

Viability statement for development at

Eaton Court, 106-112 Oxford Road, Reading,  
RG1 7NG

by  
Bailey Venning Associates Limited

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## 1.0 Introduction

- 1.1 Bailey Venning Associates Limited (BVA) has been instructed by Eaton Reading Limited to undertake a viability assessment and to prepare this report in support of the application to redevelop Eaton Court, 104-112 Oxford Road, Reading, RG1 7NG. The description of development is *“Erection of a two-storey vertical extension to the existing two-storey western elevation to provide 12 self-contained flats and associated cycle and refuse storage”*
- 1.2 **The contents of this report are for feasibility assessment purposes only and are conducted on current values and costs specific to the planning application as at the date of report and do not constitute a valuation, in accordance with Valuation Standards of the RICS Valuation – Professional Standards – Global Standards adopted 2022, and should not be relied upon as such.**
- 1.3 **In preparing this report, no ‘performance-related’ or ‘contingent’ fees have been agreed.**
- 1.4 **This report is addressed to our client only and its contents should not be reproduced in part or in full without our prior consent. We note that a copy of this report may be provided by the Applicant to Reading Borough Council and potentially their retained viability consultant; this is done solely for the purposes of validating the reasonableness of the approach to viability taken by the Applicant. No duty of care can be extended to any other party other than the Applicant.**
- 1.5 **In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate, available, sources of information. We are not aware of any conflicts of interest in relation to this assessment.**
- 1.6 This report has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) “Professional Statement on Financial Viability in Planning: conduct and reporting” (1st Edition, May 2019). The report has been prepared by Richard Bailey and in line with the requirements of this guidance I can confirm the following is true.
- The author of this report has acted with objectivity, impartially, without interference and references all appropriate sources of information.
  - Terms of Engagement were set out clearly and included in all reports and comply with the RICS statement ‘Conflicts of Interest’.

- No performance-related or contingent fees have been agreed.
  - Information used is market led and not client driven.
  - Inputs to the Financial Viability Appraisal (FVA) are reasonably justified and based upon industry benchmarks recently agreed with other local planning authorities for similar proposals and on a number of occasions at planning appeal.
- 1.7 Where disagreement exists, BVA will seek to engage with the Council and their advisors as necessary in order to reach agreement in respect of the viability conclusions. Where agreement is not possible, the decision maker will be provided with a clear statement on the matters at dispute.
- 1.8 The purpose of this report is threefold;
- To determine whether the development plan and national guidance, as they relate to the proposal, require affordable housing to be provided; if so, to calculate the maximum affordable housing requirement that can be expected and, by extension, the cost to the developer of the subsidy toward providing for the required number of affordable units;
  - To determine the viable level of affordable housing provision; and
  - To weigh all of this against a consideration of the principles of economic viability and residual land appraisal and how they relate to the development.
- 1.9 The report will outline and justify the inputs into the residual land appraisal and how the output from the appraisal shows that the Local Plan affordable housing requirement cannot be borne by this development whilst maintaining an economically viable position. This is a position allowed for at all levels of planning policy relating to the provision of affordable housing through Section 106.
- 1.10 It should be noted that a site visit has not been undertaken, and the assessment has been undertaken on a desktop basis with survey information provided to us by our client and their professional team. Further research has been conducted online.

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## 2.0 Local and National Planning Policy and Relevant Guidance

2.1 It is considered that the following documents represent the most relevant parts of the adopted development plan and other current guidance which affect the affordable housing requirement for this proposal:

- National Policy Planning Policy Framework (NPPF)
- National Planning Practice Guidance (NPPG)
- Reading Borough Local Plan, November 2019
- Affordable Housing Supplementary Planning Document Adopted, March 2021
- Reading Borough Council Annual CIL Rate Summary, at <https://www.reading.gov.uk/planning-and-building-control/planning-applications/community-infrastructure-levy/> accessed 8 August 2025
- RICS Professional Statement on Financial Viability in Planning: conduct and reporting (1st Edition, May 2019)
- RICS Guidance Note, Assessing viability in planning under the National Planning Policy Framework 2019 for England, 1st edition, March 2021
- Viability Testing Local Plans – June 2012 (Harman Report, 2012)

