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Bill Post: London's split-site housing solution

News by Peter Bill

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The tie that binds private and public housing is strangling development on large sites in London. This week's reduction from 35% to 20% in the quantum of affordable homes is unlikely to breathe viable life back into this comatose market. The panicky changes expose the mutually destructive bond that comes when you chain private market provision to public sector need. Cleaving the knot would unshackle both.

Or just reduce the knot to legal threads, tying the common infrastructure? Laced in a way that would allow each tenure to rise, independently of the other, in terms of land, planning, finance, design and ownership. Can a "split-site" solution be any harder to figure out than the current "mixed-site" solution, with its consequent years-long arguments over fairyland appraisals to decide "affordable" percentages.

Imagine that alternative to the 16-years of arm wrestling over affordable percentages on the old Peek Freans biscuit factory in Bermondsey. Much not the fault of Southwark council. Three changes of ownership heavily contributed. Owner number one, Workspace, had rented out artisanal space since 1999. In 2008, it began to plan for 800 homes on the 11-acres, mixing in the required 35% affordable.

Not until 2013 was it agreed that 27% of the 800 AHMM-designed homes in five to nine storey blocks would be affordable. The 2008/10 slump must have slowed things down. The final Section 106 agreement is excruciatingly detailed. There is a pledge to pay £1,182,376 for "education" and £768,718 for "health". A "community cycle maintenance facility" complete with working bicycle pumps stands out.

Workspace was never going to build homes. The money spend on planning was to be recouped by a higher sale price. Grosvenor paid £51m in 2013 and binned AHMM. There was a brief spell of flirting with low-rise "homes for the workers", using architects Karakusevic Carson. But US architectural behemoth KPF were soon appointed to push up the GDV. By 2017, 1,350 units rising to 35 stories were on the drawing board.

Years were then wasted arguing over affordable provision. In 2019, Southwark rejected Grosvenor's final offer of 27.5% affordable, insisting on 35%. The council's 166-page report attacked Grosvenor for cramming 832 habitable rooms per hectare on land that had a limit of 700. Grosvenor wanted a 12% internal rate of return. Its consultant DS2 said only 7% IRR was possible with 35% affordable.

In 2020, KPF added 198 flats, taking the total to 1,548. An affordable figure of 30% was agreed. The 6th Duke had died in 2016. In September 2022, the 7th Duke sanctioned the sale of the whole caboodle to US build-to-rent giant Greystar, who inevitably wanted to "enhance" the plans. Out to consultation it went. In went another application with 88 flats added taking the total to 1,624. In March 2024, agreement was reached.

Thanks to Greystar's build-to-rent model, work is underway and due to finish in late 2027. You can't miss the twin towers and scaffolded lateral blocks as you clack past on the one of the multiple train tracks on the viaduct a minute east of London Bridge station. How many affordable homes were finally agreed between Greystar and the council? The answer is 338, or 21%. An extra 75 trees were thrown in.

Ritblat's secret

Sir John Ritblat turned 90 this month. A good moment to pass on the secret of successful property investment from the man who build British Land from a shell company in 1970 to Britian's second-biggest real estate business when he retired in 2006, to go and work with his son Jamie at Delancey.

"Parts of the City never understood our model," said Sir John taking a swipe at analysts in Planet Property. "We always secured long-term funds at fixed rates, never tied to individual assets. The key question is this: will the rental income from the property cover the interest payments on the loan? If it does, you can ride out ups and downs in value.

"The reason we wanted to get bigger and more powerful is because you can command lower financing costs. We never failed to repay our loans. We never had loan-to-value issues because we always borrowed corporately. Nearly all the debt was unsecured. When we sold assets, the cash went into the BL community chest. We never changed this business model for over 35 years.

"Our strategy was always to take the long-term view; we were never persuaded by the siren calls of short-termist analysts and traders."

Peter Bill is a former editor of Estates Gazette

Image: © Colin Miller

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