

For: South Gloucestershire Council

Emerging Local Plan

Viability Position Statement (VPS)

Appendix II

**Market and values
Preliminary research**

November 2023

DSP23828

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1 Introduction

- 1.1.1 Dixon Searle Partnership (DSP) has been engaged by South Gloucestershire Council (SGC) to provide an initial scene setting exercise covering the context for a future viability assessment (VA) as the Council's new Local Plan (LP) for the area progresses now to a third stage of consultation (Regulation 18). This initial viability exercise has been referred to as a 'Viability Position Statement' (VPS).
- 1.1.2 Referred to within DSP's VPS report, this document – Appendix II – provides an overview of the research undertaken into property values (with an emphasis on the residential market at this stage), together with the wider economic conditions at the time of writing. Collectively, this research and wider exercise aims to help build towards informing the assumptions of a LPVA, now getting underway by beginning to build a picture of the local context for reviewing viability, the values and the variation of those within South Gloucestershire.
- 1.1.3 This report will also provide the Council with an indication of the type and sources of data that it could monitor, revisit and update, to further inform its ongoing work. Doing so would provide valuable context for continuing to monitor the local delivery while further considering the new LP aspirations and settling policy positions.
- 1.1.4 It should be acknowledged that this is high-level work, and a great deal of variance may be seen in practice from one development to another (with site-specific characteristics). This data gathering process adopted by DSP involves the review of a range of information sources, so as to inform an overview that is relevant to and appropriate for the VPS project context. The aim here is to consider values levels (referred to as VLs), patterns and trends as part of the local characteristics and therefore enable us to assess with the Council an updated context picture so far as is suitable and practically possible. Given the proximity to Bristol and the area's role in the sub-region, including the West of England Combined Authority (WECA) that is also an important part of the local context. The information referred to in the VPS reflects this.
- 1.1.5 This Appendix is informed by a range of industry reporting and quotes/extracts (shown in *italic text* to distinguish that externally sourced information from DSP's commentary and context / analysis), with sources acknowledged.

2 Economic and housing market context

- 2.1.1. There are a number of sources available in reviewing the current economic and housing market context generally. It is beneficial to review a range of these, which approach should be carried into a LPVA. We have made particular reference to the Land Registry, Royal Institution of Chartered Surveyors (RICS) market reporting, Office for National Statistics (ONS) and Savills market reporting and forecasts.
- 2.1.2. These industry reporting resources have all described a similar picture of the current economic context alongside the patterns of the housing market, viewed at this time both more widely and in respect of the available information for South Gloucestershire.
- 2.1.3. For wider context, DSP has reviewed the latest economic / housing market commentary alongside our own wider experience across the country. Despite the wide disruption and uncertainty within the market caused by the Coronavirus pandemic, and the continuing effects of Brexit, the expected general downward pressure on house prices did not initially materialise. Following the onset of the pandemic, values rose significantly – overall negative market impacts were not experienced to nearly the extent anticipated by many market commentators. However, the market appears to have reached its peak in early 2023 and in many areas in recent months we have seen the first decreases in house prices for some time. Latest HPI (house price index) data shows prices at roughly the same level they were a year ago and beginning to fall, with indications being that prices will continue to fall in the coming months. The majority of commentators expect that the overall effect on house prices will be a c. 10% peak to trough change before the market recovers (expected to be not before 2025). Knight Frank’s most recent market commentary predicts a greater fall than initially expected for 2023 with prices falling 7% overall outside London, but with the market picking up more quickly than at first thought; however still predicting a 4% fall across the country in 2024.
- 2.1.4. This current economic uncertainty stems from the fallout from the pandemic and the ‘cost of living crisis’ reflecting the high energy costs, increasing inflation (albeit now falling back from around 10% to closer to 5%) and sustained interest rates. At the time of writing, the BoE base rate has been held at the previously increased rate of 5.25%, with this level expected by many commentators to be maintained well into 2024. Changing government leadership bringing changes in financial policy and evolving planning system reform has also been a significant factor, with at the time of writing another new Housing/Planning Minister appointed; the 16th Housing Minister since 2010, and a general Election due in 2024. All

resulting in heightened levels of uncertainty at this time, likely running into next year and potentially beyond.

- 2.1.5. The most recent analysis from Knight Frank in their Residential Development Update of October 2023 notes that build costs increased by 8.7% last year. However, there are signs that build cost inflation is beginning to ease, with prices for some key building materials reducing following price surges in 2021 and 2022. Supply chain conditions have also improved following the disruption caused by the pandemic and global instability such as the war in Ukraine.
- 2.1.6. This general context aligns with our experience of the current market - we have seen build costs stabilise over the past few months (after an extended period of rapid inflation). This is partly due to the slowed activity in housebuilding and therefore greater competition for building contracts. However, Knight Frank also note that whilst the situation has improved regarding build costs trends, this easing is tempered by other pressures such as mortgage availability/cost of borrowing; that said, Knight Frank's prediction is that the continuing imbalance between supply and demand will on the whole support housing sales rates and pricing over the medium term.
- 2.1.7. The tone of the most recent Savills market reporting in October 2023 is cautious, but overall positive, noting that market activity has been fairly stable but '*hovered below the pre-pandemic average*' and concluding that '*the medium-term outlook has improved*'. Most commentators expect mortgage rates to stabilise, against a background of continuing demand for housing, yet it is expected that typical mortgage rates will remain between 4% and 6% until at least late 2024. First time buyers are amongst the most affected by the current situation, and these are key to the market as a whole, with effects widely seen. Rents continue to increase due to constrained supply, with the average annual price increase across the UK being 10.3%.
- 2.1.8. The major housebuilders continue to be cautious about the market, with many reporting a reduction in both their acquisition of new sites and construction activity for the time being.
- 2.1.9. On the point of balance and mixed messages, the latest RICS residential market survey also takes a more positive view than in previous months, noting that whilst nationally house prices are falling, '*downward momentum continues to ease*' and new instructions have '*moved into positive territory for the first time since early 2022*'. The RICS concludes that national house price expectations now sit in '*broadly neutral territory*'.

