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From: [REDACTED]
Sent: 31 January 2024 21:20
To: localplan@york.gov.uk
Subject: City of York Council - Consultation Revised Draft Charging Schedule December 2023
Attachments: CYC Revised CIL DCS Consultation 2024 - Fusion Representation (CBRE 31.01.24).pdf; yfb2401.Fusion CIL reps SUBMIT.pdf

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Dear Sirs,

Please find the attached representations on behalf of Fusion York Deveco Limited (Fusion Group) in response to the Council's consultation on the revised CIL Draft Charging Schedule

The submission includes:

- 1) Over arching representation prepared by O'Neill Associates
- 2) Technical representation prepared by CBRE

If you have any queries regarding the submission, please do not hesitate to contact me.

Kind regards

[REDACTED]

O'Neill Associates

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City of York Community Infrastructure Levy Consultation

31 January 2024

Response on behalf of Fusion York Deveco Limited (Fusion Group)

INTRODUCTION

- i. These representations are submitted in response to:
 - a. the consultation on the revised Community Infrastructure Levy Draft Charging Schedule reference to the revised draft CIL Charging Schedule (as amended on the 21 December 2023) and CIL Sensitivity Test Viability Report Errata Addendum (published 21 December 2023)
 - b. they should be read in conjunction with previous representations made on behalf of Foss Argo Developments Limited Developments Limited in response to the City of York Community Infrastructure Levy (CIL) Consultation March 2023.
- ii. ***This representation is supported by and should be read in conjunction with the Technical Representation prepared by CBRE and submitted with this representation.***

Purpose Built Student Accommodation

- iii. It is Fusions view that the CIL charging schedule at £150/m² of development would:
 - Impact on the viability of future schemes for student housing, to the detriment of the growth of the City's two Universities as supported by draft Local Plan policies ED1, ED4 and ED7;
 - Impact on the rents that would need to be charged to the detriment of students' finances and the Universities' policies on inclusivity;
 - Impact on the Council's economic strategy to which the Universities contribute by providing high quality educational opportunities and the financial contributions to the local economy;
 - Compromise the contributions to affordable housing sought through Draft Policy H7 as the only negotiable element of the financial obligations to be imposed on PBSA development.

- iv. The Technical Representation document prepared by CBRE sets out the substantive points of the Fusion representation. In summary:
- The up-to-date viability evidence prepared by CBRE demonstrates that there is no financial viability headroom in the current market for PBSA typologies to either provide CIL or meet the cost of the affordable off site financial contribution sought under Policy H7.
 - The introduction of the proposed CIL rates will undermine the viability of new development in an environment where recent long-term construction cost inflation, softened funding investment yields, and increased debt servicing costs have placed increasing pressures on development significantly since mid-2022. This is exacerbated by the limited availability of suitable sites in what represents a highly constrained urban context.
 - In light of above Fusion does not accept the validity and reliability of the published viability evidence base upon which the proposed off-campus PBSA and residential charging rates within the Revised CIL DCS relies, and hence the legal compliance of the published Revised CIL DCS with the relevant legislation and guidance.
 - To rectify the issues identified, Fusion advocate that the CIL rates proposed to apply to off campus PBSA development should be reduced to £0/m² CYC should undertake this action via modification to the published revised CIL Draft Charging Schedule (DCS).
 - CBRE's evidence demonstrates this modification to the revised CIL DCS should also be undertaken in tandem with the removal of proposed modifications to Policy H7 of the Draft Local Plan to introduce a 2.5% affordable housing off site financial contribution per student room on PBSA schemes.
- v. Fusion's position is that if there is any headroom available from off campus PBSA development, that this should be directed towards providing affordable student accommodation, in the form of on-site discounts to rental rates to students. This could be agreed in conjunction with the Universities.

Residential Dwellings

- vi. In general terms, the CIL charging schedule threatens the delivery of housing and is contrary to objectives of the emerging local plan and City of York 'One City, for All' Council Plan 2023-2027.
- vii. In practical terms what this means is that where a residential scheme liable for CIL has higher development costs that affect viability, and given that CIL is non-negotiable, it is the section 106 requirements such as affordable housing, that will be negotiated down.

Delivery of affordable housing is a key objective of the emerging local plan and 'One City for all: Council Plan' which will be severely threatened by the introduction of the draft CIL Charging Schedule.

- viii. Similarly, the Council has fallen short of its local plan targets for housing delivery for many years which is likely to worsen rather than address the existing backlog.
- ix. The proposed rate or rates would seriously undermine the deliverability of the emerging local plan, particularly with regards to residential completions, PBSA completions, delivery of affordable PBSA and affordable housing, new open space delivery, and brownfield first principles, amongst others.
- x. It is essential that the CIL rates are set at a level which ensures that most developments remain robustly viable over time as development costs change – most likely upwards. As such CIL rates should not be set at a marginal viability point. It is vital for the Council to build in a significant degree of flexibility to ensure durability of the CIL charging schedule.
- xi. The reality and specific context of developing in York have not been properly considered. This is particularly pertinent within the context of a brownfield first context which is the thrust of the recent national policy statements, and the emerging Local Plan spatial strategy. The majority of the city centre is located within an area of archaeological importance, and historic core conservation area. Both of these designations, and associated local plan policies increase development costs and have significant viability implications which are overlooked.
- xii. The proposed CIL levy's must be considered in the context of the acknowledged poor delivery of housing in the city over a long run period. Evidence we have presented to the Local Plan Examination, using the Council's own data, demonstrates that in the 10 years 2013/13 to 2021/22, house completion rates fell below the OAH of 790 in 7 of those years. However, the Council's housing completion data includes student accommodation. If student accommodation is excluded, housing completions fell below the OAHN for 9 of the 10 years.
- xiii. The Council's Housing trajectory set out in supporting evidence to the Local Plan Examination, shows that a cumulative undersupply of housing will persist until 2023/24 and possibly beyond – i.e. 7 years into the Plan period.
- xiv. Recently, the Secretary of State allowed an appeal at New Lane, Huntingdon York YO32 9NA (application ref: 21/00305/OUTM which concluded that:

378. "The Council can only demonstrate a HLS of between 2.79 and 3.45 years. Over the last 5 years HLS has been within a range of 1.9 to 3.8 years. In addition, the Council has persistently and significantly under-delivered

housing for at least 10 years and it does not dispute this fact. It has failed to meet the minimum requirement of the Housing Delivery Test every year since its inception. In the last 3 years the Council has delivered only 1,782 homes against a requirement of 2,728 homes. The latest HDT figure was 65% which is a very significant shortfall in delivery. Therefore, the provision of housing is a very significant benefit of the scheme."

*390. "...the Council has a very significant shortage of HLS and has done over several years; its delivery of market housing has been **astonishingly poor** for several years as has its delivery of affordable housing. Furthermore, the future pipeline for affordable housing is very poor...." (Our emphasis)*

- xv. In this context of long-term undersupply of housing, the imperative is clearly to implement the NPPF requirement to significantly boost the supply of housing. Against this background, the proposed £200 psm rate for housing, the highest rate in the Yorkshire region, seems clearly anomalous and could seriously impede the delivery of housing so desperately required to make good more than a decade of undersupply.
- xvi. A more sophisticated approach to the proposed rates would be setting a distinct city centre zone given the city centre commands the high values but also is subject to significant development cost because it is within an area of archaeological importance (huge risk/ cost for developments historically and in the future), the city centre is all in the historic core conservation area, and most is high flood risk. The rest of the city commands lower values but lower development costs (typically).
- xvii. It is unfortunate that the Council has not taken to opportunity to rectify inconsistencies between the *CIL Infrastructure Funding Gap Assessment (IFGA)* and *Consultation Information Booklet (CIB)* highlighted in previous representations. The *(IFGA)* and *(CIB)* documents issued with the Draft Charging Schedule set out to identify the cost of infrastructure required to support new development and where it is to be spent. However, there is a lack of clarity between the documents. For example, the IFGA identifies a cost of £47.3 million required for "Education". However, section 10 of the CIB states that Infrastructure for the purposes of CIL spend "can" include transport, flood defences, schools, hospitals and other health and social care facilities.
- xviii. This provides no certainty or clarity, for example, for residential developers as to whether they will be paying CIL and a Section 106 contribution for education; flood alleviation; or health facilities.
- xix. The Charging Schedule therefore needs to state clearly what the CIL will be spent on so that developers can make a proper assessment of whether the CIL and S106 costs on a scheme be viable or whether necessary development will be inhibited.

xx. The latest modifications to the emerging local plan increase policy requirements for most developments, particularly major developments. These policies have a cumulative cost impact when taken together. The Council does not appear to have fully considered how sites can also bear CIL given this demanding policy context. A full viability review and justifiable evidence of the modified policy requirements will be necessary. Policy requirements include (not exhaustive), the majority of which are not considered in the CVS:

- a) 75% carbon reduction aspirations – policy CC2 (modification) (this is considered within CIL Viability study)
- b) 10% Biodiversity net gain (this is considered within CIL Viability study)
- c) Accessible Housing Standards (this is considered within CIL Viability study)
- d) Archaeology – much of the city centre is within an archaeology area of importance which, taken on its own, gives rise to considerable risk and significant additional delay and development costs
- e) H10(i) states:

“higher rates of (affordable housing) provision will be sought where development viability is not compromised”.

This implies that development may be subject to additional affordable housing if it can be viably provided, and that a viability assessment will be required for all applications over 5 units which will delay the determination period significantly, particularly given to limited capacity of the District Valuer. Policy H10 requires all viability assessments to be reviewed by the District Valuer.

- f) Changes to policy H7 and the requirement for nominations agreements.
- g) Air Quality assessments/mitigation for all major applications
- h) Flood mitigation measures. Policy requires a 30% betterment for surface water runoff which typically requires attenuation or SuDS, and much of the city centre is within high flood risk area. Again, taken on its own, flood mitigation gives rise to considerable risk and significant additional development costs.
- i) Heritage policy. The vast majority of the city centre is within the York Historic Core Conservation Area and contains amongst the highest concentration of listed buildings and scheduled ancient monuments in England. These heritage constraints arising from

national and local heritage policies, taken on their own, gives rise to considerable risk and significant additional development costs.

- j) Travel Plan obligations e.g. car clubs, free bus travel, cycle equipment contributions, travel plan coordinator.
- k) Green infrastructure / on-site open space provision – the local plan, including its evidence base, prescribes totally undeliverable targets with regards for open space as part of new development and currently S106 payments are sought for any shortfall. Will this now be provided through CIL and does this mean no on site provision is required? If not, on site provision has significant viability impacts. For example, draft local plan policy G16 seeks on-site open space provision for all residential developments, except in exceptional circumstances or for small sites. The amenity open space requirement is 40.5sqm **per bedroom** – this spatial requirements is set out in the 2017 open space & GI update –

https://www.york.gov.uk/downloads/file/14274/open_space_and_green_infrastructure_update_2017

- i. We request to be notified about:
- submission of the CIL Draft Charging Schedule to the Examiner in accordance with Section 212 of the Planning Act 2008;
 - the publication of the recommendations of the Examiner and the reasons for those recommendations; and
 - the adoption of the charging schedule by the charging authority.
- ii. In accordance with Regulation 21 of the CIL Regulations 2010 we wish to exercise our right to be heard by the examiner either as a consortium or as an independent stakeholder organisation.

City of York Revised CIL Draft Charging Schedule Consultation

Technical representation prepared by CBRE UK Ltd on behalf of:

Fusion Y Devco Limited ('Fusion')

January 2024

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Introduction

Procedural Matters

Instruction Purpose

1. CBRE UK Ltd ('CBRE') has been instructed by Fusion Y Devco Limited ('Fusion'), which has land and property interests in York, to prepare a formal representation document setting out a technical response to the City of York Council ('CYC') Community Infrastructure Levy ('CIL') Draft Charging Schedule ('DCS') Proposed Modifications consultation ('the consultation').
2. CBRE's technical representations focus upon the evidence base underpinning the CYC CIL DCS Proposed Modifications – specifically the City of York CIL Viability Study Addendum ('CIL Viability Addendum') produced by Porter Planning Economics ('PPE') and dated November 2023.
3. An overarching representation has been prepared by York-based town planning consultancy O'Neill Associates.

The Consultation

4. CYC published the following documents:
 - CIL Statement of Representations Procedure ('SORP') (published 13 February 2023)
 - CIL Consultation Information Booklet (published 13 February 2023)
 - CIL Draft Charging Schedule ('CIL DCS') (published 13 February 2023)
 - CIL Viability Study (published 13 February 2023)
 - CIL Infrastructure Funding Gap (published 13 February 2023)
 - CIL Associated Mapping (for information only) (published 13 February 2023)
 - CIL Draft Charging Schedule ('Revised CIL DCS') Proposed Modifications (as amended on 21 December 2023)
 - CIL Viability Study Addendum (dated November 2023)
 - CIL Viability Study Addendum Erratum (published 21 December 2023)
5. The consultation ran to 31 January 2024.
6. The SORP confirms CYC's intention to submit the CIL DCS for independent examination following the close of the CIL DCS consultation.

Prior Representations

CBRE was previously instructed by a consortium of developers (Foss Argo Developments Ltd and Helmsley Group Ltd) to prepare representations on the previous CIL Viability Study evidence base produced by PPE on behalf of CYC.

The previous representations highlighted several issues with the evidence base and a number of these areas of critique remain unresolved and similar issues continue in the latest evidence base. In summary, the previous representation identified the following issues:

- Illogical timing of implementation of CIL during a period of economic deterioration.
- Outdated evidence, in particular relying on unrealistically low construction costs.

- Failure to reflect softening of the investment yields, resulting in overstating PBSA GDV.
- Lack of evidence in supporting proposed Benchmark Land Values ('BLV').
- Lack of transparency by not providing corresponding appraisals for stakeholders to analyse.

Within this representation, CBRE has referred to and provided responses back to PPE's and CYC's responses set out in **Appendix 3** of the *Local Plan Responses to new issues raised through consultation on Main Modifications* document dated August 2023, as published by CYC.

To CBRE's understanding, PPE and CYC have not provided a formal set of responses to the CIL Viability Study consultation representations in response to developers and stakeholders. As a result, it is unclear how PPE and CYC have appropriately considered and accounted for the high volume of technical representations submitted.

Fusion's Background

7. Fusion is a developer and operator of Purpose Built Student Accommodation ('PBSA') with a portfolio spanning the entire UK. Fusion has a number of operational PBSA schemes in regional cities including Bristol, Cardiff, Newcastle, Nottingham, Sheffield and Swansea. Further schemes are in the pipeline in locations such as Birmingham, Brent Cross, Glasgow, Manchester, Leeds, Liverpool, London Wood Green, Loughborough and Portsmouth.
8. Fusion intends to bring forward a major redevelopment scheme in York city centre at Foss Bank and is in the process of formulating a masterplan, supported by a consultancy team led by planning consultants O'Neill Associates.

Fusion's Stance

9. Fusion has fundamental concerns regarding:
 - a. CYC's proposal to introduce CIL charging on 'off-campus' purpose built student accommodation ('PBSA') development within the Revised CIL DCS; and
 - b. CYC's proposal to introduce CIL charging on residential dwellings within the City of York in the Revised CIL DCS.
10. It is Fusion's firm view that the introduction of the proposed CIL rates will undermine the viability of new development in an environment where recent long-term construction cost inflation, softened funding investment yields, and increased debt servicing costs have placed increasing pressures on development significantly since mid-2022. This is exacerbated by the limited availability of suitable sites in what represents a highly constrained urban context.
11. In light of above Fusion does not accept the validity and reliability of the published viability evidence base upon which the proposed off-campus PBSA and residential charging rates within the Revised CIL DCS relies, and hence the legal compliance of the published Revised CIL DCS with the relevant legislation and guidance.
12. On this basis, Fusion cannot agree with CYC that there is an appropriately evidenced and legally compliant basis upon which the Revised CIL DCS (as published) could be found sound by an independent Examiner, which should unavoidably lead to the rejection of the Charging Schedule in accordance with Section 212A(2) of the 2008 Act.
13. Should CYC determine to submit the Revised CIL DCS for examination, in its current form and without rectifying the issues identified in this representation and O'Neill Associates overarching representation, Fusion will be left with no choice but to seek that the Examiner rejects the Charging Schedule via the examination process.

