

-3.0%

AVERAGE GREENFIELD DEVELOPMENT
LAND PRICES DECLINED 1.8% IN Q3,
TAKING THE ANNUAL DECLINE TO 3%

0.2%

URBAN BROWNFIELD LAND VALUES
DECLINED 0.8% IN Q3, RESULTING
IN AN ANNUAL RISE OF 0.2%

-4.8%

PCL DEVELOPMENT LAND VALUES
WERE UNCHANGED IN Q3, TAKING
THE ANNUAL DECLINE TO 4.8%



Residential Development Land Index

Research, Q3 2019

knightfrank.com/research

It was a slow summer in land markets across the country, with volumes suppressed due to a lack of land for sale. This shortage of supply has underpinned values while political uncertainty has weighed on sentiment, though developers in central London are beginning to look beyond Brexit.

Values in Prime central London remained flat for a second consecutive quarter between July and September. The last time land values remained flat or rose for consecutive quarters in central London was in 2015, when land prices peaked. Since then, values have dropped more than 20% and to an increasing number of developers prime central London now looks like good value.

Notably, developers that have in recent years avoided London zones 1 and 2 have returned, looking for opportunities. House prices are climbing in some central London locations, such as Notting Hill and Knightsbridge, and the supply of new homes at the very top-end of the market is looking increasingly constrained.

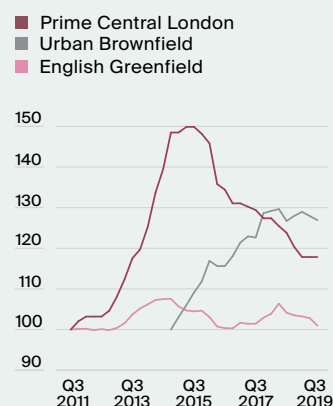
In addition, the combined declines in sterling and property values has continued to attract international buyers in these markets. Buyers of existing prime central London homes in dollars, for example, enjoy an effective discount of more than 20%

when compared with the day before the UK voted to leave the EU.

Demand for homes in the regions has remained robust, which stemmed declines in land values during the quarter. Urban Brownfield land values ticked down 0.8% during Q3, resulting in an annual rise of 0.2%. Greenfield land values declined 1.8% during the quarter, the largest decline since Q2 2016, taking the annual fall to 3%.

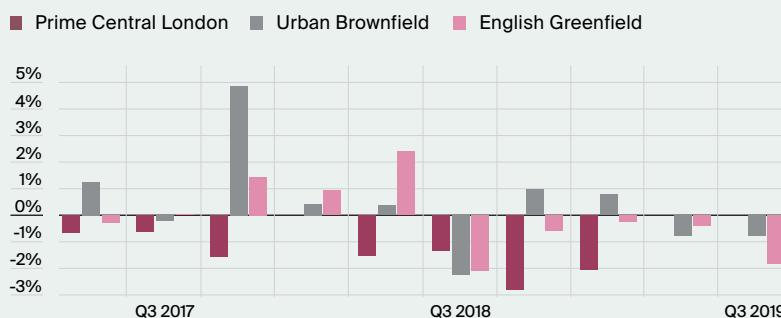
Fig 2. Residential development land prices

Index rebased 100 = Sep 2011
(Urban Brownfield = Dec 2014)



Source: Knight Frank Research

Fig 1. Annual change in average land values



Source: Knight Frank Research

PRIME CENTRAL LONDON DEVELOPMENT LAND INDEX

DATE	INDEX	12-MONTH % CHANGE	6-MONTH % CHANGE	3-MONTH % CHANGE
JUN-18	125.45	-3.7%	-1.5%	-1.5%
SEP-18	123.80	-4.3%	-2.8%	-1.3%
DEC-18	120.30	-5.6%	-4.1%	-2.8%
MAR-19	117.85	-7.5%	-4.8%	-2.0%
JUN-19	117.85	-6.1%	-2.0%	0.0%
SEP-19	117.85	-4.8%	0.0%	0.0%

ENGLAND GREENFIELD DEVELOPMENT LAND INDEX

DATE	INDEX	12-MONTH % CHANGE	6-MONTH % CHANGE	3-MONTH % CHANGE
JUN-18	106.07	4.6%	3.1%	2.1%
SEP-18	104.14	2.6%	0.3%	-1.8%
DEC-18	103.51	0.6%	-2.4%	-0.6%
MAR-19	103.25	-0.6%	-0.9%	-0.3%
JUN-19	102.83	-3.1%	-0.7%	-0.4%
SEP-19	100.97	-3.0%	-2.2%	-1.8%

URBAN BROWNFIELD DEVELOPMENT LAND INDEX

DATE	INDEX	12-MONTH % CHANGE	6-MONTH % CHANGE	3-MONTH % CHANGE
JUN-18	129.66	5.5%	0.8%	0.4%
SEP-18	126.74	3.3%	-1.9%	-2.3%
DEC-18	127.97	-0.5%	-1.3%	1.0%
MAR-19	128.96	-0.2%	1.8%	0.8%
JUN-19	127.94	-1.3%	0.0%	-0.8%
SEP-19	126.93	0.2%	-1.6%	-0.8%

DISCLAIMER

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.

Demand among buyers for new homes remains healthy, particularly where homes are eligible for Help to Buy. Buyers obtained more than 50,000 equity loans during the year through Q1, up 9% on the same period a year earlier. The government has said the scheme will be restricted to first time buyers with regional price caps in 2021, and ended entirely in 2023. Uncertainty over whether there will be a public or private sector-led alternative once the scheme after 2023 is beginning creep into land buying decisions for housebuilders.

In addition, housebuilders source a considerable number of products from Europe, and are allowing potential for additional future costs while sourcing land. Over the short term, developers of all types are likely to remain price-sensitive while bidding for land until there is more clarity over Britain's future relationship with the EU.

Developers that have in recent years avoided London zones 1 and 2 have returned, looking for opportunities.

PATRICK GOWER
ASSOCIATE

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

Residential Development

Justin Gaze

Head of Residential Development Land

+44 20 7861 5407

justin.gaze@knightfrank.com

Residential Research

Patrick Gower

Associate

+44 20 3640 7015

patrick.gower@knightfrank.com

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