

The challenges of unlocking Section 106 delivery



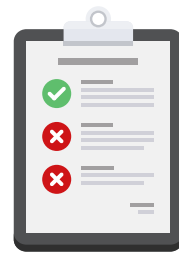
Our survey says...

Our survey of the top developing Housing Associations and For Profit Registered Providers (FPRPs) revealed an improvement in appetite for Section 106 (S106) homes and development more broadly, compared to last year. We expect this to be a turning point for delivery of both grant funded and S106 affordable homes, although there are still some barriers to overcome to unlock the full capacity of S106.

Five key takeaways from the survey



1 All respondents have plans to develop new homes over the next five years within their current business plans. 52% of respondents intend to deliver more than 500 homes a year.

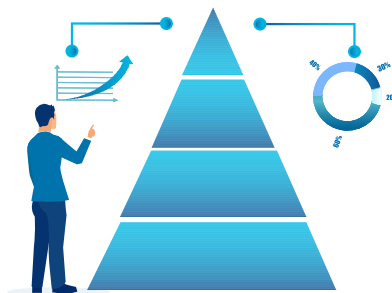


2 At 34%, the share of affordable housing expected to be delivered through nil grant or part grant Section 106 over the next five years has increased from 29% in 2024.

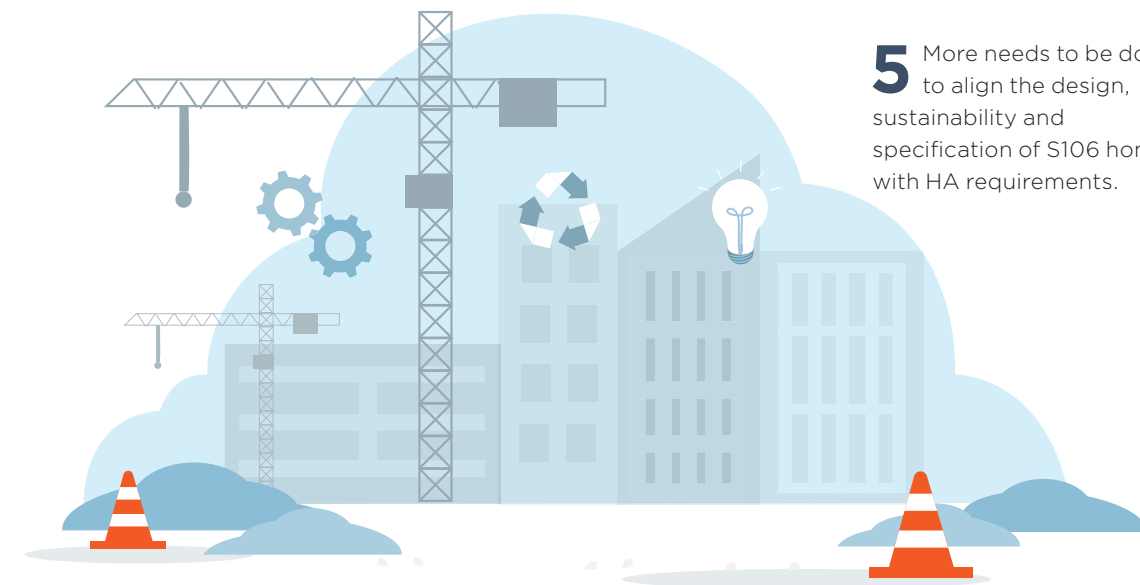
3 For 67% of respondents, their appetite for S106 remains unchanged after the Spending Review, whilst 23% are reporting an increase in S106 requirements.



4 Beyond the SAHP, rent convergence at £3 per week and a reduction in the cost of debt would have the greatest impact on improving financial capacity in the sector.



5 More needs to be done to align the design, sustainability and specification of S106 homes with HA requirements.



A turning point for the sector?

Last year, our survey revealed that appetite for S106 homes had dropped off sharply amongst Registered Providers, primarily driven by the severely constrained financial capacity of the sector.

This year, following the raft of changes announced in the June 2025 Spending Review, including a long term £39 billion Social and Affordable Homes Programme (SAHP), a 10 year rent settlement and a consultation on rent convergence, and confirmation of funding for building safety remediation and energy efficiency works on existing homes, we have re-run our survey to understand the extent to which appetite for S106 has shifted.

