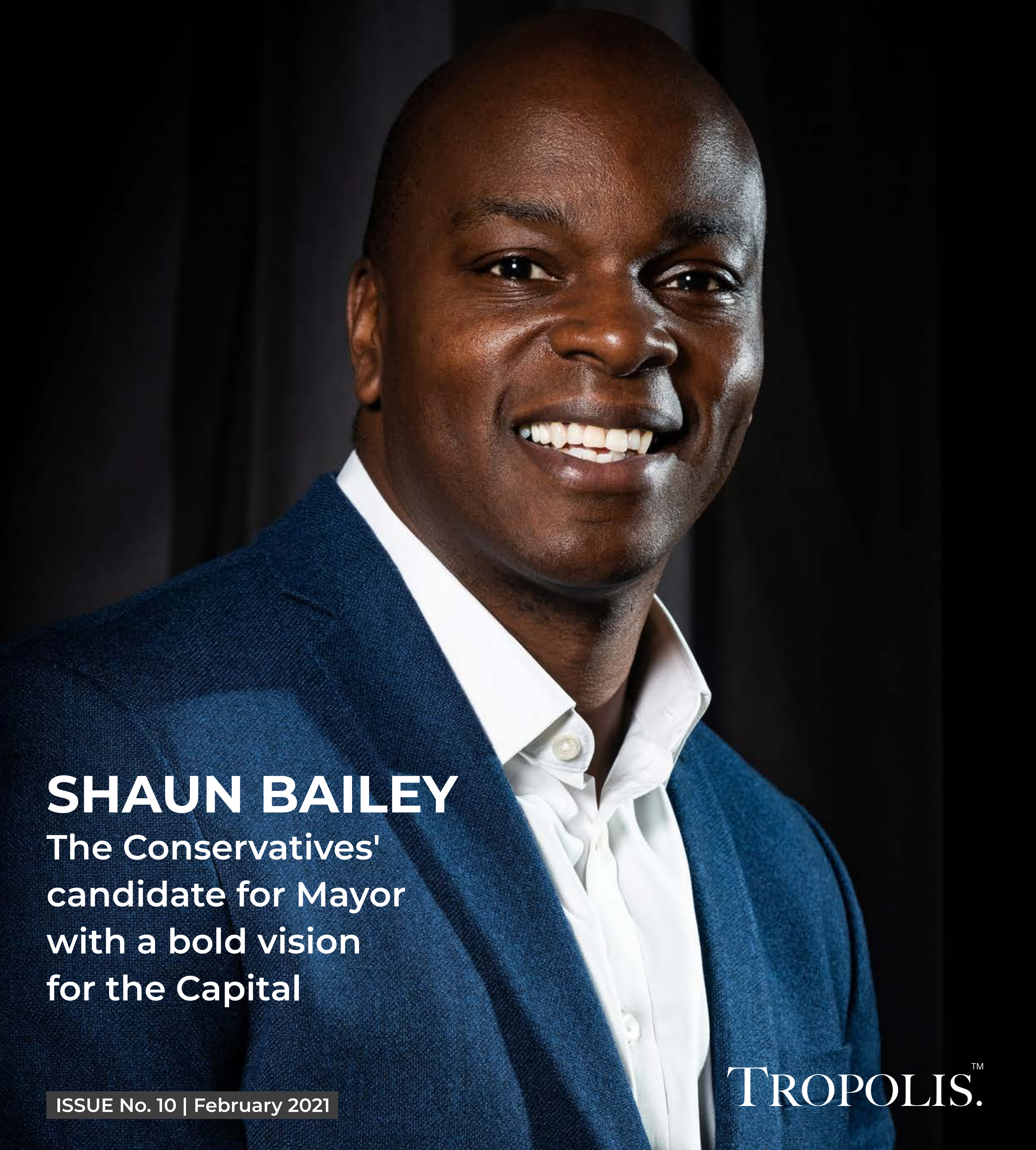
Qandor.®
PROPERTY MAGAZINE

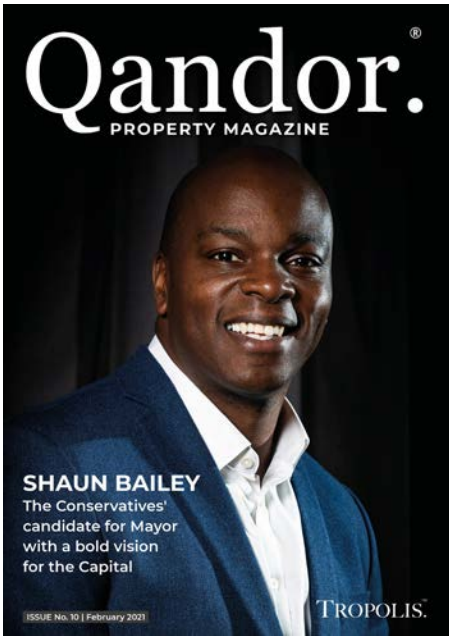


SHAUN BAILEY
The Conservatives' candidate for Mayor with a bold vision for the Capital

TROPOLIS.™

ISSUE No. 10 | February 2021

IN THIS ISSUE



Cover featuring Conservative Party candidate for 2021 Mayor of London elections, Shaun Bailey. Read his interview on p. 52

ISSUE NO. 10

Qandor Founder
Matthew Siddell

Managing Director
Kevin Taylor

Managing Editor
Gabrielle Winandy

QANDOR TEAM

Membership Manager
Rekha Patel
rekha@qandor.org

Videographer
James Evans
james@qandor.org

For editorial and advertising enquiries, please email:
magazine@qandor.org

Visit our website:
www.qandor.org

Contributors
Am Kainth
Andrew McDonald
David Ives
Doug Johnson
Efe Rizvanoglu
Emma Morby
Evan Maindonald
Gary Hersham
Gary Walsh
George Ttouli
Grazina Thompson
Joe Mühl
Jonathan More
Lee Langley
Luke Crutcher
Michelle Lowe
Mike Bristow
Neil Scroxton
Paul Davis
Paul Oberschneider
Rob Wilkinson
Russell Gould
Will Herrmann

THE FIGHT FOR LONDON

In property and construction, we talk about 'capital' a lot. For Shaun Bailey, that word means something entirely different. Shaun is the Tory Party's pick to take on Sadiq Khan in this year's contest for the capital. Holding any elected office must come with its own pressures, but I can't say I'd willingly step into the political driving seat of London, one of the world's most dynamic, popular and powerful cities, especially at the moment!

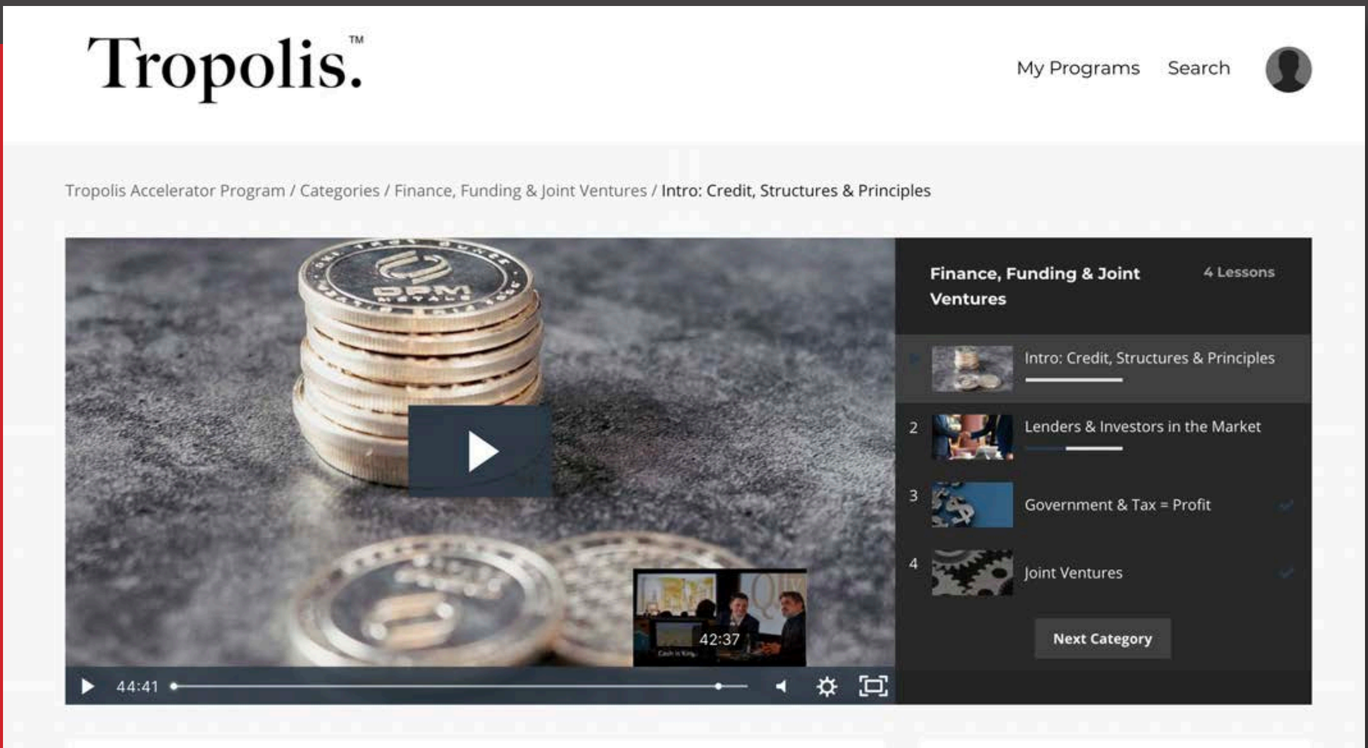
The City has taken a 1-2 punch recently as the effects of Brexit converge with those of the pandemic – creating a perfect storm of instability over the Square Mile the likes of which we have never seen before. Across London, rising unemployment and crime, a battered local economy and thousands fleeing for more space in the suburbs have all left those remaining Londoners with a sense of unease. It's no surprise that the incoming Mayor of London's main priority will be to steer the city back to prosperity.

I recently had the opportunity to interview Shaun about his plans for the city, should he win the election in May (p.52). It was a fascinating conversation, and I believe he has what it takes to lead London. I was particularly impressed with his housing policy, which promised 100,000 new homes for people with just £5,000 deposit – something we can all agree would be a helpful boost to those angling to get onto the property ladder in the capital.

Politics aside, this issue showcases some fantastic interiors, with Joe Mühl's piece focusing on luxury bathrooms (p.20) and an award-winning interior design project in Oxshott by David Phillips (p.26). We also have a comprehensive property finance section in the latter half of the issue, starting with Rob Wilkinson's look into the change in lending over the past 10 months (p.98).

Matt Siddell
Founder

THE TROPOLIS PROPERTY ACADEMY.



The Tropolis Property Academy is for anyone and everyone who intends to develop property, whether you intend to build a portfolio or to take advantage of the principal residence reliefs and make tax-free gains adding value to your home.

The Accelerator Program gives clients a deep understanding of many aspects of property investing including sourcing deals, legals, funding, refurbishment, property and tenant management, and how to find and work successfully with the right people.

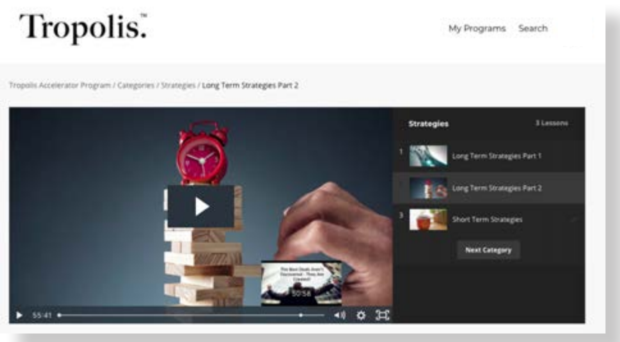
MORE INFORMATION

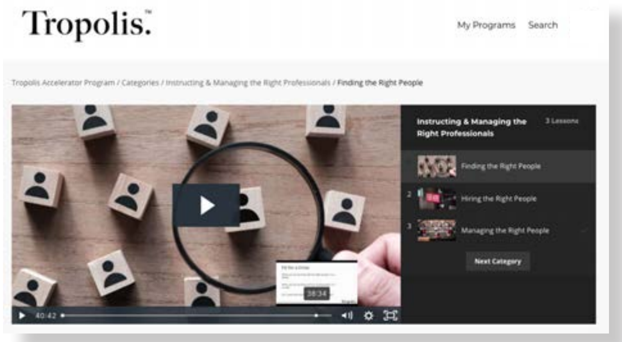
What is covered?

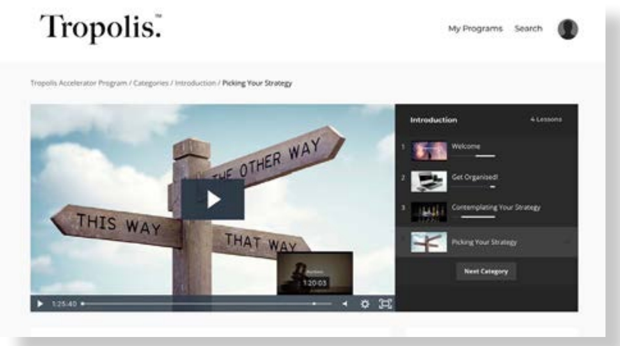
Our clients are sophisticated, intelligent people and the Tropolis Accelerator Program is deliberately comprehensive and dense, in order to meet their needs.

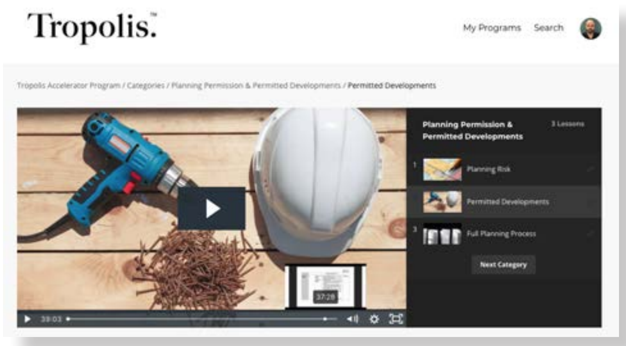
The program is comprised of many valuable components including the network, coaching calls and the private support forum.

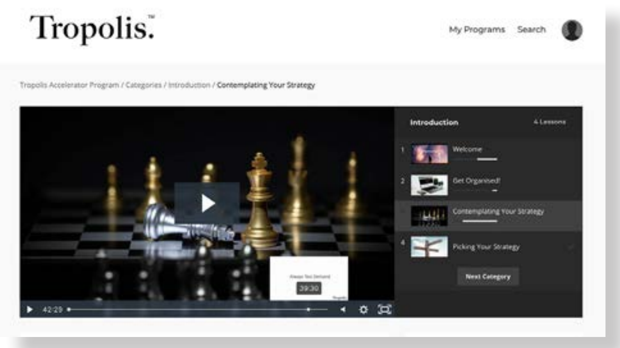
The online modules, prepared and published by our professional and experienced team, are packed with highly valuable content and advice with lifetime access.

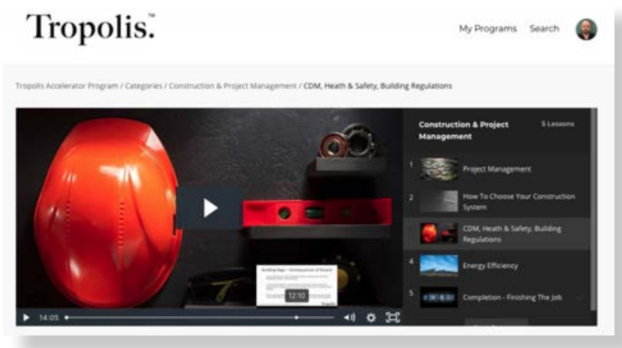












The Experts

Our panel of experts has over 550 combined years of business experience, built over 5,000 homes and developed over £1.5bn in property value.

Each Expert will deliver an exclusive masterclass, sharing their experience, expertise and property insight.

Alan Waxman
Property Developer
Landmass London

Ben Keenan
Property Developer
Broadwing Homes

David Kemp
Planning Consultant
DRK Planning

Dicky Lewis
Architect
White Red Architects

Doug Johnson
Engineer
Mesh Energy

Evan Maindonald
Property Developer
Melt Property

MORE INFORMATION

Jamil Qureshi
Peak Performance
Psychologist

Jonathan Erdman
Consultant Solicitor
Keystone Law

Lee Langley
Mortgage Consultant
OnPoint Mortgages

Mike Bristow
Investor, Fintech CEO
CrowdProperty

Mike Frisby
Property Developer
Brankin Developments

Naman Pathak
Property Developer
Mountbatten Homes

Neil Scroxton
Architect
Scroxton & Partners

Oliver Lowrie
Architect
Ackroyd Lowrie

Paul Oberschneider
Financier
Hilltop Credit Partners

2021: REASONS TO BE CHEERFUL?

PAUL OBERSCHNEIDER
Founder
Hilltop Credit Partners

www.hilltopcreditpartners.com

HILLTOP CREDIT PARTNERS

Only a few days into the new year and Boris did what we all knew he was going to do – into Lockdown 3 we went. This time round, as per previous, the housing market and construction were amongst the limited exceptions to the restrictions, deemed vital to keeping the country's economy, at least part-ticking along.

The market, of course, ended 2020 on a high after five months on steroids and should continue performing well at least for a few more months. There's a lot of uncertainty owing to the pandemic, to the aftermath of Brexit, to the looming end of the SDLT moratorium… and there's a lot of respected opinion that the market has to drop at some point this year.

That may well prove to be the case, but at Hilltop we're cautiously optimistic about the year ahead. The vaccines are with us and will slowly return a sense of normality, the government has a clear housebuilding and home ownership agenda and, perhaps underpinning all this, house buying isn't purely a financial transaction for many; it's a function of necessity, of lifestyle or of desire.

