

**North Essex Authorities Section 1 Local Plan
Resumed Hearings
Statement to Matter 4: Build Out Rates
On behalf of Parker Strategic Land**

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Turley

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Client

Parker Strategic Land

Our reference

MATS3000

2 Dec 2019

1. Introduction

- 1.1 This Statement has been prepared behalf of Parker Strategic Land in relation to the shared Section 1 Local Plans for Braintree District Council ('BDC'), Colchester Borough Council ('CBC') and Tendring District Council ('TDC'), which are collectively referred to as the North Essex Authorities ('NEAs').
- 1.2 This Statement responds to the Inspector's Issues and Questions (Document IED019) for Matter 4 (Build Out Rates) of the resumed Examination hearing sessions. This Statement should be read alongside the earlier representations and other Statements submitted on behalf of Parker Strategic Land.

2. Question Responses

Q1: Would participants like to comment on:

a) The Homes and Communities Agency's paper *Notes on Build out rates from Strategic Sites (July 2013)* submitted with the comments on EB/082 from GL Hearn on behalf of Andrewsfield New Settlement Consortium and Countryside Properties?

- 2.1 It is understood that the note was submitted in isolation to support a position whereby new homes at the West of Braintree Garden Community (WBG) could come forward *at least* at the rate of 300 homes per annum suggested by the trajectory, and – on the basis of this note – potentially closer to 400 homes per annum.
- 2.2 We would observe that the note is now over six years old and is not transparent as to the '*current evidence*' which is cited throughout to suggest that the very largest sites (4,000+ units) could deliver in the range of 300-500 units per annum. Only a limited number of specific examples are cited as supporting evidence in this regard, and all appear relatively dated when compared to more recent evidence which has been added to the examination library.
- 2.3 The note itself arguably provides a stronger case for a build out rate in the order of 200 homes per annum, with the delivery of over 300 homes per annum appearing relatively uncommon. It appends a table of 16 sample sites, which built out an average of only 185 homes per annum over the historic period considered.
- 2.4 It is also important to recognise that this note was written at a different point in the market cycle, and at best speculates as to how a stronger market could operate rather than basing this on up-to-date evidence which is now available as a result of stronger market conditions in the last five years or so. We would also observe that the note is clear at a number of points in highlighting the importance of avoiding overly ambitious assumptions. We would concur with this recommendation and in this context the Inspector's initial view on the need to apply a more '*prudent*' assumption¹.

b) The Lichfields blogpost *Driving housing delivery from large sites: What factors affect the build out rates of large scale housing sites? (29 October 2018) [EXD/057]*?

- 2.5 We included reference to this report within our September 2019 representations, to highlight our concerns regarding the NEAs' proposition that it would be reasonable to depart from the conservative build out rate of up to 250 dwellings per annum advocated through the Inspector's interim advice.
- 2.6 Specifically, we observed that this update to the earlier 2016 Lichfields research (as critiqued in EB/082) found that larger sites of over 2,000 homes had seen a *fall* in their average build out rate, from 161 to 139 dwellings per annum. We noted that these averages were based on the incorporation of two additional years' data (2016-18) thereby drawing in a period in which national housing delivery had markedly increased relative to the timeframe previously drawn upon and used by Lichfields to inform the

¹ IED/011 paragraph 53

analysis in its 2016 study². This is helpful in the context of one of the stated points of concern within EB/082 that the rates in the 2016 research were potentially misrepresentative as they drew upon a period of suppressed market conditions. We note that this supposition has been similarly refuted by Lichfields³.

- 2.7 In reflecting more widely on the point of challenge raised by the NEAs in relation to this study, we would also note that over the course of a plan period it is reasonable to expect the market to experience stronger and weaker conditions. In its critique the NEAs appear to be suggesting that weight should only be applied to examples of delivery in periods of stronger market performance. This cannot be viewed as adequately representative.

c) The University of Glasgow report *Factors Affecting Housing Build-out Rates (February 2008)* appended to CAUSE's consultation response on EB/082?

- 2.8 We do not have anything specific to add regarding this report. We note that it has been referenced by CAUSE to express a need for caution with regards the application of a more optimistic build out rate of 300 homes per annum, as opposed to the Inspector's recommendation of 250 homes per annum. We share this concern as set out within our representations to EB/082.

- 2.9 We note that whilst the report is over ten years old, it was written at the peak of the previous market cycle, drawing on evidence prior to this peak and also in a similar context where the Government was evidently exploring ways to meet an ambitious national housing target. It is also noted that the report raises issues common to the Letwin review with regards the importance of recognising market absorption rates where a similar mix of housing product are developed simultaneously.

- 2.10 It is observed that EB/082 does not provide evidence to suggest that the proposed mix of homes across the Garden Communities will be exceptional in its diversity or that there will be a means of ensuring a differentiation of product between each community. This is considered further under our response to Q2b.

