

RBi MARKET SENTIMENT REPORT

THE MOOD AROUND LUXURY PROJECTS

RBi 2026-2027 (THIRD EDITION)



AT A GLANCE

PRIME & SUPER-PRIME PROJECTS: A YEAR OF INDUSTRY INSIGHT

WHERE IS THE INDUSTRY &
WHERE IS IT HEADING?

WHAT IS IT?		WHO IS THE AUDIENCE?		HOW WE GOT THERE	
					
200+		500,000+		200+	
The industry's mood, measured every year.		For anyone designing, developing, investing in or advising on luxury projects.		industry-leading architects, designers, consultants and contractors.	
				data points collected	

EXECUTIVE SUMMARY

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To understand where the luxury residential project market is heading, I believe there is no better place to ask than those who design and deliver the projects. That is why we established the RBi Market Sentiment Report, to build a clearer picture of what is really happening on the ground. Drawing on the views of our industry contributors and expert commentators, we look beyond completed transactions and headline prices to understand the confidence and the challenges that determine whether ambition can really become reality. Our aim is to provide a practical, independent perspective. By sharing what we see collectively, we hope to help our industry make better-informed decisions about what comes next.

This year, the message is one of cautious stabilisation. Confidence fell significantly between 2024 and 2025, but has fallen only one point this year. The correction happened last year, and this year looks like it could be the floor. With 44% of businesses feeling more confident about the next twelve months and pessimism falling for the first time since 2022, there are reasons to believe the market has stopped falling. Our findings suggest that this confidence floor now aligns with prime and super-prime residential transaction volumes too. The market is not yet moving forward with conviction, but neither is it continuing to retreat.

Perhaps the most telling finding is that the market's hesitation is not simply a lack of interest. Enquiries have broadly held steady, and clients remain cautious but active. New enquiries are not consistently becoming pitches, and winning work is only part of the challenge. Fees are under increasing pressure, while rising costs, planning delays and uncertainty can prevent projects from proceeding even after an appointment has been secured. Behind every cancelled or deferred project sits a client whose plans have been disrupted, and a team whose time, investment and ambition may have been committed long before the work begins. I am sure many can relate to this.

For businesses, the findings point to a more personal truth, the market sets the conditions, but it does not set the outcome. Established client relationships provide a vital safety net, while increasing the right kind of enquiries can offer the genuine opportunity for successful expansion. Neither can substitute for the other. We are also seeing businesses respond in very different ways, with some holding their position despite optimism and others pursuing new activities or international markets despite feeling uncertain. Expansion can create opportunity, but an attractive market alone is not a strategy. The businesses best placed to succeed when looking for richer fishing grounds overseas will be those with in-country relationships, teams and operational foundations to deliver what they promise. Being caught in the middle ground serves no one.

For clients and the wider property industry, the message is equally important. Ambition has not disappeared, and the appetite for exceptional homes and well-considered projects remains. But commitment requires confidence in costs, timescales, the planning process and the wider political and economic environment in which decisions are made. Greater predictability would help turn interest into action. Until then, the industry must work harder to convert opportunities and increase efficiencies.



As ever, we are extremely grateful to everyone who has contributed to this year's RBi Sentiment Report. Our thanks go to our 200+ contributors and expert opinions for sharing their information and experience so openly. I hope you enjoy the read and find some key takeaways relevant to you.

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Image courtesy of RedBook Partner, Henri Fitzwilliam-Lay

FOR RBi KEY TERMS, PLEASE SEE PAGE 16.

1

Businesses are quietly confident, and cautiously behaved

Many businesses are optimistic yet hesitating on committing to investment in expansion; but some are expanding and pursuing new markets despite not feeling that conditions have improved. Confidence and apprehension fell 1 and 3 points respectively, so the market sentiment has actually become less pessimistic without yet becoming materially more active; but it is the middle ground that has grown, and that is shaping cautious business activity.

Businesses that have seen more enquiries over the past twelve months are almost unanimously more confident about the next year. Interestingly, the difference in conversion of those leads into projects has little bearing on confidence. Rising enquiries are not yet becoming appointments either: businesses reporting more interest are pitching no more often than businesses where enquiries held flat. The door is busier; the order book is not. Nevertheless, others are pressing forward regardless, seeking to ignite their outlook by pursuing new activities or markets ahead of their own mood. The divide is particularly striking among contractors, where business activity remains high even as company administrations rise. Some may be positioning themselves to win work from their competitors or drop down into smaller, more volume-based projects.

It appears there has been an alignment between market sentiment towards luxury projects and the state of prime and super-prime transactions. Businesses should perhaps be looking for areas of improvement in their own business and/or pipeline rather than waiting for a general change in the market.

2

The market sets the conditions. Yet businesses are deciding their direction.

Sentiment across the contributors has shifted in each of the three editions of this report: the market is real, and every business feels it. Little about where a practice works predicts how it feels in isolation: London exposure and international reach make minimal difference. The factors that predict confidence are largely specific to the businesses' own performance and outlook.

Four factors demonstrated the strongest correlation. Businesses working on branded residences are the only group where pessimists outnumber optimists. Businesses reporting rising salary costs pull the same way. Headcount trends the opposite way, with larger businesses being consistently more confident than smaller ones. A high proportion of repeat clients and established relationships are the most dependable foundation, holding a business steady when the wider market will not.

One thing repeat work does not do is improve the odds of winning. Businesses with a high share of returning clients convert the same amount of pitches as businesses without. A strong relationship base buys security, not a better hit rate, which is why returning clients and new enquiries do different jobs, and why neither substitutes the other.

Reliance on agents and brokers for winning new work looks damaging in isolation, as the property transactional market is pessimistic, but this metric disappears once the other factors are accounted for. The same goes for how a practice organises its business development: businesses with a dedicated team look more confident until company size is considered, at which point the difference narrows.

The market sets the conditions. It does not set the outcome. Confidence is felt business by business.

3

Returning clients provide resilience, while new enquiries create room for growth.

Contributors with only a quarter or less of their work coming from repeat clients are three times more likely to feel pessimistic about the year ahead than businesses where repeat clients account for more than half of the portfolio. Among that 'repeat-heavy' group, 51% are optimistic about the year ahead and only 9% are pessimistic; where returning clients account for only a quarter of the work, those figures are starkly contrasting, 33% and 27%. This pattern is consistent across both smaller and larger businesses, suggesting that confidence is largely influenced by its client base across the board.

What returning clients provide is a safety net, not an clear advantage. Businesses with a high share of repeat work are no more likely to convert the pitches they make; established relationships protect against the downside rather than improving the overall conversion rate. New enquiries do the opposite work: the direction of enquiries is the single strongest divider of confident from pessimistic outlooks, and businesses seeing lead volumes rise are substantially more confident than those seeing them hold flat.

Returning clients tell a business how secure it is. New enquiries tell it whether it is growing. Neither substitutes for the other.

4

International growth requires more than an attractive market.

Businesses already working overseas (42% optimistic) feel no better about the year ahead than businesses that work solely in the UK (46% optimistic). Choosing where to expand is the easy part of international growth; being able to deliver it is the part that shapes how a business feels.

Nearly two-thirds of UK businesses want to do more work overseas, and the demand is concentrated. North America draws nearly three times as many businesses planning to 'move in' as planning to 'pull out'. East Asia is the only region where more businesses are leaving than joining. Interestingly, the most optimistic businesses of all are the ones that want to expand but are yet to, at 53%, an optimism that simply hasn't met the practicalities.

The counterweight sits with the businesses who have diversified with commitment. Those doing more than half their work overseas, feel more than 2.5 times less pessimistic than the businesses where overseas work accounts for a quarter or less. Businesses that have built international work through in-country presence/ expertise appear insulated in a way that occasional overseas work is not. Dabbling looks like the worst of both positions: the overheads of working abroad without the depth to absorb them.

A booming market is not always a banker. Whilst Spain's market is performing well, it doesn't always mean a UK practice can operate there successfully, resource projects properly and run jobs from another country.

An attractive market is the starting point, not the solution. What separates the businesses making overseas work pay-off is the foundations: relationships and teams on the ground, people who know how the market works, and the structure to deliver at distance. They are the ones feeling steadiest.

5

AI adoption is widespread, but the opportunity remains underused.

