



Repurpose Reimagine Revive

A round table discussion to capture insights and inform innovative solutions to reduce risk and maximise opportunities in extensive refurbishment projects

If we are to safeguard our built environment, and our planet, reuse of existing building stock is essential. But it can be fraught with risk.

Refurbishment projects by their very nature tend to be complex and will invariably seek to increase NIA. With the additional challenges surrounding the uncertainties of the existing building and site conditions, ensuring fire integrity is maintained, the insurance market, and a desire to maximise sustainability accreditations towards zero carbon, taking the option to refurbish a building can affect project viability and appear unattractive to some developers.

In order to maximise opportunities from these challenging but rewarding projects, we brought together a group of experienced developers and consultants to harness valuable insights around risk, insurance and legislation to inform better decisions and collaboration in our industry.

Summary and Key Takeaways

- Collaborate in the true sense of the word with your teams and contractors to reduce risk
- Fostering trust from the outset is essential
- Work with teams that have knowledge and passion for refurbishment projects
- Keep accurate building information to assist future refurbishment works
- Do not go into a refurbishment project with your eyes closed, find out as much as you can about the building as early as possible, you can never do enough surveys!
- Expect the unexpected and build in flexibility into budgets and programmes to account for 'surprises'
- Better relationships with tenants might enable better maintenance of an asset to reduce more extensive work further down the line.

1. Minimising Risk

We asked our experts about their experiences with surveys and how that risk was collectively managed.

From a client perspective, **Michael Jones of The Portman Estate** shared that on the many listed buildings they own, "we've learned [with refurbishment] that you can't do enough [surveys]". His approach is to go into a project with a 'negative attitude',

assuming the risk and responsibility are coming back to the Employer, always making sure you've left enough time in the program for the surveys and to digest the results of those surveys.

However, as The Portman Estate does not sell its properties, it is in the position where it can take a long term view; which means they can rely on being income driven, rather than capital values. This is important to their business model but not typical for other London developers.

To ensure continuity, The Portman Estate repeatedly appoint the same contractors, particularly on smaller refurbishments, achieving as much as possible through scheduled rates. "We don't think it's right, that the contractor should take all that pain, but we are trying to find a bit of middle ground. Because if it ends up with anybody else it's only the lawyers who benefit?"

Martin Smith, Buro Four shared that even if you show some survey locations on a plan, and the records from the 90s and 2000s are quite good, there are areas in the market where design and build [isn't delivered to specification] such as all the issues we're finding with cladding." Martin Smith, notes that if that's one element of the building, much else might not be built as per drawings. Contractors are therefore well placed to check themselves. "That's why they're going back and saying, yes, you've got the survey information, but you've actually only done 40% of the area, and there's another 60% left. So actually, no, we're not going to take that risk."

From the outset you have to make a lot of judgement calls **Natalie Barber, Buro Four** explained "Because you never really know whether you're better off doing the surveys and telling the contractor what you found, or whether it's worth just paying that contractor's risk premium that they always stick on. You never know what that risk premium would have been without the survey, but they always seem to still want to put a premium on after you have done the survey."

"On every single building that we are re-purposing, there are an enormous amount of surprises - we open up parts of the ceiling, we look at steel, and then you go to the next beam and it's completely different. So my feeling is, the more you

Introducing our experts:

Chair: Tony Smith
Buro Four

Martin Smith
Buro Four

Richard Rixson
Endurance Land

Niall Aitken
Exigere

Natalie Barber
Buro Four

Adam Draper
Arax Properties

Hugo Dring
Buro Four

Diego Henriques
Anglo American

Michael Jones
The Portman Estate

Sascha Lewin
W.RE

Andrew Ross
Global Holdings

Matthew Ryan
Cadogan

"We must trust our contractors to be truly collaborative, and not take advantage."

"You'll never know everything and you need to build in the flexibility in the knowledge that there is a risk premium in repurposing that that you don't have, with new builds"

can do the better. But you'll never know everything and you need to build-in-the-flexibility in the knowledge that there is a risk premium in re-purposing that that you don't have, with new builds."

Tony Smith, Buro Four took the conversation a step further to claim that "it seems that contractors [at the moment] are not prepared to take on any risk whatsoever." Stating that when teams suggest to contractors to de-risk the building for themselves, they don't particularly want to do that either which leads to issues in terms of trying to manage that risk. Meaning that building contracts are left with hooks that are 'cleverly written' by contractors that "allow them to come back for time and money, and it's extremely difficult to find all those hooks".

To the contrary, **Andrew Ross, Global Holdings** believes this situation "drives us into a more collaborative approach with contractors inevitably, and maybe that's not even a bad thing." Historically, risk flowed from the investors to the developer, the developer to the contractor, with insurance in the middle. He continued "right now, we are not in an environment where that works anymore, it becomes too expensive, when nobody's willing to take the risk fully in any case. So rather than trying to contractually find some ways to come to an agreement where you take it in steps". He emphasizes the point of trusting one's contractors to be truly collaborative - and not take advantage.

Sascha Lewin, W.RE agreed, highlighting the costliness of having arguments and how long they take to resolve, and that "as a developer, time is just as much a factor as money. And if you end up getting in a dispute, nothing gets done."

A main contractor's knowledge for getting a job done, however, is critical. A design team novated to a main contractor often needs that main contractor's expertise with all of their subcontractors, said **Natalie Barber, Buro Four**.

Andrew Ross advised the room to do as much of the homework before to get the right contractor on board at the right time. That the time spend up front is worth it. The additional challenge can be that the building is already occupied;

"it's often difficult to get access and time. Sometimes you have to start your whole planning and design process while tenants are in occupation because it's such a long process. And it's really difficult to do that without the knowledge or the survey" **Andrew Ross** added

that then there can be inconsistency from one part of the building with a supposedly uniform next part. "There's a risk premium and in re-purposing that that you don't have, with new builds."

