replacing a complex, front-loaded and discretionary system with a single, rules-based levy would reduce uncertainty, support viability across cycles

A reformed system of developer contributions could be framed as a package designed to solve three linked problems:

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

The policy should be embedded within other reform to the planning system, working within a locally led, rules-based system which replaces section 106 and CIL and is integrated with zoning-linked affordable housing.

The purpose of the reform **would not be to reduce land value capture**, but to convert a discretionary and uneven process into a **predictable system** that reduces negotiation, supports viability through market cycles, and protects affordable housing delivery and infrastructure receipts.

Recommendation 13

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

The Government should 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 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).

Recommendation 13

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

This would follow 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.

Ensuring good building standards while reducing regulatory risk

Standards and safety requirements have become a material driver of delivery risk. High safety and design standards are not 'nice to haves' - but the cumulative requirements and their application now play a large role in determining scheme viability.

BSR Gateway delays are a serious issue – but the process is showing signs of stabilising. Delays to BSR Gateway 2 reviews are well-documented, but there is evidence it is a temporary barrier to delivery. If the process becomes more predictable and applicant quality improves, Gateway 2 could become a more stable 'known cost' rather than a volatile delay risk, which would mitigate a long-term suppressive effect on starts.

The main way standards introduce risk is uncertainty and late iteration, not a single set of problematic regulations per se. 'Policy creep' in design and safety requirements and long timelines and regulatory risk can stall schemes significantly.

The BSR reported a high of 272 decisions to November 2025 (578 since August) with a 73% approval rate and 76% of determinations in London.

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.

Rising financing cost and risk premia, coupled with falling investment demand and low absorption, has also contributed to weakening private starts

Rising **finance costs and risk premia** are central to the downturn in starts and completions. Higher borrowing costs, inflation and interest rates have reduced viability, while uncertainty in planning, levies and safety compliance has increased risk margins for lenders and investors.

Weak effective demand and slower absorption have compounded this. Off-plan investment and pre-sales, which helped underwrite schemes in the 2010s, have fallen, with some evidence that the **removal of Multiple Dwellings Stamp Duty Relief** has dampened demand.

Regional and local housing policy has placed limited emphasis on development finance and aggregate investment. A stronger focus on crowding in capital and reducing risk and transaction costs, particularly where these are highest, could help unlock delivery.

Demand has since weakened to the extent that nearly 4,000 homes were completed as unsold in January 2026.

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.

Help to Buy shored up household demand, but in London this drove price inflation rather than additional homes – creating a ‘double-bind’ for policymakers

Demand-side subsidies like Help to Buy can act as a stimulus for housebuilders to deliver certain kinds of homes at specific price points, particularly for the first-time buyer market. 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.

Empirical studies show that, while Help to Buy did increase the delivery of First-Time Buyer homes in some parts of England, no additionality was observed in London where **the subsidy effectively capitalised into prices.**

This **creates a ‘double-bind**’ for policymakers where measures to improve access to homeownership are politically popular, and could help stimulate supply in contexts, but risk **being counter-productive**, especially in places like London. This is also the case for calls for affordability measures for ‘second-steppers’ which could in theory create chains of moves, but feed into capitalisation effects and worsen affordability in general.

Therefore, for any demand-side support to work in London, it must be **carefully designed to maximise additionality and minimise capitalisation.**

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.

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