Leicester City Council CIL
Student Accommodation – Adjournment Note

IMPORTANT NOTE

This note ~~has been~~ was prepared as discussed with the CIL Examiner and for discussion with CODE and the University. It was circulated on 28th August 2015. It ~~is~~ was prepared as a starting point in which I have tried to set out the issues, as I understand them. Where there is a difference I have (briefly) set out my understanding pf the positions – this may well need clarification.

This note is subdivided into several sections. The areas of contention have been highlighted in the shaded boxes – there may be more, and I hope that some of these are not actually contentious.

~~We look forward to your soonest response.~~ This note incorporates both CODE's and the University's comments in the shaded boxes. We have made changes as per comments as highlighted in RED. The Council met with CODE on 21st September and the University on 25th September (SDH did not attend the meeting on 21st September but did attend on the 25th September). At the time of this note (Friday 2nd October2015) the University had not confirmed the notes of the meeting on 25th was a fair record of the meeting, CODE had made few additional remarks to the notes from the 21st.

1. The Leicester City Council CIL Examination commenced on Wednesday 19th August. The CIL Examiner agreed to an adjournment to allow the Council to respond to information submitted in relation to Student Accommodation.

2. Prior to the examination stage little comment had been received in relation to the viability evidence in relation to student housing. The University of Leicester submitted detailed viability evidence as a response to the CIL Examiner's questions and CODE (a private sector developer of student accommodation) submitted evidence in relation to values and land values at the examination. In response to the University's submission HDH had prepared a brief update paper. In preparing that paper an error in the modelling was identified so the modelling was redone from first principles. This note replaces the note prepared prior to the Examination.

3. The University's principal viability points of concern are (the University also has made non-viability points, particularly concerning charitable status):

    a. Buyers costs have not been 'netted' from the GDV (as a purchase would be an investment purchase).

    b. Stamp duty had not been allowed for on the purchase price.

    c. Professional Fees should be calculated on the aggregated costs of construction, infrastructure, abnormals and fees – rather than just the construction costs.

    d. The developers' competitive return should be calculated on interest as well as costs.

4. CODE made the following points:

   a. Management costs should be 30%.

   b. Yields should be 6.5%.

   c. Land values for student accommodation are in the range of £8,000 per letting room to £12,000 per letting room.

   d. Abnormal costs are not allowed for.

   e. The modelling should not be based on areas.

5. This paper has been prepared by HDH and the City Council's officers. At the hearing it was agreed that this would be circulated, in draft, to the University and CODE for comment by 28th August with a view to receiving comments back in good time to allow its submission to the CIL Examiner, with any outstanding areas of difference clearly identified by 11th September.

6. The Council and HDH acknowledge that they are not specialists in the field of student accommodation. To 'check' the value assumptions used, Matthews & Goodman have been consulted. Matthews & Goodman are a firm of Chartered Surveyors who have been involved in the Leicester market, selling several student housing sites. They have not previously acted for the Council. We have attached, at **Appendix 1**, our email to them of 20th August 2015 and an attachment setting out our approach to the valuation. This incorporated a series of questions. We have also attached, at **Appendix 2**, their response of the 24th August 2015.

   At the start of the University's note a range of comments are made with regard to the method and in particular Additional Profit. I take this opportunity to stress that the purpose of the viability testing is not to calculate CIL, it is to assess the effect of CIL on viability. The concept of Additional Profit is useful in the early stages to assess the potential for CIL but it is just one of the ways of approaching the assessment. At this stage the analysis has moved on from a calculation of the Additional Profit to an assessment if the impact of CIL.

Development Activity

7. Both the University and CODE consider the development of student accommodation in Leicester to be unviable. The Council reject this contention. It is clear from development activity on the ground that student accommodation is the predominant form of development in the City Centre. This would not be the case if the sector was not viable.

8. The following schemes are under construction:

Table 1 Student Accommodation under construction - August 2015		
APP NO	**SITE NAME**	**BED SPACES**
20110288	Bath Lane (Blackfriars site)	601
20121532	Former Southgates bus depot	500
20131845	11-17 Jarrom St	150
20141344	31 Lower Brown St	107
	TOTAL	**1,358**

Source: LCC August 2015

9. In addition the Council's development management department is currently considering the following planning applications:

Table 2 Student Accommodation planning applications submitted and validated, but not yet determined – August 2015		
APP NO	**SITE NAME**	**BED SPACES**
20150338	54-58 London Rd	151
20150795	Oxford St/Newarke St	45*
20151047	22 Grange Lane	266
20151143	52 Western Road	329
20151144	36 Western Road	252
20151355	188 Welford Road	11
	TOTAL	**1,009**

*net increase of 45 bedspaces on previously approved scheme.

Source: LCC August 2015

10. There is considerable competition between developers for land and some very high prices have been paid. If development in the sector was not viable planning applications would not be being submitted, development would not be taking place and there would not be competition between developers for sites.

11. When considering new student accommodation in Leicester it is necessary to consider where such development is likely to occur. The University's representations made to the Local Plan Issues and Options confirmed that '*the existing accommodation broadly represents the right quantum required to meet its needs*'. We understand that the University also suggests that any strategy that comes forward should seek to consider the legacy of surplus/out dated stock. Such redevelopment may not be subject to CIL, being redevelopment and CIL only being applicable on net new development.

POINT 1

Are the above statements common ground? If student accommodation is not viable what is the explanation for the activity in the sector?

CODE responded: Student development can be made viable by developers seeking to minimise costs through keeping the construction contract term to a bare minimum to reduce prelims, avoiding extras and contingency payments by identifying potential costs and remedies prior to the instruction of a main contractor and potentially accepting reduced profits.

University Responded: The University consider that student accommodation in Leicester is viable at land values at or close to Existing Use Value (EUV/AUL) for alternative use but development is not necessarily viable above these figures to provide the "additional profit" margin that HDH seek to show and out of which a CIL rate can be charged.

The position on "additional profit" or lack of it is clearly shown when the HDH revised viability residual calculations include all appropriate assumptions such as Purchasers costs.

HDH are seeking to prove that there is "additional profit" in student development above EUV / AUV based upon £2,000,000 per hectare plus 20% increase at "2,400,000 per hectare, however at or around the existing use / alternative use value there will be development activity and viability of student accommodation.

The additional profit calculated by HDH in their financial viability calculations is in essence the issue in dispute not the wider viability of the student sector.

Both CODE and the University have agreed that the development of student housing is viable – albeit by an insufficient margin to be able to bear CIL. As set out in this paper they have then provided that comments on the viability assumptions that when incorporated into the appraisals show that the development of student accommodation is not only unviable to the extent that it can't bear CIL, but that it is unviable to such an extent that the Residual Value is negative showing development is unviable. The assumptions put forward by the University and CODE produce results that to not correspond with what is happening on the ground (or their agreement that the development of student housing is viable).

At the meeting with the University, the University stressed that the onus was on the Council to demonstrate that there is capacity for student housing to bear CIL and that there is an adequate Additional Profit from which it could be paid. This is not the case. The purpose of the viability evidence is to inform the Council's decision making process and weigh up the balance between funding infrastructure and putting development at risk and the effect that CIL would have in terms of threatening development. This assessment needs to be done in the context of development possibly being at risk in the absence of CIL. Through the consultation process it was stressed that the viability evidence set out in the viability study was just one part of the evidence that the Council would draw on.

We are not able to rationalise the University's position that development is viable at or near the EUV when the evidence on the ground shows that the Existing Use Value (EUV) is in the region in of £2,000,000/ha (67 to 72 below) and the value of land for student housing is generally in the range of £7,500,000/ha to £11,500,000/ha (see 58 to 66 below).

Modelling

12. In the CIL Viability Study Update, the text said:

> *In the Viability Study the analysis was based on a brownfield site in the City, being the most likely situation for student housing to come forward. We assumed a scheme of 175 student letting rooms at 20m2 each, with 35% circulation space on a 0.3ha site.*
>
> *The total scheme size is therefore 175 rooms x 20m^2 = 3,500m^2, plus 35% circulation space of 1,225m^2 to give a total GIA of 4,725m^2. This area has formed the basis of our costing.*

13. At the time of the original study student accommodation tended to be based on the Cluster Flat model. Cluster Flats are groups of rooms (en-suite or not) sharing living space and a kitchen. Since then there has been a shift to the provision of Studio Flats which are slightly larger rooms, but including a kitchenette. This change has had a significant impact on the circulation space. This is illustrated in the following table:

Table 3 Review of Recent Planning Applications

Site Name		Site (ha)	Beds	Circulation (%)	Type
11-17 Jarrom	New build	0.08	140	26%	Studio
The Summit, Jarrom St	New build	0.38	369	17%	Studio
Upperton Road	New build	1.10	536	24%	Studio
136 New Walk	Conversion	0.05	30	27%	Studio
Southgates bus depot	New build	0.72	500	32%	40% studios
Albion Street	Conversion	0.05	54	30%	
Brookland Road	New build	0.19	215	32%	25% studios
55 Oxford Street	New build	0.05	90	30%	Studio

Source: LCC

14. Based on this it is appropriate to model the two forms separately. We have assumed that the typical Cluster Flat is 15m^2 and the typical Studio Flat 23m^2. We have assumed 26% circulation space in studio flatted development and 35% in the Cluster Flats. We have run appraisals based on the following range of schemes, based on discussions with officers on the expected development to be forthcoming in the future:

Table 4 Student Accommodation – Revised Modelling							
		Cluster Flats			**Studios**		
Rooms		60	175	500	60	175	500
Room size	m^2	15	15	15	23	23	23
Lettable Area	**m^2**	**900**	**2,625**	**7,500**	**1,380**	**4,025**	**11,500**
Circulation	%	35%	35%	35%	26%	26%	26%
	m^2	485	1,413	4,038	485	1,414	4,041
GIA	**m^2**	**1,385**	**4,038**	**11,538**	**1,865**	**5,439**	**15,541**
Site	ha	0.05	0.25	0.75	0.05	0.25	0.75

Source: HDH

POINT 2

Is it correct to base the modelling on recent planning applications, if not what should be used? Should different modelling assumptions be used?

University Responded: On the evidence shown in Table 3, Review of Recent Planning Applications relating to letting room areas there is only an analysis of circulation space with an assumption of 26% circulation spaces for a student development and 35% for cluster flat development. There is no evidence shown in relation to the room sizes in these schemes.

The circulation space that has been indicated appears to be realistic however the issue is when the circulation space calculated by HDH is added the total area per Bedspace the figure that is put forward is low compared to our analysis of recent schemes where we have full knowledge of all the areas.

Our analysis attached as appendix 1, shows 6,776 rooms in 9 schemes with an average of 26 sq m per cluster which is higher than the 23 sq m put forward by HDH. There is a limited number of studio's schemes able to be analysed. However there is insufficient evidence provided by HDH to check their assumptions for both clusters and studio's with Table 3 not having all the relevant information on bedspace areas to then add to the circulation figures to provide defendable areas. Should the area of the units need to be increased the rent would remain the same but the build costs would increase making the models less viable.

However for the purpose of the calculations we have kept these adopted areas as we believe there is a more fundamental error in the calculations.

The analysis of the floor areas was undertaken by Council officers and based on a review of the plans submitted with recent planning applications. Information was also gathered on room size but not presented and is now set out below (this information was provided to the University immediately after the meeting on the 25th September):

New Table A Review of Recent Planning Applications				
Site Name	**New Build/Conversion**	**Cluster/studio/mix**	**Average Cluster (m^2)**	**Average Studio (m^2)**
11-17 Jarrom Street	New build	Studio	-	21
The Summit, Jarrom St	New build	Studio	-	27
Upperton Road	New build	Studio	-	21
136 New Walk	Conversion	Studio	-	23
Southgates bus depot	New build	Mix - 40% studios	18	25
Albion Street	Conversion	Mix - 90% studios	15	17*
Brookland Road	New build	Mix - 25% studios	14	24
55 Oxford Street	New build	Studio	-	24

Source: LCC *There are some concerns about the measurements for Albion Street as the Council had difficulty measuring the plans accurately. We have ignored this scheme.

This information supports that the assumptions used are appropriate for Leicester.

15. In this regard Matthews & Goodman commented that '*the definition of Circulation space includes general communal areas (not within the Clusters), especially at Ground floor…..*'.

16. In our modelling we have counted circulation space as everything that is not within a 'room' this was because we know the number of rooms, the size of the rooms and the rents for the rooms – so the gross income from the building can be calculated. It is then necessary to add in the rest of the space, including that within the cluster flats to derive the GIA of the building.

Values

17. In the original (January 2013) CIL Viability Study we assumed that, for student accommodation, a gross annual rental income of £5,000/ room. We adjusted this to reflect the services provided by the provider and assumed a net income of £3,000/room. This was capitalised at 6.5% to give a value of £2,225/m^2.

18. We have refreshed the survey of student accommodation costs. This is set out in full in the attached **Appendix 3**. It is necessary to consider the 'rent' and the length of the letting period (the length of the letting year) as between these the gross annual rent can be derived. This information was gathered in the week of the A Level results (starting 13th August 2015), and was described by one operator as 'the busiest week of the year'. On the whole the information was taken from the operators' website and where information on the length of the letting year was not always available. Some agents / developers were unwilling or unable to provide information on the length of the letting year. The results of this survey are summarised as follows:

Table 5 Student Accommodation Costs £/year			
	Studio Flat	Cluster flat	Unspecified
Minimum	4,752	2,835	3,450
Maximum	9,360	6,318	6,069
Mean	6,826	4,685	4,762
Median	6,760	4,615	4,389

Source: Operators

19. The costs vary considerably with newer, better located accommodation, achieving a premium and being at the top end of the range. We have used a value of £6,800/studio flat and £4,750/cluster flat in this study.

20. Matthews & Goodman have confirmed that the gross rents '*are reasonable in the current market*'.

POINT 3

The University has not commented on these assumptions – are these rents agreed? If not what alternative evidence is there that different income levels should be used.

CODE has suggested that the average charged over the 660 unit Western Road (which was voted the UK's best student accommodation in 2013-14) was £5,904/room. It is suggested that this is the norm – if so why should the examples set out in Appendix 3 not form the basis of the analysis?

Code Responded: It is considered that the mean rent that the Council's consultants have presented for a studio flat is significantly over valued due to the approach taken to ascertaining the mean rent. The current model assumes that all schemes should be given the same weight in arriving at the mean rent rather than considering, which we say is the more appropriate basis, the mean average of the rent of bedspaces. For example, a scheme which has just 7 studios within the building which are rented at a rate far in excess of the average market rent is weighted exactly the same as a scheme of 660 beds. The correct approach should be to seek to identify the average rent paid by bed rather than by scheme. We have calculated the mean rent for beds in some of the largest schemes in Leicester (see attached schedule) and the average rent is £6,042. This is clearly a more accurate measure for ascertaining the value of student accommodation costs and should the form the basis of the model.

University Responded: In Table 5 of HDH response, Student Accommodation Costs £ / year are referred to, this title is misleading as it should be Student Accommodation Rentals £ / year.

The assumed rental levels are considered to be reasonably realistic however the operating costs for the cluster bedspace is understated as highlight in the next section.

<u>Studio:</u>	£6,800 pa @ 51 weeks	£133.33 per week
<u>Cluster:</u>	£4,750 pa @ 44 weeks	£108.00 per week

In their note, the University confirmed these were 'reasonably realistic', but at the meeting on the 25th September made a further point, that the rent for Studio accommodation was overstated being calculated on a 52 week year when it should be calculated on no more than a 51 week year. Furthermore, they suggested that the rents should be discounted by 3% to reflect voids and bad debts at this stage.

Having considered the CODE representations we do not believe the rents are overstated when considered on a weekly basis. It is accepted that rents vary greatly, this is evident from the information set out in Appendix 3 below.

The reason for not referring to rentals is that the relationship between the student housing operator and the student is not normally a landlord tenant relationship, but is a licence / contractual arrangement.

Based on the representations made, we have recalculated the rents as follows:

Studio:	£133.33/week x 51 weeks	£6,933	less 3%	£6,725/year
Cluster:	£108/week x 44 weeks	£4,750	less 3%	£4,609/year

We understand that these changes will fully reflect the observations of the University, but may not go as far as CODE would wish.

21. In the earlier work consideration was given to the ongoing management costs and the yield on such investments.

22. To derive the net rent we have considered the costs of management. We have investigated this further and initially reduced the gross rent by 30% for Cluster Flats and 25% on Studio Flats (where there is less circulation space). As shown in **Appendix 3** many of the rooms are subject to additional costs for services.

23. Having consulted Matthews & Goodman we have applied 25% to both Studio Flats and Cluster Flats. We consider this to be a cautious assumption bearing in mind their comment that '*traditionally deductions of 20% to 25% are industry standard*'.

POINT 4

Is this approach (25%) agreed – if not what alternative approach should be taken?

Would it be preferable to consider gross rents – see Point 5 below.

CODE responded: It is considered that management costs should reduce gross rent by 30% to arrive at net rent. This approach is preferred to utilising gross rents.

