Downing

Will Powell, Investment Director at Downing – host

Omer Weinberger, CEO at Avanton - guest

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You're listening to Funding Foundations, your podcast for all things property. I'm your host, Will Powell, here in the Downing offices and in this series, we discuss market moves, sector challenges and more with special guests every episode.

Today I'm delighted to be joined by Omer Weinberger, founder and CEO of Avanton, one of London's most active residential developers and a man who has quietly amassed one of the most ambitious regeneration pipelines in the capital. Welcome, Omer.

00:00:30

Thanks, Will. Pleasure being here.

Thank you for joining. Omer, we'll go straight into questions if you don't mind.

You started out in real estate investment both in Europe and in London before eventually founding of Avanton in, I believe, sort of 2016, 2017. I'm curious to understand what drew you here and why the switch from initially financing development into building development.

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I actually started out in my dad's office when I was about 10. So, my dad's a real estate developer back home. And I always found extremely interesting and quite attractive the negotiations, the trade of buying something, adding value to it as a manager.

And I tried actually not to follow his footsteps. So, I was quite academic. I did my undergrad in finance, my MBA in London, quite international background. I was born in Israel, studied in Germany, and then I studied in London. And I ended up working for a private equity fund. And I learned a lot during the three years I was there. We did credit opportunities, mostly asset-backed.

And at some point, my boss was like, you seem to get a hang of real estate. Why don't you focus mostly on real estate?

And we did quite a lot.

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I think we did, this is like 2010 post-credit crunch, where the banks were simply definitely not lending, but looking to offload their books and trying to avoid taking stuff into special servicing.

And I seem to remember, you know, very interesting take on the market where you could buy stuff from the banks at 20p, 30p on a pound, add capital, finish a project, and IRRs as a lender with a profit share. You know, they were like 25%/30% on a very conservative assumption of like 2010, 2011. And then of course, in 2012/13, we started seeing the market recovery.

And I really liked what I was doing. I didn't come from, as I said, I came from a family office, quite old-fashioned type of studying and learning. And I did investment committee papers, credit papers for LPs. And I found it really interesting.

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But then at some point, probably in 2012, the market just changed. And as a lender, you couldn't have achieved those returns and people started coming to us for equity. And in 2012, like a very nice guy stepped into the office and offered us to lend on land in central London, like in W1, 5 minutes from Oxford Circus, very special situation, which we loved, but the ticket was so small.

So, I was like, you know what, maybe I can place a ticket myself. So, I had some savings, called a few friends, and I raised about 3 million pounds and took over the opportunity whilst working for the fund. I left about six months later and it was an excellent trade. I mean, we did more than 5x on our money within two years from promoting land in Westminster.

I learned a lot about London in that point, but I think what I then realized, there's a gap in the market, at least this is about 15 years ago, 14 years ago, when land without planning, you could buy for X, you'd pay some hope value premium. But once you get planning, and if you do your checks in advance and you're quite hopeful and optimistic, you're going to get the planning and, you know, touch wood, we've got 4000 units consented since that day in London.

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I enjoyed being, in the passenger seat, but I think I really like to drive the car.

Sure. I think you summed up very well and a really interesting background.

I mean, I think development, you know, to be a principal developer, I think takes a real jack of all trades approach and, you know, fundamentally you're expected and to thrive and succeed in this market, you're expected to be very good at a lot of different components of that role, one of which, of course, as you touched on, is financing and planning, which arguably are two of the most important, certainly, in getting sites ready for development.

How has that helped you, I guess, in what you've delivered so far?

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I think at the start I was very focused on financing.

I was like, okay, I come from a structured finance background. I'll lever, they said, 70, 80% of cost, but really of value, we're closer to 50%. Paint a very nice picture for the equity, 2x, 3x, great IRRs. And I started moving slightly away from that, not because that's a wrong approach, because I'm sure you guys at Downing, as investor would be great.

You're making 15, 20, 25% profit on cost, but what's my actual IRR gross and net post-tax and post your fees?