Request to be Heard and Notification Requests

14. It is stated on the consultation page of CYC's website that representations must clearly state a request to be heard at the examination of the CIL DCS. It also states that representations must clearly state a request for notification of the submission of the CIL DCS for examination, receipt of the Examiner's Report, and CYC's approval of the Charging Schedule.
15. This constitutes Fusion's formal request to be heard at the examination of the CIL DCS, as an independent stakeholder organisation, and to be notified by CYC of the events listed in paragraph 12 above. This notification should be provided to both O'Neill Associates and CBRE, as instructed joint agents.

Matters of Representation

Purpose

16. This section of the document sets out the matters of representation that Fusion determine must be raised with CYC and ultimately, if left unresolved by CYC following the consultation, are for the consideration of the appointed Examiner.

Significance of Proposed Revised CIL DCS Rates

17. The Revised CIL DCS proposes a significant increase in costs via the introduction of CIL charging on multiple uses for the first time.
18. Notably, the Revised CIL DCS introduces the following new zonal charges:

Revised Draft CIL Charging Schedule

Modifications are represented as: new text in **yellow highlighted bold text**.

Development type	CIL rate per sqm	Modification Proposed Explanation
Residential dwellings within the City of York	£200	No change proposed
Residential dwellings within the City of York Local Plan strategic sites ST4 , ST7, ST8, ST9, ST14, ST15, ST31 and ST33	£0	To include ST4, ST31 & ST33 as £0 to reflect revised viability.
Residential dwellings within the City of York Local Plan strategic sites ST16 and ST36	£100	No change to CIL rate. For clarity, this category now only refers to ST16 and ST36
Sheltered/ Retirement accommodation	£100	Split categories to differentiate between rates proposed for Greenfield / Brownfield to reflect revised viability.
Brownfield Sites	£100	
Greenfield Sites	£0	
Extra care accommodation	£0	All extra care accommodation now proposed to be £0 rated.
Purpose Built Student Accommodation	£150	Removed original categories. New split categories to differentiate geographically between on and off campus purpose built student accommodation to reflect revised viability.
Off Campus	£150	
On Campus	£0	
Convenience ¹ retail with up to 450 sqm gross internal area	£0	Amend the CIL rate to £0 from £100 to reflect revised viability.
Comparison ² retail built outside the City Centre boundary	£0	Amend the CIL rate to £0 from £100 to reflect revised viability.
Comparison retail built inside of the City Centre boundary	£0	No change proposed
All other development	£0	No change proposed

¹ Convenience retail provides lower value good purchased regularly to meet day to day needs such as food, newspapers, petrol etc.

² Comparison retail provides higher value goods purchased less often, such as household items, electrical goods, clothes, shoes etc

19. These are not incremental changes, but rather represent a fundamental shift to introduce substantial rates of CIL charging across multiple uses both city-wide and on a zonal basis.
20. It is notable that the rates proposed are amongst the highest, if not the highest, across the entirety of Yorkshire and the Humber, even when allowing for indexation since adoption in other Charging Authorities.

CBRE has provided a full schedule of proposed and adopted rates across the region as a comparison within **Enclosure 1**.¹

21. Due to the deteriorating economic backdrop, no CIL charging schedules have been adopted or revised in either Yorkshire and Humber, or the North West of England since Harrogate adopted their CIL Charging Schedule in July 2020.
22. CBRE is aware that other Local Authorities such as Birmingham City Council has halted proposals to formally review their CIL Charging Schedule over past 18 months due to the challenging economic and property market context. CYC's proposition to introduce high charging rates for the first time is contradictory to decisions being made by other major regional cities and district authorities across the North and Midlands.
23. As a result, such proposals by CYC must necessitate comprehensive, robust, and up-to-date available evidence of financial viability in order to provide appropriate justification that they will strike an appropriate balance in accordance with Regulation 14(1) of the CIL Regulations (as amended).
24. Further reference to the illogical timing of CYC's decision to introduce a CIL charging regime is set out in the following sub section.

Illogical Timing

25. The UK property market is experiencing a prolonged and highly challenging period, which has been driven by substantial economic and geo-political uncertainty nationally and globally since 2022. This has led to a high inflationary environment against a backdrop of tightening monetary policy and a UK-wide cost of living crisis. Development and investment across a wide range of sectors are facing headwinds, which commenced in mid-2022, continuing throughout 2023 and are expected to prevail into early 2024.
26. Specifically:
 - a. The UK economy remains challenged with numerous headwinds. Most notably, inflation remains elevated. Inflation failed to fall as quickly as expected in 2023 and, as a result, the Bank of England increase rates by 175 basis points to 5.25% over the course of the year, the highest level for 15 years.
 - b. For businesses, the prolonged period of high inflation has resulted in record wage growth and increased labour costs. This, coupled with the increased debt burden, will continue to erode profit margins, reduce investment, and dampen activity. Weak business sentiment is reflected in the UK Purchasing Managers' Index ('PMI') surveys, and bankruptcies have risen 25% since interest rates began climbing.
 - c. The consumer sector has also been hit. Confidence is well below the long-term average, and spending has been flat. This is expected to continue at least in the first part of 2024, especially as costly mortgage refinancing will remain a drag on the economy. However, inflation is expected to continue to fall in 2024, partly due to lower goods prices.

¹ Note: this information was obtained from Planning Resource and is understood to have been correct as at January 2024. The rates presented are not indexed, but represent those rates either proposed (latest) or at the date of adoption of relevant Charging Schedules.

- d. Apart from the 2% cut to national insurance, no major tax reforms were announced in the Autumn Statement. Still, an election is imminent – the latest it will happen is January 2025, but it is more likely to be in Q4 2024.
- e. The ongoing rollover of fixed rate mortgages throughout 2024 poses a risk to household incomes, and therefore the outlook for growth. The UK has 10.8 million mortgages, the majority of which are fixed, and estimates show less than half have refinanced onto higher rates. As mortgages shift to higher rates, disposable household incomes fall, reducing their ability to spend, leading to weaker than expected consumption and, consequently, weaker growth. The Bank of England's November Monetary Policy Report estimates that less than half of the expected impact of rising interest rates on GDP has materialised. Further effects are expected to unfold, which will continue to drag on the economy. Evidence from the Bank of England suggests households have already reduced consumption in expectation of refinancing in 2024.
- f. Global supply chains have been turbulent over recent years since the Covid-19 pandemic and forecasts for 2024 expect issues to continue with labour shortages, increasing inflation, material shortages and sustainability pressures.
- g. There are more acute risks to the forecast, in particular, geo-political threats associated with the ongoing conflicts in Ukraine and the Middle East, which may undermine assumptions around falling energy prices. However, forecasts assume there to be no major economic disruptions from current conflicts or other global events.

27. Specifically considering the PBSA sector, CBRE's baseline forecast for 2024 is as follows:

- a. Overall, the sector continues to be defined by an acute supply and demand imbalance but this is highly nuanced, and an understanding of affordability is key. An in-depth understanding of the submarket dynamics is critical.
- b. Investment yields remained relatively stable for prime regional assets during 2023 and sentiment remains positive into 2024 but for best in class 'clean and green' properties with strong rental growth prospects. Occupancy for the 2023/24 academic year is the strongest on record, and many schemes were at least 98% booked by Spring 2023. The same is expected for the next academic year, which is underpinning strong rent growth projections. However, the outlook for non-prime assets is subdued due to less demand from investors.
- c. Overall, the development of new PBSA is slowing due to a combination of factors. This will carry forward throughout 2024 and beyond as starts and completions in 2023 have been at an all-time low, compounding an estimated shortfall of 580,000 beds nationally. Specifically, the drivers are as follows:
 - i. Rising build costs present viability challenges.
 - ii. The pace of the planning system remains a significant barrier to delivery along with onerous PBSA planning requirements.
 - iii. New Building Safety regulations and proposed energy efficiency standards.
 - iv. Rising operational costs will also continue to hinder new development given the negative impact on net rental income.
 - v. Development financing is also increasingly expensive and is increasingly difficult to obtain, with a tight liquidity pool and high competition for investment capital.

- vi. Older university stock will need extensive modernization to meet expectations and remain competitive.

28. CBRE's baseline forecast for the residential market in 2024 is as follows:

- a. The residential sales market is expected to remain challenging in 2024 with a fall in house prices and transaction volumes.
 - b. As previously discussed, households refinancing at higher mortgage rates will reduce discretionary incomes and, consequently, consumption. The UK has 10.8 million mortgages, the majority of which are fixed, and estimates show less than half have refinanced onto higher rates. However, the prospect of falling mortgage rates is positive news for the 850,000 two and five-year fixed mortgages renewing next year. And while payments will still rise, the prevailing rates are still below what these borrowers would have been originally stress-tested at. In addition, strong house price growth in recent years means those remortgaging will benefit from lower loan-to-values. Other tools, including extending the mortgage term, will also be utilised to keep repayments as low as possible.
 - c. CBRE forecast transactions to stay below their long-term average, but to be broadly level with 2023. The outlook therefore remains subdued and does not forecast a strong resurgence of transactions. And although affordability will improve, prices will need to continue to correct to accommodate buyers' budgets. CBRE forecast a moderate fall in UK house prices of 1% in 2024.
 - d. The housebuilding sector will continue to be hindered by several challenges, which will impact the future pipeline of new homes in 2024. Planning remains a key challenge and new fire safety regulations are a necessity but will nevertheless stall planning activity throughout the year.
 - e. The higher cost of debt and construction will also continue to impact viability. Almost two-thirds of respondents to the RICS Construction Survey now cite 'financial constraints' as a key factor limiting activity. This has risen consistently since the start of 2022.
 - f. Investment appetite for BTR remained strong in 2023. However, the challenging environment negatively impacted investment throughout 2023, but this is expected to start to improve by the end of 2024.
 - g. The number of BTR homes starting construction in 2023 fell to less than half the level recorded in 2022. This partly reflects subdued institutional investment into the sector, coupled with high construction costs, labour shortages, more expensive debt and new fire regulations requiring second staircases in tall buildings. This will translate into a significantly lower level of BTR completions in 2024.
 - h. Yields softened in H2 2023 and a further yield expansion is expected at the start of 2024, but this will continue to be mitigated by strong rent growth resulting in only a minor adjustment.
29. Against this backdrop, CBRE questions the logic and rationale, and efficiency in use of public funds, for introducing a CIL regime at this juncture, given the wider challenges facing development and uncertainty in both the macro-economy and property market.
30. CYC's proposals to increase the cost burden on development at this point will exacerbate uncertainty and slow or stall development and regeneration plans on major sites across the city for PBSA and residential development.

Outdated Evidence

31. The published available evidence to inform the Revised CIL DCS is the CIL Viability Addendum produced by PPE and dated November 2023.
32. CBRE has reviewed the CIL Viability Addendum in detail. It is apparent that the input assumptions for PBSA scheme typologies, which are subsequently utilised by PPE in undertaking the viability modelling, analysis, conclusions and recommendations rely substantially upon evidence from the 2023/24 academic year. However, the date this evidence was gathered is unclear.
33. It is well-known that student accommodation operators incorporate dynamic pricing models for advertised rents whereby towards the second half of the academic year, the marketed rental rates are generally at their highest given take-up is reaching or at capacity. Clarity should therefore been provided by PPE as to the date of the PBSA evidence as if PPE gathered their data in the second half of the academic year this could potentially be overstating the average rent for the whole academic year.
34. Moreover, the CIL Viability Addendum documents that the CIL Viability Study overstated the investment yield achievable for Prime Regional PBSA and accordingly adjusted outward the yield from 5.00% to 5.25%.
35. However, CBRE is of the opinion that this does not go far enough in reflecting the softening in yields over the past 18 months. The CIL Viability Addendum does not cite any investment yield evidence to substantiate their conclusion.
36. The input assumptions contained in the CIL Viability Study (December 2022) for residential typologies were originally collated from Land Registry between January 2019 and May 2022, then indexed to August 2022 using the House Price Index ('HPI'). The CIL Viability Addendum is based on the same data set which has been indexed using HPI up to June 2023. It appears that the CIL Viability Addendum therefore does not rely on new transactional evidence post May 2022 and relies entirely on indexed historic transactions only. CBRE request that CYC clarify whether any new transactional evidence has been analysed for the purpose of the CIL Viability Addendum.
37. As set out above, and well-documented, there have been significant macro-economic headwinds and property market adjustment issues over the period since, as well as substantive ongoing construction cost inflation, which are material considerations that any robust viability evidence base must account for.
38. In addition, the Government is conducting a staged implementation of the Building Safety Act 2022, and has stated that it expects student accommodation to be subject to the regulatory regime under Part Three, which will have implications for the design and construction of new developments.
39. New Fire Safety (England) Regulations 2022, came into force on 23 January 2023 and under the new Regulations, a responsible person (usually a managing agent or similar) is required to provide information and carry out checks on fire safety for all buildings over 11m (or 5 storey) which contain at least two domestic premises.
40. In accordance with Approved Document B, there is also a requirement for firefighting lifts in buildings to offer additional protection and controls that enable it to be used by the fire and rescue service when fighting a fire. This is a requirement when the lift needs to travel more than 18m above or 10m below the fire service vehicle access level. The firefighting lift must have a secondary back-up power supply to ensure it continues to operate in the event of power failure in the building, a lift control system and a lift communication system.

41. The Government has also recently consulted upon amendments to Approved Document B, which proposes that all new buildings of 30m (circa 10 storeys) or above will require a second separated staircase². The Greater London Authority ('GLA') has pre-empted the Government's conclusions by mandating this requirement for new development in Greater London with immediate effect.
42. The Government is currently considering responses following closure of the consultation on 17 March 2023, but it is widely anticipated that student accommodation will be required to conform to the amendments, which is prompting developers and investors to factor second staircases into plans for new development going forward in order that they can meet regulations, and be insurable, investable and deliverable. Specifically, Government states:
- "58. Recognising that many schemes are in development, and this change would represent a significant change, we are proposing a very short transition period before implementing the changes.*
- 59. The transition period will allow time for schemes to be completed but should not allow the opportunity for developments to get off the ground ahead of the new requirements coming into effect.*
- 60. We would encourage all developments to prepare for this change now."*
43. CBRE can provide examples of recently submitted PBSA schemes in York, which already take into account the Government's proposal for a second staircase in order to future proof the developments. These example schemes include:
- a. 15 Foss Islands Road, York (planning ref: 23/01647/FULM): The proposed accommodation is arranged over ground floor + 4 storeys and incorporates 3 staircases and a dual lift core.
 - b. Coney Riverside, Coney Street, York (planning ref: 22/02525/FULM): The proposed accommodation is arranged over basement, ground + 5 storeys and incorporates 3 staircases with dual and singular lift cores in Zone 3 and 1 staircase with a dual lift core in Zone 4.
44. Based on the impact assessment conducted, the Government has publicly acknowledged that the implications of additional construction costs, and loss of build efficiency, will impact negatively on the financial viability of development and, as a result, is likely to reduce the propensity of higher density schemes to deliver affordable housing as a consequence:
- "65. The costs of a second staircase will also impact the viability of high rise buildings, this is likely to reduce the amount of affordable housing that can be provided by developers."*
45. The impact will be that gross to net build efficiency is reduced, meaning lower net lettable floorspace against a higher or equivalent gross internal area (GIA).
46. It does not appear that the CIL Viability Addendum has accounted for this or addressed the implications.

² <https://www.gov.uk/government/consultations/sprinklers-in-care-homes-removal-of-national-classes-and-staircases-in-residential-buildings/sprinklers-in-care-homes-removal-of-national-classes-and-staircases-in-residential-buildings>

47. Finally, the Government launched the Building Safety Levy: Technical Consultation on 23rd January 2024³. This confirms that an additional charge on new development – including both residential and PBSA uses – is proposed to be charged on a broadly consistent basis to CIL. Whilst a 50% discount will be applied to development on brownfield land, it will nevertheless reflect an additional and non-negotiable capital cost to new development schemes, and will impact negatively on development viability.
48. The additional cost of the Building Safety Levy has yet to be quantified, meaning it is difficult to accurately account for this additional cost within the CIL setting process. However, the most prudent approach would be to ensure that a substantial buffer is introduced prior to the setting of CIL rates – of at least 50% of the available ‘surplus’ for CIL as tested via the viability modelling process.
49. CBRE has provided further details upon this relating to PBSA use within the ‘Technical Deficiencies’ subsection of this representation.

