Leader

Guy Montague-Jones, deputy editor

Tell us what you think about the prospects for development by tweeting **@guy_montague-jones**

Nothing ventured, nothing gained

With Brexit putting the brakes on the market and retail seemingly in freefall, you'd think that there couldn't be a worse time to launch a new venture. And yet now, like London buses, three come along at once.

Just a fortnight after we revealed that Rob Tincknell, the former boss of Battersea Power Station Development Company, was launching a new development outfit, M7 has set up a development arm and former Brookfield president Martin Jepson has joined forces with Grafton Advisors founding partner Chris Cope to launch Ergo Real Estate (p1, p17).

What all these new ventures have in common is a focus on development - a sign that, despite the current challenges facing the market, leading industry professionals have confidence in the long-term outlook and can spot an opportunity when they see one.

The launch of Ergo is a particularly exciting prospect. Jepson's track record in the City and Cope's in the West End make them a formidable pairing. They have a cool £300m to invest. But isn't it a bad time to be investing in anything other than super-safe income-producing property? Far from it, says Jepson. Although he questions whether pricing in London has adjusted enough to compensate for the risk of a no-deal Brexit, he reckons that the next two years will be a good time for Ergo to be on the hunt for value-add deals and development sites.

It is a persuasive argument. Obviously, it is easier to pick up a bargain when the outlook is uncertain and everyone is sitting on their hands than it is in a red-hot market when everyone is looking for a piece of the action. And importantly, Jepson and Cope have both the know-how and the financial backing to mitigate the risks of a downturn.

Their first acquisition is 2 Brindleyplace in Birmingham, which is let to Lloyds until March 2022. If Lloyds decides to move out then, there will be a chance for the Ergo duo to put their skills to work transforming the building and ultimately letting it out at a higher rent - the property is currently let at little more than £25/sq ft, in a market where top office rents are pushing £34/sq ft, so there is obviously plenty of scope for rental growth.

Irrespective of the potential commercial upside, there are a host of social reasons why the launch of new development companies should be welcomed. The decline of bricks-and-mortar retail, the rise of online shopping and the boom in flexible offices will make many properties redundant in their current form - the sale of a shopping centre in Kirkcaldy in Scotland this week for just £310,000 is a timely example.

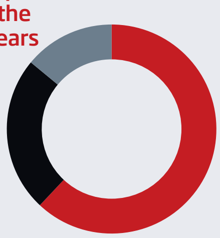
The UK needs developers of the calibre of Tincknell, Jepson and Cope with the skills to transform properties such as this. With Brexit threatening to send the property market and the UK economy into a downturn, there is a lot at stake.

Five most read @ PropertyWeek.com

Week ending 06.02.19

1. Avison Young completes GVA acquisition
2. Ex-Addison Lee duo set sights on property market
3. LSH poaches CBRE director to lead industrial and logistics
4. Property companies hit hardest in Q4 2018
5. Acuitus set for third attempt to sell discounted Forum mall

Previous question: Is data showing weakness in London's housing market a sign of further pain ahead in 2019?



This week's question: Is British Land's decision not to buy Fizzy Living a setback for the build-to-rent market?

- Yes - it would have been a landmark deal
- No - BL still plans to invest in BTR
- Maybe - Depends where both parties go from here