

# 6 PROPERTY MARKET ANALYSIS 2005

## 6.1 INTRODUCTION

This section focuses on the residential property issues affecting the Preston area of Tadworth, in Surrey. Firstly, the existing residential market is reviewed, drawing on information available from property databases and our contact with estate agents active within the study area. Then the findings of our survey of residential developers are considered, which reveals their perceptions of the study area and their views regarding the form of development which should occur on the De Burgh site. This then leads to a "broad brush" estimate of the value which could potentially be derived from residential development land within the study area and, in particular, development of the De Burgh site.

## 6.2 THE RESIDENTIAL MARKET

Nationally, house prices have risen considerably over recent years. However, over the last few months, price growth has declined sharply. Growth is expected to fall further over the next few months, as recent interest rate rises, weaker demand for buy-to-let properties and lower average take home pay inflation will impact on the market.

In the south-east, house price inflation is well below the national average and the

north/south divide is narrowing. However, average house prices in the south-east remain significantly above the UK average.

"Provider", which collects house price information on all properties in England and Wales from H.M. Land Registry, indicates that in 2004, house price growth in Surrey was 4.6% - well below the average figure for England and Wales of 8.5%. However, average house prices in Reigate and Banstead have increased by 15.8% during 2004.

Although house price inflation in Surrey is below the national average, average house prices are well above the average for England and Wales. Average house

prices in Reigate and Banstead have improved in line with those of Surrey over the last 10 years and currently stand at £291,455, slightly below the Surrey average of £300,646.

Analysis of house prices by postcode sector reveals that the KT20 postcode, which covers the study area, had an average 2004 house price of £449,052. This is higher than most of the surrounding postcode sectors, and significantly higher than the average figure for Surrey.

Within the study area there is a substantial amount of social housing, as well as former council housing stock which has been bought under the 'right to buy'. Some of

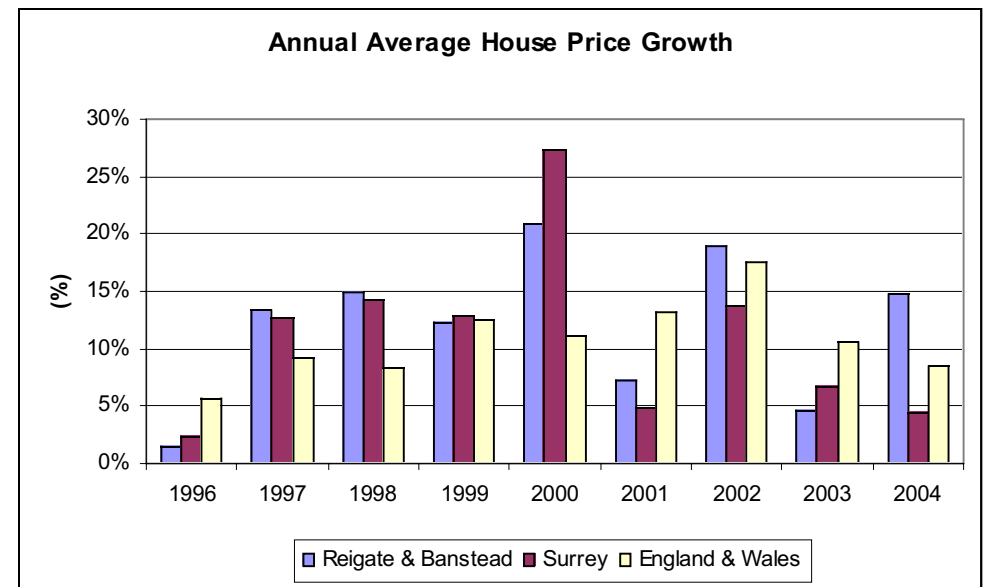


Table 6.1 Average annual house price growth (Source: Provider, 2004)

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the social housing is of poor quality and the area is the second most deprived ward in Surrey. Beyond the study area there is high quality, high value 'commuter belt' housing. Local estate agents reveal that the privately owned houses at De Burgh Gardens typically sell for values which are approximately 20% less than similar houses in the surrounding area because of the adjoining council housing.

