Bath and North East Somerset Placemaking Plan

Participant Statement

Matter 12: Site Allocations

Prepared by Savills on behalf of Westmark (Bath) Ltd
(Participant Reference Number 4797)

1. Introduction

This Statement has been prepared by Savills on behalf of Westmark (Bath) Ltd who have an interest in land at Upper Bristol Road / Windsor Bridge Road, Bath identified on the enclosed plan (**Appendix 1**). This site is referred to within the Bath and North East Somerset (BANES) Placemaking Plan as 'land within the North Bank', under draft Policy SB8.

Representations have been submitted promoting the site throughout the Placemaking Plan process, particularly to the consultations on both the Options Document in January 2015, and the Pre-Submission Draft in February 2016. These set out in detail our objections to the Placemaking Plan, including concerns with the spatial strategy and the proposed allocation of the land within the North Bank for 'residential-led' development.

The contents of this Participant Statement supplement the representations previously submitted in 2015 and 2016, responding directly to the issues raised by the Inspector under Matter 12 of ID/3. In addition, this Statement is supported by a Viability Assessment which was the subject of discussions as part of the recent planning application for the Westmark site (ref: 15/05688/FUL). This Viability Assessment, which was summarised within previous representations, is now included within **Appendix 2**.

Despite the previous representations submitted, it is noted that the content of Placemaking Plan Policy SB8 has not changed and we therefore continue to object to the exclusion of student housing as a potential land use option on the land within the North Bank.

2. Matter 12 - Site Allocations

Issue 1– whether the strategy for site selection is the most appropriate when considered against the reasonable alternatives, having regard to the evidence to support the selection of allocated sites?

Q1. Does the evidence support the selection of the allocated sites, when considered against any reasonable alternatives and having regard to deliverability considerations?

As already set out within previous representations submitted, whilst we support an 'in principle' allocation for the development of the land within the North Bank, and welcome the Council's recognition that the site is suitable for redevelopment, we continue to object to the proposed residential-led allocation which is not deliverable.

In direct response to the first question raised by the Inspector under Matter 12, there is currently a fundamental lack of evidence to justify the proposed land use allocation for the land within the North Bank. Our main concerns over the evidence relied upon by the Council to support the Draft Placemaking Plan relate to three main areas:

1) Evidence confirming the overwhelming need for student accommodation within Bath, particularly off-campus accommodation;
2) Evidence to demonstrate whether the site is required to contribute towards the strategic housing requirement;
3) Insubstantial viability evidence prepared by BNP to support the Council's position that land within the North Bank is viable for residential use

Whilst we have already addressed these matters within our previous representations, we provide an updated position on these two matters in turn below, supported in particular by the Viability Assessment prepared by JLL and attached at **Appendix 2**.

Need for Student Housing

Within our representations to the Placemaking Plan Pre-Submission Draft, we summarised evidence obtained by JLL, commissioned by the landowner, on the current supply and demand position for student accommodation in Bath. At that stage, concerns were raised over the supply and demand imbalance in Bath in respect of the provision of student accommodation. In particular, it was stated that the existing supply of private purpose built student accommodation in Bath amounts to 5,991 bed spaces, which allows only 32% of the full time student population to access a bed space, with the remainder (68%) having to make alternative arrangements either in the private rented (HMO) sector, their own home or their parents' home.

Section 5 of the Report enclosed within **Appendix 2** of this Statement provides a more recent update on this current position, having reviewed again the current supply pipeline. This further update confirms that this imbalance has not improved since our previous update was provided in within representations submitted in February 2016. In fact the situation was worsened.

It is noted that the Council's evidence on student need, 'Historic and Future Student Numbers and Accommodation Requirements in Bath', previously published in December 2015, has since been updated, with a more recent report published in May 2016, titled 'Student Numbers and Accommodation Requirements in Bath'.

However, whereas the December 2015 report confirmed the low level of current student accommodation provision (2014/15), stating in Table 12 that only 37% of full time students have access to a bed space, the May 2016 report now confirms that this figure has reduced to only 33.3%.

It is therefore clear that the Council's evidence suggests that the problem relating to the shortage of student accommodation supports our assertion that the ongoing supply problem has in fact worsened.

In particular, it should be noted that the Council's May 2016 Report states that:

"under the original assumptions bedspace demand has increased by 1,083, the number of available bedspaces has increased by 797. This means that unmet need would have increased by around 286", ... based on the new assumptions set out in paragraph 2.7, the supply identified in Table 2a was able to cater for 31.4% of need in 2011 and 33.2% in 2015/16. Further, whereas bedspace demand has increased by 1,772, the number of University controlled bedspaces had increased by 967.

Therefore, the report confirms that under the new assumptions, the unmet need has risen by approximately 805 bedspaces.

The Council's evidence does recognise that off-campus purpose built student accommodation would assist in addressing this ongoing problem, and that providing such purpose built blocks would reduce the pressure on additional HMO's and pressures on the wider housing market, with the Council's May 2016 Report confirming that *"further in-city accommodation blocks would reduce the reliance on potentially unrealistic levels of HMO growth i.e. in addition to that which might come forward in line with recent trends. To support the Universities, more land in the city could be given over to dedicated accommodation blocks but in most cases there would be an unacceptable effect re Policy B5 of the Core Strategy – which only allows student accommodation if it would not harm the realisation of the objectives for other uses".*

There is also a clear recognition within the May 2016 Report to the on campus restrictions, with the evidence stating that *"In theory, The University of Bath may be able to do more to influence its aspirations to 2020/21 – given the nature of and policies affecting its estate. But, it seems unlikely that it could deliver more than 1,000 new bedspaces on campus to this point".*

Whilst the May 2016 Report outlines the current problems and policy conflicts in seeking to provide for the growing student need in Bath it provides no solutions to inform the approach taken within the Placemaking Plan. There is a clear recognition that off-campus accommodation is necessary to assist in providing for the future growth in student numbers which cannot be accommodated on campus. However the Council's evidence then translated into the draft Placemaking Plan simply states that providing off-campus student accommodation is likely to conflict with Policy B5 of the Core Strategy and therefore avoids addressing this very significant ongoing problem.

It is our view that the Council continues to ignore the undeniable need to provide additional off-campus student accommodation, citing Policy B5 of the Core Strategy which is based on now out of date evidence published at the time of the Core Strategy examination hearing sessions held between 2012 and 2014. Indeed, we would question the Council's approach to seeking to restrict student housing within the central area and enterprise zone for this reason. We deal with this matter further in our Statement in response to Matter 13.

Overall, despite the overwhelming need for student accommodation within the city, the clear recognition in the Council's own evidence that the current strategy is unlikely to deliver sufficient accommodation to meet the need, as well as the clear recognition of the role off-campus purpose built student accommodation can play in addressing this problem, the Council has failed to consider student accommodation as an alternative use for the land within the North Bank. We strongly object to Policy SB8 on this basis.

Whether the site is required to contribute towards the strategic housing requirement

In direct response to the Council's assertion that the site is required to contribute towards the strategic housing requirement for normal housing, we have reviewed the evidence submitted with the Placemaking Plan, specifically the Bath and North East Somerset Local Plan Housing Land Supply Findings Report (April 2016).

Firstly, the Housing Land Supply Findings Report states that against a requirement of 13,000 dwellings for the plan period the supporting housing trajectory confirms that at present 12,702 units can be identified (a shortfall of 300 dwellings, or approximately 5 months of supply). Therefore, as a starting point, the Council has confirmed that they have already identified land to accommodate the vast majority of the strategic requirement for the plan period.

Secondly, the table on page 60 of the Housing Land Supply Findings Report shows that the Council is required to deliver 7,220 dwellings between the beginning of the plan period and the end of the 2020/21 monitoring year. Given progress to date there is a residual need of 5,033 (taking account of a 20% buffer), against a deliverable supply of 5,438 dwellings. This amounts to a surplus of 405 dwellings.

Furthermore, within the housing trajectory contained within the Housing Land Supply Findings Report, it is clear that the Council has not identified any completions for the land within the North Bank until 2012/22 at the earliest.

For the reasons set out in this Statement, we continue to have significant concerns with the Council identifying any completions for the site within the trajectory.

Overall, it is therefore contested that not only is the land within the North Bank not required to deliver the Council's five year housing land supply, but the Council has in fact already identified the majority of the land required to meet the strategic housing requirement for the plan period to 2029. Given this position, and the specific circumstances of the site, we strongly recommend that alternative uses for the site are considered. Such an assessment of alternatives would be consistent with the need to provide for other strategic requirements, specifically the overwhelming need for student accommodation.

This is all the more important given the current uncertainty over the timescales for any development on the site, a position which is recognised by the Council in the Housing Land Supply Findings Report. The Report states that "*although the site is 'active' it does not form part of 5 year housing land supply at present as it future is contested".*

Notwithstanding the fact that the future of the site is currently being contested, we are also unclear what the Council mean by 'the site is active', and this should be clarified by the Council during the Hearing sessions. We can confirm that the site is currently not active, neither does it offer the potential to provide land for residential dwellings as sought given the viability concerns expressed within this Statement.

Viability

Despite seeking to clarify the development viability for the land within the North Bank through previous representations, and through discussions with officers as part of a recent planning application (15/05688/FUL), the Placemaking Plan makes no provision for the specific circumstances of the site, instead adopting a 'one size fits all' approach set by Core Strategy Policy B5.

As a result, a full assessment of the viability of the site for both residential and student use, undertaken by JLL, is attached at **Appendix 2**.

Overall, we have significant concerns that the Council's Viability Evidence (BNP, November 2015) continues to be based on high level assumptions and inaccuracies which have been used to test the financial viability of the sites being considered for allocation in the Placemaking Plan.

There are a number of important assumptions in relation to the land within the North Bank which have been overlooked and must be considered to ensure the analysis reflects the reality on the ground.

We are particularly concerned that such inaccuracies in the BNP Viability Assessment have led to the report concluding that the land within the North Bank is viable for residential use. Examples of such inaccuracies within the BNP report include the assumed density of the scheme which is not achievable, an incorrect affordable housing provision, and development costs which are significantly below the realistic level.

As set out further within **Appendix 2**, we are particularly concerned with the development costs assumed by BNP which do not reflect the significant costs of remediating the land. The BNP total assumed development costs are approximately £5m less than the JLL costs presented in **Appendix 2**.

We have been very clear in previous representations that the site specific development constraints must been taken into account in the allocation of the site. We are disappointed that the Council continue to ignore the evidence we have presented, and further details are now attached at **Appendix 2**.

The uncertainty over the viability of the site for residential use is not an issue isolated this particular site. The Council will be aware that its own evidence confirms that despite planning permission being granted in March 2015 for 9 open market townhouses and 5 affordable flats for land to the rear of Argos (13/04217/OUT), recent marketing evidence suggests that the site has generated only conditional interest from one residential developer.

This provides further evidence that there is currently uncertainty in the residential market and we would strongly recommend that the Council reflect this within the approach taken to the allocation of sites in the Placemaking Plan, rather than taking a blanket restrictive approach.

It is entirely inappropriate for the Council to allocate a sustainable brownfield site within Bath for a use which is not currently viable or deliverable. Indeed, the lack of flexibility within draft allocation SB8 may result in the allocation of a site for a use which will not be delivered and is therefore contrary to paragraphs 47 and 178 the NPPF. This approach is specifically contrary to NPPF paragraph 178 which states that "To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

We therefore continue to strongly object to the proposed allocation of the site for 'residential-led' development, excluding student accommodation. It is considered that this development requirement within Policy SB8 is not justified by substantive viability evidence, nor is it in accordance with national policy.

Q2. Are the development requirements and design principles for the site allocations positively prepared, justified, effective and in accordance with national policy?

For the above reasons we strongly object to the proposed allocation of the land within the North Bank for 'residential-led' development, excluding student accommodation. It is considered that this development requirement is not justified and in accordance with national policy.

Notwithstanding our objections to the proposed land use allocation, it is important that the remaining development requirements set out within Policy SB8 are positively prepared, justified and effective as specified by the Inspector in the Issues and Matters raised in ID/3.

We support reference within Policy SB8 to ‘high density urban form’ and agree with the principles that any redevelopment should make the most efficient use of the developable space available. However, we are concerned that this positive approach set out in the Placemaking Plan has not been adopted by the Council’s Development Management team in relation to a recent planning application for the site (ref: 15/05688/FUL). Indeed, the responses received by internal officers and other consultees in relation to this planning application appeared to suggest that the proposed development was of an unacceptable scale and represented overdevelopment despite falling within the scale parameters set by the Bath Western Riverside SPD.

In order to ensure that the positive approach taken within the Placemaking Plan to ‘high density urban form’ is retained, it is considered that additional supportive text should be added to clarify that development within the parameters set out in the Bath Western Riverside SPD will be supported in principle. In particular, it would be helpful if Policy SB8 made reference to the height parameters set out by the SPD, specifically the allowance for development of 3-5 stories on the site. It is considered that additional text within Policy SB8 to this effect would assist in decision making.

In relation to the ‘additional requirements for land within the North Bank’, within which the site falls, whilst we are supportive of the aspirations to provide active building frontages, we are concerned that the suggestion that the aspiration to introduce an active frontage to the riverside is not consistent with current officer opinion at the Council. As part of the recent planning application (15/05688/FUL) officers expressed a desire that buildings should be set back from the river in order to incorporate a landscape corridor for usable amenity space. Despite demonstrating through the planning application that significant usable green space could not be provided for a variety of reasons, officers refused to change their opinion on this and would not accept built development close to the river towpath.

It is therefore important to establish what the requirements are for active frontage along the riverside, particularly given that the views of officers expressed through the recent planning application appear to suggest that the building line should be set back to create usable amenity space with views across the river. Whilst we agree that it is important to set out design aspirations it is crucial to give an accurate reflection of the circumstances of this particular site. If development is to be guided by the principles set out in Policy SB8 then it is important to ensure that these are clear and achievable.

5. Conclusion

In conclusion, whilst we support the allocation of the land within the North Bank for 'development' in principle, we continue to object to the proposed allocation under Policy SB8 for residential-led development only, *"not including student accommodation".* The proposed allocation is not based on robust and justifiable evidence on viability, student need and the strategic housing requirement, nor is it in accordance with national policy.

Therefore, in response to the matters raised by the Inspector in ID/3, it is considered that there is a fundamental lack of evidence to justify the exclusion of student accommodation as a potential land use for the site.

It is critical that, once adopted, the Plan ensures that the redevelopment of this underused vacant brownfield site can be delivered. We therefore have significant concerns over the proposed allocation for the site which ultimately may prevent its redevelopment, resulting in an important site within the Bath Western Riverside and Enterprise Zone remaining as an underused resource for the foreseeable future. We acknowledge that the Council must seek to address the need for both student and market housing in the city, however we contest the approach to a 'prioritisation of uses' which is not based on robust evidence, and the Council should not be allocating sites for a single use (residential) which is not viable. This is clearly contrary to the principles of the NPPF.

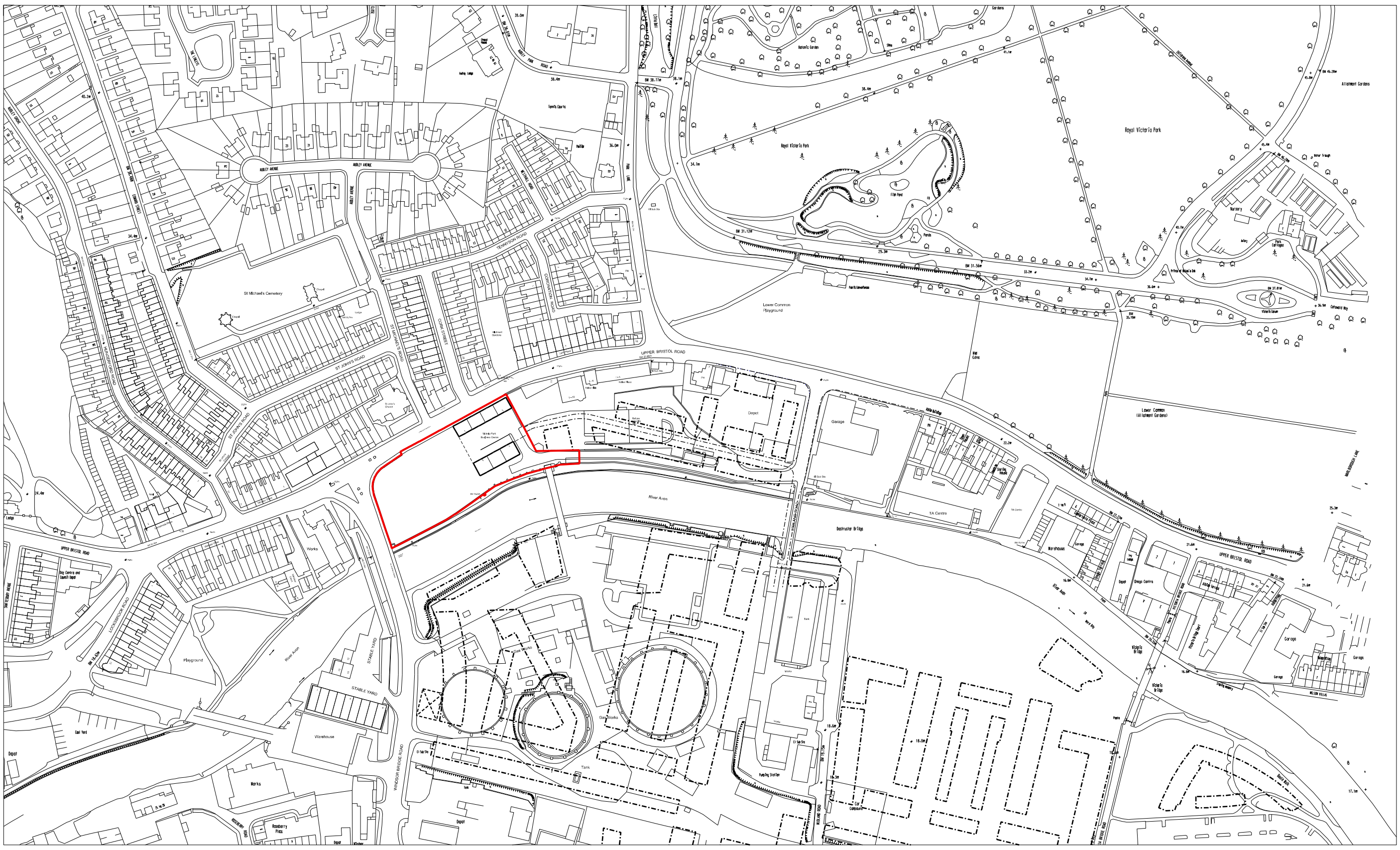
Given the undeniable need for additional off-campus student accommodation in Bath, and the suitability of the land within the North Bank for student accommodation, it is strongly recommended that Policy SB8 be amended accordingly.

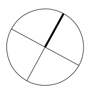
Therefore, as already outlined in our previous representations, it is strongly recommended that Policy SB8 should be amended to ensure that the allocation of the land within the North Bank allows for student accommodation as a potential land use to enable flexibility in the delivery of the site. In this respect, our proposed changes to draft Policy SB8, outlined in our previous representations, has been set out again below for ease of reference:

1) Delete reference *"not including student accommodation"* on p71;

2) Amend draft allocation to include the potential for *"student accommodation, and/or residential development".*

Appendix 1
Site Location Plan





Amendment	Date
A ISSUED FOR PLANNING	04/12/2015

KEY

- Application Boundary
- Proposed buildings forming part of consented BWR masterplan

0 50 100 150m

FeildenCleggBradleyStudios LLP

Bath Brewery
Toll Bridge Road
Bath BA1 7DE

t 01225 852545
f 01225 852528
e bath@fcbstudios.com

PLANNING

Amendment	Date

UPPER BRISTOL ROAD, BATH

Job/Drawing No: 1755/SU/001 Amendment: A

SITE LOCATION PLAN
AS EXISTING

Scale 1:1250 (1:2500 @ A3)
Date 27/11/2015
Drawn

Do not scale (except for planning purposes)   All dimensions to be checked on site

Original printed at A1

Appendix 2
JLL Viability Assessment

Valuation Advisory

Westmark (Bath) Ltd

Student Demand Study and Placemaking Planning Commentary – Windsor Bridge Road/Upper Bristol Road, Bath

August 2016

Contents

Appendices

1 Executive Summary

This report has been prepared by JLL on behalf of Westmark (Bath) Ltd and relates to the proposed redevelopment of land at Windsor Bridge Road/Upper Bristol Road in Bath for purpose built student accommodation. The report is supplemental to the original report prepared by JLL dated November 2015 covering the Financial Viability Assessment (the 'Viability Assessment') attached at Appendix A.

