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1. Background and Purpose of Report

Bristol City Council is proposing to dispose of part of rear gardens of council tenanted homes in the Knowle West area of the city by way of granting long leases at less than best consideration to a community interest company who will provide a new modular affordable housing on the land (“the scheme”).

Under the scheme participating Council tenants will voluntarily surrender their current secure tenancy and take a new secure tenancy with a smaller back garden. The tenant is then able to nominate the first new tenant for the newly constructed home on the micro plot subject to housing need and Council approval.

At this stage the Council is working on a pilot of 16 units to establish the merits of rolling out the scheme on a larger scale.

This valuation report is to accompany the Council’s APPLICATION FOR SECRETARY OF STATE’S CONSENT TO DISPOSE OF LAND OR PROPERTY UNDER SECTION 43 OF THE HOUSING ACT 1985. The report is not to be relied upon by any other party or for any other purpose.

The hope is that by applying for in principle consent to the whole it will not then be necessary to seek consent for individual properties which could run into the hundreds if the scheme is successful.

The valuation report considers the impact of the scheme on individual homes by way an example property and an illustrative residual appraisal of a micro plot to provide general guidance on the value of the rear gardens which will make up the scheme.

The report does not attempt to value the scheme as whole - the scale of which, in terms of the total number of individual garden disposals, is still to be determined. Should the scheme be rolled out by the Council on a large scale it is likely that this will be over a period of many years over which time property prices will fluctuate.

Assuming a disposal of the example property, at less than best consideration under the scheme, we have provided valuations for the unrestricted value, restricted value, the value of any voluntary conditions and discount as defined by the RICS UKGN5. These valuations are for illustrative purposes.

2. Scheme Location: Knowle West

The scheme is limited to the residential suburb of Knowle West, situated approximately 2 miles south of Bristol City Centre.

Knowle West is an area of high deprivation. The area is characterised by predominantly low-density housing with large sized plots, comprising both front and rear gardens. Properties are typically arranged in a two-storey semi-detached or short terraced pattern of brick construction under pitched, tiled roofs.

Most of the homes in Knowle West were constructed in the 1930s as part of a Council estate to cater for Bristol’s growth at the time, however, disposals under the right to buy scheme mean that local authority owned housing is now interspersed with homes in private ownership.

3. Proposed Lease Terms

Under the scheme the Council is proposing to dispose of rear gardens of selected properties to a

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community interest company on the following principal terms and conditions:	
Tenant	We Can Make (CIC No 12779789)
Permitted development	A home constructed in accordance with the Planning Consent
Lease Term	125 years
Premium	£1
Rent	One peppercorn per annum, if demanded.
Outgoings	The Tenant will be responsible for all outgoing.
Repairs and Insurance	The Tenant will be responsible for the full repair and insurance of the micro site and home.
User	Residential
Easements	The Council will grant all necessary easements and rights of access across its retained land to serve and access the micro site.
Services	The Tenant will be responsible for the installation and separation of services to serve the micro site and home.
The Improvement Scheme	The Tenant will agree to deliver an agreed improvement scheme for the front garden of the house (including the installation of a bin store and cycle store).

4. Example Property

Property	[REDACTED], Bristol, BS4 1QS
Location	The property is in [REDACTED], Knowle West a cul-de-sac comprising of similar semi-detached homes. See Plan 1 and 2 for location and site plans.
Description	A three-bedroom, two storey, semi-detached house of brick construction under a pitched tiled roof. The property benefits from a front garden and a large rear garden.
Condition	We have assumed that the property is free from any major defects and is in an average condition compared to similar houses of the same size, age and type in Knowle West.
Rear Garden	The part of the rear garden for disposal comprises and area of approximately 140 square meters, measured using online mapping, as shown edged and shaded red on Plan 4 below.
Date of Inspection	6 January 2021 - limited to an external inspection from the roadside only.
Tenure	Freehold
Tenancy Summary	The property is currently tenanted, however, under the scheme it is intended that the part of the back garden which is excluded from the new tenancy will be available with vacant possession.
Council Tax Band	Band A
Environmental	For the purposes of this report we have assumed that the property is not at

