

COMMERCIAL JOURNAL

ISSUE 2 | SUMMER 2018

From Carter Jonas

BPF FUTURE POLICY AGENDA

Melanie Leech,
CEO of the British
Property Federation,
talks change



22 Bishopsgate

Legendary developer,
Sir Stuart Lipton,
on his latest project

Terrorism prevention

Curing past mistakes

The Arc

Opportunities
around the
Varsity Line

Serviced offices / Student accommodation / Technology in property

WELCOME BACK...



Scott Harkness
HEAD OF COMMERCIAL

“Welcome to issue two of Commercial Journal. We set the bar high with our first edition and I’m pleased to say that I think issue two is equally as impressive, particularly in terms of our contributors. Once again we have focused on some of the most important matters relating to both our society and industry; I hope that you will find value in the thoughts and insights presented in the following pages.

It is clear that there is plenty changing within our sector, some of which needs to be embraced quickly. With this in mind, we consider in this edition a wide range of topics, from planning against terrorism, PropTech and how offices can work better.

In addition, I am proud to introduce, in my favourite article, a selection of our people at Carter Jonas. We have a highly skilled and committed team across all levels and it is refreshing to be able to showcase them.

Thank you to everyone who has given their time to this publication, it really is appreciated.

I very much hope you enjoy reading Commercial Journal.”



Peter Bill
**CONSULTING EDITOR OF
COMMERCIAL JOURNAL**

“Concern over the economy has taken second place to personal and planning matters since the publication of the first Commercial Journal last November. Brexit grumbles on, but as BPF chief executive Melanie Leech says, not that much will change. The changes reflected in the summer ‘18 edition are positive. The movement to bring women into more senior roles gathers pace. The desire for inclusivity is genuine. The views of the young are being sought as the web revolution snowballs. The pathways to property are opening up. People should find Sir Stuart Lipton’s views on the thoughts behind Europe’s largest office development illuminating.”

ISSUE #2 | SUMMER 2018

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Carter Jonas property specialists

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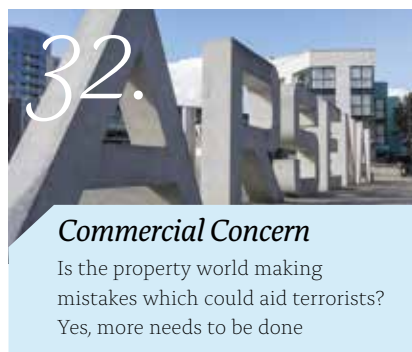
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SUMMONING VOICES

By Peter Bill

MELANIE LEECH ON BREXIT (PAGE 06)

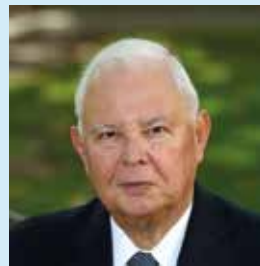
"Property is not as affected as other sectors" concedes the chief executive of the British Property Federation. "But we are worried about a loss of skills. In terms of sustainability and the like, our members would rather like things to stay the way they are. Nobody wants to see the rules loosened.

"EXPECT GOVERNMENT ACTION ON HIGH STREETS"

Some will see the ending of The Official Journal of the European Union as a good thing. But I think people are being naive to think public procurement rules will loosen. These rules protect public money and civil servants. The Government won't have much money for a long time to come. Public investment can only come via public-private partnerships. Our focus is gaining recognition of Build to Rent (BTR) as a recognised asset class and spreading the message to local authorities that BTR can help them achieve housing targets. Expect government action on high streets. We are suggesting that residential could play a bigger part, perhaps through the use of Permitted Development Rights."



SIR STUART LIPTON ON 22 BISHOPSGATE (PAGE 12)



"The problem with standard office buildings is the first thing you have to

do when you enter is to wait," says the veteran developer of Broadgate and Chiswick Park, the man now behind the 1.3m sq ft 22 Bishopsgate, which tops out at 912 ft later this year. "You should think of the building as being a hotel. The concept is a vertical village: 22 Bishopsgate has the capacity to hold 12,000 people. There will be food on floor two. On floor 25 there will be a very unusual gym which will contain its own altitude room where fitness fanatics can train in an oxygen-deprived space. On floor 41 will be a spa. On level 57 a club. The days of a single tenant occupying a building like this are gone. There will almost certainly be floors of flexible office space for those who need a whole or part floor for a fixed period. When you see the completed 22 Bishopsgate you will see the first in the next generation of offices."



Britain is currently planning to exit the European Union next Spring. This edition of Commercial Journal holds informative words on Brexit from Melanie Leech, chief executive of the British Property Federation. Also, Sir Stuart Lipton displays detailed plans for 22 Bishopsgate, the single biggest office development in Europe. These two household names are just two of more than 20 contributors to this second issue. Take instructive advice from Carter Jonas senior professionals, find out what makes others tick. Consultant James Dearsley warns of the challenges facing PropTech. Jean-Pierre Choulet, of Henley Business School, speaks warmly on the rewards of the Pathways to Property programme. An edited selection of voices appears below.

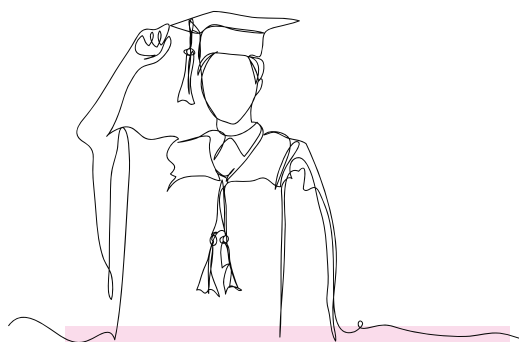
ABOUT PETER

Peter Bill is a journalist and author of Planet Property. He edited Estates Gazette between 1998 and 2011 and Building magazine between 1990-97. From 2007 to 2015 Peter wrote a weekly column for City pages of the Evening Standard. Today he writes for Property Week.

KATY DAVIS, CARTER JONAS, ON 'PLANNING BLOAT' (PAGE 32)

"If I were to list the reports that have to be put in some applications you would think the world had gone mad" says the planning partner at Carter Jonas. "The Government still talks about streamlining the 'planning process', you almost need to rip it up and start again. Outline planning applications have almost lost their function, with some authorities requesting extensive amounts of 'indicative' information akin to a detailed application. Applications that used to be three inches deep now fill three boxes. The problem is that planning committees tend to benchmark themselves against each other. If one starts asking for this or that report, so will all the others.

The result? Planning bloat. If council A asks for 15 reports on a 10-unit site as well as on a 100-unit site, so does Council B."



JEAN-PIERRE CHOLET ON PATHWAYS TO PROPERTY (PAGE 38)

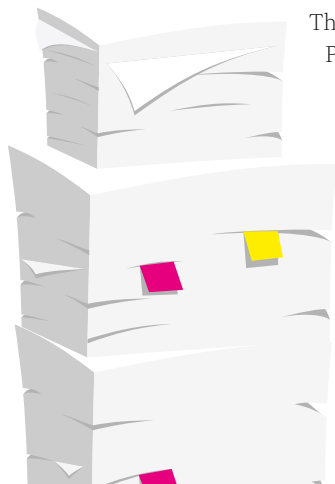
"These young students discover what they are capable of doing," says the director of development at Henley Business School. Choulet oversees the Pathways to Property summer school. "For the first time in their life they are exposed to top executives. Their self-worth soars when they present their projects and see the sparkle in the eyes of speakers who run billion pound corporations. They realise that they too are capable of making a successful career. It's wonderful to see. Now 10% of all those who attend go on to take property degrees. A few get bursaries, donated by supporting companies. We would like to be able to offer financial assistance to all. We have been surprised and gratified by the success of the programme. We want to double or triple the number of scholarships. That is my next task. To raise enough money."

JAMES DEARSLEY ON PROP-TECH (PAGE 42)

"PropTech is following on the heels of the FinTech explosion," says the founder of The Digital Marketing Bureau. "Blackstone acquired a \$3.3bn stake in commercial property management and leasing platform VTS in 2016. How is this a threat to property agents? Well the value chain here is that the property owner/investor would hire a managing agent to handle all day to day matters arising from such a role and that the managing agent would select the technology products of its choosing

**"SHOULDN'T MY
MANAGING AGENT BE
OFFERING ME NEW
INNOVATIVE AND
VALUE-CREATING TOOLS
AS PART OF THEIR JOBS?"**

in order to do so. That relationship is circumvented in the Blackstone-VTS tie up. The logical question other owners/investors will pose is "shouldn't my managing agent be offering me new innovative and value-creating tools as part of their jobs?" or "should I buy in a VTS-type platform"? And the natural conclusion of that is that they may not require a managing agent at all – something which Blackstone is comfortable with in many jurisdictions."





“OUR CHIEF
EXECUTIVE IS
UNDERSTATED BUT
**SHOULD NOT BE
UNDERESTIMATED**”





The British Property Federation, under the quietly effective *Melanie Leech*, is aiming to encourage more junior members of the property profession to engage in shaping policy. Over 600 up-and-coming professionals, anxious to do more than just network, have already joined the BPF Futures Group. Some have already made it through the doors of Number 10. Want to join them? It's surprisingly easy, even for students.

