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LAND MATTERS

REMOVING BARRIERS TO HOUSEBUILDING

savills

Executive Summary

The housing market in England is under pressure

A lack of confidence among buyers and a higher cost of mortgage debt have reduced demand for homes and slowed down activity, particularly in the new build market. At the same time, the growing cost of materials, labour and energy, coupled with evolving tax and regulatory burdens, have increased the cost of construction, reducing the financial viability of building new homes. This challenging environment is causing housebuilding numbers to fall and reducing appetite for new development opportunities.

Smaller operators in the market are at the sharp end of the slowdown. Small and medium-sized (SME) housebuilders have seen sales rates fall to their lowest level since the Global Financial Crisis. This is only the latest in a series of challenges to hit the sector, with SME housebuilding having already undergone a marked decline. SMEs were responsible for delivering around 40% of new homes in the 1980s, but the sector has contracted significantly, **with the number of firms falling by 60% since 1995**. SME housebuilders now face a fundamental challenge for survival, yet supporting the growth of the SME sector is crucial. A greater diversity of housebuilders is essential for delivering more new homes: **previous Savills analysis has found that by boosting SME capacity, approximately 70,000 additional homes could be delivered each year across the UK**.

A healthy SME sector is also vital for promotors of strategic land, who otherwise face a shallow pool of buyers for the c.36,000 hectares that are currently progressing through planning and development. Both groups share in common a lack of resources or financial capacity to mitigate such challenging marketing conditions; for each, funding continued activity has become highly difficult.

Targeted intervention to address demand and cost issues would boost activity across SME housebuilders and land promotors, and maintain their integral role in delivering new homes. On the demand side, a new equity loan scheme would support buyers - especially first-time buyers - in the markets that are struggling most. Alongside this, greater flexibility from local planning authorities on Section 106 agreements would encourage more collaboration between housebuilders, investors, and Registered Providers (RPs) and unlock stalled sites. Support for RPs to buy more land would also remove bottlenecks experienced by promotors. From a cost perspective, improved access to finance for infrastructure or cashflow purposes would help mitigate delays in planning or connecting sites to utilities, and increase the financial resilience of SME housebuilders.

The funding and policy changes recommended in this report would have a material impact on the capacity of SME housebuilders and land promotors to operate in the market. Successful implementation of these changes will improve the consistency and availability of buyers for land and new homes. This will not only remove barriers to delivery of the 1.1 million plots controlled by these operators, but unlock activity amongst their partners across the planning and development process, stopping or reversing the decline in housebuilding. The alternative is a continued decline and long-term structural damage to the SME sector through a loss of capacity and through company insolvencies, reducing the otherwise positive effect of recent planning reforms.

Market Challenges

The future of SME housebuilding is under threat

The latest data on SME development paints a picture of overwhelming pessimism about the current state of the housing market. Three-quarters of those surveyed in the Q2 2026 HBF SME sentiment survey reported a negative outlook and widespread concerns over viability and buyer confidence. Almost all respondents agree that improving development viability and offering more support for first-time buyers would significantly increase their willingness to bring forward new schemes. At the heart of the issue are weak sales rates.

As highlighted in previous editions of Land Matters (see here and here), housebuilder sales rates have nearly halved since 2022. Higher mortgage rates and withdrawal of demand support schemes (such as Help to Buy) have reduced buyer demand. At the same time, commercial viability has come under greater strain from increased development costs. Among the major PLC housebuilders, sales rates averaged 0.56 sales per outlet per week in 2025, in line with our long-term expectations but below what was achieved with Help to Buy. The most recent trading statements suggest PLC sales rates have risen a little higher in the early months of 2026, but remain below the levels seen in 2021 and 2022 among all larger developers.

If large developers face difficulties, the situation is even more challenging for small and medium sized developers. Firms delivering between 250 to 1,000 homes a year achieved sales rates of only 0.4 to 0.5 per outlet per week in 2025, compared to c. 0.6 and above in 2022. For builders below this threshold, sales rates were even lower, with none above 0.4. Some of the smallest developers have seen sales rates fall to just c. 0.25 or below.

This matters because such low sales rates means slower cash receipts, increased funding costs, exposure to rises in build costs due to an extended delivery period, and reduced profit. All of these factors constrain a developer's ability to recycle capital into new land and housing. Without a marked improvement in sales rates, the SME sector – which has already declined sharply over the previous three decades – will continue to operate well below its potential capacity, limiting the contribution SME builders can make to housing delivery.