History has proven that decent stock in decent locations is always in demand. The demand may fluctuate, but it's always

there and it always bounces back from the troughs. Currently, there are lots of dynamics at play at the micro level – the rise of the countryside, retail and office-to-resi repurposing, and foreign buyers returning to name but a few.

I think the market is in for a lively year – hectic followed by lull followed by a gradual resurgence. But from a development perspective, an important factor will be the banks' appetite for lending, and here I don't see much happening. It's been on a steadily downwards trajectory for years now, and the economic fallout from the pandemic, coupled with the uncertainty, is not going to provide an epiphany.

Furthermore, alternative finance in recent years has made a decent – albeit tentative – effort to step up to the plate, providing much-needed options for securing funding. There's still an estimated funding shortfall exceeding £100bn, but the appetite from private capital is enthusiastic.

Hilltop's funding capacity has increased significantly since September of last year, which has allowed us to focus on ever-larger developments, and I'm constantly impressed at the volume of decent, credible opportunities out there. On the flipside, we are now in a position where we help developers that come in under our raised ticket size find more appropriate lenders from elsewhere in the market… and we find that the options are constantly expanding.

The development side of the market is in good shape, all things considered. If the feel-good factor on the transactional side can be shored up or, worst case, quickly revived after it drops, I think there's a reasonable chance we'll be sat here in a year's time thinking 2021 wasn't all that bad. Q.

LENDING OPTIONS FOR PROPERTY INVESTORS.

LEE LANGLEY
Principal
OnPoint Mortgages

www.onpointmortgages.com

Data collected by Hamptons report that landlords made up 15% of all agreed sales in November 2020, the highest total in four years. Investors were said to have bought approximately 134,000 properties in 2020, up slightly from 133,000 in 2019.

Interestingly, according to the research, a record high of 51% of the purchases were in cash. This might suggest that the larger portfolio and professional landlords have been more active in the market during the pandemic.

In addition, several options remain available in the lending market that can allow you to refinance a property within a six-month period. In most instances, the loan is based on the purchase price, but a few providers such as Kent Reliance or Foundation Home Loans can use the open market value if works have been carried out to justify the increase.

What options remain available, however, for those seeking to use a mortgage? Let us look at a few different areas of the buy-to-let market below.

Single Lets

As of 22/12/20, BTL purchase products at 75% LTV on a two-year fixed rate start at 1.59% when buying in your personal name. The equivalent for a limited company purchase is 3.04% with Kent Reliance. Both lenders have flexible criteria with no minimum income requirement. 80% LTV products have also re-emerged, which shows an increasing appetite to lend, with pricing on a two-year fixed rate starting at 3.79% with Landbay.

HMO

Maximum LTV remains at 75% with rates starting at 3.35% on a two-year fixed product via Paragon as of 22/12/20. Some lenders are still reducing the number of bedrooms that they can lend on, but Paragon can help with properties of up to 20. Criteria varies, but Kent Reliance can help first time landlords going straight to HMO letting, and Fleet Mortgages can be very flexible on the type of tenant, considering assisted living and even SERCO leases.

Multi-Units

Maximum LTV as of 22/12/20 is 75% again, with the Paragon HMO product also being suitable for freehold blocks of up to 20 units. We are seeing an increase in enquiries from developers wanting to sell several flats in a block and then keep the remainder, whether on one facility or separate. Both options are possible and if you finance each flat individually, lenders like Foundation Home Loans and Landbay even have products without early redemption penalties.

Serviced Accommodation

While mortgages for holiday lets are easier, there are a few options for serviced accommodation. A property qualifies as a holiday let when a surveyor can confirm that there is a specific demand from holidaymakers. For serviced accommodation properties outside of typical tourist destinations, Foundation Home Loans have a 75% LTV two-year fixed product priced at 3.89%, although you must have at least one existing BTL.

Semi-Commercial and Commercial

Appetite for commercial lending varies as lockdown rules change. Semi-commercial lenders have largely returned with Hampshire Trust Bank and Shawbrook both at 75% LTV, and they allow interest only. Pure commercial lending is more difficult to navigate, with some high street banks having reigned in their offering. There are still a few specialists active in the market, however, especially for the right proposition. Q.

Your home may be repossessed if you do not keep up repayments on your mortgage.
Some forms of Commercial Lending and Buy to Let advice are not regulated by the Financial Conduct Authority.

Lee Langley is the Principal Mortgage and Protection Adviser at OnPoint Mortgages. OnPoint Mortgages, a trading style of L&D Mortgages Limited, is an appointed representative of The On-Line Partnership Limited, which is authorised and regulated by the Financial Conduct Authority. Registered address: 25 Homefield Road, Bushey, Hertfordshire, WD23 3AP

SELLING VERSUS RETAINING PROPERTY

GRAZINA THOMPSON
Investor & Partner
Dapatchi Group

www.dapatchi.com

Understanding the basics of retaining stock versus selling stock will help you determine what deal structures and strategies you should undertake, and ultimately help you decide how you will operate within the property sector.

The easiest way to understand these two terms is to look at it as Retaining equals Investing, and Selling equals Developing.

Retaining stock

Retaining stock could be beneficial to you if you want to become an investor. This includes being a buy-to-let investor or even a commercial investor. Overall, this aspect refers to any strategy where you retain the property upon completion and receive rental income.

Positives

The great thing about this method is that it's fairly instant and provides an ongoing income. Also, if the property is retained for a long period of time, you will likely achieve capital growth.

Another important positive is if you can reinvest the income on a regular basis, compounding your investment and building your wealth.

Negatives

A potential negative is that you become a landlord to the future tenants, which opens you up to problems such as unpaid rent, repairs and damages. You either have to become a manager yourself or employ a management company at a cost.

Using this strategy may also give you lower returns if your property is in a relatively expensive area of the country; or

if it is the opposite, you may not achieve as much capital growth, even if your income and returns are higher.

Selling stock

This is a good strategy if you need to build up capital swifter, because you realise the profits and capital put in as soon as the project is completed and sold.

Positives

A positive to this strategy is that it affords the opportunity to build your capital and wealth quicker. Developments generally take anything from six months to two years to complete, and as soon as the cash pot is out, it can be used again on a new deal.

Another reason as to why this could be a good strategy is because there are no tenants involved and, therefore, no people problems such as unpaid rent and rental damage. Instead of growing a property portfolio, what you are doing is growing a property business.

Negatives

This strategy could be regarded as higher risk, as there are many pieces that you need to get right in order to achieve that profit. Development finance is generally quite expensive, and any time delays or cost overruns may erode those profits or even the capital put in.

Another potential negative is that this strategy can have an impact on cash flow. Even with some management fees built in, the cash flow for the business must be carefully monitored due to risks of delays.

If the nature of the development is such that the end result is a number of properties, such as converting a commercial type of building to residential units, you may mix the two strategies and sell some and retain the rest.

Ultimately, when deciding which one of these strategies is best for you, it comes down to who you are, what you want to achieve and what your long-term goals are. Q.

BE MORE PROFITABLE IN 2021.

MICHAEL BRISTOW
CEO
CrowdProperty

www.crowdproperty.com

CrowdProperty CEO & Co-Founder Michael Bristow shares his top tips for project success in the coming year.

At CrowdProperty, our experience has told us many things – one of the most important things being how to keep a project moving, especially across the many parties involved. When it comes to contractors and suppliers, there's no better motivating language than cash... and, conversely, none more demotivating than the lack of it.

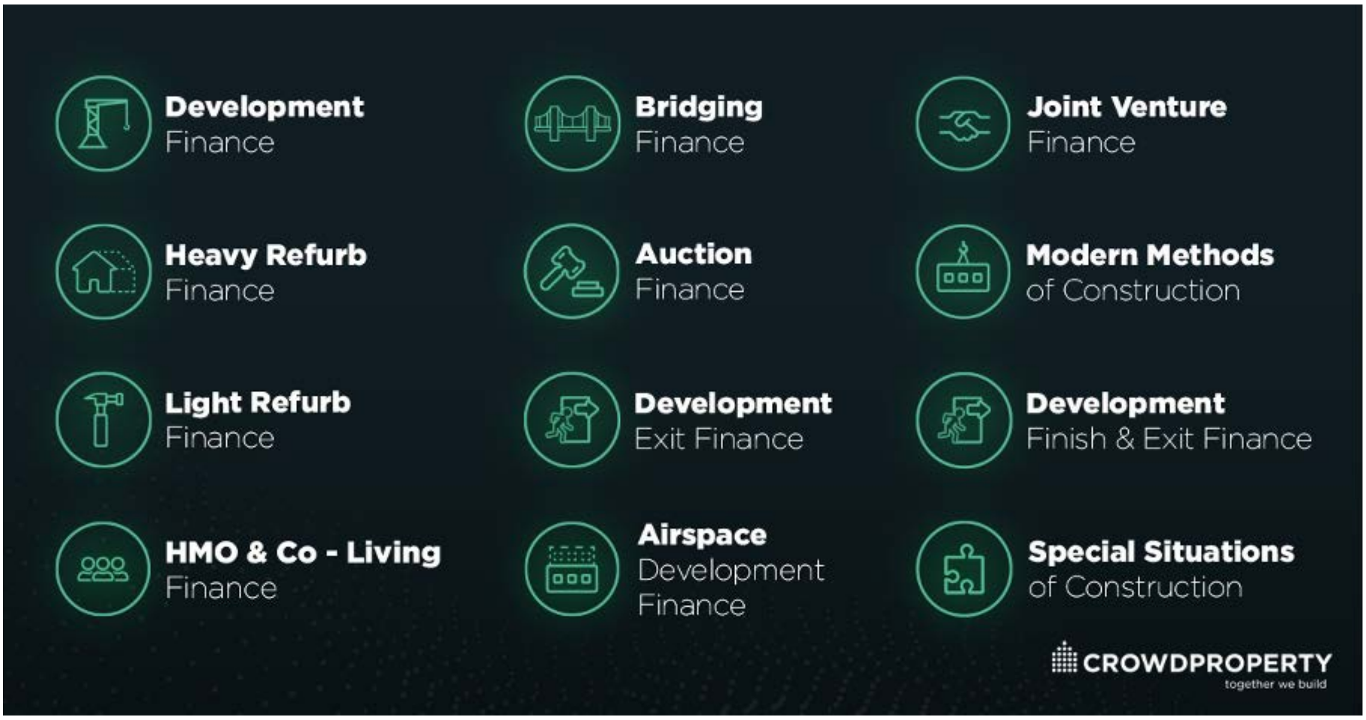
We all know that banks take their time when deciding whether to extend loan capital to developers. What's often not considered is the opportunity cost of this to the developer. That waiting time is often taken for granted, as if it should be the norm. But it comes with a steep opportunity cost price tag for those waiting for the decision.

One experienced developer we've spoken to said that on every project he'd worked on over 30 years, he spent 90% of his time for four to five months sorting his finance. In effect, that's a third of your project time that could be spent more productively on core business like finding sites and delivering sites.

If you want to make the most of your time and grow your property business quicker and more profitably, read on for our top tips.

1. **Be focused on what gives you competitive advantage in this market.** There are two things vendors really value: certainty of a sale, and not having to hang around for it – i.e. speed and certainty. Of course, the two are interrelated, as the more they keep hearing from a developer that they're almost ready to complete the deal, and that cash will hit their bank account any day now, the twitchier they get, and understandably so. And the more likely they are to look around for alternative buyers. Conversely, if you can guarantee them a swift transaction, where others potentially can't, then that strengthens your negotiation hand. Most importantly, it means that they will likely accept a lower offer than one where they are expected to hang around waiting. We have provided proof of backing to take into negotiations, with spectacular results. We've had our customers save tens of thousands of pounds by putting forward a more advanced offer package to the vendor, including certainty of finance, versus the highest bid for the sites in question. Engage early and differentiate your offer from others – it'll pay handsomely.

2. **Start building a relationship with your prospective lender** When we set up CrowdProperty, we believed that a direct relationship



between developer and lender is critically important. This is not just efficient (this takes out considerable fees for both borrower and lender), but it enables the critical parties to work together to structure the best product, expert to expert, which endures as a partnership throughout the project. We believe that our focus on working directly with developers from start to finish is critically important, giving you the benefit of decades of development expertise, access to our decision makers and ultimately a lender that is a value-adding partner throughout the project as property people offering property finance.
A quick decision on funding helps your bottom line in two ways: it increases your turnover by removing dead time whilst waiting for confirmation, enabling you to grow your property business quicker, and also potentially lowers the cost of your most fundamental input – the property, site or land (and we've seen tens of thousands of pounds being saved against the highest bid by our customers).

3. **Make sure you're ready**
Get together the proof that you can deliver property projects and add capability / experience to your team based on the project type. Build your team of professional advisers early – especially considering that legals are almost always on the critical path, so never plump with vanilla conveyancing solicitors for your site acquisitions and seek word of mouth recommendations around speed and efficiency as well as technical capability. Then apply to CrowdProperty early and we'll deliver you the competitive advantage to maximise profit.

At CrowdProperty, we don't just rely on our decades of experience dealing with the frustrations of raising finance but keep close to the latest needs, trends and pains to bring you the best products and service in the market. We offer the full suite of short-term finance across any type of project:

This is yet another example of the benefit of working with property people for your funding: we know what's important to you and the project, and we deliver with the speed, ease, certainty and transparency you should expect from your funder to help grow your property business quicker. Q.

Find out more at www.crowdproperty.com.

Apply for property project finance in just 5 minutes at www.crowdproperty.com/apply.

TEN WAYS TO INDIVIDUALISE YOUR PROJECT AND CREATE A LUXURY FEEL.

JOE MÜHL
Managing Director - Contracts & Commercial Projects
Ocean Bathrooms
www.oceanbathrooms.com

There are so many projects with the same basic standard products specified, but there are several ways to create a luxury feel or distinguish your project to make it stand out from other developments.

1. Special finish is one of biggest ways you can individualise your development, like changing chrome to a colour (could be matt black or matt white) to give it a less standard feel. Matt black has been used to give a feeling of higher spec in bathrooms, and matt white is now starting to be seen

in more developments. But for a very individual luxury feel, there is the option of special metal finishes, e.g., platinums, golds, brasses, black chrome, bronzes, and even bespoke finishes to match the development finishes. Another bespoke option you can add is a personalised engraving on the taps/showers with the special finish. Price-wise, this can mean a 20-200% increase in the cost of chrome (depending on finish).

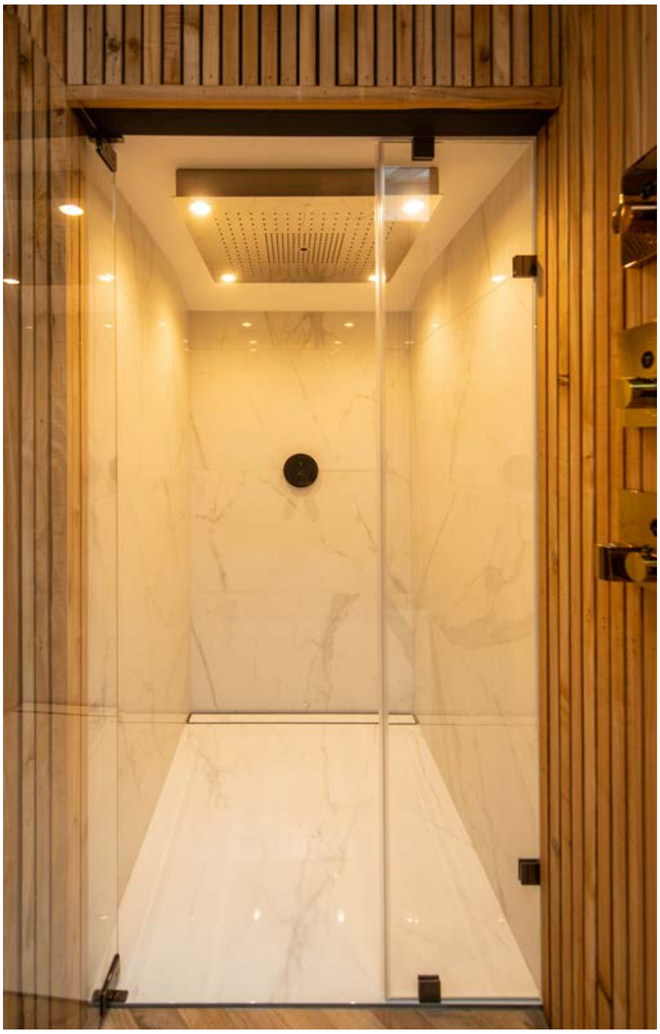
2. Concealed shower valves and rain showers add another level of luxury to the standard shower set. By making it concealed, the valve is easier to clean and looks more modern. This can cost about £200-500 per room (depending on the spec and brand). ➳

3. Wall hung WCs are now something that a lot of people expect because they have been around for a long time, but a lot of developers don't use because of the cost or the anti-plumber. But wall hung WCs can offer so many advantages in selling. To give the end user some reasons why: firstly, because it's off the floor, it gives the feeling of more space in the room. Secondly, it's a lot easier to keep clean – something that people usually consider an advantage. Thirdly, floor standing WCs are normally quite low. With a wall hung WC, you can make it slightly higher, either as standard on the build or even to a set height for a tall customer. Extra cost is about £200-500 per room (depending on spec and brand).

4. Washer WCs are less used generally because of cost. But because of hygiene (especially in the last year) as well as the Olympics being held in Japan, which has them virtually everywhere, more people are trying them out. A washer WC gives a certain luxury element to a penthouse apartment or high-end build. It also means clients will never have to worry about running out of toilet roll in lockdown ever again. Extra cost is about £1,000-4,000 (depending on spec and brand).

