

# Market in minutes

## UK Residential Development Land

Consented land shortage in the best locations pushes up site values



### SUMMARY

#### An overview of the market

- Land values are getting nearer to their former peak in towns and cities of high residential demand and value, across all regions (although concentrated in the south).
- Demand for consented, relatively small, risk-free sites is strong and competition for these sites is fast pushing up land prices in some locations.
- Meanwhile there is a backlog of strategic sites and the 'right' type of land in the 'right' locations is in short supply. New planning permissions in England are -41% below the levels of 2006/07.
- Nationally, land prices are flat, disguising significant polarisation. Land values are either rising substantially or are stagnant/falling depending on local variation. On average, UK greenfield land values increased by 1% in Q2 2011. Urban land fell by -0.9%.

UK year on year growth is now standing at 5.4% for greenfield land and 1.8% for urban land. Falls from peak are at -45% and -52% respectively. South East greenfield land is -34% from peak levels.

The national trends disguise distinct regional and sub-regional variation in performance. Land value growth across all regions is being driven by activity in high-value towns, where demand for developable land exists, resulting in distinct 'leaders' and 'laggers' within each region (see Table 1).

This locational analysis shows there are 'hotspots' that exist in the north that have more in common with the

southern leaders. However, there are also some southern 'coldspots', such as Hastings, for example, have more in common with the northern laggards.

### Shortage of consented land

While development viability is a major barrier to delivery on many sites, in areas of higher demand and value, uncertainty and delays in the planning system are now cited as the main restriction on the number of permissioned sites coming forward. New planning consents in England, over the last four quarters, were down -41% on 2006/07 levels, and permissions granted in the first quarter of 2011 show year-on-year falls (see Graph 1).

TABLE 1

### Leaders and laggards, by region (1 & 5 acre greenfield values from peak)

	Region average	Leader		Lagger	
South East	-34%	Oxford	-5%	Hastings	-53%
East	-44%	Cambridge	-24%	Lincoln	-58%
West	-36%	Bristol	-13%	B'mouth/Poole	-52%
North	-61%	York	-39%	Bradford	-69%
Scotland	-47%	Aberdeen	-31%	Glasgow	-48%

Table source: Savills Research

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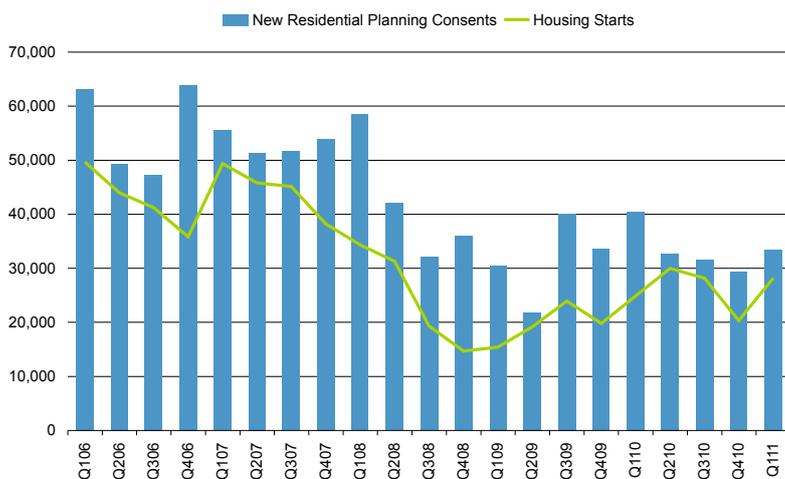
→ This means a shortage of permissioned land is putting pressure on prices in the best locations for readily developable sites. Some larger housebuilders are now looking for medium-sized sites in the most viable areas, recognising the importance of securing a pipeline that will offset delays in the planning system.

The government's public land initiative may bring some relief to the land bottleneck, potentially releasing space for up to 100,000 new homes. In addition, public land available under the 'Build Now, Buy Later' scheme allows housebuilders to delay payment until work on site has begun, and pre-sales are bringing in cash. This is welcome in an industry focussed on short-term cash flow.

These initiatives will not result in the delivery of developable land immediately, as it will take time for sites to work through the planning system. How quickly this happens depends on the government's 'pro-growth' agenda delivering a framework that local authorities can use to drive new development and bring forward new planning permissions.

Another initiative is HCA's 'FirstBuy'. This is an equity loan scheme that will provide assistance to an estimated 10,500 first-time buyers over the next two years, simultaneously creating a market for new-build products. These measures may go some way to ease the housing shortfall, but increased activity is unlikely to lead to short-term sustained value growth. ■

GRAPH 1 **New planning consents and housing starts, England**



Graph source: Glenigans for HBF, DCLG

## OUTLOOK

### The key findings in this report

■ The polarisation in the development land market is well established, with value growth limited to developable, permissioned sites. For long-term, strategic sites, particularly those requiring remediation, there is little market appetite. Many have outdated S106 requirements and need significant renegotiation.

■ Performance has diverged at the regional level, along a broad north/south divide. This, however, disguises sub-regional variation, and in select towns and cities of high residential demand and value, across all regions, there is a market for readily developable sites.

■ Government initiatives increasing the supply of public land will bring new supply to market, but will not automatically ease the shortage of permissioned land, or be necessarily located in viable areas. It will take further clarification of the new planning agenda and buy-in from local authorities to see this land turned into product suitable for the market. Only then can this go any way toward easing the underlying housing shortage.

## Savills Development Land Index

This Market in Minutes is derived from Savills Development Land Index. Published quarterly, the index tracks greenfield and urban land value movements at a regional level. The index is long running, with historic data back to 1979. For further information on the index, please contact Paul Tostevin (details below).

### Definitions

**Bulk Land:** Raw tracts of agricultural land, or large strategic brownfield regeneration sites

**Serviceable Land:** Land serviced to the periphery, readily developable without major remediation work, but at some scale

**Serviced Plots:** Fully serviced land parcels, masterplanned, design coded, requiring only the dwelling to be built

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