Maximising Returns for Landowners

How Much Is Development Land Worth?

A Practical Guide for Landowners

How planning status, development capacity, costs, risk and market evidence determine what a buyer may be able to pay.

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How Much Is Development Land Worth?

Development land does not have a universal price per acre. Its value depends on the use and scale that can realistically be achieved, the market value of the completed scheme, the costs and time needed to deliver it, and the level of planning certainty at the valuation date.

Valuers and developers commonly use comparable land evidence alongside the residual method. The residual method starts with the completed development value, deducts construction, infrastructure, professional, finance and sale costs together with the developer's required return, and leaves a residual amount attributable to the land.

Development land value is the amount the market can justify for the land after the opportunity, costs, time, risk and developer's return have been assessed.

Why should landowners assess value before agreeing terms?

A valuation-led review helps the owner distinguish current value from future planning potential and understand what must happen before a higher-value use can be reflected in the price.

- Distinguish existing-use value, hope value and value supported by a defined planning position
- Avoid valuing gross acreage by applying an unsupported standard rate per acre
- Identify the capacity, infrastructure, obligations and abnormal costs that drive the residual
- Compare unconditional offers, conditional contracts, options and promotion structures on a net basis
- Decide whether to sell now, obtain planning progress first or pursue a funded promotion strategy

Where does valuation sit in the process?

Site and planning review -> realistic development concept -> completed development value -> costs and developer return -> residual land value -> comparable evidence and sensitivity -> sale or promotion strategy

Read the full online Land Valuation Guide

Why Development Land Values Vary

Development land value is created by a particular opportunity at a particular date. Two adjoining parcels can have very different values because one controls the access, one is affected by flooding, one forms part of an allocation or one carries the infrastructure needed to unlock the wider site.

The owner should therefore ask what the market is actually buying: the land in its current use, a prospect of future permission, an allocated site, an outline consent or an implementable scheme. Each stage carries a different level of risk, cost and delay.

Planning status changes risk, not just the label

A Call for Sites entry, positive HELAA assessment, draft allocation and planning permission are separate milestones. Progress can strengthen confidence, but the value depends on the wording, boundary, capacity, conditions and remaining route to delivery.

Gross acreage is not the developable area

Roads, drainage, open space, biodiversity, landscape buffers, utilities, schools and other infrastructure can substantially reduce the net area that produces residential or commercial value. A credible concept plan is more useful than a simple acreage multiplier.

Costs and timing can absorb the apparent uplift

Affordable housing, CIL, section 106 and highway obligations, abnormal works, professional fees, finance, phasing and market delay all affect what remains for the land. Published policy-appraisal benchmarks and broad per-acre ranges provide context only; they are not a site-specific valuation.

A credible value is a range supported by planning, market and cost evidence - not a universal price per acre or the gross sales value of the completed scheme.

Read: Land Value With Planning Permission

Key Value Drivers at a Glance

A credible valuation is built from evidence about the site, the planning route and the intended development. The most influential assumptions should be identified and tested rather than hidden inside one headline figure.

Location & Market Demand

Completed values, rents, purchaser appetite, sales rates and competing supply vary greatly between places and development types.

Planning Status & Use

Current use, policy, allocation, permission, conditions and permitted use affect certainty, timing and the market prepared to bid.

Net Developable Capacity

Roads, drainage, open space, habitats, buffers, utilities and infrastructure determine the area and quantum that creates value.

Completed Development Value

The expected value of homes, commercial space or investments depends on product, tenure, specification, sales evidence and timing.

Costs & Obligations

Build, access, utilities, remediation, affordable housing, CIL, section 106, biodiversity, fees and finance reduce the residual.

Risk, Timing & Sale Terms

Planning probability, phasing, cost inflation, market absorption, developer return and the transaction structure affect the price.

What information should be assembled?

- The exact boundary, ownership, tenancies, rights, access control and any adjoining land dependencies
- Adopted and emerging policy, planning history, site assessment, allocation and permission status
- A constraints-led concept showing net developable area, use, capacity, density and infrastructure land
- Evidence of completed sales values, rents, yields, product mix, tenure and likely market absorption
- Construction, remediation, utilities, drainage, highways, professional, statutory and finance costs
- Affordable housing, CIL, section 106, section 278, biodiversity and other policy requirements
- The delivery programme, developer return, cost inflation, market risk and alternative scenarios

The most reliable result is normally a reasoned range cross-checked against market evidence, with clear assumptions and sensitivity testing - not a precise figure unsupported by the planning and cost information.

