

Waterfront Square, Reading



Financial Viability Assessment Addendum | Non-Executive Technical Summary

CBRE Limited | National Planning & Development report for:
Norma Place (Reading) LLP

October 2025

Context

CBRE has been appointed by Norman Place (Reading) LLP ('the Applicant') to objectively assess, and report upon, the financial viability of the proposed redevelopment of land at Norman Place, Reading, RG1 8DA ('the Site')

The Applicant submitted a planning application (ref: PL/24/0958) to Reading Borough Council ('RBC'), which was validated in October 2024, for a development of the following description ('the Proposed Development'):

"Demolition of existing office and substation buildings and residential-led site redevelopment within 1-11 storey buildings comprising residential (Class C3) and ground floor commercial uses (Class E), together with various associated works including replacement pedestrian and vehicle access routes, car/cycle parking, hard and soft landscaping and a public open space adjacent to the river."

A Financial Viability Assessment ('FVA'), prepared by CBRE and dated September 2024, was submitted as part of the suite of documents supporting the application. The FVA assessed the proposed scheme's capacity to viably accommodate the Council's Local Plan policy requirements. The Council instructed Carter Jonas to prepare an independent review of the submitted FVA ('the Carter Jonas Review'), which was prepared in February 2025.

Both parties concluded that achieving policy compliance – specifically 30% affordable housing provision – would render the scheme unviable. CBRE's FVA concluded that a scheme comprising '100% private' housing would also fail to deliver a reasonable developer's return (profit) while also achieving the Benchmark Land Value ('BLV'). Carter Jonas' Review proposed that the scheme could generate a viability surplus in the region of £1.56m on a fully open market basis. The variance between the two assessments was primarily attributed to differing views on a relatively small number of, yet critical, inputs, namely: the Build-to-Rent ('BTR') forward funding yield, operational expenditure (OPEX) deduction, construction costs, BLV, and the target developer's return.

CBRE issued a response letter to Carter Jonas' Review in June 2025, which presented additional evidence and explanation to address the points of difference, respond to any outstanding queries and raise any final points for consideration. CBRE made several without prejudice concessions in the spirit of seeking to reach agreement, which included adoption of Carter Jonas' proposed input rates for the BTR forward funding yield (4.75%), Benchmark Land Value (£4.38m) and developer's return (12.50% on GDV). Construction costs were agreed between the respective parties' appointed Quantity Surveyors at £61.80m (including contingency), albeit, CBRE identified an additional cost for the demolition of the existing premises (£800k) which was not accounted for in the Carter Jonas Review [appraisals]. CBRE maintained that an OPEX deduction at 25.00% remained fair and reasonable, in contrast to Carter Jonas' 22.50%, but examined the implications of both positions via 'stress-test' appraisals. The 'stress test' appraisals established that, although the differential [on OPEX] had a significant impact on scheme GDV, it did not alter the overall viability position (i.e. deficit).

The final exchange in the negotiation process was a written response from Carter Jonas, dated July 2025, which acknowledged CBRE's without prejudice concessions and provided further commentary and supporting evidence for their OPEX assumption. Similar to CBRE's approach, Carter Jonas subsequently tested the OPEX deduction at rates of 22.50% and 25.00%. In respect of the query raised by CBRE regarding demolition allowance, Carter Jonas' appointed Quantity Surveyor assessed this cost at £615,000, which was added to the updated appraisals. Carter Jonas's final appraisals generated overall outcomes consistent with CBRE's conclusions [owing to the broad agreement on inputs], i.e. that the Proposed Development was unviable, albeit, with marginally lower deficits owing to adoption of a reduced demolition cost. On that basis, both parties reached a position of agreement.

CBRE is aware that, during the viability negotiation period (and beyond), the Applicant actively engaged with feedback from Reading Borough Council ('RBC' or 'the Council') and other statutory consultees. As a result, the proposal for the redevelopment of the Site was to be revised to incorporate reductions in, and refinements to, the built form and massing. This has resulted in a decrease in the number of proposed residential units – from 254 to 236 – and a

reconfiguration of the unit mix. While the amendments are modest in scope, an updated Financial Viability Assessment is required to reflect the revised scheme.

