

Research

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Fixing London's New Homes Market

Why supporting demand, and not just supply, is essential to address London's housing shortfall

London new homes - what went wrong?

London's housing delivery has collapsed. Just 6,325 private-sale homes started construction in the year to March 2026 according to Moliar London—just 7% of the 88,000 homes needed in the capital annually across all tenures.

With 29 months of unsold supply now sitting on the market, developers have understandably reined in their build programmes and all but halted new starts.

London has the highest housing need target of any English region but also the most significant gap in delivery. Developers trying to bridge this widening gap are finding delivering new homes in the capital is increasingly difficult.

Recent research by global tax firm Ryan reported in The Times shows property taxes including business rates, council tax and purchasing taxes make up 3.7% of the UK economy, higher than any other advanced economy.

But the higher tax burden is stifling growth, compounded by a stamp duty regime tailored to extract the most revenue from higher priced homes, meaning London is most impacted. A first-time buyer purchasing an average priced home in London pays £17,600 in Stamp Duty Land Tax (SDLT) compared with no bill at all for a first-time buyer purchasing the average priced home in the North-East.

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We are all aiming for the same goal, more homes built to address London's clear housing need. But it shouldn't be this difficult.

Marcus Dixon

Head of UK Living

& Residential Research, JLL



There are multiple reasons behind the slowdown in activity in London, with scheme viability, regulatory delays and higher finance costs all contributing. However, what is most stark, is that while delivery has dropped the ratio between unsold stock and sales has been rising across London.

The number of new homes completed and unsold topped 3,600 homes at the end of Q1 2026. Add to this units unsold on schemes under construction — a further 18,737 homes — and the total tops 22,000.

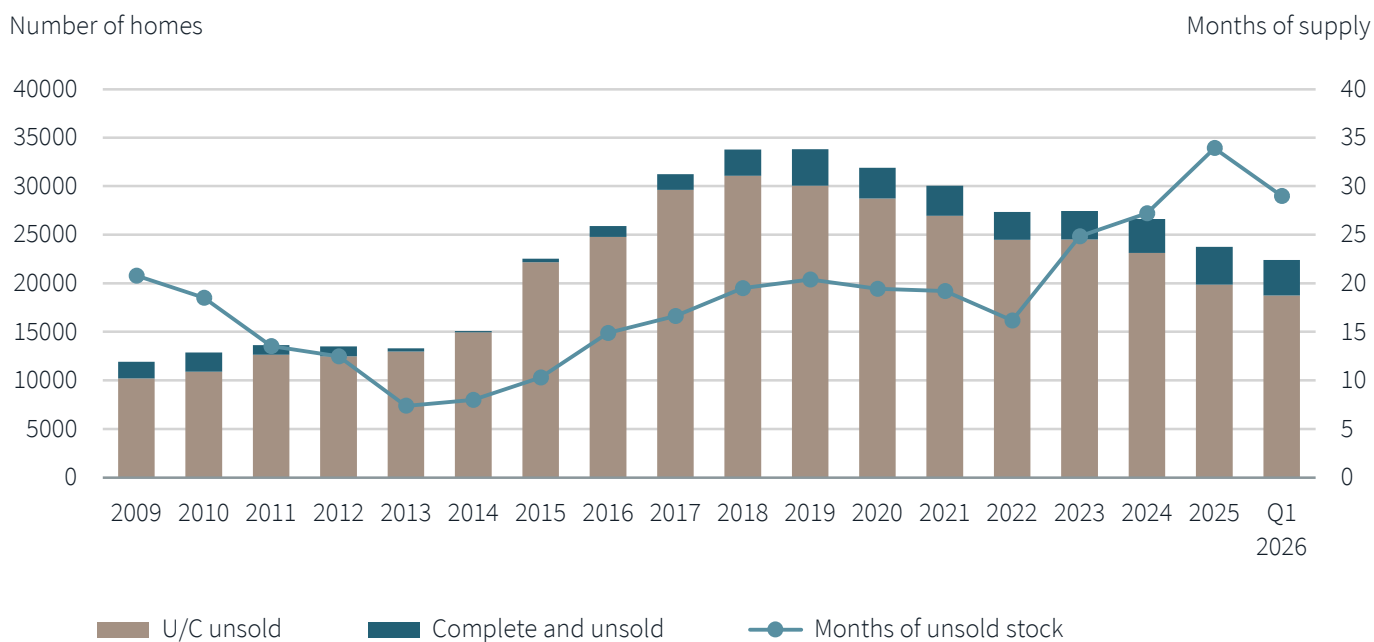
In a fully functioning market this wouldn't be an issue, but as sales have slowed this now equates to 29 months of unsold supply, up from 19 months five years ago, and just over seven months back in 2013.

