Editorial

Welcome to another bumper edition of the CULS Magazine. The 2017 edition of the magazine introduces a number of exciting innovations, helping to make sure that CULS communicates well with its members, whether they be abroad, in the regions, or indeed London based. I hope you enjoy the magazine, and that it is as interesting, inspiring and stimulating to read, as it was for me to produce.

For this year’s edition, we have introduced three themes for CULS member contributions. We asked all members to think about their fields of expertise and to write in relation to residential property, property cycles, and capital markets. We have had a fantastic response with a wide range of in-depth articles. To give you a taste, the member articles range from residential market trends, housing prices and discussions of a housing crisis, to community-led housing, housing for individuals with learning disabilities, and home design for older people; from property tech and sustainable cities, to retrofitting; from an in-depth study on past, present and future property cycles and the influence of debt on any given property cycle, to the effect of property cycles on landed estates; from the North West Cambridge Development and Cambridge hotel market, to commercial property for R&D in Cambridge. We have also encouraged contributions related to personal interests and endeavours, with articles ranging from the benefits of architectural design competitions and the Battle of Passchendaele Centenary to the Royal Commission for the Exhibition of 1851 and leadership lessons from polar expeditions; from reflections on charitable leadership on careers in property.

We also have the privilege of including thought pieces from six of our esteemed Honorary Vice Presidents, including Dame Kate Barker CBE, Stuart Corbyn FRICS, Professor Spencer de Grey CBE RIBA, Ian Henderson CBE, Roger Madelin CBE, Jeremy Newsum FRICS and Liz Peace CBE.

And as always, the magazine includes updates from our various CULS Forums, Society updates on the CULS Property Careers Fair and recent CULS student prizes, as well as a number of academic articles from the Department of Land Economy.

New for 2017, we are delighted to announce that Knight Frank, Bidwells, and Ashurst are generously sponsoring and supporting the production of the 2017 CULS magazine.

Looking ahead to 2018, I am excited to announce a number of new developments for the CULS readership going forward. First, a digital version of the complete magazine will be published via ISSUU, a digital magazine-like reader (as opposed to download) that can be accessed on the go on any digital device, either via the ISSUU mobile app or via the CULS website. Second, at certain points in the year, we are aiming to make selected individual articles from the magazine available to a wider audience via the CULS website and CULS LinkedIn, so that digital content can be more easily shared and discussed.

Finally, I wish to thank each and every contributor for making this 2017 edition possible. On behalf of all CULS members, special thanks also go to Dominic Reilly (CULS President) and Ali Young (Society Secretary) for a very memorable and high-quality 2016/17 programme. The CULS London Dinner was a personal favourite for me, where the motion of “This gathering would rather spend a bad day in the field of sport than spend a good day in the office” was hotly debated. Surely, the answer has to be the field of sport?

If you have suggestions for future content to be published, if you wish to be involved with CULS in any way, if you wish to know more about the CULS Forums or how to sponsor CULS, then please visit www.culandsoc.com or contact us on info@culandsoc.com. We look forward to hearing from you.
It is with great pleasure that I summarise all that has gone on in the last year as regards the Society since my election as President in June 2016. As we grow older, time flies even more quickly and each year accelerates more rapidly away from the last. My presidential year has flown by and I will be very pleased to serve a second year as our two immediate past Presidents have both done. I hope in the coming year the Society will enjoy continued success and bring benefit to all of its members.

Our main emphasis is in staging events which will appeal to our wide membership and be enjoyed and stimulated by those attending them. Given the feedback that we receive we appear to be achieving this, although I am conscious that our events are necessarily based in London and Cambridge, and we have difficulty in reaching those members who live abroad or who rarely visit London or Cambridge. Each of our forums stage events throughout the year and my thanks to each of the forum heads and their committee for their input in organising them. The events which we run regularly every year achieve great success, including our ever more popular Careers Fair, the market update breakfast, the Denman lecture which we host jointly with the Department of Land Economy and was delivered this year by David Pitt-Watson and our annual CEO talk this year delivered by Marcus Sperber, Global Head of BlackRock’s Real Estate business. Three Whitehall lectures were delivered respectively by Richard Brown CBE, Lord Willetts and Professor Becky Francis.

My personal highlight was the lecture delivered by Dr Robin Goodchild, LaSalle Investment Management’s retiring Director of Global Research & Strategy. Robin will be remembered in both his academic and professional career, and his lecture on the nature of property cycles, past present and future was a tour de force. He has summarised his conclusions in an article for this magazine which I suggest should be compulsory reading.

Social gatherings focused on three dinners, including our London dinner at the Oxford and Cambridge club. This was an opportunity for our newly created sports and leisure Forum to invite two guests, Philip Irons and James Sunley who informally debated the motion that “a bad day in the field of sports is better than a good day in the office”. Their speeches encouraged some amusing anecdotes from members of the audience, while much to the disappointment of your President the motion was roundly defeated.

We have already planned and have every intention of staging a similar number of events in the coming year, together with new events of topical interest. Please keep yourself informed via our website and book tickets early in advance.

Very sadly Douglas Blausten has stood down as chair of the Cambridge Whitehall group and as a committee member of the Society. Douglas has done more than we can thank him for since he was President of the Society
and as a committee member, in his tireless energy and amazing use of his business and personal contacts in arranging lunches, dinners and lectures for all our members. He will be missed and is to be greatly thanked and I am pleased to say has been appointed an Honorary Vice President of the Society.

We have renamed the group as the Whitehall Group and the group will be co-chaired by Colm Lauder (who previously headed up the Silver Street Group) and James Lai. Under their leadership the group and its activities will continue to expand and be a large part of the society’s activities. I’m very pleased to welcome Jola Hajri and Sophie Pickering to the committee and they will jointly be running the Silver Street Group in Colm’s place.

For those that attended the AGM or have seen our report and accounts, regretably this year the society recorded a small financial deficit. The society is financed by members’ subscriptions, sale of tickets to our events and generous sponsorship. We are incredibly grateful to all of our financial sponsors and those sponsors who support us by hosting the events that we run. Our finances remain in good order and we continue to maintain a healthy cash balance which is capable of meeting our fixed overheads for a period of two years.

However we want to make sure that each year the society reports a financial surplus which will be an indication of its continued health and allow us to financially support causes close to the membership heart, such as the Department of Land Economy and the University. The committee has therefore decided to put in place a more formal basis of sponsorship, whereby we seek sponsors for our annual magazine, our website and of course our forums. This will put the society on a stronger footing and place less reliance in arranging sponsorship for individual events which has proved challenging. At the same time we have decided to increase our basic annual membership fee from £55 to £75 per annum for those members living and working within 100 miles of central London, which we hope will not present any financial hardship to our members and which we still believe remains a very modest fee for the benefits of membership. We have written in detail about the changes we have made elsewhere in the magazine and hope these will be understood and accepted by all as necessary for the health of the Society while still representing good value for everything that the Society puts on for its members.

Erik Ruane has worked tirelessly as Treasurer to the Society and has put many hours of work into looking after and administering the Society’s finances. We are very grateful to him. Without mentioning all of the committee, I would like on behalf of the Society to thank each committee member for everything they do on a pro bono basis on behalf of the membership.

Werner Baumker once again devoted many hours to the production of this year’s magazine, we are very grateful to him. The content and breadth of articles within are testament to his hard work. The contributions from all our authors and the theming of the magazine around property cycles, the residential market and capital markets mean that there are articles for all of our member’s enjoyment and stimulation and are evidence of the health of our Society which we should all be very proud of.

My last and final thank you, and definitely the most important one is to Ali Young, our society secretary, and Fiona Jones secretary to the Whitehall group. You will have been introduced to them at the welcoming desk of all of our events and all of their very hard work is much appreciated by the committee and the membership.

It remains for me to say that is my intention to maintain and improve the health of the Society, to provide events that you the members ask for and to support everything that we do.
The APEC Forum was set up in 2013 and supports both the Department of Land Economy and the Faculty of Architecture, the latter particularly needing help with outside teaching by practising architects. CULS through the APEC Forum is now engaging successfully with the Faculty of Architecture. We co-sponsored their end of year show in June, ARCSOC (see below), and its catalogue and are working with them to mount an inaugural careers day at the end of the Lent term on 12th March, with students exhibiting their work to prospective employers who will buy tickets to come! The timing of the annual CULS autumn fair does not work for the architects and we are hoping that firms will be keen to visit the faculty and tour the studios. Further ahead we are looking to find ways to secure funding for the visiting professorship following after 2018 when Spencer de Grey’s appointment comes to an end.

Past Events
APEC Forum was again one of the most active Forums putting on these events over the last twelve months:

It’s all about the numbers
Sherin Aminossehe, head of government property at the Cabinet Office, gave a delightful and stimulating breakfast talk on the Government Property Unit’s ideas for the Government Estate hosted luxuriously by BLP at Adelaide House last October.

Planning for housing: Is it broken? Can we fix it?
Now an established annual event with the National Planning Forum and hosted by Dentons for a spring afternoon, we cover the ‘P’ in APEC. A strong line-up included Steve Quartermain, Government Chief Planner, Sarah Richard, CEO the Planning Inspectorate, Jim Fennell, Chief Executive of Lichfields, Liz Peace, Chairman of the CIL review, Jonathan Manns, planning partner at Colliers International, Rory Bergin partner, sustainable futures, HTA Design, Dr Janice Morphet, visiting professor, UCL, and our host Roy Pinnock, partner, Dentons.
North West Cambridge development – Site Visit (see below)

We covered “C” for construction with an interesting tour of the NW Cambridge development site before the AGM in July. We were impressed by the rapid process though access to the most interesting buildings was limited. Worth another visit as stages are completed.

APEC Committee

The APEC Forum committee continues to welcome new members and we meet courtesy of Lipton Rogers in Cavendish Square. They are: Co-chairman Rod McAllister, Architect, APEC’s scribe Martin Thompson, recently retired as Head of Accommodation at The Supreme Court; Lucy Mori, Business Development Director at Edward Williams Architects, James Lai of architects CallisonRTKL, Yair Ginor of Lipton Rogers, Mike Adams of Adams Infrastructure Planning, Fred Pilbrow and Catherine Jenkins of architects Pilbrow & Partners, Dr Sue Chadwick of Birketts, Melville Haggard, Immediate Past Master the Clothworkers livery, Martha Grekos, partner at Howard Kennedy, Flora Macleod of Bidwells and chairman Brian Waters, principal of BWCP architects and planning consultants.

APEC Forum sponsors required!

Our cunning plan has been to establish the new(fish) forum over three years or so and then to seek sponsors for each year’s programme. I think we have done the first bit and are now inviting sponsors to step forward. We have been fortunate in having all our events hosted and sponsored so that they more than break even but are keen to generate additional funds to support teaching, faculty and students at the school of architecture and the land economy department. We can deliver at least three powerful events each year. Please get in touch!

ARCSOC

Arcsoc is the University of Cambridge’s student run Architecture society, representing over 150 students. We co-sponsored the department of Architecture ARCSOC summer Exhibition, which took place form the 6th to the 9th July the Bargehouse, OXO Tower Wharf. It was an exhibition of the past five years’ work of the students of the Department of Architecture, and was open to the general public.
North West Cambridge development – Site Visit (see the photos)

The 150 hectare (370 acre) site is partly within the area of Cambridge City Council and partly within South Cambridgeshire District Council. It is owned by the University of Cambridge and was formerly a mix of farmland and University buildings. Over one-third of the site will be retained as open space.

The site provides the opportunity for balanced growth of the University and City towards the north west, with proximity and good connections to the city centre and West Cambridge.

The site location will enable the majority of journeys to be by foot, bicycle or public transport, reinforcing the aim to build a community with links to existing neighbourhoods.

The development has been inspired by the evolution of the character of the City of Cambridge, particularly looking at the architectural and urban qualities that define the many sociable spaces in the centre. The intention is not to impose a blanket pattern book across this new piece of city but to establish a coherent greater whole, calibrated creatively at the scale of urban typologies such as city parks, streets, squares, college courts and more informal landscapes, like the Backs.

Learning from the historic centre, the development establishes a strong starting point, including a new city park and other landscapes and public open space; three distinct neighbourhoods for families and the diversity of residents anticipated; a local centre at higher density providing amenity and focus for the public life of the new community as it grows; at least two new collegiate clusters for student accommodation; and three academic and commercial research clusters, interweaving working life within the place.

Through careful selection of an interacting group of architects and landscape architects, the University is creating an urban realm where architecture and open space are consciously choreographed to create great new urban compositions and a completely integrated built and natural environment.

The North West Cambridge site includes:
- 1,500 homes for University and College staff
- 1,500 private houses for sale
- Accommodation for 2,000 postgraduates
- 100,000 sqm of academic and research and development space of which up to 40% may be private research with University connection or Research Institutes
- Community facilities such as a primary school, community centre, health centre, supermarket and local shops
- A hotel
- Care home
- Sustainable transport provision including cycle ways
- Sports Centre and playing fields
- Public Open space.
Rural Forum

The Rural Forum has had a relatively quiet year to date on the events front as it rural affairs in the context of Brexit have received a good dose of media coverage. Some of that coverage is orientated around quite technical (all be it potentially very consequential) matters such as the impact of the UK’s withdrawal from the EU on subsidies given to farmers in the UK. Other coverage has looked at how the weakened pound has helped manufacturers and exporters develop market share for their goods. With that in mind, the contrast between our event at the Farmers Club in October 2016, to celebrate and sample English sparkling wine and our forthcoming visit to Hatfield House including talks from Estate staff, as well as Ross Murray (President of the Country Land and Business Association), seems appropriate. More on both of those events is reported below by our Forum Committee Members who have been instrumental in organising.

I am also very pleased to report our Forum Committee has been strengthened further and welcome aboard Sarah Mason as a new Forum Committee Member. Sarah Mason and Katie Cooke (another Forum Member) are assisting the Forum in staging another drinks event in London later this year, following on from the success of wine tasting event last year. The Society will circulate details of this to Members as soon as the date and venue is confirmed. I look forward to seeing many of you there and at our Hatfield House event in September.

Visit to Hatfield House
22nd September 2017

The CULS summer visit this year was at Hatfield House, in Hertfordshire, the home of the Marquess and Marchioness of Salisbury. The day included presentations given by Estate staff about the Estate itself and the Estate in the wider context of local expansion and development, as well as a talk from the CLA President Ross Murray. Short visits to the garden and park were followed by lunch and tours of the house in the afternoon.

This was a great opportunity to gain an insight into the workings of the Estate and to tour one of the finest Jacobean houses in the country. The event was kindly supported by Gascoyne Cecil Estates Ltd, the CLA and Knight Frank LLP.

The Rural Forum soiree at the Farmers Club – Cheese and Wine
6th October 2016

The Cambridge University Land Society Rural Forum held a very British cheese and wine night at the newly refurbished Farmers Club in Whitehall.

We were fortunate enough to receive an enlightening presentation from one of the leading wine producers in the U.K., the celebrated Hush Heath Estate in Kent, creators of the award winning Balfour Brut Rose. English wine is really one of the remarkable success stories of the English agricultural sector - Hush Heath is certainly no exception - and hearing first hand just how one Estate has created such a successful enterprise was both inspiring and reaffirming. After learning more about how English wine is taking over the world (even beating Champagne!) we had the arduous task of sampling the wares, counterbalanced by a rather super selection of cheeses.

And lest you fear that the occasion swam by in a haze of Brut and Brie, order was called and the Forum held a meeting to map out the exciting future plans. Thank you to all those who organized, supported, cajoled and attended, particularly to Ali Young and James Shepherd. It would be remiss not to thank the Hush Heath Estate (who in addition to their wine also offer tours which are truly fantastic) and of course the Farmer’s Club for their hospitality.

New Forum Committee Member
Sarah matriculated to Queens’ college in 2007 to undertake a MPhil at the Department of Land Economy. Upon graduation, she recommenced working at Cluttons, specialising in residential development. Smiths Gore acquired the Kent development division of Cluttons in 2012, with Smiths Gore being acquired by Savills in 2015. Sarah continues to specialise in development consultancy and valuation, undertaking viability assessments, agreeing option land prices and acting for the main Registered Providers in the county. Sarah prefers tweed to pinstripes and shooting to retail!

James Shepherd MA MRICS
Rural Property Forum Chairman
Rural Consultant, Knight Frank LLP

Beatrice Ramsay
MPhil MRICS
Forum Committee Member
Rural Property Manager, Gascoyne Holdings Ltd

Hatfield House,
Hertfordshire

Florence Wolfe
MSc MRICS
Forum Committee Member
Rural Surveyor, Strutt & Parker LLP

Sarah Mason MPhil MRICS
New Forum Committee Member
Associate Director
Savills
The Whitehall Group, which was set up three years ago by Douglas Blausten, is the policy discussion forum of CULS and is open to Cambridge alumni and those who are connected with the University of Cambridge. It has over 30 members covering a wide range of degree disciplines. The Whitehall Group holds about 25 events a year in London. These are lunches, dinners and one or two major Whitehall Lectures. It is open to all members of CULS and other Cambridge graduates working in relevant fields. Membership is sponsorship based and members are able to alternate with non-Cambridge colleagues and invite guests when capacity allows.

Since its creation it has served over 900 meals and had approximately 1000 people register for the seven lectures so far. All the lectures are published and are available online via the website. The lecture given by Professor Chris Ham, CBE Chief Executive of the King’s Fund in December 2015 on ‘The Future of the NHS’ has been extensively quoted and viewed featuring on twitter and other social media through the King’s Fund. In May of this year we held the inaugural UK Economy Dinner Debate with a panel of esteemed economists and commentators joining members and former speakers to debate the fast evolving dynamics of the UK economy after last year’s Brexit vote.

The year was a year of change for the Whitehall Forum, with our founding Chairman, Douglas Blausten, retiring from the busy schedule of events. We are most grateful for all of Douglas’ efforts with the WG and the ongoing success of the forum is a legacy to be proud of. Colm Lauder and James Lai, both existing Steering Committee members, have taken on the role of leading the group in 2017/8 and have put together an interesting series of events for the term. We have an active Steering Committee – Colm Lauder, Goodbody (Co-Chairman); James Lai, CallisonRTKL (Co-Chairman); Angus Fell, Lazard & Co. Ltd; Lauren Fendick, Taylor Wessing; Emma Fletcher, SmithsonHill; Deian Rhys, Simmons & Simmons LLP, Josh Singer, J Safra Real Estate
Planned forthcoming events for 2017/18 include:

Lunch – Thursday, 12th October, 2017
(Venue: Savile Club)
Roger Madelin CBE, Head of Canada Water Development
Subject – ‘Place Making and the Canada Water Masterplan’

Lunch – Friday, 20th October, 2017 (Venue: TBC)
Alexander Holroyd, Member of the French National Assembly
Subject – ‘The outcome of the French Presidential and General elections, and what that means for Europe, Brexit and the planet’

Lunch - Thursday, 26th October, 2017
(Venue: Savile Club)
** NB earlier time for lunch: 12 noon – 1.30pm
The Rt. Hon Sir Danny Alexander, former Chief Secretary to the Treasury
Subject - ‘China and Asian Economics’

Lunch – Tuesday, 7th November, 2017
(Venue: Savile Club)
Sir Tony Brenton KCMB, formerly British Ambassador to Russia, Wolfson College
Subject – ‘What should we do about Russia?’

Dinner – Tuesday, 21st November, 2017
(Venue: Savile Club)
Professor David Runciman
Political Scientist, Dept of Politics and International Studies, The University of Cambridge
Subject – ‘How the Education Gap is Tearing Politics Apart’

Lunch – Friday, 1st December, 2017 (Venue: TBC)
Dr. Charles Tannock MEP, Member of the European Parliament for London
Subject - ‘The fast evolving role of the pro-European wing within the Conservative Party, how that will influence policy going forward and views on the DUP agreement’

Selected past events
2016/17

The 6th Whitehall Lecture – Thursday, 9th February, 2017
(Venue: Simmons and Simmons)
Richard Brown, CBE, DL - Non Executive Director Department of Transport and Network Rail and HS2 (former CEO and Chairman, Eurostar)
Subject – ‘UK Transport - are we investing enough to avoid gridlock and meet the capacity challenge?’

The 7th Whitehall Lecture – Thursday, 22nd June 2017
at 5.30pm (at Cushman & Wakefield, 43 - 45 Portman Sq, London, W1)
Prof. Becky Francis, Director of the Institute of Education, University College London
Subject – ‘The role of Academies in UK Education Policy’
Silver Street Group

The Silver Street Group is a group for younger members of the Cambridge University Land Society providing a unique social and professional networking forum for those who have graduated in the last fifteen years. We host a series of popular events and career development opportunities for those embarking on a career in property bringing together students and recent graduates with industry leaders and providing support and guidance on how to make it in the property world.

In 2016 Colm Lauder and Francesca Leverkus stepped down as Co-Chairs of the Silver Street Group and we thank them for their four years of leading the group to great success. We now look forward to a new committee which will be led by Sophie Pickering (Real Estate Associate at Ashurst LLP) and Jola Hajri (Real Estate Associate at Freshfields).

The committee comprises: Ian Currie (TH Real Estate), Tat-Kei Lo (British Land), Hugh Sancroft-Baker (New River Retail), Sally Monson (Blackrock), Alan Crampton (GreenOak Real Estate) and Jamie Young (Eskmuir).

Some SSG highlights from 2016/2017 include:
- SSG Christmas Drinks at the Oxford and Cambridge Club;
- SSG Summer Drinks at The Running Horse in Mayfair;
- SSG Annual Dinner at the Savile Club; and
- CULS Annual Careers in Property Fair held in Cambridge which the SSG continues to help run.

Christmas Drinks
The new committee hosted its first Christmas Drinks in December 2016 at The Oxford and Cambridge Club. It was a great evening attended by a range of property professionals including commercial agents, property solicitors, asset managers and developers. We look forward to welcoming you at our Christmas drinks this year!

Key events to come
Ashurst Halloween Wine Tasting
We had a break from the Halloween Wine Tasting in 2016 but we are currently planning its return on 31 October 2017. We look forward to seeing you all there for another expert tasting from WanderCurtis wines. Prepare to be spooked as you share your love of wine and property!

Proptech panel event
The real estate sector is embracing some of the most significant technological changes and we are currently pulling together a group of panellists to discuss the benefits and challenges of the digitalisation of real estate and how we can use our expertise to get ahead of the curve. Details will be circulated shortly.

SSG Key Dates Brochure
We will be sending out to all of our SSG members a Key Dates Brochure with a list of our upcoming events and contact details for the new committee. We welcome your feedback and suggestions for recent and future events.
CULS Sports and Leisure Forum

Annual Dinner
The Annual Silver Street Group Dinner was held on 18 May 2017 in the beautiful surroundings of the Savile Club.

The evening kicked off with a champagne reception and opportunity for networking with like-minded members of the SSG as well as the great and the good from CULS and CLEAB.

The event was kindly sponsored by Cobalt Recruitment, who have generously offered their support consistently over the years.

The dinner brought together current students and recent alumni of Cambridge University together with young professionals from all walks of the real estate world of surveying, law, investment, development and consultancy and was one of the highlights of the SSG calendar as we celebrated another year of thought provoking events for our members.

The dinner was concluded by an inspiring speech from Dominic Reilly (our CULS president) who has provided fantastic encouragement to the SSG over the past year and we thank Dominic for his continued guidance.

The inaugural meeting of the CULS Sports and Leisure Forum was a suitably leisurely affair, where the committee enjoyed a relaxing drink whilst brainstorming ideas for events where members could meet socially and informally during the year. We hope to be able to offer pub quizzes, race days, wine tasting and the like, and to reveal the first such outing in the coming months. In the meantime all ideas are welcome, and the committee and I look forward to seeing members old and new at the next event.

In 2016 the CULS golfers moved away from their erstwhile home at Royal Wimbledon, taking a short trip down the A3 to the beautiful setting of Burhill Golf Club’s old course. After an excellent lunch, the business end of the day commenced, with Mark Howard from Doherty Baines eventually taking the title, his 36 points just pipping the captain’s 35. The annual match against Fitz’ old boys went ahead as usual in June; this year with Jesus’ old boys joining for a 3-way competition. In another closely fought contest the combined might of CULS and Jesus defeated Fitz, with CULS’ David Williams picking up a prize for the greatest margin of victory. It was particularly pleasing to see some new joiners at the society outings this year, with special mention to Alec Emmott for making the trip over from France. This year’s society day will be returning to Burhill on Wednesday 6th September. New members are of course always welcome, and golfing prowess is mildly discouraged. Please contact David Mortimer if you’d like to play.

David Mortimer
Head of Senior Debt, ICG-Longbow

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In 2016 the CULS golfers moved away from their erstwhile home at Royal Wimbledon, taking a short trip down the A3 to the beautiful setting of Burhill Golf Club’s old course. After an excellent lunch, the business end of the day commenced, with Mark Howard from Doherty Baines eventually taking the title, his 36 points just pipping the captain’s 35. The annual match against Fitz’ old boys went ahead as usual in June; this year with Jesus’ old boys joining for a 3-way competition. In another closely fought contest the combined might of CULS and Jesus defeated Fitz, with CULS’ David Williams picking up a prize for the greatest margin of victory. It was particularly pleasing to see some new joiners at the society outings this year, with special mention to Alec Emmott for making the trip over from France. This year’s society day will be returning to Burhill on Wednesday 6th September. New members are of course always welcome, and golfing prowess is mildly discouraged. Please contact David Mortimer if you’d like to play.
Household Projections and Objectively Assessed Need

It is familiar that England has a plan-led system in theory, but a shortage of plans in practice. In March 2017, according to estimates from Savills, only 38% of English local authorities had a National Planning Policy Framework (NPPF) compliant plan. Concerns over the ability of developers to bring forward contentious housing sites where local authorities cannot demonstrate sufficient land supply suggest it would be far preferable to have well thought-out local plans in place. Hence the Government set up the Local Plans Expert Group (LPEG). Their report in March 2016 identified debates over housing targets as a key reason for delay in plan production and proposed a simpler methodology for reaching these numbers. DCLG has announced that the new methodology will be introduced from March 2018, subject to changes over housing targets as a range, with the possibility of strong demand, a more robust version of the buffers in land supply.

Problems with this proposal include a fear that it would result in allowing too much undeveloped land into plans which would be built out rather than more difficult brownfield sites. However, it ought to be possible to handle this through evidence-based local targets on the proportion of permissions in any period between the different kinds of land. The second problem is that infrastructure provision would need to be adjusted as the plan period proceeds – but frankly that is no different from today’s reality. Adapting the LPEG proposal’s definition of affordability, and moving to a range for the housing target would give this new approach more ‘bite’ as well as avoiding time and money being wasted on spurious accuracy about an unknowable future. ‘Objectively assessed need’ is the planners’ phrase, an economist would prefer ‘Best estimates of future demand’.

This discussion does indeed reflect the economist’s view. The small ‘p’ politics really matters. The higher rate of population growth in the UK over the past couple of decades has strengthened many people’s desire to explain why their locality is unsuitable for more development. Unfortunately, a simple approach to housing targets will not render specific developments any less contentious.
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Housing Crisis, What Crisis?

For 29 years at Argent Group PLC and now at British Land I have been privileged to have been involved in some significant development projects which have brought me into contact with senior politicians and policy makers.

As the year 2000 dawned, as CEO of Argent Group PLC my ‘Year Ahead’ note to colleagues stated ‘That by the end of the decade, Argent will be delivering as much housing as commercial space’. We could see the growing market demand and with our skills at multilevel urban development, urban housing was a good potential business growth area. (Argent did achieve that objective but not by delivering large numbers of homes; we were just not delivering that much office space due to the economic crisis!) Up until 2000, in Argent’s almost 15 year development history we had delivered directly less than 50 apartments although in 1994 we had brought in Berkeley Group to deliver a ‘high density’ canal side scheme at Brindleyplace, Birmingham of 143 apartments. This scheme for Berkeley was the first or certainly one of the first high density private residential schemes in an inner city and we are told that it heralded the start of the urban apartment living renaissance. It was very successful and certainly demonstrated the pent-up demand for urban living.

There was much talk and many publications in the late 1990’s about ‘The Urban Renaissance’ including the Government’s Urban Task Force publication. There seemed to be a consensus that there was an increasing demand for homes due to major demographic changes. A figure of around 240,000 homes per annum was bandied about as what was required. ‘The housing industry’ began to rise to the challenge or did it? All governments since the 1990’s have talked about a ‘housing crisis’ and how they are going to solve it but every year since the 1970s, the UK has significantly failed to deliver anywhere near to the 240,000 target. But is there really a crisis? Can you have ‘a crisis’ for 25 years? Has the government’s COBRA ‘crisis committee’ met to discuss it? No, never. Has any government really taken the matter seriously? The position of Minister for Housing was actually downgraded from a Secretary of State position by David Cameron.

Is our current government particularly bad at supporting the delivery of new homes? With regard to social housing yes, with regard to other categories of housing the answer is yes as well but actually about as bad as previous administrations. Gordon Brown in his PM Maiden Speech stated that Housing was his top priority. Yvette Cooper was made the Minister for Housing. Not long after she was ‘promoted’ to Under Secretary to the Treasury. How could that be a promotion? 14 Ministers for Housing in 4 governments is hardly taking the matter seriously? Are our governments completely inept or is there an underlying reason why they don’t really want to (or find it politically too difficult) to solve the housing crisis? What would solving the crisis look like? Increasing supply until prices fell? Hardly a popular move with existing homeowners! Until the last election most of those who voted had a
home. Reducing most voters’ major investment funds, (their pensions being worth much less than in the past) would be political very difficult for a politician? With final salary pensions being phased out and the value work place pensions generally reducing, the idea of the individual building up a retirement fund through home ownership has been one aspect driving government policy. With the ageing population maybe we don’t have a housing crisis as much as a retirement/elderly care crisis.

But what if the housing crisis actually got so bad that those without a home actually voted for a real increase in supply? Would this give politicians the courage to be bold?

The last election was the first for many decades where a large minority voted who were not (yet) home owners. So maybe the politicians will actually get comfort that there are votes for increasing the supply of new homes?

Building large numbers of new homes in any area but particularly in areas of high demand puts more strain on public services and transport. Without first increasing investment in schools, roads, hospitals etc. before housing is delivered the ‘sell’ of new housing to existing communities will always be difficult.

The recent general election may be a sign that younger voters without a home may be persuaded to vote.

That the UK needs more housing is not disputed but as far as politicians are concerned is there really a crisis? Are more people sleeping on the streets? No. (A slight rise over the past few years but not as many as a few decades ago?) Many children are staying with their parents for longer……..many years longer in some instance, but that is not a crisis, it is an inconvenience but keeping that bedroom occupied is actually a good use of resources.

What may of course be more of a crisis is the increasing dependency of property wealth to provide retirement/social care income and for those without a home that increases in value there will be a very large increase of people dependent on the State.

After WW2, there was seen to be a housing crisis. The Minister for Health was also the Minister for Housing. (Health and wellbeing was seen to be influenced by where and how you lived! Revolutionary?!) The New Towns Act set out plans to build major new settlements of over 60,000 homes. This was a national response to a proper crisis!

Where is today's similar vision?

The Private Sector cannot solve the housing crisis and at some point governments blaming the Private Sector for not solving the crisis will start to been seen through?

Development is becoming more complex, more expensive, more contested, more time consuming and more risky. I can't actually think of one piece of Government Policy over the past 20 years that has made the life of a developer easier.

The provision of affordable housing or a better description subsidised housing is recognised by almost all societies and governments around the world to be a requirement.

Social housing in London requires a subsidiary (or creates a loss!) of on average circa £200,000 per home. The Private Sector cannot deliver many of these homes out of a tax upfront of possible profits from a very risky multi-year process. Dramatic reductions in Housing Grant over recent years have led to dramatic reductions in the delivery of ‘affordable housing’. This statement should not be a surprise!

Ronald Regan said that the most scary 9 words in the English Language are: ‘I am from the government and here to help’, (which I do have empathy with) IF however the UK wishes to deliver more homes and in particularly more affordable homes then 2 things need to happen.

1. The Government has to think big like after WW2 and to take a real visionary and dramatic lead and
2. Considerably more money from a wider tax take needs to be invested.

Don't hold your breath. The definition of ‘crisis’ might need to change in the Dictionary!

Ending on a more positive note, many good and senior people, politicians and government departments recognise the difficulties and are in discussions about how together we might in part ‘square the circle’. Companies like British Land and institutional investors with a long term view of the world are increasing interested in developing and where appropriate owning a full range of housing.

Watch this space.

Don’t hold your breath. The definition of ‘crisis’ might need to change in the Dictionary!
As architects, urban designers and masterplanners, we design buildings and the spaces between them, which cumulatively become cities. The design of each of these realms overlaps, and it is impossible to address one without considering the other. Designing at the urban scale is a complex undertaking, whether it involves a masterplan for a city, a regeneration scheme for a neighbourhood, or the design for a new public transport system. At this scale, success must be measured not just by what is built, but by how it is used and how it impacts the community. The opportunity to impact public life positively and steer urban development towards a more sustainable, diverse, equitable and vibrant future is a challenge worth pursuing.

Over the past five decades, Foster + Partners has worked on numerous urban design projects across the globe, whether it is recreating a grand civic space in the heart of London at Trafalgar Square, or replacing an ageing, outdated piece of transport infrastructure, safeguarding it from rising sea levels and in the process opening up a new urban quarter at Slussen in Stockholm. The centrepiece of the Trafalgar Square redevelopment is a positive traffic management scheme. This enabled the closure of the north side to traffic and paved the way for a new pedestrian piazza, connecting the National Gallery to the heart of the square to create a grand civic space for London. In Slussen, the replacement of the decaying cloverleaf interchange with a seamless, below ground new transport interchange linked to a pedestrianised Water Square and mixed-use urban quarter, will create a brand new civic space at the heart of this historic city. Our overall approach has always been to design for people, to improve their quality of life.

