16|05|14
£5.95

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Drop the double dip

■ Mothers' Bunch Club of UK's top investment agents urge new code of practice to curtail 'double dipping'

BY MIKE PHILLIPS

Plans are being drawn up to create a new code of practice for investment agents to curtail growing worries about conflicts of interest created by "double dipping", *Property Week* can reveal.

A group of the UK's top investment agents who meet as part of the Mothers' Bunch Club has approached the Investment Property Forum (IPF) about the creation of a code of practice for agents.

The IPF is setting up a cross-industry committee comprising representatives from institutional investors, REITs, opportunity funds, property lenders and the agents themselves that will debate the issue and come up with a protocol.

The aim is to create a code to which all the top agencies, as well as those further down the pyramid, will sign, and it is understood to have broad support from all the members of the Mothers' Bunch Club, who include JLL's Chris Ireland, CBRE's Franco Sidoli, GVA's Rob Bould, Cushman & Wakefield's David Erwin and Morgan Williams' Mark Morgan.

The need for self-regulation has come about because of the perception that the practice of "double dipping" or "double running", where agents act for both seller and buyer on a deal, or even multiple bidders, is becoming increasingly common.

Top investors such as Nick Leslau and Rupert Clarke have this year written in *Property Week* arguing that unless the industry regulates itself, regulation could be imposed from above.

While no conclusions have been reached about what the code of practice will comprise, it is understood that there is a feeling that while acting on both sides of a deal cannot be eradicated in a world where the number of large agencies is shrinking, greater transparency from agents is required so they can keep clients informed.

Max Sinclair is the current IPF president, with Chris Ireland taking over next year. Ireland told *Property Week*: "It is some time since a detailed review of how the market works has taken place… It's right that there is a debate and a review, with a view to drawing up a protocol or code of practice, and the IPF is the right body to conduct that review.

"The IPF review will include representatives from funds, property companies and advisors. It's about making sure there is transparency, and that there are checks and balances for all firms."

■ See Leader, p27

■ GVA will be bought by Bilfinger – rather than rival bidder Colliers International – in a £150m takeover that will expand the agency's international horizons. GVA chose Bilfinger, led by chief executive Aydin Karaduman (right), over Colliers, led by chief executive Tony Horrell (middle). **Read a full interview with GVA boss Rob Bould (left) on pages 10+11**

retail and 9,000 sq ft of leisure space. While awaiting redevelopment, in 2012 the empty mall was used by Wish.co.uk for Zombie Shopping Mall – based on zombie film *Dawn of the Dead* – which gave people the chance to take part in their own horror film.

But leisure remains the most obvious choice. NewRiver Retail bought Regent Court shopping centre in Leamington Spa in December 2012, which had been struggling to make its mark as a retail scheme and was around 25% vacant. Now, after securing planning consent, the investor is converting the 95,000 sq ft mall into an entirely leisure-focused scheme. Lettings have been agreed with the likes of Nando's, Turtle Bay, GBK and Miller & Carter.

James Findlater, head of shopping centre investment at Colliers International, adds that many secondary shopping centres offer viable alternative uses with leisure the most valuable commercial option, particularly in combination with residential upper floors. In the extreme, works including removal of a central roof could enable conversion into attractive public realm lined with restaurants. Increasing demand from cinema operators to return to town centre locations could also prove a boon for mall conversions.

The other obvious answer for many ailing schemes is to convert the space into a large supermarket.

Out-of-town struggles

Shopping centres are not alone in these pressures. The owners of first-generation retail parks or standalone retail warehouse units could also have to look to alternative uses to keep their schemes relevant, but this is expected to be to a lesser extent than in-town secondary shopping centres. Research by Trevor Wood Associates indicates that a number of B&Q, Focus and MFI stores have already been demolished to make way for residential schemes, with planning inspectorates keen to approve these brownfield sites for new homes over more controversial greenfield sites.

Work is under way at Centros and Arcadian Estates' East Street Shopping Centre in Southampton. It was the city's first indoor mall in the 1960s and is being converted into a 60,000 sq ft Morrison's supermarket and a 280-car car park.

Also, the 90,000 sq ft former Crown Centre in Stourbridge reopened last year as a 95,000 sq ft Tesco Extra superstore, with around 10,000 sq ft of smaller associated retail.

And London is not immune. Oriental City, a 100,000 sq ft retail scheme occupied mainly by Far Eastern brands, on Edgware Road in north London is, after years of delays, being converted by Development Securities into an 80,000 sq ft Morrison's supermarket alongside 183 homes, around 50,000 sq ft of Far Eastern restaurant, grocer and food court space and a primary school.

With skyrocketing housing demand, conversion of redundant retail schemes into homes seems a good solution, and Williams suggests several local councils are considering buying redundant retail schemes which could then be converted into residential. But he warns, because of their design, complete demolition and building a new residential scheme on the site will be necessary, rather than a straight conversion.

Charlton agrees and adds: "While there has been some talk of converting upper-floor empty space to residential uses, it will be a rare occurrence due to security and access issues, noise from deliveries and the fact that the general ambience of many secondary shopping centres is simply not conducive to a successful residential environment."

But with some landlords and councils mulling a move to residential to capitalise on high values, particularly in the south-east, Colliers' Findlater adds local authorities need to be more proactive in rezoning town centres to enable this to happen.

Public realm could be another option for the most desperate schemes to boost the look and feel of a town centre, as funding for developments in smaller regional towns could remain too difficult to source.

Mark Robinson, investment director at Ellandi, warns: "Where the retail is worthless, it's likely that so is everything else. In the regions housing prices are also really cheap and hotels don't want to go there as there isn't sufficient demand. Government subsidy has got to come into it or guarantees to fund regeneration and create public realm space which will improve the overall ambience of the town.

"Clearly there is too much low level value retail in these town centres and if alternative uses aren't commercially viable then the use needs to be for social good."

> **"The old design of the shopping centre no longer meets retailers' modern requirements**

School for thought

John Milligan, chief executive of retail developer and investor Milligan, adds secondary schemes could look at creating a complementary mix of uses to become a form of district centre, including markets, workshop space, residential, galleries and serviced office space. But he warns that to do the development work it would be necessary to empty large parts, if not all of the scheme, which if still producing income, could prove hard to justify.

Retail Therapy, published last year by architects CGL, indicates other uses for shopping centre space could include medical services, healthcare and accommodation for the elderly, conference centres, social enterprise, and cultural uses.

It goes further by suggesting: "With the new changes to planning regulations free schools could, in theory, be situated in shopping centres." But it adds that practically this could be difficult due to the need for outdoor space and security issues.

While not all the options for conversion will be viable, what is certain is that shopping centre owners that do not embrace the need for change, and investigate the options, will suffer. Investors cannot afford to be complacent and assume an improving economy and retail market mean their retail schemes will bounce back to their former glory. ■