‘Proactivity, not reactivity’

For this special round table discussion, Insider brought together experts from across the property industry to discuss de-risking development and shaping long-term partnerships

Lorraine Taylor

development manager, Southway Housing Trust

We deliver affordable housing, social rent, affordable rent, shared ownership and we also have a commercial element for the private market housing as well.

We had a really good year last year. We exceeded all our targets and we secured 60 per cent more Homes England funding. We’ve benefited from the GMCA [Greater Manchester Combined Authority] brownfield funding, we took up a big proportion of that. We’re quite small in terms of RPs [Registered Providers of social housing] so we’re trying to establish partnerships. We understand that it’s a really difficult time for contractors and the partnership working is something we’re really keen to establish.

There’s a big emphasis under the new government for affordability, and we expect social rent to be a high priority. Social rent tenure doesn’t really give much in terms of revenue, but we’re looking to the government to bridge that gap between the revenue income and what we need to make it work with contracting partners.

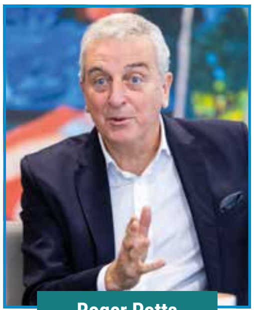
Ben Edwards

construction director, Caddick Construction

As a contractor, we are more risk averse than we were five years ago. The prime example of that is risk in the ground.

So if you rewind back five years, we would have clients where they’d say, all the risk in the ground is with you. But these days, you won’t accept the risk of uncharted services and contamination.


Vicky Niescier


Roger Potts


Jamie Hall

Now our repeat clients know our position on these things and it leads to more investigation and site work happening at the tender stage so you can learn about the job, and ultimately it benefits everyone. You’re not going into a job expecting it to be delivered on a date, finding loads of problems in the ground, and having to work through those and the costs and the arguments that come with that.

Angela Mansell

managing director, Mansell Building Solutions

We’re a specialist contractor, and we have a factory in Horwich, and we are doing modern methods of construction. We’re working with Seddon on the housing partnership side of their business. We have developed a formula, and it is about understanding new methodologies, introducing new ways of doing things, learning on the first one, sticking with it, and we’re now on our sixth and we’ve got the seventh and potentially eighth scheme in the pipeline.

That is using a system build for multi-room [sites], so we look after the structure of the building and then the internals and the fire protection of the building.

We sit very early on with the teams, and we are inputting our specialist knowledge and bridging some of those gaps. And we generally see our place as to help and be part of the team.

It’s about proactivity, not reactivity. What I’ve seen historically in construction is it’s about being reactive and only having relationships with [key people] when things went seriously wrong – and that’s bonkers. We should have a relationship to ensure we’re being proactive through our businesses and that things don’t go wrong.

Jamie Hall

development director, Hall & Co

We develop residential and commercial developments across the North West.

The way that we’ve de-risked our business over the last four years is we decided to contract in-house.

A lot of the contractors that we’ve been talking to over the last three years, about 80 per cent of them are now not in business any more, which is scary.

Jonathan Seddon

Carrie Arnold

Mike Nicholson

We at least can see where our contractors are up to. Funders love it, because we have better control. And it has allowed us to take that risk out of our business, which is key for us because we're all about delivery.

I do think that the developer-contractor relationship is now a little bit fraught. And I think that's generally because the cost of building is so much higher than it was. The margins are squeezed. So to get a contractor margin, which is healthy enough for a contractor to take on risk, and developer margins, it's really difficult unless you have a perfect site.

Ian Pickering

director of development funding, Together

I head up the development funding team at Together Money, based in Cheadle. We'll fund anything from £500,000 up to £20m.

There has been a shift in the past few years. A lot more developers now are taking things in-house and de-risking that way. If you go back five or ten years, a lot of funders were saying we need a main contractor and a fixed price, and it's gone the other way now.

As a funder, we're sat between the developer and contractor. The main contractor is derisking from their perspective, whereas the developer wants to know they have got price certainty, and we're the same wanting to get as much price certainty as we can. It's a delicate chain.

Scott Marshall

managing director, Roma Finance

We fund SME [small and medium-sized businesses] developers across the UK. We do development finance, bridging finance, and we offer buy-to-let mortgages as well for those developers looking to retain property in their portfolio.

In the years leading up to Covid, it was easy because you had an end product that was actually appreciating in value because the market was improving. It's become more challenging over the past two years or so because the market has stagnated.

As a lender, our interests are completely aligned with our customer because we don't get our crystallisation event until they have sold or refinanced the units at the end. And so we're all aligned and because there's so much uncertainty at the moment, not only around materials costs, labour costs, but also now the end values as well, it's quite a challenging environment.