Marseille is a port city that was once notorious for gangs, drugs and violence. It was named the 2013 European Capital of Culture, which spurred its rebirth. The transformation of the old harbour was one of a series of projects commissioned to mark that year. Marseille’s Vieux Port is one of the grand Mediterranean ports, but over time its waterfront had become inaccessible to pedestrians, cut off from the life of the city. The masterplan for its regeneration, prepared with Michel Desvigne (Paris), reclaims the quaysides as civic space, creating new informal venues for performances and events and reducing traffic to create a safe, pedestrian friendly public realm with direct access to the marina.

Our work was concerned with preserving and strengthening its existing character, rather than seeking to impose a new and different identity. The boat houses and technical installations for the marina, which previously lined the quays, were moved to new floating platforms, supporting clubhouses floating above. The
pedestrian area around the harbour was increased by 60% and traffic gradually reduced to provide a safe, pedestrianised environment that extends to the water’s edge.

We believe every stakeholder should be an active participant in the evolutionary process of design. The design team behind the redevelopment of Marseille Vieux-Port spent time observing the activities around the quay and conversing with locals and visitors to ascertain the functioning of the port and the ebb and flow of public life. The port was a hub of activity for fisherman, boating clubhouses, ferries shuttling people to nearby marinas, and, in the mornings, there is a lively fish market. The quayside was occupied with parked cars depriving the people of civic space. One of the other obstacles to enhancing the inner harbour was the colonisation of the water’s edge by private, un-registered clubhouses, which prevented pedestrians from accessing the waterfront. Through conversations with the clubhouses, we arrived at a solution that would allow us to reclaim the waterfront for the public, while accommodating the yachts on floating pavilions.

The Vieux-Port is flanked by the Canebière, one of Marseille’s busiest thoroughfares, which significantly contributed to the queue of cars on the quayside. Our interventions at the Vieux-Port have been an exercise in reclaiming the space for people and civic activities by dramatically reducing space occupied by the car. The subtle yet effective demarcation of the quayside from the Canebière by elegant cast-iron bollards privileges pedestrians by preventing the space from being treated as a carpark, all the while allowing for maximum flexibility.

Historically, the port had been the principal gateway to the city as well as its principle meeting place. The ambition was to restore the quayside to its original purpose as a large open space where public life could thrive. Having regained the quayside for general use by removing the parked cars, the challenge was then to create a sheltered space that could provide shade from the Mediterranean sun and shield people from Marseille’s quintessential Mistral winds. The answer was the addition of the ombrière, a lithe pavilion on the prominent eastern edge of the port that would provide shelter and frame a flexible events space. Open on all sides, the 46 x 22 metre ombrière is held aloft by slender pillars, six metres high. This discrete architectural intervention epitomises our approach to urban design which encourages socialising and interaction, with architecture acting as a backdrop to the life of the city. Today, the ombrière plays host to markets, fairs, festivals, and buskers, it shelters those waiting for the ferry, and serves as a city meeting point.

These discrete architectural interventions at Marseille pay homage to the UNESCO World Heritage Site by exposing its inherent qualities, both manmade and natural. The underside of the ombrière canopy is made of highly polished steel panels, creating a mirror for the sea and life on the port, which from the water resembles nothing more than a simple line of silver on the horizon. The simplicity of this gesture
defers to the natural beauty of the port’s context and its surrounding buildings, sitting comfortably in its historic setting. The refurbishment of the quayside and the addition of the canopy has had multiple effects on tourism, with a significant increase in visitors to the new harbour. The Vieux Port is once more seen as a meeting place for the city, as observed by the vigils held in the wake of the Charlie Hebdo attacks in 2015. The project has also had a positive impact on the traditional fish market, and the number of annual events held at the quayside have increased manifold. Several events that took place in disparate parts of the city are consolidated at the Vieux Port, creating a social focus for the city. The redevelopment of this quarter has also become a catalyst for other projects in the surrounding areas. The practice has recently completed the second phase of the masterplan along the southern edge of the harbour, and is working closely with the city to redesign the interface between the restaurants and the public realm along the Quai du Port. There are several other projects in the pipeline such as the redevelopment of the shorefront to the north of the harbour, and a cable car connection between the Glacis and the Notre Dame de la Garde on the hill to the south. As part of Paris’ bid for the 2024 Olympics, Marseille will be the site for the sailing events – a testament to the city’s growing reputation as a destination of note. We recognise that the value of a well-designed public realm has manifold economic, environmental, social and cultural benefits. It contributes to a sense of belonging, community cohesion, improved health and well-being, reduction of crime and anti-social behaviour, and greater opportunities for play and learning. From the perspective of economics, it also increases visitor, worker and resident spending, attracts and maintains a local workforce, contributes to an uplift in property and rental values, and gives rise to inward investment and business location. The environmental benefits include an improvement in air quality, a reduction in pollution and urban heat islands, increased biodiversity, infrastructure for greening measures, the reuse of redundant and derelict spaces, food production, and green energy generation. However, most importantly, it is the people that matter, as illustrated by the projects we have discussed above. People are at the heart of everything that we design and is the cornerstone of a successful urban environment.
A head-hunter calls – seizing the opportunity of Old Oak Common

One of the things I have learned about a portfolio existence is that you never quite know what is going to happen to your portfolio or what you will actually be doing from one year to the next. And you also don’t know when something really unexpected and incredibly exciting is going to come along. But the advantage is that, unlike having a full time position, you can actually adapt your portfolio to take on that really big challenge when it appears.

Twelve months ago I was enjoying a wide variety of different non-executive and advisory roles, some with companies and others unpaid in the charity and social housing sectors. As far as I could see everything looked pretty stable and I imagined most of those roles would go on for some time. But a couple suddenly dropped off for different reasons – a board re-structuring, a merger – and I began to think I might have some spare time to pick up those new leisure activities I had promised myself - learning a new language, cultivating my limited painting skills.

And then at the beginning of this year the head-hunters rang and asked if I might be interested in applying to be the chairman of London’s Old Oak and Park Royal Mayoral Development Corporation – or OPDC for short. And that was the start of something that has now become one of my principal missions – the regeneration of a 650-hectare area in West London, almost twice the size of Central Park in New York.

Just to be clear about the challenge, this site is an intriguing mixture of industrial brownfield land, crisscrossed by railway lines, a traditional trading estate (that’s the Park Royal bit) and an area of common land roughly the size of Hyde Park known as Wormwood Scrubs. There are also some small but significant residential communities around the periphery, and a very large stretch of the Grand Union Canal running through the middle. What gives this site such regeneration potential is the plan to locate at the southern end of it one of London’s two HS2 stations – the last stop before the new trains rush on into Euston. This is also where HS2 meets Crossrail – and for good measure we also have the West Coast mainline to the north, the Great West Main line to the south, two tube lines and three different branches of the London Overground. In fact, it must be one of the best-connected sites in the country, offering the opportunity to build a new community the size of Woking, with potentially some 25,500 homes and 65,000 jobs, and for that community to be planned and designed as a truly sustainable, modern suburb fit for the 21st century with a low carbon footprint, excellent facilities and a...
wholly new approach to modern living.

There are, needless to say, some considerable challenges. Despite the plethora of railway lines, the site is currently difficult to access by road and will need a considerable investment in transport infrastructure – particularly bridges – in order to ensure access and full permeability. It will also need the full range of utilities, not to mention all the other infrastructure vital for a modern well-served community – schools, community facilities, shops, workplaces, cultural places and green space. And for all that infrastructure the bill will be enormous and require us to use the full range of means at our disposal – developer contributions, possible borrowing against future business rates, various infrastructure and other funds from central Government and from the GLA family and long-term investment from the private sector in both the UK and internationally.

There is also the not insignificant issue of the existing occupiers of the Old Oak section of the site – Network Rail, Transport for London, the world’s biggest independent second-hand car dealership, two significant waste recycling businesses and a whole host of small enterprises that will need to be relocated if we are to maintain the commercial diversity of the area. And of course, we will have a brand new HS2 station occupying a large part of the site which will have considerable development potential over and around the main station structure. There is also the ‘cause celebre’ of the new depot and stabling for the Crossrail trains which was planned and built before the full potential of the site for a major regeneration site had been appreciated and which sterilises a large portion of the site to the north of the HS2 station.

With projects as large and complex as this it is quite easy to be totally overwhelmed and to adopt the typical ‘rabbit in headlights’ stance. Where do you start? How can you get homes built early on in the process? Who will fund infrastructure without any immediate economic benefit? Who are going to be the first investors to risk their capital in such a vast enterprise? What do we do about the Crossrail depot?

Well the answer, after an initial period of panic, has been to identify and eliminate the ‘noise’, particularly that caused by the Crossrail depot, to focus on what is deliverable and on which parts of the site in the next 3 to 5 years, to work out what the minimum infrastructure needed to support those early deliverables might be, and then to come up with a carefully costed ask that we can present to the various potential funding bodies. We are proposing to present this in the form of a business plan which we will be taking to our own board in the early Autumn and then using as the basis for discussion with the Mayor of London and the GLA, with other stakeholders in central Government and ultimately with potential investors.

Of course, as a non-executive chairman I cannot claim responsibility for more than a small portion of this progress. We have an excellent executive team, including experts in infrastructure, commercial development and planning; a master planning team led by AECOM that is helping us identify the possible design solutions to some of the knotty access and infrastructure problems; and commercial and financial advisers who are able to highlight the optimum financial outcomes for our plans.

My role has been to offer strategic direction, to liaise with our principal stakeholders and find out how we can meet their aspirations, and to lead the board in considering how best we can deliver on what is undoubtedly a tremendous opportunity – but also one with considerable challenges. Having spent my thirteen years in the British Property Federation talking about regeneration and trying to influence both national and local government policies that support sustainable development of difficult brownfield sites, I consider it a great privilege to be able to lead such a massive regeneration project where I am doing it for real. Which is why, when that head-hunter called, I decided that this was one offer that I couldn’t refuse!
The promotion of an architectural competition to select a design for a sensitive site can be a route to resolving many conflicting interests in the planning and aesthetic challenges confronting the client or patron (depending on your point of view), whilst generating credibility of the design team selection process in the eyes of the local planning authority and the public at large. The RIBA fully appreciated this when they sanctioned the concept of 'promoter's choice' whereby, having reviewed the challenge, they advanced a list of assessors, whom they felt could be entrusted with selecting a short list of designers from a carefully chosen list of competitors leaving the promoter to make the final selection.

In the early 80's, this process was adopted for a prominent location in Trafalgar Square on the corner of Northumberland Avenue and The Strand at a time when the Square was undergoing some quite radical revision with the remodelling and extension of the building behind Canada House and the extension to the National Gallery. HRH the Prince of Wales had intervened in the debate on the latter by describing the outcome as 'a carbuncle on the face of a well loved familiar friend' to the enduring damage to the reputation of the architectural team selected and whose scheme had to be abandoned. The Northumberland Avenue building was owned by Land Securities and made a significant contribution to the Boulevard Haussmann ambience that was created in the Avenue with the exception of a post-war monstrosity of a relatively small late fifties offices block of the post-war 'egg crate' style. Grand Buildings itself was of the fashionable Victorian era hotel design with the ground floor arcade, load bearing cross wall construction, high ceilings, with numerous narrow ensuite bathrooms: really quite inflexible for modern office use, but typical of the hotel era which saw The Strand as home to The Cecil, The Metropole, The Savoy, The Adelphi and Strand Palace, amongst others.

Added to which the builders had 'bedded' the stone incorrectly with its grain cut vertically rather than horizontally, which resulted in weather erosion after 100 years, which required regular inspection on cherry pickers to remove crumbling cornices and other projections.

After a public inquiry following which the planning inspector sanctioned the demolition of a building in a Conservation Area, Westminster City Council were persuaded to participate in commenting on the parameters of the terms of an architectural competition of the design for a replacement to be undertaken on the terms of the RIBA's promoter's choice.

Competitions are by no means the easiest route to obtaining a design, can be expensive to run and, when open to public entry, can be incredibly time consuming. In this case some 1,300 inquiries were made internationally and 287 architects submitted entries having paid an entry fee, which was intended to discourage frivolous submissions.

In order to manage the process, Land Securities engaged the services of one Sir John Boynton sometime.
The Prince of Wales desired to see the designs and John Boynton suggested showing him ‘some of the six most meritorious designs and six of the most bizarre’, the latter absorbing most of the meetings.

Chief Executive of Cheshire County Council and a prominent member of the Town Planning Institution. As Facilitator, he liaised with the RIBA on the appointment of the assessors trying to manage the very different aesthetic taste of a very disparate team, which included Sir Alex Gordon, Sir William Whitfield, John Miller, Sir Nicholas Grimshaw, John Boynton and myself. I learnt that John Boynton’s meticulous facilitation would become invaluable in progressing matters to achieve a unanimous outcome, namely the presentation of 3 contrasting designs from which the promoter could make his final choice.

Unsurprisingly public interest in the architectural press was significant and the company was being offered a lot of “advice”; in order to discourage too much journalistic intrusion, Land Securities chose to use a floor of a building in Victoria Street, which was about to be refurbished using large ‘danger asbestos, no entry’ signs as the process was supposed to be confidential! In order to discourage uninvited intrusion by a very curious architectural press as the process was supposed to be confidential! Walking around all the anonymous numbered entries entailed a ¾ mile walk, each entry being accompanied by a rapturous written explanation of the design submitted. Eventually 10 were selected for further design development, but only 9 proceeded, as 1 good entry came from an unqualified party who was disqualified under the RIBA rules and the poor student never learnt of the potential fame his selection might have deserved: the old “Trade Guilds” still ruled then! (When subsequently appointed to the RIBA Competition Steering Committee, I later took issue with this policy, to the intense annoyance of Sir Richard MacCormac).

Meantime the Prince of Wales desired to see the designs and John Boynton suggested showing him ‘some of the 6 most meritorious designs and 6 of the most bizarre’, the latter absorbing most of the meetings at Kensington Palace. So the 9 selected from the 287 progressed their drawings with access to the promoter’s team of technical assessors, namely quantity surveyors, structural, mechanical and electrical engineers and commercial surveyors. The smaller practices took full advantages of this process which helped to mitigate the disparity in the different firms’ resources.

In the end, the Facilitator managed to obtain a unanimous verdict from the assessors with their very different tastes having manually minuted every meeting by its conclusion. His minutes were typed up as we enjoyed a good lunch or dinner accompanied by fine wine and he asked all concerned to sign off the minutes as we enjoyed our coffee: quite a masterful use of time and brevity of prose. The 3 designs ultimately chosen for presentation to the promoter might be considered as: ultra modern; traditional (some might call pastiche); and a very efficient, good looking commercial building. In the end the promoter selected the most traditional design, one submitted by Ron Sidell and Paul Gibson, that gave efficient use of space and respected the other buildings in Trafalgar Square and I believe has proved to be a very good neighbour.

Moving on to another example, Land Securities elected to promote a competition for the replacement of Eland House in Bressenden Place, a street which sadly can compete with London Wall for its somewhat brutal feel. We had constant trouble with commuter
coaches parking with engines idly awaiting their homeward bound passengers. The ambition was to deliver a much improved design which did not impinge on the sacrosanct sightline of King Henry's Mound, in Richmond Park, to St Paul's. Citing one of the pitfalls of competition, one very distinguished competitor permitted his design to stray 12 metres outside the site boundary: it was a very good scheme, but I was advised that, if I permitted its intention, other competitors could sue for their costs as I would have breached the competition rules! Sadly in the end another excellent design which became known as the jewel held in the rock, had to be abandoned as, notwithstanding very significant value-engineering and research, delivery significantly exceeded the permitted cost limitations. The property market had also moved significantly against such a scheme although, in due course, a similar profile but very different building was erected. I believe that this may have been one of the earlier structures to have used 'rubber mountings' to withstand vibrations from the underground line.

Subsequently on an adjoining site we looked to provide a design for a new City Hall fronting Palace Street. This proved to be a great experience for me working with the then Richard Rogers and realising a very acute appreciation of special relationships, quite amazing for being populated at that time with rather 'diddy little pedestrians' which Lowry-like gave great life to the concept. It also enabled the assessors to learn how best to interact with a client. In my experience, he was the only person to take his chair from the presenting team being interviewed to join the assessor's panel and conduct his colleagues responses to the questions posed. This enabled him to elicit some of the panel's innermost design preferences in a most masterly fashion, rather like watching a skilful conductor drawing the best performance from his orchestra. Sadly that building was never built as the City Council had a change of heart.

On a different theme, I was very privileged to find myself invited to chair the assessment panel for the selection of a master planner for Earls Court, when my colleagues at Capco found themselves ash-bound abroad. Very different styles confronted us, each striving to create an environment from 70 acres of land in Hammersmith. Some most imaginative schemes were presented but, as always, we had to focus on what might be deliverable and best appeal to the local planning officers and politicians for this very significant project. Sir Terry Farrell has repaid our confidence handsomely in defining his vision on the 4 villages created on the ribbon of Lost River Park, of which other competitors may have been less aware.

A more recent challenge occurred at the Natural History Museum, where I had been a Trustee for 8 years, in which time I had been charged with the quite heavy involvement of the delivery of Darwin Centre Two for a design by CF Møller, the Danish architects, and encouraged by Lord Peter Palumbo. An aspect to consider when selecting any design team is their understanding of our domestic building and planning regulations and ability to resolve some of our idiosyncratic ways! When Mr Jacques Attali selected a team to design premises for the Bank of European Reconstruction and came to deliver their new Head Quarters at Liverpool Street, he not only employed Berthet Pochy but ensured that a good domestic firm headed up by Ron Siddell was available to avoid potential problems of translation and this proved very beneficial to the end product. Similarly at One New Change, St Paul's, before appointing Jean Nouvel, Land Securities spent considerable time reviewing his plans in Paris, Berlin and Dubai with a team of good executive architects facilitating the translation needed. Cheapside saw a transformation that enabled it to benefit from some of the 3 million visitors a year to St Paul's and the name means that the street is a contradiction in terms for flourishing retailers paying significant rents.

My final involvement has been the Natural History Museum again, where it has become essential to address the need to adapt the grounds to the ever increasing demands of the public for access. Attendance during my 10 years has jumped from under 2 million per annum to over 5 million and this demands a very much more sophisticated use of the outside space. With such a popular venue, the local residents also take a very keen interest and it has been essential to engage with them throughout the competition process - to the extent that they supported the designs of the recent application which has now been approved and for which the Museum is seeking funding. In this instance, we were fortunate to have selected the services of Malcolm Reading, who has proved to be the most excellent facilitator, where the circumstances are sensitive.

This was exceptionally well demonstrated when St Martin-in-the-Fields came to look for a design solution for the renewal of the Burial Vaults then currently housing the Social Care unit or The Connection. The scheme devised by Sir Eric Parry brilliantly respected the Grade 1 listed church and has transformed the facilities of the charity and even secured the support of English heritage for the demolition of the listed Burial Vaults which had served as a charnel house. The design took about a decade to implement and £37million to deliver.

I hope that, from the foregoing examples, readers will appreciate that, by conducting the design process and engaging with various members of the community, their participation can be very helpful in resolving potential conflicts. Over the years, competition procedures have changed. The RIBA no longer has a monopoly on supporting clients interested in running a competition. There is a more international feel to competitions now, with younger talent and collaborations featuring amongst shortlists. Others may have strong views on the disadvantages of competitions because a lot of time can be expended by designers who may not have the benefit of interaction with the client as to the client's personal design expectations. However, with the right Facilitator, I believe such problems can be surmounted. Do not expect the process to be either cheap or necessarily quick, but the value of a well organised competition can pay significant dividends in delivering the right solution.
100 years ago, in the summer of 1917, another dark moment of human history was added to our inglorious roster amid the mud and guts of the third battle of Ypres or battle of Passchendaele. Another WWI battle, more barely credible statistics; this time 500,000 were killed or wounded in the 3 months’ offensive - planned to liberate most of Belgium and certainly to capture the German submarine bases but called off ahead of the winter with a gain of 5 miles. We live in an era when one could argue too much value is placed on a single life (when you balance the long term interests of the world against those of an individual) which makes it difficult for us to understand how the mass slaughters in the First World War were ever deemed worthwhile.

The answer is, of course, that once the war began it had to be fought to its conclusion. Warfare and the equipment of war at that time meant it would inevitably become a gargantuan battle of attrition in men and material. No doubt each of these atrocious engagements contributed to the final collapse of Germany but also to the desire for punishment against the aggressor, leading in turn to the impossible peace treaty in 1919 and the conditions from which Hitler and his ilk emerged to lead us into yet darker moments.

These and other thoughts surrounded me as I attended the memorial event commemorating the battle of Passchendaele and all those who were sacrificed. One thing we British excel at is remembrance. On a sunny day, the event at Tyne Cot cemetery was outstanding - serious, emotional and yet somehow serene. 4,000 living descendants gathered among the 45,000 who perished and are buried or recorded there. It is wonderful that we never forget and commemorate those who died in the fighting but this seems unjust for the many more millions who survived their service, often carrying a terrible physical injury or burden of memory for the rest of their lives. They sacrificed their lives in a different way and they also are all dead but have no memorials. We must remember them each time we commemorate the ‘fallen’.

Ypres was gradually rebuilt and now sits quite grandly in the pristine West Flanders countryside. Flanders has impossibly neat agriculture and perfectly manicured villages. Just as we cannot imagine the number of casualties, it is hard to conceive this beautiful area as a churned up swamp with only stumps for trees and whole villages obliterated. Yet memories of the war are everywhere with cemeteries, memorials and museums of all sizes scattered throughout the area.

The evening before the Tyne Cot commemoration, there was a Son et Lumiere in the Great Square at Ypres using the iconic Cloth Hall as the backdrop. More poignancy and tragedy but humour too in the story of the Wipers Times trench newspaper.

Before this at 8pm, there was the nightly Last Post ceremony at the Menin Gate, expanded that evening into a full service of remembrance.

The RICS, through the good work of Cathy Linacre, Head of Research, has been chronicling chartered surveyor involvement in the Great War. The total losses of members at under 300 seems low but in those days most firms were small partnerships and each needed to be managed. 26 members died at Passchendaele including students, sons of principals and at least two resident agents.

My personal interest has been in my grandfather and his brother who were serving together and fought in the battle, the latter being killed on 26th September 1917. There is a story in our family that the battalion commanding officer refused to allow two brothers to lead the assault and they had to draw lots. This seems unlikely. However, the adjutant and C.O. of the 2/5th Battalion of the Lincolnshire Regiment were clearly admirable men as they kept a remarkably detailed and neat war diary making it easy to track the non-stop movement in and out of the line, training and fighting as well as the precise order of battle on the day my great uncle died. Many of the battle grounds are now underneath expanded towns, villages or roads but the place where he died remains farmland with a small British cemetery in the middle of it. My grandfather wrote many years later that, although shattered by his brother’s death, “I just felt I mustn’t let him down or grieve him”. Thank goodness attitudes have changed and we can all keep grieving.
The Royal Commission for the Exhibition of 1851 is not a name that trips easily off the tongue, and is unlikely to be one that a brand consultant would even consider in the 21st century. However, over 150 years after its inception, The Royal Commission continues to fulfill the role defined in its governing document to “increase the means of industrial education and extend the influence of science and art upon productive industry”.

The idea for London to host the first world trade fair to promote “Arts, Manufactures, and Industry” was the initiative of what is now the Royal Society of Arts with the active support of its President, Prince Albert. It was considered that government involvement was, on balance, essential to procure such a major international exhibition with a Royal Commission being formed for this purpose.

The first meeting of the Royal Commission was held in January 1850. Starting from then, to identify a 19 acre site in London, commission a design, rearrange funding, construct a building with a ground floor area of 770,000 sq ft and attract 14,000 exhibitors from around the world in time for the opening of the Great Exhibition in May 1851 seems, by our standards, impossible. More recognisable are obstacles encountered in the early stages of the proposed development – a public outcry about the choice of location in Hyde Park with the prospect of a parliamentary vote against the location; the need to obtain consent to cut down trees; an architectural competition that failed to produce an acceptable scheme; limited interest from contractors in the tender process; a need to unravel a previously arranged funding package and organise an alternative. Despite all that, the first column of the Crystal Palace, a late-entry design by Joseph Paxton in July 1850, was erected in September 1850.

The Great Exhibition was considered to have been a major success by the time it closed in October 1851. The forecasts that the building would be blown down in a strong gale, the galleries would collapse and the presence of so many foreigners in London would result in famine and eventually lead to a breakdown of morals had not only turned out to be wrong, but a surplus of £186,000 had been achieved from 6 million visitors.

This surplus was reinvested by the Royal Commission in property, with the acquisition of land in South Kensington to enable the creation of a centre of intellectual excellence to continue to fulfill the role set out in its governing document. With participation by the government, and loans, a freehold site covering 87 acres, between Kensington Gore and Cromwell Road, was assembled by 1853.

An initial ambition to encourage the National Gallery to relocate from Trafalgar Square as a flagship for the estate failed. However the presence of the Victoria and Albert, the Natural History
and the Science Museums (between them now having in excess of 10 million visitors a year), together with Imperial College, which is still largely subject to Royal Commission long leases as are Royal College of Music, Royal College of Art, the Royal Albert Hall (The Hall of Arts and Sciences), demonstrates the success of the original vision of an international centre celebrating science and art.

By the end of the 19th century, with the estate (known as Albertopolis) largely developed, the Royal Commission's emphasis switched to awarding grants to individuals. With an investment portfolio worth in excess of £100 million, the Commission's support now includes post-doctoral research fellowships in science or engineering, industrial fellowships and industrial design studentships, with 13 Nobel Prize winners and over 150 Fellows of the Royal Society being amongst previous award winners.

The current capital value of the Royal Commission's freehold property investment in South Kensington is relatively modest. Few residential properties, the final phases of the development of the estate towards the end of the 19th Century, have been retained following sales in the 1950s as a result of the impact of the 2nd World War and more recent forced sales due to leasehold enfranchisement. However the Royal Commission considers its residual estate to be of significant importance in continuing to play a part in promoting science and art, and the approach to estate management is supportive of lessees' ambitions to improve their presence on the estate at the same time as being protective of the purpose to enhance science and art.

The Royal Commission's estate has been credited as the inspiration for Olympicopolis, the proposal made after the 2012 Olympic Games by Boris Johnson, when London Mayor, for the London Legacy Development Corporation to create an arts and education venue on the Olympic Park, alongside the extensive residential development plans, to include part of the Victoria & Albert Museum, the Smithsonian, Sadler's Wells and University College London.

An earlier illustration of an arts quarter created by a ground landlord is the City of London Corporation's Barbican mixed use development, started in 1965, to include Europe's largest multi-venue arts centre. More modest examples are the opening of Cadogan Estate's 900 seat concert hall, Cadogan Hall, and letting to the Saatchi Gallery to be neighbours with the Royal Court Theatre by Sloane Square in the early 2000s, and the very recent pre-let by Derwent London for the 89,000 sq ft London Museum of Photography.

For large parts of London, and elsewhere, residential and commercial property values tend to be too great, and the demands for housing too strong, for landowners to be willing to forgo these opportunities for alternative cultural and educational activities, and planning conditions are more often applied to ensure these purposes are included in schemes. However for larger long-term landowners, the contribution to place making, the enhancement of the experience of an area and the added vibrancy created by cultural uses widen the appeal of a location for its longer term benefit and have a place in an estate management strategy.
The Nature of Property Cycles – Past, Present and Future

It is almost 50 years ago since I went up to Magdalene to read Land Economy (via Economics part I) and over 45 years since I started work as a trainee surveyor with Gerald Eve. Since then I have had a wonderfully varied professional career in property that has taken me around the world. As a result, I have had a front row seat through the three big property cycles of the post-war period – 1972/76, 1987/1992 and 2004/09 (see Fig.1). The purpose of this paper is to set out what I have learnt about UK property cycles over my career and discuss future prospects including the likely timing of the next big cycle.

My analysis focuses on commercial property using the MSCI/IPD All Property Index as the key metric for assessing market performance. Residential property, as measured by the Nationwide Index, shows a similar pattern also with three big cycles though their precise timing differs. In fact, residential values have been a leading indicator for commercial though less obviously prior to the Global Financial Crisis of 2008/9 (GFC) than in the early 1970s and late 1980s. Moreover, the property cycles that the UK has experienced are not unique. In fact virtually every commercial property market in the developed world suffered during the GFC and most around 1990 too. (The evidence for the early 1970s is thinner principally for lack of good property data outside the UK before 1980). This is not to imply that all markets are synchronised but, since 2005, global forces have been so strong both during the GFC and subsequently in the era of cheap central bank liquidity, that they have tended to dominate local factors. Thus, virtually every market has seen a recovery during this decade even if its pace and timing has varied significantly depending principally on how attractive a market is perceived to be by global capital.

This paper is structured under three broad topics (as its title indicates). The Past is taken as the period up to 2014 where the pattern, composition and history of property cycles is examined. The Present is treated as starting in 2014, to coincide with a strong upturn in property values to the current date (30 June). That period is put into the context of previous cycles and an explanation provided as to where this period ‘fits’ in the historical pattern. The concluding section on the Future focuses principally on providing explanations for the big cycles I have observed as well as speculating on both when the next big cycle will occur and how it could be postponed, though probably not avoided permanently.

The Past (1968-2013)

The three big property cycles I experienced clearly stand out in Figure 1. While the magnitude of the change in real capital values was similar in each cycle, the underlying drivers for that change had both similarities and differences. Following my second cycle, I came across a book by the economist Paul Ormerod, who happens to be a Cambridge contemporary. He advised that, with series showing strong cyclical patterns, the data should be decomposed into their component parts. So I separated annual returns into

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Magdalene 1968-71 (MA), 1975-78 (PhD)

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Figure 1: UK Property 1968-2013 – Real Capital Value change % pa

Figure 2: Decomposing Three UK Property Cycles
their rental and capital components. The resulting analysis does not lend itself well to a static chart but is best observed dynamically as a cycle progresses through time. It revealed two things: first, yield movements became readily apparent because rents and capital value changes are the same when yields are stable and, second, each cycle comprised four distinct phases – Boom, Bust, Recovery and ‘Equilibrium’. The first two require little explanation being periods of 2-3 years of violent value change. The Recovery phase follows a Bust and is a period when capital values rise very sharply from their low point but the increase is due solely to yield movement, not rental growth. The ‘Equilibrium’ period follows the Recovery and values generally remain in a relatively narrow range of +/- 5% pa. until the next Boom occurs and a new cycle starts.

The results of this analysis appear in Figure 2 where the cumulative capital and rental value changes are shown during the key phases for each of my three big cycles. The capital value changes are remarkably similar for Booms at around 30%, Busts at -39% to -49% and Recoveries at 11% to 16%. However the rental growth pattern is much less consistent, being totally absent in the pre-GFC Boom unlike the early 1970s or late 1980s. It is probably significant that there was comparatively little rental decline during the GFC Bust as a consequence.

The Recovery phases all show capital growth despite rents declining. It may also be significant that the Recovery phase has tended to shorten with each successive cycle, suggesting that the market may have learnt and started to anticipate it.

Figure 2 also shows that the GFC cycle was not exceptional, as many believe. The value rise in the Boom phase was marginally greater than the other two cycles but the decline was less than in 1974/76. In the financial world, the GFC is rightly compared with the 1929 Crash and Great Depression of the 1930s. In UK property, it was ‘merely’ a typical Boom/Bust/Recovery cycle so investors should have not been so shocked.

In fact, property cycles have a very long history. Richard Barras (2009) has identified building cycles recurring at 15-25 year intervals in London since the early 18th century, while Foldvary (1997) shows that there have been regular 18 year property cycles in the USA since the early 19th century apart from during World war II and thereafter until 1970. Economic literature recognises distinct types of cycle with varying durations from the inventory cycle (3-5 years), the ‘fixed investment’/business cycle (8-10 years), the infrastructure cycle (15-25 years) and long ‘Kondratiev’ waves (45-60 years) that are believed to be driven by technological changes. Moreover, these theories are not recent: Juglar first reported on the business cycle in 1862 while the other cycles were identified in the 1920s. Yet recent economic theory generally pays little attention to cyclical forces and Chancellors (most notably Gordon Brown) love to claim that the economic cycle has been tamed, only to be proved spectacularly wrong.

The Past tells us that three big property cycles have occurred since 1970, 17/18 years apart. While their precise timing may be a coincidence, there is plenty of evidence to show that property cycles have occurred regularly, at 15-25 year intervals, for centuries. How does this help understand how the property market is faring today?

The Present (2014-June 2017)

The UK property market saw significant capital growth in 2014 and 2015 followed by a slight decline last year. Moreover, the pattern of transaction volumes looks suspiciously like the GFC (see Figure 3) so concerns are being expressed that the market is about to collapse again. I believe that it would be surprising to experience a proper big cycle only 10 years after the last one. In fact real capital growth during 2014/15 was 21%, much more than should be experienced during a period of Equilibrium but not sufficient to constitute a Boom (see Figure 2 above) where values have increased by around 30%. I appreciate that this is a rather ‘chartist’ viewpoint which lacks causation, but this is rectified in the next section.

There are always different factors at work because no two cycles are the same. Currently the world is awash with low risk capital seeking whatever yield it can earn. Whether this is due to central bank action and/or the large trade surpluses run by countries such as China, Germany and Japan is less important than that interest rates across the yield curve have rarely been so low and this has encouraged investors.
to bid down property yields across the world, not just in the UK. Despite Brexit, UK real estate remains highly attractive to foreign capital because of the market’s high transparency, the ability to own an 100% share tax efficiently (unlike in the USA) and exemption from Capital Gains Tax. The fall in the value of sterling has been viewed by some investors, especially the Chinese, as sufficient compensation for the Brexit risk.

