

English Housing Supply Update

UK Residential – Q1 2026

Housing targets are at risk

Housing supply stable in first quarter of 2026, but construction starts fall

Annual home completions rose for the second consecutive quarter at the start of the year. 204,500 homes were built in the twelve months to March 2026, according to Energy Performance Certificate (EPC) data. This marks a very marginal improvement (1%) on Q4 2025. Nevertheless, housing supply remains considerably below what's needed to meet either the Government's calculation of housing need in England, (c. 367,000), or its policy target of delivering 1.5 million new homes over the life of the current Parliament.

On top of this, construction starts have continued to fall, indicating that future housing delivery will be little better. Starts fell by 4% between January and March 2026 alone, and are down 3% on an annual basis, according to figures from the National House Building Council (NHBC).

Minor boost in number of homes gaining planning permission, but consents remain scarce

Around 186,000 homes gained planning consent in the twelve months to Q1 2026, per Savills estimates using figures from Glenigan and the Home Builders Federation (HBF). On the positive side, this marks the first quarterly rise in annualised consents since 2024; whether this is sustained remains to be seen. Set against a wider context of housing need and policy targets, consents remain very low and unable to sustain the current level of housing delivery. Future new home completions are likely to decline as a result, putting further pressure on meeting housing targets.

Uncertainly and high mortgage rates risk hampering new build market

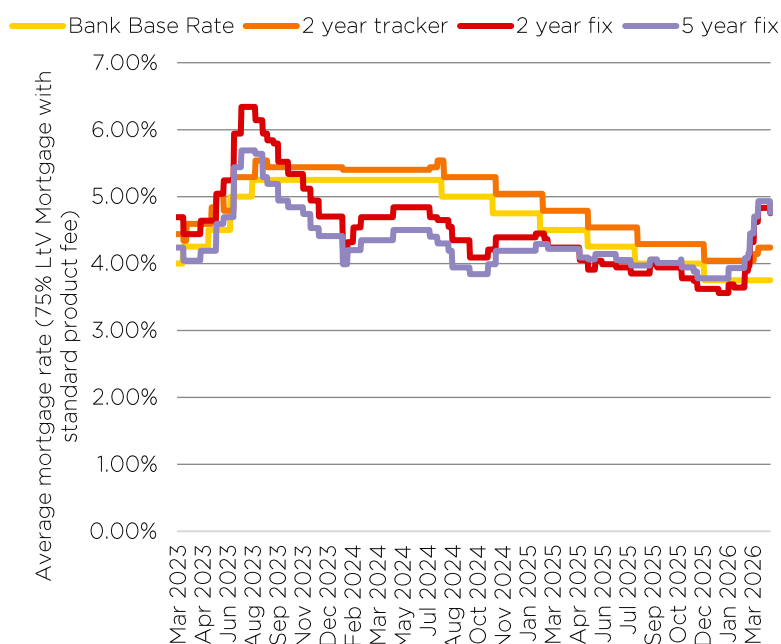
The recent conflict in the Middle East has generated greater uncertainty and a risk that inflation will rise. This in turn raises the possibility of further interest rate increases, which is likely to lead to cooling demand for new homes and reduced activity from housebuilders.

FIGURE 1 – HOUSING SUPPLY (VS LAST QUARTER)

	367,400 Number of new homes required per year under Standard Method local housing need assessment, March 2026
	300,000 Number of new homes required on average each year to meet government policy target
	204,500 (+1%) Number of new home completions, 12 months to March 2026 (EPCs)
	c. 186,000 (+3%) Number of homes estimated to have gained full planning consent, 12 months to March 2026 (using HBF & Glenigan)

Source: MHCLG Live Tables 122, NBI, SM Housing Need; HBF, Glenigan

FIGURE 2 – MORTGAGE RATES



Source: Nationwide

Rising mortgage rates put further pressure on residential development

Developers and buyers are grappling with the rising cost of borrowing, as mortgage rates and debt costs have risen sharply off the back of geopolitical tensions.

Mortgage rates have been steadily easing since their recent peak in 2023, as falling inflation enabled the Bank of England to make cuts to the base rate. By giving a boost to homebuyers' budgets, the steady fall in rates led the housing market to recover some momentum. With the uncertainty over the duration of disruption to global oil and gas supplies, the risk that inflation rises significantly has returned, putting further cuts on hold. No reduction in the base rate is expected in 2026, according to forecasts from Oxford Economics, in a reversal from the two rate cuts predicted before the conflict. In fact, lenders have sharply increased rates, with the average 2 year fixed rate mortgage carrying an interest rate over 4.8% in mid-April, up from around 3.6% in mid-January.

