

# OPPORTUNITY LONDON

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## Investor Guide

January 2024

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# London, a city of opportunity

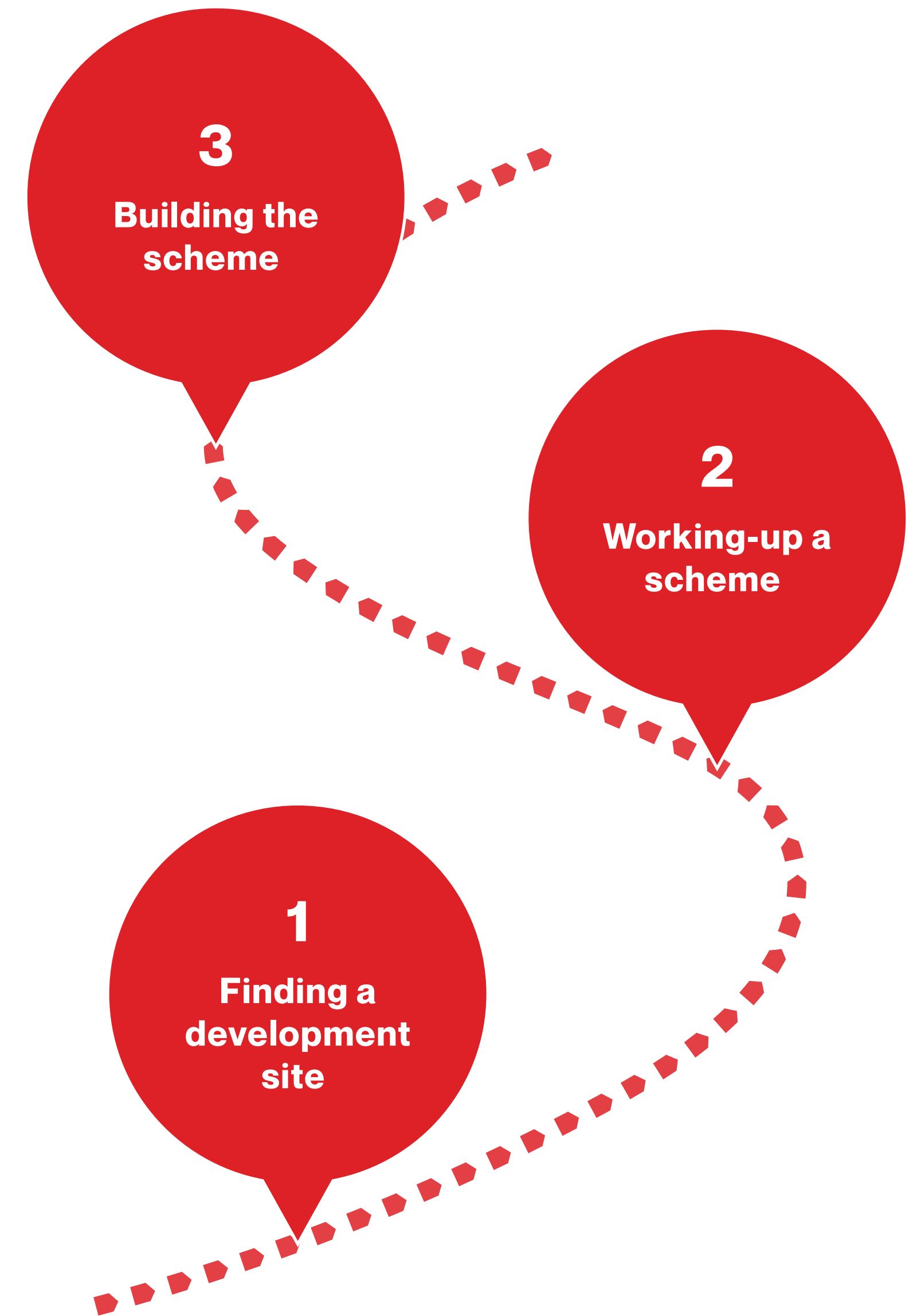
This is a city which has perfected the balance between old and new — London's heritage is treasured, but change is welcomed, and the city will continue to evolve. The Mayor of London and leaders from across the capital are seeking partners that share their values, to provide long-term investment with a bold vision.

London has systemic advantages which make it an attractive destination for investment. Whilst its systems may be perceived as complex, they are well-established, stable and transparent:

- The UK is the 6th largest economy in the world and London contributes about 20% to its GDP.
- It has a mature, transparent investment environment.
- There are established laws and a defined planning permission regime.
- A well-established secondary investment market for acquisition and disposals.
- It benefits from stable laws and policies.
- London welcomes overseas investment.
- There are world-leading professional support services.
- Long-established global investment firms are headquartered in London.
- Visible changes on the city's skyline are testament to the strengths and successes of the planning system.
- London is huge, covering an area of 607 square miles and a population of over 8.5m.

