Residential Development Land Index

Knight Frank

Q3 2026

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

The pace of declines in UK residential development land values slowed in the third quarter, while the prospect of renewed support for first-time buyers offered some encouragement to housebuilders facing challenging market conditions.

Residential development land values edged lower in Q3 as rising mortgage rates weighed on sales rates, while elevated build costs and continued uncertainty over scheme viability put further pressure on housebuilders.

The pace of declines in the Knight Frank Residential Development Land Index slowed, suggesting the UK land market may be approaching its nadir. Greenfield land values fell 3% annually. Brownfield values declined 5%. In prime central London, land values are also down 3% on an annual basis.

Mortgage rates climbed through September as the conflict in the Middle East pushed up energy prices. UK inflation rose to 3.5% during the month, from 3.1% in August, according to the latest official figures. Average two- and five-year fixed rates had climbed to around 6% by October, according to Moneyfacts, though leading two-year rates could still be found below 5%.

The impact of weaker buyer sentiment was evident in Knight Frank's quarterly survey of small and volume housebuilders. Of the 30 respondents this quarter, 57.9% cited buyer sentiment as one of the biggest challenges facing their businesses followed by planning delays (47.4%) and the short-term outlook for the UK economy (42.1%). Half of developers expect the availability and cost of mortgages to have the greatest impact on the housebuilding sector in the coming quarter.

Subdued demand is weighing on sales rates across the country. Activity in the new homes market, measured via site visits and reservations, declined in the second quarter, according to 62.5% of respondents. The remaining 37.5% reported no change.

However, the greenfield development market has been more resilient than urban locations. Well-located sites continue to attract competitive bids. Lower-density schemes are generally simpler to deliver, involve fewer technical constraints and benefit from more consistent underlying demand. That said, deferred payment structures are becoming increasingly common as developers seek to manage cash flow and limit upfront capital commitments.

63%

of survey respondents said they expect start volumes will decline over the coming three months

58%

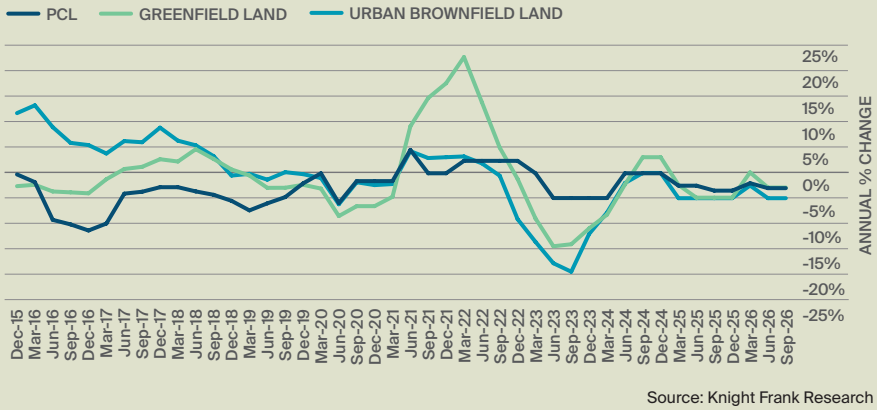
of survey respondents cited buyer sentiment as one of the biggest factors facing their business in Q3

70,000

Number of households the government believes its new first-time buyer scheme will help on to the housing ladder