Regional challenges impact SMEs hardest

Weaker market conditions have impacted regional housing markets differently. New build sales rates are generally lower in areas where affordability is stretched and buyers face greater financial constraints. Across all housebuilders, regional sales rates vary from 0.44 in the North East (with the lowest regional gap between average house prices and incomes), to below 0.20 in the least affordable markets of London, the South East and the East of England.

The link between affordability and sales rates particularly impacts SMEs. Smaller firms lack the access to land and the economies of scale enjoyed by larger developers, and require higher margins per unit, so generally sell homes at a higher premium to the local market than major housebuilders.

As a result, the impact of constrained affordability on SME sales rates has been stark. Even in markets where affordability is relatively less stretched, such as in northern England, the gap between major PLCs and SMEs is substantial, with SME sales rates in 2025 typically 30 to 40% lower that of larger developers. This leaves smaller builders at a disadvantage, as slower sales rates mean reduced cashflow, lower profits limiting capital recycling and growth. In the South East, where affordability pressures are greatest, SME sales rates have fallen to levels that threaten the commercial viability of housebuilding. For the smallest housebuilders – those delivering fewer than 50 homes per annum – average sales rates have sunk as low as 0.15 to 0.25.

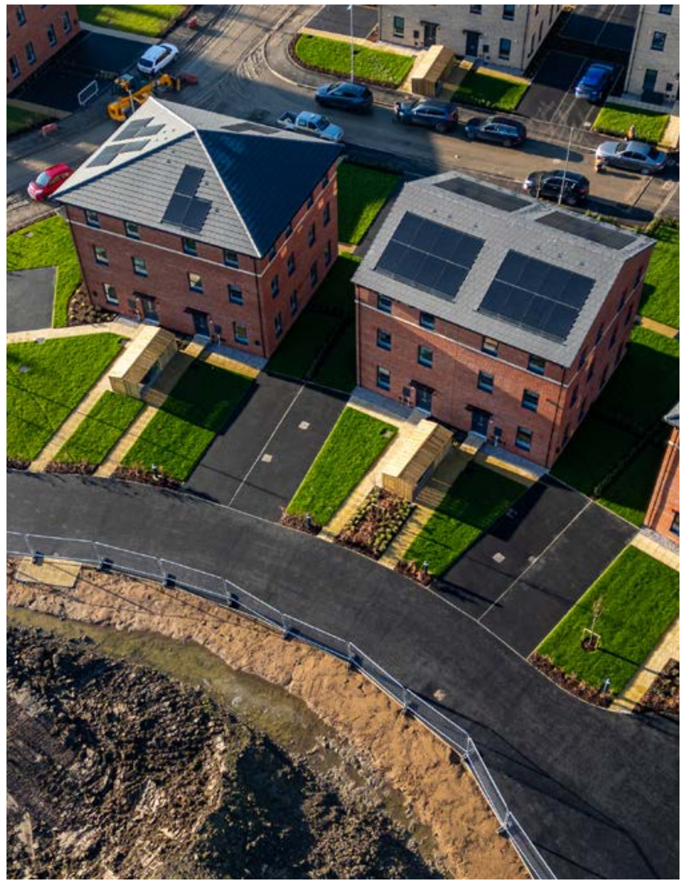
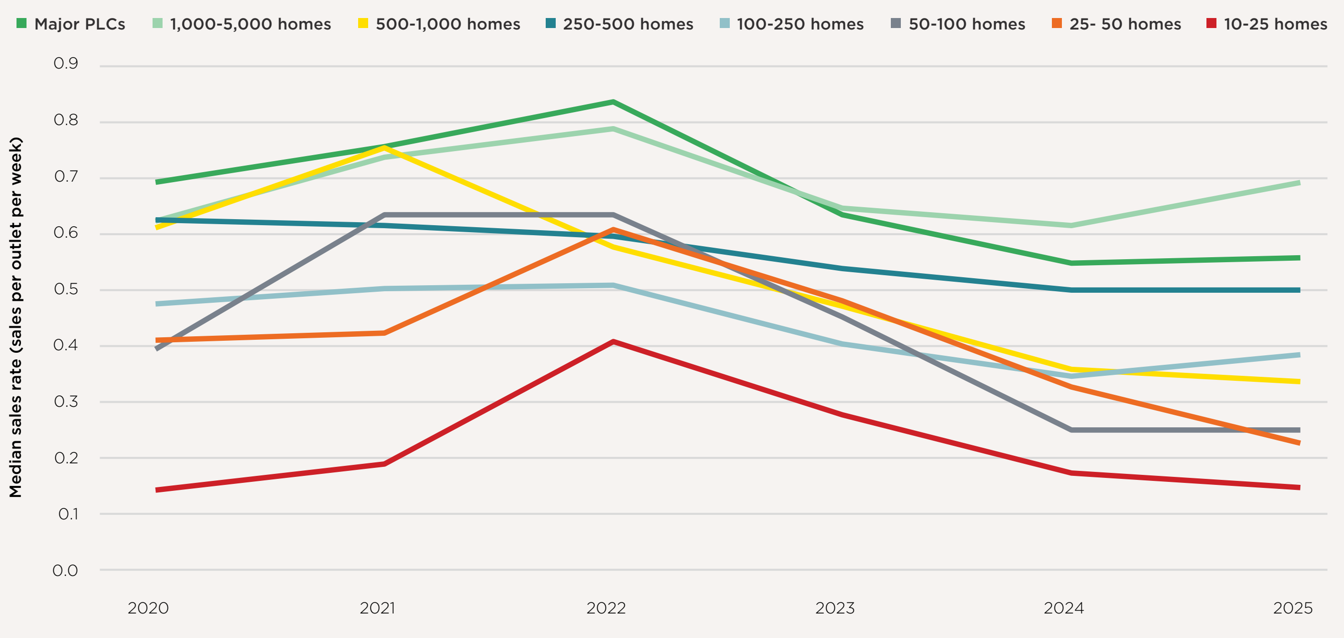


