

# DEVELOPMENT

ISSUE 02

SCENE

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## NEW BUSINESS PARK BEGINS TO TAKE SHAPE

In July 2020, Abstract Group acquired a 9.17-acre site at Fulbourn Road, Cambridge with Cambridge University College, Peterhouse in order to create a new business park, immediately adjoining Peterhouse Technology Park, global home of tech giant, ARM Holdings.

Purchased from the Wright's Clock Land Charity, represented by Cheffins, the sale of this freehold site became one of the largest development land deals to have taken place in the region. With a final purchase

price well in excess of the guide price of £15M, this sale set a new benchmark when it comes to development land values in the local area.

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With a planning application due to be submitted imminently this new business park will go some way to provide office space which is in such short supply in the local area. Abstract is now drafting marketing materials alongside Cheffins and joint agent, Bidwells, for the office space which will be available to pre-let. There are also plans to build out a portion of the site on a speculative basis.

Abstract has retained Scott Brownrigg to design proposals for the site which will provide a range of grade A office buildings capable of being occupied by a variety of users for multi or single occupation, but particularly focused on the technology, science and knowledge-based sectors.

This significant land purchase is indicative of confidence in the Cambridge commercial property market. For both developers and landowners alike, there are opportunities to be had in the local land market as values continue to grow in spite of the coronavirus pandemic.

The Wright's Clock Land Charity is a small charitable trust set up nearly 500 years ago in the reign of Henry VIII which was endowed with around 16 acres of farmland to provide funds to maintain the Fulbourn church clock. Cheffins has provided rural expertise to the charity for a number of years, managing a farm tenancy and collecting rents. When the site was allocated as part of a larger employment scheme Cheffins advised on marketing the site, carefully pulling together background information and working with the charity's solicitors, Tees Law, and creating a data room for prospective purchasers. Despite launching the site during the first coronavirus lockdown in March last year, the sale was a great success with multiple bidders on a national scale, with an agreed deal to Peterhouse/Abstract in a matter of months.

Whilst this is a particularly unusual and large windfall, it is indicative of the importance of the professional advice which is required at an early stage in order to maximise land potential. There are multiple small charities and trusts in the local area which own land which may have the potential for development now or in the future.

For further information on the Abstract and Peterhouse site, or on how to put forward a piece of land for development, contact the Cheffins Planning & Development team.

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## Biodiversity Net Gain explained; a potential new income stream for landowners

In Spring 2019, it was announced that Biodiversity Net Gain would form a major part of the new Environment Bill and become a compulsory part of planning and development throughout the UK as new legislation replaces EU statutes following Brexit. With the Environment Bill set to pass through Parliament at the end of January, there is now greater clarity as to what will be required from developers in terms of biodiversity. This new legislation will place onerous requirements on developers, where they will need to deliver a 10 per cent biodiversity net gain on their sites, rather than previously where they simply had to 'mitigate' the impact of any scheme.

**However, there will be opportunities here for landowners who could be integral to providing off-site allocations for Biodiversity Net Gain purposes.**

For both residential and commercial development land, Biodiversity Net Gain is set to become one of the most important elements of the planning and development process. The new mandate will automatically apply to larger developments where planning permission from a Local Planning Authority is required. For landowners in the Eastern region, this is going to become incredibly significant over the next few months as the region continues to see fast growing housing, infrastructure and commercial development.

For developers, it will now be imperative to understand the environmental losses of a potential development and consider how biodiversity might be brought into the scheme or provided off-site. Should it not be possible to achieve the Biodiversity Net Gain on the scheme, they will have to attempt to mitigate environmental losses off-site.

Landowners with potential development sites should be aware that this environmental offsetting will be an essential tick box ahead of any development being able to take shape, also with an opportunity to offer an alternative parcel of land to be used for the Biodiversity Net Gain. In short, there is an opportunity to provide a new 'habitat creation' service involving species-rich grassland, woodland planting or wetland, which could be used to balance out the environmental losses of a given

development. As housebuilders and commercial developers are likely to struggle to be able to find the space to provide Biodiversity Net Gain to the tune of 10 per cent on every relevant scheme, farmers and landowners will be able to step into the breach and offer up additional sites for use. And in this case, there are significant financial gains for landowners under long-term contracts with payments able to be negotiated depending on metrics calculated using DEFRA's Biodiversity Metric. The payments provided here could well go on to provide greater financial gains than other environmental schemes such as Countryside Stewardship.

