

DELIVERING THE HOMES LONDON NEEDS

What will it take?

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Defining our terms: what do we mean by “Housing Crisis?”

When we talk about responding to the housing crisis, we tend to talk about housing **delivery**. This is vital.

But housing delivery is a **means to an end**.

Housing as provision of **shelter** – a **home** – is first and foremost a **fundamental human need**.

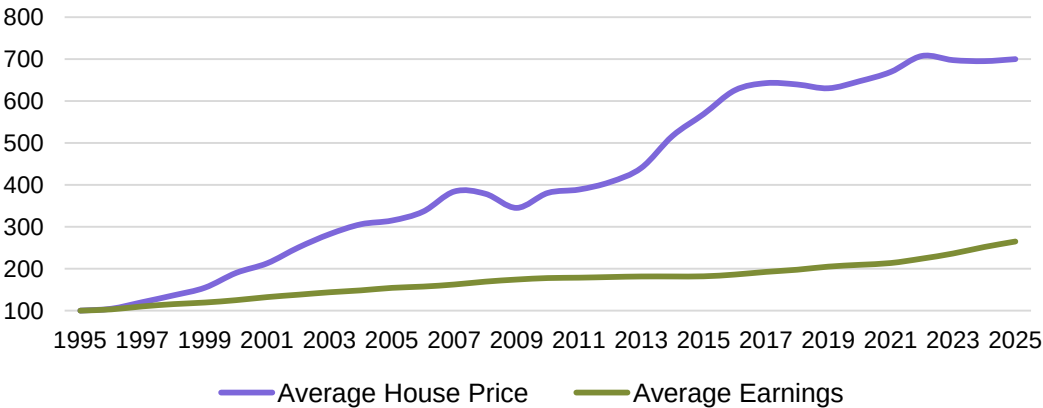
So, what does that mean for today’s conversation? What does meeting housing need mean for a city like London?

A working definition:

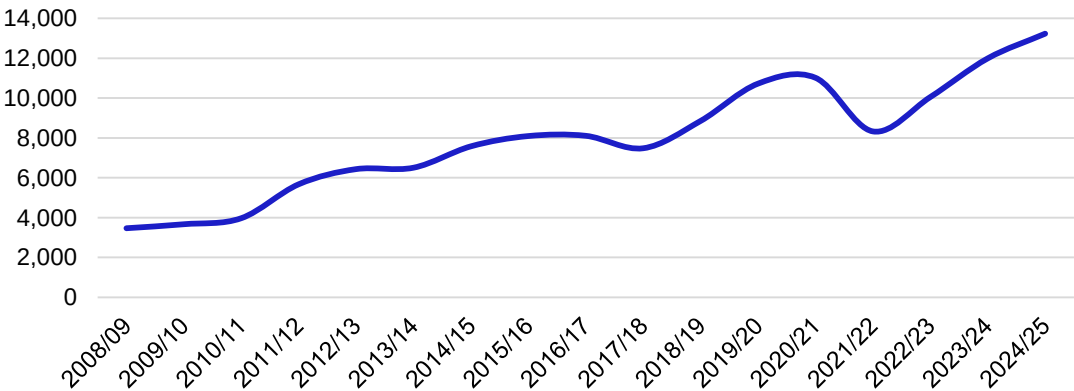
*“Meeting housing need means a city’s housing system **allocates dwellings** so that households can **access homes of appropriate cost, size and quality at the point they need them.**”*

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

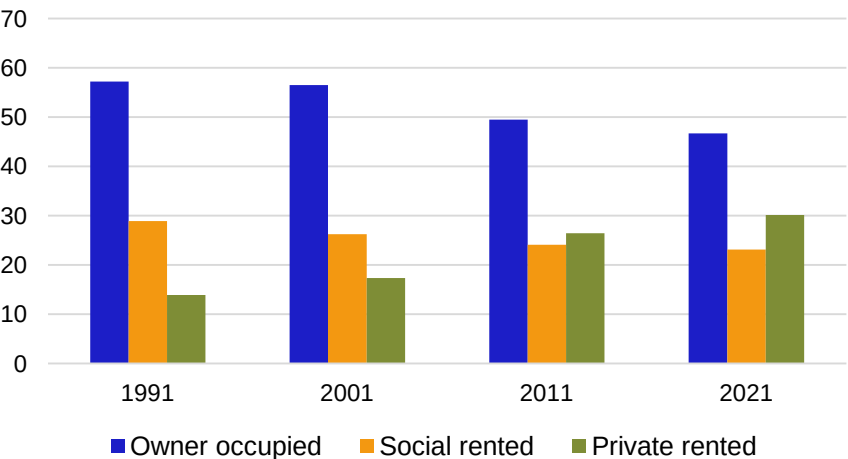
Average House Price vs Median Earnings Growth (1995=100)



Number of People Sleeping Rough

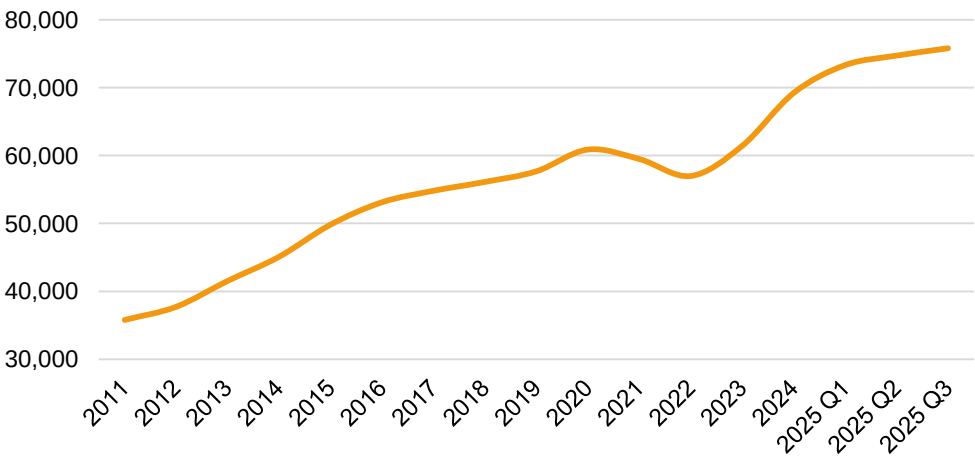


% Households by Tenure



42%
Average rent
as a share of
median private
renter net
income

Number of Households in Temporary Accommodation



Why is this happening? We tend to distil this to a single sentence: London no longer has enough homes to go round and therefore must build more.

