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London Residential Development Market Q3 2026

Current Market Conditions

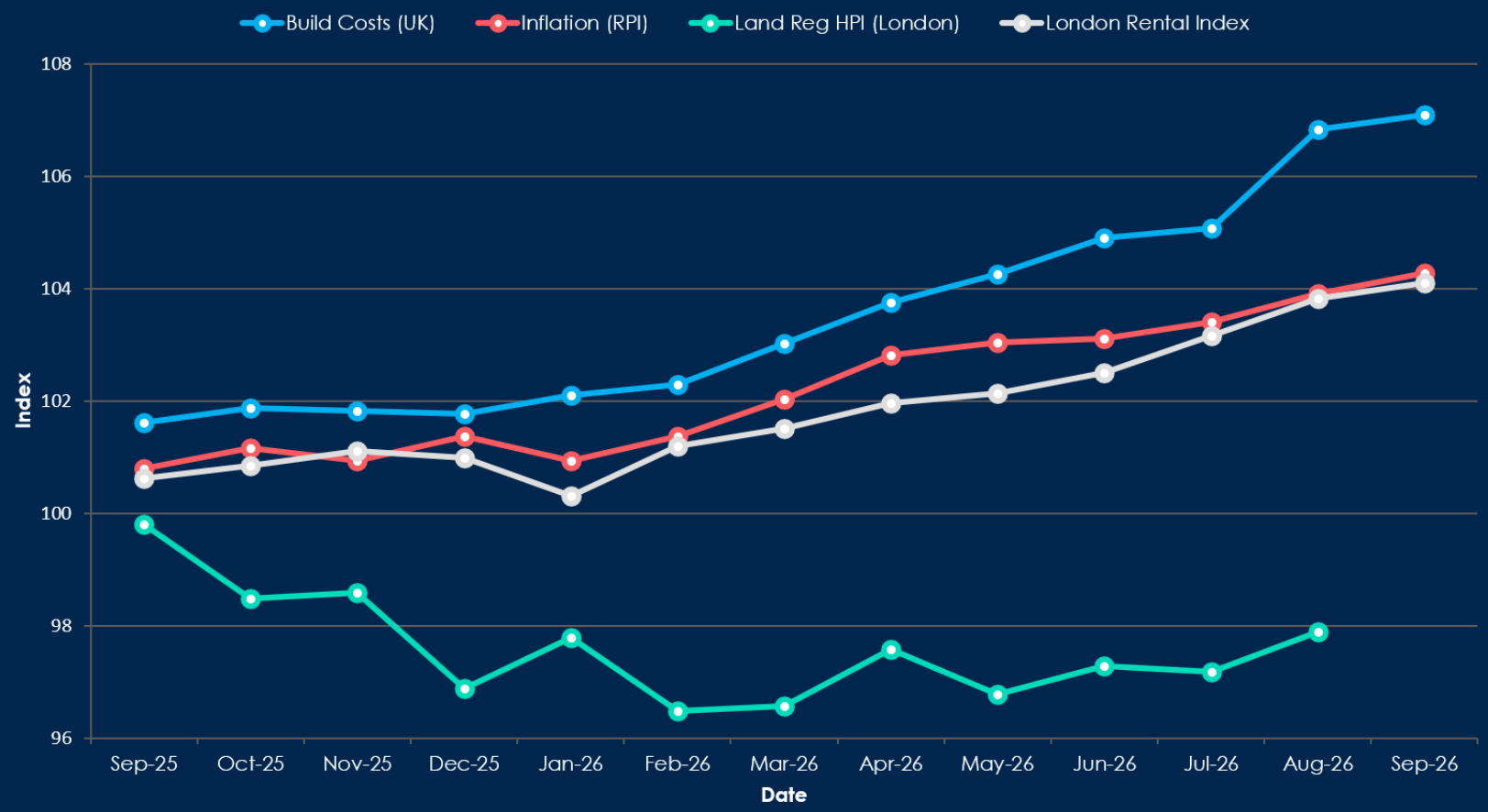
- The housing market is still muted, with a reduced number of transactions taking place and house price growth slowing. Buyer demand has remained weak due to constrained affordability. With fixed-rate mortgage rates approaching an average of 6%, buyers are lacking confidence to commit to long-term deals and proceed with transactions.
- The Labour Party Conference took place in September, with housing being a key focus of the Prime Minister's speech along with increased devolution. Much of this was ratified at the October budget with crucial confirmation of 'Your First Home' a reformed 'Help to Buy' initiative intending to start in April 2027. However, its delayed commencement date means it is unlikely to materially affect confidence in the market this year. This triggered a short-lived rally in housebuilder shares which have since stabilised as details of the scheme emerged.
- Other reasons to be cheerful include major infrastructure schemes in the Bakerloo Line extension and the West London Orbital received long-awaited support and removal of BNG on brownfield sites of up to 1.5 hectares. Although viability remains very constrained, these long-term infrastructure projects can contribute towards enhanced growth conditions in both East and West London over the next London Plan period.
- The Brownfield Land Release Fund 3 (BLRF3) was launched on 24 September, providing up to £34.7 million of capital funding in 2026/27 to enable councils to bring forward new homes on publicly-owned brownfield land. This forms part of the National Housing Delivery Fund, which aims to support the government's ambitions to deliver 1.5m new homes.

