

# Reinstatement Cost Assessments

Tom North  
Director, North & Hawkins Building Consultancy



## What we will cover:

- Collection of information and site inspection
- Basis of assessment
- Guidance and examples of good practice

## What is a Reinstatement Cost Assessment?

- Could be defined as the worst case cost estimate to repair, rebuild or renew the subject building to an equivalent, but not better, standard than it was in prior to the insured peril occurring.



North & Hawkins

03/05/2018



## RICS Guidance

- RICS Reinstatement cost assessment, 3<sup>rd</sup> Edition, February 2018.

### Key Points

- Effective from 1<sup>st</sup> June 2018.
- No material changes from previous edition.
- 'Floor area' definition updated to IPMS



rics.org/guidance

North & Hawkins

03/05/2018



## Why have an Reinstatement Cost Assessment?

- Choice or Requirement?
- Inflation tracking for too long
- Periodic Review: 3-5 Years, or when material changes
- Over insured? Default cover or playing safe?
- Under insured? "Principle of Averaging"

North & Hawkins

03/05/2018



## Averaging

Principle of Averaging diagram:



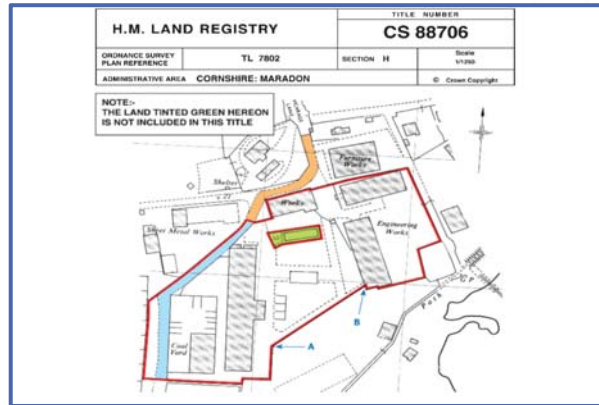
North & Hawkins

03/05/2018



## Collection of Information - Taking Instructions

Extent of premises?



North & Hawkins

03/05/2018



## Collection of Information - Taking Instructions



Shell?



Or to include tenants fitting out?

North & Hawkins

03/05/2018



## Collection of Information - Taking Instructions

- Timing – When is the renewal date?
- Existing Information



North & Hawkins

03/05/2018



## Collection of Information - Taking Instructions

Listed Building and / or Conservation Area



North & Hawkins

03/05/2018



## Collection of Information - Taking Instructions

- Desktop Assessment



North & Hawkins

03/05/2018



## The Inspection

- Equipment
- Construction, services & accommodation
- Site topography & constraints
- Special features



North & Hawkins

03/05/2018



## Basis of Assessment - Considerations

Gross Internal Floor Area (GIFA), or IPMS 2



North & Hawkins



03/05/2018



## Basis of Assessment - Considerations

- Grounds & boundaries
- Infrastructure. Sub-stations?
- Special Features or restrictions. Underground car parks. Outbuildings.



North & Hawkins



03/05/2018



## Basis of Assessment - Appropriate Rate – BCIS or other source?

**BCIS**



£/m<sup>2</sup> study

Description: Rate per m<sup>2</sup> gross internal floor area for the building Cost including prelims.  
Last updated: 28-Apr-2018 12:20  
> Rebased to Norfolk (96; sample 121)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m <sup>2</sup> gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
<b>Rehabilitation/Conversion</b>							
<b>320. Offices</b>							
Generally (15)	1,015	69	445	881	1,221	4,458	104
<b>Air-conditioned</b>							
Generally (15)	1,169	287	680	983	1,331	4,458	36
1-2 storey (15)	1,257	287	558	1,099	1,405	4,458	14
3-5 storey (15)	1,198	299	684	932	1,376	3,551	12
6+ storey (15)	1,064	479	754	943	1,216	2,091	7
<b>Not air-conditioned</b>							
Generally (15)	1,178	238	747	1,027	1,590	3,011	35
1-2 storey (15)	1,085	238	708	942	1,163	2,585	18

North & Hawkins

03/05/2018



## Basis of Assessment - Elemental breakdown

Element	Description	Rate	Area GIA	Cost	Notes
<b>1</b>	<b>Substructure</b>				
	Substructure	210	2855	599,550	
<b>2</b>	<b>Superstructure</b>				
2.1	Frame	135	2855	385,425	Increase demolition rate as concrete framed
2.2	Upper floor	45	2855	128,475	
2.3	Roof	100	2855	285,500	Tall buildings so reduce roof rate relative to floor area
2.4	Stairs	35	2855	99,925	
2.5	External walls	160	2855	456,800	
2.6	Windows and double glazed aluminium windows	100	2855	285,500	

RICS RCA Guidance, Appendix A, Feb. 2018

North & Hawkins

03/05/2018





## Additions to the Net Cost

- Demolition & shoring up
- Deleterious materials
- Fees: Professional, Planning, Building Control
- VAT: Recoverable?



North & Hawkins

03/05/2018



## Basis of Assessment – Types of Assessment

- Day-One Reinstatement / Declared Value
- Reinstatement including inflation provision
- Reinstatement less wear and tear ('indemnity' basis)
- Obsolete buildings – Brick and tile stores?
- Site clearance, debris removal and 'making safe' costs only
- Second-hand value of building materials

North & Hawkins

03/05/2018



## Summary

- Useful for property owners to ensure adequate cover is in place. Avoid excessive premiums and principle of averaging from insufficient cover;
- Surveyors to follow RICS GN Reinstatement cost assessments, 3<sup>rd</sup> Edition. Effective from 1<sup>st</sup> June 2018;
- GIA x appropriate rate + demolition + extras + fees (+ VAT);
- Elemental breakdown sometimes more appropriate than BCIS rates;

North & Hawkins

03/05/2018

