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COMMENT

At the time of going to print, the outcome of the Brexit negotiations could not be any more uncertain. With the remaining 27 member states approving the withdrawal agreement and political declaration, it is now down to Theresa May to persuade MPs in her own parliament to back it.

With considerable doubt about the approval of the deal, which is thin on detail, uncertainty will continue for some time.

Uncertainty is not good for investor confidence, or business planning, whether on a large or small scale. Decisions get deferred and activity slows while clarity is sought.

We are entering uncharted territory, with the prospect of a long period of transition and adjustment to a trading environment with the European Union.

What this edition of our newsletter highlights is the range of opportunities that exists for our property owning clients. The danger is not being able to see the wood for the trees; the challenge is knowing when to adapt and act and implement a plan that is flexible.

Matt Anwyl
Managing Partner

THE CHANGING FACE OF RETAIL

With the well-publicised news that retailers have shut 2,700 shops in the first half of 2018 and further losses expected, it is imperative that sustainable solutions are identified. Smaller regional towns and cities feel such loss quite badly when retailers such as M&S, Top Shop, Burtons and New Look close their stores, leaving the town centres looking bare, leading to reduced footfall and, of course, affecting the labour and supply markets. Accountancy firm PwC has reported that a net 1,123 stores have disappeared from Britain's top 500 high streets in 2018 and that Greater London was the worst hit, with 716 closures.

The collapse of several national multiples such as House of Fraser, Maplin, Toys R Us and Mothercare and the drastic restructuring of others such as M&S are high profile casualties but smaller independents have also been hit significantly and, in many cases, have quietly departed from town centres almost unnoticed. PwC's research identifies fashion and electrical goods retailers as the worst affected and restaurants and pubs also struggling to survive.

The Chancellor's Budget will have some impact, with business rates assistance on smaller, lower value properties as well as the promise of a new tax for online giants, but the British Retail Consortium has commented that he has merely been 'tinkering around the edges' and that significantly more is required.

There is no question that it is the advent of online shopping that has precipitated the unheralded decline of the high street but this is not the only cause. Lack of affordable town centre parking and of convenient park and ride sites contributes but then out-of-town retail parks have also fared little better, even with ample parking and their ease of access. Business rates are a significant issue and are cited by retailers large and small as a key barrier to survival.

In tandem with this predicament, there are millions of square feet of mothballed, redundant upper floor space on high streets across the country. Berrys are experts at delivering strategies that release value from such space and that also reduce risk for the landlord. We have played a key role in the redevelopment of high street property across all the regions, from the design and planning stages through the tendering and project management elements to the final delivery and marketing of the scheme. Our skill sets and multidisciplinary approach have led to retailers taking ground floor space without the burden of responsibility for parts of buildings they do not want to occupy, whilst simultaneously future-proofing the upper parts and providing a long-term income stream from other types of occupier such as residential and office users.

To discuss, please contact Simon Priscott on 01865 953180 email simon.priscott@berrys.uk.com.

OXFORD-CAMBRIDGE ARC

The vision of development within the Oxford-Cambridge Corridor was published by the National Infrastructure Commission in November 2017 in a report titled 'Partnering for Prosperity'. It envisaged one million new homes by 2050 together with an east-west rail link between the two cities. The government backed the proposal in its 2017 Autumn Budget.

Most recently in September, the government's preferred route was announced for an expressway across the South Midlands in accordance with recommendations from Highways England. The proposed expressway will run alongside the planned east-west rail link and consultations on a detailed route will take place next year.

The new 2016 household projections published in September show a 25% fall in the growth rate of households compared to the 2014 figures. This would mean a dramatic drop in the housing requirements for many authorities, including both Oxford and Cambridge. However, the latest consultation paper issued by government in October re-emphasises the priority to 'deliver more and better-designed homes' and proposes changes to the standard method for calculating housing need to ensure consistency, with the objective of building more homes. Further, the Autumn Budget announcement included £20m of funding for the central section of East West Rail between Cambridge and Oxford via Milton Keynes. Another step towards supporting this high level of growth.

The latest Autumn Budget supports the Cambridge – Milton Keynes – Oxford arc growth, promising an arc-wide joint vision statement by Spring 2019. A new East West Rail company has been established to accelerate the delivery of the central railway section between Cambridge and Bedford.

In the meantime, 18 local authorities within the Cambridge – Milton Keynes – Oxford corridor have partnered to establish a Central Area Growth Board to coordinate cross-boundary working within the Central area.