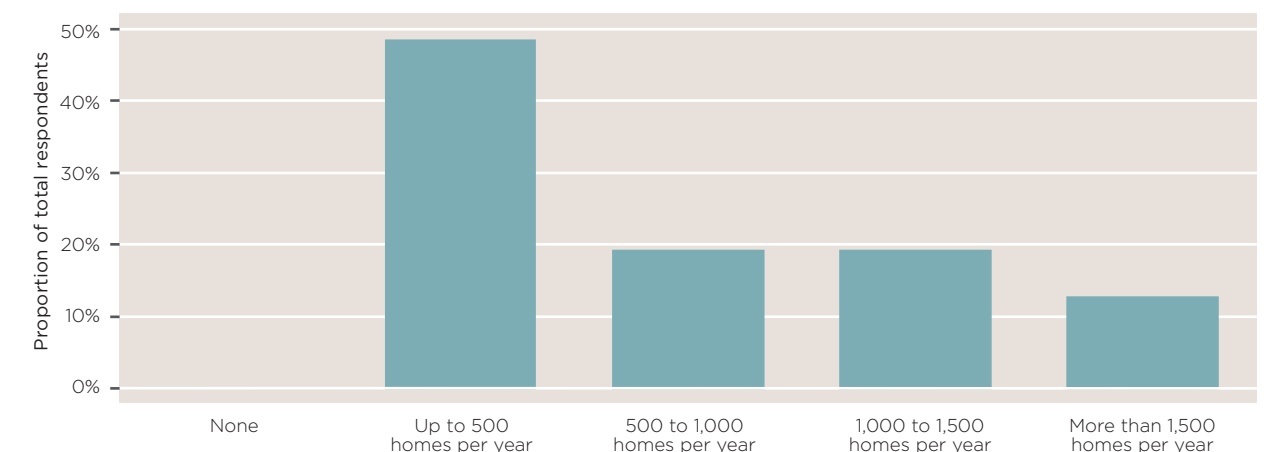
All respondents are planning to develop new homes over the next five years as part of their current business plans, a marked shift from last year where 6% of respondents had no plans to develop homes. 52% plan to deliver more than

500 homes a year over the next five years, and in contrast to last year's results, none of the respondents are planning to decrease housing delivery.

The Spending Review will allow providers to rebuild their financial capacity and plan for the longer term. When this survey was conducted in July, the measures were already starting to have an impact on sentiment, with 39% of respondents planning to increase delivery following the review. The other 61% are planning to maintain delivery levels and wait for further clarity around the details of the new SAHP and the ongoing consultation on rent convergence.

In July the NHF surveyed housing associations who own more than 10,000 homes, producing similar results. 50% reported they would buy more S106 homes as a result of the announcements made in the spending review.

FIGURE 1: IN YOUR CURRENT BUSINESS PLAN, HOW MANY NEW HOMES IS YOUR ORGANISATION PLANNING TO DEVELOP OVER THE NEXT FIVE YEARS?



Source: Savills survey of developing Housing Associations and For Profit Registered Providers

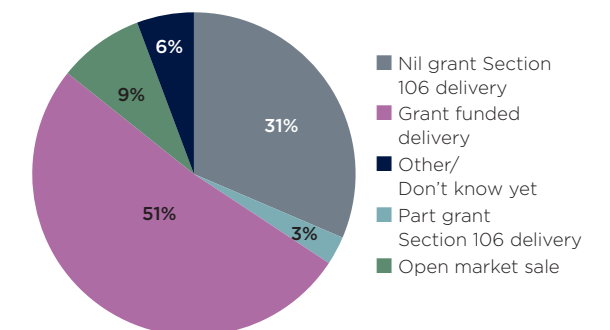
With increased expectations for new development compared to last year, there are also notable shifts in the pattern of future affordable housing delivery. Over the next five years, grant funded delivery will contribute to roughly half of future supply – broadly comparable with last year's findings (53%) – as providers focus on grant funded delivery under the new Social and Affordable Homes Programme. Although grant funded delivery will continue to grow, S106 delivery is expected to take a greater share of the future development pipeline at 34%, up from 29% in 2024.

