

Adams Integra
Review of House Price Information for South Hams District Council
May 2008

1 Introduction

- 1.1.1 Adams Integra has been asked by South Hams District Council to provide a brief review of property values in South Hams District as an update to research carried out in May - June 2007. The original research was carried out to inform an overview study into development viability in light of a range of affordable housing policy options. This review updates the previous values research.
- 1.1.2 It has been carried out at a time when the market (both wider and more local) is difficult to assess, with a variety of signals and information picked up, resulting from the general slow down and widely reported “credit crunch”.
- 1.1.3 As with the original research and making of judgements on a range of value levels to import in to our appraisals, Adams Integra aimed to review a variety of information sources and then make an overview from those. Inevitably the making of these judgements involves this type of process – there is no definitive source of information or singly appropriate view – particularly in current market circumstances.
- 1.1.4 This has to be on a snapshot basis and we cannot make any assessments about likely future market trends. Therefore we aim to give our opinions, based on our updated research and the range of indications set out here. These are set out in ‘Conclusions’ at the end of this review.

2 Housing Market Overview – May 2008

2.1 Royal Institution of Chartered Surveyors (RICS)

Source: RICS Economics - RICS Housing Market Survey April 2008

- 2.1.1 The RICS article introducing its latest Housing Market Survey (published 13 May 2008) read (distinct text):
- **Distress sales yet to filter through**
The balance of Chartered Surveyors reporting house price falls increased even further but tight supply is limiting the extent of the decline, says RICS.
 - The RICS house price balance **dropped for the ninth month in succession.**
 - 95.1% more Chartered Surveyors reported a fall than a rise in house prices, an increase from 79.4% in March.

- The regional picture is even more depressed with surveyors in East Anglia, the North and North West unanimous that house prices are falling.
- The net balance in Scotland turned negative where previously it was the only UK region where the majority of surveyors were reporting house price increases.
- **However, the scale of house price falls remains relatively small at this stage compared to past downturns.**
- The **lack of new instructions** to sell property continues to provide a crutch to the market.
- Large numbers of distress sales (either repossessions or sales from those attempting to avoid the repossession process) have not yet appeared in the market place and, while mortgage arrears remain low and the employment situation remains strong, the lack of supply will continue to prevent large declines.
- **Demand continued to weaken** as new buyers' enquiries fell further. 68% more Chartered Surveyors reported a fall than a rise in new buyer enquiries, up from 51% in January.
- Many would-be-buyers are either struggling to raise the necessary finance or are **exercising caution** in the light of current economic uncertainty.
- With the official interest rate cuts not being fully passed on to the high street, lenders continue to pull back on the range of mortgage products and further scale down loan to value ratios, there is **little expectation that demand will improve** in the near term.
- As a result of this lack of supply, the average number of **unsold stock** on surveyors' books edges down.
- The ratio of completed sales compared to the stock of unsold property on the market fell to 21.1%, down from 24.6%.
- Looking forward, the net balance of surveyors expecting prices to rise is at -80%, compared to -74% in March.
- Commenting, **RICS spokesperson Ian Perry** said:

"Although most surveyors are now seeing price declines, **the extent of the fall, is at this stage, quite modest.** The real issue is the **collapse in the number of housing transactions.** This has very real implications, not just for the property industry but also the high street and the wider economy. Sellers of white goods are likely to suffer if this low level of turnover persists for much longer. This is a key reason why the Bank of England should act at its next meeting by cutting the base rate."

2.1.2 The survey's picture of the South West (its closest related information to South Hams) was similar.

2.1.3 In terms of the surveyor's comments included each month at the end of the RICS survey, there were a range of comments relating to the Devon market. While these relate to a variety of locations, they are nevertheless interesting in the South Hams and wider market context for the variety of views. Examples extracted from the survey are:

