

Residential Development Land

UK Development – Q1 2026



KEY STATS

-2.5%
UK GREENFIELD ANNUAL CHANGE

-5.8%
UK URBAN ANNUAL CHANGE

-7.0%
CENTRAL LONDON RESIDENTIAL ANNUAL CHANGE

+1.6%
CENTRAL LONDON OFFICE ANNUAL CHANGE

A mixed start to the year

The land market has continued to experience regional divergence over the first quarter of 2026. Sales rates remain muted in large parts of the South East and East of England, prompting caution from housebuilders, while a robust housing market in the North of the country and parts of the East Midlands has resulted in continued activity and good competition

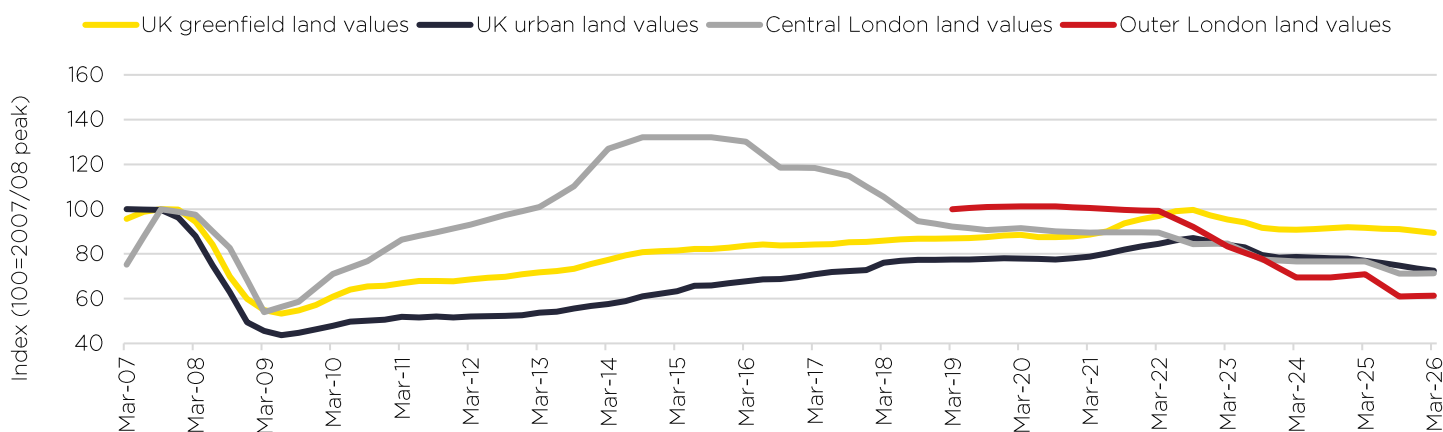
for sites. Overall Greenfield values only fell by an average of -0.9% across the UK in Q1 2026, with regional performance varying from -2.1% in the South East to +3.3% in Scotland.

The urban land market continues to face considerable headwinds. There has been little appetite for flat led schemes across most of the country due to ongoing

viability challenges, and as a result, urban values fell by -1.4% in Q1 2026, bringing annual falls to -5.8%.

However, London bucked the trend, with values in both Outer and Central London holding steady. A perceived floor in values has been reached after several years of more rapid declines, albeit with very few transactions in the market over the last six months.

LONDON LAND VALUES HOLD STEADY, BUT REGIONAL MARKETS COME UNDER PRESSURE



Source: Savills Research

Diverging greenfield markets

Although PLC developers have reported slightly improved sales rates of around 0.6 sales per outlet per week at the start of the year, SME developers have come under more pressure. Developers delivering 500-1,000 homes per year have seen sales fall by around 40% from 33 homes per year from the average outlet in 2021, to just 19 in 2025. The greatest drop in activity has

come in the less affordable markets across the South East, South West and East of England.

Unlike the larger developers, SMEs have not seen any pickup in sales in the first three months of this year. SMEs generally deliver a more specialist housing product, and sell at slightly higher values than the wider market, meaning sales rates amongst

these organisations are more sensitive to the affordability constraints of buyers. We expect SMEs will target more affordable markets this year as a result, with certain organisations entering into contracting work.