WEST NORTHAMPTONSHIRE AND THE POTENTIAL FOR GROWTH DEAL

The group of West Northamptonshire Authorities (Daventry District Council, South Northamptonshire Council and Northampton Borough Council) lies fairly centrally within the Oxford-Cambridge Corridor. The Joint Core Strategy, which was adopted in 2014, is now up for review and the councils have restated their commitment to joint working. They see an opportunity to deliver some of the growth aspirations for the Oxford-Cambridge corridor and, with it, the ability to negotiate infrastructure improvements though a Growth Deal for the area. The North Northamptonshire authorities are likely to follow suit.

In return for agreeing to accelerated and additional housing growth in the region, the councils expect to receive a variety of planning freedoms together with significant funding towards infrastructure, including for the transport network and affordable housing provision.

The Growth Deal for West Northants will reflect the timescales of the Oxford-Cambridge Arc, between 2019 and 2050. On the basis of the current housing needs assessment, the area would deliver a further 70,000 houses over that period, which equates to about a further 2,000 homes per year. To deliver this step change in growth, it is likely that new settlements will be on the agenda. These will be confirmed through a new Strategic Plan. Locations for new settlements and housing growth have already been suggested at such as Brackley West, Cosgrove/ Deanshanger and north of Northampton.

A timetable for the production of the new Strategic Plan has been agreed, with consultation on a draft plan due in September next year.

The Oxford-Cambridge Arc offers significant opportunities for landowners. Please contact Val Coleby on 01536 532388 email val.coleby@berrys.uk.com to discuss.

BERRYS ARCHITECTURAL

Following the significant growth of our architectural team across all offices, we now have a website dedicated wholly to our architectural services – www.berrysarchitectural.com. The site showcases the skills of the architectural team, who work alongside our award-winning planning team, providing a service that often exceeds client expectations. We combine visionary design capability with an understanding of local authority expectations and planning practicalities, on projects ranging from the renovation of a single dwelling through to major residential and commercial developments.

To view various case studies of our work, please visit www.berrysarchitectural.com or contact Richard Cole in the first instance on 01743 239023 email richard.cole@berrys.uk.com for an initial no-obligation consultation.

HISTORIC BUILDINGS

Since joining Berrys as a Historic Building Surveyor, Bethan Humphreys has been consulting for the National Trust, providing building surveying and project management services to their Worcester and West Staffordshire hubs. This has proved to be a varied and interesting contract, which has included:

- External repairs and decoration both to country houses and vernacular buildings.
- Repairs to bridge structures within the gardens of Grade I listed properties.
- Roof survey of an Elizabethan timber framed hall, which may lead to the commission of the quinquennial inspection.
- Reviewing Fire Risk Assessment recommendations and procuring the works.
- Submitting planning permission and listed building consent application for new external lighting within a Grade I Registered Park and Garden.
- Procurement and project management of an insurance claim following vehicle damage at a listed pub in the Cotswolds.

The NPPF in England, and Planning Policy Wales, place the onus on the applicant to proportionately interpret the significance of any heritage asset affected by a planning application and to analyse how the proposals will impact upon that significance. Working alongside the planning team, Bethan has completed a number of Heritage Impact Assessments (HIA). Ideally, HIAs should be carried out in the early stages. This way any significant features of a building or site can be considered during the design stage, which will prevent costly redesign should a Conservation Officer have concerns over the impact on the heritage asset.

Bethan is also in the process of compiling a report for Homes England, which will identify the significance of a Scheduled Ancient Monument (SAM) in Hartlepool, offer advice on how to maintain these significant features and how the SAM may affect any future planning proposals for the wider site.

For advice on how to proceed with any potential development or restoration projects on listed or heritage buildings, please contact Bethan on 01743 239024 email bethan.humphreys@berrys.uk.com.

PROPERTY SUBSIDENCE CLAIMS – A REPEAT OF THE SUMMER OF 76!

We have already witnessed the invasion of the ladybird again as in 1976 and the number of Lyme disease cases recorded, caused by tick bites.

An article from The Guardian earlier in the year titled 'Cracking summer: UK insurers expect rise in subsidence claims' reported that a number of the larger insurance companies had declared that claims were up 20% on that time last year and were expected to increase, leading to an increase in home-owner building insurance premiums and perhaps the refusal of insurers to offer cover in extreme cases.