- *Exeter – Strutt & Parker*
Sellers will need to be very realistic in considering offers for their properties.
- *Exeter – Knight Frank*
Demand is increasing, particularly at the top end of the market. It is still buyer's market, but there is some competitive bidding going on.
- *Plymouth – Stags*
Confidence is showing signs of returning with a viewing rate now higher than for the corresponding period of 2007. While marketing prices must be competitive for success, the adjustments necessary are not normally major to be effective, especially for individual and 'character' property. There is clearly a degree of held back activity – we are looking forward to a busy May.
- *Exeter – Robert Williams*
A very poor month for agreed sales, as any purchaser in a position to proceed appears to be waiting to see if prices continue to fall.
- *Exeter – Whitton & Laing*
Whilst confidence is at a very low ebb, there is nevertheless a growing pent up demand in all sectors. The constant negative national press does not help, but perhaps once the banks sort out the mess they created.....we may get back to some semblance of normality. I suspect this process may take a little longer than many expect. In the meantime, properties at the right prices will sell, albeit in fewer numbers.
- *Braunton – Webbers Property Services*
If priced correctly, there is good interest – particularly £180 - £250 k market. Top end unaffected.
- *Exeter – Stags*
We are finding that there is a distinct lack of confidence in the market from purchasers who are putting forward low offers, if they are in a strong position. On those sales we are agreeing, purchasers are finding it much more difficult to raise finance.

- *Bideford – Webbers Property Services*
General lack of confidence due to outside factors, press, banks, world economy etc....
- *Torrington – Webbers property Services*
Correctly priced properties are selling. Mortgages are still, in general, widely available.
- *Torquay – Metcalfe's*
The market remains subdued although some good buyers still acting and expecting low offers to be considered. Sensibly priced properties are attracting enquiries. Flats remain the most difficult sector with an oversupply.
- *Torquay – Waycotts*
People are adopting "wait and see" attitude and buyers are keen to negotiate on prices.

2.2 Land Registry

Source: Land Registry House Price Index April 2008 (released 30 May 2008)

2.2.1 The Land Registry House price Index April 2007, released 30th May 2008, states:

"The April data shows a reduction in annual house price change from 3.6% last month to 2.7% this month. This latest movement continues to point towards a weakening housing market and represents the eighth consecutive decrease in annual house price growth...The average house price in England and Wales stands at £183,626, which is a decrease from last month's figure of £184,798".

2.2.2 Regionally, the price of properties in the South West increased by 0.2% for the month; an annual increase of 2.7% to an average price of £196,057. That said, locally, Devon saw an increase of 0.4% for the month; 4.9% over the last year to take average prices there to £212,623; price levels very significantly in excess of, and price trends more positive than, both the regional and national average figures.

2.2.3 In terms of sales volumes nationally, in the months from November 2007 to February 2008, transaction volumes averaged 72,479 per month. This is a decrease from the same period last year, when sales volumes averaged 103,141.

2.2.4 The detail of the Index reveals that the price of all property types are in excess of the same time last year (April 2007) with terraced properties showing the largest increase (3.1%) and detached houses showing the smallest annual increase, overall, of 2.2%.

2.2.5 Note that an overview of the previous years trends (as extracted from Land Registry overview reporting) is provided at page 8 below.

3 Property Pricing in South Hams – May 2008

3.1 Resale

- 3.1.1 The tables included in the Appendix to this review show the marketing (or, where available, subject to contract) prices of various types of property in South Hams. The information was collected from www.rightmove.co.uk. It is likely that actual sales values are lower than the figures set out below, however this exercise served to add to our understanding of local value levels and patterns. In putting forward our conclusions from this review, we will comment on the level of adjustment from asking prices which we consider may be relevant.
- 3.1.2 For each settlement there are two tables (see Appendix I). The first table shows the average price of each dwelling type. The second table shows the information in terms of average, minimum, 1st quartile, median (2nd quartile), 3rd quartile and maximum price. This is so that the range of values, as well as typical value levels, can be better understood.
- 3.1.3 This information was then compared with that collated in early Summer 2007 and shown in the tables below. The increase or decrease in marketing prices is shown in the final 2 columns. This contributes to an overall view of the property market as at June 2007 and May 2008. We also show data from June 2007 to March 2008 (latest available to date) from the Land Registry (although this data is for Devon as a whole rather than South Hams specifically).

