

13-16 Market Place, Reading

Financial Viability Assessment DRAFT

Prepared for Eurospeak Ltd

Instructions

This Financial Viability Assessment report (FVA) is submitted to Reading Borough Council ('the Council') to accompany a planning application for the proposed development at 13-16 Market Place, Reading ('the Subject'). The application is made on behalf of Eurospeak Ltd ('the Applicant').

In producing this FVA we can confirm that all those involved, including sub-consultants, have acted objectively, impartially and without interference. Additionally, all those involved have considered how the proposed development will be delivered and the associated performance metrics. The conclusions of this assessment have been made with reference to all the appropriate guidance / policy including:

- National Planning Policy Framework (updated July 2021);
- Planning Practice Guidance (PPG) – Viability (updated September 2019);
- RICS Assessing viability in planning under the National Planning Policy Framework 2021 for England, 1st Edition (March 2021); and
- RICS Financial Viability in Planning: Conduct and Reporting 1st Edition (May 2019).

This FVA has been carried out with regard to the Professional and Ethical standards set out within PS2 of the RICS Valuation – Global Standards 2022 (the Red Book), effective from January 2022.

A copy of our Terms of Engagement are attached at **Appendix 1**.

We confirm that this report and all subsequent engagement with the Council and their reviewer has and will be conducted in a reasonable and transparent manner.

Confidentiality

We understand that the report will be submitted to Reading Borough Council as a supporting document to the planning application. The report must not be recited or referred to in any document (save the consultants instructed by the Council to review the report) without our express prior written consent.

Report Limitations

Please note that the advice provided on values is informal and given purely as guidance. Our views on price are not intended as a formal valuation and should not be relied upon as such. No liability is given to any third party and the figures suggested are not in accordance with the RICS Valuation – Global Standards 2022 (incorporating the IVSC International Valuation Standards), together the 'Red Book', and neither Savills nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such.

Market Update – Commercial

The UK economy continues to experience inflationary pressures against the backdrop of faltering economic growth and continued concerns over the cost of high energy costs, following the ongoing war in Ukraine. The Bank of England has sought to address this by increasing interest rates, while the government has stepped in to insulate households and businesses from much of the increase in wholesale energy prices. Financial markets remain under close watch after a period of disruption and resulting volatility, but the UK government has managed to restore confidence in their ability to manage public finances, and bond yields have fallen by around 100bps since peaking last October at around 4.5%.

There remains concern as to how the UK economy will perform in the short term and the IMF are amongst those who have issued a bearish assessment for the short term outlook, whilst some bankers and other commentators have issued a more upbeat outlook, although nonetheless subject to challenges. There are some encouraging signs that the recent economic disruption is starting to stabilise insofar that the inflation curve points to a marked reduction in inflation over the next 6 to 12 months, SONIA interest rates have tightened and lenders continue to re-emerge in the UK residential market with mortgage lending rates beginning to fall.

Whilst the UK economy narrowly avoided falling into recession in 2022, the economic outlook for the next 12 months remains muted. Continued industrial action in the public sector, coupled with the prolonged hostilities in Ukraine and a weak consumer economy are also likely to impact economic performance. Nonetheless as inflationary pressures start to potentially subside, the Chancellor is coming under increasing pressure to reduce taxes as the UK moves towards a probable General Election in the mid part of 2024.

Although the impact of this volatility and marked slowdown in the economy is yet to fully play out in the commercial real estate markets, we have witnessed significant price discounts and sales being withdrawn as vendor price expectations are not met, sometimes by a significant margin. Equally several real estate funds are closed for redemptions, real estate lenders are cautionary as to financing new lending opportunities and buyers are adopting an opportunistic pricing approach.

The result has been a severe slowdown in transactional volumes and liquidity, with an inevitable reduction in the availability of comparable evidence to inform the valuation process, placing increased emphasis on market sentiment. There is growing evidence of a polarised market between genuinely “best in class” properties versus those which are challenged by locational factors and the underlying quality of the real estate. This invariably includes ESG considerations such is the heightened levels of importance that all stakeholders in the market, be it occupiers, investors and crucially lenders are attributing to this in their decision making. For prime commercial property investments, a degree of pricing evidence is starting to emerge to assist in valuations, although away from this, values can be hampered by limited transactional data points and thus influenced by the positivity or otherwise within the wider economy.

Although there remains liquidity in the market, the ongoing geo-political headwinds, economic challenges, along with the cost and availability of debt finance is likely to further impact pricing in some sectors, such that future value erosion cannot be discounted with the more marked falls in value continuing to be in respect of properties lying outside of prime markets.

It is therefore important to recognise that our Financial Viability Assessment report has been prepared against the backdrop of a very challenging economic outlook and financial market instability. We stress the importance of the assessment valuation date and recommend that the value of the property is kept under regular review. For the avoidance of doubt, our assessment is not reported as being subject to ‘material valuation uncertainty’ as defined in the RICS Valuation – Global Standards.

Market Update – Residential

The UK economy continues to experience inflationary pressures against the backdrop of faltering economic growth and continued concerns over the cost of high energy costs, following the ongoing war in Ukraine. The Bank of England has sought to address this by increasing interest rates, while the government has stepped in to insulate households and businesses from much of the increase in wholesale energy prices. Financial markets remain under close watch after a period of disruption and resulting volatility, but the UK government has managed to restore confidence in their ability to manage public finances, and bond yields have fallen by around 100bps since peaking last October at around 4.5%.

There remains concern as to how the UK economy will perform in the short term and the IMF are amongst those who have issued a bearish assessment for the short term outlook, whilst some bankers and other commentators have issued a more upbeat outlook, although nonetheless subject to challenges. There are some encouraging signs that the recent economic disruption is starting to stabilise insofar that the inflation curve points to a marked reduction in inflation over the next 6 to 12 months, SONIA interest rates have tightened and lenders continue to re-emerge in the UK residential market and lending rates have begun to fall.

Whilst the UK economy narrowly avoided falling into recession in 2022, the economic outlook for the next 12 months remains muted. Continued industrial action in the public sector, coupled with the prolonged hostilities in Ukraine and a weak consumer economy are also likely to impact economic performance. Nonetheless as inflationary pressures start to potentially subside the Chancellor is coming under increasing pressure to reduce taxes as the UK moves towards a probable General Election in the mid part of 2024.

Although the Bank of England has continued to raise base rates, analysts predict that they are nearing the peak, and may end by the middle of the year. Nonetheless, it is difficult to predict precisely what the future holds for the mainstream housing market. There continues to be a period of reduced confidence and uncertainty in the mainstream market. A lot will depend on the impact on the cost and availability of mortgage debt over the medium term and the extent to which policymakers and lenders seek to mitigate the potential impact of a sharp increase in interest rates.

Considerable financial strain has been put on existing borrowers who are already on a standard variable rate and will impact borrowers who are coming to the end of a fixed rate deal. This is likely to result in lower transactional volumes over the next 6 to 12 months, combined with downward pressure on prices. However, rates for new mortgages have been slowly falling since the turmoil created by the mini budget in September 2022, which provides a clear indication that the financial markets consider that base rates will be reduced towards the latter end of 2023 and which will assist in improving liquidity in the residential markets.

It is therefore important to recognise that our Financial Viability Assessment report has been prepared against the backdrop of a very challenging economic outlook and financial market instability. We stress the importance of the assessment date and recommend that the value of the property is kept under regular review. For the avoidance of doubt, our assessment is not reported as being subject to 'material valuation uncertainty' as defined in the RICS Valuation – Global Standards.

Conflicts of Interest

We can confirm that we are not aware of any material conflicts of interest between Savills and either the Applicant, the Council or the Subject.

Declaration of Previous Involvement with Local Planning Authority

We confirm that we are unaware of any relevant previous material involvement with the Local Planning Authority.

Date of Appraisals

The date of the Appraisal is the date of this FVA.

Confirmation of Reporting Timescales

We can confirm that an adequate amount of time has been allowed for in the preparation of this report and the timeframes stated within our Terms of Engagement were not extended.

Signatures to the Report

Prepared by:



Charlie Mitchell MRICS
Associate

Reviewed by:



Gareth Turner MRICS
Director

Contents

1.	Executive Summary	6
2.	Introduction	7
3.	Subject Description	8
4.	Methodology	9
5.	Site Value Benchmark	10
6.	Development Revenues	14
7.	Development Costs	16
8.	Conclusions	18

Appendices

Appendix 1 Terms of Business

Appendix 2 Site Plan

Appendix 3 Details of Existing

Appendix 4 Plans & Schedule of Proposed Accommodation

Appendix 5 EUV Appraisal

Appendix 6 Residential Comparables Report

Appendix 7 Proposed Appraisal

1. Executive Summary

1.1. Introduction

- 1.1.1. 13-16 Market Place currently comprises a vacant former bank building, arranged over basement, ground and two upper levels. The basement and ground floors were occupied as a banking hall and vaults, with the three upper floors as ancillary office space and plant.
- 1.1.2. The proposal is for the conversion and redevelopment of the existing building to deliver flexible commercial space at the ground floor and 15 residential units with shared amenity space across three upper floors. The residential units will comprise one, two, and three bedroom apartments.
- 1.1.3. We have assessed the development economics of the proposed scheme to identify the level of planning obligations the scheme can sustain. We have appraised the Residual Land Value (RLV) of the proposed scheme using proprietary software Argus Developer and have based our appraisal upon the plans and schedule of accommodation shown in **Appendix 4**. The RLV is calculated by subtracting all associated development costs and a suitable level of developer profit from the Gross Development Value (GDV) of the proposed development, which is assessed by calculating all revenues and capital receipts realised by the developer. The assumptions adopted within our appraisal have been informed by market evidence and input from independent third-party experts, where appropriate.
- 1.1.4. We have compared the RLV to our Site Value Benchmark (SVB) to ascertain whether there is a deficit or surplus against our SVB. In this case our SVB has been determined by considering the Existing Use Value (EUV) of the Subject plus a suitable landowner premium. The EUV has been calculated through a traditional investment valuation methodology, which includes capitalising a rental income by a suitable capitalisation rate and deducting associated costs.
- 1.1.5. We have not investigated the Alternative Use Value of the Subject as we do not deem it relevant in this instance.
- 1.1.6. We have appraised the proposed scheme and summarise the results in the table below. Please see **Appendix 7** for the full appraisal.