And the reason why I slightly moved from that is because the London land market and the London housing market is dominated by very large corporations who have, you know, more capital, more equity in their balance sheet developers and investors, and they, were looking at return on capital on deployed.

And, I had to adapt and say, okay, if we're paying for this site, assuming we're going to get planning and build it, fine, my IRRs are going through the roof, but actually, what would my competitor, you know, back in the day, it was Barratt West London, Berkeley Homes, I remember a few calls from the late Tony Pidgley to Wandsworth Council when I bought my first un-con site in the borough, saying, "Who is this kid that just out paid me on a site in Putney? Hope you're not going to grant him planning for like twenty-five stories."

I did very well out of that deal as well, but, you know, there was - that taught me that, you know, whilst I come from the finance world and from a different country, I have to play by the local rules.

Sure.

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I sort of miss the old days where, you'd pick up the phone to the GLA officers, maybe me, myself direct, or one of our advisors, consultants, and you'd get a meeting within a few days and you get a steer right immediately on what you can and cannot do on the site. You know, meeting the deputy mayor at the time, Eddie Lister, he was Boris's vice.

It was great because the city was inviting you to take on risk and I think they appreciated that, capital has an option; you could invest in London, you could do planning plays and then development, you can buy shares of a listed vehicle, you could buy a box of flats, PRS, before there was the coined BTR term.

And financing and planning play a massive role, but I think first and foremost is establishing relationships. And I think to be a successful developer, you really have to appreciate everyone you meet and they play a role in every part of the way.

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Sure, whether there's, it's fascinating, and I think, in that 14 years or so that you describe, the market has shifted and twisted and changed in so many ways, on all different fronts. And we can only, as you say, fight within the rules of the current landscape and keep rolling our sleeves up.

And it appears you're doing a fine job of that. I mean, Avanton is a relatively, from what I understand of it anyway, a relatively lean team delivering a pretty substantial pipeline.

How intentional is that model? And I guess, how do you think about building a business versus just building projects? Do you give some consideration to that?

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Yeah, I get asked this question quite a lot, mostly from investors, like how can you deliver so many units with just like 14, 15 people in your team? I actually say I'd be happier to go down to 10 if I could.

But we've got a very strong team and I sort of see it as an elite unit. And in my mind, I'm an entrepreneur.

Like I could wake up in the morning and tell my finance, my analyst guy, Cameron, actually I woke up early this morning - which would be a lie because I probably didn't sleep thinking about it all night. And I think we better reposition this asset as, you know, co-living, student, service apartments, whatever it is. Or maybe we missed a trick on the funding structure.

But as I don't think I'm extreme or anything, you know, my job is to be creative, grow the business, bring it forward or my nature as well, but I see every team member at Avanton being the same like me.

So, when we hire people, we always tell them, you're going to be working alone a lot. And we expect you to manage yourself accordingly and prioritise your tasks. And if you don't know what's more important than the other, go and ask, ask your own director.

We've got 4 directors in a company for every division, or if you can't get the answer from them, go and ask Omer.

And I think that's sort of the magic to having a low head count, but senior people, experienced people, and people that actually care. And the culture at Avanton is such that, you know, this is not 8 am to 8 pm kind of place.

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This is, we all arrive around 9, 9.30, and we log off around 6 because I expect the team to be super focused, on their toes, alert during the working hours. And then I really, for me, it's very important that the team is diverse and that people have their own hobbies and their own ambition. The best thing that happens to me is that someone resigns and they say, I'm resigning because I'm starting my own business.

We have people moving on. That's part of the industry, part of just being in business.

But, like, each team member, you know, I'd go to battle with.

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That's great to hear. And yeah, I think, you know, giving people the autonomy and the freedom to fulfil the roles that hopefully they're good at and you've brought them in for the right reasons.

And I think, where we need more people, we scale up and down. When we were selling, we're targeting sales of a couple 100 units a year. We had six people at the sales department, a very significant figure in the sales team.

Now the market's changed.

We've changed.