There is a **strong consensus** that this crisis of housing need is down to **insufficient supply of new housing**.

This is grounded in a robust economics literature which highlights that UK housing supply has not expanded in proportion to shocks in effective demand.

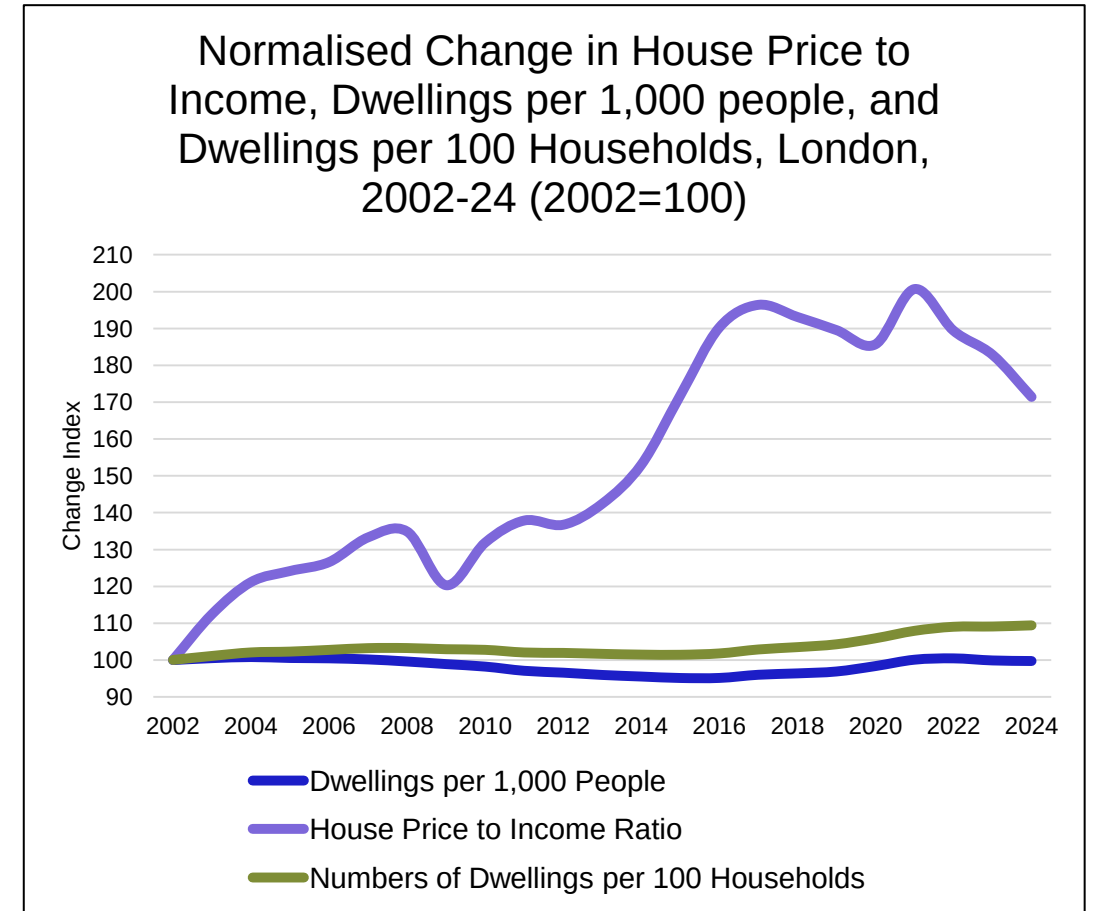
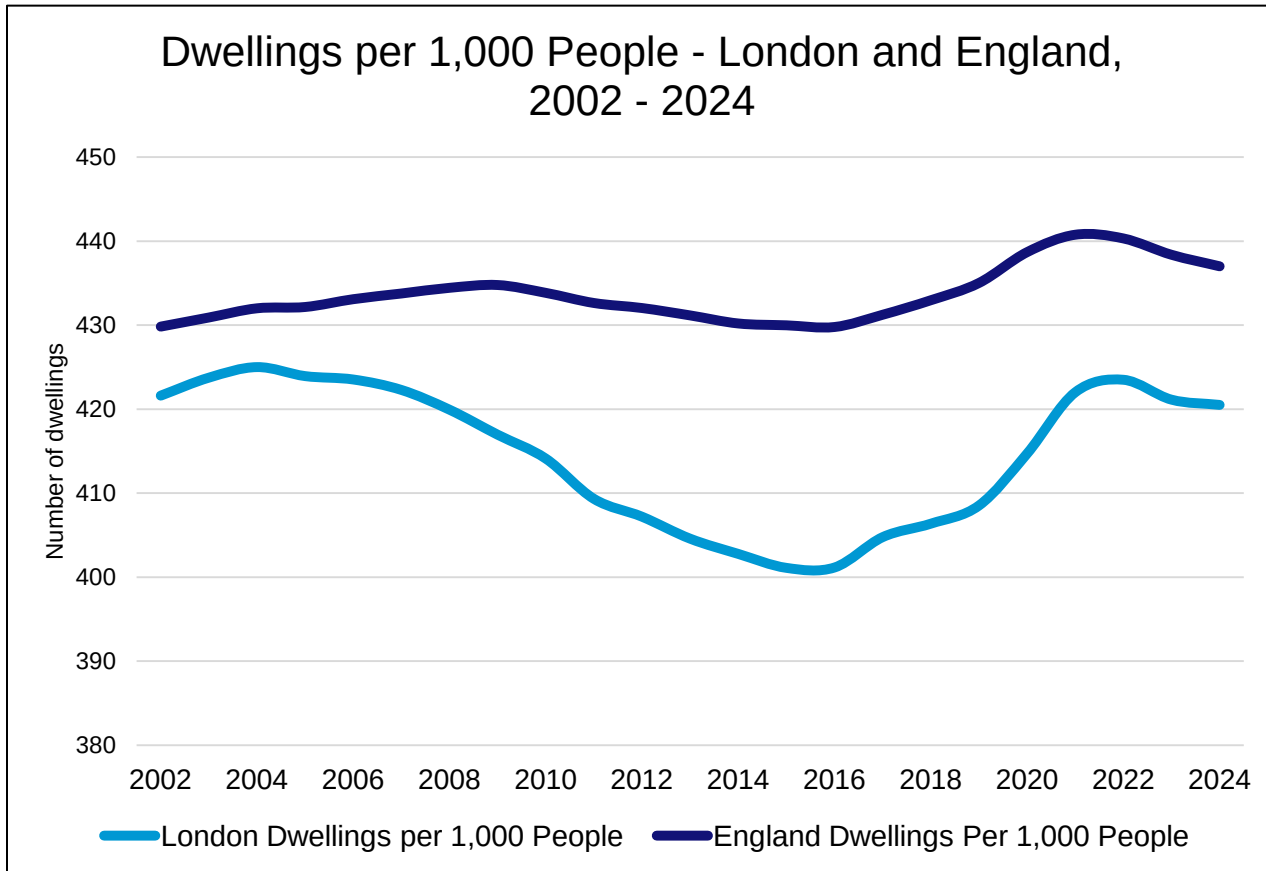
As a result, much of the policy debate is framed around **how many additional homes** should be built and how to remove barriers to delivery.

