

Residential redevelopment of land to the rear of 303-323 Oxford Street, Reading



Viability Report



**By Dr Andrew Golland BSc (Hons) PhD MRICS
Andrew Golland Associates**

drajg@btopenworld.com

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1 Introduction

1.1 Background and objectives

I am Dr Andrew Golland, BSc (Hons), PhD, MRICS, a Chartered Surveyor. I am a Chartered Surveyor, have a PhD in Development Economics and am the founder of the GLA development appraisal Toolkit.

I have written several leading good practice guides on viability and Section 106, have completed over 80 viability studies for local authorities, and am a retained consultant for several councils across England and Wales on viability matters. I have presented viability appraisals for all the major UK house builders and have worked on several schemes, mainly across London, for smaller developers and land owners. My approach is consistent between public and private sectors with respect to appeal and Core Strategy examination precedent.

I have developed, along with a colleague, Dr Adam Watkins, over 150 development viability Toolkits (the ‘Three Dragons model’) for local authorities. This model is well received by developers as a way of sorting out viability issues. The model has been tested extensively at appeal and Core Strategy examinations.

I have been instructed to carry out a viability assessment by Mr Mark Firman, First Avenue Estates Limited in relation to a proposed development at land to the rear of 303-313 Oxford Road, Reading.

The objective of the report is to test the viability of the scheme in the light of the current development on the site and to assess in particular whether the Council’s policy objectives (reviewed below) can be met.

2 Site location and proposed development

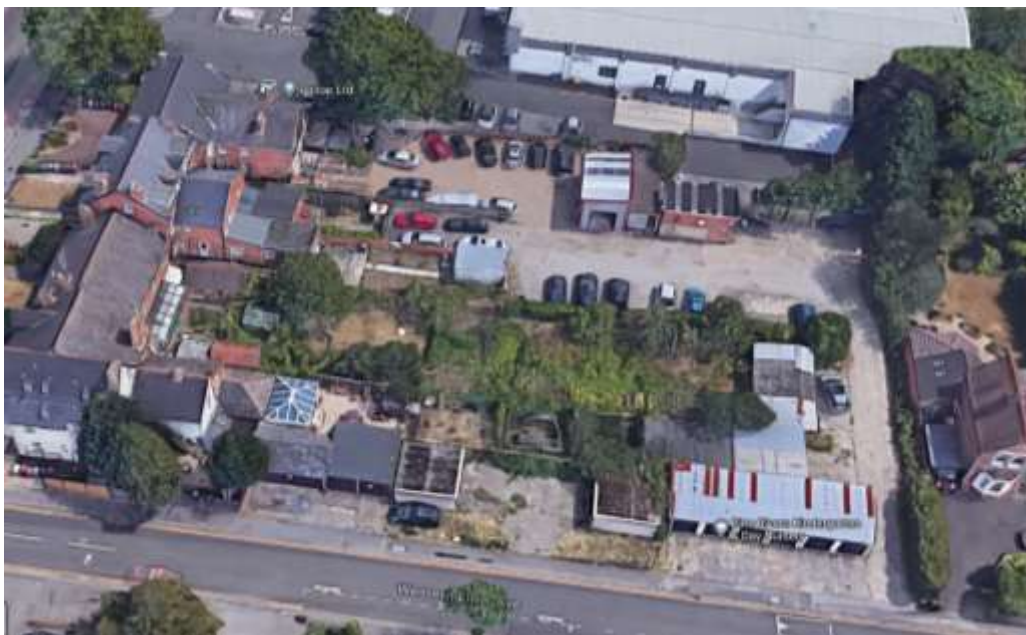
The site to be assessed is located to the west of the centre of Reading, close by to Reading West Station. The site is situated to the east of Western Elms Avenue; to the south of Oxford Road; to the west of a Lidl and to the north of residential development.

The area is therefore mixed in nature.

The site is described in a letter from D2 Planning to the Council as follows:

'The site comprises land to the rear of 303-315 Oxford Road with access from Western Elms Avenue. The majority of the site is covered by a garage block and courtyards which are in a poor state of disrepair. Some of the garages are vacant. There are also large areas of hardstanding. The site also comprises part of the rear curtilage of 311 and 313 Oxford Road which is served by a separate access to the southern site boundary. Access is also available to the other properties fronting Oxford Road. A right of way exists through the site to the Lidl supermarket to the east and whilst this is unused by them, the access rights apply. Access to the Oxford Road community garden is also achieved through the site.

As stated, the site is in a state of disrepair and adds little to the visual character and appearance of the area. Indeed, it rather detracts from the area. Furthermore, the site is subject to various and long standing anti-social behavioural issues which have caused significant ongoing problems for local residents.'



The proposal is described as follows:

'The erection of a 3 storey building comprising 13 flats plus a single apartment in the form of a 'FOG' (i.e. flat over garage/parking). The flats would be split between 6 x1 bed units and 8 x2 bed units. Access is maintained to the rear of the properties on Oxford Road and the existing right of way would be retained. The proposals include provision for cycle storage and separate bin storage. A separate access to Western Elms Avenue would serve a double detached garage and two parking spaces for the use by the residents of 311 and 313 Oxford Road.'

The purpose of the viability assessment is to consider the scope of the scheme to deliver Affordable Housing, other Section 106 contributions and CIL.

3 Policy background and viability

3.1 National planning

The Revised NPPF (July 2018) deals with the circumstances under which local authorities may anticipate being faced with viability assessments at a site specific level.

The most relevant paragraph of the Framework now appears to be Number 57 which deals with the circumstances under which viability assessments may be submitted with the application. These would seem to be:

- The Plan is out of date;
- Whether there have been changes in the site viability since the time of Plan;
- Whether there are ‘particular’ circumstances which would seem to warrant a site specific assessment.

Otherwise Para 57 states that where plans are up-to-date, applications should be assumed to ‘be viable’.

The Land Value Benchmark (LVB) adopted should be referred to EUV and take into account the local land supply circumstances when formulating a premium allowance.