2.1.10. The latest Office for National Statistics (ONS) UK House Price Index (HPI) for September 2023 focuses on sale prices and trends in data rather than forecasting the future of the housing market. The ONS examines the condition of the market over the last couple of years, and notes the following:

- *Average UK house prices increased by 0.1% in the 12 months to September 2023 (provisional estimate), down from an increase 0.8% (revised estimate) in the 12 months to August 2023.*
- *The average UK house price was £291,000 in September 2023, which was little changed from 12 months ago, but above the recent low point in March 2023.*
- *Average house prices over the 12 months to September 2023 decreased in England to £310,000 (negative 0.5%), decreased in Wales to £215,000 (negative 2.7%) and increased in Scotland to £195,000 (2.5%).*

2.1.11. At the current time, we are informed by some housebuilders that they are increasingly pursuing non-standard forms of development or approaches to sales, including for example agreeing bulk disposals of homes to Registered Providers of affordable housing, Build to Rent schemes as well as outright sale, and retirement housing. It should also be noted however that many Registered Providers also have a reduced appetite for expansion and acquisitions at this time, due to a tougher lending environment and uncertainty regarding, for example, sales of shared ownership. The rental market is currently looking to be a more attractive prospect than usual with some developers considering letting properties instead of selling; due to an increasing gap between supply and demand in the rental market and rising rents (as noted above, seen to have increased by 6% to 10% over the past year depending on location, in contrast to house prices which on the whole have been falling slightly).

2.1.12. In general, the view of the housing market is that we will see some price falls over the coming year, albeit not at such dramatic levels as feared. The picture is varied, however, and we understand the Council's experience of South Gloucestershire remains that the underlying strength of the local market here continues to support demand for sites and schemes, so that at this stage the signs are more balanced locally and activity remains relatively strong.

2.1.13. Overall, the broad consensus within the industry is that although house price growth will not be seen in the short term, over the medium to long term the market will continued to be

supported by the ‘fundamental’ of the continuing imbalance between housing supply and demand. There are however concerns about the capacity of the development industry to cope with increased demand as the economy and housing market improves out of the current cycle, as well as the availability of sufficient developable land should all those housebuilders who have ‘retrenched’ to some extent wish to increase their development programmes simultaneously. Labour shortages are also cited as a challenge, with this one of the factors behind continued build costs inflation.

3 Residential market review

3.1 Introduction

- 3.1.1. Consistent with our assessment principles, we research data from a range of readily available sources, consistent also with the Planning Practice Guidance (PPG). As noted above, these are sources that could also be used by the Council for any future similar work, as well as for monitoring context and updating. In the following sections we will provide an outline of the data reviewed in preparing the VPS, beginning the groundwork towards full LPVA – as all above and as reflected in the VPS report.
- 3.1.2. The residential market review and data collection/analysis phase involved desktop-based research and analysis of both sold and asking prices for new build and resale property across South Gloucestershire. This was conducted primarily using data from the Land Registry (LR) grouped into urban and other geographies within the LP area – using a dates range between 2020 and 2023 (to latest available data). Value level (VL) ranges were estimated for each area based on a variety of data presentation and analysis techniques, including quartile analysis.

3.2. Review of Land Registry new build sold prices data – (January 2020 to July 2023)

- 3.2.1. The following tables below provide South Gloucestershire based summary of Land Registry published sold prices data – focusing solely on new build housing. The floor areas have been sourced separately – from the Domestic Energy Performance Certificate (EPC) Register operated by Landmark on behalf of the Government and available to view via www.epcregister.com under the DLUHC’s remit. Property values have been updated in line with the LR UK House Price Index (HPI) at the point of data collection i.e., May 2023 dated figures, owing to the circa 2-month lag in LR data recording from sales. Due to its size, the full data set has not been included here.

- 3.2.2. Table 1 below summarises the areas reviewed - Locations overview.
- 3.2.3. Table 1a below summarises the data by average price, with quartile figures shown.
- 3.2.4. Table 1b below summarises this picture by dwelling type (dwelling type as used in the LR data).
- 3.2.5. Table 1 c below provides a South Gloucestershire wide overview of this LR sourced values information – based on all areas and dwelling types.

Table 1

List of area and place names.

Tabled overview list of urban and other geographical areas used as basis for preliminary review of Land Registry house price data.

Locations by Urban Areas

Urban Area	Area 1
North Fringe	Filton
	Patchway
	Bradley Stoke
	Stoke Gifford
	Harry Stoke
	Frenchay
East Fringe	Downend
	Emersons Green
	Mangotsfield
	Staple Hill
	Soundwell
	Kingswood
	Warmley
	Cadbury Heath
	Oldland Common
	Longwell Green
Hanham	
Yate and Chipping Sodbury	
Thornbury	
Rural Areas	
Sevenside	

Table 1a – Land Registry Sold Prices Review Analysis
 New Build Property – Average Price and quartile analysis by area

Table with numbers and text. Tabled figures showing quartile analysis of Land Registry new build house price data (expressed as £ per square metre values) for the reviewed areas of South Gloucestershire (north and east fringes of Bristol, Yate and Chipping Sodbury, Thornbury and rural areas) – averages for all dwelling types.

Area	New Build Value - Summary Quartile Analysis - South Gloucestershire (4/2020 - 4/2023)						
	Minimum £/m ²	Q1 £/m ²	Average Value £/m ²	Median £/m ²	Q3 £/m ²	Maximum £/m ²	Data Sample No.
North Fringe	£2,624.95	£3,940.39	£4,322.92	£4,263.46	£4,676.80	£6,137.67	447
East Fringe	£2,800.07	£3,873.92	£4,338.26	£4,292.86	£4,768.74	£5,791.92	396
Yate and Chipping Sodbury	£3,292.34	£3,811.19	£4,371.24	£4,250.56	£4,764.25	£6,408.14	220
Thornbury	£3,321.32	£4,113.27	£4,454.39	£4,379.71	£4,709.21	£7,021.33	171
Rural Areas	£2,763.46	£3,987.37	£4,437.86	£4,416.08	£4,782.83	£9,002.02	210

* No Data for Severnside Area

** Data sample of 1444

Further table with numbers and text – description as above relating to the sub-areas of the Bristol north and east fringes.