This is correct – and expanding housing supply key is fundamental.

But this framing can become reductive and overlook important dynamics that are fundamental to the nature, extent and persistence of the problem.

Rather than beginning with the question of ‘how do we build more houses’, we ask a prior question: how **has the availability of housing in London changed over the last twenty years, and how has does this relate to affordability?**

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.**

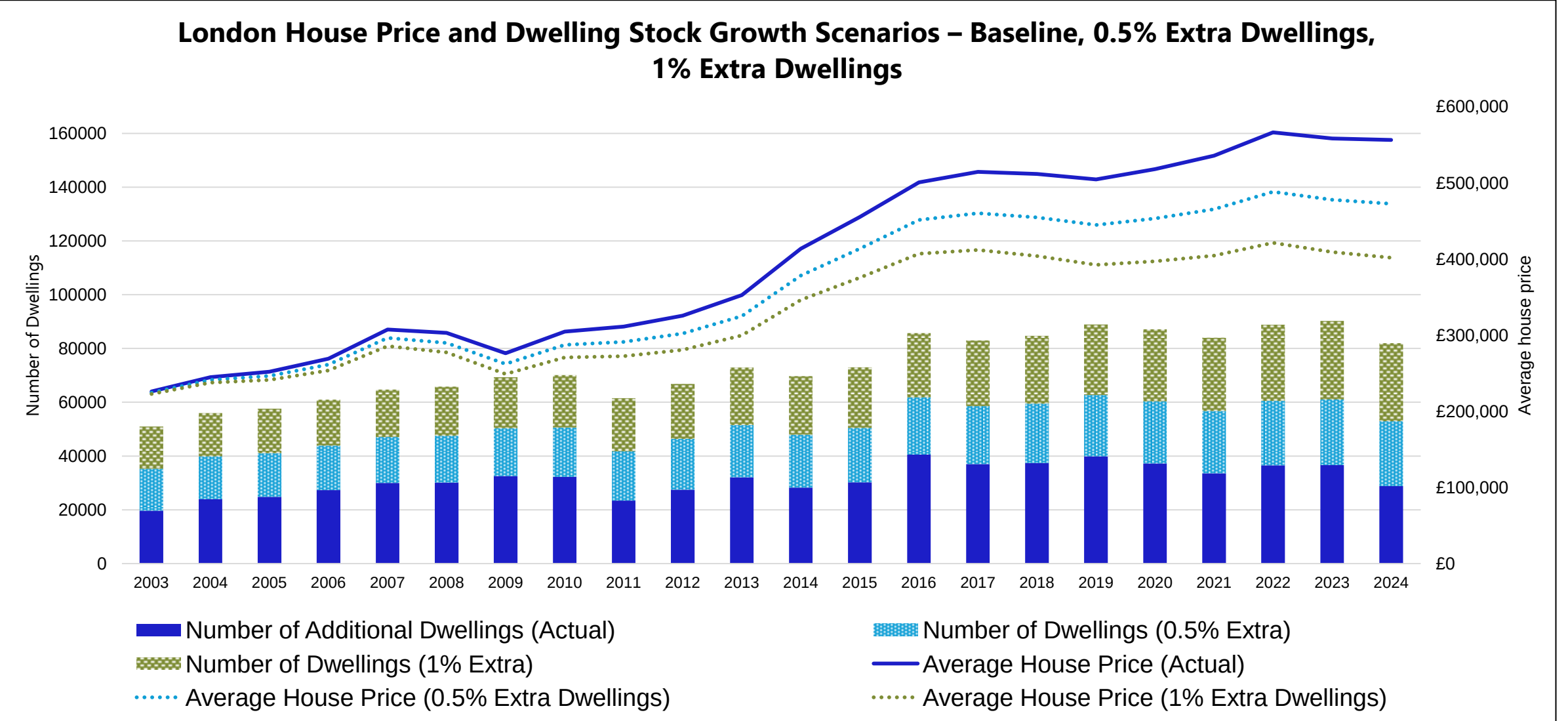
Why has affordability worsened so dramatically when the number of homes relative to the people who need them has been broadly stable?

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.



NB. We assume E at the lower end of the literature (1.5) given London's observed low price elasticity. However, we consider this optimistic given London's elasticity has been estimated to be closer to 1 (see IFS 2024).

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.