The Revised NPPF (July 2018) is very clear that the land value benchmark should be based on existing use value (EUV). It states:

‘EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses.’

And, it states further:

‘Existing use value is not the price paid and should disregard hope value.’

This represents a key shift away from previous guidance (e.g. that of the RICS) which recommended a 'market value' approach.

The NPPF allows for a premium over and above EUV to incentivise the land owner to bring the site forward. It states:

'The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.'

Significance of the revised NPPF for viability and planning for housing

The revised NPPF represents a watershed in the approach to viability. With the revised basis now EUV, the government has shifted the approach squarely back to the roots of the planning system and to the heart of the Section 106 process itself.

This (the Section 106 process) was always intended to capture planning gain and the increase in land value that emanates from the grant of planning permission. Indeed, there are numerous government statements and studies now attempting to re-focus the purpose of planning to this end.

A recent example is from the Letwin Review:

<https://www.planningresource.co.uk/article/1496790/letwin-review-to-recommend-land-value-capture-measures>

Fundamental to the Section 106 planning process are the concepts of Transfer Earnings and Economic Rent.

Transfer earnings and the existing use value of the site

Transfer earnings are the amount of money required to keep capital, labour or land in its existing use.

In the case of a green field site, and as an example, the transfer earnings that would accrue would be the rent paid to the land owner of the agricultural land necessary to keep it in its current or existing use. This

may be capitalised to a going rate for farmland. A recent report for Savills suggests that agricultural land is at around £15,000 per acre).

Economic rent

The economic rent of the site can be regarded as the ‘plus’ element within the NPPF land value benchmark definition.

In any economic or viability debate, economic rent is any payment to an owner or factor of production in excess of the costs needed to bring that factor into production. In other words, any value attributable to the land (capital or labour) that may be achieved over and above that value necessary to keep the factor of production turning over in its current use.

Practically, economic rent (or the ‘plus’ factor) is a measure of scarcity – and in this case, the additional value for the site as housing land. Whether the site does have any economic rental value is however dependent on whether the land is needed for housing or not.

To find this out, it is usual to refer to a council’s land supply position. This gives a view on the overall requirement for housing land. Where this is strong then it is usual to allow a smaller premium (than where it is large).

This assessment should be taken in the context of the NPPF, which states that ‘the premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.’ (NPPF, July 2018).

3.2 Local planning policy – Reading BC

Policy H3 of the Local Plan (2019) states:

H3: AFFORDABLE HOUSING

Residential development will make appropriate contribution towards affordable housing to meet the needs of Reading

- on sites of 10 or more dwellings, 30% of the total dwellings will be in the form of affordable housing;
- on sites of 5 - 9 dwellings, a financial contribution will be made that will enable the equivalent of 20% of the housing to be provided as affordable housing elsewhere in the Borough; and
- on sites of 1 - 4 dwellings, a financial contribution will be made that will enable the equivalent of 10% of the housing to be provided as affordable housing elsewhere in the Borough.

For sites of 10 or more dwellings, provision should be made on site in the first instance with a financial contribution being negotiated to make up the full requirement as appropriate.

In all cases where proposals fall short of the policy target as a result of viability considerations, an open-book approach will be taken and the onus will be on the developer/landowner to clearly demonstrate the circumstances justifying a lower affordable housing contribution.

In determining residential applications the Council will assess the site size, suitability and type of units to be delivered in relation to the current evidence of identified needs. The Council will seek an appropriate tenure mix of affordable housing to include social rented, affordable rent, intermediate rent and shared ownership affordable units. The affordable units provided should be integrated into the development.

Reading BC (Community Infrastructure Levy)

The Council have a CIL in place. As follows:

Reading Borough Council Community Infrastructure Levy Annual CIL Rate Summary				
The Reading Borough Council's Charging Schedule, Annual CIL Rate Summary, is set out in the table below and has been prepared in accordance with the Town and Country Planning Act 2008 and the Community Infrastructure Regulations 2010 (as amended).				
The Charging Authority Reading Borough Council, as the Planning Authority, is the Charging Authority (CA).				
Date of Effect This Charging Schedule took effect on 01/04/2015				
The Annual CIL Rate year 1 January 2021 to 31 st December 2021				
Schedule of Rates Reading Borough Council charges CIL in respect of development for the following rates in the year 01/01/2021 - 31/12/2021.				
Use	Charging Zone Location	Index figure for 2015	Index figure for 2020	Charge £/m ²
Residential / Hotels / Sheltered Housing/ Private Rented Hostel Accommodation (including student accommodation)	Boroughwide	255	333	£156.71
Care homes (those providing nursing care and fully catered)	Boroughwide	255	333	£0.00
A1 Retail	Central Reading*	255	333	£0.00
A1 Retail of 2000m ² and over (including foodstores)	Remainder of Borough	255	333	£195.88
A1 Retail of under 2000m ² (including foodstores)	Remainder of Borough	255	333	£0.00
Offices	Central Core**	255	333	£39.18
All other chargeable developments	Boroughwide	255	333	£0.00