Area 1	New Build Value - Summary Quartile Analysis - South Gloucestershire (4/2020 - 4/2023)						
	Minimum £/m ²	Q1 £/m ²	Average Value £/m ²	Median £/m ²	Q3 £/m ²	Maximum £/m ²	Data Sample No.
North Fringe							
Patchway	£3,291.15	£3,893.85	£4,230.14	£4,083.64	£4,599.66	£5,413.59	172
Stoke Gifford	£2,624.95	£3,971.87	£4,380.95	£4,342.52	£4,717.77	£6,137.67	275
East Fringe							
Downend	£3,648.31	£4,396.00	£4,740.87	£4,905.07	£5,152.04	£5,505.55	62
Emersons Green	£3,536.29	£3,938.62	£4,418.17	£4,310.54	£4,737.84	£5,791.92	237
Staple Hill	£3,487.44	£3,497.43	£3,522.78	£3,513.28	£3,534.54	£3,610.94	8
Kingswood	£2,800.07	£3,331.25	£3,927.82	£3,986.16	£4,393.76	£5,282.54	61
Oldland Common	£5,238.80	£5,238.80	£5,238.80	£5,238.80	£5,238.80	£5,238.80	1
Longwell Green	£3,319.82	£3,413.37	£3,493.40	£3,514.80	£3,594.83	£3,624.19	4
Hanham	£3,308.01	£3,501.90	£3,909.54	£3,945.00	£4,148.03	£4,999.59	23
Yate and Chipping Sodbury	£3,292.34	£3,811.19	£4,371.24	£4,250.56	£4,764.25	£6,408.14	220
Thornbury	£3,321.32	£4,113.27	£4,454.39	£4,379.71	£4,709.21	£7,021.33	171
Rural Areas	£2,763.46	£3,987.37	£4,437.86	£4,416.08	£4,782.83	£9,002.02	210

* No Data for Severnside Area

** Data sample of 1444

Table 1b – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis by dwelling type (all areas)

Table with numbers and text. Tabled figures showing quartile analysis of Land Registry new build house price data (expressed as £ per square metre values) as overall figures for South Gloucestershire, set out by dwelling type.

Dwelling	New Build Value - Summary Quartile Analysis - South Gloucestershire (4/2020 - 4/2023)						
	Minimum £/m ²	Q1 £/m ²	Average Value £/m ²	Median £/m ²	Q3 £/m ²	Maximum £/m ²	Data Sample No.
Flat	£2,624.95	£3,965.65	£4,464.64	£4,298.89	£4,877.20	£9,002.02	288
Terraced	£2,886.68	£3,771.55	£4,321.08	£4,247.37	£4,758.46	£7,321.74	225
Semi-detached	£3,308.01	£3,792.83	£4,313.29	£4,290.18	£4,768.01	£5,760.53	428
Detached	£2,763.46	£4,097.90	£4,376.69	£4,339.80	£4,631.52	£6,998.34	503

* No Data for Severnside Area

** Data sample of 1444

Table 1c – Land Registry Sold Prices Review Analysis

Table with numbers and text. Tabled figures showing new build property average prices and quartile analysis as an overview for all dwelling types across South Gloucestershire as a whole. The median value shown on this high level overview basis is £4,312 per square metre (rounded to nearest £1).

Whole South Gloucestershire	New Build Value - Summary Quartile Analysis - South Gloucestershire (4/2020 - 4/2023)						
	Minimum £/m ²	Q1 £/m ²	Average Value £/m ²	Median £/m ²	Q3 £/m ²	Maximum £/m ²	Data Sample No.
South Gloucestershire	£2,763.46	£3,905.90	£4,366.77	£4,311.91	£4,742.50	£9,002.02	1444

* No Data for Severnside Area

** Data sample of 1444

- 3.2.6. A key point of this analysis is to consider all available information in an appropriate way for the study purpose and strategic level, which in this case requires a high-level overview of general values ‘patterns’ rather than aiming necessarily to reflect finer grained variations and potential site-specifics.

3.2.7. The above new build data indicates a range of values with the overall key new build median value in district is around £4,300/sq. m (approx. £400/sq. ft). However, the rural areas appear likely to support slightly higher values on the whole. On a closer look, the North Fringe appears to support values at around the typical levels seen overall for the district and while the East Fringe picture looks a little more mixed (with values both beneath and above the overall median levels but again a similar overall picture).

3.3. Review of Land Registry resales sold prices data – (January 2023 – April 2023)

3.3.1. A similar process has been undertaken as above for re-sale property with the following Tables (Tables 2a, 2B and 2c) providing an equivalent summary of Land Registry published sold prices data as part of the current project phase – looking at an overall market pricing picture by focusing on resale housing. As above, the floor areas have been sourced separately – from the Domestic Energy Performance Certificate (EPC) Register operated by Landmark on behalf of the Government and available to view via www.epcregister.com under the former DCLG’s remit. Property values have been updated in line with the UK HPI (again using area-specific figures) at the point of data collection i.e., May 2023. Due to its size, again the full data set has not been included here.

3.3.2. Given the context of the study, being a high-level preliminary overview of the context for considering viability at a strategic level, we have considered general values ‘patterns’ rather than aiming necessarily to reflect finer grained variations and potential site specifics. As noted in the VPS report, the LPVA should re-examine the geographies considered and their characteristics.

Table 2a – Land Registry Sold Prices Review Analysis

Table with numbers and text. Table of resale property average prices and quartile analysis figures for the reviewed areas of South Gloucestershire (north and east fringes of Bristol, Yate and Chipping Sodbury, Thornbury and rural areas) – averages for all dwelling types.