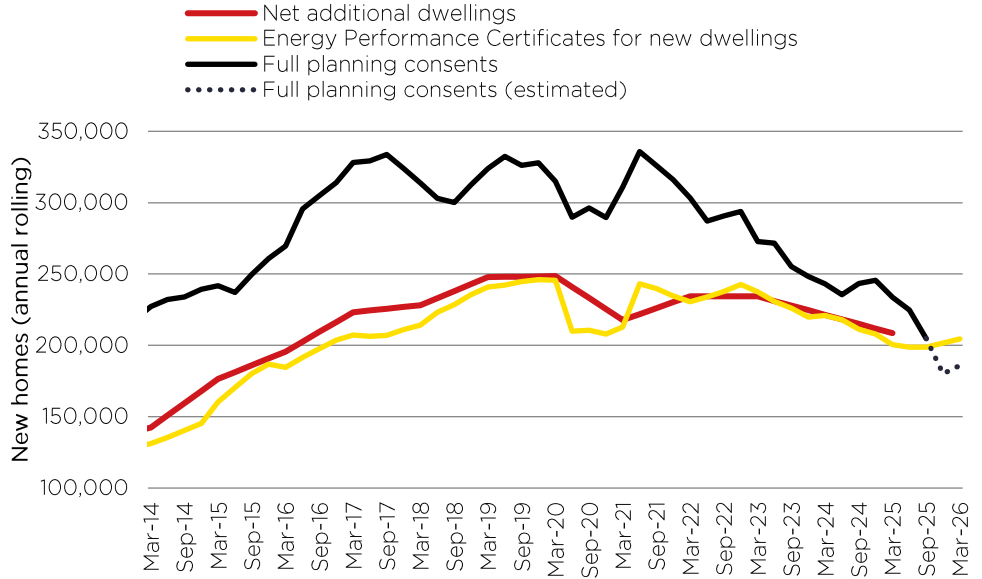
With sales rates already softening (particularly in southern England), adding higher borrowing costs on top will only dampen buyer demand further, and reduce the likelihood of sales rates improving in the short-term. The long-term impact will be determined by the duration of the disruption, the level of inflation, and how soon the Bank can return to cutting rates.

ENGLISH HOUSING SUPPLY UPDATE

204,500 new homes were built in the year to Q1 2026, according to EPC data. This marks the second quarter in a row in which annual completions have risen, a contrast to the consistent falls seen since the beginning of 2024. Annual completions were 1% higher than last quarter and 2% higher than in Q1 2025.

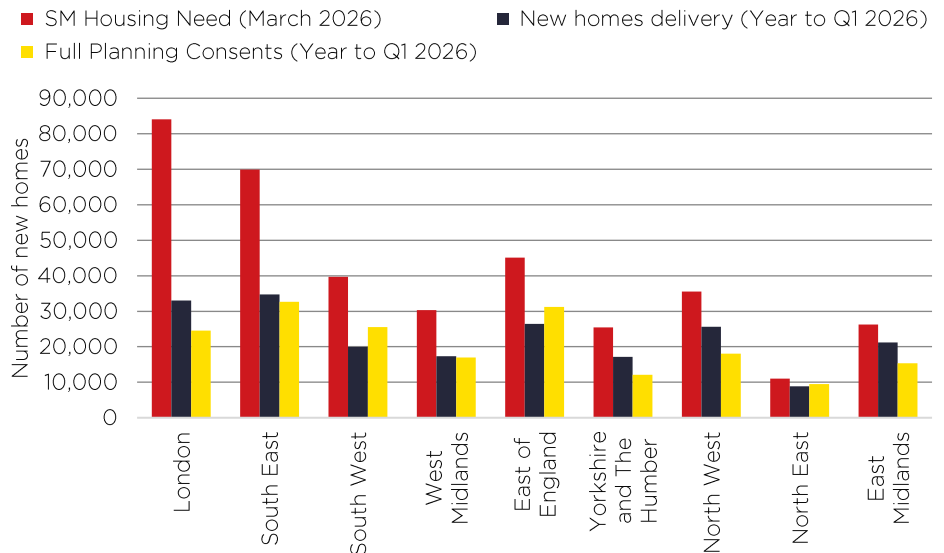
Around 186,000 new homes gained full planning consent in the year to Q1 2026, according to initial estimates using figures from Glenigan and the HBF. That represents a slight increase (3%) on Q4 2025, but the number of consents remains very low in a long-run context, and a lack of planning permissions continues to jeopardise efforts to increase housing delivery or meet the Government’s housing targets.

