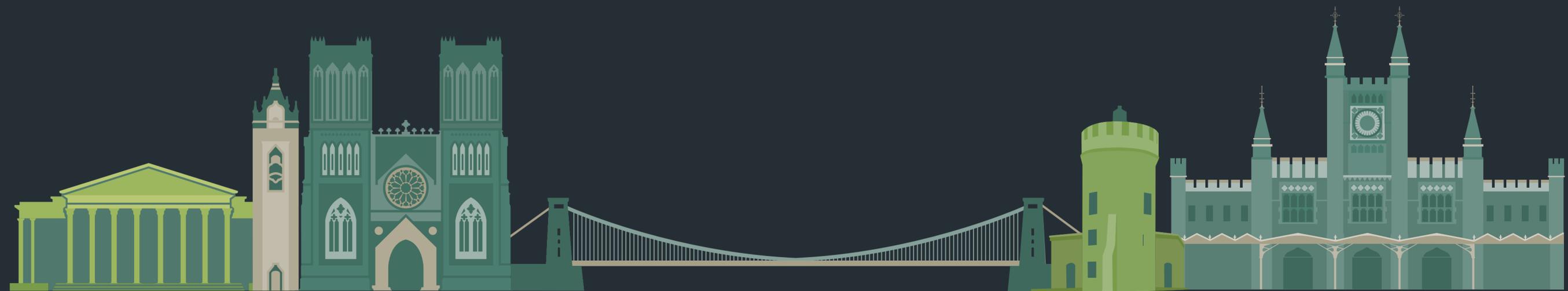


BUILD-TO-RENT

Spotlight on: Bristol

June 2023



Build-to-Rent: Bristol

This is the third of a series of research reports from Gerald Eve looking into the UK's major regional build-to-rent (BTR) hubs, following our research on [Greater Manchester](#) and [Birmingham](#).

Instead of relying on third party databases and planning portals which can provide a distorted view of the development pipeline, Gerald Eve inspected all consented sites in Bristol to assess feasibility and actual progress on site. We believe this approach provides a more accurate supply-side picture. When combined with a local assessment of demographics and housing need, it delivers a clear impression of the likely future market dynamics and characteristics of the city.

There is a strong need for housing and the council has set a target of 52,000 total additional dwellings by 2040. Historically Bristol has a good track record of housing delivery. However, limitations on land supply mean that development in the city centre may be constrained in the short term, particularly for larger sites which would suit BTR schemes. Set against favourable demographics and a large demand pool, developers and investors may increasingly look to target more flexible fringe locations for the delivery of large scale BTR.

The strategic plan for Bristol went into consultation at the end of January 2023 and the council is expected to adopt the new plan by Autumn 2024. The initial consultations provide some guidance on the next phase of development in the city; however, uncertainty remains on the final outcomes regarding site allocation for new homes and dedicated guidance on the role of BTR for overall housing targets. This research will review the existing planning guidance and reflect on what is required from the new adopted plan.

If you'd like to find out more about the Bristol BTR market or would like a more granular look into any of the schemes, locations, or planning policy discussed in this research, please do not hesitate to contact one of the BTR team.



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The need for housing

Bristol City Council (BCC) has in recent years been close to meeting ambitious housing development targets. The development framework adopted in 2011, covering the period between 2006 and 2026, included an annual target of 2,000 homes per year – a total of 32,000 additional dwellings up to 2022. Data from the Residential Development Survey conducted by the council in November 2022 show total completions in the period between 2006 and 2022 reached 28,820, a shortfall of only 3,180 or roughly 10% of the overall target. Not only was the original target set in 2006 higher relative to the city's population than other cities such as Manchester and Birmingham, but the proportional shortfall was much lower.

Going forward, BCC's Local Housing Need Paper from November 2022 identified a need of 52,000 net additional dwellings from 2020-2040, giving an annual target of 2,600 homes per year. Based on housing allocation targets in the plan, 16,000 dwellings are allocated as affordable, while the remaining 36,000 are allocated as open-market dwellings.

Population growth of 15% from 2006 to 2022 means that demand for housing strongly outpaced supply. This triggered a slight increase in the average number of people per dwelling, which rose from 2.3 in 2001 to 2.4 in 2020. Bristol's housing stock will need to play catch-up to account for the growth in population, and annual housing completions will be ramped up through to 2040 according to existing plans. BCC has set a target to reduce the average number of people per dwelling back to 2001 levels by 2035 and further below by 2040.

