




A better future Thames Valley

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The real estate industry has a once in a lifetime opportunity to bring about real change. The Covid-19 pandemic has forced us into a new way of working and living that will change how we use our built environment forever. There is a growing realisation that we don't need to go back to the way we were – lengthy commutes, long working hours, less time with friends and family – so what does the future look like for our towns and cities?

As part of our 'Future Cities' campaign, Shoosmiths is holding a series of virtual 'think tank' discussions with prominent local stakeholders in different locations across the UK to share insights and ideas around what the future holds for these locations. Here we discuss the Thames Valley which, from the views expressed by those on our panel, should embrace the entrepreneurial spirit which runs through the region and have confidence in its strengths as we move into a post-Covid period.

We set out below a summary of the discussion, which was chaired by Reading-based real estate partner, Alan Corcoran.

Panelists

- Kate Beauchamp – Acting CEO, Mabey Holdings
- Tim Burden – Director, Turley
- Richard Colclough – Relationship Director, HSBC
- Henry Harrison – Partner, Cushman & Wakefield
- Nigel Horton Baker – Executive Director, Reading UK
- Jerry Lawson – Chief Frog, Frog Bikes
- Gareth Osborn – Industrial and Logistics Consultant
- Rameen Firoozan – Managing Director (Thames Valley), Redrow Homes
- Nathan Rees – Partner, Shoosmiths

Are the banks still lending and how does the downturn caused by the pandemic differ from 2008?

Richard Colclough – It's been a challenging period of course; the vast majority of clients have come to us for restructuring or positioning of debt or government-backed facilities and, in most cases, the banks have been trying to get cash out of the door. There was a bit of a lag to get procedures going back in March, but one of the issues which nobody really knew about at the time was that, whilst these government-backed loans were 80% guaranteed, the bank still has to put together a case as to why it is lending. Accordingly, we had to justify that, which caused a delay in the market. But banks have absolutely got cash out to help borrowers. We're now seeing a secondary phase of it where borrowers have taken that debt, are over the first hurdle and have a better view as to how their business is going to pan out over the next few months. Now we have to look at how to protect ourselves in the event of a second wave.



The logistics sector remains the darling of the market, but is it sustainable? What constraints are facing this sector in the Thames Valley?

Gareth Osborn – Demand in the first half of the year has been higher than ever, about 60% up on last year. And what we are seeing is that a lot of new build is being taken up, which often means bigger buildings, higher buildings and more mechanised systems going into those buildings. At the moment the market is looking rosy, but a lot of retailers are holding stock they haven't sold in the last quarter and a number of suppliers are providing short-term PPE storage. So the concern is twofold: when the market gets going again fully in a year or so's time, some of this demand might fall away, and then there is the bigger concern that there will be an awful lot of second-hand buildings coming back on to the market at a time when the market is gravitating towards bigger buildings that are automated and less dependent on people. As such, there might be a surge to new buildings at the moment, but this might lead to a lag when the second-hand space comes back to the market.

There also isn't much logistics space in the Thames Valley and very few sites available. There is one coming to the market near Basingstoke but very little else. Historically, the Thames Valley has turned its nose up at the logistics sector and, as such, there just isn't much provision for it locally. Accordingly, there is a real opportunity for the Thames Valley to provide more logistics sites. Generally though, at the moment we've never had it so good.

Nigel Horton Baker – From a local economic perspective, with a lot of the logistics sector moving towards automation, the job creation angle locally is not as apparent within the sector, although the sector does of course contribute to the wider economy in other ways and should be supported in the future as part of the region's balanced economy.

Gareth Osborn – That is the way it is going in the future but, at the moment, there are still a number of good quality jobs in the sector. If you look at an Amazon building, for example, there will be a huge amount of technology involved in those mechanised systems, which operate 24/7 rather than an industrial unit operating around 10-12 hours a day. So, in terms of the high-quality manufacturing that is done, the engineering processes and the maintenance, you've actually got a lot of people coming out of the building on a 24-hour basis being paid pretty good salaries. So, I don't think it is quite as negative as the traditional perspective of it.



