

Haringey Self-Build Land Values Assessment



Prepared for
London Borough of Haringey

April 2019

Contents

1	Introduction	3
2	Methodology	5
3	Appraisals inputs	7
4	Appraisal outcomes and analysis	11
5	Conclusion and recommendations	13

Contact details:

Sacha Winfield-Ferreira MRICS
Senior Associate Director – Development
Consulting
BNP Paribas Real Estate
5 Aldermanbury Square
London EC2V 7BP

Direct line: 020 7338 4417
Email sacha.winfield-ferreira@bnpparibas.com

1 Introduction

- 1.1 The Self-build and Custom Housebuilding (Register) Regulations 2016 ('The Regulations') made under the Self-build and Custom Housebuilding Act 2015 ('SBCB Act') (as amended by the Housing and Planning Act 2016 ('H&P Act'), require most local planning authorities (defined as "relevant authorities") to maintain a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area in order to build their own home.
- 1.2 The Regulations set out the eligibility for entry onto the register at Regulation 4. Regulation 4 (3) sets out that, "*An individual is eligible [or an association where all individuals meet all of the eligibility requirements] for entry in Part 1 of the register if that individual [or association]:*
- (a) is aged 18 or over;*
 - (b) is a British citizen, a national of an EEA State other than the United Kingdom, or a national of Switzerland;*
 - (c) satisfies any conditions set by the relevant authority under regulation 5 (local eligibility conditions);*
 - (d) has paid any fee required by the relevant authority to be paid to be entered in or to remain on the register; and*
 - (e) is seeking (either alone or with others) to acquire a serviced plot of land in the relevant authority's area for their own self-build and custom housebuilding."*
- 1.3 As identified above, the requirements comprise "national" eligibility criteria set out by the SBCB Act as amended by the H&P Act, and "local eligibility conditions". The acts enable "*relevant authorities to include up to two optional local eligibility tests. These are limited to a local connection test¹ and a financial solvency test²*" (The National Planning Practice Guidance on Self-build and Custom Housebuilding ('NPPG') Paragraph 019).
- 1.4 Where relevant authorities choose to set a "*local connection test*" as part of their local eligibility conditions, they are required to split their register into two parts (Regulation 4 (5)). The NPPG identifies at paragraph 017 that applicants will be split between two parts of the register:
- "*Individuals or associations of individuals who apply for entry on the register and meet all the eligibility criteria [including local eligibility conditions i.e. both the local connection test and financial solvency test where applied] must be entered on Part 1*"; and
 - "*Those who meet all the eligibility criteria except for a local connection test [but including the financial solvency test] must be entered on Part 2 of the register.*"
- 1.5 The key importance of this information is that relevant authorities are "*required to count entries on Part 1 of the register towards the number of suitable serviced plots that they must grant development permission for*" (NPPG Para 018). The Council therefore needs to establish the level of demand for self-build housebuilding in their area and crucially, on which part of the list applicants are to be placed. As a consequence, it is essential that Councils are able to determine whether applicants are realistically able to finance the purchasing and delivery of a self-build site.

¹ Defined in the Regulations at 5 (2) as follows: A relevant authority may set a criterion whereby only individuals who meet such conditions as the authority reasonably considers demonstrate that the individual has sufficient connection with the authority's area, are eligible ("a local connection test").

² Defined in the Regulations at 5 (4) as follows: A relevant authority may set a criterion whereby only individuals who can demonstrate that they will have sufficient resources to purchase land for their own self-build and custom housebuilding, are eligible.