South Hams Average Property Values – As at June 2007 and May 2008 by Location and Property Type

Average Asking Prices Analysis - South Hams								
	1 Bed Flats				2 Bed Flats			
	Jun-07	May-08	+/- (£)	+/- (%)	Jun-07	May-08	+/- (£)	+/- (%)
Totnes	£154,560	£156,043	£1,483	1.0%	£246,436	£206,858	-£39,578	-16.1%
Dartmouth	£151,408	£136,863	-£14,546	-9.6%	£288,400	£281,232	-£7,168	-2.5%
Salcombe	£264,800	£355,000	£90,200	34.1%	£465,533	£481,919	£16,386	3.5%
Ivybridge	£123,133	£129,975	£6,842	5.6%	£145,960	£153,970	£8,010	5.5%
Kingsbridge	£143,960	£120,680	-£23,280	-16.2%	£208,835	£201,950	-£6,885	-3.3%
Coastal	£185,970	£176,183	-£9,787	-5.3%	£275,606	£228,129	-£47,478	-17.2%
Inland	£188,296	£213,475	£25,179	13.4%	£302,259	£234,896	-£67,363	-22.3%
All Settlements	£175,424	£175,950	£525	0.3%	£298,106	£272,122	-£25,984	-8.7%

Average Asking Prices Analysis - South Hams								
	2 Bed House				3 Bed House			
	Jun-07	May-08	+/- (£)	+/- (%)	Jun-07	May-08	+/- (£)	+/- (%)
Totnes	£227,925	£226,825	-£1,100	-0.5%	£286,199	£289,312	£3,113	1.1%
Dartmouth	£276,878	£281,326	£4,449	1.6%	£373,689	£380,936	£7,247	1.9%
Salcombe	£375,000	£408,557	£33,557	8.9%	£580,375	£656,500	£76,125	13.1%
Ivybridge	£158,605	£160,381	£1,776	1.1%	£227,454	£219,958	-£7,496	-3.3%
Kingsbridge	£225,383	£209,922	-£15,461	-6.9%	£270,426	£268,300	-£2,126	-0.8%
Coastal	£268,308	£301,033	£32,725	12.2%	£388,834	£415,805	£26,971	6.9%
Inland	£249,123	£265,048	£15,925	6.4%	£346,693	£340,486	-£6,207	-1.8%
All Settlements	£240,455	£252,230	£11,775	4.9%	£331,267	£338,103	£6,836	2.1%

Average Asking Prices Analysis - South Hams				
	4 Bed House			
	Jun-07	May-08	+/- (£)	+/- (%)
Totnes	£398,533	£357,161	-£41,372	-10.4%
Dartmouth	£502,321	£474,923	-£27,399	-5.5%
Salcombe	£637,571	£699,994	£62,423	9.8%
Ivybridge	£321,680	£311,740	-£9,940	-3.1%
Kingsbridge	£494,970	£424,282	-£70,688	-14.3%
Coastal	£701,344	£565,770	-£135,574	-19.3%
Inland	£584,403	£545,520	-£38,882	-6.7%
All Settlements	£523,559	£488,407	-£35,152	-6.7%

Information sourced from www.RightMove.co.uk and analysed May 2008

3.1.4 Whilst acknowledging that such an exercise is highly dependent on the type of property being marketed at any given point (as is a review of land registry based on the type of properties sold over a given period), looking at the above tables it is possible to draw out the following indications:

3.1.5 We see the most consistent downward adjustment to asking prices in respect of flats as opposed to houses, and particularly 2 bed flats, although flat asking price levels appear to have held up well in Salcombe and also in Ivybridge.

