

# **Central Lancashire SHLAA – Stage 7c**

Final Report

Preston City Council, Chorley  
Borough Council, South Ribble  
Borough Council

**December 2008**

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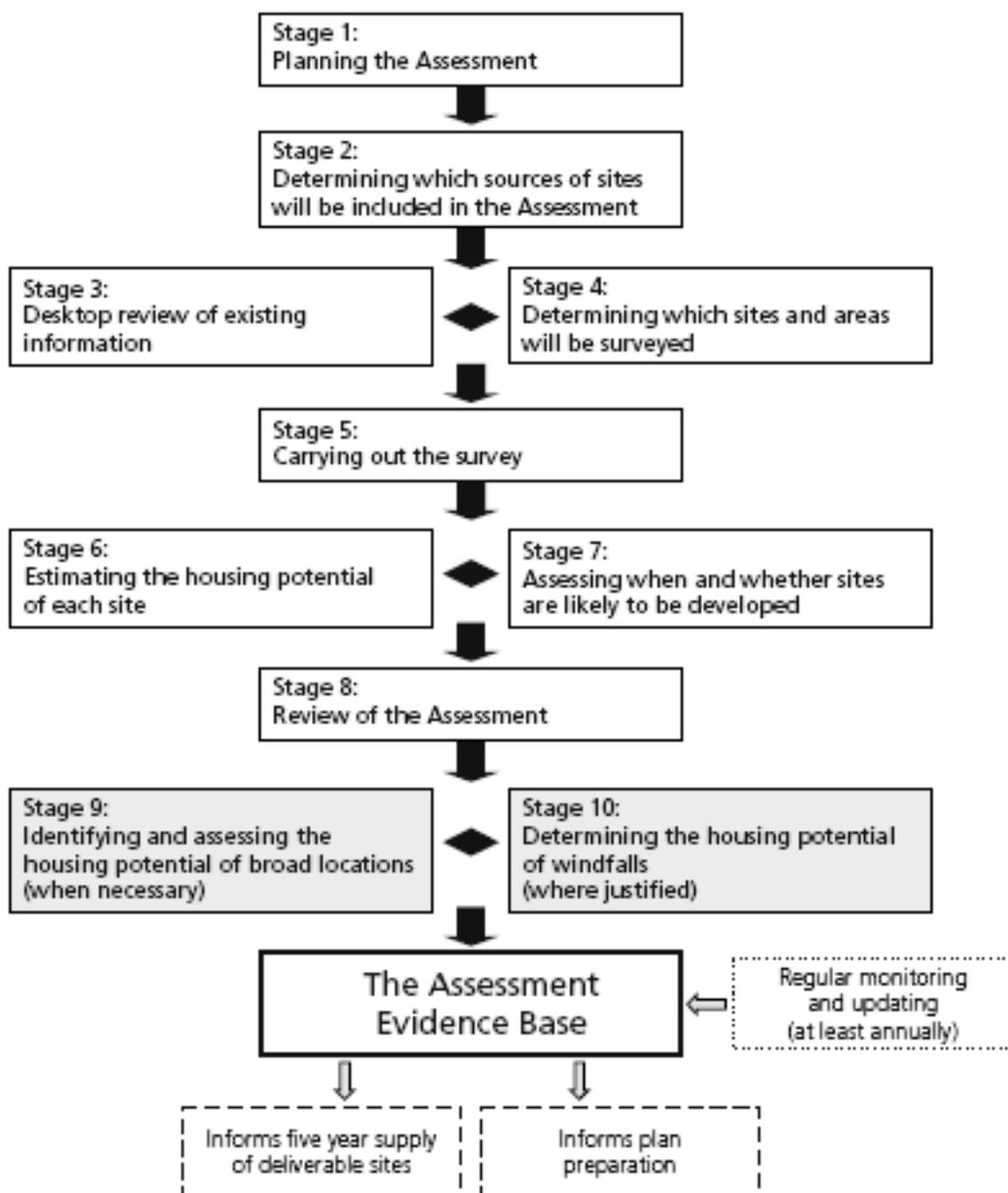
# 1. INTRODUCTION

- 1.1 GVA Grimley has been commissioned by the Central Lancashire Authorities of South Ribble, Chorley and Preston to produce a report representing the Stage 7c of the Strategic Housing Land Availability Assessment (SHLAA).
- 1.2 Ensuring that the availability of land is not a constraint on the delivery of new housing represents a top priority for the government, with the outputs of the SHLAA a critical pre-requisite in the preparation of the emerging LDF.
- 1.3 PPS3 underpins the Government's response to the Barker Review of Housing Supply and the necessary step-change in housing delivery, through a new, more responsive approach to land supply at the local level. It requires planning authorities to:
- Identify specific, deliverable sites for the first five years of a plan that are ready for development and to keep this topped up over time in response to market information;
  - Identify specific, developable sites for years 6-10, and ideally years 11-15, in plans to enable the five year supply to be topped up;
  - Where it is not possible to identify specific sites for years 11-15 of the plan, indicate broad locations for future growth; and
  - Not include an allowance for windfalls in the first 10 years of the plan unless there are justifiable local circumstances that prevent specific sites being identified.
- 1.4 The **Housing Green Paper - Homes for the future: more affordable, more sustainable**, published in July 2007, reiterates the requirement for local councils to bring forward suitable developable land. Specifically, and in support of PPS3, it proposes that local planning authorities should:
- Bring land forward by identifying at least a 15 year supply of land with 5 years worth that is available to deliver the level of homes needed, embedding the new market-responsive approach to the delivery of land for housing; and
  - Recycle homes and land, making better use of existing buildings and maximising the use of brownfield sites for new homes.

## SHLAA Guidance

- 1.5 In July 2007 the DCLG issued new Practice Guidance to undertake SHLAA's. The primary role of this exercise was identified as being to:
- Identify sites with potential for housing
  - Assess their housing potential; and
  - Assess when they are likely to be developed.
- 1.6 The Guidance notes that the Assessment findings will be particularly relevant at the issues and options stage of development plan preparation and will identify:
- The recent pattern of housing development;
  - The choices available to meet the need and demand for more housing and provide a basis for making decisions about how to shape places in the future; and
  - Whether action would need to be taken to ensure sites will become deliverable (including infrastructure investment) or whether plan policies need to be reviewed to enable identified sites to be developed for housing.
  - The full Assessment Process as detailed within the DCLG Guidance is displayed in diagrammatic form below:

Figure 1: The Strategic Housing Land Availability Assessment process and outputs



1.7 The Central Lancashire authorities have already largely undertaken work on the first six stages of the methodology and begun to compile data on the other elements of Stage 7 of the assessment.

1.8 This report focuses on addressing Stage 7c of the methodology and sets out the methodology adopted in appraising the sites and the outcomes of this process. Stage 7c is directly focussed on assessing the ‘achievability’ of housing. The key test being whether a

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site is considered achievable for development, with this being dependent upon whether there is a reasonable prospect that housing will be developed on the site at a particular point in time. This judgement relates to the economic viability of the site, and the capacity of the developer to complete and sell the housing over a certain period, with this being affected by three core factors, market, cost and delivery. This assessment of 'achievability' represents part of the process along with Stages 7a and 7b in arriving at the conclusion of Stage 7 as to whether sites are likely to be developed over a certain period.

1.9 Importantly the SHLAA Guidance notes that the information collated through Stage 7 allows for a judgement to be made as to whether a site can be considered deliverable, developable or not currently developable for housing development including whether it is unsuitable. These three classifications are important as they directly feed into Stage 8 and the overall assessment of the classification of sites within a housing trajectory. This leads to the identification of a 5 year supply and capacity beyond this supply. In summary the Guidance provides the following definitions for the three classifications:

- **Deliverable** – a site is available now, offers a suitable location for housing development and there is a reasonable prospect that housing will be delivered on the site within five years from the date of the adoption of the plan;
- **Developable** – a site should be in a suitable location for housing development, and there should be a reasonable prospect that it will be available for and could be developed at a specific point in time; and
- **Not currently developable** – where the site is unsuitable or it is unknown when a site could be developed, then it should be regarded as not currently developable. This may be, for example, because one of the constraints to development is severe, and it is not known when it might be overcome.

1.10 The market evidence and the high level of appraisals of sites taken through Stage 7c therefore assists in classifying sites into these three categories. However, this report does not break down the sites into these categories as the assessment of 'achievability' undertaken with 7c represents only one element of this classification process.

1.11 The changing nature of the housing market means it is important for authorities to be able to create a responsive evidence base underpinning the LDF. To enable the SHLAA to be constantly reviewed and updated a model has been set up to enable the authorities to update their sites as required and the key tables from this model are included in tabular form as an Appendix to this overall assessment.

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- 1.12 The conclusions of this report, in tandem with the conclusions of Stages 1- 6 and Stages 7a and 7b, allow the authorities to undertake Stage 8 of the assessment which involves the detailed creation of a housing trajectory that sets out how much housing can be provided, and at what point in the future.

## Structure

- 1.13 A number of key tasks have been undertaken and the analysis incorporated within this report. The structure of this report is therefore defined by these tasks within the following sections:
- **Policy Context** – whilst key policies have already helped shape and define the overall SHLAA this section provides a short synopsis of key policies which will impact upon the assumptions made within the appraisals. In particular this relates to the emerging affordable housing policies which the authorities have either adopted or are in the process of adopting.
  - **Housing Market Performance** – using available secondary data sources analysis is undertaken of the comparable performance of the housing markets within the authorities. This is as up-to-date as possible with this being particularly important in light of the recent well publicised downturn in the national housing market. This section provides the market context to assessing sites on the basis of ‘market factors’ and in providing an indication of demand to assist in the assessment and appraisal of sites.
  - **Comparable Development Review** – in order to obtain comparable values, development profiles and product mixes a review has been undertaken of recent and pipeline housing developments within each authority and within adjacent areas. This provides an evidence base against which to assess supply as well as demand elements relating to the assessment based on cost factors.
  - **Soft Market Testing** - in order to complement the analysis of available secondary data and ensure that the assessment reflects an up-to-date a position of the market as possible a process of soft-market testing has been undertaken. In particular this aims to pick up the ‘delivery’ factors, including realistic build out rates to be applied to sites.
  - **Assessing Achievability** - this section outlines the methodology in arriving at a site typology for potential development sites outlined in the earlier stages of the SHLAA work. Using data and information on sites provided by Preston, Chorley and South Ribble Councils, a broad methodology has been produced to quickly establish whether a site could be achievable for housing using possible variables based upon cost and market factors.

- **Stage 7C Conclusions** – this section provides an overview of the assessment of the sites identified by the authorities. This will contribute to the overall assessment in Stage 7 and decision making around whether sites will be likely to be achievable within five years or whether they are likely to be achievable over a longer period of time. This has been written based upon the current market conditions and as much as possible bases the analysis within the context of current developer capacity and the overall appetite for construction. The section concludes with a number of recommendations in terms of the development of the housing trajectory including indicative build-out rates which should be applied to sites. This will therefore assist the Local Authority Partners to finalise the SHLAA by completing Stage 7 and 8 of the Guidance.

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## 2. POLICY CONTEXT

- 2.1 This section reviews the current policy context to identify a number of core components which will need to be fixed through the appraisals. This includes the proportion of affordable housing sought and aspirations regarding the type of housing sought.

### Overall Housing Numbers

- 2.2 The North West RSS was adopted sets out the housing requirements per annum for each authority within the region and also provides a summary of key issues facing the various sub-regional housing markets over the plan period.
- 2.3 Looking at housing requirements it is clear that the new RSS prescribes an uplift in housing targets from the previous regional guidance for the Central Lancashire authorities as a whole. Over the period 2001 – 2006 under the Joint Lancashire Structure Plan (JLSP) which were distributed on the basis of the 2003 RPG figure for the County, Chorley and Preston in particular had comparably high requirements. However, these requirements were set to be reduced significantly over the next plan period between 2006 and 2016.
- 2.4 The RSS, incorporates housing figures which represent an increase for Preston and South Ribble on the 2001-2006 JLSP figures, with South Ribble in particular seeing a notable increase in the level set. Chorley by contrast has an annual requirement which is lower than the previous target, however, it is important to note that the new RSS figure is considerably higher than the reduced level under the JLSP for the 2006-2016 period of the plan.
- 2.5 Directly contrasting the equivalent requirement figures for the 2006-2016 period in the case of Preston and South Ribble RSS figures represent an increase on the JLSP figures for the same plan period of over 150%, with Chorley also receiving figures which are 80% above previous levels.
- 2.6 The table below clearly outlines the increase in housing numbers stipulated under the adopted RSS.

*Figure 2: Comparing JLSP and Adopted RSS Housing Requirements*

	Joint Structure Plan Average Provision 2001-2006	Joint Structure Plan Average Provision 2006-2016 rate (net)	Adopted RSS (net)	% above Structure Plan (06-16 figures)
<b>Greater Preston</b>	<b>1255</b>	<b>575</b>	<b>1341</b>	<b>133%</b>
Chorley	485	230	417	81%
Preston	480	180	507	182%
South Ribble	290	165	417	153%
<b>Lancashire</b>	<b>3550</b>	<b>2380</b>	<b>4378</b>	<b>84%</b>

- 2.7 This increase in the level of housing required clearly has an impact on the capacity of land required to deliver new development. Importantly the RSS also sets out indicative brownfield targets. For the Central Lancashire authorities these targets are 70% of PDL.

### Affordable Housing

- 2.8 The Central Lancashire authorities have produced a Preferred Core Strategy Issues and Options document based upon research covering their Housing Market Area and the emerging messages from RSS.
- 2.9 The findings of regional research into housing markets across the North West identified that within Central Lancashire affordability issues have become increasingly acute, with high demand for housing across much of the area driving high house price increases far in excess of comparable rises in incomes. Indeed the ratio of lower quartile house price to lower quartile earnings has increased dramatically from 4.86 to 9.07 over the 2002 – 2006 period, with the level of demand for social rented housing expressed through the housing register increasing from 3,230 to over 6,310 between 2001 and 2006. These conditions have led to the identification of an estimated shortfall of 1,165 affordable units per annum<sup>1</sup>.
- 2.10 Preston and South Ribble Councils have both published Interim Planning Statements to address the delivery of affordable housing in advance of the development of the Local Development Frameworks. These clearly set out the principles for delivery including the proportion currently being sought (20% in both authorities) a site threshold and guidance requiring specific requirements relating to the split between social rented and intermediate provision.

<sup>1</sup> Regional Strategic Housing Market Assessments in the North West, 4NW, August 2008

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2.11 Within Preston the identified split is 16.4% social rented and 3.6% intermediate housing (Preston Affordable Housing IPS Aug 2007), this is broadly similar to the figures identified in South Ribble, with these being 14% and 6% respectively (Second Draft, IPP Affordable Housing sep 2007). Policy in Chorley also advocates a similar proportional split with preference sought for a split of 80% social rented and 20% intermediate housing.

2.12 We propose to use the affordable housing proportions identified within the most up-to-date policy statements for each authority. These are therefore the same for each authority as displayed below:

- Chorley – 20% (15 dwellings or more)
- South Ribble – 20% (15 dwellings or more)
- Preston – 20% (15 dwellings or more)

### Type of Housing

2.13 The authorities have adopted a range of densities for particular localities of a development site. These density ranges include

- City Centre – 120-150dph
- Preston Docks – 60-120dph
- Inner urban – 50-120dph
- Suburbs – 30-60dph
- Rural settlements– 30-60dph
- Other rural – 30-40dph

2.14 This reflects national guidance in terms of PPS 3 with the need to deliver increasing numbers of homes across the country whilst minimising the impact on the environment, and new building techniques, leading to increases in the density of new housing developments.

2.15 The assessment of the economy undertaken as part of the development of the Lancashire Economic Strategy by Lancashire Economic Partnership and GVA Grimley (2006) was used within the ECOTEC 2007 Housing Market Assessment to identify a broad trajectory regarding the types of housing which would be required within the Central Lancashire sub-region. This was based upon both the changing demography and population but also the current provision of housing. The analysis indicated a growing demand for both larger

detached homes and homes accessible to those on the lowest incomes across the market area.

*Figure 3: Number of sites falling under each typology*

Authority	Density Classification						Total
	City Centre	Inner Urban	Suburban	Rural Settlements	Other Rural	N/A	
Preston	19	53	37	14	3	71	197
Chorley	0	15	124	44	17	15	215
South Ribble	0	7	65	22	15	18	127

- 2.16 As more detailed figures setting out the requirements by type do not exist within policy we have examined in a subsequent section of this report current market led developments to ascertain the development profile currently being brought forward by the market in order to arrive at an indicative assumption regarding the type breakdown to be incorporated through the development appraisals.