University Responded: HDH have put forward a 25% cost of management position based upon advice they received from Matthews & Goodman who are not specialist student valuers, and comment that "traditionally deductions of 20% to 25% are industry standard" – they are not. The specialist student valuers do not assess operating cost on a % of gross rent basis they analyse the costs in detail.

We provide in Table 1 attached an analysis of circa 12,647 student bedspaces in 27 purpose built schemes which shows a relationship of management costs for the cluster bedspaces at 30% of the gross rental at an average cost of £1,382 per bed for the direct let schemes. This is in comparison to the £1,187.50 assumed by HDH based upon Matthews & Goodman rule of thumb of 25%, there is a shortfall of £194.50 per room per annum, a difference of 16.38%.

HDH and Matthews & Goodman have suggested that valuing based upon the gross rental with a gross yield taking no account of the management operating cost is one way of valuing the scheme's , this is not an acceptable approach.

Valuing by gross yield applied to gross rents is only applicable to HMO student accommodation. In valuing £2.0 billion of purpose built student assets this last 18 months DTZ have not used a Gross Rent / Gross Yield methodology it is not appropriate and could be considered negligent.

The 25% operating / management cost for cluster flat model is an inappropriate percentage to take irrespective of Matthews & Goodman's view which is not based on any detailed analysis of the costs of operation.

However for the purpose of the calculations we have kept these adopted cost of management as we believe there is a more fundamental error in the calculations.

In the CIL setting process it is appropriate to use 'appropriate available evidence'. It is necessary to make some broad assumptions, for example with regard to residential values a general scheme / typology value is used, with regard to professional fees a simple 8% assumption is used and in the case of construction the BCIS cost is used. In reality within a scheme values will vary, professional fees will relate to the specific characteristics of a site (may be, being higher on a site adjacent to a listed building where a sensitive design is required) and build costs will vary depending on the specifics of the building and design. We believe that it is appropriate to make broad assumptions of this type and that such an approach is proportionate.

The two consultees are not in agreement with regard to the assumptions to be used. The University clearly feel strongly in this regard, suggesting a cost of managing studio flats should be £1,700/room/year and cluster flats £1,425/room/year, saying that these amounts equate to about 25% and 30% respectively. CODE suggest a simple 30% management cost over both forms. In the re-run appraisals we have used the universities figures.

The comments about gross rents are noted. This suggestion was made following comments made elsewhere. It is however timely to note that there is no question of a 'valuation' being undertaken (this is an assessment of the effect of CIL on viability). The worth of a building is the worth of the building, whether it is calculated on the gross rent or the net rent simply a matter of process, if calculated on the gross rent a higher yield would be used than if calculated on the net rent. Any suggestion of negligence is scurrilous and entirely inappropriate, particularly in the context of the Harman Guidance, when the aim is achieve the correct answer rather than demonstrate one position or other in a negotiation.

24. We have reviewed the yield assumptions used to capitalise the net rents. A yield of 6.5% was used in the earlier (2013) work. There has been a notable improvement in the market. This is summarised in the Savills Spotlight: UK Student Housing Market (8 June 2015) that says:

> *Investment into the purpose-built student accommodation market only just fell short of our forecast for last year with £2.45 billion of assets traded, a 23% increase on 2013 levels. This figure has already been surpassed in the first five months of 2015 with £4.2 billion invested (on both a standing investment and site acquisition basis), a record high that is already 70% above last year's level and 40% above the previous peak in 2012.*
>
> *With increased investment activity, we have seen yield compression across all sub-markets. This has particularly been the case for investments in prime London where direct let net initial yields are now below 5%. For 2015, we forecast total returns of 14%. This is comprised of average blended yields compressing by 25 basis points and rental growth of 3.5%. Current 2015 yields are at the levels shown in the table below.*

	Lease	*Nomination Agreement*	*Direct Lease*
Prime London	*3.75%*	*4.50%*	*4.75%*
Super Prime Regional	*4.25%*	*4.75%*	*5.50%*
Prime Regional	*4.50%*	*5.25%*	*6.00%*
Secondary Regional	*5.00%*	*5.75%*	*6.75%*

25. CBRE say similar things in their Student Housing, H1 2015 Market View & Advisory Insight Paper:

> *In London, yields have now reached the previous peak of 4.75% in 2007. Regional assets have tended to lag behind London by 50bsp, …. We expect that based on the current demand from investors, the next prime regional deals will show significantly better than the previously established tone of 6%.*

Figure 3: University Lease vs. Direct Let Net Initial Yields

2015 Q2 University Leases	NIY	Trending
London Zone 1	4.50%	Stronger ↑
London Zones 2-4	4.50%	Stronger ↑
Superprime Regional	4.50%	Stronger ↑
Prime Regional	4.75%	Stronger ↑
Secondary Regional	5.00%	Stable →
2015 Q2 Direct Let	**NIY**	**Trending**
London Zone 1	4.75%	Stronger ↑
London Zones 2-4	5.25%-5.75%	Stronger ↑
Superprime Regional	5.25%	Stronger ↑
Prime Regional	5.75%	Stronger ↑
Secondary Regional	7.00%	Stable →

26. In the paper prepared prior to the CIL Examination, to address the University's comments we assumed a 6% yield. Following consulting Matthews & Goodman we amended the yield to 6.25% and the management costs to 25% and have calculated the following values:

Table 6 Updated Value of Student Housing			
		Studios	Cluster Flats
Rent		£6,800	£4,750
Management etc	%	25%	25%
Net Rent		£5,100	£3,563
Yield		6.25%	6.25%
Value per room	**£**	**£81,600**	**£57,000**

Source: HDH

27. We gave consideration as to whether or not it is correct to allow for management before capitalising the room rent? It has been suggested that some operators simply look at the gross income and then capitalise it at a higher yield of 7% to 7.5% or so. This would be preferred because it avoids the need for any debate around management costs. Such an approach would give rise to the following values.

Table 7 Alternative Value of Student Housing			
		Studios	Cluster Flats
Rent		£6,800	£4,750
Management etc	%	0%	0%
Net Rent		£6,800	£4,750
Yield		7.5%	7.5%
Value per room	**£**	**£90,667**	**£63,333**

Source: HDH

28. It is notable that this approach give a value that is not dissimilar (within 5%) to the value calculated using a 6.25% yield and the 'traditional' 20% to 25% management charge referred to above.

29. Matthews & Goodman said with regard to our values when asked if the values are 'in the right ballpark':

> *Subject to our comments above, I would say yes. The rents appear to be relatively low and the yield applied is at the lower end of our opinion and the market. Overall, we are of the opinion that the final answers are appropriate.*

30. **Based on the above we have assumed a value of £81,000 per Studio Flat and £57,000 per Cluster Flat room.**

POINT 5

Are the values of £81,000 per Studio Flat and £57,000 per Cluster Flat appropriate? If not what alternative value should be used and why?

Do you wish to comment of the gross approach and the net approach – clearly a building is worth what it is worth and the method of getting to the value is mainly of interest to valuers….

CODE suggested an approach based on 'height and density' but did not elaborate – do you want to elaborate now?

Code Responded: Given that the gross mean rent for studios is too high, the £81,000 per studio flat is too high. Based on a more realistic mean rent, with 25% management costs, the net rent should be £4,532 (rounded up). Applying a yield of 6.25% gives a value per room of £72,512. Using the same figures but with 30% management costs gives net rent of £4,229 (rounded down) and a value per room of £67,664.

The issue with regard to "height and density" relates to the site acquisition costs rather than capital value.

University Responded: We would highlight that the Savills yield table in paragraph 24 of HDH response has an error in the yields, the Secondary Regional Direct yield is wrongly stated at 5.75% it should be 6.75% and I provide the copy of the Savills report from which HDH has copied the yield table from.

At Paragraph 26, the cluster flat management costs as shown from our comments above are understated they should be 30% of £4,750 providing a management cost at £1,425 pa per cluster room. If this is applied to the calculation of value the value per room would reduce.

Net Rental at £3,325 x 15.38 (6.25%) = £51,154 less purchaser costs at 5.8% at £1,432, provides a room value of circa £49,721 which is less than the stated £57,000 in HDH's modelling.

At Paragraph 27, HDH again refer to valuing on an adjusted gross yield basis, we would advise that only HMO operators take a view of Gross Yield on Gross Rental, all other developers and operators who would deliver purpose built of the nature of the assumed schemes in HDH modelling would review operating costs and apply a net yield before deducting appropriate purchaser costs.

If the operator does not know his operational / management cost he will not survive the market and will not be capable of obtaining finance as the banks wish to see the net net rental cover to interest payment.

The gross calculated values shown by HDH in Table 7 are irrelevant as they are not based upon any market obtained yield evidence. Even if it were, purchaser costs would still need to be deducted.

The method of getting to a value is relevant to all parties in the market, the land purchaser, developer operator, bank funder, institutional purchaser and the valuer. Without knowing the net value the market cannot function. To imply it is of interest only to valuers is a misleading statement.

Again for the purpose of the calculations we have kept these adopted values as we believe there is a more fundamental error in the calculations.

The calculation on a gross basis was provided for contextual purposes and produces a very similar figure. The University's comments are noted. The analysis is based on the net figures.

Whilst not raised in their note, at the meeting, the University agreed the 6.25% yield for the larger schemes but at the meeting suggested that the assumption should be change in relation to the smaller scheme be increased to £6.75%

Purchaser's costs are dealt with below (31 to 35).

Based on the changes suggested above the value of student housing has been adjusted as follows (these compare to those in Table 6 above):

Table A Value of Student Accommodation

		Studios		Cluster Flats	
		Small Schemes	Large Schemes	Small Schemes	Large Schemes
Rent		£6,725	£6,725	£4,609	£4,609
Management etc	£	£1,700	£1,700	£1,425	£1,425
Net Rent		£5,025	£5,025	£3,184	£3,184
Yield		6.75%	6.25%	6.75%	6.25%
Value per room	**£**	**£74,444**	**£80,400**	**£47,170**	**£50,944**

Buyer's costs

31. The University have suggested that the value of the development must be discounted by the costs of the buyer of the completed scheme. This approach is common when considering investment purchases where Stamp Duty (at 4%) and agent's costs (which would vary depending on the scale of the deal) would be deducted.

32. As set out, in the viability study, it is not the purpose of the viability assessment to replicate a particular developer's business model. The purpose is to assess the '*effect*' of CIL as required by CIL Regulation 14. It is not possible or necessary to replicate a business model of acquiring land for development, developing it and then selling the specific building as an investment. Other models exist, such as those developing for operational reasons as in the case of the operators based in the City.

33. This is particularly well illustrated by the University's position. At the CIL Examination a discussion took place around the University's charitable status. The University sought clarification as to whether or not student accommodation developed by the University would be subject to CIL. The Council confirmed that this would need to be determined at the time of

an application but if the accommodation was developed as part of the University meeting its charitable objectives that is likely to qualify for relief from CIL.

34. It was clear from the University's representations that, should it undertake development that it would be with the purpose of accommodating students, rather than for the sake of making a profit from property development. We do not follow the logic of the University of seeking to incorporate an allowance for an investment sale in the appraisals.

35. We have run alternative set of appraisals incorporating the investment purchaser's costs, but after the initial appraisals have not included these costs in the analysis.

POINT 6

Is this a correct understanding of the representation?

University Responded: The standard market approach is to calculate investment value by applying a net yield to the net rent which is then reduced by the purchaser costs of SDLT, Agents and Solicitors costs and to imply otherwise is misleading.

The reason for the deduction is not for discount but that on all investment calculations to calculate the net receivable value there is stamp duty to pay on the assumed hypothetical transaction plus solicitors and agent's fees which have VAT applied which total 5.80%.

In 25 years of valuing student accommodation for either development, operational, disposal and or acquisition but particularly on site residual calculations purchaser costs are deducted, even if the party who is developing the scheme such as a University intends to hold the investment. The assets are still valued with a reduction for Purchaser costs, Agents and solicitors Fees.

We have as HDH have sort support from Matthews and Goodman for their modelling assumption also sort confirmation from a number of major student developers and RBS Bank who are a major bank funder in this market. All confirm that Purchaser costs are always deducted.

We would also would refer you to the following documents which indicate what the definition of Purchaser Costs are as they are similar to the Acquisition costs that HDH have partially taken account of on the site residual and existing use value.

They are the very same costs applied for the same reason when the site is sold or acquired stamp duty and acquisition costs are paid as is the stamp duty and purchaser costs when the developed scheme is sold or acquired.

GVA Property Definitions

VIP 12 RICS Guidance Note

Encyclopaedia of Real Estate Terms by Damien Abbott

- Email from Simon Pollitt MRICS Head of UK Property – Student Housing Company

- Email from Charles Marshall, Head of Liberty Living (a developer and operator of 20,000+bedspaces who have recently purchased Student Castle) dated 01-Sept-2015.

- Email from Heath Thomas Head of Real Estate Finance RBS specialising in Student Housing

- HMRC Stamp Duty Land Tax guidance note

Deducting purchaser's costs is not replicating "a particular developer's business model" as inferred by HDH, it is standard market practice, and as pointed out by Matthews & Goodman who HDH have sort further advice from "It is standard valuation and appraisal practice to deduct notional purchaser's costs". These costs will be incurred as the assumption the property will be sold and what is the net value to be received.

We have valued for York University, Leeds University, Aston University to name a few and all their calculations of value have purchaser costs deducted. With my team in Manchester we have valued in excess of £2 billion of student assets in the last 18 months alone for developers, funds and Universities all have purchaser costs deducted.

Not to take account of purchaser costs would be considered a gross error by a valuer.

Developing a student scheme for operational reasons does not mean the operator, his valuer or his bank ignore purchasers costs, the developer / operator cannot sell at the gross price and all valuers in the other specialist student practices over the 25 years of specialising in student accommodation have deducted purchasers costs in these cases.

The valuation for the University of Leicester assets would include a deduction for purchaser costs irrespective that they would develop to hold, not taking a deduction is overstating their value and is inappropriate.

HDH's representation of Purchaser Costs in their modelling as Investor Costs and arguing that it is an allowance or discount not to be taken account of in their calculations is misleading and a gross error in their viability modelling.

To show in Table 8 at para 55 the impact that Purchaser Costs have to the Residual Land Worth (RLW) calculation particularly to the cluster schemes when including stamp and Agent's costs at 4.5% is the reality of the residual. We would point out that the figure of 4.5% is understated and should be 5.8%. If the right figure is used in all the further modelling as it should the figures would show a negative or reduced Additional profit. We have replicated HDH appraisals and attach at Table 3.

Applying Purchaser Costs is actual market reality not an allowance or discount, any holder of investments deduct purchaser costs as it is a normal cost of development and must be deducted.

Not deducting these figures overstates the viability of the sites

It is important to note the CIL Viability assessment is not a valuation. It is an assessment carried out in line with the PPG and the Harman Guidance. The work in hand is an assessment of the impact of the effect of CIL as required by CIL Regulation 14 and setting out to determine whether or not development would be threatened.

Whilst we have some concerns about the levels of fees proposed we have adjusted the value for stamp duty at 4% and investors costs at 1%.

Development Costs

36. The costs section of the appraisal is broken into a number of headings. These are covered below:

Construction Costs

37. In this updated work we have used the most recent BCIS costs. These are as follows:

£/m2 study							
Description: Rate per m2 gross internal floor area for the building Cost including prelims.							
Last updated: 08-Aug-2015 12:20							
Building function	**£/m² gross internal floor area**						**Sample**
(Maximum age of projects)	**Mean**	**Lowest**	**Lower quartiles**	**Median**	**Upper quartiles**	**Highest**	
New build							
Students' residences, halls of residence, etc (15)	1,526	962	1,214	1,525	1,719	2,475	43

The university suggested at the meeting on 25th September that the BCIS costs would not include lifts, fire alarms, internal systems (such as internet provision), CCTV, card entry systems and the like. We do not believe that this is the case, these sums are included in the BCIS costs. WE HAVE SOUGHT CLARIFICATION FROM BCIS IN THIS REGARD BUT AWAIT A RESPONSE.

38. We have used the median cost. This compares to £1,281 at the time of the Update (23rd August 2014) and £1,179 at the time of the original work. This amounts to a nearly 30% increase.

Strategic Promotion

39. This heading is to cover the costs of promoting sites through the Local Plan process. Land is not allocated for Student housing in the Local Plan so it is not appropriate to include a cost under this heading.

Planning

40. These are the costs incurred by the developer, prior to those incurred in preparing a full planning application. We have applied an amount of £10,000 for each modelled type.

Infrastructure

41. This heading includes the 'non-building' site costs to include services and landscaping. Bearing in mind the city centre locations and the generally small sites without significant external areas, we have used an assumption of 5%.

The University has contended that this should be in the range of 10% to 15%. We have adjusted this assumption to 10% of BCIS in an effort to reach an agreement, but believe that this is an overstatement. Generally sites for Student Accommodation to not include significant areas of gardens, landscaping or areas of carparking. On the whole the sites are constrained with very restricted areas of hard landscaping.

