



Navigating uncertainty: Residential pressures, commercial promise

Real estate roundtable:
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Market confidence underpins the residential development and commercial real estate markets yet it is in short supply. That was the clear message shared with participants at a Kreston Reeves real estate roundtable in central London.

The Real Estate team at accountants and business advisers Kreston Reeves hosted a roundtable breakfast for 17 residential and commercial developers, commercial investors and landlords, agents and funders.

This white paper captures the discussion of participants, the challenges and opportunities they face across three themes: the residential development market, the commercial real estate market, and the lending environment.

The challenge set for the Government is not ambitious housing targets but to dramatically improve confidence. If it can do that, the real estate industry will deliver.

▼ We are grateful to the following participants for their contributions.

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- Matt Baldwin, Coast Communications
- Sally Martin, Duke Street Property
- Shaq Shahir, Duke Street Property
- Paul Butler, Kingsbridge
- Anne Dwyer, Kreston Reeves
- John Walsham, Kreston Reeves
- Therese Waterson, Kreston Reeves
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- Michael Brownsdon, MJS tax
- Jon Neal, Peer Group
- Dmitri Okorie, RCK Partners
- Geoff Potton, Sigma Homes
- Gemma Quinn, Stiles Harold Williams
- Richard Wollenberg, The Cardiff Property plc
- Paul Turton, United Trust Bank

Kreston Reeves hold regular roundtable discussions for the real estate sector. If you would like to join a future discussion, please get in touch.



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The residential market: viability under pressure, confidence in short supply

The mood of residential developers at the Kreston Reeves roundtable was perhaps best described as cautious realism.

The Government's ambition to deliver 1.5 million homes over the course of this Parliament is acknowledged. But those around the table were clear: ambition and delivery are not the same thing. Housing completions have continued to fall, with 122,012 new homes delivered in 2025, a 2% drop from 2024, when 124,272 were completed. The underlying economics of development remain challenging.

Viability is the dominant theme. Whilst securing planning permissions is now perhaps a little easier, the costs associated with applications has soared.

One developer shared that securing detailed consent on a 30-home scheme can now cost as much as £500,000 once reports, consultancy fees and potential appeals are factored in. "You can spend half a million before you even put a shovel in the ground," he said.

And even where consented sites are available developers remain cautious. A developer selling a fully consented scheme in a popular Surrey commuter town told participants that a couple of years ago he would have "been killed in the rush" by residential developers. Now, he was lucky to get "two bids, with completion money 10 months down the road". SME developers, he said, simply do not have the cash.

For SME housebuilders, that level of upfront exposure is acute. Unlike national volume builders, they cannot spread risk across multiple live sites. Every scheme must work. Every pound must count.

Buyer confidence missing

Buyer confidence is compounding the pressure. Several participants described a market where purchasers are hesitant, where incentives need to be on the table to get buyers over the line, and where, in some commuter locations in the South-East, markets have softened by around 10% from recent peaks.

"It's a buyers' market," one developer said. "You can have the best product, in the best location, but people are not willing to commit". Another added: "They expect stamp duty to be paid. They expect a discount. And if you reduce the headline price, they still want more."

While build cost inflation has stabilised after the post-Covid spike, that alone is not enough to restore margins. Developers will build, but only when they can see profit and absorption rates that justify the risk. Or, as one developer directly said, "We'll build if we can sell. We won't build if we can't sell for profit".

Affordable housing obligations add further complexity. Registered providers remain financially constrained, balancing repair obligations, net zero upgrades and existing stock investment. Smaller schemes struggle to place small affordable tranches, further holding up development. "There isn't a registered provider that wants nine units in a village in Sussex," one participant noted.

Yet residential developers are not entirely downbeat. There is an expectation that interest rates will ease further, improving affordability and sentiment. Planning policy at national level is viewed as more pro-development than in recent years, even if local processes remain costly and complex.

The consensus was clear: the constraint is not willingness to build - it is confidence. "The supply side will take care of itself," argued one developer. "What we need is demand-side stimulus."

If buyer confidence returns, delivery will follow. Until then, residential development remains viable, but finely balanced.

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The commercial market: A two-tier recovery

If residential development is cautious, commercial real estate is perhaps best described as cautiously reawakening.

