

Developing Difficult Sites – the UK experience



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- Masterplanning developer and asset manager
- Experience examples
 - Current promotion of Wisley Airfield Surrey England - 2,068 housing units with school and shops – estimated Gross Development Value (post construction) GDV1bn
 - Current promotion of Redhill Aerodrome Surrey England – 4,500 housing units estimated Gross Development Value c. GDV2bn
 - Promotion and management of Airfields on Isle of Wight, and former Naval Air Station on south coast of England
 - Promotion of landfill site in Reading for 750 housing units

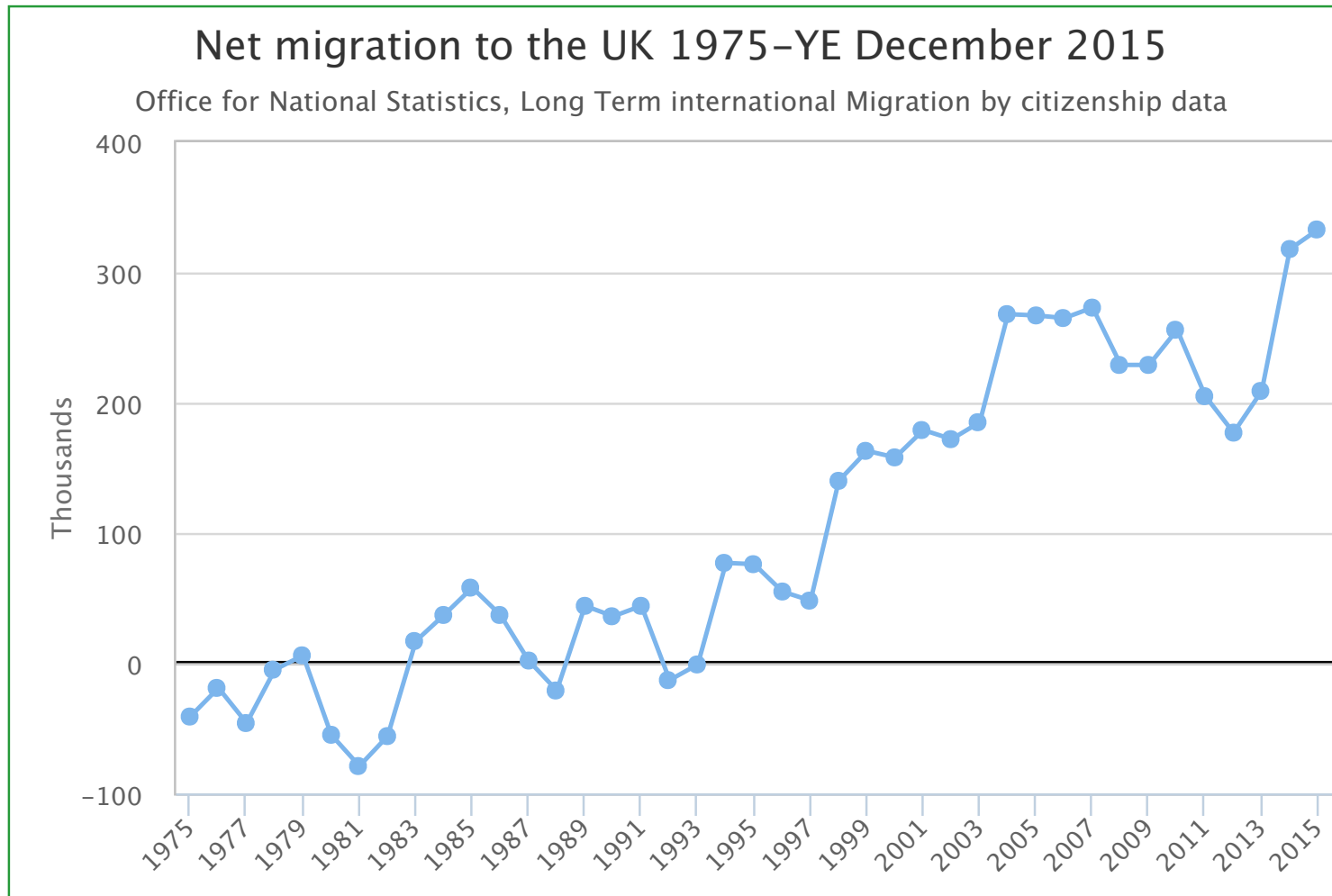
- Brownfield site regeneration in the UK
 - How opportunities arise – exploiting change
 - Before and after - value uplift through permitting
 - Development viability –market demand & need
 - Fundamentals
 - Site Management
 - Appraisal and Due Dilligence
 - Process (and patience)
 - Dealing with people

