# London housing crisis worsens as new home starts plummet by 75% amid soaring affordability gap



A growing crisis in London’s housing market has reached unprecedented levels, leaving many renters facing insurmountable barriers to homeownership. According to recent figures, a typical first-time buyer in London now needs more than £65,000 in savings and an annual salary exceeding £120,000 to afford the average home. This stands in stark contrast to the typical renter, who has around £9,000 saved and earns under £30,000. The gulf between these figures highlights a catastrophic affordability gap that is increasingly reliant on familial financial support, with fewer than one in 20 young Londoners able to purchase a home independently. The crisis hits hardest among those under 45, making homeownership a distant dream for many.

The root of this housing crisis is multifaceted but centers on a systemic failure to build new homes at the necessary scale. Construction activity in London has plummeted, with new home starts falling by 75% in the past year. In the first quarter alone, just over 1,000 homes were begun—a mere twentieth of the government’s already insufficient target. This sharp decline is set against a backdrop of chronic underbuilding, regulatory bottlenecks, and political inertia. London’s housing shortage starkly contrasts with the 1930s, when over 50,000 homes were constructed annually in the capital, illustrating that this decline is by no means inevitable.

One key obstacle lies in the complex power dynamics and incentives within the planning system. Local councils wield veto power over developments, often responding to constituent opposition, yet they receive minimal financial benefit from approving new housing. While developers’ financial contributions to councils rarely cover the costs of necessary local infrastructure, much of the economic gain from new developments, through taxes such as stamp duty, accrues to central government. This disconnect diminishes local appetite for housing approvals. Compounding these challenges, a national building safety regulator established in response to the Grenfell Tower tragedy now holds sweeping control over high-rise projects, frequently rejecting applications and stalling construction. This regulator prioritizes safety above all else but is criticized for disregarding broader socio-economic factors such as urban growth and housing affordability—factors that are vital for the capital’s future.

Despite these challenges, solutions exist. Various proposals advocate for releasing land, reducing regulatory burdens, and restructuring incentives to encourage building. However, political will remains a significant hurdle, with housing policy often hindered by electoral concerns and reluctance to make difficult trade-offs.

These conditions are forcing a demographic shift, as many first-time buyers turn away from London altogether. Recent data shows a notable trend of homebuyers seeking affordable properties further afield—in regions like the North East of England, where average house prices hover around £160,000, a fraction of London’s £549,000 average. Other urban centres such as Birmingham and Manchester are experiencing similar patterns. Although mortgage lending rates have recently softened, affordability remains a significant barrier, confirmed by rising first-time buyer activity in these regions coupled with a decline in central London.

This shift is also reflected in a rise in first-time buyers across the UK more broadly, with a 19% increase in purchases during 2024. Family financial assistance remains crucial, however, with nearly one-third of new buyers relying on support from relatives. Still, in London, the scale of deposits required—often exceeding £125,000—continues to exclude many.

Compounding the supply problem are inaccuracies in housing data reporting, which obscure the real extent of the crisis. In some areas, such as East Lindsey, housing stock counts have been distorted by the inclusion of static caravans, while official statistics underestimate new home completions by as much as 25%. Reliable data is essential for setting realistic targets and allocating resources effectively, yet current measurement methods fall short.

Adding to the urgency, affordable housing starts in London have nosedived dramatically. Government data reveals an 88% fall in affordable home construction over the past year, with some boroughs initiating just a handful of new homes. For example, Bexley, Harrow, Richmond-upon-Thames, and the City of London each recorded only one affordable housing start in this period. Economic pressures including inflation, high building costs, and funding delays have further slowed progress, undermining ambitious targets set by the Greater London Authority’s Affordable Homes Programme. As of March 2024, a small fraction of planned homes had even begun construction, fuelling concern about the future availability of affordable housing in the capital.

Without substantial political commitment and structural reforms, London faces a deepening housing crisis that threatens not just individual aspirations but the city’s wider economic vitality and social cohesion. The affordability gap, stalled construction, regulatory gridlock, and shifting buyer geography collectively paint a picture of a housing market in urgent need of transformation.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://observer.co.uk/news/opinion-and-ideas/article/to-solve-the-housing-crisis-will-take-some-electoral-pain), [[2]](https://www.ft.com/content/fd29c715-8d12-459c-980e-11b58a4a374c), [[4]](https://www.ft.com/content/7f464a11-e7b5-4b25-b1d8-74c0bdab0a4e)
* Paragraph 2 – [[1]](https://observer.co.uk/news/opinion-and-ideas/article/to-solve-the-housing-crisis-will-take-some-electoral-pain), [[6]](https://www.london.gov.uk/who-we-are/what-london-assembly-does/london-assembly-work/london-assembly-publications/affordable-housing-monitor-2024), [[7]](https://www.standard.co.uk/news/london/london-affordable-housing-starts-homes-social-rent-b1195732.html)
* Paragraph 3 – [[1]](https://observer.co.uk/news/opinion-and-ideas/article/to-solve-the-housing-crisis-will-take-some-electoral-pain)
* Paragraph 4 – [[1]](https://observer.co.uk/news/opinion-and-ideas/article/to-solve-the-housing-crisis-will-take-some-electoral-pain), [[2]](https://www.ft.com/content/fd29c715-8d12-459c-980e-11b58a4a374c)
* Paragraph 5 – [[3]](https://www.ft.com/content/88aa09f5-085e-4537-9d47-cf6bd8c895a1), [[4]](https://www.ft.com/content/7f464a11-e7b5-4b25-b1d8-74c0bdab0a4e), [[2]](https://www.ft.com/content/fd29c715-8d12-459c-980e-11b58a4a374c)
* Paragraph 6 – [[5]](https://www.ft.com/content/59c15d77-29b1-44f0-9eb5-5c09f9955935)
* Paragraph 7 – [[7]](https://www.standard.co.uk/news/london/london-affordable-housing-starts-homes-social-rent-b1195732.html), [[6]](https://www.london.gov.uk/who-we-are/what-london-assembly-does/london-assembly-work/london-assembly-publications/affordable-housing-monitor-2024)

