07|08|15
£5.95

Property Week

propertyweek.com

Boris mulls fixed housing target

■ Mayor of London considers 25% target for affordable homes on major sites

BY ALLISTER HAYMAN

Boris Johnson is drawing up plans for fixed targets of around 25% for affordable homes on major sites in London in a move aimed at speeding up development in the capital, *Property Week* can reveal.

The proposal, which is being driven by deputy mayor Sir Edward Lister and Greater London Authority's (GLA) assistant director of planning Stewart Murray, would see set targets for affordable homes applied to strategic development sites in London, as well as housing opportunity areas and future housing zones.

However, the move is likely to spark a major political row, with senior Labour figures in London already describing the target as "catastrophic" and "scandalous".

The proposal, which was first floated in draft interim supplementary planning guidance published in May, is aimed at ending the wrangling between councils and developers over the level of affordable housing in major schemes and would remove the need for developers to prepare viability assessments.

A source at the mayor's office confirmed a target of around 25% was being considered, which is well below the 35% to 50% targets for affordable homes adopted by London boroughs. However, the mayor's office hopes councils will back the proposal as affordable housing contributions on major schemes consistently fall well short of their own stated targets – and are often below 25%.

Pascal Levine, a partner at consultant DS2, said the proposal would involve some risk for developers, as currently on many major schemes, particularly on more difficult sites, affordable housing levels greater than 10%-15% could make a scheme unviable. However, he added, if a fixed target allowed developers to sidestep the viability process and avoid months or even years of negotiations – and stopped each stage of the scheme from being subject to planning review – the proposal would be attractive.

"They would take on some additional development risk, but the kickback would be that they can get started much more quickly," he said. "Viability is one of the main things that delays schemes in London."

Andrew Whitaker, planning director at the Home Builders Federation, said fixed targets would provide greater certainty for developers. "The current requirements are flawed and have led to some sites not coming forward," he said. "A pre-set level of provision has the potential to cut the time and cost taken to negotiate the system."

However, Labour's London Assembly housing spokesman, Tom Copley, described the proposed target as "scandalously low". "Not only would it stack the deck in developers' favour, it would let them off the hook from their duty to provide the optimum number of affordable homes," he added.

Former Labour mayor of London Ken Livingstone, who as mayor implemented a 50% affordable housing target, also slammed the plan, saying the mayor's office should be working to support boroughs' own affordable housing targets. "It's wrong to assume that reducing affordable homes targets leads to an increase in housing supply," he added. "Not enough affordable housing is being built and this would be catastrophic for London."

The mayor of London's office declined to comment. ■

GUESS WHO'S BACK...

» In his first interview in more than 20 years, Raymond Bloomfield reveals the reasons behind his UK return p26

Guess who's back...

He introduced German investors to the UK and was one of the first to spot Russia's potential. Now, Raymond Bloomfield is mounting a UK comeback. In his first major interview in more than 20 years, he tells **Liz Hamson** why

If you were at the Property Awards, you may have vaguely recognised him. If not, the name probably sounds familiar, but in all likelihood you'll be thinking of Paul Bloomfield (a friend, unrelated). If you're one of the young guns currently making a name for yourself, you won't know him from Adam… but you should, because if ever there was a prototype for the entrepreneurial disruptors currently shaking up the UK property market, Raymond Bloomfield is it.

Bloomfield's name has been slightly lost in the annals of time and when you meet him, so incredible do his recollections sound, it is tempting to cast him as a Walter Mitty-like character. But there is absolutely nothing fictional about the fortune he amassed – and lost – twice, or the fact he was responsible pretty much singlehandedly, for bringing German ultra-high net worth and institutional investors to London and was one of the first to recognise the potential of Russia, Kazakhstan and Ukraine. As one senior figure attests: "He spotted markets other people hadn't seen… and he knew who to talk to."

Like so many, Bloomfield got caught up in the 2008 global financial crisis, a period he describes quietly as "a rather horrific time in my life".

