



Bill Hughes: Every city has potential



By Jason Winfield,
Head of UK
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Bill Hughes is the Head of Real Assets at Legal & General Investment Management, one of Europe's largest asset managers and a major global investor with total assets of £853 billion and a substantial UK portfolio. Here, he tells Jason Winfield his views on the challenges and opportunities in the UK property investment market.

What would you say are the three key trends currently driving the UK Property Investment market?

Opportunities provided by Brexit. There will be winners and losers coming out of Brexit but those who are able to adapt their behaviour to this new environment will find opportunities arising.

Another trend is increasing international investment into UK property from a wider pool of investor types and from different geographies.

And thirdly, selective occupier demand creating opportunities and threats in pockets of the market.

Since the launch of the Regeneration Investment Organisation in 2015, L&G has delivered four significant projects, namely MediaCityUK in Salford, Thorpe Park in Leeds, Central Square in Cardiff and the Newcastle Science Central development. What

are the key factors you look for in a development which drive the decision to invest?

We are looking for cities characterised by latent potential that can be unlocked by regeneration, such as those already receiving related infrastructure investments. Looking at the whole picture of a city and working together with forward-thinking local councils can really drive forward UK urban regeneration projects. Above all else we also need to see a route to de-risking through letting activity, either working through our corporate relationships, or through the public sector.

L&G is a significant investor in the Northern Powerhouse, having invested in six major urban regeneration projects across the North. Do you see this region's growth set to continue? Are there any areas in particular you envisage flourishing in the future?

Cities in the Northern Powerhouse region have huge potential to evolve, to be revitalised and for their productivity to be increased. Given that there has been historic under-investment, every city there has potential.

Following your recent decision to partner with Newcastle City Council and Newcastle University to help build and finance the £350 million Newcastle Science Central development, how important do you see Private & Public Sector Partnerships in driving forward UK regeneration?

Partnerships between the private and public sector are really valuable over the long term, where the private sector can bring capital and skills, and where the public sector can bring land, a wider local perspective and contribute to governance. These collaborative partnerships can really drive forward UK regeneration projects.



Newcastle Science Central Development

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Legal & General Investment Management Real Assets:

Legal & General Investment Management Real Assets (LGIM Real Assets) is a division of Legal & General Investment Management (LGIM), one of Europe's largest institutional asset managers and a major global investor. LGIM manages £842bn in assets on behalf of over 3,200 clients (as at 30 December 2015), providing products and solutions spanning all asset classes. LGIM Real Assets, headed up by Bill Hughes, has AUM of £21.1bn (as at 30 June 2016) and is responsible for the division's direct investment capabilities in property and infrastructure. LGIM Real Assets is made up of three specialist divisions, Legal & General Property (LGP), its property fund management arm, LGIM Infrastructure, its specialist infrastructure lending and investment division, and Commercial Lending Limited (CLL), its commercial lending arm.



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Through your Industrial Property Investment Fund (IPIF), what key trends are you seeing in the industrial market at present? Is speculative development crucial to satisfy future Grade A demand?

Broadly speaking, we are seeing strong and sustained occupier demand, with lettings taking place systematically above rental values. Selective speculative development is required on occasion where it makes sense to build/fund what you would want to own long term.

With the launch of Legal & General Homes and your commitment to deliver a new solution to the housing problems we face in the UK, what are L&G's ambitions for the UK residential sector?

We can't solve the housing supply crisis alone, but we expect to be a leading long-term investor across a range of forms of tenure. One of our key focuses at the moment is our Build to Rent (BTR) pipeline, where we are aiming to build 1000 new homes a year. If we can demonstrate leadership in this space and get our model right alongside other major players in the sector, BTR will not only make a meaningful contribution to addressing the housing crisis but it will boost the productivity of our UK cities.

Your recent investment in the St James retail & leisure scheme in Dover is another example of your commitment to drive urban regeneration in the UK. How important are retail developments of this kind to drive the rejuvenation of our towns and cities?

Yes, towns and cities need to be reshaped to provide a built environment for the 21st century. That includes retail, alongside a range of other use classes, in a mix that reflects the needs of the specific urban location.

As the newly appointed head of the Property Industry Alliance (PIA), what do you think the impact will be of increased devolution of power to regional cities?

This is a once in a generation opportunity for urban locations with the scope to unleash unused potential to step forward. It will require strong leadership, vision and patience, and not all cities will get this right.



MediaCityUK in Salford



Central Square in Cardiff

This year you sponsored and personally took part in the Cycle to MIPIM in line with LGIM's Health & Wellbeing agenda and commitment to sustainability. Do you plan to cycle to MIPIM again next year? Do you think the property industry in general does enough to contribute to the green agenda? How could it improve?

Yes, I will ride again. I am always up for a challenge and this certainly was, and will be, one! With our second year as principal sponsor I also want to keep visible participation from across all areas of LGIM Real Assets, and thought that I ought to lead by example.

The property industry needs to continuously evolve and respond to the changing issues within the green agenda. As part of my work with the PIA one thing that is essential is

“ Towns and cities need to be reshaped to provide a built environment for the 21st century

that all the member organisations work together to build a platform around sustainability. The PIA is a possible place to do this as members represent such a broad church.

Your PAIF fund was one of the very few to remain open during the post-Brexit liquidity crisis. A significant achievement, but what reforms are L&G pushing for / or resisting?

Our PAIF fund was managed with care and showed that by acting responsibly it is possible to remain fully open to investor liquidity at all times.

In your opinion, what will be the impact of Brexit on the regions and how will this compare to that on London and the South East?

Brexit poses the biggest risk to

London, but all cities will face the challenge of change. However, we strongly believe that while it presents some threats, opportunities will be available and adaptive behaviour will therefore be rewarded.

Looking ahead, which regions or cities (outside London) will L&G be looking to for future investment opportunities?

All of the UK's top 12 cities have positive potential. After that, it will be about finding enlightened local authorities who we can work in collaboration with, and then stock selection.