

Property
Week
Interview



ANDY BARNHAM

A small firm that thinks big

■ Fitzroy Place launches on 5 February. Exemplar co-founders Clive Bush (far left) and Daniel van Gelder explain to **Felicity Francis** why it was “an absolute labour of love” and reveal what they are planning to do next

Daniel van Gelder and Clive Bush are in a buoyant mood... and they have every right to be. The co-founders of developer Exemplar are on the verge of adding one of Westminster’s largest mixed-use developments to their roster of completed projects.

Fitzroy Place, which officially launches on 5 February, has a distinctly European feel to it thanks to Exemplar’s bold decision to give each office in 2 Fitzroy Place a balcony of its own, yet it fits in well with its surroundings. The tenant of 1 Fitzroy Place is certainly pleased with it. Estée Lauder has now put up hoardings to display its brands in anticipation of moving in – a date is yet to be set.

Of course, the duo haven’t always been so relaxed. The last decade has seen one of the deepest recessions in modern history, particularly for the real estate industry, and Exemplar has had to overcome its fair share of challenges. But overcome them it has, and now, as Fitzroy Place nears completion, van Gelder and Bush are already seeking out their next projects.

The two left Development Securities to form Exemplar in July 2003, “out of a wish to do it ourselves,” says van Gelder. “We were bound by the ways of a plc. It was the right time to set up our own little venture, have a bit of fun.” The strategy? Simple: “Buy low, sell high – it was a cunning plan.”

One that has clearly worked. Since then, Exemplar has completed more than 30 projects

across the UK, most in or around London, totalling 30m sq ft of space. The company boasts some serious office lettings, such as Addleshaw Goddard’s preletting of Milton Gate just before the crash in 2007, BlackRock taking Draper’s Gardens mid-recession in 2009 and Estée Lauder preletting the entire 140,000 sq ft at 1 Fitzroy Place last year.

The firm believes its USP is its ability to add value by implementing new ideas and successfully managing an asset. “You hear the words ‘active management’ bandied around by everyone, but no one really understands what it is,” claims van Gelder. “It’s a lot of time and effort, that’s what you need.”

Ever since Exemplar’s first purchase – of Leon House in Croydon in 2003 – creating value in this way has been crucial, agrees Bush.

By “swapping a guard with ‘security’ written on his jumper for a trained receptionist” and “improving the general environment around the building” suddenly tenants were moving in, not out, he recalls.

Rents subsequently moved up, from £12/sq ft to £18/sq ft. But that had little to do with the market, says van Gelder. “It’s about sitting down on day one and working out what we want to do,” he explains. “We don’t sit and hope the market moves. We want to make a difference to this piece of real estate, find creative ways to clear out old plant rooms and refill them with office space and so on.”

Establishing the right finance model and partner

is key. Exemplar works with different partners on each project, from long-term investors such as the Crown Estate to pension funds and overseas investors.

“What separates us from others in our field is we have a very flexible approach to how we finance projects,” says Bush. “We have financed some of our products 100% on our own account to a certain stage and then brought in a partner. We find the best, most imaginative funding solution for that particular project. In the UK market at the moment, there’s a plethora of people looking to invest and we have very good contacts with all sorts of people. That’s a great advantage of being a privately-owned business.”

Close teamwork

Van Gelder and Bush are keen to emphasise how the Exemplar team works. The two work closely together on every project – “we’re the very best of friends,” says van Gelder – with one taking the lead, and the other members of the business getting involved too.

“We don’t run the business like our competitors, with a buy team, a design team, a leasing team and so on,” says van Gelder. “For us, it’s cradle to grave – the person who comes up with the ideas sees it through. To us, there’s no better person to market a scheme than the guys who know how it’s built.”

It is one of the reasons Exemplar only has 13 members of staff. “We like our size, being hands-on,” says van Gelder. “We’ve both worked in larger organisations and we find it less fun. As soon as you have an HR department something’s going wrong, in my opinion.”

