IBP National Journalism Awards 2018: Business Journalist of the Year entry
Judith Evans, Financial Times

As the Financial Times' property correspondent, I aim to uncover stories that both surprise the reader and expose underlying shifts in the market. The first story in my submission, "WeWork vies for lease of New York's landmark Flatiron Building", is a scoop from confidential sources that illustrated the sheer ambition of co-working providers as they target some of the world's most iconic city buildings.

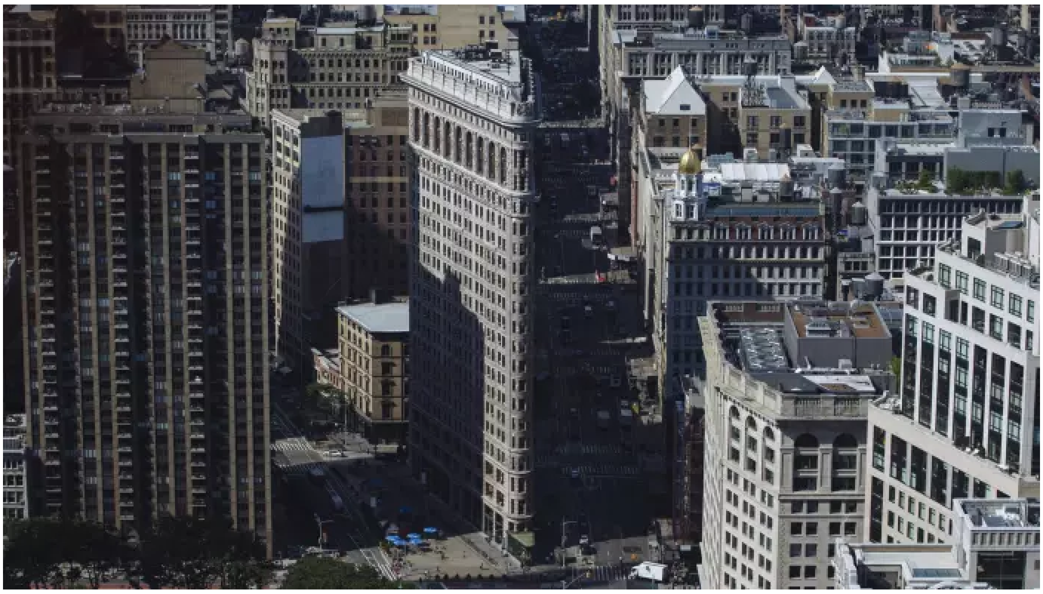
The second, "Luxury London homes being sold in bulk", was also an exclusive and provided the most concrete evidence yet of the crisis in prime London new-build homes as developers sold them off at knock-down prices; it was also a reader hit, with almost 400 comments. My third piece, "Traders in Brixton fall victim to London gentrification", was the first to identify a major issue with Network Rail's sale of its £1.4bn railway arches portfolio: local politics. Reporting on the ground, I identified problems that later caused at least one bidder, Goldman Sachs and the Wellcome Trust, to pull out of the controversial auction process (see my follow-up piece here).

The pieces illustrate how I combine high-level sources and data with shoe-leather reporting to bring FT readers to the forefront of developments in the UK and international property markets, drawing them in through fresh angles and vivid, concise writing.

Commercial property

WeWork vies for lease of New York's landmark Flatiron

Interest in Manhattan skyscraper signals growing ambition of flexible office sector



The Flatiron Building, completed in 1902 with a distinctive triangular shape, is one of Manhattan's best-known landmarks © Bloomberg

Judith Evans and Javier Espinoza in London JULY 13, 2018

The $20bn office space start-up WeWork is vying with a Blackstone-backed rival to take over the lease of Manhattan's landmark Flatiron Building, potentially turning the century-old skyscraper into the flexible office sector's most recognisable property.

WeWork and The Office Group have held discussions with landlord Sorgente Group about leasing the entire building when the current tenants leave next year, according to three people briefed on the talks.

The process is at an early stage and there is no guarantee of a deal with either provider, the people said.

Still, the talks are a mark of the ambition of flexible office groups, which have grown rapidly in recent years as unfashionable "serviced offices" gave way to popular shared workspaces with fashionable decor, communal areas and drinks on tap.

