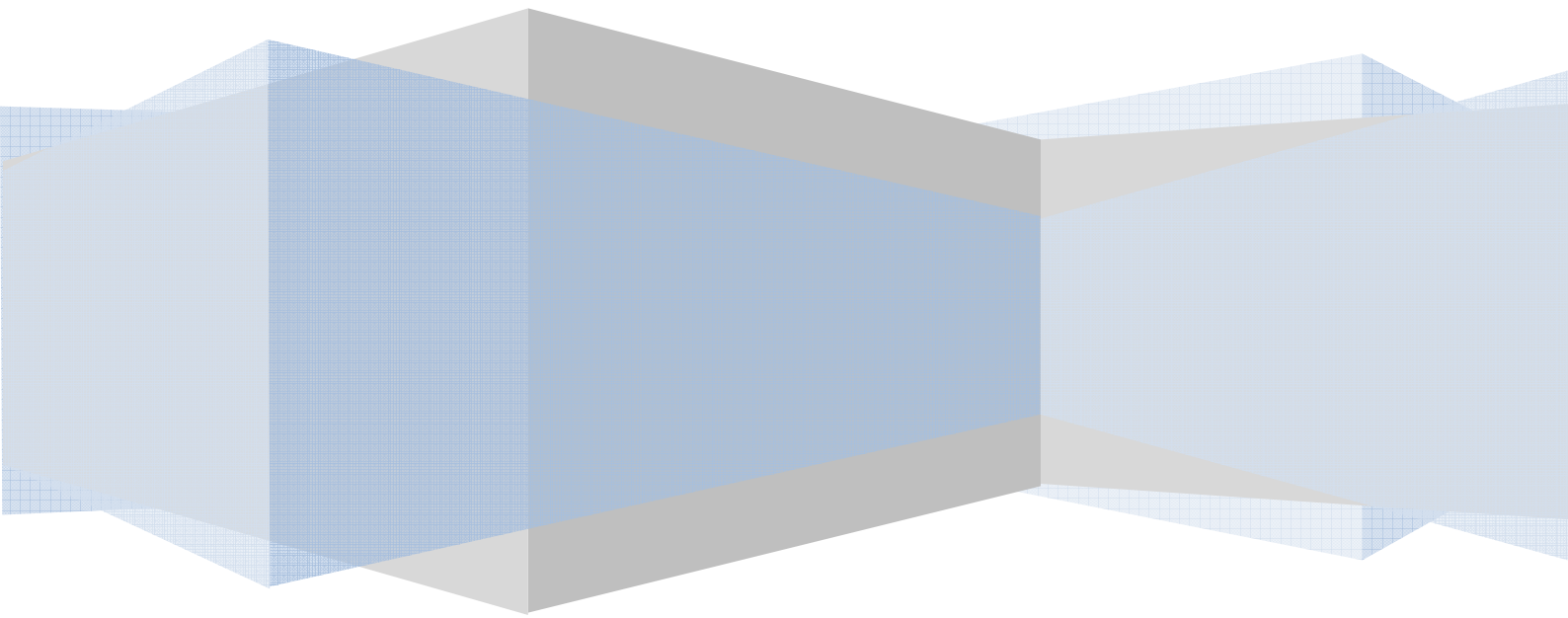


Ashington Page Estate Agents

A guide to selling to developers

What is the development potential of your
property?



A guide to selling to developers

There remains a shortage of properties in and around Beaconsfield. Despite the cooling market demand continues to outstrip supply in the long term. This demand has naturally led to a lot of interest from developers looking to build new properties in this area.

You may have a large garden or adjoining land which you think might have development potential. We can quickly advise you on the viability and value of your land for development.

Selling to developers can have several advantages over putting it on the open market – including higher prices, quicker sales and less fuss.

Ashington Page has a great deal of experience helping our clients to market and sell to developers negotiating the best deal on your behalf and managing the process to make sure you can sell with peace of mind. We sold or advised on development opportunities worth nearly £20 million in the last two years.

From that experience we've created this report that contains advice on what to expect when selling to developers, how to understand what they are looking for, and how to secure a deal that suits you.