In my opinion, the 2014/15 spike and 2016 correction will be viewed as a mid-cycle event that has pushed the concept of Equilibrium to the limit (thanks to exceptionally low interest rates globally). At a stretch, the spike could be viewed as a delayed Recovery given that the conventional Recovery of 2009/10 was comparatively weak (see Figure 2 above). This implies that I do not expect a Bust-like collapse in values, for reasons that will be apparent in the next section. That does not mean capital values will not decline at all, merely that the decline will not be a major collapse with falls of over 20%.

If the current cycle is not the start of a new Boom/Bust episode, the obvious question is when will the next big cycle occur? That is the key topic for the closing section.

The Future – When will the next Big Cycle occur?

The analysis provided to date has lacked much theoretical underpinning. Expecting historical rhythms to continue without explanation is unlikely to be persuasive. However, the GFC has shown there is much that policymakers and practitioners do not understand about the economy’s workings and I believe that most commentators are guilty of paying too little attention to historical cyclical patterns. Their persistence indicates that there are some powerful forces at work which cause cycles to recur. These need to be taken seriously.

All property market analysts know that there is a strong relationship between an economy and its commercial property values. In statistical terms, there is a correlation of over 0.5 indicating that a significant proportion of the change in property values is associated with movements in GDP. The data are shown in Figure 4 and it is readily apparent that the three big Bust phases in the property market all coincided with severe economic downturns. But there have also been economic downturns when property values held up much better, notably 1980/81 and 2000/01. Both these periods saw a global recession (as also occurred in 1974/75, 1990/92 and 2008/09) but their impact on property values was more muted. Thus, while economic activity is always important, the state of the economy is not the only factor causing property’s cyclicality.

The other factors examined in this section are the volume of development, credit flows and behavioural influences, particularly memory. Barras’s magnificent treatise on Building Cycles (2009) emphasises the key role that development plays. Both the 1972/73 and 1987/88 Booms coincided with big increases in the volume of commercial construction. This is natural because, at a time of rising capital values, the profitability of development increases so encouraging an increase in supply. In the 2004/07 Boom, development also increased but not to the same extent as in the earlier Booms. This is reflected in the very weak rental growth observed during the latter period as well as the more modest decline in the subsequent Bust (see Figure 2).

The relationship between lending to commercial property and property values is striking. This can be displayed in several different ways, for example as a proportion of GDP, but I use the proportion of bank lending to commercial property relative to total lending, which the Bank of England (BoE) publishes monthly (see Figure 5). This shows that bank lending to property increases sharply at the same time as property values rise. In the cycle leading up to the GFC, the increase in lending started quite early but eventually had the same effect as in 1972/73 and 1987/88. However, the increase in lending appears to go on beyond peak value levels when Bust conditions have set in. While econometricians can examine the variables to determine which is driving the relationship (i.e. causality), practical experience tells me that capital flows (both debt and equity) drive property values.

Once bank lending to property rises above 8% of total lending, there has always been a Boom/Bust/Recovery cycle. A key reason why I am confident that the 2014/15 spike in values is a mid-cycle event only, not a Boom, is because bank lending to commercial property is currently declining, albeit from an elevated level. That upturn in values was driven by

![Figure 5: UK Commercial Real Estate (CRE) Lending 1969-2016](image)

**Bank Lending to CRE as a % of all Lending**

Bank Lending % vs. All Property Real Capital Values

![Figure 6: Delinquency Levels for US CMBS loans 2000-15](image)

**Delinquency Levels for US CMBS loans 2000-15**

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<th>30 Days</th>
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Source: Tepp LLC
equity flows from investors seeking a yield from their capital at a time of record low interest rates. It is true that new lenders have come into the market this decade to compete with the banks, but the volume of their lending is still comparatively modest (see Lux 2017). Thus, for me, the volume of lending has been the key cause of the three big UK property cycles of my career. As Barras ably demonstrates, lending activity through the capital markets amplifies the natural drivers in the ‘real economy’, so substantially increasing the property market’s volatility. Because of excessive lending, banks have seriously damaged their own balance sheets in each big cycle. So why have banks repeated their error? A BoE study published in 2013 provided some important data. They showed that the Loss Ratio from commercial property loans from 2000 up to the GFC was negligible; in comparison the Loss Ratio for general non-financial lending rarely fell below 0.5% so was much less profitable. Thus, for bankers with no knowledge of property's cyclicality, lending secured on the asset appeared extraordinarily attractive. Not surprisingly some bankers sought to increase their market share and reduced their lending standards while competing for new business. Data from the US commercial mortgage-backed securities (CMBS) show the sudden change in the loss ratio for loans there, which quickly rose to 10% from levels similar to the UK (see Figure 6).

Three times in my career I have witnessed bankers actively seeking to increase their lending to the property sector without fully appreciating that their own act of lending was increasing the systemic risk to the overall property market. John Plender, the veteran FT journalist, has frequently commented on this. In May he wrote:

‘Time and again financial earthquakes are thrown up by excessive risk taking on borrowed money in property. Indeed, property seems to have a unique capacity for inducing collective memory loss among bankers.’ (FT 02/05/2017) For me, the lack of memory is critical. This view was shared by the late Alistair Ross-Goobey who in 1992 wrote:

‘Whenever the [new cycle] starts, there will be new participants, who will be less constrained by the experience of this recession than those who lived through it. They will repeat many of the mistakes of the 1980s, as many of the companies repeated the mistakes of the 1970s. The market will then be driven to levels which will prove unsustainable.’ This is exactly what happened just 15 years later.

I also believe that this lack of memory may explain why the property cycle has a duration of 15-20 years. This is a sufficient period for individual bankers and property professionals to reach a position of seniority without having had first-hand experience of a Boom. Without that personal knowledge, it is hard to appreciate how easily risk controls can be ignored or by-passed when property lending appears to be a highly profitable business line. So when will the next Boom/Bust/Recovery cycle occur? The easy answer is around 2025 because that is 17-18 years after the GFC, the mid-point of the 15-20 year typical duration. Currently most market participants and especially bankers, are highly aware of what happened before and after the GFC. But those memories will fade as the property market provides a reliable platform for lending so that bankers again want to increase their market share. And even if the UK commercial banks control their lending, some new market participants may not appreciate the true risks and so repeat the errors of the past. But this is not inevitable. Central banks are likely to be more forceful in resisting a softening of lending terms than in the past. Furthermore, the BoE is engaging with the ‘Property Vision’ group who have made several sensible recommendations to improve the situation. However, the more cynical may recall that the BoE failed to act in 1986/87 as well as 2004/06, so it could be no different in, say, 2022/23. There is no doubt that acting counter-cyclically is a brave move politically for a central banker because snuffing out a Boom before it has properly started is highly unpopular with most market players.

A further reason for suspecting that the next big cycle will occur later than its past pattern would suggest is because of economic weakness. The global economy has not fully recovered from the GFC as evidenced by the much lower levels of GDP growth in this decade than the pre-GFC period. Recovering from deep financial recessions takes longer than from other downturns, principally because the banks take longer to rebuild their balance sheets so are constrained in the new credit they can offer. The world struggled to get to a normal growth rate after the Great Depression of the 1930s. Thus it is quite likely that the economic conditions to stimulate a property Boom will take longer to materialise than in the past. Brexit could well exacerbate this scenario. As a result the cycle is likely to be prolonged.

So my best guess – it does not merit the description of a forecast – is that the next cycle will not occur before 2025 (give or take a year or two) and could be postponed further because of economic weakness. However, the risk of such an occurrence will steadily increase from that date if the cycle is delayed. Sadly, I am confident that there will be another big cycle because eventually the lessons of the GFC will be forgotten as memories fade and once again ‘greed’ (the drive for profit) trumps ‘fear’ (the risk of losing money).

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The question I am asked most often is “What's happening to house prices?” This is to be expected in the course of my job – but the same query often arises outside office hours too. During social occasions I have learnt, after a few instances of watching my inquisitor's eyes glaze over as I (perhaps too enthusiastically) explain the nuances of pricing in different parts of the country, to tailor my answer geographically. If meeting for a coffee in central London, then the reply is that headline prices for prime property in the area are falling year-on-year although recent monthly data suggests that these declines may have bottomed out. A tube-ride away beyond Zone 1 however, to lunch in West Ealing or Royal Docks and the answer is a little different – average values in many areas of the capital are still seeing annual growth, albeit at a slower rate than the double-digit growth seen over the last few years. Beyond London, the differences continue. On returning home from a recent visit to the North York Moors National Park, a quick check on residential values in the area showed that average prices have fallen by 3.4% year-on-year in the nearby local authority of Redcar & Cleveland. However, further south, average prices in North East Derbyshire, adjacent to the Peak District National Park, are up 8.3% year on year.

This is all happening as the ‘headline’ figures for house prices suggest that the market is moving in one direction. Headline indices (and there are a few) are useful as a macro look at what is happening in the market, but less so as an indication of local market dynamics - a point often made by the economists who compile the national data.

So what is driving divergent levels of growth in different localities?
The local economy is a key factor to consider. For example, the central London housing market was the first to bounce back from the financial crisis – there were several factors at play here, but key among these was the resilience of the capital's economy in the post-recession period. The movement in prices caused a ‘ripple-out’ effect across the rest of London and beyond to the South East in terms of price growth, especially after 2013 when the wider economy started to gain some momentum.

Knight Frank’s prime country index, which tracks the pricing of £1m+ properties across the country, shows that values are broadly flat in the year to June 2017. But this belies a split in performance between rural and urban markets. Average prices in more rural areas have risen by 7% over the last five years, compared to 18% growth in urban markets. Many of these urban markets are located within commuting distance.
of London, underlining the role that employment within the capital is still playing in the housing market, alongside the demand for good schooling and amenities. As you move further from London, proximity to another major city such as Manchester or Leeds with access to good transport links will also often result in a price premium.

Affordability is also a key factor in the housing market, especially in light of more constrained mortgage lending. While low interest rates mean that monthly mortgage repayments have never been smaller, buyers still need to find a 15% or 25% deposit, creating a “deposit-gap” in some parts of the market. The price of an average house in London is more than ten times average earnings for a first-time buyer on average wages, compared to 4.6 times earnings in, for example, Birmingham.

Looking at Birmingham in more detail, relative affordability in this market has underpinned some of the price growth seen in recent years – but this hasn’t happened in isolation. It has been accompanied by large-scale regeneration and redevelopment, as well as moves by several large financial institutions opening front and back offices in the city. In turn, the economic fundamentals and the development landscape in the city has also increased the appetite for residential development land, especially in the city centre. Average values for urban brownfield land in England has risen by 22% over the last two and half years, compared to pretty flat pricing for English Greenfield land and recent price declines in the prime central London market. Over the last year, the growth in urban brownfield land has been partly driven by the Birmingham market. The arrival of HS2 will likely further underpin the fundamentals for Birmingham, and serves to highlight what can often be another mover of markets when it comes to local house prices – transport infrastructure.

At Knight Frank we have been monitoring prices in and around Crossrail stations in London since the new train line received Royal Assent in 2008. Our most recent update shows that, on average, residential property prices within a 10 or 15-minute walk from the stations on what will now be called the Elizabeth Line, have outperformed average price growth experienced in the wider market by 7%.

As we see in the country’s largest cities, approaches to new development also play a part in housing market dynamics. The recent election of metro mayors in some parts of the country could pave the way for more joined-up working between local authorities on development plans. Across the country, the localism agenda has created a patchwork of local authorities where housing delivery targets are being met and those where there is room for much more engagement with local housing need. As the Government of the day will increasingly find itself judged on the delivery of housing across the country, this is a topic about which it may become more vocal.

The increasing pressure on the new-build market is being exacerbated by trends in the second-hand market, where tax policy, especially stamp duty, has weighed on transaction levels. An increasing number of homeowners are staying put and extending their house, rather than moving to a new property which comes with a stamp duty bill, weighing on the opportunities for homeowners to move up and down the property ladder. Twenty years ago, stamp duty was charged at 1% on all residential transactions. Now it ranges from 2% to 15% for the purchase of homes worth more than £125,000. When I am asked about Brexit, especially in the context of the central London market, I often mention stamp duty. While underlying economic conditions and future uncertainty around the UK’s withdrawal from the EU certainly has an effect on market sentiment, in recent years it has been the increases in stamp duty which have arguably had a more direct impact on prime central London pricing.

As for the million dollar question: “What’s going to happen to house prices in the future?” there’s always Knight Frank’s regular market forecast, as shown above. The latest forecasts can be found at www.knightfrank.co.uk
Residential Market Trends

Quintain's change in strategy from build to sell to build to rent

As a publicly quoted company, Quintain acquired 85 acres of land around the old Wembley stadium in 2002 and was granted outline planning consent in 2004 for a transformational 5m sq. ft. mixed-use development. Since then, it has refurbished the Wembley Arena, built 1,000 homes, opened the Hilton London Wembley and completed and let the 264,000 sq. ft. London Designer Outlet. But ultimately progress at Wembley Park was held back: Quintain did not have access to the capital required to make the step change in speed and scale of delivery which Wembley deserved.

In 2015, Lone Star, my former employer, made a successful offer to take Quintain private. This gave the company cash, a complete focus on Wembley Park (with nearly £200m of non-core assets being sold since the take-private) and triggered a wholesale switch in strategy from for-sale to for-rent. Our third build-to-rent (BTR) building opens in September and by the end of 2017 we will have 3,000 rental homes under construction on site. Wembley Park is now the biggest single site BTR development in the UK with a total of 5,000 homes, the majority of which will be rented through Quintain’s wholly-owned rental operator, Tipi.

So why the switch to BTR? Consumer need is the start point. The average house price in London today is £500k but median London salary is around £38k which means Londoners increasingly cannot afford to buy. These facts are well rehearsed: renting is now the norm for a large proportion of London’s population and, given that reality, the rental arrangements (not just price), lifestyle and location in London become the key drivers for home seekers. The emerging BTR offer – typified by Tipi but certainly not unique to it – is professional in every sense. Tipi residents pay no agent’s fees, no inventory fees, a reduced deposit and all their utility bills and ultra-fast broadband are included in the rent to make it hassle free and fair. We have professional management with on-site maintenance, a 24/7 portal to report any issues and an array of communal facilities such as lounges, a large roof terrace, shared kitchens and gyms. There is also growing evidence to suggest that renters are prepared to pay higher rents for this offer than for a traditional buy-to-let home.

From our shareholder Lone Star’s perspective there were other equally strong drivers to the switch to BTR. Firstly, the capital value of homes for sale at Wembley Park is
comparable to those we build for rent, so there is no real economic or valuation benefit to selling rather than renting. Furthermore there is value in owning and controlling the 85 acre estate; by selling you lose control and, in our opinion, value. This is the ‘Great Estate’ perspective – there is value in micro-asset-management, controlling every aspect of how the estate runs, from cleaning, to security, to selection of tenants and more.

Secondly, Lone Star believed that the BTR sector in the UK had the potential to be as important as the multifamily sector is in the US and there was the opportunity to create an institutional product and sustainable rental income stream which would offer optionality and value. We underestimated the enthusiasm for the sector which has developed, even since mid-2015.

Finally, because BTR results in the receipt of rent and not a capital sum from a sale, developing for BTR is undoubtedly more capital intensive than building for sale. Lone Star had those capital resources, in a way that the publicly quoted Quintain did not, and Lone Star has been prepared to commit wholeheartedly to the Wembley Park plan. So in short, we also made the switch because we could.

There are also other consequences for Wembley Park as result of the change of strategy. It has allowed us to accelerate delivery. There is no way we would have confidently embarked on a programme which sees us having 3,000 homes under construction this year if we were building to sell. At Emerald Gardens, our most recent residential buildings at Wembley, it took us two years to sell 330 units – at 13-14 per month - but less than six months to let 141 units at 23-25 per month.

Building to rent has also enhanced the importance of Wembley Park the place, not just a series of buildings in which we will have no long term interest. In this respect, I strongly believe that BTR can have a wider positive impact on regeneration and urban development – it radically changes the way that developers approach, or should approach, large scale residential projects. The importance of long term resilience and maintenance costs and of creating a place with long lasting tenant appeal is a hard economic driver for BTR developers.

The UK’s housing need is clear and there is strong demand for a professionally managed rental product – especially across the major cities. I am sure we will see this grow both as an investment asset class and in terms of the number of BTR homes delivered.

Quintain’s change in strategy from build to sell to build to rent has already proved successful, and I for one look forward to seeing the BTR sector mature and flourish.
Resolving the housing crisis: Didcot Garden Town

Didcot Garden Town aims to help solve the housing crisis. The UK Government has focused on ‘community-led garden towns and villages’ as a way of making large housing development acceptable to local communities and accelerating the construction of new homes. Didcot Garden Town promises more than 15,000 houses by 2031 and aspires to deliver better quality homes and create a vibrant community.

For the past 12 months, I have been working with South Oxfordshire and Vale of the White Horse District Councils (SODC & VoWHDC) to produce the Didcot Garden Town proposed Delivery Plan which was published in July 2017. The intention is for the Delivery Plan to become the basis for Council and Planning Policy for Didcot and its area of influence.

The first question is to ask what is a ‘Garden Town’ for the 21st century and what does it mean for an existing town such as Didcot? Building a new town on a greenfield site is obviously different from extending an existing town and, for many, Didcot is not associated with gardens and trees but railways and cooling towers. It is true that the power station and supermarket car parks dominate the view as one arrives but the North Wessex Downs Area of Outstanding Natural Beauty, the Thames Path and Oxford Green Belt are close by and the existing residential areas are low density with private gardens and tree-lined streets.

You have to accept that Didcot is not a historic market town like other garden towns such as Bicester or Taunton but has developed from a small settlement located at the junction of Brunel’s Great Western Railway. Indeed, since 1850, Didcot’s existence has been influenced by major infrastructure projects and technical innovation: from railway to highway, from military ordnance depot to energy generation, from RAF airfield to scientific research and development laboratories.

Furthermore Didcot has a central and strategic location in the UK at the crossroads of North-South and East-West routes. Didcot is at the midpoint of the A34 linking the M4 and Southampton port with the M40 connecting the Midlands and North. Didcot Parkway railway is just 45 minutes from Paddington, and hour to Bristol. Furthermore, Didcot is at the end of the ‘Oxford-Cambridge knowledge arc’ and potential western terminus of a proposed National Infrastructure Commission funded Oxford to Cambridge express way and railway. There are also close links to Crossrail at Reading and the new Reading Heathrow link which make Didcot an excellent and sustainable location for international businesses.

Didcot is the gateway to ‘Science Vale UK’ and home to three major science parks with Enterprise Zones. Milton Park, owned by MEPC, is an important life science cluster with companies spun out from Oxford University such as Immunocore. Harwell Campus, owned by UKAEA, is home to the Diamond Light Source Synchrotron particle accelerator, Rutherford Appleton Laboratory, the European Space Agency and the Satellite Applications Catapult and is being developed in partnership with u+i. Nuclear fusion energy research projects have been established at Culham Science Centre since the 1960s but more recently Culham Science Centre has also become a testbed for autonomous vehicles and robotics.

Responding to its context, the vision for Didcot Garden Town has emerged as a connected, super green town which will provide the physical and social infrastructure to enable the town to grow from a population of 26,000 to nearly 70,000 and become the largest town in South Oxfordshire.

A connected town:
- improving physical connections across the railway, rivers and highways with roads, bridges, pedestrian routes and cycle paths
- but also digital connectivity using smart technology and big data to the benefit of residents and communities

A super green town:
- Enhancing the landscape, green infrastructure, gardens, trees and accessible public open space
- but also sustainable development – renewable energy, low carbon, zero emissions, healthy living etc.

Aerial photo of Didcot from the South looking across Taylor Wimpey's Great Western Park development of 3300 homes to Milton Park, Didcot Power Station, the river Thames and Culham Science Centre. Photo Credit Taylor Wimpey.
Thus science and technology is the key differentiator for Didcot and the aspiration is to embed ‘smart city’ concepts into the town as it grows. Science and technology stakeholders, as well as global technology companies including Bosch, Siemens and RWE, have been consulted to identify the most commercially viable technology solutions which will make a difference to the way people live, work and travel about the Garden Town. Aspirations to date focus on energy, transport, housing, and the Internet of Things: for example using satellite or mobile phone data to inform traffic management systems which prioritise public transport or emergency vehicles and linking solar panels on private houses to create virtual power plants with battery storage. The idea is to use technology to encourage behaviour change and get people out of their cars. These projects could also generate revenues for local services – health, education and culture – as well as infrastructure - roads, bridges, railway station. The objective has been to deliver commercially viable solutions and not pilots which stop when the funding runs out.

The proposed Delivery Plan has four major projects:
1. Town centre regeneration
2. Gateway Spine - improvements to east-west route linking the A34 Milton Interchange to the town centre
3. Culture Spine - improvements to the existing high street extending to a new neighbourhood centre within the new housing developments
4. Garden Line - a cycle, pedestrian and possible autonomous vehicle route linking Didcot railway station to Culham Science Centre and Harwell Campus

The town centre needs facilities to support and service the larger population and the masterplan proposes improved public realm with new mixed use commercial developments to be enjoyed by a larger and more diverse demographic. Within the town centre, there are opportunities for SODC & VoWHDC to lead by example and develop key sites, potentially in collaboration with the Homes and Communities Agency or in joint venture with private sector investors and developers, with an emphasis on sustainable design, potential district heat networks and innovative procurement methods including off-site or modular construction.

Most of the 15,000 houses in the Didcot area are already in the planning pipeline and are in the hands of the volume housebuilders who are delivering traditional housing designs without internet connections or electric vehicle charging points. Once the Didcot Garden Town Delivery Plan has been adopted, there will be the opportunity to challenge developers and land owners to ‘buy into’ the Garden Town vision and revisit their designs. As Didcot becomes known for its innovative science and technology, it will attract more innovative developers with different housing types with flexible layouts responding to demographic changes. Indeed, even traditional house builders such as Taylor Wimpey are developing new housing designs using modern methods of construction and are already considering Didcot as a location for first prototypes. Affordability will remain a challenge in an area of high land values and planning policy will enforce a wide range of housing tenures.

The Didcot Garden Town Delivery Plan is not just about housing but also jobs – different kinds of jobs and better paid jobs for a more diverse population. At the moment there are many jobs in distribution centres, warehousing and HGV drivers which in the future will be automated – so there is a need to provide a pipe-line of better paid jobs which could link to the supply chain for commercialisation of big science being tested in the science parks and universities.

I can see the effort required to ‘join the dots’, bring people together, attract inward investment, and create a sustainable urban extension where people can live, work and play. If we can get away from Didcot’s old image as a railway junction and power station, a place of cheap houses and dormitory suburbs, where everyone commutes to work we can create a Garden Town for the 21st century. Following Brunel, Rutherford and Appleton, I hope that Didcot Garden Town can become synonymous with innovation and technology. Wouldn’t it be great to regenerate Didcot to become a vibrant environment where people choose to live and work for its quality of life and not just for cheap houses?

This article expresses the personal views of Lucy Mori.

For more information about Didcot Garden Town www.didcotgardentown.co.uk

Credit: Simon Haycox
Community-led Housing

Community-led housing is growing fast in the UK from a very low base, compared with a number of continental European countries where it can be the most common approach to new build housing. In recent years, UK community-led housing has typically been on rural exception sites in high value areas, but increasingly it is appearing in urban areas. There are now thousands of homes in the emerging community-led pipeline in England and Wales (including well over 5,000 in London) with nearly 350 known community groups across the country now looking to deliver new homes.

The recent Government Housing White Paper recognised the need to diversify housing supply, and with the inspirational stories from the most recently developed community-led schemes, like London CLT’s St Clement’s project and the Older Women’s Cohousing (OWCH), the sector’s growth looks assured.

Growth will be underpinned by the Government’s Community Housing Fund (£300 million over five years) and a national network of 11 Community Housing Hubs (starting this year in Leeds, London and Bristol). Funded through the Lottery (Power to Change), Nationwide, Oak and Esmee Fairbairn Foundations and the Tudor Trust as well as public authorities like the Mayor of London, these hubs will expand the technical and financial support for new groups embarking on the community housing journey.

Community-led housing comes in a variety of flavours that all fit within a broad definition. Community consent is involved throughout the process in key decisions: what is provided, where, for whom and at what price. The community group decides how they will own, steward or manage the homes and neighbourhood. The benefits of the scheme to the local area and/or specified community group are clearly defined and legally protected in perpetuity.

Community land trusts (CLTs) were legally defined in the 2008 Housing and Regeneration Act, as open, community membership controlled bodies that are established to further the social, economic and environmental interests of a local community (individuals who live or work, or want to live or work in the area) by acquiring and managing land and other assets and using profits only to provide a benefit to the local community.

Cohousing communities are intentional, created and run by their residents. Each household has a self-contained home with the use of shared community spaces. Residents manage their community, share activities, and most regularly eat together. Cohousing can counter the isolation many people experience today, sustaining informal neighbourly support systems that are particularly popular with older people, single people and LGBT groups. Projects can be inter-generational, age or interest specific.

Most co-operatives offer rental homes, in a strict ‘fully mutual’ legal form in which only tenants or prospective tenants can be ‘members’. They are owned and managed by the members, as tenants. Tenants have control over their own housing, without owning it personally, enjoying the non-hierarchical organisation and culture of co-ops: making them very different from housing associations!
Except for co-ops, the different types of community-led housing are not themselves legal forms, with structures varying widely to include community benefit societies, companies limited by guarantee, community interest companies and charities. These descriptions don’t do justice to the variety of approaches in the UK. Each development and community is different to fit its context, though there are standard funding and delivery models that are increasingly scalable and replicable. Examples range from the urban to the rural. From a handful of homes to hundreds. From wealthy to low income households as well as mixed income. From young people only to elderly people only and everything in between. From self-build to custom build. From bricks to straw bales.

The Community View

Stephen Hill

Stephen Hill currently chairs the UK Cohousing Trust, and is a trustee of the National CLT Network, and has worked in many housing development sectors: councils, housing associations, housebuilders, government agency and consultancy.

I like to think that Donald Denman would have approved of these citizen disruptors of the housing market. He would have applauded their preoccupation with the long-term stewardship of land, and their use of leasehold property rights to allocate capital, risk and reward in balancing public and private interests. I imagine, too, that he would have despaired at the recent commodification of land and the financialisation of housing markets. It is those two factors in particular that citizens and communities are trying to tackle.

The primary concern of most CLTs, for example, is the dysfunction of the land and housing market in their area. People on normal (median) incomes cannot afford to live there. The community and local economy ceases to function effectively. So citizens use the CLT to stop the land and housing market working in what now has become the ‘normal’ way, to safeguard and promote the wellbeing of their community.

CLTs effectively tame the speculative forces that would otherwise inflate the value of land, to ensure that their homes are genuinely and permanently affordable. In some housing and labour markets, they link the price and the resale price of homes to incomes rather than the housing market. In a mixed economy like ours, that’s quite a bold step. No government would dare to try this.

To legitimise their action, however, CLTs must be democratically accountable and be demonstrably acting in the public interest: exactly what the statutory definition requires, with their wellbeing purposes aligning them with the wellbeing powers of all tiers of local government.

So, through this rather dull sounding clause in an Act that most people have now forgotten about, citizens and their communities have created the unique concept (in English and Welsh law) of private land that can only be held for public interest purposes. It is those two factors in particular that citizens and communities are trying to tackle.

The Developer’s View

Chris Brown

Chris Brown is executive chair of igloo Regeneration, a purpose driven developer for People, Place and Planet that has a not for profit arm, igloo Community Builders, that provides support to community groups to deliver development projects across the UK.

In the UK, we have evolved a unique housing delivery market now dominated by a small number of large firms with almost identical business models (standardised speculative houses for sale) and supported by a similarly small number of large, commercially orientated, housing association providers of sub market housing.

This model has been poor at building the number of homes at the pace, tenure and price the country needs. Its rate of supply is determined by the relatively small market for standard house types which are targeted at limited demographics while around 75% of people won’t buy a new home from any housebuilder and, on average, people only move about two miles, so typical long term average sales rates are 2.6 per site per month.

Neither has this housebuilder approach been successful at consistently delivering great homes, places and communities and the social and environmental benefits that community-led development can deliver and that are delivered in other countries particularly Denmark, Sweden and Germany.

The recently completed community led projects seem to be having a snowball effect on communities’, policy makers’ and funders’ interest. There is now a number of organisations that will support groups from their first idea through fund raising and development and increasingly funding sources are expanding.

Public authorities vary widely in their willingness to support these initiatives. Leeds, Lewisham, Bristol, Cornwall and Southwark have been examples of leadership in this area while other public authorities have a preconception that community led development is slow and risky and little understanding of the immense social outcomes, like mutual social care or affordability in perpetuity.

These projects also have a track record of promoting increased housing supply. In Haringey in London the St Ann’s Redevelopment Trust (SIART) is proposing, with wide community support despite previous local opposition, 800 homes on NHS surplus land (which currently has planning permission for just over 400 homes) subject to a package of community control and benefits.

Streatham & Wilburton CLT, just south of Ely, has 23 homes in a joint venture with a local developer and land owner. With 75 homes overall and many local improvements, this village had previously opposed new housebuilding.

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So, through this rather dull sounding clause in an Act that most people have now forgotten about, citizens and their communities have created the unique concept (in English and Welsh law) of private land that can only be held for public interest purposes. It is citizens rather than surveyors who have, in the words of the RICS Charter, found a way of ‘securing the optimal use of land to meet social and economic need’, for their community.
The Need - Care Provision

Historically, ‘residential care homes’ have been the de facto institutional care model in UK for individuals requiring high levels of personal care and support. The model combines the provision of care and housing for the individual under one contract. It has been applied to a wide range of people requiring care, such as older vulnerable adults, people with learning disabilities, and people with profound physical and multiple learning disabilities (PMLD).

There are, however, significant and publically documented downsides to this model of institutionalised care provision. Individuals have very little choice in and control over their care and housing. Safeguarding and abuse risks for the individual are regrettably widespread, with the most serious cases often reported in the media. The quality of care is highly variable and often below standard. There may be limited interaction with the wider external community, and involvement with the wider personal family can be minimal or even under threat of restriction. As highlighted by a BBC investigation at the end of 2016, hundreds of care homes across the UK had banned relatives from visiting residents over their complaints about quality of care. Since the provision of care and housing is under the same contract, an individual who wishes to change their care provider may be forced out of the property. Social care in the UK is currently severely underfunded; therefore, the focus easily moves away from maximising the individual’s quality of life to maximising the economic model, i.e. to minimising business and running costs to the detriment of the individual. It is important to note that the individuals in question are mostly unable or afraid to speak up, to raise alarm, or to fend for themselves.

The Need – Housing Provision

There is an acute lack of suitable housing in the UK for people with profound physical and multiple learning disabilities (PMLD). To illustrate, 70% of the general UK adult population own a home, and 30% are in some form of rental contract. Yet, in comparison, 50% of the general UK population of adults with learning disabilities live with their families or relatives, a further 33% in residential care homes, and only 15% live in their own home with long-term secure tenancy. Stated differently, over 29,000 adults with a learning disability are living with parents aged over 70, many of whom are becoming too frail to manage their caring role. In terms of housing provision, 76% of UK local authorities report difficulty in arranging housing for adults with profound and multiple learning disabilities. This compares with 29% reporting difficulties arranging housing for people with only mild learning disabilities.
There is no one route to housing provision for these individuals who seek to move on from either an institutional care home setting or from an ageing family setting to one where their care and housing needs are better met. Most people approach local authority social services while others will approach specialist housing providers, large housing associations, or the housing department. For the individual or family relative seeking to resolve their loved one’s long-term care and housing, it is mostly a confusing, bureaucratic and fragmented process to follow. All the while, demand for suitable housing continues to significantly outstrip supply on a national scale.

Meeting the Care & Housing Needs: The Case for Supported Living

I strongly believe that the Supported Living model for care and property provision is an economically viable and socially sustainable alternative. In contrast to institutional care, Supported Living is based on principles that put the individual at the centre. A recent statement by the ‘Office of the United Nations High Commissioner for Human Rights’ reveals a number of problems with institutional care that interfere with people’s human right to decide for themselves where they want to live and what they want to do when they need support in daily living. Rather than moving the most needy and vulnerable into institutional care, the Supported Living model focusses on giving the individual choice in and control over their lives, over what care they receive, and where and with whom they live. The key difference is that the care provision and housing provision are contractually separated to enable the individual to have greater choice and control over each component. In this model, people with learning disabilities own or rent their own adapted residential property, thereby giving them housing rights and security of tenure. Their government state-funded housing benefits enable the direct payment for the property rental/lease. They may choose to live on their own, with family, or together with a small number of others with similar needs, which allows them to build their own community. Additionally, they separately have choice and control over the personalised care and support services provided in their Supported Living house setting; so if they wish to change their care provider, they can. Their government state-funded care support packages enable payment to their preferred Supported Living care provider for personalised care.

As one would expect, it is widely documented that people with disabilities thrive when they have the level of control they want over their lives, homes, and support. There is increasingly strong UK government, local authority, and policy support for the Supported Living model, with a growing number of Supported Living arrangements being launched across the country. In recent years, government legislation has directed local authorities to place people with learning disabilities in Supported Living based upon strong evidence that the model aligns with the human rights aspirations of choice and control, and recognition from government that people with learning disabilities are entitled to the same aspirations and life changes as other people.