The potential takeover of a landmark like the Flatiron, completed in 1902 with a distinctive triangular shape, has attracted high-level attention from potential tenants, including Blackstone, which bought a majority stake in Office Group last year. Jon Gray, president of the private equity group and its former real estate chief, has taken a keen interest in the building, one person said.

Broking firm Newmark Knight Frank is seeking new tenants for the 180,000 sq ft, 22-storey Flatiron to replace Macmillan Publishing, which is set to move out to Lower Manhattan next year.

The building is one of Manhattan's best-known landmarks and has lent its name to the surrounding Flatiron District. But its wedge-shaped layout also gives rise to challenges for tenants, including an unusually small footprint, said one person familiar with the site.

Class A offices in the area carry asking rents of $77 per sq ft per year, according to a report by Cushman & Wakefield.

Much of the growth in the flexible office sector has been propelled by WeWork, a fast-expanding private company valued at $20bn by investors that include Japan's SoftBank and Goldman Sachs.

WeWork is set to move into other high-profile buildings including the former Lord & Taylor flagship store on New York's Fifth Avenue, which it bought last year in partnership with Rhône Capital.

Recommended

But WeWork's rise has prompted rivals to flex their muscles. The London-based Office Group, which focuses on upmarket private offices with flexible leases, has taken on 12 new buildings since Blackstone acquired the company. It is now eyeing overseas expansion.

Meanwhile, IWG, the world's largest serviced office group formerly known as Regus, has rolled out the upmarket Spaces brand, which now has 78 locations. IWG looks set to be taken private by a private equity firm, with Starwood Capital, TDR and Terra Firma all bidding for the company.

Co-working and serviced office brands are attracting departments of large corporates such as IBM and KPMG as well as smaller companies. They now occupy 7.7m sq ft of Manhattan office space, or 1.7 per cent of the total office stock, according to the data provider Yardi Matrix. In London, WeWork alone has 2.6m sq ft of space, according to a separate report in January by Cushman & Wakefield.

Blackstone, the Office Group, WeWork, Sorgente Group and Newmark Knight Frank declined to comment.

FT Property Summit

London
07 November 2018

Register now Presented by

Register now

Presented by

Copyright The Financial Times Limited 2018. All rights reserved.

Latest on Commercial property

How easy or hard was it to use FT.com today?

Leave feedback

UK property

Luxury London homes being sold in bulk as demand drops

Developers turn to corporate landlords who generally purchase at a steep discount

Developers in the Nine Elms area south of the Thames have made a series of bulk sales

Judith Evans in London JULY 18, 2018

London's luxury developers are selling off homes in bulk to corporate landlords after a drop in demand for expensive new-build homes among individual buyers.

Almost 40 per cent of London new-build sales in the second quarter of 2018 were to bulk buyers, who generally purchase at a steep discount with the aim of setting up portfolios of rented homes for large-scale investors.

Such purchases are masking continued drops in individual sales of new apartments, many of which are in central London high-rise schemes approaching completion, said researchers at Molior London, which monitors housing developments.

Some 2,008 new-build homes — or 39 per cent of sales in the quarter — were bought in bulk in the three months to June, while private sales declined by a third to 3,142.

Discounts to asking prices "from 10 to 15 per cent were becoming quite normal, while those between 20 and 30 per cent are rare but possible on selected schemes", Molior said.

An analyst in the sector, who asked not to be named, said bulk discount sales can create a "snowball effect". "As more of this comes through, it becomes obvious to the rest of the market and triggers further sales among those who had been hoping to ride out [the tough market]," he said.

Many bulk sales are driven by lenders seeking to protect loans to developers, he added.

Most bulk purchases during the quarter were made by so-called "build-to-rent" providers, including the US group Greystar, the housing association L & Q, the fund managers M&G, and Quintain, owned by the private equity investors Lone Star.

The chief executive of Crest Nicholson, Patrick Bergin, said last month the housebuilder had sold 69 homes at the Dylon Works development in south London to a housing association.

"We did this [sale] because we knew we would otherwise have [unsold] built stock," he said.

"With the discount, compared with the costs of holding stock and the costs of marketing, we generally find a bulk sale can be achieved at a level that makes a contribution to ebit [earnings before interest and tax] even if not at the gross margin we had anticipated."

