LAND MATTERS

INCREASING OUTLETS TO BOOST HOUSING DELIVERY

JULY 2025

Executive Summary & Recommendations

A greater supply of land (especially small sites), alongside support for home ownership and affordable homes, is needed to boost housing delivery

Since the election of a new Government last summer, ambitions to increase housing supply have moved to the centre of the political stage. The drive to build 1.5 million homes by the end of the Parliament has led to considerable reforms of housing policy in England. Yet the number of homes in planning or development remains, for now, on a downwards trajectory. Further change to speed up and simplify planning and deliver a broader range of sites is needed.

Policies aimed at increasing overall land supply, while welcome, are only one side of the equation, and won't solve the problem of low housing completions alone. Realisable demand for housing is the key factor in determining the rate at which housebuilders can open outlets and deliver more homes.

The new build market is still battling headwinds including high mortgage rates, weak buyer sentiment and the absence of government-backed support for home purchases. The number of outlets operated by the major housebuilders remains down 12% compared to their recent peak in 2018, while sales rates have hovered around 0.6 sales per outlet per week. Though at the top end of what we expected in our previous report, declining margins and the widespread use of financial incentives to boost sales hint at ongoing challenges. Affordable housing also has difficulties, with financial strain in the sector limiting the desire to develop or acquire new homes.

Recommendations

The housebuilding sector needs to tap into a broader range of buyers and markets. This will require more outlets, and thus more sites to gain planning permission, particularly those which are suitable for small and medium-sized developers.

First, a shift in the quantity and variety of land coming through planning is required. Changes to the National Planning Policy Framework (NPPF) and proposals to support 'medium'-sized sites will help but need to go further. Local authorities remain effectively incentivised to focus housing delivery on large greenfield sites, rather than a broad range of locations and sizes that could suit a greater number of developers. Future reforms should also make the process of gaining consent simpler and cheaper.

These changes will take time to take effect. In the interim, we have considered ways for the Government to help finance the activities of land promoters and maximise the number of sites coming through planning. At the same time, policymakers should avoid any new rules that might discourage landowners from engaging with the system.

Second, if delivery is to increase rapidly in line with Government aims, many more small sites of fewer than 250 homes need to be granted consent, as these sites progress through planning and reach the point of completing homes more quickly. We estimate that, based on real-world precedents, a policy environment that actively encouraged sites of up to 100 homes and removed barriers to their development could potentially add an additional 95,000 homes a year to housing supply.

More small sites would also provide a boost to SME housebuilders. Previous Savills analysis for LPDF found that SME developers have declined substantially in number and market share compared to the mid-1990s. Reversing this trend (without reducing delivery by the major PLCs) could increase housing delivery by an additional 70,000 homes per year.

Third, weak demand must be addressed, potentially through a new demand support scheme. This should be adopted alongside an increased supply of easy to develop land, ensuring developers can deploy revenue from additional sales to fund further expansions in delivery. Supporting the growth of SMEs in particular would have the additional benefit of greater choice and variety of housing being delivered. This would enable the sector as a whole to address a broader pool of buyer demand, further increasing delivery.

Finally, financial pressure on Housing Associations must be resolved. The Spending Review announcements on social housing rents and the new 10- year £39bn affordable homes programme are welcome positive steps. But it will take time for this commitment to translate into increased delivery.

Sales Rates & Outlets

Promising sales rates mask the challenges faced by the housebuilding sector

Sales rates among the major housebuilders were between 0.57 and 0.61 in 2024, at the top end of what was expected in previous editions of Land Matters. But sales outlet numbers remain depressed and below the surface, serious challenges remain.

With underlying demand still fragile, sales remain reliant on the significant use of financial incentives. Looking ahead, changes to stamp duty and economic uncertainty are also likely to take their toll. Altogether, it is hard to see how housebuilders can consistently achieve sales rates much above 0.6.

Our analysis has also found that medium-sized housebuilders deliver homes at similar absorption rates to the PLCs, highlighting the potential role these firms could play in boosting housing delivery.

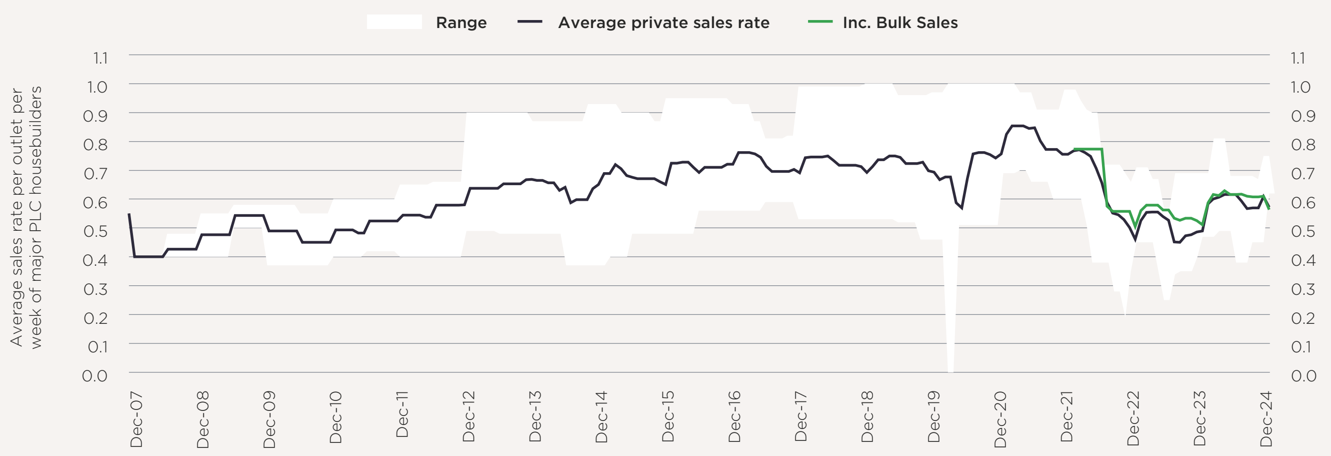
A partial recovery for sales rates, but use of incentives hints at ongoing market weakness

In the previous two editions of Land Matters, we argued that, with the withdrawal of Help to Buy in 2023 and no equivalent replacement, private sales rates would return to between 0.5 and 0.6 sales per outlet per week. Across the major PLC housebuilders, private sales rates in 2024 have been between 0.57 and 0.61 – a little higher than the previous year, but in line with expectations. Early data for 2025 suggests that increases to stamp duty thresholds from April boosted sales rates above 0.6 in the first three months.