Viability Appraisal Results

Residual Land Value	Site Value Benchmark	Deficit
£0.228m	£1.451m	-£1.223m

- 1.1.7. Given that the RLV generates a deficit against the SVB, the scheme is not considered commercially viable in planning viability terms. Notwithstanding the extent of the deficit the Applicant is committed to bringing forward the proposal. A small net profit is generated by the scheme, albeit this is at a level below what is considered appropriate in the current market, the Applicant is prepared to proceed on this basis in the hope that the relationship between values and costs improves over time which will in turn generate a return is more aligned with market norms.

2. Introduction

2.1. Client Instruction

- 2.1.1. We have been instructed by the Applicant to examine the viability of this residential led scheme, to determine the level of planning obligations that the proposed development can support whilst remaining viable. A copy of our signed Terms of Engagement can be found attached at **Appendix 1**.

2.2. Information

- 2.2.1. We have been provided with, and have relied upon, the following information from the Applicant:
- Site location plan as attached at **Appendix 2**;
 - Site photos provided by the Applicant;
 - Area schedule of the existing accommodation produced by Danks Badnell Architects as attached at **Appendix 3**;
 - Floorplans and area schedule of the proposed accommodation produced by Danks Badnell Architects as attached at **Appendix 4**; and
 - Build costs as advised by RPS.

3. Subject Description

3.1. Subject Location

- 3.1.1. The Subject is located at the north corner of Market Place Square in Reading, Berkshire. The site is situated 0.3 km southeast of Reading station, a major transport hub. It benefits from excellent connections to key locations, including the new high-speed link to central London, via the Elizabeth Line.
- 3.1.2. Reading has a walkable urban centre with a shopping and restaurant scene. The Subject is situated on the western side of this centre, on a market square. Shops in the square include supermarkets, restaurants, and estate agencies; the busiest part of town lies to the east of the site. Forbury Gardens lies just north of the site, providing access to public open space. The site is bound to the north, south and east by other commercial units. To the west is Market Place Square. A location plan is attached at **Appendix 2**.

3.2. Subject Description

- 3.2.1. 13-16 Market Place currently comprises a vacant former bank building, arranged over basement, ground and two upper levels. The basement and ground floors were occupied as a banking hall and vaults, with the three upper floors as ancillary office space and plant. The building extends to 12,207sqft (NIA). The frontage of the property is a traditional period building, with a Grade II listed façade. To the rear, there is a more modern extension. Further detail is provided within the SVB section of this report.

3.3. Proposed Development

- 3.3.1. The proposal is for the conversion and redevelopment of the existing building to deliver flexible commercial space at the ground floor and 15 residential units with shared amenity space across three upper floors. The residential units will comprise one, two, and three bedroom apartments.

Proposed Residential

Tenure	Unit Type	No. Units	Av. of NSA Sqm	Av. of NSA Sqft
Private	1B2P	4	52	560
Private	2B3P	8	66	705
Private	2B4P	2	82	877
Private	3B5P	1	76	818

Proposed Commercial

Use	Floor	NIA Sqm	NIA Sqft
Commercial	Ground	356	3,832

- 3.3.2. A detailed accommodation schedule and plans are provided at **Appendix 4**, and further detail of the proposed apartments is contained within our Residential Comparable report, attached at **Appendix 6**.

4. Methodology

4.1. Financial Viability Assessments

- 4.1.1. In line with the NPPF, site-specific financial viabilities may be a material consideration in determining how much and what type of affordable housing should be required in residential and mixed-use developments.
- 4.1.2. As such, viability appraisals can and should be used to analyse and justify planning obligations to ensure that Section 106 requirements do not make a scheme unviable.
- 4.1.3. The RICS define financial appraisals for planning purposes as:

“An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to a developer in delivering a project.”

- 4.1.4. The logic is that, if the residual value of a proposed scheme is reduced to significantly below an appropriate viability SVB, it follows that it is unviable to pursue such a scheme, and the scheme is unlikely to proceed.
- 4.1.5. If a scheme is being rendered unviable because of Section 106 requirements, it may be appropriate to look at reducing the burden of those requirements in order to facilitate viability.

4.2. Residual

- 4.2.1. The financial viability of development proposals is determined using the residual land valuation method. A summary of this valuation process can be seen below;

Built value of proposed private residential and other uses	+	Built value of affordable housing	=	GDV
GDV	-	Build costs, finance costs, Section 106 costs, CIL, sales fees, developers profit, etc	=	Residual Land Value

- 4.2.2. The Residual Land Value (RLV) is then compared to a SVB. If the RLV is lower and / or not sufficiently higher than the SVB the project is not technically viable.

5. Site Value Benchmark

5.1. Introduction

- 5.1.1. Identifying an appropriate SVB requires judgement bearing in mind that national planning guidance indicates that appropriate land for housing should be 'encouraged' to come forward for development.
- 5.1.2. In line with the RICS Guidance Note Assessing viability in planning under the National Planning Policy Framework 2021 for England, 1st Edition (March 2021), RICS Professional Statement 'Financial Viability in Planning: Conduct and Reporting (May 2019), and the latest PPG we have assessed the SVB using the Existing Use Value (EUV) of the Subject, plus a suitable landowner premium. Existing Use Value is sometimes referred to as Current Use Value (CUV), and these two terms are interchangeable when used for Financial Viability in planning. The latest guidance also requires us to investigate the Alternative Use Value (AUV) of the Subject where an existing planning consent may already exist or where the Subject may benefit from being converted to an alternative lawful planning use.
- 5.1.3. Our conclusions of the EUV of the Subject are summarised below and our appraisal can be found in **Appendix 5**. We are not aware that the Subject benefits from an existing planning consent or potential conversion to an alternative lawful planning use. As such we have not appraised the AUV of the Subject at this stage.

5.2. Adopted Site Value Benchmark

- 5.2.1. The existing building is flexible commercial use and extends to 14,235sqft (GIA) / 12,207sqft (NIA) which is arranged as follows:

Use	Description	Floor	NIA Sqft
Class E	Bank Vaults	Basement	2,336
	Banking Hall	Ground	5,242
	Banking Office	First	2,671
	Banking Office	Second	1,249
	Plant	Third	710
Total			12,207

- 5.2.2. We have been provided with photos which demonstrate the internal condition of the building on vacant possession from the previous occupier, these are attached at **Appendix 3**. We have adopted an EUV plus premium approach to the existing Use Class E building at the Subject.

5.3. Existing Use Value

5.3.1. We summarise below the relevant commercial evidence that has informed our opinion of the Subject EUV.

Commercial Rental Evidence

Use	Address	NIA Sqft	Rent (£psf p.a.)	Date
Office	12 Forbury Rd.	2,895	£30.00	Dec-22
	145 Friar St.	1,902	£15.77	May-22
	35-43 Greyfriars	4,233	£35.75	Mar-22
	55 St Marys Butts	1,450	£20.00	Feb-22
	3-5 Market Place	2,801	£32.50*	Jul-21
Average		2,656	£26.80	
Retail	1-9 King St.	1,507	£25.00*	Oct-22
	2-10 Bridge St.	1,765	£18.56	Jun-22
	58 Broad St.	21,903	£17.14*	Jun-22
	64-73 King's Road	4,252	£12.94	Aug-21
	10-12 Oxford Rd.	2,102	£23.79	May-21
	99 Broad St.	4,537	£17.63	Apr-21
	55 St Marys Butts	3,206	£23.39	Mar-21
	2-10 Bridge St.	1,765	£18.00*	Mar-21
Average		5,130	£19.56	

*Quoting Rent

- 5.3.2. The above suggests that office units within the local area achieve rents of between £15-£35psf per annum dependant on location, footfall, and condition. 145 Friar Street provides our best comparable in terms of location, being centrally located. The office space is located on the first floor, it was fully refurbished in 2018 and features a re-modelled entrance / reception, wooden flooring, and modern WCs. Given the recently refurbished nature of the space we would expect the existing space at the Subject to achieve a lower rate per foot than this property.
- 5.3.3. Retail units achieved a narrower range of between £12-£25psf per annum depending on location, footfall, surrounding covenants, and condition. Our closest comparable is 2-10 Bridge Street which is situated in a similarly prominent location to the Subject, close to The Oracle Shopping Centre. It is a period building, which has been fitted out to a good standard but is situated in a slightly quieter location in terms of footfall than the Subject.

