



FORMER JOHN LEWIS DEPOT, LETCOMBE STREET, READING
(ALSO KNOWN AS JLP MILL LANE)

VIABILITY ASSESSMENT

AUGUST 2024

DS2[■]



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Former John Lewis Depot, Letcombe Street, Reading, RG1 (Also known as JLP Mill Lane)

FINANCIAL VIABILITY ASSESSMENT

Prepared by DS2 LLP for The John Lewis Partnership BTR Ltd

August 2024



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1 EXECUTIVE SUMMARY

- 1.1 This Financial Viability Assessment (hereafter “FVA”) has been prepared by DS2 on behalf of John Lewis Partnership BTR Ltd (hereafter “JLP”) to robustly examine the financial viability of the redevelopment of the former John Lewis Depot, Letcombe Street, Reading, RG1 2HN (hereafter “the Site”). The Site is located within the administrative area of Reading Borough Council (hereafter the “Council” or “RBC”).

John Lewis Partnership

- 1.2 John Lewis Partnership is the UK’s largest employee-owned business, operating two of Britain’s best-loved retail businesses – John Lewis and Waitrose. Founded over 100 years ago, the company has been built on a vision to ensure a better way of doing business by benefitting its Partners, customers, suppliers and the communities in which John Lewis Partnership operates.
- 1.3 As John Lewis Partnership’s retail business has expanded over many years, it has grown a sizable property portfolio of shops, warehouses and previously developed land. By transforming some of its underutilised ‘brownfield’ sites, it has the opportunity to upgrade some of its stores and provide much-needed homes, including as much affordable housing as is commercially viable, in the communities it serves.
- 1.4 These Build to Rent (“BTR”) homes will be purpose-built for renters, developed and managed by the John Lewis Partnership, which means it is in John Lewis Partnerships interest to deliver high-quality buildings that are thoughtfully designed with long term maintainability and appearance at the forefront. Residents will rent directly from a trusted business, providing them with greater certainty around areas such as quality, service, community and security of tenure.
- 1.5 John Lewis Partnerships intention is to create a new BTR community, providing much-needed new high-quality homes. These homes have been thoughtfully designed and will be complemented by a range of amenities, facilities and services the proposed development will provide. As set out above, JLP’s is committed to delivering as many affordable homes as it can. However, the proposed development needs to be commercially viable and at present there are significant market constraints that present challenges to the proposed development.

Introduction

- 1.6 DS2 has been instructed to test the maximum level of affordable housing and additional financial liabilities including Section 106 contributions secured in accordance with paragraphs 55 to 58 of the National Planning Policy Framework, July 2021, as revised (“NPPF”) and Development Plan policies that can be supported by the proposed development, without impeding the viability of the project and the prospects of delivery.
- 1.7 In accordance with policy planning and professional guidance, the FVA has been undertaken on an objective, non-applicant specific basis. The RICS Professional Standard ‘Financial viability in planning: conduct and reporting’ (1st Edition, adopted September 2019) states “FVAs should in general be based around market-rather than client-specific information”. Furthermore, paragraph 021 Reference ID: 10-021-20190509 of the National Planning Practice Guidance, 2019 (“NPPG”) states “Information used in viability assessment is not usually specific to that developer”.

- 1.8 The FVA has been collated in accordance with NPPF, NPPG, and Development Plan policies and guidance including the Reading Local Plan, 2019 (“Local Plan”) and Reading’s Affordable Housing Supplementary Planning Document, 2021 (“Affordable Housing SPD”) as well as professional best practice standards, including the RICS Professional Standard ‘Financial viability in planning: conduct and reporting’ (1st Edition, adopted September 2019), the RICS Professional Standard ‘Assessing viability in planning under the National Planning Policy Framework 2019 for England’ (1st Edition, adopted July 2021) and RICS Professional Standard ‘Valuing residential property purpose built for renting’ (1st Edition, adopted October 2018).

Site location and description

- 1.9 The Site is located on the edge of the town centre in central Reading within close proximity of key local services and facilities, including The Oracle shopping centre opposite, the Premier Inn hotel adjacent to the west and Reading railway station located approximately 1 km to the north.
- 1.10 The Site itself is bound by Mill Lane and the A329 to the north, Letcombe Street to the south-west and Crossland Road to the south-east, from which the Site is accessed.
- 1.11 Situated on the Site is an existing warehouse with customer collection facilities, ancillary car park and servicing area. The existing warehouse is currently being used as storage and was provisionally a parcel collection depot.

Development proposals

- 1.12 The redevelopment of the Site (hereafter “Proposed Development”) will deliver up to 215 high quality residential homes situated in a single building rising to ground plus 10 storeys. Flexible commercial / community space (Use Class E/F1/F2) will be provided at ground floor.
- 1.13 The description of development is:

“Demolition of the existing building and redevelopment of the site comprising erection of a new building for up to 215 build to rent residential dwellings (Use Class C3) together with flexible commercial / community space (Use Class E/F1/F2), residents’ facilities, landscaping, public realm, amenity space, cycle parking and disabled car parking.”

- 1.14 JLP is proposing that all residential accommodation will be retained and managed by JLP, as BTR and Affordable Private Rent (“APR”) in accordance with Policy H4 of the Local Plan. As set out in the Local Plan, the Council encourages BTR which provides high quality, professionally managed accommodation, and a greater level of security for tenants than that which is offered by much of the current rental market.

- 1.15 In summary, the Proposed Development will deliver:

- 215 residential homes, of which 22 will be provided as APR.
- 74 sqm (GIA) of ground floor flexible commercial / community space (Use Class E/F1/F2);
- Residents’ facilities including gym, residents lounge and dining facilities and work from home hub;
- Landscaping and public realm for the benefit of both the residents and the local community;

- Residents and community external amenity space; and
- 114 cycle parking and 3 disabled car parking spaces.

JLP Affordable housing proposal

- 1.16 As set out in the appraisal results section below, DS2's objective, non-applicant specific assessment of the Proposed Development indicates that the Proposed Development is unable to viably provide any affordable housing. However, JLP's is committed to maximising the affordable housing provision whilst ensuring the Proposed Development remains commercially viable. JLP as developer, owner and manager of the homes is able to take a long-term view on the viability of the Proposed Development.
- 1.17 Following pre-application discussions with the Council, JLP has made a commercial decision to deliver 10% affordable housing (by units) provided as APR at rental levels set at Local Housing Allowance levels, in accordance with the Local Plan.
- 1.18 The provision of 10% affordable housing (by units) equates to the delivery of 22 affordable homes. It is proposed that 55% of the affordable homes will be provided as 2 bed + homes.
- 1.19 JLP will enter into discussions with the Council around how the homes will be allocated and who will be eligible to rent them. Full details will be captured in the S106 Agreement for the Proposed Development.

Approach to Benchmark Land Value

- 1.20 In respect of the existing Site and the approach to the Benchmark Land Value ("BLV"), the FVA is consistent and compliant with the policy framework and professional standards. The approach to BLV is based upon the Existing Use Value ("EUV") of the Site, plus a landowner premium.

Appraisal results

- 1.21 To ascertain whether the Proposed Development is delivering the maximum viable amount of affordable housing and planning obligations, the Proposed Development Gross Development Value ("GDV") has been compared to the total development costs, including target Developer Return. If the GDV exceeds the total development costs, this indicates that the Proposed Development can provide additional affordable housing and/or planning obligations. If the GDV is below the total development costs, this indicates the Proposed Development is unviable unless the level of affordable housing and/or planning obligations is reduced.
- 1.22 DS2 has undertaken an assessment of the Proposed Development on an objective, non-applicant specific basis to ascertain the maximum viable amount of affordable housing the Proposed Development can provide. The results illustrated in the table below indicate that the Proposed Development is unable to viably provide any affordable housing.

Executive summary table: FVA results, JLP Letcombe Street, Reading – Maximum viable, August 2024	
Item	£
Gross Development Value ("GDV")	£83,440,588
Interim rent	£542,930
Less	
Purchaser's costs	£5,673,960
Benchmark land value	£4,560,000
Construction costs	£59,792,530
Contingency	£1,494,813
CIL/Section 106	£3,315,000
Professional fees	£5,979,253
Site mobilisation	£500,000
Sales agent & legal fees	£583,250
Loose FF&E	£752,500
Other development costs	£1,740,000
Developer's Return (15% return on GDV)	£12,516,088
Finance	£8,822,460
<i>Equals</i>	
Surplus/ (Deficit)	(£21,746,336)

- 1.23 As illustrated in the table above, the Proposed Development is currently facing viability challenges due to the current headwinds that the property sector and indeed the BTR sector is facing, particularly in relation to a softening of property yields over the last couple of years. As required in accordance with policy and professional standards, this FVA presents an objective, non-applicant assessment which indicates the Proposed Development is unable to viably provide any affordable housing.

JLP Affordable housing proposal results

- 1.24 Notwithstanding the appraisal results set out above, JLP is committed to delivering as much affordable housing as possible whilst ensuring the Proposed Development remains commercially deliverable. JLP as developer, owner and manager of the homes can take a long-term view on the viability of the Proposed Development and the potential for the economics of the Proposed Development to improve over the development period. As such, JLP has made the commercial decision to deliver 10% affordable housing (by units).

1.25 The results of this assessment can be summarised below.

Executive summary table: FVA results, JLP Letcombe Street, Reading – Affordable housing proposal, August 2024	
Item	£
GDV	£77,902,729
Interim rent	£546,675
Less	
Purchaser's costs	£5,297,386
Benchmark land value	£4,560,000
Construction costs	£59,792,530
Contingency	£1,494,813
CIL/Section 106	£3,050,000
Professional fees	£5,979,253
Site mobilisation	£500,000
Sales agent & legal fees	£544,540
Loose FF&E	£752,500
Other development costs	£1,740,000
Developer's Return (15% return on GDV)	£11,685,409
Finance	£8,788,710
<i>Equals</i>	
Surplus/ (Deficit)	(£25,735,736)

1.26 As illustrated in the tables above, the FVA indicates a deficit, when assessed in accordance with guidance, on a current-day basis. The provision of 10% affordable housing is therefore in excess of the maximum viable amount of affordable housing, the Proposed Development can provide.

1.27 JLP, as developer, owner and manager of the homes can take a long-term view on the viability of the Proposed Development and the potential for the economics of the Proposed Development to improve over the development period. Mandatory sensitivity testing provided at section 13 sets out how the Proposed Development can reach a technically viable position over the development period.

Summary

1.28 As well as the provision of 215 high quality residential homes, the Proposed Development supports a range of other public benefits including c. £2.8m in CIL, c. £250,000 in Section 106 contributions and creation of construction jobs, with training and apprenticeship opportunities. The Proposed Development provides a commercial/community space available to support local groups and business, new public and private landscaped spaces with increased tree planting and accessible play areas. The proposals also provide improved links around the site to enhance accessibility and safety for pedestrians and cyclists. JLP will also be implementing a Social Value Strategy for the benefit of the wider community which will deliver a number of local partnerships and commitments for the long term.

2 INTRODUCTION

Instructions

- 2.1 This FVA has been prepared in support of a planning application for full planning permission to redevelop the Site.
- 2.2 DS2 is instructed to test the maximum level of affordable housing and additional financial liabilities including Section 106 contributions secured in accordance with paragraphs 55 to 58 of the NPPF and Development Plan policies that can be supported by the Proposed Development, without impeding the viability of the Proposed Development and the prospects of delivery.
- 2.3 This FVA has been prepared by DS2 in accordance with the latest RICS Professional Standard titled 'Financial Viability in Planning: Conduct and Reporting' which became effective from 1st September 2019 and 'Assessing viability in planning under the National Planning Policy Framework 2019 for England' which became effective from 1st March 2021.
- 2.4 This FVA has been prepared on an objective and impartial basis, without interference, and in full accordance with national planning policy and guidance and professional best practice requirements. DS2 can also confirm that in collating this report we have complied with the RICS Professional Standard (2) Ethics, Competency, Objectivity and Disclosures.
- 2.5 We can confirm that in undertaking this exercise, DS2 has been reasonable, transparent, fair and objective as required by Section 4 of the Professional Statement.
- 2.6 DS2 can confirm that our instruction is on a non-performance or contingent related basis.

Conflict of Interest

- 2.7 DS2 can confirm that there are no conflicts of interest in accordance with the RICS Professional Standard Conflicts of Interest, 1st Edition, that came into effect on 1st January 2018.

