FINANCIAL REVIEW

Aware Super's UK property play cops a $35m cladding bill

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London | Aware Super's $900 million foray into British build-to-rent housing has become tangled up in the UK's post-Grenfell cladding crisis, with a tribunal this week slapping an £18 million ($35 million) costs order on Aware's local partner, Get Living.

Aware bought 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 last April, even as the company was embroiled in a dispute over how and when to pay for remediation works at the east London residential complex that was formerly the 2012 Olympics athletes' village.

The London Olympic village, long before Grenfell changed the landscape.

The tribunal's so-called "remediation contribution order" against Get Living – a requirement to pay for the replacement of suspect cladding – covers five buildings in the East Village Stratford complex. But there are another 33 buildings for which Get Living may yet also face some liability.

The lack of certainty over the remediation works had been a four-year nightmare for hundreds of East Village residents who owned their leasehold flats. Banks will not lend against properties with unsafe cladding, so the trapped owners were unable to sell or refinance.

"The financial and mental strain the cladding and building safety crisis has on leaseholders across East Village and across the country is immense," said Sam Williams, a spokesman for the Olympic Park Homes Action Group.
"We therefore urge Get Living and its shareholders to commit all necessary funds to remediate the other 33 buildings that remain unremediated across East Village. No appeals, no ifs, no buts – put the safety of all East Village residents above all else."

A spokeswoman for Aware Super said the issue had started before the $160 billion fund became a Get Living shareholder, but Aware was keen to see the issue resolved.

"Aware Super shares Get Living's ongoing commitment to ensuring the safety of all residents in East Village, and will continue to work closely with management to ensure all stakeholders are supported," the spokeswoman 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.

Aware Super's spokeswoman said the tribunal's judgment 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 build-to-rent sector," she said.

She said Aware stuck by the rationale for the investment: "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."

In late November, Aware 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 Europe from a new office in London that had opened that same week.

Aware had already made several infrastructure and private-equity investments in Britain, including Forth Ports and Miller Insurance Services. Get Living was its first UK property foray.

East Village was developed by Stratford Village Development Partnership, which was originally owned by the Olympic Development Authority. Qatari Diar and DV4, a Delancey client fund, agreed to buy SVDP in 2011, with the sale completing in 2014. In 2018, Get Living was set up and became the parent of SVDP.

In 2017, a catastrophic fire at the Grenfell tower in inner north-west London revealed the widespread use of combustible cladding, and a nationwide push to remediate the many affected properties got underway.

Inspections between 2019 and 2021 revealed a significant problem at East Village. At that time, it was unclear how the remediation works would be funded and how extensive they should be. This became the focus of a dispute between Get Living and a company called Triathlon, which looks after the units that are either social housing, affordable housing or which were offered for sale under a shared-ownership scheme.

The pair own almost all of EVML, the company that manages the estate and which has responsibility for carrying out the remediation. Because of their board-level disagreement on how to proceed, EVML was unable to move forward – prolonging the stasis for affected residents.

The remediation works were to be bankrolled by a taxpayer-backed fund, but Triathlon took Get Living to court on fears that not all this money might come through, or would not cover the whole cost.

The tribunal ruled that it was preferable for Get Living to fund the remediation costs, since it could afford to, rather than the taxpayer picking up the tab.

Ultimately, EVML could try to recoup that money by taking legal action against contractors such as Galliford Try, the building company that was working under a contract from Lendlease.

Triathlon managing director Kath King told the *Financial Review* that she hoped the parties could now extend the tribunal's findings to the other 33 affected blocks.

"We don't want to have to go through that [tribunal process] again. But if we have to, it will be easier next time," she said.