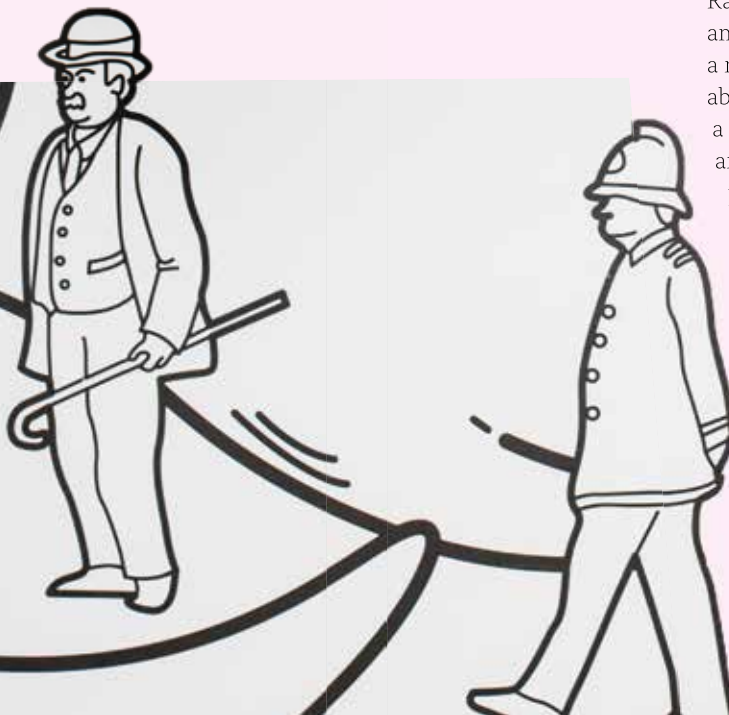
Commercial Interview

“FOUR THINGS STAND OUT FROM THE CURRENT POLICY AGENDA: HOUSING, HIGH STREETS, PROCUREMENT AND BREXIT”

The British Property Federation is not a ‘Big Boys’ club. Actually, let’s put that in a more suitable way. The BPF is no longer just a lobbying organisation which provides meeting space in Haymarket for the chief executives of just about every big property company in the land. An initiative called BPF Futures was launched by chief executive Melanie Leech last December. Aim? To embrace individuals with less than 10-years’ experience. By April more than 600 individuals who were anxious to do more than just network had joined. The group has already gained entry to 10 Downing Street.

“We saw a gap in the array of networking opportunities out there,” says Melanie, a 56-year-old former civil servant, who joined the BPF in 2015 after 10-years running the Food and Drink Federation. “We could see the need for a group that would not just focus on being a support network. Rather we wanted a group with another purpose. We wanted to create a network where people could learn about the policy environment and have a chance to input into our policy. We are hopefully creating a generation of young professionals who can become part of the future and leadership of the organisation.”

“We spent over a year looking into what was needed, because it is very important to us to meet the needs of younger people. We held a series of focus groups. A seven-strong advisory board has been set up by those who have joined. They set the agenda. They run the programmes. They have already had a meeting in Downing



Street with the Prime Minister's policy advisor, Jamie Cowling, on housing and planning. What has come out of that is a discussion about a meeting between the group and some of the fast stream civil servants in the Ministry of Housing Communities and Local Government and Homes England.

“WE ARE ALREADY THINKING OF BUILDING ON THE BPF REGIONAL STRUCTURE”

“If your company is a member of the BPF you can join for free. If your company is not a member, the company can pay for a number of staff to join. Or you can join as an individual. We're hoping it will be attractive to students. In February we held a Dragon's Den style gathering, where experts pitched their asset class to members. What's important to us is the diversity of views that we get. We don't want it to be just young professionals in London. We are already thinking of building on the BPF regional structure to have future meetings alongside other events we hold in the regions.”

This 'young folk' stuff does not mean the 23-strong organisation has forgotten its roots. Honour boards hang in the modest lobby, plaques beloved by public schools and golf clubs. The list of director's general (as they were once called) begins with this stately trio: Sir Eugene Melville (1974-80) Ex-Permanent Representative to the UN, Sir Donald Tebbitt (1980-85) Ex-

High Commissioner to Australia, Sir Peregrine Rhodes (1986-93), once HM's Ambassador to Greece. Then came combative Will McKee CBE (1993-2002), outgoing Liz Peace CBE (2002-2015) and now the understated Melanie Leech CBE (2015).

The quiet grind of influencing government policy continues unabated. The BPF has around 450 members, paying between £880 and £50,000 a year, dependent on size and sector. Only 31% are real estate companies. The bigger group (36%) are advisors; lawyers, agents, planners and accountants. Banks and finance houses make up 12%. The remaining 21% is made up of housing associations (3%) and a mixed bag of insurance companies and others with a passing interest in real estate. The finances look in a healthy state; a surplus of £323,000 was made in 2016 and net assets stood at £3.2m.

“Our chief executive is understated but should not be underestimated” said one BPF member, of Melanie, who read maths at St Hugh's Oxford before Whitehall. “She is engaging and highly intelligent.” During the period of the John Major premiership, Melanie was Principal Private Secretary to head of the Civil Service for three years. During the stormy post-Iraq war period between 2004 and 2005 she was director of communications at the Cabinet Office. Today her job consists of representing the interests of an industry with an abundance of powerful people to the government, channelled via 19 BPF committees.

“I expect to see a government push on a number of topics this year. We are suggesting that the residential

sector could play a bigger part. Perhaps though the use of Permitted Development Rights. Brexit? Well, we are hoping to see more details over the next few months. Property is not as affected as some of the other sectors. We are worried about a loss of skills and changes to the financial regulations. But in terms of sustainability, our members would like us to stay in line with the EU. Everyone accepts the need for more sustainable development. Nobody wants to see the rules loosened.”

“I THINK PEOPLE ARE BEING NAÏVE TO THINK PUBLIC PROCUREMENT RULES WILL LOOSEN”

“Some will see the ending of the Official Journal of the European Union as a good thing, for instance” says Melanie, “but I think people are being naïve to think public procurement rules will loosen. These rules are there for a reason, to protect public money and to protect public servants.” Melanie does see exiting the EU as an opportunity to “re-set the dial” on public and private partnerships. “The Government won't have much money for a long time to come. Public investment can only come via creative and innovative public-private partnerships (PPP). There is going to have to be a lot more PPP. Otherwise how are we going to fund our brave new future outside the EU?”



*Commercial
Sector Focus
Student Accommodation*

**“THE SECTOR
HAS CHANGED,
OUR INDUSTRY
NEEDS TO WAKE
UP TO THIS
REALISATION”**

Hello Student was set up in early 2016 to become the 'human face' and operational platform for Empiric Student Property, which owns 94 assets across the UK containing over 9,000 beds. By spring 2018, Hello Student was directly managing 62 of the sites. Operations director, Clint Bartman, gives his views on the fast changing sector and what students really, really want.

"We don't do halls, dorms or digs. We do homes. We pride ourselves on our substantial understanding of the student as a consumer and the emphasis on the customer experience. Today's students are spending a considerable amount of money on university fees. Their need for peace and quiet compels them to choose accommodation which is best suited for study.

"Many of our properties are distinctive converted buildings such as former schools, chapels and workshops. We are keen to maintain and renovate original features such as fireplaces and mouldings. This in part makes for a positive relationship with local authorities. In fact, we pride ourselves on our relationships with planning authorities.

"We seek out locations which are centrally located and close to the main university campus. This has the double benefit of enlivening city centres, while also reducing the conversion of much needed family homes. With student areas tending to be among the less expensive parts of a city, our brand has a regenerative impact.

"We rarely use Permitted Development Rights to gain permission for conversions, but PDR has been used on occasions. In cases such as these we will not act as developer, but we will forward fund the development. The use of local planning consultants is a priority for us, as it assists with the positive relationships with local authorities."

Build to Rent is also a mechanism used, more often than not at the local authority's request, or because the scheme has existing planning consent for private rent. While this use type has financial advantages, as empty units can be let through Gumtree or Airbnb, it tends to be avoided because it doesn't sit easily with the communal focus which is so central to our brand.

"WITH STUDENT AREAS TENDING TO BE AMONG THE LESS EXPENSIVE PARTS OF A CITY, OUR BRAND HAS A REGENERATIVE IMPACT"

Student accommodation should always be so much more than bricks and mortar. Our accommodation is more akin to that of a hotel than of digs. Communal spaces include gyms, cinemas and games rooms. Services exceed those of a hotel, encompassing social events, welfare monitoring and the all-important facility for receiving and storing Amazon parcels.

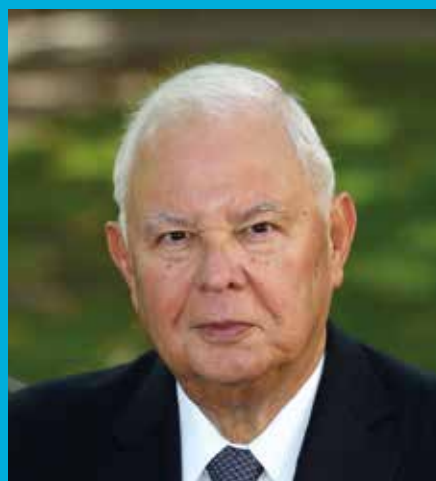
The sector has changed, our industry needs to wake up to this realisation. We need to meet these ever-increasing requirements from students. In the near future we expect to see an increase in innovative developers taking on the opportunities offered through planning vehicles such as PDR and BTR. Watch this space.