We deliver more long-term residential alternative living income. The sales team is smaller, but we've got five people in the development, four of them are very experienced. I mean, we're talking about, 15 to 25 years experience each of them in very interesting places.

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Sure. That's great to hear. And thank you for setting out such a detailed context.

I mean, I'm going to move things on to, I guess, the market and more specifically, London is obviously your core focus.

I'll start with just a few statistics.

So, construction starts in London have dropped to their lowest level since 2010. In fact, in Q1 25 last year, 23 boroughs in London recorded no construction starts whatsoever.

Indeed, the numbers behind that are pretty stark.

Molior's research, which we got some of this data from, suggests that only 5,000 residential starts took place in all of 2025, which is 6% of the 88,000 homes needed for that annual delivery. And completions tell a similarly grim story.

In 24-25, there were 28,000 new homes completed across London, well below target, with a prediction of just 9,000 completed in 27 and 28. So, some pretty grim reading across the industry and most specifically and most acutely felt in London. In your view at the coalface as a principal developer, what do you think is the number one causal factor behind this and perhaps what can we do to overcome it?

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I think the number one cause is that the exit for developers is very difficult to estimate.

So if you're delivering build to sell, the sales market is very slow, and it's been slow now probably since Q2 2022 when rates started going up. And buying a home is usually the largest investment a young person would have done by that point of buying the first home. And it's a big commitment, whether you're committing to a mortgage or whether you've got, you know, savings or cash, whether from your parents or you're doing really well for yourself, which is great. You sort of, am I buying in the right time?

And I think there's no sugar coating if you read the papers in the last few years.

You probably touched a bullet if you didn't buy two or three years ago.

Now, when the sales market is slow, developers start saying, actually, my sales tell and post completion sales, you know, I'm expected to be at 60%, 70% pre-sales, which we used to do. I might be at 50% or 40%, and I'm holding my stock for 60% of the stock post-completion.

And what's the value of this stock? And how much will it cost me to hold it?

Whether it's IR returns or debt finance, and I'm going to take out to repay my development finance. And, you know, developers, speaking for the wider group, I don't know if I'm allowed to, but, you know, I think we want to build, sell, move on.

We're happy with the margins that we're targeting, whether it's 20, 25% profit on cost, because it works for us and works for our funders, works for our investors, we can move on to the next project.

When you get stuck on one project, it happens. This didn't go as expected. We were over optimistic on the sales value, on the construction costs, on the duration of the build, the contractor went bust, these things happen, and that's part of being in business.

But when the entire market is slow, and as you mentioned, 6,000 units start or less in 2025 Q1, et cetera, there's a reason.

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It's just that developers can't underwrite their exit.

And when you can't do that, we and many others, start thinking of alternative exits, which is your BTR, your co-living, student accommodation, and other forms of living or alternative value for the assets and dispose of them.

And we're building to a minimum net yield. And when we do that, you know, as I mentioned, you know, whether the cap rates are 4.5%, 5%, 6%, if we think we can deliver a nice delta and a margin above that, that allows us to keep the asset at PC if there's no buyer on the other end and we operate and manage it, happy days.

And I think that's been the change we've done recently, and we've been quite fortunate in raising capital, both debt and equity to support us on that.

Sure.

It's yeah, it's really interesting and I think seeing how the market's shifted, especially on that sales piece, I think is the key point.

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And I mean, before I move on to my next question, I just wanted to sort of segue on something you were saying there is some commentators on the market speculate that the UK is starting a shift towards perhaps a more European model where, you know, the mass market participants are actually going into longer term rental accommodation than home ownership.

You know, traditionally, the UK has always been this bastion of - your home is your castle, buy a home, move up the ladder.

I think, you know, let's not beat around the bush. I think the concept of the property ladder doesn't really exist anymore. You know, I think for some, perhaps it does, but really you're looking at maybe one, two, maybe 3 moves across your lifetime now, whereas historically it might have been, you know, move up one, two, five bed, smaller house, retirement, whatever it might be.

And that concept has really shifted. And certainly for that young professional into, sort of start of adulthood, young family stage. The majority, especially in London, are renting.

