TerraQuest | Insights

Planning reform has boosted new homes applications:

The UK's housing challenge is now about delivery with **SME** support.

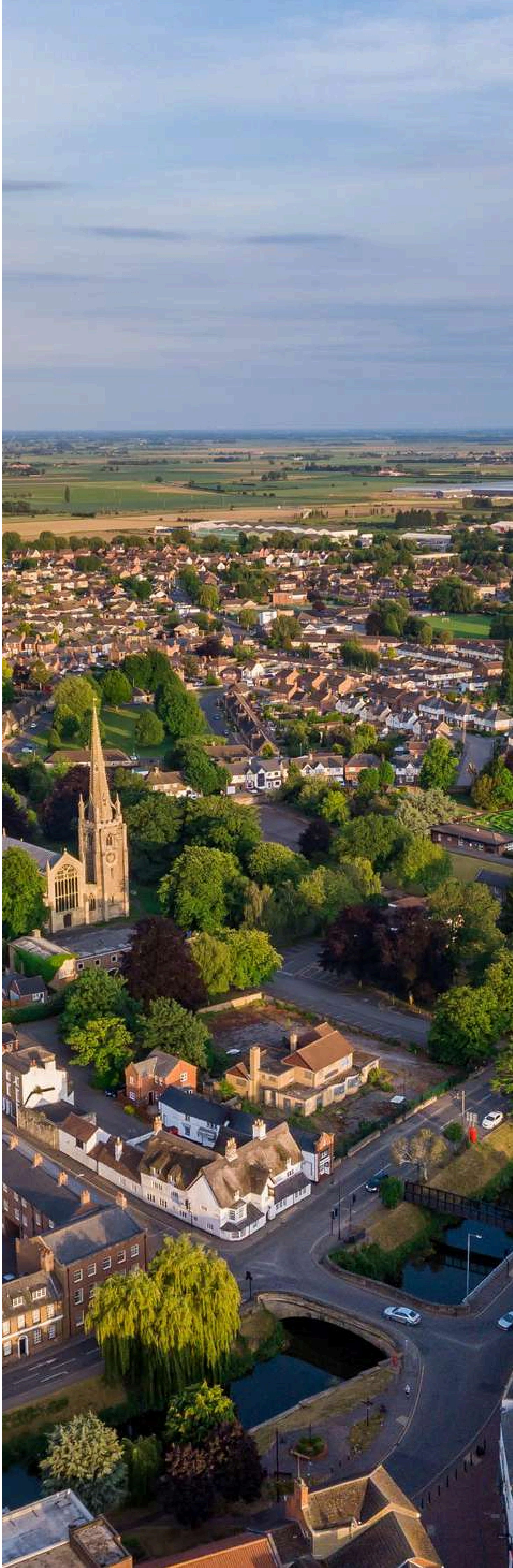
The UK's housing challenge is now about delivery

The **recent rise in new home applications** is undoubtedly encouraging for the housing sector.

Last year’s spikes in activity demonstrated renewed confidence across the market, with reforms to the National Planning Policy Framework (NPPF) clearly helping unlock momentum.

We are seeing the impact of these policy changes first-hand through our work with land-finding clients; the introduction of grey belt policy, for example, has fundamentally reshaped perceptions around lower-quality green belt land. Sites once viewed as long-term prospects are now emerging as viable short-term development opportunities, encouraging applicants to bring forward schemes that may previously have remained dormant for years.

But while planning reform is stimulating applications, the critical question remains – how do we convert this surge in developer intent into new homes on the ground?
Because the reality is this - more applications do not automatically result in more delivery.



The real bottleneck is delivery

The industry's biggest challenge is no longer simply identifying available land or securing policy support. It is identifying viable sites with the greatest chance of delivery, and turning them into tangible schemes in an increasingly constrained economic environment.

Within the planning system itself, there are still significant inefficiencies slowing progress. Across the country, schemes recommended for approval are frequently refused by planning committees on grounds that may not be strongly aligned with planning policy, only to later be overturned at appeal.

Appeals have therefore become embedded into the development process itself. Developers increasingly factor appeals into delivery timelines and approval strategies from the outset because they anticipate initial refusals. The consequence is a system via which schemes that could have secured consent months earlier become trapped in prolonged, resource-intensive processes that delay delivery and increase risk. In many cases once planning permission is finally secured, the viability pressures.

Viability is becoming the industry's central challenge

Rising build costs combined with softening sales values are creating an increasingly difficult viability equation for developers across the UK.

Affordability sits at the centre of this challenge. If buyers cannot afford the homes being delivered, schemes become significantly harder to sustain commercially. This is particularly acute in flatted developments and projects carrying high affordable housing requirements, where margins are already under pressure.

