London Property Alliance

WPA | CPA

Westminster Property Association | City Property Association

Rt Hon John Healey MP
HM Treasury
1 Horse Guards Road
London
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By email only

9 September 2026

Dear Chancellor,

Budget 2026: Good Growth in Every Postcode

I am writing ahead of the Budget to welcome the Government's commitment to move "power and money into every postcode around Britain". London Property Alliance is a not-for-profit membership organisation representing over 300 organisations and more than 4,000 property professionals across the capital. Through our respective property associations, CPA (City Property Association) and WPA (Westminster Property Association), we are the only industry body dedicated exclusively to the success of London's Central Activities Zone.

We strongly support the Government's ambition to devolve further fiscal powers to cities and communities. As the Treasury develops this agenda, it is essential that London is recognised as a city with significant economic and social challenges of its own, while also playing a critical role as an engine of national growth generating jobs, investment and tax revenues that benefit the whole country.

Our three key recommendations are:

1. **Reduce the barriers holding back private investment and growth**
2. **Let cities keep a meaningful share of the growth they create**
3. **Give London credible funding pathways for strategic infrastructure**

Before setting these out, it is important to recognise that London's economic strength sits alongside significant inequality. The capital contains some of the most deprived wards in the country[1] and 2.36 million Londoners live in poverty. London also has the highest youth unemployment rate of any UK region, with the unemployment rate among economically active 16- to 24-year-olds reaching 24.6% between November 2025 and January 2026[2]. Good growth in every postcode must include creating greater opportunity for these Londoners to benefit from the jobs, housing and infrastructure that growth can provide.

At the same time, London plays a pivotal role in supporting the national economy. It is the UK's largest economic centre, generating around £618 billion of economic output, accounting for 22.7% of UK GDP and 31% of UK exports. In 2024/25, London made an estimated £48.8 billion net fiscal contribution to the Exchequer. Yet this contribution cannot be taken for granted.

This is not a choice between London and the rest of the country. The UK needs a strong London alongside thriving and productive cities across every region. Allowing the productive capacity of

[1] https://data.london.gov.uk/economic-fairness/living-standards/population-in-poverty
[2] https://www.london.gov.uk/youth-unemployment

the UK's largest economic centre to weaken would ultimately reduce the resources available to invest in public services, infrastructure and communities nationwide.

Productivity growth in the capital has fallen from around 2.7% a year before the Global Financial Crisis to just 0.2% since, pointing to a structural loss of economic momentum[3]. At the same time, major commercial property development has declined sharply. This matters because offices should be recognised as critical economic infrastructure for the UK's predominantly service-based economy. Like transport and digital infrastructure, high-quality workspace enables economic activity – providing the places where people, businesses, skills and capital come together to collaborate, innovate and drive productivity. A shortage of the right workspace risks constraining the growth of the knowledge-intensive sectors in which the UK has a global competitive advantage. If these trends continue, the consequences will be felt not only in London, but through lower national growth, weaker tax revenues and fewer resources for communities across the country.

We support the Government's ambition to rebalance power away from Whitehall and Westminster and enable places to take greater responsibility for their own economic futures. But devolution should not become a new form of competition between London and the rest of the country.

Britain's economic challenge is not that London is too successful, but that too few of our cities are operating at their full potential – while too many communities, including within London itself, remain disconnected from economic opportunity.

By giving cities a genuine financial stake in growth, investing in productive infrastructure and creating the conditions for private investment, the Government can enable successful places to generate the resources and opportunities needed to improve people's lives locally while strengthening the national economy.

Good growth in every postcode must mean enabling every part of Britain to fulfil its potential. A more productive and inclusive London – alongside thriving cities and communities across the country – is essential to that national mission.

London Property Alliance and our members stand ready to work with HM Treasury, the Government, the Mayor of London and London's boroughs to help deliver it. Our full analysis of how the Budget can help establish a model of growth and devolution that enables cities and communities to fulfil their economic potential is set out in the appendix attached.

Yours sincerely,

Charles Begley
Chief Executive
London Property Alliance

[3] https://www.oxfordeconomics.com/resource/londons-productivity-slump-highlights-manchesters-momentum/

Appendix 1

1. Reduce the barriers holding back private investment and growth

The Government's growth ambitions cannot be delivered by public investment alone. As modelled in Manchester, mobilising private capital to invest in the places, buildings and infrastructure that enable businesses to grow should be a central part of the UK's economic strategy.

For London, this means ensuring that the tax, planning and regulatory environment supports investment in the modern commercial space required by the UK's most productive sectors. Central London's office pipeline is already under significant pressure. The Central Activities Zone experienced a net loss of around 14 million sq ft of office floorspace between 2018 and 2023, while major commercial planning applications fell by 54% between 2013 and 2023. Demand for good quality workspace outstrips supply, with a shortfall of nearly 11 million sq ft anticipated over the next five years[4].