Do you buy into that thesis as a longer-term shift or do you think there is just some economic sort of wrinkles that will be ironed out and perhaps that sales market will recover?

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It's a very good question. I think you can't predict where the market will be in 5, 10, 20 years time from now.

But what's certainly a given is that you get into a market, whether it's property, whether it's crypto, whether it's buying shares of Nvidia or anything, as a young person, you start saving, you got several thousands of pounds sitting there in a savings account. What do I do with that money?

It's like, okay, I'm nowadays you find on social media, I should buy shares of GameStop or things like this. And the mass goes to where the mass thinks everyone else is going and it's growing.

Now, I'd be lying if I'd say there's plenty of positive news about the housing market.

So I think people are just conscious that, you know, there's no FOMO of, if I don't buy right now, I won't be able to buy in a years time because I'm going to miss the market. I need to save another 10 or 20,000 pounds to buy a half a million pound flat in London, which should be quite affordable to most people who work in the city and in the west end, in Canary Wharf for young couples, you know, with household incomes of 120 grand, which is the median income for those people working in these locations.

And unless there's plenty of news that are positive on the housing market, on the property market, on rates, on, geopolitics, if you like, that, we're not going to have another war starting somewhere soon.

And maybe, we got two major conflicts happening in the world right now. There's a few others, but, there could be more, there could be China and Taiwan. And people are just saying, actually, that, I didn't think that affects me, but now it does.

So, I think it's more about if you build it, they will come, because actually what we've seen on our first phase of the Old Kent Road, the BeCa, which is 292 homes of which 228 are for sale, within in 2025, nearly 70 deals and values that, you know, I'd say about 10% above our business plan.

And, you know, we had mostly international expats, so people used to live in the UK, some affiliation to the UK, and now live in the Middle East, in Dubai or in Asia.

And they were saying, you know what, I see this as a great opportunity to buy into a regeneration zone.

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But again, now we're about six, seven months from completion and we're seeing a lot of interest from the local market. This was basically we've got viewings, we've got traffic, we're doing some deals here and there, and I won’t lie and say we're doing 5 deals a week, you know, we're doing a couple, sometimes we do 5 deals a month, and which is not a lot. But it's a lot in this market, and we're maintaining values, but I think people want to buy.

They just, they need the right mindset, and you know, they need to be in a place where they're saying, I'm not going to lose money on this. I might need to hold it for a few more years and I'm paying stamp duty and whatnot, but I'm doing a really good investment.

And that might come back sooner than, you know, the five years, 10 years window. But in the meantime, you know, developers are building rental stock.

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The, you know, you mentioned Molior.

I went to a roundtable with Molior and a senior politician in the GLA, probably a month ago now. And there's about 20 developers and not a single developer in the room, and we're talking some very large names, was starting a build to sell project.

And I'm sure you as a funder, you're either saying, you know, pass on the opportunity to fund it, or you're saying, I'll do it by the very low LTV. And then there's no case for the equity to do that because, leverage helps to get to your mid-teens IRR and attract equity.

And I'm actually quite optimistic because London is under-supplied. We've had a massive change in the country where, you know, it was reported in 11,000 people left by April 2025 with the non-dom status changing, a similar number, perhaps a very, increased number on that in 2026.

We don't know, we don't have the details just yet.

And I'm sure, you know, it's very difficult to put your finger on those who are fine in London and semi-living in London or partially living in London but not here. All the time reading, you know, Chelsea dropped 30%, 40%, Mayfair's not selling. Bargains in prime central London.

I don't think that's the case.

I think there are some, there's always opportunities. And if you're a bounty hunter, you might find something. But I actually think that buying a flat in London long term is a good investment. And it's just buying at the right value and something you know you're going to use.

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Sure. Yeah, I think that's spot on.

And just to move things on, I mean, in terms of Avanton's specific exposure, you touched on it just a moment ago, but you've staked a fairly large claim over the old Kent Road regeneration zone. Obviously, three fairly substantial sites, just over 2,000 homes, I think across the three of them, certainly a bold position on one location.