The purpose of this Guide is to provide information and support for those considering investing in the development market in London; and it covers the journey from finding a development site; to working-up a scheme; to then building the scheme.

This Guide doesn't cover the secondary investment market; and focusses on planning and development systems, as opposed to the financial regime around investment.



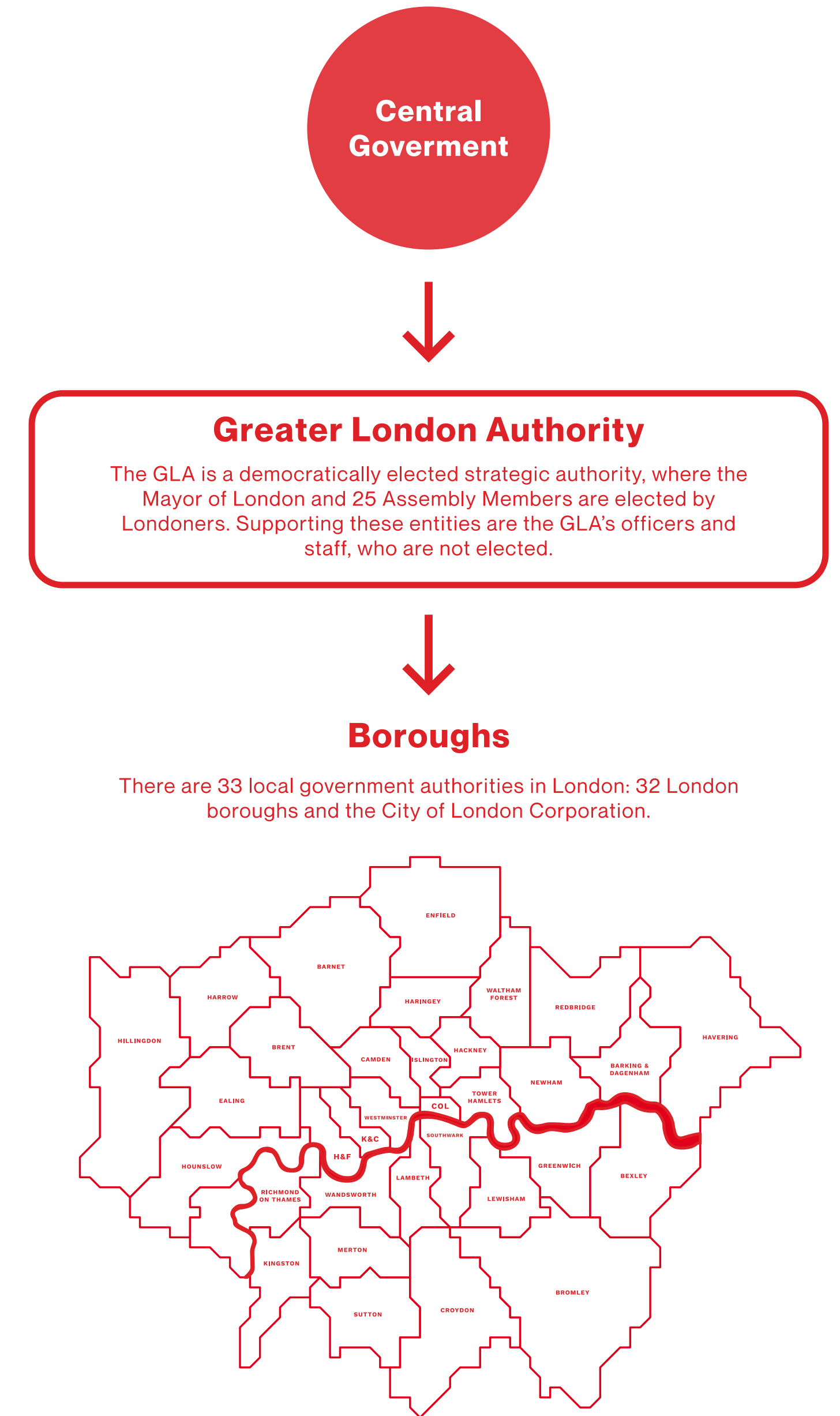
# Finding a development site

# Understanding London's governing bodies

The UK's central government has devolved certain responsibilities regionally, to the Greater London Authority (GLA), and locally to local government authorities. In London, there are 33 local government authorities (32 'boroughs' and the City of London Corporation).

- The GLA provides city-wide leadership on all aspects: from transport to policing, the economy to the environment. The Mayor sets an overall vision, with clearly defined strategies and planning policy for London.
- The Mayor of London is the elected political leader of the GLA and is responsible for setting policy for London. The Mayor is supported by non-elected 'officers' who are responsible for all GLA operational arrangements and delivery of the Mayor's policy objectives.

