RESEARCH

BRIEFING NOTE

# English Housing Supply Update

UK Residential – Q3 2026

savills

# Support announced in a slow market

**Annual home completions dip below 200,000**

199,400 homes were built in the year to Q3 2026, according to Energy Performance Certificate (EPC) data, a 1.0% fall compared to last quarter. The number of housing starts has continued to decline, bringing the total to 7.2% below their levels last year. With fewer homes starting construction, completions are likely to weaken further in the near term.

Meanwhile, the number of homes gaining planning consent has remained broadly flat this quarter, leaving the number of consents 36% below their peak in June 2021. Without a meaningful recovery in planning consents, there is limited scope for housing delivery to increase.

**Viability continues to weigh on the sector**

Commercial viability continues to be a key barrier to development. According to BCIS, build costs have risen by 23% over the last five years and this quarter, the NHBC sentiment survey pointed towards renewed material and labour cost pressures. The Building Safety Levy, Biodiversity Net Gain and nutrient neutrality have also increased the cost of building a home.

In contrast to rising costs, house prices have seen limited growth this year, putting pressure on the profitability of housebuilding, particularly in London and the South East. The OBR has reduced its five year housing completions forecast by 190,000 to 1.11 million homes due to accumulating pressures.

**Developers remain cautious as demand for new homes drops**

UK mortgage rates have increased since the beginning of the Middle Eastern conflict. The average five year fixed rate mortgage reached 6% in early October, the highest in three years, according to Moneyfacts.

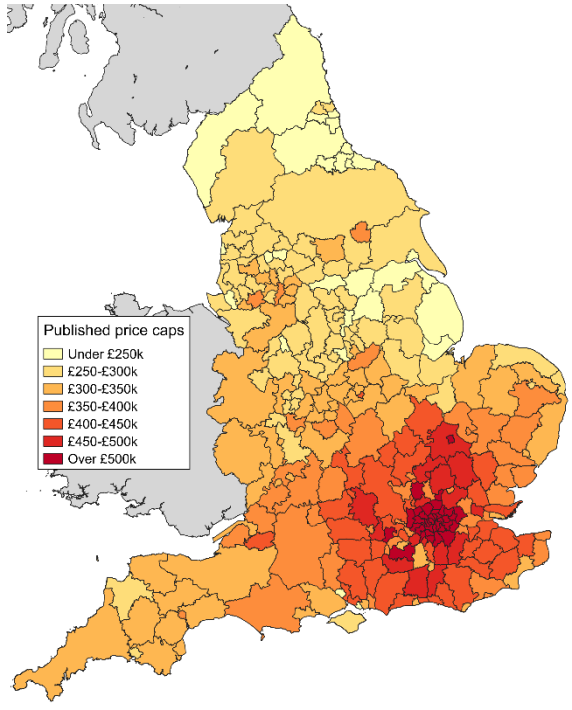
Constrained affordability has dampened demand for new homes. Sales rates reported by the major housebuilders have dipped in recent months, and developers have become increasingly selective and risk-averse, prioritising development in areas with the highest house price growth and new build demand and therefore most likely to generate sufficient profit margins.

**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 | |
| **199,400 (-1.0%)** Number of new home completions, 12 months to Sep 2026 (EPCs) | |
| **c. 215,000 (+0.1%)** Number of homes estimated to have gained full planning consent, 12 months to Sep 2026 (using HBF & Glenigan) | |

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

**FIGURE 2 – YOUR FIRST HOME PRICE CAPS**




**Source:** Savills Research using analysis of HMLR

**Your First Home – Support for new build sales**

In October's Budget, the Chancellor confirmed a new first-time buyer support scheme called Your First Home. The scheme, set to launch in April 2027, will enable households to buy a new build home with a 2.5% deposit, accompanied by an equity loan of 20%, which will be interest free for five years. The scheme has been welcomed by the sector as a way of boosting new build demand.

It will be available to first-time buyers with a household income below £140,000 in London and £110,000 in the rest of England. The caps shouldn't be overly restrictive, with average first-time buyer and new build buyer incomes falling below the caps in every local authority apart from Kensington and Chelsea.

