

Why there's still little for residential developers to cheer about

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Realism is required to navigate today's tough market conditions



Many who used Help to Buy will now be in negative equity

- **What** Residential development conditions are at their weakest in a generation, with viability under severe pressure.
- **Why** Planning dysfunction, high financing and build costs, weak demand and inflated land values have converged..
- **What next** SA market reset led by lower land prices and policy reform is unavoidable before confidence and activity return..

The new year is always regarded as a fresh start, filled with hope for new adventures and opportunities. Frankly, most of us are glad so see the back of 2025 – which could be described as brutal at best and a disaster at worst.

I have been in the residential property business for more than 40 years, and the current market is the worst I have ever seen.

Planning remains a disaster. Even if you manage to achieve a resolution to grant, it can take up to six months to agree and sign your Section 106. Build costs are unlikely to fall, and finding the right contractor is now absolutely key. In the 12 months to September 2025, 4,216 contractors went into administration – and that figure is unlikely to decline.

UNVIABLE SCHEMES

Gateway 2, while allegedly improving, still adds another layer of complication. And with lending costs where they are, the holding costs are making most schemes of more than 18 metres unviable.

The sales market for flats in is pretty much non-existent, and the house market not much better. The top end – of limited interest to most, but vital for stamp duty receipts – has also fallen off a cliff. National housebuilders' weekly sales per site are now half of what they were three years ago.

There has been much talk about kick-starting the first-time buyer market, but many who used Help to Buy are now probably in negative equity. Sadly, both sellers and the government's equity stake will have to absorb some of the pain.

If the government genuinely wants to help, it should remove stamp duty for all owner-occupier purchases up to £500,000 and consider something similar for land, to encourage developers to get on site.

Some may say this is unfair, but only those of us in the industry truly understand the massive risks involved.

I have worked with a number of planning-gain specialists for decades. They have always been the lifeblood of development, but the risks and rewards no longer align. Many are now buying existing assets where they can add value through asset management, which means an even smaller pipeline for development.

There's only one thing the government needs to do: remove the power of local politicians from planning decisions. Some of the decisions made – and the time they take – are frankly pathetic, often by people who know nothing about planning, development or the economy.

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These “do-gooders” are also impacting the supply of affordable housing, which is virtually non-existent, while demand is rising rapidly due to increased rents and other economic and political factors.

Housing associations and local authorities are becoming the best buyers for completed schemes, offering both a route to address the current crisis and, for many developers, a financial lifeline when schemes have fallen in value or taken longer than planned. Our

affordable housing team is seeing unprecedented demand – though progress is often slowed by extensive red tape and the evolving fire safety regime.

While the construction industry has faced major issues, those contractors that have survived are actively looking for work – but they must ensure they can deliver on time and to budget.

MARKET HAS FURTHER TO FALL

The simple truth is the market needs to adjust, and that adjustment must start with landowners. There are more people looking to invest in the market than ever before, but you must give people a reason to buy – and that reason is price. It makes no difference whether it is a studio flat in Croydon, a penthouse in central London, or a development site.

In my view, the land market is down 20%-30% from its peak, and it still has further to fall. Things will have to get worse before they get better.

My main focus over the past two to three years has been working with lenders. We are aware of at least 450 organisations with teams of five or more, many backed by high-net-worth individuals, family offices or private equity funds that view lending as less risky than developing.

Even with market pressures building, there is still appetite for the right schemes, which we see through the work of our capital advisory team, who remain busy securing development loans on competitive terms – often up to 90% LTC.

However, the market conditions and events of the past five years are now taking their toll.

Even if you know what you are doing – as a developer or lender – everything has moved against you. And if you are on site with multiple schemes, at least one of them will not be going to plan.

We have seen many instances where sites with an industrial use bought for a change of use to residential have finally achieved residential consent, only to find they are now more valuable and importantly saleable as industrial again.

Valuers also have a responsibility to tell clients exactly what they think, even if that means revising their earlier opinions. The market is the market, and property is only worth what someone is prepared to pay for it.

A development appraisal can say anything you want – reduce build costs, increase sales values and hey presto – but reality always wins out. Going forward, everyone will have to make some difficult decisions, and the saying “first loss is best loss” has never been truer.

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Many may think I am being negative, and occasionally I get called the Grim Reaper. But we have a duty as agents to tell land owners and lenders what is really going on – and, just as importantly, they have a duty to listen.

This is a fantastic industry, full of talented, hardworking people, many of who I consider friends. But we all need to be honest with ourselves, with the market conditions, and with the advice we give.

While 2026 will no doubt bring challenges, there is hope that those in power will start to listen – and that we can get this business, and home building, back on its feet.