

Residential Development Land Index

Q2 2024

The Knight Frank Residential Development Land Index is designed to give a snapshot of broad trends in the development land market

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► England land values remain flat amid weak transactional activity as housebuilders call for key policy changes from Labour

Average England brownfield and greenfield land values were flat on quarter and down just 2% on year. Prime Central London land values were flat on quarter and year.

PCL have proven more resilient than land pricing across England.

Overall, residential land values in PCL have fallen on average 5% over the past two years, versus around 20% for the wider England land market. Land prices have remained broadly static in PCL since 2019. Previously, the market

had experienced a long running decline in land and property values since 2016 in the wake of Brexit and stamp duty changes.

This quarter, the announcement of the earlier-than-expected election has been broadly welcomed by the sector. The landslide Labour win could provide a more stable policy backdrop over the next few years, and our latest survey of over 50 volume and SME builders shines a light on what the sector is looking for

60%

said Section 106 affordable housing obligations and viability are key deterrents from progressing applications

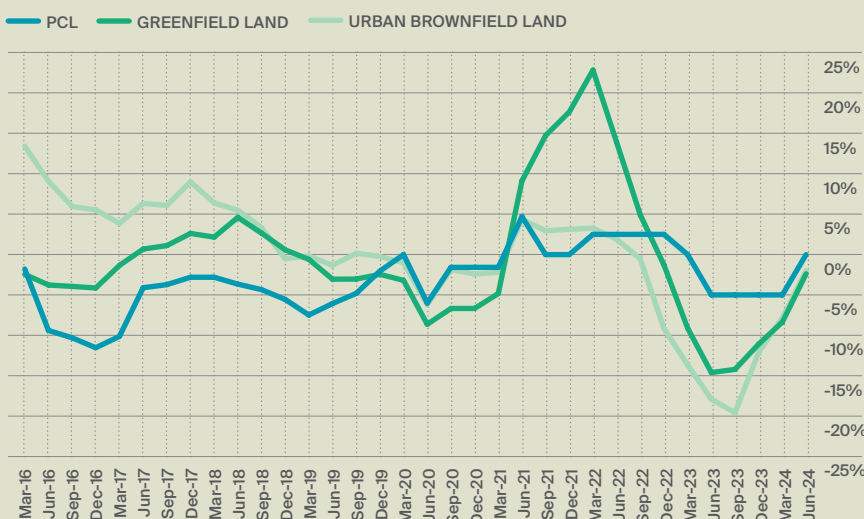
Half

want to see increased funding for planning departments

40%

want Labour to bring back the 5-year land supply test for all councils

Residential development land prices
Annual % change



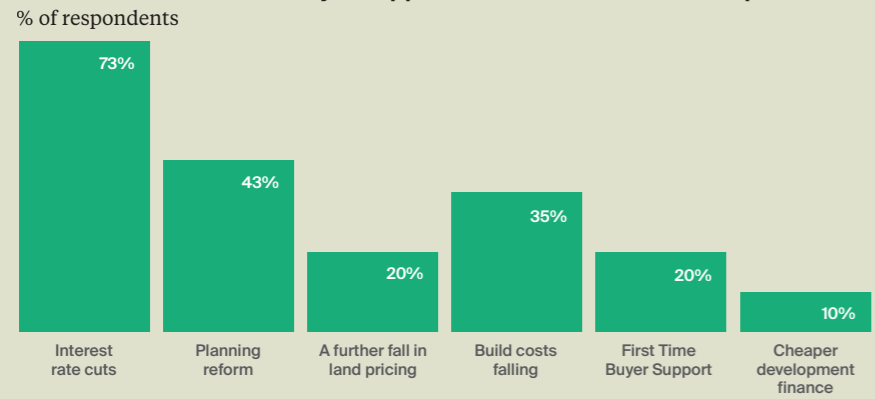
Source: Knight Frank Research

from government. The industry has welcomed promises by Rachel Reeves in her first speech as chancellor to reinstate local housing targets and appoint more planning officers.