Policy Updates

- **Social and Affordable Homes Programme (SAHP) 2026 to 2036** – in August, the government announced allocations for the first wave of funding from the SAHP with the official announcements for London delayed due to many bidders receiving disappointing allocations. Most of London's allocations appear to have gone to councils and not registered providers. This is aligned with Labour's desire to increase council housebuilding, but with constrained HRAs, there is a question as to whether councils are in the best place to deliver sufficient levels of affordable housing in the current market.
- **Your First Home** – The policy received a positive initial reaction, following Burnham's announcement at the Labour Party Conference. The initiative will enable first-time buyers to purchase new build homes with a smaller deposit and mortgage.
- **National Planning Policy Framework (NPPF)** – the revised NPPF came into effect in August 2026, introducing national policies to reduce unnecessary local variation. The policy includes a stronger approach to station-led development and reforms to housing delivery through consistent, rules-based decision making.

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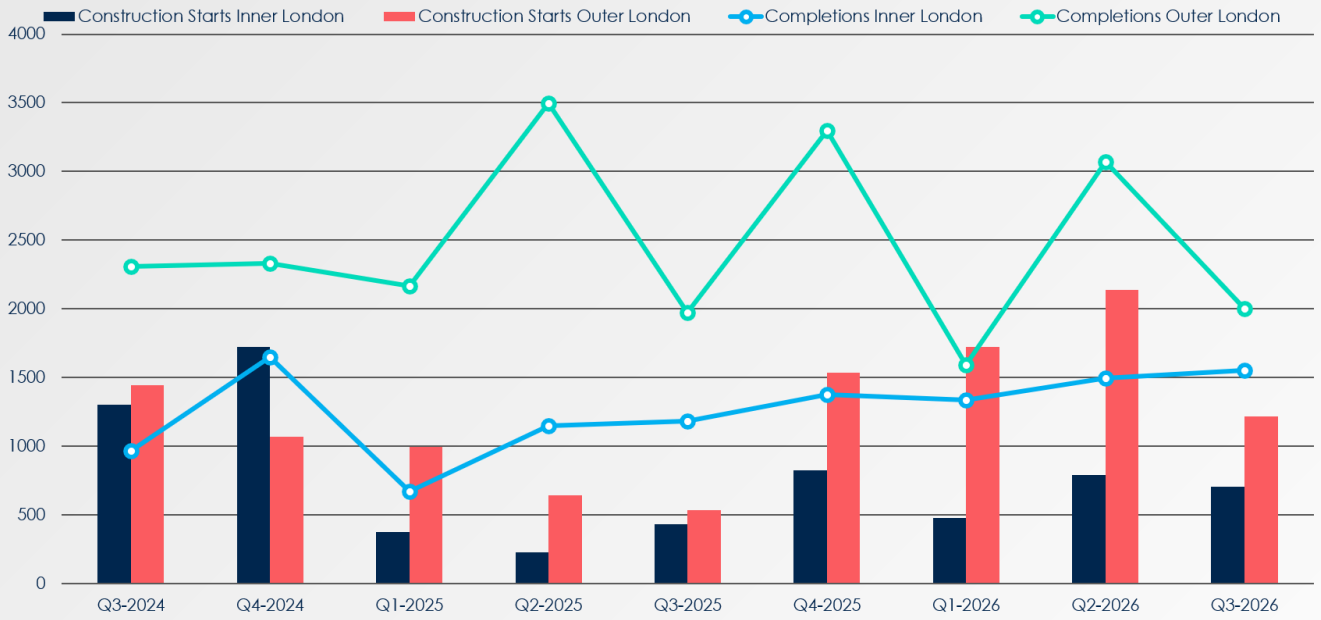
Sales risks contribute to viability restrictions



