



Cambridge University
Land Society

magazine

SUMMER 2016

Updates from CULS President and Senior VP
CULS Forum Updates & Events
News from CULS Honorary Vice-Presidents
Articles by CULS Members
Department of Land Economy updates

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Editorial



The CULS Magazine continues to go from strength to strength! The 2016 edition is packed with over 50 articles across a wide range of topics, to ensure an interesting read for every CULS Member, whether just embarking on a career in property, or indeed looking for a graceful swansong!

I am excited to include articles from five of our CULS Honorary Vice Presidents, including Jeremy Newsum, Prof. Spencer de Grey, Ian Henderson CBE, Liz Peace CBE, Roger Madelin CBE and Prof. Sir Malcolm Grant CBE. These contributions make for an inspiring read, packed with much wisdom, and unique insights.

As always, the magazine includes updates from the various CULS Forums, as well as the Department of Land Economy. New Head of Department, Prof. Colin Lizieri, as well as several colleagues, provide brief updates on the latest property related research emerging from Cambridge.

For 2016, we have a significant increase in the number and variety of CULS member articles. These range from UK infrastructure updates, development projects around London transport hubs, and the rise of the West End in London, to lessons in property entrepreneurship, perspectives on the UK debt market, and an explanation of forestry as an asset class. On a lighter note, the articles on the history of long distance shooting, CULS golf, and the CULS London dinner, provide for a healthy balance!

I wish to thank each and every contributor for making this 2016 edition possible. On behalf of all CULS members, special thanks also go to John Symes-Thompson (CULS President), Dominic Reilly (Senior Vice President and CULS Treasurer), and Ali Young (Society Secretary), for a memorable and entertaining 2015/2016. I also wish to thank Martha Grekos for her excellent editorial help this year.

For 2017, I am considering a themed magazine, focussed on a number of selected property sectors or themes. If you have ideas or suggestions for 2017, or if you wish to be involved with CULS in any way, please contact us on info@culandsoc.com. We look forward to hearing from you.

Werner Baumker
CULS Hon. Press Secretary
Operations Director, Co-Mission

www.culandsoc.com

Send us your news

The CULS Magazine features personal and professional updates of its members to strengthen their ties to the CULS community. We would love to hear from you. Do please send your news, stories, letters, updates and photos to info@culandsoc.com



Are you "LinkedIn"? If so, are you aware that both CULS and the Silver Street Group have LinkedIn Groups for you to join? The groups are a good way to stay informed and to share your news and views. Simply search for "Cambridge University Land Society" and both groups will be listed for you to join. Please ensure that you mention Cambridge on your profile to allow the group managers to confirm your membership.

President's Report

John Symes-Thompson
Pembroke, 1977–1980



It is incredible how time flies past in a busy society calendar, however, we can all rest assured that CULS goes from strength to strength. We remain the largest Cambridge Alumni Society with around 900 members including students, and with our finances in a strong position we continue to have a stable platform to support our members and the Land Economy Department. Out there in the business world it seems to be a more and more volatile environment and in my opinion CULS remains one of those high quality havens of support and friendship with which we can continue to rely.

I am pleased to say that Dominic Reilly will be taking over as President from July. He has proved to be a very 'safe pair of hands' as Treasurer and will, no doubt, bring some fresh ideas and energy to take us forward in the next few years. I am very grateful for the support and involvement he has already contributed over this last year. Of course, this move has been made possible by the Introduction of Eric Ruane as Treasurer and I hope they will enjoy working together moving forward! Eric has had a long and successful career at Europa Capital and is well qualified for the role.

We have intentionally made fewer changes to the operations of the Society this year and we have been pleased with the acceptance and use of the CULS website for event bookings and subscription renewals. I hope you all appreciate the ease of use and direct information open to you on the site. Maybe moving forward it will become more of a channel for member comments and "live chats" as we all move into a brave new communications world!

Looking back over the last 12 months I hope you agree we have had another very

enjoyable year, and my personal favourite moments included the Careers Fair in Cambridge, Guildhall last October and our visit to Grocers' Hall for our London dinner in April this year. At the Careers Fair there was a real buzz as usual but I was particularly struck by the very impressive and positive talk by Ian Marcus at the end, putting forward the merits of a career in property – fantastic! At the London dinner we were offered great food in the very special surroundings afforded by Grocers' Hall and we learnt about the long history of the livery company from its early days trading in spices, to owning a large Central London property portfolio, which currently underpins its sizeable charitable and educational donations today. The magician was very good as well!

You will all have other memories and your own favourite events.

For the Society as a whole I think the main highlights would include:

- The Story of M7 organised by the Real Estate Finance Forum and hosted at Lazard & Co – brilliant insights of leadership from Richard Croft and Teresa Gilchrist being interviewed by Tony Edgley.
- Our popular Market Trends seminar organised by the Commercial Property Forum – another tour de force by Michael Brodtkan, Phil Clark and Robert Peto hosted at BDO. Maybe the impact of the EU Referendum has subsequently overtaken their positive views? We all look forward to the next instalment!
- The Alistair Ross Goobey Memorial Lecture jointly organised with the IPF and hosted by Allen & Overy – a thought provoking talk by Sir John

Looking back over the last 12 months I hope you agree we have had another very enjoyable year, and my personal favourite moments included the Careers Fair in Cambridge, Guildhall last October and our visit to Grocers' Hall for our London dinner in April this year.

Cunliffe, Deputy Governor of the Bank of England and interesting comment by Richard Holt, Alison Nimmo and Nigel Wilson who were the panel members. I was particularly struck by the passion and direction of Nigel Wilson's comments.

There were many other events worthy of mention and it is almost impossible to allude to them all, but I should highlight the continued success of the Cambridge Whitehall Group run by Douglas Blausten. This remains one of the driving forces in the Society and a major contributor to our finances. I was privileged to attend the CWG lunch in November 2015, as an example, where Dr Ian Black, Middle East Editor, The Guardian, gave an informal talk on "Syria: Charting a course out of hell". The ensuing debate was lively and entirely relevant to continuing events. If you want to learn more about CWG please look at our website, speak to Douglas or Fiona Jones, the CWG Secretary.

On other CULS Committee matters, it is pleasing to report the appointment of two

A postscript to the President's article from the Senior Vice President

Dominic Reilly
CULS Senior Vice President
CULS Honorary Treasurer
Gonville and Caius College,
1975 - 1978



new members, in addition to Eric Ruane our new Treasurer elect:

- Martha Grekos, Partner and London Head of Planning and Infrastructure at Irwin Mitchell.
- James Shepherd, Associate, Knight Frank Rural Consultancy

Martha will be initially working with Werner Baumker on the Press and PR side and James Shepherd is leading the new Rural Property Forum. We are also sad to see the end of an era at the SSG Forum with the departure to Australia of Francesca Leverkus and the imminent standing down of Colm Lauder as joint Forum head. We thank them profusely for leading the SSG to its current position of strength and hope they enjoyed the 10th anniversary dinner held at the Savile Club, an event which epitomised their success.

On behalf of CULS I would also like to welcome Colin Lizieri as the new Head of Department for Land Economy and I am sure the team there will go from strength to strength.

Finally, could I please offer my personal thanks to all those who have contributed so much this year in the various committees and Forums. However, I must especially single out thanks to Ali Young, the Society Secretary, who is at the heart of everything we do, and who does such a fantastic job! I have every confidence that CULS is in good hands and the long tradition of positive and willing contributions by many will continue under Dominic Reilly's leadership.

Can I express a very big thank you to John Symes-Thompson on behalf of the committee and members of the Society for his two-year tenure as President. John has listed a lot of what the Society has achieved particularly in the last year largely through its activities and the events that we run, which we hope are enjoyed by its members, witness the fact that all the events are well attended and in some cases oversubscribed. John with his usual considerateness and patience has inspired the Committee on the management of the society, all while holding down a very senior position as a Director in the valuation team at CBRE. I hope I'm able to achieve at least as much in my tenure as President.

There is very little wrong with the Society so it will be largely business as usual with a similar calendar of events for next year with an emphasis on producing more variety to embrace those activities which in the past we might have missed out on. In this respect we are asked to encourage more events outside of London and this we are doing through the regenerated Rural Forum. I said in last year's article that I would like to encourage more activities of a sporting nature and I hope we will be able to add to our only sporting fixture being our golf day at Royal Wimbledon Golf Course. It is apparent that graduates of the Department now find careers not necessarily purely dedicated to the world of real estate. The success of the MPhil in Environmental Policy and Real Estate Finance is providing more varied career opportunities. Students can join the Society for free whilst at the University and for the first year after they graduate, and I would like to make sure that we provide a more varied and broader spectrum of events so that they remain members of the society once their free membership has expired. This I'm sure the majority will do, provided that we put on a broad range of events.

The success of the events that we run both within the Society and within the Cambridge Whitehall Group has continued to contribute to the health of our finances, such that the society's bank balance is well able to meet our cost base for the next couple of years. In this respect the committee has been addressing how we use our surplus cash to support our Members, the Department and the University. In this respect please do contact myself, our new Treasurer Erik Ruane or any member of the committee should you feel you have a worthwhile cause for us to consider. For example we have supported one of the students on the MPhil programme in his research to complete his dissertation. More ideas will be gratefully received and are likely to gain a very positive reaction.

I'm very much looking forward to taking over from John as President and to meeting many more of our members at the events that we hold.

The Rural Forum

James Shepherd,
Rural Property Forum Chairman
Rural Consultant, Knight Frank LLP
james.shepherd@knightfrank.com

If you were fortunate enough to attend our Rural Forum Spring Visit to Woburn Abbey,



you would have seen how diverse and fascinating a modern rural estate (and generations of owners!) can be. I am very pleased to report the visit achieved a strong turnout and the feedback to me was that it was a very enjoyable and educational day. In a later article you

can read more about the Estate and what was covered in our visit. The bar is certainly set high for next year's rural adventure and more information about that will be circulated to Members early next year. In the meantime, we look forward to seeing more of you at our London drinks event (details to be confirmed) this autumn.

I would also like to take this opportunity to introduce two further recruits to the Forum Committee. Katie Cooke and Beatrice Ramsay (brief biographies below) further strengthen our Forum and help extend the Society's reach. I am very grateful to them and the other Forum Committee Members who volunteer their time (not least Thomas Lockton this year for his accomplishments with our Woburn visit) to help realise our vision for the Rural Property Forum.

For those who do not have e-mail updates from CULS, please do register your interest with me to ensure you do not miss out on receiving more information about our Forum's events. Do also get in touch if you have any

suggestions for future events, or would like more information about sponsorship opportunities.

Beatrice Ramsay – New Forum Committee Member

Beatrice studied History at Trinity College staying to study for an MPhil in Early Modern History. Having decided she had spent too long in the archives, she moved into the world of Rural Estate



Management, completing the master's course at Cirencester in 2011-12. Since 2012 she has worked at Strutt & Parker in the Chelmsford Land Management team where she qualified and passed her CAAV exams in 2014. Her work involves every day and strategic estate management, valuations and other professional work.

In her spare time, Beatrice enjoys Wagner, herding Longhorn Cattle, cultivating tomato plants and inventing new egg-based dishes to keep up with her frantically laying chickens.

Katie Cooke – New Forum Committee Member

Katie graduated in 2009 with a degree in Land Economy from Pembroke College. Katie joined Savills in Oxford in 2009 and specialises in rural estate management for private and institutional clients in Oxfordshire and the surrounding counties. Katie focuses on providing trust and tax planning advice.



Spring Visit:

Woburn

On a bright spring-like morning in May members of the Rural Forum and their guests met for a day at Woburn Abbey, the Historic Seat of the Dukes of Bedford and one of the great Treasure Houses of England, which has been in the Russell family since 1547, when Henry VIII gave the former monastery to John Russell, 1st Earl of Bedford.

After a pleasant drive through the magnificent 3,000 acre Deer Park and Repton landscaped Parkland, the Property Manager and Assistant Estate Manager gave a fascinating introduction to the 13,000 acre rural Estate and its role within the wider Bedford Estates, which also includes about 20 acres of Bloomsbury, which although considerably smaller is still rather valuable. The challenges of managing this enviably diversified 13,000 acre estate were amusingly regaled to us, including balancing the needs of a





Estate

Safari Park, three Golf Courses, Hotel, commercially run Deer Park with a private home which is also open to the public.

The Deer Manager then gave a captivating talk about the nine species of deer which roam the Parkland and the economics of venison and lucrative trophy hunting (largely by Americans). We also heard how the Père David's deer which became extinct in its native China in 1900, was saved from extinction by the 11th and 12th Dukes who acquired the few remaining animals from European zoos and nurtured a herd at Woburn, from which the current world population, now stems from and with the eventual reintroduction to China in 1985.

The Head Gardener took us on a tour of the wonderful pleasure gardens which have recently been renovated in accordance with the original designs as envisaged by Humphry Repton in his 'Red Books' which contained watercolours of his visions with a clever system of overlays to show 'before' and 'after' views to help clients visualise his designs. We explored the extraordinary 'Chinese Dairy' built in 1787 for the 5th Duke of Bedford, whom, following the fashion set at Versailles by Marie-Antoinette, built a Chinese-style dairy where ladies could play at being



Thomas Lockton MA (Cantab)
MSc MRICS FAAV
Associate, Rural Valuation & Investment
(UK), Savills

dairymaids churning butter! In 1810 the 6th Duke commissioned Repton to create a 'Menagerie' for exotic birds and by the end of the century the collection had expanded to include bison, wallabies and a Rhino (setting a precedent for today's Safari Park). These animals had to be cleared from the airstrip created in 1928

by Mary, the 'Flying Duchess', for take-off and landing on her record-breaking flights.

After lunch we were given a guided tour of the Abbey which contains one of the finest private collections of art in the country including 24 Canalettos (which cost the princely sum of £188 in the 1730s) and the famous Armada Portrait of Queen Elizabeth I, as well as an extraordinary shell-lined grotto designed as an undersea cavern dating from the 1630s. Our thanks for an excellent day go to Paul Williams and Julia Caudwell for such interesting talks, Tom Lockton for organising the day and to our sponsors Savills. The Rural Forum are already planning a London drinks evening in September and will certainly repeat the Spring country outing next year.



Another busy year for the Silver Street Group as we celebrate our 10th Anniversary

Colm Lauder

Vice-President, Real Estate, MSCI
Silver Street Group, Co-Chair

The Silver Street Group is the younger members section of the Cambridge University Land Society providing a unique social and professional networking environment for those who graduated in the last fifteen years. It hosts a series of popular events and career development opportunities for those embarking on a career in property, on with a passion for the world of real estate. The Group celebrated its 10th year in 2016 which was marked by a special dinner at the Savile Club, the group's home since 2006.

2016 also marked a changing of the guard for the Silver Street Group, as co-chairs Francesca Leverkus (Topland) and Colm Lauder (MSCI) stepped down after four runs of running the group. Both Colm and Francesca warmly thanked their outgoing committee for their help and support. The committee comprised of Sophie Pickering (Ashurst LLP), Anna Harper (Landmark Projects London), Lizzie Cullum (Savills), Robert Flint (Winkworth Sherwood), Jack Brewster (Grosvenor), Ian Currie (Grosvenor), Xuan Luo (CBRE), Helena Casement (University of Cambridge), Jack Philipsborn (University of Cambridge) and Monica Wang (University of Cambridge).

In 2015/2016 events included:

- The 10th Anniversary Annual Dinner, a sell-out event at the Savile Club for current and recent Cambridge alumni and guests
- Halloween Wine Tasting, an informal networking event hosted by Ashurst LLP
- SSG Christmas Drinks at the Oxford and Cambridge Club on Pall Mall
- SSG Summer Drinks in the City
- Tour of King's Cross Redevelopment hosted by Argent
- CULS Annual Careers in Property Fair, the key property careers event of the year in Cambridge.

10th Anniversary SSG Dinner

The 10th Annual Silver Street Group Dinner, held on Friday 13th May at the groups spiritual home of the Savile Club in Mayfair, was another sell-out event and a real symbol of the successes of what the group was established for: to provide an enjoyable and invaluable social and networking opportunity to engage with leaders and future leaders in the real estate world.

The event was kindly sponsored by Cobalt Recruitment, who have generously offered their support consistently over the years. The dinner brought together current students, recent alumni from the world of surveying, law, investment and consultancy and industry leaders from CULS and CLEAB for a champagne reception followed by a three course meal in the beautiful surrounds of the Savile Club ballroom.

Attendees included representatives from all the main institutional investment houses, surveying firms and laws firms, along with esteemed members of CLEAB, CULS and Cambridge Whitehall Group boards.





Over the course of the dinner, guests heard a short address from SSG group co-Chair Colm Lauder on the achievements of the group over the last decade and from Douglas Blausten, former president of CULS who founded the SSG in 2006. The dinner was followed by entertainment from a leading magician and illusionist who wowed guests as the evening continued and the drinks flowed at the Savile Club bar.

The Silver Street Group looks forward to another successful decade ahead.

Ashurst Halloween Wine Tasting Challenge

For the third year running, Ashurst hosted the SSG Halloween Wine Tasting Challenge on 22nd October 2015 bringing together 40 recent graduates and alumni to share their passions for property and wine. The event was hosted by WanderCurtis who expertly tested guests on their wine skills, general knowledge and creative skills in a series of challenges.

A thoroughly enjoyable evening for wine novices and experts alike and the Committee would like to thank Sophie Pickering for her generous hosting of the event.



Kings Cross Redevelopment Tour

Silver Street members were invited by Argent Group plc. for a tour of the inspiring King's Cross regeneration on 17th September 2015. Members were given a tour by Argent's Richard Meier who explained the ambitious plans for one of Europe's largest regeneration schemes which covers over 67 acres with a rich history and unique setting.

The committee would like to thank Argent for their hosting and sponsorship of their insightful tour, and SSG look forward to visiting again as the scheme progresses.



The Cambridge Whitehall Group



Douglas Blausten,
Cambridge Whitehall Group, Chairman

The Cambridge Whitehall Group which was set up less than two years ago is a Policy Discussion Group for members of CULS and other Cambridge alumni and those who are connected with the University of Cambridge. It currently has 30 members covering a wide range of degree disciplines. It holds about 27 events a year in London which are lunches and dinners and one or two major Cambridge Whitehall Lectures. It is open to all members of CULS and other Cambridge graduates. Membership becomes a corporate one and members are able to alternate with non-Cambridge members and bring along guests.

Since its creation it has served nearly 900 meals and had 600 people register for the four lectures so far. All the lectures have been published and are available online via the website. The last lecture on the future of the NHS by Professor Chris Ham, CBE Chief Executive of the Kings Fund has been extensively quoted and viewed featuring on twitter and other social media through the Kings Fund.

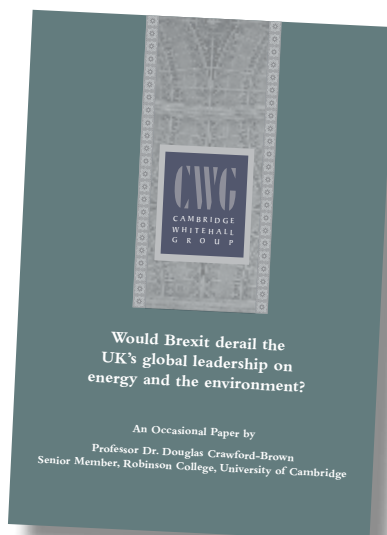
The CWG has started to establish a Parliamentary Membership Group made up of members of both Houses of Parliament who are Cambridge alumni and the next two Lectures will be given by the Rt Hon Lord Willetts on UK Science and Innovation

Policy (November 3rd) and by Richard Brown, CBE a Director of the Department of Transport and Network Rail on UK Transport Policy (February 9th, 2017). We have produced an Occasional Paper on UK Environment Policy in the wake of the Referendum on the EU (given by Professor Douglas Crawford-Brown).

Our Honorary Members list is as follows: Dame Kate Barker DBE; Dr Ian Black; Sir Tony Brenton KCMG; Professor Douglas Crawford-Brown; Professor Sir Malcolm Grant, CBE; Professor Sir Ivor Crewe FAcSS; Lord Prior of Brampton; Professor Orlando Figes; Professor The Lord Hennessy of Nympsfield; The Rt Hon Lord Howard of Lympne CH QC; Dr Loyd Grossman, CBE, FSA; Rt Hon Peter Lilley, MP; Professor Sir David Omand GCB; Gideon Rachman; Sir Kevin Tebbit KCB, CMG; The Lord Turnbull KCB, CVO; The Rt Hon The Lord Willetts, The Lord Kerslake.

We have an active Steering Committee – Colm Lauder, MSCI (Co-Vice Chairman); James Lai, CallisonRTKL (Co- Vice Chairman); Angus Fell, Lazard; Josh Singer, J Safra Real Estate; Isaac Livne, In Capital Construction; Lauren Fendick, Taylor Wessing; Werner Baumker, Co-Mission.

For further information please contact Fiona, Group Secretary at fiona.jones@thecwg.co.uk



List of 2016 Events:

Lunch – Monday, 25th January

Sir Philip Dilley, Chairman, The Environment Agency
Subject – Why The Environment Agency is 'Fit for Purpose' in facing today's and future challenges

Lunch – Tuesday, 9th February

Lord Adair Turner, Senior Fellow, INET Economics (London) Professor
Subject – Between Debt and the Devil

Lunch – Wednesday, 24th February

Professor John Kay, CBE FRSA FBA, Economist, Financial Times
Subject - Other People's Money

Lunch – Tuesday, 8th March

The Rt. Hon. The Lord Willetts, Chairman, The Resolution Foundation
Subject – How good are we at Science and Innovation?

Lunch – Tuesday, 22nd March

Simon Walker, Director General, Institute of Directors
Subject – Where is the nuance in the European Referendum debate?

Lunch – Monday, 18th April

Rt. Hon. Stephen Kinnock MP, UK Parliament
Subject – The EU Referendum

Lunch – Wednesday, 27th April

Professor Dr. Douglas Crawford-Brown
Subject – Would Brexit derail the UK's global leadership on energy and the environment?

Dinner – Thursday, 5th May

Lord Adebawale CBE
Subject – Poverty in London

Dinner – Wednesday, 18th May

Rt. Hon. David Laws, Chairman, Centre Forum
Subject – Education Reform: Where Next?

Dinner – Tuesday, 7th June

Merryn Somerset Webb, Editor in Chief, MoneyWeek
Subject – The Aberrations and Unfairness of the UK Tax System

Lunch – Monday, 13th June

Rt. Hon. David Lidington MP,
Minister of State for Europe and Nato
Subject – The UK Referendum

Dinner – Thursday, 16th June

Gillian Tett, US Managing Editor,
Financial Times
Subject – The US Presidential Election
and the US view of the UK's Referendum

Lunch – Wednesday, 14th September

Nick Herbert MP, UK Parliament
Subject – post-EU Referendum

Dinner – Wednesday, 21st September

Professor Dominic Wyse, Professor of
Early Childhood & Primary Education /
Head of Academic Department, Learning
and Leadership, Institute of Education,
University College London
Subject – Creativity and Education

Lunch – Tuesday, 4th October

Professor Sir Ivor Crewe, The Master,
University College Oxford
Subject – TBC

Lunch – Thursday, 13th October

Professor Becky Francis, Director of UCL
Institute of Education, University College
London
Subject – Streaming – The Case For and
Against Ability Grouping in Schools

Lunch – Thursday, 10th November

Baroness Stroud of Fulham, Chief
Executive, Centre for Social Justice
Subject - TBC

The 5th Whitehall Lecture – Thursday, 3rd November (venue TBC)

The Rt. Hon. The Lord Willetts, Chairman,
The Resolution Foundation
Subject – Prioritising Science and
Innovation

The 6th Whitehall Lecture – Thursday, 9th February, 2017 at Simmons and Simmons

Richard Brown, CBE, Non-Executive
Director Department of Transport and
Network Rail and HS2 (former CEO and
Chairman, Eurostar)
Subject – UK Transport Policy

Company	Name	Title
Carter Jonas	Mark Granger	Chief Executive Officer
CBRE	Mark Creamer	Head of EMEA Valuation Services
Commercial Estates Group	Andy Woods	Investment Director
Cushman & Wakefield	Michael Creamer	Head of Enterprise Client Solutions: EMEA
Cyril Leonard	Douglas Blausten	Consultant
Defence Infrastructure Organisation	Roddy Houston	Estate Strategy Lead (Wider London Study)
Europa Capital	Erik Ruane	Partner
Grosvenor	Craig McWilliam	Executive Director
Howard Group of Companies	Dominic Reilly	Director
Incapital Construction	Isaac Livne	Managing Director
L & Q Group	Aubrey Adams	Chairman
Lazard & Co Ltd	Philip Chapman	Director
Lipton Rogers Development LLP	Yair Ginor	Director
Lovell Homes	Jonathan Goring	Managing Director
Macfarlanes LLP	Gerald Kelly	Partner
Market Tech Holdings	Mark Alper	UK Property Director
Meridiam Infrastructure	Julia Prescott	Chief Strategy Officer
Mills and Reeve LLP	Charles Staveley	Partner
Places for People	David Cowans	Chief Executive Officer
PIB Group	Nigel Salisbury	Head of Real Estate
Primary Health Properties plc.	Harry Hyman	Managing Director
Rockspring Property Investment Management	Robert Gilchrist	Chief Executive Officer
Simmons & Simmons LLP	Bob Jones	Partner
Simons Group Ltd	Paul Hodgkinson CBE	Executive Chairman
Taylor Wessing	Peter Jackson	Partner
Telereal Services Ltd	Graham Edwards	Chief Operating Officer
Telereal Trillium	Adam Dakin	Joint Managing Director
Winckworth Sherwood	John Hiscock	Partner

7th Whitehall Lecture – (TBC May / June 2017)

Professor Becky Francis, Director of the
Institute of Education, University College
London
Subject – UK Education Policy:
The Academies Programme – Assessing
the Evidence

The Fourth Whitehall Lecture, 9th December 2015

What needs to be done to secure the future of the NHS? And can it be done?



Professor Chris Ham CBE
Chief Executive, The King's Fund

Professor Chris Ham CBE took up his post as Chief Executive of The King's Fund in April 2010. He was Professor of Health Policy and Management at the University of Birmingham between 1992 and 2014 and Director of the Health Services Management Centre at the university between 1993 and 2000.

From 2000 to 2004 he was seconded to the Department of Health, where he was Director of the Strategy Unit, working with ministers on NHS reform. Chris has advised the World Health Organization (WHO) and the World Bank and has served as a consultant on health care reform to governments in a number of countries. He is an honorary fellow of the Royal College of Physicians of London and of the Royal College of General Practitioners, and a companion of the Institute of Healthcare Management. He is a founder fellow of the Academy of Medical Sciences.

Chris was a governor and then a non-executive director of the Heart of England NHS Foundation Trust between 2007 and 2010. He has also served as a governor of the Canadian Health Services Research Foundation and the Health Foundation, and as a member of the advisory board of the Institute of Health Services and Policy Research of the Canadian Institutes of Health Research.

Chris is the author of 20 books and numerous articles in academic and professional journals about health policy and management. He is currently Emeritus Professor at the University of Birmingham and an honorary professor at the London School of Hygiene & Tropical Medicine. He was awarded a CBE in 2004 and an honorary doctorate by the University of Kent in 2012. He was appointed Deputy Lieutenant of the West Midlands in 2013.

'What needs to be done to secure the future of the NHS? And can it be done?'

I want to argue today that the NHS in England faces three big challenges. They are to sustain existing services and standards of care, to develop new and better models of care, and to tackle both of these challenges by reforming the NHS 'from within'. I also want to argue that there are major difficulties in rising to these challenges with experienced leaders arguing that what is being asked of them is undo-able. There is a risk in this context that the government will seek to muddle through rather than

address the fundamental causes of the difficulties facing the NHS. If this happens, the NHS is faced with the prospect of steady but inevitable decline.

THE NHS TODAY

Before I take each of these challenges in turn, let me provide some context. An analysis by the Commonwealth Fund showed the UK health care system performing best in a group of eleven countries (Davis et al 2014) (see figure 1). This might seem a reason to celebrate if it were not for a more recent assessment by the OECD which concluded that health care in the UK has fallen behind many other developed nations, and according to one report, is 'poor to mediocre' (OECD 2015).

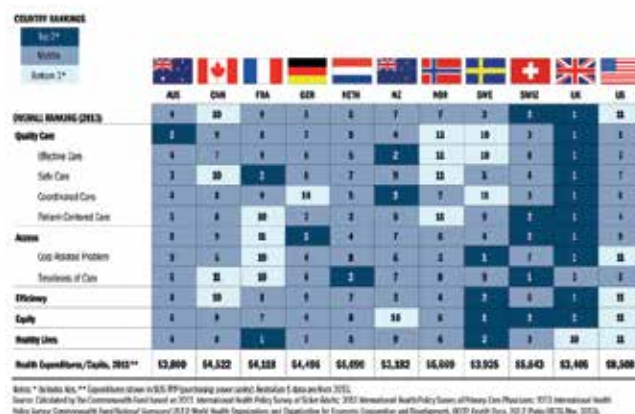


Fig 1. Commonwealth Fund overall country rankings 2013.

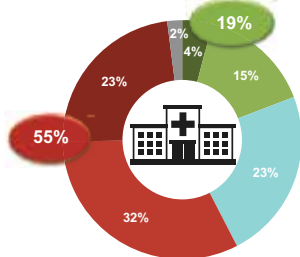
While the truth is probably somewhere between these two verdicts, there is no doubt that the NHS is under growing pressure. Our work at The King's Fund has shown the difficulties in maintaining performance on key standards of patient care like waiting times at a time of continuing constraints on budgets and rising deficits, particularly among acute hospitals. Hardly surprising therefore that a recent Ipsos MORI poll found that for the first time more than half of the public expect health care services to get worse in future (Ipsos MORI 2015) (see figure 2).

November's spending review offers continuing protection for the NHS with funding set to increase slowly in real terms during this parliament. While this is welcome news, we should note that spending on social care and public health will be cut and NHS spending as a share of GDP is set to fall even with the funding

And when asked about the future of the NHS . . . most are concerned

THINKING ABOUT THE QUALITY OF THE NHS OVER THE NEXT FEW YEARS DO YOU EXPECT IT TO...?

■ Get much better ■ Get a little better ■ Stay the same ■ Get a little worse ■ Get much worse ■ Don't know



Source: <https://www.ipsos-mori.com/researchpublications/researcharchive/3644/Coming-to-terms-with-austerity.aspx>

Fig 2. Ipsos MORI poll about the future of the NHS

increases now agreed. In the face of a growing and ageing population with complex needs, there will be great difficulties in sustaining existing services let alone making improvements in care such as seven day working and transforming care. It is no exaggeration to say that the NHS is entering the most challenging period in its history. What then are the prospects?

Challenge 1: sustaining existing services

For most of the last parliament the NHS was able to maintain good performance on key standards of patient care. It did so when average annual real terms increases in spending had fallen from 6-7% under the Labour Government to around 1% under the Coalition Government. Our assessment of the Coalition Government's record showed that performance began to decline towards the end of the parliament with some waiting time targets being missed and deficits among acute hospital providers growing rapidly (Appleby et al 2015).

A major factor behind growing deficits, apart from low rates of growth in NHS spending, was the priority attached to safe staffing by Jeremy Hunt when he became health secretary in September 2012. In the wake of the Francis Inquiry report into Mid Staffordshire NHS Foundation Trust, Hunt wisely ignored the technocratic and unpopular reforms promulgated by Andrew Lansley, and focused instead on the safety and quality of patient care. This included encouraging NHS providers to ensure they had sufficient doctors and nurses on the wards to deliver care of an acceptable standard. Many providers followed Hunt's lead and hired more staff to fill gaps in their establishments and to meet the requirements of the Care Quality Commission. It was here that the seeds of future financial difficulties were sown with most providers having to bring in staff through agencies at a higher cost than if they employed them directly. Ministers in effect turned a blind eye to overspending in the run up to the general election. Hunt's actions were remarkably successful in neutralising the NHS as an election issue. Less than a year later, the high costs of doing so are transparent. Most hospitals are unable to balance their books and some are forecasting deficits running into tens of millions of pounds. With NHS hospitals unable to go bankrupt, money has to be found to pay staff and ensure patients are treated.

Under pressure from the Treasury, health ministers are now emphasising the need to restore financial control. This inevitably

involves reviewing staffing levels when such a high proportion of NHS spending goes on the workforce. As we have noted, NHS leaders are doing so in the context of a financial settlement which leaves the NHS in the grip of the biggest sustained funding squeeze it has ever faced. National NHS bodies acting on behalf of ministers have intervened to take control of decision making. Their actions include giving every provider a spending limit and restricting the freedoms of foundation trusts to use their cash reserves. With a recent letter from health regulators stating that they are meeting "challenged" hospitals to agree staffing reductions, the implications are clear.

These actions signal growing anxiety about the ability of the Department of Health to manage within its spending limits. They also bring to an abrupt end the post-Francis Inquiry era when leaders of NHS organisations saw failure to ensure safe staffing as more serious than failure to balance budgets. For now at least, financial control is king.