Commercial Investment Evidence

Use	Address	NIA Sqft	Sale Price (£ / sqft)	Tenant	Yield	Date
Office	20-30 King's Rd.	1,432	£470,382 (£328.48)	Not Known	6.11%*	Mar-22
	16-18 Friar St.	26,000	£5,555,768 (£213.68)	Pitcher and Piano	8.99%*	Jan-22
	60 Broad St.	1,742	£246,666 (£141.60)	Not Known	9.00%	Aug-21
	35-43 Greyfriars Rd.	26,000	£10,050,000 (£386.54)	Multi-let	4.24%	May-21
	10-12 The Forbury	4,305	£700,000 (£162.60)	EJ Winter & Son	6.11%*	May-21
Retail	7-10 Friar St.	15,400	£4,550,000 (£295.45)	Slug & Lettuce	4.33%	Under Offer
	29-31 Market Place	5,400	£2,650,000 (£490.74)	Coopers Arms	6.32%*	Jul-22
	11-14 Friar St.	5,508	£875,000** (£158.86)	Coral Racing	6.82%	Jun-22
	99-105 Friar St.	5,800	£2,500,000 (£431.03)	Sweat Shop	4.93%	Jun-22
	118-119 Broad St.	9,505	£1,571,400 (£165.32)	Poundland	9.00%	May-21

*Estimated using CoStar estimated rent

**Asking Price

5.3.4. Office investment units in this location transact at yields of between 4% and 9%. The strength of yield is affected by the location and condition of the asset alongside the length and security of the investment's income. Retail yields in this location also range between 4% and 9%, again dependent on the asset's location and condition along with the length and security of the investment's income.

5.3.5. Much of the recent transactional evidence within central Reading has constituted development sales, this evidence is of less relevance to our assessment which is based on standing EUV only. Therefore, as secondary evidence we have consulted the Knight Frank Investment Yield Guide March 2023 which, for rack rented properties, suggests yields of 7.5% for offices and 9% – 9.25% for retail units in secondary locations.

5.4. Existing Use Value

5.4.1. Based on the above evidence we have adopted the following assumptions in our EUV assessment:

Use	Description	NIA Sqft	Rent (£/sqft p.a.)	Void	Rent Free	Yield
Commercial	Basement - Bank Vaults	2,336	£2.50	12	12	8.5%
	Ground Floor - Banking Hall	5,242	£15.00			
	1 st Floor - Banking Office	2,671	£12.50			
	2 nd Floor - Banking Office	1,249	£10.00			
	Plant	710	£0.00			

5.4.2. Adopting the above assumptions we have concluded a capitalised EUV of **£1,209,000 / £105psf** net of purchaser's costs, an EUV appraisal reflecting this is attached at **Appendix 5**.

5.5. Landowner Premium

- 5.5.1. In line with Guidance we have adopted a landowner premium over and above the EUV in order to reflect a reasonable incentive for a landowner to release the site for redevelopment. In determining an appropriate premium to apply to the Subject, we have considered the central location of the site within Reading, and the existing asset management opportunities which are presented by the site in its current use. We consider that a premium of 20% is appropriate and have adopted a total SVB of **£1,450,800**.

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6. Development Revenues

6.1. Residential Values

6.1.1. We have assessed several comparable schemes in the area to form an opinion of value for the proposed homes at the Subject, considering the location, size, aspect, provision of outside space, proposed accommodation and parking provision.

6.1.2. Based on our research (attached at **Appendix 6**) and advice from Savills New Homes in Reading, we have adopted a Gross Development Value (GDV) for the proposed scheme of **£5,715,000 / £547psf**.

6.2. Ground Rents

6.2.1. Draft legislation was included in the May 2021 Queen's Speech, which will restrict the charging of financial ground rents on new long residential leases with the intention of tackling inconsistency and ambiguity in ground rents for new leaseholders whilst fixing the same at a 'peppercorn'.

6.2.2. The exclusion of ground rent income within viability assessment is therefore appropriate and excluded from our appraisal.

6.3. Commercial Values

6.3.1. Proposed commercial values have been assessed based on recent comparable transactions and agents active in the market. The commercial accommodation will comprise retail space arranged over the ground floor as follows:

Use	Floor	GIA Sqm	NIA Sqm	NIA Sqft
Retail / Restaurant	Ground	462	356	3,832

Newly Refurbished Rental Comparables

6.3.2. As well as the evidence listed in the SVB section of this report, we have found additional evidence of newly refurbished retail units below.

Address	Date	Term (yrs)	Rent p.a	Void (mos)	Size	Rent Sq/Ft	Distance to Subject
Broad St.	Oct-22	5	£62,500	15	3,238	£19.30	0.4 miles
Broad St.	Jan-22	20	£36,800	NK	1,592	£23.12	0.4 miles
81 Broad St.	May-21	NK	£80,437	22	3,496	£23.00	0.4 miles

6.3.3. Rents depends on location, footfall, surrounding tenants, and condition. 81 Broad Street provides good comparable evidence for newly refurbished retail stock. This property is situated on an attractive, pedestrianised street and was presented in a very good condition.

Investment Evidence

6.3.4. In respect of investment evidence, we have had regard to the comparables provided in respect of our EUV valuation. To account for the superiority of the proposed unit we have brought in the yield by 150bps, the proposed space is situated on the ground floor only and will be newly refurbished, it is likely that it will attract a larger number of occupiers of a greater covenant strength than the existing space. Given the newly refurbished nature of the space, it is also considered that the future re-letting risk is less than the existing building.

6.3.5. Based on the above we have adopted the following assumptions:

- Rent (Ground Floor): £30psf p.a.;
- Rent (Basement Storage): £2.5psf p.a.;
- Yield: 7%;
- Rent Free: 6 months; and
- Voids: 6 months.

7. Development Costs

7.1. Introduction

7.1.1. The following assumptions have been adopted in assessing the costs of the proposed scheme.

7.2. Build Costs

7.2.1. We have adopted the build costs as advised by RPS. The costs include an allowance for demolition, preliminaries, contingencies, and contractor's OH&P.

7.3. Contingency

7.3.1. The advised costs include a contingency allowance of 2% for contractor's design and build risk contingency. We have applied a separate developer's contingency of 3% in our appraisal to bring the total risk allowance to 5%.

7.4. Professional Fees

7.4.1. In this instance we have adopted professional fees of 10%. We have not been provided with a detailed breakdown of anticipated professional fees and therefore reserve the right to review our approach in the future.

7.5. Disposal, Letting and Marketing

7.5.1. We have included the following allowances within our assessment:

- Private Residential marketing: 1%;
- Private Residential sales agent: 1.5%;
- Private Residential sales legal: 0.25%.
- Commercial sales agent: 1%;
- Commercial sales legal: 0.8%;
- Commercial letting agent: 10%; and
- Commercial letting legal: 5%.

7.6. Purchaser's Costs

7.6.1. We have deducted acquisition costs at an appropriate allowance within our appraisal.

7.7. Profit

7.7.1. In assessing what constitutes an acceptable level of developer's return in the current market we have consulted with specialist colleagues within the Loan Security Valuation and Capital Markets departments of Savills, as well as applying our own development experience. In the current market if a developer was buying a site such as the Subject they would normally seek a return of at least 20% Profit on GDV (broadly equivalent to 25% Profit on Cost) in order to justify the risk of delivering the scheme.

7.7.2. Based on our experience and research we have included the following developer's return;

- 20% of Private Residential GDV (broadly equivalent to 25% Profit on Cost); and
- 15% of Commercial GDV.

7.7.3. This produces a blended profit on GDV of 18.89%.

7.8. Finance

7.8.1. In accordance with RICS guidance we have assumed that the development will be 100% debt financed, at a debit rate of 7.5% and a credit rate of 4.25%.

7.9. Timescales

7.9.1. We have not been provided with a development programme and so have made assumptions for appraising the scheme on the following basis:

- Purchase, planning and pre-construction: 3 months;
- Construction: 12 months as advised by RPS; and
- Sales: We have allowed a 4 month sales period. We have assumed that 50% of the homes will be sold off plan with receipt at PC, and that broadly three homes will be sold per month thereafter.

8. Conclusions

8.1. Results

8.1.1. We have appraised the proposed scheme against our SVB in order to fully understand the economics of the development and to establish the maximum level of planning obligations, including affordable housing, that the scheme can reasonably support.

8.1.2. A summary of our appraisal results is set out below. Please see **Appendix 7** for the full appraisal.

Viability Appraisal Results

Residual Land Value	Site Value Benchmark	Deficit
£0.228m	£1.451m	-£1.223m

8.1.3. Given that the RLV generates a deficit against the SVB, the scheme is not considered commercially viable in planning viability terms. Notwithstanding the extent of the deficit the Applicant is committed to bringing forward the proposal. A small net profit is generated by the scheme, albeit this is at a level below what is considered appropriate in the current market, the Applicant is prepared to proceed on this basis in the hope that the relationship between values and costs improves over time which will in turn generate a return is more aligned with market norms.

8.2. Sensitivity Analysis

8.2.1. The value of development sites can be volatile, and the residual approach adopted within this report is sensitive to changes in key variables. It is therefore useful to provide a sensitivity analysis, showing the effect on the RLV through small changes in key variables such as private sales values and build cost. We set out below a sensitivity analysis showing the effect of increasing and decreasing the private sales price and the build costs by 4% increments.

Sensitivity Analysis		Sales Values				
		0%	+4%	+8%	+12%	+16%
Build Costs	-16%	£970,381	£1,124,298	£1,278,215	£1,432,133	£1,586,050
	-12%	£785,053	£938,970	£1,092,887	£1,246,805	£1,400,722
	-8%	£599,725	£753,642	£907,559	£1,061,477	£1,215,394
	-4%	£414,397	£568,314	£722,231	£876,149	£1,030,066
	0%	£228,464	£382,986	£536,903	£690,821	£844,738

- 8.2.2. The above table demonstrates that for the scheme to become economically viable in planning terms, where the RLV generates a surplus against the SVB, there would need to be an increase in private sales values of 16% and a decrease in build cost of 16%. Conversely, if there were either a decrease in private sales values or an increase in build cost the RLV would decrease making the development even less commercially viable in planning terms.
- 8.2.3. Notwithstanding the above, we are of the opinion that the RLV of the proposed development creates a deficit against the SVB and is therefore, under planning terms, unable to contribute towards an affordable housing provision.