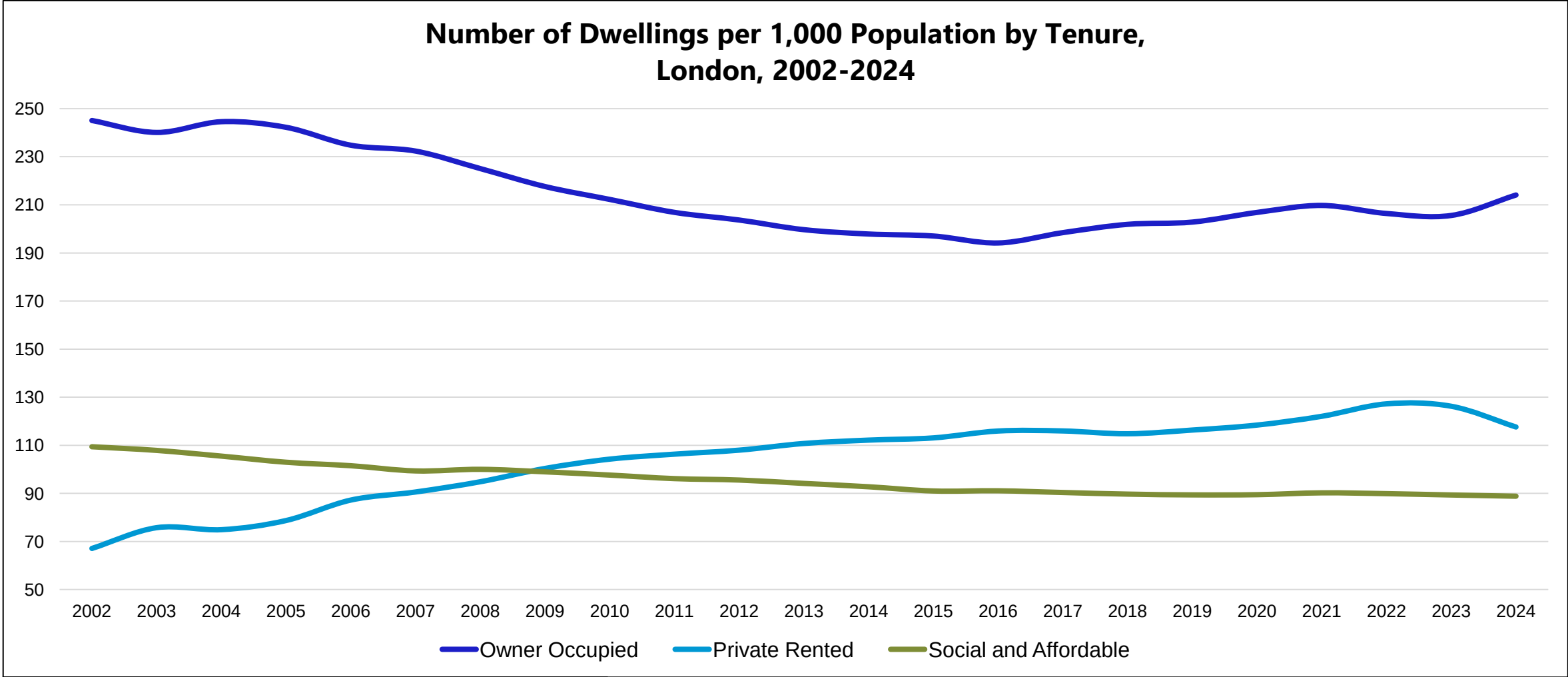
What else can explain worsening housing need when the number of homes available to meet need is around the same as in 2002?

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.