Behind headline figures, however, there has been a shift in how housebuilders are maintaining sales. In 2022-23, sales rates were boosted by the use of bulk deals to sell homes, mainly to the emerging single family build to rent sector. These enabled higher sales rates at the cost of accepting lower returns. There was much less reliance on bulk deals in 2024: the difference between sales rates including and excluding such deals fell from an average of 8% in 2023 to just 3% in 2024.

While this might suggest a recovery in demand from individual buyers, annual reports for many major housebuilders highlight that although bulk deals have declined, financial incentives to encourage sales remain important and in some cases have intensified. Incentives can increase sales in exchange for lower returns; this can be seen across a variety of metrics, including lower gross profit, operating margin, and site profitability. Weak demand is also evidenced by a lack of sales outlets. The major PLC housebuilders operated from 8% fewer outlets in 2024 than was typical across the previous decade, with outlet numbers 12% below their recent peak in 2018 and over a fifth (22%) below 2007's level.

FIGURE 1 – SALES RATES HAVE BEEN IN LINE WITH EXPECTATIONS, SUPPORTED BY INCENTIVES



SOURCE: SAVILLS RESEARCH USING HOUSEBUILDER TRADING STATEMENTS AND ANNUAL REPORTS (BASED ON A BASKET OF MAJOR PLC HOUSEBUILDERS)

Sales rates outlook

We expect private sales rates will remain close to 0.6 without a demand-side support scheme comparable to Help to Buy.

Our forecasts predict price growth above inflation, supported by steady cuts to the Bank of England base rate. Falling mortgage rates will improve affordability and sustain higher levels of transactions over the next five years. A further boost may be given if mortgage regulations are relaxed. Changes to mortgage lending rules have provided additional borrowing capacity for buyers, but it remains to be seen whether this will increase activity or simply increase house prices.

While fundamentals remain positive, the short-term outlook has been volatile since our forecasts in November. Changes to stamp duty, tariff turmoil, lingering inflation, and geopolitical ructions have affected buyer confidence and the interest rate outlook. Private sales rates are therefore exposed to increased downside risk over the next year.

TABLE 1: SAVILLS HOUSE PRICE FORECASTS (NOVEMBER 2024)

Mainstream UK house prices (2025-2029)	Average UK House Price (%)	Housing transactions
2025	4.0%	1.04m
2026	5.5%	1.09m
2027	5.0%	1.14m
2028	4.0%	1.15m
2029	3.5%	1.14m
Total (2025-29)	**23.4%**	**-**

SOURCE: SAVILLS RESEARCH (NOMINAL PRICING; APPLIES TO SECOND-HAND HOMES ONLY)

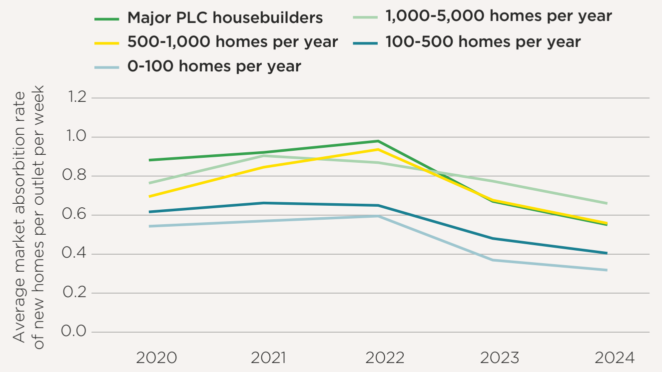
Medium to large housebuilders achieve absorption rates comparable to those of major housebuilders

Housebuilding in England relies on a small number of very large housebuilders, which limits diversity in the market and therefore the breadth of demand for new homes. Our analysis shows that medium-sized housebuilders deliver homes at similar absorption rates to major PLCs. Increasing delivery by the former would therefore not slow (and indeed, likely increase) the rate of overall housing delivery.

We looked at private absorption rates across c.7,500 outlets on sites across the country. The analysis shows that all firms building more than 500 homes per year tend to see similar absorption rates, with little difference between a PLC housebuilder and a builder delivering 500 homes per year. Smaller firms, building less than 500 homes per annum, deliver more slowly, at around 30-40% below the larger firms.

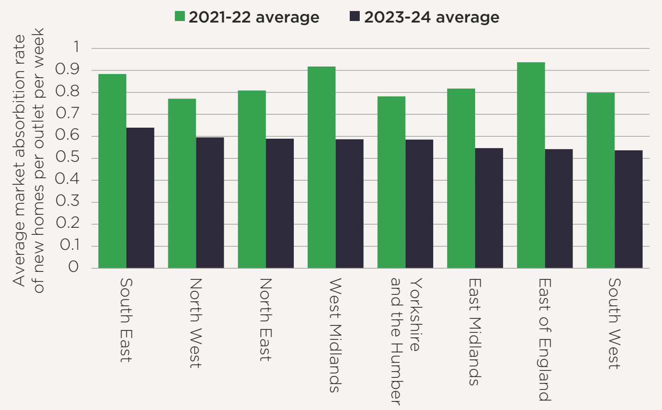
There is little variation by region. In the stronger market seen between 2021-22, the South East, East of England and West Midlands achieved modestly higher levels of market absorbtion than average. With the market turn during 2023-24, all regions saw lower absoribtion rates with only the South East above 0.6. The regions with the fastest absorption rates in 2021-22 saw the biggest falls, particularly the East of England and West Midlands.

