

SANDHÜTEL | REAL ESTATE WEEKLY

WEEK ENDING 11 OCTOBER 2026

Infrastructure Starts Rose 43%. Housing Starts Fell 33%.

43%

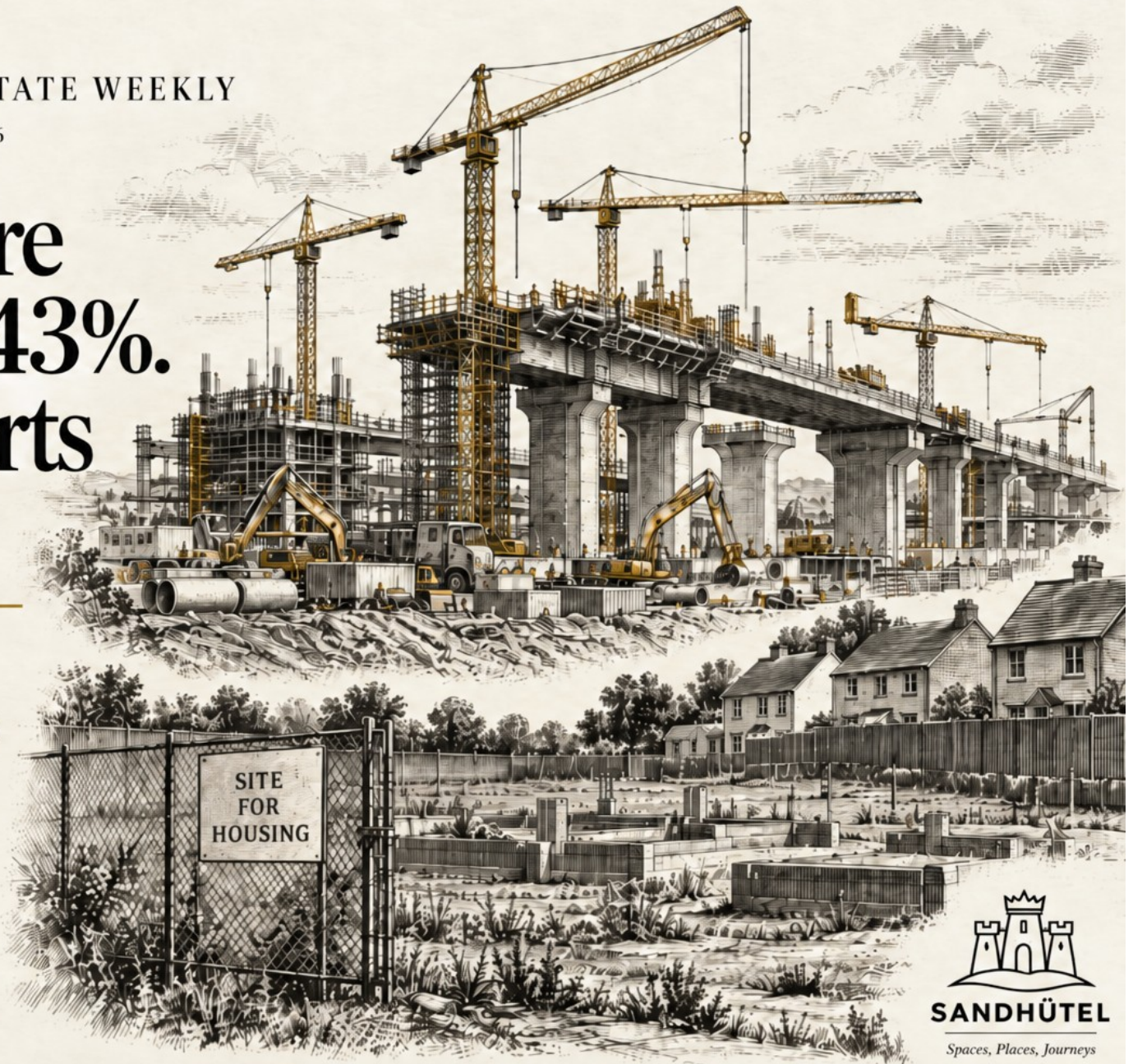
Increase in
infrastructure
starts (year on year)

33%

Fall in residential
housing starts
(year on year)

57%

Fall in London
construction starts
(year on year)



Infrastructure Starts Rose 43%. Housing Starts Fell 33%.

THIS WEEK AT A GLANCE

- Viability, not planning permission, now decides which homes reach site.
- London will lose new supply first, and its rental market will tighten further.
- Budget support for first-time buyers must fix the appraisal, not only the deposit.