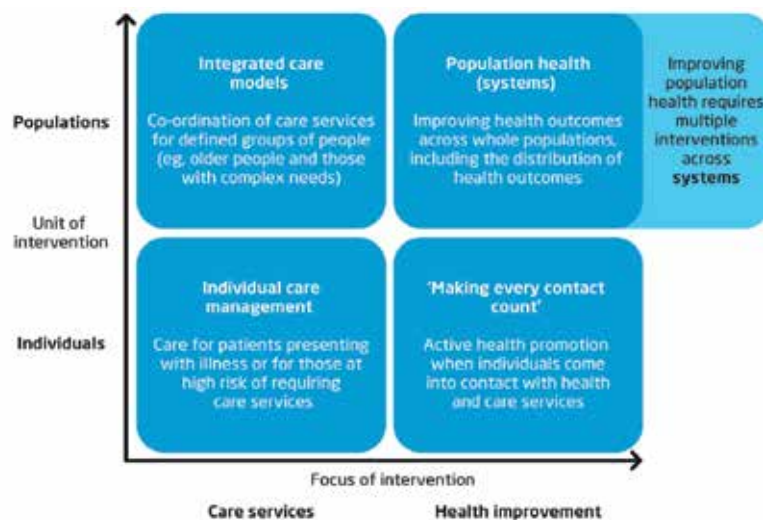
A major risk is that the failures that occurred at Mid Staffordshire will be repeated in other parts of the NHS. These failures resulted from decisions by hospital leaders to improve financial performance by cutting staff in order to achieve foundation trust status. Patient care took a back seat with predictable but tragic consequences. If the lessons of history are forgotten, this could easily happen again. There are, of course, many opportunities for the NHS to use its budget more efficiently, and these should be pursued vigorously. Smarter procurement, better use of the estate, and more effective rostering of staff can all contribute, but they will not produce savings quickly. The NHS needs time and support to realise these opportunities and I will return to discuss what this means later. Something will have to give.

For now, it is not at all clear that national NHS bodies will be able to restore financial balance. Deficits are spiralling out of control and the raft of measures already taken, such as limits on agency staffing costs, are unlikely to fill the financial gap that exists. The attempts by national NHS bodies to micromanage decision making are illustrated by guidance to NHS trusts on how to improve their financial position which includes suggestions such as reviewing the carry forward of annual leave. Experienced leaders in the NHS I have spoken to recently argue that what is being asked of them is undo-able. To be expected to balance budgets, hit key targets for patient care, and implement new commitments like seven day working seems beyond their reach. These are leaders who have many years of experience and track records of delivery that speak for themselves. Their testimony is even more worrying than the slew of performance indicators going in the wrong direction.

Challenge 2: developing new care models

The NHS is grappling with financial and performance pressures at the same time as implementing the NHS five year forward view. This is the document prepared by NHS England and other national bodies on how health and care should be transformed to better meet changing population health needs. It is a high level statement focused on the need to take prevention seriously, support people to live well and manage their own medical conditions, sustain and improve primary care, and above all achieve much greater integration of care.

The direction set by the five year forward view has been widely welcomed and supported and it has unleashed energy in areas of England involved in the 50 vanguards chosen to test and implement



Source: <http://www.kingsfund.org.uk/publications/population-health-systems>

Fig 3. The focus of population health systems

new care models. The King's Fund is working with some of these areas and is offering support as clinicians and managers seek to build bridges between hospitals and primary care and between health and social care. Notable innovations include primary care providers working at scale in Birmingham and Kent and whole system integration being taken forward in places like the Isle of Wight and Northumbria. These innovations echo our own work in which we have reviewed examples of specialists working across hospitals and community settings and GPs establishing federations and networks to put in place new models of care (Robertson et al 2014; Addicott and Ham 2014). There is increasing interest too in

the development of population health systems which begin to join up the dots between health and care services and public health (Alderwick et al 2015a) (see figure 3). Some of the vanguards are also beginning to engage with communities and are exploring ways on enabling people to be more in control of their own health and care (Foot et al 2014).

At The King's Fund we have argued that one of the highest priorities is to develop new care models for older people. My colleagues have described what these models look like in a report that brings together best practice in health and social care from across the NHS (Oliver et al 2014) (see figure 4). I often argue that if we can implement integrated care for older people on a consistent basis across England then almost everything else will be easy because so much care is needed and delivered to this segment of the population.

The difficulty is how to make a reality of integrated care in the face of long standing professional, organisational and financial silos. Despite these silos, progress is being made in some areas and there are an increasing number of examples of what good care looks like. There can be no more important priority than to accelerate this progress in the face of well-known demographic trends and long standing intentions to move away from over reliance on acute hospitals and deliver more joined up care in which there is greater emphasis on care provided in the community. The biggest challenge in implementing new care models is to ensure that work to transform care is not crowded out by work to sustain existing services. The latter is now the major preoccupation of national and local leaders as concern grows about escalating deficits and failure to hit key targets for patient care. The trick that must be brought off is to position work on transformation as a major part of the solution to the operational pressures engulfing the NHS.

The difficulty is how to do so when leadership and management capacity is finite. Leaders of NHS organisations naturally respond to the signals they receive from the centre and at the moment these are all about financial control and getting back on track in



Source: <http://www.kingsfund.org.uk/publications/making-our-health-and-care-systems-fit-ageing-population>

Fig 4. Providing integrated care for older people



delivering waiting time targets. Transforming care is also a priority for many of these leaders but they can be forgiven if it is a lesser priority than meeting targets that are seen as the absolute 'must dos' and where much of their time is spent responding to requests from regulators on progress in delivering on these.

It is in this environment that there is an emerging crisis of leadership with increasing difficulties in filling top leadership roles. The cumulative impact of funding and service pressures and ever closer oversight and scrutiny of top leaders, together with a tendency to replace leaders when performance deteriorates, helps explain why these roles are seen as unattractive and insecure. Negative perceptions of public sector managers and their 'excessive' pay and pensions add to the difficulties of recruiting experienced leaders from other sectors into the NHS. The crisis in leadership extends beyond top leaders to the challenge of involving clinicians in leadership roles and in ensuring that the NHS has the expertise it needs in operational management. The latter encompasses applying evidence based methods to improve the flow of patients within hospitals and between hospitals and other settings and work to redesign how care is delivered. Levels of understanding of quality improvement methods such as lean are variable and this needs to be addressed with urgency.

The pressures on leaders of national NHS bodies in some respects parallel what is happening to the leaders of NHS organisations. They too are focused on financial control and hitting targets for patient care with work on transformation for the time being not receiving the same attention. While the rhetoric does emphasise new care models and filling gaps in care, the reality is that operational issues take precedence in national guidance and in the behaviours of national leaders.

Challenge 3: Reforming the NHS 'from within'

The third challenge is in many ways the most important. Successive government have sought to reform the NHS and improve patient care using a variety of approaches, often in combination. These approaches have included top down performance management (referred to colloquially as 'targets and terror'), regulation and inspection, and competition and choice.

A review of the evidence on the impact of these approaches I undertook concluded that neither regulation and inspection nor competition and choice had delivered the improvements hoped for by their proponents (Ham 2014). Performance management had a bigger impact especially when used alongside increased spending under the Blair and Brown governments. There were also some negative consequences, including misreporting of

performance data and the disempowering effects of top down controls.

My review explored other approaches that have received less attention in England. These include devolution and transparency ('naming and shaming' to be colloquial again) and building capabilities for improvement among the staff delivering care. The latter is particularly promising as a reform strategy in view of the experience of health care systems around the world which have achieved high performance by training and developing their staff in quality improvement skills rather than doing so by responding to external pressures.

The lessons from these systems for the NHS are clear. They include the need for organisational stability and leadership continuity; the value of a vision focused on quality and safety; the adoption of specific goals for improvement and measurement of progress towards these goals; and the development of leaders and cultures focused on improvement. High performing systems also seek and act on patient feedback and listen to and engage staff. They create time for staff to care and remove obstacles to the delivery of safe and high quality care.

I emphasise the need to reform 'from within' to counter the prevailing mind-set that continues to believe that external pressures are the best way of improving performance (see challenge 1). I also recognise that not all NHS organisations, left to their own devices, will follow the example of high performing systems. That is why I have argued in a new paper co-authored with Don Berwick and Jennifer Dixon that the NHS in England urgently needs a quality improvement strategy that articulates how organisations can be supported to do so (Ham et al 2016). While reform must be led from within the NHS it needs to be supported by national NHS bodies and the government. This does not mean seeking to micromanage the NHS from the centre as is currently being attempted in work to sustain existing services and deal with financial pressures. Rather, it means the centre setting the financial framework and direction for health and care, being clear on the objectives being pursued, and holding NHS organisations to account for their delivery. The centre also a role in supporting these organisations to sustain and transform care.

In our paper, we recognise previous attempts to develop a quality improvement strategy and the need to learn lessons from these attempts. Our recommendations include the need for every NHS organisation to take responsibility for quality improvement and to invest in training and developing staff in the theory and practice of improvement. Organisations should work together in improvement collaboratives and a modestly sized national centre of expertise

should also be established within NHS Improvement. A concerted approach is needed in which quality improvement becomes the core priority for the NHS.

It is important to acknowledge the effort needed to successfully 'reform from within'. Systems like Intermountain Healthcare in the United States, Jonkoping County Council in Sweden and Canterbury Health Board in New Zealand demonstrate that real and sustainable improvement takes years not months. Their work exemplifies the importance of constancy of purpose in delivering and sustaining high performance. The absence of constancy of purpose explains why previous attempts to develop a quality improvement strategy in England have met with limited success. Our analysis shows that improvement typically occurs through the aggregation of marginal gains not big leaps forward. It is much more like a marathon than a sprint. And it requires leaders to lead by example by showing their personal commitment to quality improvement. Reform from within is not an easy option but it offers the best hope for the NHS to meet the challenges it faces.

Connecting the Dots

What might reform from within look like in enabling the NHS to sustain existing services and transform care? Let me offer two suggestions.

Sustaining existing services will not be achieved simply by reducing management costs, rationalising back office functions and being smarter about the procurement of goods and services. All of these approaches have a part to play but they are of secondary importance compared with the need to improve clinical care. The key decisions on how NHS resources are used are taken by thousands of clinical staff in their interactions with patients and this is where attention must focus.

There is voluminous evidence on the existence of unwarranted variations in clinical care in all health care systems, including the NHS. There is also evidence that care could be provided more appropriately by reducing overuse, underuse and misuse (Alderwick et al 2015b). Making better use of NHS resources means engaging clinical staff in understanding unwarranted variations and reducing them where appropriate. It also means building on past experience of changing clinical practices to deliver better value.

My colleague, John Appleby, has shown how this has been done in his analysis of changes in GP prescribing, the use of day surgery and the time patients spend in hospitals (see part one of Alderwick et al 2015b). Changes such as these cannot be mandated by politicians or indeed managers. They typically occur when clinicians become aware of the existence of variations in care and are supported to reduce them. The benefits accumulate over time as innovations in care spread and achieve system wide impact. The important point is that most changes in clinical care do not result from organisational reforms, changes in legislation or any of the other policy instruments used by governments. Rather, they arise out of the clinical community itself as doctors and others identify ways of improving care and implement new and better ways of treating patients. As Appleby's work illustrates, changes in clinical care enable more care to be delivered with available resources.

In the case of GP prescribing, the greater use of generic drugs has saved the NHS an estimated £7.1bn. Without changes in day



surgery, the NHS would have performed 1.3 million fewer elective procedures. And if the time patients spend in hospitals had not fallen, the NHS would have required nearly 10,000 more beds. All of these changes illustrate how better value has been delivered and this is where effort must focus if the NHS is to get anywhere near filling the financial gap with which it is faced. This will not happen if the focus is on cost cutting and efficiency. The experience of high performing health care systems like Intermountain Healthcare in the United States shows that better outcomes can be delivered at lower cost through changes in clinical care and the NHS must seek to do the same. If clinicians are to be engaged and motivated to play their part, the challenge facing the NHS must be framed as a challenge to deliver better value through improving the quality of care and outcomes. Improved financial performance will then follow.

A second suggestion relates to transforming care through collaboration between the organisations and clinicians responsible for providing care for the population living in a defined area. We have referred to this as place based systems of care, by which we mean alliances and networks that come together to take decisions jointly on the resources they control (Ham and Alderwick 2015). It is in these systems of care that many of the best opportunities can be found for implementing new care models, as is beginning to happen in the vanguards through closer integration of acute hospital services and GPs in areas such as Northumbria and the Isle of Wight.

Major changes in stroke care in London illustrate this process at work. The designation of eight hyper acute stroke units in the capital in place of the 32 acute hospitals that previously provided stroke care resulted from a process of discussion and negotiation between stroke specialists supported and encouraged by the strategic health authority at the time and commissioners. It was about as far removed from central or regional planning as could be imagined and owed nothing to the belief in some quarters that competition was the best way of bringing about changes of this kind (Turner et al 2016). Similarly, improvements in specialist care in central London, involving the relocation of cancer and cardiac care at UCLH and Barts Health, were brokered by UCLPartners, an academic health sciences partnership. This resulted in cardiac care being concentrated at Barts Health and cancer care at UCLH with the aim of delivering better outcomes for patients. The leadership provided by experienced and credible clinicians was of crucial importance in enabling these improvements in care to be implemented.

The relative ease with which agreement was reached in both examples stands in stark contrast to the fate of long standing plans to reconfigure paediatric heart surgery that remain to be implemented 13 years after they were published. These plans encountered strong opposition from the hospitals who stand to lose their designation as specialist centres to the point where one of these centres launched a judicial review. The sense among some that the plans were being imposed from above contributed to problems in taking forward implementation.

Where Next?

Old habits die hard and at the time of writing the prospect of 'reform from within' becoming the preferred approach to bringing about change in the NHS in England seems remote. Default to performance management and central control of decision making is baked into the governance of the NHS with parliament holding politicians to account for performance and 24/7 media scrutiny reinforcing the imperative for politicians to act, or at least to be seen to act, when problems emerge. The political rhetoric may at times embrace devolution and autonomy, as in plans under development in Greater Manchester, but the reality is usually different. This is exemplified by the current response to escalating deficits and failure to hit key targets for patient care.

Eliminating deficits and hitting key targets will be the overriding priority for the NHS in 2016/17 with most of the additional funding agreed in the spending review set aside for this purpose. A major uncertainty is whether these objectives can be achieved. Deficits among providers, especially acute hospitals, are bigger and more extensive than at any previous period in the history of the NHS, and it may not be possible to eliminate them while maintaining standards of care, especially if staffing levels are cut. This is why experienced leaders are saying that what is expected of them is undo-able.

Growing pressures in primary care and mental health services will add to the impression of an NHS in crisis. These services have received a declining share of NHS resources and recent planning guidance seeks to reverse this. But with most of the deficits in acute hospital and services and most of the additional funding in 2016/17 being used to cut these deficits it is hard to see how primary care and mental health services will benefit in the immediate

future. The prospect is therefore of all areas of care struggling to meet increasing demands from patients, underling the extent of underfunding. There is no sign of the government wanting to find more resources with ministers insisting that they are 'continuing to back and fund the NHS's own plan for the future' (Department of Health 2015, p5). By this they mean they have found the £8bn extra resources identified as being needed in the NHS five year forward view and expect leaders in the NHS to respond by sustaining and transforming services, including finding the £22bn productivity improvements required to implement the plan. Many leaders within the NHS would beg to differ about whether it is indeed their own plan as opposed to one negotiated by others on their behalf.

Ministers take the view that funding for other public services has been cut significantly without serious adverse consequences, and they are looking to the NHS to rise to the challenge it has been given. I have even heard ministers say they would be letting the NHS 'off the hook' by providing additional funding when there are so many opportunities to improve productivity in the NHS. While there is some truth in this argument, it exposes the gulf of understanding between Whitehall and the reality on the ground. This gulf was revealed in a related context by the prime minister's complaints to the Conservative leader of Oxfordshire County Council about the impact of cuts in public services in his constituency caused by the spending decisions of his own government.

If the government is unwilling or unable to find the funding for health and related services needed, then what will give? In the short term the prospect is of continuing pressure on key targets for patient care with waiting times for treatment lengthening and patients experiencing declining standards of care if there are fewer staff to provide it. There may also be increasing tension between national leaders of the NHS and government ministers over the failure, as ministers would construe it, of the NHS to deliver its side of the bargain over NHS funding.

This 'failure' may increase the reluctance of the Treasury to find additional funding for fear of committing more resources to an apparently black hole. Pressures on other public services facing deep cuts in their budgets and an economy vulnerable to global instability add to an already heady mix. What this demonstrates is that there are no easy choices for the government and this helps explain increasing signs of anxiety in Whitehall about the state of the NHS. There is also likely to be increasing tension between national leaders of the NHS and their local counterparts. An example is rejection by around one third of NHS providers of spending controls and financial support offered by NHS Improvement for the 2016/17 financial year. The prospect is of further disagreements of this kind as local leaders resist interventions they see as adding to the difficulties they face in delivering what is expected of them.

Alternative Scenarios

In this context it would be foolish to attempt to predict the outcome but alternative scenarios can be outlined. One would be for the government to declare that the 1948 vision of a universal, comprehensive and largely free at the point of use NHS is no longer sustainable and that the time has come for an honest debate about the future. At a minimum this would include being

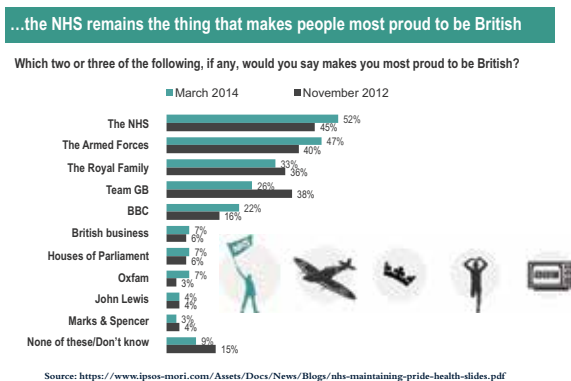


Fig 5. Ipsos MORI poll about pride in the NHS

more realistic about the NHS offer by accepting that current standards of care can no longer be delivered, as de facto is already the case on many waiting time targets.

A more radical scenario would be for the government to use an NHS crisis as an opportunity to explore alternative ways of funding care. The menu here would include a greater role for user charges, tax incentives to encourage more people to take out private medical insurance, and a switch from tax funding to social insurance. The



difficulty with these options is that they encounter public attitudes which remain strongly supportive of the NHS whatever its failings. This is best illustrated by Ipsos MORI research in which a majority of the public identify the NHS as the institution that makes them most proud to be British (Ipsos MORI 2014) (see figure 5). The strength of public support for the NHS helps explain why it has been relatively protected at a time of cuts in most other public services. If nothing else, ministers whose natural inclination is to favour greater diversity in how health care is funded and provided are reluctant to advance the case for radical change for fear of losing electoral support.

Another scenario would be to explore ways of increasing funding for the NHS through tax increases. Frank Field has outlined one way of doing this in his proposals for a national health and social care mutual funding scheme. This would involve raising extra funds through national insurance contributions with these funds to be used only on health and social care. It echoes previous arguments



in favour of hypothecation as the most likely way of persuading the public to pay more in taxes for the NHS. A related proposal by Bob Kerslake has been for a 3p increase in income tax to raise additional funding for the NHS.

All of these options carry dangers for the government which is why the most likely outcome is to muddle through for as long as possible by denying the extent of the problems facing the NHS. The risk in this scenario is that the debate the country needs to have about how to fund a new health and social care settlement, as proposed by the Barker Commission, will not take place. Were this to happen it would illustrate the argument of former Labour cabinet minister, Charles Clarke, that there are some public policy issues that are so complex they end up in the too difficult box (Clarke 2014). The NHS crisis could then become a political crisis if the public perceives the government to be avoiding an issue of great importance to them. This would further undermine the credibility of politicians whose stock is already low in the eyes of the public. The result could be greater disenchantment with the political process with consequences just as serious as the gradual undermining of the NHS.

The stakes could hardly be higher. These issues are being played out in a context in which the UK is a relatively low spender on health care. Countries as diverse as Germany, France, Australia and Canada spend a much higher share of their national incomes to health care than the UK. What looks like overspending to the government appears much more like underfunding from within the NHS.

The sense of unreality is heightened when ministers raise expectations of the future with promises of seven day working and a paperless NHS just at the time when leaders are working overtime to deal with operational issues. These leaders are also expected to deliver a very large number of priorities set out in NHS planning guidance issued in December. They can be forgiven for wondering if the emperor has any clothes in the face of multiple demands and constrained resources. For now, the public may not experience an NHS creaking at the seams but it is only a matter of time before the reality is understood. At that point they may well ask what the government was doing when it was presiding over the steady but inevitable decline of the public service they hold most dear. All the more important therefore for organisations like The King's Fund to speak truth to power by monitoring and reporting on the impact of funding pressures on the NHS and outlining the choices available

Conclusions

The health and care system is at a crossroads. There is still time to avoid a major crisis in care even if the financial crisis in the NHS is real and growing and publicly funded social care has already been cut significantly. The crisis will only be avoided if ministers are willing to heed the warning signs and be honest about what needs to be done to respond to them. Sticking plaster solutions will not be sufficient and a fundamental review is needed building on the work of the Barker Commission (Commission on the Future of Health and Social Care in England 2014). This means moving over time to a single health and care system in which entitlements to health and care are increasingly aligned with those that exist in the NHS. Additional public funding will be needed to pay for such

as system with the aim of spending reaching 11-12% of GDP by 2025. It also means embracing new care models in which services are integrated and where people needing care are empowered to take decisions about that care.

For its part, the NHS needs to redouble efforts to deliver better value to patients and the public. This means engaging and supporting all staff to contribute with a particular focus on clinicians who hold the key to how resources are used. It means engaging patients and the public to play their part by sharing in decision making and taking greater responsibility for their own health and wellbeing. And it means addressing the growing leadership crisis in the NHS by developing a pipeline for the future and doing more to support clinicians to move into leadership roles.

The primary focus for the NHS should be on delivering better value by improving clinical care, learning from how this has been done in the past. Better value can also be delivered by organisations working together in place based systems of care. While the last thing the NHS needs is another reorganisation, place based systems of care have the potential to bring organisations together around the populations they serve with the aim of using available resources for the benefit of these populations through shared governance and joint budgets.

Examples are already emerging in some areas of England and their development needs to be accelerated. This may happen as local areas prepare sustainability and transformation plans as required under the shared NHS planning guidance issued in December 2015. The requirement on organisations to come together to produce plans for their areas is designed in part to stimulate collaboration and act as a counter to the risk that organisations will act independently in the use of scarce resources.

Although the government may not yet be willing to acknowledge the seriousness of the pressures facing health and social care, other politicians have done so and have called for a commission to be established to review the options and make recommendations. We have argued this could play a useful role if it reports within a year, engages with the public and staff, and is led by a credible individual rather than being a royal commission. It would also need cross-party support. A time limited review is both necessary and realistic given that the Barker Commission has already covered much of this territory.

As I write these words, the image that keeps occurring to me is of a car crash replayed in slow motion. I hope I am wrong but the NHS seems set on a collision course that could be avoided but only the driver and navigator have power to act. Those of us watching can issue warnings and offer advice but it will take political will to avert a disaster happening.

Professor Chris Ham CBE

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APEC Forum

The Architecture Planning Engineering and Construction (APEC) Forum was set up in 2013 and aims to support both the Department of Land Economy and the Faculty of Architecture, the latter particularly needing help with outside teaching by practising architects.

Its inaugural event was an elegant and stimulating presentation in the Council Chamber of the City Hall by Spencer de Grey, Foster and Partners' joint Head of Design who is also a visiting Professor at The University of Cambridge.

APEC Forum has remained one of the most active Forums with the following events in the past year.

The CULS Careers Fair

Attracted a good number of the architecture faculty, both under- and post-graduates. They found a useful proportion of the firms represented employing qualified architects, and we look forward to more architectural practices showing up in the future.

Workspace of the Future 2: Clusters and Swarms

Generously hosted by the Macquarie Group including a tour of Ropemaker Place last March. The second in our series on the future of the workplace took us away from the desk: "The city itself is an office" and needs to provide opportunities for clusters of firms to swarm and group in creative patterns way beyond the control of the property market, let alone our town planning system.

Rapid technological changes are



combining with fast-moving shifts in the expectations of skilled workers regarding their place of work; and an office development project commencing today may only be occupied for 5 to 10 years or so, by a company which may not even exist yet. We discussed how will these changes affect the way we design, develop, finance and let offices.

A panel of thought leaders from across the industry engaged in a lively and stimulating debate, taking place in one of London's best examples of office buildings in recent years.

Presentations from Despina Katsikakis, of Transforming Workplace; and Fred Pilbrow of architects Pilbrow & Partners started us off and were followed by a panel discussion moderated by Lee Mallett. The panel comprised: Victor Callister, Design Council CABE/ex City of London; Nick Searl, partner, Argent; Nick Keynes, Tileyard and Simon Robinson LVO, CEO of 12 Hay Hill and our host Simon Berrill, Macquarie. A lively discussion preceded generous refreshments for some 70 attendees.

Winners and losers! Does property development serve society or itself?

April 2016 saw a second joint event with the National Planning Forum kindly hosted and sponsored by Dentons UKMEA LLP

This was an afternoon conference introduced and summarised by Paul Finch, editorial director of the Architects' Journal with the Keynote address by Steve Quartermain, Chief Planner, Department of Communities & Local Government.

Then a session 'Are we getting planning right?' moderated by APEC and NPF chairman Brian Waters with Mike Hayes, NPF secretary on the Local Plans Expert Group report: How to make Local Plans 'more efficient and effective', Mike Kiely, President the Planning Officers' Society:



Brian Waters,
BWCP, Chairman
APEC Forum, Chairman

'Will a Designated Persons approach to development management work?' (deputised by John Walker director of planning at Westminster City Council, Alice Lester, head of the Planning Advisory Service: 'How are local authorities making out?'. We then had a lively legal update from host Roy Pinnock, Partner in Dentons: 'The lawyer's perspective – 5 hot shots for 2016/17 from the Parliamentary blunderbuss'.

A final meaty session 'The Housing and Planning Bill and the Government's proposals for planning reform and encouraging house building' and 'Building the Homes – where are we up to and how



might we do it?' was moderated by Mike Hayes with strong presentations from Philip Barnes, Group Land and Planning Director, Barratt Development plc and Emma Cariaga of British Land on BL's approach to the Canada Water regeneration.

A pipeline to look forward to: Food & Cities

Lord Rogers has agreed to open this discussion on feeding the city. Sustainability and logistics are the common themes relating to London's population growth heading towards 10 million and buildings

such as Lipton Rogers' new tower which will have to feed and water 12,000 people every day!

St John's College Estate Development Master Plan

Architects Allies & Morrison have agreed to give an informal presentation of their work on the St John's Master Plan in their offices.

The architecture of Crossrail stations

Julian Robinson, Head of Architecture at Crossrail, has offered to present TfL's approach to their commissioning and design, possibly in a Crossrail station.

The Government Estate

The Government Property Unit's ideas for the Government Estate is one for early next year.

The APEC Committee

The APEC Forum committee has been very supportive and has recruited new members but more are welcome. We meet courtesy of Lipton Rogers in Cavendish Square. They are: Martin Thompson, APEC's scribe, is currently the Head of Accommodation at The Supreme Court of the United Kingdom; Lucy Mori, Business Development Director at Edward Williams Architects, Fred Pilbrow of Pilbrow & Partners architects, James Lai of architects CallisonRTKL, Yair Ginor of Lipton Rogers, Mike Adams of Adams Infrastructure Planning, Catherine Jenkins, Pilbrow & Partners, Sarah Basemera of Barclays Capital, deputy chairman Rod Mcallister, architect and chairman Brian Waters, of BWCP architects and planning consultants.

APEC Forum sponsors required!

Our cunning plan has been to establish the new(ish) forum over three years and then to seek sponsors for each year's programme. I think we have done the first bit and are now inviting sponsors to step forward. We have been fortunate in having all our events hosted and sponsored so that they more than break even but are keen to generate additional funds to support teaching faculty and students at the school of architecture and the land economy department. We can deliver at least three powerful events each year. Please get in touch! brianwaters1@mac.com

Asia-Pacific Forum

At the time of writing, the CULS Asia-Pacific Forum is in the process of finalising details for a panel event to be held at Ashurst LLP on 28 June 2016 entitled "London Market Update - Focus on Asia Pacific Investors". The CULS Asia Pacific Forum Committee are delighted to be joined by a panel of highly respected professionals with extensive experience in relation to investment into London by Asia-Pacific based investors. The panel comprises Stephen Rees (Senior Advisor, The Family Office, Real Estate Team, Deloitte), Chris Morrish (former Managing Director/Regional Head, Europe of GIC Real Estate), Lily Lin (Managing Director, Vanke UK), Alexandra Lanni (Head of Transactions at Laxfield Capital) and Rasheed Hassan (Director, Head of Cross Border Investment, Savills).

The panel event should be a topical discussion as the dynamics of international capital flows and the increasing number of new entrants into Europe from the Asia Pacific region ensure that London and, increasingly, the rest of the United Kingdom remain a prime focus for Asia-Pacific based investors.

It is clear to all of those involved in the CULS Asia-Pacific Forum that Asian investment into the United Kingdom has been growing for a number of years. According to the South China Morning Post, in 2015, investment in European commercial real estate market from Asian investors accounted for 6 per cent, a 50 per cent increase in Euro volume terms from a year earlier. Most ventures came from Malaysia, Singapore and Korea, as well as China and Taiwan.

This on-going trend was reiterated by Savills in March 2016 who confirmed that Chinese investment into UK commercial real estate this year will exceed 2015 levels as the market remains buoyed by the Chinese President's state visit in October 2015, Britain's status as an investment safe haven and, in particular, London's continued attractiveness. As for all those involved in the real estate industry, one hopes that whatever the outcome of the UK's EU referendum on 23 June 2016,

the outlook for investment into the UK real estate sector will remain robust.

Politics and inbound investment into the UK (particularly outside of London) are, of course, inextricably linked and the UK Chancellor of the Exchequer visited Hualing Industry and Trade Group when on an official visit to Urumqi in the region of Xinjiang in North West China in September 2015: Hualing Industry and Trade Group are committed to providing investment required to unlock three major property projects in Manchester, Leeds and Sheffield with a gross value of £1.2 billion. More recently, in April 2016, Mapletree agreed to acquire Green Park in Reading from Oxford Properties for more than £500m.

In short, it is a fascinating time to be involved in Asia-Pacific driven inbound investment into markets both within and outside London and we hope that the CULS Asia-Pacific Forum will remain relevant for many years to come.

In terms of the future, should any CULS' members be interested in joining the Committee and participating in the Forum going forward, please do not hesitate to let any of the current Committee members know. The current Committee members comprise: James Lai, Lauren Fendick, Tim Gummer, Stuart Bedford and Angela Wong. Details of forthcoming Asia-Pacific Forum events will be circulated to all CULS members in due course.

Finally, and very much last but not least, it was with great sadness that the CULS Asia-Pacific Forum Committee learned of the passing of Richard Wood earlier this year. Richard was an instrumental and dedicated Committee member whose input and expertise were greatly appreciated. He is very much missed.



Tim Gummer
Senior Associate,
Chartered Tax
Adviser, Ashurst
Asia-Pacific
Forum, Committee
Member



Regeneration and Regrowth: Maspero Triangle, Cairo

The rising economic growth in cities of the developing world is creating a growing pressure to redevelop and formalise neighbourhoods that have evolved outside the formal planning policy framework. As public bodies have limited resources, the private sector plays a pivotal role in this process. However, ill-defined goals and vested interests can at times lead to schemes that favour the few but offer little benefit to the locals. We believe that if this process is managed properly it can be an authentic model for the redevelopment of urban areas, as illustrated by our urban regeneration project for Maspero Triangle in Cairo – focused on keeping the vast majority of current residents on site, while creating new commercial and public spaces.

The neighbourhood, situated on the banks of the River Nile is characterised by its informal settlements and dense urban fabric that has developed independent of the planning guidelines that have guided

the development of the rest of the city. The new 35ha masterplan aims to introduce new residential, commercial and retail spaces, while rehousing the majority low income population in the same area and retaining its unique character and spatial attributes.

The project is envisaged as a combination of public initiative with private



Professor Spencer de Grey
Head of Design, Foster + Partners

investment support to produce a viable urban regeneration scheme. Based on estimated land values, the masterplan places commercial and residential spaces along the river edge and main street frontages, while mixed use buildings and open community spaces occupy the more private, central core of the scheme. This allows the existing population of the district to maintain their overlapping spatial live-work relationships while new office and retail spaces on the edges of the site create employment opportunities for the entire city of Cairo.

The masterplan derives from a re-interpretation of the basic street block. By increasing built density, it frees-up land for further development. It also introduces an added dimension of shared courtyard space, which improves the environmental quality of the low income housing through naturally ventilation, something that the existing back-to-back housing does not offer.

Following a flexible approach, the first phase will fill the empty spaces within the district with greenery to enhance the vibrant public realm in the community. This will improve the quality of life in the district and benefit the existing community immediately. Subsequently, the parts of the residential and commercial areas will be built in tandem creating a sustainable model of development.

The design of the public realm is key to the project, and in addition to the green spaces throughout the settlement, a central open space has been created at the heart of the neighbourhood for community events and celebrations. This space links directly to the food market, serving visitors and locals alike, which in turn leads to the retail spine and the hospital at the northern corner of the site. The settlement prioritises pedestrian traffic with its narrow, shaded streets, and connects across the river to Zamalek via a footbridge that boosts the connectivity of the area.

We envisage that the new masterplan for Maspero will “stitch” the centre of Cairo back together, providing essential connections to Downtown Cairo, connecting to the area of Bulaq and reinstating the prominence of

the Nile. However, creating better socio-economic connections with the rest of the city is of prime importance. It will become a place of lively retail where existing business owners can continue trading in new functional facilities and new start-up businesses can flourish; open spaces where people meet and socialise and accessible, safe streets full of activity. This vision can become a blueprint for future redevelopment throughout the rest of Cairo.

In order for this approach to be successful, it is important to maintain local character, combining existing landmarks with sympathetic contemporary architecture and to create continuity with surrounding neighbourhoods. The quality of the public realm – through landscaping and special anchors – is as important as the ease of movement through the site, both for local traffic and pedestrians. The critical component in unlocking the process is to make the scheme economically viable, balancing needs of different stakeholders and creating a plan that can provide prosperity to the local resident community, as well as the private sector.

