Independent Review of Build Out Rates

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Annex A. Build out rates

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<td>Barking Riverside, LBBD (8,861 units)</td>
<td>1B - From outline permission granted to first detailed application</td>
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<td>Western Expansion Area, Milton Keynes (6,546 units)</td>
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<td>East Village, London Legacy Development Corporation (2,000 units)</td>
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<td>Wembury Park, Brent* (4,873 units)</td>
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<td>Aedric Grange, Wokingham (2,000 units)</td>
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Note: Stage 1 - from outline application to first detailed permission. Asterisk (*) denotes hybrid application. For Barking Riverside, the black bar denotes length of regulatory and build out stages prior to December 2017. The mean length of each Stage has been calculated for all London sites in the Molior dataset.
Annex A. Build out rates

Stage 2: Annual build out (units)

Note: Stage 2 - from first detailed permission to final completion (projected).

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Annex A. Build out rates

Great Western Park, South Oxfordshire

Note: Stage 2B - from first start to final completion (actual, projected). In some cases, original permissions may be revised or additional permissions submitted, which may result in projections not exactly matching the original site size. Dotted line and striped bars denote projected build out rate.
4 Great Western Park, South Oxfordshire 18/01/2018

Note based on site visit and briefing provided by the LPA

Background

Site details

Housing – 3,417 dwellings

Area - 1.8 sq km

Master Developer - Taylor Wimpey

Taylor Wimpey (TW) told us that Great Weston Park (GWP) is seen as 'how you can maintain output' on a site, thanks to cooperation and developer commitment.

Assumptions

Based volumes/prices on experience of big developments in Swindon/Bristol in recent years, where build out has been 200-300 per year. They expected 200-250/year at GWP; exceeded this due to demand (proximity to fast growing economies of London/Oxford).

Price reference

They use local market prices; they set prices below local market initially, with aim to get above market price over time as site is established. They are a ‘price taker’ and mortgage lenders play an important role in determining value.

New build premium

Normally 3-5% as they build for ‘core of market’ – the average home. New build stock has to sell so has to be priced competitively – second hand does not have that time pressure. Not 10-20% unless they are offering a markedly different product to the local market. Peak price on site now is £540k for a 5-bedroom property.

Options

Are triggered at granting of outline consent and post-S106 negotiation. The option sets a minimum price (per gross acre), and a negotiation takes place. In return for investment, the developer agrees to buy at 10% below market value or 15% of gross development value. They have to judge S106 costs, market potential etc. in determining price in option – arbitration takes place if this is not agreed.

There have been 16 reserved matters applications submitted relating to housing, with two currently under consideration.
### Outlets

They told us they delivered 50-60 units per outlet. They also referred to ‘factories’. For health and safety and capacity reasons, they have a production team structure that can deliver 60 units in multiples of 30 (up to 90 – they would recruit assistant site manager; up to 120 they would create additional team). At GWP, they have had 5 factories (3 large, 2 smaller), and 2 outlets. They told us that production, not sale, is the important factor.

Why couldn’t they just have more factories and deliver more homes to meet high demand? They wanted to limit capital exposure, and balance business by reinvesting in other sites. Timeframe of investment/return is 3-5 years.

### Constraints identified

#### Land ownership

TW’s involvement at GWP started in 1982 – a 20 year pre-application phase is not unusual for sites of this size, and £3-5m can be spent. This long timeline means that quick movements (e.g. ramping up build out) are “not easy”.

Originally, TW owned 90.35% of the site, David Wilson owned 9.65%. They serviced the site, and put in infrastructure with developers splitting the cost. Parcels sold to Persimmon (2012, 272 plots), Miller (2015, 163 plots), Bellway (321 plots over two tranches in 2014 and 2016). These developers were ‘likeminded’ in delivering place-making, community infrastructure, etc. Later on, part of the site was sold to HDD Ltd, who subsequently parcelled it up and sold part to McCarthy & Stone. If promoters own land the dynamic is different.

#### ROCE/business model

Sales to other builders on site reduce balance sheet exposure on the site and capital employed. There was a balance between market depth – which had been greater than anticipated – and physical ability of TW to deliver at high volumes. If 300/year had been limit of market, they would not have sold land on. GWP was ‘sucking in’ capital, which has now been released into the business.

The city expects return on capital in excess of 20% – releasing capital allows this to be realised. They have a 1.5-1.6 operation asset turnover; no return on strategic land; this results in a 1.2 return overall. They have an operational overdraft with nil borrowing at year end. They have a 3 year pipeline of permissioned/active sites; 7 years of strategic land. If they had unlimited land they would build up to capital constraints.