FIGURE 2 – SALES RATES BY SIZE OF HOUSEBUILDER



SOURCE: SAVILLS ANALYSIS OF NEW BUILD DATA (NOT DIRECTLY COMPARABLE TO SALES RATES REPORTED IN FIGURE 1, AS NOT ALL OUTLETS ARE COVERED)

FIGURE 3 – SALES RATES BY REGION IN ENGLAND



SOURCE: SAVILLS ANALYSIS OF NEW BUILD DATA

Small sites

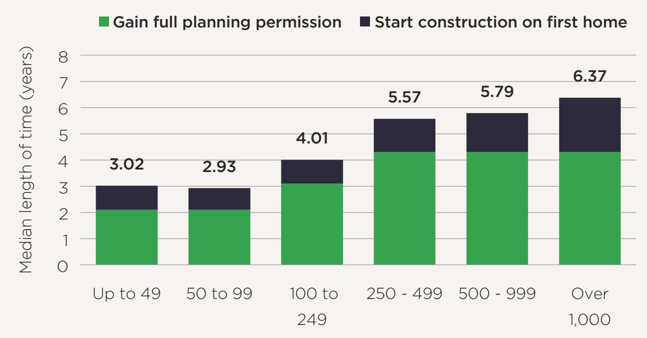
Too few homes are gaining planning permission, especially on smaller sites. This may improve as the Government's planning reforms take effect, but early data suggests this will be a slow process – application numbers are up, but not yet consented homes.

The Government's recent proposal to create a new "medium" threshold of ten to fifty homes is welcome, but could go further. As shown by real-word examples such as Croydon, a more radical approach could enable a wider range of firms to build homes, quickly boosting delivery.

As argued in the previous edition of Land Matters, small sites move more quickly than larger sites. They are less complex, require the alignment of fewer stakeholders, usually require less infrastructure, and are therefore less capital intensive. Our calculations indicated that planning permission for one million homes on sites of fewer than 250 plots would be needed to meet the target of 1.5 million homes within five years.

Previous Savills analysis has found sites below 100 homes typically take three years from applying for full permission to starting construction on the first home. Sites over 250 homes take five and a half years or longer. This doesn't take into account pre-planning or outline stages common on larger sites, which can add an additional three years or more. For the largest sites, pre-construction periods of over ten years are not uncommon.

FIGURE 4 – HOMES START CONSTRUCTION SOONER ON SMALLER SITES



SOURCE: SAVILLS USING GLENIGAN

A greater diversity of homes (whether in type, size, location or tenure) can address a broader market, increasing demand and absorption into the local market. Smaller sites are essential to increasing the diversity of housing delivery, as the majority of housebuilders do not have the capacity to build on sites over 250 homes.

Supporting this, Lichfields has found that build out rates per sales outlet decreases as the number of outlets on a site increases. Thus, while big sites deliver a large number of homes over time, they do so more slowly than smaller sites. Small sites are therefore needed to increase delivery quickly.

Smaller sites hardest hit by consents crunch

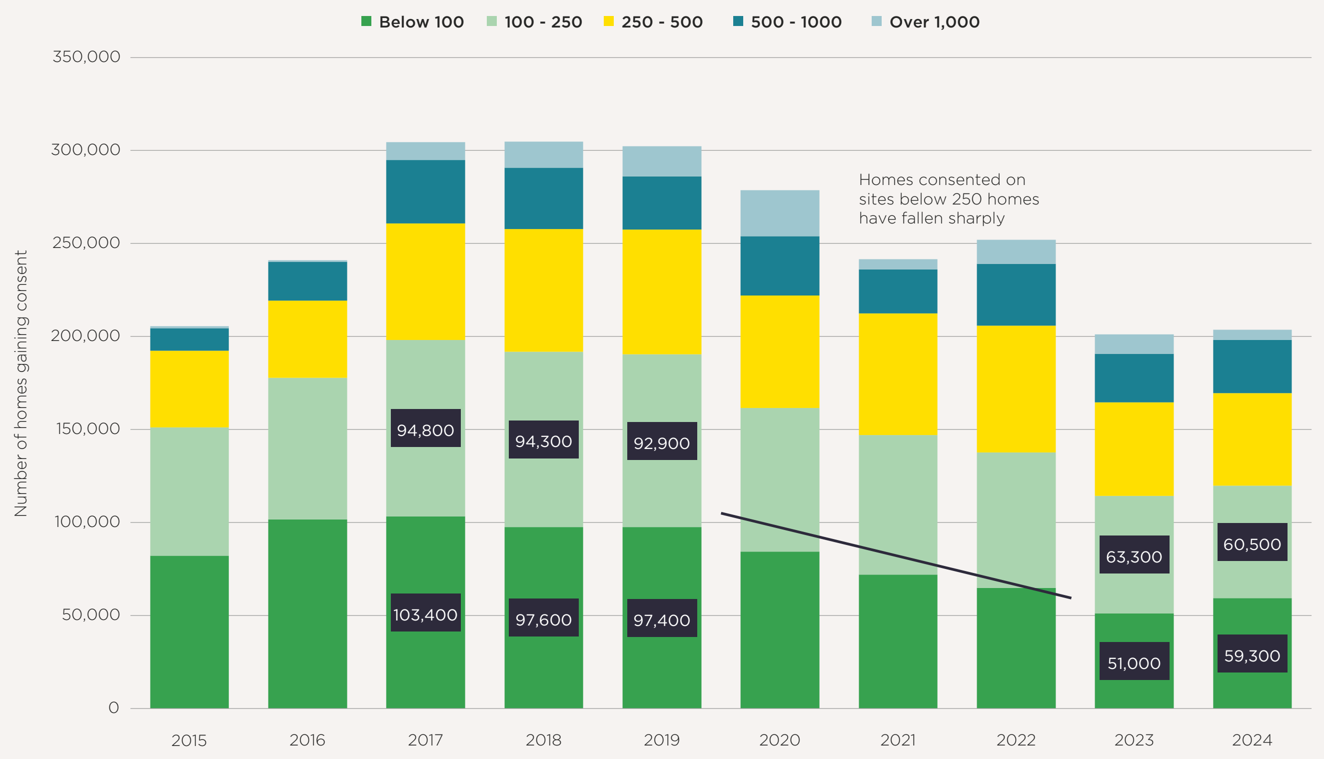
Recent policy has neglected the importance of small sites. The share of homes being consented on sites of less than 100 homes has consistently declined since 2017, reaching a low of 51,000 in 2023. It has marginally recovered since but remains more than 40% lower than the 2017-19 average. Sites between 100 and 250 homes have also declined substantially, falling 36% compared to the 2017-19 average.