Our plan does not seek to sanitise and



expel the character of Maspero, or to impose creative authorship over the new space; rather, our intention is to reconnect Maspero to Cairo's urban fabric and to provide a masterplan that will support a prosperous, sustainable, flexible and humane development – one that benefits the site and includes it in the growing prosperity of Cairo, rather than regarding it as a barrier to progress.

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Property: Profession or Industry



Jeremy Newsum, who retires as Executive Trustee of the Grosvenor Estate at the end of this year, takes a wry look back at his career choice.

I decided aged 16 to become a Chartered Surveyor, treading in the footsteps of my grandfather. His family firm had started in the mid-19th century, working in the best traditions of a small City of London professional practice. He had died some years before (the firm had been merged with Vigers which subsequently merged with Grimley JR Eve, now called GVA) but his widow, my grandmother, was the family guardian of 'professionalism'. Thus, she greatly approved of my employment by the Grosvenor Estate but was shocked when I left to join Savills ("But they are estate agents!").

In the UK a snobbish distinction between 'trade' and 'profession' lasted a long time (old money trumped everything of course but professional was better than new money) and sadly those attitudes both epitomised Britain's anachronistic view of the world and guaranteed our national complacency would be rudely shattered.

I was one of the early graduates of Reading University's Estate Management course after it had subsumed the College of Estate Management in South Kensington, the course at that time being roughly what one might expect at a technical training college. I was proud, though, and can remember asking the Secretary General (nowadays CEO) of the RICS why it was that the seemingly shorter Cambridge Land Economy tripos carried exemption from the written RICS exams. His response was that the profession needed to encourage more intellectual firepower. In Cambridge itself, the debate about Land Economy as a suitable academic course still rumbles on in dusty corners.

So, looking back on all this now, I realise that I have witnessed the most extraordinary liberalisation of property professional practice during my career. As the global, interconnected world emerged, old notions of a property profession manifest in institutionally-accredited firms disappeared. We were only dimly aware of it at the time but the main driver was Big Bang (city de-regulation) in the 1980s and the reverberations of this revolution continue in multiple ways today (together with the regulatory back-lash); but the fact that everywhere else in the world seemed to manage fine without Chartered Surveyors undermined the arguments that a 'professional' was essential. The chartered surveying practices themselves conducted long arguments with the RICS

over the proportion of partners required to be members in order to use the epithet. For its part, the RICS fussed about a profession wherein the name gave no clue about the role. The name stayed because nobody could think of a better one. There are of course some really technical aspects of property which makes professional qualification as relevant as in law or medicine but for the most part it is an experiential role and you simply learn on the job. Clients picked as advisers those who could do the job best, irrespective of their qualifications.

As for me, I proved to be a poor professional, never quite able to discipline myself to the process, precision or selflessness needed to be a great adviser. I found it much more to my liking to be 'client-side', hiring professionals as a principal and while I continued to pay my annual dues, took to describing my occupation as a company director not a Chartered Surveyor.

Eventually, I discovered the Urban Land Institute, a similarly hard to describe organisation. But instead of an introspective focus on professional standards and education, the ULI stated as its *raison d'être*, making better places. At this point I realised that I was actually an urbanist, a Chartered Surveyor with an object in mind. I was interested in the practical implications of the work, how day to day activity could translate to something enduringly worthwhile. The ULI is called 'the big tent' because all the professionals engaged in buildings and places gather there and discover each other's perspective. Planners, architects, engineers, surveyors, financiers, academics, public and private sector – even estate agents!; for me it was exciting to be part of the whole industry at work.

As the gateway to a career for the open-minded (or undecided), a degree in land economy/estate management/land management (it flies under many flags) is unbeatable today, as it has proved for me. The range of knowledge understood in these courses is incredible. From this common starting point, after specialism creeps in, the distance between the work of different individuals can be vast, as witnessed in the array of activities represented by the members of CULS. Specialists are important and those narrow minded professionals are vital but I am pleased I chose the whole industry.

The Dolphin Square Foundation

Ian Henderson
Consultant to Capital & Counties
Properties PLC

In 2005, the Dolphin Square Trust, chaired by Sir Rodney Brooke, disposed of its interest in Dolphin Square. The Trustees decided to establish a new Foundation to embrace the same objectives as had been specified in the original articles of Dolphin Square, namely to provide low cost accommodation for those who need to work and live in central London. It was with the endorsement of Sir Simon Milton, the then leader of Westminster City Council, and Sir Peter Rogers, that I was invited to set up a Board of Governors. It was the benevolence of the Dolphin Square Trust which facilitated the progress achieved over the last decade by Dolphin Square Foundation (which now trades as Dolphin Living) in replicating the original aspirations which inspired the Trustees of the original building, albeit in multiple locations rather than in a single property.

Over the years since its construction, in the 1930's, the 1200 apartments at Dolphin Square had played a useful role in housing working people from all walks of life and, following the introduction of rent controls in the 1960's rents were at a very substantial discount to market. Sir Simon recognised that a high value London Borough such as Westminster, faced particular challenges in providing good quality accommodation for the broad range of workers that powered the City's economy. At that time, while everyone understood the importance of traditional key workers – Policemen, Firemen, Nurses etc., less attention was being paid to the people who made the City work – the Restaurateurs and Chefs, Actors and Theatre Managers, Gallery Attendants, Journalists, Designers – the list is long. Some people might seek to challenge this wide definition of "key worker" but it should be recognised that tourism in London generates £10 billion per annum for the UK economy and cultural tourism in London – theatre, opera, art galleries etc. generates £3 billion per annum. Most of this is delivered by people earning low wages for whom Central London is becoming an increasingly inaccessible place.



Recognising that challenge, the Foundation committed itself to deliver 1,000 sub market rental homes in Central London by 2020. The endowment and other investment income had given the Foundation an equity base of some £150 million and our strategy was to raise a matching £150 million of debt over time allowing us to invest £300 million to deliver 1000 units. In 2005, when the median house price in Inner London was £250,000

this seemed a very realistic budget. An unintended consequence of the banking crisis in 2008 has been the unprecedented inflation in house prices, which has made the Foundation's task more challenging. Median house prices in Inner London have risen by 108% in the 10 years between 2005 and 2015 with an average home now costing £520,000. Over the same period, private rents have increased by 36% while average household incomes have increased





by just 20%. So it is this disconnection between housing costs and wages that has put Central London beyond the reach of the workers that it so badly needs.

To make our homes truly affordable to working Londoners, where median household incomes are in a range of £30,000 – 40,000 per annum, our rents are, on average, 50% of market rates. Recently, we purchased the New Era Estate in Hackney, where the tenants had mounted a very vocal campaign against what they saw as “gentrification” which was pricing out the traditional community. We have introduced a radical new approach to rent setting where rent payable is directly linked to net household income so that the level of subsidy provided reflects each tenant’s true need. But are we trying to hold back the tide?

Over my years as Chair, I have often been asked “but why should we house people on lower incomes in high value locations”? Two years ago we published a Cost Benefit Analysis, undertaken by University of Westminster, which demonstrated an economic value-add of £15,000 per annum per household from the tenants that we had housed in our first scheme, One Church Square in Pimlico, Westminster. But could those tenants had been housed in Harrow or Tottenham or further out in lower cost boroughs? We are about to publish an extension to that early research which will make that comparison and show that, after allowing for travel costs and



lost productivity, the difference is currently marginal and the continuing house price inflation in Outer London is eroding this at such a rate that there will shortly be no differential at all. So the answer to London’s problems is not to ship the workers ever further out of the centre but to make proper provision for them across the whole of London so that this great City can continue to prosper.

To date, the Foundation has contracted to deliver more than 600 homes and I

am confident that it will hit its initial target of 1000 homes by 2020. At that point, the operating surpluses that are being generated will be sufficient to allow the Foundation to invest a further £30 million each year in new projects so that we will continue to expand our portfolio of sub-market property. We aim to follow in the footsteps of Peabody and Guinness and be a significant provider of housing for London’s workforce for the very long term.

So far, we have managed to deliver our programme within our original cost budget, despite extraordinary house price inflation. We have done this by cross-subsidising our own development programme with a number of large acquisitions of the affordable housing element (Section 106 contribution) of larger private sale developments. We have worked successfully with Argent, Berkeley Group, Barratt and others. Sadly, changes in Government policy may make such opportunities rarer. We are also working in partnership with other land owners – Churches, Local Authorities and other charitable bodies to redevelop their existing land holdings and introduce an element of affordable housing.

But, as prices continue to rise, there is a risk that development for market sale will squeeze other tenures out of the market. New initiatives, such as the extension of Right to Buy and Starter Homes while populist, exacerbate the situation in the long term. The Foundation hopes that the case for permanent rented homes in London, both market rent and sub-market rent, will be understood and is keen to encourage the new London Mayor and the London Land Commission to allocate public land expressly for the purpose.

I hope we will win that argument and that, building on the foundations we have laid in our first 10 years, Dolphin Living will continue to contribute to London’s success.



Confessions of a Serious Serialist

Liz Peace CBE

Non-Executive Director at Morgan Sindall, Redrow and Howard de Walden; Chairman of LandAid, Curzon Regeneration Company and the Government Property Unit's New Asset Management Company; Adviser to a range of others.
University of London, Royal Holloway College, 1971-1974, BA Hons History.

This time last year I was embarking on a potentially exciting second career as what I termed a 'serious serialist'. It wasn't quite what I intended when I left the British Property Federation but so many interesting opportunities presented themselves that it would have seemed churlish not to take advantage of them. So twelve months on, I offer some further and rather different reflections on the attractions of a highly varied portfolio career.

Variety really is a great advantage. I like having some formal company NED roles since, apart from the obvious benefit of a regular salary, they ensure you keep a foot in the regulated company world and keep you up to date with all the aspects of investors' thinking, strategy, governance, audit, remuneration, health and safety and sustainability. Morgan Sindall and Redrow are both fascinating companies, as is the Howard de Walden Estate, and there is nothing better than taking oneself off on a site visit to see how it is really done by the folk on the ground. I can't recommend highly enough a perusal of



the inside of the Lee Tunnel (but sadly no longer possible since it is now filled with sewage) or a day tramping round housing sites listening to the traumas caused by the planning system. Of course the more formal side of Board business is important – even the Audit Committee – and well run Board meetings ought never to be boring.

But it is also very stimulating to have some less formal roles, perhaps a few task groups here and there, or an advisory function in a different type of company. I was somewhat sceptical about joining the advisory board of a small search consultancy, Holtby Turner, but it has introduced me to a set of skills and disciplines that I didn't know about before and definitely made me appreciate better the value of a good professional search firm.

Charities also offer great diversification, especially when they allow you to indulge in subject matter that has always been an off duty interest. I am currently involved in two heritage charities – the Churches Conservation Trust, and the Architectural Heritage Fund which I chair, and both are doing a fabulous job in conserving historic buildings and finding new uses for them. So whenever the fancy takes me I can spend a day getting to know something

like Sheerness Historic Dockyard, or Cromford Mill in the Derwent Valley, or one of the CCT's 350 redundant, but not deconsecrated, churches.

The RSL world is one that has a never ending need for Trustees or non-executives, some paid a modest fee, some not. My involvement at Peabody over the last 7 years has ensured that I remained current in the vexed but very topical issue of housing policy. But this is a heavily regulated industry – indeed the disciplines of the London Stock Exchange and the Financial Reporting Council seem positively benign by comparison. So it is not an area for the faint-hearted or those who baulk at wading through a 350 page board pack!

Having spent most of my career being an advocate for a whole variety of organisations and causes from defence science to regeneration, place-making and commercial property, it's good to have some things that you can continue to be passionate about. LandAid is a great example – the property industry's principal charity that has now embarked on a crusade to end youth homelessness. It makes a change from being, as Sir Simon Jenkins recently described me, the 'cheerleader for the development industry'.

And if I needed something else to be passionate about, then there is Real Estate Balance, started by a group of women from across the industry to try and redress the gender imbalance at senior levels by encouraging greater diversity in middle management. Or perhaps Town Centre Investment Management, an approach to improving failing town centres adopted and developed in a piece of work managed by my old friends at the BPF. Chairing that initiative has got me into a succession of exciting discussions with the civic leaders of places as diverse as Melton Mowbray, Dartford, Aldershot, Derby and Sutton.

My two most unusual roles, which are definitely outside the mould of the usual portfolio, are both currently described as 'shadow' – public sector speak for something that has not yet been formally or statutorily established. The first is chair of the shadow board of the Curzon Regeneration Company, which is going to oversee the development of the area of Birmingham where HS2 will 'land'. Despite being a Brummie, I had no idea of the potential of a fascinating but rundown piece of the city known as Digbeth, full of old factories, wharves, dubious metal bashing and weed infested temporary car parks. An embryonic creative industry is already starting to take shape there, led by the Custard Factory (yes – where Mr Bird really did make custard!) and the inspiring Fazeley Studios which contains some extraordinary brand and design companies who prefer to be in an 'edgy' part of town. My job will be to lead the development of this area without spoiling the character that makes it unique!

The second is a return to my Government roots – as Shadow Chairman of the embryonic new company that is to be set up to hold Government property assets - initially mainly offices and warehouses - and manage them in a way that ensures the most cost effective and efficient occupation. This concept has been knocking around for decades – but it is only recently that it has won the support of departments, probably driven by the need to find substantial savings. Hopefully it is an idea whose time has really come and I will be able to preside over a successful implementation - but it is by no means a slam-dunk, so more of that advocacy experience is likely to be needed to reach a successful conclusion.

These last two roles raise an interesting conundrum about the shape of a non-

executive portfolio. Is it desirable to mix public and private sector roles or is it better to become a specialist in one or the other? My own view is that there is real benefit to be gained by both sides in being able to bring to bear experience of the other. Indeed my whole career has been about bridging that divide – bringing private sector disciplines to DERA, subsequently QinetiQ, as we transitioned from being a sleepy part of the MOD to a modern science and technology company, and then helping the property industry understand better the position of Government as a legislator and regulator with the capacity to do both great harm and great good to a property business. Most Chairmen that I work for share that view and believe the companies concerned derive advantage from having a NED with a foot in both camps.

There is one final role that I should mention, if only because it has occupied my mind for most of my waking hours for the last 6 months and that is the Review of Community Infrastructure Levy or CIL that I was asked to undertake by the Planning Minister, Brandon Lewis. Perhaps it is that strong sense of public duty that a civil servant of 27 years can never really shed or perhaps it was a simpler sense of wanting to finish the job I had started back in the 'noughties' when we negotiated what turned out to be a very imperfect reform of s.106s or planning obligations. In any event, I agreed to lead the review – and what a saga it has become, probably because there is no obvious and simple answer to the conundrum of planning obligations. So my word of warning to those who share a similar sense of public duty is to be very careful about where that duty leads. And if you yearn for the glory of a report named after you, then remember that most rapidly become a distant memory consigned to the departmental library (electronic these days, not even a beautifully bound hard copy!).

In conclusion, I hope you will see why, faced with the challenges I have outlined, I decided that retirement really wasn't an option, at least not for the next few years. But if being a serious serialist is what tickles your fancy, then make sure you only take on the companies, subject matter and causes that really interest you. That way, as the old saying goes, you will never have to do any real work at all!

Canada

Having spent 29 years at Argent, developing amongst other projects, 17 acres of Brindleyplace in Birmingham and the 58 acre development at King's Cross, I left Argent at the end of 2015 and joined British Land to head their 46 acre development at Canada Water, London SE16. British Land's land holding on the Rotherhithe peninsular, in my opinion, presents the most exciting opportunity to create another whole new piece of central London.....since King's Cross! Some of the challenges are similar to both Brindleyplace and King's Cross but many are very different. 2016 is a different time, in a different London. King's Cross had/has the best public transport access in Europe and the 58 acres was populated with 20 amazing historic buildings and structures. These heritage assets provided an instant place making opportunity providing a useful low density 'constraint' within the heart of the development. The masterplan had to work around them. Done well, instant 'place making'. 'Half decent' offices would let and 'half decent' residential would sell. Argent however not only delivered much better than 'half decent' buildings but also created much better than 'half decent' public realm. The results can now clearly be seen and enjoyed. Both projects benefited from having a visionary Local Authority and planning policy in place to support the development. (In the case of King's Cross the formal policy not until 2003)

In Southwark, the borough where Canada Water sits, the Local Authority also has a clear policy supporting development with a very good recent regeneration track record in other parts of the borough.

So at Canada Water, we have the policy framework and a good Local Authority but what shall we actually do with the 46 acres in SE16? Can we build on the history as at King's Cross?

In year 1016 we are told that King Canute first cut a channel into the marsh land of the Rotherhithe peninsular to shelter and undertake work to his ships. Whether that really was the first 'dock' at Rotherhithe, we are unlikely to know for sure. What we

Water Development

do know is that the Mayflower ship set sail from this hidden gem of central London to America in 1620. The historic Mayflower Pub on the river from where the Mayflower set sail is also very close to Marc Brunel's first underwater rail tunnel and the Brunel Museum.

Between 1696 and 1969 virtually the whole of the Rotherhithe Peninsular was a series of docks. The names Norway, Russia, Greenland, Quebec and Canada Dock provided a clue as to the origin of the produce that was delivered in the increasingly large ships. Mainly timber but also some Canadian grain. The docks closed in 1969 and were progressively filled with 'building waste'. The recession of 1980/81 brought about 2 things to the dock lands. First building waste stopped arriving before all the docks were filled and second The London Docklands Development Corporation 'LDDC' was formed. Sheet piles about two thirds along the length of the partially filled Canada Dock were hastily installed leaving what is now known as Canada Water, a 'large pond' with connections to the river cut off.

The LDDC set about installing roads and infrastructure around and across the infilled docks and marketing the land for any use that was viable. First came some low density car dependant housing and some medium density dock edge homes along the Greenland Dock, which was kept intact and connected via South Dock to the river. The Surrey Quays Shopping Centre, with the first 'in town' Tesco hyper market and the largest area of surface carparking in greater London came next, followed by the Daily Mail Group's Harmsworth Quay print works. In 1998 the area was returned to the control of Southwark Council, who were keen to capture the benefit from the soon to be arriving Jubilee Line extension. With a new station at 'Canada Water'. British Land first acquired an interest when they bought into a retail portfolio which owed Surrey Quays Shopping Centre. For a few years the plan was to maintain, refurbish and to possibly extend the shopping centre. In 2013 when the Daily Mail moved out of the Print Works, British Land took the chance to acquire a further stake in what was clearly

Roger Madelin CBE, FRIBA

Head of Canada Water development, British Land

Director at Argent 1989-97, CEO/Joint CEO of Argent Group PLC 1997-2012, Partner 2012-2015.



becoming a very desirable place to live. With Canary Wharf one stop to the east and London Bridge two stops to the west on the Jubilee Line, Canada Water as the area around the station became known really was minutes from major work clusters. The recent upgrading of the London Overground, intersecting at Canada Water, connects the area to Clapham Junction, Croydon and Highbury and Islington, only strengthening the areas appeal and starting to become of real interest as a 'work space' location. In spring 2015 British Land acquired another major land holding by acquiring the 'Mast Leisure' site. Existing uses include a cinema, bowling and bingo and yes oodles of surface car parking. With a contiguous land ownership of 46 acres, a zone 2 location, sandwiched between the 63 acre Southwark Park and the wonderful Russia Dock Woodlands a special opportunity like no other in central London now exists. The GLA has identified the area as 'An Opportunity Area' and area of intensification. Southwark's Canada Water Area Action Plan adopted in November 2015 sets out policies and guidance for a major development, providing over 4000 homes, work space/offices for 10,000 to 15,000 people and a million sq. ft of retail and leisure.

In my development history, I have never been involved in a project where there are so many serious discussions with potential

occupiers taking place. Major office users, cultural uses and even retailers are talking to us about what we might be able deliver. Can we create for them a great place; provide a great product at great value and with flexibility?

With British Land's clear commitment to long term investment, ownership and management, the opportunity to provide a diverse and hopefully growing income stream at Canada Water is clear.

With no built historic grain or buildings to shape our new piece of city, we have been undertaking a series of seminars to help guide us.

- Is there a new urban narrative based on large mixed use urban blocks?
- Can one have a human scale and tall buildings?
- How might an increasing ageing population, health and social issues shape a new urban quarter?
- How can we use the history of the area and the water to create something really special?
- How adaptable can the buildings be changing uses?

Brindleyplace and King's Cross have provided many lessons about creating new pieces of urban fabric that are successful but each is very different. With continued collaboration at Canada Water, I have no doubt that a good new piece of city will emerge.

Land Economy and the NHS

The NHS in England looks likely to be heading through to 2020 with the tightest financial settlement of its 70 years history. Although the budget will increase annually by around 1% real, that is against a forecast increase in demand of nearly 4%. The reasons are well known – an ageing population with an associated rise in chronic ill-health, rising levels of obesity and type 2 diabetes, advances in medical technologies and ever-increasing drugs costs, labour costs and rising public expectations of the health service.

To be able to continue to improve NHS services under these conditions requires a sharp shift from business as usual. It calls for getting serious about demand and the prevention of ill-health – for example, tackling the scandal of childhood obesity – and focusing on earlier detection and treatment. It calls for new models of care, overcoming the silo effect of our current model of primary care and acute hospital care, which leads to a significant percentage of hospital beds occupied by patients with no clinical reason to be there.

As in all matters of health and health economics the causes and effects are complex, but the consequences are undoubtedly severe: a sizeable majority of acute hospital trusts were operating in deficit at the end of the last financial year. Much diagnosis and treatment can now be provided more effectively and more cheaply out of hospital – at home, at the GP surgery or in other community settings. Admission to hospital needs to be seen as an admission of failure and as a last resort, rather than as the common default. This calls for a new approach to general practice, at scale and with a wider remit; it also calls for a planning and funding model which focuses not simply on institutions and their bricks and mortar, but on population health, with a sharing of responsibility and budgets between the institutions – local authorities, hospital trusts, GPs, and other providers of mental and physical care.

Flattening the demand curve and rolling out these new models of care cannot be achieved overnight, and the NHS in England is having also to focus on ensuring more efficient use of its assets, including land.

The largest employer in Europe, the NHS is also the largest land-owner. But the pattern of ownership is highly fragmented. There are nearly 8,000 GP practices, some of which own their own land and others rent privately or from NHS institutions, now rolled up into NHS Property Services Ltd, set up in 2013 and now with a strong board chaired by Ian Ellis and on which our own Douglas Blausten has served in the past. This accounts for perhaps 10% of land owned on the NHS budget. Of the remainder, most is of course in full operational use. Some of it provides the most modern hospital facilities in the world.

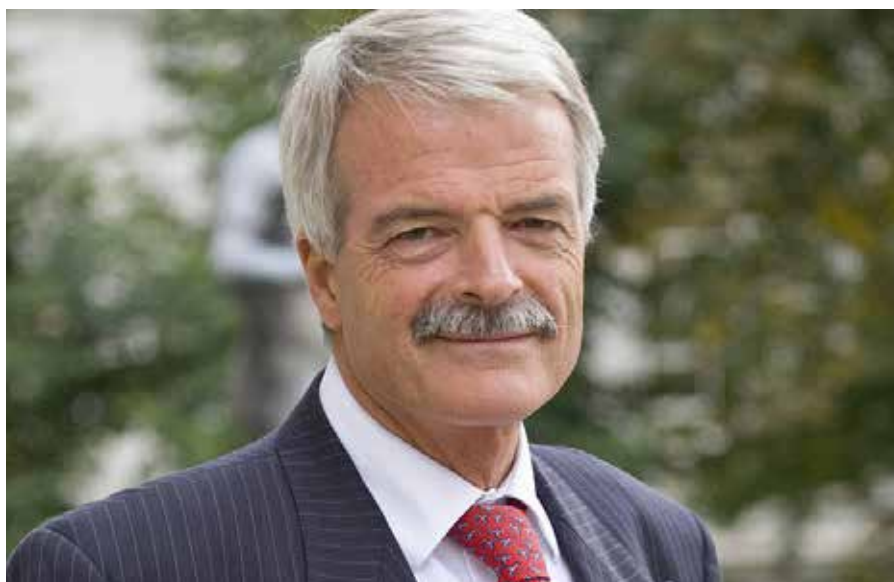
But there is also a significant amount of unused and underused land and buildings which could be brought into new use in ways that will not only create development opportunities but bring real value back to the NHS. Outright freehold disposal undertaken nationally in a fire sale will not achieve what the service requires. Nor will it deliver the volumes of new housing the government is committed to delivering. What is needed is a more strategic and sophisticated approach, exploring alternative end-uses alongside market uses, such as housing association developments for vulnerable groups, key worker accommodation for health professionals, mixed occupancy developments and sheltered accommodation for elderly groups and dementia-friendly settlements, and expanded health centres for the

new models of primary care. In addition, we want to ensure that there is a health-promotion element to new development, such as is at the heart of our healthy new towns initiative.

There is no shortage of capital and expertise to assist NHS landowners to achieve these ends, through joint ventures and other vehicles. What is needed is a willingness to explore and enter into new models for sharing risk and reward, and giving confidence to NHS organisations that, notwithstanding their relative inexperience in this area, they are not about to be taken to the cleaners. Other large public landowners, such as Transport for London, have developed fresh approaches which are in principle adaptable to the needs of the NHS, even though the context is much more fragmented.

Sir Robert Naylor, CEO of University College London Hospitals Foundation Trust, has been charged by the Government with devising an approach that can provide inducement and reassurance for the release and reuse of the surplus land assets held in the name of the NHS. Some of it has limited value by virtue of its location and constraints on its future use, but much – especially in London – provides unprecedented opportunities for development of benefit to the nation and particularly to the NHS.

Professor Sir Malcolm Grant CBE
Chairman, NHS England



Development around London transport hubs

London is powering ahead, raising questions of where its housing demand should be met and how its new residents can reach the concentration of jobs predominantly in its centre. London has 8.6 million inhabitants and has already exceeded the previous peak population of the inter-war years. Its population is projected to reach 10 million by 2030.

London's expansion requires investment and innovation in infrastructure. We need to seize the opportunity to plan now for our future economic growth. Planning for a population increase will mean that we will have to look at the land we have available for development, and at higher densities, and how we can integrate the planning of new homes with transport capacity because the key relationship is where people live and how they access jobs. Proximity and availability of transport is key to making the City work.

The March Budget set out the Government's vision that station sites provide excellent opportunities to deliver new housing. It confirmed that the Homes and Communities Agency would work in partnership with Network Rail, and local authorities, to provide land around stations for housing, commercial development and regeneration.

This was followed by an announcement by Communities Secretary, Greg Clark of a programme of development of railway stations and surrounding land. Greg Clark confirmed that "the government wants at least 20 local authorities to take the scheme forward and that ... with record numbers of people travelling by train, it makes sense to bring people closer to stations and develop sites that have space for thousands of new homes and offices."

The opportunity is therefore here for a new wave of Transport Orientated Development ("TODs"), of places that take advantage of improved public transport accessibility with new development, but do so in way those create great places for people. Today, the welcome investment in rail and station

infrastructure is having a centralising and place-making effect, in addition to the decentralisation we are used to seeing from new routes.

What, therefore, are the challenges in developing around public transport hubs and what is the key to success in promoting such places?

Challenges and Opportunities Opportunity Areas and Funding

Infrastructure has to be paid for but with public spending under tight control, new sources of investment are needed. Infrastructure investment is a key economic driver, providing a positive "multiplier effect" for the economy and helping to attract and retain wider private sector investment. It is likely that over two thirds of the investment required will need to come from a diverse range of private investment sources. While public sector spending commitments in infrastructure are welcome, they are not enough on their own more must be done to attract funding from other sources.

Investment in infrastructure is cash hungry and payback or returns are often slow and difficult to realise unless matched by development at a scale. We therefore support the rigorous prioritisation of the Mayor's London Opportunity Areas ("OAs") – the capital's largest brownfield sites – to deliver half a million new jobs and 300,000 extra homes.

The private sector's role as delivery agent for such sites will need to play its part through investment in infrastructure, such as through Community Infrastructure Levy



Martha Grekos
Partner, London Head of Planning and Infrastructure
Irwin Mitchell

(CIL), but input will still be required from central and local government. If OAs are to deliver all these homes and jobs, then reforms need to take place to allow London boroughs to introduce simpler planning rules across all OAs, including rules about when CIL, section 106 planning obligations and affordable housing requirements should be removed or reduced in early phases to assist with viability. Additional resources, powers or other guarantees are required to enable London to fully meet its growth potential as well as reforms to utility regulation to enable more timely forward provision of electricity and water infrastructure.

Land Ownership

It is highly likely that most of the land will also be owned by Network Rail. Unfortunately most of that land is unregistered and probably subject to a number of different agreements that have been put in place to protect the railway over many years. It will be a challenge to track all the parties for any section 106 agreements.



Protection of the railway

Any developer doing any works near stations/railways will be required to enter into an asset protection agreement with the railway operator to ensure that the operational railway is fully protected both during and after the works and that it can remain operations throughout. Design of a scheme is likely to be affected, as the railway infrastructure will need to be taken into account. Consent from the Office of Rail and Road may also be required if land owned by Network Rail is disposed of.

Partnerships

As TODs and OAs are by their very nature large and require significant investment, different vehicles such as joint ventures – are coming forward as a way to share the risks as well as profits, thereby helping to fully realise the growth potential in OAs. One such partnership development model is being realised by Transport for London where collaborates with property developers to co-steward development in and around key transport nodes. An example is London Underground's joint venture with Capital and Counties to

redevelop s Court - a 69 acre project site for 6,700 homes located in the Earl's Court and West Kensington OA, a transport dominated site with a mix of transport infrastructure.

For any such vehicle to work, apart from the legal structuring, parties involved need to agree from the outset what their joint vision is and how it is to be implemented.

NIMBYISM

Issues such as increased residential densities or changes to neighbourhood character may provoke strong opposition to a proposed development. The 'Not in My Backyard' or NIMBY reaction unless predicted and catered for with careful education and promotion and supported by genuine and extensive community consultation processes can prove problematic. An example where this has worked is the redevelopment of Green Lane and Station Approach in Northwood. Transport for London involved the local community in an open conversation about Northwood's future and moved forward collaboratively rather than impose plans upon them. There is a powerful case

for beginning with a vision shared by all stakeholders and agreement on common goals.

Compulsory purchase/land acquisition

Successful urban regeneration requires certainty regarding the provision and acquisition of land. Acquiring land is a challenge – whether by private agreement or through compulsory purchase.

In addition, issues concerning public procurement are frequently encountered. Where the regeneration scheme involves land owned by the local authority, which will be sold off to the developer or another third party, issues relating to procurement are likely to arise which may pose considerable difficulties to local authorities and developers - and provide potential opportunities to commercial rivals or local residents to challenge the arrangements in court.

Brownfield redevelopment

TOD is based on urban infill principles using brownfield sites to contribute enormously to the revitalisation of

declining urban centres. Additional time and costs associated with the clearing and remediation of polluted sites, land acquisition and assembly of land packages is offset to varying degrees by the fact that much of the necessary infrastructure, including the transport corridor, is already in place.

Connecting local objectives to strategic national objectives

One of the keys to success in promoting TODs is connecting local objectives to strategic national objectives - such as the need to build more homes and the reduction of congestion, carbon emission, social exclusion and crime. In addition, living near good public transport can reduce the proportion of household



income spent on travel which indirectly makes housing more affordable. Such housing is also a logical choice for people on low incomes, those who cannot drive or cannot afford a car, students, people with disabilities, the elderly or families requiring social housing and support services.

Whilst it takes greater forethought, consultation and collaboration between the public and private sector to implement, it is feasible to integrate affordable, suitable and desirable housing for people in lower income groups in TODs without creating pockets of disadvantage.

Place-Making

Equally, if we concentrate growth around transport hubs and ensure that these locations are the priority area for transport investment decisions, we will create new high streets. These transport hubs will become the new town centres of the future

as they draw in huge numbers of people on a daily basis. Retailers require footfall and this footfall is created by people coming to use high streets as places of work, travel, leisure and residence. By addressing issues facing city centre working, learning and living we can breathe vitality back into our town and city centres through TODs.

In addition, a well-conceived station concourse not only ensures that commercial enterprises prosper but, importantly, investment in place-making attracts people and encourages them to linger, leading to a sense of familiarity, safety and engagement which helps a community to grow. Stations are unique public buildings and are part of the shared experience we all have on a day to day basis. There is therefore renewed civic pride of these buildings. The revitalisation of St Pancras and development of King's Cross, encouraged major occupiers to relocate their businesses to what has become a new and vibrant place to work and live and which has in turn stimulated further investment in the local community.

Density issues

The complex nature of station sites is likely to result in increased development costs which will encourage greater density to ensure that viability appraisal tests are met. However, greater density may not always accord with local policy and housing standards and also those living and working close to the railway may demand protection against noise and vibrations which could increase the development costs.

Conclusion

Transport has always been a catalyst for development in Great Britain, from



the time of the Roman Roads to the emergence of London as a world port and the birth of the railroads. Transport provides accessibility to land, making the land valuable and encouraging economic activity. This is as true now as it was when the ground was born in the 19th Century and when commuter trains sparked the growth of Metroland in the early 1900s.

Today, TODs have a vital role to play in delivering London's new homes, jobs, and community opportunities in a responsible way. The challenges are many in delivering a successful TOD but the rewards for creating great places to live and work would appear to be commensurate.

This article is based on an article first written by Martha Grekos of Irwin Mitchell and Emma Cariaga of British Land and first published in the Estates Gazette in 29 August 2015





UK Infrastructure Update

The so-called National Infrastructure Commission is expected to be enshrined in legislation this year via the Neighbourhood Planning and Infrastructure Bill. It will have a duty to produce an assessment every five years setting out what the UK needs by way of infrastructure in the following 30 years.