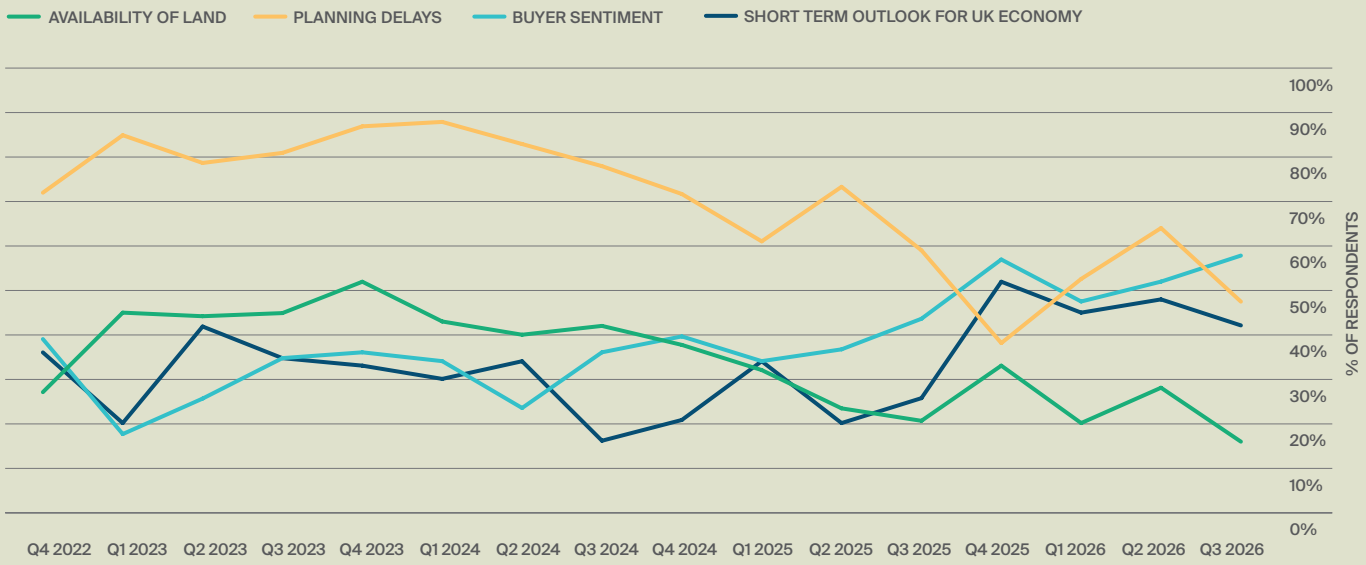
Subdued land market as prices soften

Annual % change



Source: Knight Frank Research

Which factors have proven most challenging for your business?
% of respondents



Source: Knight Frank Research

For the past three years, housebuilders have struggled to offload Section 106 affordable homes to housing associations, whose budgets have been squeezed by higher borrowing costs and spending on their existing portfolios. The first allocations under the government's Social and Affordable Homes Programme for 2026–36, announced in August, have improved appetite for both Section 106 homes and additional grant-funded affordable housing, developers say.

That said, some housing associations received less funding than they had expected, with much already earmarked for existing commitments, limiting their capacity to take on additional sites.

Details surrounding the government's Your First Home scheme, under which eligible first-time buyers in England can purchase a new-build home with a deposit of just 2.5%, received a muted reaction. The plan is to fund £4.7 billion in equity loans to first-time buyers, which the government says will help 70,000 households get on to the property ladder and support the delivery of 20,000 new homes.

The Office for Budget Responsibility said it expects the programme to "only have a marginal impact on housing supply given its limited overall size". Compared with March, the OBR now expects 190,000 "fewer cumulative net additions over the forecast period". Nearly 94% of respondents agreed that buyer support is vital to getting the market moving, while almost 70% said the scheme would give them greater confidence to bring sites to market.

However, respondents were less certain whether the measures would encourage them to invest in more land. Nearly two-thirds (62.5%) neither agreed nor disagreed that buyer support would stimulate additional investment, while a quarter agreed or strongly agreed.

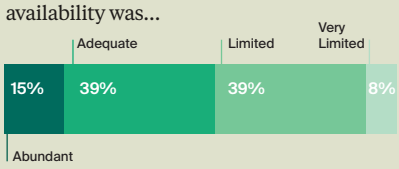
In any case, 81% either agreed or strongly agreed with the statement that more needs to be done in terms of supply-side planning reform and buyer support.

That's especially the case in cities, where construction of higher-density residential projects has fallen steeply amid viability challenges, high taxes and weak demand.

This is particularly the case in London, where developers sold just 1,440 private homes during the third quarter, according to Molior. That's down from a peak of 8,600 in the first three months of 2015 and is lower than Q1 2009, before the post-Global Financial Crisis recovery took hold. Meeting the London Plan housebuilding target of 55,845 homes a year would require sales, starts and completions of private homes to be running at about 35,000, Molior estimates suggest.

That looks unachievable without more broad demand-side stimulus, given that sales rates dictate the rate at which developers will build. Some 7,160 private homes started on site in the first three quarters, against approximately 7,070 new-home sales.

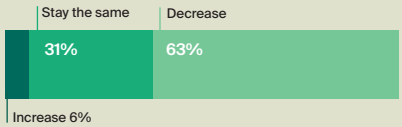
Land availability
% of respondents that said land availability was...



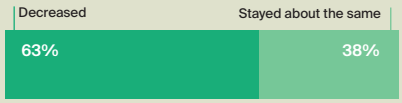
Land prices
% of respondents that thought land prices would...



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



New homes sales
% of respondents who said site visits and reservations had...