By contrast, homes gaining consent on sites above 250 homes fell by only 25% between 2017 and 2024; for sites between 500 to 1,000, the drop was just 16%. This highlights the continued emphasis on larger sites in the planning system, and the disproportionate effect falling total consents has had on smaller sites.

As a source of housing, sites of 100 homes or fewer have almost halved, from providing nearly 100,000 homes per year between 2017 and 2019, to just over 55,000 over the last two years. Over half (54%) of the drop is on sites of fewer than 50 homes, and three quarters (75%) on sites below 70 homes.

The Government's proposal to create a new "medium" site category of ten to fifty homes may reverse this trend. Lighter planning requirements and potential exemption from the Building Safety Levy will help, but the NPPF revisions were a missed opportunity to strengthen requirements for planning authorities to identify more small sites. If delivery is to substantially increase over a short period, policy needs to go further.

FIGURE 5 – CONSENTS BY SITE SIZE

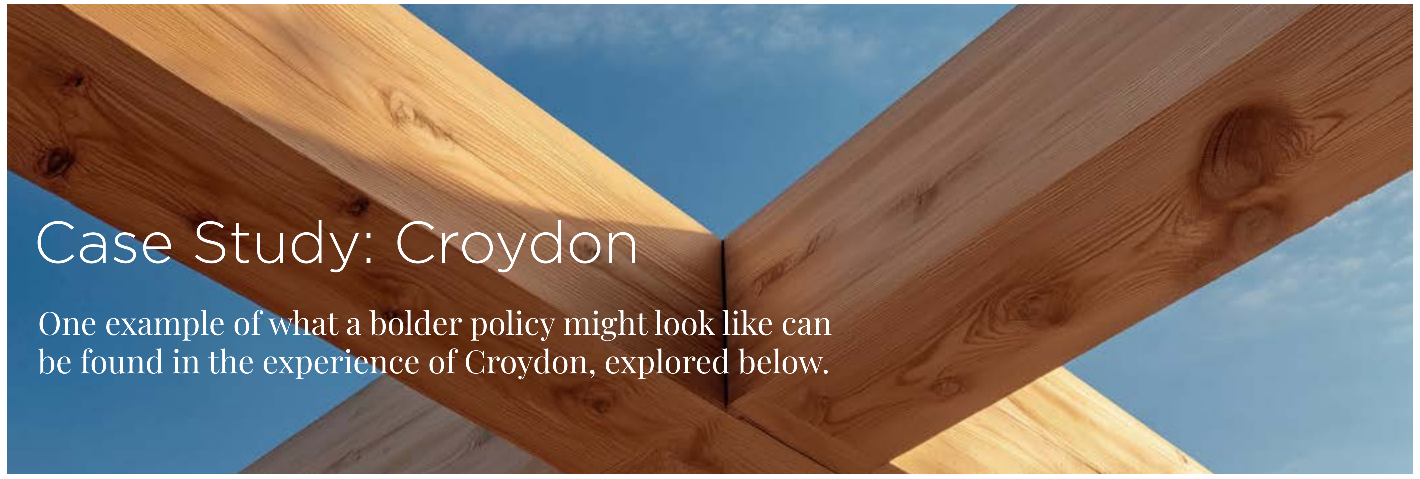


SOURCE: SAVILLS USING GLENIGAN

TABLE 2 – NUMBER OF HOMES GRANTED CONSENT ON SITES UNDER 100 HOMES

Number of houses	2017-19 average	2023-24 average	Change vs 2017-19	Cumulative share of change vs 2017-19
10 to 19	23,506	13,136	-44%	-23%
20 to 29	10,762	5,975	-44%	-34%
30 to 39	10,057	4,861	-52%	-46%
40 to 49	9,696	5,982	-38%	-54%
50 to 59	9,614	5,452	-43%	-64%
60 to 69	9,539	4,582	-52%	-75%
70 to 79	9,162	5,206	-43%	-84%
80 to 89	8,306	4,481	-46%	-93%
90 to 99	8,830	5,514	-38%	-100%
Total	**99,473**	**55,187**	**-45%**	**-**

SOURCE: SAVILLS USING GLENIGAN



Case Study: Croydon

One example of what a bolder policy might look like can be found in the experience of Croydon, explored below.

