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REAL ESTATE**

RECEIVED

21 MAY 2012

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17 May 2012

Dear Paul

NORTH YATE, NEW NEIGHBOURHOOD – TAKE UP RATES

Further to your request for my opinion of the likely take up rates at North Yate area for a new urban expansion point I can confirm that I have experience of both the regional and local picture and have formed a view on the likely levels of demand in that location based upon today's estimates.

My estimate reflects a cautious position given this is a period of the lowest activity I have witnessed in my 25 years career in this sector, and given this will be built out over more than 10 years, it is not unreasonable to expect a movement in demand towards more traditional and higher take up rates, currently not the case. This should also be considered in light of latent demand existing in the North Bristol fringe for new build affordable and family market housing at this time as a result of inadequate supply given a reduction sites progressing through the planning process.

I have also had regard to evidence of recent land acquisition evidence of similar urban expansion points in the South Gloucester area. At Emmersons Green East both Gallagher, Quintain and as you know Heron have sold their interests to a consortium of house builders one of which I acted for. In terms of forecast land take up and sales rates per annum this open market acquisition was unanimously based upon an assessment by the acquiring house builders of a cautious take up capacity of 250 units per annum or a development term of 8 years for the 2005 units envisaged.

Given the situation and general location and having regard to the likely competition, I believe that the site at North Yate would support at least three house sales outlets at any one time. Those sales outlets would expect to achieve at the very least some 55 private unit sales per annum each. Assuming affordable housing provision at some 35% of the total allocation this equates to a likelihood of no less than 250 units per annum. This is not dissimilar to the recent market evidence in North East Bristol.

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Please do contact me if you wish me to prepare wider evidence and undertake a more historic based assessment reflecting a more traditional sales market?

Kind regards

Yours sincerely

A handwritten signature in blue ink that reads "Tim Cann".

Tim Cann MBA Dip(Est.Man) FRICS
For and on behalf of BNP Paribas Real Estate

28th June 2012
062812ChesLtrJH.doc



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Dear Paul

NORTH YATE

Following your recent email and our subsequent telephone conversation I have been giving some thought to the anticipated housing delivery from your site in Yate. As I understand the position, you would like independent advice on the contention that the site can support a build rate of up to 250 units per annum split between open market and affordable accommodation. In practice this will mean approximately 160 market units per annum.

I have set out below some further detail with regard to the local market which is important in the context of future delivery and take up.

South Gloucestershire's residential market reflects the predominantly suburban and rural nature of the area, with a significant proportion of housing stock and future supply (including Yate) situated among Bristol's northern and eastern suburbs.

The key characteristics of South Gloucestershire's (SG) housing market are summarised below:

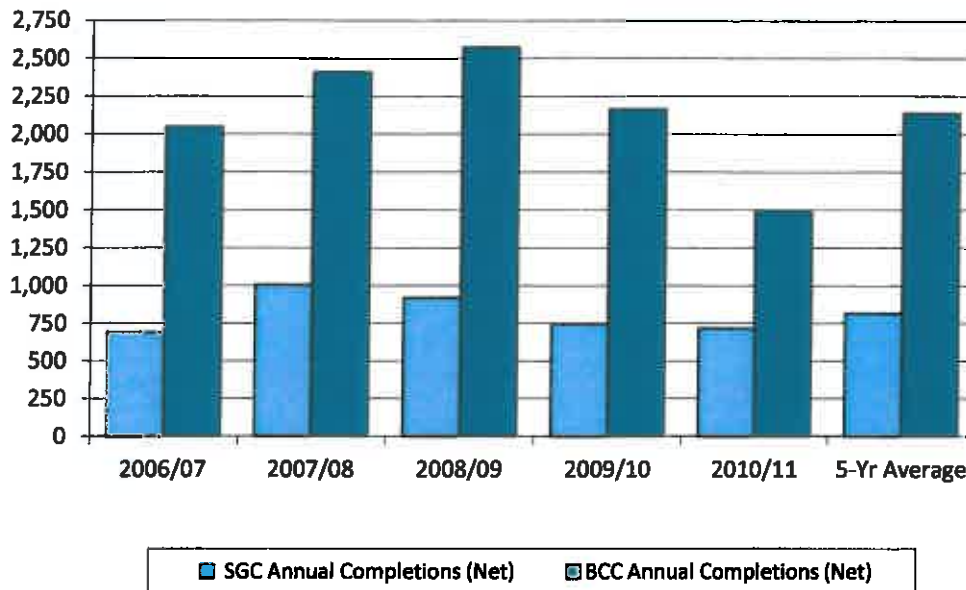
- 62.5% of SG housing stock is made up of either detached or semi-detached houses compared to 35.4% in Bristol or 54.6 % in England & Wales
- SG has just 8.9% flats compared to 27.3% in Bristol and 19.3% in England & Wales
- 82.1% of SG housing stock is owner occupied compared to 63% in Bristol and 68.7% in England & Wales
- Rented property represents just 6.4% of SG households compared to 13.4% in Bristol and 10% in England & Wales
- Social rented property represents just 9.8% of SG housing stock, roughly half the proportion in Bristol and England & Wales