- Boroughs are responsible for a wide range of services within their defined geographic boundary. These include children's and adults' social care, housing and waste collection. The boroughs' 'Local Planning Authorities' deal with planning applications. Within boroughs, there are locally elected councillors and non-elected officers.
- Presently, there are two 'Mayoral Development Corporations' in London: London Legacy Development Corporation and Old Oak and Park Royal Development Corporation. Both are statutory bodies that report to the Mayor of London and were established to lead the regeneration of their defined areas.

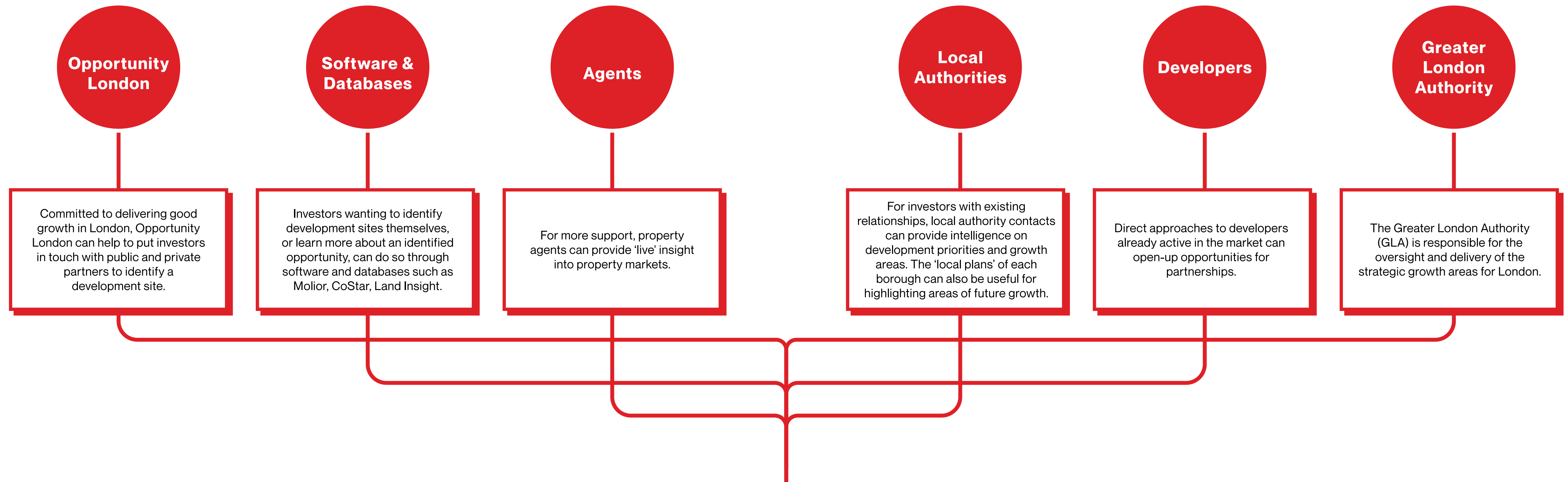


# Entering the London market

## Identifying a development site for investment

In London, a unique set of government bodies, organisations, tools and databases exist, to support you when looking for development opportunities. Using an agent will give the most direct and up-to-date opportunities. Speaking to private and public sector partners directly may be helpful to get a sense of longer-term opportunities (in the boroughs, speaking

to the 'Chief Planner' is often a helpful starting point). These are also helpful sources to identify development sites which already have planning consent. Using software and databases can be useful for identifying and contextualising opportunities with additional data.

