

Blog Series: Understanding Planning Gain & Value Uplift as a Private Investor in Oxfordshire Real Estate Deals

Article 2: Residual Value, Benchmark Land & How to Know If a Site's Worth It

Not All Land Is Equal — Here's How We Tell What's Viable

If you're investing in development, one of the most important calculations happens before a site is ever bought. It's the basic question every good developer asks:

"How much is this land actually worth — and is the deal viable?"

That's where **residual land value (RLV)** and **benchmark land value (BLV)** come in. These concepts sound technical — but they're the very simple tools we use as developers to decide whether a project will work *and* whether your capital is protected.

In this article, we break down how developers assess value, why small shifts in cost or policy can make or break a deal, and how OLD-Homes uses this methodology to manage investor risk right from day one.

1. The Formula at the Core: Residual Land Value (RLV)

Here's the simplest version of the equation:

Residual Land Value = Gross Development Value (GDV) – (Build Costs + Professional Fees + Profit + Policy Obligations)

Let's say: - GDV (sale value of the finished homes) = £1,000,000 - Construction, fees, returns and obligations = £800,000

Then your **RLV = £200,000** — which is what you could pay for the land and still make it viable.

That's the maximum land price to hit the desired return. Go above it, and you squeeze profit — or expose investors to risk.

2. Benchmark Land Value (BLV): What's the Baseline Worth?

BLV is what the land is worth *today*, based on its current use — with a premium added to make it worth selling.

In Oxfordshire, for example: - A commercial building might have an existing use value (EUV) of £150,000 - To justify sale, the landowner expects a 30%–50% premium → £200,000–£225,000

If the **RLV comes in lower than BLV**, the deal's not viable — at least not without reducing costs or increasing GDV.

The exception is where there is a vendor that is willing to sell for a lower figure than the BLV, this is often due to some factor in their circumstances where they just want rid or aren't set up to manage the asset properly themselves.

But the math has to math...

That's why development deals can fall apart, or only succeed in skilled hands. *Planning gain* only creates real investor returns if the numbers actually stack.

3. Why This Matters for Investor Risk Management

This valuation process isn't academic. It's how we determine whether a project has: - Enough **margin of safety** to absorb cost changes - A **buffer** in case planning is delayed or conditions tighten - A **realistic path** to profitable exit

At OLD-Homes, we run detailed appraisals on every site before investor capital is deployed. These include: - **Sensitivity testing**: What happens if costs rise 10%? - **Exit stress tests**: What if we sell at 5% below current values? - **Time impact**: What if planning takes 3 months longer?

By doing this up front — and using local cost data, planning intel, and contractor input — we reduce surprises and improve investor confidence.

4. Real Example: When the Math Saves the Money

We recently assessed a mixed-use corner plot in a South Oxfordshire village: - GDV (2 flats + 1 small retail unit) = £675,000 - All-in cost estimate = £510,000 - RLV = £165,000 - BLV (existing shop use + vendor expectations) = £190,000

That £25,000 shortfall meant it wasn't viable — unless we could: - **Improve design** (get 3 full flats, not 2 + shop) - **Negotiate lower purchase** - **Find cost savings in construction**

Because our local team knew the planners and shop owner, we: - Secured pre-app support to change use entirely to residential - Negotiated £30k off asking with deferred payments

Result: deal now *is* viable — and investors enter with a clear, secured uplift path.

5. Why Local Insight Is Critical Here

The difference between a viable and unviable deal often lies in: - Knowing **real build costs**, not London guesswork - Understanding **policy interpretation** at district level - Leveraging **local relationships** to navigate purchase terms, utilities, design, solutions to problems.

National spreadsheets can't do this. Local teams — like OLD-Homes — make it happen.

This boots-on-the-ground understanding is one of your biggest risk mitigation tools as a third-party investor. It means we avoid overpaying, underestimating costs, or overpromising planning outcomes.

6. What Investors Should Look for in Residual Calculations

If you're reviewing a deal, ask: - Is the **BLV lower than the RLV**? - Are costs based on **verified local inputs**? - Is there **headroom** for market fluctuation? - Has the developer **stress-tested** their assumptions?

We publish this kind of sensitivity as standard in our investor packs — because understanding RLV isn't just a developer job. It's part of **protecting your capital**.

Go deeper into the money in investing in property development

Before any money changes hands, smart developers run the math. Smarter ones do it *with local insight, cost control, and investor-aligned terms*.

Want to see how we calculate viability on live sites?

[Download our Sample Appraisal Pack](#) or [book a walk-through call](#) with our founding team.

Next in the Series:

Planning Obligations, S106, CIL, and the Policy Costs That Shape Your Return