

Nido, West Hampstead, NW6 1RZ  
Independent Viability Review

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Prepared on behalf of the London Borough of Camden

25<sup>th</sup> April 2018



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## 1.0 INTRODUCTION

- 1.1 We have been instructed by the London Borough of Camden ('the Council') to review a viability assessment prepared by Cast Real Estate and Construction Consultancy in respect of the site known as Nido, West Hampstead, NW6 1RZ.
- 1.2 The site currently comprises an existing Purpose Built Student Accommodation (PBSA) ranging from five to nine storeys, providing 347 bed spaces in the form of en-suite and studio apartments. The development is described as luxury student accommodation and includes an onsite gym, cinema, social spaces, concierge and 24/7 security. The surrounding area is a mix of residential, commercial, retail and industrial. The site is located in Zone 2, close to University of London Institutes and located between the West Hampstead Underground and Overground stations. The site has a 6A PTAL Rating.
- 1.3 A planning application has been submitted for the following:
- 2017/7072/P - Extensions at roof level to provide 41no additional student bedrooms; comprising dormer roof extension to purple block on Blackburn Road, two storey roof extension to red brick block on Blackburn Road; single storey roof extension to middle east seven storey block; and associated alterations including re-cladding existing zinc roof elements; replacement of timber infill panels, alterations to windows, re-cladding of ground floor plinth; and landscaping works to adjacent area.*
- 1.4 The development is comprised of four vertical extensions above the lower floors and includes a design requirement to refurbish and reclad the existing building. The cost of doing so has therefore been included in the appraisal but has been separated out to highlight the impact that this has had on increasing the overall build cost.
- 1.5 In accordance with the Mayors Housing SPG 2016, there is a requirement for private providers of PBSA who do not have an undertaking with a specified academic institution to provide the maximum amount reasonable amount of accommodation at affordable rent levels set and reviewed annually in the London Plan Annual Monitoring Report (AMR).
- 1.6 The viability assessment seeks to demonstrate that the scheme cannot viably provide any affordable student housing or a general needs affordable housing by way of a payment in lieu.

## 2.0 CONCLUSIONS & RECOMMENDATIONS

- 2.1 The Applicant has so far been unable to provide any of the supporting information we have requested; which includes a working version of their appraisal, evidence of achieved rents, leases and occupancy rates for the existing units and a breakdown of the operating costs budget.
- 2.2 Therefore we have built our own assumptions into an appraisal using Argus Developer, which is widely regarded in the industry as the leading appraisal software. The full appraisal can be found in Appendix A.
- 2.3 The proposed development comprises four vertical extensions alongside existing units at the same level, including refurbishment, upgrade and rehabilitation works to the existing building. As works vary greatly from one project to the next there is difficulty in benchmarking a reasonable build cost due to the data available on BCIS. Therefore our Cost Consultant has concluded that while the costs do seem exceptionally high, a benchmarking exercise must be undertaken with caution.
- 2.4 The Applicant has proposed a nil benchmark land value which we consider appropriate as the development utilises space which has no existing use or alternative use value. Therefore any residual value translates to either a deficit or surplus.
- 2.5 The Applicant has proposed that the scheme delivers a negative residual value of £3,507,218. It is not clear why, on the basis of their assessment of viability why the applicant would wish to progress this development given that it generates a net overall deficit even excluding any profit.
- 2.6 Our amended appraisal by contrast provides a surplus of £3,055,815 which in our opinion could contribute to either an on-site provision of affordable student accommodation or payment in lieu towards general needs affordable housing.

### Development Costs

- 2.7 Our Cost Consultant, Neil Powling, has reviewed the cost information that has been provided and his key findings are as follows:

*Irrespective of whether the estimates are a fair estimate of the expected works, we consider all the costs to be extremely high. Eg the demolitions and alterations section is £9,950 for each of the 41 new units. The total cost of the additional 41 units (excluding the re-cladding works) is £7,538,000 (£8,546/m<sup>2</sup>). This rate compares to a BCIS rate for vertical extension of flats of £2,391/m<sup>2</sup> and for building new units £2,395m<sup>2</sup>. There is a rate for vertical extension of Student Residences of £6,214 but this is a sample of 1 only in the default data - none in the 5 year data. We do not consider a single sample to provide the basis for a meaningful comparison. We have calculated a reasonable benchmark rate of £3,094/m<sup>2</sup> (£3,534,000) that compares to the Applicants figure of £8,546/m<sup>2</sup>. As there is such a substantial difference between these two figures we can only conclude that neither the costs nor the concept are reasonable. We suggest that a reasonable BCIS benchmark be calculated including a build cost of £3,534,000 to illustrate the very high costs of the Applicant's proposed scheme.*

