



Welcome to the West Midlands: Why resilience is crucial for UK real estate

The global outbreak of COVID-19 has dramatically changed day-to-day life for people and businesses around the world, not least in the property industry. A sector where operations are traditionally reliant on face-to-face interactions, the coronavirus pandemic has presented a fresh set of challenges for real estate professionals to adapt to.

The West Midlands Growth Company's (WMGC) latest commercial partner event explored how the industry is responding to the situation, and what current events mean for the real estate market and the region's long-term economic growth plans.

Déjà vu

Held by videoconference, the virtual discussion brought together key players from the West Midlands' real estate community to share insights on the industry's future, in light of the global epidemic.

Leading the debate was a panel of experts – chaired by **Rob Valentine, Head of Birmingham**, Bruntwood – with specialisms in infrastructure and the built environment, urban planning and design, and commercial development.

Crucial to the conversation was the theme of resilience, in particular how the UK's property industry could learn best practice from the region at the centre of the COVID-19 outbreak – East Asia.

Anne Kerr, Managing Director for Mott MacDonald in Greater China, said:

"It's important to recognise in Asia – in Hong Kong and in China – we've been through this many times before. We've had SARS, we've had MERS, we've had other Asian flus, and what we've learned is to be resilient, and that you have to look at these situations with long-term planning."

"This word resilience is really important. For our industry, thinking about how we can create healthier and more resilient environments for people to live and work in is fundamental."

Echoing these sentiments, **Sharon Quinlan, Head of Corporate Real Estate at HSBC UK**, added:

"China and other parts of the world have experienced scenarios like this in the past and are much more familiar with the current conditions imposed on us. In Europe and the Western world, we've never seen anything like this before, so it's taken us longer to adjust and adhere to the restrictions of a lockdown environment."

"We are playing a bit of catch up in that context, and we need to learn that we could be in this environment for some time to come."

Kerr also highlighted the important role that communications has to play in the narrative around resilience:

"If anyone was ever in any doubt about the power of communications and social media, these current circumstances have highlighted how far and wide messages can reach. Here, the lesson is to power up social media and make sure to use it positively, strongly and proactively."



Collaborate and celebrate

If clear communication is a core pillar of the resilient response needed from the UK's property industry, what does this mean for how the West Midlands pitches itself to investors in the future – both to attract capital and occupiers?

Ben Thacker, Director at Savills Birmingham, said the answer lies in enhanced collaboration:

“We've got to be doing a lot more together, working as a region with our existing investors and our existing occupiers to help us promote the West Midlands. The West Midlands Growth Company is doing a good job of this at the moment. They are a valuable resource, but many are perhaps not aware of all the services they have to offer. Local businesses need to understand more about what is available and work more collaboratively together.”

Adrian Bland, Regional Chair of the Urban Land Institute (ULI) in the Midlands, added that the region's recovery from the impacts of the pandemic should also be considered.

“The resilience point is very important. If the West Midlands can bounce back very strongly, then that recovery needs to become part of the story that we sell to the world.”

He also stressed how celebrating the region's differences from London could be critical to promoting its offer in the future:

“We're well-connected to London, but we're not London. Major cities like London and New York are right at the eye of the storm where this pandemic is concerned. This could be a wakeup call for some employers, including Government, about the concentration of human resources.”

WFH – the new normal?

How companies approach resource location is one possible impact that the pandemic might have on business operations in the UK. But are there any specific changes that the property industry should expect to see?

Tony O'Toole, Regional Director at Mott MacDonald, predicted a seismic shift in people's attitudes towards work, specifically working from home:

“What we've done in the last three weeks is turbo boost a culture change in how we work. That turbo boost isn't that we'll all be working from home once this pandemic is over, but that working from a different place is actually a real choice and that it's ok to do so.”