FIGURE 1 – SALES RATES BY SIZE OF HOUSEBUILDER (ANNUAL COMPLETIONS)

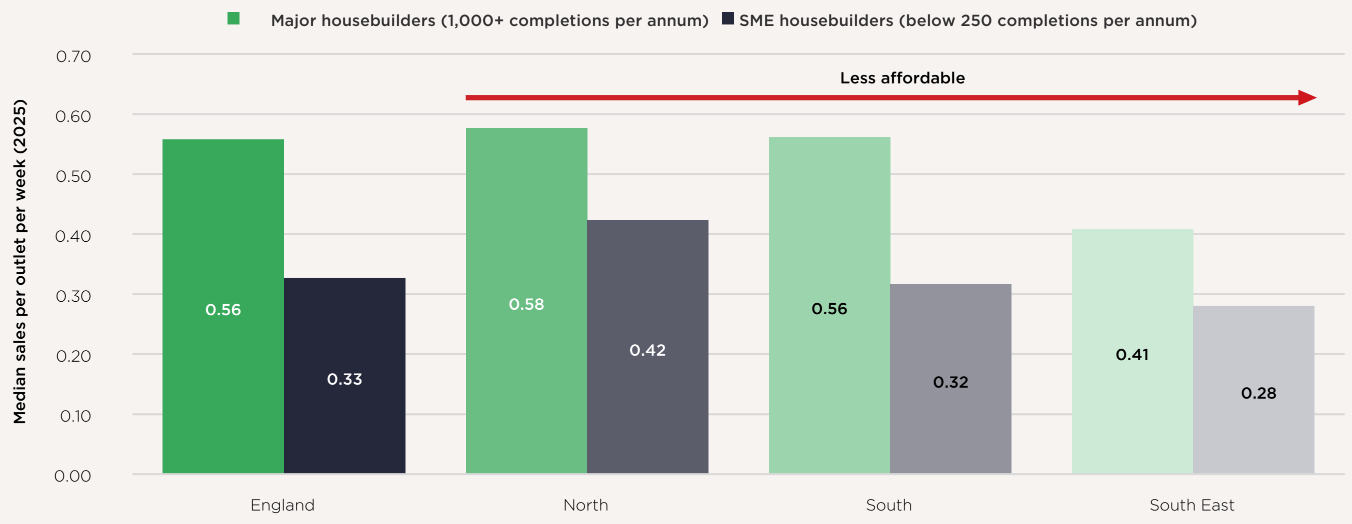


SOURCE: SAVILLS ANALYSIS OF NEW BUILD DATA

FIGURE 2 – REGIONAL DIFFERENCES IN THE NEW BUILD MARKET

SOURCE: SAVILLS ANALYSIS OF NEW BUILD DATA, ONS

FIGURE 3 – THE CHALLENGE FACING SME DEVELOPERS



SOURCE: SAVILLS ANALYSIS OF NEW BUILD DATA

Why viability matters

In pursuit of increasing housing delivery, the Government has considerably reformed the planning system. This is welcome, but delivering homes also depends on schemes being financially viable.

