

Benchmark land value Review

Princess Risborough Expansion Area

On behalf of Buckinghamshire Council

Prepared by Carter Jonas

Contents

- 1 Executive summary..... 3
- 2 Introduction..... 3
- 3 Strategic Context..... 4
- 4 Princes Risborough Expansion Area Viability report 6
- 5 Assessment of Benchmark land value 6
- 6 Development Costs 9
- 7 Market Commentary..... 9
- 8 Comparable data..... 11
- 9 Conclusion..... 16

Prepared by Emma Jewson MRICS

E: emma.jewson@carterjonas.co.uk

T: 01865 511444

Date: October 2020

For and on behalf of Carter Jonas

1 Executive summary

- 1.1 This report is provided to Buckinghamshire Council to support the level of Benchmark land value to be used in a viability review for the proposed Supplementary Planning Document for the Princes Risborough Expansion.
- 1.2 The viability review is being undertaken by Avison Young as an update to the Princes Risborough Expansion Area Delivery Plan - Viability Report (June 2019) and to enable the Council to understand the impact on viability of increased infrastructure costs associated with delivery of the Princes Risborough Expansion Area.
- 1.3 The Princes Risborough Expansion Area has been identified in the Wycombe District Local Plan under Policy PR3 as being suitable for the provision of 2,500 new homes, including local centre for retail and business uses, a new school and supporting infrastructure, on a developable area of 150 hectares (370 acres).
- 1.4 The Princes Risborough Expansion Area is in multiple land ownerships and delivery of the scheme requires comprehensive infrastructure including a primary route (link road) through the expansion area and pedestrian and cycle crossing of the railway.
- 1.5 The viability review will take in to account a significant increase in infrastructure costs now predicted to enable delivery of the comprehensive scheme. The revised total infrastructure cost is estimated at £127,891,589 compared to £90,764,002 which was adopted in the 2019 Viability Report.
- 1.6 Updated Planning Practice Guidance on viability was published on 24 July 2018 – and revised in May 2019 - and sits alongside the revised National Planning Policy Framework 2018. Our approach to Benchmark Land Value is based on this guidance and it is against this Benchmark Land Value that viability of a development is determined.
- 1.7 This report sets out our approach in greater detail together with other viability and market evidence that we have relied on to reach our opinion of an appropriate Benchmark Land Value.
- 1.8 We conclude that the Benchmark Land Value for the purposes of the viability review is one hundred thousand pounds (£100,000).

2 Introduction

- 2.1 In accordance with instructions confirmed 7th July 2020 we have undertaken a review of the Benchmark land value required for the Princes Risborough Expansion Area project. The Background to the instruction and the Scope as provided by the Council is set out below for ease of reference:

“Background

The Brief:

Buckinghamshire Council is seeking to gather evidence to support the appropriate level of Benchmark Land Value to be used in a viability review for the proposed Supplementary Planning Document for the Princes Risborough Expansion project.

There has been a significant increase in the infrastructure costs now predicted, and there is a degree of market uncertainty around sales values and sales rates, and we believe these could both have had an impact on the level of Benchmark Land Value that should be used in the viability review. We therefore need a review of the appropriate level of Benchmark Land Value to be used in the viability modelling for the Princes Risborough Expansion, based on current best practice and national planning policy for establishing viability in Planning (e.g. Planning Practice Guidance Paragraph 013).

Recognising the variability of development potential of different tracts of land, the Benchmark Land Value proposed should be expressed as indicative rather than precise but should be sufficiently indicative of the current realistic market value for such land to be capable of being robustly defended at planning appeal or CPO Inquiry.

Updated Infrastructure costs will be provided by the Council.

