
Why has housing delivery in London fallen so dramatically over the past decade?

Savills Research for Ballymore Group

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Executive Summary

London is not delivering enough homes to meet need, and the situation is worsening rapidly

- London housing completions have fallen 30% since 2020 to around 32,000 in 2024, just 36% of the 88,000 target.
- Private starts have more than halved in the past year and are at their lowest since 2009.
- This report covers the root causes of the current housing decline.
- The report also contrasts to the period just between 2013 and 2017 under a completely different set of market conditions and housing policy, completions increased by 72%.

Demand has reduced for London residential – with development only viable at a price point already saturated by supply

- There has been a collapse in investor demand; sales of new homes to investors have declined 90% since 2014, removing £6.4bn in annual capital. Investors now make up just 19% of all new home sales as opposed to c.80% in 2014.
- Overseas investment is waning due to tax reforms and increasing global competition, preventing developers from securing vital off-plan sales to help with cash-flow during the development cycle.
- Institutional investment in residential outside London has increased from c.£200m in 2015 to over £4bn while over the same period investment in London has dropped 40%. London is not even attracting the same level of institutional investment as ten years ago as opposed to outside London where it has been growing exponentially. There has been a movement away from riskier multi-family towers to single family homes in the suburbs of cities such as Birmingham and Manchester.
- 66% of Registered Providers surveyed have said they are reducing their requirements for new S106 homes, with a large majority indicating they do not see this changing for at least two years.

The cost of development and increased borrowing cost of finance has majorly reduced the pool of viable schemes

- Build costs have far outpaced house price growth in London, with the divergence growing. Arcadis forecast London TPI (Tender Price Inflation) of 20-27% between 2025 and 2029 compared to Savills house price forecast for London at just 15%.
- Additional development costs - such as S106, CIL, MCIL, carbon offset levies, biodiversity net gain, and the upcoming Building Safety Levy – all reduce scheme viability. On a like for like basis, policy asks have increased, as have construction and finance costs, whereas incomes have reduced or remained stagnant. The current policy approach wrongly assumes these costs as neutral to developers, or that they can be neutralised through negotiating lower land values. In fact the combined cost impact is punitive to developers, and there is a correlation between reductions in land value and residential applications in London: delivery is stalling because of the underlying approach to policy.
- A decade ago, delivering affordable housing was broadly cost neutral. Today the cost of delivering an affordable home far outweighs its value and therefore it requires substantial cross-subsidy from the private for sale element. The extent of cross-subsidy required to deliver policy aspirations makes the majority of schemes wholly undeliverable.
- London specific design requirements (excluding those relating to building safety) are intended to increase the user experience, but as a consequence, they dramatically increase the cost of delivering a home in London versus the rest of the UK. A G&T analysis of similar scale and value schemes inside and outside the GLA boundary indicate this could be a difference of 11%.

Policy and Tax changes such as Early and Late Stage Viability Reviews make residential development less attractive, more risky and less profitable

- Multiple stamp tax changes since 2015, increasing stamp tax on higher value homes (of which London has a higher percentage), alongside introduction of second home stamp taxes and non-resident stamp tax.
- Increases in CIL, S106 obligations, corporation tax and introduction of residential specific taxes such as the residential property developers tax and building safety levy have all made development of residential homes less attractive.
- Additional profit taxes such as late stage reviews make development of residential homes unattractive against other real estate sectors and geographies where such taxes are not applied.
- Savills analysis indicates that the time to deliver a block of apartments has almost doubled in the past ten years. This elongation makes high density residential development unattractive versus other development activities where timeframes have not extended.

Residential land value decline and alternative uses and current mechanism of land value in viability assessments prevent land from being traded for residential

- There is limited incentive for landowners to bring forward sites for residential development. To support housing delivery, policy should reassess how land value is treated in viability assessments, ensuring the range of premiums reflect the true cost and risk of securing planning and provide a genuine incentive for landowners to release sites for development.
- General policy is that additional levies and obligations can be sustained as they are reflected in the land price. This is pushing residential land below existing use and alternative use values, and provides an incentive for landowners to keep brownfield land underutilised or explore alternatives to residential such as logistics, data centres and hotels.

Viability challenges are summarised by Ballymore's Deanston Wharf Case Study which completed earlier this year; but would not be viable to build today

- We have taken the viability assessment from 2017 and updated to today's figures, taking into account additional requirements such as second stair core and dual aspect.
- Equivalent construction costs are almost £64m higher than in 2017, compared to values which have increased by only £15m.
- An appraisal today, even at 0% affordable housing, would not deliver the same overall residual land value as the 2017 appraisal, which therefore demonstrates in the clearest possible terms the mismatch between current policy aspirations and the financial realities faced by the development market.