I'm just curious to understand, I guess, what gave you and gives you the conviction in that location and how do you see it developing over the next five years or so?

I first started looking into the Old Kent Road in 2017 when the talk about the Bakerloo Line extension happening was like, yes, it's happening. Government saving or allowing £4 billion to do that - costs are probably more than double today, if they were able to raise the funds to do that.

But I found a location, so you probably can't see, but I always wear comfortable shoes. I like to walk everywhere. I like to feel the ground. I like to look at local businesses. It's something I picked up from a very young age.

I remember when I was looking at sites in other locations in London, like Brixton and Shoreditch, probably 10 years ago, I used to wake up and go early to the big train stations just look at the people, try and understand where they're coming from, what's the commute distance.

I would stop and ask people. I had interns and they'd be standing there and doing a survey. What was your commute to Brixton Overground Station? Whilst people were waiting about 20 minutes to switch between the Overground to the Underground, you know. So, I absolutely love the location.

And the reason why I love it is it's so central and because the transport links, I wouldn't say they're far from ideal. It's not unusual in London to walk 10, 15 minutes to a train station. And it's becoming more and more common to hop on your bike or your lime bike and cycle for 15, 20 minutes, because that's the distance.

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I mean, the Old Kent Road to your office in the city is 15 minutes on a bike, maybe even less. Sure. And I think it's a great pocket.

And when Southwark Council says, we've got a vision for 20,000 new homes, creating so many jobs, the regeneration, you know, you, back then we've had Barclay Homes, we've had LNG, we've had Galliard, you know, doing big regen projects alongside with us.

We were the first to actually win a consent, 1,152 units, back in November 18 on the Ruby Triangle. And I just really like the fact that it's remaining sensibly priced. Because one of the reasons we never go into Nine Elms, for example, is that at some point the values of Nine Elms were like 14, 1500 pounds a foot - I think they've dropped since.

Is that I didn't see why would someone, whether or not they can afford it, why would they pay that amount of money to live there?

I mean, we're talking about, say, a two-bed, 800 square feet, right, north of a million quid. Yes, rates were low and it was still cheaper to pay off your mortgage or to service your mortgage than to rent. But these are a lot of capital appreciation. And now when I'm selling 2 beds at £700,000 on average, and we're talking probably eight, nine years since the Nine Elms price that I mentioned, and we are getting those sales done, I think people see a lot of value. "Actually, I'm in zone 2, I'm really close to cultural hubs, main employment hubs, and, you know, what's my alternative?"

And the market moves to places where they feel comfortable. And I think at these values, and I've always been saying this, and I was always a champion of the Old Kent Road saying, when we started, I think we were talking about 7, 750 a foot. Now we're touching 900 and achieved sales.

And I think at these values, it's a great deal for the buyer. And we're not banking on international people. I think it's actually for people that work and live in London.

Yeah, interesting.

Yeah.

00:29:56

One of the incentives you've got at your BeCa scheme is a "London at last" incentive, which I was really curious to read about. I mean, for the benefit of the listeners, do you mind just explaining that and, well, to the best of your ability and sort of what that offers, you know, versus other incentives in the market?

I think you caught me off guard there.

Sorry.

No, it's something that we did back in 2025. No, I know what you're talking about. We were offering first time buyers, owner occupiers, that we will underwrite their mortgage for them. Right. And that was us trying to substitute, if you like, the very much missed help to buy program and say, right, we all have a big cloud above us where rates at the time they were, I think when we launched it, they were probably at peak, maybe slightly started going down. It might have been sub 5%, but around the 5% mark.

And we were saying, don't worry, guys. We're going to take on us that difference between whatever your mortgage is going to cost and we're going to fix it for you at 4.5%.

And we did a couple of those deals. And since, I think actually mortgage rates have dropped quite a lot. I mean, we're talking at a time that a two-years fixed mortgage was like 6.7%. Right?

