

09 September 2014

**Delivered by email**

Neil Watson  
Planning and Building Control Manager  
Pendle Borough Council  
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Dear Neil

## **Trough Laithe Strategic Site – Delivery Assessment**

Further to your recent discussions with my colleague Andrew Bickerdike, Turley Economics has been instructed by Peel to independently examine delivery rates for housing in relation to the Trough Laithe Strategic Site in Barrowford. The purpose of this letter is to provide a summary of the findings of this assessment. The assessment is provided as part of the evidence base to support the allocation of Trough Laithe as a Strategic Site for housing development through the emerging Pendle Core Strategy. This letter is structured to provide you with the following information:

- Contextual information on the site and the assessed development capacity;
- A brief overview of the national housing market and prevailing trends;
- Summary of volume house builder evidence relating to build rates;
- Case study evidence from a sample of schemes in the North West;
- A summary of local evidence from currently marketed schemes;
- An analysis of the historic policy influences on annual delivery rates and
- Conclusions relating to the potential capacity of the Trough Laithe Strategic Site to supply new homes over a five year period.

## **The Site**

The Trough Laithe Strategic Site is located in the settlement of Barrowford. The site is identified in the Pendle Replacement Local Plan as a Protected Area outside the Green Belt. The land is therefore safeguarded for future development to meet the long term requirements of the borough.

Peel is currently promoting the land for a sustainable mixed use development. This will form a sustainable extension to the settlement of Barrowford. Turley has prepared a Development Framework document which proves that the site has the capacity for up to 500 homes (based on a density of 40 dwellings per hectare gross) alongside the further development of the Riverside Business Park to the south.

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The local housing market context for the site is one of relatively high average house prices in Barrowford, compared to average values across Pendle as a whole. Average prices achieved in Barrowford show similarities with prices in surrounding rural districts such as Ribble Valley and parts of West Craven.

## **National Housing Market Context**

England's housing market is emerging strongly from the recession. There is a wide ranging consensus that the delivery of new homes has lagged behind demand at a national level for a long time, leading to pent up demand for property. Across the industry there is also acknowledgement that we should be building 250,000 homes per annum compared to the 125,000 that is currently delivered on an annual basis.

As mortgage lending increases and the Government's stimulus package to the housing market takes effect there are clear signs that this is leading to greater consumer confidence, effective demand for homes and higher levels of housing delivery. The rate of recovery has been strongest in London and the South East but there are now clear signs of ripple effects in the regions including the North West. Publicly available consumer research indicates that many households are intending to move in the near future and will aspire to new build homes. This provides a positive national context for considering the local housing market in Pendle and more specifically that of Barrowford.

## **Residential Build Rates**

Residential build rates are intrinsically linked to the rate at which reservations and sales occur. House builders regularly report changes in delivery rates in the context of underlying changes to reservation rates emphasising the importance of the relationship between the two factors. It is therefore appropriate to consider recent trends in sales rates as a context for considering what a volume house builder on a strategic site could deliver linked to market demand.

Turley Economics regularly monitors the sales rates achieved by a sample of UK volume house builders across their portfolios of sites on a per outlet basis.<sup>1</sup> Taking a "whole portfolio" view of sales rates will include the full range of sites (greenfield/ brownfield) in a range of different residential locations. It is therefore considered to be representative of volume house builder activity across the national housing market as a whole. Our monitoring covers the last 2 years and the underlying trends reflect the more general conditions of an improving housing market, with increasing average annual sales and therefore build rates in evidence across the years 2012 to 2014.

Our most recent survey of average annual build out rates highlights that national house builders are achieving a sales average reservation rate of between 0.57 and 0.65 per outlet on a weekly basis. This would suggest that volume house builders are currently delivering on average approximately 30 and 34 units per annum on sites operating a single sales outlet, with this figure reflecting an annual average across national portfolios of sites.