Technical Deficiencies

Purpose Built Student Housing

50. There are a range of detailed technical issues identified, which render the CIL Viability Addendum as an unsound basis for setting the proposed CIL rates for purpose built student housing, and which Fusion advocate will require rectification prior to CYC proceeding with the Revised CIL DCS as presently published:

a. Rents, Yields and Capital Values for Off-Campus PBSA Typologies:

- i. The CIL Viability Addendum tests 5no. off-campus PBSA typologies ranging from 25 beds to 600 beds. An average gross rental income is applied of £201/week over 47.6 weeks (annual) based on the 2023-24 academic year. This is drawn from a cross-section of PBSA schemes across the city, which is provided in Appendix A1.4 of the document.
- ii. CBRE notes that the adoption of an ‘average’ gross rental rate of £201/week represents a cross-section of both private sector operator PBSA schemes and HEI operated off-campus student accommodation.
- iii. CBRE does not disagree with the CIL Viability Addendum’s usage of the average gross rental income of £201/week to be applied to private sector (off-campus) development typologies.
- iv. OPEX is deducted at 30% of gross annual rent to generate a net rental income, which is capitalised at an investment yield of 5.25%. This is stated as generating a capital value of £128,035 per room.

³ https://www.gov.uk/government/consultations/building-safety-levy-technical-consultation?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=a5093222-a03d-44be-baf1-04a3e1bbf108&utm_content=daily

- v. Analysing York specifically, there are several recent transactions for which information is available. These are as follows and demonstrate a tone of circa 5.5%-6.5% NIY and capital value of circa £90,000-£100,000 per bed:
1. 3 James Street: comprising 303 beds transacted in June 2023 on a forward fund to S Harrison at a yield of 5.50% to 5.75%.
 2. 62 Layerthorpe: comprising 98 beds transacted in 2019 on a forward fund / commit to iQ Student Accommodation for a total capital value of £92,000 per bed.
 3. Haxby Road City Residential: comprising 124 beds transacted in 2018 on a stabilized investment basis at a NIY of 6.5%, reflecting £60,000 per bed.
 4. Foss Studios: comprising 220 beds transacted in 2017 on a stabilized investment basis at a NIY of 5.7%, reflecting £106,000 per bed.
- vi. The above evidence suggests that the adopted sum of £128,035 per room and a yield of 5.25% utilised within the CIL Viability Study Addendum actually exceed transactional evidence available for York in recent years.
- vii. CBRE's research places York as 21st in the league of the UK's cities with the highest full-time student populations in 2021/22, with circa 27,000 full-time students. This is relatively low compared to the top five regional cities (Birmingham, Glasgow, Manchester, Nottingham, Leeds), which collectively accounted for 374,000 full time students.
- viii. On the basis of the above, CBRE ranks York as a Prime Regional location for PBSA and understand that other agents such as Knight Frank regard the city on an equivalent basis.
- ix. PBSA prime regional (direct let) stabilised investment yields softened from Q3 2022 due to wider macro-economic conditions, then remained at 5.0%-5.25% throughout 2023. The latest available investment yield sheets now record Prime Regional PBSA yields for stabilised asset as follows:
1. Knight Frank Prime Yield Guide – January 2024: PBSA Prime Regional at 5.0% - 5.25% (softening from 4.75%-5% in Q3 2022)⁴.
 2. CBRE UK Living Sectors Investment Yields – January 2024: PBSA Prime Regional at 5.0% (softening from 4.75% in Q3 2022)⁵.
- x. In summary, respected agents all report PBSA Prime Regional stabilised yields softening to 5.0% - 5.25% at present day. Importantly, these are not development funding yields, but are stabilised investment yields, which do not account for development and stabilisation (letting) risk (i.e., transaction by a fund of a high specification stabilised standing PBSA asset).

⁴ Note: this is provided within **Enclosure 2**.

⁵ Note: this is provided within **Enclosure 2**.

- xi. Institutional forward funding has been one of the main delivery routes for financing the development of PBSA schemes in York and elsewhere across the regions, where brought forward by the private sector (i.e. non-University). CBRE's market intelligence is that funding yields are transacting at a discount of up to 50bps in comparison to stabilised investment yields. As a result, if the rates above are adjusted for development funding, this would see yields at 5.5%-5.75%, which is reflective of the recent forward funding deal in York at 3 James Street.
- xii. PPE has evidently not considered current PBSA investment evidence in York and has failed to reflect that forward funding is the key delivery route for financing PBSA schemes in the current market. Consequently, PPE is incorrectly overstating the GDV of the PBSA typologies.

b. PBSA Room Sizes:

- i. The PBSA comparables cited in the Appendix A1.4 do not provide room sizes for the purpose of analysis. The comparables are merely categorised as 'standard', 'large', 'studio' etc., which is not transparent and does not assist with comparison between room types.
- ii. The CIL Viability Study Addendum adopts a generic room size of 17.25m². However, it is not clearly stated within the CIL Viability Study or CIL Viability Study Addendum as to how this room size has been determined, the room type itself (i.e, studio or cluster/en-suite) and the evidence used to inform the area.
- iii. Based on CBRE's knowledge of the York PBSA market, the adopted room size utilised within the CIL Viability Study Addendum is positioned between the expected size range for 'studios' and 'cluster/en-suites'. Studios are typically larger at an absolute minimum of 20-21m², whilst cluster / en-suite rooms are generally much smaller at circa 10-15m² and attract lower weekly rents in comparison to PPE's rental assumption.
- iv. CBRE is aware that CYC has recently refused a planning application for a PBSA scheme at 15 Foss Islands Road based on limited room size and lack of communal space⁶. The Foss Islands Road scheme included 137 no. studios ranging in size from 20-42m².
- v. The Foss Islands Road scheme has been resubmitted for planning with adjusted room sizes and to resolve the reason for refusal by CYC, the communal areas have been increased which results in a revised net to gross efficiency of 60%. Additionally, the Coney Riverside proposed development scheme (planning ref: 22/02525/FULM) has also been resubmitted for planning and demonstrates a net to gross efficiency of 60%.
- vi. This evidenced efficiency is 5% lower than that assumed by PPE in the PBSA viability testing. The consequence of this is that the GIA area utilised in viability testing would be expected

⁶ Planning application ref: 22/01795/FULM. Refused 13 July 2023. CYC stated a reason for refusal of the application concerned "The proposed development fails to promote the health and well-being of future occupants due to the limited room size of the studios and lack of communal spaces throughout all levels of the development".

to be 5% larger than currently modelled by PPE. Hence, PPE’s estimation of build costs for each of the PBSA viability typologies is 5% lower than it should be, which erroneously overstates the financial viability of the PBSA typologies.

- vii. Taking this into consideration, it is therefore highly unlikely that the proposed hypothetical scheme used in the PBSA typologies testing would actually be granted planning consent by CYC as the room sizes would be considered too small for studios or not akin with comparable cluster/en-suite room sizes and the communal areas would be insufficient to meet CYC planning officer’s minimum expectations. The room sizes would evidently need to be larger whilst maintaining an appropriate gross to net efficiency. Any reduction in gross to net efficiency would lead to the loss of valuable amenity space which drives the rental value. As a result, this necessitates a proportionate increase in both room sizes and GIA within the PBSA typologies tested.
- viii. Adoption of an unjustified and incorrect room size and building GIA by PPE / CYC poses a significant risk to overstating the viable delivery of PBSA developments by understating the total construction costs attributable to the PBSA typologies.
- ix. For the reasons set out above, CBRE strongly advocates that the room size adopted for viability testing developer-led (i.e. off campus) PBSA typologies is reflective of the York PBSA market.
- x. CBRE has prepared an analysis of the impact upon the NIA and GIA of PBSA typologies’ when utilising the (absolute) minimum comparable room size for studios (at 20m²) in the York PBSA market. This analysis is provided in **Table 1**.
- xi. The below table demonstrates that adopting an informed, representative room size has a significant impact (c. 16% increase) on the GIA of the PBSA typologies.

Table 1: PBSA Typologies | NIA & GIA Analysis: 65% Gross:Net

CIL Viability Study Addendum PBSA off campus					CBRE Analysis based on York PBSA Market					
Beds	Net Room (m2)	NIA (m2)	Gross: Net	GIA (m2)	Beds	Net Room (m2)	NIA (m2)	Gross: Net	GIA (m2)	GIA Increase %
600	17.25	10,350	65.0%	15,923	600	20.0	12,000	65.0%	18,462	16%
350	17.25	6,038	65.0%	9,288	350	20.0	7,000	65.0%	10,769	16%
200	17.25	3,450	65.0%	5,308	200	20.0	4,000	65.0%	6,154	16%
100	17.25	1,725	65.0%	2,654	100	20.0	2,000	65.0%	3,077	16%

Source: CYC / CBRE Data

- xii. This is based on the assumption of 65% net to gross, which through the Foss Islands refusal demonstrates that 65% is insufficient to meet CYC planning policy requirements as a result, CBRE has also tested the impact of correcting the PBSA built GIA within each of the

typologies at a 60%⁷ net to gross efficiency, which is expected to be consistent with CYC’s requirements for communal and amenity space within PBSA schemes. This analysis is provided in **Table 2**.

Table 2: PBSA Typologies | NIA & GIA Analysis: 60% Gross:Net

CIL Viability Study Addendum PBSA off campus					CBRE Analysis based on York PBSA Market					
Beds	Net Room (m2)	NIA (m2)	Gross: Net	GIA (m2)	Beds	Net Room (m2)	NIA (m2)	Gross: Net	GIA (m2)	GIA Increase %
600	17.25	10,350	60.0%	17,250	600	20.0	12,000	60.0%	20,000	16%
350	17.25	6,038	60.0%	10,063	350	20.0	7,000	60.0%	11,667	16%
200	17.25	3,450	60.0%	5,750	200	20.0	4,000	60.0%	6,667	16%
100	17.25	1,725	60.0%	2,875	100	20.0	2,000	60.0%	3,333	16%

Source: CYC / CBRE Data

- xiii. The CIL Viability Addendum therefore misrepresents the correct NIA and GIA to be utilised for the PBSA typologies in order to secure planning permission in York, which has severe consequences in understating the total construction costs.
- xiv. CBRE strongly advocates that CYC review the NIA and GIA of PBSA typologies to be reflective of the York PBSA market and CYC’s precedents for securing planning permission and adjust their inputs accordingly.

c. Construction costs:

- i. The construction costs adopted are set out in para 42. (CIL Viability Study Addendum, page 12) are cited as being drawn from RICS BCIS. The RICS BCIS median cost is cited as £2,199/m² (£204/ft²) and base-dated at Q2 (i.e. Apr-Jun.) 2023.
- ii. Given that circa 6 months has passed since the construction costs were base dated, CBRE has reviewed the RICS BCIS data as published at 16 January 2024. On an equivalent basis the RICS BCIS median cost now stands at £2,211/m² (£205/ft²), which is an increase of 0.5%. The data is provided within **Enclosure 3**.
- iii. CBRE comment that the RICS BCIS costs of £2,211/m² (£205/ft²) are extremely low in the context of off-campus developer / operator led PBSA developments being brought forward for delivery in regional cities in the current market. CBRE also highlight that RICS BCIS is a significantly lagging indicator due to the time taken for tender data be provided and reporting updated. Hence, in an inflationary environment over 2022 and 2023, it has consistently underestimated construction costs being generated in real-time. Moreover, as

⁷ The resubmitted planning applications for 15 Foss Islands Road (planning ref: 23/01647/FULM) and Coney Riverside (planning ref: 22/02525/FULM) demonstrate a gross to net efficiency of 60.0%.

mentioned prior, RICS BCIS will not yet account for changes to fire safety guidance (Approved Document Part B), which prudent developers have been told by the Government to design into schemes.

- iv. In **Table 3** overleaf, CBRE has set out both a comparison between the RICS BCIS median rate costs as at Q2 2023 and January 2024. CBRE considers these costs to be more likely representative of construction to a low-mid specification product, which would achieve a lower than average rental price point in the York market. As the definition in RICS BCIS states it would therefore be more appropriate to reflect student halls of residences (i.e. university-led on campus development), rather than the higher specification product being delivered off-campus by private developers, and those which can secure rents at an average for York (i.e. the £201/week) or above.
- v. CBRE notes that even the RICS BCIS upper quartile rate (£2,437/m² | £226/ft²) generates a construction cost which remains significantly below the level of costs being seen for mid-market specification PBSA schemes in the regions (i.e., circa £100,000 per bed). This is provided for comparison against the RICS BCIS median rate in **Table 3**.
- vi. CBRE can provide up to date benchmarking evidence on construction costs for recently tendered PBSA schemes of 400+ beds. The construction costs have been indexed from the contract award date to present day (Q1 2024) in order to reflect inflation during the intervening period.
 1. Nottingham scheme of circa 550 beds: £251/ft² (July 2023, similar date to the CIL viability evidence base) adjusted using BCIS All-in TPI to Q1 2024 £253/ft²
 2. Liverpool scheme of 400-500 beds: £248/ft² (June 2023, similar date to the CIL viability evidence base) adjusted using BCIS All-in TPI to Q1 2024 £252/ft²
- vii. This benchmarking evidence suggests that even the RICS BCIS upper quartile rate is unrealistically low and developers are facing significantly higher construction costs for PBSA schemes.
- viii. For the reasons set out above, CBRE strongly advocates that the RICS BCIS upper quartile rate should represent the **absolute minimum** base construction cost for generic viability testing developer-led (i.e. off campus) PBSA typologies. The median rate simply isn't a realistic cost benchmark to adopt for this purpose in the current market. PPE's use of an unrealistically low construction cost will erroneously state the viability of the PBSA typologies tested.