### The National Planning Policy Framework (NPPF)

- 2.2 The Government published a revised NPPF on 12 December 2024.
- 2.3 Housing applications should be considered in the context of the presumption in favour of sustainable development.
- 2.4 Where it is identified that affordable housing is needed, policies should be set for meeting the need on site, unless off-site or a financial contribution of appropriate value can be robustly justified.
- 2.5 In addition, the NPPF also highlights the importance of setting realistic targets in Local Plans that can be achieved; this includes the provision of new homes which will be undeliverable if viability thresholds are unrealistic.

- 2.6 The NPPF summarises that viability should be based on national planning guidance (paragraph 59) and that it is up to the applicant to demonstrate, “whether particular circumstances justify the need for a viability assessment at the application stage.”
- 2.7 Also, planning decisions should take into account efficient use of land taking into account local market conditions and viability (paragraph 129). Any planning obligations imposed would also have to satisfy the CIL Regulation 122 (2) tests in being necessary, directly related and be fairly and reasonably related in scale and kind (paragraph 58).

[Planning Practice Guidance \(Viability Section latest updates published 14 February 2024\)](#)

[Should viability be assessed in decision taking? \(Paragraph: 007 Reference ID: 10-007-20190509\)](#)

- 2.8 Generally, it is expected that planning applications that comply with development plan policies will be assumed to be viable, although applicants have the onus placed upon them to demonstrate where the particular circumstances of their application warrant a deviation from policy on the basis of viability. Those circumstances may include development of unallocated sites or sites which are different from a standard model of development, like housing for older people or development on brownfield land with a high existing use value.

[What are the principles for carrying out a viability assessment? \(Paragraph: 010 Reference ID: 10-010-20180724\)](#)

- 2.9 Essentially the National Planning Guidance sees the viability process as being founded upon non-developer specific data that encompasses the requirements of developing on the subject site in a proportionate, simple and transparent way. Being viable is determined from looking at whether the value generated by the development is more than the cost of developing it including all costs, land value, landowner premium and developer’s return. Decision making, where viability is considered, strikes a balance between the planning system in securing maximum public benefit from development (noting that development that is not viable might not secure any public benefit as it might not be built) and the interests of developers and landowners in terms of return against risk.

How should gross development value be defined for the purpose of viability assessment?  
(Paragraph: 011 Reference ID: 10-011-20180724)

- 2.10 The guidance considers that site specific viability assessment should assess the value from market-based evidence of sales adjusted for location and other factors, ignoring outliers.

How should costs be defined for the purposes of viability assessment? (Paragraph: 012 Reference ID: 10-012-20180724)

- 2.11 The guidance is clear that costs should be adjusted to reflect the locality, based upon appropriate data, and include site specific infrastructure costs, finance charges, professional fees and project management charges, sales and marketing fees and organisational overheads associated with the site. The costs should also outline contingency pricing for risk based on the project circumstances.

How should a return to developers be defined for the purpose of viability assessment?  
(Paragraph: 018 Reference ID: 10-018-20190509)

- 2.12 Whilst it is confirmed that the price paid for land is not a mitigation for failing to accord with plan policy (and this is reiterated in the PPG a number of times), developer returns of between 15% and 20% of gross development value may be considered a suitable return, with a lower percentage applying to affordable housing in certain circumstances. It is also confirmed that alternative figures may be appropriate for different development types.

RICS Professional Statement Financial viability in planning: conduct and reporting 1st edition, May 2019

- 2.13 The RICS has published a guide to conduct and reporting for members, and others where appropriate, to adhere to. The Statement confirms the reporting requirements for viability assessments, including declarations on conflicts of interest.

RICS Guidance Note, Assessing viability in planning under the National Planning Policy Framework 2019 for England

- 2.14 The guidance note is intended to represent 'best practice', i.e. recommendations which in the opinion of RICS meet a high standard of professional competence.