The commission has already been at work in shadow form and has produced three reports, on 'smart power', transport in London and transport in the north of England. The first focused on ways to produce and use electricity without having to build new infrastructure to meet the peaks in demand, through storage, interconnectors from other countries and 'demand management' (e.g. getting people to shift their usage).

The second focused on Crossrail 2, the proposed north-east to south-west rail line that could unlock up to 200,000 new houses in the capital, and the third was about speeding up and increasing road and rail links across the Pennines, particularly between Leeds and Manchester.

The commission has been given two more specific jobs to do: look at '5G', the next generation of mobile phone infrastructure, and consider how to achieve economic growth in the Oxford-Milton Keynes-Cambridge 'varsity' corridor. Perhaps CULS might like to participate in that study in particular.

At the same time, the commission is starting work on its first National Infrastructure Assessment. Once produced,

While delays bedevil progress on both a new nuclear power station in Somerset and a new runway at Gatwick or Heathrow, the government is creating a new body to examine the need for infrastructure in the long term.

the government will have up to a year to endorse the recommendations in the assessment - or not. Endorsement is not guaranteed, and if the Airports Commission's work is anything to go by may well not always follow.

Having said that, if the commission is as ambitious as I hope it will be, it could really make a difference. Infrastructure has been provided piecemeal, sometimes by private companies and sometimes by public bodies. Although the government has produced a 'National Infrastructure Plan', it doesn't contain any planning, but is just a statement of what is happening at that time.

On energy, the commission could shepherd in a new generation of green electricity generation and the closure of the UK's ageing coal plants. The 'trilemma' of decreasing fossil fuels, threatened climate change and over-dependence on countries with questionable political regimes could be tackled in earnest. On transport a fast all-electric transport system could be

born, but this will need concerted action to provide, for example, standardised electric car battery fittings and a network of charging (or swapping) points.

Looking at transport and energy holistically could result in a system of power being taken from batteries in idle cars to meet peaks in demand, and returned in time for the cars to be used in the morning. Indeed, almost all infrastructure is built at a scale to meet peaks in demand, be it demand for electricity, commuter travel, high water levels or peak mobile phone usage, and the rest of the time is not fully used. Shifting the peaks, either by shifting demand or rationing it to even a small degree may form a large part of the solution as well as just building more stuff. We should all participate in the work of the commission as it seeks to shape our future.



Angus Walker
Partner and Head of Infrastructure
Planning, Bircham Dyson Bell LLP
Christ's College, 1979-1983

London's growth and the rise of the West End

Craig McWilliam, FRICS, was appointed to the Grosvenor Britain & Ireland Board in 2010. He is the Executive Director responsible for the London estate, having previously had charge of all development activities off the London estate. Prior to joining Grosvenor he was a Managing Director at Fortress Investment Group. Craig is an Honorary Fellow of the Royal Institution of Chartered Surveyors, a Trustee of LandAid and sits as a director of the New West End Company.



Craig McWilliam
Executive Director, London Estate,
Grosvenor

London is a preeminent global city, an international hub for talent and investment and a net contributor to the country's public finances. And it is growing. The city's population is at a peak and is forecast to grow by 1.5 million to more than 10 million by 2030. That means an extra 100,000 people – the equivalent of adding a town the size of Bath – every year.

There is a growing consensus that the West End helps drive London's success. The West End generates a sixth of London's economic output and 3% of the country's; larger than the City of London's contribution. It is uniquely diverse as an economic powerhouse, a mixture of urban neighbourhoods, a focus for culture and entertainment, a centre of learning and research and a leading retail destination with at its heart, the internationally-recognised Oxford Street anchoring a retail quarter that generates £9bn turnover a year.

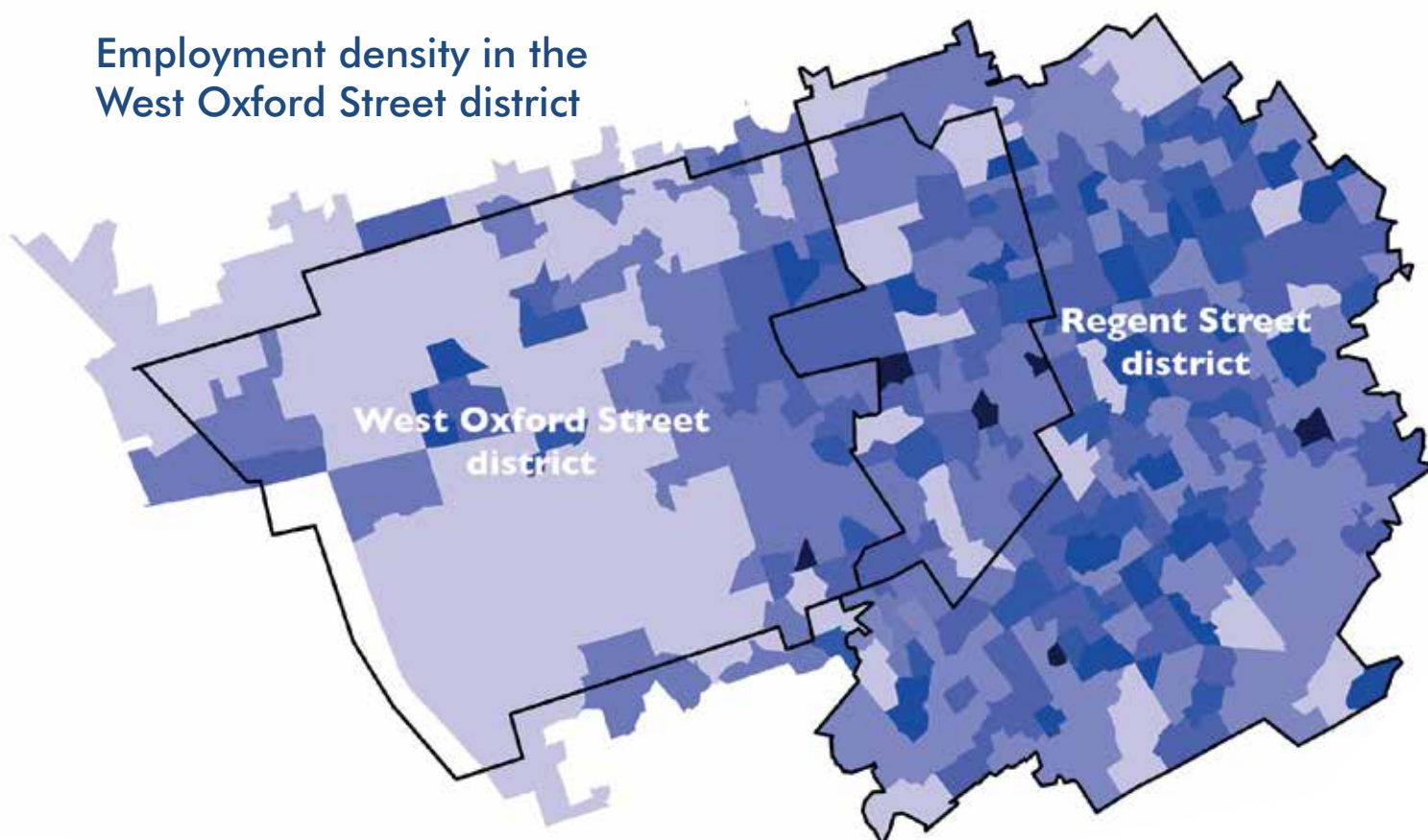
But the well documented downward pressures on London's infrastructure and quality of life mean the West End's continued success cannot be taken for granted. Oxford Street already reflects many of those pressures. Half a million

people walk down it every day but it has high levels of traffic, poor quality public realm and inadequate amenities. Air pollution is three times higher than the EU's legal limit, and the street's western section is the site of the country's top three pedestrian accident hotspots.

Improvements to the West End are underway, including the opening of the Elizabeth line. But these in turn will grow demand for, and access to, the West End. On Oxford Street alone, the Elizabeth line's two new stations are expected to disgorge 120,000 more people every day; a 40% increase on current numbers.

So I welcome the work of the West End Partnership – the public-private coalition that includes Westminster City Council (WCC), the London Borough of Camden, the Mayor's office, Transport for London, resident groups and representatives of business including London First, the West End's BIDs and the Westminster Property Association – which has outlined a 15-year vision and plan for growth, to meet rising demand and enhance the quality of life for all who live in, work in and visit the West End. It has identified the need for approximately £1bn of new investment in this period.

Employment density in the West Oxford Street district



With other industry partners, Grosvenor has commissioned work to understand how the West End's districts - starting with the Oxford Street district, which encompasses the neighbourhoods of Marylebone and Mayfair - could turn the Partnership's vision into reality. Early conclusions indicate this district could be transformed as a platform for growth and a growing quality of life for all.

First, with a new approach, Oxford Street's competitive vulnerabilities could be overturned. Successful retail destinations are in almost all cases conceived as wider districts. We looked at Regent Street, Cheapside and Knightsbridge in London, and internationally at Rue de Rivoli, Paris; Biblioteksgatan, Stockholm; and Fifth Avenue, New York. We found that the most successful retail destinations benefit from leisure and cultural uses that complement the retail offer and often extend into the evening and night time; have high quality public realm; and connect to the amenity of their neighbouring areas. Oxford Street would benefit from this district-wide approach.

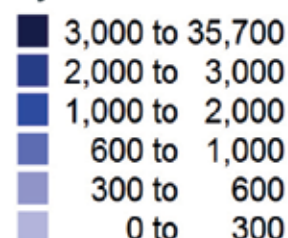
Second, the Oxford Street district, like the wider West End, faces an employment floorspace capacity shortfall that threatens to weaken London's competitiveness.

WCC, through the West End Partnership, aspires to create at least 77,000 new jobs in the borough by 2036. It estimates that around 2,000,000 sq m of extra employment floor space will be needed to host the economic activity implied by this target. This represents a threefold increase in historic rates of expansion. As it stands, the vacancy rate for commercial space in central London has fallen to a 15-year low of 2.6%, below the rate of an efficiently functioning market.

The West Oxford Street district has roughly half the employment density of its neighbouring Regent Street district (see figure). With a more efficient use of space, intensification and in some places densification, we estimate it could sustain new employment that delivers as much as a quarter of WCC's jobs target and grows the district's economic contribution to London by a fifth.

So the Oxford Street district could be transformed with fundamentally new approach to funding and placemaking. A successful street with a transformed pedestrian experience could 'spill out' into an integrated district able to host more jobs, with a greater mix of uses and economic activity.

Jobs per hectare by work zone



I would argue we need a single vision backed by a growth-promoting planning framework and a steady stream of public investment. With them, the proceeds of growth could be reinvested in the area with early fiscal devolution. New private capital could be leveraged as disparate owners coordinate their commercial strategies with an agreed district-wide investment and management plan. And the full potential of the Oxford Street district to host more jobs and a greater quality of experience for all users could be unleashed, to the benefit of the West End, London and beyond.

"It is the same with any life. Imagine one selected day struck out of it, and think how different its course would have been. Pause you who read this, and think for a moment of the long chain of iron or gold, of thorns or flowers, that would never have bound you, but for the formation of the first link on one memorable day.

Charles Dickens, *Great Expectations*

The Deals Beneath



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In April this year I was invited to become a technical advisor within the Estate Regeneration team at the Department for Communities and Local Government (DCLG). The team report to a panel co-chaired by Lord Heseltine and Rt Hon Brandon Lewis MP. This panel, including industry doyens such as Tony Pidgely, Elaine Bailey and Peter Vernon has been charged by the Prime Minister to support the regeneration of 100 housing estates. It is a worthwhile agenda and one that I am delighted to be involved with. These are projects that are being led on the ground by some of the most talented and committed individuals in the property industry.

Regeneration can be a nebulous term and I see it widely overused. This is especially true of private developers looking to dis-associate their shiny new scheme from its immediate setting or to talk up the values. Nine times out of ten I would describe these schemes as a 'merely' development. For me, urban regeneration

is a process in which the public sector is required to address market failure in some form. In doing so, the involvement of the public sector brings a broader social and economic agenda alongside the private sector's profit motive. Regeneration is therefore re-imagining of place – in a physical sense but also as the scene of peoples' lives. Regeneration seeks to reverse conditions that negatively affecting the health, security and economic potential of their residents. As I said, worthwhile.

This is not a new concept. Indeed, in his book "Remaking London" (2013) Ben Campkin, an academic at UCL, notes the use of 'urban regeneration' as a phrase linked to the redevelopment of slum districts dating to the late nineteenth century. Campkin goes on to note that there are striking similarities between the regeneration areas identified in the 2011 London Plan and Abercrombie's 1943 County of London Plan. He also directs us to the fascinating short film "Paradox City" (1934) - available to watch on the British Film Institute's website. This early fundraiser for the St. Pancras House Improvement Society clearly shows us an early example of regeneration in action.

Evidently there are no simple solutions to the challenges of physical concentrations of deprivation. And we have been trying for over 100 years now. As such, these issues have been a long held interest of mine. As an undergraduate in the late 1990s, my dissertation focussed on the contribution of the design of housing estates to crime and the fear of crime. As a postgraduate, my research turned to the potential for new forms of public finance to facilitate regeneration. As a professional, alongside my 'regular' development projects, my colleagues and I spend a lot of time helping public landowners to pursue positive social and economic outcomes from

their land transactions. In trying to avoid creating places capable of negative social outcomes, this has led me to look long and hard at how we got here. What events conspired to create such long shadows?

Many of today's regeneration projects are seeking to address social and physical issues created by redevelopments that took place only some 30-60 years ago. These sites themselves often stem from some form of early twentieth century 'slum clearance' programme. These first (re)generation projects created both the solidly built mansion blocks of the 1930s (see "Paradox City") but also the slightly later, and more problematic, system-built flats and houses of the 1950s and 1960s.

It strikes me, therefore, that there is a direct line of sight between today's regeneration programmes and the slum clearance programmes of the early 20th century. And in turn, I suggest this line of sight extends to the original development that went on decline in to the slums that were 'cleared' or 'improved', to use the term of the day. Ben Campkin's book brought to my attention an impressive body of research by Linda Clarke - published as "Building Capitalism" (1992, republished 2011). Clarke, now at Westminster University, provides us with a complete description of the development industry in the 18th and 19th centuries. In addition to describing the evolution of the construction process she provides us with a highly detailed account of the land transactions behind the initial transformation of (inner) north London from the rural to the urban. Her study provides wide ranging detail of the nature of the deals done by the owners of the 'great estates', including Grosvenor, Bedford, Southampton, Brewers', Skinners' – and especially the Somers' family estate. If you are familiar with Simon Jenkin's very accessible "Landlords to London" (1975)

or Gillian Tindall's "The fields beneath" (1980) but you have always wanted to know more about 'how' then Clarke has all the answers. In addition to the study of the construction process itself, Clarke's research looked at how each of these land owners structured their affairs to facilitate development.

What is interesting to me is how some of these key decisions and specific transactions can be identified as contributing to the long shadows that we are still addressing. And more importantly, the lessons we can draw even now.

Much of the focus of Clarke's research looks closely at the development of Brill Farm, part of the Somers Estate, forerunner to what we now call Somers Town. Somers Town is today found wedged in between Euston and St. Pancras Stations, north of the Euston Road. However, the original catalyst for change in this area was the construction in 1756-7 of the New Road which ran from Paddington to Islington (now Marylebone Road and Euston Road). The New Road was created to relieve heavily congested east west route of Oxford Street and Holborn and drive cattle to market at Smithfield. Passing between the farmland

of the Somers and Bedford estates it was to open up this part of north London for development.

Rather than joining the illustrious list of London's 'Great Estates' the Somers' estate in particular would quite quickly deteriorate in to what become the focus for the St. Pancras House Improvement Society in the 1930s and the scene for early regeneration programmes. And today still, Somers Town finds itself within the country's highest 7% on the Government's Index of Multiple Deprivation.

In the 1898 notes accompanying his poverty map of London, Charles Booth notes

"Somers Town...is one of the worst areas remaining in the whole of the subdivision. It has improved somewhat, and the police give it a fair character as regards criminality. But it remains a dark, if not very black corner of London".

Booth informs us that being one of the worst, it was once even worse. It would be fair to say that this place had gone from farmland to a dark 'Dickensian' slum in a very short space of time. Indeed, Dickensian is apposite since Charles Dickens was familiar with the area and actually spent

some time in his youth living here. The area is referred to in a number of his works including *The Pickwick Papers* (1836), *David Copperfield* (1850), *Bleak House* (1852), and *A Tale of Two Cities* (1859).

Commenting particularly on Little Clarendon Street, at the heart of the Somers' Estate, Booth describes it in 1898 as "A narrow thoroughfare of bad repute. The local name for the street is 'Little Hell'." The causes of these conditions interested Booth who litters his notes with records of his conversations with local policemen about the roots of decay, crime and criminality. However, in commenting on Little Clarendon Street in particular, he goes further than normal and records the landlord for this road as being Lady Henry Somerset [daughter of the 3rd Earl Somers]. Compare this to his observations of Chenies Place, a short distance away and still part of his

BLACK	Lowest class. Vicious, semi-criminal.
DARK BLUE	Very poor, casual. Chronic want.
LIGHT BLUE	Poor. 18s. to 21s. a week for a moderate family.
PURPLE	Mixed. Some comfortable others poor.
PINK	Fairly comfortable. Good ordinary earnings.
RED	Middle class. Well-to-do.
YELLOW	Upper-middle and Upper classes. Wealthy.

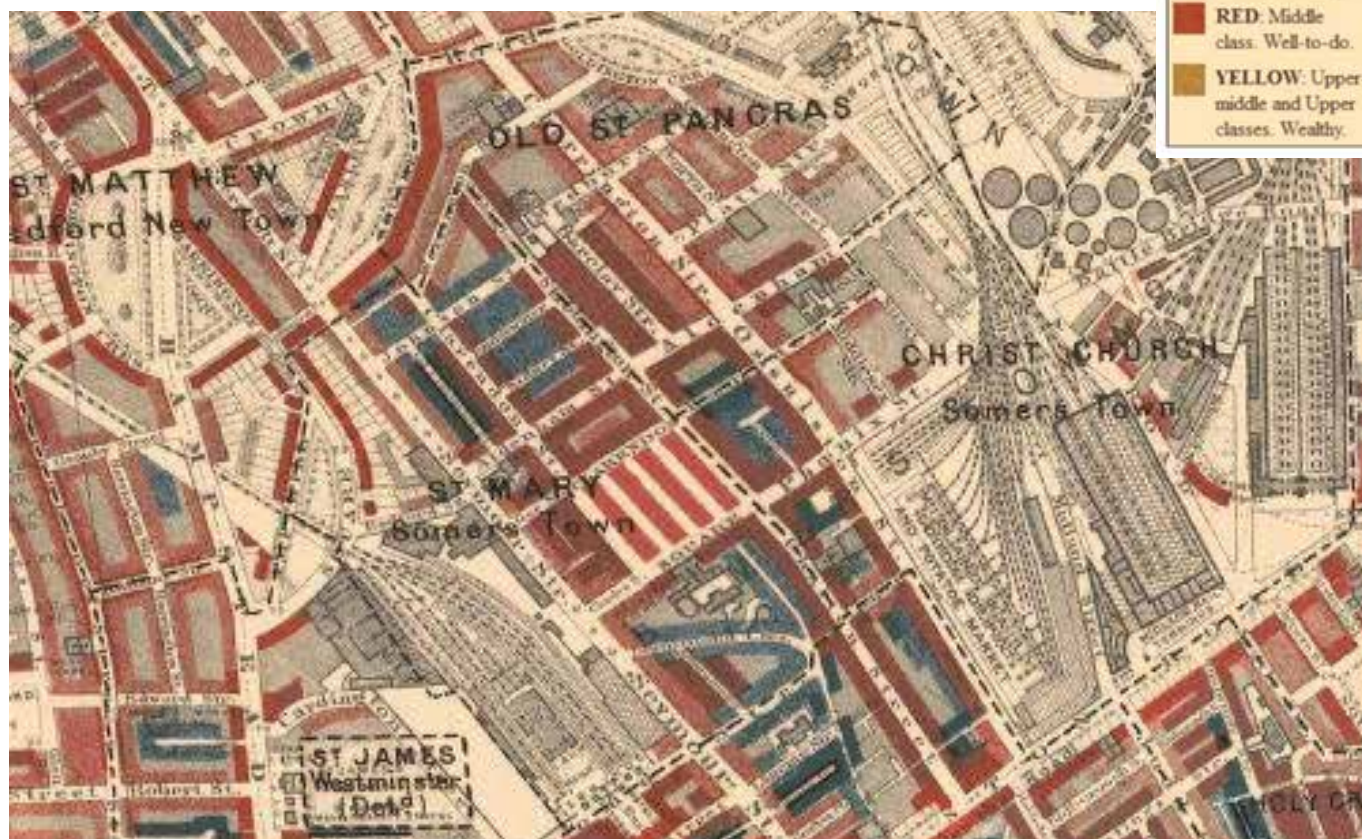


Figure 1: Extract from Cary's New Plan of London and its vicinity, 1837, identifying Somers Town (north of New Road and east of Seymour Street, now Euston Road and Eversholt Street respectively)

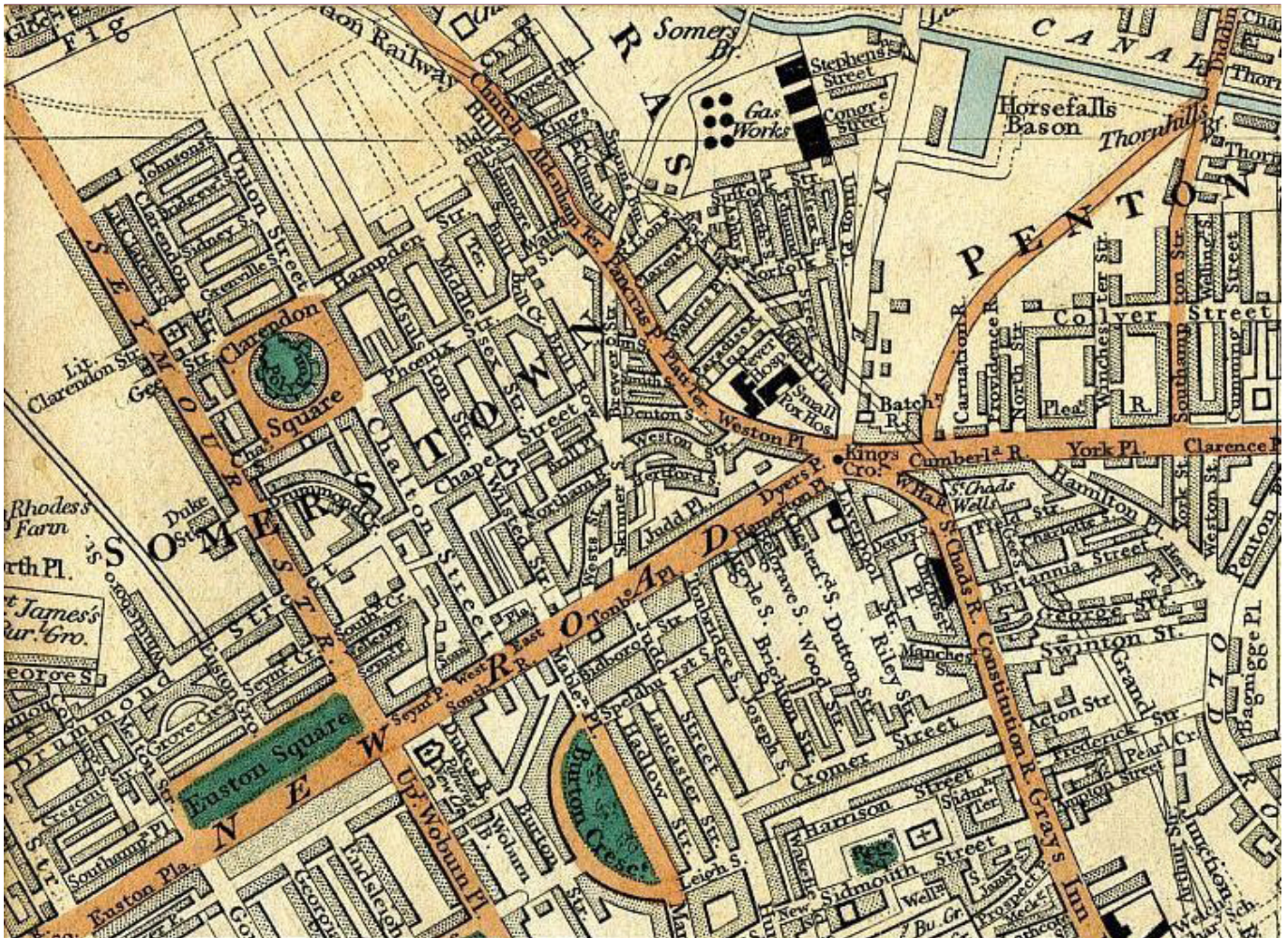


Figure 2: Detail of Somers Town from Booth's Poverty Map of 1898 (note the pink 'barracks' of the Midland Railway company already having replaced Leroux's 'Polygon' in Clarendon Square – one time home to Charles Dickens).

Somers Town notes - "3 storey houses, working class. Well built. Duke of Bedford's property." Jenkins tells us that this outpost of the Bedford Estate was "scrupulously" planned and laid out after the Somers Estate (c.1830). It would go on to be mostly cleared for the enlarged Euston station in the 1960s.

Clearly then, in addition to the other contributing factors, Booth felt that there was a relevant point to make by drawing links between the freeholders of the properties and their physical and social conditions. In his notes Booth reveals that it is suggested to him that Lady Somerset is not only the freeholder but also the "... house landlord, collecting rents through an agent". Given the seriousness of such an allegation (propagating slum conditions) he follows this up and concludes, in his notes, "Subsequent information goes to disprove this information". Indeed, based on the 99-year development lease common at the time, and the fact that Little Clarendon Street was undeveloped in 1802, it is more than likely that the houses Booth was inspecting were at the very tail

end of their leases, pending reversion to Lady Somerset.

From the outset, Lord Somers approached his property matters a little differently to his contemporaries. Partly this seems to have been the influence of his agent, Nathaniel Kent (more at home on matters of agriculture than development it would seem), but also borne of circumstance. Where the Bedfords, Southamptons and Grosvenors (for example) were bedding down for the long term, in the late 1700s Somers was taking an alternative approach. Clarke's research shows us there was no interest on the part of Lord Somers to invest, nor was there a particularly long term view adopted. Having failed to sell his farmland to the adjoining Bedford Estate (in part likely due to the apparently boggy conditions and proximity to various brick making and other industries) Somers' main concern seem to be the extraction of a short term financial gain.

In *Landlords to London*, Jenkins quotes the author Donald Olsen who in his writings on the business of the Bedford and Foundling Estates notes that

"The whole day to day business of an estate office would be unintelligible without the assumption that the first duty of the ground landlord was to pass on to succeeding generations the value of the property unimpaired and if possible enhanced."

In a time before town planning legislation, this long term profit motive would steer the course of the development of much of London up until the early 19th century.

In the late 1700s, the Bedford Estate's agent was a man named Robert Palmer who was largely responsible for the laying out of Bedford Square - among other schemes still visible today. A success from the start, Jenkins notes that the conditions imposed by Palmer on the contractors and builders went in to "mind boggling" detail. On the neighbouring Foundling Estate, James Burton (working under the close supervision of the Governors), also insisted on the careful use of materials and on phasing "so that each part may be complete in itself and not depend for its success... upon the execution of others". Clarke also observes that the Duke of Bedford also

made advances and investments in the development process in order that the work conformed to the standard required.

In this context of close supervision and attention to detail Somers couldn't have been more indifferent to the development of his estate. The whole enterprise was essentially contracted out through a series of long leases to the only person to make him an offer for the land - architect, developer and local magistrate (i.e. building control officer of sorts) - Jacob Leroux.

Through his varied professional career Jacob Leroux would have been familiar with the schemes overseen by the likes of Palmer and Burton. Having also personally been involved with house-building on the nearby Southampton Estate he would also have been familiar with the general approach to development that Clarke observes as dating from the last third of the 17th century.

Clarke informs us that the general convention with regards to housebuilding in the late 17th century, and for a couple of hundred years thereafter, would be that a developer would take on a 99-year lease of land in return for a fixed rent payable to the freeholder. This rent would be an improvement on the existing use value of the land (usually agriculture or brick making) but on a wholly unconditional basis. The landlords of the time were taking no risk in this process. After an initial two years' peppercorn, improved rents would be payable – come rain or shine.

The developer (head leaseholder) would be responsible for the investment in infrastructure and then the sub-letting of house-building leases, in return for an initial premium and enhanced rates, to reflect the improvements made in the land. In this way, the developer would be seeking to recoup his initial investment and create a profit rent. But in doing so assume a very large amount of risk. Generally the actual house-builders were 'artisans' who only had the capacity to take on a handful of units at a time. Any softening in the house-building market would therefore greatly affect the head-lessee who was by then obliged to be making ground rent payments to the freeholder and servicing the cost of finance and infrastructure.

At the end of the terms, the leases would terminate and interests would revert to the freeholders.

Given this method, Clarke notes that the

degree of control exercised over building by either the freeholder or head-lessee varied considerably. This control could range from just the size of the building plots all the way through to the materials and form of construction and eventual occupation. The Bedford Estate went to considerable pains to maintain control over both the form and function of their Estate. This extended to making investment in infrastructure and extending loans to some of the developers to ensure a high quality product. There were also famously enforced controls over the access to the newly developed estate by tradesmen, for example. This sharing of some risk and a clear vision for the long term management is very much to theirs and Palmer's credit. Much of the estate still exists as designed.

In the case of Brill Farm, Clarke has reviewed the original 1788 agreement between Somers and Leroux. Apart from placing obligations on the delivery of certain infrastructure items, the most significant form of control during development being the stipulation that Leroux was to spend not less than £400 [c.£55,000 in 2015 prices] on the construction of each house, with eight houses of not less than £850. Such stipulations failed to acknowledge the risk of inflation (which ran at an average of 5% a year to 1800) and it also wholly failed to recognise the contractual mechanisms for delivery – meaning that the condition was all but impossible to test. It is also noteworthy that Somers was contracting with Leroux for all future management of the estate – requiring Leroux to keep "...all ways, passages, lights, casements, watercourses...brick walls and fences, pavements, sewers and drains...in good repair".

In general, one can understand why Somers might have backed Leroux. He was an upstanding member of the local community and had experience of development. But one of Somers' problems seems to have been the lack of commercial tension when dealing with Leroux. Whether Leroux used his local influence to ward off competitors, or whether the land was just too unattractive, Leroux was the only show in town for Somers. He was the only person who offered to take on the development project. Perhaps acknowledging this and perhaps seeking to maintain a degree of control Somers had broken the estate in

to plots which when drawn down came with their own infrastructure conditions. This may have seemed like good business for both parties at the time but in granting these interests to Leroux, Somers – via his agent Kent, had created plots of land which were legally distinct. When Leroux died in 1799 he instructed that his long leases at Somers Town be auctioned off and the proceeds divided between his surviving family. The leases were duly broken up and sold and all prospect of centralised estate management collapsed.

With the march of inflation eroding the value of the freeholder's income, and the motivation to invest in the upkeep of the houses dwindling along with the remaining terms, it seems inevitable that these conditions would conspire to dissuade investment in the Estate during the 1800s. Without an effective management regime, few remedies in the hands of the freeholder and fractured long -lease interests it is no wonder then that Booth was presented with such decay at the end of the century and looking for answers.

It is impossible to isolate the deals between Somers and Leroux as the sole cause of the decline of Somers Town. The coming of the railways and the original setting of the site also had huge impacts here. But it is certainly possible to look at Somers Town and read the lessons for today's developers. Some of the advances in the law of property and the increased sophistication of the development industry have recognised a number of these. But equally, the benefits of adopting a long term view, the sharing of risk and reward between stakeholders, and the need for a robust management regime should be key considerations for all landowners considering large scale development and regeneration schemes.

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Chris Bartram
 Founder and past Chairman
 of Orchard Street Investment
 Management LLP
 Downing College, 1968-1972

It needs a bit of luck...

An odd, but often heard statement is, 'I have never met anyone who founded their own business, and who did not think it was the best thing they had ever done'. Is that true for everyone? It seems unlikely, but what has been my experience?

Orchard Street was set up to be a commercial property fund management business for a limited number of major institutional investors. That was the plan, with an investment focus on UK only. However, at inception, there was only one client (giving us £800m in AUM). There are now six (with a total AUM of over £5bn), but the path between those two positions has been far from predictable.

At the beginning, the one client, a major UK pension fund had encouraged me to set up a firm and take over the management of their account. Our relationship was itself the product of some years of a successful past working relationship. The terms of trade were designed and mutually agreed to cover costs, with a small margin, and to work for a performance fee to provide real profit on a shared basis with the client.

A big UK pension fund endorsement was the first step, and it broke the eternal conundrum of needing a track record to attract clients, but it being impossible to build a track record without clients. It also enabled other core partners to join the project, providing client and corporate accounting, on the one hand, and top class investment and other analytical skills on the other. Working capital, a PA, and premises all followed quite easily because of the presence of a client on day one.

Having started in 2004, for us, the mid 2000's (pre-crash), were long hard working years to secure a track record, for further investment (more people), and consequently, smaller profits for partners. But, above all, heart breaking experience in trying to win

new business from the UK segregated pension fund world. Indeed, we even got the criticism that we were good enough to appoint, but having not won any new clients, people were concerned that there must be a hidden weakness. How frustrating can it get!

Oddly, our luck came as a by-product of the financial crash of 2008. With no struggling funds in our track record, and a good segregated portfolio performance, by then, over 4-5 years, we suddenly looked like a safe pair of hands in a field with an increasing number of problems.

