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freehold land investment

UK Land Guide Download



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Introduction

The UK is one of the most densely populated countries on the planet and is the second most densely populated in Europe after Holland. Demand for housing continues to increase year on year and there appears to be no end in sight. During the recent recession house prices did fall however prices are set to increase again and inevitably demand will outstrip supply.

The UK population has increased by one third since the early 1960's and it's still growing. In 2008 it was forecast that the UK population will increase from 61million people to 71.6 million in 2033 and exceed 77million by 2050. Two-thirds of the predicted increase is likely to be related directly or indirectly to migration to the UK.

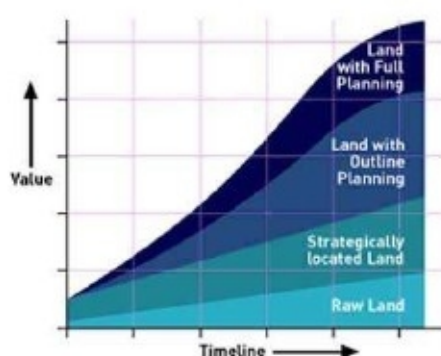
This huge increase will also be fuelled by a number of other factors including:

- ☐ We are all living longer due to advances in medical science
- ☐ People are getting married later in life, more people live alone and divorce rates are on the increase
- ☐ Old and poor quality housing stock especially in social housing

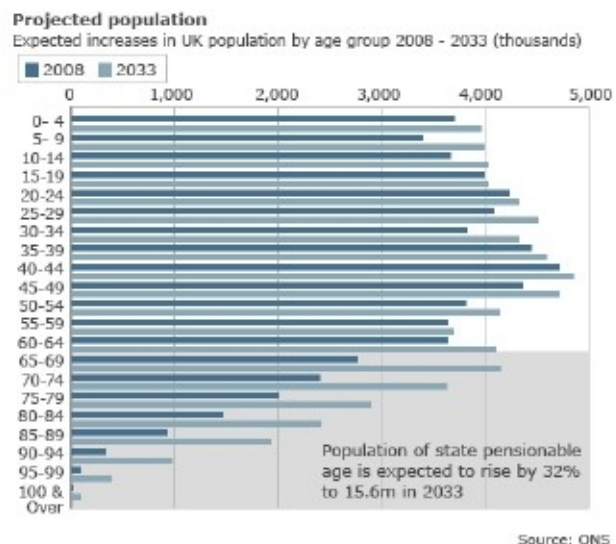
There is a massive pressure on the home building programme to ensure there are enough dwellings to house this increasing population. This puts pressure on developers to find available land either by re-developing existing sites, known as Brownfield developments or by using new land such as redundant farmland known as Greenbelt or Greenfield land.

The result of this leads to the base land price increasing as well as increasing the price of land with planning permission as illustrated in the diagram below:

Land value against time



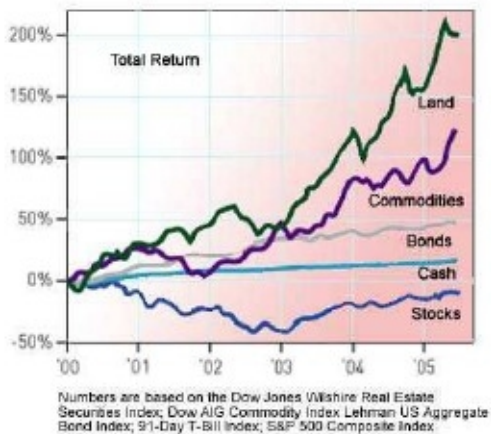
Land prices have shown steady growth for many decades and those plots which are strategically located in the most desirable areas and receive planning permission for development have seen huge growth.



Why is Land Worth Considering as an Investment?

In this section of this guide we look at how land performs against other forms of investment since the beginning of this century. We can clearly see that it has out-performed all other types of investment including commodities and bonds.

Land investment performance



This performance has been driven by a number of factors:

- ☐ Land is a limited resource with an ever increasing demand
- ☐ UK land can be bought and sold by non UK residents
- ☐ Land is simple to buy, much easier than bricks and mortar. A purchaser only needs to buy a simple transfer document to send to HM Land Registry
- ☐ Land investment has traditionally been at the core of people's wealth – just look at Donald Trump!
- ☐ As an investment land is 100% tangible and has no competition or alternatives
- ☐ The land owner has full freehold title, making it bequeathable and sellable
- ☐
- ☐

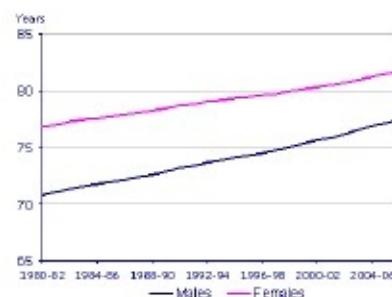
The Demand for Land

As we said in the introduction the number of people in the UK is set to increase by 10.6million people by 2033. If you think about it 2033 isn't very far away. Think about where you celebrated the dawn of the new Millennium in 2000, this was 10 years ago and like us I'm sure it doesn't feel like 10 years has passed.

So what does this mean for the amount of homes required in the UK?

Well its obvious there will have to be an increase; back in 2003 it was projected that the existing 20.9millions households will increase to 25.7million by 2026. This figure still stands as there have been few accurate surveys since this date but we predict this figure will be considerably higher if you take the following into account.

- ☐ Longevity; life expectancy in the UK at birth is currently 77.4 years for a male and 81.6 years for a female and will increase.



- ☐ Divorce rates have slowed in the last few years however the trend shows that divorce will increase over time, this creates single occupancy households and further increasing the housing demand.



