# London construction sector stalls amid sharp decline in new-build projects



London’s construction market is facing one of its most challenging periods in over a decade, with the city’s new-build commercial and residential pipeline shrinking by nearly 30% compared to last year. This contraction highlights ongoing difficulties within the broader UK construction industry, which remains hindered by faltering demand, economic headwinds, and increasingly complex project delivery. Despite some large infrastructure orders earlier this year, the slowdown in London is seen as indicative of a sector struggling to gain sustained momentum.

According to the latest data compiled by Arcadis in its UK Market View Autumn 2025 report, the decline is particularly stark in residential construction. National House-Building Council (NHBC) figures reveal that only 904 new homes were registered in London during the second quarter of 2025, representing a dramatic 59% year-on-year drop and placing the figure 82% below the city’s average quarterly registration since 2011. Housing starts tell a similarly grim story, with just 2,158 commencements recorded in the first half of 2025 — a mere 2% of London’s planning target. The NHBC attributes this steep decline partly to stricter building safety regulations for high-rise developments, alongside decreased activity from housing associations. Supporting this, the G15, which represents the largest housing associations in London, has reported a 66% reduction in new affordable housing starts over the past two years, with only 4,708 units begun in 2024–25 compared to 13,744 two years earlier.

The commercial sector in London has also lagged, with Deloitte’s London Office Crane Survey showing just 223,000 square metres of new office space added in the six months to March 2025 — the weakest output since mid-2022. This subdued development environment coincides with a wider national context where public-sector projects are providing some uplift. Government-backed spending on health, research, and infrastructure rose by 16% year-on-year in the second quarter, propping up the overall UK construction market. However, Arcadis highlights that public-sector non-housing projects only represent a tenth of new-build activity and are insufficient to stimulate a full industry recovery.

Economic uncertainty remains a key barrier to growth. Arcadis’ head of strategic research and insight, Simon Rawlinson, noted that breaking out of the current “slow-burn crisis” will require overcoming multiple challenges, including interest rate pressures and delivery complexities. The Bank of England’s recent decision to reduce its base rate to 4% offers some relief, but inflationary pressures persist, especially in network infrastructure, where costs are forecast to rise steadily from 4–6% next year to up to 8% by 2029. Labour shortages, particularly in specialised trades like mechanical, electrical, and plumbing, are also pushing up costs despite stabilising wages in other sectors.

Within this constrained environment, water and energy infrastructure have emerged as rare growth areas. Orders in water-related projects surged 150% year-on-year in Q2 2025, with electricity sector work up 50%, and these sectors are expected to accelerate further into 2026. While national workload in the residential segment shows some modest optimism with fewer project delays and renewed restarts after resolving viability issues, London’s housing market remains vulnerable. Forecasters, including Knight Frank, continue to project slight growth of around 2% over the next year and cumulative gains of over 15% across five years, but this outlook heavily depends on political and economic stability to overcome current headwinds.

Government reforms and interventions such as planning reform and investment in transportation aim to underpin longer-term recovery. Still, Arcadis’ Autumn report underscores that the UK construction sector is effectively “stuck in the cycle” for now, with a weakening future project pipeline casting a shadow over near-term prospects. The construction industry faces a critical juncture where sustained confidence and investment will be vital to reversing declines, particularly in London, where the housing crisis deepens amid ongoing market contraction and soaring demand for affordable homes remains unmet.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.constructionnews.co.uk/sections/data/london-pipeline-shrinks-as-uk-market-struggles-for-momentum-09-09-2025/), [[4]](https://www.arcadis.cn/en-gb/news/europe/united-kingdom/2025/3/uk-construction-sector-turns-a-corner-but-sustained-confidence-will-be-key-to-recovery?sc_lang=en-GB)
* Paragraph 2 – [[1]](https://www.constructionnews.co.uk/sections/data/london-pipeline-shrinks-as-uk-market-struggles-for-momentum-09-09-2025/), [[3]](https://www.standard.co.uk/business/money/national-house-building-council-london-northern-ireland-yorkshire-humber-b1240627.html), [[5]](https://www.bbc.co.uk/news/articles/c1ldgqvypqpo)
* Paragraph 3 – [[1]](https://www.constructionnews.co.uk/sections/data/london-pipeline-shrinks-as-uk-market-struggles-for-momentum-09-09-2025/), [[5]](https://www.bbc.co.uk/news/articles/c1ldgqvypqpo), [[3]](https://www.standard.co.uk/business/money/national-house-building-council-london-northern-ireland-yorkshire-humber-b1240627.html)
* Paragraph 4 – [[1]](https://www.constructionnews.co.uk/sections/data/london-pipeline-shrinks-as-uk-market-struggles-for-momentum-09-09-2025/), [[2]](https://www.arcadis.com/en-gb/insights/perspectives/europe/united-kingdom/uk-autumn-market-view), [[6]](https://www.arcadis.cn/en-gb/news/europe/united-kingdom/2025/6/arcadis-releases-summer-2025-uk-construction-market-view-report)
* Paragraph 5 – [[1]](https://www.constructionnews.co.uk/sections/data/london-pipeline-shrinks-as-uk-market-struggles-for-momentum-09-09-2025/), [[6]](https://www.arcadis.cn/en-gb/news/europe/united-kingdom/2025/6/arcadis-releases-summer-2025-uk-construction-market-view-report), [[2]](https://www.arcadis.com/en-gb/insights/perspectives/europe/united-kingdom/uk-autumn-market-view)
* Paragraph 6 – [[1]](https://www.constructionnews.co.uk/sections/data/london-pipeline-shrinks-as-uk-market-struggles-for-momentum-09-09-2025/), [[7]](https://www.knightfrank.co.uk/research/article/2025/2/london-new-homes-update-february-2025), [[2]](https://www.arcadis.com/en-gb/insights/perspectives/europe/united-kingdom/uk-autumn-market-view), [[4]](https://www.arcadis.cn/en-gb/news/europe/united-kingdom/2025/3/uk-construction-sector-turns-a-corner-but-sustained-confidence-will-be-key-to-recovery?sc_lang=en-GB)

