

Homebuilding market study

Annexe F - Case studies

September 2008

OFT1020f

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F.1 INTRODUCTION

- F.1.1 We carried out a series of case studies with the aim of increasing our understanding of the practical issues in the homebuilding sector. In selecting the case studies, as well as ensuring a regional and national split, we also sought to use examples from as many differing types of homebuilding site as possible.
- F.1.2 We have not investigated the actions of a particular company or organisation – our purpose was only to gain a practical and real understanding of the whole development process and its impact on delivery. Evidence obtained in the case studies has been invaluable in informing our conclusions and recommendations.
- F.1.3 We have not verified the details we have been told by the homebuilders during the studies and have relied on the statements and literature provided by the homebuilders.

F.2 FAIRGROVE HOMES, GRANGE GARDENS, LOSCOE, DERBYSHIRE

F.2.1 Case study visit conducted 13 February 2008. For further details of site see (www.fairgrove.co.uk/locations/grange_gardens/gg_home.php)

F.2.2 Key issues addressed by this case study:

- Timeline of the development process
- Land supply
- Importance of local knowledge and the variety of homebuilders that make up the sector
- Barriers to entry
- Build out rates
- Use of MMC
- Investing in customer satisfaction

F.2.3 Fairgrove Homes (www.fairgrove.co.uk), based in Ilkeston, Derbyshire, is a small to medium scale homebuilder in the 20-50 homes per year category. The case study was focused around the site at Grange Gardens at Loscoe, Derbyshire, but as with a number of the other studies in this chapter discussion moves beyond the scope and limits of that site where appropriate.

F.2.4 The land at Loscoe Gardens was originally land (containing a small scale industrial building) attached to a house. The new development will eventually consist of 15 houses in a cul-de-sac setting.

F.2.5 The overall timescale for initial site development included eight months in the planning process from submission to approval; ten months of legal involvement with the seller prior to this and four months preparation to build once planning permission had been granted.

- F.2.6 In terms of finding new sites such as that at Loscoe Gardens, Fairgrove has one full time person employed on land acquisition for the company. Fairgrove places advertisements in newspapers, post leaflets through doors and studies the Local Development Framework and Regional Spatial Strategy for suitable opportunities. It also uses internet mapping technology to search for land and large gardens which may be suitable for development.
- F.2.7 Fairgrove's overall view at the time of the case study visit was that while suitable land is hard to come by, and finding it requires a great deal of effort, it is possible to find the land it needs. Fairgrove has a focused search area and considers that it needs a high level of local knowledge and contacts in order to obtain viable land.
- F.2.8 Due to its scale, Fairgrove does not consider that it can compete in competitive tenders for land with the bigger players in the homebuilding market. Fairgrove does, however, consider that smaller local homebuilders have advantages which the larger national firms do not have in terms of their local knowledge and ability to make a profit on a relatively small site.
- F.2.9 Fairgrove explained that it buys small plots of land. The minimum size it will buy is half an acre. The smallest development it has completed comprised five homes.
- F.2.10 Fairgrove stated that it does not buy public sector land because such plots are generally too large for an operator of its scale to handle.
- F.2.11 Fairgrove considers that it would be much more difficult to enter the homebuilding market now than when it started just over a decade ago.
- F.2.12 Fairgrove explained there are now up front costs of at least £10-£15,000 which must be spent on matters such as contamination reports on new sites. This cost must be incurred before the planning process can begin. Fairgrove also comments that there are expenses such as compliance with health and safety regulations which, while necessary, all add to the overall costs of a start up and therefore limit the potential for entry.

- F.2.13 Fairgrove runs a number of focus groups which include potential buyers, owners, estate agents, building societies and others to obtain general views on housing issues, particularly the type of homes participants would like to see developed in the local area. These groups have proved useful in planning developments.
- F.2.14 Fairgrove does not currently use MMC but considers that it is inevitable that it will have to adopt some aspects of MMC going forward. This is all the more likely given that energy efficiency requirements are becoming increasingly stringent. However, Fairgrove does not consider that homebuyers will pay the additional costs at present associated with sustainable and ecological homebuilding and considers this view is endorsed by the findings from its focus groups.
- F.2.15 Fairgrove considers the maximum build out rate on a site such as Loscoe Gardens would be around two homes per month. In part, this is due to the fact that it does not wish to expand to a scale which would require the use of alternative or additional sub-contractors to achieve higher build out rates. Fairgrove is comfortable with its long term relationships with existing sub-contractors.
- F.2.16 Fairgrove says it seeks to ensure that the home is as fault free as possible at hand over to the homebuyer. Fairgrove also stressed, however, that a large number of 'snags' cannot be detected until the home is occupied. Typical examples of such snags include electrical appliances not working properly or showers leaking after a period of use. Its aim is to rectify any problems as soon as possible and Fairgrove states it has one member of staff who, in addition to the role of ensuring homes are as fault free as possible prior to occupation, is also dedicated to handling any 'snags' that do occur.
- F.2.17 Fairgrove told us it has a system in place for obtaining feedback from homebuyers. Fairgrove says it uses this feedback to improve and maintain its service for future developments. It also has an awards scheme for sub-contractors which it considers has proved successful in maintaining quality.

F.3 FAIRVIEW NEW HOMES, DELTA APARTMENTS, AYLESBURY

F.3.1 Case study visit conducted 17 March 2008. For further details of site see www.fairview.co.uk/site.asp?area=buckinghamshire&article=delta.xml&page=site

F.3.2 Key issues addressed by this case study:

- Timeline of the development process
- Risk, reward and land supply
- Importance of local knowledge
- Build out rates
- Investing in customer satisfaction

F.3.3 The Delta Apartments were built upon the 3.5 acre site of a former Nestlé factory in Aylesbury between 2006 and 2008. The 136 unit development overlooks the Grand Union Canal and has many of the characteristics of a large number of similar brownfield developments in the South East of England and elsewhere. 90 per cent of Fairview New Homes Ltd's (Fairview) (www.fairview.co.uk) product is apartment developments. Fairview concentrates its activities in the South East and its developments are often marketed at commuters¹.

F.3.4 The Delta Apartments consist of a mix of two and three bedroom apartments located in six, separate, three and four storey blocks. Fairview confirmed that it first became aware of the possibility of the site being earmarked for homebuilding in June 2004. Fairview stated that as it possessed in-depth local knowledge, it undertook an internal risk and viability assessment on the site. This covered factors such as:

¹ For example, media advertising of this site has highlighted the proximity of the development to the railway station and the fact that the train journey from Aylesbury to London Marylebone is just 60 minutes.

whether the land would obtain planning consent; how many units could be built on the land; what the likely affordability requirements were; what Registered Social Landlords could Fairview work with; how enthusiastic were they likely to be and how much funding were they likely to have.

- F.3.5 Following a successful bid for the former Nestlé factory site, Fairview acquired the freehold for the land in August 2004. It submitted a planning application in June 2005.
- F.3.6 Fairview had bought the site without planning permission but confirmed to us that it took the view that it was highly likely that permission would be granted² and some preliminary building works were started in February 2006. Fairview's view proved correct and planning approval was received in April 2006. Agreements under Section 106 of the Town and Country Planning Act 1990³ were entered into during the same month.
- F.3.7 Fairview confirmed that it tried to match the build out rate on the development to the rate of sales. Many of the homebuyers were first time buyers.
- F.3.8 Fairview says it pays great attention to customer feedback and customer profiles. For example, sales staff are encouraged to ensure that homebuyers fill in a post occupancy questionnaire. Fairview stated that these techniques help it understand who its main customers are which, in turn, allows it to focus its marketing on likely homebuyers and informs decisions on what type of home it should build on a particular site.

² Fairview is set up on a sub-regional basis with land managers covering set local areas and it stressed the importance of local knowledge, particularly in the land buying process.

³ Section 106 (S106) of the Town and Country Planning Act 1990 allows a local planning authority (LPA) to enter into a legally-binding agreement or planning obligation with a land developer over a related issue. The obligation is sometimes termed as a 'Section 106 agreement'.