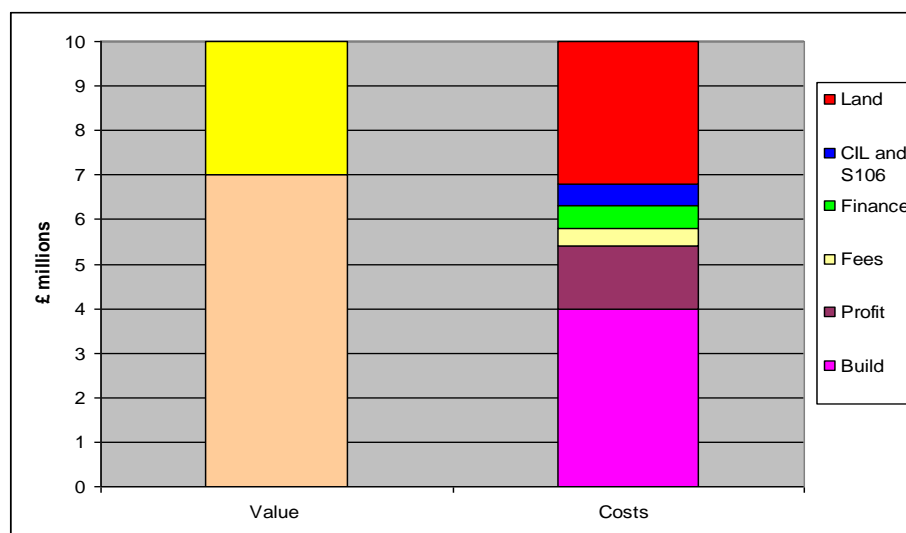
- 1.6 The London Borough of Haringey ('the Council') has commissioned BNP Paribas Real Estate to provide advice on land values for self-build sites throughout the Borough. The aim of the study is to inform the local eligibility test on financial solvency with respect to assessing whether a self-build register applicant can afford to purchase the land to build and occupy their own home in the Borough.

2 Methodology

- 2.1 The study utilises the residual land value method of calculating the land value of a range of self-build development typologies on sites throughout the London Borough of Haringey. In conventional circumstances, this method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for a site.

Approach to testing residual land values

- 2.2 Appraisal models assessing residential schemes can be summarised via the following diagram. The total scheme value is calculated, as represented by the left hand bar (the orange section being receipts from sales of private housing units and yellow being payments from a registered provider for the affordable housing). The model then deducts the build costs, fees, interest, CIL, Section 106 contributions and developer's profit. A 'residual' amount is left after all these costs are deducted – this is the land value that the Developer would pay to the landowner. The residual land value is represented by the red portion of the right hand bar in the diagram.



- 2.3 The NPPG identifies at paragraph 0.16 that the Acts provide “a legal definition of self-build and custom housebuilding, however do not distinguish between self-build and custom housebuilding and provides that both are where an individual, an association of individuals, or persons working with or for individuals or associations of individuals, build or complete houses to be occupied as homes by those individuals. In considering whether a home is a self-build or custom build home, relevant authorities must be satisfied that the initial owner of the home will have primary input into its final design and layout”.
- 2.4 Given this position, whilst the study utilises the residual land value method as explained above, it excludes a number of costs given that the units are to be delivered as self-build units. Firstly, self-build developments identified as coming forward in the Borough are likely to be below the affordable housing threshold of 10 units or more. Such schemes do not provide onsite affordable housing or financial contributions towards affordable housing. Secondly such schemes are capable of being exempt from paying CIL contributions if the Applicant builds or commissions a property for their own occupation. This is subject to the unit(s) being owned and occupied by Applicant(s) as their principal residence for a minimum of three years after the work is completed.

- 2.5 In addition to the above, in the assessment of self-build schemes developer's profit is removed as the purpose of the venture is for the Applicant's principal occupation of the property. It is not a business investment where they are incurring risk of sale or are seeking a return on an investment. Given this, it stands to reason that marketing agency and legal costs associated with the sale of the premises are not incurred either, and these costs are also omitted from our assessments of land values in this study.