92% of businesses now use AI. However, only 15% use it to automate anything.

Writing, research and image generation are what most businesses use it for. But what they say slows them down is something else entirely: resource allocation and team capacity first, then coordinating across consultants, followed by programme management. These tools are available yet have only been adopted at the edges of the business and are still to reach its operational core.

The businesses that have crossed that line stand apart. Of those who use AI for automation, 59% feel confident about the year ahead and only 5% feel negative. The confident businesses are saving 20% of team time per week than the pessimistic ones. The pattern holds among both smaller and larger businesses, so this is not simply a matter of who can afford to invest.

This is where the finding becomes immediately useful. The pressures the businesses name most often (fees under scrutiny, capacity stretched, margins squeezed) are pressures of process rather than of project demand. Well-run businesses may simply be the ones who get around to automation first, but the direction holds either way: the pressures consuming the most time are the ones these tools have barely touched.

The opportunity is sitting in plain sight. Businesses name capacity, coordination and programme as the things holding them back, yet are using AI for almost none of them.

RBI MARKET SENTIMENT REPORT

THIS YEAR'S SENTIMENT



Key takeaways

- Confidence fell twenty points between 2024 and 2025. But it has only fallen one point since, from 45% to 44%. The correction was last year, not this one. This year, the sentiment towards luxury projects appears to have aligned with property transaction figures.
- 21% of businesses were pessimistic (businesses expecting next year to be worse than this year) in 2024, compared with 18% this year. Pessimism is down for the first time since 2022 which shows that the outlook towards the market is stabilising, and businesses have begun to accept the reality of the market.
- 38% of businesses report no change in confidence and most of those report stability in new enquiries from last year.

According to Knight Frank, sales above £10 million fell by almost a third in the year to November 2025. Transactions then stabilised, remaining unchanged through to September 2026.^[1]

Stabilising market

Read alone, this year’s figure suggests a cautious market. Set against the two previous editions, however, it tells a different story: the decline in confidence appears to have bottomed out. This pattern is mirrored by the sales market. Two measures of the same market, viewed from opposite ends, show the same pattern: a sharp fall followed by a low plateau.

This year, the proportion actively worried about the year ahead has dropped 3 points since 2024, the first improvement in that measure since 2022.

Confidence runs downstream through the supply chain. Contractors who work on jobs already signed tend to feel more secure than those in the industry still competing for new work or whose input can be perceived as deferrable, such as interior and landscape designers. Some contractor confidence, however, may be premature:

existing contracts could reflect less competitive market conditions of previous years and administrations rose by 11% in the first half of 2026^[2]. This study captures only those still trading and their confidence may partly reflect the prospect of winning work from competitors that have disappeared.

The reasons for confidence and pessimism are not simply opposites. Optimists look to project demand (26%) and faith in their own teams (15%). Pessimists point to reduced client appetite and fewer enquiries. Faith in your team is an exceptionally strong signal for feeling good about the year ahead.

Idle engines

New enquiry volumes appear flat year-on-year, mirroring static sentiment figures. Most businesses report identical lead volumes to the previous year. This flat pipeline and flat confidence are effectively the same metric measured twice.

The growth of enquiries is the single sharpest divider of sentiment in this research. Businesses with a good number of incoming leads are overwhelmingly more confident than those holding steady. Crucially, conversion rates don’t impact sentiment – those with strong and weak conversion feel the same. It’s the volume of incoming work, not the win rate that matters.

Conclusion

Two years ago, the luxury residential projects industry lowered its expectations and plateaued. Optimists have not returned, but pessimism hasn’t grown. The market is flat but not broken.

FIG. 1.* HOW DO BUSINESSES FEEL ABOUT THEIR NEXT 12 MONTHS

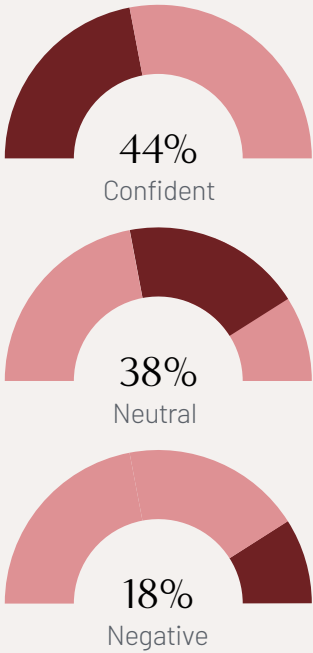
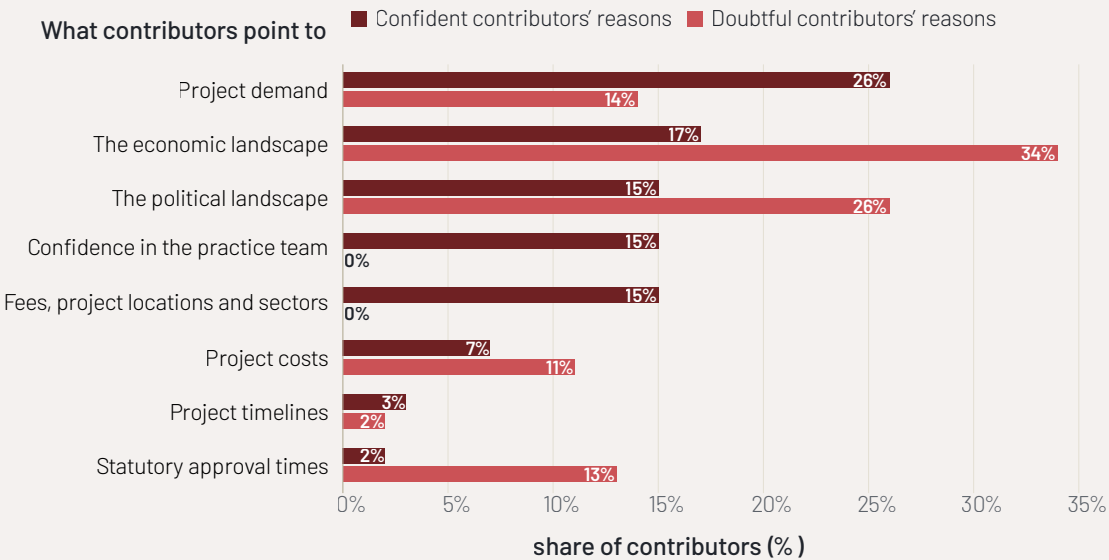


FIG. 2.* STRONG PIPELINES TURN DOUBTERS INTO BELIEVERS



EXPERT OPINION



Paddy Dring
*Knight Frank
Partner, Head of Global Private Office*

“The Middle East conflict de-escalates and borrowing costs decline. A lot of uncertainty and fear is currently priced into fixed-rate lending, meaning this could happen quickly, although rates wouldn’t return to pre-conflict levels in the short term as inflationary forces remain.

The UK government remains largely in a holding pattern next year, apparently dissuaded of the merits of higher property taxes in this year’s Budget. If they revisit property taxes, the focus appears to be on taxing the asset rather than the transaction, which is less disruptive, particularly at higher price points (within reason).

The other overriding factor is that London’s popularity as a safe long-term investment prevails. Overseas investors still want to invest and enjoy the London lifestyle whether for culture, education, business, connectivity, or as a safe place to live supported by a strong rule of law.

Activity picked up during September and there is a continued theme that buyers feel London now represents good value with prices in PCL at 22% below the market’s last peak in August 2015.

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* RBi 2026-2027 (Third Edition)
[1] Knight Frank 2026 PCL sales index, 2026
[2] Insolvency Service – Company Insolvency Statistics, H1 2026

Key takeaways

- 55% of businesses are focusing inward, prioritising branding, AI and efficiency. Only 20% are expanding into new geographies, sectors, services or hiring.
- 53% of the risk is attributed to rising costs and planning issues after appointment. Work is being lost post appointment and businesses are holding factors outside of their control responsible.
- 50% of businesses report more pressure to discount than a year ago, and when work is lost it is most often lost on fee, ranked the single biggest reason for losing a pitch.
- Businesses that don't rely on a key individual to win work are half as likely to feel pessimistic about the year ahead as those that do. Optimism is the same in both instances, but the pessimism largely disappears.
- Only 2% of businesses name sustainability or ESG as a priority for the next twelve months. The barrier isn't cost, 55% say it's due to lack of client appetite.

