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London Residential Development Market Q2 2026

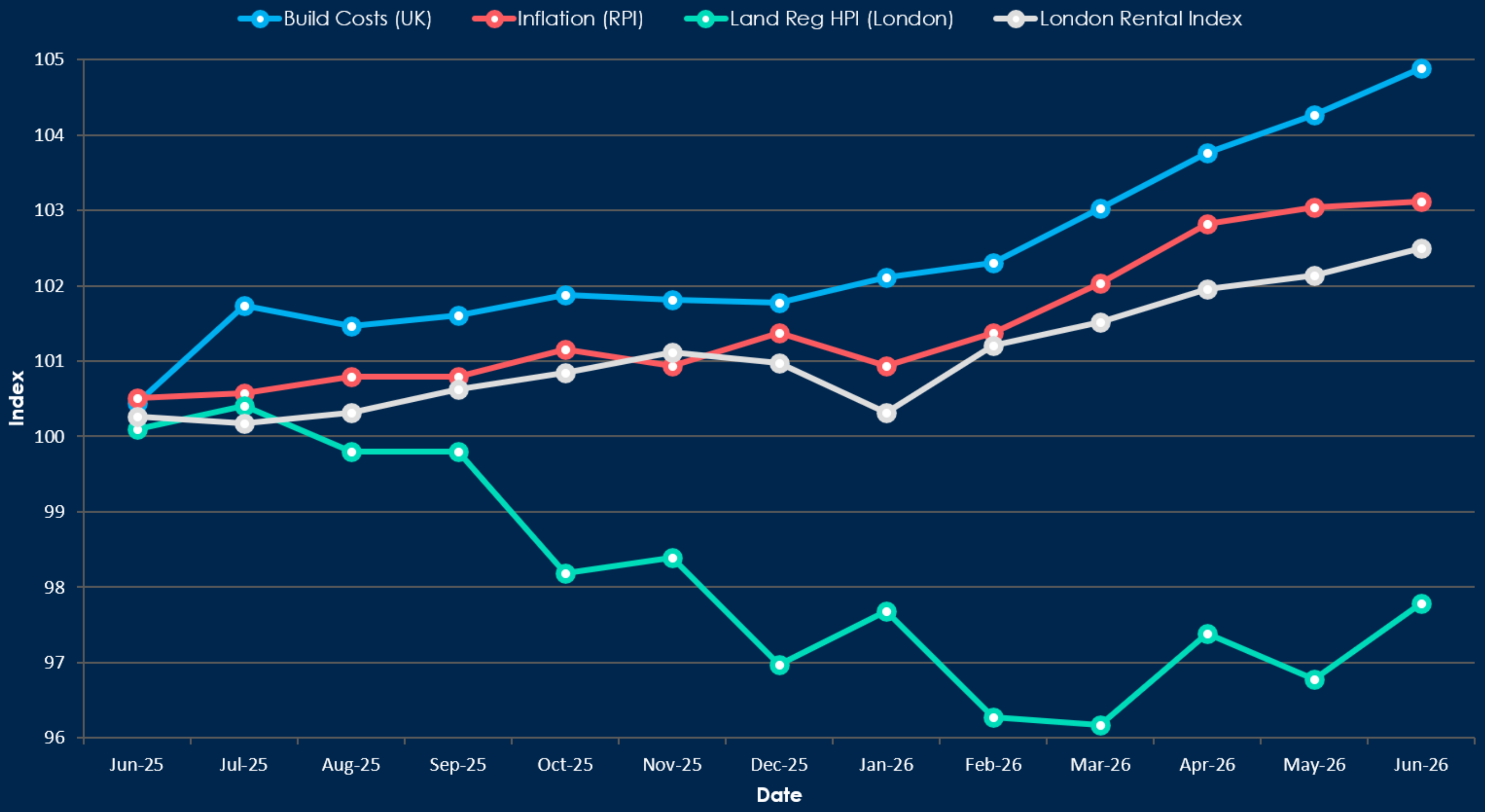
Current Market Conditions

- Following the complete re-writing of the political map across local councils (particularly in London), the Labour party decided to move against the Prime Minister, Kier Starmer, with a by-election in Makerfield on 18 June 2026. This proved to be the route for Andy Burnham to become an MP.
- Whilst it is now known that Andy Burnham became the Prime Minister of the UK, this process led to a vacuum of decision-making at central government level, casting doubt on important updates which were expected over the summer.
- The influx of new Green-led councils led to Enfield withdrawing from the New Towns Programme and an unexpected coalition of Tower Hamlets, Hackney and Lewisham councils (supported by Lambeth, Southwark, Waltham Forest and Haringey) launching a legal challenge against the GLA's Support for Housebuilding LPG.
- Whilst these emergency measures had been designed to assist with unlocking stalled sites, this legal challenge placed further uncertainty on their implementation.
- The Islamabad Memorandum was signed between the USA and Iran in June, which attempted to bring an end to the war and reopen the Strait of Hormuz. Markets reacted with muted positivity, recognising the challenges with maintaining stability in the region.
