# Residential Development Land Index

Q1 2025

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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Modest land value declines reflect measured confidence in planning reform, though viability and regulatory hurdles continue to weigh on urban delivery.

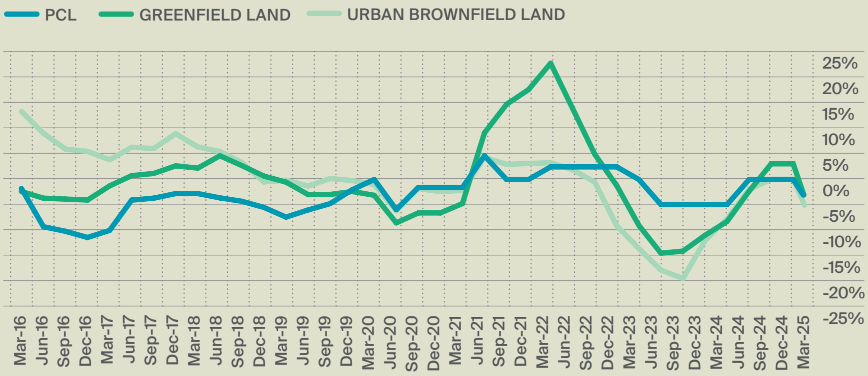
Average values for residential development land declined modestly in the first quarter of 2025, as viability pressures and delivery risks continued to weigh on sentiment. Greenfield land values edged lower, with housebuilders citing persistent cost inflation and planning uncertainty. Urban brownfield and Prime Central London sites saw a little more downward pressure, driven by a widening viability gap, increased uncertainty linked to fire safety regulation, and reduced activity in the institutional and affordable housing markets.

While inflation has eased and interest rates are expected to fall further this year, the cost of development remains elevated. Labour shortages for key trades, particularly bricklayers and groundworkers, continue to inflate build costs and restrict delivery. For urban schemes, additional constraints linked to Gateway 2 and Section 106 requirements are limiting appetite for sites. Delays associated with the Building Safety Act and viability review mechanisms are adding risk and dampening values, especially for higher-density and taller developments.

At the same time, the number of housebuilders able to secure Registered Provider partners for S106 obligations remains low, reducing the appeal of some consented sites. Against this backdrop, developers are gravitating toward lower-risk investments, including clean Greenfield sites and strategic land opportunities.

**Residential development land prices**

Annual % change




**Source:** Knight Frank Research

## Six-in-ten

respondents to our quarterly survey cited planning delays as a key drag on activity, the lowest proportion since 2020

## 83%

of survey respondents said they are concerned about employment levels in construction, with 40% 'very' or 'extremely' worried

## 31%

of survey respondents reported an increase in site visits and reservations in Q1 2025

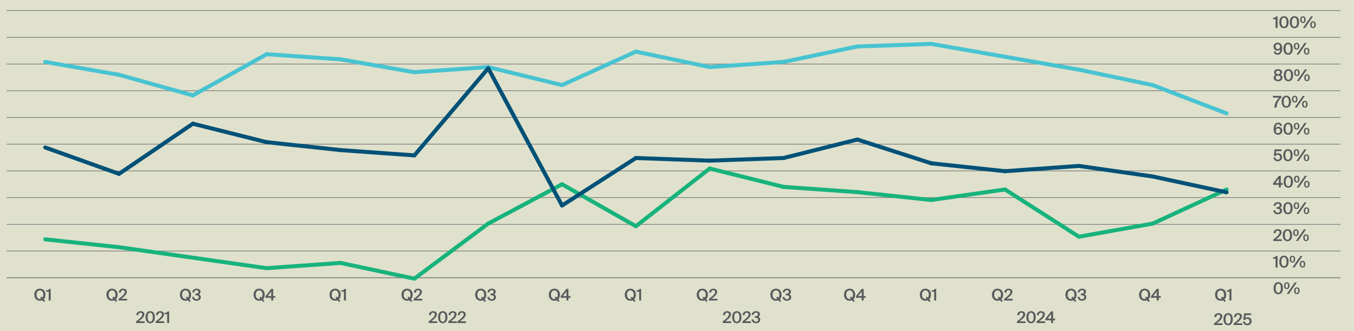
### LOCAL HOUSING TARGETS

Planning sentiment has improved in recent months, helped by Labour's initial steps to reform the system. Six-in-ten respondents to our quarterly survey of more than 50 volume and SME housebuilders cite planning delays as a key drag on activity, the lowest proportion since we began our survey in 2020.

