

UK Head of Real Estate, Daniel Norris, comments on the challenges that lie ahead

In December 2016, Daniel Norris was appointed UK Head of Real Estate for Hogan Lovells. A partner for 9 years and at the firm for 19, Norris has worked on many high profile matters and experienced first-hand the cyclical nature of property investment. Two months into the job, he comments on what he sees will be the challenges for the market and how he plans to meet them.

This is a challenging climate in which to take the reins. Even at the height of the global financial crisis there was plenty of activity in the market, although that movement was downwards and our restructuring and insolvency teams had larger mandates than the institutional investors, developers and propcos would have liked.

Since the peak in Q4 2015 we have experienced a flat market. Sellers don't need to sell because values are holding up and there is not enough distress to encourage lenders to restructure/enforce. Adequate amounts of available debt and buyers with high price expectations have all contributed to a flat market. The referendum and its result have prolonged the stasis into a period of "stable uncertainty", with investors waiting to see what will happen. Tenants have slowed their decision-making processes, and retailers especially are digesting the recent business rate changes.

There are, however, significant positives, with a lot of interest in the UK from North America and Asia, particularly China, looking to take advantage of a weak pound. Clients are increasingly taking advantage of our international network to run cross-border real estate deals. Recent jurisdictions have included the Netherlands, Spain, Italy, the USA and Poland. The appetite for development risk has certainly returned and we are currently working on a wide range of cross-sector schemes with different time horizons and risk profiles. Our disputes team has seen an increase in vacant possession strategies and rights of light issues whilst our planning team has grappled with the government's constant tinkering with the planning system.

There is growth in our more specialist sectors, notably student housing (investment and development funding), private rented sector and build to rent. The HL Hotels team continues to flourish and the sector remains vibrant. Meanwhile, our private equity/hedge fund real estate team is seeing a significant increase in instructions as investors continue to find more unusual and opportunistic investments.

What does this mean for us? Our strategy is to anticipate and monitor how clients adapt to these market changes. Where clients make early forays and need multi-discipline legal strength, our broader real estate expertise in joint ventures, onshore and offshore structuring and tax considerations are crucial.

We operate a high performance culture both internally and externally and we view this as mandatory. We are well known for being commercial, collaborative and engaging, and we underpin that with: ambition for ourselves and our clients; commitment; accountability (which means giving and standing by strong commercial and legal recommendations); innovation (we are leading the way on thinking about cyber risks in real estate, for example); and support for our clients and team.

I believe in engagement with clients at all levels. I am constantly seeking ways to improve and innovate. If you ever have anything you want to share with me, good or bad, please call me. In 19 years at Hogan Lovells, I have discovered many coffee shops for brainstorming and getting to know people better – a tradition I fully intend to continue.



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