

LAND PROMOTION

Our business model in action: Creating long-term cyclical revenue potential and realisation through strategic land promotion for a variety of different land uses.

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Nick Duckworth
Hallam Land Management Limited



Total revenue **+10%**
£51.2m

16	£51.2m
15	£46.7m
14	£39.0m
13	£37.6m
12	£8.8m

Profit before tax **-7%**
£17.7m

16	£17.7m
15	£19.1m
14	£13.1m
13	£11.1m
12	£1.9m

Hallam Land Management Limited

Hallam Land Management Limited, our strategic land promotion business increased both the acres of land it held in its portfolio and the number of consented plots it had on that land, charts on page 25 show the year end position.

2016 started very positively. Ahead of the EU referendum, Hallam Land had exchanged or completed the bulk of its 2016 budgeted sales which ultimately resulted in a pre-tax profit of £17.7m (2015: £19.1m). Furthermore, we exchanged several sites for completion in 2017 and 2018. For the UK house builders, the uncertainty caused by the referendum vote initially created a slowdown in land acquisition, however, through the autumn, they re-entered the land buying market, albeit with increased hurdle rates in less attractive locations. In the early months of 2017, house builders continued to show strong interest in high quality sites and good market areas. The recent Housing White Paper is broadly

supportive of increased delivery of housing, albeit with a focus on the affordable end of the market.

During the year, we sold 16 sites comprising 1,609 residential plots, coupled with land having consent for employment use at Lutterworth and Bridgwater and land consented for a public house at Cranbrook, Exeter. We secured new planning consents for some 5,800 plots during the year and at the end of 2016, we held a portfolio of 16,417 plots with planning consent, a 36% increase on 2015. Our total land interests at 31 December 2016 were 11,888 acres (2015: 11,061 acres), of which 2,405 acres (2015: 1,982 acres) had planning consent with a further 1,078 acres (2015: 1,160 acres) allocated for residential development; the remainder we are promoting through the planning permission and allocation process.

Key Projects

The first six months of the year saw the disposal of two successful schemes at

 See the **Land Promotion** Case Study on page 17

Kettering and Marston Moretaine. The East of Kettering scheme sits within the 5,500-unit strategic urban extension for the town and outline planning consent was granted in 2015. As is often the case with large, strategic sites, in order to successfully dispose of development land once outline consent has been achieved, a significant amount of time and resource needs to go into delivering the relevant service infrastructure to enable house builders to build houses. In early 2016, final collaboration agreements were secured with the service providers and owners of the wider site, allowing 174 plots to be sold to Barratt with provisions that require them to service our retained land, comprising 264 plots.

The second significant sale of 2016 was at Marston Moretaine, a site which we have owned since 2007 with a first tranche sold in 2013. In September 2016, we completed a second tranche for 180 plots, and a third tranche of 183 plots is contracted for sale in 2017.

Though no further residential land was sold at Cranbrook (the 3,500-unit new community outside Exeter), residential sales values remained strong and we expect to see a further land sale here in 2018. At Kingsdown, our urban extension at Bridgwater, the decision to build Hinckley Point nuclear power station brought with it increased interest in the site. A parcel of consented employment land was sold to the Homes and

Communities Agency to progress a starter homes scheme, and a conditional contract was entered into with Persimmon for 130 plots, which we expect to complete in 2017.

During 2016, we obtained a significant planning consent, subject to Section 106 agreement, at Didcot for a 2,170-unit scheme which sits within a 4,200-unit housing site. We anticipate making significant progress on this scheme during 2017, with a first, part-disposal expected in 2018. The Didcot area has a strong housing market with good potential for family housing well within commuter distance of London.

Outlook for 2017 and beyond

2017 has started well with 850 plots exchanged for sale as we entered the year, and a further 290 plots exchanged with completion subject to detailed planning consent. A further two sites are close to exchange and we hope to complete these sales during 2017.

We expect the house builders to remain cautious about the implications of the EU referendum and, therefore, selective when purchasing land, however, we have entered the year in a strong position. We have a strong land portfolio with a substantial number of sites available for sale and, at this stage, we anticipate that 2017 will be another year of steady progress.

Pictured A full planning permission has been finalised at Buxton for 375 plots, with a sale agreement in place with a national developer.

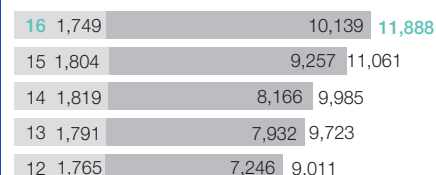


Land bank

+8%

(acres)

11,888

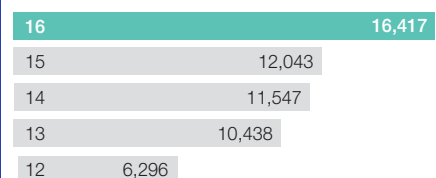


Owned Option and Promotion Agreements

Plots with planning permission

+36%

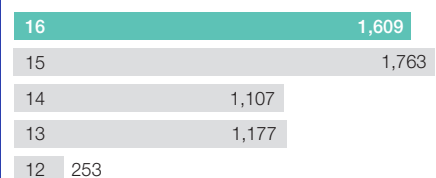
16,417



Number of plots sold

-9%

1,609



Plots in planning process

-29%

10,452