- Provided that any new Cabinet appointments are consistent, there is cautious optimism that the change in central administration will bring renewed energy and support to unlock brownfield and greenfield sites in London.

Policy Updates

- The bidding window for the **Social and Affordable Housing Programme (SAHP) 2026-2036** has now closed. Following an initial review, the GLA asked that all bidders re-profile their bids by 20 May 2026, as the initial funding round was heavily oversubscribed.
- Leadership issues within the Labour Party suggest that there might be delays in awarding the bids, with the timeline expected to move later into Q3 2026 for London.
- It is understood that the draft **London Plan NPPF** and **PPG on Viability**, which are due to be updated this year, may also be impacted by the current uncertainty at MHCLG.
- After being given Royal Assent in October 2025, the **Renters' Rights Act** came into force in May 2026. The Act removed Section 21 no-fault evictions and severely constrained landlords' ability to regain possession and increase rents. This is expected to have a significant impact on the second-hand market and BTR markets.

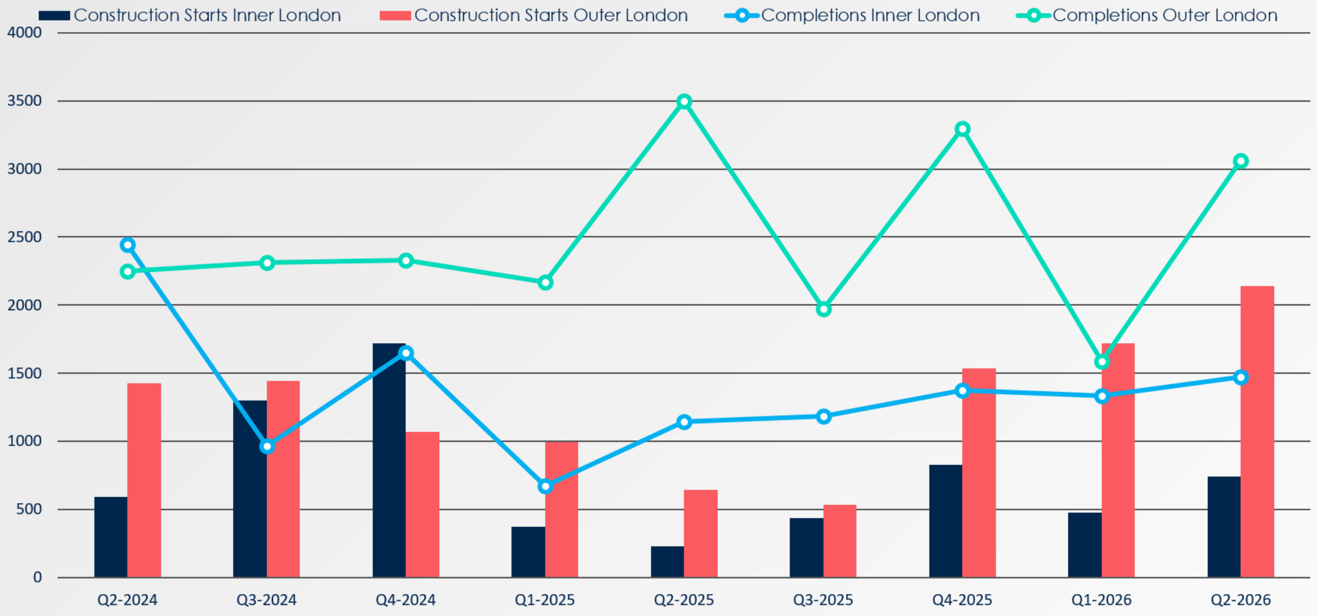
Cost pressures continue to constrain viability



