

# MANAGING RISING COSTS. THE POWER OF PARTNERSHIPS

*“It is perhaps the recognition that the world has changed fundamentally since the credit crunch that could drive a fundamental step change to our industry.”*

## The generation game

The writing was on the wall with regard to a cultural shift in the way we view our homes, to the way people did 50 or 60 years ago. The post war generation viewed their homes as somewhere to live, probably for life, and because they invariably had a job for life it created a very steady and predictable demographic. The subsequent generation (30 - 40 years ago) were not guaranteed a job for life. In a lot of instances they had to go searching around the UK for where the work was and viewed their homes as not only somewhere to live but also an investment.

The current generation see the world as a relatively small place with an abundance of opportunity. It is not unusual to be seconded to different parts of the world with your job and therefore ‘home’ is viewed differently. This is a major cultural change for our country which could drive different ways of living and tenure models.

Long term asset ownership by large financial institutions may become the norm, as experienced in places like Germany and the USA. The opportunity for large retail organisations who are able to offer a whole life style solution (e.g., fully furnished apartment with food, insurance, travel, etc., all being provided as part of the package), is beginning to gain momentum.

## An innovative approach

In recognising a cultural shift in the way we are viewing residential, could create the platform for innovative delivery

structures. PPP initiatives tend to drive scale, they encourage participation from a whole spectrum of local and central stakeholders and provide the opportunity to create a vision and value that a more insular and fragmented approach could never hope to provide.

The public sector, driven by Central Government to become more efficient and effective in its operations, is recognising that this drive can provide an opportunity to deliver housing. Although generally cash-strapped, these bodies do own a number of assets that quite often are underutilised. By unlocking this latent value the public sector has the opportunity to attract match funding from the private sector to regenerate areas not considered feasible under a more traditional model.

## The power of partnerships

These innovative models have a lot of potential in terms of driving viability and community benefit. The size, term, vision and holistic approach to urban regeneration allows Joint Ventures to phase and programme works in-line with market conditions, which in turn provides a robust risk management strategy. Recognising the need and demand is essential and therefore the mantra of ‘right place, right location’ has never been so important.

Joint Venture Partnerships need to create a ‘virtual development organisation’ if they are to achieve their true potential. They need to optimise the abundance of skills that they will have available and create an environment of trust and single entity approach. The structure and working of the

Joint Venture will need to incentivise all of the stakeholders to perform.

For residentially led regeneration, the key partners of the Public Private Partnership would be the developer, the Local Authority and the registered social landlord.

### Why is this approach so compelling to Stakeholders?

**Developers** are often the route to land, together with commercial and technical expertise. Developers need to achieve a higher margin, create cash flow and reduce their cost bases, whilst maximising the regeneration premium.

**Local Authorities** are able to act as a regeneration facilitator and attract central Government funding as well as produce scale and credibility. Local authorities need is to facilitate the creation of communities where people want to live and work, establish efficiency in working practices and identify land supply.

**Housing Associations** are able to provide community consultation and planning expertise, along with estate management and stewardship.

**RSLs** need routes to land, to consistently work towards reduction in their cost base together with driving affordability and sustainability.

It is not difficult to see that by blending these abilities and needs, a compelling business model can be created to deliver housing. We're now living in a different world in terms of residential development - the market has changed - so the industry must change with it.

### Contact

**Richard A Jones**

Head of Regeneration & Renewal

**t** +44 (0)20 7812 2230

**e:** richard.jones@echarris.com

**w** echarris.com/regeneration