Area	Resale Value - Summary Quartile Analysis - South Gloucestershire (1/2023 - 4/2023)						
	Minimum £/m ²	Q1 £/m ²	Average Value £/m ²	Median £/m ²	Q3 £/m ²	Maximum £/m ²	Data Sample No.
North Fringe	£1,777.65	£3,978.33	£4,733.56	£4,738.24	£5,438.40	£7,687.61	175
East Fringe	£1,627.90	£3,677.90	£4,299.60	£4,238.82	£4,909.89	£9,877.54	245
Yate and Chipping Sodbury	£1,918.28	£3,472.84	£4,355.57	£4,194.96	£4,934.07	£8,585.77	57
Thornbury	£1,652.43	£3,777.63	£4,390.13	£4,414.75	£5,082.03	£6,135.13	38
Rural Areas	£1,723.02	£3,937.24	£4,624.08	£4,432.23	£5,216.55	£8,448.24	99
Sevenside	£3,013.75	£3,979.19	£4,511.23	£4,486.67	£5,313.33	£5,928.86	10

* Data sample of 624

Further table with numbers and text – description as above relating to the sub-areas of the Bristol north and east fringes.

Area 1	Resale Value - Summary Quartile Analysis - South Gloucestershire (1/2023 - 4/2023)						
	Minimum £/m ²	Q1 £/m ²	Average Value £/m ²	Median £/m ²	Q3 £/m ²	Maximum £/m ²	Data Sample No.
North Fringe							
Filton	£2,564.46	£3,695.55	£4,164.71	£4,236.16	£4,544.54	£5,642.01	29
Patchway	£1,777.65	£3,621.52	£4,184.81	£4,077.56	£4,722.05	£5,967.33	37
Bradley Stoke	£3,146.22	£4,934.37	£5,275.59	£5,356.92	£5,722.02	£7,032.07	54
Stoke Gifford	£2,036.42	£4,401.13	£5,005.71	£5,231.12	£5,599.73	£7,687.61	34
Frenchay	£2,271.21	£3,565.72	£4,651.49	£4,537.90	£5,423.35	£7,616.71	21
East Fringe							
Downend	£3,443.39	£3,829.44	£4,181.24	£4,081.67	£4,308.06	£5,558.33	14
Emersons Green	£1,634.05	£3,918.60	£4,582.87	£4,674.39	£5,229.34	£6,250.07	41
Mangotsfield	£3,288.11	£3,896.06	£4,332.46	£4,155.59	£4,888.02	£5,637.03	18
Staple Hill	£2,552.16	£3,623.54	£4,387.45	£3,967.86	£4,330.27	£9,877.54	15
Soundwell	£2,296.19	£3,670.63	£4,092.28	£4,080.66	£4,835.71	£5,803.93	26
Kingswood	£1,733.15	£3,447.24	£4,040.62	£3,924.50	£4,557.43	£6,233.64	52
Warmley	£3,303.18	£3,707.78	£4,528.07	£4,830.17	£5,043.03	£5,520.19	19
Oldland Common	£1,955.01	£3,826.68	£4,454.30	£4,476.67	£5,209.99	£6,498.38	13
Longwell Green	£1,627.90	£3,507.32	£4,166.10	£4,003.81	£4,905.65	£6,285.71	24
Hanham	£2,926.17	£3,757.41	£4,466.70	£4,520.26	£5,097.30	£6,984.61	23
Yate and Chipping Sodbury	£1,918.28	£3,472.84	£4,355.57	£4,194.96	£4,934.07	£8,585.77	57
Thornbury	£1,652.43	£3,777.63	£4,390.13	£4,414.75	£5,082.03	£6,135.13	38
Rural Areas	£1,723.02	£3,937.24	£4,624.08	£4,432.23	£5,216.55	£8,448.24	99
Sevenside	£3,013.75	£3,979.19	£4,511.23	£4,486.67	£5,313.33	£5,928.86	10

* Data sample of 624

Table 2b

Table with numbers and text. Land Registry Sold Prices Review Analysis – Average Price Resale and quartile analysis by Dwelling type (all areas)

Dwelling	Resale Value - Summary Quartile Analysis - South Gloucestershire (1/2023 - 4/2023)						
	Minimum £/m ²	Q1 £/m ²	Average Value £/m ²	Median £/m ²	Q3 £/m ²	Maximum £/m ²	Data Sample No.
Flat	£1,627.90	£3,303.23	£3,956.32	£3,899.33	£4,619.41	£8,585.77	100
Terraced	£1,634.05	£3,670.01	£4,341.14	£4,255.39	£5,017.09	£9,877.54	203
Semi-detached	£1,918.28	£3,968.99	£4,560.33	£4,529.68	£5,166.81	£7,616.71	191
Detached	£1,955.01	£4,269.80	£5,014.29	£5,037.58	£5,657.93	£8,448.24	130

* Data sample of 624

Table 2c

Table with numbers and text. Land Registry Sold Prices Review Analysis – Average Resale Price and quartile analysis – South Gloucestershire (overview – all areas and all dwelling types)

Whole South Gloucestershire	Resale Value - Summary Quartile Analysis - South Gloucestershire (1/2023 - 4/2023)						
	Minimum £/m ²	Q1 £/m ²	Average Value £/m ²	Median £/m ²	Q3 £/m ²	Maximum £/m ²	Data Sample No.
South Gloucestershire	£1,627.90	£3,777.84	£4,486.80	£4,431.58	£5,202.31	£9,877.54	624

* Data sample of 624

4.0 Commercial market – preliminary review

- 4.1.1 DSP has also reviewed a range of relevant information, reporting and articles relating to the commercial property market, rents and yields; including information sources from the RICS (Royal Institution of Chartered Surveyors), Savills and Knight Frank.
- 4.1.2 The commercial market, having rebounded from challenges posed by the pandemic and remote working, is now generally seeing commercial values heading downwards again, amongst economic uncertainty. The overall view of the commercial sector is considerably less positive, particularly regarding short term prospects for values, although noting that logistics (the distribution sector) is one of the few areas supporting increasing values at this time, on the whole.
- 4.1.3 The RICS Economy and Property Market Update September 2023 comments that transaction activity remains low in terms of overall value of assets changing hands, but that the number of transactions has increased. Following previous negative reports on retail demand, surveyors are reporting an improvement in retail transactions, but with investment values for offices *‘remaining under pressure’*.
- 4.1.4 Industrial values have been *‘more or less unchanged’* during Q2. The November RICS report notes that the *‘flattening trend in the appetite to acquire industrial space is also visible’*. As has been the trend for some time now, the occupier market is anticipated to perform better than the investment market with stronger expectations for rental than capital growth. RICS notes that prime assets are performing better than secondary assets and that there has been a move away from more traditional real estate holdings (offices etc.)

towards alternative sectors such as data centers, care homes, student housing and multifamily residential (rented).

