



Barratt Homes – North Midlands Division Leicester CIL – Savills Response to Draft CIL Charging Schedule

Further to our submission dated 10th March 2015 we write to provide further supporting evidence.

Savills Approach

We have paid particular attention to the viability of large greenfield infill sites within the Leicester urban area as this is relevant to our client's land interest.

Such a site does not fall within the range assessed by HDH. We have therefore been mindful to consider market evidence in further detail to support viability. In this letter we set out the following: -

1. Market evidence to support our opinion of Benchmark Land Values (BLVs)
2. New homes sales evidence to support sales values of £1,995.00 per sq m.
3. Confirmation of build cost data. These are considered in further detail below.

1. Benchmark Land Value evidence.

We have obtained evidence of consented residential land sales as well as strategic land transactions.

Consented land sales we highlight two recent transactions on the fringes of Leicester.

Land at Glenfield Leicester – this site had planning consent for 250 dwellings including affordable housing affordable housing an s.106 of £7,110.00 per unit. The site was sold in 2013 for a figure that equates to £712,000 per acre.

Land at Keyham Lane, Leicester – this site had planning permission for 416 dwellings (333 private and 83 affordable) on a net area of 16 acres. s.106 contributions equated to £8,884 per dwelling. The site was sold in 2013 and a figure of around £745,000 per net developable acre.

This demonstrates that the market is prepared to pay over £700,000 per acre (£1,730,000 per hectare) for consented land subject to affordable housing and s.106 planning obligations.

We have concerns relating to the BLV methodology and assumptions made by HDH in respect of greenfield sites. The BLV figure is quoted as being £280,000 per hectare (£110,000 per acre). However no comparable evidence has been provided to support these figures.

Savills has therefore researched a number of option agreements and a minimum price provision set out within these in the local area. This provides a good benchmark for minimum land value for greenfield land and a more robust evidence base than the assumptions used by HDH. This evidence is set out below: -

- **Option A, East Midlands** – option agreed on strategic sites extending to approximately 400 acres with the capacity for circa 3,000 dwellings. Minimum purchase price is to be £547,000 per net hectare (£220,000) per net acre.
- **Option B, East Midlands** – site with capacity for approximately 1500 dwellings. Option agreed on the basis of a minimum land price of £494,000 per net hectare (£200,000 per net acre)

Specific details remain confidential.



We would also draw the Council's attention to a report prepared for DCLG by Turner Morum, which highlighted that *"it can be seen that development proposals will normally need to support land values of £200,000 to £300,000 per net developable acre if the land is to come forward for development...consequently, we would recommend that minimum land value requirements of at least £200,000 per gross and £400,000 per net acre are assumed for release of 'greenfield' land."* ¹

From the evidence above it can be seen that in comparable markets, minimum land values tend to be within the range of 500,000 to 547,000 per net hectare (£200,000 to £220,000 per net acre). We would therefore ask that HDH adopt a minimum BLV of £500,000 per net hectare (£200,000 per net acre), for greenfield sites.

New Homes Sales Values

Concern was expressed that HDH adopted a figure of £2,100 per sq m based on asking prices and not actual sales prices. In our previous evidence we reduced asking prices by 5% to arrive at a suitable sales price. This can now be supported with further evidence: -

Relevant new home scheme that reflects the tone of housing values in the Leicester fringes in the Morris Homes Scheme at Wolsey Island, comprising a mix of a mixed medium/high density scheme typical of an infill site. Units range from apartments through to terraced housing, semi detached and detached homes.

A schedule of actual sales prices achieved can be seen at **Appendix 1**. This shows that there have been 27 sales since January 2014 resulting in an overall average sales rate per sq ft of £1,998.00 per sq m (£185.00 per sq ft). Interestingly average sales prices achieved in 2014 are £2,042.00 per sq m (£190.00 per sq ft). However sales in 2015 are lower being £1,859.00 per sq m (£173.00 per sq ft).

We are therefore confident that our proposed sales values of £1,995.00 per sq m (£187.00 per sq ft is realistic).

Build Costs

HDH adopted a base build cost of £852.00 per sq m. In our submission dated 15th March 2015, we adopted a rate of £880.00 per sq m. This reflects the medium BCIS tender price for estate housing as at February 2015 and rebased to reflect the Leicester location. We are therefore confident that this is a suitable build cost rate.

Appraisal Results

The more detailed evidence provided in this letter further supports the appraisals produced in our Report of the 15th March 2015. For ease of reference these tables are shown below

Appraisal	Assumption	HDH Assumption	Savills Assumption
(a)	Base appraisal as set out within HDH report		
(b)	Build Cost in line with updated Median BCIS costs	£852 per square meter	£880 per square metre
(c)	Sales Values decrease to reflect achieved prices.	GDV of £27,286,369	GDV of £25,921,959
(d)	Combined	As HDH base appraisal	Variants B and C incorporated
(e)	Section 106 increase	£500 per unit	£1,500 per unit



Appraisal	Assumption	Residual Land Value	Difference from Baseline	Difference from Benchmark Land Value	Resulting CIL Available (on 11,965 m2 of private)
A	Base Appraisal	£2,812,423	-	£937,423	£78.35
B	Build Cost Update	£2,468,741	12% ↓	£593,741	£49.62
C	Sales Price Reduction	£1,995,171	27% ↓	£120,171	£10.04
D	Combined BC & Sales	£1,505,012	46% ↓	-£369,988	-£30.92
E	Section 106 increase combined with BC & Sales	£1,383,244	51% ↓	-£491,756	-£41.20

In summary tables D and E demonstrate that by adopting Savills new homes sales values and BCIS build costs results in a land value below the unacceptable BLV. Appraisal D shows a reduction of £369,988.00 from the BLV. This results in a land value of £1,505,012 which equates to circa £401,000 per hectare.

Appraisal E also adds in an appropriate level of s.106 contribution. This result shows a reduction from the BLV of £491,756.00. This results in a revised land value of £1,383,244 (circa £369,000 per hectare).

By making these reasonable assumptions, this demonstrates that greenfield sites cannot support any CIL contribution.

Summary

This document provides further evidence to support our opinion of the BLV and suitable new homes sales values. It also supports our agreed opinion of BCIS build costs.

This evidence further supports the appraisals presented in our submission of 15th March 2015.

We trust that this response, together with our supporting evidence, will assist the inspector and help illustrate our case further.

We look forward to being able to further convey our position and assist the Inspector at the Examination hearing on 19 August.

Reference:

1. Section 3, cumulative impact of regulations on house builders and landowners research paper, Turner Morum, 2011.