



TOWN AND COUNTRY PLANNING ACT 1990

Appeal by: Redrow Homes Ltd.

Site: Warburton Lane, Partington

LPA reference: 98031/OUT/19

PINS reference: APP/Q4245/W/19/3243720

**Viability Rebuttal of Mr Murray Lloyd regarding the Viability Case of the
Development on behalf of Trafford Council (Local Planning Authority)**

September 2020



1. Introduction

- 1.1 I have been instructed by Trafford Council to act as an expert witness to give an opinion on the viability case pursuant to the planning application Ref: 98031/OUT/19 submitted by Redrow Homes NW Ltd (the “Appellant”), in respect of the Land at Warburton Lane (the “site”).
- 1.2 This rebuttal response comments on the revised information provided by Mr Nesbit.
- 1.3 I do not address every matter on which I disagree with the Appellants analysis. The differences between us are clear from our proofs.
- 1.4 It is evident from a review of Mr Nesbitt’s proof of evidence, the development appraisal and the comparable evidence in relation to values which he is relying upon are not the same as those referenced and agreed in the SOCG, signed on the 14th September 2020. There are some important changes and amendments.

2. Review of Revised Information

2.1 Leyland Test Track (4.42)

- 2.1.1 In May 2019, I was appointed by the Chief Executive and Head of Planning of South Ribble Council to undertake a detailed review of the Viability case at Leyland Test Track, a scheme delivering up to 950 units. The outcome of my involvement was that the agreed position between viability consultants (Mr Nesbitt and Keppie Massie) was reviewed and challenged. The result being that a scheme that was deemed only able to deliver 117 (12.3%) affordable units in May 2019 was granted a planning consent in October 2019 on a fully compliant basis of 285 units (30%). Please see email in Appendix 1 from Head of Planning at South Ribble. Mr Nesbitt is fully aware of my involvement.

2.2 RICS Professional Statement (5.4)

- 2.2.1 Mr Nesbitt has been selective when quoting the RICS professional statement. Section 2.6 of the professional statement begins with the statement - “All inputs into an appraisal must be reasonably justified.”. Mr Nesbitt inexplicably omits reference to our November 2019 letter which responded to previous similar accusations against me.

2.2.2 This report is provided in my proof appendices 20C.

2.2.3 No response was ever received to my November letter.

2.3 Appraisal Model (5.5)

2.3.1 Mr Nesbitt is fully aware that I use Argus Developer appraisal software. It is also important to point out that Mr Nesbitts cash flow supporting his Feb 2020 appraisal was not received until the 10th August 2020 and that cashflow in it is not the cash flow relied upon in his proof of Evidence as a new appraisal has now been produced.

2.4 Engagement (5.9 & 5.12)

2.4.1 As Mr Nesbitt is fully aware and is detailed in the agreed SOCG timeline, there has been interaction between experts/viability consultants in the period from September 2019 to the 14th September 2020. It is clear from Appendix 20C that we were fully engaged with Mr Nesbitt in the latter part of 2019. In December 2019 a new FVA was produced by Mr Nesbitt based on a wholly revised scheme with a set of new inputs, and amended outcomes. This appraisal was produced specifically as part of the appeal process. There was a further FVA produced in February 2020 and detailed engagement with Mr Nesbitt began in March 2020 and continued through to the final signing of the SOCG on the 14th September.

2.5 Financial Viability Assessment (6.4)

2.5.1 For clarity, at the application stage Mr Nesbitt argued the scheme at Warburton lane could make no contributions, either S106 or affordable housing

2.6 Benchmark Land Value (6.31/2)

2.6.1 Comparison of BLV & RLV is not a recognised approach in the PPGV paragraphs 13 – 17 or the Professional Statement.

2.6.2 Mr Nesbitts FVA clearly demonstrates that the identified BLV does not allow “a sufficient contribution to fully comply with policy requirements”.

2.7 Abnormal Costs and Site-Specific Infrastructure (6.34)

2.7.1 Mr Nesbitt states that I seem to be “implying” that the full costs associated with abnormals and site specific infrastructure should be reflected in the estimation of BLV. I use the following extracts from the PPG to demonstrate that it is not my implication but rather it is what the guidance says.

“abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value

site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value” (para. 12).

“Benchmark land value should:

- be based upon existing use value
- allow for a premium to landowners (including equity resulting from those building their own homes)
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees (para. 14).”

2.7.2 An RLV always fully reflects the abnormal and site-specific infrastructure costs. I am unclear how the full implication of the costs associated with abnormals and site-specific infrastructure could not be considered when establishing BLV as these are a fixed cost element.

2.8 Multiplier (6.39)

2.8.1 This is the first time I have been made aware that Mr Nesbitt has changed his position on the multiplier used. Indeed, the agreed SOCG (signed 14th September) maintains a 20x multiplier. As is clear from Appendix 20A, there has been an ongoing debate between Mr Nesbitt and I about the application of the PPGV.

2.8.2 Land Value (6.41)

2.8.3 As Mr Nesbitt clearly states in paragraph 6.41, “the developer would only pay the net residual land value”. As a result, this clearly demonstrates that the money available to purchase land is the

Residual land value which represents the “minimum return” to the Landowner based on Mr Nesbitts assessment of costs and value.

2.8.4 As Mr Nesbitt states in the exec summary at 1.35, “it will be necessary for the landowner to flex their expectations of land return below that which is demonstrable as an acceptable level”. When read in conjunction with 6.41, the “land return” (what “the landowner receives”) is clearly the RLV. For clarification the RLV, based on Mr Nesbitts assessment of costs and value, is £2,863,897 (exclusive of acquisition costs).

2.8.5 At 13.29 Mr Nesbitt seems to be contradicting the position set out as he states “there is no balance if the landowner should receive only say £2,810,750. If the deficit position was brought back to a broadly neutral position by using a multiplier of 7.5 times the EUV”.

2.9 Section 7

2.9.1 The agreed SOCG is based on Mr Nesbitts February 2020 FVA, not the findings as outlined in this proof. For example, the BLV used by Mr Nesbitt in this proof is different to the one used in the SOCG.

2.10 Subject Site Location and Context - Section 8

2.10.1 The following quote is including in the agreed SOCG, signed 14th September 2020:

“The units constructed at Glazebrook are generally smaller than those proposed at the subject site, however, this does provide good evidence for the smaller units proposed. We have therefore paid regard to these when pricing these units and have adopted similar values and rates per sqft.” (C&W FVA, February 2020, section 7.11).

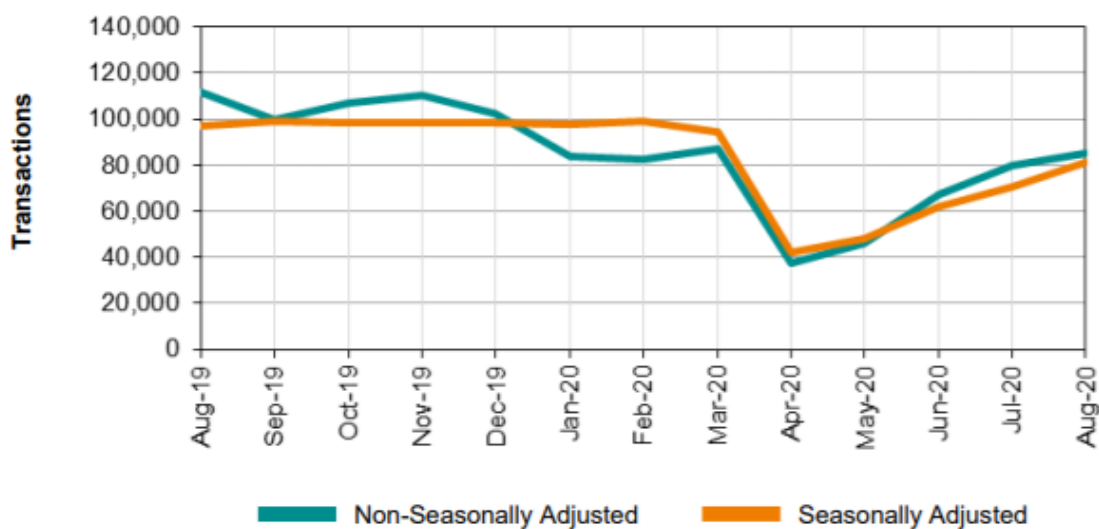
2.10.2 I was surprised to read in Mr Nesbitts proof that he has now moved away from Glazebrook as an agreed comparable. In 10.78 he states “In my opinion, and based on my site inspections, the Glazebrook scheme is situated in a fundamentally different and superior market location, and has different characteristics which would support higher sales values”. The agreed position with Mr Nesbitt in the SOCG is that similar values and rates per sq ft are adopted for the subject site based on Glazebrook. The smaller properties, 2 and 3 bed, make up approximately 69% of the Warburton Lane development.