*Commercial
Interview*



“THE
CONCEPT
FOR THE
BUILDING
IS A
VERTICAL
VILLAGE”



Legendary developer *Sir Stuart Lipton* talks through the ‘occupants first’ thinking behind 22 Bishopsgate. The 62-storey tower in the City of London is currently the biggest office development underway in Europe. When completed next year, the 1.4m sq ft of space will be capable of holding 12,000 workers. Keeping them well and happy is the prime objective of the design by PLP Architects, which puts people on a par with caring for the planet.





22 Bishopsgate is the biggest single office development building in Europe. Located in the centre of The City. The 900-foot tower has been designed to be elegant, restrained and to fit into the town scape of the adjoining Tower 42, Gherkin and Cheesegrater, says Stuart Lipton.

The external glass wall is special. Most glazing looks black from the outside. Ours will be white as it has a hard coating and it's made of low iron glass with triple glazing. Each internal blind has a separate Internet Service Provider (ISP) address and can be controlled individually.

The concept for the building is a vertical village. There will be food on floor two and an innovation centre on floor seven. On floor 25 there will be an unusual gym with an altitude room where really keen athletes can train in an oxygen-deprived space. On floor 41 there will be a spa.

Level 57 provides a club for the use of building occupiers that includes an event space for up to 250 people. At the top there will be a public restaurant and bar. Below will be a free public viewing gallery available via timed tickets. In the basement there will be room for 1,700 cycles, including some Brompton bikes for hire.

The problem with standard office buildings is the first thing you have to do when you enter is to wait. This is not welcoming. A lobby should make you feel welcomed. You should think of the building as being a hotel.

We will have art on the walls, not marble. We are working on facial recognition systems linked to meeting requests to speed up entry. But we do recognise that some visitors will want anonymity and to be taken to a private lounge.

Many people going to meetings like to have pre-meetings. Instead of huddling in a nearby coffee shop, visitors will have access to the second floor where there will be cafés and restaurants.

FROM HELTER SKELTER, TO PINNACLE, TO 22 BISHOPSGATE

Peter Bill looks at the history behind Europe's biggest office tower.

The “Helter Skelter” first appeared in 2005, launched by German fund manager, Difa. The furled top of the Kohn Pederson Fox (KPF) designed tower and the bell-bottom base made it vaguely resemble a fairground ride, and towers attract nicknames like flypaper attracts flies.

The Germans sold the site in early 2007 for £200 million to an Arab consortium led by Khalid Affara. He kindly gave EG the first chance to publish pictures of the newly tweaked design, while I was editor. We put the name “Pinnacle” in the headline: my only (short-lived) claim on posterity. Work began, slowly, in 2008. But by the end of 2012, all there was to see was a £140 million 9-floor core, resting on piles driven 65 metres into the ground, deeper than any before in London.

But there was no money to pay builder Multiplex to carry on. Enter Axa as saviour. The insurance giant took over the project and appointed Sir Stuart Lipton and his business partner, Peter Rogers, as development manager. The architects who worked on the original design for KPF had left. Lee Polisano had set up as PLP Architecture. The team leader on 22 Bishopsgate, Karen Cook, had also joined Polisano from KPF. The original designs incorporated just under one million sq ft of lettable space. The new team, pushed that up to 1.4m sq ft, adding £500m to the end value of what's now called 22 Bishopsgate. The tower is 278m high and 90m by 40m on plan. A biggie. The shape defies nick-naming because it looks like, well, a tower. Permission was granted in 2015. Work restarted in 2016 and is due to finish in 2019.

“THE DAYS OF A SINGLE TENANT OCCUPYING A BUILDING LIKE THIS ARE GONE”

The purpose of the design is to respect the people inside it. We are trying to make people feel relaxed and engaged so they find it easy to work in a less stressful way, which typically encourages efficiency.

The floor plates are generally 87m long and up to 15m wide to the core. Floor to ceiling heights are 3m. The architects have designed 22 different facets to the façade which ensures you don't feel you are working in a box.

MORE THAN GREEN

We used to design buildings that were simply efficient and therefore ‘green.’ 22 Bishopsgate will certainly be that,

all the latest technology will be used to ensure the building is low energy. Plus, an offsite consolidation centre for tenants will reduce deliveries and free up valuable working space.

But we have to go further these days. The building has to be designed with the occupants in mind. 22 Bishopsgate has the capacity to hold 12,000 people. That's a lot of people to keep happy. One small thing, the stairs will contain art and have timber rather than metal handrails. Little things to encourage occupants to use their legs. Another small thing, kitchens on every floor will be connected to a vacuum food disposal system that sucks waste into a basement tank where it is dried and compacted.

This will be the first building in the UK to comply with the US “Well” standard. The American International Well Building Institute ensures designers consider more than just air

quality, water usage and acceptable lighting for occupants. Concepts are grouped under headings such as ‘mind,’ ‘fitness,’ ‘comfort’ and ‘nourishment’ oblige designers to think more deeply about the wellbeing of occupants. In January the Building Research Establishment published guidance on BREEAM and Well standard applications.

We hope to be opening in Autumn 2019. Letting discussions are underway. But the days of a single tenant occupying a building like this are gone. There will almost certainly be floors of flexible office space for those who need a whole or part floor for a fixed period of time to carry out a project. I think when you see the completed 22 Bishopsgate you will see the first of the next generation of offices. The space designed to care as much for the people working inside as caring for the planet by being ‘green.’

Commercial Inspiration

“COMPANIES IN OBSOLETE SUBURBAN OFFICE PARKS HAVE A BATTLE TO RETAIN THEIR BEST WORKERS”

The world of corporate real estate has changed rapidly over the last three years.

Far faster than the previous 20 years. *Frédéric Schneider*, partner at Carter Jonas, has spent 17 years attending to the property needs of those who examine continents rather than countries, while deciding where next to settle or fly. American isolationism, Chinese expansionism, Russian saber-rattling and, of course, post-Brexit uncertainty, cloud the sky.

If uncertainty clouds the sky currently, what is the opinion on the ground? There is more wariness. New economic and political barriers have been raised. More obstacles will likely follow. But warring political leaders seem unlikely to reverse 25 years of globalisation. Most pan-continental firms continue to operate much as before. Albeit, under shifting circumstances. Here is the mid-2018 position, as Frédéric sees things, starting with Britain and working outwards.

THE UK

The UK is the most expensive real estate market in Europe and the least friendly for corporate occupiers. But the welcoming business and labour environment tends to compensate. However, over the last three years, I have seen the disappearance of many regional HQ functions of US corporates, due to a centralisation of control and direct reporting to the US, assisted by improved technology.

“MANUFACTURING WILL CONTINUE TO LEAVE THE UK”

This “relocation” process started well before the Brexit referendum. The decision by Jaguar Land Rover to invest €1 billion in Slovakia was taken at the end of 2015. Manufacturing will continue to leave the UK, with the exception of activities related to the UK internal market and to those with no complex supply chains. Being close to a ‘hub’ of similar companies will become the most important factor for global corporates.

THE CONTINENT

The logistics market has seen tremendous growth. However, there is little suitable modern manufacturing space available. Time and time again we had to go down the “build to suit” route to accommodate clients in sectors as diverse as automotive and pharmaceuticals. To some extent cost is not an issue, the real challenge is providing the right space on time.

One of the main concerns, shared by US clients, is the scarcity of talent at every level. From a real estate point of view, the lack of labour in the construction sector has a direct impact. I am currently working on projects in Belgium, Germany, Switzerland, Italy and Hungary. The common issue is the difficulty finding architects, engineers and contractors, as most are at their full capacity.

I was recently in Warsaw to participate in a Society of Industrial and Office Realtors (SIOR) meeting. The biggest threat to the Polish economy and indeed the real estate market was a lack of labour in all sectors (including the construction industry). Without the 200,000 Ukrainians living and working in Poland, growth would be seriously hindered.

AMERICA

America is experiencing a painful, permanent downsizing in the retail sector as the distribution of goods shifts from main street to out of town warehouses. The number of U.S. store closures is expected to jump by a third in 2018, to more than 12,000. Forecasters warn another 25 major retailers could file for bankruptcy this year. Last year was a record year for retail, and not in a good way. There were over 7,000 store

closures and more than 600 bankruptcies in 2017. As e-commerce keeps growing, the retail sector’s need for commercial real estate isn’t disappearing, but rather is shifting as industrial real estate plays an even bigger role.

“THE NUMBER OF U.S. STORE CLOSURES IS EXPECTED TO JUMP BY A THIRD IN 2018, TO MORE THAN 12,000”

Demand for labour has been robust and has accelerated this spring as a part of President Trump’s tax reform dynamics. Finding labour to support expansion has become challenging, resulting in wage pressures. Similar to the UK, another of America’s workforce challenges is meeting the expectations of millennials, particularly in the office sector. Their college campus experience has them accustomed to comfort, access and options. When they set out to the workplace, they look for similar experiences. Companies in obsolete suburban office parks have a battle to retain their best workers. A “sense of place” with good public transit, a good mix of activities and amenities, is the trend.

Frédéric has more than 17 years’ experience across EMEA and Asia Pacific in corporate real estate strategy, transaction management and due diligence on corporate acquisitions. He has extensive experience with some of the largest global corporations including Dana, Manpower Group, Pitney Bowes and Sappi. In the past he has acted as President of SIOR European Regional Council and a member of the International Advisory Council.

**Commercial
Spotlight:**
The Arc

OVER- ARCING PLANS

Draw a line from Oxford to Cambridge that arcs through Milton Keynes. Examine the plans for a new Varsity Line, linking the globally recognised seats of learning. Five new towns containing 130,000 new homes are planned. Developers are already seeking land (p 22). Read the expert's views given at an event, ahead of the Adonis report, which calls for the setting up of a new planning authority (p 23.). But first, gain an insight here into the thoughts of Carter Jonas' head of commercial, *Scott Harkness*, on how the firm plans to expand.