Whilst the introduction of Biodiversity Net Gain will bring additional costs for developers, it ought to help create a standardised approach to sustainable development. This is a very real opportunity for farmers and landowners to provide the solution in balancing out the competing needs for homes and commercial development versus a healthy environment.

If you wish to discuss Biodiversity Net Gain or register your interest either as a landowner or a developer, please contact Katie Hilton (landowners) or Jon Jennings (developers).

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# GUEST ARTICLE

Sarah Davis, PEM Accountants



## Land sales – how much tax will you pay?



Government commitments to ambitious housebuilding targets over recent years have allowed many landowners to realise value from their land by selling it off for development. Deals can range from a straightforward sale of garden land through to complex collaborations between multiple landowners and developers. It is important for landowners to have a clear understanding of the tax consequences of these arrangements from the outset in order to avoid unpleasant surprises.

A simple disposal of land, with or without planning, will usually incur Capital Gains Tax (CGT) of up to 28%. There are reliefs available in some circumstances which may relieve or defer some or all of the gain. For example, a gain made on any garden land may benefit from Private Residence Relief and on farmland may qualify for Business Asset Disposal Relief (formally known as Entrepreneurs' Relief) or Rollover Relief.

However, the position can be more complicated where landowners collaborate together to share proceeds from the sale of a larger site. There are several potential 'tax traps' that may catch the unwary without proper advice. For example, land pooling arrangements may trigger tax charges before any proceeds have been received and equalisation payments between landowners need to be carefully structured to avoid double taxation.

Landowners may want to take a share in the developer's profit as part of the sale proceeds, perhaps by agreeing an

average provision. Such 'slice of the action' payments can be treated as trading receipts, rather than capital gains, and taxed at up to 45%.

Those landowners with an appetite for greater commercial risk might choose to enter into a formal joint venture with a developer. The developer may avoid a Stamp Duty Land Tax (SDLT) charge if the land remains in the hands of the landowner, thereby increasing the development profit. However, the landowner's share may be subject to income tax at up to 45%. Conversely, the use of a 'special purpose vehicle' can trigger an upfront CGT and SDLT charge when the land is moved but this may lock in lower tax rates.

The next Budget is due on 3rd March 2021, when it is expected that the Chancellor will be looking for ways to increase tax revenues. There has been speculation that the rates of CGT may be increased nearer to or even aligned with the income tax rates, or perhaps that some CGT reliefs could be abolished. Whether this will feature in the Budget remains to be seen.

Tax will rarely drive the structure of a deal but it is important for a landowner to seek advice early on in order to ensure their arrangements are as tax efficient as possible.

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## Planning team hold the key to successful sales for estate agency

**Cheffins Planning team frequently uses its skills to help clients unlock value for specific property issues, often as part of transactions where problems are uncovered which could potentially scupper the deal...**

### Unlocking value

Cheffins estate agency department recently undertook an appraisal of a large rural house set in extensive grounds. On the face of it – an attractive residential property which would be in high demand, however, it turned out that two outbuildings close to the house were formerly part of a 'car dismantling site', more commonly known as a 'scrapyard'. Unfortunately the house and the scrapyard outbuildings were tied together via an occupancy condition meaning the house could not be sold separately to the scrapyard. Our colleagues in estate agency were unsure whether there was any market for a property with such a restriction and were therefore understandably cautious about the value of the property and how to market it.

Our Planning team proposed a solution to overcome the dilemma; we advised that two planning applications should be submitted: first that we apply to change the use of the scrapyard buildings to a light industrial use which was more compatible with an adjacent residential property i.e. a B1 use, and secondly that an application under Section 73 of the Planning Act be submitted to delete the occupancy condition which tied the two properties together. Simultaneously, new S106 Agreements were proposed which would confirm, under both applications, that the former scrapyard use would not be reinstated (voluntary extinguishment) – so as to overcome the issue of the scrapyard being the established and lawful use of the outbuildings.

Whilst this is slightly complex in procedural terms (two simultaneous linked applications both with accompanying draft S106 Agreements), it has provided clear separation between the different elements of the property. The result is a new and 'clean' planning position whereby the different

elements of the property can be offered to the market either jointly or separately and any buyer interested in purchasing the whole property would have the choice of occupying the entire property or renting or selling the B1 premises separately. A clear uplift in both certainty and value for a very satisfied client.