Price caps have been set according to median prices at a local authority level, meaning they should be effective at supporting sales across the country. The price caps in London are £650,000 in Inner London and £500,000 in Outer London. The median one-bedroom flat falls under the price cap in 24 of the 32 London boroughs, but the equivalent two-bedroom flat would only be available to buyers in 12 boroughs (concentrated in East London), potentially limiting its impact in the central and western parts of the capital.

£4.7 billion has been allocated for the scheme over five years, with the potential to support 65,000 new build transactions. We expect transactional activity to remain limited in 2027, as mortgage rates remain high, but we expect the take up of the scheme to ramp up from mid-2028. Savills therefore expects housing completions to increase to 190,000 per year from 2029-30, a 25% increase against anticipated completions in 2026-27.

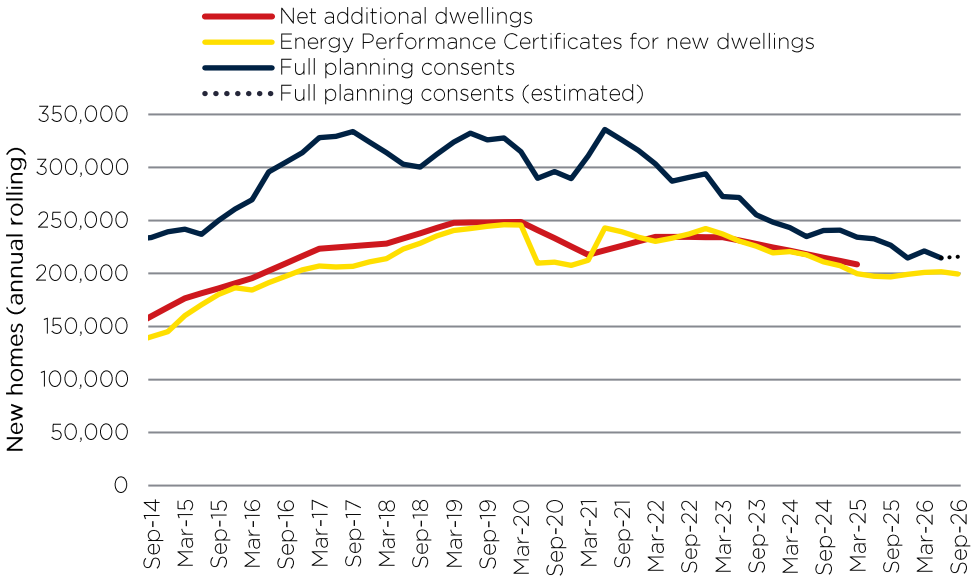
New build demand is likely to fall further ahead of the scheme's launch in April, as prospective buyers delay purchases until it becomes available. We therefore expect further downwards pressure on sales rates in the near future. You can read more here.

199,400 new homes were built in the year to Q3 2026, according to EPC data, a 1.0% decrease compared to last quarter but a 1.3% increase compared to Q3 2025.

We estimate that c. 215,000 new homes gained full planning consent in the year to Q3 2026, per initial figures from Glenigan and the HBF. The number of consents remains low in a historical context, with permissions over 5% below Q3 2025.

On the other hand, consents remain broadly unchanged compared to last quarter, bringing the recent downward trend to an end. This suggests that an increase in planning applications following the NPPF changes has started to feed through the system, which should provide some support for consent numbers in the medium-term.