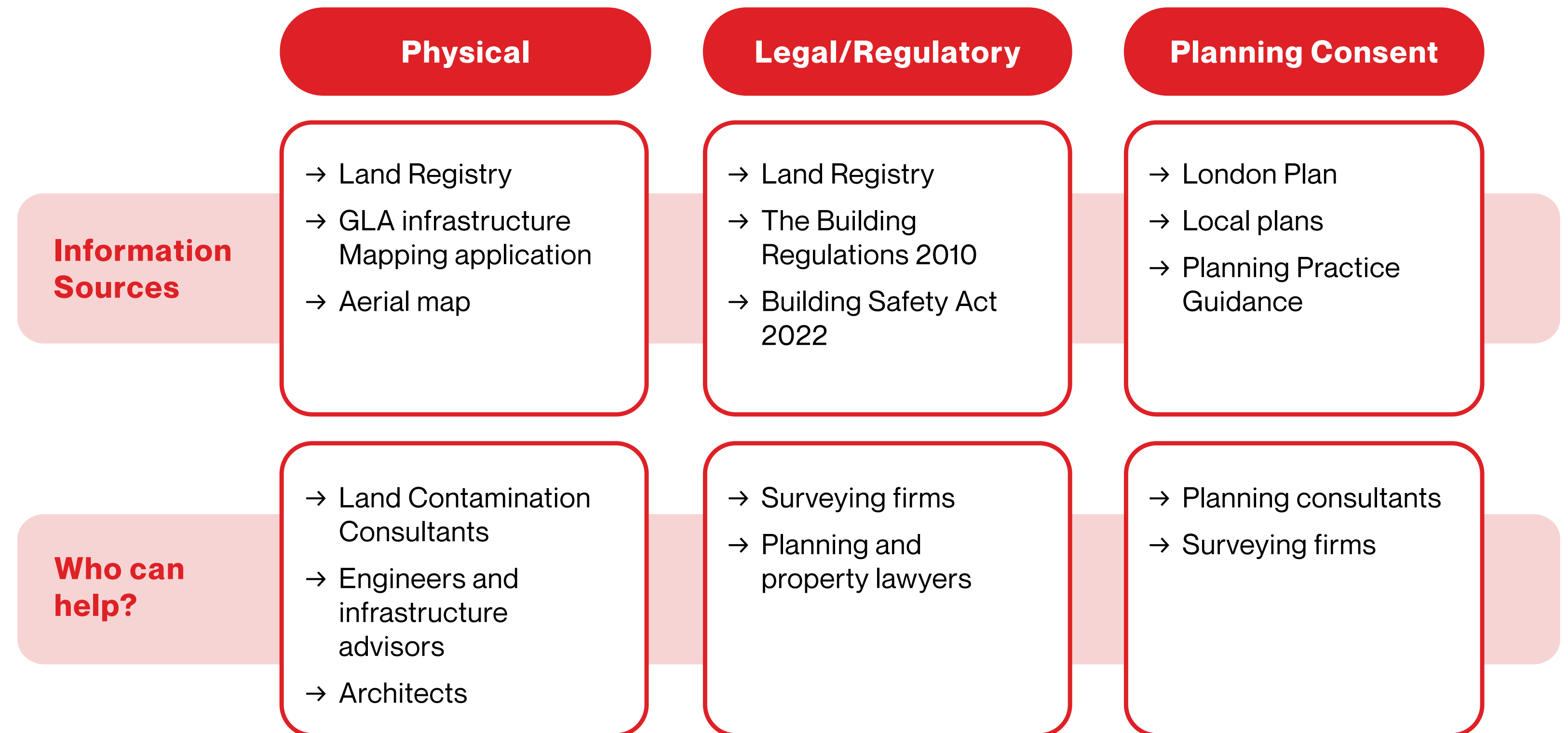


# Understanding a Development Site's Potential

## Assessing opportunity and risk

There is a lot of accessible data which will help investors understand the opportunities presented by a particular development site. In the early stages of undertaking due diligence for a development site, the sources below are helpful.

The London Datastore, developed by the GLA, has many helpful data sets — giving wider statistical context to development opportunities in London (e.g. on jobs, transport, and the environment). It also has data relevant to the planning and development landscape (e.g. the number of residential planning consents per borough per year). Other data can be accessed through commissioning specialist consultants.



# London's Property Market

## Making the right connections

Making the right connections within London's property market at the right time will help ensure the success of your scheme. The London property market is made up of public and private stakeholders, who are involved at different stages of a scheme. Early engagement with potential collaborators, partners, funders, enablers, consultees, and consenting bodies is a good way to reduce risk (knowing who you need to engage with is highly dependent on your development site and potential scheme). Some of the most prominent players in London's property market are grouped into these main categories:



# Working-up a scheme



# Understanding the Planning Consent Context

## Benefits of the UK's system

The UK's planning consenting system is a discretionary, plan-led system, which differs from zoning-systems found in other parts of the world. Each London borough publishes a succinct and up-to-date plan which provide a positive vision and a framework for addressing housing needs and other economic, social and environmental priorities — this is called a 'Local Plan'. All planning decisions regarding developments are made on a case-by-case basis in line with the area's Local Plan.

In the three-month period from July-September 2023, 85,600 planning applications were decided across the UK, with 86% of these being granted.

In London, in the same period, 14,700 planning applications were decided across London, with 79% of these applications being granted.

