

An aerial photograph of London, England, taken during the 'golden hour' of sunset. The sky is filled with dramatic, dark clouds, with a bright orange and yellow glow from the setting sun breaking through. The city skyline is visible, featuring numerous skyscrapers, including the prominent, curved 'The Shard' and the 'Gherkin'. In the foreground, a large residential area with many-story apartment blocks is visible, situated near a body of water, likely the River Thames. A semi-transparent red rectangular box is overlaid on the lower-left portion of the image, containing white text.

**HOUSING
TODAY**

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**STATE OF THE CAPITAL 2026
FIXING LONDON'S FRAGMENTED
HOUSING SYSTEM**

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Sovereign Network Group
staff upgrading empty
homes for re-let

Introduction

Over a year has passed since the inaugural State of the Capital report was published by Housing Today and the G15.

That landmark piece of research made several recommendations that were subsequently adopted in the June 2025 spending review, including the reintroduction of rent convergence and providing social landlord access to the Building Safety Fund for housing associations.

Most notably it set out for the first time a proposal for a low-cost loan model to help housing associations with temporary borrowing constraints (due to low interest cover) to develop. The government subsequently confirmed that its £2.5bn in low-cost loans announced in the June 2025 spending review would be used for the model we proposed.

These measures, along with a 10-year rent settlement and the £39bn Social and Affordable Homes Programme (SAHP), have widely been seen as beneficial for affordable housing delivery and as a win for the social housing sector. London will receive around £11.7bn from SAHP and 60% of the £2.5bn low-cost loans.

There's strong recognition by G15 chief executives that the Starmer government has backed the sector, but it's clear that London faces

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The government has listened, and by providing long-term certainty and funding they've started to fix the foundations of the broken housing system

unique pressures and challenges that dampen the outlook for affordable housing development in the capital. The past 12 months have been a rocky time for London housing delivery, with starts stagnating and schemes on hold due to viability issues and building safety delays.

The government has responded by bringing forward time-limited measures to get delivery in London moving. But in the here and now, with costs still rising, competing investment demands and a fragmented system under pressure, delivery in the capital continues to pose major challenges. London fell short of its annual housing target by around 58,000 homes last year.

At the same time, numbers in temporary accommodation and sleeping rough continue to rise. London Councils analysis shows that 210,000 people will be homeless and living in temporary accommodation on Christmas Day 2026, including 102,000 children.

This second State of the Capital report, produced by Housing Today in partnership with the G15, looks at several ideas that could be adopted to help rejuvenate the London market and get affordable housing delivery back on track.

The report is written by Carl Brown of Housing Today, in collaboration with the G15.



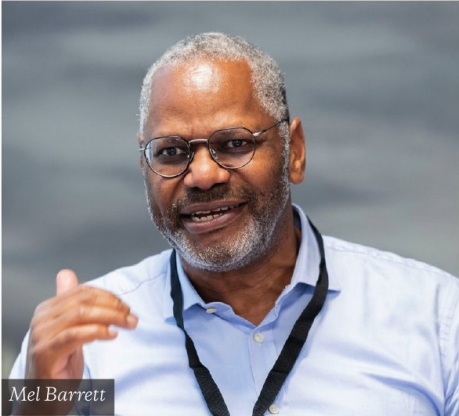
Methodology and participants

The Housing Today and G15 State of the Capital report 2026 was informed by a behind-the-scenes roundtable discussion with leaders from the largest housing associations in London, along with local authority and housebuilder representatives, which took place at the Building the Future Conference in the City of London in October 2025 (pictures below).

The report is the second in a series of annual, exclusive pieces of research produced by G15 and Housing Today.

We extend a huge thank you once again to all our participants: Mel Barrett, chief executive of Metropolitan Thames Valley Housing; Paul Dolan, chief executive of Riverside; Paul Hackett, chief executive of Southern Housing; Andy

Hulme, chief executive of Hyde Group; Ian McDermott, chief executive of Peabody; Clare Miller, chief executive of Clarion Housing Group; Mark Washer, chief executive of Sovereign Network Group; Grace Williams, executive member for housing and regeneration at London Councils; and Mike Wooliscroft, chief strategy officer at Vistry Group.