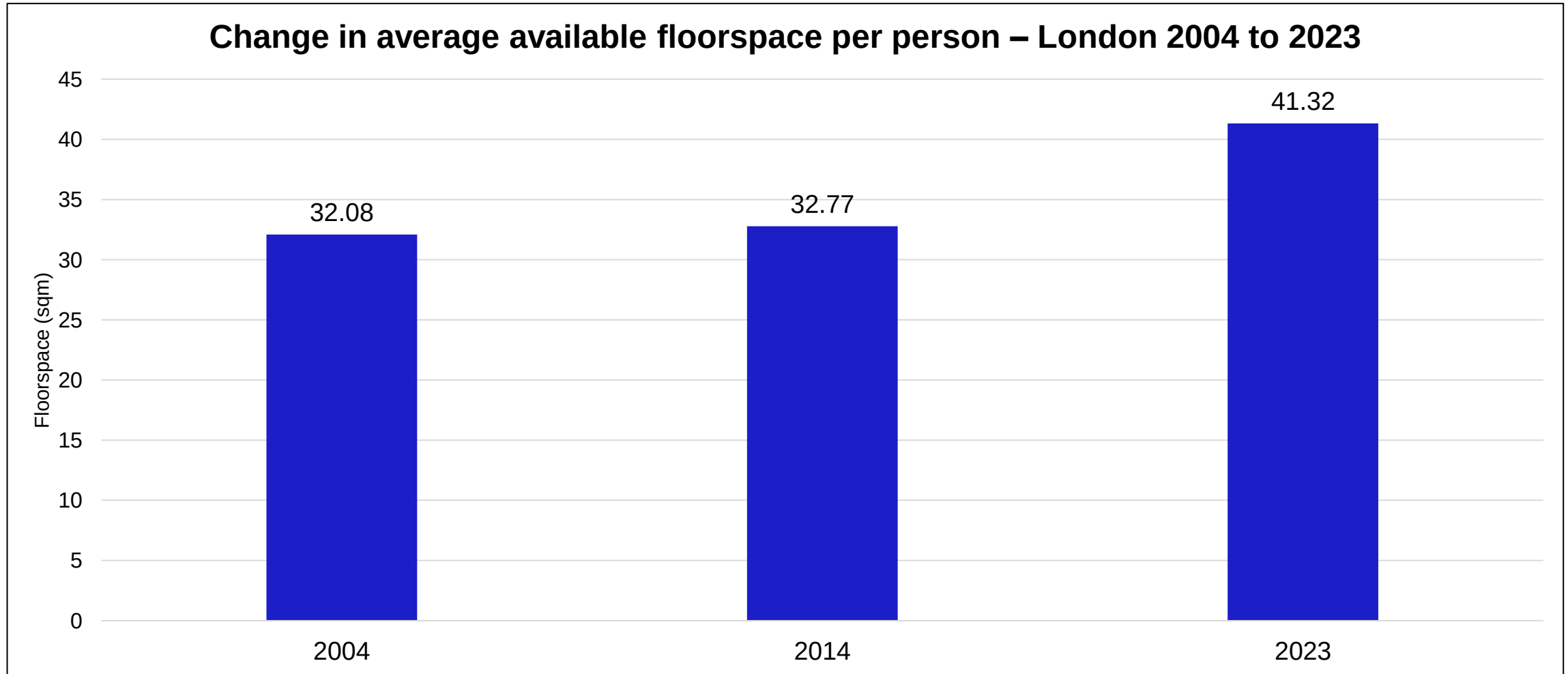


Source: MHCLG Dwelling Stock Estimates; GLA Population Estimates 2022-based

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.**

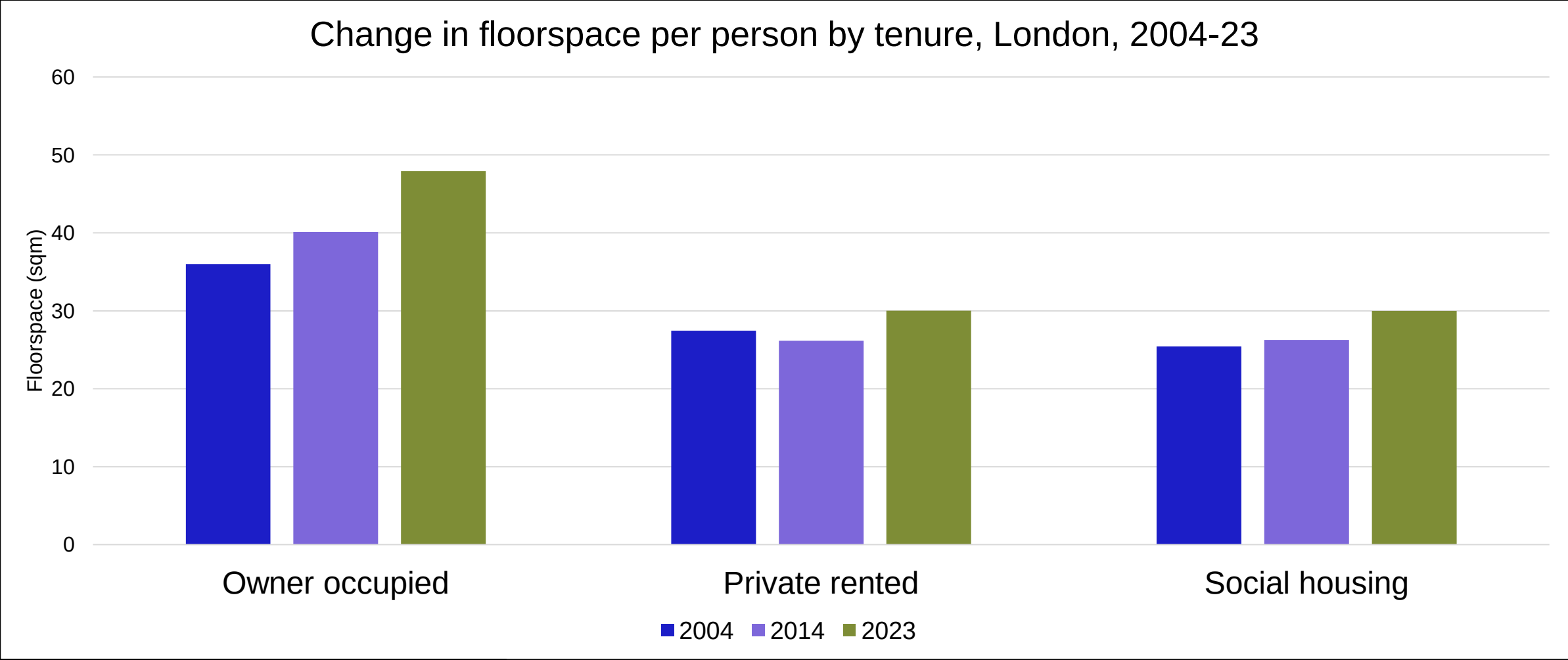
Changes in the availability and distribution of **useable floorspace can reveal how London's housing supply is distributed** in ways that counts of stock cannot.

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



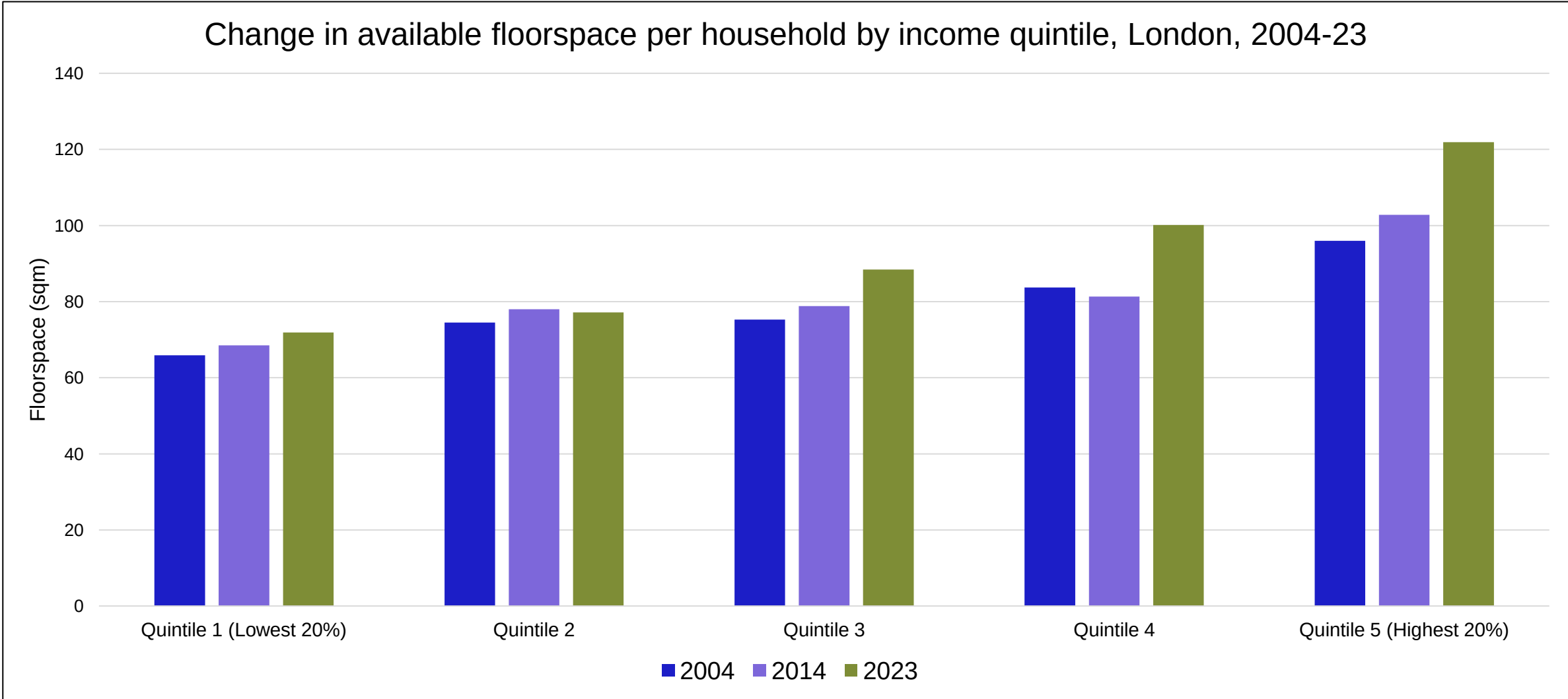
Source: CfL analysis – English Housing Survey 2004, 2014 and 2023.