### Unlocking Access

Cheffins estate agents recently struggled to exchange contracts on a village house requiring complete modernisation. The property was a large attractive Victorian house with ample grounds and a range of extensive outbuildings. It offered great scope for refurbishment and major extension but there was a bump in the road to a successful sale... access to the property.

Problems repeatedly occurred with buyers' solicitors being uncomfortable with the access arrangements. Access to the property was via a private road which was designated as a bridleway, even though it had been used for residential access purposes for several decades. The sticking point seemed to be that there was no access from a public road and no clarity that the bridleway could be utilised for accessing a residential property.

The Cheffins Planning team assessed this property and concluded that not only was access possible elsewhere from a public road, but that planning permission was not even required to construct such an access. In order to confirm this, and to assist in the sales process, the team obtained a Certificate of Lawful Proposed Use under Section 191 of the Planning Act. This provided clear statutory confirmation that this access solution was perfectly possible and the sale then concluded successfully.

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# Planning permission for outline application granted for residential development in Cambridgeshire village

Another success for Cheffins Planning is the resolution to grant planning permission for an outline application for residential development at Little Green, Cheveley. This site was identified by East Cambridgeshire District Council as a site suitable for redevelopment for up to 22 dwellings. The site was partially brownfield being occupied by three pairs of semi-detached bungalows.

The site had a number of constraints which needed to be overcome, including ecology, contamination and drainage with one of the bungalows also housing a bat roost. The application has been supported by the Council and Cheffins has worked with and obtained the support of the Parish Council for the development proposals and their suggestions have helped inform the design of the scheme.

Although significant delays have been experienced with the completion of the S106 legal agreement, this is now circulating for signature. Negotiations, including proposals regarding the application of the Vacant Building Credit and the presence of the existing bungalows has led to a 30% affordable housing requirement for 16 rather than 22 dwellings. A formula-based approach was also agreed for education contributions rather than a fixed fee, allowing flexibility in the size of the houses.

The site is currently being marketed by Cheffins Development team with a guide price of £2.0 million. This has attracted significant interest and offers, demonstrating that there is a strong demand for sites which are in a prime location.

It is anticipated that the legal agreement will be signed and planning permission granted by the end of January with development starting late 2021.

Whilst it has become increasingly difficult to achieve planning permission within East Cambridgeshire because they state that they have satisfied the five-year housing land supply, this is an example of a site which, with careful negotiation with the Local Planning Authority and Parish Council, has resulted in a successful outcome for the client.

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**"There is strong demand for sites which are in a prime location."**



## NEW HOMES market update



## 2021 Building on the success of 2020

As we enter a new year we can reflect on the challenges of 2020 and how the Covid-19 pandemic affected both the New Homes department and our Developer clients. With major interruptions during the first lockdown and the unprecedented environment we find ourselves in, it is both a surprise and a delight to experience such resilience in the property market in our region. Cambridge and the surrounding area have historically been regarded as a "bubble" and especially resistant to challenging market conditions. We are delighted that this is still the case and we have seen this success translate to strong sales across all our developments throughout 2020 and we are pleased to report that the demand looks likely to continue in 2021.

The Hill Residential development at Farriers Yard in Balsham saw all buyers of the 20 new homes successfully moved in by the end of last year. 40% of these sales came after lockdown restrictions eased for estate agents back in May and this success was largely due to the stamp duty holiday and the properties being ready to move into. Pear Tree Gardens, a Matthew Homes development which is also in Balsham, continues to experience high demand for off-plan reservations for the first phase. We are very much looking forward to the release of further units in the coming weeks which will see spring/summer completions. A third site in Balsham at Plumbs Dairy, for developers Dean and Dean, has also seen very strong sales. This smaller development of just nine private homes were 50% sold within the first two months of launch. Currently just three homes remain on the development.

We are also pleased to report that the site of 12 brand new barn style homes in Reed for Ford Homes have all now sold. Together with one-off bespoke sites in Whittlesford, Linton and Girton, 2020 clearly

demonstrated the strength of the Cambridge property market bubble on the city's necklace villages, making this area one of the most steadfast property economies in the country.

Across Cheffins five office cluster we are also marketing a number of other sites in the region including the Manor Farm development for Laragh Homes in Stretham and the Woodland Rise development in Great Chesterford for Enterprise Property Group.

Due to our continuing success in the new homes market, the Cambridge office expanded its team in 2020. Led by myself and Christina Ballands, we welcomed Sophie Taylor and Ruth Ridley who now play key roles in the day to day running of the new homes department which has greatly increased the capacity for marketing further development sites in the area.

