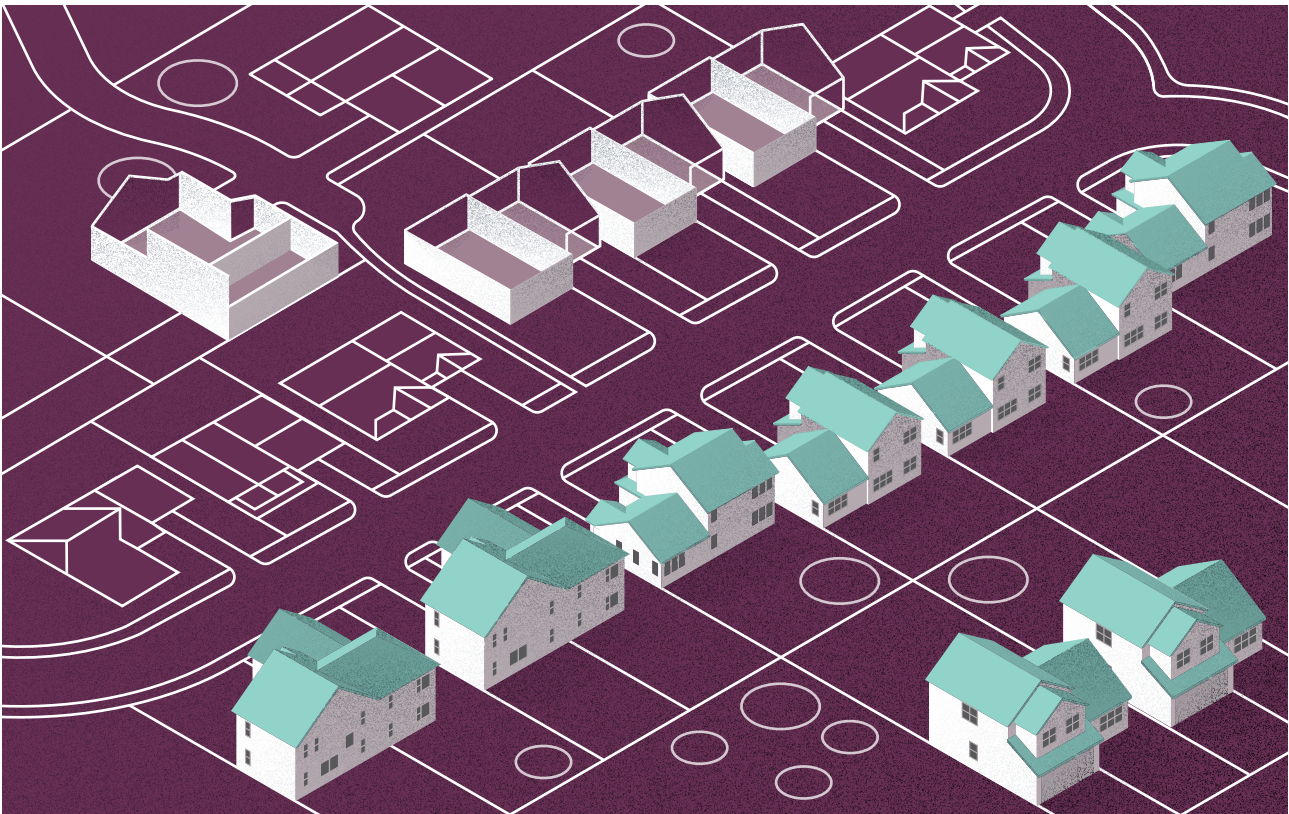


Market in Minutes | July 2017

UK residential development land



Summary Housing associations, along with small and medium-sized housebuilders, are providing greater diversity to the traditional range of land buyers. With new finance and incentives, they are building more too

■ **There is a more diverse range of land buyers in the market.**

Housing associations, along with small and medium-sized housebuilders, are purchasing more land – 89% more plots were sold to small housebuilders and 22% more plots were sold to medium-sized housebuilders in the last year.

■ **As well as buying more land, small and medium-sized housebuilders are building more homes,** supported by government funds and accessible finance for those with a good track record. Medium-sized housebuilders Fairview and Gleeson built 76% and 20% more homes in the last year.

