UK Development – Q2 2025

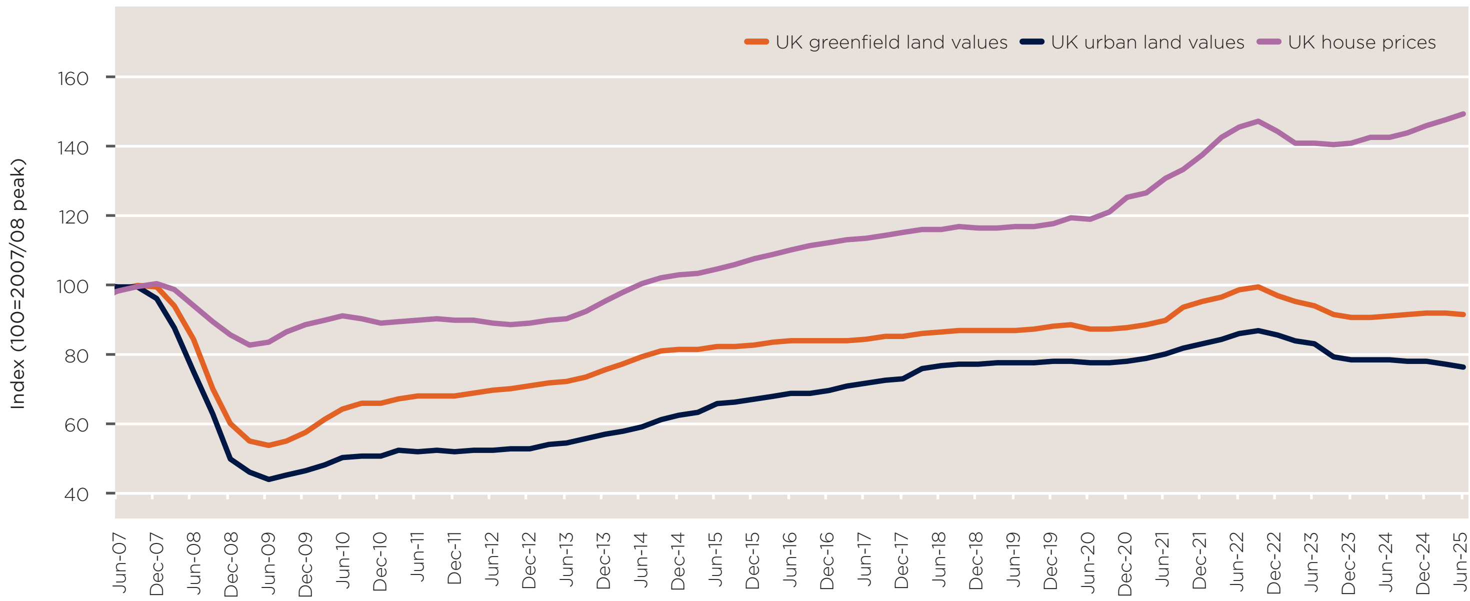
Residential Development Land

Adjusting to a new normal

The development land market remains stable with little change in land values over the last quarter. Notably, there are different drivers at play compared to recent years. Savills development agents have reported an uptick in the number of sites coming onto the market since the start of the year, meaning that developers have greater choice and can be more selective.

UK greenfield land values have been broadly flat, softening slightly by -0.2% in Q2 2025, taking annual growth to 0.6%, a trend we're seeing across all regions. This annual growth is similar to the pattern of steadier land value growth seen before Covid-19, indicating that we're reaching a new plateau in the land market, with an increase in the supply of sites alongside steady demand for land. However, demand is currently being dampened by the muted wider market outlook.

Slight softening in UK greenfield land values



Source: Savills, Nationwide

A better supplied land market

The changes to the NPPF introduced in December 2024 are starting to filter through into the development land market, resulting in more supply. A net balance of 27% of Savills development agents reported an increase in the number of sites being brought onto the market. There are a greater range of land opportunities for developers to consider, which marks a significant shift and is in sharp contrast to the land market in recent years, which was characterised by a limited land supply.

Developers are therefore able to be more selective in their land buying. A lack of resource and capacity amongst some developers has resulted in a narrower focus on oven ready and straightforward sites. Where sites aren't available, there is also evidence of developers happy to wait for sites to come forward in the core locations within which they operate.