Recommended

Developers in the Nine Elms area south of the Thames made a series of bulk sales in 2017 to landlords including Residential Land and Greystar.

Molior said individual sales this year have mostly been supported by the Help to Buy scheme, which provides state-backed loans enabling people to buy London homes costing up to £600,000 with deposits of only 5 per cent.

That scheme is seen as the "only game in town" for individual purchases in outer London, where prices are lower, Molior said.

After land costs spiralled, the prices of new homes in central London are out of reach of most owner-occupiers. Meanwhile overseas investors have largely deserted the market for individual homes, and tax changes have cut into appetite among UK-based buy-to-let investors.

However, Molior said new housing units under construction had reached a high of 68,000, with 46 per cent of those still unsold.

FT Property Summit

London
07 November 2018

Register now

Presented by

Copyright The Financial Times Limited 2018. All rights reserved.

Latest on UK property

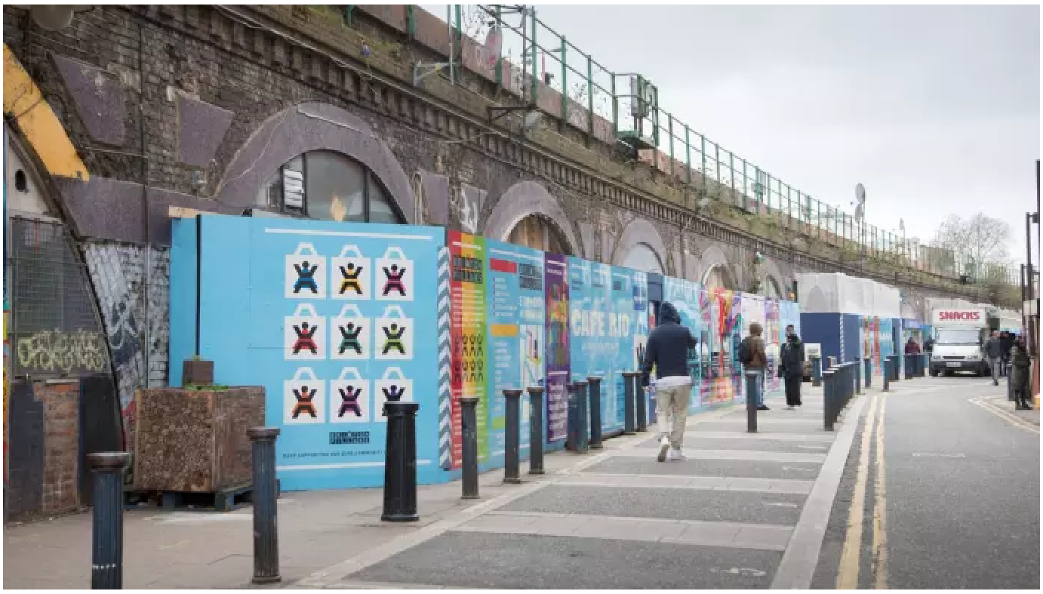
How easy or hard was it to use FT.com today?

Leave feedback

UK property

Traders in Brixton fall victim to London gentrification

Small businesses forced out after 20 years despite 30,000 people signing a petition to save them



The Brixton arches being redeveloped by Network Rail

Judith Evans in London APRIL 7, 2018

Afraz John Khan has run his hardware store, Brixton Tools, from a south London railway arch for more than 20 years.

But this week he closed its doors for a final time. After returning the keys to his landlord, Network Rail, the 45-year-old will leave to start a new life in his native Trinidad.

His departure, and those of a series of nearby traders, follows a three-year wrangle with the public sector infrastructure operator over plans to refurbish a group of arches in the centre of Brixton, a vibrant but historically underprivileged area known for black activism.

“Brixton is home for me, but this has all been a big mess. I’m just trying to hang on to the good memories,” Mr Khan said.

Network Rail presented the £8m project as a vital upgrade to the arches, but terminated tenants’ leases to clear them out for the redevelopment work, though it said they would be offered a chance to return.

The plan sparked fierce opposition from traders and locals, who saw it as an attempt to introduce steep rent rises and oust longstanding tenants.

A petition against the project gathered almost 30,000 signatures, while at the council meeting where it received planning permission, the rapper and activist Potent Whisper (whose real name is Georgie Stephanou) threw red glitter around the room to represent “the blood of Brixton”.