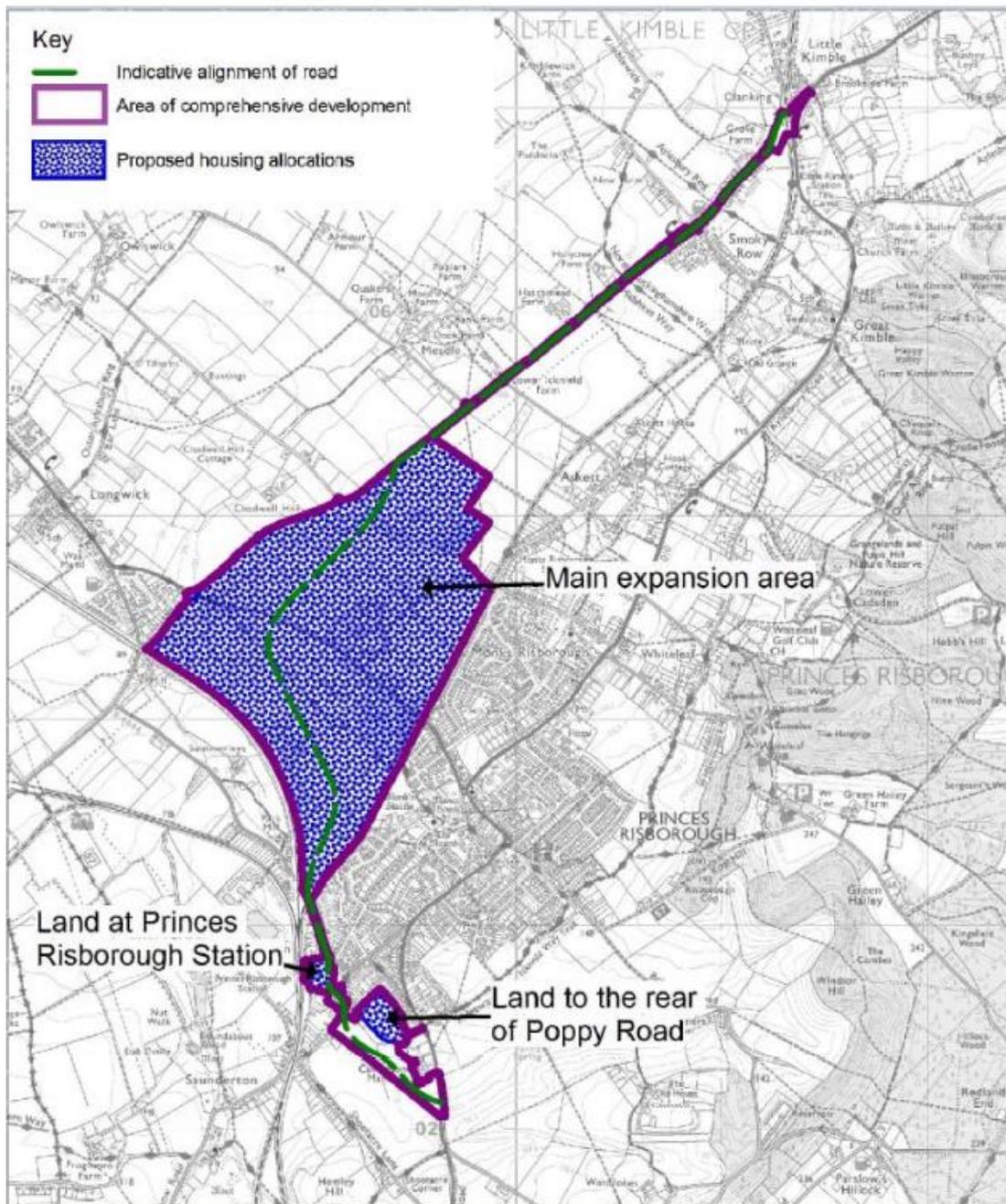
Scope

1. *To review and collate evidence from a range of transactions (- both completed sales and signed option agreements are acceptable) of agricultural land relevant to the Princes Risborough Expansion over the last five years.*
 2. *To advise on appropriate Benchmark Land Value, having regard to all relevant statutory guidance (e.g., Planning Practice Guidance Paragraph 013 (Reference ID: 10-013-20190509)), and to planning status and the level of infrastructure costs to be funded by Section 106 contributions.*
 3. *To recommend appropriate Benchmark Land Value for land proposed for residential development:*
 - a. *at different stages of planning certainty (i.e. unallocated, allocated and consented), and*
 - b. *at different levels of infrastructure costs (three alternative levels of Section.106 infrastructure costs per hectare will be advised for this exercise, together with an indication of the cost of Phase 3 of the relief road, which will fall to developers to meet directly).*
 4. *To prepare responses, if required, to any representations received from developers challenging the level of Benchmark Land Value adopted”.*
- 2.2 The purpose of this report is to review the Benchmark land value required for the Princes Risborough Expansion Area project. This review will be used to inform the wider overall viability of the development which is being carried out by Avison Young.
- 2.3 In accordance with the RICS Financial Viability in Planning: Conduct and Reporting 1st edition, May 2019 we can confirm the following:
- i. In carrying out this Benchmark Land Value review we have acted objectively, impartially, without interference and with reference to all appropriate available sources of information.
 - ii. We further confirm that no conflict of interest arises from this instruction.
 - iii. In preparing this report, no performance related or contingent fees have been agreed.
 - iv. We have relied upon information provided by the Council including their consultants Balfour Beatty.
- 2.4 In accordance with the current RICS Valuation – Global Standards 2020 which incorporates the International Valuation Standards (the ‘RICS Global Red Book’), the provisions of VPS1 to VPS4 are not mandatory and accordingly this report should not be relied upon as a formal ‘Red Book’ valuation. This report is addressed to Buckinghamshire Council and our client only and should not be reproduced without our prior consent; it contains sensitive information and accordingly should be regarded as exempt from Freedom of Information Act requirements

3 Strategic Context

- 3.1 The Wycombe District Local Plan was adopted in August 2019 and includes the PR3 (Princes Risborough Area of Comprehensive Development) policy providing new homes, local centre for retail and business uses, a new school and supporting infrastructure. The Princes Risborough Expansion Area which has been identified in the local plan as being suitable for the provision of 2,500 new homes. Phase 2 development is reliant on the construction of the Southern Road link from the Sumitomo site to Lower Icknield Way junction (B4009) to the north of Mill Lane.
- 3.2 Policy PR4 sets a development framework for the main Princes Risborough Expansion Area which includes reference to the creation of an internal primary route through the expansion area linking from the B4009 to Summerleys Road between the underbridges from the Banbury and Aylesbury railway lines and pedestrian and cycle crossings of the railway. PR8 reinforces this and safeguards a route for a connecting road through the main residential area.
- 3.3 The extent of the Area of Comprehensive Development is shown on the plan below and is in multiple land ownership. The gross developable area across the Area of Comprehensive Development extends to circa 150 hectares (370 acres).