3 Appraisals inputs

- 3.1 As set out in Section 2, our methodology follows standard residual appraisal conventions, with the exception of the stated excluded costs, using locally-based sites and assumptions that reflect local market circumstances and planning policy requirements. The study is therefore specific to Haringey and reflects the Council's planning policy requirements for self-build units.
- 3.2 We have appraised six residential development typologies, reflecting both the range of sales values/capital values and also sizes/types of development and densities of self-build development across the London Borough of Haringey. The Council has considered these in light of historic planning applications and knowledge of anticipated future self-build developments within the Borough. These typologies are therefore reflective of developments that have been consented/delivered as well as those expected to come forward across the Borough in future.
- 3.3 Details of the schemes selected for testing purposes are provided below in Table 3.3.1. A corresponding unit mix identified by the Council has been adopted, as shown in Table 3.3.2.

Table 3.3.1: Development typologies

Typology No.	Number of units	Housing type	Development density units per ha	Net developable area (ha)
1	1	House	240	0.006
2	2	Houses	240	0.011
3	3	Houses	240	0.016
4	4	Flats	340	0.012
5	1	House	100	0.011
6	1	Flat	340	0.003

Table 3.3.2: Unit Mix

Site type	1 Bed flat	2 bed house	4 bed house
Size (sq m)	50	79	115
1		100%	
2		100%	
3		100%	
4	100%		
5			100%
6	100%		

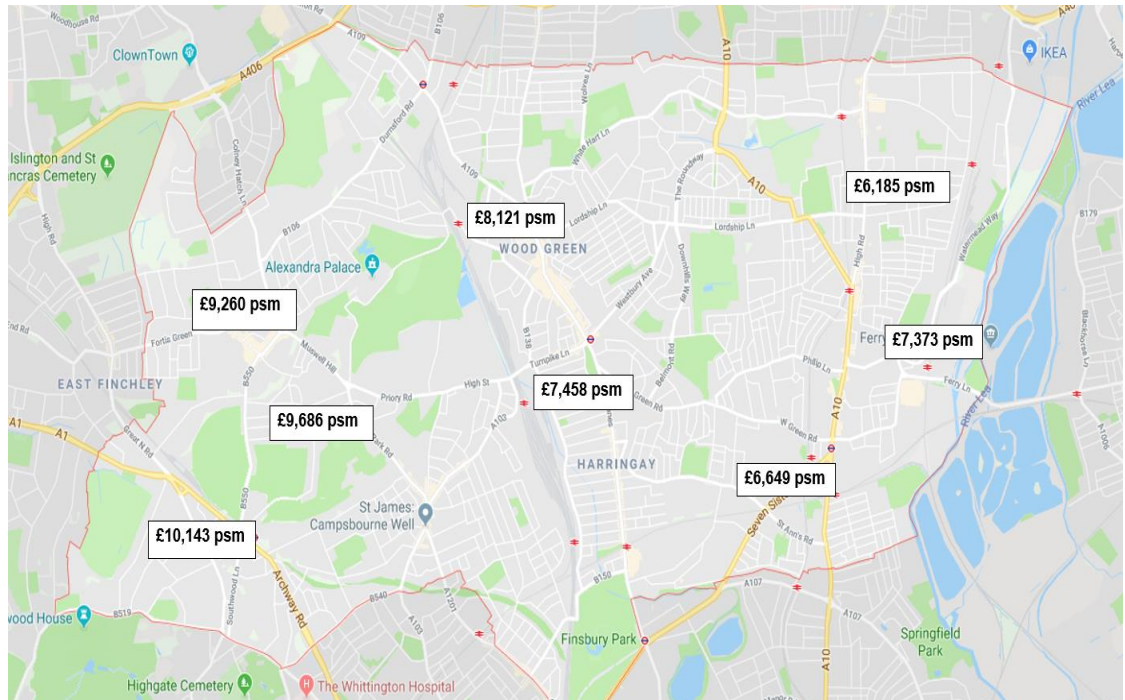
- 3.4 With respect to the size of units adopted in the study, these have been informed by the minimum gross internal floor areas set out in the London Plan, which conform with MHCLG's 'Technical Housing standards nationally described space standard' published in March 2015.