We have been instructed to provide the following:

- Review of the Council's viability evidence, prepared by BNP, to support the Bath & North East Somerset Placemaking Plan dated November 2015 and comparison to JLL's Viability Assessment. Our review relates to the Windsor Bridge Road/Upper Bristol Road site and the BNP assessment of this.
- Updated Supply and Demand Assessment – to provide an update to section 5 of the original Viability Assessment.

This report has been prepared by Alistair Kimpton MRICS and Huw Forrest MRICS, Director.

2 Introduction

2.1 Overview

JLL have been instructed by Westmark (Bath) Ltd to provide a viability assessment for a proposed redevelopment of land at development at Windsor Bridge Road/Upper Bristol Road in Bath for student accommodation.

The structure of the report is as follows:

- Section 3 looks at the variables within the BNP Viability Assessment, which underpins the strategy for the allocation of sites within the Placemaking Plan, and compares to those within the JLL assessment of even date;
- Section 4 provides an overview of the Higher Education Sector in Bath, together with student accommodation demand analysis;
- Section 5 concludes the assessment.

2.2 Status

This report and its contents have been prepared specifically to support the promotion of the site through the Placemaking Plan and to support our clients objection to the proposed allocation of the site for residential use.

The report and appraisals may be used to inform negotiations with Bath and North East Somerset Council regarding the future development on the site.

Our appraisals have been subject to limited due diligence and are provided on a non-reliance basis. Thus, the advice contained herein cannot be used for purposes other than those mentioned, including loan security purposes.

3 Comparison to BNP Viability Assessment

3.1 Context

In light of the ongoing promotion of the site and the preparation of our own viability evidence to support the conclusion that residential development on the site is not viable, we been asked to provide comment on the BNP Viability Assessment published in November 2015.

3.2 BNP Viability Assessment

BNP's Viability Assessment provides a high level analysis of the viability of a number of sites around the city, determining their suitability for residential uses, amongst other uses. Our commentary relates solely to the subject site, referred to as 'Windsor Bridge / Upper Bristol Rd' within the BNP Viability Assessment, and does not place comment on any other aspect of the BNP report. The site is identified as having a positive land value of £5.17m against the JLL assessment of negative £4.82m.

3.2.1 Summary Comparison with JLL's Viability Report

BNP's hypothetical development for the Windsor Bridge site assumes a higher density of 10,320 m², compared to Westmark scheme of 8,202 m² and is therefore a 25% larger scheme. For clarification, our basis of value is on a grossed Net Internal Area, i.e. the cumulative sum of all the residential units excluding common circulation space. We are of the understanding that BNP's report adopts the same methodology, however, refers to this as the Gross Internal Area and excludes any communal space.

Element	BNP	JLL
Total Size	10,320 m²	8,202 m²
Affordable Housing (AH)	40%	30%
Area ratio (AH:OMH)	4,128:6,192	2,461:5,741

We note that BANES have already indicated that the proposed density of the Westmark scheme prepared under the original JLL Viability Assessment is at an unacceptably high level of density for this site and accordingly the BNP massing assumptions must also reflect this. We do not therefore consider that BNP's density would be achievable. As such, we have drawn comparisons based upon our areas as being on the lower side.

For comparison we have therefore sought to reduce the areas of the BNP report to reflect a like for like area. For example, the net sellable area in our valuation of 8,202 sq m reflects a 20.52% reduction compared to the area of 10,320 m² within the BNP report. We have therefore reduced the rates in the BNP report by this 20.52%, or adopted a £psm basis, in order to draw comparison. We recognise this is slightly artificial but feel in the absence of a definitive comparison this would reflect an appropriate methodology to identify standout variables.

3.2.2 Gross Development Value Comparison

Having reviewed the capital value rates utilised by BNP we would comment that we believe these are broadly in line with those adopted by JLL and were assessed at the same date in November 2015. BNP's overall sales figure for open market housing of £3,604 per m² sits well within JLL's range of £3,290 to £4,302 per m².

Within BNP's assessment, a level of 40% affordable housing is assumed as viable, therefore providing a private housing/affordable housing split of 6,192 m² : 4,128 m². Within our appraisal we have assumed 30% affordable housing, as the policy compliant position. Following the accepted principals as set out in both our report and C&W's report, we have assumed the affordable housing is priced at 50% of Open Market Value Housing.

BNP's analysis of the site provides for a Gross Development Value of £29,756,613, which equates to £3,604 per m² (£334.82 psf) for the Open Market Housing and £1,802 m² (£167 psf) for affordable housing. This compares to the JLL GDV per m² of £3,290 to £4,302 or an average of £3,741m². JLL have therefore adopted an average sales rate that is £137m² higher than BNP which would be considered marginal.

3.2.3 Salient Points

We summarise the principal differences between BNP's observations and ours below:

Element	BNP	JLL	JLL Comment
Total Size	10,320 sq m	8,202 sq m	Based on comments from officers at the Council, we consider the density proposed by BNP unachievable.
Affordable Housing (AH)	40%	30%	We have adopted the policy compliant position.
Area ratio (AH:OMH)	4,128:6,192	2,461:5,741	
Gross Development Value	£29,756,613	£26,210,000	Based on original areas
Open Market Housing £m²	£3,604	£3,290 - £4,302	BNP's estimates sit within JLL's range and against the average of £3,741m² is within what we would consider to be an appropriate tolerance.
Affordable Housing £m²	£1,802	£1,645 - £2,151	A principal of 50% of OMV has been adopted by JLL

3.2.4 Costs and Inputs Comparison

BNP's viability assessment produces a positive land value of £5,171,994, however, there are some significant differences in the assumed inputs, especially the development costs where they have adopted £16,614,748. We understand that the £16.6m costs are all inclusive of fees, contingency etc.

We understand BNP have included allowance for S106 payments (£1,000 per unit), 3% of GDV spend on marketing, 10% of build costs spend on external works & on-site infrastructure, 5% contingency and 10% professional fees. These are included in the £16.6m cost assessment.

Deducting these elements from the global build costs provides a net build cost of £12,097,640 or £1,172.25 per m² (£108.90 psf). This is substantially below the net build costs reported by Sweett's on behalf of Westmark, of £1,441.95 per m² (£133.96 psf) or 20% lower and reflects the single largest variable. We believe these rates are at an unacceptably low level and could not be achieved.

The largest difference lies within External Works or Site Specific Costs, which Sweett's have provided, and we have been instructed to adopt within our valuation. This relates specifically to remediation of the contaminated land. We note that BNP have not allowed for any site specific costs and go on to say under section 5.29 that Exceptional Costs have not been accounted for:

"Exceptional costs can be an issue for development viability on previously developed land. Exceptional costs relate to works that are 'atypical', such as remediation of sites in former industrial use and that are over and above standard build costs. However, in the absence of detailed site investigations, it is not possible to provide a reliable estimate of what exceptional costs might be. Our analysis therefore excludes exceptional costs".

We agree with BNP that in the absence of a cost assessment it is not appropriate for a valuer to make this assessment.

We provide below a comparative summary of costs.

Element	BNP	JLL	JLL Comment
Total Costs	£16,614,748	£21,843,750	We are of the opinion that the Sweetts assessment of cost is a more appropriate basis of costs.
S106 Payments	£1,000 per unit	£8,894 per unit	We have based our S106 cost on other schemes in the area. We would happily reduce this if BANES can confirm a formula. This element is important but not critical in the outcome of the comparision.
Marketing	3% of GDV (£892,698)	2.45% of GDV (£643,187)	Both approaches are within reasonable tolerances of each other.
External Works	10% of Build Costs	42% (£5,592,768)	JLL's costs are substantially high, reflecting the fully costed process of remediating the land.
Contingency	5% of Build Costs	10% of Build Costs	BNP's contingency are based on averages, JLL's are higher reflecting the complex nature of the site.
Professional Fees	.10% of Build Costs	10% of Build Costs	Same approach adopted
Net Build Costs	£1,172.25 per sq m	£1,441.95 per sq m	JLL's costs reflect a fully costed process undertaken by Sweetts.

3.3 Conclusion

In conclusion we are of the opinion that our respective GDV's are on a comparable level, albeit JLL adopt a marginally higher rate. The key difference is the construction rates adopted within the BNP assessment. Adopting the Sweett's costs against the BNP GDV would produce a negative land value. On Westmark's smaller scheme BNP's adjusted costs are £5.229m lower than those of Sweets. Even adopting those cost differences against the BNP scheme would be negative £100,000 but this does not adjust for a pro rate increase in the total Sweetts costs or a pro rata decrease in BNPs GDV. By utilising BNP's GDV, Sweett's construction costs and JLL affordable housing split would produce a land value of negative £5.6m.

We would consider it appropriate to use the fully costed Sweett's assessment in preference to more generic general practice valuation costs. General practice valuation costs would normally be highly caveated and in risk of not properly reflecting site specific factors. These points have been acknowledged by BNP and therefore we consider that the positive site value in the BNP Viability Assessment is not accurate, as demonstrated by our analysis.

In conclusion, we are of the opinion the above comparison supports JLL's assertion that this residential scheme on the site is unviable.

4 Bath Higher Education Sector

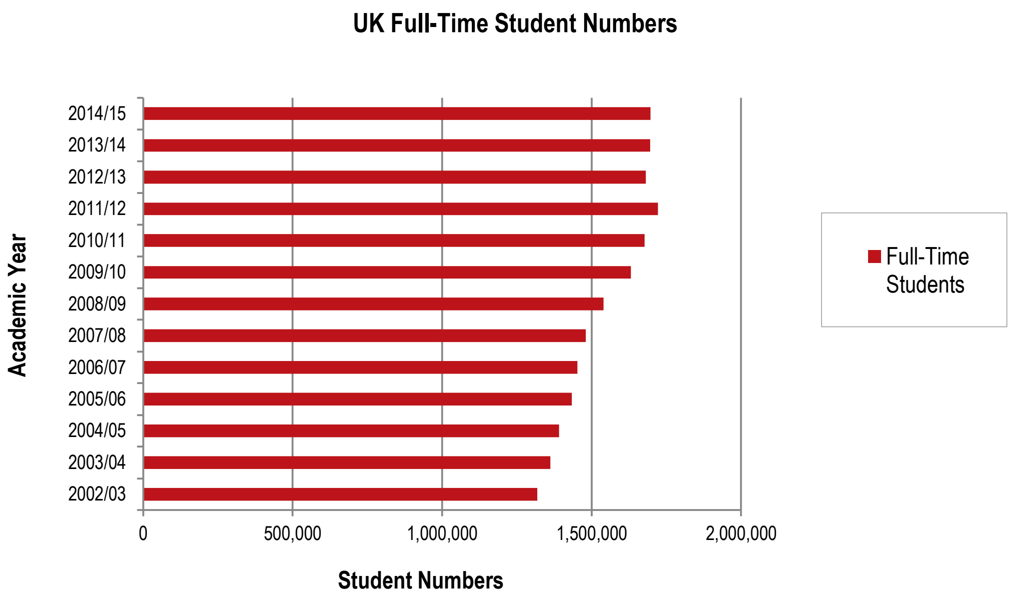
4.1 Student Accommodation – UK Market Overview

The UK student housing sector continues to attract strong global investor interest and has emerged as an established mainstream asset class. The UK market is increasingly mature and there are increasing numbers of investors and sources of capital seeking to gain entry into the sector. Coupled with this, projected student demand is strong as the UK remains a leading global study location.

4.1.1 UK Student Numbers

The table below illustrates the growth in full time student numbers in the UK over the last decade. As can be seen, full time student numbers have shown broadly consistent growth up to the 2012/13 academic year when a series of factors contributed to a 2.3% fall in student numbers nationwide.

The growth in the Higher Education sector has acted as a catalyst for the rapid growth and expansion of the private sector purpose built student accommodation sector.



Source: HESA (latest published data)

4.1.2 Applications Data

<u>Applications Received</u>

The following data relates to the annual number of new applications received by UCAS to study at UK Higher Education Institutions

Applicant Domicile	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
England	473,400	476,770	429,100	441,790	456,920	460,740	459,430
% Change	-	*0.71%*	*-10.00%*	*2.96%*	*3.42%*	*0.84%*	*-0.28%*
Northern Ireland	19,410	20,030	19,150	20,290	20,300	20,810	21,110
% Change	-	*3.19%*	*-4.39%*	*5.95%*	*0.05%*	*2.51%*	*1.44%*
Scotland	43,150	43,390	42,490	42,930	43,910	48,490	49,470
% Change	-	*0.56%*	*-2.07%*	*1.04%*	*2.28%*	*10.43%*	*2.02%*
Wales	23,610	23,920	23,240	22,660	23,450	23,550	23,740
% Change	-	*1.31%*	*-2.84%*	*-2.50%*	*3.49%*	*0.43%*	*0.81%*
Total UK	**559,570**	**564,110**	**513,980**	**527,670**	**544,580**	**553,590**	**553,750**
Other EU	44,980	47,560	41,480	43,290	45,380	48,930	51,850
% Change	-	*5.74%*	*-12.78%*	*4.36%*	*4.83%*	*7.82%*	*5.97%*
Non EU	54,020	56,470	61,260	64,940	69,060	70,530	69,300
% Change	-	*4.54%*	*8.48%*	*6.01%*	*6.34%*	*2.13%*	*-1.74%*
Total	**658,570**	**668,140**	**616,720**	**635,900**	**659,020**	**673,040**	**674,900**
% Change	**-**	***1.45%***	***-7.70%***	***3.11%***	***3.64%***	***2.13%***	***0.28%***

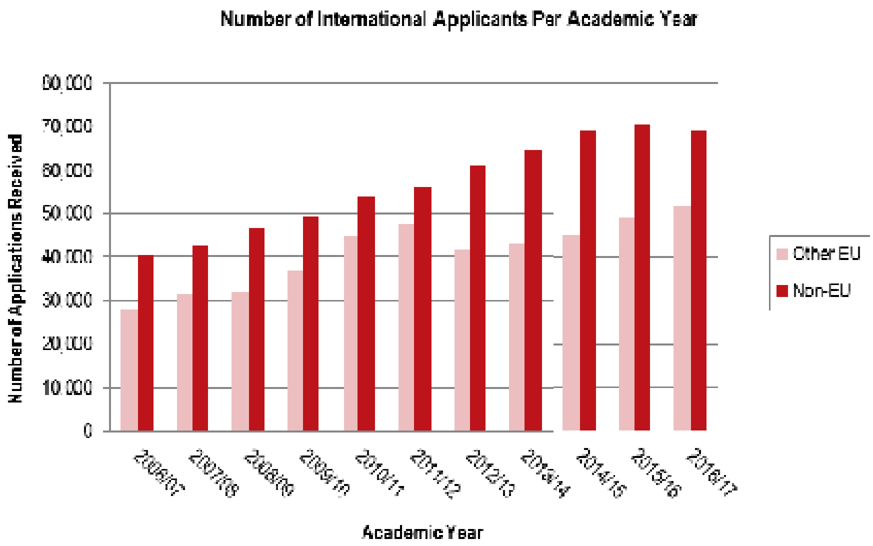
With the introduction of tuition fees for the 2012/13 academic year, a degree of concern was held in respect of whether the fall in applications and student numbers for 2012/13 would become a trend for UK students choosing to study in England, as students were dissuaded from seeking Higher Education due to the revised fees structure that enables universities to charge between £6,000 and £9,000 per annum, resulting in the majority of students accruing significant levels of student debt.

As is illustrated by the above tables, the fall in student numbers that was recorded for the 2012/13 academic year was preceded by a fall in the number of applications to study for that academic year, demonstrating the correlation between application numbers and student numbers.

Total applications (encompassing UK, EU and non-EU students) to study for the 2013/14 academic year increased by 3.11%, 2014/15 showed an increase of 3.64%, 2015/16 increased by a further 2.13% and 2016/17 applications have remained steady, with a marginal increase of 0.28%. This would suggest that the fall in applications experienced for 2012/13 has not become a trend.

However, one of the key trends that can be derived from the applications data is the broadly consistent growth in the number of international students applying to the UK, particularly those originating from outside the EU. The appeal of UK Higher Education Institutions is an important factor in terms of supporting demand for student accommodation residences.

Overall total applications are at their highest point over the date range measured with a total of 674,900 against the previous peak in 2011/12 of 668,140.



4.2 Overview of Bath Higher Education Sector

Bath has two universities located within the city, the University of Bath and Bath Spa University. There are approximately 19,620 full time students studying within the two different establishments, of which 67.8% study at the University of Bath and 32.2% study at Bath Spa University.

4.3 Universities in Bath

4.3.1 The University of Bath

The University of Bath is ranked 12th in the sector by The Times Good University Guide 2016 and has 7.9 applicants per place.

The University of Bath has a total student intake of 15,575 of which 13,310 (85.5%) are full time. Of the full-time student intake 11,180 (84.0%) are undergraduates and 2,130 (16.0%) are postgraduates. 21.5% of students are from overseas and 2.9% are mature students.

The following student categories are guaranteed university accommodation:

- New full time students in their first year studying bachelor's and master's undergraduate programmes
- New International Foundation Year students based at the City of Bath College
- New full-time Foundation Degree in Sports Performance (C601) students
- New MA Contemporary European Studies (Euromasters)
- New overseas fee-paying postgraduates
- Students with specific medical conditions
- There are also a limited number of places available for exchange and visiting students

4.3.2 Bath Spa University

Bath Spa University is ranked 58th in the sector by The Times Good University Guide 2016, a rise of 12 places from 2015. The University has 6.9 applicants per place.

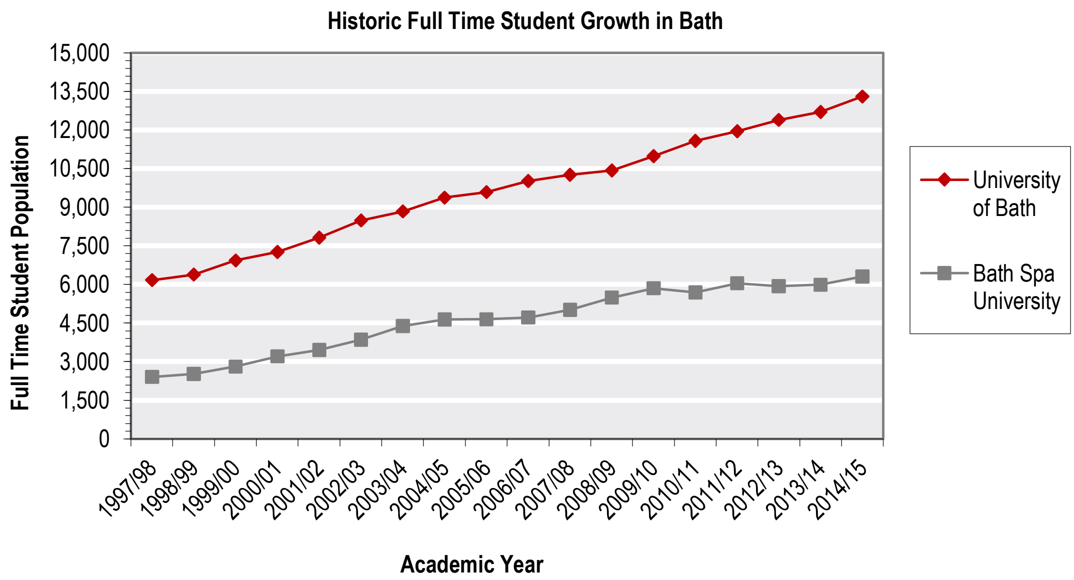
Bath Spa University has a total student intake of 7,380 of which 6,310 (85.5%) are full time. Of the full-time student intake 5,215 (82.6%) are undergraduates and 1,095 (17.4%) are postgraduates. 4.6% of its students are from overseas and 15.2% are mature students.

Students are eligible for accommodation if they meet the following three criteria:

- Are a first year full time applicant and have made Bath Spa University their firm choice.
- Live more than 30 miles from the University.
- Will be studying at Newton Park Campus, Sion Hill Campus, The Circus, Dartmouth Avenue or at City of Bath College (studying a Bath Spa Foundation Degree).

4.4 Student Demographics

4.4.1 Historic Growth in Student Numbers



4.4.2 Applications to Study

The table below illustrates the number of full time students and the number of applications / applicants accepted at both the University of Bath and Bath Spa University. The data relating to full time student numbers is taken from the Higher Education Statistics Agency (HESA) and the data relating to applications / applicants accepted is taken from the Universities and Colleges Admissions Service (UCAS).