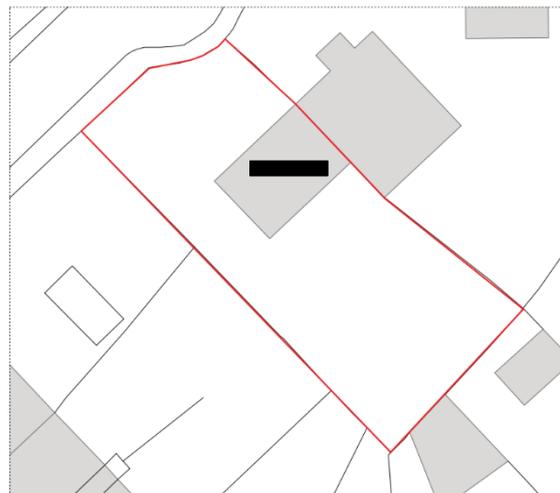
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	risk from flooding and that garden is free from ground contamination and Japanese knotweed and no abnormal development costs would be incurred.
Planning	The property is not located within a conservation area or within any other designation. We assume that the house and garden benefit from planning consent for the existing residential use. We are aware that the rear garden offers potential for the development of a one-bedroom, one-person micro unit, however, we consider that it is unlikely that a larger dwelling would be permitted.

Photographs



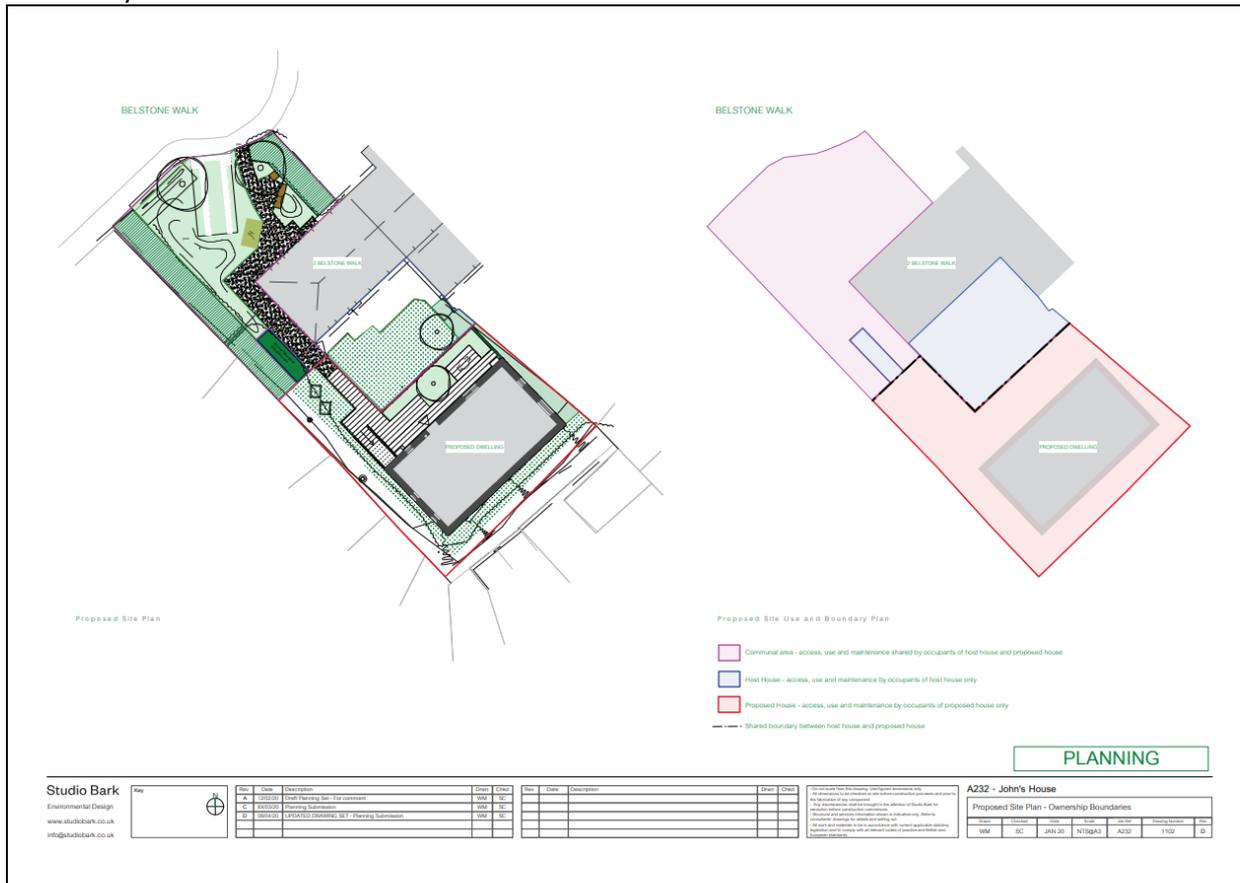
(left) Plan 1 - Location Plan and (right) Plan 2 (R) Site Plan