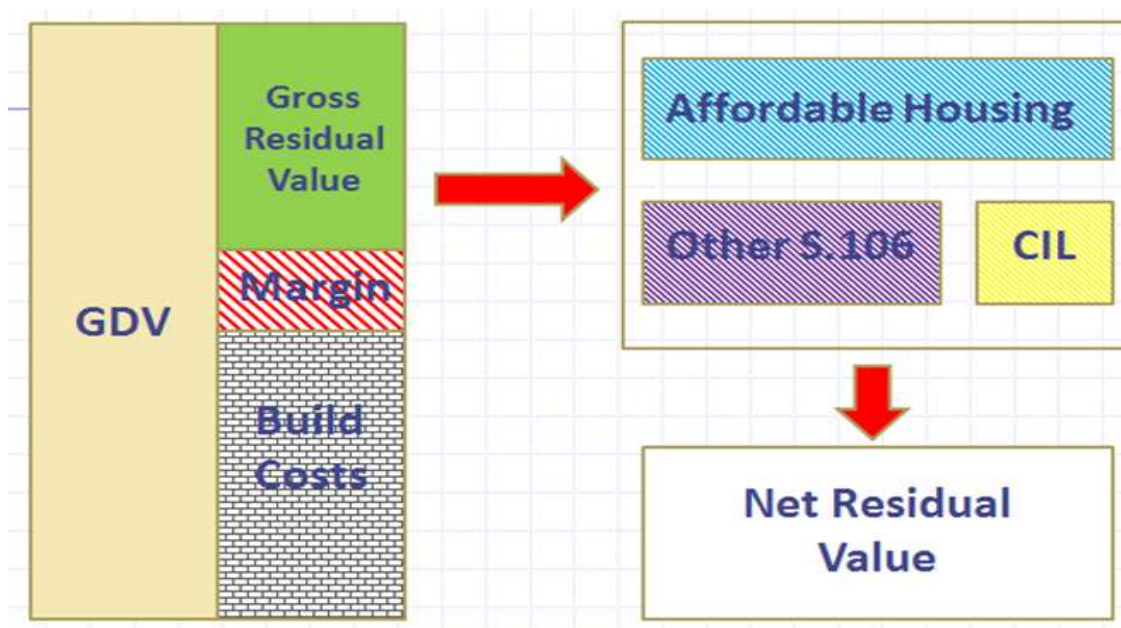
* Reading Central Area: defined in the Reading Local Plan (adopted 2019) . ** Walk time catchment of Reading Rail Station

4 Approach to viability assessment

4.1 Overview

It is important to understand how viability is assessed in the planning and development process. The assessment of viability is usually referred to as a residual development appraisal approach. Our understanding is illustrated in the diagram below. This shows that the starting point for calculations is the gross residual site value which is the difference between the scheme revenue and scheme costs, including a reasonable allowance for developer return.

Once CIL or Section 106 contributions have been deducted from the gross residual value, a 'net' residual value results. The question is then whether this net residual value is sufficient in terms of development value relative to the site in its current use.

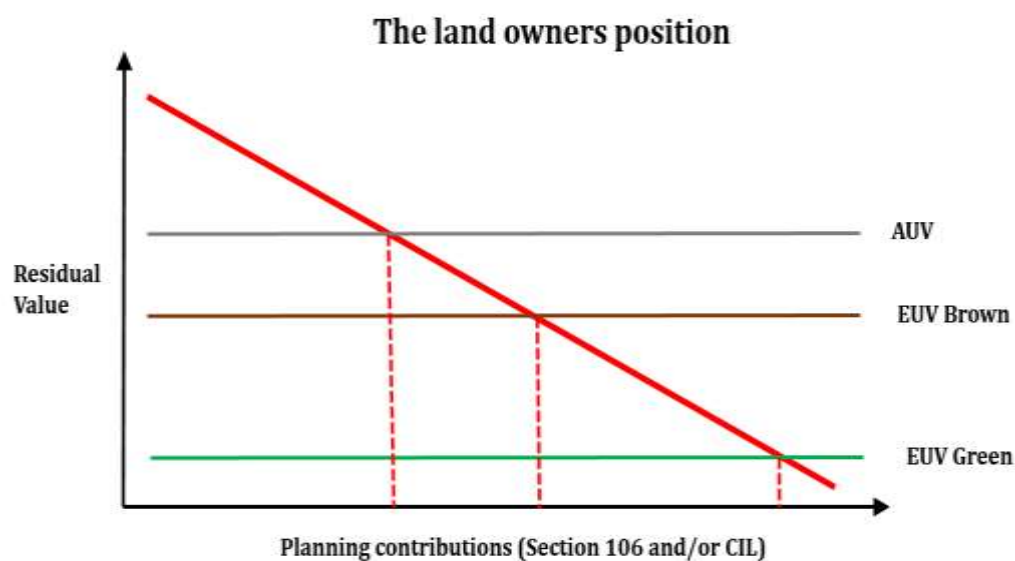


Calculating what is likely to be the value of a site given a specific planning permission, is only one factor in deciding what is viable.

4.2 Land owner considerations

A site is unlikely to proceed where the costs of a proposed scheme exceed the revenue. But simply having a positive residual value will not guarantee that development happens. The existing use value of the site, or indeed a realistic alternative use value for a site (e.g. commercial) will also play a

role in the mind of the land owner in bringing the site forward and thus is a factor in deciding whether a site is likely to be brought forward for housing.



The diagram shows how this operates. The land owner will always be concerned to ensure that residual value clears the relevant land value benchmark.

5.1 Overview

The appraisal work and report relies on a range of information sources. These include comparable market analysis for house prices; this is derived from local comparables and local agency sources. Costs are derived from standard industry sources of data as well as a bespoke costing for the scheme.

5.2.1 Construction costs

There is, as far as I am aware, no bespoke estimate of costs. I have hence utilised the industry standard BCIS source. The estimated costs are set out in the table below:

BCIS Average Prices: £/m2 study								
Downloaded: 10-Jun-2021 14:45								
Updated: 05-Jun-2021 00:44								
Rate per m2 gross internal floor area for the building Cost including prelims.								
Rebased to South East Region (excluding Greater London) (107; sample 2023)								
Type of Work	Building function		Sub-Class	Cut-off years	Sample	Mean	Lower quartile	Upper quartile
New build								
	810.	Housing, mixed developments		15	1229	£1,368	£1,195	£1,494
	810.1	Estate housing	Generally	15	1550	£1,366	£1,165	£1,494
			Single storey	15	251	£1,535	£1,301	£1,713
			2-storey	15	1197	£1,321	£1,149	£1,443
			3-storey	15	97	£1,407	£1,135	£1,585
			4-storey or above	15	5	£2,873	£2,308	£3,837
	810.11	Estate housing detached		15	21	£1,766	£1,321	£1,778
	810.12	Estate housing semi detached	Generally	15	365	£1,362	£1,172	£1,497
			Single storey	15	74	£1,519	£1,305	£1,680
			2-storey	15	278	£1,324	£1,167	£1,452
			3-storey	15	13	£1,294	£1,032	£1,389
	810.13	Estate housing terraced	Generally	15	298	£1,408	£1,163	£1,553
			Single storey	15	29	£1,584	£1,346	£1,819
			2-storey	15	221	£1,357	£1,146	£1,497
			3-storey	15	46	£1,426	£1,130	£1,579
	816.	Flats (apartments)	Generally	15	879	£1,605	£1,333	£1,810
			1-2 storey	15	207	£1,519	£1,294	£1,686
			3-5 storey	15	572	£1,581	£1,331	£1,796
			6 storey or above	15	97	£1,931	£1,572	£2,085

BCIS approach

The appropriate category to use here is Flat 3-5 Storey. The average cost here is £1,581 per square metre.

