

Residential Development Land

UK Development – Q3 2026

savills

KEY STATS

-5.1%
UK GREENFIELD
ANNUAL CHANGE

-6.8%
UK URBAN
ANNUAL CHANGE

-0.9%
CENTRAL LONDON
ANNUAL CHANGE

-5.0%
OUTER LONDON
ANNUAL CHANGE

A market driven by caution

01

Land values take a hit under current market conditions. UK Greenfield land values fell by -2.0% this quarter, taking annual falls to -5.1%. Greenfield values are now -13.3% below the 2022 peak (-29% in real terms). Urban land values fell by -1.7%, bringing the annual price change to -6.8%.

02

In London, challenges continue and transaction volumes remain low. Central London land values fell by -1.1% over the last six months and remain -30.1% below their 2007/08 peak; Outer London land values fell by -5.5% over the same period.

03

Your First Home should offer a boost to new build in England. The equity loan scheme will boost first time buyer demand and development activity. But the extent and timing of the impact will depend on further details to be announced in October's Budget.

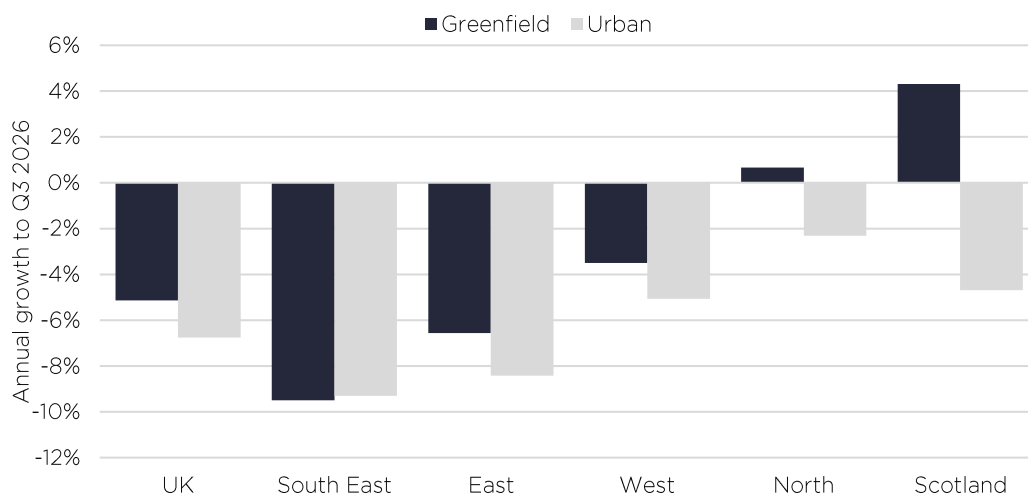
Ongoing conflict weighs on the new build sales market

The continued conflict in the Middle East and knock on inflationary impact from higher energy costs has diminished hope of housing affordability improving this year. UK mortgage rates have increased over the summer. Five-year fixed rates reached 6% in early October according to Moneyfacts, the highest level in three years. This means that sentiment amongst buyers has remained low and the Nationwide index showed average UK house prices fell by -0.4% over the quarter. New build sales rates remain under pressure. PLC trading statements over the summer reported a softening of sales rates, averaging 0.5 sales per outlet, and the NHBC site sentiment survey for expected change in new home sales has fallen from -9 in Q2 2026 to -23 in the latest survey.

Limiting risk is a priority

As a result, developers have become increasingly selective and risk averse in the land market, resulting in fewer active buyers and less competition for sites, meaning sites are attracting fewer bids than in previous years. Many purchasers continue to submit offers subject to reserved matters approval to mitigate risk and deferred payment terms continue to be popular. Developers are increasingly looking for smaller sites to reduce the cost of large infrastructure requirements. In some cases, developers are selling parcels from larger landholdings to release capital more quickly.

LAND VALUES COME UNDER PRESSURE



Location is key

Although overall UK values have fallen by -5.1% this year, there is a wide range of value changes, with the value of land in some secondary locations in the South East and East having fallen by as much as 15-20%. Land values in stronger performing locations of the same regions, with more buyer demand and higher sales values have proved more resilient, however. This divergence reflects developers' growing caution towards sites where demand for new homes is less certain, with buyers increasingly concentrated on the most marketable locations.