Furthermore, the sites for student housing are all within the urban area and are therefore likely to have direct, or at the very least close, connections to the statutory services.

Abnormal costs

42. We have made an allowance of 5% to cover the site clearance costs. This is a cautious assumption and recognises that the majority of sites in the city centre, that are likely to come forward are brownfield sites that have either been cleared already or only have modest buildings on them.

43. It is useful to consider abnormals in light of the NPPF. The NPPF says (with our emphasis) at Paragraph 174:

… To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the <u>*normal*</u> *cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable…*

44. Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs. It is not the purpose of a study of this type to standardise land prices across an area.

45. The treatment of abnormals was considered at Gedling Council's Examination in Public. There is an argument, as set out in Gedling[1], is that it may not be appropriate for abnormals to be built into appraisals in a high level study of this type. The councils should not plan for the worst case scenario – rather for the norm. For example if two similar sites were offered to the market and one was previously in industrial use with significant contamination, and one was 'clean' then the landowner of the contaminated site would have to take a lower land receipt for the same form of development due to the condition of the land. The Inspector said:

… demolition, abnormal costs and off site works are excluded from the VA, as the threshold land values assume sites are ready to develop, with no significant off site secondary infrastructure required. While there may be some sites where there are significant abnormal construction costs, these are unlikely to

[1] REPORT TO GEDLING BOROUGH COUNCIL, THE PLANNING INSPECTORATE REF PINS/N3020/429/4, MAY 2015

be typical and this would, in any case, be reflected in a lower threshold land value for a specific site. In addition such costs could, at least to some degree, be covered by the sum allowed for contingencies.

46. We have made allowance for the abnormal costs associated with brownfield sites. In some cases where the site involves redevelopment of land which was previously developed, there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels; and so on.

47. In the case of brownfield sites we have made an additional allowance of 5% of the BCIS costs.

The university contended, at the meeting on the 25th that this should be higher and reflect the characteristics of each site and offered to provide detail in this regard. We do not accept this is appropriate in this context.

Fees

48. Fees are based on the 8% assumption used more widely in the Viability Study.

Contingency

49. A 5% assumption is used, as is used elsewhere in the Viability Study.

Finance Costs

50. The interest is calculated assuming an interest rate of 7%.

Sales Costs

51. Sales costs are set at 1% to cover both sales and legal fees. This has been adjusted following the University response.

Developers Return

As in the earlier work, the developer's return (as required by the PPG) is assessed as 20% of the total development cost. It has been noted that this had been calculated excluding the interest cost as is the normal convention (so as to avoid artificially inflating returns by calculating returns on returns), however in this case (in response to the university's earlier comments) we have calculated the return on the interest charge.

CIL and S106 costs.

52. No allowance has been made for CIL and s106 costs in these appraisals – as the purpose of the appraisal is to assess the 'effect' of CIL.

Stamp duty

53. It was correctly noted that the appraisals omitted stamp duty on the acquisition of the land – this has been calculated on the viability threshold.

Revised Appraisals

54. Based in the revised modelling, refreshed values and the above development assumption we have recalculated the Residual Values as follows. These have been calculated with and without the investment purchaser's costs mentioned above :

Table 8 Residual Value, Student Accommodation – Revised Assumptions (with Investor's Costs) 28th AUGUST (PRE CIRCULATION)

			Cluster			Studios		
	Rooms		60	175	500	60	175	500
	Room size		15	15	15	23	23	23
	CIL	**£/m2**	**0**	**0**	**0**	**0**	**0**	**0**
Building		m2	1,385	4,038	11,538	1,865	5,439	15,541
	Circualtion Space	%	35%	35%	35%	26%	26%	26%
		m2	485	1,413	4,038	485	1,414	4,041
Income		m2	900	2,625	7,500	1,380	4,025	11,500
	£/Room		57,000	57,000	57,000	81,000	81,000	81,000
	£/m2		3,800	3,800	3,800	3,522	3,522	3,522
	Capital Value		**3,420,000**	**9,975,000**	**28,500,000**	**4,860,000**	**14,175,000**	**40,500,000**
	Investor's costs SDLT	4.00%	136,800	399,000	1,140,000	194,400	567,000	1,620,000
	Investor's costs Agents	0.50%	17,100	49,875	142,500	24,300	70,875	202,500
	Net Reciept		**3,266,100**	**9,526,125**	**27,217,500**	**4,641,300**	**13,537,125**	**38,677,500**
Costs	Land Used	ha	0.050	0.250	0.750	0.050	0.250	0.750
		£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
		Uplift £/ha		0	0	0	0	0
		20.00%	400,000	400,000	400,000	400,000	400,000	400,000
		Site Cost	**120,000**	**600,000**	**1,800,000**	**120,000**	**600,000**	**1,800,000**
	Acquisition SDLT	4.00%	4,800	24,000	72,000	4,800	24,000	72,000
	Acquisition fees	1.50%	1,800	9,000	27,000	1,800	9,000	27,000
	Strategic Promotion			0	0	0	0	0
	Planning		10,000	10,000	10,000	10,000	10,000	10,000
	Construction	/m2	1,525	1,525	1,525	1,525	1,525	1,525
		£	2,111,538	6,158,654	17,596,154	2,843,919	8,294,764	23,699,324
	Infrastructure	5.00%	105,577	307,933	879,808	142,196	414,738	1,184,966
	Abnormals	5.00%	105,577	307,933	879,808	142,196	414,738	1,184,966
	Fees	8.00%	185,815	541,962	1,548,462	250,265	729,939	2,085,541
	S106			0	0	0	0	0
	CIL		0	0	0	0	0	0
	Contingency	5.00%	116,135	338,726	967,788	156,416	456,212	1,303,463
	Finance Costs		5,000	5,000	5,000	5,000	5,000	5,000
	Sales	1.00%	34,200	99,750	285,000	48,600	141,750	405,000
	Misc		10,000	10,000	10,000	10,000	10,000	10,000
	Subtotal		**2,690,442**	**7,812,957**	**22,281,019**	**3,615,191**	**10,510,141**	**29,987,260**
	Interest	7.00%	94,165	273,453	779,836	126,532	367,855	1,049,554
	Profit % Costs	20.00%	556,922	1,617,282	4,612,171	748,345	2,175,599	6,207,363
	COSTS		**3,341,529**	**9,703,692**	**27,673,026**	**4,490,067**	**13,053,595**	**37,244,177**
Residual Land Worth		**Site**	**-75,429**	**-177,567**	**-455,526**	**151,233**	**483,530**	**1,433,323**
		£/ha	**-1,508,587**	**-710,269**	**-607,368**	**3,024,650**	**1,934,119**	**1,911,097**

Table 9 Residual Value, Student Accommodation – Revised Assumptions (without Investor's Costs) (28th AUGUST – PRE CIRCULATION)

			Cluster			Studios		
	Rooms		60	175	500	60	175	500
	Room size		15	15	15	23	23	23
	CIL	£/m2	**0**	**0**	**0**	**0**	**0**	**0**
Building		m2	1,385	4,038	11,538	1,865	5,439	15,541
	Circualtion Space	%	35%	35%	35%	26%	26%	26%
		m2	485	1,413	4,038	485	1,414	4,041
Income		m2	900	2,625	7,500	1,380	4,025	11,500
	£/Room		57,000	57,000	57,000	81,000	81,000	81,000
	£/m2		3,800	3,800	3,800	3,522	3,522	3,522
	Capital Value		**3,420,000**	**9,975,000**	**28,500,000**	**4,860,000**	**14,175,000**	**40,500,000**
	Investor's costs SDLT		0	0	0	0	0	0
	Investor's costs Agents		0	0	0	0	0	0
	Net Reciept		**3,420,000**	**9,975,000**	**28,500,000**	**4,860,000**	**14,175,000**	**40,500,000**
Costs	Land Used	ha	0.050	0.250	0.750	0.050	0.250	0.750
		£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
		Uplift £/ha		0	0	0	0	0
		20.00%	400,000	400,000	400,000	400,000	400,000	400,000
		Site Cost	**120,000**	**600,000**	**1,800,000**	**120,000**	**600,000**	**1,800,000**
	Acquisition SDLT	4.00%	4,800	24,000	72,000	4,800	24,000	72,000
	Acquisition fees	1.50%	1,800	9,000	27,000	1,800	9,000	27,000
	Strategic Promotion			0	0	0	0	0
	Planning		10,000	10,000	10,000	10,000	10,000	10,000
	Construction	/m2	1,525	1,525	1,525	1,525	1,525	1,525
		£	2,111,538	6,158,654	17,596,154	2,843,919	8,294,764	23,699,324
	Infrastructure	5.00%	105,577	307,933	879,808	142,196	414,738	1,184,966
	Abnormals	5.00%	105,577	307,933	879,808	142,196	414,738	1,184,966
	Fees	8.00%	185,815	541,962	1,548,462	250,265	729,939	2,085,541
	S106			0	0	0	0	0
	CIL		0	0	0	0	0	0
	Contingency	5.00%	116,135	338,726	967,788	156,416	456,212	1,303,463
	Finance Costs		5,000	5,000	5,000	5,000	5,000	5,000
	Sales	1.00%	34,200	99,750	285,000	48,600	141,750	405,000
	Misc		10,000	10,000	10,000	10,000	10,000	10,000
	Subtotal		**2,690,442**	**7,812,957**	**22,281,019**	**3,615,191**	**10,510,141**	**29,987,260**
	Interest	7.00%	94,165	273,453	779,836	126,532	367,855	1,049,554
	Profit % Costs	20.00%	556,922	1,617,282	4,612,171	748,345	2,175,599	6,207,363
	COSTS		**3,341,529**	**9,703,692**	**27,673,026**	**4,490,067**	**13,053,595**	**37,244,177**
Residual Land Worth		**Site**	**78,471**	**271,308**	**826,974**	**369,933**	**1,121,405**	**3,255,823**
		£/ha	**1,569,413**	**1,085,231**	**1,102,632**	**7,398,650**	**4,485,619**	**4,341,097**

Following the meetings with the University and CODE the appraisals have been rerun with the changes set out above:

Table B Residual Value, Student Accommodation – Revised Assumptions (with Investor's Costs) – Following meetings with developers

			Cluster			Studios		
	Rooms		60	175	500	60	175	500
	Room size		15	15	15	23	23	23
	CIL	**£/m2**	**0**	**0**	**0**	**0**	**0**	**0**
Building		m2	1,385	4,038	11,538	1,865	5,439	15,541
	Circualtion Space	%	35%	35%	35%	26%	26%	26%
		m2	485	1,413	4,038	485	1,414	4,041
Income		m2	900	2,625	7,500	1,380	4,025	11,500
	£/Room		47,170	50,944	50,944	74,444	80,400	80,400
	£/m2		3,145	3,396	3,396	3,237	3,496	3,496
	Capital Value		**2,830,200**	**8,915,200**	**25,472,000**	**4,466,640**	**14,070,000**	**40,200,000**
	Investor's costs SDLT	4.00%	113,208	356,608	1,018,880	178,666	562,800	1,608,000
	Investor's costs Agents	1.00%	28,302	89,152	254,720	44,666	140,700	402,000
	Net Reciept		**2,688,690**	**8,469,440**	**24,198,400**	**4,243,308**	**13,366,500**	**38,190,000**
Costs	Land Used	ha	0.050	0.250	0.750	0.050	0.250	0.750
		£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
		Uplift £/ha		0	0	0	0	0
		20.00%	400,000	400,000	400,000	400,000	400,000	400,000
		Site Cost	**120,000**	**600,000**	**1,800,000**	**120,000**	**600,000**	**1,800,000**
	Acquisition SDLT	4.00%	4,800	24,000	72,000	4,800	24,000	72,000
	Acquisition fees	1.50%	1,800	9,000	27,000	1,800	9,000	27,000
	Strategic Promotion			0	0	0	0	0
	Planning		10,000	10,000	10,000	10,000	10,000	10,000
	Construction	/m2	1,525	1,525	1,525	1,525	1,525	1,525
		£	2,111,538	6,158,654	17,596,154	2,843,919	8,294,764	23,699,324
	Infrastructure	10.00%	211,154	615,865	1,759,615	284,392	829,476	2,369,932
	Abnormals	5.00%	105,577	307,933	879,808	142,196	414,738	1,184,966
	Fees	8.00%	194,262	566,596	1,618,846	261,641	763,118	2,180,338
	S106			0	0	0	0	0
	CIL		0	0	0	0	0	0
	Contingency	5.00%	121,413	354,123	1,011,779	163,525	476,949	1,362,711
	Finance Costs		5,000	5,000	5,000	5,000	5,000	5,000
	Sales	1.00%	28,302	89,152	254,720	44,666	140,700	402,000
	Misc		10,000	10,000	10,000	10,000	10,000	10,000
	Subtotal		**2,803,846**	**8,150,323**	**23,244,922**	**3,771,939**	**10,977,745**	**31,323,272**
	Interest	7.00%	98,135	285,261	813,572	132,018	384,221	1,096,315
	Profit % Costs	20.00%	580,396	1,687,117	4,811,699	780,791	2,272,393	6,483,917
	COSTS		**3,482,377**	**10,122,701**	**28,870,193**	**4,684,748**	**13,634,360**	**38,903,504**
Residual Land Worth		**Site**	**-793,687**	**-1,653,261**	**-4,671,793**	**-441,440**	**-267,860**	**-713,504**
		£/ha	**-15,873,740**	**-6,613,043**	**-6,229,057**	**-8,828,806**	**-1,071,438**	**-951,338**
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	-15,873,740	-6,613,043	-6,229,057	-8,828,806	-1,071,438	-951,338

55. The Residual Value represents the maximum amount a developer could bid for a piece of land and make a *competitive return*. Under this modelling (without CIL), both Cluster and Studio

Flats generate a positive Residual Value without the investors costs, but only Studio Flats do with the investor's costs. To a large extent this is reflective of the nature of development that is taking place in Leicester – being mostly schemes based around the Studio Flat model.

56. It is important to note that if we had found anything other than the predominant type of Student Accommodation being viable, there would be a strong chance in there being an error in the research and analysis. As set out at the start of this note, it is clear on the ground that Student Accommodation is viable as it is being brought forward.

When appraised, using the assumptions advocated by the University and CODE student accommodation is not viable and makes very significant losses. This does not accord with the current market in Leicester. As set out at the start of this paper there are over 1,350 student bedspaces under construction (see Table 1) and the Council's development management department is currently considering 7 applications , totalling over 1,000 new bedspaces (see Table 2).

This gives raise to several questions:

- Are the assumptions put forward by the developers correct – or are they understating the values and costs to make a case for not introducing CIL?
- If they are correct why are the developers bidding against each other to then undertake loss making schemes?

We are unable to answer these questions but on the basis that these results are so very different to what is happening in the market feel that little weight can be given to the results.

This is a frustrating position to be in. Throughout the CIL process we have sought to engage with the development industry under the framework of the Harman Guidance with a view to reaching the right answer. The discrepancy between the reality of the market and the results, based on the developer's assumptions would imply that the assumptions are not reliable.

It is relevant to consider these results with the results of office and industrial development. The results of the viability analysis found that office and industrial development types were unviable – this accords closely with what is happening on the ground. It is recognised by the Council that there is market failure in these sectors and the Council (and the LEP) are actively intervening in the market. Residential flatted development in the city centre is in a similar position with the viability work finding this unviable and it not coming forward.

As said above, the discrepancy between the reality of the market and the results, based on the University's assumptions and CODE's assumptions would imply that the assumptions are not reliable.

POINT 7 Are there any comments on the model and inputs to it?
CODE responded: Applying a more realistic rental value for studios (£72,512) results in all studio schemes having a negative residual value (given that Capital Value is reduced by £509,280 for 60 units; reduced by £1,485,400 for 175 units and by £4,244,000 for 500 units). It is also considered that the 'Land Used' costs are significantly below the actual value that landowners require to sell. This is considered below in relation to point 9.
University Responded: The development cost that HDH have assumed are taken from BCIS however our own analysis of build costs as seen in Table 2 attached is £1,720/m2 we would also assume a higher percentage of Infrastructure costs in the order of 10-15% as the BCIS costs are base build including prelims. Other cost assumptions appear to be acceptable however we would highlight the error that HDH have made in the assumption of Site Acquisition Costs which includes Stamp Duty and agents Fee and solicitors costs. The costs are understated at 4.5% and are then only applied to the Land Used/ Site Cost figure based upon the £2,400,000 per ha figure, but they should also be applied to the positive Residual Land Worth for any land value above the assumed Site Cost position, by not applying to this "additional profit" above Site Cost figure further overstates the position especially where this figure is significant. In our revised models in Table 3 we have applied the acquisition Costs to the additional land value and quoted a Net Residual Land Worth position to then compare to the percentage of CIL to Residual Value.

The use of the BCIS costs is taken from the Harman Guidance and was universally agreed, through the consultation process to be the appropriate approach.

We have checked whether or not an error has been made. It has not. The costs are calculated on the EUV plus as set out.

