

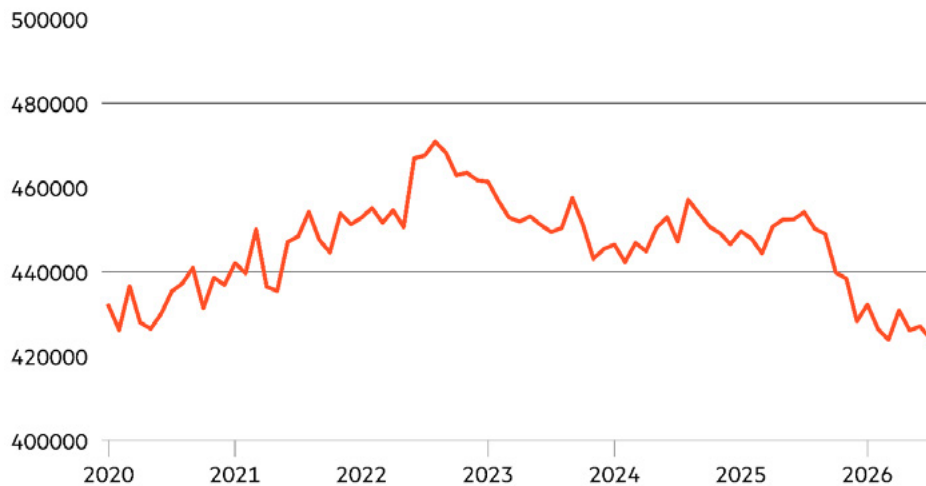
Why housebuilders are abandoning London

19 Oct 2026 | by Hugh Moorhead

Taylor Wimpey becomes the latest developer to retreat from the capital. But can government reforms bring them back?

LONDON FLAT PRICES HAVE FALLEN 10% SINCE 2022

London flat prices (£)



Source: Land Registry

- **What** Major UK housebuilders are retreating from London's residential market.
- **Why** Rising costs, tighter regulations and falling prices are making developments unviable.
- **What next** Government reforms may encourage a recovery, but uncertainty remains.

London was once the jewel in Britain's property market, but housebuilders are increasingly struggling to make the numbers work.

Earlier this month, Taylor Wimpey (TW.) was the latest developer to question the viability of building in the capital, with chief executive Jennie Daly telling The Times it had no plans to build more homes there. The company is far from alone, though.

Vistry Group (VTY) is also cutting back its exposure as part of its brutal restructuring, while even brownfield specialist Berkeley Group (BKG) has stopped buying new land in its traditional heartland. It said that self-storage operator Big Yellow Group (BYG) was now its biggest competitor for sites and that other developers simply did not want them.

"There's no doubt inner London is very, very challenged at the moment," Bellway (BWY) finance chief Shane Doherty told Investors' Chronicle, noting that his company has almost no footprint there.

Nick Cuff, managing director at Urban Sketch, a development consultancy, said there were "vanishingly few people operating in the market now". "There's been a queue [of developers] for the door," he added.

Central London developers have for decades favoured dense housing schemes, most notably blocks of flats, as these are more financially viable in a city with scarce and expensive land.

But that viability is becoming increasingly uncertain. Developers all over the country have had to digest an unpleasant cocktail of creeping cost inflation, regulations and taxes. The cost of building a home has increased by around £76,000 since 2020, the Home Builders Federation, an industry body, has estimated.

A MARKET SQUEEZED FROM BOTH SIDES

London's housing developments also face stricter design requirements than elsewhere in the UK, including higher ceilings and a preference for apartments with windows on two sides. Add the national requirement for second staircases in residential buildings at least 18 metres tall, and developers are left with less floorspace for apartments.

Planning rules also set a target for at least 35 per cent of homes in major developments to be affordable, although exceptions are possible where projects would otherwise be financially unviable. Developers can also be required to share surplus profits with councils to fund more affordable housing.

A notoriously slow building safety regulator also has to approve projects ahead of work commencing. Approval of new high-rise developments took a median 23 weeks in the three months to September, adding uncertainty and increasing financing costs.

"It has absolutely killed tall building developments," said Jonathan Vandermolen of property firm Vandermolen Real Estate.

There were just 7,070 sales and 7,160 starts in London's private market during the first nine months of 2026, according to housing research firm Molior. This is well short of the rate required to achieve the Mayor of London's ambition of building 558,000 new homes over the next decade, let alone the national government's of building 1.5mn homes in England this parliament.

Those who can afford to build are struggling for customers. Rising mortgage rates have hampered affordability, and many buyers are deterred by surging service charges and building safety concerns, despite all the additional red tape.

Overseas investors, whose willingness to put down deposits on flats ahead of construction used to provide financial security, have fled the market, as have domestic landlords. Steep increases in stamp duty on investment properties have not helped.

London flat prices have fallen by 10 per cent from their 2022 peak, more than other types of home, according to Land Registry data. Many prospective buyers are instead saving for longer to buy larger family homes as their first properties.

"I haven't got a clue who the actual buyer is now for any product aimed at the first- and second-time buyer," said Vandermolen.

DARKNESS BEFORE DAWN

Reversing this malaise is arguably the biggest challenge in a UK housebuilding landscape riddled with issues, but there are small shards of light.

The Greater London Authority has temporarily lowered its affordable housing quotas and plans to relax certain design requirements. The building safety regulator's decision times are falling, and the mayor has started overruling councils that have blocked developments.

The government's Your First Home scheme could also help affordability if designed sensibly. "The devil is in the detail," said Katy Warrick, head of London residential development research at Savills. "If they don't set the thresholds at appropriate levels there's going to be minimal impact in London."

Vistry boss Adam Daniels said his company could return to London "if . . . open market conditions improve".

But most commentators are sceptical that this will be enough to kick-start activity. "I don't know when the [new-build] market's going to hit the bottom, but I know it's not there yet," said Vandermolen.

Some want to prioritise other areas of the market. "The best lever at the moment is to do everything you can to enable build-to-rent," said Urban Sketch's Cuff, referring to flats purpose-built for renting, often to young professionals.

New construction starts of build-to-rent properties in London more than halved year on year in the year to June. But build-to-rent landlord Grainger (GRI) last year leased 80 per cent of a new development in east London in its first month, suggesting demand is, at least, healthy.