

## Follow-up Comments from the GLA on DS2's Viability Response Dated 16 January 2026

GLA Case Number:	2025/0371
Scheme Address:	Berol Quarter, N17
Applicant:	Berol Quarter Limited
Local Planning Authority:	London Borough Haringey
Date:	27 January 2026
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### 1. Summary

#### Context

- 1.1 This document represents the position of the Greater London Authority's Viability Team (GLAVT) in relation to the viability of the Berol Quarter, N17 9LJ scheme at the date of this report.
- 1.2 The original planning application referenced HGY/2023/0261 (the extant consent) was granted permission subject to a Section 106 (S106) agreement, dated 28 February 2025. The agreement includes a planning obligation to deliver 35% affordable housing on-site. Planning permission was granted by the Council on 3 March 2025.
- 1.3 On 16 April 2025, a section 73 application was submitted to the Council to vary Condition 2 of the extant consent:

*“Section 73 application to vary Condition 2 (Approved Plans and Documents) attached to planning permission HGY/2023/0261 granted 03/03/2025. Permission is sought to alter the approved drawings to show inward opening doors at the roof level of 2 Berol Yard instead of the permitted glass panels. Permission is also sought to alter the permitted level of affordable housing”*

- 1.4 The proposed development is largely identical to one approved by the extant consent except for the reduction in affordable housing.

#### Viability Summary

- 1.5 In April 2025, DS2 on behalf of the applicant submitted a Financial Viability Assessment (FVA) as part of the S73 planning application. The FVA concludes that the proposed scheme incorporating no affordable housing would produce a deficit of -£23,718,207 when the Residual Land Value (RLV) of -£12,747,164 is compared against a £10,971,043 Benchmark Land Value (BLV). DS2 concluded that the proposed scheme with 100% market unit is in deficit.
- 1.6 On behalf of the LPA, Carter Jonas (CJ) reviewed the FVA and advised that the proposed scheme would produce a deficit of -£8,106,056 when the RLV of -£169,556 is compared

against a £7,936,500 BLV. CJ also concluded that the proposed 100% market unit scheme was in deficit.

- 1.7 DS2 prepared a response (25 September 2025) to both the CJ and GLA initial reports. The report concludes that the deficit is reduced to £15,000,947 but that in a 100% private scenario that no affordable housing is financially viable.
- 1.8 In October 2025, CJ provided a response that continued to consider individual assumptions made by DS2 but concluded that no affordable housing was financially viable as part of the application but that the deficit was reduced to £7,599,568.
- 1.9 Subsequently the GLA provided a response (28 November 2025) which concluded that on a current day basis, the proposed development would not be viable, even without any affordable housing contributions. It set out that decision makers should consider the updated viability position, as well as the sensitivity testing carried out in the report when determining the planning application and afford weight to the submitted viability information. Based on the assessment, it appears that the scheme would only be viable when reasonable growth and inflation are applied.

### **Update**

- 1.10 The applicant, including DS2, met with the GLA and LPA officer on 6 January 2026 about the application. At the meeting it was agreed that DS2 would provide a written response which sets out the key assumptions where agreement is yet to be reached alongside any new supporting evidence. DS2 have provided a written response (16 January 2026) which states the key assumptions where there is divergence are:
  - Benchmark Land Value – Premium
  - Purchaser's Costs
  - Commercial Revenue
  - Launch Costs
  - CIL

### **Purpose**

- 1.11 This document will consider the updated information provided by DS2 as part of their January letter to assess whether this effects the conclusion made within the GLA assessment from November 2025.
- 1.12 The note also considers the government's recent clarifications regarding the use of S73 as a means for revisiting scheme viability, and the relevance of this for determination of the application.
- 1.13 This report has been prepared to inform the determination of the application as part of the GLA Stage 2 Referral process. Please read this document in conjunction with the Stage 1 GLA viability comments dated 14 August 2025 and the GLA addendum response dated 28 November 2025.

## 2. Planning Approach

### Section 73

2.1 On 23 October 2025 the Secretary of State for Housing, Communities and Local Government released a Written Ministerial Statement (WMS)<sup>1</sup> stating that “Government intends to clarify the use of Section 73 of the Town and Country Planning Act 1990 so that an application under this section to vary a condition of a planning permission should no longer be used as an alternative means of reconsidering fundamental questions of scheme viability or planning obligations.” (emphasis added)

2.2 Subsequently on 16 December 2025 the Minister of State for Housing and Planning wrote a letter<sup>2</sup> to the Chief Executive of the Planning Inspectorate regarding the use of S73 applications. The letter notes that “attempts to revisit fundamental issues of viability or planning obligations through Section 73 applications should be scrutinised carefully, and the applicant should provide a robust justification for any changes proposed for planning obligations associated with the original permission beyond those linked to the specific variation of condition being sought.” (emphasis added). This is also referenced in the current NPPF consultation document.<sup>3</sup>

2.3 The principle set out in both the WMS, the subsequent letter to the Planning Inspectorate from the Minister of State for Housing and Planning and the NPPF consultation is that S73 should not in principle be used to “fundamentally” revisit issues of scheme viability to change the level of affordable housing and where there is an attempt to do so that the applicant should provide a “robust justification” for any changes sought to planning obligations.

