



FINANCIAL VIABILITY ASSESSMENT

**Land at Sonning Golf Club, Sonning,
RG4 6GJ**

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Executive Summary

For convenience, we summarise the key features of this Financial Viability Assessment, which should, nevertheless be read in full.

Location Plan


Site Plan


Date of Assessment:

April 2025

Property Type/Use:

Greenfield land subject to residential planning consent (Wokingham Borough Council Ref: 161529 and 200951)

Proposed Scheme:	Type	No. of Units
	2 Bed Houses	2
	3 Bed Houses	3
	5 Bed Houses	8
	Total Units	13

Reserved Matters Planning Application:

"Application for the approval of reserved matters pursuant to outline planning consent 161529 for the erection of 13 dwellings with associated highway works, public open space and landscaping. Details of Layout, Appearance, Landscaping and Scale to be determined"

Planning Policy:

Local Planning Policy:

Wokingham Borough Council Local Development Framework - January 2010.

Adopted core strategy requires 40% Affordable Housing.

Wokingham Borough Council Affordable Housing Supplementary Planning Document (SPD) – July 2013.

The methodology calculating in-lieu payments is based on the difference in residual development value of a scheme with and without the affordable housing (the encumbered versus unencumbered approach).

Viability Assessment and Conclusion:

Viability Assessment Conclusion	RLV
40% Affordable Housing	£2,560,791
100% Market Housing	£2,914,238
Difference	£353,447 – say £355,000

The Residual Land Value for the proposed scheme with 40% affordable housing is £2,560,791. The Residual Land Value for the proposed scheme with 100% market housing is £2,914,238. The difference between these positions equates to £353,447 (rounded to £355,000).

This concludes that were the inclusion of affordable housing on site feasible, the subsidy required to provide the required level of affordable housing would be £355,000. Such a sum represents the level of contribution which should be made towards off site affordable housing provision.

1.0 Introduction

We are instructed by Darcliffe Homes Limited (herein referred to as the “Applicant”) to undertake a Financial Viability Assessment (FVA) for the proposed redevelopment of the Property located at and known as: **Land at Sonning Golf Club, RG4 6GJ** (the Property).

This independent FVA is to provide support to the Applicant in demonstrating to the local planning authority, Wokingham Borough Council (WBC), the level of financial affordable housing contribution that can viably be provided in-lieu of on-site affordable housing provision.

This FVA report has been prepared in accordance with the RICS Professional Statement ‘Financial Viability in Planning: Conduct and Reporting 1st Edition (May 2019). In relation to this statement we confirm the following:

- We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.
- In preparing this report, no performance related or contingent fee arrangements have been agreed.
- We have not provided previous advice to either Applicant on this site or any other third party.

We confirm that in accordance with the RICS Professional Statement Paragraph 2.2, we have no conflicts of interest in conducting this Financial Viability Assessment and have not received any specific requests by the Applicants or decision-makers that contradict the mandatory requirements of the RICS Professional Statement.

We have also had regard to the Revised NPPF 2024 and Viability PPG which provides national planning policy and guidance in respect of undertaking viability assessments.

Please note that this assessment is undertaken at a particular point in time (April 2025). Values and costs will change over time and it must be understood that our assessment is based on current estimated values and costs as at the date of this report and is not a projection of value.

This report and its contents have been prepared specifically to support the planning application in respect of the Property. No responsibility whatsoever is accepted to any third party and neither the whole of the report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it may appear.

Sources of Information

Information	Source	Date
Accommodation Schedule & Layout Plans	Applicant	April 2025
Market Revenue Advice	Haslams/Romans	April 2025
Abnormal Construction Costs	Applicant	April 2025

This report is for feasibility assessment purposes only and it does not constitute a formal valuation. The advice contained in this report is exempt from the current RICS Valuation Global Standards - 31 January 2020 – (the Red Book). We reserve the right to update, amend or vary our advice should the matter progress to a planning Appeal Hearing or Inquiry.

We have produced this Viability Assessment utilising the Argus Applicant residual appraisal software. Argus Applicant is an established property development appraisal software program used by owners, commercial Applicants, house builders, land Applicants, agents and financial institutions. It is designed to work for all forms of property development, including commercial, single or multiphase residential, retail, office, industrial, hotels, land development and any combination for mixed use developments. This report summarises our assumptions, inputs and outcomes of our Argus model.

2.0 Background

A location plan and whole site layout plan showing the extent of the whole site for identification purposes is included at **Appendix 1**.

Appendix 1 – Location & Layout Plan

The subject site currently comprises greenfield land which benefits from reserved matters planning consent for the erection of 13 dwellings (Wokingham Borough Council Ref: 161529 and 200951). The site is adjacent to Sonning Golf Club and is accessed via Pound Lane.

