



**To retrofit or redevelop: Considering options and making the best use of assets**

16<sup>th</sup> May 2024

# Presenters

## Tom Conlon

- Development Director (London)
- Joined Red Loft in 2019 – previous experience in RP and Developer sectors
- Provides project management services for LAs/RPs across range of delivery structures



## Jeremy Graham

- Chief Operating Officer at Bugler – joined in 2014
- 37 years in the industry
- Worked for a number of contractors on New Build and Refurbishment projects



## Barbara Nemeth

- Head of Research Consultancy (MRICS)
- Specialises in business case preparation for Local Authorities and financial viability assessment for both planning and internal purposes
- Joined Red Loft in 2017



# Key areas of discussion

1. Current considerations
2. Competing priorities
3. Practical challenges and case studies
4. Delivery options

# Who we are



- Affordable Housing Consultancy advising clients in the public/private sectors for over 20 years
- Team of over 60 people
- Dedicated to enabling the delivery of quality affordable homes
- Services span Land, Development and Sales
- Expertise in financial viability, providing independent advice on development proposals across London and the South East and South West.
- Over 50 clients including Local Authority, Housing Association & Private sector

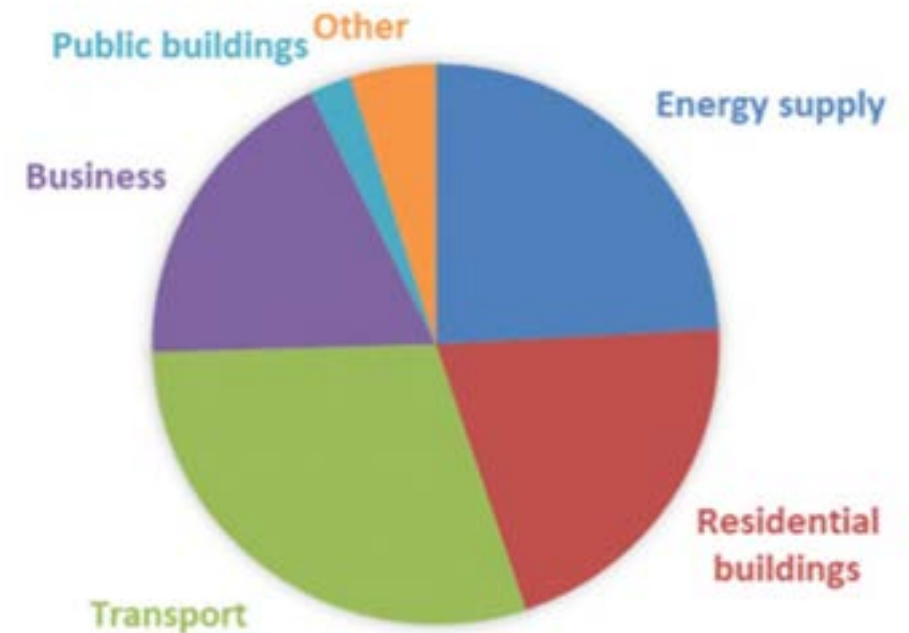


# Why now?

- EPC 2030/2035
- Net Zero 2050
- Climate Emergency
- Housing as a key contributor to UK emissions
- Building Safety concerns
- Damp and Mould
- Stock Condition surveys
- Active Asset Management

Do nothing is not an option for a huge amount of stock.

## UK GREENHOUSE GAS EMISSIONS



# Your project, your priorities



Sustainability?

Compliance?

Financial return?

Opportunity to increase housing numbers?

Delivery risk?

Learning opportunity?

How you prioritise these will impact the retrofit/redevelop decision.

Being clear what your Critical Success Factors are from the outset will facilitate informed decision-making.

# Financial position (not financial viability)

- Know your baseline - current stock NPV
- VAT impact
- Consider lifecycle costs
- Maximise grant opportunities:
- Social Housing Decarbonisation fund  
£1.4bn to boost energy efficiency in homes and public buildings
- Aimed at LAs, RPs and charities – all homes under EPC C eligible
- Key Dates:  
Wave 3 guidance issued 13 May  
Application window opens summer 2024  
Works to be completed March 2028