Since September 2022, average house prices across England have risen by less than 1%, while housing construction costs have increased by 14% according to BCIS. Developers also face additional regulatory and tax costs, including the Future Homes Standard, Biodiversity Net Gain, the Building Safety Levy and higher Landfill Tax. HBF analysis suggests labour and material inflation has added £37,000 to the cost of building the average home since 2020, with policy measures adding a further £39,000.

This has materially weakened private housebuilding viability. Savills' analysis indicates profit on a typical three-bedroom home has fallen to around 13% of gross development value, below the 20% target typically required by housebuilders. New home delivery stood at just 205,000 in the year to March 2026, and is expected to fall further.

The issue is twofold: in some markets, higher costs mean development may no longer generate a positive land value. Even where residential development does return a positive land value, this is often not high enough to compete with alternative redevelopment uses, such as logistics, or provide enough of a margin over existing use to warrant taking on development risk. Without action, weaker viability could permanently reduce housebuilding capacity.

Who controls the pipeline?

Development capacity on the brink

Viability pressures, weak buyer demand, rising costs, a sluggish planning system, and wider economic uncertainty are weighing on investment and development decisions across the whole housebuilding sector. Issues affecting the wider market have a disproportionate impact on those that lack resources to mitigate their impact, particularly SME housebuilders and land promotors.

Disruption to activity amongst SME housebuilders and land promotors will have a knock-on impact to wider market activity. With fewer or less active land promotors, less land will come through the system, diminishing the effect of the largely positive planning reforms implemented by the current Government. Similarly, with fewer or less active SME housebuilders, larger players and master developers will have difficulty disposing of serviced parcels to diversify the offering on larger sites, and promotion of smaller sites for development will reduce.

Without measures introduced to improve viability and stimulate demand, the decline in confidence among SME housebuilders and promotors will have significant implications for wider housing delivery, further eroding the chances of meeting national housing targets.

Falling confidence amongst SME housebuilders

Planning delays continue to disrupt activity at a sector-wide level. Extensive consultations, unpredictable negotiations and inconsistent decision making are regular features of the planning process. The Q2 2026 HBF survey of developers found 77% reporting that planning delays were a major constraint on housebuilding – above the long-term trend and far ahead of land availability or prices as an factor holding back housing delivery.

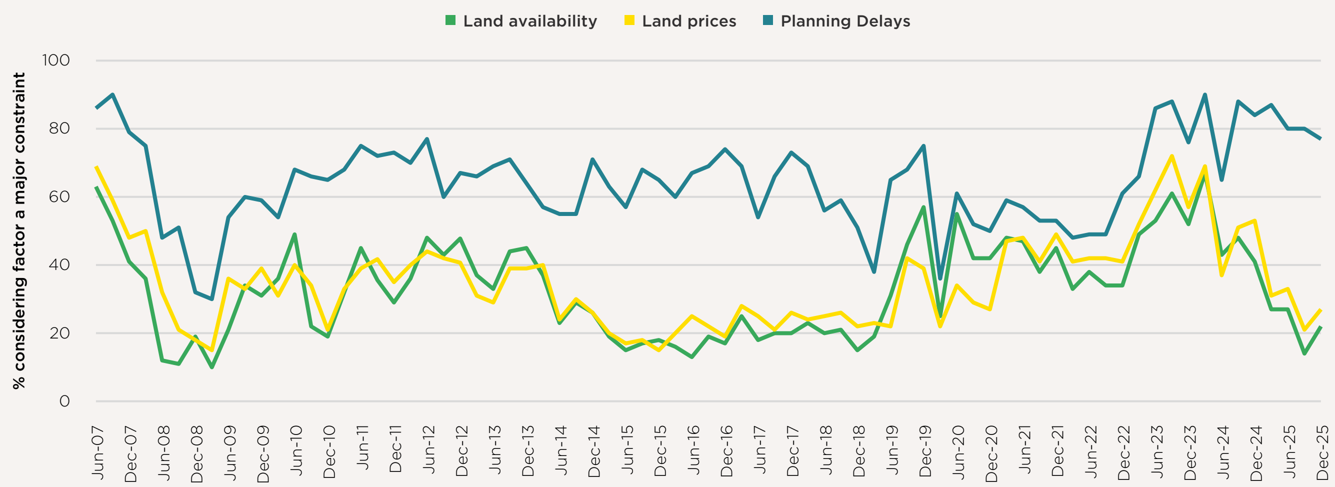
Across England, it now takes nearly twelve months between an application and granting of full planning permission, according to Savills analysis of Glenigan data. This figure does not include obtaining outline permission, pre-planning requirements, obtaining access to a site or securing connections to utilities, all of which add further delay and cost. Lichfields recently found the time taken to determine a major outline application alone now takes two years.

