

*The Property Development Process: case studies from 'Grainger Town'*

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## Paper Type

Research paper

## Keywords

Property development, institutional analysis, urban regeneration, public-private partnership

## Structured Abstract

Purpose of this paper	This paper contributes to the theory of property development as a complex process that involves multiple drivers, stakeholders and contributions from many academic disciplines.
Design/ methodology / approach	The paper presents a web-based model of the property development process consisting of seven defined major elements, each of which is sub-divided and linked by functional relationships. <sup>1</sup> The model is applied to three linked case studies drawn from 'Grainger Town' in Newcastle upon Tyne, UK, which involve the conversion or redevelopment of 'listed' buildings in the context of urban regeneration.
Findings	The case studies examined demonstrate the influential roles of many private sector actors and different arms of government. Site characteristics were found to have a bearing on events, as did long-term trends. These inputs were often independent of economic or property market forces.
Research limitations / implications	The paper relates primarily to commercial development in the UK. The three case studies inevitably present particular circumstances, though they do represent the re-use of existing urban sites, which is highly complex and increasingly the norm.
Practical implications	The findings of this paper should be of practical benefit to anyone involved in property development and of particular interest to organisations whose core business is not development or anyone engaged in a public-private development partnership.
What is original/ value of the paper	This paper presents an original way of conceiving the property development process using a web-based model <sup>1</sup> . The model may be used to analyse situations where development is strongly influenced by social, political or environmental factors.

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The outcomes of property development depend on a great many social, political, economic and environmental factors, which are then affected by them. Property development outcomes also result from the involvement of a wide range of public and private actors. However, most development texts tend to focus on the role of the speculative developer. This paper and the model it contains widen the focus to embrace all public and private stakeholders and respond to the need: -

"... to develop an understanding of property development processes which combines a sensitivity to the economic and social framing of development strategies with a fine grain treatment of the locally contingent responses of property actors." (Guy and Henneberry 2002 p1471)

The model presented here builds upon a previously published version (Fisher and Collins 1999). It relates primarily to commercial development in the UK and seeks to replicate the complexity and multi-faceted nature of the practical experience of development. Level one of the model divides the process into seven defined major elements; long-term trends, the economy, property markets, actors, government, the site and the events-sequence (Appendix A contains extracts from the model). Level two divides each major element to form 51 defined sub-elements. For example, Appendix A shows the major element 'Events' divided to form 14 defined sub-elements. At level three these subsidiary elements are linked together to form a dense web of 284 described input-output relationships. For example, Appendix A shows how the sub-element 'Occupiers' is functionally related to other sub-elements of the model. The builders of development related models have often used diagrams to illustrate their concepts (Gore and Nicholson 1991, Keogh and D'Arcy 2000 p388). While many find simple two-dimensional diagrams invaluable, as the level of detail increases these lose focus. This model therefore adopts a web-site platform in which hyperlinks trace a dense net of interactions. The whole web-site model may be accessed using the URL given at the end of the paper <sup>1</sup>.

The practical application of the web model was tested using three linked case studies based upon the development of three properties located within 'Grainger Town', part of the central business district of Newcastle upon Tyne, UK. This paper discusses the seven major elements in theory and relates them empirical evidence from Grainger Town and the three case study sites.

## **The development site**

The development process is not abstract but relates to a real site. The location, physical character and legal ownership of sites justify their separate consideration in the development process. All the components of the development system have a geographical aspect but it is the unique location of each site that brings them together. The potential of a site's location reflects the overlapping geographic targets and boundaries of 'actors', such as occupiers, investors and planners. The particular physical characteristics of sites are also of increasing importance, as development is required to focus on recycling used sites and buildings (Syms 2002 chapters 5 & 6). Adams et al., (2002 p153) underline the importance of the physical character of sites when analysing the planning process relating to brown field land. The site also embodies the power of legal ownership without which there can be no development. At the outset this rests with the landowner(s) but during the development process, ownership may pass through a number of hands in different forms. Sites, with or without work in progress, may be merged or split, mortgaged or leased. In some circumstances the 'developer' may never own the freehold. The site is a start point for the process; it is then transformed by construction into the new real estate required at the end.

Grainger Town was created in the early 19<sup>th</sup> century by developer Richard Grainger, architect John Dobson and Town Clerk John Clayton. The area measures 36 hectares between Dobson's Central Station in the south and Grey's Monument in the north. In 1837 William Gladstone described Grey Street, the focal point of the area, as Britain's "best modern street" (Lovie 2001a p5). Grey Street was the traditional heart of the city's business district where many of the buildings have been redeveloped behind retained façades. In 2002, Grey Street was voted "best

street in Britain" by BBC radio listeners <sup>2</sup>. Of the 500 buildings in the area, 40% are listed as being of 'special architectural and historic interest'. Within England as a whole only 4% of such buildings are rated as being 'Grade 1' whereas in Grainger Town the proportion is 20%. In 1996, however, English Heritage described 65 listed buildings in the area as being 'at risk' (Lovie 2001 p246 & 272).