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 be understood as a '**winner-takes all**' problem, one that has created **a harshly unequal city**.

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 record.

We need to both answer the question ‘how do we build more?’ **and** ‘how do we make the system meet need better in terms of how existing stock is 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.

An effective response therefore should seek to:

- 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



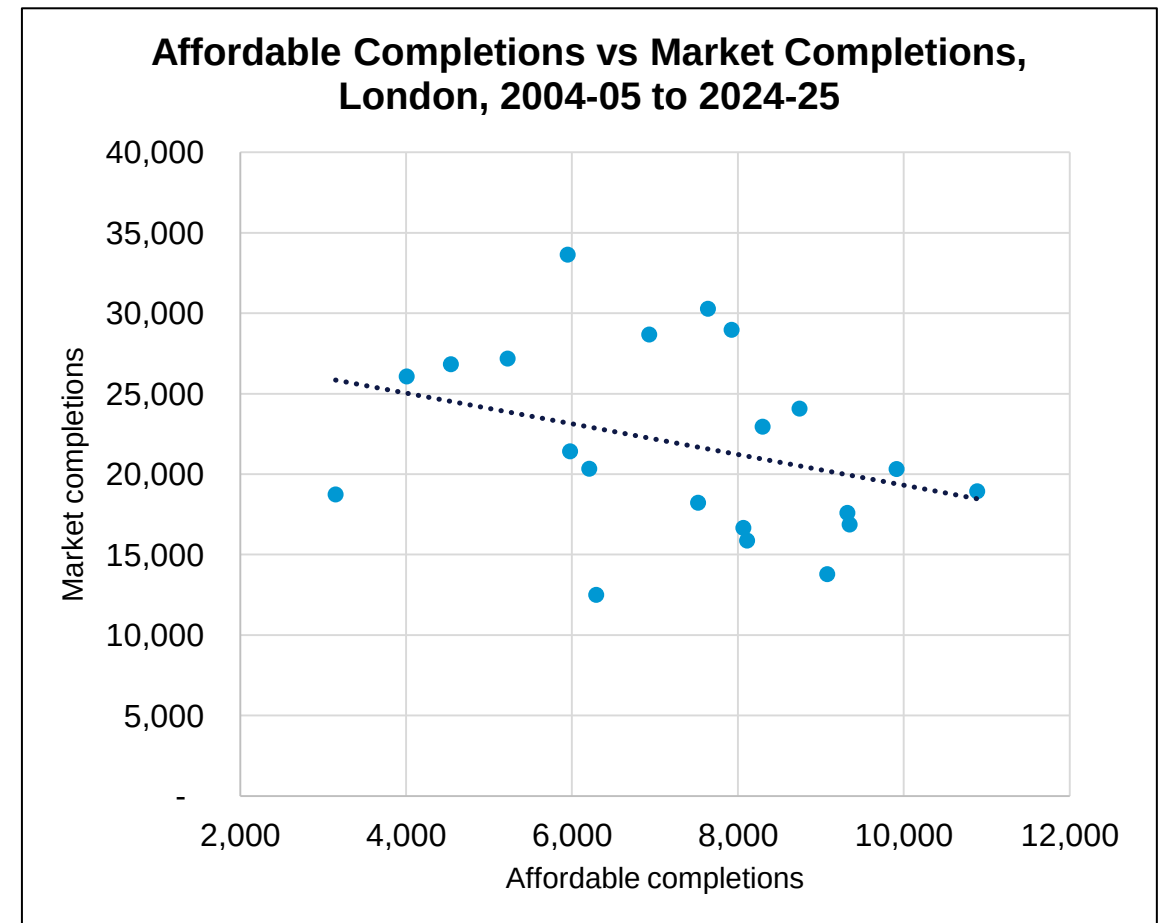
Radically expanding the capacity of local authorities and housing associations to deliver and manage homes

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 the assumption that **if the overall market delivers more homes, then more affordable housing delivery will follow** through cross-subsidy.

But the last twenty years of data on affordable delivery **does not indicate a stable relationship between market and affordable housing supply.**

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

Recommendation

The Government should accelerate efforts to recapitalise the social rented sector by accelerating rent convergence to allow weekly rents to increase by £3 per week annually above CPI+1% in London.

Recommendation

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.

Recommendation

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.

A municipal Build to Rent model would enable supply of more affordable, high-quality rental homes

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

Meanwhile, intermediate rental tenures are secured through cross-subsidy **so delivery is fragile and hard to scale.**

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, **financed in part 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.

Recommendation

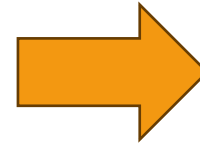
The Government and GLA should work with boroughs to introduce a new municipal Build-to-Rent model delivered and managed by local authorities, council-owned housing companies or registered providers.