Land Values

57. The methodology for undertaking the CIL Viability Study was agreed through the consultation process. There was a universal consensus that it was appropriate to follow the Harman Guidance and that the '*Existing Use Value plus*' methodology set out in the Harman Guidance should be used.

58. The Existing Use Values (EUV) are set out towards the end of Chapter 6 of CIL Viability Study (2013) and have not been otherwise challenged.

59. When preparing the CIL Viability Study it was assumed that student accommodation was most likely to take place on brownfield sites in Leicester and that the Existing Use Value was most likely to be that of industrial land.

60. The assumptions about the EUV were subject to consultation and were adjusted to £440,000/ha as a result of a consultee's comments and there was a consensus that this was a reasonable figure to apply to industrial land in Leicester. The viability threshold on brownfield sites was taken to be EUV plus 20% - so £528,000/ha.

61. In a study of this type it is necessary to consider what has driven land value for student housing in the market. Is it competition between developers seeking to develop student housing, or is it driven by developers seeking to put the land to other uses? It is clear that the price of land for student accommodation is driven by competition between student housing operators rather than for other uses (such as residential).

62. In the University's response, no specific student accommodation land value comparables are quoted. Reference is made to an approximate £5,000 per room value. Based on the modelling assumptions set out above this approximates to the following land values:

Table 10 Land values at £5,000/room			
Area (ha)	0.05	0.3	0.7
Rooms	60	175	500
£/room	5,000	5,000	5,000
Site Value	300,000	875,000	2,500,000
£/ha	6,000,000	3,500,000	3,333,000

Source: HDH

63. Other representations were made that land for student housing is trading at about double this amount at £8,000 to £11,000 per bedspace which results in very much higher land values.

Table 11 Land values at £10,000/room			
Area (ha)	0.05	0.3	0.7
Rooms	60	175	500
£/room	10,000	10,000	10,000
Site Value	600,000	1,750,000	5,000,000
£/ha	12,000,000	5,833,333	7,142,857

Source: HDH

64. Based on recent transactions in Leicester that are known to the Council's property management department, the values of the larger sites are well in excess of £5,000,000/ha We have been referred to two specific schemes:

a) A 0.27ha (0.68 acre) site at Oxford Street with planning for 387 units was recently sold for between £4,500,000 and £4,750,000 which equates to around £11,500,000/ha (about £6,800,000/acre).

b) Southgates former bus depot is a 0.73ha (1.8 acre) site with consent 500 units (plus some retail space) was recently sold for £5,750,000 which equates to about £7,900,000/ha (about £3,200,000/acre).

65. In this high level viability study we have assumed that land for student housing, in Leicester is generally worth £7,500,000/ha (£3,000,000/acre) to £11,500,000/ha (£6,800,000/acre). It is important to note that this will vary, particularly having regard to the extent of remediation and abnormal works.

POINT 8

Are these values agreed?

University Responded: We agree with Mathews and Goodman that “The rate per room is a more effective measure of site value” for benchmarking student accommodation values and utilising a rate per hectare could be misleading as the land take for a student scheme can take a small percentage of an acre. The assumptions within HDH models are 0.050 to 0.750 of a hectare yet HDH then convert this to a value per hectare which is modelling only relevant to CIL analysis.

We for the purposes of the calculations we have kept the assumed Land Used/Site Cost figure for the appraisals. Although it would be our view that the benchmark land value should be set higher.

It is common ground that value, on a per room basis, is a useful way of deriving the value of land for student housing. Having said this, to consider whether or not the development will provide a land owner ‘competitive return’ (as required by NPPF paragraph 173) it is necessary to consider the value of land on an area basis.

Neither CODE nor the University would agree or disagree with these values. They declined to engage on this point.

66. Above it was noted that the price for land for student accommodation is driven by competition within the sector for land. It is therefore appropriate to consider the ‘next best use value’ – that is to say the value that a piece of land may be worth in the next most valuable use. Elsewhere in the Viability Study we found the development of flats and apartments in the City Centre to be generally unviable. It is therefore unlikely that residential developers will be competing for development sites in the city centre. This is supported by the Council’s experience through Development Management.

67. There is no suggestion that the Residual Value with CIL needs to exceed the open market value of land in that use before the introduction of CIL. It is inevitable that any additional policy burden will result in a fall in land values. The question for this study is whether or not the

increase in land value as a result of the change of use to student housing, is sufficient to induce the owner to release the land for development.

68. The £440,000/ha was agreed through the consultation process and we believe that it is a proper reflection of typical industrial values across the City (and parts of the wider County of Leicestershire). There will of course be higher valued and lower valued areas as well. Having said this we do recognise that there is little evidence to support these values in the areas where student housing may come forward, being the City Centre and areas within walking distance of the universities.

69. In these areas there are several comparable sites:

a) The Council owns a 0.4ha carpark adjacent to the Leicester Tigers stadium that is let for about £180,000 per year. On this basis the site has a value of about £2,000,000.

b) Lewisher Road is a site 4.8 acre (about 2 ha) to the north of the City Centre. We understand that three plots were recently sold for about £220,000/acre (£540,000/ha).

c) Ashton Business Park (to the northwest of the City). We understand that the Council sold a site in 2013 for £260,000/acre (£640,000/ha).

d) Land off the Melton Road (now known as Newark Road). About 7.6ha, sold for £7,750,000.

70. We have identified the following parcels of brownfield land as being available in the City at the time of this note (August 2015):

a) 9-13 Woodgate – retail / distribution. Asking price of £1,250,000 for a 0.68ha site.

b) Glenfield Bus Depot (by Glenfield Hospital by the Ring Road) – Asking price of £400,000 for a 0.41ha.

71. **Based on the above information, we believe that in the case of city centre development it is appropriate to consider a higher Existing Use Value of £2,000,000/ha.**

POINT 9
Are these values agreed?
CODE responded: The Leicester student market is very competitive. Landowners current hold power in the market and simply will not sell land for an uplift of 20% against the best alternative use value especially given that the actual value of land for proposed student housing is derived from the potential density of the scheme rather than simply the land area. Whilst an argument may be made that a landowner would accept a 20% uplift rather than nothing at all, in the real market, landowners are in a position whereby they are able to demand a significant greater price than simply a 20% uplift. The student market is very different to the usual residential market and must be considered as such. Please see email attached from CBRE confirming that all student accommodation land values are based upon a per bed space basis and never per acre / hectare as clearly building heights play an important factor which results in density.

Neither CODE nor the University would agree or disagree with these values and declined to engage on this point.

Potential for CIL

Bearing in mind the results above we have not updated this section.

72. Earlier in this note we identified that Studio Flats generate a positive Residual Value. We have therefore considered the levels of CIL Student Accommodation may be able to bear. In the Draft Charging Schedule a rate of £100/m^2 was proposed. We have therefore tested levels of CIL up to this amount. We have included full appraisals in **Appendix 4** and summarised the results in the table below:

Table 12 28/8/15 Revised Appraisals – Student Accommodation. Cluster Flats

60 Units

	COSTS		3,341,529	3,358,726	3,375,923	3,393,120	3,410,317	3,427,514	3,444,711	3,461,908	3,479,105	3,496,302	3,513,499
	CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100
Residual Land Worth		Site	78,471	61,274	44,077	26,880	9,683	-7,514	-24,711	-41,908	-59,105	-76,302	-93,499
		£/ha	1,569,413	1,225,475	881,536	537,598	193,659	-150,279	-494,218	-838,156	-1,182,095	-1,526,033	-1,869,972
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	1,569,413	1,225,475	881,536	537,598	193,659	-150,279	-494,218	-838,156	-1,182,095	-1,526,033	-1,869,972
	CIL as % GDV		0.0%	0.4%	0.8%	1.2%	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	4.0%
	CIL as % Costs		0.0%	0.4%	0.8%	1.2%	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	3.9%
	CIL as % RV		0.0%	22.6%	62.8%	154.5%	572.0%	-921.4%	-336.2%	-231.3%	-187.4%	-163.3%	-148.1%

175 Units

	COSTS		9,703,692	9,753,850	9,804,008	9,854,165	9,904,323	9,954,481	10,004,638	10,054,796	10,104,954	10,155,111	10,205,269
	CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100
Residual Land Worth		Site	271,308	221,150	170,992	120,835	70,677	20,519	-29,638	-79,796	-129,954	-180,111	-230,269
		£/ha	1,085,231	884,600	683,969	483,339	282,708	82,077	-118,554	-319,184	-519,815	-720,446	-921,077
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	1,085,231	884,600	683,969	483,339	282,708	82,077	-118,554	-319,184	-519,815	-720,446	-921,077
	CIL as % GDV		0.0%	0.4%	0.8%	1.2%	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	4.0%
	CIL as % Costs		0.0%	0.4%	0.8%	1.2%	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	4.0%
	CIL as % RV		0.0%	18.3%	47.2%	100.3%	228.6%	984.1%	-817.5%	-354.3%	-248.6%	-201.8%	-175.4%

500 Units

	COSTS		26,704,310	26,875,310	27,046,310	27,217,310	27,388,310	27,559,310	27,730,310	27,901,310	28,072,310	28,243,310	28,414,310
	CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100
Residual Land Worth		Site	1,795,690	1,624,690	1,453,690	1,282,690	1,111,690	940,690	769,690	598,690	427,690	256,690	85,690
		£/ha	2,394,253	2,166,253	1,938,253	1,710,253	1,482,253	1,254,253	1,026,253	798,253	570,253	342,253	114,253
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	2,394,253	2,166,253	1,938,253	1,710,253	1,482,253	1,254,253	1,026,253	798,253	570,253	342,253	114,253
	CIL as % GDV		0.0%	0.4%	0.8%	1.2%	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	4.0%
	CIL as % Costs		0.0%	0.4%	0.9%	1.3%	1.7%	2.1%	2.5%	2.9%	3.3%	3.7%	4.1%
	CIL as % RV		0.0%	7.1%	15.9%	27.0%	41.5%	61.3%	89.9%	134.9%	215.8%	404.6%	1246.5%

Source: HDH (August 2015)

Table 13 28/8/15 Revised Appraisals – Student Accommodation. Studio Flats

60 Units

	COSTS		4,490,067	4,513,229	4,536,391	4,559,552	4,582,714	4,605,876	4,629,037	4,652,199	4,675,360	4,698,522	4,721,684
	CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100
Residual Land Worth		Site	369,933	346,771	323,609	300,448	277,286	254,124	230,963	207,801	184,640	161,478	138,316
		£/ha	7,398,650	6,935,418	6,472,185	6,008,953	5,545,720	5,082,488	4,619,256	4,156,023	3,692,791	3,229,558	2,766,326
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	7,398,650	6,935,418	6,472,185	6,008,953	5,545,720	5,082,488	4,619,256	4,156,023	3,692,791	3,229,558	2,766,326
	CIL as % GDV		0.0%	0.4%	0.8%	1.2%	1.5%	1.9%	2.3%	2.7%	3.1%	3.5%	3.8%
	CIL as % Costs		0.0%	0.4%	0.8%	1.2%	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	3.9%
	CIL as % RV		0.0%	5.4%	11.5%	18.6%	26.9%	36.7%	48.4%	62.8%	80.8%	103.9%	134.8%

175 Units

	COSTS		13,053,595	13,121,150	13,188,705	13,256,259	13,323,814	13,391,369	13,458,924	13,526,478	13,594,033	13,661,588	13,729,142
	CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100
Residual Land Worth		Site	1,121,405	1,053,850	986,295	918,741	851,186	783,631	716,076	648,522	580,967	513,412	445,858
		£/ha	4,485,619	4,215,400	3,945,181	3,674,963	3,404,744	3,134,525	2,864,306	2,594,087	2,323,868	2,053,649	1,783,430
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	4,485,619	4,215,400	3,945,181	3,674,963	3,404,744	3,134,525	2,864,306	2,594,087	2,323,868	2,053,649	1,783,430
	CIL as % GDV		0.0%	0.4%	0.8%	1.2%	1.5%	1.9%	2.3%	2.7%	3.1%	3.5%	3.8%
	CIL as % Costs		0.0%	0.4%	0.8%	1.2%	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	4.0%
	CIL as % RV		0.0%	5.2%	11.0%	17.8%	25.6%	34.7%	45.6%	58.7%	74.9%	95.3%	122.0%

500 Units

	COSTS		37,244,177	37,437,191	37,630,204	37,823,218	38,016,231	38,209,245	38,402,258	38,595,272	38,788,285	38,981,299	39,174,312
	CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100
Residual Land Worth		Site	3,255,823	3,062,809	2,869,796	2,676,782	2,483,769	2,290,755	2,097,742	1,904,728	1,711,715	1,518,701	1,325,688
		£/ha	4,341,097	4,083,746	3,826,395	3,569,043	3,311,692	3,054,340	2,796,989	2,539,638	2,282,286	2,024,935	1,767,584
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	4,341,097	4,083,746	3,826,395	3,569,043	3,311,692	3,054,340	2,796,989	2,539,638	2,282,286	2,024,935	1,767,584
	CIL as % GDV		0.0%	0.4%	0.8%	1.2%	1.5%	1.9%	2.3%	2.7%	3.1%	3.5%	3.8%
	CIL as % Costs		0.0%	0.4%	0.8%	1.2%	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	4.0%
	CIL as % RV		0.0%	5.1%	10.8%	17.4%	25.0%	33.9%	44.4%	57.1%	72.6%	92.1%	117.2%

Source: HDH (August 2015)

73. It is clear from activity in Leicester City that Student Accommodation is viable. The activity in the sector continues. The analysis shows that the Student Accommodation does have capacity to bear CIL.

74. The analysis shows that the absolute maximum at which CIL could be set (where the Residual Values exceeds the Viability Threshold) would be £90/m^2. On balance **we recommend setting CIL at £30/m^2**, reflecting the future nature of development and to allow for a significant buffer or cushion. CIL set at this level would be less than 25% of the Residual Value and less than 2% of the total development cost.

75. When considering this level of CIL it is necessary to consider whether or not the development plan is put at *serious risk* or development is *threatened* as these are the tests contained within the NPPF and PPG. CIL set at £30/m^2 would represent about £1,000,000/ha. Land for student accommodation is currently trading in the range of £7,500,000/ha to £11,500,000/ha. The next most valuable for land is in the region of £2,000,000/ha.

76. The question for the assessment is whether an amount £1,000,000 below the current price of land for student housing, which would still be more than three times the value in its existing use (or next best use) provides a competitive return for the willing landowner as required by the NPPF and PPG. The introduction of CIL at the proposed level would result in a fall in land values of between 13% and 8.7% depending on the point in the price range. We are of the firm opinion that it would not impact on sites coming forward.

77. For the sake of clarity no differentiation is proposed between the SRA and the wider City.

78. Landowners, in the current market and whilst Student Housing is 'in vogue' have an expectation to achieve a price that is well above the EUV, CIL set at this level will allow this and still allow a very substantial payment to the landowner over and above the EUV.

79. We have considered whether or not it is necessary to consider differentiating rates of CIL for different types of development. We do not believe that this is necessary nor appropriate. Based on the analysis of the market demand Cluster Flats are unlikely to be coming forward.

POINT 10

Would CIL at £30/m2 put the development plan at 'serious risk'?

If so why?

CODE responded: Student development is clearly contemplated within the Development Plan and the above indicates that a CIL rate of £30/m2 would render student schemes unviable based on the Council's own appraisals. As such, student development would not come forward and the development plan would be put at serious risk.

University Responded: The HDH full appraisals in Tables 12, 13, and in Appendix 4 have been undertaken excluding Investor Costs and only applying Site Acquisition costs to only the base Land Used / Site Cost. The reason given for not applying Investor/Purchaser costs to the investment calculation is note in HDH Development and Land Assumptions for Review sent to Mathews and Goodman in Question 6 - "We have not made this adjustment as we (HDH) have assumed (rightly or wrongly) that the University will be developing to hold or by a developer to operate- rather than just building it to sell it after a year or so of trading" Mathews and Goodman's response in their letter 24 August 2015 to Question 6 was "It is standard valuation and appraisal practice to deduct notional Purchaser Costs". It is therefore rather odd that HDH would take the view that these costs would be excluded from their Viability Appraisals with their only other stated reason being at Para 74 of their Response "It is clear from activity in Leicester City that Student Accommodation is viable." However they have only been able to show this viability by excluding Purchaser Costs on the gross Investment values and only applying acquisition costs to the Land Used/Site Costs excluding it from the extra land value above this figure.

They recommend setting CIL at £30/m2 in Para 75 on the basis of their flawed modelling and suggest in Para 76 that at this level of CIL it represents about £1,000,000/ha value, yet the excluded Purchaser and Acquisition Costs represent between £3,000,000 to £5,000,000/ha and at these levels the fact that against "standard valuation and appraisal practice " HDH have excluded these justifiable costs to prove their viability would impair delivery as developer would be including these costs in their appraisals. Adding these normal cost of development into the appraisals would severely reduce the buffer or cushion that HDH have shown.