Plan 1 Area of Comprehensive Development



3.4 Recent Planning History

3.4.1 There are several existing planning permissions and others waiting determination within the Princes Risborough Expansion Area. These are as follows:

- Leo Laboratories (15/07349/FUL) – 96 dwellings – determined (permitted).
- Sunnymead (17/06133/OUT) – 14 dwellings – refused.
- Ivy Farm (18/08129/MINAMD) – 9 dwellings – determined (permitted at appeal).
- Halsbury Homes, Park Mill Farm (18/07096/OUTEA) – 150 dwellings and a further application for 500 dwellings (18/07097/OUTEA). The applicant was appealing both on grounds of non-determination, but the applications and appeals were both withdrawn in August 2019.
- Bloor Homes (18/06916/OUTEA) – 360 dwellings – currently awaiting decision.

- 3.5 Development is likely to be brought forward in phases by different developers and landowners but in accordance with the relevant planning policies, demonstrating how the different landowners will work together to contribute to the whole, and not prejudice the realisation of the total expansion area, as set out in Policy PR17 of the adopted Wycombe District Local Plan.

4 Princes Risborough Expansion Area Viability report

- 4.1 Avison Young has been commissioned by the Council to understand the impact on viability of increased infrastructure costs associated with the delivery of the Princes Risborough Expansion Area.
- 4.2 A report was produced to accompany the draft Princes Risborough Expansion Supplementary Planning Document in 2019 and is being revised taking into account the relevant assumptions made in this present report regarding Existing Use Value, build costs, sales revenues, infrastructure costs and benchmark land value.

5 Assessment of Benchmark land value

- 5.1 In carrying out our review we have had regard to guidance issued by the Royal Institution of Chartered Surveyors and the latest Planning Policy Guidance and National Planning Policy Framework guidance relating to Viability. We have also had regard to The Harman report 'Viability Testing Local Plans, Advice for Planning Practitioners, June 2012 (the Harman Report). The Harman Report is part of the chronology of how the assessment of viability has developed. The Report was published at the same time as the original RICS guidance – RICS Financial Viability in Planning guidance (1st edition, guidance note, August 2012) and is the basis on which viability was predicated even though both documents have now been superseded.
- 5.2 We set out the relevant extracts below from the planning practice guidance updated May 2019.

How should land value be defined for the purpose of viability assessment?

To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus'.

Planning Practice Guidance Paragraph: 013 Reference ID: 10-013-20190509. Revision date: 09 05 2019

What factors should be considered to establish benchmark land value?

'Benchmark land value should:

- be based upon existing use value
- allow for a premium to landowners (including equity resulting from those building their own homes)
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence including current uses, costs, and values wherever possible. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

Planning Practice Guidance Paragraph: 014 Reference ID: 10-014- 20190509 Revision date: 09 05 2019

- 5.3 The approach to establishing the benchmark land value is to start with the Existing Use Value. The 'plus' element is informed by the price paid for policy compliant schemes to ensure an appropriate landowner's premium.

Existing use value is the first component of calculating benchmark land value. Existing Use Value is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. Existing Use Value can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Planning Practice Guidance Paragraph: 015 Reference ID: 10-015-20190509 Revision date: 09 05 2019

- 5.4 Whilst this guidance has been superseded, we refer to the Harman report as it refers to the concept of 'Threshold Land Value' (or Benchmark land value Benchmark Land Value). Harman states that the 'Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development. Harman recommends that 'the Threshold Land Value is based on a premium over current use values, but the report does not state what the premium over existing use value should be. It further states that this should be determined locally but it is important that there is evidence that it represents a sufficient premium to persuade landowners to sell.
- 5.5 The guidance further recognises that in certain circumstances, particularly in areas where landowners have 'long investment horizons' (e.g. family trusts, The Crown, Oxbridge Colleges, Financial Institutions), 'the premium will be higher than in those areas where key landowners are more minded to sell'. An example of this is in relation to large urban extensions where a prospective seller is potentially making a *once in a lifetime decision* over whether to sell an asset.
- 5.6 Landowners within the Princes Risborough Expansion Area include several national house builders and land promoters such as Persimmon Homes, Bloor Homes, Gladman, Taylor Wimpey, Halsbury Homes together with small and medium sized house builders, individual farmers and landowners, some of whom are understood to be under option agreement to house builders. Accordingly, some of the landowners may not be directly aligned in their appetite to sell and at what level they would be incentivised to do so.
- 5.7 The Planning Practice Guidance requires the Existing Use Value plus premium approach to land value. However, there is no specific guidance on the premium in order to determine the appropriate Benchmark Land Value.
- 5.8 In accordance with the Planning Practice Guidance our approach to the Benchmark Land Value is based on the Existing Use Value with an allowance for a premium.
- 5.9 **Existing Use Value**
- 5.9.1 Existing Use Value refers to the value of land in its current use before planning consent is granted, for example, as agriculture land.