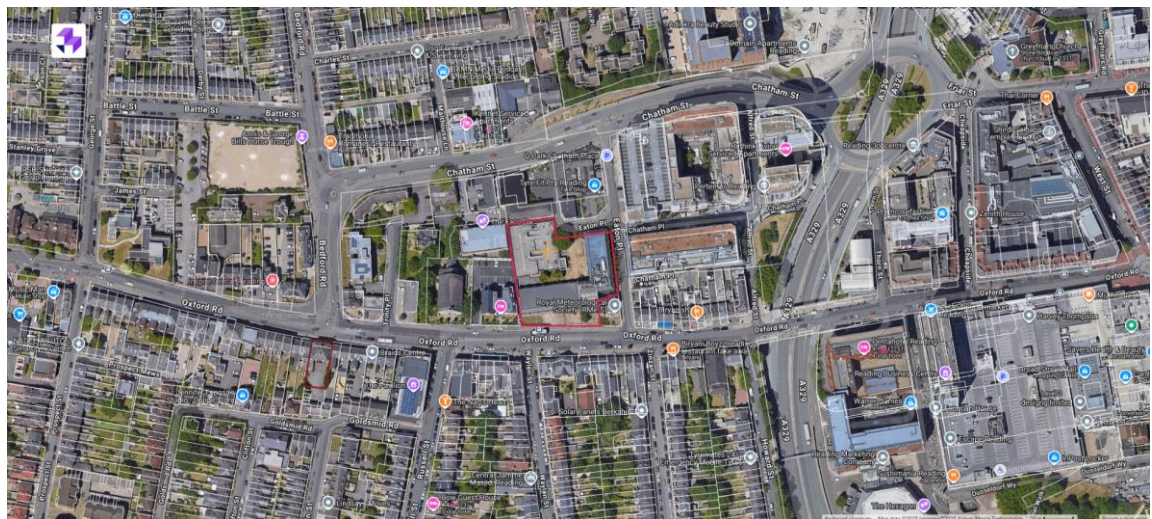
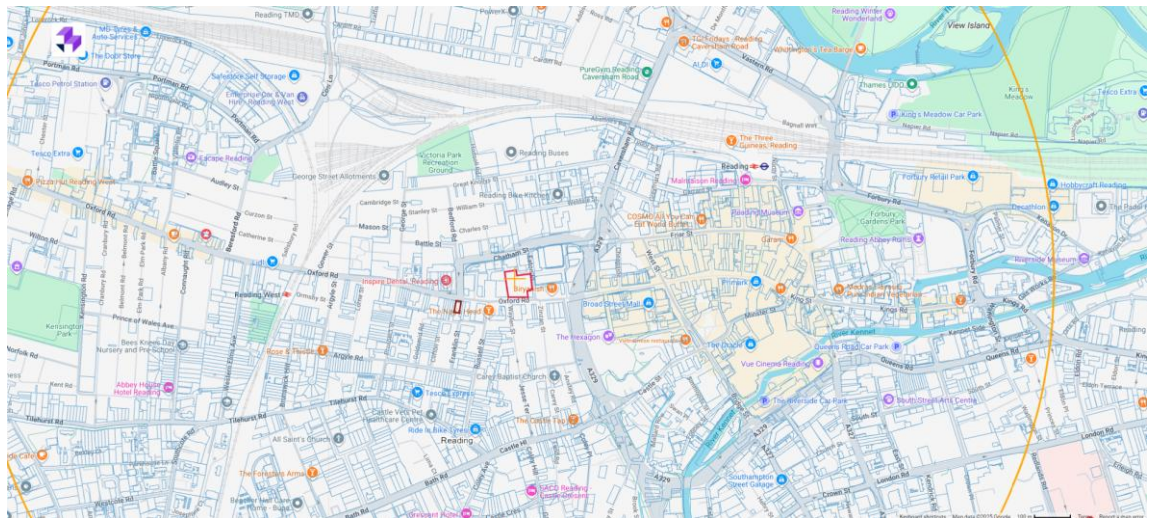
- 2.15 When determining planning applications LPAs are concerned with the merits of the particular scheme in question. The aim should be to reflect industry benchmarks and not be specific to any individual applicant.
- 2.16 The date at which the planning application is determined is confirmed as the date where relevant information is considered. In practical terms, a viability assessment will be prepared and submitted with the planning application and could remain relevant, but updates may be necessary if the planning process is protracted.
- 2.17 Benchmark land value is to be determined in line with the methodology set out in the NPPF, in using the principle of existing use value plus a premium.