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# To B1 or not to B1

Not all development land is suitable for housing either by virtue of planning policy or market forces – it may be close to existing commercial uses or new major carriageways, railway lines or airports, for example.

The best land value achievable could therefore be in some form of employment use, whether that be offices, research and development, industrial and distribution, retail and leisure.

The key to maximising land value is understanding the commercial market forces at play and promoting the use, or mix of uses, which is best suited to that particular location. Values can vary wildly between relatively nearby locations and between different uses and so understanding these dynamics is essential to a successful development or land sale.

Too often we are brought in for advice on the marketability of a commercial site or proposed building once planning permission has been applied for, or indeed granted, and we have to inform our clients that “I wouldn’t have advised you to apply for that use/type/size of building. That won’t work well here”.

It is easy to be swayed by headlines about the rents achieved for offices in Cambridge for example. What is not always obvious is how quickly rental levels decline when you leave the prime city core area and the major business parks.

Location is a critical factor for technology developments – values can be extremely high but only in locations close to research institutions or other established technology parks, in the ‘cluster’.

The industrial sector is definitely the commercial property asset à la mode – with the decline in high street retail and the advance of ‘to the door’ deliveries from the internet, all the major investment funds want to have industrial property in their portfolio. Land which is well-located close to major road junctions is highly sought after for new distribution development and values are consequently very strong.

**“The key to maximising land value is understanding the commercial market forces at play.”**

At Cheffins we advise a range of landowners and other clients on commercial development schemes – from promotion through the local plan process to detailed advice on specific planning applications. Our wide market experience ensures that clients gain maximum value from their assets.

With the planned growth of the Cambridge region will come even more opportunities to promote land for employment uses. A growing population and economy will need adequate space to grow jobs. If you have a site which you think has potential, then as well as seeking advice on planning matters we recommend that you also take some good commercial market advice.

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# The development land market update

**The development land market got off to a good start in early 2020 following the General Election until the Coronavirus pandemic took hold and the country went into lockdown in late March. The next three months were difficult with purchasers delaying decisions or re-negotiating purchase terms.**

Fortunately, most housebuilders and developers were able to recommence construction on their sites in May/June. The Government then introduced a temporary stamp duty holiday on residential property purchases up to £500,000 in early July and demand for residential property soared in the late summer/early autumn. This demand for residential property fed through into the demand for development land and many of the purchases which had been put on hold earlier in the year were exchanged and completed.

Examples of development sites which Cheffins completed in 2020 include Phase 3 of Ely North comprising 258 units which was sold to Taylor Wimpey

in February; a site at Great Chesterford near Saffron Walden for 76 units which was sold to Hill Residential in August; a site at Fordham near Ely for 52 units which was sold to Bellway in September; a site at Cottenham near Cambridge for 200 units which was sold to Redrow in October; a site at Haddenham near Ely for 33 units which was sold to Castlemore Homes in October and a site at Bacton near Stowmarket for 85 units which was sold to Bellway in December.

With the vaccine programme being rolled out and continued demand for residential property, Cheffins will be marketing a number of development sites in the coming months ranging from six units to 300 units and we are anticipating good demand from developers and housebuilders who will be keen to build their land banks following last year’s uncertainty.

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**Bacton** £2,000,000 Guide Price  
Residential development opportunity with outline planning consent for 85 dwellings. The site extends to 4.70 ha (11.61 acres) and was sold in December 2020.



**Great Chesterford** Confidential Guide Price  
Residential development opportunity with outline planning consent for 76 dwellings. The site extends to 3.06 ha (7.57 acres) and was sold in August 2020.



**Cottenham** Confidential Guide Price  
Development opportunity with planning consent for 200 dwellings and 70 C2 units. The residential development site extends to 13.17 ha (32.54 ac) and was sold in October 2020.



**Ely North** Confidential Guide Price  
Phase 3 of Ely North with planning consent for 258 dwellings. The site extends to 13.29 ha (32.84 acres). Adjoining the A10 and forming part of the Ely North urban extension.



**Melbourn, Cambridge Road**  
Land Promotion agreed for a site extending to 9.75 ha (24.08 acres).



**Fulbourn, Shelford Road**  
Land Promotion agreed for a site extending to 5.89 ha (14.54 acres).

## MEET THE TEAM



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