RESEARCH

BRIEFING NOTE

English Housing Supply Update

UK Residential – Q2 2026

savills

Challenges accumulate for developers

Home completions remain flat with further falls likely
202,700 homes were built in the year to Q2 2026, according to Energy Performance Certificate (EPC) data. With only a 0.4% rise compared to last quarter, housing delivery remains essentially static at almost 100,000 homes short of the government policy target and yet further behind the Standard Method housing need figure.

Completions will likely fall further still, with construction starts nearly a third (32%) below the pre-Covid average for Q2. A lack of starts means supply will remain constrained. Savills forecasts completions to fall to an average 167,500 per year over the five years to 2029/30.

Planning consents on the rise
We estimate around 205,000 homes gained full planning consent in the twelve months to Q2 2026, using data from Glenigan and Home Builders Federation (HBF). This marks a 13% quarterly rise in annualised consents, the largest in at least 10 years, indicating that planning reforms may be starting to have a real effect. Data from Planning Portal suggests forward momentum will be maintained, with Q1 2026 seeing the highest number of new homes being applied for of any first quarter in six years.

Muted demand for new homes weighs on developers' confidence
Despite higher interest rates and economic uncertainty, PLC sales rates have remained steady at just below 0.6 sales per outlet per week over the last year. This has been achieved, however, through ongoing use of sales incentives to secure new home purchases.

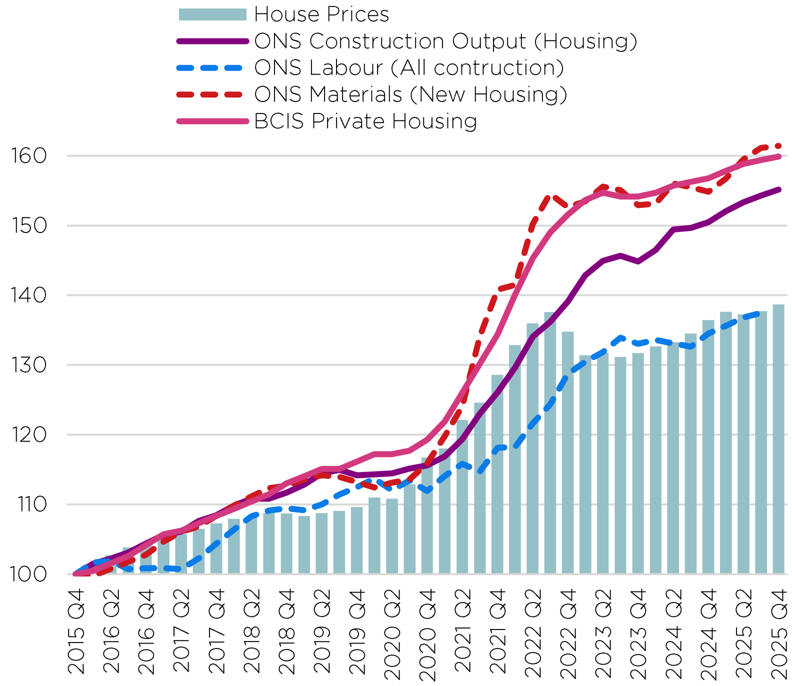
Due to their more limited financial capacity, smaller housebuilders are less able to deploy incentives and face much more challenging market conditions. The proportion of homes delivered by the smallest housebuilders decreased by 16% in the year to Q2 2026 as a result of these challenges. Many lenders also started to increase mortgage rates again in July, meaning affordability and buyer demand are unlikely to be fully restored this year.

FIGURE 1 – HOUSING SUPPLY (VS LAST QUARTER)

	370,500 Number of new homes required per year under Standard Method local housing need assessment, May 2026
	300,000 Number of new homes required on average each year to meet government policy target
	202,700 (+0.4%) Number of new home completions, 12 months to June 2026 (EPCs)
	c. 205,000 (+13%) Number of homes estimated to have gained full planning consent, 12 months to June 2026 (using HBF & Glenigan)

Source: MHCLG Live Tables 122, NB1, SM Housing Need; HBF, Glenigan

FIGURE 2 – VIABILITY AS A GROWING BARRIER TO DEVELOPMENT



Source: Savills using ONS, BCIS and Nationwide

Material cost inflation is placing pressure on viability.
Viability has become an increasing barrier to housing delivery over the last 5 years. According to Savills' analysis, the rate of construction cost inflation has been 80% higher than the rate of house price growth between Q4 2020 and Q4 2025.