Institution	Application (Choices)	% Change from Previous Year	Accepted Applicants	% Change from Previous Year	Full Time Student Numbers	% Change from Previous Year
University of Bath						
2015/16	29,390	13.78%	3,635	7.07%	Not released	Not released
2014/15	25,830	14.01%	3,395	10.23%	13,310	4.80%
2013/14	22,655	12.40%	3,080	3.01%	12700	2.42%
2012/13	20,155	2.28%	2,990	5.65%	12,400	3.77%
2011/12	19,705	-0.50%	2,830	-3.08%	11,950	3.24%
2010/11	19,805	0.08%	2,920	0.52%	11,575	5.32%
2009/10	19,790	-1.00%	2,905	2.47%	10,990	5.32%
2008/09	19,990	-	2,835	-	10,435	-
Bath Spa University						
2015/16	14,765	10.39%	2,515	18.91%	Not released	Not released
2014/15	13,375	8.61%	2,115	8.74%	6,310	5.25%
2013/14	12,315	-1.48%	1,945	1.30%	5,995	1.10%
2012/13	12,500	-16.02%	1,920	-4.95%	5,930	-1.90%
2011/12	14,885	14.02%	2,020	-3.81%	6,045	1.34%
2010/11	13,055	17.09%	2,100	1.45%	5,965	1.88%
2009/10	11,150	1.55%	2,070	7.25%	5,855	6.75%
2008/09	10,980	-	1,930	-	5,485	-
University of Bath & Bath Spa University Combined						
2015/16	44,155	12.63%	6,150	11.62%	Not released	Not released
2014/15	39,205	12.11%	5,510	9.65%	19,620	4.95%
2013/14	34,970	7.09%	5,025	2.34%	18,695	1.99%
2012/13	32,655	-5.59%	4,910	1.24%	18,330	1.86%
2011/12	34,590	5.26%	4,850	-3.39%	17,995	2.59%
2010/11	32,860	6.21%	5,020	0.90%	17,540	4.13%
2009/10	30,940	-0.10%	4,975	4.41%	16,845	5.81%
2008/09	30,970	-	4,765	-	15,920	-

As is illustrated within the table above, there is typically a clear correlation between changes in the number of applicants accepted and the total number of full time students at a Higher Education Institution.

Student numbers nationally fell by 2.3% for the 2012/13 academic year, due a variety of factors including the introduction of higher tuition fees, lower than expected A-Level results and the tightening of Visa restrictions for international students. In spite of the national fall in student numbers, the University of Bath recorded an increase of 3.77% in its full time student population. Bath Spa University broadly mirrored the national fall, with a fall of 1.9%.

A major positive for the University of Bath and Bath Spa University is the respective increases of 7.07% and 18.91% in the number of applicants accepted for the recent 2015/16 academic year and 10.23% and 8.74% respectively for 2014/15. These are substantial increases compared to previous years and also the national average and demonstrate the popularity of and demand for places at Bath's Higher Education Institutions and we would anticipate this growth trend continuing.

4.4.3 US Partnership

In 2013, Bath Spa University launched a joint venture programme with Cambridge (U.S.)-based education provider Shorelight Education, which enables an increased number of international students to study at the University.

We understand the partnership was to involve the development of a 'Pathway College' for international students, as well as a Global Business Leadership College that will offer a portfolio of business and management-related degree programmes, enabling more students globally to achieve a UK degree, as well as helping the University to grow, and invest in the future..

The University had estimated that through the partnership, the first intake year in 2014 will enable an additional 300 international students to study in Bath, rising to an intake of 2,000 over the following four years. They further state that students entering University via the Pathway College will study an intensive first year that includes language tuition, academic instruction and UK history and culture, and (subject to passing the first year) will join established degree courses in their second year.

The University's 2015 Financial Statement that:

"The joint venture partnership with Shorelight Education LLC of Boston MA, Bath Spa Global, has completed its first full year of operation with a high proportion of its students progressing to courses in the University, as envisaged. However recruitment has been lower than expected and costs higher, with the result that a restructuring of the business is being implemented to concentrate on its core mission as a pathway college; under these revised arrangements broader business education activities will transfer to the University. Negotiations continue on the surrounding commercial arrangements."

It is therefore unclear at this point what the increase in numbers is forecast to be but we understand that as the joint venture is being restructured rather than terminated that this is likely to result in an increase in number but on the lower side of the range. We have not contacted the university to formally verify.

4.4.4 Conclusions

As we have commented above, we would expect the significant increase in applicants accepted at the University of Bath and Bath Spa University for the recent 2015/16 academic year to translate into further growth in student numbers going forward. Additional intake such as the above will result in increased demand for modern accommodation facilities and this anticipated increase in the student population in Bath is likely to place further pressure on the ability of the University and the city of Bath to house the student population and therefore increase the requirement for purpose built student accommodation.

We would also highlight the point that according to 2013 National Student Survey (NSS) the University of Bath was ranked 1st for student satisfaction out of more than 150 UK higher education institutions. In The Times and The Sunday Times Good University Guide 2014 the University was awarded the title of "Best Campus University in Britain" and Bath was awarded the title of 'University of the Year 2011/12'. Accordingly we would expect the University to continue to strongly attract students in the future.

4.5 Bath – Purpose Built Student Accommodation

4.5.1 University of Bath Accommodation

The University of Bath offers accommodation in 20 Halls of Residence with a total of 4,044 bed spaces.

The University of Bath rents for self-catered accommodation range from £65 to £269 per bed per week. The standard letting term is 38 to 51 weeks and rents are paid inclusive of bills.

The table below summarises the type, cost and number of beds provided by the University of Bath for 2016/17.

Halls	Accommodation	No of Beds	Term (Weeks)	Weekly Cost 2016/17 (inclusive of utilities)	GOI (p.a)
Campus Accommodation					
Woodland Court	Self-catered	353			
	En-Suite		38	£158.00	£6,004
			50	£160.00	£8,000
	Large En-suite		38	£160.00	£6,080
	Large En-suite		38	£75.00	£2,850
Westwood	Self-catered	654			
	Standard with washbasin		38	£122.00	£4,636
Solsbury and Marlborough Court	Self-catered	468			
	En-suite		38	£153.00	£5,814
Brendon Court	Part-Catered	126			
	Standard with washbasin		38	£163.42	£6,210
Eastwood	Self-catered	615			
	Standard		38	£98.00	£3,724
	Standard with washbasin		38	£115.00	£4,370
			36	£98.00	£3,528
	Shared		38	£65.00	£2,470
			36	£65.00	£2,340
Norwood House	Self-catered	143			
	Standard with washbasin		38	£122.00	£4,636
Polden Court	Part-Catered	126			
	En-suite Shower small		38	£182.42	£6,932
	En-suite bath/shower		38	£192.42	£7,312
	En-suite bath/shower large		38	£197.42	£7,502
Osborne House	Self-catered	35			
	Standard		38	£98.00	£3,724
	Large Standard			£106.00	£106
	En-suite Shower		38	£125.00	£4,750

Halls	Accommodation	No of Beds	Term (Weeks)	Weekly Cost 2016/17 (inclusive of utilities)	GOI (p.a)
	Studio		38	£144.00	£5,472
	Large Studio		38	£150.00	£5,700
	Double Flat (for couples)		38	£216.00	£8,208
The Quads	Part-Catered	708			
	En-suite shower		38	£174.71	£6,639
Off Campus Accommodation					
John Wood Court	Self-catered	176			
	Standard		38	£117.00	£4,446
	Shared Standard		38	£70.00	£2,660
	Double Flat (for couples)		38	£206.00	£7,828
			50	£206.00	£10,300
John Wood Building	Self-catered	81			
	En-suite		38	£160.00	£6,080
	Small double flat (for couples)		38	£201.00	£7,638
Clevelands Building (PG)	Self-catered	154			
	Standard		50	£122.00	£6,100
	Standard Large		50	£124.00	£6,200
	En-suite shower		51	£147.00	£7,497
	En-suite shower large		50	£155.00	£7,750
	Double Flat (for couples)		50	£206.00	£10,300
	Double Studio (for couples)		50	£190.00	£9,500
Carpenter House	Self-catered	133			
	Standard		51	£117.00	£5,967
Canal Wharf (PG)	Self-catered	21			
	Standard		50	£108.00	£5,400
	Studio		50	£144.00	£7,200
	Large Studio		50	£150.00	£7,500
	Double Flat (for couples)		50	£206.00	£10,300
	Double Room (for couples)		50	£155.00	£7,750
Pulteney Court (PG)	Self-catered	137			
	Standard with washbasin		50	£115.00	£5,750
	Standard		50	£115.00	£5,750
	Studio		50	£144.00	£7,200
Thornbank Gardens (PG)	Self-catered	221			
	En-suite shower		50	£147.00	£7,350
	Studio		51	£154.00	£7,854
Canal Bridge*	Self-catered	21			
	Standard		51	£140.00	£7,140
James House*	Self-catered	Not known			
	Townhouse - Large En-suite		51	£155.00	£7,905
	Townhouse - Premium En-suite		51	£160.00	£8,160
	Standard Studio		51	£209.00	£10,659
	Standard Plus Studio		51	£219.00	£11,169
	Premium Studio		51	£229.00	£11,679
	Premium Double Studio		51	£249.00	£12,699
	Premium Plus Double Studio		51	£269.00	£13,719

Halls	Accommodation	No of Beds	Term (Weeks)	Weekly Cost 2016/17 (inclusive of utilities)	GOI (p.a)
Piccadilly Place*	Self-catered Standard	47	51	£140.00	£7,140
Widcombe Wharf	Self-catered En-suite	40	51	£160.00	£8,160
	Total	**4,259**			

*Managed by CRM

4.5.2 Bath Spa University Accommodation

Bath Spa University's Halls of Residence offers a total of 1,983 bed spaces.

Bath Spa University rents for self-catered accommodation range from £99 to £238 per bed per week. The standard letting term ranges from 39 to 51 weeks and rents are paid inclusive of bills.

The table below summarises the type, cost and number of beds provided by Bath Spa University for 2016/17:

Halls	Accommodation	No of Beds	Term (Weeks)	Weekly Cost 2016/17 (inclusive of utilities)	GOI (p.a)
Newton Park Campus	Self-Catered				
	The Commons				
	Single		44	£120.00	£5,280
	Large Single		44	£135.00	£5,940
	Shared		44	£99.00	£4,356
	En-suite		44	£144.00	£6,336
	Studio	868	44	£165.00	£7,260
	The Gardens				
	En-suite		39	£148.00	£5,772
	En-suite		44	£148.00	£6,512
	En-suite large		44	£153.00	£6,732
	En-suite studio flat		44	£170.00	£7,480
	1 Bed Flat		44	£175.00	£7,700
Charlton Court*	Self-Catered				
	Classic En-suite		49	£141.00	£6,909
	Premium En-suite 1	295	49	£146.00	£7,154
	Premium En-suite 2		49	£153.00	£7,497
Bankside House	Self-Catered				
	En-suite	43	44	£144.00	£6,336
	Studio		44	£170.00	£7,480
Waterside Court*	Self-Catered	316			
	Classic En-suite		45	£141.00	£6,345
Green Park House***	Self-Catered	461			

Halls	Accommodation	No of Beds	Term (Weeks)	Weekly Cost 2016/17 (inclusive of utilities)	GOI (p.a)
	Standard Twodio		40	£164.00	£6,560
			51	£164.00	£8,364
	Large Twodio		40	£169.00	£6,760
			51	£169.00	£8,619
	Standard Studio		40	£196.00	£7,840
			45	£196.00	£8,820
	Accessible Studio		40	£196.00	£7,840
			45	£196.00	£8,820
	Large Studio		40	£228.00	£9,120
			45	£228.00	£10,260
	Premium Studio		40	£238.00	£9,520
			45	£238.00	£10,710
	Townhouse EG01		40	£149.00	£5,960
			51	£149.00	£7,599
	Townhouse EG02		40	£149.00	£5,960
			51	£149.00	£7,599
	En-suite in 10 bed duplex		40	£160.00	£6,400
			51	£160.00	£8,160
	En-suite in 12 bed duplex		40	£160.00	£6,400
			51	£160.00	£8,160
	En-suite in 4-9 bed cluster		40	£160.00	£6,400
			51	£160.00	£8,160
Twerton Mill**	Self-Catered				
	Single En-suite	Not known	44	£156.00	£6,864
	Townhouse (shared bathroom)		48	£151.00	£7,248
	TOTAL	**1,983**			

*Owned and Managed by the UNITE Group
**Managed by CRM
***40, 45, 51 & 52 week contracts available

4.5.3 University Accommodation - Summary

The University of Bath and Bath Spa University are only able to provide residential accommodation for a relatively small proportion of their students. The two education providers have a combined total of 6,242 bed spaces for 19,620 full time students. Therefore circa 31.8% of students reside within University accommodation.

Where students are unable to obtain University accommodation they either live at home or rent from the private sector. The majority of student demand is met by Houses in Multiple Occupation (HMO's) or the parental home.

Institution	Total Number of Full Time Students	University Accommodation (bed spaces)	% Bed spaces to F/T Students
University of Bath	13,310	4,259	32.0%
Bath Spa University	6,310	1,983	31.4%
Total	**19,620**	**6,242**	**31.8%**

4.5.4 Private Sector Accommodation

Unlike many other University cities, the presence of private sector purpose-built developments are currently predominantly in the form of leases with the University, typically on a full repairing and insuring basis, whereby the University leases and manages the buildings.

With regard to the Halls listed above, the Consensus Group is understood to own Carpenter House and Pulteney Court, and UNITE manages or owns Osborne House, Clevelands, Sydney Wharf and Charlton Court which are leased to the University of Bath, and Waterside Court which is leased to Bath Spa University. Bath Spa University has entered into a formal arrangement with UNITE over Waterside Court whereby rents and services are regulated by a long term agreement; the University determines room allocations and UNITE manages and maintains the accommodation and collect the rents. Bath Spa University also has an agreement with CRM for the Bankside House residence and a part nomination agreement with Unite on Charlton Court.

The table below illustrates the current private sector accommodation within the city:

Operator	Halls	Accommodation	No of Beds	Term (Weeks)	Weekly Cost 2016/17 (inclusive of utilities)	GOI (p.a)
J Aland Lettings	Quasar Building	2 bed flat	47	52	£120.00	£6,240
		5 bed cluster		52	£124.98	£6,499
Unite*	Charlton Court	Premium Range 1 Studio	294	51	£239.00	£12,189
		Premium Range 2 Studio		51	£239.00	£12,189
		Classic Studio		51	£191.00	£9,741
CRM	Twerton Mill	Standard Studio (Courtyard)	330	51	£200.00	£10,200
		Large Studio (Courtyard)		51	£210.00	£10,710
		Large Accessible Studio (Courtyard)		51	£200.00	£10,200
		Standard Studio (Riverside)		51	£2,005.00	£10,455
Fresh Student	The Depot	Bronze Studio	104	51	£198.00	£10,098
		Bronze Plus Studio		51	£210.00	£10,710
		Silver Studio		51	£220.00	£11,220
		Gold Studio		51	£230.00	£11,730
		Platinum Studio		51	£240.00	£12,240
		Platinum Plus Studio		51	£250.00	£12,750
CRM**	James House	Town House Large En-suite	168	51	£155.00	£7,905
		Town House Premium en-suite		51	£160.00	£8,160
		Standard Studio		51	£209.00	£10,659
		Standard Plus Studio		51	£219.00	£11,169
		Premium Studio		51	£229.00	£11,679
		Premium Double Studio		51	£249.00	£12,699
		Premium Plus Double Studio		51	£269.00	£13,719
CRM	1-3 James Street West	4 Bed Cluster Flat	78	51	£165.00	£8,415
		5 Bed Cluster Flat		51	£160.00	£8,160

Operator	Halls	Accommodation	No of Beds	Term (Weeks)	Weekly Cost 2016/17 (inclusive of utilities)	GOI (p.a)
		6 Bed Cluster Flat		51	£160.00	£8,160
		TOTAL	**1,021**			

*Beds also available through Bath Spa University
**Beds also available through Bath University
Rents in bold are for 2016/17

4.5.5 Current Analysis

The two universities in Bath have a combined total of 19,620 full time students, but they are only able to provide 6,242 bed spaces. Direct lets in the private sector provide 1,021 bed spaces.

Accommodation Analysis	Accommodation (bed spaces)	Proportion of Students %
University of Bath	4,259	21.7%
Bath Spa University	1,983	10.1%
Private Sector Operators	1,021	5.2%
Other (Students Resident "at home" or in HMO's)	12,357	63.0%
Total	**19,620**	**100%**

A total of 7,263 (37%) of full time students can therefore obtain university or private sector accommodation, which indicates that 12,357 (63%) of students must obtain accommodation elsewhere. We have been advised by HESA that the number of full-time and sandwich students studying in Bath with a term-time accommodation of parental/guardian home was 590. If we take these figures into account, this produces the following demand analysis:

Accommodation Analysis	Accommodation (bed spaces)	Proportion of Students %
University of Bath	4,259	21.7%
Bath Spa University	1,983	10.1%
Direct Let Operators	1,021	5.2%
Student Residents "at home"	590	3.0%
Other	11,767	60.0%
Total	**19,620**	**100.0%**

A total of 7,853 (40.0%) of full time students can therefore obtain university or private sector accommodation, or choose to reside in the parental (or own) home, which indicates that 11,767 (60.0%) of students must obtain accommodation elsewhere. This is a considerable proportion and demonstrates that there is an accommodation shortfall.

4.5.6 Development Pipeline 2016/17

The development pipeline of student accommodation schemes in Bath comprises the following:

Address	Estimated no. of Bed Spaces	Applicant/Agent	Status
Pinesgate, Lower Bristol Road, Bath, BA2 3DP	358	Pinesgate Investment Company / GVA Grimley	Application 15/05026/EFUL Submitted 05/11/2015 Permission granted 19/05/2016
Former St Johns RC Primary School & 33-34 Pulteney Road, Bath BA2 4Z	187	Student Castle / Stride Treglown	Application 16/01314/FUL Submitted 18/03/2016 Permission granted 02/06/2016
Wansdyke Business Centre, Oldfield Lane, Bath BA2 3LY	199	CEPII Bath Ltd / Turley	Application 16/02749/FUL Submitted 01/06/2016 Decision pending
Polden Corner, The Avenue, Bath BA2 7AY	293	University of Bath / Stride Treglown Ltd	Application 16/02345/FUL Submitted 12/05/2016 Decision pending
Weirside Court, Lower Bristol Road, Bath BA2 1AZ	32	McLaren Property / BBA Architects Ltd	Application 16/03060/FUL Submitted 16/06/2016 Decision pending
Bath Sea Cadet Corps, 30 St Johns Road, Bath BA2 6PX	18	Bath Sea Cadets / Stride Treglown Ltd	Application 16/03359/FUL Submitted 05/07/2016 Decision pending
Total	**1,087**		

4.5.7 Pipeline Analysis

Taking into account the schemes within the development pipeline, the student accommodation analysis for Bath reflects the following:

Accommodation Analysis	Accommodation (bed spaces)	Proportion of Students %
University of Bath	4,259	21.7%
Bath Spa University	1,983	10.1%
Private Commercial	1,021	5.2%
Pipeline	1,087	5.5%
Other (Students Resident "at home" or in HMO's)	10,876	57.4%
Total	**19,620**	**100%**

The table above illustrates that circa 57.4% of full time students in Bath could not access purpose built university or private sector student accommodation, even assuming the entire development pipeline was built out.

4.5.8 HMO Accommodation

The traditional student accommodation option of terraced housing is part of the HMO legislation relating to safety, minimum sizes and security. The market anticipates that the impact of HMO legislation may further reduce supply available for full time students, resulting in many such properties being withdrawn from student use and potentially reverting to a more open residential end user. We are of the opinion that this could assist the purpose built operators over the medium to longer term. It is our understanding that a commercially operated hall will not require licencing provided that the operators sign up to a Code of Conduct.

The market for student accommodation in Bath is currently largely dominated by the universities and the HMO sector. The main HMO areas in Bath are the City Centre, Combe Down, Newbridge, Oldfield Park, Southdown, Twerton, Weston and Widcombe. There is a broad range of HMO rents available in Bath which currently average from approximately £70 to £100 per bed per week for a 48 week contract, dependent on location, specification and services offered. The average rent per bed per week ranges from £85 to £95. When analysing the above rentals it is important to note that the rents in the HMO sector are generally exclusive of utilities bills, broadband services and insurance costs. Rents in the student accommodation private sector are “all-inclusive” of these costs.

4.6 Conclusions

In terms of the provision of student accommodation, Bath benefits from the presence of two large universities which contribute to a student population in excess of 19,600 full time students. On the basis of the significant percentage increase in the number of applicants accepted for the 2014/15 and 2015/16 academic years at both the University of Bath and the Bath Spa University, we would anticipate future growth in student numbers in the city.

A growing student population will continue to place pressure on the ability of universities and existing accommodation within Bath to provide sufficient student accommodation.

We comment that the above figure of 19,600 does not take into account the increased numbers of international students expected in the City following the agreement between Bath Spa University and the US based education provider Shorelight Education which may give rise to an additional future student intake.