FIGURE 3 - DELIVERY FLAT WHILE CONSENTS TICK UPWARDS FOR FIRST TIME SINCE 2024



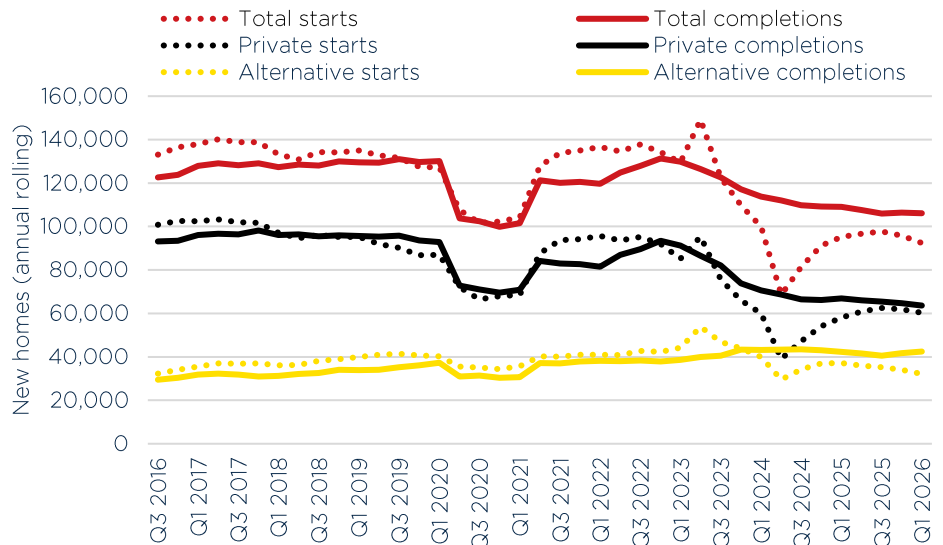
Source: MHCLG Live Tables 122, NBI, HBF, Glenigan

FIGURE 4 - SIX OUT OF NINE REGIONS ARE AT RISK OF FALLING SUPPLY



Source: MHCLG Table NBI, HBF, Glenigan (only 10+ units)

FIGURE 5 - CONSTRUCTION STARTS FELL IN EARLY 2026



Source: NHBC Residential Construction Statistics Portal

By comparing the number of homes granted planning permission with the number being completed, we can roughly gauge whether supply is growing or falling.

In the year to Q1 2026, six out of nine English regions granted consent for fewer new homes than were completed, indicating that the pipeline of new homes is likely to contract.

All regions failed to meet housing need as per the Standard Method. London is the furthest behind, with only 39% of the target in the year to Q1 2026 delivered, a shortfall of over 51,000 homes. The East Midlands delivered 81% of its housing need over the same period, making it the region closest to meeting its need.

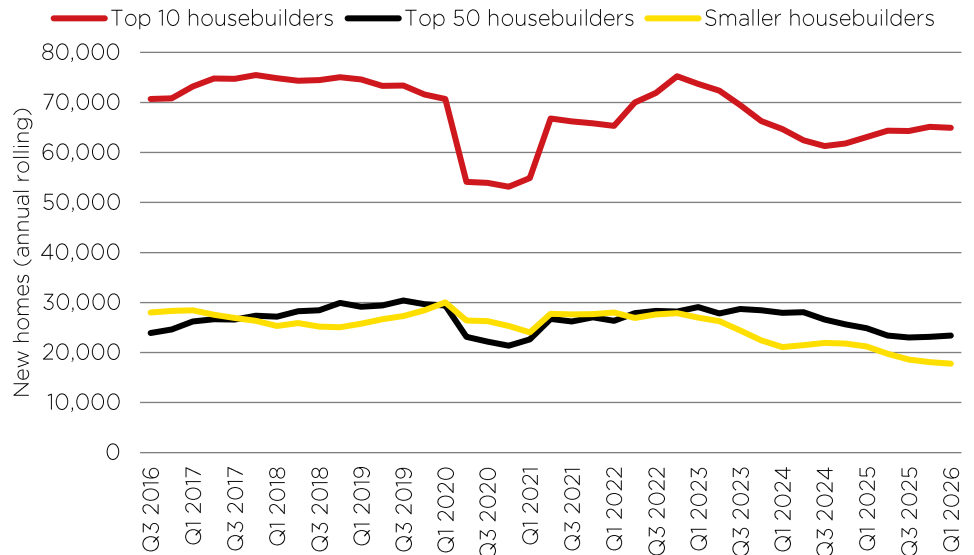
The NHBC starts and completions data does not capture all new homes being built but does give an update on the direction of travel for new build delivery.