2.4 A relevant appeal decision which should also be taken into account when considering the application is the S73 application at 158-160 Pentonville Road in Islington (PINS ref 3354825), where the Inspector addressed the changes to the macro-economic circumstance, the submission of the s73 application and the changes to the affordable housing contribution through the submission of viability assessments (paragraphs 27-49). In regard to the use of viability assessment in a s73 application, paragraph 46 of the decision concluded that: “It has not been demonstrated that there have been changes to macro-economic conditions, since the original grant of planning permission or the adoption of the SDMP, sufficient to justify a site-specific viability assessment.”

2.5 In the case of Berol Quarter, since the February 2025 consent and the April 2025 FVA submission market conditions have not materially worsened. Given this, we do not consider that there is a robust justification for fundamentally revisiting issues of schemes viability through use of S73 in this case as required by government in their correspondence to the Inspectorate and development sector.

### Planning Balance

2.6 The December letter from the Minister of State for Housing and Planning also sets out that “where developers submit a Section 73 application that seeks to reduce affordable housing provision based on a new viability assessment, the decision maker should have regard to the harm that such a reduction may cause and give this appropriate weight in the overall planning balance, alongside the wider merits of the scheme.” (emphasis added)

<sup>1</sup> <https://questions-statements.parliament.uk/written-statements/detail/2025-10-23/hcws991>

<sup>2</sup> Letter from Minister of State for Housing and Planning to the Planning Inspectorate: Modifying planning obligations

<sup>3</sup> National Planning Policy Framework: proposed reforms and other changes to the planning system

2.7 Paragraphs 6.4.10-6.4.13 of the council's planning committee report dated 3 July 2023 for the extant permission stated that 60 affordable homes would be secured, which would make a significant contribution to the delivery of intermediate affordable housing including family homes, and concluded that the proposal would provide "significant public benefits" in terms of housing. (emphasis added)

2.8 The Council should reconsider the planning balance of the proposed development in the s73 application, ahead of the stage 2 referral.

### **3. Assumptions Update**

#### **Benchmark Land Value - Premium**

3.1 CJ as part of their initial assessment discounted the yield from 6.5% to 7%. This was adopted by DS2 in their September response to arrive at an EUV of £7,215,000. This was adopted within the GLA appraisal of the application.

3.2 CJ whilst initially applying a 10% premium revised it to 20% to reflect that the asset is income producing. This equated to a BLV of £8,658,000.

3.3 The GLA have adopted a 10% premium to date noting the fragmented occupancy of the asset. DS2 as part of their January report have provided further evidence confirming that the asset is 84% occupied with leases extending to 2034. Following review of the applicant's schedule of lease and given the high level of occupancy at the existing asset the GLA will accept a 20% premium and therefore a BLV of £8,658,000.

#### **Build to Rent Purchaser's Costs**

3.4 DS2 to date have adopted an allowance of 6.8% for purchaser's costs, stating that the appraisal should reflect the full purchaser's costs as standard assumption which would be reflected for an asset on a landowner's balance sheet.

3.5 CJ also adopted the same allowance but retained the 3% allowance as a sensitivity analysis.

3.6 DS2 have adopted a 3-month period for gateway 3 sign off post PC during which time occupancy cannot take place. Following this it is assumed that the asset is disposed of based upon a net yield. Given the appraisal to date has included disposal of the asset post PC, GLA officers accept for the purpose of the review mechanism purchaser's costs of 6.8%.

#### **Commercial Revenue**

3.7 DS2 have assumed commercial income of £25.00/sqft whilst CJ and the GLA to date have adopted income of £27.50/sqft.

3.8 DS2 as part of their January response have provided lease evidence of a recent letting at the Gessner building (14,500 sqft) which was described by DS2 as being let for £145,000 after an 18-month rent free period. This does however does not align with the information provided by DS2 as part of their September response which states that the same space at the Gessner had been let at £14.50/sqft.