Now, however, he is back following a chance encounter with up-and-coming residential developer Martin Skinner in a café in Mayfair, and not just in his old stomping ground of commercial property.

As well as running his own new venture, Grosvenor Square Properties, he has established a venture with Skinner focused on the affordable residential market. He has also set up ventures with the likes of David Phillips, chief executive and founder of Glebe and former MD of Chelsfield. And, as he reveals in an exclusive interview with *Property Week*, his ambitions don't end there.

> **My motto is do unto others as you wish to be done to yourself. Does that mean that I've lost deals? Yes**

Bloomfield has spent the last few months re-establishing contacts with some of the biggest names in the industry. He hasn't simply been exchanging niceties, though; he has been sizing up a bewildering array of potential new projects. The catalyst was Inspired GSP, a joint venture he formed with Inspired Asset Management CEO Skinner nine months ago.

"I've always been involved in major office investments and developments and commercial property, although I started in residential property – there has been a lot of abuse of Permitted Development Rights," he claims. "However, Inspired GSP is doing it in a very professional way. Also, I think we're creating something very useful. We're producing smaller, micro flats at a genuinely affordable level for young people."

Some might argue they are affordable just by virtue of their size. "You're right in general terms, but when you see what we're doing, it's a highly original concept and they are beautifully done using the highest quality fittings."

At the moment, much of what Inspired GSP is doing is residential. However, over time, Bloomfield believes the JV assets will dwarf those of Inspired Asset Management. "At the moment, the GDV of the two companies is in excess of £300m and that's without the property we're exchanging," he elaborates. "When it exchanges, it will add another £100m and we have several other properties that are under negotiation – it's moving quite fast. Our target is to be at £1bn or in excess within a year."

It does not sound quite so ambitious when you consider the raft of deals the JV has already done, including: the purchases of Coombe Cross and Impact House in Croydon, which it is converting from offices to flats; several schemes in Liverpool; and a major residential scheme in south London with an anticipated GDV of £80m.

The ethos is simple, says Bloomfield. "We're trying to transform unloved buildings." It is all a far cry from when Bloomfield made his first foray into property at 17 when he joined Druce & Company in Hampstead. He didn't stay on the bottom rung for long. One day, he received a call from a friend, Trevor Abrahmsohn, who said he was going to set up his own company, Glentree; did Bloomfield want to join him? He took the plunge, but had to leave after becoming ill and promptly started his own residential agency, Rayfield Estates, specialising, like Glentree, in mansions in Hampstead.

Bloomfield was 19 and remembers proudly collecting his first Porsche. When he was 20, he bought his first Ferrari, quickly becoming a car collector. "At one point, I had a large collection. My favourite was the Ferrari F40 competition model because it was the iconic car that every boy had a toy of," he chuckles. "Yes, it was quite a beast when I drove it… and, yes, interesting times."

Fortunes made and lost

The old guard will probably feel a pang of sympathy for the fact that due to illness, he had to sell the whole collection in around 2000. No-one felt the pain more acutely, though, than Bloomfield himself. "I regret it because it's a bit like somebody collects art; you get attached to these things."

Not just emotionally. He says he sold one car for £200,000 and that the same car has just been sold for £1m. If Bloomfield is remarkably sanguine about the fortunes he has made and lost, it is perhaps because he believes that if he behaves with integrity, he will eventually get his just rewards.

"My whole motto is to do unto others as you wish to be done to yourself – treat people with respect. That actually is why I came back to business. Martin [Skinner] and I share the same principles. We believe in doing things ethically and correctly, morally. Does that mean that I've lost deals? Yes."

That is an understatement. He became a minority partner in a number of joint ventures in the 1980s, and when they crashed in the early


Property Week
Interview

1990s, they dragged Bloomfield down with them. "My schemes were viable," he maintains. "But they got caned. My idea was to exit with around £40m from those projects, but that just evaporated overnight.