This has created a widening gap between build costs and house prices, in turn placing more pressure on developers' profit margins. The gap has been the most pronounced in London and the South East, where house price growth has been constrained by limited affordability and greater exposure to higher mortgage rates.

BCIS is forecasting for build cost inflation to ease from 3.2% to around 2.0% per year by the end of 2026. A sustained period of house price growth would also be needed to support improvements in viability, however.

And even then, there are other increasing costs placing downwards pressure on viability. New building regulations and environmental planning policies have also significantly increased costs over the last 5 years, according to the HBF. The upcoming Future Homes Standard and Building Safety Levy will further weigh on developers' margins, with little prospect of house price growth in the short term to offset increasing costs.

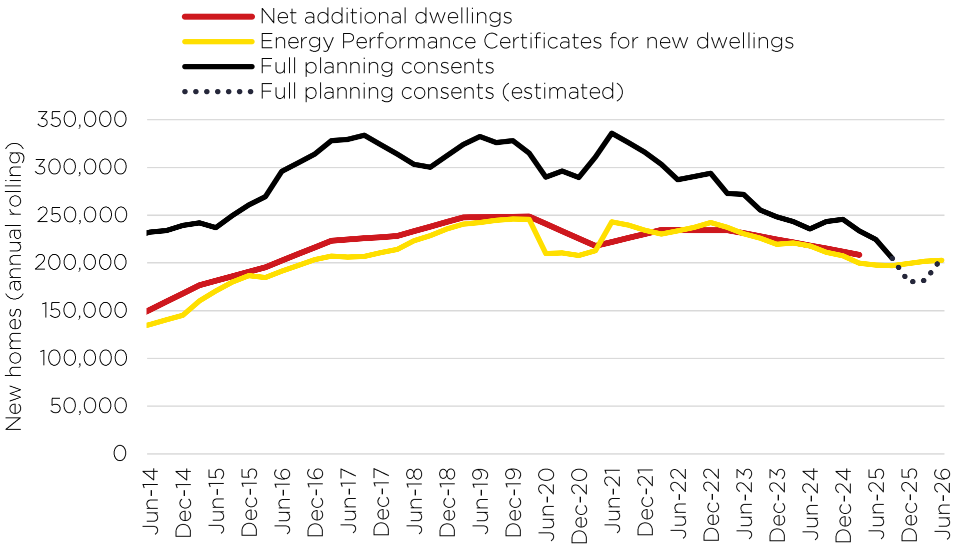
Viability challenges remain most acute on high rise urban schemes, which face both higher build costs from more complex construction and a greater regulatory burden under the Building Safety Act. Demand for city centre development remains subdued as a result.

202,700 new homes were built in the year to Q2 2026, according to EPC data. Annual completions remained flat (0.4% rise) compared to last quarter but were 3% higher than in Q2 2025.

We estimate that c. 205,000 new homes gained full planning consent in the year to Q2 2026, using initial figures from Glenigan and the HBF. This represents a considerable increase (13%) on Q1 2026. The rise suggests that changes to the planning system, an increase in the number of applications and more consents being granted at appeal are all beginning to have an effect on the number of homes gaining planning permission.

Nevertheless, planning consents are still very low in a historical context, and well below what's required to reach the government's housing targets.

