[redacted]

From: Eamonn Keogh [redacted]
Sent: 27 March 2023 20:09
To: localplan@york.gov.uk
Cc: [redacted]
Subject: Local plan Modifications
Attachments: Local plan revised policy H7obo ysju_uoy_abc Lo res.pdf; Local plan revised policy H7obo ysju_uoy_abc.pdf; Mods Reps MM3.1 to MM3.5 an MM5.4 SUBMIT.pdf; Mods Reps MM5.3 Policy H1 SUBMIT.pdf; Mods Reps MM5.21; MM5.22 Policy H10 SUBMIT.pdf; Mods Reps MM10.3 SUBMIT.pdf; PMM31 Askham Bryan College.pdf; ylp2303.mods reps.H7v3combined.pdf; yspr2303.mods reps.pdf

Dear Sirs,

We have today submitted several representations on behalf of various clients using the Councils online consultation portal. However, for the avoidance of any doubt, and in the event of any technical issues, we attach copies of the representations submitted via the consultation portal.

Should you have any queries please get back to me.

Kind regards

Eamonn

O'Neill Associates
Eamonn Keogh | [redacted]
Lancaster House | James Nicolson Link | Clifton | York YO30 4GR | 01904 692313
www.oneill-associates.co.uk

City of York Local Plan Modifications Consultation 27 March 2023

Response on behalf of Helmsley Group and Foss Argo Developments Limited

Consolidated Main Modifications January 2023: Modification **Refs. MM5.17 and MM5.18**

Policy H7: Off Campus Purpose Built Student Housing

1) INTRODUCTION

1.1 These representations are made on behalf of Helmsley Group and Foss Argo Developments Limited in response to the City of York Local Plan Modifications Consultation March 2023. Specifically, the representations relate to modification refs. MM5.17, MM5.18 of the Consolidated Main Modifications January 2023, and EX/CYC/107/3 - Student Housing Policy H7 Note August 2022

1.2 ***The representation is supported by and should be read in conjunction with the Technical Representation prepared by CBRE and submitted with this representation.***

1.3 Modification MM5.17 relates to ***Policy H7: Off Campus Purpose Built Student Housing.*** Modification MM5.18 relates to modification of the Explanation text in §5.47. EX/CYC/107/3 - Student Housing Policy H7 Note August 2022 provides the evidence base to justify the requirement for affordable housing contributions.

1.4 Student housing was included in the Examination in Public Phase 3 Matter 3 in July 2022. Since that discussion a significant number of modifications to policy H7 and explanatory text are proposed, particularly focusing the policy for off campus provision only, and a requirement for affordable housing contributions.

2) DETAILED REPRESENTATIONS

The need for independent PBSA providers

2.1 Private PBSA plays a vital role in meeting student housing needs in York, independent of the Universities. The first paragraph of policy H7 acknowledges this *"in assessing need, consideration will be given to off campus provision and the capacity of independent providers of bespoke student housing in the city"*

2.2 The need for PBSA within York is undisputed by all parties, including the Council. The need derives from the growth of both York St John University and the University of York, as well as meeting the needs of existing student numbers. The Council has accepted that there is current need, due to a persistent deficit of provision in recent years, and a need to provide for future growth in student numbers, in its determination of a number of recent planning permissions through the application e.g. Mecca Bingo, Fishergate YO10 4AR21/01605/FULM dated 25 April 2022 (275 units); Alton Cars, James Street, YO10 3WW 22/00367/FULM dated 9 May 2022 (303 units), amongst others.

2.3 Student housing need is met through a combination of university accommodation, HMOs, the private PBSA sector, students living in their own permanent home, rented or owned, and some stay in the parental home. The choice is mainly down to economic, social and geographical reasons.

2.4 Evidentially, private PBSA already plays an important role in meeting student housing need, and the importance of private PBSA is likely to increase given the growth in student numbers. However, whilst the University of York is continuing to build accommodation for its students, and draft local plan Policy ED1 and ED4 promotes the provision of on-site accommodation for the University of York, accepting that student housing for York St John University will need to be provided off-campus, there is significant demand from students to live off-campus and not within university-controlled accommodation, particularly after their first year.

2.5 In York, the future supply of HMO's to provide for the growth in student numbers is restricted by:

- draft local plan policy H8 which seeks to control the density of HMOs in any street or neighbourhood for the benefit of existing residents;
- the Article 4 direction covering the whole urban area of York removing permitted development rights that allow dwellings to convert to HMOs; and
- competition from holiday lets which are often more lucrative for landlords and face fewer planning constraints since, in most instances, holiday lets remain as a C3 use class.

2.6 Provided there is sufficient land identified to meet need, private PBSA plus on-campus accommodation may reduce the need for further HMOs, which typically remove family homes from the housing stock which is contrary to local plan objectives. These factors are likely to compound the persistent deficit of provision of PBSA in recent years for existing and future student numbers.

2.7 MM5.17 has the effect of binding private PBSA providers to universities through the requirement for nomination agreements, effectively making them development partners.

Nomination Agreements

2.8 It is understood that nominations agreements are unworkable in York. Our clients have been unable to agree such terms with education providers in the past. Nomination agreements or similar contractual arrangements are commercially sensitive, and require the education provider to assume some of the risk of independent providers, and may not be willing to enter into them therefore. The requirement for nominations agreements as part of MM5.18 therefore presents a profound risk to sites coming forward for PBSA, for which there is a current and growing need for in York.

2.9 In any case, H7(iii) is unnecessary given it effectively duplicates the requirement of H7(i) to demonstrate need. An appropriately worded planning condition can be used to secure occupation by students akin to the use of agricultural worker occupation conditions. Such a condition would meet the tests given need will have been demonstrated to satisfy H7(i). This removes the requirement for third party involvement in the planning process which puts development at risk of delivery.

Affordable housing contributions

12.10 MM5.17 and MM5.18 are reliant on EX/CYC/107/3. The Council itself, has effectively superseded EX/CYC/107/3 when it published its CIL viability study (CVS). EX/CYC/107/3 is out of date and cannot be relied upon therefore. As such MM5.17 and MM5.18 render the local plan unjustified, ineffective and unsound. The CVS is also considered by CBRE as part of the evidence submitted in response to this consultation, and the CVS is itself outdated and misrepresentative of current market conditions. Notwithstanding it is EX/CYC/107/3 that forms part of the local plan evidence base, and is the subject of this consultation not the CVS. Through the publication of the CVS, the Council itself, accepts that EX/CYC/107/3 is unreliable and outdated.

12.11 Notwithstanding, as a point of principle, if there is any viability headroom from purpose-built student accommodation (PBSA) this should be retained for affordable student accommodation for which there is an identified need, as set out below. The plan is not positively prepared in this regard. Affordable housing need should be met through an appropriate level of housing allocations to provide the certainty of housing deliverability required by the NPPF, and local plan targets.

12.12 Students are being significantly affected by the rise in the cost of living as are households. A survey for the Russell Group Students' Union published in March 2023 pinpointed the problems experienced by students, (Report appended to this representation). In data taken from 8,800 responses the report found: -

- 94% of students are concerned about cost-of-living crisis
- 1 in 5 are considering dropping out
- 1 in 4 are regularly going without food and necessities
- Maintenance loans have been frozen. University leaders say Government forecasts have been inaccurate in each year since 2020-21 and with no mechanism in place to correct for inflation. This means "significant real-terms cut" has been baked into the system.

12.13 Those from lower income families are severely impacted.

The top four groups who reported having less than £100 in savings:

- **Students whose parents have no qualifications** (34%, N = 144/423)
- **Students with a household income of less than £25,001/annum** (32%, N = 574/1801)
- **Students with caring responsibilities** (29%, N = 140/480)
- **International students** (29%, N = 501/1747)

Each of these groups were statistically more likely to have less than £100 in savings.

12.14 The proposed affordable housing contribution formula in MM5.17 is invalid because it has not been demonstrated that PBSA can support the level of affordable housing contributions required, and any affordable housing contribution will directly take away the ability of developers with or without the Universities involvement from providing affordable student bedrooms.

Viability

12.15 The proposed obligation to contribute to affordable housing currently equates to £7k/bed. This obligation would necessarily be recouped from rental charges. Since rent is a significant proportion of expenditure for students, this would have a major impact on students.

12.16 EX/CYC/107/3 prepared by Porter Planning Economics, is unreliable and fundamentally flawed and has been superseded by the Council's CIL evidence which is also subject to consultation. Even based on the Council's CIL viability study prepared by Porter Planning Economics, the CBRE evidence submitted as part of these representations demonstrates that there is insufficient viability headroom for PBSA to make contributions towards affordable housing. NPPF (2012) 173. States that "*Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable*."

Vacant building credit (VBC)

12.17 To ensure consistency with draft local plan policy H10, the NPPF, and to support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing and affordable student housing contribution due should be reduced by a proportionate amount. The policy being upheld by the Court of Appeal in West Berkshire v SoSCLG6, in July 2018, VBC was included in NPPF §63 and is retained in NPPF (July 2021) §64.

Flexibility within policy H7

12.18 The Council accept that there is a strategic need to provide purpose-built accommodation within the city. However, the policy must endure for the plan period and needs to be sufficiently flexible. Need will vary over the Plan period with changes in higher education providers' estate and expansion plans, availability of appropriate sites, and changes in Government policy that affect their growth and funding.

12.19 Furthermore, Student housing will need to be available flexibly 365 days of the year to provide for these other modes of learning delivery and new markets e.g. deliver modules flexibly via short courses and CPD programmes. Delivery of CPD programmes will also require short term accommodation.

12.20 In relation to occupation of PBSA, MM5.17 is too prescriptive in relation to use by non-enrolled students. A number of important groups would be unjustly excluded from accessing PBSA such as students who bring family members with them, whether from overseas, or because they are parent or single parents.

12.21 There also needs to be flexibility to allow for educational conferences, summer schools, etc. This will enable providers of PBSA to maximise the delivery of affordable student accommodation by increasing the profitability of the development, policy H7 should allow the temporary use of accommodation during vacation periods for ancillary uses. Examples of such uses, amongst others, include providing accommodation for conference delegates, visitors, interns on university placements, and students on short-term education courses at a higher education provider or any institution approved in advance by the Council. Conditions can be applied to ensure the temporary use should not disrupt the accommodation of the resident students during their academic year, and to ensure that any ancillary use does not result in a material change of use of the building.

3) REMEDY

3.1 **Our clear position, based on detailed viability evidence submitted as part of these representations, is that PBSA cannot support affordable housing contributions. MM5.17 is unsound and all references within policy H7 to affordable housing contributions should be removed. In this regard, revised wording to Policy H7 is suggested below:**

Policy H7: Off Campus Purpose Built Student Housing

The University of York and York St. John University must address the need for any additional student housing which arises because of their future expansion of student numbers. In assessing need, consideration will be given to off campus provision and the capacity of independent providers of bespoke student housing in the city.

To meet any projected shortfall, provision by the University of York can be made on either campus. Provision by York St. John University is expected to be off campus but in locations convenient to the main campus.

SH1: Land at Heworth Croft, as shown on the proposals Policies Map, is allocated for student housing for York St. John University students.

Proposals for new off campus purpose built student accommodation, other than the allocation at SH1, will be permitted where all of the following criteria are satisfied:

I. *it can be demonstrated that there is a need for purpose-built student ~~housing~~ accommodation which cannot be met on campus. Allowing the temporary use of accommodation during vacation periods for ancillary uses will also be considered; ~~and~~*

II. *it is in an appropriate location for education institutions and accessible by sustainable transport modes;*

~~*iia*~~ ~~*The rooms in the development are secured through a nomination agreement for occupation by students of one or more of the University of York and York St. John University; and*~~

III. *the development would not be detrimental to the amenity of nearby residents and the design and access arrangements would have a minimal impact on the local area; and*

IV. ~~*The accommodation shall be occupied only by full-time students enrolled in courses of one academic year or more and c*~~ *Conditions or obligations shall be imposed to secure occupation of a majority of rooms by students*[1] *of one or more higher education providers*[2] *during the academic year, ~~compliance with this requirement and for~~ the proper management of the ~~properties~~ accommodation, and to ensure that any ancillary use does not result in a material change of use of the building.*

~~*For new student accommodation a financial contribution, or should be secured towards delivering affordable student accommodation or affordable housing.*~~

~~*The affordable contribution will be calculated on a pro rata basis per bedroom using the following formula:*~~

~~***Average York Property price – Average York Fixed RP Price x 2.5% = OSFC per student bedroom***~~

[1] For the implementation of this policy a student is a person following a course in higher education as recognised by the Office for Students

[2] A higher education provider is defined as an education institution that provides a designated course that has been approved by the Department for Education for higher education study which allows the student to apply for government-financed student loans. Higher education study is at qualification Level 4 or above (i.e. above A-level or equivalent). Further information on qualification levels can be found here: https://www.gov.uk/what-different-qualification-levels-mean/list-of-qualification-levels. The Office for Students provides a register listing all the English higher education providers that it officially recognises, which can be found at https://www.officeforstudents.org.uk/advice-andguidance/the-register/the-ofs-register/. This register can be used to determine if a higher education provider delivers designated courses and thus satisfies the above definition

~~The contribution will be required only from the number of units creating a net gain. For mixed-use developments of student accommodation with general housing a pro-rata approach will be used to determine whether a contribution is required, and how much this should be. Contributions towards affordable housing provision from new student accommodation will not be sought where the student accommodation site which at the date of adoption of the Plan is owned by a university and which will continue to be owned by a university to meet the accommodation needs of its students.~~

~~Where a developer considers the contribution cannot be fully met they should justify the level of provision proposed through an open book appraisal to demonstrate to the Council's satisfaction that the development would not otherwise be viable.~~

~~Developers may not circumvent this policy by artificially subdividing sites, and are expected to make efficient use of land.~~

CBRE

City of York Local Plan Proposed Modifications Consultation Feb 2023

Technical representation prepared by CBRE UK Ltd jointly on behalf of the following:

- Foss Argo Developments Ltd
- Helmsley Group Ltd

March 2023

Contents

Introduction

Procedural Matters

Instruction Purpose

1. CBRE UK Ltd ('CBRE') has been instructed by a consortium of two developers ('the consortium'), each with land and property interests in York, to prepare a formal representation document setting out a technical response to the City of York Council ('CYC') Local Plan Proposed Modification Consultation February 2023 ('the Local Plan consultation').

2. CBRE's instruction relates specifically to CYC's proposed modifications to Policy H7: Off Campus Purpose Built Student Housing.

3. CBRE's technical representations focus upon the evidence base underpinning CYC's proposed modifications to Policy H7, namely:

    a. EX/CYC/107/2 - Affordable Housing Note August 2022: This document is titled the CYC Student Housing Policy H7 Note August 2022 ('the Policy H7 Note'). It is also accompanied by a technical note (as follows)

    b. EX/CYC//107/2 – Appendix 1: This document is titled the CYC Local Plan Viability Technical Note on Changes to Student Accommodation Policy H7, and is dated 22 August 2022 ('the Technical Note').

4. However, it is important for CYC to be aware that the Technical Note that underpins the Policy H7 Note has subsequently been superseded by the publication for consultation of the City of York CIL Viability Study Final Report ('CIL Viability Study'), also produced by Porter Planning Economics ('PPE') and dated December 2022.

5. The CIL Viability Study was published by CYC as part of the evidence base accompanying the Community Infrastructure Levy ('CIL') Draft Charging Schedule consultation, running to 27 March 2023.

6. As the CIL Viability Study supersedes the earlier Technical Note, CBRE is required to have due regard to both documents, and cross-references accordingly within this representation[1].

7. An overarching representation to the Local Plan consultation has been prepared by York-based town planning consultancy O'Neill Associates.

[1] Note: CBRE has also made technical representations to the CYC CIL DCS consultation on behalf of the consortium. CBRE recommends that CYC reviews both sets of representations in parallel.

The Consortium

8. The consortium consists of the following developers, each with existing land and property interests within York:

 – Foss Argo Developments Ltd
 – Helmsley Group Ltd

The Consortium's Stance

9. The consortium has fundamental concerns regarding CYC's proposed modification to Policy H7 to introduce an off-site financial contributions ('OSFC') to traditional affordable housing secured from off campus PBSA development.

10. Specifically, the modification proposes the use of an adjusted version of the OSFC formula set out in Policy H7, which applies the number of student bedrooms. The rate of 2.5% affordable housing equivalent per student bedroom. Whilst the Technical Note applied an OSFC of £5,212 per student bedroom in testing the impact on financial viability, this has subsequently been uplifted to £7,000 per student bedroom as applied within the CIL Viability Study, and represents the latest OSFC sum.

11. It is the consortium's firm view that the introduction of the proposed OSFC to off campus PBSA development will undermine the viability of new development in an environment where recent long-term construction cost inflation, softened funding investment yields, and increased debt servicing costs have placed increasing pressures on development significantly since mid-2022. This is exacerbated by the limited availability of suitable sites in what represents a highly constrained urban context.