Larger sites and strategic sites often operate with more than once sales outlet, capitalising on the ability to drive higher sales levels by having points of product differentiation and by operating from different locations on the site. We are aware through our consultation with volume house builders that reservation rates on multi-sales outlet schemes vary from the rates cited above, with consultees suggesting that rates can vary by approximately 15-20% per outlet. Given its size, it is expected that the Trough Laithe Strategic

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<sup>1</sup> Turley Economics monitors the annual trading reports of a sample of national house builders to ascertain sales reservation rates.

Site will be delivered by at least two volume house builders, each marketing and delivering units concurrently.

Applying an indicative 20% discount would suggest that on multi-sales outlet schemes (comprising 2 outlets only) volume house builders might anticipate to deliver within a range of 47-54 homes per annum.

While the above findings are a reflection of “whole portfolios” of sites, they do illustrate that in a period of improving market conditions, volume house builders are reporting high and rising annual delivery rates. We would expect the year on year trend of improvement in sales reservations and build rates to continue to improve leading to faster delivery and higher volumes.

## Sample Case Studies

We have examined a small sample of two case study schemes that are currently being delivered in the North West of England in order to test sales reservation rate and delivery assumptions. The purpose of this exercise is to examine a small selection of schemes and not to conduct an exhaustive review of all schemes currently marketed in the North West. The results are presented below for reference.

### *Case Study 1: Rycroft Green/Brooklands Development*

Rycroft Green/ Brooklands is a development of 278 homes in Holmes Chapel with two developers (Bloor Homes and Bellway Homes) operating two separate sales outlets. Evidence collected from the sales office highlights that 40 units have been completed over the first year of the development. This case study suggests an average monthly completion rate of 3.3 dwellings (or 1.65 units per outlet per month) in the first year.

### *Case Study 2: Winnington Village, Northwich*

Winnington Village is a major development involving Morris Homes, Barratt Homes, David Wilson Homes and Taylor Wimpey. A total of 331 homes are being brought to the market by Taylor Wimpey. Based on data obtained from the Taylor Wimpey sales office, 29 units have been completed in the first year of the development, equating to 2.4 units **per outlet** per month.

The two case studies from the North West highlight that strategic sites that are currently being delivered broadly align with the national evidence on sales and delivery rates previously outlined.

## Local Evidence of Delivery Rates

Turley Economics identified a long list of currently marketed residential developments within the wider market area which Barrowford is located in. Given the housing market characteristics of Barrowford developments were then sifted according to the following criteria:

- Sites generally located in higher value locations with marketed property values of £150,000 and over and
- Sites in locations that are potentially attractive to family households seeking new build accommodation

From this exercise a shortlist of eight schemes was identified. A telephone survey was then undertaken with representatives at sales outlets in order to gain a perspective on the source of house buyer interest, the level of sales to date and development build-out rates. A summary of the key findings is presented below.

The review of currently marketed developments highlighted that there are no directly comparable schemes to that proposed at the Trough Laithe Strategic Site. The majority of developments that are currently marketed are relatively small scale and no marketed developments were identified in Barrowford specifically. This would, in general terms, suggest that the Trough Laithe Strategic Site will play a unique role within the housing market area.

The findings of the market review do however emphasise that developments in similar market contexts to Barrowford are typically achieving sales reservation rates of two units per month from single sales outlets excluding sales of affordable units. This sales rate are at the base of the range that was highlighted by the review of national volume house builder output as described above. This suggests that a single outlet scheme could deliver at least 24 units per annum, excluding affordable units.

The review of currently marketed schemes did not include any multi-sales outlet developments. However, application of assumptions around scaled-sales rates would suggest that a 2-sales outlet development in this market area could potentially be capable of yielding at least 38 open market homes per annum, excluding affordable homes.

It should be noted that these results are indicative of the schemes surveyed and the current state of the market. As previously noted, as the housing market continues to strengthen, we would expect sales volumes and therefore build-out rates to rise accordingly.

## **Delivery Potential**

Taking the above national, regional and local market evidence in to account and allowing for a lead-in period associated with securing planning, site preparation and commencement of development, we estimate that the site is capable of delivering a total of 50 dwellings per annum inclusive of affordable units. This is within the range of 47-54 dwellings per annum as evidenced through national house builder delivery rates for multi-outlet schemes.