Specifically, the chance to enter the competition for the management of the St James Place Property Funds came about because the crash had unravelled the ultimate ownership structure of the incumbent manager. After a thorough process of examination, and various interviews and submissions, we won! Other client mandates have followed.

I believe that the harder one tries, the luckier one gets. Nevertheless, the advent of the St James Place Fund management mandate had its origins – via the crash – in matters over which we had no control, and could not have predicted.

I think you have to be lucky, as well as prepared to work hard, to succeed. Now, looking back, I agree with the statement that to set up Orchard Street was the best thing in business that I have ever done. But its path was unpredictable, and it was never pre-ordained to turn out well...but, for the team now in charge, it is so far so good, and the future seems bright.



Carillion igloo's proposed Cornwall scheme

Chris Brown
Executive Chairman, igloo Regeneration

Custom Build Housing

Just over five years ago I was invited to accompany the then Housing Minister and a small group of UK housing industry professionals on a 'trade mission' (jollies being frowned upon in an age of austerity) to Holland. I went because the trip was visiting Almere, the Dutch version of Milton Keynes, a place I'd heard much about but never visited.

That industry visit may have been a turning point in UK housing supply.

The centrepiece of the tour was a neighbourhood of Almere called Homeruskwartier where almost all the 3000 homes are Custom Build.

Three things were immediately apparent. Firstly Custom Build was a way of producing housing that didn't exist in the UK. Secondly Custom Build had sold well, through the deep Dutch recession during the global financial crisis, when all the housebuilders had downed tools. And thirdly, the place that had been created was vastly better in place making and housing quality terms than the large estates delivered by speculative house builders in the UK.

At this point it is worth explaining what Custom Build is. In the UK we are used to self-build, millions of us watch it on programmes like *Grand Designs* every week. It usually has a few tense moments, the odd disaster, runs over budget and programme but usually has a happy ending, at least on the revisit programmes a few years later. Custom Build, in contrast, has all the fun and satisfaction of

designing your own dream home but none of the hassle.

The current Housing Minister described the difference in Parliament – 'The definition of "self-build" covers someone who directly organises the design and construction of their new home, while "Custom Build" covers someone who commissions a specialist developer to help to deliver their own home.'

The emerging UK market is giving birth to a number of these 'specialist developers'. Some are small builders who deliver turnkey individual homes for customers on land owned either by the builder or the customer. Others are larger, typically buying sites for 20-40 homes and delivering a single customisable house type. Companies like Urban Splash or Modcell.

The final category, Custom Build Enablers like igloo, target the larger sites from 100 – 3000 homes and deliver serviced plots on which Home Manufacturers build homes for customers.

While this is new to the UK, or at least a revival as this was how houses were built from Georgian times pretty much until the Second World War, it is commonplace around the world. In developed countries about half the housing is Custom Build though each country has its own approach. I've visited the US (timber homes selected from a catalogue), Japan (homes sold in a housing gallery, designed on an iPad and manufactured in days by robots in a factory), Australia (four guys, a pick up

truck, some timber, nail guns and a few beers) and Germany (Baugruppenfuhrers - Building Group Leaders – who assemble groups to co-design apartment buildings on plots they compete for at a fixed price with the best design).

UK Government, in its quest to increase housing numbers, has embarked on a significant initiative to try and double the amount of self-build housing from around 10,000 homes annually. The potential, through Custom Build, is probably around half the UK target of 100,000 homes with the big win being a substantially faster sales rate than speculative house builders as the limited market appeal of lowest common denominator standard house types is removed.

In England there are now pilot public land sites (the first large one of which Carillion igloo are delivering at Heartlands in Pool in Cornwall), a Custom Build Serviced Plots Loan Fund, a National Planning Policy Framework requiring local plans to accommodate people who want to build their own home, Community Infrastructure Levy exemption, Custom Build registers in every local authority that individuals can sign up to and, in the 2016 housing and Planning Act, a duty to provide planning permission on sufficient serviced plots to meet this demand.

As a result local authorities are increasingly engaged in promoting Custom Build and new schemes are appearing.

At igloo we are supporting this

delivery in places like Glasgow (Dundas Hill), Sunderland (Chapelgarth) and Nottingham (Fruitmarket and Trent Basin) as well as in Cornwall through our HoMeMade Homes business. Our model delivers mainly terraced housing and the customer journey is a bit like buying a car;

- 1) Qualify for a mortgage (stage payments),
- 2) Pick a plot (at a plot shop, fixed price, first come first served),
- 3) Select a Home Manufacturer (are you a Rolls Royce or a Skoda person)
- 4) Choose your home size and design your dream (with design technology tools)
- 5) Watch your home being built

This innovation has not been without its challenges. After five years and a considerable investment in intellectual property we still have a long way to go to our own 3000 plots a year target. The Custom Build industry, represented by the National Custom and Self Build Association (NaCSBA), doesn't have the

power of the Home Builders Federation but is still successfully reconfiguring the ways of working of every part of the supply chain including planners, lawyers, valuers, mortgage providers, policy makers, land owners and investors.

We are at the stage now where an increasing number of Custom Build schemes are coming out of the ground and we expect that next year, when people can see and touch the result, the investment that has been gradually flowing out of speculative house building and into Build to Rent will also increasingly find its way into Custom Build. Custom Build's big advantage being that it is competitive with speculative house builders when buying land, something Build to Rent has always struggled with.

As the investment into Custom Build picks up speed, and delivery volumes accelerate, that 2011 trade mission to Almere might really look like a turning point in UK housing supply.



Homeruskwartier, Almere, Holland



Japan



Australia



Urban Splash (New Islington, Manchester



Germany

The Power of Diversity – a Different Perspective

Over the last year one of the things that seems to have repeatedly been raised in the UK property world is the lack of woman in senior positions in the industry. As some of you know, I am not one who hesitates to express a thought or two, and, as this is something that I am particularly passionate about. Here are some thoughts the role of diversity in leadership and what needs to be done to encourage minorities to excel. These are my personal opinions and do not reflect those of my current employer or indeed past employers. They are also just my thoughts – I have not done any particular research.

Before starting, I should show my hand. As a woman in property, I do not believe I have been discriminated and what I have achieved is, in my opinion, a result of hard work, internal and external promotion, a constant desire to learn, and sacrifices; I work at the weekends in addition to a 60-70 hour workday week and I do what the job requires. I am single and currently have no dependents. I suspect that this is true of many of you who might be reading this, and I am not special, but my point is that senior positions don't just land in your lap – they are earned, and require commitment and sacrifice.

Rightly or wrongly, I am going to take it as a given that team diversity is accepted as a good thing. So why is it that our industry from rural to commercial to architecture to construction is not as diverse as the population as a whole? In part I think it is because it is such a diversified business that it is very difficult for outsiders to understand what goes on it. As a result, those that think about studying it will often have some connection. But I do wonder whether each and every one of us could do something about this? Have we done anything as individuals to:

- Promote our industry in a local state school;
- Speak with universities to challenge them about how they promote the property sector as a whole; or
- Encourage non cognates or indeed apprenticeships. I am very excited by the latter as I feel this is something that

is starting to show some momentum.

Assuming that we do crack the graduate/apprenticeship profile on diversity, how should we be looking to maintain that diversity? As mentioned earlier, in my opinion, there has to be some self-desire and therefore commitment. And, please can we all be open about the fact that not everybody wants to be a leader – after all it's a pretty lonely place and does mean making some difficult decisions, and being successful does not necessarily mean managing lots of people. Notwithstanding



Jenny Buck
Head of Property and Alternatives at
Tesco Pension Fund

this, we don't have enough diversity at these levels and we should continually challenge ourselves why. From my own experience, I should make the following comments:

- My formal education gave me no training whatsoever in managing people;
- It was not until I was in my early 30s that I realised, no maybe accepted, that office politics exists and you have to play the game a bit. Critical in this is self-promotion. People do not talk about this, but it exists;
- My network is critical. It is never too early to start this and it has to

be worked at, and it takes time and commitment even when the day job is busy;

- Senior positions are often managerial positions, and actually there can be very experienced people who do a difficult job but are not necessarily though of being senior
- I and I alone are responsible for and am in control of my career. If I want something to happen I need to ask, and or take steps to make it happen; and
- Being in the minority I have a great advantage – you get noticed and remembered. Use this if you are lucky enough to have it!

By hook or by crook I picked these things up by osmosis, but it would have been wonderful to have been given the idiot's guide at the start.

It would also have been wonderful to have known that everybody has low patches when things go wrong, and to have somebody to remind you that actually it's during these tough times that you learn and grow so much more than when everything is hunky dory. I genuinely believe nobody can be a great leader without having had a number of lows. People don't talk about their lows and this is why you do need a close network of confidants, mentors and sponsors.

So there is an element of self-determination required. But, as discussed career success/leadership does not come without some compromises and I wish society would talk about this more. I recently sat in a private equity conference for woman and these successfully ladies were all talking about their careers and the fact that they had 3-4 children and how they juggled their lives. In short, I don't think any of them saw their children during the week, and I got the impression that they had partners whose jobs were very flexible and enabled them to be at home a lot. Please can we acknowledge, "the have it all is very rare", and to be successful happily, I think you need to have a very strong home life and a supporter.

This takes me on to the next point that I want to make. There is absolutely no physical reason why more woman should not have senior positions in business and society – it has happened and for women with children. Some females are maternal and will want to be at home as much as they can and others less so. Society needs

to accept there will be some natural leakage of woman from the workplace if they choose to have children, and society must not judge when/how people decide to come back to work. It's a private decision between the couple concerned. What I do however think society should be doing is to make the choices for couples as wide as they can be when they have had a family. If it was as common for men to work part time/flexibly as women, I suspect you might see more women continuing with their careers. We need to make it the norm that the Dad is the working carer as much as the Mum. And let's not forget single people may have just as many commitments looking after elderly or infirm dependents.

Going back to the diversity point, I have recently been recruiting and I am delighted to say that gender diversity has not been an issue. It is however fair to say that I have struggled to get ethnic diversity and have been disappointed about how challenging this has been. How many of us challenge our recruitment agents to ensure diversity in the candidates that are put in from of us? Perhaps one to ponder and consider more?

So in conclusion, I am a big advocate of diversity for all the benefits it brings to a team however senior. However, leadership needs talent and ambition and so please can we be practical and accept that not everybody is going to have these characteristics or desires. So let's not go

down the quota route. To avoid it and to promote diversity, can I encourage you to think about how you:

- advocate our industry in its wider capacity,
- seek to nurture the hidden talent through mentoring or sponsorship so gems are not lost or disenfranchised along the way,
- work to ensure the pools you are considering are as diverse as possible; and
- will change your behaviour to make it as much the norm for Dad's to be the carer as it is for the Mum.

The Return of Ethics

On the 31 December 2015 I formally retired from the firm that I have been with since 1 October 1971 at a starting salary of £20 per week, fresh out of Cambridge, and just after my then future wife and I and two close friends set up a touring children's theatre company. Forty-four years with one firm, albeit in a number of incarnations, the last being DTZ Investors, would not currently be considered fashionable. I am indeed a product of my time, when the professions were respected and loyalty a valued attribute. Much has changed since then.

In 1971 there was an obligatory RICS Scale of Fees, partnerships were not allowed to advertise, acting for both sides was not permitted, poaching clients was unprofessional and poaching staff was unheard of. There were no calculators, only slide rules. Computers took up acres of space in some distant building and were accessed by unreliable telephone modems. The City of London was a ghost town after 7.30 pm and Women in Property was the twinkle in the eye of the few members of the sisterhood who, through sheer persistence and determination, inspired by Gertrude Bell, the Queen of the Desert, deigned to penetrate the male preserve. But like every young generation we had fun, we made our laughter, we drank, we partied and we made love. And somehow we learnt our craft at our Masters' knees. General Practice chartered surveyors were

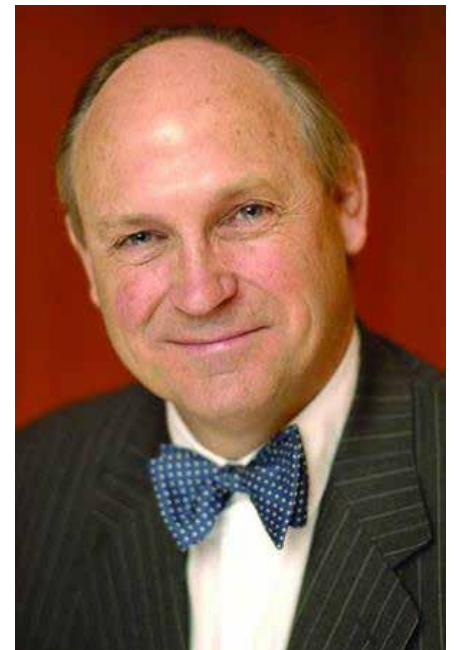
ubiquitous as specialization had hardly started. We undertook valuation, property management, rating, planning, compulsory purchase, rent reviews, lease renewals, development advice and agency. The only law governing property management was the Offices, Shops and Railways Premises Act 1963!

Did we have any idea what the future would hold? Of course not.

Does 44 years of experience of property and business cycles help me and my generation understand what is happening currently, and what courses of action we should follow now to navigate the Global Financial Crisis? Perhaps a little but we are in uncharted waters as nobody alive in the West has experienced the severity of the current malaise, or the existence of such low interest rates for such a long period. (By the way, do not fool yourselves or for a moment be complacent/naive enough to think that our leaders and regulators have a clear game plan to resolve matters. We are still in the middle of this).

There are many factors which have shaped the last 44 years but for me the most important have been the rampant change in IT especially the development of the internet, globalization, demographic change (population growth and ageing), urbanization, reduction in personal and business freedoms and climate change.

It should be remembered that controls over the flow of capital in and out of



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most developed countries were largely removed in the 1970s (1979 in the UK under Maggie Thatcher). This, combined with the reduction in trade barriers, has led to a vast increase in capital flows, a significant increase in international trade, stagnation in living standards in the West, a rapid rise in economic activity and living standards in the developing countries, a

widening gap between the wealthy and the rest and a rapid rise in atmospheric and water pollution with climate change consequences.

The result of all this is that no developed country can disconnect itself from the wider world and truly control its own destiny.

From the point of view of the professions, and in particular Chartered Surveying, these forces have had significant impacts – disintermediation (up to a point), commoditization, specialization, competition and collapsing fee rates, liability limitation and consolidation. However, one of the greatest pressures has been on ethics. The Americanisation of the financial services world, including real estate, has put enormous pressure on firms to sideline the professions as the professional ethic somewhat inconveniently is to put the client first. It is no surprise that before the Big Bang in the City in 1986 there were over 125,000 members of the professional body, the Chartered Institute of Bankers in England & Wales. After the American expansion and the Americanisation of British banks to compete, the Institute imploded. Banking south of the Scottish border is no longer a profession.

Providing advice in the UK on real estate matters does not require any qualifications. The RICS does not have a monopoly position. It can only survive, and flourish, if it remains relevant, is prepared to self regulate itself without fear or favour, demands adherence to its code of ethics and is seen to take a leadership role.

So what are the themes for the next 44 years that will shape the lives of my children and their friends in the professions.

If you read the many contributions to the Futures debate four themes emerge – Demographics, Urbanisation, Sustainability and Technology. These are all, of course, interlinked. They pose huge challenges and opportunities, but I want to pick out one element – Technology – and link this to another theme that I believe will define the next 44 years; one that is not at the forefront of commentators' minds. This is the rising importance of ethical behaviour.

The new trends in technology relate to the growing use of "big data" and the rise of the robot.

"Big Data" will revolutionise analysis of every aspect of our lives and materially increase the ability of authorities and companies to influence and control us. It

will also further enhance the effectiveness and use of expert systems which might lead to additional disintermediation of professional advisors.

The rise of the robot will accelerate a problem which is already increasingly apparent, that we can produce all the world needs in terms of material comforts and essentials with less and less people.

These two factors will change the nature of the work place and our approach to work. It will, in particular emphasise the difference between those who are sufficiently educated and trained to be valuable in supporting, running and managing/leading the "machine" and those who are not. The latter will be left either to totally menial tasks or to unemployment or, looking on the bright side, a resurgence in small scale businesses (possibly involving craftsmanship) meeting the need for individuality.

What is for certain is that these trends will exacerbate the difference between the haves and the have-nots unless carefully managed. Already there is an increasing groundswell of dissatisfaction relating to unfairness, corruption, moral turpitude and lack of ethical behaviour, which in a way is lending support, however misguided, to more extreme ideologies, thoughts and actions. This is evidenced in the increasing pressure on politicians, especially in the West, to deal with tax avoidance and corruption, not just because they are antisocial in the case of tax avoidance, and criminal in relation to corruption, but because we will not be able to fund the needs of our populations unless we seriously reduce the losses to our economies from these two aspects.

The re-emphasis being placed on ethical standards by the RICS, and the debate which it has set in train, along with 70 other professional bodies involved in the real estate around the world, which may well result in an agreed International Ethical Standard, is to be welcomed as being in tune with the current zeitgeist.

From Silver

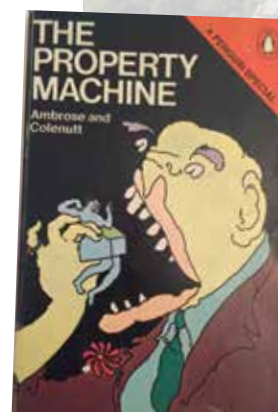
Peter Wolton (St. Catharine's 1975-78) was ordained a Church of England minister in 2014 and serves as a Curate in the United Benefice of Holland Park. He spent the majority of his career with Schroder Investment Management, where he was Japan Country Head and later ran their global retail businesses. He has been a director of a number of investment trusts including, currently, the CC Japan Income & Growth Trust plc and is also Executive Vice Chairman of the New Model School Company Ltd.

1970s Britain is often remembered as a calamitous decade, characterised by appalling taste (bell bottoms, stripped pine doors, avocado bathroom suites all come to mind), laughable British Leyland cars, soaring prices and industrial unrest. High among the decade's list of pariahs was the property industry whose representation on the cover of *The Property Machine*, required reading for all Land Economists, was far from atypical.

It was at this time in 1978, armed with the esteemed Land Economy degree, that I entered the property world as a member of Savills' first graduate intake. The partnership was then a premier residential and land agency with a small commercial department. I was placed in the London commercial investment department.

Thirty six years later under the dome of St. Paul's Cathedral, I started another new career, this time as an ordained minister of the Church of England and in this article I have been asked to reflect on my Cambridge education, property and my ordination.

The first point to note is that there has always been a strong link between the Church and property. I was born in Bury St. Edmunds, in a house situated between the Roman Catholic church and the Greene King brewery, the scent of hops in one nostril and incense in the other, some would say a perfect combination! The town itself was laid out by Abbot Baldwin in 1080 in the form of a grid but the relationship between townspeople and the abbey was an uneasy one with the



Street to the Golden Cross

latter's raising of rents leading to a history of intermittent riots. Such tensions were mirrored across the country and would contribute to national support for the "Dissolution of the Monasteries."

Property assets of the Church of England continue to be very important and those administered by the Church Commissioners amount to £2bn of a £7bn total portfolio, financing mission, assisting with payment of clergy in less well-off parishes and paying pensions of older clergy. Over the last 30 years to 2015, their property asset class has provided a total return of 12.4% per annum compound against the IPD UK property benchmark of 9.4%.

In the early 1980s, institutions' allocation to commercial property was being cut back; one of Mrs Thatcher's first actions had been to abolish exchange control which opened up overseas markets to UK pension funds. Additionally the statutory restraint on company dividends was lifted. These two measures in the 1979 Budget meant equities became more attractive, particularly from 1982 when the US and UK economies started to recover strongly. For a young associate in a smaller agency such as Savills whose investment activities depended on "out of house" deals, the grass seemed greener in the field of equities, so I moved to the "buy" side and to Schroder Investment Management.

Looking back, I realise that at both the time of graduation and also the move out of property agency, at no stage did I sense the call to priesthood. Church was however, very important to me and I regularly attended services, including weekday Holy Communion at the beautiful St. Mary le Bow opposite Schroders in Cheapside. The offices are no more, testament to the harsh reality of office depreciation. Indeed it was just as I was leaving Savills that Norman Bowie of Jones Lang rocked the property world with his unassailable arguments that office yields needed to be higher to take account of depreciation.

My interest in the built environment has always been strong. I found the lectures at Silver Street on the history of planning and

Ebenezer Howard some of the most inspiring. No doubt Howard would be pleased to visit the beautiful suburb of Bedford Park in Chiswick where my family have been fortunate to live for almost twenty five years. In the 1960s, John Betjeman described it as "the most significant suburb built in the last century, probably the most significant in the Western world." It is a planned village built in the 1880s, a prototype for the later

garden cities and suburb. Today the building fabric and community life in Bedford Park are both as strong as they ever have been, the local church being central to local life.

Good architecture and imaginative uses of property are life affirming. The human race is relational. Deserted streets are to be avoided; we prefer the pelican crossing to the dark pedestrian underpass.

An early exponent of this philosophy was Jane Jacobs in her *Death and Life of the Great American Cities* and when I consider the resurgence of London, I find myself constantly giving thanks to Jane Jacobs and all those in the property profession who have done so much to make London and the other great world cities such exciting places to live in.

It is almost forty years since I graduated and so much has changed for the better with the revitalisation of our cities, especially in the UK, something for which the property profession can be justly proud. Crumbling railway termini, for example, have been returned to their former glory – to pass through St. Pancras or Kings Cross is an aesthetic experience. The area adjoining the stations is being redeveloped by Argent and institutional shareholders in a manner that focuses on the long term and is raising development global best practice. Owners now recognise that happy tenants are best for both social and investment capital.

The nagging call to priesthood came around ten years ago. How does my property background influence my faith? One of the most influential theologians is St. Irenaeus who was Bishop of Lyon in the late second century and wrote "the glory of God is the human person fully alive and the life of man is the vision of God." Most people,

whether they have faith or none, wish to see those around them fulfilled. A secure home, safe environment, fair tenure and a thriving neighbourhood are all key ingredients to fulfilment and for this to happen we need an innovative and vibrant property industry. St. Irenaeus believed that true fulfilment comes from knowing God and the role of the church and, I would also say, that of other great world faiths, is to connect people to God so they can experience the Divine Creator's love. St Irenaeus puts it like this: "If the revelation of God through creation already brings life to all living beings on the earth, how much more will the manifestation of the Father by the Word bring life to those who see God."

The love God and of our fellow citizens exalts us to tackle the major property challenges of the day. In the UK the regeneration of unloved cities, the need for more housing in the South East and in areas which allow the lower paid to live close to their work place and avoid long commutes, are at the forefront.

The property profession is all too aware what needs attention and is addressing the issues. Few professions are more imbued with, to quote the regeneration expert Eric Reynolds with whom I have been fortunate to work with on a schools project, "an optimistic almost anything is possible cast of mind." I am confident and optimistic about the ongoing valuable contribution of the property profession to the our general well being and conclude with the "anything is possible" example of my first employer Savills, which forty years on is a global real estate services provider listed on the London Stock Exchange, and a constituent of the FTSE 250 Index, employing 30,000 people.

Peter Wolton,
Curate in the United Benefice
of Holland Park
Executive Vice Chairman of the New
Model School Company Ltd



Land Economy Rules

(or, at least, now can contribute): The Sustainable Development Goals 2030

Anyone living through the 1990's and reading the Millennium Development Goals, 2000-2015, might have been forgiven for thinking not only that the 1990's marked the end of history (wrong) but were a precursor to the demise of Land Economy (wrong again). It seems incredible that the pioneering Millennium Development Goals contained no mention of land, nor of tenure; scarcely a hint. Nothing to show that anyone forward looking and in a position of authority at that time might have considered land and its tenure – at the heart of land economy

– as even a peripheral issue in addressing the challenges of the new Millennium.

So who decides on these global goals and how are they defined? The Millennium Development Goals (MDGs) grew out of the agreements and resolutions of world conferences organized by the United Nations in the 1990s. In September 2000, the U.N. General Assembly and its 189 member states adopted the Millennium Declaration. This committed these governments to work to free the world of extreme poverty by, *inter alia*; cutting in half the proportion of people

living in extreme poverty, of those who are hungry, and of those who lack access to safe drinking water; achieving universal primary education and gender equality in education; accomplishing a three-fourths decline in maternal mortality and a two-thirds decline in mortality among children under five; halting and reversing the spread of HIV/AIDS and providing special assistance to AIDS orphans; and improving the lives of 100 million slum dwellers.

25 September 2015. New York. Fifteen years later. After more than two years of preparation. The next round of global strategic planning resulted in the Sustainable Development Goals, 2015-2030. The 2012 Rio+20 outcome document, *The future we want*, included the mandate to establish an Open Working Group to develop a set of

Sustainable Development Goals

- Goal 1. End poverty in all its forms everywhere
- Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Goal 3. Ensure healthy lives and promote well-being for all at all ages
- Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Goal 5. Achieve gender equality and empower all women and girls
- Goal 6. Ensure availability and sustainable management of water and sanitation for all
- Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all
- Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- Goal 10. Reduce inequality within and among countries
- Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable
- Goal 12. Ensure sustainable consumption and production patterns
- Goal 13. Take urgent action to combat climate change and its impacts
- Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development



Paul Munro-Faure

The Food and Agriculture Organization of the United Nations (FAO): Has led FAO's land tenure work since 2000.

Deputy Director of the Organization's Partnerships, Advocacy and Capacity Development Division.

Fitzwilliam College, 1974-1978

sustainable development goals. The Sustainable Development Goals resulted from the thirteen sessions of the Open Working Group over the two years, the multi-stakeholder consultations involving the nine defined major groups (Women, Children and Youth, Indigenous Peoples, Non-Governmental Organizations, Local Authorities, Workers and Trade Unions, Business and Industry, Scientific and Technological Community, and Farmers) and the lengthy finalizing negotiations.

The Sustainable Development Goals are a very different animal from the Millennium Development Goals.

Many will be familiar with the Sustainable Development Goals but, for those who are not, the box adjacent lists the goal headlines.

From the perspective of land economists the most exciting change is not these headline goals, but what practical targets they translate into. It is, of course, a truism that everything is ultimately connected to land (or other natural resources); all of our cultural, social, economic and environmental lives. The connection is, of course, through tenure and access.

In dramatic contrast to the Millennium Development Goals, the Sustainable Development Goals now specifically include land and tenure and access related targets and indicators.

Goal 1. End poverty in all its forms everywhere includes action 1.4

By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture includes under 2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.



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Goal 5. Achieve gender equality and empower all women and girls includes 5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.

Several of the Sustainable Development Goals, in addition, directly address issues where land economists have a substantial contribution to make. **Goal 10**, for example, includes improving the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.

Goal 11 specifically targets 2030 for ensuring access for all to adequate, safe and affordable housing and basic services and upgrade slums and for enhancing inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries. **Goal 14** targets sustainably managing and protecting marine and coastal ecosystems by 2020 to avoid significant adverse impacts, including by strengthening their

resilience, and taking action for their restoration in order to achieve healthy and productive oceans. **Goal 17**, as a last example, includes strengthening domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

Why has this happened and what does it mean for land economy? Undoubtedly, expectations, experience and the development of more systematic, transparent and inclusive processes across the board at the level of the United Nations enabled a much more broad-based preparatory process in developing the Sustainable Development Goals. At the same time, particularly through the latter part of the first decade of the new millennium, growing awareness of the critical importance of tenure and access issues developed rapidly around the world. Large scale land acquisitions, deforestation, urbanization, shifting climatic patterns, and so on, focused minds as never before on key underlying issues.

In May 2012, the Committee on World Food Security, sitting in Rome,



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endorsed the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the context of National Food Security. These global soft-law guidelines, prepared through a thorough-going global multi-stakeholder process led by the Food and Agriculture Organization of the UN (FAO) that was, if anything, even more lengthy than that for the Sustainable Development Goals, are an unprecedented, fully negotiated global consensus agreement addressing tenure. They promote responsible governance of tenure of land, fisheries and forests, with respect to all forms of tenure: public, private, communal, indigenous, customary, and informal. They serve as a reference and set out principles and internationally accepted standards for practices for the responsible governance of tenure. They provide a framework that States can use when developing their own strategies, policies, legislation, programmes and activities. They allow

governments, civil society, the private sector and citizens to judge whether their proposed actions and the actions of others constitute acceptable practices.

It is no surprise that the outcome document of Rio+20, the United Nations Conference on Sustainable Development, meeting in Rio de Janeiro in June 2012, in addition to mandating the Open Working Group for the Sustainable Development Goals, specifically endorsed the Voluntary Guidelines; nor that General Assembly reports, G8/7, G20 and many other global and highly influential fora have done likewise, repeatedly, since then.

The Sustainable Development Goals and the Voluntary Guidelines arguably provide by far the greatest global challenge and opportunity (respectively) that has ever been placed on the table for Land Economy.

For a discipline that is, in the words of Professor Hodge's *A Brief History of Land Economy*, "... essentially only practiced

in Cambridge . . .", to awaken to this new global reality is an unprecedented opportunity to provide intellectual and thought leadership in the discipline's key areas for all of our global futures.



The views expressed in this information product are those of the author and do not necessarily reflect the views or policies of FAO.

Thoughts on the EU Referendum

There is a civil war going on across political Britain, particularly but not exclusively in the Conservative Party, and civil wars are always the most vicious.

For us in the UK the Vote on 23 June is an unusual poll, because unlike most elections it is a binary choice. Should we remain in or leave the EU? It is in many ways more like a choice between say Clinton or Trump than a General Election.

The particular issue in question is not about policy and government; it is about the political, legal, and constitutional framework within which Government is carried on and public policy developed in an interdependent World.

Those who wish to leave are arguing these things should be conducted in the general context of a system of inter-governmentalism which goes back to the Treaty of Westphalia in 1648 and beyond. The advocates for remaining believe that an alternative more recent approach which goes back at least to the end of WWI and which has evolved since the 1930s in Western Europe is the right framework.

Self-evidently the configuration of such systems can and do affect, for better or worse, the kind of Government and policies that emerge. Furthermore the kind of analysis involved and conclusions drawn are as a generalisation much longer term

than is the case in normal elections.

Indeed many of the characteristics of the debate are somewhat complicated, difficult and esoteric and so it is likely many voters will be inclined to follow the views of those they admire and respect who may not necessarily be politicians. Moreover there are compelling matters of emotion and logic which can contradict each other.

It is also the case that some aspects of life and work may not be directly affected, eg land law, although the surrounding political, legal, economic and social environment will be, thus have a significant impact in reality.

Reduced to its barest essentials those in favour of Remaining are arguing the case 'Stronger, Safer and Better off in a Reformed Europe', while those who wish to leave argue 'Reclaim your Country'.

At its most basic those who wish to remain contend, the Brexiters are Fantasists, while the Brexiters suggest the Remainers are liars.

A flanking issue is that were the UK as a whole to vote leave and if Scotland voted to remain, it is likely the SNP would pile on the pressure to have another vote on Independence, although exactly what the relationship between Scotland and the rest of the EU might be is unclear.

A further possibly confusing aspect is that



Lord Richard Inglewood
Hutton-in-the-Forest
Trinity College, 1969 -1973

a vote to leave does not bring the UK's membership to an immediate automatic conclusion. Rather the Prime Minister has said he will trigger the provisions of Article 50 which provides a two year period during which we remain in EU to conduct negotiations prior to leaving. It is in fact generally thought the process of full disengagement will take much more like ten years. All this in turn suggests potential difficulties.

In any event it seems to me unlikely, whatever the outcome, it will represent the end of the argument any more than the 1975 Referendum did. Rather the matter will grumble on until one or other point of view ceases to be relevant, and in the meantime the legacy of the Civil War will remain.

As Vice Lord Lieutenant of Cumbria I am permitted no public expression of opinion, but as the Queen said before the Referendum Vote in Scotland, 'Think Carefully'.

Millennials, the talent war and real estate

One of the largest generations in history is about to move into its prime years. By 2025, they will grow to represent 75% of the workforce. Millennials are poised to redefine the world around them; their perspectives will change the ways we buy, sell and carry out business.

Millennials are the demographic cohort following Generation X. Most researchers and commentators use birth years ranging from the mid 1970s to the late 1990s. They are unlike preceding generations. They view the world differently and have redefined the meaning of success, personally and professionally.

The generations preceding Millennials believe in a command-and-control management approach, value working individually and look to their employers to look after their own career planning. They like clear boundaries. Their version of a "mobile" phone was a half ton brick, only receiving a sufficiently strong phone signal to make a call once in a blue moon!

In contrast, Millennials see life as a journey with multiple opportunities to catch

Michael Griffith
Assistant Manager, Deloitte Real Estate
Consulting Team
Queens College, 2009-2012



up with friends along the way, take a picture using their smartphone, tweet the picture and add a status update, all within a matter of seconds. They have grown up with technology. They can tweet, listen to music and write a thesis simultaneously.

Managers are not viewed as experts, because knowledge is at the finger tips of any Millennial with a smart phone. Rather, managers are mentors and coaches, helping Millennials plan their careers. They are generally good collaborators. Their early exposure to team sports, musical activities or drama has made them the best team players and collaborators in generations.

When Generation X and Millennials are combined, the result is an interesting dynamic for the workplace. It is essential that different expectations and attitudes to life and work are leveraged to the benefit of the business.

Against this backdrop, Deloitte surveyed nearly 7,700 Millennials from 29 countries during September and October 2015 to learn more about Millennials' values and ambitions, drivers of job satisfaction, and their increasing representation in senior management teams. All participants were born after 1982, have obtained a college or university degree, are employed fulltime, and predominantly work in large (100+ employees), private sector organisations. Four key findings are outlined below.