12. In light of above the consortium does not accept the validity and reliability of the published viability evidence base upon which the proposed PBSA OSFC relies.

Matters of Representation

Purpose

13. This section of the document sets out the matters of representation that the consortium determine must be raised with CYC.

Significance of Proposed OSFC

14. The OSFC proposed for off campus PBSA development represents a significant additional cost to development of this typology, at circa £7,000/student bedroom.

15. In addition, CYC has also consulted on a CIL DCS, which proposes to add a further charge of £50/m^2 to off campus PBSA developments delivering 100 student bedrooms or fewer. This means development of this scale will incur both the OSFC and CIL liability.

16. These are not incremental changes, but rather represent a fundamental shift to introduce substantial costs on development.

Illogical Timing

17. The UK property market is experiencing a highly challenging period, which has been driven by substantial economic and geo-political uncertainty nationally and globally over 2022 and which is expected to prevail over the course of 2023. This has led to a high inflationary environment against a backdrop of tightening monetary policy and a UK-wide cost of living crisis. Development and investment across a wide range of sectors are facing headwinds, which commenced in mid-2022 and continue to prevail during 2023.

18. Specifically:

    a. Economic output and outlook has deteriorated as the inflationary squeeze on real incomes weighed on consumer confidence and spending that hit growth momentum. Throughout 2023, CBRE expect unemployment to rise from its current historically low level. In tandem, job vacancies will decrease. Wage growth will not be able to keep up with inflation until late 2023, eroding consumer purchasing power. We expect a moderate recession to occur in 2023, with GDP falling by 0.9%.

    b. Inflation has been rising relentlessly over the past 18 months and is at its highest for 40 years. Inflation has been driven by a post-COVID surge in demand, which could not be met due to supply bottlenecks. Russia's war in Ukraine has exacerbated supply shortages, pushing energy, food, and other commodity prices even higher. Policy choices, such as China's zero-COVID policy, are slowing down the recovery of supply chains, and raising the costs of imported durable goods. In the UK, inflation has been exacerbated by a weak pound, which has made imports more expensive to the UK consumer.

    c. Increased global supply chain disruption has and will continue to put further upward pressure on energy prices, food prices and construction materials. Significant uncertainty persists around the future path of inflation. Inflation remains stubbornly high in early 2023, with the Consumer Prices Index (CPI) rising by 10.4% in the 12 months to February 2023, up from 10.1% in January. CBRE's base case is that CPI inflation will have peaked in Q4 2022 and fall back in the second half of 2023. Implicit in this forecast is the end of the Ukraine conflict by year end with energy - and non-energy commodity prices falling from their current highs.

    d. Monetary tightening is well underway over fears of second-round effects from wage and price-setting. During 2023, the Bank of England will continue to rise interest rates, which CBRE forecast to peak at around 4.5% and push borrowing costs to the highest levels prior to the financial crisis in 2008. As inflation begins to cool, rates will begin to decrease, declining gradually to a 'new normal' of around 2% from 2026 onwards.

    e. Faced with spiraling prices and higher interest rates on loans, businesses and consumers are limiting spending. Consumer confidence has been hit, and retail sales will continue to decline until inflation moderates and consumers restore their purchasing power. Businesses will have to cut costs to preserve margins in a high-inflation environment. This will lead to some job losses and higher unemployment in the first half of 2023.

    f. The 10-year gilt yield has risen by almost 200bps since the beginning of 2022 and financial conditions are materially tighter than in Q2 2022. The expectation of future short-term interest rate hikes will continue to push upward on long-term market interest rates until the base rate starts to move down.

    g. Inflation and rising interest rates have resulted in an increase in property yields. This ongoing yield shift, which commenced from Q3 2022 has hit values and returns for investors. As the cost of capital, closely related to the interest rates of central banks and therefore to inflation, have risen, valuations have been negatively impacted.

19. Specifically considering the PBSA sector, CBRE's baseline forecast for 2023 is as follows:

a. Overall, the sector continues to be undersupplied but this is highly nuanced, and an understanding of affordability is key. An in-depth understanding of the submarket dynamics is critical.

b. Investment yields have softened in H2 2022 and high inflation and rising interest rates will continue to impact the investment and funding market over 2023 and into 2024, until inflation abates and central banks pivot on interest rates.

c. Overall, the development of new PBSA is slowing due to a combination of factors, and this will carry forward throughout 2023. Specifically, the drivers are as follows:

i. Rising build costs present viability challenges

ii. The pace of the planning system remains a significant barrier to delivery

iii. Rising operational costs will also continue to hinder new development given the negative impact on net rental income.

iv. Development financing is also increasingly expensive and is increasingly difficult to obtain.

20. CBRE questions the logic and rationale, and efficiency in use of public funds, for introducing additional costs on PBSA development via an OSFC in addition to a CIL regime with high charges set on PBSA developments at this juncture, given the wider challenges facing development and uncertainty in both the macro-economy and property market.

21. CYC's proposals to increase the cost burden on development at this point will exacerbate uncertainty and slow or stall development and regeneration plans on major sites across the city for PBSA development.

Outdated Evidence

22. As referenced prior, the published evidence used to inform and underpin the introduction of the OSFC is as follows:

a. EX/CYC/107/2 - Affordable Housing Note August 2022: This document is titled the CYC Student Housing Policy H7 Note August 2022 ('the Policy H7 Note'). It is also accompanied by a technical note (as follows)

b. EX/CYC//107/2 – Appendix 1: This document is titled the CYC Local Plan Viability Technical Note on Changes to Student Accommodation Policy H7, and is dated 22 August 2022 ('the Technical Note').

23. However, this evidence is now outdated and has been superseded by the CIL Viability Study produced by PPE and dated December 2022.

24. This presents viability testing of the off campus PBSA typologies that arrives at fundamentally different results to the EX/CYC//107/2 – Appendix 1 Technical Note.

25. Consequently, CYC should no longer be relying upon EX/CYC//107/2, as it represents a flawed evidence base given that property market conditions have shifted significantly since its publication and it has been superseded by other evidence published by CYC.

26. Given this, CBRE focuses analysis on the more recent evidence on the financial viability of PBSA typologies in respect of both the proposed OSFC and CIL charging, as set out within the CIL Viability Study.

27. This said, CBRE also considers that the CIL Viability Study itself is outdated and misrepresentative of current market conditions.

28. CBRE has reviewed the CIL Viability Study in detail. It is apparent that the input assumptions for PBSA scheme typologies, which are subsequently utilised by PPE in undertaking the viability modelling, analysis, conclusions and recommendations rely substantially upon evidence from Q1-2 2022.

29. As set out above, and well-documented, have been significant macro-economic headwinds and property market adjustment issues over the period since, as well as substantive ongoing construction cost inflation, which are material considerations that any robust viability evidence base must account for.

30. In addition, the Government is conducting a staged implementation of the Building Safety Act 2022, and has stated that it expects student accommodation to be subject to the regulatory regime under Part Three, which will have implications for the design and construction of new developments.

31. The Government has also recently consulted upon amendments to Approved Document B, which proposes that all new buildings of 30m (circa 10 storeys) or above will require a second separated staircase[2]. The Greater London Authority ('GLA') has pre-empted the Government's conclusions by mandating this requirement for new development in Greater London with immediate effect.

32. The Government is currently considering responses following closure of the consultation on 17 March 2023, but it is widely anticipated that student accommodation will be required to conform to the amendments, which is prompting developers and investors to factor second staircases into plans for new development going forward in order that they can meet regulations, and be insurable, investable and deliverable. Specifically, Government states:

    "58. Recognising that many schemes are in development, and this change would represent a significant change, we are proposing a very short transition period before implementing the changes.

    59. The transition period will allow time for schemes to be completed but should not allow the opportunity for developments to get off the ground ahead of the new requirements coming into effect.

    60. We would encourage all developments to prepare for this change now."

33. Based on the impact assessment conducted, the Government has publicly acknowledged that the implications of additional construction costs, and loss of build efficiency, will impact negatively on the financial viability of development and, as a result, is likely to reduce the propensity of higher density schemes to deliver affordable housing as a consequence:

    "65. The costs of a second staircase will also impact the viability of high rise buildings, this is likely to reduce the amount of affordable housing that can be provided by developers."

34. The impact will be that gross to net build efficiency is reduced, meaning lower net lettable floorspace against a higher or equivalent gross internal area (GIA).

[2] https://www.gov.uk/government/consultations/sprinklers-in-care-homes-removal-of-national-classes-and-staircases-in-residential-buildings/sprinklers-in-care-homes-removal-of-national-classes-and-staircases-in-residential-buildings

35. It does not appear that the CIL Viability Study has accounted for the this or addressed the implications and it certainly has not been referenced in the earlier EX/CYC//107/2 – Appendix 1 Technical Note.

36. CBRE has provided further details upon this relating to PBSA use within the 'Technical Deficiencies' sub-section of this representation.

Technical Deficiencies

37. As stated, due to the EX/CYC//107/2 – Appendix 1 Technical Note now being outdated and superseded, CBRE focuses analysis on the more recent evidence on the financial viability of PBSA typologies in respect of both the proposed OSFC and CIL charging, as set out within the CIL Viability Study.

38. This is possible given that the CIL Viability Study accounts for the proposed OSFC within viability modelling, and also tests the viability of the PBSA typologies both with (primarily) and without the proposed OSFC in order to demonstrate the implications.

39. There are a range of detailed technical issues identified, which render the CIL Viability Study as an inadequate basis for CYC utilizing to underpin justification for the OSFC (in addition to CIL charging):

    a. **Rents, Yields and Capital Values for PBSA Typologies:**

        i. CBRE noes not disagree with the CIL Viability Study's usage of the average gross rental income of £177/week to be applied to private sector off campus development typologies for the 2022/23 academic year.

        ii. OPEX is deducted at 30% of gross annual rent to generate a net rental income, which is capitalized at an investment yield of 5.0%. This is stated as generating a capital value of £112,300 per room.

        iii. The CIL Viability Study cites, at para 3.75 that the above capital value is a "*cautious sales value for the sole purpose of this planning viability assessment*".

        iv. CBRE notes that this observation is based on evidence obtained from a Cushman & Wakefield report (non-York specific) drawing on data from H1 2022. It therefore does not represent current market conditions.

        v. Analysing York specifically, there are relatively few recent transactions for which information is available. These are as follows and demonstrate a tone of circa 5.5%-6.5% NIY and capital value of circa £90,000-£100,000 per bed:

            1. 62 Layerthorpe: comprising 98 beds transacted in 2019 on a forward fund / commit to iQ Student Accommodation for a total capital value of £92,000 per bed.

            2. Haxby Road City Residential: comprising 124 beds transacted in 2018 on a stabilized investment basis at a NIY of 6.5%, reflecting £60,000 per bed.

            3. Foss Studios: comprising 220 beds transacted in 2017 on a stabilized investment basis at a NIY of 5.7%, reflecting £106,000 per bed.

        vi. The above capital values would suggest that the sum of £112,300 per room adopted in the CIL Viability Study actually exceeds transactional evidence available for York in recent years.

        vii. CBRE's research places York as 21st in the league of the UK's cities with the highest full-time student populations in 2021/22, with circa 27,000 full-time students. This is relatively low compared to the top five regional cities (Birmingham, Glasgow, Manchester, Nottingham, Leeds), which collectively accounted for 374,000 full time students.

viii. On the basis of the above, CBRE ranks York as a Prime Regional location for PBSA and understand that other agents such as JLL and Knight Frank regard the city on an equivalent basis.

ix. As stated earlier in this document, investment yields have softened since Q3 2022 due to wider macro-economic conditions, and continue to trend weaker in a high interest environment. The latest available investment yield sheets now record Prime Regional PBSA yields as follows:

1. JLL Monthly Yield Sheet: PBSA Prime Regional at 5.25% in January 2023 (softening from 5.0% in Q3-4 2022[3].

2. Knight Frank Prime Yield Guide – March 2023: PBSA Prime Regional at 5.0% - 5.25% (softening from 4.75%-5% in Q3 2022)[4].

3. CBRE UK Living Sectors Investment Yields – March 2023: PBSA Prime Regional at 5.0% and trending weaker (softening from 4.75% in Q3 2022)[5].

x. In summary, three respected agents all report PBSA Prime Regional yields softening to 5.0% - 5.25% at present day. Importantly, these are not development funding yields, but are stabilized investment yields.

xi. Institutional forward funding has been one of the main delivery routes for financing the development of PBSA schemes in York and elsewhere across the regions, where brought forward by the private sector (i.e. non-University). CBRE's market intelligence is that funding yields are transacting at a discount of circa 25bps in comparison to stabilized investment yields. As a result, if the rates above are adjusted for development funding, this would see yields at 5.25% - 5.5%.

b. **Construction costs**:

i. The construction costs adopted are set out in Table 5.3 on p.49 are cited as being drawn from RICS BCIS. The source data is referenced as being provided in Appendix D. The RICS BCIS cost is cited as £2,112/m^2 (£196/ft^2) and base-dated at Q3 (i.e. Jul.-Sept.) 2022.

ii. Given that circa 6 months has passed since the construction costs were base dated, CBRE has reviewed the RICS BCIS data as published at 11 March 2023. On an equivalent basis the RICS BCIS median cost now stands at £2,166/m^2 (£201/ft^2), which is an increase of 2.6%. The data is provided within **Enclosure 2**.

[3] Note: this is provided within **Enclosure 1**.
[4] Note: this is provided within **Enclosure 1**.
[5] Note: this is provided within **Enclosure 1**.

iii. CBRE comment that the RICS BCIS costs of £2,166/m^2 (£201/ft^2) are extremely low in the context of PBSA developments being brought forward for delivery in regional cities in the current market, and would highlight that RICS BCIS is a significantly lagging indicator due to the time taken for tender data be provided and reporting updated. Hence, in an inflationary environment over 2022 and 2023, it has consistently underestimated construction costs being generated in real-time. Moreover, as mentioned prior, RICS BCIS will not yet account for changes to fire safety guidance (Approved Document Part B).

iv. CBRE notes that the CIL Viability Study also cites in para. 5.10 that additional allowance of 15% of build costs for external site works such as utilities, car parking and landscaping is provided.

v. However, reviewing the example 100-bed typology appraisal in Appendix A confirms that there is an error, whereby the viability appraisals only account for a 10% external works cost, which means that there is an omission in the viability testing of this typology of at least £280,262.50. This is greater than the entirety of the CIL headroom of £223,666, which would significantly alter the conclusions and recommendations of the CIL Viability Study. In essence, if corrected, it would eradicate any headroom at all for CIL on Typology 10a or 10b alongside the proposed OSFC, and CIL would require reducing to NIL for these typologies. As a result, the charging rate of £50/m^2 proposed within the CIL DCS for "*Purpose Built Student Housing with 100 or fewer student bedrooms and an affordable housing contribution*" would be required to be removed altogether via modification.

vi. In a further apparent error, the 100-bed typology appraisal in Appendix A contains only 8% professional fees, as a cost allowance. However, para. 5.10 states clearly that modelling allows for " *10% of build costs and externals for professional fees associated with the build, including architect fees, planner fees, surveyor fees, and project manager fees*". This means a further cost omission within the viability testing of the PBSA typologies, which will further reduce the viability of this use if reintroduced to the viability appraisals for each PBSA typology.

vii. CBRE has set aside the above points, pending clarification from CYC.

viii. Taking a stand back approach, CBRE's cross-section of market intelligence in the sector is that the current minimum construction cost for developer-led mid-specification PBSA schemes in the regions, equates to circa £85,000 per bed. It is CBRE's direct experience that higher specification schemes, which seek to secure higher rents from students (and which primarily target the international student market) are incurring far higher costs.

ix. In **Table 2** overleaf, CBRE has set out both a comparison between the RICS BCIS median rate costs as at Q3 2022 and March 2023. CBRE considers these costs to be more likely representative of construction to a low-mid specification product, which would achieve a lower than average rental price point in the York market. As the definition in RICS BCIS states it would therefore be more appropriate to reflect student halls of residences (i.e. university-led on campus development), rather than the higher specification product being delivered off-campus by private developers, and those which can secure rents at an average for York (i.e. the £177/week) or above.

x. CBRE notes that the RICS BCIS upper quartile rate (£2,389/m^2 | £222/ft^2) generates a construction cost, when allowing for external works, that is commensurate with the level of costs being seen for mid-market specification PBSA schemes in the regions (at circa £84,500/bed). This is provided for comparison in **Table 2**.

xi. For the reasons set out above, CBRE strongly advocates that the RICS BCIS upper quartile rate should represent the base construction cost for viability testing developer-led (i.e. off campus) PBSA typologies. The median rate simply isn't a realistic cost benchmark to adopt for this purpose in the current market.

