



STILL GAME

■ After 40 years, three recessions and 50 projects, Barberry's Paul Watson and Jon Bellfield show no signs of slowing down. **Sean McAllister** reports

IF YOU HAVE EVER WONDERED WHAT HAPPENED TO that Little Chef where you ate breakfast on the A491 near junction 4 of the M5, then Barberry has your answer.

The developer converted the former roadside restaurant into its 3,200 sq ft headquarters in December 2002. The smart offices are testament to Barberry's innovative approach to property development, which has seen its founders, Paul Watson and Jon Bellfield, not just survive, but thrive, in three recessions.

Now in the midst of another downturn, Barberry's experience of more than 50 development projects, a prudent investment strategy and an ability to 'turn its hand to anything' means it is well placed to ride out a potential fourth recession.

Watson and Bellfield met in 1968, working and training together at chartered surveyor Allsop Sellers in Dudley.

'That's 40 years that we've known each other,'

realises Watson as he talks to *Property Week*.

'And you [Bellfield] have not changed a bit!'

Watson and Bellfield went their separate ways in the early 1970s and set up their own agencies. 'I set up alone in 1973 when there was a raging boom,' remembers Bellfield.

'And I set up in 1975 when there was a raging recession,' laments Watson.

But the experience of the 1970s recession was a good grounding in how to cope in a downturn. 'We have acquired our best deals during the more difficult times,' says Bellfield. 'Now there is a chance to buy some opportunities that will give us great profits in four or five years time.'

1980S REUNION

Watson and Bellfield were reunited in the late 1980s. By then Watson had established his own development company, called Barberry Properties, and Bellfield had Ivy House

Properties. After working together on numerous joint ventures they decided to merge to form Barberry House Properties.

In the early 1990s the firm reached new heights. Now renamed Barberry, it bought department store chain Lewis's Birmingham department store when it closed in 1991 and redeveloped it into a 250,000 sq ft office scheme called Temple Court, jointly with Richardsons Developments, part of Richardsons Capital, which was set up by twin brothers Roy Richardson and the late Don Richardson.

They forward sold half the building to the Lord Chancellor's Department and let 100,000 sq ft to Coopers & Lybrand – now PricewaterhouseCoopers, using finance from the Richardsons to fund the development. The scheme was completed in 1994 and sold on to British Land for around £32m.

Barberry's next large project was to speculatively develop 202,000 sq ft of offices



← Forty years on (clockwise from far left): Barberry's Watson and Bellfield are responsible for Brum success stories 1. Colmore Square and Temple Court

cover the loss. We have got this far and don't want to throw it all away on one deal.'

Barberry is now back in an acquisitive mood, although city centre office development is on the back burner since its plans to redevelop the Grand Hotel were scuppered.

It had signed a deal with Hortons' Estate and the Richardsons to jointly redevelop the hotel on Colmore Row, overlooking St Philip's Square, into 200,000 sq ft of offices. But in 2004, the Grand Hotel was given a grade II* listing and the plans were abandoned.

'As we were drawing up our plans, other developments were moving forward. Targetfollow started the refurbishment of Baskerville House, Abstract Land were gearing up to develop the former Post & Mail building [now Colmore Plaza], while Ballymore were gearing up to develop Snowhill,' remembers Bellfield. 'We would have speculatively developed the Grand Hotel even with these developments because it is the best site in the city.'

But beyond the Grand Hotel, there are no other sites that Barberry consider good enough in Birmingham to develop into offices.

SHIFT TO SHOPS

Instead its focus is now principally on retail. 'We prefer investments with asset management or redevelopment potential,' explains Bellfield. 'For instance, we're looking at first generation out-of-town retail parks that are maybe 20 years old but have open A1 consent and low rents so that, while we work up alternatives for the site we still collect a rent.'

In 2006, it acquired four stores from Somerfield, and converted them into stores for PC World and Countrywide Farmers, a pub for the Barracuda Group and a supermarket for Aldi. It also bought Habitat's 16,500 sq ft shop unit on Leicester's High Street in January. Next to Hammerson's Highcross shopping centre, which opens in September this year, Barberry will be looking for significant rental growth with the added opportunity to divide the store into smaller, more profitable, units when Habitat's lease break comes up in 2010.

Barberry appears to have mapped out a strategy to steer it through this downturn. With the likes of company director Martyn Cartwright and Bellfield's son, Henry, the company has a bright future once its founders step down.

But Watson and Bellfield, aged 59 and 57 respectively, have no plans to retire. In fact, Bellfield is not even willing to take an extended break. 'People say that this is a good time to take a sabbatical and wait for the market to come back,' says Bellfield. 'I disagree. Now is the time to sow the seeds for the future.' ■

at No 1 Colmore Square, next to Temple Court.

Completed in 2004, No 1 Colmore Square has been arguably one of Birmingham's most significant office developments.

DTZ regional chairman Geoff Thomas says that this has been the catalyst for developments including Abstract Land's 307,000 sq ft Colmore Plaza, and Ballymore's 1m sq ft Snowhill scheme, which have extended Birmingham's prime office location, Colmore Row, further east.

No 1 Colmore Square was almost fully let before practical completion, to tenants such as Ernst & Young, Cobbetts and DTZ, and sold to Allied Irish Bank for £90m. To secure Ernst & Young, joint venture Richardson Barberry bought its office, the 44,000 sq ft One Colmore Row, quickly refurbished it and brought in tenants such as Knight Frank before selling the building to Ballymore for £20m in 2006. Barberry also developed the 54,000 sq ft Maple House in 1995, with the Richardsons, and sold it to Natwest bank for more than £10m.

Watson explains that Barberry actively traded its developments to take advantage of a rising market. Perhaps its most timely sale was that of B1 Summer Hill Road. Barberry converted the former warehouse into 92,500 sq ft of offices and let it to the NHS, Service Birmingham and Nestor Healthcare. It then sold the building just before the credit crunch in July 2007 to

the BA Pension Fund for £22.75/sq m – a net initial yield of 5.45%.

Rob Blyth, chief executive of Hortons' Estate, is a fan of Barberry. 'I have a lot of time for them,' he says. 'They know their way around the Midlands – and in this market, knowledge is paramount.'

But it has been prudence and a sensible attitude to investment that has helped Watson and Bellfield through difficult times. 'In 1973 to 1975, every developer I knew that was highly geared was wiped out and it happened again in the 1980s. We were therefore very nervous about being highly geared, and so have never done a deal that could bust us,' explains Bellfield. 'If it goes wrong then you have to be certain that you, or your JV partner, can

WE'RE LOOKING AT FIRST GENERATION OUT-OF-TOWN RETAIL PARKS THAT ARE MAYBE 20 YEARS OLD

**JON BELLFIELD
BARBERRY**