Sharpening skills

Three key areas dominate the industry's opportunities for the next 12 months: branding and marketing (21%), implementing AI (19%) and optimisation and efficiencies (15%). Meanwhile, growth through new geographies, sectors, services, and hiring accounts for just 20% combined, illustrating a market focused on sharpening existing areas and skills rather than expanding.

When projects are abandoned after appointment, cost escalation and planning difficulties are the primary culprits, followed by political and economic factors. Confidence tightly aligns with headcount stability

EXPERT OPINION



Sandy Mitchell

RedBook
Founder
“

Headwinds facing businesses are fierce. The days when architects quoted a hefty percentage fee and clients accepted it almost without challenge now seem like a distant Narnia; top interior designers find clients using competitive bids to twist their arms. Fee pressure has some leading businesses questioning their viability, others cutting their fixed-cost base.

The best-performing businesses serving wealthy clients are those that have diversified with intention, either by working abroad where wealth is concentrated or by adding new services so they aren't reliant on one market. The real danger isn't the downturn itself but good businesses losing confidence. They shouldn't, because London is still a magnet for international wealth, and clients are hesitant rather than short of money. Markets are cyclical, and demand will return.”

and strategic clarity. Businesses with stable salaries are highly optimistic, outperforming those with rising wage bills. A short-term view on a rising wage bill isn't necessarily the only correct test of confidence; most businesses will go through a series of wage escalation and then stability on a cyclical basis. Finally, clarity breeds optimism, as businesses naming a single opportunity focus are significantly more confident than those juggling multiple.

Two different losses, at two different phases

Businesses lose work before appointment, due to intense competition and price-cutting and after appointment because of cost escalation and planning barriers. The latter account for more than half of losses (29% and 24% respectively) and both are problems of delivery: the client wanted the project, committed to it and something in the building of it stopped them.

Asked why businesses lose pitches, the overwhelming majority point to a competitor taking the job and, close behind, fees. That distinction matters. The pipeline is not drying up; it is being competed away on price. Businesses are not short of opportunities to pitch; they are being asked to win them more cheaply, and the ones that hold their fee lose the job to someone who won't.

At the bid stage project enquiries have stayed stable in the past year. Around half of businesses report more pressure to discount fees than a year ago and those businesses are noticeably less confident than those whose fee position has held. It is no surprise, then, that branding and marketing is the single most-named opportunity in this study – ahead of everything. 57% of businesses put it in their top three. In a market where work is lost on price before it is ever won, recognition is what keeps a practice off the discount list.

FIG. 3.* WHERE THE INDUSTRY SEES OPPORTUNITY

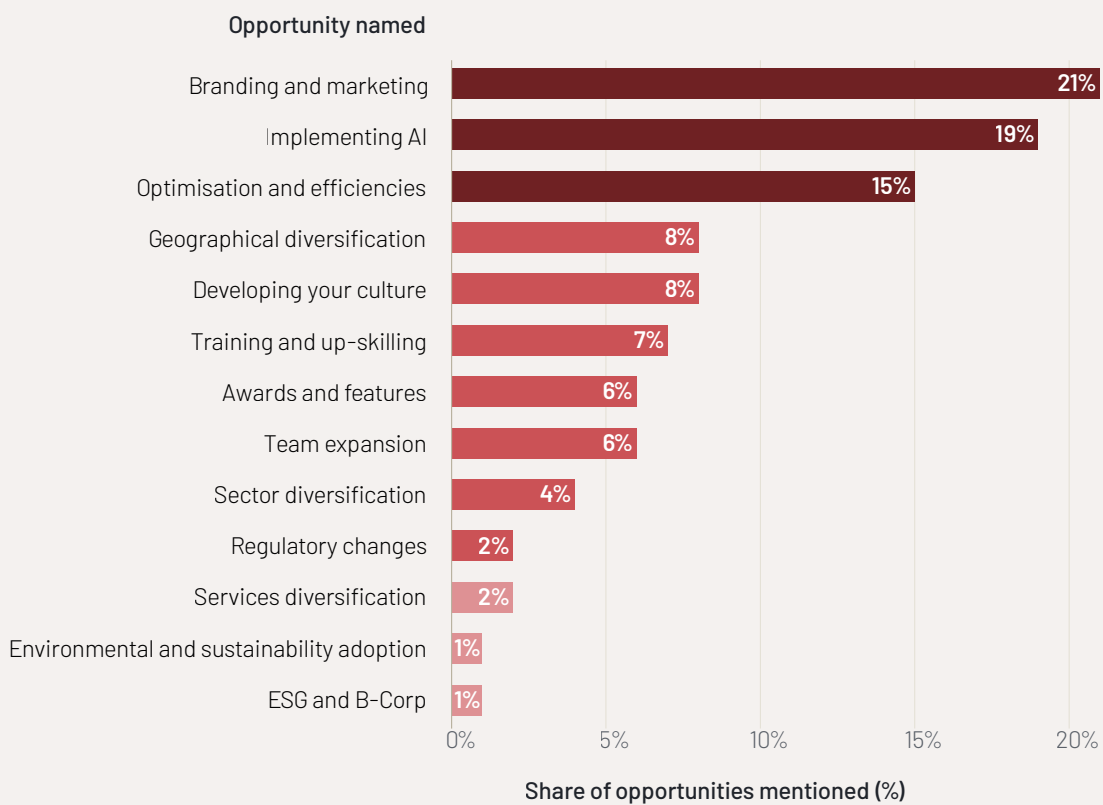
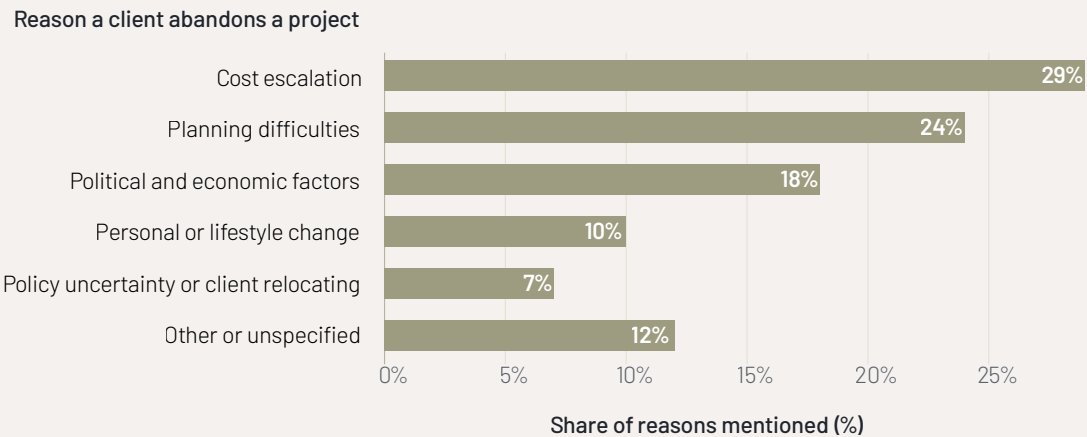


FIG. 4.* WHERE THE INDUSTRY SEES RISK



Conclusion

Businesses are investing in winning work. But they are losing it after they've won it. Branding, AI, efficiency-every opportunity named in this study is about getting the job. Fee competition, cost escalation, planning-every loss is about keeping it. The two lists barely touch.

The instinct is to read these losses as external but much of it is in the realm of control. Work lost on fee turns on pricing and positioning. Sustainability has stalled not because businesses can't afford it, but because clients aren't asking. Cost escalation after appointment traces back to how a job was priced and programmed at the outset. Each of those is a lever.

The industry has spent a year sharpening how it wins. Nobody is sharpening how it holds. That is the gap; the only place in this study where nobody is competing.

* RBi 2026-2027(Third Edition)

Key takeaways

- 47% of the factors businesses point to when explaining their outlook are purely external (the economy, politics or statutory approvals). Whereas matters strictly inside the business account for just 24%. The industry’s biggest challenges are the ones it doesn’t control.
- 77% of businesses wanted a change of government or leadership. But a new regime is unlikely to resolve what are ultimately global, macro-level problems.
- 60% of what pessimistic businesses hold responsible is outside of their business or control. They blame the UK’s economy and politics. Pessimistic businesses mention delayed planning approval times six times more than confident businesses. Confident businesses are looking at their own book instead: project demand is their single biggest reason for pessimism. Not one pessimistic business mentions its own team, fees or markets at all.