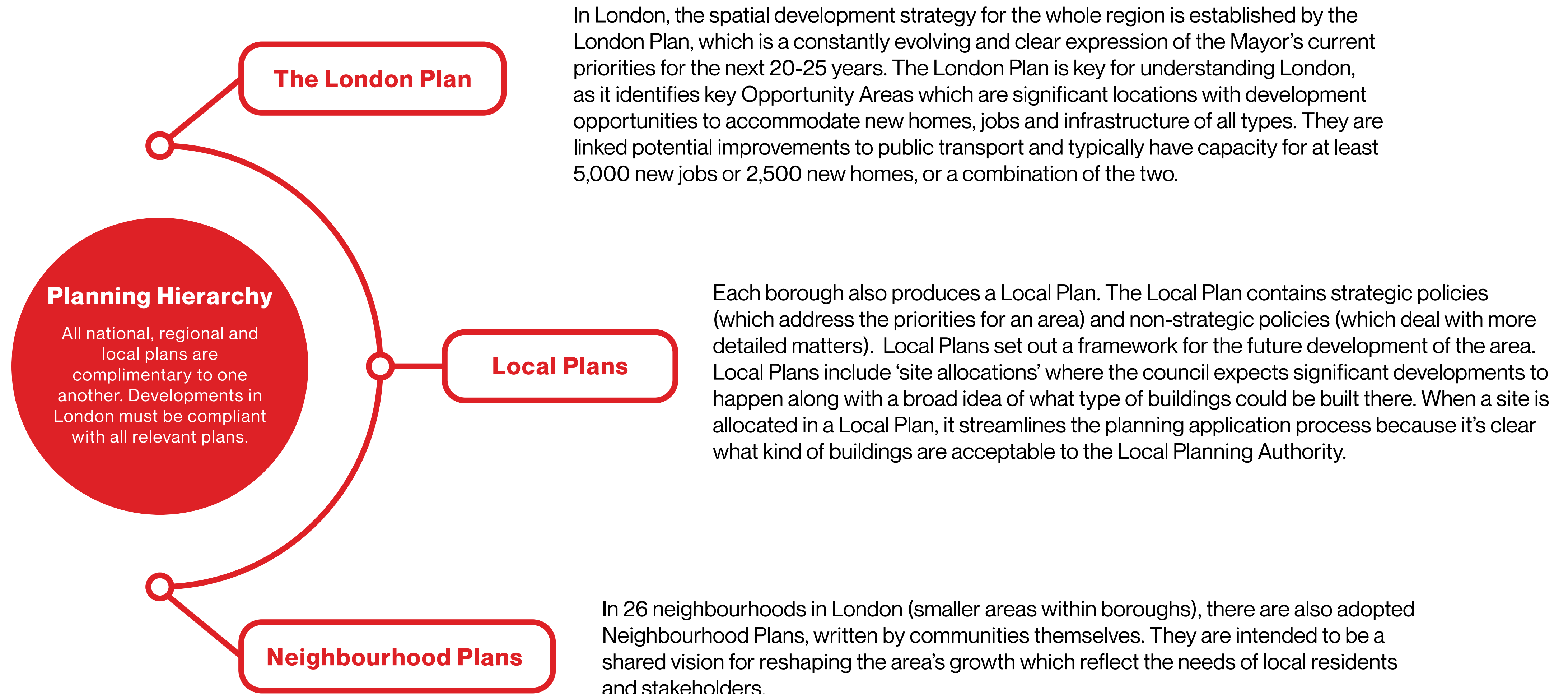
The system has several benefits for investors, including:

**There is more potential for innovation, as there can be flexibility in decision-making to account for local circumstances and local evidence.**

**Plans are in constant review, adapting to local circumstances and need and are not a static list of requirements.**

**As a democratic system, developers can work collaboratively with locally elected officials and communities to generate support for development proposals.**

# Navigating planning in London



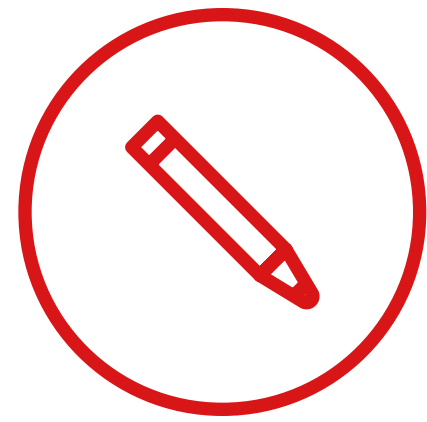
# Harnessing potential

## Key Planning Considerations



### **Housing supply and affordable housing**

Provision of new homes is a major public benefit. Residential developments of more than 9 homes are required to contribute a proportion of new homes as 'affordable'. There are a variety of types of 'affordable' homes, and the requirements vary from borough to borough.