5. Vanity units are incredibly important for storage. If you have a ledge, that's a great start, but some developers don't even do that and supply a basin you cannot add a unit to, so it means a separate storage unit. A lot of bathrooms don't have space for that either, so by adding a storage unit, clients can visualise that they will be able to put all their bottles of lotions and potions away without worrying. You can, of course, have a basin that a unit can be added to after. And, like kitchen packs, if they want an extra unit, they can call up after they have moved in and order one directly. Extra cost is between £50-500 (depending on spec and brand).

6. 10mm glass is something that can really give a feel of luxury to a new build. There are a lot of basic off-the-shelf nasty slider doors that fall apart within a year or don't clean very well. Thicker glass gives you the option of having it frameless (meaning not having aluminium frame), having simple seals to clean, having it higher if required, and having a simple round circle hole



instead of a chunky handle. The feel of luxury when you open the door instead of a cheap pivot or slider door is undeniable. Extra cost is usually between £100-1000 (depending on spec and size).

7. Accessories are something that are always forgotten in a build, but having them in CGIs or showrooms can give the person buying it a way to visualise there will be a place to put bottles, toilet rolls, etc. Extra cost is £10-100 (depending on how many).

8. Easy clean coatings are never used in developments. Why not? It's not normally the cost; it's just they're generally not offered. But they're such an added value for a sale. Basins can have easy clean coating to stop limescale and toothpaste sticking to basins, WCs can have easy clean coating with a hygiene formula fired into the glaze to stop bacteria and other things smelling in the toilet, shower glass can have easy clean coating to stop limescale and soap sticking to the glass, and tiles can have easy clean coating to make cleaning easier. Extra cost starts from £30 per item, but explain to the client that they will have a cleaner and nice bathroom for longer. ➳

9. Large format tiles can give you a luxury feel as they have less grout joints, which gives the feel of more space and the fact that you will have less grout. Extra cost can be £50-100 per m2 (depending on tile size).

10. LED lighting in niches and under units is a very cheap way to give a modern feel. By putting LED strip lights in niches, under wall hung WCs and basin units, you can create a more luxury feel. It can also give a nice glow to customers, rather than a bright light in the middle of the night. Cost starts from £10.

Just some of the above have been used as upgrades in various projects with members including Bright Heights by Dapatchi, Wilmot Road by Gleeson Build, Huntington Road by Ikon Property, The Crescent by Ferrata Property, The Crown House by Daylight Developments, Dulwich by Edge Design (all Qandor members), and Knowle Close by Beau Property.

You don't need to do all of these to express individuality, but offering something that the local developments don't have gives you an advantage over the competition.

AWARD-WINNING INTERIORS ON THE CROWN ESTATE.

DAVID IVES
Business Development Manager
MILC Interiors

www.milcstyle.co.uk

milc
INTERIORS

We are pleased to present our second award-winning scheme of 2020 from the International Property Awards – a project within the Crown Estate in Oxshott, Surrey – designed by our award-wining Senior Interior Designer, Freya Reed.

Taking inspiration from the prestigious redevelopment of the local area, Milc devised a scheme which is sympathetic to the Art Deco style of the house, photogenic to entice on the property market and alluring to potential exclusive buyers.

The Milc team were instructed to design the lower ground floor and three bedrooms of this seven-bedroom house, with strong attention to detail and focus on quality of finishes.

The look and feel needed to encompass the timeless elegance associated with the developer's reputation and build of the property. With the property market entering into a state of uncertainty, we worked closely with the developer to showcase the property to the very best of its potential.

To appease this brief, Milc introduced a muted colour scheme with pops of accent colour across each room; with recognisable accessory brands and careful consideration towards styling, Milc wanted to identify the status and lifestyle the property would offer to its inhabitants.

The entrance hall (opposite) is a grand double-height space. The first room and entry point facing the front of the property, it had to have a wow impact.

This space needed to evoke awe and create a strong first impression to set the property's tone. Textures and a soft colour palette were used to add depth to raw marble finishes, with a drop chandelier to capture attention. The detailing in this space plays with inviting textures and negative silhouettes.

The dining room into the reception room (below) flowed seamlessly from one ➳

to another with the use of Crittall doors. We wanted to obtain the sense of space by using organic, subtle fabrics and natural materials whilst offsetting the monochrome finish.

With the creative use of delicate fabrics, the textures and tones complimented one another with clever contrasts such as the piping on the chairs and brass accessories.

For the reception room, a rich on-trend boucle fabric was chosen for the rounded sofas, which are offset with brass trim, making them pop against the marble flooring.

The off-white walls enhance the windows' view and showcase the private swimming pool and gym, with the ample luscious greenery landscaped outside. ➻

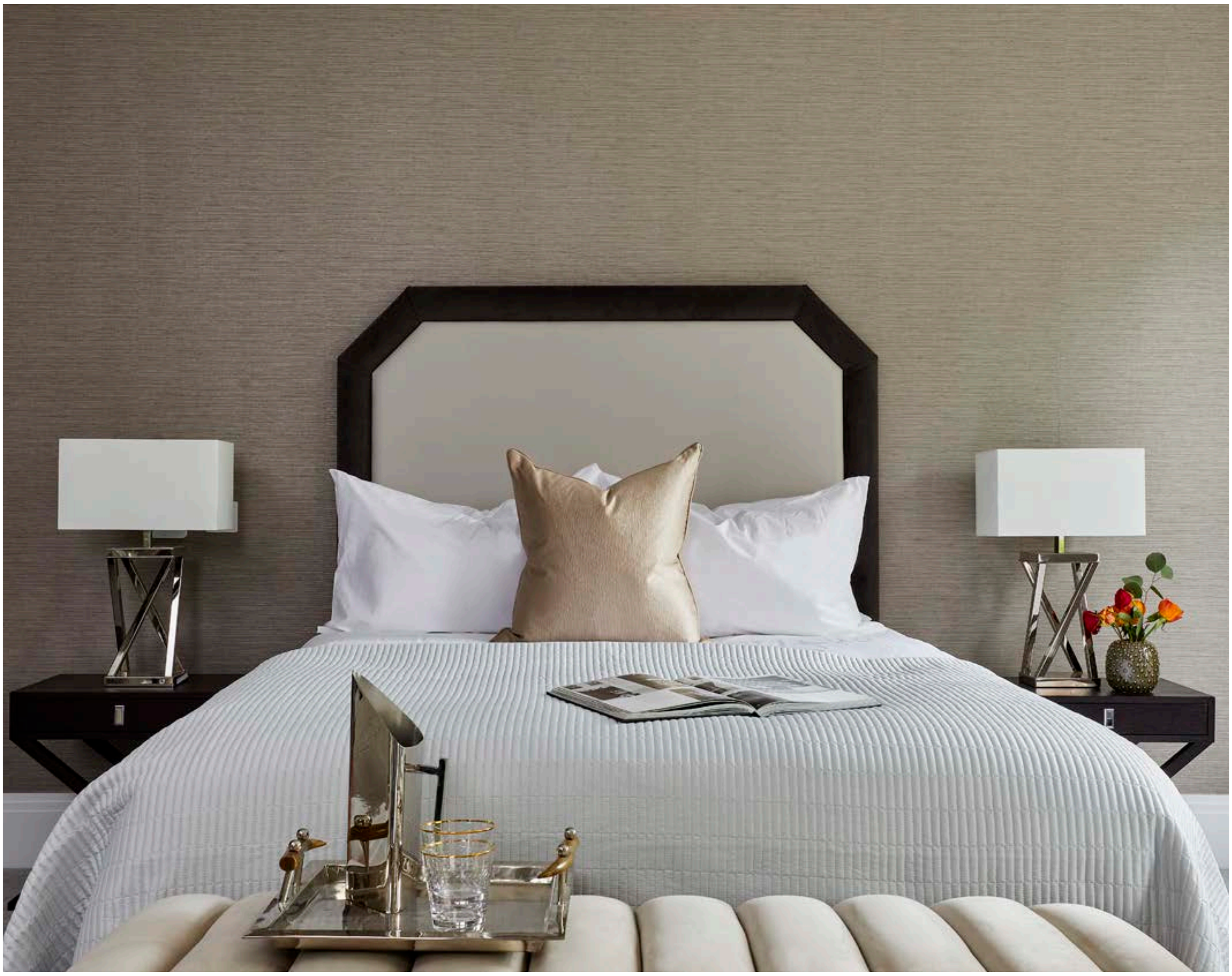

SCOTLAND'S MOUNTAINS

The study (left) is a room with a view that overlooks the front of the house. We created a sophisticated and inviting study, dressing the ample bespoke storage that offsets the patterned wallpaper. The room is light and bright with wallpaper that shimmers in the changing daylight. The darker furniture we selected helps to ground the muted colour tones used and add depth.

With rich golden hues, the bedrooms allude luxury through the metallic finishes and shimmer of softer accessories. More Art Deco-inspired pieces were curated within this bedroom (below) to continue the subtle hints throughout the house. Q.

We work with clients to transform a blank canvas into a prestigious home. Using our designers' array of experience and unique ideas, we are able to create engaging environments that appeal to all tastes, budgets and time restraints.

If you have an upcoming project that you are seeking design advice for, please do email info@milcstyle.co.uk.



HOME CINEMAS: A MUST IN 2021

LUKE CRUTCHER
Director
Living Home Technology

www.livinghometech.co.uk

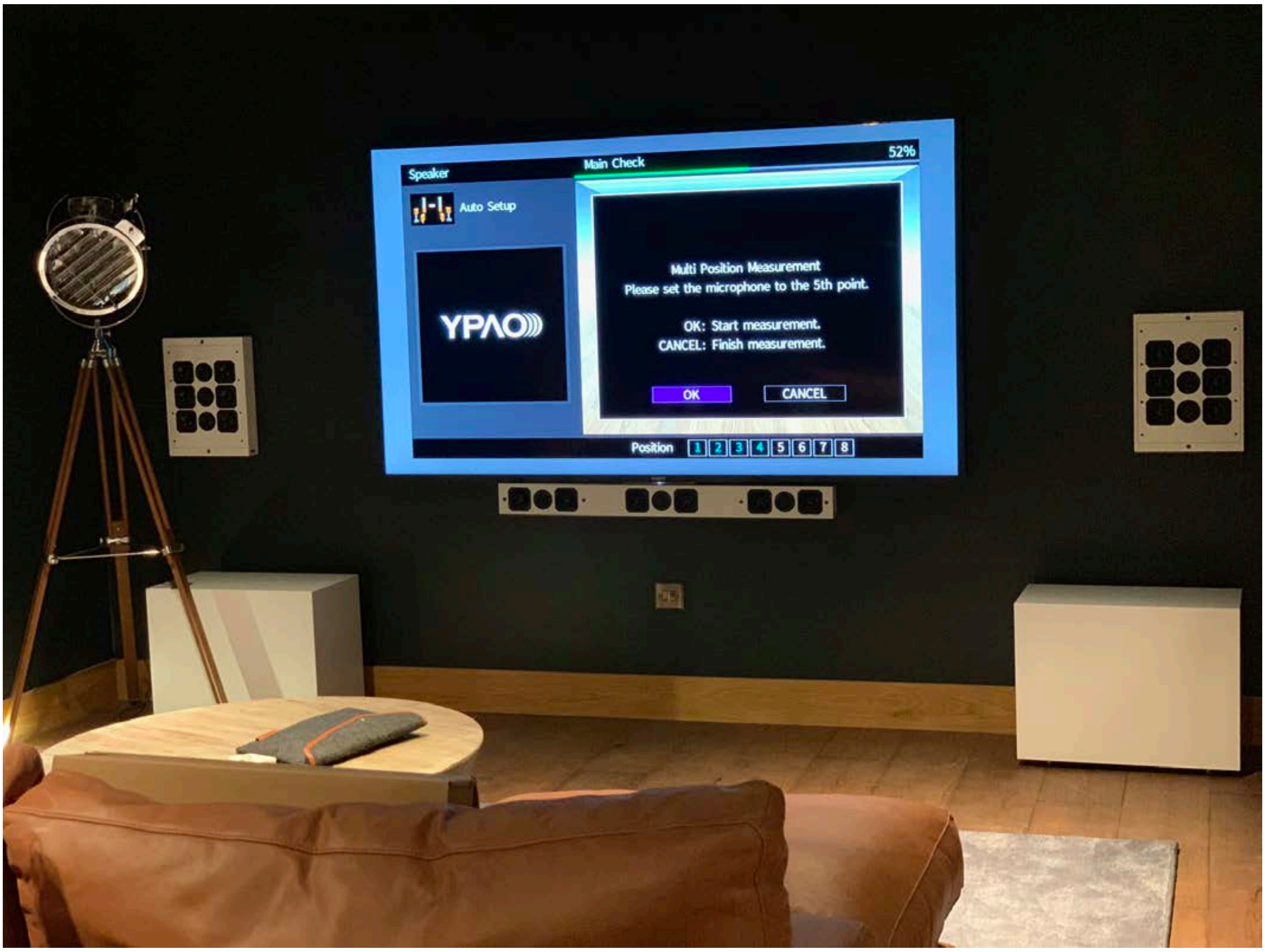
LIVING
Cinema | Lighting | Control | Design

Well, that wasn't the start to 2021 we were all looking for! Just like The Godfather Trilogy, this 3rd Lockdown is maybe an instalment too far? Ooooo, contentious... Regardless of your view on Godfather III, we're definitely at the end of our tether with the restrictions and awful news cycles, so let's talk about some positives that have come out of the past year.

We've seen huge changes in the home cinema industry in the past 12 months. Not least because home cinemas were the ONLY cinemas open for most of 2020 and so far in 2021, but also due to the trend of major film studios releasing blockbuster movies via an ever-growing raft of streaming channels, such as Disney+, Amazon Prime and Netflix.

Our prediction is that this won't change anytime soon. Disney are doubling down on their streaming catalogue, MGM are looking to move away from blockbuster movies, and Netflix have been releasing homegrown blockbusters all of their own for some time now. It feels like we're at the beginning of something rather momentous and exciting.

What all of this does is reinforce the need for your very own cinema at home, whether that's a multi-use area such as a family room or lounge, or a purpose-built room with a projector and fabric walls. The events of the



past year have also changed things for our developer clients, where we've seen the cinema room go from a 'nice to have', to an absolute necessity, helping to sell homes faster than ever before.

Our top tips for developers in 2021 and beyond are:

- Include a home cinema experience fitted and ready to go in your new developments.
- If you're developing a block of apartments, a home cinema in the communal area is a great selling point.
- Use the installed home cinema and make it a leading feature in the brochure/sales literature.
- Make sure you have the room designed by professionals, allowing the use of Dolby logos, correct screen sizes and the maximum seating capacity – all of that helps tick the right boxes.
- Add a data network that allows the streaming of 4K (soon to be 8K) and Dolby Atmos sound.
- Trends are heading towards less multi-room and more single-room installations; don't waste your budget on fitting these systems that may not be required or used.
- When you sell homes, make sure you have a professional company in place that stands behind the tech with a comprehensive maintenance plan, leaving you to move on to your next project. Q.

If you would like to experience real home cinema for yourself or enquire about our 3D design service, feel free to drop us a line on luke@livinghometech.co.uk.

OUR TOP TEN LIST FOR HOME CINEMA VIEWING.

For a bit of fun (remember that word?) we've put our top 10 home cinema movies to watch now...in no particular order.

These are movies or shows that we have used on a regular basis in our showrooms across the UK, once a client hears 'A Star Is Born' or 'Bohemian Rhapsody' in Dolby Atmos, or lays eyes on 'Apocalypse Now' in 4K, any doubt as to whether a home cinema can better the multiplex experience simply melts away.

1. **Pulp Fiction**
   In our opinion Tarantino's finest work, you likely have, but if you haven't do it today, you own't regret it (even if you have, do it again, why not?)

2. **Interstellar 4K**
   An amazing soundtrack and mind bending plot, an epic.

3. **Bohemian Rhapsody**
   The story of Freddie and Queen, the ultimate film soundtrack?

4. **A Star Is Born**
   The latest incarnation of the story is bang up to date and beautifully acted.

5. **Blade Runner 2049**
   What a soundtrack!

6. **Rogue One - A Star Wars Story**
   Tough decision this, but Rogue was the down and dirty Star Wars we were hoping Disney would deliver...

7. **Apocalypse Now 4K**
   What an amazing remastering in 4K!

8. **James Bond: Skyfall**
   The moodiest of Bond movies, perfected with a Scottish backdrop.

9. **Tenet**
   Another film from Nolan in our list? You bet. One of the only cinema releases of 2020, and another mind bending journey with an awesome soundtrack.

10. **John Wick**
    Without doubt one of the best violent movies ever! Who wouldn't chase down 150 Russian mafia chaps for killing their puppy?

CHISWICK – MY GREATEST LOSS.

NEIL SCROXTON
Managing Director & Founder
Scroxton & Partners

www.scroxtonandpartners.co.uk

SCROXTON & PARTNERS
PLANNING | ARCHITECTURE | CONSTRUCTION MANAGEMENT

For reasons of decency, I am going to name very few names in this case study; in fact, none at all. All too often we share the good stories, the big wins and the pretty pictures, and we shy away from the skeletons in the closet.

Since embarking on this particular project, I have been on a bit of a mission to share the cautionary tales within our industry, the projects that I have learnt the most from rather than the projects that I have gained from the most. And so, with that in mind, here's the project that I am least happy to have been involved with: my greatest loss. A schooling, if you like, to walk before you can run.

In mid-2015, I invested in a development company that had previously developed a couple of London houses and made a reasonable return. The proposition for me was great: I would be investing in projects that my architecture company could also design. So, there was the allure of fees and profit at the back end.

After investigating on what seemed like hundreds of sites, we finally purchased a site in Chiswick. The land was originally secured with an offer of £1.85m with a GDV of £4m for six units, generally all two-beds with a single one-bed unit on the ground floor. The initial build budget was around £1m, SDLT was £135k, purchase costs of £100k and cost of finance about £300k. This left a profit of approximately £615,000.

