

Fund pays £7m for freehold block of flats in Earls Court, SW5

Grosvenor and O&H seek £200m from investors

Lucy Barnard

The Duke of Westminster's property company, along with Eli Shahmoon's and David Gubbay's investment firm, O&H Properties, are hoping to raise another £200m for their restructured residential property fund.

This week, the newly named Grosvenor Residential Investment Fund exchanged contracts to buy a freehold block of 18 flats in Earls Court, SW5, for £7m, meaning that the fund's initial £50m equity is now fully invested.

The fund, which is 50% owned by Grosvenor and 50% by O&H, will start targeting

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institutional investors in the new year, and hopes to increase its value to £250m by the end of 2008.

John German, the manager of the fund, which was restructured as a Jersey Property Unit Trust in October, said the deal on 17-19 Nevern Place was in line with the fund's strategy of buying upmarket houses and flats across affluent areas of London and the South East. It buys

average lot sizes of £250,000.

He said: "We are not targeting the super-luxury end of the market, such as Mayfair and Belgravia. Grosvenor already has exposure to residential property in this area. However, with enfranchisement, the company is losing a great deal of its residential exposure, and this fund is an attempt to rectify that."

He added that he viewed the slowdown in the UK property market as "a good time for picking up opportunities".

The fund, previously known as the Talbot Residential Investment Fund, is unlikely to be geared. It has a portfolio of 172 houses and flats located across the South.

In brief

Fairview buys rail yard

Fairview has bought London & Continental Railways' former rail yard for a £51m housing scheme. The housebuilder is working up plans to redevelop the 15-acre site on Hunter Avenue, which is one mile from Ashford town centre in Kent, as a mix of private and affordable flats and houses. Construction is anticipated to begin in January 2009 and to be completed by June 2011.

Groveland pays £7.55m for sports ground

Insurance group Royal & SunAlliance has sold a 1.5-acre residential development site in Raynes Park, SW20, to Groveland Estates for £7.55m. The site, part of a 12.5-acre private sports ground owned by RSA, has planning consent for 50 homes, 16 of which will be for affordable housing. The remaining 10 acres will be given to the council as part of a section 106 agreement.

Study defends section 106 agreements

Section 106 agreements are not the main reason for slowing housing development in London, a new study has found. London Development Research questioned 100 developers and planners across the capital, and found that the average scheme takes 15.4 months to get to the stage where there is a resolution to grant planning consent. However, schemes in the capital take only 3.3 months to get a s106 agreement and gain full planning consent.

AIB set to sell South Bank tower site

A development site earmarked for a 23-storey residential tower has been put on the market.

AIB Investment Managers has put the 1-acre Brandon House site at 170-194 Borough High Street, SE1, up for sale for £19.4m - reflecting a 6% yield.

Although the site does not have planning consent for housing, Knight Frank, which is advising AIB, said that indicative studies showed that it had scope to be redeveloped as a 23-storey residential tower. However, it would also need

to include 40,000 sq ft of office space to comply with Southwark council's planning policy.

The scheme, on the corner of Marshalsea Road, sits opposite the entrance to Long Lane, where Berkeley Homes is building 572 flats at Tabard Square in a 22-storey residential development.

Two residential towers are already in the pipeline on the South Bank: the Beetham Organisation's 52-storey block on nearby Blackfriars Road, SE1, and the 43-storey Coin

Street Community Builders' Doon Street scheme.

Food and consumer products manufacturer Unilever has around eight years to run on its lease of the office buildings - which occupy one-third of the Brandon House site - but has sublet the space to government occupiers.

It is understood that Unilever wants to surrender its lease, but would need to reach an agreement with both tenants - one of which has a lease break in 2009.

BOVIS CHIEF EXECUTIVE CALLS FOR NEW USE CLASS

The chairman of the UK's sixth-biggest housebuilder has called on the government's new Homes and Communities Agency to support proposals for a new "build to let" planning class. Speaking before the All Party Parliamentary Urban Development Group on Monday, Bovis chief executive Malcolm Harris urged the newly merged

quango - consisting of English Partnerships and the Housing Corporation - to consider the problems with the planning system if ambitious government targets were to be met. "They should consider a new planning class purely for the rented housing developments," he said. "What concerns me is that the buy-to-let investor is just a single person." The

group includes industry witnesses, representatives from the Housing Corporation, Manchester council and the Greater London Authority. Four years ago, the BPF submitted the same idea to the Barker Review, suggesting that the proposed use class would create more affordable housing and improve standards. The group will publish its report in February.