F.3.9 Fairview has its own internal 'white card system' for checking apartments before release. Fairview stated that an apartment will only be allocated a 'white card' and passed as in a fit condition for handover once a series of quality control checks have been undertaken and problem rectifications completed. Subsequently, a site manager checks that everything is to the satisfaction of the homebuyer six weeks after the moving in date and then again after six months.

F.4 ENGLISH PARTNERSHIPS DEVELOPMENT, UPTON, NORTHAMPTON

F.4.1 Case study visit conducted 3 March 2008. For further details of site see www.englishpartnerships.co.uk/upton.htm

F.4.2 Key issues addressed by this case study:

- Timeline of the development process
- Placemaking – architecture and neighbourhood design
- Land supply
- Planning timelines
- Risk, reward and land supply
- Build out rates

F.4.3 The site at Upton provided us with an opportunity to look in detail at a large scale English Partnership (EP) (www.englishpartnerships.co.uk) led development. This site is an urban extension which, when complete, will consist of 1,400 homes on a greenfield site on the outskirts of Northampton.

F.4.4 The development was particularly interesting in the use of a Masterplan and Design Code⁴ to guide the planning process. In addition, extensive environmental works, such as the flood risk work described below, were required before the land could be marketed for development.

⁴ A **Masterplan** is a type of planning brief outlining the preferred usage of land and the overall approach to the layout of a development. A **Design Code** is a set of illustrated design rules and requirements which instruct and may advise on the physical development of a site or area. The graphic and written components of the Design Code are detailed and precise, and build upon the design vision as set out in the Masterplan.

- F.4.5 As well as discussing the site with EP, we also contacted Cornhill Estates (now trading as Zero C Holdings) for the view of a homebuilder involved in the development of the site.
- F.4.6 After initial outline consent for the development was obtained, an Enquiry by Design was held for this site. This approach invites the stakeholders in a proposed development – the local authority, residents, homebuilders, landowners, voluntary groups, and representatives of employers and retailers, to collaborate in producing the Masterplan. EP consider that the consultation exercise revealed that substantial improvements in site layouts, sustainable mixed uses, viability of public transport and a 'sense of place' could be achieved. The consultation also assisted with the development of the Design Code to help guide the site development brief which was used by each homebuilder on the site when drawing up their plans.
- F.4.7 EP told us that by providing clarity and agreement on how the Masterplan's design quality would be delivered, the Design Code helped with the planning process by taking much of the confrontational element out of planning deliberations. In this case, the planning process from submission to approval, for the resultant amended outline application, took just 10 months in 2001 – considered a quick outcome for such a large site, and EP told us that individual sites on the development have generally taken less than the statutory 13 weeks to obtain detailed planning approval.
- F.4.8 The main concern with the site was the potential for flood risk. Remedial action needed to be taken but the cost was too large for homebuilders to cover themselves. This was resolved by EP undertaking the whole of the remedial and flood risk work. EP spent, in total, £24m on site infrastructure, major urban drainage works, and funding for matters such as a school, a bus route, parkland and various community services.
- F.4.9 The submission of a bid for a site such as this alone can cost in excess of £100,000. This can be a significant expense, particularly for smaller homebuilders, although some homebuilders will offset this cost by passing the risk on to sub-contractors. In this regard, they may bid on a

contingency basis whereby the sub-contractor will not get paid if the bid fails, but they will be paid more if it is successful.

F.4.10 Cornhill told us that while homebuyers welcomed the diverse architecture and the unique aspect of the development, it was disappointed with the premium which the quality of the design realised in practice. Cornhill considered that it was possible that there may be a higher premium associated with cutting edge design in other areas.

F.4.11 Cornhill also questions the level of build out rate specified in the contract between the homebuilder and EP. Particular problems arose as the decline in the wider housing market began to set in late 2007. The high build out rate stipulated in the contract increased the number of unsold properties with which homebuilders were left.

F.5 REDROW, THE VISION PROJECT, DEVONPORT, PLYMOUTH

F.5.1 The case study visit was conducted on 21 February 2008. For further details of site see www.vision.redrow.co.uk.

F.5.2 Key issues addressed by this case study:

- Placemaking / regeneration / mixed usage
- Land supply
- Barriers to entry / expansion
- Risk and reward
- New build premium
- Use of MMC
- Investing in customer satisfaction

F.5.3 The land which makes up the Vision site was previously a Ministry of Defence (MOD) storage site surrounded by a high security wall.

F.5.4 Redrow (www.redrow.co.uk) is developing the site for EP with EP retaining the ownership of the land. Redrow has been granted a homebuilders' licence for the land.

F.5.5 The Vision is a mixed use development site comprising both new homes and commercial premises. While primarily a regeneration project, The Vision project is also place-making in the sense that it will involve the rebuilding of the centre of Devonport. The 18-acre scheme will eventually feature more than 450 new homes, along with shops, offices and community facilities.

F.5.6 There are considerable expenses involved in bidding for a site. Redrow estimates that these costs are typically in the region of £100,000 for a project the size of The Vision.

- F.5.7 In Redrow's case, before incurring the costs involved in making such a bid, it determined where the opportunity to develop the land ranked against the other opportunities which were available to it at the time.
- F.5.8 Having made a decision to bid at Board level, it then put together a team with the necessary expertise. This team then carried out extensive market research of the local area and put together a bid package.
- F.5.9 Subsequently, a presentation was made, in competition with other homebuilders, to EP, the local authority and to other stakeholder groups with an interest (such as local resident associations). Redrow noted that the cost of putting together the bid was not recoverable in the event that the bid failed.
- F.5.10 Redrow observed that the time allocated for putting the bids together for projects such as this was relatively short. However, the selection process for identifying the successful homebuilder appeared to be much more protracted. Redrow noted that this delay can lead to uncertainty in the process and has knock-on consequences in terms of planning future work and developing the company's future land portfolio. Redrow commented that homebuilders need to know how much of their capital they are likely to be committing and do not want to have their cash flow tied up in anticipation of gaining a development contract which may not materialise.
- F.5.11 Redrow explained that it has involved itself extensively with the local authority and community stakeholder groups in Devonport. It is considering investment in the local provision of schools (helping to merge two schools that were failing into one and building a new primary school). In Redrow's view, improving education in the immediate locality will make the development more attractive to homebuyers from outside the immediate local area as well as benefiting the local community. Redrow will not be able to rely on sales to existing Devonport residents alone but will need to attract new people to the area.
- F.5.12 Redrow has a permanent facility on site which members of the public can visit to inspect the plans or talk to Redrow staff about issues

relating to the development (as well as to make enquires about buying homes on the site).

F.5.13 Redrow considered that the passage of the various planning applications had been relatively smooth on the Devonport site because of the level of stakeholder engagement and the 'placemaking' nature of the project.

F.5.14 Because this is a regeneration/place-making project, Redrow notes the profit margin it is expected to deliver will be lower than for a non-regeneration project. In Redrow's view, this exposes it to a greater level of financial risk than is the case on a more typical homebuilding project, particularly during a downturn in the market.

F.5.15 Referring to the recent downturn, Redrow commented that as demand falls and house prices fall that there would be an adverse impact on the rate of build out given that the main determinant on how many homes are built is homebuyer demand.

F.5.16 Redrow explained that the asking price of the homes for sale on the site is determined by looking at the price of the land, the cost of the build and local house prices. Historically a premium of 10-15 per cent has been added to reflect the fact that the homes on site are new builds.

F.5.17 With regard to MMC, Redrow stated that it has marketed itself in the past as a 'traditional builder.' Therefore, its reputation is not immediately compatible with MMC. However, Redrow will be using timber frame on the site. It had considered using pre-fabricated pods on the Devonport site. In Redrow's view, Government requirements concerning energy efficiency will result in the industry increasingly having to adopt MMC. Redrow noted, in this regard, that increasing the use of MMC, particularly pods, could result in greater standardisation in respect of the homes being built.