Mel Barrett



Paul Dolan



Paul Hackett



Andy Hulme



Ian McDermott



Clare Miller



Mark Washer



Grace Williams



Mike Wooliscroft

Section 1: More funding and certainty but still challenges

The last 12 months have seen delivery in London slow to a standstill. Private housing sector starts have fallen by 84% since 2015, according to a report by consultancy Molior, with work beginning on just 5,547 homes last year, compared with 33,782 in 2015.

The Home Builders Federation's report *Mind the Gap* points out that only 30,000 homes were completed in London in the year to June 2025, as measured by the number of new properties issued with energy performance certificates. This is down by 12% from the previous year and significantly below the 2019/20 peak when the figure topped 40,000. G15 members' development project starts have fallen by 66% in the space of two years from 2022/23 to 2024/25.

Rising finance and construction costs have led to challenges around viability, while a slowdown in demand from registered providers for section 106 homes has also had an impact. A backlog to scheme approvals under the Building Safety Act's gateway 2 approval process, which the Building Safety Regulator says it has now largely cleared, has also contributed to sluggish delivery.

The slowdown prompted mayor Sadiq Khan and the Ministry of Housing, Communities and Local Government (MHCLG) to announce a time-limited emergency package of measures in

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The system-wide challenges in the capital are deep and not easy to resolve, and it needs the public, private and social sectors working well together. With some targeted policy change, we can make that happen and get delivery back on track

October aimed at getting housebuilding in the capital going. This included allowing developers to secure planning permission without a viability assessment on private land where they commit to 20% affordable housing, down from 35% under current policy, for a period of two years. It is not yet clear the extent to which the package, which includes temporary relief from the community infrastructure levy (CIL) and changes to design standards to increase density, will work to increase delivery.

Councils meanwhile are grappling with a worsening temporary accommodation crisis. An estimated 210,000 Londoners are living in temporary accommodation, including more than 100,000 children - representing a 35% increase since 2021, according to analysis by London Councils. Councils are now spending more than £5m a day on homelessness, a figure that has more than trebled in just two years.

The number of people sleeping rough has risen to record levels, with 4,793 counted on a single night in England in autumn 2025, with 43% of these in London and the South-east. The system-wide challenges in the capital are deep and not easy to resolve, and it needs the public, private and social sectors working well together. With some targeted policy change, we can make that happen and get delivery back on track.

Community impact

Housing associations in London are about much more than developing and managing homes; they also play a huge role through community investment projects.

G15 members spent £33.1m on community investment projects in 2024/25, generating £74.2m in social value, as measured by the Housing Associations Charitable Trust. This is an increase of 41% year-on-year.

More than 340,000 people took part in G15 community programmes last year, while 83,000 accessed health and support, and nearly 29,000 accessed food provision. G15 members supported 19,000 with cost-of-living pressures and supported more than 12,000 into employment or training.

The images in this report feature several such projects supported by G15 housing associations.



Notting Hill Genesis staff
and residents in Ealing



Section 2: Making the system more effective for London



Hyde Group staff planting and improving the landscape

London's fragmented housing system is operating under sustained pressure. Many of the challenges facing the capital are structural, driven by inflation, viability constraints and wider economic conditions.

The traditional cross-subsidy model - under which open-market sales help pay for affordable housing - is also broken. This is evident in the continued wrangling over affordable housing and viability. Rising construction costs, slowing sales, interest rate increases and planning and regulatory requirements have all played a part.

Typically, grant covers a third of the cost of building a social rented home, with the gap made up by cross-subsidy from sales and landlord investment. But with sector capacity issues, competing investment priorities and a drop-off in demand for section 106 compounding a softening market, both housebuilders' and housing associations' starts on site are reduced. A lack of staircasing by shared-ownership residents, due to financial constraints, means that housing associations have billions of pounds in equity tied up in shared-ownership stock, which potentially offers a way through some of the challenges.

