Market Insight

LONDON DEVELOPMENT

EXPLORING THE VIABILITY OF REAL ESTATE DEVELOPMENT IN LONDON

In November 2025 ASK hosted a roundtable discussion forum for key players in the London real estate development market. The session brought together developers, funders and advisers to discuss the current landscape, challenges and opportunities. Despite persistent headwinds: rising regulation, long planning timelines, high costs, and limited capital inflows, the overall tone was one of cautious optimism.

Participants noted that viability pressures remain extremely challenging, but some easing through new policy proposals, rebased land values and competitive debt is beginning to open a path forward. The overall consensus was that activity will pick up through 2026 as confidence, policy clarity and funding align.

KEY PRESSURES

Policy and viability pressures

- Accumulated charges - S106, CIL, carbon offset, building safety act, and planning fees, have pushed appraisals to breaking point.
- Many schemes only work above a £900 per sq.ft sale value to create any residual land value.
- Affordable housing obligations remain a major constraint; grant access and rent caps limit delivery.

Development Timelines & Risk

- Typical project lifecycles now extend 5–10 years, spanning multiple policy and rate cycles.
- Planning decisions are commonly up to 60 weeks, even before factoring in Building Safety "Gateway 2" delays.
- Developers continue to shoulder planning and political risk from day one.

Building Safety Act and Gateway 2

- Safety intent was widely supported, but implementation remains inconsistent.
- Documentation and resource bottlenecks continue but some improvements were noted; certainty, even at longer timelines, would materially aid viability.

Design standards and efficiency

- London Plan standards on dual aspect, unit-per-core limits, and cycle storage significantly reduce efficiency.
- "We're being made to build a BMW when a Vauxhall would be fine".
- Relaxation of these was seen as one of the most immediate levers for unlocking delivery on smaller and mid-scale urban sites.

Asset class trends

- "Everyone is flocking to co-living and student" as these are the only asset classes that currently stack on paper. But, some were rejecting opportunities at unachievable numbers (build costs closing in on £180k per bed).
- BTR remains challenged by design standards and yield pressure.
- Co-living and student benefit from rent density and shorter delivery cycles.

Capital markets

- Senior development debt is liquid and competitive, creating marginal relief in appraisals.
- The major gap is equity: "More core-plus money coming in would drive yields down"; participants agreed this is what would truly turn the dial.
- International capital remains cautious amid UK political volatility and inconsistent regulation. The cycle in the UK is longer than a 7 year fund making Germany, as an example, more attractive.

FIVE LEVERS THAT COULD TURN THE DIAL

1. **Core-plus capital returning to UK resi would compress yields and restore exit liquidity.**
2. **Easing of design standards – improving net-to-gross efficiency.**
3. **Shorter, more predictable planning timelines – target <40 weeks for determination.**
4. **Stamp duty reform – reduce barriers to home ownership and mobility.**
5. **Consistent, implementable affordable housing policy – clarity on grant and delivery mechanisms.**

CAPITAL AND COSTS

Construction costs

- Build costs have stabilised but remain high, exacerbated by labour shortages and a lack of capable contractors.
- It costs roughly 50% less to build a comparable tower in Dubai, highlighting how regulation and inefficiency weigh on UK delivery.

ASK provided a £78 million senior loan facility to Development Capital London, to fund the delivery of six substantial, luxury family houses in Notting Hill

"You can only really make something work above about £900 per square foot, below that, there's no land value left."

DEMAND-SIDE CONSTRAINTS

- Housing demand is structurally robust; renters are paying levels equivalent to mortgage affordability.
- Stamp duty is the single biggest barrier - considered a non-leverageable equity cost suppressing mobility and first-time buyer activity.
- Participants felt government focus should remain on supply-side reform rather than demand stimulation. Rent caps have been a disaster in the past for developers but they are an easy political win.

MARKET ACTIVITY AND OUTLOOK

- In a straw poll the majority of attendees indicated they are actively looking at new sites, signalling returning appetite at entry values and attractive debt terms.
- Limited distress but increasing vendor realism and flexibility.
- The London fast-track affordable housing reduction (35% → 20%) and proposed grant support were seen as directionally positive, pending consistent borough adoption. However, participants noted that lowering the affordable allocation takes away pre-sales and smaller developers have limited opportunities to partner housing with housing associations.

Closing View

While the market remains constrained, the combination of stable build costs, competitive debt, nascent policy reform, and deep housing demand provides a foundation for gradual recovery. Developers expect 2026 to mark a cautious return to site acquisition and early-stage delivery, so long as the next phase of consultation leads to real, operational change.

ASK provided a £25m senior loan to Avanton, secured against a 56,840 sq. ft. retail warehouse, which has planning consent for 453 residential units

"Political cycles don't align with economic cycles - we start a project in one policy regime and finish it in another."

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