Key stats

0.6%
UK Greenfield Land
Annual change to June 2025

-2.3%
UK Urban Land
Annual change to June 2025

-30%
Fewer planning consents in England
In the 12 months to Q1 2025 vs. 2021 peak

Source: Savills, HBF

A slower than expected land market

Despite the enthusiasm created by the planning policy changes, there is less momentum in the land market than expected. Overall sentiment in the land market has dipped slightly with a net balance of 47% of Savills development agents reporting positive market sentiment in Q2 2025, down from 63% in Q1 2025. There has been little change in the number of parties bidding for sites and the value of bids, but deals are also taking much longer to progress with ongoing planning delays and purchasers being more risk averse.

Demand isn't as strong as it could be due to nervousness in the wider economy and housing market. UK house prices fell by -0.8% in June, taking annual growth to 2.1% in the 12 months to June 2025, according to Nationwide. The effects of a weaker labour market are evident in the housing market. Unemployment rose to 4.6% in April according to the ONS, the highest rate in 4 years. Sales rates for new homes have also remained consistently at c.0.6 sales per outlet per week over the last year to March 2025, as reported by the major housebuilders, pointing to ongoing steady demand for land.

A virtually non-existent market for brownfield land

The market for brownfield land is proving especially difficult, with very limited appetite for high density residential schemes, evident across all regions. UK urban land values decreased by -0.7% in Q2 2025, bringing total annual falls to -2.3%. This is however based on limited transactional evidence, making it challenging to robustly assess the change in urban development land values in Q2 2025.

Heightened pressures for brownfield sites persist, with ongoing build cost inflation and increasing costs to meet building safety regulations. For high rise buildings, uncertainty around how long schemes will have to wait to get Gateway 2 approval is significantly challenging viability and has deterred many housebuilders from taking on flatted schemes.

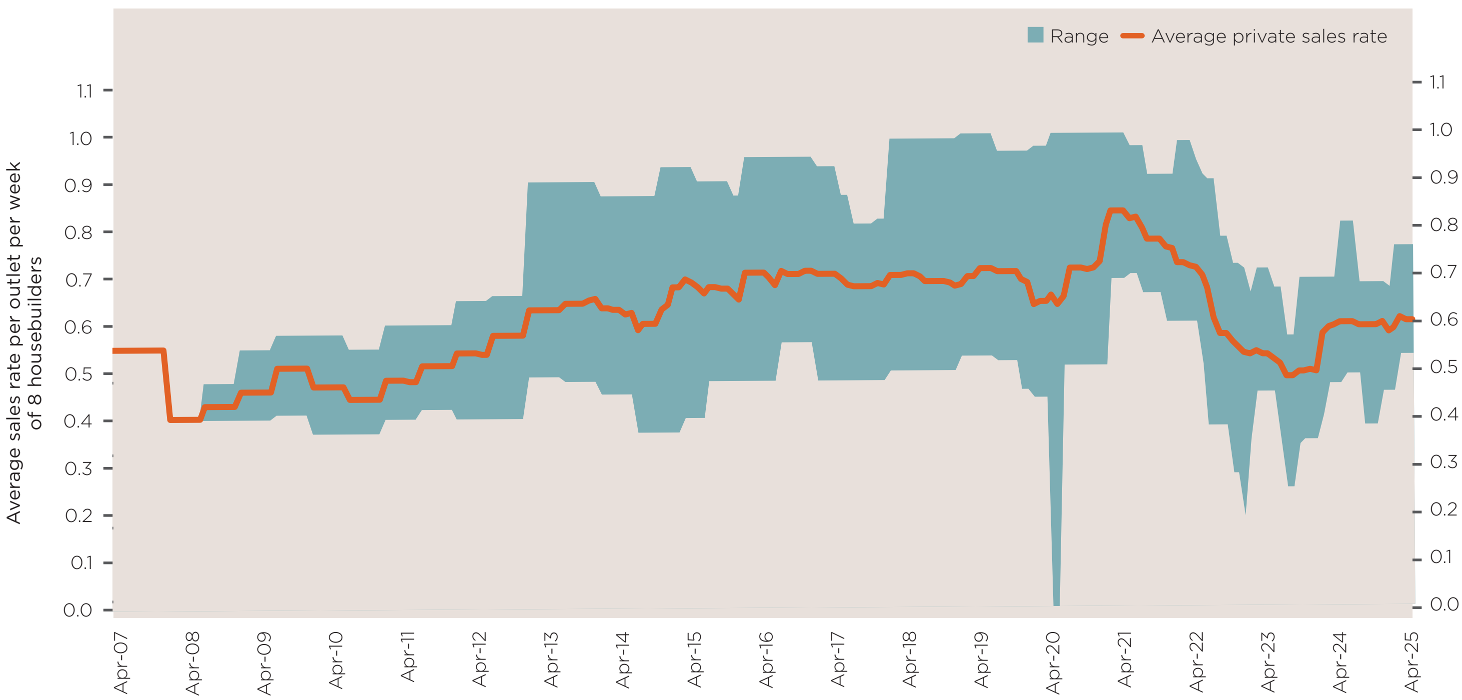
These challenges are particularly acute in London where lethargy is still largely prevalent in the land market. Private housing starts in London in Q2 2025 fell to 731 homes, taking annual private housing starts to 7,789 homes, the lowest level since 2010, according to data from Molior. This is compared to a housing need target of 88,000homes as set out in the new London Plan.