FIGURE 3 – DELIVERY FLAT WHILE CONSENTS RISE



Source: MHCLG Live Tables 122, NB1, HBF, Glenigan

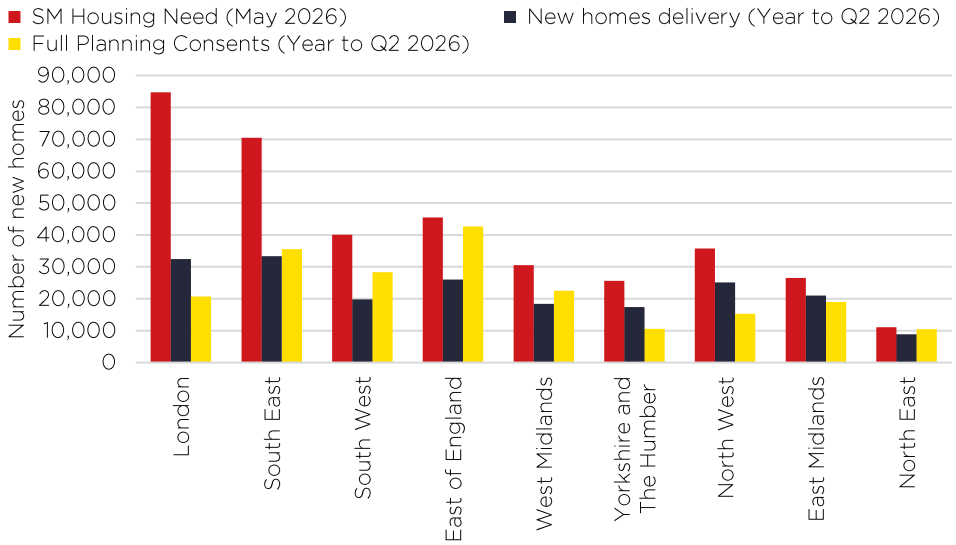
By comparing the number of homes granted planning permission with the number being completed, we can roughly gauge whether supply is growing or falling.

In the year to Q2 2026, four 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 in these regions.

The East of England granted consent for over 42,000 homes, 64% more than their current delivery levels. This was driven by two very large sites, which will take a substantial amount of time to build out. This means that any significant boost to supply in the region will take time to materialise.

All regions failed to meet housing requirements under the Standard Method. London remains the furthest behind, with only 38% of the target in the year to Q2 2026 delivered.

FIGURE 4 – EAST OF ENGLAND LEADS IN NUMBER OF HOMES GRANTED PERMISSION



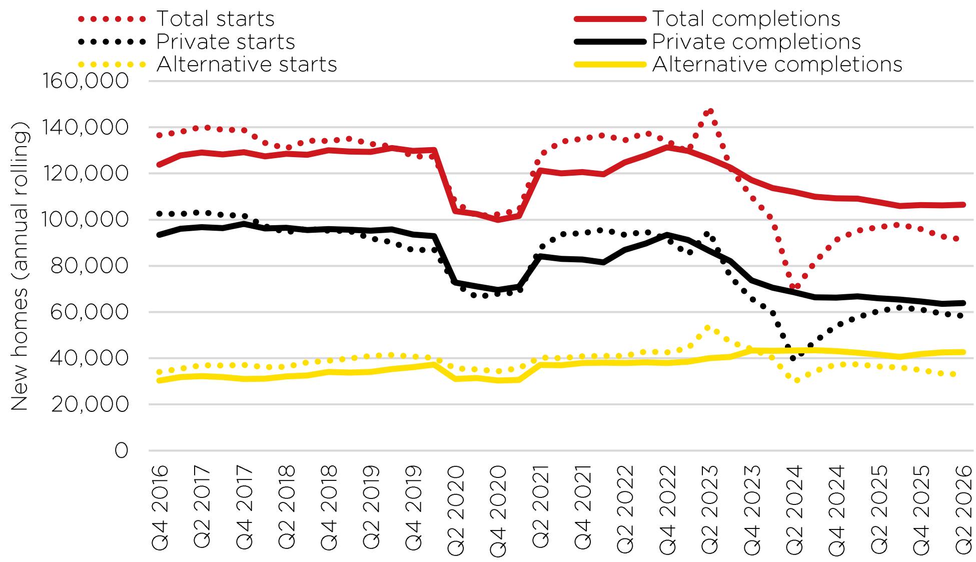
Source: MHCLG Table NB1, HBF, Glenigan (only 10+ units)

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 Q2. Total starts dropped by 1.5% on the quarter and by 5.7% on an annualised basis. Private starts fell by 1.6% on the quarter and by 3.6% compared to last year. Alternative starts (which include affordable housing and Build to Rent) experienced a fall of 1.3% in Q2 but a much larger fall of 9.3% compared to a year before.

Overall, completions remained flat on the quarter, recording a slight fall of 1% on an annualised basis. Alternative completions were unchanged in Q2, whereas private completions rose by 0.6% on the quarter.