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## Bibliography

1. <https://observer.co.uk/news/opinion-and-ideas/article/to-solve-the-housing-crisis-will-take-some-electoral-pain> - Please view link - unable to able to access data
2. <https://www.ft.com/content/fd29c715-8d12-459c-980e-11b58a4a374c> - This article discusses the challenges faced by first-time homebuyers in London due to soaring property prices and stringent mortgage lending regulations. Despite professional success and financial stability, many young Londoners find homeownership increasingly unattainable without parental financial support. Over the past decades, the rapid increase in property prices has outpaced wage growth, making it difficult for average earners to save for substantial deposits required for mortgages. The 'Help to Buy' scheme, intended to aid buyers, has had limited impact, as it often led to higher house prices. Additionally, regulatory constraints on lending and the inflexible housing supply, particularly due to the greenbelt regulations, have further strained the market. Consequently, many young professionals are considering leaving London in search of more affordable living options elsewhere. The situation is seen as detrimental to London's competitiveness and appeal for new talent.
3. <https://www.ft.com/content/88aa09f5-085e-4537-9d47-cf6bd8c895a1> - In 2023, first-time buyers in the UK with mortgages increasingly purchased homes further from London due to affordability challenges within the capital, where the average house price is £549,000. The Office for National Statistics (ONS) reported a decline in first-time buyer mortgages per 1,000 dwellings in all London authorities over the last decade. Conversely, there was an increase in first-time buyer activity in other regions, notably in the North East of England, where house prices are significantly lower, averaging £161,389. Higher mortgage rates, the COVID-19 pandemic, and long-standing insufficient housing supply in London contributed to this trend. Urban centers such as Birmingham and Manchester experienced similar patterns. As housing costs soared, buyers sought more affordable properties in more rural and overlooked areas. The rates of first-time buyer mortgage sales were highest in Dartford, Harlow, and Nuneaton and Bedworth in 2023, contrasting with London's top ranking in 2013. Despite a recent ease in mortgage rates, affordability remains a significant issue for those entering the property market. The share of first-time buyers with mortgages reached 38.4% in 2023, the highest since 2006.
4. <https://www.ft.com/content/7f464a11-e7b5-4b25-b1d8-74c0bdab0a4e> - In 2024, the number of first-time buyers in the UK rose by 19%, reaching 341,068 purchases according to Halifax. This group represented 54% of all property purchases with mortgages, the highest percentage since 2014. The stabilization and reduction of interest rates, which have facilitated mortgage affordability, contributed significantly to the increase. Despite this improvement, affordability challenges persist; for example, the typical deposit required in London was £125,000. Additionally, nearly a third of first-time buyers in the fiscal year up to March 2024 received financial assistance from family and friends.
5. <https://www.ft.com/content/59c15d77-29b1-44f0-9eb5-5c09f9955935> - In East Lindsey, a recent census update revealed a significant discrepancy in the number of homes being built, with the actual figure (2,330) far exceeding previous estimates (390). This miscount largely included static holiday caravans parked near the North Sea, exposing the broader issue of inaccurate housing statistics in England. The government aims to build 1.5 million new homes by 2029, but official data from the Office for National Statistics and the Ministry of Housing often undercounts new-build completions, mainly due to an over-reliance on National Housebuilding Council data. The more reliable Net Additional Dwellings (NAD) report shows a 25% undercount in 2023-24, especially in diverse housebuilding markets like London. In contrast, data from suburban developments dominated by large housebuilders remains relatively accurate. The UK isn't alone in this challenge; Ireland has similarly overestimated housing delivery. Accurate housing data is crucial for effective policy-making, meeting government targets, and guiding investments, highlighting the need for improved measurement methodologies.
6. <https://www.london.gov.uk/who-we-are/what-london-assembly-does/london-assembly-work/london-assembly-publications/affordable-housing-monitor-2024> - This year’s Affordable Housing Monitor is published amidst serious delivery challenges facing the housing sector, including the ongoing impact of inflation and high build costs. Under the Affordable Homes Programme (AHP) 2021-26, the Greater London Authority (GLA) must start between 23,900 and 27,100 homes by March 2026 and completions must take place by March 2030. To the end of March 2024, 1,777 homes had been started. In March 2023, the Mayor announced that he had met the target under the AHP for 2016-23 of starting more than 116,000 affordable homes. Overall, 56 per cent of homes started under the AHP 2016-23 have been completed, including 10,343 completed in 2023-24. The challenging economic situation in the housing sector, which has contributed to a 30% drop in all new build homes being built in the past year, as well as delays in funding being released by the previous government, are reasons for delayed starts under the 2021-26 AHP, as cited by the GLA.
7. <https://www.standard.co.uk/news/london/london-affordable-housing-starts-homes-social-rent-b1195732.html> - The number of affordable homes started in London has fallen 88 per cent, new statistics have revealed, with some boroughs starting just one new affordable property each in the space of a year. Only 3,156 affordable homes began construction across the whole of Greater London between April 2023 and March of this year, down from 26,386 starts in the previous 12 months, according to Government data. Bexley, Harrow, Richmond-upon-Thames, and the ‘square mile’ of the City of London each saw only one new affordable property started. Work began on just two in Kensington and Chelsea, and only three each in Brent, Enfield and Lambeth. In Newham, four got started.