Q2: a) How many outlets would be needed at each of the proposed GCs in order to deliver: (i) 250 dpa (ii) 300 dpa (iii) 500 dpa

- 2.11 Within our September 2019 representations, we cited our review of the 2017 Annual Reports published by the top ten national house builders⁴ (by volume). This review considered the total number of homes built each year and the stated number of outlets to derive an average or typical rate of 45 dwellings per outlet per annum.

² MHCLG data confirms that national rates of delivery over the last three years have been the highest since 1991 with the exception of one year (2007/08). The same data confirms that in 2018/19 there were 241,130 net additional dwellings, 8% above the previous peak (2007/08) and 93% above the trough in 2012/13 (MHCLG, Housing supply; net additional dwellings, England: 2018-19, 14 November 2019)

³ Review of NEA Build Out Rates Topic Paper, September 2019 (appendix to Gladman's consultation response)

⁴ We noted that for the purpose of this exercise and recognising the likely make-up of the homes within the garden communities that Berkeley Homes were excluded as they have a bias towards London and are therefore less representative of schemes of this nature. Bloor homes were also excluded, on the basis that they are privately owned and do not produce annual reports to shareholders.

2.12 A similar exercise has been undertaken to update much of the analysis to reflect the availability of 2018 reports, as summarised at Table 2.1. It confirms that the average number of completions (including both market and affordable housing) per site across all housebuilders investigated was broadly consistent at **47 homes per sales outlet per annum**.

Table 2.1: Average no. of completions per sales outlet – Major House Builders

House Builder	Source of Information	Number of Completions	Number of Sites (Sales Outlets)	Average No. of Completions
Barratt/David Wilson	Annual Report and Accounts 2018	17,579	368	48
Persimmon	Annual Report 2018	16,449	360	46
Taylor Wimpey	Annual Report and Accounts 2018	14,933	256	58
Bellway	Annual Report and Accounts 2018	10,307	247	42
Bovis	Full Year results 2018	3,759	87*	43
Crest Nicholson	Annual Integrated Report 2018	3,020	55	55
Redrow	Annual Report 2018	5,913	132	45
Linden Homes (part of Galliford Try PLC)	Annual Report and Financial Statements 2018 (Galliford Try PLC)	3,442	85	40
				47

*Source: Turley analysis of published Annual Reports (2017 – 2018) *Bovis: 2018 presentation removes reference to 'sales outlet' (which was included in the 2017 report) The equivalent in the 2018 presentation states – 87 average sites for full year.*

2.13 This continues to indicate that an assumption in the order of 45-47 dwellings per output per annum remains reasonable.

- 2.14 The application of these indicative assumptions are considered to provide a useful broad indicator in direct response to the question posed. However it is acknowledged that build out rates will inevitably show a degree of variation across the country, will vary according to the housing market cycle and will vary based on specific issues unique to a particular site or developer.
- 2.15 On the timing in the current housing market cycle and the geographic location of the Garden Communities, as referenced in the preceding question, it is important to note that housebuilding is nationally at a very high level, with these rates therefore considered to be reflective of what has been a confident market performing strongly. It is also notable that during this comparatively strong part of the market cycle the North, South and Midlands have all followed a similar trend with regards rising rates, with the exception of London. Whilst it is recognised that the more localised housing market within which the Garden Communities are located is an area of comparatively strong market demand in this context there is no reason to suggest this rate of build out per outlet should be viewed as unduly pessimistic. Indeed, it is more likely to represent an optimistic rate over a full plan period which will undoubtedly contain a number of market cycles.
- 2.16 In answering the question, a simple application of the broad average build out rate per outlet to the stated rates of delivery would in simple and indicative terms suggest a minimum of:
- 5 outlets to deliver 250 dpa;
 - 6 outlets to deliver 300 dpa; and
 - 10/11 outlets to deliver 500 dpa.

Q2: b) Is there evidence to show that the required number of outlets could successfully operate at each GC?

- 2.17 It is imperative that the NEAs are realistic on the number of outlets that can simultaneously operate, and their individual output. Relying on unprecedented and potentially unattainable levels of development activity to meet housing needs plainly risks failing to meet these needs, and artificially downplays the required contribution from other sites.
- 2.18 From our experience, and in reality, there are relatively few examples of developments, even 1,000+ unit schemes, where there are more than 3 to 5 outlets building new homes at any one time. This is not to say there are not examples, but that there is an absence of a sufficient sample of comparable schemes which have demonstrated consistent delivery as opposed to a projection of future delivery to support, at this point in the plan-making process, a firm justification that a total of 18 outlets could successfully operate for a sustained period of time across the three Garden Communities.