Challenges persist for SME housebuilders

Smaller developers are especially exposed. Unlike major housebuilders, SMEs often lack the financial flexibility to absorb prolonged delays, rising costs, or stalled returns. In many cases, a single planning refusal can critically damage an SME developer's future.

Speaking at UK Construction Week 2026 in London, Brian Berry, CEO of the Federation of Master Builders, noted that SME housebuilders are responsible for only around 9% of housing development delivery. This stark figure highlights a major structural imbalance in the market.

As Mike Reader, Member of Parliament of the United Kingdom & Department for Business & Trade's Business Champion for Construction, observed at the same event SMEs are the backbone of the construction industry, yet their voice is not being sufficiently heard within national infrastructure and housing discussions. Tom Copley echoed this sentiment, highlighting that while large developers remain critical, London and the wider UK need far more participants in the market if housing delivery targets are to become realistic.

The government's ambition to deliver 1.5 million homes by 2030 simply cannot be achieved through major developers alone.

Small sites could become one of the sector's biggest opportunities

One of the clearest themes emerging across the industry is the growing importance of small-site development. SMEs naturally gravitate toward smaller land opportunities, but these sites are becoming increasingly difficult to deliver. Small sites still require substantial planning, design, and management resource despite generating lower volumes of housing output per scheme.

Developers face the same layers of surveys, planning complexity, and stakeholder engagement whether they are building two homes or two hundred.
Local authorities are also often hesitant to support smaller developments due to concerns around stalled schemes, incomplete projects, or long-term site management issues. **Yet this is precisely where innovation is beginning to emerge.**

We're hearing from development teams across councils such as Lewisham that the rise of "small site aggregators" and "small site accelerators" are signalling an important shift in how the industry approaches fragmented land delivery.

Rather than treating small plots as isolated opportunities, these models aggregate multiple sites together - improving financing options, reducing risk exposure, and enabling more efficient delivery programmes.

Early results are already compelling:

- Seventy-seven small sites identified for development through aggregation models since 2025.
- Up to 90% resource efficiency improvements through accelerated delivery models
- Average risk savings of approximately £22,000 per site through improved data analysis and de-risking

This is where technology and data are becoming increasingly important. The ability to map constraints, analyse site typologies and assess viability upfront through digital tools has the potential to significantly reduce planning delays and development risk. Better use of land data, block mapping and predictive site analysis could fundamentally reshape how smaller sites are identified and delivered.

Critically, there is scope for many councils to unlock greater value from their land portfolios, particularly 'general fund land' that is publicly owned but may not be currently designated for housing. Unlocking these opportunities will require stronger collaboration between local authorities, planners, developers, and technology providers.

Integrating Retrofit

At the same time, the sector cannot ignore the existing housing stock. Retrofit, conversion and adaptive reuse must remain essential components of the UK's housing strategy; particularly in London where affordability challenges are driven less by land availability and more by accessibility and cost. Empty retail units, underutilised commercial space, and redundant infrastructure all represent opportunities for future housing delivery.

These projects often come with their own challenges however. Design costs can be higher as existing structures must be carefully adapted to meet modern residential standards, while older buildings frequently require more extensive and costly interventions to address structural, environmental and regulatory requirements.

> To overcome these barriers, developers are increasingly investing in early stakeholder and resident engagement. By involving local communities at the outset, schemes can better respond to local needs, reduce objections, build support and create a clearer pathway to delivery.

The industry needs a more joined-up delivery model

The UK's housing challenge is no longer primarily about planning policy. Nor is it fundamentally about land supply. It is about delivery.

The sector has become too fragmented, with land identification, planning strategy, viability assessment, and delivery planning often treated as separate functions rather than interconnected parts of a single process. That approach no longer works in today's market.

Viability needs to be evaluated earlier. Developers, planners, and funders need to align around realistic assumptions from the outset. Local authorities need greater resource support, particularly around design, planning, and technical capability, and the market needs more pathways for SMEs to participate confidently and sustainably.

The opportunity now is not simply to increase application numbers, it is to create a housing system capable of converting policy momentum into homes on the ground - faster, more efficiently and with far greater certainty.

Looking to find land and explore opportunities?

Our Land Finding Service identifies viable sites that fit your goals, giving you clear, informed options from the outset.

Here's what you can expect as we guide you from initial brief to tailored land opportunities.

Starting with a **geospatial search.**

Using advanced **technology and exclusive data.**

You'll receive a **full site assessment,** with key insights.

Supported by **local authorities & senior stakeholders.**

We **support you** every step of the way.

Inside our team

Discuss your requirements and see how we can help TerraQuest *Land Acquisition Service*.

Speak to an expert

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