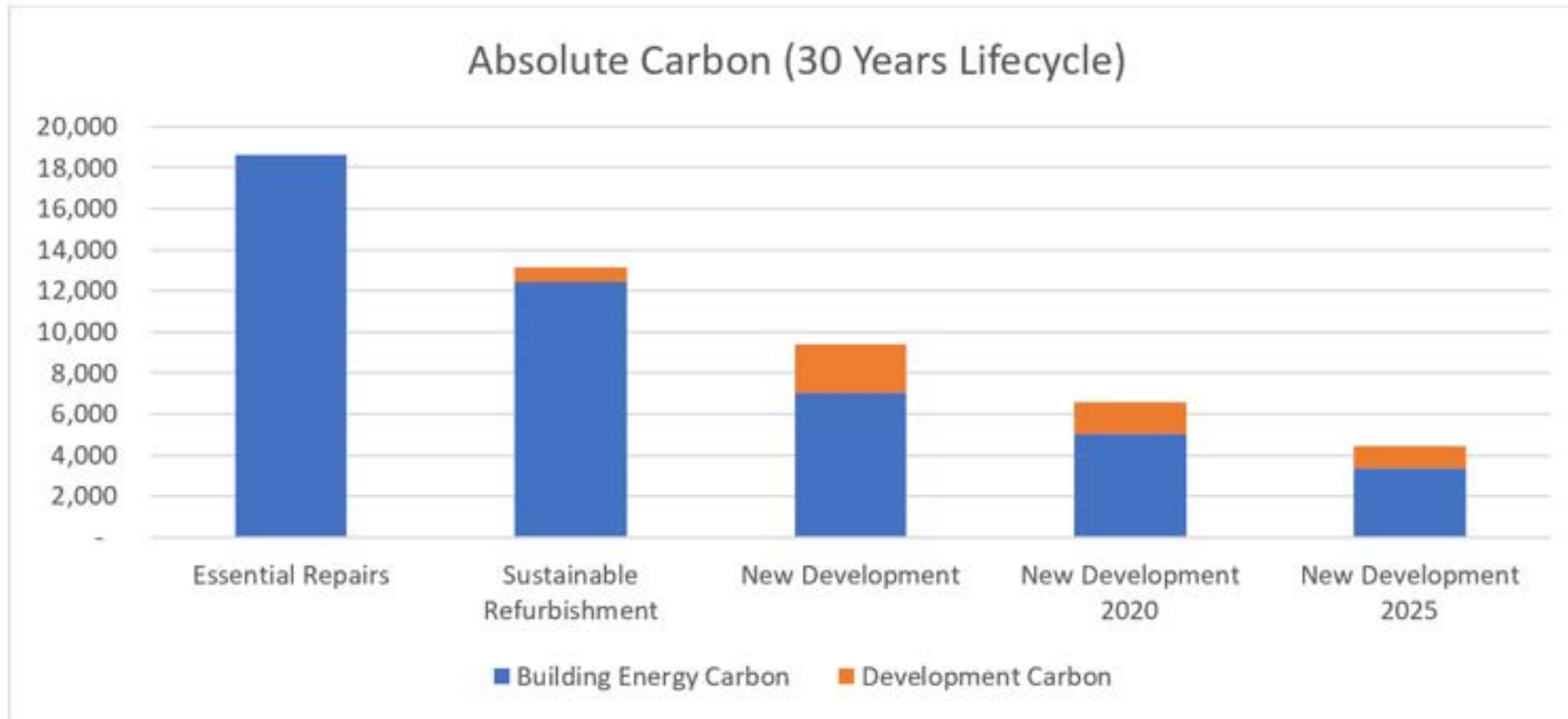


# Sustainability

- Embodied Carbon needs to be considered and assessed in Options Appraisals.
- Logically, re-using the building structure reduces Carbon output
- But doesn't always hold true







# Constraints of the site, key considerations

- The need to know and characterise the site – a good clear brief
- Listed buildings, conservation area, locally listed
- Buildings of architectural importance
- Can existing properties be refurbished effectively?
- Compulsory purchase for new build and hidden households
- Consideration for residents, neighbours and adjoining businesses
- Off-site works to support decanting
- Political will and support



## Case Study

Resiform Estate, NW10 before

# Resiform Estate, NW10 after



# Statutory Approvals

- Planning
- Statutory Authorities
- Environment agency
- Building regulations
- Warranty provider



## Refurbishment project – Frimley



# Sustainability

- Existing stock condition and suitability for conversion
- Fuel poverty and running costs
- Pride in the area in which people live
- Carbon footprint

# Summary

- Does any given scheme work or is it a compromise? Will we look back post completion with pride or a sense of disappointment?