5.9.2 The existing use of the land to deliver the Princes Risborough Expansion Area scheme is predominantly agricultural. We are currently retained by Buckinghamshire Council in the wider management of their rural estate interest and can rely on several farmland transactions which are evidenced in Section 7 below, in arriving at our opinion of Existing Use Value.

5.10 The Premium

- 5.10.1 The premium (or the 'plus' in Existing Use Value plus) is the second component of benchmark land value. It is the amount above existing use value (Existing Use Value) that goes to the landowner. Planning Practice Guidance Paragraph 016 (Reference ID: 10-016-20190509) states that the premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements. Paragraph 016 also states that the process for establishing the premium will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.
- 5.10.2 The Planning Practice Guidance Paragraph 013 (Reference ID: 10-013-20190509. Revision date: 09 05 2019) advises that the premium "should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements" The other options available, may include its current use value or its value for a realistic alternative use.
- 5.10.3 Most of the land in the Princes Risborough Expansion Area is currently in agricultural use, with a current use value of around £9,000 per acre (see Section 7 below). This value sets a lowest possible benchmark for consideration however at this level, there is no incentive for the landowner to bring their land to the market. Given the location of the Princes Risborough Expansion Area land parcels and the Local Plan allocation, it is difficult to see an alternative use and hence to assess an Alternative Use Value across the full site areas; it is considered that they will be unsuitable for redevelopment unless as the comprehensive scheme with associated infrastructure provision in accordance with Policy PR17.
- 5.10.4 Further, in assessing the Premium, we acknowledge that a landowner may be influenced by a range of factors when selling land, as identified by Harman. Based on our professional opinion and experience in the development land market, the best guidance as to what are acceptable land prices, is market evidence from sales and minimum land values that are contracted within option or promotion agreements. The challenge is identifying directly comparable transactions.
- 5.10.5 While the Planning Practice Guidance says that Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement) there is often a reluctance among developers to divulge minimum prices / land values within development agreements due to their commercial sensitivity. Based on our professional experience, we can set out our opinion of the range of values that generally sit within agreements for schemes of this nature. These are referenced in Section 7 below.
- 5.10.6 As well as considering market and other viability evidence in assessing what would constitute an appropriate level of premium, we will take in to account the Existing Use Value, the level of scheme specific infrastructure costs (where available) and planning status. Previously issued (and now withdrawn) guidance by the Homes and Communities Agency (now Homes England) within the document entitled 'The Homes and Communities Agency Area Wide Viability Model - Annex 1 Transparent Viability Assumptions' stated that "*For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value*". Earlier versions of the National Planning Policy Framework – now superseded - also stressed that both local planning policy and individual developments should allow for "competitive returns to a willing landowner and willing developer" placing more weight on consistent returns to developers and landowners and taking less account of policy requirements. Based on more recent CIL and Area Wide Viability studies for large strategic sites, there is a clear shift towards the lower multiplier of around 10 times agricultural value to reflect changes to the guidance. (This is not to say that a ten-fold uplift on Existing Use Value being the premium for the landowner necessarily reflects the minimum return at which it is considered a reasonable landowner would be

willing to sell their land, but it clearly provides a reasonable incentive, in comparison with other options available.)

- 5.11 We also note the comments made by Right Honourable Sir Oliver Letwin MP in his Independent Review of Build Out (October 2018), in the context of increasing diversity and delivering large sites, recommending capping residual land values of larger (1500 unit plus) sites at around ten times their existing use value which in the case of agricultural land, this might result in values of around £100,000 per acre for land with an Existing Use Value of £10,000 per acre.
- 5.12 Planning Practice Guidance states that policy compliance means that the development complies fully with up-to-date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan.
- 5.13 The benchmark land value will therefore fully reflect policy compliance and reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees associated with the delivery of the scheme.

6 Development Costs

- 6.1 There has been a significant increase in the infrastructure costs now predicted to enable delivery of the comprehensive Princes Risborough Expansion Area scheme. The cost of sections of the relief road has been estimated by Balfour Beatty and reviewed by Buckinghamshire Council and these costs in turn have been reviewed by Norman Rourke Partnership. This work is informing the final estimate of infrastructure costs that is included within the Council's Princes Risborough Expansion Area Supplementary Planning Document. The updated estimated infrastructure costs are summarised in the table below. More details can be found in Avison Young updated report.

Table 1 Summary of Total Infrastructure Costs

Item Description	Corresponding Value
Total Infrastructure Cost	£130,115,579
Total qualifying Net Developable Hectares	65.81
Total Infrastructure Cost per Net Developable Hectare	£1,977,140
Total number of qualifying new dwellings	2,357
Cost per qualifying new dwelling	£55,204

- 6.2 The total infrastructure costs assumed in the 2019 viability were £90,764,002 which breaks down to £1,380,021 per Net Developable Hectare and £37,001 per new dwelling. The increased costs presented in the table above demonstrate a cost of £55,204 per dwelling so a significant increase.
- 6.3 Where we have identified and reviewed data for comparison, we have sought to also identify the level of Infrastructure and Section 106 costs allowed and which have therefore impacted on the end price or value.
- 6.4 We have accordingly sought to identify comparable land value data which reflect similar levels of development costs or to adjust the data to reflect the same.