We have made enquiries of the University of Bath and Bath Spa University and both have recently invested large sums of money into their campus’ which indicates a positive future outlook in terms of growth and sustainability. We outline these developments in more detail below:

The University of Bath

- The University is in the midst of a four year £150 million capital programme to provide new teaching and research space, student accommodation and a new arts centre.
- Developments include an 8,000 m² Chancellor’s Building offering a new hub of learning and teaching on campus, new circa 700 bed student accommodation building (completed in time for the commencement of the 2014/15 academic year), major refurbishment (£22 million) of 1 West academic building to provide the addition of new learning facilities, new development of 4 East South (£23 million) creating research and teaching space and development of 10 West (£30 million) providing space for the expansion of the Department of Psychology.

Bath Spa University

- Redevelopment of the Newton Park Campus which comprises a "world-class" development of new academic buildings covering circa 8,000 sqm located centrally at the Newton Park Campus, along with new halls of residence for circa 500 students at a cost of circa £70 million (completed in time for the commencement of the 2014/15 academic year).

In the "Student Numbers and Accommodation Requirements Evidence Base" produced as part of the Strategic Housing Market Assessment, by BANES in July 2013 states that the University of Bath project to grow their student numbers by between 1% and 3% for the period 2009 to 2026, and Bath Spa University assume no growth. Overall the council concludes that if Bath Spa does not expand and the University of Bath grows only by 1% per annum and all accommodation plans are realised, then students should not add to housing pressures over the plan period.

Looking at historic and recent growth patterns and the popularity of the Higher Education Institutions in Bath, a greater growth rate of student numbers could well be experienced as has been experienced in recent intakes. The Planning Inspector's report on the Core Strategy states that Bath Spa University have plans to significantly increase its proportion of overseas students. Furthermore, the delivery of on-campus accommodation has been slower than anticipated and further delays might occur in the future. Lastly, the delivery of on-campus accommodation will require the development of Greenbelt land and there is no guarantee that this will be released in the future for such development and if there is development that this be for academic uses as university budgets are under pressure.

The Planning Inspector has stated that although the assumption by the council is for limited growth in student numbers, it is essential that this assumption is reassessed at future plan reviews so that any additional pressures on the housing market can be identified and taken into account.

Currently, Bath has a significant supply and demand imbalance in respect of the provision of student accommodation by both higher education institutions and private sector built student accommodation. The existing supply of purpose built student accommodation in Bath amounts to 7,263 bed spaces, which allows 37% of the full time student population to access a bed space, with the remainder (63%) making alternative arrangements either in the private rented sector, their own home or their parents' home. This therefore demonstrates a pressing need for student accommodation in Bath.

We are of the opinion that the supply of direct let student accommodation in Bath is extremely low, at just 5.2% of full time student numbers, particularly when considered relative to other similarly sized student accommodation markets.

It is in our understanding that occupancy has been strong for other purpose developed schemes in Bath which would suggest good levels of demand for purpose built accommodation in the city.

The development pipeline of consented schemes in Bath is relatively limited at just 5.5% of full time student numbers. It is often unlikely that the entire pipeline of development is built out due to issues that may arise, for example, funding or deliverability issues. However, even if we assume that all schemes are delivered, it would still leave 57.4% of full time students unable to access university provided or private sector purpose built student accommodation. These students will therefore have to rely on the parental home, own home, HMO style accommodation or privately rented accommodation. This therefore puts increased pressure on the private sector rental markets as students will look to occupy the private sector housing stock due to lack of purpose built student accommodation in Bath.

Generally, some universities are unable to compete commercially for sites for student housing. Purchasing sites requires significant capital investment which some universities do not have available for student accommodation. Furthermore universities often focus their resources on providing additional academic accommodation as a priority rather than student accommodation. As a result some universities are limited to their existing accommodation and have a reliance on the private sector to assist. They also are often unable to expand their accommodation provision to keep up with growth of student numbers. Some universities are forced to spend their limited resources on their main campus accommodation. Therefore, as a result they rely on expert developers to provide student housing for their students.

It is important for universities to provide accommodation to their students for many reasons; those of greatest preference are listed below:

- Students will review accommodation available at a university when making their choice of institution. If they are unable to obtain accommodation this affects the choice of institution made.

- Students are attracted to a life in halls of residence, especially in the first year of study. It assists with integration into university life and the "student experience". Postgraduate and overseas students also often prefer halls of residence as they can provide a quieter more controlled environment for study.

- Twenty-four hour security is major advantage of purpose built student accommodation schemes, in that they offer around the clock security. This is particularly attractive to overseas students and also UK domiciled students.

- By providing good quality halls of residence this assists in the retention of students, especially first year students.

Although the University of Bath and Bath Spa University have both recently invested in new academic facilities and accommodation, this has been an on-campus provision. The campuses are located outside of the city centre. First years tend to wish to reside on-campus during their first year of education, but often then seek accommodation within the city centre from the second year onwards. Therefore there is a need to supply purpose built student accommodation developments within the central area to meet this demand.

In conclusion, our research shows that there is a significant shortfall in the provision of student accommodation in Bath. An absence of supply can lead to:

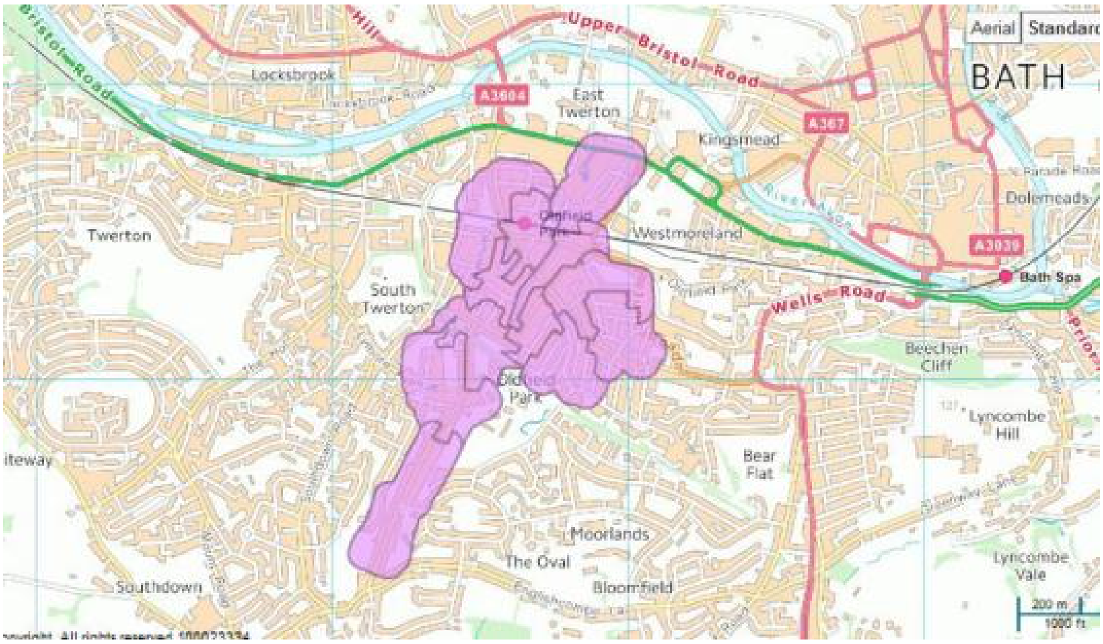
Pressure on housing market

There are a number of negative impacts that arise from the undersupply of student accommodation in a city such as Bath. The most significant is the pressure it places on housing stock elsewhere in the city. The effect of a lack of student accommodation provision on the private sector rental market is that it displaces other social demographics from obtaining housing through the private sector rental market in Bath. The provision of purpose built student accommodation will reduce the significant pressure on HMOs and the private sector rental market.

HMOs often provide low quality and less secure accommodation which do not meet the needs or expectations of students. By increasing the number of purpose built student accommodation beds in Bath, it should ease the pressure on HMOs and allow this accommodation to be utilised by families. Large areas of HMOs develop in areas due to the lack of university or private sector provided student accommodation.

We have had sight of the "Student Numbers and Accommodation Requirements Evidence Base" produced as part of the Strategic Housing Market Assessment, by BANES in July 2013. The report states that the council is mindful that the growth in student numbers during the last decade has not been accompanied by sufficient on-campus managed accommodation and that the associated expansion of the private student lettings market has diminished the "normal" housing stock of the city. This is not unique to Bath but is particularly significant given its relatively small size as a host city for two universities.

The report analysed the supply and demand for student bed spaces generated by each university during the 2012/13 academic year. Following the analysis of the number of beds provided by the universities, in comparison to the number of students requiring accommodation, it was concluded that there could be circa 2,700 HMOs in Bath that cater for students from both academic institutions.



It is considered that the provision of purpose built student accommodation would assist with a reversal of existing HMO stock back to non-student housing which would generally assist in redressing the balance of recent years in certain areas of Bath where HMOs have proliferated. We are of the opinion that an average HMO accommodates six students. The provision of 394 beds of purpose built student accommodation could therefore make available circa 65 HMOs for reversion back into the "normal" housing stock in Bath, relieving some of the pressures currently faced by non-students seeking residential accommodation within the city.

The expansion of HMOs in areas such as Oldfield Park and Westmoreland are a visible consequence of the mismatch between growth in student numbers and the supply of student accommodation within the city. Local residents often have concerns over the effect a high concentration of students could have on amenities of existing occupiers in terms of anti-social behaviour. HMO concentrated areas are uncontrolled and unmanaged. This is in comparison to a well-managed purpose built student accommodation block. The provision of such accommodation will potentially lead to a shift in residents from HMO areas into well managed purpose built accommodation.

Furthermore, depending on certain criteria, Article 4 now requires planning permission to be granted in order to use a dwelling in Bath as an HMO. The map above shows those areas within Bath (shaded pink) for which planning permission is now required in order to establish an HMO. As can be seen, this covers a significant area of the City.

The grant of planning permission for purpose built student accommodation will go a significant way to alleviating the concerns and issues faced in respect of the creation of HMOs and bring these back into general housing stock. The use of Article 4 Directive without the provision of new student accommodation is likely to only displace demand into surrounding markets or even increase overall housing demand as larger households are split into smaller ones. It is important that councils recognise the need to provide alternative student accommodation to counterbalance any displacement of demand whilst also taking care not to damage the housing prospects for young professionals struggling with the unaffordable housing market.

We have reviewed the document prepared by BANES entitled the Student Numbers and Accommodation Requirements in Bath (Part of the Strategic Housing Market Assessment) dated May 2016 (Update of December 2015 – following consultation on the Draft Placemaking Plan).

There are a number of points of observation which are particularly relevant.

- The report references the fact that HE institutions ('HEI's) operate within very small margins and this is particular the case now more than ever. As a national trend it is our opinion that HEI's have sought to focus on the provision of academic facilities over residences driven by both land constraints and financial. There is no point building residential facilities if you do not have the facilities to teach students. The HE market has become highly competitive and institutions across the country have been investing heavily in teaching facilities.

- Historically little thought was focused towards student who were not in their first year of student and accordingly the growth of student numbers was largely meet within the HMO market. The Article 4 Direction implemented in July 2013 will regulate provision within this part of the market and further drive constraints. A constraint market restricts supply and drives rents up to the consumer. Bath along with a limited number of other markets has geographic constraints which means it is a more expensive city to study in and further restrictions could risk the city becoming uncompetitive against rivals and putting financial pressure on the universities which we have mentioned above operate on thin margins. In our opinion managed PBSA drives density, relieving pressure on HMO's for all occupiers.

- The report states that growth in student numbers has not been matched with on or off campus provision of PBSA. This has therefore put pressure on housing and made it more challenging for other housing users to source accommodation arguably making it challenging for employers to recruit talent to the detriment of the city.

Other key facts from the report:

- The combined picture for both universities in Bath shows that since the 2012/13 academic year full time numbers have increased 19.6% or 3,369 additional students.

- Based on the reports 'modelled' need assessment has increased by 2,390 spaces whilst available accommodation has increased by 1,643 leaving a residual on the new demand of 747 beds. Accordingly this illustrates that demand is outstripping supply without allowing for the underlying deficit. The residual new demand would need to be met by approximately 187 HMO's.

- The report sets out that taking into account the predictions and assuming no further supply is delivered there would be demand for 2,976 more beds equivalent to 774 HMO's over the period 2011/12 and 2020/21.

- It is stated that further PBSA would reduce the reliance on the unrealistic levels of HMO growth required to accommodate the shortfall.

It is important for the City to carefully consider available sites for a range of different users from employment, residential, leisure and indeed academic associated uses. In our opinion and based on the viability assessment undertaken we do not consider the Windsor Bridge Road site a natural residential location due to factors previously identified. Accordingly a PBSA allocation is a natural use and in our opinion demand is sufficient currently, and with future growth in student numbers, to justify it meeting some of this demand.

Inadequate integration

Students are attracted to a life in halls of residence, especially in the first year of study. It assists with integration into university life and the “student experience”. Postgraduate and overseas students also often prefer halls of residence as they can provide a quieter more controlled environment for study.

5 Conclusions

The report seeks to provide two objectives namely to:

1. Review the BNP Viability Assessment, specifically the land value apportionment and
2. Updates the supply and demand numbers from the original JLL Viability Assessment (Appendix A).

In conclusion we consider that the BNP Viability Assessment inappropriately identifies a positive land value through:

a. Adopting a building area that is 25.8% larger than the Westmark scheme. The Westmark scheme massing is smaller than that assumed by BNP

b. Under estimating the construction costs when compared to the detailed cost assessment prepared by Sweett's.

The results of our analysis conclude that the BNP Viability Assessment would produce a negative land value in excess of -£5m which suggests that a residential led scheme would not be viable.

We have also undertaken research with regard to student demographics in the city of Bath. In our opinion Bath has a supply and demand imbalance in respect of the provision of student accommodation by both higher education institutions and private sector built student accommodation. The existing supply of purpose built student accommodation in Bath amounts to 7,263 bed spaces, which allows 37% of the full time student population to access a bed space, with the remainder (63%) making alternative arrangements either in the private rented sector, their own home or their parents' home. This therefore demonstrates a pressing need for student accommodation in Bath.

There are a total of 1,087 pipeline beds in Bath that have received planning consent which represents 5.5% of full time students in the city. There is the potential that not all of these schemes will be delivered due to viability issues. However assuming a best case scenario and all schemes being delivered, it would still leave 11,270 (57.4%) full time students studying at institutions within Bath unable to access university provided or private sector purpose built student accommodation.

As identified in the previous section of this report, there is a real need for student accommodation within the city of Bath.

By increasing the number of purpose built student accommodation in Bath, it will ease the pressure on HMOs and accommodation elsewhere in the city, freeing up dwellings for use by others

These students will therefore have to rely on the parental home, own home, HMO style accommodation or privately rented accommodation. This therefore puts increased pressure on the private sector rental market as students will look to occupy the private sector housing stock due to the lack of purpose built student accommodation in Bath.

There are a number of negative impacts that arises from the undersupply of student accommodation in cities such as Bath. The most significant is the pressure that a lack of student accommodation provision has on the private sector rental market, which therefore displaces other social demographics from obtaining housing through the private sector rental market in Bath.

The provision of purpose built student accommodation will reduce the significant pressure on HMOs and the private sector rental market. HMOs often provide low quality and less secure accommodation which do not meet the needs or expectations of students. By increasing the number of purpose built student accommodation in Bath, it will ease the pressure on HMOs and allow this accommodation to be utilised by families. Large areas of HMOs develop in areas due to the lack of university or private sector provided student accommodation.

We would comment that although the site would not initially be deemed an unnatural residential location, its situation adjacent to the recycling centre, the poor access road onto the development, and, in the case of the mixed use scheme, the proximity of the residential units to the student occupiers will have a negative impact on the capital value per square foot of the residential units, and therefore upon viability. Although we understand proposals exist to relocate the recycling centre in the future, we understand that access onto the site will always be via Midland Road which is not ideal for residents. There are also substantial extra costs associated with the development of residential units on site, including the provision of affordable housing and the excavation involved with removing contaminated land, the latter issue again potentially impacting all scenarios.

Appendix A
JLL Viability Assessment

Valuation Advisory

UK and European Investments

Financial Viability Assessment – Windsor Bridge Road/Upper Bristol Road, Bath

November 2015

Contents

Appendices

1 Executive Summary

This report has been prepared by JLL on behalf of UK and European Investments and relates to the proposed development of student accommodation at Windsor Bridge Road/Upper Bristol Road in Bath. We have been instructed to provide the following:

- Financial Viability Assessment – an analysis of the viability of a 100% student accommodation scheme, student/residential mixed use scheme, and a 100% residential scheme;
- Supply and Demand Assessment – an analysis of whether there is sufficient supply of student accommodation in Bath to meet demand.

We have modelled the following scenarios for the purpose of the assessment:

100% Student Accommodation Scheme – 394 BEDS

- (14x) twelve bed townhouses (non en-suite)
- (143x) en-suite cluster beds
- (83x) studios

Mixed Use Scheme – Incorporating Student Accommodation and Residential Units

Student Element

- (4x) twelve bed townhouses (non en-suite)
- (70x) en-suite cluster beds
- (36x) studios

Residential Element

- (20x) maisonettes
- (12x) one bedroom apartments
- (24x) two bedroom apartments

100% Residential Scheme

- (28x) 117 sqm maisonettes
- (30x) one bedroom apartments
- (54x) two bedroom apartments

Having undertaken the viability assessment, we provide below a summary of the residual appraisal outputs:

Description	Detail	Residual Appraisal (circa)
100% Student Accommodation	394 Student Beds	£500,000
Mixed Use – Student and Residential Accommodation	154 Student Beds/56 Residential Units	(£4,580,000)
100% Residential	112 Residential Units	(£4,820,000)

Having assessed the above scenarios adopting assumptions reflective of current market sentiment, cost information and relevant comparable evidence, we are of the opinion that the proposed student accommodation residence is a viable and wholly appropriate development option for the subject site, subject to ratification of total development costs and planning.

Our restricted residual appraisal results demonstrate that, in comparison to a student scheme, the use of the site as a 100% residential development is unviable based on your proposed scheme advised and adopting your costings and your assumptions.

In all cases, there are abnormal costs involved with the excavation and remediation of the contaminated land on site which could see this value eroded further. The residual appraisal method is also highly sensitive to a number of variables and a small adverse change in inputs would adversely impact the result.

The adoption of a mixed use scheme also produces a negative land value due to factors having a detrimental impact upon the capital values of each type of development. We also consider that the mixed uses of residential and student accommodation, on a relatively tight site, are not an ideal combination in terms of incompatibility issues. We have not made an allowance for any further potential adverse impact in rent as a result of this incompatibility, although it is possible that end users in the market may expect a discount.

In JLL's opinion, Bath has a supply and demand imbalance in respect of the provision of student accommodation by both higher education institutions and the private sector. The existing supply of private purpose built student accommodation (PBSA) in Bath amounts to 5,991 bed spaces, which allows 32% of the full time student population to access a bed space, with the remainder (68%) making alternative arrangements either in the private rented (HMO) sector, their own home or their parents' home. This therefore demonstrates a need for good quality PBSA in Bath. By national standards, a 30.1% supply of students to available bed spaces is considered low. We are aware of a further 1,591 beds in the development pipeline that could satisfy an element of this increasing demand, subject to viability and delivery. This is commented on further within Section 5.5 and 5.6.

The assessment does not account for an increase in student numbers in the city. Our research has identified that the University of Bath and the Bath Spa University experienced increases of 10.23% and 8.74% respectively in the number of applicants accepted for the current 2014/15 academic year. These are substantial increases compared to previous years and also the national average and demonstrate the popularity of and demand for places at Bath's Higher Education Institutions and we would anticipate this growth trend continuing.

We are also aware that Bath Spa University have entered into an agreement with US based education provider Shorelight Education, which will enable an increased number of international students to study at the University. Through the partnership, the University estimates the first intake in 2014 enabled an additional 300 international students to study in Bath, rising to an intake of 2,000 over the following four years which will further compound the current supply and demand balance of student accommodation in the city.

We are therefore of the opinion that in terms of both financial and demographic demand analysis, in comparison to the alternative development scenarios, the proposed student accommodation residence is a wholly viable and appropriate development option for the subject site.

This report has been prepared by Victoria Ingrouille-Kidd MRICS and Daniel Smith MRICS of the JLL Student Housing team, with the residential appraisals having been completed by Alistair Kimpton MRICS. The report has been overseen by Huw Forrest MRICS, Director and Andrew Vaughan MRICS, Director.

2 Introduction

2.1 Overview

JLL have been instructed by UK and European Investments to provide a viability assessment for the proposed student accommodation development at Windsor Bridge Road/Upper Bristol Road in Bath.