How opportunities arise - exploiting change

- Demographic and population change
- Strong economic growth in South East England
- Conservation pressure
- Competition for land
- Regulatory change and drive to make best use of available land

- Population changes leading to significant changes in demand
 - UK economic success in EU context, new entrants to EU (eg Poland) and free movement of labour, plus globalisation (subcontinental immigration) = historic increase in immigration into the UK
 - Migration to SE England from less affluent locations – concentration of wealth
 - Demographic changes leading to more, smaller, households
 - Increased life expectancy
 - Social changes – divorce, single parent families
- Historic resistance to new housing from residents and authorities keen to conserve amenity and value
- Supply and demand imbalance + cheap debt = house price inflation

More people living in the UK



Smaller Households

Table 3: Households by household type in 1996, 2005 and 2015

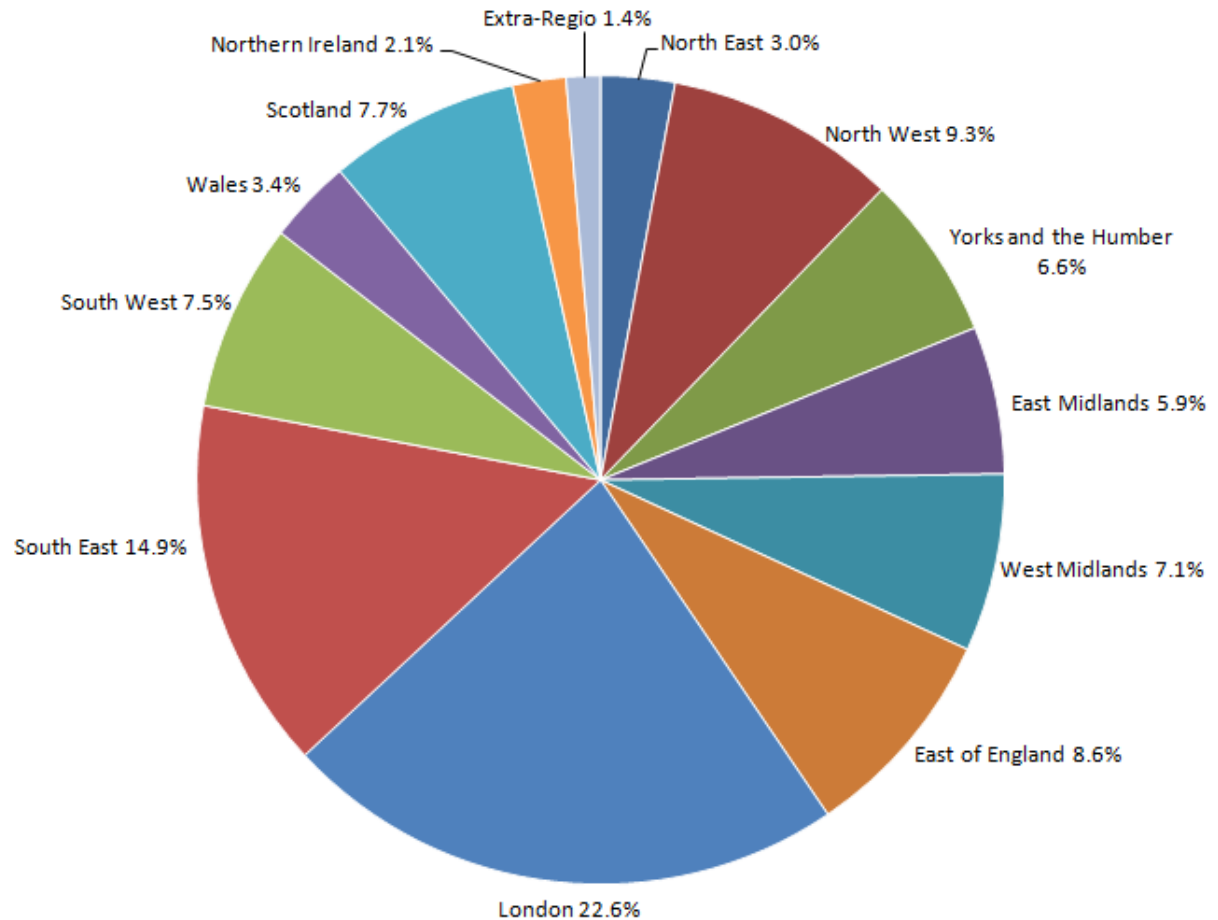
UK

	Millions					
Year	One person households	One family household: couple*	One family household: lone parent	Two or more unrelated adults	Multi-family households	All households
1996	6.6	13.9	2.3	0.7	0.2	23.7
2005	7.2	14.5	2.6	0.8	0.2	25.2
2015	7.7	15.3	2.8	0.9	0.3	27.0

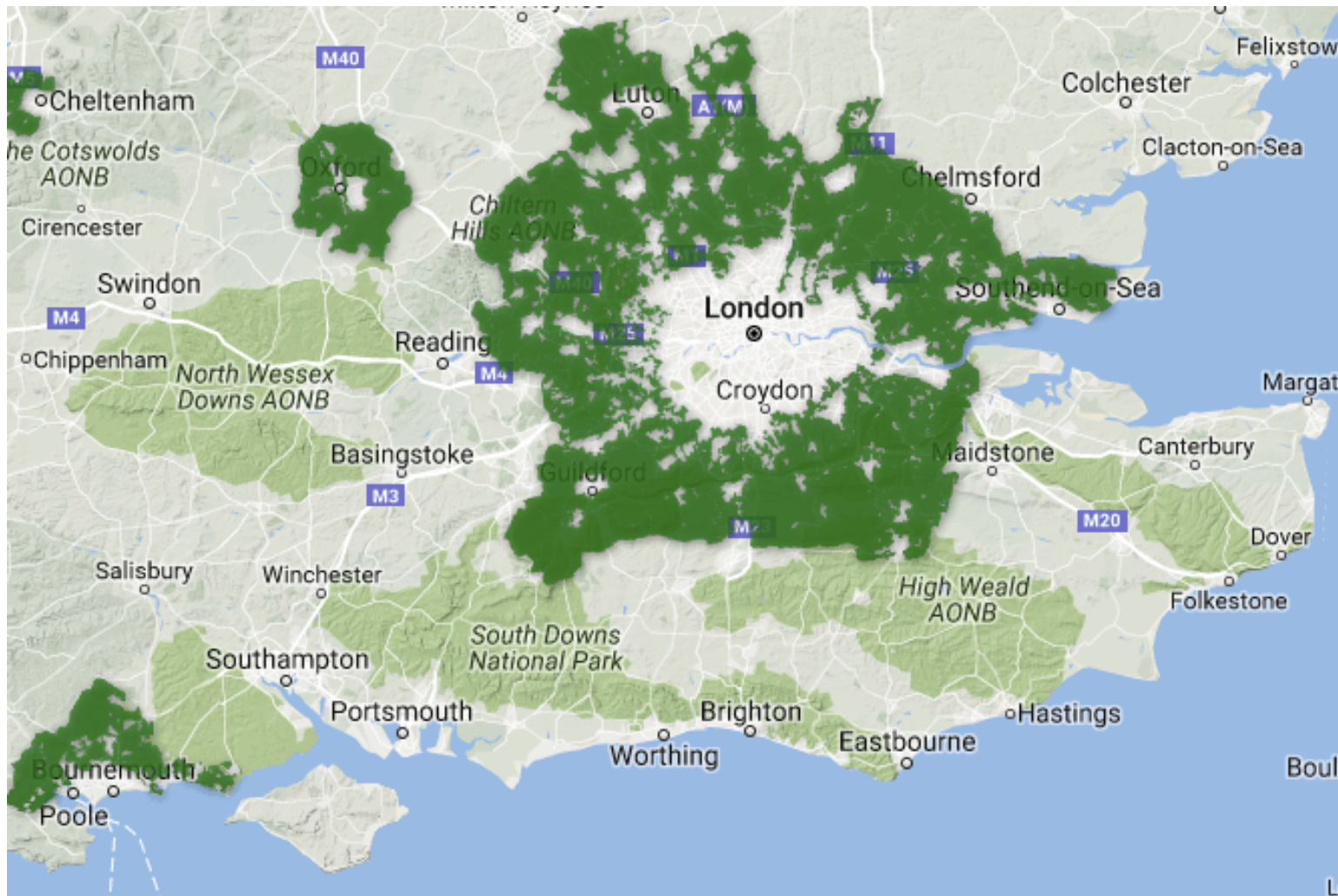
Source: Office for National Statistics

Strong economy in South East England

- 78% employment
- 1.3% benefit claimant rate
- Over a third of UK economy in London and SE