The issue with the Thames Valley is the lack of land availability.

Tim Burden – I agree that the issue with the Thames Valley is the lack of land availability, which goes across wider industries in terms of the desire for development, from housing to logistics to healthcare. The Thames Valley is a busy and successful economy and often the planning system doesn't adjust to the opportunities that come from these types of development. There is a real opportunity to set ourselves apart in the Thames Valley, for example what the University of Reading is doing and the Oxford to Cambridge arc, which touches on the wider Thames Valley region. Obviously talks are ongoing on how to turbo-charge the planning system following the government's 'build, build, build' rhetoric, but the Thames Valley needs to play its part, mainly through making land available to kickstart the economy.

Moving on to corporate occupiers, is the office still relevant?

Kate Beauchamp - Yes, it is still relevant. What has happened has brought about an escalation of a change that was already coming. In our businesses, we were a slow adopter of flexible and remote working options, but what Covid has done for us is force a whole swathe of our workforce to have to embrace that change, so it just escalated the changes that were already coming. Does that mean the office is dead? No, it absolutely doesn't. There is still no good substitute for a face-to-face meeting. Even with video conferencing, the ability to sit in a room with people and feel the temperature of that room, that's not going anywhere. But we will need to look for a bit more flexibility around the space that we have, and we probably won't need as much of it. I suspect there will be a blend of different task spaces and it will clearly very much depend on the type of business you are. Previously we were moving a lot of people across the country to meet in offices and we won't be doing as much of that going forward. But I can't quite hear the death knell for the office just yet.

Henry Harrison - I think the office does have a future but in a different form to what it is now, as we can't ignore the fact that home working has been hugely successful in lockdown. We did a survey of 40,000 employees from our occupier clients and most businesses saw an increase in productivity and collaboration during lockdown. So, home working does work and we can't shy away from that, but the office does still have a future. However, if people are only going into the office 1-2 days a week then employers will have to create more footprints to accommodate those changes. The Thames Valley is well-placed to benefit from that social change.

Jerry Lawson - At Frog, we have to look at different age groups as well as roles amongst our team - our millennials, for example, are happy plugged in at home interacting through social media as it feels natural to them. Whereas for other groups, that's not an option. But we're moving to a new world where the reality is that some people will be in the office on a regular basis and some won't be, and we never thought we'd do that. We're going to have to be a lot more flexible. We may only have people in the office for team meetings, for example, but I don't think the office is dead.

Nathan Rees - It's not the end of the office. The message we're getting from the majority of our employees is that they have seen huge benefits from working from home, even those who were disinclined to work from home initially. Shoosmiths was fortunate in that we were already quite far down the road and were already working on an agile basis, so in some ways it was only a small change for us. But most people are inherently sociable and don't want the same thing every day, whether that's slogging into the office or working from the same location at home, so the challenge for employers is to make sure we strike that balance in a way that a) suits the staff and b) suits the clients.

From a real estate industry point of view, that will create challenges for the investment sector because, if all businesses are going to look at their space requirements, it doesn't take a large percentage reduction in space for there to suddenly be a considerable amount of surplus. But flexibility and shorter lease terms will inevitably come at a cost.

Henry Harrison - Landlords are already beginning to respond to this, and we've started to see them change their strategies in recent weeks in relation to re-gears etc because, even if another occupier comes along, the chances are that they will want the same level of flexibility. Therefore, landlords will, where possible, likely want to retain the relationship they have with their existing occupiers. But the whole industry will need to respond in terms of how buildings are valued as flexibility will be key for all businesses going forward. Reducing terms has been a trend for the last ten years and, as a result, rents have been going up. We will now see a far quicker swing.

