Appendix 1: The measurement of land prices

Until 2010 the NVO used to collect land valuation data on three types of site: small sites for less than five houses; bulk land in excess of two hectares; and sites with planning permission for flats, all attached with outline residential planning permission. The DCLG took NVO area data across these three types of site and compiled a notional average value for a hectare of land attached with outline planning permission for each region.

The trends reported in figure 1 within the main report and in table 1 below are based on such data collated and interpreted by the National Valuation Office (NVO) and other government statisticians.

Appendix Table 1: Average valuations of residential building land with outline planning permission, England, 1994-2010

Region	1994	1995	2000	Jul 2005	Jul 2010	*Value 2010*
	Weighted average valuation per hectare (£)					*1994=100*
North East	437,312	447,355	507,716	1,827,243	1,123,003	*257*
North West	427,291	446,819	631,495	2,110,686	1,327,120	*311*
Yorkshire & the Humber	428,837	497,042	632,403	2,245,831	1,250,173	*292*
East Midlands	388,505	397,096	616,392	1,770,883	1,067,924	*275*
West Midlands	574,645	597,383	961,625	2,143,300	1,571,870	*274*
East	604,379	735,231	1,342,715	3,034,674	2,298,157	*380*
South East	739,056	862,368	1,862,731	3,227,147	2,330,618	*315*
London	1,912,127	2,107,732	4,244,864	8,418,900	6,457,285	*338*
South West	533,609	591,412	1,160,049	2,259,521	1,501,729	*281*
England	***731,168***	***812,328***	***1,514,834***	***3,314,303***	***2,371,549***	**324**

Source*: Discontinued DCLG table 563.*

Such average weighted totals of land valued for statistical purposes, simply provide an indicative valuation benchmark: the best available, but an imperfect base for a consistent time series. The immense heterogeneity of land sites in terms of characteristic, location, and landowner circumstance combined with the low frequency of land transactions, mean that any compiled land value index at either a national or regional level is a notional composite of a diverse array of transactions, with reported averages invariably hiding significant differences at sub-regional and local levels.

The revealed recorded price for any particular site (in land registry) will depend on the particular characteristics possessed by each site, the particular circumstances of its sale, as well as the impact of general market trends. The revealed and recorded price of such sales will not therefore necessarily correspond with the values accorded to sites deemed that may be deemed comparable for notional valuation purposes.

The above official land price series have not been updated since 2010 when the NVO scaled down its coverage. Since 2010 information has largely relied on professional surveyor and consultancy surveys, the geographical coverage and assumptions of which can differ.

The DCLG did publish in 2015, however, notional residual land value estimates for a 'typical' residential site for solely 'policy appraisal purposes' according to assumptions summarised in appendix table 1[1].

The notional estimated residual land values that table 2 reports below reports estimated notional residual land values per hectare of developed residential real estate, for each english region. It does not purport to represent the average *actual* price paid for a hectare of land attached with planning permission.

Tables 2 and 3 exclude the impact of section 106 and CIL requirements on that value, and of any site-specific development factors, which would be expected to lower such values.

They also represent regional averages; values will differ widely according to locality. They also assume – in order to allow the residual land figures to be computed on a consistent basis - 'typical' high density developments of c270 dwellings per hectare across London, and 35 dwellings per hectare outside the capital.

Appendix Table 2: Estimated average residual residential land values, per hectare, by region, England, March 2015.

Region	**Land residual value per hectare**
North East	1,000,000
North West	1,400,000
Yorkshire & the Humber	1,400,000
East Midlands	1,100,000
West Midlands	1,500,000
East	2,600,000
South East	3,600,000
London	29,100,000
South West	2,000,000
England, including London	***6,900,000***
England, excluding London	***2,100,000***

Interestingly, however, the values reported in both tables 1 and 2 appear broadly similar for most regions, except that estimated residual land values in 2015 were 50% higher than the land values that were estimated in 2010, residual land values of an average c£29m per hectare as a cross-London average: five times as much.

The latest estimate from Savills residential indicate that prices of greenfield and urban land across the country as a whole have subsequently only slowly recovered to hover 20-40% below their respective 2007 peaks, but in some high cost areas increases have surpassed their previous peaks, most notably in central London, where residential land values, by 2016 were nearly a third higher than they were in

[1] *Land value estimates for policy appraisal*, DCLG, December 2015

2007, but the Savills index takes account of affordable housing obligations[2].

The DCLG dataset is disaggregated down to local authority level. Estimated residual land values, per hectare, for residential sites attached with full planning permission differ greatly from London borough to borough, ranging down from £118m and £110m in the City and Westminister, respectively, to £65m inHammersmith,£53m in Islington, £49m in Southwark, c£40m, in Camden and Richmond, £30m in Wandsworth, c£25m in Hackney, Lambeth, and Tower hamlets, c£20m in Ealing and Merton, c.£17m in Barnet, Croydon and Sutton, £15m in Harrow £9m to £13m across most of the other outer London boroughs, with Havering, Barking, and Bexley in the east, recording the lowest estimated residual land values, at c£8m per hectare[3].

The other main city conurbations, such as Manchester and Birmingham pale in comparison, with both cities reporting estimated residual values of c£1.6m and £1.2m. Only Leeds approaches the England excluding London average of £2.1m per hectare.

The connectivity and agglomeration benefits of urban density and location explain why land values are so much higher in London, and other areas, such as Cambridge and Oxford, close to middle and high income employment sources, than they are in rural remote areas largely dependent on agriculture, or in an erstwhile mining, industrial, and port areas.

For instance, Bolsover in Derbyshire, Redcar in Cleveland, and hull have reported land residual values of 420k or less per hectare. A hectare of land attached with full planning permission for residential development on average has an has an estimated residual value of 815k in the city of Liverpool, slightly less below the comparable value reported for Lincoln.

Taking the averages reported for England excluding London,for the south-east region, and for high cost local authority commuting areas to London reporting residual land values at a level c£6m, suggests an average land or site value per dwelling provided of 60K, 114K, and 171K, respectively, assuming a density of 35 dwellings per hectare, along with the other assumptions defined in appendix table 1.

With respect to a ‘typical’ brownfield location, Table 3 below reports estimated average per hectare land values, attached with the following assumptions:

- nearby uses likely to include later residential development;
- services available to the edge of the site;
- current use restricted via full planning permission to industrial/warehouse use;
- no abnormal site constraints, and/or land contamination or remediation issues exist.

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[2] Figure 2, *Market in Minutes, UK Residential Development Land,* Savills research, May 2016. *The* Savills index covers UK and reports land value blended to reflect affordable housing requirements, and is thus not consistent with either figure 1 or table 1.

[3] *Ibid*, table 1.

Appendix Table 3: Average industrial land value estimates by region, per hectare.

Region	Estimated value per hectare of a typical industrial site, £
North East	180,000
North West	400,000
Yorkshire & the Humber	375,000
East Midlands	450,000
West Midlands	500,000
East	675,000
South East	1,100,000
London	2,730,000
South West	430,000
England, excluding London	***514,000***
England, including London	***760,000***

Source; *Land value estimates for policy apprais*al, DCLG, December 2015.

When these estimated average industrial land values are compared to the estimated residual land values for a hectare with change in planning permission to residential use, as reported in table 1, they are much lower: c11% of residential RDV, on average, when London is included, and c24%, on average, when London values are excluded.