The reinstatement of mandatory local housing targets and a commitment to greenbelt flexibility has boosted sentiment, particularly among the larger housebuilders. Meanwhile, increased funding for planning departments and the appointment of more officers should soon begin to ease local authority resourcing issues.

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

% of respondents




Source: Knight Frank Research

The government's grey belt policy is a key point of focus for housebuilders seeking relatively low risk sites in attractive locations. More than 70% of survey respondents are considering or actively submitting applications for grey belt land, while 60% say they are seeking or may seek consents, even where sites are not allocated in a local plan.

This points to growing confidence in testing the system, and a view that planning decisions may be winnable at appeal where housing shortfalls are acute. That said, output is likely to be constrained by strict affordable housing requirements and restrictions on financial viability testing.

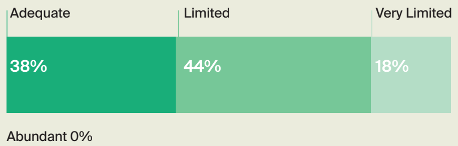
## ENGINES OF GROWTH

Urban housing development is being hindered by multiple challenges, which is rightly a source of significant concern for the government. Gateway 2 and the Building Safety Act continue to block starts on urban schemes, and the sector is also facing the prospect of the Building Safety Levy, due to come into force later this year. The Home Builders Federation has warned that the levy could severely hamper delivery, particularly among smaller housebuilders, and has called on the government to suspend its implementation.

While planning reforms that incentivise housebuilding beyond city centres are welcome, urban centres are the UK's engines of productivity and growth. Without more substantial reform, the government is unlikely to meet its ambition to deliver 1.5 million homes over this parliament, and key cities will be starved of workers. Further action on Gateway 2, building safety regulation and the complexity of Section 106 requirements will be

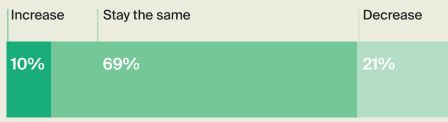
**Land availability**

% of respondents that said land availability was...



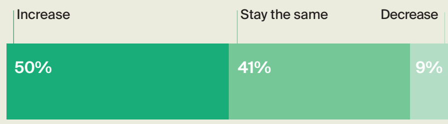

**Land prices**

% of respondents that thought land prices would...