That being said, the market remains challenging, given the Bank of England is still yet to cut interest rates, with construction costs remaining elevated. Overall, build costs are forecast to increase by 3% in the 12 months to July this year, according to the Build Cost Information Service, driven by higher labour costs. While demand is more constrained for urban brownfield sites across England, some housebuilders are actively looking for greenfield sites to replenish pipelines. But overall, not much land is currently changing hands.

Given continued headwinds, housebuilders are increasingly diversifying into new tenures. In June,

What would most increase your appetite for land and new development?



Source: Knight Frank Research

Berkeley announced it would establish its own build-to-rent platform and build 4,000 BTR homes in London and the south-east over the next ten years. Crucially, this will be in addition to its existing core large-scale brownfield regeneration business. This comes after Blackstone agreed to buy properties from UK housebuilder Vistry Group worth £1.4bn covering more than 4,500 homes in deals announced both in June this year and back in November.

Broadly, respondents are in favour of the direction of travel Labour is pursuing when it comes to land and development. But over half want to see increased funding for planning departments and over 40% want to see the return of the five-year land supply test for all councils. Neither of these were mentioned in the manifestos, other than the appointment of more planning officers, which at 300 is less than one per local planning authority.

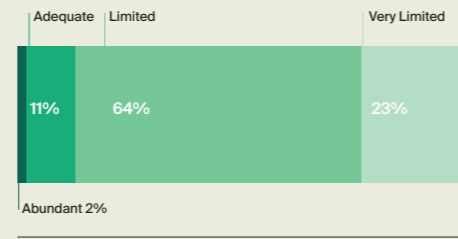
GOVERNMENT PRIORITIES

Our latest survey results demonstrate that housebuilders and developers across England support Labour's move to reverse some Conservative housing policy, with nearly 70% in favour of the reinstatement of local housing targets.

Labour also faces the challenge of balancing urban renewal with the expansion of towns and villages. The majority of respondents would support big urban brownfield regeneration schemes (60%), followed by urban brownfield small sites (53%), greenbelt land

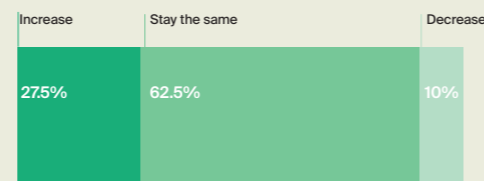
Land availability

% of respondents that said land availability was...



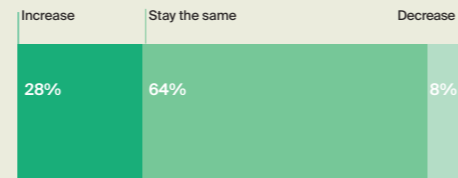
Land prices

% of respondents that thought land prices would...



Start volumes

Thinking about the next three months do you expect start volumes to...