FIGURE 5 – CONSTRUCTION STARTS CONTINUE TO DECLINE WHILE COMPLETIONS REMAIN FLAT

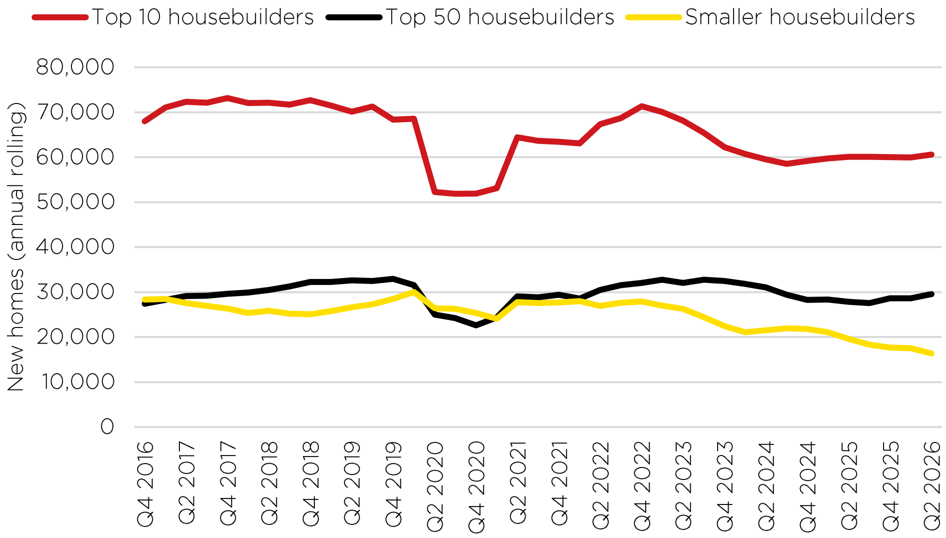


Source: NHBC Residential Construction Statistics Portal

The gap in housing delivery between the largest and smallest housebuilders continued to widen in Q2, with the proportion of homes delivered by the 10 largest housebuilders increasing by 2% in the year to Q2 2026.

Among the top 11 to 50 largest housebuilders by volume, new home completions rose by 1% on the quarter. By contrast, the proportion of homes delivered by the developers outside of the top 50 declined by 16% over the same period, indicating that these developers are facing greater challenges in current market conditions.

FIGURE 6 – GAP BETWEEN THE TOP 10 AND SMALLER HOUSEBUILDERS CONTINUES TO WIDEN



Source: NHBC Residential Construction Statistics Portal

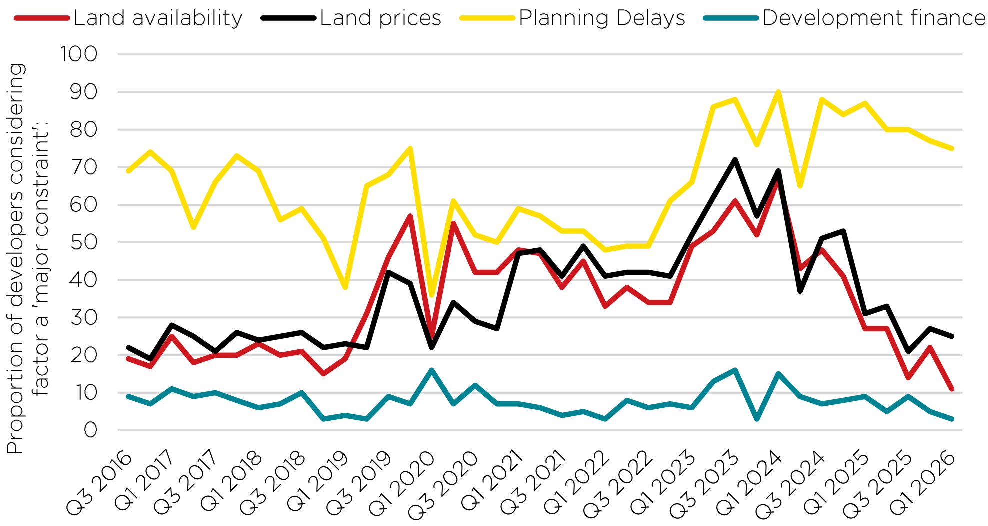
The NHBC sentiment survey provides qualitative data on the major constraints affecting housebuilding.

