

The Housing Cake: Costing the Ingredients

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Presentation Outline

- Developer key performance measures
- Importance of housing numbers
- Valuing a site
- Impact of affordable housing
- Conclusion

Developers' Key Performance Measures

Key Performance Measures

- Profit
 - Quantity (£'s)
 - Quality (% margin)
 - ROCE (efficient use of capital)
- Performance Targets
- Corporate and Social Responsibility

Company Business

- Land acquisition
- Selling houses
- Land trading

- Maximising value
- Minimising costs

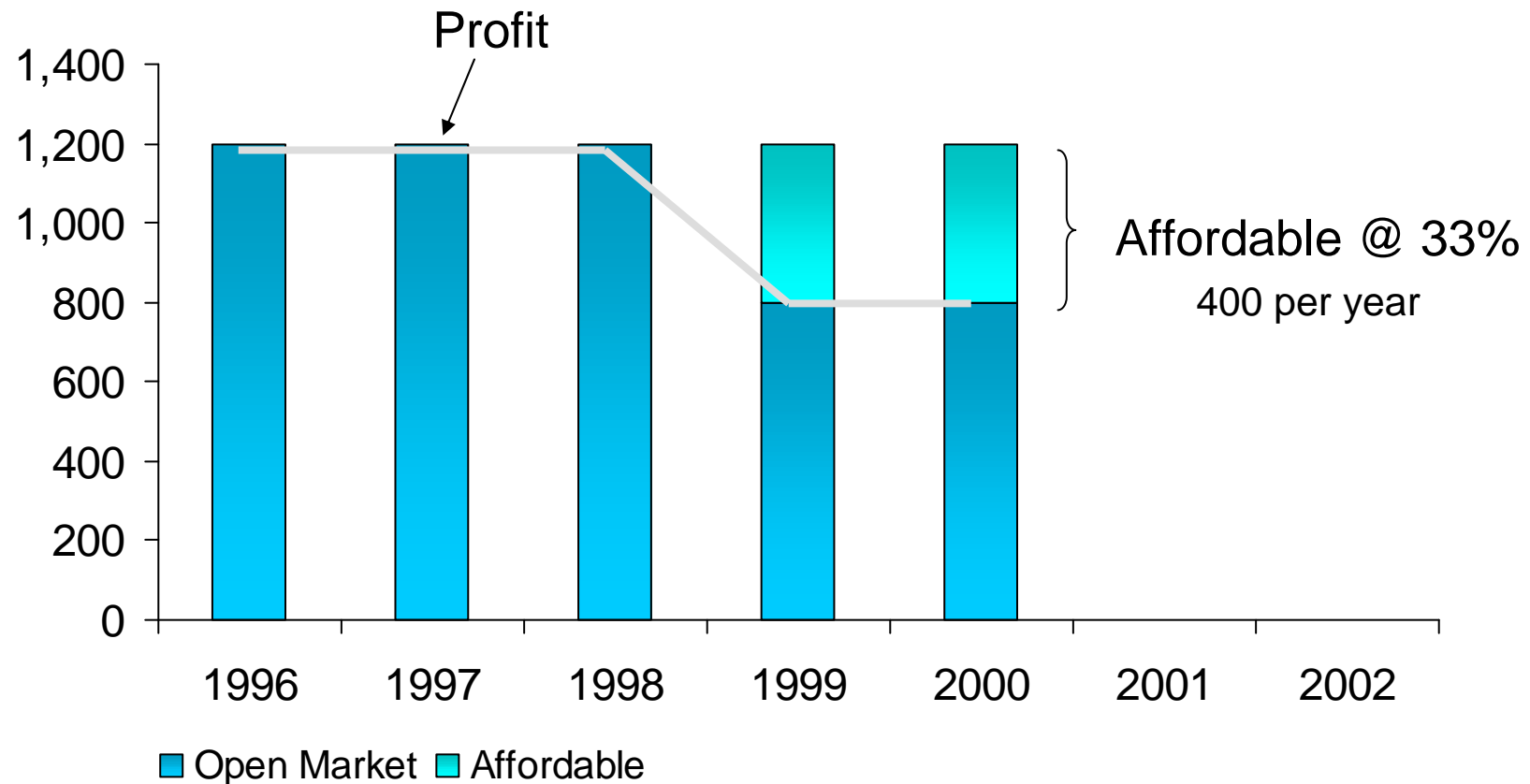
TWD Results

- No. Houses sold 8,178
- Turnover £3,476.9m
- Profit (pre tax) £ 411.0m
- Margin 12%
- Affordable 11% (Industry 9/11%)

