

Threats and opportunities in a hot property market

SO COULD YOUR CHARITY END UP ON THE STREETS?.....

The Ethical Property Foundation has been advising not-for-profits with their property problems since 2004, over 3,000 clients to date, plus many thousands more who consult our free online resources. We engage with every possible property challenge for client organisations serving every human, animal and environmental need. Just in the last couple of years we have advised on light houses, an ice factory, a Quaker meeting house, a Victorian workhouse and a mediaeval gaol complete with stocks. Thankfully most clients are not in desperate straits and sensibly seek advice before their roof falls in or the bailiff arrives, but sadly we have had our fair share of those cases too.

Unfortunately the most vulnerable organisations are those with turnovers of less than 250K, which lack a staff with property responsibilities. This part of the sector often needs to take advice quickly, yet can too rarely afford it. Though of course bigger non-profits can come a cropper too and for the same reasons. These are in the main: poor governance – trustees who are not up to the job; poor or non-existent property management and budgeting; badly handled asset transfers which end up requiring far greater capacity, resources, and business skills originally envisaged. Plus the killer reason: basic ignorance. I never want to ever see a charity again with a three-year funding cycle turn up at our door with a 25 year lease. Don't smirk, it happens and you might even be funding it or its staff could be supporting a loved one.

And then there is location. No non-profit is an island, and yet it is because we are all crowded onto an urbanised island that property can be a nightmare for charities, however property savvy. If you are lucky or possibly unlucky enough to have premises in hot spots such as London and the South East, Leeds, Birmingham, Edinburgh, and Manchester, rents are rising fast. Increasing numbers of charities are being served notice to quit as landlords seek to improve old buildings to attract higher paying tenants.

As investors chase pockets of value, so rents rise fast even on the city fringes. Just how far

out of your city could your office be, if you are to retain your staff and serve your clients? Recently one of our clients serving an ethnic community in London and facing a 1,000 per cent rent rise, had to change their mem & arts because they had to move several miles east and therefore could no longer serve the community they were set up to serve.

As landlords seek to push up yields, leases are shorter - around five years - which offers greater flexibility for landlords and business tenants, but can represent a short term blight for charities which tend to grow more slowly.

Surveyor John Giblin of London-based surveyors Copping Joyce works closely with the Ethical Property Foundation as a member of our Register of Property Professionals. He says charities often have less awareness of local market conditions than commercial businesses and can be slow to act. "Yet if you are served with a notice to quit, you really can't afford to waste a moment."

"Leaving too little time to find alternative accommodation can have terrible consequences for your operations. With rents rising so fast, consider what cost saving measures you can take and seek professional advice.

"Bear in mind you'll need at least a month to find a new property - at least. Then two weeks for negotiation and four to six weeks for the solicitors to work through the lease. Then another month at least if there is a refit."

With change comes opportunity and many of the foundation's clients are now looking at more high density buildings - the days where charities spread themselves over several floors are going fast. Taking one floor not two saves a fortune in rent and management costs. Do we really need 150 sq. feet per desk? What about hot desking? Or co-location with another non-profit and sharing back office functions, providing even greater synergies and efficiencies.

However you serve and save the world, remember that as you will always need property to deliver your charitable purpose and it is a jungle out there - it really is the survival of the fittest. ■



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