Table 3: Comparison Analysis | RICS BCIS Costs Q2 2023 vs. Q1 2024 vs. Minimum Market Rates (CBRE Q1 2024)

Based on PPE’s gross to net efficiency of 65.0%

RICS BCIS Median Q2 2023			Build			External Works			Total Costs (Build + Externals)				
£/m2	£/ft2	GIA (m2)	Cost (£)	Beds	£/Bed	@	10%	Cost (£)	£/Bed	Cost (£)	£/Bed	£/m2	£/ft2
2,199	204	18,462	40,596,923	600	67,662	4,059,692	6,766	44,656,615	74,428	2,419	225		
2,199	204	10,769	23,681,538	350	67,662	2,368,154	6,766	26,049,692	74,428	2,419	225		
2,199	204	6,154	13,532,308	200	67,662	1,353,231	6,766	14,885,538	74,428	2,419	225		
2,199	204	3,077	6,766,154	100	67,662	676,615	6,766	7,442,769	74,428	2,419	225		

RICS BCIS Median Q1 2024			Build			External Works			Total Costs (Build + Externals)				
£/m2	£/ft2	GIA (m2)	Cost (£)	Beds	£/Bed	@	10%	Cost (£)	£/Bed	Cost (£)	£/Bed	£/m2	£/ft2
2,211	205.4	18,462	40,818,462	600	68,031	4,081,846	6,803	44,900,308	74,834	2,432	226		
2,211	205.4	10,769	23,810,769	350	68,031	2,381,077	6,803	26,191,846	74,834	2,432	226		
2,211	205.4	6,154	13,606,154	200	68,031	1,360,615	6,803	14,966,769	74,834	2,432	226		
2,211	205.4	3,077	6,803,077	100	68,031	680,308	6,803	7,483,385	74,834	2,432	226		

RICS BCIS Upper Quartile Q1 2024			Build			External Works			Total Costs (Build + Externals)				
£/m2	£/ft2	GIA (m2)	Cost (£)	Beds	£/Bed	@	10%	Cost (£)	£/Bed	Cost (£)	£/Bed	£/m2	£/ft2
2,437	226.4	18,462	44,990,769	600	74,985	4,499,077	7,498	49,489,846	82,483	2,681	249		
2,437	226.4	10,769	26,244,615	350	74,985	2,624,462	7,498	28,869,077	82,483	2,681	249		
2,437	226.4	6,154	14,996,923	200	74,985	1,499,692	7,498	16,496,615	82,483	2,681	249		
2,437	226.4	3,077	7,498,462	100	74,985	749,846	7,498	8,248,308	82,483	2,681	249		

Source: RICS BCIS / CBRE Data

Table 4: Comparison Analysis | RICS BCIS Costs Q2 2023 vs. Q1 2024 vs. Minimum Market Rates (CBRE Q1 2024)

Based on corrected gross to net efficiency of 60.0%

RICS BCIS Median Q2 2023			Build			External Works			Total Costs (Build + Externals)				
£/m2	£/ft2	GIA (m2)	Cost (£)	Beds	£/Bed	@	10%	Cost (£)	£/Bed	Cost (£)	£/Bed	£/m2	£/ft2
2,199	204	20,000	43,980,000	600	73,300			4,398,000	7,330	48,378,000	80,630	2,419	225
2,199	204	11,667	25,655,000	350	73,300			2,565,500	7,330	28,220,500	80,630	2,419	225
2,199	204	6,667	14,660,000	200	73,300			1,466,000	7,330	16,126,000	80,630	2,419	225
2,199	204	3,333	7,330,000	100	73,300			733,000	7,330	8,063,000	80,630	2,419	225

RICS BCIS Median Q1 2024			Build			External Works			Total Costs (Build + Externals)				
£/m2	£/ft2	GIA (m2)	Cost (£)	Beds	£/Bed	@	10%	Cost (£)	£/Bed	Cost (£)	£/Bed	£/m2	£/ft2
2,211	205.4	20,000	44,220,000	600	73,700			4,422,000	7,370	48,642,000	81,070	2,432	226
2,211	205.4	11,667	25,795,000	350	73,700			2,579,500	7,370	28,374,500	81,070	2,432	226
2,211	205.4	6,667	14,740,000	200	73,700			1,474,000	7,370	16,214,000	81,070	2,432	226
2,211	205.4	3,333	7,370,000	100	73,700			737,000	7,370	8,107,000	81,070	2,432	226

RICS BCIS Upper Quartile Q1 2024			Build			External Works			Total Costs (Build + Externals)				
£/m2	£/ft2	GIA (m2)	Cost (£)	Beds	£/Bed	@	10%	Cost (£)	£/Bed	Cost (£)	£/Bed	£/m2	£/ft2
2,437	226.4	20,000	48,740,000	600	81,233			4,874,000	8,123	53,614,000	89,357	2,681	249
2,437	226.4	11,667	28,431,667	350	81,233			2,843,167	8,123	31,274,833	89,357	2,681	249
2,437	226.4	6,667	16,246,667	200	81,233			1,624,667	8,123	17,871,333	89,357	2,681	249
2,437	226.4	3,333	8,123,333	100	81,233			812,333	8,123	8,935,667	89,357	2,681	249

Source: RICS BCIS / CBRE Data

d. **Contingency:**

- i. The contingency rate adopted within the CIL Viability Study Addendum is cited at 4.00%. Whilst PPE acknowledge that contingency is “understood to be in the region of 3% to 5% of build costs plus externals”⁸. PPE has apparently taken a ‘midpoint’ of 4.00% without providing any explanation of the relevance to varying development typologies and, greenfield and brownfield sites.
- ii. CBRE consider this an unreasonably low allowance for brownfield sites in York. Such sites include significant site preparation works such as demolition of existing buildings and remediation. Redevelopment of brownfield sites therefore carries a greater level of risk in comparison to greenfield sites and often uncover additional costs to construction at commencement or during the development programme. Moreover, brownfield sites in York commonly have a number of constraints including (or within close proximity to) listed buildings, an Area of Archaeological Importance and/or a conservation area.
- iii. CBRE is therefore of the opinion that the contingency rate for brownfield sites should be adjusted upwards from 4.00% to 5.00% to reflect an adequate allowance for contractor’s and developer’s risk in a historic city with known contingency issues.

e. **Abnormals:**

- i. The CIL Viability Study Addendum applies costs related to ‘abnormals’ within the brownfield land typology appraisals at £400,000 per net hectare and within the mixed greenfield/brownfield land typology appraisals at £200,000 per net hectare.
- ii. The CIL Viability Study references that these ‘high-level’ demolition and land remediation costs are informed by Homes England (formerly the HCA) guidance dated 2015⁹. CBRE has researched this guidance and it appears the publication was withdrawn on 24 May 2022. It therefore brings to question whether the CIL Viability Study Addendum should also rely on information withdrawn from the public domain and which provides out of date cost information, particularly given the high inflation environment impacting build costs since the date of publication (circa 8-9 years ago).
- iii. Nevertheless, it is also unclear how CYC has calculated the abnormal costs from the information set out in the Homes England guidance note or whether appropriate indexation has been applied to the costs (up to present day) to reflect significant cost inflation in recent years.
- iv. CBRE has analysed the abnormal costs adopted within the CIL Viability Study Addendum for PBSA. These costs range from £20,000 to £652,000 based on site areas of between 0.05 and 1.63 net hectares.

⁸ CIL Viability Study (December 2022)

⁹ Homes & Communities Agency, Guidance on dereliction, demolition and remediation costs (March 2015)

- v. Taking a stand back approach, this level of costs is unrealistically low and does not provide sufficient allowance for the abnormal costs associated with redevelopment of a brownfield site in York.
 - vi. CBRE has analysed the abnormals associated with the redevelopment of a number of brownfield sites in York. The abnormals costs cited include items such as demolition of existing buildings, site clearance, flood defence works, archaeology works, public realm, listed building works and conservation area. Other abnormal costs include land remediation.
 - vii. The abnormal costs cited by developers are significantly higher than the rates adopted within the CIL Viability Study Addendum. CBRE therefore requests that clarification is provided by CYC as to the methodology used for calculating site abnormal costs and whether the costs have been indexed appropriately.
- f. **Development Programme:**
- i. The CIL Viability Study Addendum does not set out a clear, detailed cashflow outlining development expenditure, finance roll up and revenue over the assumed development programme. The information provided is considered insufficient to undertake a detailed analysis of PPE's cashflow. CBRE requests that this information is provided by CYC to provide transparency and clarity to stakeholders.
- g. **Site Areas for Typologies:**
- i. It is not clearly stated within the CIL Viability Study or CIL Viability Study Addendum as to how the site areas applied for each typology were derived and the evidence used to inform this. Given this is an important basis for setting benchmark land values, CBRE requests that this information is provided by CYC to provide transparency and clarity to stakeholders.
- h. **Benchmark Land Value:**
- i. The CIL Viability Study Addendum includes the adopted BLVs for on campus and off campus PBSA with non-residential uses on p.13, the document contains no supporting evidence or justification to underwrite the proposed BLVs, which CBRE considers a significant omission.
 - ii. The CIL Viability Study Addendum proposes varying BLVs for on campus and off campus PBSA as follows:
 - 1. A BLV of **£450,000/ha (£182,000/acre)** for on campus PBSA on the basis that on campus PBSA is likely to occur only at Campus East where greenfield sites exist. This is the same rate as for greenfield residential testing.

2. A BLV of **£1.5m/ha (£607,000/acre)** for off campus PBSA based on the assumption of “city centre residential developments on brownfield sites considered no longer fit for purpose for their existing use”¹⁰.
- iii. In order to find justification for this BLV, CBRE has had regard to the earlier Technical Note titled *CYC Local Plan Viability Technical Note on Changes to Student Accommodation Policy H7 (‘Policy H7 Technical Note’)*, which was produced by PPE and which is dated August 2022. An explanation is provided in paras 20-23.
- iv. This is predicated on a logic whereby it is proposed that abandoned or unviable locations and/or dilapidated industrial units will be the typical brownfield sites that will be brought forward for alternative uses, such as PBSA schemes. The transactions drawn upon in Table 4 of the Policy H7 Technical Note, which are cited as comparables, are not relevant to York and it is not stated whether any of the transacted sites were ultimately brought forward for PBSA development.
- v. There is presently a limited supply of sites suitable for redevelopment for PBSA uses across the city, which necessitates PBSA development competing with other forms of prospective development including hotels, traditional residential, elderly persons accommodation or offices.
- vi. CBRE therefore remains unclear on the logic behind the BLVs in the CIL Viability Study Addendum, which have been extracted from the appraisals and reiterated in the **Table 5** below. It sets substantially lower BLV for PBSA development in comparison to competing uses such as small local convenience and retail warehouse (both £2m/ha).

Table 5: CIL Viability Study & CIL Viability Study Addendum | Non-Residential BLV

Typology	BLV per gross area (hectares)
Retirement / Extra Care (Urban)	£1,120,000
Retirement / Extra Care (Village/ Rural)	£900,000
Small local convenience	£2,000,000
Retail warehouse	£2,000,000
On Campus PBSA	£450,000
Off Campus PBSA	£1,500,000

¹⁰ CIL Viability Study Addendum (November 2023)

- vii. In addition, CBRE also notes that the CIL Viability Study Addendum adopts a BLV for residential typology viability testing of £1.7m/ha for brownfield land in its existing use as 'City centre / extension' land in Appendix A1.5.
- viii. The CIL Viability Study does not adequately justify why competing brownfield land uses have been viability tested against a higher BLV and PBSA against a lower BLV. This warrants further explanation by CYC.
- ix. The risk is that this overstates the propensity for PBSA developments to acquire land at lower prices than competing uses, and through the proposed CIL rates applied to PBSA, then places them at a disadvantage when seeking to acquire land due to overstating viability and the further additional CIL costs applied.
- x. A rational approach would be for BLVs for this use to be considered by way of market transactional analysis of sites brought forward for PBSA use within the city of York in recent years.
- xi. CBRE has gathered market transactional evidence for sites brought forward for PBSA use as set out below.
 - 1. 3 James Street, York: In September 2022, the 0.92-acre site was acquired by 77 York Limited for £4,040,200 (£4,391,522/gross acre). 303-bed PBSA scheme (planning ref: 22/00367/FULM).
 - 2. Fawcett Street, York: In June 2022, the 0.40-acre site was acquired by L&S York Ltd for £2,800,000 (£6,975,651/gross acre). 85-bed PBSA scheme (planning ref: 21/01570/FULM).
 - 3. The Coal Yard, Mansfield Street, York: In May 2018, the 0.38-acre site was acquired by Residential Capital (York) Ltd for £814,000 (£2,145,223/gross acre). Over 100-bed PBSA scheme (planning ref: 17/02702/FULM).
- xii. CBRE recommends that CYC seek to source and consider such evidence in taking a 'stand back' approach and a York-specific market sense-check.

Results & Re-appraisal

51. The CIL Viability Study Addendum sets out the results of viability modelling within Table A1.11 on p.13. This is replicated below for ease.

Table A1.11 Viability of PBSA developments off campus and on campus in CYC and their psm CIL liable floorspace headroom

Typology	Headroom per CIL liable sqm	After buffer of		
		50%	33%	25%
On campus PBSAs				
10a: Student accommodation - 25 bed	£141	£71	£94	£106
10b: Student accommodation - 100 bed	£91	£46	£61	£68
10c: Student accommodation - 200 bed	-£36			
10d: Student accommodation - 350 bed	-£72			
10e: Student accommodation - 600 bed	-£139			
Off campus PBSAs				
10a: Student accommodation - 25 bed	£494	£247	£329	£370
10b: Student accommodation - 100 bed	£437	£218	£291	£328
10c: Student accommodation - 200 bed	£325	£162	£217	£244
10d: Student accommodation - 350 bed	£284	£142	£189	£213
10e: Student accommodation - 600 bed	£169	£85	£113	£127

52. Table A1.11 presents PPE's headroom analysis which concludes that all off campus PBSA typologies can viably accommodate both CIL and an affordable housing OSFC contribution of £7,000 per student room as proposed under modifications published under CYC's draft Local Plan Proposed Main Modifications public consultation – specifically via modified Policy H7: Off Campus Purpose Built Student Housing. The headroom analysis concludes that the only on campus PBSA typologies 10a and 10b can viably accommodate CIL (noting the affordable housing OSFC is not applicable to on campus PBSA).
53. This is notwithstanding representations that the conclusions within Table A1.11 and the CIL Viability Study Addendum are not reflective of the full deterioration in market conditions over the past 18 months.
54. With this in mind, Table A1.11 of the CIL Viability Study Addendum shows on campus PBSA typologies 10c – 10e to all fall below the threshold of financial viability. This means they cannot accommodate any CIL, as there is no headroom, but critically these PBSA typologies are also demonstrated as generating negative headroom (shown in red).
55. The CIL Viability Study Addendum states that it is rare for small PBSA schemes to be developed on campus and the majority of new on campus PBSA schemes are generally 200 beds or more. CYC conclude that to “avoid overcomplicating the charging schedule”, CYC “do not consider that on campus PBSA developments merit adding to the CIL charging schedule” (p14). CBRE endorses this as a logical conclusion.
56. Furthermore, the CIL Viability Study Addendum runs viability testing on PBSA typologies including the cost of meeting the 2.5% affordable housing equivalent OSFC contribution per student room (i.e., a cost of £7,000/bed) to determine the additional CIL headroom to apply to off-campus PBSA.
57. CBRE cannot support the levels of CIL headroom being identified within Table 7.2 above for the PBSA typologies, for the reasons set out earlier within this representation. Neither can CBRE support in CYC seeking for off-campus PBSA schemes to provide a 2.5% affordable housing equivalent OSFC contribution per student room.

58. Firstly, there is an inconsistency in the level of buffer back from the calculated maximum headroom being recommended by PPE. For residential typologies (and proposed CIL rates) a buffer of 60%¹¹ is advocated by PPE, citing market risk and uncertainty.
59. However, for PBSA typologies only 25%-50% buffer is recommended for allowance in proposing the setting of the CIL charging rate at £150/m². CBRE considers this to be irrational and advocates for consistency in the applying of any buffer – which should be at the very least 50% across all typologies.
60. On the basis presented in Table A1.11 above, scheme typologies of 350+beds do not demonstrate sufficient headroom (with a 50% buffer) to accommodate the proposed rate of £150/m² for off-campus PBSA development within the Revised CIL DCS.

CBRE Updated Appraisal Modelling | Off-Campus PBSA Development (Private sector-led)

61. Given CBRE's analysis set out above firmly highlights both technical issues with the CIL Viability Study Addendum evidence base and methodology of inputs, CBRE has run independent viability modelling on PBSA typologies to determine the implications for CIL headroom in the current market.

a. CIL Headroom Analysis | Revised NIA and GIA:

- i. Firstly, the CIL Viability Study Addendum adopts an unjustified and incorrect room size and gross to net efficiency for the PBSA typologies which poses a significant risk in overstating the viable delivery of a scheme due to understating the total construction costs attributable to the PBSA typologies. In order to determine the implications of this on CIL headroom, CBRE has tested the off campus PBSA typology models with the adoption of the (absolute) minimum comparable room size for studios (at 20m²) in the York PBSA market and the gross to net efficiency (i.e., 60%) required by CYC. For the purpose of this analysis, all other inputs are consistent with the CIL Viability Study Addendum. A headroom analysis is provided below. Appraisal summaries are provided within **Enclosure 4**.

Table 6: Headroom Analysis (for CIL) Incorporating Modified Policy H7 OSFC | Developer-led PBSA Development

Off Campus Typology	PBSA	Headroom		After Buffer of:	
		£/CIL Liable sqm	50%	33%	25%
10b	100-bed	-173	-87	-115	-130
10c	200-bed	-254	-127	-170	-191
10d	350-bed	-283	-141	-189	-212
10e	600-bed	-365	-183	-244	-274

Source: CBRE

- ii. In summary, the analysis in **Table 6** above demonstrates that when adopting an appropriate NIA and GIA, plus PPE's own inputs, there is no headroom for off-campus developer-led

¹¹ CIL Viability Study (December 2022)

PBSA schemes to provide the affordable OSFC sought via Policy H7 (as modified) and CIL liability.

- iii. Subsequently, CBRE has removed the cost of the affordable OSFC sought via Policy H7 (as modified), which then solely assesses the propensity of the PBSA typologies to accommodate CIL. A headroom analysis is provided below. Appraisal summaries are provided within **Enclosure 5**.