Greenbelt / Areas of Outstanding Natural Beauty

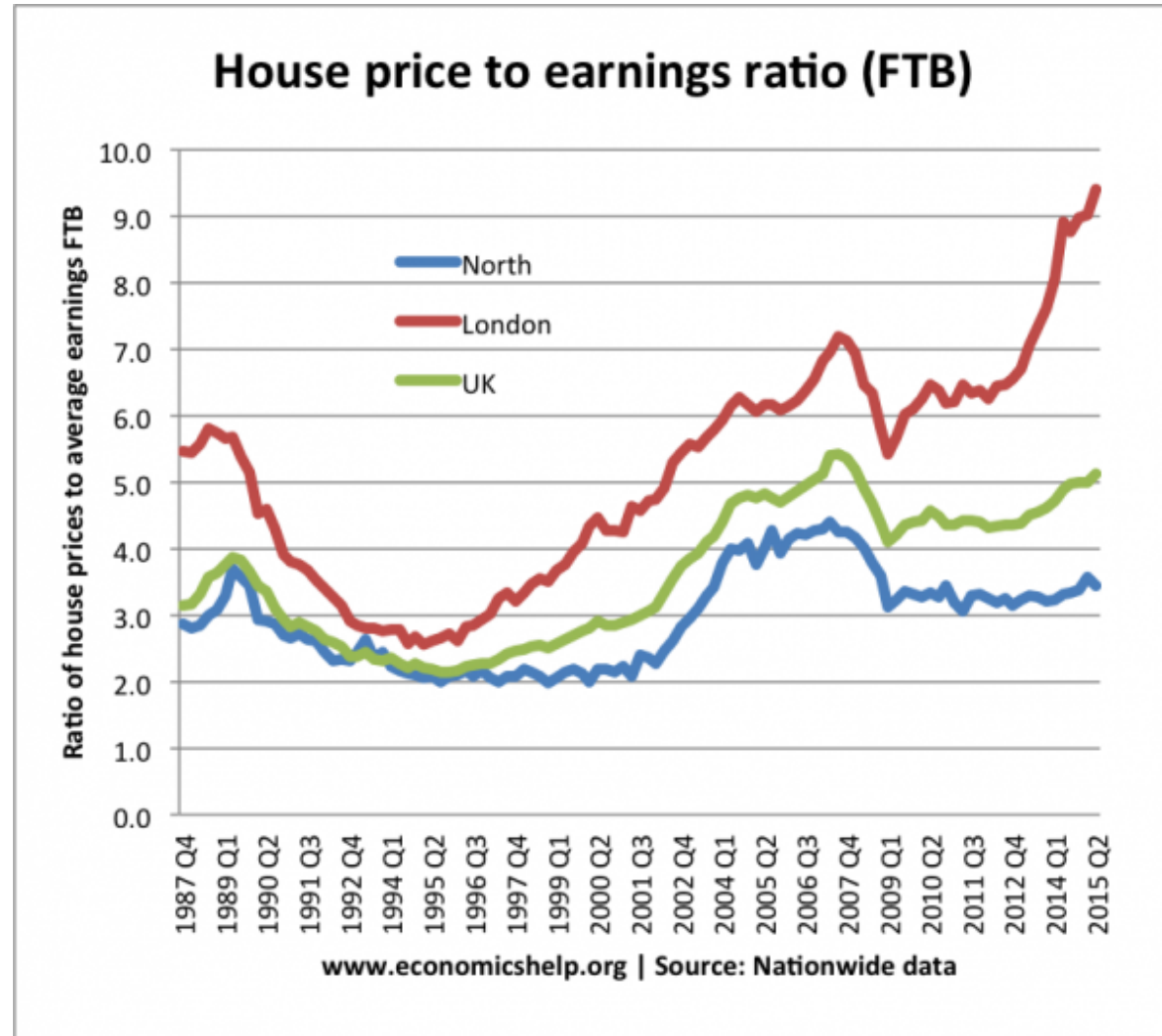


Resulting high values for developable land

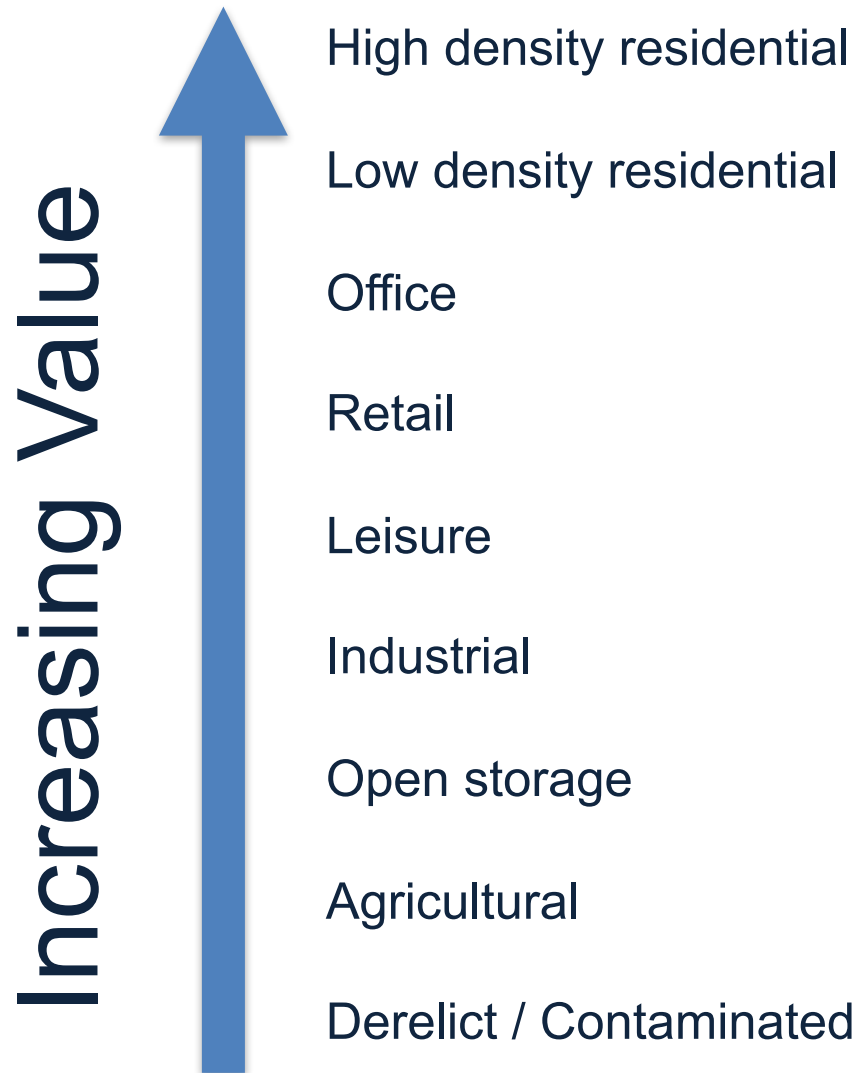


“LACK OF HOUSING AND CONNECTIVITY PUTTING FUTURE SUCCESS AT RISK”

- Political Concensus for “BROWNFIELD FIRST”



Value uplift through permitting of land



- UK land use hierarchy reinforced in UK over last 10 years
- South East house price inflation
- Office / commercial values (outside London) supported by bond pricing, but hit by relatively low rentals
- Recent tax changes reversing residential / office hierarchy over £1.5m unit size?