There has been a shift in appetite for acquiring S106 homes, with the measures introduced causing almost one in three providers to change their plans for delivery. In total, 23% of respondents reported an increase following the Spending Review and 7% reported a decrease, with the remaining providers either not changing their plans or having no intentions to buy S106 to begin with.

All of those reporting a change in appetite have plans to boost their activity within the next three years. With a majority reporting their position hasn't changed, the Spending Review hasn't completely turned the dial on S106

for most providers, but there has undoubtedly been a positive shift in sentiment over the last year, even though some key policies are still to be confirmed, including the introduction of rent convergence and details of the new regulatory regime.

FIGURE 2: WHAT PERCENTAGE OF YOUR ORGANISATION'S TOTAL NEW HOMES DELIVERY OVER THE NEXT FIVE YEARS WILL FALL INTO THE FOLLOWING CATEGORIES?



Source: Savills survey of developing Housing Associations and For Profit Registered Providers

A landmark programme

The SAHP will help restore financial capacity, but more could be done to align new S106 product with housing requirements

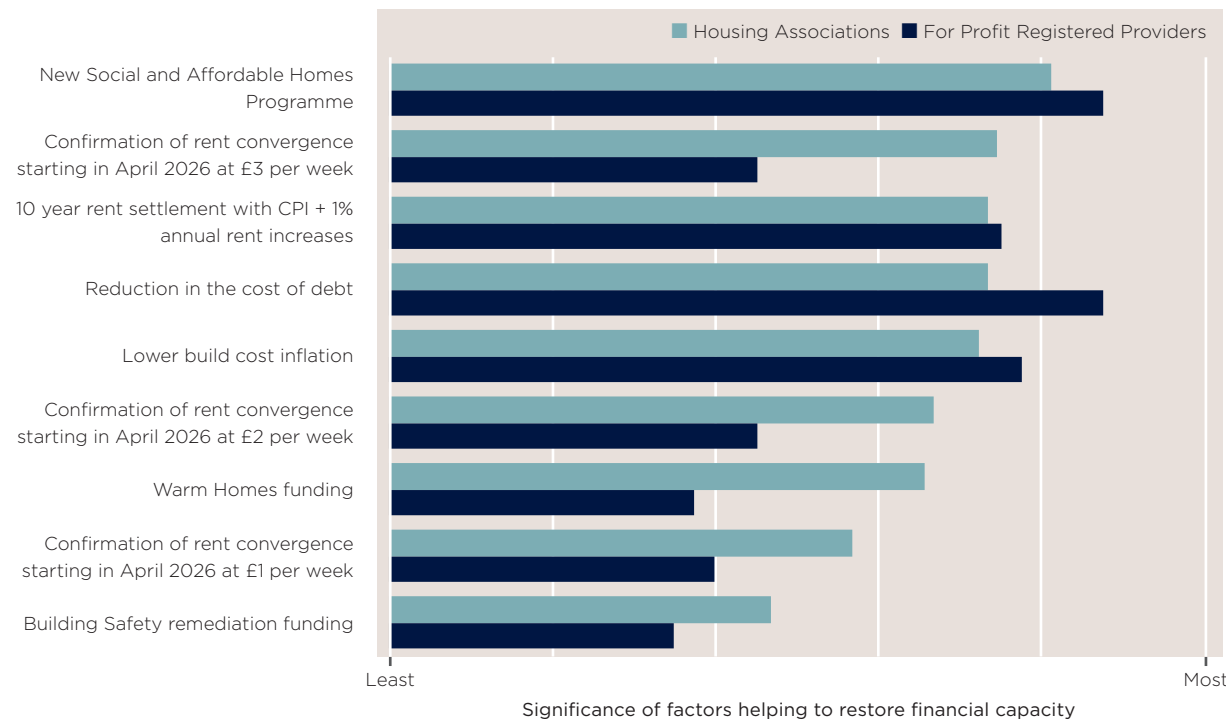
In recent years, financial capacity has proved the most fundamental challenge in the sector, impacting both appetite and capacity to develop new affordable homes. Pressure on finances has continued as providers anticipate the additional spend on existing homes needed to meet stricter regulatory requirements such as the Decent Homes Standard and Awaab's Law.

This year, when asked which measures would have the greatest effect on improving financial capacity, both Housing Associations and For Profit Registered Providers (FPRPs) cited the new Social and Affordable Homes Programme as having the most significant impact. While not solving the specific financial problems that stop providers from buying Section 106 (S106), the programme is beneficial for improving their total development capacity.