2.10.3 Mr Nesbitt has provided evidence to show how COVID-19 has impacted the residential market. The evidence used by Mr Nesbitt is not Trafford/Manchester specific. At para. 10.3 Mr Nesbitt has provided evidence from the HMRC which shows how UK residential transactions dropped in April to July 2020 when compared to April to July 2019. I have analysed the most recent HMRC UK Property Transactions Statistics (September 2020). The HMRC state that:

“Residential transactions estimates in August 2020 have increased compared to July as the property market continues to recover, alongside early impacts from the residential property ‘Stamp Duty Holiday’ announced on 8 July 2020.” (pg. 1).

The table below from HMRC outlines how sale transactions have begun to recover in the UK since the effects of the COVID-19 lockdown in March to May 2020.

Total UK residential property transactions by month.



Source: HMRC, September 2020.

2.10.4 Zoopla produce the Zoopla UK House Price Index Report (ZUKHPIR) every month using data from one of their subsidiaries Hometrack. The report analyses the UK property market as well as annual price growth statistics from 20 UK cities. The most recent report (September 2020) analyses the property market up to August 2020. One of the key findings of the ZUKHPIR is that there is an ongoing supply/demand imbalance which has supported headline growth rate. The report states:

“The impetus for price rises shows no signs of slowing as new buyers continue to enter the market. Since the start of the year, demand for housing is 39% higher than at this stage last year.” (pg. 2)

2.10.5 The reasons the increase in demand for housing shown by Zoopla is not shown in the HMRC data above is because of the 3-4 month lag between sales agreed and legal completion. The ZUKHPIR concludes that:

“The strength of the recovery so far is highlighted in new sales agreed which over the last 9 months are 3% higher than over the same period last year -and this with a 50-90 day closure of the housing market.

The 3-4 month lag between sales agreed and legal completion means we will not make up all the ground lost during the market closure this calendar year. Completed housing sales are set to be 15% lower than in 2019. A continuation of demand and sales over the autumn, albeit at a slower pace, will support sales volumes, and estate agency revenues, into the first quarter of 2021.” (pg. 2)

2.10.6 Although it is clear from the HMRC transactional data that sales have decreased due to COVID, it is clear from the ZUKHPIR data that since coming out of lock down in the summer 2020 demand for housing recovered and is now 39% higher in August 2020 than the previous year. The Stamp Duty holiday has had a very positive effect on the market, as well as pent up demand caused by a pause in the market during lockdown. It is expected that as the summer ends completion in transactions will increase. The Autumn and Winter period, as well as the first quarter of 2021, will see increased sales activity.

2.10.7 Unfortunately, at the time of writing there was no transactional data for Trafford beyond April 2020.

2.10.8 At para. 10.4 Mr Nesbitt has relied on the Nationwide House Price Index from May 2020 to August 2020 to analyse house prices since COVID-19. There are two issues with only relying on the Nationwide House Price Index. The first is that the transaction data from the index is derived from Nationwide lending data and therefore gives an incomplete picture of the market. For example, in 2019, Nationwide had a 12.6% market share of the mortgage market (Statista, 2020). The data also

does not include cash buyers who make up a significant proportion of the UK residential market. For example, Land Registry data for March 2020 showed that there were 13,807 (33%) cash buyer transactions compared to 28,318 (67%) mortgage transactions in England that month (May 2020).

2.10.9 The second issue is that the data is not Trafford/Manchester specific. As the data I provide below shows, the Trafford/Manchester market has been outperforming the rest of the UK over 2019 to 2020 period. This is why, where possible, providing location specific data is key.