It's all about strategic land

Appetite for strategic land continues to be the most active part of the market. Many developers are focusing on strategic land opportunities, given the conducive planning environment and the political will driving local authorities to grant planning applications.

Strategic land is commanding strong premiums in many markets. PLC housebuilders are proving particularly aggressive as they look to fill up their strategic land pipelines. Amongst the larger players, there is a particular focus on greybelt land with parties looking to secure greybelt sites and push planning applications through in the short term. However, as the definition of greybelt land becomes clearer through increasing precedents, this could soften appetite for these types of sites. This is whilst smaller players are focussing more on their existing pipelines as they are less able to put forward competitive land bids and absorb planning delays.

Sales rates for new homes remain steady at c.0.6



Source: Major housebuilders' reports

> The major housebuilders are particularly active in the land market, seeking strategic and immediate land opportunities.

A tiered marketplace

PLCs back in land buying mode

The major housebuilders are particularly active in the land market, seeking strategic and immediate land opportunities, a trend evident across all regions. Whilst the medium term outlook is positive, supported by planning reform, in the short term, the PLC housebuilders continue to report flat sales rates with a greater reliance on buyer incentives in some markets, alongside higher build cost inflation.

A challenging market for SMEs

The picture is very different for SMEs however. They are disproportionately affected by higher build costs and have less ability to absorb these costs compared to larger players, which is greatly impacting scheme viability. Many SMEs are out of the land market, focused on building out their existing pipelines. Debt finance is still available and there are some SMEs who are active. However, funders are more risk averse and so those active SMEs are targeting straightforward sites with no planning complexities.

But this could change. In May 2025, as part of the working Planning and Infrastructure Bill, the Government proposed new planning rules to streamline the planning system and reduce regulatory burdens for SMEs. These include exempting small sites from affordable housing, the building safety levy and BNG requirements.

A landmark change for affordable housing?

The recent spending review has brought positive news for Housing Associations. £39 billion will be invested in social and affordable housing as part of a new 10-year affordable homes programme. The Social and Affordable Homes Programme aims to deliver 300,000 homes, 60% of which are expected to be for Social Rent. Alongside this, the Government has confirmed a long term rent settlement and a consultation on rent convergence, two measures which will significantly boost sector financial capacity.

It is too early to fully realise the impact of these announcements, but greater certainty for Housing Associations should encourage more activity in the land market. As highlighted in previous Savills' research, it will take considerable time for providers to rebuild their financial capacity and expand their development programmes, both for land-led and Section 106 opportunities.

Outlook

Despite a better supplied land market in the first half of 2025, performance in the development land market hasn't been as positive as expected. This is largely due to the uncertain economic outlook, the persistence of mounting cost pressures and viability challenges impacting housing delivery.

The development land market does appear to be entering a period of greater stability with broadly static greenfield land values supported by a greater availability of land supply and continued demand for land. As the flow of sites coming onto the market becomes more significant and widespread, we may see reduced competition and softening in land values.

There has not yet been a notable surge in demand in the housing market, despite improving buyer affordability due to mortgage rates starting to fall and changes to mortgage regulation. Sales rates for new homes have also shown no signs of significant improvement.

However, the Government has continued to demonstrate its commitment to significantly boosting housing delivery, as reflected in the announcements of new funding for affordable housing, measures to facilitate delivery for SMEs and a National Housing Bank to unlock large sites.

These announcements will help bring a greater variety of players back into the land market but will take time to have an impact on housing delivery. This is whilst housing completions are set to fall from c.199,000 homes in 2023/24 to c.160,000 homes in 2025/26, according to our latest research.

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