Stability and predictability

Many external headwinds facing the prime residential projects sector (such as economic and political instability or slow statutory approvals) remain outside the industry’s control, falling instead to politicians, regulators and international treaties. Interestingly, businesses that attribute their caution to global, macroeconomic, or geopolitical issues (such as war, energy prices, or shipping tariffs) remain overwhelmingly optimistic, viewing these pressures as temporary. Conversely, UK businesses blaming domestic, structural issues like Brexit are far more pessimistic. This widespread frustration with structural inertia explains why 77% of respondents, polled

before Andy Burnham became Prime Minister in July, desired political change, reflecting a wide dissatisfaction with both government and institutional performance.

For the prime residential sector, client prosperity and market confidence remain top concerns. Over half of contributors (52%) report that clients have become more cautious and slower to make decisions due to political, economic and regulatory uncertainty. When asked which policies would benefit their businesses, respondents prioritised planning certainty (25%) and reversing changes to non-dom status (20%), specifically inheritance tax, followed by cuts to Stamp Duty and VAT relief for refurbishments. Ultimately, three of the top five priorities focus directly on the stability and activity of wealthy clients.

While global political pressure grows for wealth and property taxes targeting the top 0.1%, research shows that UHNWIs are less sensitive to absolute tax levels than they are to rapid fiscal changes. This underlines the value of predictability; notably, the businesses in the study asked exclusively for political and regulatory stability. These stability-focused businesses emerged as some of the most optimistic, with a net confidence of +50.

70% of businesses find planning decisions slower than the statutory timetable.*

EXPERT OPINION



Timothy Hatton
Timothy Hatton Architects
Principal

“After forty rewarding years in architectural practice, I am convinced that the quality of a building depends as much on the judgement and care as on the resources available to it. Today, however, achieving quality, cost certainty and timely delivery is increasingly challenging. Construction costs, regulatory demands and protracted planning processes place growing pressure on the process.

While recognising the importance of regulation and conservation, I am concerned that their cumulative demands can sometimes divert resources from design and craftsmanship, or make the sensitive adaptation of historic buildings prohibitively expensive. This is troubling as we seek to improve environmental performance and resilience to climate change without compromising architectural significance. Surely, the ultimate test should be the quality and longevity of what we create and preserve.

Domestic architecture in Britain must embrace both the intelligent adaptation of existing buildings and the creation of ambitious contemporary architecture. Achieving these objectives requires rigorous briefing, early engagement with planners and consultants, realistic cost planning and disciplined project management. Architectural ambition is best protected by good process: a means of safeguarding quality and controlling risk.

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FIG. 5.* REASONS FOR PLANNING DELAYS

RANK	CAUSE OF PLANNING DELAY
1	Local authority officer response times
2	Listed building and conservation complexity
3	Additional technical reports required
4	Complexity of the application itself

Government administration, rather than policy itself, is severely stalling the sector

On planning, 70% of contributors report that decisions lag behind statutory timetables by a median of two months. Half of a typical business’s projects are delayed, with some businesses reporting impact on 75% or more of their work. Slow local authority response times are the leading cause of delay, followed by listed building consent complexity (17%), additional technical reports (16%) and general application complexity. Three of the top four delays stem from administrative processing speeds rather than the actual decisions made.

Building safety shows the same pattern. Thirty-eight per cent of the contributors work on higher-risk buildings under the Gateway regime. Among them, 74% waited more than six months for a Gateway 2 decision, only a quarter received a decision inside six months.

The core issue is not the policy direction itself, but the lack of clarity regarding costs over the next two years and an unreliable planning system. Consequently, clients are more cautious, decisions are delayed and volumes have dropped.

EXPERT OPINION



Matheus Dibo
Goldman Sachs Wealth Management
Head of Tactical Asset Allocation

“The UK has faced a formidable array of macroeconomic headwinds, from high interest rates and subdued growth to persistent inflation and fiscal and political uncertainty. Together, these factors have weighed heavily on UK real estate, particularly on residential construction. That said, there is scope for cautious optimism. Pent-up demand remains substantial against constrained physical supply, household balance sheets benefit from accumulated savings and solid real wage growth, and borrowing costs are expected to stabilise. Over the medium term, statutory planning reforms aimed at unlocking housing supply should provide an additional tailwind.

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Conclusion

The political problem in this market is less the direction of policy and more the absence of a settled view of the future. The result is clients who are more cautious and slower to decide.

Businesses are asking for predictability over financial generosity. This is a crucial takeaway for policy makers, as stability costs nothing to deliver.

* RBi 2026-2027 (Third Edition)

Key takeaways

- Businesses with UK-only client bases run at the same net confidence as those with overseas clients (+26). International exposure on its own adds nothing, what matters is the composition of the client base, not its geographic breadth.
- Among businesses whose clients are mainly 'Business Owners', optimists outnumber pessimists three and a half to one. Where the client base is mainly 'Financial Services', it splits evenly. 'Business Owners' carry wealth that moves with them; 'Financial Services' clients are tied to an institution, a city and a cycle they don't control.

However, one pattern emerged where partially diversified businesses underperform compared to both specialised and highly diversified peers. Those working in two sectors or one overseas region reported lower net confidence. This is likely because low-level diversification adds market costs without providing the scale to make it profitable. Finally, client occupation and age shift sentiment almost as significantly as nationality, presenting a challenging outlook for businesses reliant on older clients.



Beware of breadth

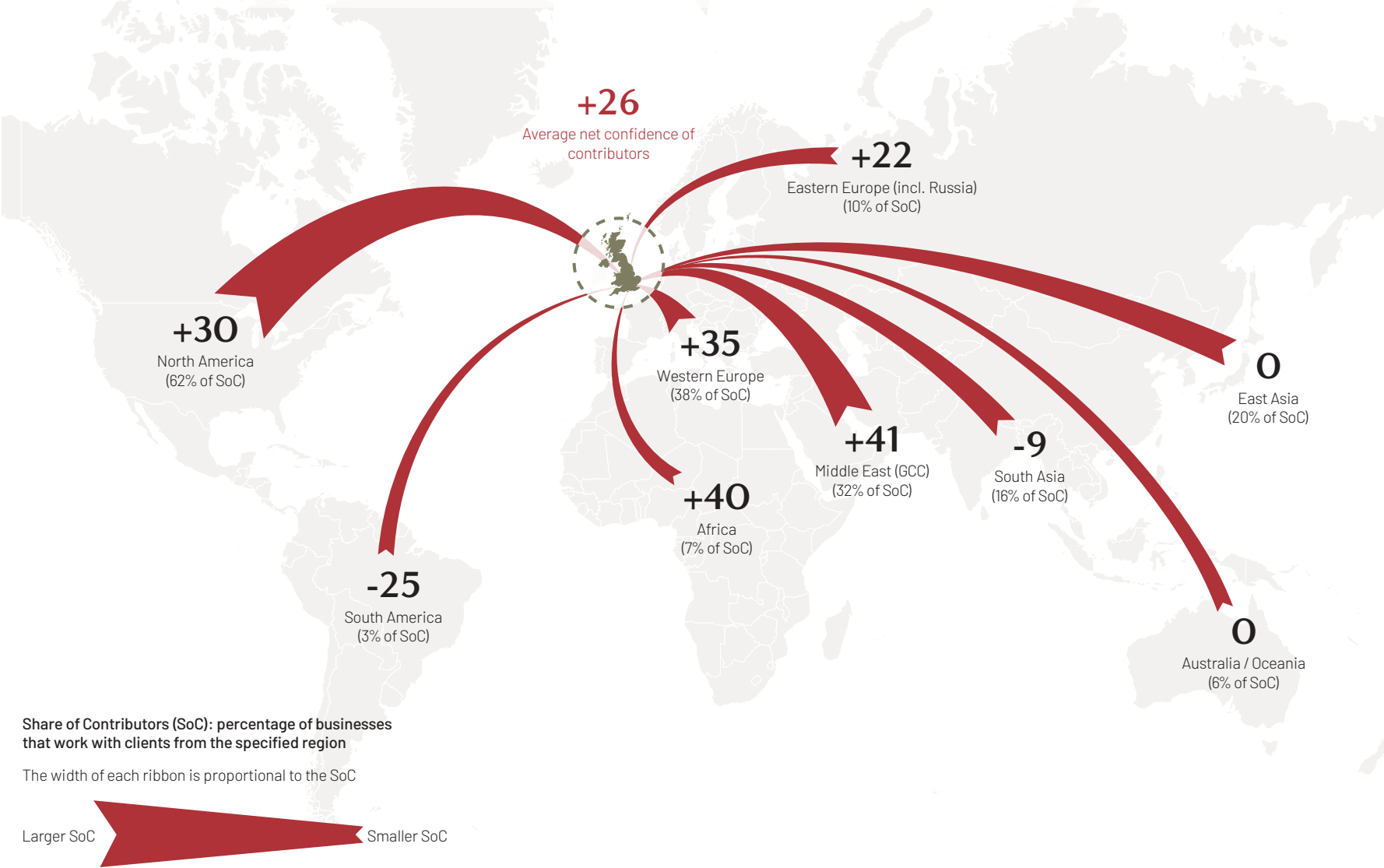
Client origin impacts sentiment more than almost anything else measured in the study. Those with Middle Eastern clients are the most optimistic, with only 10% feeling worse about the year ahead, the lowest level of pessimism of any client region in the study, compared to 35% for those with predominantly South Asian clients. This gap widens among single-region-focused businesses: of those holding only Middle Eastern money, 53% feel optimistic and 6% feel pessimistic. Businesses with neither sit at +28, just above the contributor average. At the country level, the UAE still shows strong optimism (47% better, 8% worse), while India is perfectly split (29% better, 29% worse).