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

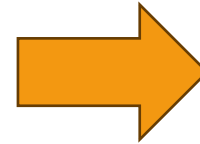
The current property tax system reinforces London's housing inequalities

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.



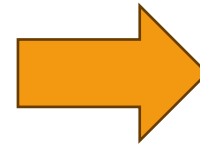
An average first-time property purchase of around £500,000 would levy £10,000 in Stamp Duty – around **10% on top of a typical first-time buyer deposit** – while a typical home-owner faces a bill of £20,000+, a strong **disincentive to 'right size'**.

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.

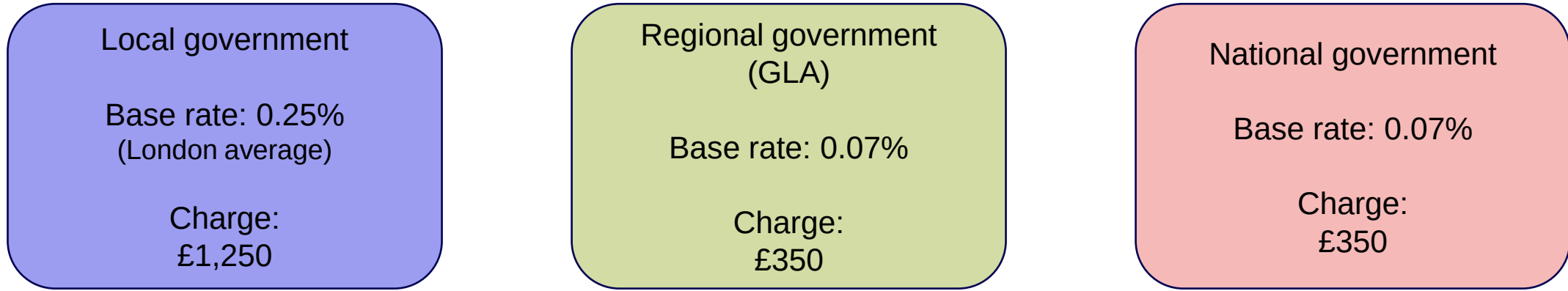


Housing wealth held by over-65s in London rose by around **£146 billion** over the past decade.

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

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).



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.

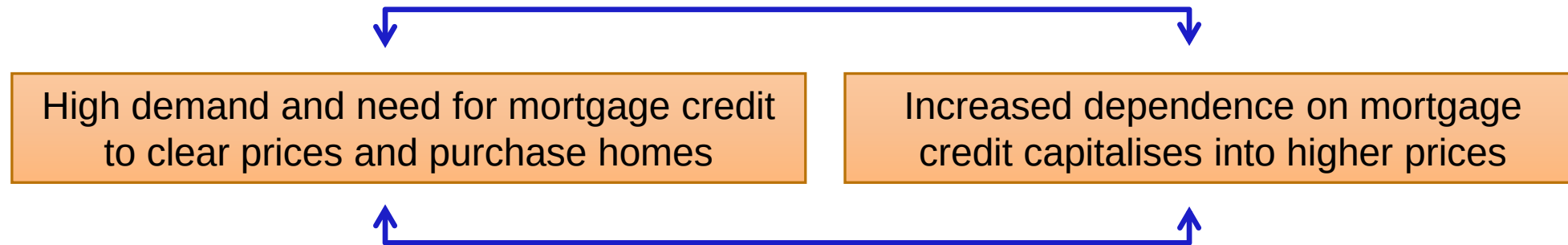
Assuming a 2% annual increase in PPT revenues, this would complement the 2026-2036 London Social and Affordable Homes Programme budget and **enable a combined delivery of 100,000 social homes** over the next 10 years.

	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.			

Expanding access to credit is often seen as a first line measure to increase home-ownership, but historically has 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.



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

Recommendation

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

Recommendation

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

Recommendation

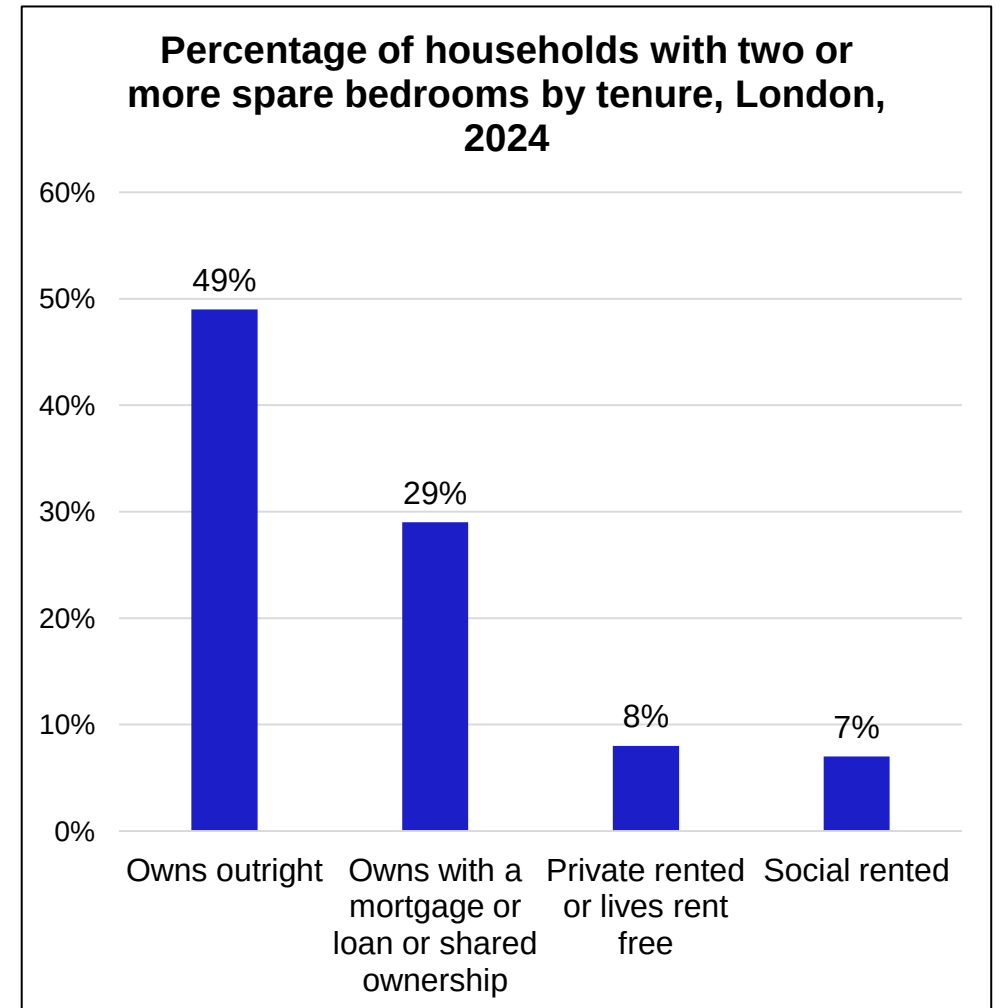
The Government should ensure any 'Help to Buy' style-equity loan scheme is time-limited, tightly-targeted, and partly developer-funded, and is focussed on additionality.