While extended timeframes are now accepted as additional planning risk, the delays can still present serious disruption, particularly for small and medium-sized organisations. SME housebuilders generally operate with far less financial headroom than the larger firms, meaning delays tie up a larger share of capital, reducing their capacity to fund new projects. Development finance lenders are pricing in the potential for planning delays, which tightens access to finance for those reliant on it, making projects harder to stack up and creating issues for SME housebuilders looking to fund projects.

Viability challenges, weak buyer demand, rising costs and economic uncertainty are all major hurdles facing smaller players, having a material impact on investment and development decisions. Confidence is particularly weak in London and parts of southern England, with concerns over affordability, access to mortgage finance and increased regulatory and policy costs suppressing development.

Although the size of the sector has declined over recent decades, SME housebuilders still constitute around 10% of the development pipeline. Further planning disruption, of a kind that disproportionality affects SMEs, will therefore have a material and negative effect on current housing delivery, and make increasing delivery in the future all the more challenging.

FIGURE 4 – LAND AND PLANNING CONSTRAINTS



SOURCE: HBF DEVELOPER CONSTRAINTS SURVEY (VIA NHBC CONSTRUCTION STATISTICS PORTAL)

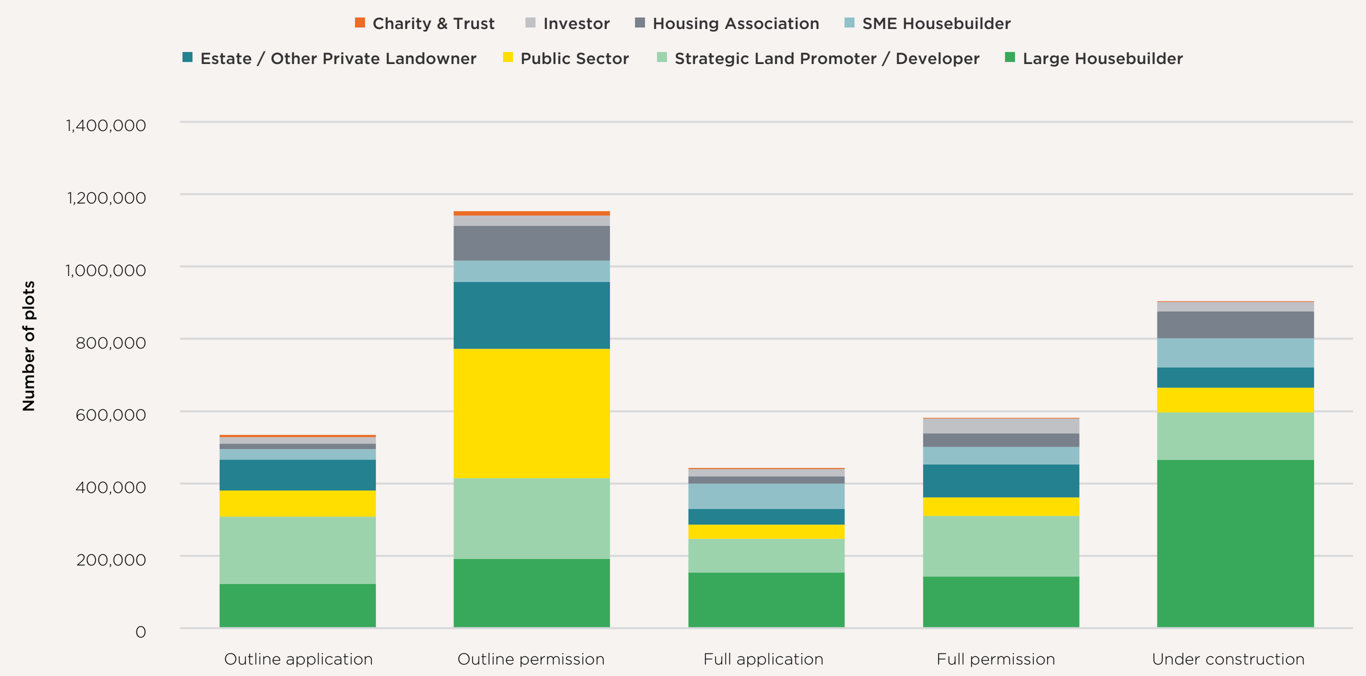
The role of SME housebuilders and land promotors

