

Residential Development Land Index

Q1 2026

The Knight Frank Residential Development Land Index is designed to give a snapshot of broad trends in the development land market

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► Residential development land values weakened in early 2026 as renewed geopolitical uncertainty and persistent viability pressures weighed on demand. While prices appear close to a floor, fragile confidence and rising costs continue to limit activity, particularly in urban markets.

Urban brownfield and prime central London residential development land values declined in Q1 2026 as geopolitical instability, higher borrowing costs and an easing yet still planning and regulatory environment weighed on demand. Both fell by 2.5%, leaving annual declines at 1.1% for prime central London and 2% for urban brownfield land.

Greenfield land values remained flat, reflecting more resilient conditions for volume housebuilders in suburban markets, where lower-density schemes, simpler build requirements and steadier underlying demand have supported viability relative to

higher-risk urban developments. Values dipped 0.7% on an annual basis.

Generally, there has been a preference for oven-ready sites with full planning consent, where housebuilders and developers are confident they will be able to start on site quickly, though supply remains limited. That said, unconsented PD schemes remain sought after in cities and sites which are subject to planning are starting to look more appealing given the uncertain backdrop.

Conditions were stable at the turn of the year amid the prevailing view that Q4 would mark the bottom of the market. Land values held steady in the final quarter of 2025, and mortgage

39%

of survey respondents are concerned about rising material costs and availability, up from 20% in Q4

2,850

New homes were sold in London in Q1 2026, up 30% on Q4 but still subdued relative to long-term averages

46%

of survey respondents expect start volumes to fall in the second quarter, 40% anticipate no change and just 14% think starts will increase

rates eased through the early weeks of 2026. Sentiment among developers in London began to improve in anticipation of a series of measures designed to improve the viability of housebuilding in the capital.

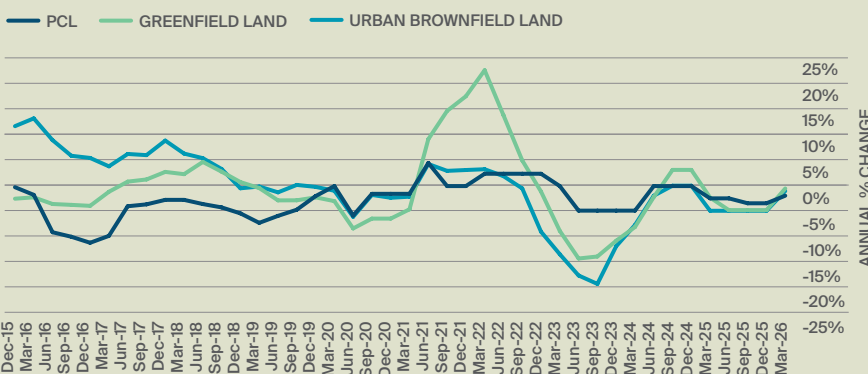
The beginning of the conflict in the Middle East on February 28th marked a return to uncertainty. Mortgage rates spiked, consumer sentiment declined, and the likelihood grew that build costs could rise if the conflict dragged on.

Sales rates

Activity in the new homes market, measured in site visits and reservations, declined during Q1 2026, according to 41% of respondents to our quarterly survey of more than 60 small and volume housebuilders. The same proportion said activity had remained steady, while only 18% reported a rise.

