

# Market in minutes

## UK Residential Development Land

A market exists for readily developable land

### Summary

- The land market in 2010 improved on the lows of 2009, with national greenfield land values growing 12% over the period, while urban land increased by 9%.
- Growth slowed in the final quarter of 2010, with greenfield values falling -0.1%, and urban values up 0.4%.
- The modest increase in urban values witnessed in Q410 reflects some activity for small, viable urban infill sites.
- Restricted development debt finance continues to limit the ability of cash-strapped housebuilders to purchase large scale sites.
- The opportunity, for those who are able, is to convert the difficult, long term sites into manageable, serviced plots appropriate to the new development environment.

The demand for land from home builders is low and trading volumes are thin. Unsurprisingly, with transactions limited, the growth in development land values was stagnant in the final quarter of 2010. Urban values were slightly up in Q410, on average 0.4%, while greenfield land values fell by -0.1% (see Graph 1).

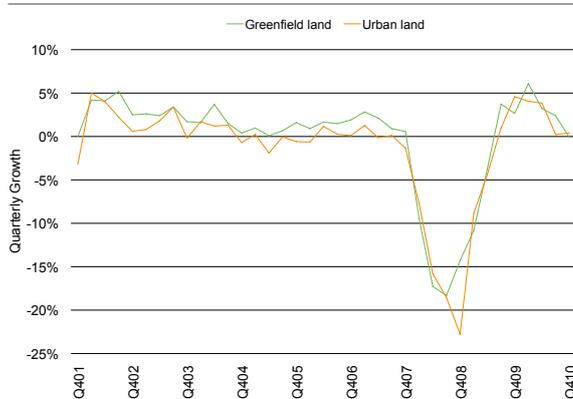
That urban land values saw some growth is telling and reflects activity in small, urban, infill sites that developers are seeking for fast build-out. Such sites can be developed with minimal infrastructure requirement and completed units can be drip-fed into established markets.

Housebuilders and developers are restricted in their purchasing ability by a lack of cash and limited debt finance. As a result they have little appetite to take on challenging, longer term land propositions. In an environment where liquidity is key, these easier to develop sites are attractive as a means to sustain short term cash flow.

Residential development activity in 2010 improved slightly on the extreme lows of 2009. Land today is trading, albeit only certain types of land, in certain locations – and at volumes less than half the levels seen in 2006 and 2007.

Residential development activity in 2010 improved slightly on the extreme lows of 2009. ▶

Graph 1. Land values, quarterly growth



Source: Savills Research

### Private Housing Starts

NHBC statistics suggest that private housing starts in the UK are still running at less than half their 2006/7 levels. These historically low housebuilding levels have gone hand-in-hand with the reduced land demand and suppressed value growth experienced over the last three years.

Table 1. Private housing starts as a % of 06/07 levels

2008	43%
2009	31%
2010 (F)	45%

Source: NHBC

► **Regional picture**

While values in all regions were static in Q410, viewed in the context of the wider downturn, regional variations are apparent (see Table 2). In the South East, the value of serviceable greenfield land stands just -35% off its former peak, with the best sites performing in excess of this. The underlying housing shortage and improved economic and employment prospects in this region have helped to cushion the fall in values, while the region's prospects are better for recovery.

At the other extreme, urban values in the North remain -71% off their peak. Over-supply of difficult urban regeneration land, for which there is no demand, combined with challenging market conditions, has seen land values languish.



**Table 2.**  
Values % off peak as at Q410

	Greenfield	Urban
All Regions	-46%	-52%
South East	-35%	-46%
Eastern	-47%	-60%
Western	-37%	-54%
Northern	-62%	-71%
Scotland	-52%	-51%

Source: Savills Research

**Outlook**

- In today's development landscape, the development land market has polarised between ready-to-build sites in buoyant housing markets, and long term sites in challenging situations.
- Restricted development debt finance continues to limit cash-strapped housebuilders' ability to purchase large scale sites. As a consequence, greenfield values are stagnant and, in some cases, slipping, reflecting wider recognition that financing constraints will remain a long term issue.
- It takes the most astute to seek out and capitalise on the opportunities available. The challenge for those with the capability to do so, is to convert the difficult, long term sites into manageable, serviced plots appropriate to the new development environment. ■

**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 (see details right).

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**Definitions**

*Bulk Land:* Raw tracts of agricultural land, or large strategic brownfield regeneration sites. *NHBC:* National House-building Council  
*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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