London has the oldest housing stock in Europe,

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Rising construction costs, slowing sales, interest rate increases and planning and regulatory requirements have all played a part

many with outdated space and layout standards. Some of these homes are no longer fit for purpose so regeneration must be a significant part of addressing London's systemic challenges too.

Better use of existing homes would also help improve the system. Regulation has, rightly, been strengthened in recent years, particularly on safety and consumer standards. However, the cumulative impact of overlapping requirements and prescriptive approaches is placing additional pressure on capacity and investment decisions by housing providers. There is a sense that overlapping regulation is undermining investment, improvement and delivery.

These pressures are also visible in how the system works on the ground. Allocations, nominations and the management of existing homes are under strain, as councils and housing associations respond to rising homelessness and overcrowding pressures.

Historic nomination agreements are under pressure, with both boroughs and housing associations looking for ways to improve how the system works for people in urgent housing need. This is a shared challenge that can only be met by councils and housing associations working together.

Section 3: Solutions and the G15

The G15 is well placed to play a key role in developing and implementing solutions to the housing crisis in London. Its members typically build one in four new homes and house one in 10 Londoners. They support about 24,000 people into training and employment each year, offer specialist care and support services, invest in and run community facilities, provide expert financial advice and support, and much more.

Last year G15 members invested more than £30m into the communities they serve. They are long-term investors, working alongside the mayor and London's boroughs, the NHS and health partners, resident and community-led groups, and the wider civic infrastructure of the city.

They are therefore well placed to offer joined-up solutions to the social and economic challenges facing Londoners, and in particular the acute shortage of social and affordable homes.

The £11.7bn of funding earmarked for London in the Social and Affordable Homes Programme, along with measures such as low-cost loans, show real commitment from government and will support increased delivery.

Below are some complementary policy ideas and recommendations the G15 and their partners are working on that could unlock additional capacity, homes and economic growth in London.

Recommendation 1: Complete the devolution settlement for London through fiscal powers

London has had a directly elected mayor for more than two decades, but devolution to the capital is far from complete. In practice, London's housing funding settlement still operates more as delegation than devolved local powers and control.

Given the scale of the capital's housing crisis, a more ambitious approach is needed. The mayor and boroughs should be given genuine fiscal devolution, moving beyond programme-by-programme control to a system where London can determine how funding is deployed to meet local priorities.

The G15 supports a multi-year, single integrated settlement for housing, infrastructure and regeneration, agreed with central government but devolved in delivery. This would allow the GLA and boroughs to align investment across programmes, plan over the long term, and target funding where it has the greatest impact.

Fiscal devolution should also extend to revenue-raising powers. As a first step, London should be able to retain a defined share of property tax revenues, ring-fenced to support affordable housing delivery, homelessness



Done properly, greater fiscal devolution could unlock billions in additional investment over the long term

prevention and enabling infrastructure. This could sit alongside a broader review of property taxation, ensuring the system both reflects London's housing needs and supports sustainable growth nationally.

Done properly, greater fiscal devolution could unlock billions more in investment over the long term, supporting higher levels of housebuilding, reducing homelessness and underpinning the capital's continued economic success.

Recommendation 2: Launch a new subsidised shared-ownership staircasing model

While registered providers are facing serious borrowing constraints and cost pressures, many have huge amounts of capital tied up in their shared-ownership portfolios. At the same time, many shared owners across the capital are unable to staircase (increase their owned percentage of their home) – due to cost pressures and concerns about complexity. Over the five years to 2024, an average of only 2% of total shared-ownership stock reached 100% staircasing. What if there were a model that could subsidise shared owners to staircase without extra cost while at the same time generating significant capital receipts for registered providers?

Ministers should adopt a new shared-ownership staircasing model under which shared owners are subsidised to staircase to 100% so that the mortgage payment is comparable to their current overall mortgage and rent costs.

This could be achieved by allowing housing associations to use a portion of Recycled Capital Grant Fund (RCGF) finance – a grant attached to existing affordable homes and that ordinarily must be reused for development when homes are sold – to subsidise shared owners' mortgage interest to bring down their borrowing costs.