By excluding these costs from their viability calculations and adding £1,000,000/ha to the development costs would amount to a burden on the assumed sites of between £4,000,000 to £6,000,000/ha which would seriously impair development.

The exclusion of these costs in the HDH models would result in an impact on 40-49% of the suggested current trading range of £7,500,000 to £11,500,000/ha values.

CONCLUSION

Both the University and CODE contend that CIL at £30/m^2 would render development unviable. We are unable to reconcile this position as, based on their figures which show that not only can development bear CIL but it is loss making and cannot generate any positive Residual Value to purchase land.

We have discussed this further at the end of this paper.

The University make the following final points:

Purchaser's costs are included in all student valuations carried out by other widely experienced student advisory teams and must be classed as a standard industry and appraisal outgoing. These costs should be included at a total cost of 5.8% of gross scheme value (SDLT at 4% + (1.5% + VAT at 20% = 1.8%) = 5.8%) rather than the 5.5% adopted by HDH in Table 8 (VAT being payable on agent and legal fees).

When Purchaser's Costs are included in the HDH appraisals shown at Table 8, the Cluster development scenarios are shown to be unviable. When the Purchaser's Costs are excluded at Table

9, the Cluster development scenarios are all shown to be viable, with viability increasing with the scale of scheme. The positive appraisals in Table 9, therefore, give a misleading impression due to the omission of costs which the market regards as appropriate and essential.

It must be understood the Residual Land Worth includes the Additional Profit HDH refer to as what is released when planning is granted. It is out of this 'Additional Profit' that the CIL Charge is calculated and judged. If normal costs of development are left out such as Purchaser costs, then the charge will be overstated. By excluding Purchaser/Acquisition costs, and the additional Acquisition costs when the Residual Worth is higher than the EUV, the Additional Profit is overstated, and consequently the margin of variation is also overstated.

The HDH table 8 includes "Investor's Costs" and Table 9 excludes "Investor's Costs". We regard the "Investor's Costs" of SDLT and agent / legal fees as more correctly defined as Purchaser's Costs.

They will be incurred by any purchaser of the development and therefore when include the RLW reduces and in most cases is negative therefore the indicated CIL charge at £30 per m2 cannot be supported.

We have been provided with the latest update response by HDH to University of Leicester issued 27 August 2015 which includes HDH further revised Student Accommodation models.

Having undertaken our review of these further revised Residual Value models, we note that there are still fundamental errors / omissions which relate to inputs in the model which need to be corrected.

There are also other issues relating to average area size of bedspace and studio's and management costs and the rate per sq m build cost being too low with only 5% infrastructure costs applied.

However for this further review we have focused on the two main matters and reserve our position to review in more detail the other matters.

The two fundamental omissions are:

Investor Purchaser Costs:	After the net rental is capitalised by the assumed 6.25% net yield, purchaser costs need to be deducted otherwise the capitalised value is overstated. We have three key parties in the market place indicating that purchaser costs are always deducted in all cases. These Purchaser Costs are the same as the Acquisition Costs which are described and covered in paragraph 7.52 of the CIL Viability Study dated January 2013 at Page 94. "The allowance for purchaser costs at 1.5% for acquisition agent and legal fees, and stamp duty to be calculated as at the prevailing rate". This would add 5.5% under HDH's assumptions although current market costs due to the increase in VAT on solicitors and agent's fees would be a standard deduction to 5.8%. Even Mathews & Goodman who HDH have consulted have advised they are standard valuation and appraisal practice, yet they have been excluded from the models and therefore provide an artificial positive viability position from which HDH then sense check the proposed CIL charge rate of £30/m2.
Site Acquisition Costs:	HDH have now amended the position, however HDH have not applied these costs to the additional Residual Land Worth when it is above the Land Used/Site Costs. They only calculate it on the Site Cost figure however in case of the Studio models this figure is less than the Residual Land Worth therefore there will be extra Site Acquisition costs to pay. Excluding this extra cost on residual land values in their viability calculations again leads to an overstatement of land value from which CIL is take and benchmarked. They use 5.5% although the current market due to the increase in VAT on solicitors and agent's fees has been using for some time now the standard deduction of 5.8%.

The combination of the two fundamental errors / omissions relating to purchaser and acquisition costs overstates the residual value.

To illustrate the impact of the missing costs the Residual Land Worth in the presented models in HDH's Table 9 currently show an average across all six residuals that have been presented for the RLW at circa 2.20%-2.9% for Cluster models and 7.61%-8.04% for Studio models of calculated Gross Development Value before deduction of Purchaser Costs.

Yet the missing Purchaser Costs are 5.8% of Gross Development Value with the Acquisition costs adding a greater percentage when the land value for the studios runs higher than the Site Costs. If these two elements are adjusted they would significantly reduce the Residual Land Worth (RLW) to nil for the cluster models and significantly reduce the land value for the studio models. HDH cannot pick one student type ie Studios, identify these as being viable and then argue the CIL charge can be applied to all schemes whether cluster or studio.

Making the adjustments and reducing the RLW would increase the percentage apportionment of proposed CIL charge to the RLW. Even at the £30 per sq m the proposed charge rate will be in excess of 50% when all other land uses in the CIL including the residential models are at 10% or below.

Benchmarking Proposed CIL Charge to Residual Land Worth (RLW)

We have reviewed the CIL Viability Study Update report prepared for Leicester City Council dated December 2014 and would refer to Page 46 within Table 4.4 where HDH have sense checked the proposed CIL charges as a proportion of GDV and as a Proportion of Residual Value (RLW) for all land uses.

We note that the Student Accommodation charge was not included in the table for comparison we have prepared for comparison purposes at the proposed charge rate of £30 /m^2 with and without the errors provided in the following format as Table 4.4. We now show the comparable as follows:

175 Studio Model	CIL	GDV		Residual Value Worth		Assumed Benchmark Land Value		Land Value per Bedspace		
£30 with errors	£163,170	£14,175,000	1.15%	£1,121,405	14.55%	£600,000	27.2%	Value per Bed £6,408	CIL per Bed £932	14.55%
£30 without errors	£163,170	£13,352,850	1.22%	£284,083	57.5%	£600,000	27.2%	Value per Bed £1,623	CIL per Bed £932	57.42%

HDH at paragraphs 4.42 and 4.43 of the Update Study reference that the purpose of viability testing is to assess the effect of CIL and to assist the Council in striking the balance and to inform the process further. HDH set out in Table 4.4 on Page 46 the CIL as a proportion of the site Gross Development Value and the Residual Value for the other land uses which excluded student accommodation. At paragraph 4.45 HDH reference that CIL would typically fall in the range of 9% to 16% of the Residual

Value being the maximum a developer can bid and make a competitive return. At paragraph 4.46 HDH suggest that in none of the appraisals in Table 4.4 would result in land values falling by 25%.

What is most striking however in relation to HDH's revised 27th August 2015 calculations for Student Accommodation in their Appendix 4, the proportion of CIL proposed as a % of RLW/RV (albeit with errors) was substantially above 25% of the calculated Residual Value especially for the clusters and still high for studios. At these sort of levels it does not strike any balance and therefore it is obvious that the previous proposed rate of £100/m2 would have threatened the delivery of Student

Accommodation in the city and with the missing costs the proposed £30/m2 would impact the cluster model and when the missing costs are added the suggested imposed rate would again threaten the delivery of both cluster and studio student accommodation schemes base upon HDH models.

The fact that the proposed CIL payment is such a substantial proportion of the development cost and land value should give the council concern that CIL would threaten the delivery and economic viability of Student Accommodation and therefore the CIL charge should be set at Nil.

Through their comments the University repeatedly refer to 'errors'. In reality these are differences of opinion between professionals in areas where there is a degree of altitude and different approached can be taken. It is accepted that the earlier modelling did contain an error – as agreed at the CIL hearing.

CIL is not calculated. The CIL Regulations are clear. An assessment needs to be made of the effect of CIL and whether development is threatened.

The assumptions put forward by the developers are not credible when considered against the market and the weight of development coming forward.

Regardless of the differences between CODE, the University and the Council, it is quite wrong to say CIL would be a 'substantial proportion of development costs. As set out in Table 12 and Table 13 above it would be about 1.2%. If the University's higher costs were used it would be proportionately less.

CONCLUSION

The evidence clearly indicates that brownfield sites in Leicester have a 'next best' value in the region in of £2,000,000/ha. By 'next best' we mean the value if that land was not in student accommodation use. It is also clear from the evidence that the value of land for student housing is generally in the range of £7,500,000/ha to £11,500,000/ha – depending on the site specifics (no alternate evidence has been produced).

Using the information in Appendix 4 below CIL at £30/m^2, when expressed on a per ha basis (so to be consistent with the land values) would equate to:

Cluster Flats	60 units	£830,760/ha
	175 units	£484,616/ha
	500 units	£461,538/ha
Studio Flats	60 units	£1,1189,20/ha
	175 units	£652,704/ha
	500 units	£621,621/ha

Would a fall in land value of £650,000 or so, from the current value of land for student housing of £7,500,000/ha to £11,500,000/ha leave a land value that is sufficient to provide a willing land owner with a competitive return – when the next best value for the land is £2,000,000/ha? We believe the answer to this question is yes. The land owner would still receive an increase in value of about 240% (£7.5m less £0.65m less £2m = £4.85m, £4.85m/£2m = 243%).

RS Drummond-Hay MRICS
HDH Planning and Development Ltd
2nd October 2015

Appendix1

Email to Matthews & Goodman of 20th August 2015

From:	Simon Drummond-Hay
To:	"psilby@matthews-goodman.co.uk"
Subject:	Leicester
Date:	20 August 2015 08:56:00
Attachments:	GDV and Land Assumptions 20.8.15.docx

Philip

As I explained when we spoke yesterday, we act of Leicester City Council in connection with Community Infrastructure Levy and have undertaken a CIL Viability Study to inform the rates of CIL.

Prior to the submission of the Draft CIL Charging Schedule for the independent examination, our assumptions were not challenged by the operators – but in response to the CIL Examiner's questions Leicester University submitted some very detailed evidence and then more evidence was tabled at the hearings. The CIL Examiner has agreed to a short adjournment to allow us to consider those representations.

As a business we undertake Local Plan Viability Studies and CIL Viability Studies and these are our speciality – but we are not exerts on the nitty gritty of the student sector. We have spoken to various people engaged in the market and I was happy with the valuations and assumptions – but the University (represented by Derek Nesbit of DTZ) and CODE (a local developer / operator) – have challenged some of the assumptions. We are after some help – to give the inspector confidence in our figures.

The way we do this work is to model some typical schemes and from that make a judgement as to what is 'normal'.

I have attached the income and land value assumptions sections of our note to the CIL examiner. I have incorporated in the note the challenges and questions in the shaded boxes. Would you (or your colleague) be able to review this for us and let us have your observations. We are after a short letter that we can submit to the CIL Examiner (with this note and attachment) – with our report and from which we would either change the assumptions we have used, or not. We want to give the CIL Examiner confidence that the values used are the right numbers.

Clearly on some of these I am sure I know the answer but your support (if appropriate) would be useful. A good example is my question 2 – I cant see any reason to anything that the average rent from our survey…. You may not agree.

We need to submit the paper to the developers – that will hopefully be a statement of common ground in the middle of next week.

The problem that I am struggling with is that one only has to walk around the City and the only development is happening is student accommodation – yet the developers are saying it is unviable (and having met them I just don't think they are doing as a leisure activity and making a loss).

If you are able to help (are you conflicted) what would your fees be? Could you please break this into two parts. The first being the letter and the second to attend the hearing – I don't think you would need to come to the hearing, but I would like to give this option to the City Council. This would be an appointment through us (i.e. you would be our sub-contractor).

Your soonest response would be appreciated.

Simon

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Leicester Student Housing – Development and Land Assumptions for Review.

Modelling

In the CIL Viability Study Update, the text said:

> *In the Viability Study the analysis was based on a brownfield site in the City, being the most likely situation for student housing to come forward. We assumed a scheme of 175 student letting rooms at 20m^2 each, with 35% circulation space on a 0.3ha site.*
>
> *The total scheme size is therefore 175 rooms x 20m^2 = 3,500m^2, plus 35% circulation space of 1,225m^2 to give a total GIA of 4,725m^2. This area has formed the basis of our costing.*

At the time of the original study student accommodation tended to be based on the Cluster Flat model. Cluster Flats are groups of rooms (en-suite or not) sharing living space and a kitchen. Since then there has been a shift to the provision of Studio Flats which are slightly larger rooms, but including a kitchenette. This change has had a significant impact on the circulation space (and thus the costs of construction). This is illustrated in the following table:

Table 1 Review of Recent Planning Applications

Site Name		Site (ha)	Beds	Circulation (%)	Type
11-17 Jarrom	New build	0.08	140	26%	Studio
The Summit, Jarrom St	New build	0.38	369	17%	Studio
Upperton Road	New build	1.1	536	24%	Studio
136 New Walk	Conversion	0.05	30	27%	Studio
Southgates bus depot	New build	0.72	500	32%	40% studios
Albion Street	Conversion	0.05	54	30%	
Brookland Road	New build	0.19	215	32%	25% studios
55 Oxford Street	New build	0.05	90	30%	Studio

Source: LCC

Based on this it is appropriate to model the two forms separately. We have assumed that the typical Cluster Flat is 15m^2 and the typical Studio Flat 23m^2. We have assumed 26% circulation space in studio flatted development and 35% in the Cluster Flats. We have run appraisals based on the following range of schemes, based on discussions with officers on the expected development to be forthcoming in the future:

Table 2 Student Accommodation – Revised Modelling							
		Cluster Flats			Studios		
Rooms		60	175	500	60	175	500
Room size	m^2	15	15	15	23	23	23
Lettable Area	**m^2**	**900**	**2,625**	**7,500**	**1,380**	**4,025**	**11,500**
Circulation	%	35%	35%	35%	26%	26%	26%
	m^2	485	1,413	4,038	485	1,414	4,041
GIA	**m^2**	**1,385**	**4,038**	**11,538**	**1,865**	**5,439**	**15,541**
Site	ha	0.05	0.25	0.75	0.05	0.25	0.75

Source: HDH

Question 1:- Do you have any comments on the amount of circulation space – do you consider this to be in the 'normal' range? This aspect of the study has not been challenged.

Values

In the original Viability Study we assumed that, for student accommodation a gross annual rental income of £5,000/ room is typical. We adjusted this to reflect the services provided by the provider and assumed a net income of £3,000/room. This has been capitalised at 6.5% to give a value of £2,225/m^2.

We have refreshed the survey of student accommodation costs. This is set out in full in the attached **Appendix 1**. It is necessary to consider the 'rent' and the length of the letting period (the length of the letting year) as between these the gross annual rent can be derived. This information was gathered in the week of the A Level results (starting 13th August 2015), and was described by one operator as 'the busiest week of the year'. On the whole the information was taken from the operators' website and where information on the length of the letting year was not always available. Some agents / developers were unwilling or unable to provide information on the length of the letting year. The results of this survey are summarised as follows:

Table 3 Student Accommodation Costs £/year			
	Studio Flat	Cluster flat	Unspecified
Minimum	4,752	2,835	3,450
Maximum	9,360	6,318	6,069
Mean	6,826	4,685	4,762
Median	6,760	4,615	4,389

Source: Operators

The costs vary considerably with newer, better located accommodation, achieving a premium and being at the top end of the range. We have used a value of £6,800/studio flat and £4,750/cluster flat in this study.

Question 2:- Do you have any comments on Rents – do you think this is a sound starting point?

One developer / operator has suggested that the average charged over the 660 unit Western Road (which was voted the UK's best student accommodation in 2013-14) was £5,904/room.

In the earlier work consideration was given to the ongoing management costs and the yield on such investments.

To derive the net rent we have considered the costs of management. We have investigated this further and have reduced the gross rent by 30% for Cluster Flats and 25% on Studio Flats (where there is less circulation space). As shown in **Appendix 1** many of the rooms are subject to additional costs for services.

Question 3:- Do you have any views on the management assumption?

One developer / operator has implied that this should be 30% on studios as well as cluster flats. The reason for reducing the assumptions on Studios was that there is less circulation and shared space – resulting in lower management charges – in addition Studios are more likely to have to pay for their own services (or at least contribute towards them).