DRAFT

Appendices

DRAFT

Appendix 1

Terms of Business

January 2023

The Savills logo consists of the word "savills" in a lowercase, sans-serif font, colored red, set against a solid yellow rectangular background.

Mr G. Vahi, Eurospeak Ltd
C/O Danks Badnell Architects
3 / 4 Osborne Mews
Windsor
SL4 3DE

Gareth Turner
E: gturner@savills.com
DL: +44 (0) 20 7016 3771

33 Margaret Street
London W1G 0JD
T: +44 (0) 20 7499 8644
savills.com

Dear Mr. Vahi,

Confirmation of Terms of Engagement

Site: 13 – 16 Market Place, Reading

Introduction

Following on from our recent correspondence, we are grateful to you for your kind instructions. We now write to you to confirm the terms upon which Savills (UK) Limited (Savills, we or us) will provide Eurospeak Ltd (you) with a Financial Viability Assessment (FVA) to support your proposal in respect of the development of the above site (the Subject).

Scope of Services

As confirmed please see below our agreed scope of services for providing a Financial Viability Assessment to accompany your planning application.

Viability Assessment

In light of the potential planning obligations being sought in relation to the proposed redevelopment of the site, you require Savills to provide a Financial Viability Assessment on the following bases:

- a) **Site Assessment** – to examine the development economics of the proposed scheme via the preparation of a Full Financial Viability Assessment Report using Argus Developer so that the level of planning obligations can be considered, including;
 - Establishing the Site Value Benchmark;
 - Assessment of residential values and pricing (including input from wider Savills departments where appropriate/required) to be included within an individual Residential Comparables report; and
 - Economic modelling, including appraisals using Argus Developer software.
- b) **Post Submission Advice** – to agree the final planning obligations with the Council/their appointed assessor.

a

The above includes engagement with the project team including attendance at project team meetings where required.

Timescales

We would expect to be able to issue a draft report 15 working days from receipt of the required information.

Any extensions to these agreed timeframes will be communicated and agreed with you prior to the issuance of our report and highlighted within, along with the reasons for why such an extension was required.

Conflicts of Interest

We can confirm that there are no conflicts of interest between Savills and either the Applicant, the Council or the Subject.

Fee Statement

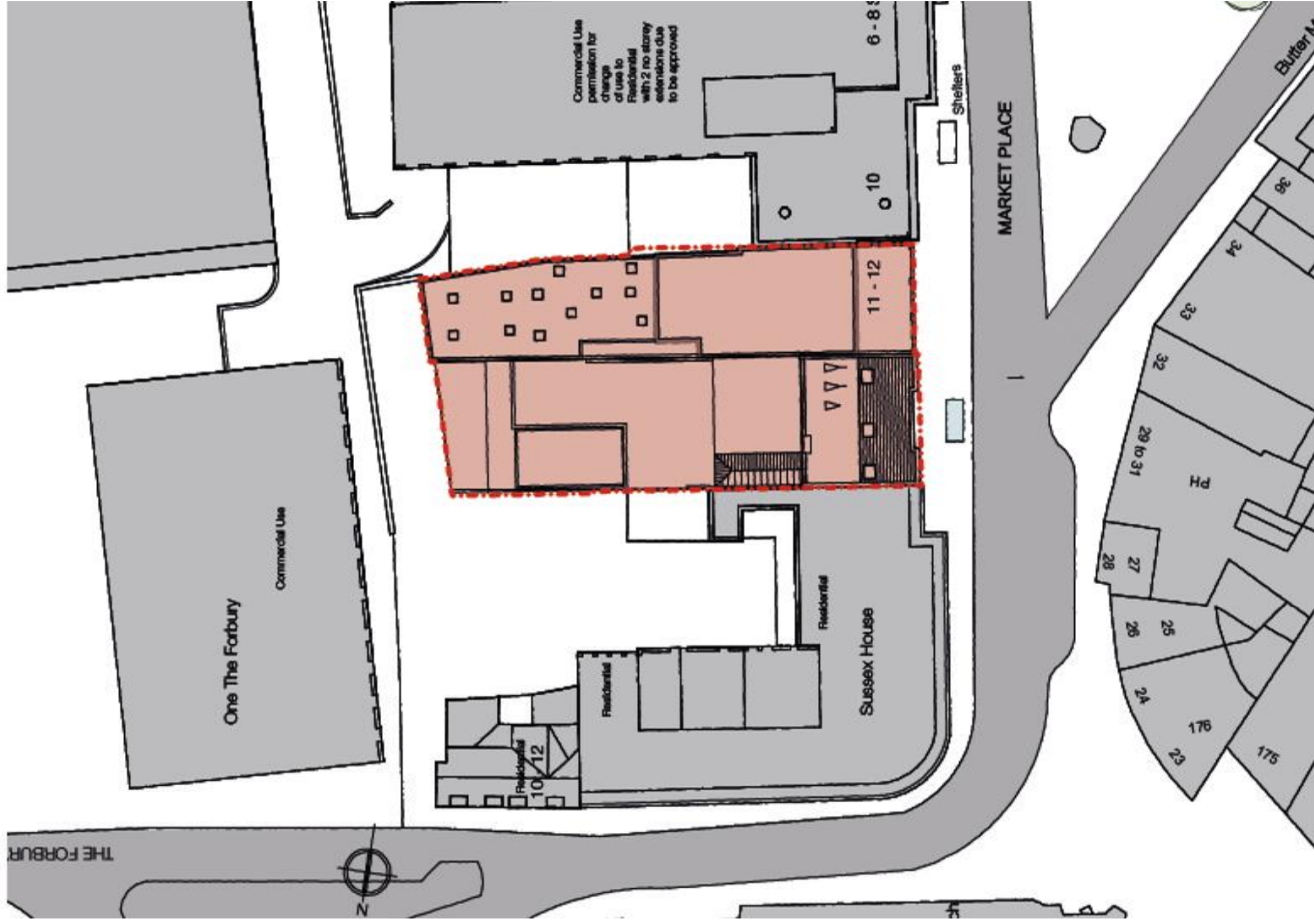
We can confirm that in-line with the latest RICS Guidance our agreed fee for undertaking the above work is not performance related nor do we have any contingent fees agreed between Savills (UK) Limited and Eurospeak Ltd.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gareth Turner', written in a cursive style.

Gareth Turner MRICS
Director

Appendix 2 Site Plan



Appendix 3

Details of Existing



Appendix 4

Plans & Schedule of Proposed Accommodation

Schedule of Accomodation

16 Market Place Reading
20 February 2023

Existing Building

Floor	Use	Total GIA m²	Total NIA m²	sq ft
Ground Floor	Vacant Class E - previous use Banking Hall	539	487	5242.019
Basement	Vacant Class E - previous use bank vaults	238	217	2335.766
First Floor	Vacant Class E - previous use Banking office and Toilets	359.5	248.1	2670.524
Second Floor	Vacant Class E - previous use Banking office	120	116	1248.612
Third Floor	Vacant Class E - plant room in attic space	66	66	710.4174
Total		1322.5	1134.1	12207.34