*The re-cladding works total £3,534,000. These include the sum of £621,000 (£843,000 with % additions) for white precast concrete sills and window verticals costed at £800/m. We consider this estimated cost to be too high. Pending a*

*satisfactory explanation of the costs of the precast sills and window verticals we suggest the estimated costs are reduced by £ 420,000 to a revised build cost of £3,114,000*

- 2.8 This results in a total construction cost saving of £4,422,000. We are satisfied that an additional 10% is applied for professional fees, although based on the reduced construction costs also results in a further £442,200 cost saving.
- 2.9 We consider all other costs assumptions to be reasonable. A summary of the differences in values is shown at the end of this section.

#### Rental Income and GDV

- 2.10 We requested information on the rents and contract lengths for the existing units but the Applicant was not able/willing to provide any. We regard this information of critical importance and a significant omission in the applicant's information.
- 2.11 We have defaulted to using asking rents reflecting online marketing material for the existing units to arrive at a blended rent of £393 per week for a 51 week full year contract.
- 2.12 Units are also available on a shorter 43 week term time only contract, at an average 8% weekly rent increase (no 43 week contracts are available for the existing studio rooms at the Hampstead Nido). We have therefore applied an equivalent 8% increase to arrive at a rent of £424 per week.
- 2.13 The Applicant has proposed that 24% of the units would be let on a shorter contract and 75% on a full year contract. There are currently no studio units available on the shorter contract but this is a reasonable assumption based on availability as other Nido developments. No information has been provided about other very short term letting income generated from shorter contract units although this must be considered a possible source of additional revenue.
- 2.14 This equates to a gross annual income of £795,911. Operating costs have been included at 20%. While no budget has been provided confirming these costs, we consider this allowance broadly reasonable in comparison to other student accommodation developments we have assessed, however given there is actual information in the possession of the applicant we see no reason why such estimations should be relied upon. Overall occupancy rates reflect the applicant's assumptions.
- 2.15 Income has been capitalised at a 4.25% yield in line with the 2017 Savills Spotlight on Student Housing Report recommendations to derive a gross development value of £14,981,854; an increase of £3,110,307 from the Applicants proposed figures.

## Summary of Differences

	<b>Cast</b>	<b>BPS</b>	<b>Difference</b>
<b>GDV</b>	£ 11,871,547	£ 14,981,854	£ 3,110,307
<b>Purchasers Costs</b>	£ 778,462	£ 898,911	£ 120,449
<b>Disposal and Marketing</b>	£ 324,359	£ 361,063	£ 36,704
<b>Construction Main</b>	£ 7,540,000	£ 3,534,000	-£ 4,006,000
<b>Recladding</b>	£ 3,530,000	£ 3,114,000	-£ 416,000
<b>Professional Fees</b>	£ 1,107,000	£ 664,800	-£ 442,200
<b>S106 and CIL</b>	£ 478,900	£ 478,900	£ -
<b>Dev Man Fee plus Finance</b>	£ 797,081	£ 428,459	-£ 368,622
<b>Profit</b>	£ 1,925,783	£ 2,247,278	£ 321,495
<b>Acquisition Costs</b>	£ -	£ 207,681	
<b>Residual Value</b>	-£ 3,507,217	£ 3,055,815	£ 6,563,032

### 3.0 PRINCIPLES OF VIABILITY ASSESSMENT

- 3.1 Development appraisals work to derive a residual value. This approach can be represented by the simple formula below:

Gross Development Value - Development Costs (including Developer's Profit) = Residual Value

- 3.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.
- 3.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.
- 3.4 We note the GLA's Housing and Viability SPG 2017 states a clear preference for EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. We find the Market Value approach as defined by RICS Guidance Viability in Planning 2012 if misapplied is potentially open to an essentially circular reasoning. The RICS Guidance promotes use of a modified standard definition of "market Value" by reference to an assumption that the market values should reflect planning policy and should disregard that which is not within planning policy. In practice we find that consideration of compliance with policy is generally relegated to compliance somewhere on a scale of 0% to the policy target placing land owner requirements ahead of the need to meet planning policy.
- 3.5 There is also a high risk that the RICS Guidance in placing a very high level of reliance on market transactions is potentially exposed to reliance on bids which might a) represent expectations which do not mirror current costs and values as required by PPG. b) May themselves be overbids and most importantly c) need to be analysed to reflect a policy compliant position. To explain this point further, it is inevitable that if site sales are analysed on a headline rate per acre or per unit without adjustment for the level of affordable housing delivered then if these rates are applied to the subject site they will effectively cap delivery at the rates of delivery achieved of the comparable sites. This is an essentially circular approach which would effectively mitigate against delivery of affordable housing if applied.
- 3.6 The NPPF recognises at 173, the need to provide both land owners and developers with a competitive return. In relation to land owners this is to encourage land owners to release land for development. This has translated to the widely accepted practice when using EUV as a benchmark of including a premium. Typically, in a range from 5-30%. Guidance indicates that the scale of any premium should reflect the circumstances of the land owner. We are of the view that where sites represent an ongoing liability to a land owner and the only means of either ending the liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable.