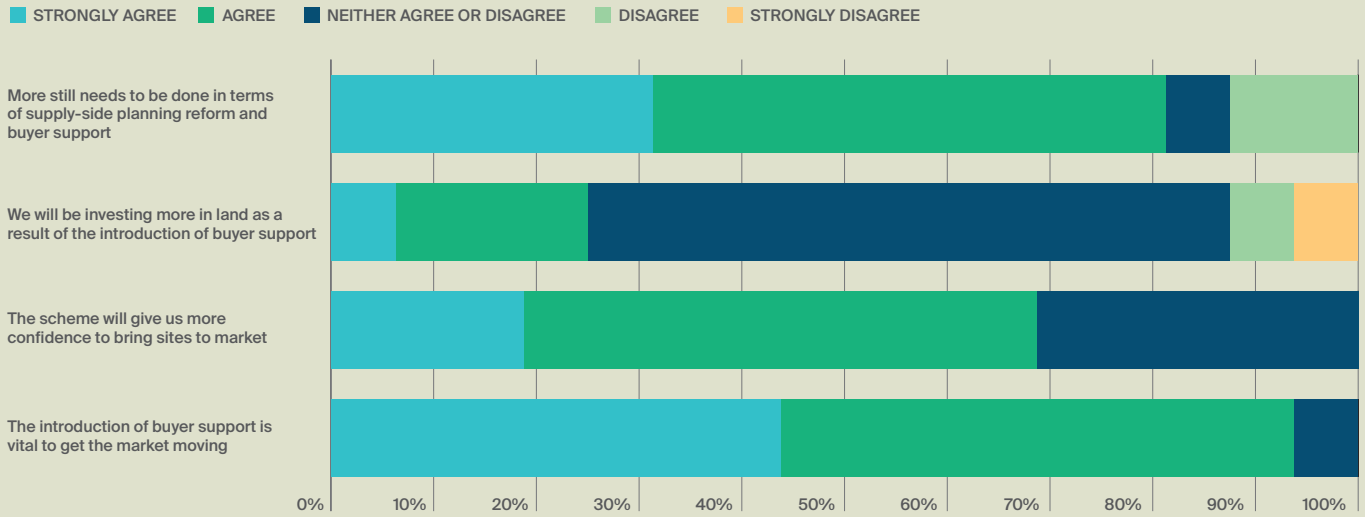


Source: Knight Frank Research

Large, complex regeneration schemes are proving particularly challenging, given the upfront costs, high-rise construction and differing applications of planning policy at a

The government recently announced the creation of the Your First Home scheme. Do you agree or disagree with the following statements:

Annual % change (actual and forecast)



Source: Knight Frank Research

local level. In October, Berkeley Group was refused permission for 1,060 homes at Bermondsey Place after it proposed cutting the proportion of affordable housing to 12%, from 40%. Later that month, Bloomberg reported that British Land had opted to pause the second phase of its 4,000-home project at Canada Water, citing elevated costs.

In prime central London, concerns over the taxation of wealthy individuals continue to influence buyer sentiment and transaction activity. Uncertainty over potential further tax changes is making developers increasingly selective when purchasing sites, while many are primarily focused on securing sales of completed homes.

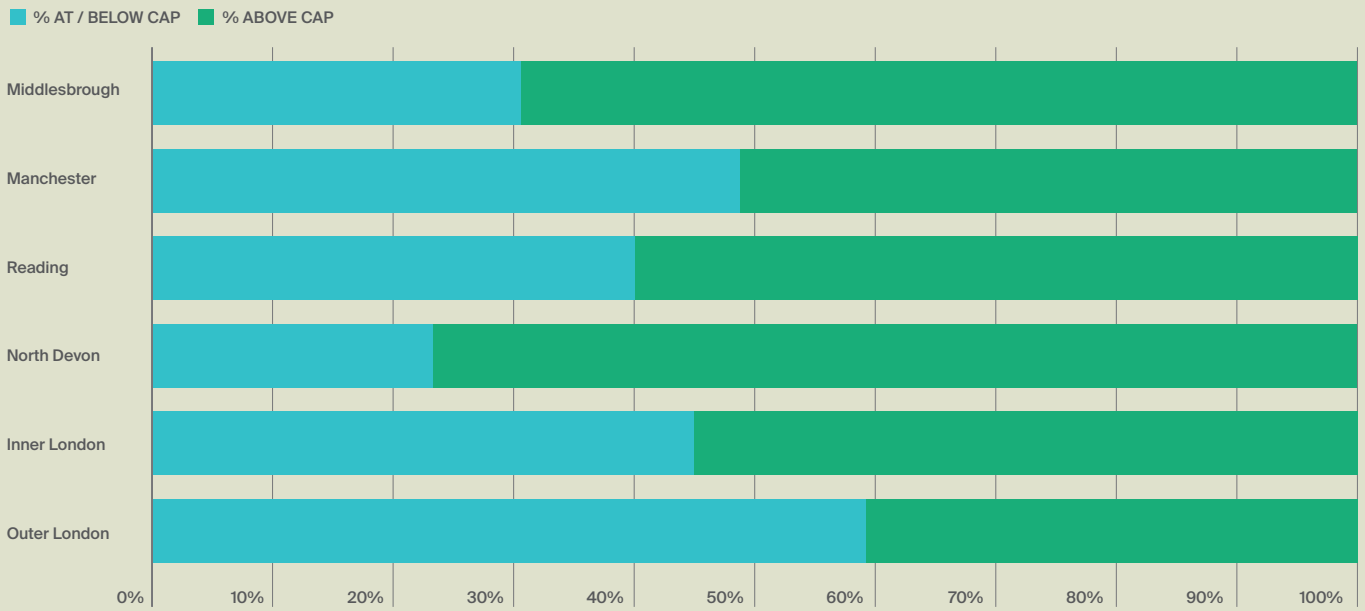
Appetite for development opportunities is mixed. Some developers are raising capital with a view to acquiring sites, while others are taking a more cautious approach as they assess the outlook for values. There have been examples of developers acquiring completed but unsold apartment blocks, though securing development finance remains challenging, even for relatively small schemes backed by experienced operators.