To this will need to be added an allowance for external works, which is normally assessed at 15%, making a sub-total of £1,818.

I have then made an adjustment of a further 15% to go from BCIS costs (which are GIA based) to NIA based (for the purposes of the appraisal).

This gives a cost of £2,090 per square metre. There is normally a contingency allowance made here; I have allowed this at 5% making a cost of £2,195; say a working cost of £2,200 per square metre.

I have adopted this figure in my appraisal.

Abnormals

There is likewise at this stage no estimate of abnormal costs. I have adopted the HCA research which estimates clean-up costs for a range of development types from a range of site types. The Homes and Communities Agency (March, 2015) produced a helpful guide to estimating costs of clean-up on contaminated and difficult sites. I have reproduced below a key table which helps give an indication of costs for this site:

Figure 14 Case Study B selected categories

POTENTIAL						
SENSITIVITY	Proposed end use	Description	Previous use			
			Low potential	Moderate potential		High potential
			Site category A	Site category B	Site category C	Site category D
			Small scale and general light industrial/sites, colliery or mine spoil heaps, miscellaneous factories and 'works' (not heavy industry), sites with very small fuel tanks	Garages, workshops, pithead sites, railway lines, textiles, small scale timber treatment, sewage works, smaller chemical works, sites with small to mid-sized fuel tanks	Metal workings, scrap yards and shipyards. Paints and solvents, small gasworks/gas holder sites, smaller power stations, rail depots (maintenance and refuelling), sites with large fuel tanks	Major gasworks, iron and steel works, large chemical works, refineries and major fuel depots, ship breaking and building, larger power stations, sites with large tank farms
			£ 000's	£ 000's	£ 000's	£ 000's
Negligible to low water risk						
Low sensitivity	Employment or commercial with limited soft landscaping, business parks and data centres	50 to 130	205 to 435	255 to 590	305 to 655	
Moderate sensitivity	Public open space. Residential without private gardens (flats and apartments), universities and colleges	50 to 130	180 to 360	255 to 640	305 to 740	
High sensitivity	Residential with private gardens. Schools for younger children with pitches and play areas. Allotments and growing areas in developments.	75 to 205	255 to 640	305 to 740	335 to 845	
Moderate to high water risk						
Low sensitivity	Employment or commercial with limited soft landscaping, business parks and data centres	125 to 250	255 to 640	510 to 1,230	540 to 1,230	
Moderate sensitivity	Public open space. Residential without private gardens (flats and apartments), universities and colleges	130 to 255	360 to 920	485 to 1,305	540 to 1,230	
High sensitivity	Residential with private gardens. Schools for younger children with pitches and play areas. Allotments and growing areas in developments.	180 to 410	410 to 1,050	540 to 1,460	715 to 1,765	

Category Site B is seen to be the most appropriate (Garages and Workshops). The site at Oxford Road is obviously 'High Sensitivity' as it is being developed for residential.

I am not aware whether there is Low, Moderate or High Water risk. I have assumed Moderate.

This suggests a cost of £730,000 per hectare as a benchmark.

For the site site, this means indicative clean up costs of circa £115,000.

I have adopted this figure in my appraisal.

5.2.2 Other development costs

Added to these costs will need to be other development costs. These are set out in the screenshot below:

Other Development Costs			
Additional Cost	Toolkit Values	User Values	
Professional Fees %	12.0%		of build costs
Interest rate (Market)	6.75%		of build costs (Sale, Equity Share and Low Cost Sale units)
Interest Rate (Affordable Hou	6.75%		of build costs Rental tenures and Shared Ownership)
Marketing Fees	3.0%		of market value
Developers Return	20.0%		of market value applies to market housing
Contractors Return	6.0%		of development costs (excl finance) (affordable housing)

These are the standard costs adopted in the Toolkit.