#### 4.0 BENCHMARK LAND VALUE

- 4.1 The Applicant has proposed the development is assessed against a nil land value on the basis that it is an extension to an existing building. Instead, the viability position is assessed against whether the appraisal generates a positive land value.
- 4.2 The area of the existing building which is to be extended has no existing use value or alternative use value. Therefore we are in agreement with the approach proposed and are satisfied that assuming a nil land value is the most appropriate method of determining the viability of the development.

#### 5.0 PROPOSED VALUATION ASSUMPTIONS

##### Construction costs

- 5.1 Our Cost Consultant, Neil Powling, has reviewed the cost information that has been provided. His full report can be found in Appendix B and his key findings are as follows:

*Irrespective of whether the estimates are a fair estimate of the expected works, we consider all the costs to be extremely high. Eg the demolitions and alterations section is £9,950 for each of the 41 new units. The total cost of the additional 41 units (excluding the re-cladding works) is £7,538,000 (£8,546/m<sup>2</sup>). This rate compares to a BCIS rate for vertical extension of flats of £2,391/m<sup>2</sup> and for building new units £2,395/m<sup>2</sup>. There is a rate for vertical extension of Student Residences of £6,214 but this is a sample of 1 only in the default data - none in the 5 year data. We do not consider a single sample to provide the basis for a meaningful comparison. We have calculated a reasonable benchmark rate of £3,094/m<sup>2</sup> (£3,534,000) that compares to the Applicants figure of £8,546/m<sup>2</sup>. As there is such a substantial difference between these two figures we can only conclude that neither the costs nor the concept are reasonable. We suggest that a reasonable BCIS benchmark be calculated including a build cost of £3,534,000 to illustrate the very high costs of the Applicant's proposed scheme.*

*The re-cladding works total £3,534,000. These include the sum of £621,000 (£843,000 with % additions) for white precast concrete sills and window verticals costed at £800/m. We consider this estimated cost to be too high. Pending a satisfactory explanation of the costs of the precast sills and window verticals we suggest the estimated costs are reduced by £ 420,000 to a revised build cost of £3,114,000*

- 5.2 We therefore recommend that these costs are reduced accordingly. This has resulted in a £4,422,000 cost saving to the total build cost.
- 5.3 Professional Fees have been included at 10% of the construction costs. This is a standard assumption and we are satisfied that this is reasonable percentage albeit distorted by the exceptionally high build cost estimate.
- 5.4 Developers Profit has been included at a rate of 15% of GDV. This is an appropriate target for a commercial development of this nature.
- 5.5 The Applicant has applied sales costs of 1.5% for agent and legal fees with an additional 1% for marketing. Purchasers' costs have been allowed at 6%. We are satisfied that these assumptions are reasonable although please note that the



Applicant's appraisal has shown total receipts net of the disposal costs whereas our appraisal has includes these as a separate cost. However both approaches are correct.

- 5.6 CIL charges have been applied at a rate of £450/sq m. This represents £400/sq m for Borough CIL and £50/sq m for Mayoral CIL which is correct of the latest published schedules but does not include any additional indexation. The Applicant has also made an allowance of £2,000 per room as an estimated S106 contribution. We have not sought to interrogate these figures and suggest that if there is a substantial difference then this is reviewed once Heads of Terms have been agreed.
- 5.7 Finance has been included at 5% with an additional 1.5% development management fee. We are satisfied that the two figures combined represent a reasonable financing cost.
- 5.8 The Applicant is showing a negative residual land value which therefore incurs no disposal fees. However for the purposes of assuming a hypothetical sale, we have applied a 1% agents fee, 0.5% legal fee and 5% stamp duty land tax to the amended residual land value.