Through the purchase process, we managed to get the price down to approximately £1.5m, which seemed like a big win at the time. However, it was clear as the project progressed that two things were way off: the GDV and the specification required to meet the GDV when compared to the budget.

Alarm bells should have rung when the team couldn't get a main contractor to build for anywhere near the original cost plan. The situation worsened when the team was put under pressure to start on site. This forced a change in construction strategy that ultimately took on more risk.

Fundamentally, the issue was that in the pre-purchase phase of the project, the brief to the QS for the cost plan was 'what is the cheapest we can build this for' but, as the development progressed, there was a want to spend on Mechanical and Electrical (particularly home automation) and high-end bathroom and kitchen finishes to try and justify the GDV. This, along with some general construction issues in the ground, increased the build cost by around £400k (in honesty, it probably should have been more).

With hindsight, the main issue with the GDV was the lack of consideration for the Help-to-Buy scheme. When using square foot analysis to value the properties, it put them at an average value of about £670k. No one considered the possibility that the units would realistically need to be pitched at £600k or below to open up to a wider and safer market and sell quicker.

This essentially knocked the GDV down to under £3.6m. Further pressure came from the Brexit vote scaring the sh*t out of most purchasers in the Greater London area, creating a general slowing of the market. (An interesting footnote for future referendums is that voting districts whose general voting preference 'won' the referendum continued to perform well, while those whose residents perceived that they 'lost' the vote slowed down).

With £400k up in costs and £400k down in value, the profit was all but wiped out even after the drop in the land purchase price. But, in the end, the death nail for the project was spiralling interest payments. Due mainly to issues in the ground and the project taking longer than expected to complete and sell, interest went through the roof and, in short, we lost a small fortune!

I was taught some big lessons on this project. At the outset of the project, I had no real idea about project financing and 'stacking the deal'. I could pull together a construction budget, but that wasn't enough to help me understand the risk profile and what/why something could go wrong and what coverage you should have within a project. I entered the project as an investor and made the rooky mistake of trusting/expecting that the team I was investing in knew more than I did and that there was a plan to protect the downside.

As the issues became apparent, I should have walked away, but I was emotionally invested as well as financially invested, and so I more than doubled down to try to help get the project over the line, while other investors did what they could to protect themselves. All in all, it was a bitter pill to swallow, but rather than sink back and tell myself that I should stick to the drawing board, I got myself an education in the things that I was naive about. Now, I look at projects for myself and clients with proactive pessimism rather than believing the upfront hype. Q.

WELCOME TO CAVERSWALL CASTLE.

EMMA MORBY
Director of Land Acquisition
Heritage England

www.heritageengland.co.uk

Ever wanted to own your very own castle? Well, now you can! The property we are featuring this month is truly one of a kind. It's steeped in history and has a pretty impressive price tag to boot. Welcome to Caverswall Castle!

This historic Grade I listed castle, stretching 16,224 sq ft, complete with its very own moat and three separate converted turrets, all set within over 21 acres of stunning landscaped gardens, beautiful lakes, woodlands and paddock land could be yours for a cool £2,000,000.

The Castle is based in Stoke-On-Trent and has enough space for a growing family or possibly a exclusive luxury hotel and spa. The Castle alone boasts of 10 reception rooms, 12 bedrooms, a gym, a games room, 3 converted 1-bedroom turrets and a converted gatehouse with various outbuildings scattered through the property and land.

For the history buffs, this historic property originally dates back to 1260s as an Anglo-Saxon Manor.












The four corner towers, as well as the pair of towers on the north east side (which form part of the gate house), were added in the 16th century. During the English civil war, the Castle was held by Parliament, but the property fell in to disrepair until 2007, when a private owner purchased the property and restored most of its features.

The interior has been sensitively restored with original stone work and dark wood panelling in many of the rooms, but don't worry: it has its fair share of 20th century technology and modern fittings… candle light is a thing of the past!

The property has now fallen into the hands of LPA receivers, and they are looking for a potential buyer. So, if you fancy owning a real-life fairy-tale castle, then now's the time to make a cheeky offer. Q.

PROPERTY OF THE MONTH.

BACK TO THE FUTURE: A KNIGHTSBRIDGE HOTEL RETURNS TO RESIDENTIAL USE.

GARY HERSHAM
Founder
Beauchamp Estates

www.beauchamp.com

BEAUCHAMP ESTATES

Of late, hoteliers have faced an increasingly challenging time, but the demand for luxury lateral living, particularly in London's premier district, Knightsbridge, has seen no such changing tide, especially when the property in question has interiors by a world-class interior designer and offers exceptional facilities: the future of these three grand townhouses sees them not only returned to residential use but also set a new standard of luxury for boutique developments in Knightsbridge.



The Italianate style six storey townhouses at 41-43 Beaufort Gardens were originally built by Kensington developer Jeremiah Little in 1861-1870, and designed by RIBA architect George Adam Burn (1817-1886), with grand brick facades, stone dressings, large arched windows and pillared entrance porticoes: first residents included a Viscount, Dowager Duchess and Army General. In 1966, the trio of houses became the Parkes Hotel, which in 1984 incorporated an adjoining townhouse into the hotel and in 1985 obtained planning permission for the addition of a sixth floor, rear extension and the inking of interiors, creating the configuration that exists today. The hotel closed in 2008 and in 2013 was sold for redevelopment.

After over two years' work, 41-43 Beaufort Gardens has been restored to its original residential origins and status, and behind the retained façade there now stands a new £91 million ultra-prime residential development. Providing nine lateral apartments, each with interiors by Parisian designer Pierre Yovanovitch, whose style focuses on balance, comfort and modernity, residents have access to a residents-only health spa with gymnasium, treatment room and sauna. Yovanovitch was the only French designer to appear in the "AD100" ranking of the best interior designers in the world in 2010 and has undertaken luxury interior design projects for Pierre Cardin, Hermès, Christian Louboutin and the Hotel Marignan.

41-43 Beaufort Gardens has been launched with two dressed show apartments – a townhouse apartment and first floor lateral apartment – that perfectly bring to life the exceptional residences and showcase the attention to detail, quality, finish and craftsmanship. In the current prime London market, these are attributes that discerning and demanding clients are prepared to pay for. Quality sells. Add this to the traditional property mantra of "location, location, location" and it is easy to see why this is indeed one of the most exclusive luxury development launches in central London in 2021.

Accessed via an elegant entrance lobby, with a bespoke reception desk providing a home for the hotel-style daytime concierge (7am-7pm), the unique marble flooring, also designed by Pierre Yovanovitch, in Black Marquinia and White Aristone marble, lends a bold Art Deco-style simplicity.

Arranged over eight floors, connected by a residents' lift, the apartments provide up to 4,042 sqft (375.5 sqm) in size, some with outside terraces/balconies, and include triplexes and a penthouse on the top two floors, with a terrace providing rooftop views over Harrods. The apartments benefit from large rooms, generous ceiling heights and a bespoke specification, the discreet development offering a new level of design and luxury for 21st century Knightsbridge living.

Highly imaginative and historically rooted, the inspiration for the two dressed show apartments is based on celebrating the "lost river of Knightsbridge". The approach is an adroit reminder that Knightsbridge was originally a bridge over the River Westbourne guarded by knights. The river now is buried and was replaced by one of London's most exclusive addresses.

Using this historic context, ink blue details have been woven into the colour palette throughout both show apartments with the texture and tone of materials carefully considered as to how they could emulate the ebb and flow of water.

The overall aesthetic for the striking dressed living spaces echoes lofty sophisticated European residences, where high ceilings, white stucco frontages and a sensibility of scale between rooms typifies the design. Influences were drawn from Madrid, Rome and Paris – where drawing rooms play host to lavish entertainment – as well as the deep-rooted history of typical Knightsbridge and Kensington architecture.

The location is ideal – moments from Harrods and the Victoria & Albert Museum, and with some of the finest restaurants in the world, all within walking distance, residents at 41-43 Beaufort Gardens can indulge their culinary and artistic appetites with ease: equally with some of the most prestigious fashion and jewellery houses in the world located in Knightsbridge; those seeking the very best in retail will not be disappointed.

This is an excellent, and rare opportunity, having been designed through a special collaboration with Pierre Yovanovitch.

Each apartment has a spacious reception and dining room with a feature fireplace to selected units, elegant panelled walls and bespoke-design parquet flooring in antique-finish Grey Oak. The fully kitted custom-made kitchens by Design Space, in conjunction with Italian artisan-manufacturer Modulnova, have Gaggenau appliances, sleek soft-close drawers and units, marble slab walls and marble Art Deco-inspired statement flooring.

The principal bedroom suites have coffered ceilings, recessed bespoke shelving, timber flooring complete with a walk-in dressing room with bespoke joinery and shelving, a main bathroom with bespoke design flooring in Thala Grey stone and Black Marquina and walls adorned with White Ariston marble.

The duplex penthouse has a large entrance hall with a sweeping curved staircase that connects the floors, with spacious living and entertaining spaces, VIP bedroom suites and a rooftop terrace offering views of the adjacent Harrods cupola and roofscape. Q.

The apartments at 41-43 Beaufort Gardens are priced from £2,450,000 up to £25,000,000. For further information, contact Beauchamp Estates at Tel: + 44 (0)207 499 7722 or www.beauchamp.com.

“SAFE, AFFORDABLE, FAIR” – SHAUN BAILEY’S VISION FOR ‘NEW’ LONDON.

MATTHEW SIDDELL
Founder
Qandor & Tropolis

Qandor®

Tropolis®

New build shared ownership homes for the under 40s, more bobbies on the beat and creating a safer capital city for businesses to start and grow are just some of the items discussed when I recently sat down with Shaun Bailey, Conservative Party candidate for Mayor of London.

Bailey, 49, already has a New London mapped out in his head. Whether it’s one the residents of the capital share with him will only become clear at the London Mayoral Elections on May 6 this year. That day, Bailey will be taking on current incumbent Sadiq Khan – London’s first-ever Muslim mayor – who has no intentions of stepping aside, thank you very much.

Certainly, if not exactly predicting a win, the polls are starting to go in the right direction for Bailey, a former young person’s advisor and friend of ex-Conservative MP David Cameron.

Commercialising TFL to Boost London's Coffers

Meanwhile a big winning strategy for Bailey's candidacy surely must be his refusal to increase Council Tax. Khan has said he will put it up by 9.5% (Ministers wanted to increase it by 21%). Bailey's strategy to boost the capital's coffers is to commercialise Transport for London in the same way Dubai did with allowing corporate branding in the 23 stations of its metro system. Dubai raised £419 million over 10 years and their metro is the size of the District Line. By conservative estimates, London could generate half a billion pounds over five years.

As for bringing in new business which, in turn, will bring jobs for communities, the former youth worker insists it's a no-brainer.

"Job number one of the Mayor is to bang the drum for London," he said. "London has worked for more than 1,500 years now thanks to its wealth creators. To attract companies in the first place, we need the right regulatory environment."

Appointing a Deputy Mayor for International Trade

If he gets into power, Bailey says he'll appoint a Deputy Mayor for International Trade to help him set this up. It won't be a political appointment, but rather an individual who has been successful in business – someone with "the right policy background who knows what businesses need in order to grow and thrive." By that, he means someone who knows the legal ins and outs of setting up a company and what support is needed to win clients.

But the new would-be "CEO of London" isn't stopping there.

"Of course, it needs more than that," he adds. "We also need the right setting for people to come, stay and work. People want to feel safe and that's why I want to see 8,000 more police employed and with improved technology to help them step up 'stop and search' measures."

Shared Ownership Model

And then there is Housing. Bailey, a married father of two, is particularly enthusiastic when it comes to what he will do to let Londoners have their own private piece of real estate in the capital. That's because property ownership "changes everything," he says.

He's already stated publicly that should he be elected, he will make 100,000 New Builds available for shared ownership to first-time buyers, with just a £5,000 deposit.

"That's the difference between 23 years and two years of saving for a deposit," he said. "It's realistic and means you can staircase at 1% if you like. Then again, your life chances may change and you can afford to pay more.

"If you have some equity of your own, you can pursue the housing ladder. Shared Ownership is a half-step, a lower bar to getting on the housing ladder. Why should Londoners not be able to fulfil the dream of owning their own home like they do in other cities around the UK? Of course, another advantage of shared ownership is that we have more homeowners and fewer dodgy landlords."

Bailey himself was almost homeless at one point when he was told to leave the family home. If a friend hadn't stepped in and offered him a place to stay, he might well have found himself in a sleeping bag under London Bridge. His friend's generosity, Bailey said, later left him in tears. ➳

"People want to feel safe and that's why I want to see 8,000 more police employed and with improved technology to help them step up 'stop and search' measures."

"The stress of being potentially homeless is unbelievable," he said. "Being homeless allows lots of other negative things to happen to you.

"I started a charity where I'd see young boys who were involved in gangs. Only two things made a difference to their lives – whether they had work or a place to live. The best case scenario was to have both.

"Owning your own place changes everything. For a start it drives your cost of living down – owning being less expensive than renting. Most young people want to have a stake in society. When they do, they conduct themselves differently. Really, home ownership is precious."

New Body Housing for London to Oversee More New Builds

Bailey plans to improve access to housing quickly by setting up a body called Housing for London. This will comprise 20 Mayoral Development Corporations (MDCs) who will hopefully form partnerships with local boroughs. Bailey can help with government money the boroughs with planning (he wants to reduce planning permission from two years to six months).

"A housing developer can look, see what's going on and immediately see whether he or she wants to get involved or not," he says.

"Developers won't be dealing with people ideologically opposed to them. I will be very clear about what type of housing I want and how much it should cost so that no-one wastes their time or money.

"And, because it's shared ownership and not social housing, the developer will be able to access some of the money upfront, making them more likely to get involved in the first place. If you're a good developer, this is your opportunity to provide housing and employment and make a decent profit. Bad developers can stay away."

Whether Bailey, whose grandfather was part of the Windrush generation, gets to enact his vision for the city he loves will become clear in less than four months' time. Watch this space. Q.

WHAT'S HOT IN INVESTMENT AND DEVELOPMENT PROPERTY FOR 2021.

Paul Davis
Co-founder
Nimbus Maps

www.nimbusmaps.co.uk

Finding the right site is critical for any developer or investor to be successful. The old property saying is: You buy right; you make money. But how do you find the best sites? And how can you be confident they are going to work?

I have been involved in over 350 successful planning applications throughout my career, and I soon discovered that four crucial, yet simple considerations made them a success.

Principles for success: Intensification

Drive value out of sites by increasing the density of usable accommodation within a development. If the land value is fixed, you want to get as much usable floor space on the site. Minimise areas that don't attract value like common parts as they cost you to build but don't have any intrinsic value. As a rule, areas with a residential value of £300 per sqft or more start to make a lot of sense for residential development.

Transformation

Drive profit into sites by changing them from a lower value use to a higher value use, or simply refurbish buildings. Take tired properties and bring them up to modern-day standards to command a higher value. It's then a simple calculation between the cost of works and the value of what's created.

Location

Choose sites in sustainable locations. Typically, this means there is a local shop, pub, bus route, education facilities, etc. This will increase your chances of getting planning approval, plus you will have plenty of comparable evidence to support your valuation and be confident you are paying the right price and know what you can realistically expect to sell for.

Consideration

Put forward proposals in line with the existing character, style and typical land densities of that area. Planners don't typically like anything that is out of character for an area.

Get all of this right and you will have schemes that stack up, proposals that councils will support and projects that should be profitable.

While these four principles stand the test of time, there are additional new opportunities unique to 2021.

In today's COVID-affected market, the message from the government is BUILD, BUILD, BUILD. Combine this with the wholesale changes we expect in our personal and working lives, after three national lockdowns, and there are more property opportunities out there than ever before.

There are various sets of permitted development rights, creating fantastic potential for developers and investors. Commercial conversions are proving to be very profitable right now. These are three examples that present exciting opportunities for anyone looking for new sites in 2021: ➳

Convert shops, financial establishments, betting offices or payday loan shops to mixed-use

You can have one or two flats above a shop under permitted development without planning permission. It is worth noting that these are subject to building regulations; there must be flats above the shop, you can't convert any part of the ground floor to residential, and from 6th April 2021, these will need to adhere to the new minimum space standards.

Convert retail, takeaway and others to residential

You can convert a ground floor retail space, takeaway, betting office, payday loan shop or launderette to residential up to 150 square metres. The unit must have been in use as a shop or other retail unit on or before 20th March 2013, and PD rights do not apply if it is in a key shopping area where the unit's loss would impact the area's sustainability. From 6th April 2021, these will also need to adhere to the minimum space standards.

Convert offices to residential

You can convert an office to a house or flat as long as it is not a listed building or in an area where the local authority has an article 4 preventing this type of conversion, and it must have been an office before 29th March 2013. It can be carried out in conservation areas, national parks and other protected land.

Our team of Nimbus® data scientists have calculated that there is over £100bn of free, uncapitalised property value up for grabs. Follow these principles and strategies to make the most of the unique opportunity 2021 presents, while we have both new and existing permitted development rights in place. My advice to everyone is act now or risk missing out on this once in a generation opportunity! Q.

If you would like to know how Nimbus Maps will help you find and assess sites in minutes, visit our website.

BESPOKE

HOME CINEMA

INSTALLATIONS

Scan me!

"we're booking projects into February 2021 and beyond, get in touch and start Living!"

Luke Crutcher - Director

We use science to design your perfect space!

We've won yet another award for our cinema rooms! We're not blowing our own trumpet here (well, we are) but we've beaten all of the compeition again! Why not experience one of our cinemas for yourself at our Essex or Dorset showrooms? Our Dolby Atmos 4K rooms will blow you away. We've started our waiting list for 2021 projects, so now is the time get your name down!

livinghometech.co.uk

A CHALLENGING START.

MICHELLE LOWE
Founder
Redshell Consulting

www.redshell.org

Well, this year has started with a bang!