- ☐ Social aspirations; increase in consumer wealth and aspirations fuel demand for better quality housing. Much of the UK's affordable housing stock is old and of poor quality.
- ☐ Environmental concerns; there has never been a higher awareness for the need of environmentally friendly housing. Older homes have a larger carbon footprint compared to more modern ones.

This ever increasing demand for housing puts pressure on those local authorities who have exhausted their stock of Brownfield development sites to now grant permission to free up Greenfield areas for development.

The Price of Land

One thing is for sure with land prices...they will inevitably go up.

Land is a limited resource with an ever increasing demand which you already know from reading the Demand for Land section. Simple laws of economic science depict that its value will always go up over time!

The recent recession has had an effect on the prices of land as big developers haven't had the usual land buying power because they been unable to sell as many houses to generate cash. However, even in the recession the value of farm land has increased, Knight Frank recently reported an increase of 3% in the last quarter of 2009.

Source; Knight Frank

- ☐ English farmland values rose by 3% in the fourth quarter of 2009 taking annual growth to 6.8%, according to the latest results of the Knight Frank Farmland Index.
- ☐ The average price of farmland is now £5,123/acre, above the previous peak of £5,100/acre reached in the second quarter of 2008
- ☐ Farmland prices increased by 164% during the last decade, compared with growth of 37% for prime country houses, 113% for prime residential property in Central London and a 22% drop in the value of the FTSE 100 share index
- ☐ The amount of farmland publicly advertised for sale in 2009 fell by almost 30% and this shortage of supply is helping to push up values as demand remains buoyant
- ☐ Farmland values are predicted to continue increasing this decade and could double in value again



Knight Frank Farmland Index

| Quarter | %age price change | £/acre |
|---------|-------------------|--------|
| Q1 08 | 11.9 | 4,621 |
| Q2 08 | 10.4 | 5,100 |
| Q3 08 | -0.8 | 5,060 |
| Q4 08 | -5.2 | 4,796 |
| Q1 09 | -2.6 | 4,673 |
| Q2 09 | 3.1 | 4,820 |
| Q3 09 | 3.2 | 4,973 |
| Q4 09 | 3.0 | 5,123 |
| | | |

Planning Permission

Planners will be forced to allow the building of a third more new homes every year, with the building taking place in the parts of the country where houses prices are the highest.' Source: Savills

When you buy a plot of land for whatever purpose be it investment or development it will either have planning permission or it won't.



There are three types of planning permission

1. The land has no planning permission
2. It has outline planning permission (OPP)
3. It has detailed or 'full' planning permission (DPP) for a building for which a set of plans has been submitted and approved

When buying a plot of land you can never just assume you'll get planning permission on it, there are many factors taken into account and an application needs to be submitted to the local authority.

Planning Officials

'In all situations, it is vital to establish a good relationship with your local council's planning office. Planning officers are generally fair people and if you can build a rapport with them and your proposals are not too ostentatious, you are far more likely to receive a favourable response to any reasonable planning request.



The best way to garner support from your planning office is to involve them in the process from the outset, holding early site meetings to discuss your intentions on an informal basis and without cost to yourself. Planning officers usually offer constructive advice and suggestions, which will assist you in drawing up detailed plans that are far more likely to get approved at the first hurdle.'

Source prime location

The following has been provided from www.direct.gov.uk

Whether or not you need to apply for planning permission, you should think about the following before you start work.

Neighbours

Let your neighbours know about work you intend to carry out to your property. They are likely to be as concerned about work which might affect them as you would be about changes which might affect your enjoyment of your own property. Even if what you want to do would be lawful from a planning point of view, there is no point in upsetting neighbours if a compromise could be agreed.

Design

Think carefully about how your property will look after the work is finished. Everybody's taste varies and different styles will suit different types of property. Nevertheless, a well-designed building or extension is likely to be much more attractive to you and to your neighbours; it is also likely to add value to your house when you sell it.

Lighting

Light itself, and minor domestic light fittings, are not subject to planning controls. Nevertheless, if you are planning to install external lighting for security or other purposes, you should ensure that the intensity and direction of light do not disturb others.

Covenants and private rights

Covenants or other restrictions in the title to your property, or conditions in the lease, may require you to get someone else's agreement before carrying out some kinds of work to your property. This may be the case even if you do not need to apply for planning permission. You can check this yourself or consult a lawyer. You may also find that some properties enjoy historic rights.

Other consents

Whether or not you need to apply for planning permission, there are other consents or approvals you may need to obtain before you can start work.

Useful Links for Further Information

UK Land Registry

Register title to land in England and Wales and record dealings (for example, sales and mortgages) with registered land.

www.landreg.gov.uk

UK Land Advisor

UK Land Agent has strong links with UK Land Advisor who provide information and opinion on buying, selling, owning, investing and developing UK land.

www.uklandadvisor.co.uk

The Valuation Office Agency (VOA)

The VOA's main functions are to:

- ☐ Value property in England, Wales and Scotland for the purposes of taxes administered by the HM Revenue & Customs
- ☐ Compile and maintain the business rating and council tax valuation lists for England and Wales.
- ☐ Provide statutory and non-statutory property valuation services in England, Wales and Scotland

www.voa.gov.uk

Direct Gov

Public services all in one place

www.direct.gov.uk

HM Treasury

The Treasury is the United Kingdom's economics and finance ministry. It is responsible for formulating and implementing the Government's financial and economic policy.

www.hm-treasury.gov.uk

Planning Portal

Learn about planning and building regulations, apply for planning permission, appeal against a decision and find out about developments near you.

www.planningportal.gov.uk