With so many months worth of unsold homes it isn't surprising that developers are less inclined to push ahead with new development, with capital, workforce and attention all still focussed on schemes which in a different market would have been completed, sold and occupied. All before we even consider the delays and additional costs associated with getting schemes through the Gateway process and challenges around build costs, planning obligations and viability.

There were signs of improvement in early 2026, with stock to sales ratios higher than 2025 in Q1 this year. But the lower mortgage rates, which were expected to bring more buyers back to the market have disappeared. Rates have returned to levels last seen more than a year ago and prospective buyers are having to contend with more expensive fixed rates once more.

Figure no. 1

Fewer sales mean stock levels rise to 34 months of supply in 2025 and remain at 29 months in Q1



Source: Molior London – months of supply based on sales rates in given year

Implications for the prime market

The challenges facing the London new homes market is arguably more acute for prime homes. Buyers of homes in prime areas of London are historically more discretionary than the more needs based mainstream market. This means that changes in taxation, sentiment and buying cost are more likely to make purchasers retreat, look elsewhere, or postpone their decision.

As a result, it is the upper end of the new homes market which has experienced some of the most significant falls in activity.

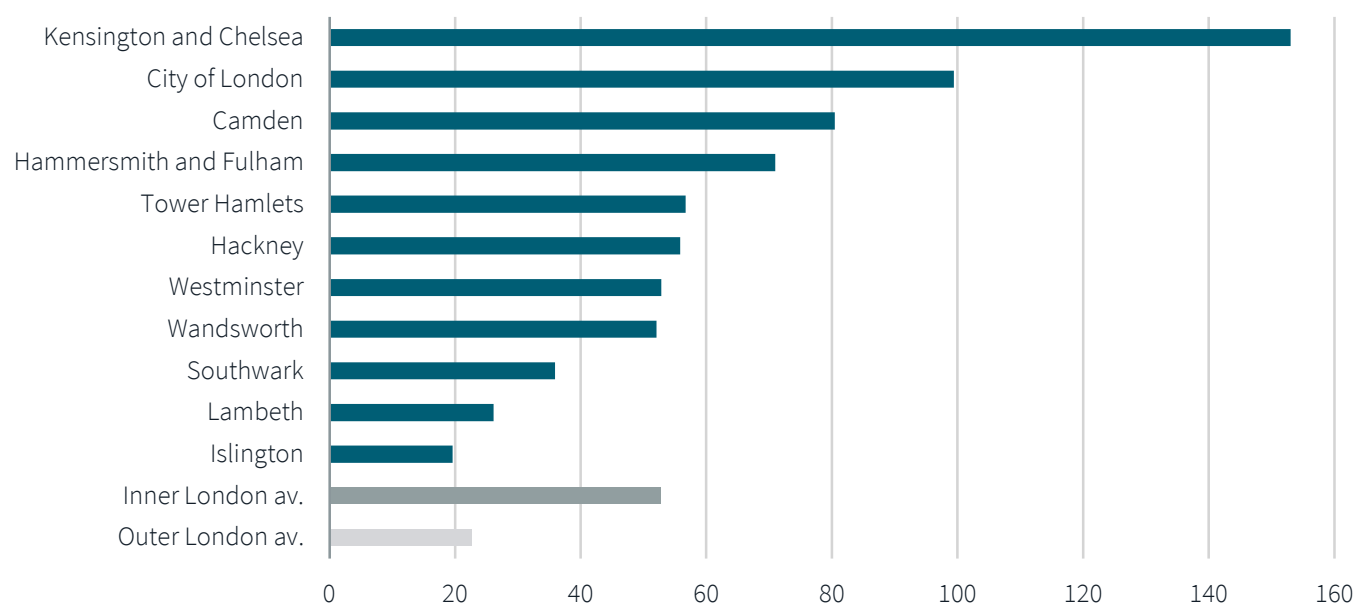
Based on 2025 sales rates inner London boroughs have the equivalent of 53 months worth of stock currently under construction or completed and unsold. This rises to more than a decade's worth in Kensington and Chelsea and six and a half years of supply in Camden.