#### Rental Income

- 5.9 The Applicant has assumed an average rent of £372 per week. The annual rent has been calculated on the basis that 99% of the units will be occupied during the 40 weeks of term time and 75% during the 11 weeks of non-term time. There has been no difference in weekly rent assumed for each length of contract.
- 5.10 The Applicant has stated that assumed rental figure has been derived from the average rent currently being received for units in the existing building. No evidence has been provided from either this or from other developments and it is not clear which unit types have been used, i.e. no distinction for unit size, floor or banding. We agree that the existing development provides the most relevant comparable data for rental values but do not agree that any evidence has been correctly applied.
- 5.11 The current rents are listed below and show a clear differentiation with room sizes and floor with Silver, Gold, Platinum and Club bandings. Applying the comparable rents to the proposed new studios based on the floor and unit size results in a blended average rate of £393 per week for a 51 week contract. A full pricing schedule can be found in Appendix C.

*Nido Hampstead - Existing 2018/19 rates*

<b>Room</b>	<b>sqm</b>	<b>Rent</b>	<b>Weeks</b>	<b>Total</b>	<b>Comments</b>
Club Classic Studio	18	£ 435.00	51	£ 22,185.00	Top floor, double bed
Club Extra-Large Studio	28	£ 475.00	51	£ 24,225.00	7th and 8th floors
Club Large Studio	22-26	£ 455.00	51	£ 23,205.00	7th and 8th floors
Gold Classic Studio	17-20	£ 350.00	51	£ 17,850.00	3rd and 4th floors
Gold Extra Large	31	£ 399.00	51	£ 20,349.00	3rd and 4th floors
Gold Large Studio	24	£ 360.00	51	£ 18,360.00	3rd and 4th floors
Platinum Extra-Large	31			£ -	
Platinum Large	24	£ 399.00	51	£ 20,349.00	5th and 6th floors
Silver Classic	17-20	£ 340.00	51	£ 17,340.00	1st and 2nd floors
Silver Extra Large	31	£ 360.00	51	£ 18,360.00	1st and 2nd floors
Silver Large	24	£ 350.00	51	£ 17,850.00	1st and 2nd floors

- 5.12 We have also had regard to rents at a luxury student development in Kings Cross, which was developed by the Applicant and later sold to Chapter Living. While the location is superior to the subject site, the development is of a similar quality and specification and offers the same luxury student living. The site is located in Zone 1 and in closer proximity to Kings College campuses. We would expect the subject site to achieved lower rents, which is consistent with our pricing schedule.

**Chapter Living Kings Cross**

	Bronze Studio 16 sq m		Silver Studio 17 sq m		Gold Studio 18-19 sq m		Platinum Studio 20-24 sq m		Diamond Studio 25-29 sq m	
Contact Length (weeks)	43	51	43	51	43	51	43	51	43	51
Lower	£ 374	£ 359								
Plus Lower				£ 419	£ 459			£ 459	£ 489	
Mid	£ 409	£ 379								
Plus Mid			£ 459	£ 429		£ 439		£ 484	£ 504	
Plus Upper	£ 414	£ 384	£ 469	£ 464		£ 454				
Plus Upper Premium View	£ 429	£ 399	£ 494	£ 464		£ 494				
Plus Penthouse	£ 424	£ 394	£ 496	£ 466						
Plus Penthouse Premium View	£ 444	£ 414	£ 499	£ 469						

- 5.13 Chapter Living also purchased a site in Islington as part of the same deal. The rents currently being marketed at this development are shown below. This is another luxury student accommodation or a similar quality, but this time in a secondary location to the subject site. The site is located in Zone 2 but further from university campuses or other student accommodation. Therefore we would expect that the subject site would achieve higher rents; which is again consistent with our value expectations.

**Chapter Islington**

	Bronze Premium Studio 14-15 sq		Silver Studio 17 sq m		Gold Studio 25-29 sq m		Platinum Studio 21-27 sq m		Diamond Studio 33 sq m	
Contact Length (weeks)	43	51	43	51	43	51	43	51	43	51
Lower		£ 289	£ 324		£ 370	£ 345		£ 374		£ 389
Plus Lower										
Mid		£ 299	£ 332		£ 384	£ 359		£ 379		£ 399
Plus Mid										
Upper					£ 390	£ 359				
Plus Upper Premium View										
Plus Penthouse										
Plus Penthouse Premium View										

- 5.14 We note that the current Nido Collection at West Hampstead provides rooms on contract lengths of either 43 or 51 weeks, with all existing studios only available on the full 51 week contract.
- 5.15 The Applicant has proposed that 99% of the units will be occupied during a 41 week term period and only 75% during the remaining 11 weeks on non-term time (or 24% on a shorter contract and 75% on a longer contract). We have requested the current leases in order to evidence this shorter term time assumption but nothing has been provided. Therefore we have assumed that the new units would be let on the same occupancy rates for contract lengths of 43 and 51 weeks.
- 5.16 Evidence also indicates that the shorter leases attract a higher weekly rent. While there are currently no studio units at the existing development being offered on shorter contract, we have had regard to other Nido developments which command on average an 8% increase in weekly rent. A full schedule can be found in Appendix D.
- 5.17 As we are unable to predict which units would be let on a shorter contact, we have applied the 8% increase to the average weekly rent for the 24% of units which the Applicant has suggested would be the proportion of occupants on a shorter

contract. We have not been provided with any evidence to support this assumption but this does not seem unreasonable in relation to the current availability at the other Nido developments.