4.1.5 Savills – UK Market in Minutes – UK Commercial – September/ October 2023 notes the bank base rate being held (as noted above) and that two-year SONIA (Sterling Overnight Index Average) is below the central bank rate for the first time since early 2023. In Savills’ view, the market has hit the trough and is now primed to start a ‘*typical asynchronous recovery*’ as interest rates fall in due course but buyers focus on rental growth prospects and concerns around capital expenditure; with prime logistics leading the recovery phase of this economic cycle. In Table 3 below, the higher and rising yield % figures indicate less security of rental income underpinning weaker investment prospects, which is a trend seen in the below, although as can be seen this weakening is noted to be a slowing trend overall.

Table 3 – Savills’ table of yield indications (yield percentage figures) and trends by commercial property sector and general location type – September 2022 to September 2023

Table with text (property and general location types) and numbers proving yield indications

	September 2022	August 2023	September 2023
West End offices	3.25%	4.00%	4.00%
City offices	4.00%	5.25%	5.25%
South East offices	5.25%	↑ 7.00%	7.00%
Provincial offices	4.75%	↑ 6.25%	↑ 6.25%
High street retail	6.00%	6.75%	↑ 6.75%
Shopping centres	7.50%	↑ 8.25%	↑ 8.25%
Retail warehouse (Open A1)	5.25%	5.75%	5.75%
Retail warehouse (Restricted)	5.25%	6.25%	6.25%
Foodstores (OMR)	4.75%	5.00%	5.00%
Industrial/Distribution (OMR)	3.75%	↑ 5.25%	5.25%
Industrial multi-lets	3.75%	↑ 5.00%	5.25%
Leisure parks	7.00%	7.50%	↑ 7.50%
London leased (core) hotels	3.50%	↑ 4.50%	↑ 4.50%
Regional pubs (RPI)	5.25%	6.25%	↑ 6.25%

Source: Savills Research

- 4.1.6 To summarise the preliminary overview to date, having stabilised following the pandemic, the commercial market has been struggling in the recent period, on the whole - heading downwards, although is thought to be at or close to the bottom of the market cycle although with prime office space and logistics (which was leading the upward trend previously) remaining fairly robust due to demand still not meeting supply; with a focus on the occupier market whereas investment appears to be retrenching. Alternative sectors are also being explored and seen as increasingly attractive (data centres, student housing, Build to Rent and other 'non-traditional' commercial investments).
- 4.1.7 Table 3 below sets out indications on property investment yields provided by the latest available issue of Knight Frank's Yield Guide¹.

¹ Knight Frank 'Investment Yield Guide' (October 2023)

Table 3 – List of yields (percentage level figures) and current market sentiment indications (yield movement trend i.e. direction). Table shows overview by property sector and type with corresponding details – source Knight Frank Investment Yield Guide October 2023.

SECTOR	Oct-23	MARKET SENTIMENT
High Street Retail		
Bond Street	2.75% - 3.00%	STABLE
Oxford Street	4.50%	STABLE
Prime Towns (Oxford, Cambridge, Winchester)	6.75% +	NEGATIVE
Regional Cities (Manchester, Birmingham)	7% +	NEGATIVE
Good Secondary (Truro, Leamington Spa, Colchester etc)	9.5% +	NEGATIVE
Shopping Centres (sustainable income)		
Regional Scheme	8.00% +	NEGATIVE
Sub-Regional Scheme	9.50%	NEGATIVE
Local Scheme (successful)	10.50%	NEGATIVE
Neighbourhood Scheme (assumes <25% of income from supermarket)	9.75% - 10.00%	NEGATIVE
Out of Town Retail		
Open A1 (essential retailers)	6.00%	STABLE
Secondary Open A1 Parks	7.75%	STABLE
Bulky Goods Parks	6.00%	STABLE
Secondary Bulky Goods Parks	7.75%	STABLE
Solus Open A1 (15 year income)	5.75% - 6.00%	STABLE
Solus Bulky (15 year income)	5.75% - 6.00%	STABLE
Leisure		
Prime Leisure Parks	7.50% +	NEGATIVE
Good Secondary Leisure Parks	9.75%	NEGATIVE
Major Foodstores		
Annual RPI Increases [NYI] (20 year income)	5.00%	STABLE
Open Market Reviews (20 year lease)	5.75% - 6.00%	NEGATIVE
Discounters (20 year, 5 yearly indexation)	4.75%	STABLE
Specialist Sectors		
Car Showrooms (20 years with fixed uplifts & dealer covenant)	6.00%	NEGATIVE
Budget Hotels London (20 years, 5 yearly RPI / CPI uplifts)	4.50% - 4.75%	NEGATIVE
Budget Hotels Regional (20 years, 5 yearly RPI / CPI uplifts)	5.00%	STABLE
Student Accommodation Prime London (Direct Let)	4.25%	STABLE
Student Accommodation Prime Regional (Direct Let)	5.00% - 5.25%	STABLE
Student Accommodation Prime London (25 years, Annual RPI)	4.00% +	NEGATIVE
Student Accommodation Prime Regional (25 years, Annual RPI)	4.25% - 4.50%	NEGATIVE
Healthcare (Elderly Care, 30 years, 5 yearly PRI/ CPI reviews)	4.25% - 4.50%	NEGATIVE
Data Centres (Operational)	4.75%	POSITIVE
Data Centres (Leased, 15 years, Annual Indexation)	4.75%	POSITIVE
Income Strip (50 years, Annual RPI/CPIH+1%, Annuity Grade)	4.00%	STABLE
Warehouse & Industrial Space		
Prime Distribution/Warehousing (20 years [NIY], fixed/indexed uplifts)	4.75% +	NEGATIVE
Prime Distribution/Warehousing (15 years, OMRRs)	5.25% +	NEGATIVE
Secondary Distribution (10 years, OMRRs)	5.75%	NEGATIVE
South East Estate (excluding London & Heathrow)	5.00%	STABLE
Good Modern Rest of UK Estate	5.25% - 5.50%	STABLE
Secondary Estates	6.50% - 7.00%	STABLE
Office (Grade A)		
City Prime (Single let, 10 years)	5.25% +	NEGATIVE
West End: Prime Core (Mayfair & St James's)	4.00%	STABLE
West End: Non-core (Soho & Fitzrovia)	4.75%	NEGATIVE
Major Regional Cities (Single let, 15 years)	6.25% - 6.50%	NEGATIVE
Major Regional Cities (Multi-let, 5 year WAULT)	7.50% +	NEGATIVE
Good Secondary Regional Cities	11.00% +	NEGATIVE
South East Towns (Single let, 15 years)	7.25% +	NEGATIVE
South East Towns (Multi-let, 5 year WAULT)	8.50% +	NEGATIVE
Good Secondary South East Towns	11.50% +	NEGATIVE
South East Business Parks (Single let, 15 years)	8.00% +	NEGATIVE
South East Business Parks (Multi-let, 5 year WAULT)	10.50% +	NEGATIVE
Good Secondary South East Business Parks	12.50% +	NEGATIVE
Life Sciences (Oxford, Cambridge)	4.50%	STABLE