7 Market Commentary

- 7.1 A Viability Report was undertaken by Avison Young dated June 2019 to support the draft SPD stage consultation. We have reviewed the assumptions as to build costs and sales revenue (Gross Development Value) and compared these with the data as of August 2020. We have also noted the content of the latest RICS Residential Market Survey – August 2020 and had regard to the Carter Jonas Residential Research Residential Briefing Note for August 2020.

- 7.2 The tone of both documents is positive with strong residential market activity fuelled by pent-up demand and the Government's Stamp Duty Land Tax holiday. However, the reports also recognise the short-term nature of this recovery with concerns over the broader economic climate.
- 7.3 The headlines from both the RICS and Carter Jonas latest survey / briefing note refer to strong market activity with

"The housing market has been exceptionally buoyant following the easing of lockdown restrictions; pent-up demand during lockdown, coupled with the recently announced stamp duty holiday has ushered in weeks of strong demand and increased supply and led to higher-than-expected sales levels. However, headline employment data is still not showing the full effects of lockdown as the furlough scheme is undoubtedly masking the real impact on businesses. As the scheme winds down over the coming weeks and months and we see a further increase in activity the employment and wage data will lay bare the potential longer-term damage to the economy."

Source: Carter Jonas – Residential Briefing Note August 2020. The full Briefing Note can be found at <https://www.carterjonas.co.uk/property-publications/#popup?url=%2Fdownload-document%3FdocumentId%3Dfbef671-ec4b-4c71-8b5d-3e8935c0cd14>

"Sales market continues to show strong momentum with house price inflation now accelerating sharply.

National house price growth indicator hits a four-year high.

Enquiries, sales and new instructions all continue to rise firmly.

83% of respondents foresee demand increasing for homes with gardens over the next two years".

Source: RICS August 2020: UK Residential Market Survey. The full Survey can be found at

<https://www.rics.org/globalassets/rics-website/media/knowledge/research/market-surveys/uk-residential-market-survey-august-2020.pdf>

Set against these reports is the wider economic uncertainty of recession.

7.4 **Sales Revenue**

- 7.4.1 We note the average market Gross Development Value adopted in the 2019 viability was £425 per sq. ft. The Land Registry House Price Index in September 2020 shows average house price growth of 5.2% over the last 12 months. Rightmove reports the average house price in Princes Risborough as of 7 August 2020 as £457,688 a 7% increase on the previous year with price activity aligned with the national picture.
- 7.4.2 From our own on-line research, we acknowledge an increase in the market since the date of the 2019 viability and comment that the average Gross Development Value relative to the scheme should reflect a similar increase which would suggest a rate in the region of £445 - £450 per sq. ft. This is a high-level review and does not interrogate Gross Development Value's for individual unit types within the assumed scheme mix for the viability assessment.

7.5 **Build Cost Data**

- 7.5.1 There has been commentary in the industry that the effects of Covid-19 have impacted on the costs of delivering development including increased base build costs. We have reviewed both BCIS data and held discussion with house builders and Quantity Surveyors. All point to a steadying of costs following an initial impact caused by supply chain issues, early in lock down. Indeed, the tendering market is reported as being competitive as suppliers and contractors work to secure their order books for the next 12 plus months.
- 7.5.2 BCIS data is summarised below with the Lower Quartile base build rates relied on in the 2019 viability report shown alongside the current listings.

Table 2 Table of Build Costs

Data Source	BCIS – Estate Housing - Lower Quartile rebased for Wycombe	
Date of Publication	Q2 2019 (June 2019 report)	July 2020
Cost Rate per sq. m	£1,256 per sq. m	£1,239 per sq. m

- 7.5.3 These figures show a reduction of 1.3% over 12 months which applied over the whole Princes Risborough Expansion Area will have an impact on overall build cost and viability.

8 Comparable data

8.1 Existing Use Value

- 8.1.1 The sites that make up Princes Risborough Expansion Area predominantly include Greenfield / agricultural land and being a mixture of arable and pasture. Based on the evidence set out below our opinion of Existing Use Value is £9,000 per acre.

- 8.1.2 This evidence illustrates a range of agricultural land transactions in Buckinghamshire and Oxfordshire over the last 2 years.

Land at Wendlebury, Bicester

139 acres of arable and pastureland close to Bicester and motorway networks. Sold for £1,200,000 in May 2019 being £8,633 per acre.

Land at Hoods Farm, Bierton, Aylesbury

116.89 acres of permanent pasture bordering the River Thames. Sold for £1,000,000 in March 2018 being £8,555 per acre.

Land at Bicester Road, Ludgershall

59.25 acres of productive and level farmland with frontage onto the A41. Under offer at £500,000 as of October 2019 being £8,439 per acre.

