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£12bn and counting

■ Figure set to escalate if deadly cladding found to be widely used on privately owned tower blocks

BY ADAM BRANSON & DAVID PARSLEY

The cost of making the nation's social housing tower blocks safe in the wake of the Grenfell Tower tragedy could top £12bn, exclusive research has revealed - and that figure could rise exponentially if the deadly cladding is also found to be in widespread use on privately owned high-rise developments.

Independent research produced by building consultancy Gleeds, which has been shared with *Property Week*, estimates the construction cost alone of retrofitting a typical block with appropriate and safe materials is about £20m.

Based on this figure, the cost of retrofitting the 120 towers already found to be unsafe in tests carried out in the wake of the Grenfell Tower disaster by the Building Research Establishment is estimated at £2.4bn.

If the 100% failure rate is maintained with the remaining 480 blocks being tested, this would soar to £12bn - a figure that excludes consultancy fees and the cost of rehousing tenants for the projected 12 to 15 months the works would take.

The total cost is likely to escalate further once the

scale of the problem in privately owned blocks is taken into account.

Property Week understands that a number of private landlords and developers of tower blocks, particularly those that have been converted from office to residential under permitted development rights (PDR) as well as student housing and hotels, are currently assessing the safety of their cladding and fire protocols in light of the tragedy.

Quinata, which is working on a number of office-to-residential conversions, has instructed safety teams to inspect all its developments that include cladding. It has said schemes in Brentwood, Dorking, New Barnet, Farnborough, Ilford and Wembley have all been assessed and found to exceed safety standards.

Inspired Homes has sent teams into two of its projects that are being converted from offices under PDR. Central Cross in Croydon and Sutton Court in Sutton were both checked for safety and the group said it was satisfied with the inspections.

A spokesman for Inspired said: "I can confirm that all of the external cladding and insulation products used at Central Cross and Sutton Court are FR [fire resistant] and Class 0 [fire retardant].

"We employed fire engineering consultants Astute Fire to assist with the fire safety strategies for both Central Cross in Croydon and Sutton Court in Sutton and the local building control authority or

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Oxford dons BTR robes

■ Canadian firm to develop £1bn-plus worth of schemes across London

BY RICHARD WILLIAMS

Oxford Properties is poised to make its first foray into build-to-rent (BTR) in a move that could see it commit "in excess of £1bn" to the burgeoning sector, *Property Week* can reveal.

The Canadian developer has turned its attention to the residential sector as part of its "next phase of evolution" following a string of recent high-profile office sales.

Oxford, which is currently in the throes of completing a £575m sale of its 50% stake in the City of London skyscraper the Leadenhall Building, will look to partner with BTR specialists and develop new-build, large-scale schemes.

It is close to concluding its debut deal in the sector, where it will target sites in London and Greater London in locations close to transport hubs.

"The residential sector is the largest investable asset class in the world and is something we had not spent any time trying to do in the UK," Paul Brundage, Oxford's executive vice-president and senior managing director for Europe, told *Property Week*.

"The macro thesis for residential is very strong. At the moment, we've got government policy lining up with market demand lining up with investors that want to do it. There is a significant need for housing in the UK and there is a lack of existing stock. We are going to build it and become long-term owners of the asset class."

Residential currently accounts for less than 5% of Oxford's global portfolio but Brundage said he hoped that with the push into London BTR it would grow to more than 10% in three to-five years.

"Residential represents the smallest asset class globally for Oxford, and that doesn't feel right," Brundage added. "I'd like to see that increase globally to a meaningful amount, greater than 10%. It will represent a significant part of our London business for the next phase of evolution."

As with its London office schemes, Oxford, the global real estate arm of OMERS (Ontario Municipal Employees Retirement System), would take on the development risk in order to achieve higher returns of greater than 10%, he added.

In the past 12 months, the company has made significant sales in its office portfolio including Green Park in Reading in a £560m deal to Mapletree and its stake in Paternoster Square to Madison for £200m, as well as the mega Cheesegrater deal.

Brundage stressed that Oxford was not abandoning London offices, where it has live developments at London Wall Place, the Post Building and St James's Market, but instead would hold its performing assets through the current cycle. "We are underweight and where do you put that capital to work? Piling a lot more money into London offices for the current cycle is not for us - maybe the next cycle."

