

# Building communities in London

Exploring the economic contributions of  
home building in London

## Introduction

The home building industry has faced a difficult few years. While much progress was made to increase the housing supply through the latter half of the 2010s, the 2020s have seen a mix of economic, legislative, and political challenges, all of which sought to restrict development, and housing supply has suffered as a result.

Since the General Election in summer 2024, housing has been centred in the political debate following the new Government's pledge to build 1.5 million homes over the course of the Parliament, and the first six months have seen a host of changes to the home building process announced. The new National Planning Policy Framework (NPPF) has been the most significant change, and the reintroduction of mandatory housing targets for local authorities has been welcomed by the industry.

The Government's housing targets are ambitious, and there are still numerous obstacles and barriers that will need to be overcome if they are to be achieved.

Alongside the planning reforms, there needs to be action taken to address the other blocks on housing supply. There are still 160,000 homes held up due to nutrient neutrality. There is also a need to address the lack of affordable mortgage availability in the market, as this is suppressing demand and will, in turn, hamper the supply side of the equation too. Elsewhere, home builders are facing difficulties in securing bids for homes delivered through S106 contributions, threatening the future provision of much-needed affordable housing.

## Communities

Increasing the supply of new homes is critical not only to tackling the housing crisis, but also for supporting and creating thriving local communities, and home builders are committed to working with Local Authorities to ensure this. With each new home delivered, builders make Section 106 contributions to the local council as part of securing planning permission, to benefit new and existing residents. From building schools and hospitals to creating parks, green spaces, and leisure facilities, our members are integral to the growth and investment of communities up and down the country.

The significant contribution that home builders make is rarely understood by local communities leading to local opposition to new homes on the basis of the perception that the existing local infrastructure would struggle cope with an increase in population. If the economic and social benefits that new homes bring were being fully realised by local communities, new homes could be brought forward more quickly, alleviating our housing crisis and helping more people achieve their dream of homeownership.

As output begins to pick up again, community will remain at the core of development and the Government's plans could see billions of pounds worth of additional investment in our infrastructure and communities.

## National figures

The home building industry is a major investor in communities across the country.

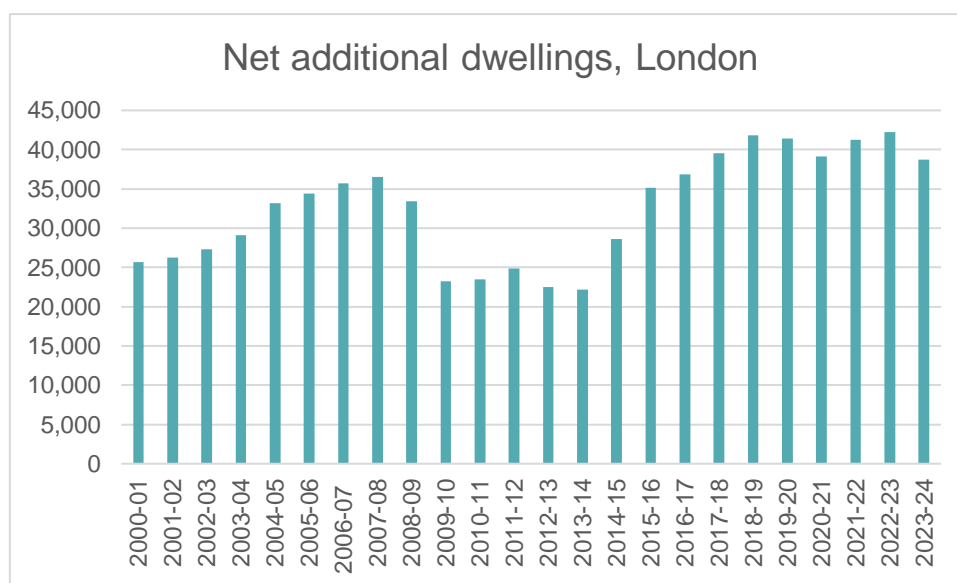
Across England and Wales, 226,000 homes were delivered last year bringing billions of pounds of investment, including:

- Over £10 billion for affordable housing
  - Affordable housing not only promotes integration within communities, it also has a significant impact on productivity and economic growth.

- Home builders work closely with local authorities to ensure the affordable housing provision is sufficiently designed to meet local needs.
- Homes are also deliberately designed to ensure they are well integrated with the neighbouring market housing and indistinguishable in design terms.
- In 2022-23, 63,605 affordable homes were delivered in England, 47% of which were through S106 contributions.
- **£6.4 billion in spending in local shops**
  - With new residents spending money on goods and services in the local economy, the economic value of an area can increase significantly.
  - This also improves the perceived competitiveness of specific locations and reduces the costs of mitigating social and environmental problems associated with poor or insufficient housing.
- **£1.4 billion for infrastructure, including over £630 million for new and improved schools**
  - New schools need to be built alongside new housing to address the increased demand in areas of housing growth.
  - This support may come in the form of building new schools but also improving and expanding existing facilities.
  - Last year’s education contributions would fund more than 41,000 new school places.
- **£200 million in spending for open spaces**
  - This would build more than 200 sports halls or more than 400 football pitches
- **Over £50 billion in support for the local economy**
  - The homes built last year generated £50 billion in economic activity, and an additional £500 million in council tax.
  - The industry also supported jobs across the country, with 800,000 people employed each year.

To highlight the way these effects are distributed on a regional level, the Home Builders Federation (HBF) has produced a series of regional reports using the most recent government housing net supply numbers. The reports also look ahead to what could be achieved if Labour’s housing targets are met over the next five years.

## Regional contributions



In London, 32,160 homes were built in 2023-24. This has supported:

- £1.5 billion for affordable housing
  - This would build almost 20,000 Affordable Homes.
- Almost £1 billion in spending in local shops
- £200 million for infrastructure, including over £90 million for new and improved schools
  - This could fund almost 6,000 local school places.
- £30 million in spending for open spaces
  - This could build 33 sports halls.
- Over £7 billion in local economic activity and 110,000 jobs including almost 1,400 graduate and apprenticeship positions

The revised NPPF and Standard Method calculation gives London an annual housing target of 87,992 – an 11% reduction on the previous target but a 227% increase on last year’s delivery levels.

If this target was reached, over the course of the Parliament (five years), home building would contribute:

- Almost £20 billion for affordable housing
- £12.5 billion in spending in local shops
- Almost £2.8 billion for infrastructure, including £1.2 billion for new and improved schools
- Almost £400 million in spending for open spaces
- £97 billion in local economic activity

## Conclusions

It is not just houses that developers build, but communities too. The current framework does not communicate these contributions sufficiently, and a lack of local authority resource means they are often unable to deliver the benefits at the pace required.

As such, as the Government looks to overhaul the planning system there are a number of changes that could be made to better support communities and ensure people are aware of the benefits that new housing can bring:

- HBF is considering how a badging scheme, similar to blue plaques, could be developed to ensure that new infrastructure and facilities funded by developer contributions are easily identifiable to the public.
- Further thought needs to be given as to how local authority planning departments can be placed on a sustainable financial footing. This will help to ensure there are sufficient staff and resources for the monitoring, allocating, and overseeing of Section 106 spending.
- Local authorities should be compelled to publish an easily digestible summary of their annual reports on their website, which includes details of how money from developers is being spent, to improve public transparency of this process
- Central Government should consider legislative options or stronger guidance to require developers' contributions to be spent by local authorities according to their negotiated purpose and within their agreed time limit.



This report has been created for New Homes Week, a campaign delivered by the Home Builders Federation.

[Newhomesweek.co.uk](https://newhomesweek.co.uk)