The Section 106 agreement for the existing planning consent secures the delivery of 5 affordable housing units which are detailed as follows:-

- 3 x 3-bed social rent units
- 2 x 2-bed shared ownership units

Following the approval of the aforementioned planning consent, the Applicant has approached numerous Registered Providers (RPs) to purchase the affordable housing provision within the scheme. To date, of the 8 RPs approached, only two have made offers for the affordable housing. These offers equate to 30% of open market value rendering the scheme financially non-viable.

Due to the lack of RP demand, the Applicant has subsequently approached Wokingham Borough Council in order to vary the Section 106 (via a Deed of Variation). WBC advise that in the absence of an RP, the appropriate methodology for establishing the quantum of affordable housing contribution (in-lieu of on-site provision) is consistent with the unencumbered versus encumbered approach whereby the Residual Land Value (RLV) of the scheme with a policy level of affordable housing is compared with the equivalent RLV for the scheme with 100% market housing. The difference in land value represents the policy compliant affordable housing payment.

The above approach is consistent with paragraph 9.6 of the Wokingham Borough Council Affordable Housing Supplementary Planning Document (adopted July 2013).

3.0 Viability in Planning – Policy Context

3.1. National Planning Policy Framework (NPPF) 2024 & Planning Practice Guidance (PPG)

In December 2024 the Government published a revised version of the National Planning Policy Framework (NPPF). This revised document replaces the previous National Planning Policy Framework which was first published on 27th March 2012 and updated on 24th July 2018, 19th February 2019, 20th July 2021, 5th September 2023 and 20th December 2023.

The relevant planning practice guidance in relation to viability was last updated in December 2024 which sets out key principles in understanding viability in plan making and decision taking. The most important revision is in respect of land value.

Paragraph 008 of the Viability Guidance PPG addresses how a viability assessment should be treated in decision making, including referring back to the viability assessment that informed the plan and whether the plan, and viability evidence underpinning the plan is up to date. Regard must also be given to whether site circumstances have changed since the plan was brought into force.

The latest area wide viability testing relevant to Wokingham Borough Council was undertaken in August 2024 by BNP Paribas Real Estate. This latest testing considered the emerging local plan and Community Infrastructure Levy.

Further guidance is provided within the PPG which relates to the specific inputs that are appropriate in a viability assessment.

3.2. Local Affordable Housing Policy – Wokingham Borough Council

Wokingham Borough Council Local Development Framework – Adopted January 2010

The Local Development Framework (current Core Strategy) requires the provision of 40% affordable housing. The existing planning permission requires the delivery of 5 affordable housing units (3 social rent and 2 shared ownership units).

Paragraph 9.6 of Wokingham Borough Council Affordable Housing SPD (adopted July 2013), requires on-site affordable housing contributions to be calculated via the unencumbered versus encumbered approach whereby the difference in RLV of the scheme with a policy level of affordable housing and without (100% market housing) represents the policy compliant level of affordable housing payment.

3.3. Community Infrastructure Levy

The Wokingham Borough Council Community Infrastructure Levy Charging Schedule was adopted on 19th February 2015. The 2025 Residential CIL rate following indexation is £551.02/m².

3.4. RICS Professional Standard - Assessing viability in planning under the National Planning Policy Framework 2023 for England

In March 2021, RICS published the Assessing Viability in Planning guidance. Effective from 1 July 2021, it replaces the previous 2012 guidance note. The new guidance note supplements and gives added guidance to RICS members and other stakeholders in the planning process on undertaking and understanding financial viability assessments (FVAs) under the NPPF and PPG in both a plan-making and decision-taking context.

In April 2023 the guidance was elevated to a Professional Standard. The RICS Professional Standards set requirements or expectations for RICS members and regulated firms about how they provide services or the outcomes of their actions. There are mandatory requirements, which use the word 'must' and must be complied with, and or recommended best practice, which uses the word 'should'.

In regulatory or disciplinary proceedings, RICS will take into account relevant professional standards when deciding whether an RICS member or regulated firm acted appropriately and with reasonable competence. It is also likely that during any legal proceedings a judge, adjudicator or equivalent will take RICS professional standards into account.

3.5. RICS Professional Statement – Financial Viability in Planning: Conduct and Reporting

The RICS published a mandatory statement in May 2019 (effective from 1 September 2019) addressing the conduct and reporting requirements of Members who act in viability matters.

The Statement sets out mandatory requirements informing the practitioner on what must be included within reports and how the process must be conducted. This is to demonstrate how a reasonable, objective and impartial outcome, without interference, should be arrived at, and so support the statutory planning process.

4.0 Viability Assessment Overview

As confirmed in Section 3, the Viability PPG provides further information relating to the specific inputs that are appropriate to a viability assessment. This includes reference to the viability assessment that informed the plan.