The country can still put spades in the ground. It has largely stopped doing so for homes. Glenigan's underlying index for the 3 months to the end of September shows infrastructure starts up 43% on a year earlier and residential starts down 33%. Work that does not depend on selling a home at a profit is moving to site. Work that does is not.

Headline prices give no hint of this. Lloyds recorded no change in September, on the month or on the year, and Nationwide annual growth slowed to 0.8%. Stable prices and failing appraisals can sit side by side, and this autumn they do.

The clearest statement came from inside the industry. Taylor Wimpey's chief executive, Jennie Daly, said in comments reported on 9 October that the company will not buy more London land once its current pipeline is complete, and described baseline viability as "fundamentally broken". The wind-down itself was disclosed in January. What changed this week is the diagnosis: she pointed to second-staircase rules, late-stage reviews, off-plan investor taxation and planning risk, not to a lack of buyers.

RATES AND LENDING

Development finance repriced this week while the Bank of England stood still. Bank Rate is still 3.75%, yet the 10-year gilt yield rose on 8 October to levels last seen in 2007. Fixed mortgage pricing, development finance and commercial debt all reprice off that curve long before the MPC votes.

Availability fell harder than price. Moneyfacts put the average 5-year fix at 6.00% on 5 October, its first time at that level in roughly 3 years, with the 2-year at 5.98% and only 9 deals priced below 5%. The count recovered to 27 by 10 October, but against 1,494 such deals at the start of September, that is relief at the margin. Best-buy pricing at 60% loan-to-value still sat at 4.83% for a 2-year fix, so the large-deposit buyer is borrowing in a different market from the first-time buyer on a small one.

Lenders had already stepped back before October's move. The Bank of England's Q3 Credit Conditions Survey showed secured credit availability falling, with demand for house purchase lending at a net balance of minus 37.1. The survey closed on 4 September, before the latest repricing. For a housebuilder, weaker mortgage demand means fewer sales per site each month, and fewer sales mean more months of interest carried on every scheme.

DEMAND AND TRANSACTION ACTIVITY

The buyer is the last line of every development appraisal, and that buyer is getting harder to find. RICS reported new buyer enquiries at minus 22 in September, from minus 18, with agreed sales at minus 18 and the headline price balance down to minus 32.

Supply is moving the other way. New instructions turned positive at plus 6, the first positive reading since mid-2025, and Rightmove reports more homes for sale than at any equivalent point in 12 years, with buyer enquiries 9% below a year earlier.

The weakest product is the one city development depends on most. Nationwide's Q3 figures show terraced homes up 1.8% on the year while flats were essentially unchanged. A flatted scheme now carries the regulatory costs Taylor Wimpey named and the flattest price growth in the market at the same time. Density was meant to answer the supply shortage, and on these numbers it is the hardest housing to make pay.

LONDON

London is where the viability problem is most advanced. Glenigan's underlying index, which covers projects up to £100m, shows London starts down 43% on the previous 3 months and 57% year on year. The South East was down 54% on the year and the East of England 73%. The South's higher-priced markets, where buyers are most exposed to mortgage repricing, are losing projects fastest.

The resale market offers developers no cover. Rightmove says only 42% of London homes for sale are finding a buyer, against 91% in Scotland, and Zoopla has London prices down 1.0% on the year. When fewer than half of listings sell, an off-plan unit is competing with existing stock for the minority of buyers who do commit.

The cost of fewer new homes lands on renters. Knight Frank recorded prime outer London rents up 3.0% on the year in September with new listings down 6.4% in the year to August. With development stalling, London's rental shortage has no obvious release.

COMMERCIAL PROPERTY

Commercial property is showing the same split between income and value. CBRE's monthly index recorded all-property capital values down 0.9% in Q3 while rental values rose 0.5%. Occupiers are paying more rent. Investors are paying less for that income, because the return required against a 10-year gilt above 5% has gone up.

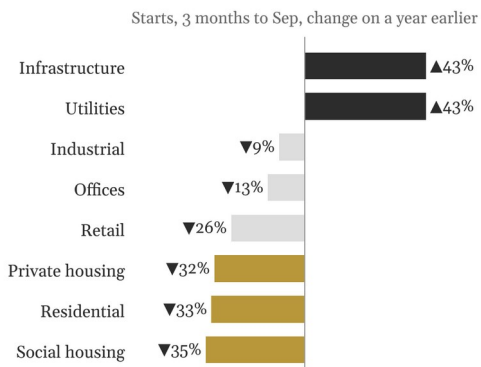
Construction has not turned either. The S&P Global construction PMI rose to 46.1 in September from 44.3, still below 50, with housing the weakest component at 40.7. The contraction has slowed, and housing is still at the back of it.