Site one is a block of property bounded by Grey Street, High Bridge, Pilgrim Street and Market Lane (Appendix B is a location plan). This location used to be the unchallenged prime office area, which today has lost that status due to decentralisation. The development process was conditioned by the physical character and 'listed' status of the buildings facing Grey Street and Pilgrim Street. Apart from three operational pubs, the other buildings had been vacant for some time. The development was marketed as 'Lloyds Court' (illustrated in Appendix C).

Site two is a corner site comprising Nos. 2-12 Grey Street and No. 21 Mosley Street, again located in the heart of the traditional prime office area. The physical characteristics of these buildings greatly influenced the development process. Though the Grey Street buildings were designed by John Dobson and Grade II listed, they were the subject of controversy. Rear vehicular access was not available, gross to net floor-space ratios were inefficient and the buildings facing Grey Street were too low compared to the street as a whole. Having been vacant for some 30 years the condition of all the buildings was very poor. The contested ownership of the site was also central to the development process.

Site three comprises the former Central Post Office, St. Nicholas' Street and the Stamp Exchange, Westgate Road, which was in the same ownership. The property is located to the west of the traditional prime office area. The four-storey Grade II listed buildings date from 1876 and 1894 respectively. Again the physical nature of the buildings strongly influenced their design potential. The Post Office closed in 1993 after which the property was vacant. By 1996 the roofing lead had been stolen causing serious water damage to walls, ceilings and windows. The building services needed complete renewal. The development was marketed as the 'Red Box'.

## Property markets

Development is clearly a response to price signals from property markets. Thus a development appraisal relies upon estimated rental values based on letting market evidence and an estimated yield based on investment market evidence. These two combine to produce an estimated sale value which must exceed the estimated 'land' cost plus construction cost each of which depend on evidence from their respective markets. Where a development is to be let, the commercial development process involves the following five property markets <sup>3</sup>.

Property market	Demand actors	Price	Product	Supply actors
Letting	Occupiers	Rent, service charge	Right to occupy on lease terms	Investors, developers
Investment	Investors	Price (or yield)	Income, possible capital gain	Investors, developers
'Land'	Developers	Price	Land, with or without buildings, with development potential	Various site owners
Construction	Developers	Contract sum	Construction services	Builders
Finance	Developers	Interest rate, fees	Debt capital	Banks, investors

With the exception of construction, the product in each of these markets is traded more widely than just for development. In the 'land market', for example, developers target semi-obsolete buildings, which are bought and sold in the secondary property market and when their

redevelopment value exceeds their existing-use value, they are demolished. Even in the context of commercial development, the housing market cannot be ignored since it competes for 'land'. Today developments are increasingly mixed-use so the relative values and costs of commercial space and housing have to be balanced in the feasibility study. The strength of the many relationships between property markets and the wider economy is clear. The role of some of the actors is outlined above with property consultants acting as agents and market makers. The 'developer' may be characterised as an entrepreneur who conducts business through simultaneously operating in these property markets, either on the demand or supply side. All these markets are therefore linked. The feasibility study sets the bids that the developer is able to make in each market but they should not be able to control prices. Where the appraisal points to a potential loss a developer should withdraw. Property markets are clearly fundamental to development though how they impact on individual sites depends on the local, physical and institutional context.

Prior to 1996, Grainger Town had suffered serious decline for many years. One reason for this was a northwards shift in the retail area. More importantly, the many listed buildings were no longer suitable for modern office occupiers' needs and were unable to compete with decentralised locations, which were often subsidised. In 1992 a report noted that the floor-space vacancy rate in the area was approximately 33% (The Conservation Practice 1992). A regeneration strategy envisaged a strengthened office core and extended retail area coupled with 'leisure corridors' and an increase in the residential use of buildings (EDAW 1996). In 1998 a property consultants' report confirmed suspicions that the office element of the strategy was no longer realistic (Jones Lang Wootton 1998). On the demand side, take-up in Newcastle East Quayside office scheme promoted by the Tyne Wear Development Corporation and business parks notably Cobalt, which as an Enterprise Zone could offer local taxation relief to potential occupiers. The resulting levels of rental values and yields failed to produce viable returns and 'gap' funding was required. In the latter half of the Grainger Town Partnership's life these market forces meant that the 'zoning' approach of the EDAW report was replaced by fluid mixed-use in all areas. This even saw the conversion of offices to flats in the prime offices area, above the Central Arcade, Grey Street.

In 1994 it was possible that both phases of 'Lloyds Court' could have been pre-let to one occupier. However, competition from the East Quayside scheme was intense and in 1995 it was decided to proceed with only the smaller phase one. This was anchored by the ground floor pub with refurbished offices above and new build offices to the rear. The office space within the refurbished listed building was not fully let until 2000. This was due to the lack of raised floors, the small size of the suites and the common stairwell, which made multi-occupation difficult. By 2001 the letting market was stronger, finance was cheaper, property investment was more viable and phase-two was begun.

The redevelopment of 2-12 Grey Street for offices was not financially viable. In 1997 the owners rejected an offer of grant aid from English Partnerships as insufficient. Had redevelopment gone ahead at that time, following compulsory purchase, it would have needed grant-aid. During the late 1990's the Newcastle leisure market grew steadily and strongly such that a hotel conversion scheme became viable without assistance.