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

- As predicted, there has been a gradual coalescing of rents and inflation. However, with 70% of cases under the Renters Rights Act being referred to the Upper Tribunal for determination landing in favour of the tenant, this may start to increase divergence between these indexes going forward.
- Although headline build costs continue to defy gravity, there have been minimal construction starts on site leading labourers to become more price competitive. This is expected to help start to drive build costs down.
- For housebuilders, sales rates are becoming a more significant issue than build costs. Bulk sales accounted for double the sales to individuals according to Molior in the first two quarters of the year. There is reluctance from almost all developers to start new market for sale schemes in taller buildings in the current climate, unless the affordable is pre-agreed – preferable with the Council as buyer.
- Secure exit routes remain the key focus for developers, and while local authorities are taking a more selective approach to new co-living and PBSA applications than for C3, well-evidenced schemes in the right locations can still progress.

Construction Starts and Completions



Source: Molior

- Construction starts in Inner London have reduced slightly quarter-on-quarter and remains behind development in Outer London, although the gap between them has decreased.
- Completions in Inner London rose marginally, whilst in Outer London, they have taken a dip, back to Q3 2025 levels.
- Outer London permissions increased by 12% in Q3, while permissions in Inner London fell by 10%; highlighting viability constraints with higher-density Inner London schemes.
- As completions continue to significantly outpace starts, there will likely be an undersupply of housing in the future if significant interventions are not put in place.

Planning Applications Tracker

Permissions Granted

5,199 units

+12% Q2 26

Outer London Permissions Granted

4,156 units

+12% Q2 26

Inner London Permissions Granted

1,043 units

-10% Q2 26

Largest Scheme: Grahame Park Northeast (Barnet)

