



Central London residential development land values up by 20.3% year-on-year

Knight Frank's unique development land index reveals sharp rises in land values in London with only moderate improvements in the regions, explains Gráinne Gilmore, Head of Knight Frank UK Residential Research

Results for Q4 2011

The average value of residential development land in the UK rose by 0.2% in Q4 2011

Over the course of 2011 residential development land values rose by 1.3%

Prime central London development land values rose by 3.2% in Q4 2011, taking the annual rise to 20.3%

Demand for development land in the UK remains stable, but supply is dwindling

Demand for land in central London has increased by 10% over the past 12 months, outpacing available sites

Looking across the UK, growth in development land values has been mixed, with some areas seeing no growth at all over the last year, while others, especially moving further south, seeing modest rises.

The variety of local market performance is dramatically confirmed by strong growth in central London. The value of prime residential development land in central London, which Knight Frank is now monitoring on a quarterly basis, rose by more than 3% in the final quarter of 2011. Overall, prices rose by 20.3% across the whole of 2011.

Outside London the land market is stable, reflecting broadly static house prices. There is still strong demand for the best development land, but less attractive sites are receiving only marginal interest. House-builders who can buy off their balance sheets remain the most active purchasers, highlighting the continued impact the lack of bank funding is having in the market.

Public sector institutions are among the largest sellers of land outside London,

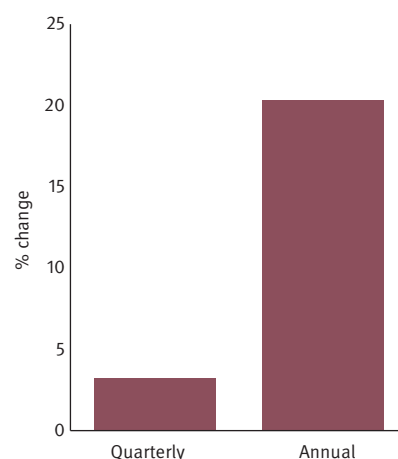
along with private landowners. But supply is dwindling amid confusion about planning policy, which is turning into a concern for house builders.

Despite the difficulties in the funding market the demand for prime development sites has been strong as private equity investors shifted their stance away from cash into asset ownership. These parties are looking to capitalise on the current strength of the London resale market, where the disequilibrium between demand and supply has resulted in commentators forecasting an extended period of growth over the next five years. (Knight Frank's own prediction is for 25% price inflation over this period).

There are a wide range of sellers in London, with private landowners, banks, public sector institutions and speculative investors all active in the market.

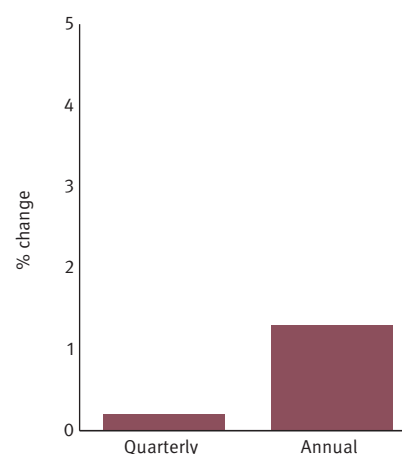
The current trend suggests that the London residential development land market is going to continue to extend its lead over the rest of the UK in the short-term.

Figure 1
London quarterly and annual % change



Source: Knight Frank Residential Research

Figure 2
UK quarterly and annual % change



Source: Knight Frank Residential Research



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Notes to Editors

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