The Financial Viability Assessment

- 2.8 In accordance with policy planning and professional guidance, the FVA has been undertaken on an objective, non-applicant specific basis. The RICS Professional Standard 'Financial viability in planning: conduct and reporting' (1st Edition, adopted September 2019) states "FVAs should in general be based around market-rather than client-specific information". Furthermore, paragraph 021 Reference ID: 10-021-20190509 of the NPPG states "Information used in viability assessment is not usually specific to that developer".
- 2.9 ARGUS developer has been used to demonstrate the project's financial viability. This is commercially available and widely used development appraisal software. This software is considered appropriate to assess a development of this type because of its ability to accurately model development timings and cash flows. The use of ARGUS Developer has previously been accepted by RBC for viability testing.
- 2.10 Given the sensitivities associated with residual valuations, highlighted as a risk in the RICS Professional Standard: 'Valuation of Development Property 2019, International Valuation Standard', (2020) section 410, and the RICS Professional Standard: 'Valuing residential property purpose built for renting 2018' it is best practice to include sensitivity analysis in the results in

order to stress test the residual outputs and, in a planning viability context, assess the ability of the Proposed Development to deliver the maximum quantum of public benefits, including affordable housing.

Report Structure

2.11 To inform the preparation of this FVA, information prepared by the following consultants has been relied upon:

- Carey Jones Chapman Tolcher – Architects;
- Bristow – Cost Consultants;
- M3 – Development programme;
- Savills – Planning Consultants; and
- Savills – BTR rental advice.

2.12 This FVA has been structured as follows:

- **Justification for viability assessments** – summary of the reasons for the need of a viability assessment in accordance with national policy and guidance.
- **Site Description** – summary of the location and nature of the existing asset.
- **Development proposals** – review and description of the Proposed Development.
- **Planning policy** – review of the key national and local planning policies concerning the delivery of affordable housing and financial viability.
- **Viability methodology** – description of the methodology employed within the wider context of best practice for FVAs.
- **Development timings** – description of the proposed programme subject to a satisfactory planning consent being obtained;
- **Development value** – review of the residential values alongside any additional revenue streams that comprise the scheme GDV;
- **Development costs** – review of the development costs for the proposed project;
- **Developer's profit return** – analysis of the appropriate developer's return for the development at the Site;
- **Benchmark Land Value** – analysis in relation to the proposed Site Value / Benchmark Land Value for the financial appraisal;
- **Appraisal results and sensitivity testing** – summary of the financial appraisal outputs and supplementary results of scenario and sensitivity testing; and

- **Conclusions** – statement with the formal affordable housing offer and concluding rationale.
- 2.13 The appraisals and figures in this FVA do not represent formal ‘red book’ valuations (RICS Global Valuation Standards, effective from January 2020) and should not be relied upon as such. This report has been prepared to accompany the planning application for the purposes of Section 106 discussions and to inform the Council’s assessment of the Proposed Development only and should only be used for the consideration of these matters.
- 2.14 This FVA has been prepared by Pascal Levine MRICS, Liam Janusz, and Daniel Collins Redrado MRICS, who have considerable experience in preparing viability assessments for BTR schemes. DS2 is also currently part of a British Property Federation working group with many of the leading BTR operators, developers and investors ensuring there is an accurate and reasonable approach to the calculation of planning gain for BTR developments.

3 JUSTIFICATION FOR VIABILITY ASSESSMENT

- 3.1 This section of the FVA provides a justification for the submission of a viability assessment, in accordance with national policy and guidance.
- 3.2 In respect of national guidance, paragraph 007 Reference ID: 10-007-20190509 of the NPPG notes the following (which echoes a similar statement at paragraph 58 of the NPPF):

“Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. Policy compliant in decision making means that the development fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies”

- 3.3 In terms of local policy, the Council’s Local Plan was adopted in November 2019. The Local Plan is supported by an evidence base which includes a Local Plan Viability Testing Report prepared by BPS, dated March 2018.
- 3.4 Both the Local Plan and viability evidence base that inform the Council’s policies are relatively historic; the Local Plan viability study is over 6 years old. Since this time, and in particular within the past 24 to 36 months, there has been a significant change in macro-economic conditions which have negatively impacted the viability delivery of development projects. Further detail is provided below.

Inflation

- 3.5 There has been a well-publicised increase in inflation resulting in a ‘cost of living crisis’ in the UK. Whilst inflation has dropped from its peak of 11.1% in October 2022 to 2.2% (as of August 2024), the rise in the underlying rate of inflation over the past 18 months has triggered a significant increase in the Bank of England base rate, which is currently at 5%.
- 3.6 In the context of the viability assessments related to development projects, the elevated levels of inflation have manifested themselves in several ways; higher construction and labour costs, higher financing have made development unviable.

Interest rates/ debt costs

- 3.7 The Bank of England’s Monetary Policy Committee (MPC) raised the base rate to 5.25% in August 2023, its highest level in more than 16 years. This was to tackle the level of inflation seen at the end of 2022 through to current day, with CPI peaking at 11.1% in October 2022.
- 3.8 As of July 2024, CPI is at 2.2%, above the Bank of England’s MPC target of 2%. On the 1 August 2024, the Bank of England’s MPC cut the base rate by 25 bps to 5%. This remains at a level not seen since April 2008.
- 3.9 The base rate is relevant when considering the cost of development finance because lenders will require a basic margin above swap rates, the latter which are, in turn, affected by the base rate, in addition to arrangement, entry/ exit and non-utilisation fees. In simple terms, as the base rate increases, so does the cost that lenders pass onto developers/ borrowers. The same can be said for risk-adjusted returns as risk free returns, for example UK gilts, now also generate higher returns.

Residential yields

- 3.10 Increases in inflation and the base rate have also impacted the residential investment market. As the cost of debt increases, it becomes more difficult for those investors reliant on bank finance to fund new acquisitions, reducing overall demand, and reducing prices. Furthermore, as interest rates rise, the value of government bonds or 'Gilts' reduces, and the yield increases. As the yield on government bonds increases, the attractiveness of investing in property, which in comparison is inherently riskier, reduces.
- 3.11 In response, yields on BTR property have consistently increased. The table below demonstrates how Southeast prime BTR yields have moved out, based on agent publications.

Table 1: Build to Rent Yields, JLP Letcombe Street, Reading, August 2024						
	Jun-23	Sep-23	Dec-23	Mar-24	May-24	August-24
CBRE (South East prime)	4.00%	4.15%	4.25%	4.25%	4.25%	4.25%
Knight Frank (South East prime)	3.85% - 4.00%	4.10%	4.25%+	4.25%+	4.25%+	4.25%+

Building Regulations

- 3.12 As of July 2023, Building Regulations require that all new residential buildings over 18m should have a second staircase. This impacts building efficiencies and build costs and accordingly has a detrimental impact on viability. Moreover, new sustainability and building regulation requirements are improving, also reducing efficiency but are adding significant additional costs which impacts the viability of projects. Complying with these standards, therefore has an impact on viability of projects.

Summary

- 3.13 There has been a clear and demonstrable change in macro-economic conditions that have caused a significant downward movement in development viability, to the extent that the assumptions adopted within the Local Plan evidence base are now materially out of date. Circumstances therefore exist to justify the need for a viability assessment in accordance with the NPPG.

4 THE SITE

- 4.1 A detailed site description is contained within the Savill's Planning Statement and Carey Jones Chapman Tolcher ("CJCT") Design & Access Statement submitted with the planning application. A relevant summary is provided below.

Site location

- 4.2 The Site is located on the edge of the town centre in Central Reading within close proximity of key local services and facilities, including The Oracle shopping centre opposite, the Premier Inn hotel adjacent to the west and Reading railway station located approximately 1 km to the north.
- 4.3 The Site itself is bound by Mill Lane and the A329 to the north, Letcombe Street to the south-west and Crossland Road to the south-east, from which the Site is accessed. The red line boundary of the Site is shown below:

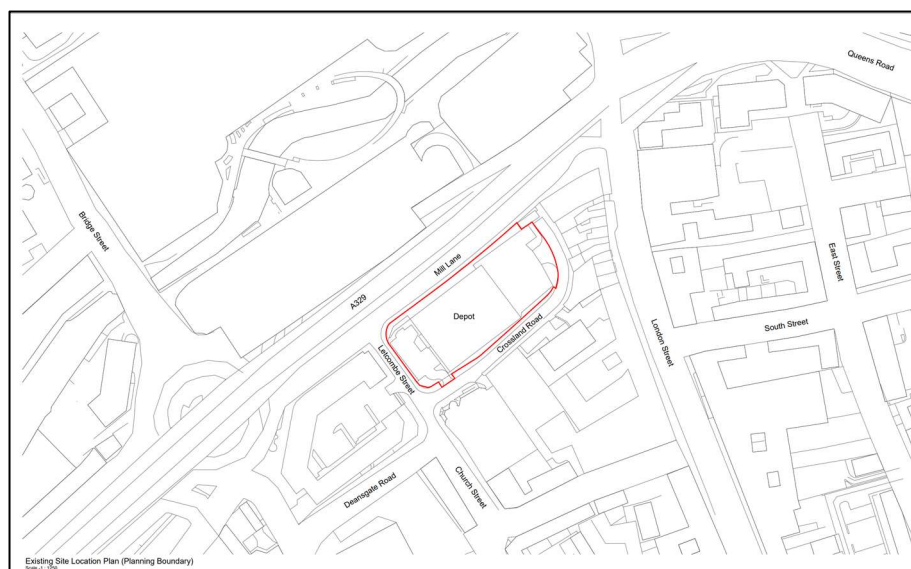


Figure 1: Red Line Site Boundary for JLP Site, Letcombe Street, Reading

Site description

- 4.4 The Site totals approximately 0.37 hectares and currently comprises a vacant warehouse with customer collection facilities, ancillary car park and servicing area.
- 4.5 The existing building's former function as a customer collection centre transferred to the John Lewis department store at Broad Street, Reading in 2001. The existing warehouse has been used for storage since 2001.
- 4.6 Further detail is provided at Section 11 of this report.

Planning history

- 4.7 There is no relevant planning history for the Site in respect of undertaking this FVA.

Ownership

- 4.8 The land on which the former depot is situated is owned by John Lewis PLC. The Proposed Development includes works outside the ownership boundary and will be undertaken under the appropriate agreements and licences with RBC.

5 DEVELOPMENT PROPOSALS

Proposed Development

- 5.1 The full planning application has been submitted by planning consultants Savills on behalf of JLP for the Proposed Development.
- 5.2 A full assessment of the Proposed Development is contained within the Planning Statement prepared by Savills which accompanies the planning application. This section of the FVA should be read in conjunction with the plans and drawings submitted as part of the application.
- 5.3 The Proposed Development is guided by a series of overarching key principles:
- Regeneration of under-utilised sustainably located, brownfield site;
 - Thoughtfully designed, sustainably constructed development;
 - Creation of 'energy efficient, well-designed homes which promote 'healthy living' and
 - Community centred, outward facing development with the delivery of social value at its heart
- 5.4 The application description of development is as follows:
- Demolition of the existing building and redevelopment of the site comprising erection of a new building for up to 215 build to rent residential dwellings (Use Class C3) together with flexible commercial / community space (Use Class E/F1/F2), residents' facilities, landscaping, public realm, amenity space, cycle parking and disabled car parking.*
- 5.5 The Proposed Development will deliver up to 215 high quality, purpose-built BTR residential homes alongside flexible commercial / community space, accessible car parking spaces, cycle parking spaces and public realm improvements to Mill Lane.
- 5.6 The APR homes will be built, fitted out and furnished to the same high standards as the BTR homes.
- 5.7 The APR homes will be pepper potted throughout the development, with residents having access to all the shared amenity spaces and benefit from the same services i.e. there will be no difference between the BTR and APR homes.
- 5.8 The Proposed Development will provide 10% affordable housing (equating to 22 homes), provided as APR with the rental levels set at Local Housing Allowance levels.
- 5.9 The provision of APR as part of a BTR development is compliant with the NPPG, Local Plan and Affordable Housing SPD.
- 5.10 An accommodation and area schedule for the Proposed Development are attached at **Appendix 1**. A summary of the Proposed Development areas is provided below. The Proposed Development floorplans are provided at **Appendix 2**.

Table 2: Proposed Development Areas (GIA and NIA), JLP Letcombe Street, Reading, August 2024

Use	GIA		NIA	
	Sqm	Sqft	Sqm	Sqft
Building	19,659	211,609	-	-
Residential	17,423	187,541	13,257	142,698
Amenity	-	-	692	7,449
Community / Commercial	74	797	-	-
Other	2,162	23,271	-	-
Total	19,659	211,609	13,949	150,147

Residential (Use Class C3)

5.11 The table below summarises the residential Proposed Development areas:

Table 3: Residential Proposed Development Areas (GIA and NIA), JLP Letcombe Street, Reading, August 2024

Use	GIA		NIA	
	Sqm	Sqft	Sqm	Sqft
BTR	17,423	187,541	11,828	127,311
APR			1,430	15,387
Total	17,423	187,541	13,257	142,698

5.12 The unit mix summary by unit number for the Proposed Development is shown in table four:

Table 4: Summary of residential unit mix, JLP Letcombe Street, Reading, August 2024

Unit Type	1B1P	1B2P	1B2P WA	2B3P	2B4P WA	2B4P	3B4P	3B5P	Total
BTR	20	71	10	8	3	74	4	3	193
APR	0	10	0	2	1	4	2	3	22
Total	20	81	10	10	4	78	6	6	215

5.13 The unit mix split for the Proposed Development is shown in table four:

Table 5: Summary of residential unit mix split, JLP Letcombe Street, Reading, August 2024

Unit Type	1B1P	1B2P	2B	3B
BTR	10.4%	42.0%	44.0%	3.6%
APR	0.0%	45.5%	31.8%	22.7%
Total	9%	42%	43%	6%

5.14 A unit-by-unit schedule for the Proposed Development is provided at **Appendix 3**.

Commercial

Flexible commercial / community use (Use Class E/F1/F2)

5.15 The Proposed Development will provide 74 sqm (797 sqft) of flexible commercial / community space at ground floor. It is envisaged that this space will be provided as community space at peppercorn rent to support local businesses/groups.

