

# LONDON ASSEMBLY

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**Sem Moema AM**  
**Chair of the Housing Committee 2024-25**

**Sir Sadiq Khan**  
Mayor of London  
(Sent by email)

3 July 2025

Dear Sadiq,

I am writing to you on behalf of the London Assembly Housing Committee, following our meeting held on 26 March 2025 on the topic of financing housing in London.

At this meeting, we discussed how private finance could be used to build more homes in London, and what the key barriers are. We heard that building homes in London, particularly affordable homes, is increasingly complex and expensive. This month, the GLA reduced its affordable homes target by between 25 and 30 per cent in response to the “difficult conditions London currently faces” in order to “allow the GLA to ensure the delivery of more schemes and complete the maximum number of affordable and social homes in the 2021-2026 programme.”<sup>1</sup> This follows a previous reduction in 2023 from the original level of 35,000 homes.

At our meeting, guests emphasised the shortage of available land, high cost of construction, and interest rates as major barriers to new development.<sup>2</sup> We also heard that without increased investment, development will continue to stall. With the new National Planning Policy Framework standard method calculating London’s total annual housing need as 87,992, London’s housing urgently needs increased investment.<sup>3</sup>

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<sup>1</sup> BBC, [Mayor agrees 22% cut in affordable housing target](#), 14 May 2025

<sup>2</sup> London Assembly Housing Committee, Financing Housing in London, [Panel 1](#) and [Panel 2](#)

<sup>3</sup> London Assembly, [Understanding the revised National Planning Policy Framework 2024](#)

## Financial challenges facing London's housing sector

Developing new housing has become increasingly challenging for councils and housing associations as more funding is being directed towards upgrading existing homes. This has been driven by recent legislative changes such as the 2022 Building Safety Act and the 2023 Social Housing Regulation Act, which have rightly introduced stricter standards for social housing.<sup>4</sup> Piali Das Gupta, Strategy Director, London's Future and Places at London Councils, explained that whilst councils recognise the importance of this work, it has significantly ramped up costs, and "severely squeezed the money for new developments".<sup>5</sup> At the same time, councils are spending huge amounts on temporary accommodation (estimated at a combined daily cost of £4 million)<sup>6</sup> – pushing some councils to the brink of bankruptcy.<sup>7</sup>

Debt is the main source of private finance for housing associations but securing new debt has become progressively difficult due to limited cashflow.<sup>8</sup> During our meeting, Will Jeffwitz, Head of Policy at the National Housing Federation told us that that institutional investment is well-matched to long-term investment in social housing due to the long-term stable returns from rental income.<sup>9</sup> Will Jeffwitz explained that the constraint is not the availability of private finance, the constraint is servicing it. Housing associations cannot afford to take on more debt as they cannot afford to service the debt.<sup>10</sup> He said that there are several policy changes that would unlock debt borrowing capacity in the housing association sector, including a long-term rent settlement at Consumer Price Index (CPI)+1, rent convergence; improved access to the building safety fund for social landlords; and access to funding for decarbonising existing homes and improving the quality of those homes.<sup>11</sup>

Almost all of these asks were met at the Spending Review on 11 June 2025.<sup>12,13</sup> As a Committee we welcome the improved conditions for housing delivery in London. We understand the GLA will be working with the sector to understand the impact on delivery in real terms. We request that the GLA share with the Committee its analysis of the impact of these reforms on house building projections in London.

## Different types of private investment in housing in London

At our meeting, we heard about the different ways that private investment is used to develop affordable and market rented housing in London. This included Build to Rent, the for-profit

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<sup>4</sup> [Social Housing \(Regulation\) Act 2023](#); [Building Safety Act 2022](#)

<sup>5</sup> London Assembly Housing Committee, Financing Housing in London, [Panel 2](#)

<sup>6</sup> London Assembly Housing Committee, Financing Housing in London, [Panel 2](#)

<sup>7</sup> London Councils, [£300m homelessness overspend as housing crisis threatens to bankrupt London boroughs](#), 24 April 2025

<sup>8</sup> London Assembly Housing Committee, Financing Housing in London, [Panel 1](#)

<sup>9</sup> London Assembly Housing Committee, Financing Housing in London, [Panel 1](#)

<sup>10</sup> London Assembly Housing Committee, Financing Housing in London, [Panel 1](#)

<sup>11</sup> London Assembly Housing Committee, Financing Housing in London, [Panel 1](#)

<sup>12</sup> Gov.uk, [Spending Review Document](#), 11 June 2025

<sup>13</sup> All asks were met with the exception of rent convergence which was partially met – government has agreed to consult on rent convergence this year.

registered provider (FPRP) sector, and pension fund investment. Guests flagged a particular opportunity around pension funds.

In the past few years, local government pension schemes have increased their investment into affordable housing.<sup>14</sup> In 2023, the London Collective Investment Vehicle (CIV) Fund UK Housing Fund – part of a wider investment pool for London-based Local Government Pension schemes ('London CIV') – was launched to enable London councils to invest in affordable housing.<sup>15</sup> As of March 2024, the London CIV had combined assets of £50.8bn.<sup>16</sup> In February 2025, Legal and General announced they had received £100m from London CIV to invest in affordable housing nationally.<sup>17</sup> It was not announced how much would be invested in London specifically. As a Committee, we believe you should work closely with London CIV to identify potential opportunities for London's housing stock to benefit from this capital.