- 3.1.6 Asking prices for 4 bed property seem to have fallen generally.
- 3.1.7 The pricing of 2 and 3 bed houses has held up well generally although, as the tables show, there are some individual pointers against this overview statement.
- 3.1.8 This is potentially interesting information in terms of housing types perhaps most likely to be in demand, on an overview basis.
- 3.1.9 Looking at the overall average property asking prices by settlement (i.e. all properties in each settlement area), the average asking price in South Hams indicates that Salcombe asking prices have continued to move ahead, a clear feature that we see throughout this analysis. Dartmouth asking prices now are at a very similar level to those seen in June 07. Asking prices in other areas appear to be typically 5% to 7% down on their June 07 levels, while the Kingsbridge information we have shows a much more notable reduction in asking prices over the period – when viewed across all property types.
- 3.1.10 Overall, it indicates that asking prices in South Hams are 3.8% lower than they were in June 2007.
- 3.1.11 This suggests that some level of correction of asking prices has started to occur in recent months, in response to the more uncertain market conditions which have become established.
- 3.1.12 Our discussions with an agent particularly active in the local new homes market suggested a similar overall picture, with prices having steadied but serious price falls not seen so far. Further information is provided later.
- 3.1.13 Specific land registry data is not available by locality at economic cost for the purposes of this brief update. In any event it is not classified according to property size, but only by generic property types, as we have seen. There is also a time lag in that very latest prices take a while to filter through to the reported data. Nevertheless, as below, Land Registry data shows a picture of prices still ahead of where they were in June 07. Since the turn of the year there has been little movement in prices when viewed overall. The indicated rate of house price increase has declined notably, so the effects of the price rise trend of earlier last year are now being diluted.
- 3.1.14 One key feature picked out in the Land Registry data is the dramatic downturn in sales volume (number of sales) however. This has been an aspect highlighted by other more general reporting, and the same has been seen when local agents have been consulted. Land Registry data for Devon is included below:

Land Registry Data (Devon)

Month	Index	Average Price (£)	Monthly Change (%)	Annual Change (%)	Sales Volume
June 2007	241	205,385	0.9	7.3	1,629
July 2007	240.6	205,013	-0.2	6.6	1,703
August 2007	242.7	206,831	0.9	7.3	1,853
September 2007	245	208,787	0.9	7.9	1,413
October 2007	246.3	209,927	0.5	8.1	1,510
November 2007	247	210,515	0.3	7.7	1,369
December 2007	247	210,522	0.0	7.0	1,054
January 2008	247.7	211,037	0.2	6.7	764
February 2008	246.9	210,388	-0.3	5.7	-
March 2008	247.4	210,792	0.2	4.6	-

Data sourced from www.landregistry.gov.uk – House Price Index Custom Reports

3.1.15 Note that the April information (as included in the Land Registry's May 2008 house prices index) was included at page 4 above.

3.2 New Build Housing - marketing and pricing information

3.2.1 The new build developments information shown below was gathered through desktop research carried out in May 2008, as supplemented by telephone discussion with agents; helping us to inform our judgements in relation to this overview of current property values in South Hams.

Location	Address	Property Type	Description	Price	Size (m ²)	£ / m2	Developer / Agent	Notes (and see commentary below table)
Kingsbridge	Crabshell Heights, Embankment Rd	Flats	2 Bed Apartment	£268,000	73	£3,671	Gresham Investment Holdings	Interest levels being assessed
			3 Bed Apartment	£340,000	81	£4,198		
	Southwater Court, Embankment Road	Flats	2 Bed Apartment	£270,000	-	-	Marchand Petit	Completed and good levels of interest being shown. Small discounts, if any, likely to be relevant.
			2 Bed Apartment	£325,000				
			3 Bed Apartment	£345,000				
West Charleton, Kingsbridge	House	6 Bed Detached	£2,650,000	410	£6,463	Marchand Petit	Salcombe Estuary	
Totnes	Lamb South and North, Southgate	Flats	1 Bed Apartment	£155,950	-	-	Midas Homes	Lots of interest initially, but this has slowed up.
			2 Bed Apartment	£245,950	-	-		
			3 Bed Duplex Apartment	£339,950	-	-		
	Redhills, Jubilee Road	House	3 Bed Attached House	£545,000	-	-	Marchand Petit	Not formally launched yet. Marketing will commence at a more advanced stage. High confidence in location and scheme.
		Flats	Orchard Homes Apartments	From £397,500				
Flats	3 Bed Penthouse Apartment	£725,000						
Dartmouth	4 Pottery Cottages, Warfleet	House	3 Bed Terrace	£425,000	111	£3,829		Slow sales to begin with. Sales achieved very close to asking price - approx £3,800/m2
	Upper Townhouse, 51 Southford Road	House	3 Bed Semi-Detached (4 Storey)	£445,000	120	£3,708		One sold at asking price (NB With two garages). Around £3,700/m2
	1 The Old School House, Chapel Lane	House	2 Bed House (Conversion to form 2 bed property)	£495,000	108	£4,583	Nomad Construction	Currently unsold
			3 Bed House	£575,000	141	£4,078		
	21 Ivatt Road	House	2 Bed Semi-Detached	£179,950	65	£2,812	Moseley Builders Ltd.	Currently unsold