“I CAN SEE OUR
COMMERCIAL
BUSINESS
DOUBLING
IN SIZE OVER
THE NEXT
FIVE YEARS.”

*“THOSE WHO
LIKE THE
PARTNERSHIP
MODEL, LIKE
OUR CULTURE”*



Sybil the parrot inhabits the Cumnor Hill home, near Oxford, of Scott Harkness. The head of commercial, who works within the London head office, has big plans for his £18m side of the business.

Bragging violates norms of modesty and politeness. Scott Harkness is no bragger. So, let's have a client open this profile on the Head of Commercial at Carter Jonas. "I've known Scott for some time," says Piers Scrimsham-Wright, Managing Director of Oxford Science Park. He is a man who never over-promises, never says just what he thinks you want to hear, he gives well-considered opinions, then delivers what's agreed. In short, I trust Scott." These virtues may well have helped Scott become head of the Commercial Division in 2012.

"The commercial side of Carter Jonas has grown quite quickly," admits Scott. "In 2015 we were a £6m business. This year we aim to be a £18.3m business. Over the last three to five years we have tripled in size. I've been very focused on non-transactional work. That is because we needed to grow our scale to be able to deal with larger instructions, also to act as a national operator. Over the next two or three years we'll be looking to take on much more transactional work. Currently 30% of our commercial business is transactional, 70% consultancy." A plan that involves doubling in size again.

Scott, now 53, joined Carter Jonas in June 2007, after moving his Oxford-based commercial arm of Thomas Merrifield into Carter Jonas. He still lives in Oxford, on Cumnor Hill, with wife Anne, who works for the University. Youngest daughter is at

school. Oldest daughter is on a post-degree conversion course to become a lawyer. Between are two sons. The elder just finished an English degree at Bristol, the younger is studying Criminology at Cardiff.

He has a desk in the Carter Jonas Oxford office. When at work he spends most of his time at One Chapel Place, Carter Jonas' head office, adjacent to Debenhams on Oxford Street. He's busy working on an ambitious plan. "I can see our Commercial business doubling in size over the next five years."

Over the past three years Carter Jonas has been actively hiring staff from firms which have been incorporated into global consultancies or banks. "We've definitely benefitted from consolidation in the sector as a partnership structure always has its attractions. Those who like the partnership model, like our culture. "We see this as a very important part of our business, it helps attract recruits."

Today 157 Carter Jonas Commercial staff are spread across six offices around the country. The larger hubs are in London, Oxford and Cambridge, with three growing offices in Bath, Leeds and Winchester. Where to next? "We've been in Leeds a long time, but we're now looking to expand our presence further" says Scott "then growth into the Midlands is next." Actually, Scott has his eye on quite a few markets. "Also, it would be stupid for us to ignore the emerging opportunities within the 'triangle' or 'arc'. As a firm we have 265 specialists placed across London, Oxford and Cambridge, we know these markets inside out. The area has an opportunity to be world renowned for its technology clusters, some suggest it already is, either way we intend to be there every step of the way."

So, with an ambitious expansion plan, what sort of people is Scott

looking to hire? "First and foremost we're after intelligent people who are ambitious. But putting that aside, we need people who can interact with everyone in the firm, across all levels. People who feel comfortable talking to others. It's the people skills we look for. We're competing on a lot of work with the biggest firms. We need people who can go head-to-head with them, win the job and deliver exceptional work for our clients."

"IT WOULD BE STUPID FOR US TO IGNORE THE EMERGING OPPORTUNITIES WITHIN THE 'TRIANGLE' OR 'ARC'"

But what sells Carter Jonas? "We have the business capability to deliver just as well as our larger competitors, actually I would say better, but then I'm biased. During pitches we inform the client that the individual in the room is the person who will be doing their work. They will run the team and stay in control. We're selling skilled professionals and a principled brand. We therefore need people of unmistakable integrity. They've got to reassure any new client that Carter Jonas can be trusted. That can only be done by the person delivering the pitch."

He's straight talking, highly ambitious and certainly approachable. But what about Scott would surprise his division? "No one knows I have a pet parrot" says Scott with a big grin "she's called Sybil, I've had her a little while now." Well I guess the secret is out.

Commercial Spotlight: The Arc

“THE ARC HAS THE POTENTIAL TO SUPPORT 1.1 MILLION NEW JOBS, GENERATING £163BN”

Lord Adonis has come up with the brainy idea of linking Oxford and Cambridge with a new ‘Varsity Line’. A track which will arc through five new towns with the capacity for 130,000 new homes. Land buyers are already active, we looked at the facts.

The National Infrastructure Commission (NIC), led then by Lord Adonis, has ways “to maximize the potential of the Cambridge–Milton Keynes–Oxford corridor as a single, knowledge intensive cluster that competes on the global stage.” Since this occurred, house builders, commercial developers and land funds have been scouting the region.

The Cambridge–Milton Keynes–Oxford Arc is home to 3.3 million people. It stretches 130 miles from Cambridge, via Bedford, to Oxfordshire. The population is up 30% since 1990. Housebuilding rates will need to double to cope with expected population growth. Between 2012 and 2015 an

average of 12,250 homes a year were built. The NIC say The Arc has the potential to support 1.1 million new jobs, generating £163bn of fresh economic activity. Patience. The Varsity Line won’t open much before 2030, says the NIC. The target date for spanning The Arc with five new settlements is 2050.

Developers, who have known government intentions for at least two years, are eager to option land along The Arc. Nigel Hugill, chief executive of Urban & Civic, was one of the first to take action. He retains good connections across Whitehall, forged from his experience ten years ago as a government housing advisor, after a three-year spell running Lend Lease Europe. Three days after the government proposed an Oxford to Cambridge regional planning authority, Urban & Civic announced it had taken options on 785-acres of greenfield land on the Claydon Estate near Calvert in Aylesbury Vale.

As Urban & Civic told the Stock Exchange, “the site adjoins the new High Speed 2 depot where the HS2 line will meet the proposed Varsity Line, within the Cambridge–Milton

Keynes–Oxford corridor, a priority area identified by the National Infrastructure Commission for new housing delivery.” Three days earlier Prime Minister, Theresa May, announced a key modification to the National Planning Policy Framework essentially endorsing the formation of a new planning region. Land deals in what’s becoming known as ‘The Arc’ are now deemed share price sensitive, as the odds on price rises shorten.

Attention is now focused on five settlements revealed the same date as the Prime Minister’s housing statement. Here more than 130,000 new homes have been sketched on the map. The Commission wishes to capture a fair proportion of the land value uplift to contribute to infrastructure costs. “Public investment in strategic infrastructure (must) not lead to large windfall gains for landowners at the expense of new communities” said Adonis. Government policy won’t crystallise for ages. But the NIC report is a good guide to how things will develop between now and 2050.

OXFORD

MILTON
KEYNES





CAMBRIDGE

“INTERNATIONALLY OXBRIDGE IS SEEN AS A COVETED GLOBAL BRAND”

The medicine went down well at a recent client gathering to discuss the development opportunities between London, Oxford and Cambridge. Aviva Investors, Barclays and Oxford Capital contributed their thoughts. Peter Bill went along to summarise the key points of the discussion.

Judgement perhaps, rather than luck, set the subject matter for discussion after Carter Jonas presented a set of commercial property forecasts to 150 clients at The Royal Society of Medicine in Wimpole Street. Last November the National Infrastructure Commission, chaired by Lord Adonis, issued a report outlining a vision for the Cambridge-Milton Keynes-Oxford Arc. In March, the Government announced proposals for the formation of an overarching planning authority. Established to cover the region where land enough for 130,000 new homes in five new towns has been identified.

The 45-minute discussion was introduced by Stian Westlake, Policy Adviser to the Minister of State for Universities. With him sat Andrew Appleyard, head of residential and alternative real estate, Aviva Investors, David Mott, co-founder, Oxford Capital and Juliet Rogan, head of high growth and entrepreneurs, Barclays. Scott Harkness, head of commercial at Carter Jonas made up the quartet. The discussion anticipated the announcement of the rebuilding of the Varsity Line connecting Oxford to Cambridge. Where is the money coming from? “The Government is looking seriously at the infrastructure and has a £5bn industrial challenge fund to draw upon,” said Westlake, who chaired the discussion.

David Mott highlighted the UK’s London-centric attitude to growth. “For most of the investment community, the area is seen as rather parochial, however internationally Oxbridge is seen as a coveted global brand. Pioneering digital companies are the number one career choice for the brightest graduates; they want to join a start-up rather than Goldman Sachs. But at the moment

these companies are concentrated around the Silicon Roundabout and a few Oxbridge science parks. The reality at the moment is 80% of all investment is going into London, mostly in the West End, Old Street and Shoreditch. That needs to change.”

**“IT’S NOT SURPRISING
THE SERVICED OFFICE
INDUSTRY MARKET
IS BOOMING”**

What sort of space was needed to attract start-ups to Oxbridge? Juliet Rogan said Barclays is keen to nurture tech entrepreneurs; “we are using empty space above branches to house start-ups - provided at a rent that covers our holding costs. The problem is how you move them up into larger spaces.” Andrew Appleyard said flexibility and hospitality is the key. “The buildings themselves need to be flexible and simple, but you also need to have a hospitality mentality and manage the building well. It’s not surprising the serviced office industry is booming. The model is here to stay.”