(left) Plan 3 - Proposed Micro Home Layout and (right) Plan 4 – Rear Garden Boundary

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Residential Market Commentary and Comparable Transactions

The residential property market in Bristol is strong with prices continuing to rise in 2020 despite the global pandemic and economic uncertainty.

According to property website Zoopla the average price paid in Bristol in the last 12 months was £334,606 which is above the South West average of £299,256.

The average house price in the BS4 postcode was £276,718 which is below the Bristol average.

House Prices:

We are aware of the following sales of similar 3-bedroom, semi-detached, former local authority homes within a half mile radius of Belston Walk which were completed during 2020.

Sold	Address	Type	Sale Price	Tenure
11-Sep-20	Wallingford Road, BS4 1SJ	3 bed semi-detached	£213,000	freehold
26-Aug-20	Novers Hill, BS4 1QX	3 bed semi-detached	£230,000	freehold
10-Jul-20	Maytree Avenue	3 bed semi-detached	£289,000	freehold
29-Jun-20	Leinster Avenue, BS4 1NP	3 bed semi-detached	£226,000	freehold
05-Jun-20	Wicklow Road, BS4 1JY	3 bed semi-detached	£192,500	freehold
22-May-20	Langhill Avenue, BS4 1TN	3 bed semi-detached	£205,000	freehold
27-Mar-20	Lisburn Road, BS4 1NG	3 bed semi-detached	£219,000	freehold

Excluding the highest and lowest recorded transactions the sales are all within the range £205,000 to

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£230,000 with an average selling price of £218,000.

New Homes:

We are not aware of any directly comparable transactions for micro sites in Knowle West or Bristol generally. There are several schemes which have been built or are under construction in the wider South Bristol area.

- A scheme of 82 homes by Persimmon Homes off Willis Way at Imperial Park achieved an average £/per sq.ft of £280. Most of these sales were completed in 2018 and 2019.
- A development by Barratt Homes at Filwood Park off Hengrove Way achieved figures in the range £241 to £321 per sq.ft., mostly for 3 and 4 bedroom homes which were completed in 2019 and 2020.
- At Urban Quarter, a scheme by Kier Living an average selling price of £309 per sq.ft was being achieved as of Q3 2020.

Additionally.

- Elim Housing Association are developing a scheme of six shared ownership units, consisting of one and two bedroom flats, and a two bedroom house at Novers Hill. Advertised prices start at £80,000 for a 40% share in a one bedroom flat.
- Auctioneers Maggs and Allen are offering a newly constructed, 2 bedroom house in a cul-de-sac location at 30a Gerrard Close, Filwood Park, Bristol, BS4 1UH at a guide price of £170,000.

Garden Land:

During 2020 we are aware that the Council completed the following sales of surplus garden land in Bristol.