Construction starts continued to fall in the first months of 2026. Total starts have dropped 4% in the quarter and by 3% on an annualised basis. The drop-off has been mainly driven by a decline in alternative housing starts (which includes affordable housing and Build to Rent). This sector saw starts fall by 14% compared to a year before. Private housing starts, by contrast, rose by 4% compared to Q1 last year, although they still saw a quarterly decline.

Completions were down by 3% on an annual basis but otherwise remained stable. Alternative completions rose by 2% in Q1, whereas private completions fell by 2%.

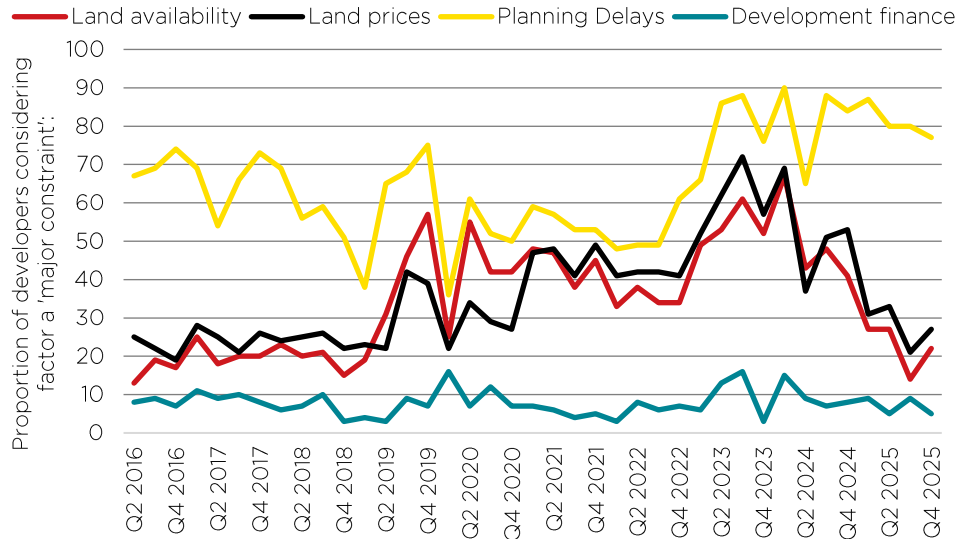
ENGLISH HOUSING SUPPLY UPDATE

FIGURE 6 - THE TOP 10 HOUSEBUILDERS MAKE UP NEARLY TWO-THIRDS OF HOUSING SUPPLY



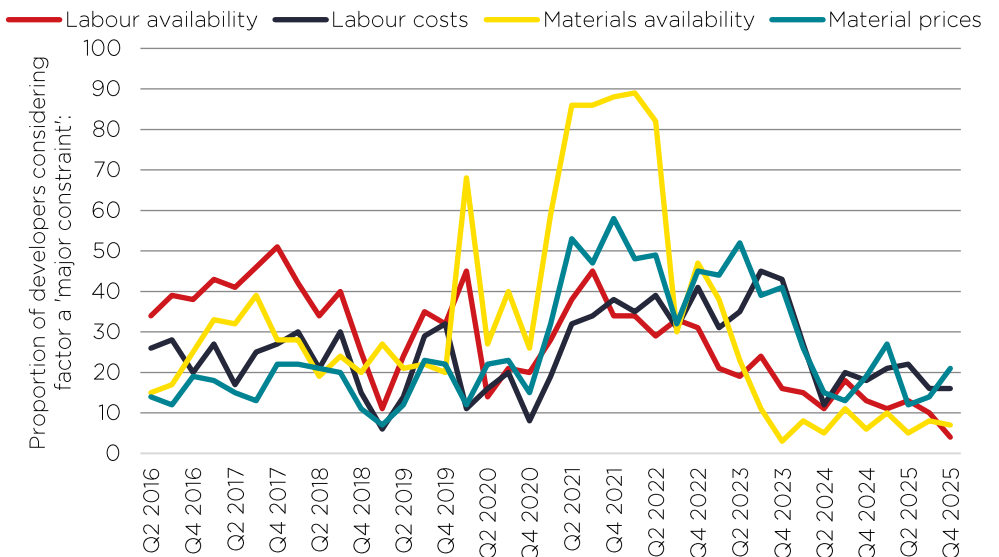
Source: [NHBC Residential Construction Statistics Portal](#)