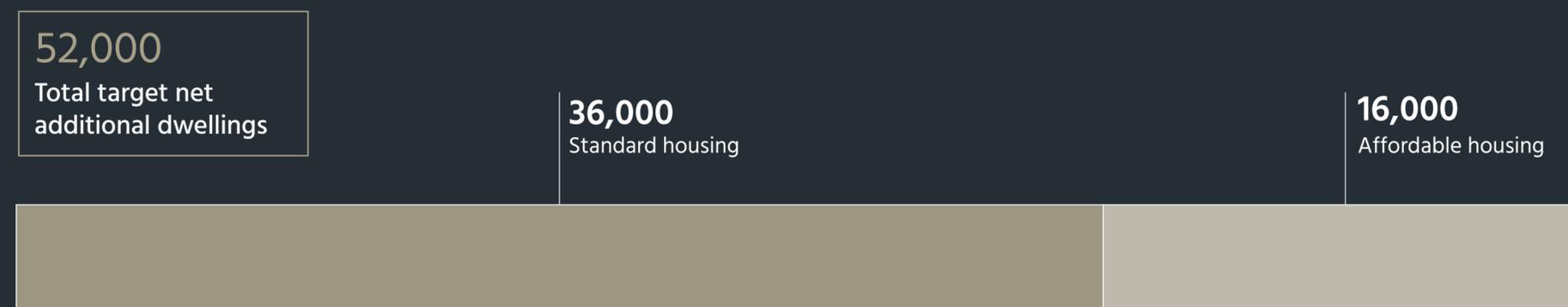
Housing targets

Sources: Bristol Residential Development Survey, Local Plan Review 2022, Local Plan 2019

TARGET COMPLETIONS, 2006-2022



TARGET COMPLETIONS, 2022-2040



Site availability

The Local Plan Review shows there is capacity for 34,700 dwellings across all sources of deliverable supply. This includes sites with planning permission and existing site allocations, where the number of units is clearly defined; however, proposed site allocations, small site windfalls, and urban potential are all based on standard density assumptions and may be subject to change. Additionally, spatial frameworks for the estimated capacity from the 10 areas of growth and regeneration were prepared on the 2019 consultation and may also be revised in the new plan by BCC.

The current number of allocated units leaves a shortfall of 17,300 against BCC's 52,000-dwelling target. More sites will need to be unlocked to reach the target set for 2040, especially as some site allocations are up in the air and open to revisions in the upcoming plans.

In the most recent strategic housing land availability assessment (2020), there were only 14 sites which could accommodate developments of more than 100 units. If further sites are not identified new supply will be significantly constrained, particularly in the city centre.

Density assumptions from the council assume 200 dwellings per hectare in central locations, while the inner urban area and the outer urban area assume 120 units and 100 units, respectively. These allocations suggest outer locations may not be wholly viable for high density BTR. Nevertheless, this may promote smaller development in outer or fringe locations where land is more freely available.

Sources of deliverable supply

Sources: Local Plan Review, November 2022



Demographics

There is a large established pool of existing renters with an estimated 104,500 people characterised in the Rental Hub mosaic group, defined as educated young people privately renting in urban areas. The group makes up just over 22% of Bristol's total population, nearly triple the wider UK's percentage.

There are also, a high number of people that fall into the Family Basics (64,300) and Aspiring Homemakers (54,200) mosaic groups. Respectively, these are defined as families who budget to make ends meet and younger households settling down in housing priced within their means.

Although not the typical target group for BTR, these groups could look to high-quality rental accommodation as an attractive option. Mortgage costs have risen substantially and raising a deposit remains difficult. There is a growing number of people who will choose to rent given the flexibility it offers, as well as the lack of alternative housing options in central locations.

There are four universities in Bristol and adjacent Bath, with a total student population of approximately 84,000. Various survey data on student retention show that approximately 40% intend to remain in Bristol post-graduation, providing a boon for rental demand via a consistent flow of prospective tenants. Across these universities, a quarter of all students are overseas, a group that reinforces the demand pool. This group tends to seek out higher-quality rental accommodation and can help with initial lease-up of units.