Wisley Airfield – Starting with this



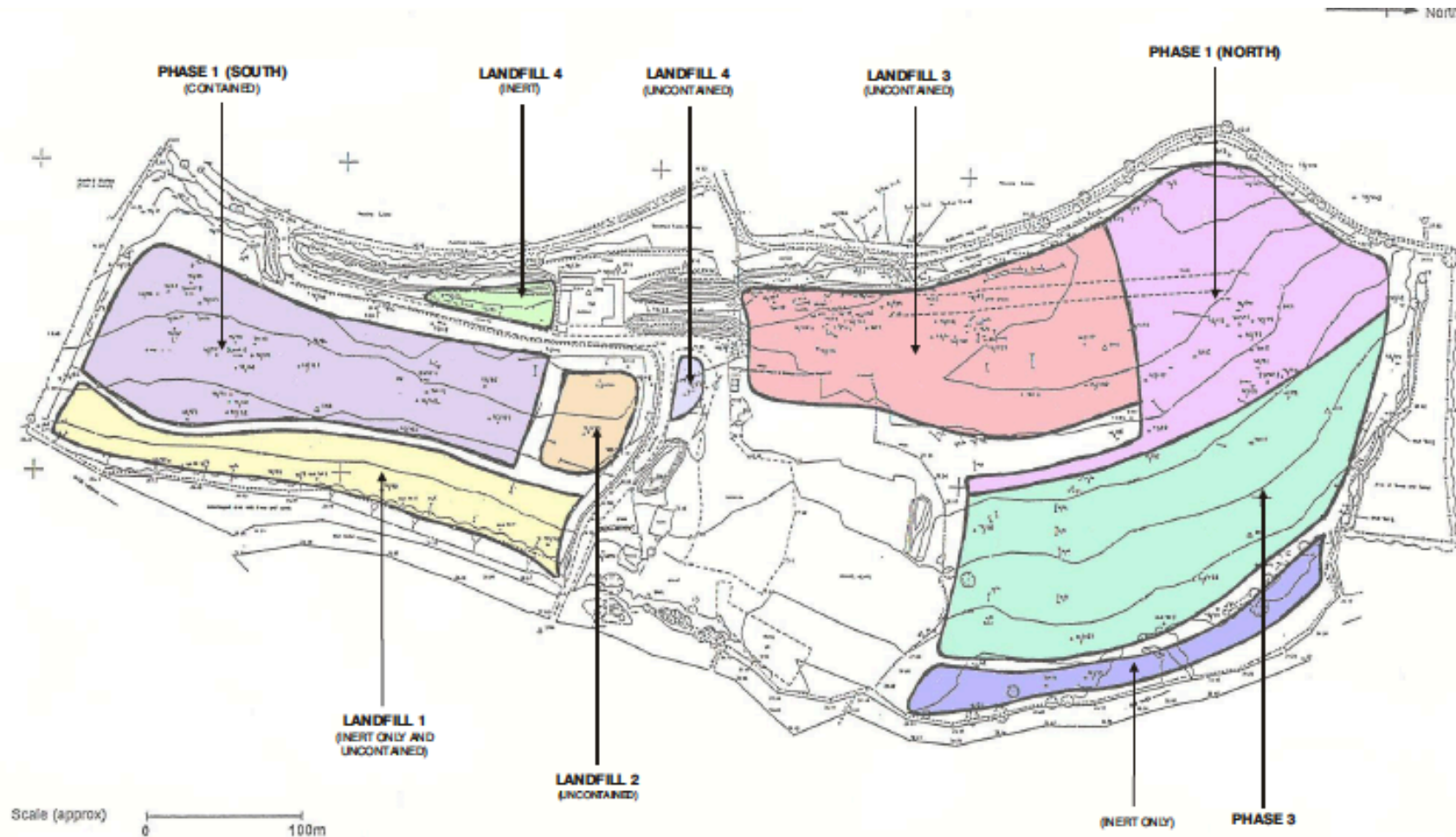
Wisley Airfield – Delivering this



Sandford Farm landfill site – starting here



Sandford Farm landfill site – starting here



Sandford Farm landfill site – via here



Sandford Farm landfill site – ending here



Sandford Farm landfill site – ending here



£7m site



£4m costs



£300m end
site value

- Very significant value uplift available, **BUT**
- If it was easy, someone else would have already done it
- Location location location...
- Research your market - use, density, quality – get your product right
- The process is expensive. Do your due diligence – choose the right site.

Need – external factors – warning!