This rate of delivery is based on operating two separate sales outlets from the site as well as the delivery of an element of affordable housing in the first five years of the development programme. We envisage that affordable housing, up to a potential of 20% of total capacity, will be delivered in clusters of approximately 10-12 units per annum on an alternate basis by each developer.

In the event that market conditions improve further, this should assist the scheme in achieving higher delivery rates. Should a registered provider require a cluster of more than 10-12 affordable units in a single year, this would also assist the scheme in achieving higher delivery rates.

## **Historic context**

It is noted that there are very few precedent examples of residential developments in Pendle delivering units at the rate set out above. This past record of housing delivery in Pendle has been influenced by the historic planning policy context in operation within the Borough. It is important that this past policy approach is fully understood, and contrasted with the current approach being advanced through the emerging Core Strategy, in considering the annual yield achievable at the Trough Laithe Strategic Site.

The Joint Lancashire Structure Plan set out an average annual housing requirement for Pendle of just 131 dwellings between 2001 and 2016. This was derived from a figure for the whole of Lancashire set out in the Regional Spatial Strategy for the North West. The figure for Pendle contrasts with an annual requirement of 290 (a 121% increase) being advanced through the emerging Core Strategy.

This housing requirement was carried forward into the Replacement Pendle Local Plan (2001-2016) which, critically, established the Borough's requirement as a ceiling not to be exceeded other than in exceptional circumstances. This represents a restrictive policy to housing growth. This is in stark contrast to the approach which the Council is now required pursue in accordance with the National Planning Policy Framework whereby the housing requirement should be treated as a minimum and where express justification for resisting development, even where this would result in the housing requirement being exceeded, is needed.

At the time of the adoption of the Local Plan, Pendle was in a position of housing 'oversupply' based on historic completions from 2001 and extant planning permissions. This triggered the operation of a policy of restraint, as set out through Policy 17 of the Local Plan. As such, from the point of adoption of the Local Plan in 2005, very few sites were able to come forward for development. Most notably, the policy prevented sites similar in character and quality to Trough Laithe (i.e. a large site in a high demand area delivering high quality open market family housing) from coming forward. Instead the effect of the policy was that only sites which delivered regeneration proposals (largely within the former HMRI areas), including replacing cleared dwellings, conversions and the provision of housing meeting the needs of a particular group (e.g. housing for special needs groups, affordable units, agricultural or forestry workers dwellings) were supported.

These types of sites meet the needs of a very different sector of the housing market to Trough Laithe. They are generally small in scale, not attractive to the main national house builders or are located in areas where the local housing market is relatively weak in comparison to that of Barrowford. Unsurprisingly, these types of site are not capable of delivering a high volume of units per annum.

More generally and prior to the adoption of the Local Plan, a sequential approach to the release of sites had been in operation in Pendle through the previous Local Plan and the Joint Lancashire Structure Plan. Whilst not as restrictive as Policy 17 of the Local Plan, this still prevented greenfield sites from coming forward for development and placed the emphasis firmly on brownfield regeneration. Again, this had a bearing on the type, size and quality of site which was able to proceed through the planning system with very few sites being made available within the very strong housing market areas in Pendle (such as Barrowford) and instead most sites coming forward in the core regeneration areas of Nelson and Colne. The low annual housing requirement for Pendle, and the fact that this was to be treated as a maximum figure, allowed this spatial approach to be adopted without any risk of the housing requirement not being met. Again, the sites which this approach supported are very different in character and quality to Trough Laithe and certainly wouldn't be capable of yielding the same level of units on an annual basis that is achievable at Trough Laithe.

It should be noted that whilst the adoption of the new Regional Strategy in September 2008 increased the annual housing requirement for Pendle to 190 units, this coincided with the onset of the global economic recession. As such, any local policy response to this increase and the lifting of long established restrictive approach to housing growth was ineffective as the ability of market to deliver the level of housing required, irrespective of the availability of quality sites, was constrained by wider factors which resulted in a period of economic decline between 2008 and 2013.