- 5.18 This has resulted in total annual income of £795,911 or a blended rent of £19,412 per unit per annum.

<b>Length of Contact</b>	43	51
<b>Weekly Rent</b>	424	393
<b>Occupancy Rate</b>	24%	75%
<b>Annual Income</b>	£ 179,589	£ 616,322

**Total Annual Income** £ 795,911

**Average per Unit** £ 19,412.47

- 5.19 A 20% allowance has been applied for operating costs. The report does not specify what these costs will include. We have requested a breakdown which the Applicant is yet to provide. However we have appraised similar developments and accept that 20% is a reasonable assumption.
- 5.20 The gross development value (GDV) has been capitalised at a yield of 4.5%. The 2017 Savills Spotlight on Student Housing Report suggests a yield of 4.25% is more appropriate of the current market. In particular this development has already established trading and therefore carries a lower risk and we therefore recommend that the lower end of the scale is more appropriate.

BPS Chartered Surveyors

## Appendix A

Nido Collection  
Hampstead

Development Appraisal  
Prepared by KD - BPS Surveyors  
BPS Surveyors  
24 April 2018

**APPRAISAL SUMMARY****BPS SURVEYORS****Nido Collection  
Hampstead****Summary Appraisal for Phase 1**

Currency in £

**REVENUE****Rental Area Summary**

	Units	ft²	Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
New Units	41	7,373	107.95	19,412	636,729	795,911	636,729

**Investment Valuation**

<b>New Units</b>							
Current Rent	636,729	YP @	4.2500%	23.5294	14,981,854		

**GROSS DEVELOPMENT VALUE****14,981,854**

Purchaser's Costs			(898,911)	(898,911)			
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**NET DEVELOPMENT VALUE****14,082,943****NET REALISATION****14,082,943****OUTLAY****ACQUISITION COSTS**

Residualised Price			3,055,815	3,055,815			
Stamp Duty		5.00%	152,791				
Agent		1.00%	30,558				
Legal Fee		0.50%	15,279				
CIL			396,900				
S106			82,000				
				677,528			

**CONSTRUCTION COSTS**

Construction	ft²	Rate ft²	Cost	
New Units	9,494 ft²	372.24 pf²	3,534,000	<b>3,534,000</b>

**Other Construction**

Recladding and Refurb			3,114,000	3,114,000
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**PROFESSIONAL FEES**

Other Professionals	10.00%	664,800	664,800
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**MARKETING & LETTING**

Marketing	1.00%	149,819	149,819
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**DISPOSAL FEES**

Sales Agent Fee	1.00%	140,829	
Sales Legal Fee	0.50%	70,415	
			211,244

**Additional Costs**

Dev. Management Fee	1.50%	99,720	99,720
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**FINANCE**

Debit Rate 5.000%, Credit Rate 0.000% (Nominal)			
Construction		328,739	
Total Finance Cost			328,739

**TOTAL COSTS****11,835,665****PROFIT****2,247,278****Performance Measures**

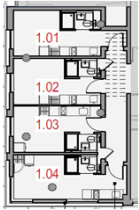
Profit on Cost%	18.99%
Profit on GDV%	15.00%
Profit on NDV%	15.96%

**Nido Collection****Hampstead**

Development Yield% (on Rent)	5.38%
Equivalent Yield% (Nominal)	4.25%
Equivalent Yield% (True)	4.37%
IRR	35.60%
Rent Cover	3 yrs 6 mths
Profit Erosion (finance rate 5.000%)	3 yrs 6 mths

