

LOADSA MONEY £££££

We have in the past promised to show you the obscene amounts of cash sloshing around large housing development projects.

The following data is based on the 2018 detailed analysis and valuation model by the Investment Property Forum, and we have used the Rook Farm site as our example as we know something about it from the previous development application (which was not approved.) We have tried to avoid the technical jargon used in the industry.

The Rook Farm site is 11.8 hectares, and is worth approx. £437k as farmland.

A normal housing density is between 30 and 40 units per hectare. We have used the lower number.

Therefore, the Rook Farm site would have 354 units, and we have assumed an average selling price of £320k per unit, although in reality this could be higher or lower.

Based on the IPF model, the numbers look like this:

Total selling price when site is fully developed	£113,280,000
Less:	
Building costs 30%	(37,760,000)
Infrastructure and other costs 30% of build cost	(11,328,000)
Interest payments (estimated)	(2,500,000)
Developer profit 15% of sales value	(16,992,000)
Amount left over: Residual Land Value (excluding land purchase costs)	£44,730,000

This is the number which lights everyone's eyes up ! It is subject to negotiation between the developer, the landowner, and Havant Borough Council (through S106 and Community Infrastructure Levy contributions.) And, of course, everyone is working to maximise their cut.

The huge sums here have also attracted a new group of companies as 'permission brokers' – who sit between the landowner and the developer.

Now, let's extrapolate this model to the complete Local Plan – 8500 new homes. Please remember these numbers are approximate, but they do demonstrate the scale of the amounts involved.

The sales value could be up to
£2.7 billion
and the Residual Land Value
£900 million

Looking at it on a national scale, the numbers are astronomic.

The numbers are so large that Central Government are now paying attention, and are planning to take a significant cut of the Residual Land Value for themselves, as proposed in the 2020 Planning White Paper.

All these monies, of course, come out of the unsuspecting house buyers' pockets, and effectively constitute another hidden tax which they have no control over.

As residents we should be concerned that Havant Borough Council will get used to this huge revenue stream to fund its operations. What happens when it dries up?

You can do your own analysis by going to the Investment Property Forum website www.ipf.org.uk and search for: residual-land-values--measuring-performance---investigating-viability--april-2018--full-report.

Save Our Island Group www.saveourisland.org.uk