As outlined previously, the latest area wide viability testing was undertaken by BNP Paribas in August 2024 in respect of the emerging local plan and existing Community Infrastructure Levy. In assessing the viability of the proposed scheme, the following approach (in accordance with the RICS Viability Practice Statement) has been adopted:

$$\begin{array}{r}
 \text{Gross Development Value} \\
 \text{Less} \\
 \text{Development Costs (inc. Developers Profit)} \\
 \text{Less} \\
 \text{Planning Obligations} \\
 \text{Equals} \\
 \text{Residual Land Value (RLV)}
 \end{array}$$

The usual test applied in establishing whether a planning obligations package (including Affordable Housing) is viable, is to consider whether the Residual Land Value (RLV) of the proposed scheme exceeds the Benchmark Land Value of the property. If it does, there is financial headroom for planning obligations. If it does not, there is no financial headroom and thus there is no viability for planning obligations to be included.

In this particular case, the Benchmark Land Value is not a consideration within the financial viability assessment due to the nature of the encumbered versus encumbered approach. Within the enclosed assessment, the RLV of the scheme with 40% affordable housing is compared to the RLV of the scheme with 100% market housing. The difference between these values demonstrates the policy compliant affordable housing contribution.

The following sections outline the appraisal inputs that form this viability assessment, having regard to the guidance contained in the PPG and the RICS Guidance Note.

In the following Section 6 we review the other key viability appraisal inputs (other than the Benchmark Land Value) and determine the viability of the Proposed Scheme based on current market conditions.

In Section 7, we sensitivity test the result of the appraisal to establish the impact should values and costs rise and fall in the near future.

5.0 The Proposed Scheme

The proposed scheme achieved outline planning permission on 11th November 2016. The outline planning application (Wokingham BC Ref: 161529) was described as follows:-

“Outline application for the erection of 13 dwellings with associated highway works, public open space and landscaping.(Approval sought for Access).”

A subsequent reserved matters application was approved in December 2020 (Wokingham BC Ref: 200951). The proposed scheme includes a mixture of detached, semi-detached and terraced accommodation. A detailed breakdown of the residential mix is include below:-

Plot	Type	Tenure	Storeys	Garage	Beds	Size (m ²)	Size (ft ²)
1	Detached	Market	2.5	Single	5	265	2,855
2	Detached	Market	2.5	Single	5	265	2,855
3	Detached	Market	2.5	Single	5	279	3,001
4	Detached	Market	2.5	Single	5	309	3,328
5	Detached	Market	2.5	Single	5	309	3,328
6	Detached	Market	2.5	Single	5	279	3,001
7	Detached	Market	2.5	Single	5	262	2,819
8	Detached	Market	2.5	Single	5	262	2,819
9	End Terrace	Shared Ownership	2	-	2	80	856
10	Mid Terrace	Social Rent	2.5	-	3	100	1,075
11	Mid Terrace	Social Rent	2.5	-	3	100	1,075
12	Mid Terrace	Social Rent	2.5	-	3	100	1,075
13	End Terrace	Shared Ownership	2	-	2	80	856
13						2,689	28,943

6.0 Viability Assessment

As noted above, in this Section 6, we review the key viability appraisal inputs and determine the policy compliant affordable housing contribution (in-lieu of on-site affordable housing provision).

Our ARGUS Developer appraisal summary is at Appendix 3 & 4 but our assumptions and outcomes are summarised below.

Appendix 3 & 4 – ARGUS Developer Appraisal

6.1. Appraisal Inputs

6.1.1. Development Programme/Timing Assumptions

Within the enclosed FVA, it is assumed that construction would commence at month 4, i.e. following a 3 month lead-in period to receive all necessary consents and discharge conditions. The construction period is assumed to be 15-months for the whole scheme with Practical Completion at the end of month 18. Within the 100% market housing scenario, it is assumed that sales will commence 2-month prior to the end of construction for a period of 4 months. This assumption produces an overall development period of 20 months.

Within the policy compliant affordable housing scenario, a consistent construction period is assumed however affordable housing income is received upon the commencement of construction reflecting a golden brick payment. 30% is paid upon commencement, with incremental payments on monthly basis with the remaining 40% paid upon completion of construction. A shorter market sales period of 2-months is assumed reflecting the fewer market units being disposed.

6.1.2. Appraisal Revenue – Gross Development Value (GDV)

In respect of how GDV should be defined for the purpose of viability assessments, Viability PPG paragraph 11 states:

“Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.

For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.

For viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. Any market evidence used should be adjusted to take into account variations in use, form, scale, location, rents and yields, disregarding outliers. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.”

For the purposes of this exercise, market revenues have been applied on a rate per unit basis, reflecting the anticipated open market value of the respective unit type. In support of the adopted market revenues, we have had regard to current asking prices within the local area and also achieved values over a period of time. LandInsight currently details the average achieved value within Sonning (RG4 6) to equate to £453/ft² (£4,876/m²).