**FIGURE 3 – HOUSEBUILDING STAGNANT IN Q3**



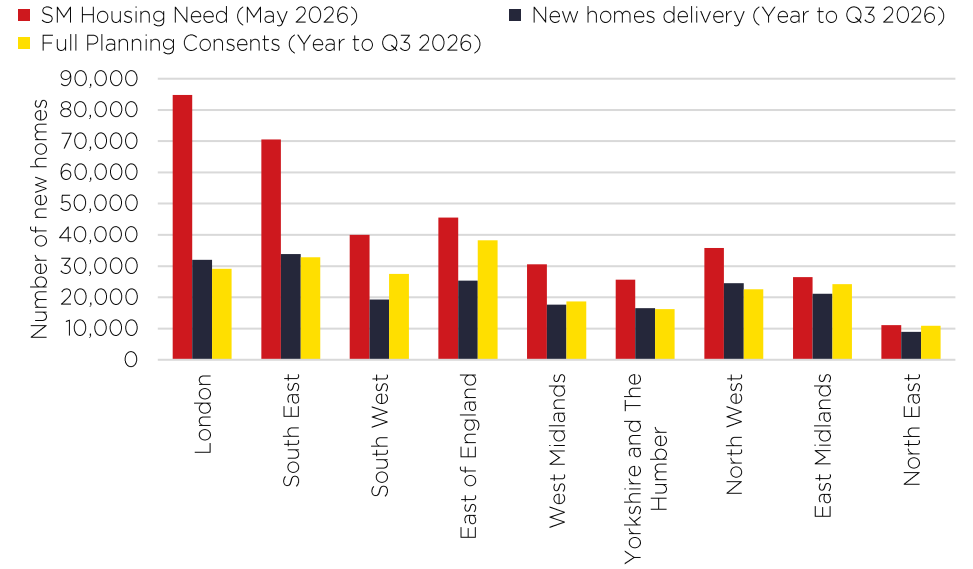

**Source:** MHCLG Live Tables 122, NB1, HBF, Glenigan

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 Q3 2026, four out of nine English regions granted consent for fewer new homes than were completed. This indicates that the pipeline of fully consented land has contracted in these regions.

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 Q3 2026 delivered. The East Midlands and the North East came closest to their housing need target, with each delivering homes equivalent to c.80% of need.

**FIGURE 4 – ALL REGIONS FAIL TO MEET THEIR HOUSING NEED**



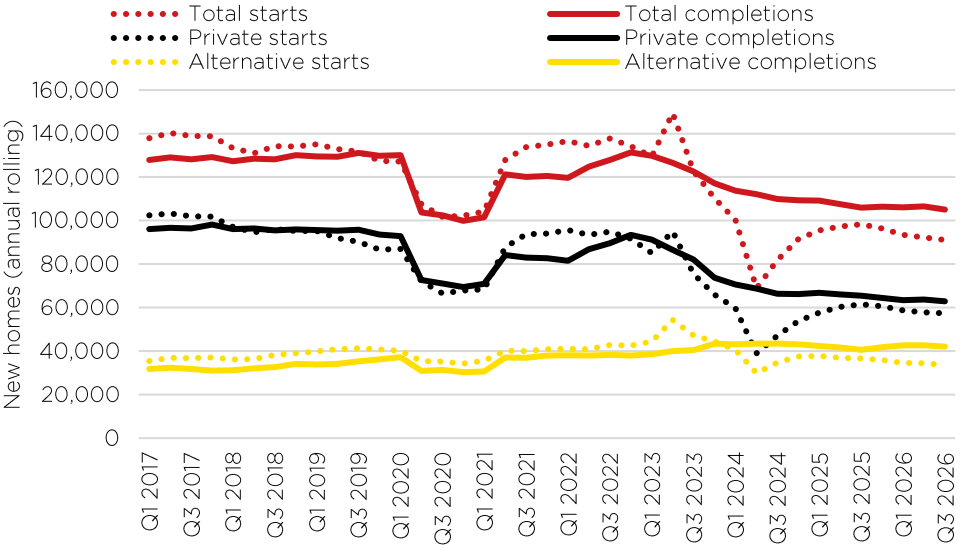

**Source:** MHCLG Table NB1, HBF, Glenigan (only 10+ units)

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 Q3. Total starts dropped by 1.2% on the quarter and by 7.2% on an annualised basis. Private starts fell by 0.7% on the quarter and by 6.7% compared to the same point last year. Alternative starts (which include affordable housing and Build to Rent) experienced a more modest fall of 2.0% in Q3 but remains down by 8.1% compared to a year before.

Both private and alternative completions fell by 1.4% this quarter, after remaining broadly flat since Q3 2025.