With regard to annual completions within South Gloucestershire, the graph below illustrates the rate of annual completions for South Gloucestershire and Bristol since April 2005 and includes an average of the last 5 years:

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Source: South Gloucestershire Annual Residential Land Survey April 2011; Bristol City Council Residential Development Survey, April 2011

In the year to April 2011, 714 dwellings (net) were completed in South Gloucestershire – a 28.8% reduction on 2009/10 and around 12.2% down on the 5 year average (813 dpa). 27.6% of dwelling completions in the last year were built on 'small sites' (of less than 10 dwellings).

In Bristol, 1,496 (net) completions were recorded over the same period (year to April 2011) – a decrease of around 31% when compared to last years figure of 2,165 and the 5 year average of 2,140.

As with other areas across the country, the economic downturn has had a considerable impact on housing construction and expected delivery of future new dwellings in both South Gloucestershire and Bristol. In both cases the full impact of the downturn is only recently reflected in annual completion numbers, illustrating the endurance of the local market when compared to other regions where the volume of housing starts fell more abruptly.

We feel that the marked reduction in annual completion figures for both Authorities is as much a product of the nature of sites, their product mix and progress through the planning pipeline as it is the result of significantly reduced demand. Allied to these factors is housebuilder sentiment and the lack of activity during the period following the downturn.

Projected Demand

The 5-year average annual completion figures described above can be compared to projected demand as described by the South Gloucestershire Local Plan (SGLP) and the now defunct RSS target in the case of Bristol. South Gloucestershire's projected demand represents a required increase of around 50% when compared to the SGLP (adjusted) target of 1,178 dwellings per annum (1996-2011). By contrast, the 5-year average of 2,183 recorded for Bristol is approximately 43% higher than the RSS target figure of 1,500 units per annum and around 109% higher than the adjusted target (1,047) for the remainder of the period to 2026.

Future Supply

Planning policy currently requires Local Planning Authorities to identify and maintain a rolling 5-year supply of deliverable land for housing as well as broad locations that will enable a continuous delivery of housing for at least 15 years.

In South Gloucestershire there were 6,046 dwellings with planning permission (large and small sites; including dwellings under construction) as at April 2011. Further pipeline supply was identified within 'Category B Sites' – land without planning permission but which has been identified for residential development (estimated 11,530 dwellings).

In Bristol, the number of dwellings with planning permission not completed as at April 2011 was 8,555. This figure was well in excess of the projected 5-year requirement and comprised 2,052 under construction, with the remaining 6,503 not yet started.

Houses vs. Flats

When measuring the volume of both supply and demand, consideration should be given to the variety and mix of housing delivered across both Local Authorities. In the year to March 2009, 48% of all residential development in South Gloucestershire comprised flats. For the same period in Bristol, 87.8% of all dwelling completions were flats, which represented the highest ratio for the period shown (2006/07 - 2010/11) and possibly the highest ratio yet recorded.

These figures represent a strong contrast to the existing, established housing stock as described within the 2001 census (updated in November 2004). At that time just 8.9% of South Gloucestershire housing stock was made up of flats, compared to 27.8% of housing stock within Bristol.

Sustained high levels of flat provision within Bristol city (within both Local Authority areas) have resulted in an implied latent demand for houses which cannot be serviced by Bristol's planning pipeline. Instead, those prospective purchasers looking for new houses will be compelled to look within the Bristol suburbs which are situated on the Northern and Eastern fringes of the city, within South Gloucestershire.

Of the 6,046 dwellings with planning permission within South Gloucestershire at at April 2011, 721 (around 12%) are flats. This can be compared to the equivalent ratio for Bristol where, in April 2011, apartments represented around 67% of dwellings with planning permission.

Major Sites

Of the major sites within South Gloucestershire Council's planning pipeline we regard the following as most significant in the context of your site:

Emersons Green East, South Gloucester: Approx. 2,900 dwellings

This represents the greater part of the Emersons Green East development. In addition to the 'Gateway' access point, off the A4174, Emersons Green East can also be accessed from the north west via the Science Park.