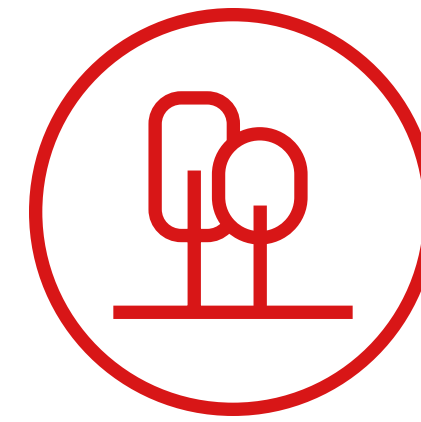
### **Quality of design**

Great emphasis is placed on design quality and development will need to demonstrate how it will improve the quality of the local area, visually and functionally. Design quality is often independently reviewed during the planning application process.



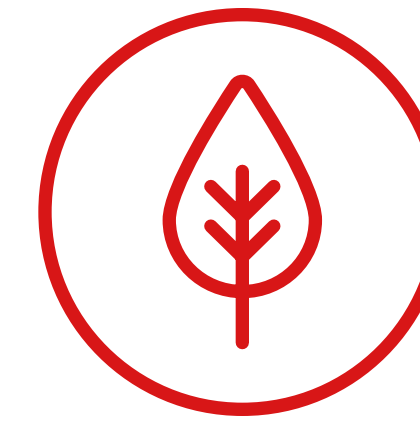
### **Preservation and enhancement of heritage**

London is world-famous for its heritage. Preserving this is important. Accordingly, development in or close to, world heritage sites, 'conservation areas', 'listed' buildings will need to be carefully designed to preserve or enhance these assets.



### **Open space**

London's parks and open spaces are special. Many of London's open spaces and undeveloped land are designated as protected (for example, 'Metropolitan Open Land' or 'Green Belt'). Developing such land is only permitted in exceptional circumstances.



### **Environmental sustainability and biodiversity net gain**

The Mayor is committed to ensuring London leads the way in tackling climate change by making London a net zero-carbon city by 2030. Therefore, development must be environmentally sustainable, not worsen air quality, enhance urban greening and mitigate against urban heat. Proposals must also demonstrate a net gain in biodiversity on the development site.



### **Land value capture**

There are planning policy requirements for affordable housing and contributions towards social infrastructure. The overarching parameters for these are set out in the London Plan but specific requirements are set by the boroughs in their Local Plans.

# Working-up a Planning Application

## Pre-application activities

When working-up a proposal, pre-application discussions with the Local Planning Authority are recommended, to understand the planning policy context. Applicants can enter into 'Planning Performance Agreements'; these are a framework for agreeing timescales, actions and resources for handling planning applications. Highly experienced and skilled planning consultants can navigate the pre-application process.

In London, for development involving 150 or more homes, or over 25m in height, it is recommended that consultation is also undertaken with the London Mayor, who will be formally consulted on a planning application.

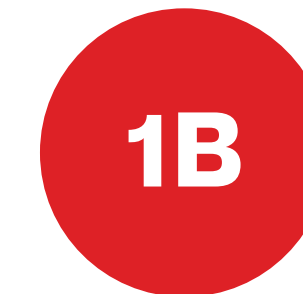
It is also advisable to speak with relevant government agencies or statutory bodies where relevant. For example, if your development site is at risk of flooding, pre-application advice can be sought from the Environment Agency. If your development requires alterations to infrastructure such as sewers or power cables, then water and power providers (such as Thames Water, and National Grid) should be consulted.

It is also important, at an early stage, to engage local communities and elected politicians, to secure popular and political buy-in for your scheme. Early engagement reduces the risk of objections arising at planning application stage.

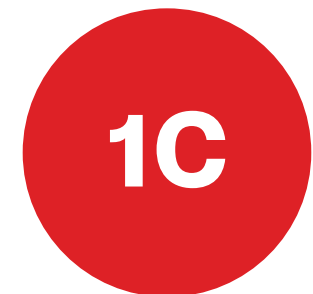
**Pre-application enquiry to  
Local Planning Authority**



**Engagement with relevant  
statutory bodies**



**Public Consultation**



# Securing Planning Permission

## Planning Application Process

Once you have worked-up a scheme, a planning application will be submitted. Applications are categorised into ‘minor’ or ‘major’ applications, depending on their size. Generally, major applications take longer to be determined, have a greater involvement of statutory consultees, have a greater degree of environmental assessment, are likely to be decided by the Planning Committee and attract a greater level of political and public attention. For major schemes, the risk arising from public and political objections can be mitigated by engagement at pre-application stage.

The granting of a planning permission is a key milestone, at which point an investor may choose to either sell the land or implement a planning consent. It is important to note that some types of development do not need a traditional planning permission and can proceed through ‘Permitted Development Rights’; this includes conversion of some buildings (such as offices and shops) into residential use in some locations, with a streamlined planning process.



# Understanding your Planning Permission

## Implementing your permission

Once planning permission has been secured, you will need to understand the requirements of the permission and any associated risks, when deciding whether to retain or sell on the development site. There are three main considerations:

### **‘Conditions’**

A planning permission will include a suite of ‘conditions’.