The use of guarantees from Homes England's new housing bank could also be used to bring the cost down further. Under the proposed model,

mortgage lenders would provide standard mortgages, but the subsidy would reduce the interest costs for the buyer.

The move, which is also backed by the National Housing Federation, is preferable to other demand-side subsidies such as Help to Buy, as it would be unlikely to lead to house price inflation. This is because owners would be subsidised to buy the full value of their existing homes at Red Book valuation.

The model could lead to a significant proportion of the £33bn tied up in housing association shared-ownership portfolios being released for development or stock improvement programmes, with at least £10.5bn of this in the capital. It is a better option than selling homes to institutional investors as there would be no leakage of social value from the affordable housing sector.

Recommendation 3: Update the shared-ownership income cap to reflect London's housing market

Ministers should review and update the shared-ownership household income cap in London, which has remained fixed at £90,000 for almost a decade.

Over that period, both earnings and house prices have risen significantly. The result is that the current threshold is increasingly out of step with London's labour market, excluding households the scheme was originally designed to support. Dual-income households on typical professional or public sector salaries can now exceed the cap despite being unable to buy on the open market.

This has created a growing "cliff edge" in eligibility, where small increases in income can push households out of the scheme without materially improving their ability to access home ownership. In practice, this narrows the effective buyer pool and constrains demand for shared-ownership homes.

Updating the cap, particularly for joint applicants, would better reflect current earnings and widen access to the product. A higher cap would also improve scheme viability by enabling providers to operate at standard rent assumptions, rather than further discounting rents to maintain affordability within the existing threshold.

This, in turn, would strengthen the financial performance of schemes, increase staircasing and recycling of capital, and support the delivery of additional homes. Evidence suggests that raising the cap could bring hundreds of thousands of additional households into scope and materially improve scheme returns, unlocking further supply.



Recommendation 4:
Reduce duplication and over-prescription
in regulation

The current regulatory framework for housing associations is piecemeal, with multiple regulators and overlapping requirements.

In addition, regulation is often overly prescriptive rather than outcome-based (for example, is there really a need for five-year electrical checks on new-builds?). This has the effect of silting up organisational capacity through compliance costs without always adding tangible value.

The government should take a holistic approach and commission a comprehensive review of all regulations and policies in London to look at whether the volume and scope of the many restrictions and requirements associated with development, asset management and

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retrofit are unnecessarily constraining delivery and growth. It should look into the feasibility of introducing a single, outcome-based regulatory framework designed to reduce duplication and over-prescription.

In the meantime, the Decent Homes Standard (DHS) and Minimum Energy Efficiency Standard (MEES) requirements should be implemented on a single, aligned timeline in 2037. Aligning DHS and MEES in this way would support co-ordinated retrofit programmes, reduce inefficiency and avoid repeat works to the same homes.

Recommendation 5:
Make the new funding and rent settlement
models work better

The £11.7bn announced for London through the Social and Affordable Homes Programme was far more positive than many were expecting,

particularly given the reportedly parlous state of the nation's finances in the run-up to the 2025 spending review.

The focus now should turn to improving the funding model to make it more future-proof. The previous 2021-26 affordable homes programme saw providers reopening their bids in the face of surging inflation.

The government and the GLA should set out a long-term approach to affordable housing grant that maintains its real value over time. Index linking grant and setting rates per habitable room would better support the delivery of larger, family-sized homes.

While the reintroduction of rent convergence – with a phased uplift of £2 a week above CPI starting from 2028 – has been welcome, a £3 per week increase is needed in order to meet new regulatory requirements and support additional delivery.

**Recommendation 6:
Unlock the section 106 impasse by mandating the involvement of housing associations at the design stage**

The drop in housing association appetite to forward-buy section 106 homes from developers can be reversed by involving associations at an early stage of development.

Ensuring housing associations are working in partnership with developers at the design stage would enable G15 members and other providers to buy homes with confidence, knowing that the properties will be of sufficient quality and easy to manage and maintain. It would mean the affordable provider partner is involved in appointing managing agents and that the service charges set are proportionate, while also giving confidence to housing developers to build knowing that they can sell the homes.