Northfield, Filton Airfield, Bristol: Approx. 2,200 dwellings

Northfield is adjacent to Patchway to the south of the M4 and M5 interchange, approximately 8 km to the north of Bristol City Centre. The site is surrounded by a mix of housing and employment to the north, east, and west, and shares a border with the remainder of Filton airfield to the south (including the operational runway and various associated ancillary structures).



Wallscourt Farm, Stoke Gifford, Bristol: Approx. 1,229 dwellings

Redrow's 'Cheswick' development lies partly within Bristol City Council (BCC) and partly within South Gloucestershire Council (SGC). It is located on Bristol's northern fringe to the west of Junction 1 of the M32. Redrow are on site building out phases 2, 3 (SGC) and 6 (BCC); Elan Homes are on site at Phase 4; Phase 5 (district centre and 192 apartments) was recently marketed and is currently under offer.

Harry Stoke, Stoke Gifford, South Gloucestershire: Approx. 2,000 dwellings

Harry Stoke is situated on the opposite side A4174 Avon Ring Road to Wallscourt Farm. The site is largely agricultural land bordered to the west by a mixture of residential and commercial uses, and to the south by UWE and Hewlett Packard. Northern and eastern borders are residential and agricultural land.

Outline Planning Permission was granted in 2011, and the first phase of development land was transferred from Crest Nicholson Strategic to Crest Nicholson (South West) Ltd.

Category B Sites (Without Planning Permission)

In addition to the above-mentioned sites (those which are deliverable in the short-term) there are various 'Category B' sites which represent medium term supply within the price band and target market of your site. The following major sites are noteworthy among the 11,530 dwellings identified:

- Land East of Coldharbour Lane, Stoke Gifford: 500 dwellings
- Land at Cribbs Causeway, Patchway: 1,750 dwellings
- Land east of Harry Stoke: 2,000 dwellings
- **Total: 4,250 dwellings**

Since the identification of the 'Category B' sites further significant large-scale residential development opportunities have been identified at Frenchay Hospital (around 750 units) and on the remainder of Filton Airfield (around 3,000 units).

The information above is significant in the context of future delivery within South Gloucestershire. Whilst housing completions have reduced over recent years in the District on account of the economic downturn, there is still a latent demand for family housing in the local area which is likely to be enhanced given that the pipeline within the neighbouring City of Bristol is currently so heavily weighted in favour of apartment led schemes which the market will not be rushing to deliver. Inevitably the larger schemes listed above will cater for some of this demand given the close dynamic between the two housing markets but Yate is well placed to respond especially if there is a clear product differentiation.

Conclusion

The scheme is planned to deliver up to 3,000 units to 2027 which equates to broadly 2,100 market units. From our knowledge of the site we believe that an annual completion target of 160 units is achievable and would reflect three housebuilders each delivering broadly 50 units per annum on average. We believe the site is large enough to concurrently manage three separate outlets.

Yours sincerely

Julian Harbottle BSc (Hons) MRICS
Director

150
YEARS

Bruton
Knowles

Date: 21st May 2012
Our Ref: ScW/TS
Your Ref:



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Dear Paul

North Yate – Proposed Scheme of 3,000 Dwellings

I have been asked for an opinion as to build rates for strategic allocations with particular reference to the proposal at North Yate.

I understand that the Core Strategy Plan period is to 2027, and I am assuming that planning and a start on site could be commenced by 2014.

The affordable housing percentage proposed is at 35%, and affordable housing would be built and sold by contract to Registered Social Landlords throughout the life of the scheme.

The question asked is as to whether over the 13 year period that 3,000 units can be delivered and sold within the period.

The open market housing numbers from a 3,000 unit scheme would amount to 1,950, which equates to 150 units per annum.

We would expect that a large strategic scheme would eventually have an average of, say, 5 housebuilders, and I can relate to land north of South Gloucester at Kingsway where, at the height of the market, there were 11 separate developers which are now down to approximately 5 for a similar size scheme.

I understand that average sales of units are around 200 units per annum to include affordable.

One point which must be borne in mind is, over a 13 year period, there will be troughs and peaks in the market and, as such, build rates will fluctuate.

However, in normal market conditions, one would expect an individual housebuilder to be selling an average of 40 private units from a single scheme and, as such, the threshold of 150 units per annum should be reached comfortably in time.

There is clearly significant demand locally in Yate, and generally the greater Bristol area, as a result of inadequate housing supply through the planning system in recent years should enhance the sales rates as currently being experienced by Taylor Wimpey on a site close to Yate town centre.

Kind regards.

Yours sincerely

A handwritten signature in black ink that reads "Scott". The letters are cursive and fluid, with the 'S' being particularly large and prominent.

Scott Winnard MRICS FAAV
Land Development Partner