Residential Development Land Index

Q3 2025

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

knightfrank.co.uk/research

Flat land values underscore fragile sentiment as developers await Budget clarity – limited optimism in greenfield locations contrasts with deepening urban stagnation.

UK residential development land values were largely flat in the third quarter, with limited transactions as developers balanced land scarcity in some areas against ongoing challenges around viability, planning delays, weaker buyer sentiment and uncertainty over the upcoming November Budget.

Both greenfield and urban brownfield land values closed the quarter flat, leaving annual declines at 5%. Prime central London land extended its annual decline to 3.5%, from 2.5% the previous quarter.

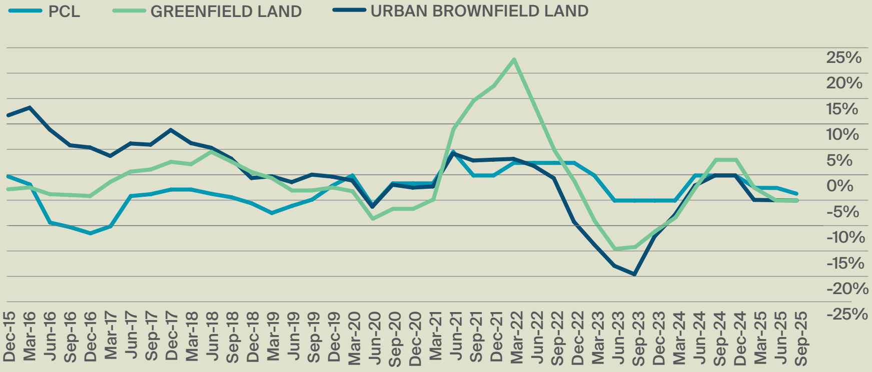
At a national level, housebuilders are deferring many decisions until after the November Budget, when reforms to taxation and planning may clarify the government's policy direction.

Housebuilding is a lengthy process, and the prevailing uncertainty is likely to weigh on delivery for several quarters. Some 43% of respondents to Knight Frank's survey of more than 60 small and volume housebuilders expect housing starts to fall through the fourth quarter of the year, while 55% expect no change. Similarly, 45% expect land values to fall further.

The economics of developing homes in the UK's urban centres differs significantly from housebuilding in the countryside and lower-density suburbs. Build cost inflation, changes to the way overseas property investors are taxed, elevated mortgage rates, funding shortages at registered providers and an increasingly complex regulatory system have had an acute impact on the development of higher-density residential projects. Demand has taken an additional hit in prime central London following speculation that the government will again look to raise taxes on the wealthy.

Subdued land market as prices soften

Annual % change



Source: Knight Frank Research

43%

of survey respondents expect start volumes to fall in Q4

59%

of respondents cited planning delays as the biggest challenge last quarter, down from 73% in Q2

76%

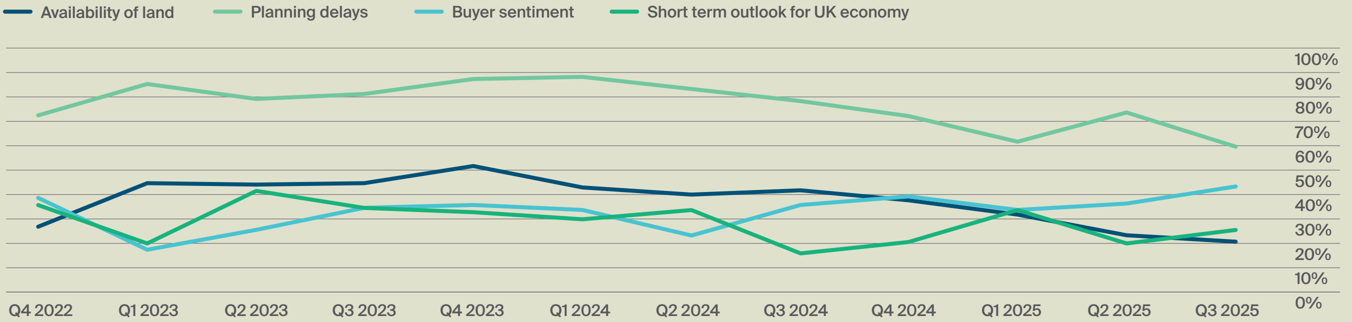
of respondents want more affordable housing support in the Budget and 71% want a revamped first-time buyer programme