Rameen Firoozan - Central business districts (CBDs) aren't just about the buildings and the occupants, they're also about what I call the 'dawn chorus' - the coffee makers, the sandwich makers, the guys who run around making everything happen. Going forward, if we want the 'money-go-round' to come to places where we are able to buy the products we sell, our own behaviour will have to become more flexible so as to ensure we support those coffee shops and sandwich shops and pubs and gyms, in order to create an ecosystem that allows the economy to function again.

Nigel Horton Baker - People commute to places like Reading and Slough and then go to the shops and out into the town centre, and a lot of that is going to be slow to return. However, increasingly there are more people living in our town centres and there will be a revolution in how we take our town centres forward, which might just blow a hole in the whole CBD concept which dictates that rents go up the closer you get to the centre. Agile smaller businesses will find new ways and town centres will be repurposed to be more experiential, but offices will still be there. One shoe just won't fit all anymore and property owners will have to respond to that. The offices that succeed will be those offices that are healthy to work in, so things like air conditioning systems will now be very important, non-touch lifts, accessibility systems, the feasibility of car access etc. The flexibility of landlords to respond to certain specific needs of employers and their employees will be important so that there is a blend of spaces, including meeting space, corporate hospitality space, conference space and the like. A fully thought-through live-work space, where you walk out of your home door and to your work in minutes, is still some way off and hasn't as yet been fully embraced by the property sector, but that is the way it is going.

In terms of kickstarting the local economy, how should we be returning to work?

Henry Harrison – A lot is based on government guidance, but we have to look to the longer-term, beyond hand sanitiser and face coverings. It's more about how we are going to design buildings so that they are Covid-proof for the long-term.



Necessity is the mother of invention and we are having to find new ways of working smarter.

Kate Beauchamp – I have sympathy for the government trying to put together guidance for the country because all businesses are unique, so you've got no choice but to apply your own common sense. Our teams had to find a way through the Covid maze and they had no comprehension of what they could achieve until they did it, but by getting their heads together and calmly thinking their way through they created really smart Covid-safe solutions extremely quickly. Necessity is the mother of invention and we are having to find new ways of working smarter. This has been a brilliant wakeup call as it won't be the last time that we have to deal with things that are unforeseeable.

Will housing design change in response to Covid and will we see a wholesale relocation to rural locations?

Rameen Firoozan – There are three drivers of the market at the moment: there is the pent-up demand that was there pre-Covid, there is help-to-buy and there is the stamp duty holiday. This is great but, if we are to prevent a stalling of the market post-April, there needs further thought. At Redrow, our properties are larger than most of the volume housebuilder properties. Our gardens and the green spaces that we create in our communities are important, and we are also looking at the experiences around our homes so that, if our lifestyles do change structurally, then our homes are able to respond accordingly. We will be looking at our designs however with a view to making them capable of accommodating more people during a working day, as well as continuing to perform a home's normal social function.

On relocation, we are not going to go large in London any more but will continue to focus on detached and semi-detached homes in good locations outside of London with good transport hubs. In the Thames Valley, I'm unable to be fussy with land availability as we have to go with the land that is there as opposed to being able to be more selective.



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Is there more that the government could be doing to assist the recovery process?

Tim Burden – There's nothing fundamentally wrong with the planning system, it's just been tinkered around with too much and that has led to some bad outcomes, which have diluted its effectiveness over the last few years. There does seem an appetite and expectation for better outcomes, and developers are being pushed for better quality developments. Housebuilders in particular in recent years have raised their game in terms of build quality, landscaping and all the things that buyers are now looking for, and that is going across the whole development industry now. There will be an added impetus to keep pushing the numbers through, and government has not shied away from the 300,000 homes a year it is wanting to build. However, that target will not be reached with the existing planning system, so it does need major change to make more land available.

Rameen Firoozan – The planning system in this country has always been designed to minimise the players only to those who have skipfuls of cash. You have to have enough cash to withstand the 'tsunamis' that will inevitably come at you through the value chain that is planning. If there is one planning reform I would want to see it is to get small builders building. We have to create an environment that allows small builders to be able to build 2-3 houses without barriers, and if you do that in several thousand villages you've suddenly got another 100,000 houses. But, in order to do that, they need to know that their money isn't going to run out whilst the parish council decides whether they are in the right mood today.