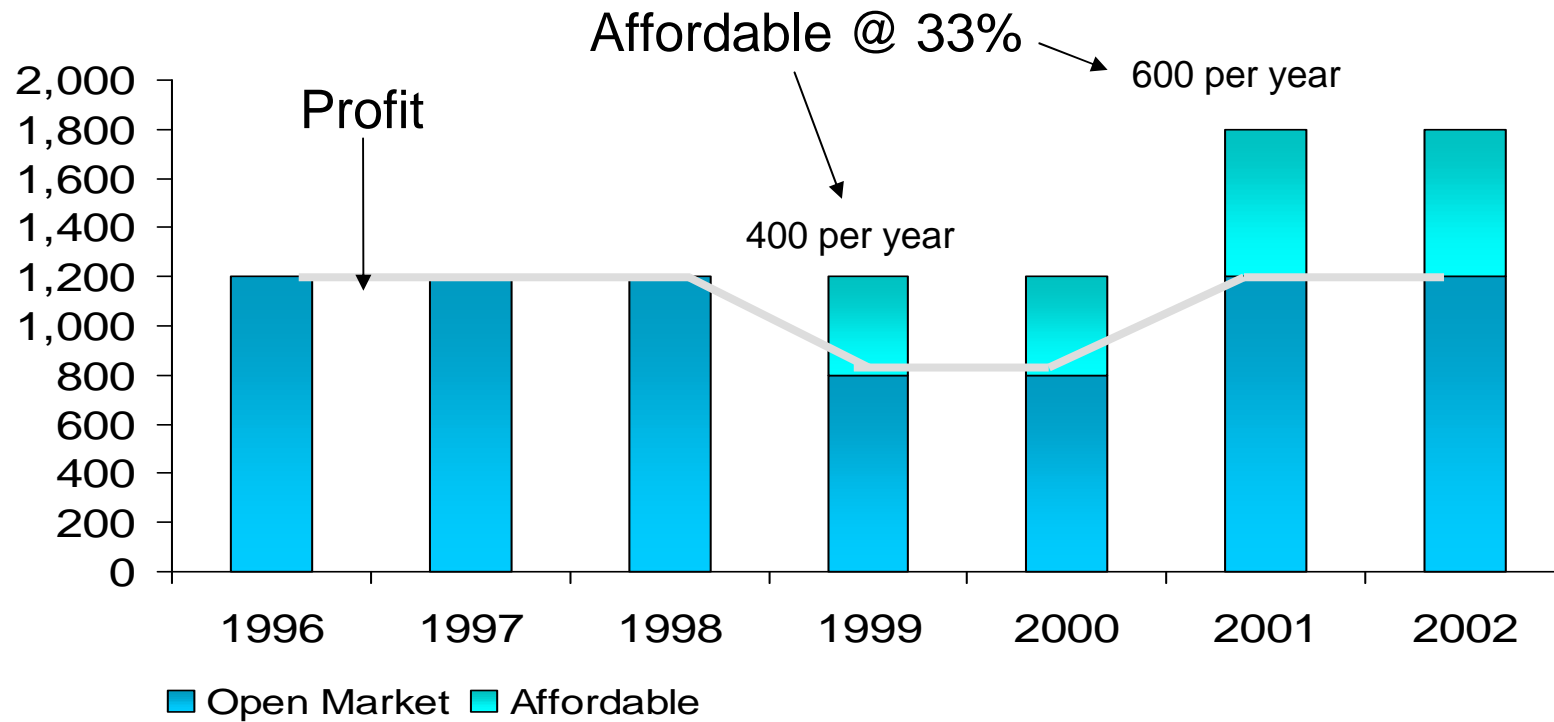


Importance of Housing Numbers

Importance of Numbers



Importance of Numbers



Valuing a Site

Valuing a Site

$$\text{REVENUE} - \text{COSTS} = \text{LAND VALUE}$$

House sales

Build
Infrastructure
S106/Plng Charge/CIL
Marketing
Profit

Gross



Revenue: Dwelling Numbers

Revenue	Dwelling	
	Type	Nos.
	Open Market (100%)	
	2 Bed Aprtmnt	30
	2 Bed House	30
	3 Bed House	30
	4 Bed House	30
	Affordable (0%)	
	2 Bed Aprtmnt	0
	2 Bed House	0
	3 Bed House	0
	4 Bed House	0
	Total	120