Proposed Building

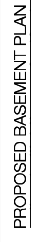
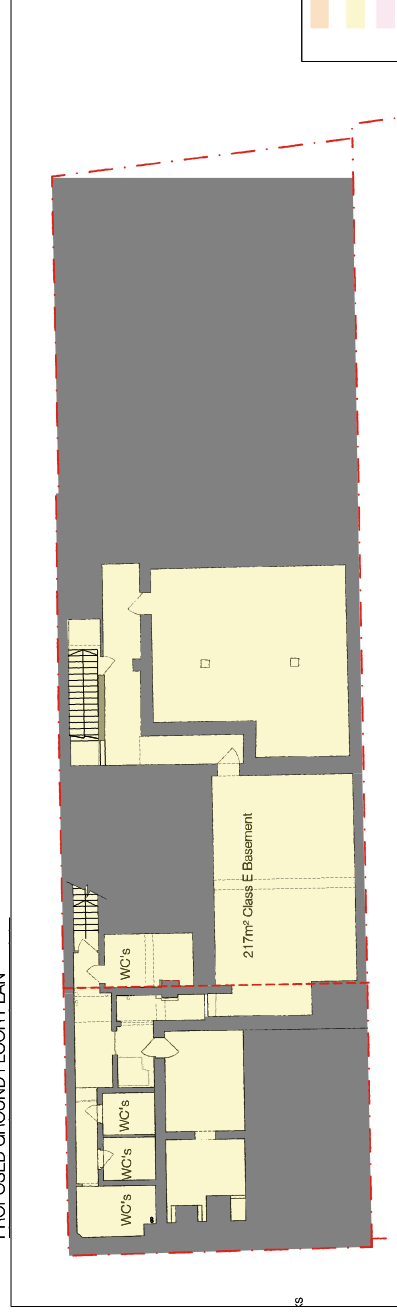
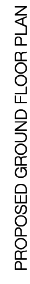
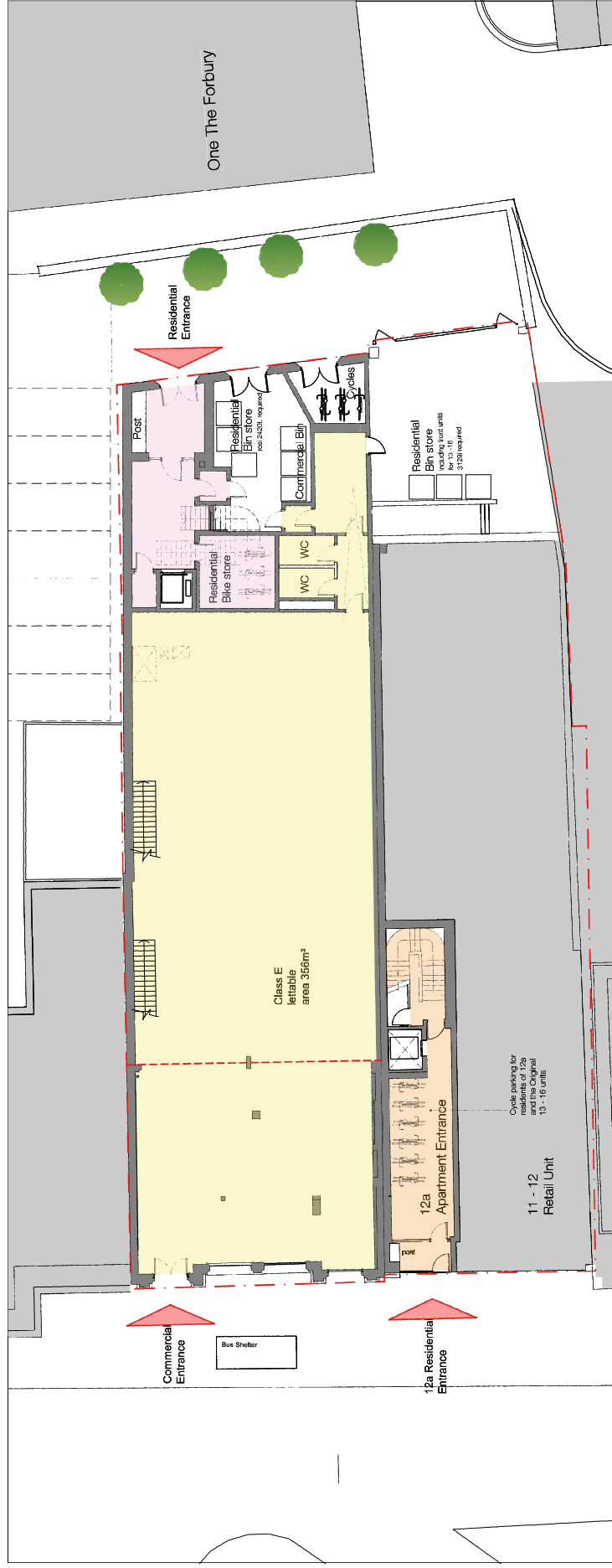
Commercial			
Floor	Use	Total GIA m²	Total NIA m²
Ground Floor	Class E - Retail / Bar Restaurant	462	362
Basement	Class E - Retail / Bar Restaurant including toilets	370	229
Total		832	591

Proposed Building

Residential			
Floor		Total GIA m²	Total NIA m²
Ground Floor	Communal Space	71	45
		Total GIA m²	
First Floor - Rear		232	
	Communal Area	27	
Flat			
1	3p 2 Bed	68	
2	2p 1 Bed	50	
3	5p 3 Bed	76	
		Total GIA m²	
Second Floor - Rear		232	
	Communal Area	27	
Flat			
4	3p 2 Bed	68	
5	3p 2 Bed	62	
6	3p 2 Bed	64	
Third Floor - Rear		232	
	Communal Area	27	
Flat			
7	3p 2 Bed	68	
8	3p 2 Bed	62	
9	3p 2 Bed	64	
Fourth Floor - Rear		154	
	Communal Area	28	
Flat			
10	3p 2 Bed	68	
11	2p 1 Bed	52	
Total - Rear Residential		921	
First Floor - Front		127	
	Communal Area	17	
Flat			
12	2p 1 Bed	56	
13	2p 1 Bed	50	
Second Floor - Front		128	
	Communal Area	17	

Flat		
14	4p 2 Bed	80
15	4p 2 Bed	83
Third Floor - Front		60.5
Total - Front		315.5
Total Combined		2068.5

Total Additional Area	746
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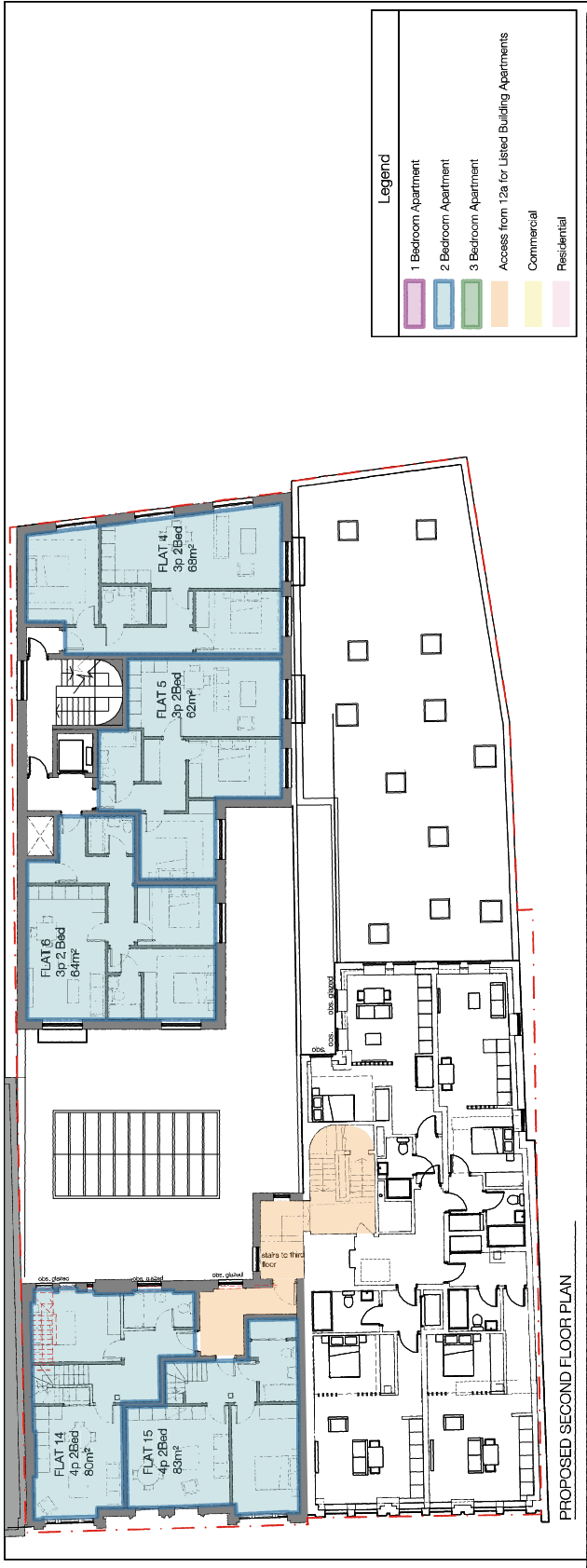