The government could support and mandate this approach through the planning and funding system. For example, a registered provider

partner could be required for a scheme to attract grant, loans or the lower 20% level of affordable housing in London. The York and North Yorkshire Partnership and G15 have both produced guidance for developers that set out housing association requirements to purchase and set a new affordable home standard.

**Recommendation 7:
Policy certainty to underpin innovation**

Private and institutional finance has the potential to play a transformative role in supporting housing, infrastructure and economic growth. To help realise these ambitions, and to deliver more new affordable homes, it is vital that the government continues to cultivate the environment that investors need.

With certainty and confidence arising from government support, partnerships between social housing and like-minded investors can flourish and play an important part in building new homes. With protections for the long-term rights and the interests of residents at the heart of any partnerships, making better use of capital within the sector and new investment from outside of it is a smart combination.

**Recommendation 8:
Improve scheme viability and boost regeneration through flexible issue of recycled capital grant funding**

Current rules around the use of Recycled Capital Grant Fund (RCGF) finance, including the requirement for additionality – meaning the grant funds additional homes that would not otherwise be funded by other means – are too rigid and can constrain schemes.

The government should take a more flexible approach to RCGF, which is attached to social homes and must be reused when homes are sold. Permitting RCGF to be retained alongside new grant, and used in combination with building safety and decarbonisation funding, would free up balance sheet capacity and support additional delivery without additional cost to the Exchequer.

**Recommendation 9:
Introduce a new model for public land release to partner with housing associations as long-term investors**

The public sector estate holds a significant amount of developable land. However, at present the land is often released on a highest-bidder basis. This limits affordable housing delivery and constrains viability, slowing build-out and reducing wider economic impact.

Instead the government and the GLA should consider releasing land on terms other than commercial, for example through deferred

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payment, equity participation or land value sharing models. This would make it easier for housing associations to partner with government as long-term investors. It would unlock more affordable homes, accelerate delivery and generate sustained economic growth, while allowing the state to retain an equity stake and secure a return over time rather than as a one-off receipt.

**Recommendation 10:
National, regional and local government should join with the sector to reform and renew the social housing allocations system**

There is lots of partnership and multi-agency working across London, including on ending homelessness and tackling the high costs and overuse of temporary accommodation. The G15 is working alongside boroughs to improve how the social housing allocations system operates in practice. This is a shared effort to make better use of existing homes, respond more effectively to urgent housing needs, and prevent homelessness wherever possible.

In practice, wider pressures within the system influence how housing supply and support needs align, alongside the continued impact of overcrowding on many families across the capital. Simultaneously, councils face rising temporary accommodation costs and social landlords must meet increasing regulatory requirements.

Alongside the London Housing Directors Group, the G15 is focusing on practical, deliverable changes. This includes improving data-sharing, supporting more co-ordinated mobility and right-sizing across London, and exploring place-based approaches that bring together local authorities and housing associations around shared priorities.

The MHCLG and the GLA can provide critical support for this partnership approach to improve outcomes and renew a system that is fairer, more responsive and better able to meet the needs of Londoners facing housing issues.

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The government and the GLA should set out a long-term approach to affordable housing grant that maintains its real value over time – index linking grant and setting rates per habitable room



Peabody's team keeping neighbourhoods clean



Conclusions

The past year has seen important progress. Greater certainty on rents and a significant long-term funding settlement have provided a stronger foundation for the sector. The priority now is to ensure that this translates into delivery.

The measures set out in this report are practical and achievable. Taken together, they would give London the flexibility, tools and capacity needed to increase affordable housing supply, improve outcomes for residents and support economic growth.

This includes taking further action towards completing the devolution settlement, making better use of existing funding and assets, supporting demand for affordable home ownership, improving the operation of allocations, and unlocking delivery through planning, land and partnerships.

London's housing challenges are significant, but so too is its potential. With the right policy framework in place, the capital can deliver more homes, make better use of existing stock, and continue to play its central role in the UK economy.

The government has backed social housing and taken important steps to address systemic issues holding back delivery in London. Building on that progress, there is a clear opportunity to go further, working with the sector to turn stability into sustained delivery.

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