“ECLECTIC BEST DESCRIBES THE INTERESTS OF THESE FIVE CARTER JONAS STAFF”

As the son of fish and chip shop owners, *Philip* ensures the web pages sizzle. But he always finds time to play the agony uncle. Want a six-foot silver flea? Valuer *Peter* has written a sci-fi book, but the flea was real enough. *Daisy* could have become Prince Harry's Princess, well maybe. The former RICS Young Surveyor of the Year nominee runs and shoots netball for the company team. Multi-lingual *Michiel* is a 22-year-old Belgian on his final work placement before becoming a qualified personal assistant. He loves London but admits only to visiting museums. *Katy* loves to cuddle her Puggle. (Gonzo, it's a dog). The 27-year-old accountant from the Oxford office admits to being 'a bit of a foodie'. Her favourite restaurant? An old-fashioned Italian in Cowley. Eclectic certainly best describes the interests of these five Carter Jonas staff.



“PHILIP’S JOB MIGHT BE WORTH EXPLAINING TO THOSE WHO ARE NOT DIGITALLY SAVVY”

PHILIP TSANG

Philip Tsang’s mum and dad opened a fish and chip shop in Stratford, East London, not long after coming to the UK from Hong Kong over 45 years ago. Youngest of four, Philip clearly avoided chips growing up. The super slim 34-year-old helps run the digital marketing operation at Carter Jonas. His break-time activity is acting as agony uncle to members of the marketing team.

“He’s always happy to listen” says marketing executive, Katie Rogers. “Full of empathy,

wisdom and fun. If he can’t solve your problem, at least he can make you laugh.”

Philip’s job might be worth explaining to those who are not digitally savvy. Formatting and ping-pong emails to clients is easy enough to grasp. “Our open rates are above industry average,” he says. Keeping the website up to date is also obvious enough. But then he begins to talk about “having an SEO presence and paying Google to appear higher in search lists by buying ‘key words’”. At this point it might be better to not try and explain.

“Having a presence on Facebook, LinkedIn, Twitter, and more importantly on Google allows businesses to increase their brand awareness. Companies still need educating on how social media and search engines can bring in business and add value. It certainly works for FMCG (fast moving consumer goods) brands. Property isn’t quite the same so needs to be approached slightly differently, but we are making serious progress.”

Philip gained his IT expertise at Queen Mary’s, part of London University, where he studied Computer Engineering. This was followed by a masters in Marketing Management at Aston Business School in Birmingham. He also spent three months living in Nice as part of an exchange programme to study Luxury Brands Management. “My first job out of university was working at an interior design company,” he recalls. “I did that for two years. It really gave me an appetite for property. My uncle in Hong Kong is a successful property investor.”

The next six years were spent in marketing at a global recruitment company. But two years ago came the chance to work at Carter Jonas.

So, what does Philip like to do besides play agony uncle? “I like to explore London. I love discovering new bars and restaurants. Being a Londoner, there are always new places to explore. It’s a great city.” Where has he been lately? “Brasserie Zédel in Piccadilly. Great Place.”



**“NOWADAYS
PETER’S ARTISTIC
ACTIVITIES ARE
CONFINED TO
PROP MAKING”**

PETER FRY



Peter Fry has built a six-foot silver flea, a sarcophagus for a vampire, a goose and has written a science fiction novel for young adults. Startling activities for the Oxford-based Carter Jonas partner responsible for the four-strong valuation team covering Oxfordshire and the Thames Valley.

Nowadays Peter's artistic activities are confined to prop making, fitting it in the evenings after a full day of writing valuation reports. His only book was written on a sabbatical in Amsterdam, whilst his wife Wendy was helping manage risk at the HQ of Dutch bank, ING.

The writing took place in 2007, while minding his two boys, Edward, then six and Christopher, then four. Alas he was not destined to be the next JK Rowling, although he possibly chalked up almost as many rejections for his novel, *Reluctant Hero*, written under the pen-name Connor Freeman.

What is the novel about? Hero, Jake Turner, 15, is spirited away by an attractive female alien looking for assistance from war-like humans to defeat an unstoppable adversary.

Clearly not autobiographical, Peter's career started with Berkshire County Council after studying surveying. What was then Jones Lang Wootton whisked him away when they picked up Berks County Council outsourcing work. Peter spent the next decade with JLL, first in London, then Leeds. Subsequently moving back down south to Rogers Chapman, Peter was 're-acquired' when JLL bought the company. Our hero then escaped a second time by moving temporarily to Holland! After Amsterdam came spells with Hicks Baker and Vail Williams before joining Carter Jonas in June 2016.

Peter and Wendy today live in Wargrave, Berks. Their boys are now 18 and 15. When younger, both Edward and

Christopher attended a school nearby, which Peter says "puts on fantastic plays". "Christopher came home one day saying he needed a bell costume, as they were doing Dick Whittington and he was going to be one of three bells. The teacher liked my creation so much, I ended up making all three." Peter has now been called up most years since 2009...

"Once they needed a sarcophagus, to hold a werewolf vampire mummy. I did get slightly obsessed about it and spent a whole summer building it out of wood and papier mache. My last creation was a giant flea for a play written by TV presenter Matt Allwright.

"I originally thought about being an architect. But at the age of 18 the idea of training for seven years seemed too much for me. I really wanted to get out there and get on with life."

*“MY LAST
CREATION WAS
A GIANT FLEA
FOR A PLAY
WRITTEN BY TV
PRESENTER MATT
ALLWRIGHT”*



“DAISY SPENT 18 MONTHS OF HER LIFE ON THE REFIT OF THE APPLE STORE IN REGENT STREET”

Imagine if Daisy Fox-Pope had not been pipped to that one-year internship at Buckingham Palace in 2008. The now fully-qualified building surveyor could have been doing a survey of a grand old room. Prince Harry could have walked in, cut to swelling violins, hello Princess Daisy. The

vivacious 28 year-old, who graduated in 2010 from Reading with a construction management and building surveying degree, laughs at the idea. “I had two interviews at Buckingham Palace. The first no more than a ‘hello’ really. The second involved undertaking a condition survey of the roof and one room. I had to present my recommendations. It was tough but I got down to the last two.”

In 2017 the Carter Jonas associate was shortlisted in the RICS Matrics Young Surveyor of the Year Awards

in the Building Surveying Category. “It was certainly a career highlight” says Daisy. Earlier this year, Daisy managed a nine-strong team surveying the condition of 40 Lewisham schools. “The Council has an allocation of money for maintenance. We advised where it will be best spent.” Before joining Carter Jonas in January 2017, Daisy spent 18 months of her life on the refit of the Apple Store in Regent Street, when managing The Crown Estate’s Regent Street portfolio. “A lot of time and effort was spent moving one column, just to make the store symmetrical,” says Daisy, then at Cushman & Wakefield.

Daisy hails from Devon. Father, Clive travelled across the Middle East with an international engineering company. Mother, Anthea, was a teacher. Both are retired. Now they spend a considerable amount of time tending the grounds surrounding the family home near Salcombe. Brother Jack, 30, is an actor. Last summer he played the henchman/torturer in *Tosca* at Nevill Holt opera house in Leicestershire. Brother Charlie is a structural engineer in the oil and gas industry. Daisy attended Plymouth High School for Girls. After Reading came London; Daisy now owns a flat in Finsbury Park. “I am running The Great North Run in September for Prostate Cancer UK and have my first half marathon soon. I play tennis and I’m also a member of the Carter Jonas netball team. We play in a property league against other property companies. Great fun. Especially afterwards in the pub.”



DAISY FOX-POPE



**“THE
COMPOSED
YOUNG
BELGIAN
LIKES
TO VISIT
BUILDINGS
AND
MUSEUMS”**

MICHEL VERHELLE

Michiel, a 22-year-old Belgian student, will graduate this summer with an office management qualification, allowing him to work as a personal assistant. His home town is Kortrijk. Lille lies 20 miles south, over the French border. Michiel's first language is Dutch. However, he also speaks English, German, French and Spanish. In order to successfully graduate from his home town vocational college, Vives, Michiel needs to complete four months work experience at a place of his choosing. Not France? “No. I like London and I wanted to improve my English.” He chose Carter Jonas as a previous Vives student had travelled the same path.

The composed young Belgian likes to visit buildings and museums. He was asked to assist the Industrial team. “I thought people here would be more formal. But everyone is very friendly. And no, they don't send me out for coffee. In Belgium you go home from work, eat, then maybe go out for a drink with one or two friends. It is very different in London. Here, you go out for a drink after work with lots of colleagues, then go home. Sometimes late and sometimes without eating. I do like people in the property world. They are of course used to selling things and themselves.” Michiel currently lives in a £230 per week student unit, located in Wembley Park, 20 minutes on the Jubilee Line to the Carter Jonas head office at Bond Street.

What does a 22-year old with as many languages as digits on one typing hand want to do with the rest of his life? Older brother, Mathys, 29, has followed their mother and works as an electrician. Father, Bart, is a repair man in a retirement home. Thanks to Microsoft, Michiel's software skills are globally applicable. “I don't honestly know what I am going to do after I graduate,” he says. “London is a great city. I always used to read about stuff held in the British Museum when I studied history at school. Now I can go there when I want to see things. But I'd like to go to Japan or America. I'm not really sure.”