Land off Buckingham Road (A413), Whitchurch

6.5 acres of arable land found to the north of Whitchurch with direct road access onto the A413. Established hedge boundaries and area of hard standing used for storage. Land sold for £61,000 in October 2017 equating to £9,385 per acre.

Land at Bledlow Ridge

112 acres of arable and pastureland with good road frontage and within a ring fence. Land sold in February 2019 for £1,000,000 equating to £8,929 per acre.

Land at Fringford, Bicester

93 acres of predominantly arable land with some pasture with direct access of the public highway. Enclosed by hedgerows and fencing. Land sold in June 2020 for £907,300 equating to £9,756 per acre.

8.2 Land Value Comparables

- 8.2.1 We have researched land transactions and reviewed other viability assessments to inform our review of the premium to apply to reach a Benchmark Land Value. Some information has been made available to us in confidence and we can only refer to this anecdotally in supplying our professional opinion.

8.2.2 In reviewing the comparable data, we have:

- considered values based on the planning status at the date the value was established or reported.
- looked to identify where the comparables are policy compliant and to adjust where they are not.
- where possible, looked to identify the level of development costs (infrastructure / Section 106) relevant to the scheme or assessment of value.
- looked to identify data from the market area but have also considered data from similar market areas.

8.2.3 Data is based on transactions / assessments within the last 5 years. We comment however, that where benchmark data is taken from Local Plan or other viability assessments, we have sought to establish where these assessments pre-date the Planning Practice Guidance change in viability guidance.

8.2.4 We have found that sales of immediate greenfield development opportunities with the benefit of an outline planning permission and sub-300 units tend to reflect lower development costs with the schemes carrying minimal infrastructure provision. These are therefore not directly comparable but provide an indication of landowner aspiration.

8.3 Local Plan Viability:

8.3.1 We have reviewed the following Local Plan and scheme specific viability assessments noting the level of delivery infrastructure costs in comparison to Princes Risborough Expansion Area:

North Essex Authorities Shared Strategic (Section 1) Plan

Inspector's Examination Letter dated 15 May 2020.

In his letter, the Inspector sets out his view on Benchmark Land Value relative to three Garden Communities allocations within the plan stating that "there seems little doubt that a land price of around £100,000/acre on any of the proposed Garden Communities sites would provide sufficient incentive for a landowner to sell" and further that "it is also reasonable to assume that a price below £100,000/acre could be capable of providing a competitive return to a willing landowner, when account is taken of the necessarily substantial requirements of the Plan's policies". He further says that "The margin of viability is therefore likely to lie somewhere between a price of £50,000 and £100,000 per acre".

We note that the viability to support the Plan identifies total strategic costs of between £52,000 and £54,000 per unit across the three Garden Communities. Two of the three Garden Communities were found to be unviable by the Inspector. The viability was impacted by the underestimation of a range of costs and contingencies including the level of Optimisation Bias. The viable scheme, Tendring Colchester Border Garden Community, carries the strategic costs at £54,000 per unit which is very close to the costs for Princes Risborough Expansion Area.

Draft Chiltern & South Bucks Local Plan 2036 – Local Plan and Community Infrastructure Levy Viability Assessment 2019

Benchmark Land Value – £250,000 per hectare (£101,173 per acre gross).

Assumptions - Strategic sites with 40% affordable housing and £33,000 per unit site wide and infrastructure costs.

The viability report at 2.14.14 considers "that the minimum land value likely to incentivise release for development under any circumstances in the Chiltern and South Bucks context is around £100,000 per hectare, based on gross site area" but adopts £250,000 per hectare ((£101,173 per acre) applied to the gross site area as the "base assumption in respect of bulk greenfield land purchase on the Existing Use Value plus basis".

This viability report has been completed since the most recent changes to the current National Planning Policy Framework and Planning Practice Guidance. We note however that the level of policy affordable housing at 40% and the £33,000 per unit cost are both lighter than the requirements of Princes Risborough Expansion Area.

In accordance with the National Planning Policy Framework/Planning Practice Guidance “plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance.” Para Planning Practice Guidance 014.

Accordingly, from the Chiltern and South Bucks Benchmark Land Value we would need to account for a downward adjustment to reflect the increased costs of delivering the policy infrastructure and higher proportion of affordable housing for the Princes Risborough Expansion Area, from £101,173 per acre.

Note, while the plan is now withdrawn, this does not affect the findings of the viability report.

South Oxfordshire District Council Local Plan and Community Infrastructure Levy Viability Update - July 2020

Benchmark Land Value: £865,000 per hectares (£350,000 per acre). **NB**, this Benchmark Land Value is presented on a per **net developable** area basis. The report identifies the strategic sites Existing Use Value as £10,000 per gross acre and £20,000 per net acre and the Existing Use Value multiplier as times 18. Therefore, the reported Benchmark Land Value's above reflect per gross acre values of £432,500 per hectare and £175,000 per acre, respectively.

Wycombe District Council Princes Risborough Expansion Viability Assessment – March 2017

Benchmark Land Value - £400,000 per hectare (£161,877 per acre gross).