This is alongside the 10 year rent settlement at CPI + 1%, providing the sector with longer term certainty on future rental income. Confirmation of rent convergence at £3 per week is also a key priority, underlining the importance of policy tools in helping to restore financial and development capacity in the sector.

Both Housing Associations and FPRPs suggested that being able to use grant funding to purchase S106 homes would increase their appetite for S106. This could help improve the absorption of S106 homes in the short term. But there are potential issues with adopting this approach on a more permanent basis, including the risk of inflating the price of S106 homes.

FIGURE 3: FACTORS HELPING RESTORE FINANCIAL CAPACITY AMONGST PROVIDERS



Source: Savills survey of developing Housing Associations and For Profit Registered Providers

What else needs to be tackled?

When asked about the barriers to unlocking appetite for S106, underlying concerns about the build standards of S106 homes have remained a prominent issue for both Housing Associations and FPRPs. Design of space, sustainability and energy efficiency standards are all sources of worry, as highlighted in last year's paper. There is a clear role for developers in addressing these challenges in order to encourage more demand for the S106 homes they are

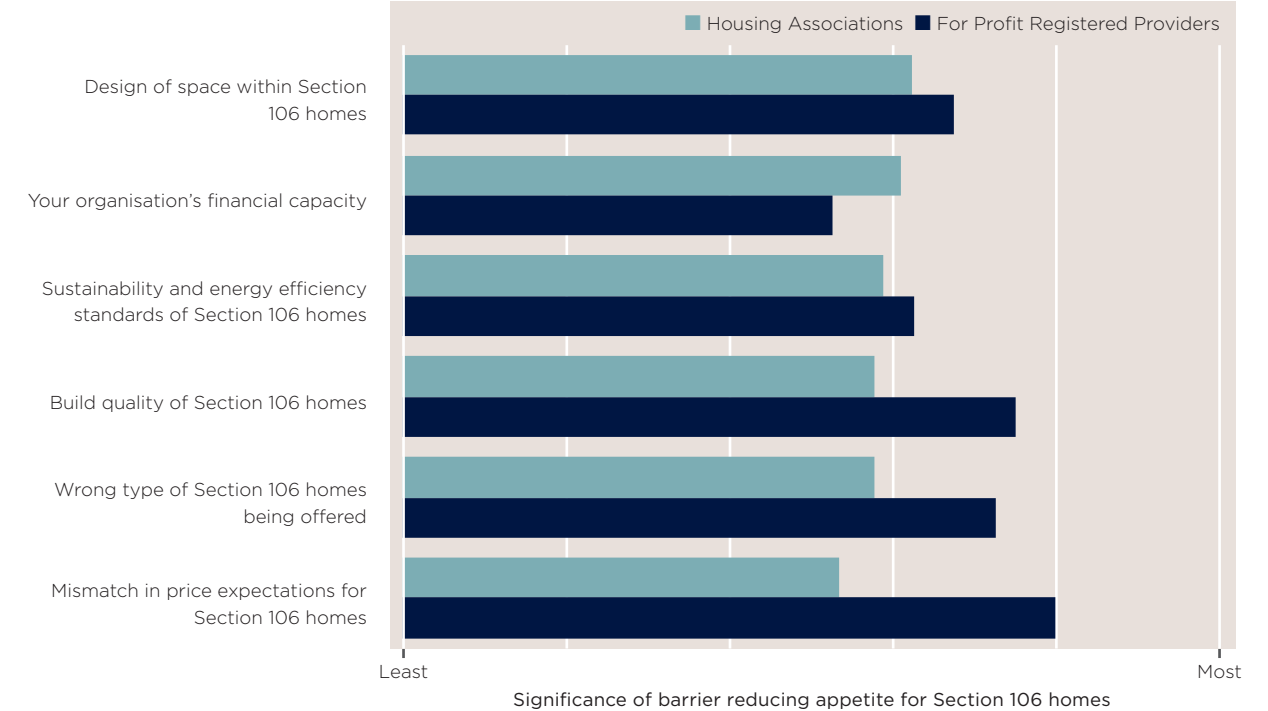
providing. Greater collaboration and engagement between developers and registered providers at earlier stages in the planning and development process is key.