Amenity

5.16 Access to residential amenity space will be provided to all residents. The Proposed Development will provide 692 sqm of residential amenity space. This space will provide the following amenities:

- Lobby
- Gym
- Lounge and dining area
- Working from home hub
- Wellness area
- Pet wash

Car park and cycle parking

5.17 120 cycle parking spaces will be provided across the ground floor of the building with 3 accessible parking spaces to be provided to the east of the building.

6 PLANNING POLICY

- 6.1 The Planning Statement submitted as part of the planning application provides an assessment of the Proposed Development in the context of relevant planning policy. The following section of this FVA therefore provides a summary review of the key national and local planning policy that guides the delivery of affordable housing within a viability context.

National policy

National Planning Policy Framework (NPPF)

- 6.2 The revised NPPF was published on 20 July 2021. At the heart of NPPF is a presumption in favour of sustainable development, which should be seen as a golden thread running through both the plan-making and decision-taking process. This means ‘*approving development proposals that accord with an up-to-date development plan without delay*’, and ‘*where there are no relevant development plan policies or the policies which are most important for determining the application are out-of-date*’, granting permission unless ‘*any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole*’ (paragraph 11 of NPPF).
- 6.3 Paragraph 64 of the NPPF states that, where there is a need identified for affordable housing, the affordable housing should be provided on-site, except in justified circumstances.
- 6.4 Paragraph 66 of the NPPF states that where major development proposes the provision of housing, at least 10% of the homes should be made available for affordable home ownership. Exemptions to this 10% requirement should be made where the site or proposed development provides solely BTR homes.
- 6.5 The definition of affordable housing included within the Glossary (Annex 2) of the NPPF states:
- “Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers)” and which complies with certain criteria.*
- 6.6 This includes social rented, affordable rented and intermediate tenure housing i.e., housing provided to eligible households whose needs are not otherwise met by the market.

National Planning Practice Guidance (PPG)

- 6.7 The PPG was adopted in July 2018 in line with the updated NPPF. The NPPG provides guidance on viability for the purposes of plan making and individual application development management and was last updated for viability on 14 February 2024.
- 6.8 Paragraph 007 Reference ID: 10-007-20190509 of the NPPG states
- “Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. Policy compliant in decision making means that the development fully complies with up-to-date plan policies. A decision maker can give appropriate weight to emerging policies.”*

- 6.9 Such circumstances could include where further information on infrastructure or site costs is required, where particular types of development are proposed which may significantly vary from standard models of development for sale and where a recession or similar significant economic changes have occurred since the date the Plan was brought into force.
- 6.10 Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.
- 6.11 The NPPG provides clarity in respect to standardised inputs into a viability assessment. The NPPG recognises at paragraph 10 that a *“viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return”*.
- 6.12 Further, paragraph 010 Reference ID: 10-010-20180724 also states that *‘Any viability assessment should follow the government’s recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available’*. This is undertaken on a non-applicant specific basis.

Build to Rent

- 6.13 The NPPG recognises the importance to housing markets of delivering large scale BTR products and that the economics of delivery will be different to market sale schemes. The NPPG Paragraph 001 Reference ID: 60-001-20180913 recognises that these characteristics should be considered in decision making for planning purposes and states the following:
- ‘The economics of build to rent schemes differ from build to sale as they depend on a long term income stream. For build to rent it is expected that the normal form of affordable housing provision will be affordable private rent’*.
- 6.14 Paragraph 002 Reference ID: 60-002-20180913 of the BTR NPPG states the following:
- “20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion, they should justify this using the evidence emerging from their local housing need assessment and set the policy out in their local plan. Similarly, the guidance on viability permits developments, in exception, the opportunity to make a case seeking to differ from this benchmark.”*
- 6.15 Paragraph 003 Reference ID: 60-003-20180913 also requires a minimum rent discount of 20% for APR homes relative to local market rents (inclusive of service charge).
- 6.16 Paragraph 006 Reference ID: 60-006-20180913 of the NPPG states that APR private market rent units within a development should be managed collectively by a single BTR landlord.
- 6.17 Paragraph 004 Reference ID: 60-004-20180913 of the NPPG states that it is expected that developers will usually meet their affordable housing requirement by providing APR homes. However, if agreement is reached between a developer and a local authority, this requirement can be met by other routes such as a commuted payment and/or other forms of affordable housing as defined in the NPPF glossary.

- 6.18 Furthermore Paragraph 005 Reference ID: 60-005-20180913 of the NPPG states that both the proportion and discount on APR homes can be varied across a development over time. Similarly, the balance of the proportion of discounted units and the discounts offered on them can be explored.
- 6.19 The NPPG encourages determining authorities to use planning obligations to secure this supply for a minimum period with a clawback mechanism to ensure that the intent of the NPPG in this regard, is not abused.

Local

Reading Local Plan (November 2019)

- 6.20 Policy H4 of RBC's Local Plan states that planning permission will be granted for BTR schemes which satisfies the following criteria:
1. The homes are secured in single ownership providing solely for the rental market for a minimum 20-year term with provision for clawback of affordable housing should the covenant not be met; and
 2. Provide tenancies for private renters for a minimum of three years with a six month break clause in the tenant's favour and structured and limited in-tenancy rent increases agreed in advance; and
 3. Provide a high standard of professional on-site management and control of accommodation; and
 4. Provide a commitment to high quality rental arrangements, through meeting Reading Borough Council's voluntary Rent with Confidence Standards or equivalent measures; and
 5. Provide for a mix of unit sizes in accordance with Policy H2 or CR6;
 6. Meet the standards of design set out in Policy H5; and
 7. Provide 30% on-site affordable housing, either in accordance with Policy H3 and any relevant Supplementary Planning Document; or in the form of APR Housing as defined and set out in a relevant Supplementary Planning Document.
- 6.21 The supporting to Policy H4 goes on to state that:
1. BTR operates to different viability models compared to for sales schemes. The Council will expect the viability appraisal to also provide information on the viability of the development as a for sale scheme.
 2. The Council will expect rental levels for the APR housing to be related to Local Housing Allowance levels (including service charge) ("LHA Levels") and be affordable for those identified as in need of affordable housing.
 3. APR housing must be allocated in the first instance to eligible households on Reading's housing waiting list.

Reading Local Plan Partial Update (November 2023)

- 6.22 RBC is currently preparing a Partial Update to the adopted Local Plan. Consultation was undertaken on the Scope and Content of the Local Plan Partial Update (“LPPU”) between November 2023 and January 2024.
- 6.23 The LPPU consultation document (November 2023) acknowledges that there have been changes to sites allocated under Local Plan (2019) Policy CR14. The Site (ref. Cen 3) is now identified in the LPPU consultation document (November 2023) as a potential allocation for ‘around 200 build-to-rent dwellings’.
- 6.24 Further consultation and submissions are scheduled in late 2024 prior to examination adoption in 2025, based on the Council’s Local Development Scheme (November 2023).
- 6.25 The LPPU propose to amend point 2 of Policy H4 to state that a further three-year tenancy period should generally be offered at the end of the tenancy.

Reading Affordable Housing Supplementary Planning Document (March 2021)

- 6.26 RBC’s Affordable Housing SPD provides further information to supplement RBC’s Local Plan in respect of the delivery of affordable housing.
- 6.27 The Affordable Housing SPD reiterates that the rental levels for APR must be set in relation to LHA levels for Reading, less the cost of service charges. Furthermore, any changes in rents must also be linked to changes in LHA levels. Rental levels which are 80% of market rent may only be applied where these are at or lower than LHA levels.
- 6.28 The Affordable Housing SPD goes on to state that where affordable housing is reduced below a policy compliant level at application stage, a mechanism should be included with the Section 106 agreement that ensures a proportion of increased profits are secured for affordable housing.
- 6.29 Any ‘deferred contribution’ arising from the review mechanism will be capped at a policy compliant level. A suggested formula for calculating the affordable housing cap is set out at Appendix 4 of the Affordable Housing SPD.
- 6.30 The appropriate form and application of the review mechanism will be case specific and at the discretion of the Council.
- 6.31 The Affordable Housing SPD also contains guidance regarding viability and recognises the standard approach to considering viability (comparing the RLV of a proposal against a BLV). It notes that BLVs are generally current use values and that amongst other factors, high existing use values may render a development unviable. Other factors noted that could cause a proposal to be unviable are provision of costly infrastructure, site conditions and high remediation costs.
- 6.32 It notes that viability assessments should generally be carried out on the basis of an expected profit to the developer of 15-20%, as specified in NPPG, with profit levels related to the scale, complexity and risk of the proposed development. For instance, the lower end of that range will often be appropriate for smaller, less complicated schemes, whilst larger brownfield developments including taller buildings will reflect the upper end of the range.

Summary

- 6.33 In summary, national and local affordable housing policies support the delivery of the maximum amount of affordable housing that can be viably delivered alongside other forms of planning gain. Policy therefore seeks to encourage rather than restrain delivery and this is particularly relevant given the desperate need for more housing and the current economic climate, and with reference to BTR development.

7 VIABILITY METHODOLOGY

- 7.1 The methodology adopted in producing this FVA has been framed by national, regional and local adopted planning policy and guidance as well as non-adopted best practice guidance.

Methodology

- 7.2 Paragraph 010 Reference ID: 10-010-20180724 of the NPPG defines the viability process as:

“Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.”

- 7.3 The most common method for valuing development land is the Residual Valuation Method, set out in the RICS Valuation of Development Property (1st edition), October 2019.
- 7.4 The methodology underpinning a residual valuation is a relatively simple concept. In short, the gross value of the completed development is assessed, including, amongst others, the aggregated value of any residential properties, commercial income and other income. Secondly, the cost of building the development is deducted along with professional fees, finance costs and developer's profit. This is illustrated below:

Table 6: Residual Analysis Methodology, JLP Letcombe Street, Reading, August 2024	
Gross Development Value	
BTR capitalised income (net of operating costs)	
APR capitalised income	
Any additional income (commercial, car parking)	
Less	
Costs	
Build costs	
Exceptional development costs (e.g., listed building works)	
Professional fees	
Planning obligations & CIL	
Marketing costs and disposal fees	
Finance costs	
Less	
Developer's Profit	
Equals	
Residual Land Value	

- 7.5 The output is the Residual Land Value (“RLV”). If the RLV produced by a scheme is lower than an appropriate Benchmark Land Value (“BLV”), then the scheme is deemed to be unviable and is therefore unlikely to come forward for development, unless the level of affordable housing and /or planning obligations can be reduced. If the RLV is higher than the benchmark then the scheme can, in theory, provide additional affordable housing and /or other planning obligations.

- 7.6 Alternatively, the BLV can be inserted into the appraisal as a fixed cost and the level of profit generated by the scheme becomes the benchmark by which viability is measured. If a sufficient level of developer's profit is generated the scheme is deemed to be viable. This approach has been adopted for the purposes of this FVA in line with the RICS Valuation of Development Property (1st edition), October 2019.
- 7.7 Through sensitivity testing it is possible to determine the maximum level of affordable housing and other obligations that ensure a scheme remains financially viable and retains the highest possible chance of coming forward, whilst balancing commercial requirements with policy requirements of the development plan.

Summary

- 7.8 Ultimately the aim of the guidance is to create a balance so that the BLV is not included at the expense of planning obligations. Instead, the approach should assess BLV on the basis of the site's existing use and seek to strike a balance between land value, the developer's return for risk, and the planning obligations required to meet the policy tests whilst at the same time ensuring that the scheme can be delivered.
- 7.9 A practitioner's judgement should therefore take a balanced approach, taking into consideration the site specifics; adopted and emerging policy; best practice guidance; and experience in undertaking viability assessments.
- 7.10 The approach adopted within this FVA is robust and has full regard to adopted planning policy and guidance.

8 DEVELOPMENT TIMINGS

- 8.1 The following development timings have been adopted for the Proposed Development which is in line with advice received from M3. The Proposed Development programme is at **Appendix 4**.
- 8.2 In accordance with best practice principles, this assessment assumes that the Proposed Development has a notional resolution to grant planning permission and therefore, the cash flow commences in August 2024.