Assumptions – Greenfield with 40% affordable housing and £480,872 per net acre for infrastructure.

At the time of this Assessment, the viability was tested across a site area comprising the interests of three developers. The net development area was 56.5 hectares (139.85 acres).

Wycombe District Council Local Plan Viability Assessment – May 2017

Benchmark Land Value - £400,000 per hectare (£161,877 per acre gross).

Assumptions – Greenfield with 40% affordable housing and £210,000 per net acre for infrastructure.

Vale of Aylesbury Plan – Local Plan Viability – August 2017

Benchmark Land Value - £250,000 per hectare (£101,173 per acre gross).

Assumptions - 30% affordable housing and £32,000 per unit site wide and infrastructure costs.

Both Wycombe District Council Local Plan (Plan-wide and Princes Risborough-specific assessments) and the Vale of Aylesbury Plan were plans prepared under transitional arrangements following the 2012 National Planning Policy Framework. The viability for both plans was undertaken prior to the revised National Planning Policy Framework and updated Planning Practice Guidance on viability, both published 24 July 2018. As such they did not at the time reflect the new Policy rationale to, amongst other things, deliver more infrastructure through the planning system and price the costs into the land price and capture more land value uplift. These comparators indicate that the Princes Risborough Expansion-Benchmark Land Value would need to be adjusted downwards to reflect the higher infrastructure costs set out in the Supplementary Planning Document.

8.3.2 Scheme Viability Assessments:

Welborne Garden Village

Benchmark Land Value: £100,000 per acre

Review of a Site Wide Viability Report produced for Welborne Garden Village by the Master Developer, Buckland Development Limited to support outline application for 6,000 residential units. Undertaken by CBRE on behalf of Fareham Borough Council dated October 2019.

Both the Developer and Council agreed a land value of £100,000 per acre as an appropriate price that strategic land is acquired for. The total infrastructure costs for the scheme were £308M (£51,338 per unit) and with an overall affordable housing target of 30%. The proposed scheme was to deliver 10% affordable housing in the first 1,000-unit phase with viability review mechanisms for every further 750-unit phase.

South Godstone Garden Community

Benchmark Land Value: £75,000 per acre

A Viability Review undertaken by GVA on behalf of Tandridge District Council for an allocated scheme of 4,000 units. Draft LP policy of 40% affordable housing. Total Infrastructure costs of £64,000 per unit. Average private Gross Development Value of c £425 per sq. ft.

Benchmark Land Value adopted by GVA of £75,000 per acre. This is 6 times the Existing Use Value of £12,000 per acre adopted in the review. The Review concludes that a fully compliant scheme is viable at this Benchmark Land Value.

Land at Chesterton Farm, Cirencester – August 2017

Benchmark Land Value: £150,000 per acre.

Strategic allocation in emerging Local Plan. 297.5 acres. Financial Viability Assessment linked to outline planning application.

The viability of the proposed scheme was found to only be marginally viable against the Benchmark Land Value and only based on delivering a reduced level of affordable housing at 30% against policy 40%. The Council's Local Plan viability adopted a Benchmark Land Value of £200,000 per gross acre. The scheme viability review on behalf of the Council identified that "for a site of this size with extensive infrastructure works and contributions which amount to approx. £42,000 per unit this should reduce the land value to between £150,000 and £175,000 per gross acre and still provide a competitive return to the landowner". Further discussions between the Council and the applicant agreed £150,000.

This is historic. The infrastructure cost is at the lower end of the Princes Risborough Expansion Area cost range and the scheme viability is marginal at a lower level of affordable provision. Accordingly, we would adjust the Benchmark Land Value downwards.

8.3.3 Land Transactions

Within the Princes Risborough Expansion Area, we are aware of the following land sales:

Land at Old Oak Farm, Longwick Road, Princes Risborough

Size: 44.5 acres within Princes Risborough Expansion Area

Price: £2,500,000 (£56,179.78 per acre)

Acquired by Persimmon Homes in January 2016

Planning Status at date of acquisition: pre – draft allocation - Wycombe Local Plan

Land to north east of Alscot Lane, Princes Risborough

Size: 16.5 acres within Princes Risborough Expansion Area

Price: £825,000 (£50,000 per acre)

Acquired by Messrs Brudenell/Whitehead in February 2017. Under option to Bloor Homes

Planning Status at acquisition: pre- draft allocation - Wycombe Local Plan

In the wider area we are aware of the following transactions:

Land off Lower Road, Stoke Mandeville

Size: 97 acres within AGT 1 (Vale of Aylesbury Plan)

Price: £7,250,000 (£75,000 per acre).

Acquired by Land Improvements Holdings in October 2017

Planning Status at date of acquisition: pre-draft allocation – Vale of Aylesbury Plan. The site is similar to Princes Risborough Expansion Area as this land is part of a wider garden town residential allocation requiring significant infrastructure investment.

