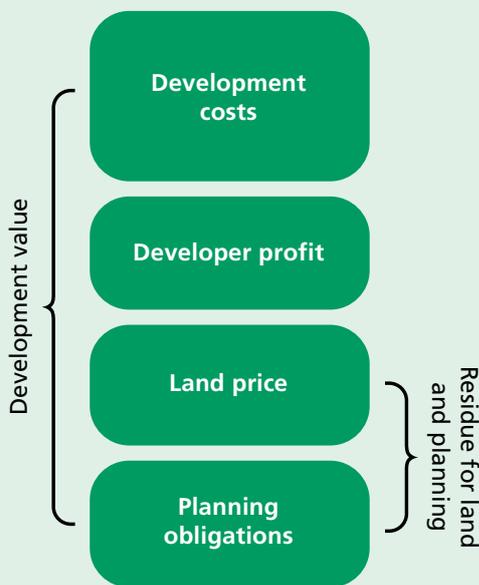


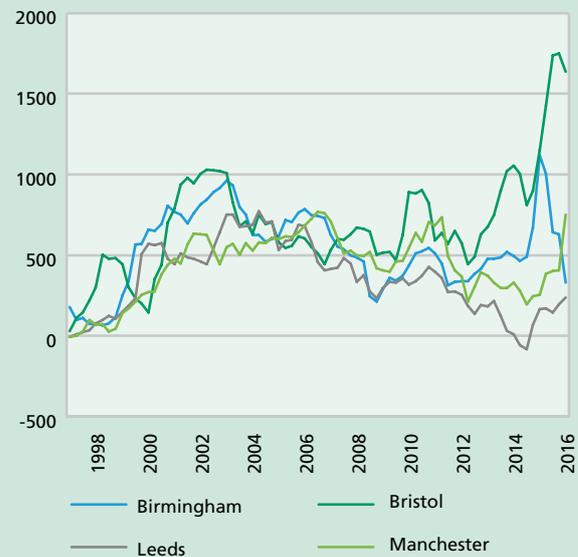
RESIDUAL LAND VALUES: MEASURING PERFORMANCE & INVESTIGATING VIABILITY

Data on land values is important for market analysis and policy making but there is little information available in the UK on prices or values, particularly for commercial land uses. This research reviews sources of land prices and how residual land value may be estimated.

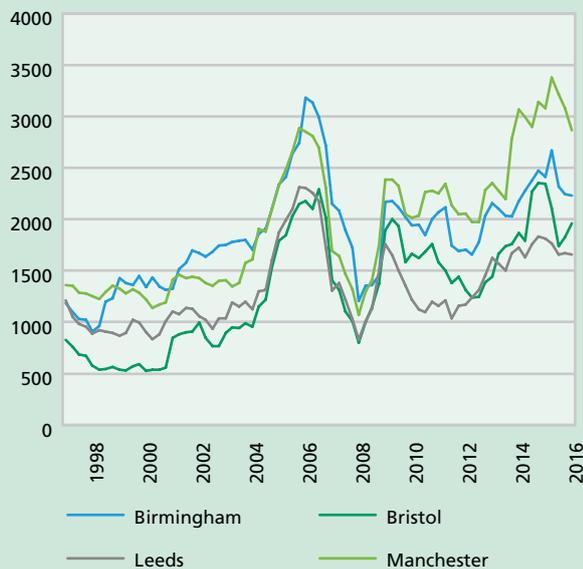
Measurement of Land Values



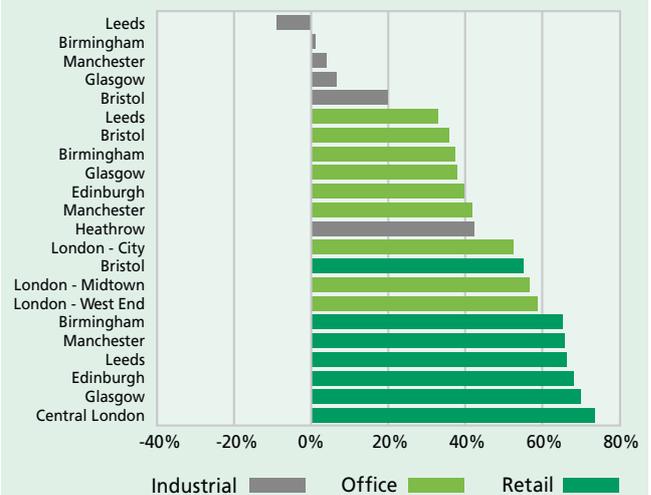
Residual Land Values (£m²) – Apartments



Residual Land Values (£m²) – Offices



Residual Land Values as %age of Development Value – End-2016





Key Points

- A residual valuation model is used to estimate land values for hypothetical schemes in selected cities and regions of Great Britain.
- Residual land values are not market prices and do not capture the option value associated with real sites, but indicate value for immediate development before planning obligations.
- Residual land values have been analysed to determine whether changes in the viability of different land uses are driven primarily by costs, rents or pricing.
- Land uses modelled include residential apartments, offices, high street shops, industrial units and retail warehouses.
- Quarterly estimates of residual land values have been produced from 1995 to 2016 for apartments and from 1997 to mid-2017 for commercial land uses.
- There is a distinct North/South divide in land values for all uses analysed; in some parts of the country, development for some purposes would not be viable without intervention.
- Movements in residual land values through time are mainly driven by development value (the largest input into the valuation model), due, in part, to the lack of volatility in the construction costs estimates used for this analysis.
- As a proportion of development value, residual land values have remained fairly stable, the exception being during the 2007/08 Financial Crisis, when land values dropped to lower proportions across all sectors.
- Land value forms the highest proportion of development value for high street retail and retail warehouses. For most uses, land values are also a higher share of total value in London relative to other regions and locations.
- This research establishes a framework for the continued recording of land value trends, setting out the limitations of the approach, and invites discussion on the suitability of this framework for the creation of a development land value series for the UK.

The full report may be downloaded from the IPF website: www.ipf.org.uk

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