



JAMESTOWN ROAD – BPS REVIEW ADDENDUM REPORT 2 (14 FEBRUARY 2025)

This note responds to BPS's Addendum Report 2 dated 14 February 2025. As noted in our response to BPS's first report, 80% of the difference between BPS and ourselves relates to construction costs and the capital value of the PBSA.

In their Addendum Report 2, BPS acknowledge that the construction costs they were previously using were understated. As a consequence of addressing this understatement, their previously report surplus of £4.3 million is now corrected to show a deficit of £2.5 million. It is therefore common ground between us and BPS that the 35% C3 affordable housing that the Applicant is offering exceeds the maximum viable proportion.

Although a relatively minor point, we note that BPS's appraisal is headed "33% aC3 affordable housing". For the avoidance of doubt, the affordable housing equates to 36%.

In this note, we address the issues raised by BPS in their Addendum Report 2.

1. Construction costs

Although BPS have increased their costs from their previously adopted £41,532,287 (including contingency) to £46,756,981 (including contingency), this revised cost does not reflect the scheme-specific factors which underpin G&T's cost of £51,583,216 (including contingency).

There has been an exchange of information between G&T and BPS, including provision of additional information on the G&T benchmark schemes. It appears that BPS have partially accepted that their sole reliance on BCIS rates resulted in an understatement of cost¹. However, their revised exercise does not address the differences between the Jamestown Road scheme and G&T's benchmarks, which do not reflect additional scheme-specific costs as follows:

- Plant screens on roof;
- Façade access
- Detailing required to façade to meet planning requirements (decorations and window reveals)
- High wall to floor ratio (54% for PBSA and 70% for C3 residential) compared to the more typical 45%
- Soffits and finishes to balconies and walkways
- Signage

If these additional costs were added to BPS's costs, the total would increase to the £51,583,216 (including contingency) originally reported by G&T.

2. GDV of PBSA

In our previous response, we advised on the rents that Homes for Students are currently achieving at Hawley Crescent, which BPS inexplicably describe in their report as "*alleged rents*". We would be happy to facilitate a direct discussion between HfS and BPS so that these rents can be confirmed. We did offer this direct dialogue in our previous note and it is clearly unfortunate that BPS have failed to take up this offer.

The reason for the difference between the £389 and £399 per week indicated by achieved rents at Hawley Crescent and the rents we have applied to Jamestown Road is that HfS deduct 1.5% for tenants incentives. We note that BPS have not reflected any incentives in their assessment and have simply applied the gross rent.

¹ Geoffrey Barnett Associates Report notes at paragraph 5.1 that "we generally agree that a detailed cost plan is more precise method of calculating of construction costs than use of database rates".



3. Timing of completion

The Applicant has advised that the current programme will result in completion of the student housing part way through the academic year, around the beginning of the calendar year. At this point, all students will have already secured accommodation for the duration of the academic year and take-up will be limited to those living in other accommodation with short notice periods (e.g. rooms let on licences in houses in which the landlord also lives). In practical terms, this will mean that the income will be deferred by six months.

If this is reflected in the appraisal using BPS's assumptions, their reported deficit would increase from -£2.5 million to -£4.3 million (see Appendix 1).

4. Section 106 contributions

BPS suggest that they require "supporting evidence" for the total Section 106 package of £1,212,570. This total package is a result of the outcome of negotiations between the Applicant and the Council and we suggest that they seek confirmation from the Council.



APPENDIX 1: APPRAISAL WITH BPS INPUTS AND 6 MONTH DEFERMENT

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Development Appraisal

Jamestown Road

PBSA & 36% C3 Aff Hsg - BPS Inputs, 6 months deferment

Report Date: 27 February 2025

Jamestown Road
 PBSA & 36% C3 Aff Hsg - BPS Inputs, 6 months deferment

Summary Appraisal for Phase 1

Currency in £

REVENUE

| Sales Valuation | Units | ft ² | Rate ft ² | Unit Price | Gross Sales | Adjustment | Net Sales |
|-----------------|-----------|-----------------|----------------------|------------|------------------|------------|------------------|
| C3 Social Rent | 17 | 13,923 | 254.97 | 208,824 | 3,550,000 | 0 | 3,550,000 |
| C3 Intermediate | <u>10</u> | <u>8,060</u> | 452.14 | 364,421 | <u>3,644,215</u> | <u>0</u> | <u>3,644,215</u> |
| Totals | 27 | 21,983 | | | 7,194,215 | 0 | 7,194,215 |