The land prices of these sites are reasonable in the context of strategic land values being pre-draft allocation in the Local Plan reflecting an element of “hope value”. They do not reflect the value with the benefit of a Local Plan allocation. We therefore would adjust these values to reflect an increase in the level of development opportunity but in the context of the comprehensive Princes Risborough Expansion Area development, which whilst allocated, does not have agreed deliverability as the landowners and developers are not in full collaboration. There is no agreed delivery mechanism or agreement with the Local Authority.

Land parcel within Kingsbrook, Aylesbury

Size: 69.3 acres within the wider Kingsbrook scheme (757 acres).

Price: £7,000,000 (£101,010 per acres) reflecting terms of the Option Agreement.

Option Agreement with MV agreed at £120,077.71 per acre before 85% Discount and Promotion Costs.

Option exchange and completion to Barratt Homes in November 2019.

Within a similar market area, the following sites sold in the open market with the benefit of an outline planning permission.

Land at Lower Road, Stoke Mandeville

Size: 15.49 acres

Price: £14,007,000 (£904,260.81 per acre)

Acquired by Abbey Developments in March 2018

Planning Status at date of acquisition: Outline Planning Permission for 117 dwellings. 30% affordable housing. Section106 and infrastructure costs of approximately £22,222 per dwelling.

Land at Stanbridge Road, Haddenham

Size: 54.58 acres

Price: £30,010,000 (£549,835.10 per acre)

Acquired by Dandara in April 2017

Planning status at date of acquisition: Outline Planning Permission for up to 280 dwellings. 35% affordable housing. S106 and infrastructure costs of approximately £19,460 per dwelling.

For reference, these sales demonstrate achievable land prices with the benefit of a policy compliant greenfield scheme, deliverable by a single house builder and achieved in the open market. However, both are significantly smaller than the Princes Risborough Expansion Area with minimal infrastructure requirements. Therefore, they cannot be viewed as appropriate benchmarks. As a result of Covid-19, we might reasonably expect a slightly reduce value if transacted today based on greater levels of deferred payments and allowance for risk.

8.3.4 Minimum Price

We note the two examples below:

Wintringham Park, St Neots, Cambridgeshire

Acquisition of a one third partnership stake by Urban & Civic in this 400-acre (162.3 hectares) site with an allocation for development of up to 2,800 residential units, 63,500 sq. m employment space, a district centre and two primary schools. The transaction values a hundred per cent interest in the project at £40M, the equivalent of £100,000 per acre or £14,000 per unserviced residential plot.

This transaction took place in April 2017.

Land at Grove, Oxfordshire

Strategic site for c 1,500 units.

Minimum Price in promotion agreement: £125,000 per gross acre (index-linked). We are aware that this is now historic having been agreed approximately 10 years ago.

We do not have details of infrastructure costs relative to the examples above although acknowledge that both are strategic developments and are likely to carry significant delivery costs. Both reflect prices assuming a planning consent.

9 Conclusion

9.1 In our role as landowner advisors, actively participating in the negotiation of development agreements including for options and promotion, it is our opinion that minimum land values for greenfield developments including parcels of strategic schemes have, over recent years, been agreed broadly within a range of £125,000 - £250,000 per gross acre. There are exceptions either side of the range. Our experience includes agreements for individual and strategic settlements and where disposals are direct or via a master developer with sales of serviced parcels. Sites transacting now are likely to have been promoted, and with any landowner agreements negotiated, prior to the change in Planning Practice Guidance and less reliance can be placed on this evidence. From current discussions with development colleagues including those working in the strategic land market, there is an acknowledgment that Benchmark Land Values will reduce, and landowners' expectations will have to adjust to reflect the costs of full policy compliance. As evidenced, there is limited evidence of post-Planning Practice Guidance changes to draw on at the current time and we would expect a lag in market sentiment, however there is a discernible trend; note the North Essex Authorities Inspector's Examination and the Chiltern & South Bucks Local Plan both identifying £100,000 per acre, the latter with lower costs and lower affordable housing.

9.2 We have considered the evidence set in the context of the changing national policy landscape including the Planning Practice Guidance shift, other guidance, Local Plan and scheme viability assessments and market evidence. We note the withdrawn Homes and Communities Agency benchmark range of 10 – 20 times Existing Use Value which broadly aligns with the range of Local Plan viability benchmarks and levels of acceptable minimum prices pre the change in Planning

Practice Guidance. We acknowledge the downward shift in the level of Existing Use Value multiplier to reflect current guidance and delivery of fully compliant development.

- 9.3 We acknowledge the fact that there are key variables which make a marked difference to land value including levels of affordable housing, infrastructure costs, scale of development and stage in the planning process. Accordingly, evidence must be reviewed and adjusted for comparison. The Benchmark Land Value is therefore contingent upon it delivering the infrastructure required by policy.
- 9.4 We further place weight on the land sales that have taken place within the Princes Risborough Expansion Area with an upwards adjustment to reflect the allocation.
- 9.5 We would reasonably expect willing sellers to be incentivised by a land value uplift that significantly exceeds the Existing Use Value.
- 9.6 Accordingly, our opinion of Benchmark Land Value relevant to the Princes Risborough Expansion Area viability, and consistent with a policy compliant development, is that this should be £100,000 per gross acre.