

# REINSTATEMENT COST ASSESSMENTS

Most properties require some form of insurance to ensure that – should the worst happen and the building is destroyed or damaged – monies are available through the insurance to repair or rebuild the property.

## £3.5bn

We have prepared RCAs on over £3.5bn worth of property for our clients over the last two years

The value of the insured sum (and what a client pays in terms of an insurance premium) is based upon an assessment of the cost of reconstructing the building. This assessment used to be called a fire insurance valuation, but is now known as a reinstatement cost assessment (RCA).

#### What does it include?

The elements included in any RCA will be subject to the specific circumstances of each case, but would normally include allowances for:

- > estimated cost of rebuilding the property
- > external works, drainage, water supply, electricity supply, gas supply and the like
- > demolition and site clearance costs
- > any shoring and waterproofing required to surrounding land or buildings
- > professional fees associated with the reinstatement work

#### Methods of calculating RCAs

There are two main methods of calculating RCAs. The most commonly used is known as a 'day one' assessment.

In this case the reinstatement cost is assessed as on the first day of the policy. If the insurers require this calculation, no separate assessment is required to ensure the policy is accurate at the end of the policy year. The second method for calculating RCAs is to use the 'all in' method. This assesses the estimated rebuilding costs in the usual way, but makes separate allowances for inflation throughout the period of the term, and the likely time taken for the works to be completed.

#### Accuracy is the most important consideration

The most immediately apparent reason for this is to ensure that in the event of damage/ destruction, there are sufficient funds available to repair or rebuild the property. The second reason is to ensure that the building is not over-insured and that you do not pay excessive premiums.

For this reason it is important that the RCA is updated regularly. Assuming no changes have been made to the property it should be possible to update the RCA annually, as a desktop exercise. However, we normally recommend that a new RCA be prepared, if any changes are made, or otherwise every three years to maintain accuracy of cover.

#### What we do

Where possible, our calculations are based upon construction costs we have within our own data-base of properties we have dealt with, and our knowledge of different construction costs for similar buildings, in similar locations. These are then checked against published construction cost rates as a cross-check and for reference purposes.

This means our clients can insure their buildings for the right amount, and not an amount purely based on generic rates.

### OUR TRACK RECORD AND SPECIALIST EXPERTISE

Our building surveying team is very experienced in undertaking RCAs, and have produced RCAs for a wide range of clients, on both individual properties and large portfolios. As such we have experience in the following diverse range of property types:

- > art galleries, museums, and other listed properties
- > colleges and universities
- > education properties, including lecture halls, conference facilities and student accommodation
- > health and fitness centres
- > healthcare properties, including hospitals
- > industrial units
- > offices
- > religious buildings such as chapels and churches
- > retail properties

### Case study: a Major University, South West London

In this case, we undertook RCAs on behalf of a university as it renewed its insurance policies for 54 properties. The properties were dispersed across four campuses and its wide-ranging portfolio included 1960s tower blocks, nurseries, engineering buildings, halls of residence, lecture theatres, conference facilities and multi-storey car parks. Some were listed, others were of an unusual design and some were built into hills in difficult locations. We calculated the reinstatement cost assessment at £180m, completing the work to a tight timescale.

### Case study: Swedish Bank, National Portfolio

Our client, one of Sweden's largest retail banks, recently instructed our building surveying team to undertake an RCA on its UK portfolio, which was in the process of being refinanced.

The properties ranged from large shops in town centres to more traditional properties — some of which were listed or located within restricted sites or in conservation areas. Such properties require careful consideration of all circumstances before an accurate assessment can be made, which in turn requires specialist knowledge and experience. We assessed the total reinstatement cost for this portfolio at £25m.

### Our Valuation Services

Valuation is core to our service, whether for company accounts, investment, loan security, corporate finance or insurance reasons, Gerald Eve's team of 60 valuers are expert in both specialist and bulk class sectors.

Further examples of our work are available on our website.

### The firm

Gerald Eve LLP is a leading firm of chartered surveyors and property consultants operating from a network of nine offices across the UK. We have achieved one star accreditation and are classified as a 'first class place to work' by The Sunday Times Best Companies to Work For' survey.

Our clients – including 40 per cent of the FTSE100 – hold some of the largest property portfolios in the country. We provide advice to ensure that our clients' operational and non-operational properties cost them as little as possible and deliver the maximum return possible.

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