# Delivery options

## Direct delivery

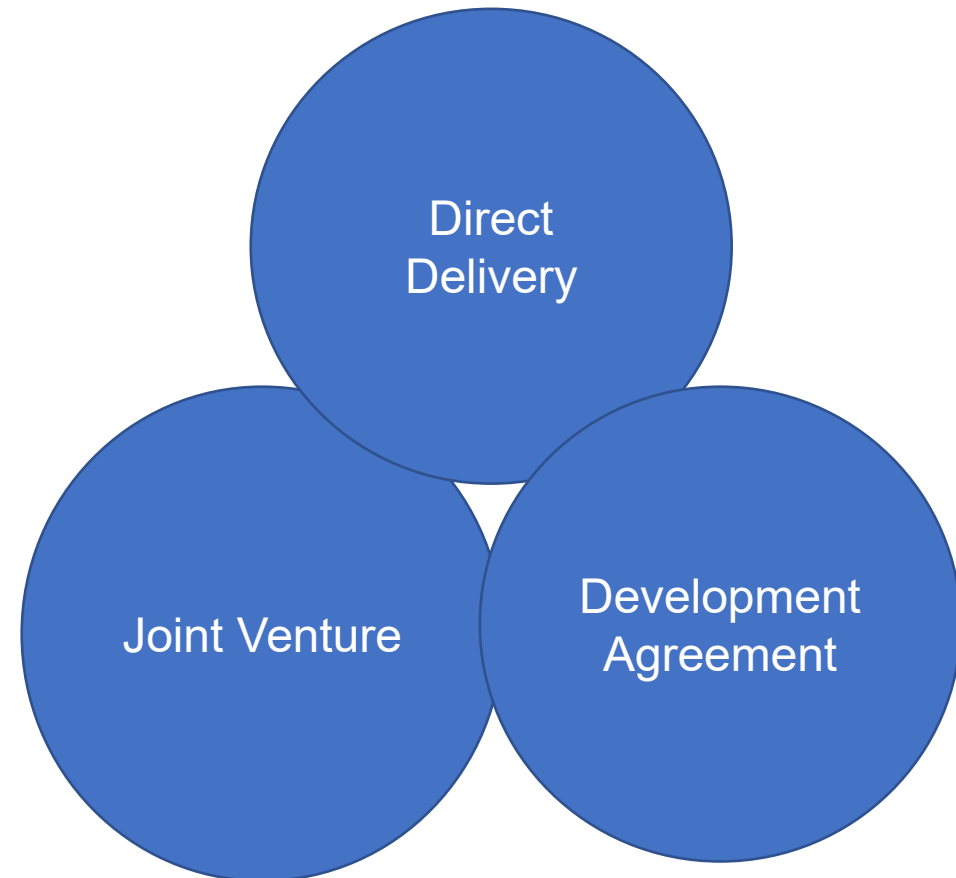
- High risk but greatest control

## Joint Venture

- Risk and returns shared
- Complimentary experience (resident engagement / marketing private sales)

## Development agreement

- Many forms
- Low risk but can facilitate control over objectives that matter most



# Risk appetite and delivery options

Rating	OPEN	FLEXIBLE	CAUTIOUS	MINIMALIST	AVERSE
<b>Philosophy</b>	Will take justified risks	Will take strongly justified risks	Preference for safe delivery	Extremely conservative	"Sacred" Avoidance of risk is a core objective
<b>Tolerance for uncertainty</b>	Fully anticipated	Expect some	Limited	Low	Extremely low
<b>Choice</b> when faced with multiple options	Will choose option with highest return; accept possibility of failure	Will choose to put at risk, but will manage impact	Will accept if limited, and heavily out-weighted by benefits	Will accept only if essential, and limited possiblitiy/extent of failure	Will select the lowest risk option, always
<b>Trade-off</b> against achievement of other objectives	Willing	Willing under the right conditions	Prefer to avoid	With extreme reluctance	Never

Adapted from Rob Quail's article *Defining Your Taste for Risk* in Corporate Risk Canada (Spring 2012)