'Red Box' was on the edge of the traditional prime office area but during the 1990's decentralisation blurred this distinction. Inevitably some tenants require new space and thus the level of rent that could be achieved for refurbished offices was lower. While new private apartments had been built on the Quayside, those at Red Box were the first in the city centre and sales were slow. Original ideas for a restaurant and art gallery did not prove feasible. When appraised the scheme did not produce a profit and grant aid was needed from English Partnerships.

## **The economic context of development**

Each of the property markets discussed above is part of the wider economy. Demand for new space is 'derived' from various business segments (Harvey & Jowsie 1996, p41). Occupiers within these segments are businesses influenced in their behaviour by economic factors, such as consumer spending, labour availability and cost (Fanning et al., 1994 p120). Property is a specialized section of the investment market where demand and supply relate to the relative price and performance of shares and bonds (DiPasquale and Wheaton p13). The supply side of the construction market is influenced by labour and materials costs, which in turn depend upon, for example, house prices and transport costs. The land market is influenced by the economic cycle where structural economic change during a recession leads to an increased supply of obsolete property and brown field sites (Adams et al., 2002, p149). Property is a security against which banks and others make loans the terms of which depend on risk relative to other lending opportunities (Ball et al., 1998 p324). Property development takes place within the context of the economic cycle and in particular how this impacts on particular regional economies and cities (Henneberry and Rowley 2000). Thus prudent property developers will look beyond current property market indicators to broad economic trends and assess their likely impact on local circumstances and specific institutions.

The North East is the least successful regional economy in England where GDP per head at 77% of the national average is the lowest in the UK (Onenortheast 2001 p31). Traditional heavy industries that were in decline now form a small part of the local economy. Newcastle upon Tyne is the regional capital and the focus for most retailing and service business employment. With the rest of the UK, the region suffered recession in the early 1990s but it recovered more slowly. The fragile economic situation in the mid 1990s meant that, of the three case studies, only Phase 1 of Lloyds Court was developed. During the late 1990s, the City enjoyed prosperity and growth resulting in development most notably of new apartments and offices in the 'Quayside' area. The 'Red Box' was begun in 1997. The City did not suffer greatly from the dot.com collapse and 2-12 Grey Street and Phase 2 of Lloyds Court began in 2001.

## **Private sector development actors**

D'Arcy and Keogh (1999 p2407) offer an institutional hierarchy of property markets on three levels, 'the institutional environment', 'the property market as an institution' and 'property market organisations'. However, this relegates the role of government to that of a 'property market organisation' and does not examine the particulars of sites or the sequence of events. Ball (1998 p1501) groups theories about 'institutions' in property research into four categories, 'mainstream economics', 'power approaches', 'structure-agency institutionalism' and 'structures of building provision'. 'Organisations' are described as corporate bodies directly or indirectly involved in commercial property while 'institutions' are the practices and networks that influence the ways in which organisations and individuals operate and interrelate (Ball et al., 1998 p108). When discussing the roles of various 'actors' in development, most texts adopt the organisational approach (Ratcliffe and Stubbs 1996 p209). Adams et al., (2002) surveyed the behaviour of a large number of both private and public landowners, recording that both types tended to be active in promoting re-development. Using a 'structure-agency' approach (Healey & Barrett 1990) they identified four national and four local structural components with impacts on landowner behaviour. Ball et al., (1998 p124) argue that behavioural differences are more likely to matter when looking at a specific site or development than when aggregated to the city or national level. Most property professionals would probably confirm this practical view. While the concept of 'institutions' is as yet under-researched, 'organisations' are identifiable legal entities and their decisions drive the development process. A full understanding of property development should acknowledge the power of market forces yet accept that the behaviour of organisations matters at the local level. The web-model therefore incorporates the 'organisation' approach; a list of 'actors' and an example are shown in Appendix A.

The first actor to be involved in a development is often the 'land' owner. At Lloyds Court, Sir John Fitzgerald Ltd was the long-term owner of three pubs that made up about one third of the site area and the company assembled the rest of the block during the 1970s and 1980s. The company's primary motive was always as a leisure operator; it wanted to redevelop the pubs, which had narrow street frontages and occupied a warren of inefficient rear accommodation. The company was determined to retain control of the whole site to have freedom to continuously upgrade as the City's bars became ever more overcrowded. It anticipated a growing need for external air conditioning equipment and fire escapes. For these reasons, the company diversified and eventually took on four roles of landowner, occupier, developer and investor.

At 2-12 Grey Street in 1993, Cyril Winskell a local architect designed a 5-story modern office scheme combining a new 'Tyneside classical' frontage to Grey Street with a retained façade on Mosley Street. The scheme was to provide 282 sq. m. (3,034 sq. ft.) retail space and 1,381 sq. m. (14,860 sq. ft.) office accommodation. In 1998 Northern Estates were appointed by the City Council as their 'preferred' developer to undertake the redevelopment scheme. However, Messrs. Poostchi and Gibbon, the site owners wished to convert the properties into a hotel and restaurant for use as one of their leisure businesses.