Rental Area Summary

| | Units | ft ² | Rate ft ² | Initial MRV/Unit | Net Rent at Sale | Initial MRV | Net MRV at Sale |
|---------------------|------------|-----------------|----------------------|------------------|------------------|------------------|------------------|
| PBSA | 187 | 39,457 | 98.83 | 20,852 | 3,291,515 | 3,899,391 | 3,291,515 |
| Flexible commercial | <u>1</u> | <u>3,155</u> | 56.50 | 178,258 | <u>178,258</u> | <u>178,258</u> | <u>178,258</u> |
| Totals | 188 | 42,612 | | | 3,469,772 | 4,077,648 | 3,469,772 |

Investment Valuation

| | | | | | | |
|----------------------------|-----------|----------------|---------|---------|-------------------|--|
| PBSA | | | | | | |
| Current Rent | 3,291,515 | YP @ | 4.5000% | 22.2222 | 73,144,776 | |
| Flexible commercial | | | | | | |
| Market Rent | 178,258 | YP @ | 6.5000% | 15.3846 | | |
| | | PV 1yr 5mths @ | 6.5000% | 0.9146 | 2,508,356 | |
| | | | | | 75,653,132 | |

GROSS DEVELOPMENT VALUE

82,847,347

| | | | |
|-------------------|-------|-------------|-------------|
| Purchaser's Costs | 3.00% | (2,269,594) | (2,269,594) |
|-------------------|-------|-------------|-------------|

NET DEVELOPMENT VALUE

80,577,753

NET REALISATION

80,577,753

OUTLAY

ACQUISITION COSTS

| | | | |
|----------------------|-------|--|------------------|
| Benchmark Land Value | | | 8,300,000 |
| Stamp Duty | 5.00% | | 415,000 |
| Agent Fee | 1.00% | | 83,000 |
| Legal Fee | 0.80% | | 66,400 |
| | | | 8,864,400 |

CONSTRUCTION COSTS

| Construction | Units | Unit Amount | Cost |
|--------------|-------|-------------|-------------------|
| Construction | 1 un | 46,756,981 | 46,756,981 |
| | | | 46,756,981 |
| CIL | | | 3,511,592 |
| S106 | | | 1,212,570 |
| | | | 4,724,162 |

PROFESSIONAL FEES

| | | | |
|-------------------|--------|-----------|-----------|
| Professional fees | 10.00% | 4,675,698 | 4,675,698 |
|-------------------|--------|-----------|-----------|

DISPOSAL FEES

| | | | |
|-----------------|-------|-----------|------------------|
| Sales Agent Fee | 1.50% | 1,208,666 | |
| Sales Legal Fee | 0.50% | 402,889 | |
| | | | 1,611,555 |

MISCELLANEOUS FEES

| | | | |
|----------------------|--------|-----------|------------------|
| Profit on PBSA | 12.50% | 9,143,097 | |
| Profit on Commerical | 15.00% | 376,253 | |
| Profit on affordable | 6.00% | 431,653 | |
| | | | 9,951,003 |

FINANCE

| | | | |
|--|--|--|------------------|
| Debit Rate 7.000% Credit Rate 0.000% (Nominal) | | | |
| Land | | | 2,306,079 |
| Construction | | | 6,002,080 |
| Total Finance Cost | | | 8,308,160 |

TOTAL COSTS

84,891,959

PROFIT

(4,314,206)

Performance Measures

| | |
|--------------------------------------|----------------|
| Profit on Cost% | (5.08)% |
| Profit on GDV% | (5.21)% |
| Profit on NDV% | (5.35)% |
| Development Yield% (on Rent) | 4.09% |
| Equivalent Yield% (Nominal) | 4.57% |
| Equivalent Yield% (True) | 4.71% |
| IRR | 3.37% |
| Rent Cover | -1 yrs -3 mths |
| Profit Erosion (finance rate 7.000%) | N/A |