Location	Address	Property Type	Description	Price	Size (m ²)	£ / m2	Developer / Agent	Incentives/Notes
Thurlestone	"Aspects", Mead Drive	House	4 Bed Detached	£730,000	-	-	Gerald Wood Homes	Interest currently slow – but probably attributed in part to building stage (scaffold etc.)
			4 & 5 Bed Detached	£730,000 - £875,000	-	-		
Torcross	"The Beach", Torcross	Flats	2 Bed Flat	£285,000	-	-	Marchand Petit	Marketed principally as holiday homes (view of Slapton Ley)
			3 Bed Flat	£375,000	-	-		
			1, 2 & 3 Bed Flats	£285,000 to £450,000	-	-		
South Hallsands	Prospect House, South Hallsands	House	4 Bed Semi-Detached	£660,000	-	-	Knight Frank, Exeter Office	Some sold - achieved prices from £409 to mid £500s per sq ft, ie approximate range £4,400 to £5,900 per sq m. nb also confirmed Dart Marina sales had achieved £900 / sq ft plus (£9,700 / sq m).
			3 Bed Terrace	£460,000	-	-		
			2 Bed Semi-Detached	£320,000	-	-		
		Flat	3 Bed Flat	£549,000	-	-		
			2 Bed Flat	£470,000	-	-		
			2 Bed Flat	£395,000	-	-		
			2 Bed Flat	£230,000	-	-		
Other notes	Greenwood, Western Road, IVYBRIDGE	House	Single building plot for 4 Bed Dwelling of (1/3 acre)	£225,000	-	n/a	Marchand Petit	Land with planning permission for a single 4 bed dwelling (garden of a property which is also for sale)
	Little Mewstone, Devon Road, SALCOMBE	House	Land for 2 houses	£1,250,000 and upwards	-	n/a	Marchand Petit	Land with planning permission for pair of (semi-detached) houses
	Devon Road, SALCOMBE	House	Contemporary 5 Bed	£2,250,000	314	£7,166	Marchand Petit	Further indication of strength of some values.

3.3 Additional Commentary

3.3.1 Points drawn out from Adams Integra research, discussion with agents and wider work during May 2008):

- Volume of sales rather than prices is key concern.
- Industry needing to work much harder for its income.
- Lower parts of market (up to £500,000) affected more than higher value property – accessibility of mortgage funds. Bottom end of market worst affected. However signs in some areas that this affect is feeding into problems with some higher value property, owing to chains.
- Apartments can be more problematic to sell than houses in some areas.
- Off-plan sales, which were quite common a year ago, are now relatively scarce – buyers wanting more confidence in what they will get, plus uncertainties over future price movements are undermining this process.
- Sales volume and less confident buyers are in some cases leading to slower builds and thus in some senses a circular element to these symptoms.
- Purchasers more generally not committing or taking time to commit through believing they will not agree a sufficiently adjusted price to reflect potential future price reductions.
- Survey valuations becoming problematic in some cases. Some instances of new build pricing being considered by reference only to the overall resale market by some lenders.
- Few investment buyers still active – applies in many areas and perhaps especially in lower parts of market.
- Asking prices generally remain aspirational to some extent, although some adjustments have taken place. Some schemes, and perhaps especially apartments in certain locations more so than others, could need a 5 -15% reduction from asking price to sell (5 -10% perhaps more common). Note however that this is not a universal comment and some schemes are reported to be attracting good levels of interest. It is highly scheme dependent. A discount in South Hams would buy a more significant discount elsewhere.
- Incentives other than significant price reduction tend to be the starting point.
- Some opportunities for offers combined with varying the specification / finish of properties accordingly.
- Totnes was described as thriving.
- South Hams market is however relatively protected in terms of range of buyers to support it, and its unique offer, however – settled population, commuting to some areas, retirement, second / holiday homes, downsizing (lifestyle changes).
- Overall: depth of “doom and gloom” not as significant as reported daily in relation to the national picture, however the wider influences and general lack of feel-good are having increasing influence.
- There is a still a belief that the underlying economic conditions, including relatively low interest rates, are playing a part in underpinning the market and protecting prices to some extent.