**“IF I MAKE THE
SLIGHTEST
DIFFERENCE TO
EDUCATIONAL
EMPOWERMENT
AND EQUALITY
THEN I’M HAPPY”**

KATY CROSS



A 'Puggle' is a cross between a Pug and a Beagle. Katy Cross has a prize-winning Puggle called Gonzo. The ambitious 27-year-old is head of commercial client accounting at Carter Jonas. She has a 1st class honours degree in accounting and economics from Oxford Brookes. "I was not massively creative at school," says Katy, "but I did have a flair for numbers."

Katy walks Gonzo near her East Oxford home, shared with her partner, Jevon, a process engineer, who programmes robots at the nearby BMW works. Her job is to manage her four-strong team in the Oxford office, located in Summertown. The team is currently being expanded to cope with increased workload. This gives the qualified accountant more resource in order to

provide the best service to clients for all property related financial matters, such as taxation, VAT and financial reporting.

Weekend time? "I love interior design, it gives me an excuse to shop for homeware. And however cliché it is to say, I'm a bit of a foodie," says Katy, who was brought up in East Sussex between Brighton and Eastbourne. "I enjoy cooking, trying out new recipes. It is very relaxing." Where does a foodie go to eat? "One of my favourites is a small Italian on the Cowley Road called Mario's. The décor is not to my taste, but the food is great."

Her degree was followed by two-and-a-half-years at the Oxford University Press, during which Katy gained her ACCA qualification. After that, Unipart

in Cowley. Over 18 months she gained a taste for property accounting, dealing with the real estate assets of the spare parts giant. Then came the switch to Carter Jonas in 2016. Katy now manages the accounting processes, routines and procedures in connection with the Commercial client portfolio, signing off payments of up to a £1m a week whilst keeping a watchful eye on client accounts. She also looks after the accounts for the small Brighton-based charity EduCrate, set up by a teacher friend, which ships educational materials to India. "Sometimes you just have to do your part, if I make the slightest difference to educational empowerment and equality then I'm happy".

“KATY ALSO LOOKS AFTER THE ACCOUNTS FOR THE SMALL BRIGHTON-BASED CHARITY”





“IT’S LIKE PROVIDING THE BANK ROBBER WITH THE PLANS TO THE VAULT”

An imaginative solution: The giant ARSENAL letters outside the Emirates stadium are there to protect against vehicle attack

Editorial credit: Philip Willcocks / Shutterstock.com

Commercial Concern

Too much information is being included in planning applications, warns *Katy Davis*. Over-detailed plans which may prove useful to terrorists being one issue. Another is the sheer bulk of documents now demanded. A way to remove sensitive information from private sector applications needs to be developed, perhaps along the same lines of the understandings developed to keep details of key public buildings off the internet.

On Thursday 7th July 2005 Katy Davis left home in Clapham, south London, at around 8.00 am. The then 24-year old planner was on her way to the RICS headquarters, opposite the Palace of Westminster. What became known as 7/7 was Katy’s deadline for her Assessment of Professional Competence submission. At 8.49 am bombs exploded in three tube trains, near Liverpool Street, Kings Cross and Edgware Road stations. An hour later the top was ripped off a bus in Russell Square. A total of 52 people tragically lost their lives.

Planning defences against terrorism now interests Katy. Designing-in measures against what the police call MTA’s: Marauding Terrorist Attacks. In March 2017 four pedestrians were sadly killed by a terrorist’s van careering along Westminster Bridge. On the 3rd June three terrorists drove a van over London Bridge and made multiple attacks around Borough Market. Eight

people died. “There is certainly more emphasis on terrorism now than there ever has been,” says Katy. “If you talk to the Met Police they will say they have been talking about this for decades, but now people are finally listening.

“But we don’t want our cities to look like places where people are living in fear. No one wants to have ugly steel bollards everywhere. Developers need to think about making buildings secure at the early design stage. It may not be their first thought that comes to mind, but it should be one of them. Owners have not only got to protect their staff but people around the base of the building.” Katy cites the giant ARSENAL letters outside the Emirates stadium. “They are there to protect against vehicle attack. Imagination is needed. It’s amazing what you can do at the early design stage.”

Katy is a partner in the 100+ strong Planning & Development team. She



came on board in 2014, when Carter Jonas bought Planning Perspectives, the specialist consultants Katy had worked at since 2002. Since then the amount of detailed development information posted on the internet has ballooned, partly due to ease of posting. Katy has two worries. One, the simpler it becomes to generate, distribute and review information, the more it seems to be demanded. Both public and private sector planners need to question what might be called 'planning bloat'. But Katy has a more pressing worry.

"We have got to be very aware of what information is put on the public record." The suggestion being that terrorists are just as adept at scanning planning records as any surveyor or agent. "At the moment we are putting everything up. Building plans, escape routes, everything. Applications now need to have the details of anti-terror measures employed. Should all this information be in the public domain? Information on the measures used to protect public buildings should never be disclosed. Councils ought to think more about the use of 'Sensitive Information in Planning Applications' and what is made public in private planning applications.

"There is also the issue of public safety". "Unfortunate events such as the Grenfell fire and London/Manchester terrorist events have increased the requirements for public safety measures to be documented. A sensible idea, hard to argue against. However, not all this needs to be documented in a planning submission. It's like providing the bank robber with the plans to the vault."

/ Katy is a chartered planning and development surveyor specialising in securing planning permission for major residentially-led and mixed-use developments in London. One of her current instructions includes advising Brentford Football Club and EcoWorld London on the delivery of Brentford's new stadium supported by 910 residential units.

"THE GOVERNMENT STILL TALKS ABOUT 'STREAMLINING THE PLANNING PROCESS', YOU ALMOST NEED TO RIP IT UP AND START AGAIN"

Planning applications are growing fatter constantly. An ethos of the 'more words the better' has infected the system. Ways to deflate 'planning bloat' are needed, if only to make applications more digestible.


"If I were to list the reports that have to be put in some applications you think the world had gone mad" says Katy. "There has been talk for years about streamlining. The Killian Pretty review of 2008 recommended applications should be made clearer, simpler and more proportionate. Nothing of consequence has happened. The Government still talks about 'streamlining the planning process', you almost need to rip it up and start again.

"Outline planning applications have almost lost their function, with some authorities requesting extensive amounts of 'indicative' information akin to a detailed application. Examples include details of construction sequencing and routes of delivery vehicles, a flood evacuation plan and a car park management plan. Some of this may not be known at the application stage, especially if not being promoted by the end developer.

"Applications that used to be three inches deep now fill three boxes. Authorities want full-on detail. Why do they need to know what sort of nesting boxes are specified? The problem is planning committees tend to benchmark themselves against each other. If one starts asking for additional information in a report, so will all the others. The result? Planning bloat. If council A asks for 15 reports on a 10-unit site as well as on a 100-unit site, so does Council B.

"There is more and more expectation that applicants need to go through the pre-application advice process first before making an application; yet any pre-application advice is without prejudice. Our suggestion would be for all this work to be given some weight and form a material consideration in the determination of a planning application." Surely some information is better captured by Building Regulations rather than the planning system.





“MANY PREDICT THAT IN TEN YEARS 30% OF ALL OFFICE SPACE WILL BE OCCUPIED ON NON-TRADITIONAL LEASES.”

The one-perceived flaw in the serviced office model has seemingly disappeared. Signing a 10-year lease with a landlord, then signing up occupiers by the day who might disappear in a month is no longer seen as a risk. Critical mass has been reached, boosted by serviced offices becoming the lease of choice in the booming tech sector. *Paget Lloyd*, partner at Carter Jonas, looks into how this sector has changed.



Image credit: WeWork
Built by Oktra

Commercial Trend

The co-working sector has been re-energised by innovative providers such as WeWork, The Office Group and Citibase, and with many landlords, such as The Crown Estate and British Land, having launched their own flexible office businesses. While the sector has previously been perceived as only existing on the margins of the office market, this opinion is now very much in the 'rear-view mirror'. The model is now perfectly aligned with the ever evolving needs of modern businesses, with the alluring characteristics driving the trend being flexible, cost effective space.

In the past, the cost of landlords renting space for a serviced office has often been higher than that of a standard sole occupancy office. The sector was perceived as 'outside' the core office market, so inflated prices and

questionable terms and conditions were often imposed on the operator. This was to reflect the potential risk to the landlord of operating outside of the standard rent model.

However, the fundamental up-shift in the sector means that unfavourable agreements which were once deemed a necessity are no longer required. In many cases, serviced office operators are more financially robust than traditional occupiers. In addition, the market is seeing increased competition between operators, which is aiding the uplift.

But what about the lease length? Surprisingly for a model which was previously perceived as 'unstable', the trend is currently for serviced office operators to look at taking long leases, often achieving lower rents as a result. This is because the long-term commitment is perceived to be directly



in line with their business strategies. In complete contrast, a ten-year lease commitment often cannot be justified by the traditional occupier.

When the model first arrived on the scene, landlords not only queried the stability of a serviced office, but also the fact that the office operators would be earning a profit directly from the property they were leasing. Another argument for heightening rents emerged, however this has now been discredited. With the high quality of co-working centres, there now seems to be greater awareness of the considerable costs serviced office operators incur and the 'value add' requirement which makes their occupation model work.

In reality, the margin that serviced office operators derive from their 'space' is really no different from the profits generated by standard occupying

businesses. That certainly appears to be how landlords are viewing the situation today. Now occupier and serviced office rents seem to be on a par. In rent review and lease renewal situations it is now realistic to assume that the willing bidder in the market is a serviced office operator and that their bid will be fully reflective of open market value.

