

Residential Development Land



A steady land market?

The development land market has remained steady over the last quarter, with relatively robust market sentiment, a similar number of parties bidding for sites, and little change in the value of bids.

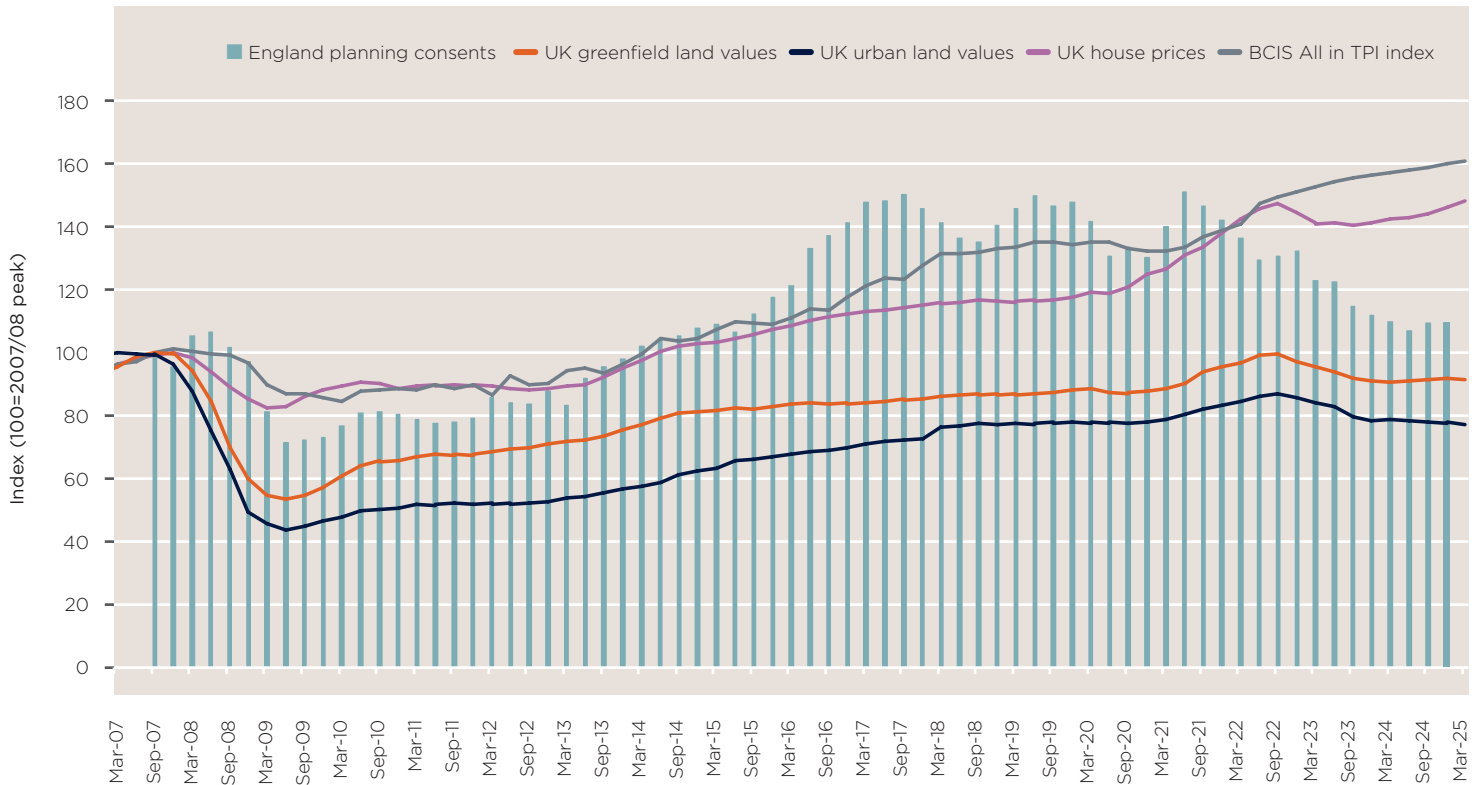
UK greenfield land values softened slightly by -0.1% in Q1 2025, (0.5% in Q4 2024), taking

total annual growth to 1.3%, aligning with average annual growth between 2017 and 2019. This reflects caution amongst some players, with an uncertain wider economic outlook tempering appetite for land.

This is accompanied by early signals of more supply coming onto the market in England as

we start to see the initial impact of the NPPF changes announced in December 2024 play out in the land market. In contrast, urban land values fell by -1.0% over the same period, taking total annual change to -1.9% due to ongoing viability and deliverability challenges for high density flatted schemes.