Supply-side solutions

Just 965 homes commenced construction in London during Q3 2025 – up slightly on Q2 but far below historic norms, according to Molior data. At this pace, London is on course for roughly 5,000 residential starts this year, compared with an annual target of 88,000 completions. The pipeline of homes under construction has dropped to around 40,000, from more than 60,000 between 2015 and 2020, highlighting the scale of the slowdown. Just 15,000–20,000 new homes are likely to be under construction as far out as January 1, 2027, according to Molior.

Which factors have proved most challenging for your business this quarter?

% of respondents



Source: Knight Frank Research

The government's policy agenda has so far focused on supply-side measures. Increases in technical staff at the Building Safety Regulator have started to ease the Gateway 2 process, though it still adds significant uncertainty. Amendments to the Planning and Infrastructure Bill announced in October may limit opposition to residential projects, while larger sites may soon be subject to a new fast-track process. The Greater London Authority has also cut affordable housing thresholds for some sites from 35% to 20% and eased some of London's many prescriptive design requirements.

Works in theory, but does it work in practice?

Many of these changes will help to varying degrees, but they are unlikely to be enough to enable delivery to hit the government's targets. Should the GLA lower affordable housing thresholds, for example, profit-on-cost-driven developers will make fewer losses per scheme and will likely increase delivery. However, developers following a return-on-capital-employed (ROCE) model rely on so-called "golden brick" payments from housing associations for the affordable units, which provide upfront cash flow early in the build. Reducing the share of affordable units cuts those early contributions. In addition, developers now have more private units to sell into a subdued market, potentially adding risk, longer sales periods and higher financing costs.

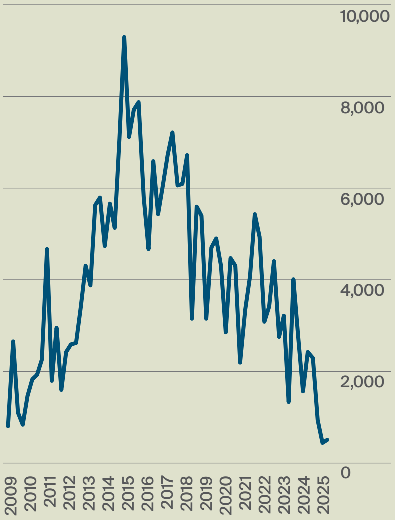
Still, 59% of housebuilders cited planning delays as among the most challenging factors for their business during Q3, down from 73% the previous quarter. Negative buyer sentiment is causing more concern, having risen to 43.6% in Q3, up from 36.7% the previous quarter. The low level of active registered providers came in third, at 28.2%, followed by the short-term outlook for the UK economy, at 25.6%.

Green shoots on grey belt

Housebuilders in the suburbs and countryside face fewer headwinds. The grey belt policy has emerged as a clear driver of activity. By clarifying how lower-quality land within the Green Belt can be redeveloped, it has opened opportunities for