We, as an industry, have already proven ourselves to be flexible and responsive to the challenges of 2020. Which, by and large, were all COVID-19 related.

The abrupt lockdowns, initial site closures and new operating procedures have by all accounts caused a bump or two, but not a fall. Am I bold enough to say, at this point, no real damage done?

The government continued directives that "Construction must remain operational" have been our absolute saving grace; without that absolute clarity and support, or even push to continue, I am sure we would have fallen off the proverbial cliff.

There has always been hearsay and scaremongering in Construction – everyone has an opinion; everyone has lived and worked through a recession, or two. Everyone these days is a scientist. A construction site often has more gossip than a 1950s mothers meet.

So, the point of this little ditty is to cut through some of the mutterings and note the reality of the construction cost challenges that we face as we stutter and stumble into 2021.

The BREXIT Hangover

BREXIT is done! Whatever "done" is yet to be fully understood, of course. Again, a huge amount of fear and gossip over, well, many years, has left us floating around in some kind of BREXIT fog. On Monday 21st December, many countries closed their borders to the UK. Under the threat of the new and improved COVID strain, or BREXIT related? Who knows, really.

The reality is that the supply chain did stutter. Queues of lorries seen stranded on the motorway and then moved to contingency parking areas. Hundreds and hundreds stuck with perishables and important supplies on board. But only for a day or two. Our illustrious leader stated with pride that what saved us from food, medicine and other shortages by the border closures were the BREXIT contingency measures already in place. I found this both comforting and disconcerting.

Our contingency plans do allow for delays to logistics and transportation and provide alternative routes for supply. So, what's the reality of the hangover? Additional paperwork required, additional time, maybe additional transportation costs. A delay, not a stop. A bump, not a fall.

The material cost impact of the BREXIT negotiations, however, are yet to be realised. The array of tariffs, charges and new VAT levels is an absolute minefield. A huge challenge to navigate and understand, let alone relay up the supply chain just as yet.

We are currently reliant entirely upon the supply chain advising us, as and when the impact becomes known, making it impossible to predict and quantify. I'll rely on the oracle for guidance over the coming year on the material cost impact that will inevitably filter through to construction costs.

As an aside, I found a prohibition on the importation of goods from Crimea or Sevastopol. Well, alrighty then. That we can handle.

COVID, The Trilogy

The sequel, it seems, is more impactful than the original.

The number of cases of COVID now in circulation is astonishing. The impact of those with the big C and those who are now in isolation has had a huge effect on all workforces. By all accounts, this will continue for a few months yet. We cannot deny the impact labour shortages and disrupted attendances can have on a project.

Our project at West Ham Lane has had no fewer than 180 labour inductions over a six-month period on site. No, we did not have a workforce of 180. It shows the dramatic effect COVID has had on absenteeism and the number of replacements a single sub-contractor

has had to provide. We would expect a workforce of 40 or so for the duration.

With the improved testing availability, testing facilities and the track and trace notifications to self-isolate, we can only predict that the fluctuation within the workforce will likely be exaggerated from that of the original wave.

CLIC, and You're Open

The Construction Industry Leadership Council (CLIC) issued Site Operating Procedures v7 on the 7th of January, 2021.

Like every version, it's slightly stricter, slightly more stringent but still manageable. Operational, and long may it continue. The reality of the CLIC SOP v7 is an increase of preliminary costs to the Contractor. PPE, site set-up and additional management required.

The impact of the SOP is of course hugely dependent upon the programme stage of construction. Luckily, our project at West Ham Lane has been totally unaffected thus far and remains to date bang on programme. We are fortunate to have been on the ground and delivering concrete frame construction to first floor for most of 2020. Credit too to the Contractor on this.

However, those projects that are refurbishment, watertight and working inside or where labour and trades are in close proximity of each other will have much slower progress than that programmed.

It is the main contractors that are suffering here, with delays to the construction programme and an increase in preliminary costs. Generally, time and not cost have been awarded as a result of COVID delays thus far. However, I would urge clients and employers to find a mid-way ground here, if possible. We are all in the same storm.

A Steely Gaze

The cost of steel during 2020 fluctuated wildly. An early rise, a dip in the summer and a steady rise up again. This had a direct impact upon cost plans prepared by us at Redshell, where allowances for structural steel were woefully short. The cost of structural steel was heavily dependent on when you asked.

There is no confusion now. The cost of steel has already risen by almost 20% from December 2020 prices to January 2021. All those with a steel-frame based project, I hope you've procured it already. This is a huge increase in a short timeframe. Current predictions note the peak of price increases is expected during the first quarter of 2021. They haven't peaked yet and it would be safe to say that prices will not fall back to their low of the summer of 2020.

Contractors' Profiteering, or Not

Contractors' tendered levels of overheads and profit have fallen. I have seen reduced levels in the last quarter of 2020, and I would suspect levels will continue to stay low for 2021.

Now, I know you developer sorts. Stop rubbing your hands with glee. This is not the sign of a healthy industry. Main contractor profit levels of 10%, or even 6% as I received in December are not the full picture. Contractors on both levels have, or tried to, hide additional "allowances" included within build rates, material rates and risk items.

As much as this pains me, I understand the motives. A healthier market would be more confident in their profit levels and the need for slightly more underhand claims, negated. With these additional side allowances discovered and thereby removed prior to Contract, the contractors are commencing projects on the back foot. Now, we all know how this will play out, don't we?

The Oracle Cost Predictions

In fluctuating times, our oracle at the RICS becomes increasingly important. The guides and indices available are an absolute backbone to cost planning and the projection of cost risk allowances going forward.

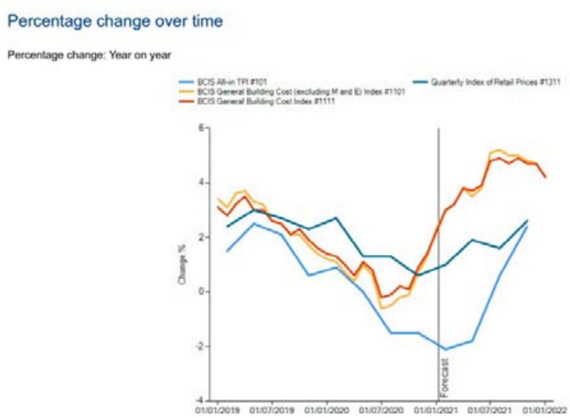
2020 saw a steady fall in the Tender Price Index (TPI) and was indeed realised in the tender returns received, particularly in the 4th Quarter of 2020. However, we should brace for a sharp increase in 2021. The BCIS are predicting a 4.5% increase from January 2021 through the year to December 2021. This is again a sharp rise over a short period of time.

However, it is worth noting that following the fall of 2020, the end result is a level largely back at that of 2019. A pricing index level of 335 is predicted at the end of 2021, with a previous pricing index level of 332 at the end of 2019.

There may be a trend for the rising TPI to continue into 2022; we will have to wait and see.

With feasibility estimates and cost plans being prepared some time before tendering, it's fair to say that any prepared last year will be on the low side. Unless a fair contingency had been allowed.

Now, we all love a graph these days! Here's the RICS BCIS All-in TPI showing the actual and predicted percentage change year on year.



In summary, fluctuating times.

2021 will be a year of keeping steady. No rash moves. Allow contingencies; expect and programme in delays. This is not the year for hopeful expectations and naive idealism. Keep it local, if we can. If the vaccination programme runs on time and is as effective as we all hope, I am sure the confidence of 2022 will know no bounds. Q.

GAS BOILERS ARE ON THE WAY OUT! WHAT NEXT?

DOUG JOHNSON
Director
Mesh Energy

www.mesh-energy.com

Various announcements and pledges have been made to meet the UK's 2050 Net Zero Carbon target and most recently the UK Government have announced that new homes built in 2021 (under new Part L 2021 Building Regulations) and beyond will have to reduce carbon emissions by 31% as part of its Future Homes Standard roadmap.

The wider plan is to ban all mains gas boilers in new developments from as early as 2023 and a total outright ban on mains gas boilers by 2033.

For developments on the mains gas network this could pose a problem and at the very least should get you thinking about what is ahead and viable, sustainable and lower carbon alternatives.

As a critical part of the UK's renewable heat portfolio, air source heat pumps are well placed to help replace fossil fuel boilers, reduce carbon emissions and fuel bill costs. To date there are about 250,000 air source heat pumps installed in the UK and this is rapidly increasing every year with predictions of 4 Million air source heat pumps by the of this decade.

First things first… How do they work?

Air source heat pumps look almost identical to an air conditioning unit and use an external fan unit to draw air across an evaporator unit (which looks very much like a car radiator with hundreds of aluminium fins). The air exits at the back of the unit cooler than when it entered. Because of varying seasonal air temperatures, these heat pumps are less efficient than their ground source heat pump cousins.

As the air passes through the outdoor fan unit (propelled by a fan), refrigerant pipes strip heat from the ambient air down to temperatures of -20 Celsius. A compressor circuit is able to focus the energy from the environment using electricity to provide amazing levels of efficiency and provide 100% of the building's heating and hot water needs.

Modern, quality air source heat pumps, if well designed, can be on average 400% efficient! Essentially for one unit of electricity, they put four units of heat into the building. Incredible.

Your flexible friend

There are many different variants of air source heat pump technology to fit all kinds of development shapes and sizes. Two main variants dominate the marketplace.

Split systems: As the name suggests, there are two parts; a wall hung unit indoors similar in size to a combi boiler, and the outdoor unit. The outdoor can be positioned away from the building (up to 100m) if there are concerns about noise or aesthetics. These lower flow temperature systems are perfect when used with underfloor heating or low flow temperature radiators.

Monobloc systems: With heating capabilities identical to those of the low temperature split system, monobloc units, as the name suggests, are all contained in one single outdoor fan unit. Perfect for homes or flats with minimal available indoor space, the units are best placed near the building and are really quick and easy to install. These ➻

units produce hot water straight out of the outdoor units, necessitating the need for proximity to the building; otherwise good money has to be spent on highly insulated pipe to transport the valuable hot water to the home from afar.

In both cases there is no such thing as a 'combi' air source heat pump, so space for hot water storage will always be required.

Compliance and carbon reduction benefits

The great thing about air source heat pumps is that, due to their efficient use of electricity, there are big gains for SAP and SBEM energy calculations and you can make significant inroads to carbon reduction for planning condition purposes. In most cases a heat pump in a domestic premise with underfloor heating will record a 30% reduction in carbon emissions for the building energy rating compared to a gas boiler.

Running cost reductions

Costs of air source systems correctly designed and installed are for existing buildings similar to those of mains gas fuel, but for new developments, savings of around 10% can be made compared to gas heating. Running costs are directly proportional to the level to which the building is insulated and the efficiency of the radiator or underfloor heating system you are installing. Air source heat pump systems for existing buildings do need careful consideration due to the lower operational flow temperatures, but with some considered design, can be successful without going overboard with building insulation levels.

Government grants and subsidies

The government is also strongly supporting the installation of air source heat pumps, and as a developer you can benefit most if you are holding onto the asset once developed and will essentially act as the property landlord. Under the current domestic Renewable Heat Incentive (RHI) scheme, you can claim as much as £10,000 of subsidy per unit and commercially significantly more. More info can be found at Ofgem's website https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi.

Consumer and investor pressures are building for developers to find more sustainable solutions to reducing carbon emissions in the built environment. Air source heat pumps can in part fill that need, be easily installed, meet compliance requirements, and attract free government subsidy.

Make it a 2021 New Year's resolution to consider the costs and implications of air source heating as a gas alternative on your next development, and you may be more than pleasantly surprised! Q.


PALLADIOM
WALL CONTROLS &
SHADING SYSTEMS

HOW CAN INVESTORS MEET THE RISING DEMAND FOR SUSTAINABLE HOMES?

EVAN MAINDONALD
Founder CEO
Melt Property

www.meltproperty.co.uk

With some 20% of the UK's carbon emissions coming from domestic buildings, the importance of sustainable construction has become undeniable. Over the years, the property industry has taken vital steps to implement sustainable solutions into their projects, whilst the government continues to introduce supporting strategies.

The recently introduced Green Homes Grant has proven to be a very popular initiative amongst property owners. The latest poll from Nationwide, which was published in September 2020, shows that 41% of interviewees want to improve their homes' energy efficiency and reduce their carbon footprint.

It comes as no surprise that consumers have been calling for the Green Homes Grant deadline of 31 March 2021 to be extended.

Their wishes were granted as Boris Johnson announced that the Green Homes Grant will be extended for another year. This means that vouchers will remain valid for three months from the date they were issued or until 31 March 2022 – whichever is earlier – and need to be redeemed before the end date on each one.

The government's recent introduction of a £4 billion investment plan to create a Green Industrial Revolution also increases the momentum towards sustainable housing solutions. Solar panels, ground source heating and batteries are also starting to reach production economies of scale and become economically viable, leading to the emergence of exciting new possibilities.

With an ever-growing public desire to be living in a sustainable home, property investors need to be aware that properties with good eco-credentials are likely to attract higher interest from tenants and house hunters. The market is starting to see a long-overdue increase in the number of eco-friendly homes, driven by developers who are putting emphasis on sustainability in response to the government's Future Home Standard.

To quote the UK government: "The UK has set in law a target to bring all its greenhouse gas emissions to net zero by 2050 – one of the most ambitious targets in the world. Homes – both new and existing – account for 20% of emissions. Despite progress reducing emissions from homes, we need to go much further. New homes being built now and in the next 5-10 years will still exist in 2050 and therefore we must ensure that the energy efficiency standards we set for them put us on

track to meet the 2050 target. We expect that an average home built will have 75-80% fewer carbon emissions than one built to current energy efficiency requirements."

Bearing in mind that the buy-to-let and the wider property investment markets are becoming increasingly competitive, landlords and investors may wish to consider giving their property portfolio a much-needed eco-boost. Here are our top tips:

Review your heating system

Old-fashioned heating systems will send your property's utility bills rocketing and have a high carbon footprint. To reduce both, consider installing a Ground Source Heat Pump. This is a highly efficient, renewable energy source that has a low environmental impact and reduces carbon output by as much as 70%.

Modular construction

Modular construction is starting to gain traction and become more cost competitive, with an increasing number of developers using the latest off-site manufacturing techniques to build their projects. It offers a high level of quality assurance and construction speed that traditional construction techniques can't keep up with. Most importantly, the off-site preparation of modules has immense environmental benefits.

According to the Building Research Establishment, UK construction industry's average material wastage on site is 13%. Modular construction can reduce this significantly as all off-cuts are fully recycled in the factory. This also reduces landfill by at least 70%. Noise and other sources of disturbance are minimised as well. ➳


Ground Heat Example

Insulation

Poor insulation can have a significant impact on your property's EPC rating. Luckily, there are a number of solutions available that can help you fix this. Do bear in mind, however, that there is a wide variety of insulation materials available. Each offers different benefits and suits different budgets. If you're looking for something affordable, which, at the same time, is environmentally friendly, you might want to consider cellulose insulation. This material is particularly well-suited to insulation of floors, walls and roofs.

Windows

An obvious detail to review when trying to improve your property's energy efficiency is windows. The performance of windows is measured by something called a U value, which reflects the thermal transmittance, e.g., the transfer rate of heat through matter. The lower the U value, the better. Building Regulations insist that any window you install nowadays should have a U value no worse than 1.6.

Single glazed windows normally have a U value of around 5. Double glazed windows' can range from 1.2 to over 3 depending on coatings and frames; certain makes such as Velfac can achieve as low as 1.4. On the other side of the spectrum, the Passivhaus standard requires triple glazed windows with a U value of no more than 0.8.

Here at MELT Property, we pride ourselves in creating design-led, sustainable projects. With global warming being a significant concern for current and future generations, we believe that developers have a responsibility to deliver schemes that have a positive impact on the environment.

Our most recent project is Lime Grove, a stunning new development in Gloucestershire that features 12 family homes and 7 flats. Lime Grove is already incorporating the government's Future Homes Standard 2025, which asks for new homes to be built without gas boilers.

When we opened our show home in early January, we registered a particularly high interest from buyers who are looking for a home that is highly sustainable and has an above average EPC rating. This strong consumer awareness is a clear indication that the trend for sustainable homes is only just beginning. We are entering a new era of properties that work with and not against the environment. Q.

BUILD-TO-RENT OR BUY-TO-LET: SHINY NEW THINGS VS. TRIED AND TESTED ASSETS?

RUSSELL GOULD
CEO
Vesta Property

www.vestaproperty.com

It has been nearly a decade since the advent of Build-to-Rent (BTR) in the UK. The British Federation of Property estimate that around 47,800 BTR homes have been built since 2011, and a further 34,100 homes are currently under construction. CBRE estimates that more than £11 billion have been invested in BTR over the past five years. However, this represents a small fraction of the demand from institutional capital aimed at investing in the UK residential property.

The reasons for this high investment demand are well known: capital values are underpinned by an undersupply of houses, planning constraints and continued loose monetary policy; rental value growth is driven by affordability issues and changes in lifestyle preferences; unparalleled political support has made housing "too big to fail" (the recent stamp duty holiday is a case in point); residential property exhibits low historical volatility in capital values (relative to commercial real estate) and negligible volatility in rents; and housing is a strong match for pension funds' long-term liabilities.

The coronavirus pandemic has amplified the relative structural strengths of the UK housing market as a robust means to preserve wealth and has further justified it becoming a larger part of institutional investor's portfolios. What's caused this and where does this leave BTR?

Firstly, the obvious – the demise of traditional offices and the systemic shift to spending more time working from home (WFH), which has made homes more valuable to their occupiers.

Almost every individual, small business and large organisation have had to adapt their working arrangements during the pandemic. The flexible WFH approach – first initiated by the dress-down tech brigade – has fast become the new normal, and traditional business leaders who stood steadfast against remote working have woken-up to the fact that they and their employees can be just as effective, and often more productive, by occasionally WFH. The result is greater productivity, more leisure time, more family time and happier employees.