3.3.2 In terms of wider market trends, we were also beginning to pick up signs and reporting of other market features characteristic of a slow-down. Examples of these included:

- Some house builders reporting reduced margins.
- From scheme to scheme there are varying reports on specific profit levels. Some developers / schemes where increased profits were sought actually needed to compensate for reduced scheme revenue (i.e. larger % of a reduced sum); other developer appraisals we have seen have shown reduced profit levels (<15%) in order to maintain scheme viability.
- A slow-down in the rate of construction of new homes – both new starts and on-site progress.
- Incentives being offered more often - such as stamp duty / 5% deposit paid and perhaps others.
- Some use of guide pricing alone or even no advertised pricing; but there have not been widespread / open pricing reductions to our knowledge – some schemes still selling well. Slower sales and most difficulties perhaps typically being experienced with larger flatted schemes. This is linked to a commonly expressed feeling, more widely, that too many flats have been built in many places in recent years.
- Developers need to seek to protect price levels (initially and primarily offer incentives rather than headline price reductions) to limit the circular effect of increasing price reduction expectations by purchasers.
- Developers considering offers from (and doing deals with) RSLs for expanded affordable housing quotas on sites; or even entire schemes for affordable housing.
- Some reports of some developers pulling out of or delaying schemes.

4 Conclusions

4.1.1 The market is difficult to assess, with judgements necessary and, currently, a range of those likely to be encountered in any such exercise. However we have aimed to pick through the range of pointers reviewed and our conclusions are as follows:

- a) The South Hams market is affected by the general downturn, uncertainty and reporting currently seen. However the local market is protected to some extent by the characteristics of the area – by its offer and the range of purchasers that support it.
- b) Although highly scheme dependent, sales prices in many instances may now be in the order of 10% below current asking price levels. Purely for the purposes of this exercise, if we were to deduct 10% from the asking prices seen (e.g. new build table above), then those price levels would still exceed £3,000 / sq m – and usually by some margin.

- c) Therefore, typical new build sales prices in South Hams are thought to be still comfortably in the range £3,000 - £3,500 per square metre. They are often higher, and sometimes very significantly so. This typical level of values is therefore consistent with Adams Integra's value points 2 to 3, as applied in its viability study overview work following the June 2007 research.
- d) The single exception we found this time was the small development in Dartmouth (again see new build table above) with a marketing price of around £2,800 / sq m; thought to represent the lower end of the typical South Hams new build price range. A 10% indicative deduction from that price level, purely for the purpose of this exercise and given that the property remained unsold, would still place its price at above the value point 1 price level of £2,400 / sq m. In making comparisons generally, the size of properties needs to be considered.
- e) We cannot say for sure, but value levels below that bottom end of the range (as we considered previously) *may* now be encountered, but based on current evidence, this appears unlikely (at least to the point of commonly occurring in South Hams). The Plymouth urban fringe (within South Hams) generally shows amongst lowest values in the District. Any new development in that area could be considered to be influenced by Plymouth levels. Alternatively, new value patterns could be set there. When we spoke to agents about likely values for the Plymouth urban extension for example, they were unable to offer any comment on those. It is possible that these could be influenced by existing value patterns and / or set new ones. As with all of this, it will need to be borne in mind in the Council's practical application of policy positions, whatever levels those are to settle at.
- f) Possible development timescales and the number of unknowns make value assessments in that urban extension respect rather meaningless at present. However, in our view this still points to considering the most lenient affordable housing policy scenario for South Hams in such circumstances; with high values elsewhere giving significantly more potential to cover costs, meet profit expectations, and provide significant land values as well as bring forward affordable housing to help balance local markets. The fact that there will be a significant range of viability outcomes in South Hams beyond the normal scheme specific variations (when the full rather than more typical picture is taken in to account), needs to be considered.

4.1.2 **In summary**, although values continued to increase (albeit more gradually than previously) in to the Autumn of 2007, in our view they are now at very similar levels to June 2007.

