Attended workshop 27 June 2013

Mr J.Devlin	Wirral Partnership Homes
Mr G.McGaffney	Landowner
Ms V.Carr	Cheshire West and Chester Council
Mrs S.Charlesworth	Landowner
Mr T.Charlesworth	Landowner
Mr R.Squire	Wirral Council
Mr J.Hurley	Wirral Council
Mr B.Williams	Persimmon Homes North West
Mrs B.Shelbourne	FSC Architects
Mr M.Shelbourne	FSC Architects
Ms L.Farrington	Wirral Council
Mr S.Artiss	Bellway Homes Ltd (North West Division)
Mr D.Gwynn	Williams Estate Management
Mr M.Eccles	Liverpool City Council
Ms E.Farrimond	Liverpool City Council
Ms C.Woodward	University of Birmingham
Mr J.Munnery	Footprint Property Services
Mr P.Doughty	SDA Architects
Mr J.Entwistle	Wirral Council
Ms H.Whitfield	Wirral Council
Ms D.Richardson	Turley Associates

VIABILITY WORKSHOP 27 JUNE 2013

SUMMARY OF STAKEHOLDER RESPONSES RECEIVED IN RELATION TO APPRAISAL ASSUMPTIONS

CONTACT	ORGANISATION	COMMENTS RECEIVED
Simon Artiss, Planning Manager	Bellway	Land Values: low value input of £250,000 per acre should be reduced to £200,000 per acre. Medium and high values could be raised however his land managers have given no figures to him. Density Assumptions: recent Bellway schemes are c.30 dph, not 40 and 50 dph. These are typical family housing. Main reason being availability of finance. Developer Profit: they will not progress schemes below a level of at least 20%.
James Munnery	Footprint Property Services	Concern about delivery of development, impact of additional CIL payments on top of a stagnant market. Suggested that CIL charges should be paid as units sold.
Peter Vernon	Vernon Property	Commented that threshold land values are too low. Would need to see appraisal/build costs to be able to expand on his comment.
Simon Pemberton	JASP Planning Consultancy Ltd	Building costs: there is significant variation across the borough. Should not apply universal build cost across the borough. Should take account of s106/CIL costs as will have significant impact on viability. Threshold Values: Have reservations about levels; they seem on the low side and suggest building in caution by building in higher values. Funding: Suggests consultation with funders to obtain assessment of risk and the availability of funding which remains difficult to secure.
Peter Ryan, Strategic Land Manager	Taylor Wimpey	Housing development Typologies: Suggests testing previously developed and greenfield sites in areas 6, 7, 8, also. they don't build 3 bed apartments Suggested Apartment Sizes: 1 bed 500-600 sq.ft, 2 bed 600-700 sq.ft. Family Housing: they don't build one bed homes. 30% is a high proportion for two beds on site, should be 10-15%. In higher value areas there would be a greater number/percentage of 4 bed+ homes.

		Site Areas: They assume sites over 2ha have net developable area of 70% rather than 75%, taking into account constraints, abnormals, and POS. Land Registry Prices: Caution when using Land Registry prices as do not always include discounts and incentives. Achieved Sales Prices: Prices shown on hand-outs are higher than their experience. Mortgage lenders are down valuing. Land Values: These seem a little low particularly for high value areas which should be more toward £600-£700k/acre. Medium areas expect to range between £350k-£500k per acre. Low value areas it could be lower toward £150k/acre. Costs: Need to identify abnormal costs on greenfield <u>and</u> brownfield as not including them will overestimate the headroom figure. Other Inputs: Finance, marketing, profit, sales rate are fine and should be used as median figure only.
Richard Frudd	Indigo Planning Ltd on behalf of client National Grid	Response deals with non-residential development. Suggests proposed testing covers a reasonable range of scenarios in terms of scale and broad categories of development. Acknowledges that not feasible to cover all potential options in terms of scale. Helpful to differentiate between restricted (eg. bulky goods) and unrestricted comparison retail. May be helpful to consider variations in viability across geographical areas in the Borough. The Values shown are reasonable at today's date but delays can reduce the headline capital value figures. Would like the opportunity to explore how to reflect in costs the full extent of abnormals in some of the more complex regeneration opportunities in the Borough.
Christine Hill, Area Manager, Merseyside & Cheshire	HCA	Development profit: suggests up to 15% and up to 20%, as in weaker market developers will accept less profit. Suggests increase in market rent units coming forward for 1 bed properties and over 55's which are not care homes. Asks if this should be reflected in modelling? Asks where social rent and intermediate rent figures come from. HCA affordable homes programme has expectation that rent will be 80% of market value.