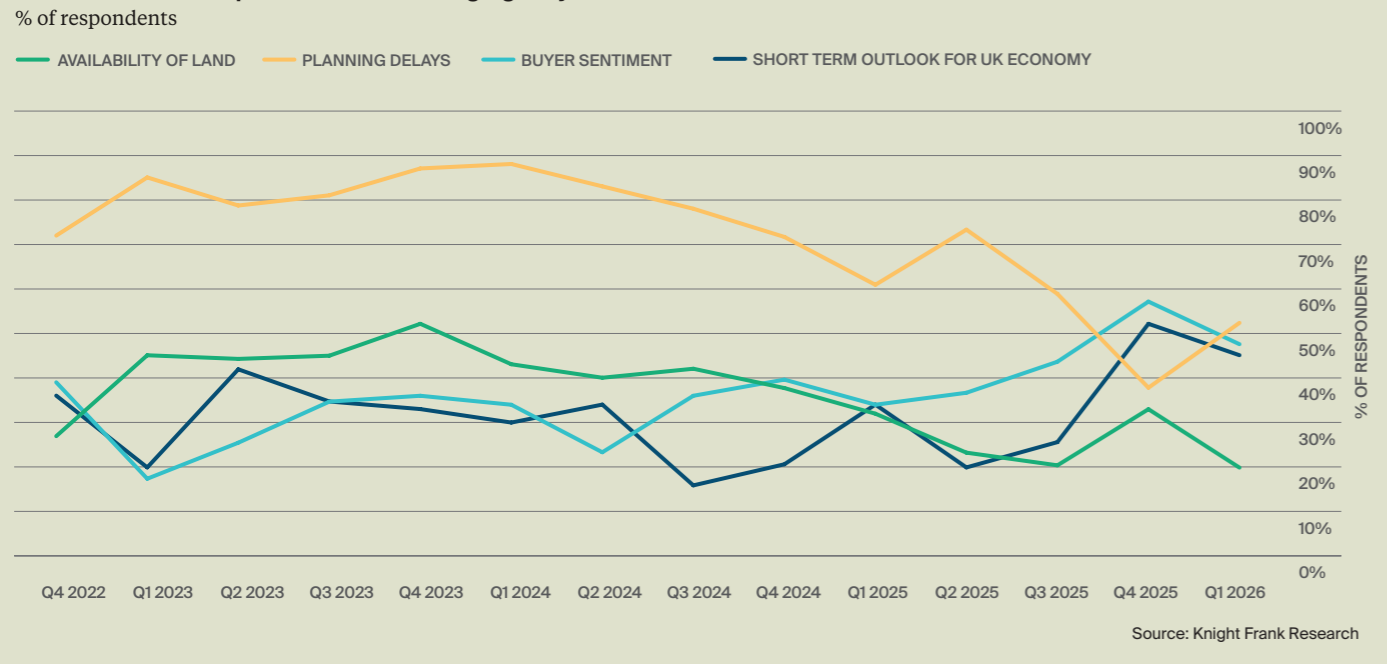
Subdued land market as prices soften

Annual % change



Source: Knight Frank Research

Which factors have proven most challenging for your business?



When asked which factors had proved most challenging during the first quarter, planning delays was the most popular choice, followed closely by buyer sentiment and the short-term outlook for the UK economy.

Greenfield markets are more active, but conditions favour buyers. Housebuilders remain selective as slower sales rates extend the life of existing landbanks. Urban developers, particularly those in London, face more acute challenges. Developers welcomed a time-limited package of measures announced in March to improve viability.

