**Floringham Lodge, Bracknell – Developer Profit Position Note**

**Prepared by DJC Housing Consultants Ltd For submission to the Planning Inspectorate (PINS) August 2026**

**1. Purpose of this Note**

This note sets out DJC Housing Consultants' position on the appropriate developer profit assumption for the proposed retirement living scheme at Floringham Lodge, Bracknell.

All other appraisal inputs are now agreed between the parties. **Developer profit is the sole remaining area of disagreement.**

DJC's position is that **18.75% of GDV** represents a fair, reasonable, and PPG-compliant profit assumption for this scheme.

**2. PPG Requirement: Profit Must Reflect Site-Specific Risk**

Paragraphs 007–009 of the Viability Planning Practice Guidance (PPG) require that developer profit must reflect:

- the **specific risk profile** of the development,
- not a fixed sector rate,
- not the price paid for land,
- and not historic appeal decisions.

The PPG therefore requires a profit rate tailored to the **actual characteristics** of this scheme.

**3. The Scheme's Risk Profile Sits Between General Needs and High-Risk Retirement Living**

The parties agree that the scheme has the following characteristics:

- Single-phase build with **no sales until full completion**
- **Restricted buyer pool** (age-qualified purchasers)
- **39-month sales period**
- **Empty Property Costs** borne by the developer throughout the sales period
- **Subdued wider housing market**, as evidenced in the RICS UK Residential Market Survey (October 2025)

These factors mean the scheme carries **greater risk than general needs housing**, where sales commence earlier and the buyer pool is broader.

However, the scheme is **not**:

- an Extra Care (C2) product,
- a multi-phase or multi-tenure development,
- or a complex mixed-use scheme.

It is delivered by a **specialist operator** with established systems and experience.

Accordingly, the risk profile sits **between**:

- the general-needs norm (17.5%), and
- the appeal-tested retirement living norm (20%).

**18.75% is the balanced midpoint that reflects this agreed risk profile.**

**4. Appeal Decisions Support 20% — Making 18.75% a Moderated, Conservative Rate**

Alder King has cited several appeal decisions where Inspectors accepted **20% profit** for retirement living schemes.

DJC does not dispute those decisions.

However, PPG requires profit to be set **for the specific scheme**, not imported wholesale from other cases with:

- different product types,
- different market conditions,
- and different risk profiles.

Therefore:

- **20%** represents the **upper benchmark** for specialist retirement living,
- **17.5%** represents the **lower benchmark** for general needs housing,
- **18.75%** is the moderated, evidence-based midpoint.

This is precisely the approach required by PPG.

**5. Local Plan Viability Testing Cannot Justify a 20% Rate**

Alder King references the BPS (2021) area-wide viability testing.

However:

- that testing **did not include retirement living**,
- PPG paragraph 008 requires specialist schemes to be assessed separately,
- and both parties agree this scheme is "wholly different" from the typologies used in the Local Plan testing.

General needs profit assumptions from the Local Plan **cannot** be applied to this specialist scheme.

**6. Empty Property Costs (EPCs)**

DJC previously noted that EPCs help mitigate certain operational uncertainties. Alder King considers EPCs to be costs only.

The correct position is that:

- EPCs **do not remove market risk**,
- EPCs **do not reduce exposure**,

- but EPCs **do reduce operational uncertainty**, because:
    - the building is fully staffed and operational from day one,
    - service-charge voids are predictable and modelled,
    - maintenance and management costs are known and controlled.

EPCs therefore:

- **do not justify 20%**,
- **do not justify 17.5%**,
- but they support a **balanced midpoint**, because they reduce some uncertainty but not overall risk.

That midpoint is **18.75%**.

**7. Market Conditions Support a Rate Above 17.5%**

Alder King's own evidence (RICS UK Residential Market Survey, October 2025) confirms:

- buyer demand is subdued,
- agreed sales are falling,
- market confidence is weak,
- uncertainty is elevated.