Pre-Construction

- 8.3 A six-month pre-construction period has been adopted within the proposed programme and includes an allowance for the following:
- Signing of the Section 106 agreement;
 - Expiration of the Judicial Review period;
 - Discharging of pre-commencement conditions;
 - Securing necessary development funding;
 - Tender period for build contract package(s); and
 - Mobilisation;

Construction

- 8.4 The following timings for the construction of the Proposed Development have been adopted.

Table 7: Proposed Development overall programme, JLP Letcombe Street, Reading, August 2024			
Stage	Construction		
	Start	End	Duration
Pre-Construction	August 2024	January 2025	6 months
Demolition & Construction	February 2025	May 2027	28 months
Gateway 3 sign off	June 2027	July 2027	2 months
Letting Period/Sale	June 2027	September 2027	4 months
Total Programme	August 2024	September 2027	40 months

- 8.5 As part of the requirements set out in the Building Safety Act 2022, there is a regulatory requirement to submit an application for a completion certificate to the Building Safety Regulator ("BSR") after the practical completion of the building(s). To receive the completion certificate, it must be demonstrated that the building(s) has been built to the approved plans. The building(s) cannot be occupied until a completion certificate has been issued. The application for a completion certificate will take eight weeks (however it is currently unknown whether the BSR will require a longer period of time).

Residential Letting/Sales Timings – Build to Rent

- 8.6 BTR homes are not sold, they are rented and therefore the net operating income is capitalised to establish the gross value, consistent with the way in which commercial property is valued.
- 8.7 Following the RICS Professional Standard: ‘Valuing residential property purpose built for renting 2018’, where a building is being developed and a capitalisation rate is applied to the anticipated ‘stabilised’ net rent, an allowance for let up to determine the market value on the special assumption of completion should be made by the valuer. Generally quoted yields are for stabilised assets so in applying an appropriate yield care should be taken on how and when this yield is applied.
- 8.8 For the purposes of the ARGUS appraisal of the Proposed Development, the value of the BTR and APR units have been capitalised following a 3-month let up period, with a ‘stabilised’ yield reflecting this. In reality, stabilisation from an investor’s perspective occurs between one and three years post let up of a building and not when the building is fully occupied however, for the purposes of the appraisal that accompanies this FVA, the stabilised yield is applied to the net operating income (gross income minus operating costs) at the end of the initial leasing period.
- 8.9 The 3-month let up period has been informed by the comparable evidence provided below which produces an average let up period of 60 units per month. It should be noted, the evidence below reflects let up rates for schemes in London as DS2 have not been able to obtain data on let up rates for BTR schemes in Reading, however, it is likely that the average let up rate per month would be lower compared to London given the current supply and demand issues being seen across the capital.

Table 8: Let up rates comparable evidence, JLP Letcombe Street, Reading, August 2024¹				
Scheme	Location	No of Units	Months to Stabilisation	Average let up rates
Cross Quarter	Abbey Wood	69	1.5	46
Madison	Canary Wharf	381	5.5	84
Kingmaker House	Barnet	137	1.5	91
York House	Wembley	368	5.5	80
Nautilus	Canning Town	146	5.5 (90% let)	24
Author	Kings Cross	218	4 (60% let)	33

- 8.10 The receipt of a completion certificate is estimated be received two months after practical completion and therefore the BTR and APR units cannot be occupied until three months after practical completion as the building(s) cannot be occupied until a completion certificate has been received. It is assumed that during the 2-month period when the BSR is reviewing the application, the units will be marketed for occupation i.e. the interim rent in month three post PC, reflects circa 180 units being occupied assuming a let up rate of 60 units per month. This is considered an optimistic assumption to make as some operators/developers may not market the units until receipt of the completion certificate. Furthermore, from a practical perspective it may be the case that 180 tenants cannot be moved in within one month.

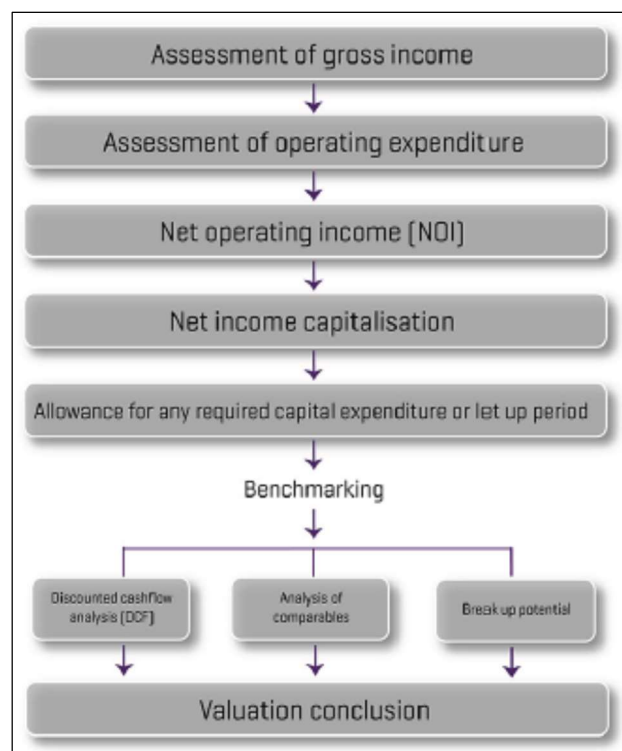
¹ The let up rates are based upon our experience on undertaking viability assessments on other BTR schemes. DS2 have been provided with the evidence above but are unable to verify the accuracy of the examples provided.

9 DEVELOPMENT VALUE

- 9.1 Subject to the necessary permissions, the Proposed Development will deliver a high-quality residential led scheme, providing much-needed BTR homes. In order to assess the GDV of the Proposed Development at the Site, DS2 has relied upon the information provided by Savills in support of the valuation of the BTR units as well as comparable research undertaken by DS2.

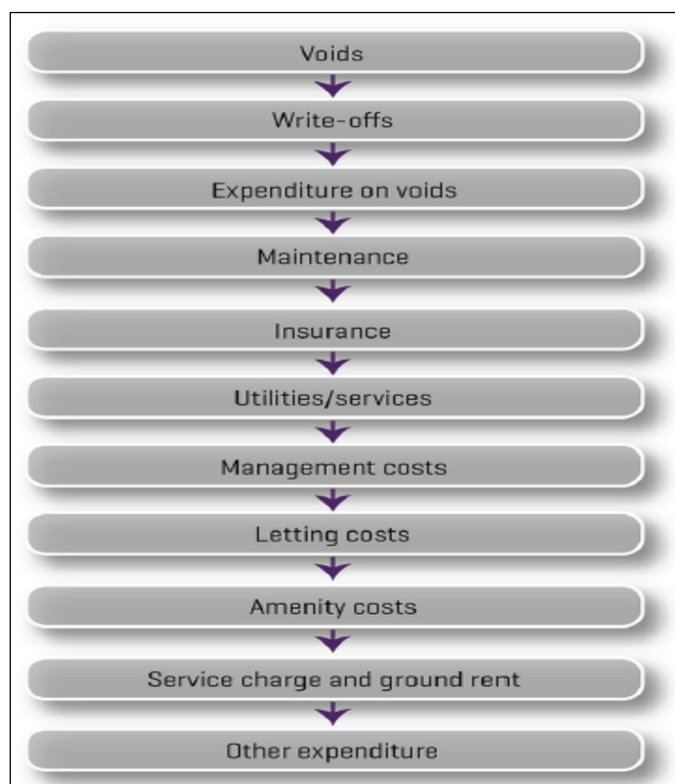
Build to Rent Valuation

- 9.2 In arriving at an appropriate value for the proposed BTR units, DS2 has had regard to the RICS Professional Standard “Valuing residential property purpose built for renting”, July 2018 which references both discount to vacant possession value and an assessment of net operating income (NOI) and yield.
- 9.3 The diagram below, extracted from the RICS document, illustrates the valuation approach for BTR schemes.



- 9.4 DS2 have applied this valuation approach. In summary, the present day, gross value of each BTR unit is assessed, taking into account the location of the development, the individual unit types and sizes, their location within the scheme, the proposed level of residential amenity and the quality of the management and so on.
- 9.5 The gross rental level is subsequently disaggregated into a £ per sq ft within the appraisal, applying an appropriate gross to net deduction to identify the NOI.

- 9.6 An operating cost (“OPEX”) of 25% is commonly referred to as an industry standard albeit this will change from scheme to scheme depending upon the size, characteristics etc. of the scheme. The deduction takes into consideration management, maintenance, bad debt provision and voids as illustrated below.



- 9.7 The NOI is then capitalised within the appraisal at an appropriate net yield based on evidence to provide an investment value. The total investment value is reduced by the purchaser’s costs and reasonable legal costs. This net investment value is the value of the completed development to the investor.

Market rental values

- 9.8 The market rental values assumed in the ARGUS appraisal of the Proposed Development are based upon the advice set out in the Savill’s Market Viability Report which is appended at **Appendix 5**.
- 9.9 The rents on a per calendar month basis advised by Savills for the Proposed Development are set out in the table below:

Table 9: Proposed Development Market Rental Value Summary, JLP Letcombe Street, Reading, August 2024				
Unit Size	Units	Rent (per unit pcm)	Rent (per unit pa)	Total Gross Rent (pa)
1B1P	20	£1,250	£15,000	£300,000
1B2P	71	£1,625	£19,500	£1,384,500
1B2P WA	10	£1,650	£19,800	£198,000
2B3P	8	£1,925	£23,100	£184,800
2B4P WA	3	£2,150	£25,800	£77,400
2B4P	74	£2,100	£25,200	£1,864,800
3B4P	4	£2,325	£27,900 ²	£111,600
3B5P	3	£2,550	£30,600	£91,800
Total	193			£4,212,900

- 9.10 A total gross rent roll per annum of £4,212,900 has been adopted in the ARGUS appraisal, which equates to an average blended gross rent of £33.09 psf based upon a NIA of 127,311 sq ft for the BTR units (excluding APR).

Affordable housing

- 9.11 The table below indicate the rental levels assumed as part of affordable housing provision:

Table 10: Affordable Private Rent Levels, JLP Letcombe Street, Reading, August 2024				
Unit Size	Units	Rent (per unit pcm)	Rent (per unit pa)	Total Gross Rent (pa)
1 Bed	10	£848	£10,176	£101,760
2 Bed	7	£1,092	£13,104	£91,728
3 Bed	5	£1,296	£15,552	£77,760
Total	22			£271,248

- 9.12 In summary, the APR gross rent per annum is:

- Rent of £271,248 per annum, or £17.63 psf.

- 9.13 The above gross rent per annum reflects the provision of 10% APR (by units) at Local Housing Allowance levels³.

Build To Rent Investment Yield

- 9.14 The RICS Professional Standard “Valuing residential property purpose built for renting”, July 2018 states that valuations of BTR assets will typically be derived from the capitalisation of the net income, with a deduction made for purchaser’s costs.
- 9.15 The RICS Professional Standard “Comparable evidence in real estate valuation”, October 2019, states that information derived from market transactions will normally provide the best evidence of value. Such evidence should be recent, relevant and comprehensive. There is however a dearth of transparent BTR transactions within proximity to the subject Site.

² Please note that the Savill’s rental advice is based upon a previous iteration of the proposed development which did not propose 3B4P homes. Based upon the comparable evidence provided, an average rent of £2,325 pcm has been adopted.

³ Local Housing levels based upon rents provided on the Government website [Local Housing Allowance Rates for the Reading Local Authority](https://www.gov.uk/government/publications/local-housing-allowance-rates-for-the-reading-local-authority) : [DirectGov - LHA Rates \(voa.gov.uk\)](https://www.gov.uk/government/publications/local-housing-allowance-rates-for-the-reading-local-authority)

- 9.16 DS2 is aware of the following BTR transactions for schemes situated in London. However, we would note that we are unable to obtain the full data behind the transactions cited in the table below. As such, the comparables can only be used as an indication.

Table 11: BTR Investment Comparables, JLP Letcombe Street, Reading, August 2024							
Development	Location	Years	Units	Purchase Price	Type	NIY	Purchaser/Funder
Ten Degrees	Croydon	Marketing	546	c.£200m	Investment	c.4.5%	-
Wembley Park (Alameda & Beton)	Wembley	Q1 2024	490	c.£250m	Investment	c.4.5%	KKR
The Lark	Nine Elms	Q4 2023	195	c.£140m	Investment	c.4.4%	Pembroke
Wembley Park (Alto & Dakota)	Wembley	Q4 2023	261	c.£115m	Investment	c.4.5%	Goldman Sachs
Battersea Exchange	Battersea	Q3 2023	45	c.£37m	Investment	c.4.25%	L&G
Beaufort Park	Colindale	Q3 2023	370	c.£115m	Forward Commitment	c.4.3%	Long Harbour

- 9.17 In the absence of directly comparable transaction evidence to inform the yield assumption for the Proposed Development, DS2 has also considered publicly available investment yield sheets published by the leading agents. These indicate the following:

- CBRE Investment Yield sheet (August 2024) – Net yield of 4.25% for South East Prime.
- Knight Frank Prime Yield Guide (August 2024) – Net yield of 4.25% South East Prime.
- Lambert Smith Hampton BTR 2.0 Report (February 2024) – Net yield of 4.50% for South East Prime Stabilised Assets.