Planning reform not yet boosting supply

Continued appetite for strategic opportunities

Revisions to the NPPF have created favourable planning conditions in England, which have been met with a considerable pick up in applications. In the year to Q1 2026, planning applications were made for 359,000 homes, a 53% increase compared to the year before. Parties are seeing this as a window of opportunity for gaining consent before it potentially expires at the end of this parliament, although increased caution in the market will likely limit any further uplift in planning applications.

The pick up in the number of homes gaining consent has been much slower, however. According to the HBF, 215,000 homes gained consent in the year to Q2 2026, an -8% fall against the volume of consents granted in the previous year. Over the last year, regions across England have noted a steady supply of consented land coming to market, but not the flurry that was originally expected after the 2024 NPPF changes. There is potential for a continued increase in supply next year as applications progress, which would place further pressure on land values.

Scotland: Constrained supply is driving land value growth

In Scotland, supply of greenfield land continues to be limited, as authorities are still progressing with Local Development Plans (LDPs). This continues to drive a rise in greenfield values, with an increase of 4.3% over the last year. Land parcel trades between housebuilders remain common as a way of increasing sales outlets. In contrast, appetite for strategic land is starting to reduce in Scotland as LDPs enter the final stages of preparation.

Viability pressures remain

Developers widen their search for value

The divergence between house price growth and build cost inflation over the last 10 years has widened viability challenges, with developers in London and the South of England facing the greatest pressures on margins. In addition to looking at a viability exercise, developers and landowners are increasingly exploring a wider range of alternative uses to residential as a result. These include nurseries, care homes and data centres, although the latter can face significant grid capacity constraints. While these uses are now more commonly assessed alongside residential development, residential still typically remains the preferred use. Commercial uses have started to replace residential schemes in only a few distinct areas, such as London and Bristol.

Viability is toughest in urban markets

Development on urban land is ever more challenging. The price growth of flats has been more limited than that of houses, meaning the viability gap for schemes on brownfield sites is wider. Changes from the Building Safety Regulator (BSR) have increased wait times and reduced the efficiency of urban developments. There is very limited appetite for any development on these sites and, as a result, national urban land values are -19.9% lower than their 2022 peak.

Development challenges persist in London

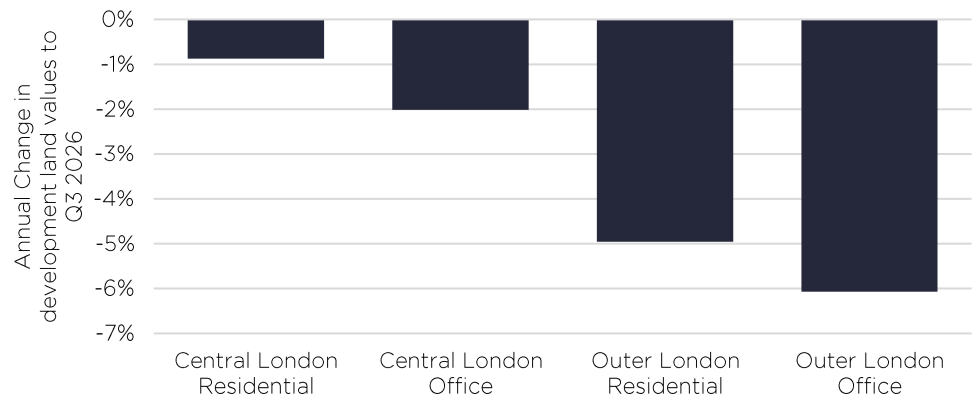
London activity remains subdued

Residential land transactions remain limited, with little new stock coming to the open market. Persistent viability constraints, weak sales conditions and the disproportionate effect of Building Safety Regulator requirements continue to weigh on London development. Central London values are now -30.1% below their 2007/08 peak and -21.2% below the 2022 peak. Recent pricing adjustments have reflected changes to intermediate affordable housing requirements, with the GLA promoting Key Worker Living Rent in place of London Living Rent. Developer activity remains limited as they focus on delivering and selling existing stock. Softer investment values and reduced funding activity in the Living Sectors have also restricted potential development exits. Transactions have consequently focused on existing buildings and repurposing opportunities, where prices can be below building replacement costs.