Mike Nicholson

co-founder, Picture This

Picture This is a new residential developer based in Manchester with a focus on low amenity Passivhaus build-to-rent schemes.

We're kind of an experiment in bootstrapping a new development company. It's all about joint ventures – it can only be that way. And one of the most logical things to do is to pair up with a main contractor. But what can we bring to that relationship?

We've been discussing main contractor relationships with people outside the North West who want to develop and take development risk inside Greater Manchester or Liverpool City Region. So it's something we can bring to the table in terms of sites, and then they can put equity into that scheme, take some development risk, and take that contract to margin. So it's not de-risking; it's taking on more risk, but for the right return.

Jonathan Seddon

chief executive, Seddon Group

Our turnover for the group this year will be 15 per cent lower than last year. It wasn't planned, but everyone in construction knows nothing started this year.

We do a lot of social housing and that got pulled. Spec housing became very unpredictable after May or June. We didn't sell a house for eight weeks. Cancellations were running at 30 or 40 per cent.

The big change in the contracting market for us is, three or four years ago, we decided to not do any single stage design and build ever again.

We've managed to do it without losing too much turnover. It was £60m or £70m of our £150m pot. And we've replaced all that with more social housing, painting and decorating, especially with M&E [mechanical and


Ian Pickering


Scott Marshall


Lorraine Taylor

electrical] services, and lots more housing, which has de-risked it. It's possibly higher margin and lower contract value, but lower risk and mostly for the government now.

Eighty per cent of our work across the [business] is repeat. Whether it be Salford Council or various RPs, you get a level of trust. If you're building the same product again and again, you do get quicker. You do get cheaper. You get predictability, and you get better quality.

Andrew Dewhurst

director, Maple Grove Developments

I'm a director at Maple Grove Developments. We're the commercial development arm of the Eric Wright Group based in Preston.

On the property development side, it's almost a perfect storm at the moment trying to create viable commercial developments. Because of the viability challenges, we have been successful working on development schemes on behalf of local authorities where they are prepared to fund them.

We just completed Animate, a large leisure scheme in central Preston, about £40m in structural value. But before Preston [Council] decided to fund it, rather than just relying on the council to incur all the costs, we said we'd cover half the preconstruction costs, as well as getting planning and working on the design that you need to get the fixed price.

So in terms of where you place the risk on costs, I don't think we should necessarily expect local authorities to pick up 100 per cent of that. I think we now need to work harder as a property development industry to share some of that cost, realising the value of that contract and development piece.

Roger Potts

chairman, Bridge Insurance Brokers

Bridge is a Manchester-established business. We've been around for 54 years, in Manchester and in London. The big part of our business is really working around the whole property sector very much from cradle to grave, and all the industries and services that sit around it. We're business enablers, because insurance sits in the DNA of [property] activities.

We're looking at solutions that get in that DNA and provide comfort, security and protection, as we all know what a litigious environment we're trading and operating in.

And I think the insurance contracts now are becoming a very important part from lenders down. We are spending large amounts of time working with lenders on covenants and contracts.

Carrie Arnold

director of real estate, Bridge Insurance Brokers

The reason insurance is seen as a necessary evil is this attachment of blame and not working in partnership with each other. If you can make insurance and contracts less divisive and you start building long-term sustainable relationships, everything grows with it and your costs diminish. Insurance is hefty at the moment because the minute something goes wrong on a project, everyone is looking to attach responsibility to it, rather than looking to solve the problem.

Owner-controlled insurance is a project-specific insurance. It's an umbrella product, that is trying to take the divisive nature of insurance – that "Whose fault is it?" and "It's your problem, you have to deal with it" element – out of it, and it puts them all under one programme and one insurance solution, which hopefully gives everyone comfort. It offers comfort to the funders because it's covering profit.

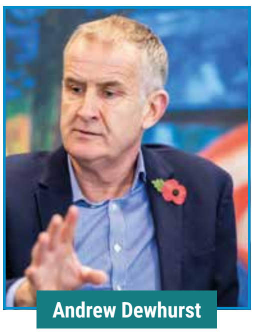
Vicky Niescier

partner, Addleshaw Goddard

I'm a partner in the transactional real estate team, based in Manchester. I mainly act for institutions, the likes of Aberdeen and Aviva, but I also do a bit in the regeneration space locally with global councils and developers.

That quality piece is so important as well as having trust in your suppliers. I act for a lot of funders and we'll see it particularly on forward commits and forward purchases. We've been brought in very late on, the funders or project managers come in at that point and do an inspection, and more often than not, things have to be redone. So I know there's always a focus on driving those costs down to the lowest possible base point, but, actually, longer term in trying to secure funding on that, it can present issues.


Angela Mansell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