Demonstrating the effectiveness of small sites

In 2018, Croydon's Local Plan included a policy to deliver 6,500 homes from small sites (below 0.25 hectares) in ten years. To prevent delays and to ensure deliverability, on-site affordable housing was not required, replaced by a payment in lieu. The effect was considerable. In the decade before the policy, Croydon built an average of 600 homes on small sites each year; this increased to 971 between 2019 and 2021, after which the policy was ended.

What if reforms to the NPPF and a more supportive policy environment provided the same boost to small sites nationally? Restoring small site delivery to that seen in 2017-19 would provide an extra 44,000 homes a year. If sites of fewer than 20 homes were then boosted further by policies similar to Croydon's, this would yield an extra 14,535 homes, taking the total uplift to nearly 59,000 homes.

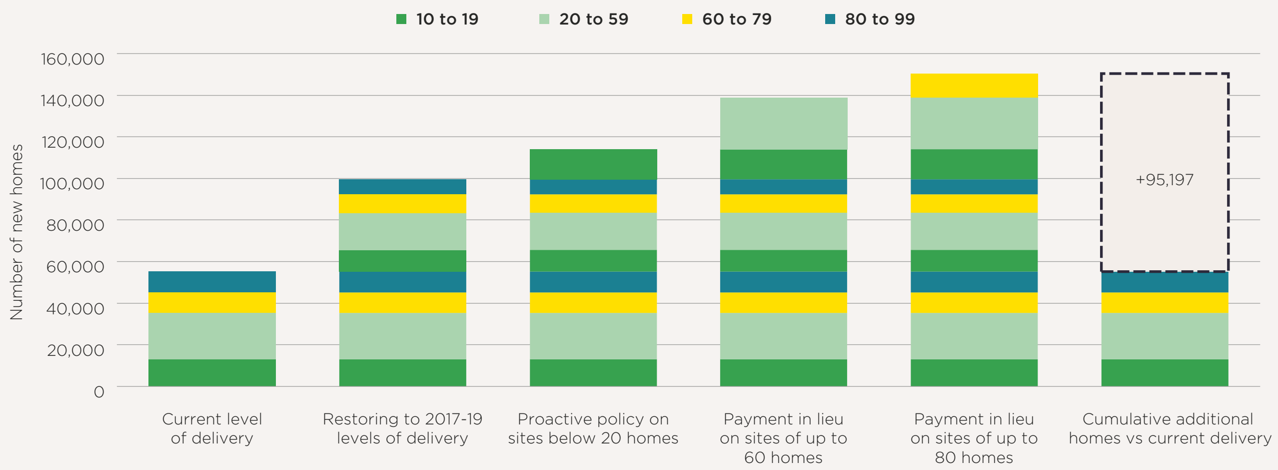
What if aspects of the Croydon approach, such as using payment in lieu for affordable housing, were adopted for sites larger than 20 homes?

Registered Providers typically prefer to acquire affordable homes in lots greater than 20, with fewer homes on a single site making management inefficient. An affordable housing threshold of 30% to 40% suggests schemes must be above 60 to 80 homes overall to yield a practical number of affordable homes.

Adopting such policies on sites of up to 80 homes could lead to almost 51,000 extra new homes a year. Added to the previous uplifts, this takes the total additional increase of restoring small site delivery and boosting it with the policies outlined here to over 95,000 homes per annum over current delivery, equivalent to nearly 26% of annual housing need.

This is only indicative and there is no guarantee that delivery everywhere would react in the same way as Croydon. But it does highlight the potential gains to housing delivery from small sites, were they properly supported by the planning system. As smaller sites, they would also benefit from faster build out rates, while flexibility around affordable requirements would aid viability in challenging markets.

FIGURE 6 – POTENTIAL GAINS FROM PROACTIVE SMALL SITES POLICIES



SOURCE: SAVILLS USING GLENIGAN, MHCLG

The need for Land Promotion

Delay, uncertainty and inconsistency in decision-making are barriers to getting more homes built. Use of strategic land is one response to high levels of planning and legal risk. But this is only available to the largest firms, leaving SME developers without equivalent mitigation.

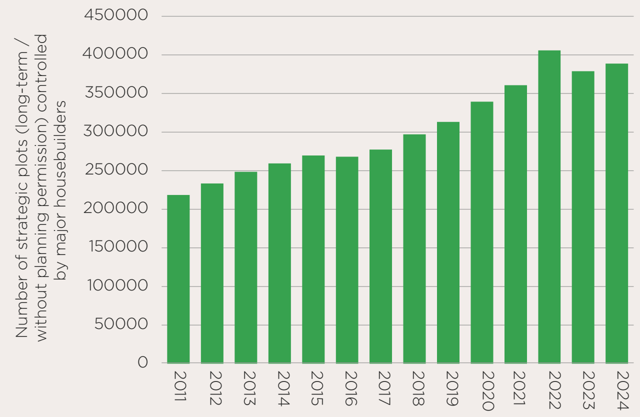
For SMEs to play a larger part in housebuilding, sites must be able to progress quickly, cheaply and more predictably through planning. Funding for land promotion at the scale required may not be readily available, a gap that the Government could look to fill. And it will be vital that future changes to land value capture, compulsory purchase powers and compensation do not discourage sources of land from coming forward.

Why do housebuilders have strategic land pipelines?

Due to delays and uncertainty, gaining planning permission can be a risky and often costly business. One solution is to build up of a reserve of 'strategic land' – land without consent that the housebuilder can promote through the system. These reserves spread planning risk across a number of sites. Throughout the 2010s, strategic land held by PLC housebuilders grew alongside the scale of their operations.

