

## The potential impact of the Grenfell Tower fire on the UK property market

**The property world has rightly been under scrutiny since the tragic events at Grenfell Tower. The industry needs to move quickly to give confidence that, not only does it have strong policies and regulations, but that these are capable of being applied rigorously and consistently when so much is at stake.**

Action to date, amongst major property owners, has, quite rightly, focused on identifying high rise residential blocks which might have similar weaknesses to Grenfell Tower and implementing processes to ensure that these are made safe. Most similar blocks will be early generation properties which are still likely to be in Local Authority ownership.

Recent years have seen a significant resurgence in the construction of high rise residential blocks, mainly in London, but also in the major regional cities such as Manchester, Birmingham and Leeds. In addition, in more recent years, the Permitted Development (PD) rules have simplified the conversion process for many multi-storey office properties being redeveloped as residential blocks.

Whilst construction standards have improved since the 1960's and 70's these towers will still need to be investigated to ensure that they are safe and fit for purpose.

We do not yet know the reasons behind the start and spread of the Grenfell Tower fire, and it is likely to be many months before this is firmly established. Information to date points to the cladding, in one way or another, being the predominant issue in the rapid spread of the fire.

***What we do know is that following other catastrophic events, the impact tends to be deeper and more widespread than initially envisaged.***

In this case it may lead to a reduction in the use of high rise residential blocks as the main route in providing the large increase in housing which is required in the UK, particularly in London. This could have a significant impact on the alternative use value of many central London retail warehouse and industrial properties.

A change in the PD rights environment could have a similar impact on office values.

In addition, the current common use of Aluminium Cladding Material (used at Grenfell Tower) on industrial and retail warehouse properties may be regulated which might result in a fall in value of those properties which use this material (similar to the discount applied to properties which contained high alumina cement or wood wool slabs in the 1980's/1990's or asbestos since the 1970's).

What the fire has conclusively proved is that current regulations are inconsistently applied and working practices require significant improvements to restore faith in the sector.

This should lead to an improvement in housing standards throughout the UK benefitting, in particular, the poorer social housing stock in London and the main regional centres.

Apart from immediate action on those properties which are now a potential fire threat, all institutional property owners should review the fire precautions in place at all their properties to ensure risks are minimised.

Heightened awareness of the risks involved should lead to better oversight of all health and safety risks involved in owning and managing portfolios.

Further action will almost certainly be required once the official report into the Grenfell Tower fire is released and new government regulations and laws are introduced.

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