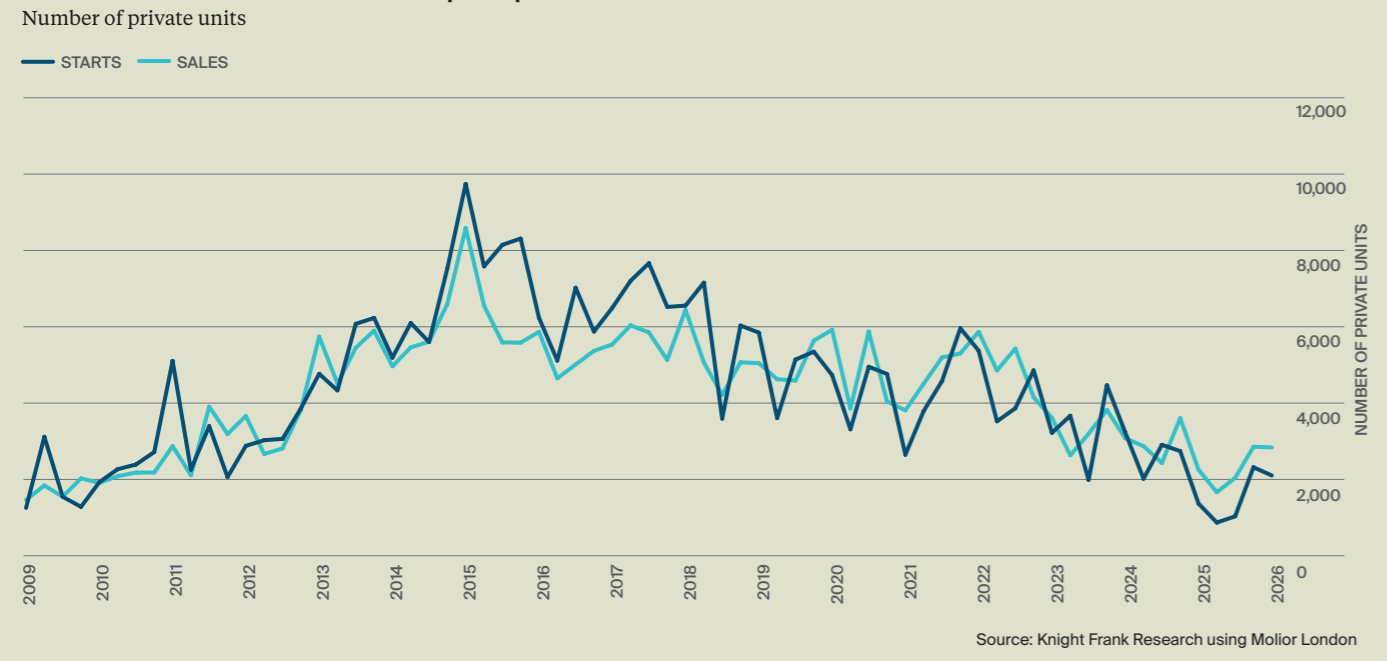
These include changes to late-stage reviews, discounts on infrastructure charges for schemes with at least 20% affordable housing, and relaxed density and design rules. However, a meaningful rise in construction will depend on wider improvements in viability, including stronger demand, lower costs and further progress on planning and regulatory risk.

Prime Central London

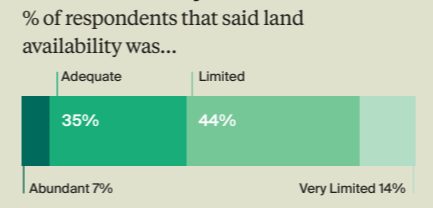
Anecdotally, developers view the conflict in the Middle East as a reminder of Prime Central London's safe haven

status. Knight Frank's teams in London and the UAE have not observed a broad shift in relocations to the UK. Activity remains limited to isolated, short-term movements, alongside some hesitation among would-be movers to Dubai. There has been a modest uptick in short-term returns from Dubai – particularly among families with young children – typically framed as temporary relocations of around six months while the situation evolves. It remains too early to tell if this will result in a more sustained increase in demand in the sales market.

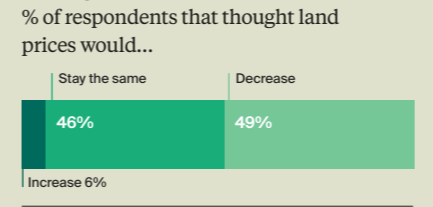
London construction starts and sales pick up from a low base



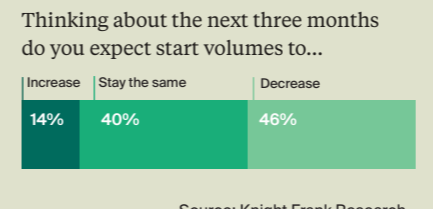
Land availability



Land prices



Start volumes



Rising activity

London's residential developers sold 2,850 homes in schemes of 20 units or more during the first quarter, up 30% compared to Q4 and above the 2025 quarterly average of 2,200, according to Molior London figures.