“What splits us from others is we have a very flexible approach to financing projects”
Clive Bush



« The firm is also firmly not for sale. “We’ve turned down numerous approaches to buy us – weekly would be an exaggeration. It’s not our thing; we enjoy working for ourselves and the way we are. It means our partners enjoy working with us.”

This team approach is also what carried the business through the recession, says Bush. When the market crashed in 2007, Exemplar was mid-way through various projects, including Drapers’ Gardens – which was funded by Lehman Brothers.

“That was the worst moment,” admits Bush. “It was a very difficult situation. Bank goes bust, others stop funding and you have to resolve the situation. We had to see our contractor and explain the situation, and work with our JV partners to make sure they were funded every month. But we turned it into a success.”

Despite the finance tap being so abruptly turned off, Exemplar kept the project going. “The fact that we paid a contractor every month on time meant that everyone working on the building, hundreds of people, got paid,” says van Gelder with pride. “Our guys – we didn’t lose anyone during the recession. It promotes – love is the wrong word – but it engenders strong relationships with our suppliers and team.”

Bush adds: “We learned very quickly that you need to keep looking forward. We had a large number of projects and resolved our differences with our partners. When you hit the buffers, that’s

when the fact you’ve got loads of guys you’ve known for years working with you is really important. And we had a great run in 2009; we were buying at the right time.”

Mixed-use as mainstream

While about 80% of Exemplar’s schemes are offices, mixed-use is playing an increasingly prominent role in the firm’s strategy. It made its first step into the residential market with the acquisition of the Goodman’s Field site in 2006, subsequently securing planning for a 1.5m sq ft mixed-use scheme, including residential, a hotel and offices.

Exemplar is also currently on Westfield’s shortlist to develop a vast scheme of more than 1,300 homes as part of a £1bn extension to its centre in White City.

Nowadays, of course, “every developer is mixed-use,” says Bush, though he believes it was Exemplar’s willingness to develop both the commercial and residential aspects of Fitzroy Place that helped win the deal.

Super-luxury residential development is not on the cards, however. “We’ve always understood the residential market we want to be a part of, which is the £600-£3,000/sq ft market,” says van Gelder. “We’ve never been interested in ultra-prime. We’ve had numerous offers to work with buildings, but we like the London market that sits between the volume housebuilders and ultra-prime. That market

will continue for many years to come.”

As chairman of the Westminster Property Alliance, van Gelder has been particularly vocal about the rate of office-to-residential conversions in Westminster. This does not mean that he is against conversion to residential per se, he insists.

“It’s about the balance,” says van Gelder. “We’ve been concerned that the scales have been tipping way in the favour of residential and we’ve been losing valuable office plots, not just in Westminster but in central London. And if you can’t have jobs where the infrastructure is, what’s the point in having infrastructure?”

Indeed, infrastructure and how London handles its rapidly rising population are two subjects preying on the directors’ minds. As part of van Gelder’s work with the Westminster Property Association, he is looking at how the industry should be planning for the next 20 or 30 years. He is adamant on one point in particular. “There’s absolutely no doubt that London has to grow,” he says. “Buildings will either have to go up a little bit or out a little bit.”

Bush believes that the best thing that could happen for the property market right now would be for a decision to be reached over airport capacity and large infrastructure projects such as Crossrail 2. The fact we are again in election year and faced with the possibility of another hung parliament does not make it very likely, however.

“This is the issue with politics,” says Bush. “Big decisions that are good for the real estate industry generally get kicked into the long grass every three years as nobody wants to make a decision. So the

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Daniel van Gelder

best thing for the UK property industry would be a majority government rather than a hung parliament.”

“We need certainty,” agrees van Gelder. “The biggest problem in the UK is the political nature of the planning system, and that’s something no party can address. Schemes like Fitzroy cross electoral cycles and require huge amounts of investment by developers taking huge risks. It’s very difficult for developers to take those risks if a different party comes to power and changes the rules overnight.”

This is exactly what happened in Hammersmith & Fulham, he points out, and Exemplar certainly had its share of challenges with the Fruit & Wool Exchange in Tower Hamlets (see box-out).