How Development Land Is Usually Valued

Development land is commonly valued by combining a scheme-based residual calculation with evidence from comparable land transactions. The process should reflect the valuation date and the actual legal, planning and physical interest being assessed.

1. Define the interest and assumptions - Confirm the land, valuation date, ownership, occupation, rights, planning position and whether the appraisal assumes an existing, emerging or future development outcome.

2. Establish a realistic development concept - Test use, capacity, density, net developable area, access, infrastructure, planning obligations, phasing and the relationship with retained or third-party land.

3. Estimate completed development value - Use appropriate sales, rental, yield and market evidence for the homes, commercial floorspace or other assets expected to be delivered.

4. Deduct the full development costs - Allow for construction, infrastructure, abnormal works, professional and statutory fees, finance, marketing, sales, contingency and policy requirements.

5. Allow for time, risk and the developer's return - Reflect the planning and delivery programme, market absorption, cost inflation, finance timing and the return required for the risk undertaken.

6. Cross-check and test sensitivity - Compare the result with relevant land transactions and alternative scenarios. Small changes in sale values, build costs, timing or obligations can materially alter the residual.

Residual land value = completed development value - all development costs - finance - the developer's required return.

Read: Land Value With Planning Permission

The Main Valuation Methods and Cross-Checks

No valuation method should be applied mechanically. Comparable transactions may require substantial adjustment, while a residual calculation can be highly sensitive to assumptions that remain uncertain before planning and detailed design are settled.

Comparable Method
Recent sales of genuinely similar land are analysed and adjusted for planning status, location, capacity, costs, timing and transaction terms.

Residual Method
Completed development value is reduced by all delivery costs, finance and the developer's required return to indicate the amount attributable to land.

Existing-Use Value
The land is considered in its lawful current use, reflecting buildings, access, occupation, quality, rights and market demand for that use.

Hope Value
The market may pay an additional amount for a realistic prospect of a more valuable use, discounted for probability, timing, cost and risk.

Development Value
Value reflects a defined development opportunity, but still depends on capacity, permission, obligations, costs, phasing and purchaser demand.

Benchmark Land Value
In planning viability, benchmark land value is generally based on existing-use value plus a landowner premium; it is not automatically market value.

Cash-Flow / Phased Appraisal
Timing of expenditure, receipts, finance, phasing and build-out is modelled where a simple single-period residual would be misleading.

Sensitivity & Cross-Check
Changes in sales values, costs, obligations, timing and return are tested, and the result is compared with relevant market evidence.

The purpose is to form a defensible view of market value or a commercial value range, not to make the land fit a predetermined price. A suitably qualified valuer should decide which methods, evidence and reporting standards are appropriate to the instruction.

What Planning Status Can Mean for Value

Planning progress can change the probability, timing and scale of development, but it does not make every stage equivalent. The landowner should understand what the current milestone establishes and what decisions, evidence and expenditure still remain.

1. Existing lawful use - Value reflects the current agricultural, commercial, residential, equestrian or other use, together with location, buildings, access, occupation and legal rights.

2. Uncertain development prospect - Hope value may arise where the market will pay more for a realistic possibility of a more valuable future use, discounted for probability, time, cost and risk.

3. Call for Sites or HELAA stage - The land may be visible within the evidence base, but assessment does not allocate the site, approve capacity or guarantee that policy support will follow.

4. Draft allocation - Selection can strengthen confidence, but consultation, examination, policy wording, infrastructure and the possibility of amendment or removal still need to be reflected.

5. Adopted allocation - The principle of development may have stronger policy support, although the allocation requirements, planning application, obligations, design and delivery route remain material.

6. Outline planning permission - Certainty can improve materially, but value depends on approved parameters, conditions, section 106 terms, CIL, reserved matters, infrastructure and market demand.

7. Detailed or implementable permission - A deliverable consent with resolved conditions and obligations may reduce risk further, but tendered costs, sales evidence, phasing and purchaser competition still determine price.

Planning progress changes probability, timing and risk; it does not convert every acre into the same development value.

Read: What Is a HELAA or SHLAA?

Read: Local Plan Allocation Guide

Residual Value, Development Costs and Sensitivity

A residual valuation works backwards from the value of the completed development. Because the land value is the amount left after numerous deductions, relatively modest changes to sales values, construction costs, finance or timing can cause a much larger percentage change in the residual.