According to the Office of National Statistics, around half of employees in the UK now spend some time each week WFH, and the expectation is that many businesses will permanently move to a more flexible model incorporating some level of WFH post pandemic. The result is that employees are taking a new perspective on what they require from their homes. According to Rightmove, houses with gardens and additional space for a home office are the characteristics that are most in demand.

However, that is not great news for BTR, which to date has principally comprised multi-family apartment blocks in city centres with no, or limited, greenspace and no co-living workspace. This is already starting to be felt in London, where 60% of existing BTR schemes are based (according to the British Federation of Property), with Zoopla reporting that rental values in London have dropped by 1.4% in the first half of 2020 due to waning demand from new tenants, resulting in longer void periods, a growing number of vacant units and a high likelihood that rents will reduce further. All ultimately pointing to lower overall yields. ➳

Secondly, the accepted consensus that real assets (i.e. property, infrastructure and precious metals) will be amongst the long-term winners to come out of the pandemic (along with tech and consumer staple stocks and Bitcoin) as these assets benefit from cheap money, quantitative easing and inflation.

Tied to this is the growing scepticism amongst fund managers of the long-held "60:40 investment rule", i.e. that portfolios should be constructed as a mix of 60% equities and 40% bonds. Institutional investors globally are increasingly questioning bonds, suitability to provide strong risk-adjusted returns that are non-correlated to equities, especially in an inflationary environment with persistently low interest rates. Of course, the 60:40 investment rule is overly simplistic as most balanced portfolios will have some level of alternative assets; however, even a few percentage points reductions in the weightings of bonds in global portfolios implies hundreds of billions, even trillions, of dollars of capital looking for a new home, with real estate being a major contender.

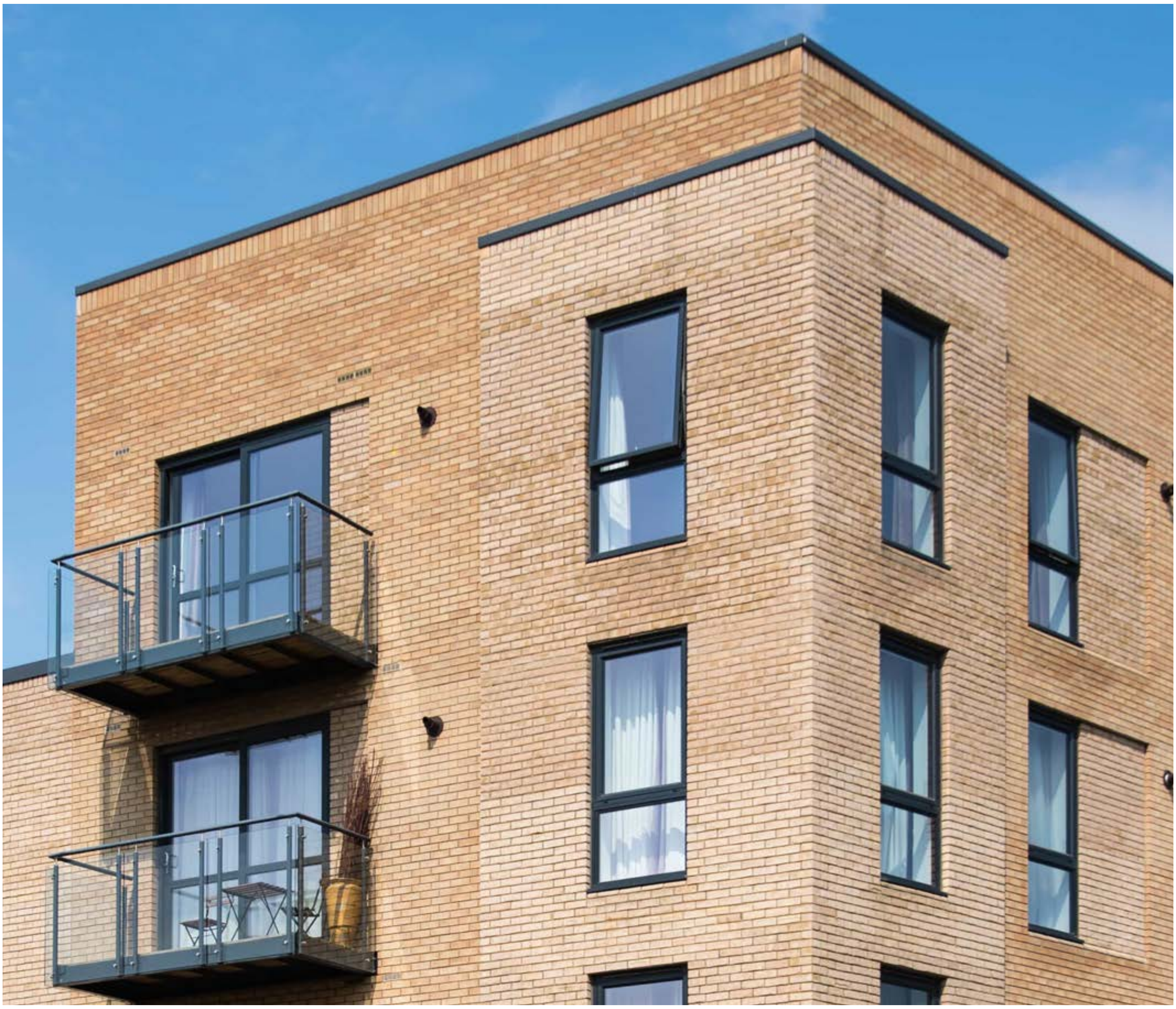
However, BTR is clearly too small a market in the UK to accommodate such investment demand, and institutional investors remain deeply cautious of investing in commercial real estate until the dust settles (with logistics being the exception to the rule). The subscale nature of BTR in the UK also means that there is the risk of miss-pricing. BTR also presents a number of other challenges to institutional investors, including:

- development risks and build overspend;
- high ongoing operating cost leakage;
- high concentration risk and difficulty to achieve diversification;
- saturation of 1- and 2-bed prime apartments in London and other major regional city centres;
- estimation risks in terms of rental values and tenancy demand (including downward pressure on achievable rents due to a high supply of homogenous stock in a small area); and
- a lack of strategic flexibility at exit.

But are institutional investors missing a trick?

The UK Private Rented Sector (PRS) represents 5.7 million homes, or 1 in every 5 households in the UK, and is valued at over £1.6 trillion (Savills), more than twice the size of the investable commercial real estate market (IPF). This makes BTR's contribution to the PRS a rounding error. Almost all rental properties are owned by private BTL landlords, comprising apartments, single-family homes and houses in multiple occupation. Historically, the fragmented nature of this market (there are around 2.2 million landlords in the UK according to Hamptons International) has acted as the main barrier to institutional investment. But things are changing.

Government policy to discourage amateur landlords (in the form of punitive tax changes for non-incorporated landlords, increasing regulation and higher compliance requirements) plus an aging demographic of landlords looking to realise a key pension asset have resulted in a flood of landlords looking to exit the market. We conservatively estimate that a minimum of 850,000 BTL properties have been sold since 2016, worth over £180 billion. ➳



Whilst the market is highly fragmented, there is also a significant skew in the distribution of ownership of BTL property. A joint study by the Council of Mortgage Lenders and the London School of Economics in 2016 found that 38% of all BTL properties are owned by 7% of landlords whilst a survey conducted by Vesta Property in 2020 found that 8% of landlords own more than 20 properties.

Building a fund for institutional investors may not be as difficult as previously thought, as there is both the liquidity and concentration of assets available from professional landlords.

For institutional investors, BTL has a number of other benefits versus BTR:

- absence of development risk (i.e. assets are already operating and income-generating);
- lower operating cost leakage, especially for portfolios of freehold single-family homes;
- greater diversification (both by type and geography);
- proven tenancy demand and heterogeneity in stock (which mitigates the risk of an oversupply of rental properties in a given area which could dampen rental value growth); and
- superior strategic flexibility at exit.

An increasing number of institutional investors are grasping the importance of this last point and are seeking to buy ➳

> **"Building a fund for institutional investors may not be as difficult as previously thought, as there is both the liquidity and concentration of assets available from professional landlords."**

portfolios of single-family homes. Whilst a BTR apartment block can either be sold to another institutional investor at a yield-based valuation (sometimes, but not always, at a discount to the vacant possession value) or else broken-up, the latter approach puts downward pressure on pricing as the market is flooded with a large volume of homogenous stock (or otherwise it takes a long time to avoid this outcome by drip-feeding sales). However, granular BTL portfolios provide the flexibility to maximise returns based on whether a yield-based valuation or an open market value represents the most profitable exit.

The BTL market has performed exceptionally strongly during the crisis, and we estimate more strongly than BTR given it is focused on 1- and 2-bed prime city centre apartment blocks. House prices have increased since the start of 2020, and Zoopla estimates that rental values have increased by 1.1% in the first half of 2020, increasing to 2.2% if you exclude London. Rental collection rates have also been strong, with Vesta Property estimating that 76% of BTL landlords collecting more than 90% of rent and only 3% of landlords collecting less than 50% of rents due. Other studies have found that rental collection rates have been in the region of 86% to 96%. All in all, we estimate that BTL returns are expected to be 16% greater than BTR returns over the next five years due to the opportunity for higher rental value growth, lower operating costs, and superior achievable capital values at exit.

Private investors, family offices and private equity have long been involved in investing in BTL portfolios in the UK, and many are refocusing on this asset class again for long-term strategic investments. Now though, larger institutional investors, who have cut their teeth in BTR, purpose-built student accommodation or social housing portfolios, are developing an appetite to focus on the bigger opportunity of consolidating the PRS. Q.

Vesta has created a dedicated marketplace, www.vestaproperty.com for buying and selling PRS property thus allowing landlords to sell with tenants in place, preserving rental income and providing investors with access at scale. We are seeing growing demand from funds, family offices and institutions seeking BTL opportunities.

A BRIGHTER FUTURE?

WILL HERRMANN
Founder
West Eleven

West Eleven

www.westelevenlimited.com

Entrepreneur and developer Will Herrmann, founder of West Eleven, looks back on the lessons learned from a challenging year, and looks forward to a brighter future ahead.

At the beginning of 2020, my concerns were about Stamp Duty and the unrealistic cost of land. In London, ordinary people with normal family houses found themselves in the highest tier of Stamp Duty and it put pressure on the whole market. Plus, we were seeing an upward trend in the construction costs, and we hadn't bought any land for 18 months because we couldn't find the value we were looking for.

Nonetheless, as 2019 had been a tough year for me personally, I was looking forward to 2020. Little did we know what was around the corner! I spent six weeks of 2019 in hospital, including 21 days in intensive care, with sepsis following surgery on my appendix. It left me with a compromised immune system, so I was probably one of the first to take action against COVID-19. It was February when my consultant advised me to

stop face-to-face meetings and travelling on the tube and consider working from home.

I was lucky that West Eleven is working on a major project near Rock in Cornwall, where we have applied for planning permission to transform the run-down 114-acre Trefresa Farm into a boutique resort with hotel rooms, lodges and treehouses for guests to stay in, along with a spa, gym and restaurant serving Cornish food. One of the buildings was already habitable, so I moved down there with my wife and two children before lockdown.

Obviously I was concerned about working in such an isolated location, but it has been a revelation, and the genie is definitely out of the bottle with home working. When COVID hit with a vengeance, our finance manager was in Spain and ended up stuck there for nearly three months during lockdown. To be honest, if he had come to me last year and asked to spend three months working from a holiday villa, I would have said no, and probably fired him for lack of commitment! But it worked just fine, as I employ sensible, hard-working adults who can work from anywhere.

I've sold my house in London, and my kids, aged six and nine, started school in Cornwall in September. They love it and don't ➳

“I hope that Rishi Sunak’s temporary Stamp Duty changes will lead to a bigger structural reassessment.”

want to go back, and it has helped with the Cornish project that I’m on site. It’s been a year of hard work getting the parish council and planning officers on board, but living on the farm and getting muddy has probably helped! The pandemic has been a seminal time in the working world; technology has been able to have a really positive impact on people’s lives, so they can do what job they want to and live where they want to.

Another success has been our conversation and extension of Caley House in Wimbledon. Not only did we win Silver in the What House Awards 2020 category for Best Renovation, but homes there are selling at 10-15% above the local average. There have been setbacks too; our Battersea Parkview apartment scheme had a complex cladding system and prices went through the roof after Grenfell, so in conjunction with the bank, we put it into administration to protect it from creditors while we worked on a solution. It’s a legitimate business tool and now we have options on the table, and we hope either ourselves or someone else will be seeing it through, which is exciting.

If being a developer has its challenges, I certainly wouldn’t want to be a politician. Boris Johnson has been a lifelong red tape cutter and libertarian, so it must be absolutely impossible to walk a line between the people who think he has shut things down too much and the other half who think he hasn’t done enough. Personally, I think the initial response from the Government was pretty amazing, although they haven’t helped everybody. We were grateful recipients of bounce back loans when they were offered, although they were used more for survival than bouncing back at that point.

I hope that Rishi Sunak’s temporary Stamp Duty changes will lead to a bigger structural reassessment. There’s not an issue with asking people who are extremely wealthy to pay a bit more, but Stamp Duty is hitting ordinary families unlucky enough to live in an area with expensive house prices, and it has slowed down the housing market.

As far as other changes go, I think a wealth tax is unlikely from a Conservative Government, and regardless of a Brexit deal or no deal, nothing much is going to change for our industry as a result. The biggest threat would be mass unemployment, but that’s unlikely as the Government will do everything in its power to keep us out of that. Interest rates aren’t going anywhere any time soon, so I don’t see an environment that would create a house price crash.

There’s no doubt that 2020 has been a year we would all rather forget, but there are blue skies ahead. We are seeing more opportunities, there are deals we like the look of and we are bidding again for the first time in a long time. The market for construction has softened and is at a better price. From a developer’s point of view, these are all very positive signs. Q.

CLEAR(ER) SKIES FOLLOWING THE PERFECT STORM.

ANDREW MCDONALD
Director of Tandem Real Estate

www.tandemrealestate.co.uk

Tandem. REAL ESTATE

2020 is behind us and I think we all agree this is good news, with brighter horizons seemingly closing in on us. That said, while many will view 2020 as a year to forget, I suggest adopting a contrarian approach and chalking it up as one to remember and take away the learnings from.

I won't be so pious as to say I was 100% focused on developing a plethora of new skills and talents, daily yoga and meditation while attempting to solve world peace; however, between the numerous glum moments, there was much opportunity for deep reflection on both a personal and professional basis. On an individual note, I did finally grow a keen interest in 'Personal Development' – something I had generally rolled my eyes at until last year!

On the many walks with my dogs to alleviate boredom, I found myself listening to numerous Audible 'books' and picking up habit-hacks from excellent publications such as 'The Miracle Morning' and 'Atomic

Habits', amongst others. 'Can't Hurt Me' by David Goggins was invaluable and timely in reminding myself of the depths of human resilience: something that was essential in making 2020 as painless as possible. A couple of podcasts also stood out: the works of Rich Roll and the excellent Tim Ferriss. Both ardent personal development exponents, but relatable and with interesting stories and inspiring guests.

Sometime during the summer, Ferriss interviewed Blake Mycoskie, the founder of TOMS footwear. Blake spoke of his week on 'The Hoffman Process', an intense 7-day personal development retreat, and the many profound benefits he had gained from it as a busy entrepreneur. Keen for a spring clean of my noggin myself, I signed up for the week in December and can honestly say it was one of the most profound, life-affirming experiences of my existence to date!

While slightly off topic, I raise this all as I firmly believe a holistic approach to wellbeing is going to be vital over what-could-be a number of challenging years ahead. It's incumbent upon us all to prioritise our physical and mental health to give ourselves the best chance to survive, and indeed thrive, while navigating the choppy waters ahead. I firmly believe the next few years will offer some of the best property buying opportunities of modern times, and 'firing on all cylinders' is going to be crucial in order to capitalise.

On a professional note, I'm delighted that long-held plans to launch Credo Living are finally coming to fruition. Credo Living is a joint venture between my commercial property consultancy, Tandem Real Estate, and award-winning Windsor Patania Architects. Lead Architect Giovanni Patania is a Qandor member, and so Credo Living is a property development platform borne of a


LET'S
CHANGE
OXFORD
STREET W1
CITY OF WESTMINSTER

collaboration between two Qandor companies. Our primary aim is to buy and repurpose defunct town centre property to provide housing fit for a new way of living. We look forward to working with the wider Qandor membership going forward.

Having served 25 years in the retail property market, with numerous cycles under my belt, I had thought I'd seen most things. That said, the deterioration in the market over the last few years has been staggering: 2020 provided the perfect storm of maturing internet sales alongside the restrictions of 'lockdown', with the latter playing neatly into the hands of the former. CVAs, shop-closures and rationalisation programs amongst retailers have been eye-watering.

With a pronounced oversupply of retail units nationwide, compounded by a bleak outlook along our high streets, there will undoubtedly be a swathe of town centre property lying vacant for a period of time. This may well be exacerbated by the uncertainty over our working conditions going forward: Will we return to our offices en masse or has that ship sailed, too?

Looking through the wrong end of the telescope, far off on the horizon, I do see more interesting town centres providing a mix of community uses, retail (in the shape of fancy showrooms), leisure and more advanced experiential provisions which aren't available online. I'm excited to see what happens to a number of our big department stores: Aside offering repurposing opportunities, I see them as future mini-villages in their own rights, with an eclectic mix of highly experiential activities, combined with flexible working, dining and retail/showrooms at the cutting edge. Undoubtedly our town centres will need to adapt to thrive. However, I suspect this is a generational 'play', and in the meantime opportunities will come forward in the shape of retail to residential (or other uses involving 'beds') conversions.