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.**

Almost three-quarters of owner-occupied dwellings in London are under-occupied, 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.



Recommendation

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.

Recommendation

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.

Recommendation

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.



Part 3) 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 mean approved schemes do not proceed.

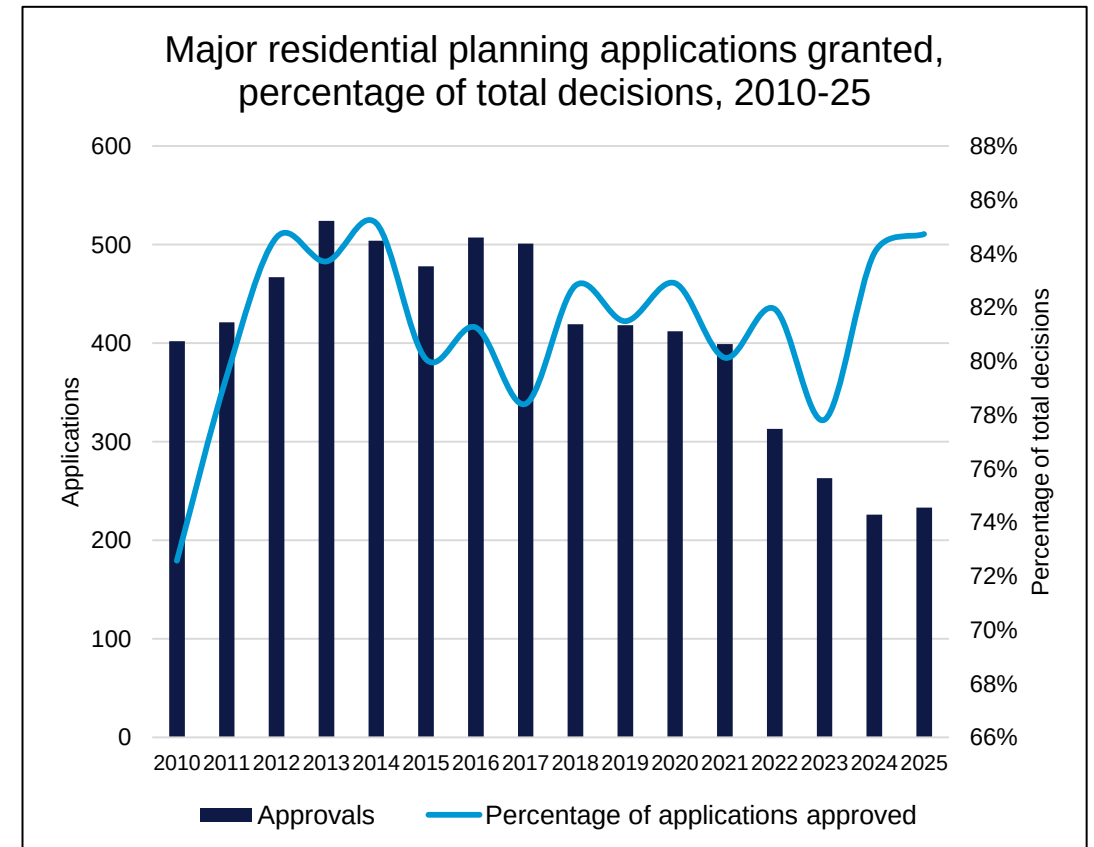
What matters is **certainty at land acquisition, not just the speed or likelihood of consent**.

Planning reform should therefore prioritise **predictability**.

A more **rules-based system in defined areas** could **reduce late-stage risk** and allow schemes proceed more simply.

Greater standardisation across London would further reduce ambiguity

Approval rates remain high and stable, but delivery falls, indicating the blockage lies after permission is granted.



Recommendation

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.

Recommendation

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

Replacing a complex, front-loaded and discretionary developer contribution 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

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).

Conclusion

Marginal change will not be enough.

The steps we set out 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 risk entrenching the system that needs change.

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

Summary

Radically expand the delivery of social and affordable homes to respond to unmet housing need.

- Recapitalise the social rented sector by accelerating rent convergence in London
- Increase the scale and flexibility of the London Social and Affordable Homes Programme to respond to London's needs and delivery context.
- Finance councils and RPs to deliver and acquire social and affordable homes throughout the market cycle.
- Introduce a new municipal Build-to-Rent model, backed by an enhanced LHA.

Tackle demand-side inefficiencies and inequalities in the housing market

- Replace Council Tax Stamp Duty on primary residences and Council Tax with a Proportional Property Tax.
- Introduce caps on Loan-To-Value ratios for Buy-to-Let properties in London.
- Introduce a London-wide 'Help to Move' Scheme
- Introduce a 'Right to Sell' to fund liveability improvements and care costs and acquire social stock over time.
- Empower local authorities acquire long-term empty homes criminal landlords properties.

Make building in London cheaper and easier

- Introduce a rules-based 'London system' for plan-led approvals
- develop a London Small-Sites Delivery Strategy
- Refine building design and safety standards guidance and advice
- Introduce a 'Development Finance' section as part of the next London Plan.
- Restore Multiple Dwellings Relief for the Build-to-Rent sector.
- Ensure any 'Help to Buy' scheme is time-limited, targeted, and partly developer-funded, and is focussed on additionality