The structure of the report is as follows:

- Section 3 provides an overview of the city of Bath and a description of the existing site;
- Section 4 outlines a description of the proposed accommodation;
- Section 5 provides an overview of the Higher Education Sector in Bath, together with student accommodation demand analysis;
- Section 6 details the methodology and approach used to assess the viability of the proposed development scenarios;
- Section 7 provides student accommodation rental and residential sales comparable evidence;
- Section 8 sets out the viability assessment assumptions;
- Section 9 shows the results of the appraisals;
- Section 10 sets out sensitivity analysis undertaken; and
- Section 11 concludes the assessment.

2.2 Information relied upon

We have been provided with, and relied upon, the following information:

- 100% Student Scheme Accommodation Schedule and Layout Plan provided by Feilden Clegg Bradley Studios dated 18 September 2015 Ref: 1755/SK/150918/LH-01; with updated Area Schedule and Room Type schedules dated 4 November 2015; Rev 7 and Rev F respectively.
- 100% Private Residential Accommodation Schedule and Layout Plan provided by Feilden Clegg Bradley Studios – Ref 1755/SK/150918LH-02
- Mixed Use Scheme Accommodation Schedule and Layout Plan provided by Feilden Clegg Bradley Studios – Ref 1755/SK/150918/LH-03
- Preliminary Order of Cost for 100% Student Scheme produced by Sweett (UK) Limited dated 18 November 2015
- Preliminary Order of Cost for 100% Residential Scheme produced by Sweett (UK) Limited dated 23 September 2015
- Preliminary Order of Cost for Mixed Use Scheme produced by Sweett (UK) Limited dated 23 September 2015

We have provided copies of these documents within the appendices.

2.3 Status

This report and its contents have been prepared specifically to support a future planning application in respect of the land at Windsor Bridge Road/Upper Bristol Road.

The report and appraisals may be used to inform negotiations with Bath and North East Somerset Council regarding the proposed development.

Based on its purpose as an appraisal for internal purposes to inform negotiations, this report is considered outside the scope of the RICS Professional Standards.

Our appraisals have been subject to limited due diligence and are provided on a non-reliance basis. Thus, the advice contained herein cannot be used for purposes other than those mentioned, including loan security purposes.

3 Site Location

3.1 Overview

The city of Bath is located approximately 12 miles east of Bristol and approximately 114 miles east of London.

3.2 Communications

Bath is located on the A367/A4 and is approximately 8 miles south of Junction 18 of the M4 Motorway.

The main railway station in the city is Bath Spa, which provides regular local and national services. The average journey time from Bath Spa to London Paddington is 1 hour 30 minutes, and the service runs on a half hourly basis.

Bristol International Airport is located approximately 21 miles to the west of Bath and provides regular internal flights within the UK and international flights to selected destinations.

3.3 Academic Building Locations

Bath has two universities, the University of Bath and Bath Spa University. The main academic campus of the University of Bath is located in Claverton Down, approximately 1.7 miles to the east of the city centre.

The main academic campus of Bath Spa University is Newton Park, which is located approximately 3.9 miles to the west of the city centre. The Sion Hill campus of Bath Spa University is located approximately 1.2 miles to the north of the city centre.

3.4 Subject Property

The subject property comprises a large development site, situated at the junction of Windsor Bridge Road and Upper Bristol Road, approximately one mile to the north west of Bath city centre, which is within a circa twenty minute walk.

The property is bordered to the north by Upper Bristol Road, to the west by Windsor Bridge Road, to the south by the River Avon and Bristol and Bath Railway Path and to the east by the Bath Recycling Centre and Kelso Place which provides office accommodation. The site comprises an area of cleared land together with two detached terraced industrial units.

To access the site, vehicles must use Midland Road, which is also the main access to the Bath Recycling Centre. There is no direct access to the site via Upper Bridge Road. The immediate area surrounding the property is of mixed use, comprising residential uses, retail and office uses on Upper Bristol Road and industrial uses on Windsor Bridge Road.

The A4 Upper Bristol Road is a main route connecting Bristol to the centre of Bath. There are numerous bus stops along Upper Bristol Road providing ease of access to the city centre. Oldfield Park railway station is located approximately 0.4 miles to the south of the subject property, whilst Bath Spa railway station is located approximately 1.5 miles to the south-east of the subject property.

In terms of the higher education institutions located in Bath, the site is situated:

- 2.7 miles to the west of The University of Bath
- 3 miles to the north-east of the main Bath Spa University campus
- 1 mile to the south-west of the Bath Spa University Sion Hill campus

In terms of accessing the higher education institutions located in Bath, we would envisage the preferred mode of transport from the subject site would be via bus routes. The number 15/15A bus route which provides a direct service to Bath Spa University runs along Windsor Bridge Road, with a bus stop within a few minutes' walk of the subject site. The service operates seven days a week, with buses every 15 minutes during daytime hours, Monday to Friday.

We have undertaken online enquiries regarding the local travel system and detail our findings below:

Higher Education Institution (HEI)	Origin	Distance	Total Journey Time
The University of Bath – Travel Option 1	Kelso Place, Upper Bristol Road	20 minute walk to centre followed by 10 minute bus journey to campus	30 minutes
The University of Bath – Travel Option 2	Kelso Place, Upper Bristol Road	15 minute bus journey to centre, followed by 10 minute bus journey to campus	25 minutes
Bath Spa University – Newton Park	Kelso Place, Upper Bristol Road	5 minute walk to bus stop, 15 minute bus journey followed by 5 minute walk to campus	25 minutes
Bath Spa University – Sion Hill	Kelso Place, Upper Bristol Road	20 minute walk	20 minutes

In terms of cycle route access, our interactive enquires of the Better by Bike website indicates that the River Avon and Bristol and Bath Railway Path running along the south of the site links with a network of cycle routes across the City providing ease of access for future residents.

The closest purpose built student accommodation developments to the subject property are Unite Group's Waterside Court and Charlton Court, which are situated approximately 0.3 miles to the south-west. These schemes provide a total of 610 bed spaces and create a student community in the area. We understand that both of these properties are subject to an agreement with Bath Spa University.

In addition to these existing schemes, the brand new Twerton Mill student accommodation scheme will be open in time to accept students for the September 2015 academic year. This site is situated circa 0.6 miles to the south-west of the subject property and will be operated by CRM, providing 330 contemporary studios offering a very good standard of accommodation.

3.5 Site

3.5.1 Characteristics

The property is shown for identification purposes only on the Ordnance Survey extract above. The extent of the site is outlined in red in accordance with our understanding of the site boundaries.

The site is broadly rectangular in shape and we estimate the site area to be circa 0.684 hectares (1.691 acres). However, we understand from FCB Studios that that the ratio of proposed new build structures to overall site area equates to circa 43%, which would apply to all three options detailed in this report as all are based on the same building footprints. The characteristics of the site indicate a restriction to the net developable area, which potentially impacts or reduces its viability.

3.5.2 Access

We understand that vehicular access to the site directly from Upper Bristol Road is challenging due to site lines and the proximity to the Windsor Bridge Road junction. We therefore understand that vehicular access to the completed property is proposed via Midland Road, past the rather unattractive recycling centre. We comment further on this within Section 11 of the report.

4 Description of Scheme

4.1 Existing Property

At the date of this viability assessment, the subject property comprised a development site, partly cleared together with two detached terraced industrial units.

4.2 Proposed Property – Student Accommodation Residence – Scenario 1

Upon completion of the development works, the property will comprise a student accommodation residence benefitting from a prominent location within an established student accommodation location.

We understand that the proposed property will provide a total of 394 bed spaces arranged as follows:

- (14x) town houses fronting Upper Bristol Road, each comprising of twelve student bedrooms
- (1x) apartment building on the corner of Upper Bristol Road/Windsor Bridge Road, comprising 33 en-suite bedrooms and 2 retail units, a gym/games room and a launderette facility
- (1x) riverside building (No. 1) fronting the River Avon, comprising 54 en-suite cluster bedrooms
- (1x) riverside building fronting (No.2) the River Avon, comprising 37 studios, of which 4 are to be DDA accessible, the main reception, communal kitchen and eating facility, cinema and social learning space
- (1x) riverside building (No. 3) fronting the River Avon, comprising 46 studios, of which 9 are to be DDA accessible
- (1x) riverside building fronting the River Avon, comprising 56 en-suite cluster bedrooms
- (4x) DDA parking spaces
- (4x) visitor parking spaces

We set out below a schedule detailing our understanding of the proposed accommodation:

Accommodation Type	Studios	En-suite Clusters	12 Bed Townhouse	Total Bed Spaces
Townhouses			168	168
Corner Building		33		33
Riverside Building		54		54
Riverside Building	37			37
Riverside Building	46			46
Riverside Building		56		56
				394

We have been provided with the following floor area breakdown by FCB Studios:

Type of Room	Number	Approx. Area (sqm)
Townhouse Non En-suite Bedrooms	168	10
En-suite Bedroom (Corner Building)	33	14.5
En-suite Bedroom (Riverside Building)	110	12.5
Small Studio (Riverside Building)	70	18 - 19
DDA Studio (Riverside Building)	13	27
	394	

We would comment that these room sizes would certainly be deemed as acceptable sizes by the market.

In summary, the proposed student accommodation residence will comprise the following:

- (14x) twelve-bed townhouses (comprising 168 non en-suite bedrooms)
- (143x) en-suite cluster bedrooms
- (83x) studios
- (4x) DDA parking spaces
- (4x) visitor parking spaces

We understand that 13 DDA accessible bedrooms will be provided within the development.

We understand the development will surround a "central street" at ground level linking the accommodation blocks with amenity space to be provided at ground floor level within the five storey corner building and two of the six storey riverside buildings.

We have not been provided with details of the internal specification of the accommodation but assume that the development will be finished to a high standard. We would expect the standard specification to include hardwood frames, doors and skirtings. Individual bedrooms should be fully carpeted and incorporate internet access points and telephone sockets. We would expect the bedrooms to incorporate a 4ft or double bed (depending on room type) with storage under, wardrobe, fitted student desk with drawers, wall mounted pin board, a wall mounted heating unit, and en-suite facilities. We would expect the en-suite facility to be fitted with a shower, wash hand basin and WC. The kitchen/living area of each flat should include a fitted kitchen with built-in hob/oven, fridge freezer, sink and microwave, table and chairs and a television aerial point.

We would expect the studio apartments to incorporate a kitchenette and living facilities, plus a bedroom area and en-suite facility as above.

The quality of specification and facilities provided within the completed property will influence rent and occupancy levels at the scheme.

Further to the comments above, we consider the main benefits of the student accommodation residence will be as follows:

- The site is well located for Bath's academic institutions

- The site has good access to the public transport network and is ideally located close to the amenities students will require
- The proposed development will provide an accommodation mix which will ensure that the accommodation would not be exclusive and would be suitable for a range of budgets
- The property will help satisfy some of the latent demand for good quality purpose built accommodation in Bath
- We have assumed that the completed development will be operated and managed by an experienced and reputable student accommodation operator

4.3 Alternative Development Scenarios

As part of our viability assessment, we have been asked to consider the following alternative development scenarios:

Scenario 2 – Mixed Use Scheme

Student Element

We understand that the proposed student element of the mixed use scheme will provide a total of 154 bed spaces arranged as follows:

- (4x) town houses fronting Upper Bristol Road, each comprising of twelve student bedrooms
- (1x) apartment building on the corner of Upper Bristol Road/Windsor Bridge Road, comprising 18 en-suite bedrooms and a launderette facility
- (1x) riverside building fronting the River Avon, comprising 52 en-suite cluster flats and a gym facility
- (1x) riverside building fronting the River Avon, comprising 36 studios, 4 to be DDA accessible, the main reception, communal kitchen and eating facility, cinema and social learning space
- (2x) DDA parking spaces
- (2x) visitor parking spaces

We set out below a schedule detailing our understanding of the proposed accommodation:

Accommodation Type	Studios	En-suite Clusters	12 Bed Townhouse	Total Bed Spaces
Townhouses			4	48
Corner Building		18		18
Riverside Building		52		52
Riverside Building	36			36
				154

We have been provided with the following floor area breakdown by FCB Studios:

Type of Room	Number	Approx. Area (sqm)
Townhouse Non En-suite Bedrooms	48	10
En-suite Bedroom (Corner Building)	18	14.5
En-suite Bedroom (Riverside Building)	52	12.5
Small Studio (Riverside Building)	32	19
DDA Stuiod (Riverside Building)	4	24.5
	154	

We would comment that these room sizes would certainly be deemed as acceptable sizes by the market.

In summary, the proposed student accommodation residence within the mixed use scheme will comprise the following:

- (4x) townhouses (comprising 48 non en-suite bedrooms)
- (70x) en-suite cluster flats
- (36x) studios
- (2x) DDA parking spaces
- (2x) visitor parking spaces

Residential Element

- (20x) 117 sqm maisonettes fronting Upper Bristol Road
- (12x) one bedroom apartments of approx. 50 sqm comprised within a riverside building
- (24x) two bedroom apartments of approx. 65 sqm comprised within a riverside building
- (20x) surface parking spaces
- (16x) undercroft parking spaces (at the ground floor level of the riverside buildings)

Scenario 3 – 100% Residential Scheme

- (28x) 117 sqm maisonettes fronting Upper Bristol Road
- (30x) one bedroom apartments of approx. 50 sqm comprised within riverside/corner buildings
- (54x) two bedroom apartments of approx. 65 sqm comprised within riverside/corner buildings
- (28x) surface parking spaces
- (42x) undercroft parking spaces (at the ground floor level of the riverside buildings)

We discuss the viability of all three scenarios within Section 8 of this report.

5 Bath Higher Education Sector

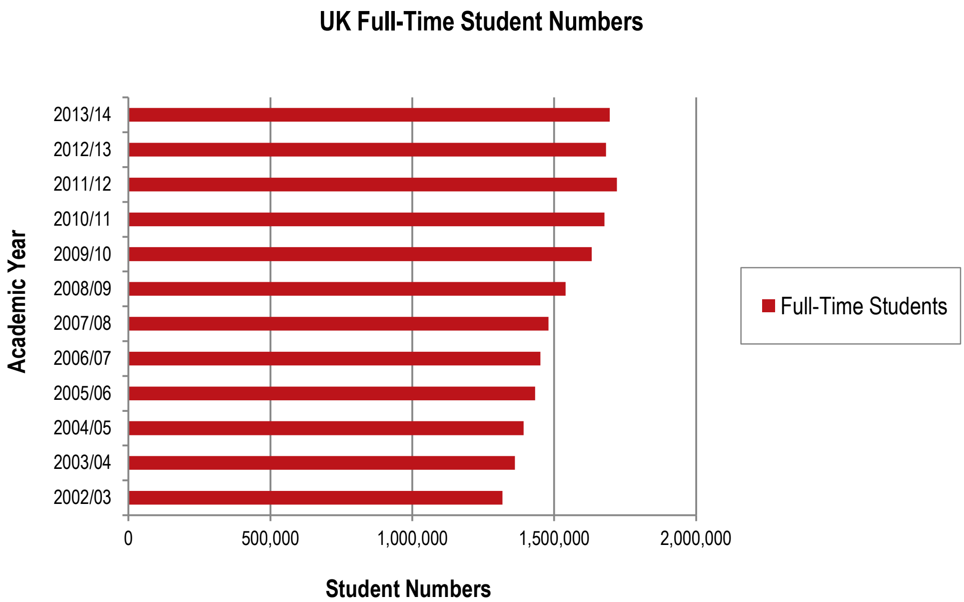
5.1 Student Accommodation – UK Market Overview

The UK student housing sector continues to attract strong global investor interest and has emerged as an established mainstream asset class. The UK market is increasingly mature and there are increasing numbers of investors and sources of capital seeking to gain entry into the sector. Coupled with this, projected student demand is strong as the UK remains a leading global study location.

5.1.1 UK Student Numbers

The table below illustrates the growth in full time student numbers in the UK over the last decade. As can be seen, full time student numbers have shown broadly consistent growth up to the 2012/13 academic year when a series of factors contributed to a 2.3% fall in student numbers nationwide.

The growth in the Higher Education sector has acted as a catalyst for the rapid growth and expansion of the private sector purpose built student accommodation sector.



Source: HESA

5.1.2 Applications Data

<u>Applications Received</u>

The following data relates to the annual number of new applications received by UCAS to study at UK Higher Education Institutions:

Applicant Domicile	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16*
England	473,400	476,770	429,100	441,790	456,920	460,740
% Change	-	*0.71%*	*-10.00%*	*2.96%*	*3.42%*	*0.84%*
Northern Ireland	19,410	20,030	19,150	20,290	20,300	20,810
% Change	-	*3.19%*	*-4.39%*	*5.95%*	*0.05%*	*2.5%*
Scotland	43,150	43,390	42,490	42,930	43,910	48,490
% Change	-	*0.56%*	*-2.07%*	*1.04%*	*2.28%*	*10.4%*
Wales	23,610	23,920	23,240	22,660	23,450	23,550
% Change	-	*1.31%*	*-2.84%*	*-2.50%*	*3.49%*	*0.43%*
Total UK	**559,570**	**564,110**	**513,980**	**527,670**	**544,580**	**553,590**
Other EU	44,980	47,560	41,480	43,290	45,380	48,930
% Change	-	*5.74%*	*-12.78%*	*4.36%*	*4.83%*	*7.8%*
Non EU	54,020	56,470	61,260	64,940	69,060	70,530
% Change	-	*4.54%*	*8.48%*	*6.01%*	*6.34%*	*2.1%*
Total	**658,570**	**668,140**	**616,720**	**635,900**	**659,020**	**673,040**
% Change	**-**	***1.45%***	***-7.70%***	***3.11%***	***3.64%***	***2.1%***

* 2015/16 data as at 30 June 2015

Source: UCAS

A degree of concern was held in respect of whether the fall in applications and student numbers for 2012/13 would become a trend, as students were dissuaded from seeking Higher Education due to the revised fees structure that enables universities to charge between £6,000 and £9,000 per annum, which will result in students accruing significantly higher levels of student debt.

As is illustrated by the above tables, the fall in student numbers that was recorded for the 2012/13 academic year was preceded by a fall in the number of applications to study for that academic year, demonstrating the correlation between application numbers and student numbers.

Application numbers from England domiciled applicants to study for the 2013/14 academic year increased by 2.96% and for 2014/15 increased by a further 3.42% which would suggest that the fall in applications for 2012/13 has not become a trend. This is further supported by an increase of 0.84% for England in 2015/2016, with overall applications increasing 2.1% for the same period, which does provide evidence that the increase in numbers since 2012/2013 are still being upheld and supported by applicant demand.

5.2 Overview of Bath Higher Education Sector

Bath has two universities located within the city, the University of Bath and Bath Spa University. There are approximately 18,695 full time students studying within the two different establishments, of which 67.9% study at the University of Bath and 32.1% study at Bath Spa University.

5.3 Universities in Bath

5.3.1 The University of Bath

The University of Bath is ranked 10th in the sector by The Times Good University Guide 2015 and has 7.4 applicants per place.

The University of Bath has a total student intake of 15,155 of which 12,700 (83.8%) are full time. Of the total student intake 10,810 (71.3%) are Undergraduates and 4,345 (28.7 %) are Postgraduates. 21.9% of students are from overseas and 2.7% are mature students.

The following student categories are guaranteed university accommodation:

- New full time students in their first year studying bachelor's and master's undergraduate programmes
- New International Foundation Year students based at the City of Bath College
- New full-time Foundation Degree in Sports Performance (C601) students
- New MA Contemporary European Studies (Euromasters)
- New overseas fee-paying postgraduates
- Students with specific medical conditions
- There are also a limited number of places available for exchange and visiting students

5.3.2 Bath Spa University

Bath Spa University is ranked 70th in the sector by The Times Good University Guide 2015 and has 6.3 applicants per place.

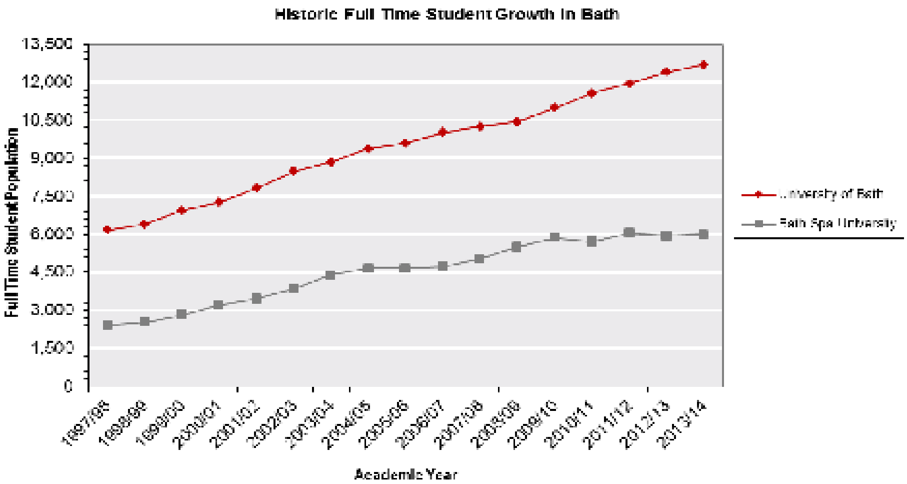
Bath Spa University has a total student intake of 7,210 of which 5,995 (83.1%) are full time. Of the total student intake 5,220 (72.4%) are Undergraduates and 1,990 (27.6%) are Postgraduates. 3% of its students are from overseas and 13.1% are mature students.

