

DIVERGING LAND MARKET

English greenfield land values dipped again in Q4 2016, as did those in prime central London. However, urban brownfield land values continued to buck the trend rising by 2.1%, with strong growth seen in Birmingham

Key facts Q4 2016

Greenfield land values remained unchanged in Q4 2016, **taking the annual decline to 4.1%**

Prime Central London development land values **fell by 2.5% in the final quarter of 2016**, and the annual decline is 11.5%...

...however average land values for brownfield sites in key urban areas across the UK **rose by 2.1%**, taking the annual growth to 5.5%

Average values for greenfield residential development land sites around England fell for the fifth consecutive quarter in Q4 2016. The greenfield land index, made up of a selection of sites across England, is 7% lower than its peak in Q4 2014, and is at a similar level to that seen at the start of 2013.

The UK housing market remains characterised by a shortage of homes in many areas where demand is greatest, and by record-low mortgage rates. However, the movement in land prices also reflects the wider economic environment, especially the uncertainty in the medium-term over the impact of Brexit on the UK economy.

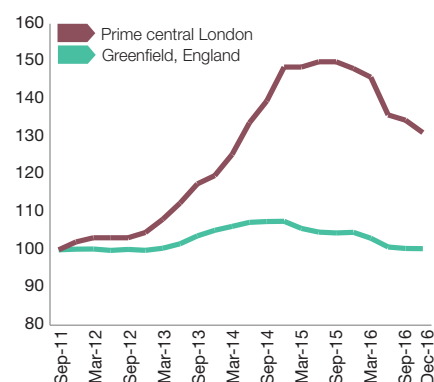
As such, developers are adding in margins to allow for this uncertainty, putting a squeeze on land prices.

Economic and fiscal policy is also playing a part in the prime central London land market, an area where the property market is still absorbing major changes made to the stamp duty regime over the last two years.

Ian Marris, joint head of Residential Development, said: "The market for land in PCL is showing signs of conditions last seen in 2010 where, after two years of falls, the savvy investors returned to the market and bought in expectation that pricing was reaching the bottom. It is probably a little premature to make the same conclusion

FIGURE 2

Development land prices Indexed 100 = Sept 2011



Source: Knight Frank Research

however it feels like it is close and we can certainly see value returning to development appraisals."

The urban brownfield land market which bucked the wider land trend, showing 18% growth over the last two years. The urban index encompasses sites across five major cities. It is noticeable that pricing in Birmingham has been strongest over the most recent quarter. This highlights how, even with wider economic uncertainties, the prospect of regeneration, potential transport uplifts, and a positive local economic picture, can underpin land pricing.



GRÁINNE GILMORE
Head of UK Residential Research

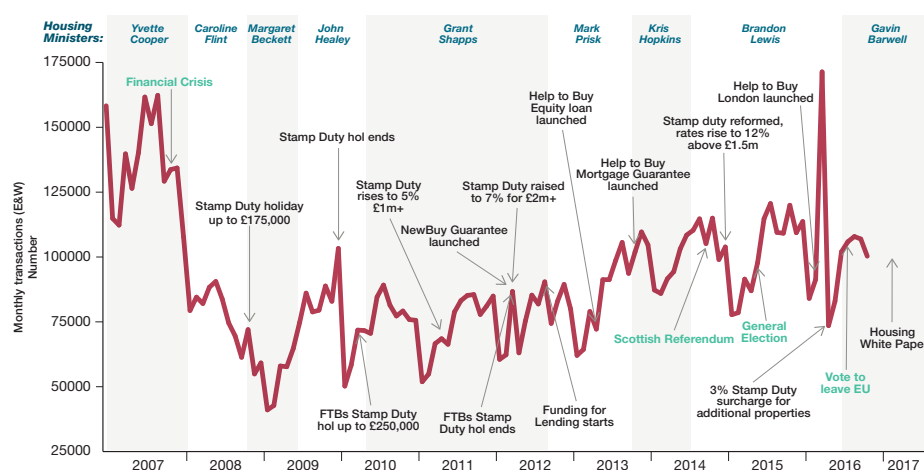
"Amid wider economic uncertainties, the prospect of regeneration, potential transport uplifts, and a positive local economic picture can underpin land pricing."

Follow Gráinne at [@ggilmorekf](https://twitter.com/ggilmorekf)

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FIGURE 1

Housing Transactions and Government Policy



Source: Knight Frank Research

RESIDENTIAL DEVELOPMENT LAND INDEX Q4 2016

England Greenfield Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
Dec-14	107.57	2.3%	0.3%	0.1%
Mar-15	105.68	-0.5%	-1.7%	-1.8%
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%

Prime Central London Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
Dec-14	148.5	24.0%	11.1%	6.4%
Mar-15	148.5	18.5%	6.4%	0.0%
Jun-15	149.9	12.1%	0.9%	0.9%
Sep-15	149.9	7.4%	0.9%	0.0%
Dec-15	148.1	-0.2%	-1.1%	-1.1%
Mar-16	145.8	-1.8%	-2.7%	-1.6%
Jun-16	135.8	-9.4%	-8.3%	-6.9%
Sep-16	134.4	-10.3%	-7.8%	-1.0%
Dec-16	131.1	-11.5%	-3.5%	-2.5%

Urban Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
Dec-15	111.85	11.9%	5.5%	2.5%
Mar-16	116.91	13.4%	7.1%	4.5%
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%

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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Prime Central London Sales Index - Jan 2017



Prime Central London Rental Index - Jan 2017



Development Finance Report - 2016

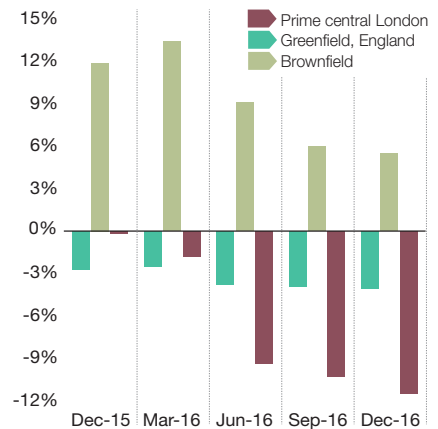


UK Housebuilding Report - 2016

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

FIGURE 3

Greenfield, Brownfield (key urban areas) and PCL Annual % change



Source: Knight Frank Research

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