At 'Red Box' in 1996, a local architectural practice, Alan Smith and Partners, was designing the adjacent office block and looking for new premises. The company was attracted to the former post office buildings by the potential of the large former telegraph office to be used as an architectural design studio. A joint venture was formed with Sky Properties creating Red Box Development Co. Ltd, which acquired the building in 1997, subject to a pre-let of 750 sq. m. (8,073 sq. ft.) to the architectural practice. From the outset the architect turned developer proposed a conservation-led mixed-use project.

## **The roles of government in development**

Apart from planning law and practice, development texts tend not to focus on the roles of government. Economic texts often discuss government intervention once they have established the primacy of markets (DiPasquale and Wheaton 1996). While cities may have come into being as markets, the archaeological record contains equally old physical evidence of active governments. Despite the vogue for 'partnership', the aims and roles of the public sector normally vary from those of the private sector and merit separate consideration. A change of government or of policy may lead to new legislation or regulations altering the legal framework within which development takes place. Government controls the levers of economic policy, such as taxation, with direct effects on the nature and distribution of development. Public expenditure, say on transport, affects the value of development sites through the location preferences of potential occupiers. Adams et al., (2002 p149) describe a structural framework for landowner behaviour where half of the components are government controlled; these are national planning, local planning, public expenditure and grants and subsidies. Trevillion (2002) applies systems theory to the operation of property markets and the production of real estate. His case study shows how Edinburgh City Council, acting as a landowner and planning authority, orchestrated the timing and location of new office development and thus had a major influence on the evolution of the office market. Government therefore has a wide range of macro and micro influences on the development process, though it too must work within practical economic constraints.

Some of Grainger Town's decline resulted from government action or inaction. From the late 1980s, regeneration agencies promoted off-centre business districts and offered incentives to occupiers to locate there. For example, 1,355 jobs (86%) at Newcastle Quayside are local relocations (Greenhalgh et al., 2003 p388). This exodus led to high vacancy in the city centre. In particular, the relocation of two large legal firms from the area to the Quayside was very damaging to market confidence (Robinson et al., 2001 p14). During the late 1980s and early 1990s a range of regeneration policies were deployed in the area <sup>4</sup>. The realisation that a more coordination was needed led to the establishment of the Grainger Town Partnership in 1997. This venture was in the spirit of public-private partnership being promoted by the new Labour

government. While the Partnership Board had wide representation from the public and private sectors, its core funding was public as follows: -

English Partnerships/ ONE North East (RDA)	£26.0m	English Heritage	£0.7m
Single Regeneration Budget (UK national)	£11.0m	Other public sector	<u>£0.8m</u>
Newcastle upon Tyne City Council	£2.3m	Total	£40.8m

(Robinson et al., 2001 p16)

Over the full six years to March 2003 £145m of private finance was invested in projects in the area, rising to a predicted £194m when all schemes are completed in 2006 (Robinson 2003 p13). The partnership's fundamental objective was to secure the physical conservation of the historic heart of the city centre by promoting economic and social regeneration. The Partnership, a company limited by guarantee, did not itself have many executive powers. Newcastle City Council remained the local planning authority and the individual partners retained final control over most of the funding. The partnership saw its role as a catalyst and it is widely accepted that it provided energy and focus to the regeneration of the area (Robinson 2003 p25). There was criticism from some conservationists who feel that too many compromises were made with the integrity of the listed buildings in the name of regeneration. Controversial decisions related, for example, to 'facadism' and the addition of new mansard roofs (Pendlebury 2002 p153).

The government sector influenced the development of 'Lloyds Court' through grant aid of £900,000 from English Partnerships. The Grainger Town Partnership also assisted the developers in two important ways, which are explained below under the 'events sequence' heading.

Newcastle City Council initially favoured the redevelopment of 2-12 Grey Street and was heavily involved throughout as the local planning authority, promoters of a compulsory purchase order and eventually as landowners. The Grainger Town Partnership favoured redevelopment, which it felt provided the better architectural solution. It felt that removing the eyesore, which the buildings currently were, would improve the appearance of this most important street, stimulate local demand and act as a catalyst for other schemes. In addition, modern office accommodation in this location would strengthen the traditional office core. EDAW (1996) had recommended this policy, which became part of the early GTP strategy. Another 'government' requirement, a Justices' Licence to sell alcohol, was a critical requirement for the leisure scheme, but an application in 1998 was initially refused because of uncertainty surrounding the proposed Compulsory Purchase Order. The Licence was granted on appeal in 1999 (Oldershaw 1999 p30-32). English Partnerships included funds to support redevelopment as one of its top priorities in its 1998 Action Plan. The European Commission considered during 1999 whether grants made to private developers by English Partnerships constituted 'state aid'. This caused a period of funding uncertainty until December 1999 when the Commission cancelled the existing 'gap funding' programme.

All the public sector agencies supported the 'Red Box' development. Newcastle City Council, as the local planning authority, welcomed the project since it retained both listed buildings via a mixed-use conversion including housing. English Partnerships supported the development with a grant of £1.7 million. This scheme began in 1997 and was perhaps the best exemplar of what the Grainger Town Partnership hoped to achieve.

