

Residential development land values rise in Q1 2013

Knight Frank's residential development land index shows that average values rose both in prime central London and throughout England and Wales between January and March. Gráinne Gilmore examines the data:

Results for Q1 2013

The average value of residential land in England and Wales **rose by 0.5% in Q1 2013**

Average land values up 0.2% on the year, reversing the 0.3% annual decline in Q4 2012

Prime central London land prices climbed by 3.4% in Q1, taking the annual rise to 4.8%

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

Residential development land prices edged up in the first three months of the year across England and Wales, reflecting the small improvement seen in average house prices across the UK.

There are signs that more planning consents are coming through on some developers' structural land banks. This is a result of challenges faced by some local authorities in achieving an ongoing supply of sites sufficient to provide five years' worth of housing – a requirement of the new National Planning Policy Framework (NPPF). This rise in consents means supply is less constrained than it was this time last year.

However, in some cases, land is being approved for development where there is limited demand, given the new economic dynamics across the UK. Indeed, there is still a shortage of development land of the right scale across South East England.

In terms of demand, recent political developments could provide a boost to the market in the coming years. In March, the Chancellor launched a large-scale 'Help to Buy' mortgage scheme, designed to help more would-be home buyers secure a mortgage loan. Under the first part of the plan, which launched on April 1st, the Government

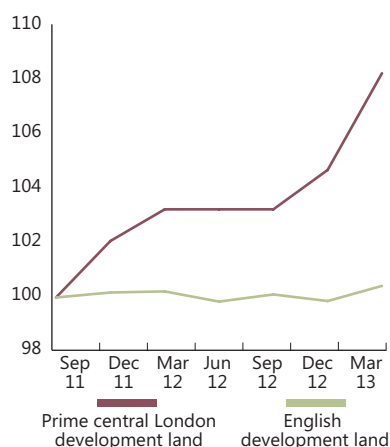
will offer an equity loan of 20% to purchasers (first-time buyers and home movers), interest-free for five years. This will allow borrowers to access a 75% mortgage deal instead of a 95% loan-to-value (LTV) deal. There are far more 75% LTV mortgage deals available on the market, and the lower the LTV on a mortgage, the cheaper the interest rate tends to be. The Government is setting aside £3.5 billion for these loans, and aims to help around 74,000 borrowers.

The increased availability of mortgage lending as a result of the scheme could see a step up in demand for housing. Some housebuilders are already reporting increased interest from applicants. As demand increases, housebuilders' ability to turn schemes around more quickly will be enhanced, cutting their cost of capital and leaving some room for land prices to rise.

The second part of 'Help to Buy' being introduced next year, is a much larger mortgage guarantee scheme, available for new-build and existing housing stock, which could further boost activity in the market.

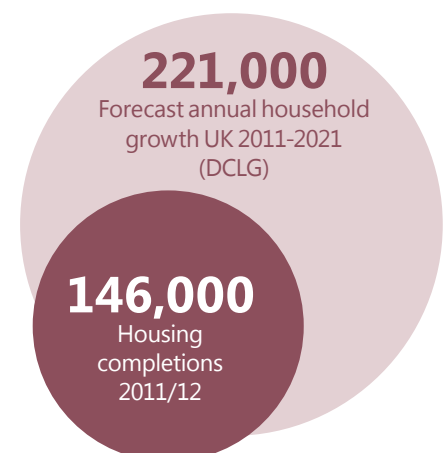
Recent revisions to [household growth projections](#) underlined the continued demand across England and especially in London, which will underpin land prices.

Figure 1
How land value growth compares Q3 2011 - Q1 2013



Source: Knight Frank Residential Research

Figure 2
Housing demand vs supply



Source: Knight Frank Residential Research, DCLG

Follow Gráinne on twitter at [@ggilmorekf](#)

"In terms of demand, recent political developments could provide a boost to the market in the coming years."



Gráinne Gilmore, Head of UK Residential Research

RESIDENTIAL RESEARCH RESIDENTIAL DEVELOPMENT LAND INDEX



PCL res dev land index

Date	Res dev land index	12-month % change	6-month % change	3-month % change
Sep-11	100.00			
Dec-11	102.05			2.1%
Mar-12	103.20		3.2%	1.1%
Jun-12	103.20		1.1%	0.0%
Sep-12	103.20	3.2%	0.0%	0.0%
Dec-12	104.63	2.5%	1.4%	1.4%
Mar-13	108.14	4.8%	4.8%	3.4%

Source: Knight Frank Residential Research

England and Wales res dev land index

Date	Res dev land index	12-month % change	6-month % change	3-month % change
Sep-11	100.00			
Dec-11	100.18			0.2%
Mar-12	100.22		0.2%	0.0%
Jun-12	99.85		-0.3%	-0.4%
Sep-12	100.11	0.1%	-0.1%	0.3%
Dec-12	99.87	-0.3%	0.0%	-0.2%
Mar-13	100.42	0.2%	0.3%	0.5%

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

Recent market-leading research publications



[The Wealth Report 2013](#)



[London Development Report 2012](#)



[London Review Spring 2013](#)



[Prime Central London Sales Index Mar 2013](#)

Knight Frank Research Reports are available at www.KnightFrank.com/Research

Notes to Editors

We have refined our methodology for our development land series and our new series is not directly comparable to previous residential development land data. Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank and its New York-based global partner, Newmark Knight Frank, operate from 244 offices, in 43 countries, across six continents. More than 7,067 professionals handle in excess of US\$817 billion (£498 billion) annually, advising 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.

© 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 allowed with proper reference to Knight Frank LLP Residential Research. 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.