## Sustainability

- 2.17 Nationally sustainable development is a core objective of the Central Government. English Partnerships are in particular spearheading best practice regarding the eco-credentials of new housing development.
- 2.18 A spectrum of development objectives have been set through the Code for Sustainable Homes guidance which progress from level 1 to level 6. The intention under level 6 is to ultimately deliver housing which is completely self-sufficient regarding energy needs and indeed develops additional energy for re-use elsewhere.
- 2.19 English Partnerships currently expect Code for Sustainable Homes level 3 to be brought forward in new developments with this raising to level 4 in 2013. We therefore propose to use Code for Sustainable Homes Level 3 build costs within the appraisals, with these being as follows:

*Figure 4: Build Costs*

Unit type	Build Costs per unit (£)
Flats/Apartments	£78,000
2/3 bed terrace	£76,250
3/4 bed semi detached	£95,000
4/5 bed detached	£110,500

- 2.20 These build costs are deemed reasonable having been discussed and agreed in principle with several developers both on the Housing Market Partnership and externally through consultation.

## Summary

- 2.21 This review of policy has clearly established a number of parameters which have been factored into the appraisals as well as the preceding stages of the SHLAA methodology. Where policy alters in the future this will need to be considered in relation to the methodology applied to assessing sites within the SHLAA with relevant assumptions altered accordingly.
- 2.22 The review of policy has also highlighted the importance of applying a consistent set of assumptions to sites across the three authorities identified in the SHLAA. This has enabled the classification of sites into a standard typology which allows a density to be applied and a potential breakdown of units developed to be analysed. This taxonomy approach is fundamental to the economic appraisal of the site in terms of build costs and sales values. Inner city or inner urban sites have a higher density attributed to them with a greater proportion of apartments developed, whereas suburban or other rural have a lower density with more semi detached and detached properties developed. Without classifying the sites in such a way the economic appraisals are less robust.

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## 3. HOUSING MARKET PERFORMANCE

### National Market Overview

- 3.1 National Housing Market performance is tracked and reviewed in nationally released house prices indices.
- 3.2 The Halifax House Price Index tracks average house prices based on qualitative criteria used to define a standard UK property. In November 2008 it reported that the national standardised average house price was £168,176. This reflected the sharp fall in prices from the high recorded in August 2007 where the average price was £199,600. Indeed the Halifax index records a monthly decline in house prices for the ten months including and preceding October 2008 back to January. Between September and October house prices fell by 2.2% according to the Index with the annual rate of change showing prices 13.7% lower, a considerable contrast with the annual change recorded only in February which showed a 4.2% growth.
- 3.3 The report notes that the recent fall in house prices should be measured against the significant gains witnessed over recent years. The Index identifies that the average UK house price rose by more than £88,000, or 79%, between August 2002 and August 2007. Indeed the UK average house price in October 08 was still 22% higher than five years ago.
- 3.4 However, the recent decline in house prices is significant and the Halifax report identifies the key drivers behind this change. The two key factors in curbing housing demand are identified as being the increase in affordability issues witnessed over recent years as a result of rapid house price increases, and a squeeze on spending power and the reduction in credit availability.
- 3.5 Wider global economic concerns are unlikely to assist the housing market in the short-term with a period of recession likely to have impacts in terms of households disposable incomes and their confidence in the market. The market report does however highlight that the fall in market prices has led to an alleviation of affordability ratios. This reduction in ratios is forecast to continue, however, until mortgage credit becomes readily available there is likely to be little impact in terms of the ability of households to purchase housing.
- 3.6 The Nationwide House Price Index tracks and seasonally adjusts house prices on a quarterly basis and as of October 2008 records the average UK house price at £158,872

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reflecting a -1.4 per cent monthly change and a -14.6 per cent annual change. This reinforces the trajectory of decline evidenced through the Halifax Index.

- 3.7 However, the Nationwide report issued in May 2008 illustrated out that borrowers are better placed now than they were in the 1990s. Significantly fewer homeowners bought at the top of the market in the current cycle and today's borrowers have typically put down larger deposits than households in the last 'crash' in the 1980s and also show a higher propensity to repay capital rather than interest-only. The tighter credit conditions currently being introduced, with current offers making it difficult to obtain loans at higher loan-to-value ratios, should help the longer term sustainability of the market.
- 3.8 In the Nationwide quarterly review (Q3 2008), the North West offered an average housing price of £144,513; a quarterly decrease of 3.2 per cent and an annual decrease of 9.1 per cent. The North West is shown as having an annual rate of change which compares favourably with a number of other regions in the country, with a number including double digit falls including the South West, Yorkshire and Humberside, the outer South East and East Anglia.

### Continued High Demand for Housing

- 3.9 Despite an evolving picture in terms of purchaser behaviour, it is widely accepted amongst the majority of housing stakeholders that there remains a growing imbalance between UK-wide supply and demand. This is emphasised in key central Government reports and papers, recently released, that have stressed the importance of increasing the supply of new homes in the face of strong household growth across the Country and historically low housing completions.
- 3.10 Two such reports include the DCLG's Housing Green Paper, 'Homes for the future: more affordable, more sustainable', and the NHPAU's 'Developing a Target Range for the Supply of New Homes across England'.
- 3.11 Significantly the RICS also notes that within a number of areas where vendors are selling they are tending to go into rented accommodation and, as a consequence, there is beginning to be a build up of purchasers waiting for market sentiment to change<sup>2</sup>.

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<sup>2</sup> RICS housing market survey United Kingdom, May 2008

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## Changing Developer Behaviour

- 3.12 In the context of both corporate funding becoming more expensive, and new home purchasing falling, developers across the UK, both large housebuilders and smaller niche developers, have had to realign their development activity. For many this has involved a rapid withdrawal from City Centre apartment developments (e.g. Dandara halted all apartment pipeline activity in Northern Cities including Manchester, Taylor Wimpey are doing the same in Leeds, and Isis Waterside cancelled releases of further apartments in Leeds).
- 3.13 More generally anecdotal evidence suggests housebuilders are scaling back and/or reconfiguring land banks and development mixes in order to limit and spread their exposure to risk, whilst some are seeking to reduce overheads through redundancies; particularly in land buying.
- 3.14 This increasing aversion to risk has thus led to a refocus amongst many large housebuilders on the more traditional markets, specifically family housing in perceivably 'solid' areas. As a result, not only is the apartment market faltering but there are increasing examples of housebuilders pulling out of long-term regeneration projects (e.g. Lend Lease withdrawing from the £3.1bn Canning Town Regeneration Scheme).
- 3.15 Further effects include evidence of increasing profit requirements amongst housebuilders; thereby reducing development viability on marginal schemes, and widespread downgrading of land banks in line with early evidence of falling land values.
- 3.16 A key outcome is illustrated in figures from the Department of Communities and Local Government (DCLG) and the National House Building Council, based on last year's housing starts, that shows completions may drop from 172,000 in 2007 to 163,000 in 2008. In turn, fewer starts this year will mean a further fall in completions in 2009.

## National Market Summary

- 3.17 Overall it is clear that nationally the housing market is currently in the midst of a turbulent period. The preceding seven years or so have witnessed year on year growth in house prices underpinned by a strong economy and an influx of new mortgage products. This has led ultimately, along with the wider global economic problems, to a comparatively vulnerable and unsustainable housing market, exemplified by the affordability issues faced by first time buyers.

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- 3.18 Market correction will take a period of time as a result of the decline in house prices witnessed since Autumn 2007 and this decline is anticipated to continue well into 2009. Assuming a two / three year recovery period it is currently expected that house prices will recover to their previous peak within the next four to five years.
- 3.19 The exposure of house builders to the shifting fortunes of the housing market has led a number of national house builders to the point of bankruptcy and left them on the whole increasingly risk averse. Whilst it is acknowledged that there is still a significant pent up demand for housing which is increasingly not being met as a result of a slow down in the levels of housing built it is likely that new development will largely be focused in stronger, well established market areas. Many of the market areas within the Central Lancashire authorities represent these stronger markets, with the smaller settlements of South Ribble and Chorley as well as the suburbs of Preston driven not only by local demand but also demand from commuters from the large settlements in Greater Manchester and Merseyside. The current market performance of the Central Lancashire authorities within this wider market context is explored below.
- 3.20 However in relation to the 'delivery' factors influencing site achievability it is important to recognise that the dramatic slow-down in sales seen nationally impacts on the pace of development. In turn this fall in development rates has led to developers releasing elements of their workforce. This is an important consideration over the next 4-5 years in terms of the capacity of the house building industry to deliver housing over this period. This is considered in greater detail in Section 5 based upon the soft-market testing undertaken through this research.

## **The Central Lancashire Housing Market**

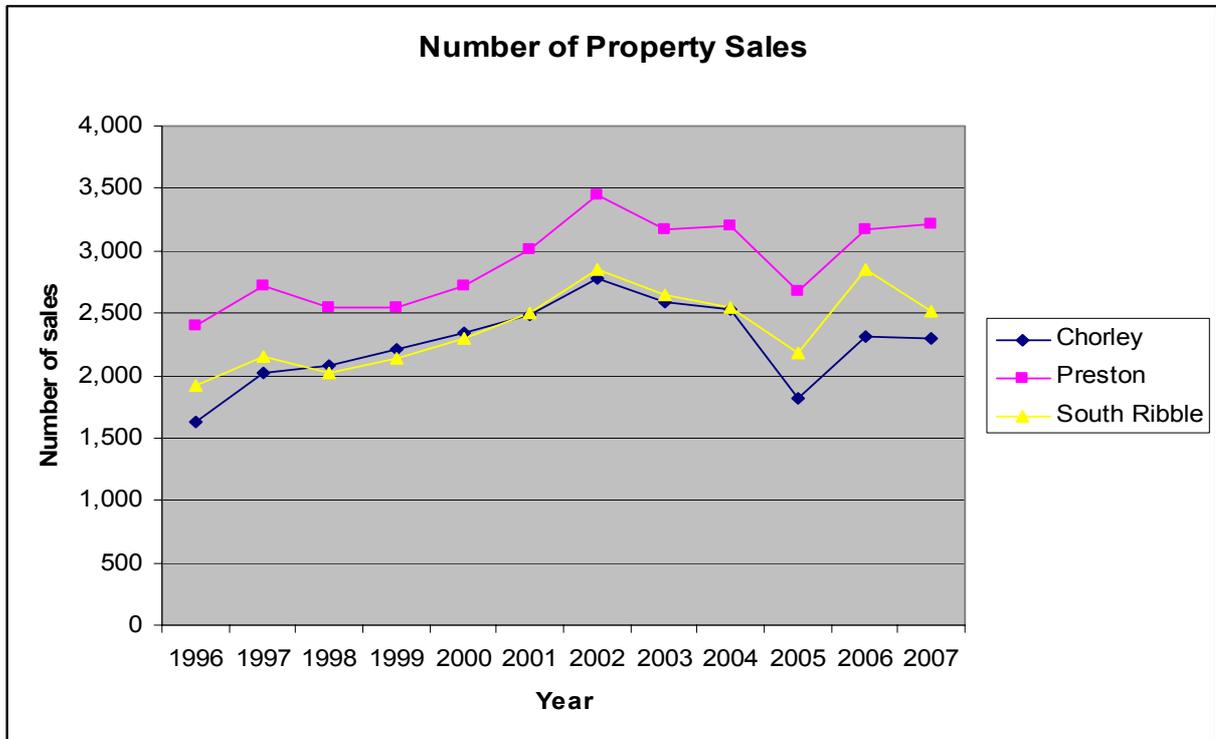
- 3.21 The majority of secondary data available to analyse at a smaller spatial level does not satisfactorily reflect the recent downturn in house prices, with the majority data accurate up to the end of 2007. However, we have used the most up-to-date data available through Rightmove.co.uk and included in the penultimate section a process of soft-market testing to provide as up-to-date an assessment of the current housing market in Central Lancashire as possible.

### **House Sales**

- 3.22 The graph overleaf portrays the number of sales across the three Districts. As expected, Preston has consistently had greater number of sales over the other two Boroughs as it has the larger stock base. Chorley and South Ribble essentially matched each other for sales

since 1997, until 2005 where the number of sales in Chorley fell below the levels of South Ribble.

Figure 5: Property Sales – 1996 - 2007



Source: DCLG, 2008

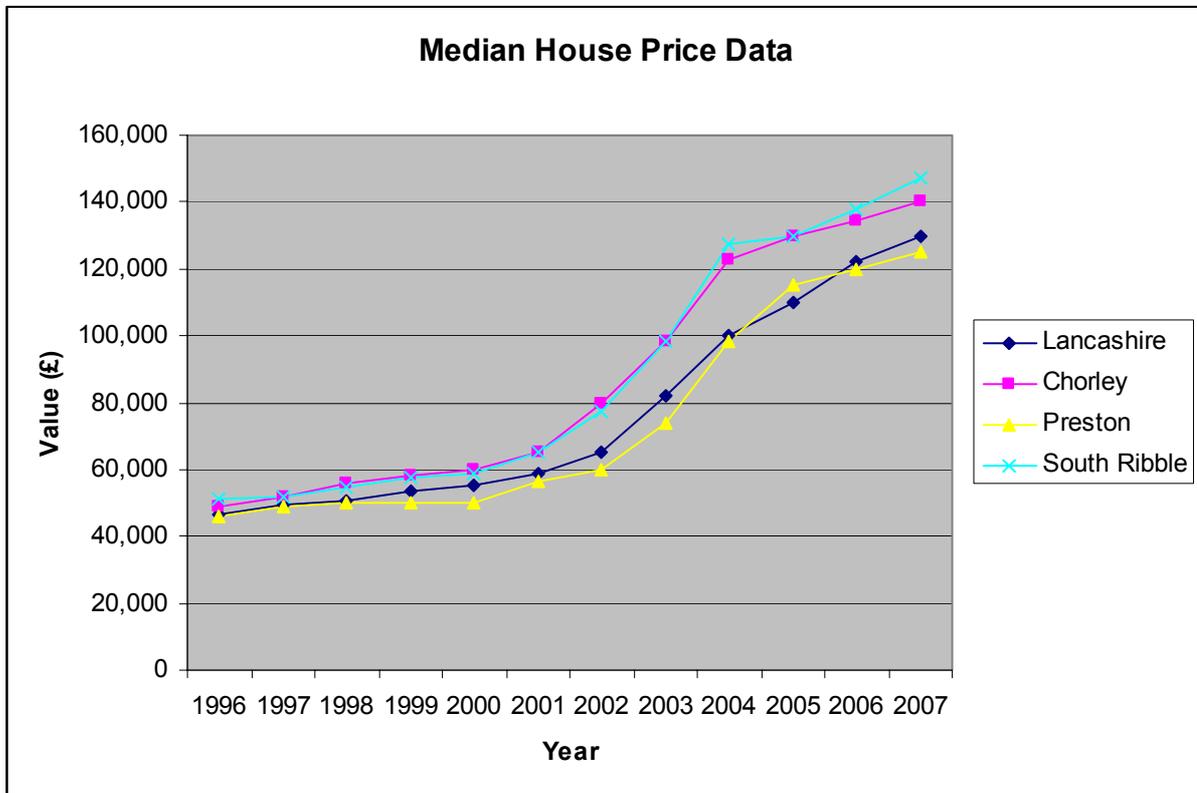
- 3.23 All three authorities appear relatively linked in terms of their housing market looking at the long-term trend. However, it is interesting to note that South Ribble recorded a notable drop in sales between 2006 and 2007 which was not replicated within the other two authorities.
- 3.24 The largest number of sales over the past two years are focused towards the west of Preston City Centre, in postcodes PR2 1, PR2 2, PR2 3 and PR5 6 or the Larches, Ashton, Cadley and Ingol areas of Preston and Bamber Bridge in South Ribble with over 700 sales in each locality, the majority of which being terraced and semi-detached properties (source Rightmove House Price Analysis).

### House Prices

- 3.25 These four localities are all similar in terms of average house price, towards the lower to mid spectrum of house values across the authorities, ranging from £130,000 to £150,000. The relationship between the number of sales and low to mid range of average house price is

likely to be down to the areas being within the majority of people’s price range and being fairly desirable locations to live.