Table 7: Headroom Analysis (for CIL) Excluding Modified Policy H7 OSFC | Developer-led PBSA Development

Off Campus Typology	PBSA	Headroom		After Buffer of:		
		£/CIL Liable sqm	50%	33%	25%	
10b	100-bed	27	13	18	20	
10c	200-bed	-53	-27	-35	-40	
10d	350-bed	-80	-40	-53	-60	
10e	600-bed	-163	-82	-109	-122	

Source: CBRE

- iv. In summary, the analysis in **Table 7** suggests that when adopting an appropriate NIA and GIA, plus PPE's inputs, there is limited headroom for off-campus developer-led PBSA schemes to provide the CIL liability.
- v. In summary, when removing the cost of the affordable OSFC sought via Policy H7 (as modified) the only typology to generate a surplus is 10b (100-beds) and this does not achieve the DCCS rate of £150/m². The larger typologies do not have sufficient headroom available for either the affordable OSFC sought via Policy H7 (as modified) or CIL.
- vi. However, CBRE highlight that this conclusion is based on PPE's inputs contained within the CIL Viability Study Addendum with which CBRE has highlighted technical issues. This analysis is therefore a starting point and CBRE has addressed these technical issues below.

b. CIL Headroom Analysis | CBRE Modelling:

- i. In order to take a comprehensive approach, CBRE has utilised present-day input assumptions for off-campus (developer-led) PBSA development scheme typologies.
- ii. Firstly, CBRE has tested the off campus PBSA typologies with the adoption of the (absolute) minimum comparable room size for studios (at 20m²) in the York PBSA market along with an evidenced gross to net efficiency acceptable by CYC.
- iii. Secondly, CBRE has set the rental rates to £201/week to represent an average rate across the York market. OPEX is deducted at 30% of the gross annual rent to generate a net rental income. This is consistent with the CIL Viability Study Addendum inputs.
- iv. Thirdly, CBRE has capitalised the net rental income at a forward fund investment yield of 5.50%. As set out earlier in this representation, most private-sector driven PBSA development has, and is expected to continue to be, institutionally funded. PBSA development funding yields are presently at circa 5.50% - 5.75% for prime regional locations, such as York. CBRE has taken an optimistic stance of adopting the lower end of this rate at 5.50%, which represents a strong / best case illustrative position.
- v. CBRE has also increased the construction costs to reflect the RICS BCIS upper quartile cost as published at January 2024. This is deemed the absolute minimum benchmark rate for

current market construction costs for mid-market specification private-sector led PBSA schemes being brought forward in regional cities.

- vi. Finally, CBRE has adjusted the contingency allowance utilised in the CIL Viability Study Addendum modelling to reflect the higher figure referenced in the text of 5.00%.
- vii. For all other aspects, CBRE has attempted to mirror the approach in the CIL Viability Study modelling. As previously discussed, this should not be taken as an endorsement, but is deemed reasonable and rational for the purposes of comparison – given it is not the responsibility of Fusion to prepare CYC’s evidence.
- viii. CBRE has run the appraisals inclusive of the (modified) Policy H7 requirement to provide a 2.5% affordable housing equivalent OSFC contribution per student room. A headroom analysis is provided overleaf. Appraisal summaries are provided within **Enclosure 6**.

Table 8: Headroom Analysis (for CIL) Incorporating Modified Policy H7 OSFC | Developer-led PBSA Development

Off Campus Typology	PBSA	Headroom		After Buffer of:	
		£/CIL Liable sqm	50%	33%	25%
10b	100-bed	-600	-300	-400	-450
10c	200-bed	-675	-337	-450	-506
10d	350-bed	-699	-349	-466	-524
10e	600-bed	-775	-388	-517	-581

Source: CBRE

62. In summary, the analysis in **Table 8** above reiterates that there is no headroom for off-campus developer-led PBSA schemes to provide the affordable OSFC sought via Policy H7 (as modified) and CIL liability.

63. Subsequently, CBRE has removed the cost of the affordable OSFC sought via Policy H7 (as modified), which then solely assesses the propensity of the PBSA typologies to accommodate CIL. A headroom analysis is provided in **Table 9** below. Appraisal summaries are provided within **Enclosure 7**.

Table 9: Headroom Analysis (for CIL) Excluding Modified Policy H7 OSFC | Developer-led PBSA Development

Off Campus Typology	PBSA	Headroom		After Buffer of:	
		£/CIL Liable sqm	50%	33%	25%
10b	100-bed	-391	-196	-261	-293
10c	200-bed	-467	-233	-311	-350
10d	350-bed	-491	-245	-327	-368
10e	600-bed	-568	-284	-379	-426

Source: CBRE

64. In summary, even when removing the cost of the affordable OSFC sought via Policy H7 (as modified), the developer led PBSA typologies remain unviable with no headroom available for CIL.

65. On the weight of the above (and enclosed) evidence, CBRE is of the firm professional opinion that there is no financial viability headroom in the current market for PBSA typologies to either meet the costs of the affordable OSFC sought via Policy H7 (as modified) or CIL.

Residential

66. CBRE notes the following observations on the CIL Viability Study Addendum:

- a. **City Centre Development:** CBRE notes that whilst York City Centre development generates the highest sales values, which is itself a symptom of supply-side constraints, the costs of development in the city centre are substantially higher than across the rest of the city. Specifically, it is an archaeological area of importance, in the historic core conservation area, and most of the city centre is also designated high flood risk with all development having to provide a 30% betterment in terms of surface water runoff (usually through attenuation). These factors, and associated costs, do not appear to have been accounted for within the CIL Viability Study and CIL Viability Study Addendum.
- b. **Repurposing Existing Floorspace:** CYC has had a longstanding ambition to see the City make better use of the spaces it has, notably conversion of upper floor retail space, which is generally redundant, into residential. CYC's 'Our City Centre Vision' (previously 'My City Centre Vision') explicitly sets out the objective to "encourage re-use of the under-used upper floors of buildings through planning support and business rates approach". P.23 of the document also states: "Floors above commercial units are significantly underused, dominated by storage for retail units and empty space. Introducing different and mixed uses to the centre will allow more of this space to be actively used, but conversions of these buildings are complex."
- c. As the 'My City Centre Vision' document notes, conversion of these buildings are complex for a myriad of reasons. Some of the most notable being: planning challenges around bins/ bikes/ noise, City Centre access restrictions, achieving sound attenuation between commercial and residential uses and working in buildings of which a significant proportion are listed and all within a conservation area. The increased difficulty of conversion of these spaces is not reflected in the CIL Viability Study Addendum.
- d. Upper floors for conversion are potentially an important part of the housing supply for the City going forward, particularly at this time when York, along with many City Centre retail destinations are going through a period of significant change given the ongoing effect that online shopping has had on physical retail offerings and the decline in large format retail generally.
- e. If upper floor residential conversions are to be encouraged to meet the undersupply of residential property in the City, this approach should be explicitly tested within the CIL evidence basis.
- f. **Residential Values:**
 - i. **Geographical Pricing:** The CIL Viability Addendum does not address the previous point of concern raised regarding the use of a fixed average sales values across both York city centre and areas outside the city 'core'.
 - ii. CBRE has cross-referenced the 'heat mapping' in Figure 3.8 (p.22) of the CIL Viability Study (December 2022) with the commentary in paragraph 3.20 on average sales values. This states that the average sale price for apartments in the City of York (i.e. city-wide) is £5,335/m² (£496/ft²). CBRE notes that the average cited is inconsistent with the heat map, which shows this rate being at the upper end of the price banding (£3,960/m² - £5,399/m²), and focused in a limited geography, with prices recorded in the majority of the city outside the city centre substantially lower (at £3,564/m² - £3,960/m² or less).

- iii. This infers that the pricing adopted is only likely to be appropriate for the city centre itself, and that there is in fact evidence that a lower set of sales values should have been adopted in the CIL Viability Study for apartment development outside the city centre. As it stands, the approach adopted is overstating the development value, and hence viability, of apartment development outside the city centre core.
- iv. **Sales Values:** The input assumptions contained in the CIL Viability Study (December 2022) for residential typologies were originally collated from Land Registry between January 2019 and May 2022, then indexed to August 2022 using the House Price Index ('HPI').
- v. The CIL Viability Addendum is based on the same data set which has been indexed using HPI up to June 2023 (latest available). It appears that the CIL Viability Addendum therefore does not rely on new transactional evidence post May 2022 and relies entirely on indexed historic transactions only.
- vi. The sales values adopted by PPE are summarised in Table A1.1 below.

Table A1.1 Changing psm residential sales values

Residential type	Average £psm		% change
	Q3 2022	Q2 2023	
Flats / apartments	£5,335	£5,390	+1.03%
Houses	£4,200	£4,198	-0.05%

- vii. PPE has not sourced and analysed new transactional evidence post May 2022 or considered the availability and asking prices of all housing types for live schemes (exception of flats which have been considered as at September 2023) for the CIL Viability Study Addendum. Placing weight solely on the indexation of somewhat historic transactional evidence does not give a true representation of the current state of the housing market in York and more recent data should be relied upon. However, CBRE note that PPE utilised the latest HPI data available (i.e., from June 2023) at the time of preparing the CIL Viability Study Addendum.
- viii. **Inflation:** Prices have been adopted at £4,200/m² for houses and £5,390/m² for flats, which is base dated to June 2023. CBRE has cross-checked against the latest data available (as at January 2024) from the Land Registry House Price Index ('HPI') for November 2023. This confirms that pricing had remained relatively unchanged, reducing by 0.125% in the period from June 2023. However, this data lags by circa 3 months and residential developers have publicly reported continued slowing of reservation and conversion rates as well as reduced buyer demand and downward pricing pressure (and increased incentivisation) during H2 2023. CBRE expects this pressure to continue over 2024 and manifest in price decreases, lower transaction volumes and slower sales trajectories in new build development.

g. Residential Build Costs:

- i. **Flatted / Apartment Costs:** The CIL Viability Study Addendum adopts the RICS BCIS (median) midpoint rate between flats 1-2 storey and flats 3-5 storey at a cost of £1,580/m² (£147ft²) as at Q2 2023 for the construction of apartments across York. This reportedly reflects a 5.0% increase on construction costs adopted for the CIL Viability Study at Q3 2022. However, CBRE is of the opinion that this does not go far enough in fully reflecting inflation of construction costs during this period.
- ii. Based on recent experience, CBRE confirm that it is not possible to construct residential apartments within the city (and certainly not the city centre) at the cost rate adopted within

- the viability modelling. It will substantially overstate the financial viability of flatted apartment development typologies.
- iii. Given that circa 6 months has passed since the construction costs were base dated, CBRE has reviewed the latest RICS BCIS data published at 16 January 2024. On an equivalent basis, the cost now stands at £1,638/m² (£152/ft²) for apartments across York, which is an increase of 3.7%. As a result, construction costs have increased ahead of residential property price inflation, which will have a negative impact on scheme viability.
 - iv. **Benchmark Build Costs:** Rex Proctor & Partners ('RPP') was appointed by CYC to undertake a review of construction costs (as at April 2023) presented by Oakgate Group Limited in respect of their proposed scheme for 35 apartments at 1 Mill Street, York (planning ref: 21/01045/FULM). RPP considered that the applicant's base build construction costs to be reasonably based on other similar recent submissions and RPP's own internal cost data. RPP noted some potential savings (c. 5%) but concluded on a revised construction cost of £218.28/ft² for base build and externals.
 - v. For consistency with PPE's approach, CBRE has used BCIS All-in TPI (published January 2024) to take into account construction cost inflation in the intervening period, which results in an uplift from £218.28/ft² as at Q2 2023 to £221.70/ft² at Q1 2024.
- h. **Garages:** The CIL Viability Study Addendum includes a single garage cost of £9,000. The latest information provided to CBRE by volume housebuilders places the current cost at in excess of £16,000 per single garage in Q1 2024. As a result, the cost allowance in the CIL Viability Study Addendum is considered unreasonably low.
- i. **Other development costs:**
- viii. **Contingency:** The contingency rate adopted within the CIL Viability Study Addendum is cited at 4.00%. CBRE consider this an unreasonably low allowance for brownfield sites in York. Such sites include significant site preparation works such as demolition of existing buildings and remediation. Redevelopment of brownfield sites therefore carries a greater level of risk in comparison to greenfield sites and often uncover additional costs to construction at commencement or during the development programme. Moreover, brownfield sites in York commonly have a number of constraints including (or within close proximity to) listed buildings, an Area of Archaeological Importance and/or a conservation area.
 - ix. CBRE is therefore of the opinion that the contingency rate for brownfield sites should be adjusted upwards from 4.00% to 5.00% to reflect an adequate allowance for contractor's and developer's risk.
 - x. **Demolition and land remediation:** The CIL Viability Study references that these 'high-level' demolition and land remediation costs are informed by Homes England (formerly the HCA)

guidance dated 2015¹². CBRE has researched this guidance and it appears the publication was withdrawn on 24 May 2022. It therefore brings to question whether the CIL Viability Study Addendum should also rely on information withdrawn from the public domain and which provides out of date cost information, particularly given the high inflation environment impacting build costs since the date of publication (circa 8-9 years ago).

- i. Nevertheless, it is also unclear how CYC has calculated the abnormal costs from the information set out in the Homes England guidance note or whether appropriate indexation has been applied to the costs (up to present day) to reflect significant cost inflation in recent years.
- ii. CBRE has analysed the abnormal costs adopted within the CIL Viability Study Addendum for residential brownfield typologies. These costs range from £45,714 to £1.4m based on site areas of between 0.11 and 3.50 net hectares.
- iii. Taking a stand back approach, this level of costs is unrealistically low and does not provide sufficient allowance for the abnormal costs associated with redevelopment of a brownfield site in York.
- iv. **M4(2), M4(3)(A) and M4(3)(B)**: the costs appear to be based on a historic EC Harris report, which dates from 2014. However, rates adopted should be indexed to present day to fully reflect the impact of inflation.

j. **BLV:**

- i. **Residential Typologies:** PPE formed opinions of residential land BLVs for the Local Plan viability assessment undertaken in 2018. Subsequently, for the purpose of the CIL Viability Study (December 2022), PPE reportedly used Savills Residential Land Value Index as a proxy to determine the change in current BLVs since the preparation of the Local Plan viability assessment.
- ii. It appears that the CIL Viability Study Addendum does not rely on any new land transactional evidence since 2018. PPE has not sought to obtain up to date transactional evidence, which CBRE considers a significant oversight by PPE.
- iii. CBRE therefore remains unclear on the logic and relevance behind the BLVs adopted in the CIL Viability Study Addendum. The BLVs have been extracted from the residential appraisals and reiterated in the **Table 10** below.

¹² Homes & Communities Agency, Guidance on dereliction, demolition and remediation costs (March 2015)

Table 10: CIL Viability Study & CIL Viability Study Addendum | BLV

Typology	BLV per gross area (hectares)
Residential (City Centre)	£1,700,000
Residential (Urban & Suburban)	£1,120,000
Residential (Village/Rural)	£900,000
Residential Agricultural /Greenfield	£450,000

Source: CYC

- iv. CBRE has gathered market transactional evidence for sites brought forward for residential use as set out below.
 - 1. Eboracum Way, York: In December 2022, the 0.57-acre site was acquired by Modernistiq (Layerthorpe) Ltd for £2,900,000 (£5,102,669/gross acre). Residential scheme comprising 62 units (planning ref: 19/01467/FULM).
- v. CBRE recommends that CYC seek to source and consider such evidence in taking a ‘stand back’ approach and a York-specific market sense-check.
- k. **Summary:** Overall, CBRE would advocate a cautious approach is taken by CYC to setting CIL rates in what represents a slowing and, potentially, reversing housing market into 2024, particularly if CYC is minded to seek to maintain or increase levels of affordable housing provision as part of the overall housing supply.

Failure to Strike an Appropriate Balance

- 67. In setting CIL rates, CYC must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments. In accordance with CIL Regulation 14(1)¹³, CYC must be able to demonstrate and explain how the proposed CIL rate(s) will contribute towards the implementation of the Plan and support development across city.
- 68. As set out in PPG¹⁴, Charging Schedules should be consistent with, and support the implementation of, up-to-date relevant plans.

