BE NEWS

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HOW TO TURBOCHARGE INVESTMENT IN THE REGIONS

Industry figures joined *BE News*, Avison Young, the West Midlands Growth Company and DWF for a lively debate on how to distribute growth more effectively around the UK

INDUSTRY GUESTS:

Paul Beacom, development director, MRP

Gareth Berry, senior inward investment manager, Cardiff Capital Region

Nicola Elsworth, director of strategic growth, Tameside Council

Lisa Gledhill, managing director, national partnerships, Muse

Derek Griffin, head of acquisitions, Whitbread

Amy Harhoff, chief executive, East Midlands Combined County Authority

Stuart Howie, principal and UK devolution delivery lead, Avison Young

Neil Impiazzi, partnership development director, SEGRO

Tan Knowles, North West regional development manager, Stepnell

Richard Lawrence, executive director of place, prosperity and sustainability, Birmingham City Council

Adam Mirley, director, Savills

Danielle Phillips, assistant director, inward investment and business growth, North East Combined Authority

Neil Rami, chief executive, West Midlands Growth Company

Mark Russell, chief information officer, real estate, Federated Hermes

Tim Shaw, senior director, Kier Property

Kirsty Siviter, senior business development and marketing manager, DWF

Liz Hamson, editor-in-chief, *BE News* (chair)

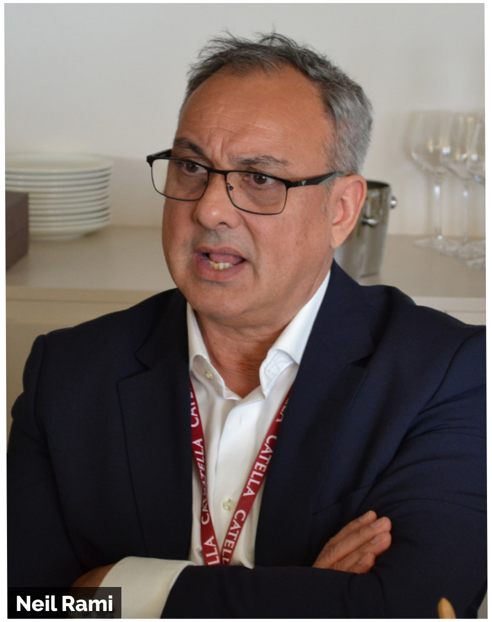
Public and private sector developers are optimistic about the potential for regional UK growth, despite challenges caused by complex global economic shocks.

The challenge of how to distribute growth more effectively around the UK was the topic of our MIPIM Regional Investment Roundtable, sponsored by Avison Young and hosted by the West Midlands Growth Company and DWF.

Chair Liz Hamson, from *BE News*, kicked off the debate by asking how optimistic the panel felt about the year so far, and about the investment outlook for the next 12 to 18 months.

The West Midlands Growth Company's Neil Rami set the tone: "We've got a BTR [build-to-rent] pipeline that's as big as I've ever seen in my working career – well over 30,000 units – and it's all fundamentally driven by the market assessment of our growth," he told the panel.

"At a time of uncertainty, investors are looking for a level of stability, but also some


Neil Rami


Tim Shaw


Gareth Berry


Amy Harhoff

long-term policy thinking."

Commercial developments can be more challenging than residential ones, conceded Rami. But he added that the Paradise scheme in central Birmingham, aided by Enterprise Zone (EZ) funds, is now mostly filled. "It's a classic example of the public and private sector working together using EZ-funded support," he said.

Pipeline of opportunities

Gareth Berry of the Cardiff Capital Region agreed that the industry was confident. "We've got a pipeline of opportunities," he said. "For me, the focus for the next six to nine months is moving projects closer to being investment ready, and then focusing on delivery. If we can do that, we will get things delivered. There's an appetite to do deals."

However, Berry did identify a possible mismatch. "There's a bit of a gap between what we see in the public sector as investment ready and what investors see as investor ready," he explained, adding that closing that gap was on his agenda.

Amy Harhoff, of the East Midlands Combined County Authority, described herself as "probably irritatingly upbeat" as the region was entering a new era. Being better prepared to engage in public-private partnerships is a key part of that optimism, she said.