For the £2 million plus market, comparing the number of new homes listed for sale (excluding those under construction but not yet marketed) shows four years of supply.

New homes are not alone in experiencing a drop off in sales. Comparing sales of flats in London at £2 million or more shows sales dropped 41% in 2025 versus the 2016-2024 average. This was driven by a 76% drop in new flat sales above £2 million, while non-new build sales dropped 20%.

Figure no. 8

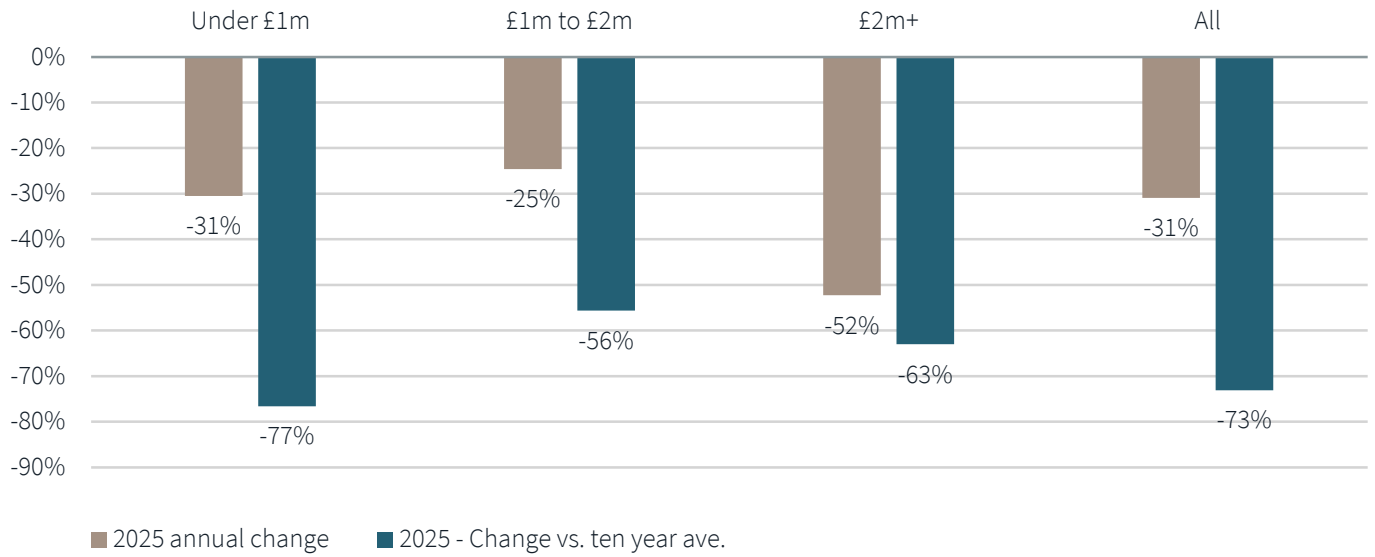
Equivalent months of supply in inner London



Source: Molior London, HMRC

Figure no. 9

New flat sales above £2m drop by more than 50% in 2025 vs. 2024

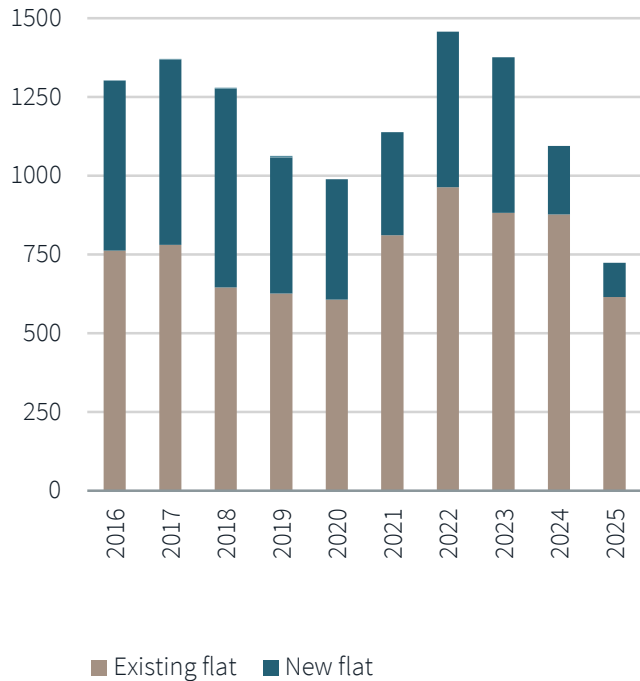


Source: JLL Research

Figure no. 10

Flat sales over £2m halve since 2022

Flats sold at £2m+



52%
Annual fall in new flats sold for £2 million or more in London

20%
Fall in sales for non-new build flats in 2025 vs. 2024

Source: HM Land Registry – to account for the delay in registering homes at the Land Registry we have added an adjustment to the 2024 and 2025 figures

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If we can't sell homes in London in sufficient quantities at prices which enable delivery developers will look elsewhere at schemes where sales rates are healthier and risks lower – the suburban house market for one.