Table 2: Comparison Analysis: RICS BCIS Costs Q3 2022 vs. Q1 2023 vs. Minimum Market Rates (CBRE Q1 2023)

RICS BCIS Median Q3 2022			Build			External Works @ 10%		Total Costs (Build + Externals)			
£/m2	£/ft2	GIA (m2)	Cost (£)	Beds (Typologies)	£/Bed	Cost (£)	£/Bed	Cost (£)	£/Bed	£/m2	£/ft2
2,112	196	19,288	40,736,256	600	67,894	4,073,626	6,789	44,809,882	74,683	2,323	216
2,112	196	11,251	23,762,112	350	67,892	2,376,211	6,789	26,138,323	74,681	2,323	216
2,112	196	6,429	13,578,048	200	67,890	1,357,805	6,789	14,935,853	74,679	2,323	216
2,112	196	3,215	6,790,080	100	67,901	679,008	6,790	7,469,088	74,691	2,323	216
RICS BCIS Median Q1 2023			**Build**			**External Works @ 10%**		**Total Costs (Build + Externals)**			
£/m2	**£/ft2**	**GIA (m2)**	**Cost (£)**	**Beds (Typologies)**	**£/Bed**	**Cost (£)**	**£/Bed**	**Cost (£)**	**£/Bed**	**£/m2**	**£/ft2**
2,166	201.2	19,288	41,777,808	600	69,630	4,177,781	6,963	45,955,589	76,593	2,383	221
2,166	201.2	11,251	24,369,666	350	69,628	2,436,967	6,963	26,806,633	76,590	2,383	221
2,166	201.2	6,429	13,925,214	200	69,626	1,392,521	6,963	15,317,735	76,589	2,383	221
2,166	201.2	3,215	6,963,690	100	69,637	696,369	6,964	7,660,059	76,601	2,383	221
RICS BCIS Upper Quartile Q1 2023			**Build**			**External Works @ 10%**		**Total Costs (Build + Externals)**			
£/m2	**£/ft2**	**GIA (m2)**	**Cost (£)**	**Beds (Typologies)**	**£/Bed**	**Cost (£)**	**£/Bed**	**Cost (£)**	**£/Bed**	**£/m2**	**£/ft2**
2,389	221.9	19,288	46,079,032	600	76,798	4,607,903	7,680	50,686,935	84,478	2,628	244
2,389	221.9	11,251	26,878,639	350	76,796	2,687,864	7,680	29,566,503	84,476	2,628	244
2,389	221.9	6,429	15,358,881	200	76,794	1,535,888	7,679	16,894,769	84,474	2,628	244
2,389	221.9	3,215	7,680,635	100	76,806	768,064	7,681	8,448,699	84,487	2,628	244

Source: RICS BCIS / CBRE Data

c. **Site Areas for Typologies**: It is not clearly stated within the CIL Viability Study as to how the site areas applied for each typology were derived and the evidence used to inform this. Given this is an important basis for setting benchmark land values, CBRE requests that this information is provided by CYC to provided transparency and clarity to stakeholders.

d. **Benchmark Land Value**:

i. The CIL Viability Study includes the adopted BLVs for non-residential uses within Table 5.6 on p.52. However, the document contains no supporting justification or evidence to underwrite the proposed BLVs, which CBRE considers a significant omission.

ii. The CIL Viability Study proposes a BLV of £1.5m/ha (£607,000/acre) as the BLV to apply to PBSA typologies.

iii. In order to find justification for this BLV, CBRE has had regard to the earlier EX/CYC//107/2 – Appendix 1 Technical Note. An explanation is provided in paras 20-23.

iv. This is predicated on a logic whereby it is proposed that abandoned or unviable locations and/or dilapidated industrial units will be the typical brownfield sites that will be brought forward for alternative uses, such as PBSA schemes. The transactions drawn upon in Table 4 of the EX/CYC//107/2 – Appendix 1 Technical Note, which are cited as comparables, are not relevant to York and it is not stated whether any of the transacted sites were ultimately brought forward for PBSA development.

v. CBRE is not aware of any abandoned, unviable or dilapidated industrial premises that could be redeveloped for PBSA use. There is presently a limited supply of sites suitable for redevelopment for PBSA uses across the city, which necessitates PBSA development competing with other forms of prospective development including hotels, traditional residential, elderly persons accommodation or offices.

vi. CBRE is therefore unclear on the logic behind Table 5.6 in the CIL Viability Study, on p.52. This is replicated below. It sets a substantially lower BLV for PBSA development in comparison to competing uses such as Hotel and Care Home uses (both £2m/ha), supermarket use (£2m/ha) and retail warehouse use (£2m/ha).

Table 5.6 Benchmark land values for non-residential existing uses

Typology	BLV per gross area
1: Town centre office	£1,500,000
2: Business park	£1,000,000
3: Industrial / warehouse	£850,000
4: Small local convenience	£2,000,000
5: Supermarket	£2,000,000
7: Retail warehouse	£2,000,000
8: City Centre retail	£4,000,000
9: Hotel (60 beds)	£2,000,000
10: Student accommodation	£1,500,000
11. Care home (60 bed)	£2,000,000

vii. In addition, CBRE also notes that the CIL Viability Study adopts a BLV for residential typology viability testing of £1.7m/ha for brownfield land in its existing use as 'City centre / extension' land within Table 4.15 on p.47.

viii. The CIL Viability Study does not adequately justify why competing brownfield land uses have been viability tested against a higher BLV and PBSA against a lower BLV. This warrants further explanation by CYC.

ix. The risk is that this overstates the propensity for PBSA developments to acquire land at lower prices than competing uses, and through the proposed CIL rates applied to PBSA, then places them at a disadvantage when seeking to acquire land due to overstating viability and the further additional CIL costs applied.

x. A rational approach would be for BLVs for this use to be considered by way of market transactional analysis of sites brought forward for PBSA use within the city of York in recent years. CBRE recommends that CYC seek to source and consider such evidence in taking a 'stand back' approach and a York-specific market sense-check.

Results & Re-appraisal

40. The CIL Viability Study sets out the results of viability modelling within Table 7.1 on p.61. This is replicated below for ease.

Table 7.1 Recommended non-residential psm CIL rates at different financial buffers

Typology	Headroom per CIL liable sqm	After buffer of		
		50%	33%	25%
1: Town centre office	-£1,034			
2: Business park	-£906			
3: Industrial / warehouse	-£333			
4: Small local convenience	£154	£77	£103	£115
5: Supermarket	-£117			
7: Retail warehouse	£134	£67	£90	£101
8: City Centre retail	-£68			
9: Hotel (60 beds)	-£143			
10a: Student accommodation - 25 bed	£127	£64	£85	£95
10b: Student accommodation - 100 bed	£84	£42	£56	£63
10c: Student accommodation – 200 bed	-£16			
10d: Student accommodation - 350 bed	-£50			
10e: Student accommodation - 600 bed	-£152			
11. Care home (60 bed)	-£937			

41. Whilst the CIL Viability Study only appends a summary viability appraisal for PBSA typology 10b, Table 7.1 clearly demonstrates PPE's headroom analysis concludes that only PBSA typologies 10a and 10b can viably accommodate both any CIL and a 2.5% affordable housing equivalent OSFC contribution per student bedroom.

42. This is notwithstanding CBRE and the consortium's representations that the conclusions within Table 7.1 and the CIL Viability Study are they themselves outdated and don't reflect deterioration in market conditions since Q3/4 2022.

43. With this in mind, Table 7.1 of the CIL Viability Study shows PBSA typologies 10c – 10e to all fall below the threshold of financial viability. This means they cannot accommodate any CIL, as there is no headroom, but critically these PBSA typologies are also demonstrated as generating negative headroom (shown in red) before charging of any CIL.

44. The off campus PBSA typologies already incorporate the OSFC cost of £7,000 per student bedroom. This means that the CIL Viability Study now determines that these off campus PBSA typologies are now unable to partially or fully meet the proposed OSFC costs of Policy H7 whilst remaining financially viable – as they generate negative headroom **before** incurring CIL.

45. It is no longer possible to discern from CYC's published evidence base where the threshold for viability actually sits in relation to the propensity of these PBSA typologies to be able to accommodate any OSFC costs.

46. This evidence in the CIL Viability Study directly contradicts the Table 6 results in the earlier published EX/CYC//107/2 – Appendix 1 Technical Note. This is replicated below for ease.

Table 6 PBSA scheme viability test at CYC Local Plan full policy and different OSFC rates

Scheme type	Land type	Viability and headroom			
		0% OSFC per student room (0% per Cluster unit)	2.5% OSFC per student room (10% per Cluster unit)	5% OSFC per student room (20% per Cluster unit)	10% OSFC per student room (40% per Cluster unit)
25-bed PBSA	Brownfield	£16,025	£10,276	£4,455	-£7,662
100-bed PBSA	Brownfield	£11,884	£6,151	£417	-£11,732
200-bed PBSA - low density	Brownfield	£11,095	£5,379	-£336	-£12,385
350-bed PBSA	Brownfield	£11,088	£5,386	-£316	-£12,326
600-bed PBSA	Brownfield	£8,794	£3,111	-£2,572	-£14,627

47. In summary, the CIL Viability Study now supersedes the earlier EX/CYC//107/2 – Appendix 1 Technical Note and clearly demonstrates it is out-of-date and can no longer be relied upon by CYC.

48. In the intervening period between the EX/CYC//107/2 – Appendix 1 Technical Note being produced and the CIL Viability Study being published, market conditions have deteriorated – and continued to do so further since – up to present day.

49. Consequently, based on the CIL Viability Study results, there is no longer any evidenced justification for CYC seeking for off-campus PBSA schemes to provide a 2.5% affordable housing equivalent OSFC contribution per student room (particularly in 200+ bed PBSA typologies), as there is no longer sufficient 'headroom' demonstrable within the tested PBSA typologies to support this financial contribution.

50. PPG Plan Making (para. 039 ref: 61-039-20190315) confirms that, in Plan Making, the Council must prepare a viability assessment in accordance with guidance to ensure that policies are realistic and the total cost of all relevant policies is not of a scale that will make the plan undeliverable.

51. Further elaboration is provided in PPG Viability (para. 002 ref: 10-002-20190509):

"The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan."

52. As clearly set out in both PPG and the RICS Guidance[6], the impact on viability of a CIL, whether proposed or existing, should be considered alongside the full policy requirements of the Plan – this should therefore include the demonstrable viability of PBSA typologies (off-campus) to provide a 2.5% affordable housing equivalent OSFC contribution per student room.

53. In simple terms, a 'policy-on' approach must be adopted with the full costs of Plan policies (including affordable housing) accounted for, and taking precedence over, the introduction of CIL rate setting. It is not appropriate or justified to set policies within a Plan that are not deliverable and where the underpinning evidence demonstrates (as in this case) that it would be necessary to revert to viability at decision taking stage. PPG Viability is explicit on this point, stating the following in para. 002 ref: 10-002-20190509:

"Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage."

54. On this basis, CYC's modifications proposed to Policy H7 to introduce an 2.5% affordable housing equivalent OSFC contribution per student room are not justified on the basis of appropriate and available evidence, would be expected to necessitate direct recourse to viability assessment and negotiation at the determination stage or may pose a material risk to PBSA development typologies being delivered off-campus at all. **It can only be concluded that this proposed required of Policy H7 is unsound and requires removal.**

55. Noting this issue, the CIL Viability Study also runs viability testing on PBSA typologies, specifically with the cost of meeting the 2.5% affordable housing equivalent OSFC contribution per student room **removed**, to determine CIL headroom to apply to on-campus PBSA. This is replicated in the following table.

Table 7.2 Recommended on campus student accommodation, psm CIL rates at different financial buffers

Typology	Headroom per CIL liable sqm	After buffer of		
		50%	33%	25%
10a: Student accommodation - 25 bed	£421	£211	£281	£316
10b: Student accommodation - 100 bed	£374	£187	£249	£281
10c: Student accommodation - 200 bed	£272	£136	£181	£204
10d: Student accommodation - 350 bed	£238	£119	£159	£179
10e: Student accommodation - 600 bed	£135	£68	£90	£101

56. CBRE cannot support the levels of CIL headroom being identified within Table 7.2 above for the PBSA typologies, for the reasons set out earlier within this representation.

[6] RICS Guidance Note (March 2021) Assessing viability in planning under the National Planning Policy Framework 2019 for England. Para. 3.7.14

CBRE Updated Appraisal Modelling – Off-Campus PBSA Development (Private sector-led)

57. Given CBRE's analysis set out above firmly highlights both technical issues with the CIL Viability Study evidence base and that market conditions have deteriorated since its publication, CBRE has run independent viability modelling on PBSA typologies to determine the implications for CIL headroom in the current market.

58. CBRE has utilised present-day input assumptions for off-campus (developer-led) PBSA development scheme typologies.

59. Firstly, CBRE has set the rental rates at £177/week to represent an average rate across the York market. OPEX is deducted at 30% of the gross annual rent to generate a net rental income. This is consistent with the CIL Viability Study inputs.

60. Secondly, CBRE has capitalised the net rental income at an investment yield of 5.0%. As set out earlier in this representation, most private-sector driven PBSA development has, and is expected to continue to be, institutionally funded. PBSA development funding yields are presently at circa 5.25% - 5.5% for prime regional locations, such as York. CBRE has taken the more optimistic stance of provisionally retaining the rate adopted in the CIL Viability Study, which represents a best case illustrative position as it would be unlikely to be achievable in today's market.

61. Thirdly, CBRE has increased the construction costs to reflect the RICS BCIS upper quartile cost as published at March 2023. This is deemed the most representative benchmark rate for current market construction costs for mid-market specification private-sector led PBSA schemes being brought forward in regional cities.

62. Fourthly, CBRE has not adjusted the external works and professional fees allowances utilised in the CIL Viability Study modelling – utilising the lower rates in the example appraisal appended to the document, rather than the higher figures referenced in the text. This therefore, again, adopts the most optimistic position absent of clarification from CYC.

63. Finally, CBRE has removed the proposed £7,000 OSFC per student bedroom from the viability modelling. The purpose therefore is to determine whether there is viability headroom to accommodate the OSFC contribution, and the level of surplus (headroom) per student room available (or deficit).

64. No CIL is allowed in addition, and is excluded.

65. For all other aspects, CBRE has attempted to mirror the approach in the CIL Viability Study modelling. As previously, this should not be taken as an endorsement, but is deemed reasonable and rational for the purposes of comparison – given it is not the responsibility of the consortium to prepare CYC's evidence.

66. The headroom analysis is provided overleaf. Appraisal summaries are provided within **Enclosure 3**.

Table 3: Headroom Analysis: Developer-led Off Campus PBSA Development – OSFC Headroom / Student Bedroom

		Headroom
Typology	PBSA Beds	£ OSFC / Student Room
10b	100-bed	1,084
10c	200-bed	-1,401
10d	350-bed	-2,174
10e	600-bed	-4,703

Source: CBRE

67. In summary, the analysis in Table 3 above reiterates that there is insufficient headroom for off-campus developer-led PBSA schemes to provide the affordable OSFC sought via Policy H7 (as modified). If combined with CIL liability as proposed for typologies 10a and 10b, then this would completely eradicate any headroom whatsoever (leading to the OSFC being immediately negotiated away at decision making stage on relevant developments).

68. It is also important to note that the Table 3 appraisals include a 5.0% funding yield. If adjusted out to 5.25%, a sensitivity test in Table 4 below shows that this eradicates any prospective surplus to be directed either into the affordable OSFC sought via Policy H7 or CIL. Introducing either cost on this typology would therefore risk pushing this PBSA typology beyond the margin of viability.

Table 4: Headroom Analysis: Developer-led Off Campus PBSA Development – OSFC Headroom / Student Bedroom (Yield)

		Headroom
Typology	PBSA Beds	£ OSFC / Student Room
10b	100-bed	-2,477

Source: CBRE

69. On the weight of the above (and enclosed) evidence, CBRE is of the firm professional opinion that there is no financial viability headroom in the current market for PBSA typologies to either meet the costs of the affordable OSFC sought via Policy H7 (as modified) or CIL. The appraisal summary is provided within **Enclosure 4**.

Lack of Transparency

70. There is a lack of transparency in the CIL Viability Study that CBRE deems falls short of the requirements and expectations of PPG CIL (Paragraph: 019 Reference ID: 25-019-20190901), PPG Viability (Paragraph: 010

Reference ID: 10-010-20180724), the NPPF (para. 58), the RICS Guidance[7] and RICS Professional Standards[8], and which does not facilitate the viability evidence being genuinely 'available' for stakeholders to analyse.

71. Specifically, only one example appraisal is provided for the PBSA typology (100-bed). This is inadequate and all appraisals for non-residential typologies (notably PBSA) should be issued.

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[7] RICS (2021) Assessing viability in planning under the National Planning Policy Framework 2019 for England, RICS Guidance Note

[8] RICS (2019) RICS Professional Statement: Financial viability in planning: conduct and reporting, 1st Edition

Conclusions and Recommendations

73. The consortium cannot endorse or support CYC's proposed modifications to Policy H7: Off Campus Purpose Built Student Housing proposing introduction of an OSFC (at a rate of 2.5% affordable housing equivalent per student bedroom) towards traditional affordable housing secured from off campus PBSA development.