**Start volumes**

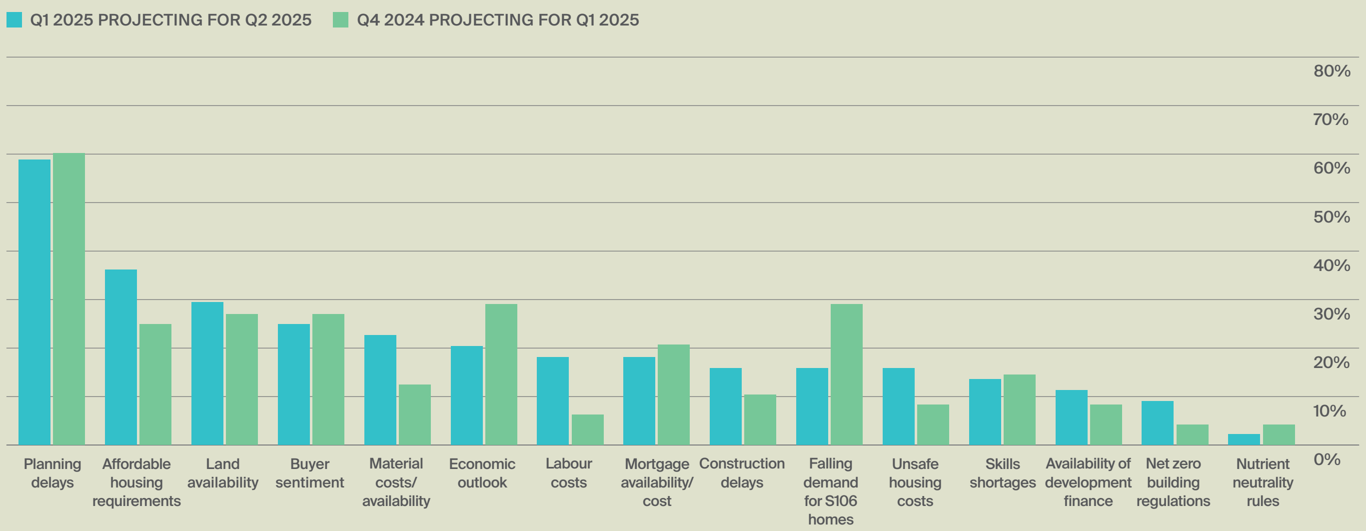
Thinking about the next three months do you expect start volumes to...




Source: Knight Frank Research

**What will have the greatest impact on the housebuilding sector?**

% of respondents (choose up to three)

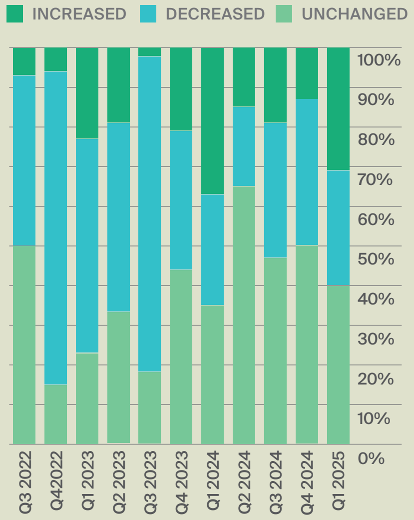



Source: Knight Frank Research



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

% of respondents




Source: Knight Frank Research

critical if delivery is to scale up in the places that need it most.

Our survey suggests that delivery will rise nationwide this year, but not to levels the government would like. A little more than half of our respondents do not plan to submit more planning applications in 2025 than they did last year, versus 40% who said they would. Anecdotally, those that are ramping up are doing so in response to gaps in five-year housing land supply. Many local authorities are falling short of their targets, creating a window of opportunity for developers to move forward with speculative applications – particularly for strategic land.

## CAUTIOUS PRICING OUTLOOK

Falling mortgage rates are expected to support new home sales through 2025, though there are now significant downside risks to that outlook given recent economic volatility and uncertainty around trade policy. Currently, the market's view is that the Bank of England will vote to cut the base rate three times this year, up from an expectation of just two cuts a month ago.

The new homes market did show signs of greater activity in Q1 2025, with nearly a third of survey respondents reporting an increase in site visits and reservations, up from just 13% at the end of 2024.

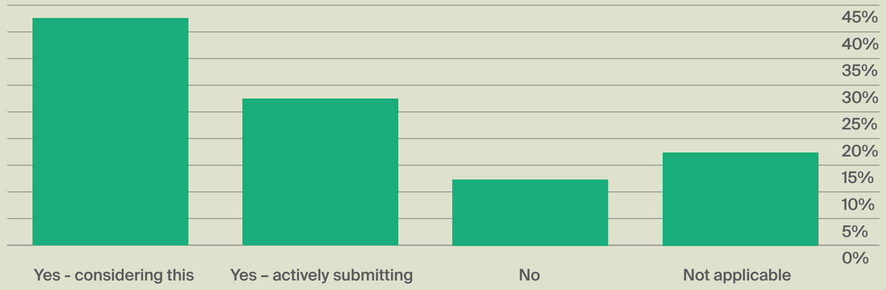
When asked what was supporting sales, a growing majority pointed to falling mortgage costs, with nearly 70% selecting this option, up from 60% in Q4 and 50% in Q3. The share of developers offering incentives has also declined – incentives were cited by just 12% of respondents compared to 20-40% in earlier periods.