## Appendix B





4

Summary	
1st floor	4
5th floor	18
6th floor	7
7th floor	12
	<hr/> 41



Nido Student Accommodation, Blackburn Road, West Hampstead NW6 1RZ

Elemental analysis & BCIS benchmarking

		GIA m <sup>2</sup>	882	882	882			Flats		Student residences	
								LF100	LF130	LF100	LF130
		Extension Shell & fit-out		Extension Shell		Fitting out		Re-cladding			
		£	£/m <sup>2</sup>	£	£/m <sup>2</sup>	£/m <sup>2</sup>	£	£	£	£	£
Demolitions		300,000	340	300,000	340			300,000			
1	Substructure								154	200	105
2A	Frame	800,000	907	800,000	907				122	159	180
2B	Upper Floors	220,000	249	220,000	249				93	121	70
2C	Roof	360,000	408	360,000	408				77	100	43
2D	Stairs	99,000	112	60,000	68	39,000	44		31	40	18
2E	External Walls	1,158,000	1,313	1,158,000	1,313			1,998,000	200	260	218
2F	Windows & External Doors								78	101	77
2G	Internal Walls & Partitions	370,000	420	320,000	363	50,000	57		67	87	108
2H	Internal Doors	85,000	96			85,000	96		48	62	66
2	Superstructure	3,092,000	3,506	2,918,000	3,308	174,000	197	1,998,000	716	931	780
3A	Wall Finishes	113,124	128			113,124	128		64	83	37
3B	Floor Finishes	92,575	105			92,575	105		63	82	45
3C	Ceiling Finishes	73,625	83			73,625	83		36	47	36
3	Internal Finishes	279,324	317	0	0	279,324	317	0	163	212	118
4	Fittings	419,914	476		0	419,914	476		69	90	115
5A	Sanitary Appliances								29	38	105
5B	Services Equipment (kitchen, laundry)								20	26	19
5C	Disposal Installations	23,000	26			23,000	26		17	22	16
5D	Water Installations	917,000	1,040	853,000	967	64,000	73		38	49	56
5E	Heat Source	21,000	24			21,000	24		22	29	17
5F	Space Heating & Air Treatment	45,000	51			45,000	51		89	116	56
5G	Ventilating Systems	27,000	31			27,000	31		18	23	36
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS)	142,000	161			142,000	161		93	121	131
5I	Fuel Installations								6	8	1
5J	Lift Installations	80,000	91	80,000	91				33	43	20
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)	16,000	18			16,000	18		13	17	13
5L	Communication Installations (burglar, panic alarm, fire alarm, CCTV, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)	94,000	107			94,000	107		28	36	44
5M	Special Installations - (window cleaning, BMS, medical gas)								68	88	16
5N	BWIC with Services	75,700	86	50,000	57	25,700	29		12	16	15
	Sub contract prelims	61,500	70		0	61,500	70				
5O	Management of commissioning of services - testing	20,500	23		0	20,500	23		3	4	5
5	Services	1,522,700	1,726	983,000	1,115	539,700	612	0	489	636	550
6A	Site Works	0						300,000			
6B	Drainage										
6C	External Services										
6D	Minor Building Works										
6	External Works	0	0	0	0	0	0	300,000	0		
	SUB TOTAL	5,613,938	6,365	4,201,000	4,763	1,412,938	1,602	2,598,000	1,591	2,068	1,668
7	Preliminaries 17%	948,500	1,075	711,000	806	237,500	269	442,000			
	Overheads & Profit 5%	328,625	373	246,000	279	82,625	94	152,000			
	SUB TOTAL	6,891,063	7,813	5,158,000	5,848	1,733,063	1,965	3,192,000	0		
	Design Development risks 3%	155,000	176	155,000	176			96,000			
	Construction risks 7.5%	398,000	451	398,000	451			245,000			
	contingency 5%	83,434	95			83,434	95				
	Employer other risks - rounding	10,503	12			5,503	6	1,000			
	TOTAL	7,538,000	8,546	5,711,000	6,475	1,822,000	2,066	3,534,000	0		

Benchmarking	2,395
Add for demolitions	340
	340
Add for prelims 17%	58
Add for HP 5%	20
	418
Add contingency 10%	2,812
	281
A reasonable BCIS benchmark	3,094

Project: Nido Student Accommodation, Blackburn Road, West  
Hampstead NW6 1RZ  
2017/7072/P