74. PPG Plan Making (para. 039 ref: 61-039-20190315) confirms that, in Plan Making, the Council must prepare a viability assessment in accordance with guidance to ensure that policies are realistic and the total cost of all relevant policies is not of a scale that will make the plan undeliverable.

75. CYC's published evidence base underpinning the proposed modification introducing the OSFC is now out-of-date and can no longer be relied upon by CYC.

76. In the intervening period between the EX/CYC//107/2 – Appendix 1 Technical Note being produced and the CYC CIL Viability Study being published, market conditions have deteriorated – and continued to do so further since – up to present day.

77. The CIL Viability Study now supersedes the earlier EX/CYC//107/2 – Appendix 1 Technical Note and clearly demonstrates it there is no longer sufficient viability 'headroom' within the tested PBSA typologies to support this financial contribution.

78. CBRE has prepared additional up-to-date viability evidence within this representation. CBRE is of the firm professional opinion that there is no financial viability headroom in the current market for PBSA typologies to either meet the costs of the affordable OSFC sought via Policy H7 (as modified) or CIL.

79. PPG and RICS Guidance[9] requires that a 'policy-on' approach must be adopted with the full costs of Plan policies (including affordable housing) accounted for. It is not appropriate or justified to set policies within a Plan that are not deliverable and where the underpinning evidence demonstrates (as in this case) that it would be necessary to revert to viability at decision taking stage.

80. On this basis, CYC's modifications proposed to Policy H7 to introduce an 2.5% affordable housing equivalent OSFC contribution per student room are not justified on the basis of appropriate and available evidence, would be expected to necessitate direct recourse to viability assessment and negotiation at the determination stage or may pose a material risk to PBSA development typologies being delivered off-campus at all. **It can only be concluded that this proposed requirement of Policy H7 is unsound and requires removal.**

[9] RICS Guidance Note (March 2021) Assessing viability in planning under the National Planning Policy Framework 2019 for England. Para. 3.7.14

Enclosures

Enclosure 1: Investment Yield Guides – Q1 2023

Prime Yield Guide – March 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 1 March 2023.

Knight Frank

Based on rack rented properties and disregards bond type transactions

Click here to view previous data

SECTOR		MAR-22	SEP-22	DEC-22	JAN-23	FEB-23	MAR-23	1 MONTH CHANGE	MARKET SENTIMENT
Offices (Grade A)	City Prime (Single let, 10 years)	3.75%	4.00%	4.50% - 4.75%	4.75%	4.75%	4.75%		STABLE
	West End: Prime Core (Mayfair & St James's)	3.25%	3.25%	3.50% - 3.75%	3.75%	3.75%	3.75%		STABLE
	West End: Non-core (Soho & Fitzrovia)	3.75% - 4.00%	4.00%	4.25% - 4.50%	4.50%	4.50%	4.50%		STABLE
	Major Regional Cities (Single let, 15 years)	4.75% - 5.00%	5.00% - 5.25%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	5.75%	-	STABLE
	Major Regional Cities (Multi-let, 5 year WAULT)	5.75% -	5.25% - 5.50%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%		WEAKER
	South East Towns (Single let, 15 years)	5.00% - 5.25%	5.25%	6.00% - 6.50%	6.00% - 6.50%	6.00% - 6.50%	6.00% - 6.50%		WEAKER
	South East Towns (Multi-let, 5 year WAULT)	6.50%	6.75% - 7.00%	7.00% - 7.50%	7.00% - 7.50%	7.00% - 7.50%	7.50%	+	WEAKER
	South East Business Parks (Single let, 15 years)	5.25% +	5.50% - 5.75%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%	7.00%	+	WEAKER
	South East Business Parks (Multi-let, 5 year WAULT)	6.75% +	7.25% +	7.75% - 8.00%	7.75% - 8.00%	7.75% - 8.00%	8.50% +	+0.50%	WEAKER
	Life Sciences (Oxford, Cambridge)	3.75%	3.75%	4.25%	4.25%	4.25% - 4.50%	4.25% - 4.50%		WEAKER
Warehouse & Industrial Space	Prime Distribution/Warehousing (20 years [NIY], fixed/indexed uplifts)	3.00%	3.50% - 3.75%	4.75% - 5.00%	4.75% - 5.00%	4.75% - 5.00%	4.75%	-	STABLE
	Prime Distribution/Warehousing (15 years, OMRRs)	3.50%	4.00% - 4.25%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25%	-	STABLE
	Secondary Distribution (10 years, OMRRs)	4.00%	4.50% - 4.75%	5.50% - 6.00%	5.50% - 6.00%	5.50% - 6.00%	5.50% - 5.75%	-	STABLE
	South East Estate (excluding London & Heathrow)	3.25% - 3.50%	4.00%	5.00% - 5.50%	5.00% - 5.50%	5.00% - 5.50%	5.00% - 5.25%	-	STABLE
	Good Modern Rest of UK Estate	3.50% - 3.75%	4.25% - 4.50%	5.25% - 5.75%	5.25% - 5.75%	5.25% - 5.75%	5.25% - 5.50%	-	STABLE
	Good Secondary Estates	4.75% - 5.25%	5.25% - 5.75%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%		WEAKER
Specialist Sectors	Car Showrooms (20 years with fixed uplifts & dealer covenant)	5.00%	5.25%	5.75%	5.75%	5.75%	5.75%		STABLE
	Budget Hotels London (20 years, 5 yearly RPI / CPI uplifts)	3.25% - 3.50%	3.25% - 3.50%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%	4.50%	-	STABLE
	Budget Hotels Regional (20 years, 5 yearly RPI / CPI uplifts)	4.00%	4.00%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00%	-	STABLE
	Student Accommodation Prime London (Direct Let)	3.75%	3.50%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%		STABLE
	Student Accommodation Prime Regional (Direct Let)	5.00%	4.75% - 5.00%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%		STABLE
	Student Accommodation Prime London (25 years, Annual RPI)	3.00% - 3.25%	3.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00%	-	STABLE
	Student Accommodation Prime Regional (25 years, Annual RPI)	3.25% - 3.50%	3.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25%	-	STABLE
	Healthcare (Elderly Care, 30 years, 5 yearly indexed linked reviews)	3.50%	3.25% - 3.50%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%		STABLE
	Data Centres (Operational)	4.00% -	4.00%	4.00%	4.00%	4.00%	4.50%	+0.50%	STABLE
	Data Centres (Leased, 15 years, Annual Indexation)	4.00%	4.00% +	4.25% +	4.25% +	4.25% +	4.75%	+0.50%	STABLE
	Income Strip (50 years, Annual RPI/CPIH+1%, Annuity Grade)	2.25%	2.50% +	3.75% - 4.00%	4.00%	4.00%	4.00%		STABLE

Your partners in property.

Prime Yield Guide – March 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 1 March 2023.

Knight Frank

Based on rack rented properties and disregards bond type transactions

Click here to view previous data

SECTOR		MAR-22	SEP-22	DEC-22	JAN-23	FEB-23	MAR-23	1 MONTH CHANGE	MARKET SENTIMENT
High Street Retail	Bond Street	2.75%	2.75% +	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%		WEAKER
	Oxford Street	3.50% +	3.50% +	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%		WEAKER
	Prime Towns (Oxford, Cambridge, Winchester)	6.25%	6.25%	6.75% +	6.75% +	6.75% +	6.75%	-	STABLE
	Regional Cities (Manchester, Birmingham)	6.50% +	6.50%	7.00% +	7.00% +	7.00% +	7.00%	-	STABLE
	Good Secondary (Truro, Leamington Spa, Colchester etc)	8.25% - 8.50%	8.25% 8.50%	9.00% - 9.25%	9.00% - 9.25%	9.00% - 9.25%	9.00% - 9.25%		STABLE
Shopping Centres (sustainable income)	Regional Scheme	7.50%	7.50%	8.00%	8.00% +	8.00% +	8.00% +		WEAKER
	Sub-Regional Scheme	8.50%	8.50%	9.00% +	9.00% +	9.00% +	9.00% +		WEAKER
	Local Scheme (successful)	9.00%	9.25%	9.75% +	9.75% +	9.75% +	9.75% +		WEAKER
	Neighbourhood Scheme (assumes <25% of income from supermarket)	9.00% - 9.25%	9.00% - 9.25%	9.50% - 9.75%	9.50% - 9.75%	9.50% - 9.75%	9.50% - 9.75%		WEAKER
Out of Town Retail	Open A1 Parks	5.25% -	5.00%	6.00% +	6.00% +	6.00% +	6.00%	-	STABLE
	Good Secondary Open A1 Parks	6.25% - 6.50%	6.25%	7.25% +	7.50% +	7.50% +	7.50%	-	STABLE
	Bulky Goods Parks	5.25% -	5.00%	6.00% +	6.00% +	6.00% +	6.00%	-	STABLE
	Good Secondary Bulky Goods Parks	6.25% - 6.50%	6.25%	7.25% +	7.50% +	7.50% +	7.50%	-	STABLE
	Solus Open A1 (15 year income)	4.75%	5.00%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%		STABLE
	Solus Bulky (15 year income)	4.75%	5.00%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%		STABLE
Major Foodstores	Annual RPI Increases [NIY] (20 year income)	3.50%	3.75% - 4.00%	5.00%	5.00%	5.00%	5.00%		STABLE
	Open Market Reviews (20 year lease)	4.00%	4.25% - 4.50%	5.50%	5.50%	5.50%	5.50%		STABLE
Leisure	Prime Leisure Parks	7.00% +	7.00% +	7.50% +	7.50% +	7.50% +	7.50% +		STABLE
	Good Secondary Leisure Parks	8.00% +	8.00% +	8.50% - 8.75%	9.00% +	9.00% +	9.00% +		WEAKER

Your partners in property.

Prime Yield Guide – March 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 1 March 2023.

LEADING INDICATORS

The changing structure of the UK economy. Overall, UK economic output grew by +1% year on year in Q4, however, some sectors have recorded a significant increase. Indeed, the Arts & entertainment (+9%), Construction (+5%) and Professional & Scientific (+4%) industries saw increased output year on year in Q4 2022. However, some sectors including Production (-4%) and Manufacturing (-6%) saw output moderate. Here, the higher costs of materials, energy and labour likely weight on output. For the year ahead, the Bank of England forecast inflation to fall to 4% from 10%, which could alleviate some pricing pressures on these sectors that have seen output decline.

UK inflation continued to slow falling, for the third consecutive month, to 10.1% ahead of expectations. Producer price inflation also moderated, to 14.1%. The positive inflation news has left market commentators deliberating the BoE's next interest rate decision on 23 March. Capital Economics outlined that the likelihood of its forecast of 4.50% peak is lower now, while Oxford Economics expects the central bank to lift its rate by 25bps to 4.25% in March, where it will remain until at least the end of the year.

Flash PMIs for the UK surprised on the upside, with UK services businesses reporting growth for the first time in eight months (figure above 50). Indeed, the UK Services PMI increased to 53.3 in February, from 48.7 in January, beating market expectations of 49.2. Meanwhile, the Manufacturing PMI rose to 49.2 from 47.0 in January, exceeding market forecasts of 47.5.

DEBT MARKET – 27 FEBRUARY 2023

Debt margins have drifted out over the last quarter as a reflection of wider economic uncertainty and dislocation in the market.

Source: Macrobond

BONDS & RATES (01/03/2023)	MAR 2022	JAN 2023	FEB 2023	MAR 2023
SONIA Rate	0.445%	3.427%	3.927%	3.927%
Bank of England Base Rate	0.50%	3.50%	4.00%	4.00%
5-year swap rates	1.794%	4.050%	3.582%	4.308%
10-year gilts redemption yield	1.34%	3.53%	3.17%	3.81%

ESG

Refurbishing Offices

What are the economic and green challenges and opportunities from refurbishing office buildings?

Intelligence Lab

UK Retail Sales Dashboard – January 2023

An overview of UK retail performance, including key metrics on core sub-sectors and e-commerce.

Prime Yield Guide – March 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 1 March 2023.

KEY RESEARCH

UK CRE Quarterly Review – February 2023

The Quarterly UK RE Review outlines the key occupier and investment trends across the different sectors within commercial real estate.

Knight Frank V&A

Did you know

In addition to valuing assets in the main property sectors and having award winning teams in the Healthcare, Student and Automotive sectors, Knight Frank also has expertise in :

- Waste and Energy
- Infrastructure
- Garden Centres
- Film Studios
- Serviced Offices
- Data Centres
- Life Sciences
- Income Strips
- Ground Rents
- Trading assets
- Expert Witness
- IPOs

KEY CONTACTS

We like questions. If you would like some property advice , or want more information about our research, we would love to hear from you.

Jeremy Tham

Partner – Valuation & Advisory - Head of Real Estate Finance Valuations
+44 20 7861 1769
Jeremy.Tham@KnightFrank.com

Emily Miller

Partner – Valuation & Advisory - Head of UK Fund Valuations
+44 20 7861 1483
Emily.Miller@KnightFrank.com

Simon Gillespie

Partner – Valuation & Advisory - Head of Central London Valuations
+44 20 7861 1292
Simon.Gillespie@KnightFrank.com

Chris Galloway

Partner – Valuation & Advisory - Head of Business Development UK Fund Valuations
+44 20 7861 1297
Chris.Galloway@KnightFrank.com

Matthew Dichler

Partner – Valuation & Advisory – UK Fund Valuations
+44 20 7861 5224
Matthew.Dichler@KnightFrank.com

Will Matthews

Partner – Research - Head of Commercial
+44 20 3909 6842
William.Matthews@KnightFrank.com

Knight Frank Research Reports are available at **knightfrank.com/research**

JLL SEE A BRIGHTER WAY

JLL Monthly Yield Sheet

January 2023

Best in Class Yields – Commercial

Sector	Trending	Jan-23 %	Dec-22 -1 Months %	Oct-22 -3 Months %	Jan-22 -12 Months &
Shops- High Street					
Prime	Weaker	**6.50**	6.50	6.50	6.50
Functional Towns	Weaker	**8.50**	8.50	8.25	8.00
Small Market Towns	Weaker	**10.50**	10.50	10.25	10.00
Shopping Centres					
Dominant Regional	Weaker	**7.25**	7.25	6.75	6.75
City Centre / Sub Regional	Weaker	**8.50**	8.50	8.00	8.00
Secondary Towns	Weaker	**14.00**	13.00	12.00	12.00
Retail Warehouses					
Prime Parks	Weaker	**6.00**	5.75	5.25	5.50
Secondary Parks	Weaker	**8.25**	8.25	7.75	9.00
Solus Units	Weaker	**6.25**	6.00	5.25	5.50
Foodstores - Supermarkets	Weaker	**5.25**	5.25	4.50	3.50
Leisure					
Leisure	Weaker	**8.50**	8.25	7.75	7.75
Offices					
City <£40m	Weaker	**4.50+**	4.50+	4.25	3.75
City £40m - £125m	Weaker	**4.50+**	4.50+	4.25	3.75
City >£125m	Weaker	**4.50+**	4.50+	4.25	3.75
West End <£40m	Stable	**3.75**	3.75	3.75	3.50
West End £40m - £125m	**Stable**	**4.00**	3.75	3.75	3.50
West End >£125m	**Stable**	**4.25**	4.00	4.00	3.50
Greater London Area Preferred	Weaker	**6.25**	6.00	5.75	5.00
South East Prime	Weaker	**6.50**	6.25	6.00	5.25
Regional City Prime	Weaker	**5.50**	5.25	5.25	4.75-
Sub Regional City Prime	Weaker	**6.75**	6.50	6.50	5.75
Life Sciences					
Life Sciences Prime	Weaker	**4.50**	4.50	4.25	3.75
Industrial/Logistics					
Regional Single Let	**Stable**	**5.50**	5.50	4.50	3.50
SE Single Let	**Stable**	**5.25**	5.25	4.25	3.25
London Single Let	**Stable**	**5.00**	5.00	4.00	3.00
Regional Multi Let	**Stable**	**5.50**	5.50	4.75	3.75
SE Multi Let	**Stable**	**5.25**	5.25	4.50	3.50
London Multi Let	**Stable**	**5.00**	5.00	4.00	3.00
Alternatives					
Car Showrooms	**Stable**	**5.50**	5.50	4.75	5.25
Self Storage (Prime)	**Stable**	**5.00**	5.00	5.00	4.75
Hotels London - Prime Covenant / 20 year term	Weaker	**4.25**	4.25	4.00	3.75
Hotels Regional - Prime Covenant / 20 year term	Weaker	**5.00**	5.00	4.50	4.25

Notes

1. Best in Class Yields relate to rack rented investments let with lease lengths considered by the market as most appropriate for the asset class.
2. Trending denotes investor sentiment towards the sector.
3. RPI/CPI uplifts on longer leases can achieve keener yields than those assessed at market rents.
4. Yields are based on transactions and sentiment.
5. Yields stated are Initial Yields for the Alternatives section based on 20 year unexpired leases to strong covenants with indexation/uplifts.
6. Supermarket yields are for 20 year leases with RPI indexed uplifts at 5 year intervals.
7. Colour Key – the colours in the trending and yield column indicate changes since previous month. Green: stronger than previous month, black: same as previous month, red: weaker than previous month.