The perceived differences between serviced and conventional offices is lessening all the time, I believe it will become 'one' market in a matter of a few years. Many predict that in 10 years 30% of all office space will be occupied on non-traditional leases. The transactional evidence derived from serviced office lettings can no longer be credibly discounted or 're-analysed' as it once was. In my opinion, the onset of the flexible working model can certainly be described as a revolution.

“IN MANY CASES, SERVICED OFFICE OPERATORS ARE MORE FINANCIALLY ROBUST THAN TRADITIONAL OCCUPIERS”

/ Paget Lloyd has specialised in lease advisory work for over 20 years, he currently leads the national Lease Consultancy team at Carter Jonas. His landlord clients have included Scottish Widows, AXA, Westminster City Council and Henderson Global Investors. The occupier clients he has represented include Bupa, Sainsbury's Supermarkets Limited, Tesco, Sue Ryder and National Grid.

Commercial Inspiration

“IF I HAD
NOT
ATTENDED
**THE SUMMER
SCHOOL**
IN 2015 I
WOULD NOT
BE HERE
TODAY”

The Pathways to Property initiative was set up in 2012 by leading figures in the property industry, headed by British Land chief executive, *Chris Grigg*. A consensus had emerged that too many entrants to the sector were from the same background, many with family connections in a related business. Whilst statistics being reported serve as a reminder that there is still much that needs to be done in terms of equality, the Pathways to Property scheme is at the forefront of diversifying the next generation. Property should be more accessible and attractive to a wider audience. We caught up with three of the programme graduates.



*“I NEVER DREAMED
OF JOINING THIS
INDUSTRY, I JUST
WANTED A WEEK
IN THE SUMMER
WHERE I WAS DOING
NEW THINGS”*





ABOUT THE PROGRAMME

This July, one hundred 16 and 17 year old students will get a taste of property at the summer school, the sixth programme run under the Pathways to Property initiative. The course was set up by the Reading Real Estate Foundation (RREF) and takes place at the University of Reading's Henley Business School.

Over the past five years the Pathways programme has:

- Engaged with more than 10,000 students, 2,500 teachers and careers advisors
- Run five summer schools attended by 410 students
- Given work placements to 175 students
- Offered Reading property degree places to 25 students

If you are interested in a career in property, or would like to support the Pathways to Property initiative, please contact Emily Archer at Pathways2Property@reading.ac.uk



ELEANOR'S TALE

Eleanor Prince took the first step on her career pathway in 2013. At the time Eleanor was in the lower-sixth at a large comprehensive school.

"I was browsing the University of Reading website and noticed this small advert for Pathways to Property" says Eleanor, who had already completed her GCSEs. "After taking a look, I thought property sounded like an area which covered a wide range of skill sets, so I applied for the 2013 Summer School. I thought it would at least give me the opportunity to have a think about what I wanted to do. There was a wide variety of people on the course" says Eleanor. "I enjoyed the lectures on sustainability and property law especially". That summer school was the first ever for Pathways to Property. Eleanor's A-levels ensured her of a place on the BSc (Hons) Degree in Real Estate at Henley Business School, University of Reading. Work placements came at leading property consultancies and in September 2016 at Lateral Property, after winning a prize from the developer for a project on partnerships in urban development. Eleanor has worked in the CPO and Valuation teams since winning a industry graduate place in September 2017. "I am not sure what specialism I will end up with yet."

ELLIE'S TALE

Ellie Hartland is also studying Real Estate at Henley Business School after attending the summer school in 2015. She told Property Week "I'd say the biggest lesson I learned was how directly linked this degree is to the industry. There are so many career opportunities available once you finish your degree. Most importantly you have the chance to meet industry professionals. What they do day-to-day is very encouraging and influential. If I had not attended the summer school in 2015 I would not be here today."

AURORA'S TALE

Aurora Barrett is following in Eleanor's footsteps, currently doing the same degree. Like Eleanor and Ellie, Aurora is a student ambassador for Pathways to Property. In March she told Property Week, "Since being introduced to the property industry I've been infatuated with the built environment. Most of all, I've become aware of how much fun and empowering the activities really are. I never dreamed of joining this industry, I just wanted a week in the summer where I was doing new things."

"THEIR SELF-WORTH SOARS WHEN THEY PRESENT THEIR PROJECTS"

Jean-Pierre Choulet is Director of Alumni and Development at the Henley Business School, which merged with Reading University in 2008. The former Vice President for Strategy and Development at the 'Grandes école' ESSEC Business School in Paris oversees the Pathways to Property summer school.

"These young students discover what they are capable of doing," says Jean-Pierre. "For the first time in their life they are exposed to top executives. Their self-worth soars when they present their projects and see the approval of influential people in the industry. They realise that they too, are capable of making a successful career. It is wonderful to see. So far, 23% of those who have attended the summer schools have gone on to take property degrees.

A few get bursaries, donated by supporting companies. Jean-Pierre would like to be able to offer financial assistance to all who go on to degree courses, which last three years. That means raising enough money to pay for at least 30 students. We have been surprised and gratified by the success of the programme. We want to double or triple the number of scholarships. That is my next task. To raise enough money."

Commercial Future

“THE PRIZE TO COME IS SOMEHOW CREATING THE ‘RIGHTMOVE FOR COMMERCIAL PROPERTY’”

James Dearsley founded his first business, The Digital Marketing Bureau (TDMB) in 2012. “We give a sh*t” is the fifth bullet point in his client pitch. “We risk our profit, not your reputation. We are innovative. We are geeks. We work differently.” Last year James collaborated with Eddie Holmes, in founding PropTech Consult, to offer guidance to the residential and commercial property sectors. “The digital revolution is under way amongst estate agents” says James. “There are a number of points which everyone should be aware of. Here I have highlighted my top three for the commercial sector”.

“DON’T LET AN OVER-CORPORATE APPROACH LEAK IN WHEN DEALING WITH START-UPS”

1

EXPECT TO SEE THE CONTINUED STRENGTHENING OF COMMERCIAL PROPERTY PORTALS

The sector can be grouped into three broad categories. These are; established companies, challengers and start-ups. This does not take into account the multitude of commercial property agents who run their own listing websites. The prize to come is somehow creating the ‘Rightmove for commercial property’.

The established firms have always offered commercial property search and have very strong website rankings and brand reputation as a result. Yet none have gained significant traction or established market leadership. A core criticism from the rest of the market is their tech looks and feels outdated. However, a group of the biggest commercial agents have recently linked up with EG to form the Radius Data Exchange, which is set to launch later this year.

The challengers and start-ups have received significant press attention. They build their tech primarily with the customer in mind. They don’t have the resource of the established businesses, but nor are they handicapped by the legacy issues.

What does this mean for the future? In my opinion, most current start-ups will be acquired by established

businesses. There simply isn’t enough market share for them all to thrive in the coming years. The only other option would be for them to work together with challengers to create a viable, long term, standalone business with the clout to take on the establishment. This is a decision many entrepreneurs will have to consider in the near future.

2

DON’T FORGET THAT OTHER SECTORS HAVE BEEN HERE BEFORE, TAKE NOTE

Otto von Bismarck said, “Only a fool learns from his mistakes. The wise man learns from the mistakes of others.”

With that in mind, let’s not forget that residential businesses have already faced several of the current challenges which confront the commercial world. While many within the residential sector have thrived under the pressure to evolve with technology, a number have not. If commercial firms simply dismiss the steps that residential businesses have taken in the past, many of them may also miss the window of opportunity. This is surely a mistake which doesn’t need to be made.

Daniel Fulbrook, head of digital at Carter Jonas, said: “The residential side of our business has had to adapt extremely fast over the past five years. We’ve done a considerable amount of research into consumer trends and adapted our user experience as a

result. In the last 18 months alone, amongst other things, we've launched 24 hour call handing, enabled online property offers, increased digital advertising, created client portals and experimented with virtual property viewings. I agree the residential digital revolution is underway, commercial is next on the horizon."

3

GRASP OPPORTUNITIES TO INVEST IN PROPTech, BUT BE CAUTIOUS

PropTech businesses are in high demand. There are many exciting opportunities out there, ensure you take advantage of them. Entrepreneurs are on the look-out for savvy investors who can add value.

If you're interested, the first step is to learn the language. Do you know your API's from your python or pen testing? If not, you may struggle to communicate with your potential investee. Make sure your team is up to speed. The golden rule is never to seek control, work as a partnership.

Also, don't let an over-corporate approach leak in when dealing with start-ups. Get the deal done in six weeks from term sheet to completion. Make sure your Investor Director has the right skills and experience to protect and maximise your investment. It is also essential that you hire an expert venture capital lawyer and allow them to guide you on market norms. Your prospective investee will be doing the same.

Finally, invest in a strong business, not an IPO moon shot. Many of these businesses will never make it to IPO and, even if they do, may never show any returns. Keep your money in your pocket, leave the moon shots to the daredevils out there.

WATCH OUT FOR OTHER INDUSTRIES, IT'S GOING TO BE INTERESTING

Property isn't the only landscape currently undertaking a 'digital revolution', others are at it too. Their progress could be a potential threat, or provide considerable opportunities. Here are the current industries to watch.