"That was a bleak time. People in the City were ripping out the floors in new developments so they didn't have to pay empty rates. There was no debt finance available at all. A whole bunch of big companies collapsed and the large agencies were laying people off willy-nilly. Having lost all that money, I had to think things through."

In a stroke of serendipity, he met a German banker who informed him that while Germany was going through an economic boom, virtually no German banks were lending. "He said: 'Why don't you talk to German investors?' I said: 'Surely the major agents must have talked to them?' He said: 'I swear to you, nobody has talked to them.' They hadn't crossed the road to talk to these funds. It's inconceivable, but they hadn't."

Bloomfield didn't need to be told twice. He went to Germany in 1992 and discovered that high net-worth private investors were just as active as the institutions and both were interested in tapping into the UK market. "I explained you can buy a building in a prime location like Moorgate let to a blue chip covenant for between 9% and 12% initial yield with a 25-year lease, five-yearly, upward-only rent reviews. They couldn't believe it. I think it's fair to say I managed to convince them."

The key was the finance. The German banks had offices in London and were investor orientated. "They followed their client everywhere – and these relationships were very strong," recalls Bloomfield. "Also, German investors gave personal guarantees, so everything was cross-collateralised. So here's an investor with billions of assets and he wants to buy one building in London and is prepared to give a personal guarantee. We did deals people still today don't believe."

"People are interested in performers, not talkers. I performed continuously in a bombed out market

He cites the example of Swiss Bank House, near St Paul's, which he acquired in 1993 for about £105m and was, he claims, the first building financed by bonds. Salomon Brothers was basically representing 20 banks, so Bloomfield had to talk to each of the banks in order to get the deal away. "It was like something out of *Barbarians at the Gate* – the 20 banks were literally all in different rooms and we had to go from room to room to try and convince them. So I convinced them. I was shocked because not only did we get 100% funding, but the margin was something like 35 basis points. So one, we got this massive leverage and two, at tiny margins. I think it is fair to say no one could compete with us."

They couldn't. Bloomfield reckons more than 50% of the deals done between 1992 and 1993 with private German investors were his, but the agents soon cottoned on and competition started to increase. He saw the writing on the wall when he tried to acquire the assets of Minerva Plc from David Garrard and the late Andrew Rosenfeld. Bloomfield reveals he was in advanced talks with DESPA to buy the assets. However, when the German fund decided to get it valued by a leading firm of surveyors, he realised it was going to be a problem. "People were fighting to survive and it was obvious that once they got alerted to it, they would pile in and they did."

From consultant to principal

The Minerva transaction didn't go ahead. Bloomfield claims the valuation came in shy of his price, adding that the assets went on to be sold for more money. He made a conscious decision to abandon the German institutions and focus on exclusive mandates from private German investors. "I approached them to do this as a joint venture. They were so nervous about the UK, in the beginning I did it as a consultant – I was effectively their partner without equity."