FIGURE 7 - PLANNING DELAYS CONTINUE TO BE THE TOP BARRIER TO DEVELOPMENT



Source: [NHBC Residential Construction Statistics Portal](#)

FIGURE 8 - MATERIAL PRICES RISE, WHILE LABOUR COSTS EASE



Source: [NHBC Residential Construction Statistics Portal](#)

The gap in housing delivery between the very largest housebuilders in England and the rest continues to widen. The proportion of homes delivered by the 10 largest housebuilders increased by 6% in the year to Q1 2026.

By contrast, developers outside of the top 10 make up a declining source of housing supply. Among the top 11 to 50 largest housebuilders by volume, new home completions fell by 6% in the year to Q1 2026. For those outside the top fifty, completions fell by 16% over the same period, reflecting the greater exposure of this part of the sector to challenging market conditions.

The NHBC sentiment survey provides qualitative data on the major constraints affecting housebuilding.

77% of developers cited planning delays as a constraint in Q4 2025. Although lower than the last quarter, issues with planning remain the leading barrier to development, as the increased volume of applications has led to longer determination periods. The average time to determine a major planning application has risen to 14 months.

Land prices and land availability both increased a little as an issue in Q4 2025, but remain in line with long-term trends.

Nationally, land prices have softened, [according to the Savills Development Land Index](#), reflecting weaker demand among developers (particularly in southern England).

The share of developers naming labour availability as an issue dipped to the lowest point for many years, while the proportion of developers citing labour costs remained broadly unchanged. Labour not being a constraint on development is likely driven by the demand for labour softening alongside housing starts and completions.

The proportion of developers citing material prices has risen, with over one in five now citing it. Materials will likely become more prominent as an issue over the rest of the year as geopolitical uncertainty and supply chain issues put pressure on build costs.

We track the average private sales rate per outlet per week across major PLC housebuilders using trading statements and financial accounts.

The PLCs averaged 0.58 sales per outlet per week between June and November 2025, softening since a recent peak of 0.61 at the beginning of 2025.

Data covering recent months suggests average sales rates may rise. Three major housebuilders – Taylor Wimpey, Persimmon, and Barratt Redrow – have issued updates to February 2026. The latter two reported rises in average sales rates (excluding bulk) of 3% compared to 2025. Taylor Wimpey reported 0.72, down 5% from 2025.

The gap between starts and completions in the Build to Rent (BtR) sector widened in Q1 2026. More homes have been finished than started for nine consecutive quarters. This has caused the number of BtR homes under construction to fall to 47,000 homes in Q1 2026 – 17% fewer than the year before. The drop-off in starts has been more pronounced in London, where only c. 1,000 homes were started in the year to Q1 2026, a sharp decline from the peak of 8,500 in 2023.

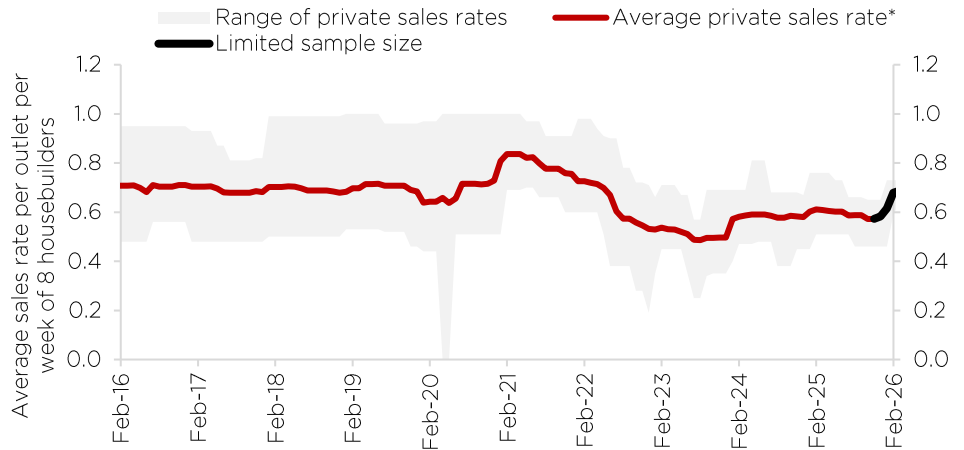
Completions have also continued to decline, with only 14,700 new BTR homes delivered in the year to Q1 2026.