5.3 Values

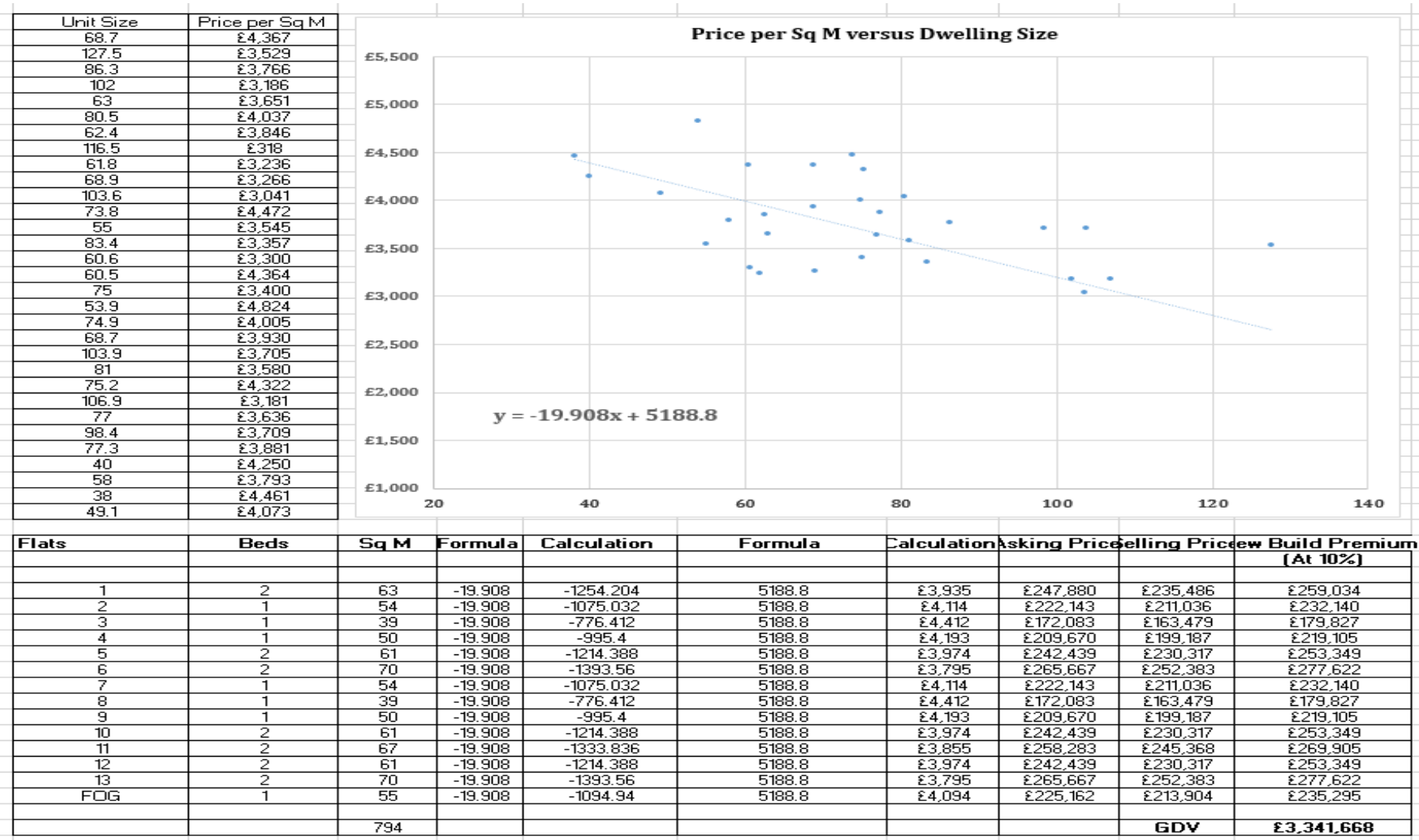
In order to establish a gross development value (GDV) for the scheme proposed, I have looked at properties currently being marketed in the Oxford Road area. Comparable examples are set out on the following page:

Address	Dwelling Type	Price	Unit Size	Price per Sq M	Agent	Age
Catherine Street	3 Bed Terrace	£300,000	68.7	£4,367	Masons	Older
Beresford Road	6 Bed Terrace	£450,000	127.5	£3,529	Village Properties	Older
Curzon Street	3 Bed Terrace	£325,000	86.3	£3,766	Chancellors	Older
Valentia Road	3 Bed Terrace	£325,000	102	£3,186	Prospect Estate Agents	Older
Curzon Street	2 Bed Flat	£230,000	63	£3,651	Chancellors	Modern
Audley Street	3 Bed Terrace	£325,000	80.5	£4,037	Village Properties	Modern
Battle Square	2 Bed Flat	£240,000	62.4	£3,846	Village Properties	Modern
Battle Square	4 Bed Terrace	£370,000	116.5	£3,176	Romans	Modern
Moulsford Mews	2 Bed Flat	£200,000	61.8	£3,236	Chancellors	Modern
Moulsford Mews	2 Bed Flat	£225,000	68.9	£3,266	Parkers	Modern
Chester Street	3 Bed House	£315,000	103.6	£3,041	Mr Sales & Lettings	Modern
Rylstone Road	3 Bed Semi-Det	£330,000	73.8	£4,472	Parkers	Modern
Fulmead Road	2 Bed Flat	£195,000	55	£3,545	Mr Sales & Lettings	Modern
Sherwood Street	3 Bed Terrace	£280,000	83.4	£3,357	Arins	Older
Oxford Road	2 Bed Flat	£200,000	60.6	£3,300	Prospect Estate Agents	Modern
Ivydene Road	2 Bed Semi-Det	£264,000	60.5	£4,364	Patrick Williams	Modern
Pamgbourne Street	3 Bed Terrace	£255,000	75	£3,400	Parkers	Older
Tidmarsh Street	2 Bed Terrace	£260,000	53.9	£4,824	Parkers	Older
Grovelands Road	2 Bed Terrace	£300,000	74.9	£4,005	Village Properties	Modern
Shaftesbury Road	2 Bed Terrace	£270,000	68.7	£3,930	Parkers	Older
Brisbane Road	3 Bed Terrace	£385,000	103.9	£3,705	Sansome & George	Older
Beecham Road	2 Bed Terrace	£290,000	81	£3,580	Northwood	Older
Wilton Road	3 Bed Terrace	£325,000	75.2	£4,322	Prospect Estate Agents	Older
Elm Lodge Ave	3 Bed Terrace	£340,000	106.9	£3,181	Purple Bricks	Older
Edinburgh Road	3 Bed Terrace	£280,000	77	£3,636	Chancellors	Older
Gower Street	3 Bed Terrace	£365,000	98.4	£3,709	Parkers	Older
Cambridge Street	2 Bed Terrace	£300,000	77.3	£3,881	Bonds	Older
George Street	1 Bed Flat	£170,000	40	£4,250	Prospect Estate Agents	Older
Oxford Road	2 Bed Flat	£220,000	58	£3,793	Prospect Estate Agents	Modern
Oxford Road	1 Bed Flat	£169,500	38	£4,461	Space	Modern
Franklin Street	2 Bed Flat	£200,000	49.1	£4,073	Property Assistant	Modern

Source: Rightmove; Local agents

In order to establish an indicative GDV for the scheme, I have analysed the financial relationship between dwelling size and price per square metre. This is a key indicator of value.