Rightmove lists the average achieved value within Sonning over the past 12-month period to equate to c. £566,000. The majority of sold properties within this period were detached properties, with an average value of c. £710,000. The average price for semi-detached and terraced housing within this period was c. £555,000 and c. £350,000 respectively.

In determining the appropriate values for the subject scheme, the Applicant has sought third party advice from local agents, namely Haslams and Leaders (Romans). Both parties have provided unit-specific pricing advice reflecting both the size/layout of the unit and location within the development site (for example, adjoining the future development site). Copies of the pricing advice is included at **Appendix 2**. The suggested unit pricing schedules produce average values of £531/ft² (Haslams) and £486/ft² (Leaders), with an overall average value of £508/ft² (£5,473/m²).

For the purposes of the enclosed appraisal, we have assumed the following market revenues, producing an average value of £550/ft² (£5,920/m²).

Alder King Assumed Revenues – 100% Scheme						
Unit Type	Beds	Tenure	m2	ft2	£/ft2	GDV
1	5	Market	265	2,855	£553	£1,580,000
2	5	Market	265	2,855	£545	£1,555,000
3	5	Market	279	3,001	£560	£1,680,000
4	5	Market	309	3,328	£544	£1,810,000
5	5	Market	309	3,328	£544	£1,810,000
6	5	Market	279	3,001	£551	£1,655,000
7	5	Market	262	2,819	£552	£1,555,000
8	5	Market	262	2,819	£552	£1,555,000
9	2	Market	80	856	£543	£465,000
10	3	Market	100	1,075	£553	£595,000
11	3	Market	100	1,075	£553	£595,000
12	3	Market	100	1,075	£553	£595,000
13	2	Market	80	856	£543	£465,000
			2,689	28,943	£550	£15,915,000

The affordable housing values are included at £280 per ft² (£3,014/m²). This value is applied on a “blended” basis and is therefore applied to all affordable housing (irrespective of affordable housing tenure) within the 40% affordable housing scenario. As outlined above, local agents have suggested average market values equating to £508/ft² (£5,473/m²) for the proposed scheme. The adopted affordable housing values therefore equate to 55% of this value which is considered appropriate for the purposes of this exercise.

The above market and affordable housing values result in GDVs of **£14,580,754 at 40% affordable housing and £15,915,000 at 100% market housing**.

Appraisal Outlay – Land, Residential Building, Marketing and S106 Costs

6.1.3. Land Acquisition Costs

The Argus Developer appraisal has been set up to provide a Residual Land Value, having fixed the development profit. The result of the ARGUS appraisals are then compared in order to demonstrate the policy compliant affordable housing contribution (in-lieu of on-site affordable housing provision). For the purposes of the enclosed appraisal, SDLT has been included at the prevailing rates, with allowances for SDLT and Agents/Legals included at 1% and 0.75% respectively.

6.1.4. Constructions Costs

Regarding development costs, Viability PPG paragraph 12 states the following:

“Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application.

Costs include;

- *build costs based on appropriate data, for example that of the Building Cost Information Service*
- *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*
- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
- *general finance costs including those incurred through loans*
- *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*
- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and Applicants return”*

In line with the PPG, we have undertaken research using “The Building Cost Information Service” which produces detailed cost information and indices and is a recognised source of assessing build costs when testing viability. BCIS average costs are provided at mean, median, and upper quartile rates (as well as lowest, lower quartile and highest, upper quartile). BCIS confirm the following in relation to each definition:

Mean – *This is what most people think as the average. It is the sum of the rates in the sample divided by the number of units in the sample. The mean is affected by all rates in the sample and can be unduly influenced by one or two extreme values when the sample size is small. The mean is particularly relevant when you are choosing a rate to be applied across an estate of buildings.*

Median - *The middle statistic (not the middle of the range). Unlike mean, this is not as easily affected by rouge figures. It is not the ‘typical’ rate (see Mode) but can be used as such in most cases. This is probably the best figure to use when choosing a rate for a single typical building.*

25% (Lower Quartile) – *just as the median is the middle statistic, the lower quartile is the statistic which is one quarter of the way up a list of order rates, i.e. 25% of rates fall below the lower quartile and 75% above.*

If you judge your project to be below average cost then this figure will give you an indication of an appropriate rate.

75% (Upper Quartile) – just like the lower quartile. You can expect half of all the rates lie between the lower and upper quartile. If you judge your project to be above average cost then this figure will give you an indication of an appropriate rate.

Within the enclosed appraisal analysis we have adopted median quartile BCIS allowances for the affordable housing and upper quartile BCIS allowances for any market housing. The market revenues within the enclosed appraisal reflect a level of premium and as such, upper quartile BCIS allowances would be appropriate in order to facilitate these revenues being achieved. By comparison, the affordable housing would be delivered to a level of finish consistent with the requirements of any Registered Provider and for this, median quartile allowances are considered appropriate.

BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. The default data is now based on projects that are up to 15 years old except where this would result in the sample size being less than four projects, when a longer period will be used.