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## Bibliography

1. <https://www.constructionnews.co.uk/sections/data/london-pipeline-shrinks-as-uk-market-struggles-for-momentum-09-09-2025/> - Please view link - unable to able to access data
2. <https://www.arcadis.com/en-gb/insights/perspectives/europe/united-kingdom/uk-autumn-market-view> - Arcadis' UK Autumn Market View report highlights a cautiously optimistic outlook for the construction sector, citing improving economic conditions and a robust workload pipeline. The report indicates that fewer projects are subject to delay, and an increasing number are restarting following the resolution of funding and viability issues. However, it also notes that revisions to future forecasts may be required for London and the South East if growth continues at its current pace.
3. <https://www.standard.co.uk/business/money/national-house-building-council-london-northern-ireland-yorkshire-humber-b1240627.html> - The National House Building Council (NHBC) reported a 59% year-on-year decline in new home registrations in London during the second quarter of 2025, with only 904 registrations compared to 2,191 in the same period in 2024. This sharp decline is attributed to the new building safety regime for high-rise buildings and reduced activity from housing associations. Despite this, the NHBC noted modest growth in new home registrations across the UK, with a 4% increase compared to the same quarter in 2024.
4. <https://www.arcadis.cn/en-gb/news/europe/united-kingdom/2025/3/uk-construction-sector-turns-a-corner-but-sustained-confidence-will-be-key-to-recovery?sc_lang=en-GB> - Arcadis' Spring 2025 Market View report indicates that the UK construction sector has reached a turning point, with marginal growth in late 2024 marking the end of contraction. However, the outlook remains uncertain, with a weakening future pipeline posing a serious concern. The report highlights that new orders have fallen sharply, dropping nearly 20% since July, and that government reforms aim to deliver long-term growth, but the short-term outlook remains challenging.
5. <https://www.bbc.co.uk/news/articles/c1ldgqvypqpo> - The G15, a group representing the largest housing associations in London, reported a 66% drop in new affordable homes being built over the last two years. In 2024–25, only 4,708 new home builds started, down from 13,744 two years earlier. Between January and March 2025, there was a 7% drop in new build starts compared to the same period in 2023. The G15 urges swift action in the face of a deepening housing crisis.
6. <https://www.arcadis.cn/en-gb/news/europe/united-kingdom/2025/6/arcadis-releases-summer-2025-uk-construction-market-view-report> - Arcadis' Summer 2025 UK Construction Market View report provides a cautiously optimistic outlook for the construction industry, despite global economic uncertainty. The report highlights that new build construction workload increased marginally in Q1 2025, and the outlook is stabilising. It also notes that government interventions on planning reform and funding for transportation and housing improve the long-term outlook for the sector.
7. <https://www.knightfrank.co.uk/research/article/2025/2/london-new-homes-update-february-2025> - Knight Frank's London New Homes Update for February 2025 highlights a significant decline in private housing starts in London, which fell to their lowest level in 14 years in 2024, down nearly 70% from their 2015 peak. The report also notes that build-to-rent starts have hit their lowest annual level since 2014. Despite these declines, the report forecasts 2% growth in the London new homes market this year, with cumulative growth of over 15% over the next five years.