

Residential development land values rise by 7.1% in 2013

Knight Frank's residential development land index shows greenfield land values in England and Wales rose by 2.7% in the final quarter of last year. Gráinne Gilmore examines the latest market trends.

Key facts – Q4 2013

Residential development land values in England and Wales **rose by 2.7% in Q4 2013**

Land values in England and Wales **rose by 7.1% during 2013**

Development land values in prime central London **climbed by 1.9% in Q4 and are up by 14.4% on the year**

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Development land values in England and Wales posted a fourth consecutive quarter of growth in the final three months of last year, marking a turnaround from 2012, when prices were largely static. Average prices of greenfield land for residential development climbed by 2.7% between October and December, and resulted in a 7.1% uplift for 2013 as a whole.

The upward trend in development land values reflects that seen in house prices across the UK in 2013. UK house prices rose by 8.4% last year, according to Nationwide, with a 2.2% increase in the final quarter of the year. These price rises reflect the increased activity in the market which has been boosted by the introduction of the [Help to Buy Equity Loan scheme](#) in April last year.

The [most recent government data](#) on this scheme shows nearly 13,000 new-build homes were bought between April and December last year using the equity loan. These sales were reasonably evenly spread across England and Wales, with 12% of loans taken up in the North West, and 17% in the South East.

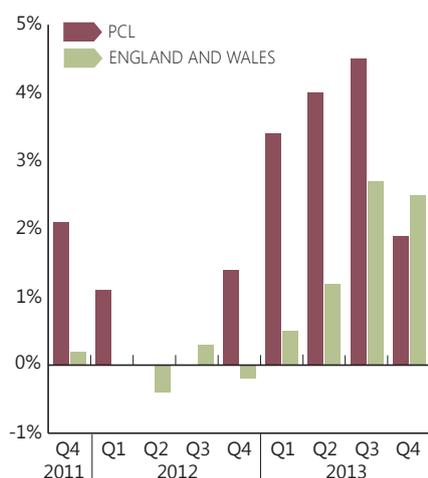
New data from the Land Registry, analysed by Knight Frank, shows that the number of new-build sales in England and Wales rose by 8% between April and the end of September 2013, compared to the same period in 2012.

As market activity has stepped up, developers have seen their cost of capital reduced as they are able to sell their stock more quickly, and are effectively holding land for shorter periods of time. This allows room for land values to rise.

Our map below shows a regional breakdown of how sales of new-build housing have stepped up from April 2013, and it is clear that it is not just a southern story – sales rates are also picking up in the North, West and the Midlands.

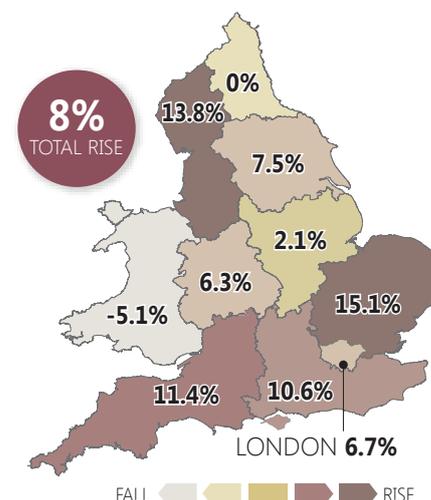
Development land prices in prime central London rose by 1.9% in the final three months of 2013, a much more modest increase than the 4.5% rise seen in Q3 and the 4% rise in Q2. In fact, this is the most modest uptick since the final quarter of 2012. This reflects the slight slow-down in the pace of growth in property prices for prime central London property. Prime central London prices ended 2013 up 7.7%, compared to 12.2% rise in 2011.

FIGURE 1
Development land values
Quarterly changes, Q1 2011 - Q4 2013



Source: Knight Frank Residential Research

FIGURE 2
How new-build sales have risen
Total new-build sales, Apr-Sep 2013 vs Apr-Sep 2012



Source: Knight Frank Residential Research / Land Registry



GRÁINNE GILMORE
Head of UK Residential Research

"The rise in new-build sales is not just a southern story – transactions have climbed by 14% in the North West, albeit from a lower starting point."

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RESIDENTIAL DEVELOPMENT LAND INDEX

England and Wales Residential Development 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%
Jun-13	101.60	1.8%	1.7%	1.2%
Sep-13	104.38	4.3%	4.0%	2.7%
Dec-13	106.97	7.1%	5.3%	2.5%

Prime Central London Residential Development 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%
Jun-13	112.45	9.0%	7.5%	4.0%
Sep-13	117.54	13.9%	8.7%	4.5%
Dec-13	119.72	14.4%	6.5%	1.9%

Source: Knight Frank Residential Research

"The upward trend in development land values reflects the movement seen in house prices across the UK over the last year."



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RESIDENTIAL RESEARCH

Gráinne Gilmore

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

PRESS OFFICE

Daisy Ziegler

+44 20 7861 1031
daisy.ziegler@knightfrank.com

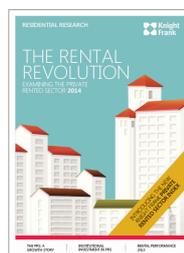
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