

Greener pastures

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By Jennifer Rigby

Some of property's biggest hitters are leaving the large firms to set up on their own.

Jennifer Rigby looks at whether the downturn is the right time to go it alone



Leaving a big company and setting up anew has become the story of the autumn.

From star agents such as DTZ's Paul Smith to developers such as Land Securities' former London director, Mike Hussey, there has been a stampede for the door and the "opportunities" presented by the UK's bottomed-out property market.

"If you think in terms of the way the property market works in cycles, you can see why a number of people at certain points in their careers see it as their best opportunity to go," says Hussey.

Hussey left LandSecs in June, and is thought to be setting up a £500m fund to buy in the UK and continental Europe with Neil Jones, former European head at Grosvenor. However, he declines to comment on his plans before they are finalised.

"Now is the best opportunity for people to go, to recalibrate themselves at the bottom of the cycle and put themselves in a position to succeed on the way up," he says. "Others will just want a change to something they will enjoy doing for the next few years.

"Some businesses will also have legacy assets, which may make it problematic to respond to opportunities. For me, it was a bit of both."

Other principals — such as Andrew Jones, who is leaving British Land but has yet to reveal his new plans — are probably in similar positions. Last week British Land announced that two of Jones's senior lieutenants, Mark Stirling and Valentine Beresford, are joining him in the creation of a new retail fund.

Others agree that now is best time for entrepreneurs to set up if they want to be ready for the upturn. An online Property Week poll found that 73% of readers felt that, at the moment, fortune favours the brave.

Simon Holley and Simon Blake, who sold their firm, Holley Blake, to CB Richard Ellis for £12m in 2006, are setting up a £1bn Middle Eastern-based fund and a fund management business called Altyon Partners. Blake is leaving CBRE to focus on the fund, while Holley will continue to work for the global services group as a consultant.

"Values have fallen 50% in some instances," says Holley. "It is perceived to be the bottom.

Now is the time to set up on your own to be ready for the upward curve."

Letting agents have also taken the decision to leave, among them former Jones Lang LaSalle City agency director Robert Calnan, and retail teams such as the three former Blair Kirkman staff who left Savills last month.

Unlocked potential

For some of the new start-ups, including Holley and Blake, the lock-in periods imposed when their businesses were bought by the big agency firms are coming to an end, setting the big names free to go back to their roots in small practices.

Paul Smith sold the business he co-owned, Hodnett Martin Smith, to DTZ in 2005 for £9.1m.

He has just left DTZ to set up H2SO with three other equity partners who have also left big practices: Lewis Ellis's John Olney, King Sturge's David Hanrahan and CBRE's Rob Hayes.

Smith says he never had any plan to leave as soon as the lock-in period at DTZ drew to a close.

"A lot of people have said it was inevitable, but for me it never was," he says. "I have enjoyed my time at DTZ. I do agency and that is what I get off on. At DTZ, we had King's Cross — 5m sq ft of offices, a 15-year job where we already had a lot of demand — I would never have got to deal with that at Hodnetts. So it was a very difficult decision."

Nevertheless, the departures must be a bitter pill for the big firms. Along with Holley and Blake, CB Richard Ellis has also had to deal with the exits of industrial specialists Keith Dowley and David Turner and office head Rob Madden — all the equity partners of the original Holley Blake.

As well as Smith, DTZ has lost former Hodnett men Rob Senior, John Guise, Simon Hall, Neil Proctor, David Cuthbert and Kevin Hawthorn to another start-up, Hanover Green. They have been joined by former NB Real Estate investment director Peter Trinder and Thomas Davidson & Partners' Sarah Porter.

However, the departed agents say the unlocking of the "golden handcuffs" was not the driving factor.

The Hanover Green team say that client feedback was their main motivation. "We were getting questions from clients," says Cuthbert. "They felt there was a lack of choice in the market because of the big companies merging."

"They also know that if they instruct us, it ain't going to get delegated," adds Guise, "because there is no one to delegate to."

As well as providing a chance to prepare for the upturn, the weakness of the market makes it cheaper to set up a business. "Office space is very reasonable," Guise says. "And there is a lot of furniture knocking about very affordably."

H2SO's Smith says the state of the market means the right people can be tempted to move.

"It is perhaps easier in poorer conditions — you are less tied in, and there are no guaranteed bonuses that you will miss out on," he says. "It is about getting the right people."

It is not just a London phenomenon. Two former directors in Colliers CRE's Manchester office, Marc Hourigan and Daniel Connolly, have set up planning and development consultancy Hourigan Connolly.

Former GVA Grimley investment director Guy Strachan has also teamed up with CBRE's former investment head for Scotland, Peter Smolka, to form Smolka Strachan. Smolka left CBRE back in 2003, but the pair have only just joined forces.

"Some might say our timing couldn't be worse," says Strachan. "However, we feel the opposite."

As the market recovers and builds itself back up again we aim to grow with it."