With little improvement in the sales market, housebuilders have shown some more caution and are seeking to eliminate

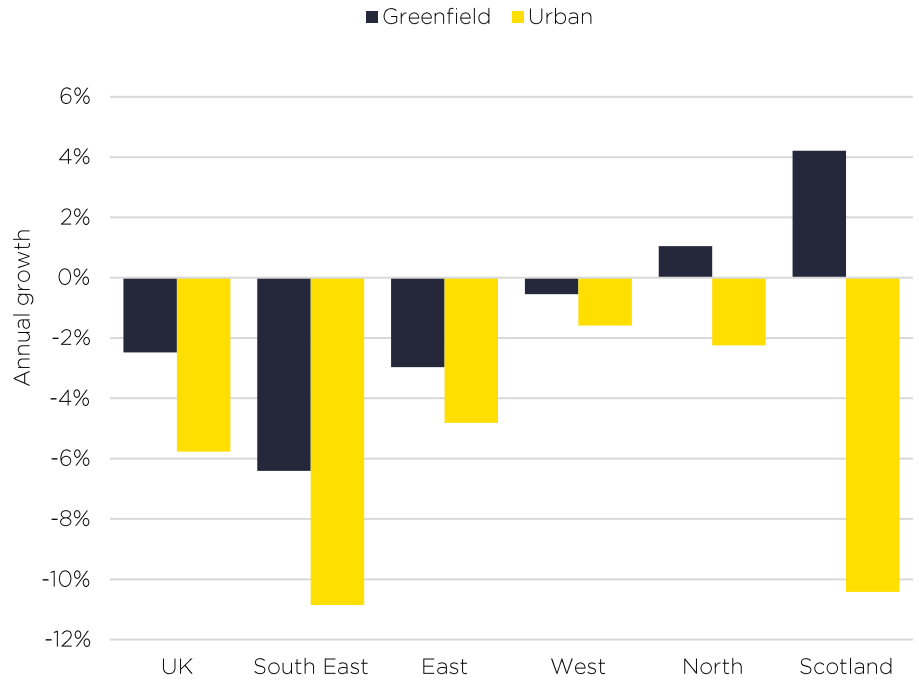
risk where possible from land buying. Developers preference is for oven-ready sites with full planning consent, where there is greater confidence in the ability to progress on site quickly. The PLCs have been considering smaller sites than usual to keep initial costs down, and parcel sales from housebuilder to housebuilder have become more frequent to support cash flow and increase outlet numbers. Where possible, deferred payments are preferred, and there is also an increasing number of conditional offers linked to planning.

As a consequence, the number of bids on the majority of sites in southern markets are down and only prime sites in sought-after locations are receiving strong competitive interest. These markets include regional economic hubs with strong local employment markets such as Brighton, Oxford and Chelmsford. Land values in these areas have held steady over the last year. But secondary locations have seen more significant downwards adjustment in values, as the land market becomes increasingly localised.

However, in the North of England and Scotland, greenfield values have continued to rise, supported by a more robust housing market and a shortage of sites.

This shortage of land is unlikely to be resolved quickly. In England, there is evidence that the number of planning applications has risen sharply in the second half of 2025, since the revisions of the National Planning Policy Framework (NPPF) in December 2024. [Q3 2025 \(the most recent data available\) saw a 44% increase in planning applications](#)

AFFORDABILITY CONSTRAINTS PUT PRESSURE ON VALUES IN THE SOUTH EAST



Source: Savills Research

compared to 2024, and we see no reason for Q4 not to show a similar increase. However, decision times have increased over the past decade to an average of 14 months, according to Savills analysis of live applications. We therefore expect it will be a while before these applications result in an increased supply of sites.

Similarly, in Scotland greenfield land supply is under pressure and any sites coming to market are receiving strong

Interest from housebuilders. Although popular everywhere, strategic land is particularly in demand in Scotland, due to the National Planning Framework 4 (NPF4) restricting greenfield development to allocated sites only. Developers are therefore seeking to secure opportunities that will be allocated in the latest round of emerging Local Plans to support their long-term pipelines.