Students are eligible for accommodation if they meet the following three criteria:

- Are a first year full time applicant and have made Bath Spa University their firm choice.
- Live more than 30 miles from the University.
- Will be studying at Newton Park Campus, Sion Hill Campus, The Circus, Dartmouth Avenue or at City of Bath College (studying a Bath Spa Foundation Degree).

5.4 Student Demographics

5.4.1 Historic Growth in Student Numbers



5.4.2 Applications to Study

The table below illustrates the number of full time students and the number of applications / applicants accepted at both the University of Bath and Bath Spa University. The data relating to full time student numbers is taken from the Higher Education Statistics Agency (HESA) and the data relating to applications / applicants accepted is taken from the Universities and Colleges Admissions Service (UCAS).

Institution	Application (Choices)	% Change from Previous Year	Accepted Applicants	% Change from Previous Year	Full Time Student Numbers	% Change from Previous Year
University of Bath						
2014/15	25,830	14.01%	3,395	10.23%	Not released	Not released
2013/14	22,655	12.40%	3,080	3.01%	12,700	2.42%
2012/13	20,155	2.28%	2,990	5.65%	12,400	3.77%
2011/12	19,705	-0.51%	2,830	-3.08%	11,950	3.24%
2010/11	19,805	0.08%	2,920	0.52%	11,575	5.32%
2009/10	19,790	-1.00%	2,905	2.47%	10,990	5.32%
2008/09	19,990		2,835		10,435	1.71%
Bath Spa University						
2014/15	13,375	8.61%	2,115	8.74%	Not released	Not released
2013/14	12,315	-1.48%	1,945	1.30%	5,995	1.10%
2012/13	12,500	-16.02%	1,920	-4.95%	5930	-1.90%
2011/12	14,885	14.02%	2,020	-3.81%	6045	1.34%
2010/11	13,055	17.09%	2,100	1.45%	5965	1.88%
2009/10	11,150	1.54%	2,070	7.25%	5855	6.75%
2008/09	10,980		1,930		5485	9.37%

As is illustrated within the table above, there is typically a clear correlation between changes in the number of applicants accepted and the total number of full time students at a Higher Education Institution.

Student numbers nationally fell by 2.3% for the 2012/13 academic year, due a variety of factors including the introduction of higher tuition fees, lower than expected A-Level results and the tightening of Visa restrictions for international students. In spite of the national fall in student numbers, the University of Bath recorded an increase of 3.77% in its full time student population. Bath Spa University broadly mirrored the national fall, with a fall of 1.9%.

A major positive for the University of Bath and Bath Spa University is the respective increases of 10.23% and 8.74% in the number of applicants accepted for the recent 2014/15 academic year. These are substantial increases compared to previous years and also the national average and demonstrate the popularity of and demand for places at Bath's Higher Education Institutions and we would anticipate this growth trend continuing.

5.4.3 US Partnership

In 2013, Bath Spa University launched a joint venture programme with Cambridge (U.S.)-based education provider Shorelight Education, which enables an increased number of international students to study at the University.

We understand the partnership will involve the development of a 'Pathway College' for international students, as well as a Global Business Leadership College that will offer a portfolio of business and management-related degree programmes, enabling more students globally to achieve a UK degree, as well as helping the University to grow, and invest in the future..

The University has estimated that through the partnership, the first intake year in 2014 will enable an additional 300 international students to study in Bath, rising to an intake of 2,000 over the following four years. They further state that students entering University via the Pathway College will study an intensive first year that includes language tuition, academic instruction and UK history and culture, and (subject to passing the first year) will join established degree courses in their second year.

5.4.4 Conclusions

As we have commented above, we would expect the significant increase in applicants accepted at the University of Bath and Bath Spa University for the recent 2014/15 academic year to translate into further growth in student numbers going forward. Additional intake such as the above will result in increased demand for modern accommodation facilities and this anticipated increase in the student population in Bath is likely to place further pressure on the ability of the University and the city of Bath to house the student population and therefore increase the requirement for purpose built student accommodation.

We would also highlight the point that according to 2013 National Student Survey (NSS) the University of Bath was ranked 1st for student satisfaction out of more than 150 UK higher education institutions. In The Times and The Sunday Times Good University Guide 2014 the University was awarded the title of "Best Campus University in Britain" and Bath was awarded the title of 'University of the Year 2011/12'. Accordingly we would expect the University to continue to strongly attract students in the future.

5.5 Bath – Purpose Built Student Accommodation

5.5.1 University of Bath Accommodation

The University of Bath has 16 Halls of Residence offering a total of 4,044 bed spaces.

The University of Bath rents for self-catered accommodation range from £62.00 to £194.42 per bed per week. The standard letting term is 38 or 51 weeks and rents are paid inclusive of bills.

The table below summarises the type, cost and number of beds provided by the University of Bath for 2015/16.

Halls	Accommodation	Bedrooms	Term (Weeks)	Weekly Cost 2015/16 (inclusive of utilities)	GOI (p.a)
Campus Accommodation					
Woodland Court	Self-catered				
	En-Suite	349	38	£155.00	£5,890
	En-suite (PG)		51	£155.00	
	Accessible En-suite		38	£155.00	£5,890
Westwood	Self-catered	632			
	Standard with washbasin		38	£122.00	£4,636
Solsbury and Marlborough Court	Self-catered	463			
	En-suite		38	£150.00	£5,700
Brendon Court*	Part-Catered	126			
	Standard with washbasin		38	£163.42	£6,210
Eastwood	Self-catered				
	Standard	578	38	£92.00	£3,496
	Standard with washbasin		38	£108.00	£4,104
	Shared		38	£62.00	£2,356
Norwood House	Self-catered	139			
	Enhanced Standard		38	£122.00	£4,636
Polden Court*	Part-Catered				
	En-suite Shower small	125	38	£182.42	£6,932
	En-suite bath/shower		38	£192.42	£7,312
	En-suite bath/shower large		38	£197.42	£7,502
Osborne House	Self-catered				
	Standard	34	38	£93.00	£3,534
	En-suite Shower		38	£122.00	£4,636
	Studio		38	£144.00	£5,472
	Large Studio		38	£150.00	£5,700
The Quads**	Part-Catered	703			
	En-suite shower		38	£171.71	£6,525
Off Campus Accommodation					
John Wood Court	Self-catered				
	Standard	176	38	£115.00	£4,370
	Shared		38	£70.00	£2,660
John Wood Main Building	Self-catered	61			
	En-suite		38	£149.00	£5,662

Clevelands Building (Sydney Wharf) (PG)	Self-catered				
	Standard	154	51	£122.00	£6,222
	Standard large		51	£124.00	£6,324
	En-suite shower		51	£144.00	£7,344
	En-suite shower large		51	£155.00	£7,905
	Double Studio		51	£190.00	£9,690
Carpenter House	Self-catered	133			
	Standard		51	£115.00	£5,865
Canal Wharf (PG)	Self-catered				
	Standard	21	51	£108.00	£5,508
	Studio		51	£139.00	£7,089
	Large Studio		51	£144.00	£7,344
Pulteney Court (PG)	Self-catered				
	Standard with washbasin	133	51	£95.00	£4,845
	Standard		51	£95.00	£4,845
	Studio		51	£136.00	£6,936
Thornbank Gardens (PG)	Self-catered				
	En-suite shower	217	51	£130.00	£6,630
	Studio		51	£136.00	£6,936
	Total	**4,044**			

5.5.2 Bath Spa University Accommodation

Bath Spa University's Halls of Residence offers a total of 1,538 bed spaces.

Bath Spa University rents for self-catered accommodation range from £99.00 to £175.00 per bed per week. The standard letting term ranges from 39 to 51 weeks and rents are paid inclusive of bills.

The table below summarises the type, cost and number of beds provided by Bath Spa University for 2015/16:

Halls	Accommodation	Bedrooms	Term (Weeks)	Weekly Cost 2015/16 (inclusive of utilities)	GOI (p.a)
Newton Park Campus	Self-Catered	310			
	The Commons				
	Single		44	£120.00	£5,280
	Large Single		44	£135.00	£5,940
	Shared		44	£99.00	£4,356
	En-suite		44	£144.00	£6,336
	Studio		44	£165.00	£7,260
	The Gardens	561			
	En-suite		39	£148.00	£5,772
	En-suite		44	£148.00	£6,512
	En-suite large		44	£153.00	£6,732
	En-suite studio flat		44	£170.00	£7,480
	1 Bed Flat		44	£175.00	£7,700
Charlton Court*	Self-Catered				
	Classic En-suite	295	51	£141.00	£7,191
			48	£141.00	£6,768

	Premium En-suite 1		51	£146.00	£7,446
			48	£146.00	£7,008
	Premium En-suite 2		51	£153.00	£7,803
			48	£153.00	£7,344
Bankside House	Self-Catered				
	En-suite	43	44	£144.00	£6,336
	Studio		44	£170.00	£7,480
Waterside Court*	Self-Catered	316			
	Classic En-suite		44	£141.00	£6,204
Independent Housing**	Houses	13	48	£91-£93	£4,368-£4,464
	TOTAL	**1,538**			

5.5.3 University Accommodation - Summary

The University of Bath and Bath Spa University are only able to provide residential accommodation for a relatively small proportion of their students. The two education providers have a combined total of 5,582 bed spaces for 18,695 full time students. Therefore circa 30% of students reside within University accommodation.

Where students are unable to obtain University accommodation they either live at home or rent from the private sector. The majority of student demand is met by Houses in Multiple Occupation (HMO's) or the parental home.

Institution	Total Number of Full Time Students	University Accommodation (bed spaces)	% Bed spaces to F/T Students
University of Bath	12,700	4,044	31.84%
Bath Spa University	5,995	1,538	25.65%
Total	**18,695**	**5,582**	**29.86%**

5.5.4 Private Sector Accommodation

Unlike many other University cities, the presence of private sector purpose-built developments are currently predominantly in the form of leases with the University, typically on a full repairing and insuring basis, whereby the University leases and manages the buildings.

With regard to the Halls listed above, Rotch Group owns Carpenter House and Pulteney Court, and UNITE owns Osborne House, Clevelands, Sydney Wharf and Charlton Court which are leased to the University of Bath, and Waterside Court which is leased to Bath Spa University. Bath Spa University has entered into a formal arrangement with UNITE over Waterside Court whereby rents and services are regulated by a long term agreement; the University determines room allocations and UNITE manages and maintains the accommodation and collect the rents. Bath Spa University also has an agreement with CRM for the Bankside House residence and a part nomination agreement with Unite on Charlton Court.

The table below illustrates the current private sector accommodation within the city:

Operator	Address	Halls	Accommodation	Beds	Term (Weeks)	2015/16 Weekly Cost (exclusive of utilities)	GOI (p.a)
J Aland Lettings	Ambery Street	Quasar Building	2 bed flat	47	52	£120.00	£6,240
			5 bed cluster		52	£115.00	£5,980

Unite*	Lower Bristol Road	Charlton Court	Premium Range 2 Studio		51	£231.00	£11,781
			Premium Range 1 Studio	32	51	£217.00	£11,067
			Classic Studio		51	£190.00	£9,690
CRM	Lower Bristol Road	Twerton Mill	Standard Studio (Courtyard)		51	£196.00	£9,996
			Large Studio (Courtyard)		51	£200.00	£10,200
			Large Accessible Studio (Courtyard)	330	51	£200.00	£10,200
			Standard Studio (Riverside)		51	£205.00	£10,455
			TOTAL	**409**			

*Beds also available through Bath Spa University

5.5.5 Current Analysis

The two universities in Bath have a combined total of 18,695 full time students, but they are only able to provide 5,582 bed spaces. Direct lets in the private sector provide 409 bed spaces.

Accommodation Analysis	Accommodation (bed spaces)	Proportion of Students %
University of Bath	4,044	21.6%
Bath Spa University	1,538	8.2%
Private Sector Operators	409	2.2%
Other (Students Resident “at home” or in HMO’s)	12,704	68.0%
Total	**18,695**	**100%**

A total of 5,991 (32%) of full time students can therefore obtain university or private sector accommodation, which indicates that 12,704 (68%) of students must obtain accommodation elsewhere. We have had sight of the HESA Student Record 2012/13 data which indicates that in 2012/13 1,022 full time students of Bath Spa University and 555 of the University of Bath resided within the parental/guardian home. If we take these figures into account, this produces the following demand analysis:

Accommodation Analysis	Accommodation (bed spaces)	Proportion of Students %
University of Bath	4,044	21.6%
Bath Spa University	1,538	8.2%
Direct Let Operators	409	2.2%
Student Residents “at home”	1,577	8.4%
Other	11,127	59.6%
Total	**18,695**	**100%**

A total of 7,568 (40.4%) of full time students can therefore obtain university or private sector accommodation, or choose to reside in the parental (or own) home, which indicates that 11,127 (59.6%) of students must obtain accommodation elsewhere. This is a considerable proportion and demonstrates that there is an accommodation shortfall.

5.5.6 Development Pipeline 2015/16

The development pipeline of student accommodation schemes in Bath comprises the following:

Halls	Postcode	Estimated no. of Bedrooms	Applicant/Agent	Status
Bath Western Riverside, Lower Bristol Road	BA2 3AU	345	Crest Nicholson	Application 06/01733/EOUT Submitted 12/05/2006 Outline planning approved on 23/12/2010.
The Johnsons Group, James Street West	BA1 2BU	190	Johnsons Group Ltd / GL Hearn Ltd	Application 14/02412/FUL Submitted on 27/05/2014 Permission granted 01/04/2015
Green Park House, Green Park Road	BA1 1XF	461	Berkeley Homes (Oxford & Chiltern)	Application 14/00480/FUL Submitted 31/01/2014 Permission granted 06/05/2014
Site of Old Gas Works, Upper Bristol Road	BA1 3AW	404	Westmark Limited- Agent: Savills	Screening Opinion Application 14/02177/SCREEN Submitted 06/05/2014
1-3 James Street West	BA1 2BX	115	IJSW Ltd/Aspect 360 Ltd	Application 14/01896/FUL Submitted 25/05/2014 Permission granted 02/04/2015
Transport Depot, Brougham Hayes, Bath	BA2 3QU	104	Watkin Jones	Application 14/04728/FUL Permission granted 02/04/2015
Total		**1,619**		

5.5.7 Pipeline Analysis

Taking into account the schemes within the development pipeline, the student accommodation analysis for Bath reflects the following:

Accommodation Analysis	Accommodation (bed spaces)	Proportion of Students %
University of Bath	4,044	21.6%
Bath Spa University	1,538	8.2%
Private Commercial	409	2.2%
Pipeline	1,619	8.6%
Other (Students Resident “at home” or in HMO’s)	11,103	59.4%
Total	**18,695**	**100%**

The table above illustrates that circa 59.4% of full time students in Bath could not access purpose built university or private sector student accommodation, even assuming the entire development pipeline was built out.

5.5.8 HMO Accommodation

The traditional student accommodation option of terraced housing is part of the HMO legislation relating to safety, minimum sizes and security. The market anticipates that the impact of HMO legislation may further reduce supply available for full time students, resulting in many such properties being withdrawn from student use and potentially reverting to a more open residential end user. We are of the opinion that this could assist the purpose built operators over the medium to longer term. It is our understanding that a commercially operated hall will not require licencing provided that the operators sign up to a Code of Conduct.

The market for student accommodation in Bath is currently largely dominated by the universities and the HMO sector. The main HMO areas in Bath are the City Centre, Combe Down, Newbridge, Oldfield Park, Southdown, Twerton, Weston and Widcombe. There is a broad range of HMO rents available in Bath which currently average from approximately £70 to £100 per bed per week for a 48 week contract, dependent on location, specification and services offered. The average rent per bed per week ranges from £85 to £95. When analysing the above rentals it is important to note that the rents in the HMO sector are generally exclusive of utilities bills, broadband services and insurance costs. Rents in the student accommodation private sector are "all-inclusive" of these costs.

5.6 Conclusions

In terms of the provision of student accommodation, Bath benefits from the presence of two large universities which contribute to a student population in excess of 18,500 full time students. On the basis of the significant percentage increase in the number of applicants accepted for the 2014/15 academic year at both the University of Bath and the Bath Spa University, we would anticipate future growth in student numbers in the city.

A growing student population will continue to place pressure on the ability of universities and existing accommodation within Bath to provide sufficient student accommodation.

We comment that the above figure of 18,500 does not take into account the increased numbers of international students expected in the City following the agreement between Bath Spa University and the US based education provider Shorelight Education which may rise to an additional student intake of up to 2,000 over the next four years.

We have made enquiries of the University of Bath and Bath Spa University and both have recently invested large sums of money into their campus' which indicates a positive future outlook in terms of growth and sustainability. We outline these developments in more detail below:

The University of Bath

- The University is in the midst of a four year £150 million capital programme to provide new teaching and research space, student accommodation and a new arts centre.
- Developments include an 8,000 sqm Chancellor's Building offering a new hub of learning and teaching on campus, new circa 700 bed student accommodation building (completed in time for the commencement of the 2014/15 academic year), major refurbishment (£22 million) of 1 West academic building to provide the addition of new learning facilities, new development of 4 East South (£23 million) creating research and teaching space and development of 10 West (£30 million) providing space for the expansion of the Department of Psychology.

Bath Spa University

- Redevelopment of the Newton Park Campus which comprises a "world-class" development of new academic buildings covering circa 8,000 sqm located centrally at the Newton Park Campus, along with new halls of residence for circa 500 students at a cost of circa £70 million (completed in time for the commencement of the 2014/15 academic year).

In addition to the above, we have had sight of the “Student Numbers and Accommodation Requirements Evidence Base” produced as part of the Strategic Housing Market Assessment, by BANES in July 2013 which states that the University of Bath project to grow their student numbers by between 1% and 3% for the period 2009 to 2026, and Bath Spa University assume no growth. Overall the council concludes that if Bath Spa does not expand and the University of Bath grows only by 1% per annum and all accommodation plans are realised, then students should not add to housing pressures over the plan period.

With regard to the above, we would comment that many uncertainties exist. Looking at historic and recent growth patterns and the popularity of the Higher Education Institutions in Bath, a greater growth rate of student numbers could well be experienced. The Planning Inspector’s report on the Core Strategy states that Bath Spa University have plans to significantly increase its proportion of overseas students. Furthermore, the delivery of on-campus accommodation has been slower than anticipated and further delays might occur in the future. Lastly, the delivery of on-campus accommodation will require the development of Greenbelt land and there is no guarantee that this will be released in the future for such development.

The Planning Inspector has stated that although the assumption by the council is for limited growth in student numbers, it is essential that this assumption is reassessed at future plan reviews so that any additional pressures on the housing market can be identified and taken into account.

Currently, Bath has a significant supply and demand imbalance in respect of the provision of student accommodation by both higher education institutions and private sector built student accommodation. The existing supply of purpose built student accommodation in Bath amounts to 5,991 bed spaces, which allows 32% of the full time student population to access a bed space, with the remainder (68%) making alternative arrangements either in the private rented sector, their own home or their parents’ home. This therefore demonstrates a pressing need for student accommodation in Bath.

We are of the opinion that the supply of direct let student accommodation in Bath is extremely low, at just 2.2% of full time student numbers, particularly when considered relative to other similarly sized student accommodation markets.

It is in our understanding that occupancy has been strong for other purpose developed schemes in Bath which would suggest good levels of demand for purpose built accommodation in the city.

The development pipeline of consented schemes in Bath is relatively limited at just 8.6% of full time student of abth numbers. It is often unlikely that the entire pipeline of development is built out due to issues that may arise, for example, funding or deliverability issues. However, even if we assume that all schemes are delivered, it would still leave 59.4% of full time students unable to access university provided or private sector purpose built student accommodation. These students will therefore have to rely on the parental home, own home, HMO style accommodation or privately rented accommodation. This therefore puts increased pressure on the private sector rental markets as students will look to occupy the private sector housing stock due to lack of purpose built student accommodation in Bath.