Meeting the Need: The Launch of Mannawell

It is through personal experience that I am very aware of the acute lack of suitable housing, the lack of consistent quality of care, and the lack of social community for people with disability. My elder brother Charl, aged 40, has profound physical and multiple learning disabilities that stem from an adverse health reaction to vaccinations at 6 months of age. Charl is a wheelchair user, with cerebral palsy and spastic tetraplegia. He is unable to communicate verbally, unable to care for himself, and requires full support to carry out all activities of daily living. And yet he is a joy to be with, gives you a radiant smile whenever you meet him, and loves family visits, especially from his nephew and niece. Throughout my childhood and young adult years, my immediate family and I personally cared for his everyday needs within the family home. He moved out of the family home to a state-funded institutional residential care home approximately 9 years ago due to his increasing full-time care needs. Unfortunately, it is only with daily family visits to his residential care home that Charl’s social interaction, quality of care, and quality of life are upheld. Charl’s situation is not unique. There are tens of thousands of individuals with profound physical and multiple learning difficulties in the UK that share a similar story. It is for this reason, and against this personal background and journey, that in early 2017 my younger sister and I teamed up to incorporate and launch Mannawell, a UK non-profit organisation, now fully registered with the Care Quality Commission (CQC) (an executive non-departmental public body of the UK Department of Health, established to regulate and inspect all health and social care services in England). My sister, Theresia Baumker, is a consultant in social care, and was previously an academic Research Fellow at the University of Kent. Her research focussed on the economic evaluation of government state-funded health and social care, including extra care housing. Given my background in property and private equity investment with Grosvenor, and my current roles of project director and management consultant in the non-for-profit sector, we hope that our complementary skills will stand us in good stead as we pioneer a number of solutions that are economically viable and meet both the care and housing community needs of those with profound disabilities, such as our elder brother Charl.

Theresia Baumker
PhD, MSc, BSc (Hons). Consultant in Social Care Co-founder & Director, Mannawell

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PhD, MSc, BSc (Hons). Consultant in Social Care Co-founder & Director, Mannawell

Meeting the Need: The Launch of Mannawell

It is through personal experience that I am very aware of the acute lack of suitable housing, the lack of consistent quality of care, and the lack of social community for people with disability. My elder brother Charl, aged 40, has profound physical and multiple learning disabilities that stem from an adverse health reaction to vaccinations at 6 months of age. Charl is a wheelchair user, with cerebral palsy and spastic tetraplegia. He is unable to communicate verbally, unable to care for himself, and requires full support to carry out all activities of daily living. And yet he is a joy to be with, gives you a radiant smile whenever you meet him, and loves family visits, especially from his nephew and niece. Throughout my childhood and young adult years, my immediate family and I personally cared for his everyday needs within the family home. He moved out of the family home to a state-funded institutional residential care home approximately 9 years ago due to his increasing full-time care needs. Unfortunately, it is only with daily family visits to his residential care home that Charl’s social interaction, quality of care, and quality of life are upheld. Charl’s situation is not unique. There are tens of thousands of individuals with profound physical and multiple learning difficulties in the UK that share a similar story. It is for this reason, and against this personal background and journey, that in early 2017 my younger sister and I teamed up to incorporate and launch Mannawell, a UK non-profit organisation, now fully registered with the Care Quality Commission (CQC) (an executive non-departmental public body of the UK Department of Health, established to regulate and inspect all health and social care services in England). My sister, Theresia Baumker, is a consultant in social care, and was previously an academic Research Fellow at the University of Kent. Her research focussed on the economic evaluation of government state-funded health and social care, including extra care housing. Given my background in property and private equity investment with Grosvenor, and my current roles of project director and management consultant in the non-for-profit sector, we hope that our complementary skills will stand us in good stead as we pioneer a number of solutions that are economically viable and meet both the care and housing community needs of those with profound disabilities, such as our elder brother Charl.
Mannawell: Purpose, Vision, Objectives

The launch of Mannawell is therefore a personal response to the urgent national need for sustainable care and housing solutions for people with profound physical and learning disabilities, especially those placed in large, residential care models where residents have limited control and choice.

Mannawell’s vision is to support the integration of people in communities of all abilities, and to serve and support them through care and housing provision. In so doing, Mannawell aims to be a visible ambassador for both individuals with disabilities and their families, to support them and to give them a voice. Integral to building community is Mannawell’s volunteer programmes.

Mannawell takes the Supported Living approach by separating care provision and housing provision for the individual in need. It aims to achieve the following strategic objectives:

- (1) To provide 24/7 compassionate and person-centred care and support services to people with profound physical and multiple learning disabilities in their own homes.
- (2) To provide people with profound physical and multiple learning disabilities access to their own property in community with others in a Supported Living setting of 2 to 4 residents per house. The first adapted Supported Living houses are to be opened in Cambridgeshire in 2018.
- (3) To provide volunteer programmes that connect (i) the local community and especially (ii) troubled teenagers/youth, with people with profound and multiple physical and learning disabilities.

Mannawell: Pioneering a new Model for Housing Provision

Mannawell is pioneering a new model for property and housing provision in this sector that is agile, efficient and provides clarity for people with learning disabilities and their families seeking suitable housing.

In short, the model is based on pooling private investors to purchase residential properties, with Mannawell adapting and managing the properties as Supported Living houses, and generating social, capital, and income returns for the investor base. In this model, it is key to view a Shared Supported Living house as an investible asset capable of generating both income and capital return, similar to any standard residential property investment proposition. Typically, a property for 2-4 residents with complex needs requires 3-5 large bedrooms, with a large open-plan activity room and lounge area, a spacious garden, and parking facilities. Residents with complex needs (i.e. profound physical and multiple learning disabilities) are entitled to various government state-funded benefits for housing, daily living, and personal care. A specialist understanding of the sector and of this government state-funded support allows Mannawell to (i) help residents set up in a Supported Living house, (ii) facilitate the personalised 24/7 care of the residents’ choosing, and (iii) translate housing support into income return of 2% to 5% for the property investor, based on a secure form of long-dated government-backed cash flow.

I believe this proposition is marketable to private investors who share the vision, recognise the acute care and housing needs of people with disabilities, and wish to share the use of their capital for social, income, and capital returns.

It has been a long yet exciting journey so far. At present, Mannawell is actively seeking investors to help launch a first series of Shared Supported Living houses in early 2018, each accommodating 2 to 4 residents with profound and multiple learning and physical disabilities. The target area is in or near Cambridge.

If you are interested to learn more, if you are able to support in any way, or if you have any suggestions or advice, please contact me directly on werner@mannawell.uk or visit the Mannawell website at www.mannawell.uk. We look forward to hearing from you.

Footnotes
On an average day, a retired person may well spend 15 waking hours at home compared to about 5 for a full-time commuter like me – and it is this simple fact that is possibly the most important and certainly the most frequently forgotten factor in designing housing for older people. In the best cases residents have three times as long to enjoy the comfort of their home, but if things aren’t right, they can spend much longer being lonely when the house or flat is badly located, much longer being cold if it is poorly heated, much longer worrying if it is poorly constructed, and much longer seething if they must spend all day looking at a van parked just outside their window.

Getting the basics right – location, outlook, quality of design and quality of construction – is far more important for retired people than for the younger and more active, and when the basics are wrong it can be impossible to remedy the problem.

Too often the thinking on design for older people focusses on very specific items related to potential future disability – the possibilities of installing a lift or a hoist for instance – whereas good light levels and top quality sound insulation are probably far more important. The recommendations would have us believe that the car should be at the front door but many would trade this occasional convenience for a beautiful garden view.

A newly designed house, perfectly adaptable for wheelchair use, may nevertheless be totally inappropriate for a single older person if it is at the end of a cul-de-sac where everyone else disappears to work or to school at 8.00 in the morning. The often-repeated idea that it is best for people to stay in their own homes as they grow older, can be a dangerous over-simplification which ignores the huge problems caused by loneliness. According to a 2017 report ‘Later Life in the United Kingdom’ by age UK, 12% of
the over 65s complain of being persistently lonely and this links to a doubling of the risk of developing Alzheimer’s.

The reality is that while poorly designed homes can often be adapted to meet particular needs, poorly positioned homes cannot be relocated.

The ideal surely is to create beautiful groups of manageable, comfortable, suitably located houses for older people, tempting them to downsize at the earliest opportunity, enabling them to enjoy their later years without the ever-present fear of isolation and freeing up many larger houses for use by younger families. This seems an obvious win-win strategy and in 2014 the All Party Parliamentary Group on ‘Housing and Care for Older People’ heard evidence that up to 8 million older people are interested in downsizing.

Here, seemingly, is a huge opportunity so why, in practice, is so little housing of this type being produced in the UK?

One factor is that 70% of the 8 million mentioned above are owner occupiers and many housing associations do not see the development of housing for outright sale as part of their core business, focusing instead on areas such as extra care where affordability and care provision are more fundamental.

This has left the ‘downsizer’ market largely in the hands of the private sector but, while a few specialists such as English Courtyard and Beechcroft have risen to the challenge over the years, the overall number of units built each year remains tiny relative to the enormous potential demand, so clearly most developers see difficulties.

Foremost among the perceived problems is that potential ‘younger retired’ purchasers may be interested to move but have no urgent need to do so and will find endless reasons for putting off the decision to downsize unless they see exceptional opportunities, with attractions their own homes don’t offer. This in turn means that developers worry about slower sales and reduced turnover on capital without any obvious up-sides to offset the increased risk.

Retirement schemes which are beautifully situated, skilfully designed, of top quality construction and providing desirable facilities can overcome this market inertia but competing for the best sites will always be tricky when existing planning policy, despite years of discussion by successive governments, completely fails to recognise the challenges and rather higher costs involved in creating successful housing for older people. Possible initiatives would include a reduction in CIL levels to take account of higher costs, a willingness, where care is being provided, to agree a C2 classification with no affordable housing requirement and a commitment to allocate a proportion of sites for retirement use.

It is urgent action of this sort that will help providers to see the opportunities rather than the risks of retirement housing and put some real energy into a sector that has so much unfulfilled potential to improve and extend current UK housing supply.

Most important of all though is the vital need, in this market, to focus not on the negatives of old age but on the hugely positive effects that really well designed, comfortable, beautifully situated houses and flats can have, tempting the newly retired to make that vital move and helping them to live happier, healthier longer lives. Achieving this needs architects with real skill and commitment and an ability to remember that simple things can be very, very important.
Planning in Wonderland?

“When I use a word,” Humpty Dumpty said, in rather a scornful tone, ‘it means Just what I choose it to mean — neither more nor less.”

On 20th December 2010 the Secretary of State for Communities and Local Government announced “a simple and consolidated national planning framework that covers all forms of development and sets out national economic, environmental and social priorities”. The document included a presumption in favour of sustainable development – an evaluative criterion without a formal or enforceable definition.

This article argues that this presumption can be used to decide planning applications with little regard either to local or national policy or traditional understandings of sustainable development.

The term sustainable development has evolved from the “Brundtland” principles and originated in the report ‘Our Common Future’ presented to the World Commission on Environment and Development to the UN General Assembly in 1987. That report stated that “Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs”, a phase that has been used to define sustainable development ever since.

Rather than adopt this established definition, the Framework states at paragraph 6 that “The policies in paragraphs 18 to 219, taken as a whole, constitute the Government’s view of what sustainable development in England means.” The definitional possibilities of sustainable development are thus ring-
fenced by the content of the Framework itself and whether a development is considered sustainable is entirely dependent on the constantly mutating interaction between the development proposed, local circumstances and the policy context. The essence of the concept - the need to restrict the growth of some world populations to preserve environmental capacity for others - is rarely acknowledged or applied.

The Framework is a relevant, material consideration in the determination of each and every application for planning permission. The meaning of ‘sustainable development’ within the Framework is being considered daily as the benchmark for whether or not planning permission should be granted.

In theory, there are a very wide range of actors involved in the planning process. In practice, particularly in relation to larger scale and more contentious proposals, the assessment of sustainability is often carried out by Secretary of State through his powers of recovery or call in. In all of these more significant and larger scale cases the determination of whether or not the proposal constitutes sustainable development in the terms set out in the Framework is carried out by a planning inspector or the Secretary of State himself. Appeals are determined on a case-by-case basis with no consistent evaluative standards applied so that assessment of sustainability is a qualitative, individual exercise entirely dependent on the unique combination of the proposal, its locality and the planning policy context. The judiciary, unwilling to interfere with the decision maker’s discretionary scope, also generally limit their consideration of sustainable
development to whether or not conformity with the Framework has been properly considered.

The 2010 statement introducing the Framework stated that it would be “used as a mechanism for delivering Government objectives only where it is relevant, proportionate and effective to do so”. However in practice the Government has demonstrated a strong selection bias in the use of recovery powers to intervene in the decision making process relating to renewables and traveller developments. The 2010 statement said that the Framework would provide “clear policies on making robust local and neighbourhood plans and development management decisions.” However, because sustainability is assessed primarily on conformity with the Framework a number of Framework policies, most notably paragraph 4, have proved very difficult to interpret so that a simple phrase such as ‘policies for the supply of housing’ has recently been debated in the Supreme Court.

In the 2012 Tesco case Lord Reed asserted that “planning authorities do not live in the world of Humpty Dumpty: they cannot make the development plan mean whatever they would like it to mean”. This may or may not be true in relation to local authorities and development plans; in relation to sustainable development, the combination of the wide discretion available to the decision maker and the vague, contingent way in which that term is defined and employed in this particular context facilitates what can only be described as a ‘Humpty Dumpty’ approach to decision making. As the maker of policy, and with the scope to insert himself as decision maker into any planning consent process, the Secretary of State is the ‘master’ of the relevant discretionary space, the decision maker “sitting at the apex of the planning system” 6. Securely perched at the top of the decision-making hierarchy the Secretary of State is indeed the master of planning and able to adopt a Humpty Dumpty approach to the meaning of sustainable development.

In December 2014 The Communities and Local Government Select Committee published its report on the NPPF. The first recommendation was that paragraph 6 - the statement that the policies in paragraphs 18 to 219, taken as a whole, constitute the Government’s view of what sustainable development means in practice – should be removed, and that the page 2 definition - clearly referencing Brundtland – should “stand on its own.” The Government response, published in February 2015, rejected that recommendation, stating instead that it was for the planning system to look for environmental, social and economic gains, depending on the particular development in its specific context7. The government also rejected opposition proposals for statutory definitions of sustainable development in the committee proceedings prior to enactment of the 2016 Housing and Planning Act and the 2017 Neighbourhood Planning Act.

Although the government shows no appetite for changing the current definition of sustainable development a definition is nevertheless required. There are already two legislative examples – section 39 of the 2004 Act and section 2 of the Wellbeing of Future Generations (Wales) Act 2015. Alternatively the Government could adopt sustainable development goals for planning that would enable a sustainable development “scorecard” to be produced for proposed developments. It seems unlikely that the Government will introduce either a statutory definition of sustainable development or any kind of empirical analysis of the sustainability of particular proposals. Unfortunately this leaves judges, rather than policy makers and communities, as the individuals who consider and rule on the meaning of sustainable development. Even more unfortunately this seems likely to produce outcomes like that of paragraph 53 of Mr Justice Green’s judgement in East Staffordshire - part of which is set out on below 8.

‘The Inspector says that the proposal was a “sustainable development”… the point of paragraph [14] is to lead decision makers “… along a tightly defined and constrained path, at the end of which the decision must be: is this sustainable development or not?” … But that conclusion is not decisive because … there is a discretion outside of paragraph [14]. It is therefore, in principle, open to a decision maker to approve a proposal which is not, technically speaking, “sustainable development” within the meaning of paragraph [14]. In all probability if a development was approved outside the scope of paragraph [14] it would have to be “sustainable” else it is hard to see how or why it could or would have been properly approved. Mr Choongh for the Developer gave an illustration of a site that might he argued theoretically fall outside of a Local Plan but would nonetheless be “sustainable” … However, counsel for both the Local Authority and Secretary of State declined to pin their forensic colours to an endorsement of this proposition. Both considered that it would be highly unlikely that a development on an unplanned site would be acceptable or “sustainable” and they pointed out that under paragraph [7] NPPF a site might well be defined as unsustainable for a variety of micro or macro-economic, social or environmental reasons such that Mr Choongh’s example they considered begged more questions than it answered. I see some force in this argument but it does not wholly explain how one categorises a development which is inconsistent with a Local Plan yet is still, quite properly, to be approved: would such a development not, ex hypothesi, be sustainable? If this is the ‘meaning’ of sustainable development then the planning system is indeed heading for Wonderland.

Footnotes
1 Lewis Carroll, Through the Looking-Glass (Collins Classics 2010) 13
2 HC Deb 20th December 2010 Cd144WS
3 World Commission on Environment and Development Our Common Future (Oxford 1987)
4 Philip Altmendinger Neoliberal Spatial Governance Routledge p18
5 Tesco Stores Ltd v Dundee City Council (Scotland) [2012] UKSC 13 (21 March 2012) para 19
6 Clive Moys “Has the Town and Country Planning Act 1990 stood the test of time?” JPL. 2016, 5, 447-456
7 CLG Committee Inquiry into the operation of the National Planning Policy Framework Government response (CM 9016 February 2015)
8 East Staffordshire Borough Council v Secretary of State for Communities & Local Government & Anor [2016] EMHC 2973
Well Buildings

Winston Churchill said “we shape our buildings, and afterwards they shape us”. Standing back and seeing how far we have developed our buildings’ relationship with the environment and energy saving technologies (think LEED and BREEAM), now the focus is on human health – the interplay between man and building. To put it more accurately, how buildings best interact with us to enhance our wellbeing and wellness. The World Green Building Council produced a report in September 2014 (updated in 2016) which concluded that the design of a building has a material impact on the wellbeing and productivity of its occupants. So is it really time for the property industry to stand up and take note of all this? Here are five areas to consider in answering this question.

1 Working with both new and existing metrics
In October 2014, the International World Building Institute (the IWBI) launched its Well Building Standard (the Well Standard) to certify the impact of buildings on human health. This encompasses over 100 measures and is the first property rating system about people. Its key areas are air, light, water, nutrition, comfort, mind and fitness. Launched from the US, it has begun to make serious waves in its application by working closely with LEED (the US rating system for sustainability). So it is perhaps therefore not surprising that BREEAM published a paper in January 2017 confirming how they will be working together with the IWBI and demonstrating that a BREEAM assessment can already count towards 30% of the Well Standard. It is in the UK planning system that we will probably see an even more meaningful endorsement and application of this new metric. Planning policy framework has already set out that good design is the key aspect of sustainable development and that planning should “concentrate positively on making places better for people”. We have already seen BREEAM standards being required in planning conditions and certain planning authorities have specific policies requiring development to achieve a “very good” or “excellent” BREEAM rating.

2 Health is the new Wealth
If we are undergoing a wellness revolution then when you apply this to buildings, and to the productivity of companies, this area becomes particularly interesting. We spend 90% of our time in buildings and then 82% of our time sitting down inside them. The 2011 Work and Health Review independently commissioned by the Government showed that the most common causes of illness were musculoskeletal and mental health - which were both linked with the workplace. Sick days cost the UK economy £16bn a year. From a negative starting point, this debate then takes a unique turn into the question of how buildings can actually enable and activate people. There is real emphasis now in office buildings on quirky spaces, dedicated social areas and encouragement of the use of staircases. Could we soon be in a world where buildings are fit for body and mind - coming back to what architecture was about in the first place rather than just “real estate?”

3 The question of cost
The costs of complying with the various levels of the Well Standard are stated to be modest and incremental. However in a world where corporate real estate is rewarded for reducing costs per sq. ft. this may not be high on the agenda for developers and occupiers. Yet, we do know that on average businesses spend 9% of their cost on rent, 1% on energy and 90% on staff costs. There have been some very interesting examples so far of increased productivity as a result of the adoption of various Well Standard measures. The construction of a Doncaster office building that achieved BREEAM outstanding rating has been publicised as leading to 3.5 x fewer sick days taken in 2015 compared to other UK offices. British Land, Land Securities and Stanhope all publicly say they are embracing and working with the Well Standard. What we talk of as an “embedded cost” may come back to bite in the future. Who could have predicted the journey of energy performance certificates and ratings? What started out as a largely discretionary exercise has transformed now into the mandatory “minimum energy efficiency standards”. Subject to various exemptions from 1 October 2018, a landlord cannot grant a lease of a substandard property (showing an F or G energy rating) and then from 1 April 2023 a landlord cannot continue to let out a substandard property. Could the Well Standard acquire such statutory teeth in the future?

4 Value proposition
The burning question is will the Well Standard add value to a building? There is anecdotal evidence that Chiswick Park achieved high lettings by being the first business park to embrace a more health orientated approach to occupation with its own innovative Enjoy Work initiative. The Canada Green Building Council commissioned a report in 2016 that found 38% of owners reported an increased building valuation of 7% or more as a result of the adoption of the Well Standard. In addition, 46% of healthy building owners said that they could lease their space more quickly and 28% said they could charge a premium on the rent. According to Lend Lease, the cost of upgrading health and wellness is already taken into account in revaluation of their portfolio. The question of how you measure the effect on occupants of buildings is harder but there are surveys available. Cundall architects have had very positive feedback from their staff in relation to their Well certified office in St. Paul’s London.

5 Future proofing
What could this all mean in the future looking at new leases and the landlord and tenant relationship? From a tenant’s perspective special consideration needs to be given to what questions to ask at the enquiry stage in order to determine where the costs lie if there is a real desire to upgrade space to this new metric. In particular issues such as pre - existing air and water quality, sound insulation and control over common parts and entrances to a building need to be carefully understood.

Healthy buildings may have an even more important role to play in the future. As we all work harder and longer hours it is inconceivable that a Well Standard could help an organisation in dealing with claims from employees. In fact the Well Standard involves over 50 policies and so direct engagement with human resources of any organisation is a necessity here. Then there are the growing dangers of indoor air pollution. The Global Wellness Institute recently reported that more deaths now result from poor indoor air quality - than from outside air pollution.
Sustainable Historic Cities

Introduction

Today, over half of the human population, or nearly four billion people, lives in cities all around the world. Globally, cities account for over 75% of energy consumption and 80% of greenhouse gas (GHG) emissions. Thus, their impact could well be the deciding factor for the type of world in which future generations will live.

The UN argues that the total global population is expected to reach 9.7 billion by 2050, with two-thirds expected to be urban. Broadly speaking, new city dwellers will either settle in existing cities or in new ones. While the latter enjoy the luxury of freedom to fundamentally rethink the very definition of what a city is, its design and operation; the former must deal with a sometimes many-centuries-old “organically grown” built environment. Nevertheless, they all face significant challenges to provide a healthy and efficient living and working environment for unprecedented numbers and concentrations of urban people.

Historic Urbanization

Human cohabitation was always both a sign and an engine of prosperity. Paul Bairoch identified the formation of the first proto-city settlements in the Neolithic Revolution from about 10,000 BCE to 5,000 BCE, as the key catalyst which enabled the then-nomadic humans to benefit from food security brought by farming and form permanent habitats.

The history of cities is a very long one, Damascus in Syria is considered to be one of the oldest continually inhabited cities in the world, with signs of settlement on its territory dating back as far as 10,000 BCE. Sadly, many magnificent ancient cities throughout the world have fallen to the dual destructive powers of war and natural disasters. Even today, we witness a wholesale obliteration of historic cities, including Damascus itself.

European cities, while by no means spared their share of destruction, remain in great numbers. These cities have found themselves at the epicentre of one of the most important events in the human history—the First Industrial Revolution.

The First Industrial Revolution Sparked Rapid Urbanization

If the Neolithic Revolution was the critical point in human development that enabled large cohabitations, the swift and extensive urbanization that shapes the world we know today was a direct consequence of the First Industrial Revolution (1760 to circa 1840).

Starting in Great Britain, the great waves of technological and economic progress carried with them a comprehensive change of lifestyle, raising the living standards in once agrarian subsistence societies. Like the Neolithic men who swapped their nomadic hunter-gatherer existence for a better life in proto-cities, 18th- and early 19th-century people moved from villages to cities where they found employment in proliferating factories.

The industrialization also brought an unprecedented rise in human population, which doubled in less than a hundred years to an estimated 2 billion by mid-20th century.

Organic Growth of Historic Cities

Historically, cities have often grown organically. Even if the urban center was carefully planned around religious, political and military facilities, the residential and further urban development was incremental, getting rebuilt after fires, earthquakes and wars, haphazardly expanding far beyond their initial fortifications as their population grew.

Through many centuries, the buildings...
intended for one use got converted to another, churches became homes, town houses became individual flats, and hospitals were turned into town halls and hotels. With each change of use, the existing structure is adapted and stretched to suit the new needs, sometimes to its irreparable detriment.

The urban fabric of many contemporary cities that evolved over centuries and millennia reveals a rich patchwork of manifold, alterations, extensions and mending, simultaneously a burden and a treasure, as we will discuss next.

**Inefficiency of Historic Cities**

The historic cities today suffer from inherent inefficiencies stemming from rapidly changing lifestyles of massively increased populace, hosted by a relatively rigid and inadequate urban matrix.

Even though urban planning finds its roots in ancient Egyptian, Mesopotamian and Minoan cities, due to the organic growth and infilling, today's urban matrices are frequently innocent of the benefits of modern city planning. There are some notable exceptions, however, in the likes of 19th century Baron Haussmann's “renovation of Paris” and Cerdà’s famous “Example,” the expansion plan for Barcelona.

Ildefons Cerdà is often seen as the forefather of modern urban planning, having first used the word “urbanization” in his “General Theory of Urbanization”. More importantly, he had, well ahead of his time, recognized the importance of an efficient circulatory system of people, goods and services for the success of a contemporary metropolis. The inherited urban matrix characteristic for most of the world’s historic cities is not conducive to supporting these ever-intensifying flows. Haussmann’s grand project, his plan encompassed wide-sweeping measures aimed at the prevention of spread of disease, including razing the narrow streets lacking in sunlight and air and replacing them with vast sweeping boulevards.

**Historic Cities Are Not Designed for Modern Lifestyles or Massive Populations**

In Europe, the rapid expansion of cities generated by the Industrial Revolution brought about the birth of the modern urban planning theory.

Soon came the first legislation (i.e., the Housing and Town Planning Act of 1909) in the UK, the birth of a new town planning profession and first building standards. Academia was in step, with the first urban planning course at University of Liverpool launched in 1909.

A rapidly changing and growing modern society, and the attractiveness of developed European countries mean that their historic cities face unprecedented challenges. The historic cities, continuously occupied for millennia, face an opposite challenge of over-population straining the urban fabric designed for a different era. No efficiency standards were applied when the historic built environment was designed. One solution, controversial even in the time of Haussmann and Cerdà, of demolishing the old to make way for the new, today is simply not a possibility. The cultural value of the built environment is fully embedded in the laws and ordinances of developed countries. So, even before the introduction of official schemes for protection of the historic built environment in early 19th century, large-scale cuts in the historic urban fabric met with a strong public resistance.

**Historic Built Environment: A Common Cultural Heritage**

Today, the historic built environment is in many cases protected by stringent conservation measures, intended to guard what is truly a physical manifestation of a nation’s cultural and social heritage.

However, because these protection measures prevent sweeping physical changes, such as the creation of wider streets or replacing old buildings with new, they somewhat work against attempts to improve the efficiency and sustainability of historic cities. Thus, the situation at hand presents a large-scale conundrum in the context of historic cities in developed countries, which have a significant cultural value while also bearing a substantial environmental footprint.

**Non-Invasive Overhaul of the Urban System**

UNESCO notes that while preserving common cultural heritage is of high importance, cities are by their very nature in a constant state of change. This implies that culturally-sensitive retrofitting and adaptation is not only possible, but also necessary. In this context, the “urban smart” is widely accepted as the key component for the future sustainability of cities, despite great variations in definitions of a “smart city” and its applicability to historic as opposed to new and future cities. The phrase “smart sustainable city” per se makes no delineation between historic and new cities; rather, it points to a city that aims to meet the tenets of sustainability through efficiency and innovation, while preserving cultural treasures and remaining human-scale.

It is well recognized that a smart sustainable city is not purely a function of technological solutions. If new technologies are not adopted and used in a sustained and appropriate manner by cities, the expected beneficial
results will not materialize. A well-considered use of
digital technologies can help
historic and contemporary
cities alike to create
opportunities and elevate
people’s urban lifestyles and
economic prospects, while
simultaneously reducing
their environmental
footprint.

The Next Industrial Revolution
The long-wave innovation
theory, first named
“Kondratieff waves” by
Joseph Schumpeter in 1939,
posits that the technological
and economic development
follow a pattern of cycles,
or waves. While there is
some consensus that we
are in a cycle marked by an
expansion in communications
technology, the beginning and
focus of the next innovation
wave is the subject of
some debate. Regardless,
the advent of wireless
data and energy transfer
among other developments
already provides an ever-
increasing range of smart
tools promising sustainable
solutions for the management
of cities.

Cities now have at their
disposal a wide range
of technological tools to
augment complex urban
infrastructure. A range
of practical replacements
for traditional products or
systems is rapidly becoming
commercially available,
affordable and reliable, such
as big data and quantum
computing, the Internet
of Things (IoT), virtual
reality, 3D printing, artificial
intelligence, and autonomous
vehicles. These technologies
are interdependent to varying
degrees, spurring each other’s
advances. It is striking how
the rate of technological
advance seems to accelerate
rather than slow down.

Due to conservation
restrictions and lack
of flexibility, cities that
are based on historic
infrastructure must put
more effort into embracing
change, as opposed to those
that have been built more
recently. As smart cities
build on existing structures,
they have a multilevel
task in transforming those
structures with considerable
energy embodied in existing
institutions, social relations, and related technological systems.

The supporting technological infrastructure of the city must be able to accommodate the ever-increasing demand on network usage. It is expected that the regulators will apply further pressure to mobile operators and corresponding agencies to actively support smart city initiatives.

**Necessary Changes in Behavior**

However, while offering a more efficient and sustainable means to satisfy modern lifestyle needs, these new solutions inherently depend on a systemic change of human behavior and practices. For example, the personal car ownership will need to become a habit of the past for majority of people, if the efficiencies offered by shared autonomous vehicles are to be reaped. As such, a cultural change towards less car dependence should be a part of any city's strategy that aims to grow into a sustainable smart city.

Most of the change programs to embrace technological solutions, and reduce the carbon intensity of our lifestyles, have focused primarily on personal behavior. These strategies have an overly individualistic focus and assume that people can transform their behavior and make decisions in isolation. Research has shown however that personal decisions are bound by social dilemmas: individual efforts are inefficient unless other members of the society participate. There are three major areas that should be addressed to assist the behavioral change issues in relation to sustainable cities: 1) education and raising awareness, 2) regulations and financial incentives, and 3) reference to moral and ethical principles.

**Conclusion**

The future sustainability of historic cities greatly depends on them “getting smart” and making the best use of immense leaps of digital technology innovations. To achieve this, a wholesale change in behavior is necessary, and humanity and cities both have proven time and again that this is both extremely difficult and not impossible. While sustainability systems can be part of the design and implementation of new cities, inbuilt into the community fabric, a change in habits and standards is still also necessary to make optimal use of the new technologies and practices that are currently available now, and those yet to come.

It has been nearly half a century since the “mother of all demos,” when computer design pioneer Douglas Engelbart took one and a half hours to demonstrate the fundamentals of personal computing, including video conferencing, text and graphics programs, as well as a first mouse. Since then, computers have overcome resistance and doubts to become indelible parts of modern life, much as mobile phones. Both of these technological solutions inherently required significant changes in human behavior, but have nearly seamlessly overlaid over the historic traditions throughout the world.

A successful adoption of innovations on a city scale is thus the goal. The Author's recent Masters study of University of Cambridge staff and student attitudes toward digital innovations and change in very traditional ways of living, studying and teaching has shown that there are five key interrelated factors:

1. **Golden thread:** A cohesive community and effective communication are of crucial importance for a healthy and sustainable society, with a growing role for digital technologies. Communication is both a driver and facilitator of innovation.
2. **External forces:** Globalization, by definition, has worldwide effects, with cities facing much the same challenges of growing populations and changing lifestyles that call for innovative solutions.
3. **Internal pressures:** Physical and financial constraints are applicable in various degrees for even the richest and largest of historic cities. These act to both necessitate and hamper the diffusion of innovation.
4. **Systemic tensions:** Even though cities generally have a unified organization with the authorities able to make and implement decisions, a myriad of other institutions (public and private) with autonomous interests, budgets and strategies, operate within the city system. While diverse members of the system introduce innovation, divisions hamper its diffusion.
5. **Underlying challenge:** A historic urban landscape is the common attribute of historic cities. Even though specific circumstances will differ, the constraints of a historic built environment and the need to preserve cultural heritage remain shared. They are important for the community identification and cohesion, again closing the circle of interrelated factors.

The resolution of the complex interplay between these five factors to reach their symbiotic functioning is where the crux of the challenge lies. The task is by no means insignificant, but the same stands for the reward—smart cities, historic and new, hold one of the few keys for the sustainable future of humankind.

PropTech and its Implications on Real Estate and Jobs

The purpose of this article are not to recycle facts or opinion pieces, or even debunk some of the myths associated with this still embryonic industry, but to take a step back and evaluate the implications of PropTech on agents, investors, tenants, consumers and citizens.