Brundage also set out plans to enter the Berlin office market, making it the third major European city - after London and Paris - in Oxford's European and UK portfolio.

"The fundamentals of Germany are pretty strong," he said. "Berlin is the most global city in Germany. Young talent wants to live there, which has fuelled a really strong innovation and tech-driven demand for space."

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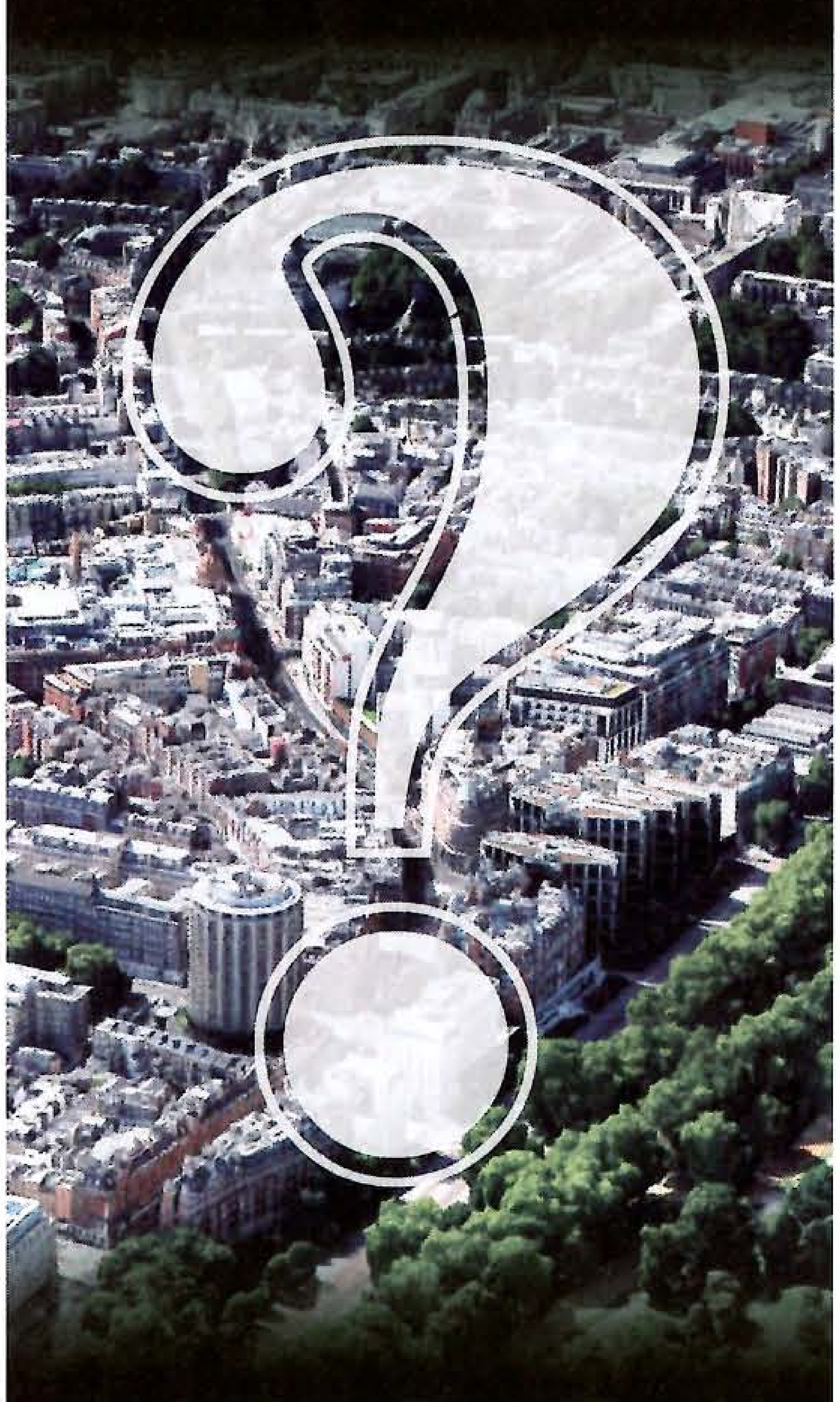

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