

PRESS RELEASE INFORMATION

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Local developer takes a local approach to service charge

Service charge for apartment schemes has been a long whinged about issue in residential circles – a necessary evil for both developers and purchasers. While some are willing to pay over the odds for extra luxuries like a concierge, many purchasers find the added costs a negative factor for apartment living. Solihull-based Barteak Developments Ltd has taken what is believed to be a unique stand point on the issue in order to heavily undercut the market, whilst maintaining high service levels.

Whilst typical medium sized developments with approximately 40 apartments charge around £1.50 per square foot (psf) in service charge, with the facilities maintenance outsourced to an external management company, Barteak has instead opted to employ its own in house facilities manager. This arrangement, believed to be one of a kind in the Midlands, has enabled it to shave up to 50 per cent off the average service charge price psf. Savings which are passed directly on to the apartment owner.

Coming in at a maximum of £1.28 per square foot but in many cases only 75 pence per square foot, the service charge imposed by Barteak is exceptionally low compared to most new build developments, and the developer puts this down to managing the facilities in house.

David Back, managing director of Barteak explained: "Our low service charge is one of our strongest USP's and is a fundamental part of our residential arm. Our reputation has been built on the back of developing in established, yet affordable residential areas, where we can offer relatively low capital prices. The affordability of our service charge has enabled us to help many first time buyers onto the property ladder, as well as reducing typical running costs for buy-to-let investors.

"Economical benefits are woven through our architectural designs and material specification so that maintenance costs can be kept to a minimum. By far the biggest saving however is through employing our own in house facilities manager, who has a team of people geared towards the ongoing maintenance of our growing Midlands portfolio."

Barteak reports that when luxury city living began in the West Midlands 10 years ago, people accepted the concept of service charge for those 'added benefits' that came with their apartment. It wasn't a price sensitive issue; it was just an extra cost to the price of the apartment.

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But by 2001, the annual charge was swiftly becoming a sticking point for purchasers who had been sold apartments with luxury extra's such as concierge, gymnasium, extravagant external landscaping and multiple elevators, but who weren't too pleased with having to pay extra for it year on year as soon as they moved in. Indeed, the occupants of luxury schemes in central Birmingham had begun to feel a little 'ripped off' for what they felt was a heavy charge for a perceived poor return on investment.

And so service charge became a price sensitive issue. The situation has fortunately been minimised by relatively little competition within the managing agents – Mainstay, Peveril, York Laurent and Penny Cuick Collins manage the majority of schemes in Birmingham – so the prices remain reasonably consistent. Developers bring these companies on board early on to ensure value for money for the end purchaser.

As the responsibility for the service charge lies with the owner rather than the tenant, and with the latest interest rate rises and slowing in capital growth, Barteak's approach to residential management has gained them an enviable following of loyal investor clients. As well as low service charge, Barteak has set the ground rent for each of its apartments at an annual rate of only £75 being collected each year, which is yet another string to its bow in the competitive new homes market.

Keith Wright, Barteak's facilities manager has been with the company for 18 months. With a career history in automotive construction, he has adopted the exacting standards learnt from a globally competitive industry and transferred them to residential development. He said: "Barteak is respected by our purchasers for being transparent with our service charge. The low price is certainly a contributing factor to our sales rate and we do get a lot of repeat purchasers who have continued to choose us because of the service we offer, coupled with the affordable charge. We are now investigating the feasibility of rolling out the 75 pence per square foot rate across all our schemes."

Despite the low service charges, the apartments are fitted out to a very high degree of detail, right down to the blinds, fixtures and fittings, the idea being that the buyer purchases a home not a shell. This has proven popular with Barteak's customers and given the developer an indisputable track record with investors and owner occupiers alike, who can reap the benefits of buying a home that is ready to move into.

Barteak Developments Ltd was founded in 1978, and has since garnered a reputation as a specialist property developer. Set up by a leading team of property and finance professionals, Barteak prides itself on going beyond the call of duty to deliver quality and value to owners, tenants and investors alike. Barteak is currently working on sites across the east, west and south Midlands, including the Black Country, Erdington and city centre.

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The management team has increased turnover in the last three years by 100 per cent to £26million. Going forward, the company intends to continue to diversify in the mixed use arena, particularly focusing on residential and healthcare uses.

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