5.0 Commercial property values – initial review

- 5.1.1 The information as outlined in the following section is based on research data as far as available reflecting commercial properties within South Gloucestershire. Our assessment particularly focuses on the main commercial uses – industrial, retail and office rents.
- 5.1.2 Our commercial rent assumptions are informed by a range of data sources detailed throughout this report.

5.2 Commercial property values – initial review using CoStar sourced information

- 5.2.1 DSP has a subscription to the commercial property data resource ‘CoStar’ and here we include relevant extracts, again as preliminary information to this point, for South Gloucestershire. CoStar is a comprehensive commercial property intelligence resource used and informed by a wide range of Agents and other property firms, to provide commercial real estate information and analytics. This resource can be used to analyse, interpret and gain insight into commercial property values and availability, as well as general commercial market conditions. The data can be used on an area wide / defined area down to a very localised basis, with property specific data held and viewable in many instances – useful for drawing upon as examples as well as overviewing / considering patterns and trends in LPVA and other viability in planning work.
- 5.2.2 The CoStar sourced research noted here as an initial exercise is based on available lease comparables within South Gloucestershire covering industrial, retail and office property over the last (36 months). The tables included below (Tables 5, 5a, 5b and 5c) below provide an initial summary of information reviewed at this stage. Upon reviewing their local relevance (in the new LP context) the LPVA could consider similar information sources, across a range of sectors and property types. As far as the available information supports, it should then be possible to focus more on indications relevant to new build or broadly equivalent modern premises and to particular types (noting those sectors above which are currently remaining relatively strong or having leading investment prospects, compared with others experiencing a more challenging time).

Table 5 – CoStar sourced summary analysis – South Gloucestershire - Commercial Leases (retail) 2021 – 2023 – Quartile analysis rental information for convenience stores, large supermarkets (foodstores) and retail warehousing. Table lists these broad retail property types with £ per square foot and £ per square metre rental indications by type.

Type	South Gloucestershire - £/sq. ft				
	£/sq. ft Minimum Average Rental Indications	£/sq. ft 1st Quartile Rental Indications	£/sq. ft Median Rental Indications	£/sq. ft 3rd Quartile Rental Indications	£/sq. ft Maximum Average Rental Indications
Convenience Stores	£9.75	£11.61	£13.24	£16.37	£24.15
Large Supermarkets	£7.90	£15.33	£17.65	£19.51	£21.83
Retail Warehousing	£7.43	£13.01	£20.44	£23.23	£46.45

Type	South Gloucestershire - £/m ²				
	£/m ² Minimum Average Rental Indications	£/m ² 1st Quartile Rental Indications	£/m ² Median Rental Indications	£/m ² 3rd Quartile Rental Indications	£/m ² Maximum Average Rental Indications
Convenience Stores	£105.00	£125.00	£142.50	£176.25	£260.00
Large Supermarkets	£85.00	£165.00	£190.00	£210.00	£235.00
Retail Warehousing	£80.00	£140.00	£220.00	£250.00	£500.00

Table 5a – CoStar Lease Comparables – Retail overall (previous 36 months)

Map of the area of data review and figures providing summary statistics sourced from CoStar. Figures show the number of deals reflected, the average asking and achieved rents and the average number of months on the market.

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
60	£19.46	£16.48	16

TOP 50 LEASE COMPARABLES



SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	29	£12.58	£19.46	£17.93	£60.55
Achieved Rent Per SF	21	£5.42	£16.48	£16.23	£25.44
Net Effective Rent Per SF	12	£12.51	£18.63	£17.97	£24.47
Asking Rent Discount	10	0.0%	6.6%	0.0%	25.5%
TI Allowance	-	-	-	-	-
Rent Free Months	10	0	3	3	9

