

LOCALISED LAND MARKET

Development land prices for greenfield sites in England remained largely unchanged between April and June as did prices in prime central London. However urban brownfield land values continued to rise, largely driven by demand in three regional cities.

Key facts Q2 2017

Prime central London development land prices were flat in Q2, and are down 3.5% on the year

English greenfield land prices fell by 0.3% in Q2, but posted a 0.7% annual rise

Urban brownfield land prices rose by 1.2% in Q2 and 6.3% on the year

Greenfield land prices rose by 0.7% in the year to June. While this may be a modest rate of growth, it marks the first time the annual change in land prices for greenfield sites has been in positive territory since the end of December 2014. While the factors that have weighed on land prices, not least construction costs and the cost of planning, are still evident, there is evidence of improving demand, especially in areas where the demand for new housing is high. This has, to some extent, put a floor under pricing.

Moving into the more urban areas, however, a more mixed picture emerges. Average urban development land prices rose by 1.2% in Q2 and are up 6.3% year-on-year. Values in these markets, which include sites in five of the UK's key cities, have risen by 23% since the start of 2015. However, as ever with the property market, there is a regional difference in performance, with prices being augmented over the average year by the growth seen in Birmingham, Manchester and Leeds.

In the prime central London residential development land market, prices are starting to 'flatten out'. Values have now been unchanged for two quarters after five consecutive quarters of price falls. After rising by nearly 50% between September 2011 and June 2015, development land prices have fallen by a cumulative 13%.

However, the 3.5% annual decline in pricing shown by the index, which is collated using the valuations of a basket of development sites across central London, can only ever give a picture of what average declines are. Ian Marris, Joint Head Of Residential Development, said: "We have seen sites in some locations hold their value over the last year, showing no change in price, while in others, prices may have fallen by as much as 6% over the same time. Location and quality of opportunity on development sites are more important factors in determining land pricing than ever before. Value as ever, is in the detail."



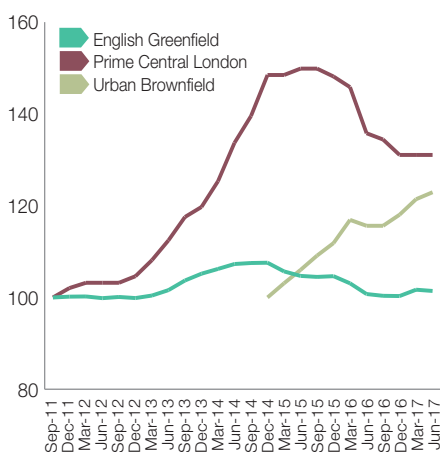
GRÁINNE GILMORE
Head of UK Residential Research

"There is evidence of strong demand for greenfield and brownfield development land across the country in areas where the housing need is greatest."

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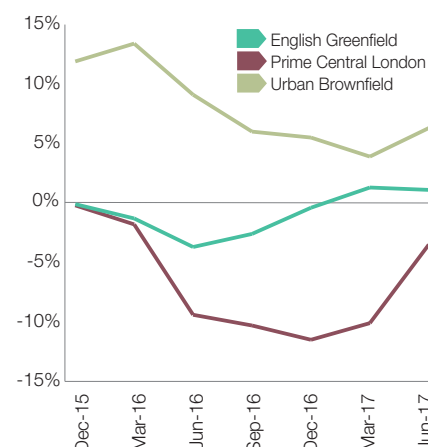
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FIGURE 1
Residential development land indices



Source: Knight Frank Research

FIGURE 2
Annual change in development land prices



Source: Knight Frank Research

RESIDENTIAL DEVELOPMENT LAND INDEX Q2 2017



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England Greenfield Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
Jun-15	104.70	-2.4%	-2.7%	-0.9%
Sep-15	104.48	-2.8%	-1.1%	-0.2%
Dec-15	104.64	-2.7%	-0.1%	0.2%
Mar-16	103.08	-2.5%	-1.3%	-1.5%
Jun-16	100.75	-3.8%	-3.7%	-2.3%
Sep-16	100.36	-3.9%	-2.6%	-0.4%
Dec-16	100.31	-4.1%	-0.4%	0.0%
Mar-17	101.69	-1.4%	1.3%	1.4%
Jun-17	101.42	0.7%	1.1%	-0.3%

Prime Central London Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
Jun-15	149.87	12.1%	0.9%	0.9%
Sep-15	149.87	7.4%	0.9%	0.0%
Dec-15	148.15	-0.2%	-1.1%	-1.1%
Mar-16	145.83	-1.8%	-2.7%	-1.6%
Jun-16	135.79	-9.4%	-8.3%	-6.9%
Sep-16	134.42	-10.3%	-7.8%	-1.0%
Dec-16	131.06	-11.5%	-3.5%	-2.5%
Mar-17	131.06	-10.1%	-2.5%	0.0%
Jun-17	131.06	-3.5%	0.0%	0.0%

Urban Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
Jun-16	115.62	9.1%	3.4%	-1.1%
Sep-16	115.62	6.0%	-1.1%	0.0%
Dec-16	118.03	5.5%	2.1%	2.1%
Mar-17	121.41	3.9%	5.0%	2.9%
Jun-17	122.93	6.3%	4.1%	1.2%

Source: Knight Frank Research

The Knight Frank Residential Development Land Index is designed purely 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.

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