A significant reduction in the cost of debt was also reported as a high priority for both Housing Associations and FPRPs to encourage them to return to buying S106 homes, highlighting the ongoing impact of constrained financial capacity.



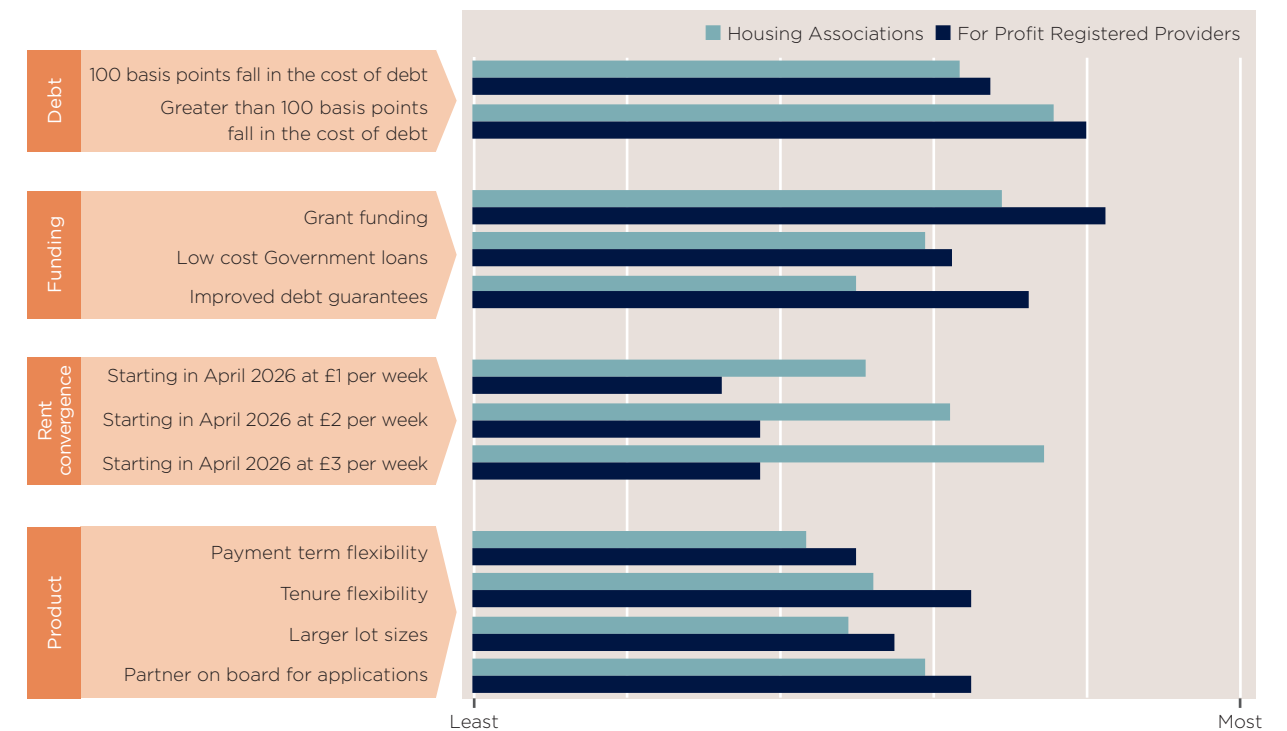
Greater collaboration between developers and registered providers early in the planning and development process is key

FIGURE 4: BARRIERS REDUCING APPETITE FOR SECTION 106 HOMES



Source: Savills survey of developing Housing Associations and For Profit Registered Providers