The advances of the digital revolution is relentless, inevitable and unstoppable. Commentary as to the increasing obsolescence of the human factor: from news publications, business pundits, industry insiders and other ultracrepidarians, is ubiquitous. However, as with any claim, the arguments are more nuanced. It is generally accepted that routine tasks are steadily being displaced by technology, reinforced by analysis from the likes of Klaus Schwab for example, who proved that dominant tech companies today, hire a tenth of the workforce the dominant auto manufacturers did at their peak of influence; yet in a widely cited Economics paper, Deloitte argues that the growth of jobs in the creative, care, tech and business service industries have more than offset the loss of jobs in the agrarian and manufacturing sectors. Job losses are conspicuous, and there is no doubt that the architecture underpinning work processes of all major industries are being upgraded and the need for sector specialisation is becoming increasingly paramount.

JP Morgan recently announced the launch of LOXM, effectively an AI program to execute trades. Having worked with High Frequency Traders at the start of my career, and at one of the largest HFT’s subsequently: disruption in the financial services industry has been rife, and this predates the arrival of Blockchain and the inexorable disruption this will cause. But as Gary Kasparov recently evangelised, if we were to embrace technology: it will certainly impact some jobs, but compensate elsewhere. A recent report by Remit Consulting foreshowed the doom of surveyors by AI over the next decade, concluding that the majority of a surveyors day-to-day activity exhibit a high degree of vulnerability to automation. Adaptation to this new reality is clearly necessary, but the counterfactual will foster jobs elsewhere in the industry. Displacement is defined as the “removal of someone [or something] by someone [or something] else which takes their place”.

PropTech specifically is just the latest iteration in a long line of technological progress. Due to its inherent illiquidity, it was assumed the built environment was less susceptible to the forces of technological disruption. Yet, technological innovation began transforming the residential real estate market first, particularly estate agents, but ambitious and entrepreneurial talent spotted the opportunity in commercial real estate and both asset classes are now subject to the predictable upheaval. Malls can already detect the spending power of consumers by scanning their footwear, estate agents could be entirely disintermediated from letting or indeed selling a home, one could hold their phone up to a building and it will instantaneously provide you with its salient details, tenants can source their own office stock online, inspect potential office suites from the luxury of their home, book a meeting room with a potential client in a different continent or indeed selling a home, one could power of consumers by scanning their footwear, estate agents could be entirely disintermediated from letting or indeed selling a home, one could hold their phone up to a building and it will instantaneously provide you with its salient details, tenants can source their own office stock online, inspect potential office suites from the luxury of their home, book a meeting room with a potential client in a different continent on their mobile phone in a co-working business, print their own modular home using 3D printing technology and access institutional grade real estate product through companies like BrickVest, and this is only a revolution in its infancy.

Profit is the ultimate motivator, and funding for PropTech increased by 40% in 2016. Fundraising will become less indiscriminate and focussed on verticals with secular opportunity, but as large real estate agencies, propos and investors adjust, this trend in funding and innovation will likely continue for the foreseeable future.

Depending on one’s perspective, real estate is one of the last industries to exhibit elements of information asymmetry. Relationships and access to data are still very much the linchpin in the toolkit of the typical agent and investor. It is not too hard to imagine a Chinese individual on the other side of the world will have access to the same level of information as the sophisticated domestic UK investor whom has been operating in that market for years. The democratization of a once insular industry, traded in prohibitively inaccessible blocks is on the horizon. Granted, nothing could replace local know-how and expertise, but the data that supports decision making will become universal. Technology is the ultimate leveller, and data the ultimate panacea. Commercially, surveyors will need to become autodidacts, real estate investors invest more in data systems, tenants more intelligent in managing their workplace and workforce, and everyone of us are targets for disruption. Jobs will be commoditised by PropTech, but the occupation, ownership and trading of the physical environment will become more innovative, transparent and frictionless.

Rephrasing the discourse to using words like “readjustment” and “displacement” of jobs, rather than “obsolescence” and “disintermediation” is a good starting point.
Beyond the headlines: Investing in Proptech?

The impact of technology is major, touching all industries in our economy, and all aspects of our lives. As the dynamism and impressive growth of technology in the property space - ‘PropTech’ - becomes ever clearer, and the publicity around it louder, the question of how to engage, and how to invest in this space becomes increasingly relevant for all players in the industry.

Organisations and individuals in the property industry, from large corporate surveyors or house builders to individual investors, recognise the growing importance of investing time and money in technology, if only to keep pace with competitors.

Yet many lack a clear strategy for investing in Proptech, and a clear understanding of the returns expected. So how can an organisation or individual in the industry focus their approach to Proptech, and make investment decisions efficiently and effectively?

It’s easy to get distracted by exciting Proptech headlines, which often focus on big ticket advances from Blockchain (e.g. title registration) to Virtual Reality (e.g. viewing headsets).

Beyond the headlines, finding the optimal approach, level and type of investment in Proptech can be incredibly valuable, and doesn’t need to be complicated.

As Jonathan Jay points out in his article “PropTech and its implications on real estate and jobs”, featured in this magazine, profit is the primary driving force behind any business investment, in Proptech and beyond.

But uncertainty around the direct and indirect monetary returns, and therefore the ‘risk-reward ratio’ associated with Proptech investments is high, due to incomplete and asymmetric information, and imperfect, time-lagged market forces.

Value, cost and profit are rarely perfectly aligned in the real world, and a successful Proptech investment may not directly or immediately affect the bottom line, as direct financial returns, as well as non-monetary or indirect impacts take time to be reflected in profits. This makes forecasting financial returns difficult, and unnerves many organisations, whose opportunity cost of investing in Proptech might be a more certain investment in HR, marketing, or even a development deal.

Regardless of the show-stopping focus of press coverage, for most organisations in the industry, understanding what delivers value to the consumer or society, the likelihood of that value being delivered, and the speed of implementation will be far more important for successful Proptech investment allocation decisions than opportunities which grab headlines.

The most exciting and relevant technological advances in property, and when to invest in them, depend on one’s perspective and objectives.

There are opportunities with known impacts and value, for example modular construction, which offer clear improvements in efficiency and consistency, and opportunities with impacts and value which are difficult to forecast, for example Virtual Reality Headsets, where the added value to the consumer is harder to quantify.

There are opportunities which solve big problems for big businesses, a few times, and opportunities which solve small problems or add value for many people or organisations, multiple times.

The existing and potential impacts of Proptech for businesses and consumers include, but are by no means limited to:

- Efficiency and accuracy (e.g. reducing construction costs through offsite modular construction, which directly affects scheme profitability and viability; and using drones to draw up more accurate ground layout plans)
- Security and control (e.g. smart locks which offer keyless, remote control, access and flexibility)
- Safety (e.g. retro-fitted Automist systems; and more sophisticated assessment of Health and Safety risks through analytics, a highly relevant topic following the Grenfell tragedy)
- Connectivity and access (e.g. HS2 and bullet trains in the transportation space; Virtual Reality headsets connecting investors and sites remotely; crowd-funding platforms connecting potential investors with opportunities to invest; and platforms like Rightmove and Zoopla connecting buyers and sellers online)
- Comfort (e.g. clean air technologies; Active Noise Control; sophisticated acoustic reduction glass)
- Environment (e.g. smart meters - apps such as Hive, which allow the user to control energy usage at their properties from a tablet)

Anna Harper
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Trinity Hall, 2008 - 2011

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• Information (e.g. analytics-driven valuation techniques, which enable faster and more effective interpretation of data)
• Communication (e.g. management software such as Arthur Online, which automates operational tasks and connects parties such as tenants, contractors, agents and property owners in real-time)

With such a range of benefits and value, the advantages of some form of Proptech investment are clear. But what about the reality: how can property-focused organisations improve their chances of success through strategically engaging with Proptech, and investing in this arena without getting distracted by the focus of media attention?

At one end of the scale, exploratory investments may require high sunk costs, and offer unknown returns. These are more often made by bodies with deeper pockets (e.g. large corporate agents), or by start-ups which begin with little to lose (e.g. Arthur Online, the property management software, or LandInsight, which uses data to help developers find land). Failure rates may be high, meaning time and money can be wasted on speculative research and development, but potential rewards can be huge.

At the other end of the scale, as in the Industrial Revolution, the Luddites of the industry shy away from investing in any technology, and deliver none of the benefits of technological advance to their customers.

Somewhere in the middle, property organisations of all scales and forms can find a sweet spot, allocating a portion of their investment budget to products or ideas with relatively certain benefits and lower entry costs, whether this be smart, digital locks or new management software to automate processes. As well as focusing on proven technologies, focusing on speed is an important strategic cornerstone: responding as quickly as possible in line with technological advances, and implementing new technologies properly, for example training staff to use new systems efficiently.

A sensible approach to Proptech investment need not require huge upfront costs in time and money, and will probably not attract headlines in the way that 3D printing and Artificial Intelligence might. Rather than being distracted by ‘shiny pennies’, the most successful organisations in the industry are setting a clear Proptech strategy that focuses on understanding:

• How new technology adds real value to the end user, and adds to profits (including un-sexy, marginal operational gains);
• How certain that value is to be delivered (focusing on proven technologies); and
• How quickly it can be implemented (focusing on responsiveness, and effectiveness of implementation).

There are plenty of opportunities in the Proptech space with clear profit outcomes, the challenge is to avoid the hype and focus where it matters: value add, certainty of return, and speed of response.
Hippocrates and Rethinking Retro-fit

Michael Parrett
Consultant Building Pathologist
Wolfson, 2010-2012

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The main driver for retrofitting solutions to existing buildings is the political aim of combatting climate change. To lower our CO2 emissions, we need make buildings more energy efficient; however, doing these through retrofitted solutions may create new problems. For example, hermetically sealing homes usually only increases condensation, damp and mould. And as rain can penetrate a single layer of brickwork, cavity wall insulation that absorbs and retains moisture will promote mould growth in habitable spaces. And in cavity walls, which often contain blockages from the original build and post-construction interventions, who is optically checking and clearing these cavities before the insulation is retrofitted?

Also, inherent defects from different building genres may not be understood and are rarely considered when installing retrofit solutions.

For example:
- until recently, most suspended solid floors were laid without vapour barriers, but rising water tables mean moisture can move through the vapour-permeable concrete. Similarly, many older properties do not have an integral damp-proof membrane to solid ground floors
- carbon-neutral lime, which allows buildings to breathe, has largely been replaced by harder Portland-type cements that trap moisture in walls (especially in older buildings) and is more prone to cracking
- the damp-proof membrane is very rarely linked to the original damp proof course to walls where a retro-fit solid ground-bearing floor has been installed to replace a decayed timber suspended floor in chimneys in Victorian/Edwardian properties, damp-proof courses are rare in fender walls, which act as conduits for upwards moisture

Building pathology is the study of why they fail, how to diagnose problems and what remedial measures can be put in place. Political initiatives provide incentives for retrofitting but there isn’t any pathological input on the consequences to the habitable spaces. While individual materials might be tested for fire, breathability, heat loss, etc., the use and interactions between retrofitted solutions aren’t tested in the specific conditions of a building.

This is especially the case in retro-fitted external and internal wall insulation, and cavity wall insulation. For example, there is often a poor understanding of how these solutions move the dew point temperature (at which water vapour forms condensation) and the calculations to show they’re not causing interstitial condensation (which forms in the building fabric).

These issues become more prevalent because of poor standards of supervision – both during construction and by the agencies that exist to protect property owners, such as under-resourced Local Authority Building Control departments. I’ve seen this on a project that had failures across 212 apartments in a block. Errors were caused by poor design and understanding of the installation, e.g. hot water cylinders with defective thermostats pumped 100°C water into plastic soil vent pipes that couldn’t withstand this temperature for more than 60 seconds. Remedial work had to replace the melted pipes and hot water cylinders throughout the building.

This interaction of materials, services and poor oversight only leads to problems that may require complex and expensive solutions.

Building failure problems are increasing and it is unsurprising that some leading insurers have stopped offering buildings insurance on new builds.

Property vs medical professionals
Greek physician Hippocrates created an oath as a guide for medical practitioners in which they pledge to prescribe only beneficial treatments, according to their abilities and judgment; to refrain from causing harm or hurt; and to live an exemplary personal and professional life.

In general medical practice all doctors undertakes to abide by this oath and are trained to understand medicine, illnesses, human anatomy, etc., so that a GP has a basic knowledge of human pathology. Unfortunately, many property professionals don’t have a basic knowledge of building pathology.

There is also an insufficient emphasis on learning outcomes in property. This does exist in places, e.g. following a major disaster, such as the Grenfell Tower in London, there will be a full investigation and corrective action plan put in place.

However, the medical profession monitors the success of a treatment and may refer a patient for further pathology, which is fed back to the GP. This feedback loop doesn’t exist in buildings and retrofitted
solutions are installed without any review of their success and can lead to the true cause of problems remaining unresolved and repetitions of failure.

This is exacerbated by property experts being overly sensitive of their Professional Indemnity Insurance (PII) cover. For example, a house purchaser requests a basic property survey but the surveyor’s report will contain various referrals to commercial organisations for the next stage of the building defect investigation, such as damp-proofing firms, which have a commercial self-interest in recommending and implementing their own products and services. It's akin to a GP referring a patient to a drug company.

This culture of referral extends to many other aspects of the building process, such as complete development drainage design and water attenuation schemes often being referred to small local firms.

**Future actions**

Professional institutions should support a new specialism of building pathology whose role would be to understand the symptoms of a problem and, crucially, identify its cause and source. This rarely happens because the need isn’t understood and there aren’t enough experts available.

This requires a new centre of excellence with a deep understanding of building failures that can feed back into design and construction processes. This could be created within an existing institution or, ideally, by a collaboration between the RICS, the CIOB, the BRE, etc.

As and when government proposes changes to the built environment, e.g. retrofit insulation schemes, this centre of excellence could make expert representations about the validity and potential consequences of such schemes.

On projects of a certain size and complexity, a building pathologist should be part of an independent interdisciplinary group, alongside architects, structural engineers, etc. They would challenge new designs and any retrofitting agenda, and question any decisions that are deferred to commercial firms that may have a conflict of interest.

**Demonstrating benefits**

Liverpool Housing Trust (LHT) has 11,000 homes and spent more than £250,000 on damp remediation work in 2011/12, often using the commercial damp industry that recommended and then implemented its own chemical injections into walls. Unfortunately, homes still reported problems so LHT asked me to investigate the true cause of the damp.

This led to a full training programme for LHT’s surveyors including using thermal imaging cameras, borescopes to inspect inside cavity walls, data loggers to collect environmental details, etc. LHT then instigated an independent defect diagnosis and remediation process, removing all commercial interests.

This meant the correct remedial solutions were targeted at each property, which resulted in huge savings, successfully managed damp problems and dramatically reduced numbers of complaints and legal cases.

Since changing its approach, LHT says it has saved £200,000 a year by accurately identifying the cause of damp in its properties. It is estimated that this could save the social housing sector £72m a year.

**A final message**

We need a better model to safeguard against not only the high-profile incidents such as the Grenfell Tower, but also the plethora of other cases where commercial interests are insidiously wreaking havoc in our buildings.

To do this properly, we need to remove commercial self-interest from the retrofit agenda. We should also ensure that retrofit solutions are appropriate for a building’s specific needs, based on a holistic assessment that will require measurement, testing (often invasive), monitoring and empirical knowledge of historic and modern building construction vulnerabilities, and the interaction and potential consequences of mixed materials and methodologies. The challenge is who can do this?

Many built environment professionals have become over-reliant on commercially led solutions and an abrogation of responsibility for design and install to small firms of so-called specialists.

We need a new generation of independent building pathologists, abiding by their own Hippocratic Oath, if we are to prolong the life of our buildings and considerably reduce the risks to the health of occupiers and users.

We need to be rethinking retrofit.
A number of excitable headlines have boasted about the “Crossrail effect” – property prices shooting sharply up as a direct result of the investment in London’s infrastructure. But is all this price growth due to Crossrail? If there is a Crossrail effect, can we use it to predict future uplift from other transport projects?

Estimates for value uplift due to Crossrail vary wildly from source to source and station to station. One distressingly common factor in a lot of these studies, however, is the lack of a proper control. Without comparing the affected station areas to a sensible benchmark, it’s impossible to tell how much of this growth is due to Crossrail. To date, we’ve seen studies comparing growth around stations to growth in Greater London, the wider South East, or even the national average – hardly a relevant comparison!

In our recent study with KPMG for TfL, we looked at price growth around stations on four London transport projects: Crossrail, the Jubilee Line Extension, the North London Line refanchise, and the DLR extension to Woolwich Arsenal.

For each of these areas, we compared house price movements within 500 metres of each station to areas between 1km and 2km away. This was to ensure that for whatever station we were looking at, our benchmark had similar characteristics – other than distance from the station.

We compared house price movements in these areas during the year before construction on

![Figure 1 - We compared growth within 500m of the station (red) to 1-2km away (blue).](Source: Ordinance Survey)
the infrastructure projects started, during the projects’ construction, and for the five years after completion.

What does this mean? To date, there’s been eye-watering house price growth around Crossrail stations, as reported widely in the media. But this growth has been in the context of high growth across much of London. We can’t attribute this increase in values to Crossrail if we’re seeing the same house price growth in places not affected by the new line.

What we can see, however, is there can be an uplift in property values after these new transport improvements start running, even when taking account of general house price growth in the area. We see strong value uplift around affected stations following the opening of the extended Jubilee Line and Woolwich Arsenal DLR station. Even around North London Line stations, where improvements were much more modest, we saw value uplift of 1.6% per year.

It’s a different story before and during construction works. At first glance, there appears to have been phenomenal uplift around Jubilee Line Extension stations during construction. But we’ve only analysed growth data from 1995 onwards, which means we’re only looking at the second half of the construction period. Much of the earlier, noisy digging and tunnelling work may well have been completed by this point, so any negative impact on values may not be reflected.

Looking instead at Woolwich Arsenal DLR station, we saw values around the station grew slightly slower than the surrounding area during construction, suggesting that noise and congestion may have put potential buyers off. The same may be true for Crossrail, where values near the station have only just kept pace with the wider market.

So, does this mean the Crossrail Effect is a complete myth?

For existing homes? Perhaps. There’s no evidence for value uplift in the existing stock around Crossrail stations so far. But if the evidence from the Jubilee Line Extension and the North London Line is anything to go by, the positive pressure on house prices will only really show right towards the end of Crossrail’s construction and for the five years afterwards.

But there’s more to property than just new homes. Crossrail has enabled huge numbers of new residential developments along its route, and increased the density of housing on schemes already in the planning pipeline. By improving connectivity and allowing higher densities, Crossrail has increased the land value on development sites across the whole line.

Of course, in an ideal world the benefits of this uplift wouldn’t just accrue to homeowners and developers next to each station – we could capture some of the economic benefit and use it to fund future transport investment. Transport Secretary Chris Grayling recently announced his support for Crossrail 2 provided that the private sector contributed half of the costs. If we are careful to maintain the balance between value capture for the public good and ensuring schemes remain deliverable, innovative land value capture solutions could help fill this funding gap.
The Influence of Debt on the Property Cycle

The three major real estate crashes in the last 50 years as witnessed by dramatic falls in the value of UK commercial real estate are identified by Robin Goodchild in his article featured in this magazine on the Nature of Property Cycles as occurring in 1974, 1989 and 2008.

These falls followed periods of prolonged and perhaps in retrospect what could be considered to be irresponsible lending to the UK real estate market. It is sanguine to consider whether this lending activity contributed to or was the major cause of the crash, and to consider the financial repercussions to both the market, lenders and borrowers in the years after each crash and as values recovered and markets return to normality.

The crash of 1974 followed two decades of boom which are best described in Oliver Marriott’s novel “the Property Boom” and those were heady days where property companies were led by renowned and sometimes colourful individuals such as Harry Hyams, Sam Chippendale and Jack Cotton. On the back of economic boom and a flourishing oil price secondary banks entered the market and were encouraged to lend on real estate. The collapse of those secondary banks caused distress and bankruptcies on their real estate loans which in turn led to the fall in commercial property values creating the crash of 1974.

Values recovered through to 1978, followed by a relatively small correction and a period in the doldrums through to 1984. From 1984 through to 1988 the market witnessed a significant increase in capital values. At that time foreign banks entered the UK real estate market from Scandinavia, United States of America and the Far East. In order to gain market share many of these banks were willing to finance speculative commercial property development. The combination of increasing costs, failing construction companies and the developer’s inability to let their speculative developments on completion led to massive distress for lenders and borrowers. This also coincided with the introduction of non-recourse finance from the US, where the lender’s security was restricted to the project and not supported on the borrower’s balance sheet. There followed a massive fall in capital values and those lenders and borrowers involved with property development were exposed to the additional risks of incomplete and unlet developments, and the failures of their building contractors and professional team. Many of those bank entrants from Scandinavia, USA and the Far East closed their loan books, sacked their lending teams and retreated to their home country.

As the market recovered in the 1990s very few lenders were brave enough to enter the market. The group that can be identified and have remained a permanent feature of the market ever since were the German mortgage banks (Hypothenken Banks) whose capital funding structure was much attracted to UK real estate let on long-term full repairing and insuring leases. These banks were able to build strong and healthy loan books and a customer base which they retain to today.

Another fall in values accompanied the dot.com boom and failure, although this did not have the impact on the market created through the arrival of Securitisation in later years. Securitisation arrived from the US in the new Millennium and allowed banks to build real estate loan books using their own balance sheet which they then recycled to third-party investors through selling bonds in third-party vehicles through the process of securitisation. This added fuel to a debt market that was already very significant in size. From the onset of the new millennium loan books mushroomed in size.

Concerns expressed in the market were assuaged by making the comparison that these growing loan books were largely secured on investment property, and not on development property which had been the cause of the previous crash. It was not until these securitisation structures began to unravel and capital markets lost confidence in these structures, that the market realised too late the true exposure that these loans had at the peak of the market. Bank failures and bank bailouts occurred across the globe and commercial real estate values dropped by as much as 40% in the space of a year.

Most readers will recall these times either with fascination or fear. We are still feeling the effects and have been through the unreal economic experience of historically low interest rates and Quantitative Easing.

Robin Goodchild’s work attempts to forecast what the future holds in terms of the property cycle. This article questions whether the future property crash will be fuelled or caused by the activities of the banks and the loans they provide to the market. The recent De Montfort University survey indicates a degree of restraint in the amount the banks are lending and the terms on which they are doing so in respect of loan to value ratios and interest margins. Regulation from the Bank of England and the Financial Conduct Authority and the imposition of capital adequacy measures has caused some restraint, and maybe those very banks are still staffed by employees who witnessed and experienced the 2007 global financial crisis. Commentators express concern that the next crash will be created by those banks and their employees who either were not around in the last crash or have short memories.

In the meantime the Property Industry Alliance has produced a paper with a valuation methodology designed to curtail excessive commercial property lending, and have suggested the adoption of the concept of Adjusted Market Value. We will see how the market accepts this concept and whether it adds to the restraint mechanisms which either postpone the next property crash, or maybe even prevent it?
The requirement for an investment grade tenant (BBB rated or better), a long lease with limited ability to assign and rents linked to inflation, ideally with annual increases, means annuity investments in real estate are a highly specialised market. Despite these exacting requirements, this niche investment market has seen significant deal flow over the last 5 years as we have concluded over 60 deals covering almost £5.0 billion, and I am sure our major competitors have matched this.

The principal driver for this market has been the ability to match pension liabilities with inflation linked cash flows from real estate. Covenant is paramount as most annuity investors are broadly restricted to investing only in investment grade assets. The increased regulation in the wake of the Global Financial Crisis has encouraged financial institutions to hold a greater proportion of their regulatory capital in high grade credit. This has stimulated demand for a finite product which has driven yields on these assets to the historic lows we are experiencing today.

Whilst the annuity field within real estate has been largely dominated by a small number of significant institutions, there are a number of occupational pension schemes and other new entrants drawn to this market, particularly for the income strip investments that have gained in popularity over the last 5 years. These income strips have largely been concluded with Local Authorities, universities, NHS Foundation Trusts and Housing Associations (to a lesser extent), where the links to the public sector ensure highly rated covenants. These are set up as standard leasebacks but the tenant has the ability to buyback the freehold at the end of the lease for £1 provided the full rents are paid. These leases almost always prohibit assignment as the option to buy back the property is linked to the lease. These interests are highly popular with the actuaries as they isolate the index linked income from the underlying equity or reversion within the property asset. Whilst the leasebacks benefit from the property reversion after the end of the lease, the income strips are essentially fully amortising debt instruments dressed up as property deals and pricing has increasingly been driven by comparison with similarly rated debt rather than by property fundamentals.

Income strips have proved a useful and cost effective method of funding new development. Where these structures work best is when the underlying use of the property can generate long term sustainable income capable of covering the rent under the strip income lease. Student accommodation and car parks provide ideal assets to support these structures where typically the rent under the income strip lease to the university or Local Authority is set at a significant discount to the net rents received from the assets. It is imperative that the rent set under the income strip lease is sustainable over the long term because these leases are typically 30-50 year terms, with rent increasing annually in line with inflation.

To sound one possible note of caution regarding these transactions, as the popularity of these deals has grown these structures are now being applied to a wider range of assets. The underlying assets need to be able to comfortably cover the rent payable under the strip lease otherwise, somewhat like PFI, these deals could easily become discredited in 10-15 years’ if when the transactions are operating at a deficit for the tenant under the income strip lease.

I often get asked whether we will see the arbitrage disappear as interest rates inevitably return to their long term average levels. I believe that the demand to match liabilities will ensure enduring demand for annuity style investments even in a changing interest rate environment. There are c. £1.67 trillion Defined Benefit pension schemes where these investments are tailor made to match liabilities. In addition, the ability to create CPI linked assets is increasingly attractive where CPI liabilities are growing, especially as there is currently no CPI swap market. So I see the market for these inflation linked cashflows secured on property assets as an area for significant further growth and inevitably this will draw in more potential investors as we have seen over the last 18 months.

For conventional leasebacks, the annuity funds will continue to need longer term leases to create the additional value required to outbid conventional investors, however, the significant additional value that can be unlocked through these lease structures will continue to encourage certain tenants to make these commitments. Corporate income strips remain the exception rather than the rule and I see a significant opportunity for income strips to be used with public sector organisations, especially given a cash strapped Government and our public services and social housing provision in desperate need of fresh investment.

Adam Kerr
Head of Annuity Transactions
Legal & General Investment Management - Real Assets
Magdalen, 1985-88
A Lender Not a Borrower Be
Why the most rewarding way to get exposure to UK property is via debt

In our latest Debt Analytics MarketView, we examined the returns available from senior lending to UK commercial real estate, and give a full explanation of the impact of changes in the market over the last three months – swaps up, margins down, default risk rising as capital growth forecasts decline. We also compared the returns forecast to be earned by lenders to those of investors. Given the current outlook, it seems that investors who have the option (which will not be everyone) might do better as lenders rather than borrowers. I will explore this theme further here.

Figure 1 compares returns from debt and equity exposure to UK property over the last 25 years. The debt returns series is our own, based on our proprietary default and loss model, and shows returns by year of origination assuming a five year loan to a broad portfolio of UK commercial property at a 65% LTV. The equity returns series is the MSCI all property total return, on a rolling five year basis (to be comparable with the debt series).

Over the long term, as would be expected, equity exposure has delivered a higher return than debt exposure by a margin of around 2%pa. With regards the current situation, forecast returns for the five years from Q2 2017 are 3.0% for debt and 4.4% p.a. for equity. The margin of forecast out-performance is thus below the long-term average.

Historic out-performance has been at the expense of higher volatility (again, as would be expected), and the margin of out-performance has varied from +8% to -4%. While debt has only out-performed equity in five periods, these periods coincided with the top of the cycle – the UK property market peaked in 2007, and the 2003-2008 period is the first of five periods of out-performance by debt. In other words, at the top of the cycle, with downside risk heightened, investors benefit from the downside protection offered by debt.

Tactically and strategically then, there are compelling arguments for reallocating towards debt: returns on equity offer less of a premium than has historically been available, and as the cycle matures it makes sense from a risk perspective.

This latter point can also be seen in Figure 2, which compares the Sharpe ratio of debt and equity at the all property and segment levels. The Sharpe ratio expresses excess return (over Gilts) relative to the volatility of that return, and can be thought of as showing a risk-adjusted outlook. The Sharpe ratio for debt, at 1.0%, is considerably above that for equity, at 0.8%, while debt also out-performs in five out of seven segments.

Far from “oft losing”, lending would seem to be the current preferred friend of the multi-asset real estate investor.
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Game of Loans

Carl Webb, the co-managing partner at the private equity firm Ford Financial Fund, puts things simply by stating that “Banks get in trouble for one reason – they make bad loans.” Does the now established practice of banks and other financial institutions trading loan portfolios multiply the chances of trouble, akin to a multi-£billion game of ‘pass the parcel’? This thought piece provides an introduction to the loan portfolio market and commentary on the key trends emerging from European transactions, drawing on insights from the Deloitte report on “Deleveraging Europe”.

A brief introduction to the loan portfolio market today

The international loan portfolio market has seen significant growth and continued innovation in recent years, as lenders bundle up and offload risk from their balance sheets. Large scale portfolio transactions are often key to stabilising the positions of ‘problem’ lenders; as we write, details are emerging on recently rescued Spanish lender Banco Popular’s €30bn non-performing loan portfolio. It will be interesting to see the outcome of this transaction once the ink has dried on this year’s CULS magazine.

Over the last three years, nearly a third of loan portfolios by volume have involved those specifically backed by commercial or residential real estate assets. For the vendors, the certainty of a lump capital sum can trump potentially less secure future cash flows, even where the magnitude of future cash flows has the potential to exceed the “cash-in-hand” sum. Add in the much enhanced regulatory and capital adequacy requirements, for commercial real estate lending in particular, and the arguments for trading out of a legacy loan book often become compelling.

In a simple world, two components are key to understanding the dynamics of an otherwise complex loan portfolio transaction: a) the quality of the future cash flows to be received from borrower repayments; and b) the quality of the assets to which the loans are secured. The latter is of particular importance where non-performing real estate lending is involved, with buyers often actively intent on taking direct control, where possible, of the underlying assets. When multiple loans are bundled together, it is common for the value of the portfolio to differ to the sum of its parts. In the years immediately following the financial crisis, discounts to the value of future cash flows or assets were commonplace, due to a perceived high risk of borrower default and uncertainty regarding underlying asset values. Countering this, the ability to acquire a large portfolio of loans in a single transaction is an attractive proposition as the repeat transaction costs associated with multiple fragmented transactions can be avoided.

Is it possible for investors to make sufficient money from an investment? Does a liquid market exist for the underlying security? Are wholesale funding and the required loan servicing skills available? If the answer to these questions is “yes” and there is macro-economic and political stability, and a supportive legal, regulatory and accounting framework, the ingredients exist for a viable loan portfolio marketplace.

We are witnessing loan portfolio trades taking place in an ever growing range of markets beyond the established ‘developed’ economies as the virtues of “deleveraging” are recognised and regulatory environments adapt to facilitating such deals.

Market dynamics in Europe and beyond

Deloitte publishes “Deleveraging Europe”, an overview of the European loan portfolio market, twice a year (search Deleveraging Europe for further information). This publication outlines expectations on how loan sale transactions may evolve over the coming year and provides viewpoints from market players. Whilst mature markets continue to dominate, the latest edition of the series introduces emerging non-performing loan (NPL) markets such as

![Activity by country (€bn)](chart)

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Deloitte’s fifth edition of the Deleveraging Europe series examines the European loan market, providing an up-to-date overview of the latest transactions along with expert insight.

India, China, Thailand, Indonesia and Brazil, indicative of increased investor interest in these markets.

A total of €42 billion of loan portfolio deals were completed in Europe during the first half of 2017, compared to €45 billion during the same period in 2016, with a further €87 billion of deals ongoing.

The UK has traditionally been a significant market for loan sales and was the only market in Europe which saw more activity in the first half of 2017 compared to 2016, albeit the €20.2 billion of transactions in H1 were mainly accounted for by a single residential mortgage portfolio sale from the ongoing wind-down of UKAR.

So, why has there been a relative slow-down in transactions? One element that has tempered the pace of deals in 2017 has been the heavy regulatory load on potential NPL sellers, who have traditionally driven the loan portfolio markets. This includes the European Central Bank’s new guidelines on NPL recognition and disposal strategy, the forthcoming adoption of a new accounting standard (IFRS 9) which requires a more rigorous approach to loss-provision, and the European Banking Authority’s 2017 Transparency Exercise, which draws data from significant Eurozone banks on current NPL exposure.

The UK market has begun to recover from the pause induced by the Brexit vote in mid-2016; already this year we have seen UKAR’s €19 billion sale of the Bradford & Bingley building society mortgage portfolio to Blackstone and Prudential Capital. In addition, Cerberus sold a €735 million portfolio of residential mortgages to the UK Challenger bank, Metrobank. Future mortgage portfolios are likely to come to market over the next 12 months.

Looking for the future? Deloitte predicts that Italy will be the busiest market in Europe in 2017 for the second year running as the legacy of non-performing loans in its banking system is tackled. New European markets that have not seen much activity in the recent past are anticipated to emerge, especially Portugal and Greece, where momentum for significant deleveraging is building.

In Italy, the volume of completed transactions fell in the first half of 2017. However, the second half of 2017 is set to correct that; with €9.3 billion of deals completed and over €44 billion of deals ongoing, Italy is set to be the most active market for distressed debt in Europe. The bailout of troubled bank Monte Paschi di Siena (MPS) and the insolvency of Banco Popolare di Vicenza and Veneto Banca will help deal flow.

Looking ahead
We started this piece by asking ourselves if “trading loan portfolios multiplies the chances of trouble, akin to a multi-trillion game of “pass the parcel”? Provided appropriate due diligence is completed on both the buy and sell sides of the transaction, risks will be identified, understood and quantified. This alone is a significant benefit of the professionalism brought to the market in recent years, driving realistic recognition of underlying asset value. As such, we believe loan portfolio sales will continue to have an important role to play in balancing risk and exposure throughout the financial system.