F.5.18 Redrow considered that the majority of problems with new homes were the result of pressure brought about by deadlines to complete homes by a certain time. Redrow does its best to ensure that any problems are identified before completion. However, it considers that it is inevitable that there will be problems which are either unidentified at the time, not

apparent at the time of inspection or are identified at the inspection but then not subsequently dealt with.

- F.5.19 Redrow issues consumers with a 'sign-off book' on moving in. The homebuyer receives a visit approximately a week after moving in to check whether they are happy and then a further visit approximately four weeks later to see whether there were any problems, such problems being recorded in the 'sign-off book'.
- F.5.20 Redrow staff deal with straightforward problems. The relevant sub-contractor is called in to deal with more complex problems such as structural, plumbing or electrical issues.
- F.5.21 Redrow considers that it is when sub-contractors are called in that difficulties tend to occur. This is either because identified faults are not rectified effectively or workmen fail to turn up. Redrow also noted that the customer relationship skills of some sub-contractors were not very good. Redrow commented that once the relationship deteriorates it tends to tarnish the whole of the homebuyer's home buying experience and undermines the homebuyer's confidence and satisfaction.

F.6 J & K BUILDERS, CAMBER SANDS, EAST SUSSEX

F.6.1 The case study visit was conducted on 27 March 2008.

F.6.2 Key issues addressed by this case study:

- Variety of homebuilders that make up the sector
- Barriers to entry and expansion
- Regulatory compliance and land supply
- Risk, reward and land supply
- Use of MMC
- Investing in customer satisfaction

F.6.3 J & K Builders (JK) describes itself as a small homebuilder producing, on average, around 20 units a year. Established in 1991, JK originally started out converting Victorian warehouses in Bermondsey, London. JK's next significant project was in Liverpool where it built executive apartments (in 2003/4). Its latest venture involves eco homes in Camber on the Sussex coast.

F.6.4 JK's business model is based on speculating about homebuyers' willingness to pay a premium for certain types of property (residential or commercial) and extracting value from the current planning system by building on land that has not previously been targeted for development by other homebuilders. JK does not, as a rule, bid for tendered development contracts and will only look to take on work where it is not in competition with another homebuilder. In this regard, obtaining land that is not subject to significant competition from other larger scale businesses is a constant constraint on JK's ability to expand its business. Competing for land would reduce the available margin and make it less attractive in terms of the prospective development's potential profitability to JK.

- F.6.5 JK explained that it has looked to overseas opportunities - which it has done with some success, particularly in Romania - because of the difficulty in finding viable land, the complexities of the regulatory framework and requirements that can be imposed on homebuilders (for example, the UK planning system, affordable housing requirements, section 106 agreements etc). JK indicated that it would take on work in the UK in the future if the opportunities presented themselves. In this respect, JK considered that a downturn in the UK economy could, as some construction companies exit the sector, create opportunities for it to complete unfinished homebuilding projects left by other homebuilders.
- F.6.6 JK initially entered the industry on a very small scale, starting with extensions and lofts and, contracting work for other homebuilders. Now, JK mainly uses the equity from the properties it has retained from previous developments to help finance its future development works.
- F.6.7 JK explained that the site at Camber is a result of JK seeing a gap in the market for such eco homes. However, JK has altered its plans because of the council wishing to impose an affordable housing element on the second half of the development. Rather than build 11 medium size properties, JK will now build four large properties and a hotel. JK indicated that it took this decision because the affordable housing element would have had too much of an adverse effect on JK's margin.
- F.6.8 JK considers it has embraced MMC / new technology and the green agenda but it has experienced some problems. JK said that its ideal homebuyer had to be 'understanding' and equally keen on such technology. This is because 'teething problems' were likely to be encountered by JK in getting to grips with the new technology.
- F.6.9 JK emphasised the importance of innovation and breaking new ground to its business. This was motivated more by personal philosophical commitment to such principles rather than market opportunities. In many ways, JK considered that it was making its own life more difficult because the technology it wished to use was largely untested. In addition, in JK's view, contractors often lacked the skills to fit it properly

and there were often new regulatory issues (for example, such as sound testing for wind turbines) that could increase costs significantly.

F.6.10 With regard to its work force, the issue from JK's perspective was finding the right quality of labour at the right price. In general, the workforce was not as well-qualified as it needed to be, particularly given the cutting-edge nature of some of the development work being done by JK on its sites.

F.6.11 In terms of customer care, JK has a 'hands on' approach with complaints being dealt with directly by the Directors of JK. JK do not have a formal customer care system but deal with complaints as and when they arise. JK acknowledged that the lack of a system for dealing with problems could create further problems. JK's view was that once a site had been finished, and the profit from the project banked, it was very difficult for the homebuilder to then return to the site to rectify subsequent problems. This issue was a particular concern to JK because some of the technologies it has used require ongoing maintenance.

F.7 THE CARVILL GROUP, WOODBROOK DEVELOPMENT, COUNTY DOWN

F.7.1 The case study visit was conducted on 13 May 2008. For further details of site see www.wood-brook.com/sections/default.asp?secid=1

F.7.2 Key issues addressed by this case study:

- Timeline of the development process
- Risk, reward and land supply
- Planning timelines
- Placemaking
- Regulatory compliance
- Investing in customer satisfaction / business models to improve customer satisfaction

F.7.3 The Woodbrook site forms part of the major new 200 acre Brokerstown Village development⁵ on the edge of Lisburn which will eventually contain over 2000 homes. The Carvill Group (Carvill) (www.carvill-group.com/site/default.asp?secid=home), which builds homes within a thirty mile radius of the cities of Belfast, Glasgow and Newcastle-upon-Tyne, is currently developing the first phase of Woodbrook. It has obtained detailed planning permission for the first 360 units which it states have been designed with the aim of providing variety, identity and a strong sense of place.

F.7.4 Carvill explained that when completed, Woodbrook will contain a mix of different types of home as well as retail units, office space, a school and community facilities. The development will include affordable apartments

⁵ An overall concept plan for the development was produced between the three developers: Carvill Group, Antrim Construction Company and Dingles Builders.

and a village centre with shops, community facilities, recreation area and children's playground.

- F.7.5 Carvill stated that it took out an option to buy 50 acres of the greenfield land on which Woodbrook has been built in 1991. The land was zoned for development in 1996. A design and preliminary planning process was undertaken over a period of years prior to final purchase of the land in late 2002. A planning application was then submitted in early 2003 and, following a very large number of stakeholder meetings, a final approval decision was issued and Article 40 agreement⁶ entered into almost three and a half years later in September 2006. Following this Carvill began building a mix of homes on the site ranging from 2 and 3 bedroom apartments to 4 bedroom detached houses.
- F.7.6 Carvill told us that it considers that the majority of its homebuyers are only interested in buying new homes and that the individuality of design of the homes at Woodbrook will be a key selling point. Carvill explained that seven architects from different firms worked on Phase I of Woodbrook to produce a variety of homes and, whilst highlighting that the quality premium of such homes is not always entirely captured by the homebuilder (in the sense that the homebuyer market often only realises just how good a place is five years after it has been built). Carvill consider that the only way to capture any of that value is to build up a reputation for high quality sites. In Carvill's view, this involves building up and maintaining a brand name⁷ within Northern Ireland where none of the major volume homebuilders are currently operating and where Carvill

⁶ Agreement made under Article 40 of the Planning (Northern Ireland) Order 1991 (similar to section 106 agreements in England and Wales). Eight acres of land has been made available to the South Eastern Education and Library Board (for a seven class primary school) and Lisburn City Council (for the development of a sports hall and playing fields). The developers are also financing the construction of the Sports Hall and all weather and grass playing fields.

⁷ Carvill informed us that it has sacked and replaced management companies a number of years after a development was finished in order to protect the Carvill brand name and spent £50,000 on security improvements at one development three years after it was completed in order to prevent vandalism.

estimates that less than five per cent of homebuilders build over 100 units per year.