2.10.10 In my opinion, the best data to rely on when analysing house price growth is the Land Registry House Price Index (LRHPI) and then ZUKHPIR data. Both these sources of data analyse the cash buyer and mortgage transaction data to give a complete picture of the residential market. They both also provide location specific data, with the LRHPI providing Trafford specific data and the ZUKHPIR providing Manchester specific data.

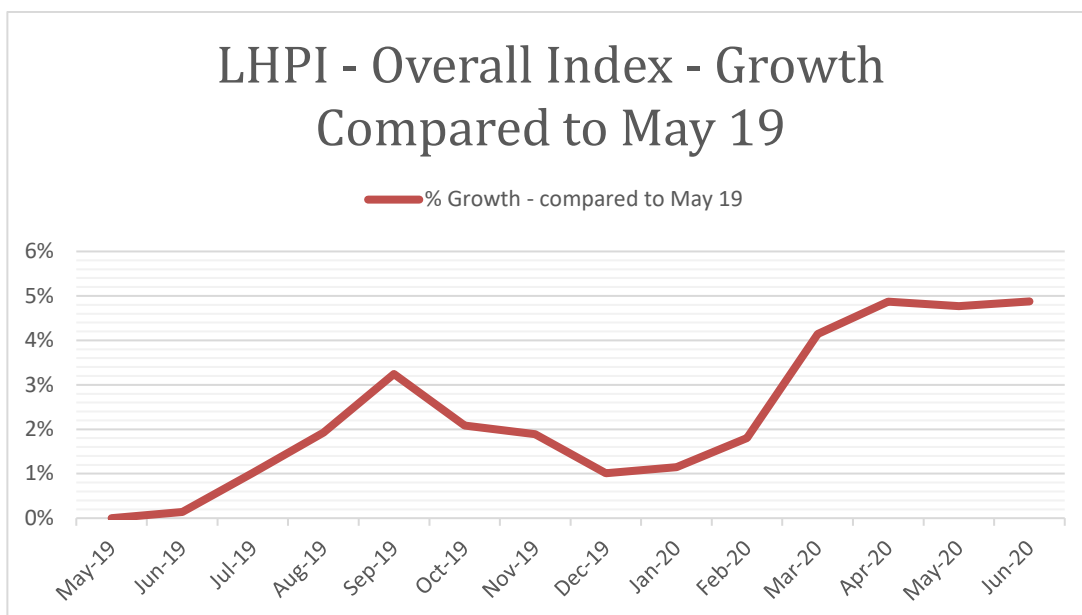
2.10.11 The LRHPI provides different indexes for analysing sale values. This overall index includes both new build and second hand properties. This index is broken down further in two other indexes which are for new build only properties and second hand only properties. The overall index can also be broken down per different property types (e.g. detached, semi, terraced or flats).

2.10.12 I have analysed the index from May 2019, which was the date of Mr Nesbitt's first FVA and the most up to date data on the LRHPI. The table and figures below, for June 2020, outline the overall index (new build and second hand).