#### Harman Report (2012)

- 2.18 The Harman report was published in June 2012 and identifies guidance on viability related to National Planning Policy.
- 2.19 The Harman Report was originally produced as guidance for district wide planning associated with viability. However, due to the detailed nature of the analysis undertaken in the Harman Report, the guidance is also highly relevant to site specific viability assessments such as this.
- 2.20 The Harman Report makes clear emphasis on the point that Local Planning Policy should not be set at the margins of viability, including the level of Threshold Land Value applied to a scheme and developer profit.
- 2.21 In addition, the Harman Report highlights the importance of creating realistic targets. The report also points out that the complexity of area wide viability across a Local Authority will be unable to take into account all the variables associated with specific developments and a suitable and flexible approach is taken to viability.

### 3.0 Site Description

- 3.1 The site is located on Oxford Road, Reading and extends along Eaton Place to the east. The existing building is part two and part three storey, with a hard surfaced car park to the rear. The subject is the site formed of the roof and airspace above the two storey section fronting Oxford Road.



- 3.2 The property is currently used as commercial office space, though we anticipate that an application will be made to confirm Class MA permitted development for conversion to residential uses, together with a Class AA application for development vertically of the eastern block fronting Eaton Place.

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## 4.0 An Appropriate Affordable Housing Contribution

- 4.1 The NPPF requires an affordable housing provision or off-site affordable housing contribution to be appropriate<sup>1</sup> and robustly justified in being equivalent to the subsidy required, in the local context, to provide, where viability allows, to deliver a policy compliant level of affordable housing.
- 4.2 Adopted development plan policy is derived from Policy H3 of the adopted Local Plan which seeks up to 30% affordable housing on sites of ten or more homes, with a sliding scale of provision for up to 10 homes where the full 30% would be required.
- 4.3 In order to establish, initially, the viability of an affordable housing requirement, it is necessary to establish the developer subsidy that would be required in order to satisfy the affordable housing requirement on this site. This is the principle of ‘*equivalence*’ whereby the off-site contribution equates to the amount of subsidy that would have been provided on-site, ensuring that any contribution is “fairly and reasonably related in kind and scale to the development.”<sup>2</sup>
- 4.4 This developer subsidy equates to the difference between the value of the scheme without affordable housing (the “*unencumbered value*”) and the value of the scheme with the policy requirement for affordable housing (the “*encumbered value*”). This will establish the maximum amount of affordable housing developer subsidy and thereby the maximum amount of offsite financial contribution. Any greater contribution would prejudice the provision of off site affordable housing against on site provision.
- 4.5 However, a requirement to contribute affordable housing is not intended to make a development financially unviable. Therefore, we must first establish whether this scheme can afford to make any contribution for affordable housing.
- 4.6 Economic Viability is established as a material consideration in the determination of planning applications - The NPPF considers development viability to be a central consideration in delivering sustainable development. Policy H3 also makes reference to the determination of the viability of proposals where policy requirements cannot be met.
- 4.7 A number of Secretary of State (SoS) decisions can be highlighted which have focussed on the issue of viability and affordable housing. It is fair to say that the SoS has shown increased pragmatism given viability and wider economic performance. It is therefore

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<sup>1</sup> NPPF, Paragraph 64 December 2024

<sup>2</sup> NPPF, Paragraphs 57 & 58, December 2024

important to assess whether the Council's requirements for affordable housing can be delivered as part of a financially viable development.

