

## POLITICAL UNCERTAINTY WEIGHS ON LAND VALUES

**Economic uncertainty coupled with the complexities of the planning system and rising build costs exerted pressure on land values at the turn of the year. However, developers seeking to maintain a healthy supply of land and take advantage of value prompted ultra-competitive bidding for a handful of the best sites on the market.**

### Key Facts Q1 2019

Average greenfield development land prices declined 0.6% in the year to Q1 2019, **the first annual decline in two years**

Urban Brownfield land values climbed 0.8% during Q1 2019, **moderating the annual decline to 0.2%**

Prime Central London development land values declined 2%, **taking the annual decline to 7.5%**

Housebuilders sought to protect their margins to account for future risks during Q1 2019, particularly in the South East. Consequently, average greenfield development land prices declined 0.3%, taking the annual change to -0.6% - the first annual decline in two years.

Construction costs, including materials, plant and labour, have climbed 14% over the past three years, according to the ONS. Any further weakening of the pound could make importing building materials more costly, which could be compounded by reported Brexit-related stockpiling. However, the most significant factor weighing on greenfield land values is housebuilders' caution over possible conditions in the sales market in three to five years' time due to the acute political uncertainty in Westminster.

As a result, competition has been particularly strong for well-connected sites with strong demographics, often on the edge of market towns. Volumes dipped during the 18 months following the 2016 referendum and housebuilders are now seeking to replenish their land supply.

This trend is being mirrored in prime central London, where values dipped 2% during Q1 and declined 7.5% during the year to March.

Demand has been robust for competitively-priced sites in the best locations with rental income already in place, though in the wider prime central London land market investors are grappling with how to accurately price sites amid so much political uncertainty.

In addition, the risk of planning delays in central London has grown in the past two years. Councils and the Greater London Authority at times have differing priorities regarding the proportion and mix of tenures required when negotiating section 106 agreements, which adds another layer of complexity in an already challenging prime central London market.

Urban brownfield land values climbed 0.8% in Q1, taking the annual change to -0.2%. The lack of clarity caused by events in Westminster is being offset by the certainty provided by the Help to Buy Equity Loan scheme, which the government announced in November will be extended to 2023, albeit with regional price caps.



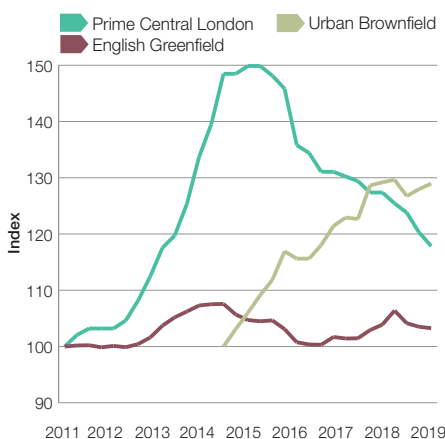
**PATRICK GOWER**  
Associate, UK Residential Research

“Developers seeking to maintain a healthy supply of land... prompted ultra-competitive bidding for a handful of the best sites on the market during Q1.”

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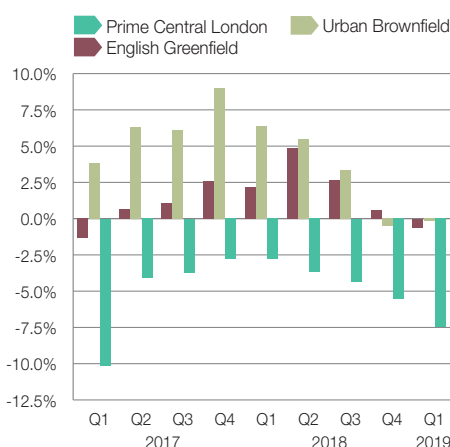
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FIGURE 1  
**Residential development land prices**  
Rebased 100 = Sep 2011 (Urban Brownfield = Dec 2014)



Source: Knight Frank Research

FIGURE 2  
**Annual change in average land values**



Source: Knight Frank Research

## RESIDENTIAL DEVELOPMENT LAND INDEX Q1 2019

### Prime Central London Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
Dec-17	127.38	-2.1%	-2.1%	-1.6%
Mar-18	127.38	-2.8%	-1.6%	0.0%
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%

### England Greenfield Development Land Index

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

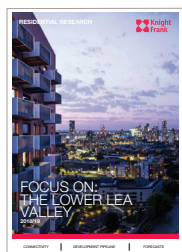
### Urban Brownfield Development Land Index

Date	Index	12-month % change	6-month % change	3-month % change
Dec-17	128.64	9.0%	4.6%	4.9%
Mar-18	129.18	6.4%	5.3%	0.4%
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%

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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If you're thinking of buying or selling, or would just like some property advice, please do get in touch.

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