The rise in sales is positive, though activity is rising from a very low base – it would take quarterly sales of about 22,000 to meet City Hall's 88,000-home annual housing target. Of the Q1 sales, 1,931 were either bulk deals to BTR operators, other bulk deals or were switched to Affordable Housing. That means UK individuals purchased just 600 new homes in the first three months of the year.

Project starts also climbed to 2,103 – again from an extremely low base – yet

both sales and starts data won't take into account the recent spike in mortgage rates and developers' cost of funding. About 16,250 homes will complete this year, at which point completions will begin to decline meaningfully. Molior expects 10,000 completions in 2027, leaving just 5,900 homes on site by January 2028.

Regulatory burdens

Trading updates from the listed housebuilders often provide a good leading indicator of housing supply many months in the future. Several have revised down volume expectations and land acquisition targets, citing increased global uncertainty and slower sales rates. Balance sheet strength and cash preservation have become a clear priority, with some opting to limit new land purchases and focus instead on existing pipelines.

Despite this, there are signs of underlying resilience. Sales in the opening weeks of the year held up in some cases, supported by demand from build-to-rent operators and partnership models. However, near-term performance remains highly sensitive to shifts in buyer sentiment and mortgage market volatility.

Materials costs

Mortgage rates eased through April following signals from the US and Iran that a deal could be reached to reopen the Strait of Hormuz. Leading fixed rates fell to just over 4.5%, well below the 5%+ deals seen at the height of the crisis, but still above the more abundant sub-4% rates available before March.

Much still depends on the length of the conflict, the scope of any enduring disruption to energy supplies and

any subsequent impact on inflation. Tellingly, when asked what factors would have the greatest impact on the housebuilding sector during the next quarter, materials costs and availability ranked joint third, having been selected by 39% of respondents, alongside the UK economic outlook but behind buyer sentiment and planning delays. Less than 20% cited materials costs and availability as a key concern during the previous quarter.

Forward-looking indicators from the survey point to a more cautious outlook over the next quarter. Just 8% of respondents expect reservation volumes to improve over the course of 2026, while 44% anticipate weaker performance and a further 44% expect no change, underscoring the fragility of demand.

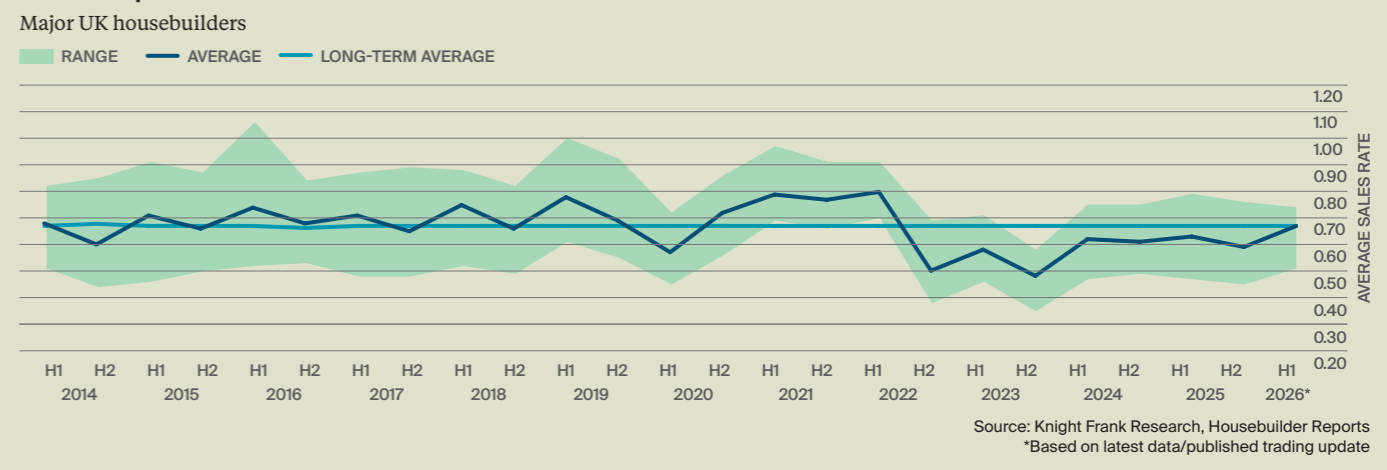
Price-sensitive

Expectations for delivery have also softened. Nearly half of respondents expect start volumes to decline in the next three months, while just 14.3% anticipate an increase. This suggests a risk that the pipeline of new supply will continue to contract in the near term.