And the forward outlook on, the SONIA swaps and whatever you like, me putting my finance hat on, I was like, okay, the forward outlook of the SONIA is, or the mortgage pricing is going to be sub 5%. So, I'm helping someone, they commit to me, I commit to them.

And it was interesting. And we did pick up a few sales from that.

But I think the best trick we've done was in 2020 when COVID started, we set up a TikTok page because everyone was on TikTok and we just, we even had an article about us and we sold a flat through our TikTok channel. Before people even knew what TikTok was.

It does mean, you know, I have a saying that the buyers know the market better than the seller because they've gone and looked at 20, 30 other schemes. They have so many options.

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And the options are to buy, keep renting, not to move to this location, stay with mom and dad, or, you know, plenty of options.

But when they actually decide to buy with you, it means you are doing something not necessarily better than your competitors, but your product suits them the best, the most.

And I think what we're trying to, it's a bit of a, not a secret, but a trade secret, I would say. What we're trying to do at Avanton is to get buyers excited about the project.

And, we haven't touched about region and the effect it has on a buyer when they go into, or actually the BeCa, it's 292 units, but that's part of, like you said, 2,100 units. And you've got Berkeley Homes up the road, 1500 units and LNG and Arada doing the student housing. And this is happening.

Okay, this is a very interesting location. It's still rather cheap. We're not necessarily paying the premium for a region, but we might get it if we hold our stock for longer.

What we're trying to do is get the buyers to really like the product and we spend a lot of time on getting our spec to where we got it, and I think we're getting, the market says, our product is of good quality and, other stock, which is great. Trying to get them sort of like, well, do I buy the flat on the 6th floor with this view or the one on the 12th floor, which is differently priced, probably more expensive, slightly smaller, if you like.

Similar budget, but we're trying to create a competition within the building.

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Sure, and I think that sort of segues nicely into, I guess, the next topic.

I know it's a bit over-talked about perhaps in this market, but BSA and the gateway system that's obviously been brought in more recent times has hit developers of your type hardest in terms of the cost and the time and the sort of financial burden that comes with now going through this extra layer of hoop jumping, I guess, for want of a better phrase.

Given your focus on high-rise and across your current pipeline, how has that comply or new set of compliance changed the way that you design, procure and finance some of these projects?

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I think what BSA has done to high-rise is basically saying there's no viability, no financial sense of doing build to sell.

Because if sales take longer, if you add another year and it's either way, it's two and a half, three and a half years to build, depending on the height and complexity of the product, the property, if you add 12 months to that, which is, you know, the minimum time you should underwrite, although people do start seeing that it takes potentially less time than that to get through the BSA and the gateway two.

Equities, is just saying, well, let's just do build to rent. We save 12 months - sorry, we have the 12 months, but we enjoy rental income doing appreciation during that period.

And I think at the start, people were very nervous about, you know, is a product, is a property going to get the gateway two approval? I think that anxiety is now pretty much out of the market.

A lot of contractors are underwriting it for the client. So, for example, we work with a great contractor who's had massive success recently in that space. And from submission to approval, they're now getting schemes done 16, 17 weeks. And so they're underwriting this. You know, it's a win-win situation.

We tell them, from submission to approval will give you X amount of time to get approved, but that's part of a fixed programme. So we do a fixed price contract ahead of submission and whatever time they gain or save on a programme by getting a gateway two approved earlier, they get to have and have less of a risk of LEDs and whatnot.

So, I think the gateway two is - it's probably going to evolve further.

Today you can't put a spade in the ground before you got gateway two. I think there is some discussion of potentially starting and then moving, you know, stopping it, whether it's foundations or golden brick, until you can start building again. That will make it much more economic because then the impact on program drops from twelve months to probably six months.

Part of the game, isn't it?

Yeah, a massive part of the game.

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Yeah, indeed. I'm interested to hear that.

I think it's refreshing to hear a sort of calm and neutral response to it. You know, I think it's very easy in the market of the last few years to constantly knee jerk at every twist and change in political and regulatory tweak. But actually, you know, this is the playing field that we've got to operate in.