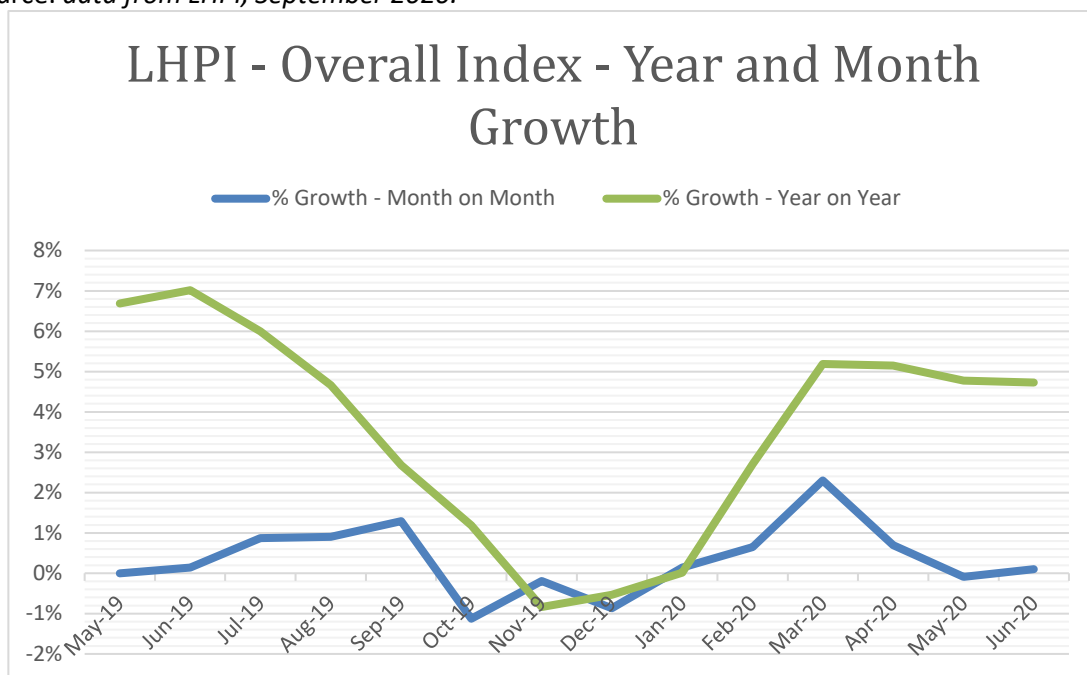
Date	All property types	% Growth - Month on Month	% Growth - compared to May 19	Previous Years Index	% Growth - Year on Year
May-19	134.95	0%	0%	126.49	6.69%
Jun-19	135.14	0.14%	0.14%	126.28	7.02%
Jul-19	136.32	0.87%	1.02%	128.61	5.99%
Aug-19	137.55	0.90%	1.93%	131.42	4.66%
Sep-19	139.33	1.29%	3.25%	135.69	2.68%
Oct-19	137.76	-1.13%	2.08%	136.14	1.19%
Nov-19	137.5	-0.19%	1.89%	138.66	-0.84%
Dec-19	136.31	-0.87%	1.01%	137.04	-0.53%
Jan-20	136.5	0.14%	1.15%	136.48	0.01%
Feb-20	137.38	0.64%	1.80%	133.76	2.71%
Mar-20	140.54	2.30%	4.14%	133.61	5.19%
Apr-20	141.52	0.70%	4.87%	134.59	5.15%

May-20	141.39	-0.09%	4.77%	134.95	4.77%
Jun-20	141.53	0.10%	4.88%	135.14	4.73%

Source: data from LHPI, September 2020.



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2.10.13 The LHPI data shows that since Mr Nesbitt’s first FVA in May 2019, there has been a 4.88% increase in sale values. The data also shows the effect the uncertainty around BREXIT had on the market during October 2019 to December 2019 where sale values decreased month on month (as well as year on year in November and December). However, following the December 2019 general election there was a bounce in the market due to increased certainty which lead to large house price increases

especially between February to March (2.3% month on month increase). Since the COVID-19 pandemic was declared, there has been a slow down in the month on month increase in sale values, with a small decrease between April and May 2020 but a small bounce back in June 2020.

2.10.14 When comparing the LRHPI data to Mr Nesbitt’s Nationwide data, which shows prices growth year on year, the following comparison can be made:

Month	LRHPI – Trafford Data	Nationwide Index – UK Data
May 2020	+4.77%	-1.7%
June 2020	+4.73%	-1.4%

Source: data from LRHI, September 2020 and Mr Nesbitt’s Proof, September 2020.

2.10.15 As can be seen from the table, Trafford has considerably outperformed the average UK sale prices, with large growth over 4.77% compared to decreases in values seen in the average UK data. This is the reason why I advocate for location specific data where possible. Mr Nesbitt’s selective data paints a different picture to the more robust statistics I have provided.