Figure 6: Median House Prices 1996 - 2007



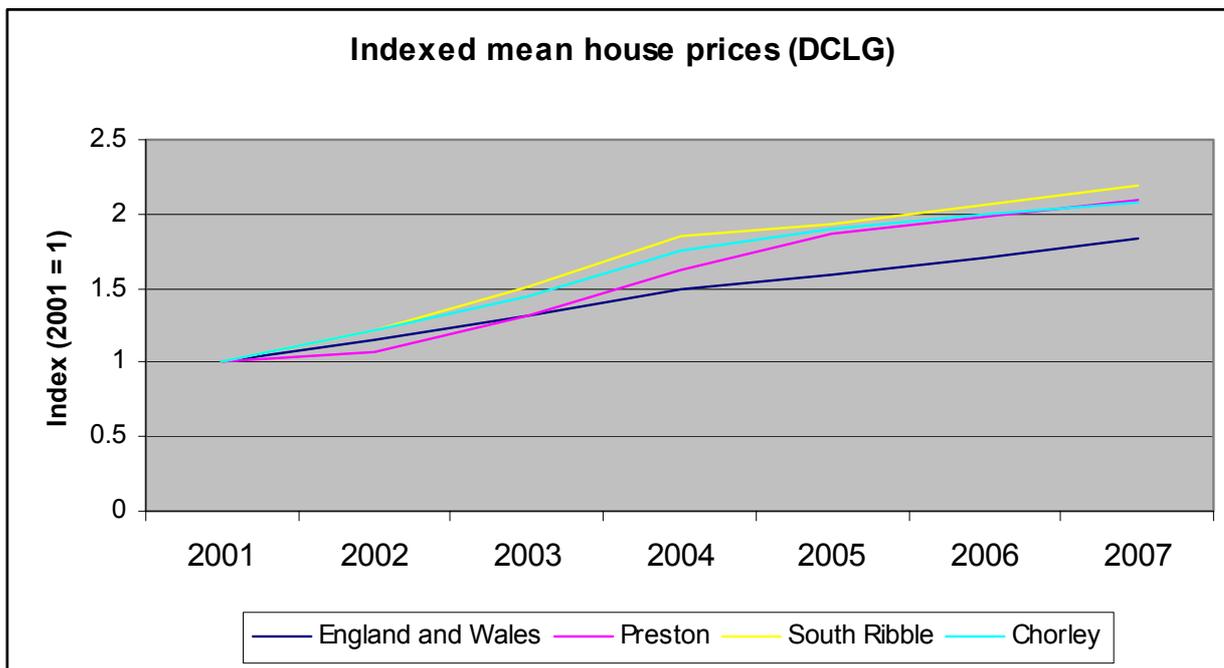
Source – DCLG, 2008

3.26 Interestingly, with the number of sales between Chorley and South Ribble being consistent since 1996, the average house prices between the two also consistently match. Both are significantly higher than Preston and the Lancashire region as a whole. This reflects the contrast in the housing markets with the more rural areas and smaller settlements in South Ribble and Chorley representing an attractive option for high earners who will travel out of the borough to access employment in the major centres of Manchester and Liverpool.

3.27 The chart clearly shows the rapid increase in house prices over the last seven years which have followed national trends. As the assessment of the wider market indicates the last six months have started to witness a reverse in this trend, this is picked up in part in the proceeding analysis.

3.28 In order to contextualise the market performance of the Central Lancashire authorities against the national market the following chart indexes house prices for each of the three authorities back to 2001 set against the index prices of England and Wales.

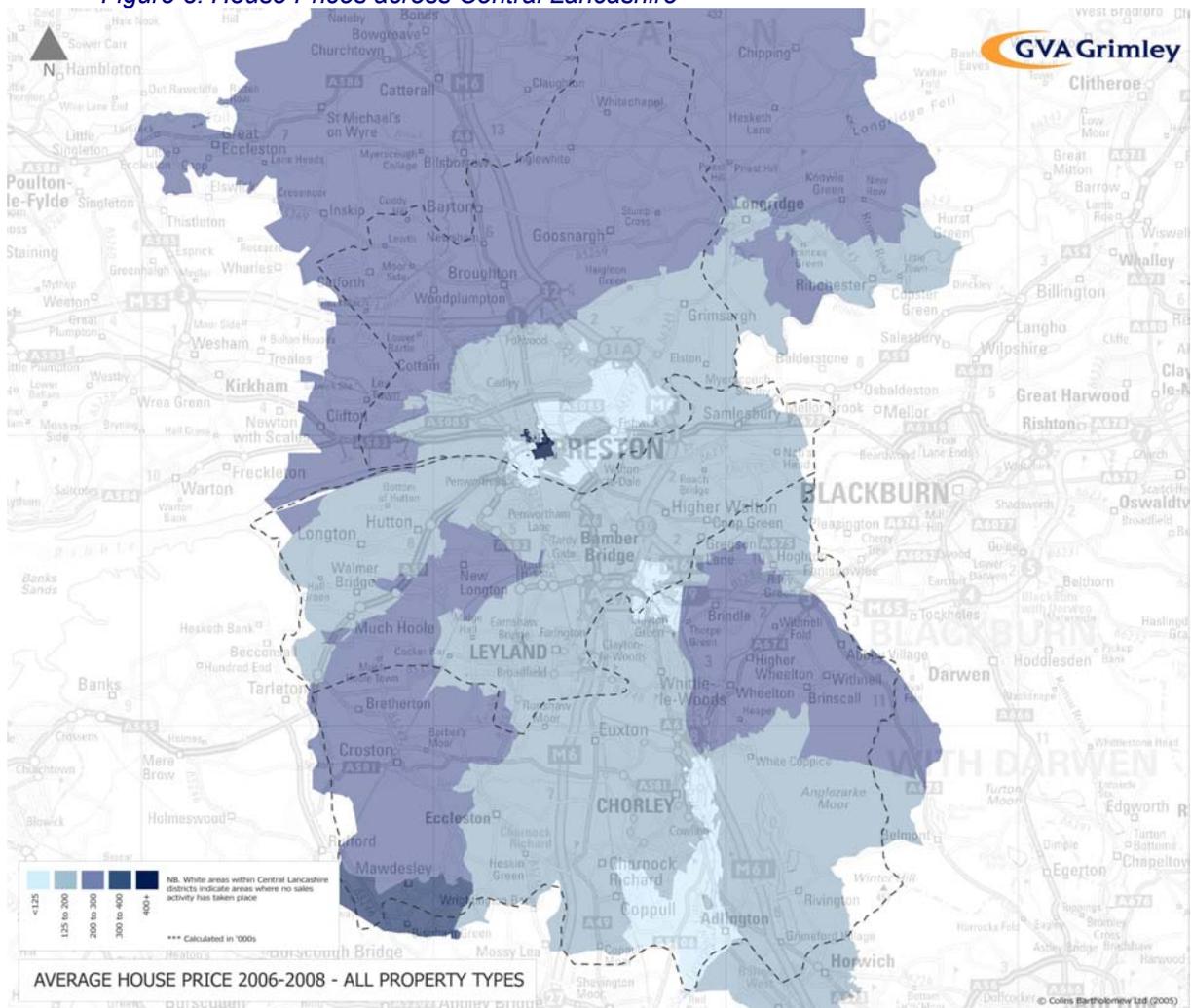
Figure 7: Indexed DCLG mean house prices against national prices



Source: DCLG Live tables, 2008

- 3.29 The chart clearly shows that in terms of house price growth the three authorities of Central Lancashire have outperformed the England and Wales average. South Ribble has recorded the highest rate of growth throughout the period reflecting the high premium placed on much of the housing within the authority.
- 3.30 Looking at a lower spatial level the most expensive areas according to Rightmove House Price Analysis are the more rural northern areas in Preston District in PR3 5 and PR3 2, but as expected the number of sales in these areas are much lower around 100 to 200 sales in the past two years, the majority of which have been large semi-detached and detached properties ranging from £245,000 to £275,000.
- 3.31 The following plan clearly indicates these spatial trends across the three authorities, with the plan showing average house prices by four digit postcode between 2006-2008. It is clear that the vast majority of areas record comparatively high prices, with the lowest band of prices including £100,000 - £168,000.

Figure 8: House Prices across Central Lancashire



Source: Rightmove.co.uk, 2008

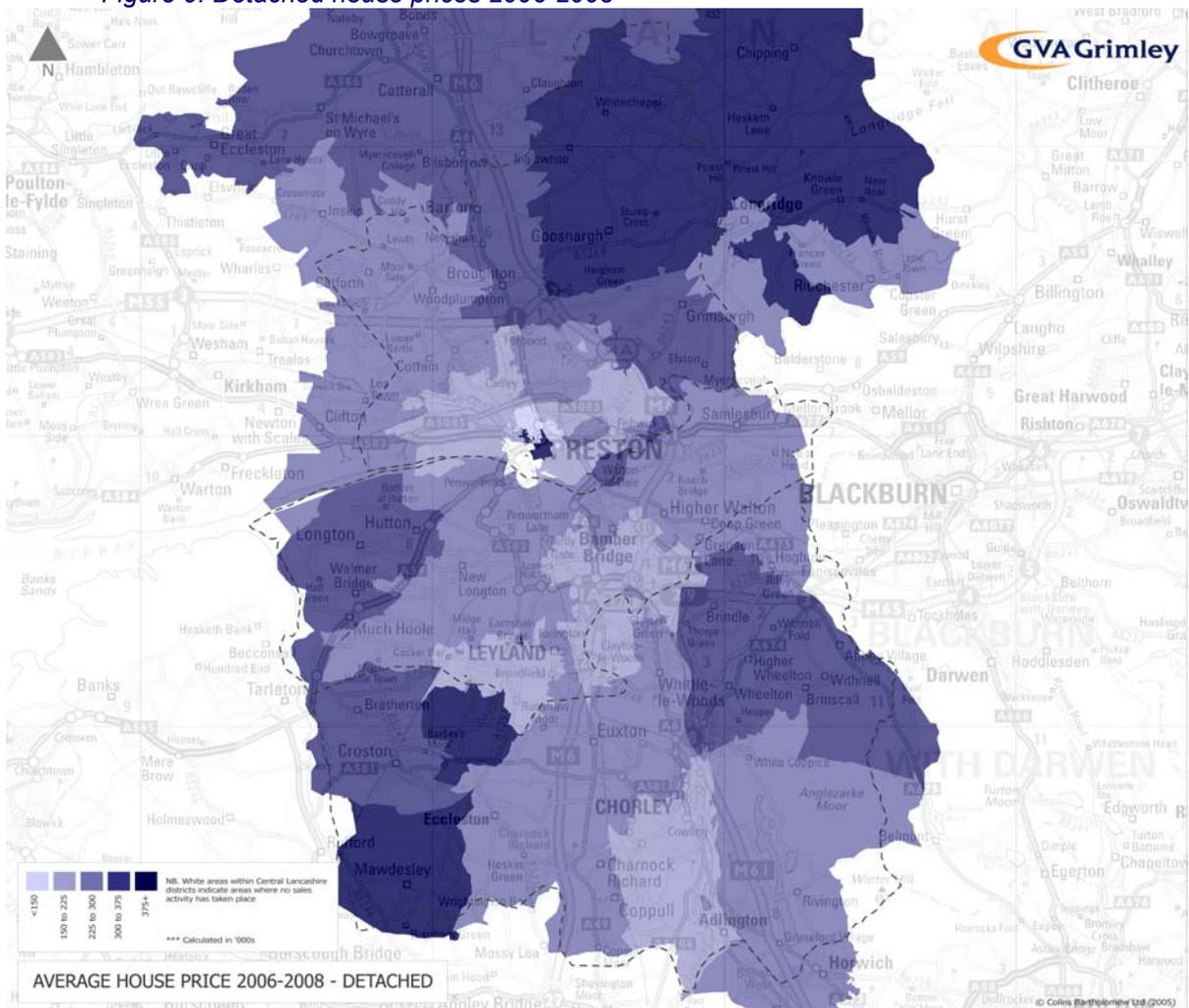
3.32 From the plan it is possible to break down the broad localities of Central Lancashire into; hot-spots, moderate-performance and cold-spots as follows:

- **Hot-spots** – Preston city centre / Goosnargh and surrounds / areas to the south of Mawdesley and western areas of Chorley and north east parts of Chorley around Whittle-Le-Woods, Brindle and Wheelton, with average house prices between £200-£400k+.
- **Moderate-performance** – north-south belt running from Grimsargh and Salmesbury in the north down through the eastern settlements of South Ribble (including Bamber Bridge, Higher Walton); the central and south eastern areas of Chorley around Euxton, Chorley town centre and Rivington with prices averaging £125-£200k.

- **Cold-spots** – Central belt covering the eastern Preston urban area (with the exception of a small part of the city centre) eastern Chorley town and the Coppull and Adlington areas where the average house prices average less than £125k.

3.33 In order to identify variations in terms of the different types of property the following plans show average prices for; detached, semi-detached, terraced and flatted properties over the same time period.

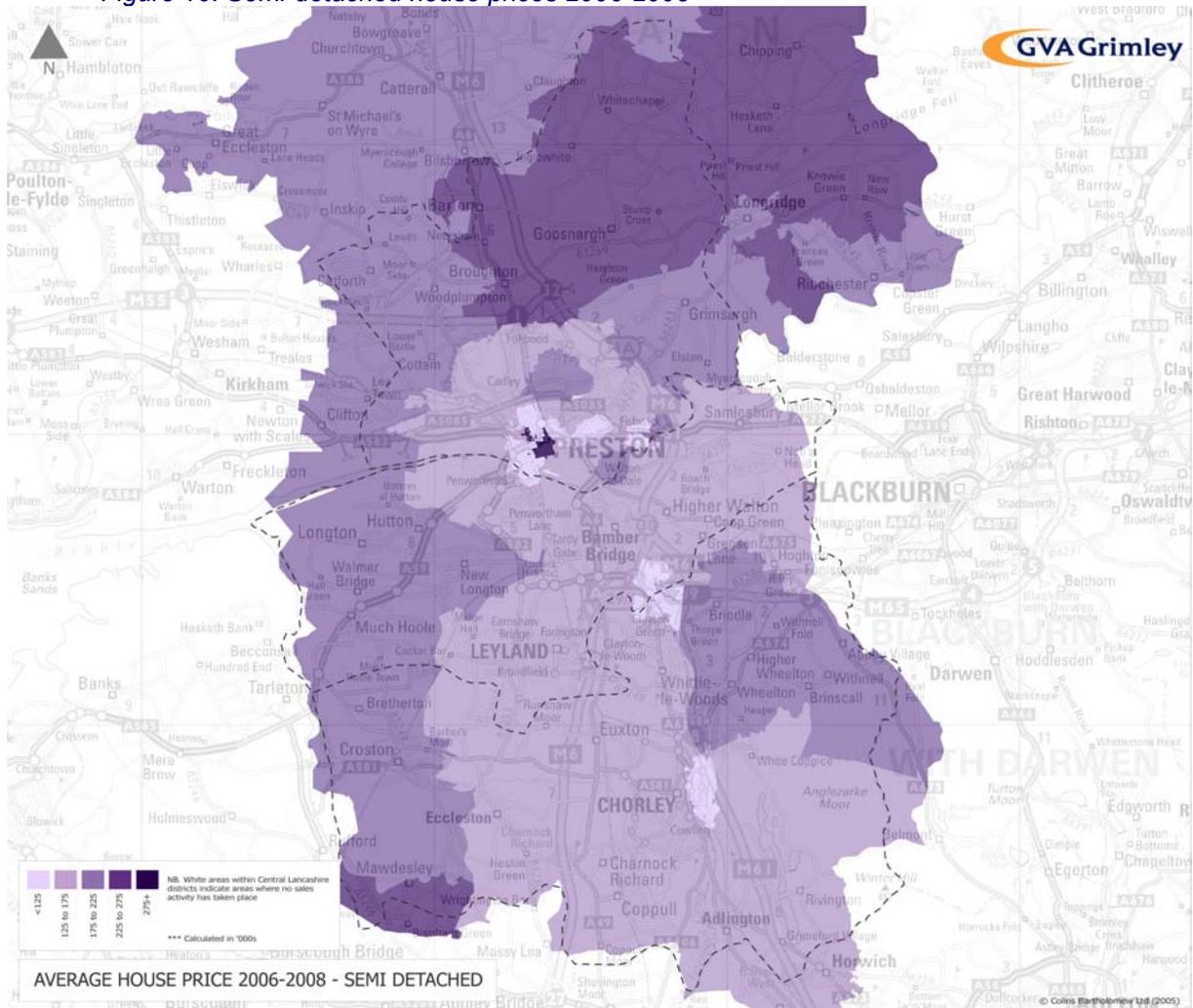
Figure 9: Detached house prices 2006-2008



Source: Rightmove.co.uk, 2008

3.34 This shows a very similar picture to the overall average with the central north-south belt (with the exception of an area within Preston city centre performing comparatively poorly against the more ruralised areas running on the east and west fringes of the authorities.