UK greenfield and urban values soften in Q1 2025



Key stats



1.3%

UK Greenfield Land
Annual change to
March 2025



-1.9%

UK Urban Land
Annual change to
March 2025



-28%

Fewer planning consents in England
In the 12 months to
December 2024 vs. 2021 peak

An air of caution

Overall sentiment in the development land market can be described as cautiously positive, with continued growth in both house prices and transactions. There is some regional variation in this sentiment, with more positivity in the North, Scotland and Wales, compared to the South of England. However, recent geopolitical uncertainty, with US tariffs announced on the 2nd April, have resulted in significant economic turmoil. The global stock markets suffered significant falls over the days following the announcement. At this stage, it is too early to assess the potential impact on the UK housing market.

Prior to 2nd April, wider economic uncertainty

has been weighing on appetite for development land with inflation remaining sticky in recent months, (2.8% in February 2025) slightly above the Bank of England's target. House price growth has also slowed in recent months, with UK annual house price growth at 3.9% in the year to March 2025, according to Nationwide, a deceleration from the strong end to 2024 (4.7%). This stagnation is also evident in private sales rates for new homes, which have stabilised at c.0.6 per outlet per week in December 2024 and are likely to remain at this level in the absence of demand side support from Government. Over the last quarter, some major housebuilders have

relied more on buyer incentives or a reduction in headline pricing to support sales rates.

Alongside a more muted economic outlook, mounting cost pressures persist, offsetting any potential growth in land values, particularly impacting brownfield land. These include ongoing build cost inflation, viability challenges and the introduction of policy measures such as the Building Safety Levy. In March 2025, the Government announced that the Building Safety Levy, a tax on all new homes, will come into force from Autumn 2026 creating an additional cost burden for developers, impacting how much parties can pay for land.

Early signs of shifting supply

The revisions to the NPPF in England, confirmed in December 2024, have generated greater enthusiasm amongst landowners to bring sites forward. The Savills development agent sentiment survey suggests a reasonable amount of activity in Q1 2025, with the net

balance of the number of sites coming onto the market at 35%, the highest level seen since Q1 2017. However, there still remains a significant shortage of land supply which will take time to reverse. Planning consents in Q4 2024 were 28% below the previous peak in planning consents in

2021, according to the HBF. With more supply coming forward alongside more stable sales rates, some developers are becoming more selective, seeking the best sites in the best locations. This is partly driving the softening in greenfield development land values in Q1 2025.

All systems go for strategic land

Amidst wider sector enthusiasm following the planning policy changes, there continues to be heightened appetite for strategic land. Many parties are viewing this parliament as a window

of opportunity to secure a position on grey belt sites, particularly in the South East. Land promoters are very active as a result. There are more promoters competitively bidding

for strategic land and offering bullish terms, including contractual obligations to bring forward planning applications within the next six to twelve months.

Lethargy in the London land market

London residential land market

The London development land market has been lethargic over the last six months amidst a perfect storm of mounting downward pressures. These range from elevated build costs, a stagnating London new home sales market, viability challenges, building safety standards and Gateway 2 building approvals. As a result, there is a thinner buyer pool for sites, fewer bids per site and limited transactional activity.

Sentiment in the London land market is largely subdued. More recently, as with the regional markets, geopolitical and economic uncertainty has further dampened appetite for land. There is a current sense of stasis in the London land market with little motivation for buyers and no clear silver bullet as to when current market conditions in London will significantly improve.

For best in class sites that are well located, close to transport links and realistically priced, there remains appetite. There are a number of

players keen to deploy capital, albeit subject to greater conditionality on deals. There is also more interest in permitted development and other opportunities that can be re-purposed, with parties looking to mitigate planning risk. For larger consented sites, there is very limited appetite with only a small number of volume housebuilders active, symptomatic of the current market challenges in London.

Over the last six months, in Central London, residential land values have experienced no change, taking total annual change to 0% in the 12 months to March 2025. The land market in Central London is more exposed to tax changes and wider global macroeconomic uncertainty.