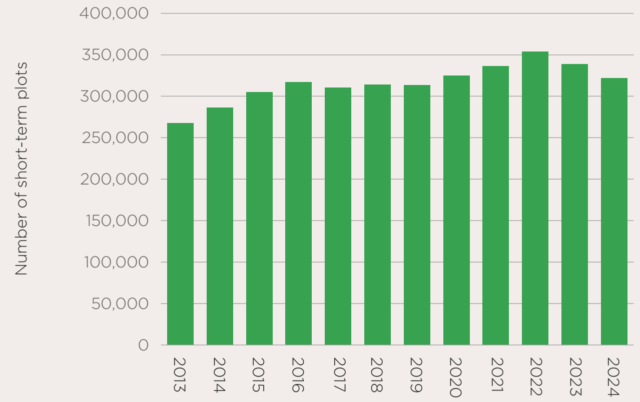
This was not reflected in the number of homes consented on "short-term" land until 2021. The lack of conversion from strategic land to short-term land reflects challenges in gaining planning permission for additional sites. Had it been possible to increase short-term land in the later 2010s, housing delivery may have continued the expansion it experienced during the middle of that decade.

FIGURE 7 – STRATEGIC LAND HOLDINGS OF THE MAJOR PLC HOUSEBUILDERS



SOURCE: SAVILLS USING GLENIGAN

FIGURE 8 – SHORT-TERM PLOTS HELD BY THE MAJOR PLC HOUSEBUILDERS



SOURCE: SAVILLS RESEARCH USING HOUSEBUILDER TRADING STATEMENTS AND ANNUAL REPORTS (BASED ON A BASKET OF MAJOR PLC HOUSEBUILDERS)

Supporting growth in land supply

Changes to the planning system take time to become embedded. Assuming consents increase to a level that would support 300,000 homes per year, substantially more land will need to be promoted and this will be costly. The past lottery of the planning system means that securing debt finance to promote land is very expensive, if available at all. Housebuilders and land promoters will be constrained in the extent to which they can finance land buying and promotion, particularly if the lending community remains sceptical about the predictability of the planning system.

Over time the planning system should build up a track record for greater predictability and lower risk. Seeing this, lenders may increase the availability and reduce the cost of finance for those involved in promoting land for new homes.

In the interim, the Government could look to provide funding through Homes England to boost the growth of land promotion. This could be in the form of loans or through debt guarantees. Plans in the Spending Review to convert Homes England into a public financial institution that can deliver cheaper financing to developers would align with this proposal. Speeding up decision making would also help, enabling capital to be quickly recycled into new site promotions.

Smoothing the transition

Forty seven Local Plans are currently at examination under "transitional arrangements". These allow plans compliant with superseded national policy to still be adopted under certain conditions. If adopted, the plans would have a combined annual shortfall of 14,650 homes below Government targets. Mechanisms requiring early reviews (e.g. within two years of adoption) should therefore be put in place to ensure that these areas quickly catch up with current policy. For districts with an pre-existing plan, proper scrutiny should be employed at reviews to ensure plans meet the Government's policies and non-compliant plans are not simply rolled over.

Incentivising landowners

It is important that changes to Government's land acquisition powers and to compensation do not discourage landowners, promoters or those financing them from bringing forward land for development. The Government recently published more detail on planned reforms to Compulsory Purchase Orders (CPOs), aiming to make them more efficient and less costly. One of the ways it aims to do this is by ensuring compensation paid to landowners is "fair but not excessive".

One suggestion is to remove the value attributed to gaining planning permission in the future, otherwise known as "hope value", from overall compensation. The Government's preferred option is more moderate, extending the ability to exclude hope value to lower tiers of government when used to deliver affordable housing.

A sweeping removal of hope value from land compensation might lower costs in theory but comes with significant risks. As concluded by the Scottish Land Commission, to be effective, compensation policies need to be regarded as fair by all parties. This is best achieved by ensuring those "whose land is acquired through compulsory purchase receive equivalent compensation to landowners who sell their land on the open market". Excluding hope value is likely to be perceived as unfair and open to legal challenge.

Another factor is the concept of minimum benchmark land value (BLV). BLVs need to be sufficiently high to ensure fair compensation for landowners without putting the viability of policy requirements such as affordable housing at risk. Applying a national BLV, as enabled under the revised NPPF, fails to recognise the variety of market conditions across the country. This approach could render good sites in lower value areas unviable and at the same time discourage landowners from bringing land forward for development in higher value areas.

Planning has become more complex and slow. Lichfields has recently found that outline decisions now take twice as long as in 2014. Decision-making can be inconsistent, such as in the application of the tilted balance, while the planning system requires more resource, including for consultees and the Planning Inspectorate. As reported by the HBF, 90% of SMEs cite a lack of LPA resource as a major challenge to business growth.

Greater certainty and consistency in planning would increase sites ready for development. This would especially benefit SMEs, over half of whom report waiting over twelve months on average to get planning permission in recent years, and for whom lengthy delays prevent them from recycling and redeploying capital into delivering more homes.

Recent Government proposals to help SMEs with planning are welcome. Moving towards **a more proportionate and consistent approach** would be especially useful. Currently, the evidence and assessments required can be excessive. Examples include air quality reports for a site outside any air quality management area, and archaeology trials being required before the principle of development has even been established (e.g. through an outline consent).

Requirements should also be consistent. Validation checklists currently vary between districts, with some having no checklist. While some flexibility is required, moving to a clearer idea of best practice nationally could help prevent delays and costs at the earliest stages of planning.

The Government has also recognised that **Section 106 agreements can be a major obstacle for SMEs**. With the average S106 agreement now taking 16 months to agree, less variation in content and more transparency regarding resourcing (and thus fees paid by developers) is needed. This is especially true for SMEs, for whom such fees are not insignificant. More standardised agreements, especially for clauses concerning affordable housing and open spaces, would simplify negotiations and reduce costs.