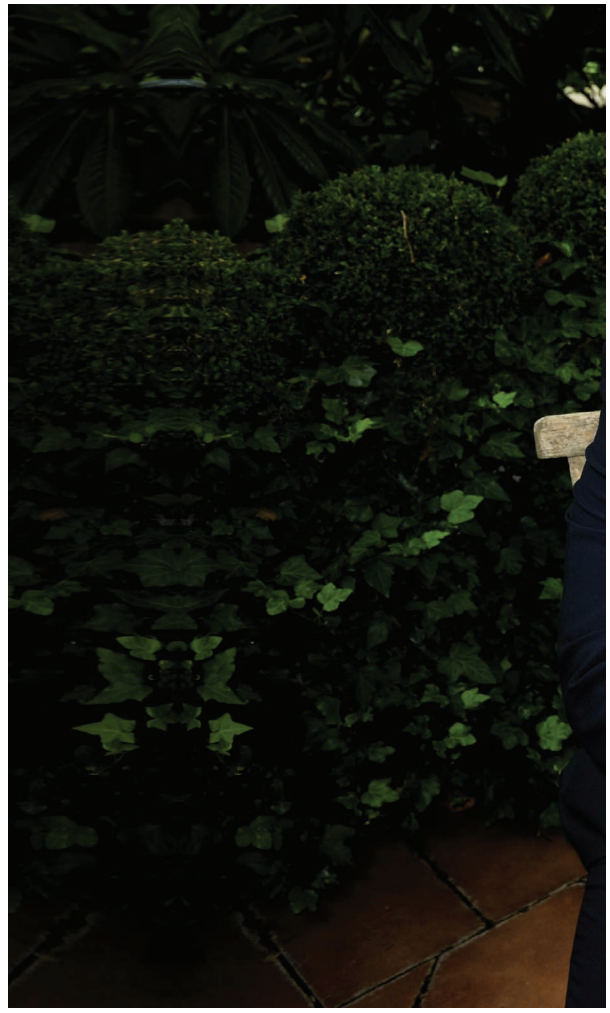
That arrangement was never destined to last and two years later, Bloomfield was alerting clients to the fact he wanted to be a principal rather than a consultant. Three of his German investors decided to back him separately and formed joint ventures that undertook a number of major office developments in Mayfair, Midtown and City. Among them was a 50/50 joint venture with Chelsfield supremo Elliott Bernerd to redevelop St Catherine's House on the corner of Aldwych and Kingsway, letting it to Exxon Mobil in 1994. The leasing agent was none other than DTZ's John Forrester and Bloomfield says he is pleased to see so many former agency contacts now doing so well.

"It's very good for me, because in this business, people are interested in performers, not talkers," he adds. "And I performed continuously in a market that was probably the most bombed out since the war – everyone around at that time knows how bad it was."

One reason he was able to perform is that he was prepared to go where others feared to tread. As well as giving himself an early-mover advantage with German investors, he was also one of the first to enter the Russian market. At the time, it was a "very wild and dangerous place".

He attributes his move into Russia partly to interviews he did in the early nineties for key trade titles such as *Property Week* predecessor *CSW*. At Mipim, the coverage of his work with German investors drew him to the attention of the vice president of Moscow. "So I went over and met the vice president and head of the Moscow investment department. Neither could speak English well, but they were holding the magazine like this and saying 'you money bring Russia'. I'm adventurous – I thought, they invited me to come, so I'll go."

Russia was like the Wild West, he says. "There was no debt financing available at all. It was equity or nothing. There was no property law as we know it – it was virtually being written during transactions."



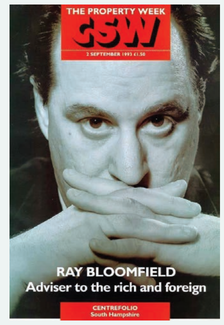
Where most people couldn't see past the challenge, Bloomfield, however, saw only opportunity. "It's a bit like *Alice in Wonderland*. It was a very mercurial time. We could literally make huge money; this was an untapped market."

Others were not so easy to convince. Either they didn't see the opportunity or were scared, says Bloomfield. He is reluctant to name names – "I am working in an ultra-discreet world," he explains – and nowhere was his discretion more highly valued than in Russia. Bloomfield recalls one deal in particular. "With my investor partner, regarded as one of the biggest entrepreneurs in the UK, we agreed to buy an entire portfolio from a property developer for about $250m – a lot of money at that time in Russia and today worth billions. I warned my partner he was going to have to take a lot of views.

"So of course, when the report on title came back, he said: 'This is impossible, there are 33% shareholders in most of these – who are they?' When we had a meeting with the owners, we asked them: 'Who are these partners?' The response was very coldly, 'It's not your business', to which we said, 'Well, it is our business because we are buying the properties.' But they wouldn't say, so he pulled out."