The long hot summer, coupled with minimal rainfall to replenish the underground aquifers, has seen reducing water tables, starving the clay-rich soils of moisture. The knock-on effect of trees' and shrubs' fibrous root systems, travelling further and deeper, seeking moisture, will see shrinkage in these subsoils as the clay dries out, and the property begins to move. Improved building regulations have ensured claims are reduced by requiring deeper foundations and the insertion of expanding material to reduce clay heave, but foundations can only be designed for what exists on the site at the time of construction and cannot be designed for what is yet to be planted. A building survey this week noted a property with a crack that had appeared during this summer, measuring 8mm!

If you have noticed cracks in a building and would like to investigate further, Berrys consultants can assist you with your claim, acting as a loss assessor and dealing with your insurer's loss adjuster.

For further advice, please contact Ian Langford on 01536 532395 email ian.langford@berrys.uk.com.

MARKET DEMANDS AND CHANGES IN THE GLAMPING SECTOR

The growth in the glamping sector has been hard to miss. From a new word in around 2005 to an £89m business in the GB Tourism Survey (2017), the industry was kick-started from an unlikely source – the financial crisis of 2008/9. A weak pound, trend towards staycation and growing consumer desire to disconnect from the pace of everyday life (and Wi-Fi!) created an industry based around a camping concept with an element of luxury and service.

So popular was the early concept that double digit returns and tremendous occupancy figures have caused something of a gold rush for the last ten years, but with that have also come some significant developments of the product offer. Simple, seasonally occupied tents and yurts are a 'relatively' straightforward proposition in planning terms. However, the trends in the market are for:

- Increasing luxury and special places to stay.
- Solid structures – wooden pods, luxury shepherd's huts retailing at £100,000/unit, decommissioned planes – the list is endless.
- Increasing season length – better heating, more engineered structures and hard surfaced access – the target is 12/12 letting.
- Shorter stay length – greater turnover volumes.
- Communal facilities – areas for groups, facilities for functions.

These do not come without challenges. As the level of development and intensity of use rises, a wider range of issues need to be taken into account.

PLANNING

Careful consideration of the site is key to planning success, even for existing parks wishing to expand. For example, is the site within any designated area such as an Area of Outstanding Natural Beauty (AONB) where there is tighter control on development? Is all or part of a site within a flood zone, as glamping units are seen as a vulnerable land use? Many local planning authorities prefer new sites to be in sustainable locations and close to settlements with facilities. However, this can lead to objections from local residents due to concerns over issues such as noise or visual impact.

In most locations, landscape and visual impact is a key consideration and any amenity buildings required will need to be carefully sited and designed. In most cases, a landscaping scheme can be carefully designed to mitigate against any negative visual impact. This has to be more carefully considered now due to the trend towards permanent structures rather than moveable tents. Additional luxury facilities, such as hot tubs, are now seen as important on glamping sites and can also raise planning issues, including increased concern over late night noise and light spill from external lighting which can impact on both residential amenity and species such as bats. Other issues to consider as part of a planning application include access (to the site and within the site), ecology and how the drainage will work.

With the trend for year-round opening, it is important to ensure adequate infrastructure is in place. Facilities can be provided for guests, particularly during the winter, and some glamping sites now have gym/sport facilities and restaurants. Season length needs to be considered in the planning application as some local authorities do impose restrictions requiring the site to close for part of the year. Justification may be needed to ensure all-year-round opening. Most local authorities do support suitable tourism proposals in rural areas, but the project needs to be well thought out and a good case made in the planning application.

THE BUSINESS CASE

From a business perspective, the case for a glampsite development is still strong. However, recognition of the level of supply in the market and tapping into trends is vital. Fundamentally, it is necessary to understand the motivation of the short stay domestic traveller, which might be:

- Escapism/distraction
- Time with family/children/friends
- Education/interest/learning
- Health & fitness

An offer that satisfies these wants is necessary. However, the industry also needs to take care to maintain a distinct and marketable difference from other more mass market products such as holiday lodges/cabins, etc.

Berrys have significant expert experience and advice to offer in this sector, from early assessment and site design, planning (including drawings), setting out the financial business case and helping to raise finance to ongoing monitoring and consultancy on the implemented project. Please contact William Tongue on 01536 532385 email william.tongue@berrys.uk.com or Mandy Seedhouse on 01743 267066 email mandy.seedhouse@berrys.uk.com.