These are likely to require the submission and approval of further information prior to certain stages of construction commencing.

Conditions may also stipulate requirements, for example the hours of operation of any commercial use.

### **‘Planning obligations’**

Planning obligations are legal obligations designed to mitigate the impacts of a development proposal (e.g. by funding additional nurseries, medical and community centres to support new and existing communities). Planning obligations are commonly referred to as ‘Section 106’, ‘S106’, or ‘developer contributions’.

The boroughs’ expectations for planning obligations are set out in the Local Plans. Obligations generally take the form of financial contributions.

Another form of a ‘planning obligation’ is the provision of affordable housing; this is a policy requirement on most residential developments in London.

### **‘Community Infrastructure Levy’**

The Community Infrastructure Levy (CIL) is a charge which can be levied by local authorities on new development in their area. It is an important tool for local authorities to use to help them deliver the infrastructure (e.g. transport, flood defences) needed to support development in their area.

Some types of development are exempt from paying CIL.

# Building the scheme

# Delivery Routes

## Tried and tested routes to delivery

There are well-trodden paths to bring a development project to fruition in London. Delivery routes will always depend on the partners involved, their skills, capabilities and appetite for risk and reward. To this end, bespoke partnership and delivery arrangements are common – and specialist advisors can help to shape the associated governance, legal, and financial arrangements. However, many of these bespoke arrangements sit within the following broad categories. Investors can find partners through Opportunity London or agents.

## Delivery Options

### 1. Direct Delivery

Investors act as funders and development managers and are responsible for delivering the development, employing specialist contractors and advisors where required. The investor leads design and delivery, including the initial design work, securing planning permission, letting and monitoring build contracts, achieving practical completion, and finally implementing marketing and letting strategies.

### 2. Joint Venture

The project is delivered in partnership with others who contribute land or funding as equity. Partnerships often include developers, boroughs, or specialist providers such as housing associations, who deliver and manage affordable housing. Bespoke partnership arrangements govern the roles, responsibilities and risk allocation of each organisation.

### 3. Buy and sell land

Sale of land, by tender, or on the open market. At appropriate milestones (such as achieving planning permission) an investor could dispose of a development site to a party equipped to deliver development. Equally, many choose to acquire land with the benefit of a planning permission to reduce risk.

### 4. Funding-only

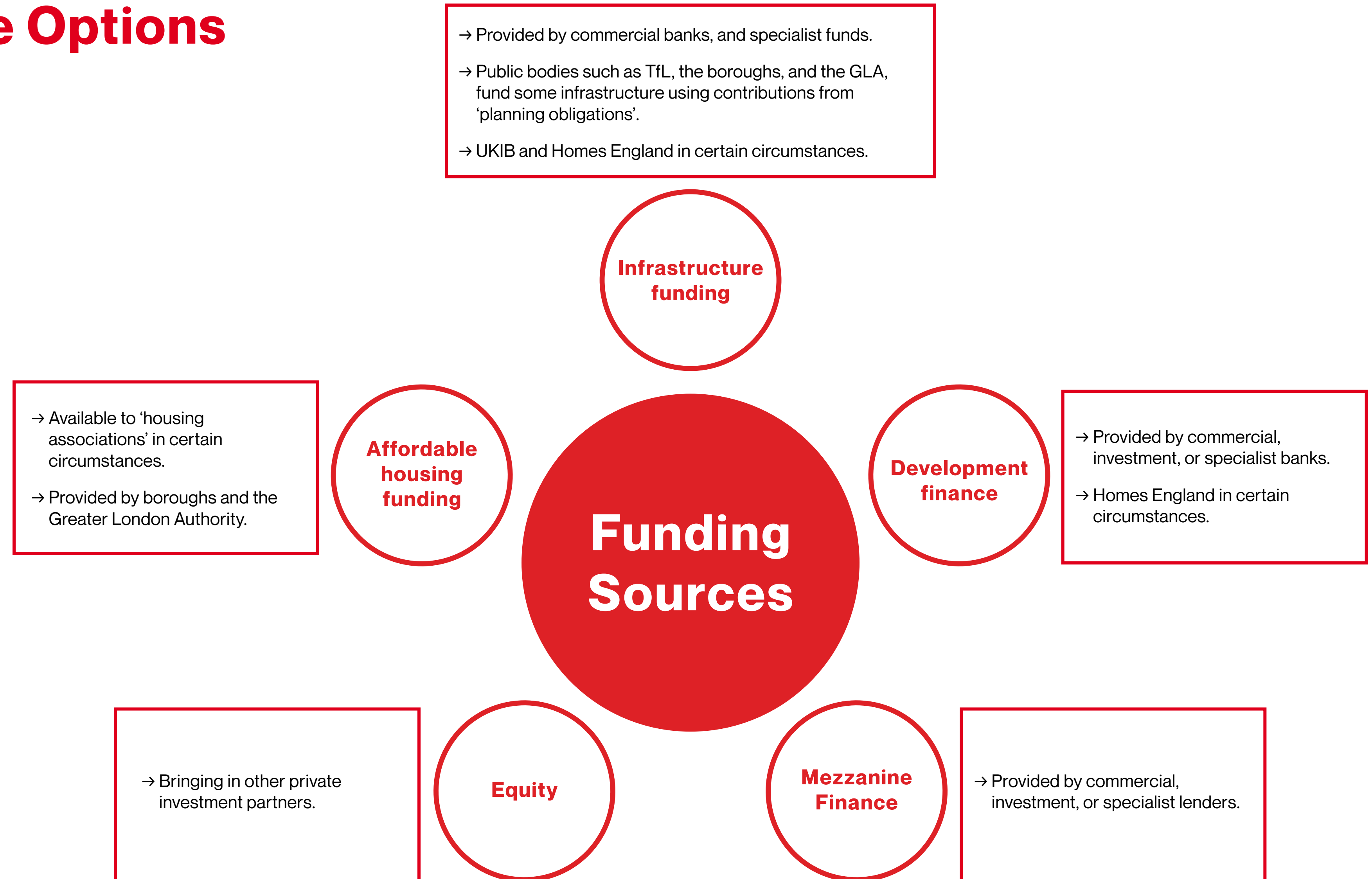
The investor is responsible for providing funding, while delivery is outsourced to a partner. This could be through a 'development agreement' or a 'development management agreement', whereby other specialist parties take responsibility for the development and delivery of the scheme. Forward funding arrangements are also common in the London market.