■ **Urban land values continue to increase across the country,** whereas greenfield land values have remained relatively stable during the last quarter. Land values grew 1.0% for urban sites and 0.2% for greenfield land in Q2 2017.

■ **Land in Bristol is attracting interest from Build to Rent,** international and London-based developers thanks to the city's strong and growing economy. This follows the focus on the larger regional cities of Birmingham and Manchester.

■ **Medium-sized housebuilders are growing in their ambition and buying larger sites,** particularly of 100-250 plots. This size of site still remains the most popular for the major housebuilders.

Diversity drives new development

Housing associations, along with small and medium-sized housebuilders, are bidding for development land alongside major housebuilders. We investigate the reasons for this trend

Housing associations

Housing associations are buying more development land and we expect this trend to continue.

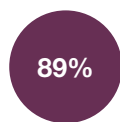
In our 2017 housing sector survey, 72% of chief executives and senior board members of housing associations said that accessing development land is a major factor preventing the delivery of more homes (see *The Savills Housing Sector Survey 2017*).

Their intentions are to build homes for market sale alongside affordable homes to cross-subsidise development. Home Group, for example, recently set up Persona, a market sale arm, to grow its outright sales business, supporting the organisation's ambition to build 10,000 homes by 2021/22.

Strategic land will play a significant role in future developments if housing associations follow the private-sector strategy to gain access to land, when they can, before it has permission. Only 35% of *The Savills Housing Sector Survey 2017*'s respondents have existing investment in strategic land. And around half of those only have capacity for fewer than 100 units. Of those that don't own strategic land, 13% plan to acquire land in 2017 and 51% plan to during the next five years.

Small housebuilders

Small housebuilders (those building up to 100 homes per year) are buying more land and increasing their output.



Savills sold 89% more plots to small housebuilders in the year to June 2017 compared to the previous year

This has been helped by government funds and more accessible finance for those with a good track record.

New financial products such as 'Go-Develop' have emerged which offer 100% joint venture land and build funding for property developers, supporting those with little equity on smaller sites.

The Home Building Fund launched in October 2016 was set up by the Government to support small builders, community builders, custom builders and regeneration specialists.

Two examples of small housebuilders supported by the fund are Hallmark Developments (Essex) Ltd which received funding to help it complete the final phase of its Priory Hall project in Halstead, Essex and Poltair Developments which received funding to unlock a stalled site in Padstow.

Savills sold 89% more plots to small housebuilders in the year to June 2017 compared to the previous year.

Medium-sized housebuilders

Medium-sized housebuilders (those building between 100 and 1,000 homes per year) have also benefitted from government funds and more accessible finance, buying more land and increasing the number of homes they build.

Savills sold 22% more plots to medium-sized housebuilders in the year to June 2017 compared to the previous year.

Fairview and Gleeson are two examples of medium-sized housebuilder which have expanded their output considerably in the last year. Their completions increased by 76% and 20% respectively to 767 and 904 homes per year in 2016.

Attention turns to Bristol

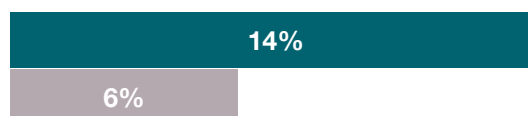
Thanks to a strong and growing economy, land in Bristol is attracting interest from Build to Rent, international and London-based developers

Last quarter, we reported that interest from both international developers and Build to Rent developers was leading to strong growth in land prices in Glasgow, Birmingham and Manchester.