Marcus Dixon

*Head of UK Living
& Residential Research, JLL*



Why so challenging?

1

Fewer investors

Landlords face ever increasing costs and regulatory burdens for renting out homes.

2

Buying costs

Successive changes to buying costs and taxation have meant purchasing homes has become more costly.

3

Absence of incentives

Buyers required to pay more for new homes but have no incentive to do so.

4

Service charges

Pressures on costs has priced many out of new schemes, particularly those with higher levels of amenity.

5

How we buy has changed

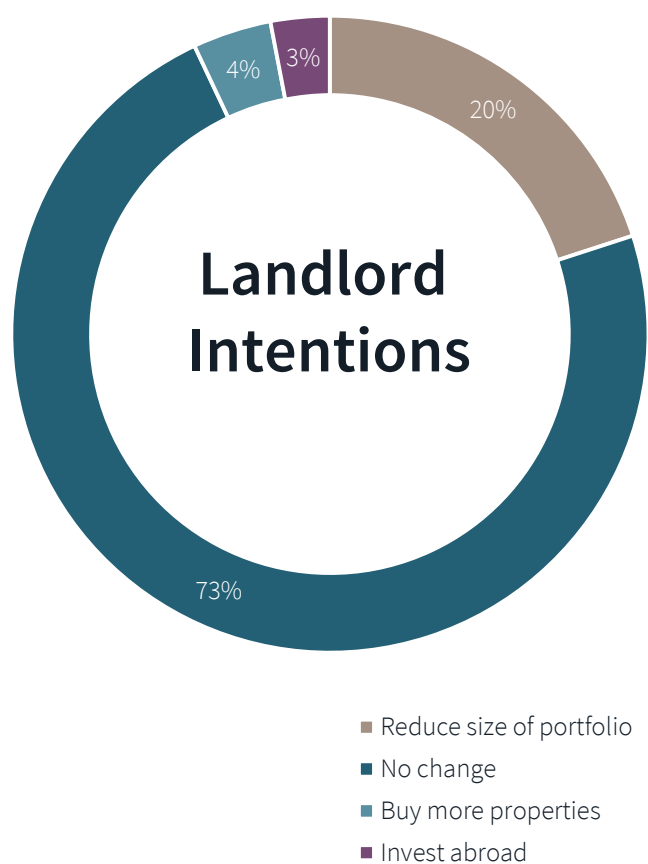
Buyers now purchase closer to completion as off-plan investor sales drop back.



01

Fewer investors as costs rise

Figure no.2
**Landlord plans for their portfolio
in the year to May 2026**



Landlords face increasing costs for renting out homes. A decade ago, additional rate stamp duty was introduced for those purchasing investment properties and second homes, this was followed by the scaling back of mortgage interest tax relief a year later. Since then, successive governments have added further costs and regulation, with smaller landlords often more adversely impacted. Profits have been squeezed and other assets, either perceived as more liquid or less risky (like government bonds) have been viewed as more attractive.

The result is fewer new landlords, who formed the bulk of the market for urban new homes sales, entering the market, and fewer existing landlords looking to expand their portfolios. In our 2025 JLL Landlords Survey one in five landlords surveyed were expecting to reduce the size of their portfolio or sell up completely by May 2026. Just 4% were expecting to buy more investment properties in the UK, a similar number to the 3% who were considering investing overseas. But almost two-thirds said a reduction in buying costs may encourage them to change their view on further investment.