Source: BCIS, ONS, Land Registry. Rebased to June 26

- Whilst rents continue to track inflation, the implementation of the Renters' Rights Act is predicted to constrain rental growth.
- Whilst the positive percentage point movement in the Land Registry HPI is welcomed, house prices are down by 2.32% year-on-year.
- Build costs continue to defy gravity, with BCIS reporting further growth. The average tender price is up by 4.43% since this time last year.
- Viability remains constrained on brownfield sites, with the upcoming draft London Plan expected to increase the role of greenfield sites in meeting housing need.

Construction Starts and Completions



Source: Molior

- Development in Inner London has shown signs of improvement in the last quarter; however, continues to be behind development taking place in Outer London.
- Completions picked up again in Q2 2026, particularly in Outer London, following a dip in Q1.
- Construction starts have continued to increase, exceeding 2024 levels in Outer London. Starts in Inner London have similarly shown growth since Q1, although they remain below 1,000 homes.
- As in the previous quarter, completions continue to outpace starts. Measures to improve viability and delivery will be required to tackle the increasing risk of housing undersupply.

Planning Applications Tracker

Permissions Granted
4,624 units
+8% Q1 26

Outer London Permissions Granted
3,632 units
+85% Q1 26

Inner London Permissions Granted
992 units
-57% Q1 26

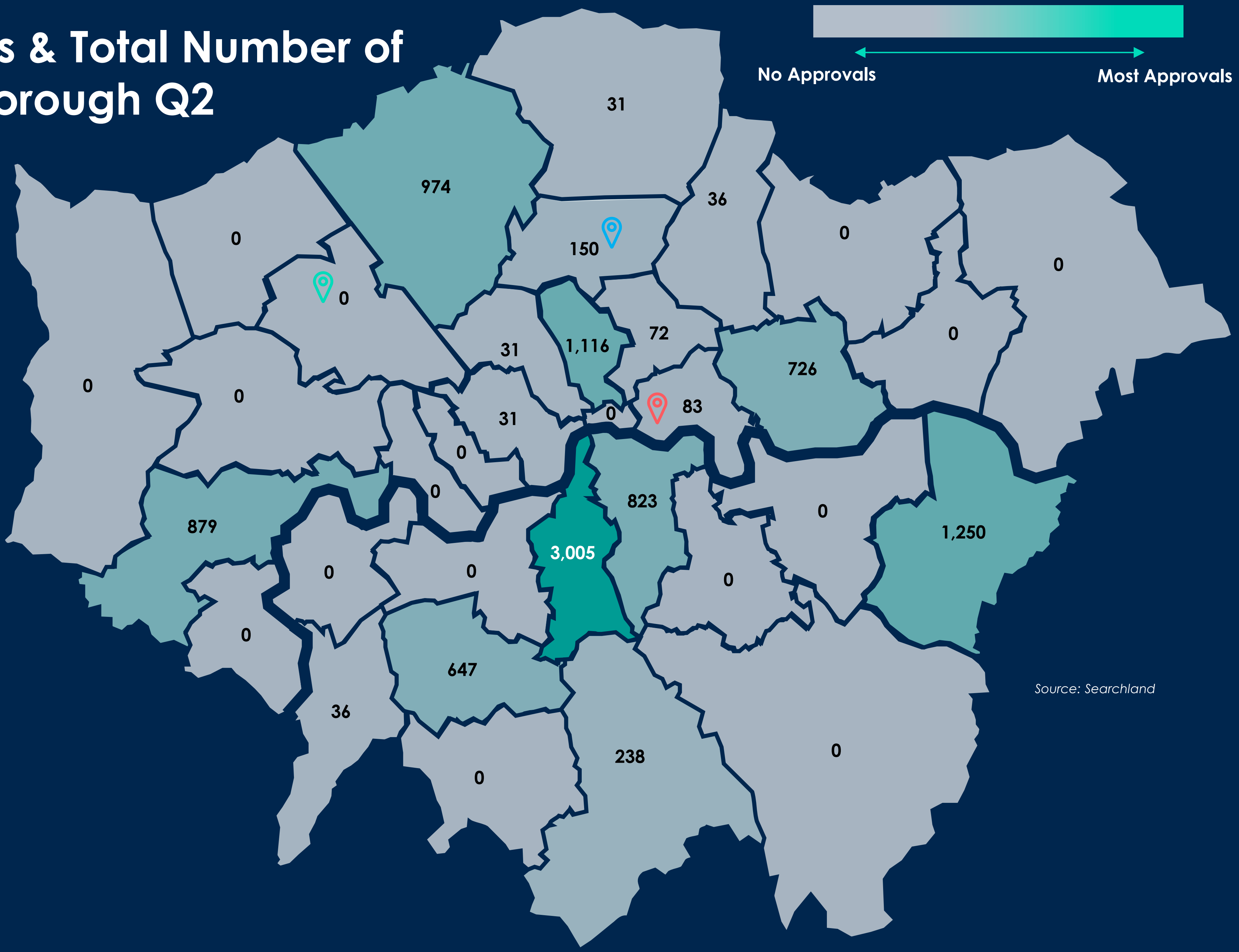
Largest Scheme: Wandsworth Road (Lambeth)
2,960 units