The businesses that succeed will be those which embrace a sense of creativity.

Tim Burden – There is a fundamental issue with the resourcing of the planning system. The system is so slow and cumbersome and impermeable for members of the public to get involved in. There has to be a way for planning to be more accessible. There is so much that developers are asked to provide now, even before a planning decision can be made, and the cost of applications is significant.

Nigel Horton Baker – It comes down to effective public/private partnerships. A lot of the pressure gets put back on to the private sector to provide affordable housing when actually the public sector could be providing that with central government support, taking the onus off the private sector and leaving it to do what it does well. I wonder if Covid will bring about a change that will see local authorities working with the private sector in a more collaborative way.

Kate Beauchamp – The concept of offsite construction for us is huge at the moment with some of the large infrastructure projects, and that should increasingly be a fundamental focus for the housebuilders. The engineering expertise that the Thames Valley has and the extent to which it can focus on accelerating innovation around offsite development and modularisation of the construction process is a massive opportunity for the region and wider industry.



Will Reading be leaner, stronger and more attractive post-Covid?

Nigel Horton Baker – It has certainly taught us to be more creative and agile and innovative in our thinking, and the businesses that succeed will be those which embrace that sense of creativity. The Reading UK private / public partnership has already brought forward a vision for Reading to be a smart and sustainable city by 2050, and I firmly believe this vision will be further brought forward as a result of Covid, particularly with regards to alternative ways of travelling, use of office space, repurposing of our town centre etc. The virus has made us think more about the future and how we will tackle things like climate change, and there has been a big corporate responsibility reaction around Covid within the Reading community.



It's Darwinism. If you don't come out of this leaner, stronger and more resilient than someone else will. Business now needs to be entrepreneurial, creative and not wait. Just get on with it.

The economy has to be a priority, but we also need to try to build in some of those things we've learnt over this period about supporting vulnerable people, creating local jobs, reskilling / upskilling people and, ultimately, tackling climate change and the new business opportunities that fall from that. It will bring forward great opportunities, but let's not wait for the government to tell us what to do and how to do it, we can and should take matters into our own hands. As a sub-region with great potential to recover quickly, the Thames Valley should move things forward in a positive way. Reading has a business community that is historically very innovative and entrepreneurial, and with government funding currently being largely directed to the north, we are just going to have to do it ourselves. The resurgence of the Reading economy will be powered by people – the leaders of businesses, the entrepreneurs, the innovators, the workforce – but it's also about investing in our young people, the power behind tomorrow's economy.

Kate Beauchamp – It's Darwinism. If you don't come out of this leaner, stronger and more resilient than someone else will. Business now needs to be entrepreneurial, creative and not wait. Just get on with it.

What about Brexit?

Kate Beauchamp – Regardless of your views of Brexit, Brexit planning will undoubtedly have served us well throughout Covid. Given the pressures put on the supply chain throughout lockdown, businesses would not have fared as well had they not done their Brexit planning. It may be a bit 'make or break', but again it is Darwinism at its core. Businesses will need to be leaner, smarter and stronger - and hopefully more environmentally mindful – but it's going to be a tough ride.

Jerry Lawson – Business in Europe for us grew from 40% to 60% throughout lockdown but, regardless of the planning we've done, we still don't know what is around the corner and we still don't know what the Trade negotiation is going to deliver. We are not confident about Brexit as it's still the unknown.



We should start behaving like the noisy neighbour to London and shout more about what we can do as a region.

Gareth Osborn – Much will depend on whether Covid goes away or comes back, but we have so much innovation and technology ability in the Thames Valley that we should start behaving like the noisy neighbour to London and shout more about what we can do as a region. We can take on London, irrespective of this pandemic.




If you have any queries or would like to discuss any
of the issues raised in this piece, please contact:



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