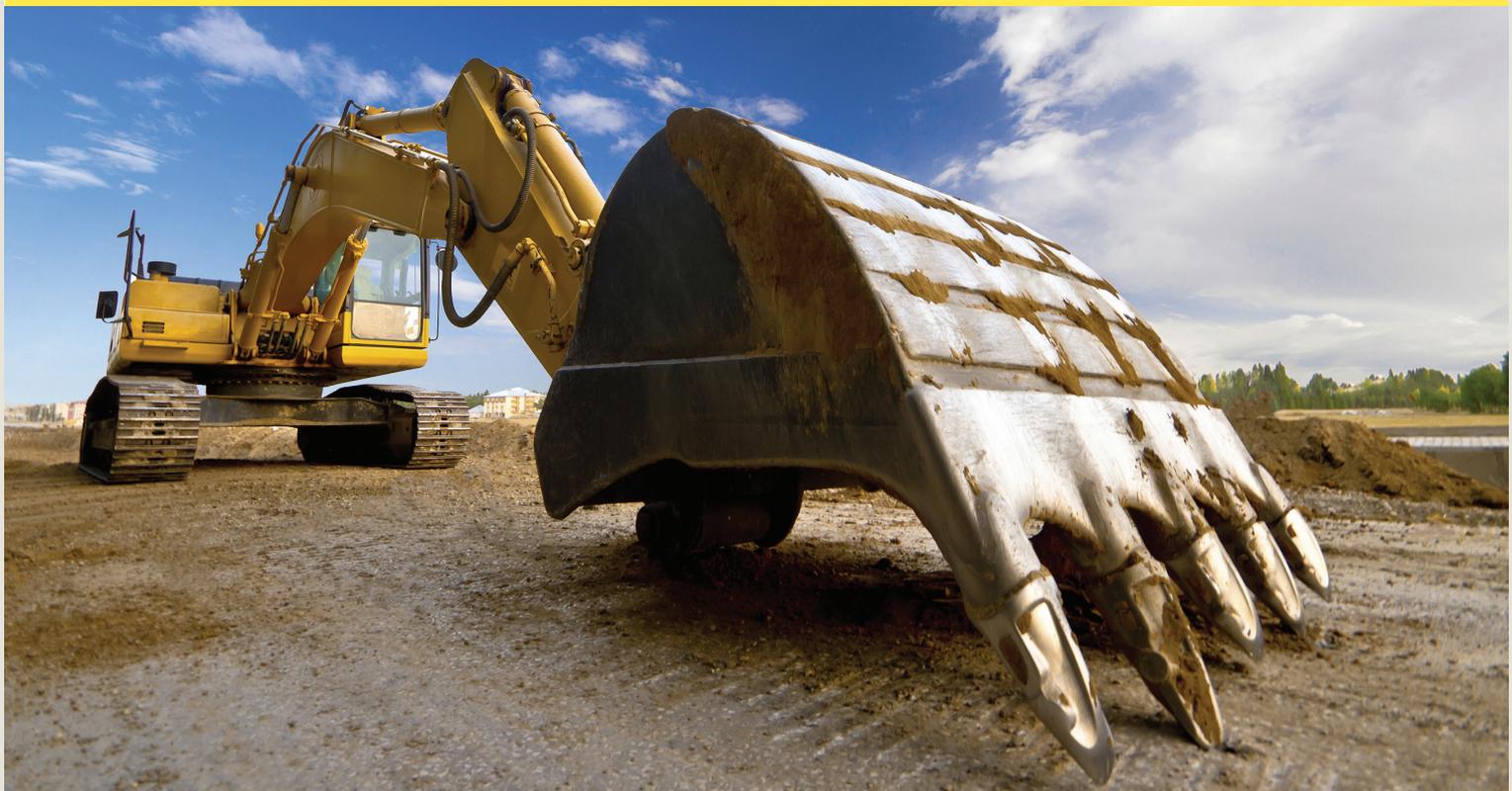


# Market in Minutes

## UK Residential

### Development Land

August 2014



## SUMMARY

Momentum continues to build in the land markets across the country

■ National greenfield land values grew by 2.7% in Q2 2014, bringing annual growth to 9.8%. Urban values were up 2.1% and 8.5% respectively.