FIGURE 5: SOLUTIONS TO ENCOURAGE PROVIDERS TO RETURN TO BUYING SECTION 106 HOMES



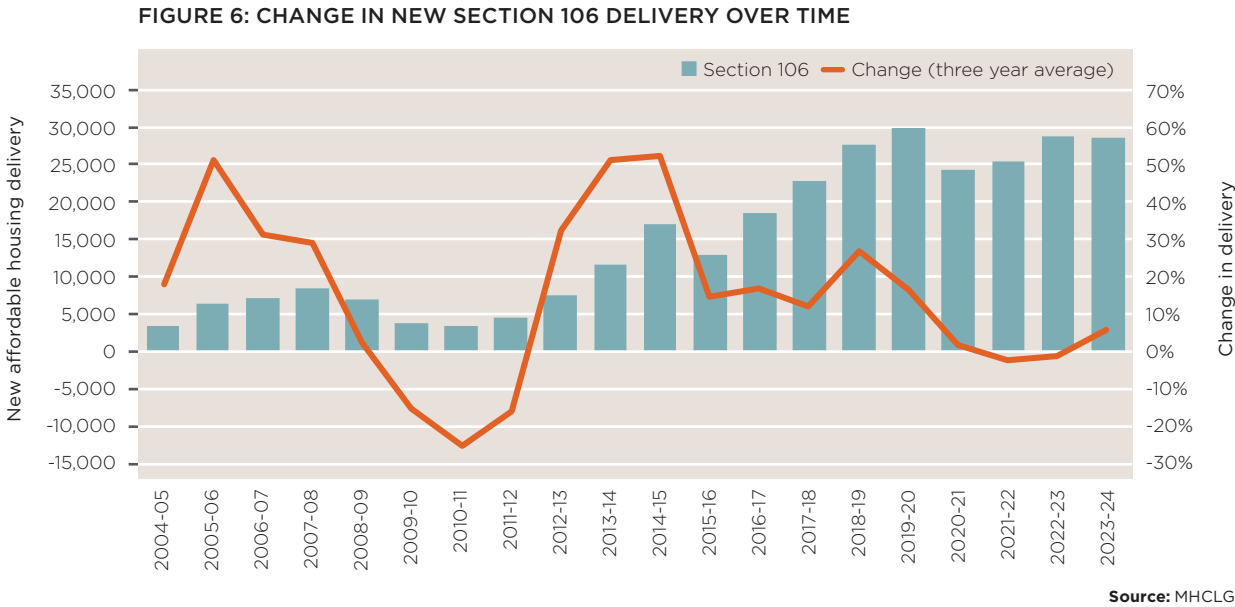
Source: Savills survey of developing Housing Associations and For Profit Registered Providers

The impact on delivery

Pressures in the S106 market are yet to fully feed through to completion figures, and still pose a challenge to wider housing delivery

Last year, our research found that over half of respondents to our survey were seeking to either reduce their requirements for Section 106 (S106) or withdrawing from the market completely.

So how has this impacted S106 delivery volumes over the last year and what has been the knock on impact on the wider development pipeline?



The decline in appetite for S106 homes is yet to filter through to new housing delivery, as there was no major fall in S106 volumes in the net additional dwellings figures for the year to March 2024. Just 67 fewer S106 homes were built compared to 2022-24. Despite the headwinds facing the market, 2023-24 actually saw the third highest annual level of S106 delivery of the last decade.

It's important to note that these figures reflect completions, not starts – so they do not yet capture the recent downturn in S106 acquisition appetite, which is likely to be more visible in future delivery cycles.

However, this slight drop did follow three years of growth, and given the length and complexity of the development process, we expect the recent decline in appetite to buy S106 homes to impact annual net additional dwellings figures more strongly from next year.

The effect will be seen in both the supply of new affordable homes, and also the supply of housing overall, as developers will be increasingly unable to progress to new phases of large sites or secure financing for land deals without a registered provider in place to acquire the affordable portion.

With no intervention, the areas of the country that have historically been able to viably deliver higher proportions of S106 will feel the greatest impact on delivery. In Malvern Hills, Wychavon and Maldon, new S106 supply accounted for over 34% of net additions to dwelling stock in the five years to March 2024, compared to a national average of 11% over the same period.