75% of developers cited planning delays as a constraint in Q1 2026. Planning delays remain the leading barrier to development, although this has been declining as an issue over the last few quarters.

Land prices and land availability remain in line with long term trends, although demand for land remains weak because of lower buyer demand

In Q2, land prices softened across the country, according to the Savills Development Land Index. The greatest falls occurred in the South East, reflecting lower sales rates in that region and a higher level of caution among developers.

FIGURE 7 – PLANNING DELAYS REMAIN A MAJOR CONSTRAINT TO DEVELOPMENT

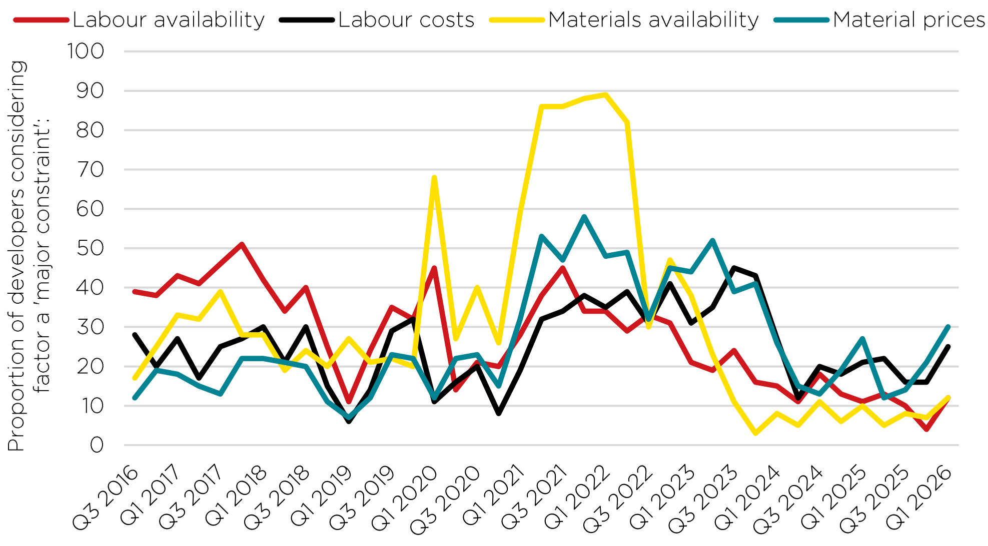


Source: NHBC Residential Construction Statistics Portal

In Q1 2026, labour and materials availability continued to remain low as a constraint to delivery, but rising prices are a concern, with the share of developers citing the cost of labour or materials as a constraint rising to 25% and 30%, respectively.

Geopolitical uncertainty and supply chain issues continue to put pressure on build costs, meaning that materials costs are likely to remain a barrier throughout the year.

FIGURE 8 – MATERIAL PRICES RISE AS CONSTRAINT, WHILE LABOUR COSTS REMAIN SUBDUED



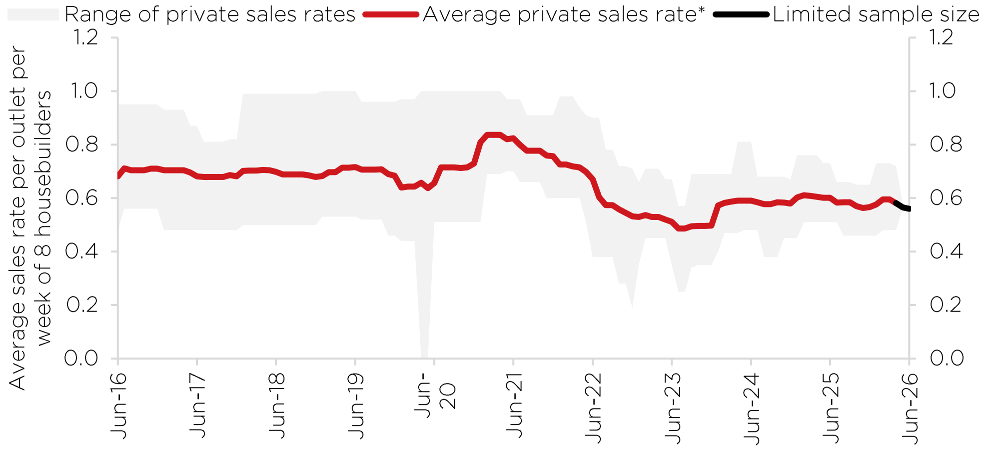
Source: NHBC Residential Construction Statistics Portal

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

The PLCs averaged 0.59 sales per outlet per week between January and April 2026, softening since a recent peak of 0.61 at the beginning of 2025.