This is set out on the following page.



Applying this analysis, the estimated gross development value (GDV) is £3,341,668.

I have adopted this figure in my analysis.

6 Existing Situation – land value benchmark

The land value benchmark (LVB) is important in defining viability; in particular, the financial relationship between residual value and the LVB

Where the LVB is higher than the residual value (RV), then schemes are in principle, unviable.

The Revised NPPG (May 2019)

The Revised NPPG (last updated May 2019) is very clear that the land value benchmark should be based on existing use value (EUV). It states:

‘To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called ‘existing use value plus’ (EUV+).’

The guidance goes on to state:

‘Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.'

Existing use value of the site

The site has three elements to the existing use value:

- The industrial unit;
- Lock up garages for rent;
- The devaluation to Numbers 311 and 313 Oxford Road due to the loss of garden land.

I look at these elements in turn:

The industrial unit

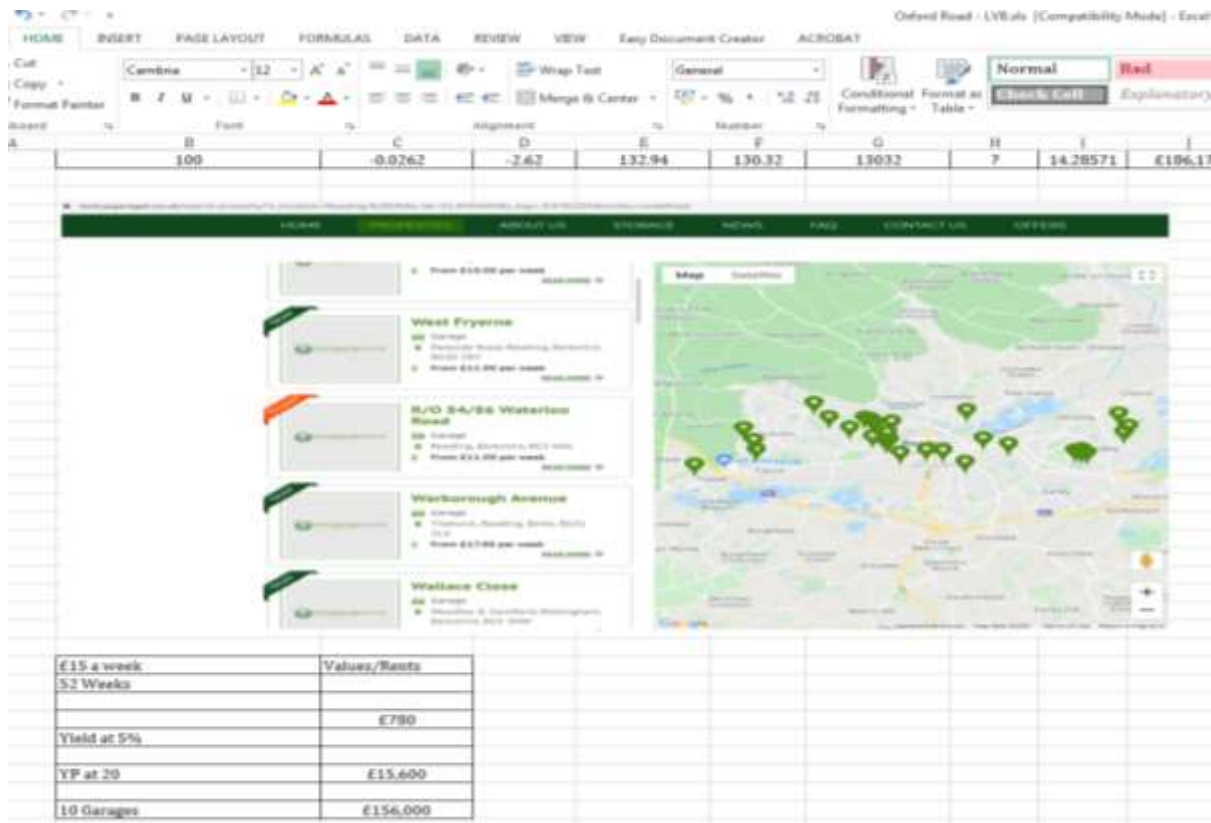
I have looked at comparables in the area and my analysis is set out on the following page:

Light industrial	Rent per Annum	Sq M	Rent per Sq M					
Northcott Ind Estate	£141,996	1558	£91					
Whiteknights Retail Park	£86,160	802	£107					
Headley Road	£80,808	625	£129					
Loverick Road	£35,841	350	£102					
Headley Road	£47,316	344	£138					
Headley Road	£19,320	149	£130					
1558	£91	Unit Size versus Rent per Sq M $y = -0.0262x + 132.94$						
802	£107							
625	£129							
350	£102							
344	£138							
149	£130							
Sq M (Unit)	Equation	Calculation	Equation	Calculation	Rent per Annum	Yield	YP	Capital Value
100	-0.0262	-2.62	132.94	130.32	13032	7	14.28571	£186,171

This suggests a capital value of £186,171.

Lock up garages for rent

I have looked at comparables and estimated a total value of £156,000:



Devaluation to retained dwellings due to loss of garden land

My full analysis is set out on the following page. This draws on a valuation of Number 313. 311 is not directly valued, but I have adjusted this value by reference to Council Tax records.

The total EUV for this element is £391,853:

The table below sums together the different elements:

Totals	Values
Industrial Unit	£186,171
Lock Up Garage Units	£156,000
Garden Loss	£391,853
Existing Use Value	£734,024
With (25%) Land Owner Return	£917,530
LVB	£917,530

I have adopted this LVB (£917,530) in my appraisal.

7 Results and conclusions

The full appraisal is shown at Appendix 1.

The Result Sheet is shown below:

← Results

Site	Oxford Road, Reading	Site Reference Number		Save Results View Results Discounting Function Floor Space Analysis Costs Analysis Child Occupancy & Bedrooms
Address		Application Number		
Scheme	14 Flats on Brown Field Site	NLUD Ref. Number		
Description		UPRN or Grid Ref.		