Bulk purchasers support the sales market

Developers are increasingly reliant on bulk transactions due to low sales rates. Molior data indicates that only 41% of new build sales, excluding Build-to-Rent, were to individual UK buyers in the first half of 2026, compared with 53% a year earlier. Bulk sales and switches to affordable housing

VALUE FALLS HIGHLIGHT LONDON'S VIABILITY CHALLENGES



Source: Savills Research

accounted for 40% of sales, up from 22%, demonstrating increased use of contingency strategies to reduce exposure to unsold stock.

Emergency measures provide limited relief

In Outer London, existing (EUV) and alternative use values (AUV) frequently exceed residential residual land values. Landowners are therefore retaining sites or selling for non-residential uses rather than accepting lower residential based values. Co-living and PBSA have also become less compelling alternatives because of weaker rental growth and softer funding markets. The GLA's emergency planning measures do

not always produce residual values above EUV or AUV. Their impact on values and transactions remains unclear while related applications progress through planning.

Office values also come under pressure

While values in Mayfair, City of London and Paddington have held up, greater pressures in the fringe areas of Central London mean that overall Central London values have decreased by -2.0% in the last 6 months. Outer London has experienced falls of -6.1% over the same period. Investors and developers remain focussed on meeting occupier demand for core Central London assets.

Mixed demand from SMEs and RPs

Less demand for SMEs' higher value product mix

SMEs require higher margins per home, however, demand for higher value homes remains low in the current interest rate environment. As outlined in our recent blog on a [disproportionate squeeze on SMEs](#), SME sales rates in 2025 were typically 30% to 40% lower than those achieved by larger developers.

Rising costs constrain SME development

Elevated finance costs and upcoming regulation continue to weigh on SMEs. The latest HBF SME developer sentiment survey reported that 69% of SMEs would be less likely to invest in new development opportunities after the Building Safety Levy comes into force. As a result, demand for smaller development sites has weakened, with some sites instead being acquired by RPs for 100% affordable housing delivery.

Grant certainty restored for RPs

The government's affordable housing funding settlement has been well received by the sector. Appetite from RPs for land led development has increased now that the first wave of funding from the Social and Affordable Homes Programme has been allocated. RPs have also continued to perform strongly in Wales, aided by an additional £20m of grant funding announced earlier this year.

But where grant funding cannot be used, delivery of affordable homes remains challenging. There is still little appetite for section 106 deals. As a result, developers who are yet to secure a buyer for their S106 homes are bidding even more conservatively for land.

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Outlook

Geopolitical activity remains a central concern

Market sentiment will continue to be influenced by wider geopolitical tensions and their effects on the UK economy. While the base rate remains at 3.75%, the expectation of future rate rises is already being priced into the mortgage market.

Weak sales rates will keep developers cautious

Higher mortgage rates have increased affordability challenges, dampening demand for new homes. Against this backdrop, sales rates are expected to remain under pressure, keeping developers cautious and reinforcing a selective approach to land acquisitions.

Sentiment continues to dip

Agents have reported that sentiment towards the end of summer continued to deteriorate. Although the announcement of the Your First Home scheme has been welcomed, uncertainty around the details is likely to suppress new-build buyer demand in the short term. As a result, we expect additional downward pressure on land values over the coming months.

Your First Home – the solution to boost activity?

The Government has announced a new first-time buyer equity loan scheme, 'Your First Home', (YFH). It will provide support for new build sales in England by allowing purchases with just a 2.5% deposit and a 20% government-backed equity loan, initially interest-free. Further details, including price caps and buyer income caps, will be announced in October's Budget. The scheme is expected to come into effect by the end of 2026.

Support for development activity

Opening up homeownership to first time buyers with smaller deposits will provide much sought after increased demand for new homes and in turn land, as shown by Help to Buy (HtB). However, the scale of demand and its impact will greatly depend on the income and house price caps as well as the longevity of the scheme, which are yet to be announced. If YFH results in the same additionality as the HtB equity loan, we would expect it to support an additional 25-30k new home completions per year compared to existing volumes.

Viability will still be key

The relationship between house prices and build costs is much more strained now than during the period of HtB. On its own, the new equity loan scheme may provide only limited support to housing delivery, particularly in urban markets, unless wider viability pressures also begin to ease.



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