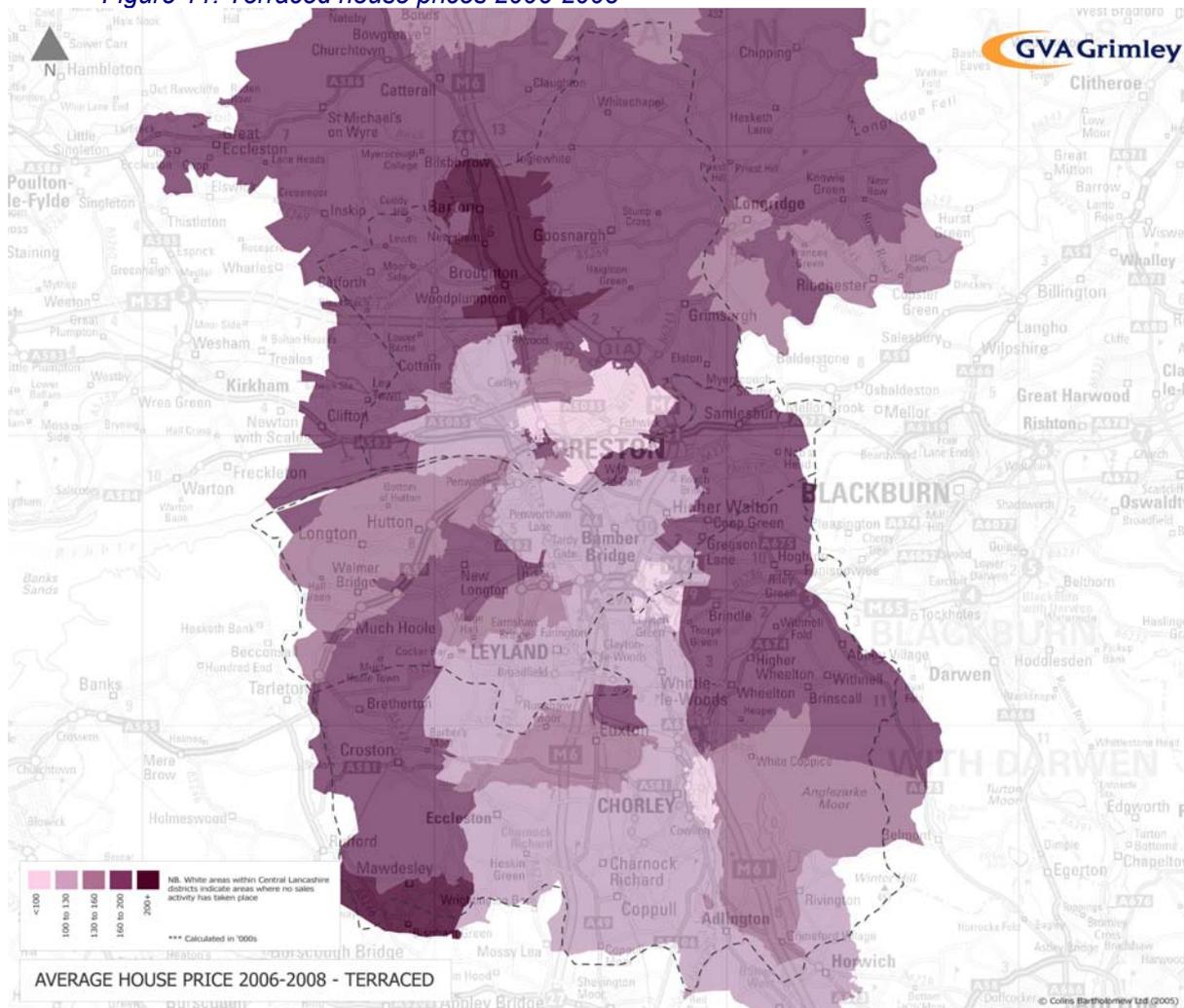
Figure 10: Semi-detached house prices 2006-2008



Source: Rightmove.co.uk, 2008

3.35 This plan clearly shows a comparatively strong market in the northern parts of Preston and in and around Croston and to the south of Mawdesley in Chorley. Within the central belt which recorded lower prices within the overall plan it is important to note the areas to the north of Chorley centre and Euxton record comparatively higher prices for semi-detached properties. This is likely to reflect in part the significant amount of new development in this area on the large Buckshaw Village site. The surrounding Preston Urban Area again performs poorly.

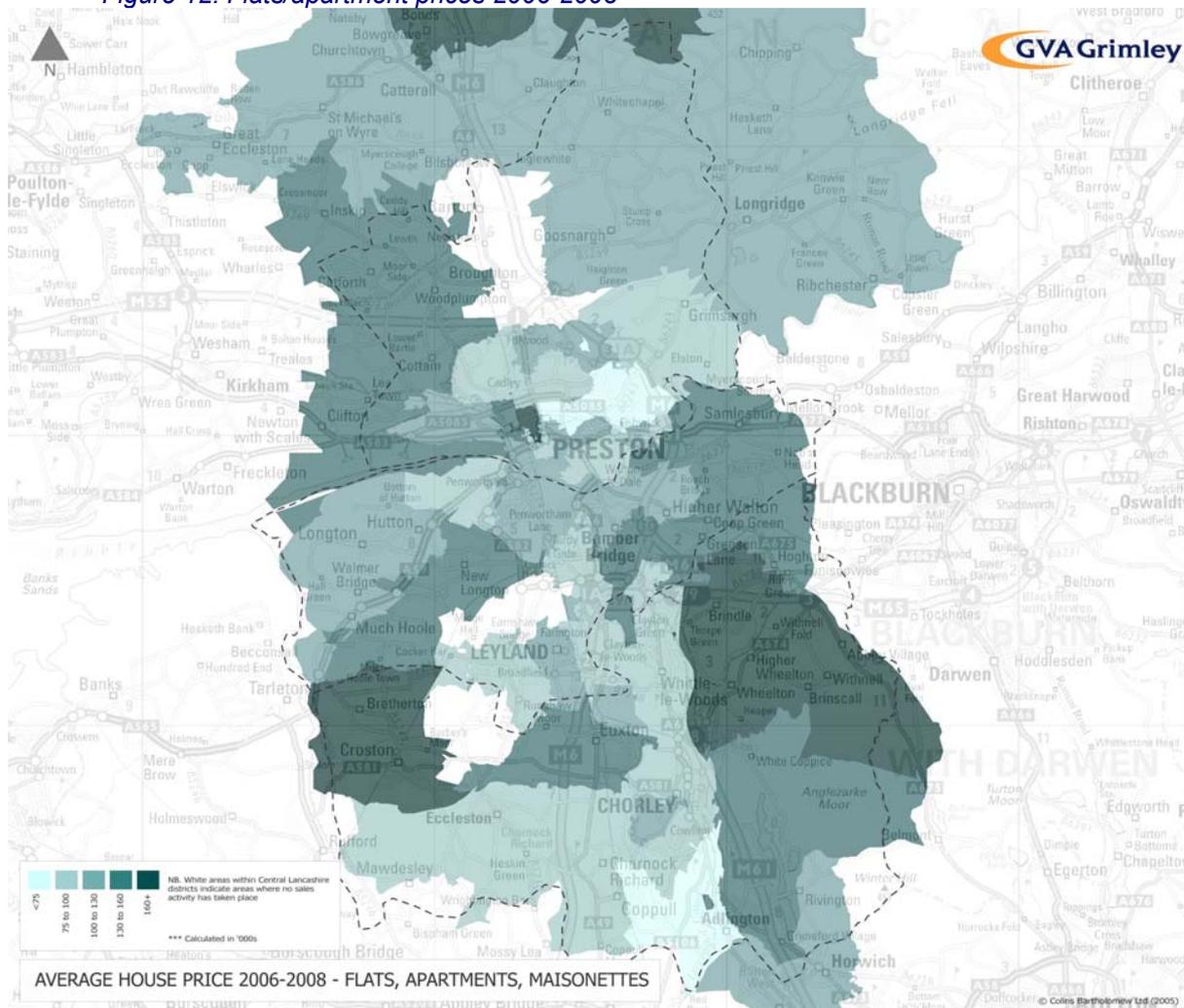
Figure 11: Terraced house prices 2006-2008



Source: Rightmove.co.uk, 2008

- 3.36 The mapping of terraced house prices shows a greater proportion of variance than the overall average house prices would suggest. It is important to note that the definition of ‘terraced’ house can include a broad range of properties, from small straight to pavement terraces to large grand Edwardian houses and townhouses.
- 3.37 The northern part of Preston records notably high terraced house prices, with other well performing areas for this property type including; areas around Mawdesley in Chorley and New Longton in South Ribble. There are still clear areas of low and high value across all Authorities, somewhat matching the data for other house types.

Figure 12: Flats/apartment prices 2006-2008



Source: Rightmove.co.uk, 2008

- 3.38 Whilst new developments have increasingly included flatted properties, even in more suburban locations, the overall quantum of flats varies significantly therefore creating some distortion in average prices.
- 3.39 As would be expected areas in and around Preston city centre record comparatively high prices for flatted properties reflecting the development of new quality apartment buildings in this market. Other areas which record notably high prices for this property type are mainly located in Chorley and again are likely to reflect the quantum of new developments in these areas and the role of these areas for commuters to Manchester.

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## Future House Price Change

- 3.40 The national market review highlighted the volatility in the current market in terms of house price change. Over the long term house prices have consistently seen an increase in value, however, the market follows a cyclical path and we are currently experiencing a period of downturn following a sustained period of growth over the last ten years.
- 3.41 The appraisals of the viability of sites within the SHLAA are based upon current market values (as of Summer 2008). Clearly house prices have fallen over subsequent months and may well continue to fall in the short-term.
- 3.42 The National Housing and Planning Advice Unit (NHPAU) in June 2008 released research<sup>3</sup> which responds to last year's Green Paper on housing<sup>4</sup> to provide the Government with advice about the supply ranges to be tested by Regional Planning Authorities in future Regional Spatial Strategy (RSS) reviews. This identifies that whilst house prices have historically oscillated in cycles the overall trend in prices is relentlessly upwards. The research indicates that tracking house prices back to 1975 real house price growth has averaged 2.8 per cent a year over the last 30 years. With supply currently slowing down significantly it is likely that beyond the short-term market prices will recover strongly reflecting pent up demand.
- 3.43 Whilst it is clear from the analysis of the national market that over the short-term house prices are set to continue to fall and then moderate themselves back to the 2007 peak, which was driven by sustained growth rates far in excess of the long-term average over the last seven years, it is important that the SHLAA is not too limited by current short-term conditions.
- 3.44 The values used in the appraisals are therefore reflective of the market as of Summer 2008. The monitoring of historical house price change illustrates the importance of monitoring and updating the SHLAA to continue to reflect market conditions whilst maintaining a suitably balanced assessment of the market.

## Summary

- 3.45 The Central Lancashire housing market has been impacted upon by the condition of the national residential market. In line with national trends, it is very likely that there is going to

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<sup>3</sup> Meeting the housing requirements of an aspiring and growing nation: taking the medium and long-term view, NHPAU, June 2008

<sup>4</sup> Homes for the Future: More affordable, more sustainable, DCLG, 2007

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be a downturn in sale levels and build out rates as developers continue through a period of consolidation over the next few years. This will inevitably have a negative effect on sales values across the region as developers struggle to sell properties.

- 3.46 Despite the fall in sale levels, many of the sub areas within the Central Lancashire authorities represent comparatively strong markets, in particular the more suburban and rural areas of South Ribble and Chorley, along with the suburbs of Preston. Demand for housing in these areas is likely to remain relatively healthy due to their pleasant environment and the strong transport connections with Manchester and Liverpool.
- 3.47 Parts of Preston City Centre, the surrounding area of Goosnargh, western and north east parts of Chorley around Whittle-le-Woods, Brindle and Wheelton and areas to the south of Mawdesley represent the higher value or “hot” areas with average house prices between £200-£400k+
- 3.48 The north-south belt running from Grimsargh and Salmsbury in the north down through the eastern settlements of South Ribble (including Bamber Bridge, Higher Walton); the central and south eastern areas of Chorley around Euxton, Chorley town centre and Rivington represent more moderate values with prices averaging £125-£200k.
- 3.49 The central belt covering the eastern Preston urban area (with the exception of a small part of the city centre) eastern Chorley town and the Coppull and Adlington areas are the lowest value areas across the authorities where the average house prices average less than £125k.
- 3.50 This spatial classification of sale value areas allows a site identified in the SHLAA to be attributed to a particular sale value type, namely “hot”, “moderate” or “cold”. In order to reflect the distinctions in market performance, different “value” ranges are applied based on this categorisation through the economic appraisal toolkit.

## 4. COMPARABLE DEVELOPMENT REVIEW

- 4.1 In order to understand in more detail the types of development which house builders have been bringing forward over recent years a review has been made of developments within the three authorities which have recently completed, are still under construction or are planned in the future.
- 4.2 The list of sites identified to date is identified on the following page. Contact was made with sales teams to establish whether incentives were being offered to purchasers. Details are included in the notes section along with any other relevant information.

Figure13: Table of Comparable Developments

Developer/Agent	Scheme/Location	Number of units/plots	Type of units	Price range of units	Notes
Morris Homes	Rivington View, Eaves Lane, Chorley PR6 9	33 plots	3 bed Townhouses/mews, 4 bed large detached	£175k-£340k	Offers of part exchange, pay 75% own 100%, nearly all sold
Morris Homes	Fulwood Park, Fulwood, PR2 9	circa 37 units	apartments and 3 bed townhouses	£150k-£225k	Stamp duty paid, 5% deposit paid, most sold
Morris Homes	Walton Park, Walton-le-Dale	84 plots	2, 3, 4 and 5 bed homes, apartments, mews and detached family homes	£180k-£300k (estimate)	£1000 toward legal fees, fitted carpets, stamp duty paid, 5% deposit paid, part exchange
Willowwood Property	Riviera Court, Watkin Lane, Lostock Hall, PR5 5	10	two and three bed apartments	£130k-£150k	Under construction
Entwistle Green	Greyfriars Court, Penwortham, Preston, PR1	8	1 and 2 bed luxury apartments	£140k - £180k	Under construction
Wainhomes	Sunningdale, Spinney Close, Chorley, PR6 7	6	six 5 bed luxury detached properties	£625k-£640k	3 plots currently sold off plan, 3 remain
Wainhomes	Copperfields, Preston Rd, Clayton-le-Woods, PR6 7	9	4 bed semi detached and detached homes	£235k-£350k	One reserved
Wainhomes	The Orchards, Preston Rd, Whittle-le-Woods	6	3 bed bungalow, 4 and 5 bed detached		Under construction
Wainhomes	The Vineyard, Chorley Rd, Walton-le-Dale	10	4 and 5 bed luxury detached homes	£300k-£380k	3 remaining
Wainhomes	Manor Grove, Liverpool Rd, Longton,	9	4 and 5 bed luxury detached homes	£350k-£400k	50% sold
Gladedale	Light Buildings, Lawson St, Preston, PR1	66	2 bed apartments	£135k-£185k	
Persimmon	Duxbury Gardens, Chorley, PR7 3	34	1 and 2 bed apartments, 3 and 4 bed houses	£118k-£240k	75% shared equity now available, 100% part exchange on selected plots

Redrow	Hallwood Gardens, Gillibrands, Chorley, PR7 2		1 and 2 bed apartments, 3 and 4 bed houses	£122k-£250k	
Redrow	Buckshaw Village, Chorley, PR7 7		1 bed debut homes, 2 and 3 bed mews and semi detached, 4 bed detached	£95k-£270k	
Bryant	Cricketers View, Bolton, BL3 1NG	177	2 bed apartments, 3 and 4 bed detached	£128k - £279k	
Bryant	Crossing Gates, Wesham, PR4 3DY	106	2 bed apartments, 3 bed terrace, 4 bed detached	£275k-£350k for 4 bed detached	
Bryant	Holme Park, Wigan, WN3 4LT	279	3 bed terrace and detached, 4 bed detached	£140k-£250k	
Bryant	Lock Mill, Blackburn, BB2 4HL	86	1,2,3 bed apartments, 3 bed townhouses	£103k-£215k	6 townhouses, 80 flats
Bryant	Summerdowns, Garstang, PR3 1TP	104	mix of apartments, mews, townhouse and detached	£215k-£370k for 3 bed TH and 4,5 bed detached	approx 19 affordable units
Bryant	The Oaks, Preston, PR25 3UF	492	mix of apartments, mews, townhouse and detached	£175k-£275k for 3 bed mews and 4 bed detached	
Bryant	The Place, Bolton, BL1 8TS	184	2 bed apartments	£118k- £140k	
Arley Homes	The Coppice, Rainford Village, WA11	5	5 bed luxury detached	from £590k	
Kensington Developments	Lytham Quays, Lytham St Annes, FY8	260	2 bed apartments, 3 bed terrace, 4, 5 and 6 bed detached, luxury mansion villas	£182k-£295k for 2,3,4 bed mews, 4, 5 bed detached £360k-£585k, coach houses £495k-£850k, villas up to £2m	
Bovis Homes	Meadowfields, Birch Hall Avenue, Darwen, BB3 0PF	32	3 and 4 bed detached homes	£195k-£275k	Conservatories on majority of homes as standard
Bovis Homes	Ramsden Clough, Walsden, OL14 7UD	32	4 bed townhouse, 5 and 6 bed detached	£285k-£495k	Conservatories on majority of homes as standard

Countryside Properties	Byrom Place, Wigan, WA3	44	3 bed Townhouses/mews, 4 bed large detached	£150k-£225k	
Countryside Properties	The Cottons, Chadderton	103	3 bed Townhouses/mews, 4 bed large detached	£205k-£300k	Part exchange available
Countryside Properties	Whitegates, Micklehurst Road, Mossley	65	3 bed Townhouses/mews, 4 bed large detached	£199k-£275k	Carpets fitted, washer/dryer, turf and fencing, curtains and light fittings free.
Barratt Homes	The Cottons, Bolton, BL2 2PL	Circa 100	1, 2 bed apartments, 3 and 4 bed homes	£105k-£165k	Receive £1000 voucher towards a Barratt home when a brochure is requested
Barratt Homes	Fairlawns, Horwich, Lancashire	93	1, 2 bed apartments, 3 bed semi, 3,4 bed townhouses and 3, 4 bed detached	£111k-£250k	Receive £1000 voucher towards a Barratt home when a brochure is requested
Barratt Homes	Pennington Park, Leigh, WN7 4JZ	Circa 100	1, 2 bed apartments, 3 bed semi, 3,4 bed townhouses and 3, 4 bed detached	£115k-£305k	Receive £1000 voucher towards a Barratt home when a brochure is requested
Barratt Homes	Buckshaw Village, Chorley, PR7 7	100 (in this phase)	1, 2 bed apartments, 3 bed mews and semi detached	£120k-£195k	Receive £1000 voucher towards a Barratt home when a brochure is requested

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- 4.3 Examining the list of current schemes and the assessment of policy it is clear that the market has been delivering a mix of types of housing across different market areas. Depending on the number of units being developed, it is questionable whether flats should be incorporated for suburban developments due to the increasing demand for family housing. However, as the majority of comparable developments have included apartments, a small percentage has been included to match what the market has delivered in the past and to a lesser extent still appears to be delivered.
- 4.4 The following housing type breakdowns have been confirmed and are factored into the SHLAA Stage 7:
- City Centre development sites – 100% apartment unless the site is located on the fringe of the centre where a proportion of mews properties (50%) could be included;
  - Suburban development sites – 16% apartments, 34% mews properties, 34% semi-detached properties and 16% detached properties; and
  - Aspirational development sites – where there is an expectation that larger proportions of executive housing will be expected or there is an anticipation that flats will not be appropriate we would look to remove flats from the breakdown with each of the other property types constituting a third of total development.