- Land fronting [REDACTED], Ashton (for driveway and garden) 50 sqm sold for £1250 completed 31/07/20 equates to £25/sqm.
- Two pieces of land adjoining [REDACTED] totalling 29.31sq m sold for £750 completed 06/01/20 equates to £25/sqm.
- Land adjacent to [REDACTED], Henbury sold on a 999-year lease for garden purposes in August 2020 for £1,925 which equates to £25/sqm.
- Land adjacent [REDACTED], Hengrove sold for £25/sqm.in December 2020.

Valuation Considerations and Methodology

Based on the comparable transactions we consider that the market value of the existing property is within the range £205,000 to £230,000. As the property benefits from a cul-de-sac location we value the property near to the top of the range at £225,000.

In a scenario where the rear garden is reduced in size and a unit is developed on the land there will be a diminution in the value of the property due to the loss of part of the garden, the loss of some privacy and the general inconvenience and disturbance of having a new dwelling close by and sharing a side access and some facilities. This will inevitably make the property less attractive to buyers and we therefore consider that the value of the property will be reduced towards the bottom end of the range of prices for similar homes. We value the property at £205,000 in this scenario.

We have calculated the value of the garden land, based on existing use, having regard to the comparable transactions above and using a rate of £25 per sqm. This produces a valuation of £3,500.

We have considered the value of the garden with the benefit of planning consent for a micro-home

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separately by producing a residual appraisal which is at Section 5 of this report.	
Valuations	
(a) Market Value of the existing property	£225,000
(b) Market Value of the existing property on the special assumption that the rear garden has been sold by way of a long lease and a micro unit has been developed on the land under the scheme.	£205,000
(a - b) Diminution in Value of the existing property as a result of the scheme.	£20,000
(c) Market Value of rear garden for existing use assuming a long leasehold disposal.	£3,500
(a - b) + (c) Market Value of rear garden for existing use assuming a long leasehold disposal + diminution in value of the existing property as a result of the scheme	£23,500
5. Residual Appraisal	
Residual Value of a typical Micro Home Site on the Special Assumption of Full planning consent for the Micro Home.	
Valuation Considerations and Methodology:	
<p>We have produced a residual appraisal to ascertain our opinion of the residual value for a typical micro site assuming planning consent for a micro unit on the land.</p> <p>The residual analysis determines a price that could be paid for the site given the expected 'as if complete' value of the proposed development and the total cost of the proposed development, allowing for market level profit margins and having due regard to the known characteristics of the property and the inherent risk involved in its development. It is our opinion that in the open market a prospective purchaser would rely heavily upon the residual analysis as this method reflects the expectations of a purchaser in relation to costs, selling, prices, profit margins, etc.</p> <p>We have assumed a single storey, 1 bed, 1-person micro unit of 463 sq.ft.</p>	

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Having regard to comparable sales and reflecting the location and a premium for new build we have adopted a Market Value for the completed home of £129,500 per unit or £279 per sq. ft, albeit there is no direct evidence from the sale of micro units in the back garden of an existing Council house on the Knowle West estate. The development is therefore unique.

We have adopted construction costs based on BCIS estimates and made allowances for externals, utilities and contingency. We have adopted professional fees as well as disposal and finance costs. Actual build costs for the scheme using modern methods of construction may be different.

We have adopted a profit on cost of 20% which is in line with the market.

We have made an allowance for CIL payments.

We have adopted the following inputs:

GDV Inputs		
Open Market:	463 sq. ft.	
	£129,500	£ 279 per sq. ft.
Construction Costs		
Main Build Cost:	£71,251	
Landscaping & Infrastructure:	10%	
Utilities:	5%	
Contingency:	5%	
Professional Fees:	10%	
Planning Obligations:		
CIL Payments:	£3,209	
S106:	£2,500	
Marketing Costs:		
Agency, Legal and Marketing:	2.5%	
Acquisition Costs:		
Stamp Duty:	£0	
Agent and Legal Fees:	2.5%	
Targets:		
Finance Rate:	6.5%	
Profit on Cost:	20%	
Land Value:		
Residual Land Value:	£1	

Sensitivity:

The residual method of valuation requires the input of many subjective variables. Variations in sales prices, construction costs and other inputs can have a significant impact. We have therefore undertaken a sensitivity analysis to demonstrate how the changes in input data affect values in the following ways: -

- Increase in gross development value by 10 % and decrease in costs by 10% - Land Value is increased to £19,500.
- Decrease in gross development value by 10 % and increase in costs by 10% - Land Value is **-£20,000**.
- Gross development value and costs unchanged, nil developers' profit – Land value is £21,000.

