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JOINT VENTURES CAN PROVIDE AN INVESTMENT SOLUTION IN CURRENT ECONOMIC CLIMATE

With many businesses re-evaluating their investment options due to the current economic climate, more and more firms are choosing to link up with partners to minimise risk and utilise additional skills.

Investors are now required to produce higher equity than in previous years, and many businesses have been forced to limit their spending levels and in turn, make less investments than they may have in the past.

Aberdeen-based property investment and development company, West Coast Estates, says one solution to this challenge, is to link up with like minded businesses to undertake joint ventures.

The concept is one West Coast Estates director, Iftikar Mian, believes in strongly, having been involved in joint ventures for a number of years.

Mr Mian said: "Joint ventures provide two clear benefits - firstly we can tap into the expertise and experience of another organisation with that organisation in turn feeding from our knowledge and skill set, and secondly, we can both reduce the financial risk by splitting the initial investment.

"The financial element is particularly relevant in the current economic situation, as significantly higher equity is now required when making property purchases. Where equity may have been 10-20% of the price previously, it may now be 40-50% which stretches financial means far further than some would be able to comfortably achieve. Involving a partner makes such business dealings more accessible."

West Coast Estates is currently involved in several joint ventures, including one with Northern Ireland-based Northburn Developments. The two organisations partnered up to purchase an 8,000 square feet office development on Golden Square in December 2007 in a 50/50 limited liability partnership (LLP), which is a tax efficient vehicle. This development is currently let to WS Atkins.

The company previously purchased six retail units totalling 7,000 square feet on Jesmond Drive, Bridge of Don, also as a joint venture acquisition with Northburn Developments.

Having purchased the development for £1.8 million, West Coast Estates had a flexible agreement with Northburn Developments, and subsequently bought out its partner. A £200,000 refurbishment project is currently underway, due to be completed later this year.

Mr Mian believes this flexibility is another key benefit from working with joint venture partners.

He continued: "The link up enabled us to benefit from the expertise of Northburn Developments initially and the flexible nature of our agreement, meant that either party had the option to sell out or buy out of the arrangement. It suited both organisations for West Coast to take over the project at that time."

Alan Mitchell, director of Northburn Developments, said: "We are very pleased with the way the joint venture projects we have been involved with have progressed to date and look forward to developing further contracts with partners like West Coast Estates."

Mr Mian is looking forward to continuing to work with other joint venture partners, which also cover the residential sector, in the future.

“We have recently been working with another partner to extend and enhance a residential development within the city centre,” added Mr Mian. “A number of due diligence issues, planning obstacles and various other problems needed to be resolved and by working with our partner, an Aberdeen-based developer and private investor, we have addressed these, creating a commercially viable project.”

Mr Mian added that joint ventures can also work well to resolve planning problems with landowners looking to progress potential developments or to help enhance existing schemes.

West Coast Estates, which was set up by Mr Mian and his brother Ali in 1991, is currently working on a number of projects, including redeveloping and refurbishing commercial premises throughout the city.

For further information about West Coast Estates, please call 01224 619384 or visit www.westcoastestates.co.uk