## Summary

- 4.5 The review of the profile of housing developments is linked to the broad typology of sites to provide a development matrix, which has been signed off by the authorities as well as the DCLG as appropriate for the economic appraisals. These are
- City Centre – 100% apartments
  - Inner Urban – 50% apartments, 50% mews
  - Suburban – 16% apartments, 34% mews, 34% semi detached, 16% detached
  - Rural settlements– 34% mews, 33% semi detached, 33% detached
  - Other rural – 50% semi detached, 50% detached
- 4.6 Whilst this represents a necessary simple and robust classification, certain sites will have certain characteristics that may cause a different development mix to be allocated to it despite its classification. There is a need to continually monitor new developments, particular during this turbulent market in relation to sustainability factors, development mix

for site location, types of housing developed and what the market can deliver in that particular locale.

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## 5. SOFT MARKET CONSULTATION

- 5.1 A number of estate agents and letting agents active in Central Lancashire region were contacted for the purpose of collating “soft data” on perceptions of the housing market in June 2008. Their views on perceived strengths and weaknesses of the market are stated below and are presented according to the different research questions posed. In addition a programme of developer and house builder consultation was undertaken in August 2008 to assess in particular both market and delivery factors relating to the Central Lancashire area.
- 5.2 It should be noted that these are only the opinions and views of those interviewed, but the information from such consultation represents an important component of the assessment of the ‘achievability’ of sites and the Guidance stresses the importance of private sector (housebuilders and local property agents) views in considering market, cost and delivery factors.
- 5.3 In addition to this consultation programme the interim findings and appraisal assumptions were tested with the Strategic Housing Partnerships in November 2008. This Partnership includes a number of housebuilders and RSLs.
- 5.4 This section first provides an overview of the issues raised by the consultation with agents in relation to the performance of the market and their perception of the future trajectory of change at least over the short-medium term. The key findings of the developer consultation programme are then included, including any feedback provided following the November Strategic Housing Partnership meeting. This qualitative analysis is particularly important in relation to the classification and appraisal of sites based on the pace and likelihood of their delivery to the market.

### Agents Consulted

- Bairstow Eves
- Farrell Heyworth
- Taylor Phillips
- Hazelwells
- Reeds Rains
- Ince Williamson

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*Question: What is your perception of the current market?*

- 5.5 The general view across the three Districts was that there had been a significant slowdown in the sales market since mid-2007. This was considered to be largely a consequence of higher interest rates and restrictions on borrowing which means that people are finding it increasingly difficult to get mortgages. The Regional Director for Hazelwells emphasised the extent of the credit crunch in stating that for May 2008 the Preston office sold a total of 31 houses in comparison with 40 houses per week during the same period last year.
- 5.6 This trend was also true for a number of agents across all three areas. Many of which reported that sales are down by 50% since last year, which suggests that it is currently a fragile time for the housing market. It was identified that the decline was due to a fall in the number of first time buyers entering the market due to lending restrictions and high levels of interest. Traditionally, both Preston and Chorley are popular areas for first time buyers as housing is less expensive than the national and regional average and both areas have good links to the motorway and rail network.
- 5.7 Many of the agents claimed that it was predominantly existing home owners who were buying in the market, specifically people who were downsizing and people who were moving for employment factors or family links. Agents in South Ribble also claimed that there had been a fair amount of interest for retirement properties or people wanting a second home.
- 5.8 South Ribble agents also claimed that in May 2008 viewing levels and interest from buyers had increased. The branch manager from Reeds Rains claimed that Leyland was unique in the sense that it offered a broad range of housing at affordable prices.

*Question: Are there particular differences between the areas in terms of desirability and affordability? Which areas are considered to be the most and least desirable places to live?*

- 5.9 Within Preston there were clear variations in property prices between different areas. The areas that had the greatest demand for properties were Ashton and areas of Fulwood, with the latter having some of the highest house prices within Preston.
- 5.10 The least desirable areas to live were identified as; Ribbleton and Deepdale, primarily due to poor quality housing stock. It was identified that these areas have a high percentage of social housing and have higher than average levels of unemployment and deprivation. Another contributing factor was the fact that schools in these areas had lower performance results in comparison with other areas of town, which meant that families were reluctant to buy properties in the area.

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- 5.11 Agents in both South Ribble and Chorley claimed that demand for properties was relatively even across all areas as the quality and range of housing was evenly dispersed throughout the area. Nevertheless, areas that sold the quickest were, Euxton and Clayton-le-Woods due to their proximity to the M6. Also, Clayton Brook/Green is considered to be a popular area with families and has a wide range of 3 and 4 bedroom detached properties with large gardens.
- 5.12 Most agents claimed that new build properties were struggling to sell, especially new build apartments in town centre locations. Agents felt that many schemes have been over priced and built to a low specification. It was reported that Buckshaw Village was experiencing a slowdown in sales with many properties outside the range the majority of people could afford.

*Question: Are First Time Buyers active in the area? What kinds of people want to move into these areas?*

- 5.13 The Central Lancashire sub region was traditionally known as a hotspot for First Time Buyers, however wider economic difficulties have recently slowed down this target market. Traditionally the majority of First Time Buyers (FTBs) would buy smaller terraced however the rise in interest rates has deterred a high proportion of these potential buyers. A Preston agent claimed that up until 3 years ago ex local authority properties would be successfully sold to first time buyers, however over the past couple of years buyer expectations have continued to rise.
- 5.14 All three areas were popular with young couples and professionals many of whom work in the service sector or local industries or in skilled employment. Chorley was identified as a commuter town as it has good road and rail links to both Preston and Manchester. Although relatively affordable house prices and good infrastructural links made Chorley an attractive location, the majority of professionals choose to live in the parts of the Fulwood area of Preston, however high property prices and longer journey to work mean that Chorley is a more feasible location.
- 5.15 The majority of buyers were local to the Central Lancashire area with most buyers being young families and couples. Despite the slowdown in the market, Reeds Rains in Leyland said that two of their clients in May 2008 had been FTBs, which suggests that the market is still open to new home owners.
- 5.16 It was evident that the market attracted very few buyers from outside the region, as nearly all buyers had previously lived in the area or had links with the Central Lancashire region..

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*Question: What types of property are most and least popular / sell quickly? Do new build developments sell well in these areas?*

- 5.17 All of the agents reported that they were having difficulties selling flats and apartments. An agent in Preston felt that many of the new build developments had been built in areas that were peripheral to amenities and services, which meant that sales had been slower than expected. High service and maintenance costs meant that many people were put off buying new build apartments
- 5.18 In Chorley and Preston, terraced houses sold relatively quickly. Agents in Preston commented that terraced stock close to the town centre and university was in high demand from the buy to let market. Such properties attract a good deal of interest from both the student market and key workers.
- 5.19 New developments in Leyland were popular with couples and young professionals. This was mainly due to low renovation and maintenance costs. Two and three bedroom properties were popular with young couples and families alike. Outside of Leyland, Penwortham and Cottam were identified as prime areas for such developments.
- 5.20 Ex local authority properties were struggling to sell on the market, regardless of the size or condition of the property. This was mainly due to locational issues with a number of properties being on large estates or in deprived neighbourhoods.
- 5.21 The largest new build scheme that was identified in the area was Buckshaw village on a former Royal Ordnance site. This high capacity scheme will include the development of around 3,500 houses, a district centre and a new train station on the Manchester to Preston railway line. In May 2008 3 bedroom town houses on the site were being sold for around £149,995.
- 5.22 None of the agents had reported any sales of new developments off plan. However many were aware of the discounts and incentives on offer by the developers. On the Buckshaw Village site this included free carpets and a reduced 5% deposit. In Preston, agents claimed that developers in the Fulwood area were paying the stamp duty on certain new build properties.

*Question: What rentals are currently being achieved? Are there more popular areas for rent, if so why?*

- 5.23 All of the agents claimed that the rentals market was fairly buoyant in the area at present with landlords experiencing increases in rental values. The areas of Fulwood and Ashton of

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Preston experienced the highest rental values with 3 bedroom detached properties ranging from £700 and £800 per month. Areas close to the university and hospital were strong areas for rentals, with demand significantly exceeding the rental stock.

5.24 In Chorley areas close to the town centre and train station were highly popular with professional workers who commute to Manchester, as well as areas to the east of the town close to the M61 motorway. Two bedroom terraced properties averaged at around £400 per month whilst three bedroom semis were around £500 per month.

5.25 In Leyland this figure was slightly higher with a three bed terraced averaging at £500 per month. Leyland also has good transport links with direct access to the M6 to Liverpool, Birmingham and the South. It is also situated on the West Coast Mainline with connections to both London and Scotland.

*Question: What do you believe can be done to improve the market in Central Lancashire?*

5.26 A number of agents felt that the government needed to address the issue of affordability and make it easier for first time buyers to enter the property market. Assistance with mortgages for key workers was one option raised. First time buyer incentives such as making stamp duty exempt was also suggested.

5.27 One agent in Leyland emphasised that retail provision needed to be greatly improved in the town centre in order to enhance the local economy and create better amenities for local residents. The planned regeneration of the town centre will look to strengthen the centre and create an improved public realm addressing current perception issues.

5.28 Agents in Preston felt that there needed to be better integration between rented and private housing, in order to prevent certain areas becoming areas of exclusion and deprivation in the town. Many agents believed that there should be more schemes that offer shared ownership to help young people get on the property market.

5.29 Employment was also a key theme raised by agents. Incentives to attract multi nationals, financial corporations and inward investors would enhance and develop the employment within Central Lancashire. Improvements to employment would also reduce peoples' journey time to work and would be more sustainable to the local economy.

*Question: What do you think the market will be delivering in the future?*

5.30 All of the agents felt that the downturn in the market would continue at least until the end of 2008, with property values remaining fairly consistent over the next couple of years. The

majority of agents felt that terraced properties would hold their value the most in the foreseeable future.

- 5.31 Agents predicted that within the short term many home owners will have to downsize their property in order to meet the demands of increased interest rates and inflation costs. Some agents took a cautious perspective in suggesting that the number of repossessions is likely to increase with figures in both Preston and Chorley around 50% higher than the same period last year. A number of these are double repossessions whereby two mortgage lenders are reclaiming ownership of the property.
- 5.32 Buckshaw Village will have a significant impact on the characteristics of Central Lancashire once it is complete with around 3,500 homes being created. This will create competition within the local market and between existing new build developments.

## Summary

- All three Districts have seen a downturn in the sales market, with new build properties and apartments experiencing the greatest losses.
- The Central Lancashire area has a buoyant rentals market with values being above average in areas close to the University and hospital in Preston and to the south and east of Chorley and to the south of Leyland.
- Both Preston and Chorley are considered 'hotspots' for First Time Buyers, however the credit crunch has meant that new buyers are finding it increasingly difficult to obtain mortgages
- The area has good road and rail transport networks to the rest of the North West and the UK, and therefore both Chorley and Leyland are linked well to Preston and Manchester

## Developer Consultation

- 5.33 Consultations with developers on the Housing Market Partnership (Redrow and Newfield Jones Homes) as well as major external Plc Housebuilders, including Countryside and Persimmon, have been conducted who have reiterated the conclusions drawn from the agent consultations. These discussions established their views on build out rates, future aspirations for the three Districts and opinions on future market provisions.
- 5.34 Alongside the consultation with developers and housebuilders GVA Grimley's residential team were consulted on each of the major sites included within the SHLAA to provide an

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overall opinion of the capacity of the area to deliver housing and the possible phasing of sites based upon market appetite and delivery capabilities.

5.35 Key findings of the consultation are included below. The qualitative review has highlighted a number of important conclusions, which have implications for the phasing of residential sites in the short-term and therefore the construction of the housing trajectory.<sup>5</sup>

- General caution around the deliverability of large sites and the potential to develop out at a high build rate across the area. Consideration will need to be given to the specificities of this caution as well as the appropriate phasing of sites to ensure that development is distributed sufficiently to ensure sustained market demand.
- It was noted that whether a site is likely to be delivered in the short-term depends upon the nature of the deal done with the landowner. There was general agreement that those sites which required a large capital outlay in the early stages (for example remediation or significant new infrastructure) are least likely to be developed, the exception being where public sector funding assistance has been identified.
- The importance of a number of the smaller and medium sized sites will therefore be increased, in particular in relation to the early phases of development. It will be important to ascertain the overall potential of these sites and the existence of infrastructure requirements (including the cumulative effect of development) relating to their early development.
- Overall it is important to note that even under the mid 2008 market conditions many of the sites across Central Lancashire (discounting difficult brownfield and inner urban sites on the whole) remain attractive to the market and remain high on housebuilders lists of sites for development in the short-medium term where other constraints are not delaying delivery.
- Moss Side test track site (South Ribble) recorded strong market appeal – however there is a need to consider the impact of developing a large quantum of housing on this site with regard to other large adjacent sites including the Central Lancashire Urban Village site.
- The Central Lancashire Urban Village site has a number of development issues which could hamper early deliverability even with additional infrastructure funding (including multiple ownership issues). It was therefore suggested that it was unlikely that the site would be brought forward before 2012.

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- Careful consideration required of the sustained level of development envisaged through further phases of the Buckshaw Village site with current development levels showing a notable slow down therefore impacting on the likely pace of development on additional phases of development in the short-term.
  - Further development of apartments within Preston City Centre is considered to be extremely unlikely in the short-term. Indeed the apartment market was identified as being particularly vulnerable across all three Districts and the feeling was that it was unlikely to recover in the next five years. This has implications regarding the timing of the delivery of apartments linked to the Tithebarn scheme and several other unimplemented permissions identified in the SHLAA. It is advised any high density, apartment led schemes should not be included within the trajectory in years 1-5, but pushed back to years 6-10 and beyond, unless there is identified public sector funding support.
  - Whilst Cottam remains a large development the phasing of housing is likely to stretch out further than anticipated, with development unlikely to start, of a significant scale, prior to 2011. However, this can certainly be deemed to start in years 1-5 and continue beyond as a long-term strategic site.
- 5.36 As noted within Section 3 the current market conditions are having a dramatic impact on the pace of development witnessed across the North West and indeed across the country as a whole. Indeed the pace at which developers are currently building on existing sites has notably fallen throughout 2008.
- 5.37 Based upon the consultation with residential land agents and developers over the last few years a single developer on site would expect to maintain a pace of developing approximately 50 units a year with market demand able to accommodate comfortably this level of supply. It was noted through the consultation that even within a good market developers generally assumed a slightly reduced built-out rate within the first year of the scheme, although this was not a general rule.
- 5.38 Importantly, the lack of demand for new housing, driven by the current absence of lending finance as a result of the credit crunch, has led to developers building out sites at a current rate of approximately one a month, or 12 a year. This represents a 75% fall in the rate of supply.
- 5.39 Housebuilders and the residential agents anticipated in the Summer of 2008 that this level of supply will not be sustained for long and will rise again once the market corrects itself and

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<sup>5</sup> N.B. This will need to identify which sites fall within the initial 1-5 years and which are likely to be developed beyond 5 years.