There are 3.6 million plots in the UK planning pipeline. Large housebuilders have the biggest share of the pipeline at 30%. The remainder of the pipeline is controlled by parties with a range of different goals and stakeholders, including strategic land promotors and developers, and SME housebuilders.

These organisations occupy their own distinct area of the planning and development pipeline, controlling 1.1 million plots across 5,700 sites. Strategic land promotors and developers are more active at earlier stages of planning, with over 400,000 plots at outline application and permission stages. SME housebuilders are more active in stages closer to delivery, accounting for 9% of plots on sites currently under construction.

While fulfilling different roles and functions, these smaller organisations are integral to the delivery of new homes, including taking sites from very early stages of planning and ensuring a diverse mix of new homes are delivered at the end of the development process.

FIGURE 5 – DEVELOPMENT PIPELINE CONTROL (20+ UNITS)

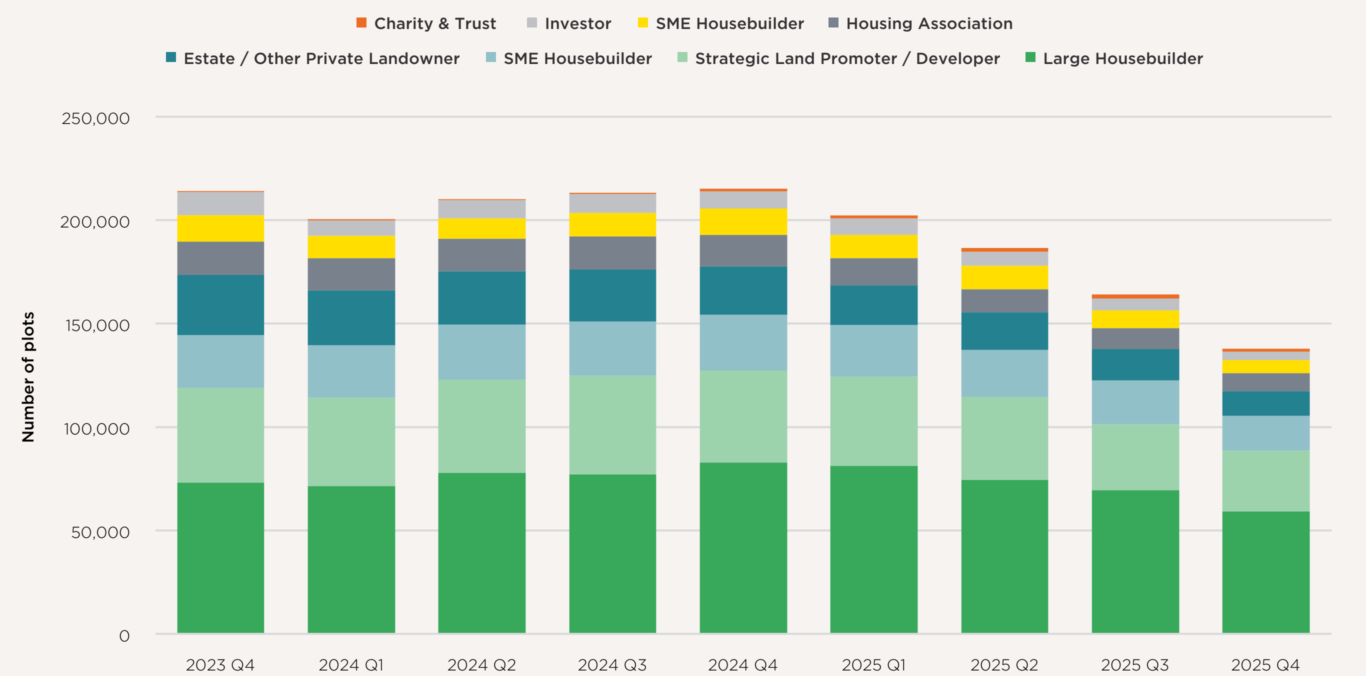


SOURCE: SAVILLS USING GLENIGAN

The number of homes gaining full consent across the UK has been falling steadily since the end of 2024. On sites with capacity to deliver at least 20 homes, just 138,000 plots gained full consent over the course of 2025. Lack of resource within local authorities, policy uncertainty and wider environmental constraints have all contributed to a sharp fall in consented sites progressing through planning.

