Property Residential Cladding crisis

Aware Super’s UK property firm fights $35m cladding bill

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London | Aware Super’s British build-to-rent property developer Get Living will fight back against an £18 million ($35 million) cladding bill, launching an appeal against a tribunal’s order to pay the remediation costs for a London residential complex.

Aware Super’s international head, Damien Webb, said the $160 billion fund was backing Get Living’s appeal launched on Friday because the First-Tier Tribunal’s decision last month could have a chilling effect on investment in Britain’s build-to-rent (BTR) sector.

The Grenfell Tower disaster of 2017 has cast a long shadow over Britain's property development industry. **Bloomberg**

"Aware Super fully supports Get Living and our partners in appealing the tribunal decision. We believe this ruling has the potential to make a significant impact on attracting investment into the UK's BTR market at a time of great need," he said in a statement.

The stoush relates to combustible cladding found in Get Living's East Village complex in London. Remediation works are being funded by the taxpayer, but one of the property managers, Triathlon Homes, has demanded that Get Living ultimately pick up the tab – a claim backed by the tribunal.

Aware's co-investor in Get Living, Oxford Properties, endorsed Mr Webb's warning. The company's senior vice president for Europe, Abby Shapiro, said the tribunal had made the current owners carry the can for the original developer's flawed construction work.
"This decision – which makes current owners solely financially responsible for the mistakes of the past, irrespective of whether they are found at fault – will act as a barrier to ongoing investment into the UK residential sector," she said.

Aware has been keen to build its presence in Europe. It opened a London office in late November and said [https://www.afr.com/world/europe/australian-super-funds-build-29b-war-chest-for-uk-20231125-p5emqm]it planned to deploy £5.25 billion of investment capital in the UK and the Continent. It says Britain's BTR sector could be worth up to £170 billion.

Last April, Aware spent a reported $900 million buying a 22 per cent equity stake [https://www.afr.com/property/residential/super-fund-makes-900m-move-into-uk-rental-housing-20230331-p5cx2l] in Get Living from a Qatari fund. But the developer has become embroiled in the complex and wide-ranging fallout from the Grenfell Tower fire of 2017.

That disaster prompted frantic efforts, driven by the British government, to fix similar vulnerabilities involving combustible cladding at apartment blocks all over the country.

Banks will not lend to property owners whose flats are deemed unsafe, leaving thousands of people trapped in properties they cannot sell or refinance until remediation works are carried out.

Their plight has often been prolonged as developers, builders and the government wrangle over who should pay the remediation costs.

Get Living owns SVDP, the developer of East Village, which emerged from the site of the athletes' accommodation for London's 2012 Olympic Games. Suspect cladding was identified in up to 38 buildings at East Village. Remediation works are under way, bankrolled by the taxpayer-backed Building Safety Fund.

But Triathlon – which looks after East Village properties that are either social housing, affordable housing or which were offered for sale under a shared-ownership scheme – was worried that not all the public funding might come through, or would not cover the whole cost.

The tribunal ruled that it was preferable for Get Living to pay the remediation costs, since it could afford to, rather than the taxpayer picking up the tab. Its so-called "remediation contribution order" against Get Living covers five buildings in the East Village complex, but could potentially be applied to another 33.

Triathlon Homes managing director Kath King told *The Australian Financial Review* in emailed comments that the appeal "puts the needs of Australian fund managers ahead of British pensioners and the residents of East Village".

She said the appeal would leave unresolved the question of funding for works at the 33 buildings not covered by the decision, "putting people at risk and making their lives miserable".

"We are sure that Australian pensioners ... would be appalled to know the safety of residents is being put at risk," she said.

Aware's two fellow shareholders in Get Living are Dutch pension fund APG and DOOR, a residential investment vehicle co-managed by Delancey and Oxford Properties. Both have a 39 per cent stake in the company, which has a £3 billion portfolio of about 4000 homes, including 2400 in East Village.

Get Living CEO Rick de Blaby said his company was progressing the remediation works, but had launched the appeal to "test this unfair principle for other investors".

"We are also determined to pursue the contractors for damages for work on this development," he said.

The tribunal will decide within a month whether the appeal can go forward.

When the adverse tribunal finding first came out in January, an Aware Super spokeswoman told the *Financial Review* that the legal fracas did not change the fund's commitment to Get Living.

"Aware Super remains committed to Get Living as both a core investment in our diversified global living strategy and as a key facilitator for our entry point into the UK's projected £170 billion BTR sector," she said.

"The investment is well positioned to potentially deliver to our members strong, risk-adjusted returns and diversification benefits in a key strategic market, and within a sector that has been resilient during downturns."

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