

## JACK SIDDEERS

At 5.40pm last Friday, the Homes & Communities Agency sent out its latest missive to the successful applicants of its pioneering Build to Rent fund.

The first 45 schemes set to receive funding from the £1bn pot were announced in April and the latest communication was to notify those that had progressed to the second round of due diligence.

Fledgling developer UK Regeneration was among those to receive the good news, with a successful bid for £8m to support two pilot private rented housing schemes.

The money could be seen as a tacit admission that, three years since it began reinventing the PRS wheel, the organisation has found that regeneration with zero government funding is a bridge too far.

But two-and-a-half years since Barclays Investment Bank began advising on the tortuous task of assembling the funding jigsaw, it is starting to look like the relatively small amount of HCA cash could at last be the final piece.

"We have found our white knight," says indomitable UKR chief Jackie Sadek, grinning at understated financier Richard Moxon.

"All being well, we are hoping to be on site by the end of the year."

Moxon is chairman and chief executive of MGI, the niche fund management business that bears his name.

He launched the company in 2009 after a 14-year career in finance, as more and more distressed real estate opportunities came his way.

Chief among those opportunities was Valderrama, the championship golf course in southern Spain.

Moxon's MGI Golf & Leisure Opportunities Fund bought the course last October after it was approached by the Stripe Group, the investment vehicle run by golfer Greg Norman, former Dubai World chief executive Alan Rodgers and former Leisurecorp golf chief executive David Spencer, which had been attempting to seal a deal for several years.

MGI is now on a road show,



MGI's Richard Moxon (left) and the UKR's Jackie Sadek and Jason Blain have formed a PRS funding alliance

## Final piece fits into PRS jigsaw

### ANALYSIS

**After several years and multiple false starts, UKR looks like it might finally have solved the funding riddle to get PRS off the ground**

looking to raise further capital for the fund's next acquisition, with the fundraising window due to close in July and an IPO to follow.

All of which might seem to have little to do with cracking a new model for the UK real estate market's notorious tough nut, the PRS.

Except that a form of Moxon's model for the Valderrama platform now looks set to be used

to get UKR's pilot schemes off the ground.

"Valderrama will be the cornerstone asset in the fund and we want to develop a global brand around that," says Moxon.

"What UKR is trying to do, by developing a strong brand for rented housing, is something we really believe in."

First up is the 5-acre Sandfield Village site in Nottingham, which will comprise 200 private rented homes. Barclays' weighty business plan estimates the development cost at between £33m and £35m.

UKR has agreed a deal with Wates under which the contractor will provide 10% of the equity to launch the scheme.

The HCA cash will be split roughly between Sandfield and UKR's next scheme, a 300-

home development in Derbyshire, giving a rough £4m contribution for each.

Moxon and his investors are therefore committed to provide around £27m of equity for each scheme.

In effect, the government support will be the only slice of debt used to fund the project, with an expectation that the HCA will seek a return of its cash soon after completion.

UKR director and former global head of strategy for Sony Entertainment and BBC Worldwide Jason Blain – the man in charge of the branding – says the plan is to refinance the entire Nottingham scheme in year two, at or close to practical completion.

What will remain crucial is when the HCA wants its money back.

Should the government agency seek a return with just a couple of months' cash flow in place, the cost could be punitive, however, and refinancing could be substantially easier just a few months further down the line.

"I wouldn't say that Aviva or Invesco or Scottish Widows or L&G have covered themselves in glory in terms of their 0-60 out of the blocks," Blain says.

"But ultimately there is a willingness in the institutional market to support."

Barclays Investment Bank has been on board with UKR in an advisory capacity since the start but neither it, nor its high net worth investors, will be putting cash into the pilot schemes.

"I am hoping that, once the concept is proven, further sources of equity – and indeed bank debt – may be available subject to market conditions," says Barclays head of real estate Brendan Jarvis.

Of course the final details remain to be worked out and UKR has known disappointment several times already.

But if it was easy to finance large-scale PRS in the UK, the model wouldn't have needed reinventing.

So declarations of success may still be premature but, to mimic Moxon's understated style, with 20,000 homes still planned for 2020, this could turn out to be quite important.