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# ‘Property developers are considered the equivalent of a modern-day Jordan Belfort, the wolf of Wall Street’

**T**his year I’m celebrating the start of my fourth decade in the residential land and investment business – and boy, how things have changed. When I began, there were no laptops, mobile phones were the size of bricks, and the only way to submit offers was by post or fax machines.

While I didn’t really know much about planning when I started my first business, Blenheim Bishop, things were relatively simple. In terms of development trading there was only a small group of companies focusing on sectors such as small blocks or period investment buildings, planning gain via extensions and additional floors of existing buildings or the larger sites, which were the domain of the national housebuilders.

All the stock purchased by traders was offered generally to them by high street estate agents which were very location-specific, and the larger sites were the domain of Knight Frank and Savills.

## A different industry

My first experience of planning gain was in 2006, when Blenheim Bishop entered into a joint venture with Insignia Richard Ellis. Its client Reuters owned a site in Blackwall Way, E14, which had consent for 600,000 sq ft of offices, but residential was considered more valuable. We recommended Michael Squire architects and GVA as planning consultants, and 12 months later we had planning for a scheme of 716 flats.

Move forward 15 years and the market is a very different place. The planning system is in absolute turmoil and is now the biggest issue the residential property industry has faced for decades. Due to Covid-19, many planning teams are either short-staffed and pretty much all decisions are politically, not planning, motivated.

You require the equivalent of a rugby team of consultant reports, and you can’t submit an application without at least one pre-application submission trying to give the planners what they want – with the supposed response times in the system completely ignored.

## Waiting game

If you are lucky enough to get in front of a planning committee with an officer’s recommendation, the likelihood is you will still be refused for tin-pot political reasons or a lack of affordable housing. This has already been proven through viability studies which are being ignored – particularly in London – as the mainly Labour councils are still transfixed with affordable housing levels and loss of employment.

The other major problem is that most of the representation on the planning committees have no property, construction or planning experience, so are uneducated in the decision-making process in which they are involved.

Many of the committees are looking for a reason, however big or small, to then refuse applications – and I’m convinced much of this is based on the fact that property developers are considered the equivalent of a modern-day Jordan Belfort, the wolf of Wall Street.

The property business is also no longer the domain of a small group of specialists now everyone is at it, and with the vast amounts of equity available from both the UK and international buyers, competition is stronger than ever.

Although we are in a low interest rate environment, development finance and particularly the equity required for more speculative planning gain transactions is not cheap. Most developers and traders have to be optimists by nature, but most of the time they are not achieving

what they thought was possible with the process taking two to three times longer than it should.

A further issue is the value of affordable housing. Help to Buy has effectively killed off the appeal of shared ownership, which at least had some land value. Now in nearly all the consents we see, the affordable provision is either intermediate, discount or affordable rent – all of which have a negative land value.

The icing on the cake is often a complex two-stage review mechanism which is a further attempt to reduce the developer’s profit. And let’s not forget the costs of planning, which for a small scheme is tens of thousands of pounds but for larger schemes can run into hundreds of thousands.

## Bleak outlook

I’m sick of hearing government and local authorities claiming to want more homes in their boroughs. This is clearly a pack of lies, and traders and developers are suffering the financial consequences.

Many of our clients are giving up as the risk simply doesn’t match the reward. If you buy without planning but the intention to build, you are looking at a wait of three to four years, and we all know how the economy can quickly shift.

The sales market has also changed, with off-plan sales thin on the ground as most buyers want to touch and feel the product and many lenders want a significant number of presales before releasing funds. I still strongly believe there will be a wave of insolvencies in the next upcoming months as build costs have also increased between 10% and 20%, eroding profit margins even further.

Only time will tell what the consequences will be, but for many of the traders that make the market and industry what it is, I suspect the end is nigh.