Key Land Transactions & Total Number of Units Approved per Borough Q2

The Highway Service Station, Tower Hamlets, E1W 2BU – a 0.63 acre, sold in Apr'26 for £19m. Planning permission (Ref: PA/24/00909/A1) for 92 residential units (35% affordable, including affordable rent and shared ownership) and 783 sqm of commercial space (including a public house). The sale reflects £30.2m per acre and £206,522 per unit.

Crescent House, 130-140 Wembley Park Drive, Brent, HA9 8HQ – a 0.92 acre site sold in Apr'26 for £16.5m. Planning consent (Ref: 24/1841) for 307 residential units and flexible commercial/community space at ground level, reflecting £17.9m per acre and £53,746 per unit.

Cannon Factory and Ashley Road, Haringey, N17 9L7 – a 2.42 acre site which sold for an undisclosed amount in Apr'26. The site had consent for a co-living scheme with 353 residential units (Ref: HGY/2017/2045).



Source: Searchland

Outlook for Q3 2026

- The confirmed appointment of Andy Burnham as Prime Minister has the potential to dramatically shape London's fortunes. Applying 'Manchesterism' to the rest of the UK seeks to prioritise economic growth outside of London, with the launch of Number 10 North now tasked with this mission.
- The positive policy changes from the last administration are expected to be preserved, albeit potentially delayed – most notably, the Affordable Housing Programme and the National Housing Bank. Should these be confirmed expediently, we expect a busy Q4 as funding is confirmed for new sites and affordable housing delivery.
- This will be especially welcomed as the collapse in domestic buyers for apartments in London has severely impacted the future pipeline; many national housebuilders have published sales rates of <1 a month.

Source: BPTW – Woolwich Exchange
Client: RB Greenwich

Get in Contact

David Conboy
Director
david.conboy@newsteer.co.uk

Mark Byles
Director
mark.byles@newsteer.co.uk

Jonny Stevenson
Director
jonny.stevenson@newsteer.co.uk

Ross Bettridge
Director
ross.bettridge@newsteer.co.uk

James Dewey
Director
james.dewey@newsteer.co.uk

Geena Bains
Senior Surveyor
geena.bains@newsteer.co.uk

Nicole Fatusin
Surveyor
nicole.fatusin@newsteer.co.uk