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starts to point towards an upward trajectory. Therefore based on the assumption that the market is unlikely to reach the levels seen in 2007 for four – five years the previous build out rates are unlikely to be replicated until 2011 – 2012. This has direct implications for the ability of sites to develop out to meet RSS housing targets over this period.

5.40 Based upon the findings of the consultation programme it is recommended that whilst a number of scenarios are explored in relation to the assessment of sites within Stage 7 consideration is given to the impact of this slow down in development.

5.41 The following build out rates based upon the next four to five years need to be considered based upon the potential start dates defined through Stages 7a, 7b and 7c when building the housing trajectory in Stage 8. These show an uplift from the current build out rates witnessed under today's market to the levels seen prior to the credit crunch by 2011 – 2012.

- 2008 – 2009 – anticipated build out rate of 12 units per site per developer (e.g. site with two developers expected to have a build out rate of 24 units per year)
- 2009 – 2010 – anticipated build out rates of 24 units per site per developer
- 2010 – 2011 – anticipated build out rates of 36 units per site per developer
- 2011 – 2012 – return to build out rate of 50 units per site per developer

5.42 It is important to recognise that these projected build out rates will be directly linked to the recovery time of the housing market and the capacity of developers to respond to demand. However, they represent the findings of the soft-market testing undertaken through this research. Careful monitoring of build out rates will be important in updating the SHLAA.

## Summary

5.43 The difficulties in being able to gain finance or a mortgage to purchase a property has caused a dramatic slow down in sale rates across Central Lancashire in 2008 regardless of the attractiveness of the locality i.e. whether it falls within a “hot”, “moderate” or “cold” sale value area.

5.44 As a result of the drop in sale rates, values have fallen, workforces have been cut and subsequently build out rates have dramatically fallen. Consultation with local agents, developers on the Central Lancashire Housing Market Partnership, GVA Grimley residential agents and developers active in the Central Lancashire region all highlighted before the credit crunch hit, that build out rates were comfortably at around 50 units a year.

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- 5.45 The credit crunch has forced the major housebuilders into a period of consolidation cutting their capacity by 50%. Due to many struggling to sell units, build out rates in the short term have been reduced to around 1 a month or 12 a year. Most developers feel that the market will pick up gradually over the coming years but it will take 3-4 years before build out rates and sale rates will return to previous recorded levels of 50 a year.
- 5.46 During the difficult economic conditions smaller housebuilders, without the size of land banks as the major Plc housebuilders, are better placed to deliver housing in the short term. This is due to the major Plc housebuilders undertaking a review of current values of land in their portfolio that has fallen in value since credit crunch hit and undergoing a period of consolidation rather than large scale development. Smaller housebuilders on the other hand are not suffering this problem to the same degree and still have the ability to deliver housing in the short term, notwithstanding the issues surrounding mortgage lending and demand.
- 5.47 As a result, the smaller sites with capacity to develop 30-100 units are more likely to be developed in the short term than some of the larger sites with capacity to develop over 250 units. Importantly, whilst the analysis reflects the wide issues in the housing market, developers on the whole still see Central Lancashire as a key and attractive location to develop and will continue to do so as the market picks up after the current downturn.

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## 6. ASSESSING ACHIEVABILITY

- 6.1 As outlined within the introduction to this research Paragraph 40 of the SHLAA Guidance states that 'a site is considered achievable for development where there is a reasonable prospect that housing will be developed on the site at a particular point in time'. The Guidance states that this should be based on a judgement of economic viability and the capacity of a developer to complete and sell the housing over a certain period.
- 6.2 In order to enable the authorities to reach an objective assessment of a sites achievability a high-level appraisal model has been developed. This therefore arrives at a residual value of the site; based on a high-level appraisal using possible variables in relation to cost and market factors.
- 6.3 Whilst this represents a valuable tool for indicating whether a site is achievable, based on the outcome of the appraisal, it is important to note that additional factors should be taken into account by the authorities where additional information is known to build on this quantitative assessment. For example a site may be appraised and a negative residual be calculated, however, public sector funding investment may have been identified to enable the delivery of the site or a more detailed appraisal may have been undertaken by the developer which suggests that based on the delivery of different outputs the site can be delivered.
- 6.4 Developers have been consulted to confirm the assumptions underpinning the development of this appraisal model and the consultation conclusions are included in Section 5. For a number of the larger sites developers have also fed in specific information which has been considered alongside the quantitative analysis and is considered in more detail within the following section.
- 6.5 In order to allow the authorities to refine and update the information contained within the SHLAA, including information collated through Stages 1 – 6 and Stages 7a and 7b all sites without planning permission, or for which planning permission has been sought have been appraised<sup>6</sup>. Sites with planning permission, or where planning permission have been sought have been assumed to be economically viable. This is on the basis that an applicant would

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<sup>6</sup> Where sufficient information has not been collated to date through the earlier stages of the SHLAA sites have not been appraised. Using the model the authorities will be able to update these sites.

be unlikely to progress an application (including the payment of fees) where a site was considered to not be economically viable<sup>7</sup>.

- 6.6 Importantly the appraisal model is not meant to be the only assessment of whether a site is deliverable or developable, but rather a starting point to quickly assess numerous sites in terms of economic viability and therefore 'achievability' in line with Stage 7c of the Guidance. The model represents an important tool for the authorities to monitor and update the analysis feeding into the SHLAA assessment including the development of the trajectory in Stage 8.

## The Appraisal Model

- 6.7 The following section clearly outlines the process which is followed through the appraisal model. This highlights how different assumptions are factored into the model.
- 6.8 The basic principle of the model centres on the subtraction of the costs involved in developing the housing (including build costs, remediation works, developers profit and professional fees including a contingency) from the value which can be achieved from development. This therefore produces a residual value, or the sum which could be available to buy the land from the owner. The intention of this is to demonstrate that it is reasonable to assume that an economically viable scheme could be undertaken on the site.
- 6.9 Where a positive residual is achieved it is considered that the site could be considered to be developable, taking into account the fact that the appraisal is very high level and values and costs are likely to change over time.
- 6.10 However, whilst this presents an assessment of potential viability over the longer term this does not relate this residual value specifically to the relative size or scale of the site or its perceived value by the landowner. In order to moderate this the value a landowner could expect to receive for the site is factored in based on an estimated land value<sup>8</sup>. Where the residual is judged to roughly equate to the expected land value, a site is more likely to be considered as being potentially deliverable i.e. could (based on the findings of Stages 7a and 7b) be considered for inclusion within the five year supply.

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<sup>7</sup> This does not factor in the achievability of sites in the current market and the wider conclusions around those sites which are more "achievable" in the short term should be considered for sites with planning permission when constructing the trajectory.

<sup>8</sup> This land value is based on advice from residential agents and is based on the value of land over the last two years. Whilst current 'market value' may be deemed lower, very few land deals are currently being completed, illustrating the lag between land owner expectations of land value and actual 'market value'. The intention of the

- 6.11 It is important to recognise that whilst the appraisal outputs provide a quantitative means of assessing sites on a comparative basis it is important that where additional information is known, the authorities apply a subjective perspective to their placement within the housing trajectory. In order to assist with this the proceeding section sets out some qualitative considerations which should be applied to the sites in the final development of the SHLAA.

### Appraised Sites

- 6.12 The authorities in the earlier stages of the SHLAA have classified the sites under a number of broad headings. The breakdown of sites under the headings are shown in the table below. With the exception of site classified as “unimplemented permissions” and “sites under construction all of the sites have been run through the appraisal model.

*Figure 14: Number of sites with 10 or more units under each classification*

Classification	Authority		
	Preston	Chorley	South Ribble
Unimplemented Permissions	29	3	9
Site allocations	-	5	8
Urban potential sites	13	inc in NLUD*	49
Employment land and buildings	57	25	4
Site suggestions	49	92	53
NLUD Sites	7	6	4
Site under construction	24	7	9
Other sites	18	2	-

\*National Land Use Database

### Stepped Methodology

- 6.13 In order to ensure that the appraisal model takes into account a range of factors relating to specific sites a stepped process of inputs are factored into the appraisal. These are explained below and are based on the assumptions developed through the analysis in Sections 2 – 5 of this report. The appraisal model and updated SHLAA tables accompany this report.

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model is to account for this lag by building in land values which will be acceptable to land owners who might then dispose of their land for development.

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*Step 1 – Allocating Site Classification and Development Density.*

- 6.14 Understanding the site location allows an initial density to be applied to that particular site. The sites are classified into five categories and a density applied depending on the category. These classifications and densities are taken from information from the Authorities through Stages 5-6 of the SHLAA.
- 6.15 The site classifications have been broken down into what unit types could be expected to be provided based on the assessment of comparable schemes. The breakdowns by site typology are shown below:
- City centre – 100% apartments
  - Inner urban – 50% apartments, 50% mews
  - Suburban – 16% apartments, 34% mews, 34% semi-detached, 16% detached
  - Rural settlements– 34% mews, 33% semi detached, 33% detached
  - Other rural – 50% semi-detached, 50% detached
- 6.16 It is difficult to say exactly what will or could be developed on each site and so for the purposes of the economic appraisals, the assumed breakdown highlighted above will be used. Similarly, there are issues when discussing “mews” properties as townhouses are classed as “mews” properties. However, townhouses can range from 2 bed up to 6 bed luxury homes although these are still classed as “mews” they differ in terms of values and build costs dependant on the size.
- 6.17 As it is impossible to predict exactly what size of townhouse could or will be developed without detailed analysis of all sites, for the purposes of the appraisals and this piece of work, all “mews” properties have been classified as traditional two-storey 2/3 bed terraced properties.

*Step 2 –Allocation of Market location*

- 6.18 From the analysis in Section 3, broad local market factors have been determined and applied to the site in terms of potential values. These have been discussed and signed off by each Council who have agreed what areas cover “cold”, “moderate” and “hot” areas of value. The total number of sites classified within each of these value definitions are shown in the following table.

*Figure 15: Breakdown of sites in cold, moderate and hot value areas.*

Classification	Authority		
	Preston	Chorley	South Ribble
Low or "Cold" Value Area	47	25	0
Moderate Value Area	71	95	109
High or "Hot" Value Area	49	18	13
N/A	30	1	14

- 6.19 The values assumed from the analysis of comparable developments and properties currently being marketed are highlighted below. From the open market value (OMV), the values for Social Rented (SR) and Intermediate/Shared Ownership (SO) units are taken at 35% and 70% respectively. This is the value a developer would receive for the units from an RSL or equivalent organisation. The developer is expected to foot the bill in terms of the reduced value as part of the development agreement and planning permission (i.e. by way of reduced gross development value within the residual appraisal).
- 6.20 This has been discussed with developers who mentioned that the actual proportions of OMV are specific to individual site development agreements in terms of what actual capital receipt they would receive for affordable housing provision. Whilst there is clearly variance in terms of values and specific development outputs the research process has sought to identify broadly agreed assumptions with developers which are considered to be robust for the purpose of high level appraisals.

Figure 16: Property values identified in “cold spots” (Summer 2008)

Open Market Value (OMV)

Unit type	Value (£) (Summer 2008)
Flats/Apartments	£125,000
2/3 bed terrace	£140,000
3/4 bed semi detached	£150,000
4/5 bed detached	£165,000

Shared Ownership/Intermediate Value (70% OMV)

Unit type	Value (£) (Summer 2008)
Flats/Apartments	£87,500
2/3 bed terrace	£98,000
3/4 bed semi detached	£105,000
4/5 bed detached	£115,500

Social Rented Value (35% of OMV)

Unit type	Value (£) (Summer 2008)
Flats/Apartments	£37,500
2/3 bed terrace	£42,000
3/4 bed semi detached	£45,000
4/5 bed detached	£49,500

Figure 17: Property values identified in “moderate” areas (Summer 2008)

Open Market Value (OMV)

Unit type	Value (£)(Summer 2008)
Flats/Apartments	£125,000
2/3 bed terrace	£170,000
3/4 bed semi detached	£225,000
4/5 bed detached	£260,000

Shared Ownership/Intermediate Value (70% OMV)

Unit type	Value (£)(Summer 2008)
Flats/Apartments	£87,500
2/3 bed terrace	£119,000
3/4 bed semi detached	£157,500
4/5 bed detached	£182,000

Social Rented Value (35% of OMV)

Unit type	Value (£)(Summer 2008)
Flats/Apartments	£37,500
2/3 bed terrace	£51,000
3/4 bed semi detached	£67,500
4/5 bed detached	£78,000

*Figure 18: Property values identified in “hot spots” (Summer 2008)*

Open Market Value (OMV)

Unit type	Value (£)(Summer 2008)
Flats/Apartments	£150,000
2/3 bed terrace	£200,000
3/4 bed semi detached	£275,000
4/5 bed detached	£350,000

Shared Ownership/Intermediate Value (70% OMV)

Unit type	Value (£)(Summer 2008)
Flats/Apartments	£105,000
2/3 bed terrace	£140,000
3/4 bed semi detached	£192,500
4/5 bed detached	£245,000

Social Rented Value (35% of OMV)

Unit type	Value (£)(Summer 2008)
Flats/Apartments	£45,000
2/3 bed terrace	£60,000
3/4 bed semi detached	£82,500
4/5 bed detached	£105,000

- 6.21 The flat/apartment values have been kept at a similar conservative level across both “cold” and “moderate” areas due to the acute difficulties the apartment market has faced in the market since 2007. This poor performance has been based on the oversupply of these property types and is likely to continue in the short – medium term. These values are lower than similar new build apartments currently on the market and it is deemed reasonable to maintain a conservative figure for appraisals based upon the current performance of the wider national housing market.

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### *Step 3 – Allocation of Flood Risk*

6.22 PPS 25 defines flood risk zones as

- Flood Zone 1 - This Zone comprises land assessed as having a less than 1 in 1000 annual probability of river or sea flooding in any year (<0.1%).
- Flood Zone 2: This zone comprises land assessed as having between a 1 in 100 and 1 in 1000 annual probability of river flooding (1% – 0.1%) or between a 1 in 200 and 1 in 1000 annual probability of sea flooding (0.5% – 0.1%) in any year.
- Flood Zone 3: This zone comprises land assessed as having a 1 in 100 or greater annual probability of river flooding (>1%) or a 1 in 200 or greater annual probability of flooding from the sea (>0.5%) in any year.

6.23 From discussions with the Environment Agency, it is impossible to determine the extra costs for sites falling in flood zones 2 and 3 without a flood risk assessment having been carried out on that particular site. As such, whilst assessments are site specific, at this stage a standard approach of increasing the standard contingency figure of 5% of costs has been incorporated to allow for the extra costs. This has been based on discussions with specialist developers<sup>9</sup> and as a rule of thumb a 10% contingency was provided for up front costs to allow for all potential flood risk scenarios to be analysed and accounted for

6.24 However, if a site falls within flood zone 2 or 3, a more detailed flood risk assessment will be needed to accurately cost the mitigation required to deliver that site. It should, however, be noted that where the increase in contingency could render a site economically unviable, in reality the flood risk assessment could conclude that only minor mitigation is required to develop the site. Therefore where additional information is known or updated the appraisal of the site should be modified.

6.25 If a site has been allocated in Flood Zone 1 then it is deemed low risk and therefore no extra contingency, over the standard 5% of build costs, has been allocated to cover extra flood defensive costs.

### *Step 4 –Allocation of Contamination*

6.26 A similar situation arises when establishing the level of contamination a site has i.e. low, medium or high, taken from previous stages of the SHLAA. Again, without a full

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<sup>9</sup> Discussions with a developer who specialises in building on flood plains and sites allocated in high risk flood areas expressed that more money is allocated up front to pay for site investigations rather than increasing their standard build costs which remain constant.

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contamination assessment of the medium and high risk sites, it is difficult to attribute a cost to such a site.

- 6.27 Discussions with developers over sites deemed to be classified as 'high risk' in terms of contamination levels highlighted that it can be possible to simply "cap" the contamination and construct using piles which basically results in only a marginal increase in costs to a developer. However, there are situations where a full site clean up is necessary before development can begin, which will result in significant extra costs. This highlights the potential variance in costs associated with contamination issues.
- 6.28 In order to standardise the appraisals, sites that are classed as "medium risk" of contingency will have an extra 5% contingency on costs, with sites classed as "high risk" having an extra 10% contingency on costs<sup>10</sup>. Sites classes as low risk have no extra contingency placed on them.
- 6.29 The SHLAA site tables for Chorley and Preston included an assessment of the potential level of contamination on sites based on desktop studies and specific site information, this therefore categorised sites into the three levels of 'risk'. A similar level of information was unavailable for sites identified in South Ribble. Therefore, within South Ribble any sites that were considered as potentially having contamination issues were categorised under a high level of risk.
- 6.30 A small number of sites were precluded from the appraisals as a result of insufficient information. These sites will be updated within the final SHLAA once a sufficient level of information is consolidated.