Source: JLL, 13th January 2023. For indicative purposes only.

Best in Class Yields – Living

Sector	Trending	Jan-23 %	Dec-22 -1 Months %	Oct-22 -3 Months %	Jan-22 -12 Months &
Elderly Care (NIY)					
Ultra Prime	Stable	**4.25+**	4.25+	3.25	3.50
Prime	Stable	**5.00+**	5.00+	4.00+	4.00+
Core	Stable	**6.00+**	6.00+	5.00+	5.00+
Secondary	Stable	**7.50**	7.50	6.50+	6.50+
Build to Rent (NIY) (Stabilised BTR Purpose Built)					
Prime London Zones 1-3	Weaker	**3.50-**	3.50-	3.25+	3.25+
Outer London Zones 4-6	Weaker	**3.75-**	3.75-	3.50+	3.50+
South East / South West Prime	Weaker	**4.00-**	4.00-	3.75+	3.75+
Prime Regional	Weaker	**4.00+**	4.00+	4.00+	4.00+
Secondary Regional	Weaker	**4.50+**	4.50+	4.50+	4.50
Purpose Built Student Accommodation (NIY) (Direct Let)					
Prime London	Weaker	**3.75+**	3.75+	3.50	3.75
Inner London	Weaker	**4.00+**	4.00+	3.75	4.25-
Super Prime Regional	Weaker	**4.75**	4.75	4.50	4.75+
Prime Regional	Weaker	**5.25**	5.25	5.00	5.00+
Secondary Regional	Weaker	**6.50**	6.50	6.25	6.25+
Other Regional	Weaker	**7.25**	7.25	7.00	7.00+
Purpose Built Student Accommodation (NIY) (25 Year FRI Leases)					
Prime London	Weaker	**3.75**	3.75	3.50	3.00
Inner London	Weaker	**3.75**	3.75	3.50	3.00+
Prime Regional	Weaker	**4.00**	4.00	3.75	3.25
Secondary Regional	Weaker	**4.25**	4.25	4.00	3.75
Other Regional	Weaker	**4.50**	4.50	4.25	4.00
JLL Prime Yield		**5.29**	5.24	4.83	4.51
Money Markets (3rd January 2023)					
UK SONIA Rate		**3.43**	2.93	2.19	0.19
SONIA 5 Years SWAP Rate		**3.95**	3.72	4.94	1.04
Gilt 10 years		**3.65**	3.10	4.18	1.17
Base rate		**3.50**	3.00	2.25	0.25

Notes

1. Yields are based on transactions and sentiment.
2. Trending denotes investor sentiment towards the sector.
3. BTR yields relate to professionally managed private residential assets of institutional grade.
4. PBSA yields relate to professionally managed purposed built student accommodation of institutional grade.
5. *JLL Prime Yield calculation includes both Commercial & Living Yields.*
6. Please note Money Market Yields are volatile - yields quoted as of date specified.
7. Colour Key – the colours in the trending and yield column indicate changes since previous month. Green: stronger than previous month, black: same as previous month, red: weaker than previous month.

Source: JLL, 13th January 2023. For indicative purposes only.

Contacts

Claire Macken
Head of Commercial Valuation Advisory - UK & Ireland
+44 (0)7525 913365
Claire.Macken@jll.com

Tim Luckman
Head of Commercial Valuation, Regions
+44 (0)7921 403635
Tim.Luckman@jll.com

Stuart Smith
Head of Industrial & Logistics, Valuation Advisory
+44 (0)7739 591473
Stuart.Smith@jll.com

Alasdair Barrie
Head of Regional Offices, Valuation Advisory
+44 (0)7841 860862
Alasdair.Barrie@jll.com

Chris Strathon
Head of EMEA Datacentres, Life Sciences & Film Studios, Valuation Advisory
+44 (0)7872 121079
Chris.Strathon@jll.com

Damon Pere
Head of UK & Northern Europe Hotel Valuation & Advisory
+44 (0)7873 910500
Damon.Pere@jll.com

Richard Petty
Head of UK Living, Valuation Advisory
+44 (0)7767 413631
Richard.Petty@jll.com

Emma Glynn
Head of Healthcare Valuation Advisory
+44 (0)7970 439179
Emma.Glynn@jll.com

James McTighe
Head of Commercial Valuation, London
+44 (0)7809 198651
James.McTighe@jll.com

Ollie Saunders
Head of EMEA Alternatives
+44 (0)7939 272426
Ollie.Saunders@jll.com

Christy Bowen
Head of London Offices and Flexspace, Valuation Advisory
+44 (0)7849 307016
Christy.Bowen@jll.com

Cara Reynoldson
Head of Retail Valuation Advisory
+44 (0)7872 677443
Cara.Reynoldson@jll.com

Izeldi Loots
Head of Alternatives Valuation Advisory
+44 (0)7592 112105
Izeldi.Loots@jll.com

Ian Thompson
Head of Pan-European Leisure Valuation Advisory
+44 (0)7514 733902
Ian.Thompson1@jll.com

Matthew Green
Valuation Advisory - Head of Development & BTR Valuation
+44 (0)7967 589319
Matthew.Green@jll.com

Rose Denbee
Head of Student Housing Valuation Advisory
+44 (0)7970 304560
Rose.Denbee@jll.com

CBRE

Investor interest is slowly returning to the market for Q1

- Signs of investor interest slowly returning to the market.
  Residential
- Strong rental growth for the upcoming academic year is mitigating yield expansion as market looks towards potential reversions.
  Student
- Transactions showing signs of stability ahead.
  Hotels

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
RESIDENTIAL						
London Zone 2 Prime	3.25	3.25	3.25	3.50	3.60	Weaker
London Zone 2 Good Secondary	3.65	3.65	3.65	4.00	4.00	Weaker
London Zone 3 to 6 Prime	3.35	3.35	3.35	3.65	3.75	Weaker
London Zone 3 to 6 Good Secondary	3.65	3.65	3.65	4.00	4.00	Weaker
Outer London and South East Prime	3.60	3.60	3.60	3.90	4.00	Weaker
Outer London and South East Good Secondary	4.00	4.00	4.00	4.50	4.50	Weaker
Regional Centres excluding South East Prime	4.00	3.85	3.85	4.15	4.15	Weaker
Regional Centres excluding South East Secondary	4.50	4.25	4.25	4.75	4.75	Weaker
Other Regional Centres Prime	4.40	4.15	4.15	4.50	4.50	Weaker
Other Regional Centres Secondary	5.00	4.75	4.75	5.25	5.25	Weaker

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
STUDENT ACCOMMODATION						
Central London Direct Let	3.65	3.50	3.50	3.75	3.75	Weaker
Super Prime Regional Direct Let	4.65	4.50	4.50	4.75	4.75	Weaker
Prime Regional Direct Let	5.00	4.75	4.75	5.00	5.00	Weaker
Secondary Regional Direct Let	8.00	8.00	8.00	8.50	8.50	Weaker
Central London RPI Lease	3.00	2.75	3.25	4.00	4.00	Weaker
Super Prime Regional RPI Lease	3.00	2.75	3.25	4.00	4.00	Weaker
Prime Regional RPI Lease	3.00	2.75	3.25	4.00	4.00	Weaker
Secondary Regional RPI Lease	4.00	4.00	4.50	5.25	5.25	Weaker
HOTELS						
Prime London Vacant Possession	4.50	4.50	4.50	4.75	4.75	Weaker
Prime London Management Contract	5.50	5.50	5.50	5.75	5.75	Weaker
Prime London Lease	3.75	3.75	3.75	4.50	4.50	Weaker
Prime Regional Vacant Possession	6.75	6.75	6.75	7.25	7.25	Weaker
Prime Regional Management Contract	7.75	7.75	7.75	8.50	8.50	Weaker
Prime Regional Lease	4.25	4.25	4.25	5.25	5.25	Weaker

UNITED KINGDOM | LIVING SECTORS INVESTMENT YIELDS | MARCH 2023

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
SPECIALIST SUPPORTED LIVING						
London/ SE Prime	5.25	5.25	5.25-5.50	5.25-5.50	5.25-5.50	Weaker
Regional UK Prime	5.25-5.75	5.25-5.75	5.25-5.75	5.40-5.85	5.40-5.85	Weaker
Secondary	6.00	6.00	6.00	6.25	6.25	Weaker
Tertiary	6.25+VP-Resi	6.50+VP-Resi	6.50+VP resi	6.75 –VP-Resi	6.75-VP-Resi	Weaker
INTEGRATED RETIREMENT COMMUNITIES						
London/ SE Prime	N/A	N/A	N/A	N/A	5.00.5.25	Weaker
Regional UK Prime	4.25-5.00	4.25-5.00	4.25-5.00	5.00-5.25	5.50	Weaker
Secondary	6.00	6.00	6.00	6.00	6.00	Weaker
Tertiary	N/A	N/A	N/A	N/A	N/A	Weaker
ELDERLY CARE						
London/ SE Prime	3.5-4.0	3.5-4.0	3.75-4.00	4.00-4.25	4.00-4.25	Weaker
Regional UK Prime	4.5-5.5	4.25-5.00	4.50-5.50	4.75-5.75	4.75-5.75	Weaker
Secondary	7.00	7.00	7.25	7.50-8.00	7.50-8.00	Weaker
Tertiary	8.00	8.00	8.50	9.00	9.00	Weaker
PRIMARY CARE						
London/ SE Prime	3.50	3.50	3.60	4.00	4.00	Weaker
Regional UK Prime	3.75	3.75	3.85	4.25	4.25	Weaker
Secondary	4.50	4.50	4.65	5.35	5.25	Weaker
Tertiary	6.00	6.00	6.25	6.75	6.75	

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
SHARED OWNERSHIP						
London/ SE Prime	2.90-3.00	2.90-3.00	3.00	3.00-3.25	3.10-3.25	Weaker
Regional UK Prime	3.00-3.15	3.00-3.15	3.00-3.25	3..15-3.35	3..15-3.40	Weaker
Secondary	3.15-3.35	3.15-3.35	3.25-3.50	3.25-3.50	3.25-3.75	Weaker
Tertiary	3.35-3.60	3.35-3.60	3.50	3.50-3.75	3.50-3.90	Weaker
AFFORDABLE RENT						
London/ SE Prime	3.75-4.00	3.75-4.00	3.75-4.00	3.75-4.15	3.75-4.15	Weaker
Regional UK Prime	4.00-4.25	4.00-4.25	4.00-4.25	4.15-4.40	4.15-4.50	Weaker
Secondary	4.25-4.50	4.25-4.50	4.25-4.50	4.40-4.65	4.40-4.65	Weaker
Tertiary	4.50-4.75	4.50-4.75	4.50-4.75	4.65-490	4.75	Weaker
SOCIAL RENT						
London/ SE Prime	3.50-3.75	3.50-3.75	3.50-3.75	3.65-3.90	3.70-4.00	Weaker
Regional UK Prime	3.75-4.00	3.75-4.00	3.75-4.00	3.90-4.15	3.75-4.15	Weaker
Secondary	4.00-425	4.00-425	4.00-425	4.15-4.40	4.15-4.40	Weaker
Tertiary	4.25-450	4.25-450	4.25-450	4.40-4.65	4.50.4.75	Weaker

Positive start to Q1 with a number of transactions exchanging but pricing remains uncertain with evidence of falling house prices

Single Family Housing

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
SINGLE FAMILY HOUSING						
South East Prime	3.50 - 3.75	3.50 - 3.75	3.50 - 3.75	3.70 – 3.85	3.70 – 3.85	Weaker
South East Secondary	3.75 – 3.90	3.75 – 3.90	3.75 – 3.90	3.85 – 4.00	3.85 – 4.00	Weaker
South West Prime	3.65 – 3.90	3.65 – 3.90	3.65 – 3.90	3.85 – 4.00	3.85 – 4.00	Weaker
South West Secondary	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	4.00 – 4.15	4.00 – 4.15	Weaker
East of England Prime	3.75 - 4.00	3.75 - 4.00	3.75 - 4.00	3.85 – 4.00	3.85 – 4.00	Weaker
East of England Secondary	4.00 - 4.25	4.00 - 4.25	4.00 - 4.25	4.00 – 4.15	4.00 – 4.15	Weaker
West Midlands Prime	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	4.00 – 4.20	4.00 – 4.20	Weaker
West Midlands Secondary	4.15 - 4.40	4.15 - 4.40	4.15 - 4.40	4.20 – 4.40	4.20 – 4.40	Weaker
East Midlands Prime	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	4.00 – 4.20	4.00 – 4.20	Weaker
East Midlands Secondary	4.15 - 4.40	4.15 - 4.40	4.15 - 4.40	4.20 – 4.40	4.20 – 4.40	Weaker
North West Prime	4.00 - 4.25	4.00 - 4.25	4.00 - 4.25	4.15 – 4.30	4.15 – 4.30	Weaker
North West Secondary	4.25 - 4.50	4.25 - 4.50	4.25 - 4.50	4.30 – 4.45	4.30 – 4.45	Weaker
North East including Yorkshire and the Humber Prime	4.10 - 4.35	4.10 - 4.35	4.10 - 4.35	4.25 – 4.40	4.25 – 4.40	Weaker
North East including Yorkshire and the Humber Secondary	4.35 - 4.60	4.35 - 4.60	4.35 - 4.60	4.40 – 4.55	4.40 – 4.55	Weaker

Contacts

David Tudor
Senior Director
UK Valuation & Advisory Services
+44 (0)7985 876 111
david.tudor@cbre.com

Tim Pankhurst
Executive Director
Student Accommodation
+44 (0)7714 145 917
tim.pankhurst@cbre.com

James Hinde
Senior Director
Residential
+44 (0)7879 602 911
james.hinde@cbre.com

Miles Auger
Senior Director
Hotels
+44 (0)7590 485 278
miles.auger@cbrehotels.com

Joanne Winchester
Executive Director
Co-Living
+44 (0)7939 015 514
joanne.winchester@cbre.com

Aissa Nahimana
Senior Analyst
Student Accommodation
+44 (0)7722 184 471
aissa.nahimana@cbre.com

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Notes and Definitions

Residential

Our residential yields refer to institutionally managed, private rented residential assets within the UK (build to rent)

1) The yield data provided reflects transaction exchanges and current bidding on investment market deals to the previous month together with our own opinions and judgement
2) Net yields account for operational costs and relevant purchaser's costs
3) Prime refers to assets located in close proximity to transport notes, either brand new or with a high quality specification and level of amenity
4) Zone 2 and Zones 3 to 6 refer to London travel zones system managed by Transport for London

Hotels

1) Vacant possession upscale, stabilised year cap rate
2) Management contract upscale, no guarantee or underwrite, operated by an internationally renowned brand
3) Prime London lease reflects Zone 1, prime covenants leaseholders whose ability to fulfil lease obligations is almost certain
4) Prime regional lease reflects prime UK city locations, prime covenants leaseholders whose ability to fulfil lease obligations is almost certain

Student Accommodation

The net initial yield, which is growth implicit, rather than the equivalent yield, is the key driver in the purpose built student accommodation sector. Allowance for purchaser's costs is made in calculating the net initial yield. All the yields assume completed and stabilised properties and ignore any discount for forward funding. Yields assume a generic lot size of £25m and running costs which a hypothetical purchaser would assume

1) Direct let a well located modern purpose built property of an operationally efficient scale with a strong letting track record and appropriate room mix
2) Central London well located single asset in London zone 1
3) Super prime regional towns and cities with restricted supply or restrictive planning policies
4) Prime regional mature markets with healthy supply and demand ratio and generally more than one university. There is a spread of towns and cities from the prime level to our secondary benchmark
5) Secondary regional towns and cities with perceived oversupply issues, new universities or secondary campuses
6) RPI lease well located, let to a strong university covenant, minimum of 25 years unexpired on FRI terms with annual RPI uplifts

Single Family Housing

Our yield ranges are indicative and represent our view of a stabilised investment.

1) The yield data provided reflects transaction exchanges and current bidding on investment market deals to date together with our own opinions.
2) They represent our indicative view of the net initial yield of a rack rented stabilised investment.
3) These yields represent a cluster of modern dwellings in a single location that would be sold in a single lot to an investor as part of a wider portfolio.
4) 'Prime' is defined as having excellent connectivity to key city hubs, transport links, local employment, amenity and schools, an established depth of rental demand with strong ESG credentials.
5) 'Secondary' - one or more of the above criteria is compromised or missing.
6) Net yields account for operational costs and relevant purchaser's costs.
7) Operational Cost Assumptions typically range between 18.0% - 22.5% (including voids) however we consider this will be analysed more on £ per unit basis as the market matures.
8) Our analysis and yields are indicative, for guidance only and may not be relied upon.