SME housebuilders, strategic land promotors, and developers are responsible for a large share of the active planning and development landscape, accounting for 32% of homes gaining full consent in 2025. These organisations are facing the same challenging conditions as larger housebuilders but face a disproportionate impact from reduced demand for new homes and increased costs. According to the HBF, 49% of SMEs say they are going to reduce their land buying this year. This will have a notable impact on the market; a fall of just 20% of SME activity would threaten the progression of 57,000 plots across the entire planning pipeline.

FIGURE 6 - FULL PLANNING CONSENT CONTROL (20+ UNITS)



SOURCE: SAVILLS USING GLENIGAN

How could funding unlock delivery

Swift Government intervention is needed to prevent further loss of capacity

As covered elsewhere in this report, the SME sector currently faces two challenges. The first challenge (explored in *Who controls the pipeline?*) concerns development land and viability. Land promotors and SME housebuilders both face significant challenges from planning delays, infrastructure bottlenecks, and viability issues on many sites. These factors are undermining the confidence and capacity of promotors and developers to invest in and bring forward new projects, with residential land at risk of being lost to other competing uses.

The second challenge is subdued demand for new homes, as highlighted in *Market challenges*. Weak sales rates are slowing or even stalling delivery on sites already under way. Without a steady flow of buyers for new homes, and lacking the financial capacity of major housebuilders, SME developers face cashflow issues. This can erode profit margins or eliminate them altogether, leaving developers unable to recycle capital. This in turn prevents new sites from entering the pipeline, exacerbating issues in the land market described above.

To break this cycle, interventions must address both issues, with measures to improve site viability and increase demand for new housing required. Doing so will preserve construction capacity, ensure that the amount of land within the residential development pipeline continues to grow, and help SMEs to navigate current market conditions.

Land, viability, and cashflow

The National Housing Bank should play an important key role in supporting development. The Bank already offers SME Accelerator Loans, which provide both development finance for an initial site and funds for further land to ensure a steady supply of projects. Notably, the loans enable SMEs to release capital from a site before completion, boosting capacity and appetite for land-buying. The Bank also offers long-term infrastructure loans to large housebuilders and master developers; capital should be provided for the Bank to offer a similar, more short-term product available to SMEs, especially on marginal sites with complex requirements. Development finance could also be extended to land promoters against contracted future receipts, where (for example) land has a sale agreement in place, but completion remains subject to obtaining relevant planning permissions.

In a similar vein, the British Business Bank's ENABLE Build programme makes development finance more accessible by covering some lender losses. This encourages lenders to provide more finance to smaller developers, with housebuilders applying to participating lenders as usual. The early implementation of these schemes is a welcome addition to the housebuilding industry. However, to ensure the greatest possible impact, these efforts should be expanded, further capitalised, and applied as a first course of action to address viability and cashflow issues.

Several other measures could be introduced to reduce development costs and improve the commercial viability of potential development sites. Bottlenecks such as utilities connections (including water, waste water and electricity) and access to a site are common issues that increasingly impose major delays on development and can take a considerable amount of money to resolve. Providing up-front infrastructure funding would help mitigate these barriers to site delivery. The Housing Infrastructure Fund previously achieved this, allocating £4.2 billion to local authorities to deliver enabling infrastructure and unlocking constrained land for housebuilding; such efforts could be revisited. Another way to fund infrastructure would be through mechanisms such as tax increment financing (where borrowing is secured against anticipated increases in tax revenues). This enables local authorities or developers to fund essential works and unlock stalled projects.

Such strategic tweaks would enhance viability on specific sites and ease some of the cashflow issues faced by SMEs, but increased finance alone may prove insufficient. The Government should therefore also consider wider measures to encourage development. Development corporations are one possibility, coordinating land assembly and reducing associated costs, by supporting collaboration between stakeholders and smoothing the process.