- Its all about timing – external factors driving supply and demand for the use drive value uplift – lengthy real estate process = market shift risk
- Value hierarchy changes with location and market forces
- Case study of failure
 - Site bought with existing use for industrial
 - Significant value uplift on change of use to “DIY” retail
 - **Permitting process successfully navigated**
 - Significant hold and permitting costs
 - DIY market consolidated through merger and restructure – 4 potential tenants reduced to one
 - Value crash below debt level – **total loss of equity**

Preserve your value ready for development

- Prevention is better than cure.
- Site access – early deals.
- Squatters / public access
- Flytipping / deleterious materials
- Ecology – trees, habitats, invasive species
- Flood risk
- Access

Squatters and public access



- Defend your boundaries
- Don't allow public uses by default
- Take action – active management





- Manage invasive species (eg himalayan balsam, japanese knotweed – avoid future remediation costs
- Don't allow your site to become a habitat by default
- Manage water features
- Keep accurate management records of control measures



- Uncertainty is biggest value eroder
- Understand the ground conditions
- Keep good records – fill data gaps with research





- Manage flooding – don't let contaminants spread
- Keep good baseline records – take photographs and measurements
- Flooding has solutions – SuDS, deculverting, etc – think laterally



- 33% of site value attributed to “key land”
- Access to public road
- Access to utilities
- Removing / avoiding ransom strips – opportunistic land assembly & care over sales

Site Appraisal and Due Diligence

Permitting is expensive – viability appraisal throughout the process is vital

Almost impossible to conduct complete due diligence ahead of purchase / project start

Aim to improve the likelihood of success through screening out of “showstoppers”

Key Constraints / value inhibitors

- Local Market – can you sell the end product?
- Title – restrictive covenants - can you develop the use?
- Title – ownership – superior landlord consent required?
- Access – can you connect?
- Site specifics - eg
 - Local designations – Landscape / Ecology
 - Location – sustainability
 - Location – transport connections
 - Ground conditions – contamination, subsidence
 - Etc etc etc.....

Site Appraisal

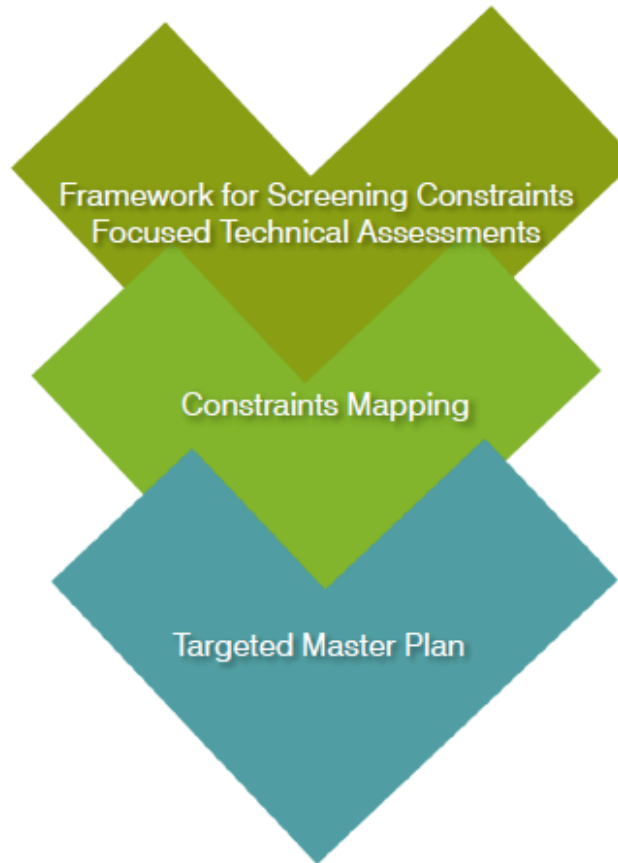
- Be conservative on volumes – net:gross / site cover assumptions often optimistic
- Be conservative on growth forecasts - does it work on today's values / costs?
- Allow development contingency - especially on remediation costs
- Assuming phasing of sales and income receipts
- Sensitise capital charges
- Allow longer than you think for the permitting period!

- Establish your vision
- Be constraints led – test the use parameters first
- Site remediation – the art of the possible
- Appoint good consultants, but.....
- Keep the architect under control – the masterplan comes AFTER the constraints analysis, not before....
- Its all about transport
 - Access constraints
 - Proximity to public transport
 - Pinchpoint analysis and capacity assessment
 - Impact mitigation
 - Endless modelling.....

Process (and patience) - constraints led



HIGHER COST AND
TECHNICAL LIMITATIONS



COST EFFECTIVE AND
SUSTAINABLE



INS
KERHOFF

Dealing with people – bureaucracy

- Understand local politics
- Monitor national and International regulatory change
- Communicate and lobby at all levels



ONCE YOU HAVE STARTED

DONT GIVE UP

**MOST CONSTRAINTS CAN BE
OVERCOME GIVEN TIME AND
IMAGINATION**