# Funding and Finance Options

## How to find and optimise project finance

Investors might be seeking to pull together a package of funding for a project(s); advisors will be able to support in identifying other appropriate sources of funding, though some of the key starting points are summarised below. Advisors can also support in refining development strategy to optimise a scheme's viability and return to investors. Given the range of tax, insurance, currency exchange considerations, it's worth selecting a panel of advisors across a range of different specialisms (tax, legal, development strategy, and so forth) to identify and manage areas of risk.



# Project Management

## Procuring contractors in London

Procurement of contractors will always be bespoke to a development site, and the investor's requirements; but there are three pathways commonly utilised by investors in the London development market. Procurement routes will depend on project complexity, time constraints, budget and client appetite for risk. An advisor can help selecting a suitable procurement route.

### **Traditional (Design-bid-build)**

This route involves separate design and construction teams reporting directly to the client. Once the design team produces detailed project specifications, the project is put out to tender for contractors who bid based on the provided specifications. The client bears much of the design, construction and cost risk.

### **Design and Build (D&B)**

There are various forms of D&B procurement, but typically the client procures a single contractor to undertake design and construction. The contractor becomes your main point of communication, and they take on most of the delivery risk, however the client manages design until the contractor is appointed. The contractor bears much of the design, construction and cost risk.

### **Construction Management**

This method usually tenders out individual trade packages enabling investors to directly appoint separate contractor and subcontractor teams. A construction management team could be appointed to provide input on constructability and cost, particularly during early design phase. The client bears much of the design, construction and cost risk, but will also reap any rewards.

# Public Sector Partnerships

Public-private partnerships are an established and successful delivery route in London

In London, there are many instances of public-private partnerships successfully implementing high-quality developments. Selecting the appropriate partner is essential and necessitates a deep comprehension of what each party wants and needs. Public sector bodies are subject to specific procurement regulations. Advisors can provide detailed advice on identifying the right partner to meet your needs, and the formal procurement process to instigate the partnership.

Investors can form partnerships with public-sector bodies in a variety of ways:

**Project-specific partnerships:** This model involves a bespoke arrangement for the delivery of a specific development site. The sharing of risk and reward between public and private partners is governed through contracts, and sometimes through the establishment of a new corporate entity. Equity contributions (often including a land contribution) and delivery responsibilities will vary according to each partnership.

**Strategic partnerships:** Some local authorities/public sector entities may secure a strategic development partner, providing opportunities for development and investment in the longer-term. For example, TfL (more specifically, its property arm 'Places for London') has had a long-term partnership with Grainger to deliver Build to Rent homes. Equally, a number of 'Business Improvement Districts' in London (business-led organisations, which work collaboratively with the GLA and boroughs) are seeking partnerships with investors. There are also 'sub-regional partnerships' whereby a number of boroughs come together, seeking to scale investment opportunities.

**Public sector entities are subject to specific procurement regulations which ensure transparency, fair competition and value for money for the public purse.**

**“Find a Tender Service” is used to publish these opportunities.**

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