When Brixton was bad, we were [seen as] good, but now Brixton is good, we're the bad guys

Ray Murphy, Budget Carpets

The controversy over Brixton's arches is not just a local issue. Such battles are set to gather pace as Network Rail — the country's largest landlord to small and medium sized businesses — seeks a buyer for a portfolio of properties worth more than £1bn that includes thousands of railway arches like these in England and Wales.

Bidders include private equity groups such as Blackstone, along with institutional investors, such as a joint venture of Goldman Sachs and the Wellcome Trust, the health charity.

Potential buyers will be looking to increase income from the properties, many of which are in London, analysts say. But such spaces have traditionally provided a cheap, if ramshackle, home for small businesses and start-ups, and local communities often react furiously when the landlord's approach changes.

A similar conflict has played out over the past two years in Hackney, another fast-gentrifying area of the capital, and they have previously erupted in Blackfriars and Bethnal Green.

In Brixton, renovations announced three years ago have yet to begin, but much of the once-bustling area is covered with hoardings after several tenants accepted compensation and left in 2016. Those closing this week — including Brixton Tools — are the final holdouts who had hoped to take legal action against Network Rail, but after mediation also agreed to leave.

Mr Stephanou said: "The Brixton arches have been the backbone of the community for almost a century. They are inextricably linked with Brixton's cultural and social heritage. It's not just about the tangible buildings — it's the community itself they have evicted."

Opposition to Network Rail's plans has been fuelled in part by rumour: some campaigners say the landlord wants to fill the arches with national chains, but although retail groups such as Sports Direct are arriving nearby, Network Rail maintains chains are "not appropriate" for the arches. It has reserved the right to veto subleases to them. Of more than 4,400 arches it lets out, it says fewer than 30 are leased directly to national chains.

The plans to increase rents are not in dispute, however. Tenants in the Brixton arches had been paying "historic rents" averaging £21 per square foot per year, according to Network Rail. Post refurbishment the rail network plans to charge £26 per sq ft — a discount to 2015 market rates, it says — rising to £52 by the sixth year after the renovations.

The increases for some arches amount to a tripling of the rent, said the Save Brixton Arches campaign. One tenant, who asked not to be named, said the rents he had been quoted would only be feasible for "Mr Posh Deli or Mr Organic Candle Factory".

The sense of betrayal is especially acute because many of these businesses were established before Brixton found favour with the middle classes. "When Brixton was bad, we were [seen as] good, but now Brixton is good, we're the bad guys," said Ray Murphy of Budget Carpets, another business about to vacate its arch.

Gentrification has also affected business: Mr Murphy said the market for carpets had declined as twenty-something renters moved into the area, replacing social tenants and homeowners more likely to make long-term investments in their properties.

Currently, said Network Rail, 10 of 21 original arch tenants plan to return — not including those who had sublet space — while just two took up the offer of temporary premises elsewhere. Tenants saying they will depart for good include a deli, a coffee shop and fishmonger.

Recommended

Network Rail said: "We work hard to build strong relationships in the communities where we operate. In Brixton we have met regularly with the Brixton Bid [Business Improvement District], Brixton Society and others, including local politicians, to explain our intentions and work with them. We will continue to do so."

Across its portfolio, Network Rail said arches were "increasingly popular for a range of uses", with traditional industrial operations joined by " breweries, cafés, theatres and boxing clubs".

James Watson, head of retail capital markets at the property consultancy Colliers, said investors were also eyeing Network Rail's arches as potential warehousing for "last hour" deliveries of products ordered online.

As customers lined up to say goodbye, Mr Khan pointed out how he had helped maintain the Victorian viaduct by pulling out plants that sprouted below the railway line. "I climbed up and pulled the bloody trees out," he said.

"I was here when it was all drugs and shootings and stabbings. I've seen the naughty little schoolboys grow up and become parents themselves," he said. But after what he described as a "David and Goliath" fight, he decided: "That's it for me. I'm off back to the Caribbean."

FT Property Summit

London
07 November 2018

Register now

Presented by

Copyright The Financial Times Limited 2018. All rights reserved.

Latest on UK property

How easy or hard was it to use FT.com today?

Leave feedback