Adding to this, Thacker said that this new mind-set towards agile working could present a major opportunity to shake up the office market:

“This creates an opportunity for the office sector to reshape itself. There will probably be a lot less office space, and businesses will generally have fewer offices. Instead, we could see more consolidation and hub-type concepts, like we've started to see already in Birmingham with BT.”

He continued:

“The trend will be using offices with fewer sq. ft. of space more efficiently. They will become more about places to collaborate and work together, rather than day to day activity. Offices themselves will be set up to allow people to do the things that they need to be doing in the office together.”

Drawing on her own experience of working overseas, Kerr said:

“In Hong Kong, the running track is a place where people come together as much as the work environment. We are social creatures, we do need to connect and we will need those hubs, but do we need to do our work everyday in an office? And in terms of the industry's resilience that we've talked about, is that the right strategy going forward? Probably not.”

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Talking tech

Ways of working is just one forecasted legacy of how businesses are responding to the crisis.

Sharon Quinlan discussed how technology would be another:

*“Historically banking has been a very physical industry. This has been changing slowly over recent years but has been accelerated by current circumstances. In the space of two weeks at **HSBC** we’ve mobilised our whole call centre function out of our physical office space to work from home. To keep this side of the business operating effectively and efficiently while moving upwards of 200 people into a homeworking environment is quite an achievement.”*

Reflecting on the role that technology has played in facilitating business as usual, Quinlan added:

“One thing that strikes me is how we’ve advanced into a digital age. The fact that we can still maintain financial markets and essential business during this period is testament to the advancements we’ve made in our collective digital journey.”

Level up change

With technology powering industries forward, is there anything further the Government can do to continue supporting the real estate sector?

Adrian Bland said that the political response so far has been good, but that measures must remain people-focused:

*“We have got to make sure that the civil service doesn’t lock down current financial support packages in heavy red tape. **Andy Street, Mayor of the West Midlands**, has identified specific gaps in current provisions for medium-sized enterprises and self-employed individuals. It is important we address these shortfalls for those outside of the current criteria for help”.*

Commenting on what the West Midlands should demand going forward, he added:

*“In the medium term, we need more devolution and dynamism from cities and regions to help haul the UK back from this crisis. As a region, we need to hold our nerve on major infrastructure projects, like **HS2**. Some will see this situation as an opportunity for the long-term, and we need those projects to continue.*

“We also need to accelerate the reform of the Treasury’s Green Book that is used to evaluate projects, and Government rapidly needs to move on its levelling up agenda. In the past, we have had plenty of statements and reports, but the action on these has taken 10 or 20 years to come about. We don’t have that time, and we need that change immediately.”

Bouncing Back

Speaking on the support that property companies can offer businesses once the economy bounces back,

Rob Valentine said:

“While some businesses are proven to be quite resilient and have adapted to the changes enforced upon us, there are many that have just had the taps turned off. Food & Beverage (F&B) retail is a prime example. Notably, Argent has been quick to support their tenants in this sector with a three-month holiday. It was a bold step but the right step, and many others have since followed suit.

“We need to think hard about how we stimulate businesses back into life once we do recover.”



Keep calm and carry on

As well as business support, how else can the property industry plan for the region's economic revival and show resilience?

Tony O'Toole suggested that companies uphold schedules of pre-construction activity, where possible:

"Our experience is that pre-construction works are still going ahead. They're slowing down, yes, but we need to make sure we do everything possible to keep things carrying on."

Kerr added:

"In the Far East, Australia and New Zealand, pre-planning works and early stage development are going ahead to get everything ready for when we come out of this crisis. It's a positive thing to keep economies going, as you're keeping people in employment, which is an important element of maintaining social stability. Again, it comes back to resilience."

Concluding the event, Neil Rami, Chief Executive of the West Midlands Growth Company, agreed that resilience was key, but warned that this should be for the long-term, not manage the immediate impact::

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Get involved

The West Midlands Growth Company will be hosting a number of virtual events over the coming weeks. To stay updated on the latest events, please check our channels.