- 4.8 The principles underlying economic viability rely on the assumption that land will be used in the form that secures an appropriate site value for the landowner. Therefore, unless the Residual Land Value (RLV) of a proposed development exceeds the market value in existing use or Alternative Use Value for the land, then the landowner will not release or sell the land and it will not be brought forward for development. The threshold to test the viability of the proposed scheme against other alternatives is referred to as the Benchmark Land Value and has been assessed on the basis of Existing Use Value plus a premium. This approach accords with that advised in Paragraph 14 of the NPPG Viability.
- 4.9 To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.
- 4.10 It remains to suggest a way of valuing land such that an empirical assessment of the ability of any parcel of land to deliver affordable housing can be made.
- Benchmark Land Value**
- 4.11 The NPPF states that plans should set out the contributions required from development including affordable housing and infrastructure and that the policies introduced should not undermine deliverability of the plan.<sup>3</sup> As such it requires local authorities to ensure that the scale of obligations and policy burdens do not threaten the viability of developments.
- 4.12 In considering viability, NPPF and accompanying NPPG advises that there must be an appropriate return to the developer, consideration for the existing use for the site and also a premium to encourage the site to come forward for development (taking into account the typical policy and infrastructure burdens that the site would be required to carry). Hence, the developer profit should be reasonable, (i.e. appropriate for the degree of risk for the particular type of development) and that the land-owner should achieve a reasonable land value for the site. If the developer or land-owner do not secure this return, the project will not proceed.

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<sup>3</sup> Paragraph 35, NPPF, December 2024

- 4.13 The NPPF advises<sup>4</sup> that local authorities should assess the likely cumulative impacts on development of all standards and policies and ensure its policies are based upon “relevant and up to date evidence” that is “adequate and proportionate” to determine the planning needs of the area and the deliverable policies to meet that need “and take into account relevant market signals.”
- 4.14 The need for accurate evidence on viability is supported by the cross-industry Harman Report<sup>5</sup>. This Report mirrors the NPPF obligation on local authorities to ensure both developer and land-owner achieve an acceptable return<sup>6</sup> and that the local authority engage in a robust consultation exercise with the industry to determine acceptable assumptions, including the benchmark land value (BLV), upon which viability is measured.
- 4.15 In considering BLV specifically the Report recommends<sup>7</sup> that BLV should be based on a premium over current use values and credible alternative use values. It warns that if such benchmarks are disregarded *“there is an increasing risk that land will not be released and the assumptions upon which a plan is based may not be found sound”*<sup>8</sup>.
- 4.16 In considering other government guidance on viability, it is now widely accepted that developments can propose less than that required by policy, should it be shown through viability assessment that the scheme would become unviable. Indeed government guidance on the renegotiation of S106 agreements<sup>9</sup> advises that schemes which have *“economically unviable affordable housing requirements result in no development, no regeneration and no community benefit”*.
- 4.17 The NPPG suggests that *“To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers*

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<sup>4</sup> Paragraph 32 NPPF, December 2024

<sup>5</sup> LHDSG Report “Viability and testing of Local Plans” 2012

<sup>6</sup> LHDSG Page 24

<sup>7</sup> LHDSG Page 29

<sup>8</sup> LHDSG Page 31

<sup>9</sup> S106 affordable housing requirements – review and appeal DCLG April 2013 – page 2

*should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+)."*<sup>10</sup>

- 4.18 In establishing the benchmark land value for viability assessment, the principle set out in the PPG is to base any benchmark land value from existing use value and add a premium where appropriate to encourage the land to come forward for development. In this case, the existing use value of the roof and any pre-existing air rights is low. I am of the view that there should be some level of premium to the landowner, there being sound planning reasons for making the land available for development due to land utilisation and increasing development density. I note that that premium should not be so large as to make development unviable, nor so little to act as a disincentive to development. I welcome further discussion with the Council's appointed viability consultant on this point.

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<sup>10</sup> Paragraph: 013 Reference ID: 10-013-20190509, PPG