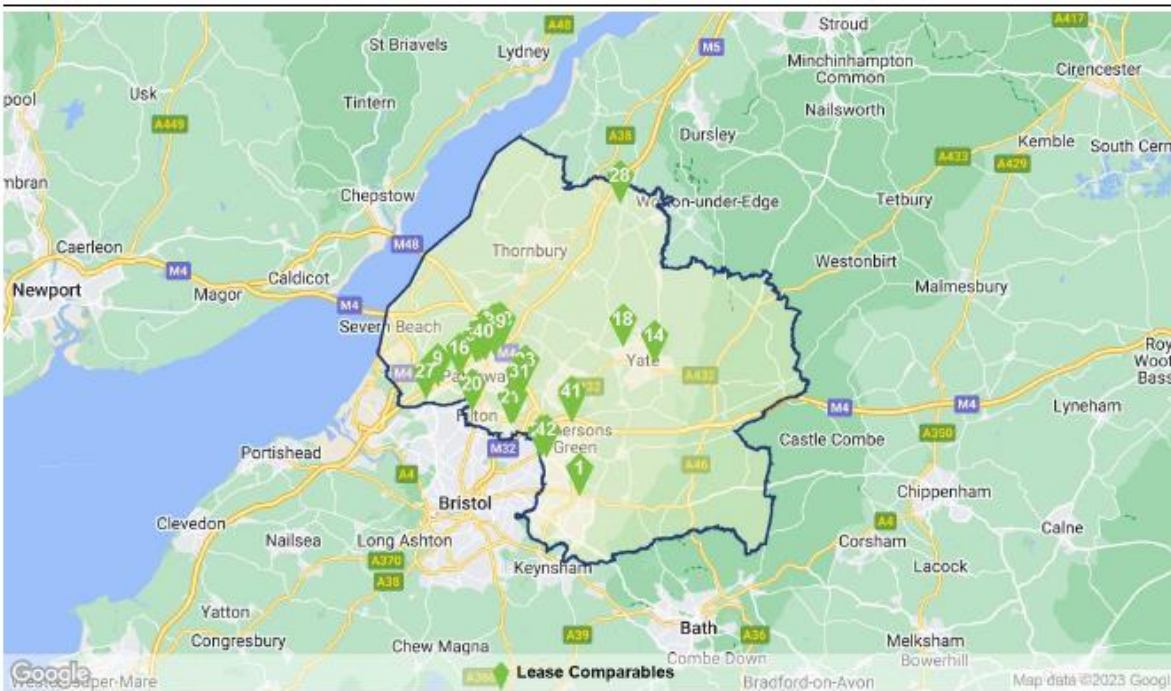
Lease Attributes	Deals	Low	Average	Median	High
Months on Market	33	0	16	10	72
Deal Size	60	373	4,833	1,398	62,500
Lease Deal in Months	25	24.0	112.0	72.0	360.0
Floor Number	60	GRND	GRND	GRND	1

Table 5b - CoStar Lease Comparables – Offices overall (previous 36 months)

Map of the area of data review and figures providing summary statistics sourced from CoStar. Figures show the number of deals reflected, the average asking and achieved rents and the average number of months on the market.

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
124	£18.20	£18.85	28

TOP 50 LEASE COMPARABLES



SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	56	£6.98	£18.20	£17.00	£29.00
Achieved Rent Per SF	70	£8.00	£18.85	£17.79	£29.00
Net Effective Rent Per SF	43	£7.98	£18.90	£17.50	£46.15
Asking Rent Discount	27	-25.0%	11.2%	2.9%	50.0%
TI Allowance	-	-	-	-	-
Rent Free Months	24	0	7	6	19

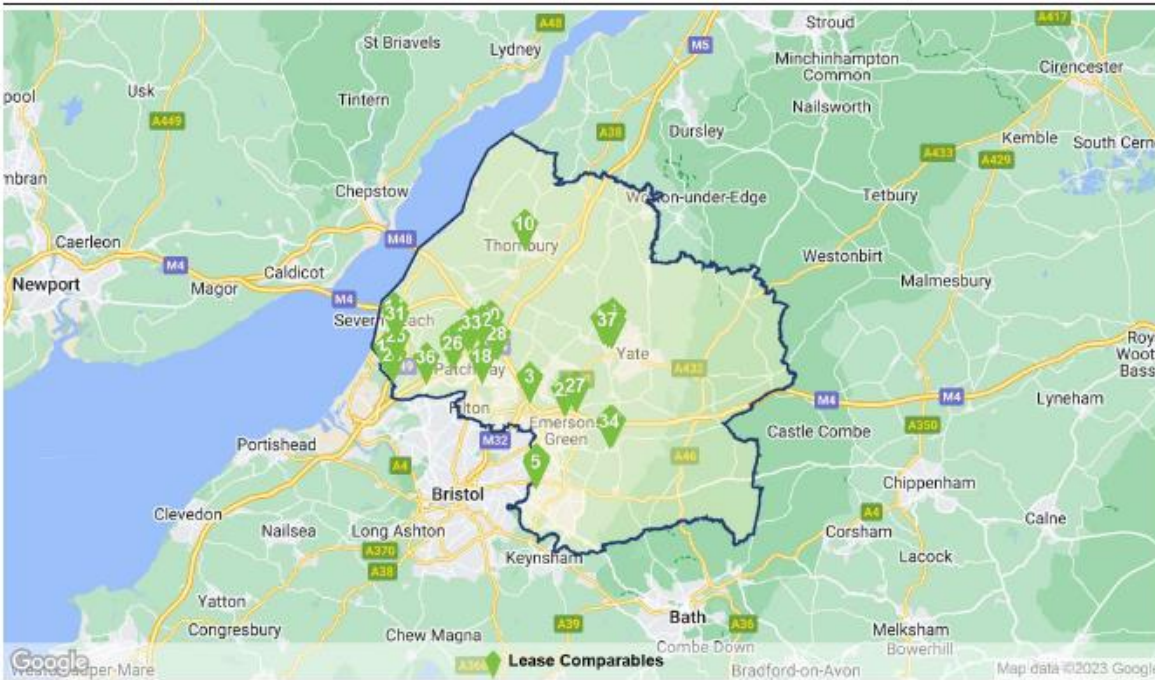
Lease Attributes	Deals	Low	Average	Median	High
Months on Market	97	1	28	18	161
Deal Size	124	65	4,795	2,443	85,790
Lease Deal in Months	70	12.0	85.0	60.0	180.0
Floor Number	124	GRND	GRND	GRND	4

Figure 5c – CoStar Lease Comparables – Industrial overall (previous 36 months)

Map of the area of data review and figures providing summary statistics sourced from CoStar. Figures show the number of deals reflected, the average asking and achieved rents and the average number of months on the market.