RESIDUAL before land finance	£384,000	SCHEME UNITS	per ha
RESIDUAL after land finance	£334,000	No. of Dwellings	14 93
Per hectare	£2,227,000	No. of Habitable rooms	35 233
Per dwelling	£24,000	No. of Bedrooms	21 140
Per market dwelling	£24,000	Total floorspace (m ²)	784 5293
Per habitable room	£10,000	% Wheelchair Units	
Per bedspace	£16,000		

SCHEME REVENUE	£3,342,000	LAND FINANCE	£50,000
Contribution to revenue from:		Total land finance	
Market housing	£3,342,000		
Affordable Housing			
- Low Cost Sale			
- Equity Share			
- Shared Ownership			
- Intermediate Rent			
- Affordable Rent			
- Social Rent			
Grant			
Capital Contribution			
Commercial Elements			

SCHEME COSTS	£2,958,000	PUBLIC SUBSIDY (GRANT)	
Contribution to costs from:		Whole scheme	£ -
Market housing	£2,943,000	Per Social Rent dwelling	£ -
Affordable Housing		Per Shared Ownership dwelling	£ -
- Low Cost Sale		Per Intermediate Rent dwellings	£ -
- Equity Share		Per Affordable Rent dwelling	£ -
- Shared Ownership			
- Intermediate Rent			
- Affordable Rent			
- Social Rent			
Planning Obligations			
Community Infrastructure Levy			
Exceptional Development Costs	£115,000		
Commercial Elements			

Alternative Site Values	Against residual
Existing Use Value	£ 918,000 -£584,000
Acquisition Cost	£ -
Value for offices	£ -
Value for industrial	£ -
Value as hotel site	£ -
Value as other alternative	£ -

This shows a positive residual value of £334,000.

However, the land value benchmark is £917,530 and hence there is a deficit of almost £600,000.

This makes the scheme unviable to deliver any Section 106 or CIL contributions.

AJ Golland

Dr Andrew Golland BSc (Hons) PhD MRICS

June 2021

Appendix 1 – Full Appraisal

----- Site Details -----

Use these arrows to navigate Toolkit pages. You should ensure there are no warning messages on a page before continuing.

Clear

Site Address	Oxford Road, Reading
Site Reference	
Application Number	
NLUD Reference	
UPRN or Grid Reference	
Scheme Description	14 Flats on Brown Field Site

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Development Control Model - Greater London Authority - 2015

For queries on viability, development schemes and the Toolkit generally, please contact Dr Andrew Golland - Tel: 01162 701 772 and E-Mail: drajg@btopenworld.com

For queries on spreadsheets and technical aspects of the Toolkit (including bug reports and feature requests), please contact Dr Adam Watkins - Tel: 07746 809 748, and E-Mail: Toolkits@Dread-IT.co.uk

← ----- Basic Site Information ----- →

Clear

You must complete this page

Site Area

Total Size of Site In Hectares0.15

Dwellings

☒ Number of Dwellings
(Density is then calculated)

14

☐ Density
(Enter a value, or choose from the
listbox)

93.33

users own value

You can test a percentage increase or decrease on the resulting density by either entering a value in the box below, or by using the buttons.

Percentage increase/decrease

%

▲▼

Reset

Resulting Number of Dwellings

14

Resulting Density

93 dph

303-323 Oxford Road, Reading Viability Report – June 2021

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----- Unit Types & Details -----
Clear

Enter the details for each type of unit in the cells below. You can specify up to 40 types of unit, one per row. Each row must be either fully completed or left fully blank. Note: For wheelchair units; the Toolkit uses the size of the unit as entered by the user. Build costs for wheelchair and non-wheelchair units are the same.

Ref.	Description of Unit Type (for the users reference only)	Number of Bed-rooms	Person Occupancy		Habitable Rooms		Wheel-chair Unit?	Is a Flat?	No. Of Storeys (1-99)	Size in sq m
			Bench - mark	User value	Bench - mark	User value				
1		2	3		3		NO	YES	3	63
2		1	2		2		NO	YES	3	54
3		1	2		2		NO	YES	3	39
4		1	2		2		NO	YES	3	50
5		2	3		3		NO	YES	3	61
6		2	3		3		NO	YES	3	70
7		1	2		2		NO	YES	3	54
8		1	2		2		NO	YES	3	39
9		1	2		2		NO	YES	3	50
10		2	3		3		NO	YES	3	61
11		2	3		3		NO	YES	3	67
12		2	3		3		NO	YES	3	61
13		2	3		3		NO	YES	3	70
14	FOG	1	2		2		NO	YES	3	55
15										

← ----- Tenure Mix ----- →
Clear

You can distribute units across the tenures in two ways:

☒ Input by Percentages
☐ Input by Quantity

Total units to enter:	14
Total units entered:	14

Affordable Units							
Sale	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	Units allocated
100%							100%
14.0							14.0

Ref.	Description	Units
1	1	1
2	2	1
3	3	1
4	4	1
5	5	1
6	6	1
7	7	1
8	8	1
9	9	1
10	10	1
11	11	1
12	12	1
13	13	1
14	FOG	1

1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0

←
----- Market Values -----
→

Ensure you enter market values for all unit types in the scheme under the Sale Tenure.

Ref.	Description of Unit Type
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10
11	11
12	12
13	13
14	FOG
15	

Sale		
You can adjust all market values by entering a percentage in the box to the right (this affects other tenures):		
		100%
Total Units	User Market Value	Adjusted Market Value
1	£ 259,034	£ 259,034
1	£ 232,140	£ 232,140
1	£ 179,827	£ 179,827
1	£ 219,105	£ 219,105
1	£ 253,349	£ 253,349
1	£ 277,622	£ 277,622
1	£ 232,140	£ 232,140
1	£ 179,827	£ 179,827
1	£ 219,105	£ 219,105
1	£ 253,349	£ 253,349
1	£ 269,905	£ 269,905
1	£ 253,349	£ 253,349
1	£ 277,622	£ 277,622
1	£ 235,295	£ 235,295

----- Development Costs -----

Clear

Toolkit values will be used unless you enter your own value in the white cells. The CSH level is for reference purposes only.