"Dilapidations at end of leases is a pretty outdated concept", **Sascha Lewin at W.RE** believes that in an ideal world, problems could be addressed in a building as soon possible which would benefit refurbishment or re-purposing of the building further down the line. He believes in order for that to happen "we've got a long way to go in that in the landlord-tenant relationship, as well as the contractor development."

"One of the positives come out COVID is we've remembered how to engage with tenants. Everybody's had a conversation with their tenants in the last few years, whereas previously, they would leave the lease in the drawer and throw away the key."

But it boils down to who you're doing business with. **Andrew Ross** says, "I come to a lot of the early meetings, I understand 1%, of what is discussed about the technicalities in this contract, but I get a feel of who I'm dealing with. That doesn't mean I'm always right, but it makes a difference. If I'm going to enter into a contract worth £10 million, £50 million, £80 million, I need to know who the people are, why they want to do this job and what excites them about it."

2. Sustainability & Insurance

We wanted to know what experience our clients had with insurances over the last couple of years.

Tony Smith, Buro Four explained "I see them getting slightly more difficult with increasing premiums on refurbishment projects for all sorts of reasons." Invariably, you're then picking up on issues previously unnoticed, and which should have been included the preliminary assessment. The insurers then use an underwriter and pick up further issues with the building.

Insurance is having a knock-on effect to the ability to specify lower carbon buildings. **Richard Rixson, Endurance Land** confessed to working on a building where the team is trying to be as environmentally mindful as possible, however there are structural loading restraints and they're looking at using CLT, "It's an absolute nightmare, just trying to get any clarity, so close to completion, on whether we can get insurance. So we'll probably move away from it."

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Martin Smith shared, "I would say CLT is great, but you have to know you're doing it from Stage Two onwards", as there's a nine-step approval process for insuring it. "You have to import, for example, a PhD specialists from UCL to give you advice, then you have to potentially create a burn model, depending on the specifics of your CLT and how it interplays with other items, which costs around £50,000, just on one detail". But, he notes, there are added benefits as well, because agents love the look of CLT as an exposed product, which means you can make savings elsewhere on other finishes. If more people use it, maybe [insurers] realise it's less of a risk.

Matthew Ryan at Cadogan "We've set up our own Zero Carbon pathway, which we've written down. We're based in Kensington and Chelsea, our [2030 strategy document] ties in with what the borough are doing as well. So, we've got certain set of goals set out about what we're committed to doing with a target of Net Zero Carbon. That encompasses everything - not just construction projects, which is our biggest aspect - but how we operate as an Estate, our suppliers, electric van charging points, water usage, all of these elements. Every project I'm doing now is top of the list, like surveys, asbestos, carbon, it's a really, really hot topic now."

Martin Smith, "We need to consider the future aims in the Square Mile with the launch of 15 mile an hour zones everywhere. Then I think by 2030, the City of London Corporation have a plan to get rid of all cars, which then opens up the possibility of openable windows passive stack ventilation, less glazing, and could completely changes the whole look and feel of the Square Mile. But there's an opportunity here." There is a large premium cost in mechanical services and he believes it is possible to have buildings that are completely naturally vented like Berlin.

Andrew Ross, Global Holdings stated that for them the question of refurbished Vs rebuilt is not a cost question. The first questions are planning-related with the New London Plan and are also about product. With some buildings it doesn't matter how much you change the façade, or if the floor to ceiling height is low it's going to remain really low, you're never going to have a great building. And from a sustainability point of view, it is never going to be a good building with flexibility".

Sustainability is part of the 'product story'. How important is this for you, as a developer and as a landlord, in terms of the product that you're putting back into the market. Martin Smith stated "A refurbishment might perform lower to begin with, but actually, the capital value of the asset value in 15 years will make it premium. Cost is obviously one factor of it, but it's all about the embodied carbon".

However, **Niall Aitken, Exigere** commented saying that on balance, it will cost you more to build something new than it would be to refurbish it. Developers need to be asking how well the building stacks up over the next 100 years? A 100-meter-tall skyscraper will produce the same heat loss in a night as 15,000 homes just through the glass.

What is the carbon impact of cooling? It's electricity, but if we start to be able to produce electricity in a carbon free environment, "then maybe it doesn't really matter. And that's probably the direction we're go rather than in this sort of more Passivhaus". **Andrew Ross** stated from a wellbeing point of view, people want natural daylight, however without enough glass **Natalie Barber** was hindered from achieving WELL certification on at least one of their delivered buildings.

Have your say

You've heard how our experts view the future of refurbishment. What do you think? Is there a specific point we raised you want to talk more about? Get involved and chat to us on LinkedIn, spark a discussion on Twitter or contact our team. We'd love to hear from you.



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3. Future legislation

As legislation changes, we were keen to understand the impact this may have on the way we do things.

Martin Smith stated that anyone listed in the FSTE; in the next two years will have to report their ESG credentials to the stock market. So that will completely revolutionise the market in terms of the performance of our buildings. Matthew Ryan of Cadogan Estate advised that "industry has always had to cope with changing legislation, uncertainty about when it's going to come in and what shape it's going to come in".

Sascha Lewin of W.RE "If we're to achieve these sustainability aspirations, some other aspects will inevitably become lessened in the priority order. In the end something has got to give." We can use a science led assessment to try and justify new developments, but ultimately knowledge across the sector overall is still lagging. "Planning departments across London's Boroughs are grappling to agree on a usable approach to sustainability and it can be difficult at times to have a sensible conversation with officers and councillors. Yet, this is a process and as with most complex topics, it will take some time to get it right."



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