One frustration that most commercial agents feel, and was certainly noticeable in 2020, is the slow pace at which property valuers can keep up with deteriorating market conditions. The sentiment in commercial property drains (and indeed returns) faster than in the residential sector. Commercial property investment is primarily an economic decision and when seismic global matters such as COVID come to the fore, the market effectively shuts down.

This can mean drastic price reductions are required to facilitate an investment deal, but with little comparable evidence to back this up (or indeed a nervousness to offer devastating news to clients?), valuers are caught in a bind. In broad terms, what tends to happen is a 'salami slicing' approach to fund valuations, on a monthly or quarterly basis, until, hopefully, they catch up with the market which can then 're-open'. The salient point being that many professional investors, unless obligated, are highly reluctant to sell below valuation, and so this is where a hiatus is born.

It is our expectation that 2021 will see more urgency of transactions with valuations starting to reflect market conditions and the non-payment of rent beginning to hit home. We are excited at Credo Living to play our part in the regeneration of town centres and provide housing fit for a new generation and way of living. We look forward to sharing news on our activities as we move forward. Q.

THE INEXORABLE RISE OF "HEALTH" IN HEALTH & SAFETY.

JONATHAN MORE
Construction Lawyer
Spencer West LLP

www.spencer-west.com

I was a little late to offer an article for the excellent January edition of this magazine, so a belated Happy New Year to all members. Whilst 2021 appears to have started on a somewhat downward trajectory rather than the desperately hoped for fresh feel-good bounce, I do feel that by quarter 2 we will be regrouping with renewed optimism about what I think will ultimately be a successful year of recovery for the property and construction sectors of our economy. And this view comes from somebody whose wife consistently calls me out on my general pessimism in daily life!

The above pre-amble (and probably unwelcome reminder to our continued life in lockdown) is relevant to what I want to discuss in this article: mental health and wellbeing.

So, why is a lawyer writing about this?

I am a lawyer, but not a blinkered one. I know that the workers in construction industry traditionally suffer mental health issues at around twice the national UK average. I know that data show that mental health issues rose sharply last year as the lockdowns mounted, work and life restrictions continued, and job or income security was at least a worry for some and, for others, a battle lost.

This is a perfect storm then for the industry I work in (I am a lawyer, but as far as I'm concerned, I am part of the construction

industry; I desperately try not to live in a legal bubble focussed only on churning out work and fees).

"Health & Safety" has been a phrase used in society for years, but until around 10 years or so ago, when the phrase was spoken in construction circles, it always felt as if the "Health" part of this partnership was silent, or at best whispered.

"Safety" was the word that was shouted, the word on which training modules were arranged within the industry. In my time working as an in-house lawyer, I attended a number of hugely informative safety training sessions with case studies of horrendous injuries suffered on building and infrastructure sites. Such training, and safety generally, remains hugely important as, ultimately, a construction site is a place with higher-than-average levels of danger and risk to other places of work.

"Health", however, has become a much more vocal partner in the relationship with "Safety". Indeed, so much so, it has had the confidence to add another word to help bring it up to date: "wellbeing". "Health and wellbeing" is now a topic or issue that is near the top of many construction companies meeting agendas. And many companies now have great health and wellbeing initiatives.

From a legal perspective, this could be said to fall into the camp of an employer's duty of care to its employees (the first reason that the law is relevant to this article). But as anyone who has spent time on a construction site will know, the people on site come from a variety of work pools – some are employed, some self-employed, some labour-only workers, etc.

So, the working collective on site as a whole will not be employed by the same employer; some will not be "employed" at all, and there will have been a mix of, if any, support and input to all individuals as to their own personal health and wellbeing.

This brings me to the second reason a lawyer is writing on this topic. How do you solve the problem, or the gaps, highlighted in the above paragraph, in the industry generally? ⋙

As many of you will know, the Health & Safety Executive (HSE) and various other bodies have a raft of rules and regulations that are mandatory and have to be applied and followed in the construction industry. I won't list them all, but they include the Construction (Design and Management) Regulations, the Health and Safety at Work Act, the Work at Height Regulations. The list goes on and on.

There is a relatively new set of guidance that has been issued by the HSE, however, aimed specifically at the psychological side of health: mental health, stress, wellbeing, etc. If you think about the more traditional side of the construction industry, this is really quite a significant initiative.

See the links to this guidance at the end of this article for your further review.

As I am sure you will read these links, I don't need to do more than summarise the key points. The guidance is provided for the management of companies to tackle the key issues (and set a framework by which they can do so) of stress, anxiety and other mental health issues in the workplace.

The guidance advises that there are six key areas that, if not properly managed, are associated with poor health:

- *Demands* – for example: workload, work patterns and the work environment.
- *Control* – how much say the person has in the way they do their work.
- *Support* – This focusses on encouragement and resources provided to employees.
- *Relationships* – advocating the promotion of positive working to avoid conflict and dealing with unacceptable behaviour.
- *Role* – Do people understand their role within the organisation? Does the employer ensure this, and that there are no competing pressures on an employee to undertake work not in his or her role?
- *Change* – how organisational change (large or small) is managed and communicated in the organisation.

Now, of course, there is a by-product of healthy employees – less absences. Absences lower productivity and can increase accidents. So, there is a benefit to the industry generally in sorting employee health issues out, but the key focus of the guidance is health.

You will have noted that what was issued is guidance rather than law or regulations. In the current world, this is a reminder about our own personal lives, for which I apologise: whether and to what extent we do (or don't do) is the subject of guidance, or whether it is actually law. However, in the context of the law relating to health and safety, this "guidance" is not law; it is not a regulation and it is not mandatory.

But it is, in my view, very significant that this guidance now exists.

What do I mean by this? Well, at the very least, there is now the beginning of some sort of momentum that may lead to this guidance eventually becoming law (or regulations). But what about now? Does the fact that this guidance exists mean anything legally? Possibly.

It means, in principle, that this guidance could be incorporated into the Health & Safety policies/schedules of construction contracts (and thus be required to be complied with as a contractual obligation).

It means that employers may have to consider, or re-consider, their duty of care obligations to their employees. Without a deep dive into the principles of an employer's duty of care, an employer has a duty to ensure the employees' safety, health and welfare at work as far as is reasonably practicable (by virtue of The Safety, Health and Welfare at Work Act 2005 and the Safety, Health and Welfare at Work (General Application) Regulations 2007). In an industry known for its struggles with employees with mental health issues, and with HSE guidance on this topic now published and with the current pandemic, what extra duty (if any) is put on an employer to at least consider the principles within the guidance?

It means that businesses with a high bar for Corporate Social Responsibility (CSR) have a framework they could implement through choice, although such companies with such ambitions will most likely have some sort of mental health initiative in place already, in my experience.

This, I would suggest, particularly in the current climate, is a huge plateful of food for thought. Whether required by law or not, the question is: what would true leaders do with this guidance?

There are companies that specialise in supporting the construction industry by putting in place initiatives and programmes that assist with ensuring the health and wellbeing of employers are properly considered and actioned.

For further information on such companies, please get in touch, as I can make an introduction. Also, if you are interested in considering adopting the guidance in your contracts, please also contact me. Q.

Stress at work - Mental health conditions, work and the workplace - HSE

What are the Management Standards? - Stress - HSE

INHERENTLY UNFAIR?

GEORGE TOULI
Financial Advisor
Burlington Wealth Managemennt

www.burlington.uk.net

Inheritance Tax is widely viewed as unfair, and even the experts agree it's complex: only effective and early planning can minimise its impact on your estate.

Back in January 2018, the chancellor of the day, Philip Hammond, asked the Office of Tax Simplification (OTS) to review Inheritance Tax (IHT) with a view to simplifying the regime. In writing to the OTS, he acknowledged that "IHT, and the system within which it operates, is particularly complex". On 5 July 2019, OTS produced its latest simplification proposals.[1]

Currently, if your net estate is worth more than the standard nil-rate band of £325,000, 40p in tax is charged for every pound that exceeds the threshold; except that, broadly, if you leave your main residence to a lineal descendant, £175,000 is added to that nil-rate band. Unused elements of both allowances are transferrable on death to a surviving spouse or civil partner.

The regime has been criticised also for being discriminatory against those who do

not own their own home, those who do not have children, and those who are not married or in a civil partnership.

Even if there is potential to simplify IHT exemptions, it's probably too much to hope that the tax will be scrapped. After all, a cash-strapped Exchequer seems increasingly reliant on taxing people's estates posthumously. In 2023/24, the UK's Exchequer is expected to raise £6.3 billion from IHT.[2]

That said, several developed countries, including Australia, New Zealand, Canada and Israel have abolished inheritance taxes to create simpler tax systems and encourage creation of wealth through investment and entrepreneurship. There are no death taxes in Singapore, Portugal or Mexico.[3] Sweden abolished the practice in 2004, while Hong Kong and Russia did the same in 2006. In Norway, inheritance and gift taxes were abolished in January 2014.[4] Fifteen OECD countries levy no taxes on property passed to lineal heirs.[5] In May 2018, Donald Trump doubled the value that can be passed to heirs to about $22 million for a married couple.[6]

A study by the international accountancy network UHY Hacker Young in March 2014 showed that the UK and Ireland take the highest proportion of inheritance or estate taxes of all major world economies. ➻

“The fact is that with some careful planning, those with estates currently worth more than the nil-rate band can legitimately reduce their IHT liability, or possibly pay nothing at all.”

However, IHT in the UK is often referred to as a ‘voluntary tax’, and it does seem that inertia or ignorance is largely to blame for wealth ending up in the hands of the taxman rather than surviving family members. The fact is that with some careful planning, those with estates currently worth more than the nil-rate band can legitimately reduce their IHT liability, or possibly pay nothing at all.

In your gift

Gifts are normally included in the net estate for IHT purposes if they were made less than seven years before death. However, these gifts are ignored if they total less than £3,000 in any one tax year. This means that you can make gifts of up to £3,000 in total in any tax year without attracting IHT. The £3,000 can be given to one person or it can be split between several people. If the exemption is not used in one tax year, it can be carried forward to the next year, potentially enabling a couple to remove £12,000 from their joint estate in just one tax year.

That money could be used to help with the financial challenges faced by younger family members; for example, topping up a child’s pension or Junior ISA could go a long way to providing them with an invaluable head start in life. And for 2020/21, the Junior ISA allowance is £9,000, up from £4,368.

Those with sufficient surplus income may also want to take account of the ‘normal gifts out of income’ rule – if you make regular gifts out of income and in doing so don’t affect your standard of living, the gifts are exempt from IHT. However, to reduce the possibility of a disagreement with HMRC, it is wise to seek professional help from a financial adviser or accountant.

While lifetime gifts can significantly reduce an IHT liability, it’s worth noting that if you don’t take time to write a valid will, your estate will be handled according to the laws of intestacy. If you die intestate, you will have no control over how your estate is distributed, and rather than everything passing to a spouse or civil partner, a proportion could be transferred to descendants, triggering a potential IHT liability.

If your children’s share is worth more than the individual IHT threshold, they could be liable to pay 40% tax on anything they inherit over that amount. This could be avoided by writing a will that leaves assets worth up to the tax-free threshold of £325,000 to children, with the balance of the estate left to a surviving spouse. But there may be even better options, depending on circumstances, through the use of trusts.

Take advice

IHT often falls on the ill-prepared and unadvised. That's why it's important to seek financial advice, so that all your assets are properly protected. Shockingly, fewer than a fifth of over-55s have taken action to reduce their potential IHT bill.[7] Q.

George Ttouli is a qualified financial adviser at Burlington Wealth Management and is available to discuss any financial matters. If you wish to arrange a private consultation, please call the office on (020) 8882 6688 or send an email to george@burlington.uk.net

---

1 *OTS, Inheritance Tax Review – second report: Simplifying the design of Inheritance Tax, July 2019*
2 *Office for Budget Responsibility, April 2019*
3 *Nomad Capitalist, December 2019*
4 *EY, Worldwide Estate and Inheritance Tax Guide 2019*
5 *Nomad Capitalist, December 2019*
6 *Bloomberg, May 2018*
7 *Prudential, May 2017*

WHAT HAS CHANGED IN THE PAST TEN MONTHS? LOCKDOWN LENDING.

ROB WILKINSON
Co-founder and Director
Crowd With Us

www.crowdwithus.london

Crowd with Us
the smarter way to invest

23rd March 2020: After weeks of speculation, the UK went into what would be the first of many lockdowns. The economic impact over the last 12 months has affected all sectors, and the property lending industry was no exception.

CWU launched its first COVID-19 project just two weeks into the first lockdown. We had no idea what investor sentiment would be like at the time, but it was a strong project which stood up to scrutiny. Interestingly, it was one of our fastest raises to date at the time. There is, and we believe always will be, a strong demand for the right project, in the right location.

Development Exit Loans

Since the first lockdown, we have seen a growing demand for development exit loans. In a typical development life cycle, a developer intends to develop and either sell or refinance a project within the specified term of their development loan. It is, however, common for a developer to take longer to exit a scheme than the term of the loan as unexpected forces come into play. A reasonable senior lender will usually extend the loan term. However, there are occasions where the senior lender is unwilling or unable to do so and would simply like to be repaid. Over the past 12 months, we have been presented with, and funded, a number of development exit loans.

The benefit of these development exit loans from our perspective is that while investor returns remain broadly the same as a standard development facility, in instances where the development is complete or close to completion, the construction risk is reduced or eliminated altogether and the borrowers' main focus is on the sales / refinance of the units to exit the loan, provided the necessary documentation and third-party verification are in place.

Loan to Values (LTV)

Responding to market forces, sentiment and increased uncertainty in response to the pandemic, we lowered our maximum LTV. Where a year ago we would consider projects seeking funding for up to 85% LTGDV, the maximum LTGDV we've considered over the past 12 months has been 75%. This is a precautionary measure to reduce risk and to give us and our investors a greater level of comfort when investing in the current climate. The lower LTV provides a greater buffer to accommodate potential complications that may arise as a result of possible market uncertainties.

Valuations

A recent valuation is more important than ever. Where we typically request a valuation within the past three months, COVID-19 has made us consider this more carefully for each project. Valuations carried out since

the start of the pandemic will tend to have a COVID-19 clause to highlight that there is no precedent for the current situation and so even third-party valuations need to be viewed with caution. For this reason, it's important that re-sale figures are conservative and that the level of LTV is within reasonable limits.

Investment Type

In a recent Qandor Magazine article, we explained what Capital Stack is and highlighted the difference between debt and equity. Debt will generally have a fixed term and set return (15% p.a. over a 12-month term for example), whereas the project timeframe and return for equity investments are projected rather than fixed.

In the case of debt, where a loan surpasses the agreed term, there are pre-agreed triggers which can be implemented, such as increased rates of interest and legal charges that can be invoked. These will typically be at the lender's discretion where a number of factors will be considered, such as LTV, whether there is a clear path to exit and the relationship with the developer throughout the loan period. ➺

With equity, there's very little you can do. As such, we've noticed a distinct drop in the levels of interest in equity investments, and we've stopped offering them. We believe that the combination of the level of return and security offered through first and second charge debt investments provides a more attractive proposition for investors.

Location

It is well documented that a consequence of COVID-19, lockdown and increase in those working from home has been an increased number of individuals and families leaving their city dwellings in favour of homes further from the capital. Historically, we found that projects within the M25 were most popular with investors, but the result of this flow of movement means that many investors are now seeking investments outside of London.

Developer Experience

Whilst I doubt any of our developers have lived through something like COVID-19 before, many of them have come into their own over the past year in dealing with the limitations imposed on them. This further highlights the importance of experience when faced with difficult and unpredictable situations.

Communication

Developer experience segues nicely onto communication, the magic ingredient that ties everything together.

We're often surprised at the limited emphasis borrowers place on effective communication with lenders and investors alike. Often, we see that borrowers are quick to share their success stories, but shy away from delivering more sensitive news that they feel may cause upset. In our experience, this only acts to exacerbate the situation. Lenders and investors respect transparency and open lines of communication, when informed of a situation candidly and with notice. In most instances, trust is gained and expectations can be more easily met and managed.

Like most businesses over the past 12 months, CWU has had to adapt to a new way of working and create additional checks and balances to ensure that the projects we put forward continue to exceed our lending criteria and be of a high standard. As the construction industry continues to move forward, so too does the demand for property lending. If you would like to discuss a finance requirement or explore investment opportunities, please don't hesitate to contact us. Q.

Risk Warning: Capital at risk. The value of your investment can go down as well as up, and historic performance is not a guide to future performance. Any investment carries risk; as such, any person considering an investment should seek independent advice on the suitability or otherwise of a particular investment. Investments are not covered by the Financial Services Compensation Scheme (FSCS).


With YOU
ALL THE WAY

LESSONS LEARNT IN INVESTMENT.

AM KAINTH
Founding Director
Ekuity Club

www.qandor.org/directory/ekuityclub

We don't think of ourselves as traditional developers but more as hybrid investor developers. We secure opportunities by acquiring (typically income producing) assets with additional untapped development potential. This allows us to service the debt with a more pragmatic approach, allowing the initial asset investment costs at the front end to stabilise, whilst we explore the best most appropriate development uplift rather than the quickest.

For us, short-term typically refers to a three-year turnaround, which, when you think of it, is actually not too dissimilar to traditional development timescales when you factor in planning, construction and sales completion timelines. This removes much of the immediate pressures associated with complete dependency on planning which always carries risks, along with the added pressures associated with time, which ultimately costs money with accumulating finance charges. And as we're not focused on pure development uplift from day one, which is wholly reliant on end sales, we focus

on debt restructuring to keep total funding costs as low as possible by minimising risk for lenders.

Early Lessons

As the oldest son of a coal miner, businessman and property investor, I witnessed first-hand my dad's determination to provide financial security for his family. Aside from being a loving, kindhearted, humble and dignified man, I have always admired his work ethic and sheer determination.