Enclosure 2: RICS BCIS – Rebased to York (March 2023)

BCIS®

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 11-Mar-2023 05:56

› Rebased to York (97; sample 19)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
816. Flats (apartments)							
Generally (15)	1,680	835	1,395	1,586	1,891	5,792	856
1-2 storey (15)	1,600	993	1,346	1,509	1,786	3,297	183
3-5 storey (15)	1,653	835	1,390	1,579	1,873	3,531	574
6 storey or above (15)	1,994	1,226	1,632	1,867	2,137	5,792	96
856.2 Students' residences, halls of residence, etc (15)	2,151	1,227	1,919	2,166	2,389	3,500	55

Enclosure 3: Developer-led (Off-campus) PBSA Development Typology Appraisals (Excluding Modified Policy H7 OSFC)

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room

Development Appraisal
CBRE
24 March 2023

APPRAISAL SUMMARY	CBRE

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room

Appraisal Summary for Phase 5 100 (V4)

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 100 bed typology	100	18,568	43.20	8,021	561,499	802,142	561,499

Investment Valuation

Student accommodation - 100 bed typology					
Current Rent	561,499	YP @	5.0000%	20.0000	11,229,988

NET REALISATION				**11,229,988**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			363,392	
				363,392
Stamp Duty			7,670	
Effective Stamp Duty Rate		2.11%		
Agent Fee		1.00%	3,634	
Legal Fee		0.80%	2,907	
				14,211
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Student accommodation - 100 bed typology	28,567	221.90	6,339,110	
Externals		10.00%	633,911	
Site Abnormals	0 ac	400,000 /ac	68,000	
Contingency		4.00%	278,921	
				7,319,942
Other Construction				
Policy CC1, CC2 & CC3	100 un	2,250.00 /un	225,000	
Policy G12 BNG	0 ac	15,000 /ac	2,550	
				227,550
PROFESSIONAL FEES				
Professional Fees		8.00%	557,842	
				557,842
DISPOSAL FEES				
Sales Agent Fee		2.00%	224,600	
				224,600
FINANCE				
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			66,076	
Construction			584,710	
Total Finance Cost				650,786
TOTAL COSTS				**9,358,323**
PROFIT				
				1,871,665

Performance Measures	
Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.00%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room

IRR% (without Interest)	30.31%
Rent Cover	3 yrs 4 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
200 Units
Excludes Policy H7 2.5% OSFC/room

Development Appraisal
CBRE
24 March 2023

APPRAISAL SUMMARY CBRE

PBSA Typology
200 Units
Excludes Policy H7 2.5% OSFC/room

Appraisal Summary for Phase 11 200 (V4)

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 200 bed typology	200	37,135	43.20	8,021	1,123,000	1,604,285	1,123,000

Investment Valuation

Student accommodation - 200 bed typology					
Current Rent	1,123,000	YP @	5.0000%	20.0000	22,459,990

NET REALISATION				**22,459,990**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			409,788	
				409,788
Stamp Duty			9,989	
Effective Stamp Duty Rate		2.44%		
Agent Fee		1.00%	4,098	
Legal Fee		0.80%	3,278	
				17,366
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Student accommodation - 200 bed typology	57,135	221.90	12,678,221	
Externals		10.00%	1,267,822	
Site Abnormals	0 ac	400,000 /ac	184,000	
Contingency		4.00%	557,842	
				14,687,885
Other Construction				
Policy CC1, CC2 & CC3	200 un	2,250.00 /un	450,000	
Policy G12 BNG	0 ac	15,000 /ac	6,900	
				456,900
PROFESSIONAL FEES				
Professional Fees		8.00%	1,115,683	
				1,115,683
DISPOSAL FEES				
Sales Agent Fee		2.00%	449,200	
				449,200
FINANCE				
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			92,674	
Construction			1,487,163	
Total Finance Cost				1,579,837
TOTAL COSTS				**18,716,658**
PROFIT				
				3,743,332

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.00%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%

PBSA Typology
200 Units
Excludes Policy H7 2.5% OSFC/room

IRR% (without Interest)	26.37%
Rent Cover	3 yrs 4 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
350 Units
Excludes Policy H7 2.5% OSFC/room

Development Appraisal
CBRE
24 March 2023

APPRAISAL SUMMARY — CBRE

PBSA Typology
350 Units
Excludes Policy H7 2.5% OSFC/room

Appraisal Summary for Phase 16 350 (V4)

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	**Net MRV at Sale**
Student accommodation - 350 bed typology	350	64,987	43.20	8,021	1,965,250	2,807,500	1,965,250

Investment Valuation

Student accommodation - 350 bed typology					
Current Rent	1,965,250	YP @	5.0000%	20.0000	39,305,000

NET REALISATION				**39,305,000**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			379,270	
				379,270
Stamp Duty			8,463	
Effective Stamp Duty Rate		2.23%		
Agent Fee		1.00%	3,793	
Legal Fee		0.80%	3,034	
				15,290
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Student accommodation - 350 bed typology	99,975	221.90	22,184,452	
Externals		10.00%	2,218,445	
Site Abnormals	1 ac	400,000 /ac	304,000	
Contingency		4.00%	976,116	
				25,683,014
Other Construction				
Policy CC1, CC2 & CC3	350 un	2,250.00 /un	787,500	
Policy G12 BNG	1 ac	15,000 /ac	11,400	
				798,900
PROFESSIONAL FEES				
Professional Fees		8.00%	1,952,232	
				1,952,232
DISPOSAL FEES				
Sales Agent Fee		2.00%	786,100	
				786,100
FINANCE				
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			99,231	
Construction			3,040,130	
Total Finance Cost				3,139,361
TOTAL COSTS				**32,754,167**
PROFIT				
				6,550,833

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.00%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%

PBSA Typology
350 Units
Excludes Policy H7 2.5% OSFC/room

IRR% (without Interest)	24.15%
Rent Cover	3 yrs 4 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
600 Units
Excludes Policy H7 2.5% OSFC/room

Development Appraisal
CBRE
24 March 2023

APPRAISAL SUMMARY	CBRE

PBSA Typology
600 Units
Excludes Policy H7 2.5% OSFC/room

Appraisal Summary for Phase 21 600 (V4)

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	**Net MRV at Sale**
Student accommodation - 600 bed typology	600	111,406	43.20	8,021	3,369,000	4,812,857	3,369,000

Investment Valuation					
Student accommodation - 600 bed typology					
Current Rent	3,369,000	YP @	5.0000%	20.0000	67,379,998
NET REALISATION				**67,379,998**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (Negative land)			(376,826)		
				(376,826)	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Student accommodation - 600 bed typology	171,394	221.90	38,032,329	**38,032,329**	
Externals		10.00%	3,803,233		
Site Abnormals	2 ac	400,000 /ac	652,000		
Contingency		4.00%	1,673,422		
				6,128,655	
Other Construction					
Policy CC1, CC2 & CC3	600 un	2,250.00 /un	1,350,000		
Policy G12 BNG	2 ac	15,000 /ac	24,450		
				1,374,450	
PROFESSIONAL FEES					
Professional Fees		8.00%	3,346,845		
				3,346,845	
DISPOSAL FEES					
Sales Agent Fee		2.00%	1,347,600		
				1,347,600	
FINANCE					
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)					
Land			(105,374)		
Construction			6,402,315		
Total Finance Cost				6,296,941	
TOTAL COSTS				**56,149,993**	
PROFIT					
				11,230,005	

Performance Measures

Profit on Cost%		20.00%
Profit on GDV%		16.67%
Profit on NDV%		16.67%
Development Yield% (on Rent)		6.00%
Equivalent Yield% (Nominal)		5.00%
Equivalent Yield% (True)		5.16%
IRR% (without Interest)		21.82%

PBSA Typology
600 Units
Excludes Policy H7 2.5% OSFC/room

Rent Cover	3 yrs 4 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

Enclosure 4: Developer-led (Off-campus) PBSA Development 100-bed Typology Appraisal (Excluding Modified Policy H7 OSFC) with Funding Yield at 5.25% (Sensitivity)

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room
Funding Yield at 5.25%

Development Appraisal
CBRE
24 March 2023

APPRAISAL SUMMARY — CBRE

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room

Appraisal Summary for Phase 6 100 (V4 b)

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 100 bed typology	100	18,568	43.20	8,021	561,499	802,142	561,499

Investment Valuation

Student accommodation - 100 bed typology					
Current Rent	561,499	YP @	5.2500%	19.0476	10,695,227

NET REALISATION				**10,695,227**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			7,307	
				7,307
Agent Fee		1.00%	73	
Legal Fee		0.80%	58	
				132
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Student accommodation - 100 bed typology	28,567	221.90	6,339,110	
Externals		10.00%	633,911	
Site Abnormals	0 ac	400,000 /ac	68,000	
Contingency		4.00%	278,921	
				7,319,942
Other Construction				
Policy CC1, CC2 & CC3	100 un	2,250.00 /un	225,000	
Policy G12 BNG	0 ac	15,000 /ac	2,550	
				227,550
PROFESSIONAL FEES				
Professional Fees		8.00%	557,842	
				557,842
DISPOSAL FEES				
Sales Agent Fee		2.00%	213,905	
				213,905
FINANCE				
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			1,302	
Construction			584,710	
Total Finance Cost				586,012
TOTAL COSTS				**8,912,689**
PROFIT				
				1,782,538

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.30%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR% (without Interest)	31.69%

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room

Rent Cover	3 yrs 2 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

CBRE

Prime Yield Guide – March 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 1 March 2023.

Knight Frank

Based on rack rented properties and disregards bond type transactions

Click here to view previous data

SECTOR		MAR-22	SEP-22	DEC-22	JAN-23	FEB-23	MAR-23	1 MONTH CHANGE	MARKET SENTIMENT
Offices (Grade A)	City Prime (Single let, 10 years)	3.75%	4.00%	4.50% - 4.75%	4.75%	4.75%	4.75%		STABLE
	West End: Prime Core (Mayfair & St James's)	3.25%	3.25%	3.50% - 3.75%	3.75%	3.75%	3.75%		STABLE
	West End: Non-core (Soho & Fitzrovia)	3.75% - 4.00%	4.00%	4.25% - 4.50%	4.50%	4.50%	4.50%		STABLE
	Major Regional Cities (Single let, 15 years)	4.75% - 5.00%	5.00% - 5.25%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	5.75%	-	STABLE
	Major Regional Cities (Multi-let, 5 year WAULT)	5.75% -	5.25% - 5.50%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%		WEAKER
	South East Towns (Single let, 15 years)	5.00% - 5.25%	5.25%	6.00% - 6.50%	6.00% - 6.50%	6.00% - 6.50%	6.00% - 6.50%		WEAKER
	South East Towns (Multi-let, 5 year WAULT)	6.50%	6.75% - 7.00%	7.00% - 7.50%	7.00% - 7.50%	7.00% - 7.50%	7.50%	+	WEAKER
	South East Business Parks (Single let, 15 years)	5.25% +	5.50% - 5.75%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%	7.00%	+	WEAKER
	South East Business Parks (Multi-let, 5 year WAULT)	6.75% +	7.25% +	7.75% - 8.00%	7.75% - 8.00%	7.75% - 8.00%	8.50% +	+0.50%	WEAKER
	Life Sciences (Oxford, Cambridge)	3.75%	3.75%	4.25%	4.25%	4.25% - 4.50%	4.25% - 4.50%		WEAKER
Warehouse & Industrial Space	Prime Distribution/Warehousing (20 years [NIY], fixed/indexed uplifts)	3.00%	3.50% - 3.75%	4.75% - 5.00%	4.75% - 5.00%	4.75% - 5.00%	4.75%	-	STABLE
	Prime Distribution/Warehousing (15 years, OMRRs)	3.50%	4.00% - 4.25%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25%	-	STABLE
	Secondary Distribution (10 years, OMRRs)	4.00%	4.50% - 4.75%	5.50% - 6.00%	5.50% - 6.00%	5.50% - 6.00%	5.50% - 5.75%	-	STABLE
	South East Estate (excluding London & Heathrow)	3.25% - 3.50%	4.00%	5.00% - 5.50%	5.00% - 5.50%	5.00% - 5.50%	5.00% - 5.25%	-	STABLE
	Good Modern Rest of UK Estate	3.50% - 3.75%	4.25% - 4.50%	5.25% - 5.75%	5.25% - 5.75%	5.25% - 5.75%	5.25% - 5.50%	-	STABLE
	Good Secondary Estates	4.75% - 5.25%	5.25% - 5.75%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%		WEAKER
Specialist Sectors	Car Showrooms (20 years with fixed uplifts & dealer covenant)	5.00%	5.25%	5.75%	5.75%	5.75%	5.75%		STABLE
	Budget Hotels London (20 years, 5 yearly RPI / CPI uplifts)	3.25% - 3.50%	3.25% - 3.50%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%	4.50%	-	STABLE
	Budget Hotels Regional (20 years, 5 yearly RPI / CPI uplifts)	4.00%	4.00%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00%	-	STABLE
	Student Accommodation Prime London (Direct Let)	3.75%	3.50%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%		STABLE
	Student Accommodation Prime Regional (Direct Let)	5.00%	4.75% - 5.00%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%		STABLE
	Student Accommodation Prime London (25 years, Annual RPI)	3.00% - 3.25%	3.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00%	-	STABLE
	Student Accommodation Prime Regional (25 years, Annual RPI)	3.25% - 3.50%	3.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25%	-	STABLE
	Healthcare (Elderly Care, 30 years, 5 yearly indexed linked reviews)	3.50%	3.25% - 3.50%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%		STABLE
	Data Centres (Operational)	4.00% -	4.00%	4.00%	4.00%	4.00%	4.50%	+0.50%	STABLE
	Data Centres (Leased, 15 years, Annual Indexation)	4.00%	4.00% +	4.25% +	4.25% +	4.25% +	4.75%	+0.50%	STABLE
	Income Strip (50 years, Annual RPI/CPIH+1%, Annuity Grade)	2.25%	2.50% +	3.75% - 4.00%	4.00%	4.00%	4.00%		STABLE

Your partners in property.

Prime Yield Guide – March 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 1 March 2023.

Knight Frank

Based on rack rented properties and disregards bond type transactions

Click here to view previous data

SECTOR		MAR-22	SEP-22	DEC-22	JAN-23	FEB-23	MAR-23	1 MONTH CHANGE	MARKET SENTIMENT
High Street Retail	Bond Street	2.75%	2.75% +	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%		WEAKER
	Oxford Street	3.50% +	3.50% +	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%		WEAKER
	Prime Towns (Oxford, Cambridge, Winchester)	6.25%	6.25%	6.75% +	6.75% +	6.75% +	6.75%	-	STABLE
	Regional Cities (Manchester, Birmingham)	6.50% +	6.50%	7.00% +	7.00% +	7.00% +	7.00%	-	STABLE
	Good Secondary (Truro, Leamington Spa, Colchester etc)	8.25% - 8.50%	8.25% 8.50%	9.00% - 9.25%	9.00% - 9.25%	9.00% - 9.25%	9.00% - 9.25%		STABLE
Shopping Centres (sustainable income)	Regional Scheme	7.50%	7.50%	8.00%	8.00% +	8.00% +	8.00% +		WEAKER
	Sub-Regional Scheme	8.50%	8.50%	9.00% +	9.00% +	9.00% +	9.00% +		WEAKER
	Local Scheme (successful)	9.00%	9.25%	9.75% +	9.75% +	9.75% +	9.75% +		WEAKER
	Neighbourhood Scheme (assumes <25% of income from supermarket)	9.00% - 9.25%	9.00% - 9.25%	9.50% - 9.75%	9.50% - 9.75%	9.50% - 9.75%	9.50% - 9.75%		WEAKER
Out of Town Retail	Open A1 Parks	5.25% -	5.00%	6.00% +	6.00% +	6.00% +	6.00%	-	STABLE
	Good Secondary Open A1 Parks	6.25% - 6.50%	6.25%	7.25% +	7.50% +	7.50% +	7.50%	-	STABLE
	Bulky Goods Parks	5.25% -	5.00%	6.00% +	6.00% +	6.00% +	6.00%	-	STABLE
	Good Secondary Bulky Goods Parks	6.25% - 6.50%	6.25%	7.25% +	7.50% +	7.50% +	7.50%	-	STABLE
	Solus Open A1 (15 year income)	4.75%	5.00%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%		STABLE
	Solus Bulky (15 year income)	4.75%	5.00%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%		STABLE
Major Foodstores	Annual RPI Increases [NIY] (20 year income)	3.50%	3.75% - 4.00%	5.00%	5.00%	5.00%	5.00%		STABLE
	Open Market Reviews (20 year lease)	4.00%	4.25% - 4.50%	5.50%	5.50%	5.50%	5.50%		STABLE
Leisure	Prime Leisure Parks	7.00% +	7.00% +	7.50% +	7.50% +	7.50% +	7.50% +		STABLE
	Good Secondary Leisure Parks	8.00% +	8.00% +	8.50% - 8.75%	9.00% +	9.00% +	9.00% +		WEAKER

Your partners in property.