For the purposes of this analysis, we have adopted the 5-year range period of results which would be reflective of current regulations, specification, technology and market requirements.

Current Median and Upper Quartile BCIS allowances, locationally weighted to Berkshire and derived from a 5-year range of results equate to £169/ft² (£1,822/m²) and £189/ft² (£2,008/m²) respectively.

A copy of the BCIS extracts are included at **Appendix 5**.

Appendix 5 – BCIS Extracts

In addition to the core build cost we have added cost to comply with Part L and O of the updated building regulation at **£4,000 per unit**. At present, no allowances for Biodiversity Net Gain are included within the attached appraisal. We reserve the right to amend this figure at a later date should it be necessary.

BCIS costs only reflect the cost to construct the building itself (foundations up) and exclude site works and external costs. It is typical to apply a rate of between 8%-15% for these costs. Within the enclosed FVA, external allowances are included at **8%** of standard construction costs reflecting the costs allowances associated with car parking, landscaping and service roads.

The costs associated with garages are included at £128,000 as advised by the Applicant. This equates to £16,000 per unit.

6.1.5. Abnormal Costs

The adopted abnormal costs are derived from the Applicants' current internal estimates. The abnormal costs total £282,100 and include the following items:-

Demolition & Site Clearance	£10,000
Service Connections	£100,400
Electric Charging	£11,700
PV	£45,000
S278	£115,000

6.1.6. Contingency

A contingency allowance of 5% is typically the norm for a scheme such as this and has been applied to all construction costs.

6.1.7. Professional Fees

Professional building design fees (Architect QS etc.) are assumed to be **8%** of the total construction cost to include all planning and building regulation fees.

6.1.8. Marketing and Sales Fees

Allowances for marketing and sales costs in respect of the market housing are included at 2.5% of market housing GDV.

6.1.9. Registered Provider Transfer Fee

An allowance for the cost associated with transferring the affordable housing from the Applicant to a Registered Provider (RP) is included at 0.75% of affordable housing GDV. This allowance is consistent with the current prevailing rates.

6.1.10. Disposal Fees

Legal costs on open market sales equate to £750 per unit.

6.1.11. Section 106 and Community Infrastructure Levy

Allowances for Section 106 contributions are consistent across the scenarios modelled. These allowances are included at £36,383 as advised by the Applicant.

Allowances for the Wokingham Borough Council Community Infrastructure Levy are consistent with the indexed 2025 CIL rate of £551.02/m². CIL allowances are applied to the GIA of all market houses and garages. We are advised by the Applicant that the GIA of the garages (8 in total) extends to c. 161m² which is consistent across the scenarios modelled.

As per CIL legislation, the affordable housing is CIL exempt within the 40% affordable housing scenario. This produces CIL allowances of £1,317,771 and £1,570,504 at 40% and 0% affordable housing.

6.1.12. Finance Costs

Where development finance is available (which having been available for a select number of situations is now improving) lenders are currently charging 3 - 5% above LIBOR. Arrangement fees (1-3%), monitoring fees (2-5%) and exit fees (1% of GDV) amongst other fees can be added costs dependant on the status of the borrower. These lending terms have emerged due to the bank's perceived risk of residential development in the current market.

An extract from the Investment Property Forum (IPF) 'UK Development Finance Review 2015' confirms the range of fees that banks may charge:

"Fees are a significant feature of development finance and they often pose a challenge when attempting to compare all-in financing costs because of their variation. Many lenders offering the lowest margins will demand higher fees or impose more types of fees."

The spectrum of fees a bank lender may require will include front end (i.e. arrangement) fees, exit fees, non-utilisation fees, hedging fees, booking fees for residential (as each unit is sold) and, occasionally, pre-payment fees. In addition, there may be an array of management and monitoring fees, while agency fees will be payable if the deal is a club or syndication."

Over the last 36 months interest rates have risen significantly as the Bank of England has attempted to control inflation. In January 2022 the base rate was 0.25%. At the time of reporting the base interest rate is 4.50% (March 2025). As a result, funding rates have also increased dramatically. Taking into account typical setup and exit fees, the core finance rate is approximately 9%.

In this instance we have adopted an ‘all-in’ debit interest rate of 7.5% together with a credit rate of 0.5%, with no additional allowance for fees, which we consider to be an optimistic generic assumption for a development of this nature in the current market.

6.1.13. Developers Return for Risk and Profit

Paragraph 18 of the Viability PPG sets out how the appropriate return to Developer should be defined for the purpose of viability assessments. It states:

“Potential risk is accounted for in the assumed return for Developers at the plan making stage. It is the role of Developer, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.

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.”

Within the enclosed appraisal analysis, Developer profit allowances are included at 17.5% of market housing GDV and 6% of affordable housing GDV. These allowances result in a blended developer profit allowance of 16.4% of GDV at 40% affordable housing and 17.5% of GDV at 100% market housing. These allowances are also consistent with the latest area wide viability testing, completed by BNP Paribas in August 2024.