Residential sales values

- 3.5 Residential values in the area reflect national trends in recent years but do of course vary between different sub-markets. We have reviewed residential values throughout the Borough using online database sources including Rightmove and Land Registry and from discussions with active local agents. This exercise indicated that comparable residential units to those assessed in this study in the Borough attract average sales values of between

circa £6,189 per square metre (£575 per square foot) and £10,143 per square metre (£942 per square foot). The highest values in the Borough are achieved in the western wards (Muswell Hill, Highgate and Fortis Green) with the lowest values seen in the eastern wards (White Hart Lane and Northumberland Park) see Figure 3.5.1 below.

Figure 3.5.1: Average sales values across The London Borough of Haringey



Source: Map – Google, Values – BNPPRE research utilising data from Rightmove, Land Registry and advice from local agents

- 3.6 In light of this we have applied the average sales values set out in Table 3.6.1 in our appraisals, which reflect the range set out in Figure 3.5.1.

Table 3.6.1: Average sales values adopted in appraisals

Area	1 Bed Flat Ave values £s per sq m	2 Bed House Ave values £s per sq m	4 Bed House Ave values £s per sq m
White Hart Lane and Northumberland Park	£6,997	£5,708	£5,086
Seven Sisters, St. Ann's and Tottenham Green	£7,266	£6,894	£6,781
Tottenham Hale, Bruce Grove and West Green	£7,642	£6,216	£5,934
Haringey	£7,965	£7,266	£6,894
Stroud Green and Alexandra	£7,858	£7,799	£7,120
Hornsey and Crouch End	£9,149	£7,912	£7,799
Fortis Green	£9,472	£8,420	£8,773
Muswell Hill	£10,064	£8,477	£8,025
Highgate	£10,603	£10,455	£10,285

Affordable housing tenure and values

- 3.7 No affordable housing tenures or values are included in the typology testing. As identified in Section 2, this is as a result of the development typologies tested being below the unit number threshold requiring the delivery of affordable housing or contributions towards affordable housing.

Residential Build costs

- 3.8 We have sourced build costs for the residential schemes from the RICS Building Cost Information Service ('BCIS'), which is based on tenders for actual schemes³ adjusted to reflect local circumstances in Haringey. However, adjustments to the base costs are necessary to reflect other factors which are not included in BCIS. In addition to the build costs outlined below, our appraisals include a contingency of 5% of build costs, which is a standard market assumption to reflect the risk of potential unforeseen build costs. Our approach is set out in the following paragraphs.
- 3.9 **Houses:** we have used the mean average BCIS 'One-off' housing detached (3 units or less) – generally' cost, which is currently £2,654 per square metre for typologies 1,2,3 and 5. In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works and 2% for demolition and site preparation costs. We have assumed a gross to net ratio of 100%.
- 3.10 **Flats:** we have used the mean average BCIS 'Flats – 1-2 storey cost, which is currently £1,767 per square metre for typologies 4 and 6. In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works. Our appraisals assume a gross to net ratio of 83% for flats, to represent the amount of communal/circulation space required.
- 3.11 A further allowance of 4% has been included to account for sustainability and accessibility policy requirements. This is in line with advice contained in the GLA's Housing Standards Review Viability Assessment published in May 2015 and prepared by David Lock Associates with Hoare Lea and Gardiner and Theobald. This identified that, *"the estimated cost impact of the optional access requirements represents circa an additional 2-2.4% of base build cost for small low rise developments which is where the requirement for step free access to all homes is an additional requirement to current London Plan standards"*. It goes on to identify that, *"the estimated cost impact of moving to zero carbon homes in 2016 represents circa an additional 1-1.4% of base build cost."*

Professional fees

- 3.12 In addition to base build costs, schemes will incur professional fees (e.g. architect/design and cost of preparing and submitting a planning application etc.). Our appraisals incorporate a 10% allowance, which we consider to be a reasonable allowance for such schemes.