We have reviewed the yield assumptions used to capitalise the net rents. A yield of 6.5% was used in the earlier work. There has been a notable improvement in the market. This is summarised in the Savills Spotlight: UK Student Housing Market (8 June 2015) that says:

> *Investment into the purpose-built student accommodation market only just fell short of our forecast for last year with £2.45 billion of assets traded, a 23% increase on 2013 levels. This figure has already been surpassed in the first five months of 2015 with £4.2 billion invested (on both a standing investment and site acquisition basis), a record high that is already 70% above last year's level and 40% above the previous peak in 2012.*
>
> *With increased investment activity, we have seen yield compression across all sub-markets. This has particularly been the case for investments in prime London where direct let net initial yields are now below 5%. For 2015, we forecast total returns of 14%. This is comprised of average blended yields compressing by 25 basis points and rental growth of 3.5%. Current 2015 yields are at the levels shown in the table below.*

	Lease	*Nomination Agreement*	*Direct Lease*
Prime London	*3.75%*	*4.50%*	*4.75%*
Super Prime Regional	*4.25%*	*4.75%*	*5.50%*
Prime Regional	*4.50%*	*5.25%*	*6.00%*
Secondary Regional	*5.00%*	*5.75%*	*5.75%*

CBRE say similar things in their Student Housing, H1 2015 Market View & Advisory Insight Paper:

> *In London, yields have now reached the previous peak of 4.75% in 2007. Regional assets have tended to lag behind London by 50bsp, …. We expect that based on the current demand from investors, the next prime regional deals will show significantly better than the previously established tone of 6%.*

Figure 3: University Lease vs. Direct Let Net Initial Yields

2015 Q2 University Leases		
	NIY	Trending
London Zone 1	4.50%	Stronger
London Zones 2-4	4.50%	Stronger
Superprime Regional	4.50%	Stronger
Prime Regional	4.75%	Stronger
Secondary Regional	5.00%	Stable
2015 Q2 Direct Let		
	NIY	Trending
London Zone 1	4.75%	Stronger
London Zones 2-4	5.25%-5.75%	Stronger
Superprime Regional	5.25%	Stronger
Prime Regional	5.75%	Stronger
Secondary Regional	7.00%	Stable

Based on the above we have assumed the following values for student housing:

Table 4 Updated Value of Student Housing

		Studios	Cluster Flats
Rent		£6,800	£4,750
Management etc	%	25%	30%
Net Rent		£5,100	£3,325
Yield		6%	6%
Value per room	**£**	**£85,000**	**£55,417**

Source: HDH

These values are somewhat higher than those used in the earlier work.

Question 4:- One developer has challenged the yield assumption (the other has not) suggesting it should be 6.5%. I have assumed that Leicester is between the Prime and Secondary Regional. The consequence of this change would be:

		Studios	Cluster Flats
Rent		£6,800	£4,750
Management etc	%	25%	30%
Net Rent		£5,100	£3,325
Yield		6.5%	6.5%
Value per room	**£**	**£78,462**	**£51,154**

Should we have used a different yield?

As a supplemental should a higher yield be used for the small schemes.

Question 5:- Is it correct to allow for management before capitalising the room rent? It has been suggested at some operators simply look at the gross income and then capitalise at a higher yield of 7% to 7.5% or so.

This gives a higher value than that in Table 4.

		Studios	Cluster Flats
Rent		£6,800	£4,750
Management etc	%	0%	0%
Net Rent		£6,800	£4,750
Yield		7.5%	7.5%
Value per room	**£**	**£90,667**	**£63,333**

This would be preferred because it avoids the need for any debate around management costs.

Question 6:- We have taken the values from Table 4 into the appraisals. The University has suggested that it is appropriate to deduct the purchaser's costs on the final disposal (4% Stamp Duty plus 1.5% agents and legal fees of the GDV).

Would you normally make this adjustment?

We have not made this adjustment as we have assumed (rightly or wrongly) that the University will be developing to hold or by a developer to operate – rather than just building it to sell it after a year or so of trading.

What is the 'normal' approach.

Question 7:- are the values in the area you would expect? If not what would you expect.

Development Costs

We are not asking for comments on this section.

Revised Appraisals

We are not asking for comments on this section.

Land Values

The methodology for undertaking the CIL Viability Study was agreed through the consultation process. There was a universal consensus that it was appropriate to follow the Harman Guidance and that the '*Existing Use Value plus*' methodology set out in the Harman Guidance should be used.

The Existing Use Values (EUV) are set out towards the end of Chapter 6 of CIL Viability Study (2013) and have not been otherwise challenged.

When considering new student accommodation in Leicester it is necessary to consider where such development is likely to occur. As the start of this note we summarised the University's representations made to the Local Plan Issues and Options when they confirmed that 'the existing accommodation broadly represents the right quantum required to meet its needs'. We understand that the University also suggests that any strategy that comes forward should seek to consider the legacy of surplus/out dated stock. Such redevelopment would not be subject to CIL, being redevelopment and CIL only being applicable on net new development.

When preparing the CIL Viability Study it was assumed that student accommodation was most likely to take place on brownfield sites in Leicester and that the Existing Use Value was most likely to be that of industrial land.

The assumptions about the EUV were subject to consultation and were adjusted to £440,000/ha as a result of a consultee's comments and there was a consensus that this was a reasonable figure to apply to industrial land in Leicester. The viability threshold on brownfield sites was taken to be EUV plus 20% - so £528,000/ha.

In a study of this type it is necessary to consider what has driven land value for student housing in the market. Is it competition between developers seeking to develop student housing, or is it driven by developers seeking to put the land to other uses? It is clear that the price of land for student accommodation is driven by completion between student housing operators rather than for other uses (such as residential).

In the University's response, no specific student accommodation land value comparables are quoted. Reference is made to an approximate £5,000 per room value. Based on the modelling assumptions set out above this approximates to the following land values:

Table 6 Land values at £5,000/room

Area (ha)	0.05	0.3	0.7
Rooms	60	175	500
£/room	5,000	5,000	5,000
Site Value	300,000	875,000	2,500,000
£/ha	6,000,000	3,500,000	3,333,000

Source: HDH

Other representations were made that land for student housing is trading at about double this amount at £8,000 to £11,000 per bedspace which results in very much higher land values.

Table 7 Land values at £10,000/room			
Area (ha)	0.05	0.3	0.7
Rooms	60	175	500
£/room	10,000	10,000	10,000
Site Value	600,000	1,750,000	5,000,000
£/ha	12,000,000	5,833,333	7,142,857

Source: HDH

Based on recent transactions in Leicester that are known to the Council's property management department, the values of the larger sites are in the expected range of £2,500,000 to £3,500,000. We have been referred to two specific schemes:

a) A 0.27ha (0.68 acre) site at Oxford Street with planning for 387 units was recently sold for between £4,500,000 and £4,750,000 which equates to around £11,500,000/ha (about £6,800,000/acre).

b) Southgates former bus depot is a 0.73ha (1.8 acre) site with consent 500 units (plus some retail space) was recently sold for £5,750,000 which equates to about £7,900,000/ha (about £3,200,000/acre).

In this high level viability study we have assumed that land for student housing, in Leicester is generally worth £7,500,000/ha (£3,000,000/acre) to £11,500,000/ha (£6,800,000/acre). It is important to not that this will vary, particularly having regard to the extent of remediation and abnormal works.

Question 8:- Do you have any comments? Is this the right range?

Above it was noted that the price for land for student accommodation is driven by competition within the sector for land. It is therefore appropriate to consider the 'next best value' – that is to say the value that a piece of land may be worth in the next most valuable use. Elsewhere in the Viability Study we found the development of flats and apartments in the City Centre to be generally be unviable. It is therefore unlikely that residential developers will be competing for development sites in the city centre. This is supported by the Council's experience through Development Management.

Question 9:- Do you agree the price is driven by competition within the sector and that student housing is the only show in town?

There is no suggestion that the Residual Value with CIL needs to exceed the open market value of land in that use before the introduction of CIL. It is inevitable that any additional policy burden will result in a fall in land values. The question for this study is whether or not the increase in land value as a result of the change of use to student housing, is sufficient to induce the owner to release the land for development.

The £440,000/ha was agreed through the consultation process and we believe that it is a proper reflection of typical industrial values across the City (and parts of the wider County of Leicestershire). There will of course be higher valued and lower valued areas as well. Having said this we do recognise that there is little evidence to support these values in the areas where student housing may come forward, being the City Centre and areas within walking distance of the universities.

In these areas there are few comparable sites:

a) The Council owns a 0.4ha carpark adjacent to the Leicester Tigers stadium that is let for about £180,000 per year. On this basis the site has a value of about £2,000,000.

b) Lewisher Road is a site 4.8 acre (about 2 ha) to the north of the City Centre. We understand that three plots were recently sold for about £220,000/acre (£540,000/ha).

c) Ashton Business Park (to the northwest of the City). We understand that the Council sold a site in 2013 for £260,000/acre (£640,000/ha).

d) Land off the Melton Road (now known as Newark Road). About 7.6ha, sold for £7,750,000.

We have identified the following parcels of brownfield land as being available in the City at the time of this note (August 2015):

a) 9-13 Woodgate – retail / distribution. Asking price of £1,250,000 for a 0.68ha site.

b) Glenfield Bus Depot (by Glenfield Hospital by the Ring Road) – Asking price of £400,000 for a 0.41ha.

Based on the above information, we do believe that in the case of city centre development it is appropriate to consider a higher Existing Use Value of £2,000,000/ha.

Question 10:- Do you have any comments? If you don't think you have sufficient local knowledge in this regard please leave this question

APPENDIX 1. Student Housing Market Survey. August 2015

Company		postcode	Number of beds	£/week	Inclusive of services	Letting Year (weeks)	Ensuite	Studio Flat	Cluster flat	Unspecified
SULETS	Brookland Rd	LE2 6BH	4	105	yes	52	n		5,460	
			2	125	yes	52	y	6,500		
			3 to 5	118 - 125	yes	52	y		6,318	
			studio	140	yes	52	y	7,280		
	The Annexe		1	180	y plus £250 energy	52	y	9,360		
	The Summit	LE2 7JD	2		y plus £250 energy	52	y			
	The Tower		studio	145	y plus £250 energy	52	y	7,540		
			studio	118	y plus £250 energy	52	y	6,136		
	Upperton Rd	LE3	studio	109-129	y plus £100 energy	52	y	6,188		
	Eastern Boulevard	LE2 7JD	studio	120	y	52	y	6,240		
			4	110	y	52	y		5,720	
	Regents Court	LE1 6UP	4	90	y plus £295 energy	52	n		4,680	
			5	85	y plus £295 energy	52	n		4,420	
			6	85	y plus £295 energy	52	n		4,420	
	Newark St	LE1	studio	135	y plus £275	52	y	7,020		
			2 to 6	120-113	y plus £275	52	y		6,058	
	Queens Ct	LE2 7DJ	studio	115	y plus £295	52	y	5,980		
			2 to 6	75-100	y plus £295	52	n		4,550	
CODE	Western Rd	LE3 0GH	studio	99	n	48	y	4,752		
City Block	Careys Close		up to 5	97-105	y	50	y		5,050	
			studio	142	y	50	y	7,100		
			superior studio	145.5	y	50	y	7,275		
			upto 5	105-118	y	50	y		5,575	
Westmanor	Clyde Ct	LE1 2AW	studio	120	some bills		y	y		
			1 to 2	105-130			y	y		
	The Wool Factory	LE1 5XD	2	120	y		y		y	
			4 to 5	100	y		n		y	
			5	110	y		y		y	
	Eastbond St	LE1 4SX	studio	130-135	some bills		y	y		
	Millstone Lane	LE1 5JN	3 to 5	65 to 85	some bills		n		y	
	Charlesworth House	LE1 1GS	1	125	n		n		y	
			2 to 3	90-95	n		n		y	
	Zenith	LE1 1QA	2	90			y	y		

	Zone upper Walk	LE1 7QA	studio	150-165	y		y	y		
	Athena	LE2 7EE	studio	126	y		y	y		
			2,3,4	100-102	y		n		y	
	Campbell House	LE1 5TT	3,4	120	some		y		y	
	Westdale Court	LE3 0GA	3,4,5	100-115	yes				y	
	Zone Bede Park	LE3 0AE	studio	115	£250		y	y		
			2	120	£250		y	y		
	Oxford Grange	LE2 7EH	studio	130	y		y	y		
			2,3,4	110-99	y		y		y	
	The Water Mills	LE1 5GW	studio	118	up to £300 inc		y	y		
			2 to 3	105	up to £300 inc		y		y	
			1	135	up to £300 inc		y	y		
	River Building	LE3 0GR	1	132	n		y	y		
			2	95	n		y	y		
Westmanor	Nelson Court	LE1 1RA	2	100	n		n		y	
			3	95	n		n		y	
	The Platform	LE2 0JA	studio	115	n		y	y		
			2	100	n		n		y	
			large 2	105	n		n		y	
	Zip Building	LE2 7DS	studio	130	£200 allowance		y	y		
			1 bed sml	125	£200 allowance		y	y		
			1 bed lge	150	£200 allowance		y	y		
			2,3	110	£200 allowance		n		y	
			4	100	£200 allowance		n		y	
Lettings 4 students	Zone de Montfort	LE1 7GD	studio	138-150	plus £250	52	y	7488		
	Zone New Walk	LE1 7JA	studio	150-165	y	52	y	8190		
	Jarrom St		studios	130	plus £250	52		6,760		
Leicester Univ	John Foster Hall	LE2 2LG	single catered	144.2	y	30	n			4,326
	and Gilbert Murray Stamford		ensuite catered	198.8	y	30	y			5,964
	and Beaumont Hall	LE2 2NA	s/c	94.5	y	30	n		2,835	
	and Digby Hall		single s/c	149.1	y	30	y		4,473	
			1 premium	179.2	y	30	y	5,376		
	Freeman's Common	LE2 6BF	single	94.5	y	42	n		3,969	
	and Mary Gee		single	94.5	y	39	n		3,686	
	and Nixon Court	LE2 7TG	single	94.5	y	42	n		3,969	

			premium single	102.9	y	42	y		4,322	
			premium flat	179.2	y	42	y	7,526		
	Opal Court	LE1 7HA	standard	94.5	y	42	y		3,969	
			premium ens	129.5	y	42	y		5,439	
			premium flat	152.6	y	42	y	6,409		
	Oxford Court	LE1 5XX	single	75	plus £95	46				3,450
			double	80	plus £95	46				3,680
De Montfort Univ	Bede Hall		10	99	y	38	n		3,762	
	Filbert Village	LE2 7FZ	2,4,5,6	104	y	43	n		4,472	
			2	116	y	43	y		4,988	
	The Grange	LE2 7EG	2,4,5,6	89	y	43	n		3,827	
			2,4,5,6	122	y	43	y		5,246	
	Liberty Park	LE2 7FP	4,5	117	y	42	y		4,914	
			double bed	122	y	42	y		5,124	
	New Wharfe Hall	LE2 7BU	4,7,10	99	y	38	n		3,762	
	Newarke Point	LE2 7GZ	5	122	y	43	y		5,246	
			studio	157	y	43	y	6,751		
			5 premium	138	y	43	y		5,934	
	Victoria Hall	LE1 5WN	2,3,4,5,6	104.5	y	42	y			4,389
			deluxe	111.5	y	42	y		4,683	
	Waterway Gardens	LE2 7EB	6	97	y	38	n		3,686	
	Grosvenor House		bronze 3,4,5,6	107	y	51	y			5,457
			silver 3,4,5,6		y	51	y			
			gold 3,4,5,6	119	y	51	y			6,069
			bronze studio	139	y	51	y	7,089		
			mini studio	125	y	51	y	6,375		
							Minimum	4,752	2,835	3,450
							Maximum	9,360	6,318	6,069
							Mean	6,826	4,685	4,762
							Median	6,760	4,615	4,389

Appendix 2

Letter from Matthews & Goodman of 24th August 2015

Matthews & Goodman
Property Advisers

Our Ref: 01/17349/109033

Simon Drummond-Hay
HDH Planning and Development Ltd
Clapham Woods Farm,
Keasden, Nr Clapham,
Lancaster, LA2 8ET.

24 August 2015

Dear Simon,

RE: LEICESTER STUDENT HOUSING CIL VIABILITY STUDY

In accordance with your instructions we have reviewed the development and land assumption review document that you have prepared in relation to a Student Housing CIL Viability Study on behalf of Leicester City Council.

We now set out the salient issues that affect the viability of future student housing development schemes within Leicester and provide responses to each of the ten questions outlined in your review document.

Question 1 – Circulation

We believe that the definition of Circulation space includes general communal areas (not within the Clusters), especially at Ground floor. This is the basis as to why the Studio style rooms appear to have less circulation space than Cluster flats.

Question 2 – Rents
A summary of comparable rents for existing schemes within Leicester are:

Victoria Hall	2-6 bed clusters	
	Av £108 pw for 42 weeks	£4,536 gross
CityBlock CB1	Clusters and Studios	
	Clusters £97 pw for 50 weeks	£4,850 gross
	Studios £141 pw for 50 weeks	£7,050 gross
Newarke Point	Clusters and Studios	
	Clusters £140 pw for 43 weeks	£6,020 gross
	Studios £169 av for 43 weeks	£7,267 gross
Liberty Park	Clusters 42 and 51 wks	
	42 weeks £122 pw	£5,124 gross
	51 weeks £112 av	£5,712 gross

In summary it is our opinion that the Gross rents are reasonable in the current market.

Matthews & Goodman

Question 3 – Management Costs

We would regard a 40% deduction for Gross to Net as excessive. Traditionally deductions of 20% to 25% are industry standard. Increases in services provided, such as free broadband and contents insurance, as well as the increasing costs of utilities etc, pushes costs up. Given the services outlined we would recommend a deduction in the order of 25% would be appropriate.