¹³ CIL Regulations 2010 (as amended)

¹⁴ PPG CIL: Paragraph: 011 Reference ID: 25-011-20190901

69. The charging authority must take development costs into account when setting CIL rates, particularly those likely to be incurred on strategic sites or brownfield land. Importantly, development costs include costs arising from existing regulatory requirements, and any policies on planning obligations in the relevant Plan.
70. As also clearly set out in the RICS Guidance¹⁵, the impact on viability of a CIL, whether proposed or existing, should be considered alongside the policy requirements of the Plan. In simple terms, a 'policy-on' approach must be adopted with the full costs of Plan policies (including affordable housing) accounted for, and taking precedence over, the introduction of CIL rate setting.
71. Moreover, CBRE concludes that it is illogical and counter-intuitive for CYC to introduce the proposed CIL rates for off campus PBSA and residential use development for the published CIL Viability Study Addendum document does not constitute up-to-date appropriate available evidence to underpin the proposed rates within the Revised CIL DCS.
72. As a result, if submitted to PINS for examination in its present form and with the current evidence base, Fusion would strongly contend that the Revised CIL DCS is unsound and should not be endorsed by the Examiner for the above fundamental reasons and further technical deficiencies expanded upon below.
73. If non-compliance could not be rectified via modification(s) prior to submission to PINS or by recommendation from the Examiner, the Examiner would be requested to reject the Revised CIL DCS in accordance with Section 212A(2) of the 2008 Act.

Lack of Transparency

74. There is a lack of transparency in the CIL Viability Study that CBRE deems falls short of the requirements and expectations of PPG CIL (Paragraph: 019 Reference ID: 25-019-20190901), PPG Viability (Paragraph: 010 Reference ID: 10-010-20180724), the NPPF (para. 58), the RICS Guidance¹⁶ and RICS Professional Standards¹⁷, and which does not facilitate the viability evidence being genuinely 'available' for stakeholders to analyse.
75. Whilst all appraisals have now been provided, the corresponding cashflows have not. This is inadequate and all cashflows for residential and non-residential typologies (notably PBSA) should be issued.
76. Without this stakeholders cannot see stabilisation and exit periods corresponding to gross development value (GDV), monthly apportionment of construction and other costs and finance roll-up. This means the actual viability testing evidence utilised to set proposed CIL rates is not published in its entirety, available, and cannot be interrogated appropriately.

¹⁵ RICS Guidance Note (March 2021) Assessing viability in planning under the National Planning Policy Framework 2019 for England. Para. 3.7.14

¹⁶ RICS (2021) Assessing viability in planning under the National Planning Policy Framework 2019 for England, RICS Guidance Note

¹⁷ RICS (2019) RICS Professional Statement: Financial viability in planning: conduct and reporting, 1st Edition

Conclusions and Recommendations

77. Fusion cannot endorse or support the Revised CIL DCS, and its underpinning evidence base in the form of the CIL Viability Study Addendum, as presently published.
78. In fact, for the reasons set out in this document and its enclosures, Fusion has fundamental doubts regarding the appropriateness of the timing of this consultation on a new CIL DCS. Fusion also has severe reservations regarding the questionable validity and dependability of the published viability evidence base upon which the proposed new charging rates for PBSA use development within the Revised CIL DCS is reliant, and hence the legal compliance of the published Revised CIL DCS with the relevant legislation and guidance.
79. On this basis, Fusion cannot agree with CYC that there is an appropriately evidenced and legally compliant basis upon which the CIL DCS (as published) could be found sound by an independent Examiner, which should unavoidably lead to the rejection of the Charging Schedule in accordance with Section 212A(2) of the 2008 Act.
80. Fusion therefore hopes that this feedback prepared by CBRE, and the accompanying commentary from O'Neill Associates, is useful to CYC in reconsidering whether it is rational, prudent and justified to be proceeding with pursuing adoption of a CIL charging regime under the current circumstances.
81. To rectify the issues identified, Fusion advocate that the CIL rates proposed to apply to off campus PBSA development should be reduced to £0/m². CYC should undertake this action via modification to the published Revised CIL DCS.
82. CBRE's evidence demonstrates this modification to the Revised CIL DCS should also be undertaken in tandem with the removal of proposed modifications CYC's to Policy H7 to introduce an 2.5% affordable housing equivalent OSFC contribution per student room on sites brought forward.
83. Nevertheless, should CYC determine to submit the Revised CIL DCS for examination, in its current form and without rectifying the issues identified in this representation, Fusion will be left with no choice but to continue to pursue this matter and will seek that the Examiner rejects the Charging Schedule via the examination process.
84. Should CYC wish to engage directly with Fusion on the matter, CBRE will be able to facilitate such arrangements.

Enclosures

Enclosure 1: Schedule of Proposed & Adopted CIL Rates in Yorkshire & Humber Region

Local Authority	CIL status	Date	Residential Charges	Retail/Commercial Charges	Others
Barnsley	Draft Charging Schedule Published	17/10/2016	Four large residential charging zones with rates of £80, £50, £10, and £0 per square metre. Four small residential charging zones with rates of £80, £50, £30, and £0 per square metre.	Retail developments (A1) will be charged £70 per square metre.	No charge for all other uses.
Bradford	Adopted	21/03/2017	Four residential development charging zones with rates of £100, £50, £20 and £0 per square metre. No charge for specialist older persons housing.	Two retail warehouse development charging zones with rates of £85 and £0 per square metre. Large scale supermarket developments will be charged £50 per square metre.	No charge for all other uses.
Calderdale	Charging Schedule Submitted	11/01/2019	Six residential housing charging zones with rates of £85, £40, £25, £10, £5 and £0 per square metre. Two residential institutions and care home development charging zones with rates of £360 and £60 per square metre. Hotel developments will be charged at £60 per square metre.	Large convenience retail developments will be charged £45 per square metre. Retail warehouse developments will be charged at £100 per square metre.	All other chargeable uses will be charged £5 per square metre.
East Riding of Yorkshire	Draft Charging Schedule Published	23/01/2017	Five residential development charging zones with rates of £90, £60, £20, £10 and £0 per square metre.	Retail warehouse developments will be charged £75 per square metre.	No charge for all other uses.
Hambleton	Adopted	17/03/2015	Private market housing (excluding apartments) will be charged £55 per square metre.	Retail warehouses are to be charged £40 per square metre. Supermarkets are to be charged £90 per square metre.	No charge for all other uses.
Harrogate	Adopted	08/07/2020	Small scale residential developments will be charged £50 per square metre. Two charging zones for all other residential developments with rates of £50 and £0 per square metre. Two sheltered housing development charging zones with rates of £60 and £40 per square metre.	Three retail development charging zones for shops with rates of £120, £40 and £0 per square metre. Large supermarket and retail warehouse developments will be charged £120 per square metre. Small supermarkets will be charged £40 per square metre. Distribution developments will be charged £20 per square metre.	No charge for all other uses.
Hull	Adopted	23/01/2018	Two residential housing development charging zones with rates of £60 and £0 per square metre. Residential apartment developments will be charged £0 per square metre.	Large scale supermarket developments will be charged £50 per square metre. Small scale supermarket developments will be charged £5 per square metre. Retail warehouse developments will be charged £25 per square metre.	No charge for all other uses.
Kirklees	Examination Report Published	10/01/2020	Four residential charging zones with rates of £80, £20, £5 and £0 per square metre.	No charge for all commercial or industrial uses.	No charge for all other uses.
Leeds	Adopted	12/11/2014	Four residential charging zones with rates of £5, £23, £45 and £90 per square metre.	Two charging zones for supermarket developments with rates of £110 and £175 per square metre. Two charging zones for large comparison retail with rates of £35 and £55 per square metre. City centre offices will be charged £35 per square metre.	Publicly funded or not for profit developments will not be charged CIL. All other uses will be charged £5 per square metre.
Richmondshire	Preliminary Draft Charging Schedule Published	24/10/2016	Three residential development charging zones with rates of £120, £50 and £0 per square metre.	Supermarket developments will be charged £120 per square metre. Retail warehouse developments will be charged £60 per square metre. Neighbourhood convenience retail developments will be charged £60 per square metre.	No charge for all other uses.
Rotherham	Adopted	07/12/2016	Three residential charging zones with rates of £55, £30 and £15 per square metre. Retirement living developments will be charged £20 per square metre.	Large scale supermarket developments will be charged £60 per square metre. Large scale retail warehouse and retail park developments will be charged £30 per square metre.	No charge for all other uses.
Ryedale	Adopted	14/01/2016	Two residential charging zones with rates of £85 and £45 per square metre. No charge for apartment developments.	Supermarkets will be charged £120 per square metre. Retail warehouses will be charged £60 per square metre.	No charge for all other uses.
Selby	Adopted	03/12/2015	Three residential charging zones with rates of £50, £35 and £10 per square metre.	Supermarkets will be charged £110 per square metre. Retail warehouses will be charged £60 per square metre.	No charge for all other uses.
Sheffield	Adopted	03/06/2015	Four residential (C3 and C4) charging zones with rates of £80, £50, £30 and £0 per square metre. Hotel developments will be charged £40 per square metre. Student accommodation developments will be charged £30 per square metre.	Large retail developments are to be charged £60 per square metre. Three retail development (A1) charging zones with rates of £60, £30 and £0 per square metre.	No charge for all other uses.
Wakefield	Adopted	20/01/2016	Three residential charging zones with rates of £55, £20 and £0 per square metre.	Large supermarkets will be charged £103 per square metre. Retail warehouse developments will be charged £89 per square metre.	No charge for all other uses.

Enclosure 2: Investment Yield Guides – Q1 2024

After a difficult 2023, Q1 looks likely to follow the same pattern.

▶ **Retail**
Low volumes continue with few prime opportunities available.

▶ **Out of Town Retail**
A few assets sold prior to year end, with several more under offer.

▶ **Industrial**
Limited prime opportunities and worries over weaker rental growth prospects.

▶ **Offices**
A few transactions completed at the end of the year in a weak market .

Changes in red/ Last month in brackets

	Mar 2023 (%)	June 2023 (%)	Sept 2023 (%)	Dec 2023 (%)	Jan 2024 (%)	Trend
OFFICES						
West End (Mayfair/St James's)	3.75	3.75	4.00	4.00	4.00	Weaker
West End Non Core	4.00	4.25	4.50	4.75	4.75	Weaker
City of London	4.50	5.00	5.50	5.75	5.75	Weaker
M25/South East	6.25	6.50	6.85	7.00	7.00	Weaker
Regional Cities	6.00	5.75	6.00	6.25	6.25	Weaker
Good Secondary	9.25	9.50	9.75	10.00	10.00	Weaker
Secondary	13.00	13.50	13.75	14.00	14.00	Weaker
INDUSTRIAL						
Prime Distribution	5.25	5.25	5.25	5.25	5.25	Weaker
Prime Estate (Greater London)	4.75	4.75	4.75	4.75	4.75	Weaker
Prime Estate (Ex Greater London)	5.25	5.25	5.25	5.25	5.25	Weaker
Good Secondary	6.25	6.25	6.25	6.50	6.50	Weaker
Secondary Estate	7.25	7.25	7.25	7.50	7.50	Weaker

	Mar 2023 (%)	June 2023 (%)	Sept 2023 (%)	Dec 2023 (%)	Jan 2024 (%)	Trend
HIGH STREET SHOPS						
Prime	6.75	6.75	6.75	7.00	7.00	Stable
Good Secondary	9.00	9.00	9.00	9.00	9.00	Stable
Secondary	12.00	12.00	12.00	12.00	12.00	Weaker
SUPERMARKETS						
Prime	5.25	5.25	5.25	5.25	5.25	Weaker
SHOPPING CENTRES						
Prime	8.25	8.25	8.25	8.25	8.25	Stable
Best Secondary	12.00	12.00	12.00	12.00	12.00	Stable
Secondary	16.00	16.00	16.00	16.00	16.00	Stable
RETAIL WAREHOUSES						
Park – Prime – Open User	5.75	5.50	6.00	6.25	6.25	Weaker
Park – Prime – Bulky User	5.75	5.50	6.00	6.25	6.25	Weaker
Solus – Prime – Bulky User	5.75	5.50	5.75	6.25	6.25	Weaker
Park - Secondary	7.75	7.50	7.75	8.00	8.00	Weaker

All sectors remain trending weaker as financial indicators improve.

Changes in red/ Last month in brackets

	Mar 2023 (%)	June 2023 (%)	Sept 2023 (%)	Dec 2023 (%)	Jan 2024 (%)	Trend
LEISURE						
Prime Leisure Park	7.50	7.50	7.75	8.00	8.00	Weaker
Good Secondary Leisure Park	10.00	10.25	10.75	11.50	11.50	Weaker
Cinema Prime	7.50	7.50	8.00	8.50	8.50	Weaker
Health & Fitness Prime	5.75	5.50	5.50	6.00	6.00	Weaker
HOTELS						
Prime London Vacant Possession	4.75	4.75	4.75	5.00	5.00	Weaker
Prime London Management Contract	5.75	5.75	5.75	6.00	6.00	Weaker
Prime London Lease	4.50	4.50	4.75	4.75	4.75	Weaker
Prime Regional Vacant Possession	7.25	7.25	7.25	7.50	7.50	Weaker
Prime Regional Management Contract	8.50	8.50	8.50	8.50	8.50	Weaker
Prime Regional Lease	5.25	5.25	5.25	5.25	5.25	Weaker

	Mar 2023 (%)	June 2023 (%)	Sept 2023 (%)	Dec 2023 (%)	Jan 2024 (%)	Trend
PUBS						
Prime London Corporate Pub	4.00	4.00	4.25	4.50	4.50	Weaker
Prime Regional Corporate Pub	6.75	6.75	7.50	8.00	8.00	Weaker
ROADSIDE & AUTOMOTIVE						
Car Showroom Prime RPI Lease	5.75	5.75	6.00	6.00	6.00	Weaker
Petrol Filling Station Prime RPI Lease	5.25	5.25	5.50	5.50	5.50	Weaker
Car Park Prime RPI Lease	5.50	5.50	5.75	6.50	6.50	Weaker
FINANCIAL INDICATORS						
Base Rate	4.00	4.50	5.25	5.25	5.25	◀▶
5 Year Swaps	4.02	4.48	4.92	4.09	3.62	▼
10 Year Gilts	3.82	4.18	4.61	4.16	3.82	▼
RPI	13.40	11.40	9.00	6.10	5.30	▼
CPI	10.10	8.70	6.80	4.60	3.90	▼

Yields and sentiment unchanged

Residential

Yields and sentiment unchanged. Investors buoyed by tentative signs of positivity in economy.

Changes in red/Last month in brackets

Student

Sentiment remains positive for best in class “clean and green” properties with strong rental growth prospects, however, non-prime assets are seeing less demand from investors.

	Mar 23 (%)	Jun 23 (%)	Sep 23 (%)	Dec 23 (%)	Jan 24 (%)	Trend
RESIDENTIAL						
London Zone 2 Prime	3.60	3.60	3.85	4.15	4.15	Weaker
London Zone 2 Good Secondary	4.00	4.00	4.25	4.50	4.50	Weaker
London Zone 3 to 6 Prime	3.75	3.75	4.00	4.25	4.25	Weaker
London Zone 3 to 6 Good Secondary	4.00	4.00	4.15	4.50	4.50	Weaker
South East Prime	4.00	4.00	4.15	4.25	4.25	Weaker
South East Good Secondary	4.50	4.50	4.50	4.50	4.50	Weaker
Regional Cities Prime	4.15	4.15	4.25	4.35	4.35	Weaker
Regional Cities Secondary	4.75	4.75	4.75	4.75	4.75	Weaker
Other Regional Centres Prime	4.50	4.50	4.50	4.50	4.50	Weaker
Other Regional Centres Secondary	5.25	5.25	5.25	5.25	5.25	Weaker

	Mar 23 (%)	Jun 23 (%)	Sep 23 (%)	Dec 23 (%)	Jan 24 (%)	Trend
SINGLE FAMILY HOUSING						
South East Prime	3.80	3.80	4.00	4.15	4.15	Weaker
North West Prime	4.15	4.15	4.25	4.35	4.35	Weaker
HEALTHCARE						
Care Homes Prime (Not for Profit)	4.15	4.25	4.50	4.50	4.50	Weaker
Care Homes Prime (SPV)	5.50	5.50	5.50	5.50	5.50	Weaker
Care Homes Secondary	7.50	7.50	7.50	7.75	7.75	Weaker
STUDENT ACCOMMODATION						
Central London Direct Let	3.75	3.75	4.00	4.25	4.25	Stable
Prime Regional Direct Let	5.00	5.00	5.00	5.00	5.00	Stable
Secondary Regional Direct Let	8.50	8.50	8.50	8.50	8.50	Stable
Central London RPI Lease	4.00	4.00	4.00	4.25	4.25	Stable
Prime Regional RPI Lease	4.00	4.00	4.00	4.25	4.25	Stable
Secondary Regional RPI Lease	5.25	5.25	5.25	5.50	5.50	Stable

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Prime Yield Guide – January 2024

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 11th January 2024.