Prime Yield Guide – March 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 1 March 2023.

LEADING INDICATORS

The changing structure of the UK economy. Overall, UK economic output grew by +1% year on year in Q4, however, some sectors have recorded a significant increase. Indeed, the Arts & entertainment (+9%), Construction (+5%) and Professional & Scientific (+4%) industries saw increased output year on year in Q4 2022. However, some sectors including Production (-4%) and Manufacturing (-6%) saw output moderate. Here, the higher costs of materials, energy and labour likely weight on output. For the year ahead, the Bank of England forecast inflation to fall to 4% from 10%, which could alleviate some pricing pressures on these sectors that have seen output decline.

UK inflation continued to slow falling, for the third consecutive month, to 10.1% ahead of expectations. Producer price inflation also moderated, to 14.1%. The positive inflation news has left market commentators deliberating the BoE's next interest rate decision on 23 March. Capital Economics outlined that the likelihood of its forecast of 4.50% peak is lower now, while Oxford Economics expects the central bank to lift its rate by 25bps to 4.25% in March, where it will remain until at least the end of the year.

Flash PMIs for the UK surprised on the upside, with UK services businesses reporting growth for the first time in eight months (figure above 50). Indeed, the UK Services PMI increased to 53.3 in February, from 48.7 in January, beating market expectations of 49.2. Meanwhile, the Manufacturing PMI rose to 49.2 from 47.0 in January, exceeding market forecasts of 47.5.

DEBT MARKET – 27 FEBRUARY 2023

Debt margins have drifted out over the last quarter as a reflection of wider economic uncertainty and dislocation in the market.

Source: Macrobond

BONDS & RATES (01/03/2023)	MAR 2022	JAN 2023	FEB 2023	MAR 2023
SONIA Rate	0.445%	3.427%	3.927%	3.927%
Bank of England Base Rate	0.50%	3.50%	4.00%	4.00%
5-year swap rates	1.794%	4.050%	3.582%	4.308%
10-year gilts redemption yield	1.34%	3.53%	3.17%	3.81%

ESG

Refurbishing Offices

What are the economic and green challenges and opportunities from refurbishing office buildings?

Intelligence Lab

UK Retail Sales Dashboard – January 2023

An overview of UK retail performance, including key metrics on core sub-sectors and e-commerce.

Prime Yield Guide – March 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 1 March 2023.

KEY RESEARCH

UK CRE Quarterly Review – February 2023

The Quarterly UK RE Review outlines the key occupier and investment trends across the different sectors within commercial real estate.

Knight Frank V&A

Did you know

In addition to valuing assets in the main property sectors and having award winning teams in the Healthcare, Student and Automotive sectors, Knight Frank also has expertise in :

- Waste and Energy
- Infrastructure
- Garden Centres
- Film Studios
- Serviced Offices
- Data Centres
- Life Sciences
- Income Strips
- Ground Rents
- Trading assets
- Expert Witness
- IPOs

KEY CONTACTS

We like questions. If you would like some property advice , or want more information about our research, we would love to hear from you.

Jeremy Tham

Partner – Valuation & Advisory - Head of Real Estate Finance Valuations
+44 20 7861 1769
Jeremy.Tham@KnightFrank.com

Emily Miller

Partner – Valuation & Advisory - Head of UK Fund Valuations
+44 20 7861 1483
Emily.Miller@KnightFrank.com

Simon Gillespie

Partner – Valuation & Advisory - Head of Central London Valuations
+44 20 7861 1292
Simon.Gillespie@KnightFrank.com

Chris Galloway

Partner – Valuation & Advisory - Head of Business Development UK Fund Valuations
+44 20 7861 1297
Chris.Galloway@KnightFrank.com

Matthew Dichler

Partner – Valuation & Advisory – UK Fund Valuations
+44 20 7861 5224
Matthew.Dichler@KnightFrank.com

Will Matthews

Partner – Research - Head of Commercial
+44 20 3909 6842
William.Matthews@KnightFrank.com

Knight Frank Research Reports are available at **knightfrank.com/research**

JLL SEE A BRIGHTER WAY

JLL Monthly Yield Sheet

January 2023

Best in Class Yields – Commercial

Sector	Trending	Jan-23 %	Dec-22 -1 Months %	Oct-22 -3 Months %	Jan-22 -12 Months &
Shops- High Street					
Prime	Weaker	**6.50**	6.50	6.50	6.50
Functional Towns	Weaker	**8.50**	8.50	8.25	8.00
Small Market Towns	Weaker	**10.50**	10.50	10.25	10.00
Shopping Centres					
Dominant Regional	Weaker	**7.25**	7.25	6.75	6.75
City Centre / Sub Regional	Weaker	**8.50**	8.50	8.00	8.00
Secondary Towns	Weaker	**14.00**	13.00	12.00	12.00
Retail Warehouses					
Prime Parks	Weaker	**6.00**	5.75	5.25	5.50
Secondary Parks	Weaker	**8.25**	8.25	7.75	9.00
Solus Units	Weaker	**6.25**	6.00	5.25	5.50
Foodstores - Supermarkets	Weaker	**5.25**	5.25	4.50	3.50
Leisure					
Leisure	Weaker	**8.50**	8.25	7.75	7.75
Offices					
City <£40m	Weaker	**4.50+**	4.50+	4.25	3.75
City £40m - £125m	Weaker	**4.50+**	4.50+	4.25	3.75
City >£125m	Weaker	**4.50+**	4.50+	4.25	3.75
West End <£40m	Stable	**3.75**	3.75	3.75	3.50
West End £40m - £125m	**Stable**	**4.00**	3.75	3.75	3.50
West End >£125m	**Stable**	**4.25**	4.00	4.00	3.50
Greater London Area Preferred	Weaker	**6.25**	6.00	5.75	5.00
South East Prime	Weaker	**6.50**	6.25	6.00	5.25
Regional City Prime	Weaker	**5.50**	5.25	5.25	4.75-
Sub Regional City Prime	Weaker	**6.75**	6.50	6.50	5.75
Life Sciences					
Life Sciences Prime	Weaker	**4.50**	4.50	4.25	3.75
Industrial/Logistics					
Regional Single Let	**Stable**	**5.50**	5.50	4.50	3.50
SE Single Let	**Stable**	**5.25**	5.25	4.25	3.25
London Single Let	**Stable**	**5.00**	5.00	4.00	3.00
Regional Multi Let	**Stable**	**5.50**	5.50	4.75	3.75
SE Multi Let	**Stable**	**5.25**	5.25	4.50	3.50
London Multi Let	**Stable**	**5.00**	5.00	4.00	3.00
Alternatives					
Car Showrooms	**Stable**	**5.50**	5.50	4.75	5.25
Self Storage (Prime)	**Stable**	**5.00**	5.00	5.00	4.75
Hotels London - Prime Covenant / 20 year term	Weaker	**4.25**	4.25	4.00	3.75
Hotels Regional - Prime Covenant / 20 year term	Weaker	**5.00**	5.00	4.50	4.25

Notes

1. Best in Class Yields relate to rack rented investments let with lease lengths considered by the market as most appropriate for the asset class.
2. Trending denotes investor sentiment towards the sector.
3. RPI/CPI uplifts on longer leases can achieve keener yields than those assessed at market rents.
4. Yields are based on transactions and sentiment.
5. Yields stated are Initial Yields for the Alternatives section based on 20 year unexpired leases to strong covenants with indexation/uplifts.
6. Supermarket yields are for 20 year leases with RPI indexed uplifts at 5 year intervals.
7. Colour Key – the colours in the trending and yield column indicate changes since previous month. Green: stronger than previous month, black: same as previous month, red: weaker than previous month.

Source: JLL, 13th January 2023. For indicative purposes only.

Best in Class Yields – Living

Sector	Trending	Jan-23 %	Dec-22 -1 Months %	Oct-22 -3 Months %	Jan-22 -12 Months &
Elderly Care (NIY)					
Ultra Prime	Stable	**4.25+**	4.25+	3.25	3.50
Prime	Stable	**5.00+**	5.00+	4.00+	4.00+
Core	Stable	**6.00+**	6.00+	5.00+	5.00+
Secondary	Stable	**7.50**	7.50	6.50+	6.50+
Build to Rent (NIY) (Stabilised BTR Purpose Built)					
Prime London Zones 1-3	Weaker	**3.50-**	3.50-	3.25+	3.25+
Outer London Zones 4-6	Weaker	**3.75-**	3.75-	3.50+	3.50+
South East / South West Prime	Weaker	**4.00-**	4.00-	3.75+	3.75+
Prime Regional	Weaker	**4.00+**	4.00+	4.00+	4.00+
Secondary Regional	Weaker	**4.50+**	4.50+	4.50+	4.50
Purpose Built Student Accommodation (NIY) (Direct Let)					
Prime London	Weaker	**3.75+**	3.75+	3.50	3.75
Inner London	Weaker	**4.00+**	4.00+	3.75	4.25-
Super Prime Regional	Weaker	**4.75**	4.75	4.50	4.75+
Prime Regional	Weaker	**5.25**	5.25	5.00	5.00+
Secondary Regional	Weaker	**6.50**	6.50	6.25	6.25+
Other Regional	Weaker	**7.25**	7.25	7.00	7.00+
Purpose Built Student Accommodation (NIY) (25 Year FRI Leases)					
Prime London	Weaker	**3.75**	3.75	3.50	3.00
Inner London	Weaker	**3.75**	3.75	3.50	3.00+
Prime Regional	Weaker	**4.00**	4.00	3.75	3.25
Secondary Regional	Weaker	**4.25**	4.25	4.00	3.75
Other Regional	Weaker	**4.50**	4.50	4.25	4.00
JLL Prime Yield		**5.29**	5.24	4.83	4.51
Money Markets (3rd January 2023)					
UK SONIA Rate		**3.43**	2.93	2.19	0.19
SONIA 5 Years SWAP Rate		**3.95**	3.72	4.94	1.04
Gilt 10 years		**3.65**	3.10	4.18	1.17
Base rate		**3.50**	3.00	2.25	0.25

Notes

1. Yields are based on transactions and sentiment.
2. Trending denotes investor sentiment towards the sector.
3. BTR yields relate to professionally managed private residential assets of institutional grade.
4. PBSA yields relate to professionally managed purposed built student accommodation of institutional grade.
5. *JLL Prime Yield calculation includes both Commercial & Living Yields.*
6. Please note Money Market Yields are volatile - yields quoted as of date specified.
7. Colour Key – the colours in the trending and yield column indicate changes since previous month. Green: stronger than previous month, black: same as previous month, red: weaker than previous month.

Source: JLL, 13th January 2023. For indicative purposes only.

Contacts

Claire Macken
Head of Commercial Valuation Advisory - UK & Ireland
+44 (0)7525 913365
Claire.Macken@jll.com

Tim Luckman
Head of Commercial Valuation, Regions
+44 (0)7921 403635
Tim.Luckman@jll.com

Stuart Smith
Head of Industrial & Logistics, Valuation Advisory
+44 (0)7739 591473
Stuart.Smith@jll.com

Alasdair Barrie
Head of Regional Offices, Valuation Advisory
+44 (0)7841 860862
Alasdair.Barrie@jll.com

Chris Strathon
Head of EMEA Datacentres, Life Sciences & Film Studios, Valuation Advisory
+44 (0)7872 121079
Chris.Strathon@jll.com

Damon Pere
Head of UK & Northern Europe Hotel Valuation & Advisory
+44 (0)7873 910500
Damon.Pere@jll.com

Richard Petty
Head of UK Living, Valuation Advisory
+44 (0)7767 413631
Richard.Petty@jll.com

Emma Glynn
Head of Healthcare Valuation Advisory
+44 (0)7970 439179
Emma.Glynn@jll.com

James McTighe
Head of Commercial Valuation, London
+44 (0)7809 198651
James.McTighe@jll.com

Ollie Saunders
Head of EMEA Alternatives
+44 (0)7939 272426
Ollie.Saunders@jll.com

Christy Bowen
Head of London Offices and Flexspace, Valuation Advisory
+44 (0)7849 307016
Christy.Bowen@jll.com

Cara Reynoldson
Head of Retail Valuation Advisory
+44 (0)7872 677443
Cara.Reynoldson@jll.com

Izeldi Loots
Head of Alternatives Valuation Advisory
+44 (0)7592 112105
Izeldi.Loots@jll.com

Ian Thompson
Head of Pan-European Leisure Valuation Advisory
+44 (0)7514 733902
Ian.Thompson1@jll.com

Matthew Green
Valuation Advisory - Head of Development & BTR Valuation
+44 (0)7967 589319
Matthew.Green@jll.com

Rose Denbee
Head of Student Housing Valuation Advisory
+44 (0)7970 304560
Rose.Denbee@jll.com

CBRE

Investor interest is slowly returning to the market for Q1

- Signs of investor interest slowly returning to the market.
  Residential
- Strong rental growth for the upcoming academic year is mitigating yield expansion as market looks towards potential reversions.
  Student
- Transactions showing signs of stability ahead.
  Hotels

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
RESIDENTIAL						
London Zone 2 Prime	3.25	3.25	3.25	3.50	3.60	Weaker
London Zone 2 Good Secondary	3.65	3.65	3.65	4.00	4.00	Weaker
London Zone 3 to 6 Prime	3.35	3.35	3.35	3.65	3.75	Weaker
London Zone 3 to 6 Good Secondary	3.65	3.65	3.65	4.00	4.00	Weaker
Outer London and South East Prime	3.60	3.60	3.60	3.90	4.00	Weaker
Outer London and South East Good Secondary	4.00	4.00	4.00	4.50	4.50	Weaker
Regional Centres excluding South East Prime	4.00	3.85	3.85	4.15	4.15	Weaker
Regional Centres excluding South East Secondary	4.50	4.25	4.25	4.75	4.75	Weaker
Other Regional Centres Prime	4.40	4.15	4.15	4.50	4.50	Weaker
Other Regional Centres Secondary	5.00	4.75	4.75	5.25	5.25	Weaker

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
STUDENT ACCOMMODATION						
Central London Direct Let	3.65	3.50	3.50	3.75	3.75	Weaker
Super Prime Regional Direct Let	4.65	4.50	4.50	4.75	4.75	Weaker
Prime Regional Direct Let	5.00	4.75	4.75	5.00	5.00	Weaker
Secondary Regional Direct Let	8.00	8.00	8.00	8.50	8.50	Weaker
Central London RPI Lease	3.00	2.75	3.25	4.00	4.00	Weaker
Super Prime Regional RPI Lease	3.00	2.75	3.25	4.00	4.00	Weaker
Prime Regional RPI Lease	3.00	2.75	3.25	4.00	4.00	Weaker
Secondary Regional RPI Lease	4.00	4.00	4.50	5.25	5.25	Weaker
HOTELS						
Prime London Vacant Possession	4.50	4.50	4.50	4.75	4.75	Weaker
Prime London Management Contract	5.50	5.50	5.50	5.75	5.75	Weaker
Prime London Lease	3.75	3.75	3.75	4.50	4.50	Weaker
Prime Regional Vacant Possession	6.75	6.75	6.75	7.25	7.25	Weaker
Prime Regional Management Contract	7.75	7.75	7.75	8.50	8.50	Weaker
Prime Regional Lease	4.25	4.25	4.25	5.25	5.25	Weaker

UNITED KINGDOM | LIVING SECTORS INVESTMENT YIELDS | MARCH 2023

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
SPECIALIST SUPPORTED LIVING						
London/ SE Prime	5.25	5.25	5.25-5.50	5.25-5.50	5.25-5.50	Weaker
Regional UK Prime	5.25-5.75	5.25-5.75	5.25-5.75	5.40-5.85	5.40-5.85	Weaker
Secondary	6.00	6.00	6.00	6.25	6.25	Weaker
Tertiary	6.25+VP-Resi	6.50+VP-Resi	6.50+VP resi	6.75 –VP-Resi	6.75-VP-Resi	Weaker
INTEGRATED RETIREMENT COMMUNITIES						
London/ SE Prime	N/A	N/A	N/A	N/A	5.00.5.25	Weaker
Regional UK Prime	4.25-5.00	4.25-5.00	4.25-5.00	5.00-5.25	5.50	Weaker
Secondary	6.00	6.00	6.00	6.00	6.00	Weaker
Tertiary	N/A	N/A	N/A	N/A	N/A	Weaker
ELDERLY CARE						
London/ SE Prime	3.5-4.0	3.5-4.0	3.75-4.00	4.00-4.25	4.00-4.25	Weaker
Regional UK Prime	4.5-5.5	4.25-5.00	4.50-5.50	4.75-5.75	4.75-5.75	Weaker
Secondary	7.00	7.00	7.25	7.50-8.00	7.50-8.00	Weaker
Tertiary	8.00	8.00	8.50	9.00	9.00	Weaker
PRIMARY CARE						
London/ SE Prime	3.50	3.50	3.60	4.00	4.00	Weaker
Regional UK Prime	3.75	3.75	3.85	4.25	4.25	Weaker
Secondary	4.50	4.50	4.65	5.35	5.25	Weaker
Tertiary	6.00	6.00	6.25	6.75	6.75	