AGRICULTURE BILL

The death knell has been rung for direct payments as we know them. The Agriculture Bill set out the timeframe for the abolition of direct payments to farmers by 2028. It also set out the framework for the future of support for English farmers in a post-Brexit world. The policy was (in my opinion) deliberately vague so that ministers can react to Brexit without having to change the overarching legislation. However, this means that the bill didn't set much in stone. It covered the following points:

Future grants – these will be available for improving the environment, public access and enjoyment of countryside, restoring or enhancing cultural heritage, climate change, protection from environmental hazards (e.g. flooding) and starting or improving rural business. This will probably translate to 'business as usual' with regard to the type of grant schemes that we have become used to.

Other aid, data and force majeure – the bill included an option to retain support for certain existing payments (e.g. fruit or veg), looked to maintain high standards of traceability within the supply chain and allows the government to support producers in cases of exceptional market circumstance.

Direct aid – the most radical announcement was the phasing out of direct support over a seven-year period from 2021; in 2028 there will be no direct subsidy for the first time since the introduction of CAP in 1957.

The result of this is that, by 2028, farm businesses need to have replaced £95 per acre of their income to stay at their current level of profitability. However, starkly in harvest 2016, in most sectors, 70 – 100% of profit was made up from subsidy. The three main ways to replace subsidy will be to reduce inputs, increase output or find alternative income sources. There is no silver bullet and every business's solution will be different but farmers need to be thinking about this now so that they are prepared for change. Businesses need to strengthen their financial position, build resilience, retain profits, cut out dead wood and maximise efficiencies if they are to remain profitable post-Brexit, and there will undoubtedly be some casualties.

These changes are radical and will have big knock-on effects on farm businesses. All these proposals will be subject to much parliamentary debate and could emerge from that very differently but one thing is clear, subsidy as we know it is no more. As always, the devil will be in the detail!

To discuss, please contact Guy Banham on 01536 532379 email guy.banham@berrys.uk.com.

LAND VALUE CAPTURE

WHAT IS IT? HOW DOES IT ARISE? WHAT CHANGES MIGHT OCCUR?

Land value capture is the concept of redistributing substantial increases in the value of privately owned land that arise out of public policy decisions.

These increases may be facilitated by significant infrastructure projects funded by the public purse or planning policy decisions – such as the allocation of strategic employment or residential development land. Whilst a landowner may crystallise the enhanced value, it is central and local government spending and policy decisions that enable use and value of the land to be realised.

It is argued that increases which arise in this way should, therefore, be redistributed, with the landowner, local and central government benefitting, to improve and enhance the wellbeing and standard of living for all.

This is not a new concept and examples of land value capture can be traced back over many centuries. More recently, successful examples of land value capture culminated in the development of Letchworth Garden City in 1903 and Milton Keynes in 1967. In these cases, land was bought at or near its existing use value, with the increase in value used to develop the infrastructure required to enable the development. Whilst successful in that respect, such strict methods of land value capture also have the effect of reducing the supply of land to the market, and the right balance needs to be struck.

The present mechanisms for capturing increases in land value take the form of Capital Gains Tax and planning obligations through s.106 agreements (for the provision of affordable housing and contributions towards local infrastructure) and the Community Infrastructure Levy (CIL). However, the ability to mitigate the imposition of planning obligations through viability assessments and the application of numerous exemptions in the CIL legislation result in a less than satisfactory result for all concerned.

Renewed cross-party interest in the fair redistribution of enhanced land values has resulted in a review of the present mechanisms for land value capture. This is backed by pressure from some industry groups who feel landowners should not expect to receive more than 10 times the value of their land that is enhanced by public money and policy decisions.

As a result, the government's Housing, Communities and Local Government Committee is conducting a review of the existing land value capture processes. This highlights the difficulties in effectively capturing monies and ensuring they are spent for public benefit.

Consideration is, therefore, being given to the options to improve the methods for land value capture, with thought also being given to legislative reforms to the present s.106 viability process, CIL and Compulsory Purchase powers together with the imposition of strategic and local infrastructure tariffs. Proposals may also take the form of more fundamental changes such as the imposition of methods of taxation.

Whilst there is not yet clear guidance on the review process, what is clear is that changes are afoot and landowners need to be aware that revenues from development projects, although still substantial, may not always reach the levels initially or previously anticipated.

To discuss, please contact Joanna Gardner on 01536 213157 email joanna.gardner@berrys.uk.com.

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