- 9.18 We would note that the yields reported in the agent investment yield sheets are based upon stabilised assets.

- 9.19 DS2 is of the opinion that based upon the information set out above, a net yield of 4.25% is appropriate for the Proposed Development.

Operating costs (“OPEX”)

- 9.20 An operating cost of 25% of the gross annual rent of the market rental units has been assumed in the ARGUS appraisal of the Proposed Development. This equates to circa £5,457 per unit which has also been adopted for the APR units. The APR homes will be built and fitted out to the same standards as the open market units, they will be pepper potted throughout the Proposed Development and benefit from the same high management standards, facilities, and services.

- 9.21 It should be noted that the annual operating cost does not incorporate significant upfront let-up costs and liabilities that would be accrued in the first few months of the asset becoming operational.

- 9.22 The RICS Professional Standard “Valuing residential property purpose built for renting”, July 2018 provides a breakdown of the costs commonly assumed within the operating cost allowance. This is provided at paragraph 9.6 of the FVA. In short, the operating costs cover those costs that

the operator will incur in running and maintaining the scheme. This includes items such as management, letting, maintenance, utility and voids costs etc.

- 9.23 Paragraph 5.3.4 of the RICS Professional Standard “Valuing residential property purpose built for renting”, July 2018 states that where operational costs are not available, a deduction should be made based on market driven operational costs. We have therefore sense checked the assumed OPEX allowance. This information is set out below:

Grainger PLC half year results

- 9.24 There is a lack of data available for operational BTR assets however the latest full year results reported by Grainger PLC, the largest residential landlord in the UK, in May 2024, indicate an OPEX of 25.3% for their stabilised portfolio.

BTR Viability Assessments

- 9.25 DS2 has looked at the OPEX assumed in other publicly available BTR viability assessments within the past several years on a cost per unit per annum basis.

- **Waitrose, Bromley South, London, BR2 9HD** – The FVA Rebuttal dated December 2023 was submitted in support of a BTR application for the provision of 353 unit scheme. The FVA Rebuttal assumed a 25% OPEX equating to circa £5,830 per unit. It was a JLP application and therefore would be reasonable to assume that the Proposed Development would offer a similar level of service.
- **Waitrose West Ealing, Ealing, W13 ONL** – FVA submitted in June 2023 in support of a BTR application for the provision of 428 units. The FVA assumed a 25% OPEX equating to £5,680 per unit. It was a JLP application and therefore would be reasonable to assume that the Proposed Development would offer a similar level of service.
- **The Biscuit Factory, Southwark, SE16 4DG** – The FVA dated July 2023 was submitted in support of BTR application for the provision of a 1,418 unit scheme. The FVA assumed a 25% OPEX.
- **Quayside Barking, Highbridge Road, Barking, IG11 7BS** – An FVA dated February 2022 was submitted in support of a BTR application for the provision of a 1,758-unit scheme. The FVA assumed a 25% OPEX equating to circa £4,712 per unit per annum.
- **Croydon Park Hotel, Croydon, CR9 5AA** – An FVA dated February 2023 was submitted in support of a BTR application for the provision of a 455-unit scheme. The FVA assumed a 25% OPEX equating to circa £5,857 per unit per annum.
- **Cockfosters Station Car Parks, Cockfosters Road, EN4 0DZ** – An FVA dated June 2021 was submitted in support of a BTR application for the provision of a 351-unit scheme. The FVA assumed a 25.64% OPEX equating to circa £4,971 per unit per annum.
- **Arnos Grove Station Car Parks, Bowes Road, N11 1AN** – An FVA dated April 2020 was submitted in support of a BTR application for the provision of a 162-unit scheme. The FVA assumed a 26.90% OPEX equating to circa £5,292 per unit per annum.

- **Nine Elms Over Station Development, SW8** – An FVA dated June 2020 was submitted in support of a BTR application for the provision of a 479-unit scheme. The FVA assumed a 22.24% OPEX equating to circa £6,397 per unit per annum.
- **Euro House, Hounslow, TW3 1NW** – An FVA dated May 2023 was submitted in support of a BTR application for the provision of a 168-unit scheme. The FVA assumed a 25.8% OPEX equating to circa £5,534 per unit per annum.

9.26 When considering the above information, it should be noted that over the past 12 to 18 months inflation has risen, which has impacted staffing costs and utilities bills to name a few, which in turn impacts upon the OPEX allowance. In theory, allowances agreed circa 12 to 18 months ago would be higher today, to reflect the rising costs set out above.

Interim Rent

9.27 The ARGUS appraisal of the Proposed Development include interim rent. The interim rent is the rent received by the developer for the occupied units during the let-up period prior to disposal. As stated in Section 8 of this FVA, a 3-month let up period has been adopted assuming an average let up rate of 60 units per month, with the interim rent deferred until the completion certificate is received as explained above.

9.28 The interim rent calculation is attached at **Appendix 6**, with the total interim rent of £546,675 being adopted with the ARGUS appraisal of the Proposed Development.

Flexible commercial / community use (Use Class E/F1/F2)

9.29 The Proposed Development will provide 74 sqm (797 sqft) of flexible commercial / community space at ground floor. It is envisaged that this space will be provided as community space at peppercorn rent. As such, the value has not been attributed to this space within the ARGUS appraisal of the Proposed Development.

Purchaser's Costs

9.30 In accordance with the RICS 2021 Professional Standard "Assessing viability in planning under the National Planning Policy Framework 2019 for England" where an income capitalisation approach is used to estimate the value of the completed development, the prospective purchaser's costs are explicitly deducted to determine the market value, which in turn identifies the expected total contract value. This is further supported by the RICS 2018 Professional Standard "valuing residential property purpose built for renting" which states that any deductions to purchaser's costs should be representative of the market rather than specific stamp duty position of the investor. Therefore, a 6.80% purchaser's costs has been applied to the BTR and APR units which is broken down as follows.

- Stamp duty: 5.00%
- Agent fees: 1.00%
- Legal fees/VAT: 0.80%

Summary

9.31 Based upon an OPEX of 25% and net stabilised yield of 4.25% and purchaser's costs of 6.80%, this derives the following capital values for the BTR and APR units:

9.32 The NDVs for both options are summarised in the table below:

Table 12: Proposed Development Net Development Value, JLP Letcombe Street, Reading, August 2024			
Tenure	NDV	Area	£PSF
BTR	£69,289,814	127,311	£544
APR	£3,315,529	15,387	£215
Total	£72,605,343	142,698	£509

10 DEVELOPMENT COSTS

10.1 The following section provides a summary of the Proposed Development costs on a present-day basis. The overall costs comprise;

- Build costs based upon Bristow cost advice;
- Professional fees;
- Planning obligations;
- Sales, letting disposal and marketing costs;
- Additional development costs; and
- Financing costs.

Construction Costs

10.2 JLP's cost consultant, Bristow, has provided a cost estimate for delivering the Proposed Development, a copy of which is attached at **Appendix 7**.

10.3 In summary, the cost plan sets out a construction cost of £60,890,000 or £288 per sqft (on GIA). The construction costs exclude inflation.

10.4 Bristow is targeting cost savings of £1,205,000 of which net of inflation is £1,097,470. The cost savings have been reflected in the ARGUS appraisals of the Proposed Development resulting in a construction cost of £59,792,530 or £283 per sqft (on GIA) being adopted.

10.5 A 2.5% contingency is included within the adopted construction costs, with a separate 2.5% contingency assumed in the ARGUS appraisals of the Proposed Development resulting in an overall contingency of 5%. This is in line with what is typically assumed for the purposes of viability assessments.

Professional fees

10.6 Professional fees have been included at 10% of the total construction costs.

10.7 The total professional fees budget has been modelled to commence at the start of the pre-construction period and will continue until practical completion of the Proposed Development.

10.8 The professional fee allowance is in line with the allowance adopted in RBC's Viability Testing Report (March 2018), prepared by BPS. This was undertaken on behalf of the RBC in support of the now adopted Local Plan.

Planning obligations & CIL

- 10.9 JLP has been advised by Savills in respect of the level of planning obligations to assume at this stage. The following indicative figures have been included within the ARGUS appraisals of the Proposed Development.

Table 13: Proposed Development Planning Obligations, JLP Letcombe Street, Reading, August 2024	
Obligation	Payable
RBC Section 106	£250,000
RBC CIL	£2,800,000
Total	£3,050,000

- 10.10 The Community Infrastructure Levy ("CIL") figure has been profiled in accordance with RBC CIL Guidance for Applicants and Developers (February 2015) instalment policy. The payments come in three instalments with 25% paid within 90 days of start of construction, a further 25% paid within 360 days of start of construction and the remaining 50% paid within 480 days of start of construction. The Section 106 payments are assumed to be payable at the start of construction. The timings are however to be discussed with the Council.

- 10.11 The figures set out above are subject to verification and are an estimate only at this stage.

Sales, Marketing and Legal Costs

- 10.12 The following disposal costs have been adopted, which are considered to be in line with market norms:

- BTR sales agent fee – 0.5% (of BTR NDV)
- BTR sales legal fee – 0.25% (of BTR NDV)

Site mobilisation costs

- 10.13 The site mobilisation costs are for the initial set up costs of the BTR development which fall outside of the operating budget but are required in order to let the homes. The site mobilisation allowance is a single, upfront cost. There is no double counting with the assumed OPEX budget. This reflects costs which will be incurred up until the launch of the Proposed Development. For example, marketing costs which are not accounted for within the OPEX budget as they are initial marketing costs required in order to let the homes. The marketing allowance assumed within the OPEX budget is an on-going marketing allowance required in order to re-let homes as they become vacant.
- 10.14 A cost per unit of £2,326 per unit has been adopted for the site mobilisation costs resulting in an overall allowance of £500,000 and is considered in line with normal market levels.

10.15 DS2 has crosschecked this assumption against that typically seen in other BTR viability assessments, which is set out below. The below examples range from £4,550 to £5,377 per unit and as such the allowance advised is considered significantly lower than that typically seen in other BTR viability assessments.

- Arnos Grove Station Car Parks, Bowes Road, N11 1AN – An allowance of £504,793 was assumed for marketing & letting costs and £243,159 for one-off set up costs. This equates to an overall budget of £747,952, or £4,617 per unit based upon the provision of 162 homes.
- Nine Elms Over Station Development, SW8 – An allowance of £799,624 was assumed for marketing & letting costs and £1,379,899 for amenity and on boarding set up. This equates to an overall budget of £2,179,523, or £4,550 per unit based upon the provision of 479 homes.
- Cockfosters Station Car Parks, Cockfosters Road, EN4 0DZ – An allowance of £892,453 was assumed for marketing & letting costs and £994,918 for one-off set up costs. This equates to an overall budget of £1,887,371, or £5,377 per unit based upon the provision of 351 homes.

Loose Fixtures, Fitting and Equipment

10.16 The cost plan provided by Bristow does not include an allowance for FF&E. The comparable evidence used to inform the adopted rental values is based upon the residential units being furnished. As such, an allowance of £752,500 for FF&E has been included within the ARGUS appraisal of the Proposed Development, as advised by JLP. This equates to £3,500 per unit.

Other Development Costs

10.17 A cost of £1,900,000 has been included in the ARGUS appraisal of the Proposed Development. This information is commercially sensitive but further transparency on this matter can be made available if required.

Finance

10.18 It has been assumed that the development is 100% debt financed, in line with standard practice and the Affordable Housing SPD for undertaking FVAs and that the applied cost reflects a reasonable weighted cost of capital from a variety of sources such as debt and equity.

10.19 A 7.50% finance cost has been included in the appraisal of the Proposed Development. This is an 'all in' finance rate which includes the basic margin, commitment fees, arrangement fees and exit fees, as well as a bank management/ cost and non-utilisation fees as well as the developer's own cost of funds given as a market norm no more than 60 percent of the costs would be debt funded.

10.20 The Bank of England base rate is currently at 5.00%, following a 25bps cut by the Bank of England MPC on the 1 August 2024. The Bank of England base rate has previously been at 5.25%, the highest level seen in 16 years, having increased steadily from 0.1% as of December 2021 to counter the significant inflationary pressures the UK faced. The increase in the base rate reflects an increase of 490 bps over a circa 2-year period which has impacted the cost of finance.