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
104	£7.21	£7.26	20

TOP 50 LEASE COMPARABLES



SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	36	£3.36	£7.21	£7.98	£15.00
Achieved Rent Per SF	70	£4.17	£7.26	£9.50	£18.00
Net Effective Rent Per SF	45	£4.17	£7.44	£9.00	£12.00
Asking Rent Discount	24	-31.3%	1.4%	0.0%	10.5%
TI Allowance	-	-	-	-	-
Rent Free Months	17	0	6	4	15

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	82	1	20	15	59
Deal Size	104	719	26,208	5,748	318,128
Lease Deal in Months	67	6.0	100.0	120.0	240.0
Floor Number	104	GRND	GRND	GRND	MEZZ

5.3 Further commercial property values data sources – VOA Rating List

5.3.1 Table 6 below sets out the currently available VOA data based summary of rental levels informing rating assessments for retail, office and industrial property in South Gloucestershire. Note again that the full data set is not included due to large data sample.

Table 6 – VOA sourced data summary – Overview of rental levels used in rating assessments 2023. Table below shows quartile analysis figures for retail, offices and industrial premises with overall figures for these broad property types in South Gloucestershire.

Type	South Gloucestershire - £/sq. ft (2020-2023)				
	Minimum Average Rental Indications [£/sq. ft]	1st Quartile Rental Indications [£/sq. ft]	Median Rental Indications [£/sq. ft]	3rd Quartile Rental Indications [£/sq. ft]	Maximum Average Rental Indications [£/sq. ft]
Retail	£5.42	£15.05	£18.43	£23.12	£60.55
Offices	£6.98	£15.00	£17.00	£19.51	£46.15
Industrial	£3.36	£7.75	£9.22	£11.00	£16.00

Type	South Gloucestershire - £/m ² (2020-2023)				
	Minimum Average Rental Indications [£/m ²]	1st Quartile Rental Indications [£/m ²]	Median Rental Indications [£/m ²]	3rd Quartile Rental Indications [£/m ²]	Maximum Average Rental Indications [£/m ²]
Retail	£58.34	£161.96	£198.41	£248.85	£651.80
Offices	£75.13	£161.46	£182.99	£210.01	£496.76
Industrial	£36.17	£83.42	£99.24	£118.40	£172.22

6.0 Land – market context

- 6.1.1. As with the residential and commercial values, DSP also considered information as far as available regarding land values. We focused on two main reports, the first being the Savills Market in Minutes: UK Residential Development Land – Q3 2023 which indicates that the recent falls in land values have continued into this quarter.
- 6.1.2. However as per their reporting earlier in the year Savills note that fundamentally there remains demand for development land and an ongoing scarcity of sites, with ‘oven-ready’ greenfield sites holding up more than expected.

- 6.1.3. Overall, Savills report that UK greenfield and urban land values had fallen by -8.0% and -8.7% respectively at Q2 2023 and the tone is cautious regarding land values, particularly for those sites which are difficult/higher risk to develop and are not ready to go. Savills state that *‘there is significantly reduced demand for more challenging sites which pose higher risks relating to constraints, conditions and costs. Sites in secondary and tertiary locations are considerably more difficult to sell as there is less confidence around future sales rates in these markets. As a result, there are greater falls in values for more challenging sites.’*
- 6.1.4. This aligns with our experience on the ground and with press reporting on the whole, with major housebuilders having been in a period of ‘retrenchment’ of late, both in terms of buying new sites and in building out existing permissions. We note also that some of the major housebuilders have been reporting that prices being paid for land (and particularly greenfield land) have been falling, due to the increasing pressure on housebuilders from national and local policy requirements, alongside downward movement in house prices. These will be factors to bear in mind when considering BLVs (benchmark land values) for the LPVA in the local context, considering also the SGC experience of ongoing demand and activity as has been discussed with the Council’s planning and housing officers.
- 6.1.5. The Knight Frank reporting ‘Residential Development Land Index Q2 – 2023’ is consistent with the sentiment expressed above, noting that *‘The UK’s worsening economic outlook weighed on the residential development land market in the second quarter, leading to a slowdown in activity and a decline in prices across the board.’*
- 6.1.6. Knight Frank note: *‘The sluggish economy has led to greater caution towards land purchases’*. This also affects landowners’ decisions around when to bring sites to the market. The general outlook per Knight Frank’s analysis is that whilst activity generally in the land market will continue to be ‘subdued’, land values should hold fairly steady due to limited land availability and ongoing demand for it – despite margins becoming tighter for developers (and in particular SMEs). They also note: *‘While the land price falls are significant, residential land values tend to be volatile and highly sensitive to house price changes. As the economic situation improves and inflation eases, we could see a sharp rebound in land values’*.
- 6.1.7. Again, this chimes with our recent experience, with SMEs responding to consultation on Local Plans expressing concern about landowner expectations remaining high whilst the cost of meeting policy requirements and building regulations / sustainability and other requirements is rising; and with the underlying basis for the residential market remaining in

place both assisting sales values and also reflecting in smaller developers acquiring existing residential sites with the intention of re-working schemes – for example increasing development density.

- 6.1.8. To summarise, the reporting reports indicate a continuing if subdued demand for sites, but in the context of constrained supply of land. The various cost pressures and market uncertainty are thought likely to continue having a dampening effect on the land market for the time being, resulting in land values remaining at a similar level or perhaps falling further in the short term.
- 6.1.9. The above addresses the market for land. The LPVA will need to consider benchmark land values (BLVs) which represent the cost of buying sites in their existing use, with a premium (uplift) to the landowner which is sufficient in the relevant circumstances to incentivise the release of land from its current use. This is all outlined in the VPS report – as per the established practice in viability in planning, reflecting the PPG. In considering BLVs, it will be appropriate to consider the market context as influences the selection of a suitable range of ‘EUV plus’ based BLVs in the local and new Local Plan context.
- 6.1.10. Appendix I to the VPS report provides details of the WECA SDS typologies viability work (assessment by BNP) that is considered to form a useful starting point in building assumptions for a South Gloucestershire LPVA – including BLVs in the likely range from £150,000/ha towards an upper £2.5m/ha level.

VPS Appendix II ends