**FIGURE 5 – BOTH CONSTRUCTION STARTS AND COMPLETIONS DECLINE THIS QUARTER**



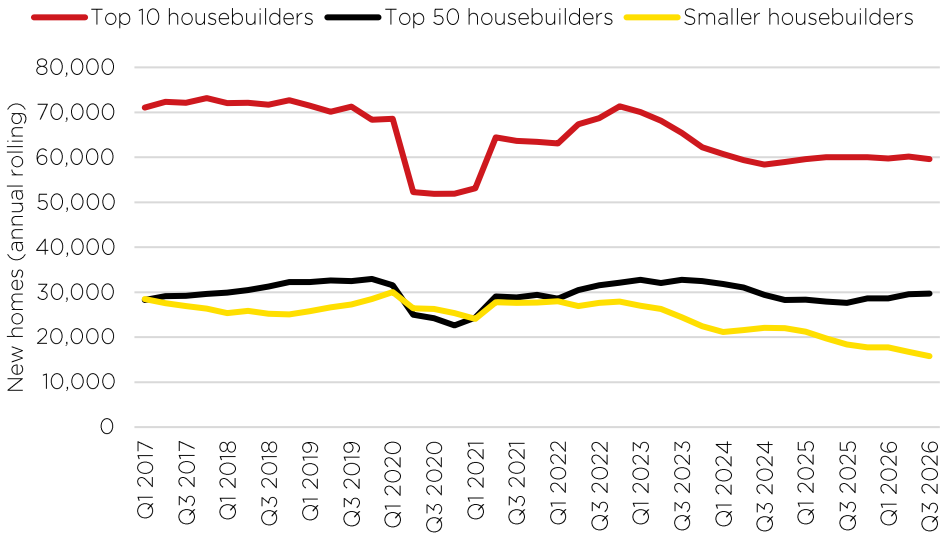

**Source:** NHBC Residential Construction Statistics Portal

**FIGURE 6 – GAP BETWEEN THE TOP 10 AND SMALLER HOUSEBUILDERS REMAINS SIGNIFICANT**

The gap in housing delivery between the largest and smallest housebuilders remains stark, with 57% of homes being delivered by the top 10 housebuilders in Q3 2026.

The top 11 to 50 largest housebuilders by volume delivered 28% of new home completions. Their share of delivery is 9% higher than last year, although absolute volumes have only returned to 2024 levels

However, housebuilders beyond the top 50 delivered only 15% of new homes. The proportion of homes delivered by these smaller developers has declined by 13% over the last year, highlighting how SMEs are facing the greatest challenges in current market conditions.




**Source:** NHBC Residential Construction Statistics Portal

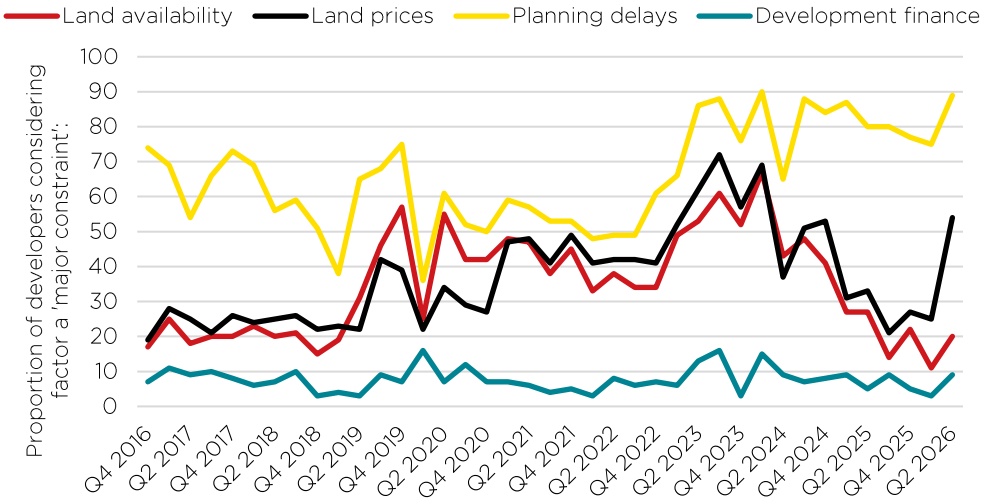
**FIGURE 7 – PLANNING DELAYS REMAIN THE LARGEST CONSTRAINT TO DEVELOPMENT**

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

Land availability remains in line with long term trends, whereas the cost of land significantly increased as a constraint in Q2 2026.

Viability challenges are making development difficult against current land values and developers are considering land values a constraint as a result. According to the Savills Development Land Index, land prices continued to fall across Q3.

