

Spotlight on...

Strategic development sites



Key findings

- This analysis of strategic development sites provides an insight into the changing state of the development landscape.
- With the sharp decline in development activity, strategic sites requiring the largest levels of remediation and investment have stalled.
- While private sector projects have faltered, the public sector has continued to push forward its strategic sites during the downturn, including estate regeneration programmes.
- Initiatives such as HCA Kickstart have had little impact on large strategic sites to date.
- New methods of long-term finance, development and investment need to be created if many of the strategic schemes identified in this survey are ever to realise their potential.

Strategic sites are critical in the delivery of new homes in regional markets. The strategic sites captured within our database represent 23% of the national 20 year Regional Spatial Strategy planning targets. With the sharp decline in development activity over the last 18 months, it has been these large sites, requiring the largest levels of remediation and investment, that have stalled. The prospects for many strategic sites remain poor, when the cost of delivery, including infrastructure, environmental credentials, affordable housing, and other Section 106 agreements far outweigh the current value of schemes.

Initiatives such as the HCA's Kickstart programme promise financial help for delayed schemes, but typically aid small to medium sized developments. Of the 270 schemes shortlisted for round one funding, the average development size is just 80 units. To drive forward the largest schemes, a fundamental change in approach must be taken. Due to their scale, these strategic sites have the potential to become places in their own right, and with a long term 'placemaking' approach, real value ►

► uplift achieved. What is required is a way to capture this long term value in order to bring these strategic sites forward. New methods of long-term finance, development and investment need to be created if many of the strategic schemes identified in this survey are ever to realise their potential.

Delivery is further complicated by the location of strategic sites in the UK. Some 85% of schemes are located on brownfield development land. Of this, the majority are either on mixed brownfield sites (24%), requiring complicated and lengthy land assembly negotiations, or former industrial or manufacturing land (16%), often heavily contaminated, requiring costly remediation prior to any development taking place (Figure 1).

It is notable that existing residential areas, typically large estates, are now a dominant former use of strategic sites (Figure 1). With so many private sector initiatives faltering in this challenging market, Local Authorities, in partnership with RSLs, are seizing the opportunity of lower construction tender prices and pushing ahead with estate regeneration programmes. By contrast, waterfront schemes, typically built on former docks, have dwindled in availability, and now account for just 15% of schemes, down from 35% of schemes in 2004, as the most readily developed sites have been built out.

Location

Greater London is home to the largest proportion of strategic schemes in our database (29%), reflective of the dominance of the capital and its large market. The South East and East of England follow, both containing 13% of strategic schemes, although the East of England has a higher proportion by number of units, 18% (or 197,000 residential units) as opposed to 15% (or 166,000 units) in the South East. This can be attributed to the designated growth areas in the East of England, such as the London-Stansted-Cambridge-Peterborough growth corridor, with a number of 1,000 unit + strategic sites.

Turning to the location of schemes themselves, we have observed a steady decline in the proportion of strategic sites in city centre locations (Figure 2). This is indicative of the reduced availability of prime city centre sites, as first choice urban sites are built out.

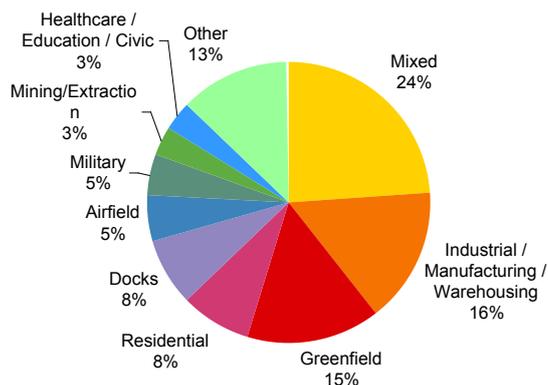
Conversely, edge of town sites have grown in prominence amongst the strategic schemes monitored here. This includes numbers of local authority-led estate regeneration programmes (typically situated on the periphery of the main urban area), as well as urban extensions on greenfield sites. The changing nature of land supply has implications for the type of development that will be brought forward in the coming years. Happily, more peripheral site types plays to a likely increase in demand for family homes family homes on medium density projects, over dense, flatted schemes in central locations.

Ownership of Sites

The public sector (including housing associations) remain the largest owner of sites under study, controlling 27% of the land (226 sites), with commercial developers / property companies following at 24% (204 schemes). In terms of delivery, the public sector accounts for some 26% of residential units under construction (78,000 units). This means the public sector is responsible for the delivery of more units than any other under study. It also reflects their ability to drive forward projects when the private sector is otherwise stalled by wider market conditions. In a market where private sector delivery has been impaired by adverse credit and economic conditions, the public sector has clearly had the advantage. It is however less certain whether this can continue beyond 2010 as likely public sector cuts start to bite.

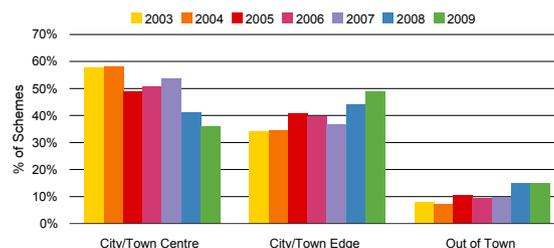
The resilience of the public sector during the downturn is further reflected in the ownership of those schemes that have officially been announced as 'on hold', as shown in Figure 3. Of those declared 'on hold' just 16% are public ►

Figure 1
Former use of site (by number of units)



Source: Savills Research

Figure 2
Location by year



Source: Savills Research



► sector projects (by number of units), 3% are owned by public/private partnerships, while the remainder can be attributed wholly to the private sector. This may be attributed in part to the fact that major public sector schemes often incorporate large social housing elements, delivery of which depends less on wider market conditions.

Housebuilders control 17% of units under construction on strategic sites, but have minimal involvement prior to the grant of full planning permission (Figure 3). This reflects the large scale financial and organisation backing required to drive forward strategic sites, rather than the short term funding and trader model typically adopted by housebuilders. Consequently, housebuilders are more frequently brought on board at the delivery stage, or play a more limited role within a larger partnership.

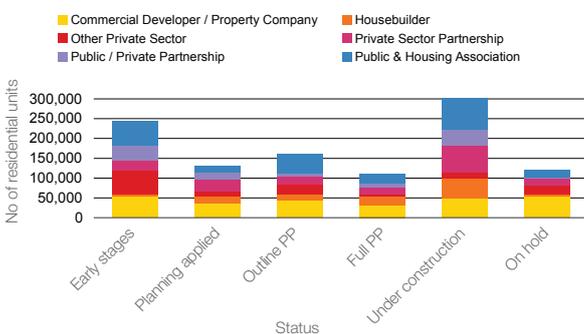
Background

This Spotlight reports on the residential capacity within strategic development sites in Great Britain. It derives from our detailed database which records all development schemes at varying stages of development (pre-planning through to under construction), in England,

Scotland & Wales on sites with more than 250 residential units. The majority of these schemes are for mixed use development, with a minimum of three different uses.

As at Autumn 2009, there were 878 schemes in our database, accounting for over one million residential units. The majority of schemes (29%, or 248,000 residential units) are found in London. Other regions with significant numbers of strategic schemes are the South East (13%, or 166,000 residential units), East of England (13%, or 197,000 residential units), and North West (9%, 76,000 residential units). The average site area (where this could be obtained) is 60 hectares, the median 13 hectares. ■

Figure 3
Ownership and status by total residential units



Source: Savills Research

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