Savills World Research
UK Development
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Market in Minutes | October 2017

UK residential development land

Summary Housebuilders expand into new territories to make the most of regional growth, while £10 billion of additional funding for Help to Buy is expected to increase confidence in buying land to feed into the pipeline

- **Housebuilders are expanding into new regions and territories.** This is enabling them to diversify their operational market and make the most of house price growth in the Midlands and north of the country.

- **In the last quarter, greenfield land values grew 1.1% – as much as they had in the year to June 2017.** This brings annual growth to 2.2%. For urban sites, land value increased 0.7% in the quarter, 4.7% in the last year.

- **An additional £10bn will be invested into the Help to Buy Equity Loan scheme.** This is a positive step to support housebuilding in England.

- **In central London, the values in land for residential development continue to fall – by 2% in the last six months.** Drops in residential land values reflect falling house prices in the prime markets, particularly in the higher value, central and western areas of central London.

- **Office land values in central London also continue to fall** – by 1.7% in the last six months. Rising build costs coupled with occupational risk and more difficult access to finance have all been factors.

Opening for new business

Housebuilders continue to expand and have opened, or plan to open, offices in new regions. These include national housebuilders such as Barratt, Persimmon, Crest Nicholson and Miller, as well as regional concerns such as Wain Homes in the Bristol area and Story Homes in the Manchester area.

Some are reopening offices in areas they left following the global financial crisis, while others are branching into new territory to diversify and mitigate against regional fluctuations in prices and demand.

Rising completions have facilitated this expansion. According to their annual reports, completions by Redrow and Linden (Galliford Try) are up more than 10% on last year (year ending June 2017). Meanwhile, medium-sized housebuilders are buying more land and building more homes (see *UK Residential Development Land*, July 2017). House price growth in the Midlands and north of England has also made these areas more viable to build in.

"House price growth in the Midlands and north of England has made these areas more viable to build in"

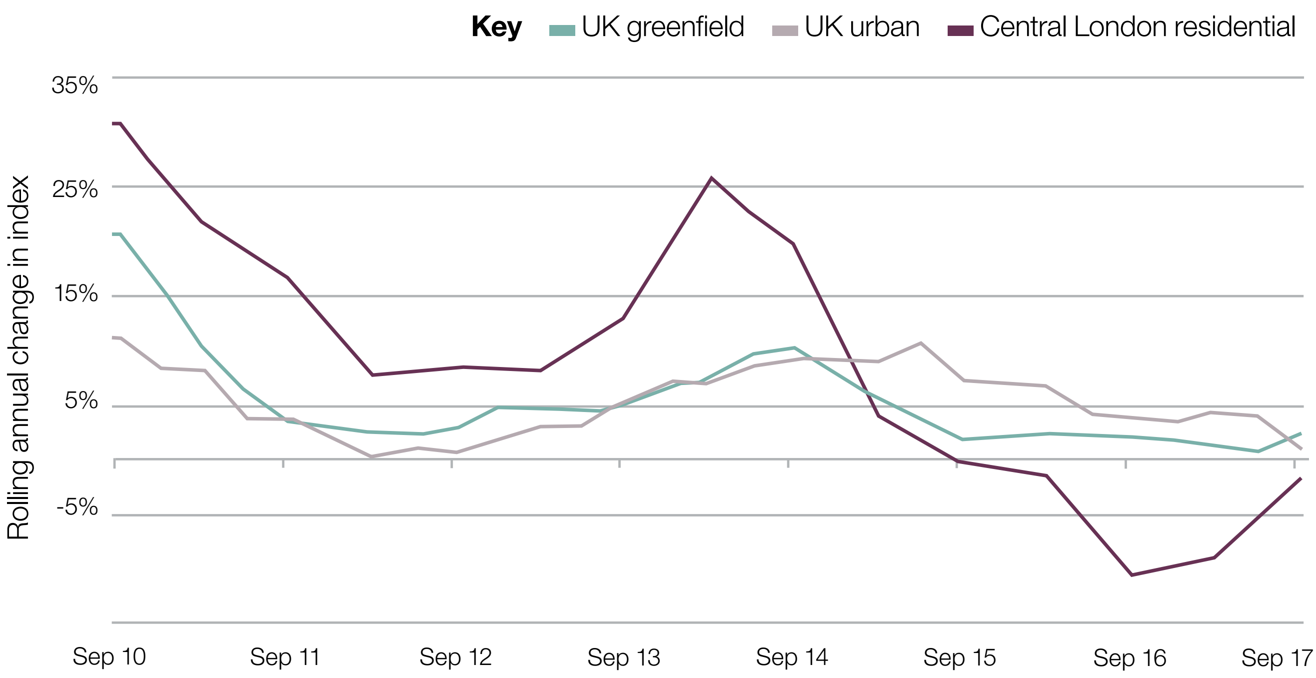
Growth in greenfield value

On a UK-wide basis, greenfield development land values increased by 1.1% in the third quarter, bringing annual growth to 2.2%. This is as much as values had grown in the year to June 2017.