6.2. Appraisal Summary

The summary table below details the outcome of the residual appraisals for the schemes with 40% affordable housing and 100% market housing. The policy compliant affordable housing payment (in-lieu of on-site affordable housing provision) is the difference in RLV between the two appraisals.

Appendix 3 & 4 – ARGUS Summary Worksheet

Appraisal Summary	40% Affordable Housing	100% Market Housing
Gross Development Value (GDV)		
Market Housing GDV	£13,200,000	£15,915,000
Affordable Housing GDV	£1,380,754	£0
Total GDV	£14,580,754	£15,915,000
Total Construction Costs		
Standard Construction Costs	£5,371,487	£5,470,227
Future Homes Standard (FLOS)	£52,000	£52,000
Garages	£128,000	£128,000
External Costs	£555,149	£565,023
Abnormal Costs	£282,100	£282,100
Professional Fees	£511,099	£519,788
Contingency	£319,437	£324,867
Section 106	£36,383	£36,383
Community Infrastructure Levy	£1,317,771	£1,570,504
Agents & Marketing	£330,000	£397,875
Sales Legal Fee	£6,000	£9,750
Affordable Housing Transfer Fee	£10,356	£0
Finance Costs	£529,534	£672,909
Developer Profit	£2,417,873	£2,785,125
Developer Profit at % GDV	16.4%	17.5%
Residual Land Value (Net of Purchasers Costs)	£2,560,791	£2,914,238
Affordable Housing Contribution	£353,447 – (Rounded £355,000)	

7.0 Conclusion

Viability Assessment Conclusion	RLV
40% Affordable Housing	£2,560,791
100% Market Housing	£2,914,238
Difference	£353,447 (Rounded £355,000)

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This concludes that were the inclusion of affordable housing on site feasible, the subsidy required to provide the required level of affordable housing would be £355,000. Such a sum represents the level of contribution which should be made towards off site affordable housing provision.

Completed by:



Sam Carson MRICS
Associate
RICS Registered Valuer

For and on behalf of
Alder King LLP

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Reviewed by:

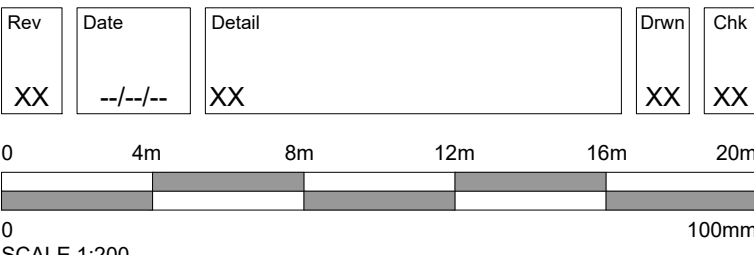


James Mackay MRICS
Partner, Head of Viability
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For and on behalf of
Alder King LLP

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Appendix 1: Site Layout and Location Plan



STATUS

PLANNING

**ASCOT DESIGN**
Timeless architecture

HEAD OFFICE
Ashurst Manor,
Ashurst Park, Church
Lane, Sonning, RG4 6GJ
Tel: 01344 299 330

MANCHESTER
No. 1 Booths Park,
Chadderton Road,
Kilburn, W14 8GS
Tel: 01562 755 147

LONDON
29 Farm Street,
Mayfair, W1U 5RL
Tel: 020 39640015



Email: info@ascotdesign.com
www.ascotdesign.com

Client

COUNTRY ESTATES

Project Title

LAND ADJACENT SONNING GOLF CLUB, SONNING, READING, RG4 6GJ

Drawing Title

SITE LAYOUT PLAN

Scale	Date	Drawn	Rev
1:200 @ A0	MAR 2024	CWH	D

Drawing N°

25 - J4742 - 01 - 001

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Appendix 2: Market Revenue Evidence

Site: Sonning Golf Club
Date of report: 27th March 2025
Priced by: Claire Pulleyn



Description					Value	
Plot	Plot Type	Storey	Beds	Sq.Ft	Value	£PSF
1	Detached	2.5	5 + bonus room	2,855	£1,525,000	£534
2	Detached	2.5	5 + bonus room	2,855	£1,500,000	£525
3	Detached	2.5	5 + bonus room	3,001	£1,625,000	£541
4	Detached	2.5	5 + bonus room	3,328	£1,750,000	£526
5	Detached	2.5	5 + bonus room	3,328	£1,750,000	£526
6	Detached	2.5	5 + bonus room	3,001	£1,600,000	£533
7	Detached	2.5	5 + bonus room	2,819	£1,500,000	£532
8	Detached	2.5	5 + bonus room	2,819	£1,500,000	£532
9	End Terrace	2	2	856	£450,000	£526
10	Mid Terrace	2.5	3	1,075	£575,000	£535
11	Mid Terrace	2.5	3	1,075	£575,000	£535
12	Mid Terrace	2.5	3	1,075	£575,000	£535
13	End Terrace	2	2	856	£450,000	£526
TOTALS				28,943	£15,375,000	£531