Generally, some universities are unable to compete commercially for sites for student housing. Purchasing sites requires significant capital investment which some universities do not have available for student accommodation. Furthermore universities often focus their resources on providing additional academic accommodation as a priority rather than student accommodation. As a result some universities are limited to their existing accommodation and have a reliance on the private sector to assist. They also are often unable to expand their accommodation provision to keep up with growth of student numbers. Some universities are forced to spend their limited resources on their main campus accommodation. Therefore, as a result they rely on expert developers to provide student housing for their students.

It is important for universities to provide accommodation to their students for many reasons; those of greatest preference are listed below:

- Students will review accommodation available at a university when making their choice of institution. If they are unable to obtain accommodation this affects the choice of institution made.
- Students are attracted to a life in halls of residence, especially in the first year of study. It assists with integration into university life and the "student experience". Postgraduate and overseas students also often prefer halls of residence as they can provide a quieter more controlled environment for study.
- Twenty-four hour security is major advantage of purpose built student accommodation schemes, in that they offer around the clock security. This is particularly attractive to overseas students and also UK domiciled students.
- By providing good quality halls of residence this assists in the retention of students, especially first year students.

Although the University of Bath and Bath Spa University have both recently invested in new academic facilities and accommodation, this has been an on-campus provision. The campuses are located outside of the city centre. First years tend to wish to reside on-campus during their first year of education, but often then seek accommodation within the city centre from the second year onwards. Therefore there is a need to supply purpose built student accommodation developments within the central area to meet this demand.

In conclusion, our research shows that there is a significant shortfall in the provision of student accommodation in Bath. An absence of supply can lead to:

Pressure on housing market

There are a number of negative impacts that arise from the undersupply of student accommodation in a city such as Bath. The most significant is the pressure it places on housing stock elsewhere in the city. The effect of a lack of student accommodation provision on the private sector rental market is that it displaces other social demographics from obtaining housing through the private sector rental market in Bath. The provision of purpose built student accommodation will reduce the significant pressure on HMOs and the private sector rental market.

HMOs often provide low quality and less secure accommodation which do not meet the needs or expectations of students. By increasing the number of purpose built student accommodation beds in Bath, it should ease the pressure on HMOs and allow this accommodation to be utilised by families. Large areas of HMOs develop in areas due to the lack of university or private sector provided student accommodation.

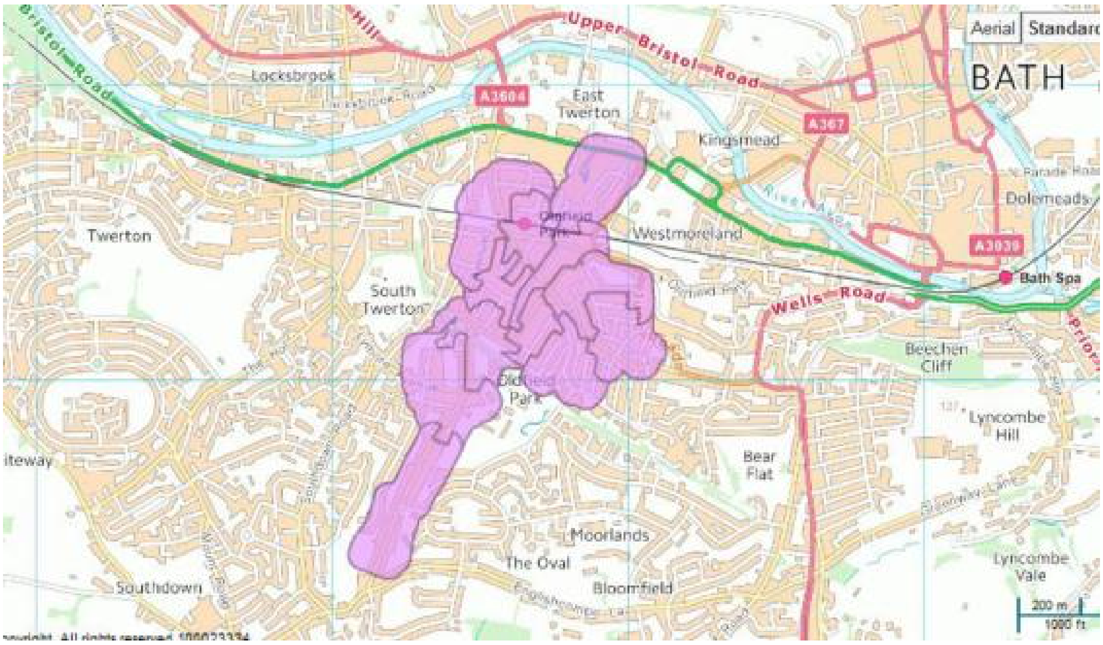
We have had sight of the "Student Numbers and Accommodation Requirements Evidence Base" produced as part of the Strategic Housing Market Assessment, by BANES in July 2013. The report states that the council is mindful that the growth in student numbers during the last decade has not been accompanied by sufficient on-campus managed accommodation and that the associated expansion of the private student lettings market has diminished the "normal" housing stock of the city. This is not unique to Bath but is particularly significant given its relatively small size as a host city for two universities.

The report analysed the supply and demand for student bed spaces generated by each university during the 2012/13 academic year. Following the analysis of the number of beds provided by the universities, in comparison to the number of students requiring accommodation, it was concluded that there could be circa 2,700 HMOs in Bath that cater for students from both academic institutions.

It is considered that the provision of purpose built student accommodation would assist with a reversal of existing HMO stock back to non-student housing which would generally assist in redressing the balance of recent years in certain areas of Bath where HMOs have proliferated. We are of the opinion that an average HMO accommodates six students. The provision of 393 beds of purpose built student accommodation could therefore make available circa 65 HMOs for reversion back into the "normal" housing stock in Bath, relieving some of the pressures currently faced by non-students seeking residential accommodation within the city.

The expansion of HMOs in areas such as Oldfield Park and Westmoreland are a visible consequence of the mismatch between growth in student numbers and the supply of student accommodation within the city. Local residents often have concerns over the effect a high concentration of students could have on amenities of existing occupiers in terms of anti-social behaviour. HMO concentrated areas are uncontrolled and unmanaged. This is in comparison to a well-managed purpose built student accommodation block. The provision of such accommodation will potentially lead to a shift in residents from HMO areas into well managed purpose built accommodation.

Furthermore, depending on certain criteria, Article 4 now requires planning permission to be granted in order to use a dwelling in Bath as an HMO. The map below shows those areas within Bath (shaded pink) for which planning permission is now required in order to establish an HMO. As can be seen, this covers a significant area of the City.



The grant of planning permission for purpose built student accommodation will go a significant way to alleviating the concerns and issues faced in respect of the creation of HMOs and bring these back into general housing stock. The use of Article 4 Directive without the provision of new student accommodation is likely to only displace demand into surrounding markets or even increase overall housing demand as larger households are split into smaller ones. It is important that councils recognise the need to provide alternative student accommodation to counterbalance any displacement of demand whilst also taking care not to damage the housing prospects for young professionals struggling with the unaffordable housing market.

We have had sight of "Student Numbers and Accommodation Requirements 2011 – 2029" produced as part of the Bath and North East Somerset Local Plan and dated August 2014. The report details the following headline strategic conclusions:

- Out of a total dwelling stock of 39,000 in 2011, it is estimated that 2,833 were occupied as student HMOs (7%) housing circa 11,300 students;

- The long term planning strategy is to hold the number of HMOs at 2011 levels and increase the overall housing stock in the city to 46,000 by 2029. That will mean student HMOs will account for 6% of the stock, a small net reduction;

- The Universities' housing needs are forecast to grow by 3,200 by 2021 and stabilise thereafter. To keep the number of HMOs at 2011 levels, new dedicated student accommodation will need to be provided, through a mixture of on-campus and off-campus provision where appropriate;

- The strategy is not to reduce the actual number of HMOs because of the consequence of land supply for other uses; and

- The growth forecasts show that whilst the Universities can "consume their own smoke" during the plan period, it is unlikely that the residential capacity identified at Claverton Down will come forward at the required rate and Bath Spa hasn't enough on-campus capacity. There will be a need for some additional off-campus development.

Inadequate integration

Students are attracted to a life in halls of residence, especially in the first year of study. It assists with integration into university life and the "student experience". Postgraduate and overseas students also often prefer halls of residence as they can provide a quieter more controlled environment for study.

Pre-Application Response

We have had sight of a pre-application response received from Bath and North East Somerset Council dated 6 May 2014 which sets out the Council's views with regard to the proposed student accommodation development.

Under the Principle of Development considerations, it is the Council's opinion that the residential development within the "Western Neighbourhood" SPD should comprise "normal" houses, rather than student accommodation.

We would respond with the following comments:

- As identified in the previous section of this report, there is a real need for student accommodation within the city of Bath.

- By increasing the number of purpose built student accommodation in Bath, it will ease the pressure on HMOs and accommodation elsewhere in the city, freeing up dwellings for use by others.

- Student accommodation has been established in principle within the Western Neighbourhood by the granting of the outline permission to Crest Nicholson.

- The presence of student accommodation at this location will deliver the optimum mix of land uses for the benefit of the local community.

- Student accommodation is a form of residential development, which fits with the proposals for the area which seek a residential-led area, contributing towards the circa 3,000 dwellings which are expected to be built in the Western Riverside area.

- The student accommodation at the subject site could form the entire scheme. The proposed scheme of circa 400 beds lends itself to a sole student environment. We would not envisage a mixture of “normal housing” and student accommodation on a site of this size working in practice. The subject site is a relatively tight site. The shared parking and amenity space could be seen as issues of incompatibility. We would consider that there would be a detrimental impact upon the Market Values of the “normal” housing units, due to the proximity of the students. With new housing being developed at Crest Nicholson’s scheme, we would consider non-student residents would overlook “normal” housing at the subject site, in favour of the new development immediately adjacent.

- The site is located adjacent to Crest Nicholson’s mixed use Western Riverside regeneration scheme which will see the creation of homes, parks, a primary school, restaurants, other commercial uses plus health and cultural facilities. In total, circa 2,000 homes are to be developed, including affordable housing and student accommodation. We consider the proposed student accommodation residence at the subject site will sit well alongside this mixed use development, which goes a long way to provide the number of dwellings BANES are seeking in the Western Riverside area.

6 Methodology and Approach

6.1 Overview

The figures below are provided on an indicative desk top basis under the residual method and are provided for information and decision-making purposes only. They are not subject to full due diligence and therefore cannot be relied upon for any other purpose.

6.2 Scenarios for Assessment

In order to assess the viability of the site for development, we have undertaken appraisals incorporating the following schemes:

100% Student Accommodation Scheme – 394 total student beds - Scenario 1

- (14x) townhouses (comprising 168 non en-suite bedrooms)
- (143x) en-suite cluster bedrooms
- (83x) studios

Mixed Use Scheme – Incorporating Student Accommodation and Residential Units – Scenario 2

Student Element – 154 beds

- (4x) townhouses (comprising 48 non en-suite bedrooms)
- (70x) en-suite cluster flats
- (36x) studios

Residential Element

- (20x) maisonettes
- (12x) one bedroom apartments
- (24x) two bedroom apartments

100% Residential Scheme – Scenario 3

- (28x) 117 sqm maisonettes
- (30x) one bedroom apartments
- (54x) two bedroom apartments

6.3 Viability Tools

An Excel based discounted cash flow (DCF) model and Argus Developer have been used for the purpose of assessing the scenarios listed above.

6.4 Appraisal Methodology

Approach – Gross Development Value

In order to undertake a desktop appraisal of the site, based on the proposed schemes you have provided, we have undertaken a residual method in order to assess the likely indicative Gross Development Value (GDV) of the completed developments, adopting the Discounted Cash Flow (DCF) approach. In doing so, we have adopted and wholly relied upon costs advised by Sweett Group and and scheme layout and areas provided by FCB Studios. The DCF approach is accepted as being the most appropriate method of assessing the GDV of development schemes in the UK. In undertaking the DCF, explicit assumptions have been made relating to:

- Income
- Expenditure
- Growth rates
- Required internal rates of return

6.5 Land Appraisal

The residual method of valuation is widely accepted as an appropriate method for establishing land value within the context of proposed development. In assessing the potential land values we have included allowances for:

- Construction costs
- Professional fees
- Profit on cost
- S106/CIL obligations
- Other construction costs
- Marketing fees
- Finance costs

Section 7 sets out the comparable rental evidence used to inform our opinion of the GDV of the student accommodation, and our specific valuation assumptions are contained within Section 8**.**

FCB Studios have provided the detailed scheme for the three scenarios and also the scheme layout and areas. Sweett Group have been engaged by UK & European to assess the construction costs for the scheme. We are not cost experts and have relied on both these sources for the purposes of this instruction.

7 Comparable Evidence – Student Accommodation

7.1 Rental Evidence – Student Accommodation

We have used the comparable method of valuation to formulate our opinion of Market Rents for the student housing units. The table below shows evidence of rents charged by the Universities and private sector operators within Bath for similar accommodation to that proposed at the subject site:

Location	Operator	Halls	Address	Accommodation	Term	Weekly Rental (2015/16 Rents)	Gross Operating Income (p.a)
Off Campus	Bath Spa Uni (Unite)	Waterside Court	Lower Bristol Road	En-suite	44	£141	£6,204
Off Campus	Unite	Charlton Court	Lower Bristol Road	Premium Range 2 Studio Premium Range 1 Studio Classic Studio	51 51 51	£231.00 £217.00 £190.00	£11,781 £11,067 £9,690
On Campus	Bath Spa University	Newton Park, The Gardens	Newton Park Campus	En-suite En-suite En-suite large Studio	39 44 44 44	£148 £148 £153 £170	£5,772 £6,512 £6,732 £7,480
Off Campus	J Aland Lettings	Quasar Building	Green Park Road	2 Bed Flat 5 Bed Cluster	52 52	£120 £115	£6,240 £5,980
On Campus	University of Bath	Woodland Court	Claverton Hill Campus	En-Suite	38	£155.00	£5,890
On Campus	University of Bath	The Quads	Claverton Hill Campus	En-Suite	38	£171.71	£6,525
On Campus	University of Bath	Solsbury and Marlborough	Claverton Hill Campus	En-Suite	38	£150	£5,700
Off Campus	CRM	Twerton Mill	Lower Bristol Road	Standard Studio (Courtyard) Large Studio (Courtyard) Standard Studio (Riverside)	51 51 51	£196 £200 £205	£9,996 £10,200 £10,455

It is evident from the table above that student accommodation in Bath is let on a range of tenancy lengths, from 38 up to 51 weeks.

We are of the opinion that the 2015/16 Market Rent of the student accommodation at the subject site is as follows:

Accommodation	Weekly Rentals (as at 2015/16)	Tenancy Period	Gross Operating Income p.a
Non en-suite Townhouse Bedrooms	£145	44	£6,380
En-suite Clusters (12.5 sqm)	£150	44	£6,600
En-suite Clusters (15 – 16.4 sqm)	£160	44	£7,040
Studio Flats	£190	51	£9,690

These rents assume the delivery of a high-spec student accommodation scheme, managed and maintained by a reputable and experienced operator in the sector.

We have assumed a 44 week and 51 week tenancy period within our appraisals for the town houses/cluster flats and studios respectively. We have also analysed the annual GOI for the property against the comparable schemes. We are of the opinion that Unite's Charlton Court and CRM's new Twerton Mill scheme are the most directly comparable schemes due to their age, location and specification.

Charlton Court is situated approximately 0.3 miles to the south-west of the subject site, on Lower Bristol Road and opened in time for the commencement of the September 2009 academic year. The property comprises a total of 327 bed spaces, arranged as a mixture of 295 en-suite cluster flat bedrooms and 32 studio flats. The en-suite cluster flat bedrooms are held under an agreement with Bath Spa University, whereas the studio flats are directly let by Unite. The property provides 24/7 security, a laundry, common room, bike store and free 25mb Wi-Fi. Our online enquiries have revealed that as at 17 September 2015, all of the studios, comprising classic, premium range 1 and premium range 2 studios, are completely sold out.

CRM's brand new Twerton Mill scheme, located circa 0.8 miles to the south-west of the subject site, will be open in time for the commencement of the September 2015 academic year. The property will provide 330 studio flats offering accommodation furnished to a contemporary and high standard. The property will further provide communal spaces, laundry, onsite management and maintenance team, free Wi-Fi and a flat screen TV in each studio. Our online enquiries have revealed that as at 17 September 2015, only a few Standard Studios were available, all other studio types (Large Courtyard, Large Accessible Courtyard and Standard Riverside) were already sold out for the forthcoming 2015 academic year.

The rents we have adopted are in line with the competing schemes, in particular, CRM's new Twerton Mill student accommodation scheme, which is in a similar location to the subject property, slightly closer to Bath Spa University, but further from Bath City Centre. We are assuming that the accommodation offering at the subject property will be in line with the contemporary nature of that provided at Twerton Mill and of a similar good specification.

7.2 Residential Evidence – Residential Accommodation

Units within nearby Charlton buildings are achieving £277,000 for two bed properties, equating to £2,648 per sq m (£246 per sq ft). We have also considered recent sales at the Bath Riverside Scheme, one of the most recent developments in the area. We provide below a summary of the recent transactions:

Date	Beds	Type	Floor	Sq Ft	Price	Parking	£psf
Jan-15	4	House	3	1984	£750,000	Y	£378.02
Jan-15	4	House	3	1984	£750,000	Y	£378.02
Jan-15	4	House	3	1984	£750,000	Y	£378.02
Feb-15	2	Apt	1	687	£290,000	Y	£422.13
Feb-15	2	Apt	2	687	£295,000	Y	£429.40
Feb-15	2	Apt	3	687	£310,000	Y	£451.24
Feb-15	2	Apt	G	687	£275,000	Y	£400.29
Feb-15	1	Apt	1	509	£225,000	Y	£442.04
Mar-15	2	Apt	1	687	£295,000	Y	£429.40
Mar-15	2	Apt	2	687	£305,000	Y	£443.96
Mar-15	2	Apt	G	687	£285,000	Y	£414.85
Apr-15	2	Apt	3	687	£320,000	Y	£465.79
Mar-15	4	House	3	1984	£750,000	Y	£378.02
Mar-15	1	Apt	1	509	£225,000	N	£442.04
Mar-15	1	Apt	2	509	£225,000	N	£442.04
Mar-15	1	Apt	3	509	£227,000	N	£445.97

Apr-15	1	Apt	G	509	£215,000	N	£422.40
Apr-15	1	Apt	G	509	£215,000	N	£422.40
Apr-15	1	Apt	2	509	£230,000	N	£451.87
Apr-15	1	Apt	3	509	£230,000	N	£451.87
Apr-15	4	House	3	1984	£770,000	Y	£388.10
May-15	4	House	3	1984	£799,950	Y	£403.20
May-15	Studio	Apt	1	345	£162,500	N	£471.01
May-15	2	Apt	2	777	£355,000	Y	£456.89
May-15	2	Apt	1	777	£350,000	Y	£450.45
May-15	2	Apt	G	732	£345,000	Y	£471.31
May-15	Studio	Apt	2	334	£165,000	N	£494.01
May-15	2	Apt	1	731	£350,000	Y	£478.80
May-15	1	Apt	2	553	£237,500	N	£429.48
May-15	3	House	3	1570	£595,000	Y	£378.98
Jun-15	Studio	Apt	2	334	£160,000	N	£479.04
Jun-15	2	Apt	2	732	£355,000	Y	£484.97
Jun-15	2	Apt	3	777	£365,000	N	£469.76
Jun-15	3	House	4	1570	£595,000	Y	£378.98
Jul-15	2	Apt	G	810	£340,000	Y	£419.75
Jul-15	2	Apt	3	732	£365,000	Y	£498.63
Jul-15	Studio	Apt	3	345	£168,500	N	£488.41
Jul-15	2	Apt	G	852	£345,000	Y	£404.93
Jul-15	2	Penthouse	4	618	£445,000	Y	£720.06

8 Viability Assessment Assumptions

Assumptions Overview

This section outlines the revenue and cost assumptions made within the viability assessment for each of the development scenarios, together with the resulting land values.

Our residual appraisals are carried out under the special assumption that the site will be sold Freehold on the open market with vacant possession and with a full valid planning consent, with no restrictions or onerous conditions of sale. We have also assumed that there are no encumbrances, easements, restrictions, outgoings or conditions on the assumed freehold interest that are likely to have an adverse effect on the marketability of the property and that there is a good, marketable title.

8.1 Proposed Scheme – 100% Student Accommodation – Scenario 1 – 394 Total Student Beds

For the purposes of our appraisal, we have assessed the following development scheme:

- (14x) townhouses (comprising 168 non en-suite bedrooms)
- (143x) en-suite cluster flats
- (83x) studios

8.1.1 Gross Development Value Assumptions

Market Rent for Student Accommodation

As stated within Section 7**,** we are of the opinion that Market Rents for the student accommodation range from £145 per bed per week for the townhouses to £190 per week per studio flat (based on 2015/16 rental levels).

