BNP PARIBAS REAL ESTATE

SOUTH OXFORDSHIRE DISTRICT COUNCIL
COMMUNITY INFRASTRUCTURE LEVY

VIABILITY OF STUDENT HOUSING DEVELOPMENT

South Oxfordshire District Council ('the Council') have instructed BNP Paribas Real Estate to consider the viability of student housing development following the issue of the CIL Examiner's queries on this matter (see Examination Document ED-3 – Main Issues and Questions). The viability of student housing development was not addressed in the February 2015 Viability Assessment, as the Council does not anticipate any development of student housing in the District. Oxford Brookes University submitted a representation to the Draft Charging Schedule seeking clarification that student housing would not be included within the 'Residential' CIL rate. This note summarises the results of our appraisals.

Appraisal inputs

BNP Paribas Real Estate have modelled a student housing scheme comprised of 200 en-suite rooms arranged in cluster flats. The assumptions for the appraisal are summarised below:

Appraisal input	Assumption
INCOME	
Rent per week – term time	£150
Rent per week – vacation	£150
Tenancy agreement	50 weeks
Revenue costs	£2,150 per annum
Investment yield	6.5%
COSTS	
Base build costs	£1,562 per square metre, based on BCIS costs adjusted for SODC, 27 June 2015
Contingency	5% of base costs
External works	10% of base costs
Professional fees	10% of base costs plus external works
Residual S106	£1,000 per room
Agent's fees (% of capital value)	1.5%
Legal fees on disposal (% of capital value)	0.75%
Finance	7%
Development period	24 months
Developer's profit (% of scheme value)	20%

We have assumed that the University would develop student residences on greenfield land that would otherwise have been utilised for residential development. As noted at paragraph in paragraph 4.28 of the Viability Study, the benchmark land value for greenfield land is between £325,000 and £375,000 per gross hectare.

A 200 unit student housing development would need to be built at density that is consistent with the Council's policy approach. We have therefore assumed a density of 80 units per hectare and that three cluster flats are equivalent to a conventional housing unit (the gross internal area of each 'flat' would be 79 square metres). On this basis, the 200 room development would therefore be equivalent

to 67 units, requiring a land area of 0.83 hectares. Applying a land value of £375,000 per hectare would result in a benchmark land value for the scheme of **£311,250**.

Appraisal results

The appraisal is attached as Appendix 1. This shows that the scheme would generate a residual land value of £312,000, which is very marginally higher than the benchmark land value of £311,250. This indicates that student housing would not generate a surplus value above the benchmark land value.

BNP Paribas Real Estate
8 July 2015

APPENDIX 1 – DEVELOPMENT APPRAISAL

BNP PARIBAS REAL ESTATE

DEVELOPMENT APPRAISAL

Commercial Development

			Use class:	STUDENT HSG
DEVELOPMENT VALUE	Term rent		£150 per week	
	Vacation rent		£150 per week	
Rental Income				
Annual rent per unit - term time (98% occupancy)	50 weeks	95% occupancy	28,500	1,425,000
Annual rent per unit - summer (50% occupancy)	weeks	50% occupancy	15,000	-
Operating costs	200	units	£2150 per unit	(430,000)
Net annual rents				995,000
Total revenue, capitalised (including all costs)			6.50%	15,307,692
GROSS DEVELOPMENT VALUE				**15,307,692**
DEVELOPMENT COSTS				
Development Costs				
Demolition costs	£ psf	sqt		-
Building costs	£145.11 psf			8,271,460
Area per unit (incl common areas)	285 sqft pu	57,000		
Contingency			5%	413,573
External works			10.00%	827,146
Professional fees			10.00%	951,218
S106			£3.51 psf	200,000
Mayoral CIL			£.00 psf	-
Disposal Costs				
Letting Agent's fee (% of rent)			0.00%	-
Agent's fees (on capital value)			1.50%	229,615
Legal fees (% of capital value)			0.75%	114,808
Interest on Finance				
Total development duration	24	months		
Loan arrangement fee			1.00%	106,634
Interest on Construction Costs	24	months	7.00%	746,438
Profit				
Developer's profit on total revenue			20.00%	3,061,538
TOTAL DEVELOPMENT COSTS				**14,922,431**
LAND VALUE				
Land surplus				385,262
Stamp duty			4.00%	(15,410)
Agent's fees			1.00%	(3,853)
Legal fees			0.80%	(3,082)
Interest on land finance	24	months	7.00%	(50,808)
RESIDUAL LAND VALUE				**312,108**