

## Residential development land values climb in Q3

**Knight Frank's residential development land index for Q3 2013 shows that greenfield land values rose by 2.7% between July and the end of September. Gráinne Gilmore examines the latest market trends.**

### Key facts – Q3 2013

The average value of residential development land in England and Wales **rose by 2.7% on the quarter**

Average land values **are up 4.3% on the year**

**Development land values in prime central London rose by 4.5% in Q3**, taking the annual increase to 13.9%

For the latest news, views and analysis on the world of prime property, visit [Global Briefing](#) or [@kfglobalbrief](#)

Residential development land values posted another quarter of convincing growth across **England and Wales (excluding London)** between July and September, with the average price of greenfield development land rising by 2.7%, following a 1.2% rise in Q2. This takes the annual rate of growth to 4.3%, up from 1.8% in Q2. Back in Q4 last year, prices were down 0.3% on the year.

The rise in land values reflects the increase in house prices being seen around the country as well as rising sales rates experienced by housebuilders. In fact housebuilders have seen reservation rates climb after the introduction of the Help to Buy Equity Loan. There have been around 15,000 new home reservations using the scheme since its introduction in April, and the map below shows a slight concentration in the South of England, outside London.

This step up in demand coincides with a key phase of the National Planning Policy Framework (NPPF) when many local authorities are still trying to identify sites which will deliver adequate levels of housing to meet demand over the next five years. As a result, housebuilders have been very active in the market, in a bid to help plug the supply gaps. This is reflected in a 30% jump in planning applications for private dwellings over the summer.

The increased take-up rate for new homes means that housebuilders and developers are holding land for shorter periods of time – thereby cutting the cost of capital. This allows more room for land prices to rise.

There is also an increased appetite among housebuilders for strategic land, rather than just the “oven-ready” sites that were most popular in the years after the financial crisis. Whilst it is recognised that strategic sites hold greater risk in terms of planning certainty, the potential returns are much higher. Return on capital employed is now a key driver, which should allay any fears that “land-banking” may become a feature in the market.

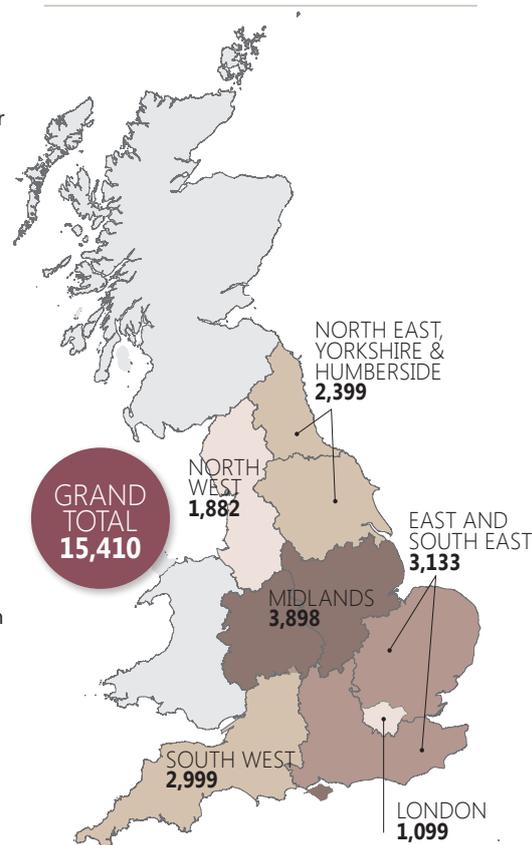
There is strong interest in sites in and around regional cities where supply has dwindled in recent years.

Development land values in **prime central London** climbed by 4.5% in Q3, following a 4% increase in Q2. This comes after modest rises in the second half of 2012, and indicates that land prices are starting to more fully reflect the rise in property values in the central London market.

The increase in values is a function of high levels of national and international demand for a relatively limited number of available sites. Indeed, it is interesting that increasing numbers of housebuilders who have traditionally focused on the regions, are now making forays into the London market. They are facing stiff competition from those already in the market, as well as new international entrants, such as mainland Chinese developers.

### Help to Buy

Equity loan reservations by region



Source: DCLG



**GRÁINNE GILMORE**  
Head of UK Residential Research

*“There is an increased appetite for strategic land, rather than just the “oven-ready” sites popular in recent years.”*

Follow Gráinne at [@ggilmorekf](#)

*"The step up in demand coincides with a key phase of the NPPF when many local authorities are trying to identify sites which will meet housing supply for the next five years."*

### Prime Central London Residential Development Land Index

Date	Res dev land index	12-month % change	6-month % change	3-month % change
Sep-11	100.0			
Dec-11	102.1			2.1%
Mar-12	103.2		3.2%	1.1%
Jun-12	103.2		1.1%	0.0%
Sep-12	103.2	3.2%	0.0%	0.0%
Dec-12	104.6	2.5%	1.4%	1.4%
Mar-13	108.1	4.8%	4.8%	3.4%
Jun-13	112.5	9.0%	7.5%	4.0%
Sep-13	117.5	13.9%	8.7%	4.5%

Source: Knight Frank Residential Research

### England and Wales Residential Development Land Index

Date	Res dev land index	12-month % change	6-month % change	3-month % change
Sep-11	100.0			
Dec-11	100.2			0.2%
Mar-12	100.2		0.2%	0.0%
Jun-12	99.9		-0.3%	-0.4%
Sep-12	100.1	0.1%	-0.1%	0.3%
Dec-12	99.9	-0.3%	0.0%	-0.2%
Mar-13	100.4	0.2%	0.3%	0.5%
Jun-13	101.6	1.8%	1.7%	1.2%
Sep-13	104.3	4.3%	4.0%	2.7%

Source: Knight Frank Residential Research

#### RESIDENTIAL RESEARCH

##### Gráinne Gilmore

Head of UK Residential Research  
+44 20 7861 5102  
grainne.gilmore@knightfrank.com

#### PRESS OFFICE

##### Rosie Cade

+44 20 7861 1068  
rosie.cade@knightfrank.com

#### Notes to Editors

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank and together with its New York-based global alliance partner, Newmark Grubb Knight Frank, operate from over 370 offices, in 43 countries, across six continents and has over 13,000 employees. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit [www.KnightFrank.com](http://www.KnightFrank.com).

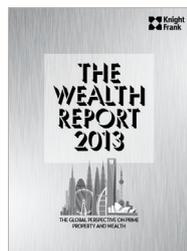
© Knight Frank LLP 2013 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.



#### GLOBAL BRIEFING

For the latest news, views and analysis on the world of prime property, visit [KnightFrankblog.com/global-briefing](http://KnightFrankblog.com/global-briefing)

### RECENT MARKET-LEADING RESEARCH PUBLICATIONS



[The Wealth Report 2013](#)



[London Development Report 2013](#)



[Crossrail 2013](#)



[House Price Sentiment Index \(HPSI\) Oct 13](#)

Knight Frank Research Reports are available at [www.KnightFrank.com/Research](http://www.KnightFrank.com/Research)