Participants described much of 2025 as a year in which the commercial market “flatlined”. Transaction volumes were subdued and many schemes stalled amid economic uncertainty. But in early 2026, green shoots are beginning to appear.

“We’re seeing more enquiries again,” one investor said. “It’s still fragile, but it’s picking up.”

A clear two-tier market has emerged. Prime, well-located, refurbished space - particularly within a two-to-three-minute walk of transport hubs - continues to attract demand. High-quality office space offering flexibility, good amenities and strong ESG credentials remains competitive.

However, “once you’re ten minutes from the station, it becomes a much harder sell,” one landlord added. “It is forcing landlords to reconsider what they do with secondary space.”

Secondary space faces prolonged voids requiring significant incentives to move. One landlord pointed to rent-free periods of up to 24 months in some negotiations on longer leases. Even on shorter five-year leases with three-year breaks, landlords are often offering three months’ rent free, with a further month if a break is not exercised.

Maintaining headline rents remains important, particularly for valuation purposes, but the “effective rent is under pressure”. “You want to protect the headline,” one participant observed, “but cashflow matters.”

Industrial property has proved more resilient. Demand has softened from the peak seen during the pandemic-driven logistics boom but remains comparatively stable. Overseas investors, particularly from the Far East, are active and more so than domestic buyers. They are increasingly willing to explore opportunities beyond central London.

“When you can get 8% on a commercial or industrial property... that has to be a little bit more interesting in today’s market,” explained one investor.

Office occupier behaviour continues to evolve. Shorter leases, greater flexibility and more emphasis on quality are shaping landlord strategy. Some are rethinking secondary space entirely, exploring alternative uses including residential conversion.

The commercial market is adapting. The recovery is selective, nuanced and heavily dependent on asset quality and location. As one participant reflected: “There are green shoots. It’s not all gloom.”

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It’s not all gloom.*



The lending landscape: Liquidity available, discipline required

One of the most striking insights from the roundtable was that, despite caution across both residential and commercial markets, funding remains available. “Funding is vibrant,” one lender stated plainly.

Competition between banks and alternative lenders has compressed margins, with strong leverage and competitive pricing available for experienced sponsors. For credible borrowers with proven track records and viable schemes, capital can be accessed.

However, the story is more nuanced.

Slower residential sales and longer commercial voids are stretching cashflow. Developers are increasingly turning to bridging and alternative finance to unlock capital or manage working capital pressures. “Cash is the lifeblood,” as one participant put it.

There was also discussion around the growing role of non-bank lenders. While they provide flexibility and speed, concerns were raised about lighter regulation and the potential for risk accumulation. “We’ve seen this cycle before,” a lender reflected. “You have to remember - you’re lending money to get it back.”

Underwriting discipline is key. Successful lending was described as resting on three pillars: sponsor track record, asset quality and capital structure. Who is the borrower? Can the asset be built, sold or let? Is the scheme fully capitalised from acquisition through to exit?

While some defaults are emerging in the wider SME development market, they are not yet systemic. Most lenders emphasised long-term relationships and active asset management.

Interest rate expectations are central to sentiment. With base rates anticipated to fall modestly over 2026, there is cautious optimism that affordability will improve and transaction activity will follow. However, participants also expressed broader concerns about fiscal stability and sovereign debt, highlighting the importance of macroeconomic confidence.

In summary, capital is not the constraint. Liquidity exists. But in a market where margins are thinner and confidence fragile, preparation - from both lenders and borrowers - is essential.

As one participant concluded: “We always find a way. But it starts with confidence.”

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About us

Kreston Reeves, is an award-winning B Corp firm of chartered accountants with offices across London, Kent and Sussex. We support a broad portfolio of real estate clients – from private landlords and construction businesses to major developers, family investment groups and corporate investors.

Our specialist Real Estate team advises clients across the full property lifecycle, combining tax, audit, corporate finance and advisory expertise to help structure deals efficiently, manage risk and build long term value. With deep sector experience in residential, commercial and mixed-use projects, we tailor our advice to each client’s ambitions, offering support in areas such as property tax and capital allowances, funding and deal structuring, ESG and sustainability strategies, cross border investments through the Kreston Global network, and tech-driven insights to enhance portfolio performance.

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