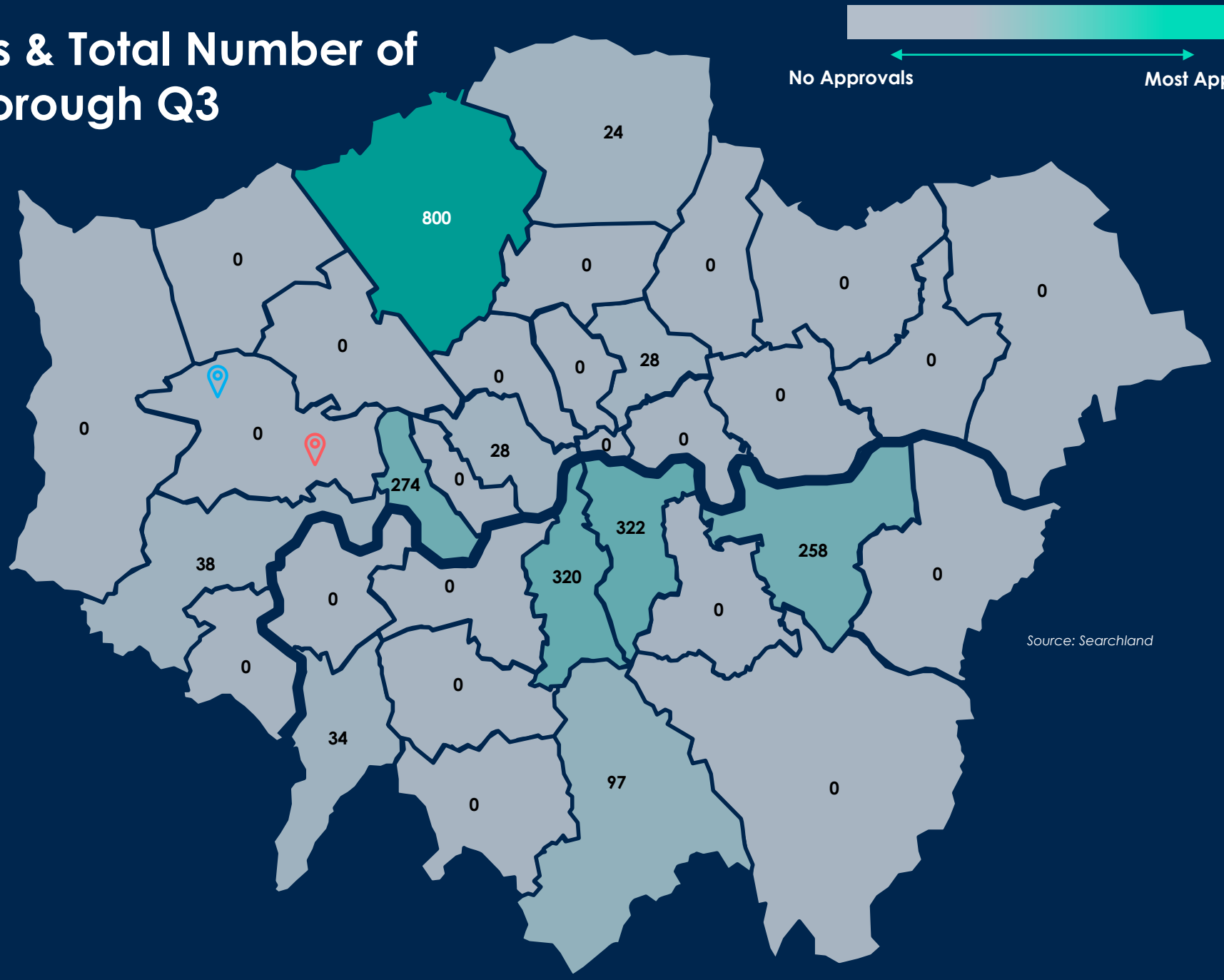
463 units

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Key Land Transactions & Total Number of Units Approved per Borough Q3