Independent Review of Assessment of Economic Viability

Interim Draft Report  
Appendix A Cost Report

1 SUMMARY

- 1.1 The existing building has a basement, ground plus 8 floors above - overall a 10 storey building of Student Residences. The proposed works comprise 41 additional units. They are constructed in four locations as vertical extensions alongside existing units at the same level: 4Nr at 1<sup>st</sup> floor level, 18Nr at 5<sup>th</sup> floor, 7Nr at 6<sup>th</sup> floor and 12Nr at 7<sup>th</sup> floor.
- 1.2 We have considered BCIS data for vertical extension - the sample size is 2 for default data and 1 for maximum 5 year data. The rate for max 5 year new build student residences is the highest build cost of £2,395/m<sup>2</sup> (sample 15) and we consider this the most appropriate for consideration of the Applicants costs.
- 1.3 Irrespective of whether the estimates are a fair estimate of the expected works, we consider all the costs to be extremely high. Eg the demolitions and alterations section is £9,950 for each of the 41 new units. The total cost of the additional 41 units (excluding the re-cladding works) is £7,538,000 (£8,546/m<sup>2</sup>). This rate compares to a BCIS rate for vertical extension of flats of £2,391/m<sup>2</sup> and for building new units £2,395m<sup>2</sup>. There is a rate for vertical extension of Student Residences of £6,214 but this is a sample of 1 only in the default data - none in the 5 year data. We do not consider a single sample to provide the basis for a meaningful comparison. We have calculated a reasonable benchmark rate of £3,094/m<sup>2</sup> (£3,534,000) that compares to the Applicants figure of £8,546/m<sup>2</sup>. As there is such a substantial difference between these two figures we can only conclude that neither the costs nor the concept are reasonable. We suggest that a reasonable BCIS benchmark be calculated including a build cost of £3,534,000 to illustrate the very high costs of the Applicant's proposed scheme.
- 1.4 The re-cladding works total £3,534,000. These include the sum of £621,000 (£843,000 with % additions) for white precast concrete sills and window verticals costed at £800/m. We consider this estimated cost to be too high. Pending a satisfactory explanation of the costs of the precast sills and window verticals we suggest the estimated costs are reduced by £ 420,000 to a revised build cost of £3,114,000

2 METHODOLOGY

- 2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust

as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

- 2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element by element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5 year average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.
- 2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available on an overall £ per sqm and on a group element basis ie. substructure, superstructure, finishings, fittings and services – but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher than normal cost of external wall and window elements.
- 2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.
- 2.5 BCIS costs are available on a quarterly basis – the most recent quarters use forecast figures, the older quarters are firm. If any estimates require adjustment on a time basis we use the BCIS all-in Tender Price Index (TPI).
- 2.6 BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However if the Applicant's cost plan does not distinguish different categories we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.
- 2.7 To undertake the benchmarking we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost

allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.

- 2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.
- 2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.
- 2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element by element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m<sup>2</sup> and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

### 3 GENERAL REVIEW

- 3.1 We have been provided with and relied upon the Commercial Viability Statement issued by Cast Real Estate & Construction Consultancy dated 21st December 2017 on behalf of WH Student Accommodation Sarl. Included at Appendix A is the Indicative Cost Model issued by Alinea 11th December 2017.
- 3.2 We have also downloaded a number of drawing files and the Design & Access Statement from the planning web site.
- 3.3 The cost plan is on a current day basis: base date 4Q2017. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 4Q2017 is 319 and for 2Q2018 313 - both figures are forecasts.
- 3.4 The cost plan includes an allowance of 17% for preliminaries. The allowance for overheads and profit (OHP) is 5%; we consider these allowances reasonable.
- 3.5 The allowance for Design & Build risk is 3% and for Design Reserve and contingency 7.5% - a total 10.5%. We consider a 10% contingency for works to existing

buildings to be reasonable. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

- 3.6 We have extracted the cost information provided by the Applicant into a standard BCIS/NRM format to facilitate our benchmarking.
- 3.7 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 130 that has been applied in our benchmarking calculations.
- 3.8 Refer to our attached file "Elemental analysis and BCIS benchmarking".
- 3.9 The existing building has a basement, ground plus 8 floors above - overall a 10 storey building of Student Residences. The proposed works comprise 41 additional units. They are constructed in four locations as vertical extensions alongside existing units at the same level: 4Nr at 1<sup>st</sup> floor level, 18Nr at 5<sup>th</sup> floor, 7Nr at 6<sup>th</sup> floor and 12Nr at 7<sup>th</sup> floor.
- 3.10 We have considered BCIS data for vertical extension - the sample size is 2 for default data and 1 for maximum 5 year data. The rate for max 5 year new build student residences is the highest build cost of £2,395/m<sup>2</sup> (sample 15) and we consider this the most appropriate for consideration of the Applicants costs.
- 3.11 Refer to our attached file "Elemental analysis and BCIS benchmarking".
- 3.12 Irrespective of whether the estimates are a fair estimate of the expected works, we consider all the costs to be extremely high. Eg the demolitions and alterations section is £9,950 for each of the 41 new units. The total cost of the additional 41 units (excluding the re-cladding works) is £7,538,000 (£8,546/m<sup>2</sup>). This rate compares to a BCIS rate for vertical extension of flats of £2,391/m<sup>2</sup> and for building new units £2,395/m<sup>2</sup>. There is a rate for vertical extension of Student Residences of £6,214 but this is a sample of 1 only in the default data - none in the 5 year data. We do not consider a single sample to provide the basis for a meaningful comparison. We have calculated a reasonable benchmark rate of £3,094/m<sup>2</sup> that compares to the Applicants figure of £8,546/m<sup>2</sup>. As there is such a substantial difference between these two figures we can only conclude that neither the costs nor the concept are reasonable.
- 3.13 The re-cladding works total £3,534,000. These include the sum of £621,000 (£843,000 with % additions) for white precast concrete sills and window verticals costed at £800/m. We consider this estimated cost to be too high.