Please note any advice contained or attached in this report is informal and given purely as guidance unless otherwise explicitly stated. Our views on price are not intended as a formal valuation and should not be relied upon as such. They are given in the course of our estate agency role. No liability is given to any third party and the figures suggested are in accordance with Professional Standards PS 1 and PS 2 of the RICS Valuation – Professional Standards (PS 1.5 - VPS 1-5 exceptions), effective from 1st July 2017. Any advice attached is not a formal ("Red Book") valuation, and neither Haslams Estate Agents nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such. If formal advice is required this will be explicitly stated along with our understanding of limitations and purpose.

General assumptions

1. All property is either freehold/long leasehold apartments, has a reasonable management company obligations and charges
2. Each property has a good specification/finish appropriate to the local market
3. Each property has a market accepted 10 year guarantee
4. An appropriate marketing campaign is conducted
5. Where no scheme layout has been provided, these achievable prices assume appropriate density and adequate plot sizes

Site Name: Land Adjacent Sonning Golf Club, Sonning, RG4 6GJ
Developer: Darcliffe Homes
Date: 24.03.25
Produced by: Myles Butler
Reviewed by: Steve Griffiths

LEADERS Romans

GROUP

Plot	Description	Storey	Parking	Sq.ft	Marketing Value	Achievable Value	£ per Sq.Ft	Observations
1	5 Bed Detached	2.5	SG + 2PS	2855	£1,445,000	£1,375,000	£482	
2	5 Bed Detached	2.5	SG + 3PS	2855	£1,445,000	£1,375,000	£482	
3	5 Bed Detached	2.5	SG + 3PS	3001	£1,525,000	£1,450,000	£483	Backs onto future development
4	5 Bed Detached	2.5	SG + 2PS	3328	£1,575,000	£1,500,000	£451	Backs onto future development
5	5 Bed Detached	2.5	SG + 2PS	3328	£1,575,000	£1,500,000	£451	Backs onto future development
6	5 Bed Detached	2.5	SG + 3PS	3001	£1,500,000	£1,425,000	£475	Backs onto future development, Sides new access road
7	5 Bed Detached	2.5	SG + 3PS	2819	£1,415,000	£1,350,000	£479	Backs onto new access road
8	5 Bed Detached	2.5	SG + 3PS	2819	£1,365,000	£1,300,000	£461	Backs onto new access road, sides parking area
9	2 Bed End of Terrace	2	2PS	856	£555,000	£530,000	£619	
10	3 Bed Mid Terrace	2.5	2PS	1075	£605,000	£575,000	£535	
11	3 Bed Mid Terrace	2.5	2PS	1075	£605,000	£575,000	£535	
12	3 Bed Mid Terrace	2.5	2PS	1075	£605,000	£575,000	£535	
13	2 Bed End of Terrace	2	2PS	856	£555,000	£530,000	£619	
Totals:				28,943		£14,060,000	£486	

Comments: The prices quoted in this schedule are our opinion of net achievable prices in today's market, taking into account the plans and specification provided or if one has not been provided we have assumed a satisfactory specification for a scheme of this nature & that they will benefit from good quality marketing material and a finished unit. They are given in good faith and for your companies exclusive use and do not represent a formal valuation for a loan or bank security. They should not be disclosed to a third party without prior written consent. We have assumed that all the necessary planning & building regulations will be sought and adhered to.

Notes:

Appendix 3: ARGUS Appraisal Summary 40% Affordable Housing

SONNING GOLF CLUB - 40% AH

APPRAISAL SUMMARY**ALDER KING LLP****SONNING GOLF CLUB - 40% AH****Appraisal Summary for Merged Phases 1 2**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Market Housing	8	24,006	549.86	1,650,000	13,200,000
Affordable Housing	<u>5</u>	<u>4,937</u>	279.67	276,151	<u>1,380,754</u>
Totals	13	28,943			14,580,754

NET REALISATION**14,580,754****OUTLAY****ACQUISITION COSTS**

Residualised Price			2,560,791		
				2,560,791	
Stamp Duty			107,961		
Effective Stamp Duty Rate		4.22%			
Agent Fee		1.00%	25,608		
Legal Fee		0.75%	19,206		
				152,775	

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost		
Market Housing	24,006	189.00	4,537,134		
Affordable Housing	<u>4,937</u>	169.00	<u>834,353</u>		
Totals	28,943 ft²		5,371,487		
Contingency		5.00%	319,437		
				5,690,924	