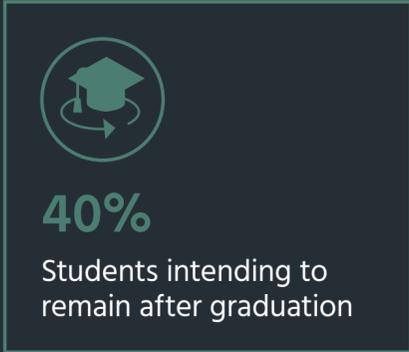
TYPICAL BTR DEMOGRAPHIC



NON-TYPICAL BTR DEMOGRAPHIC



STUDENT DEMOGRAPHIC



Population

In Bristol, the estimated total population was just under 475,000 people in 2022. The traditional demand pool for BTR is people aged between 25 and 45 and within this band, there were almost 160,000 individuals. This cohort accounts for just under a third of the total population in the city, reflecting one of the highest proportions across major cities in the UK.

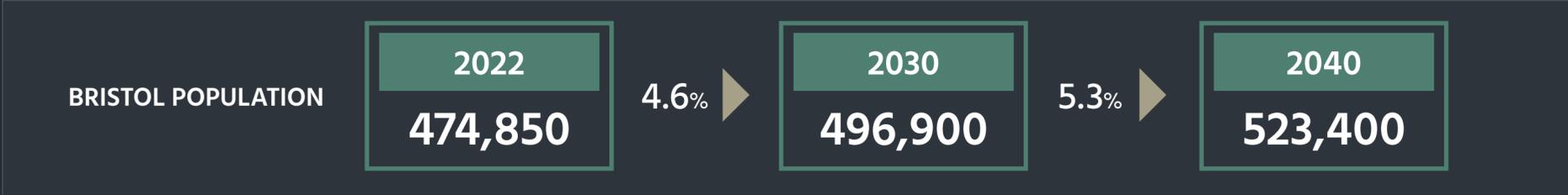
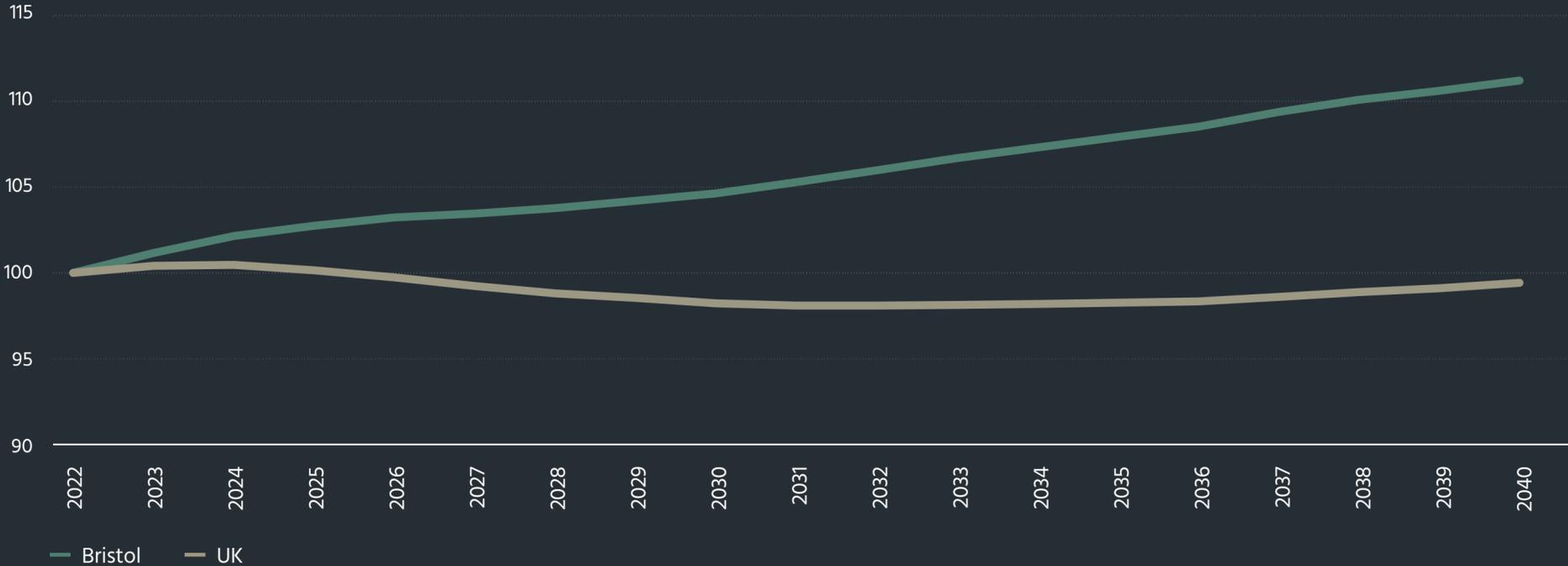
By 2040, the number of people aged 25-45 is expected to increase by just over 10%, slightly outpacing overall population growth. In the core BTR age bracket, Bristol ranks third out of twelve key UK cities for growth, beating Manchester, London and Birmingham.

