

The Student Perspective



Welcome to the 8th edition of 'The Student Perspective', I'm Dan Sables.

This week, we delve into the recent Spring Budget and explore intriguing outcomes from recent discussions with industry professionals.

Plus, we're excited to welcome back Stefan Surbek, offering his expertise on optimizing collaborations with contractors and Real Estate professionals. Stay tuned for essential insights.



Trends to watch

Birmingham joins sell off:

Birmingham City Council is the latest to join the selling of assets, following the trail of Slough and Nottingham. Worth £750 million, including cultural landmarks like the Birmingham Museum, to reduce debt.

What I am following

Questioning Office Optimism

Recent headlines have optimistically reported a resurgence in the office market, especially in central London, highlighting record-high rental rates and larger leases as indicators of increased demand, confidence, and competition. This surge appears to counteract the uncertainty prevalent since the pandemic, suggesting a robust return to office culture and market resilience.

However, this resurgence underscores the importance of staying informed about broader market trends and narratives to critically assess such news. It's essential to discern macro trends from isolated cases to grasp the market's reality accurately.

One notable instance often cited as evidence of this demand resurgence is HSBC's acquisition of space at St Paul's 81 Newgate. While some investors view this move as a positive demand signal for large office spaces, it's crucial to remember—as mentioned in one of our earlier newsletters—that this represents a consolidation and downsizing effort from their Canary Wharf location, effectively resulting in a net reduction of office space amid growing hybrid working models.

This example highlights not just an increased demand for specific office types that cater to modern work practices, such as flexibility and employee wellness, and EPC viability, but also a "flight to quality". Meanwhile, the rising vacancy rates indicate significant challenges for other segments. The next section will delve into the contrasting perspectives within the market, emphasizing the continuous need to stay abreast of market developments.



Dangers of a "Green Bubble?"

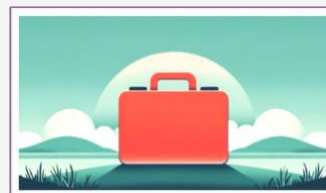
Hidden Trends

From the headlines to the hidden trends, my discussions with industry professionals have unveiled a significant but underreported wave of distressed sales. The silence on this issue stems from REITs, banks, and large property owners' reluctance to reassess their asset values, fearing a marked decline in fund value. By opting to offload their assets at substantial discounts, these entities manage to sidestep the negative press that could deter investors.

This trend reflects the broader sentiment affecting assets in Canary Wharf, illustrating how perception can outweigh the fundamentals and the influence of the "green movement." Distressed sales are happening even as properties remain fully leased, boast "excellent" sustainability certifications, and generate profit. A case in point is Blackstone's Cargo building, which, despite a significant investment in green retrofitting and being fully leased, was on the verge of being sold at a significant discount before the deal collapsed. This incident highlights situations where green retrofitting fails to enhance a building's value, potentially leading to greater financial strain.

Expanding the lens to Canary Wharf as a whole reveals a similar pattern. Canary Wharf Group (CWG) has recently injected over £400 million into the area, aiming to transform it into the UK's new life sciences hub. However, the high vacancy rates weigh heavily on the area's prospects, and I anticipate a fire sale if it hasn't started already.

Big News



Spring Budget

This Spring Budget has been perceived as less impactful than the Autumn Statement, with a few noteworthy elements to consider, though a deeper analysis is recommended for comprehensive insights.

Not directly aimed at the Real Estate (RE) sector, the 2p cut in **National Insurance** could indirectly benefit it by potentially increasing market activity and boosting household income by around 0.5%.

However, the budget's significant omissions, particularly the decision to not adjust the **business rate multiplier** for most companies, has sparked discontent among asset managers. Despite the Office for Budget Responsibility forecasting a dip in inflation to below 2%, business rates are poised for a 6.7% increase next month.

For larger investors, the budget brings a favourable adjustment with a **capital gains tax** reduction from 28% to 24%, enhancing the appeal of disposals. In contrast, the removal of stamp duty relief for purchasing multiple assets might dampen acquisition strategies.

In summary, the budget's influence on the year's interest rates outlook seems minimal, with predictions leaning towards an initial rate cut by early summer.

The Guest Room

Stefan Surbek is a project manager for Chiltern Contracts, responsible for some of the most influential projects in London today.

Stefan has made waves early on in his career and is here today to speak about what makes a developer or Real Estate professional good to work with and to hopefully answer the question positively "would I work with them again?".



Stefan Surbek,
Project Manager

Transparency is a critical aspect during construction. If a developer facilitates a transparent partnership, it allows contractors to plan accordingly, fully understanding the developer's goals and design intent. This enables contracts to operate in a more efficient manner and provide a more tailor-made service based on developer feedback. Contractors, seasoned in navigating construction's unpredictability, expect challenges and value clear, honest communication about them. This approach enables them to apply their problem-solving skills effectively.

While transparency is important, projects inevitably encounter problems. The developer's role is crucial, as the responsibility ultimately falls on them. Adopting proactive rather than reactive approaches to their involvement ensures a more immersive operation. Having direct contact with the developer daily can reduce any uncertainty or issues that may arise. Making amendments and improvements based on client feedback early in the project is far easier than later.



Most importantly, developers need to be confident in their decisions before building begins. The specifications and design intent should be thoroughly reviewed and tested before engaging contractors, who view the specifications as their bible. While minor adjustments are manageable, significant changes can present challenges. For instance, changing the selected tile after materials have been ordered can cause friction due to logistical and financial implications, often stemming from the developer's uncertainty in their design choices.

By adhering to these practices, developers can foster a desirable work environment and maintain the motivation of both main and subcontractors towards delivering a successful project.



Project of the Week

Commercial



Station Hill, Reading

Residential



John Lewis Build to Rent, Reading

Something to think about

As Climate Change Becomes an Inevitable Force, Should Our Strategy Prioritize Mitigation, or Shift Towards Adapting Real Estate Practices for the Impending Future?