In contrast, geographic breadth does not affect overall sentiment, as UK-focused and those working internationally finish in similar positions. Five separate diversification measures: sectors, non-UK client regions, overseas project regions, residential typologies, and services—and none shows a reliable relationship with confidence.

Conclusion

The industry has spent a decade being told to diversify. This data suggests that what protects a business is the specific composition of its client base, not diversification. A business with one sector and Middle Eastern money is in a better position than a business with four sectors and Asian money. No amount of geographic spread changes that.

FIG. 6.* NET CONFIDENCE OF CONTRIBUTORS BY WHERE THEIR CLIENTS COME FROM



Where the clients come from is the largest confidence divider.

Exposure to international clients alone adds no value.*

Businesses with Middle Eastern clients sit at **+47 net confidence**, 21 points above the average of +26*

Businesses with Asian clients sit at **-3 net confidence**, 29 points below the contributor average of +26*

* RBi 2026-2027 (Third Edition)

Key takeaways

- Spain is having one of its strongest runs in nearly forty years; sentiment and investment in America have come apart; it appears France hasn't found its floor.
- The Middle East views the Iran disruption as transitory and remains optimistic.

Different countries, different problems

France: still falling

France is performing well below its long-term average. The Bank of France attributes the country's stalled economic growth in the first half of 2026 directly to the construction slump, with overall national growth now projected at a mere 0.4% for the year. The crisis worsened as public spending dried up following municipal elections, eliminating the primary source of funding that previously supported the industry. The most critical warning sign is the widening gap between active projects and incoming orders, which has grown every year since 2021. French businesses are currently surviving on backlogged contracts, but with few new projects to replace them, the industry has yet to find its floor^[4].

Italy: softening

The country's construction sector remains relatively steady compared to its neighbours, though it is starting to show signs of a slow and gradual decline. The figures show a gentle decline from a strong position in 2025, hitting neutral sentiment so far this year. Italy previously enjoyed an exceptional few years driven by generous government incentives for home renovation; however, those incentives have been scaled back and continue into 2026 at substantially reduced rates^[5]. Despite this easing, one metric is moving the other way: Italian builders increasingly expect to put their prices up, while French builders expect to cut theirs^[6]. This represents the sharpest difference between the two markets and highlights which country still has work to spare.



Spain: peak and slowdown

Spain is currently experiencing one of its strongest economic runs in nearly forty years because house builders can't keep up with high demand. In 2025, Spain created about 226,000 new households but completed only around 83,500 homes, marking the widest gap between approvals and completions since 2010^[7]. Consequently, house prices jumped nearly 13% in the year ending in late 2025, driving sales to their highest levels since 2007^[8]. Builders are held back by practical constraints like a shortage of skilled labour, power grid connection delays, slow land release and heavy regulation. Despite a forecast output growth of 3% for 2026, the sector peaked in the spring. New orders fell sharply over the summer, and September brought the first drop in building activity since the pandemic, signalling that future work is drying up despite high current confidence.

America: a sentiment slump

Confidence in American construction has fallen for five consecutive years. Two details highlight this downturn: the number of prospective buyers has diminished and builders' expectations for the next six months dropped by September, indicating they now expect conditions to worsen. Measured against history, American builder confidence sits in the bottom fifth of all data recorded since 1985 and has remained below neutral for twenty-nine consecutive months. Only two historical spells have lasted longer: the housing crash of 2006 to 2013 and the recession of the early 1990s^[9].

Despite builders reporting some of the worst conditions in decades, actual construction activity and spending in the United States have not stopped. This disconnect defines the current American housing story, as the country continues to build a vast amount of housing while the individuals building it feel worse than at almost any point in living memory.

The primary explanation for this gap between low mood and high spending is project timing. American architects

have been signing fewer new design contracts every month for more than two years, stretching to twenty-five consecutive months of decline by March 2026^[10]. Because it takes years for a project to move from a signed design agreement to actual money spent on a physical site, current construction spending still reflects financial commitments made before the broader slowdown began^[11]. Crucially, client interest itself has not dried up; architects continue to report steady and occasionally rising enquiries, even though the work they bill and the contracts they officially sign remain below neutral.

The Middle East: a story of fluctuation

2026 has proved how quickly market confidence can collapse and recover. Following solid early growth, the region faced sharp spring contractions due to conflict with Iran, which disrupted shipping, raised costs and deterred tourism. Saudi Arabia recorded its first contraction in over five years; the UAE slowed to a five-year low with rare staff cuts and Kuwait and Qatar experienced outright declines. However, by September, business conditions in Saudi Arabia and the UAE have reportedly stabilised^[12]. This bounce-back reveals a market built to absorb a temporary external shock rather than facing structural decline. This pattern validates British businesses among the RBi contributors, who viewed the Iran disruption as transitory and remained highly optimistic. Ultimately, a swift recovery in the Middle East will sharpen the contrast with Western economies like Spain, France, Italy, and the US, which face deep-seated, structural challenges that would take years to resolve.

Conclusion

Compared to other countries, Britain's flat market is unremarkable rather than diseased; it simply sits in the middle of a wide global range. Britain corrected abruptly two years ago and has remained stagnant. Notably, studies across the board reveal the exact same diagnosis: both the American market and RBi contributors describe cautious clients who are still interested and enquiring, rather than clients who have completely vanished.

EXPERT OPINION



Hugo Thistlethwayte

Occam Advisors
Founding Partner / Managing Director

“The Gulf has spent ten years proud of its growth, and that pride became appetite: markets ready to buy back into themselves. The wealth built there is tied to property, and lately that confidence has spilled beyond the established Gulf states into Saudi Arabia.

What you hear now is disappointment, not alarm – a slowdown the market feels geopolitics imposed on it. Dubai's off-plan numbers show it: developers launched only 5,300 homes in the second quarter of the year compared to 45,000 sales in the first^[3]. Foreign investment has taken a serious toll, and once-bullish buyers are hesitant.

The problem is not demand at the point of sale but what follows. Deposits are paid; second and third stage payments are not. That lands hardest on private developers; state-backed ones are insulated. Discounting appeared first in the second-hand market, among non-local buyers rather than residents.

The rental market is strong, which gives a floor, but it changes who you sell to: investors chasing a return, not lifestyle buyers, and lifestyle buyers pay more. Nothing is broken. This market is waiting on political and economic constraints to ease, and then I would expect business as normal.

