

FAO Colin Molton
Bristol City Council
City Hall
Bristol
BS1 5TR

27 January 2020

Dear Colin,

Phase 1, Temple Island, Bristol

Discussions have been ongoing for Bristol City Council (BCC) to offer a phased sale of the Temple Island site to Legal & General (L&G) which will enable their shared ambition to see delivery of a mixed-use development comprising offices and residential that will combine to create a new community within Temple Quarter and supply new amenities and private / affordable housing to its residents.

CBRE Ltd has been instructed to review and provide our opinion of L&G's proposed purchase price of the above development site ahead of exchange and completion and undertaking a formal valuation report. In the latest set of Heads of Terms dated 8 January 2020, we note that the proposed purchase price for Phase 1 is [REDACTED] subject to contract, detailed costings and scheme design, satisfaction of the conditions precedent and viability, and excluding VAT.

For the purposes of this exercise, we have only been able to review the limited information which has been provided to us by L&G, BCC and Avison Young including:

- Heads of Terms dated 8 January 2020.
- GIA and NIA floor areas as set out in L&G's and Avison Young's latest development appraisals dated 7 January 2020.
- Zaha Hadid's Temple Island Design Presentation dated 13 December 2018.
- Public Realm Infrastructure Costs as provided to us by BCC and undertaken by Currie & Brown dated 26 November 2019.
- Total number of residential units (private and affordable) as confirmed in L&G's and Avison Young's latest development appraisals dated 7 January 2020.

We have not been provided with any technical due diligence such as a technical / ground conditions survey or an environmental report. We have therefore assumed that if a detailed ground survey was undertaken of the property, it would not reveal any significant defects, which might cause us to materially alter our advice. Nonetheless, the parties have agreed that prior to commencement of the first development plot within Phase 1, BCC will secure funding and commence the specified and agreed site remediation works to the whole site (not just Phase 1) together with supporting infrastructure (e.g. services, infrastructure and utilities). A price cap has been agreed between the parties subject to inflation on the total cost of the enabling works of £32

million (to be undertaken by BCC) as detailed in the 'Temple Island Enabling Works' schedule. It is anticipated that this funding will be achieved via grants.

We have been unable to carry out an inspection of the property. We have not been provided with a Report on Title, but we understand that the property is held freehold by BCC, and we have assumed that the property has a good, clean and marketable title without any onerous encumbrances, restrictions, easements or wayleaves.

The parties have agreed that BCC will retain the freehold of Temple Island and grant a single, 250 year lease at a peppercorn rent to L&G for the development plots (numbers 1, 2, 3, 4, 6 & 7) comprising Phase 1 within the masterplan prepared by Zaha Hadid Architects.

The affordable housing units will comprise a mixture of tenures such as shared ownership, social rent and discounted Market Rent.

In reaching agreement on an anticipated premium for the land sale of Phase 1 to L&G, the anticipated premium can only reflect current costs and values of the proposed mixed-use development. To ensure that BCC receives the best consideration reasonably obtainable, it has agreed with L&G that a revaluation will take place in approximately 18 months to 2 years at a point in time when the valuation and its inputs are more certain.

Therefore, the current anticipated premium has had to reflect a number of 'Special Assumptions' including what may be granted during the planning determination process. These Special Assumptions will form part of the formal valuation report that will be prepared in accordance with the RICS Red Book. These Special Assumptions will crystallise once planning consent is granted and subsequently, a formal RICS Red Book valuation will be produced at that time.

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

[REDACTED]

Based upon the limited information with which we have been provided, and on the assumption that no onerous issues are identified and a sale reflecting normal acquisition fees and SDLT provisions, as well as, the above agreed assumptions, we would confirm that we anticipate that we will be able to support a long leasehold premium of:

[REDACTED] subject to contract, detailed costings and scheme design, satisfaction of the conditions precedent and viability, reflecting the aforementioned Special Assumptions, and excluding VAT.

You will appreciate that CBRE have yet to complete the necessary due diligence to undertake a valuation of the site and therefore should any of the information that we have relied upon prove to be incorrect or if anything onerous is contained within the final due diligence, this could materially impact upon our opinion.

Reliance and Publication

We should emphasise that this letter is not, nor was it intended to be formal valuation advice that complies with the requirements of the RICS Red Book. For the avoidance of doubt, no third party can rely upon this letter or our views currently expressed here, and no part of this letter can be published externally. Bristol City Council should understand the limitation of this exercise and the need for a full due diligence exercise prior to making firm financial commitments.

Yours faithfully

[REDACTED]

Richard Eames BSc (Hons) FRICS IRRV
Executive Director
RICS Registered Valuer
For and on behalf of CBRE Ltd

T: [REDACTED]
E: [REDACTED]@cbre.com

[REDACTED]

Robert Moran MRICS
Associate Director
RICS Registered Valuer
For and on behalf of CBRE Ltd

T: [REDACTED]
E: [REDACTED]@cbre.com