Planning delays remain the leading barrier to development, with 89% of developers citing it as a constraint in Q2 2026, a proportion that has increased significantly after a period of slight easing.



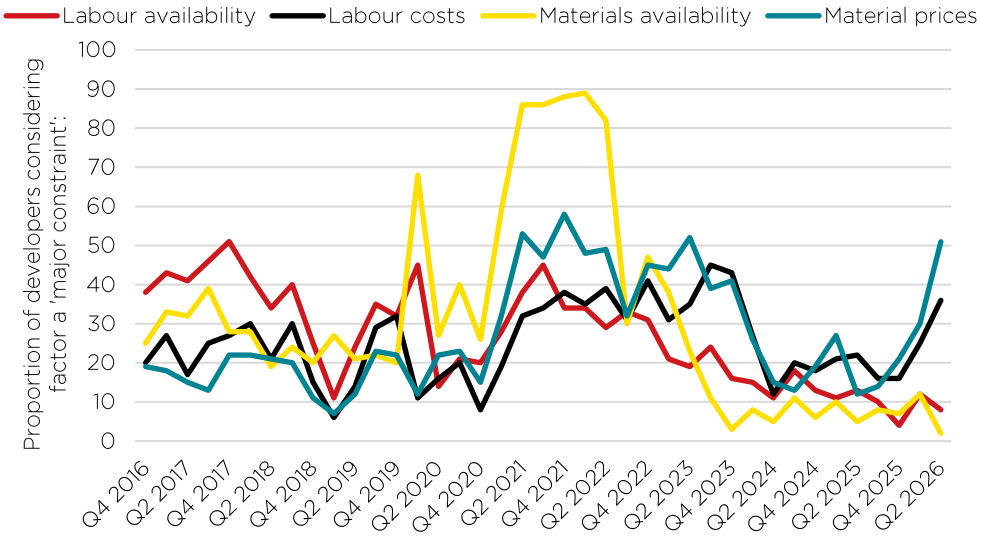

**Source:** NHBC Residential Construction Statistics Portal

**FIGURE 8 – MATERIAL AND LABOUR COSTS RISE AS A CONSTRAINT TO DEVELOPMENT**

In Q2 2026, the share of developers citing the cost of materials rose to 51%, the highest level since immediately after the invasion of Ukraine. Build costs are likely to remain high over the coming year, as geopolitical instability and supply chain pressures continue to contribute to rising prices.

The share of developers citing labour costs as a constraint rose to 36%, partly a factor of successive rises in the minimum wage and other employee costs.

Labour and materials availability continued to remain low as a constraint to delivery, however, indicating that they are available, just at a higher cost.



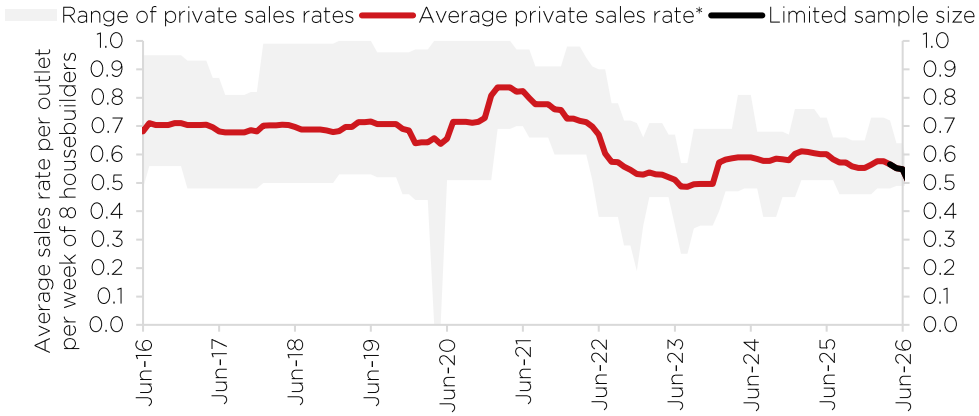

**Source:** NHBC Residential Construction Statistics Portal

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

The PLCs averaged 0.57 sales per outlet per week between January and April 2026, with sales rates softening since the beginning of 2025.