He did, however, secure backing from one British investor, the late 'Black Jack' Dellal, and in 1994 formed a joint venture with one of the most famous

Snapshot



1972 Left school at the age of 16

1974 Joined Druce & Company in Hampstead

1976 Launched Rayfield Estates

Mid 80s to 1992 Switched focus to commercial development

1992 to 1994 Started to work with German private investors and institutions, appearing on the front cover of *Property Week* predecessor CSW in 1993 (pictured)

1994 to 2000 Developed a number of prime London office buildings in JV with German private investors

1994 - Entered Russia; diversified into Kazakhstan and Ukraine

2014 - Started to rebuild his interests in the UK, both residential and commercial, via a number of JVs and through his own vehicle, Grosvenor Square Properties

Russian oligarchs, who he again won't name.

Then came the Russian crash, in 1998. Despite his best efforts, Bloomfield's investors got cold feet and bailed – something he says they must have regretted in hindsight. But he quickly spotted another emerging market. "I always had a keen interest in technology and I saw a unique opportunity. If you look at the Indian offshore programming industry, companies are turning over billions. Well, Russian programmers are the same quality, if not better. Yet the gross turnover of the offshore programming industry is something like $30m, so I decided I wanted to put together my own Russian equivalent."

The big comeback

The dot-com crash put paid to those ambitions, but ever on the trail of new ventures, in 2005/2006, Bloomfield went to Ukraine with an American investment banking colleague. The pair were asked by a well-known oligarch to restructure his investment bank in Kiev, but they didn't like what they saw so exited the market in 2007.

What followed in 2008 was the period he describes as "a really rather horrific time in my life". To cut a long story short, Bloomfield felt Russia was "a bit overdone" so decided to look further afield and to create a central Kazakh/central Asian fund. At the same time, he was working on $1.5bn Kazakh IPO, which was well advanced, and was also involved in three other IPOs in mining and natural resources, not to mention a potential £400m UK listing of German real estate assets.

The timing could not have been worse given what was about to occur on the global financial stage. In September 2008, Lehman Brothers went under and the wheels came off all of Bloomfield's ventures. "I saw hundreds of millions evaporate before my eyes and was left with $3m costs. My health collapsed."

After taking a few years out, Bloomfield's passion for UK property was reignited at that fortuitous meeting with Skinner. The Inspired Asset Management CEO was worried a big deal was about to hit the buffers. Bloomfield said that maybe he could help and he did – paving the way for their joint venture, Inspired GSP.

Today, he has fingers in many pies. As well as Inspired GSP, there's his own vehicle, Grosvenor Square Properties, which is focused on commercial property and prime residential. He is also working with Blackland Capital on a couple of large masterplanning projects. "It has two assets at the moment, one large scheme in Croydon in excess of £100m and the other circa £200m around the M25."

Other initiatives include a number of joint ventures with institutional partners from the USA and Asia to buy prime commercial real estate in the City, West End and Midtown, for not less than £50m to £1bn, and a company he formed to deal with high net-worth private investors from Russia, South America, China, Germany and the UK. "This is looking for commercial property again, but has to make money, so could be £5m, could be £500m. We're totally opportunistically led."

If all this were not enough, Bloomfield has also been involved in one of the most convoluted – and controversial – deals around: the bidding war for Spain's 'ghost' airport in Ciudad Real. "We're still on it and hope to make a counter bid," he says, following last month's reported winning bid of €10,000 by a Chinese-led consortium.

That he would even attempt such a deal tells you everything you need to know about his irrepressible spirit. As one senior industry figure puts it, he's "very resilient"; he just never gives up. Bloomfield smiles ruefully about the sale by Knight Frank last year of 6 Upper Brook Street in Mayfair for £17.5m. He was the under-bidder on the property, which he has a picture of himself standing in front of at the age of 19, having just sold it with joint agent Kevin Ryan of Chestertons for a then record price of £485,000.

What goes around doesn't always come around then. But as Bloomfield knows all too well, you have to be in it to win it – and this comeback kid is certainly in it. ■