- **Network of Teams:** Deloitte's report on Human Capital Trends (2016) notes that the growth of the Millennial demographic is driving a new organisational flexibility amongst high performing companies. Millennials want to operate as a network of teams, with people moving from team to team rather than remaining in static, formal configurations. It's like a Hollywood movie set – experts come together to produce the movie, before being disbanded and moving on to the next challenge.
- **Ways of Working:** Millennials are more likely to report high levels of satisfaction where there is a creative, inclusive working culture and environment rather than a more authoritarian, rules-based approach. In the Millennials' ideal workweek, there would be significantly more time devoted to the discussion of new ideas and ways of working, on coaching and

mentoring, and the development of their leadership skills.

- **Flexibility:** The current level of workplace flexibility is not consistent with Millennials' desires. 75% of Millennials would like to start to, or more frequently, work from home or other locations where they feel more productive. This is nearly double the proportion that currently do so. Writing on Linked In, Adam Henderson of Millennial Mindset comments that a "flexible approach to work also helps businesses retain their best talent as they are giving their employees an option to do great work, but in a way that fits their lifestyles, providing a win-win scenario for all."
 - **Mentors:** Millennials view mentoring as key. Deloitte Global CEO, Punit Renjen, comments "There is really no secret to success and there surely are no shortcuts. In my case, it was a pretty simple equation: hard work + some lucky breaks + great mentors." Mentoring is having a positive impact on the careers of Millennials. Improving this offer goes some way to strengthening loyalty.
- What do these trends mean for business and, in particular, corporate real estate? Three key points come to mind:
- **Real estate leaders** can no longer only focus on the technical real estate or financial aspects of their job. They need to recognise the integrated nature of what corporate real estate is delivering. They need to be people experts, role models and mentors, striving to get the most out of the talent surrounding them. It is no longer enough for a real estate leader to simply deliver the locations from which the business operates. Rather, an approach where place, space, talent and technology are understood and come together to present an attractive offer to employees is required.
 - **The office environment** must change to meet the needs of Millennials. Employees requirements are no longer served by a desk located in the corner of an office. They need a range of work spaces, including quiet working locations and spaces to collaborate with their team. This will be important as organisations redefine themselves around networks of teams, rather than

by function. The workplace should be sufficiently flexible to enable the transition to a more fluid organisation design.

- **Real estate** is becoming an important weapon in the war to attract and retain the best talent. Google's London offices are a prime example of a collaborative working environment which is attractive to the demographic that they seek to recruit and retain. Salary is only one piece of the jigsaw that defines Millennial's appreciation of "work". A well designed, collaborative working environment, located in the trendy part of town, supported by the best technology, will be a crucial weapon in attracting and retaining the best talent.

This article only scratches the surface on some of the critical components of the future of work: the talent agenda, mobile and workplace technology, global location options and real estate. The resulting challenges are an interesting and constantly evolving pressure on global organisations.

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You can read more about Deloitte's Millennial Survey at <http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>

Location, Location, Location Lessons in Land Economy

If three years studying Land Economy taught me one thing, it's that demand and supply guides every aspect of the modern world: social, technological, economic and political.

Anna Harper

Director, Landmark Projects
Land Economy, Trinity Hall (2008-11)

But until I started investing in property for myself, I didn't get the chance to apply the lessons I'd learned at Cambridge in practice. The jobs myself and my cohort took on graduating allowed us to earn a great salary, and work for top firms as consultants, lawyers, surveyors or bankers. But most of us ended up performing one part in a much wider value chain: we specialised as one cog turning within a large corporate machine. For example, focusing on auditing accounts, or corporate finance, or technology consulting. Even those who took property-focused jobs tend to apply and specialise in one small part of the ideas we learned in our degrees.

Investing, and running a business, on the other hand, has provided the opportunity to take a more holistic approach, and to apply the theories learned in the lecture rooms at Mill Lane.

The business I set up with my business partner 4 years after graduating focuses on two things: building portfolios for people who like the idea of putting their money in property, but lack the time, knowledge or inclination to do so themselves; and running our own development projects. Historically, we operated in the residential investment space but, as the tide of

government regulation and policy, as well as demand, moves in favour of first time buyers, and away from the 'mom and pop' residential buy to let investor, we have shifted towards larger schemes, for example permitted development office to residential conversions. The common thread in the deals we've done to date (30+ deals after a year in operation together, although we both had experience in property investment and development before this) is a strategic focus, and the application of the theories Land Economy teaches.

One of the first questions we get asked by clients (as well as guests at dinner parties, and almost anyone else who finds out what we do!) is where to invest, and why... For property professionals and non-property people, there is such an overwhelming array of options. But there's no one right answer, and the good answers change with fluctuations between micro-economies. While Savills, the Telegraph, and Rightmove provide reams of information, the topic filled enough conversations at the recent Silver Street Group Annual Dinner for me to think it worth writing about in this publication...

Type in 'where to invest in property?' to Google, and you'll be met by over 200,000,000 search results, mostly extolling the virtues of one 'hotspot' over another. Quite rightly, as location is one of the most important drivers of value. It's one of the most significant decisions to make in the field of property investment.

Now, by the time geographical areas are identified in the mainstream press as 'hotspots', they may well have overheated. And when everybody knows about an area, it no longer gives you a competitive edge. As a result, it's more valuable to understand what is driving this accolade, rather than knowing where is topping the Telegraph's current property charts. Which is where the



application of Land Economics comes in (and I get a chance to apply the knowledge learned in my degree!)

Whether the strategy is to follow the deal regardless of location, or to focus on one select area, based on some combination of theory and operational considerations or lifestyle factors, having a clear view on what you want out of the location you choose as an individual investor is key. It helps narrow the (otherwise overwhelming!) range of choices, and makes the process much easier logistically.

As a smaller scale investor, focusing on one or a few selected locations helps with:

- Understanding the local market, and therefore identifying value within that target market - if familiar prices in an area, it's easier to compare individual opportunities
- Logistics such as conducting viewings and ongoing management - much easier when all the options are in a similar location
- Getting to know the right people, whether estate agents or plumbers, and managing or keeping an eye on them
- Undertaking any works
- Leveraging economies of scale.





Having examined a huge variety of areas (at one stage, we conducted an analysis of every borough in London from the small scale investor's perspective, and we continue to review the wider market regularly, although we only invest in a few selected locations at any one time) my advice for the small scale investor would be:

1. Look for strong, relevant fundamentals
2. Make sure your decisions complement other aspects of your strategy, are operationally and logistically pragmatic, and suit your current situation - factors to consider include amount available to invest, and strategic goals e.g. required yields, relevant licensing/planning rules, ability to sell on quickly for a profit, and target end users - tenants or buyers

While the latter depends on the individual, the first is relatively objective, and encompasses all of those factors considered by the mainstream press when they identify their next hotlist.

So what does 'strong, relevant fundamentals' mean? In a nutshell, it's Land Economics.

Demand and supply determine all good investment decisions, whether in stocks and shares, or local property markets. In

property, things which attract your target rental or resale market are good; things which don't, aren't. The main value drivers are:

1. Jobs/employment opportunities
2. Transport/connectivity
3. Amenities
4. Improvements to any of the above

These are easily explained by example. One of my favourite areas to invest in is Croydon and its surrounds. My decision to invest, and continue investing in the area is guided by exactly these factors.

Firstly, jobs. What generally attracts people to live in an area is its proximity to their source of income. For example, if you want to be renting to people who are employed, the most effective approach is to buy near where they work. And if you want to sell a property on easily, quickly, and for a profit, it makes sense to factor in the location of jobs, which attract people to buy in the area and therefore determine gross development value and capital appreciation. Without employment opportunities, growth is unlikely to rival the national average, as demand will tend to fall rather than growing over time.

The example of Croydon has a ready

supply of shops and offices providing retail and service sector jobs. It has also benefited from the trend of 'near-sourcing' - locating offices in Greater London and the Commuter Belt to benefit from cheaper office costs, without the communication and management issues associated with 'outsourcing'. Multi-nationals such as Goldman Sachs have outposts in Croydon, and corporations such as Superdrug have chosen to Headquarter there. Further, in the short to medium term, public and private regeneration programmes such as the large-scale improvements to rail infrastructure have created a ready supply of construction jobs.

Secondly, transport and connectivity. Both getting to and from the area, and travelling within it are important.

The example of Croydon is particularly well-connected - for example, journeys from East Croydon to London Bridge and Victoria, in Central London, take as little as 13 and 15 minutes respectively. The wider area also has brilliant rail links - West Croydon, Norwood Junction, Thornton Heath and Selhurst, to name but a few, take less than half an hour to Central London stations. And the A3, M23 and

M25 intersect in Croydon, making road transport to and from the area easy.

The London Overground extension undertaken a few years back is the unsung hero of recent Greater London transport improvements: while newspapers continue to breed articles about Crossrail and High Speed 2, little has been written about the impacts of the less sexy Overground Extension, despite the significance of related area improvements.

Of course, how quickly you can escape an area is not the only important metric: internal connectivity is important. In this case, Croydon has a brilliant array of trams and local buses, meeting this need well.

mirror these investment decisions, for free!

If looking for an area with strong capital growth, specific amenities to look out for include anything which illustrates a rising middle class. I keep my eye out for bike shops, businesses such as Foxtons, Costa and Waitrose, as well as smaller schemes - the example of Croydon even has a 'rent a Brompton' scheme - a sure sign of a burgeoning middle class! On a very micro level, you can review the stock and layout of local chain supermarkets: if crisps and alcohol are all you can see when you walk in to the local Tesco express, then it's not yet affluent. If you see soya yoghurt, it's getting there. Chia seeds and gluten free

affect capital growth and tenant demand, which determines the value you will get from your investment.

There are many other factors than location in applying the ideas of value investing to property, whether on the small or larger scale. For example, for my strategy, when I know I plan to sell, my target resale market is first time buyers. I'll therefore only invest where I know I can make a profit by selling at a price which is affordable for buyers with average salaries, using current affordability calculations for their mortgage. The numbers must still stack for me, using this back-calculation, as this target buyer is a key source of demand in my market...

What started with being asked the dinner party question of the moment, ends with this: reports in the media or from large surveyors are a great start, but will never provide the final answer on the latest hotspots, as there is much more going on in each micro-economy or locale, and these factors are constantly in flux. The key to investing successfully in property, to me, adheres to the same guiding principles of 'value investing', made famous by Warren Buffet: fundamentals, and improvements to fundamentals. Which seems like a good way to apply the best bits of Land Economy, to me!

About:

- Anna Harper is a property investor and entrepreneur based in London. She studied Land Economy at Trinity Hall (2008-11) then started her career in Strategy Consulting at Deloitte, whilst building up her property portfolio. Her business (www.landmarkprojects london.com) works with individual investors who like the idea of investing, but lack the time. Through this, she has purchased over £5m of property, and continues to run developments as well as a portfolio building service for private individuals.
- Anna sits on the organising committee for the Silver Street Group, hosts The Property Investor Podcast (a property focused podcast with over 100,000 downloads, accredited as 'New & Noteworthy' by iTunes and regularly within the top 5 podcasts in property and investment categories) and her property developments have featured on the BBC.



The third driver of value is amenities. Aside from jobs, what attracts people to areas is good amenities: hospitals, shops, education facilities and public spaces.

Back to our example: in Croydon, there is a University Hospital, Box Park development, ample shops in the centre, and multiple smaller high streets in localities such as Thornton Heath. There are also substantial improvements underway - the fourth driver of value. Public and private investment in the example area includes the new Westfield Centre. And, if the Westfield Centres in Stratford and Shepherd's Bush are anything to go by, this will continue to significantly impact the value of the area for many years.

Amenities which both illustrate and increase the attractiveness of an area are a helpful guide. These include supermarkets, which spend many thousands of pounds each year analysing areas based on potential demand, as well as enhancing that demand. Individual investors can easily

bread tend to appear once the average first time buyer has been priced out!

The fourth value driver for an area, which I alluded to above, is improvement, and this can be in all or any of the other value drivers. The usual metrics include public and private regeneration spend, and the proliferation of businesses and amenities which both indicate and further attract the middle classes, as above. In the case of Croydon, area regeneration is being catalysed by investments in the area including Westfield and Hammerson investing £1bn in the Croydon Whitgift centre as mentioned above, as well as developers such as Berkeley investing in schemes like Saffron Square, and a £23m investment from the London Mayor.

When choosing where to invest, connectivity, strong infrastructure, amenities and improvements to these are key, because these factors both reflect and affect demand for housing. They therefore

A perspective on the Debt Market secured on UK Commercial Property

I have to put my hands up and admit to some plagiarism in writing an article for this magazine reviewing what has happened in the debt market secured on UK commercial property in the last year.



Dominic Reilly
CULS Senior Vice President
CULS Honorary Treasurer
Gonville and Caius College,
1975 -1978

As the module leader for on the Investment Property Forum Investment Education Programme I set the very able students a take home assignment which this year asked the question as to whether the activities of the lenders might lead to a debt fuelled property crash?

With total unanimity, all of the students felt this extremely unlikely given the findings of the survey, which is a view I concur with for the following reasons.

The table below sets out the net aggregated value of commercial property loan books reported to the de Montfort University survey year-ends 1999 to mid-year 2015.

It shows a very familiar picture of rapidly rising outstanding loans from 1999 through to the global financial crisis in 2007 and 2008 when total loans outstanding exceeded £250 billion. It has taken seven further years for this debt mountain to be reduced to a more sustainable level closer to £150 billion. Indeed the picture presented by the activity of existing and new lenders to the market, and their willingness

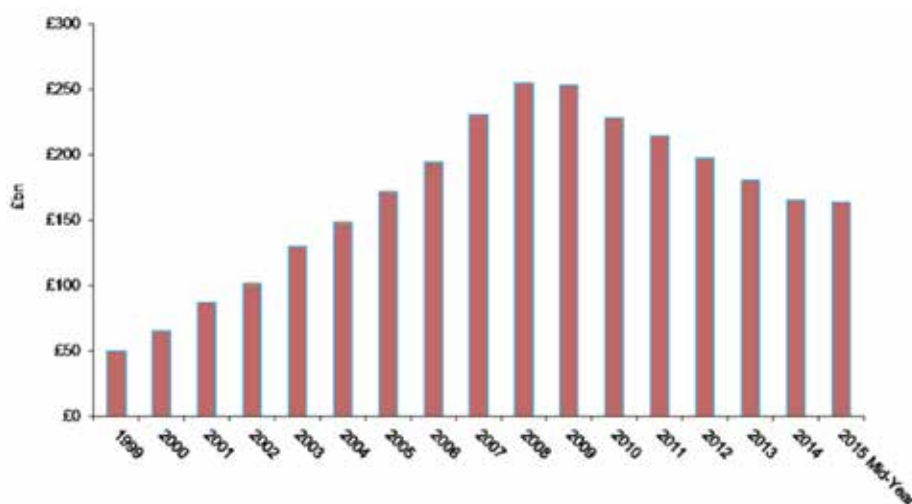
to lend across all sectors, seems to suggest that the reduction in outstanding loans has now plateaued and could begin to increase again particularly given the recovery in commercial property values over the last five years.

However lenders current willingness to lend is at interest margins well above those prevailing prior to the global financial crisis, and at loan to value ratios well below those heady percentages in 2006 in excess of 85%. Lenders appear to have got the risk reward balance just about right. In addition the majority of lending is secured on investment property, and interest in debt funding developments is largely confined to pre-let schemes.

The market in the late 1980s was undone by a massive volume of debt funding secured on speculative property developments, the market crashed and lenders were left holding half completed and empty property developments. The catalyst for the crash in 2007 was the introduction of securitisation or conduit lending which

banks were using as an indiscriminate tool to recycle the loans on their balance sheets, without giving due thought to the quality of the loans, their pricing and the underlying security.

It is said that history does not repeat itself, and if the next property crash is fuelled by debt, it seems unlikely that the causes will be similar to those that created the last two property crashes. While banks are being more heavily regulated by the Bank of England in what they can and can't do, at present this seems to be having a positive effect in curbing any irresponsible lending practices. At the same time debt funds and life insurance companies have entered the market initially to fill the gap created by the withdrawal of traditional lenders in the market, but who have now become a permanent feature of the lending landscape. It can be argued that the greater variety of lenders is healthy for the market, in that they are all moving in different directions and looking for different sectors and ways to lend. But it can also be argued that the new generation of lender is not controlled to the same degree by the regulation from the Bank of England that is curbing the traditional lenders. That could be a problem in the next few years. Indeed it has been recently announced that Almacantar has lined up a landmark £400m speculative development loan for



its redevelopment of Marble Arch Tower. A London-based hedge fund is providing the loan to the developer which although it has done little to date in UK real estate finance, is well known in the US for providing big development loans on high profile projects.

I referred in last year's article on the same subject to the return of the Japanese banks who participated in a refinancing of the Gherkin, since when several large-scale

loans have also been provided by Chinese banks. We should watch the activities of these new lenders to the markets who, in seeking to secure market share, might be the lenders who are more prepared to lend in a less responsible fashion.

Returning to the de Montfort University survey there is very modest concern that lenders have been released from their shackles and thereby might destabilise an otherwise healthy market. The last few

months have been very subdued with the market being more affected by political issues, such as BREXIT, and economic issues surrounding the health of the UK economy and major companies within the economy such as British Home Stores and Tata Steel. Let's hope this is the market having a well-earned breather and that it returns to continued sustainable growth from the roots of recovery since the Global Financial Crisis.

Dive in interest rates wipes out rise in margins; CRE lending returns fall to 3.3%

For Q1 2016 originations, Senior CRE lending returns are forecast to be 3.3%pa on a gross basis and 3.2%pa on a risk-adjusted basis. This represents a fall on Q4 returns of almost 0.5%.

The sharp fall in forecast performance is due to the 58bps decrease in the five year swap rate, which occurred after a shift in market expectations for the timing of future rises in the Bank Rate.

This fall in interest rates was in part cushioned by a rise in margins; we estimate that senior margins rose by around 13bps over the first quarter.

While returns on an absolute basis have fallen, the key measure for banks, Return on RWA, has risen. This is because RoRWA is calculated here as a function of margin and fee alone. On an RoRWA basis, gross and risk-adjusted returns inched up by around 10bps, to 3.1%pa and 3.0%pa respectively, assuming Strong slotting treatment.



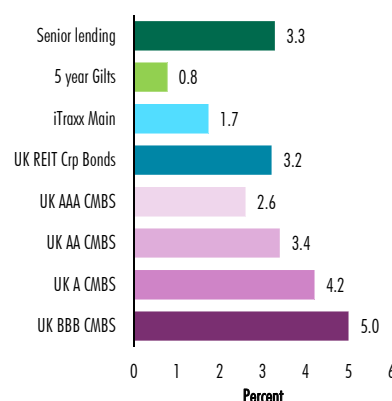
Dominic Smith
Head of Real Estate
Debt Analytics, CBRE
Sidney (1996-99)

Figure 1: Senior CRE lending returns

	Q4 2015/20	Q1 2016/21
Absolute basis		
Gross return, %	3.7	3.3
Risk-adjusted return, %	3.6	3.2
RoRWA basis - Strong		
Gross return, %	3.0	3.1
Risk-adjusted return, %	2.8	3.0
RoRWA basis - Good		
Gross return, %	2.3	2.4
Risk-adjusted return, %	2.2	2.3
RoRWA basis - Satisfactory		
Gross return, %	1.8	1.9
Risk-adjusted return, %	1.7	1.8

Source: CBRE, Q1 2016.

Figure 2: Senior CRE lending returns in context, Q1 2016/21



Source: Bank of England, BofAML, CBRE, Macrobond, Q1 2016.

Senior CRE lending continues to offer a healthy premium of 2.4%pa to the risk-free rate, on a risk-adjusted basis.

Against corporate debt generally, the relative return offered by senior CRE debt improved further over Q1, although with spreads on CMBS widening significantly, senior CRE lending looks relatively less attractive versus this asset class.

Though default rates are minimal under current forecast scenarios (which are fairly benign) under more bearish market assumptions, including the latest Bank of England Stress scenario, forecasts of default pick up. If market sentiment continues to come under downward pressure, it remains

to be seen whether current assumptions around default and loss will prove too optimistic.

Margins Up, Interest Rate Sharply Down

We estimate that senior lending margins across the broad mix of UK real estate rose to roughly 2.1% at the end of Q1 2016. This improvement to lending returns was completely eclipsed by a nose-dive in the five year swap which rate fell by 58bps over the quarter. A sudden shift in market expectations of future rises in the Bank Rate was to blame, as weak data and dovish statements from the BoE prompted a sharp correction.

Probability of Default, Expected Loss

Our forecasts for the five years to Q1 2021 are for an aggregate rise in property values of 11.5% (2.2%pa). Even in a rising market the idiosyncratic nature of individual CRE assets means value decline and hence default may still occur. We estimate that Q1 2015/20 senior 65% LTV originations have a Probability of Default (PD) of 0.5% (a slight rise on that seen in Q4) and annualised Expected Loss (EL) of 0.1%. Although on an upward trend, forecast PD and EL are both still well below historic long-term average levels.

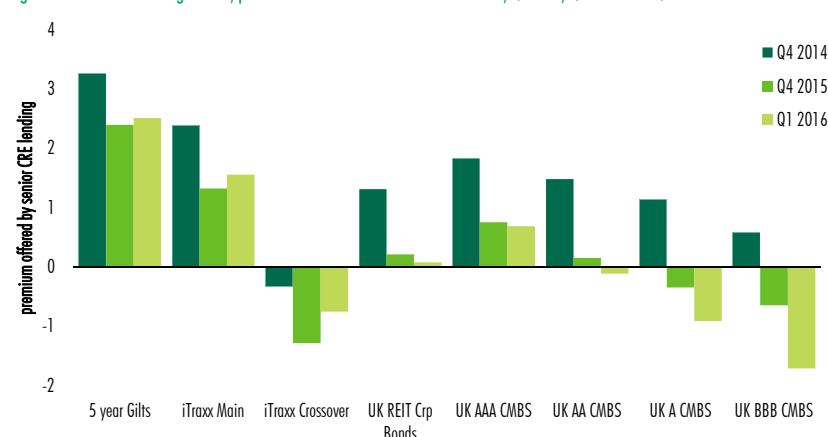
Absolute Return Falls Over Quarter

Given the above, gross returns on senior CRE lending are estimated to have nudged down to 3.3%pa at Q1 2016, from the 3.7%pa seen in Q4. Risk-adjusted return has similarly fallen, from 3.6% at the end of Q4 to 3.2%pa at the end of Q1.

Mixed Fortunes Versus Other Debt

Against CMBS, where according to BofAML spreads rose by 20-120bps, senior CRE lending returns appeared weaker across the board – though depth and liquidity may of course be a barrier to accessing the theoretical premia outlined in Figure 3. Against other forms of debt however, senior CRE debt looked a little stronger by the end of Q1 2016; the premia to Gilts and to corporate debt (as represented by the iTraxx Main series) rose by 12bps and 23bps respectively.

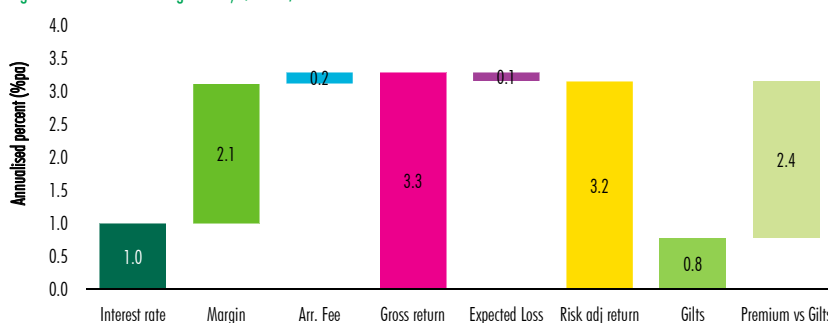
Figure 3: Senior CRE lending returns, premium versus other forms of fixed income, Q4 2014, Q4 2015 and Q1 2016



Source: Bank of England, BofAML, CBRE, Macrobond, Q1 2016.

ANALYSIS ON AN ABSOLUTE RETURN BASIS

Figure 4: Senior CRE lending returns, Q1 2016/21



Source: Bank of England, BofAML, CBRE, Macrobond, Q1 2016.

Figure 5: Breakdown of Senior and Mezzanine CRE lending returns

	Senior lending (65% LTV)			Mezzanine (65-80%)		
	2014/19	Q4 2015/20	Q1 2016/21	2014/19	Q4 2015/20	Q1 2016/21
Expected interest rate, %	1.4	1.6	1.0	1.4	1.6	1.0
Margin, %	2.8	2.0	2.1	8.2	7.3	7.3
Arrangement fee, %	1.1	0.9	0.9	0.0	0.0	0.0
Gross return, %	4.4	3.7	3.3	9.6	8.7	8.2
IPD all property capital growth, %pa	3.9	2.3	2.2	3.9	2.3	2.2
Probability of Default, %	0.1	0.4	0.5	0.4	2.0	2.6
Annualised Expected Loss, %	0.1	0.1	0.1	0.1	0.6	0.7
Risk adjusted return, %	4.4	3.6	3.2	9.5	8.2	7.4
Gilts	1.2	1.3	0.8	1.2	1.3	0.8
Gross premium versus Gilts, %	3.3	2.4	2.5	8.4	7.4	7.4
Risk-adjusted premium versus Gilts, %	3.2	2.3	2.4	8.3	6.8	6.7

Source: Bank of England, CBRE, Q1 2016.

Return on RWA

We estimate that were UK senior lending categorised as Strong for Slotting purposes, gross RoRWA would be 3.1% for originations at Q4 2015. Higher RWA requirements on Good and Satisfactory categories produce lower gross RoRWA returns of 2.4% and 1.9% respectively. Taking into account the impact of Expected Loss, risk-adjusted RoRWA returns are c10bps lower in all three Slotting scenarios.

Mezzanine

We estimate Mezzanine returns to be 8.2%pa on a gross basis and 7.4%pa on a risk-adjusted basis at the end of Q1, a decline on Q4 2015 caused principally by the fall in five year swap rates.

An economic analysis into the English 5p plastic bag charge

Since its introduction on 5th October 2015, the plastic bag tax has served as a trophy policy on the environment. This contentious issue has catalysed intense debate and relatively dramatic measures from not only individuals, but also retailers with the Card Factory cutting off handles to avoid the charge. Nonetheless, among increasing concern for the welfare of our planet, it follows wide international precedent and represents an important shift towards incentive-based policy aimed at improving environmental conditions.

My dissertation proposed three research questions. Firstly, what is the magnitude of the full social cost of a plastic bag? Secondly, what are the relative magnitudes of the individual environmental costs? Thirdly, what are the most important factors in determining how an individual values the overall and individual costs of a plastic bag?

I created a web-based survey combining numerous methodologies which was sent to a random sample of 625 individuals from across the country. This enabled the quantitative analysis of each research question.

The first research question is motivated by the fact that the introduced policy is a product, not a Pigouvian tax. This means that instead of a calculated attempt to internalise the associated externalities from plastic bag use, the 5p policy merely emphasises reducing overall usage. This slight, yet fundamental, deviation from arguably the theoretically optimal policy inspired the investigation into the full social cost of the plastic bag. To ascertain the full social cost, all external costs must be valued. Contingent valuation

is a popular methodology used to elicit a value of willingness to pay for a certain good or service. The survey benefitted from two specific contingent valuation techniques, double-bound trichotomous choice and open-ended questions.

My research found that the full social cost of a plastic bag ranged between 9p and 15p, at least 80% greater than the existing 5p tax. This divergence is revealing. Given that the sum of the externalities is at least 9p, the current 5p charge is unlikely to internalise all of them. Following debate in the international literature, knowing the difference between the Pigouvian and product tax, the extent of the English policy's effectiveness could provide a measure of whether it is the magnitude or the mere introduction of a charge that is important. Pricing the charge correctly is important to ensure that the socially optimal quantity is yielded, maximising welfare and minimising government failure.

The second research question stems from the existing international literature which identifies a specifically pertinent individual environmental cost for each country. For the UK, policy research identifies six environmental costs and strongly asserts that litter is the primary concern. However, the relative priority between the costs was not adequately determined, nor was a thorough explanation provided as to why litter was most concerning. In turn, I created a "credits question" requiring a respondent to distribute ten credits across the six identified environmental costs, giving more credits to costs they perceived to be more damaging.

In contrast to national literature, the 625



Zachary Freud

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supported by CULS

Highlights from final year dissertation

person sample found litter to be the fourth most important cost, constituting only 14% of the overall social cost. Damage to wildlife and marine pollution were found to be 84% and 63% more concerning respectively. This is not to say litter is unimportant, when considered in isolation, all costs were in fact deemed to be at least quite serious. Finding the breakdown between the costs also gave rise to the estimation that 62% of the costs are generated through improper disposal. This might suggest that a deposit-refund scheme is theoretically optimal. These results have important policy implications in that the information can be used to improve policy targeting towards where the greatest costs supposedly lie.

Given that the primary aim of the policy is to reduce the usage of plastic bags, it is unsurprising that the existing literature focuses on evaluating policy effectiveness, and attributing relative success. The third



research question is an attempt to follow the thrust of the literature. However, since no official figures have been released, I attempt to analyse what might cause success, from an ex-ante opposed to ex-post perspective. To achieve this, a series of multiple linear regression models were computed using a host of attitudinal statements and demographic information. Satisfying various robustness tests, the results obtained are of reliable statistical significance.

The results generally support existing literature and found that an individual's attitude towards the environment is the key driver of individual's valuations. An individual increasing their care for the environment by one standard deviation was found to increase their valuation of a plastic bag by 4.38p. It was also shown that had the individual known more, they would have

been willing to pay more. Income was also found to be an important variable, albeit to a lesser extent. Those with incomes between £80,000 and £100,000 were willing to pay 2.50p more than those with an income up to £20,000. This is important because if such drivers can be targeted through incentive-based policy, its likely effectiveness can be improved. The role of information highlighted here is implying that raising awareness through information campaigns can cause long-term institutional shifts in behaviour.

Alongside important policy implications, this research has built on the existing literature in four respects. Firstly, it methodically establishes a means to identify the social cost of a plastic bag, permitting a judgement on the extent to which the magnitude of the charge is important. Secondly, a

method was created which allows for the derivation of the relative importance of individual environmental costs. Thirdly, regression analysis provides an empirical framework which can retrospectively attribute the policy's success, and predict likely effectiveness. Fourthly, the research and methods are applied to England, a seemingly nonresearched geography.

Note should be made of some relevant limitations, specifically comprehensiveness of data collection techniques, correcting for survey bias and perhaps choice of methodology. Nonetheless, the results of this study remain useful providing insight into a previously unanalysed geography, applying strictly tested methodologies whilst also developing new means by which to test relationships.

Growing money on trees – forestry as an asset class

Commercial forestry, or timberland, is a relatively new asset class, having first emerged as an attractive option for institutional investors in the US in the early 1980's. With its solid yield and relatively low price volatility, forestry is a good option for investors looking for superior risk-adjusted returns.



**Roland Bull BSc (Hons) MSc MRICS
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Agricultural and Forestry Investment

Growing populations will increase global consumption of paper and wood products as the demand for tissue, packaging and housing grows. Growth of the renewable energy market has also increased demand for woody biomass for heat and power generation, creating new markets for wood pellets and other timber by-products.

While long-term demand is expected to increase, the supply of timber is constrained. Government restrictions and public conservation efforts are limiting harvests from natural forests. Furthermore, illegal logging is being curbed due to international pressure. Meanwhile, consumer preference for sustainably-grown timber continues to grow. This means an increasing proportion of the world's wood demand will have to be met from timber grown within sustainably managed forest plantations. However, the total land base

available for the establishment of such plantations is limited due to competing land uses, such as agriculture, conservation and development.

Three primary drivers determine the return from forestry investments. These are: the biological growth of trees, increasing timber volumes and values (which can account for up to 70% of returns); changes in the value of timber products; and changes in the value of land. Other income sources such as hunting, mining royalties, conservation easements, or higher value land uses can be secured from some investments.

Numerous macroeconomic factors influence the price of timber, including the overall level of economic activity, population growth, activity in the construction sector, interest rates, and demand for fuel. Forestry investments have

historically performed well in high inflation environments, as the demand for timber and paper products increases during economic expansion. For instance, timber prices are typically supported by economic recovery and resurgence in the construction sector. Changes in the price of timber are reflected in prices for furniture, paper and other consumer products. As forestry returns are influenced by timber prices, it is not surprising that they display significant correlation with inflation, more so than many other financial assets.

Biological growth is what distinguishes forestry from other forms of property investment and is the most important driver of return in many instances. Predictable biological growth leads to even, counter-cyclical, returns over time and therefore helps to smooth volatility. As trees grow in volume they also turn into higher value

products. The resulting extra volume and consequent value change over time are, to a large extent, independent of economic factors or financial market conditions.

Changes in the value of a forests are related to a number of factors, of which changes in timber prices and presence of timber industry are particularly important. In many regions, land value only represents a small percentage of the total forestry investment value. Land values are related to local supply and demand conditions and therefore vary spatially. In addition, price is also partly a function of quality and the proximity to markets as well as the presence of necessary infrastructure. Nevertheless, increasing competition for land to be used for agriculture, bioenergy production or recreational use, as well as for forestry, can provide major upside potential based on land appreciation.

The managerial flexibility available to owners of forestry can be exploited to enhance returns and limit downside risk. By taking advantage of entry/exit optionality and optimising the timing of timber sales, management can maximise the return from the investment.

A forest of diverse age class presents the option to harvest several different products (pulpwood, chip and saw, saw timber). Prices of these products often move in different directions, allowing a manager to favour certain products during times of price disparities. Trees not cut due to unfavourable pricing period continue to grow in size and value. This cash flow optionality, when used effectively, can lower return volatility and raise the long-term, total investment performance of a forestry holding.