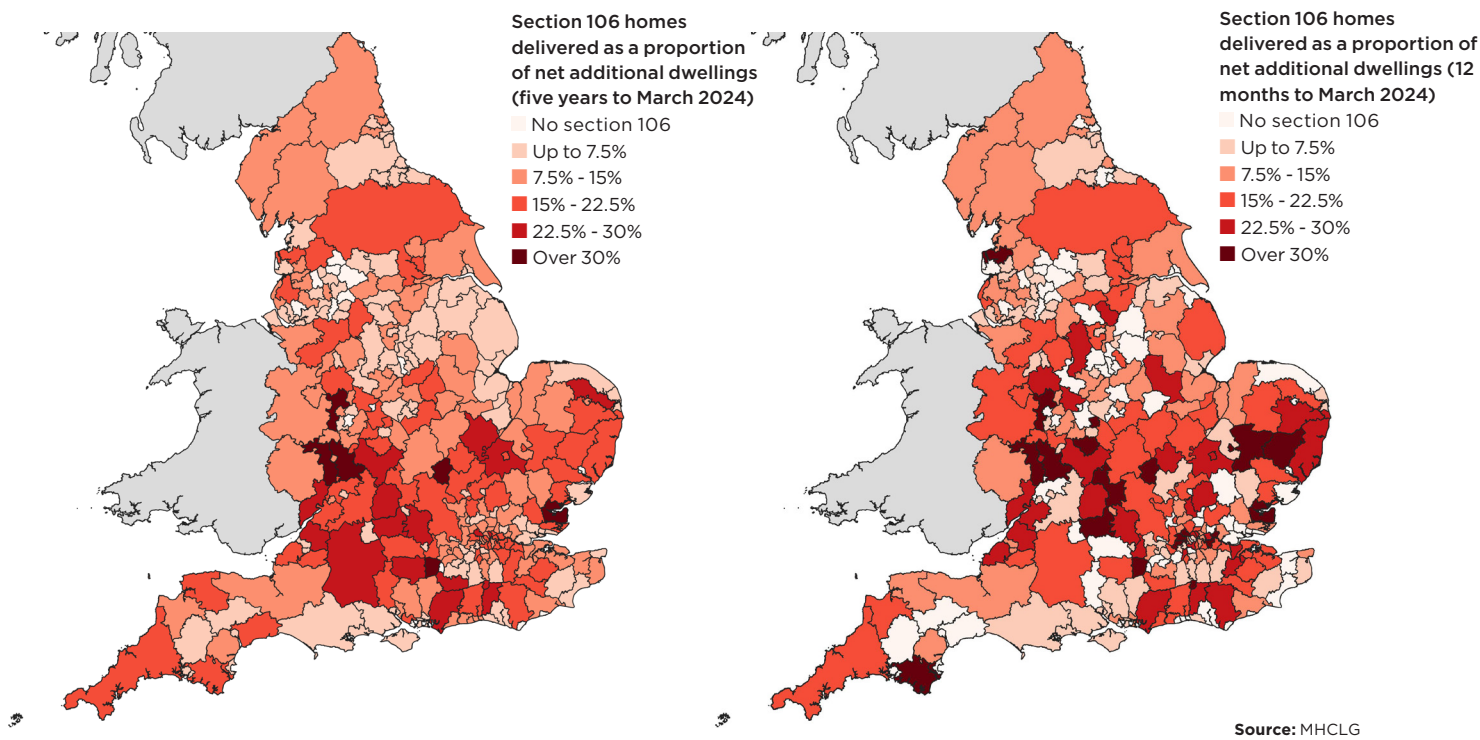
Although the overall trend has not yet seen strong falls in S106 completions, there are an increasing number of locations where no new S106 homes were built in the last 12 months. 76 LPAs saw no new S106 completions in 23/24, an increase of 13.5% compared to the previous year. These nil delivery locations include Test Valley, West Berkshire, and North Gloucestershire, which have all averaged well above the national average for S106 delivery over the past five years.

Without stronger collaboration between developers and registered providers to align what developers are building and what Housing Associations need, as well as a further boost to Housing Associations financial capacity, there is a risk that more locations that have previously been able to make a great contribution to affordable housing supply will face even further disruption.

🗨️ There are an increasing number of locations where no new S106 homes were built in the last 12 months 🗨️



FIGURE 7: SECTION 106 DELIVERY AS A PROPORTION OF NET ADDITIONAL DWELLINGS (FIVE YEAR AVERAGE AND YEAR TO MARCH 2024)





Technical note

We surveyed the top 50 developing Housing Associations identified by the Inside Housing annual survey, alongside the major FPRPs, to understand how much appetite for S106 has changed following the Spending Review. A total of 31 providers responded to the survey between 21st July and 1st August 2025. Participants in the survey differed from 2024, with 30% of 2025 respondents also featuring in the 2024 survey.



The National Housing Federation has kindly sponsored the production of this report



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