 SCALE 1" = 10'		PART PLAN		REMARKS		DATE COMPILED DRAWN 2/18/71B DATE JAN 23 SCALE 1"=100'-1200' (PAPER) A1 / A3		13 - 16 MARKET PLACE READING GROUND AND BASEMENT FLOOR PLANS		 DANKS & BARNWELL ENGINEERS & ARCHITECTS 1000 MARKET STREET PHOENIX, ARIZONA 85001	
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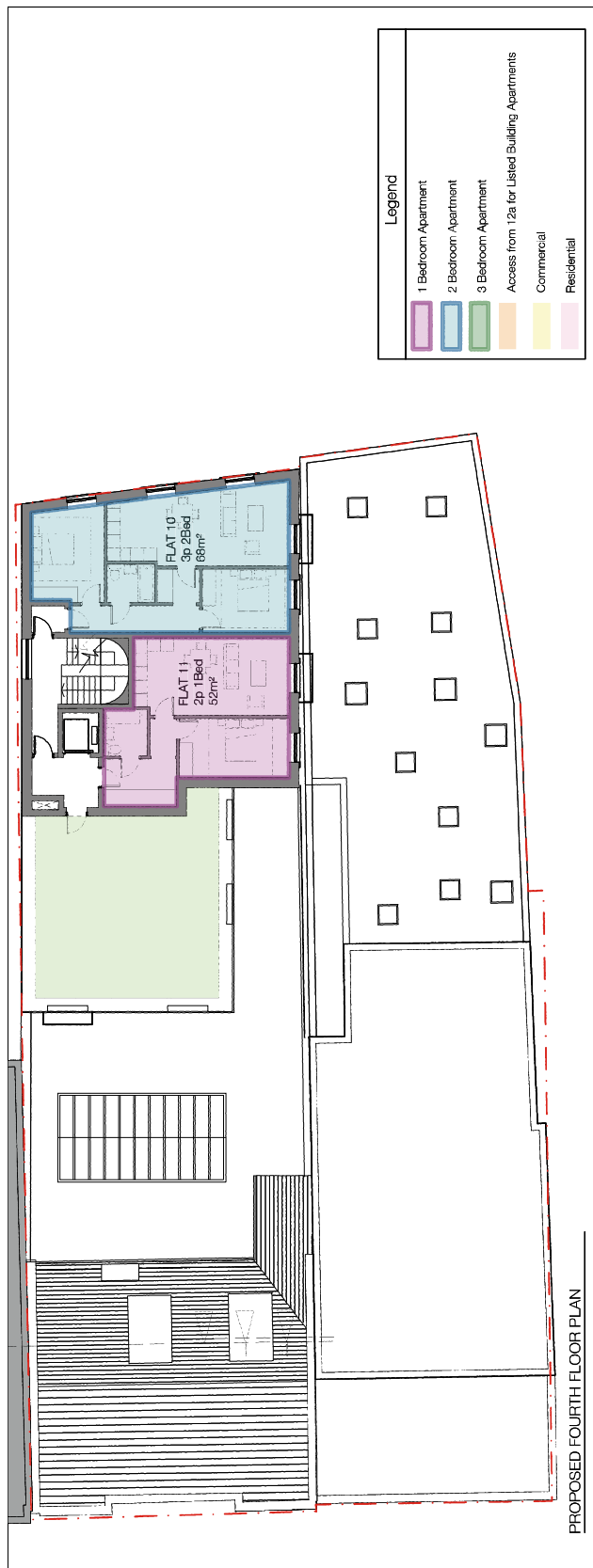
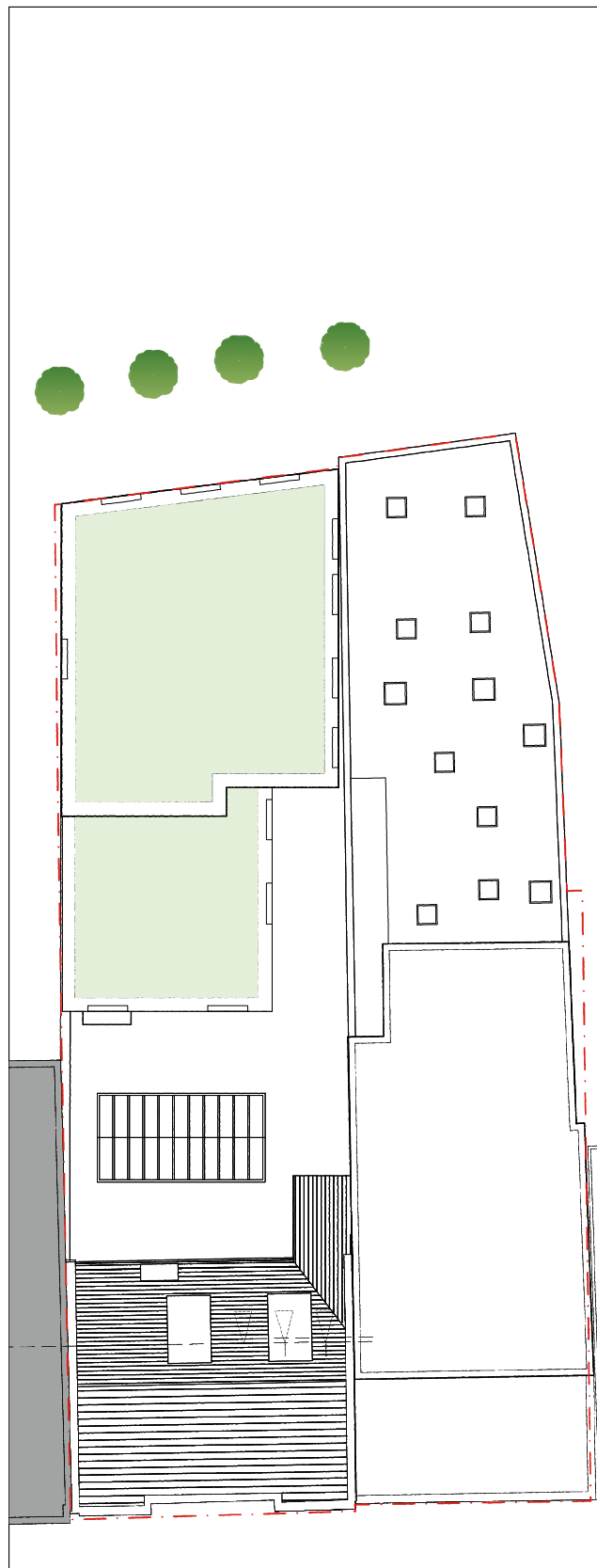
PROPOSED THIRD FLOOR PLAN



PROPOSED SECOND FLOOR PLAN

Legend	
	1 Bedroom Apartment
	2 Bedroom Apartment
	3 Bedroom Apartment
	Access from 12a for Listed Building Apartments
	Commercial
	Residential





SCALE



0 20 40 60 80 100
FEET

NETMAP



REMARKS

SIT 13 - 16 MARKET PLACE READING

DRAWING FOURTH AND ROOF PLANS

NUMBER 2116/74A DATE JAN '23

SCALE 1"100' / 1"200' (WH) A1 / A3

DANKS BADNELL

CORPORATED ARCHITECTS

100 N. 2ND ST.

ANN ARBOR MI 48106

www.danksbadnell.com or dnb@badnell.com



Appendix 5 EUV Appraisal

13 - 16 Market Place
Reading
EUV Calculation

Basement	
Valuation Date	
Lease End Date	
Remaining Term	0

Ground Floor	
Valuation Date	
Lease End Date	
Remaining Term	0

1st Floor	
Valuation Date	
Lease End Date	
Remaining Term	0

2nd Floor	
Valuation Date	
Lease End Date	
Remaining Term	0

Inputs Table (Unit 1)		
Current Rent	0	Per annum
Term	0	Yrs
Market Rent	£5,840	Per annum
Yield	8.50%	Equiv
Void	1	Yrs
Rent Free	1	Yrs
Purchasers Costs	6.13%	

Inputs Table (Unit 2)		
Current Rent	0	Per annum
Term	0	Yrs
Market Rent	£78,630	Per annum
Yield	8.50%	Equiv
Void	1	Yrs
Rent Free	1	Yrs

Inputs Table (Unit 3)		
Current Rent	0	Per annum
Term	0	Yrs
Market Rent	£33,388	Per annum
Yield	8.50%	Equiv
Void	1	Yrs
Rent Free	1	Yrs

Inputs Table (Unit 4)		
Current Rent	0	
Term	0	
Market Rent	£12,490	
Yield	8.50%	
Void	1	
Rent Free	1	

Unit 1 Term and Reversion	
YP 0 Yrs @ 8.5%	0
Term	0
YP in Perp @ 8.5%	11.76
PV 2 Yrs @ 8.5%	0.85
Reversion	£58,363
Gross Cap Val	£58,363
Costs	
Letting @ 10%	£584
Legal @ 5%	£292
Total Costs	£876

Unit 2 Term and Reversion	
YP 0 Yrs @ 8.5%	0
Term	0
YP in Perp @ 8.5%	11.76
PV 2 Yrs @ 8.5%	0.85
Reversion	£785,796
Gross Cap Val	£785,796
Costs	
Letting @ 10%	£7,863
Legal @ 5%	£3,932
Total Costs	£11,795

Unit 3 Term and Reversion	
YP 0 Yrs @ 8.5%	0
Term	0
YP in Perp @ 8.5%	11.76
PV 2 Yrs @ 8.5%	0.85
Reversion	£333,661
Gross Cap Val	£333,661
Costs	
Letting @ 10%	£3,339
Legal @ 5%	£1,669
Total Costs	£5,008

Unit 4 Term and Reversion	
YP 0 Yrs @ 8.5%	0
Term	0
YP in Perp @ 8.5%	11.76
PV 2 Yrs @ 8.5%	0.85
Reversion	£124,820
Gross Cap Val	£124,820
Costs	
Letting @ 10%	£1,249
Legal @ 5%	£625
Total Costs	£1,874

Property Value	
Gross Capital Value	£1,302,640
Costs	£19,552
Net of Costs	£1,283,088
Net Capital Value	£1,208,977
Say	£1,209,000
£psf	£105
Plus Premium @ 20%	£1,450,800

Appendix 6

Residential Comparables Report

13-16 Market Place, Reading

Residential Comparables Report

1.0 Table of Contents

1.	Introduction	2
2.	New Build Comparables	4
3.	Conclusions and Pricing	12

1. Introduction

1.1. Overview

1.1.1. This statement has been prepared by the specialist Development Viability Team within the London Residential Development Department of Savills (UK) Ltd. It is by way of an addendum to the viability report provided for the development of 13-16 Market Place (the Subject) and focuses on establishing the value of the proposed residential accommodation.

1.2. Statement Limitations

1.2.1. This statement does not constitute part of a formal valuation report, therefore the opinions and values provided herein should not be relied upon for RICS ‘Red Book’ purposes.

1.2.2. Our advice is based on market evidence which has come into our possession from numerous sources. We cannot accept liability for any errors or omissions in third party information. That from other agents and valuers is given in good faith but without liability; it is often provided in verbal form or taken from databases such as the Land Registry or to organisations to which we subscribe. In all cases, other than where we have had a direct involvement in the transaction, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.

1.3. Proposed Development

1.3.1. The schedule below details the proposed residential accommodation at the Subject:

Unit	Building	Floor	Beds	Sqm	Sqft
1	Newbuild	1	2B3P	68	732
2	Newbuild	1	1B2P	50	538
3	Newbuild	1	3B5P	76	818
4	Newbuild	2	2B3P	68	732
5	Newbuild	2	2B3P	62	667
6	Newbuild	2	2B3P	64	689
7	Newbuild	3	2B3P	68	732
8	Newbuild	3	2B3P	62	667
9	Newbuild	3	2B3P	64	689
10	Newbuild	4	2B3P	68	732
11	Newbuild	4	1B2P	52	560
12	Period	1	1B2P	56	603
13	Period	1	1B2P	50	638
14	Period	1	2B4P	80	861
15	Period	1	2B4P	83	893
TOTAL				971	10,452

1.3.2. The Property will comprise 15 units, spread over the first, second, third and fourth floors. Four of the flats are in the listed building, at the front of the property, and eleven in a newly built extension to the rear. A commercial unit will occupy the basement and ground floors.

