TOM CAMPBELL

Getting older with Goldman Sachs

As Riverstone lays out plans to build a £3bn senior living business, its chairman and chief executive tell Emma Rosser how they plan to future-proof the business

Penny Hughes and Jason Leek

When Goldman Sachs completed the UK's largest private property deal, a £4.7bn sale of student housing group iQ to Blackstone, at the height of lockdown, the investment bank shifted attention to its next real estate venture – the complex and controversial senior living sector.

With a plan to turn start-up Riverstone into a £3bn business, Goldman Sachs promptly appointed former iQ chair Penny Hughes as chairman, joining chief executive Jason Leek, former boss of serviced office company London Executive Offices.

Just months later, Hughes and Leek sit in a Bowler James Brindley-designed lounge at Riverstone Fulham, a replica of an upcoming development, to discuss the company's ambitions. Riverstone aims to develop 10 such luxury communities with a combined 2,000 homes in the next five to seven years, targeting over-65s who want to downsize but remain in their prime, central London neighbourhoods.

These are no small targets, and while Hughes says she was ready for her next role – "It was very much 'Right – iQ done, next challenge'" – she admits she initially struggled to decide whether Riverstone's ambition was brave or conservative.

"It is brave because you do have to make all these investments before you start seeing any returns," she says. "But it is also conservative in that the demand is so high and clearly outstrips supply. That's a good market mechanism for making good returns."

Hughes brings to Riverstone real estate experience from iQ, where she is now a senior adviser, on top of a variety of experience from retail, tech, hospitality, media and banking. The former UK and Ireland president of Coca-Cola is something of a City celebrity, having graced the boards of the Gym Group, Aston Martin, Royal Bank of Scotland, Body Shop, Next, Gap, Trinity Mirror and many more.

"My background is very much looking at any proposition from the customer's perspective," says Hughes. She is there to handle any reputational issues, as well as deliver value for shareholders and residents.

"You know what good design is like when you see it, but, of course, it has to be well thought-out, well researched and well designed. We are trying to find wow moments."

Luxury later living

Riverstone Fulham will be the company's first development, with sales launching this month and construction expected to complete by the end of next year.

The 161-flat riverside scheme will incorporate 19,000 sq ft of amenity space to emulate the feel of a members' club, including an orangery reception and espresso bar, lounge space, spa, pool and treatment rooms, library, salon, fitness studio, public restaurant, chauffeurs, cinema and a golf simulator.

On arrival, I am greeted by Leek, who is finding his way around the espresso bar. The office has been open a week, with the showroom to open imminently, pending lockdown restrictions. It is a pivotal moment for Riverstone.

"Goldman Sachs has been working on this with my executive colleagues for nearly four years," says Leek. He joined last September from London Executive Offices and has since doubled the size of the team to 30 employees, appointing the board and preparing to launch the scheme to the market.

"The beginning of sales is the beginning of a real business, where you are talking to customers and introducing them to the product," says Leek. "You bring it to fruition and the vision starts to materialise."

A 150-year lease for a one-bedroom flat is priced at £895,000, two-bed at £1.1m and three-bed at almost £1.7m. The penthouses have yet to be released. Residents also pay a membership fee of


Riverstone Fulham

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Jason Leek, chief executive, Riverstone

£1,335 a month and a deferred, or event, fee when they sell the property.

That fee is a 4% annual charge on the future sale value of a home, capped at 28% and paid to Riverstone when the flat is sold. "It basically affords all of the amenity space and the provision of care, and it is good estate planning for the resident," says Hughes.

The fee also provides a return for Goldman Sachs and a long-term interest. Controversy and uncertainty around changing event fees legislation has deterred many blue-chip investors. This, combined with high costs, planning and complexity of care means the sector is undersupplied, particularly at the luxury level, says Hughes: "What we are building doesn't really exist in the UK."

Building a £3bn business

There may be barriers for others, but the £250m to £300m assets are ideal for Goldman Sachs as it ramps up its direct real estate investment and fund management in the UK under managing director Tavis Cannell. "These are significant investments," says Leek. "That's one of the reasons we like it, because we can deploy capital and achieve scale with a relatively small number of locations."

In March, Riverstone closed its first round of equity finance, raising just over £500m. "Goldman Sachs brought in some co-investment. They are still the single largest investor but brought in some of their own private client investors and will continue to review that as we grow and scale," says Leek.

This is a big step for Goldman, which since the global financial crisis has tended to stick to development loans from its debt funds, for instance last year's £185m backing for retirement developer Auriens.

"Riverstone has a very ambitious plan to build this business from where it is today," says Leek. "The financial model is based on good recycling. We would love to open one to two sites per year. That takes time, because there is a lead time."

The developer is targeting consented schemes of up to 200 flats, in prime central London locations where sales values average £1,000 to £2,000 per sq ft. "The site has to have the right amenities," Leek says. "It has to have aspect, daylight, all the different bits that make it a lovely place, like this, to sit."

The original goal was to buy the sites over a two-year period, following Goldman's acquisition and launch of Riverstone in 2018. Scaling has been a challenge, but Leek says the company is in advanced talks on a number of sites and is hoping to make its next acquisition this year.

"If anything, we are probably seeing more opportunities coming up as a result of the Covid challenges," says Leek. He says the pandemic is likely to increase resident demand from people seeking professional but also social support.

"It makes our product more attractive," he says. "It is a perfect mix of safe and secure, with strong hygiene control measures. You have your own apartment, but you can have these hugely engaging communal spaces."

Future-proofing

Health is a major factor in senior living, even before Covid. Riverstone has partnered with the Good Care Group to offer bespoke care packages for its residents. The business has also appointed Natalie-Jane MacDonald, chief executive of Sunrise Senior Living and chairman of Nuffield, as a non-executive director.

"My mum is 94, so I've seen what she has experienced," says Hughes. "I understand the magic we will be able to bring to people who live locally and want to stay in their environment, know what they like in their own community, but [for whom] the burden of being in their own home without the safety of what we will be providing is difficult."

Riverstone is also in discussions with several private healthcare providers to offer temporary on-site clinics on top of its prescription service. Leeks calls this "future-proofing" for residents, and the same could be said of the business.

Unlike most for-sale resi developers, Leek and Hughes argue that Riverstone is planning long-term. "The big difference is between a developer who builds something and then sells it versus someone who is there to stay and operate and create that experience," says Leek.

When Riverstone was launched, a potential stock market listing was mooted as an eventual exit for Goldman Sachs. But given recent successes – Hughes with iQ and Leek's sale of LEO – is Goldman priming Riverstone for another record-breaking deal? Its directors say, for now, it is too early to speculate.

"We need to launch the existing sites, we need to see successful growth in those and to bring on acquisitions. It is too early to focus on the timing or method for exit," says Leek. "We're only at the beginning."

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