We have limited data beyond April, but the data is pointing towards a further dip in sales rates across most of the market. However, a fall has not been consistent across all developers, highlighting the increasingly fragmented nature of the housing market.

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

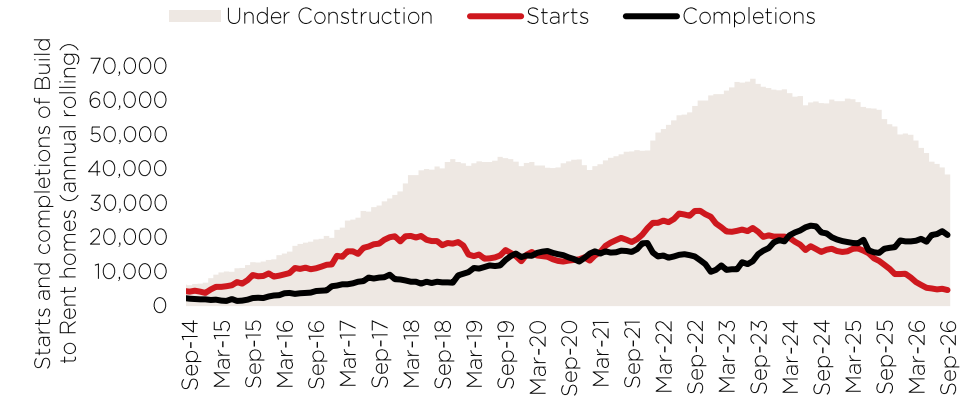



**Source:** Savills Research *Excluding bulk sales to provide accurate representation of market activity from individual homebuyers.

The gap between Build to Rent (BtR) completions and starts remained wide in Q3 2026. More homes have been finished than started since the start of 2024, causing the number of BtR homes under construction to fall to 38,500 homes in Q3 2026, 30% fewer than last year.

The contraction in the number of homes under construction has been slightly greater in the regions (30% versus the year before) than London (28%). Development activity has been stronger in the Single Family Housing (SFH) sector. SFH currently makes up only 15% of completed BtR stock but constitutes nearly double the share (29%) of the construction pipeline.

**FIGURE 10 – THE BTR PIPLINE CONTINUES TO CONTRACT NATIONALLY**



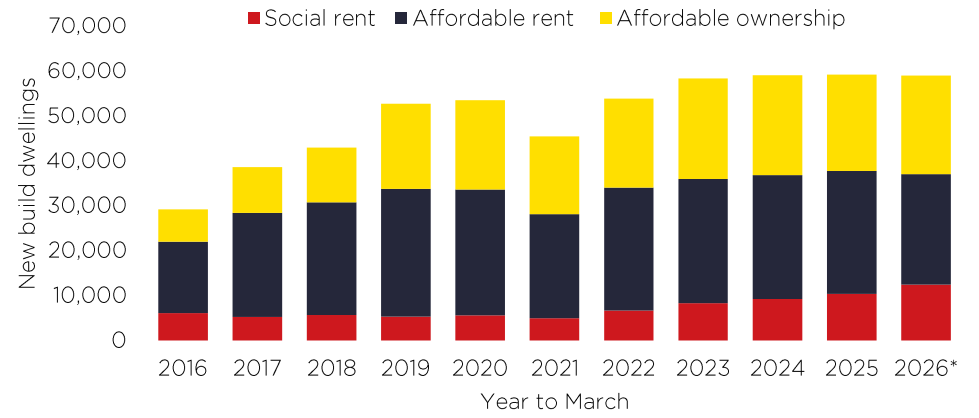

**Source:** Savills, British Property Federation, Molior

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

Our current estimates using NHF figures expect overall affordable housing delivery to also hold up in 2026. We expect a rise in social housing delivery (heavily reliant on grant funding). This is in line with an extra £1.5 billion of funding being announced in the recent budget for the affordable housing sector.

The delivery of affordable rent (more reliant on developer contributions) is set to fall slightly, reflecting lower private housebuilding and a shift in the Social and Affordable Housing Programme prioritising social housing.

**FIGURE 11 – AFFORDABLE DELIVERY TO HOLD UP IN 2026**




**Source:** MHCLG Live Table 1009 *estimated using NHF

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