Finally, one area not touched on in the consultation is the **sequential flood test**. There is a lack of clarity as to when to apply the test, with key tools of planning policy such as the NPPF and the PPG currently inconsistent with one another. In addition, allocated sites (more likely to be large greenfield sites suited to major housebuilders) usually have the test applied before adoption. But smaller sites, more suitable for SMEs, often will not, creating a disparity and extra costs. Policymakers should update policy documents as quickly as possible and provide clarity as to when the Test should be applied.

The Need for Demand Support

Much of the Government's agenda for housing has been focused on increasing homes granted planning permission. Making more land available for housing is essential, but to increase delivery, the Government will need to stimulate demand for new homes.

Developers will only invest in new homes when they are confident there is demand for them. Our previous work has shown that realisable demand for new homes could limit delivery to just 200,000 homes per year. To go beyond this will require demand support, with first time buyers acquiring new homes given priority.

Delivery of private rental homes could also be supported. Investors can provide forward funding for development, focusing on boosting return on capital and reducing risk, especially for specialist and SME developers.

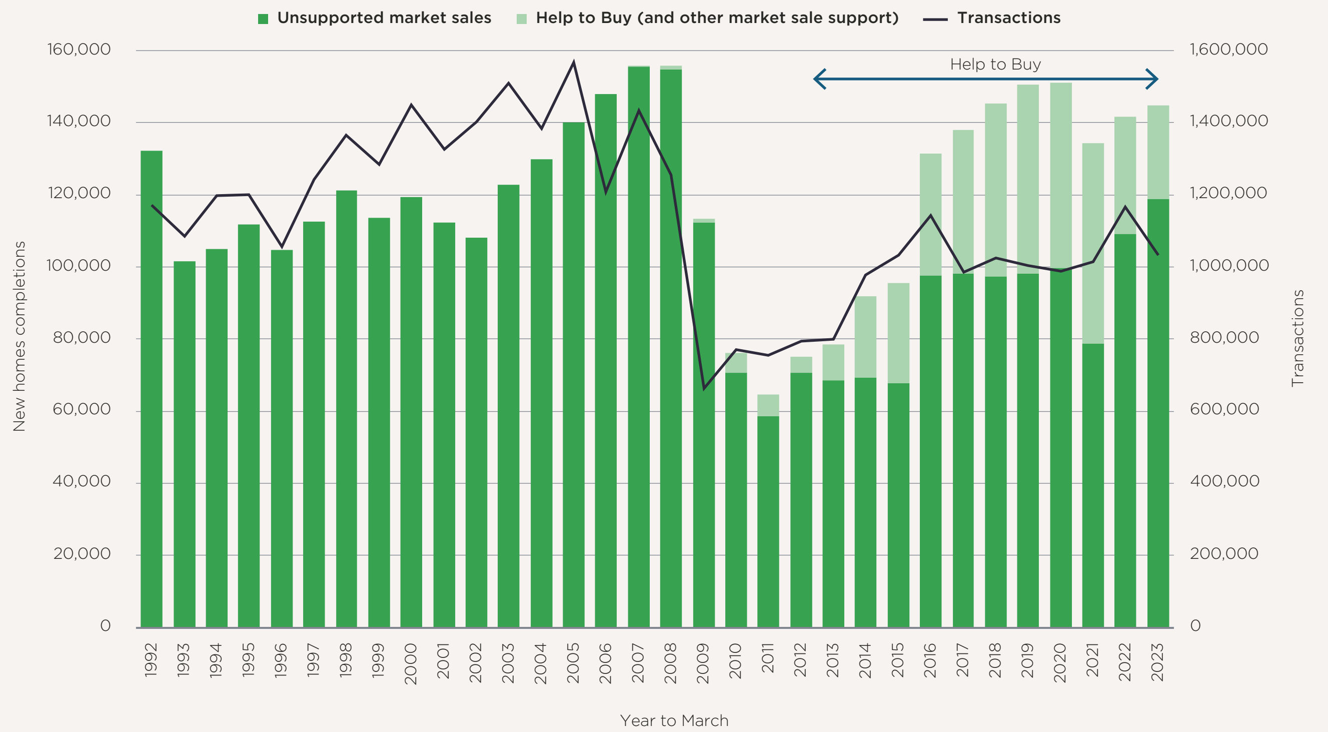
Housing Associations and Local Authorities need to rebuild capacity to invest in new affordable homes. The Spending Review marked a turning point for the sector, but it is unclear how quickly investment into new homes can accelerate.

Support for new homes sales

Housing delivery in England is very reliant on sales to individual owner occupiers, so supporting this part of the market can have a big impact in boosting the numbers. This was the case with Help to Buy, which supported around one in three new home sales between 2015 and its end in 2023.

Although not without faults, Help to Buy was successful in boosting housing delivery and supporting home ownership. Its success derived from the competitive advantage it gave new homes over second-hand, thanks to an equity loan (interest-free for five years) with a smaller mortgage easing access to finance. As a result, it broke the 10:1 ratio, an observation that since the 1970s, private new homes generally account for one in ten transactions across the whole market (i.e. both new and second hand).

FIGURE 9 – WITHOUT SUPPORT, NEW HOMES SALES ARE TYPICALLY 10% OF THE HOUSING MARKET.



SOURCE: SAVILLS USING MHCLG AND HMRC DATA

Learning from Help to Buy

The main criticisms of Help to Buy tend to be that it pushed up house prices and boosted the profits of large housebuilders. It is unlikely that Help to Buy had much impact on overall pricing: at just over 50,000 homes per year at its peak, it supported a small proportion of the 1.1m transactions in England at that time. There is **evidence** it increased prices for new homes prices in outer London (where a 40% equity loan was available) compared to immediately outside the GLA boundary (with a 20% equity loan).