For valuation purposes it is acknowledged that more overheads can be recovered from Studios, but we would look through how each individual operator deals with this issue and see if there is a balance of one or the other. The all inclusive nature of services is commonly reflected in the rent as a general practice, which needs to be borne in mind.

Question 4 – Yield

The Student Housing Investment Market has attracted a lot of interest which has generally resulted in lower yields as the market has become more established. There have been various changes such as student tuition fees, which have affected investors perception of how rents and values may alter over time. Yields are largely based on location, the passing rents and completion. The last sales in Leicester that we have been involved in, were based on 6.75%, and this puts the city well behind other prime locations. The main reason for that is the high concentration of purpose built rooms in the city compared to other university locations, and the difficulty therefore in attracting experienced operators into the town. The recent sales at 6.75% were sales to secondary operators on relatively new schemes without much track record. It is also our opinion that if a national operator were to sell one an established asset with a lease-back, the yield could be sub 6%. As a capitalisation yield to reflect the whole market we would recommend a yield of 6.25%.

We would however note that for smaller schemes, which by definition attract more secondary operators, a yield in the order of 7.00% would be more appropriate.

Question 5 – Deduction of Management Costs

Yields tend by definition to be applied to net income as standard valuation practice, but there is an attraction in this sector (as with HMOs and similar) to valuing the gross income. Doing so denies the more efficient operator the premium value that his efficiencies might deserve, but it seems that the gross valuation thought process is becoming more established.

Question 6 – Deduction of Purchasers Costs

It is standard valuation and appraisal practice to deduct notional Purchasers Costs. This is because the theory of Valuation is that the property will be sold, and those costs will be incurred. Not deducting costs would give a figure of "worth" rather than value.

Question 7 – Are values in the right ballpark

Subject to our comments above, I would say yes. The rents appear to be relatively low and the yield applied is at the lower end of our opinion and the market. Overall, we are of the opinion that the final answers are appropriate.

Matthews
& Goodman

Question 8 – Land Values

Land values are difficult measures, as they don't readily reflect the density of each development. The rate per room is a more effective measure of site value. The recent sales by Matthews & Goodman reflected circa £11,000 per room, which may have been at the upper end of the scale, but is a more readily comparable metric. If there are economies of scale in development (which we believe there are) then larger sites ought to attract a higher rate per room, unless there are other constraints on density.

Question 9 – Student development is the only show in town

The office and residential markets are lagging behind the student residential sector in terms of viability for new schemes.

Question 10 – Existing Use Land Values

The current state of the market for office, residential, retail and other uses makes if difficult to put spot values on existing land values. An interesting case study is Enterprise House, which we believe sold for about £2m. The property had a lapsed consent for a mixed use scheme including a large element of student housing, without which it would have a negative value! Given this recent sale we are of the opinion that a value in the region of £2m per hectare would therefore be a realistic value in the city centre.

I trust that this letter covers each of your points sufficiently, but if you require any clarification please do not hesitate to contact me.

Yours sincerely

<u>Ben Hartley BSc (Hons) MRICS</u>
For and on behalf of
Matthews & Goodman LLP

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m. 07772 872 729
e. bhartley@matthews-goodman.co.uk

QUALITY SYSTEM CERTIFICATION ISO 9001

APPENDIX 3. Student Housing Market Survey. August 2015

Company		postcode	Number of beds	£/week	Inclusive of services	Letting Year (weeks)	Ensuite	Studio Flat		Cluster flat	Unspecified
SULETS	Brookland Rd	LE2 6BH	4	105	yes	52	n			5,460	
			2	125	yes	52	y	6,500			
			3 to 5	118 - 125	yes	52	y			6,318	
			studio	140	yes	52	y	7,280			
	The Annexe		1	180	y plus £250 energy	52	y	9,360			
	The Summit	LE2 7JD	2		y plus £250 energy	52	y				
	The Tower		studio	145	y plus £250 energy	52	y	7,540			
			studio	118	y plus £250 energy	52	y	6,136			
	Upperton Rd	LE3	studio	109-129	y plus £100 energy	52	y	6,188			
	Eastern Boulevard	LE2 7JD	studio	120	y	52	y	6,240			
			4	110	y	52	y			5,720	
	Regents Court	LE1 6UP	4	90	y plus £295 energy	52	n			4,680	
			5	85	y plus £295 energy	52	n			4,420	
			6	85	y plus £295 energy	52	n			4,420	
	Newark St	LE1	studio	135	y plus £275	52	y	7,020			
			2 to 6	120-113	y plus £275	52	y			6,058	
	Queens Ct	LE2 7DJ	studio	115	y plus £295	52	y	5,980			
			2 to 6	75-100	y plus £295	52	n			4,550	
CODE	Western Rd	LE3 0GH	studio	99	n	48	y	4,752			
City Block	Careys Close		up to 5	97-105	y	50	y			5,050	
			studio	142	y	50	y	7,100			
			superior studio	145.5	y	50	y	7,275			
			upto 5	105-118	y	50	y			5,575	
Westmanor	Clyde Ct	LE1 2AW	studio	120	some bills		y	y			
			1 to 2	105-130			y	y			
	The Wool Factory	LE1 5XD	2	120	y		y			y	
			4 to 5	100	y		n			y	
			5	110	y		y			y	
	Eastbond St	LE1 4SX	studio	130-135	some bills		y	y			
	Millstone Lane	LE1 5JN	3 to 5	65 to 85	some bills		n			y	
	Charlesworth House	LE1 1GS	1	125	n		n			y	
			2 to 3	90-95	n		n			y	
	Zenith	LE1 1QA	2	90			y	y			

	Zone upper Walk	LE1 7QA	studio	150-165	y		y	y			
	Athena	LE2 7EE	studio	126	y		y	y			
			2,3,4	100-102	y		n			y	
	Campbell House	LE1 5TT	3,4	120	some		y			y	
	Westdale Court	LE3 0GA	3,4,5	100-115	yes					y	
	Zone Bede Park	LE3 0AE	studio	115	£250		y	y			
			2	120	£250		y	y			
	Oxford Grange	LE2 7EH	studio	130	y		y	y			
			2,3,4	110-99	y		y			y	
	The Water Mills	LE1 5GW	studio	118	up to £300 inc		y	y			
			2 to 3	105	up to £300 inc		y			y	
			1	135	up to £300 inc		y	y			
	River Building	LE3 0GR	1	132	n		y	y			
			2	95	n		y	y			
Westmanor	Nelson Court	LE1 1RA	2	100	n		n			y	
			3	95	n		n			y	
	The Platform	LE2 0JA	studio	115	n		y	y			
			2	100	n		n			y	
			large 2	105	n		n			y	
	Zip Building	LE2 7DS	studio	130	£200 allowance		y	y			
			1 bed sml	125	£200 allowance		y	y			
			1 bed lge	150	£200 allowance		y	y			
			2,3	110	£200 allowance		n			y	
			4	100	£200 allowance		n			y	
Lettings 4 students	Zone de Montfort	LE1 7GD	studio	138-150	plus £250	52	y	7488			
	Zone New Walk	LE1 7JA	studio	150-165	y	52	y	8190			
	Jarrom St		studios	130	plus £250	52		6,760			
Leicester Univ	John Foster Hall	LE2 2LG	single catered	144.2	y	30	n				4,326
	and Gilbert Murray Stamford		ensuite catered	198.8	y	30	y				5,964
	and Beaumont Hall	LE2 2NA	s/c	94.5	y	30	n			2,835	
	and Digby Hall		single s/c	149.1	y	30	y			4,473	
			1 premium	179.2	y	30	y	5,376			
	Freeman's Common	LE2 6BF	single	94.5	y	42	n			3,969	
	and Mary Gee		single	94.5	y	39	n			3,686	
	and Nixon Court	LE2 7TG	single	94.5	y	42	n			3,969	

			premium single	102.9	y	42	y			4,322	
			premium flat	179.2	y	42	y	7,526			
	Opal Court	LE1 7HA	standard	94.5	y	42	y			3,969	
			premium ens	129.5	y	42	y			5,439	
			premium flat	152.6	y	42	y	6,409			
	Oxford Court	LE1 5XX	single	75	plus £95	46					3,450
			double	80	plus £95	46					3,680
De Montfort Univ	Bede Hall		10	99	y	38	n			3,762	
	Filbert Village	LE2 7FZ	2,4,5,6	104	y	43	n			4,472	
			2	116	y	43	y			4,988	
	The Grange	LE2 7EG	2,4,5,6	89	y	43	n			3,827	
			2,4,5,6	122	y	43	y			5,246	
	Liberty Park	LE2 7FP	4,5	117	y	42	y			4,914	
			double bed	122	y	42	y			5,124	
	New Wharfe Hall	LE2 7BU	4,7,10	99	y	38	n			3,762	
	Newarke Point	LE2 7GZ	5	122	y	43	y			5,246	
			studio	157	y	43	y	6,751			
			5 premium	138	y	43	y			5,934	
	Victoria Hall	LE1 5WN	2,3,4,5,6	104.5	y	42	y				4,389
			deluxe	111.5	y	42	y			4,683	
	Waterway Gardens	LE2 7EB	6	97	y	38	n			3,686	
	Grosvenor House		bronze 3,4,5,6	107	y	51	y				5,457
			silver 3,4,5,6		y	51	y				
			gold 3,4,5,6	119	y	51	y				6,069
			bronze studio	139	y	51	y	7,089			
			mini studio	125	y	51	y	6,375			
							Minimum	4,752		2,835	3,450
							Maximum	9,360		6,318	6,069
							Mean	6,826		4,685	4,762
							Median	6,760		4,615	4,389

APPENDIX 4 Revised Appraisals

Cluster Flats - 60 Unit Scheme

	Rooms		60	60	60	60	60	60	60	60	60	60	60
	Room size		15	15	15	15	15	15	15	15	15	15	15
		CIL £/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Building		m2	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385
	Circualtion Space	%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
		m2	485	485	485	485	485	485	485	485	485	485	485
Income		m2	900	900	900	900	900	900	900	900	900	900	900
	£/Room		57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000
	£/m2		3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
	Capital Value		**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**
	Investor's costs SDLT		0	0	0	0	0	0	0	0	0	0	0
	Investor's costs Agents		0	0	0	0	0	0	0	0	0	0	0
	Net Reciept		**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**	**3,420,000**
Costs	Land Used	ha	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
		£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
		Uplift £/ha		0	0	0	0	0	0	0	0	0	0
		20.00%	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
		Site Cost	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**
	Acquisition SDLT	4.00%	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
	Acquisition fees	1.50%	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
	Strategic Promotion			0	0	0	0	0	0	0	0	0	0
	Planning		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Construction	/m2	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525
		£	2,111,538	2,111,538	2,111,538	2,111,538	2,111,538	2,111,538	2,111,538	2,111,538	2,111,538	2,111,538	2,111,538
	Infrastructure	5.00%	105,577	105,577	105,577	105,577	105,577	105,577	105,577	105,577	105,577	105,577	105,577
	Abnormals	5.00%	105,577	105,577	105,577	105,577	105,577	105,577	105,577	105,577	105,577	105,577	105,577
	Fees	8.00%	185,815	185,815	185,815	185,815	185,815	185,815	185,815	185,815	185,815	185,815	185,815
	S106			0	0	0	0	0	0	0	0	0	0
	CIL		0	13,846	27,692	41,538	55,385	69,231	83,077	96,923	110,769	124,615	138,462
	Contingency	5.00%	116,135	116,135	116,135	116,135	116,135	116,135	116,135	116,135	116,135	116,135	116,135
	Finance Costs		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	Sales	1.00%	34,200	34,200	34,200	34,200	34,200	34,200	34,200	34,200	34,200	34,200	34,200
	Misc		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Subtotal		**2,690,442**	**2,704,288**	**2,718,135**	**2,731,981**	**2,745,827**	**2,759,673**	**2,773,519**	**2,787,365**	**2,801,212**	**2,815,058**	**2,828,904**
	Interest	7.00%	94,165	94,650	95,135	95,619	96,104	96,589	97,073	97,558	98,042	98,527	99,012
	Profit % Costs	20.00%	556,922	559,788	562,654	565,520	568,386	571,252	574,118	576,985	579,851	582,717	585,583
	COSTS		**3,341,529**	**3,358,726**	**3,375,923**	**3,393,120**	**3,410,317**	**3,427,514**	**3,444,711**	**3,461,908**	**3,479,105**	**3,496,302**	**3,513,499**
		CIL £/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Residual Land Worth		**Site**	78,471	61,274	44,077	26,880	9,683	-7,514	-24,711	-41,908	-59,105	-76,302	-93,499
		£/ha	1,569,413	1,225,475	881,536	537,598	193,659	-150,279	-494,218	-838,156	-1,182,095	-1,526,033	-1,869,972
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	1,569,413	1,225,475	881,536	537,598	193,659	-150,279	-494,218	-838,156	-1,182,095	-1,526,033	-1,869,972
	CIL as % GDV		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.6%**	**2.0%**	**2.4%**	**2.8%**	**3.2%**	**3.6%**	**4.0%**
	CIL as % Costs		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.6%**	**2.0%**	**2.4%**	**2.8%**	**3.2%**	**3.6%**	**3.9%**
	CIL as % RV		**0.0%**	**22.6%**	**62.8%**	**154.5%**	**572.0%**	**-921.4%**	**-336.2%**	**-231.3%**	**-187.4%**	**-163.3%**	**-148.1%**

Cluster Flats - 175 Unit Scheme

	Rooms		175	175	175	175	175	175	175	175	175	175	175
	Room size		15	15	15	15	15	15	15	15	15	15	15
	CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Building		m2	4,038	4,038	4,038	4,038	4,038	4,038	4,038	4,038	4,038	4,038	4,038
	Circualtion Space	%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
		m2	1,413	1,413	1,413	1,413	1,413	1,413	1,413	1,413	1,413	1,413	1,413
Income		m2	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625
	£/Room		57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000
	£/m2		3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
	Capital Value		**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**
	Investor's costs SDLT		0	0	0	0	0	0	0	0	0	0	0
	Investor's costs Agents		0	0	0	0	0	0	0	0	0	0	0
	Net Reciept		**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**	**9,975,000**
Costs	Land Used	ha	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
		£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
		Uplift £/ha		0	0	0	0	0	0	0	0	0	0
		20.00%	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
		Site Cost	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**
	Acquisition SDLT	4.00%	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
	Acquisition fees	1.50%	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
	Strategic Promotion			0	0	0	0	0	0	0	0	0	0
	Planning		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Construction	/m2	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525
		£	6,158,654	6,158,654	6,158,654	6,158,654	6,158,654	6,158,654	6,158,654	6,158,654	6,158,654	6,158,654	6,158,654
	Infrastructure	5.00%	307,933	307,933	307,933	307,933	307,933	307,933	307,933	307,933	307,933	307,933	307,933
	Abnormals	5.00%	307,933	307,933	307,933	307,933	307,933	307,933	307,933	307,933	307,933	307,933	307,933
	Fees	8.00%	541,962	541,962	541,962	541,962	541,962	541,962	541,962	541,962	541,962	541,962	541,962
	S106			0	0	0	0	0	0	0	0	0	0
	CIL		0	40,385	80,769	121,154	161,538	201,923	242,308	282,692	323,077	363,462	403,846
	Contingency	5.00%	338,726	338,726	338,726	338,726	338,726	338,726	338,726	338,726	338,726	338,726	338,726
	Finance Costs		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	Sales	1.00%	99,750	99,750	99,750	99,750	99,750	99,750	99,750	99,750	99,750	99,750	99,750
	Misc		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Subtotal		**7,812,957**	**7,853,341**	**7,893,726**	**7,934,111**	**7,974,495**	**8,014,880**	**8,055,264**	**8,095,649**	**8,136,034**	**8,176,418**	**8,216,803**
	Interest	7.00%	273,453	274,867	276,280	277,694	279,107	280,521	281,934	283,348	284,761	286,175	287,588
	Profit % Costs	20.00%	1,617,282	1,625,642	1,634,001	1,642,361	1,650,721	1,659,080	1,667,440	1,675,799	1,684,159	1,692,519	1,700,878
	COSTS		**9,703,692**	**9,753,850**	**9,804,008**	**9,854,165**	**9,904,323**	**9,954,481**	**10,004,638**	**10,054,796**	**10,104,954**	**10,155,111**	**10,205,269**
	CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Residual Land Worth		**Site**	**271,308**	**221,150**	**170,992**	**120,835**	**70,677**	**20,519**	**-29,638**	**-79,796**	**-129,954**	**-180,111**	**-230,269**
		£/ha	**1,085,231**	**884,600**	**683,969**	**483,339**	**282,708**	**82,077**	**-118,554**	**-319,184**	**-519,815**	**-720,446**	**-921,077**
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	1,085,231	884,600	683,969	483,339	282,708	82,077	-118,554	-319,184	-519,815	-720,446	-921,077
	CIL as % GDV		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.6%**	**2.0%**	**2.4%**	**2.8%**	**3.2%**	**3.6%**	**4.0%**
	CIL as % Costs		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.6%**	**2.0%**	**2.4%**	**2.8%**	**3.2%**	**3.6%**	**4.0%**
	CIL as % RV		**0.0%**	**18.3%**	**47.2%**	**100.3%**	**228.6%**	**984.1%**	**-817.5%**	**-354.3%**	**-248.6%**	**-201.8%**	**-175.4%**