The outlook for land values reflects the same caution. Close to half of respondents expect prices to fall over the next quarter, while very few anticipate any upward movement. Developers remain price-sensitive, with appetite for new acquisitions closely tied to further adjustments in land values, alongside improvements in financing conditions and labour availability.

Taken together, these forward-looking signals point to a market that is not deteriorating sharply, but remains constrained by weak confidence and tight viability, with limited momentum heading into Q2.

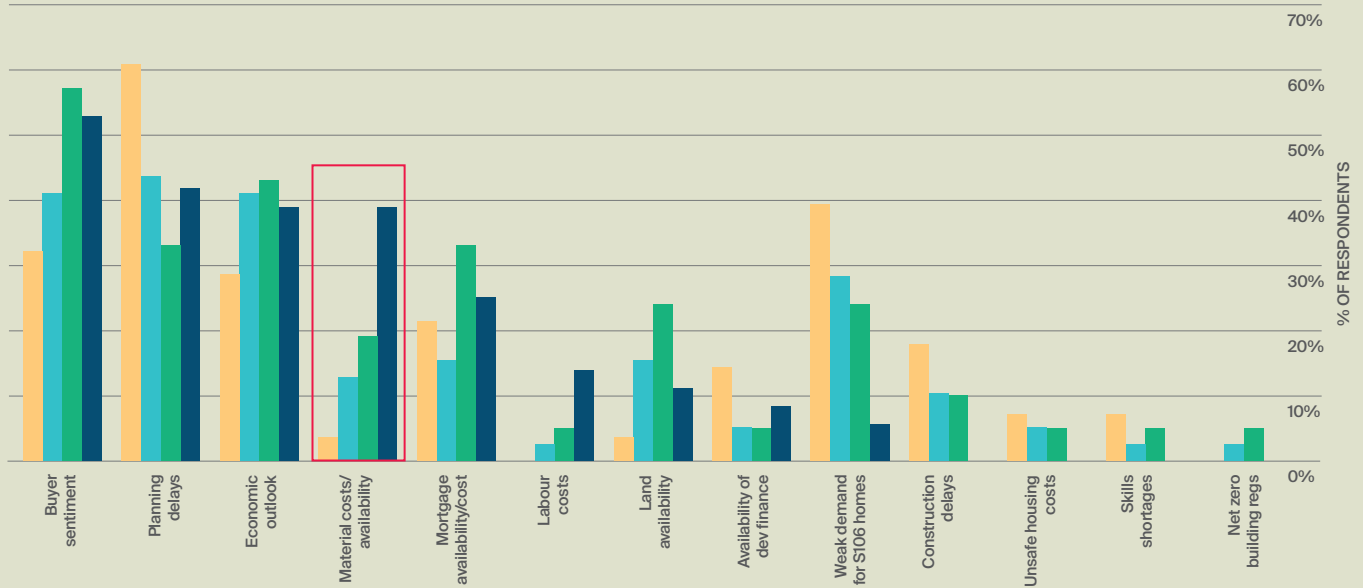
Site sales per week



What will have the greatest impact on the housebuilding sector?

% of respondents (choose up to three)

Q2 2025 Q3 2025 Q4 2025 Q1 2026



Source: Knight Frank Research

Disclaimer

The Knight Frank Residential Development Land Index is designed to give a snapshot of broad trends in the development land market, and should be only be used as such. It is derived from valuations of a basket of more than 70 residential development sites around the country. Every quarter Knight Frank surveys around 50 SME and large housebuilders to gauge their sentiment and views on the market. The survey was conducted in late March 2026.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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