”

[3] Corder, J., “Dubai's off-plan launch drought shows up in tumbling sales”, AGBI (Arabian Gulf Business Insight), 9th October 2026
[4] Federation Francaise du Batiment – order books / new orders, 2026

[5] Agenzia delle Entrate / Italian Government
[6] European Commission DG ECFIN – Construction Confidence Indicator, price expectations, 2026
[7] INE (Instituto Nacional de Estadística) – household formation and dwelling completions, 2025

[8] INE – Indice de Precios de Vivienda, Q4 2025
[9] NAHB / Wells Fargo – Housing Market Index, 2026
[10] AIA / Deltek – Architecture Billings Index, March 2026
[11] US Census Bureau – Value of Construction Put in Place, 2026
[12] S&P Global – Purchasing Managers' Index, Gulf states, 2026

UK BUSINESSES OPERATING INTERNATIONALLY

Key takeaways

- Businesses with overseas projects run at +23 net confidence against a contributor average of +26. Businesses with no international projects run at +29. Working abroad, on its own, does not lift confidence.
- 24% of contributors work in North America now and significant number of businesses want more work there. A further 10% want to move into that market.
- Western Europe, the largest overseas market in the study, sits 15% below the contributors’ average net confidence.

Costs of expansion

Over half of UK-based businesses run projects abroad and 64% want to expand internationally next year. Western Europe is the largest market, followed by North America and the Middle East. Growth is accelerating in North America and the Middle East, where entries outpace retreats. Conversely, East Asia is seeing a slight decline. The United States is the top target destination for next year, with most of those interested currently holding no American projects.

While Western Europe has a balanced, two-way exchange of clients and projects, other regions primarily funnel money into the UK. France and the US lead current project locations, followed by the UAE, Switzerland, Italy, Spain and Portugal.

Perhaps surprisingly, international expansion doesn’t boost business confidence. Those operating entirely domestically or earning over half their fees abroad report the highest confidence. The least confident group consists of partially diversified businesses earning 26% to 50% of their fees internationally. Because the median contributor business is small (70% of businesses employ

under 30 people), entering a second market demands a heavy commitment of senior leadership time rather than a seamless transition, leaving mid-transition businesses the most vulnerable.



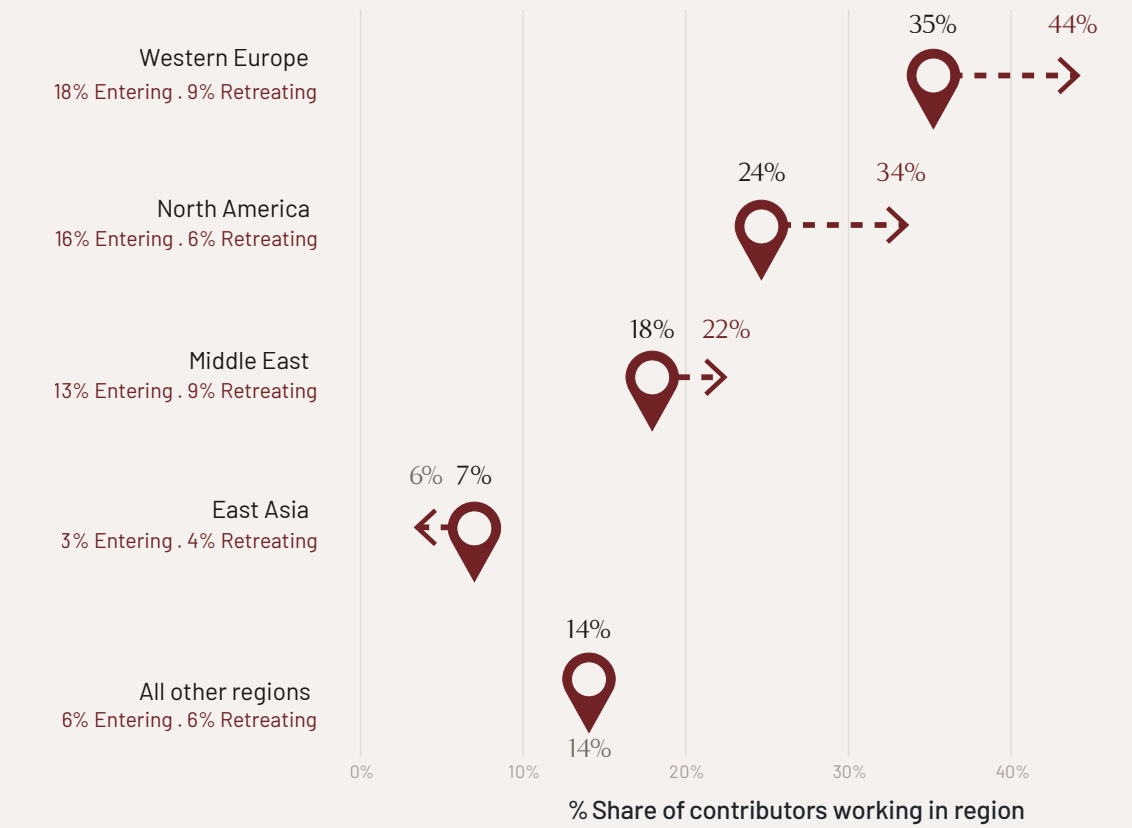
Conclusion

The industry has settled on where it wants to go but not why. While the ambition is American and the actual footprint is European, there is no proof that this setup makes businesses feel more secure.

Expanding abroad seems driven by revenue rather than confidence, leaving half-committed businesses in the most uncomfortable position. Furthermore, when a pessimistic business expands geographically, it risks chasing yesterday’s markets while facing severe pressures at home and abroad. Without local experience, these moves for market share can easily lead to over-extension, risks and potential failure.

FIG. 7.* WHO IS LOOKING TO WORK INTERNATIONALLY?

Region & Direction of travel



Clear ambition; nearly three businesses entering North America for every one retreating, the best ratio of any region in the study*

30% of the businesses currently working in the UK only are seeking to expand internationally in the next 12 months*

EXPERT OPINION



Katharine Pooley
Katharine Pooley Interior Design
Founder

“ Around 75% of our work is overseas: the Far East, the Middle East and the United States. That gives the business resilience when the UK is uncertain. The essence of the offer travels: design, craftsmanship, quality, a highly personalised service. The framework for delivering a project does not. In the United States, customs clearance, import duties and tariffs introduce complexity, and time differences, drawing conventions, contractual protections and visas for site staff all need attention well in advance.

North America is compelling because of the extraordinary wealth generated through technology and entrepreneurship, and a natural affinity between American clients and British design. But a market may appear attractive on its wealth alone, which does not make a project commercially viable. Understand the client, the supply chain, the contracts and the true cost of delivering on the ground before committing. The ambition is not to work internationally; it is to deliver exceptional work internationally.

”

* RBi 2026-2027 (Third Edition)