BANKS

PropTech is, in many ways, following on the heels of the FinTech explosion. Many banks have undergone their own digital transformation. Why is this relevant? Because banks have intricate relationships with property owners who are already their customers. Take RBS for example. Their head of strategy and innovation, Andy Ellis, says that home buying could be much quicker – "for example, when you visit a house for sale your bank will see where you are because of the GPS on your phone. Banks should be able to say, 'We've looked at your assets and liabilities, and have pre-approved a mortgage.'" Note, this is a bank saying, we are looking at how technology can improve property transactions. If the finance and property industries can work together, the future customer experience could be exceptional. If not, we could get left behind.

PRIVATE EQUITY

Blackstone acquired a \$3.3bn stake in commercial property management and leasing platform VTS in 2016, making them very early investors. How could this impact the property world? Well, currently the property owner/investor would hire a managing agent to handle the day-to-day matters arising from the property. The managing agent would also usually select the technology products they wish to use.

However, the Blackstone-VTS tie-up throws a spanner in the works. The logical question which future owners/investors will pose is "shouldn't my managing agent be offering me new innovative and value-creating tools?" Or - should I buy in a VTS-type platform. In the future, they could come to the conclusion that they don't require a managing agent at all. Again, this provides further evidence that the property world needs to collaborate closely with other sectors. If we don't grasp the opportunity to provide our customers with the latest technology, someone else will.

*Commercial
Question*

**“KEEP THE
BUILDER ON
THE TRUE
PATH BY
RETAINING
THE ORIGINAL
ARCHITECT
AS A ‘DESIGN
GUARDIAN.’”**

Commercial Journal explores two tricky Design and Build questions. Can a developer gain added value by retaining the original architect as supervisor? Can a planning authority effectively ensure the original designers plans are not ‘devalue engineered’?

Value engineering can become de-value engineering in unqualified hands. A maxim of which developers intending to replace a qualified architect with a design and build contractor should be aware of. De-value in the literal sense. Cheapen the interior finishes, cut the cost of the building envelope. In five years' time a buyer will slash the price by at least the figure on the dilapidations schedule. Or does the benefit of a single point of responsibility outweigh these possibly exaggerated dangers?

Alain Torri is head of architecture at Carter Jonas. The Italian-born architect, who graduated from Politecnico di Milano in 1999 and qualified in 2001, today works with a 10-strong team. "Design and Build is an excellent solution for delivering construction projects, when it is used in the right way and on the right project. Design and Build contractors should be responsible for construction quality, of course. But contractors can be focused on cost. The danger faced by the developer is that by allowing the substitution of specified materials for lower-quality products, there could be further trouble down the line."

Alain's argument is this: "Contractors often employ 'executive architects' to oversee construction. But the original concept designer, who developed the brief together with the client, knows better than anyone else which parts really matter and where the compromises can be struck. An executive architect who has not participated from an early stage can never have the right level of knowledge."

There are bottom line and social benefits as well, says Alain. "The quality of design can have a favourable impact

on the cost and ease of maintenance of buildings, which can affect the overall value and life-span. Well-designed spaces also generate economic and social value. The original designer is always going to be the best person to make the right suggestions and decisions about value engineering"

“THE ORIGINAL DESIGNER IS ALWAYS GOING TO BE THE BEST PERSON TO MAKE THE RIGHT SUGGESTIONS AND DECISIONS ABOUT VALUE ENGINEERING”

In other words, stick with the architect who has designed a project to ensure it not only looks good, but will also stand the test of time. "God has been built into the detail" to purposely misquote the German-American architect Mies Van der Rohe. Design and Build contractors tend to be agnostic on detail. "Keep the builder on the true path by retaining the original architect as a 'design guardian.'" That's the way to prevent value engineering becoming de-value engineering.

Alain's wishes may become true. Housing Minister Dominic Raab hinted in April that local authorities will have more power to insist on developers retaining the original architect in the new National Planning Policy Framework, due to be published this summer. "We think we have a much better framework with the new NPPF for design to be taken more seriously.

We want to see planning permission work like a contract for what's delivered so there are teeth for a local authority to hold them to account for the undertaking they have made."

Design and Build has been around for at least 50 years. The method works well for developers. Single point responsibility and price certainty are powerful attractions. Even so, planning authorities sometimes find themselves presented with schemes by high quality architects "good at getting planning," only to find them removed from the job later on. Relax. A little-known option is already available to those worried that having given permission for a five-star design, it could end up as a three-star product.

Planners might think of building in "the Robert Adam clause" into Section 106 agreements. Adam is an architect who was fed up with fellow professionals being dumped once they had gained planning. In 2010 he persuaded the Royal Institute of British Architects to employ solicitors Herbert Smith to draw up legal rules under the title "Protecting Design Quality"

The clause, obliging the developer to protect the quality of the original design is "not a perfect guarantee of the quality of the final design," concedes Herbert Smith, "but it is probably the best available under existing UK law." But the clause continues: "As a final safeguard, the occupation of the development will not be permitted until the architect or a replacement architect has certified the satisfactory completion of the design." That sounds a pretty powerful sanction.

/ Alain Torri is an expert architect with 20 years' experience in the field. With his highly contextual design approach, Alain has successfully led numerous projects across many sectors with particular emphasis on cultural, education and residential sector clients.

Commercial Research

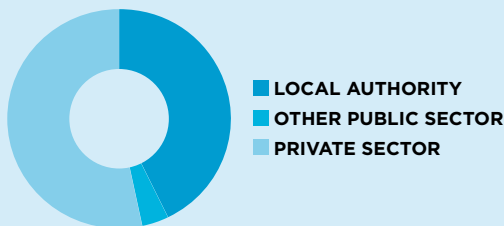
FIXING OUR TOWN CENTRES

For over a decade, our high streets have been battered by the ‘perfect storm’ of recession, rising business rates and increased competition online. Carter Jonas is working with Revo, the national membership organisation for retail property and placemaking, on a long term project to understand the extent of the problem and identify some potential solutions.

We spoke to a selection of local authorities, investors, developers and other key stakeholders.

Here is a selection of the findings to download the full report visit carterjonas.co.uk/fixingtowntowncentres

RESPONDENT PROFILE



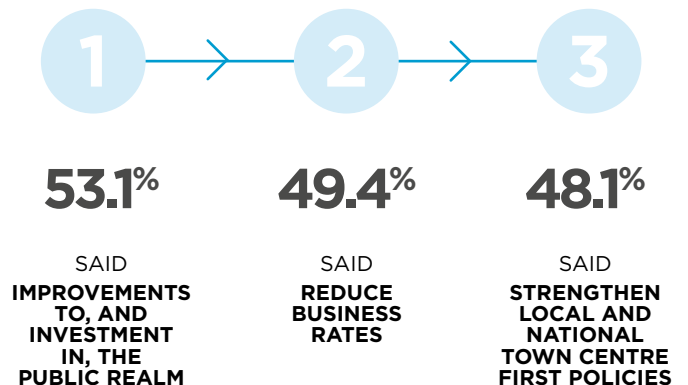
*over the next 5 years
 **by local authorities, 2013-2017
 Source: Property Data

TOP 3 CHALLENGES FACING BRITAIN'S HIGH STREETS*



MOST IMPORTANT INITIATIVES REQUIRED TO DELIVER TOWN CENTRE REGENERATION*

Respondents could pick multiple answers, the below were ranked the highest



PREFERRED FUNDING MODELS FOR REGENERATION PROJECTS

Respondents could pick multiple answers, the below were ranked the highest

66.1%

SAID

JOINT VENTURES/
PARTNERSHIPS

51.6%

SAID

PUBLIC SECTOR FUNDING

40.3%

SAID

GRANTS

LOCAL AUTHORITY INVESTMENT INTO COMMERCIAL PROPERTY**

£3.8 bn

TOTAL INVESTMENTS IN THE UK FOR...

SHOPPING CENTRES £0.6 bn

OFFICES £1.9 bn

RETAIL WAREHOUSES £0.4 bn

OTHER SECTORS £0.9 bn

HOW ACTIVE ARE TOWN CENTRES IN PRIORITISING REGENERATION?

76.5%

of all respondents have been involved in planning, funding and/or developing town centre regeneration projects over the last five years

WHAT DO THE EXPERTS THINK OUR RESEARCH REVEALS?

Michael Prosser, partner, Carter Jonas:

"It is clear that local authorities have moved quickly to assert themselves as key stakeholders in town centre ownership. However, what we are seeing is a considerable difference between councils who simply want to create a long-term income stream, and those who are using the opportunity of 'cheap money' to bring forward regeneration within their jurisdictions. Only time will tell whether the private sector will fully engage with councils in order to source the necessary expertise and financial backing. Ironically, it will be factors outside of the retail sphere that dictate speed of delivery; the health of the residential and PRS sectors will be critical. Local authorities also have an additional challenge, applying and maintaining planning standards to their own regeneration projects. As the in-town retail market and consumer shopping patterns continue to evolve, it will be interesting to see how traditionally cautious local authorities balance the need for income with the aspiration of place making."

Ed Cooke, chief executive, Revo:

"The statistics show that councils have emerged as significant owners of commercial property. Owning commercial property not only generates long-term income for local authorities, it enables them to play a more active role in reshaping their urban environment to ensure they remain at the heart of communities. Given the pace of change in the retail sector in particular, it is essential that the public sector draws on the expertise and resource available in the private sector to manage and re-position these assets, so they remain relevant, vibrant and income-producing. The future success of the UK's urban environments relies on better collaboration between the public and private sectors."



CLOUDS

WE KNOW WHERE TO FIND THE SILVER BITS

When the forecasts get gloomy, our team of extraordinary people can draw on years of expertise to provide enlightening wisdom.

Silver linings are as sure as rain, when you know where to look.

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