If good management exploits variations in market conditions to maximise value, the return structure of the investment changes, as downside risks are limited. Forestry investments can therefore display asymmetric return structures, with a high upside potential and a low downside risk.

Forestry prices are not as volatile as timber prices as the properties can be actively managed to counteract down cycles in specific timber product prices. The land component of the investment adds additional stability as there is a finite supply and demand should continue to grow long term as population and commercial development expands.

Chart 1 illustrates the impact of exploiting the flexibility afforded to forestry investment

managers. The ability for management to reduce unfavourable outcomes can increase the weighted average return and significantly limit the downside spread.

Forestry investments are typically made by equity investors with very little gearing, when compared to other relatively illiquid assets classes such as conventional real estate. This can help to limit the number of distressed sales during economic downturns, thereby stabilising prices.

Chart 2 illustrates the distribution of returns from US forestry investments and global equities in the period 1987 – 2014. It can be seen that the spread of returns on the upside is similar, but that there is a significant difference on the downside.

Where income generation is an important factor, scale is necessary to ensure a balance of age classes can be maintained to generate regular timber sales. Where income generation is less critical, managers can exploit movements in timber markets to generate alpha returns.

Although the income generated by individual forestry investments can vary substantially from year to year, the standard deviation of long-term returns between individual forestry investments

is comparatively low (when considered in the context of other similar asset classes, including agriculture). An investor therefore requires fewer individual forestry investments to have a high probability of achieving mean returns for the sector over the long-term.

Diversity is therefore best employed to provide hedging benefits against catastrophic loss risks and adverse movements in local timber markets. To this end, exposure to different geographies is of significant benefit to limit the likelihood and extent of catastrophic loss events diminishing portfolio level returns.

Approximately 31% of the world's total land area is forests, of which approximately 93% are natural and 7% are planted. Globally, institutional investment in forestry is estimated at more than US\$100 billion while the universe of potential assets suitable for institutional investors may be closer to US\$200 billion. A range of capital structures are available to prospective investors, in a variety of markets. As with any form of property investment, the choice of market and investment vehicle should be dictated by investor requirements.

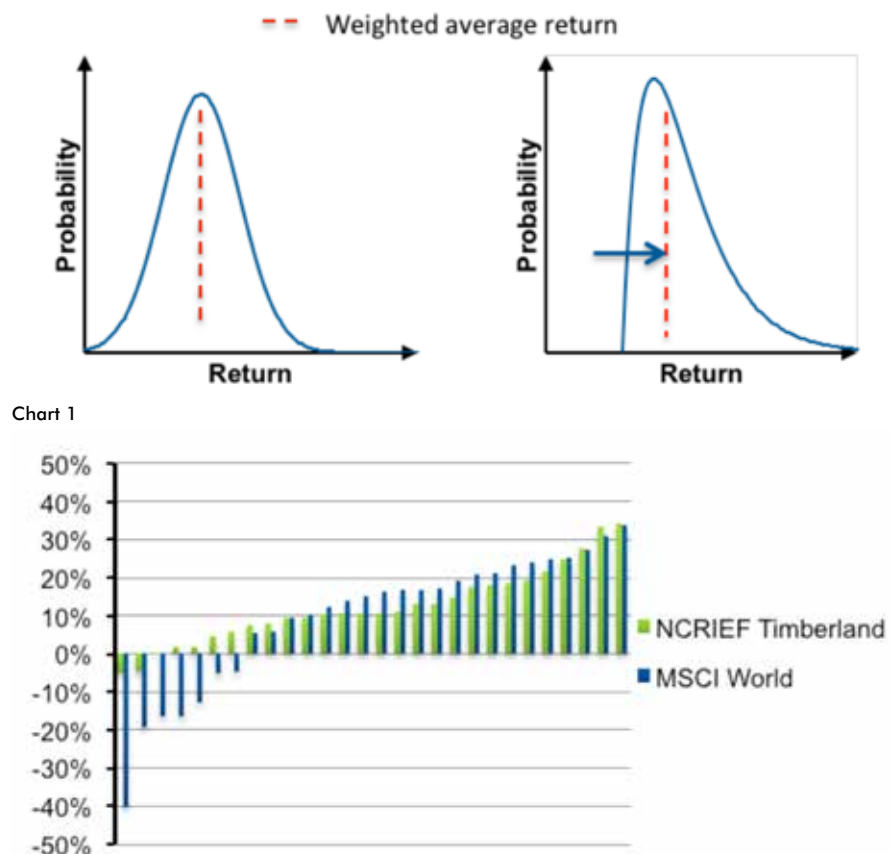


Chart 2

Source: NCRIF Timberland and MSCI World 1987 - 2014

Land Economists

On the 27th of March the River Thames ran Light Blue. For the first time in four years the Cambridge men beat their rivals from Oxford in the Boat Race. Five students from the department of Land Economy helped make this feat possible. In the men's Blue Boat Lance Tredell and Ben Ruble rowed in the stern pair, setting the rhythm of the crew. In the men's reserve crew, also known as Goldie, Joe Carroll and Vince Bertram rowed in 7 seat and 5 seat, respectively. Finally, Rosemary Ostfeld, steered the women's Blue Boat down the course in the most dramatic race of the day.

Anyone who was present on the banks of the Thames or watched the BBC coverage would have witnessed the epic conditions the crews had to face. Just past St. Paul's school, as the river bends south, the boats turned into a strong headwind. This particular combination of wind and tide makes for big waves and as the crew passed the Chiswick Eyot, large waves were crashing over their bows. The conditions forced the crews to drop their stroke rate and turned the race into a fight for survival.

During the women's Boat Race the waves proved unrelenting. As the Cambridge women approached Barnes Bridge, the final marker on the course roughly 3 minutes from the finish line, their boat was rapidly taking on water. The race umpire flew the red flag as a matter of safety, which meant



the women could have stopped rowing and pulled into the bank. However, in a show of determination, coxswain Rosemary Ostfeld elected to keep going and steered her crew into calmer water until the electric pumps were able to bail enough water. Unfortunately, Oxford had already taken

advantage of the Cambridge women's near sinking and gained a considerable margin for victory.

The final race of the day, the 162nd Boat Race, was much less exciting but still thrilling for any Cambridge supporters. The Cambridge men got a small lead off the start and used the first half of the course to build a one-boat length lead over Oxford. As both crews approached the rough water they struggled to take effective strokes. It was Cambridge who managed the conditions better and increased their lead, but Oxford refused to be dropped completely and remained within striking distance. As the crews approached Barnes Bridge, the water calmed down and the boats picked up speed. Oxford closed on Cambridge approaching the finish line but Cambridge was able to hold on for a 2 and half-length victory over Oxford for the first time since 2012.

Great moments in sport are felting. While the Boat Race may appear to be a sporting event, there is more being learned than just rowing. Rowers, just like all student athletes, have a reputation for being goal



Take to the Tideway

oriented. This can be crucial when all grades are decided in a single week of exams or when recruitment decisions can hinge on a final interview.

In the run-up to the race, Bloomberg News published an article exploring the subject and career paths of the rowers who participate in the Boat Race and their areas of study. The authors found an unmistakable link between rowing and the desire to work on Wall Street or in The City. Looking back over the past 15 years of men's Blue Boat's, the Bloomberg article shows that close to 50 percent have studied Economics, Finance, or Management degrees, while Land Economy encompasses an additional 14 percent. Combining these groups, two out of three rowers studied for a finance related degree and many go on to work in the industry.

This article brings to light an interesting connection between athletics and finance. What attracts former athletes to these careers? Could it be the long hours that are associated with both elite sports and finance? Anyone that has worked for a big banks or top-consulting firm has

experienced a work week that can stretch to 100 hours. Or is finance a natural extension of an athlete's competitive nature? In finance, as in rowing, rewards are tied to results through performance based bonuses.

What is clear is that athletics teaches students how to generate results. Three terms of academic effort produce exceptional marks; in the same way, 12 rowing sessions a week for 7 months produce a Boat Race victory. This simple formula will help graduating student-athletes thrive in whatever path they choose. We recognise we are not the first group of students to discover this, and are

grateful for the example set by the Land Economy alumni.

The 163rd Boat Race will take place on April 2nd 2017. We hope to see just as many Land Economists take to the river to represent Cambridge. When they decide to put down their oars we are confident they will succeed in whatever comes next.

Joe Carroll,
Hughes Hall,
Land Economy
(Edited by Ali Abbasi, Trinity, MPhil
Computational Biology)



Cambridge Putting a Bang

A Short History of Long

Shooting at Cambridge started through the Cambridge University Rifle Volunteers and was originally restricted to serving members of the Officer Training Corps. Nowadays it is open to all members of the University and is known as Cambridge University Rifle Association or CURA for short. When it started, the University had its own range extending back to 1,100 yards situated at Grange Road where the rugby football club now plays. One of the most famous early long distance shooters was Captain Horatio Ross (See photo), a godson of Nelson, who did not restrict himself to the laid out range and instead experimented with firing from the tower of the University Press, a distance of some 2,000 yards. He missed the target but the fall of shot was observed. His fame came about by being selected as captain of Scotland in the first long range rifle match against England held at Wimbledon in 1862. Horatio Ross was 61 at the time, had a 1,400 yard range on his estate in Kincardineshire and had shot with success

at distances of up to 1,800 yards using targets on boats moored in the Montrose basin. The first match between the two countries was shot at distances of 800, 900 and 1,000 yards and subsequently became known as the Elcho match after Lord Elcho, who commissioned a shield as a prize. The first iron shield was ready for the 1865 contest, when Ireland started competing too, and it is still competed for today. Wales joined in from 1991. The tally to date is:

- England 93
- Scotland 35
- Ireland 15

with Wales yet to get off the mark. (See photo of 1st England team 1862)

Lord Elcho (See Spy cartoon dating from 1870) subsequently became 10th Earl of Wemyss when he succeeded his father in 1883. Those members of CULS who have played golf at Royal Wimbledon Golf Club on our golf day might remember seeing this cartoon in the men's changing room. The Royal Wimbledon Golf Course is largely set

out over what were formerly the Wimbledon rifle ranges and even today, if one looks carefully in the "tiger" country to the side of the rough, the original firing points can be seen. The current Earl of Wemyss records that apart from his interest in shooting, Lord Elcho considered that any day when he did not play a round of golf was a wasted day.

Originally long range shooting prohibited magnifying sights and involved a muzzle loaded rifle with a 0.45 inch calibre. Breach loading rifles were introduced in 1878/1891 and telescopic and magnifying sights were allowed from 1905. A major advance was made in 1907 by one Captain Heaton, who first discovered that accuracy is correlated both to the mass of the bullet as well as the shape, in addition to the obvious determinant of muzzle velocity. Following this discovery, shooting at a range of 800 yards soon ceased and instead the distances competed over became 900, 1,000 and 1,100 yards. Competing at 1,200 yards was introduced in 1963. The modern match rifle has a calibre of 7.62 mm (0.308 ins) and a typical muzzle velocity is 2,700 feet per second which sounds fast but was outpaced by Concorde. Shooting at 1,200 yards is very much at the limit of accuracy for the 7.62 mm cartridge which limits the amount of powder that can be used and hence the muzzle velocities achieved. The trick to achieving accuracy at 1,200 yards is to maintain the supersonic speed of the bullet (1,126 ft/s). In fact, the stability of the bullet starts to deteriorate at speeds slower than circa 1,180 ft/s. At this range the bullet is typically 20 feet above the target at its apex and its terminal velocity is between 1,050 – 1,300 ft/s depending on bullet weight and powder. Competitors load their own ammunition experimenting with different combinations and types of case, powder, bullet and primer. The effect of wind on the flight of the bullet is significant and judging wind strength and any changes is a major part of the sport. With a bullseye diameter of 24 inches, a relatively small change



Lord Elcho

in Bisley: Distance Shooting



William Maunder Taylor

Co-founder of Kingfisher Property

William Maunder Taylor is co-founder of Kingfisher Property along with Dominic Reilly, Senior Vice President of CULS - You might be President by the time this comes to print?. The photograph shows William on Elcho Day in his original half blue blazer, which he can still button up, and panama hat with CURA hatband. He shoots in the supine position, without head-strap and started shooting match rifle in 1975.

in wind speed can result in loss of points at 1,200 yards. It is not uncommon for adjustment for wind to be in excess of 14 minutes of angle. At approximately 1 foot per minute of angle, this equates to the rifle pointing at the next target, so as to allow

for the wind to blow the bullet back onto one's own target.

British shooters rely on judgement to do this by using a combination of fall of shot on theirs and neighbouring targets, speed and angle of wind indicated by range flags and speed of mirage as seen through one's spotting scope. So the British predict the required allowance for wind. Typically, they shoot taking turns in pairs or three to a target which leaves the necessary time to make suitable adjustments. In contrast, Australian shooters, the only other country

with a sizeable number of match riflemen, shoot all of their rounds, one person per target within a set time limit, known as string shooting. Typically they make adjustments for wind by reference to their last fall of shot only. Great Britain has competed with Australia 7 times and the tally is 6-1 to Great Britain, 4 of the 7 teams having been captained by former CURA members.

In addition to the conventional prone position for shooting, the back or supine position can be adopted and has been popular since the 1870s. Originally, the



1st England team 1862



placing of a back sight on the heel of the butt considerably increased the sight base and improved accuracy. As telescopic sights became popular from the 1970's, so back gunners have mounted telescopes on slides so that they can continue to use the supine position which many consider to be more comfortable. However telescopic sights did not become reliable for long distance shooting till the 1980's. Shooting at long distance has always required innovation, no less so today. Innovation has generally focussed on barrel, action, powder and bullet technology, sighting systems and different shooting positions. The photograph shows H St G Maxwell with canvas strap helping to hold his head still behind the rifle while taking aim in 1949. Several supine shooters were well known for not only using head straps but also for smoking pipes while firing, to help relax. Modern day innovation is exemplified by Julian Peck (St Catherines 1985) who has uniquely pioneered resting the tip of his rifle on a foot rest whilst in the supine position. He has done this by fitting a piece of metal from the rifle stock running the full length of his barrel. The icing on the cake is a spring at the end of the piece of metal to support

the barrel so as to prevent barrel droop. The supine position can lead to mishap and it has been known for a firer to shoot himself in the foot.

Cambridge has competed against Oxford since 1869 with Cambridge winning 77 times to Oxford's 55. Since 1881 the match has been known as the Humphrey Challenge Cup after AP Humphrey, who in 1895 was responsible for the relocation of the Grange Road range out to Barton Road. It was written into the agreement that for 3 days every year, the new range would be given over to use by Cambridge University Long Range Rifle Club, a club that still exists today and members of which compete annually for the Cambridge Cup. This is a grand affair which includes a party thrown by Chris Roads (Christs 1957) who has done so much to encourage shooting at Cambridge over the last 50 years and culminates in a black tie dinner in Selwyn College hall.

The Cambridge connection to match rifle shooting is extensive. For 24 years, England was captained by Lord Cottesloe, 5th Baron (Trinity 1920) who was also a rowing blue in the victorious 1921-22 crews. He took over the captaincy from his father, who

in turn had held the position since 1920, and is better known as former chairman of the Arts Council after whom the Cottesloe theatre was named. He was succeeded as captain by John de Havilland (Trinity 1956) who was captain for 18 years and also the first captain of a GB team. He in turn was succeeded by Rhoddy Voremberg (Magdalene 1973) and the current captain is Nick Tremlett (Queens 1977) who has represented England in 23 matches.

Scotland has had its share of Cambridge captains as well, Jack Crawford (St Johns 1925) having held the longest tenure of 25 years with Sir Ronald Melville, Mark Haszlakiewicz (Queens 1964) and Colin Hayes (Trinity Hall 1962) in more recent times. The current Scottish captain, Mike Baillie Hamilton is from the other place.

Undergraduate interest in match rifle shooting today is as strong as ever with 7 entries from CURA members in our spring 2016 meeting out of a field of 76. Having illustrated the Cambridge connection however, it would be wrong to imply that the sport is dominated by Oxbridge shooters. The match rifle fraternity is drawn from a wide base of shooters including some who spend days travelling by car to



England team on the firing point,
Elcho Day 1896

our meetings from both France and Ireland. It is also a sport where disabled competitors can compete alongside the able bodied on equal terms, sometimes shooting seated from a table and it can also be continued until well into old age.

There is a serious side to all of this. In 1978 the English Eight Club, founded in 1878, became a charity whose objects are to foster long range rifle shooting in the interests of National Defence and in particular to organise the English Team in any International Match shot with a Match Rifle.

The importance of the sport of shooting to National Defence is illustrated by the story of Accuracy International, a British company which supplies sniper rifles worldwide. The men who designed these rifles included keen target riflemen and the business was begun in the spare garage of one of them. It went on to supply the British army as well as the Special Forces with a rifle whose record for longest successful shot is 2,710 yards (in Afghanistan). Their rifles are considered the world's premier rifles for military use and in 2015 the company was awarded the Queens Award for Enterprise.



Firers using assorted positions, spring 2016

An Update from the Department

In January this year, I took over from Martin Dixon as Head of Department – it has been quite a shock returning from sabbatical! We're really grateful for Martin's contribution which has definitely eased my transition into the role. With apologies for brevity, this is a brief update on activity in the Department looking at staffing, research, teaching and the prospect of a new building for Land Economy.

Staffing Matters

Sadly, two of our associate staff have passed away this year: Professor Gerwyn Griffiths and Professor Nigel Allington. Gerwyn was a visiting fellow and member of the Centre for Property Law and had contributed to law modules on the MPhil; Nigel, research professor in Geneva and a fellow of Downing, was an active member of the Centre for Economic and Public Policy and provided economic teaching on the Tripos: both will be greatly missed. It has been proposed that funding be sought for an economics prize in Nigel's name.

Events like these do stretch the Department's teaching resources, particularly given the need to provide sabbatical leave to staff to ensure we maintain our achievements and reputation for research excellence. Dr Emma Lees is currently on maternity leave (although is

intending to come back early in the next academic year). More recently, we have just learnt that Dr Eva Steiner will be departing in June, for a post at Cornell University – Cambridge struggles to compete with the salary packages our US competitors (and increasingly, our European competitors) offer, making recruitment and retention difficult. Nonetheless, Cambridge remains a magnet for excellent academics: we've greatly benefited from the arrival of Dr Thies Lindenthal (real estate finance) and Dr Shaun Larcom (economics) who have made excellent contributions to our teaching and research.

Research

Departmental academic staff have continued to publish in leading journals and win research contracts, so we should be well-placed for a strong performance in the next Research Excellence Framework exercise: although the precise timing and nature of the next REF remains unknown. What is clear is that "research impact" is going to play a significant role in the assessment and funding formulae and we are putting in place mechanisms and systems to capture the wider impact of our research. As a Department whose research activity is strongly applied and relevant, we are well placed to perform well. Across the University, we are seen as



Professor Colin Lizieri
Head of Department
Grosvenor Professor of Real Estate Finance
Fellow of Pembroke College

a major resource for collaborative projects that require a policy component.

Both individual staff members and our research centres have been successful in winning research contracts, with wider research collaboration being a common theme of much of the activity. As an example, C-EENRG has successfully won significant project funding from the Engineering and Physical Sciences Research Council for a project that is examining ways of building resilience in complex and globally linked economies, the central case study focussed on Brazil's food, energy and water needs in the face of urbanization. A linked bid to examine parallel issues in China is with a private foundation. CRERC projects include collaborative work led by Helen Bao examining financing issues for Chinese urban development, a \$2million EU Horizon 2020 project led by Franz Fuerst on energy efficient investment in real estate, a joint project with MIT on land allocation and building density involving Thies Lindenthal and funded projects from the IPF and EPRA. CCHPR has continued to undertake policy sensitive housing research, including studies of the impact of the "bedroom tax" and research funded by Lloyds Bank looking at small and medium size business investment in private renting, which is timely given recent tax changes.

One priority going forward is to ensure wider dissemination and publicity for our research, both with our immediate academic and business/policy networks but also more widely through both traditional and new media. We have been fortunate that our shared schools liaison officer, Alison Lyons has been adept at improving our social media presence: that



is an area that we could usefully develop going forward. Ali has also worked hard at raising the Department's profile through open days and the outreach work that the University and the Colleges undertake, which is vital since smaller Departments like Land Economy can be overlooked in these efforts.

Students and Teaching

I am pleased to be able to report that both undergraduate and postgraduate application levels have remained strong. Despite the wider fall in applications to humanities and social science subjects, applications for the Land Economy Tripos were strong in numbers and in quality and we are looking at a good sized entry of around 50-60 students for 2016-2017. MPhil application numbers at this stage are around 7.5% higher than in 2015. Real Estate Finance applications are nearly 10% higher than the same period last year, despite the introduction of the new part-time MSt in Real Estate, due to start in September this year. As this is its first year, we have not aggressively marketed the MSt, but have had a good level of applications with appropriate academic qualifications and business experience so we should have a good initial cohort.

We have recently completed a review of MPhil teaching and a new structure will be introduced in 2017, which alters both the pattern and nature of assessment and also provides more opportunity for the students to gain greater depth in topic areas, essentially by running core modules that are no longer confined to Cambridge's eight week terms. We think that this should strengthen the programmes substantially and also address some of the student feedback issues we have been confronting, without having resource implications.

The undergraduate Tripos is also under review and the Department has received the report and recommendations of the review panel. The proposed changes provide clearer progression through the three years, a set of pathways allowing students to specialise in particular areas (while retaining the broad flexibility of the Land Economy programme) and strengthening the quantitative, analytic and policy elements of the programme. We are also intending to introduce a set of elective modules for the final year (Part 2) programme which will give students the

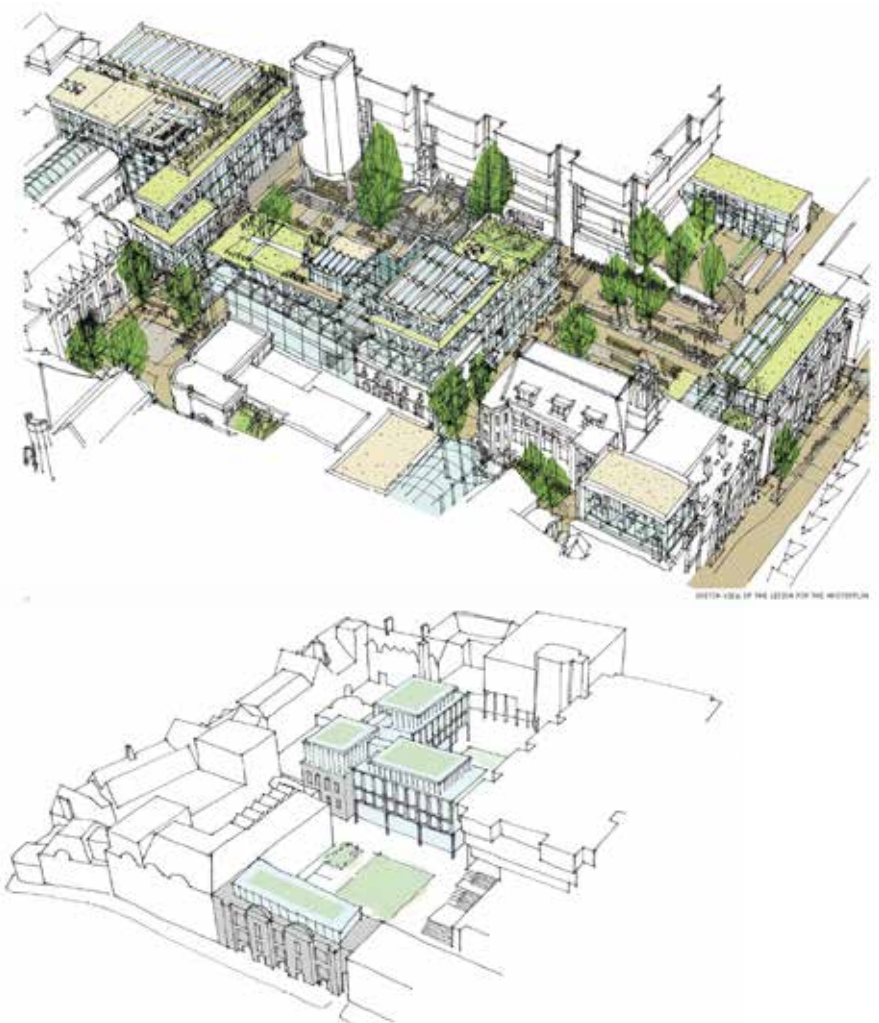
opportunity to study key topics that are the current research interests of academic staff in depth. The University approvals process is complex and lengthy!

A New Building for Land Economy?

There is finally tangible progress on the accommodation needs of the Department. We have been allocated the upper floors of a new building on the New Museums site which is being developed as a "conservation campus" as the science departments move out of the centre of Cambridge. We are in discussions with the architects on space requirements and the project has received University approval, although there are many stages to go in what is a very complex development. We are at concept design stage: the timeline envisages full planning by end of 2016 and a start on site in 2017, although (even without major archaeological finds!) we are unlikely to be in occupation until late 2020. Nonetheless, with some clarity now, we can undertake external fund-raising linked to the potential move.

In the meantime, immediate accommodation needs are not being neglected and we have been awarded funding for improvement works in the basement which are much needed and will provide better space for postgrads, for supervision and for staff. It is perhaps also worth noting that the Land Economy library and collection will be moving from Mill Lane to Free School Lane, to be located in the social and political sciences library there. While that may not be so spatially convenient, there are benefits as the shared staffing arrangements means that there should be longer opening hours for students and there appears to be sufficient space. With the collection now part of the University Library, there has been no sign of a tightening of resource, although there are many discussions about the balance between electronic and paper formats.

With apologies for the brevity of these notes, I hope this gives some sense of current developments in the Department and the direction of travel.



Real Estate Research Centre

Colin has mentioned some of the projects being led by members of the Real Estate Research Centre on issues related to urban development, building density and energy efficient buildings. We are also undertaking a project looking at economies of scale in European real estate companies and a project looking at hurdle rates of return and their use in the real estate decision-making process. We continue to work closely with British Land and I am delighted that the Government Investment Corporation of Singapore has also become a research partner along with BL.

We continue to be actively involved in promoting and disseminating research and have taken the lead in **Future Cities Initiative** supported by London property company Capital and Counties Properties PLC (Capco). This comprises an annual conference, a visiting fellowship by an expert in the field, and a grant for eight postgraduate fellows to conduct bespoke research on issues shaping future cities and related policy.

The inaugural **Future Cities Conference** will take place on 29th June at Clare College bringing together over 100 researchers, developers/investors and policymakers interested in the challenges and opportunities for cities. The Conference will tackle subjects such as the impact of technology on cities, high-rise living and density, resilience to climate change, and what makes cities and developments work well in terms of "happiness". Speakers will include Lord (Chris) Smith, Professors Paul Cheshire, Philip McCann and Catharine Ward Thompson and Professor Edward Ng. Professor Ng has been awarded the Capco Visiting Fellowship, who will spend a fortnight in the Department developing ideas and building research networks with a focus on sustainable architecture and design.

We continue to lead the Cambridge Real Estate Research Club (bringing heads of research and CIOs from real estate investors and consultancies together) and the Long-Term Investor Event (bringing

Sovereign Wealth Funds and other long-term investors together) and will also be hosting an academic symposium in September.

The Cornell Real Estate Competition

A team of six final year undergraduates went to New York to take part in the Cornell Real Estate Case Competition in early November. The students were accompanied by Nick Mansley, who arranged for them to work from Aviva Investors' offices on Park Avenue and to hear from his former colleagues about real estate private equity investing.

The case this time involved assessing a portfolio of three properties across the US (Charlotte, South LA and Oklahoma City), devising a property strategy for each, selecting from different financing options and structuring a joint venture. 19 universities from around the world took part, with teams having five



Nick Mansley
Executive Director, Real Estate Research Centre

days to prepare a presentation setting out their proposal with respect to the case which was then judged by industry professionals, who expressed how impressed they were with the quality of the presentations. The students had a great time and described it as a fantastic educational experience.



The MSt in Real Estate

Preparations for the first cohort of the new part-time Masters in Real Estate continue apace. We would welcome support from CULS members with presentations, cases and site visits.



Six final year undergraduates take part in Cornell Real Estate Case Competition

Update from the CULS Fellow

"How Cambridge waters hurry by"! It is hard to believe that it has been a year since I wrote my last update about life as the CULS Fellow for this magazine. And it was quite an eventful one. The role of MPhil REF course director which I had initially taken over on an interim basis has now become a permanent one. We have had another strong intake of students this year from a variety of educational and cultural backgrounds. Among my duties as REF director is also looking after the mentorship scheme which continues to be extremely popular, particularly now that we have expanded it to PGR, EP and our doctoral students and added a number of mentors to match the breadth of our students' career paths. Engaging our industry partners is also the idea behind our Real Estate Finance Practice Seminar which I am co-coordinating besides my regular teaching which include modules such as Spatial Economics or Real Estate Development, the latter just having been in the Departmental news as Bidwells have agreed to sponsor a prize for the

best student presentation (see photo of this year's winners). Besides the day-to-day work, I am also currently involved in the reform of our three MPhil courses to strengthen the core of the academic content and provide an even better experience for our students. I believe that the strong academic focus of our courses is valued by employers around the world and is one of the reasons why we have again a very strong field of applicants. Due to my roles as both REF MPhil Director and Director of Studies at Trinity Hall, I know that this applies to our undergraduate programme in equal measure.



Dr Franz Fuerst
CULS Fellow
Reader in Real Estate Finance and Housing
Course Director MPhil Real Estate Finance
Director of Studies and Fellow Commoner at Trinity Hall



In Private Equity Real Estate, is it what you know or whom you know?

Anecdotal evidence suggests that clout and connections matter more in private equity fundraising than a proven track record of outperformance. In a recent paper, co-authored with Sebastian Krautz of EBS University, we use a unique real estate private equity (REPE) dataset with buy-side and sell-side information to analyse stacked interaction networks for each vintage year to test if fund managers rely mainly on their established connections to plan sponsors when fundraising for a new fund.

REPE funds, i.e. non-listed closed-end funds investing with a value-added or opportunistic approach in real estate, are increasingly favoured by plan sponsors to gain real estate exposure outside of their home markets. It also helps that they have a reputation of showing low correlations with the more established asset classes. However, these private equity investments often require a different level of commitment. In many cases, the legal structure or a very

limited secondary market prevent plan sponsors from rescaling or withdrawing their equity commitments during the lifetime of a fund. As a result, their capital is locked into the fund for several years and is only freed upon liquidation. This means that careful selection of funds and fund managers may be of even greater importance for REPE than it is for investments that offer a quick exit option.

After assembling a rich database of US-based REPE funds with a large number of relevant characteristics that ensure an apples-to-apples comparison, we apply network analysis to first establish which fund managers are more well-connected and deeply embedded within the real estate private equity industry than others and subsequently whether the managers benefit from their connections to plan sponsors when they raise capital for new funds. In order to do this, we matched previously unconnected REPE-investor, fund, and manager data and created a

global industry network for each year. Our empirical results suggest that the more 'connected' a fund manager is (as measured in network analysis by degree centrality and eigenvector centrality), the quicker they are at assembling the necessary capital to launch a new fund. The only factor that seems to matter even more than having a myriad of professional connections is sheer fund size. Although these two factors are obviously related, our regression analysis is able to separate out their respective contributions. A large predecessor fund is found to be the single most important predictor for quick success in a manager's current endeavour. Perhaps the most interesting finding is that past performance (as measured in the realised total return) has no statistically significant predictive value, i.e. being able to prove superior performance in the past does not seem to be a requirement for successful fundraising. This supremacy of size and connectedness may go some way towards explaining the recent overwhelming success stories of private equity investors such as Blackstone and BlackRock.

Note: This paper is available to CULS members for download in the CULS Fellow Working Paper series at <http://www.culs.cam.ac.uk>

The Benefits of Forced Experimentation: Striking Evidence from the London Underground Network



Dr Shaun Larcom
University Lecturer in Environmental
Economics and Policy
Department of Land Economy

Do people make first-best decisions? And to what extent do they get stuck with suboptimal habits (and at what cost)? With Ferdinand Rauch and Tim Willems (from the University of Oxford), we have aimed to shed light on these questions with a recent research paper that uses (recoded) Oyster Card data. From February 4 to 6 2014, tube workers went on strike as a result of which some (but not all) tube stations were closed down – forcing many commuters to experiment. In our paper, we use this event to study how repeat-behaviour of commuters changes after a disruption-induced episode of experimentation.

Descriptive statistics of our dataset can be found in Figure 1 (the strike days appear within vertical lines). The top-left panel

shows the fraction of commuters who enter at their modal station (i.e.: the station they used most frequently pre-strike), while the top-right panel shows the same for the modal exit station. It is clearly visible from the two panels that far less commuters were able to use their modal station during the strike, which implies that a substantial number of individuals were forced to explore alternative routes. The data also suggest that the strike brought about some lasting changes in behaviour, as the fraction of commuters that made use of their modal station seemingly drops after the strike (in the paper we substantiate this claim econometrically). The lower two panels provide information on journey times. The bottom-left panel shows that the duration

of the average journey on London's public transport system increased during the strike, while the bottom-right panel shows that dispersion went up as well.

As the network was only partially closed, some commuters continued to take their normal route to work – thereby enabling us to use a difference-in-differences approach (comparing the behaviour of “treated” and “non-treated” commuters). To ensure robustness, we define the treatment group in three different ways: those who deviated from their pre-strike modal journey during the strike; those whose pre-strike modal station (at entry, exit, or both) was closed during the strike; and those whose average travel times during strike days were sufficiently different from their average travel times during the pre-strike period.