The government have promised that 200,000 new homes would be built in the region over the next 15 to 20 years. Naturally, not every site has development potential. It has to fulfil certain criteria. Crucially, the land in question must be a useful size (at least quarter of an acre in most cases), it should be located in a desirable area, have easy access and planning permission.

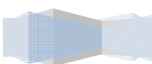
Developers much prefer level land, as the build costs are substantially lower. In fact any features that make it harder to build will mean you get paid less. Easy access for construction is crucial.

Access is not just about the construction of course. Once a property is built its purchasers have to be able to get to it. Good access is so important that it is said to be worth one third of the value of the whole site. With larger developments you will often find developers reserving areas (often used in their present form as turning areas) over which they retain ownership – as these small stretches of land could be the key to unlocking a larger development by providing access in the future.

Location isn't just about the best areas. The location needs to be appropriate to what the developers are looking to build, both in the type of construction – houses versus flats for example, and in price band of the target market they look to build for. Having said that, however, proximity to good schools, shops and transport will make site more attractive and therefore more valuable.

Main roads are less attractive for house development, but can be preferable for flat schemes. Out of town sites are less popular with developers because as soon as you remove the property from a local context it makes it much harder for them to calculate the likely returns of building on your land.

One key question developers are evaluating is how many storeys they can build. Ideally they want to be able to have both a basement level and three above ground floors. This is dictated by the ridge heights of neighbouring properties.



Planning permission and covenants

Sites that already have planning permission are very desirable, and will command a premium and certainly speed up the development process. However, at certain times a developer might be more interested in sites without planning permission! This is because they are always trying to manage their workforce so that they have a good flow of projects to keep them busy. Therefore, if they have lots of projects organized in the short term it may be that a property without planning permission is more attractive to them, as this allows them to plan ahead by building in the time required for permission to be sought. It also means that they will have the cash released by then from their current projects

Planning rules still classify gardens as 'brownfield' land – meaning it is able to be built on – which are allowing developments to be pushed through, as targets for new home building take precedence when developers take planning application refusals to appeal. There is growing opposition in parliament to this definition, but the attempts in 2007 to have gardens redefined under new legislation was unsuccessful.

Your local council is responsible for granting planning permission. Planning applications are decided in line with the development plan unless there are very good reasons not to do so. The local development plan consists of maps of the different zones and planning guidelines applied in each area. When individual cases are considered points that will be looked at include the following:

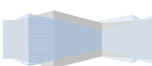
- number, size, layout, siting and external appearance of buildings;
- proposed means of access, landscaping and impact on the neighbourhood;
- availability of infrastructure, such as roads and water supply; and
- proposed use of the development.

However, planning permission is not the end of the story. Developers also have to ensure that there are no covenants in the title deeds which will prevent them building. These would have been set up when the land was originally sold for housing and are just as important as planning permission – a covenant could limit the size and number of properties that can be built on a plot or prohibits a single dwelling from being converted into multiple residential units. Applications to the Lands Tribunal or county court are required to challenge these – clearly making the whole prospect less attractive to developers.

Tax implications

Even better news is that any garden gains could escape the taxman. If the land is part of your 'principal private residence', less than half a hectare, and is not used for agricultural or business purposes, its sale is likely to be free of tax.

But this definition is strictly enforced. The garden must be devoted to the cultivation of flowers, vegetables or fruit and be chiefly ornamental. Any deviation from this and you may incur capital gains. Even an innocent transgression, like allowing a neighbour to let their pony graze on your land at a nominal monthly charge, or housing bees and selling the honey at the local shop, can attract the attention of the Inland Revenue.



What to expect

A development can take from 1-2 years from start to finish depending on planning and construction delays. Inevitably this will be a period of disruption. One way to avoid this of course is to sell the entire property for development – you'll have moved on long before the diggers arrive. But if you are only selling a portion of your land there are a few things you can try to agree with the developers to limit the disturbance. Builders tend to start early, you may be able to agree a 5pm finish to ensure at least your evenings are quieter. Similarly you can see if works are limited at the weekends – but less days per week will extend the overall build time. All of these accommodations need to be agreed and signed-up to by the developer as part of the sale.