BPS Chartered Surveyors  
Date: 6<sup>th</sup> April 2018  
v.1 9<sup>th</sup> April 2018

## Appendix C

*Pricing Schedule*

Plot	Unit	Floor	sq m	Rent per Week	Banding
1	1.01	1	15.7	£ 340	Silver Classic
2	1.02	1	14.4	£ 340	Silver Classic
3	1.03	1	14.4	£ 340	Silver Classic
4	1.04	1	17	£ 340	Silver Classic
5	5.01	5	16.2	£ 380	Platinum
6	5.02	5	15.2	£ 380	Platinum
7	5.03	5	15.2	£ 380	Platinum
8	5.04	5	15.2	£ 380	Platinum
9	5.05	5	15.9	£ 380	Platinum
10	5.06	5	16.4	£ 380	Platinum
11	5.07	5	20	£ 400	Platinum Large
12	5.08	5	22.3	£ 400	Platinum Large
13	5.09	5	24.7	£ 400	Platinum Large
14	5.1	5	15.3	£ 380	Platinum
15	5.11	5	15.1	£ 380	Platinum
16	5.12	5	17.6	£ 380	Platinum
17	5.13	5	15.9	£ 380	Platinum
18	5.14	5	15.9	£ 380	Platinum
19	5.15	5	15.9	£ 380	Platinum
20	5.16	5	15.9	£ 380	Platinum
21	5.17	5	15.9	£ 380	Platinum
22	5.18	5	15.9	£ 380	Platinum
23	6.01	6	15.4	£ 380	Platinum
24	6.02	6	15.7	£ 380	Platinum
25	6.03	6	15.9	£ 380	Platinum
26	6.04	6	18.2	£ 380	Platinum
27	6.05	6	15.3	£ 380	Platinum
28	6.06	6	15	£ 380	Platinum
29	6.07	6	17.6	£ 380	Platinum
30	7.01	7	19.9	£ 435	Club Classic
31	7.02	7	17.8	£ 435	Club Classic
32	7.03	7	16.5	£ 435	Club Classic
33	7.04	7	16.5	£ 435	Club Classic
34	7.05	7	16.5	£ 435	Club Classic
35	7.06	7	18.1	£ 435	Club Classic
36	7.07	7	15	£ 425	Club Classic
37	7.08	7	15	£ 425	Club Classic
38	7.09	7	15.3	£ 425	Club Classic
39	7.1	7	15	£ 425	Club Classic
40	7.11	7	16	£ 430	Club Classic
41	7.12	7	17.9	£ 435	Club Classic
			<b>Total</b>	<b>£ 16,095</b>	
			<b>Rooms</b>	<b>£ 41</b>	
			<b>Average</b>	<b>£ 393</b>	



## Appendix D

	<b>43 weeks</b>	<b>51 weeks</b>	<b>Increase</b>
<b><i>The Bridge, Newcastle</i></b>			
Gold Large	£ 157	£ 145	8%
Gold Classic	£ 145	£ 134	8%
Platinum Classix	£ 157	£ 145	8%
Platinum Large	£ 162	£ 150	8%
<b><i>Haymarket, Edinburgh</i></b>			
Classic	£ 189	£ 179	5.59%
Deluxe	£ 210	£ 200	5.00%
Large	£ 194	£ 184	5.43%
Gold Classic	£ 165	£ 155	6.45%
<b><i>Stepney Yard, Newcastle</i></b>			
Classic	£ 161	£ 149	8.05%
<b><i>Union Square, Newcastle</i></b>			
Classic	£ 147	£ 135	8.89%
Duluxe	£ 168	£ 155	8.39%
Large	£ 158	£ 145	8.97%
<b><i>The Walls, Southampton</i></b>			
Deluxe	£ 222	£ 205	8.29%
XL	£ 194	£ 179	8.38%
Superior	£ 237	£ 219	8.22%
Large	£ 183	£ 169	8.28%
<b><i>Castle Hill, Cambridge</i></b>			
Classic	£ 216	£ 200	8.00%
XL	£ 232	£ 215	7.91%