1.3.3. The units in the new extension to the rear wing benefit from bicycle storage, lift access, and a post room. Those in the listed building benefit from bicycle storage. None of the homes have any private external amenity space.

1.3.4. Plans and a detailed accommodation schedule are attached at **Appendix 4**.

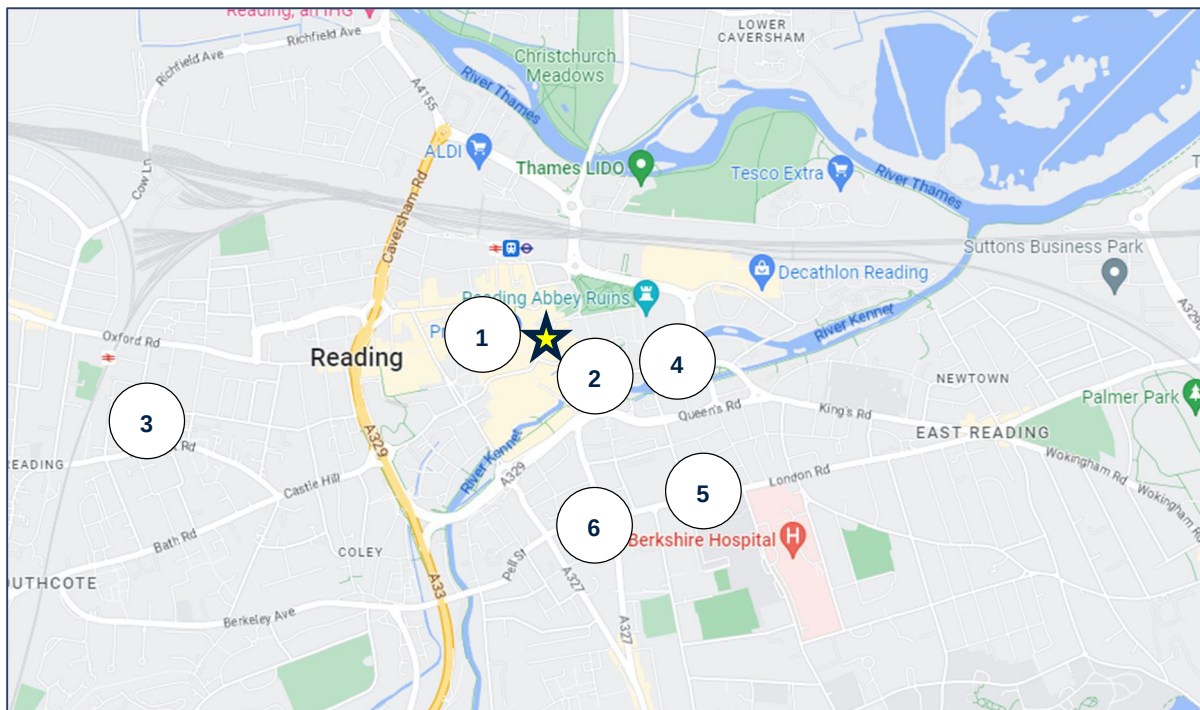
1.4. Methodology

1.4.1. In undertaking our comparable research for the residential units, we have considered recent market transactions. The results of this research are set out within this report, and for ease we have highlighted the key new build comparables on a map in Section 2.1. We have also sought advice from Savills Reading Sales team who have provided a schedule of sales comparables.

2. New Build Comparables

2.1. Map of New Build Residential Comparables

2.1.1. The map below illustrates the locations of the comparable new build residential schemes detailed within this report.



Map Ref.	Scheme
★	The Subject
1	One Reading
2	The Dukesbridge
3	Brunswick Hill House
4	Verto
5	16-40 London Road
6	2 Silver Street

2.2. One Reading, RG1 1LG



Total No. of Units: 14

No. of Private Units: 14

Status: Part Sold

Distance from Subject: 0.2 Miles

2.3. Scheme Description

2.1.2. One Reading is a small conversion scheme in the centre of town, located 0.1 miles south of Reading Train Station and 0.2 miles west of the Subject. The development comprises one and two bedroom apartments. The units are finished to a good specification and benefit from an excellent location.

2.1.3. This scheme is an excellent comparable for the Subject, being situated in the centre of town, in a converted period building. It comprises 14 units situated above commercial, like the Subject. The building has been sympathetically restored and its period features have a similar appeal to the period conversion homes at 13-16 Market Place. We would note that average unit sizes at this comparable are considerably smaller than at the Subject.

2.4. Achieved Prices

2.1.4. The table below provides a summary of the achieved sale values from June 2022 which we have been able to identify. The unit references have been kept confidential:

Beds	Sq ft	Achieved Price	Price/Sq ft	Date
1	538	£285,000	£530	Aug-22
1	551	£275,000	£499	Sep-22
1	543	£280,000	£516	Aug-22
1	547	£270,000	£494	Jan-23
1	493	£310,000	£629	Sep-22
1	445	£265,000	£596	Aug-22
1	411	£244,000	£594	Jul-22
1	362	£225,000	£622	Dec-22
1	556	£295,000	£531	Jan-23
Average 1 Bed	494	£272,111	£557	
2	718	£395,000	£453	Dec-22
2	526	£340,000	£542	Jul-22
2	556	£330,000	£531	Jan-23
Average 2 Bed	600	£355,000	£509	

2.5. The Dukesbridge, RG1 4SA



Total No. of Units: 25

Status: Part Sold

Distance from Subject: 0.1 Miles

2.6. Scheme Description

2.1.5. The Dukesbridge is a conversion development of 25 studio, one-, and two-bedroom apartments, situated 0.1 miles from the Subject and 0.4 miles from Reading Train Station. The units are finished to a high specification and benefit from a riverside location.

2.1.6. This scheme is another good comparable for the Subject. It is a small scheme very closely located to the Subject and the centre of town. While the exterior of the building is less attractive than the Subject, units here benefit from river views and an excellent specification. We would expect values per sq ft at the Subject to be at a slight discount to those achieved at The Dukesbridge.

2.7. Achieved Prices

2.1.7. The table below provides a summary of the achieved sale values from November 2021 which we have been able to identify:

Floor	Sq ft	Achieved Price	Price/Sq ft	Date
1	409	£270,000	£660	Jan-22
1	551	£300,000	£544	May-22
1	409	£272,000	£665	Feb-22
1	547	£220,000	£402	Sep-22
1	543	£271,500	£500	Jan-22
1	616	£309,000	£502	Nov-21
1	439	£315,000	£718	Apr-22
Average 1 Bed	470	£272,833	£595	
2	742	£400,000	£539	Mar-22
2	631	£350,000	£555	Apr-22
Average 2 Bed	687	£375,000	£547	

2.8. Brunswick Hill House, RG1 7YU



Developer: EB Solutions

Total No. of Units: 9

Status: Part Sold

Distance from Subject: 1.1 Miles

2.9. Scheme Description

2.1.8. Brunswick Hill House is located east of Reading Town Centre, 1.2 miles from the Station and 1.1 miles from the Subject. The development comprises an Edwardian villa which has been converted to nine apartments with communal gardens.

2.1.9. This scheme is a period conversion housing a small number of units. While the units at Brunswick Hill House benefit from superior outside space to those at the Subject, their less central location means we expect the Subject to achieve a premium in values over this comparable.

2.10. Asking Prices

2.1.10. The table below provides a summary of the asking prices which we have been able to identify:

Floor	Beds	Sq ft	Achieved Price	Price/Sq ft	Date
LG	1	552	£290,000	£525	Jan-22
2	1	551	£290,000	£526	Mar-22
2	1	614	£320,000	£521	May-22
2	1	569	£300,000	£527	Feb-22
1	1	547	£295,000	£539	Sep-22
1	1	543	£305,000	£562	Jan-22
LG	1	616	£320,000	£519	May-22
Average 1 Bed		570	£302,857	£531	
LG	2	742	£350,000	£533	Mar-22
1	2	1,208	£515,000	£426	Apr-22
Average 2 Bed		975	£432,500	£480	

2.11. Verto, 120 King's Road, RG1 3DS



Developer: CNM Estates

Total No. of Units: 103 Apartments

Status: Complete & Part Sold

Distance from Subject: 0.7 Miles

2.12. Scheme Description

2.1.11. Verto is located 0.6 miles south east of Reading Train Station and 0.7 miles east of the Subject. The development comprises one, two, and three bedroom apartments. Residents of the development benefit from a landscaped roof garden, a residents lounge & gym and a riverside restaurant and café. On-site parking and secure bike storage are also included and all apartments benefit from the onsite concierge.

2.1.12. The demographic of buyers has been mixed with overseas investment (from the Asia-Pacific market) being prominent alongside domestic demand. Purchasers at Verto have been said to have been impressed by the high specification of the units as well as the range of amenities available. The proximity of the scheme to both the Station and the Town Centre were also said to be key to its success.

2.1.13. While the units at Verto benefit from superior amenity space to the Subject, we consider it to be a good comparable due to its proximity to the Town Centre and the Station. We would note the relatively historic nature of the evidence listed below and therefore have attached less weight to this comparable.