In the Irish market, sales have been a modest €1 billion in 2017 to date. But the beginning of re-privatisation of Allied Irish Banks (AIB), one of the pillar banks nationalised at the height of the financial crisis, is likely to create new deal flow. The float of AIB could trigger substantial sales of residential and corporate loans portfolios (AIB holds €16 billion in non-performing loans). Ongoing sales from Danske Bank and NAMA could see the market hit c.€10 billion for 2017.

We believe that it will take five or more years of bank restructuring and risk reduction before the demands of the regulators are satisfied and the capital resources of banks reach a point of equilibrium. Meanwhile, the European Banking Authority estimated in its last Eurozone transparency exercise that just over €1 trillion of NPLs remain on banks’ books in the Eurozone; we estimate that when non-eurozone and non-core assets are included in total there is around €2 trillion in European loans that could come to the market. This is despite the many years of deleveraging we have seen to date. There will be busy years ahead.

Investors have been waiting a long time for the Greek NPL market to take off; there are now signs this is happening. Greek banks have already disposed of most of their non-Greek assets in Central and Eastern Europe and portfolio sales in Greece are beginning. Reforms that make it easier to obtain NPL management licences and reduce the personal liability of banking executives over NPL disposals, are improving the market environment and incentivising portfolio sales. The four “pillar” banks which are also the largest banks by NPL holdings – Pireaus Bank, Alpha Bank, National Bank of Greece and Eurobank have started preparing data for loan portfolio disposals and the first portfolio from Eurobank is in the market.
For thirty years or more I have advised investors about all aspects of buying, selling and operating hotels and what they may be worth. It is a sector of the property industry which has long been largely ignored by the RICS and yet forms an obvious aspirational goal for anyone versed in the rudiments of Monopoly. Why buy the little green houses when you can have the big red shiny hotels? As a Land Economy graduate attracted by anything big, red, shiny and sadly unaffordable I decided to advise others on what hotels to buy and where should they be bought.

Cambridge provides an interesting case study with various opportunities passing across the desk. This article summarises some of the key aspects which an investor has to balance when deciding whether to make a bid for a big red shiny hotel.

**Rudiments of Buying a Hotel**

Unlike many other forms of real estate, hotels are bought, sold and valued principally on the basis of their earnings as opposed to more fundamental property characteristics. However, as so often in life, emotion can outweigh logic when it comes to hotels. As you would expect most clients from all parts of the world initially want to buy in London where their investment will be seen as secure even if the yield achieved for every pound, dollar, euro, riyal or renminbi invested is relatively low. However buying hotels in London can be difficult with fierce competition for prime assets and buyers aggressively competing to secure them. As a result, in recent years, buyers start to enquire what other assets are available in other leading cities in the UK.

In such circumstances Cambridge is often high on the list along with cities such as Edinburgh, Bath, York and, dare I say it, Oxford. These cities share strong leisure and business drivers, historical heritage, universities and international recognition. They are also cities where new development has often been curtailed in the historic core and as a result there is a relatively constrained existing hotel supply and as a result, high room occupancies and achieved room rates both during the week and at weekends. Indeed in many cases prime hotels’ weekend achieved room rates are materially higher than in mid-week.

**Why Cambridge?**

Let us take a more detailed look at the Cambridge market in the eyes of the hotel investor. First of all Cambridge is growing rapidly with population for the county due to increase by 25% in the next twenty years. The population of the city is also well educated, economically active and relatively prosperous.

It is also on the world’s commercial stage thanks to prominent skills in sciences, research and...
technology demonstrated at Cambridge Science Park and St John’s Innovation Park. Leading employers include AstraZeneca and ARM Holdings both of which are expanding rapidly in Cambridge. Other major existing developments around Cambridge include Cambridge Research Park, Chesterford Research Park and Granta Park. Future developments are planned including Cambridge East, The Southern Fringe and Trumpington Village. Addenbrookes 2020 Vision is intended to make the Cambridge Biomedical Campus one of the largest such centres in Europe and CB1 Station Road provides much needed ‘A’ grade office space including Microsoft’s new research headquarters. Infrastructure improvements will follow with the A14 upgrade between Cambridge and Huntingdon already in progress and a new railway station recently opened to the north of the city.

Tourism has long been integral to the local economy. Cambridge welcomes about 6.75 million day visitors per annum and another 1.25 million who stay the night. With international visitor levels to the UK rising and Brexit factors increasing the numbers of UK residents wishing to take short breaks in the UK, it is anticipates that the leisure market will remain strong. The leading tourist attractions in Cambridge include The Fitzwilliam Museum, The Imperial War Museum at Duxford, The Cambridge University Colleges and the numerous festivals hosted in the city.

Cambridge Existing Hotel Supply

So what is the current supply of hotels like in Cambridge? How does it accommodate customers from the medical and science parks and from the hospital and government offices? Where do all the parents, aunts and uncles, brothers and sisters of all those students stay? Where does an international tourist sleep in Cambridge on a hot summer night?

Cambridge currently has about 33 hotels with 2,277 keys (Letting rooms) within three miles of the city centre. Budget hotels now dominate the market with 45% of the keys and 8 large Ibis, Travelodge and Premier Inn hotels in the city averaging 138 keys/hotel. These have all opened in the last decade and reflect the wider sea change in the UK hotel market in the last ten years. Budget brands such as Premier Inn and Travelodge are now the UK’s biggest hoteliers and Ibis and Holiday Inn Express also have extensive portfolios across the country including in Cambridge. They offer simple, clean and value orientated product appreciated by both business and leisure travellers. They also generate high profit margins sought by many hotel investors. The remainder of the Cambridge hotel market is predominantly classified as 3 or 4 star with 15 hotels averaging 80 keys/hotel. There are presently no 5 star hotels in the city and only one very small hostel and one small aparthotel. There are also 8 smaller 2 star hotels with an average of about 15 keys/hotel many of which remain privately owned and operated.

Examples in Cambridge of hotels which remain privately owned and operated include The Gonville Hotel, The Varsity Hotel, The Lensfield Hotel and Spa and Hotel Felix.

£50/night in the Hotel du Vin, Cambridge?

Although part of a small national chain, the Hotel du Vin has only 41 keys and was recently acquired with the Malmaison chain by Frasers Hospitality of Singapore. I am told that the Cambridge Hotel du Vin performs in the top 10% of the portfolio and I gather that you will have to pay £100+ to secure a room
on a Saturday night but spend £75 in the bistro on a Sunday and you can secure a room on that night for £50 now that must sound interesting to CULS members!

The International Hotel Brands in Cambridge
Larger internationally branded hotels are relatively few and far between in Cambridge. The Hilton Cambridge City Centre with 198 keys is located in Red Lion Yard retail centre and opened in 1991. It traded for many years as a Crowne Plaza Hotel and sold in 2016 to CDL Hospitality Trust, a Singaporean investor, who refurbished it and reopened as a Hilton. This was somewhat unexpected as the former Garden House Hotel with 122 keys had been bought by The Ability Group in 2007 and has traded as a Doubletree by Hilton since that time. As a result Cambridge currently has two city centre Hilton branded hotels, a former Posthouse on the A14, now operating as a Holiday Inn and no other internationally branded city centre stock.

Hotel Pipeline in Cambridge
As a result there is increasing pressure for the larger international operators and brands to find suitable hotel development sites. With Cambridge expanding and multiple urban developments in progress options are starting to emerge. Within 5 miles of the city centre there are currently 17 sites where planning potential for hotel development has been identified. These have a total of 1,289 keys but six of these are smaller hotel extensions to existing supply.

Significant new developments include North West Cambridge owned by Cambridge University where a 130 key 4 star hotel is planned. At Addenbrookes a 198 key Crowne Plaza hotel has long been discussed and at CB4 Chesterton near the new railway station 222 keys are proposed and a 112 key hotel is also planned at Cambridge Research Park.

Recent hotel development activity has also provided two major developments in the historic heart of Cambridge. The long awaited 155 key Tamburlaine Hotel opened earlier in 2017 at the station. It has been developed to a good international four star standards and is owned and operated by the Irish hotelier O’Callaghan Hotels. It is squarely aimed at the luxury end of the Cambridge market.

It will be joined in the autumn by the remodelled and redeveloped former De Vere University Arms. This rather prosaic and unattractive city centre hotel has been transformed by an £80million investment by Melford Capital. It will have 192 keys and will operate under the Marriott Autograph brand with a restaurant operated by a local chef Tristan Welch under the name ‘Parkers Tavern’. Architects John Simpson and interior designer Martin Brudinizi have combined to bring Cambridge its potential first world class hotel. Time will tell whether it hits this prospective mark. You can be sure both international operators and investors will be running their slide rules over these two new hotels as the year unfolds.

Where have all the animals gone?
Finally it is interesting to note that 10 hotels with 313 keys have closed in Cambridge in spite of the strength of the hotel market. There seems to be a distinct animal theme to the closures with The Bull Hotel with 50 keys closing in 1941, the Lion Hotel with 70 keys closing in 1965 and the Blue Boar with 48 keys closing in 1986. With the extinction of all the animals in the Cambridge hotel herd maybe this simply reflects changes in our society over the intervening years.

Next year, if invited, I could take a more jaundiced look at the Oxford market where the Cock and Camel and Roebuck have also long gone but where The Old Black Horse plods on.
Most of us will be aware of Cambridge's status as a 'hot' market for property at present, both residential and commercial. Record breaking rental levels for commercial space have been achieved around the railway station and we hear regularly from various press sources about soaring demand across the board. One area which you may not have heard so much about, however, is property for commercial R&D. We are currently seeing strong demand from a range of businesses engaged in R&D for real estate in the city, driven by their open innovation agenda and the opportunity the Cambridge ecosystem provides. Real estate investment capital is following this trend with unprecedented amounts of this available at keen prices, as well as the number of players involved increasing. This is driven primarily by the innovation agenda of companies conducting commercial R&D. Particularly, the clinical research strength at Addenbrookes, coupled with the academic credentials of the University have led to a sub cluster forming in the south of Cambridge focussing primarily of healthcare R&D. Cambridge Biomedical Campus epitomises this, and there was huge weight of capital available from many types of commercial property investors looking to fund the development of Abcam plc's new building here. This comprised c.100,000 sq. ft. of office and laboratory space, which is now under construction, with Tesco Pension Fund being selected as the funder. This is brilliant news for the sector, showing that traditional institutional investors are now firmly in the running for this kind of property, which has previously been perceived as a little quirky compared to ‘vanilla’ office accommodation for the conservative investor.

It isn't, however, just the traditional property developers and investors getting in on the action. Imperial College London have recently taken an investor role in bringing forward a project on Babraham Research Campus, partly occupied by one of their biotech spin outs. Let's not forget the Alma Mater either. It's North West and West Cambridge development masterplans include allocations for commercial R&D space, providing an opportunity for the University to capitalise on its academic and research excellence through property development. There is already proof of concept here, with commercial tenants paying rents on par to those achieved in the city's prime office locations around Station Road to co-locate with the globally significant research in physical sciences taking place in the Cavendish laboratory and wider campus. Perhaps more exciting is the potential for the University to reap the benefits of co-location with industry. The latter could lead to even better student/industry engagement, research funding and outcomes.

None of this is to say that this is easy. Operating successfully in the R&D real estate sector requires a multifaceted understanding of underlying science, occupational demand, specification and investment credentials. Other locations are also hot on Cambridge heels, and the other nodes of the golden triangle are increasing their stock of property to serve the sector. Luckily the Cambridge to King's Cross line gives fantastic access to the activity at the Francis Crick Institute and R&D activity in London more generally, and increased activity across the board can be seen as synergistic rather than competitive. Whilst being ahead of Oxford is fantastic for jovial rivalry (and a far less easy position to lose than a boat race or varsity match), in reality it is the combined research strength of the London and Oxbridge universities that is world leading and allows us to stand toe to toe with the much larger Boston Cluster in the US. Manchester is also making great strides in bringing forward property for the R&D sector in urban locations; our perception is that this is where the future of the sector lies.

These are of course uncertain times, and what for the future? The Brexit impact for the Cambridge R&D sector will clearly have knock on effects for the city's real estate. Our interactions with businesses and academics have pointed more to an issue around recruitment of the very best people from all over Europe than funding concerns, and that the optics and uncertainty for these highly qualified and geographically mobile people are quite damaging, irrespective of if there will be a material impact on them. In terms of resilience, however, we expect the (very) longstanding research excellence of the location to be maintained which will continue to drive strong occupational and as such capital demand.
Eddington is at the heart of the North West Cambridge Development, which is a strategic project which contributes towards the long-term growth of both the University and City of Cambridge. The University of Cambridge has attracted some of the brightest staff and students from across the world for eight centuries. But space in the busy city is limited. The strategic issues of housing and transport have been recognised as important to the University which are challenges that the University with the City have to face in order to continue to grow.

To address these issues, the University's ambitious North West Cambridge Development will provide a place that is sustainable, long-lasting and ambitious, offering a high quality of life to enhance both the City and University. The 150-hectare site crosses both Cambridge City and South Cambridgeshire District boundaries and it is one of the largest developments that the University has undertaken in its 800-year history. The University has projected growth particularly around the post-graduate student population and community of post-doctoral researchers and other staff members.

The opportunity at the North West Cambridge Development is to create a mixed-use urban extension to Cambridge which will provide vital accommodation – residential, academic and employment space in order to grow. The development has been conceived as a long-term plan and a new part of the city. Residential neighbourhoods, parklands, a local centre, formal and informal landscapes come together to create a new part of the city. The development is sensitive to the surrounding areas and encourages connectivity through transport and travel routes from the city to existing neighbourhoods.

Ultimately the development will provide 1,500 affordable University-subsidised homes for qualifying key worker staff, a further 1,500 private homes, accommodation for 2,000 post-graduates, together with 100,000 square metres of research buildings, community facilities including a primary school, community centre, a nursery, supermarket, shops, health centre, hotel and over 50 hectares of public open space.

PLANNING

The site was proposed for development in the Cambridgeshire and Peterborough Structure Plan in 2003. After this the University and the two local planning authorities, Cambridge City Council and South Cambridgeshire District Council, worked carefully together to satisfy the necessary planning and sustainability requirements that allowed the site to be removed from Green Belt.

In autumn 2009, Cambridge City Council and South Cambridgeshire District Council’s jointly promoted Area Action Plan (AAP) was established as the strategic planning policy for this site. For three years, the University then developed the masterplan for the area to support the framework laid out in the AAP. After further periods of consultation, the masterplan formed the basis of the University’s Outline Planning Permission, granted in 2013.

Now the first phase of construction is reaching completion. The University of Cambridge Primary School opened its doors in 2015 and continues to grow, the first residents have moved into the key worker housing at Eddington and the first shops and community services will open this autumn.
In developing a new part of Cambridge, the development sensitively considers the ‘4Cs’ of Connectivity, Community, Character and Climate.

Connectivity
Central to the project’s success and integration in Cambridge is provision for cycling and walking through the heart of the development. An extensive pedestrian and cycle network, alongside public transport investment, will connect Eddington to the wider city and University community. Conscious of the need to minimise the impact of the development on local roads, the University’s Framework Travel Plan promotes sustainable journeys and initiatives to get people cycling, and also seeks to ensure that no more than 40% of commuter journeys will be by car.

Community
As well as new residential neighbourhoods there will be excellent social infrastructure, open spaces and public amenities. The University of Cambridge Primary School was the first operational building on the site. The first phase will also see important community facilities that support every-day living. The Storey’s Field Centre is a community facility with a performance arts space that will be governed by the Trust in a joint venture between the University and City Council. A market square with a Sainsbury’s supermarket, local shops, nursery, hotel and healthcare will serve the local community. The Brook Leys parkland to the west of the site will also provide a natural landscape buffer between the city and motorway and features a two-part artwork inspired by the environment.

Character
By bringing together an outstanding group of architects and landscape architects, the aim is to create a new district that builds upon the urban qualities and special character of Cambridge. While the development will be include new places and spaces, it has been inspired by old and new architecture in Cambridge to create urban form with consideration of an appropriate balance of materials and details, technology and nature, scale and massing, and careful attention to the distribution of uses.

Climate
The project is designed with environmental performance metrics integrated into the masterplan, achieved through an infrastructure that will facilitate very low carbon living and working. This responds to the highest standards required by the University and local authorities, with energy performance requirements achieved through both district heating system and 20% on-site renewable energy generation. A third of the site will be protected as open land, to ensure a natural balance between ecological reinforcement and new built development.

Looking forward, the North West Cambridge Development is expected to be fully completed around 2030. As the masterplan continues to come alive in the coming years, and importantly a new place, one of the world’s most beautiful urban settings will thrive as a leading centre for research and inquiry. With the North West Cambridge Development, foundations are firmly in place for the City to grow sustainably well into the future.

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SUSTAINABILITY
In creating a new part of Cambridge, the University has ambitious plans to create one of the country’s most sustainable developments.

The sustainability credentials will make the development a unique place to live. The homes will be built to Code for Sustainable Homes Level 5, the first time that a development of this scale has been delivered in this country, and will include some of the most energy efficient homes in the UK. All homes will benefit from photo-voltaic panels integrated throughout the development. Other features across the site include a communal, underground waste management system, Sustainable Urban Drainage System with the UK's largest non-potable water recycling network, and an energy centre and district heating network.

New residential housing
Property Cycles in the Context of Traditional Landed Estates

I have been asked to put pen to paper about Property Cycles and to set my thoughts in the context of traditional landed estates which were very frequently the basis and core of huge personal fortunes up to the end of the 18th century, but increasingly less so since. These days the very rich do not, in general, acquire large areas of land in the traditional way, not least because there are so many more ways of investing.

Quite obviously the general rules of economics apply to landed estates as much as they do to any other property assets, and the basic rule that if one is over borrowed when there is a market downturn disaster, or certainly disruption, invariably follows.

Having said that one of the most obvious attributes of such entities is that generally they have individual owners whose personal foibles and extravagance can, and sometimes, do bring about catastrophe at any time.

An especially good example was the early Eighteenth Century Duke of Wharton (1698-1731) who, in the words of the author of his entry in The Dictionary of National Biography demonstrated ‘a profligacy perhaps unparalleled in Augustan England’ who speculated wildly in the South Sea Bubble, ended up a bankrupt, fled abroad, died in poverty in 1731 and is buried in the monastery at Poblet in Southern Spain.

History is littered with examples of those who found irresistible the attraction of actresses or race horses, or perhaps especially dangerous, as for example William Beckford (1760-1844) at Fonthill, seductive building projects, all of which proved their financial undoing.

A particular additional challenge, and one which in the longer run cannot be avoided entirely is tax, which these days is so intimately linked to death in one way or another. There have been various forms of land tax for centuries, but in this country it was only the introduction of death duties by Sir William Harcourt in 1804 which embedded redistributive capital taxation on death. For better or worse the incidence of death and its relationship with tax planning is crucial. There are a number of well documented cases from the early days of death duties when most noticeably some rich noblemen took no heed believing it was their patriotic duty to pay, while more recently some have been unlucky, for example the 10th Duke of Devonshire who died in 1950, only days before the expiry of the ‘Seven Year’ period. But interestingly this helped galvanise the Chatsworth Estate into what it is now.

A degree of pressure compelling assets to be ‘sweated’ is not necessarily a bad thing.

Clearly seismic political events such as the Repeal of the Corn Laws, coupled with the development of steamships led to the Great Agricultural Depression of 1870s. Perhaps Brexit threatens the same. On the other hand, urban development, in many ways the symmetrical opposite has turned into Klondike for some, most obviously, but not only, Grosvenor.

I began by mentioning that estates are essentially run around individuals whose circumstances and character can and do make a real difference. In our own case, at Hutton-in-the-Forest, when a bachelor died in 1760s leaving it to his younger brother who was a Director of the South Sea Company, the level of activity and the volume of cash running through the business can be seen from the accounts, noticeably, to have increased. Over a hundred years later when a quite distant cousin died intestate it looked as if we were going to inherit twelve farms in Essex, but then another hitherto unknown cousin emerged from County Louth in Ireland who successfully claimed the lot. Such is life. We were however more fortunate a couple of hundred years or so earlier when the owner ‘went over to Rome’ and threatened to give away to them everything he owned. Fortunately the English Law Courts, and the Crown, which confiscated much of his personal estate, got in the way. But clearly it was a close run thing.

What has this somewhat anecdotal piece got to do with the econometrics of contemporary investment? I would like to suggest more than many might at first blush think. To be successful one has got to be both wise and shrewd, prepared to take a risk but at the same time careful and sensible, and probably above all to be a bit lucky and look at the evidence. It has always been like this. The history of landed estates like other asset classes suggests that sometimes eccentric or contrarian approaches were shrewd financial strategy. For example, George Brudenell of Deane in Northamptonshire is reputed before World War II only to have bought land with no buildings to avoid repair liabilities and found it cheaper to have a ‘slap up’ tenants’ dinner every year than to do anything to the buildings he owned.

All this is something a Land Economy Degree cannot confer, but which three or four years at Cambridge may well be able to teach.
In July 2017 Property Week unveiled its inaugural Power 100 list of the most powerful people in property, and it was very pleasing to note that of those 100 people seven are members of the Cambridge University land Society and whose achievements are listed below.

It is also noteworthy that many of those people listed in the Power 100 have addressed events in the last few years held by the Society, which emphasises that the Society punches well above its weight in all that it does.

Alex Jeffrey (Selwyn, 1988) was listed at number 32 and is the chief executive of M & G real estate responsible for a global property portfolio worth more than £26 billion.

Madeleine Cosgrave (Newnham College, 1989) was listed at no 6 and as the most powerful woman in European real estate. Madeline heads up Singaporean sovereign wealth funds GIC’s European arm a role which she took over from Chris Morrish (another CULS member) in June 2016.

Chris Grigg (Trinity Hall, 1989) was listed at number 17 and is the chief executive of British Land and was noted for making substantial sales and committing British land to speculative office developments in London and at Canada Water.

Angus Dodd (Queen’s, 1989) was listed at number 25 and is the chief executive of Quintain, and was previously senior managing director and co-head of European real estate at Lone Star which acquired contain in 2015. Their activities at Wembley Park are particularly noted and Angus has written elsewhere in this magazine about their ambitions for the mixed-use scheme.

Robin Butler (Fitzwilliam, 1981) was listed at number 30 jointly with Nigel Hugo who are both joint chief executive and managing director at Urban & Civic a highly respected developer of large-scale strategic sites in the UK and particularly the redevelopment of the Waterbeach barracks in Cambridgeshire.

Craig McWilliam (St John’s, 1993) was listed at number 60 and has been the chief executive of Grosvenor Britain and Ireland since January 2017 with responsibility for managing the Duke of Westminster 300 acre estate in London’s West End.

Liz Peace (Honorary Vice President of CULS) was listed at number 99 is best known for her work at the British Property Federation and currently holds a number of non-executive roles at Morgan Sindall, Redrow and Howard de Walden estate and chairs the Old Oak and Park Royal Development Corporation.
Real Estate Investment Observations from the Last Decade and Outlook for the Next Decade

Fundamental laws never change. This does not mean that our perception of how they play out does not change from time to time. Investment is a particular field in which the individual and collective historical experiences have a huge impact on how participants behave going forward. This individual or collective memory does not change the laws of economics but does affect the temper, the atmosphere and sometimes the short-term behaviour of the market.

The market crash of 2008 will live with the real estate investment community for at least a generation. Real estate was, after all, intimately connected both as a cause as well as an effect of the market turbulence. False (or unsustainable) liquidity was created on the back of predominately real estate assets, which in turn lifted the value not only of all businesses around the world but also real estate itself. This not-so-virtuous cycle was punctured and exposed inter alia by Lehman’s holdings in Suncal (California’s largest land developer) which was one of the most volatile assets on Lehman’s balance sheet before it was forced to file for bankruptcy. Global property prices plummeted across the board by 30% and in some cases by a great deal more. During the 2008 crisis global capital markets seized up. Even the largest participants no longer trusted each other. They did not trust each other because – as described above – financial assets had been admitted to the global financial system that were of opaque value. What happened next was as extraordinary as the crisis itself: Governments around the world absorbed most of the cost and stood as guarantors behind the participants who had constructed and maintained these phoney financial assets. What is more, these same governments unveiled extraordinary counter-veiling measures in the form of low interest rates and quantitative easing. These temporary emergency measures have now been with us for over ten years.

It is understandable, therefore, why investors with memories of this should be wary of commercial real estate. Yet this wariness should be balanced against the five most enduring qualities of real estate. First, there is a clear and identifiable coupon paid regularly; secondly, real estate is a hard asset against which it is usually possible to get a reasonable amount of leverage; thirdly, it is possible with relative ease to ascertain the value of both the property itself as well as the covenant of the tenant; fourthly, for tenanted property there can be little or even no middle line costs of management associated with the property; fifthly, real estate is a good diversifier in a growing economy. These qualities are strong arguments for property investment no matter where the cycle of the economy is.

But these qualities are thrown into even sharper relief by the current circumstances in which we find the capital markets of the world. We are now living in the longest lowest period of interest rates ever of the modern world. This is the market saying that it cannot adequately and safely place the capital at its disposal – yet the returns available from quality investment grade (yielding) real estate look decent enough at between 4% and 6% (on an unlevered basis) and high single digit on a levered basis for a coupon return (before any net capital appreciation metric is added – which is a reasonable assumption for high quality real estate). It is not unreasonable to assume circa 12% return for real estate without any form of development / building risk. This is surprising given the other fixed income alternatives.

The only explanation for these outsized numbers in relative terms is a healthy liquidity premium being placed on the commercial real estate by the market. I do not think that this is justified. It is not justified because there is no outsized lending available from any source – which is usually the source of all trouble in real estate. Fundamentals are, therefore, left to control the market. Supply over the last ten years has been constrained by the general lack of liquidity meaning that values looking ahead will hold firm. A rise in interest rates will, of course, challenge capital values. However, on an inter-asset class basis equities will have far more to lose than real estate in this scenario and on a real estate basis, nominal loss in capital value can be compensated by the increase in the value of the promised rent or rent that is achievable because of the quality of the property. In other words, the relatively defensive nature of real estate investment will, in the end, be its best friend in the next decade.

Like any industry, real estate faces the changing nature of the market that it serves. Information technology, robotics, AI and integrated networking all present opportunities as well as pitfalls for real estate investment going forward. Navigating an investment in real estate that can cater to these requirements and changes will be the distinction between success and failure. It is worthwhile to note however that these changes – although now at unprecedented speeds – have been always been part and parcel of the commercial real estate world. Commercial real estate (as it has always done) will amply reward the best in class for delivering the right product to the right tenant at the right time. The market will become even more efficient at rewarding success as well as being merciless to those that fail.

From an investment point of view there will be no let-up on the emphasis on quality buildings, quality locations and quality tenants. Something that is commoditised is not something that can charge a premium. Therefore, as many investors as possible will crowd into the quality side of the investment universe. The investment skill prized the highest for the next decade will be those who can distinguish real quality from phoney quality commercial real estate assets. In this way, I welcome the return to these fundamentals.
Real Estate and Real Estate Finance – the Changing World 1981-2017


Simon Cooke and Ian Marcus have over 70 years' experience in real estate between them. Having started as a trainee at the surveying firm Richard Ellis, Simon now runs APAM, an independent property asset management business with £1.4bn under supervision. Ian, who started at Bank of America and spent many years as Head of Real Estate at Credit Suisse, is now senior adviser at Eastdil Secured, a Crown Estate Commissioner, chairs a charity for the Prince of Wales and is senior independent director at Secure Income REIT, as well as numerous other roles. Over a good lunch at Alfred's in Mayfair, they reflected on their careers with Oliver Shah, Sunday Times Business Editor, Queens' College (2002-2005).

Q: Was it really that different when you started your careers?
A: Ian Marcus
I started working for a real estate banking business in Birmingham, (Bank of America), and in the early 1980's most property companies, whether public or private, had only two sources of borrowing: overdraft facilities and medium debt facilities provided by traditional UK banks over 5-7 years. Longer term finance was created by debenture issues – loan to value (LTV) never more than 60% and 1-1.25 times income cover. Interest rates were typically double digit! Today there are over 400 capital providers for commercial real estate lending!

A: Simon Cooke
...and the people were different as well. It was a uniquely parochial market place dominated by UK institutions such as Pearl, Commercial Union, Scottish Amicable, and the senior partners of the big agents with a few UK property companies thrown in for a bit of excitement! I started off as a valuer for the first ever £500M property fund, Abbey life. Many of those names have disappeared now, as have most of the leading property consultancies: Richard Ellis, Jones Lang, Wootton, Weatherall Green and Smith, Healey and Baker, Edward Erdman, King Sturge and Michael Laurie. These practices were dominated by the senior equity partners and all client relationships were channelled through these individuals.

On my first day at work I had arrived in the office early as I had slept in my car the night before having got to London in the early hours from a rugby engagement in the North of England for London Irish. A partner walked in and asked if I was the new graduate and did I have a clean driving licence. When I timidly said ‘yes’ I was thrown some keys and told to go and park his Aston Martin in the carpark below Berkeley Square House so much for the ‘glittering prizes’ promised by the Cambridge University Prospectus!

Q: That meritocracy is highly unlikely to be reciprocated today, isn’t it?
A: Ian Marcus
To some extent the market was dominated by the big characters in the property companies and the agencies such as John Ritblat (Conrad Ritblat and then British Land), Gerald Ronson (Heron), Andrew Huntley (Richard Ellis), Martin Myers (JLL and Imry), Elliott Bernerd (Michael Elliot/ Chelsfield) and the entrepreneurs who had the vision to develop the first out of town shopping centres such as John Hall (Metro Centre), John Whittaker (Trafford Centre) and Eddie Healey (Meadowhall) and then the great traders such as Tony Clegg (Mountleigh). Their vision and flair made them trail blazers for the innovative development boom (and subsequent bust) of the late 1980’s / early 1990’s, with the arrival (and departure) of the trader developers like Rosehaugh, Speyhawk, Stanhope, Broadwell Land, Rockfort and many others.

But although, technological and analytical skills have revolutionised our industry, new leaders and entrepreneurs will always be at the forefront of real estate, such as David Marks (Brockton) and Nick Leslau (Secure Income REIT) while the dominance of global players like Blackstone and Brookfield continues to gain importance, not forgetting the increasing presence of Sovereign Wealth funds who have different timing and return criteria.

A: Simon Cooke
I agree. I think it is important for people to realise that up until the mid-1980’s we didn’t have shopping centres, business parks, retail warehouses and certainly no ‘logistic’
warehousing. The occupier base and the underlying market is very different to that of 30 years ago. Olympia and York were persuaded by the Thatcher Government to build Canary Wharf as an ‘extension to the City’. They subsequently went bust but it is important to recognise that we didn’t have any scalable development or indeed any skyscrapers prior to the docklands development.

Q: Surely it is always the foreign capital that makes money in these cycles, such as Blackstone?
A: Ian Marcus
Well, you have to remember that the international market didn’t really start to develop in the UK until mid-1980’s and a lot of investors suffered badly in the 1990’s downturn such as JMB Realty who acquired listed company Randsworth, and as mentioned of course Olympia and York.

A: Simon Cooke
The Dutch pension schemes led the way in the mid to late 1980’s such as PGGM and ABP, and there were a few Japanese developers such as Kumagai Gumi and Obayashi who over paid for assets – but they soon disappeared when the market turned. I think that the most remarkable difference today is the influence globalisation of financial markets has had on internationalised UK commercial property investment. Our business, APAM, has 24 segregated mandates from USA, Israel, South Africa, Denmark and Singapore. This would have been unheard of in the 1980’s.

Q: Didn’t we just see a long cycle from 1994-2007 and will we ever really see a crash like 2007 again?
A: Ian Marcus
To some extent there was a sustained cycle from the recovery point 1992/1993 to the crash of 2007. ‘Big Bang’ and financial deregulation redefined real estate as a different asset class with a variety of debt providers, and alongside that we saw the evolution of the US opportunity funds, led by those who were active in non-preforming loans like Lone Star, Starwood and Cerberus. Today we shouldn’t talk of debt vs equity any more as the big players have created different products to satisfy capital requirements for risk and return. It is just capital.

A: Simon Cooke
That is true but it is not just capital that has changed. We also have a rapidly changing occupier base and occupier requirements. Technology is changing the way we look at occupation. If someone had told you that a company called ‘Amazon’ was going to build a 2.2m sq. ft warehouse in Bristol, even 10 years ago, you would have thought they had had a few too many knocks on the head! . . . and remember, 1994-2007 was a pretty bumpy ride. With the ‘tech’ crash in equities of 1998 we almost created . . . and remember, 1994-2007 was a pretty bumpy ride. With the ‘tech’ crash in equities of 1998 we almost created a narrative that debt providers were not interested in real estate. However, this was not the case as the market continued to reform and real estate performance began to recover. The arrival of companies such as B&Q and Sainsbury’s Homebase and out of town ‘USA’ styled Hypermarkets began to change the retailing landscape—probably as dramatically as the arrival of the internet shopping has done today.

Q: How was the first boom bust cycle of the 1980’s?
A: Simon Cooke
By 1986/1987 we were in an inflationary market and ‘Thatcherism’ was turning around the UK economy as employment was beginning to fall and this pushed up rental growth and double-digit investment returns. A development boom commenced, with companies such as Speyhawk, Sheraton, Rosehaugh and Greycoat competing with the likes of Land Sec, Hammerson and British Land and becoming the darlings of the market as the new breed of ‘Merchant Developer’ emerged. We even saw the arrival of the first North Americans following their acquisition of Randsworth Trust... and fatefully for them, Olympia and York, who went on to develop Canary Wharf only to be put into Chapter 11 a few years later.