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## 5.0 Methodology

- 5.1 The methodology to assess viability in this case is the commonly used Residual Land Value (RLV) appraisal. This method is one which is used industry wide in land purchase and that has been established as the pre-eminent method through various development plan examinations and planning appeals.
- 5.2 An RLV appraisal treats the land value as the output of a calculation which compares the costs of development with the revenue generated by it. Since the revenues from housing and the costs of development are relatively inelastic and outside the developer's control, the one element of the appraisal that can vary is the land value. Therefore, if affordable housing is required, the cost of it must be deducted from the land value where possible.
- 5.3 For this application, we will be testing the economic viability of the proposed development by including all the costs of development against an appropriate site benchmark determined from the Existing Use Value. All the land value generated from the development will be deemed as the RLV, defined as a toolkit appraisal, with the output showing either a development surplus (a viable contribution) or deficit (not viable) when measured against the benchmark land value. This approach is widely used and is referenced as the preferred methodology in the NPPG.
- 5.4 On behalf of a number of clients, the staff of BVA have, over the past 20 years, negotiated appropriate affordable housing and other section 106 contributions on a number of housing developments, as well as specialist housing and mixed use developments on behalf of private developers and Local Authorities all around the UK using a toolkit viability appraisal.
- 5.5 There are many appraisal software packages on the market. However, they all rely on the principle that land value is the result of subtracting development costs from revenue.
- 5.6 In the case of this assessment, we will be using Argus Developer to carry out the viability assessment. Argus Developer is a widely used and highly recognised development appraisal tool and will be used to determine the viability of the application scheme.
- 5.7 The assumptions applied to the model are set out below.

## 6.0 Viability Appraisal Assumptions

- 6.1 The following section details the assumptions included in the viability appraisal, assuming a standard commercial approach. The Argus Model summary pages are also included in Appendix 4 for the proposed scheme.

### Revenue:

- 6.2 Sales Values of the proposed development have been assessed with regard to other development, and comparable sales locally. The completed sales values and sales per m<sup>2</sup> have then been temporally adjusted in LandInsight by the Land Registry House Price Index, though it should be noted that the older the sale is, the greater the margin for error in such an adjustment. More recent sales provide more reliable data. I have included the research results in Appendix 1.
- 6.3 The proposed development comprises a gross internal area of 937m<sup>2</sup> and a net internal area, excluding communal uses of 791.50m<sup>2</sup>. The full unit schedule and pricing is included in Appendix 2 and is summarised as:

|       | unit<br>nos | ave unit | total m <sup>2</sup> | ave unit £ | total £      |
|-------|-------------|----------|----------------------|------------|--------------|
| 1B1P  | 1           | 46.30    | 46.30                | 284,900.00 | 284,900.00   |
| 1B2P  | 5           | 56.24    | 281.20               | 340,300.00 | 1,701,500.00 |
| 2B3P  | 2           | 63.55    | 127.10               | 379,800.00 | 759,600.00   |
| 2B4P  | 2           | 77.15    | 154.30               | 450,300.00 | 900,600.00   |
| 3B5P  | 2           | 91.30    | 182.60               | 519,650.00 | 1,039,300.00 |
| Total | 12          | 65.96    | 791.50               | 390,491.67 | 4,685,900.00 |

- 6.4 My total assessed GDV of residential is £4,685,900.

### Development Timetable

- 6.5 Construction start/end – assumes a 12 month build period from start to completion of the development after a six month lead in period from the date of the grant of the planning application.
- 6.6 Sales start/end – Occupations (sale completions) commence in the month following build completion. Units are sold over 3 months post completion of construction, assuming completions on a straight line basis.

### Base Build Costs

- 6.7 Construction costs are based on a cost plan prepared by CMC Limited, included in Appendix 3. That assessment totals £3,108,832 excluding professional fees and contingency. The costs assessment has been prepared at this point on the basis of compliance with building regulations with no further enhancements for renewable energy or thermal performance / reduced carbon emissions.
- 6.8 A contingency rate of 5% is included also for the scheme which is appropriate in the context of development of a brownfield site including adaptations to an existing structure.

### Professional Fees

- 6.9 Professional Fees, incorporating building design fees, architects' costs, planning application fees, QS fees, M&E Engineer fees, Structural Engineer, landscape architect fees, town planning consultant fees, surveys and inspections, warranty and building regulations fees, Clerk of Works fees and Project Management Costs.
- 6.10 Guidance suggests a typical rate would range from 8% to 12.75% of construction costs. 10% of the total construction costs has been used which is considered reflective of the specifics of the scheme and the additional work involved with adapting an existing structure.