Overall, Bristol's expected population growth is exceptional when compared to the UK average. By 2040, growth in Bristol's BTR bracket will have outpaced the wider UK's by just under 12%-pts.

BTR age bracket (25-45) population forecast

Source: Experian

Index, 2022 = 100



Housing affordability

Falls in house prices have not been yet as steep as originally expected on the back of recent interest rate hikes. The fall in house prices has been modest so far and has done little to improve affordability, especially when the market is cooling from all-time highs.

Traditional ownership remains expensive and aspiring purchasers are facing a two-fold hurdle to ownership. Firstly, mortgage servicing costs have increased markedly, and have potential to rise further based on current forward rates. Secondly, raising money for a deposit remains a significant barrier, as house price growth has outpaced earnings growth.

The cost of servicing the typical mortgage is now the highest in over a decade, and this coupled with a fall in real incomes means affordability is even more stretched. First time buyer mortgage payments as a proportion of take-home pay are well above average and reached roughly 40% at the beginning of the year, close to the level in the run up to the financial crisis.

Based on evidence of average rents from operational schemes in Bristol, renting is 8% cheaper than a typical mortgage payment based on Halifax data for a 1-bed on a 25-year term.

Bristol housing affordability ratio

Source: ONS



5.6

UK first time buyer house price earnings ratio, end 2022



9.6

Bristol house price to earnings ratio, end 2022

The pool of demand

The potential pool of people within an area who could both occupy and afford BTR accommodation is a key determinant of a scheme's potential. Generally, the following sub-categories of people between the ages of 25-45 are those most likely to demand the style of housing a BTR scheme can offer:

1. Individuals with no dependents
2. Professional sharers with no dependents
3. Young couple with no dependents
4. Young family with one or two dependents
5. Domestic and overseas students

We have modelled the potential pool of demand, using the assumption that an individual will spend a maximum of 40% of their gross income on housing costs, and applying an activity rate to remove non-earners. The number of prospective tenants is estimated by calculating annual wages across ages and earning percentiles. This is then used to derive the number of people in the pool who can afford market rents based on the housing cost ratio.

Potential demand pool of prospective residents, implied total in Bristol

Source: Gerald Eve

RENT PER SQ FT	STUDIO	SINGLE INCOME	DUAL INCOME	PROFESSIONAL SHARERS
£37		 62,410	 128,500	
	1-BED			
£34		 43,990	 127,465	
	2-BED			
£32		 28,540	 105,625	
	3-BED			
£30		 12,685	 74,650	 119,230

Development pipeline

Currently, there are five operational schemes (1,173 units) proving the viability of BTR development in the city. There are 2,298 units on-site across seven schemes, consisting of schemes which are actively under construction, where the site has been cleared, or where demolition is underway. The remaining 1,749 units across six schemes are at the planning or pre-planning stage and the pre-existing building is still on site.

Of the schemes under construction, only three (659 units) have made material progress, while the one other is still in early-stage development (468 units). Respectively, the schemes are still one to two years out, while for cleared sites and demolitions, these are potentially three to five years out from practical completion.

Most of the pipeline has not physically progressed and is likely over five years away from becoming operational. Timings for completions mean that there will be a steady supply of units coming forward, but demand will absorb this rapidly. This will underpin further rental growth in the city.

Even if Bristol's BTR pipeline is fully realised, it will still be a drop in the ocean relative to the city's overall housing stock. If all units were operational today, they would only account for 2.5% of total stock (203,900 dwellings) or 8% of the private rented sector stock (61,580 dwellings).

