



# THE SUNDAY TIMES

Reprinted from

March 1 2015

BUSINESS

Argent turned dilapidated King's Cross into a trendy hotspot. Can it work its magic on down-at-heel Euston station, asks **Oliver Shah**

**F**or years, Ken Wong flew back and forth across the Atlantic trying to work out how his company could break into the London property market. As chief operating officer of Related Companies, one of America's biggest developers and the force behind the enormous Hudson Yards regeneration in New York, Wong was not short of offers from middlemen.

"The London property market is so frothy right now," he said. "We get shown a deal a day, at least — I'm not exaggerating. Prices are very full and it's the darling of the investment universe. We looked at projects in Mayfair, Chelsea, the east side — all over the city — but frankly the pricing was not right because we're builders, not buyers. That's when we said, 'Let's find a partner first.'"

Related dipped a toe in the water last year when it signed an agreement with a little-known landlord called Sydney & London Properties. Among other things, Sydney & London, controlled by the publicity-shy tycoon Michael Gross, owns four ugly 1960s office blocks overlooking Euston station. Their unsightliness was the attraction: Related and Sydney & London started working on plans for a £5bn regeneration of the area in expectation of a tender process by the Greater London Authority and Network Rail for a developer.

Their inspiration was, of course, 10 minutes' walk down the road.

The arrival of the Eurostar terminus eight years ago spurred the rebirth of St Pancras, which now boasts the only branch of Fortnum & Mason in Britain besides the retailer's Piccadilly flagship, as well as a miniature John Lewis and a Searcys champagne bar.

Around King's Cross, a partnership led by the developer Argent is halfway through a regeneration scheme involving the creation of a £2bn district the size of Soho, with 2,000 homes, 20 new streets and 10 public spaces. The art school Central Saint Martins has already moved there, as has the French fashion house Louis Vuitton. Google is about to start building a headquarters. What was once a seedy red-light district populated by drug dealers and pimps has become a hangout for design students and tech geeks.

Curious to find out more, Wong asked Gross if he could introduce him to Argent's managing partner, David Partridge. "We showed up in David's offices and he gave us the PowerPoint presentation on the story of Argent," said Wong. "And I guess we say the rest is history."

Tomorrow, Argent and Related



At King's Cross the creation of a £2bn district has attracted Central Saint Martins art school. It could serve as a template for neighbouring Euston, below

## Just the job for developer with a track record in railway stations

are expected to announce the creation of a joint venture to chase big projects in Britain. Argent's existing schemes — King's Cross, Brindley-place in Birmingham and Piccadilly Gardens in Manchester — will stay outside the arrangement, but from now on every deal it pursues will be in conjunction with Related.

The American titan will provide cash — "Our balance sheet, I think, is one reason David was willing to talk to us," said Wong — and experience gleaned from work including Hudson Yards and the Time Warner Centre in New York.

Partridge, a trained architect who is building a house on the south coast of Ibiza, said the tie-up would give Argent life beyond King's

Cross, which is due to be finished in six years.

"London is awash with capital — people coming from China, the States and elsewhere — and we could have gone out and done a whole series of individual projects with individual funds coming in, behind and funding Argent to do just that one piece," he said. "We wanted to be an organisation that was going to be doing more things together, and the idea of forging a partnership rather than [working with] a series of one-off investors was a more sustainable model."

The duo won their first bid on Wednesday when Barnet council picked them to build 7,500 homes near Brent Cross shopping centre in

north London. Argent and Related intend to put in a proposal for the redevelopment of Euston — they are likely to encounter stiff competition, with developers such as Canary Wharf Group expected to show interest — and have "a couple of other ones bubbling away", according to Partridge.

Sydney & London's experience of courting Network Rail over Euston has not been happy. In 2006, the state body brought in British Land to build on the site instead — an idea that was shelved due to uncertainty over whether there would be a link between a High Speed 2 terminus at Euston and HS1 at St Pancras.

In 2008, Sydney & London published a master plan with the con-

sultancy Atkins, which Network Rail ignored. With Related, it has come up with a proposal for 3,900 homes and 3.7msqft of offices — more than at King's Cross — but sources familiar with the government's thinking said its ownership of land around the station would give no advantage against other bidders because the buildings could be compulsorily purchased.

The process is being overseen by the HS2 boss Sir David Higgins, with Network Rail taking advice from KPMG.

Wong was careful to say: "It's not really for us to make grand plans until they have decided what they want to see," but he added: "Euston is, of course, the last of the giant



**LONDON NEEDS 56,000 NEW HOMES A YEAR — THREE TIMES THE NUMBER BUILT LAST YEAR**

market in 1994 but was taken private three years later by BT's pension scheme. In 2000 it got the mandate to regenerate King's Cross in partnership with the landowners, DHL and London & Continental Railways. Partridge led a management buyout of Argent from BT three years ago, although the telcoms giant's retirement fund continues to own a stake in King's Cross and other developments.

The Related joint venture comes at a strange time for the London residential market. The capital needs more than 56,000 new homes a year, based on National Housing Federation estimates — three times the number built last year. Many of those being produced are luxury flats priced at £1m or more for two bedrooms, leaving huge demand unsatisfied in the middle market. At the same time, plutocrats' homes in Knightsbridge are falling in value as Labour and the Liberal Democrats threaten to bring in a mansion tax on properties worth more than £2m.

Partridge said the homes Argent and Related were planning for places such as Brent Cross would start at about £500,000 for two bedrooms, making them "accessible" for those unable to afford to live in central London. He said the development would have more of a suburban feel than King's Cross — "but not suburban with all the awful connotations, just something that feels like a town centre rather than a city centre".

"At £600, £700, £800 per square foot, there is simply not enough supply, and that's the bit we're trying to plug," he said. "It's between pure affordable housing and the top end — intermediate, accessible, rental, first-time buyer — all that sort of stuff where you can provide products at prices that are quite eye-watering when you look back 10 years but are still achievable for young families."

He predicted that some of the thousands of employees who will work for Google at King's Cross when the headquarters opens will commute from locations once thought of as unsexy.

"There will be 6,000 people who work for Google in London," said Partridge. "Well, where are they going to live? They are going to live in Cricklewood, they are going to live in Tottenham, they are going to live in Cambridge. It's causing another demographic revolution."



ROBERT STAINFORTH

stations that should be reinvented. It will be mixed use, it needs to be very pedestrian-friendly, and it needs to be woven into the city's fabric.

"From a bird's eye view you can see the historic street patterns interrupted by a gigantic box. That's not unlike Hudson Yards, which is a gigantic rectangular hole in New York city. So it needs to be reconnected from east to west and north to south."

Sir Ed Lister, Boris Johnson's deputy mayor, said Related's work on Hudson Yards was "quite impressive". "We've got several sites around the city with similar characteristics — large railway sidings where you could put much-needed housing and commercial space," he said. "I'm not saying a British company couldn't do it, but they've done it, they have the track record and that's quite useful to open up the debate and get the London developers to start looking at some of these sites."

Argent was founded in 1981 by the brothers Michael and Peter Freeman. It floated on the stock