Development finance

- 3.13 Our appraisals assume that development finance can be secured at a rate of 7.5%, inclusive of arrangement and exit fees, reflective of current funding conditions, which we consider to be reasonable for such schemes.

Acquisition costs of land

- 3.14 Our appraisals deduct Stamp Duty at 5%, agent's fees at 1% and acquisition legal fees at 0.8% of residual land value. This is a cautious assumption as the stamp duty rate will change dependant on the nature of the land being purchased i.e. residential or commercial, and whether or not the purchaser currently owns another property or not.

³ We understand that such schemes in the Borough are likely to be Code for Sustainable Homes ('CSH') level 3.

Marketing and sale costs

- 3.15 Our appraisals do not include any allowances for marketing, agents' fees or legal fees as the property is not intended to be sold following completion.

Section 106 costs

- 3.16 To account for residual Section 106 requirements, in case there is any requirement for site specific mitigation, we have included a notional allowance of £1,000 per unit. This is an estimate and actual sums sought vary according to site specific circumstances, however the figure is considered by the Council and BNP Paribas Real Estate to be a reasonable proxy for such costs.

Haringey and Mayoral CIL

- 3.17 In line with the CIL regulations and guidance associated with self-build legislation which allows an exemption, no CIL charges have been adopted in our appraisals.

Developer profit

- 3.18 No developers profit has been adopted in the testing. As identified in Section 2, self-build developments are intended for occupation as a primary residence by the applicant as opposed to market sale. Therefore there is no risk associated with the sale of the unit.

4 Appraisal outcomes and analysis

Appraisal outputs

- 4.1 As previously identified we have modelled six typologies, reflecting the different densities and types of self-built development likely to come forward across the Borough, which are tested in the nine housing market areas identified in Section 3. The results of our appraisals are the residual land values (RLVs) that applicants would be required to pay to secure such sites for self-built residential development.
- 4.2 The results of our appraisals are presented in the matrix below (Table 4.2.1), setting out the RLVs for each development typology tested (from top to bottom) in each of the nine value areas tested (left to right).

Figure 4.2.1: RLV results from typology appraisals

Typo No.	Net Dev Area (ha)	Unit Mix	White Hart Lane & Northumberland Park	Seven Sisters, St. Ann's & Tottenham Green	Tottenham Hale, Bruce Grove & West Green	Harringay	Stroud Green & Alexandra Park	Hornsey & Crouch End	Fortis Green	Muswell Hill	Highgate
1	0.006	2 Bed House x 1	£132,860	£218,296	£169,475	£245,031	£283,390	£291,527	£328,142	£332,211	£474,604
2	0.011	2 Bed House x 2	£265,720	£436,592	£338,951	£490,062	£566,780	£583,054	£656,285	£664,422	£949,208
3	0.016	2 Bed House x 3	£398,580	£654,888	£508,426	£735,093	£850,170	£874,581	£984,427	£996,632	£1,423,813
4	0.012	1 Bed Flat x 4	£704,539	£753,586	£822,250	£881,106	£861,487	£1,096,909	£1,155,765	£1,263,666	£1,361,759
5	0.011	4 Bed House x 1	£128,711	£306,381	£217,546	£318,225	£341,915	£412,983	£515,072	£436,672	£673,565
6	0.003	1 Bed Flat x 1	£176,135	£188,396	£205,563	£220,276	£215,372	£274,227	£288,941	£315,917	£340,440

Appraisal analysis

Step 1: Average RLVs per Ha across the Borough

- 4.3 In order to compare the data from Table 4.2.1 across the different self-build schemes, we have analysed the results of our appraisals on a per Ha value basis. We set out this analysis in Table 4.3.1 below. We have then undertake further analysis on this data to establish the average value per Ha of self-built land in each value area. The results of this analysis identifies trends in values throughout the Borough.