Despite slowing house price inflation, typical prices for residential property in Surrey are exceptionally high, making residential development very attractive. While the significant quantity of social housing in the study area, and some of the related social problems, will have a

negative impact on private house prices, improvements to the study area are likely to increase the value of existing properties, and such improvements would also maximise the opportunity for a successful, high quality/high value development on the De Burgh site.

## 6.3 CB RICHARD ELLIS RESIDENTIAL DEVELOPER SURVEY

In order to provide a more informed view of market perceptions of the De Burgh site, in September 2004, a targeted survey of 21 residential developers was undertaken. Seven detailed written responses, equating to a response rate of 33% (this is broadly comparable to that achieved for similar

surveys undertaken elsewhere). A summary of the responses received is attached as Appendix 1. It is important to note that the responses to the survey have been provided to us on a confidential basis, and their use and potential dissemination should be considered in this light.

All of the developers that responded to our survey were very interested in development on the De Burgh site, indicating a significant level of demand for development on the site. We consider this to be a very encouraging sign.

As part of this survey, developers were asked to provide their views on the following issues:

- The most appropriate form of development for the De Burgh site and potentially elsewhere in the study area;
- The likely density of such development;
- The minimum number of units which would be appropriate, in order to create a 'critical mass' of development;
- What elements would need to be put in place, in order to maximise the potential of the site in order to ensure that a successful development can be delivered;
- The developers were also asked to provide examples of comparable developments with which they had been involved.

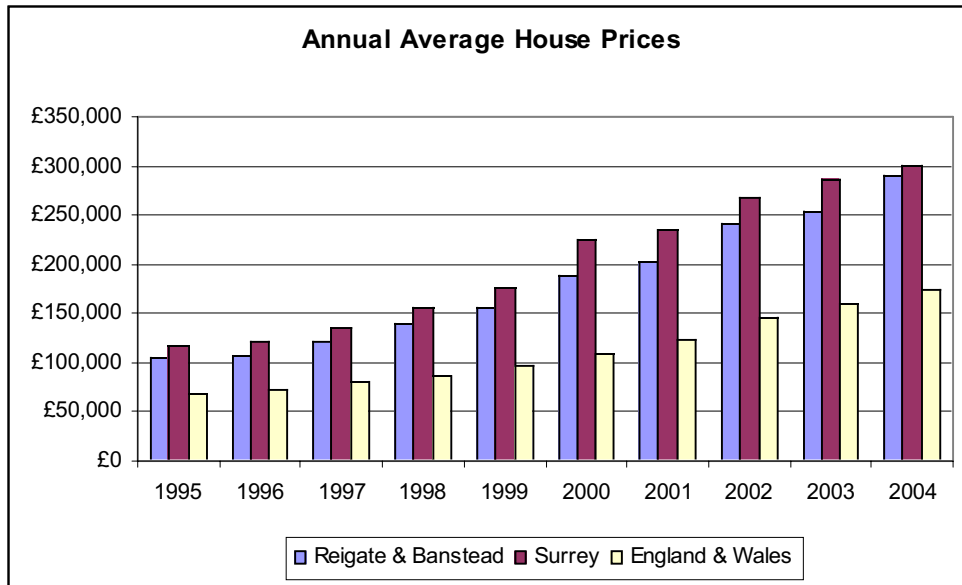


Table 6.2 Average annual house prices (Source: Provider, 2004)

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The responses to the survey revealed the following key opinions from developers:

- A mix of apartments and smaller houses would be the most appropriate form of development on the De Burgh site;
- The preferred density for development on the De Burgh site ranges from 30-60 units per hectare, which equates to approximately 200-300 units;
- Improvements to the existing estate will increase residential values on the De Burgh site;
- Community facilities could be provided as part of the development of the De Burgh site or close by, in order to better integrate new and existing residents;
- Some of the developers confirmed that they would consider undertaking development in other parts of the study area.