#### *Step 5 Apply Economic Appraisal Constants*

- 6.31 The four steps above are the key variables which have been analysed for each site. Build costs are held constant for each unit type, as are the affordability ratio for each Authority.
- 6.32 As noted within Section 2 all three districts have a requirement for 20% affordable housing on all housing developments of 15 units or more. This element is broadly split into 80% social rented housing and 20% intermediate housing.

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<sup>10</sup> From discussions with developers and other stakeholders it is deemed reasonable within the SHLAA to not discount sites with a high risk of contamination by simply having a very high contingency to cover for all possibilities. This could render some sites economically unviable where in reality they are deliverable. Only detailed site investigations will ascertain the true costs of tackling contamination.

- 6.33 Build costs are illustrated within the table below and are taken from BCIS historic data and discussions with GVA Grimley Quantity Surveyors. These have also been signed off by developers as reasonable assumptions.

*Figure 19: Build Costs held constant within the appraisal model*

Unit type	Estimated build cost per unit
Flats/Apartments	£78,000
2/3 bed terrace	£76,250
3/4 bed semi detached	£95,000
4/5 bed detached	£110,500

- 6.34 Having arrived at total build costs incorporating any extra contingencies for flood risk and contamination, a standard 5% contingency on gross build costs is applied as would be the norm for a development appraisal to cover for any unforeseen extras. From this, fees are taken at 12% on costs and developer's profit at 15% of costs.

#### *Step 6 - Arrival at the Residual Value*

- 6.35 Based upon these inputs the model arrives at a residual value which is net of land costs. Where this value is positive it can be considered that an economically viable scheme could be undertaken on the site. Over the long-term the suggestion is that these sites could be potentially developable.
- 6.36 However, as outlined in the introduction to this section in terms of ascertaining the potential deliverability of the site it is necessary to benchmark the residual value arrived at against the likely value a landowner would expect to receive for the site (i.e. in order to test whether they would dispose for development). A further calculation is therefore undertaken within the model to assess this component.

#### *Step 7 – Factoring in Land Value*

- 6.37 In order to benchmark the likelihood of a site being deliverable a broad land value per unit has been identified based on advice on land values in the area. It is therefore possible using the residual calculated through the model to ascertain whether the value arrived at is likely

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to meet a landowners expectations. Where the values are considered to be within a certain tolerance the site is considered to be more likely to be deliverable<sup>11</sup>.

## Omissions

- 6.38 It is important to recognise that the high-level appraisals do not factor in a number of potential costs to development as there is insufficient information to apply broad assumptions.
- 6.39 Aspects of a development appraisal that haven't been included in these headline economic appraisals included finance costs and demolition costs.
- 6.40 The appraisals undertaken for the SHLAA are high level appraisals which are intended to provide a broad indication of a site's achievability. Finance costs have not been factored into the model as part of the appraisal. Whilst a broad percentage assumption could be applied this has the potential to be misleading. In reality there are a number of variables associated with finance costs which require a complicated financial model put in place for that particular site development. For example it is highly sensitive to how much a developer will provide initially in cash and how much they will borrow from a bank and at what finance rate. This will also be compounded over the development period and cashflow modelling is required to accurately ascertain true finance costs for development. As it is unknown how much a developer will borrow and at what point in their development cashflow, the decision was reached not to factor in finance costs into appraisals at this initial stage.
- 6.41 Similarly, there will be cases where building demolition will be required. However, as there is no record of the size of existing development, the height, potential asbestos issues and what the actual existing development is, it cannot be accurately predicted how much demolition will cost for each site identified. As such, no demolition costs have been included (although an element of this is likely to be covered through the contingency).
- 6.42 It should be noted that both these omissions can have an impact on economic viability of sites for certain schemes and as such the appraisal model should only be used to provide a broad indication of whether a site is achievable. The residual value calculated is only indicative and is subject to the caveats outlined throughout the report. A developer or house builder will produce far more detailed development appraisals for specific schemes and these should be taken into account when and where they are made available to the authorities..

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<sup>11</sup> Based on the current market and the need to use 2006/2007 land values a land value per unit within -10% of

- 6.43 Site access or required infrastructure costs can be added as bespoke costings where known within the model. However, if a site has been classed as having access and infrastructure difficulties further details will be required to fully understand these constraints<sup>12</sup>. These elements may be picked up in greater detail through Stage 7d of the SHLAA methodology.

## Worked Example

- 6.44 To demonstrate the methodology, an example is run through below for a specific site selected from the SHLAA list of sites. This is a quick assessment of how the inputs are factored into the appraisal.

### Chorley Site: ELR53 Brook Mill, Brook Street in Adlington.

- 6.45 Inputs to the appraisal taken from information outlined in previous stages using the methodology outlined in this note:

#### *Step 1- Density and Location*

- 17 dwellings at a “low density” so 34% mews, 33% semi and 33% detached
  - 6 mews, 6 semi and 5 detached (20% affordable)

#### *Step 2 – Local Market*

- Values “hot”, “moderate”, “cold”. All build costs remain constant.
  - This site is in Adlington which falls under a “cold” area of values and will therefore achieve around the lower end of value identified.

#### *Step 3 – Flood Risk*

- The site is classed as FZ1 so no extra contingency is required for flood defences.

#### *Step 4 – Contamination*

- The site is identified as having potential contamination and demolition issues.
  - Extra 5% contingency on costs to cover for “medium” risk

#### *Step 5 – Apply Constants*

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the averaged expected land value is considered to represent a deliverable opportunity.

<sup>12</sup> Note. Sites that are borderline in terms of constraints and extra cost factors will require more detailed development appraisals to be carried out in order to establish their economic viability

- Build costs and standard contingencies are factored in

*Extra Issues – Site access/infrastructure*

- Poor junction visibility, but not something that will necessarily prevent site coming forward.
- Multiple ownerships may prolong acquiring site

*Step 6 – Residual calculation*

- A positive residual value is arrived at for the development

*Step 7 – Factoring in land value*

- The land value achieved on a per unit basis for the proposed development when compared with the value a landowner might expect to receive for the site is within a tolerable margin suggesting that the site could be delivered.

6.46 In this case the appraisal based on the linked assumptions shows that the site can be considered as achievable and developable (positive residual recorded). The residual value (or value which could be paid for the land) is shown to be within a sufficient margin to suggest that the site could be considered as deliverable (with the outcomes of Stages 7a and 7b still to be considered).

## Summary

6.47 All of the sites identified by the authorities in the SHLAA process (i.e. those over 10 units in size), with the exception of sites with planning permission (including those with pending permissions) or which are classified as under construction, have been put into the model which classifies them based on the criteria outlined within this section and the linked assumptions. This provides a high level assessment of each site's achievability and an indication from a pure assessment of the residualised value whether it is developable or deliverable.

6.48 This methodology has been discussed and agreed by officials at DCLG, with emphasis placed on the flexibility of the methodology and economic appraisal toolkit in order that each Local Authority has the ability to update the model at any point and run a high level economic viability assessment of a site. The economic appraisal toolkit allows each authority to change sale values, build costs, development mix etc as the market changes as well as incorporating bespoke infrastructure, demolition or contamination costs where known. In

addition it is possible to moderate the value of the land expected by landowners in line with the market and where additional information is available.

- 6.49 The SHLAA therefore has the ability to evolve and adapt to change market conditions as well as potential changes in policy or site classification.
- 6.50 The proceeding section outlines the key conclusions of this assessment and also factors in delivery factors linked to the conclusions made in Section 5.

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## 7. STAGE 7C CONCLUSIONS

- 7.1 Stage 7c is only one component of the overall SHLAA and is intended to assess the achievability for housing. This is defined by CLG Guidance *“where there is a reasonable prospect that housing will be developed on the site at a particular point in time. This is essentially a judgement about the economic viability of a site, and the capacity of the developer to complete and sell the housing over a certain period”*.<sup>13</sup>
- 7.2 The CLG have been engaged in the development of the methodological approach taken within this study of stage 7c of the methodology in order to establish that the approach and information used by GVA Grimley is robust and more than sufficient to satisfy CLG requirements and outputs. Developers, agents and other stakeholders have also been involved in the process including the testing and validation of the assumptions underpinning the appraisals.
- 7.3 The analysis has indicated market circumstances in 2008 pose a particular problem in terms of assessing sites achievability and deliverability. The market has slowed significantly with the number of new starts dropping dramatically. In addition the heavily reduced volume of house sales and land sales make it more difficult to ascertain non-distorted ‘market values’. The appraisal model has therefore factored in considered values which do not necessarily just take a short-term perspective of the market therefore ensuring that the assessment is more reflective of the overall goals of the SHLAA in projecting forward a longer-term perspective of housing supply.
- 7.4 This section initially presents broad trends identified through the appraisal of sites in relation to mid 2008 market conditions. The full outputs of each sites classification through Stage 7c – i.e. its identification as being achievable and an indication of deliverability are included in the SHLAA tables which have been supplied to the authorities.
- 7.5 Following the summary of the outputs of the appraisal model the section includes an outline of wider development issues which have been highlighted through the research which will need to be taken into consideration as the authorities are constructing their housing trajectories and finalising the SHLAA’s. These delivery issues relating to the current market should be considered when arriving at the overall classification of a site within Stage 7 as developable or deliverable.

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<sup>13</sup> CLG SHLAA Guidance

- 7.6 Whilst the appraisals have factored in information collated as part of Stages 1 – 6 and Stages 7a and 7b of the methodology the authorities are still auditing this information and this section does not therefore arrive at final conclusions to Stage 7 of the methodology in terms of definitively defining which sites are classified as deliverable or developable.

## Outcomes of the Site Appraisal Process

- 7.7 All sites for which sufficient information has been made available have been put through the appraisal model to provide a high level assessment of economic viability.
- 7.8 As outlined within Section 6 all sites which are classified as under construction or which have an extant planning permission have been identified as achievable and therefore not included within the appraisal model.
- 7.9 The appraisal process classifies a site as to whether it is deemed achievable i.e. there is a reasonable prospect that it could be developed at a specific point in time. This is based upon the identification of a positive residual value, on the basis that this indicates that it is reasonable to assume that an economically viable scheme could be undertaken on the site.
- 7.10 The SHLAA tables collated by the authorities have been updated to include a clear indication of where a positive residual (net of land value) is achieved. This provides each Authority with a quick snapshot in terms of site attractiveness to a developer and house builder.
- 7.11 In addition the model checked the overall residual value calculated against the land value a landowner would expect to receive in order to sell the site to a developer or housebuilder. Those sites which received a positive appraisal on this basis are perceived as having a higher chance of being deliverable and this was input into the updated SHLAA tables.
- 7.12 The appraisals identified that the vast majority of sites could be considered as developable at some point in time on the basis that they achieve a positive residual value. However, a significant proportion of sites could be considered as not being deliverable in the short-term as the land values achieved are unlikely to reflect landowners aspirations.
- 7.13 In terms of broad spatial and site classification themes, the following have been noted from the appraisals undertaken in relation to Stage 7c :
- Chorley and South Ribble record a greater proportion of sites which have residual values which suggest the sites are more likely to be deliverable. However, it is important to note

that within South Ribble the appraisals do not include contamination assessments for all sites as this information was unavailable when the sites were appraised.

- The number of sites in Preston in 'cold' or 'moderate' value areas and the identification of contamination issues means that fewer sites are classified as deliverable.
- 7.14 Whilst the benchmarking of the likely value to be achieved against landowners expectations assists in the identification of a five year supply the status of the current housing market makes this increasingly difficult to ascertain, as illustrated through the findings of this research.

## Delivery Considerations

- 7.15 As highlighted in the previous sections, the 2008 economic climate and housing market slowdown has had a major impact on the ability to deliver housing at levels achieved before the credit crunch hit. Large Plc housebuilders generally have not been as active in 2008 as 2007 and given the wider drivers in the economic market this appears likely to continue into 2009.
- 7.16 Significantly, the market consultation has indicated that smaller niche housebuilders have seen this inactivity and period of low competition as a market opportunity to purchase smaller sites (circa 20-30 units). However, the total contribution of these smaller developers will not offset the contribution of larger developers and the numbers of housing delivered in this market will be considerably lower than previously witnessed.
- 7.17 Consultation with agents and housebuilders have confirmed that build out rates have been reduced dramatically during 2008 and that the overall amount of housing built over the year is likely to represent a significant drop on 2007 levels. It is widely agreed amongst agents, the housing market partnership and other developers that build out rate based upon sales rates will radically alter over the next few years.
- 7.18 In developing the housing trajectory within Stage 8 of the SHLAA methodology it is therefore suggested that the authorities use the following build out rates per active builder on site this will be around:
- 2008-09 – 1 unit a month, 12/year
  - 2009-10 – 2 units a month, 24/year
  - 2010-11 – 3 units a month, 36/year
  - 2011-12 – 4 units a month, 48/year (rounded to 50)

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- 7.19 Within this report it is not possible to apply these build out rates to sites as start dates have not been agreed for sites. This will be undertaken by the authorities once Stage 7 of the assessment has been finalised.
- 7.20 Reducing build out rates will have significant implications for the construction of the trajectory and the identification of a viable 5 year supply of sites. Reduced build out rates will mean that a sites contribution to RSS figures will be reduced, suggesting that the supply will be spread out amongst a greater number of sites.
- 7.21 The number of builders likely to be active on a site will clearly impact on the numbers of houses developed and the overall time taken for a site to complete. In order to assist in the development of the trajectory the SHLAA tables have been updated to identify, based on the research, the likely number of developers who would be progressing each site. The majority of sites are comparatively small and it is therefore reasonable to assume that only one developer will be active on the site. However, there are a number of larger strategic sites where it is reasonable to assume that more than one developer would be building out the site at any one time.
- 7.22 It is important to note that large housing developers have the capacity to build on sites over 500 units on their own as is the case with Whittingham Hospital in Preston, where Taylor Wimpey are the sole developer of over 600 units. However, for the purposes of applying a broad assumption to assess sites, any developments over 250 units will be identified as multiple developers to highlight the fact it is a high capacity site that could well see multiple developers tackling it.
- 7.23 In advance of the development of the trajectory, using the strong market build out rate of 50 units per year, a classification of sites into different build-out periods has been undertaken. The majority of sites in reality are likely to be developed post 2011 and therefore the application of this rate provides a useful benchmark for the authorities in producing the trajectory from this point onwards.
- 7.24 Therefore by taking the number of units developed each year as 50 per year, it has been identified whether it will be a single developer or multiple developers, and whether that site can be completed in 0-2 years, 2-5 years, or 5 years plus. The breakdown of sites into these categories is shown in the following table.
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Figure 20: Breakdown of sites by development timescale (N.B. does not indicate phasing for the trajectory)

Classification	Authority		
	Preston	Chorley	South Ribble
Single Developer 0-2 years	106	107	88
Single Developer 2-5 years	40	14	24
Multiple developers 5 years +	27	6	15
N/A	24	12	9

### Specific Larger Sites

- 7.25 Whilst the majority of the sites included within the SHLAA are relatively small in scale there are a number of larger sites across the Central Lancashire area. The appraisal of these sites using the model is unlikely to reflect the range of factors which could impact on the delivery of these sites. Therefore these larger sites were discussed in more detail in the Summer of 2008 with agents and developers to understand the potential phasing in the trajectory.
- 7.26 These conclusions represent the opinions of GVA Grimley and not necessarily the Council’s perception of sites deliverability in advance of the conclusion of the SHLAA.
- 7.27 Buckshaw Village in Chorley/S Ribble is currently slowing down with developer’s delaying on the next few phases. However, although the build out rates will be moderated like all sites, it is still a site that can continue development in years 1-5 based on its strong market position.
- 7.28 A number of the other larger sites including the Central Lancashire Urban Village and Cottam Hall in Preston also have the potential to deliver a significant quantum of housing within the next five years. HCA own a significant proportion of the land on these sites and in the current market public sector assistance is likely to be key to their early delivery. It is important to note that the size of these sites means that whilst the sites might start in the next five years the majority of the units will be built out beyond this period.
  - The Central Lancashire Urban Village in South Ribble has developer interest but due to the multiple ownerships and issues surrounding land assembly, only small pockets could potentially be developed in years 1-5.
  - Cottam Hall, in Preston, remains a key site but in discussions with EP, it is not envisaged that development will start until 2011/12.