Attended workshop 25 September 2013

Mr J.Devlin	Magenta Housing
Ms Aneesha Ray	Peel Ports Group
Ms D.Richardson	Turley Associates
Mr S.Eaves	Wirral Partnership Homes
Ms V.Carr	Cheshire West and Chester Council
Mr S.McMorran	Wirral Council - Asset Management
Mr A.Fraser	Wirral Council - Forward Planning
Mr J.Entwistle	Wirral Council - Forward Planning
Mr G.Lewis	Wirral University Teaching Hospital
Mr S.McBride	Persimmon Homes (North West)
Ms S.Hooper	Wirral Council - Housing Strategy

211 stakeholders/ partners/ organisations/ individuals invited to both workshops

VIABILITY WORKSHOP 25 SEPTEMBER 2013

SUMMARY OF STAKEHOLDER RESPONSES RECEIVED IN RELATION TO APPRAISAL ASSUMPTIONS

CONTACT	ORGANISATION	COMMENTS RECEIVED	OUR RESPONSE
Peter Vernon	Vernon Property	1. Would like to see an appraisal example for sites in Zone 4 (Irby). 2. Would like to see evidence that supports residential value assumptions for Zone 4. 3. Would like to see how the threshold Greenfield land values are substantiated.	In relation to points 1 and 2 an appraisal example was provided together with evidence of sales in support of our value assumptions. In relation to point 3, Greenfield sites likely to come forward for development during the life of the Core Strategy are previously undeveloped urban sites, for example former school playing fields and open space areas, based on the sites which constitute the current iteration of the SHLAA. Such sites have limited value in their current use, typically £10,000 - £20,000 per acre. It is probable a number of such sites have had development expectations and in some cases may already be subject to option agreements. Naturally, any land owner is unlikely to sell such sites for their current use value and clearly a land owner will be seeking an uplift in value if they are to consider releasing the site for development. With reference to the RICS guidance and that from the Housing Delivery Group, it would be inappropriate to assume land values based on sites with full residential planning permission, and in reality the site value for viability purposes will lie somewhere between this and current value.

			In addition many Greenfield sites may require significant initial expenditure on services and infrastructure to enable them to be developed for residential purposes. We believe that for greenfield locations it would be reasonable to assume a value in the region of £370,000/hectare (£150,000/acre) to £495,000/hectare (£200,000/acre) as being the level at which a landowner would consider releasing a site for development.
Craig Booton	Redsun Developments Limited	Agrees that B1, B2, B8 developments are largely unviable. Suggests industrial/warehouse values for new stock are £45 to £55 per sq.ft and modern offices selling for sub £50 per sq.ft.	We note these comments and explain that whilst we have taken an optimistic view on office and industrial values reflecting the likely highest achievable values in the Borough; we appreciate that lower figures may be observed in some instances.
Martin Edmunds	Morris Homes	1. An affordable housing requirement weighted to rented units will have a greater impact on viability 2. Land Values - as well as future plan policy requirements having an impact on future land values, these will also clearly be influenced by changes to Building Regulations, Code for Sustainable Homes, Lifetime Homes Standards and any other national policy objectives regarding sustainability. 3. Most sites these days require surface water storage and attenuation which is not mentioned 4. A sales rate of 7 dwellings per month for a large site seems excessive.	These points are all noted. In relation to point 3, we would agree that attenuation is effectively a normal cost and have allowed approximately £1000/dwelling within the costs for this. Due to a typographical error in the presentation material it should be noted that we have actually considered a sales rate of 6 dwellings per month for the larger sites. We do not consider this excessive as it should also be noted that for the very largest schemes it is likely that the development may be split between several developers.