These are the rules. We can sit here and moan about it till the cows come home. But ultimately, if we want to get on and deliver stock. There is, I think, looking sort of glass half full, an opportunity in knowing that it is hard right now and not everyone's going to have the tenacity and the work ethic to get on and bring things through.

So anyway, we'll move it on.

I mean, you sit at the, you know, at the front of all this, you know, you're in planning, you're in development, you're in construction on a number of things. If there was a sort of magic wand given to you, I guess, in the current London development market, one thing that you could change about the ecosystem, what would it be and why?

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I think most of the challenge right now is working with regulated entities, whether it's affordable housing partners, providers, the RPs or just the LPAs, the local planning authority and the GLA. I think they're all trying to do the best that they can and they're doing a great job.

Unfortunately, the time scales that those institutions have do not meet the time scales that private capital has. So, for example, you know, we started looking at the negotiated grant funding route on several of our sites about a year and a half ago, and we had the thumbs up from the GLA, you know what, we like it, get going, you're delivering 40% affordable homes on site, you know, in the 70-30 mix, and we'll support you at such and such grant funding rate per social rented unit.

We said, great, thanks. This is our RP partner, big name, G15. You like them, they like you, you know, let's get going. And when we say let's get going, and you are obviously aware of it as a private investor, private funder, you know, we'd like to get stuff done in two or three months.

The timescale of the public sector is much longer than that. We're looking at nine months, 12 months, 18 months. And what happens, especially in the last few years, is that rates jump up and down, sales start slowing, inflation rises again. So many things change in your viability. So something you've agreed with them 18 months ago is completely irrelevant today.

If I could do something about it, I would say I think the public sector should be held accountable in that if they say they're going to do something, they have a time frame to deliver on that. And if they don't, the private sector, who effectively is risking everything, has an alternative to work through.

Right now, if a local authority doesn't take an application to committee on time, although planning doesn't seem to me to be the bottleneck of development at the moment, but if they miss out, then they can get an appeal for non-determination. And as a developer, best case, you're looking at 10 months, but probably about 12 months. And as I said, you submit a plan application, they've got three months to approve it, you get approved, on an appeal 12 months later, have to spend much more money that you ask for and you have to increase your budget, unless you already know when you take it to planning that it's going to be on appeal.

00:42:06

And sort of final long form question, I guess, before we move into a few quick fires is we've spoken in some detail around, you know, the build to sell model versus a build to rent model. With where base rate is now underpinning, you know, what I think is a sort of acute level of affordability pressure on the first time buyer and even perhaps the second time buyer.

Do you think, again, glass half full, if we see some settlement of the current geopolitical tensions and looking perhaps 12 months, 18 months into the future, and we may well see rates back in the sort of high threes, do you think that frees up some of that sales market again to underpin some of these schemes that perhaps institutional capital were just batting away and saying, no, we're going rental?

No, I think 100% it will free up. A lot of the buyers that are sitting on the fence, if you like, will come back and be more active in the search.

I don't think it will happen overnight. I do think it will also, people will start saying positive things about the housing market. And I think the big thing, and you know, our sales pitch and everyone else in London pretty much in what I like to call inner London, zones one, two, and three, it's significantly cheaper to service your mortgage than to rent.

And we're starting to see, a delta of about £800, £900 a month on A1 bed and north of 1000 on A2 bed in our projects in zone 2.

So, people are informed, the buyer is intelligent, they know this. They're saying, actually, I'm going to get my deposit and the amount I'm saving, they might not be using terms like IRR or return on investment, but they're saying, actually, I'm going to spend 50 grand on my deposit, but I'll save 10 grand on my housing cost. And with a bit of fair wind, I might actually make a buck on this because the market's going to move with me.

So that's why it's not going to happen in my view overnight, because people want to see stability.

Yeah.