- F.7.7 Carvill told us that it builds in the region of 300 units per year and carefully select its sub-contractors. Carvill stated that it employs its own dedicated maintenance divisions based in Belfast, Glasgow and Newcastle-upon-Tyne who are on 24 hour call out. Carvill informed us that the staff for these are picked not only for their technical ability, but also for their 'people skills' as they need to be able to create and maintain a dialogue and good working relationships with homebuyers who require their services as they are the first point of contact for anyone experiencing problems with a Carvill property.
- F.7.8 According to Carvill, the Woodbrook development is Northern Ireland's first eco-friendly neighbourhood, with the first phase looking to achieve a 'very good' EcoHomes⁸ standards rating⁹. Carvill stated that the development contains a number of advanced features designed to reduce energy use including a biomass district heating system. All the homes in the development will have their hot water and heat supplied by this district heating system, fuelled by locally sourced wood chip.
- F.7.9 Carvill explained that none of the homes at Woodbrook have been built using MMC which Carvill regards as more suited to the mass production of homes than the more individualised units it is building on the development. Carvill has looked at the possibility of using MMC on other developments in Northern Ireland but calculated that these could in fact be built more cost effectively using more conventional methods of construction.
- F.7.10 Carvill informed us that in order to assess what types of developments and technologies would work best within a Northern Ireland setting it regularly organises 'best practice study tours' (to destinations which have so far included London, Dublin, Rotterdam, Brussels, Antwerp, Berlin, Helsinki, Barcelona and Grenoble). Each tour is undertaken with a

⁸ Building Research Establishment's (BRE) EcoHomes scheme.

⁹ Homes built in Phase 2 will be super-insulated with even lower energy usage.

different focus and the architects, urban planners, community representatives and academics with which Carvill has relationships are invited to attend in order to meet with urban planners, highways agencies, etc., in the destination cities and to look at new developments.

F.8 JASON ORME, SELF BUILD, BEWDLEY, WORCESTERSHIRE

F.8.1 The case study visit was conducted on 22 February 2008.

F.8.2 Key issue addressed by this case study:

- Self build issues and processes

F.8.3 For Mr Orme¹⁰ and his wife, the main reason for becoming self builders was because existing properties or other new homes did not meet their requirements.

F.8.4 They also considered that there was a cost-benefit in undertaking self build and believed that by self building they would save around one third of the value of the home compared to the price asked by a homebuilder for a similar home. Although they noted that land price rises in recent years had eroded that saving to some extent, Mr Orme explained that he would not have been able to afford a similarly finished home if it had been built by a homebuilder.

F.8.5 According to Mr Orme finding a suitable site proved to be one of the most difficult parts of the self build process. It took around two years to locate an acceptable plot. It was eventually discovered by driving past the site. The plot was originally in the garden of a larger property and had existing planning permission for a further home to be built. This meant that Mr Orme and his wife only had to submit revised plans to the local planning authority for their own design after purchase.

F.8.6 Mr Orme explained that finding an appropriate plot requires motivation and willingness to compromise. He considers that land for self builders is available if they look hard enough and are not too wedded to their ideal requirements.

F.8.7 Mr Orme considers that self builders are normally in competition with other self builders and smaller homebuilders for sites. In his view, larger

¹⁰ Jason Orme is the Editor of Homebuilding and Renovating magazine.

homebuilders generally only become interested when the site consists of at least three or four plots.

F.8.8 Mr Orme stressed that you need to build up contacts to find good self build plots. In his view this is because generally all the good ones are sold before any large scale marketing takes place.

F.8.9 Mr Orme explained that, in the case of his self build, the planning authority was entirely happy with the design. In Mr Orme's view this may well have been due to the traditional design used. He also mentioned that a professional home design company was used to work up the design from an initial consultation with him and his wife and he believed that the company's experience in this area may have helped with the smooth running of the planning process. In Mr Orme's view, some planning departments are quite amenable to self build projects and often appear to like dealing with self builders as they appreciate the efforts that have been made with design issues.

F.9 CREST NICHOLSON, THE ATRIUM, CAMBERLEY, SURREY

F.9.1 The case study visit was conducted on 19 March 2008. For further details of site see (www.crestnicholson.com/TheAtrium).

F.9.2 Key issues addressed by this case study:

- Timeline of the development process
- Land supply
- Planning timelines
- Mixed use / placemaking
- Customer satisfaction and homebuyer expectations

F.9.3 This case study was focused around the Atrium, a mixed (retail and residential) site at Camberley, Surrey.

F.9.4 The Atrium project is a mixed use town centre regeneration project on a six acre site in the centre of Camberley. The project specification includes both a retail and leisure element in addition to the 217 one and two bed residential apartments (including 55 affordable shared ownership apartments) which Crest Nicholson Regeneration Limited (Crest) (www.crestnicholson.com) is building.

F.9.5 According to Crest, the land previously comprised retail units and surface car parks. The area had originally been identified by Surrey Heath Borough Council (Surrey Heath) (www.surreyheath.gov.uk) as suitable for development in the late 1980s. However, these plans had failed to come to fruition. Crest explained that it became involved with the project in 2002 following the compulsory purchase of the land by Surrey Heath. In addition, two 'infill' sites in the centre of the development which were in private ownership had to be acquired and integrated into the overall site. Subsequently, Surrey Heath invited bids for the rights to develop the site. Crest was selected as the preferred developer in 2003.

- F.9.6 The site is still owned by Surrey Heath. Crest was granted certain leases in relation to the residential elements of the project. Crest Nicholson has entered into an agreement with Standard Life that provides that Standard Life will fund the costs of construction of the retail/leisure element of the scheme. The construction work on the site is being carried out by Laing O'Rourke on behalf of Crest.
- F.9.7 Crest commented that the bidding process for sites such as this could prevent the successful development of such sites. In Crest's view, this was because homebuilders had to tie up significant sums of money in the bidding process. If the homebuilder's bid was unsuccessful these sums would not be recoverable. Therefore, if a homebuilder was not confident of being successful, it may well be deterred from bidding in the first place. Even where it was ultimately successful, Crest explained that it may take up to a year to find out. Crest observed that this could result in a homebuilder deciding not to bid for other projects because it was uncertain as to whether it needed to allocate funds to the project for which it had already bid.
- F.9.8 Crest explained that it lodged its initial application for planning permission in June 2004 and that all of the necessary planning permissions were in place by December 2005.
- F.9.9 According to Crest, in addition to the construction costs involved in building at the Atrium, it has also incurred significant costs in fulfilling the relevant section 106 agreements and agreements concerning feeder roads. In Crest's view, these costs can be difficult to predict at the outset. In addition, Crest noted the extra expenditure involved in having to make further planning applications in connection with the new feeder roads (these feeder roads already being a pre-requisite of the original planning application). Because of this additional cost, Crest suggested that the planning associated with these infrastructure issues should be dealt with in the initial part of the planning process. In addition Crest noted that it is often the case that the development function and the traffic function in the local authority reside in separate departments which may have different priorities in respect of the same development.

Consequently, Crest suggested that a more coordinated approach across the local authority's various functions would be of considerable benefit.

F.9.10 In Crest's view the prices commanded by the apartments on the site at the time of the visit reflected the prevailing market conditions in the locality. Crest explained that the asking price for apartments was based on the knowledge that Camberley attracted a relatively affluent homebuyer and demand for property generally outstripped supply. Therefore, property prices at the Atrium can command a higher price than similar properties built elsewhere. For these reasons, Crest did not consider that new build on the site was likely to have any significant impact on the local housing stock, either in terms of constraining or lowering house or flat prices.

F.9.11 Crest informed us that it carries out an independent consumer satisfaction survey six weeks after completion. Crest considered that satisfaction ratings of more than 85 per cent for developments such as the Atrium were extremely unlikely. This was because many of its homebuyers would be moving onto a building site and would therefore be subjected to the noise and dirt of the ongoing construction process on site. Crest also noted that many of the matters which annoyed homebuyers and affected satisfaction ratings were nothing to do with the homebuilder. For example, complaints about traffic congestion or commuting difficulties were given as common reasons for dissatisfaction.

