



LW DEVELOPMENTS

William Myers BA (Hons) MA
Senior Development Management Officer
Welwyn Hatfield Borough Council

By Email

10 April 2019

Dear William,

**Addendum to the Financial Viability Assessment (Executive Summary)
Northaw House (6/2019/0217MAJ)**

This addendum provides a brief commentary on movements in house prices and build costs since the financial viability assessment for Northaw House was agreed with the Council. Its purpose is to assist the Council and its advisors in providing robust advice on the viability submission, and to confirm that the enabling development agreed at the pre-application stage and subsequently submitted is the minimum required to address the conservation deficit.

Financial Viability Assessment

Viability discussions between LW Developments and the Council were completed at pre-application stage. The executive summary prepared by Grimshaw Consulting Ltd submitted with our application sets out the matters that were agreed between the Council and the Applicant.

The Council was advised by Anthony Lee of BNP Paribas, who produced his final advice on 15 October 2018. This confirmed the benchmark land value and the minimum quantum of enabling development required. A development appraisal is included in appendix 3 of the report.

The proposed scheme submitted in January and validated 1 February, as detailed in the application documents, is the same as the minimum quantum of enabling development agreed by BNP Paribas.

Market Commentary

Sales values and build costs relied upon in the financial viability assessment are shown in the development appraisal in BNP Paribas' report.

Tables 1 and 2 below set out the changes in sales values and build costs between the date of their report and the date the planning application was validated on 1 February 2019.

During this time, house prices in Welwyn and Hatfield have fallen 1%. This follows a wider trend of declining house prices across the region and UK-wide during this period.

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Table 1. Change in Sales Values

Location	Index ¹		% change
	Oct-18	Jan-19	
United Kingdom	121.31	119.66	-1.36%
East of England	128.02	126.38	-1.28%
Hertfordshire	126.65	122.94	-2.92%
Welwyn & Hatfield	127.69	126.41	-1.00%

Source: Land Registry UK House Price Index

¹Jan 19 is latest available data

On the other hand, build costs have increased 0.31% during the same period. With the current uncertainty around Brexit and the affect it will have on labour and materials, build cost inflation is forecast to increase 3.10% year-on-year at the end of 2019.

Table 2. Change in Build Costs

Date	Index	% change
4Q 2018	323	
1Q 2019	324	0.31%
2Q 2019	326	0.93%
3Q 2019	329	1.86%
4Q 2019	333	3.10%

Source: BCIS

Summary

In the 14 weeks from when the viability assessment was agreed to the date our application was validated, there has been a marginal fall in house prices and a marginal increase in build costs. We therefore consider the financial viability assessment agreed with the Council to be robust.

Subject to no further delays or imposition of financial obligations, we confirm that our proposed scheme is the minimum quantum of enabling development necessary to restore the heritage assets at Northaw House.

I trust the above is sufficient for your purposes. I look forward to hearing from you in due course.

Yours Sincerely,



Dean Williamson MRICS
Director