2.10.16 It should be noted that Mr Nesbitt’s Nationwide data has year on year percentage figures for July and August 2020 which both show house prices increasing in July and August 2020 compared to 2019. Though this data is not available on LRHPI, I expect Trafford’s year on year % to grow, to reflect the Nationwide UK average. I have analysed these two months using the ZUKHPIR Manchester specific data which provides indexes for July and August 2020. The table below outlines the results:

Month	ZUKHPIR (Manchester Data)	Nationwide Index (UK Wide Data)
May 2020	+3.9%	-1.7%
June 2020	+4.1%	-1.4%
July 2020	+4.0%	+1.8%
August 2020	+4.2%	+2.0%

Source: data from ZUKHPIR, June to September 2020 and Mr Nesbitt’s Proof, September 2020

2.10.17 Again, the data above demonstrates the issue with not providing location specific data. Manchester (the second fastest city for sale growth in the UK) considerably outperforms the Nationwide UK average data and recording year on year growth despite COVID-19. In terms of looking to the future and whether the growth in the Trafford/Manchester market can be sustained, ZUKHPI states:

“We do not expect much change in current trends over the rest of 2020 although a further moderation in demand is likely as we move further into the autumn.”

As well as the economic outlook and market sentiment, we need to keep a watchful eye on the relatively rapid increase in new supply and the pricing of this new stock. If demand were to weaken suddenly then there is a risk of an overhang of unsold stock and slowing in sale that would most likely require price reductions to support sales. This process can take up to 6 months to work through the system.

This is one of many risks facing the market but, for now, the post lockdown boost to demand is supporting unseasonably strong housing market conditions. The shift in the profile of demand towards home movers is one that has much further to run in our view.” (September 2020; pg. 5).

2.10.18 As stated earlier, the LRHPI produces an index for new build properties. At the time of writing, this data only has figures up to April 2020. The growth from May 2019 to April 2020 shown by the LRHPI for new build properties (7.23%) was higher than the overall index (4.87%). The table outlines the new build index:

Date	All property types	% Growth - Month on Month	% Growth - compared to May 19	Previous Years Index	% Growth - Year on Year
May-19	123.4	0%	0%	118.91	3.78%
Jun-19	121.94	-1.18%	-1.18%	119.7	1.87%
Jul-19	128.32	5.23%	3.99%	121.14	5.93%
Aug-19	124.57	-2.92%	0.95%	121.42	2.59%
Sep-19	126.56	1.60%	2.56%	121.35	4.29%
Oct-19	126.57	0.01%	2.57%	120.9	4.69%
Nov-19	120.08	-5.13%	-2.69%	120.92	-0.69%
Dec-19	121.75	1.39%	-1.34%	120.4	1.12%
Jan-20	131.69	8.16%	6.72%	119.51	10.19%
Feb-20	129.27	-1.84%	4.76%	118.81	8.80%
Mar-20	130.38	0.86%	5.66%	118.77	9.78%
Apr-20	132.32	1.49%	7.23%	119.61	10.63%

2.10.19 The new build index shows a strong December 2019 election bounce, with 2020 sale values growing considerably year on year. What this data also shows is that new build sale values in Trafford appear to be growing faster than the overall Trafford index data, though it is unclear what the effects of a smaller data sample has on the accuracy of the data.

2.10.20 Between paras. 10.7 to 10.10 of Mr Nesbitt’s proof he discusses the current and ongoing effects COVID-19 is having on the mortgage market. Although ZUKHPIR (September 2020) supports Mr

Nesbitt’s conclusion that there has been a reduced availability of the high loan to value mortgages in the market, ZUKHPIR states that while this has led to a decrease in demand for houses from first time buyers, they have seen a surge in demand from existing homeowners.



2.10.21 ZUKHPIR also states:

“On a regional basis, the relative strength of FTB demand is not uniform. This reflects the underlying profile of buyers and the level of reliance on higher loan to value (LTV) mortgages, particularly at or above 90% LTV. In 2019 around a fifth of all mortgages for home purchase were at this level. Reduced availability of mortgages at or over 90% LTV –as lenders meet increased demand at mid to lower LTVs –is a primary factor behind weakening demand.” (September 2020; pg. 4).