F.10 MACTAGGART AND MICKEL, THE DRUM, BO'NESS

F.10.1 The case study was conducted on 15 April 2008. For further details of site see: www.macmic.co.uk/html/developments/drum3.asp

F.10.2 Key issues addressed by this case study:

- Timeline of the development process
- Planning timelines
- Importance of local knowledge
- Homebuyer expectations and service
- Investing in customer satisfaction

F.10.3 Mactaggart and Mickel (www.macmic.co.uk) described the Drum as a major six phase development of around 500 new homes on the former site of Drum Farm, located on the outskirts of Bo'ness in West Lothian.

F.10.4 Mactaggart and Mickel explained that in the first phase of the development it built 244 new homes. Mactaggart and Mickel believes it has sought to reflect the historical housing characteristics of Bo'ness whilst laying the foundations for what it considers will become a distinct community with a 'village feel'.¹¹ The homes have been designed in a rural style and the mix of homes built ranges from two-bedroom flats to four-bedroom detached houses.

F.10.5 The Drum won a Homes for Scotland design award.¹² Mactaggart and Mickel explained that it took six years from the land at Drum Farm being allocated in the Bo'ness Local Development Plan to the first sale of a new home on the land and a further seven years until the last unit on

¹¹ Phases 2 and 3 of the development will have more contemporary homes built by Ogilvie Homes and the Stewart Milne Group. Mactaggart and Mickel have completed the basic infrastructure for the whole development.

¹² Homes for Scotland Design Award in the Greenfield category 2007.

Phase 1 had been sold.¹³ According to Mactaggart and Mickel, this illustrates the long term nature of its involvement with the site which is still ongoing.

F.10.6 Mactaggart and Mickel considers that the timescale over which the next phase of the development will be built remains uncertain given delays and complications in getting the latest detailed proposals through the planning system. Mactaggart and Mickel comment that this is despite the land itself being included in the Local Development Plan and the development phase having the support of senior local planning authority officials.

F.10.7 Mactaggart and Mickel explained that in the early stages of the development, although it did not have any contamination and reclamation issues, it did encounter drainage issues which had to be dealt with and mineworkings, the location of which had to be established before the land at Drum Farm could be built on. In addition, an archeological dig had to be undertaken to establish whether any important Roman ruins lay beneath the site.

F.10.8 Mactaggart and Mickel informed us that because of the length of time this development has taken, much of it was completed before the current requirements concerning affordable homes came into effect, Although, Falkirk Council did insist on 20 per cent affordable provision from the outset which has been delivered through shared ownership and is 'pepper-potted' throughout the site. In Mactaggart and Mickel's view an 80/20 shared equity scheme for first time buyers or those moving to the development from an existing home with a Bo'ness postcode has also proved very successful.

F.10.9 Mactaggart and Mickel regarded in-house knowledge of housing demands and requirements in any local area¹⁴ as crucial to the success of a development such as The Drum. In Mactaggart and Mickel's view

¹³ Homes sold at an average rate of around 45 to 50 per year.

¹⁴ Geographically Mactaggart and Mickel prefer to focus upon an area stretching from the Ayrshire coast through Glasgow and its suburbs across to Edinburgh and East Lothian.

this is what can give local homebuilders an advantage over their competitors. According to Mactaggart and Mickel deciding what to build on a site is largely based on knowledge of what has previously sold well on similar sites in similar areas. In this regard Mactaggart and Mickel explained that it regularly undertakes sophisticated market research involving previous homebuyers to ask what they liked and did not like about the homes they bought.

F.10.10 Mactaggart and Mickel informed us that it offered a guaranteed moving in date on some homes if that was convenient for the homebuyer. In Mactaggart and Mickel's experience not everyone wants to make such a commitment, particularly if they are dependent upon the sale of their own home prior to moving. Mactaggart and Mickel confirmed that, in the main it did not fail to meet any of the moving in dates agreed, although it noted that delays can often occur due to factors such as the weather conditions in Scotland and waiting for certain utility connections and stated that any missed dates were due to such factors.

F.10.11 Mactaggart and Mickel informed us that during the two week period following the issue of a habitation certificate¹⁵ but prior to the homebuyer actually moving in, Mactaggart and Mickel sales staff are given a period in which to undertake further 'tests' on the home. These tests are conducted by Mactaggart and Mickel staff as though the new home was their own with a view to identifying and rectifying any snagging issues. If subsequent problems do still occur, Mactaggart and Mickel regard the speed of dealing with them as crucial to building and maintaining good ongoing relationships with its homebuyers.

¹⁵ A local authority habitation certificate is required for all new homes in Scotland. The certificate confirms that the new home has passed an inspection by the local authority building control department and is classed as officially fit for habitation.

F.11 EAST SHORE VILLAGE, SEAHAM, COUNTY DURHAM

F.11.1 The case study visits were conducted on 14 February, 5 March and 28 March 2008. For further details of site see:

<https://www.millerhomes.co.uk/explore/NorthEast/10309/> and www.haslamhomes.co.uk/Haslam/developments/index.cfm?content_id=EEF99213-B0D0-FA92-50E98EAB43DD446C

F.11.2 Key issues addressed by this case study:

- Timeline of the development process
- Placemaking
- Self build

F.11.3 East Shore Village was built on the site of the former Vane Tempest colliery in Seaham, County Durham, by a consortium of three homebuilders. Between 2003 and 2008 Haslam Homes (Haslam) (www.haslamhomes.co.uk), Miller Homes (Miller) (www.millerhomes.co.uk) and Yuill Homes (www.yuillhomes.co.uk) (the developing consortium) built almost 600 new homes on the 32.7 hectare site. As well as the housing built by the developing consortium, the development includes 26 self build plots, a number of retail units to serve local needs, a pub/restaurant, a residential extra care facility (delivered by Durham County Council and Hanover Housing)¹⁶, pedestrian / cycleway links and recreation / open spaces.

¹⁶ The developing consortium confirmed that all of the non-housing development could have been undertaken by itself but it proved more cost effective to sub-contract this work.

- F.11.4 One NorthEast¹⁷ confirmed that the Vane Tempest¹⁸ site had housed two mineshafts and associated facilities. The site was contaminated, heavily in places, and in 1996 was acquired by EP, as part of a nationwide portfolio of former coalfield assets, to be regenerated under the National Coalfields Programme¹⁹. Design work and further land assembly was undertaken before the site was transferred to One NorthEast in 1999.
- F.11.5 According to One NorthEast, it has effectively acted as an agent for EP since that time. In so doing, it has reclaimed the site and serviced it with some primary infrastructure. This work was completed in 2001.²⁰ Subsequently, it offered the site to the market on the basis of a two stage design and development competition process, completing in 2003. It entered into a development agreement (the agreement) with the developing consortium whose members were selected as the preferred homebuilders for the site. According to One NorthEast the preferred development consortium was chosen on a balance between suitability of design, likely impact on the economy of Seaham and financial return by One NorthEast, EP and Easington District Council.
- F.11.6 One NorthEast confirmed that the agreement provided the developing consortium of homebuilders with the building licence for the land²¹ in three rolling phases.²² The land was roughly split into three with each

¹⁷ One NorthEast is the Regional Development Agency (RDA) covering North East England - Northumberland, Tyne & Wear, County Durham, Tees Valley. The East Shore Village development was something of a pilot scheme for One NorthEast and lessons learnt from this (very successful) example have been used to inform and influence more recent projects involving regeneration of former colliery sites. For further information see www.onenortheast.co.uk/

¹⁸ Vane Tempest colliery closed in 1992, along with a number of other East Durham pits.

¹⁹ For further information see www.englishpartnerships.co.uk/coalfields.htm

²⁰ The site acquisition, reclamation of the land, installation of infrastructure (basically everything until the winning bid was selected) cost One Northeast around £6 million.

²¹ The developing consortium never owned the freehold of the land and it transferred from English Partnerships to buyers upon legal completion.

²² For example, Phase 2 could not begin until Phase 1 was half completed. This was a legal condition imposed by One NorthEast to ensure that the developing consortium completed the work to which they were committed and installed the required infrastructure.

homebuilder within the developing consortium obtaining around a third of the site, by area, and paying one third of the cost of acquiring the building licence. The homebuilders all built different types and styles of homes, (ranging from one bedroom flats to five bedroom houses) and different numbers of homes within each of the three phases of the development. In the view of the developing consortium this ensured that there was the best possible mix of property types and densities across the entire development.