Future schemes

Even now, the future isn’t entirely mapped out for Exemplar. Two big schemes are kicking off this year, One Bedford Avenue and the Fruit & Wool Exchange, but the duo say they would “definitely like to find some big new office schemes to do”. They are very selective on what they go for, however.

“We rarely bid and when we do we generally win,” says van Gelder. “We’re always bound by the mantra that any monkey can pay too much for a site.”

When asked if any recent sales spring to mind, he grins: “Can’t think of any at all! Scotland Yard looked like a bargain to me...”

What Exemplar really likes is “the edge of core,” adds Bush. “As core changes, the edge of core changes, so we’re always alive to new opportunities in those areas.”

Both are convinced that there is significant rental growth still to come in London and are committed to doing more projects in the capital, but they are also on the hunt for projects around the UK. “Outside London, we’re looking at quite a few big regeneration sites, probably brownfield, mixed-use where we can bring our track record of residential and first-class commercial to hand,” Bush elaborates. “The difference outside London is that when you see the planners, they’re actually pleased to see you.”

So what could hamper the developer’s success? It boils down to wider market turbulence and the uncertainty created by the forthcoming election. To van Gelder, the biggest threat to the market is “envy-based taxation and anti-international investment taxation. We have to recognise that London is a world-class city on a world stage. Markets have a habit of self-balancing over time and I don’t think you need to regularise the market as much as some of the parties are proposing.”

The uncertainty of the next few months undoubtedly poses questions for developers. Plummeting oil prices may provide a boost, but construction costs are still rising. For Exemplar’s current projects, contractors were engaged two or three years ago, so the firm has yet to come up against this, but it makes it all the more important to buy sites at the right price.

The good news is that so far Exemplar’s track record has been, well, exemplary. All they need now is another scheme of the scale of Fitzroy Place to come to the market. ■

Exemplar’s schemes



Drapers Gardens, EC2

Size: 290,000 sq ft of offices

Partner: MSREG and Canary Wharf Group

Status: Fully let to BlackRock

“It was really difficult to construct due to the archaeological finds and we finished it in 2007/2008, which was a really difficult time,” says van Gelder. “But because we delivered it on time we delivered it into a market where there wasn’t much stock, so BlackRock saw the opportunity.”



Fitzroy Place, W1

Size: 570,000 sq ft, including two offices totalling 220,000 sq ft, 235 apartments and 20,000 sq ft of retail

Partner: Aviva Investors and Kaupthing

Status: Fitzroy Place launches on 5 February

“It’s an absolute labour of love,” says van Gelder. “We came up with a completely new concept when we won the bid. Our strategy to split the offices has been successful as we’ve managed to prelet a whole building to Estée Lauder.”



Fruit & Wool Exchange, E1

Size: 300,000 sq ft, comprising 260,000 sq ft of offices and 40,000 sq ft of leisure

Partner: M&G Real Estate

Status: After a long planning battle, permission was granted by London mayor Boris Johnson and demolition will start imminently. “This is a really good example of a contextual solution that works in the local environment and in terms of our tenant market,” says Bush. “It’s going to be a really impressive building.”



One Bedford Avenue, W1

Size: 70,000 sq ft of offices and 14,000 sq ft of retail

Partner: Ashby Capital with Bedford Estates

Status: Construction will begin in autumn 2015 to be complete in 2017

“This is a massively improving area and illustrates what we’re looking for at the moment,” says Bush. “This area is going to move from defunct computer shops and furniture to a fashion-orientated area.”



10 New Burlington Street, W1

Size: 190,000 sq ft of offices and retail

Partner: The Crown Estate

Status: Completed in March 2014. Retail lettings include J Crew, and office lettings include Capstone Investment Advisors and Finisterre Capital.

A more unusual element to the scheme is the inclusion of a 14-seat cinema room for the sole use of office tenants. “They love it,” says van Gelder. “It’s a little bit of fun; it doesn’t cost a lot of money.”

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