4.1.3 Based purely on the land registry information included here, it might be possible to make a case for values still being ahead of their June 2007 levels, but in our opinion given the current market feel, a slightly more tempered view i.e. (that they are very similar) is appropriate. In terms of the land registry, it must also be borne in mind that its index figures are approximately one month out of date, so that there is a time lag in

trends filtering through. The latest available data actually picks up on the April position.

- 4.1.4 Looking at viability now, we would have to acknowledge that costs have risen, and currently are rising (including in connection with progression of the sustainability agenda). There are reports of how rising transport and raw materials costs are starting to impact. These have been factors in the pressure on inflation, in response to which we will need to see whether the Bank of England Base rate moves from its current 5%. In more recently conducted viability overview studies we are altering assumptions accordingly.
- 4.1.5 However, given that we took what still we consider to be a relatively conservative, and certainly appropriate, view of value levels in completing the viability study, we would not alter our viability conclusions materially. We would certainly not alter them in respect of how viability varies with the strength of values, given that such a range of values is seen when viewing South Hams District in its full context. We believe that in terms of local relevance this is a key aspect.
- 4.1.6 In our view the provision of affordable housing needs to be a negotiated process in the context of policy targets, at whatever levels those are set. We consider that it would be difficult to support and run an approach where any particular viability pressures seen now meant operating different (i.e. reduced) targets in the short term and reviewing those in the event of the market picking up again.
- 4.1.7 Negotiations based on a practical, responsive approach based on ambitious targets are likely to be the key.
- 4.1.8 In our view, in light of proven affordable housing needs it is likely to be more practical to seek to maintain ambitious targets, but operate those on a practical negotiated basis; and then be prepared to review them longer term in response to delivery experiences and the monitoring which we understand will take place.
- 4.1.9 The alternative might mean too much uncertainty and a potentially inequitable approach in the longer run.
- 4.1.10 A major part of the delivery process (for market and affordable housing) revolves around land owners' price expectations, and the necessary adjustment of those (with all that is happening currently in planning and infrastructure terms – not just affordable housing requirements). This takes time. It needs to be driven by settled policy.
- 4.1.11 In general using a model such as the one Adams Integra uses involves protecting the developer's return to a reasonable degree whilst reviewing what is happening to land value. Clearly the precise outcome of this equation, and view of risk, will vary from site to site and with time. The study does not purport to override that reality, or pre-determine particular outcomes. There are many other aspects to consider as well as viability.

Acknowledgements:

Adams Integra would like to thank those who have taken the time to talk to us during this research update exercise, in response to our approaches. Not exclusively, but in particular, we would like to thank Marchand Petit and Knight Frank.

Prices review ends (appendix to follow)

APPENDIX

May 2008 – South Hams asking price information – Overall market

Source: www.rightmove.co.uk May 2008

Totnes

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		-	£365,279	£523,750
Semi-Detached		£215,667	£257,634	£285,564
Terraced		£224,346	£297,142	£333,564
Flats	£156,043	£206,858		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	£156,043	£119,950	£136,998	£155,950	£165,975	£220,000
2-Bed Flats	£206,858	£139,950	£171,488	£190,000	£246,963	£295,000
2-Bed Houses	£226,825	£172,500	£183,213	£220,000	£250,000	£319,950
3-Bed Houses	£289,312	£189,950	£227,125	£252,500	£330,500	£545,000
4-Bed Houses	£357,161	£225,000	£278,500	£320,000	£408,750	£725,000

Dartmouth

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		-	£528,990	£512,990
Semi-Detached		£285,608	£304,750	£496,429
Terraced		£278,991	£370,038	£432,313
Flats	£136,863	£281,232		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	£136,863	£132,500	£134,375	£137,475	£139,963	£140,000
2-Bed Flats	£281,232	£124,500	£212,475	£255,000	£355,000	£475,000
2-Bed Houses	£281,326	£179,250	£219,000	£249,950	£299,500	£515,000
3-Bed Houses	£380,936	£179,950	£275,000	£359,000	£395,000	£895,000
4-Bed Houses	£474,923	£330,000	£410,000	£449,500	£488,738	£750,000