02

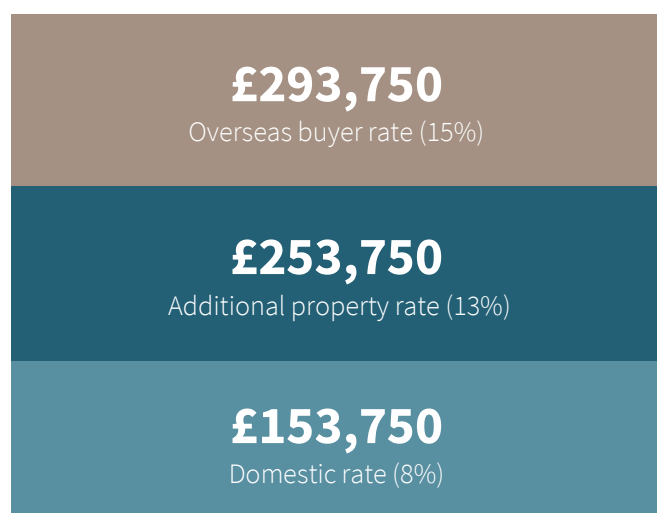
Buying costs

As well as disincentivising buy-to-let investment, successive changes to buying costs and taxation have meant purchasing homes has become more costly and complex.

The stamp duty bill for an overseas purchaser buying a £600,000 home is three times the amount paid by a domestic owner occupier purchasing their sole property. Domestic buyers purchasing a £2million home in London as their sole residence would pay £153,750 or 8% of the purchase price in stamp duty, with an overseas buyer purchasing an investment property paying almost £300,000.

Figure no.3

SDLT cost to purchase a £2million home and % of purchase price



This has meant overseas buyers accounting for fewer purchasers on London schemes. The number of overseas buyers purchasing new homes in central London in 2024 and 2025 is down 53% on the 10-year average.

Domestic buyers accounted for 44% of new home purchases in 2025, up from 31% in 2023 and 16% in 2017. Most investors not purchasing for their own use rent out these homes, providing much needed stock into the private rented sector.

Figure no.4

SDLT cost to purchase a £600k home and % of purchase price



03

Absence of incentives

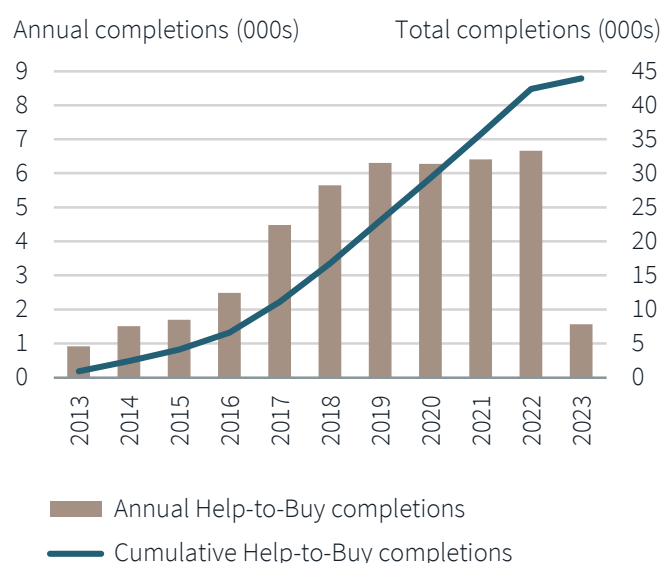
Adding additional costs (or removing tax breaks) for investors has often been cited by government as levelling the playing field between investors and first-time buyers. But for more budget-constrained first-time buyers even the lack of competition from investors doesn't make purchasing a new home easier.

New homes are more expensive than existing properties, meaning prospective buyers need to be willing and most importantly able to pay the premium. While there are savings to be made on maintenance and energy costs with more efficient new properties the upfront (mortgaged) costs are higher. Those purchasing a new flat in London paid 26% more per square foot in the year to January 2026, rising to 37% in inner London boroughs.

Help-to-Buy, which ran from 2013 to 2023, enabled purchasers to acquire more than £109bn of homes nationally over its 10-year life. In London, just shy of 44,000 homes were bought with Help-to-Buy, equating to 6,400 homes per annum on average when the scheme was at its peak between 2019 and 2022. All of which means the age of a first-time buyer is rising, now averaging 35 years old in London.

Help-to-Buy does have its critics, including some within government. However, for those trying to navigate the home buying process for the first time it offered a recognisable and reputable option for purchasers. In the absence of any new government initiatives housebuilders have stepped in. However, the plethora of different options available to purchasers is more complex to navigate, even if the basis of most schemes is essentially a similar deposit guarantee product.