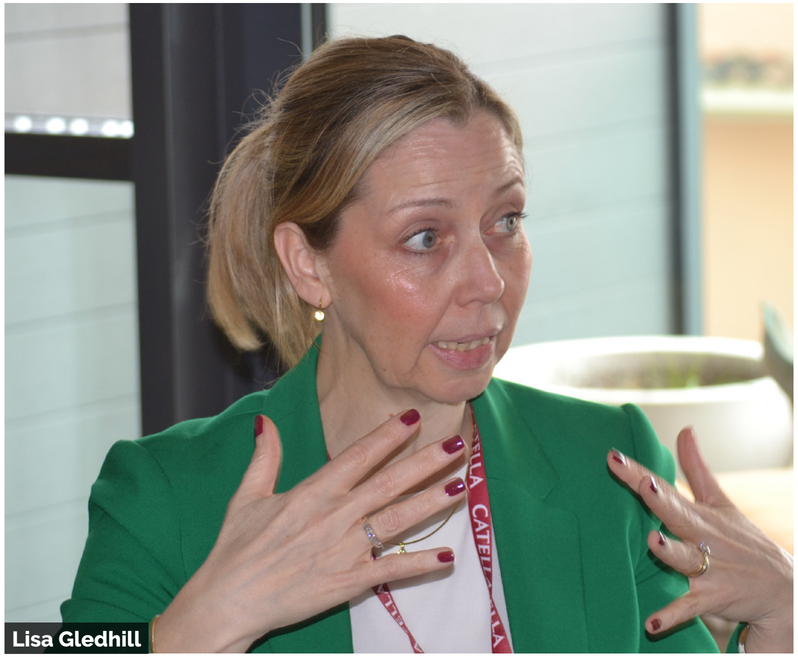
> ***For me, the focus is moving projects closer to being investment ready, and then focusing on delivery***
>
> *Gareth Berry*

"I represent a large, very new mayoral combined authority in a region that's really suffered for a lack of public and private investment," she added.

"We're now in a place where we can have a much better conversation with the private sector about growth, because we have multi-billion-pound flexible funds to be able to invest in projects. We have the first regional growth plan.

"We have, for the first time, a Regional Transport Authority," Harhoff said. "We have strategic confidence to have a better conversation with the market, and we're starting to see that move into practical projects."


Tan Knowles



Lisa Gledhill


Danielle Phillips

Asked what actions would best enable the sector to take advantage of all this optimism, Kier Property's Tim Shaw provided a private sector perspective: he said that "breaking down the opportunities into something that's deliverable" could be a key tactic, along with clear communication of planning strategies and limitations.

Some development goals are huge, for example. "You can break those into hundreds of millions or even billions [of pounds]," he said. "You don't need to go, necessarily, much smaller than that, because of the cost of going out to procurement to find a partner. It sounds like a lot of authorities are looking to do that, bring in a major investor or private developer partner, to unlock and to trigger investment or development or both."

Shaw added: "From our perspective, those work well when we know that the planning context, the planning officers in the council, the leaders of the council, the members of the council and the mayor of the council are aligned."

He cited Watford Riverwell as a case in point. "We've got a majority of Lib Dem in that council," he said. "But the officers, the leader, the mayor and the members, no matter their political persuasion, are aligned, and they've had a stability of 20 years. That's allowed that project to really accelerate and deliver."

Aligned working

Danielle Phillips of the North East Combined Authority questioned how a new authority such as hers could meet similar ambitions without such a two-decade legacy of aligned working. "How can we best support ourselves to have better conversations, to be on the same page? What advice or what reflections have you got on how to accelerate that?" Phillips said.