I think you're spot on. And I think as well, we in the UK, I think one of our downfalls is our ability as a nation and as a media nation to almost talk ourselves into recession and depression and economic downturns. And as quickly as we can talk ourselves down, theory would support that we can talk ourselves up, you know, and so I think actually it doesn't take, you mentioned it there, it doesn't take much in the way of global, macro global and sort of micro domestic news to actually go, actually, the war stopped over there in Iran. Actually, base rates down at, 4% now or we're at 3.75 down to 3.5. We're, you know, that's two grand a month versus two and a half grand a month.

Actually, things are starting to look up, and actually as those things feed into the media and as the media then feeds back to the nation, I think you can over a period of, say, six months, see a fairly substantial recovery.

And I certainly as an optimist hope that we'll see that both in London and the wider nation.

00:45:30

We'll finish off just, we sort of always finish off with just a few quickfire questions. We'll try and rattle through them.

So perhaps we've gone into some detail on this previously, but what trend in the London market are you watching most closely right now?

Student housing.

I think it was booming, it was hot, everyone wanted to do it. Now people are starting to have a more cautious view on, government policies on foreign students coming into the country, staying after they graduate. Less of an impact for London, potentially, but it's a very large sector.

It's been one of the best performing sectors in the last few years. I think it's one to watch and there'll be some correction if not already happened and might be a good time to get into that.

00:46:26

Interesting. Thank you.

One myth about developers you'd love to bust?

We have a heart. I think, you know, when I did one of my first public consultations, one named the borough, quite a lot of NIMBYs, and I got spat on my shoes, though, you know, you filthy developers, you don't care about us, you only care about making money.

So yes, obviously we're in business to make money, but I think one of the best rewards for a developer is to actually change the landscape of London, if you like, and not so much about creating a legacy, but you know what? We managed to build 69 affordable homes in such location. And what, there's now 69 families that are living there. And to me, that's an achievement.

00:47:31

I completely agree.

The best piece of advice you've received in your career?

Don't get high on your own supply. Build it, move on.

00:47:47

Like it. One project in the Avanton pipeline or perhaps indeed one that you've delivered previously that you're most excited about or proud of and why?

It's a tough competition.

I think the BeCa, which we're now, we're about to complete end of this year, beginning of next, it's been such a roller coaster. The day we bought the site, we took an investment loan because we had carpet right as a tenant and they went into administration on the morning of completion.

So, that was an interesting start.

You as a funder, lender, you'll be like, okay, you are underwriting some rent, that's not going to be there. So, what do we do?

We worked around that, had a great partner at the time, and planning was submitted literally a month after we bought the site. So, we're very quick, we knew what we want.

The council worked with us, 40% affordable housing, numbers worked, couldn't get planning because of COVID, committees delayed and delayed and delayed. And then we ended up delivering this in a partnership with a very large institution and about six months after we had started, the contractor went into administration.

We managed to secure planning. So, we worked closely with Southwark and they were great. We managed secure planning for an additional 30 units. We managed to add value through a few other angles. Maybe I shouldn't name them, but it's taught us so much.

It's not our biggest project, but it's definitely been a long journey. It's, you know, something I'm very proud of getting done.

00:49:58

Certainly sounds like you've earned your stripes on it. It's an easy game, this development, isn't it?

And finally, I guess, looking forward, what excites you most about the London market over, say, the next five years? Where do you think the real opportunities are?

Again, a few options. I think what we're seeing is that there's going to be great value for buyers in central London. So, locations that people previously consider are completely above their budget and not even going to mention living in that location because it's too expensive, I think buyers will realize they're now accessible for them.

And I really enjoy it when people, they stretch.

I mean, every time you buy a home, as I said, like it's a massive investment, you stretch yourself, you do a lot of financial planning. But you're buying into a location and a product that maybe a few years ago you didn't think you'd be able to afford.

So I am bullish on the build-to-sell market when it comes back.

Well, thank you, Omer.

Thanks very much.

It's been a genuinely fascinating conversation. I think the breadth of what Avanton is doing both across the Old Kent Roadside and beyond is really very interesting and I hope our listeners got a lot out of it.

I think it's also proof that, you know, genuine regeneration and development is being done by both the SME market and not just the national PLCs.

Thank you. I hope you enjoyed listening. We'll see you next time.