F.11.7 The developing consortium members confirmed that the development was not subject to any requirements for affordable homes,²³ although this would be the case if the development had started at the time of the case study visits. Penalty clauses were however in place to ensure that the developing consortium built the type and quality of homes required by the agreement.

F.11.8 Haslam and Miller confirmed that the primary reason for the particular companies within the developing consortium coming together²⁴ was that each could concentrate on its own niche of the market and products.²⁵ In Haslam's view this ensured a comprehensive development with varying densities and a selection of homes essentially aimed at the needs of different homebuyers. Miller confirmed that this resulted in a wide choice of homes to meet local needs ranging from one bedroom flats to five bedroom houses.

Regeneration of Seaham

F.11.9 Yuill confirmed that a consideration that the developing consortium faced when entering into an agreement to build East Shore Village was

²³ Affordability was not considered a problem given price levels within the housing stock in Seaham at the time planning for East Shore Village began.

²⁴ Once its bid had been successful, the developing consortium entered into an 'inter-developer agreement' which enabled it to act as one legal entity and speak with one voice for the purposes of this particular development.

²⁵ For example, the units that Haslam Homes built on the site were typically the smallest and aimed at the first time buyer market, Miller Homes typically built three and four bedroom houses and Yuill Homes typically built the largest four and five bedroom houses.

whether the homes would sell as quickly and for as much as they envisaged. Yuill confirmed however that the developing consortium drew confidence from the regeneration initiatives which were taking place (see below) and benefited from a number of other factors which have a positive impact on sales. These included the prevailing level of demand for new homes at the time they were being built and the location of East Shore Village on the edge of Seaham. According to Miller this gave it the look and feel of being a new and separate village. In addition, Yuill explained that the developing consortium made efforts to create a sense of place through the design and landscaping of the site. This included commissioning a local artist to create sculptures based on marine life. Yuill believes that these sculptures helped connect the development with its location (on the seafront of the North Sea). As part of the design process the artist worked with local school children which helped engage with the existing community in Seaham.

F.11.10 According to One NorthEast, in parallel with the above, One NorthEast, and Local Government were taking steps to improve the infrastructure of Seaham.²⁶ This resulted in major improvements in the following areas:

- Transport. A new link road was built to the A19 which made Seaham more accessible and improved commuter times to the nearby major conurbations of Sunderland, Middlesbrough, Durham and Newcastle.
- Environment. Local beaches were cleaned up and colliery waste removed. The local authority has secured £2.5 million funding to complete the development of Seaham North Dock with a marina for commercial and leisure boats.
- Town centre regeneration. A new 110,000 square foot shopping centre, Byron Place, opened in 2007 in the centre of Seaham as a result of £18 million of investment by One NorthEast and Easington District Council. This is easily accessible from East Shore Village.

²⁶ Which began in the mid 1990s with a Durham County Council initiative called 'turning the tide'.

Self build

F.11.11 According to Haslam, the inclusion of self build plots within a portion of the site was not a requirement in the design and development competition process. It was simply included on the initiative of the developing consortium to broaden the appeal of the development to the widest possible range of potential residents. In the view of the developing consortium the inclusion of self build plots was a great success, with 100 per cent take up of the plots on offer.

F.11.12 All self builders were required to use a common set of materials.²⁷ They also had to follow certain common build details (such as door and window styles) to ensure that the quality of design²⁸ was maintained across the development. To assist self builders, the developing consortium made available on request the details of suppliers used by them for the entire range of materials used across the development.

F.11.13 According to Yuill, the final approval of any plot layout had to be agreed with the developing consortium prior to the submission of detailed planning permission to the local authority. Each self builder then had to start construction within a specified time period of detailed planning permission being approved. Miller and Yuill confirmed that the aim of this requirement was to ensure that build rate of self build homes, over which the developing consortium had no control, did not fall too far behind the build rate of the phase of the development with which their construction co-incided.

F.11.14 Most self builders had completed their new homes and the remainder were at an advanced stage of construction at the time of the case study visits. The developing consortium members informed us that the self build plots are located in one area, located at the south west corner of the development which means that if a unit takes longer to build than

²⁷ A common set of materials were used to create a sense of place and 'tie the scheme together'.

²⁸ All designs had to be approved by the developing consortium's architects using their 'design guide'.

originally envisaged, the ongoing construction work will not disturb people who have purchased homes from the developing consortium.

F.12 ANWYL CONSTRUCTION: TY NEWYDD, WREXHAM

F.12.1 The case study visit was conducted on 18 April 2008. For further details see www.anwyl.co.uk/build.asp?page=Ty%20Newydd.asp

F.12.2 Key issues addressed by this case study:

- Timeline of the development process
- Planning timelines
- Importance of local knowledge
- Risk and reward
- Build out rates (effect of shared sites)
- Regulatory compliance and land supply
- Regulatory barriers to entry and expansion
- Homebuyer expectations and service

F.12.3 According to Anwyl (www.anwyl.co.uk), the Ty Newydd site was previously an industrial packaging unit. Anwyl purchased 25% of the site from Redrow in May 2004. Anwyl informed us that its proposals for the site then went through ten planning applications, including an appeal, before an application was finally granted in January 2006. This was because various objections had been raised to the proposals by the local authority. These encompassed a wide range of matters including parking, sustainability and vegetation removal.

F.12.4 Anwyl explained that it bases its business in an area extending approximately 50 miles from its base in Rhyl, Denbighshire. Anwyl commented that there is a shortage of suitable land for development in the area. It added that local authority land, when available, often comes with an unrealistic price expectation. In terms of competition for land, Anwyl confirmed that it can sometimes be outbid by its larger

competitors. However, Anwyl believes, as a locally based homebuilder, it does have some advantages over larger players in being able to make quick decisions on potential sites. This can find favour with vendors. It also believes it is more attuned as to the types of homes which local homebuyers will find attractive.

F.12.5 According to Anwyl, the Ty Newydd site uses Anwyl's standard home designs which have been developed to reflect the requirements of the local authorities in the surrounding areas. Anwyl considers that local authorities can often try to dictate what is built on sites but homebuilders themselves have a much better knowledge of what sells and what people want in an area. According to Anwyl, at the Ty Newydd site, the local authority has insisted on a particular mix of homes. This mix was not the mix that Anwyl would have chosen as being viable for the local area. For instance, the local authority has imposed apartments on the development where, in Anwyl's view, there is no real history of demand for apartments in the local area.

F.12.6 Anwyl considers that its mix of homes and variety of sites helps it to spread risk, rather than focusing on one particular type of build. Anwyl also explained that it did not start building a particular property until it has a sale agreed, although groundwork is done in advance.

F.12.7 In terms of sales rates, Anwyl noted that, as a joint site with Redrow, the overall sales for the two homebuilders was likely to be higher than if one homebuilder had taken the whole site itself. In this regard, Anwyl estimated that, in normal circumstances, two homebuilders would achieve 60 sales a year whereas one would only get 30.

F.12.8 Anwyl believes that the costs incurred due to regulation and affordable housing can make sites lose their viability. Anwyl explained that for homebuilders in Denbighshire (where Anwyl builds around 30-40 per cent of its properties) affordable homes are required to be built in all developments of three homes or more. In Anwyl's experience, this has the effect of making some smaller developments unviable (particularly as the price paid to the homebuilder for affordable housing can be as low as 40 per cent of the open market valuation of the same home). In Anwyl's

view, one effect of this is that land may not come forward for development. Anwyl cited an example of this at a site in Whitchurch in North Shropshire where the affordable housing requirements, combined with other infrastructure costs, have created a reduced value for the land which means that the vendors are currently reluctant to sell.

F.12.9 Anwyl considers that entry into the sector would be very difficult for a new entrant now. This is mainly due to the substantial cash and working capital requirement but there would also be an impact from the increased legislative requirements which add to the costs and level of knowledge required by a new entrant.