The purpose of the technical letter is for use by the Applicant and the Council as a robust Financial Viability Assessment Addendum (‘Viability Addendum’) to the original submitted FVA, dated September 2024. The Viability Addendum addresses the financial viability of the revised proposal for the redevelopment of the Site (hereinafter referred to as the ‘Proposed Development’). It is submitted pursuant to the negotiation process held with Carter Jonas, and exchange of evidence and professional opinion therein.

To aid in continuity, CBRE has sought to retain the viability modelling input rates previously agreed with Carter Jonas during earlier negotiations, limiting changes to only those necessary to reflect the latest scheme design and the prevailing market [rates].

The Scheme

The Proposed Development now comprises 236 residential (Class C3) apartments, plus 2,440ft² (NIA) of ground floor commercial floorspace (Class E) (and internal and external amenity spaces. The current residential mix is summarised in the following table.

TABLE 1 | SUMMARY SCHEDULE OF ACCOMMODATION

Unit Type	No. of Units	Avg. NSA (ft²)	Total NSA (ft²)	Total GIA (ft²)
Studio	21	421	8,844	-
1-Bed Flat	93	499	46,450	-
2-Bed Flat	110	695	76,497	-
3-Bed Flat	12	946	11,358	-
Total:	236	607	143,149	219,500

Source: Assael

Assessment Methodology

The viability model is conducted on a residual basis using industry standard Argus Developer software. A cashflow is provided for full transparency.

The key viability modelling input assumptions adopted by CBRE for the viability appraisal of the Proposed Development are summarised in Table 2.

TABLE 2: VIABILITY ASSESSMENT INPUTS SUMMARY

	Rate	Comment
GDV (Policy Compliant Scheme)	£73,506,899	
ERV ¹ : Open Market BTR	£37.51/ft²	Based on and set optimistically against local market comparable BTR evidence reflecting location, specification and height.
ERV: APR ² BTR	£19.45/ft²	Rents capped at Reading Local Housing Allowance (‘LHA’) rates

¹ ‘Estimated Rental Value’

² ‘Affordable Private Rent’

	Rate	Comment
NIY ³ : BTR	4.75%	Forward funding yield. Adopted on a without prejudice basis and consistent with the negotiated position agreed with Carter Jonas. Considered optimistic in current investment transactional funding market.
ERV: Commercial Unit	£18.75/ft ²	Based on comparable local market evidence (plus allowance for incentives)
NIY: Commercial Unit	8.75%	Optimistic yield, based on current market comparable evidence
Construction Costs	£60,570,000	Estimated construction cost (excluding contingency) based upon negotiated (compromise) construction cost position plus adjustments and inflation to reflect the current scheme at the present day.
Demolition	£825,000	Estimated present day cost
Contingency (Contractor & Developer)	3.00%	<i>As agreed with Carter Jonas</i>
Professional Fees & Insurances	8.00%	<i>As agreed with Carter Jonas</i>
FF&E: Apartments	£4,000	<i>As agreed with Carter Jonas</i>
		<i>CBRE considers the cost to be optimistic in the current market and may be subject to inflation. The rate is presently maintained on a without prejudice basis.</i>
FF&E: Amenity Areas	£150,000	<i>As agreed with Carter Jonas</i>
		<i>CBRE considers the cost to be optimistic in the current market and may be subject to inflation. The rate is presently maintained on a without prejudice basis.</i>
Community Infrastructure Levy ('CIL')	£2,105,324 ⁴	Estimated CIL liability. This figure reflects Social Housing Relief on 30% of units
Section 106 Planning Obligations	TBC	Section 106 financial contributions are presently excluded from the viability assessment. CBRE reserves the right to revisit these costs should any new information come to light.
Commercial Letting Agent Fee	10.00%	<i>As agreed with Carter Jonas</i>
Commercial Letting Legal Fee	5.00%	<i>As agreed with Carter Jonas</i>
Investment Funding Agent Fee	0.65%	<i>As agreed with Carter Jonas</i>
Investment Funding Legal Fee	0.25%	<i>As agreed with Carter Jonas</i>