Meanwhile, urban development land values increased by 0.7% in Q3 2017 with annual growth of 4.7%.

1.1%
Quarterly growth in greenfield land values

Value added Annual change in residential development land value indices



Source Savills Research

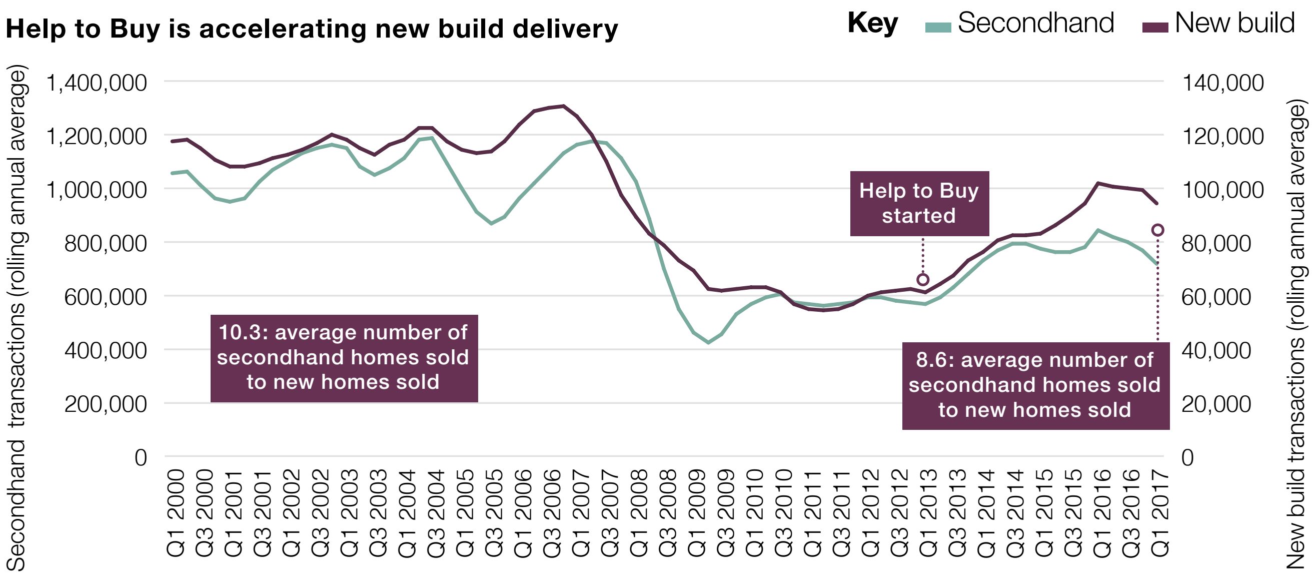
Treasury commits £10bn extra for loan scheme

Despite uncertainty over the future of the Help to Buy Equity Loan, the Treasury has said there will be a further £10 billion to ensure that it is fully funded until 2021.

So far, £6.7 billion has been loaned using the scheme, which originally had a budget of £3.8 billion and has been extended several times. Since Help to Buy London was introduced, the value of loans issued have increased – £2.5 billion was loaned in the year to June 2017 compared with £1.7 billion the previous year.

The additional funding will mean that there is more than £15 billion of equity loan available to use between now and 2021. We expect this commitment to translate into increased confidence in buying land to feed into the pipeline.

Help to Buy is accelerating new build delivery



Source Savills Research using Land Registry

Central London: values soften

Residential land

Central London residential development land values fell by 2% in the last six months. This has been due to house price falls in higher value, central and western areas of central London – our Savills Prime London house price index fell by 2.1% in the last six months.

In August 2017, the Affordable Housing and Viability Supplementary Planning Guidance (SPG) was adopted. So far, it does not appear to be affecting land values for consented sites in the capital. Local elections next year may have a greater impact on policy going forward – a change in political make-up may well mean a change in planning policy within a borough.

Office land

Office land values in central London fell by 1.6% in the last six months, taking annual falls to 3.3%. Three factors put downward pressure on land values: build costs continue to rise, occupational risk remains as Brexit negotiations continue, and debt finance for development is increasingly difficult. As a result, speculative development is becoming more challenging.

However, developments where 50% or more of the floor space has been pre-let are going ahead, and there is more confidence in areas without a strong focus on finance or EU-related occupiers.

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