Key takeaways

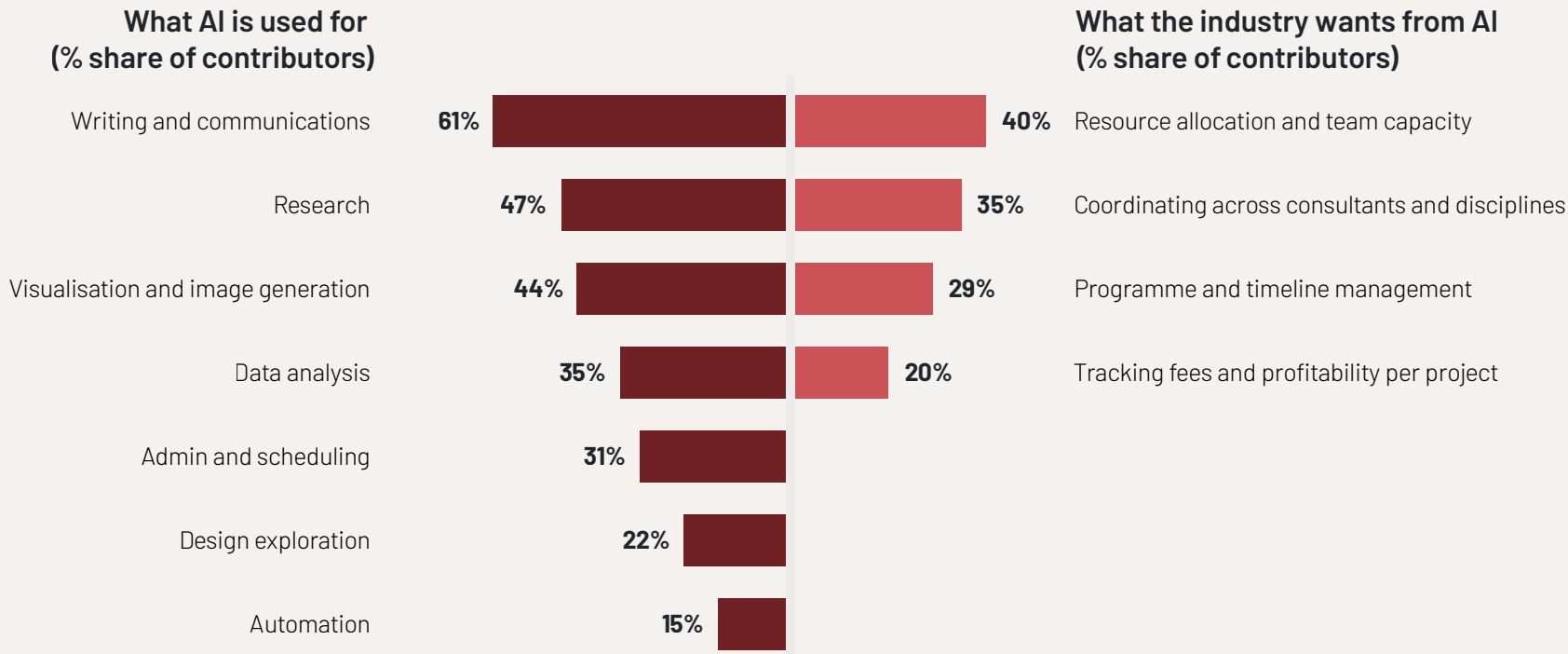
- 92% of businesses use AI. The most common use is for writing and communication (61%) followed by research and image generation. Those using it for automation are among the lowest reported levels of pessimism, a sign of a business adapting with the times.
- Only 15% of businesses are using AI for automation, the tools most widely being used are not aimed at the real friction. Businesses cite resource allocation and capacity, consultant coordination and programme management as their real friction. They are predominantly adopting AI for writing, images and research.
- Businesses that report saving more than a day a week per team due to optimisation of AI feel twice as confident about their next 12 months than businesses saving less.

Superficial adoption

While 92% of contributors use AI, most only adopt it superficially: 61% use it for writing, 47% for research and 44% for image generation. In essence, basic uses do not boost overall business confidence or alter operations. In contrast, operational automation yields the highest dividends. Only 15% of businesses automate processes, yet they report the highest confidence (59%) and the lowest pessimism (5%). Similarly, confidence jumps to 62% only when AI saves teams more than one day a week; below this threshold, AI usage has no measurable impact on company sentiment. Merely declaring AI a strategic priority shows little effect on confidence.

This reveals a significant commercial mismatch between company problems and AI solutions. Businesses report that their greatest operational frictions are resource allocation (40%), consultant coordination (35%) and timeline management (29%). However, their actual AI

FIG. 8.* AI USE IN THE INDUSTRY



adoption focuses almost entirely on writing and research rather than addressing these core constraints. They want better tools, rating their willingness to adopt superior solutions at 7.5 out of 10, but the primary barriers holding them back are the learning curve (34%), cost (33%) and data security (25%).

Nearly half the industry only uses AI occasionally.

With writing and communications being the predominant use case.*



Conclusion

This industry has adopted AI without changing how it works. That matters more this year than last. Fees are under discount pressure and salary costs are rising for most contributors – margins are squeezed from both ends. Winning more work means pricing lower. Paying less means losing people. But process is the one cost line a practice still controls.

This is what makes the mismatch here expensive. Businesses that name resource allocation, consultant coordination and programme management as what slows them down, are using AI for writing, research and images. The one in seven who automate are the most confident group here.

This mismatch presents a highly lucrative market gap for any company that can successfully build AI tools targeting the industry's operational bottlenecks.

EXPERT OPINION



Prof. Yolande Barnes

RedBook
Adviser on Research and Data

“The sort of AI that will transform residential projects is not the sort big tech is promoting. Large language models are of less use in a technical, land-based environment where the output is structures in physical space, not words and pictures on a screen. Unsurprisingly, their use here is more constrained than in, say, law, and largely confined to writing, communication, visualisation and images.

Real-world solutions are hard to reach with models trained on last-century theory and practice. Built-environment systems are multi-layered and rooted in space rather than words, so the industry would be better served by machine learning, tokenisation and spatial algorithms applied to its own 3D problems.

Language models may improve management, marketing and manufacture, but they will not change what is delivered. Machine learning can. Professionals need to use digital-spatial tools inventively – a digital twin testing designs, layouts and materials against multiple futures before a brick is laid. That is how this industry adds value, particularly as client expectations, relationships and measures of performance all lengthen.

”

* RBi 2026-2027 (Third Edition)

Key takeaways

- The contributors most proactive in the market are the most optimistic, preferring to look for solutions in this current market.
- A significant portion of contributors suggested that refurbishment should be zero-rated for VAT, similar to new-builds, aligning with wider UK net-zero policy.

Barriers to progress

The luxury project industry's biggest demand, easing tax regimes or increasing incentives to attract UHNWIs is highly unlikely to be met in the current political climate. Governments in advanced economies are struggling to balance rising public spending, driven largely by ageing populations, with falling revenues and strict macroeconomic constraints. Politicians face conflicting pressures to control borrowing costs and address inequality without raising taxes. Consequently, the industry is understandably finding greater confidence in regions with tax regimes that remain favourable or highly beneficial to UHNWIs.

The prime residential projects industry must work harder to win contracts, making bureaucratic delays especially frustrating. Despite general client caution, market demand remains steady: 49% of businesses feel more confident about future project demand (vs. 12% who are less confident), 52% describe clients as cautious but active investors, and only 23% report fewer leads. The industry's main challenge is a lack of foresight regarding costs and regulatory changes over the next two years.

To support the sector, governments must prioritise stability and predictability. Businesses that emphasise policy consistency over specific tax relief are among the most optimistic, with 60% reporting higher confidence. This highlights that unpredictable policy shifts, rather

than market fundamentals, are driving down industry confidence.

When asked for specific interventions, businesses outline three main measures: general tax reductions, which would boost UHNWI demand and improve corporate conditions; planning certainty, a low-cost solution requiring government efficiency and initiative; and reversing the UK non-dom tax changes, which remains a dominant concern across the sector.

Half of contributors' projects follow a property purchase. The industry would greatly benefit from regulation that encourages the buying and selling of property, such as stamp duty reform.*

Tax relief

Calls for a more lenient tax regime and favourable non-dom treatment aim to restore the UK as a preferred safe haven for wealthy international clients. However, tax policy alone may not reverse this exodus, as Brexit also heavily drove UHNWI desertion. Reversing these deep-seated shifts presents a formidable challenge for any government. Ultimately, the prime residential industry thrives on a secure, welcoming environment that attracts global investors and wealth creators, much like the "Cool Britannia" era spanning from the Blair government to the 2012 London Olympics. While history can't repeat itself, the UK can still foster a socio-political climate that appeals to overseas creators amid rising global turbulence. Though opinions on the exact strategy



differ, the government's core task is to reconstruct those attractive conditions.

Contributors highlighted pragmatic steps for the sector, most notably a call for VAT relief on refurbishments. Furthermore, data shows that the main barrier to sustainable work is not cost, but client appetite. Businesses naming client appetite as their biggest hurdle are significantly more confident than those blaming cost and businesses already measuring embodied carbon are among the most optimistic. Because the barrier is appetite rather than cost, the solution requires a clear price signal rather than a subsidy. The current tax structure penalises repair while rewarding demolition. To resolve this without draining treasury coffers or enacting politically unfeasible tax hikes on new builds, the government should equalise the VAT rates across both sectors to create a level playing field.

Planning issues stem from capacity among officers, not fiscal policy, but improving planning efficiency

boosts project activity, jobs and GDP. To support this, governments must address how stamp duty and transaction taxes stifle market turnover. Because half of all prime residential projects occur within twelve months of a property purchase, reducing transactional friction directly drives volume and industry growth.