- 10.21 CPI inflation peaked at 11.1% in October 2022 and since then has slowly been on a downwards trajectory with CPI currently being at 2.2%. The Bank of England Monetary Policy Report (August 2024) anticipates that CPI is expected to increase to around 2.75% in the second half of 2024 and that monetary policy will need to continue to remain restrictive for sufficiently long period until the risks to inflation increasing above the 2% target in the medium term have dissipated further.
- 10.22 The Reading Borough Council Viability Testing Report prepared by BPS Chartered Surveyors dated March 2018, assumes a finance rate of 6.57% for their modelling. Considering the increase in the Bank of England base rate since March 2018 (450 bps), a finance rate of 7.5% is considered entirely reasonable in light of the current macro market.
- 10.23 Based upon the above, a 7.5% finance rate has been adopted.

11 DEVELOPER'S PROFIT RETURN

- 11.1 The criteria to consider in arriving at an appropriate figure for developer's profit include, amongst other things, location, property use type, the scale of development, the weighted cost of capital and the economic context. Developers, banks and other funding institutions will have minimum expectations in terms of financial returns that are aligned with the risk profile. Simply, there must be a reasonable prospect that the return will be commensurate with the risks being undertaken.
- 11.2 The requirement for a reasonable risk-adjusted development return is by reference to the NPPG. Developer return is deemed to be a key component of the viability process as defined in paragraph 10.
- 11.3 Paragraph 018 Reference ID: 10-018-20190509 of the NPPG states the following in regard to developer return;
- "For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale, and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types."*
- 11.4 The above explicitly states that plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale, and risk profile of planning development.
- 11.5 Paragraph 21 states that a viability assessment should refer back to the evidence base that underpins the Local Plan. In that regard, the Reading Borough Council Viability Testing Report prepared by BPS Chartered Surveyors dated March 2018, states *"Build to rent products are typically pre-sold to a fund or investor as such carry much lower sales risk and we see yields of circa 14.5"*.
- 11.6 The Affordable Housing SPD states that *"it is expected that profit will be expressed in terms of a percentage return on GDV"*. For the purposes of the FVA this approach has been adopted which is in line with the requirements of the NPPG and Affordable Housing SPD.

Proposed Development

- 11.7 In considering the risk profile of the Proposed Development in more detail, regard has been given to the following factors;

Table 14: Risk Profile Summary, JLP Letcombe Street, Reading, August 2024

Risk Profile consideration	Comments	Risk Profile
Methodology	The BTR model is a long-term investment which is held for a period of years and therefore does not incur the higher sales risks generally associated with the traditional open market sale model. Therefore, a lower profit return is targeted by the developer/investor.	Medium
Expenditure profile	Single phased delivery of a single building of ground plus 10 storeys which means all of the revenue is tied up until the PC of the building.	High
Programme	Just over a 3-year programme, which is inherently risky due to a combination of external, influencing factors – this includes general fluctuations in the property market, political changes, changes in Monetary policy (e.g. interest rates), changes in fiscal policy and one-off events (general elections). New building safety regulations, labour availability, crane wind-off/down-time, etc. which the market is currently facing due to the current macro-economic challenges.	High
Mix of Uses	Single use providing residential use only, therefore, this doesn't diversify and spread the risk. However, whilst the use mix is solely residential, it is a BTR scheme which according to Savills in their UK Build to Rent Market Update (April 2024) £555m in transactions occurred in Q1 2024 due to rental demand increases as a result of first-time buyer affordability challenges following the removal of Help-to-Buy and recent rises in mortgage rates, albeit Q1 2024 was the slowest in terms of activity since 2014.	Medium
Cost Inflation	Whilst cost inflation is starting to reduce compared to its peak in 2022/23, construction costs remain elevated with high labour, shipping costs etc. There has also been an increase in the number of contractors becoming insolvent due to rising construction costs.	Medium
Inflation	CPI is currently higher than the Bank of England's MPC target rate of 2%, it is anticipated that this will increase to 2.75% by the end of 2024. The Bank of England's MPC cut the base rate by 25 bps in August 2024 to 5%. However, this is still at a level not seen since 2008 and the Bank of England's MPC reiterated in their most recent Monetary Report that "monetary policy will need to continue to remain restrictive for sufficiently long until the risks to inflation returning sustainably to the 2% target in the medium term have dissipated further". It is unlikely that a series of rate cuts will be seen in the short term.	High

Summary

- 11.8 In considering the above comments, and light of the scale and complexity of the project, the current economic climate and the general approach to risk, a return of 15% of the BTR accommodation GDV has been adopted. This has been assumed for both the BTR and APR units on the basis that it will be operated by JLP and the affordable will have the same access to facilities. This is broadly in line with the circa 14.5% profit on GDV suggested by BPS in the RBC Local Plan viability assessment.
- 11.9 BPS undertook the RBC Local Plan viability assessment in 2018. The current market is experiencing a number of headwinds compared to the market in 2018 which increases the risk profile of bringing forward a BTR scheme. These including but are not limited to the factors set out above. As such, a 15% return on GDV has been assumed.
- 11.10 DS2 have assumed the following;
- 15% profit on GDV for the BTR and APR elements.
- 11.11 The above derives a blended site-wide profit target of 15% on GDV.

12 BENCHMARK LAND VALUE

Approach

- 12.1 In arriving at a BLV for the Site, regard has been given to planning policy framework provided by the NPPF and NPPG, the RBC Affordable Housing SPD (March 2021) and the professional best practice professional standards produced by the RICS. The assessment of BLV considers the following components: Existing Use Value, Premium and Alternative Use Value (where appropriate).

Policy context

Existing Use Value

- 12.2 Paragraph 013 Reference ID: 10-013-20190509 of the NPPG states that a BLV should be established based on the EUV of the land, plus a premium for the landowner.
- 12.3 Paragraph 014 Reference ID: 10-014-20190509 of the NPPG states that BLV should:
- “Be based upon EUV
 - Allow for a premium to landowners
 - Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees”
- 12.4 Market evidence [land transactions] can be used, however, NPPG limits the use of land transaction evidence to that of a cross-check of the BLV and should not be used in place of BLV. Further limitation on the use of market evidence is set out within the RICS 2021 Professional Standard “Assessing viability in planning under the National Planning Policy Framework 2019 for England”.
- 12.5 Paragraph 015 Reference ID: 10-015-20190509 of the NPPG defines what is meant by EUV in a viability assessment. This states the following:
- “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).”*
- 12.6 Paragraph 017 Reference ID: 10-017-20190509 of the NPPG states that where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV (“Alternative Use Value”) when establishing BLV. Where BLV is assessed on an AUV basis, no premium is allowed.

- 12.7 However, whilst the NPPG is silent as to what constitutes a ‘refurbishment’, the RICS 2021 Professional Standard states within Appendix B that what constitutes a repair vs an alteration will be determined by professional judgement as to whether the works bring the building up to a standard within the existing use, or whether they go beyond that fall into the category of a refurbishment.
- 12.8 Appendix B of the RICS Professional Standard provides further detail as to how the treatment of EUV is considered where sites have either been prepared for development (and costs incurred), or asset managed in the expectation of development. In accordance with NPPG, RBC’s Affordable Housing SPD advocates an EUV approach to the BLV.

Premium

- 12.9 The EUV is the first component of calculating BLV. The second component is the premium, or as stated at paragraph 16 Reference ID: 10-016-20190509 of the NPPG the ‘plus’ in EUV+. The premium is the amount above the EUV required to provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.
- 12.10 The premium should be informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. The NPPG states that for any viability assessment data sources to inform the establishment of the landowner premium should include market evidence and can include benchmark land values from other viability assessments.
- 12.11 The RICS 2021 Professional Standard considers how the treatment of costs incurred by a landowner in preparing a site for development may require an adjustment to the premium.
- 12.12 The Reading Borough Council Viability Testing report produced by BPS dated March 2018 also stipulates that the BLV should allow for a premium to landowners.

Alternative Use Value

- 12.13 The NPPG recognises that an AUV is acceptable basis to assess BLV and states in paragraph 017 Reference ID: 10-017-20190509:

“For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up-to-date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.”

Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up-to-date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted”

- 12.14 The RICS Professional Standard notes that permitted development and a use within the same use class are only the existing use when no alterations are necessary to implement the use. Where refurbishment or redevelopment are necessary, it will fall under the AUV provisions of the NPPG (paragraph 017).
- 12.15 The assessment of an AUV must be supported by evidence of the costs and values of the alternative use. This includes accurate floor plans and elevations to ensure that accurate efficiencies and costs can be calculated.

Market value

- 12.16 Paragraph 14 of the NPPG on viability states that market evidence can be used as a cross-check of BLV but should not be used in place of BLV. There may be divergence between BLVs and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.
- 12.17 The evidence used should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic BLVs of non-policy compliant developments are not used to inflate values over time.
- 12.18 Where a viability assessment is used to inform decision making, under no circumstances will the price paid for the land be a relevant justification for failing to accord with relevant policies in the plan.

EUV assessment

- 12.19 This section of this FVA assesses the EUV based upon the Site being valued as industrial space. DS2 understand the existing warehouse was built in 1990 and has a total GIA of 27,623 sq ft comprised of the following:
- Warehouse, office and ancillary space – 18,965 sq ft
 - Mezzanine floor – 8,658 sq ft
- 12.20 Floor plans and areas are attached in **Appendix 8**.

- 12.21 In order to derive a value for the existing space DS2 has considered the following rents for industrial space across Reading.

Table 15: Industrial Lease Comparable Evidence, JLP Letcombe Street, Reading, August 2024					
Address	Date	Sq ft	Rent PA	Rent PSF	Status
16A-16B Richfield Ave, RG1 8EQ	Jun-24	19,518	£224,457	£11.50	Asking
14 Tessa Road, RG1 8HH	Jun-24	19,206	£192,060	£10.00	Asking
17-35 Loverock Road, RG30 1DZ	Apr-24	3,773	£45,276	£12.00	Achieved
8 Richfield Ave, RG1 8EP	Nov-23	5,064	£57,476	£11.35	Achieved
Units 18-20, Stadium Way, RG30 6BX	Nov-23	6,763	£91,301	£13.50	Asking
Units 1-6, Rose Kiln Lane, RG2 0JZ	Aug-23	4,389	£59,252	£13.50	Asking
Units 20-34, Britten Road, RG2 0AU	Jul-23	3,100	£41,075	£13.25	Asking
Unit 7-8, Gresham Way, RG30 6AW	Mar-23	2,830	£38,205	£13.50	Achieved
Unit 1A, Stadium Way, RG30 6BX	Mar-23	4,730	£67,544	£15.27	Achieved
Unit 9, Gresham Way, RG30 6AW	Feb-23	1,690	£26,195	£15.50	Achieved
Oxford Road Business Park, Gresham Way, RG30 6AW	Feb-23	1,690	£22,815	£13.50	Achieved
Unit 56, Milford Road, RG1 8LJ	Jun-22	18,069	£180,329	£9.98	Achieved

- 12.22 Based upon the comparable evidence set out in the table above, rents for industrial space range from £9.98 - £15.50 per sq ft within a 5-mile radius of the Site. There is a lack of recent transactional evidence of units of a similar size and we have therefore considered achieved prices for smaller industrial units when informing the rent that can be applied to the existing building.
- 12.23 17-35 Loverock Road is a good comparable as it is the most recently achieved price. It is considerably older having been built in 1976 and is in an inferior location and therefore assume it would achieve a lower rent than the existing space. However, the unit is smaller than the existing space which increases the £ per sq ft rent.
- 12.24 Both 16A-16b Richfield Avenue and 14 Tessa Road are in similar locations located roughly 1.5 miles to the west of the Site. They are a good comparable as they are of a similar size to the existing space but in slightly inferior locations as they are further away from Reading Town Centre and could therefore assume the existing space would achieve a slight premium. 16A-16b Richfield Avenue is built in 1980 but appears to be in good condition and would therefore be reasonable to assume the existing space would achieve a similar rent. 14 Tessa Road is built in 1971 slightly more historic and therefore reasonable to assume the existing space would achieve a slightly higher rent. B
- 12.25 Units 1-6, Rose Kiln Lane is located 1 mile south of the Site located further away from Reading Town Centre. However, the units are new build and therefore would likely command a higher rent. They are also smaller than the existing space which results in a higher £ per sq ft rent. As a result, it is assumed the existing space would be at a discount to Units 1-6 Rose Kiln Lane.
- 12.26 Unit 1a, Stadium Way is also a new build industrial unit, having completed in June 2022, and would therefore achieve a higher rent than the existing industrial space. It is also considerably smaller which increases the £ per sq ft rent.
- 12.27 Both Units 18-20, Stadium Way and Units 20-34, Britten Road are rents reflective of recently refurbished units which therefore would command higher rents. Whilst Stadium Way is in an

inferior location to the Site, due to being located further away from Reading Town Centre and Junction 11 of the M4, the unit is considerably smaller which would increase the £ per sq ft rent.