He worked nights for 30 years as an electrician in the coal industry during the turbulent Thatcher years. Whilst working full-time, he set up and ran a retail business during the day and still managed to find time to invest in property joint ventures. That's where my interest in the property sector first began.

After university, I joined the corporate world working in the automotive and travel sector for companies like Toyota, Fiat, Hertz and Shell and then, having left client-side roles, went on to work for a global loyalty marketing agency, during which time I was seconded to the Middle East to launch a high-profile consumer loyalty programme for one of the largest telecom operators in the region.

Above: Pub conversion creating 6 executive apartments in Wandsworth

Below: Planning gain for 8 apartments plus commercial offices in Wembley

Early Investments

Throughout my corporate career, I pursued my interest in property and spent evenings ➳

Top: Development of 5 executive apartments in SW London
Above & right: Interior Examples

and weekends passively investing in the London property market. My strategy was to acquire assets in established areas of London, typically in Zones 1 & 2, where I knew there was strong demand, great transport links and plenty of bars, restaurants, cafes and amenities. I would always ask myself a simple question: Would I live in the area and would I be happy living in the property once fully renovated?

Having experienced the scorching temperatures of the desert in Dubai and Qatar, I quickly found myself heading back to the cold in London as the devastating financial crisis emerged. It was in that moment I decided to take control of my own financial affairs and switch my part-time passive investment strategy into a full-time business.

Shortly after returning to London, I co-founded a London investment and development company. As cashflow rather than capital growth became more important, I decided to invest in commercial property, which offered higher returns comparable to HMOs, with the added benefit of lower management costs.

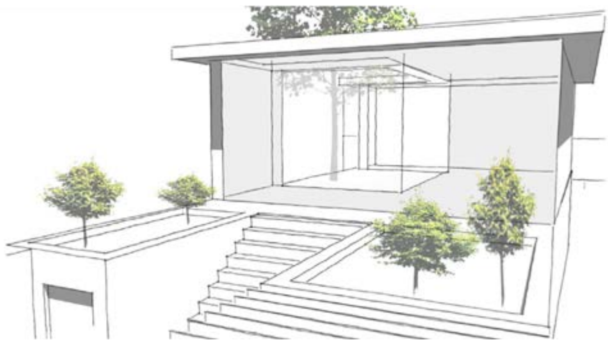
Networking

I became a serial networker and immersed myself in professional training. At that time, there were very few professional property support groups like Qandor and specialist property education providers like Tropolis, specifically tailored for the SME sector. So, in order to build my business network more quickly, I attended and later became co-host of the Kensington PIN Meeting.

During that time, I remember attending an infamous property event just off Baker Street. The hosts Ranjan Bhattacharya and Vanish Patel, who are big advocates of commercial property, were doing a presentation on the virtues of building relationships with lending partners. I clearly remember there was a pivotal point when the hosts remarked that professional investors and developers should 'spend 50% of their time looking for opportunities and the other 50% of their time nurturing finance relationships'. That advice was one of the most important lessons I learned and has resonated with me for years to come.

Commercial office investments in Putney **(Below)** and Clapham **(Bottom)**

Above: Prime residential in Kensington
Right: Chelsea summer House



Move Towards Proactive Funding

Up until that point, and probably like most other property professionals, I tended to spend most of my time proactively sourcing and securing suitable projects but was guilty of only reactively approaching prospective funding partners. That was one of my most valuable lessons.

I decided to switch my business model on its head and began focusing more on establishing and nurturing finance relationships with new and emerging crowd funding platforms, specialist finance brokers, private (not high street) banks and sophisticated investors. I realised that if I could privately raise equity investment for my pipeline projects, that would overcome a major business challenge. Particularly as the grasp of the financial crisis tightened, I was finding more and more opportunities but found myself struggling to secure suitable funding at a time when the traditional banks and financial institutions closed their doors and stepped away from the SME property sector.

Whether navigating through a recession, a referendum and now a pandemic, our business model has always been to raise private equity or work with join venture partners who had access to up to £500,000; hence Invest500 was founded.

Over the course of the last 10 years, I have taken a far more proactive and ongoing approach to raising debt and equity to fund commercial and residential investment and development projects, which cover a range of property use classes, including residential and mixed use buildings, commercial offices, retail spaces, community assets, public houses and prime residential properties.

Evolution of Ekuity Club

As the company evolved, we decided to rebrand to Ekuity Club, which is more synonymous with our activities. Ekuity Club was borne out of the desire to do more compelling projects. Through collaboration with our investment partners, we leverage investment funds to secure compelling and creative real estate opportunities. It also allows us and our equity investment partners to get involved in larger and potentially more lucrative opportunities than they may otherwise be involved in with their own capital.

We create value by securing income producing assets with additional, often unexplored enhanced development potential to further uplift capital values. We do this by repurposing disused tired or often redundant spaces to create desirable design-led space solutions, which are both functional and aspirational spaces to live and work.

Low Risk Mature Approach

Having initially trained in public relations and worked in marketing, I believe reputation and integrity is the true value of a brand. Aside from our experience, our reputation is built on trust, credibility and understanding with our equity partners, largely through developing and nurturing established and long-term relationships. Every opportunity brings its own challenges. Yet we believe our uniqueness is the way in which we manage and navigate those challenges to deliver value for us and our investment partners. We fully appreciate that working with and investing someone else's capital bears a significant responsibility, which is why we have quite a conservative attitude towards risk.

Our value comes from negotiating and buying well and adding value. Our projects are not overgeared and we do not carry unnecessary or high levels of risk. We also seek to retain margins by reducing the cost of our total associated debt. Q.

To discuss some of our latest investment opportunities contact am@ekuityclub.com or visit www.ekuityclub.com.

PROPERTY FINANCE AND THE POWER OF LEVERAGE.

GARY WALSH
Director
Optima Property Funding

www.optimafunding.co.uk

A property developer must consider numerous factors when assessing the viability of a potential project (and kiss a lot of frogs to find a prince), but ultimately any offer made to acquire an asset will be based upon a minimum target profitability and fundability. As a reminder, lenders will have minimum project profit criteria, too.

But how does a property developer define profitability, and how is this impacted by the structure of funding?

Project profitability may be expressed as one or more of the following:

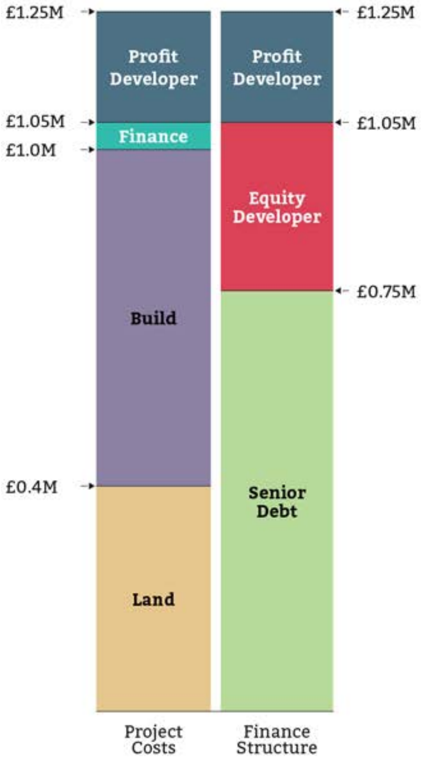
1. Profit in absolute £.
   A target based upon a defined sum, e.g. to make £500k from the project.
   A simplistic measure as it does not consider the scale of the project.
2. Profit as a percentage Return on Sale (ROS) or Return on Cost (ROC).ROS: If the GDV of the project is £2.5M, a target ROS of 20% is £500k.
   ROC: If the Total Costs of the project are £2M, a target ROC of 25% is £500k.
   ROS and ROC are standard industry measurements used by property developers, lenders, valuers, etc.
3. Profit as a Return on Investment (i.e. the equity invested in the project by the property developer) and abbreviated as ROI.
   This is a more nuanced measurement of profitability and considers the relationship between the property developers' equity and debt or debt/third party equity.

Let us look at an example of the power of leverage:

GDV: £1.25M
Project costs: £1M
(Land £400k, build £600k)
Profit before finance: £250k
ROC: 25%
ROS: 20%
Duration: 12-month project

The property developer has £300,000 to invest in the project.

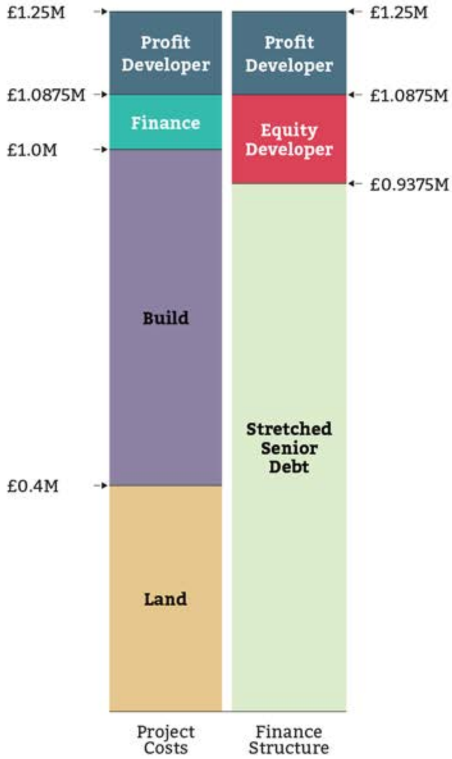
Note: Project costs exclude costs of disposal (agents, legal) which are not required to be financed.



Senior Debt = £750,000

- Land loan = £100,000
- Build loan = £600,000
- Finance = £50,000

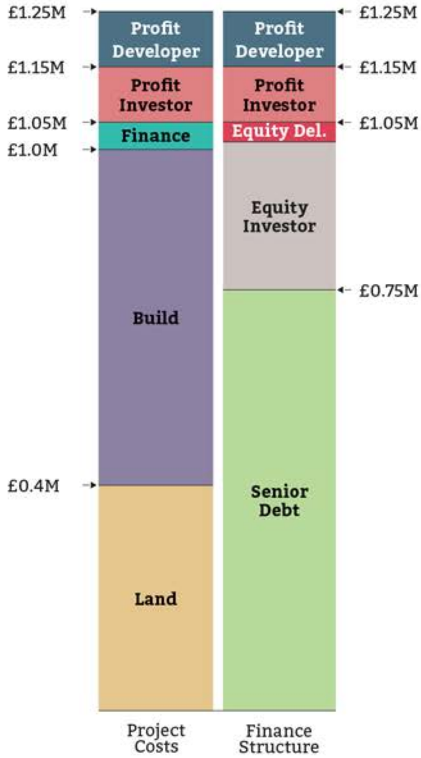
- 60% GDV – 71% LTC.
- Interest rate 7% PA + Fees.
- Estimated finance charge £50,000
- Profit after finance £200,000.
- Property developer investment £300,000 (29% LTC).
- **ROI** £200,000/ £300,000 = **67%**.



Stretched Senior Debt = £937,500

- Land loan = £250,000
- Build loan = £600,000
- Finance = £87,500

- 75% GDV – 86% LTC
- Interest rate 10% PA + Fees
- Estimated finance charge £87,500
- Profit after finance £162,500
- Property developer investment £150,000 (14% LTC)
- **ROI** £162,500/ £150,000 = **108%**



Senior Debt = £750,000

- Land loan = £100,000
- Build loan = £600,000
- Finance = £50,000

- 60% GDV – 71% LTC
- Pricing 7% PA + Fees
- Equity required £300,000
- Equity investor £270,000 (25.7% LTC) – 90% of Equity
- Property developer investment £30,000 (2.9% LTC) - 10% of Equity
- Profit share 50% of net profit after senior debt charge to investor and property developer
- Estimated senior debt finance charge £50,000
- Profit after finance £200,000
- Profit to investor £100,000
- **ROI** £100,000/£270,000 = **37%**
- Profit to property developer £100,000.
- **ROI** £100,000/£30,000 = **333%**

With equity of £300,000 the property developer can, in theory, invest it all one project as per model A and make a profit of £200,000; invest £150,000 in two projects as per model B and make a profit of £325,000; or invest it in ten projects as per model C and make a profit of £1M. Or indeed, if 100% of project costs can be sourced, the ROI is infinite but there are very few corporate funds offering this model.

If the property developer can contribute c. 10% of the equity slice (c. 2-3% LTC), there are significantly more options. The reality is of course more challenging and highly leveraged funding carries obvious risks, but this example demonstrates the power of leverage and why it is a strategy of many property developers to spread available capital over several projects.

In this example, a profit share of 50-50 (after senior debt finance charges) between the property developer and investor has been used as it is not an uncommon structure and it serves the purpose of illustration. Of course, there are several ways to structure an equity/JV structure including a profit share, a priority return with a profit share, interest, Internal Rate of Return (IRR), fixed fee or other arrangement. Development Appraisals can be constructed using excel spreadsheets, but there are bespoke industry software packages that do the maths and model funding structures.

GLOBAL PRESENCE WITH INCREASING UK FOCUS FOR 928 GROUP.

EFE RIZVANOGLU
Managing Director
928 Group

www.928group.co.uk

928 REAL ESTATE DEVELOPMENT

The seed in the construction and development market was planted by family elders in 1950s. The focus was predominantly in infrastructure projects like highways, railways, concessions and stadiums until the 2000s.

Growing in a family operating in the construction and development industry gave me the necessary experience in the early stages of my life. More than that, it became my passion in time. Therefore, my faith was sealed in that sense. I wanted to share some of the recently completed/ongoing projects that I am currently undertaking abroad:

- Development of a site comprised of 36 flats and a commercial premise as build-to-sell (opposite top left);
- Development of a 50,000 m2 mixed use site for a client as a contractor (comprises of flats, houses, commercial parade and a 100-room hotel);
- Demolition and rebuild of a 2,250 m2 mansion for a UHNW client as a contractor;

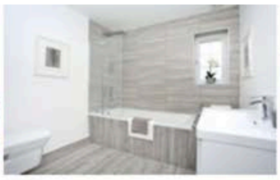
- Development of a site comprised of 46 flats and houses as build-to-sell (middle).

In the last 20 years or so, my family decided to diversify, and I have been leading development and investment projects in the UK since 2016. I must point out that the UK property market is heaven for property entrepreneurs.

Working for the 928 Group, I have been undertaking much smaller size projects in the UK (compared to abroad) with a vision of expanding and focusing on the right direction at the right time. I kicked-off with simple refurbishments and PD projects to flip, which gave me a vital market insight and necessary experience in the early stages.

Some of the projects I recently undertook are:

- Interior works/decoration at Chelsea Barracks, SW1;
- Turn-key renovation and interior of a detached family house in Weybridge (below);



- Extension/renovation of a 5-bed semi-detached house in Ealing, W13 (above).

The UK housing shortage is a phenomenon. Government bodies and various research/media organizations articulate that the UK needs to produce over 300,000 houses per year for the next decade or so. I have observed that it is really difficult to produce the required number of housing with the current planning rules and conventional building techniques. The UK Government has taken a step to changing the current planning system substantially towards easing the rules, which is backed by Prime Minister Boris Johnson's "Build, Build, Build" speech on the 30th June, 2020.

Progressive housing production is a necessity in the UK, which I have been working on to build technologies for some time in order to start developing larger projects with faster delivery time. In fact, we have been flirting with a SIP Panel producer who also offers prefabricated solutions as a project delivery partner. The plan is to reduce housing production lead-time and build more economically at the same time.

Property investments are also progressing; I am currently working on expanding my residential buy-to-let portfolio as well as my commercial portfolio. I have been reading and watching videos of property entrepreneurs and professionals discussing whether buy-to-let is "dead". In my opinion, residential buy-to-let in growing areas (London) both in single or multiple occupation (HMO) is a solid investment that provides healthy cashflow (no voids) and capital appreciation even when the overall market is flat. Due to the pandemic (COVID-19), we have seen (already) the high-street crises deepened in commercial properties. 2021 will be a year where I will be expanding the commercial portfolio, especially with leases about to expire or already expired with holding over status.

Those who don't have the stomach or strangled with high leverage are fast unloading their assets, which is a great opportunity for who wants to acquire. I attended an auction recently and purchased a distressed prime retail pitch in a town centre for just over half of the purchase price that was paid a couple of years back.

UK property market has been generous to me in terms of opportunities because I follow simple but essential strategies. As a property investor, it is extremely important to have a stomach during decline period, when things get ugly for those projects that were pitched with +30% IRR or equity multiplier of 2 goes down the drain. I have seen a lot of projects with healthy profits falling off the cliff and going bust.

While the development and investment side of the business is progressing, 928 Group also invests in projects where there is a planning uplift potential. Properties/lands with refused planning permission are specially quite attractive. On the other hand, I am making a JV deal with another property entrepreneur who has a project with approved planning permission. The offer is to spend on developing the project with the landowner to share either the asset or the profit once the asset is sold. A JV project in Peckham is starting soon (postponed due to the pandemic) where the investor has a land with planning permission for two flats. We agreed for 928 Group to develop it and keep a flat while the investor keeps the other one. It is a quite new approach to the market, but I believe 928 Group will expand in this area.

The vision for 928 Group is to expand in development and design while the objective is to transform undervalued assets into precious gems. In addition, to grow residential and commercial portfolio and issue property investment bonds to investors in order to further expand the portfolio.

Finally, sustainability in business is essential. We all have seen entrepreneurs/companies driving at 150 mile/hr, but tumbling on a tiny rock. Emerson once said, "It's not the destination; it's the journey." Good luck in your business encounters and keep safe. Q.

Qandor Affiliates

Catax
Capital allowances

CrowdProperty
Crowdfunding

David Phillips
Interiors

Hilltop Credit Partners
Stretch senior funding

Keystone Law
Legal services

Landinsight
Plot finding technology

LOFT
Interiors

Lutron
Lighting & automation

Mortgage Advice Bureau
Mortgages & funding

Nimbus Maps
Property Software

Ocean Bathrooms
Bathrooms

OnPoint Mortgages
Mortgage brokerage