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Conclusion:

Our residual appraisal shows that the micro unit site produces only a nominal land value, based on prudent inputs including a developer's profit of 20%. However, we would still expect a plot with full planning consent for a micro unit to attract offers from self-builders, small builders, not for profit ventures and others who may be prepared accept a lower profit margin and/or may be able to construct the dwelling at a lower cost through the use of their own labour or resources. Demand is likely to be fuelled by the scarcity of available plots at affordable prices in Bristol generally.

Based on our sensitivity analysis we estimate a land value in the range £10,000 to £20,000 may be achievable should such a plot be sold on the open market. However, unless the residual land value generated by the unit is greater than the resultant diminution in the value of the retained home and the existing use value of the garden, as shown in the example property, an open market transaction at this level between a willing seller and a willing buyer is unlikely to happen unless the seller is motivated by the need for an immediate receipt over long term equity, or by factors which are not purely financial.

6. Commentary and Analysis

The residual appraisal demonstrates that the development of micro units on back gardens in Knowle West is unlikely to happen on anything other than a small scale, if at all, without subsidy through funding for the development or through the sale of land at a discount, or a combination of both and possibly other forms of intervention from the public and charitable sector.

As the seller of rear gardens of council tenanted homes Bristol City Council is not incentivised financially to dispose of the land unless a buyer is willing to pay the market value of the garden and compensation for the diminution in value of the retained home as a minimum. In the case of the example property at [REDACTED] this sum is calculated to be £23,500 (£3,500 + £20,000).

This sum is above the residual land value for the micro unit plot, however, the community interest company involved in the scheme does have a special interest which we have taken into consideration in our assessment of the unrestricted value reported at Section 7 as defined by the RICS UKGN5. We consider that it would be reasonable for the Council, which is not a forced seller prepared to sell at any price, to demand the sum of £23,500 from the community interest company were it not intending to transfer the land at less than best consideration.

In practice these other circumstances will rarely exist, if they ever exist at all, as there may be no willing buyers at this level and it is only through the scheme itself that the Council is able to obtain vacant possession of gardens at scale and is proposing to dispose of those gardens.

The value of any voluntary conditions has been calculated as £3,500. This figure represents the capital sum we have attributed to the improvement scheme for the front garden of the house to include the installation of a bin store and cycle store. Whilst we do not have actual costs for these works, the works themselves will add value to the retained property by improving the appearance of the frontage in an area where front gardens are generally low quality and poorly maintained.

Whilst this report has examined an example property for the purposes of providing an illustration, we anticipate that as the properties and gardens involved are broadly similar in type, location, size and value, similar sums can be expected at today's values where the scheme is rolled out more widely, albeit individual valuations will be required in due course. On this basis the pilot scheme of 16 properties could reasonably be expected to equate to a disposal at a discount in the region of

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£320,000.

**7. Valuations of the rear garden of the example property at 2 Belstone Walk
Valuation Date: 06/01/2021**

Unrestricted value:

£23,500

(Twenty Three Thousand Five Hundred Pounds)

Restricted value:

£1

(One Pound)

The value of any voluntary conditions:

£3,500

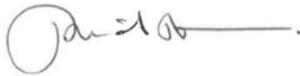
(Three Thousand Five Hundred Pounds).

Discount: unrestricted value – (restricted value + the value of any voluntary conditions)

Say £20,000

(Twenty Thousand Pounds)

Signed.



Jay Ridsdale MRICS

Peter Quantick MRICS (RICS Registered Valuer)