London construction starts on the decline

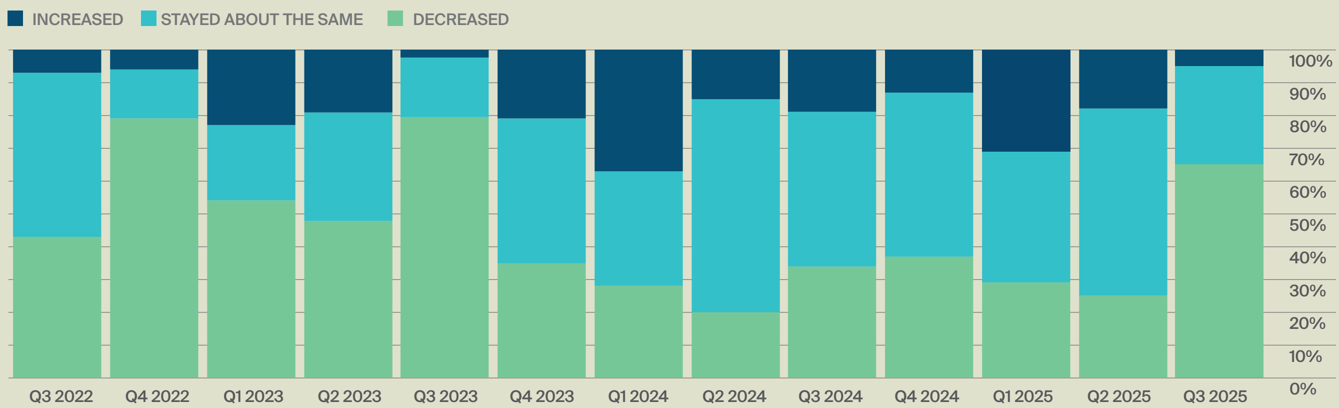
Number of private units started, 20+ unit schemes



Source: Knight Frank Research

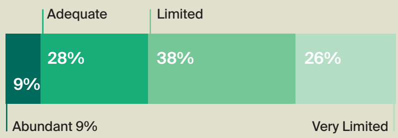
How active was the new homes market, looking at site visits and reservations?

% of respondents



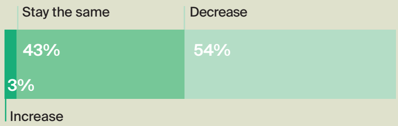
Source: Knight Frank Research

Land availability
% of respondents that said land availability was...



Land prices
% of respondents that thought land prices would...

Start volumes
Thinking about the next three months do you expect start volumes to...



Source: Knight Frank Research

schemes in sustainable, well-connected areas that were previously out of reach. The policy has injected new momentum into the planning pipeline and given both promoters and housebuilders greater confidence to bring forward applications.

There are also early signs of increased competition for well-located, consented sites, particularly those on the edge of major conurbations with strong transport links and healthy local demand. These sites are proving more resilient on pricing and continue to attract bids from national housebuilders seeking to replenish future supply pipelines.

Expectations vs Reality

Many developers are pressing ahead with applications to ensure readiness once financial conditions ease. This willingness to plan through the cycle reflects underlying confidence that well-located, policy-aligned schemes will be among the first to move when demand improves.

When demand improves remains uncertain – sales rates even in suburban and greenfield locations have softened since the spring. Just 5% of respondents reported an increase in site visits and reservations during Q3, down from 18% in Q2 and 31% in Q1. Some 30% said activity had stayed the same, up from 57% the previous quarter, while 65% reported a fall, up from 25%.

Almost 40% said they are discounting to incentivise buyers, while 20% are contributing to legal fees or stamp duty.

Buy-side incentives

The November Budget and its potential impact on the economy looms large. We asked respondents to express what is the most deterring factor in progressing planning applications – they were able to choose more than one. A total of 44% chose the UK economic outlook, 35% said Section 106 affordable housing obligations/viability, 29% said the cost of achieving planning permission and 27% selected local authority resourcing. Almost a third said they are progressing applications as normal.

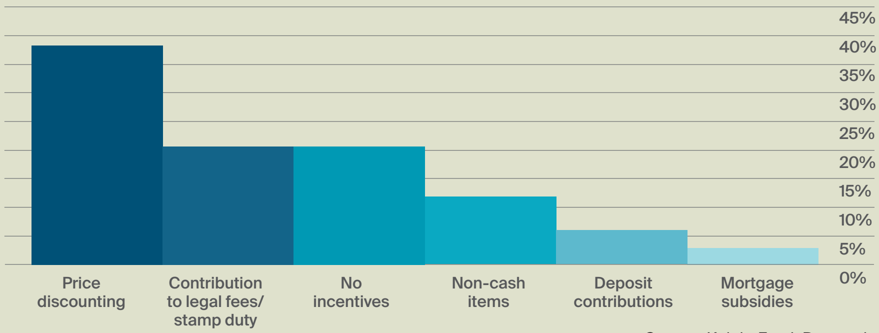
When we asked respondents to list priorities for the Budget, there were no surprises in the results with many housebuilders hoping for buy-side incentives. Exactly 76% chose affordable housing support, 71% want a revamped first-time buyer support programme, 59% chose more incentives/tax breaks to build and 50% want more funds allocated to planning departments.