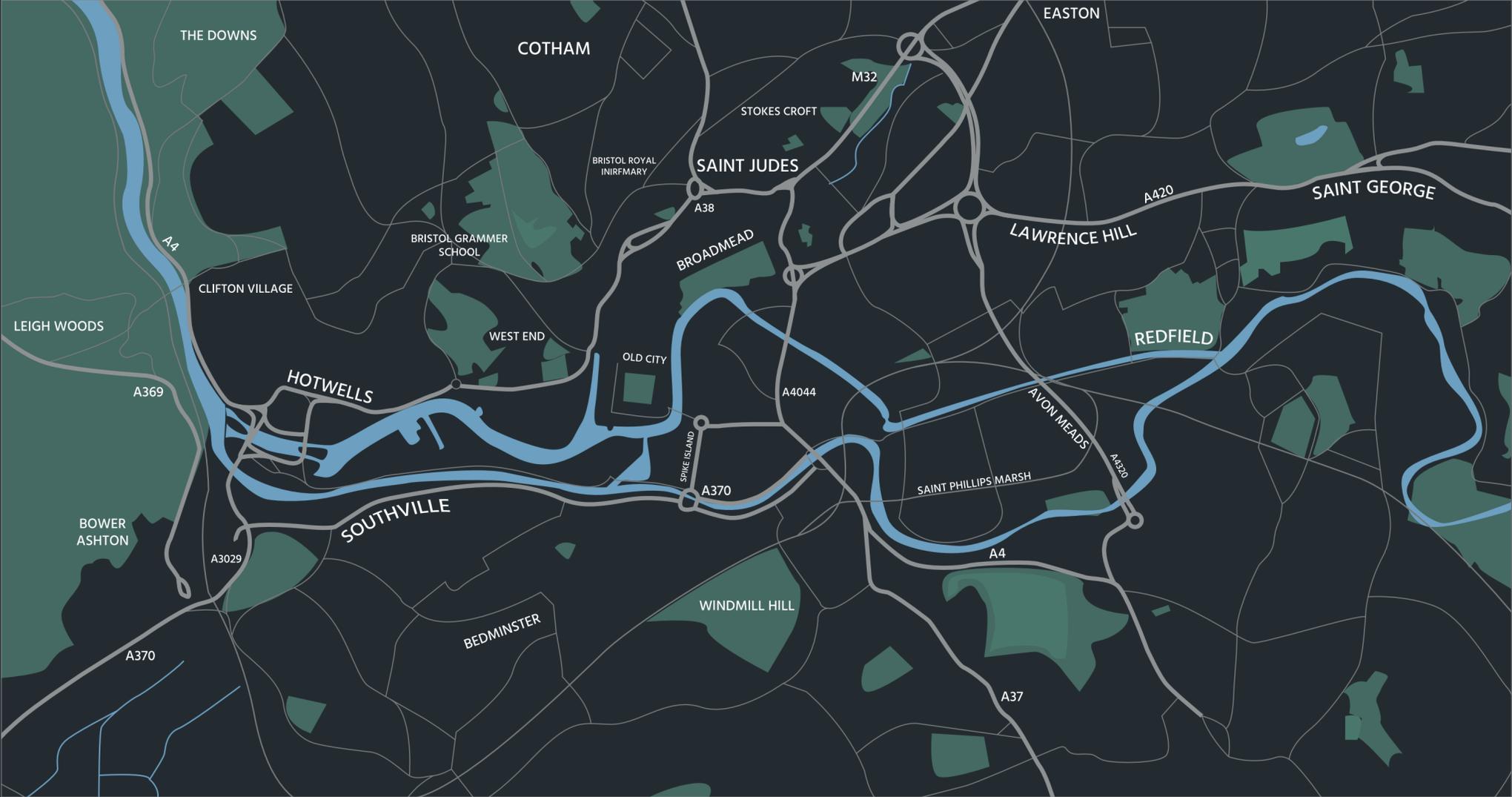
It is worth noting that some of Bristol's wider residential pipeline may be converted to BTR stock during the development process, although this will likely be a small proportion.