Affordable delivery held up in the year to March 2025, according to MHCLG data, with almost exactly the same number of homes delivered as the previous year.

The 2021-2026 Affordable Homes Programme is closing and we expect providers to rush to spend the last available funding. Our current estimates using NHF figures are for a steep rise in social housing delivery (heavily reliant on grant funding) in 2026. Delivery of tenures that rely more heavily on developer contributions is set to fall, reflecting lower private housebuilding.

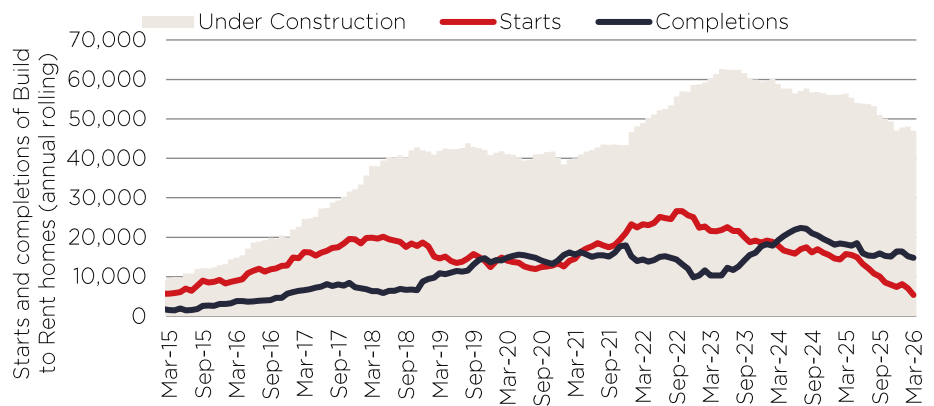
Overall, we currently expect affordable housing delivery to fall by around 7% in 2025/26 (equivalent to around 4,000 homes).

FIGURE 9 - PLC SALES RATES DIP BELOW 0.6 SALES PER OUTLET PER WEEK BUT MAY RISE



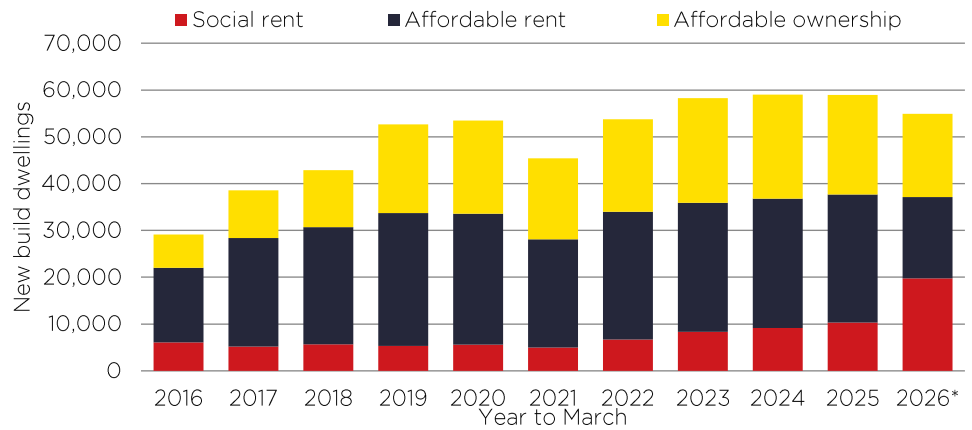
Source: Savills Research *Excluding bulk sales to provide accurate representation of market activity from individual homebuyers.

FIGURE 10 - OVERALL BTR STARTS CONTINUE TO FALL, INDICATING DELIVERY WILL DECREASE



Source: Savills, British Property Federation, Molior

FIGURE 11 - OVERALL AFFORDABLE DELIVERY TO FALL IN 2025/26, WHILE SOCIAL RENT RISES



Source: MHCLG Live Table 1009 *estimated using NHF



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