Engaging a lawyer and estate agent with land sales experience is crucial to trying to incorporate any special conditions such as these. Ashington Page can recommend suitable legal experts.

It is not usual to have any input into the architectural side of the plans, although if you are receiving one of the units you will have some options available there.

What about the neighbours?

Often development opportunities require more than one adjacent property to really be of interest to a developer. A common worry is how to approach the neighbours without causing a potential rift if the idea isn't taken too favourably. The simple solution is that we can approach them for you, without letting on that you are the initiator of the enquiry. We regularly investigate the willingness of neighbours to expand the scope of a scheme, without any pressure, but clearly setting out the possible benefits to all involved.

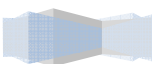
Contracts

Almost all contracts are made subject to planning permission being granted. There are two forms of agreement that you can make with a developer to whom you want to sell. The first is an **option agreement**. This agrees the price that you will receive, however, it does NOT tie the developer into the arrangement. Should planning permission be granted they are still able to walk away from the deal, perhaps if they found a better opportunity or funding was suddenly harder. You are NOT able to walk away from the deal, and are usually tied in to a round of appeals too. Developers love option agreements – but there is very little in your interest in using them (although you will have benefitted from planning permission if it were successful).

Instead a **subject to planning contract** is preferable. This ties the developer into the deal if planning permission is granted. Neither party can walk away from the deal. It will usually involved an automatic appeal should permission be denied at first, unless it is for clearly irresolvable reasons.

How much will we get?

The key figure for calculating what a developer will pay you for your land is the 'Gross Development Value' (GDV) – that is how much they expect to sell all the new property for. Depending on the size of the developer and the economic conditions you should expect to receive 30-40% of the GDV. Helping you to calculate this figure is an important role that a land sales specialist such as Ashington Page will



help you with. We have a database with the sale values and GDV of local developments going back over the last few years. We use this to help you negotiate a price for the land from an extremely informed position. It is quite common for developers putting up multiple properties or flats to offer one of the units as part of the deal. This saves them from having to find the cash for that part of it, and also involves you more closely in the process.

Getting the best deal

All developers will want to be exclusively involved – they have complete control of the process and you probably won't have a good idea of what the site could really be worth – giving them higher profit potential. Our advice, not unsurprisingly, is to use a property agent to put the site out to the market.

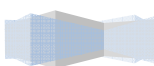
In our experience the best deal is obtained for our clients, not by putting the site on the open market, but by the careful approach by ourselves to a select group of suitable developers. We would normally meet with 6-8 developers to present your property. Any more than that and the buyers begin to feel that the work involved in them researching and making an offer is unlikely to pay off.

As an agent we would directly approach developers chosen from our extensive list of over 40 firms who we have worked with in the past and know treat vendors with respect and do not try any of the dirty tricks so often associated with the industry. For example, one particular trap less scrupulous developers employ is to 'chip' down prices near the end of the process, where you are so deeply committed that you have little choice but to take the reduced offer.

Developers we recommend and would approach for you will all have a proven track record and are cash rich (some small developers may have to rely on bridging loans and 'mezzanine' funding to cover the payments they promise you).

We would organize tours and also advise them on retail values that they could expect to sell for – information we have already discussed and agreed with you.

The time that planning permission and other parts of the process can take means that the offer made to you at the outset of the process is going to have substantially devalued because of inflation, and particularly housing inflation. Therefore we recommend negotiating indexation of that sum, so that figure will rise over time as agreed when the contract is put together.



How can Ashington Page help?

As a land sales expert Gareth Ashington can help you investigate the possibility of selling some or all of your land to developers. Should the results prove favourable we can then work with you, as described above, to identify, negotiate and manage the whole process. This includes dealing with solicitors, incorporating any special sentimental requests you may have into the negotiations, and of course, helping you to find a new home if that is required.

The next step is to have an informal, no obligation meeting with Gareth. He can give you a brief evaluation of your situation, appraise the site as to its planning potential, talk through your questions and concerns in much more details, and help you get an idea of what your land might be worth to a developer.

Simply give Gareth a call today on 01494 680018 to have a chat and arrange him coming to see you.

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