

**-2.5%**

AVERAGE GREENFIELD DEVELOPMENT LAND PRICES WERE UNCHANGED IN Q4, TAKING THE ANNUAL DECLINE TO 2.5%

**-0.2%**

URBAN BROWNFIELD LAND VALUES ROSE 0.6% IN Q4, RESULTING IN AN ANNUAL FALL OF -0.2%

**-2.0%**

PCL DEVELOPMENT LAND VALUES WERE UNCHANGED IN Q4, TAKING THE ANNUAL DECLINE TO -2%



# Residential Development Land Index

Research, Q4 2019

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*A lack of land for sale continued to underpin development land values in the final three months of 2019, but sentiment looks to be shifting following the decisive general election result.*

Land values in prime central London were unchanged between October and December, the third consecutive quarter pricing was flat, according to the Knight Frank Residential Development Land Index. Values ended the year down 2%.

Greenfield land values were also unchanged between October and December, taking the annual fall in values to -2.5%. Urban brownfield land values, meanwhile, ticked up 0.6% during Q4, boosted by ongoing demand for housing in regional cities, though values ended the year -0.2% lower.

Fairly static pricing in the land market reflects conditions within the broader housing market. House prices across the UK ended 2019 up 1.4%, according to Nationwide, with uncertainty surrounding Brexit, as well as a potential change of government peaking in the final quarter and acting as the primary brake on both pricing and transactions.

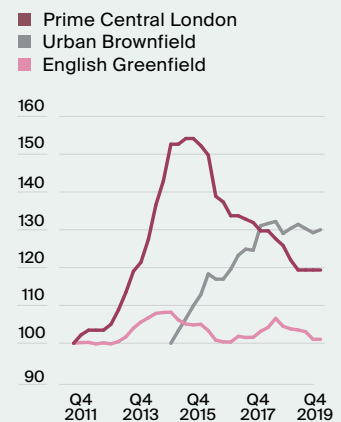
However, December's decisive general election result has prompted a shift in sentiment within the housebuilding sector, as well as the wider market, a fact that has been underlined by a string of recent data pointing to higher business and consumer confidence.

Indeed, the closely-watched IHS Markit/CIPS PMI construction survey bounced back strongly in January with housebuilding the best-performing category, pointing to greater confidence in the market, whilst the latest RICS survey reported a rising number of new buyer enquiries for homes in December.

Consequently, demand among both large and SME housebuilders for new sites is robust, with some even looking again for opportunities to buy land in London zones 1 and 2, having pulled back in the months following the 2016 vote to leave the EU. Data

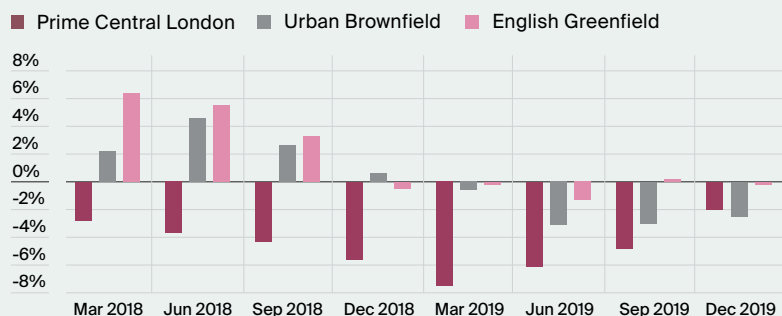
**Fig 2. Residential development land prices**

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
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%
DEC-19	117.85	-2.0%	0.0%	0.0%

#### ENGLAND GREENFIELD DEVELOPMENT LAND INDEX

DATE	INDEX	12-MONTH % CHANGE	6-MONTH % CHANGE	3-MONTH % CHANGE
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%
DEC-19	100.97	-2.5%	-1.8%	0.0%

#### URBAN BROWNFIELD DEVELOPMENT LAND INDEX

DATE	INDEX	12-MONTH % CHANGE	6-MONTH % CHANGE	3-MONTH % CHANGE
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%
DEC-19	127.66	-0.2%	-0.2%	0.6%

#### 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.

from Molior shows that just 6,049 new units commenced construction in inner London in 2019, more than 50% fewer than the market peak in 2015.

Elsewhere, demand for homes in the regions has also been robust, particularly where properties are eligible for the Help to Buy Equity Loan scheme, which accounted for more than 52,000 sales across England over the year to June 2019, according to official figures.

However, despite a more positive backdrop, challenges remain. Help to Buy will be scaled back from next year before being phased out completely by 2023, and uncertainty over whether there will be a public or private sector-led alternative once the scheme ends will be at the forefront of many developers' minds.

In addition, while political uncertainty has undoubtedly diminished, Brexit remains a live issue. The prospect of another cliff edge in December of this year means that, over the short term, developers of all types, many of whom source a considerable number of products from Europe, are likely to remain price sensitive while bidding for land.

Meanwhile, proposed changes to Part L building regulations in England, designed to reduce carbon emissions in new homes, will likely put further pressure on build costs. Indeed, according to the BCIS, build costs are forecast to rise by 23.6% over the next five years, putting pressure on land values despite good demand.

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

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