- Moss Side Test Track is another large site in South Ribble which agents suggested has the potential to see delivery in the first five years of the trajectory. This site will have a direct impact upon the delivery of the Central Lancashire Urban Village as the large number of potential units on both sites could compete to the detrimental effect of build out and sales rates.

## Considerations for the Development of the Trajectory and Reviewing Sites Deliverability

7.29 The current housing market conditions have been highlighted through the research as creating additional issues in developing a housing trajectory for inclusion within the SHLAA. It is important that this trajectory presents a realistic assessment of the deliverability of sites over the next couple of years but also takes a longer-term picture of the supply of housing. Therefore based on the research undertaken in the development of the outputs for Stage 7c the following considerations have been identified for consideration:

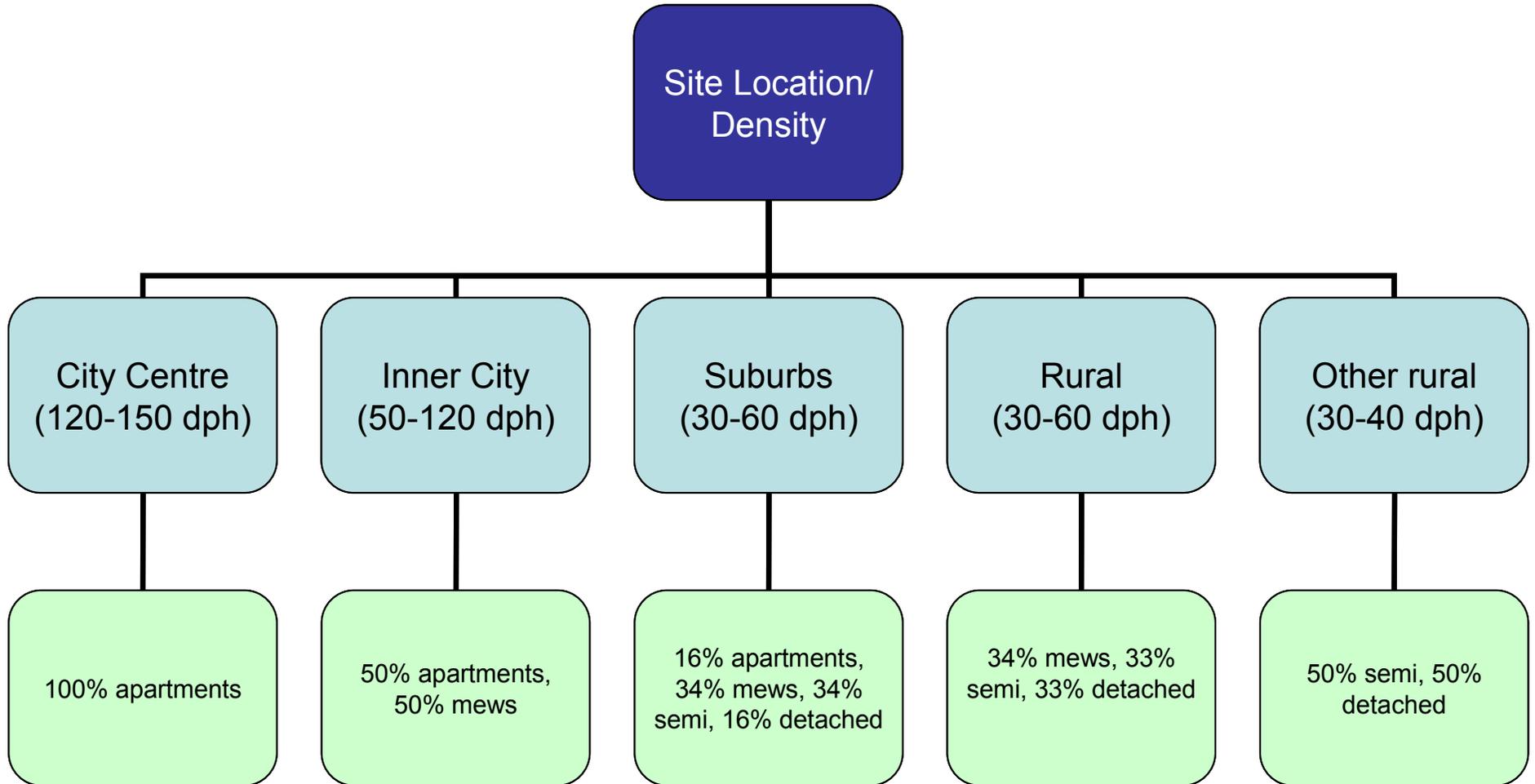
- Density assumptions on a number of sites, in particular city centre/town centre sites which include large apartment elements, need to be re-considered. It is likely that on a number of schemes a change in use and/or planning is likely to be considered which will need to be re-considered through the updating of the SHLAA.
- Apartment driven schemes are extremely unlikely to be developed over the next five years and as such, should not be included in the five year supply. This is not to say they will not be developed at some point in time, but certainly during the turbulent market conditions and acute problems faced by the apartment market, they are unlikely to be developed in years 1-5.
- The identification of public sector funding assistance should be considered in relation to sites in addition to the outputs of the appraisal model. Where funding has been confirmed or has the potential to be identified considerations should be given as to whether this will make the site deliverable. This should be picked up through Stage 7d of the methodology.
- Emphasis should be placed on considering the incorporation of smaller sites i.e. circa 30-60 units, within the 5 year supply. Those which are more likely to deliver family housing are far more likely to be delivered within five years as smaller housebuilders are still comparatively active in the market, whereas the larger Plc Housebuilders are in a period of consolidation for the next few years.

- When considering the sites to be included in the five year supply, the spatial locations of the sites needs to be considered. For example, several sites in one small area will have a detrimental effect on each of them being developed at the same time and will more than likely need a phased approach. This is highlighted above in relation to the Central Lancashire Urban Village and the Moss Side Test Track. Therefore, when putting sites into the five year supply, careful consideration needs to be given to not create an unmarketable oversupply within a locality with large parcels of development land in close proximity to each other.
- Using the reduced built out rates over the next three years will be important in developing the trajectory. However, it is clear that the current break in housebuilding will be creating a significant build up of demand. Therefore when the financial market enables the delivery of development again it is likely that in line with previous government policy supply will need to be accelerated to address this demand justifying higher annual build out rates in the future.

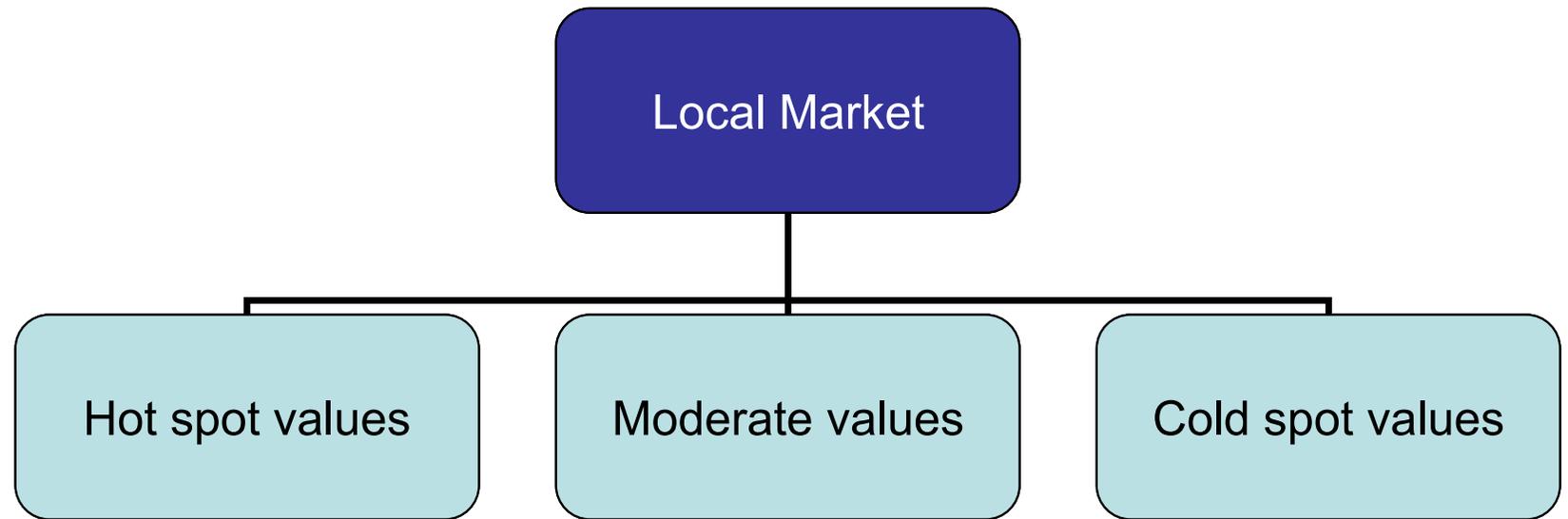
## **Appendix**

# **Site Typology Methodology and Economic Appraisal Inputs**

## Site Typology Method 1

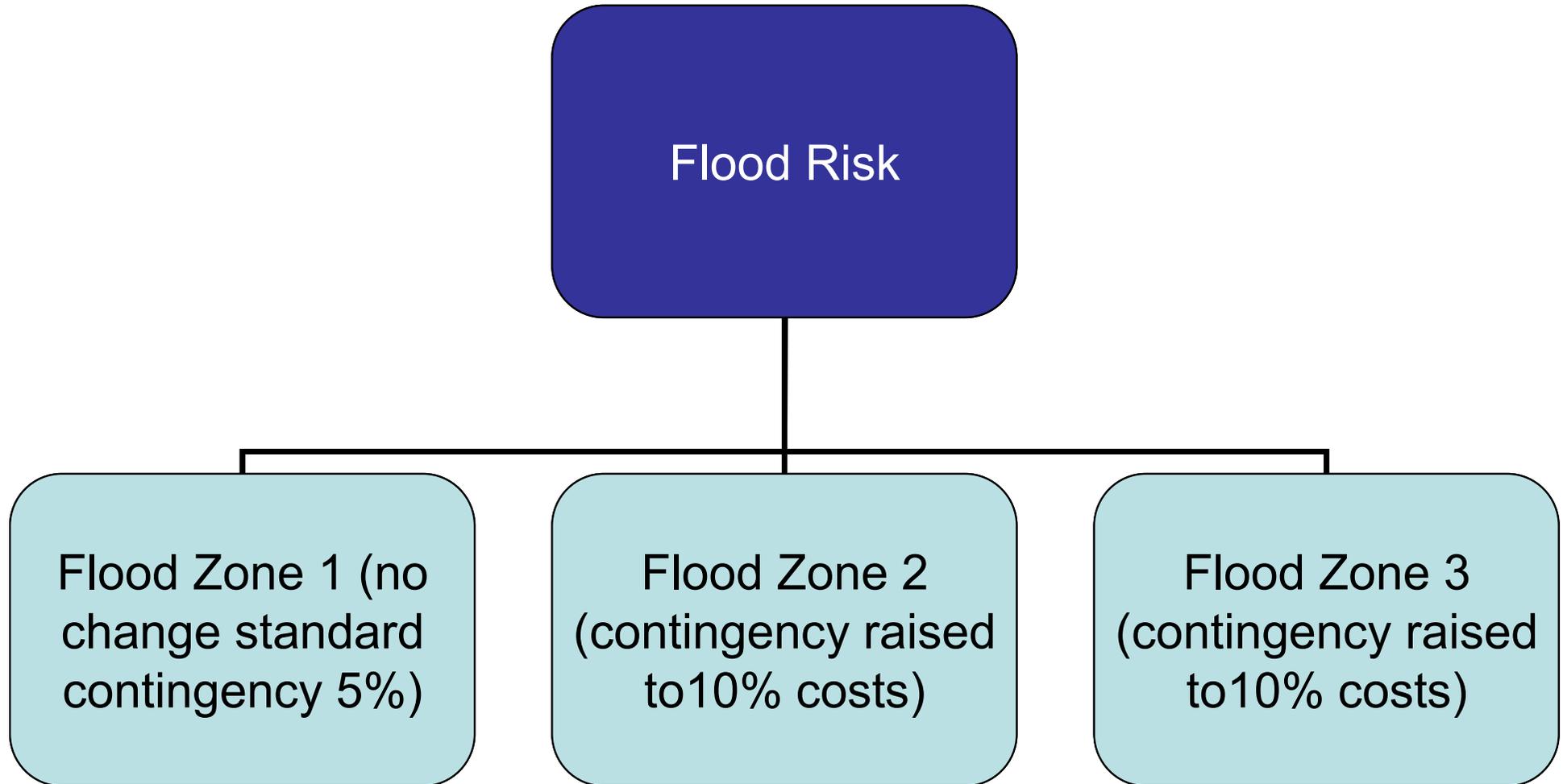


## Site Typology Method 2

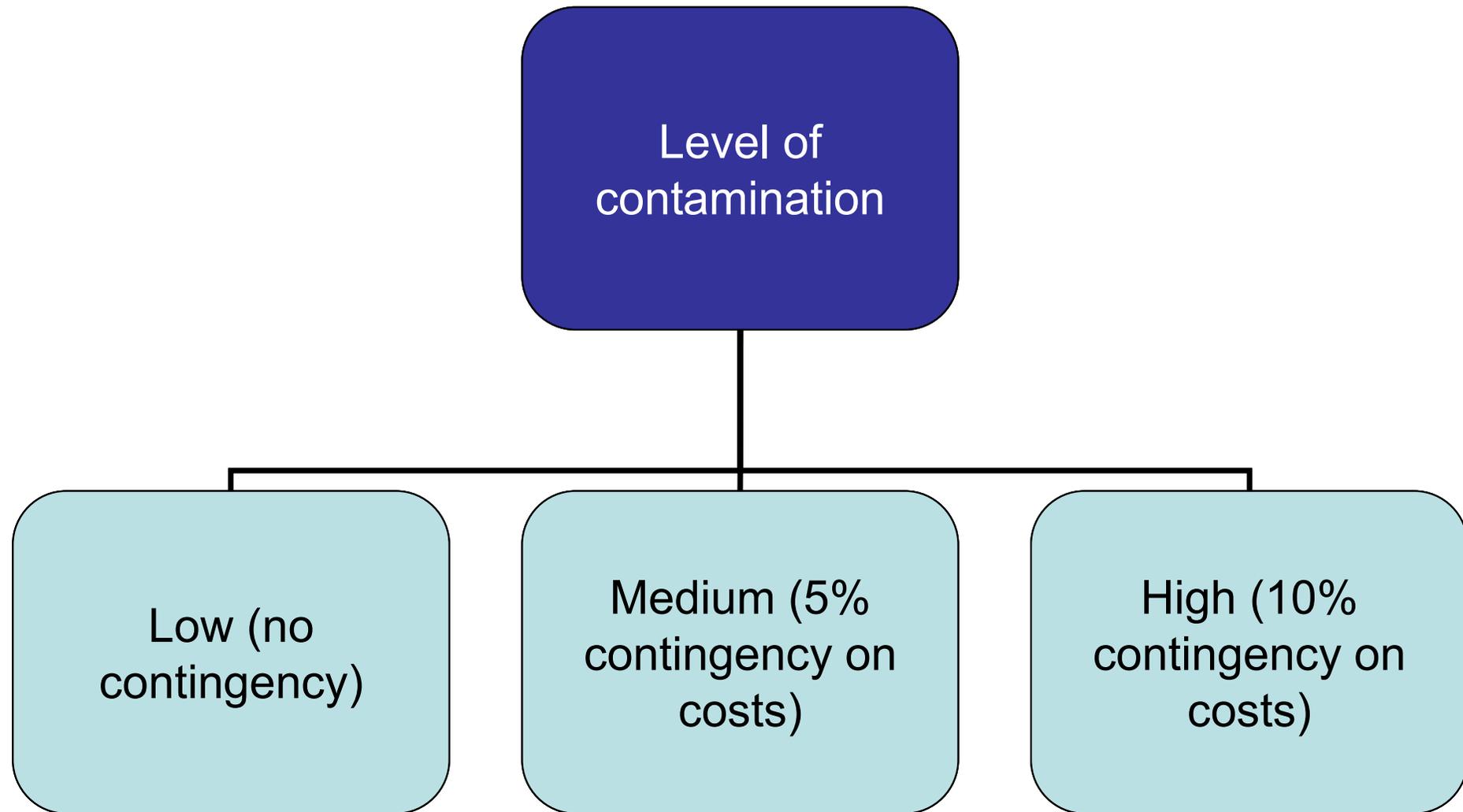


Unit Type	Hot	Moderate	Cold
Flats / Apartments	£150,000	£125,000	£125,000
2/3 bed terrace	£200,000	£170,000	£140,000
3/4 bed semi	£275,000	£225,000	£150,000
4/5 bed detached	£350,000	£260,000	£165,000

### Site Typology Methodology 3



## Site Typology Methodology 4



## Site Typology – Process Diagram