Sean McBride	Persimmon Homes	Issues raised: <u>Property Sizes</u> Suggest some of the dwelling sizes not representative of those being built in Wirral. Provided example of average dwelling sizes for Persimmon. The sizes we have adopted are contained in brackets 5 bed – 161 sq.m (158 sq.m) 4 bed – 108 sq.m (116 sq.m) 3 bed – 87 sq.m (86 sq.m) 2 bed 65 sq.m (65 sq.m)	<u>Property Sizes</u> We consider that the property sizes provided by Persimmon broadly align with the assumptions that we have made and are not materially different. Our property sizes have been prepared having regard to the Housing Quality Indicators used as a measure by the Homes & Communities Agency, and with reference to the sizes of actual dwellings in new developments within the Borough. The sizes suggested by Persimmon support the conclusions we have reached regarding this.
		<u>Site Areas</u> On sites of 0.4 ha to 2 ha 90% of site is considered developable. For sites approaching 2 ha the developable acreage is 70%, and for sites larger than 5 ha the developable area is 65% or lower in some cases.	<u>Site Areas</u> The approach that we have taken in relation to the ratio between the gross and net developable area ratios have been taken directly from the methodology adopted for the preparation the SHLAA, following previous consultation.
		<u>Value Zones and House Prices</u> Suggest value zones overestimated and not consistent with market. Suggest the following: Zone 1 - £130 per sq.ft Zone 2 - £140 per sq.ft Zone 3 - £150 per sq.ft Zone 4 - £160 per sq.ft	<u>Value Zones and House Prices</u> We note these comments and explain that our values have been prepared having analysed actual new build sales and modern re-sales across the borough; and reflect the house price evidence that we have compiled. Persimmon have provided no evidence in support of their comments and if they would like to provide this evidence in relation to their proposed value Zones we will take this into consideration in Part 2 of the Study.

		<u>Developers Profit</u> Developers Profit at 20% GDV on larger schemes is considerably lower than that which is sought in the current market. Persimmon suggest that the majority of house builders would seek to achieve a return of minimum 25 to 30%	<u>Developers Profit</u> We note these comments and explain that we have been involved in a number of assessments on very large schemes (including Persimmon schemes) in the North West, and have noted profit requirements that comply with our assumptions. Indeed at the present time from the appraisals that we have been provided with, many house builders appear to be more willing to accept a more modest return in many instances below the 20% figure that we have assumed. Again if Persimmon would like to provide evidence that supports their comments we would welcome this and would take it into consideration in Part 2 of the Study.
		<u>Build Costs</u> Suggest that a BCIS 'all in build cost' of £1,044 sq.m is used in undertaking strategic development appraisals.	<u>Build Costs</u> Our costs include provision for finance, overheads and contingency in line with industry practice. When formulating build costs, Tweeds have a significant internal data base of housing projects where they have been directly involved in managing the project or reviewing and checking the build cost data. They have had regard to this data and experience in preparing their build cost calculations. They have also had regard to BCIS as a check rather than a primary source. Care needs to be taken in interpreting BCIS data as it is inclusive of certain build cost items while others are excluded such as external works and appropriate adjustments are therefore required.

			The majority of BCIS data has been received from development contracts generally administered on behalf of providers of affordable housing. BCIS have stated that they receive some cost data from private open market developers when in partnership with such providers. They receive little data from private developers in respect of full open market developments. As a result the data is not entirely reflective of the types of development we are considering here. There are also difficulties involved in costing improved standards, it is not evident to what extent BCIS data is reflective of schemes built to higher Code Levels, as a result there is a likelihood of an element of double counting of costs for items such as Code.
		<u>Sales Rates</u> Supports assumption of sales rates being 2 to 3 per month. Sales rates of 7 dwellings per month is ambitious, and having multiple developers/sales suites on a single larger site does not necessarily result in a significant increase in sales rates.	<u>Sales Rates</u> There was a typographical error in the presentation and we have actually considered a sales rate of 6 dwellings per month for the larger sites. We believe that having multiple developers on a larger site would result in an increase in sales rates as they could be building out from different ends of the site at the same time – effectively creating two small developments at the same time. As we have assumed a sales rate of 3 per month for the smaller schemes, we consider a rate of 6 per month appropriate for the larger schemes. We would ask for evidence that suggests sales rates of 2-3 dwellings per month is applicable on larger schemes and we will consider this in Part 2 of the Study.