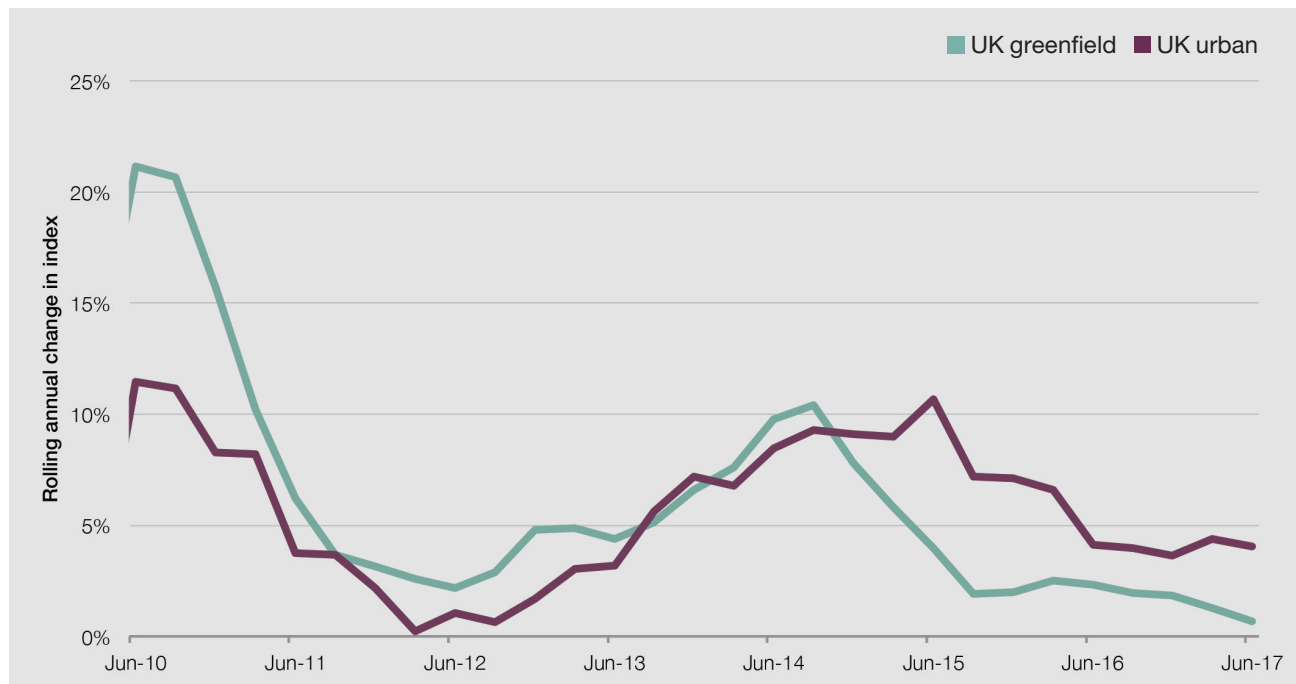
Some 16,000 Build to Rent homes are now complete in the UK, with 21,000 under construction, according to Savills and the British Property Federation.

Now, Build to Rent developers are looking to Bristol. House prices in Bristol increased by 14% in the year to April 2017, compared to 6% across the UK, according to our analysis of HM Land Registry data. Although Bristol is not as large as Birmingham and Manchester, the city has a strong economy to support this growth.

House prices in Bristol increased by 14% in the year to April 2017, compared to 6% for the UK



UK greenfield and urban land Annual change in the residential development land value indices



Source Savills Research

Urban land on the rise

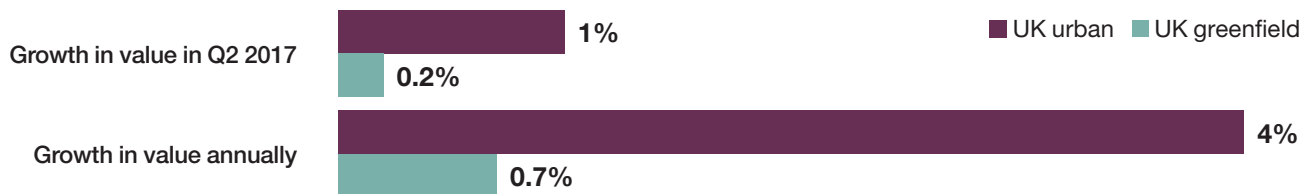
Urban land values have increased more strongly than values for greenfield land over the last quarter. On a UK-wide basis, urban development land values increased by 1.0% in the second quarter of 2017, bringing annual growth to 4.0%.

Greenfield land values have remained relatively stable over the last quarter. Land values increased by 0.2% in Q2 2017, with annual growth of 0.7%.

More larger sites sold

Increasing numbers of larger sites of between 100 and 250 plots are being sold to medium-sized housebuilders. In previous years, medium-sized housebuilders had predominantly bought sites of 50 to 100 plots, but as they look to expand their delivery levels, they are looking for larger sites to feed their supply pipeline.

Demand has remained steady for sites of all sizes from the major housebuilders, and there is also continued demand from the smallest housebuilders for well-located sites of fewer than 50 plots.



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