## **The influence of long-term trends on development**

Barrett et al., (1978) included 'population', 'household structure' and 'leisure' as illustrations of 'long term trends' in their diagram of the property development process. Such trends affect all the components of the development system and cannot be confined to any one discipline. For example, development is an environmental phenomenon that affects actors, government and markets in different ways. The built environment is produced on the site by the construction phase of the development process. Keeping and Shiers (2004) highlight location, site

contamination, 'green' design and procurement as the important elements of sustainable property development.

Guy and Henneberry (2000 p2399) emphasize the dynamic relationship between economic and social processes and their equal importance in 'explaining' development. One such social process is demography where, for example, reducing household sizes have economic and public policy implications and affect the behaviour of many actors. Demographic factors were relevant to the governance of Grainger Town. In 1996 the resident population of the area had fallen to about 1,200 and the Grainger Town Partnership adopted a target of 2,500 by 2003 (Robinson et al., 2001 p40). Demography also played role in the property market. The strong nationwide social vogue for city centre living among single people and childless couples eventually spread demand from the Quayside up into Grainger Town. The resulting physical refurbishment helped to build confidence among retail and leisure occupiers (Robinson 2003 p19).

Politics is another trend of this type and James Graaskamp stressed the importance of 'political market research' to development (Ciochetti and Malizia 2000p149). Politics puts pressure on public sector agencies to achieve output targets and to give an early demonstration of their effectiveness. By 1996, the 30 year neglect of 2-12 Grey Street had become a 'cause célèbre' of urban conservation (Robinson et al., 2001 p35; Lovie 2001a p12) and was the strongest symbol of the area's decline. Because of the notoriety of this site, the Grainger Town Partnership was under strong political pressure to prove its worth by resolving this problem, either by conservation or redevelopment.

Technology is another long-term trend, which has always been a spur to innovation and thus property obsolescence leading to development. Innovation in the transport of goods and people has always provided development opportunities (McIntosh 1997, chapter 3). Today, innovation in the transport of information and ideas through telecommunications is equally important. The pervasiveness of information and telecommunications technologies in the workplace meant that few businesses in Newcastle were prepared to occupy under-equipped inflexible refurbished office space. In 1998 this caused the Grainger Town Partnership to change its policy direction away from office development (Robinson et al., 2001 pp31-31). The lack of modern ICT facilities was a reason why 2-12 Grey Street was perceived to be obsolete; it also caused letting problems with the first refurbishment phase of 'Lloyds Court'. This problem was overcome at the 'Red Box' by the sensitive use of mezzanine floors.

## **The events-sequence of development**

Most property development texts include an account of the stages or phases of the development process, though the headings are never the same (Cadman and Topping 1996, Miles et al., 2000, Syms 2002). Birrell and Gao (1997) list 14 phases of development: -

- Opportunity / site selection,
- Market analysis,
- Site investigation,
- Feasibility study,
- Professional appointments,
- Financing,
- Planning application,
- Site assembly / purchase,
- Design,
- Tendering /contracting,
- Construction,
- Promotion,
- Letting,
- Sale.

Developer respondents to their survey listed 'letting', 'market analysis', 'feasibility survey', 'design' and 'opportunity/ site selection' as the top five most important phases. The authors stress that the phases should be seen as one part of a generalised model of the property development process and that the actual sequence of events depends on circumstances. One problem with such an events-sequence approach is that it implies a speculative developer-centred process. For example, planning is presented as a hurdle for the developer rather than as a legitimate, independent force. Design is, of course, central to development, with implications for all aspects and all parties. For this reason the final design must emerge from an iterative process involving feedback and revision. The result of the feasibility study largely depends on the predictions made



concerning the five phases of 'financing', 'site purchase', 'procurement', 'letting' and 'sale'. These all involve transactions in real property markets creating legal contracts and financial risk. Though each events-sequence is unique and evolutionary it must form part of a holistic development model. The model defines 'events' as 'decisions, agreements, contracts, permissions ....' (see Appendix A).

Space restricts the discussion of 'events' in each case study to 'Design', 'planning permission', 'site assembly' and 'feasibility study'. The section of 'Lloyds Court' at the corner of Grey Street and High Bridge was at a higher level, which meant the office floors would be divided by 1.5 metres (4.9ft) of steps (see Appendix C). It was therefore decided to change the original Terry Farrell design to reposition the entrance, reception, lift and staircase at the corner; which would also provide a more let-able L shaped floor plan. Normally this change would require a new planning application, which was a risk, since planning policy guidance had become firmly against the 'façadist' redevelopment of listed buildings. The Grainger Town Partnership persuaded the City Planning Officer that the alteration could be dealt with as a variation to the existing permission. The feasibility study estimated low rental values, a high yield and high costs and thus grant aid was needed. The Grainger Town Partnership persuaded English Partnerships to extend the grant period until the market conditions for phase two had improved.