- 2.19 In this context we consider that EB/082 does not provide sufficient evidence to confirm that more than 5 separate outlets could reasonably be expected to operate in parallel within each Garden Community. At Chart 8, it cites a single example in proximity where completions have been recorded to date, namely the former Severalls Hospital and Chesterwell sites which are collectively delivering little more than 250 dwellings per annum; a rate which should be considered in the context of presently strong market conditions and high local housing demand. A review of the 2019 Colchester land supply statement⁵ reveals that the former Severalls Hospital has three developers associated with the Phase 2 site, whilst Chesterwell (1,600 homes) has only two⁶. It is noted that whilst proximate these are separate sites yet are still only delivering close to the Inspector's previously recommended rate.
- 2.20 Outside of an absence of a justification based on actual evidence of other comparable precedents which have sustained delivery at the rate suggested, we also consider that EB/082 fails to present compelling evidence that specific circumstances have been identified for each of the Garden Communities that overcome the wide range of factors influencing market absorption and thus build out rates, which naturally impose a limit as noted within the Letwin Review cited in EB/082.
- 2.21 Firstly, whilst it is acknowledged that the three Garden Communities are to an extent dispersed, it is important to recognise that they share a housing market area on the basis of the Council's housing need evidence; a point recognised in section 9 of EB/082.
- 2.22 Secondly, there is insufficient consideration or evidence provided on the delivery strategies of each Garden Community in EB/082 to affirm that each site individually and collectively will provide a distinct and diverse mix of housing. As the Letwin Review identifies, this is a critical consideration in achieving higher rates of delivery and diluting competition between different outlets. EB/082 limits its evidence on this point to an identification that *'diversity of a housing type is a key principle of the Garden Communities'*⁷ and that Policies SP8-10 require *'a mix of housing types and tenures'* and an achievement of *'appropriate densities'*⁸. There is no evidenced affirmation of the form that this will take on each site, nor how the "master developer" model will ensure this is achieved with consideration to the offer across each of the Garden Communities and in the context of other smaller sites. The lack of specific evidence or detail in this regard prevents comparison between the three Garden Communities – and indeed the other smaller sites in proximity – and cannot provide confidence that such a large number of outlets can co-exist and successfully deliver.
- 2.23 Thirdly, no consideration has been given to how high rates of delivery across a large number of outlets could suppress house values. The viability evidence assumes that sales values align with current market prices. Retaining these values in the face of such significant competition can reasonably be seen as a challenge. The viability evidence highlights the sensitivity of the schemes to price, and it would therefore be reasonable

⁵ Colchester Borough Council '2019 Housing Land Supply Annual Position Statement' (April 2019)

⁶ It is noted that in the 2019 Land Supply Statement the Council includes forward projections which suggest the Severalls Hospital Phase 2 site is expected to deliver at 106 homes per annum and the Chesterwell site at 148 homes per annum. Even taken cumulatively this only totals 254 homes per annum.

⁷ EB/082 paragraph 7.8

⁸ *Ibid*, paragraph 7.9

to assume that individual outlets would need to protect pricing with the outcome being a reduction or constraining of build-out rates as opposed to seeking to maximise outputs in such circumstances.

- 2.24 Finally, it is also useful to consider precedent elsewhere with regards the treatment of new settlements in the plan-making process. In this regard the recent conclusions of the Inspector examining the Huntingdonshire Local Plan form an important context. Here the Inspector was presented with a trajectory for a strategic site for which annual completions were assumed to be consistently above 200 dwellings throughout the plan period and rising to a peak of 300 dwellings. He observed that:

“Taking account of evidence of past performance on sites in the District and comparison with sites in other parts of the region and nationally, this in itself is an ambitious rate of development”⁹

- 2.25 However, he proceeded to further observe that the trajectory also identified a number of other sites in close proximity, which were in parallel assuming high build out rates such that the cumulative impact of three larger sites averaged approximately 470 dwellings per annum and peaked at 585 homes per annum. He stated that:

“Whilst they would be separate sites and it is likely that a number of developers and sales outlets would be involved, this level of combined completions, particularly over such a sustained period of time, is not realistic”

- 2.26 The Inspector ultimately concluded that a *‘combined maximum rate of completions of some 300 dwellings per annum is more realistic given the evidence available’¹⁰*.

- 2.27 Within our submissions, we have previously identified other such examples of recent Local Plans which have considered the implications of a strong reliance on delivery from a number of large SUEs/sites. This includes the Local Plans for North Northamptonshire and Charnwood. In both instances, the optimistic assumptions originally made on delivery rates have been subsequently downgraded through plan reviews, with average build out rates being lowered to below 250 homes per annum¹¹. It is important to note that in arriving at a downgraded trajectory of development the Councils have had the opportunity to reflect on the progress of these large schemes following the respective plan’s adoption rather than rely on projections or aspirations.

⁹ Huntingdonshire Local Plan, Inspector’s Report 29 April 2019, paragraph 108

¹⁰ *Ibid*, paragraph 109

¹¹ Further information is included at paragraph 4.12 (5) of our September 2019 representations on behalf of Parker Strategic Land

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