From: Hicks, Steve <Steve.Hicks@reading.gov.uk>
Sent: 06 August 2020 11:19
To: Alisdair Chant <Alisdair.Chant@berkeleygroup.co.uk>; Caroline McHardy <Caroline.McHardy@berkeleygroup.co.uk>
Cc: Markwell, Jonathan <Jonathan.Markwell@reading.gov.uk>; Arthur Boulding <arthur@bps-surveyors.co.uk>
Subject: RE: 55 Vastern Road ref 200188

Morning Alisdair

Apologies that I didn't send this to you yesterday but please now find enclosed the detail and supporting information on the end sales/GDV and the BLV together with our additional comments on other inputs and assumptions below.

1.1 We consider marketing and Agent fees of 4.5% to be higher than we would expect. Berkeley have included these to reflect the assumed high sales rate of 6 units per month. We have reduced these to 3% which we consider to be more consistent with market norms, and have similarly allowed for legal fees of £600 per unit. The combined planning and professional fees are approximately 8% of the total build cost which we consider to be a reasonable allowance.

1.2 CIL charges have been assumed at £1.626 million which Berkeley states has been calculated based on current rates and have accounted for an offset from the existing floorspace. We have been informed by the councils CIL officer that the liability for the scheme would be £2,186,703.88 when accounting for the existing GIA and we have accordingly adopted this figure in our appraisal.

1.3 S106 charges have been included at £205,754 which Berkeley suggest have been discussed with the council. We have been advised by the Council that these are broadly reasonable and have similarly adopted them in our appraisal.

1.4 Berkeley have made an allowance of £500,000 for third party costs. We find this sum to be higher than we would reasonably expect for such a development and have reduced it to £50,000. If further evidence is provided on these costs we would be willing to revisit our position.

1.5 Finance has been included at 7% assuming that the scheme is 100% debt financed. We find this to be slightly higher than we would expect.

1.6 Berkeley have adopted a construction period of 42 months which has a 6 month overlap with a pre construction period of 9 months. Our cost consultant finds these timings to be reasonable to allow for demolition and the phased nature of the site. The sales period adopted by Berkeley is 18 months in length and commences 24 months into the development with sales evenly spread over the development period. Overall we find these sales timings to be reasonable on the basis that units will be sold and completed in phases.

Also please find enclosed a revised Argus appraisal to replace the previous issue. My apologies but we hadn't translated the build costs appropriately so have revised these on a net sales basis. Our position remains as it was however and whilst this results in a lower profit on GDV with policy compliant affordable housing it is still a return of 10.84%.

I look forward to your response in due course but if you have any questions or wish to discuss any points further in the meantime then please don't hesitate to contact me.

Kind regards

Steve

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