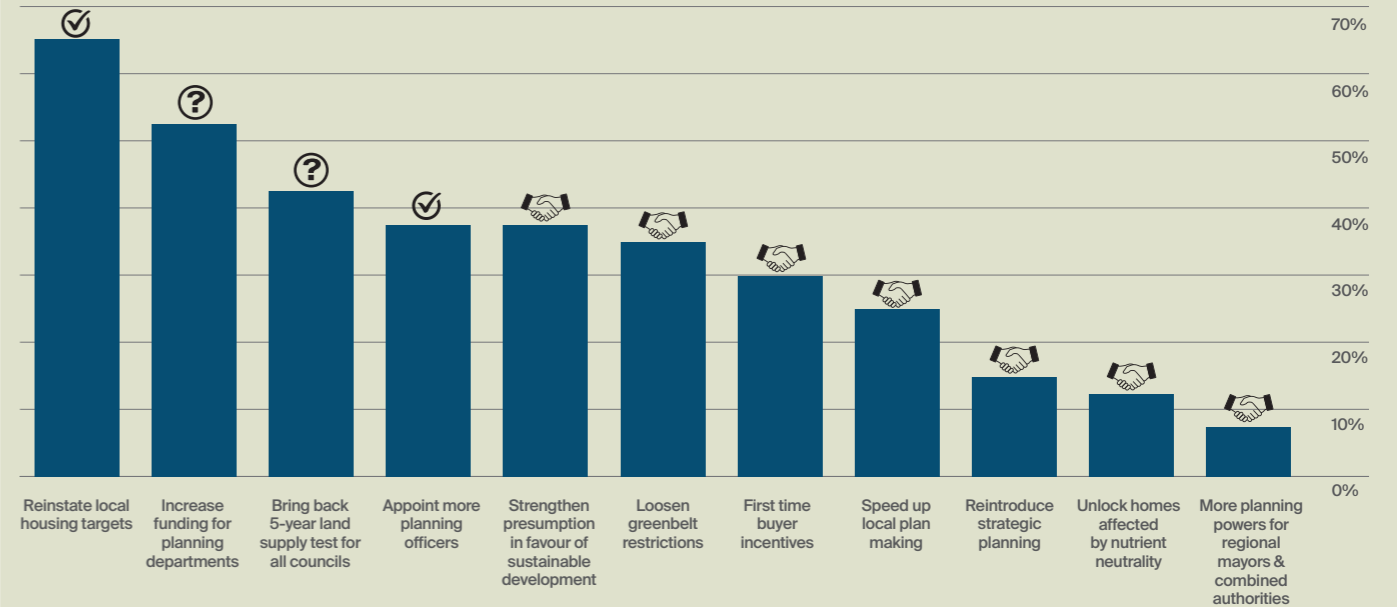


Source: Knight Frank Research

release (35%), and town or village extensions (30%). Stripping out London respondents results in a strong backing for town or village extensions (50%). Clearly, there is

What would you like to see from Labour?

% of respondents vs progress of policy*



Source: Knight Frank Research
*Tick – Announced in Rachel Reeves first speech as chancellor. Question Mark – not in speech or manifesto. Handshake – pledged in manifesto

no one-size-fits-all approach. The diversity in development priorities reflects the nuanced housing needs across the country, emphasising the importance of flexible, locally tailored strategies to meet these demands effectively.

In addition, a higher proportion said that a lack of power capacity in the National Grid had impacted the progress of their housing schemes, 40% this quarter versus just over 30% in Q1.

market, up from 64% in Q1, followed by planning reform (40%). A third would like to see build costs falling before going back into the market, up from a quarter in Q1. Over 60% said they thought land prices would remain flat in the third quarter. Most also think start volumes will stay flat (64%), with just under 30% predicting an increase.

KEY INDICATORS

Overall, 73% said interest rate cuts would be the key factor to encourage them back into the development land

PLANNING ISSUES

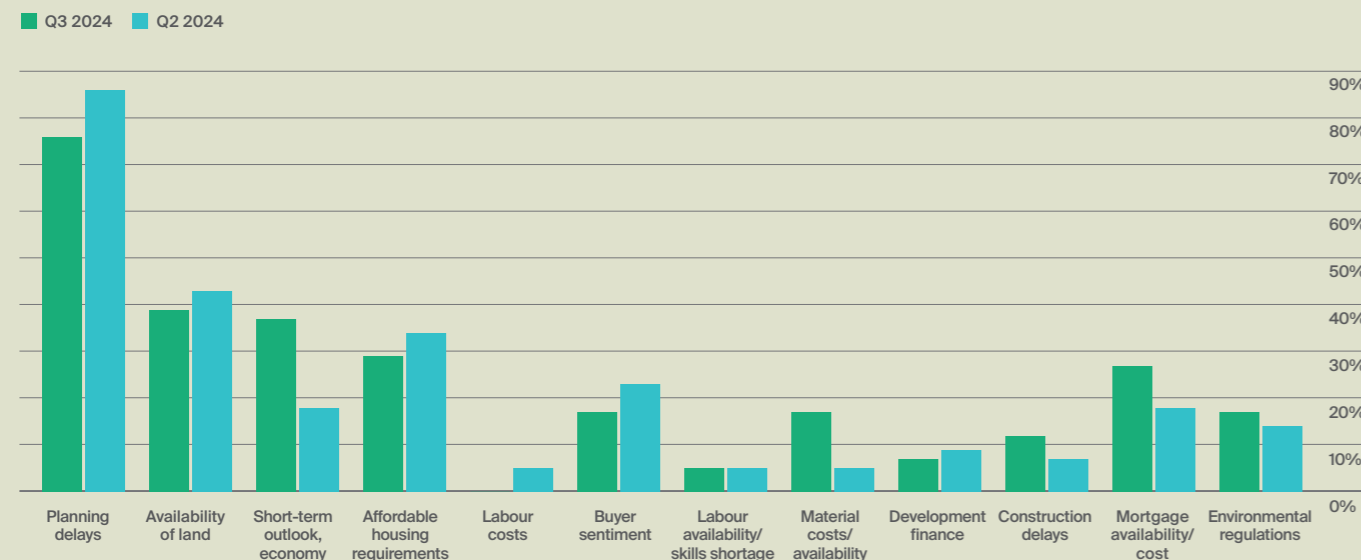
The industry is also calling for more efficiency within the planning system. Nearly 70% said that planning authority resourcing and uncertain timescales were the key stumbling blocks to progressing applications, followed by section 106 affordable housing obligations and viability at 60%, local plan delays (a third of respondents), with a fifth pointing to the UK's economic outlook.