2.10.22 We have also attached the Savills August report for reference.

2.10.23 Mr Nesbitt has argued since his initial FVA in 2019, that the subject site is in Partington. The following adopted planning documents: CIL charging schedule 2014, Core Strategy 2012 and the Planning Obligations SPD 2014, all identify the subject site to be in an area that will perform differently in terms of viability than Partington. The Warburton Land development site is in the Rural Countryside. The has been established through Examination and is adopted policy.

2.11 Housing Market (10.17)

2.11.1 Mr Nesbitt has quoted from the April 2020 Savills UK Housing Market update. This has been superseded by the most recent report produced in September 2020. The reports reaches very different conclusions regarding the housing market. The September report provides an upbeat picture regarding the housing market. I am surprised Mr Nesbitt has not utilised the most recent Savills report, which confirms that the Trafford/Manchester market is outperforming most of the UK.

2.12 Glazebrook (10.77)

2.12.1 The Glazebrook Meadows scheme has long been agreed between myself and Mr Nesbitt as good evidence to base the values at Warburton Lane. From the May 2019 FVA I have incorporated an increase to Mr Nesbitts assessed values to reflect the improvement in the Manchester/Trafford housing market from May 2019 to summer 2020. During the same period Mr Nesbitt has sought to decrease the values for the proposed development, for which he has provided very little justification. I have analysed all of the housing sales for the Glazebrook scheme. My interpretation and Mr Nesbitt's differ with regards to the smaller be units.

2.13 Key Inputs (11.2)

2.13.1 The abnormal costs stated in this table are different to the ones identified by Mr Nesbitt in the SOCG.

2.14 Disposal costs

2.14.1 On two live viabilities in Trafford, former B&Q and Botanical House, Mr Nesbitt has used a different approach to sales and marketing costs as a % of GDV to that which is applied at Warburton Lane. In these two FVA's, he adopted 2.5% (3% has been used for the subject site). Clearly demonstrating that there is not a uniform benchmark.

2.14.2 As can be seen at para 4.28 in Mr Nesbitts proof, the District Valuer uses a standardised approach of £500 per unit for legal fees. At Botanical house Mr Nesbitt has used £650 per market unit for legal fees. At Warburton Lane, he has used £1311 per market unit (0.5% of the GDV). This evidence shows that there is variety in relation to the application of legal fees and I believe £500 per market unit is appropriate.

2.15 Finance

2.15.1 Under para 11.41, Mr Nesbitt has fundamentally changed the approach to timing of delivery of both infrastructure and housing for reasons which would not make commercial sense.

2.16 Abnormal and Extra Over Costs

2.16.1 If a benchmarking approach is taken to the identification of abnormal costs, as outlined by Mr Nesbitt in 11.49 and an approach used by Mr Nesbitt on other outline planning permission sites, then there would be a much lower abnormal cost than the one suggested in his proof. This would fundamentally change the outputs of the FVA to produce a compliant scheme, as demonstrated in my proof.

2.17 Development Profile

2.17.1 Please see the financial comments in para 2.14.

2.17.2 Mr Nesbitt has taken a very different approach to his development profile in relation to previous iteration of his FVA. I see no justification for why he has made these changes.

2.18 Residual Land Value (11.67)

2.18.1 For Clarity, this is the output when using Mr Nesbitts cost and value assessments for a scheme delivering 45% affordable housing.

2.19 Landowner Premium

2.19.1 In para 12.29 of his proof, Mr Nesbitt states “It is recognised across the industry that the assessment of landowner premium is difficult and there is no ‘one-size-fits-all’ approach. Indeed, the premium required to incentivise release of each site will vary on a site-by-site basis depending on the specific circumstances affecting that particular site”. Mr Nesbitt has not taken this approach when establishing his Benchmark Land Value. For the latest iteration of his FVA he has identified an appeal decision for a site on the Fylde to determine his approach to appropriate premium at the subject site.

I have maintained since the start of this process that Warburton Lane, due to Mr Nesbitts assertions with regards to the scale of abnormal costs, performs differently than other schemes and thus requires a specific “site by site” assessment.

3. Conclusion

3.1.1 I note that on all areas where Mr Nesbitt knows I disagree with his inputs, no further evidence to justify his approach/assertions is provided. In particular, there is no attempt to benchmark the predicted costs in his FVA against those actually incurred in the many developments he purports to have advised on.