Conclusion

The industry is reporting broadly the same number of leads as last year. What this sector lacks is not demand entirely. It is the predictability that enables prospective projects to convert into live ones. Providing long-term stability is the most cost-effective way for the government to extend confidence across the industry and its supply chains, provided any intervention is carefully managed to avoid unintended consequences: a tax position that holds, a planning system that answers on time, and enough forward visibility to commit to purchasing property and undertaking projects.

EXPERT OPINION



Alex Christian

Savills
Co-Head of The Private Office

“
For an increasingly mobile global elite, London has not lost its lustre. To perhaps an unprecedented degree, families are splitting the way they live, moving between properties annually or seasonally, often following social calendars. As the conflict in the Middle East continues, London is a familiar safe-haven location to which they might easily relocate, albeit not necessarily lock stock and barrel.

The country may have lost some of its shine following recent changes to the UK's tax regime for internationally mobile individuals. However, the four-year picture remains compelling within the global context and London's liveability and all-round offering often prevail when weighed against alternatives such as Milan, Monaco or Dubai: the grass is not always greener. We are seeing that super-prime buyers are split between Europeans who wish to stay close to home, Americans drawn to the show-business and financial powerhouse of Europe, and finally senior members of sovereign families from the Gulf.

”

* RBi 2026-2027 (Third Edition)

RBi MARKET SENTIMENT REPORT

THE RBi FORECAST



Key takeaways

- The disruption and change seen over the last few years may be structural rather than cyclical; it is folly to expect the conditions of ultra-low rates and automatic asset price inflation to return.
- Good projects are now ones where design preserves value, creates cashflows or minimises future outlay, and builds in resilience and even anti-fragility over a longer time period.
- Expansion overseas as a response to sluggish business is dangerous; confident, well-run businesses may be in a position to gain market share from failed competitors.

Forecast

Although many in the industry still talk about a ‘return to normal’, there is a growing realisation that the disruption and change seen over the last few years may be structural rather than cyclical. The 2008 North Atlantic debt crisis marked a turning point in global economic norms. Overnight, the climate changed from a high-interest rate environment to one of ultra-low rates. This downward yield shift spawned an asset boom as the capital value of bonds, equities, gold and real estate soared and borrowing was cheap. The whole real estate industry has taken this too much for granted and it is folly to expect these conditions to return. There, the party ended. Higher interest rates (though not high by late 20th-century standards) put a stop to automatic asset price inflation (though some sectors, like tech stocks, found ways to continue adding value and gold soared against increasing threats of geopolitical uncertainty and fears of inflation after Covid).

All this means that business conditions today are now fundamentally different to those that prevailed in the late 20th century. It’s clear from this study that the prime residential projects industry is struggling with this fact, even though most participants may not realise it. What does emerge is that those who are more confident

about their business are perhaps more aware of the fundamental changes that have shifted the economic environment. They realise that their businesses no longer exist in a landscape of debt-driven short-termism with automatic asset inflation but the scenery has moved so that the backdrop is now long-term value-add where real estate’s virtues can be measured by more than just capital gain.

Good projects, valuable projects, are now ones where design preserves value, creates cashflows or minimises future outlay, creates environmental and social benefits over a longer time period, building in resilience and even anti-fragility. The project does not end at handover but continues over longer time periods. Client interests become more aligned with designers, contractors and advisors, perhaps with new types of fee structure to match.

All this makes one particular trend worrying. Less-confident businesses in this study are expanding in response, sometimes overseas. Real estate markets in some countries have been behind the curve in reacting to the new global economy, notably those benefiting from high oil prices in the US and Middle East. This makes them look more attractive for residential project businesses than many home markets, particularly in Europe and Asia. Expansion into them as a response to sluggish business is dangerous on several counts. First, these countries are not necessarily immune to the same forces and factors that have already subdued home markets. Second, negative home markets do not automatically make for positive overseas markets. Third, a business battered by its home markets may not be in the best position to take advantage of more buoyant overseas markets about which it knows less. Fourth, expansion in hard times risks over-extension.

Forecasting the consequences of over-expansion and bad timing does not end well; there will likely be failures. This means that, in the coming years, confident well-run businesses may be in a position to gain market share from failed competitors or even acquire businesses from administrators. At the same time, they will need to adapt to new working businesses required by current market conditions and the demands of a changing client base.

Conclusion

Optimism lies in the ability of agile, creative businesses to adapt and to adopt new ways of working in long-term relationships with clients and in the built environment they create together. The outlook for the global economic, social, geo-political and natural environment points to continued disruption, change and even destruction as an ongoing process; those expecting a return to anything like 20th-century conditions will have a very long wait.

The good news is that clients, faced with these issues, will need informed, capable and creative designers, contractors and advisors capable of delivering the solutions and resilience they seek. The prevention of asset destruction will be their number one priority. Businesses that can deliver resilience on top of this will go far. The prize though belongs to those businesses who, alongside the client, can create an anti-fragile asset; that is, one that thrives and prospers in times of change and adversity. If you want to ride out the current storm, be one of those businesses. Then, next year, you will likely be reporting much higher levels of confidence and optimism in this study.

Prof. Yolande Barnes

RedBook
Adviser on Research and Data



Image courtesy of RedBook Partner, Elicyon

RBi 12 month outlook

1. The gap between stronger and weaker businesses will widen as some businesses are actively strengthening while others continue to sit on the fence.
2. The ability to demonstrate delivery expertise will carry greater weight in winning appointments as clients look for greater certainty up front.
3. Existing client relationships will become a more deliberate source of growth as uncertainty pushes clients back to teams they already trust.
4. Lack of delivery capabilities will override overseas ambitions as businesses discover that wanting a market and being able to serve it are two different things.
5. Seemingly full books will become a less reliable guide to future opportunity as the gap between today's appointments and tomorrow's workload widens.
6. AI will become routine; the advantage will come from operational integration as adoption stops being a differentiator and application starts being one.
7. Any transaction recovery will reach agents and advisors before it reaches building sites. The order of a recovery is predictable, the timing is not. Businesses positioned for recovery, rather than waiting for it will benefit greatly.
8. Long-term utility will become a stronger test of project value as adaptability, maintenance and running costs move into client briefs.

RBi KEY TERMS

Sentiment measures

- **Confident/Optimistic:** Expects the next twelve months to be better than the previous twelve.
- **Negative/Pessimistic:** Expects the next twelve months to be worse than the previous twelve.
- **Neutral:** Expects no change.
- **Net confidence:** The share of optimistic businesses minus the share of pessimistic businesses. Expressed without a percentage sign. For example, 44% confident – 18% negative = +26.
- **Percentage point:** The gap between two percentages. A move from 45% to 44% is a fall of one point.
- **Mood versus action:** Whether a business’s stated outlook matches what it is actually doing: hiring, expanding, or holding position.

Planning and regulation

- **Statutory timetable:** The period set in law within which a planning authority should determine an application.
- **Higher-risk building, or HRB:** A building covered by the stricter regime of the Building Safety Act, generally taller residential buildings.
- **Gateway regime and Gateway 2:** The three-stage approval process the Building Safety Regulator applies to higher-risk buildings. Gateway 2 is the approval required before construction can begin.

Survey and data

- **Businesses/Contributors:** The 200+ architects, designers, contractors and consultants who responded to this year’s study.
- **Base:** A subset from within the overall respondents used to calculate a particular figure.
- **Share of Businesses:** The percentage of contributors sharing a particular answer.
- **Ranked first:** “Ranked first” counts only the option businesses placed at the top, not every option they selected. A cause can be widely mentioned but rarely ranked first.
- **Control group:** A comparison group used to test whether a finding is real. Where businesses holding Middle Eastern money are compared with businesses holding Asian money, businesses holding neither act as the control.

Technology

- **Automation:** Using software to carry out a process without a person running it each time, as distinct from using software to produce a document faster.
- **Machine learning:** Software that improves at a task by finding patterns in data, rather than following rules written by a person.
- **Digital twin:** A working digital model of a building, used to test designs, layouts and materials before construction begins.



Image courtesy of RedBook Partner, Todhunter Earle

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