**Recommendation 1: In 2025, the Mayor should meet the London Collective Investment Vehicle (CIV) to identify what proportion of the fund will be invested into London's housing stock, how many affordable homes of each tenure type this is expected to help fund, and to understand how the GLA can work with the London CIV to increase this investment in coming years.**

### **Opportunity London**

During our meeting, guests spoke about your involvement in Opportunity London – the “front door for investment in London,”<sup>18</sup> which aims to attract £100bn of capital investment into London's low carbon real estate, energy and infrastructure.<sup>19</sup>

We note your efforts to attract investment into London's housing sector through the Opportunity London partnership. However, we seek more clarity that this investment will in fact have any meaningful impact on affordable housing delivery. Bek Seeley and Piali Das Gupta spoke about the tension of Opportunity London having to attract investors based on high levels of housing and rental price growth – the exact growth that is causing so much hardship to Londoners in need of affordable housing. Piali Das Gupta spoke about how some boroughs are managing this tension:

“Some boroughs are pushing as hard as they possibly can. Quite often, you will hear right now Wandsworth used as the example. Developers sometimes project that to me as, “They are being intransigent and difficult”. Wandsworth would probably come back and say, “We are trying to defend our residents' interests on affordable housing requirements”. It is a difficult tension because, again, developers will throw back at me, “Zero per cent of zero is

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<sup>14</sup> Inside Housing, [Council pension funds alone do not have money to save the housing sector](#), investor says, 28/03/2025

<sup>15</sup> London CIV, [London LGPS investment in UK housing reaches £470m](#), accessed 01/05/25

<sup>16</sup> [London CIV](#), accessed 16 May 2025

<sup>17</sup> Legal and General Plc, [Legal & General steps up affordable housing push, raising £510m to tackle crisis head on](#), 3 February 2025

<sup>18</sup> London Assembly Housing Committee, Financing Housing in London, [Panel 2](#)

<sup>19</sup> Opportunity London, [Mayor to seek new foreign investment for London](#), accessed 16 May 2025

zero. If we are not building at all because we cannot make the money work, then you are not getting any affordable housing because we are not building anything.”<sup>20</sup>

The Housing Committee would welcome greater clarity on how Opportunity London will deliver affordable housing. We have several outstanding questions about Opportunity London and request that you write to the Housing Committee by September 2025 to answer the following:

- How do you plan to reach £100bn of investment?
- How much has already been secured? How much of that is for housing?
- How much affordable housing do you expect to be delivered through Opportunity London investment? And, how many homes would you expect this to deliver in total, broken down by tenure type
- How is the GLA supporting boroughs to manage the tensions outlined above?

### **A public fund/intermediary**

Several of our guests suggested that a public investment fund would benefit housing delivery in London. Guests felt that this may offer an alternative to the “aggressive model” of investing that seeks highest possible returns on investment. It may also broaden the use of investment beyond new build, to include retrofit and improving existing stock. Josh Ryan-Collins said:

“What I would like to see is a bit more thinking about a publicly owned vehicle of some kind - we used to have the Housing Corporation in London - that would manage those investments and work with housing associations and with local authorities, perhaps pool a bit more the combined funds across London and use them more strategically to support investment in the areas where it is most needed, which would include retrofit and perhaps conversion of some of the existing stock in a more efficient way, as well as just new build.”<sup>21</sup>

The Committee understands that you have been calling on Government to fund a new £2bn City Hall Developer Investment Fund. This was first raised at a 2024 Centre for London speech and more recently at the 2025 MIPIM conference. GLA officers also informed Assembly officers that the City Hall Developer Investment Fund formed part of the GLA’s Spending Review bid.<sup>22</sup> We welcome that on 17 June 2025 the Government announced it “will work with the Mayor of London to establish a City Hall Developer Investment Fund”, as part of wider announcements on £16bn of new public investment for a ‘National Housing Bank’.<sup>23</sup>

There is limited public information available on the detail of this fund, or what the GLA asked for in its Spending Review bid. The Committee would welcome more information by September 2025 and we request that you write to the Housing Committee to outline the aims of the City Hall Developer Investment Fund and how it will be managed.

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<sup>20</sup> London Assembly Housing Committee, Financing Housing in London, [Panel 2](#)

<sup>21</sup> London Assembly Housing Committee, Financing Housing in London, [Panel 1](#)

<sup>22</sup> Institute for Government Studies, [Spending Review 2025](#), [accessed 19/05/2025]

<sup>23</sup> Gov.uk,

The Committee would welcome a response to this letter by 03 September 2025. Please send your response to by email to the Committee's clerk, Diane Richards (Diane.Richards@london.gov.uk).

Yours,

A handwritten signature in black ink that reads "Sem Moema". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

**Sem Moema AM**  
**Chair of the Housing Committee 2024-2025**