A growing share of respondents now expect land prices to remain static or fall in the near term. Seventy percent expect no change in values in Q2, while 20% foresee a further decline and only 10% anticipate an increase.

This more cautious pricing outlook will influence demand. Forty percent of respondents said that falling land prices would most increase their appetite for land and new development, the highest proportion since this question was introduced in Q1 2024.

Overall, the picture is one of measured adjustment, with developers continuing to respond selectively to a challenging operating environment. Land values are shifting, planning sentiment is improving incrementally, and developers remain focused on sites that are viable, deliverable, and lower risk. The market remains in a holding pattern, waiting for stronger policy signals, further movement on interest rates, and a planning system capable of supporting a meaningful uplift in housing delivery.

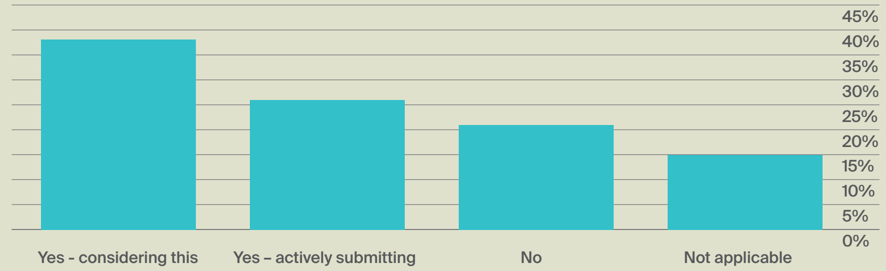
**Are you considering or actively putting forward applications for grey belt sites in England?** % of respondents




Source: Knight Frank Research

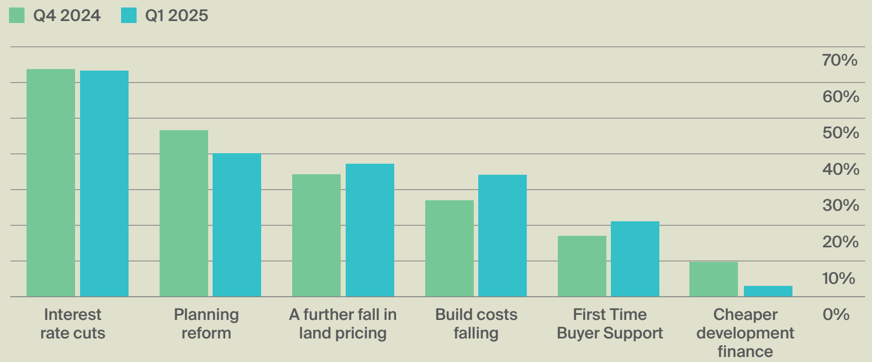
**Are you considering or actively putting forward speculative applications for grey belt sites even if they are not allocated in a local plan?**