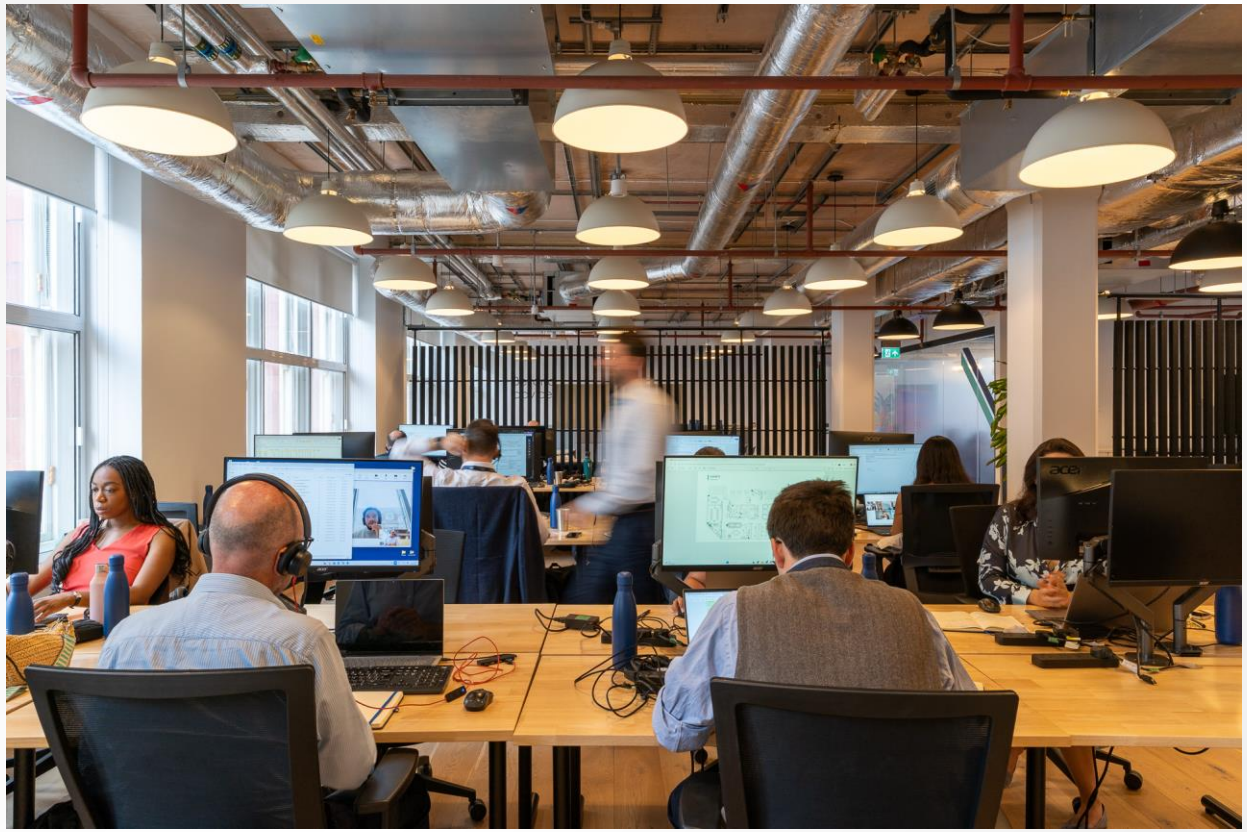
65 Stirling Road, Ealing, W3 8DJ – a 0.17 acre site sold in Aug'26 for £2.7m. Planning permission (Ref: 250006FUL) for a mixed-use development comprising 49 residential units, 696 sqm of commercial space on the ground floor. The sale reflects £15.6m per acre and £55,102 per unit.

AGB/TNS House, West Gate, Ealing, W5 1EL– a 2.79 acre site sold in Jul'26 for £22.7m. Planning consent (Ref: 254699PA) for 194 residential units, reflecting £8.1m per acre and £117,010 per unit.



Outlook for Q4 2026

- The Budget has brought welcome clarity on new housing policies with implementation expected in Q1 next year. The outcome of the SAHP programme for London will clearly signal which Councils and RP's have the grant backing to advance new affordable-led schemes and estate transformation projects.
- The Building Safety Levy came into force on 1 October, reinforcing the commitment to safer buildings. Factoring the added cost into viability appraisals early will help schemes stay deliverable.
- Changes to the National Scheme of Delegation are expected to streamline planning decision-making, bringing a more consistent approach to determining which applications are decided by officers and which are referred to planning committee.
- Lower density, amenity-light and affordable-led schemes are likely to be the most deliverable in the short term until the current headwinds abate.



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