We have assumed that the development works will be completed in time for the start of the 2017/18 academic year. Within our appraisal, the rents adopted are as at today, having assumed rental growth of 3% per annum for the 2015/16 academic year to 2017/18 academic year. Within our model, the rents are therefore between £153.83 and £201.57, per week depending on the accommodation type.

Occupancy & Tenancy Term

In considering the value of the accommodation, we have assumed 97% occupancy for a 44 week term in respect of the townhouses and cluster flats and a 51 week term in respect of the studios. Based on our experience, these variables comprise typical student accommodation assumptions for a property of this type and in this location.

Facilities Management Costs

From the gross potential rent, we have assumed a deduction of £1,900 per bed per annum, to account for the costs associated with the provision of services, maintenance and sinking fund, direct costs and labour, as well as quantum for an optimum sized 397-bed student scheme. Marketing costs are also included within these figures as it is assumed that the operator would carry out the marketing of the building.

Our Facilities Management (FM) costs allowance is informed by our market knowledge and experience of costs at other student accommodation schemes in Bath and in the UK. These FM costs are informed by our knowledge of operators and developers costs applied when bidding on schemes of this nature.

8.1.2 Residual Appraisal Assumptions

We have undertaken a residual valuation approach to assessing the value of the cleared development site. We have considered the Net Development Value (NDV) of the completed scheme and deducted total development costs to produce a residual site value.

Our development costs comprise five key elements; construction, professional fees and contingency, other statutory or obligated costs, finance and profit.

The indicative construction cost allowed is in line with the construction costs outlined in the Preliminary Order of Cost produced by Sweett (UK) Limited dated September 2015. We have additionally allowed for professional fees, planning costs, remediation, finance, developer contingency and developer's profit as detailed below.

We have relied on these advised costs for use within our residual appraisal without further verification. We comment that we are not cost experts and are not qualified to confirm their accuracy. Valuations of development sites are highly sensitive to varying construction costs. Should the anticipated construction costs or timing of the development assumed increase materially, then the land appraisals reported may be affected.

Land Remediation Costs

We have been informed by UK and European Investments that Arup have undertaken an assessment in order to quantify the costs of land remediation. These costs have been estimated at circa £2 million. We have allowed for these costs within each of our appraisals.

We have not been instructed to make any investigations in relation to the presence or potential presence and impact of the contamination identified in the land. In practice, purchasers in the property market do require knowledge about contamination. A prudent purchaser of this property would likely require appropriate investigations to be made to assess any risk before completing a transaction. We have been advised of potential costs but should these increase then these will impact on our residual appraisals undertaken.

Flood Risk

We have not considered any direct impact for flood risk in relation to the proposed development. Clearly if onerous design requirements were needed to safely deliver the proposed accommodation, then the land appraisals reported may be affected.

Planning

Our assumptions have been derived from our knowledge and understanding of current market trends and are detailed in later sections of this report. At this stage they should be treated as indicative only and subject to any adjustments during the scheme design process. We are assuming that the scheme has obtained a full valid planning consent with no unusual, onerous or restrictive planning conditions as at the date of this report, and that the advised costs for all planning obligations are as stated in this report.

Section 106 Contributions

We have taken advice from the planning team at Savills with regard to Section 106 contributions who have advised that we adopt a potential cost of £1,000 per dwelling. We calculate the following dwelling numbers within the student accommodation elements of each scheme:

1. 100% student scheme – 14 townhouses plus 83 studios plus 26 cluster flats = 123 dwellings = £123,000 Section 106 contribution

As at the date of this report, we have not been provided with the number of cluster flats comprised within the 100% student scheme. In order to calculate this number for the purposes of Section 106, we have previously been advised that the cluster flats would comprise five to six bedrooms each. We have taken an average of 5.5 rooms and divided this into the total number of en-suite cluster flat bedrooms, being 143, resulting in 26 cluster flats.

We have allowed for this cost within our appraisal.

Community Infrastructure Levy

We understand that the Bath and North East Somerset draft Community Infrastructure Levy Charging Schedule was adopted on 6 April 2015.

In respect of student accommodation, £200/sqm is applicable for schemes adopting Market Rents.

Taking the GIA with the Sweetts Cost Schedule dated 18 November 2015, of 10,943 sq m, this equates to a CIL contribution of £2,188,600 which we have adopted within our appraisal.

Professional Fees

Within our appraisals, we have allowed for professional fees at 8%, in accordance with standard market assumptions.

Contingency

Within our valuation we have assumed an additional developer contingency budget of 3%, which we consider to be appropriate for a scheme of this nature. This is in addition to a design contingency adopted as advised by Sweetts.

Acquisition and Disposal Fees

In accordance with standard valuation practice, acquisition and disposal fees have been assumed at 5.8%. This includes 4% stamp duty, 1% agent's fees and 0.50% legal fees.

Finance Costs

We have assumed a finance rate of 6% for the development. This figure reflects current lending criteria, and is in line with assumptions made within valuations for loan security in recent weeks.

Developer's Profit

Profit has been assumed at 17.5% on cost. In the current economic climate, we consider this to be reasonable.

Timescale

In undertaking a residual appraisal we have allowed for a total development period of 24 months. This allows a nine months preconstruction and 15 months construction period, and we have assumed the completed property will be ready in time to accept students for the commencement of the 2017/18 academic year.

8.1.3 Residual Appraisal Summary

Gross Development Value (before purchaser's costs)	£39,271,352
Build Costs	£16,074,412
Total Contingency (design and developer)	£1,560,733
Professional Fees 8%	£1,445,953
Finance all in at 6%	£1,390,557
Profit on Cost at 17.5%	£5,528,284
Site Works/Prelims/OHP	£6,283,528
Site Remediation	£2,000,000
S106 Costs/CIL	£2,311,600
Residual Value	£496,126
Say	**£500,000**

8.1.4 Resulting 100% Student Scheme Residual Appraisal

The adoption of the 100% student accommodation scheme on site, results in an overall residual land value of:

£500,000 (Five Hundred Thousand Pounds)

8.2 Mixed Use Viability Assessment – Scenario 2

For the purposes of our appraisal, we have assessed the following development scenario:

Student Element – 154 Beds

- (4x) twelve bed townhouses (non en-suite)
- (70x) en-suite cluster flats
- (36x) studios

Residential Element

- (20x) maisonettes
- (12x) one bedroom apartments
- (24x) two bedroom apartments

With regard to the student element, we have adopted the assumptions outlined above in the 100% student accommodation scheme.

8.2.1 Methodology

We have considered a mixed use scheme provided by FCB Studios incorporating 154 student beds and 36 residential units. The assumptions and inputs adopted when formulating the student element of the mixed scheme are similar to the above 100% scheme, whilst accounting for a smaller lot size. The residential component is made up of 20 maisonettes, 12 one bedroom apartments and 24 two bedroom apartments. We have assumed a proportion of this will include affordable housing, approximately 30.00%.

We have been provided with floor areas on a Net Sales Area basis in respect of the residential accommodation as detailed below:

Unit Type	No.	Sq m	Sq ft	Total (sq m)	Total (sq ft)
Town House Maisonette – Private	14	117.00	1,259	1,638	17,626
1 Bedroom Apartments - Private	8	50.00	538	400	4,304
2 Bedroom Apartments - Private	17	65.00	700	1,105	11,900
Town House Maisonette – Affordable	6	117.00	1,259	702	7,554
1 Bedroom Apartments - Affordable	4	50.00	538	200	2,152
2 Bedroom Apartments - Affordable	7	65.00	700	455	4,900

We have approached our assessment of the value by way of the residual method of valuation. The residual method of valuation considers the GDV of the completed development, under the Special Assumption that all works are complete at the date of valuation; and then makes assumptions and deductions for all costs and an allowance for a developer's profit, to arrive at a residual land value.

8.2.2 Comparable Evidence

We have provided within Section 7.2 comparable evidence. Our opinion of affordable housing value is approximately 50% of private market value.

Unit Type	No.	Sq m	Sq ft	£psm	£psf	Value
Town House Maisonette – Private	14	117.00	1,259	3,290	£305.62	£375,000
1 Bedroom Apartments - Private	8	50.00	538	4,302	£399.63	£215,000
2 Bedroom Apartments - Private	17	65.00	700	3,921	£364.29	£255,000
Town House Maisonette – Affordable	6	117.00	1,259	1,645	£152.81	£187,500
1 Bedroom Apartments - Affordable	4	50.00	538	2,151	£199.81	£107,500
2 Bedroom Apartments - Affordable	7	65.00	700	1,961	£182.14	£127,500

We have further assumed that the individual properties will be sold off on a long leasehold basis for a term in excess of 125 years at a peppercorn rent. Additionally, each property is assumed to include one car parking space within the sale price.

8.2.3 Project Development Costs

We have adopted build cost estimates produced by Sweett (UK) Limited, reflecting circa £127 per sq ft for the residential accommodation which is in line with the estimates for the 100% residential scheme. We consider these reasonable given the location and likely quality of end product. In addition, we have adopted a developer contingency of 5%. Further, we have made allowances for S106 costs and CIL costs as advised by you. Further, we have included a site remediation budget as advised via your consultants and site infrastructure costs as additionally provided by Sweett.

This cost excludes any other development costs such as professional fees, acquisition costs, finance, marketing and agency fees, or developer profit which we have allowed for separately.

In undertaking a residual appraisal we have allowed for a total combined build and sales period of 31 months. The part student element adopts 24 months. For the part residential element we have allowed for 3 months preconstruction, 21 months construction and finally 12 month sales period for the residential element assuming this would start prior to practical completion. We have assumed the student element will sell on completion.

Residual Appraisal Summary

In arriving at an opinion of value we have adopted both the comparable and the residual method of valuation. The residual is principally summarised below:

Gross Development Value	£29,264,742
Build Costs	£14,512,020
Total Contingency	£2,072,723
Professional Fees	£1,027,662
Finance all in at 6.50%	£516,802
Profit on Cost at 20%	£4,785,975
Site Works/Prelims/OHP	£5,816,978
Site remediation	£2,000,000
S106 Costs/CIL	£1,762,570
Residual Value	(£4,582,936)
Say	**(£4,580,000)**

8.2.4 Resulting Mixed Use Appraisal

The combination of residential and student accommodation uses on site, results in an overall residual appraisal of:

Negative £4,580,000 (Negative Four Million Five Hundred and Eighty Thousand Pounds)

8.3 Proposed Scheme – 100% Residential Scheme – Scenario 3

For the purposes of our appraisal, we have assessed the following development scheme:

- (28x) 117 sqm maisonettes
- (30x) one bedroom apartments
- (54x) two bedroom apartments

8.3.1 Valuation Method

We have considered a sole residential scheme incorporating 112 units made up of 28x 117 sqm maisonettes, 30x one bedroom apartments and 54x two bedroom apartments. As requested, we have assumed a proportion of this will include affordable housing, approximately 30.00%.

In reality, we consider that given the negative land value it would be possible to reduce the affordable housing contribution to a viable level.

We have been provided with floor areas on a Net Sales Area basis in respect of the residential accommodation as detail below:

Unit Type	No.	Sq m	Sq ft	Total (sq m)	Total (sq ft)
Town House Maisonette – Private	20	117.00	1,259	2,340	25,180
1 Bedroom Apartments - Private	21	50.00	538	1,050	11,298
2 Bedroom Apartments - Private	38	65.00	700	2,470	26,600

Town House Maisonette – Affordable	8	117.00	1,259	936	10,072
1 Bedroom Apartments - Affordable	9	50.00	538	450	4,842
2 Bedroom Apartments - Affordable	16	65.00	700	1,040	11,200

We have approached our assessment of the value by way of the residual method of valuation. The residual method of valuation considers the GDV of the completed development, under the Special Assumption that all works are complete at the date of valuation; and then makes assumptions and deductions for all costs and an allowance for a developer's profit, to arrive at a residual land value.

8.3.2 Comparable Evidence

We have provided within Section 7.2 comparable evidence. Our opinion of affordable housing value is approximately 50% of private market value.

Unit Type	No.	Sq m	Sq ft	£psm	£psf	Value
Town House Maisonette – Private	20	117.00	1,259	£3,289.76	£305.62	£375,000
1 Bedroom Apartments - Private	21	50.00	538	£4,301.72	£399.63	£215,000
2 Bedroom Apartments - Private	38	65.00	700	£3,921.27	£364.29	£255,000
Town House Maisonette – Affordable	8	117.00	1,259	£1,644.88	£152.81	£187,500
1 Bedroom Apartments - Affordable	9	50.00	538	£2,150.86	£199.81	£107,500
2 Bedroom Apartments - Affordable	16	65.00	700	£1,960.63	£182.14	£127,500

We have further assumed that the individual properties will be sold off on a long leasehold basis for a term in excess of 125 years at a peppercorn rent. Additionally, each property is assumed to include one car parking space within the sale price.

8.3.3 Project Development Costs

We have adopted build cost estimates produced by Sweett (UK) Limited, reflecting circa £134 per sq ft for the residential accommodation. We consider these to be reasonable given the location and likely quality of end product. In addition, we have adopted a developer contingency of 5%. Further, we have made allowances for S106 costs and CIL costs as advised by you.

Further, we have included a site remediation budget as advised via your consultants and site infrastructure costs as additionally provided by Sweett. This cost excludes any other development costs such as professional fees, acquisition costs, finance, marketing and agency fees, or developer profit which we have allowed for separately.

In undertaking a residual appraisal we have adopted the estimated build times as advised by your consultants Sweett Group, and their views on this will take precedent.

Residual Appraisal Summary

In arriving at an opinion of value we have adopted both the comparable and the residual method of valuation. The residual is summarised below:

Gross Development Value	£26,212,500
Build Costs	£13,091,880
Total Contingency	£1,328,738
Professional Fees	£1,309,188

Finance all in at 6.50%	£850,373
Profit on Cost at 20.00%	£4,368,750
Site Works/Prelims/OHP	£5,592,768
Site remediation	£2,000,000
S106 Costs/CIL	£1,816,524
Residual Value	**(£4,818,909)**
Say	**(£4,820,000)**

8.3.4 Resulting 100% Residential Scheme Land Appraisal – Assuming 30% Affordable Provision

The adoption of the 100% residential scheme on site, results in an overall residual land value on the Special Assumption of your costs and estimates of:

Negative £4,820,000 (Negative Four Million Eight Hundred and Twenty Thousand Pounds)

8.3.5 Resulting 100% Residential Scheme Land Appraisal – Assuming 0% Affordable Provision

We have also considered the residual site value under the same cost parameters, but without the requirement for affordable housing, to assess viability under these factors. We conclude that the adoption of the 100% residential scheme on site, but with an assumption of no affordable provision, still results in an overall negative residual land value (on the Special Assumption of your costs and estimates) of:

Negative £1,450,000 (Negative One Million, Four Hundred and Fifty Thousand Pounds)

8.3.6 Commentary

Please note the above figures provide only a residual valuation, based on your inputs, which have not been cross checked and upon which we have relied solely. Should these be found to be inaccurate or change we shall need to be informed as this will impact upon our appraisal. This is particularly the case for any subsequent revised costs or timings of the scheme.

9 Conclusions

This report has set out the policy context, methodology and assumptions, results and conclusions for the viability assessment relating to the proposed student housing development at Windsor Bridge Road/Upper Bristol Road in Bath.

Assumptions reflective of current market sentiment, detailed cost information and relevant comparable evidence have been used to inform the appraisals undertaken, which clearly show that the proposed student development is financially viable.

We have also undertaken research with regard to student demographics in the city of Bath. Bath has a supply and demand imbalance in respect of the provision of student accommodation by both higher education institutions and private sector built student accommodation. The existing supply of purpose built student accommodation in Bath amounts to 5,991 bed spaces, which allows 32% of the full time student population to access a bed space, with the remainder (68%) making alternative arrangements either in the private rented sector, their own home or their parents' home. This therefore demonstrates a pressing need for student accommodation in Bath.

There are a total of 1,619 pipeline beds in Bath that have received planning consent which represents 8.6% of full time students in the city. There is the potential that not all of these schemes will be delivered due to viability issues. However assuming a best case scenario and all schemes being delivered, it would still leave 11,103 (59.4%) full time students studying at institutions within Bath unable to access university provided or private sector purpose built student accommodation.

These students will therefore have to rely on the parental home, own home, HMO style accommodation or privately rented accommodation. This therefore puts increased pressure on the private sector rental market as students will look to occupy the private sector housing stock due to the lack of purpose built student accommodation in Bath.

There are a number of negative impacts that arises from the undersupply of student accommodation in cities such as Bath. The most significant is the pressure that a lack of student accommodation provision has on the private sector rental market, which therefore displaces other social demographics from obtaining housing through the private sector rental market in Bath.

The provision of purpose built student accommodation will reduce the significant pressure on HMOs and the private sector rental market. HMOs often provide low quality and less secure accommodation which do not meet the needs or expectations of students. By increasing the number of purpose built student accommodation in Bath, it will ease the pressure on HMOs and allow this accommodation to be utilised by families. Large areas of HMOs develop in areas due to the lack of university or private sector provided student accommodation.

We have undertaken a number of residual appraisals, adopting three different development scenarios, to assess the viability of the site with regard to each, the results of which are as follows:

Description	Detail	Residual Appraisal (circa)
100% Student Accommodation	394 Student Beds	£500,000
Mixed Use – Student and Residential Accommodation	154 Student Beds/56 Residential Units	Negative (£4,580,000)
100% Residential	112 Residential Units	Negative (£4,820,000)

Adopting a scheme which incorporates wholly student accommodation does present a viable option, which would attract a development of this nature to the site.

Our restricted residual appraisal results demonstrate that, in comparison to a student scheme, the use of the site as a 100% residential development is unviable based on your assumptions. Furthermore great uncertainty surrounds the ability to provide the number of residential units contained within the modelled scenario due to the aspirations of the Supplementary Planning Guidance for the site. The potential abnormal costs involved with the excavation of the contaminated land on site could see this value eroded further, which would apply to all scenarios.

The use of the site as a mixed use scheme is also clearly unviable, producing a negative land value. As well as financial constraints, we would also not envisage a mixture of "normal housing" and student accommodation on a site of this size working in practice. We would regard the mix of "normal" housing residents and students to be conflicting. The subject site is a relatively tight site, and the two types of residents would be in close proximity to one another. The shared parking and amenity space would be seen as issues of incompatibility. We would consider that there would be a detrimental impact upon the Market Values of the "normal" housing units, due to the proximity of the students. With new housing being developed at Crest Nicholson's scheme, we would consider non-student residents would overlook "normal" housing at the subject site, in favour of the new development immediately adjacent.

We would comment that although the site would not initially be deemed an unnatural residential location, its situation adjacent to the recycling centre, the poor access road onto the development, and, in the case of the mixed use scheme, the proximity of the residential units to the student occupiers will have a negative impact on the capital value per square foot of the residential units, and therefore upon viability. Although we understand proposals exist to relocate the recycling centre in the future, we understand that access onto the site will always be via Midland Road which is not ideal for residents. There are also substantial extra costs associated with the development of residential units on site, including the provision of affordable housing and the excavation involved with removing contaminated land, the latter issue again potentially impacting all scenarios.

In conclusion, we are of the opinion that the development viability of the subject site lends itself to the sole provision of student accommodation. The subject site is very well located for the academic institutions within Bath as well as for the social, leisure and retail amenities required by students. Upon completion the proposed development will assist with meeting the current strong demand for purpose built student accommodation within the city. Aside from the strong student demand demographics, the financial viability of the site for such a scheme is positive, in comparison to the unviable options of a mixed use scheme and a 100% residential offering, based on the residual appraisals undertaken as detailed within this report.

Huw Forrest
Director
40 Berkeley Square
Bristol
BS8 1HU
+ 44 (0)117 930 5889
huw.forrest@eu.jll.com

Andrew Vaughan
Director
40 Berkeley Square
Bristol
BS8 1HU
+ 44 (0)117 930 5638
andrew.vaughan@eu.jll.com

Victoria Ingrouille-Kidd
Senior Surveyor
40 Berkeley Square
Bristol
BS8 1HU
+ 44 (0)117 930 5636
victoria.ingrouille-kidd@eu.jll.com

Alastair Kimpton
Senior Surveyor
40 Berkeley Square
Bristol
BS8 1HU
+ 44 (0)117 930 5622
alastair.kimpton@eu.jll.com

Huw Forrest
Director
40 Berkeley Square
Bristol
BS8 1HU
+ 44 (0)117 930 5889
huw.forrest@eu.jll.com

Alastair Kimpton
Senior Surveyor
40 Berkeley Square
Bristol
BS8 1HU
+ 44 (0)117 930 5622
alastair.kimpton@eu.jll.com