Muse's Lisa Gledhill suggested a 'buddy' system with more experienced organisations. "We've got experience of dealing with

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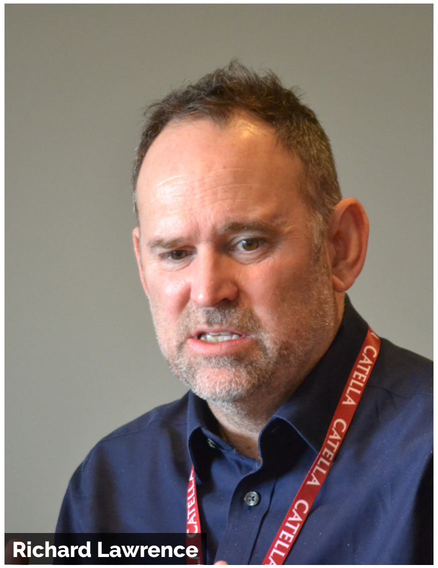
>
> *Danielle Phillips*

▷

Stuart Howie


Kirsty Siviter



Richard Lawrence

combined authorities that are within a range of maturity models," she said. "Most problematic is when there's a fear to make decisions and to be pragmatic."

She added: "If people get overly constrained by detail… if they don't have the confidence to understand what they're doing, and therefore know where they can be tight and where they can be loose, it means that you get caught up over things that commercially are just non-starters. You spin your wheels."

Bridging the gap

Stepnell's Tan Knowles said she supported the idea of a buddy system, having questioned what local authority representatives felt would help bridge the public-private gap to help organisations to work better together, and to get projects to market more quickly.

"Those who have opted out of the combined authority, like Lancashire, could really do with this sort of good practice being shown," she added. "In my opinion, it gets quite political but, ultimately, people in communities are missing out when you could do it this way."

DWF's Kirsty Siviter suggested that a focus on being prepared for legal and technical challenges could ease the passage of developments.

"We see it from the legal side," she said. "We're all about helping our clients and making sure that we get the project guidelines, that we get the project. The collaboration piece is so simple, when you take a step back and everyone's saying the same thing, sharing knowledge, collaborating, bringing all the partners together, all focused."

For Stuart Howie of Avison Young, the 'V' word – viability – looms over all projects and dialogues. "Greater Manchester and Birmingham, perhaps the two most mature [authorities], are pushing boundaries all the time," he said.

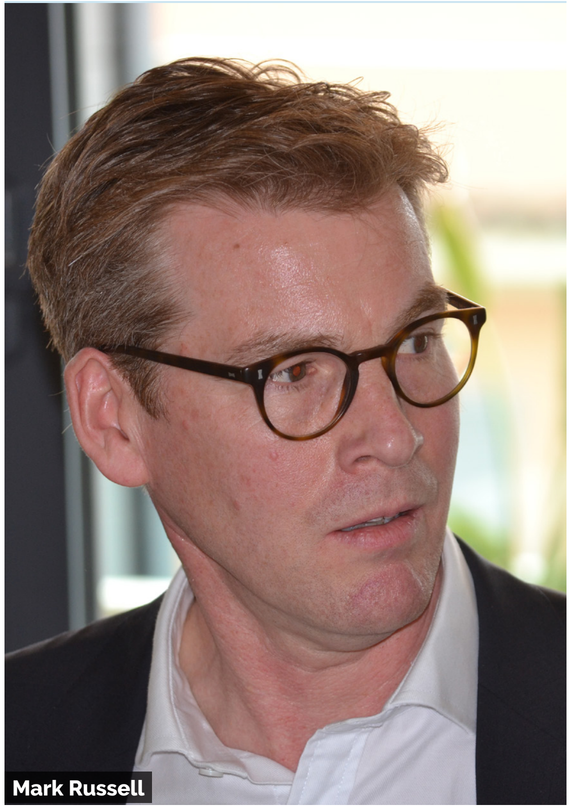
"The newer authorities are also stepping up, because there is only a certain amount of funding to go around. We can't do everything all at once. So, what are the priorities?"

He suggested that authorities make honest appraisals. "Once we get through A, B and C, maybe look at D and F, but be honest about how it stacks up," he said. "It has to work for the investors, it has to work for the public partners, and if we can't find the mutual overlap where the deal works for everybody, we can spend an awful lot of time going round and round. If there's a fundamental gap, we need to step back and ask if we can bridge it in a different way."

Birmingham City Council's Richard Lawrence argued that all regions, including London, had seen viability decrease due to global events. But he added that this reinforced the need for planning ahead.

"That long-term vision is key," he said.