Two major housebuilders – Bellway and Barratt Redrow – have issued updates to May and June 2026, respectively. Bellway reported sales rates of 0.58 between February and May excluding bulk deals, 5% lower than the 0.61 reported a year before. Barratt Redrow reported sales rates of 0.56 for the year ended June 2026, unchanged from the previous year.

FIGURE 9 - PLC SALES RATES REMAIN BELOW 0.6 SALES PER OUTLET PER WEEK

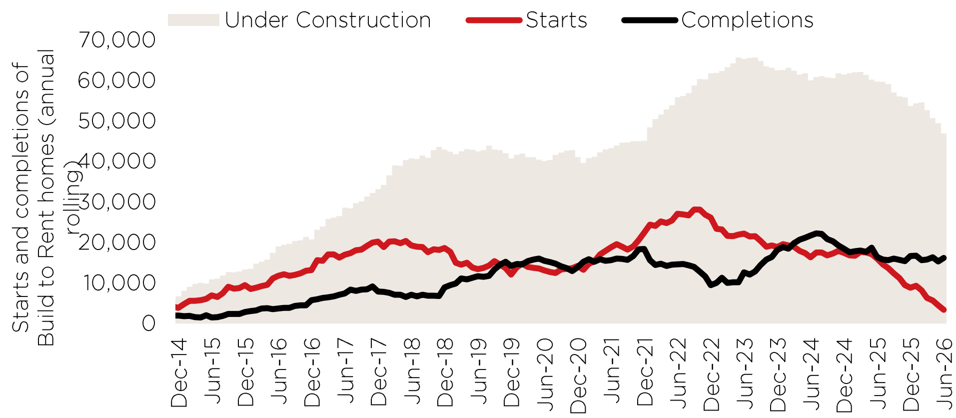


Source: Savills Research *Excluding bulk sales to provide accurate representation of market activity from individual homebuyers.

The gap between Build to Rent (BtR) completions and starts continued to widen in Q2 2026. More homes have been finished than started for ten consecutive quarters. This has caused the number of BtR homes under construction to fall to 47,000 homes in Q2 2026 – 21% fewer than the previous year.

The contraction in homes under construction has been sharpest in London (-27% versus the year before) than the regions (-19%). Development activity has been relatively stronger in the single family housing (SFH) sector. SFH currently makes up only 14% of completed BtR stock, but constitutes 25% of the construction pipeline.

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



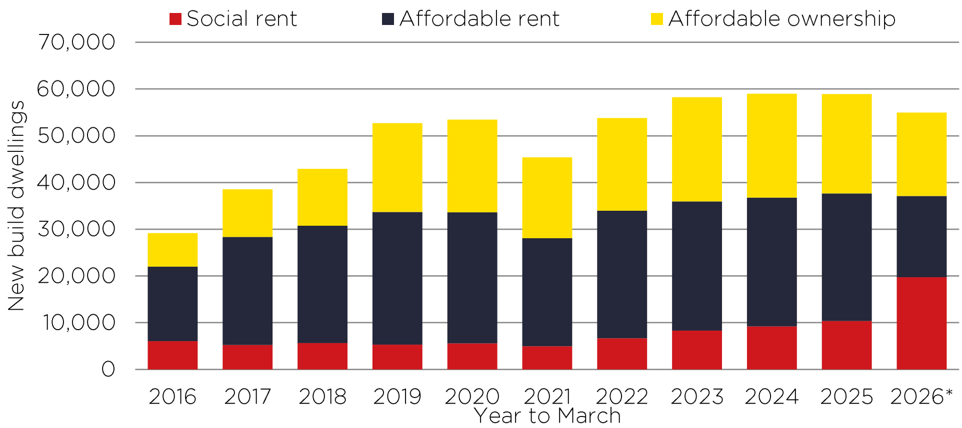
Source: Savills, British Property Federation, Molior

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.

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 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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