2.13. Achieved Prices

2.1.14. The table below provides a summary of the achieved sale values from January 2020 which we have been able to identify:

Unit Ref	Floor	Beds	Sq ft	Achieved Price	Price/Sq ft	Date
NK		1	495	£280,000	£565	Mar-21
1.8	1	1	529	£298,500	£564	Jan-21
6.01	6	1	481	£280,000	£582	Jan-21
2.01	2	1	481	£262,500	£546	Oct-20
11.2	11	1	590	£299,377	£507	Jul-20
13.2	13	1	590	£310,000	£525	Jul-20
1.4	1	1	481	£260,000	£541	Feb-20
6.4	6	1	481	£277,500	£577	Jan-20
Average 1 Bed		30	542	£283,485	£551	
NK		2	657	£331,000	£504	Jun-21
8.1	8	2	829	£421,875	£509	May-20
1.3	1	2	651	£331,000	£508	Sep-20
1.2	1	2	651	£330,000	£507	Aug-20
3.2	3	2	651	£334,000	£513	Jul-20

4.2	4	2	651	£332,500	£511	Jul-20
7.7	7	2	820	£505,000	£616	Jun-20
3.3	3	2	651	£352,500	£651	Jan-20
Average 2 Bed		22	821	£367,234	£540	
14.2	14	3	1510	£720,000	£477	May-21
NK		3	1496	£720,000	£481	Sep-21
NK		3	1496	£720,000	£481	Aug-21
14.1	14	3	1514	£740,000	£489	Dec-20
15.01	15	3	1516	£720,000	£475	May-21
15.2	15	3	1489	£704,500	£473	May-21
Average 3 Bed		4	1,507	£721,125	£479	

2.14.16-40 London Road, RG1 5AG



Developer: Thomas Homes

Total No. of Units: 53

Status: Complete & Sold

Distance from Subject: 0.6 miles

2.15. Scheme Description

2.1.15. 16-40 London Road is a conversion comprising 53 units split between three key buildings fronting onto London Road. The development is located 0.6 miles south-east of the Subject and 0.7 miles south of the Station and includes a mix of one, two and three bedroom units. All units benefit from original features, a high specification, and allocated parking.

2.1.16. This smaller scheme is a useful comparable, particularly when valuing the converted units in the listed portion of the Subject. Units at 16-40 London Road also have period features and irregular unit sizes. The site is located slightly further from the Town Centre however and the Station. The units originally sold in 2018, so the below are resale values. We note that the newbuild units at the Subject should achieve a premium over these resale values.

2.16. Achieved Re-Sale Prices

2.1.17. The table below provides a summary of the achieved sales values from the last year that we have been able to identify:

Unit Ref	Beds	Sq m	Sq ft	Achieved Value	£Sqft	Date
3	1	73	787	£330,000	£419	Feb-23
12	1	61	656	£285,000	£434	Jan-23
4	1	58	622	£250,000	£402	Dec-22
23	1	58	629	£250,000	£397	Jul-22
	1	46	500	£215,000	£430	Jul-22
Average 1 Bed		59	639	£266,000	£416	
1	2	62	664	£300,000	£452	Mar-23
-	2	55	596	£249,950	£419	Jan-23
2	2	76	815	£335,000	£411	Dec-22
8	2	51	550	£325,000	£399	Oct-22
1	2	55	592	£300,000	£507	Sep-22
4	2	58	627	£325,000	£518	Sep-22
5	2	68	730	£295,000	£404	Sep-22
1	2	60	649	£325,000	£501	Aug-22
6	2	78	841	£359,950	£428	Jun-22
4	2	73	787	£350,000	£445	Mar-22
Average 2 Bed		63	677	£309,532	£444	

2.17.2 Silver Street, RG1 2ST



Developer: Thomas Homes

Total No. of Units: 79

No. of Private Units: NK

Status: Part-Sold

Distance from Subject: 0.5 miles

2.18. Scheme Description

2.1.18. 2 Silver Street is a completed Thomas Homes scheme 0.5 miles south of the Subject and 0.7 miles west of the Station. The scheme comprises 79 apartments which include one, two and three bedroom units.

2.1.19. Units at the scheme benefit from private balconies and parking. There are also communal landscaped gardens in a private square. This scheme lies south of the River Kennet, in an inferior location to the Subject, further from transport links and amenities. While this comparable has slightly better amenities, the superior location of the Subject means it should achieve a slight premium over this comparable.

2.19. Achieved Prices

2.1.20. The table below provides a summary of the achieved sale prices that we have been able to identify:

Beds	Sq ft	Achieved Price	Price/Sq ft	Date
1	549	£247,500	£451	Mar-21
1	549	£257,500	£469	Jun-21
1	570	£250,000	£438	Mar-21
1	570	£260,000	£456	Apr-21
1	570	£242,500	£425	Jun-21
1	570	£250,000	£438	Aug-21
1	603	£247,500	£411	Mar-21
	569	£250,714	£441	
2	689	£345,000	£501	May-21
2	689	£330,000	£479	Jun-21
2	689	£325,000	£472	Jun-21
2	689	£339,000	£492	Jun-21
2	786	£336,000	£428	Mar-21
2	786	£340,000	£433	Mar-21
2	786	£345,000	£439	Jun-21
	731	£337,143	£468	

3. Conclusions and Pricing

3.1. Conclusions

- 3.1.1. We have considered a number of recent transactions and asking prices of apartments in the vicinity of the Subject.
- 3.1.2. Our closest comparable is One Reading, a small period conversion scheme in the centre of Reading. The building has been sympathetically restored to a good specification. Average unit sizes at this comparable are considerably smaller than at the Subject. Because of this, we would expect capital values achieved at the Subject to be higher than at One Reading.
- 3.1.3. The Dukesbridge also provides good comparable evidence. The scheme is very closely situated to the Subject and has good access to the Town Centre. Units at this comparable are finished to an excellent specification and benefit from river views. On a £/sq ft basis, we expect units at the Subject to be at a slight discount to this scheme.
- 3.1.4. Brunswick Hill House is another period conversion just west of Reading Town Centre. The units here benefit from communal gardens but their peripheral location means that those at the Subject should achieve higher capital values and a higher rate per sq ft..
- 3.1.5. Verto is a close comparable in terms of location. Though it is slightly further from the Town Centre than the Subject, this development remains well-situated for amenities and transport connections. This comparable benefits from superior amenities to the Subject. Considering the relatively historic nature of the evidence found, we have attached less weight to this comparable.
- 3.1.6. The scheme at 16-40 London Road is again a useful comparable for valuing the four units in the Listed portion of the Subject. The scheme is situated slightly further from the Town Centre and Station and is on a busy road. London Road is very congested, being situated on the main one-way system which encircles the town centre. As the evidence considered comprises resale values, we expect the converted period units at the Subject to achieve higher rates per sq ft.
- 3.1.7. 2 Silver Street lies south of the River Kennet, further from amenities and transport links than the Subject. This development has slightly better amenities, but its location means that units at the Subject should achieve higher values.

3.2. Pricing

- 3.2.1. Based on the comparable evidence contained within this report we have adopted a Gross Development Value of **£5,715,000 / £547psf**.

Appendix 7 Proposed Appraisal

Market Place, Reading
Proposed RLV - DRAFT

APPRAISAL SUMMARY

SAVILLS

Market Place, Reading
Proposed RLV - DRAFT

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
New Building	11	7,556	552.41	379,455	4,174,000
Listed Building	4	2,895	532.30	385,250	1,541,000
Totals	15	10,451			5,715,000

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Commercial Ground Floor	1	3,832	30.00	114,960	114,960	114,960
Commercial Basement	1	2,336	2.50	5,840	5,840	5,840
Totals	2	6,168			120,800	120,800

Investment Valuation

Commercial Ground Floor

Market Rent	114,960	YP @	7.0000%	14.2857	
(1yr Rent Free)		PV 1yr @	7.0000%	0.9346	1,534,846

Commercial Basement

Market Rent	5,840	YP @	7.0000%	14.2857	
(1yr Rent Free)		PV 1yr @	7.0000%	0.9346	77,971

Total Investment Valuation

1,612,817

GROSS DEVELOPMENT VALUE

7,327,817

Purchaser's Costs		(99,188)
Effective Purchaser's Costs Rate	6.15%	(99,188)

NET DEVELOPMENT VALUE

7,228,629

NET REALISATION

7,228,629

OUTLAY

ACQUISITION COSTS

Residualised Price		228,464	
			228,464
Stamp Duty		1,569	
Effective Stamp Duty Rate	0.69%		
Agent Fee	1.00%	2,285	
Legal Fee	0.80%	1,828	
			5,682

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost
Build Costs	20,548	221.10	4,543,091
Contingency		5.00%	227,155
			4,770,246

PROFESSIONAL FEES

Professional Fees	10.00%	454,309	
			454,309

MARKETING & LETTING

Marketing	1.00%	57,150	
Letting Agent Fee	10.00%	12,080	
Letting Legal Fee	5.00%	6,040	

APPRAISAL SUMMARY**SAVILLS****Market Place, Reading
Proposed RLV - DRAFT**

75,270

DISPOSAL FEES

Private Sales Agent Fee	1.50%	85,725
Commercial Agent	1.00%	15,136
Private Sales Legal Fee	0.25%	14,288
Commercial Legal	0.80%	12,109

127,258

FINANCE

Debit Rate 7.500%, Credit Rate 4.250% (Nominal)

Land	21,214
Construction	172,015
Other	(10,053)

Total Finance Cost 183,176

TOTAL COSTS**5,844,404****PROFIT****1,384,225****Performance Measures**

Profit on Cost%	23.68%
Profit on GDV%	18.89%

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