If general needs housing is experiencing reduced demand, then retirement living — with a smaller buyer pool and longer sales period — carries **greater risk**, not less.

This supports a profit rate **above 17.5%**, but not necessarily the full 20%.

Again, the balanced position is **18.75%**.

DJC would normally adopt a profit level of **17.5%** for open-market units and **6%** for affordable units. This produces a **merged profit level below 17.5%** on schemes where affordable housing is delivered on site.

In this case, however, the appraisal is for a **100% open-market scheme**, with an off-site affordable housing payment and **no affordable units on site**. This results in a **higher overall profit requirement**, because:

- all units must be sold on the open market,
- there is no affordable element to reduce overall risk,
- the scheme becomes easier to market and operate,
- and the merged rate used on mixed-tenure schemes is not applicable.

It follows that the appropriate profit level must be **higher than DJC's usual merged rate**, but does **not** reach the upper benchmark of 20% associated with the highest-risk retirement living schemes.

This structural consideration supports a profit rate **between 17.5% and 20%**, and reinforces DJC's conclusion that **18.75%** is the fair, balanced and PPG-compliant assumption for this particular scheme.

**8. Relevance to the Section 106 Agreement**

Although the profit assumption does **not** affect any affordable housing payment to the Council (which is agreed at zero), it remains material because:

- Developer profit forms a defined input into **Schedule 2 of the Section 106 Agreement**, specifically the *"Target Return"* used in the viability review mechanism.
- The Target Return determines how future viability is assessed and whether any further contributions may arise at review stage.
- It is therefore essential that the profit assumption is set at a **fair, reasonable, and PPG-compliant level** at the outset, to ensure the review mechanism operates correctly and transparently.

For this reason, the profit rate is still a matter requiring resolution at the Hearing, notwithstanding that it does not alter any immediate affordable housing contribution.

**9. Acceptance of 20% Profit on the Crispen Centre, Street (Somerset) – Context and Relevance**

For completeness, DJC also addresses a previous case where a 20% profit assumption was accepted, to ensure the Inspector is fully aware of the context.

During the viability negotiation for the Crispen Centre retirement living scheme in Street (March 2025), the applicant stated:

*"In order to conclude these negotiations and on a Without Prejudice basis, my client is prepared to offer £120,000 as a section 106 contribution (for all S106 contributions sought). This offer is made on the basis construction cost allowances do not need to be considered any further given the information presented on this matter. This offer is a global section 106 figure with individual contributions towards individual items such as affordable housing, waste etc. to be determined by the planning authority (or the Planning Inspector)."*

The applicant's **global S106 offer** was expressly predicated on a **20% profit assumption**, and the Council was minded to accept that offer.

Accordingly:

- DJC accepted the 20% profit assumption **solely because it formed part of the applicant's voluntary S106 package**,
- DJC did **not** independently determine that 20% was the appropriate profit level for that scheme,
- and the acceptance of 20% in Street does **not** establish a precedent for DJC's professional judgement on retirement living profit rates.

It was a **negotiated acceptance of the applicant's chosen inputs**, made in the context of securing a contribution the Council wished to accept, not a viability conclusion reached by DJC.

The circumstances in Street therefore have **no bearing** on the appropriate profit level for Floringham Lodge, which must be determined solely in accordance with PPG and the site-specific risk profile.

**10. Conclusion**

Developer profit is the only remaining variable in dispute. PPG requires that profit reflect the **specific risk profile** of the development.

This scheme sits **between** general needs housing and the highest-risk retirement living schemes.

DJC has therefore adopted **18.75% of GDV —** a rate that is:

- PPG-compliant,
- balanced,
- evidence-based,
- moderated,
- and reflective of the agreed risk characteristics of the scheme.

DJC respectfully submits that **18.75%** is the fair and reasonable profit assumption for the purposes of viability assessment at appeal and for the correct operation of the Section 106 viability review mechanism.