Student Accommodation – Adjournment Note produced by Leicester City Council

Further Comments on behalf of Code

The Statement of Common Ground following the meeting between the City Council and Code sets out the key issues between the parties. Following the issue of that Statement, the Council has issued a further Note and Code's considers it is necessary to make further comments to address some of the points made within the Council's Statement.

Point 1

The City Council makes great play on the fact that Code accepts that student development is currently viable in the City but that the figures provided by Code (and the University) for certain variables of the appraisal result in a conclusion, utilising the remainder of the City Council's appraisal, that student accommodation is unviable in the city. However, for the reasons reiterated below in relation to rental values and land used costs, Code's position on those variables is that Code's provided values represent the most accurate, robust and appropriate. The fact that Code's figures renders the remainder of the appraisal flawed is not the fault of Code's figures but rather highlights an inadequacy of the appraisal itself.

Point 3

The issue with the rental values is that the City Council, in arriving at the mean value, gives as much weight to luxury high value studios, which are in limited supply, to the standard product on the market. This procures absurd results which can be demonstrated by a simple example: If you have 5 luxury flats at £9,000 but 995 standard product flats at £5,000 per annum, it is wholly wrong to suggest that the mean rent should be £7,000. The correct method would clearly be to properly weight the number of studios within each price ie 5 x 9000 plus 955 x £5000 divided by 1000, which would give a mean of £4,830 per annum.

The Council's approach is more akin to the absurd approach within the example by ignoring the number of studios within each scheme and simply looking at the average for each scheme. Code's approach is much more accurate in considering the largest schemes within the City and arriving at the average rental value for them.

The City Council's evidence on this variable is therefore not robust or realistic and cannot be considered appropriate pursuant to the Planning Act. The implications of the use of robust and appropriate values are irrelevant for the purposes of assessing the most robust and appropriate values to use. The City Council simply cannot assert that the rental value suggested by Code is incorrect because it renders student development unviable. The logical conclusion must be that it is the remainder of the appraisal, rather than the appropriate and robust variable value, that is incorrect.

Point 5

The main concern relates to the rental values as discussed in relation to Point 3.

Paragraph 56

Again the City Council appears to be stating that Code’s suggested variables cannot be correct because utilising them within the City Council's appraisal renders student development unviable. Code’s position is that its values are based on the most robust and appropriate evidence and that, if this results in student schemes being concluded to be unviable in accordance with the rest of the City Council's appraisal, the fault lies with the appraisal itself rather than the variables provided by Code.
Point 8

The Council’s use of the land values in relation to Point 8 is unclear. On one hand it is stating that student land is worth £7,500,000 to £11,500,000 per hectare but then utilises ‘next best use value’ for arriving at ‘land used’ costs and utilises capitalised rents to arrive at Net Receipts for the schemes.

This uncertainty is apparent in the City Council’s overall conclusions (pg 36) were it appears to disregard totally the conclusions of its appraisals and simply compares ‘next best value’ with assumed land value for student development minus the CIL costs based on £30/sqm for its assumed size of schemes.

Point 9

With regard to land use costs, as set out in the Statement of Common Ground the actual position in the market is that landowners simply will not sell for the values suggested by the City Council. The 20% uplift which is accepted as appropriate to be used for the usual residential scheme, does not reflect the nature of the market for student accommodation where land is developed at varying densities and where landowners appreciate the significant values that can be realised. It is completely artificial to assume that a landowner will sell a site simply because they have a 20% uplift against the most valuable alternative use. It thus would be the case the development would not provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.