The appraisal should therefore expose the main assumptions and show how the outcome changes under reasonable alternatives. One optimistic residual figure is not a substitute for market evidence, cost advice and professional judgement.

A robust appraisal should address:

- **Realistic completed sales or investment value, product mix, tenure, specification and absorption**
- **Construction, infrastructure, abnormal works, remediation, utilities, contingency and cost inflation**
- **Professional, planning, legal, statutory, marketing, sales, finance and holding costs**
- **Affordable housing, CIL, section 106, highway works, biodiversity and other policy obligations**
- **The development programme, phasing, finance timing, purchaser risk and the developer's required return**
- **Sensitivity tests, comparable land evidence, alternative schemes and the effect of retained-land rights**

Do not confuse a residual output with an agreed sale price

A developer may bid above or below one appraisal because of its own sales view, build costs, funding, pipeline, tax position, appetite and strategic interest. Competitive marketing can reveal those differences. A formal market valuation should be prepared by a suitably qualified valuer under the standards applicable to the instruction.

A defensible appraisal shows the assumptions, tests alternative outcomes and is cross-checked against market evidence wherever possible.

How Do Planning Permission and Sale Terms Affect the Net Receipt?

Planning permission can materially reduce uncertainty, but the permission must be read as a complete commercial package. The approved use, capacity, parameters, conditions, obligations, access, infrastructure and delivery period determine what can actually be built and sold.

The amount received by the landowner also depends on the transaction structure. A high headline price may be weakened by conditions, deductions, deferred payment, overage, option discounts, promotion costs, retained liabilities or a lack of genuine market competition.

Permission defines the opportunity; conditions and obligations define the cost

Outline consent may still require reserved matters, condition discharge, infrastructure design and further approvals. Affordable housing, CIL, section 106, section 278, biodiversity, drainage, utilities and abnormal works should be reflected before the permission is translated into land value.

The route to sale affects the net landowner receipt

An unconditional sale transfers risk immediately. A conditional contract makes completion dependent on agreed events. An option gives the holder a right to buy under the contract. A Promotion Agreement normally funds planning and markets the land after success. Each route should be compared after costs, risk, timing, control, tax and retained-land consequences.

The strongest sale strategy protects a defensible net receipt after planning obligations, costs, discounts, timing, conditions and retained-land consequences are taken into account.

Find Out What Your Land May Be Worth

How Value My Land Can Help

Value My Land can undertake a free initial review of the development opportunity and identify the planning, capacity, access, infrastructure and market issues likely to influence value. The review is site-specific and is intended to help the landowner decide what evidence and commercial route should be considered next.

Free Development Potential Review

We review the location, policy position, planning history, access and principal constraints before major expenditure or terms are agreed.

Planning Status & Evidence

We identify the current site assessment, allocation or permission position and what that milestone does and does not establish.

Capacity & Constraints Review

We consider the realistic net development area, indicative use, density, infrastructure land and issues likely to affect delivery.

Value-Driver Scenario Review

We explain how planning, market evidence, obligations, abnormal costs, timing and sale structure may influence the likely value range.

Promotion Route

Where appropriate, we can discuss a funded Promotion Agreement leading to planning work and an open-market sale.

Clear Next Steps

We identify the plans, evidence and independent planning, valuation, legal or tax advice that should be obtained before commitment.

Our Promotion Agreement Route

Where appropriate, Value My Land can fund and manage the agreed planning and promotion process at our own cost and risk. If the agreed planning outcome is not secured, the promotion costs are written off in accordance with the agreement.

Following planning success, the land is normally marketed to competing third-party purchasers. Our remuneration is linked to the sale proceeds achieved, while the landowner retains ownership until sale. Independent legal, valuation and tax advice should be obtained before any agreement is completed.

Request a Free Land Valuation

Find Out What Your Land May Be Worth

Send Value My Land the location, approximate size, ownership details and any plan, planning history, council assessment or developer proposal available. We can provide a free, no-obligation initial review of the land, its development potential and the principal factors likely to influence the appropriate next step.

Telephone: 0800 061 4006
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Value My Land

Delivering Sustainable Development

Further reading: How Is Land Valued in the UK | Land Value With Planning Permission | Hope Value Explained | Selling Land for Development
valuemyland.com/how-is-land-valued-in-the-uk