### Section 106 and Community Infrastructure Levy

- 6.11 The Community Infrastructure Levy charging schedule was adopted in April 2015 and the charging authority sets out a single rate for housing across the borough. The latest Annual CIL Rate Summary published for 2025 reports that for development consented before the end of the year, a rate of £183.96 per m<sup>2</sup> GIA will apply.

6.12 It is assumed that the CIL rate applies to new floorspace of 881m<sup>2</sup> GIA. The total CIL charge is therefore £162,069.

6.13 No other Section 106 costs are included in modelling at this time.

#### Sales and Marketing Fees

6.14 Legal costs on sales – assumed at £1,000 per unit.

6.15 Agents and Marketing Fees – Sales and marketing fees of 2.50% are applied to the model.

#### Finance Costs

6.16 Interest rate – A debt rate of 7.25% has been used which is considered, in the current lending climate, to be acceptable and includes the general 1-2% required for the arrangement fee. This is a common assumption between both appraisals. Typical rates are accepted to be 3% to 5% above the interbank lending rate (SONIA) which at the time of writing was 4%.

#### Land Acquisition Costs

6.17 Stamp Duty Land Tax –For the purposes of this assessment we have applied a prevailing rate based on commercial land.

6.18 Legal Fees – Land purchase legal fees are assumed at 0.75% of the residual land value on purchase. The HCA EAT User Guide refers to 0.75% as “typical.”

6.19 Acquisition Agent fees – 1%.

6.20 It should be noted that where the Argus model results in a negative land value, these costs are not applied.

#### Developer's Return

6.21 Return for Risk – For typical commercial terms, I consider that a profit rate of 17.5% of GDV is an appropriate measure of profit. In making that assessment, I take into account the complexity and risk of development and local market influences, together with the size of the project overall and risk of adapting an existing building to vertically extend.

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## 7.0 Viability Appraisal Output

- 7.1 The benchmark land value has not been determined as set out above.
- 7.2 The proposed development without affordable housing generates a residual land value of -£174,243 (negative land value). The appraisal output sheets are attached at Appendix 5. This scheme would not be considered to be capable of generating any surplus which could be used for any other Section 106 obligation, including affordable housing, given that the residual land value is below zero on the basis of modelled assumptions. The appraisal model includes a CIL contribution of £162,069.
- 7.3 For the sake of completeness, I have also considered a model with a commuted sum for affordable housing. I consider that the commuted sum would be the most appropriate form of contribution due to the difficulties of including affordable housing on site and the limited number of units (3.6 affordable homes – 30% of 12 dwellings total development). The existing building will be subject to an office to residential conversion, access will be shared. Any affordable housing units would therefore be subject to the full level of service charges as the market housing and any affordable housing provider would have limited opportunity to manage service charges.
- 7.4 The level of commuted sum is determined on the basis of the figures set out in the Affordable Housing SPD at 15% of the GDV of the scheme (being 50% of the policy requirement of 30% for a site of this size). I do not agree with the methodology set out and the justification is flawed, I welcome further discussion with the Council on this point. Nevertheless, as an illustration, the SPD methodology calculated affordable housing contribution to be policy compliant would be £702,885 and would result in a residual land value of -£819,633 (negative land value). This would be considered to be unviable.

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## 8.0 Summary and Conclusion

- 8.1 It is important to assess whether the Council's requirements for affordable housing and other planning gain contributions can be delivered as part of a financially viable development. A critical issue for any viability assessment is identifying what is a reasonable return to be attractive enough for the landowner and developer to bring forward their site.
- 8.2 The viability appraisal exercise has been undertaken using the latest Argus appraisal toolkit and utilises up to date build costs specific to the proposal and assessed by a cost consultant and up to date sales values and follows the latest published RICS guidance on viability in planning.
- 8.3 When the application scheme is assessed for economic viability, when measured against the benchmark land value comprised of an alternative use, the proposed development is not considered to be viable in contributing to affordable housing. A CIL contribution of £162,069 is included in the modelling.
- 8.4 The viability appraisals assume a single-phase development which will be implemented without delay.
- 8.5 The planning statement submitted as part of the suite of application documentation sets out other benefits of developing this brownfield site in a sustainable location for housing.