REGULATORY AND POLICY DEVELOPMENTS

The government's headline housing measure is aimed at demand, and its detail is still missing. Your First Home, due to be confirmed at the 28 October Budget, is expected to pair a 2.5% buyer deposit with a 20% government equity loan on new-build homes. Income caps, local price caps, cost and timing are all still to be set.

Developers are expected to contribute, and that matters more than the headline. Deposit support does nothing for a site that fails its hurdle rate on build cost, staircase rules and planning delay, and any developer contribution lands on the cost side of an appraisal that is already failing.

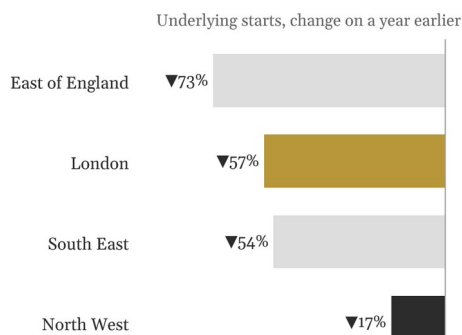
Rental regulation is tightening too. MHCLG opened a consultation on 9 October on extending Awaab's Law to private rented homes, adding cost that falls hardest on lower-quality stock and under-capitalised landlords.



BUILDING, BUT NOT HOMES

Infrastructure starts rose 43% on a year earlier. Residential starts fell 33%, and social housing fell 35%.

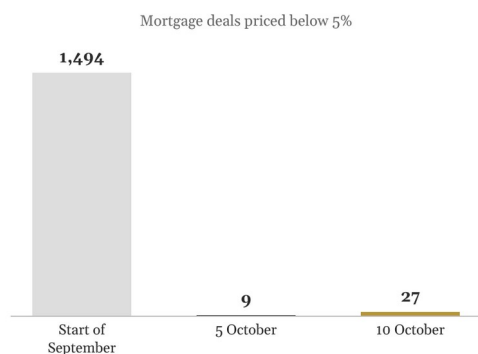
Source: Glenigan underlying starts, 3 months to end September 2026



THE CLOSER TO LONDON, THE DEEPER THE FALL

Starts fell 57% in London and 73% in the East of England on a year earlier. The North West fell 17%.

Source: Glenigan underlying index, projects up to £100m, Q3 2026



THE CHEAP MONEY WENT FIRST

Mortgage deals priced below 5% fell from 1,494 at the start of September to 9 on 5 October. By 10 October, 27 had returned.

Source: Moneyfacts; The Times, October 2026

AVERAGE 5-YEAR FIX

▲ **6.00%**

5 Oct, first time at 6% in about 3 years

CONSTRUCTION PMI

▲ **46.1**

Sep, up from 44.3, still contracting

LONDON SALEABILITY

▼ **42%**

Listings finding a buyer, Scotland 91%

UK PRIVATE RENTS

▲ **3.8%**

Aug, annual, up from 3.7% in July

Sources: Moneyfacts (5 Oct 2026); S&P Global UK Construction PMI (Sep 2026); Rightmove (Sep 2026); ONS Price Index of Private Rents (Aug 2026).

The housing shortage is no longer a planning problem. It is an appraisal problem.

I have sat on both sides of a development appraisal, and I know which line breaks first. When finance costs rise and monthly sales fall together, a scheme does not need a price fall to fail. It only needs money to cost more for longer. That is what links this week's rates story to this week's London story: a 6% mortgage market and a 42% saleability rate are the same problem, seen from opposite ends of the appraisal.

The Budget is the test. Your First Home, as trailed, changes who can buy. London needs a measure that changes what a site is worth building, through staircase design, review mechanisms or the time it takes to reach site. Until one of those moves, I expect the starts data to keep falling.

At Sandhütel, we appraise development on the money we can borrow today and the sales rate the market is delivering now, not the one in last year's model. Where those numbers work, the field is thinner, because a listed housebuilder has made clear it will not be buying more London land. Where they do not, the discipline is to wait.

"Britain is still building. It has stopped building what it cannot make pay."

THE WEEK AHEAD

The week's key release lands on Thursday 15 October, when the ONS publishes monthly GDP for August alongside Blue Book revisions. July showed construction output down 0.5% over 3 months while services rose 0.6%, and construction is where the revisions matter most for this argument.

Outside the calendar, watch mortgage availability. The return of sub-5% deals, from 9 to 27, will either broaden this week or reverse with the next move in gilts, and that count is a better early read on new-build absorption than any price index. Beyond the week, Rightmove is expected on 19 October, and the 28 October Budget is due to confirm Your First Home.



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