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Lendlease bulks up with \$2.7b UK gig

Exclusive | *London* | Lendlease has won preferred bidder status for the £1.5 billion (\$2.7 billion) overhaul of a major urban renewal site in the centre of Birmingham, Britain, adding to its rapidly growing European pipeline but also exposing itself to the whims of another Labour-led council, the likes of which have previously cancelled contracts. The latest win continues a strong run of new work for Lendlease in Britain. The company in August said projects in its two European markets – Britain and Italy – now accounted for more than half its global development pipeline, having added almost \$22 billion to that pipeline in 2017-18.

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Lendlease wins Birmingham deal

Exclusive

Hans van Leeuwen

London | Lendlease has won preferred bidder status for the £1.5 billion (\$2.7 billion) overhaul of a major urban renewal site in the centre of Birmingham, adding to its rapidly growing European pipeline but also exposing itself to the whims of another Labour-led council the likes of which have previously cancelled contracts.

The 15-year Birmingham Smithfield redevelopment will revamp an old market district in the middle of Britain's second-largest city into a mixed-use retail, leisure and residential precinct with more than 2000 homes.

It's the second contract that Lendlease has won from Birmingham City Council in the past few months. In November it nabbed the £350 million contract to build the athletes' village for the 2022 Commonwealth Games and then convert it into 1400 housing units.

In the Smithfield development, the company will form a contractual joint venture with the Labour-run council – an arrangement with echoes of Lendlease's ill-fated partnership with the north London borough of Haringey, which fell apart in mid-2018 after a change in the council's political complexion.

But Lendlease's European head Dan Labbad said this was a different pro-

ject, with a different context.

"This is a partnership, as was Haringey, but it's a different type of partnership: this is one site, whereas the partnership with Haringey was over many smaller sites, and we don't have the same interesting political issues as we had at Haringey," he said.

The Labour Party faction that took over Haringey Council last May was sceptical about public-private partner-

ships in general and the Lendlease one in particular; but Mr Labbad remains convinced about the model despite taking a hit of up to £4 million when Haringey pulled out.

"I am very positive about partnerships with government. That's how we like to operate – it will allow us and Birmingham to bring our collective strengths together," he said.

Birmingham council leader Ian Ward said his council had used joint ventures before, although not at this scale. He echoed Mr Labbad's point about the differences between the Haringey and Birmingham developments.

The latest win continues a strong run of new work for Lendlease in Britain. The company in August said projects in its two European markets – Britain and Italy – now accounted for more than half its global development pipeline, having added almost \$22 billion to that pipeline in 2017-18.

Asked whether Lendlease had the capacity to handle expansion at this pace in Europe, and whether more capacity was needed, Mr Labbad said this was factored into the process of deciding to bid.

"When we bid on projects, well before we win them we have to ensure we have the capacity to take them on, both from a people perspective and from a capital perspective. We did that when we decided to bid this, and now we're implementing those plans."

He said the company would recruit locally for the development, but there would be limited overlap between this and its other Birmingham project.

"We have two very different projects, different contractual arrangements. One is the immediate delivery of the

infrastructure for the Commonwealth Games, the other is the master-planning for a major mixed-use scheme," he said. "But there's a lot of overlap in the customer – the city and the community – so we'll be ensuring those commonalities come through as a 'one Lendlease' approach."

The council and company hope to finalise the terms of the partnership, run a public consultation, prepare a planning application and produce a business plan within 12 months, ensuring the contract is formally awarded by the end of this year.

"Things will start happening fairly



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quickly. The council is keen to get things moving, so notwithstanding the fact that it's big we'll be moving forward pretty much straight away, starting with finalising contracts," Mr Labbad said.

Development will begin in 2022 on what Mr Ward said was one of the largest mixed-use redevelopment sites in the whole of Europe.

He said the council was looking to create "a destination, a place for a day out ... [and] a way of bringing family living back to the city centre" that would also "drive the city's international standing and reputation, a chance to redefine our economy and strengthen Birmingham's attraction".

This presumably means striking a delicate balance, both in residential and retail, between the affordable and the glamorous – no easy feat, but one which Mr Labbad said could be achieved by respecting the site's history.

"The precinct has always been accessible, always been local. The market history there is absolutely authentic and real, and we have to stay true to that," he said. "We have to draw on the identity that is Smithfield in order to project it into the future."

Key points

The 15-year mixed-use scheme will produce more than 2000 homes.

Lendlease puts aside problems it had with a left-wing council.



Smithfield redevelopment project will revamp an old market district.