Newcastle City Council originally granted planning permission for the redevelopment of 2-12 Grey Street in 1993. The City Council made an offer to purchase the site in February 1998, though a price could not be agreed. In August 1998 the Council granted listed building consent for the conversion scheme and stated that it was 'minded to grant planning permission' subject to conditions and a planning agreement. In July 1999 the Council granted a further planning permission for redevelopment and stated that it was 'minded to grant listed building consent'. In 1999 a Compulsory Purchase Order was made, including a section of Market Lane for rear access (Oldershaw 1999 pp25-34). A development brief was drawn up and the site was marketed to seek a private developer partner. In October 1999 a public inquiry into the compulsory purchase order opened but was adjourned to allow more time for negotiations. In February 2000, a legal agreement was made between the owners and the City Council, the Public Inquiry reopened and the buildings were removed from the order. Under the agreement, the freehold of the site was transferred to the City Council in January 2001. Supervised by a jointly appointed Building Surveyor, Poostchi and Gibbon then converted the premises to a high standard, for use as an hotel and restaurant. In the event of default by the developer, the City Council would have offered the freehold of the site for sale on the open market (Robinson et al., (2001 p35).

Innovative design led the development process of the 'Red Box'. The high first floors of both buildings enabled recessed mezzanine floors to be installed with minimum compromise to the architecture. These increased the net office floor space at little extra cost. To facilitate residential use, the two top floors were removed from the centre of the site to provide natural light and a roof garden. The concrete roof of the Stamp Exchange also allowed lightweight penthouses to be installed.

## **Conclusion**

The case studies provide support for the multi-faceted approach to property development adopted in the structure of the web model described in this paper<sup>5</sup>. Predictably, the state of the economy and property markets had pronounced effects. In each case study the occupiers' roles were fundamental. In two cases leisure business occupiers took up the roles landowner, developer and investor. In the third case an architect occupier metamorphosed to become a landowner and developer. The web-model treats every 'actor' equally and does not pre-assign specific roles. The web-model explicitly includes the many roles of government within development and the case studies provide ample evidence of these. The action of government was shown to have contributed to the decline of Grainger Town and even the European Union played a key part in the fate of one site. Successful interventions by the Grainger Town Partnership demonstrate that the particular structures adopted by government can alter

development outcomes. The increasing re-use of brown-field land and existing buildings is leading to a closer involvement of government in many aspects of development, not least land supply. The physical characteristics of the three sites and the potential of the existing structures had fundamental effects on how the development process evolved. The original land ownership of the site was also shown to be very influential. A number of long-term trends including demographics, politics and technology had impacts on the case studies. The effects of these trends were felt not only in the economy and in property markets but also in the decisions of private actors and government.

The web model provides a tool to analyse situations where development is strongly influenced by social, political or environmental factors; an example could be the responses of property markets to the pressure for various forms of sustainable development. The model could also be applied to managing development in circumstances where decisions are influenced by multiple stakeholders or public-private partnerships, as is normally the case with urban regeneration. The model could be used to make the development process more accessible to non-developer individuals and organisations that become involved in the development, for example from government, occupier firms or community groups.

## Notes

1. The full web site may be viewed at [http://online.northumbria.ac.uk/faculties/est/built\\_environment/info/staff/peterfisher.htm](http://online.northumbria.ac.uk/faculties/est/built_environment/info/staff/peterfisher.htm)
2. The poll was mounted by BBC Radio 4's 'Today' programme in association with the Commission for Architecture and the Built Environment
3. 'Development' has also been treated as a separate market (Ball et al., 1998 p28)
4. For example, 'Living over the shop' (LOTS) grants from English Heritage and 'Partnership Investment Programme' (PIPS) grants from English Partnerships.
5. It is acknowledged that the three case studies presented inevitably have temporal and geographic limitations; furthermore they all relate to conservation-led regeneration developments in the UK. Additional cases could further support the validity of the model. However, the cases do represent the complexity of re-using existing urban sites and buildings, which is increasingly becoming the norm for sustainable development

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## Appendix A: Property Development Web

Structure						
Long Term Trends	Economy	Property Markets	Actors	Government	Events	Site
Population	Business sectors	Property letting markets	Bank	Legislation	Inception	Location
Society	Finance and investment markets	Property finance markets	Occupier	Economic policy	Market research	Physical characteristics
Technology	Economic cycle	Property investment markets	Investor	Policy	Financing	Ownership
Transport	Regional economies	Construction markets	Contractor	Agency	Feasibility	Construction
Politics		Land markets	Property Consultant	Local Government	Site investigation	New property
Environment		Housing markets	Design Consultant	Local Planning Authority	Design	
			Lawyer		Town Planning	
			Landowner		Site purchase	
			Utility		Procurement	
			Developer		Construction	
					Promotion	
					Letting	
					Sale	
					Completion	

### Level One : the major elements of the property development system

<a href="#">Trends</a>	<i>Major forces or changes that can affect the state of the economy, the actions of the Government, the need for accommodation, the functioning of cities etc.. While such trends have economic impacts they are not primarily economic in nature.</i>
<a href="#">Economy</a>	<i>The international, national and local economies of which property markets and thus the development process are a part.</i>
<a href="#">Government</a>	<i>EU and its agencies. National Government including executive and legislature; agencies of Government and Local Government.</i>
<a href="#">Property Markets</a>	<i>The sub-sectors of the economy where land, accommodation, finance and construction services are traded.</i>
<a href="#">Actors</a>	<i>Legal entities including individuals, companies, partnerships, trusts, but excluding Government and its agencies, which perform one or more roles in the property</i>