- 12.28 Unit 56, Milford Road is in a similar location to the existing industrial space located 1.2 miles north and is the most comparable in terms of floor area. The property is older than the Site, built in 1980, and has an asbestos roof and therefore we would assume that the existing warehouse would achieve a higher rent per sq ft due to the building being of superior quality.
- 12.29 Should be noted that 8 Richfield Avenue and Unit 7-8 Gresham Way are leased out as an assignment rather than a direct let and therefore it would be reasonable to assume that the rents that are being achieved could be at a discount to market rent in order to find a tenant. DS2 are aware that Unit 7-8 Gresham Way was refurbished in 2020 and would therefore achieve a higher rent than the existing Site.
- 12.30 In accordance with the evidence provided above, a rent of £11.50 per sq ft has been assumed for the Warehouse and office and ancillary space. For the Mezzanine space it is reasonable to assume that the rent would be at a discount to the warehouse space and therefore a rent of £6.00 per sq ft.
- 12.31 In arriving at an appropriate yield for the industrial space, we have had regard to the following industrial transactions. There is a lack of comparable evidence within the area over the past 12 months and we have had to extend our search to comparable locations across Reading to understand the yields being achieved for industrial space.

Address	Date	Sq ft	Sale Price	£PSF	Yield
Rose Kiln Ln, RG2 0JZ	Apr-24	29,515	£6,172,000	£209	-
119-123 Loverock Rd, RG30 1DZ	Mar-24	6,480	£1,075,000	£166	-
15 Boulton Rd, RG2 0NH	Jul-23	10,657	£2,350,000	£221	-
16-22 Portman Rd, RG30 1EA	May-23	5,966	£750,000	£126	-
Gillette Way, RG2 0BS	Dec-22	229,000	£60,625,000	£265	5.70%
Sutton Park Ave, RG6 1AZ	Dec-22	213,131	£46,500,000	£218	4.69%
Tavistock Estate, 3-6 Ruscombe Lane, RG10 9NJ	Dec-22	23,809	£3,220,000	£135	7.00%
D1 Deacon Way, RG30 6AZ	Aug-22	7,295	£780,000	£107	-
1-3 Deacon Way, RG30 6AZ	Jul-22	29,556	£5,650,000	£191	4.90%

- 12.32 The evidence above has a range of capital values from £107 per sq ft to £265 per sq ft.
- 12.33 Of the evidence above, 1-3 Deacon Way and Tavistock Estate are the most comparable in terms of floor space. The Site is in a better location to Tavistock Estate and is of a superior specification, as Tavistock was built in 1982, and therefore it is assumed the existing warehouse would achieve a keener yield.
- 12.34 Whilst Rose Kiln Lane is larger than the existing space which would reduce the £ per sq ft value, it is considerably newer having been built in 2015 and therefore would achieve a higher value.
- 12.35 Both 15 Boulton Road and Sutton Park Avenue are new build industrial units built in 2023 and 2012. As a result, it is assumed that they would achieve a higher capital value per sq ft than the existing space.

- 12.36 There is a lack of transactional evidence for industrial units within the last 12 months and it is noted that the majority of the data available is from 2022 and investment yields have softened since then. Therefore, we have also had regard to recent industrial market reports:
- Knight Frank's Investment Yield Guide (July 2024) reports yields for South East Estates (excluding London & Heathrow) at 5.25%, Secondary Distribution (10-year income) are at 6.00% and Good Secondary Estates are at 6.75% - 7.25%.
 - CBRE's UK Property Investment Yields (July 2024) reports yields for Prime Distribution are at 5.25%, Good Secondary are at 6.50% and Secondary Estate are at 7.50%.
- 12.37 Given the nature and configuration of the exiting floorspace it would be reasonable to assume that the space would be akin to Secondary Distribution. Therefore, considering the transactional evidence available and industry market reports cited above, a yield of 6.00% has been applied which reflects the location, configuration and size of the existing space.
- 12.38 Assuming a total annual rent of £270,045, capitalised at 6.00% this equates to an EUV of £3,798,664 after allowing for purchaser's costs, void/rent free period of 18 months, which DS2 have liaised with local agents and believed to be a reasonable assumption, and letting fees, as seen from the appraisal attached in **Appendix 9**. This results in a capital value of circa £138 per sq ft which is within the lower end of range provided in Table 20.

Landowner Premium

- 12.39 As set out within this section, PPG states that 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 comply with policy requirements.
- 12.40 Taking into consideration the specific strengths and weaknesses of the Site, we have adopted a premium of 20% to the EUV valuation. In formulating our view on the premium that should be applied to the EUV DS2 have had regard to the following points;
- The Site is in a central location within Reading and in close proximity to Junction 11 of the M4 which has easy access to London and Heathrow. Market reports indicate there is a strong demand for industrial land.
 - BPS highlights the need to provide a landowner premium when undertaking the Reading Borough Council Viability Testing report dated March 2018. The level of premium assumed however is not explicit within their report.
 - The landowner premium should reflect the amount required to incentivise the landowner to release the site for development. It is unlikely that a landowner would release the site for development based upon the EUV of the property, in light of the location of the site and the performance of open storage values over the past year and increase in demand as there is no incentive for the landowner to do so.

Summary

- 12.41 An EUV of £3,798,664 has been adopted plus a landowner premium of 20% (equating to £759,733), resulting in a combined BLV of £4,558,397. This has been rounded to the nearest £10,000 to £4,560,000. This results in a capital value of £165 per sq ft which is within the range of the evidence provided in Table 15 and therefore meets the requirements of paragraph 016 Reference ID: 10-016-20190509 of the NPPG in respect of landowner return.

13 APPRAISAL RESULTS AND SENSITIVITY TESTING

- 13.1 In accordance with policy and professional guidance, DS2 has undertaken an assessment of the Proposed Development on an objective, non-applicant specific basis in order to ascertain the maximum viable amount of affordable housing the Proposed Development can provide.
- 13.2 As illustrated in table 17 below, the results indicate that the Proposed Development is unable to viably support the provision of any affordable housing. The supporting appraisal is attached at **Appendix 10**.

Table 17: FVA results – Maximum viable, JLP Letcombe Street, Reading, August 2024	
Item	£
GDV	£83,440,588
Interim rent	£542,930
Less	
Purchaser's costs	£5,673,960
Benchmark land value	£4,560,000
Construction costs	£59,792,530
Contingency	£1,494,813
CIL/Section 106	£3,315,000
Professional fees	£5,979,253
Site mobilisation	£500,000
Sales agent & legal fees	£583,250
Loose FF&E	£752,500
Other development costs	£1,740,000
Developer's Return (15% return on GDV)	£12,516,088
Finance	£8,822,460
<i>Equals</i>	
Surplus/ (Deficit)	(£21,746,336)

- 13.3 As illustrated in the table above, the Proposed Development is currently facing viability challenges due to the current headwinds that the property sector and indeed the BTR sector is facing, particularly in relation to a softening of property yields over the last couple of years. As required in accordance with policy and professional standards, this FVA presents an objective, non-applicant assessment which indicates the Proposed Development is unable to viably provide any affordable housing.

JLP Affordable Housing Proposal Results

- 1.29 JLP is committed to delivering as much affordable housing as possible whilst ensuring the Proposed Development remains commercially deliverable. JLP as developer, owner and manager of the homes can take a long-term view on the viability of the Proposed Development and the potential for the economics of the Proposed Development to improve over the development period. As such, JLP has made the commercial decision to deliver 10% affordable housing (by units) provided as APR at rents set at Local Housing Allowance levels, in accordance with the Local Plan.
- 13.4 The table below set out the appraisal results for the Proposed Development. A copy of the ARGUS appraisal summary of the Proposed Development is attached at **Appendix 11**.

Table 18: FVA results – Affordable Housing, JLP Letcombe Street, Reading, August 2024	
Item	£
GDV	£77,902,729
Interim rent	£546,675
Less	
Purchaser's costs	£5,297,386
Benchmark land value	£4,560,000
Construction costs	£59,792,530
Contingency	£1,494,813
CIL/Section 106	£3,050,000
Professional fees	£5,979,253
Site mobilisation	£500,000
Sales agent & legal fees	£544,540
Loose FF&E	£752,500
Other development costs	£1,740,000
Developer's Return (15% return on GDV)	£11,685,409
Finance	£8,788,710
<i>Equals</i>	
Surplus/ (Deficit)	(£25,735,736)

13.5 The results of the assessment are summarised below:

Table 19: FVA results summary, JLP Letcombe Street, Reading, August 2024			
Scheme	Developer Return	Benchmark Land Value	Surplus/deficit
Proposed Development	15.00% (£11,685,409)	£4,560,000	(£25,735,736)

13.6 Table 19 illustrates the Proposed Development is delivering in excess of the maximum viable amount of affordable housing and other planning obligations.

13.7 It is important to note that in undertaking the FVA in accordance with policy and professional guidance, this has been undertaken on a non-applicant specific and objective basis, with a set of assumptions that are not directly pertinent to JLP nor its particular circumstances.

13.8 In summary, JLP is delivering in excess of the maximum viable amount of affordable housing and is able to do so by taking a long-term view on the economics of the Proposed Development. This enables them to maximise the provision of affordable housing, in line with their aspirations.

13.9 The below sensitivity testing sets out how the Proposed Development can reach a technically viable position.

Sensitivity testing

13.10 The viability of the project, as with most other residential development in the South East, has been impacted by the current macro-economic environment. This has had a detrimental impact on a range of factors, including but not limited to:

- **Cost of finance:** the Bank of England has raised the base rate from 0.1% in December 2021, to 5.00% as of today. This is an increase of 490 bps. This is impacting the viability of property developments due to the increase in funding costs.
- **Property yields:** as a result of the current inflationary pressures and high interest rates, property yields have softened significantly over the past 12 to 18 months which impacts

the GDV. CBRE's Investment Yield sheets indicate the net yield for BTR schemes has softened from 3.60% in early 2023 to 4.25% as of today.

- Construction costs: These still remain elevated compared to those seen in 2020. Construction costs have increased by roughly a quarter since 2020.
- Operational costs: These include items such as staffing and utility costs which has risen over the past several years due to increased utility bills and rising annual wages.
- Changes in building regulations resulting in the introduction of second staircases and improved sustainability measures, all adding financial pressure to projects.

13.11 There are a number of factors to be considered when assessing how the viability of the project might change with a range of sensitivities. These should be factored in when identifying how a commercially viable proposition could be delivered on this specific Site. The main factor being that the viability has been collated on a present-day objective basis (i.e. a snapshot of the viability of the Proposed Development at a single point in time as opposed to a consideration over a longer timeframe) as required. On BTR developments it is not unusual for the landowner/developer/investor to consider a longer-term view on project viability.

13.12 Given the sensitivities associated with residual valuations, highlighted as a risk in the RICS Professional Standard: 'Valuation of Development Property 2019, International Valuation Standard', (2020) section 410, it is best practice to include sensitivity analysis in order to stress test the residual outputs and, in a planning viability context, assess the ability of the Proposed Development to deliver the maximum quantum of public benefits, including affordable housing.

13.13 In accordance with professional standards, DS2 has therefore undertaken mandatory sensitivity analysis to reflect variations in both costs and the expectation of revenue from the market residential homes..

Rental growth

13.14 The FVA results are reflective of current day inputs however it is recognised that a landowner/developer/investor may take a long-term view on the economics of the Proposed Development. We have therefore tested the impact of adopting an annual rental growth rate of 4% per annum throughout the development period. In formulating an opinion over an appropriate residential rental growth figure, we have had regard for Savills' and JLL's most recently published forecasts. This indicates an average long-term rate of 4% per annum, which is based upon the average forecasts provided by both agents for the period between 2025 and 2028. The results of adopting an annual rent growth rate of 4% per annum are set out in the table below:

Table 20: Sensitivity analysis – rental growth, JLP Letcombe Street, Reading, August 2024			
Scheme	Developer Return	Benchmark Land Value	Surplus/deficit
Proposed Development	£13,118,934	£4,560,000	(£18,329,099)

Yield compression

- 13.15 DS2 has considered the impact of residential yields sharpening over the development period, noting that in September 2022 the CBRE Investment Yield sheet reported a net yield of 3.60% for BTR schemes situated in South East Prime. As set out in this FVA, whilst the property sector is experiencing headwinds at present, once inflation returns sustainably to the 2% target in the medium term, interest rates will hopefully continue to reduce which will positively impact property yields from an owner's perspective. DS2 has therefore considered the impact of yields improving by up to 60 basis points. The sensitivity results are set out in the table below:

Table 21: Sensitivity analysis – Yield, JLP Letcombe Street, Reading, August 2024						
-0.60%	-0.50%	-0.40%	-0.30%	-0.20%	-0.10%	0.00%
3.65%	3.75%	3.85%	3.95%	4.05%	4.15%	4.25%
(£7,186,847)	(£9,291,495)	(£11,286,810)	(£13,181,097)	(£14,981,838)	(£16,695,797)	(£18,329,099)

- 13.16 Table 21 illustrates that when factoring in rental growth of 4% per annum, and yield compression of 10 bps, the viability of the Proposed Development improves. Adopting a net yield of 3.65% (broadly where yields were at the end of 2022) results in a deficit of circa £7.19m.