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
SHARED OWNERSHIP						
London/ SE Prime	2.90-3.00	2.90-3.00	3.00	3.00-3.25	3.10-3.25	Weaker
Regional UK Prime	3.00-3.15	3.00-3.15	3.00-3.25	3..15-3.35	3..15-3.40	Weaker
Secondary	3.15-3.35	3.15-3.35	3.25-3.50	3.25-3.50	3.25-3.75	Weaker
Tertiary	3.35-3.60	3.35-3.60	3.50	3.50-3.75	3.50-3.90	Weaker
AFFORDABLE RENT						
London/ SE Prime	3.75-4.00	3.75-4.00	3.75-4.00	3.75-4.15	3.75-4.15	Weaker
Regional UK Prime	4.00-4.25	4.00-4.25	4.00-4.25	4.15-4.40	4.15-4.50	Weaker
Secondary	4.25-4.50	4.25-4.50	4.25-4.50	4.40-4.65	4.40-4.65	Weaker
Tertiary	4.50-4.75	4.50-4.75	4.50-4.75	4.65-490	4.75	Weaker
SOCIAL RENT						
London/ SE Prime	3.50-3.75	3.50-3.75	3.50-3.75	3.65-3.90	3.70-4.00	Weaker
Regional UK Prime	3.75-4.00	3.75-4.00	3.75-4.00	3.90-4.15	3.75-4.15	Weaker
Secondary	4.00-425	4.00-425	4.00-425	4.15-4.40	4.15-4.40	Weaker
Tertiary	4.25-450	4.25-450	4.25-450	4.40-4.65	4.50.4.75	Weaker

Positive start to Q1 with a number of transactions exchanging but pricing remains uncertain with evidence of falling house prices

Single Family Housing

	Mar 22 (%)	Jun 22 (%)	Sep 22 (%)	Dec 22 (%)	Mar 23 (%)	Trend
SINGLE FAMILY HOUSING						
South East Prime	3.50 - 3.75	3.50 - 3.75	3.50 - 3.75	3.70 – 3.85	3.70 – 3.85	Weaker
South East Secondary	3.75 – 3.90	3.75 – 3.90	3.75 – 3.90	3.85 – 4.00	3.85 – 4.00	Weaker
South West Prime	3.65 – 3.90	3.65 – 3.90	3.65 – 3.90	3.85 – 4.00	3.85 – 4.00	Weaker
South West Secondary	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	4.00 – 4.15	4.00 – 4.15	Weaker
East of England Prime	3.75 - 4.00	3.75 - 4.00	3.75 - 4.00	3.85 – 4.00	3.85 – 4.00	Weaker
East of England Secondary	4.00 - 4.25	4.00 - 4.25	4.00 - 4.25	4.00 – 4.15	4.00 – 4.15	Weaker
West Midlands Prime	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	4.00 – 4.20	4.00 – 4.20	Weaker
West Midlands Secondary	4.15 - 4.40	4.15 - 4.40	4.15 - 4.40	4.20 – 4.40	4.20 – 4.40	Weaker
East Midlands Prime	3.90 - 4.15	3.90 - 4.15	3.90 - 4.15	4.00 – 4.20	4.00 – 4.20	Weaker
East Midlands Secondary	4.15 - 4.40	4.15 - 4.40	4.15 - 4.40	4.20 – 4.40	4.20 – 4.40	Weaker
North West Prime	4.00 - 4.25	4.00 - 4.25	4.00 - 4.25	4.15 – 4.30	4.15 – 4.30	Weaker
North West Secondary	4.25 - 4.50	4.25 - 4.50	4.25 - 4.50	4.30 – 4.45	4.30 – 4.45	Weaker
North East including Yorkshire and the Humber Prime	4.10 - 4.35	4.10 - 4.35	4.10 - 4.35	4.25 – 4.40	4.25 – 4.40	Weaker
North East including Yorkshire and the Humber Secondary	4.35 - 4.60	4.35 - 4.60	4.35 - 4.60	4.40 – 4.55	4.40 – 4.55	Weaker

Contacts

David Tudor
Senior Director
UK Valuation & Advisory Services
+44 (0)7985 876 111
david.tudor@cbre.com

Tim Pankhurst
Executive Director
Student Accommodation
+44 (0)7714 145 917
tim.pankhurst@cbre.com

James Hinde
Senior Director
Residential
+44 (0)7879 602 911
james.hinde@cbre.com

Miles Auger
Senior Director
Hotels
+44 (0)7590 485 278
miles.auger@cbrehotels.com

Joanne Winchester
Executive Director
Co-Living
+44 (0)7939 015 514
joanne.winchester@cbre.com

Aissa Nahimana
Senior Analyst
Student Accommodation
+44 (0)7722 184 471
aissa.nahimana@cbre.com

Notes and Definitions

Residential

Our residential yields refer to institutionally managed, private rented residential assets within the UK (build to rent)

1) The yield data provided reflects transaction exchanges and current bidding on investment market deals to the previous month together with our own opinions and judgement
2) Net yields account for operational costs and relevant purchaser's costs
3) Prime refers to assets located in close proximity to transport notes, either brand new or with a high quality specification and level of amenity
4) Zone 2 and Zones 3 to 6 refer to London travel zones system managed by Transport for London

Hotels

1) Vacant possession upscale, stabilised year cap rate
2) Management contract upscale, no guarantee or underwrite, operated by an internationally renowned brand
3) Prime London lease reflects Zone 1, prime covenants leaseholders whose ability to fulfil lease obligations is almost certain
4) Prime regional lease reflects prime UK city locations, prime covenants leaseholders whose ability to fulfil lease obligations is almost certain

Student Accommodation

The net initial yield, which is growth implicit, rather than the equivalent yield, is the key driver in the purpose built student accommodation sector. Allowance for purchaser's costs is made in calculating the net initial yield. All the yields assume completed and stabilised properties and ignore any discount for forward funding. Yields assume a generic lot size of £25m and running costs which a hypothetical purchaser would assume

1) Direct let a well located modern purpose built property of an operationally efficient scale with a strong letting track record and appropriate room mix
2) Central London well located single asset in London zone 1
3) Super prime regional towns and cities with restricted supply or restrictive planning policies
4) Prime regional mature markets with healthy supply and demand ratio and generally more than one university. There is a spread of towns and cities from the prime level to our secondary benchmark
5) Secondary regional towns and cities with perceived oversupply issues, new universities or secondary campuses
6) RPI lease well located, let to a strong university covenant, minimum of 25 years unexpired on FRI terms with annual RPI uplifts

Single Family Housing

Our yield ranges are indicative and represent our view of a stabilised investment.

1) The yield data provided reflects transaction exchanges and current bidding on investment market deals to date together with our own opinions.
2) They represent our indicative view of the net initial yield of a rack rented stabilised investment.
3) These yields represent a cluster of modern dwellings in a single location that would be sold in a single lot to an investor as part of a wider portfolio.
4) 'Prime' is defined as having excellent connectivity to key city hubs, transport links, local employment, amenity and schools, an established depth of rental demand with strong ESG credentials.
5) 'Secondary' - one or more of the above criteria is compromised or missing.
6) Net yields account for operational costs and relevant purchaser's costs.
7) Operational Cost Assumptions typically range between 18.0% - 22.5% (including voids) however we consider this will be analysed more on £ per unit basis as the market matures.
8) Our analysis and yields are indicative, for guidance only and may not be relied upon.

BCIS®

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 11-Mar-2023 05:56

› Rebased to York (97; sample 19)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
816. Flats (apartments)							
Generally (15)	1,680	835	1,395	1,586	1,891	5,792	856
1-2 storey (15)	1,600	993	1,346	1,509	1,786	3,297	183
3-5 storey (15)	1,653	835	1,390	1,579	1,873	3,531	574
6 storey or above (15)	1,994	1,226	1,632	1,867	2,137	5,792	96
856.2 Students' residences, halls of residence, etc (15)	2,151	1,227	1,919	2,166	2,389	3,500	55

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room

Development Appraisal
CBRE
24 March 2023

APPRAISAL SUMMARY — CBRE

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room

Appraisal Summary for Phase 5 100 (V4)

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 100 bed typology	100	18,568	43.20	8,021	561,499	802,142	561,499

Investment Valuation

Student accommodation - 100 bed typology					
Current Rent	561,499	YP @	5.0000%	20.0000	11,229,988

NET REALISATION				**11,229,988**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			363,392	
				363,392
Stamp Duty			7,670	
Effective Stamp Duty Rate		2.11%		
Agent Fee		1.00%	3,634	
Legal Fee		0.80%	2,907	
				14,211
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Student accommodation - 100 bed typology	28,567	221.90	6,339,110	
Externals		10.00%	633,911	
Site Abnormals	0 ac	400,000 /ac	68,000	
Contingency		4.00%	278,921	
				7,319,942
Other Construction				
Policy CC1, CC2 & CC3	100 un	2,250.00 /un	225,000	
Policy G12 BNG	0 ac	15,000 /ac	2,550	
				227,550
PROFESSIONAL FEES				
Professional Fees		8.00%	557,842	
				557,842
DISPOSAL FEES				
Sales Agent Fee		2.00%	224,600	
				224,600
FINANCE				
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			66,076	
Construction			584,710	
Total Finance Cost				650,786
TOTAL COSTS				**9,358,323**
PROFIT				
				1,871,665

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.00%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room

IRR% (without Interest)	30.31%
Rent Cover	3 yrs 4 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
200 Units
Excludes Policy H7 2.5% OSFC/room

Development Appraisal
CBRE
24 March 2023

APPRAISAL SUMMARY CBRE

PBSA Typology
200 Units
Excludes Policy H7 2.5% OSFC/room

Appraisal Summary for Phase 11 200 (V4)

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 200 bed typology	200	37,135	43.20	8,021	1,123,000	1,604,285	1,123,000

Investment Valuation

Student accommodation - 200 bed typology					
Current Rent	1,123,000	YP @	5.0000%	20.0000	22,459,990

NET REALISATION	**22,459,990**

OUTLAY

ACQUISITION COSTS				
Residualised Price			409,788	
				409,788
Stamp Duty			9,989	
Effective Stamp Duty Rate		2.44%		
Agent Fee		1.00%	4,098	
Legal Fee		0.80%	3,278	
				17,366

CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Student accommodation - 200 bed typology	57,135	221.90	12,678,221	
Externals		10.00%	1,267,822	
Site Abnormals	0 ac	400,000 /ac	184,000	
Contingency		4.00%	557,842	
				14,687,885
Other Construction				
Policy CC1, CC2 & CC3	200 un	2,250.00 /un	450,000	
Policy G12 BNG	0 ac	15,000 /ac	6,900	
				456,900

PROFESSIONAL FEES			
Professional Fees	8.00%	1,115,683	
			1,115,683
DISPOSAL FEES			
Sales Agent Fee	2.00%	449,200	
			449,200
FINANCE			
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)			
Land		92,674	
Construction		1,487,163	
Total Finance Cost			1,579,837

TOTAL COSTS	**18,716,658**
PROFIT	
	3,743,332

Performance Measures	
Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.00%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%

APPRAISAL SUMMARY — CBRE

PBSA Typology
200 Units
Excludes Policy H7 2.5% OSFC/room

IRR% (without Interest)	26.37%
Rent Cover	3 yrs 4 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
350 Units
Excludes Policy H7 2.5% OSFC/room

Development Appraisal
CBRE
24 March 2023

APPRAISAL SUMMARY	CBRE

PBSA Typology
350 Units
Excludes Policy H7 2.5% OSFC/room

Appraisal Summary for Phase 16 350 (V4)

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 350 bed typology	350	64,987	43.20	8,021	1,965,250	2,807,500	1,965,250

Investment Valuation

Student accommodation - 350 bed typology					
Current Rent	1,965,250	YP @	5.0000%	20.0000	39,305,000
NET REALISATION				**39,305,000**	

OUTLAY

ACQUISITION COSTS				
Residualised Price			379,270	
				379,270
Stamp Duty			8,463	
Effective Stamp Duty Rate		2.23%		
Agent Fee		1.00%	3,793	
Legal Fee		0.80%	3,034	
				15,290
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Student accommodation - 350 bed typology	99,975	221.90	22,184,452	
Externals		10.00%	2,218,445	
Site Abnormals	1 ac	400,000 /ac	304,000	
Contingency		4.00%	976,116	
				25,683,014
Other Construction				
Policy CC1, CC2 & CC3	350 un	2,250.00 /un	787,500	
Policy G12 BNG	1 ac	15,000 /ac	11,400	
				798,900
PROFESSIONAL FEES				
Professional Fees		8.00%	1,952,232	
				1,952,232
DISPOSAL FEES				
Sales Agent Fee		2.00%	786,100	
				786,100
FINANCE				
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			99,231	
Construction			3,040,130	
Total Finance Cost				3,139,361
TOTAL COSTS				**32,754,167**
PROFIT				
				6,550,833

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.00%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%

PBSA Typology
350 Units
Excludes Policy H7 2.5% OSFC/room

IRR% (without Interest)	24.15%
Rent Cover	3 yrs 4 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
600 Units
Excludes Policy H7 2.5% OSFC/room

Development Appraisal
CBRE
24 March 2023

APPRAISAL SUMMARY

CBRE

PBSA Typology
600 Units
Excludes Policy H7 2.5% OSFC/room

Appraisal Summary for Phase 21 600 (V4)

Currency in £

REVENUE

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 600 bed typology	600	111,406	43.20	8,021	3,369,000	4,812,857	3,369,000

Investment Valuation

Student accommodation - 600 bed typology					
Current Rent	3,369,000	YP @	5.0000%	20.0000	67,379,998

NET REALISATION				**67,379,998**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (Negative land)			(376,826)	
				(376,826)
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Student accommodation - 600 bed typology	171,394	221.90	38,032,329	**38,032,329**
Externals		10.00%	3,803,233	
Site Abnormals	2 ac	400,000 /ac	652,000	
Contingency		4.00%	1,673,422	
				6,128,655
Other Construction				
Policy CC1, CC2 & CC3	600 un	2,250.00 /un	1,350,000	
Policy G12 BNG	2 ac	15,000 /ac	24,450	
				1,374,450
PROFESSIONAL FEES				
Professional Fees		8.00%	3,346,845	
				3,346,845
DISPOSAL FEES				
Sales Agent Fee		2.00%	1,347,600	
				1,347,600
FINANCE				
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			(105,374)	
Construction			6,402,315	
Total Finance Cost				6,296,941
TOTAL COSTS				**56,149,993**
PROFIT				
				11,230,005

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.00%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%
IRR% (without Interest)	21.82%

PBSA Typology
600 Units
Excludes Policy H7 2.5% OSFC/room

Rent Cover	3 yrs 4 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room
Funding Yield at 5.25%

Development Appraisal
CBRE
24 March 2023

APPRAISAL SUMMARY — CBRE

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room

Appraisal Summary for Phase 6 100 (V4 b)

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Student accommodation - 100 bed typology	100	18,568	43.20	8,021	561,499	802,142	561,499

Investment Valuation

Student accommodation - 100 bed typology					
Current Rent	561,499	YP @	5.2500%	19.0476	10,695,227

NET REALISATION				**10,695,227**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			7,307	
				7,307
Agent Fee		1.00%	73	
Legal Fee		0.80%	58	
				132
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Student accommodation - 100 bed typology	28,567	221.90	6,339,110	
Externals		10.00%	633,911	
Site Abnormals	0 ac	400,000 /ac	68,000	
Contingency		4.00%	278,921	
				7,319,942
Other Construction				
Policy CC1, CC2 & CC3	100 un	2,250.00 /un	225,000	
Policy G12 BNG	0 ac	15,000 /ac	2,550	
				227,550
PROFESSIONAL FEES				
Professional Fees		8.00%	557,842	
				557,842
DISPOSAL FEES				
Sales Agent Fee		2.00%	213,905	
				213,905
FINANCE				
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			1,302	
Construction			584,710	
Total Finance Cost				586,012
TOTAL COSTS				**8,912,689**
PROFIT				
				1,782,538

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.30%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR% (without Interest)	31.69%

PBSA Typology
100 Units
Excludes Policy H7 2.5% OSFC/room

Rent Cover	3 yrs 2 mths
Profit Erosion (finance rate 8.500)	2 yrs 2 mths