Of course, by 1990/1991 we were ‘bust’ again, with millions of sq. ft. of offices lying vacant around the country. Smart guys like Elliott Bernerd had already sold their businesses. Michael Laurie was sold to Morgan Grenfell. The Beckwiths sold London and Edinburgh Trust to Swedish investors. Sadly for others, they missed the window in 1989, and few survived.

This was a very tough time for the agency market and it led to the first set of ‘consolidation’ in the early to mid-1990’s.

I left to join a new real estate division within Morgan Grenfell Asset Management, where we launched the first ever Jersey Property Unit Trusts and the first ever ‘Venture’ funds in Real estate. Those were happy days, building an investment platform when the market was delivering negative total return. We had to do was buy yield and keep the tenant happy to outperform the market. MG Property funds delivered +3% per annum against IPD from 1990-2003 during my tenure.

The changes at the occupier level have also been substantial. Out of town retail was only just beginning to emerge in the 1980’s and certainly retail warehousing and regional shopping centres were a new phenomenon. Virtually everyone signed a long lease. There was no such thing as flexi working. The market was 60% retail, the majority of which was in high street shopping. London dominated the office market but was still only c 15%-20% of the market... there were very few high-rise buildings so despite the fact that rents peaked at £80 per sf. ft. in the West End and City in the late 1980s there were very few transactions of more than £100m.

In 1988 Richard Ellis advised Legal and General to sell Lansdowne House at the bottom end of Berkeley Square which had just been let to Saatchi and Saatchi on a 25-year lease at £73 per sq. ft. and Weatherall Green and Smith bought it for the Sultan of Brunei. The deal was £200m which was the biggest transaction anyone had ever seen in the market.

The retailers relied on a local network of suppliers and distributors and ‘Logistics’ did not exist. There was virtually no involvement in leisure or residential and students slept in their cars!

The arrival of companies such as B&Q and Sainsbury’s Homebase and out of town ‘USA’ styled Hypermarkets began to change the retailing landscape—probably as dramatically as the arrival of the internet shopping has done today.

Q: So, what are your thoughts about the future?
A: Ian Marcus
There will always be a need for real estate; who owns it and how it is financed may change. While location for any property will remain paramount, timing is without question the greatest influence on investment success, as property will stay cyclical. . . what we don’t know precisely is the length and depth of the cycle. So as ever we can read a lot about the future by learning lessons from the past and anyone who says ‘it’s different this time’, I would be sceptical of. The trend to globalisation of capital flows will flourish and the UK will continue to be a beneficiary, despite our recent geo-political “bumps in the road”. Our transparency, rule of law, time zone and in particular London’s position as a global capital city will ensure we retain this leading position.
A: Simon Cooke
Real estate is now a commodity in a supply chain of global investment capital. Global occupiers are rapidly changing the requirements for the built environment and infrastructure to support it.

The impact of technology, Chinese economy, BREXIT, sterling v dollar rates have been unprecedented on the UK commercial property landscape. Investment Banks, Amazon, Blackstone, REITs etc have ensured that volatility and risk/return imbalance are here to stay.

Occupiers create places and change the traditional shape and location of business such as Apple's move to Battersea, Google's to Kings Cross and BBC to Media City in Manchester. The regional centres will become increasingly attractive to occupiers/employers/employees due to efficiency and life quality assessment. Talent will stay in Manchester rather than flock to London. Infrastructure such as HS2 and Crossrail will continue to enhance this decentralisation.

The efficiency of global investment capital will to some extent neutralise poor government and regulation. Capital is fleet of foot, and financial crises and political uncertainty will now be seen as opportunities. US Private Equity Players bailed out our banks last time around within a 3-4 year period, clearing away distressed and defaulting debt piles.

More capital will enter the market as the cycle unfolds. Government is becoming increasingly ineffective as economy and capital drives employment and credit. Consumers are now the most powerful force as everyone, banks, retailers, investment houses seek to develop ever more efficient ways to extract consumer spending on a global scale!

Q: So, where ahead lies the opportunity in UK real estate?
A: Ian Marcus
When Simon and I started in real estate, the market consisted of offices, shops and industrial property. Now the investment spectrum is much broader, with the emergence of new asset classes such as self-storage, student accommodation, healthcare, logistics and data centres, as well as, at least, the institutional acceptability of residential investment, via PRS/ BTR. This offers enhanced returns to investors, diversification for lenders and the opportunity to invest in sectors supported by demographic and broadly political agreement. “Sheds and Beds” are currently very popular, but be aware that many of the emerging sub-sectors are asset backed operating businesses so they need some different skills and talents.

A: Simon Cooke
The UK market is in a period of transition and with transition comes opportunity. At APAM we have devised a strong growth strategy to ensure we are ‘market crash’ resistant as the cycle unfolds. The failure of corporate giants to adapt to changing circumstances can be seen as a major cause of the decline of industry leaders in the past!

Modern companies are required to evolve to compete with the market. For example, APAM continuously enhances its ‘end to end’ service with specialists in real estate investment, asset management, property management, financing accounting and client reporting. This approach is fundamental to our growth strategy as the company has adapted to a challenging economy and geopolitical shifts. We work in ‘distress’ and with opportunistic investors, who seek high returns, but similarly we work with core and core + investors, who invest for the longer term and want opportunity with less risk. To me UK real estate provides ‘opportunity’ all the time to different capital requirements.

Q: What has been your favourite ever/most exciting deal?
A: Simon Cooke
The first ‘big’ deal was buying 22 Kingsway, WC2 for an unknown Middle Eastern investor for £13M in 1987! A £130K fee in those days was enormous given my salary was less than £10K. It was a 9% yield on 25-year Government lease (Lords Chancellor Department). The client offered me a personal cut in the upside which I politely rejected as I was determined to be become a partner of Richard Ellis in the 1987 promotions! We sold the property 2 years later to Provident Mutual for £39M. My profit share would have been 20 to 30 times my entire earnings at Richard Ellis . . . first lesson learnt!!

A: Ian Marcus
I spent two years of my career in the 1990s working with the Ministry of Defence on the sale of the Married Quarters Estate consisting of 57,000 houses across the UK. Not only at £1.67 billion was it then the largest ever real estate deal in the UK but it was innovative in creating a sizeable sale and leaseback and used securitised techniques not seen before to fund property. More recently it was fascinating to sit on the other side of the table as a non-executive director of Secure Income REIT as it went through the IPO process – it was marvellous hearing investment bankers presenting to me!

Q: What will always be different?
A: Ian Marcus
We must continue to remember that we are a customer business and the needs and demands of the end users, particularly in the light of technological advances, are constantly changing; owners must respond, not just in terms of the physical fabric of the building but in terms of the structure of the offering, length of lease, occupational costs rather than rent, performance/turnover related payments etc. The days of the landlord/tenant confrontational relationship should be behind us.

A: Simon Cooke
We will never see international rugby players within real estate in the way we did in the late 1980's and early 1990's. For example, Michael Lynagh (Australia captain from 1993 to 1995) who earned a strong reputation in commercial real estate starting his career at Richard Ellis Property Consultancy (now CBRE) or in fact the rest of the multi-national Richard Ellis ‘All Stars’ team. Richard Ellis entered a team in the Singapore 7's international tournament with Michael Lynagh (Australian 1991 World Cup winner), Gavin Hastings (Scotland and Lions), Mark Thomas (Wales B), John Ellison (England B) and Richard Cram (Scotland) mixing with club players such as Charlie Vyvyan, Andrew Yeadle, Jeff Ellis and myself, and all of us were working for Richard Ellis! Professionalism both in real estate and sport has changed! Irreversibly!
From Property to Drugs Via Rural Innovation and Mentoring

Nearly two years on from the formal start of my retirement I am as busy as ever, but the emphasis is changing.

Whilst still very much keeping in touch with real estate through a number of non-executive roles and consultancies, I have been growing my engagement with the charitable world in Somerset. Initially this was through my pro-bono directorship of Bath & West Enterprises Ltd. This company is responsible for the running and development of the Shepton Mallet showground of the Royal Bath & West of England Society (charitable aim is the support of agriculture and the rural economy). Its latest venture is the creation of a Rural Innovation Centre. (www.bathandwestsociety.com).

My role on the board is largely focused on the real estate aspects which are ultimately aimed at providing financial and physical support for the Society's charitable activities.

But now I have taken a leap into the unknown. For the last 5 years I have observed the activities of my wife, Sue, in providing intensive mentoring support to two disturbed and damaged adolescents, one of whom is in care (foster home) and the other in a dysfunctional single parent family. She undertook 6 days of intensive training provided by Somerset County Council (SCC) Social Services under what was then called the ‘Promise Mentoring & Advocacy’ programme which had been identified as a “Beacon of Excellence” by OFSTED.

From 2012 onwards it became clear that the financial resources of the Social Services Department were being seriously diminished and it was threatening to withdraw mentoring from all children (under 18) who were not in care as this is not a statutory obligation.

In anticipation of this happening, a small group, including me, set in motion a plan to convert an existing charity (which raised funds to support mentor expenses and training), into a fully operational charity to provide inspirational and intensive one-to-one mentoring to disadvantaged and disturbed children and young adults who are on the edge of care, or just left care, in Somerset.

This charity is called PROMISEworks. (See www.promiseworks.org.uk)

In 2016 the County Council finally made the decision to withdraw from this element of their services and pass over the relevant mentees on a phased basis to PROMISEworks leaving them to focus solely on meeting their statutory obligations in respect of children in care. Earlier this year we converted into an operational charity to take over mentoring of those children or young people who will fall out of the SCC net (not in care or just left care). Experience has shown that these children/adolescents are equally as vulnerable as children in care.

It has been an interesting and challenging journey for me and my fellow trustees, both new and retiring, not least because of the cloud hanging over children's charities as a result of the unfortunate demise of Kids Company, one aspect of which has been the focus on the responsibilities of the trustees.

We have, in effect, created a whole new business from scratch, developed a fully costed business plan, arranged the part time employment of three very experienced staff, one of whom created the PROMISE programme in SCC, put in place all the protocols and policies, not just for running and administering a business but also covering safeguarding, training, safe employment and all matters which you would expect to find in a fully-fledged social services department. We have also created a Risk Register, the first and most important item of which is the possibility of a mentor abusing a mentee. A great deal of time is spent on minimising the chances of this happening through screening, training and close case supervision.

The trustee board, of which I am chairman, took the decision that we would “go live” notwithstanding that we needed significant further funds to be sure of meeting our minimum commitments to our mentees. This was done in the belief that we could find sufficient benefactors who would recognise the value of our work and provide grants and donations to enable us to continue and expand. Sue and I have committed a substantial sum ourselves and so has one of the front-line staff. This demonstrates our own belief and commitment to this really worthwhile project. It was also encouraging to receive a small startup donation of just under £10,000 from BBC's Children in Need. Given the rigour
of their investigation of the Project this is a real vote of confidence in us.

Our faith has been rewarded, as we have had tremendous support from many quarters with a number of significant financial donations, the most recent of which is from one of Sir John Mactaggart's family charitable trusts (He is a CULS member). This has enabled us to accelerate the programme.

By the end of the first year of operations we will have circa 30 to 40 of the most disadvantaged children and young people in Somerset aged 5 to 25 in long-term mentoring relationships. It is hoped that the number of mentees can be increased steadily to about 100 at the end of the third year. We are trying to accelerate this programme as we know from an estimate made a few years ago that there were over 500 young people in the county who were suitable for, and would like, mentoring support. There is no reason to think that this number has fallen recently.

The constraints to achieving this are a combination of funding and training sufficient mentors so that we can provide a minimum of 2 years of support. The “PROMISE” of PROMISEworks is that each mentor will be there for their mentee once a week (or more if required) for two to three hours for a minimum of two years (holidays and illness excepting).

The mentors are unpaid volunteers and undergo intensive in-depth training which pays close attention to Attachment Theory. They commit to a minimum of 2 years with their young person. This ensures the best chance of a constant presence and a strong likelihood of developing trust, stability and calm in contrast to the mentee’s normal life experience. Experience has shown that many relationships last beyond 2 years - some for over 5 years. The emphasis is solely on developing a mentee’s capabilities and potential, not dwelling on deficiencies. It is essential that the process is on developing trust and is not judgemental.

Positive benefits to mentees (and their families and local communities) come from increased resilience, growth in self-esteem, reduced self-harming, improved educational or workplace outcomes and reduced offending behaviours.

Academic research by Professor Dallos and his team from Plymouth University has resulted in a detailed report the conclusion of which stated: “Given that this group of young people had severe problems and challenges in their lives, the benefits of mentoring were impressive and clearly indicated a need for the PROMISE scheme and the development of similar schemes in the UK”

The average cost per mentee of providing the mentoring service is budgeted to be only £1,500 per annum. This compares with costs of £60,000 to £300,000 per annum if a child enters the care system, and up to £150,000 per annum if the child enters the criminal justice system. The Mentoring system therefore works both at a human level and in terms of society as a whole in saving costs.

I have had to go through a massive and rapid learning curve to travel this far in such a short space of time. It is a humbling experience to hear about some of the problems and traumas that the young mentees experience, something that most of us are only distantly aware of through the media.

It has also had an impact on my understanding of the devastating effects of drugs on individuals and families. Most serious drug takers become addicted because they have experienced some form of trauma and they seek an escape. The world-wide “War on Drugs”, led by the USA since the inter-war years, has clearly failed and a radically different approach is needed. The way forward has been led by Portugal, Switzerland and a number of US States. There are cogent arguments for the decriminalisation, legalisation and regulation of the supply of drugs as a way of reducing the negative impacts on individuals and society. Those who feel that this merits serious consideration should read “Chasing the Scream” by Johann Hani – a man not without his own issues.

Some of the comments made by mentees during the research work for the report speak for themselves:

“I told my Dad I wanted to be a singer – he told me I was shit.
I told my mentor I wanted to be a singer – she took me to singing lessons”.

“Mentors are like pillars. If they weren’t there the roof would fall in”.

“She’s the only one I can trust”

“I think that every young person should have at least one person who they feel is interested in them just for who they are, not because of professional duties”
Skiing to the ends of the earth might seem an extreme form of team building exercise, but that was the focus of a motivational talk given to CULS members by Cambridge-based adventurer David Henry FRICS, on 8th July 2016, at the Scott Polar Research Institute. David spoke at the CULS2016 AGM Annual dinner last year, in the Scott Polar Research Institute.

An expedition is a team, made up of all sorts of people, each with their own capabilities and experiences. Since there is no latitude for error, putting together and managing such a group requires great care. A small, vulnerable, tent in one of the most inhospitable environments on the planet is not a good place to discover that you have made a poor choice of companion. So how is it done, and can we glean any useful lessons that could be applied in more normal circumstances?

Before answering those questions, it is first necessary to delve into a little polar history. The story of Sir Ernest Shackleton’s Imperial Trans-Antarctica Expedition of 1914 - 1917 is a remarkable tale of courage, determination and leadership. In brief, the intention had been to cross the Antarctic continent from one coast to coast, via the South Pole. In the event, the main expedition never reached their intended landfall. En route, their ship,
the Endurance, was captured by the ice of the Weddell Sea, and eventually it was crushed and sank. Shackleton's team survived the loss of their ship, but knew there was no chance of contacting the outside world, nor rescue. So, their challenge was to make their way homewards through their own endeavours. Polar history is peppered with stories of such shipwrecks. Some crews were lost through bad judgement or sheer bad luck. Others struggled through to safety. Shackleton and his crew of 27 were determined to be in the latter group. After five months marooned in makeshift camps on drifting ice flows, they took to their lifeboats and steered a course to dry land on the inhospitable and uninhabited Elephant Island.

Still seeing no hope of rescue, and no alternative course of action if the team were to survive their ordeal, Shackleton and five companions then made an epic 800-mile (1,287 km) journey in a 23-foot long ship's lifeboat across some of the most dangerous seas in the world to reach a manned whaling station on the island of South Georgia. Unfortunately, they could only land on the opposite side of the island from their intended destination. So, Shackleton and two shipmates made one final, valiant effort and trekked 30 miles across the largely unexplored mountainous interior of the island to raise the alarm. After several abortive attempts due to poor weather conditions, Shackleton was able eventually to mount a rescue mission to pick up the 22 men still waiting on Elephant Island and bring them home. Despite all their perils and adventures, not a single life had been lost.

One of the crew members rescued from Elephant Island was James Mann Wordie, a geologist, and a graduate of the University of Glasgow, and St. John's College, Cambridge. Undeterred, when the expedition returned to the UK, Wordie joined the Royal Field Artillery and was badly wounded, in April 1918.

In 1919, he returned to Cambridge and at once took up polar field work again, this time in the Arctic. Over the next two decades he undertook a series of expeditions, and as a result has become recognised as one of the founding fathers of modern polar science. He was a founder-member of the Scott Polar Research Institute at Cambridge, and was for many years Director of Studies in Geography at Cambridge University. Eventually he became the Master of St John's College between 1952 and 1959, as well as President of the Royal Geographical Society (1951-1954), and Chairman of the British Mountaineering Council (1953-1956). He was knighted in 1957, and died, in Cambridge, in 1962.

In 2014, one of Wordie's granddaughters, Alice Holmes, came up with the idea of a new expedition to commemorate the events of a century ago. Thus, the Endurance South Pole 100 Expedition was born. It had several goals, including raising funds to digitise and make available to researchers the remarkable diaries kept by James Wordie whilst carrying out his scientific work on the Endurance and during his extraordinary journey back to safety. Putting together, and undertaking an expedition even today is no easy task. During his talk, David not only told the stories of Shackleton, Wordie and his own part in the expedition to the South Pole at the end of 2015, but also reflected on some of the leadership lessons that could be gleaned from both the historic and contemporary experiences of working in such extreme environments.
There has been some significant academic research into the manner of Shackleton’s leadership, such as that by Professor Nancy F. Koehn of Harvard Business School. Several books cover the subject, and a couple of examples are given at the end of this article. David drew out several salient lessons from this work, many which were illustrated by stories from his own direct experience. For example:

1. **Be bold in vision, but plan carefully.**
   Generally, it is often all too easy to let opportunity pass by. Shackleton had a dream – to cross Antarctica, a thing that had never been done before. He held on to that vision firmly, but was never reckless and overreached. He set himself and his team incremental targets, ensuring that they had sufficient resources and capabilities to fulfil each stage before going on to the next. Step by step these led them towards their ultimate goal.

2. **When things go wrong, adapt quickly.**
   Shackleton didn’t waste time or energy regretting the past or what he couldn’t change. His dream of crossing the frozen continent was lost with his ship. So, he very quickly set himself to a new task – getting his team home – and devoted all his energies to that instead. Such agile thinking was a prerequisite of his success. He realised there is no point in pursuing a lost cause, so he lead decisively by moving on when necessary.

3. **Help others to help you.** Expeditions are team efforts. Shackleton, as the leader they all looked to, was no superman. He couldn’t do everything himself. So, he worked hard to squeeze every ounce of capability from his crew. He encouraged self-confidence, self-reliance, and mutual respect. He was convinced that their best chance of pulling through was if they worked together as a tight-knit single unit, each member of which knew their tasks, and trusted and encouraged each other. He nipped dissent that might lead to division in the bud, broke down cliques, and worked hard at maintaining morale whatever the circumstances.

4. **Never, ever, give up.** Shackleton was keen to remind his team, whenever they faced another daunting challenge, that “There is always another move”. This wasn’t a denial of their dire circumstances; it was the core of the courage that kept them going. In South, his account of their adventures, Shackleton reflected that the two men who ended up lying in the bottom of the life boat that had just carried them 800 miles across the ocean were the two pessimists. The others fought on. Optimism was the key to survival.
Department of Land Economy Update: 2016-2017

In looking back over the events of the last year, I am struck, as ever, by the sheer breadth of Land Economy's activities across the diverse areas of economics, law and the environment and geographically spread across the world, defying the narrow stereotypes about our work. 2016-2017 was another hugely successful year for the Department, with academic staff winning prizes in environmental law, real estate economics, planning and regeneration, presenting their research to academic and industry audiences in (at least!) five continents and our students producing strong results and maintaining our excellent employment record despite post-referendum uncertainties. Student recruitment has remained buoyant (bucking the trend of a decline in social sciences, our Tripos and MPhil applications increased this year) and we look forward to welcoming a strong cohort of students in the autumn.

For all the many achievements and successes, in many ways this has been a difficult year, as we've struggled to deal with staff departures and absences in the face of a more demanding student group. One consequence of student fees at undergraduate and postgraduate level has been a shift in attitude with many students seeing themselves as clients or customers and being vocal when they perceive the service provided as being below their expectations. Sometimes, of course, they are right to complain and it is good to challenge practices that are slow to change. However, with constrained resources (there's no “magic professor tree”), there are limits to what can be provided and, certainly, we are determined not to spoon feed our students – it is surely their ability to find solutions and develop self-reliance and critical analytic skills that make them valuable to employers and we should not jeopardise that. We are, though, in the process of revising our masters and undergraduate programmes to respond to some of their reasonable suggestions.

The undergraduates were also affected by the sad and totally unexpected death of first year undergraduate Kartik Prabhu (Pembroke) in January. In his short time at Cambridge, Kartik had made a considerable impression and his passing created shock waves. January also saw the loss of Dr Mike Turner, a major influence on the development of the Department. He was a long standing supporter of CULS, serving as honorary treasurer for many years. Mike is probably best known though for his athletics career – I have memories of running against him in the 1970s! I looked back, though, at his research in his early years in Land Economy and it was striking how relevant it was to our current work, looking at rural-urban transitions and the relationship between economic performance and institutional structure. That continuity emphasises how innovative and policy-relevant Land Economy has been throughout its existence.

On the building front, there has been, at best, slow progress. Design of our new building on the New Museums site has continued along with discussions with the local planning authority but we remain some way from start-on-site. I'd say pace was glacial (but not quite in the sense of receding back up the mountain!). Developments around Silver Street and Mill Lane are similarly slow (so at least we aren't operating on a building site). As part of the process, the Land Economy library has been moved from the Mill Lane lecture rooms to Free School Lane – not ideal until the move, but we have at least preserved its existence.

This autumn sees the retirement of Professor John McCombie from the Department. John will have taught many CULS members macro-economics, urban and regional economics and similar areas over the years and he has made a substantial contribution to the Department's research quality. We do hope he'll remain actively engaged with us. We are in the process of recruiting a replacement lecturer and also a permanent replacement for Dr Eva Steiner (real estate finance) who left for Cornell last year. We are delighted to welcome Eva's replacement Laura Diaz Anadon. Laura's original background was in chemical engineering but she has specialised in economic and policy analysis in the fields of energy and environment. We are really delighted that she is joining us and will provide a substantial strengthening of our policy-relevant analytic research.

In closing, I'd like to thank all CULS members who have contributed to the Department's work over the last year. It is one of the great strengths of Land Economy that we can provide a continuity from newly arriving undergraduates through to senior professionals working in the built and natural environment and in the financial markets. Events like the Careers Fair, the mentoring scheme, support for prizes and scholarships, professional practice seminars – all of these contributions are hugely valuable and, more importantly, preserve that vital community between the Department and our graduates. We are really appreciative.
Do Bubbles Always Pop?

This summary presents the main findings of a research paper by Brent W. Ambrose (PennState University), Piet Eichholtz (Maastricht University), and Thies Lindenthal (University of Cambridge), titled “House Prices and Fundamentals: 355 Years of Evidence,” published in the Journal of Money, Credit and Banking, 45 (2–3). The full text is available at: http://onlinelibrary.wiley.com/doi/10.1111/jmcb.12011/abstract

With UK home prices soaring to new record levels many investors, policy makers and economists worry that a new house price bubble is building up. The devastating experience of the recent Global Financial Crisis is still fresh on the collective mind: an asset price bubble quickly turning into a bust, resulting in painful economic contraction around the world.

Most talk of an eminent correction circles around the initially appealing yet naive notion that “what goes up must come down”. For example, house prices in the U.S. increased over 5 percent per year from 2000 to 2006 with some local markets experiencing increases of more than 20 percent per year. Then, from 2007 to 2009, the U.S. witnessed a significant correction to the housing market with aggregate real housing values declining 26 percent. The same holds for other countries. Spain and Ireland, for example, saw average house price increases between 1997 and 2007 of nearly 190 percent and 240 percent, respectively, followed by a rapid fall in house values. More recently, the dramatic rise in property values in China has raised concerns of a bubble forming there.

Although much of the popular press takes for granted that the recent house price increases seen in the UK and around the world are evidence of a yet another “bubble” in housing markets, economists note that actually recognising an asset price bubble prior to a price crash is notoriously difficult. In fact, a number of academic studies conducted in the early 2000s found that the cost of home ownership rose moderately relative to the cost of renting, even though larger deviations from fundamentals occurred in some markets.

One problem with identifying the presence (or lack thereof) of bubbles in asset markets is the lack of sufficiently long-term data that would allow researchers to single out cases where asset prices significantly deviate from fundamental values. Furthermore, market price deviations from fundamental values over a short time period do not guarantee that market prices will decline abruptly and lead to the often-predicted violent bubble crash. Rather, it may be possible that bubble conditions are sustained, followed by gradual restoration of the equilibrium relationship.

We examine this problem using a time series of real house prices and rents from Amsterdam to investigate the behaviour of house prices relative to fundamentals spanning a time period of 355 years. We create a repeat-sales housing market index for Amsterdam covering the period from 1650 through 2005. The dataset covers all transactions of dwellings on the Herengracht, one of the central canals in Amsterdam that was constructed between 1585 and 1660. By 1680, most of the lots on the canal were developed and from 1616 until the present day, the Herengracht has remained one of the most prestigious addresses in Amsterdam.

We next created a rental index using data from multiple sources. For the first 200 years, from 1650 through 1850, we use data for a broad set of rental houses, varying in location and structural quality, and owned by the institutional investors of that time: orphanages, hospitals, and poor-relief boards. In all, this dataset covers 7,670 market rent observations for 1,055 properties scattered across an area that is currently the centre of Amsterdam. The market rents are observed at the beginning of new rent contracts. For the period 1851 through 1913 the tax authorities in The Netherlands estimated the potential rental income that could be generated from owner occupied residential real estate, since the imputed rents were treated as income and taxed. The rent capacity is not a percentage of the value of the house, which would make the rent index a direct function of prices. Instead, the average rent of comparable houses in the vicinity was taxed, providing information on the development of market rents. Rental data for the remaining period 1914 through 2005 are obtained from a range of publications from the Dutch Central Bureau of Statistics.

Overall, these price and rent series provide a yearly picture of the developments and growth in the Amsterdam housing market.
over a 355-year period from 1650 to 2005. In order to make adjustments for the cost of living, we use a long-run consumer price index, again based on multiple sources.

Figures 1 and 2 show the house price and rent indices, in real terms and the rent-price ratio. The indices follow each other closely over time, especially in their long-run movements. The series appear both stationary and volatile in the 17th and 18th century, showing a downward trend in the late 18th and early 19th century, and are rather stable throughout the remainder of that century. The 20th century is most volatile for both series, with large swings in real rents and prices, especially during the two world wars and in the inter-war period.

One striking observation from Figure 1 is that neither the real price nor the real rent index increases dramatically in 355 years. The real price and rent indices, starting both at 100 in 1650, reach respective levels of 197.1 and 203.2 in 2005. However, for most of the sample period the indices vary around 100. The sub-period that had the strongest decline in real house prices and rents was from 1781 to 1814, which was the only extended period in Amsterdam’s recorded history with a consistently declining population. During this period, real prices declined on average by 1.6 percent per year. In contrast to bubble periods, we see a 33-year period of sustained price declines, implying a market implosion. Interestingly real rents declined also, but at a slower 1.3 percent per year pace.

The evidence clearly contradicts the popular perception that house prices only go up, and that even if they do go down, it will only be for short periods. The upward climb of real rents and house prices only started in the 1950s; they have now both reached their highest levels ever.
Using a series of standard statistical techniques, we computed a theoretical rent-price ratio (the proxy for fundamental values) and compared it to the actual rent-price ratio. Figures 3 and 4 depict the difference between the rent-price ratio and its theoretical counterpart. These graphs show that prices (or rents) can deviate from fundamentals for extended periods of time. For example, throughout the second half of the 19th century, the pricing error was continuously negative, indicating that actual rents were lower or the actual prices higher than predicted by our model. Starting with World War I, a sequence of financial turbulences left its mark both on the actual rent-price ratio and on its fundamental counterpart. During World War I, The Netherlands first experienced a period of strong inflation, followed by deflation in the early 1920s and during the early 1930s, again followed by inflation in the late 1930s and 1940s. For both series, volatility shoots up, caused by huge swings in house prices and inflation. In these uncertain times, house prices seem to be more depressed than fundamentals suggest, indicating that investors attached a substantial discount to long term investments like housing.

Several lessons arise from our analysis. First, our analysis confirms that the same underlying fundamentals likely influence both house prices and rents. Second, our analysis of the rent-price ratio reveals sustained periods of “bubble” and “crisis” conditions that can continue without a corresponding correction (or crash). Third, our analysis shows that changes in house prices and rents are both mechanisms for “correcting” imbalances between prices and fundamentals. Between these, prices appear to have greater importance in correcting disequilibria.

Based on these findings, our investigation into the long-run developments of house prices and rents has implications for the ongoing debate concerning the recent price increases and subsequent corrections in many of the worldwide housing markets. Our study shows that bubble crashes are not always inevitable in the short run. While prices do revert back to fundamentals, this reversion may take decades with the move towards equilibrium more a fading out than a crash. As a result, markets like Amsterdam, Cambridge, or London that have been characterized by strong price gains in the last years and are frequently thought of as overvalued may not necessarily experience the corrections seen in previous cycles.

One of the implications of this analysis is that it is decidedly difficult to know when, or even if, an asset price bubble will collapse. The results suggest that it is unwise to use perfect hindsight to criticize lenders who originated mortgages at the peak of the market and subsequently suffered significant losses due to borrower defaults, since historical trends show that it is possible for price bubbles to slowly deflate over long periods such that the losses may not have occurred. Finally, our results imply that lengthy periods of little or no house price appreciation are also possible. Thus, those justifying investments in property at very low yields by betting on substantial capital growth in long-run might be disappointed.
Is Cambridge a Victim of its Own Success? Housing Affordability and University Expansion

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Cambridge is a remarkable economic success story by nearly any conceivable measure: low unemployment, sustained strong economic growth and a thriving economic base of knowledge-intensive industries in the biotechnology and IT sectors. A somewhat less desirable side effect of this internationally renowned combination of a prestigious traditional university with cutting edge research and development spin-offs has been the concomitant rapid rise in house prices which has outpaced virtually any comparable regional city in the UK and even large parts of London.

Cambridge is also a popular target for buy-to-let investors. According to Savills, as much as 70% of new properties purchased in 2014 arose from the BTL market segment. This trend is bolstered by a large contingent of students and junior staff who require housing only temporarily (Jones 2007) and are reluctant to enter the owner-occupier segment. With increasing population as well as house prices, levels of new supply have also risen (CCCRP 2013). In 2014 alone, the housing stock expanded by around 2.5% and a similar annual growth rate is projected until 2020. New completions are expected to come mainly from three major projects (North-West Cambridge, Southern Fringe and Cambridge East) rather than small independently built properties. Supply of land in Cambridge is limited by planning policies and the Cambridge Green Belt. Until at least the mid-1990s, Cambridge was governed by a very strict planning guidelines largely focussed on preserving its historic character. In recent years, this stance has given way to a planning paradigm that is more supportive of economic growth and sustainable expansion.

Today, there are around 2,100 high technology companies in the Cambridge area totalling revenues of around £14 billion per annum. They vary in size - from university based start-ups supported by one of many local business parks to giant multinationals such as ARM technologies, Microsoft or Samsung. In addition, this number also includes bio-tech companies that are based in the Addenbrooke’s area which is expected to become the biggest campus of this kind in the world with over 17,000 people working on the site. The other major development site is North-West Cambridge (NWC), touted as the biggest and most ambitious development project in the history of the University of Cambridge slated to provide housing, research and support facilities of the highest quality for the institution. To property researchers, it offers nearly ideal conditions for studying how local wages and house prices adjust to the major expansion schemes in a university town setting.

The results of our recent research project that investigated this question were submitted to the sponsors, HEFCE and the University of Cambridge, in January 2017. The analysis was performed using an econometric model that is able to relate housing to labour markets. Crucially, a reliable model needs to be able to estimate the impact of restricted housing supply on local economic growth and wages. Restricted supply of new housing in growing economies may lead to labour shortages and income levels above the labour market equilibrium. In turn, this may lead to diminishing labour productivity, a decline in business profitability and ultimately stifling of economic growth which may trigger a fall in local house prices.

The empirical results of the projects reveal a number of surprising results. Contrary to simple textbook economics, new housing stock did not reduce house prices in Cambridge but rather contributed to economic growth and rising incomes which in turn inflated dwelling prices. Hence, the main impact of NWC on house prices in Cambridge will be attributable to enhanced economic growth in the area (increasing demand) rather than through expanding housing stock (increasing supply). Our forecast of house prices estimates that over the next 15 years, average house prices in Cambridge would increase by 15 bps less (per annum) without NWC but still outpace the UK average. Hence, the impact of NWC on house prices appears limited and its main contribution seems to lie in strengthening the competitiveness of Cambridge as a prime R&D location and the ability of the University to attract top researchers with ‘soft factors’ such as high-quality state-of-the-art housing and neighbourhoods in particular.