Yields are reflective of income-focussed transactions of prime, stabilised institutional-grade assets. Yields are provided on a Net Initial Yield (NIY) basis assuming a rack rented property.

SECTOR		JAN-23	AUG-23	SEPT-23	OCT-23	NOV-23	DEC-23	JAN-24	1 MONTH CHANGE	MARKET SENTIMENT
	Student Property	Prime London - Direct Let	3.75% - 4.00%	4.00% - 4.25%	4.00% - 4.25%	4.25%	4.25%	4.25%	4.25%	STABLE
		Prime Regional - Direct Let	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	STABLE
		Prime London - 25 yr lease, Annual RPI	4.00% - 4.25%	4.00%	4.00% +	4.00% +	4.25%	4.25% +	4.25% +	NEGATIVE
		Prime Regional - 25 yr lease, Annual RPI	4.25% - 4.50%	4.25%	4.25% - 4.50%	4.25% - 4.50%	4.50%	4.50% +	4.50% +	NEGATIVE
	Co-Living	Prime London	4.00%	4.00% +	4.00% +	4.25%	4.25%	4.25%	4.25%	STABLE
		Prime Regional	4.75%	4.75% +	4.75% +	5.00%	5.00%	5.00%	5.00%	STABLE
	Build to Rent	Zone 1 London Prime	3.25% +	3.60%	3.75%	3.75% +	3.90%	3.90%	3.90%	STABLE
		Zone 2 London Prime	3.25% - 3.50%	3.80%	3.90%	4.00%	4.00% +	4.00% +	4.00% +	STABLE
		Zones 3-4 London Prime	3.5% +	3.90%	4.00%	4.00% +	4.15% +	4.15% +	4.15% +	STABLE
		Greater London Prime	3.75% +	4.00% - 4.10%	4.10%	4.10% +	4.25% +	4.25% +	4.25% +	STABLE
		South East Prime	3.75% - 4.00%	4.00% - 4.10%	4.10%	4.10% +	4.25% +	4.25% +	4.25% +	STABLE
		Tier 1 Regional Cities	4.00%	4.20%	4.25%	4.35%	4.50% -	4.50%	4.50%	STABLE
		Tier 2 Regional Cities	4.25% - 4.50%	4.50%	4.50% +	4.65%	4.75% +	4.75% +	4.75% +	STABLE
		South East – Single Family Housing	3.75% +	3.75% - 4.00%	4.00%	4.00% +	4.00% +	4.00% +	4.00% +	STABLE
		Regional – Single Family Housing	4.00% - 4.25%	4.25% +	4.50%	4.50% +	4.50% +	4.50% +	4.50% +	STABLE
	Seniors Housing	Prime South East	5.25% +	5.25% +	5.25% +	5.25% +	5.25% +	5.25% +	5.25% +	STABLE

Your partners in property.

Prime Yield Guide – January 2024

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 11th January 2024.



KEY RESEARCH

UK Student Market Update

Q3 2023 Knight Frank

Fewer than 15,000 new purpose-built student beds will be added to capacity in the 2023/24 academic year, a 28% fall on the previous year's delivery and notably below the five-year average before the pandemic of nearly 24,000.

Development stalls
A sharp decline in a combination of a longer-term trend of fewer new schemes being brought to the market. Just 50 new developments will be completed in 2023/24, down from 100 in 2022/23. The number of new schemes is down from 100 in 2022/23 to 50 in 2023/24, with the number of new schemes completed falling from 100 in 2022/23 to 50 in 2023/24. The volume of new schemes completed in 2023/24 is down from 100 in 2022/23 to 50 in 2023/24. The volume of new schemes completed in 2023/24 is down from 100 in 2022/23 to 50 in 2023/24.

Student numbers rising
The latest student population data from HEA shows that 448,000 full-time students are enrolled in UK universities in 2023/24, up from 442,000 in 2022/23. This is a 1.8% increase on the previous year. The number of students enrolled in UK universities in 2023/24 is up from 442,000 in 2022/23 to 448,000 in 2023/24. The number of students enrolled in UK universities in 2023/24 is up from 442,000 in 2022/23 to 448,000 in 2023/24.

The upside
Given the sharp decline in new developments and the projected growth, the total pipeline is around 12,000 beds across the UK, with 25% of this under construction and a further 10% with planning permission. Given the decline in new developments, the total pipeline is around 12,000 beds across the UK, with 25% of this under construction and a further 10% with planning permission.

UK BTR market update

Q3 2023 Knight Frank

Despite a challenging backdrop, investment in UK Build to Rent (BTR) has been robust in H1 2023, supported by an uptick in Single Family Housing (SFH) deals. Meanwhile, supply shortages continue to support strong rental growth.

Investment volumes reflect strength of interest in the sector
Investment into the UK Build to Rent market for BTR in the second quarter of 2023, along with new investment in the first nine months of 2023, has been robust. Investment into the UK Build to Rent market for BTR in the second quarter of 2023, along with new investment in the first nine months of 2023, has been robust.

Notable growth in single family housing deals
Knight Frank Housing (KFH) reported the total investment in UK Build to Rent investment has risen to £1.1 billion – nearly double the figure for H1 2022. Single family housing (SFH) investment over the period has been reported to several deals with householders. The wider economic context is supporting a shift in investor interest towards single family housing.

UK capital investment
UK investors have been the most active in terms of spend in the UK, accounting for 49% of total investment in the UK Build to Rent market between 2020 and 2022 of 46%. North American investors were the second most active at 21% of total investment in the UK Build to Rent market between 2020 and 2022 of 46%. North American investors were the second most active at 21% of total investment in the UK Build to Rent market between 2020 and 2022 of 46%.

[CLICK TO DOWNLOAD PBSA](#)

[CLICK TO DOWNLOAD BTR](#)

Knight Frank Research looks at the latest investment and development trends in the UK Student & BTR sector in Q3 2023

KEY CONTACTS VALUATIONS / RESEARCH

We like questions. If you would like some property advice, or want more information about our research, we would love to hear from you.



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Did you know

In addition to valuing assets in the main property sectors and having award winning teams in the Healthcare, Student and Automotive sectors, Knight Frank also has expertise in :

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- Infrastructure
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- Film Studios
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- Data Centres
- Life Sciences
- Income Strips
- Ground Rents
- Trading assets
- Expert Witness
- IPOs

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Enclosure 3: RICS BCIS – Rebased to York (January 2024)

£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 13-Jan-2024 07:26

Rebased to 1Q 2024 (389; forecast) and York (98; sample 19)

MAXIMUM AGE OF RESULTS: DEFAULT PERIOD

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
New build								
816. Flats (apartments)								
Generally (15)	1,748	865	1,451	1,645	1,976	5,925	828	
1-2 storey (15)	1,649	1,007	1,386	1,561	1,842	3,419	173	
3-5 storey (15)	1,725	865	1,443	1,638	1,943	3,616	554	
6 storey or above (15)	2,057	1,255	1,667	1,935	2,232	5,925	98	
856.2 Students' residences, halls of residence, etc (15)	2,190	1,260	1,963	2,211	2,437	3,582	52	

Enclosure 4: Developer-led (Off-campus) PBSA Development Typology Appraisals (Including Modified Policy H7 OSFC)

PBSA Typology
Includes Policy H7 2.5% OSFC/room
100 beds

Development Appraisal
Licensed Copy
25 January 2024

PBSA Typology
Includes Policy H7 2.5% OSFC/room
100 beds

Appraisal Summary for Phase 5 100 (V2)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 100 bed typology	100	21,528	44.61	9,603	672,210	960,300	672,210

Investment Valuation

Student accommodation - 100 bed typology							
Current Rent	672,210	YP @	5.2500%	19.0476	12,804,000		

NET REALISATION

12,804,000

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(321,685)				(321,685)
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 100 bed typology	35,880	204.29	7,329,925	7,329,925
Externals		10.00%	732,993	
Site Abnormals	0 ac	400,000 /ac	68,000	
Contingency		4.00%	322,517	
				1,123,509

Other Construction

Policy H10 AH OSFC Payment	100 un	7,000.00 /un	700,000	
Policy CC1, CC2 & CC3	100 un	2,250.00 /un	225,000	
Policy G12 BNG	0 ac	15,000 /ac	2,550	
				927,550

PROFESSIONAL FEES

Professional Fees		8.00%	645,033	
				645,033

DISPOSAL FEES

Sales Agent Fee		2.00%	256,080	
				256,080

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(51,402)	
Construction			760,990	
Total Finance Cost				709,587

TOTAL COSTS

10,670,000

PROFIT

2,134,000

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.30%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR% (without Interest)	31.70%
Rent Cover	3 yrs 2 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
Includes Policy H7 2.5% OSFC/room
200 beds

Development Appraisal
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25 January 2024

**PBSA Typology
Includes Policy H7 2.5% OSFC/room
200 beds**

Appraisal Summary for Phase 6 200 (V2)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 200 bed typology	200	43,056	44.61	9,603	1,344,420	1,920,600	1,344,420

Investment Valuation

Student accommodation - 200 bed typology							
Current Rent	1,344,420	YP @	5.2500%	19.0476	25,608,000		

NET REALISATION

25,608,000

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(1,005,781)				(1,005,781)
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 200 bed typology	71,760	204.29	14,659,850	14,659,850
Externals		10.00%	1,465,985	
Site Abnormals	0 ac	400,000 /ac	184,000	
Contingency		4.00%	645,033	
				2,295,018

Other Construction

Policy H10 AH OSFC Payment	200 un	7,000.00 /un	1,400,000	
Policy CC1, CC2 & CC3	200 un	2,250.00 /un	450,000	
Policy G12 BNG	0 ac	15,000 /ac	6,900	
				1,856,900

PROFESSIONAL FEES

Professional Fees		8.00%	1,290,067	
				1,290,067

DISPOSAL FEES

Sales Agent Fee		2.00%	512,160	
				512,160

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(198,017)	
Construction			1,929,803	
Total Finance Cost				1,731,786

TOTAL COSTS

21,340,000

PROFIT

4,268,000

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.30%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR% (without Interest)	27.57%
Rent Cover	3 yrs 2 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
Includes Policy H7 2.5% OSFC/room
350 beds

PBSA Typology
Includes Policy H7 2.5% OSFC/room
350 beds

Appraisal Summary for Phase 7 350 (V2)

Currency in £

REVENUE

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 350 bed typology	350	75,347	44.61	9,603	2,352,724	3,361,034	2,352,724

Investment Valuation

Student accommodation - 350 bed typology							
Current Rent	2,352,724	YP @	5.2500%	19.0476	44,813,792		

NET REALISATION

44,813,792

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(2,159,876)		(2,159,876)		
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CONSTRUCTION COSTS

Construction

	ft²	Build Rate ft²	Cost	
Student accommodation - 350 bed typology	125,578	204.29	25,654,398	25,654,398
Externals		10.00%	2,565,440	
Site Abnormals	1 ac	400,000 /ac	304,000	
Contingency		4.00%	1,128,793	
				3,998,233

Other Construction

Policy H10 AH OSFC Payment	350 un	7,000.00 /un	2,450,000	
Policy CC1, CC2 & CC3	350 un	2,250.00 /un	787,500	
Policy G12 BNG	1 ac	15,000 /ac	11,400	
				3,248,900

PROFESSIONAL FEES

Professional Fees		8.00%	2,257,587	
				2,257,587

DISPOSAL FEES

Sales Agent Fee		2.00%	896,276	
				896,276

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(490,017)	
Construction			3,939,325	
Total Finance Cost				3,449,308

TOTAL COSTS

37,344,826

PROFIT

7,468,966

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.30%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR% (without Interest)	25.28%
Rent Cover	3 yrs 2 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
Includes Policy H7 2.5% OSFC/room
600 beds

PBSA Typology
Includes Policy H7 2.5% OSFC/room
600 beds

Appraisal Summary for Phase 8 600 (V2)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 600 bed typology	600	129,167	44.61	9,603	4,033,269	5,761,813	4,033,269

Investment Valuation

Student accommodation - 600 bed typology							
Current Rent	4,033,269	YP @	5.2500%	19.0476	76,824,178		

NET REALISATION

76,824,178

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(4,860,938)		(4,860,938)		
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 600 bed typology	215,278	204.29	43,979,211	43,979,211
Externals		10.00%	4,397,921	
Site Abnormals	2 ac	400,000 /ac	652,000	
Contingency		4.00%	1,935,085	
				6,985,006
Other Construction				
Policy H10 AH OSFC Payment	600 un	7,000.00 /un	4,200,000	
Policy CC1, CC2 & CC3	600 un	2,250.00 /un	1,350,000	
Policy G12 BNG	2 ac	15,000 /ac	24,450	
				5,574,450

PROFESSIONAL FEES

Professional Fees		8.00%	3,870,171	
				3,870,171

DISPOSAL FEES

Sales Agent Fee		2.00%	1,536,484	
				1,536,484

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(1,318,728)	
Construction			8,254,486	
Total Finance Cost				6,935,758

TOTAL COSTS

64,020,142

PROFIT

12,804,037

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.30%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR% (without Interest)	22.94%
Rent Cover	3 yrs 2 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

Enclosure 5: Developer-led (Off-campus) PBSA Development Typology Appraisals (Excluding Modified Policy H7 OSFC)

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
100 Beds

Development Appraisal
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25 January 2024

**PBSA Typology
Excludes Policy H7 2.5% OSFC/room
100 Beds**

Appraisal Summary for Phase 1 100 (V1)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 100 bed typology	100	21,528	44.61	9,603	672,210	960,300	672,210

Investment Valuation

Student accommodation - 100 bed typology							
Current Rent	672,210	YP @	5.2500%	19.0476	12,804,000		

NET REALISATION

12,804,000

OUTLAY

ACQUISITION COSTS

Residualised Price			343,343				
Stamp Duty			6,667				343,343
Effective Stamp Duty Rate		1.94%					
Agent Fee			3,433				
Legal Fee		0.80%	2,747				
							12,847

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost	
Student accommodation - 100 bed typology	35,880	204.29	7,329,925	
Externals		10.00%	732,993	
Site Abnormals	0 ac	400,000 /ac	68,000	
Contingency		4.00%	322,517	
				8,453,434
Other Construction				
Policy CC1, CC2 & CC3	100 un	2,250.00 /un	225,000	
Policy G12 BNG	0 ac	15,000 /ac	2,550	
				227,550

PROFESSIONAL FEES

Professional Fees		8.00%	645,033				
							645,033

DISPOSAL FEES

Sales Agent Fee		2.00%	256,080				
							256,080

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)							
Land							62,329
Construction							669,382
Total Finance Cost							731,712

TOTAL COSTS

10,670,000

PROFIT

2,134,000

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.30%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%

IRR% (without Interest) 30.64%

Rent Cover 3 yrs 2 mths

Profit Erosion (finance rate 8.500) 2 yrs 2 mths

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
200 Beds

Development Appraisal
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25 January 2024

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
200 Beds

Appraisal Summary for Phase 2 200 (V1)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 200 bed typology	200	43,056	44.61	9,603	1,344,420	1,920,600	1,344,420

Investment Valuation

Student accommodation - 200 bed typology							
Current Rent	1,344,420	YP @	5.2500%	19.0476	25,608,000		

NET REALISATION **25,608,000**

OUTLAY

ACQUISITION COSTS

Residualised Price			336,588				
Stamp Duty			6,329		336,588		
Effective Stamp Duty Rate		1.88%					
Agent Fee			3,366				
Legal Fee		0.80%	2,693				
						12,388	