Finance costs

- 13.17 As set out above, finance costs remain high as a result of the Bank of England base rate currently being at 5%. The Bank of England reduced the base rate by 25 bps from 5.25% to 5% in August 2024. It is envisaged that the Bank of England will continue to reduce the base rate once they are comfortable that inflation will return sustainably to the 2% target, which would reduce borrowing costs. We have therefore tested the impact of reducing the finance cost from 7.5% (noting for the purposes of viability this reflect an 'all-in' rate) in increments of 50bps to 5%. The results are set out below and assume rental growth of 4% per annum and net yield of 3.65%.

Table 22: Sensitivity analysis – finance costs, JLP Letcombe Street, Reading, August 2024	
Interest rate	Surplus/deficit
7.50%	(£7,186,847)
7.00%	(£6,569,107)
6.50%	(£5,956,071)
6.00%	(£5,347,702)
5.50%	(£4,743,964)
5.00%	(£4,144,819)

Stabilisation period

- 13.18 The impact of adopting a 12-month stabilisation period with an interim income coming in throughout has been assessed. This considers that a landowner/developer/investor may look to hold the asset for a period of time and then dispose. This results in the following:

Table 23: Sensitivity analysis – stabilisation period, JLP Letcombe Street, Reading, August 2024			
Scheme	Developer Return	Benchmark Land Value	Surplus/deficit
Proposed Development	£15,662,103	£4,560,000	(£2,037,428)

Construction costs

13.19 The impact of construction costs reducing in increments of 1% compared to the 'base' constructions has been assessed. This considers the potential cost savings that may be achieved after the detailed design stage.

Table 24: Sensitivity analysis – construction costs, JLP Letcombe Street, Reading, August 2024						
-6%	-5%	-4%	-3%	-2%	-1%	0%
£56,204,978	£56,802,904	£57,400,829	£57,998,754	£58,596,679	£59,194,605	£59,792,530
£2,423,115	£1,679,691	£936,267	£192,844	(£550,580)	(£1,294,004)	(£2,037,428)

13.20 The above sensitivity analysis illustrates how the Proposed Development can reach a technically viable position. Assuming the following:

- Rental growth of 4% per annum in line with agent forecasts.
- Net yield of 3.65% (which is where yields were at the end of 2022).
- Finance cost of 5.00%.
- 12 month stabilisation period.
- Reduction in construction costs.

13.21 The above sensitivity testing looks at the deliverability of the Proposed Development by assessing the impact of adopting inputs which may be achievable over the development period. Clearly there are other variables which may improve such as operating costs which would impact the viability of the Proposed Development.

14 CONCLUSIONS

John Lewis Partnership

- 14.1 JLP's intention is to create a new BTR community, providing much needed new high-quality homes. These homes have been thoughtfully designed and will be complemented by a range of amenities, facilities and services the Proposed Development will provide. JLP is committed to delivering as many affordable homes as it can. However, the proposed development needs to be commercially viable and at present there are significant market-wide constraints that present challenges to the proposed development viability, that must be considered.

Financial Viability Assessment

- 14.2 The Proposed Development will deliver 215 high quality, covenanted BTR residential homes alongside flexible commercial / community space, accessible car parking spaces, cycle parking spaces and public realm improvements to Mill Lane.
- 14.3 This FVA has been undertaken to assess the maximum viable amount of affordable housing the proposed development can provide, in accordance with policy and professional standards. The viability has been collated on a present-day objective basis (i.e. a snapshot of the viability of the Proposed Development at a single point in time as opposed to a consideration over a longer timeframe) as required. On BTR developments it is not unusual for the landowner/developer/investor to consider a longer-term view on project viability.
- 14.4 DS2's assessment indicates that the Proposed Development is unable to viably provide any affordable housing.

JLP Affordable Housing Proposal

- 14.5 As set out in this report, JLP is committed to delivering as much affordable housing as possible whilst ensuring the Proposed Development remains commercially deliverable. JLP as developer, owner and manager of the homes can take a long-term view on the viability of the Proposed Development and the potential for the economics of the Proposed Development to improve over the development period. As such, JLP has made the commercial decision to deliver 10% affordable housing (by units) provided as APR at Local Housing Allowance levels, in accordance with the Local Plan.
- 14.6 The appraisal results set out in tables 18 and 19 indicate that the provision of 10% affordable housing would result in the Proposed Development providing in excess of the maximum viable amount of affordable housing. Sensitivity testing has been undertaken to illustrate how the Proposed Development can reach a technically viable position.

Summary

- 14.7 In addition to the above, the Proposed Development supports a range of other public benefits including c. £2.8m in CIL, c. £250,000 in Section 106 contributions and creation of construction jobs, with training and apprenticeship opportunities, a social and cultural strategy, new public and private landscaped spaces with increased tree planting and accessible play areas and also provides improved links around the site to enhance accessibility and safety for pedestrians and cyclists.

- 14.8 The affordable housing provision is in excess of the maximum viable amount of affordable housing the Proposed Development can provide. However, JLP is taking a long-term view on the economics of the Proposed Development in terms of when a return will be realised, and therefore has made the commercial decision to deliver 10% affordable housing (by units) provided as APR at Local Housing Allowance levels. This is based upon the view that the market will improve over the development programme, with a variety of factors, some of which have been tested in this FVA, improving the economic profile of the Proposed Development.
- 14.9 The Proposed Development will also be subject to a review mechanism in accordance with the Local Plan, which will be secured via the Section 106 agreement. This will enable the Council to secure additional affordable housing and/or APR at a greater discount to market rent, should the Proposed Development economics increase when compared to the application stage viability scheme, whilst allowing JLP to take a full developer return.
- 14.10 We would be happy to discuss this FVA further with the Council and their viability advisors.

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For and on behalf of: John Lewis Partnership BTR Ltd

Date: August 2024

APPENDIX 1 – PROPOSED DEVELOPMENT AREA AND ACCOMMODATION SCHEDULE

Former John Lewis Depot, Letcombe Street, Reading (also known as JLP Mill Lane)



Job Number : 35054
File Ref : PF-AS-004

Date of Original : 28/11/2023
Author of Original : AAM

Date of Revision : 14/05/2024
Author of Revision : AAM

Level	Building GIA		Residential GIA		Residential NIA		Shared Amenity*		Unit Type								
	sqm	sqft	sqm	sqft	sqm	sqft	sqm	sqft	1B1P	1B2P	1B2P WA	2B3P	2B4P WA	2B4P	3B4P	3B5P	Total
0	2,236	24,068															
1	2,241	24,122															
2	2,241	24,122															
3	2,241	24,122															
4	2,241	24,122															
5	2,085	22,443															
6	1,965	21,151															
7	1,302	14,015															
8	1,302	14,015															
9	1,265	13,616															
10	540	5,813															
Total	19,659	211,609															
									20	81	10	10	4	78	6	6	215
									9%	38%	5%	5%	2%	36%	3%	3%	
									9%	42%		43%		3%	3%		
									20	162	20	30	12	234	24	24	526

*Shared amenity includes; Lobby, Gym, Lounge, Dining & Home-work

Shared Amenity per Unit	3.2 sqm / unit	Car Parking		Bin Store	296 sqm
Accessible Units M4(3)	14	Disabled Car Parking Spaces	3	1110L bin	71
Site Area	0.44 Ha	Car Club	1	240L bin	15
Density	1,195 HR / Ha	Affordable Housing (Essential Car Use Only)	4	1110L bin (Under Refuse Chute)	12
	489 Units / Ha	Total Provided	8	Total Provided	98
		Cycle Storage	86 sqm	External Amenity	718 sqm
		1-2 Bed	102	Wellness Garden	359 sqm
		3+ Bed	12	Neighbourhood Garden	359 sqm
		Visitor/Commercial/Community	6	Plant Rooms	403 sqm
		Total Provided	120	Flexible Community / Commercial	74 sqm

Notes:

The above areas are approximate. They relate to the likely areas of the building at the current state of the design and using the stated e.g. (NIA) from the Code of Measuring Practice 6th Edition, RICS/ISVA. Any decision to be made on the basis of these predictions, whether as to project viability, pre-letting, lease agreements or the like, should include due allowance for design development & building tolerances. Floors areas are subject to Planning and other Statutory Approvals.

Measurements are based on general arrangement feasibility drawings and are subject to change during design development

Schedule based on the following CJCT drawings:

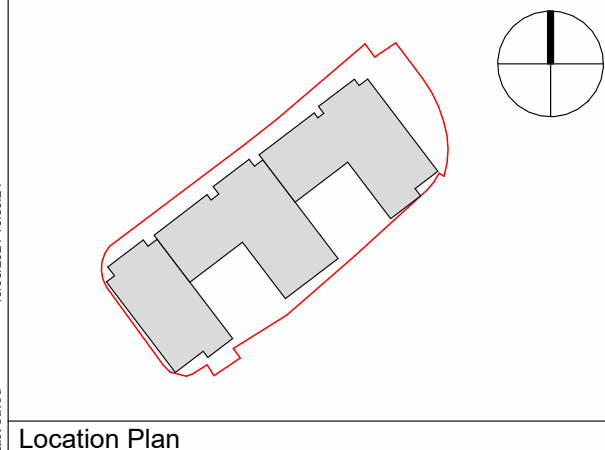
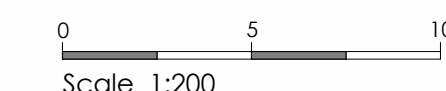
08278-CJA-ZZ-00-DR-A-0200 - C.01
08278-CJA-ZZ-00-DR-A-0201 - C.01
08278-CJA-ZZ-00-DR-A-0202 - C.01
08278-CJA-ZZ-00-DR-A-0203 - C.01
08278-CJA-ZZ-00-DR-A-0204 - C.01
08278-CJA-ZZ-00-DR-A-0205 - C.01
08278-CJA-ZZ-00-DR-A-0206 - C.01
08278-CJA-ZZ-00-DR-A-0207 - C.01
08278-CJA-ZZ-00-DR-A-0208 - C.01
08278-CJA-ZZ-00-DR-A-0209 - C.01
08278-CJA-ZZ-00-DR-A-0210 - C.01



APPENDIX 2 – PROPOSED DEVELOPMENT FLOOR PLANS



Proposed Ground Floor Plan
Scale - 1 : 200

 Location Plan	C.01 Planning Issue Rev: Des:	MK 10/05/24 AM By Date Ch Contractor must verify all dimensions on site before commencing any work or shop drawings. If this drawing exceeds the quantities taken in any way the Architects are to be informed before the work is initiated. Only figured dimensions to be taken from this drawing. CJCT cannot guarantee this drawing will scale accurately when printed. Drawings based on Ordnance Survey and / or existing record drawings - design and drawing content subject to Site Survey, Structural Survey, Site Investigation, Planning and Statutory Requirements and Approvals. Authorised reproduction from Ordnance Survey Map with permission of the Controller of Her Majesty's Stationery Office. Crown Copyright reserved.	A1  Scale 1:200	Client:  JOHN LEWIS PARTNERSHIP	<table><tr><td>Project: FORMER JOHN LEWIS DEPOT, LETCOMBE STREET, READING (ALSO KNOWN AS JLP MILL LANE)</td><td>JLP No: 08278 Job No: 35054</td></tr><tr><td colspan="2">Title: Proposed Ground Floor Plan</td></tr><tr><td>Scale: 1 : 200 @ A1</td><td>Drawn By: MK</td></tr><tr><td>Date: 10/05/24</td><td>Checked by: AM</td></tr><tr><td>Drawing No: 08278-CJA-ZZ-00-DR-A-0200</td><td>Revision C.01</td></tr></table>	Project: FORMER JOHN LEWIS DEPOT, LETCOMBE STREET, READING (ALSO KNOWN AS JLP MILL LANE)	JLP No: 08278 Job No: 35054	Title: Proposed Ground Floor Plan		Scale: 1 : 200 @ A1	Drawn By: MK	Date: 10/05/24	Checked by: AM	Drawing No: 08278-CJA-ZZ-00-DR-A-0200	Revision C.01	Carey Jones Chapman Tolcher Studio 104, 338 Goswell Road London EC1V 7LQ Tel +44(0)20 7269 9400 www.cjctstudios.com Studio 2, 56 Wellington Street Leeds, LS1 2EE Tel +44(0)113 224 5000 Email info@cjctstudios.com	Status: AP PLANNING
Project: FORMER JOHN LEWIS DEPOT, LETCOMBE STREET, READING (ALSO KNOWN AS JLP MILL LANE)	JLP No: 08278 Job No: 35054																
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