It is no surprise that planning applications in England are currently at an all-time low, given challenging market conditions. The survey results point to a clear desire from industry for more funding from government into both planning departments and the affordable housing sector.

Looking ahead, the majority (nearly 80%), said planning delays would have biggest impact on the sector this quarter, followed by availability of land (nearly 40%), and the short-term outlook for the UK economy (37%).

What will have the greatest impact on the housebuilding sector?

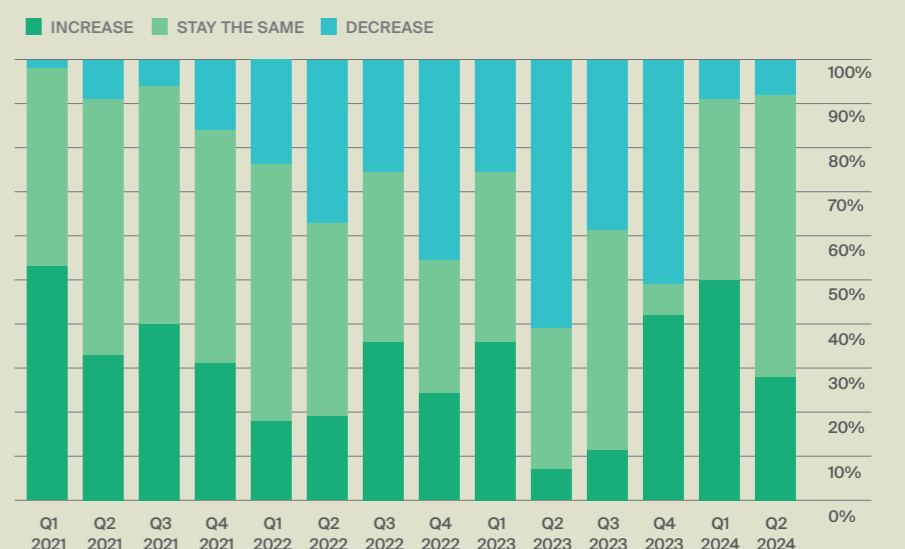
% of respondents (choose up to three)



Source: Knight Frank Research

What will happen to start volumes over the next three months?

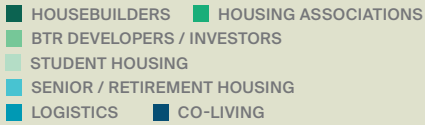
% of volume and SME housebuilders that thought start volumes would...



Source: Knight Frank Research

Which group was most active in the land market in your region?