	<i>development process.</i>
<a href="#">Events</a>	<i>Decisions, agreements, contracts, permissions etc., made by and between the Actors and the Government. Events tend not to follow a defined sequence but flow from economic and other circumstances and the nature of the site.</i>
<a href="#">Site</a>	<i>The existing nature of the site including its location, physical characteristics and ownership; also the process of physical transformation creating new property.</i>

## An example of level two: Events

Decisions, agreements, contracts, permissions etc. made by and between the Actors and the Government. Events tend not to follow a defined sequence but flow from economic and other circumstances and the nature of the site.

<a href="#">Inception</a>	<i>The identification of a site with development potential.</i>
<a href="#">Market research</a>	<i>Investigating trends in the demand for accommodation, competing supply, rents and prices, needed to reduce uncertainty and support the feasibility study.</i>
<a href="#">Financing</a>	<i>Seeking and providing short-term funds to pay for site purchase and construction, investigating sources of longer term financing.</i>
<a href="#">Feasibility</a>	<i>Estimating the likely financial viability of the proposed project.</i>
<a href="#">Site investigation</a>	<i>Examining the physical characteristics of the site, assessing its potential and constraints.</i>
<a href="#">Design</a>	<i>Balancing the requirements of aesthetics, engineering, occupier functionality, build-ability, cost, planning and client requirements to produce the optimum design for the site.</i>
<a href="#">Town Planning</a>	<i>The process of making a planning application and deciding whether to grant planning permission, reflecting the Development Plan and including conditions, refusals, appeals and 'obligations'</i>
<a href="#">Site purchase</a>	<i>Acquisition of full legal title to the site or sites needed for the project including adjacent land, access, leases, licences and other rights.</i>
<a href="#">Procurement</a>	<i>Deciding on the most appropriate means to procure construction works and associated professional services, including estimating and tendering and the negotiation and execution of contracts.</i>
<a href="#">Construction</a>	<i>The physical processes of site remediation, infrastructure provision, engineering, construction and building. Construction transforms the existing physical characteristics of the site into the designed new property. It is thus both an 'Event' and an aspect of the 'Site'.</i>
<a href="#">Promotion</a>	<i>Presenting the advantages of the project to possible occupiers using an appropriate mix of media.</i>
<a href="#">Letting</a>	<i>Negotiations between the developer and potential occupiers over the rent and other terms of the lease.</i>

<a href="#">Sale</a>	<i>Negotiations between the developer and potential purchasers over the price and other terms of the sale.</i>
<a href="#">Completion</a>	<i>Commissioning, handing over, fitting out and occupation of the building(s).</i>

## An example of level three: Actors - Occupier

A firm or other organization seeking to occupy commercial property for business reasons.

Inputs to Actors: Occupier	
Trends: <a href="#">Environment</a>	<i>The location decisions of business occupiers are affected by the local environment.</i>
Trends: <a href="#">Transport</a>	<i>Occupiers will modify their requirements according to transport conditions such as access, congestion and parking affecting their customers or staff.</i>
Trends: <a href="#">Technology</a>	<i>Companies and other occupiers have ICT and other technological requirements when looking for a building.</i>
Trends: <a href="#">Society</a>	<i>Property occupiers respond to social trends in preferences and lifestyle.</i>
Economy : <a href="#">Business sectors</a>	<i>Businesses are property occupiers and so their growth or decline governs their behaviour in the development process. In 2002 for example some retailers and oil companies formed partnerships to develop petrol stations with convenience stores.</i>
Government: <a href="#">Legislation</a>	<i>Legislation has effects on business and the occupation of property, for example, the Health and Safety at Work Act.</i>
Government: <a href="#">Economic Policy</a>	<i>Taxation, relief, subsidies, grants etc. can cause occupiers to locate to a particular city or site.</i>
Property Markets: <a href="#">Letting Markets</a>	<i>Where there is a surplus of new space at reasonable rent in a market, occupiers will tend to relocate.</i>
Site: <a href="#">Location</a>	<i>The location of the site is, of course, a fundamental concern to potential occupiers.</i>
Events: <a href="#">Promotion</a>	<i>The purpose of the promotion campaign is to attract interest from potential occupiers.</i>
Site: <a href="#">New property</a>	<i>When new property is occupied and business benefits should flow in terms of greater revenue and/or lower costs leading to higher profits.</i>