Source: Schulich ExecEd



# Economic background

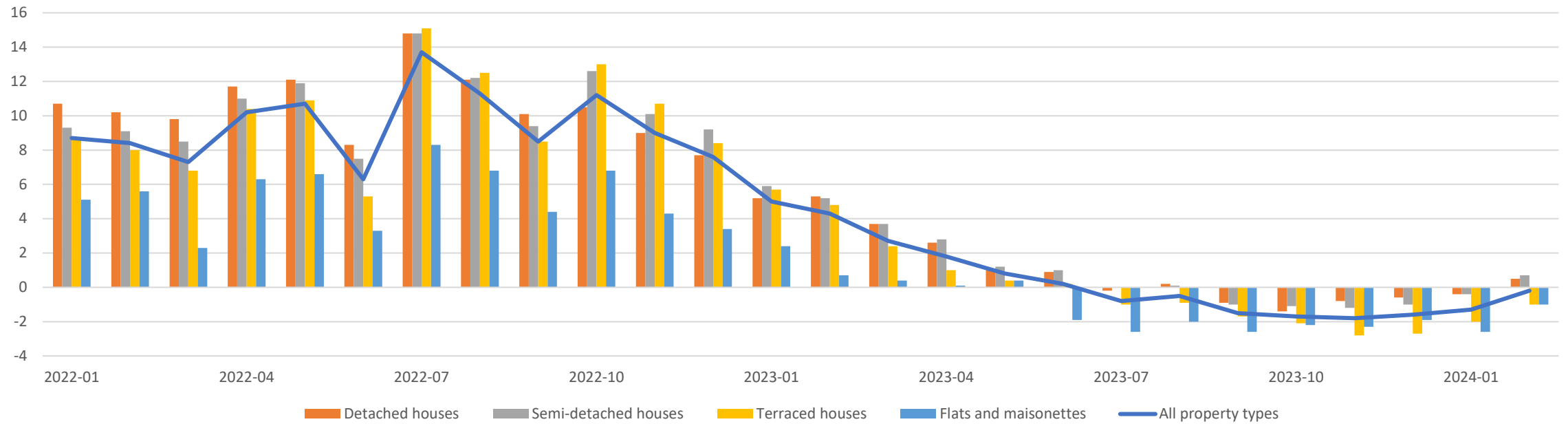
## Economic outlook

	2023	2024	2025	2026
GDP	0.1%	0.5%	0.7%	1.0%
Consumer spending	0.4%	0.2%	0.9%	1.2%
Investment	2.9%	0.5%	0.5%	0.8%
Unemployment rate	4.0%	4.2%	4.4%	4.4%
Inflation	4.2%	2.3%	2.1%	2.2%
Base interest rate	5.25	4.50	3.50	3.50

Source: British Chamber of Commerce Q1 2024 forecast

# Market update

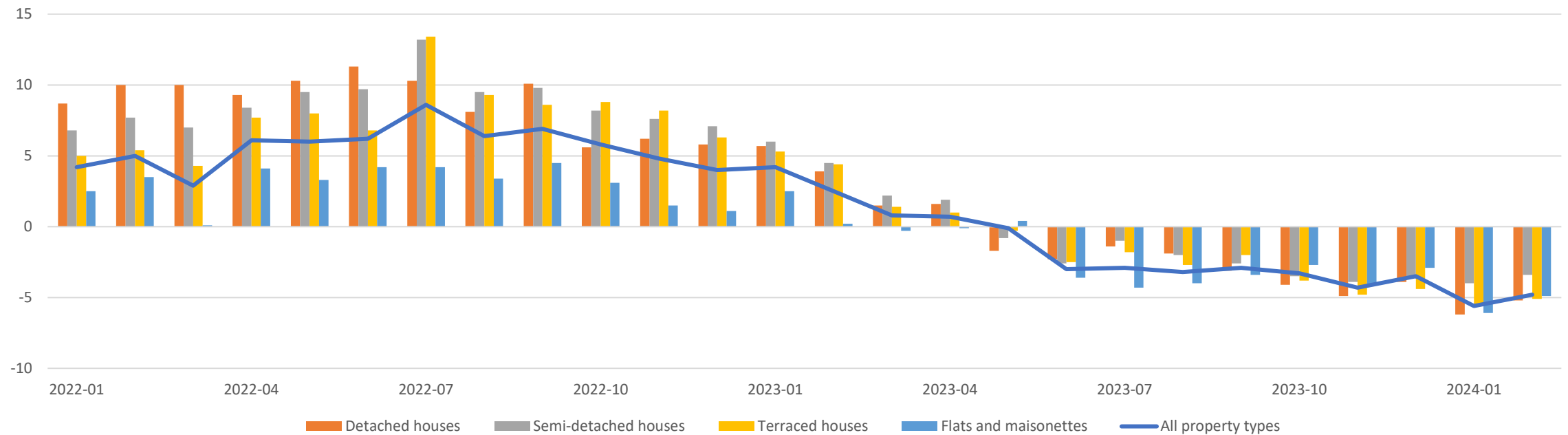
## % Annual House Price Change in the UK



Source: Land Registry

# Market update

## % Annual House Price Change in London



Source: Land Registry

# Market update

## Construction market

- Tender prices increased by 2.9% between Q1 2023 and Q1 2024
- Material prices decreased by 0.8%
- Labour costs rose by 6.9%
- TPI is forecast to rise by 1.6% in 2024
- High number of contractor insolvencies

## Joint Venture appetite

- Private sector developers are keen to partner with the public sector



## Jeremy Graham

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# Thank You

# Q&A