Similarly, we asked housebuilders to rank what would be most likely to increase their appetite for land and development, and 40% chose more first-time buyer support. Closely followed by planning reform and interest rate cuts.

While housebuilders agree that stronger buyer support would help boost delivery, the government has yet to make any firm commitments. Almost 40% of respondents now expect 2026 reservation volumes to underperform this year's tally, while almost half expect no change. Only 16% expect an improvement.

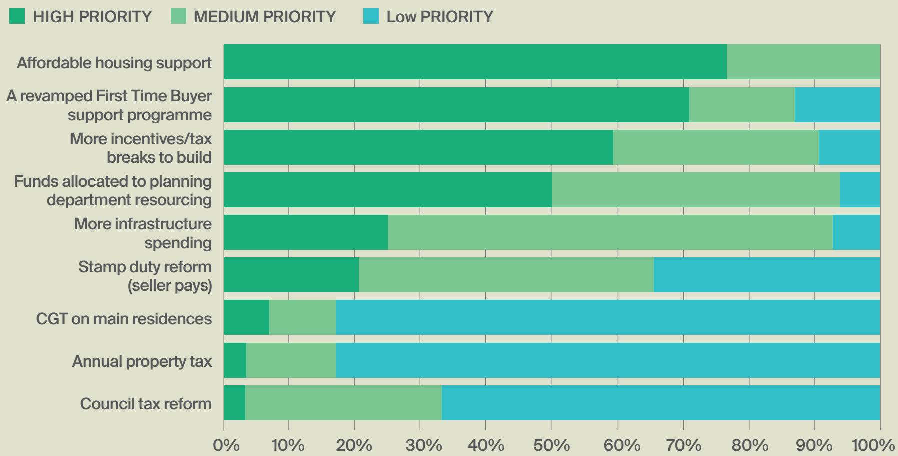
The subdued outlook means there is little chance the government will meet its target of delivering 1.5 million additional dwellings over the course of the Parliament, according to our respondents. Nearly nine in ten say output over the next five years is likely to reach one million or fewer. Meanwhile, nearly 56% of respondents reported feeling slightly or much less optimistic about the outlook for the housing market compared with before the General Election.

What incentives are you offering buyers?
% of respondents



Source: Knight Frank Research

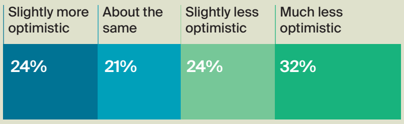
Which of the following would make it onto your wishlist for the Budget?
% of respondents



Source: Knight Frank Research

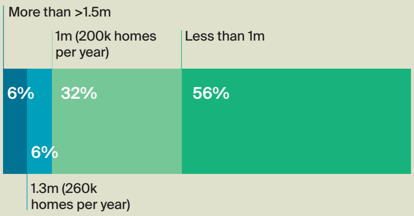
Compared to how you felt in the run-up to last year's General Election, how do you now feel about the outlook for the market?

% of respondents



How many homes do you think the housebuilding sector has the capacity to deliver in England over the next five years?

