

Construction

Property mogul buys 50% stake in developer of micro-homes

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Stephen Ross, the US property billionaire and owner of the Miami Dolphins American football team, has made his first venture into affordable housing in the UK with the purchase of a 50 per cent stake in a London developer specialising in “micro-homes”.

Mr Ross has bought half of Pocket Living from its co-founders through his Related Companies group in a deal that is understood to value Pocket at £25m.

Related has been increasing its UK holdings, last year forming a joint venture with Argent — lead developer of the 67-acre King’s Cross scheme in London — to pursue regeneration projects. It is also involved in the redevelopment of the capital’s Euston station.

Pocket, which launched 10 years ago, focuses on the construction of blocks of one-bedroom “micro” flats on small London sites aimed at “intermediate” homebuyers, who are wealthier than social tenants but cannot afford market prices of London properties, which have risen to nine times average earnings.

Pocket has gained from a close relationship with central government and the London mayoral administration, securing a £26.4m revolving loan facil-

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ity from the Greater London Authority and even persuading it to reduce its space requirements for newly built apartments.

Kenneth Wong, director of international development at Related, said: “We’re interested in the broad opportunity that is London, city-building and urban regeneration... and especially in the challenge of providing entry-level housing that is beautifully designed, smartly engineered and can be shoehorned into all kinds of sites.”

Related will be represented on Pocket’s board and work with the company — which expects to make its first profit in 2016-17 — on financing and expansion, including working with big developers on regeneration sites. There are no plans to float Pocket.

Pocket wants to increase its pipeline to 500 homes annually within three years and is planning to venture into two-bedroom flats. The company says it has also received several approaches about adapting its methods for other European and US cities.

It sells apartments at a 20 per cent discount to market rates to buyers below a set income threshold, and applies similar conditions to resales, ensuring that its homes remain affordable.

Pocket’s model was one of the inspirations for the UK government’s discounted Starter Homes scheme, which is due to launch this year.

The company describes its homebuyers as “city makers” earning an average of £39,000 a year who would otherwise have to continue renting or move out of London.

Related, a private company majority-owned by Mr Ross, operates across the full range of real estate and is building New York’s \$20bn Hudson Yards development.

When it launched in 1972, its focus was on being an affordable housing provider when Mr Ross — a former corporate finance banker — realised that tax credits offered by government for such housing would be attractive to wealthy investors.