Figure 4.3.1: Analysis of RLVs in £ per Ha

Typo No.	Net Dev Area (ha)	Unit Mix	White Hart Lane & Northumberland Park	Seven Sisters, St. Ann's & Tottenham Green	Tottenham Hale, Bruce Grove & West Green	Harringay	Stroud Green & Alexandra Park	Hornsey & Crouch End	Fortis Green	Muswell Hill	Highgate
1	0.006	2 Bed House x 1	£22,143,323	£36,382,668	£28,245,899	£40,838,517	£47,231,693	£48,587,821	£54,690,397	£55,368,461	£79,100,703
2	0.011	2 Bed House x 2	£24,156,352	£39,690,183	£30,813,708	£44,551,110	£51,525,483	£53,004,895	£59,662,252	£60,401,958	£86,291,677
3	0.016	2 Bed House x 3	£24,911,238	£40,930,501	£31,776,636	£45,943,332	£53,135,654	£54,661,298	£61,526,697	£62,289,519	£88,988,291
4	0.012	1 Bed Flat x 4	£58,711,618	£62,798,803	£68,520,863	£73,425,486	£71,790,611	£91,409,101	£96,313,724	£105,305,532	£113,479,902
5	0.011	4 Bed House x 1	£11,700,985	£27,852,798	£19,776,892	£28,929,586	£31,083,161	£37,543,887	£46,824,770	£39,697,462	£61,233,213
6	0.003	1 Bed Flat x 1	£58,711,618	£62,798,803	£68,520,863	£73,425,486	£71,790,611	£91,409,101	£96,313,724	£105,305,532	£113,479,902
Averages			£33,389,189	£45,075,626	£41,275,810	£51,185,586	£54,426,202	£62,769,351	£69,221,927	£71,394,744	£90,428,948

Step 2: Average plot values across the Borough

- 4.4 In order to establish an understanding of the minimum level of financial resources that an Applicant would need to acquire land in LB Haringey, we have further analysed the results. To determine reasonable plot values we have applied the average land values per Ha established in the Step 1, against a large, average and small site size (as identified by the Council in determining the self-build typologies). Table 4.4.1 sets out these results, which establish the RLV for the average self-built site expected to come forward throughout the Borough in terms of size and value.

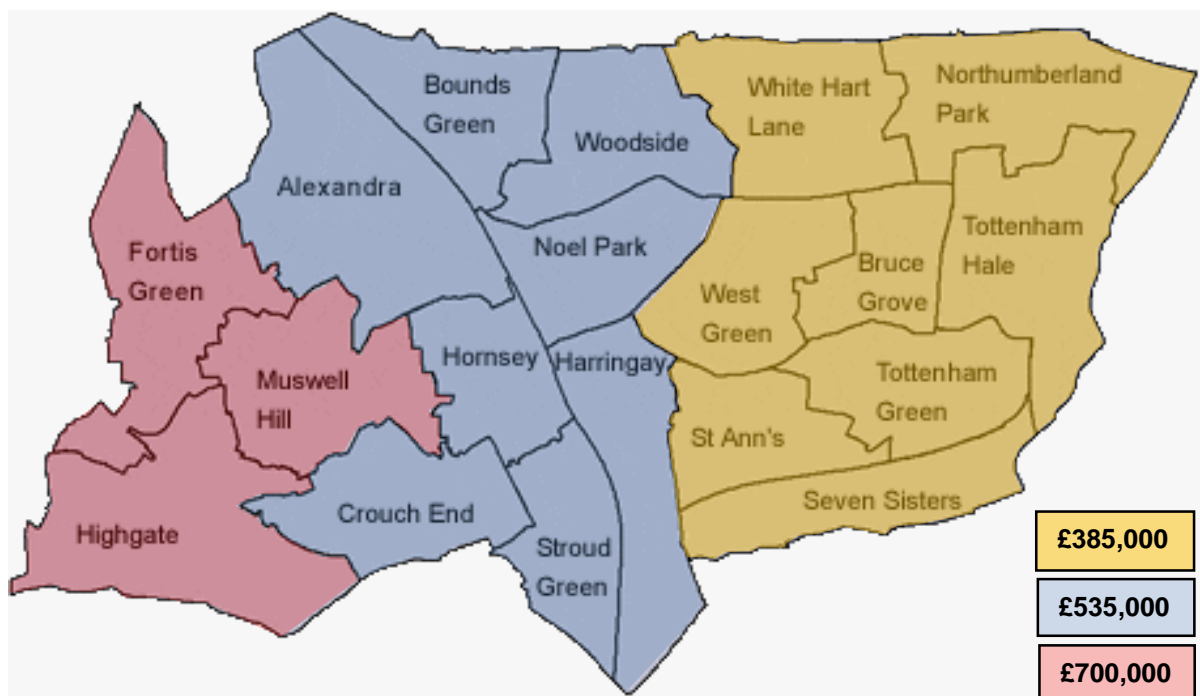
Figure 4.4.1: Analysis of average RLVs for self-build sites