F.12.10 Anwyl explained that it has invested in sustainable building as an experiment on one of its sites at Saltney in Flintshire. The results here were not reassuring for Anwyl in terms of the additional investment made. In Anwyl's experience homebuyers were not attracted to homes with solar panels preferring a more traditionally specified home, even when there was no price differential. Anwyl also made the general comment that it was difficult for a small company to invest in innovation.

F.12.11 Anwyl explained that it trades on its local reputation so customer satisfaction is very important to it. Its customer care procedure involves a site agent checking the home before the handover of a home to the homebuyer. The homebuyer then visits the property and signs off a home satisfaction checklist. According to Anwyl, at completion, the Anwyl representative will explain how the house 'works' and everything that may happen to it as it is 'lived in' (eg that plaster may crack as the house settles). In Anwyl's experience such explanations can often help avoid problems later as homebuyers are more aware of what to expect. The site agent then calls the homebuyer a month after completion to check everything is as expected.

F.13 GEORGE WIMPEY, THE BRIDGE, DARTFORD

F.13.1 The case study visit was conducted on 1 April 2008. The homes on the site are being developed by George Wimpey (South East) Limited (George Wimpey) (www.georgewimpey.co.uk), a subsidiary of Taylor Wimpey plc (www.taylorwimpey.com). Discussions during the visit took place with representatives of both George Wimpey and Taylor Wimpey. The term Taylor Wimpey is used below to describe those representatives. For further details of the site see www.thebridgedartford.co.uk.

F.13.2 Key issues addressed by this case study:

- Timeline of the development process
- Risk, reward and land supply
- Placemaking
- Importance of local knowledge
- Build out rates

F.13.3 According to Taylor Wimpey the Bridge is one of the first major regeneration projects underway in the Thames Gateway (www.thames-gateway.org.uk). It is a 264 acre mixed use site being developed by ProLogis Developments Limited, a developer of land and distribution space (www.prologisability.co.uk), and Dartford Borough Council (www.dartford.gov.uk). It will contain 1.5 million square feet of business space and 1,500 homes along with a primary school and will have access to a new 'Fastrack'²⁹ public transport system.

F.13.4 Taylor Wimpey informed us that it plans to build a total of 1134 new homes, with an additional phase of 366 units, producing 1500 units in

²⁹ This is a network of bus ways and priority lanes to link communities in the local area with local facilities and rail stations. The route linking the Bridge to the network was 100 per cent funded by ProLogis as developer of the Bridge site.

total at The Bridge. Some of these properties will include live-work facilities and Taylor Wimpey aims for each area of the development to have its own distinctive design and character.

- F.13.5 According to Taylor Wimpey, the land was brought forward for development by Dartford Borough Council in conjunction with ProLogis Development Ltd. Taylor Wimpey said it entered a tender bid process in 2003 to obtain the land. Taylor Wimpey explained that the scale of the development meant bidders would have to be of a certain size in order to be able to take on the project.
- F.13.6 As part of the development agreement, Taylor Wimpey will purchase the land for homebuilding on the site in stages. Taylor Wimpey purchased the land for the first phase of its development, 'Bridge Heights', in March 2007. According to Taylor Wimpey, ProLogis carries out all necessary infrastructure work so it buys the land 'oven ready' in effect with all necessary infrastructure in place, including the Fastrack public transport system.
- F.13.7 Taylor Wimpey considered the homes it is building at the Bridge to be an example of a new type of housing, a mix of tenures and styles of home which creates a community in itself. One particular issue that Taylor Wimpey said that it had encountered in this regard is establishing the right mix of tenure. As part of the development agreement, 30 per cent of the site is made up of housing association homes which are available to rent. In addition, around 30 per cent of the homes have been sold to buy to let investors in the first phase.
- F.13.8 Taylor Wimpey explained that the site is unusual in being bordered by a motorway bridge, power plant and water treatment works. However Taylor Wimpey stressed that its efforts made in terms of modern design, sustainability and community are expected to attract (in the early part of the development) what Taylor Wimpey terms 'pioneer' purchasers to the development. In Taylor Wimpey's view, the level of infrastructure and transport links provided are also key selling points (all homebuyers will have access to free bus transport on the Fastrack bus system and a high speed train link to London and the continent will also become available in

2009 from nearby Ebbsfleet). Taylor Wimpey considered that the use of modern technology is a major selling point. Each home has an electronic bulletin screen giving access to travel and local news. Taylor Wimpey said that all these elements are used in the marketing of the site to the purchasers that Taylor Wimpey hopes to attract.

F.13.9 In Taylor Wimpey's view, the competition for homes on the site comes from second hand homes in the local area and other new homes in the locality.

F.13.10 As noted above, George Wimpey is part of the Taylor Wimpey group. Taylor Wimpey explained that it operates in separate regional business units. Most decisions are made at the local level of operation (in this case George Wimpey (South East) Ltd). Taylor Wimpey explained that such local control is considered crucial for the success of the business in developing and managing sites such as the Bridge. Taylor Wimpey considers that local management has the most knowledge about what is appropriate in terms of homebuilding in a particular area and is able to use this knowledge to good business effect.

F.13.11 Taylor Wimpey confirmed that a minimum build-out rate of 227 per annum was specified by Dartford Borough Council as condition of the bid. Taylor Wimpey now considers this too high, due to the change in market conditions.

F.14 ST JAMES PARADE, CYFARTHFA MEWS, MERTHYR TYDFIL

F.14.1 The case study visit was conducted on 27 February 2008. For further details see www.stjamesparade.co.uk/developments.html.

F.14.2 Key issues addressed by this case study:

- Timeline of the development process
- Risk, reward and land supply
- Planning timelines
- Barriers to entry and expansion
- Homebuyer expectations and service

F.14.3 This site being developed by St James Parade www.stjamesparade.co.uk at Cyfarthfa Mews in Merthyr Tydfil is an example of a medium scale site (circa 47 properties) developed by a recent new entrant. St James Parade is a homebuilding company which was formally launched in January 2007 by three Directors, with two being former regional Managing Directors of Redrow. We were informed that the company was set up with the help of significant bank funding and is currently building on two sites in the South Wales area with three more under development.

F.14.4 According to St James Parade, the Cyfarthfa Mews site was a former colliery site which came to its attention via a local land agent who was aware of its interest in acquiring viable sites. The site came with the benefit of detailed planning consent for 27 four, five and six bedroom homes which had been obtained by a previous homebuilder. No work had started on the site and St James Parade determined that the mix was not right for the locality and submitted a revised scheme for 47 dwellings, consisting of a mix of one-bedroom to five-bedroom homes, in September 2006.

F.14.5 St James Parade explained that planning permission was granted by Merthyr Tydfil County Borough Council some eight months later in May 2007. St James Parade contend that part of this delay was caused by local opposition to the development and a last minute requirement for 'affordable housing' under a section 106 agreement. St James Parade added that affordable housing had not been required for the previous consent on the site and as such was an unbudgeted cost. St James Parade commented that its frustration with this issue was exacerbated by the fact that it considered its mix of properties was more affordable than the scheme previously consented.

F.14.6 St James Parade explained that it had also encountered difficulties with several pre-commencement conditions³⁰ which took a number of months to clear with the local authority. St James Parade commented that these months of delay are common in planning. They add to the uncertainty and delay of the planning process, and feed through into costs for the homebuilders.

F.14.7 According to St James Parade, the show home on the site was opened in October 2007. The first homebuyers occupied their homes in December 2007. According to St James Parade, planning delays with gaining consent, and clearing pre-commencement conditions created additional costs of around £100,000 in total or £2,000 per home.

F.14.8 St James Parade commented that the broad mix of homes on the site reflects its business plan which is based around building homes with an average selling price which is linked to average selling prices in the area of £170,000. Although there is currently a focus on 'family homes' in the St James Parade portfolio, the company also said there is an intention to include apartments and mixed use facilities. By having a wide range of developments, St James Parade aims to increase the spread of potential homebuyers and so reduce the risk it faces.

³⁰ Pre-commencement conditions require further details to be submitted for the approval of the local planning authority before the development is commenced.