■ Greenfield land values in 'London halo' towns are now back to, or in excess of, their former peak levels.

■ Land values in the north continue to grow off a low base, as the housing market recovery spreads throughout the country.

■ Large serviced greenfield sites are appreciating in value more quickly than small sites as builders seek to replenish their land pipeline.

■ According to Savills survey of agents, there has been a marked uptick in the number of sites coming to market, and in turn, the number of deals done.

■ Material and labour shortages are putting pressure on build costs. This may in turn check the rate of land price growth going forward.

.....  
"2014 has seen an uptick in sites coming to market and deals done"

Jim Ward, Savills Research  
.....

→ National greenfield land values grew by 2.7% in the second quarter of 2014, bringing year on year rises to 9.8%, the highest rate of annual price growth recorded for three years. The value of urban land increased by 2.1%, bringing annual growth to 8.5%. Buoyed by strong rates of sale in the new homes market, momentum continues to build in the land markets across the country.

Towns in the 'London halo' have performed especially well as builders seek clean, edge of town greenfield sites, pushing prices back to their 2007 levels and beyond. Brighton, Canterbury, Hayward's Heath, Crawley, Oxford and Sevenoaks have all seen greenfield prices return to, or exceed, their pre-crunch levels. The national picture disguises distinct regional, and local, markets. In the south east, the best performing region, greenfield values are within 16% of their peak.

Even the north of England, the region where land markets suffered most severely in the recession, is now seeing sustained levels of land price growth. Annual price growth in greenfield land is up 13.8%, outperforming even the south east over the same period, although values remain half of their former highs. Buyers appear to be taking advantage of discounted prices during this window of opportunity.

Our index figures are for the blended value of land (as shown in Graph 1), including both market and affordable housing. Recent price movements conceal a reduction in the value of affordable housing land, offsetting

stronger growth in the value of land for market housing.

### Move to scale

Larger serviced greenfield sites in strong housing market locations are appreciating in value more quickly than their small-site counterparts. This comes as housebuilders seek sites at scale to secure land pipeline while delivering at higher rates. Some very large (2,000 unit+) strategic sites have traded this year, a sign of strengthened market conditions – but not without government support. Sherford, a 5,500 unit new town in Devon, was supported by £32m loan from the HCA's Local Infrastructure Fund.

Small, oven ready sites are still in demand, however, driven by the requirements of recapitalised small and medium sized builders with growing market ambitions.

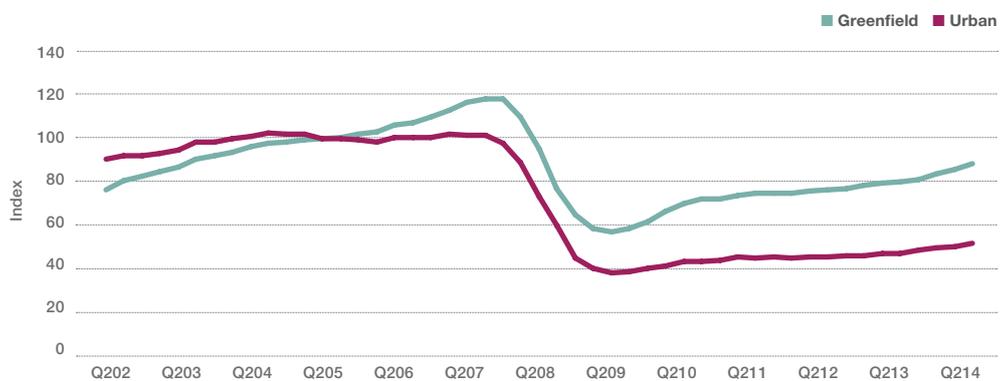
Urban land continues to underperform greenfield land, recording more modest levels of quarterly growth for three successive quarters – and remaining further from peak. The viability of high density schemes are being increasingly squeezed by build cost inflation. That said, the south east saw comparatively strong urban land price growth in Q2, at 3.3%, boosted by demand from buoyant housing markets close to London.

.....  
 “Some very large (2,000 unit+) strategic sites have traded this year...”