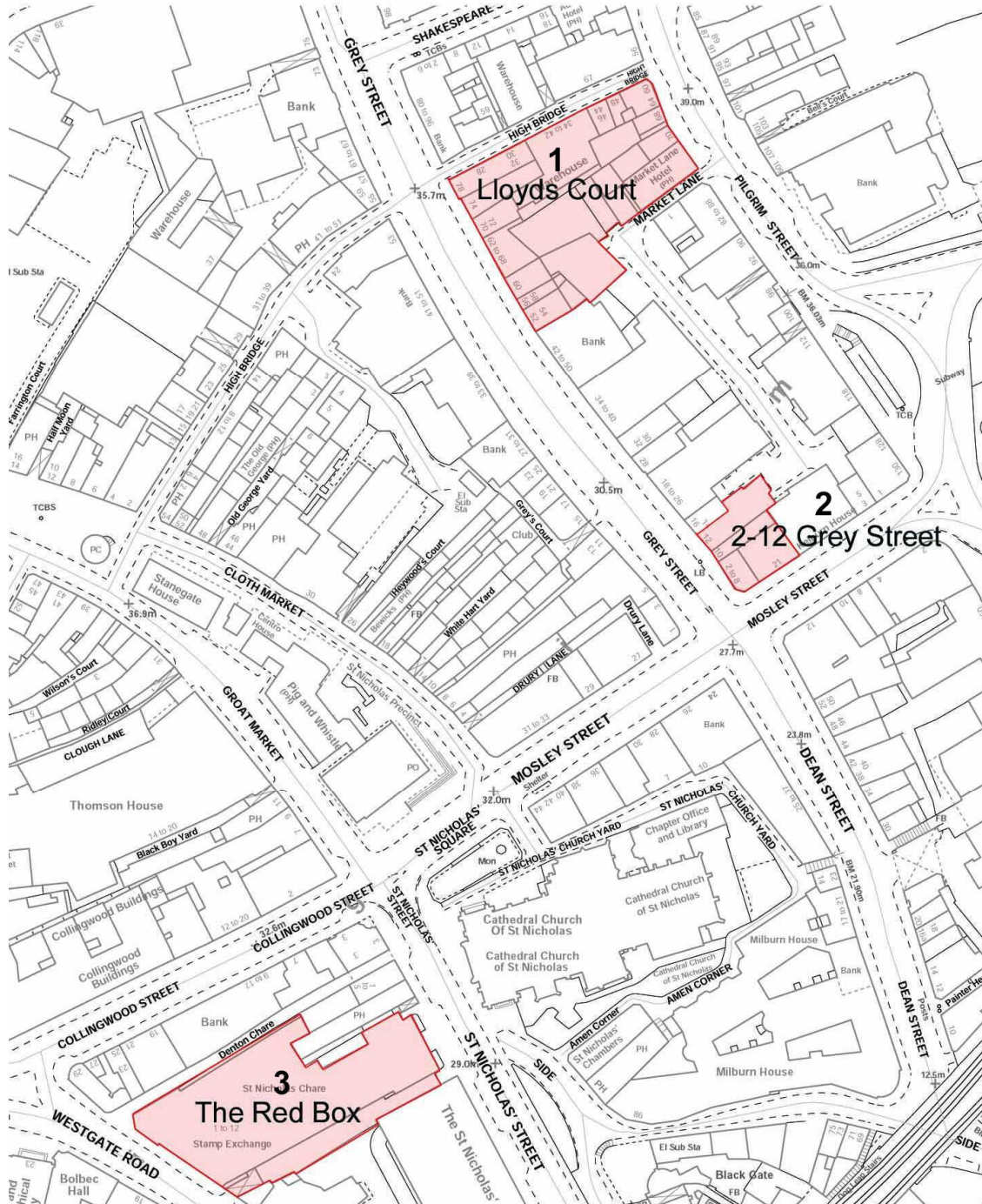
Outputs from Actors: Occupier	
<i>The decision of a major employer to open in a city can have a marked impact on its population.</i>	Trends: <a href="#">Population</a>
<i>Occupiers of sites and buildings can through their businesses pollute the environment.</i>	Trends : <a href="#">Environment</a>
<i>Occupier's needs are the subject and target of market research for development.</i>	Events: <a href="#">Market research</a>
<i>Decisions made by occupiers to relocate lead to surplus buildings entering the land market for potential conversion or redevelopment.</i>	Property Markets: <a href="#">Land Markets</a>
<i>Business occupiers of property can influence property investment markets</i>	Property Markets: <a href="#">Property</a>

<i>by for example the length of leases they are prepared to sign.</i>	<a href="#">investment markets</a>
<i>The potential occupier or tenant will enter into negotiations to let (part of) the property normally via an agent. Other accommodation options will be kept open to maintain a balance of power in bargaining.</i>	Events: <a href="#">Letting</a>
<i>The occupier(s) will commission the fit out of the property and take occupation under the lease.</i>	Events: <a href="#">Completion</a>
<i>Businesses and organizations acting as potential occupiers are the source of demand in letting markets.</i>	Property Markets: <a href="#">Property letting markets</a>
<i>Many occupiers choose to procure their own buildings to own rather than to rent and are therefore part of the demand side of the construction market.</i>	Property Markets: <a href="#">Construction markets</a>



## Appendix B: Location Plan

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## Appendix C: Three case study buildings



Site 1. Lloyds Court, Grey Street, 2003



Site 2. Grey Street / Mosley Street, 1998



Site 2. Grey Street / Mosley Street, 2003



Site 3. 'Red Box', St. Nicholas Street, 2003