

ENGLISH GREENFIELD LAND PRICES EDGE UP IN Q1 2018

The value of English greenfield land climbed 0.9% between January and March, while land values in prime central London remained unchanged. The average value of urban brownfield land rose 0.4%.

Key Facts Q1 2018

English greenfield land values climbed 0.9% during Q1 2018, taking the annual change to 2.2%

Urban brownfield land values rose 0.4%, taking the annual change to 6.4%

Land values in prime central London remained unchanged, taking the annual decline to 2.1%

Average greenfield land values in England climbed 0.9% during Q1 2018, aided by demand for oven-ready sites with access to infrastructure. This took the annual change to 2.2%, down from 2.6% in the year to Q4 2017.

Uncertainty over the future of Britain's relationship with the European Union is likely to weigh on future growth in values, with house builders taking an increasingly selective approach when bidding for land as they adjust to perceived risk in the market.

The Help to Buy Equity Loan scheme has continued to contribute to sales rates, though developers are now embarking on projects due to complete after 2021 – when the scheme is currently stated to end. Uncertainty over the future of the policy is likely to be reflected in English greenfield land values in the coming quarters, coupled with house builders factoring into their margins the unclear economic picture ahead.

Growth in urban brownfield land values moderated during the quarter, climbing 0.4%. This follows a strong final quarter of 2017, when values rose 4.9%, amid positive sentiment and robust employment growth in the UK's major cities – particularly in Birmingham. Values have climbed 6.4% during the past twelve months.

Those fundamentals that underpinned demand in Q4 remain unchanged. However, high build costs are increasingly limiting what developers are willing to pay for land.

Development land prices in prime central London remained unchanged during Q1 2018, taking the annual change to -2.1%.

Though trading volumes remain lower than in previous years, a number of large sites have been put on the market following the Christmas lull, which should provide a strong indication of the strength of the market, and whether larger developers are re-committing to Zones 1&2.

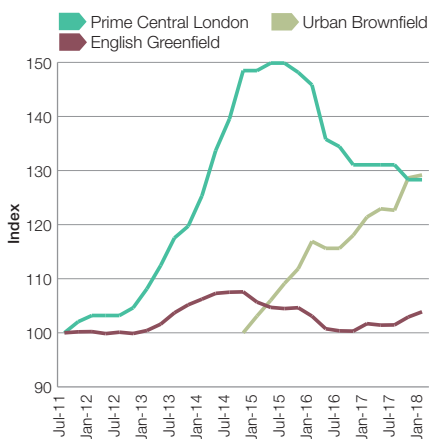
The GLA Affordable Housing policy – allowing developers to fast-track through the process if they hit a threshold of 35% Affordable Housing, or 50% on public land – is being digested by the market and the jury is out as to whether this will provide a much need boost to Affordable Housing in the capital. The spread of prices paid for land sold with planning, compared to land sold without, has widened as developers weigh up risk in a new planning environment.

We anticipate prime central London development land values will remain stable moving forward.

FIGURE 1

Residential development land prices

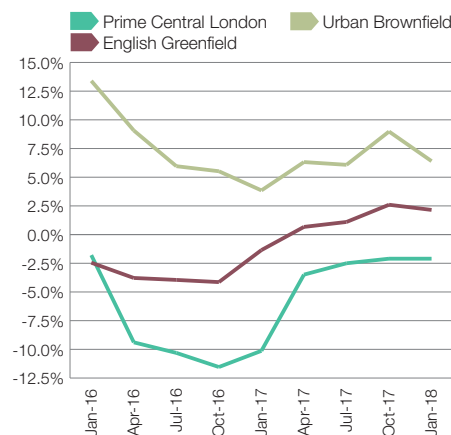
Rebased 100 = Jun 2011 (Urban Brownfield = Dec 2014)



Source: Knight Frank Research

FIGURE 2

Annual change in average land values



Source: Knight Frank Research



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RESIDENTIAL DEVELOPMENT LAND INDEX Q1 2018

Prime Central London Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
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%
Sep-17	131.06	-2.5%	0.0%	0.0%
Dec-17	128.31	-2.1%	-2.1%	-2.1%
Mar-18	128.31	-2.1%	-2.1%	0.0%

England Greenfield Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
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%
Sep-17	101.46	1.1%	-0.2%	0.0%
Dec-17	102.92	2.6%	1.5%	1.4%
Mar-18	103.88	2.2%	2.4%	0.9%

Urban Brownfield Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
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%
Mar-17	121.41	3.9%	5.0%	2.9%
Jun-17	122.93	6.3%	4.1%	1.2%
Sep-17	122.66	6.1%	1.0%	-0.2%
Dec-17	128.64	9.0%	4.6%	4.9%
Mar-18	129.18	6.4%	5.3%	0.4%

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.

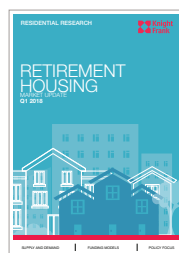
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