What does this mean for affordability in Cambridge? Our results suggest that the affordability ratio is a much bigger problem for newcomers than it is for established locals, particularly if the latter already own a property. We estimate that NWC may lead to a small increase in dwelling prices but it is likely to simultaneously raise income levels thus reducing the overall projected affordability ratio. Compared to similar locations both nationally and globally, Cambridge is set to remain attractive for newcomers due to its highly skilled workforce and its global reach and reputation. A parallel analysis of results of four other major UK university towns (Exeter, Durham Oxford and York) showed that these locations face remarkably similar challenges stemming from a legacy of restrictive planning polices and inelastic housing supply. In this context, the expansion schemes proposed for Cambridge appear to be a step in the right direction, although the mistakes made in large-scale development schemes of past decades are a stark reminder that great care needs to be taken to design and deliver these new communities in a way that makes them equally attractive to current and future residents for working, studying and living.
The common theme running through the research conducted by the Cambridge Centre for Housing and Planning Research remains the potential for impact on housing and planning policy and practice at a local and national level. The complexity of the UK housing market means that we work on behalf of charities, think tanks, private sector and public sector bodies to support their goals, whether that be informing strategy or lobbying government. The skills and experience of the CCHPR team mean that we are able to tackle a wide range of briefs, working with funders to ensure their expectations are met.

Recent topics include work on the relationship between parental background and young people’s access to homeownership. This research formed part of the Social Mobility Commission’s (SMC) role as an advocate for social mobility in the UK and informed its 2016 State of the Nation report to Parliament. The SMC report based on the research was published in March 2017. It showed that the number of first-time buyers relying on the ‘Bank of Mum and Dad’ has hit an all-time high. Drawing on governmental and housing market data, it examined the recent pattern of parental help for first-time buyers. The report also included trends and projections of such parental help.

The rise in the private rented sector in England and Wales has led to growing numbers of households facing insecurity and high costs. Housing affordability remains a concern for many of our funders, and this is reflected in CCHPR’s projects. Exploring the potential for shared housing to moderate the impact of cuts in housing benefits for young people in social housing formed the basis of a recent study commissioned by Community Housing Cymru and the Welsh Local Government Association, and we are currently looking into fees charged to tenants by letting agents across Wales. On behalf of the Joseph Rowntree Foundation, we are exploring whether taxation could be used to incentivise private landlords to improve the affordability, conditions or security of rented housing as JRF want to look at how to improve the English private rented sector as a source of accommodation for people in poverty. For details of these projects and reports (where published), visit our website, www.cchpr.landecom.cam.ac.uk.

CCHPR hosted a seminar at Jesus College this spring to launch a report commissioned by Places for People, one of the largest property and leisure management, development and regeneration companies in the UK. The unpublished report sought to understand the drivers behind the UK housing market’s affordability problem, with the aim of identifying policy solutions which could tackle this multi-faceted challenge. Chaired by Dame Kate Barker, the seminar was attended by representatives of local and central government, industry specialists and academic experts. The lively discussion focused on the issues facing the UK housing market and tried to establish what a comprehensive, workable housing strategy might look like. The need for financial incentives and planning changes to boost housing supply were seen as important aspects of major changes that are required to address housing affordability.

Shared ownership: ugly sister or Cinderella?

According to the Council of Mortgage Lenders, shared ownership is the unfashionable Cinderella of the UK housing market. Confident that shared ownership has the potential to shine as the UK’s fourth tenure, they commissioned CCHPR to carry out research into shared ownership from a lender’s perspective. What could be done to improve shared housing’s fortune?

Shared housing is a part own, part rent tenure. It is often viewed as the ‘ugly sister’ of the housing market, despite making up an increasingly large proportion of new build Affordable Housing. The Government drives to increase access to owner occupation but mortgage lenders remain suspicious. The research identified the fact that the majority of lending is undertaken by only a handful of, locally-based building societies. These lenders saw lending for shared ownership as a socially responsible, profitable part of their package for first-time buyers. Lenders not involved in this part of the housing market, on the other hand, based their decisions on outdated views of the sector. They were less aware of the recent reforms to shared ownership. They were also often less inclined to lend for historical reasons.

It was clear from the research that increased support from mortgage lenders was essential to the success of the Government’s plans to see the shared ownership sector grow. There were challenges and opportunities facing shared ownership and the authors of the report, Anna Clarke, Andrew Heywood and Peter Williams, set out practical recommendations for mortgage lenders, the Council of Mortgage Lenders, central and local government alike. In particular, lenders were encouraged to examine the evidence on shared ownership and risks of arrears and defaults (which are in fact broadly similar to those for first-time buyers) rather than relying on preconceptions. It was suggested they use existing available guidance to develop protocols for good working practice with housing associations. To support this, recommendations for the CML focused on the need to publish detailed, up to date information about shared ownership. Given the preconceptions surrounding lending for shared ownership, this was to include data on arrears and repossessions. Meaningful comparisons to other first-time buyer lending would inform mortgage lenders of the facts.
The real estate research centre continues to be very active on a number of applied projects for industry alongside academic research.

**Future Cities Initiative**

We continue to lead the Future Cities Initiative supported by London property company Capital and Counties Properties PLC (Capco). This initiative includes a conference, a visiting fellowship and an annual grant for eight postgraduate fellows to conduct bespoke research on issues shaping future cities and related policy.

The second Future Cities Conference took place on 18th July at Jesus College bringing together over 100 researchers, developers/investors and policymakers interested in the challenges and opportunities for cities. Professor Ratti (the Future Cities Visiting Fellow) came over from MIT to give an entertaining talk about how sensors and tracking of people and products can contribute to better design and management of cities and the resources they consume. Mark Kleinman director of economic and business policy at the GLA gave an overview of how new sources of information can help them run London more effectively and some of the limitations. Shailaja Fennell (from the Dept) gave an international perspective on issues of connectivity. Alice Charles from the World Economic Forum and Chris Choa, director of cities at Aecom outlined their thoughts on issues around data and cities.

The morning also saw presentations from the eight PhD prizewinners on subjects as diverse as ageing in cities, urban farming, self-driving cars and adaptive facades. The afternoon saw a lively discussion around governance with Hugh Bullock from Gerald Eve, Paul Swinney from the Centre for Cities and Professors David Howarth (from the Dept) and Phil McCann. The conference concluded with a fascinating discussion about demographic changes with Maria Abreu (from the Dept) and Kenneth Howse from Oxford with Lucy Musgrave (Publica) and the author Charlie Leadbeater outlining their thoughts on the impact on society and the built environment. Colin Lizieri, Nick Mansley and Phil Allmendinger from the department were all actively involved and further information about the initiative and the conference can be found at: http://www.crerc.landec.cam.ac.uk/future-cities

We continue to lead the Cambridge Real Estate Research Club (bringing heads of research and CIOs from real estate investors and consultancies together) and the Long-Term Investor Event (bringing Sovereign Wealth Funds and other long-term investors together) and hosted an academic symposium in September last year.

The Part-Time Masters in Real Estate We have gone through the first year of the part-time Masters in Real Estate and so far the course has been a tremendous success. Site visits have included Wembley (Quintain), a redevelopment opportunity in Cambridge (Howard Group), One New Change (Land Securities), Earls Court and Covent Garden (Capco), Broadgate (British Land) 22 Bishopsgate (Axa) along with lots of guest speakers including Madeleine Cosgrave (GIC), Andrew Smith (Hearthstone), Lars Dahl (Norges), Jenny Buck (Tesco), Chris Pieroni (Workspace). We have the second cohort starting in September and would very much welcome support from CULS members with presentations, cases and site visits.

**Economies of Scale in Listed Real Estate Companies**

We have conducted a study of scale economies in European real estate companies which was supported by a research grant from EPRA. Real estate companies with larger property portfolios should demonstrate efficiencies. As firms grow and add properties, costs will not rise in line with the increase in assets under management. If true, then larger real estate companies should exhibit higher returns providing a rationale for mergers and acquisitions. However, isolating the effects of scale is challenging, as it is necessary to control for a variety of characteristics. Inevitably, it is not possible to incorporate all the many factors that may drive differences in expenses across companies (e.g. older properties may incur more expenditure, distance between management and their property portfolios may lead to inefficiencies or lower returns, companies differ in the extent to which development activities are part of their business model and in the extent that operational management is resourced internally, externally or in joint ventures etc.). Whilst there are strong arguments that scale should offer benefits in terms of spreading of costs and improved access to capital/cheaper financing, counter arguments suggest that as
firms get bigger they may experience diseconomies of scale. For example, they may face upward pressure on labour costs as companies grow – a large company effect – reflecting peer benchmarking, the challenges of recruiting into larger firms where it may be harder to identify personal contributions. They may find specialist resources spread too thinly – leading to poorer decision-making etc. Larger companies also find additional resources are required to co-ordinate activities with the costs associated with them. Larger companies may find they are "conflicted out" of operating in certain markets. Finally, larger companies may find it hard to maintain the same passion, drive and incentivisation that smaller organisations can achieve. Consequently, whilst in some areas we expect to find that scale brings efficiency savings it is far from clear that there will be a strong relationship between size and performance.

The approach we took was to examine the effect of scale by taking into account country, sector and other potential drivers of differences across firms (to the extent that data is available). The estimates of how cost efficiency (selling, general and administrative expenses as a share of total assets varies by size is shown below.

An Investigation of Hurdle Rates in the Real Estate Investment Process

We conducted a major study for the Investment Property Forum on how real estate investors make investment decisions. In particular, we examined the extent to which hurdle rates are used and the key drivers of those hurdle rates. The use of DCF techniques and Net Present Value to determine the financial benefits of projects is the approach recommended in finance literature. In that usage, the hurdle rate should reflect an organisation’s weighted average cost of capital (WACC). The cost of capital reflects the cost of debt and the required return for equity holders which, in turn, reflects the risks of the activities of the firm and the firm’s capital structure, and the mix of debt and equity used by the firm. However, where the cashflow of a project can be altered more directly by the actions of the manager (and the timings of the actions) or where the returns generated are dependent on the outcomes of adjacent projects outside the control of the firm (that is, requiring competition or cooperation) then more complex models are called for including real options or game theoretic approaches. While the theoretical literature is consistent in its advice, surveys reviewing what happens in practice in other industries suggests a more widespread use of other approaches and a focus on simple metrics e.g.

payback or profit on cost. There is limited evidence on what happens in real estate – a gap which this study addresses.

Our research found that hurdle rates are widely used in investment decision-making.

However, market practice varied widely on how hurdle rates were determined. Key differences were driven by the type of organisation, size of organisation, type or style of investment.

For organisations looking to attract capital from clients for specific investment strategies, the target rates of return and performance targets of those funds determined the hurdle rates used within the funds and were, in turn, determined externally by the demands of clients, the actions of competitors and the weight of capital relative to the investment vehicles available in the market. Thus, hurdle rates are, to an extent, being determined outside the firm. Those hurdle rates that were not determined by clients did not appear to conform to a weighted average cost of capital approach, but rather seemed linked to a valuation tradition with "risk free rate plus risk premium" the common basis for construction.

It was standard to adjust hurdle rates at project level, with market, sector and cycle adjustments augmented by property specific premia representing, for example, covenant, lease structure, building quality and micro-location. The impact on market risk at the portfolio level rarely appeared to be embedded in the deal decision. Other findings from the interviews suggest that, while DCF was in frequent use, IRR dominated NPV as a decision tool; that non-cashflow metrics (particularly multiple and profit on cost) were in frequent use; that few organisations employed technically complex quantitative models in the investment decision process; and that there was little apparent back-testing of decision rules.

The study highlighted the real estate industry has not incorporated the insights from the literature into standard practice and resistance to more complex methods or to systematically test assumptions and sensitivities. The wider portfolio impact of a potential investment appeared to be rarely systematically integrated into investment decision-making. Skill issues were highlighted as a limiting factor on the use of more sophisticated techniques or more systematic approaches to testing assumptions and sensitivities. Further constraints to more rigorous quantitative approaches included data inadequacies and resistance from more traditionally-minded senior management.
During his sabbatical leave in 2016/17, Dr Franz Fuerst spent a year in Australia as a Visiting Fellow at the University of Melbourne where he was part of the Property group of the Melbourne School of Design as well as the THRIVE Research Hub. Working with these two groups provided him with a unique opportunity to further develop his work on green real estate economics and finance in an Australian context. THRIVE is a new research hub aiming to carry out applied and industry-relevant research on innovation in sustainable, thriving built environments and develop new knowledge in the areas of buildings, people and ecosystems in 21st Century cities. The Property group is responsible for property research and education, among others the Master of Property course. In addition, Franz spent shorter stints as a visitor to the University of Tasmania's Department of Economics in December and Australian National University's Research School of Finance, Actuarial Studies & Statistics in May, presenting his work on the financial performance of Green REITs and networking with colleagues to set up future research collaborations.

Together with co-author Dr Georgia Warren-Myers, he conducted a large-scale econometric data analysis of the pricing of energy efficiency and sustainability in two Australian states. The first of the two journal manuscripts arising from this project is currently being prepared for peer review. His second major sabbatical project investigated the nexus between household carbon footprints and their health and well-being as well as financial stability impacts using the comprehensive HILDA panel dataset. This rich and complex repeated survey of Australian households allows researchers to investigate if carbon-intensive lifestyles are associated with more unfavourable health and well-being outcomes and may induce higher financial instability. Although this is an Australia-wide study, the Melbourne metropolitan area provides a particularly good example for this relationship.
indicators compiled by the Australian Urban Research Infrastructure Network (AURIN), an institute focussed on urban and property data with which Franz was also interacting during his stay indicate that households located at the suburban fringe experience far greater levels of health and financial vulnerability than their counterparts in the city or inner suburbs. The potential reasons for this are manifold, ranging from stress caused by long daily car commutes, lack of social interactions, financial stress due to excessive mortgage debt to finance a detached house and a built environment that is generally not conducive to healthy behaviours and lifestyles. Owing to the complexity of the required data and the multitude of interactions between the variables driving these relationships, this project is still ongoing but significant progress has been achieved in reviewing the relevant Australian and international literature, compiling a balanced household panel, specifying the econometric model and conducting preliminary interrogations of the database. In a parallel project using household panel datasets from the UK and Germany, Franz and co-author Dr Jano Jandl received the Best Refereed Paper Award at the Pacific Rim Real Estate Conference in Sydney in January 2017 (picture).

At THRIVE, Franz contributed to several events where fellows presented their ongoing work to a group of industry ‘inspirers’ or fellow academics in related fields and an away day aimed at brainstorming and sharpening the research agenda of this nascent research hub. He also gave a breakfast talk to the University of Melbourne’s property alumni society, entitled ‘Beyond Green Buildings? Sustainability and financial performance of real estate companies’.

Over the course of the academic year and some very variable Melbourne weather, Franz published a number of articles in peer-reviewed journals, including Economic Modelling, Journal of Economic Psychology, Sustainable Cities and Societies, Journal of Housing Research, Spatial Economic Analysis and Studies in Economics and Finance. He contributed two chapters to edited volumes: a meta-study of green premiums and a bibliometric analysis of “hot topics” in urban and real estate economics. During his tenure at Uni Melbourne, he also completed a number of working and conference papers and currently has nine co-authored manuscripts under review at a number of peer-reviewed journals in economics, business, sustainability and transport studies.

However, being based in Australia for a year brought with it not just opportunities but also a number of challenges, particularly in terms of keeping in touch with his research assistants and PhD students at Cambridge. Ongoing research commitments, for example a Horizon2020 EU project and a series of smaller projects had to be maintained and a number of meetings and symposiums had to be missed. Luckily, Skype, cloud computing, video links and other technologies are great allies in overcoming these distance-related challenges. In one case, Franz self-recorded a conference talk for a symposium on Green REITs in California as he was unable to make the 18hour journey. The recording session was a steep learning curve and he now plans to use this option more often for similar events in the future that would otherwise necessitate long trips and inflate the carbon footprints of academics.

Despite these challenges, some foregone opportunities at home and the daunting logistics of moving a family half-way across the world and back within a year, the sabbatical opened up a number of opportunities for Franz, not just in terms of setting up new collaborations with researchers at the University of Melbourne, Australian National University, University of Tasmania, University of Queensland, RMIT and Swinburne University but also for getting a fresh perspective on the work he does which will inform his research and teaching back at Cambridge.

Last but not least, there was no shortage of explorations to undertake in this vast and beautiful country, including trips along the Great Ocean Road, Victorian Alps or the Great Barrier Reef and Daintree rain forest by car, bicycle or hiking which were always a special treat and inspiration for further work.

Dr Franz Fuerst is supported in his research by a Fellowship Payment made by the Cambridge University Land Society.

THRIVE is a new research hub aiming to carry out applied and industry-relevant research on innovation.
The Sugar Tax: relationship between intrinsic motivation and framing

Obesity in the United Kingdom has risen sharply over the past 30 years, and the UK now has some of the highest levels of obesity amongst European countries. Soft drinks are increasingly popular within the adolescent population in the United Kingdom, with teenagers consuming 50% more sugar on average than is currently recommended. More recently, there have been a number of studies which have aimed to document the link between sugar consumption and obesity.

As a result of such studies, sugar taxes have been introduced in a number of countries, including Mexico, France, Norway, Finland and many others. Such taxes generally aim to reduce the consumption of sugar, often explicitly targeting sugar sweetened beverages, due to their high sugar content and consumption by teenagers and children. Results of the aforementioned taxes have generally been positive, and consequently the United Kingdom Government has decided to introduce their own form of sugar tax. Officially known as the Soft Drinks Industry Levy, the sugar tax was announced by former Chancellor of the Exchequer George Osborne in 2016, and will be introduced formally in April 2018. The tax will force soft drink producers and importers to pay a charge of 18 pence per liter on soft drinks with more than 5g of added sugar per 100ml, or 24 pence per liter on soft drinks with more than 8 grams of added sugar per 100ml.

The debate in the United Kingdom and abroad surrounding the incoming sugar tax has been particularly divisive. On the one hand, advocates of the levy, such as government agencies, the media, and public figures have argued for it based on public health grounds. On the other hand, opponents of the levy, such as food and beverage lobbying groups and right wing think tanks have spoken out against it, arguing that it infringes on individual choice.

As a result, my dissertation applied some of the divisive debate and discourse surrounding the sugar tax to an experimental setting. Firstly, my dissertation explored whether the framing of the sugar tax in terms of the private costs of sugar consumption yielded a different response than if the sugar tax were framed in terms of the private and public costs of sugar consumption. In essence, the private costs framing attempted to mirror the arguments put forth by opponents of the sugar tax who see sugary drink consumption as an individual choice and treat obesity as a private health issue, whilst the private and public costs framing of the tax mirrored proponents of the tax who argue that sugary drink consumption and obesity is a public health issue.

Response statements capturing feelings of control aversion, frustration, freeriding, a prescriptive effect, and moral engagement were utilized to measure the subject’s response to the tax.

This dissertation also aimed to determine whether individuals with different levels of intrinsic motivation (as measured by willingness to undertake pro-health and pro-social behaviour) would respond differently to the sugar tax. Finally, the dissertation combined the first two parts of the research and attempted to determine whether individuals with high intrinsic motivation would be impacted differently by the individual framings of the sugar tax than individuals with low intrinsic motivation. In carrying out this research, a survey was administered by an online, mobile based survey platform to gather responses and data.

With respect to the first research question, results suggest that neither of the two framings of the tax have an impact on a subject’s response to the tax. Whilst the debate and discourse surrounding the sugar tax is certainly divisive, it appears that the use of a private costs of sugar consumption framing does not elicit a different response to the sugar tax than a private and public costs framing of the sugar tax. Such results clearly indicate that individuals do not perceive the sugar tax to be as divisive as the media portrays it to be. More crucially, these results highlight that responses to the sugar tax are well entrenched and not easily manipulated. This raises the salient need to understand what can and does affect consumers’ responses, or intrinsic motivations towards the tax. Perhaps the issue of the sugar tax is deeply rooted in and connected to consumers’ social, political, and ideological values, and it is possible these values might offer telling insights in determining what can affect consumers’ responses towards the tax.

The results of the second research question indicate that the probability of individuals with high intrinsic motivation agreeing with the five response statements capturing control aversion, frustration, freeriding, the prescriptive effect, and moral engagement increased by 16.4%, 9.1%, 7.9%, 18.4%, and 16.7% respectively. Individuals who have high intrinsic motivation are individuals who care about their health and take measures to ensure general health and social wellbeing, so it is not surprising that they are likely to respond differently to the sugar tax than individuals who do not take such measures.

These results add to the wider literature on behavioral economics and specifically the literature surrounding intrinsic motivation and the crowding-out effect; since individuals with different levels of intrinsic motivation respond differently to the tax, further research might be warranted in examining whether the introduction of the sugar tax might crowd in or crowd out individual’s intrinsic motivation to undertake pro-health oriented behavior.

The results of the third research question suggest that individuals with both low and high intrinsic motivation are impacted in the same way by the specific framings of the tax. Essentially, this means that the fanning of the tax does not have a different impact on individuals with different levels of intrinsic motivation. However, the study is nevertheless important as it takes a novel approach in combining elements from the message framing literature and the crowding-out literature, forging both together and establishing a well needed precedent for further research.

Oliver was supported in his dissertation with a grant from CULS to cover the cost of his online survey.
In 2013, CULS reinstated the Denman Lecture Series. This is the Department of Land Economy's flagship series, that ran annually from 1979 to 1998. It hosted a leading academic from around the world each year speaking on topics from the built and natural environment, to economics and planning. Speakers have included Patsy Healey OBE FBA, Kym Anderson, David Pearce OBE, Sir Kenneth Alexander FRSE, and David Harvey FBA. Past lecture manuscripts are archived in the British Library and University Library.

In 2014 we asked Dame Fiona Reynolds, former Director-General of the National Trust and now master of Emmanuel College, to speak on her vision for the British countryside. In 2015, François Bourguignon, former Chief Economist and Vice President of the World Bank, and currently Professor of Economics and the Paris School of Economics, spoke on the growth of global income inequality.

For the 2016 lecture, we were generously supported for the third year by the Howard Group, to invite David Pitt-Watson. David was former head of funds and director of Hermes where he founded Hermes Equity Ownership Service, a sustainable investment service managing £125bn worth of assets. He is now an executive fellow at the London Business School, chair of the United Nations Environment Programme Finance Initiative, treasurer of Oxfam and board member of NESTA, ICGN, and Oxford Analytica. In 2016 he published “What They Do with Your Money: How the Financial System Fails Us, and How to Fix it” with Yale University Press. This was the subject our lecture.

David began by discussing the legacy of Donald Denman, the founder of Land Economy, who's economics was incredibly practical in nature. David argued that by studying economics we should be seeking practical, real world benefits. Quoting Adam Smith, the study of economics should “provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves”.

With compelling facts, David set the context for his talk by describing an economic system that isn't delivering its full potential and a financial system that is failing to create real wealth. He went on to explore what a capitalist system vested with the interests of the whole of society looks like, and what is required to deliver it. He discussed practical solutions including: how we can change the theory and teaching of finance; how we can change the beliefs and practices of actors in the system; and how we can move from narrow company board membership to enfranchisement of all stakeholders.

For those who missed the 2016 lecture, a full length high-quality video with embedded slides is available on the Department of Land Economy website.

For 2017, we will be joined by Professor Silvana Tenyero, who has recently been appointed to the Bank of England’s Monetary Policy Committee. Silvana researches trade, productivity, housing and wage dynamics at the LSE. She has a string of exceptional publications in top-tier economics journals. Please keep an eye on your email if you would like to join us for what should be a fascinating lecture.
The CULS London and Cambridge Dinners

60 of our members and their guests enjoyed our annual London dinner when we again revisited the Oxford and Cambridge club in March 2017 for a black tie evening and some delicious food and wine and the opportunity to catch up and enjoy the company of all the guests. After dinner we were entertained to an informal debate where the motion of “This gathering would rather spend a bad day in the field of sport than spend a good day in the office” was discussed. James Sunley talked in support of the motion. James is an Oxford graduate and has headed the Sunley group for over 20 years. In the context of the debate he is the Cresta Run record holder which he set in 1999 at 50.09 seconds, making an average speed of 53mph. James’ description of the adrenaline that courses through one’s veins on a descent of the Cresta run made a convincing case, that even a bad Cresta run is better than a good day in the office. Speaking against the motion Phil Irons (Graduate of Hughes Hall and a Cambridge Rugby Blue) talked about the evening last year when he lasted three rounds in an amateur boxing match raising a considerable amount of money for charity, which he compared with his current experience in raising capital for a real estate fund to be run at Regus. Following both arguments there were several amusing anecdotes from the floor, and the matter was then put to a vote where the motion was defeated by a considerable majority.

Our Cambridge dinner followed our AGM on 13 July 2017 and was held in the Fellows Dining Room in Caius College. 45 members and their guests enjoyed a delicious dinner cooked by Caius’s new chef who has previously worked in Michelin star establishments. Conversations were vigorous and the level of chat and noise increased as the evening progressed. After dinner Gavin Heaphy, Construction Director for the Northwest Cambridge Development spoke about the progress being made on site and the ambitions the University has for the project (see his article featured in this magazine). Previously in the afternoon 20 members enjoy a guided tour of the project which followed on from a society event some four years ago when the project was in its early planning stages.

Our members certainly enjoy these dinners and we shall be repeating them in the coming year and hope they will be even more successful than they have been in the past and attended by many members.
As I was on maternity leave, my 3 month old son also joined us. With the new perspective of parenthood, I found myself wondering what a property career might be like in future. What kind of work will the next generation do and in what environment?

A recent Deloitte report suggested that up to a third of real estate jobs are at risk of automation. Big data, analytics, robotics, artificial intelligence... these are today's buzz words and tomorrow's reality. Inevitably there will be winners and losers, but I think PropTech presents a great opportunity for Cambridge graduates to improve the quality of work and job satisfaction. Anything that can remove the need to undertake mundane tasks and give our brightest minds more time to interact, focus on complex problems and make better decisions sounds like a good thing to me.

Workplace culture and design is already changing rapidly to attract talent and improve productivity. If you can work from anywhere, the office needs to be reimagined to focus on providing spaces for interaction. Our team is relocating to a new building shortly. The fit out will be focussed on technology-enabled spaces that encourage collaboration, agility, flexibility, health and wellbeing. Whilst we are only moving next door, apparently we will also be time travelling.

I look forward to welcoming you to the 2017 Property Careers Fair in November. This year I will be making sure that the Computer Scientists and Mathematicians receive a special invite to join us!
Membership fee income is essential to creating long term stability for the Land Society. Our fees contribute to the running costs of the Society including administration, marketing and the general organisation of our events. These running costs are not immune to the forces of inflation but CULS membership fees have not increased for six years, the latest being an increase from £30 to £55 in 2011.

Given the significance of membership income, at this year’s AGM the Committee voted unanimously to increase membership fees for some members.

As an acknowledgement of the relatively London-centric events programme, full members who live or work within 100 miles of London (measured from Charing Cross station) will see their fees increase to £75 per year (including VAT). Full members who live and work beyond 100 miles of London will be given the option to remain at £55 per year, rather than move on to the new full rate. Concession, International and Over-65s fees will increase by £5 to £20 per year (incl. VAT)

Some members will therefore experience an above inflation rise, but this is in part to recognise the disproportionate access to our (very reasonably priced) events that they enjoy. The Committee has also committed not to review the rates for a further 3 years. New members will be informed that the London/SE rate is the default, but that eligible applicants may elect to join on the Provincial rate.

These changes will be introduced over the course of this year. A membership sub-committee will convene later this year to consider the case for reduced fees for Silver Street Group members. We would be pleased to receive any comments or thoughts on whether reduced fees for junior members would improve the rate of application among recent graduates. If you have any questions or comments please do not hesitate to contact Paul Clark at pr_clark@mail.com.

CULS Committee
## CULS Student Prizes

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<tr>
<td><strong>Undergraduate</strong></td>
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<tr>
<td>The Noel Dean Prize for best overall performance in Part II (3rd year TRIFCS)</td>
<td><strong>CULS</strong></td>
<td>£750</td>
<td>Sixiang Xu</td>
<td>Leo Kirby</td>
<td>Aleksandra Pedraszewska, Newnham</td>
<td>Samuel Porter</td>
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<td>The Gordon Cameron Memorial Prize for best performance in Paper 7 (Regional Economics and Policy)</td>
<td><strong>CULS</strong></td>
<td>£500</td>
<td>Ms Luting Chen</td>
<td>Joseph Strange</td>
<td>Arshad Balwa, Homerton</td>
<td>Gabriela Stoimenova, Ruthanne Soh</td>
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<tr>
<td>The Mike Turner Prize for best performance in Paper 15 (Advanced techniques in finance and investment for real estate)</td>
<td><strong>CULS</strong></td>
<td>£500</td>
<td>Sixiang Xu</td>
<td>Rebecca Daniels</td>
<td>Aleksandra Pedraszewska, Newnham</td>
<td>Beatrice Chan</td>
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<tr>
<td>The Jeffrey Switzer Prize for best performance in Paper 14 (Planning Policy and Practice)</td>
<td><strong>CULS</strong></td>
<td>£500</td>
<td>Stephanie Richards</td>
<td>Richard Alty</td>
<td>Zachary Freud, Fitzwilliam</td>
<td>Harry Lewis, Sarah Galley, Shilpita Matthews</td>
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<tr>
<td>The CULS Prize for best overall performance in Part 1B</td>
<td><strong>CULS</strong></td>
<td>£500</td>
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<td>Ayrton Dhillon Selwyn</td>
<td>Ariane Dupas</td>
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<td>The Nigel Allington Prize for Best overall performance in Paper one</td>
<td><strong>CULS</strong></td>
<td>£250</td>
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<td>Patricia Behling</td>
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<td><strong>Postgraduate: MPhil Real Estate Finance</strong></td>
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<td>The Douglas Blausten Award for the best performance in the Real Estate Finance MPhil dissertation</td>
<td><strong>CULS</strong></td>
<td>£500</td>
<td>Adam Isaacs</td>
<td>Florian Unbehaun</td>
<td>Miss Quanzhi Yang, Queen’s College</td>
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<td>The Alistair Ross-Goobey Award for best performance in the Real Estate Finance MPhil</td>
<td><strong>CULS</strong></td>
<td>£750</td>
<td>Lucas Endl</td>
<td>Florian Unbehaun</td>
<td>Mr Luke Duckworth, St Edmund’s College</td>
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# Upcoming CULS Events

Please book tickets online (www.culandsoc.com) or contact the Society Secretary, Ali Young (01638 507843, info@culandsoc.com).

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Details</th>
<th>Venue Details</th>
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<tbody>
<tr>
<td>Thursday 12th October</td>
<td>Lunch with Roger Madelin CBE</td>
<td>c/o Savile Club, 69 Brook Street, London W1K 4ER</td>
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<tr>
<td>12.30pm for 1.00pm</td>
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<tr>
<td>Thursday 20th October</td>
<td>Lunch with Alexander Holroyd</td>
<td>Venue tbc</td>
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<td>12.30pm for 1.00pm</td>
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<tr>
<td>Thursday 26th October</td>
<td>Lunch with Danny Alexander</td>
<td>c/o Savile Club, 69 Brook Street, London W1K 4ER</td>
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<tr>
<td>12.30pm for 1.00pm</td>
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<tr>
<td>Thursday 26th October</td>
<td>Alastair Ross-Goobey Memorial Lecture given by Roger Madelin CBE</td>
<td>Freehills Herbert Smith, Primrose Street, London EC2A 2EG</td>
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<td>5.30pm for 6.00pm</td>
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<tr>
<td>Tuesday 31st October</td>
<td>Silver Street Group Halloween Wine Tasting</td>
<td>Ashurst LLP, Broadwalk House, 5 Appold Street, London</td>
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<td>7.00pm</td>
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<tr>
<td>Thursday 2nd November</td>
<td>Annual Careers in Property Fair</td>
<td>The Guildhall, Market Place, Cambridge, CB2 3QJ</td>
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<td>4pm-7pm</td>
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<tr>
<td>Tuesday 7th November</td>
<td>Lunch with Sir Tony Brenton</td>
<td>Savile Club, 69 Brook Street, London W1K 4ER</td>
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<td>12.30pm for 1.00pm</td>
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<tr>
<td>Thursday 16th November</td>
<td>Market Trends 2017</td>
<td>BDO, 55 Baker Street, London W1U 7EU</td>
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<td>7.45am – 9.30am</td>
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<tr>
<td>Tuesday 21st November</td>
<td>Dinner with Professor David Runciman</td>
<td>Savile Club, 69 Brook Street, London W1K 4ER</td>
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<td>6.30pm for 7.00pm</td>
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<tr>
<td>Friday 1st December</td>
<td>Lunch with Dr Charles Tannock MEP</td>
<td>Venue tbc</td>
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<tr>
<td>12.30pm for 1.00pm</td>
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<tr>
<td>Thursday 7th December</td>
<td>Varsity Match</td>
<td>CBRE box, Twickenham</td>
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<td>Time TBC</td>
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<tr>
<td>Tuesday 24th April 2018</td>
<td>Food City</td>
<td>Borough Market 8 Southwark Street, London SE1 1TL</td>
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<td>6.30pm – 9.00pm</td>
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<tr>
<td>Thursday 12th July 2018</td>
<td>AGM and Annual Dinner</td>
<td>Gonville &amp; Caius College, Trinity Street, Cambridge, CB2 1TA</td>
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The Cambridge University Land Society would like to thank the following for their generous support in 2016–2017:

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- Cobalt
- Recruitment
- Cushman & Wakefield
- Celebrating 100 years
- Dentons
- Deloitte
- Development Securities
- Europa Capital
- Grainger plc
- Grosvenor
- H
- IPF
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