Whilst it is therefore noted that no clear precedents for a single site in Pendle delivering 40+ units on a consistent annual basis, it is evident that the historic policy approach to housing growth in the Borough has had a bearing on this insofar as it has generally prevented larger high quality greenfield sites in stronger housing market areas which are attractive to the national volume house builders from coming forward. The proposed development at Trough Laithe is therefore unique in the Pendle context, presenting a very different residential development proposition. As such past rates of delivery on sites which have

historically been supported by policy in Pendle should not be used as an indication of the likely annual yield at the Trough Laithe Strategic Site.

## Conclusion

The national context for considering demand for homes on the Trough Laithe Strategic Site is one of a housing market which is performing strongly and is in a period of sustained growth. At a local level, Barrowford is widely acknowledged to be a relatively strong and higher value housing market with appeal to current and prospective households.

Turley Economics has assessed national volume house builder sales reservation and build rates and concluded that sales rates have improved over the period of the last two years. Evidence from volume house builder portfolios, suggests that sales rates are averaging between 0.57-0.65 sales per outlet per week. This equates to an annual range of 30-34 units per outlet. It should be noted that these figures are averages representing national portfolios of sites.

For larger schemes and strategic sites involving more than one sales outlet, volume house builders typically apply a discount factor to sales reservation assumptions. This is typically between 15% and 20% on single outlet rates. A typical dual outlet scheme will therefore deliver on average between 47 and 54 units per annum in favourable prevailing market conditions.

Turley Economics has reviewed currently marketed schemes in East Lancashire and in comparable locations to the Trough Laithe Strategic Site. There are no directly comparable schemes in terms of location (ie within Barrowford) or in terms of scale, with the majority of marketed developments comprising smaller sites in adjacent local authority areas. There are, however a shortlist of smaller development schemes, in comparable rural and semi-rural locations which share characteristics with Barrowford. The evidence collected from sales offices does highlight that currently marketed schemes are achieving 2 sales per month excluding affordable units (and on the basis of single sales outlets). On this basis a single outlet scheme could potentially yield 24 units per annum. A dual sales outlet scheme could potentially yield 38 units per annum (excluding affordable housing), based on prevailing market conditions.

Allowing for a lead in period for securing planning, site preparation and commencement of development, we estimate that the site is capable of delivering a total of 50 dwellings per annum inclusive of affordable units. This is within the range of 47-54 dwellings per annum as evidenced through national house builder delivery rates for multi-outlet schemes. This rate of delivery is based on operating two separate sales outlets from the site as well as the delivery of an element of affordable housing in the first five years of the development programme. We envisage that affordable housing, up to a potential of 20% of total capacity, will be delivered in clusters of approximately 10-12 units per annum on an alternate basis by each developer.

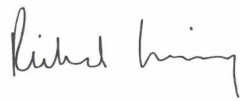
In the event that market conditions improve further, this should assist the scheme in achieving higher delivery rates. Should a registered provider require a cluster of more than 10-12 affordable units in a single year, this would also assist the scheme in achieving higher annual delivery rates.

Finally, we have presented an analysis of the historic policy influences on delivery rates in Pendle and Barrowford more specifically. We have concluded that there are no clear precedents for a single site in Pendle delivering 40+ on a consistent annual basis. It is, however, evident that the historic policy approach to housing growth in the Borough has had a bearing on this insofar as it has generally prevented larger high quality greenfield sites in stronger housing market areas which are attractive to the national volume house builders from coming forward. Historic rates of delivery are therefore not a reliable guide to the future rate at which the Trough Laithe Strategic Site can be delivered.

I trust that this letter is helpful in demonstrating the delivery context for the land at Trough Laithe Strategic Site. It is our view that the site can directly assist Pendle in meeting its objectively assessed level of housing need as well as delivering a range of much needed market and affordable homes over the next five years.

Please do not hesitate to call me if you would like to discuss the contents of this letter further.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Richard Laming'.

Richard Laming  
**Director, Head of Economics**

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