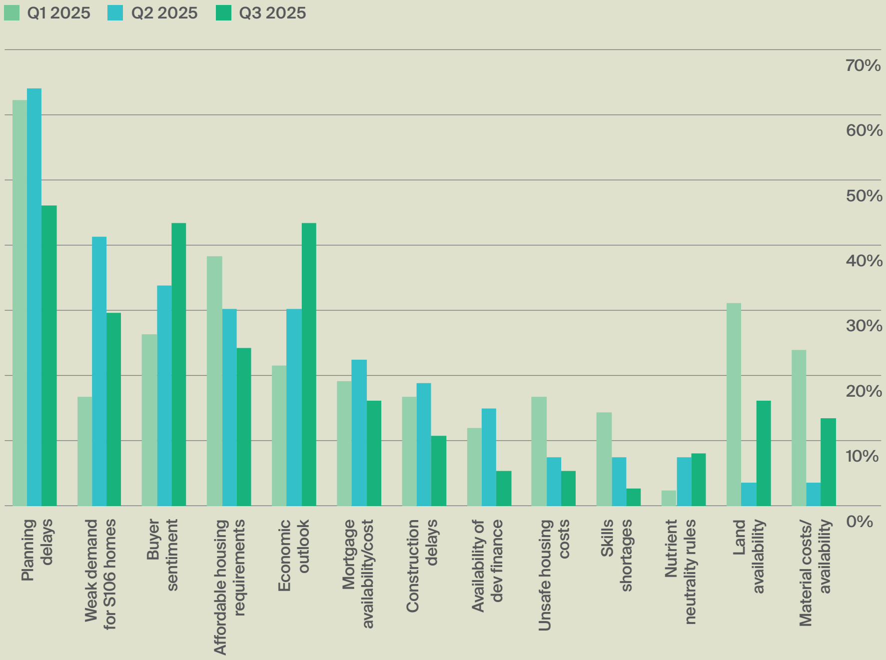
% of respondents



Source: Knight Frank Research

What will have the greatest impact on the housebuilding sector?

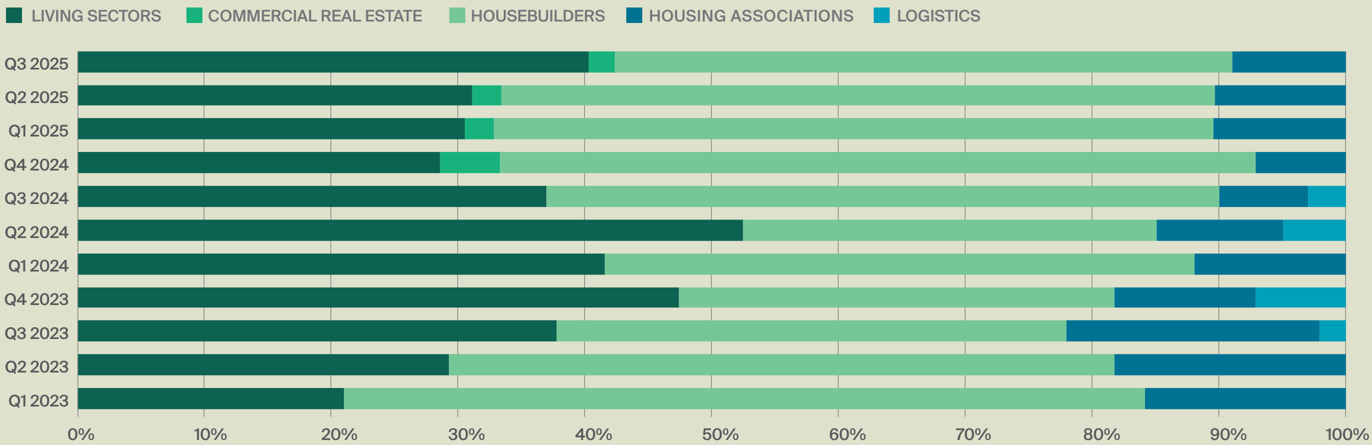
% of respondents (choose up to three)



Source: Knight Frank Research

Which group was most active in the land market in your region?

% of respondents



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 between February 17 and March 21 2025.

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

Research

Oliver Knight
Head of Residential Development Research
+44 20 7861 5134
oliver.knight@knightfrank.com

Residential Development

Charlie Hart
Head of Residential Development Land
+44 20 7718 5222
charlie.hart@knightfrank.com

Knight Frank