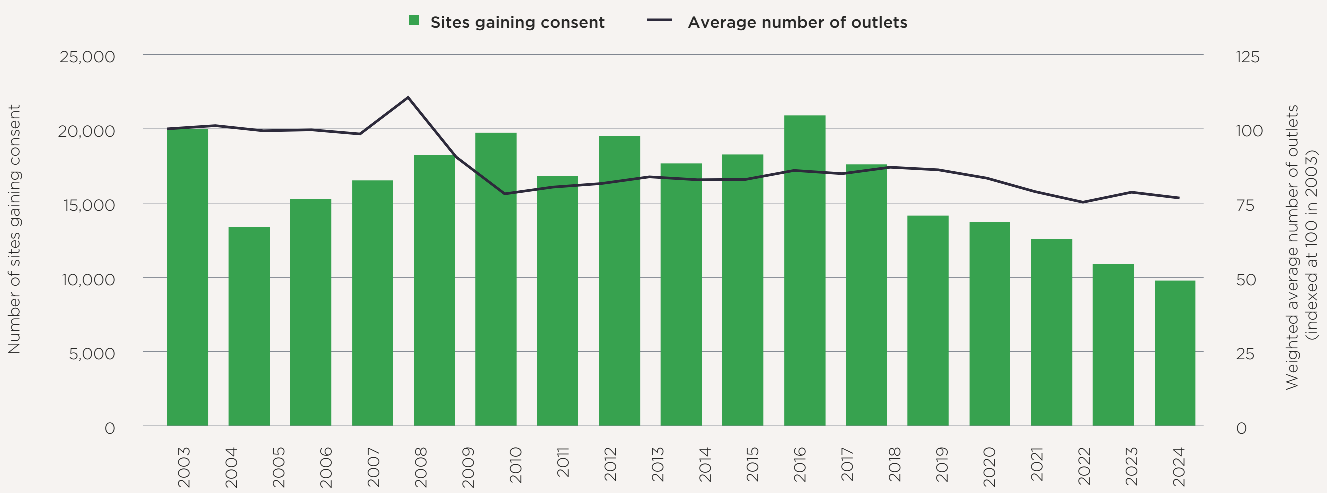
What is clear is that Help to Buy helped people into homeownership. English Housing Survey data shows the increasing propensity to rent among 30-40 year olds was reversed during the lifetime of the scheme. Other analysis suggests fewer than half of users (potentially as few as one in ten) may have been able to **afford the same home without the scheme**. This is largely because it filled a gap in the market for higher loan-to-value (LTV) mortgages. Although recent regulatory changes have increased availability of higher LTV mortgages, they remain a small part of the market, and thus **a scheme that helps first time buyers into homeownership could still have a role**.

A 2018 evaluation of Help to Buy calculated that the scheme had increased housing delivery by 14% to 16%. But the growth in housing delivery slowed towards the end of the 2010s, despite housebuilder profit margins being relatively high against past levels. The number of sales outlets operated by the PLC housebuilders reached its post-2009 peak in 2018.

Housebuilders did invest some of their profit in the future, but through growing strategic land holdings more than immediate land pipelines. Why? One possible cause is too few sites were being permitted. This prevented the proceeds of Help to Buy from being reinvested in continued short-term growth, limiting its effect. Fewer small sites gaining consent from 2017 could have been a factor too, limiting the speed at which housebuilders could expand activity. A scarcity of smaller sites may also have prevented SMEs taking greater advantage of the scheme.

If a renewed support scheme were introduced today, however, it would benefit from Government policies to increase land supply. Enabling higher sales rates and ensuring there is more available land at the same time is key to enabling housebuilders to increase sales outlets and thus increase overall delivery.

FIGURE 10 – SITES GAINING CONSENT AND NUMBER OF OUTLETS OPERATED BY MAJOR PLC HOUSEBUILDERS



SOURCE: SAVILLS RESEARCH USING HOUSEBUILDER TRADING STATEMENTS AND ANNUAL REPORTS (BASED ON EIGHT MAJOR HOUSEBUILDERS), GLENIGAN

What should a new sales support scheme look like?

It should be targeted at those who need it most, focusing on first-time buyers and with an income or regional value cap. The scale of support should not differ across administrative boundaries to reduce the risk of market distortion.

Sales receipts should be recycled into delivery. This will require a growing supply of deliverable land, including smaller sites that quickly add to the pipeline, creating opportunities for SME developers to acquire sites and open outlets.

Mortgage costs and deposit requirements remain a barrier to homeownership for many. Responding to this market failure by supporting demand for new homes would especially benefit SMEs, who are less able to use their own incentives to aid affordability and boost sales.

Government could explore options to contractually oblige housebuilders using the scheme to control the distribution of any additional profit generated, requiring it to be reinvested into growth.

Supporting growth in affordable housing delivery

Our analysis shows **half of all housing need** is for some form of affordable housing, but Registered Providers are financially constrained. As discussed in the **previous edition** of Land Matters, this has affected demand for Section 106 homes, with a particularly severe impact on SME housebuilders, who often rely on forward funding or forward commitment deals with Housing Associations to secure debt funding on sites.

The Spending Review announcements for the affordable housing sector should mark a turning point. CPI + 1% rent increases, a consultation on rent convergence and access for Registered Providers to the Building Safety Fund will all unlock financial capacity that can be used for investment in new homes. It will be a gradual process, however, and it is likely to be a few years before appetite substantially increases for Section 106 packages.

The £39bn 10-year affordable homes programme will have a faster impact. It is expected that spending will increase from current levels of just over £2bn per year to £4bn per year by 2029/30, rising in line with inflation thereafter. Details are yet to emerge, but this should drive a step change in demand for land and new homes from registered providers.

The long term nature of the programme is a shift from the usual four to five years. Shorter programmes have meant most RPs can only look at ‘oven-ready’ sites. But larger housing providers may now have the confidence to invest in longer term land promotion, supported by the commitment to future grant funding for the finished homes as well as an increasingly transparent planning system.

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