Pipeline by construction stage

Source: Gerald Eve



Development pipeline



HOVER TO VIEW PIPELINE BY STAGE

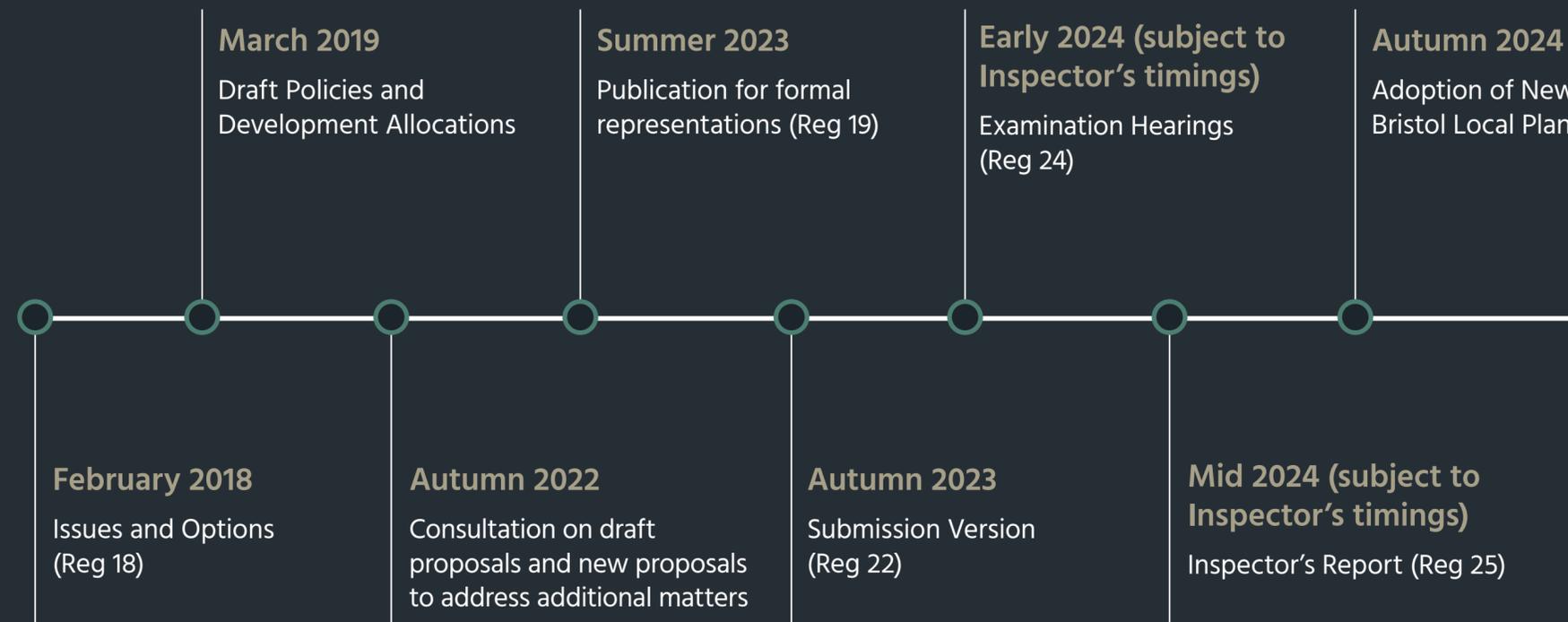
Source: Gerald Eve

Size of bubble indicates number of units

Planning: looking forward

NEW BRISTOL LOCAL PLAN TIMETABLE

Source: BCC Local Development Scheme (LDS) Nov 2022.



BRISTOL BTR: KEY PLANNING POINTS

1. The adopted Bristol Development Plan is dated and comprises the following documents:
 - Core Strategy 2011
 - Site Allocations 2014
 - Bristol Central Area 2015
2. The New Bristol Local Plan is progressing.
3. The One City Plan is a non-statutory Plan that sets out the City's aspirations for growth and considers key themes for the City to 2050.
4. BTR, as a specialist housing sector, is considered in the emerging planning policy. The documents recognise BTR can make a positive contribution to meeting Bristol's housing needs and the provision of affordable housing.
5. In July 2022, BCC published a practice note on the delivery of Affordable BTR homes in Bristol and seeks a minimum of 20% Affordable Private Rent. The document indicates that where possible a higher level will be sought, and this will be captured in the Local Plan Review.

ESG: looking forward



SUSTAINABLE CONSTRUCTION

<p>BREEAM Excellent rating required for residential/ mixed-use developments of more than 100 units</p> 	<p>For new homes, maximum of energy intensity of 35kWh/sq m/year</p> 	<p>High rise accommodation provides green space and community opportunities</p> 
<p>Inclusion of smart technology to monitor emissions and operational performance</p> 	<p>2042 target – 80% of suitable roof space used for solar power</p> 	<p>Heat Network – underground pipe network connected to zero carbon energy centres</p> 

SUSTAINABLE NEIGHBOURHOODS

<p>Accessibility of sports and cultural amenities within 15-minute walk</p> 	<p>Access to green space within a 10-minute walk</p> 
<p>Sustainable community anchor organisations</p> 	<p>Increased options for communal housing</p> 

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