## 6.4 RESIDENTIAL DEVELOPMENT LAND VALUES

The limited level of land supply is a dominant feature of the residential development land market. Developers are acquiring smaller plots and brownfield sites, and are developing schemes with increasingly high densities, both in response to these supply-side limitations, as well as the increasing policy emphasis upon

sustainability and regeneration, together with social factors, such as the increasing number of one person households. A limited supply of sites, and the expectation of continuing house price rises over much of the country, has resulted in a strong market with significantly increased sale prices being realised.

In the South of England, value increases have not been as strong as elsewhere due to slower house price growth. However, there are pockets of high demand and increasing land prices as a result of the displacement of demand for dwellings, and consequently development sites, from less affordable localities nearby.

The Valuation Office Property Market Report, July 2004, provides indicative residential building land values for sites with no abnormal site constraints and a residential planning permission of a type generally found within the area. The land values are recorded from 1 January to 1 July 2004.

The report does not provide information on the Preston Ward or Tadworth, but it does provide indicative land values for Guildford and Reigate and these areas are likely to prove broadly comparable to the study area, in value terms.

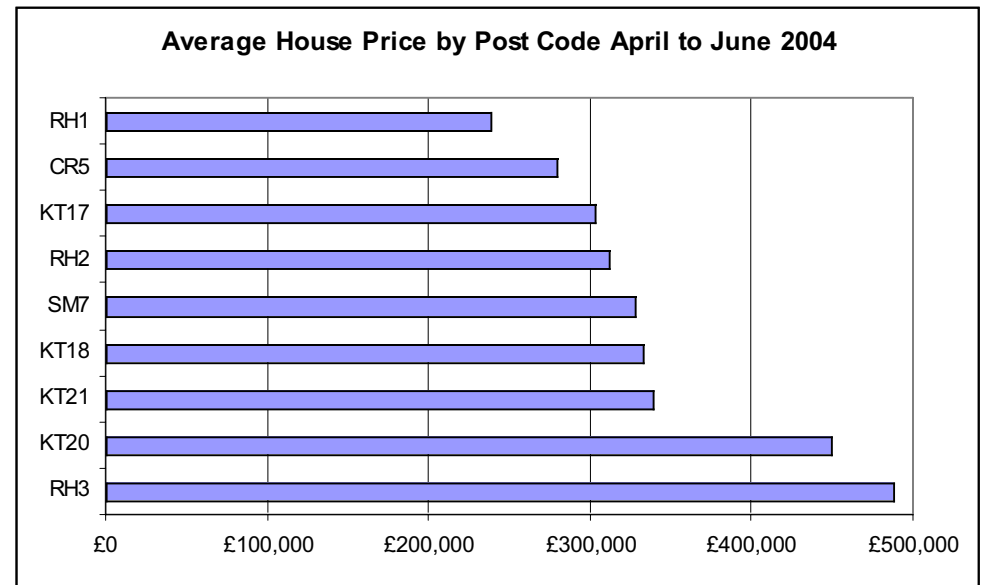


Table 6.3 Average house price by post code April 04 - June 04 (Source: Provider, 2004)

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The report suggests the following indicative residential development land values per hectare:

- For bulk sites, in excess of two hectares - £3.7m for Guildford, £3.1m for Reigate;
- For small sites, for less than five houses - £3.8m for Guildford, £3.3m for Reigate;
- For sites for flats or maisonettes - £3.8m for Guildford, £3.2m for Reigate.

The De Burgh site currently has no residential planning consent and it is adjoining a relatively deprived area and these factors will impact on the value of the site. However the Preston Area Regeneration Masterplan helps to enhance the principle of residential development on part or all of the De Burgh site.

Overall, our analysis indicates strong positive interest in the De Burgh site from developers. The Preston Area Regeneration Masterplan has the potential to create an attractive, marketable opportunity in order to capitalise on this interest, and ensure that the greatest possible capital receipt can be generated, in order to cross fund improvements to the wider Preston area.



Housing and amenity space looking north up Marbles Way, immediately to the west of the De Burgh site