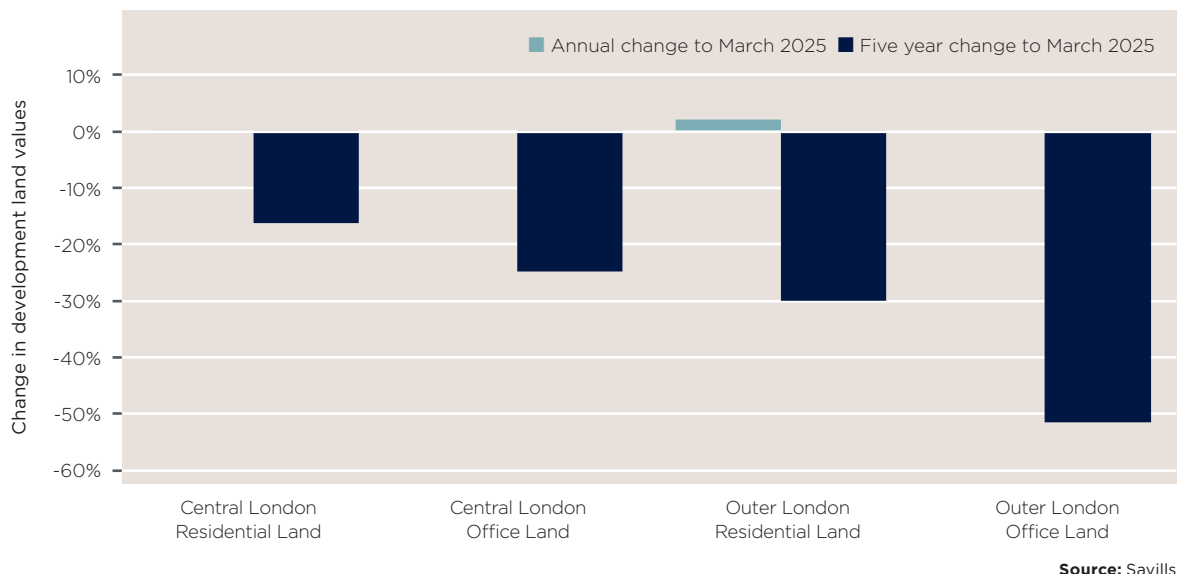
Whilst in Outer London, over the same period, residential land values have risen slightly by 1.9% in the last six months taking annual growth to 1.9%. This largely reflects recent changes in the GLA's affordable housing policy direction, shifting towards Discounted Market Rent as an intermediate product rather than Shared

Ownership. With a greater focus on London Living Rent, the one off fixed jump in the income cap announced in September 2024 has had the greatest impact on affordable housing values in Outer London. Despite this limited growth, Outer London residential land values have fallen by -30% in the five years to March 2025 and there have been very few transactions.

London office land market

Office land values in both Central and Outer London have bottomed out, remaining flat over the last six months, taking annual change to 0% for both Central and Outer London in the 12 months to March 2025. As with the London residential land market, elevated build costs and ongoing political and economic uncertainty mean developers are taking a more measured approach. Sentiment has improved in the last six months for prime assets in core locations, but caution remains for offices in more secondary locations.

The bottom of the London land market?



A mixed bag

The prevalence of PLCs

PLC housebuilders continue to be the most active players in the land market across all regions. Boosted by a favourable policy environment, many seem acquisitive, looking to fill shortfalls in their pipelines and seeking outlets to sell from next year. Whilst for others, the NPPF changes have provided opportunities to mine their strategic land banks particularly land within the Green Belt.

A challenged market for Section 106

There continues to be little to no competition for Section 106 opportunities amongst Housing Associations in England due to severely constrained sector financial capacity. Uncertainty around future affordable housing funding in is another major challenge.

In March 2025, the Government announced an additional £2 billion of grant funding for the current Affordable Homes Programme in England, ahead of the Spending Review in June. This additional funding is unlikely to turn the dial on appetite for Section 106 homes as those providers who remain acquisitive are focused on delivering additionality.

With such a highly limited buyer pool for Section 106 homes, some local authorities are introducing greater flexibility around Section 106 agreements seen both in London and the regional markets, where evidence of a lack of demand can be demonstrated. This includes commuted sums, cascade mechanisms and partnership structures offering additionality.

Outlook

In the last six months, the development land market had started to return to a pattern of steady value growth for greenfield land, characteristic of the period before Covid-19. However, the current level of economic uncertainty will impact confidence in the land market, as buyers will be tempted to delay deals until the impact of the trade tariffs on the UK economy becomes clearer.

The economic outlook has certainly weakened. This has heightened the downside risks to our housing market forecasts with price growth and sales activity likely to be affected as consumer confidence weakens.

This may dampen demand for land in the coming months. However over the medium term, demand for land will remain steady as there remains a chronic undersupply of land and developers need to keep replenishing their land pipelines for the medium to long term.

The Government is committed to significantly increasing housing delivery as a key policy objective. Alongside the Chancellor's Spring Statement, the Office for Budget Responsibility forecasts revealed that cumulative net additions to UK housing stock are predicted to be 1.3 million by 2030 as a result of the Government's planning

reforms, with most of the increase in housebuilding to take place from 2027-28.

It is evident that we are moving towards a better supplied land market. However, any significant change in the volume of consents will take time to feed through to the land market. We expect continued activity for both immediate and strategic opportunities as landowners bring forward sites in a more supportive policy environment. A better supplied land market will temper land value growth. However, this is unlikely to have a significant impact in the short to medium term.

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