Neil Impiazzi



Mark Russell

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>
> *Mark Russell*

Adam MIrley

"The difficulty is that we're all working in a political environment as well, which is very time-bound. There's a real push, especially for new combined authorities, to be seen to be delivering, in an environment where the market is slowing down.

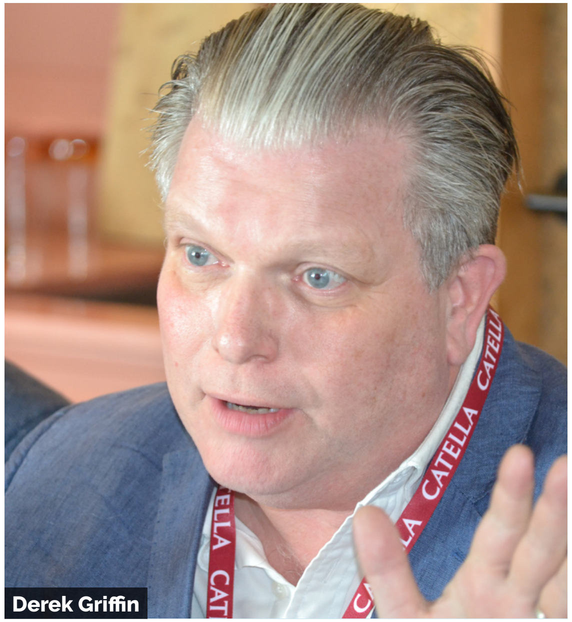
"It's tricky at the moment, but there will be a cycle where things pick up. It's about making sure that the preparation is done when the market is slower, so that when it does pick up, it can move at pace."

Neil Impiazzi of SEGRO called for an improvement in transparency and clarity to increase investor confidence. "Whether it's the UK government or a regional mayor, it's a real focus on creating an environment where you can deploy capital and be confident it's going to go through the planning system," he said.

"We've seen a lot of change in planning in our sector, which we welcome, but the real proof in the pudding is when you put money on the table to actually start building. That's where we see some of the challenges. "

Federated Hermes' Mark Russell said that it has become harder to convince investors to deploy capital. "In terms of fundraising, it's taking longer to raise less," he explained. "I think it's because the capital really has more options available to it, and some capital is trapped in previous vehicles.

"Ordinarily, that money would have been returned and would be available to reinvest


Derek Griffin


Paul Beacom

in new strategies. So the thing that I have heard in every conversation this week is two words: viability gap. It's across the sectors."

Savills' Adam Mirley said he sensed that the appetite for private sector investment was improving.

"I think what the public sector needs is innovation in terms of how they lend," he added. "The Manchester model of 'patient equity' is being demonstrated to work on the scheme in Stockport. They've been very selective of which schemes are getting it," he explained.

"There's only so much money that all these authorities have. So pick the schemes that you believe will actually pay back the cash. If you do that, then the private sector will be there to come in and fill a gap.

"Our research shows 19% growth across 10 years if you do a regen scheme – well above normal market inflation. So there is the ability, through development, to drive value growth and change places. There is enough evidence to say placemaking does help."

Growth boost

The panel was asked what funding or regulatory changes could give the biggest boost to regional growth.

Most of the biggest threats to growth come from outside the regions, argued Derek Griffin. "I'm referring to [US president Donald] Trump, I think, and activities that impact on inflation and the cost of money," he said.

"I think that they're the biggest threats, things we can't really control. The opportunities for us as a developer and operator come back to speed and certainty.

"I think if we can make sure that we can get things considered and through the planning system as quickly as possible, it prevents the prospect of further risks or cost rises coming in and making things unviable. I'm optimistic. I think the money is there and waiting for the circumstances to be right."

BRP's Paul Beacom agreed. "The funding market needs certainty, so if there's less of those sporadic moves that will suit the funding market, that may then keep inflation low, bring the interest rates down and unlock the capital that's there," he said.

"There's a huge appetite among institutional funders that have held back. So, for that reason, we hope that there is a degree of certainty coming into the market, and it'll release the capital." □

> ***There's a huge appetite among institutional funders that have held back***
>
> *Paul Beacom*