

Listen and learn before you sign

Potential government changes to development and green-belt policy could present opportunities for farmers and landowners

By Peter Moore
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ment potential is often significantly enhanced, providing the chance to generate capital, through land sales, for reinvestment either within or outside agriculture.

In the summer, the government produced a Housing Green Paper outlining its target to build 3m homes by 2020. The recent Queen's Speech also talked at length about the need for development and how it can be delivered. Green-belt policies are also under review. Clearly, housing and development is high on the political agenda.

Much of the development will focus on existing growth areas such as Milton Keynes/south midlands and the M11 corridor. The government has also proposed additional growth points and created five new eco towns across the country.

While some of this development will take place on previously used brownfield land, a significant amount will need to be located on agricultural land and other greenfield land. This presents huge opportunities for farmers and landowners, particularly those with land holdings on the edge of, or close to, settlements.

The value of land with develop-

TAKE ADVICE

If farmers find themselves in this fortunate position, it is in their interests to take professional advice on the options available, preferably at an early stage. There are many ways to extract increased value from land, each of which may suit different people depending on their circumstances and objectives. In the simplest terms, these are as follows:

Direct promotion for an eventual sale
Typically, a landowner uses a consultant to promote his land through the planning process.

Pros: This allows the landowner to retain full control and achieve the best value for the land by openly marketing it when consent is gained.

Cons: This approach can be expensive, particularly with large sites. All of the consultant's costs and survey work are borne by the landowner. There can be a long process until the land is sold and the landowner bears the risk.



Green fields...Take advice before selling land for development.

Promotion agreements

There are numerous specialist companies operating as land promoters. They take an interest in the land and then fund the costs involved in achieving a consent/allocation at their risk. Their return is normally based on a percentage share of equity, on the sale of the land.

Pros: The landowner does not have to directly fund consultancy fees. Promoters tend to have significant expertise in this field.

Cons: Again, the promotion of the land can be a slow process and a degree of control is surrendered. It is important to work with the right promoter and the legal agreement must suit the individual's circumstances/objectives.

Option agreement

Typically, an upfront payment is made by developers for an option to purchase land following planning consent, at a percentage of open-market value. The developer then funds promotion work to secure a planning consent.

Pros: The landowner does not have to directly fund any of the upfront consultants'/survey fees. Developers tend to be fairly experienced in gaining consents and the landowner receives some money up front.

Cons: Option agreements can be inflexible and the landowner loses control. While some money is paid up front, most is paid when planning permission is obtained and the developer exercises the option. There is no guarantee that the best price is received for the land because the figure tends to be based on an arbitrated valuation, rather than open-market competition.

Freehold sale before planning permission obtained

Some developers and promoters will buy land with development potential.

Prices can be significantly above agricultural value, although not at the levels expected with planning permission. Sometimes deals can be constructed with a figure paid up-front, followed by a further payment based on a percentage of uplift in value, on receipt of a consent.

Pros: Money paid up-front can be an advantage over what, in most instances, can be a long wait. Landowners have little risk and no costs relating to achieving a planning permission.

Cons: Landowners may see the land sold in the future for significantly more than they received for it.

TAXATION

This is a whole topic in its own right. Again, advice is essential and the above options will need to be considered with taxation in mind. There are a number of reliefs available to manage the tax burden and it is sensible to include accountants in talks from an early stage.

A NOTE OF CAUTION

Careful planning and professional advice are essential to maximise the benefits and avoid costly mistakes. Developers offering attractive deals should be treated with caution and landowners must accept that development can be very time-consuming process.

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GROWTH AREAS IN CENTRAL AND SOUTHERN ENGLAND