- F.14.9 St James Parade considered that sufficient land exists in Merthyr Tydfil and the surrounding areas for homebuilders but there is still a significant amount of competition for sites. St James Parade considered that there is no evidence in the local area of excessive landbanking, or homebuilders holding land on option on a hoarding basis, creating problems in terms of availability of land for homebuilding. St James Parade identified the main constraints with regard to land coming forward for development as planning delays and funding.
- F.14.10 At the time of the case study visit in February 2008, St James Parade had stopped buying land until the economic position improved. Although noting that there are opportunities for homebuilders given the drop in land values, St James Parade considered there are also huge risks involved in having too much land in a downturn which it cannot afford to take given its position as a recently established entrant.
- F.14.11 St James Parade explained that it used its sales and marketing experience but also a 'gut feeling' about what would be right for the site when deciding which type of homes to build. St James Parade also conducts extensive market research in-house. This market research looks into issues such as schooling, retailing, hospitals and other local services. This is combined into a report which feeds into the development of the preferred mix of homes and pricing strategy for the site.
- F.14.12 St James Parade explained that it is constantly trying to improve its homes and service and learn from its mistakes. To this end, it not only relies on its industry knowledge but also analyses feedback from homebuyers and potential homebuyers obtained from the sales process and post occupation surveys. In this way, St James Parade has learnt from experience that certain features do not work. In this regard, St James Parade cited certain types of elevational treatments (the brickwork façade) or design of rooms as examples.
- F.14.13 St James Parade explained that it believed that direct contact with potential homebuyers and land owners / estate agents definitely helped the smaller locally based operator compete against larger homebuilders

for sales and also to purchase land. St James Parade said that it does not generally purchase public sector land as the process is often time consuming and involves many complex issues (such as extensive submissions, a need to provide financial track records, previous examples of schemes with eco-excellence ratings etc) which St James Parade considered makes it very difficult for a small company or new entrant.

F.14.14 St James Parade commented that it is not able to offer part exchange deals due to the high level of risk involved in such transactions. In St James Parade's view, in such deals, all of the homebuilder's profit is tied up in the homes which it has purchased. St James Parade added that this does make competition with the major players more difficult. This is because most potential homebuyers ask whether part exchange is available.

F.14.15 St James Parade considered that particular constraints for private homebuilders are based around issues of funding – difficulty of obtaining additional or new funding in the current credit market conditions and the difficulties created by the cut-backs in mortgage lending. In St James Parade's view access to finance for new homebuilders is a substantial barrier to entry. St James Parade doubted that a new entrant could now enter at the level it did in 2007 due to the lack of finance options. St James Parade also commented that factors such as eco standards and other regulatory requirements can have a general chilling effect on entry as their complexity adds to the costs which a new entrant would face.

F.14.16 St James Parade explained that it does not use MMC extensively in its homes at present but it does see its benefits. However, in St James Parade's experience the quicker build out involved with MMC is not necessarily more profitable. This is because the higher upfront costs of MMC (including interest payments on the capital outlay) are not offset by quicker sales. In St James Parade's view, the build out rate for a site such as Cyfarthfa Mews would normally be around 30 -36 properties per year and sales would not be increased by the quicker build out given by MMC production.

F.14.17 St James Parade stated that any problems which arise in terms of homebuyers' satisfaction with their homes are dealt with on site if the company is still on the site. In addition, St James Parade explained that it uses a dedicated homecare maintenance company which homebuyers can contact at any time if they have problems out of normal working hours or after the company has finished on site. According to St James Parade, all issues are always followed up by management and acted on as appropriate.

F.15 DANNY WARD, CUTHBERTS MALTINGS, DISS, NORFOLK

F.15.1 This case study visit was conducted on 15 February 2008.

F.15.2 Key issues addressed by this case study:

- Timeline of the development process
- Barriers to entry and expansion
- Regulatory barriers to entry
- Land supply
- Importance of local knowledge
- Placemaking
- Regulatory compliance and land supply
- Investing in customer satisfaction
- Homebuyer expectations and service

F.15.3 Danny Ward is a smaller developer (building on average around 20 properties per year) operating in a specific local area. This case study focussed on two sites, at Cuthberts Maltings and Tivetshall, but extended to other parts of Mr Ward's development area as appropriate.

F.15.4 The Cuthberts Maltings site is a conversion into residential homes of a former Maltings³¹ near the centre of Diss. The site was still under construction in February 2008 when the visit took place. The development consists of 28 properties split into a mix of houses and apartments. The land was previously owned by a brewer who put the land out to tender as part of a rationalisation programme.

³¹ A maltings is a building that houses the process of converting barley into malt as part of the brewing process.

- F.15.5 Mr Ward explained that he obtains land for housing such as the Maltings through a mix of contacts, reputation and local knowledge. Mr Ward was able to provide many examples of where he has worked with local landowners to bring developments on stream. In these instances Mr Ward considered that a larger homebuilder would not necessarily make these contacts or have been approached by the landowner, and that larger homebuilders may not necessarily have the patience or the local standing and ability to push through these smaller scale developments.
- F.15.6 The development of 16 houses at Tivetshall took place between 2005 and 2006. The land here was not allocated for housing development in the South Norfolk District Council local development plan. Mr Ward explained that when he was approached by the farmer that owned the land, he had to look for an innovative solution in order to bring the land forward for development. Mr Ward said he did this by presenting the local authority (and local residents) with a plan which included an affordable housing element and also provided the local community with a village green as part of the development. The village green necessarily limited the number of properties which could be included in the development but also, in Mr Ward's view provided a focal (and selling) point for the development
- F.15.7 Mr Ward considered that there is always competition for land, even single plots. In Mr Ward's view competition for these smaller sites comes from other small homebuilders and also self builders whereas larger scale operations become involved once sites reach the three and four plots size.
- F.15.8 Mr Ward explained that when deciding whether to go ahead with a development, his decision is guided by the overall housing market. Mr Ward said that he tries to operate up to one year ahead and have enough developments in hand to meet that forward requirement. According to Mr Ward, he does not seek to expand beyond his means and in operating in this way, he looks to minimise his risk.
- F.15.9 Mr Ward informed us that the majority of the financing of the Cuthberts Maltings site came from the mortgaging of property he has kept from his

previous developments. Mr Ward explained that he has retained a number of properties for rental which provide collateral for future developments.

F.15.10 At the time planning permission was applied for the Cuthberts Maltings site, Mr Ward explained that the local authority only insisted on affordable housing provision for developments of more than 25 plots. Mr Ward did consider limiting the development to below this but took the view that the local authority would insist on further development of the site to meet the affordable housing threshold. Therefore, he decided to take the initiative and submit the plans with the affordable housing element in place.

F.15.11 Mr Ward stated that he does not consider that it would be possible for someone to enter now as he had done over twenty years ago. In Mr Ward's view, this is due to both the higher initial outlay due to land costs and also the increased regulatory burden. Mr Ward commented that it can take two years to get from construction to sale which is a long time to tie money up (assuming finance can be obtained). Mr Ward considered that technical and regulatory requirements add to the complexities faced by new entrants.

F.15.12 Mr Ward considered that potential homebuyers in his local area have an expectation of the quality of the fixtures and fittings that will be present in a Danny Ward property. Mr Ward considers it crucial to his reputation that he meets those expectations. In Mr Ward's view, cutting corners (including fitting less expensive fittings) would soon impact on his reputation, potentially making selling the homes more difficult in the future. Mr Ward commented that although homebuyers may say they want a good quality home, they are often swayed by location and price over issues of quality. In Mr Ward's opinion, higher quality does not provide a premium in terms an increased sale price but can help secure some sales, particularly in a challenging market.

F.15.13 At present, Mr Ward explained that he does not use any MMC materials in his homes. He is not currently making any substantial preparations for the proposed introduction of zero carbon homes in 2016, but stated that

he will try to accommodate the changes within his existing building structures where possible (by increasing the use of insulation for example). In Mr Ward's view, such requirements add additional costs in terms of testing and monitoring as well as construction which have to be accommodated in the sales price.