Paul Tostevin,  
 Savills Research

..... →

GRAPH 1 Savills UK development land value index



Source: Savills Research

# 2.7%

National greenfield land values grew by 2.7% in the second quarter of 2014



The north of England is now witnessing sustained levels of land price growth



→ **Market barriers**

With a rapid recovery in the new homes market and higher rates of build, material and labour shortages are putting pressure on build costs. According to the latest HBF survey, the availability of materials, materials prices and labour costs were the fastest growing constraints on development in the first part of 2014. Meanwhile, figures from BCIS suggest tender prices have already risen by 7% in the past year. This leaves less room for land price growth.

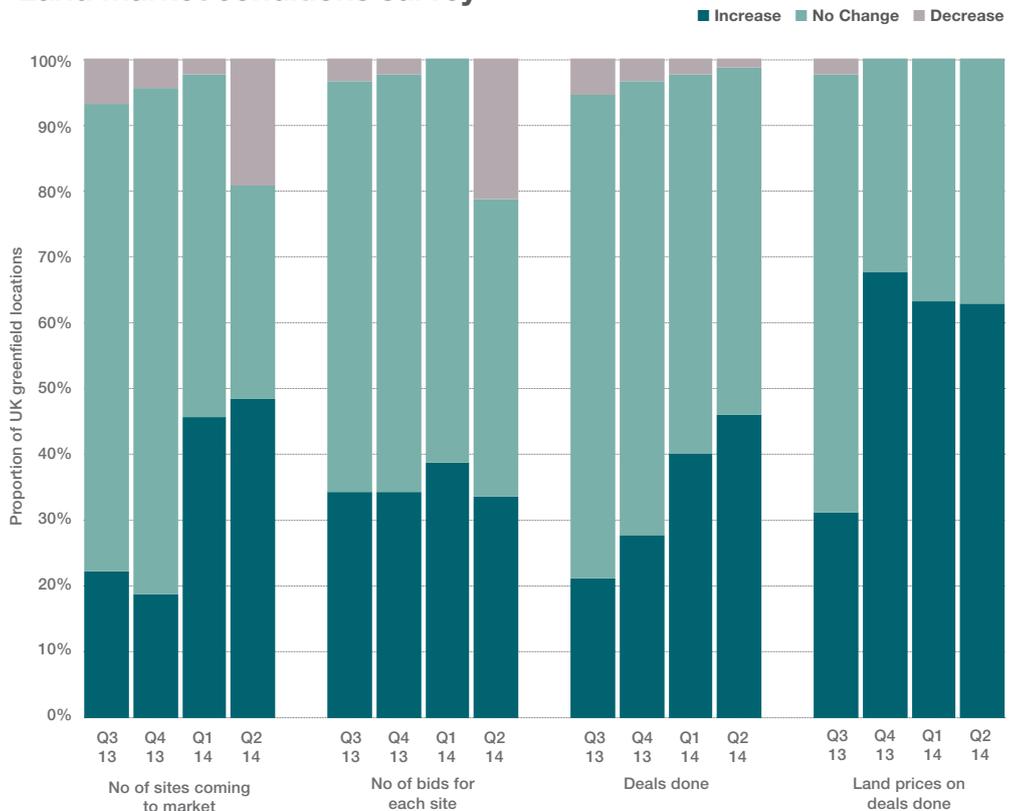
**Positive conditions**

According to our survey of agents, there has been a marked uptick in the number of sites coming to market, and in turn, the number of deals done (Graph 2). Land is coming forward fastest in the south east and east of the country, where land owners are taking the opportunity to sell amidst strong housing market conditions.

Our market conditions survey paints a positive picture across the country. Development land agents report positive market conditions in 90% of the UK locations we monitor, up from 69% a year ago.

Sentiment remains strongest in the south east, but conditions have improved most markedly in the east, where agents reported positive sentiment in 82% of the locations we monitor, up from 55% the prior quarter. This has been reflected in relatively strong greenfield land price growth in the east, moving from an increase of 1% in Q1, to growth of 4.6% in Q2. ■

GRAPH 2 **Land market conditions survey**



Source: Savills Research



**Savills Research team**

Please contact us for further information



**Jim Ward**  
020 7409 8841  
jward@savills.com



**Susan Emmett**  
020 3107 5460  
semmett@savills.com  
Twitter: @saemmett



**Paul Tostevin**  
020 7016 3883  
ptostevin@savills.com  
Twitter: @paul\_tostevin

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