³ 'Net Initial Yield'

⁴ Note: the estimated CIL calculation in the above table is indicative and should be used for information only. It should not be relied upon for any purpose including but not limited to the making of an investment decision. To the maximum extent permitted by law, neither CBRE nor the author can accept any liability or responsibility to the recipient, nor third parties, who may seek to rely upon this CIL advice for other purposes.

	Rate	Comment
Purchaser's Costs (Land)	SDLT + 1.80%	Standard HMRC non-residential stamp duty land tax ('SDLT'), agent's fee (1.00%) and legal fee (0.80%)
Purchaser's Costs (Investment)	1.60%	As agreed with Carter Jonas
Finance (Coupon Rate)	5.00%	As agreed with Carter Jonas
Developer's Return	12.50% (on GDV)	As agreed with Carter Jonas on a without prejudice basis

Benchmark Land Value ('BLV')

The BLV for the Site has been determined utilising the relevant Government⁵ and RICS Guidance⁶ and Professional Standards⁷.

CBRE previously confirmed, on a without prejudice basis, agreement to adopt Carter Jonas' assessment of the BLV at £4.38m, derived from the Existing Use Value (EUV) of the Site. This position has been maintained within the current viability appraisal.

The BLV is adopted as a fixed input to the viability appraisal(s).

Viability Assessment Results & Conclusion

CBRE has sought to retain viability modelling input rates previously agreed with Carter Jonas during prior negotiations, limiting changes to only those necessary to reflect the latest scheme design and the prevailing market [rates].

CBRE has undertaken financial appraisal of the Proposed Development on a policy-complaint basis, incorporating 30% affordable housing provision delivered as APR units with rents capped at the Reading BRMA LHA rents. In addition, scenario testing has been carried out to assess the impact of the affordable housing provision being reduced to nil (0%) and 12.50% - the latter representing a concessionary, without prejudice offer made to the Council, comprising 10% of units at LHA capped rents and the balance of 2.50% at Discount Market Rents ('DMR') (at 80% of open market rent).

The results of the policy complaint viability appraisal and scenario tests are summarised in Table 3.

⁵ MHCLG (2024) Planning Practice Guidance: Viability ('PPGV')

⁶ RICS (2021) Assessing viability in planning under the National Planning Policy Framework 2019 for England RICS guidance note, England 1st edition, March 2021 (effective from 1 July 2021)

⁷ RICS (May 2019) Financial viability in planning: conduct and reporting, 1st Edition

TABLE 3 | VIABILITY RESULTS SUMMARY

	Policy Compliant Appraisal 30% AH	Scenario Test 1 Appraisal 0% AH	Scenario Test 2 Appraisal 12.50% AH
Input	Rate	Rate	Rate
NDV:	£72,330,788	£84,371,639	£79,936,399
Total Costs:	-£80,282,368	-£81,349,072	-£80,910,226
Residual Profit:	-£7,951,580 (-10.82% on GDV)	£3,022,567 (3.53% on GDV)	-£973,827 (-120% on GDV)
Target Developer's Return: (12.50% on GDV)	£9,188,362	£10,717,942	£10,154,522
Surplus/ Deficit:	-£17,139,942	-£7,695,375	-£11,128,349
Viability:	Unviable	Unviable	Unviable

Source: CBRE

As supported by national planning policy and guidance, given the commercial risks, it would be CBRE's recommendation that the Proposed Development does not incorporate any affordable housing units (or a payment in lieu of on-site provision) and any sums towards planning obligations.

The commercial decision whether to proceed with the scheme and/ or make a concessionary without prejudice offer towards affordable housing provision will therefore be at the discretion, and risk, of the Applicant.