Site Size (ha)	White Hart Lane & Northumberland Park	Seven Sisters, St. Ann's & Tottenham Green	Tottenham Hale, Bruce Grove & West Green	Harringay	Stroud Green & Alexandra Park	Hornsey & Crouch End	Fortis Green	Muswell Hill	Highgate
0.016	£534,227	£721,210	£660,413	£818,969	£870,819	£1,004,310	£1,107,551	£1,142,316	£1,446,863
0.010	£328,327	£443,244	£405,879	£503,325	£535,191	£617,232	£680,682	£702,048	£889,218
0.003	£100,168	£135,227	£123,827	£153,557	£163,279	£188,308	£207,666	£214,184	£271,287
	£385,000			£535,000			£700,000		

Step 3: Assessment of site values to establish approach to minimum Borough self-build values

- 4.5 In order to arrive at appropriate threshold self-build plot values, we have regard to the average site size plot values set out in Table 4.4.1 above. As previously identified, these results illustrate value trends across the Borough, which we have considered when establishing our recommendations for average sites' values across the Borough.
- 4.6 In arriving at our advice on recommended average values of self-build plots in the Borough, it should be noted that these will only ever reflect an average site size and likely site values. However, we understand that the Council requires an understanding of a minimum financial threshold that an applicant would need to evidence in order to demonstrate sufficient financial resources to acquire land for self-build.
- 4.7 In light of the above we consider that the Borough can be split into three value areas for self-build sites, as demonstrated in the Map set out below at Figure 4.7.1.

Figure 4.7.1: Map of recommended self-build value areas



5 Conclusion and recommendations

- 5.1 In determining our advice on appropriate levels of sufficient financial resource required to acquire land for self-build by potential register applicant we have based our assessment on current costs and values only.
- 5.2 The results of our assessment have established three value areas across the Borough, which are as set out in Figure 4.7.1 in Section 4. These figures range from £700,000 to £535,000 to £385,000 per site, with higher values being achieved in the western wards of the Borough and the lower values in the eastern wards of the Borough.
- 5.3 We would reiterate our previous comments that these values are predicated on an average site size and there will be variance in values within the identified areas, based on site size, density of development and micro-location. Notwithstanding this we appreciate that the Council is seeking advice on a minimum threshold land value, which we consider these results will appropriately provide.
- 5.4 Should the Council be minded to adopt a simpler approach of a single threshold land value, similar to the approach adopted by the London Borough of Camden. We would recommend adopting a single threshold value for the entire Borough of £330,000 per site. This reflects a cautious approach as it is the minimum land value identified against the average site size in the lowest value area in the Borough (rounded).