Figure no.5
Help-to-Buy completions in London total almost 44k



Source: JLL Research, HM Land Registry, HMRC

04

The service charge challenge

Figure no.6

Average service charge for new developments

Service charge per sq. ft.



Buyers of flats, particularly those with higher levels of amenity, remediation requirements or building safety issues are having to contend with higher service charge bills.

Analysis of schemes across central London shows average service charge bills have risen to £6.84 per square foot for developments with low to moderate levels of amenity, 43% higher than in 2020. Increases in staffing and energy costs have impacted higher amenity buildings more significantly, with rates rising 89% in the last five years to almost £15 per square foot.

This is impacting the buying power of those looking to purchase these homes as service charge is factored in when calculating mortgage affordability. The result being buyers are increasingly looking at other options when considering purchasing new homes.

Looking ahead, we expect this will mean all but the most prime new developments look to strip out more costly amenity space and maximise value for their residents. But balancing service charge with expectations on amenity, particularly for those moving out of more heavily amenitised build-to-rent developments remains challenging.

Source: JLL Research – Inner London new developments

05

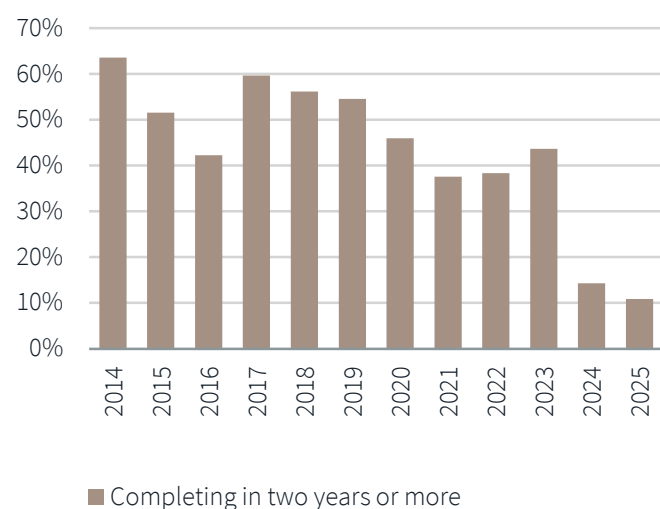
How we buy has changed

A decade ago, more than half of new homes sold by JLL were purchased more than two years off-plan by investors.

By 2025, off-plan investors buying more than two years ahead of completion accounted for just 11% of new home sales. Instead, buyers are now more likely to be purchasing closer to completion, either for their own occupation or for use by a family member working or studying in the UK.

Figure no.7

Off-plan sales fall as buyers purchase closer to completion



Source: JLL Research – Inner London new developments

All of which means that they'll need to make use of the property more quickly and/or need to buy closer to completion to obtain a mortgage.

Reducing off-plan investors was intentional. Being seen as blocking traditional first-time buyers and owner occupiers (who need to buy with a mortgage) from purchasing. There is some truth behind this, but nonetheless in London relying on majority owner-occupiers makes delivering new homes more difficult. Off-plan sales historically reassuring funders and unlocking further housing delivery.

Build-to-Rent obviously has a role to play here, but operators usually favour whole buildings, larger lot sizes and may not be interested in multiple assets in the same location. Not to mention increased caution around forward funding.

A lack of off-plan activity is particularly challenging for large scale regeneration. Funders are often more cautious; amounts needed are larger and less predictable and developers need to maintain higher rates of sale to progress the scheme. Put simply, delivering another King's Cross or Nine Elms in the current environment would be near impossible.

Addressing SDLT

Getting anywhere close to the 88,000 annual target for new homes in London requires a change of tack. New homes cost more because they are more costly to deliver, yet there is no tangible incentive for purchasers choosing to buy a new home over an existing property. With foundations in place on the supply side, we now need to think about how we can do the same with demand. Rethinking SDLT would be a good start. Other countries are already one step ahead, reducing SDLT rates to encourage activity.

Stamp Duty Land Tax from residential sales raised £10bn last year for Treasury coffers. But current rates are holding back buyers from accessing homes (particularly in more expensive areas of the country) and are reducing activity. Receipts have dropped back from their recent peak of almost £12bn as fewer homes transact. Average receipts per property have risen 17% in the past three years, yet the 13% fall in transactions means total tax take rose by just 2%.