Cluster Flats - 500 Unit Scheme

	Rooms		500	500	500	500	500	500	500	500	500	500	500
	Room size		15	15	15	15	15	15	15	15	15	15	15
	CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Building		m2	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538
	Circualtion Space	%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
		m2	4,038	4,038	4,038	4,038	4,038	4,038	4,038	4,038	4,038	4,038	4,038
Income		m2	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
	£/Room		57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000
	£/m2		3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
	Capital Value		**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**
	Investor's costs SDLT		0	0	0	0	0	0	0	0	0	0	0
	Investor's costs Agents		0	0	0	0	0	0	0	0	0	0	0
	Net Reciept		**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**	**28,500,000**
Costs	Land Used	ha	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750
		£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
		Uplift £/ha		0	0	0	0	0	0	0	0	0	0
		20.00%	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
		Site Cost	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**
	Acquisition SDLT	4.00%	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000
	Acquisition fees	1.50%	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
	Strategic Promotion			0	0	0	0	0	0	0	0	0	0
	Planning		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Construction	/m2	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525
		£	17,596,154	17,596,154	17,596,154	17,596,154	17,596,154	17,596,154	17,596,154	17,596,154	17,596,154	17,596,154	17,596,154
	Infrastructure	5.00%	879,808	879,808	879,808	879,808	879,808	879,808	879,808	879,808	879,808	879,808	879,808
	Abnormals	5.00%	879,808	879,808	879,808	879,808	879,808	879,808	879,808	879,808	879,808	879,808	879,808
	Fees	8.00%	1,548,462	1,548,462	1,548,462	1,548,462	1,548,462	1,548,462	1,548,462	1,548,462	1,548,462	1,548,462	1,548,462
	S106			0	0	0	0	0	0	0	0	0	0
	CIL		0	115,385	230,769	346,154	461,538	576,923	692,308	807,692	923,077	1,038,462	1,153,846
	Contingency	5.00%	309,692	332,769	355,846	378,923	402,000	425,077	448,154	471,231	494,308	517,385	540,462
	Finance Costs		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	Sales	1.00%	285,000	285,000	285,000	285,000	285,000	285,000	285,000	285,000	285,000	285,000	285,000
	Misc		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Subtotal		**21,622,923**	**21,761,385**	**21,899,846**	**22,038,308**	**22,176,769**	**22,315,231**	**22,453,692**	**22,592,154**	**22,730,615**	**22,869,077**	**23,007,538**
	Interest	7.00%	756,802	761,648	766,495	771,341	776,187	781,033	785,879	790,725	795,572	800,418	805,264
	Profit % Costs	20.00%	4,324,585	4,352,277	4,379,969	4,407,662	4,435,354	4,463,046	4,490,738	4,518,431	4,546,123	4,573,815	4,601,508
	COSTS		**26,704,310**	**26,875,310**	**27,046,310**	**27,217,310**	**27,388,310**	**27,559,310**	**27,730,310**	**27,901,310**	**28,072,310**	**28,243,310**	**28,414,310**
	CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Residual Land Worth		**Site**	**1,795,690**	**1,624,690**	**1,453,690**	**1,282,690**	**1,111,690**	**940,690**	**769,690**	**598,690**	**427,690**	**256,690**	**85,690**
		£/ha	**2,394,253**	**2,166,253**	**1,938,253**	**1,710,253**	**1,482,253**	**1,254,253**	**1,026,253**	**798,253**	**570,253**	**342,253**	**114,253**
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	2,394,253	2,166,253	1,938,253	1,710,253	1,482,253	1,254,253	1,026,253	798,253	570,253	342,253	114,253
	CIL as % GDV		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.6%**	**2.0%**	**2.4%**	**2.8%**	**3.2%**	**3.6%**	**4.0%**
	CIL as % Costs		**0.0%**	**0.4%**	**0.9%**	**1.3%**	**1.7%**	**2.1%**	**2.5%**	**2.9%**	**3.3%**	**3.7%**	**4.1%**
	CIL as % RV		**0.0%**	**7.1%**	**15.9%**	**27.0%**	**41.5%**	**61.3%**	**89.9%**	**134.9%**	**215.8%**	**404.6%**	**1346.5%**

Studio Flats - 60 Unit Scheme

	Rooms		60	60	60	60	60	60	60	60	60	60	60
	Room size		23	23	23	23	23	23	23	23	23	23	23
	CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Building		m2	1,865	1,865	1,865	1,865	1,865	1,865	1,865	1,865	1,865	1,865	1,865
	Circualtion Space	%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%
		m2	485	485	485	485	485	485	485	485	485	485	485
Income		m2	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380
	£/Room		81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000
	£/m2		3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522
	Capital Value		**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**
	Investor's costs SDLT		0	0	0	0	0	0	0	0	0	0	0
	Investor's costs Agents		0	0	0	0	0	0	0	0	0	0	0
	Net Reciept		**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**	**4,860,000**
Costs	Land Used	ha	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
		£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
		Uplift £/ha		0	0	0	0	0	0	0	0	0	0
		20.00%	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
		Site Cost	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**	**120,000**
	Acquisition SDLT	4.00%	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
	Acquisition fees	1.50%	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
	Strategic Promotion			0	0	0	0	0	0	0	0	0	0
	Planning		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Construction	/m2	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525
		£	2,843,919	2,843,919	2,843,919	2,843,919	2,843,919	2,843,919	2,843,919	2,843,919	2,843,919	2,843,919	2,843,919
	Infrastructure	5.00%	142,196	142,196	142,196	142,196	142,196	142,196	142,196	142,196	142,196	142,196	142,196
	Abnormals	5.00%	142,196	142,196	142,196	142,196	142,196	142,196	142,196	142,196	142,196	142,196	142,196
	Fees	8.00%	250,265	250,265	250,265	250,265	250,265	250,265	250,265	250,265	250,265	250,265	250,265
	S106			0	0	0	0	0	0	0	0	0	0
	CIL		0	18,649	37,297	55,946	74,595	93,243	111,892	130,541	149,189	167,838	186,486
	Contingency	5.00%	156,416	156,416	156,416	156,416	156,416	156,416	156,416	156,416	156,416	156,416	156,416
	Finance Costs		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	Sales	1.00%	48,600	48,600	48,600	48,600	48,600	48,600	48,600	48,600	48,600	48,600	48,600
	Misc		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Subtotal		**3,615,191**	**3,633,840**	**3,652,489**	**3,671,137**	**3,689,786**	**3,708,434**	**3,727,083**	**3,745,732**	**3,764,380**	**3,783,029**	**3,801,678**
	Interest	7.00%	126,532	127,184	127,837	128,490	129,143	129,795	130,448	131,101	131,753	132,406	133,059
	Profit % Costs	20.00%	748,345	752,205	756,065	759,925	763,786	767,646	771,506	775,366	779,227	783,087	786,947
	COSTS		**4,490,067**	**4,513,229**	**4,536,391**	**4,559,552**	**4,582,714**	**4,605,876**	**4,629,037**	**4,652,199**	**4,675,360**	**4,698,522**	**4,721,684**
	CIL	**£/m2**	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Residual Land Worth		**Site**	**369,933**	**346,771**	**323,609**	**300,448**	**277,286**	**254,124**	**230,963**	**207,801**	**184,640**	**161,478**	**138,316**
		£/ha	**7,398,650**	**6,935,418**	**6,472,185**	**6,008,953**	**5,545,720**	**5,082,488**	**4,619,256**	**4,156,023**	**3,692,791**	**3,229,558**	**2,766,326**
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	7,398,650	6,935,418	6,472,185	6,008,953	5,545,720	5,082,488	4,619,256	4,156,023	3,692,791	3,229,558	2,766,326
	CIL as % GDV		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.5%**	**1.9%**	**2.3%**	**2.7%**	**3.1%**	**3.5%**	**3.8%**
	CIL as % Costs		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.6%**	**2.0%**	**2.4%**	**2.8%**	**3.2%**	**3.6%**	**3.9%**
	CIL as % RV		**0.0%**	**5.4%**	**11.5%**	**18.6%**	**26.9%**	**36.7%**	**48.4%**	**62.8%**	**80.8%**	**103.9%**	**134.8%**

Studio Flats - 175 Unit Scheme

	Rooms		175	175	175	175	175	175	175	175	175	175	175
	Room size		23	23	23	23	23	23	23	23	23	23	23
	CIL	**£/m2**	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Building		m2	5,439	5,439	5,439	5,439	5,439	5,439	5,439	5,439	5,439	5,439	5,439
	Circualtion Space	%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%
		m2	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414
Income		m2	4,025	4,025	4,025	4,025	4,025	4,025	4,025	4,025	4,025	4,025	4,025
	£/Room		81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000
	£/m2		3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522
	Capital Value		**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**
	Investor's costs SDLT		0	0	0	0	0	0	0	0	0	0	0
	Investor's costs Agents		0	0	0	0	0	0	0	0	0	0	0
	Net Reciept		**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**	**14,175,000**
Costs	Land Used	ha	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
		£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
		Uplift £/ha		0	0	0	0	0	0	0	0	0	0
		20.00%	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
		Site Cost	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**	**600,000**
	Acquisition SDLT	4.00%	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
	Acquisition fees	1.50%	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
	Strategic Promotion			0	0	0	0	0	0	0	0	0	0
	Planning		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Construction	/m2	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525
		£	8,294,764	8,294,764	8,294,764	8,294,764	8,294,764	8,294,764	8,294,764	8,294,764	8,294,764	8,294,764	8,294,764
	Infrastructure	5.00%	414,738	414,738	414,738	414,738	414,738	414,738	414,738	414,738	414,738	414,738	414,738
	Abnormals	5.00%	414,738	414,738	414,738	414,738	414,738	414,738	414,738	414,738	414,738	414,738	414,738
	Fees	8.00%	729,939	729,939	729,939	729,939	729,939	729,939	729,939	729,939	729,939	729,939	729,939
	S106			0	0	0	0	0	0	0	0	0	0
	CIL		0	54,392	108,784	163,176	217,568	271,959	326,351	380,743	435,135	489,527	543,919
	Contingency	5.00%	456,212	456,212	456,212	456,212	456,212	456,212	456,212	456,212	456,212	456,212	456,212
	Finance Costs		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	Sales	1.00%	141,750	141,750	141,750	141,750	141,750	141,750	141,750	141,750	141,750	141,750	141,750
	Misc		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Subtotal		**10,510,141**	**10,564,533**	**10,618,925**	**10,673,317**	**10,727,709**	**10,782,101**	**10,836,492**	**10,890,884**	**10,945,276**	**10,999,668**	**11,054,060**
	Interest	7.00%	367,855	369,759	371,662	373,566	375,470	377,374	379,277	381,181	383,085	384,988	386,892
	Profit % Costs	20.00%	2,175,599	2,186,858	2,198,117	2,209,377	2,220,636	2,231,895	2,243,154	2,254,413	2,265,672	2,276,931	2,288,190
	COSTS		**13,053,595**	**13,121,150**	**13,188,705**	**13,256,259**	**13,323,814**	**13,391,369**	**13,458,924**	**13,526,478**	**13,594,033**	**13,661,588**	**13,729,142**
	CIL	**£/m2**	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Residual Land Worth		**Site**	**1,121,405**	**1,053,850**	**986,295**	**918,741**	**851,186**	**783,631**	**716,076**	**648,522**	**580,967**	**513,412**	**445,858**
		£/ha	**4,485,619**	**4,215,400**	**3,945,181**	**3,674,963**	**3,404,744**	**3,134,525**	**2,864,306**	**2,594,087**	**2,323,868**	**2,053,649**	**1,783,430**
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	4,485,619	4,215,400	3,945,181	3,674,963	3,404,744	3,134,525	2,864,306	2,594,087	2,323,868	2,053,649	1,783,430
	CIL as % GDV		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.5%**	**1.9%**	**2.3%**	**2.7%**	**3.1%**	**3.5%**	**3.8%**
	CIL as % Costs		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.6%**	**2.0%**	**2.4%**	**2.8%**	**3.2%**	**3.6%**	**4.0%**
	CIL as % RV		**0.0%**	**5.2%**	**11.0%**	**17.8%**	**25.6%**	**34.7%**	**45.6%**	**58.7%**	**74.9%**	**95.3%**	**122.0%**

Studio Flats - 500 Unit Scheme

	Rooms		500	500	500	500	500	500	500	500	500	500	500
	Room size		23	23	23	23	23	23	23	23	23	23	23
	CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Building		m2	15,541	15,541	15,541	15,541	15,541	15,541	15,541	15,541	15,541	15,541	15,541
	Circualtion Space	%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%
		m2	4,041	4,041	4,041	4,041	4,041	4,041	4,041	4,041	4,041	4,041	4,041
Income		m2	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
	£/Room		81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000
	£/m2		3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522
	Capital Value		**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**
	Investor's costs SDLT		0	0	0	0	0	0	0	0	0	0	0
	Investor's costs Agents		0	0	0	0	0	0	0	0	0	0	0
	Net Reciept		**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**	**40,500,000**
Costs	Land Used	ha	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750
		£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
		Uplift £/ha		0	0	0	0	0	0	0	0	0	0
		20.00%	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
		Site Cost	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**	**1,800,000**
	Acquisition SDLT	4.00%	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000
	Acquisition fees	1.50%	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
	Strategic Promotion			0	0	0	0	0	0	0	0	0	0
	Planning		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Construction	/m2	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525
		£	23,699,324	23,699,324	23,699,324	23,699,324	23,699,324	23,699,324	23,699,324	23,699,324	23,699,324	23,699,324	23,699,324
	Infrastructure	5.00%	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966
	Abnormals	5.00%	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966	1,184,966
	Fees	8.00%	2,085,541	2,085,541	2,085,541	2,085,541	2,085,541	2,085,541	2,085,541	2,085,541	2,085,541	2,085,541	2,085,541
	S106			0	0	0	0	0	0	0	0	0	0
	CIL		0	155,405	310,811	466,216	621,622	777,027	932,432	1,087,838	1,243,243	1,398,649	1,554,054
	Contingency	5.00%	1,303,463	1,303,463	1,303,463	1,303,463	1,303,463	1,303,463	1,303,463	1,303,463	1,303,463	1,303,463	1,303,463
	Finance Costs		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	Sales	1.00%	405,000	405,000	405,000	405,000	405,000	405,000	405,000	405,000	405,000	405,000	405,000
	Misc		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Subtotal		**29,987,260**	**30,142,666**	**30,298,071**	**30,453,476**	**30,608,882**	**30,764,287**	**30,919,693**	**31,075,098**	**31,230,503**	**31,385,909**	**31,541,314**
	Interest	7.00%	1,049,554	1,054,993	1,060,432	1,065,872	1,071,311	1,076,750	1,082,189	1,087,628	1,093,068	1,098,507	1,103,946
	Profit % Costs	20.00%	6,207,363	6,239,532	6,271,701	6,303,870	6,336,039	6,368,207	6,400,376	6,432,545	6,464,714	6,496,883	6,529,052
	COSTS		**37,244,177**	**37,437,191**	**37,630,204**	**37,823,218**	**38,016,231**	**38,209,245**	**38,402,258**	**38,595,272**	**38,788,285**	**38,981,299**	**39,174,312**
	CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Residual Land Worth		**Site**	**3,255,823**	**3,062,809**	**2,869,796**	**2,676,782**	**2,483,769**	**2,290,755**	**2,097,742**	**1,904,728**	**1,711,715**	**1,518,701**	**1,325,688**
		£/ha	**4,341,097**	**4,083,746**	**3,826,395**	**3,569,043**	**3,311,692**	**3,054,340**	**2,796,989**	**2,539,638**	**2,282,286**	**2,024,935**	**1,767,584**
	Existing Use Value	£/ha	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	Viability Threshold	£/ha	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
	Residual Value	£/ha	4,341,097	4,083,746	3,826,395	3,569,043	3,311,692	3,054,340	2,796,989	2,539,638	2,282,286	2,024,935	1,767,584
	CIL as % GDV		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.5%**	**1.9%**	**2.3%**	**2.7%**	**3.1%**	**3.5%**	**3.8%**
	CIL as % Costs		**0.0%**	**0.4%**	**0.8%**	**1.2%**	**1.6%**	**2.0%**	**2.4%**	**2.8%**	**3.2%**	**3.6%**	**4.0%**
	CIL as % RV		**0.0%**	**5.1%**	**10.8%**	**17.4%**	**25.0%**	**33.9%**	**44.4%**	**57.1%**	**72.6%**	**92.1%**	**117.2%**