This matters beyond the property industry. Modern offices are critical economic infrastructure: they are spaces for jobs and human intelligence – bringing people, ideas, skills and capital together to collaborate, innovate and drive productivity. Globally competitive sectors require sufficient high-quality, sustainable workspace if they are to grow and employ people in the UK, rather than elsewhere.

London Property Alliance's *Good Growth in Central London*[5] research found that a balanced, pro-growth approach to development in central London could support 407,000 additional jobs and generate an additional £101 billion in GVA by 2045, while delivering around £3 billion in additional developer contributions for investment in local infrastructure and communities. We therefore urge HM Treasury to work across Government to ensure that fiscal, planning and regulatory policy collectively supports rather than inhibits productive private investment.

The challenge is not a lack of demand for high-quality commercial space, which is at record levels, but the increasing difficulty of delivering it viably. Rising construction and financing costs, increasing regulatory requirements and a growing burden of planning obligations are placing significant pressure on development viability. Turner & Townsend analysis for the CPA found that the cost of constructing tall office buildings in central London has risen by around 40% over the past five years alone.

While each policy requirement may be well intentioned in isolation, their cumulative impact can prevent otherwise deliverable schemes from proceeding. Development that does not come forward cannot generate the additional jobs, tax revenues and investment in local communities that would otherwise result. There is therefore a strong case for reviewing the cumulative impact of these requirements to ensure that major commercial development is viable and deliverable.

We recommend a rapid independent assessment of the cumulative impact of taxation, planning obligations and regulatory requirements on development viability, identifying targeted reforms capable of removing unnecessary barriers to private investment and unlocking growth, jobs and future tax revenues.

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[4] https://www.londonpropertyalliance.com/space-for-change-office-space-dynamics-in-central-london/
[5] https://www.londonpropertyalliance.com/good-growth-in-central-london-2/

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Alongside this, national planning policy should explicitly recognise major offices in city and urban centres as critical economic infrastructure, reflecting their importance to the UK's predominantly service-based economy.

2. Let cities keep a meaningful share of the growth they create

We strongly welcome the Government's commitment to greater fiscal devolution, including its plans for mayors to receive a share of locally generated income tax from 2028, alongside greater retention of business rates revenues. The principle that places which grow their economies should retain more of the proceeds of that growth is one we strongly support.

As HM Treasury develops the roadmap for these reforms at the Budget, it is essential that London benefits fully from this new settlement alongside other mayoral regions.

London is the UK's largest economic centre and makes a substantial net contribution to the Exchequer. But it also faces significant challenges – from deprivation and youth unemployment to acute housing costs and major infrastructure requirements. Allowing a greater share of the additional tax revenues generated by London's economic growth to be retained locally would strengthen the incentive to support investment and enable more of the proceeds of growth to be reinvested in the communities and infrastructure that make it possible.

This principle should apply not only at mayoral level, but also to local government. London boroughs make many of the decisions that enable – or constrain – economic growth, particularly through the planning system. The 2026 reset of the Business Rates Retention System has rightly sought to direct funding according to need, but the future system must also maintain a meaningful long-term financial reward for councils that support growth in their local economic base.

The new fiscal devolution settlement should therefore ensure that both regional and local government have a meaningful and durable financial stake in economic growth. This should include ensuring that the Mayor retains a meaningful share of the additional income tax and business rates revenues generated by growth in London's economy, while boroughs retain a meaningful share of the additional business rates generated by new development and economic activity over the medium to long term.

Appropriate equalisation arrangements will remain important to ensure that all places can provide essential services. But these should be designed in a way that preserves a clear financial reward for supporting additional growth.

Done well, fiscal devolution can create a virtuous circle: cities support investment and development; economic growth generates additional tax revenues; more of those revenues are retained locally; and they are reinvested in transport, housing, public services and communities – creating the foundations for further good growth.

3. Give London credible funding pathways for strategic infrastructure

London remains the UK's only truly global city and one of its greatest economic assets. Its concentration of financial and professional services, technology, life sciences, creative industries and other high-value sectors attracts international businesses, capital, talent and visitors to the UK.

However, London's productivity has stagnated since the Global Financial Crisis, while high housing costs and transport constraints risk limiting its future growth and access to opportunity.

The Budget and the Government's wider growth mission should therefore support investment in the infrastructure needed to unlock London's productive potential, including housing and major transport schemes. The scale and long-term nature of these projects means that London needs greater certainty over how strategically important infrastructure can be funded and delivered, including the role of devolved revenues, land-value capture and Government investment.

Transformational projects including the Bakerloo line extension, West London Orbital and, over the longer term, Crossrail 2, have the potential to unlock housing, connect more people with jobs and strengthen productivity. Rather than considering major infrastructure projects individually and intermittently, HM Treasury should work with the Mayor, TfL and London boroughs to establish credible long-term funding and delivery pathways for strategically important schemes, with Government support prioritised where there is a clear evidence-based case that investment can unlock housing, private capital and additional economic growth.