Figure no.8

SDLT receipts per property



Source: HMRC – year to March

Lessons from Australia

In Australia, each state has the power to set different purchase tax rates. But the direction of travel on property taxes has been one favouring rather than penalising investment in new homes. In Western Australia, properties bought at up to AUD 800,000 off-plan are zero-rated for stamp duty (tapering is applied above AUD 800k), saving buyers up to AUD 32,300. Similar off-plan concessions apply in Victoria, where construction costs post-reservation are deducted from the dutiable value. The government has also exempted new homes nationally from recent reform to negative gearing and Capital Gains Tax., effectively encouraging investors to purchase new over existing properties.

Lessons from Hong Kong

Prior to 2024, Hong Kong had some of the highest purchasing costs for overseas buyers. But in response to a slowdown in sales from the end of February 2024 all residential property buyers— first-time local buyers, existing homeowners, investors, or foreigners—pay the same standard stamp duty (Ad Valorem Stamp Duty at Scale 2 rates). The policy changes successfully reinvigorated the property market by sparking a surge in sales, stabilising prices, and restoring confidence amongst local and overseas purchasers.



How could it work?

The current system of SDLT bands and exemptions unfairly impacts buyers of London homes. Case in point being first-time buyer SDLT relief not applying to homes costing more than £500,000, just £9,000 more than the average Greater London new home price (£491,000) and £85,000 below the average in inner London boroughs. This means those buying a home at £600,000 would pay between £20,000 and £62,000 in SDLT on purchase. While we don't agree with the significant hike in purchasing cost for investors (many of whom are providing much-needed rental stock), we accept exempting investors would be a harder sell to government. So, what we propose is a levelling up of the new homes playing field. This means the SDLT rate paid by owner-occupiers would be removed for all, with investors paying just the additional rate. Effectively a £20k saving for all on a £600,000 purchase.

Figure no.9

Cost of scrapping SDLT on the owner occupier portion of new homes at £600k

	Current Rate	Proposed rate	Saving
Owner-occupier	£20,000	£0	£20,000
UK Investor	£50,000	£30,000	£20,000
Overseas Investor	£62,000	£42,000	£20,000

Not as costly as you might think

Stamp Duty Land Tax raises over £10bn a year for Treasury coffers, with more than a third coming from London sales. Ideally, we'd see SDLT scrapped entirely, but even applying a reduction to new homes only would help boost the market. If all purchasers were exempt only from the owner-occupier element of a new homes purchase, we calculate this would cost the government less than £450m in potential receipts, around 4% of the latest annual tax take.

But building more homes brings in far more revenue for the Treasury than one-off SDLT receipts. Research by the Home Builders Federation suggests one year's worth of new homes built nationally brings in more than £540 million in future council tax receipts. In addition, home movers are estimated to spend £7,000 each on making their new house a home. This means enabling the delivery of 50,000 more homes (still far lower than housing need) could add £350 million to the economy, all before we even consider the additional Treasury receipts from other taxes associated with companies and individuals building new homes.

Where next?

We accept that the current government is unlikely to change rules around taxation for smaller landlords. This means we're relying largely on owner-occupiers and institutional investors to purchase new homes. There is clearly potential for further growth in Build-to-Rent; however, even if we scaled up delivery, viability challenges remain, and the sector, which currently accounts for around 150,000 of the more than five-million-strong private rented sector, won't be able to scale at the pace needed to counter the reduction in buy-to-let purchasers.

But without policy change, it is difficult to see how delivery in London gets anywhere close to the numbers required to address housing need. At the price schemes are viable to deliver, there are not enough buyers with the funds available to purchase these homes and pay the significant buying costs. Developers need to make money – profit shouldn't be a dirty word. But if we can't sell homes in London in sufficient quantities, developers will look elsewhere at schemes where sales rates are healthier and risks lower – the suburban house market for one.

We need to see far greater flexibility in the approach to housing delivery. Rigid planning criteria only add to the challenge for developers, with greater flexibility needed on mix, tenure and levies (CIL, MCIL, etc.) to enable development to progress.

We all recognise the need for more affordable homes, but this should be an enabler rather than a barrier to new development. The government could decouple affordable housing delivery from private housing. With calls for affordable homes being considered as infrastructure getting (understandably) louder – something we'll explore in future reports.

But to deliver more homes at scale we need a fully functioning market. The aim, more homes of all tenures, requires rates of sale that are sufficiently high to embolden developers to deliver more homes. Housing need and demand for new homes are different, and to address the former we need to enable the latter. It's clear that something needs to change.



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Research at JLL

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