% of respondents




Source: Knight Frank Research

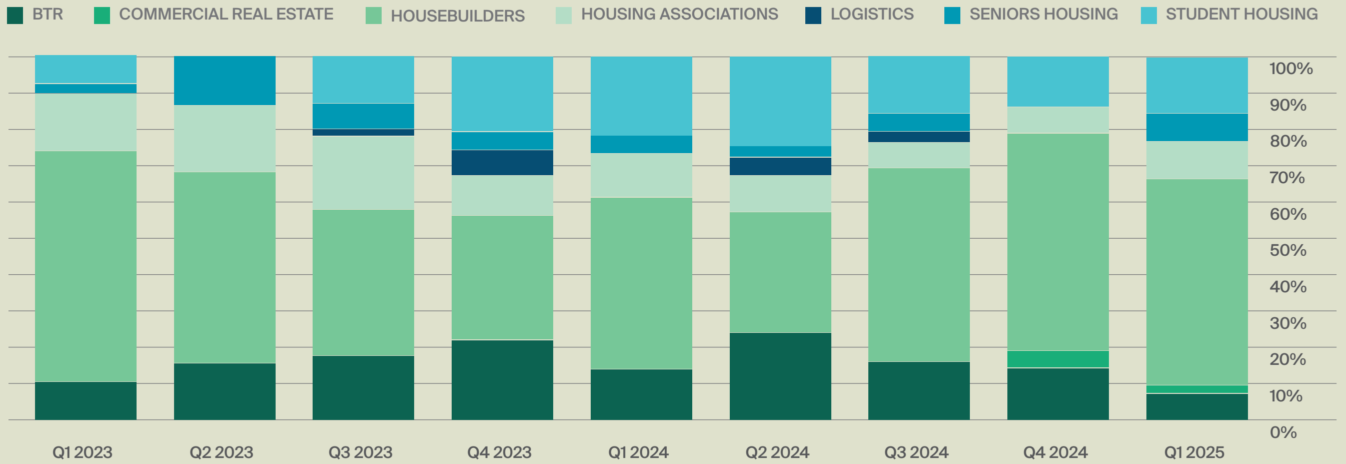
**Which of the following would most increase your appetite for land and new development?** % of respondents




Source: Knight Frank Research

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

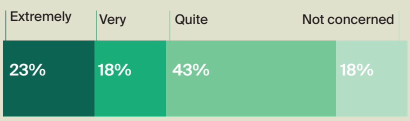
% of respondents




**Source:** Knight Frank Research

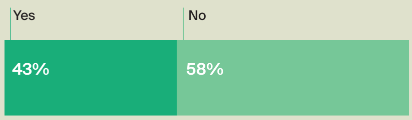
## How concerned are you about employment levels in the UK's construction industry?

% of respondents




## In the region that you operate, have you faced any difficulties achieving build output targets in the past 12 months owing to labour and skills shortages?

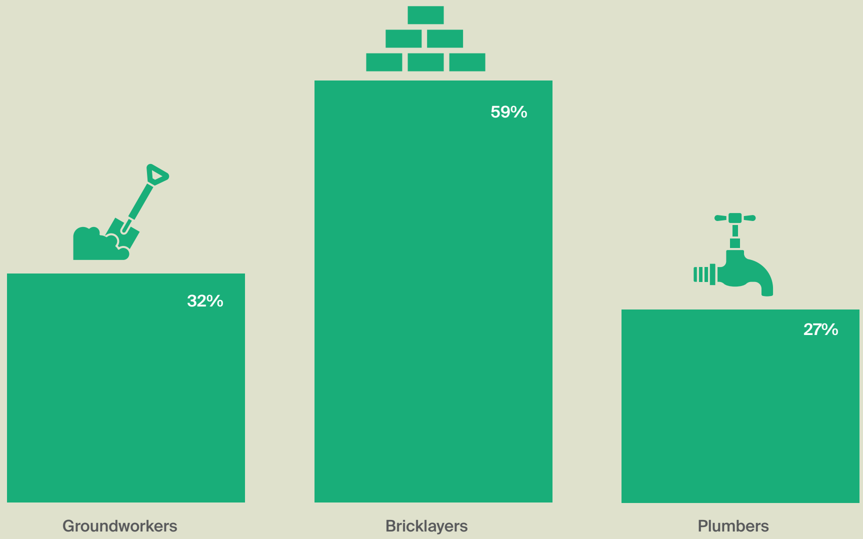
% of respondents




**Source:** Knight Frank Research

## Where are the key pinch points: which key trades are most impacted by labour supply shortages out of the following...

Please select up to three




**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**

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