Revenue: Floorspace

Revenue	Dwelling		Floorspace	
	Type	Nos.	dwllng sq ft	total sq ft
Open Market (100%)				
	2 Bed Aprtmnt	30	650	19,500
	2 Bed House	30	750	22,500
	3 Bed House	30	900	27,000
	4 Bed House	30	1,200	36,000
Affordable (0%)				
	2 Bed Aprtmnt	0	650	0
	2 Bed House	0	750	0
	3 Bed House	0	900	0
	4 Bed House	0	1,200	0
	Total	120		105,000

Revenue: Dwelling Values

Revenue	Dwelling		Floorspace		Revenue	
	Type	Nos.	dwllng sq ft	total sq ft	£/sq ft	£/dwllng
	Open Market (100%)					
	2 Bed Aprtmnt	30	650	19,500	£ 185	£ 120,250
	2 Bed House	30	750	22,500	£ 180	£ 135,000
	3 Bed House	30	900	27,000	£ 195	£ 175,500
	4 Bed House	30	1,200	36,000	£ 200	£ 240,000
	Affordable (0%)					
	2 Bed Aprtmnt	0	650	0	£ -	£ -
	2 Bed House	0	750	0	£ -	£ -
	3 Bed House	0	900	0	£ -	£ -
	4 Bed House	0	1,200	0	£ -	£ -
	Total	120		105,000		

Revenue: Scheme Value

Revenue	Dwelling		Floorspace		Revenue		
	Type	Nos.	dwllng sq ft	total sq ft	£/sq ft	£/dwllng	£/type
	Open Market (100%)						
	2 Bed Aprtmnt	30	650	19,500	£ 185	£ 120,250	£ 3,607,500
	2 Bed House	30	750	22,500	£ 180	£ 135,000	£ 4,050,000
	3 Bed House	30	900	27,000	£ 195	£ 175,500	£ 5,265,000
	4 Bed House	30	1,200	36,000	£ 200	£ 240,000	£ 7,200,000
	Affordable (0%)						
	2 Bed Aprtmnt	0	650	0	£ -	£ -	£ -
	2 Bed House	0	750	0	£ -	£ -	£ -
	3 Bed House	0	900	0	£ -	£ -	£ -
	4 Bed House	0	1,200	0	£ -	£ -	£ -
	Total	120		105,000			£ 20,122,500

Revenue: Value with 33% Affordable

	Dwelling		Floorspace		Revenue		
	Type	Nos.	dwllng sq ft	total sq ft	£/sq ft	£/dwllng	£/type
Revenue	Open Market (67%)						
	2 Bed Aprtmnt	20	650	13,000	£ 185	£ 120,250	£ 2,405,000
	2 Bed House	20	750	15,000	£ 180	£ 135,000	£ 2,700,000
	3 Bed House	20	900	18,000	£ 195	£ 175,500	£ 3,510,000
	4 Bed House	20	1,200	24,000	£ 200	£ 240,000	£ 4,800,000
	Affordable (33%)						
	2 Bed Aprtmnt	10	650	6,500	£ 117	£ 76,000	£ 760,000
	2 Bed House	10	750	7,500	£ 101	£ 76,000	£ 760,000
	3 Bed House	10	900	9,000	£ 84	£ 76,000	£ 760,000
	4 Bed House	10	1,200	12,000	£ 63	£ 76,000	£ 760,000
	Total	120		105,000			£ 16,455,000

Costs

Costs	Item	Cost	
		Total	£/sq ft
	Build	£ 8,000,000	£ 76
	Infrastructure	£ 1,000,000	£ 10
	S106	£ 500,000	£ 5
	Marketing 2.6%	£ 420,000	£ 4
	Gross Profit 20%	£ 3,291,000	£ 31
	Total	£ 13,211,000	£ 126

Land Value

REVENUE – COSTS = LAND VALUE

£16,500,000 - £13,200,000 = £3,250,000



£20.1m without affordable



includes:
S106 @ £0.5m



minus:
CGT 40%



Net to owner £1,950,000

Impact of Affordable Housing



Impact of Affordable Housing

Landowner

- Another planning cost
- Uncertainty of affordable cost
- Not equitable for all development
- May inhibit land sale

Developer

- Less revenue per site
- More sites to generate same profit/volume
- Imposes partnership
- NIMBYism
- Not want to become a contractor

Conclusion

Conclusion

Affordable housing via S106:

- Additional cost can impact on site's viability (especially in marginal markets)
- Limits open market housing supply
- Reactive - supply led by market provision
- Inequitable – not affect all development
- Best means of delivery?

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