3.9 The Carter Jonas valuation was based upon the Applicant's own agent evidence, and as part of their previous response (October 2025) remained satisfied that despite the letting at the

Gessner Building their rental tone sits reasonably within the range of that evidence. GLA officers remain of the opinion that an allowance that an allowance of £25.00-£27.50/sqft is within the range of achievable value given comparable lettings locally. Given the minor difference in assumption, the GLA appraisal will apply a rate of £25.00/sqft in the appraisal of the application.

### **Launch Costs – Build to Rent**

3.10 DS2 remains of the opinion that a 1% marketing fee should be allowed for the marketing of the BTR scheme. This is not accepted by Carter Jonas who advised that they have already accepted a higher OPEX allowance to account for the marketing fee for the BTR component. A site mobilisation allowance of £1,000 per unit (£210,000 in total) has been adopted by Carter Jonas.

3.11 To date, no itemised breakdown has been provided for the “launch costs”.

3.12 DS2 state within their January letter that the “development will provide an operator with an empty building” and that the “construction cost plan excludes any of the FFE needed to enable the building to operate or furnish the amenity areas.” However, we note that the Calford Seaden elemental cost plan (7 February 2025) supporting the applicant’s FVA does in fact include an allowance of £4.2m (£177/sqm or £20,071/unit) for furniture, fittings and equipment, specifically including a CAT A fit out allowance to communal and circulation areas. The development on completion will therefore not be an “empty building” as FFE is not excluded from the cost plan. Given this alongside the increased OPEX allowance we do not consider this assumption to be reasonable.

### **CIL**

3.13 DS2 as part of their January letter have provided a copy of the Charging authority’s CIL liability notice equating to:

- MCIL: £1,906,349
- Local CIL: £2,828,364

3.14 We note the letter is dated 04 March 2025. Subsequently the LPA have confirmed that following a review the revised figures are:

- MCIL: £1,905,709
- Local CIL: £2,828,364

## **4. Viability Outputs**

4.1 The DS2 January letter is accompanied by an updated argus appraisal which shows that the scheme achieves a negative RLV of £6,342,947 which compared to the BLV of £8,658,000 equates to a deficit of £15,000,947. When compared to the target return of £18,717,343 it means that the application, based upon the DS2 assessment is achieving an outturn profit of £3,736,396 (2.75% on Net Development Value).

4.2 DS2 have stated that the applicant is willing to progress with the application despite the depressed current day return because they expect the scheme to benefit from rental growth and some yield compression.

- 4.3 DS2 have provided sensitivity analysis as part of their January letter which sets out that the scheme would require a minimum of a three point improvement in yield alongside a 9% increase in base rents for this scheme to meet the target return. DS2, despite the request at the meeting on 06 January, have not provided any forecasting data or historic trends to demonstrate that these changes are reasonable and therefore that the scheme is deliverable.
- 4.4 Based on the assessment above, it appears that the scheme would only be viable with significant changes in market conditions through both a reduction in investor appetite and significant rental growth.

## 5. GLA Appraisal Output

- 5.1 The updated appraisal shows that the proposed development, when assessed on a current day basis with no affordable housing, that a negative RLV of £3,485,238 is generated against a BLV of £8,658,000 meaning that a deficit of £12,053,2388 remains as part of the application demonstrating that the proposal with nil affordable housing is not financially viable.

## 6. Conclusion

- 6.1 After obtaining planning consent in February 2025 for a Fast Track scheme the applicant submitted a S73 application to vary the affordable housing offer to 0%.
- 6.2 Following viability testing from both the applicant, LPA and GLA it has been concluded that affordable housing is not deliverable as part of the application based upon the assumptions presented. The Applicant via DS2 have shown that the scheme would require a minimum of a three point improvement in yield alongside a 9% increase in base rents for this scheme to meet the target return and begin to deliver affordable housing.
- 6.3 The scheme should incorporate early and late stage review mechanisms as per Policy H5 of the London Plan. For the mechanisms to be effective, a series of key assumptions need to be agreed at application stage. The assumptions are all agreed by each party as part of this application, enabling the reviews to be effective.
- 6.4 Recently government, through a Written Ministerial Statement and letter to the planning inspectorate, has sought to address the use of S73 to stop it being used as an alternative means of reconsidering fundamental questions of scheme viability or planning obligations.
- 6.5 As part of this government have set out that where S73 is being used to reduce affordable housing that the decision maker should have regard to the harm that such a reduction may cause and give this appropriate weight in the overall planning balance. This is particularly relevant to Berol Quarter where the LPA as part of the 2025 consent gave "significant public benefits" delivered as part of the scheme through the supply of housing.
- 6.6 Given this, decision makers should consider the recent Written Ministerial Statement regarding the use of S73 alongside the updated viability position and sensitivity testing when determining the planning application.