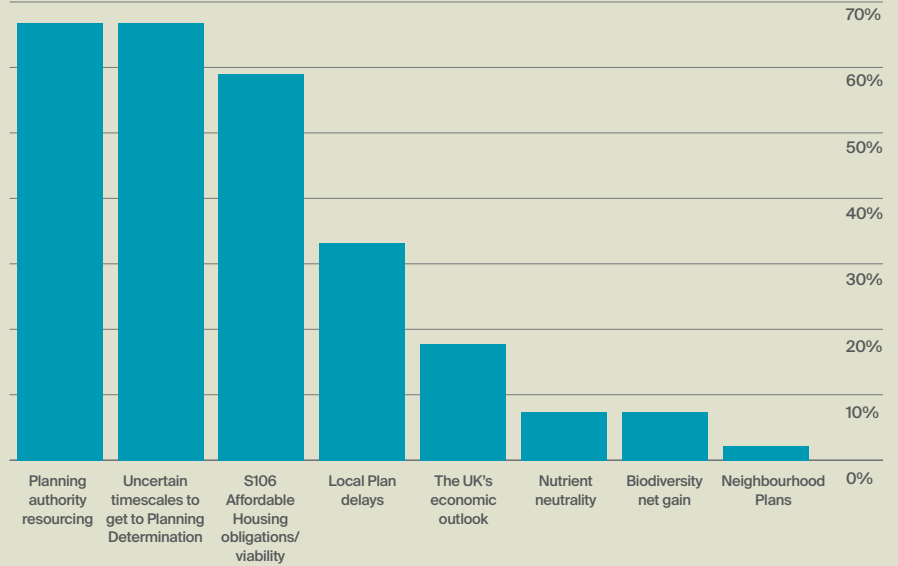
% of respondents



Source: Knight Frank Research

What's deterring you from progressing Planning Applications?

% of respondents (select up to three only)

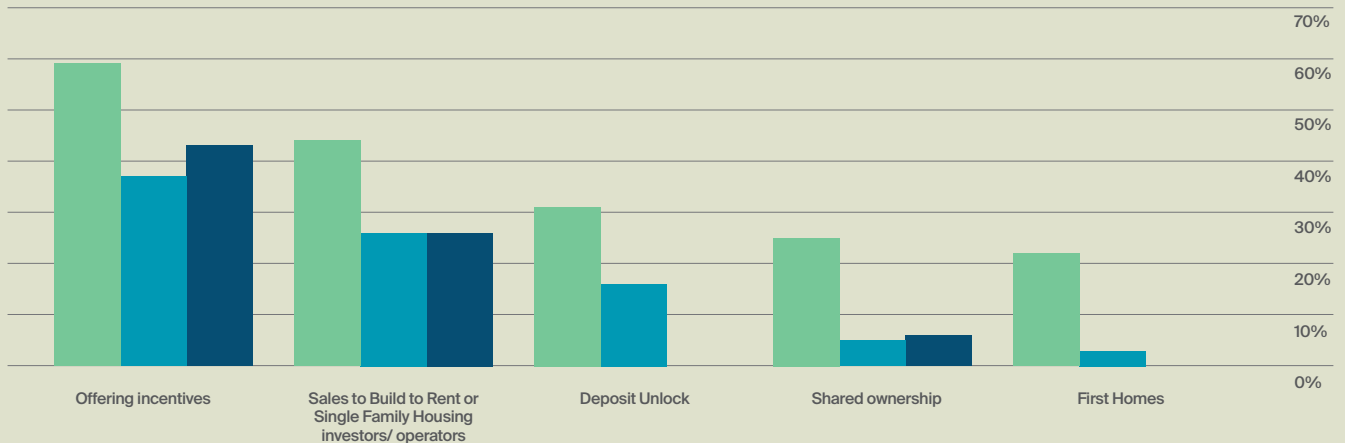


Source: Knight Frank Research

What has helped support sales?

% of respondents

2023 2024 - ASKED IN DECEMBER '23 2024 - ASKED IN JUNE THIS YEAR



Source: Knight Frank Research

Disclaimer

The Knight Frank Residential Development Land Index is designed 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. Every quarter Knight Frank surveys around 50 SME and large housebuilders to gauge their sentiment and views on the market. The survey was conducted between December 20 2023 - January 15th 2024.

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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