Salcombe

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		-	£614,750	£626,650
Semi-Detached		-	-	£930,000
Terraced		£446,000	-	£543,333
Flats	£355,000	£481,919		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	£355,000	£320,000	£335,000	£350,000	£372,500	£395,000
2-Bed Flats	£481,919	£249,950	£375,000	£465,000	£595,000	£750,000
2-Bed Houses	£408,557	£229,950	£342,500	£395,000	£487,475	£575,000
3-Bed Houses	£656,500	£259,000	£550,000	£622,500	£762,500	£1,100,000
4-Bed Houses	£699,994	£285,000	£550,000	£795,000	£895,000	£1,000,000

Ivybridge

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		-	£268,786	£312,102
Semi-Detached		£154,517	£210,017	£339,988
Terraced		£158,215	£195,793	-
Flats	£129,975	£153,970		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	£129,975	£105,000	£106,463	£127,475	£150,988	£159,950
2-Bed Flats	£153,970	£134,950	£139,950	£140,000	£165,000	£189,950
2-Bed Houses	£160,381	£125,000	£144,450	£152,950	£164,950	£250,000
3-Bed Houses	£219,958	£152,950	£174,950	£192,500	£236,950	£675,000
4-Bed Houses	£311,740	£199,950	£250,000	£284,950	£349,950	£575,000

Kingsbridge

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		-	£331,286	-
Semi-Detached		-	£262,333	-
Terraced		£209,922	£227,790	£326,475
Flats	£120,680	£201,950		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	£120,680	£99,950	£119,950	£125,000	£126,000	£132,500
2-Bed Flats	£201,950	£119,950	£171,500	£210,000	£232,500	£290,000
2-Bed Houses	£209,922	£159,500	£188,088	£194,975	£222,750	£325,000
3-Bed Houses	£268,300	£185,000	£218,475	£267,000	£297,000	£450,000
4-Bed Houses	£424,282	£152,950	£337,500	£430,000	£490,000	£675,000

The other villages/towns/hamlets have been sorted into coastal and inland settlements (see table the below)

Coastal		
Aveton Gifford	Galmpton	Stoke Gabriel
Bantham	Kingswear	Strete
Beesands	Mothecombe	Thurlestone
Bigbury-on-Sea	Newton Ferrers	Torcross
Blackpool	Noss Mayo	Tuckenhay
Dittisham	Outer Hope	Wembury
East Charleton	Slapton	Yealmpton
East Portlemouth	South Pool	
East Prawle	Stoke Fleming	

Inland		
Ashprington	Diptford	Marldon
Berry Pomeroy	East Allington	Modbury
Bickleigh	Ermington	Moreleigh
Blackawton	Halwell	Ringmore
Brixton	Harberton	Shaugh Prior
Charleton	Harford	South Brent
Chivelstone	Holbeton	South Huish
Churchstow	Holne	South Milton
Cornwood	Kingston	Staverton
Cornworthy	Littlehempston	Stokenham
Dartington	Loddiswell	Ugborough
Dean Prior	Malborough	West Alvington

Coastal Settlements

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		£382,714	£497,012	£580,604
Semi-Detached		£274,200	£375,457	£550,733
Terraced		£269,038	£322,486	£439,988
Flats	£176,183	£228,129		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	£176,183	£125,000	£156,250	£174,000	£189,950	£279,950
2-Bed Flats	£228,129	£135,000	£195,975	£215,000	£239,975	£375,000
2-Bed Houses	£301,033	£187,500	£221,213	£282,500	£307,250	£800,000
3-Bed Houses	£415,805	£174,950	£283,700	£397,000	£495,000	£1,100,000
4-Bed Houses	£565,770	£194,950	£396,238	£532,500	£675,000	£1,225,000

Inland Settlements

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		£390,500	£433,160	£634,463
Semi-Detached		£265,825	£316,574	£418,069
Terraced		£229,852	£290,869	£332,286
Flats	£213,475	£234,896		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	£213,475	£134,950	£181,213	£204,975	£243,713	£295,000
2-Bed Flats	£234,896	£134,950	£187,450	£225,000	£251,213	£450,000
2-Bed Houses	£265,048	£129,995	£191,000	£239,000	£317,500	£700,000
3-Bed Houses	£340,486	£159,950	£245,000	£325,000	£399,950	£795,000
4-Bed Houses	£545,520	£164,950	£349,950	£465,000	£650,000	£2,500,000

Appendix ends