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost	
Student accommodation - 200 bed typology	71,760	204.29	14,659,850	
Externals		10.00%	1,465,985	
Site Abnormals	0 ac	400,000 /ac	184,000	
Contingency		4.00%	645,033	16,954,869
Other Construction				
Policy CC1, CC2 & CC3	200 un	2,250.00 /un	450,000	
Policy G12 BNG	0 ac	15,000 /ac	6,900	456,900

PROFESSIONAL FEES

Professional Fees	8.00%	1,290,067	1,290,067
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DISPOSAL FEES

Sales Agent Fee	2.00%	512,160	512,160
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FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)			
Land			75,713
Construction			1,701,316
Total Finance Cost			1,777,028

TOTAL COSTS **21,340,000**

PROFIT **4,268,000**

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.30%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%

IRR% (without Interest) 26.64%

Rent Cover 3 yrs 2 mths
 Profit Erosion (finance rate 8.500) 2 yrs 2 mths

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
350 Beds

Development Appraisal
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25 January 2024

**PBSA Typology
Excludes Policy H7 2.5% OSFC/room
350 Beds**

Appraisal Summary for Phase 3 350 (V1)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 350 bed typology	350	75,347	44.61	9,603	2,352,724	3,361,034	2,352,724

Investment Valuation

Student accommodation - 350 bed typology							
Current Rent	2,352,724	YP @	5.2500%	19.0476	44,813,792		

NET REALISATION

44,813,792

OUTLAY

ACQUISITION COSTS

Residualised Price				204,653			
					204,653		
Agent Fee		1.00%		2,047			
Legal Fee		0.80%		1,637			
						3,684	

CONSTRUCTION COSTS

	ft ²	Build Rate ft ²	Cost
Construction			
Student accommodation - 350 bed typology	125,578	204.29	25,654,398
Externals		10.00%	2,565,440
Site Abnormals	1 ac	400,000 /ac	304,000
Contingency		4.00%	1,128,793
			29,652,631
Other Construction			
Policy CC1, CC2 & CC3	350 un	2,250.00 /un	787,500
Policy G12 BNG	1 ac	15,000 /ac	11,400
			798,900

PROFESSIONAL FEES

Professional Fees		8.00%	2,257,587				
					2,257,587		

DISPOSAL FEES

Sales Agent Fee		2.00%	896,276				
					896,276		

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)							
Land					52,396		
Construction					3,478,702		
Total Finance Cost						3,531,098	

TOTAL COSTS

37,344,828

PROFIT

7,468,964

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.30%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR% (without Interest)	24.38%
Rent Cover	3 yrs 2 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
600 Beds

Development Appraisal
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25 January 2024

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
600 Beds

Appraisal Summary for Phase 4 600 (V1)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 600 bed typology	600	129,167	44.61	9,603	4,033,269	5,761,813	4,033,269

Investment Valuation

Student accommodation - 600 bed typology							
Current Rent	4,033,269	YP @	5.2500%	19.0476	76,824,178		

NET REALISATION

76,824,178

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(818,452)		(818,452)		
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 600 bed typology	215,278	204.29	43,979,211	43,979,211
Externals		10.00%	4,397,921	
Site Abnormals	2 ac	400,000 /ac	652,000	
Contingency		4.00%	1,935,085	
				6,985,006
Other Construction				
Policy CC1, CC2 & CC3	600 un	2,250.00 /un	1,350,000	
Policy G12 BNG	2 ac	15,000 /ac	24,450	
				1,374,450

PROFESSIONAL FEES

Professional Fees	8.00%	3,870,171		3,870,171
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DISPOSAL FEES

Sales Agent Fee	2.00%	1,536,484		1,536,484
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FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(228,187)	
Construction			7,321,459	
Total Finance Cost				7,093,272

TOTAL COSTS

64,020,141

PROFIT

12,804,037

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.30%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR% (without Interest)	22.03%
Rent Cover	3 yrs 2 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

Enclosure 6: Developer-led (Off-campus) PBSA Development Typology Appraisals (Including Modified Policy H7 OSFC) (Sensitivity)

PBSA Typology
Includes Policy H7 2.5% OSFC/room
CBRE Sensitivity
100 beds

**PBSA Typology
Includes Policy H7 2.5% OSFC/room
CBRE Sensitivity**

Appraisal Summary for Phase 13 100 (V4)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 100 bed typology	100	21,528	44.61	9,603	672,210	960,300	672,210

Investment Valuation

Student accommodation - 100 bed typology							
Current Rent	672,210	YP @	5.5000%	18.1818	12,222,000		

NET REALISATION

12,222,000

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(1,744,175)				(1,744,175)
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 100 bed typology	35,880	226.40	8,123,232	8,123,232
Externals		10.00%	812,323	
Site Abnormals	0 ac	400,000 /ac	68,000	
Contingency		5.00%	446,778	
				1,327,101
Other Construction				
Policy H10 AH OSFC Payment	100 un	7,000.00 /un	700,000	
Policy CC1, CC2 & CC3	100 un	2,250.00 /un	225,000	
Policy G12 BNG	0 ac	15,000 /ac	2,550	
				927,550

PROFESSIONAL FEES

Professional Fees		8.00%	714,844	714,844
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DISPOSAL FEES

Sales Agent Fee		2.00%	244,440	244,440
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FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(242,974)	
Construction			834,982	
Total Finance Cost				592,007

TOTAL COSTS

10,184,999

PROFIT

2,037,001

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.60%
Equivalent Yield% (Nominal)	5.50%
Equivalent Yield% (True)	5.69%
IRR% (without Interest)	40.21%
Rent Cover	3 yrs
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
Includes Policy H7 2.5% OSFC/room
CBRE Sensitivity
200 beds

**PBSA Typology
Includes Policy H7 2.5% OSFC/room
CBRE Sensitivity**

Appraisal Summary for Phase 14 200 (V4)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 200 bed typology	200	43,056	44.61	9,603	1,344,420	1,920,600	1,344,420

Investment Valuation

Student accommodation - 200 bed typology							
Current Rent	1,344,420	YP @	5.5000%	18.1818	24,444,000		

NET REALISATION

24,444,000

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(3,809,821)				(3,809,821)
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 200 bed typology	71,760	226.40	16,246,464	16,246,464
Externals		10.00%	1,624,646	
Site Abnormals	0 ac	400,000 /ac	184,000	
Contingency		5.00%	893,556	
				2,702,202

Other Construction

Policy H10 AH OSFC Payment	200 un	7,000.00 /un	1,400,000	
Policy CC1, CC2 & CC3	200 un	2,250.00 /un	450,000	
Policy G12 BNG	0 ac	15,000 /ac	6,900	
				1,856,900

PROFESSIONAL FEES

Professional Fees		8.00%	1,429,689	
				1,429,689

DISPOSAL FEES

Sales Agent Fee		2.00%	488,880	
				488,880

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(661,256)	
Construction			2,116,943	
Total Finance Cost				1,455,687

TOTAL COSTS

20,370,001

PROFIT

4,073,999

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.60%
Equivalent Yield% (Nominal)	5.50%
Equivalent Yield% (True)	5.69%
IRR% (without Interest)	34.83%
Rent Cover	3 yrs
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
Includes Policy H7 2.5% OSFC/room
CBRE Sensitivity
350 beds

**PBSA Typology
Includes Policy H7 2.5% OSFC/room
CBRE Sensitivity**

Appraisal Summary for Phase 15 350 (V4)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 350 bed typology	350	75,347	44.61	9,603	2,352,724	3,361,034	2,352,724

Investment Valuation

Student accommodation - 350 bed typology							
Current Rent	2,352,724	YP @	5.5000%	18.1818	42,776,801		

NET REALISATION

42,776,801

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(7,012,275)				(7,012,275)
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 350 bed typology	125,578	226.40	28,430,935	28,430,935
Externals		10.00%	2,843,093	
Site Abnormals	1 ac	400,000 /ac	304,000	
Contingency		5.00%	1,563,701	
				4,710,795
Other Construction				
Policy H10 AH OSFC Payment	350 un	7,000.00 /un	2,450,000	
Policy CC1, CC2 & CC3	350 un	2,250.00 /un	787,500	
Policy G12 BNG	1 ac	15,000 /ac	11,400	
				3,248,900

PROFESSIONAL FEES

Professional Fees		8.00%	2,501,922	
				2,501,922

DISPOSAL FEES

Sales Agent Fee		2.00%	855,536	
				855,536

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(1,410,817)	
Construction			4,322,340	
Total Finance Cost				2,911,522

TOTAL COSTS

35,647,336

PROFIT

7,129,466

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.60%
Equivalent Yield% (Nominal)	5.50%
Equivalent Yield% (True)	5.69%
IRR% (without Interest)	31.95%
Rent Cover	3 yrs
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
Includes Policy H7 2.5% OSFC/room
CBRE Sensitivity
600 beds

**PBSA Typology
Includes Policy H7 2.5% OSFC/room
CBRE Sensitivity**

Appraisal Summary for Phase 16 600 (V4)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 600 bed typology	600	129,167	44.61	9,603	4,033,269	5,761,813	4,033,269

Investment Valuation

Student accommodation - 600 bed typology							
Current Rent	4,033,269	YP @	5.5000%	18.1818	73,332,170		

NET REALISATION

73,332,170

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(13,056,267)				(13,056,267)
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 600 bed typology	215,278	226.40	48,739,015	48,739,015
Externals		10.00%	4,873,901	
Site Abnormals	2 ac	400,000 /ac	652,000	
Contingency		5.00%	2,680,646	
				8,206,547
Other Construction				
Policy H10 AH OSFC Payment	600 un	7,000.00 /un	4,200,000	
Policy CC1, CC2 & CC3	600 un	2,250.00 /un	1,350,000	
Policy G12 BNG	2 ac	15,000 /ac	24,450	
				5,574,450

PROFESSIONAL FEES

Professional Fees		8.00%	4,289,033	
				4,289,033

DISPOSAL FEES

Sales Agent Fee		2.00%	1,466,643	
				1,466,643

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(3,166,713)	
Construction			9,057,416	
Total Finance Cost				5,890,704

TOTAL COSTS

61,110,125

PROFIT

12,222,045

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.60%
Equivalent Yield% (Nominal)	5.50%
Equivalent Yield% (True)	5.69%
IRR% (without Interest)	29.31%
Rent Cover	3 yrs
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

Enclosure 7: Developer-led (Off-campus) PBSA Development Typology Appraisals (Excluding Modified Policy H7 OSFC) (Sensitivity)

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
CBRE Sensitivity
100 beds

**PBSA Typology
Excludes Policy H7 2.5% OSFC/room
CBRE Sensitivity**

Appraisal Summary for Phase 9 100 (V3)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 100 bed typology	100	21,528	44.61	9,603	672,210	960,300	672,210

Investment Valuation

Student accommodation - 100 bed typology							
Current Rent	672,210	YP @	5.5000%	18.1818	12,222,000		

NET REALISATION

12,222,000

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(1,049,259)				(1,049,259)
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 100 bed typology	35,880	226.40	8,123,232	8,123,232
Externals		10.00%	812,323	
Site Abnormals	0 ac	400,000 /ac	68,000	
Contingency		5.00%	446,778	
				1,327,101

Other Construction

Policy CC1, CC2 & CC3	100 un	2,250.00 /un	225,000	
Policy G12 BNG	0 ac	15,000 /ac	2,550	
				227,550

PROFESSIONAL FEES

Professional Fees		8.00%	714,844	714,844
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DISPOSAL FEES

Sales Agent Fee		2.00%	244,440	244,440
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FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(146,285)	
Construction			743,374	
Total Finance Cost				597,089

TOTAL COSTS

10,184,997

PROFIT

2,037,003

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.60%
Equivalent Yield% (Nominal)	5.50%
Equivalent Yield% (True)	5.69%
IRR% (without Interest)	37.54%
Rent Cover	3 yrs
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
CBRE Sensitivity
200 beds

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
CBRE Sensitivity

Appraisal Summary for Phase 10 200 (V3)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 200 bed typology	200	43,056	44.61	9,603	1,344,420	1,920,600	1,344,420

Investment Valuation

Student accommodation - 200 bed typology							
Current Rent	1,344,420	YP @	5.5000%	18.1818	24,444,000		

NET REALISATION

24,444,000

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(2,420,391)				(2,420,391)
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 200 bed typology	71,760	226.40	16,246,464	16,246,464
Externals		10.00%	1,624,646	
Site Abnormals	0 ac	400,000 /ac	184,000	
Contingency		5.00%	893,556	
				2,702,202
Other Construction				
Policy CC1, CC2 & CC3	200 un	2,250.00 /un	450,000	
Policy G12 BNG	0 ac	15,000 /ac	6,900	
				456,900

PROFESSIONAL FEES

Professional Fees		8.00%	1,429,689	
				1,429,689

DISPOSAL FEES

Sales Agent Fee		2.00%	488,880	
				488,880

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(422,202)	
Construction			1,888,456	
Total Finance Cost				1,466,253

TOTAL COSTS

20,369,997

PROFIT

4,074,003

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.60%
Equivalent Yield% (Nominal)	5.50%
Equivalent Yield% (True)	5.69%
IRR% (without Interest)	32.48%
Rent Cover	3 yrs
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
CBRE Sensitivity
350 beds

**PBSA Typology
Excludes Policy H7 2.5% OSFC/room
CBRE Sensitivity**

Appraisal Summary for Phase 11 350 (V3)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 350 bed typology	350	75,347	44.61	9,603	2,352,724	3,361,034	2,352,724

Investment Valuation

Student accommodation - 350 bed typology							
Current Rent	2,352,724	YP @	5.5000%	18.1818	42,776,801		

NET REALISATION

42,776,801

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(4,584,492)				(4,584,492)
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 350 bed typology	125,578	226.40	28,430,935	28,430,935
Externals		10.00%	2,843,093	
Site Abnormals	1 ac	400,000 /ac	304,000	
Contingency		5.00%	1,563,701	
				4,710,795

Other Construction

Policy CC1, CC2 & CC3	350 un	2,250.00 /un	787,500	
Policy G12 BNG	1 ac	15,000 /ac	11,400	
				798,900

PROFESSIONAL FEES

Professional Fees		8.00%	2,501,922	
				2,501,922

DISPOSAL FEES

Sales Agent Fee		2.00%	855,536	
				855,536

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(927,979)	
Construction			3,861,716	
Total Finance Cost				2,933,737

TOTAL COSTS

35,647,333

PROFIT

7,129,468

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.60%
Equivalent Yield% (Nominal)	5.50%
Equivalent Yield% (True)	5.69%
IRR% (without Interest)	29.71%
Rent Cover	3 yrs
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
Excludes Policy H7 2.5% OSFC/room
CBRE Sensitivity
600 beds

**PBSA Typology
Excludes Policy H7 2.5% OSFC/room
CBRE Sensitivity**

Appraisal Summary for Phase 12 600 (V3)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 600 bed typology	600	129,167	44.61	9,603	4,033,269	5,761,813	4,033,269

Investment Valuation

Student accommodation - 600 bed typology							
Current Rent	4,033,269	YP @	5.5000%	18.1818	73,332,170		

NET REALISATION

73,332,170

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(8,908,941)				(8,908,941)
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CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Student accommodation - 600 bed typology	215,278	226.40	48,739,015	48,739,015
Externals		10.00%	4,873,901	
Site Abnormals	2 ac	400,000 /ac	652,000	
Contingency		5.00%	2,680,646	
				8,206,547

Other Construction

Policy CC1, CC2 & CC3	600 un	2,250.00 /un	1,350,000	
Policy G12 BNG	2 ac	15,000 /ac	24,450	
				1,374,450

PROFESSIONAL FEES

Professional Fees		8.00%	4,289,033	
				4,289,033

DISPOSAL FEES

Sales Agent Fee		2.00%	1,466,643	
				1,466,643

FINANCE

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(2,180,996)	
Construction			8,124,389	
Total Finance Cost				5,943,393

TOTAL COSTS

61,110,141

PROFIT

12,222,029

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.60%
Equivalent Yield% (Nominal)	5.50%
Equivalent Yield% (True)	5.69%
IRR% (without Interest)	26.97%
Rent Cover	3 yrs
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

