

US real estate giant strikes Pocket deal

Related Companies teams up with Pocket to fuel development expansion

Pete Apps

One of the largest real estate firms in the US has taken a 50% share in a London-based affordable homes company to help drive a massive expansion of its development.

Related Companies has bought a share in Pocket Living for an undisclosed sum and plans to throw its substantial weight into scaling up the construction of discounted flats for sale and rent in London.

Related, which began life as an affordable housing provider in 1973, has \$20bn of real estate assets worldwide and has been plotting expansion into the London affordable housing market for several years.

It agreed a joint venture with Argent, one of the UK's leading mixed-use regeneration firms last year, and is engaged on key sites in King's Cross and Brent through that company.



Marc Vlessing: vote of confidence

This is likely to provide Pocket with access to major regeneration schemes to provide its flagship homeownership products - compact flats which are sold at a 20% discount to buyers earning less than £71,000.

Pocket has developed 200 homes in its 10-year history, typically agreeing deals with local authorities for use of land and reductions in planning obligations.

It intends to double this in the next 18 months, and step up its provision of rental homes in central London areas.

Kenneth Wong, chief operating officer at Related, will join Pocket's board under the deal. Mr Wong was previously president of Westfield America, and has also served as president of the Disney Development Company.

Mr Wong said: "We have ambitious plans in London and Pocket is a perfect strategic fit with our ongoing initiatives."

He said the capacity and ambition of Related to boost Pocket's development was "unlimited".

Pocket has previously been funded through a Greater London Authority loan of £26.4m, crowd-funding bonds and bank finance.

The financial capacity provided by Related will therefore hugely increase Pocket's capacity to take on larger and more ambitious schemes.

It hopes to build 4,000 homes by 2023, and is aiming to increase its development to 700 homes per year, which would put it among the largest developers of discounted for sale housing.

Marc Vlessing, chief executive of Pocket, said: "This transaction is a huge vote of confidence in Pocket."

L&G launches 3,000-home venture

A major UK institutional investor has launched a partnership with a Dutch pension fund manager to build 3,000 private rented homes across the country.

Legal & General Capital (LGC) and PGGM will invest an initial £600m into purpose-built, private rented housing in the UK through a joint venture.

In a statement, LGC said it plans to "disrupt the status quo" of the "cottage industry nature" of the UK private rented market, to make it more like the institutional models in America and Europe.

Paul Stanworth, managing director of Legal & General Capital, said: "The UK rental market, compared to the US and Europe, is dysfunctional, with ever-increasing rents and increasingly poor accommodation.

"For this to change, and renting to become more affordable, we need to invest in the 'new'."

Grainger plots £850m expansion

A large private sector landlord plans to invest more than £850m by 2020 to accelerate its development of private rental sector (PRS) housing.

Grainger also announced it plans to dispose of non-core assets, as it looks to streamline its focus to regulated tenancies and PRS.

"It is clear that swift and decisive action is required to capitalise on the compelling PRS market opportunity and to enable Grainger to realise its potential of being the UK's leading private landlord," Helen Gordon, chief executive of Grainger, said in a statement.

Grainger will sell its retirement solutions business and its operations in Germany. It said the plans would reduce its head count by 10%.

The move comes as several other institutional players, including Legal & General and LaSalle, announce plans for substantial PRS growth.

Development of the week Palmer Court, Lenton, Nottingham



Local authority: Nottingham City Council

Housing association: Nottingham City Homes

Architect: John Thompson & Partners

Contractor: Keepmoat

Number of homes: 142

Cost: £14m

Completion date: Spring 2017

The scheme: The development consists of 142 new homes: a mixture of a 54-unit independent living scheme, 16 bungalows, 62 family homes and 10 flats which are located above two art deco gateway units, which form the entrance. The new homes replace five former high-rise tower blocks. Twenty-thousand tonnes of concrete have been reused on site, removing the need to transport 600 lorry loads of material.