

## DEVELOPMENT LAND PRICES DIP IN Q1

After several quarters of slowing growth, the average value of greenfield residential development land fell in Q1, for the first time since December 2012. However the picture across the country is more mixed. Development land prices in prime central London also stalled in the first three months of the year. Gráinne Gilmore examines the latest market trends.

### Key facts Q1 2015

Average greenfield residential development land prices **fell by 1.8% in Q1, taking the annual change to -0.5%**

**Land values in prime central London remained unchanged in Q1**, the first time they have not risen since the index began in 2012

On an annual basis, prime central London development land prices **up 18.5% in Q1**

The index of residential development land values across England and Wales fell between January and March for the first time since the final quarter of 2012. This came after a gradual slowing in price growth over several quarters, as shown in figure 1 below.

The strong pace of price growth for development land in prime central London also eased sharply in Q1, with values remaining unchanged for the first time in nine quarters. On an annual basis however, prices are still some 18.5% higher than in Q1 2014, and 48% higher than September 2011.

Across the country, many housebuilders have been replenishing their pipeline of land over the last 12 to 18 months, both consented and strategic. For strategic land, they have started guiding it through the planning system. As such, demand for consented land has eased.

Sites which are 'oven-ready' and perfectly located are still attracting interest however. There has also been a notable trend

emerging of an increased appetite for strategic land among larger housebuilders as this can result in higher margins.

On a short-term basis, the development land market, much like the housing market, has also been affected by the upcoming election, with some developers and housebuilders deferring decisions in recent months until the outcome of the election is clear.

All the parties have pledged to boost housing supply in the years to come, through a variety of schemes from brownfield regeneration funds to support for small to medium-sized builders. The key housing pledges, and the potential impact on the market, are examined in more detail on our [Global Briefing Blog](#).

A theme that is set to continue through the election and the rest of the year is the increased cost of building. Material and labour costs continue to rise, and this is also putting downward pressure on land prices.



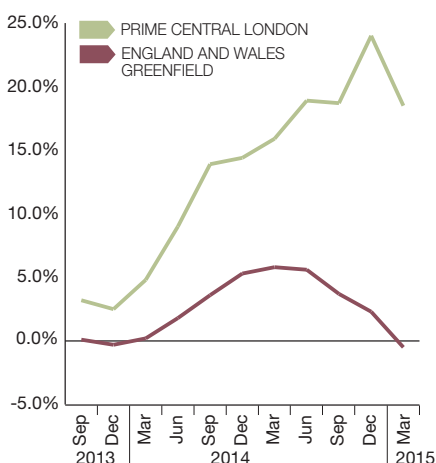
**GRÁINNE GILMORE**  
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"A theme that is set to continue through the election and the rest of the year is the increased cost of building and the challenges in accessing skilled labour."

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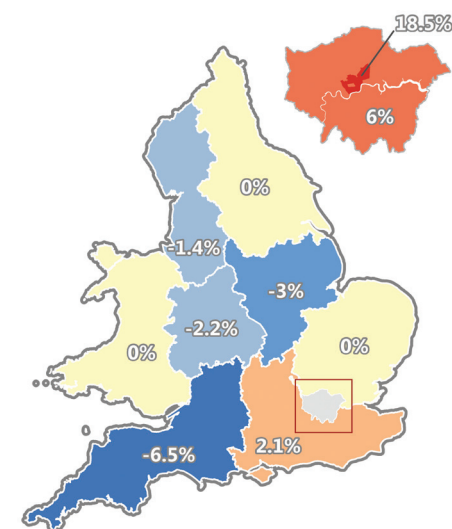
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FIGURE 1  
**Annual change in development land prices**



Source: Knight Frank Residential Research

FIGURE 2  
**Regional growth in development land prices** Annual % change to Q1 2015



Source: Knight Frank Residential Research

## RESIDENTIAL DEVELOPMENT LAND INDEX Q1 2015

### England and Wales Residential Development Land Index

Date	Res dev land index	12-month % change	6-month % change	3-month % change
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	103.70	3.6%	3.3%	2.1%
Dec-13	105.18	5.3%	3.5%	1.4%
Mar-14	106.22	5.8%	2.4%	1.0%
Jun-14	107.29	5.6%	2.0%	1.0%
Sep-14	107.51	3.7%	1.2%	0.2%
Dec-14	107.57	2.3%	0.3%	0.1%
Mar-15	105.68	-0.5%	-1.7%	-1.8%

### Prime Central London Residential Development Land Index

Date	Res dev land index	12-month % change	6-month % change	3-month % change
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%
Mar-14	125.33	15.9%	6.6%	4.7%
Jun-14	133.70	18.9%	11.7%	6.7%
Sep-14	139.54	18.7%	11.3%	4.4%
Dec-14	148.48	24.0%	11.1%	6.4%
Mar-15	148.48	18.5%	6.4%	0.0%

Source: Knight Frank Residential Research

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