

**Notes from meeting with Large Landowners
The Grosvenor Office
23rd May 2006**

Present:

Lord Best (Commission Chairman)
Sarah-Jane Curtis, Grosvenor Estate (Commissioner)
John Socha, National Landlords Association (Commissioner)
Robert Noel, Great Portland Estate
Giles Clark, Crown Estate
Sarah Welsh, Howard de Walden
John Martin, Eyre Estate
Jake Mathias, Westminster City Council
Jenny Cockburn, Westminster City Council

Purpose of session:

- To understand the contribution made by Westminster's major landowners/ institutions toward providing affordable accommodation;
- To understand landowners' future plans for their residential portfolios;
- To discuss possible incentives to encourage provision of affordable accommodation.

Summary of points raised:

The information held by the City Council on landowners' residential holdings is poor. Those present provided the following figures:

Estate	Holdings
Grosvenor	<ul style="list-style-type: none">▪ approx 250 private rented units (let on ASTs)▪ approx 800 "affordable" units of which:<ul style="list-style-type: none">» 500 are managed by Peabody» remainder are controlled rents and are managed directly by Grosvenor. Upon vacancy, these are generally let on ASTs (average 3-4 voids p.a.)
Crown Estate	<ul style="list-style-type: none">▪ approx 50 market rented units let on ASTs▪ approx 400 "affordable" units, some statutory tenancies, but mostly let to key workers at approx 40-60% of market rent. Nominations not from WCC, but from employers.
Great Portland	<ul style="list-style-type: none">▪ very little residential; hold 1.5 million square feet but it's almost all commercial property.
Howard de Walden	<ul style="list-style-type: none">▪ approx 100 affordable units
Eyre Estate	<ul style="list-style-type: none">▪ approx 250 units. Rent Act properties are being sold when

they become vacant.

In general, residential property was seen as a valuable component of the organisations' portfolios. The continued provision of affordable housing was seen by some (eg, Crown Estate, Grosvenor) as a corporate responsibility.

Landowners mentioned three issues in particular that presented obstacles to management of their residential portfolios: the planning system, mixed-use developments, and leasehold enfranchisement.

Planning system

- Estates would prefer for many reasons (eg, development and housing management efficiencies) to provide for commercial and residential uses in separate buildings rather than in the one mixed-use development. This leads to some properties remaining empty when they might otherwise be redeveloped for housing.
 - » If, for example, Property A came up for redevelopment and a planning application submitted, it would have to include an affordable housing component. Estates will leave it empty until they also have Property B (a commercial redevelopment) and might be able to combine the affordable housing requirements into one site.
 - » Legality of pre-providing a block of affordable housing for subsequent commercial developments was questioned, as it may not be possible to fetter future planning committee decisions.
- Example from Great Portland Street – a 1910 block of flats used as offices during the war, and by the General Medical Council until 2003. Most profitable redevelopment option for Great Portland Estate would have been turning it back into residential, but the affordable housing requirement made this uneconomic, so site was kept commercial.

Mixed-use developments

- Having a mix of uses within one building is a problem due to the differing life cycles. Commercial buildings typically have a 20 year economic life, while residential buildings have 60 years, and retail even longer. This makes redevelopment of a mixed-use site virtually impossible.
- Residential leases cannot be granted to be co-terminus with commercial leases, ie 20 year residential lease means you will lose control of the building and never be able to redevelop it.

Leasehold enfranchisement

- Leasehold Reform Act has been very significant in dissuading Estates from building residential for long leasehold.
- Estates have lost control of large portions of their landholdings

Affordable housing

- The feeling was that in the central, commercial core of London, the only type of housing that would be affordable is studio flats.

- Estates were happy to provide affordable housing in their developments, but wanted to retain control. Camden, for example, provide Crown Estate with nomination rights over intermediate housing that is developed.

Real Estate Investment Trusts

- Seen as ideal for listed companies, such as Great Portland, but private companies eg Grosvenor are not eligible.
- Tax exemption makes them more attractive than traditional listed companies, therefore more capital should flow into residential property.
- Rental income is tax exempt, but sale proceeds not, so is an attractive option for those buying property to keep rather than trade.