Challenges persist in the London market

The London land market continues to grapple with the combined challenges of weak sales rates, high build costs and increased building regulation. The first quarter of the year was slow, with many



Demand is restricted to areas that can either support higher price points or lower densities

landowners waiting for clarity in relation to the GLA's emergency planning measures and general improvements to market sentiment, resulting in a lack of sites coming forward. With medium to high-density schemes now typically requiring values exceeding £800psf to be viable, demand is restricted to areas that can either support higher price points or lower densities.

Nevertheless, implementation of the GLA emergency measures and affordable housing requirements being temporarily reduced to 20% for residential developments on privately owned land have been positively received.

Broadly speaking, however, there has been little change in land values over the past 6 months in either Central and Outer London. Any positive impact of planning changes or additional affordable housing grant funding has been offset by continuing concerns about possible build

cost inflation and weak sales demand. Central London values are still down by -46%, compared to the 2014 peak, whilst Outer London values are down -39% since Covid.

Land values for commercial schemes have been more resilient. Both Central and Outer London office values remained flat over the last 6 months (0.0% change), although Central London values increased by 1.6% annually. Liquidity in the commercial market improved towards the end of 2025 and into 2026, as debt costs decreased, investment yields held firm and build cost inflation appeared to have stabilised. There is, however, now an air of uncertainty around the impact the conflict in the Middle East will have on development, with increasing material prices and cost of debt the primary concerns.

Urban viability remains under pressure

There remains a lack of appetite for urban land across the country. Urban schemes in the regions face the same challenges as the London land market, with high build costs and building safety regulations posing a threat on scheme viability. The largest falls were seen in the regions with the most challenged housing affordability,

with the South East and East seeing falls of -2.6% and -2.2% in Q1, respectively. In Wales, added pressure has come from changes to Multiple Dwellings Relief within the Land Transaction Tax, which has dampened appetite for urban land.

Most activity is for Build to Rent and Co-Living schemes, although developers

are increasingly selective around location. There is some caution emerging around PBSA development, as declining numbers of international students and lower occupancy rates have made investors more sensitive to local market supply and demand dynamics.

Outlook

Demand for land will continue to be heavily dependent on market sentiment, confidence, and sales rates. Without any buyer-side support, appetite for land in the South will be impacted, whereas we expect continued strong demand for land in the North and Scotland.

An element of counter cyclical resilience is likely to come from the Affordable Housing sector as the first allocations from the new Social and Affordable Homes Program will be made later this year. This should prompt increased land buying activity from the sector, as well as providing more confidence around routes to market in locations with weaker private sales.

Although there has been some uptick in planning activity, it is unlikely a drastic increase in supply will come forwards this year, suggesting that within already supply constrained Northern regions, land values have the potential to remain stable or even continue rising.

Across the country build costs and viability will continue to be a challenge. The Future Homes Standard (FHS) was confirmed at the end of March to come into effect on all new build homes from 2028 to ensure they are 'zero-carbon-ready'. The requirements are expected to add around £4,500 in additional build costs per dwelling according to MHCLG's

impact assessment, at a time when development viability is already a challenge in some locations. Nevertheless, after a decade in the making, this confirmation gives developers increased certainty to factor these costs into their land buying.

On top of this, developers are also considering the impact of the Building Safety Levy, coming into effect for building applications submitted from October 2026 onwards. These direct upfront development costs will vary by local authority, but will have a particular impact on high density apartment schemes in high-value urban markets like London and other markets across the wider South East.

The greater uncertainty lies in the impact of the conflict in the Middle East on build costs, mortgage costs and housing market activity. There was no evidence of any land market impact in Q1, with the geopolitical outlook only becoming a consideration in the final weeks of the quarter. Given the continued uncertainty, it is still too early to draw any firm conclusions on the direction of the wider housing market. However, we do expect that current trends of cautious land buying, with strong preference for deliverable and de-risked sites, will continue to define the development land market over the coming months.

KEY TAKEAWAYS

01

The market is characterized by regional divergence. Weaker sales rates in the South of England are driving caution amongst housebuilders, with the opposite true for those in the North.

02

London land market activity remains subdued. Slow sales rates, increased build costs, and tightening building regulations have created a poor environment to deliver at higher densities, and fewer sites are coming forward as a result.

03

SMEs are recording fewer sales than larger housebuilders. These operators are more sensitive to consumer affordability issues, and we expect many to focus on more affordable markets over the course of 2026.



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