Demand

First time Buyers

Alongside improved viability on existing sites, greater financial capacity for developers, and boosting the demand for land, there must also be confidence that new homes will be able to find a buyer at a commercially sustainable price once built. Intervention is urgently required to help sustain SME sales rates and provide greater certainty, while support should not be restricted to any particular tenure in order to maximise the number of potential buyers of new housing stock.

The most pressing issue is the lack of buyer demand for homes intended for owner-occupation, and the subsequent fall in housebuilder sales rates, especially for SMEs. Buyers – especially first-time buyers – are facing an affordability crisis in many markets. The issue goes beyond just mortgage rates, with both tax and deposit requirements posing a major obstacle to home ownership. Stamp Duty poses a particular challenge in expensive markets such as London, the South East and East of England, where over half of first-time buyers paid the tax in early 2026 and were faced with median bills exceeding £10,000, according to Zoopla. This additional cost is therefore having the greatest impact on regions where demand for new homes is already most subdued.

Deposit requirements also present a barrier to getting on the housing ladder, yet support for first time buyers has diminished since the end of Help to Buy. Recent changes in mortgage lending rules have lowered this hurdle somewhat, but as argued in our recent report, "The Case for Demand Support", an equity loan scheme would be more effective at assisting those without substantial savings. Our analysis found that there are c. 375,000 family households currently living in private rented accommodation who could benefit from such a scheme, supporting up to 85,000 additional new homes by March 2029 and generating nearly £24 billion in GDP. To maximise impact, regional or local authority level house price caps should be considered as part of the scheme.

Section 106

Demand for Section 106 (S106) homes has fallen in recent years, driven by constrained financial capacity amongst RPs and an emphasis on investment in existing stock. This has an impact on both affordable and wider market housing delivery, causing problems for SME housebuilders progressing sites through planning and development. Temporarily allowing grant funding to part-fund S106 obligations could help address this, increasing demand amongst RPs, unlocking stalled development sites and accelerating housing delivery.

Another measure that could be introduced immediately is allowing greater flexibility within Section 106 agreements to re-phase the delivery of affordable homes on a site, and to change the intended tenure of new affordable homes where agreements no longer reflect the realities of development viability. Being able to sell a portion of a site upfront to an RP helps with cashflow significantly and gives development finance providers more confidence. This is a particular issue when new build sales rates at very low level, and SME housebuilders are required to service development finance over a longer period of time.

As shown in recent Savills research, the pool of demand for S106 remains shallow. RPs still in the market are able to be highly selective, which leaves some affordable stock without a buyer. Greater flexibility on numbers and tenure provision could encourage a wider range of buyers (including for-profit RPs) to bid for stock. At the same time, pivoting to 'intermediate' tenures, which require a lower discount to market, can reduce the cost of delivering affordable homes, helping to resolve viability issues. A tenure such as Discounted Market Sale, for example, requires minimal up-front capital and unlocks home ownership to many currently priced out of the market, yet because it is essentially identical to market sale housing, housebuilders are able to deliver DMS homes seamlessly and at less cost. A written Ministerial Statement could set out how revised expectations should be reflected in S106 agreements (whether through new terms or other options such as cascade mechanisms) for a set period. This would offer greater clarity and certainty for parties in the process of renegotiating, and help clear the backlog of unsold affordable homes.

Grant funded affordable housing

The affordable housing sector could also provide counter-cyclical support while private sales are constrained, as it did in the aftermath of the Global Financial Crisis. Some Registered Providers (RPs) have increased land buying for affordable housing development over recent months, deploying unused grant funding from previous Affordable Homes Programmes. This has enabled them to deliver competitive bids in a relatively weak land market while providing a construction pipeline for housebuilders and contractors delivering homes on their behalf. This activity is relatively small-scale compared to the huge support the sector was funded to provide in the wake of the Global Financial Crisis, but it does indicate the effectiveness of such an approach in supporting development.

To have a greater effect, a change of approach from Homes England and HM Treasury is needed. The sector has been hit by unexpected changes to the amount of grant that can be drawdown in a given year and to at which stage of development grant is actually paid. This delays capital recycling and has curtailed the appetite of RPs to quickly deploy large amounts of grant to build a substantial pipeline of land and housing, requiring them to either supplement grant with debt or else to slow down acquisition of land and delivery of homes.

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