Other Construction Costs

FLOS	8 un	4,000.00 /un	32,000		
Garages			128,000		
External Costs		10.00%	469,713		
Abnormal Costs			282,100		
S106			36,383		
CIL			1,317,771		
FLOS	5 un	4,000.00 /un	20,000		
External Costs		10.00%	85,435		
				2,371,403	

PROFESSIONAL FEES

Other Professional Fees		8.00%	435,916		
Other Professional Fees		8.00%	75,183		
				511,099	

DISPOSAL FEES

Agents & Marketing		2.50%	330,000		
Sales Legal Fee	8 un	750.00 /un	6,000		
Affordable Housing Transfer Fee		0.75%	10,356		
				346,356	

TOTAL COSTS BEFORE FINANCE**11,633,347****FINANCE**

Debit Rate 7.500%, Credit Rate 0.500% (Nominal)					
Total Finance Cost				529,534	

TOTAL COSTS**12,162,881****PROFIT****2,417,873****Performance Measures**

SONNING GOLF CLUB - 40% AH

Profit on Cost%	19.88%
Profit on GDV%	16.58%
Profit on NDV%	16.58%

IRR% (without Interest)	36.70%
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Profit Erosion (finance rate 7.500)	2 yrs 5 mths
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Appendix 4: ARGUS Appraisal Summary 100% Market Housing

SONNING GOLF CLUB - 0% AH

APPRAISAL SUMMARY**ALDER KING LLP****SONNING GOLF CLUB - 0% AH****Appraisal Summary for Phase 1 Market Housing**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Market Housing	13	28,943	549.87	1,224,231	15,915,000

NET REALISATION**15,915,000****OUTLAY****ACQUISITION COSTS**

Residualised Price			2,914,238		
				2,914,238	
Stamp Duty			135,212		
Effective Stamp Duty Rate		4.64%			
Agent Fee		1.00%	29,142		
Legal Fee		0.75%	21,857		
				186,211	

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost		
Market Housing	28,943	189.00	5,470,227		
Contingency		5.00%	324,867		
				5,795,094	

Other Construction Costs

FLOS	13 un	4,000.00 /un	52,000		
Garages			128,000		
External Costs		10.00%	565,023		
Abnormal Costs			282,100		
S106			36,383		
CIL			1,570,504		
				2,634,010	

PROFESSIONAL FEES

Other Professional Fees		8.00%	519,788		
				519,788	

DISPOSAL FEES

Agents & Marketing		2.50%	397,875		
Sales Legal Fee	13 un	750.00 /un	9,750		
				407,625	

TOTAL COSTS BEFORE FINANCE**12,456,966****FINANCE**

Timescale	Duration	Commences
Pre-Construction	3	Mar 2025
Construction	15	Jun 2025
Sale	4	Jul 2026
Total Duration	20	

Debit Rate 7.500%, Credit Rate 0.500% (Nominal)

Land		344,301		
Construction		322,460		
Other		6,148		
Total Finance Cost			672,909	

TOTAL COSTS**13,129,875****PROFIT****2,785,125**

SONNING GOLF CLUB - 0% AH**Performance Measures**

Profit on Cost%	21.21%
Profit on GDV%	17.50%
Profit on NDV%	17.50%
IRR% (without Interest)	33.88%
Profit Erosion (finance rate 7.500)	2 yrs 7 mths

Appendix 5: BCIS Allowances

£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 05-Apr-2025 07:45

Rebased to Berkshire (108; sample 150)

MAXIMUM AGE OF RESULTS: 5 YEARS

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
New build								
810. Housing, mixed developments (5)	1,861	907	1,606	1,806	2,042	4,247	310	
810.1 Estate housing								
Generally (5)	1,833	866	1,528	1,822	2,039	3,704	195	
Single storey (5)	2,139	1,442	1,818	1,965	2,337	3,704	33	
2-storey (5)	1,775	866	1,508	1,764	1,983	2,843	158	
3-storey (5)	1,635	1,237	-	1,605	-	2,093	4	
810.12 Estate housing semi detached								
Generally (5)	1,978	1,188	1,716	1,889	2,104	3,704	51	
Single storey (5)	2,091	1,442	1,817	1,998	2,089	3,704	18	
2-storey (5)	1,911	1,188	1,533	1,848	2,149	2,843	32	
810.13 Estate housing terraced								
Generally (5)	1,589	987	1,421	1,506	1,826	2,298	9	
2-storey (5)	1,633	987	1,476	1,525	1,867	2,298	8	
816. Flats (apartments)								
Generally (5)	2,083	1,036	1,686	1,951	2,377	4,067	157	

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
1-2 storey (5)	2,041	1,145	1,556	1,794	2,539	3,773	31	
3-5 storey (5)	2,082	1,036	1,688	1,957	2,343	4,067	112	
6 storey or above (5)	2,180	1,604	1,762	2,009	2,619	3,219	14	



Alder King Property Consultants
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