Results

We find that those who were forced to explore alternative routes during the strike (“the treated”) were significantly less likely to return to their pre-strike modal commute in the post-strike period, relative to the non-treated control group. This result holds no matter how we define the treatment group and is robust to using different estimation strategies. This suggests that a fraction of commuters had failed to find their optimal journey before the strike. After all: post-strike, all routes were available again (including the pre-strike modal one) so a failure to pick the



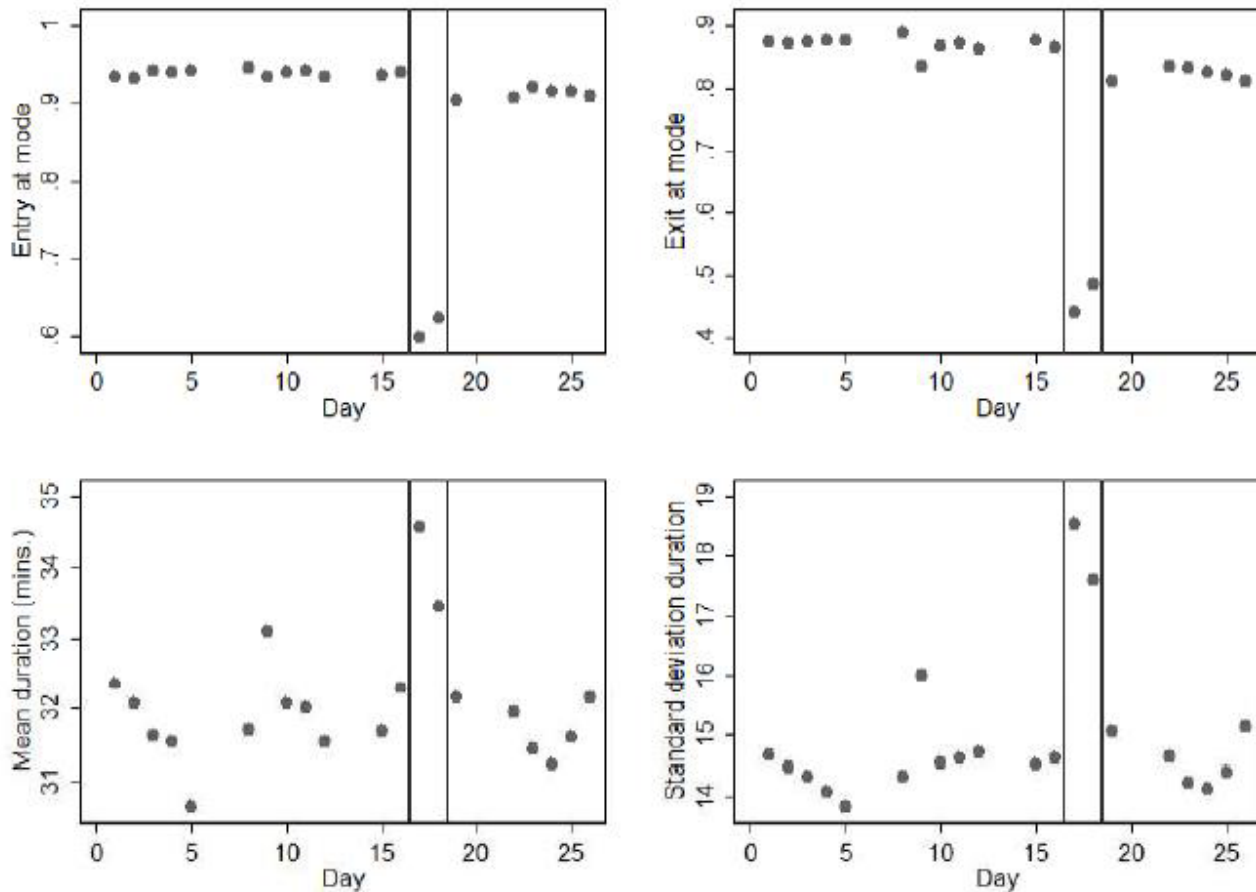


Figure 1: Descriptive Statistics of the Strike

latter option suggests that the commuter had found a better alternative during the disruption. In terms of magnitude, the fraction of post-strike switchers is about 5 percentage points higher among the treated.

As far as the mechanism is concerned, our results suggest that informational imperfections play a role in why treated commuters are more likely to switch post-strike. After digitising the London tube map and comparing it to actual distances between stations, we find that the degree of distortion varies across London. Exploiting this variation (which is unobserved to most commuters), our results suggest that those who live in (or travel to) more distorted areas, were less likely to return to their pre-strike modal journey in the post-strike period – suggesting that those living in more distorted areas learned more from the strike.

Interpretation

Our results suggest that a significant fraction of commuters became aware of a better route to work thanks to the strike. This is puzzling, since the alternative journey could have also been discovered

beforehand through voluntary (as opposed to forced) experimentation.

This finding can be interpreted two ways. The first interpretation is that consumers were acting rationally and followed the optimal search rule, but due to search costs they (rationally) gave up on finding the best alternative before they had found their global maximum. The alternative interpretation is that agents were not adhering to the optimal search rule and experimented less than prescribed by the standard-rational model. That is: they were neither maximizing nor optimizing. Under this second interpretation commuters were “satisficing” (i.e.: continued to search until “some satisfactory outcome” was found) in a way that is harder to rationalise. Using conservative numbers for the estimated time saving and its monetary equivalent, we find that it seems that commuters in our dataset were experimenting less than what is described by the standard-rational model. Instead, agents seem to satisfice in a way that is not straightforward to rationalise.

While a subset of commuters found better ways to get to work thanks to the strike, the vast majority (95 percent) only

suffered from travel disruptions. However, when we compare the costs imposed on all treated commuters during the strike with the gains to the subset of beneficiaries, we find that the strike produced net benefits (the main reason being that the gains are much longer-lasting than the costs). Importantly, the net benefit from the strike came from the disruption itself, providing empirical support to Michael Porter’s controversial hypothesis that imposing a constraint on an economic system can enhance efficiency over time (as constraints force agents to experiment, innovate, and re-optimize). More generally, our findings are relevant to government policies, to business practices, as well as to our personal lives. Given that a significant fraction of commuters on the London underground failed to find their optimal route until they were forced to experiment, perhaps we should not be too frustrated when we face disruptions. If we behave anything like the satisficing commuters on the London underground network and experiment too little, hitting such constraints may very well be to our long-run advantage. Encouraging ourselves to implement occasional routine-breaks could be beneficial as well.

The emerging governance of the countryside: from production to resilience

In a crowded country such as the United Kingdom rural land has many purposes, valued and appreciated by different groups of people. It is a workplace for farmers and foresters producing products for markets.

It provides beauty in its landscapes, wildlife across different habitats and spaces for recreation. But it is also a store of carbon, a means of recycling nitrogen and assimilating waste and a place for capturing and distributing water. In modern language, it represents a source of multiple ecosystem services, some private and some public, often not fully understood. What is valued is often a consequence of long periods of particular types of human use and management. Agricultural practices, habitats and in some cases local cultures have co-evolved over the centuries to deliver a countryside that is widely appreciated and valued.

But while we all acclaim the importance of the British countryside, we nevertheless contest the benefits that it delivers and the costs that it generates: farmers want freedom to farm however they want, tourists want pristine landscapes, residents want a right to roam, conservationists want greater diversity of wildlife, consumers want cheaper food, taxpayers want lower public

expenditure. And we all benefit from the public goods of water management, waste assimilation or climate regulation. The governance of the countryside determines how land resources are allocated and used, how conflicting costs and benefits are traded-off, and who benefits and who pays.

The governance of the countryside is the outcome of a myriad of contests over entitlements, rights and duties, primarily relating to land and substantially conditioned by history. We can think of this as the architecture of governance: the laws, regulations and norms that determine how rights and duties are allocated, how policies are designed and implemented and how public funds are raised and spent. And how all this changes over time. This determines who are the polluters who should pay and who are the providers who should be rewarded.

The policy, market and legal domains within which the contests over countryside values play out have widened considerably as the public engagement in rural property

and policy has developed since the Second World War. In the post war period, the imperative of domestic food security was the stark priority and government had only limited levers at its disposal. The planning system provided a means of containing urban development and agricultural policy promoted the profitability and modernisation of farms. At this time the government also introduced policies for the protection of landscapes and habitats, such as in National Parks and National Nature Reserves. But these still largely relied on the planning system, coupled with some small areas taken into public ownership.

Since then there has been a proliferation of the means by which governments seek to influence the outcomes of rural land management, such as through environmental regulations, environmental contracts, certification schemes, public support for private conservation organisations, granting public rights of access. Further new mechanisms are under discussion, including offsetting, conservation covenants and payments for ecosystem services. Government also increasingly works in partnerships with private and non-profit organisations. But while the means available to government have proliferated, the capacity or perhaps the inclination for government to directly control has diminished. More neoliberal governments have come to prefer influence over markets and working through civil society to seeking to take direct control.



Ian Hodge
Professor of Rural Economy

This represents the shift from government to governance.

What should be the goal of governance in the countryside in the future? We have seen a change in focus from the priority of food security, through agricultural modernisation and countryside management in pressured areas in the uplands and urban fringe, to multifunctionality. Multifunctionality argues that agriculture provides a combination of private and public goods as joint products. Public support for agriculture may then be justified in terms of the way in which it stimulates the delivery of public goods.

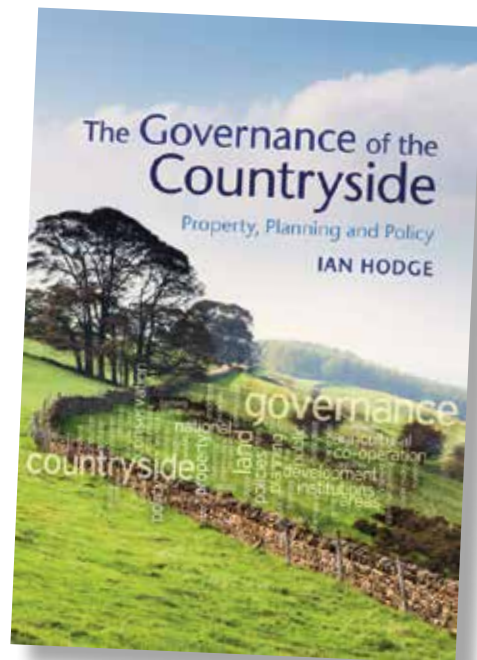
Current policies face major challenges. The post war assumption of complementarity between a prosperous agriculture and the conservation of the countryside is clearly inadequate. In response, we have developed individual policies to address particular issues: for water, for landscapes, for biodiversity, for forestry, for agricultural production, implemented separately in England by the Environment Agency, by Natural England, by the Forestry Commission, or by the Rural Payments Agency. This silos structure fails to take sufficient account of the consequences and opportunities that arise from the interactions amongst the sectors. It suggests that we should shift from a centralised, sectoral approach and move towards a more decentralised, territorial one. That we should focus more on the delivery of ecosystem services within local areas and less on the delivery of a

centrally directed 'agricultural'

policy. An ecosystems approach promotes the integrated management of land, water and biodiversity.

The countryside faces increasing demands and more rapid change. Population growth and demands for more land to be taken for housing and infrastructure increase pressures on the remaining rural area. As do pressures to use land for the delivery of renewable energy. Climate change represents a particular challenge that is affecting all aspects of the countryside. Unstable weather systems around the world add variability both to production at home and to the markets into which commodities are sold. Globalization and the substantial dismantling of market intervention under the Common Agricultural Policy leave farmers considerably more exposed to this instability. At the same time, we are experiencing more invasive species bringing new pests and diseases. And climate change challenges the fundamentals of biodiversity conservation. We can't protect wildlife in small scale nature reserves when the climate within which they are set is itself changing. Pressures to increase global food production and to improve the sustainability of resource use have led to calls for sustainable intensification.

This implies that we need to develop new institutions that can make decisions at an ecosystem scale and trade-off the interactions amongst ecosystem services.



Given the complexity of the system and uncertainty about the

future, management should be adaptive, learning over time and responding to change. One approach suggests that we should see the countryside as a social-ecological system, a complex mix of environmental and social systems interacting at different spatial scales. There is a rapidly growing literature that argues for the application of resilience thinking, to maintain systems that can absorb disturbance and reorganise while retaining essentially the same functions and structures. This implies the maintenance of diversity and redundancy and of links amongst stakeholders and across scales. There is a widespread interest in promoting new forms of collective decision making but few examples of how this might work in practice. One possible model is a National Park which takes a broad interest in a full range of environmental factors but is also concerned to support the local population and economy. This is an area in which we need more research to explore the theories and practices that can support the governance of the countryside for the future.

The Governance of the Countryside: Property, Planning and Policy by Ian Hodge was published by Cambridge University Press in February 2016. Available at: www.cambridge.org/9780521623964

Who pays for the carbon in your property?

The climate agreement reached in Paris at the end of 2015 represents an unprecedented commitment to tackling climate change. That commitment will be found in Intended Nationally Determined Contributions or INDCs, to be filed every five years by each nation, detailing how they will reduce the emissions from their country's economy.

Where do these emissions arise? Take the case of a building. Some of the emissions occur while the building is occupied. They are produced from heating, cooling or lighting the building during its lifetime. However these are only some of the emissions resulting from the building existing. Someone had to mine clay for the bricks. Someone had to run kilns to cure them. Someone had to ship bricks to the supplier. Each step produces carbon dioxide. Each step becomes part of the 'embodied carbon' of the building. This is not the carbon produced while the building is occupied, but the carbon produced by the construction process before the first tenant has arrived.

Using detailed analyses at 4CMR, we have tracked the emissions that emerge as a consequence of the building being constructed, occupied and eventually demolished. From these analyses (and from analyses of all other economic sectors), a picture is built of the role of consumers in driving the industrial system that produces the carbon. A question then: who is responsible for the embodied carbon of a building? Is it the manufacturer of the bricks? The store that sells the bricks? The developer? The building owner? The occupant?

International climate policy in the past has focused on 'production-based policies'. At each point in the chain of mining to manufacturing to sale, carbon is emitted. Just as in VAT, the carbon produced during one of these stages is assigned to whichever organisation or nation

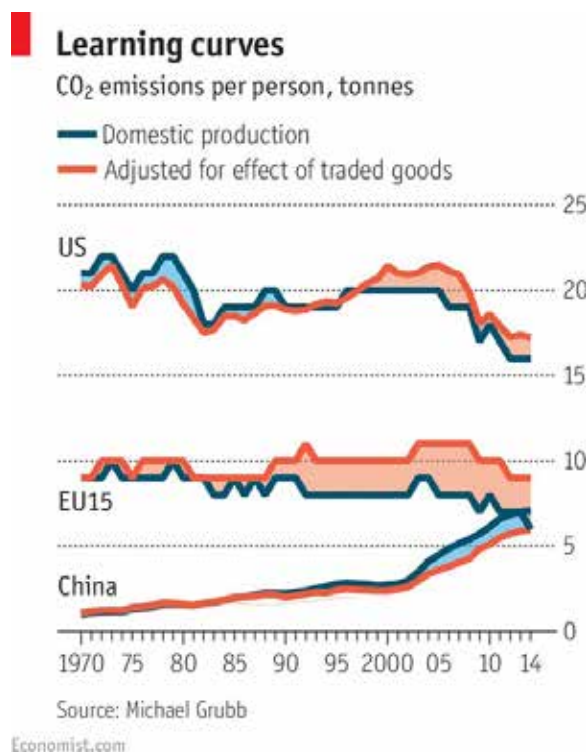
'owned' that production. If the bricks were manufactured in China, then China has responsibility for – and must pay the carbon price on – those emissions, even if the bricks are used in the UK. The consumers have been given a free ride on responsibility for the embodied carbon, despite the fact that consumers drive the entire system of global production. A question then: What is the lowest carbon building imaginable? No, it is not one with an A listing of the Energy Performance Certificate. It is the building that never was built in the first place because the consumer didn't need it.

How do we get the consumer into the picture? In a world where almost one quarter of carbon is embedded in internationally traded goods and services, INDCs can no longer be restricted to production-side climate policies. The behaviours of consumers must become a target for policies. Adjusting emissions based on imported or exported carbon reveals that in the EU, emissions are higher than officially recorded under production-

Prof Douglas Crawford-Brown
Director, Cambridge Centre for Climate Change Mitigation Research (4CMR)
Department of Land Economy

based carbon accounting, while the opposite is true for countries such as China with economies built on exports. As can be seen in the figure, consumer choices in the EU are responsible for significantly more carbon than is evident from production-based accounting. Nations such as China – producing many of the goods we consume – are beginning to push back, arguing that we and not they should be responsible for the emissions that find their way to our shores due our habits of consumption.

A comparison of annual carbon emissions when those emissions are attributed to the nation or region producing goods (blue lines) or consuming goods (orange line). Produced by Michael Grubb, formerly of 4CMR, based on data in the Carbon CAP project.



It is necessary to complement production-side climate measures with policy instruments that target consumption. Doing so can also help unlock more effective cooperative action between countries as well as between consumers and producers of goods. 4CMR are part of an EU Carbon CAP (Carbon Consumption Accounting and Policies) project looking at this challenge. Using detailed input-output models, the flow of carbon around the economies of the world has been mapped. These models allow us to identify who produces carbon and who consumes the goods with embodied carbon.

But what kinds of policies would be acceptable or effective for consumers? 31 options have been explored, ranging from technology requirements, to regulatory measures, to economic

1st tier	2nd tier	3rd tier
<ul style="list-style-type: none"> • Approved technology lists • Supply chain procurement requirements • Carbon-intensive materials charge • Infrastructure improvements • Product location at sale • Retailer product choice 	<ul style="list-style-type: none"> • Regulatory standards • EGS trade agreement • Recycling requirements, waste targets & prices • Voluntary agreements by trade associations • Business emission agreements & allowances 	<ul style="list-style-type: none"> • Government procurement • Information campaigns • Ranking & award campaigns • Voluntary trade body standards • Minimum price limits

instruments (think carbon price), to information campaigns, to infrastructure investment. For the buildings sector, the project team has assessed how each of the 31 instruments might influence consumer behaviour when purchasing a building. Each was assessed against criteria of effectiveness (how much carbon reduction is achieved), acceptability (legal, political, social) and cost-effectiveness (how much carbon is reduced per £ of extra cost for low carbon options).

The options were ranked in three tiers based on these criteria. The first tier contains instruments that are strong across all criteria. The third tier contains instruments for which there is a significant barrier to acceptance on at least one of the criteria. Instruments in the middle (second) tier have only medium acceptability on most criteria.

Consumer policies will not be the entire story of future climate policies. It remains much easier to control production methods

than to nudge people towards low carbon choices. However, consumer policies are on the horizon and can be expected over the next 5 years. Such policies are effective, fair and much needed if the carbon emissions of our economies are to be reduced to levels required to avoid significant climate change. There will be no more free rides for consumers.

Glen P. Peters et al. 2012. "A synthesis of carbon in international trade." *Biogeosciences*, 9, 3247-3276.



The 22nd Denman Lecture given by François Bourguignon

The Globalization of Inequality

After the success in 2014 of the Denman Lecture delivered by Dame Fiona Reynolds, in November 2015 we ran the next lecture in the reinstated series with generous support from Savills and The Howard Foundation.

The Denman Lecture series is the departments flagship series, established in recognition of Donald Denman, the founder of Land Economy (as a department and discipline), and inaugurated in 1979. It has now hosted over 20 leading academics from around the world, speaking on topics across the built and natural environment, economics and planning. Speakers have included Patsy Healey OBE FBA, Kym Anderson, David Pearce OBE, Sir Kenneth Alexander FRSE, and David Harvey FBA. Past lecture manuscripts are archived in the British Library and University Library.

The 2015 lecture was delivered by François Bourguignon, who is former Chief



François Bourguignon

Economist and Vice President of the World Bank, and is currently Professor of Economics at the Paris School of Economics. He has published extensively on poverty and income distribution, including the

influential 'Handbook of Income Distribution' and in journals such as the *American Economic Review*, *Econometrica*, and *The Economic Journal*. Earlier in 2015 he published with Princeton University Press his second major book, *The Globalization of Inequality*, the topic of the 2015 Denman Lecture.

The lecture was again hosted in Clare College, Riley Auditorium, with members of CULS, the Department and broader University in an audience of just under a hundred guests. It was followed by a reception and book signing of François

latest book. We closed the evening with a dinner in the Saltmarsh Rooms overlooking the central court of Kings College. Unfortunately there was no beef to humour the speaker with his eponymous dish, but the food was none the less excellent.

For those who missed the 2015 lecture, a full length high-quality video with embedded slides is available on the Department of Land Economy website.

The 2016 lecture will be delivered by David Pitt-Watson, an executive fellow at the London Business School, chair of the UNEP finance initiative, treasurer of Oxfam and board member of NESTA, ICGN, and Oxford Analytica. Particularly David is known for his role at Hermes Fund Management, where he became head of the funds and a director in 2004, and founded Hermes Equity Ownership Service, a sustainable investment service managing £125bn worth of assets. He will speak on his new book "What They Do with Your Money: How the Financial System Fails Us, and How to Fix it" published by Yale University Press in June. You will receive an email with further details of the event to be



Joseph Poore
MPhil Land Economy
Downing, 2006-2010

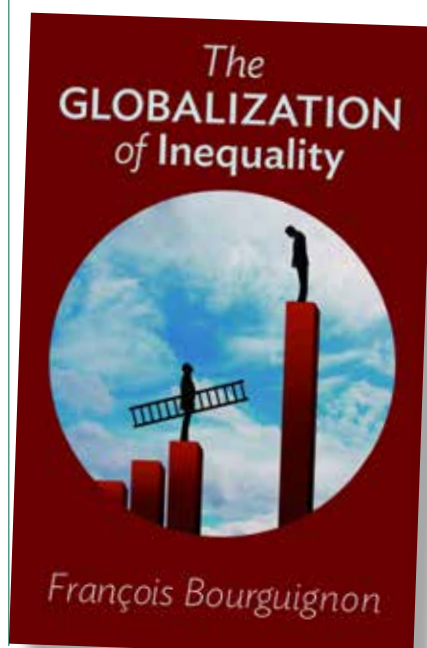
hosted in Cambridge in Michaelmas term. It should be a fascinating talk.

A Brief Summary of the 2015 Denman Lecture: "The Globalization of Inequality"

François argues that the 'Globalization of Inequality' represents three things: the changes in global inequality across the world; the role globalization is playing in inequality; and the fact that inequality is becoming a global issue requiring global solutions.

Across all people in the world, inequality has fallen over the last 200 years. Here, Prof. Bourguignon provides new evidence showing that over the last 20 years this trend has reversed, and inequality has begun to rise. Indeed, it has risen so much that we have reversed the last 100 years of progress. This trend splits into a decline in between country inequality, but an increase in within country inequality. The catching up of developing countries is a well-known trend. But factors driving changes in within country inequality are less well known.

Prof. Bourguignon provides detail on the trend in between country inequality, demonstrating that much of the trend seems explainable by globalization, based on the expansion of trade and foreign investment allowing geographical re-allocation of manufacturing, and the effects of technological spillovers in accelerating growth in developing countries and allowing "catch up" to occur.



Historically within country inequality had been falling. François attributes this to increased welfare state provision, particularly at the turn of the 20th Century, and to large 'equalising' political events, such as the two World Wars, which were significant in redistributing wealth through labour empowerment and loss of global capital.

The trend within countries over the last 20 years have been different, and inequality within countries has risen. This trend he argues can be explained based on a number of factors. Pressures on low and medium skilled labour in developed countries have increased due to trade expansion and offshoring, but the same has not happened to high skilled labour

in developed countries. Equally there is significant heterogeneity in exporting firms in terms of productivity and wages impacting those who participate in different sectors differently. Globalisation of the value chain has also increased risk-weighted returns to capital and thereby increased returns to capital owners. Further, and a point that was particularly interesting, technological progress has also increased returns to skilled labour and innovators: it is quick and easy to reach new markets with products and skills and creating monopoly power is easier, resulting in global winner-takes-all dynamics (he provides examples of celebrities and tech companies whose global reach, and therefore returns, are greater than ever before). Finally policy has

also played a major role, as progressive taxing and welfare has been pared-down in many states.

Prof. Bourguignon then presented a number of policy responses. While between country inequality will continue to fall, we need to do more to support it he argues. Mechanisms to correct it need to come from development assistance, reduced trade restrictions and migration. Equally options to combat within country inequality, by combatting the role of globalization, might include greater protectionism or reversals of deregulation, but these may have other costs. Prof. Bourguignon argues redistribution policies and market failure corrections represent better strategies to address this global concern.

CULS Golf

This year's annual match against Fitz Old Boys was played in June 2015, in bright sunshine at Temple Golf Club in Berkshire. After a morning tune up the afternoon match was as tight and tense as ever, with the game going down to the wire as the final pairing played the 18th in front of a packed gallery, and each team needing a point to cement victory. In the end it was Fitz that held their nerve to secure the win, taking the series to 2-1 in their favour. This year CULS has home advantage, and will look to even things up at Sandy Lodge in June.

The Annual Golf Day at Royal Wimbledon sadly did not get the best of the weather, with the later tee times bearing the brunt of it whilst the early starters relaxed in the bar. However before the elements took over some quality golf was played, and particular congratulations go to Sarah Outram of British Land, who outshone all the men to win the longest drive competition, and Hannah Durden of Ber wick Hill who took the 'nearest the pin' prize. Your author won the individual competition, prompting cries of fix and an immediate meeting of the handicap committee.

This year's Golf Day will be played in the beautiful surroundings of Burhill Golf Club in Surrey, on 6th September 2016. New members continue to swell the ranks and all are welcome, details on the CULS website.



David Mortimer
Head of Senior Debt, ICG-Longbow



Property Careers Fair

27th October 2015

Sponsored by CLEAB, CallisonRTKL, Deloitte Real Estate, Meyer Bergman and Mills & Reeve



How did you make it onto the first rung of the career ladder?

The answer, for some of the 150 students attending, will have been the CULS Careers Fair. With around 30 employers attending, the event showcased a world of opportunity to current students.

Over the last few years the CULS careers team has been working hard to broaden the range of employers attending. This year we were pleased to welcome property funders, lawyers, surveyors, management consultants, architects, investment managers, bankers, developers and housing associations. We were also delighted that CULS member Ian Marcus was able to join us again this year to share his experiences and guidance as part of a short talk before drinks and networking.

As the only property specific 'milkround' at Cambridge, the annual CULS event is key to raising the profile of the industry at the university. In an ever competitive recruitment market for Cambridge students, we are committed to encouraging the brightest and best to consider a career in property and related fields.

The event continues to be well supported by alumni and CULS members. Thank you for this commitment. It is invaluable to students who really benefit from honest conversations with those who have been in their position – whether that was 1, 5 or 25 years ago!

I hope that many of you will be able to join us for the next CULS Property Careers Fair. In the meanwhile, please do not hesitate to contact me with any queries or ideas relating to the role that CULS plays in developing careers on lsheerwin@deloitte.co.uk.



Date for the diary

CULS Property Careers Fair
Thursday 27th October
2016, 4-6pm milkround,
followed by drinks and
networking

The Guildhall, Market
Square, Cambridge.

For further information,
please contact: Ali Young
or Louise Sherwin (Honorary
Careers Officer).



Sponsors & Attendees

CallisonRTKL – Sponsor
Cambridge Land Economy Advisory Board - Sponsor
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 RICS Cambridge Matrics
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CULS London Dinner and the Origin of the Peppercorn Rent

The second CULS London Dinner was held this year on 7 April at the prestigious Grocers' Hall in Princes Street next door to the Bank of England. The evening, hosted by our outgoing President John Symes-Thompson (a Liveryman of the Grocers' Company), was a huge success with over 70 members in attendance and included a champagne reception, a three course dinner in the splendid Livery Hall and a fantastic magician!

We were treated to an engaging speech from Robert Ringrose, past Master of the Grocers' Company and Chairman of the Grocers' Company Property Committee who provided an interesting overview of the history of the Livery Company. In particular (and to the delight of the property lawyers in attendance), we learnt that the Grocers' Company (originally known as the Guild of Pepperers) were merchant traders in spices and had coined the expression "peppercorn rent" since on occasion, rents were paid in peppercorns due to their high value in the 1700s!

We look forward to the next CULS London Dinner in 2017 - please keep an eye out on our website for further details.



Lauren Fendick
Senior Associate, Taylor Wessing





CULS Student Prizes

Prize	Awarded By	Amount	2013-2014	2014-2015	2015-2016
Undergraduate					
The Noel Dean Prize for best overall performance in Part II (3rd year TRIPOS)	CULS	£750	Sixiang Xu	Leo Kirby	Aleksandra Pedraszewska, Newnham
The Gordon Cameron Memorial Prize for best performance in Paper 7 (Regional Economics and Policy)	CULS	£500	Ms Luting Chen	Joseph Strange	Arshad Balwa, Homerton Shilpita Mathews, Gonville & Caius
The Mike Turner Prize for best performance in Paper 15 (Advanced techniques in finance and investment for real estate)	CULS	£500	Sixiang Xu	Rebecca Daniels	Aleksandra Pedraszewska, Newnham Sally Monson, Clare Ben Fryza, Jesus
The Jeffrey Switzer Prize for best performance in Paper 14 (Planning Policy and Practice)	CULS	£500	Stephanie Richards	Richard Alty	Zachary Freud, Fitzwilliam
Postgraduate: MPhil Real Estate Finance					
The Douglas Blausten Award for the best performance in the Real Estate Finance MPhil dissertation.	CULS	£500	Adam Isaacs	Florian Unbehaun	TBC
The Alistair Ross-Goobey Award for best performance in the Real Estate Finance MPhil	CULS	£750	Lucas Endl	Florian Unbehaun	TBC
The CULS Prize for best overall performance in Part 1B	CULS	£500	-	-	Ayrton Dhillon Selwyn

CULS Committee

CULS Committee Members	CULS Position	Company	Position
John Symes-Thompson	President	CBRE	Senior Director
Aubrey Adams	Vice President	L&Q Housing Association	Chairman
Peter Bennett (Vice President)	Vice President	City of London Corporation	Chief Surveyor
Lauren Fendick	Honorary Secretary	Taylor Wessing	Senior Associate
Dominic Reilly	Honorary Treasurer/Senior Vice President	Howard Ventures	Non-Executive Director
Erik Ruane	Treasurer Elect	Europa Capital Partners LLP	Partner
Werner Baumker	Honorary Press Secretary	Co-Mission	Operations Director
Roddy Houston	Immediate Past President	Capita/Defence Infrastructure Organisation	Principal Consultant, DIO Real Estate Strategy Lead (R & C)
Louise Sherwin	Honorary Careers Officer	Deloitte	Director
Paul Clark	Honorary Members Officer	GL Hearn	Development Director
Douglas Blausten	Chairman, Cambridge Whitehall Group	Cyril Leonard	Consultant
James Taylor	Honorary Member for the Regions	Adapt Real Estate	Founding Partner
Martha Grekos	Committee Member	Irwin Mitchell LLP	Partner
Colin Lizieri	Committee Member	Department of Land Economy	Head of Department
James Lai	Committee Member	CallisonRTKL	Senior Associate
Colm Lauder	Committee Member	MSCI	Vice President, Real Estate
Noel Manns	Committee Member	Europa Capital Partners LLP	Principal
Rod McAllister	Committee Member	McAllister ADF	Director
James Shepherd	Committee Member	Knight Frank LLP	Associate, Rural Consultancy
Brian Waters	Committee Member	BWCP	Principal
Honorary Vice Presidents	CULS Position	Company	Position
Dame Kate Barker CBE	Honorary Vice President	Taylor Wimpey PLC	Non Executive Director
Stuart Corbyn	Honorary Vice President	Retired	
Professor Sir Malcolm Grant CBE	Honorary Vice President	NHS England	Chairman
Spencer de Grey CBE	Honorary Vice President	Foster & Co	Co Head of Design
Ian Henderson CBE	Honorary Vice President	Capital and Counties	Non Exective Deputy Chairman
Sir Paul Judge	Honorary Vice President		Alderman of The City of London
Roger Madelin CBE	Honorary Vice President	British Land	Head of Canada Water Development
Jeremy Newsum	Honorary Vice President	Grosvenor Estate	Executive Trustee
Liz Peace CBE	Honorary Vice President		Adviser - Property, Politics and the Built Environment'
Peter Pereira-Gray	Honorary Vice President	The Wellcome Trust	Chief Executive
Mark Preston	Honorary Vice President	Grosvenor Group	Chief Executive

Upcoming CULS Events

Friday 8th July 2016 5.00pm-6.00pm	'Leadership Lessons from the South Pole,' a talk given by David Henry FRICS FRGS	c/o The Scott Polar Research Institute, Lensfield Road, Cambridge CB2 1EP
Friday 8th July 2016 6.00pm-10.30pm	CULS Annual Dinner	Pembroke College, Cambridge CB2 1RF
Wednesday 14th September 2016 12.30pm for 1.00pm	Lunch with Nick Herbert MP	The Savile Club, 69 Brook Street, London W1K 4ER
Wednesday 12th October 2016 2.00pm-10.30pm	CLEAB Board Meeting, followed by drinks with students	c/o St John's College, Cambridge, CB2 1TP
Thursday 27th October 2016 4.00pm-6.00pm	Annual Careers in Property Fair followed by drinks	c/o The Guildhall, Market Square, Cambridge, CB2 3QJ
Thursday 3rd November 2016 5.30pm for 6.00pm	Whitehall Lecture given by Lord David Willets, Chairman, The Resolution Foundation	Venue TBC
Thursday 17th November 2016 7.45am-9.30am	Market Trends 2016	c/o BDO, 55 Baker Street. London W1U 7EU
Autumn 2016 TBC	Denman Lecture given by David Pitt- Watson	c/o The Riley Auditorium, Clare College, Cambridge CB3 9AJ

Please book tickets online (www.culandsoc.com) or contact the Society Secretary, Ali Young (01638 507843, info@culandsoc.com).