The supply of new opportunities remains relatively limited.

Looking ahead, housebuilders expect market conditions to remain challenging through the final quarter. More than half (56.3%) expect reservations to end the year below 2025 levels, while 37.5% anticipate little change and just 6.3% expect an

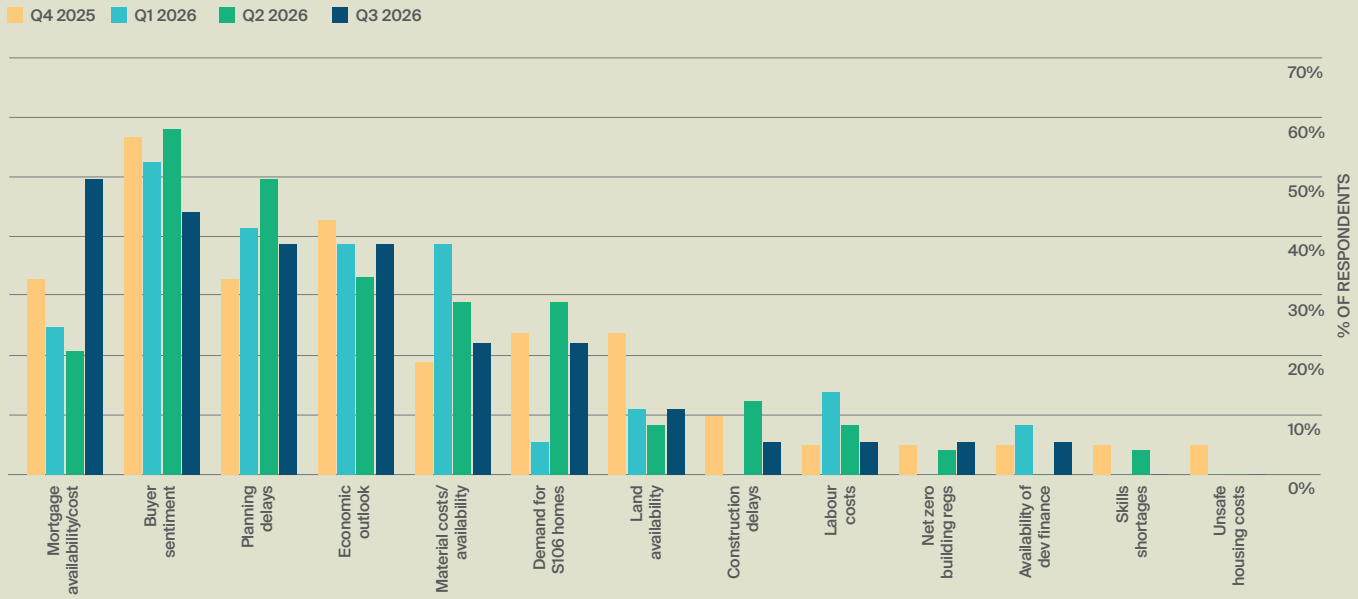
New build homes sold above/below Your First Home price caps

Based on achieved sales data in 2025



Source: Knight Frank Research, Land Registry

What will have the greatest impact on the housebuilding sector?
% of respondents (choose up to three)



Source: Knight Frank Research

increase. Nearly two-thirds (62.5%) expect housing starts to remain unchanged in Q4, while almost a third anticipate further declines.

The slowing pace of land value declines suggests the market may be approaching a turning point. Renewed support for first-time buyers could help stimulate sales and encourage developers to bring forward new sites, particularly in more affordable locations.

However, a sustained recovery will also depend on addressing the wider barriers to development, including viability challenges, planning constraints and the costs associated with moving home.

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 between 30 and 60 SME and large housebuilders to gauge their sentiment and views on the market. The survey was conducted in late July 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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