Build Costs per sq m		
Building Type	Toolkit Values	User Values
Flats (40+ storeys)	£3,739	
Flats (16-40 storeys)	£3,001	
Flats (6-15 storeys)	£2,331	
Flats (5 & less storeys)	£1,713	£2,200.00
Houses <= 75m2	£1,274	
Houses > 75m2	£1,116	
Code for Sustainable Homes level (3-6)		

Exceptional Development Costs	
Total For Scheme	
Cost per dwelling	
Cost per hectare	
Cost per habitable room	No Info

Other Development Costs			
Additional Cost	Toolkit Values	User Values	
Professional Fees %	12.0%		of build costs
Interest rate (Market)	6.75%		of build costs (Sale, Equity Share and Low Cost Sale units)
Interest Rate (Affordable Hou)	6.75%		of build costs Rental tenures and Shared Ownership)
Marketing Fees	3.0%		of market value
Developers Return	20.0%		of market value applies to market housing
Contractors Return	6.0%		of development costs (excl finance) (affordable housing)
Construction Period (1+ Years)		2.00	

You may also enter SCHEME totals for other exceptional costs. Enter the name of the cost in the left hand cells and the SCHEME value in the right hand cell

Costs incurred for Sustainable homes level of 3,4, 5 or 6	£	-
Abnormals	£	115,000
<Enter cost description>	£	-
<Enter cost description>	£	-

← ----- **Planning Obligations** ----- →

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit							Calculated Total (Affordable and Sale)
	Enter Total?	User Total	Sale	Affordable						
				Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	
Education Contribution	☐									£0
Highway works	☐									£0
Contribution to public transport	☐									£0
Contribution to community facilities	☐									£0
Provision for open space	☐									£0
Contribution to public art	☐									£0
Environmental improvements	☐									£0
Town centre improvements	☐									£0
Waterfront improvements	☐									£0
Support for employment development	☐									£0
Employment related training	☐									£0
Other	☐									£0

Does CIL apply on this scheme?

No

Please select Yes or No

Total for Scheme	£0
Total for Scheme per hectare	£0
Total for Scheme divided by total number of units	£0
Total for Scheme divided by number of sale units	£0

← ----- Known Payments for -----
-- Affordable Housing --
Clear

Enter the fixed payments for each tenure below.

Affordable Housing Tenures							Total
	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	No. Of Affordable Units
Number of units	0.0	0.0	0.0	0.0	0.0	0.0	0
Payment By Unit							
Or Payment By Tenure							
Or Scheme Total	Enter a lump sum payment for all Affordable Housing Tenures						
Tenure Total	£	£	£	£	£		
Method by which Affordable Housing Revenue is calculated	N/A	N/A	N/A	N/A	N/A	N/A	
Total Known Payment for Affordable Housing	£						

Please select one of the below options;

☒ There is no grant, or it is included in the above values
(in which case grant will not be shown separately on the results page)

☐ Grant is included in the above value and I would like to show it separately on the Results page for information (Total revenue for the tenure will use figures in table above, grant shown on the next page will not be added)

← ----- Land Finance ----- →
Clear

Land Finance & Site Value Comparisons

Land Finance

Reduction of Residual (%)	13%	Guide Values
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Values entered below will be shown on the results page compared to the scheme residual. These values cannot be calculated by the toolkit.

Existing use value	£	917,530
Acquisition cost	£	-
Value for offices	£	-
Value for industrial	£	-
Value as hotel site	£	-
Value as other alternative use	£	-

Indicative reductions to apply to the final Site Residual value (shown on the Results Page)

Site Development Time (Years)	Reduction
1	10%
2	13%
3	16%
4	19%
5	22%
6	25%
7	28%
8	31%

← ----- Results -----

Site	Oxford Road, Reading	Site Reference Number	
Address		Application Number	
Scheme	14 Flats on Brown Field Site	NLUD Ref. Number	
Description		UPRN or Grid Ref.	

Save Results

View Results

Discounting Function

Floor Space Analysis

Costs Analysis

Child Occupancy & Bedrooms

RESIDUAL before land finance	£384,000
RESIDUAL after land finance	£334,000
Per hectare	£2,227,000
Per dwelling	£24,000
Per market dwelling	£24,000
Per habitable room	£10,000
Per bedspace	£16,000

SCHEME UNITS		per ha.
No. of Dwellings	14	93
No. of Habitable rooms	35	233
No. of Bedrooms	21	140
Total floorspace (m2)	794	5293
% Wheelchair Units		

SCHEME REVENUE	£3,342,000
Contribution to revenue from:	
Market housing	£3,342,000
Affordable Housing	
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	
- Social Rent	
Grant	
Capital Contribution	
Commercial Elements	

LAND FINANCE	
Total land finance	£50,000

AFFORDABLE UNITS							
	Low Cost	Equity	Shared	Intermediate	Affordable	Social Rent	Total
Units							
Units %							
Hab rooms							
Bedrooms							
Persons							
Floorspace							

SCHEME COSTS	£2,958,000
Contribution to costs from:	
Market housing	£2,843,000
Affordable Housing	
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	
- Social Rent	
Planning Obligations	
Community Infrastructure Levy	
Exceptional Development Costs	£115,000
Commercial Elements	

PUBLIC SUBSIDY (GRANT)	
Whole scheme	£ -
Per Social Rent dwelling	£ -
Per Shared Ownership dwelling	£ -
Per Intermediate Rent dwellings	£ -
Per Affordable Rent dwelling	£ -

Alternative Site Values		Against residual
Existing Use Value	£ 918,000	-£584,000
Acquisition Cost	£ -	
Value for offices	£ -	
Value for industrial	£ -	
Value as hotel site	£ -	
Value as other alternative	£ -	