

theReport

#5 Religion

Houses of the holy

The UK's diverse faith groups have changed the religious landscape of the country over the past 50 years. With that change, the religious property business has become a potentially massive money spinner

BY KATIE PUCKETT

Picture a church. If you're thinking of steeples and stained glass, you're behind the times. Today's churches are just as likely to look like cinemas, bingo halls or even industrial sheds.

Britain's religious landscape is changing, as traditional congregations dwindle while newer ones prosper. Older religious organisations tend to be asset-rich and cash-poor, sitting on buildings that are expensive to maintain and increasingly surplus to requirements. Many churches, meeting halls, convents and abbeys have been converted into residential or commercial uses. The Methodists,

Presbyterians and Anglican strands have lost the most ground, but synagogues are also closing, reflecting the Jewish community's movement out of inner London in recent decades.

But other faith groups are struggling to find sufficient space to keep pace with their growth.

Britain's thriving evangelical and pentecostal megachurches are packed out every Sunday with an African-Caribbean-majority crowd, taking over existing places of worship but also applying to change the use of former entertainment venues.

The Universal Church of the Kingdom of God has opened

"HelpCentres" in listed cinemas in Kilburn, NW6, and in Leicester, and has won a long-running planning battle to do the same in Catford, SE6.

It also operates from the former Rainbow Theatre in Finsbury Park, N4, a shopping centre unit in Hammersmith, W6, and a Grade II listed synagogue in Hackney, E2.

On a smaller scale, mosque developments continue apace in areas with large Muslim populations.

Meanwhile, the London Kabbalah Centre welcomes 1,000 "students" every week to its West End premises and is planning an extension to double its size (see box on page 85).

GROWING: MOSQUE DEVELOPMENT

According to the 2011 Census, Islam is the fastest-growing religion in England and Wales, accounting for 4.8% of the population. There are now approximately 1,500 mosques in Britain, of which 250-300 are new-build and the rest are converted from houses, other religious buildings or, in the case of one Streatham mosque, a fire station.

Shahed Saleem, founder of Makespace architects in East London, has worked on around 15 mosque projects in the past 10 years and is writing a book on the history of the mosque in Britain. "Pretty much anything can become a mosque," he says. "It's a very flexible, adaptable building type. The main thing is to have as large a hall as possible and ablution facilities so that people are able to wash ritually before prayer."

A typical trajectory is to start in a smaller converted building, then extend, then move to larger premises or redevelop on a new site. "New builds seem to be levelling off or even falling, in terms of the past 20 to 30 years. I think we'll see more redevelopment of existing sites, rather than completely new ones. There's a capacity that's been reached and an existing infrastructure in place."

A house conversion can accommodate 200 worshippers at a push, a handful of very large mosques can hold thousands, but the average is around 300-500.

When looking for a property, an existing D1 use is top of the list – so a building that is already a place of worship or community centre. Mosques are used quite intensively throughout the day by their community so they need to be accessible, centrally located with onsite parking, or at least local parking or very good public transport links. While they are unlikely to be able to compete with commercial developers, mosques are good clients for sites that cannot be converted to commercial or residential uses.

"It's worth finding out the needs of mosques in the local area, as it's more than likely that they will have an eye on expansion or relocation," added Saleem.



Big business

If religious property could be considered a sector, it's a very nebulous and diverse one. But it's also potentially big business. Overall, there are an estimated 47,000 Christian churches, chapels and meeting houses in the UK, and roughly 1,500 mosques, 400 synagogues, 230 Sikh gurdwaras and 150 Hindu temples, as well as several

hundred Buddhist centres across the country. There are also many smaller faith-based organisations whose premises often double as community centres for particular ethnic groups.

In some respects, religious organisations are no different to other property clients, seeking to maximise the value of their assets; in others they

exist in a parallel universe, governed by arcane religious laws and driven by vocation rather than profit. "For these organisations, the faith-based mission matters above all things – money is just a way to support that," says Hugh Pearce, a partner at law firm Stone King, who specialises in property transactions for faith-based charities. "If you don't

understand how they work or the motive for a property deal, you can make a huge mistake."

The uninitiated often misunderstand the decision-making process, Pearce warns.

"People don't realise how substantial these organisations can be," he says. "Some are, in effect, large multinational corporations." This is the case with disposals for dwindling

religious orders in the highly centralised Catholic faith: "You may think you're talking to the person who's making the decision, but the local superior will have to consult a regional superior in the worldwide order. And some matters may require canon law approval in Rome."

The inner workings

No two religious property deals are alike, but the one sacred text that applies to the overwhelming majority is the Charities Act 2011. Faith-based organisations are almost always charities, which means that the trustees are legally required to obtain the best price when selling or leasing a property and must obtain advice from a qualified surveyor. A popular way of rationalising is to sell off part of a site to a developer, perhaps a registered social landlord, to fund improvements to the church or redevelopment of a smaller church building.

Charities generally cannot enter into development activities themselves, but they may sell the site to a wholly owned limited company that then carries out the development, or to a developer but include a clawback agreement for a share of the profits from the ultimate disposal. Both these routes can raise difficult tax issues.

"That's always a key issue," says Paul Ridout, partner at law firm Veale Wasbrough Vizards, who has worked with many religious charities. "Sometimes the surveyor's report says a charity will get the best price if it develops the site itself, but it is not usually allowed to carry out any development activities that aren't part of their charitable purpose. The regulations tend to steer them away from activities where they could lose everything if, for example, the market collapses."

The Church of England remains by far the largest religious property owner in the UK, with 16,000 churches, 42 cathedrals, and a massive portfolio of residences and land. This is owned by local dioceses or parishes, and

overseen by the Church Commissioners, according to ecclesiastical law.

The need to get the best deal can lead to a perceived conflict in the eyes of their local communities – the Church of England is often accused of selling off the family silver to the highest bidder. Since 2004, it has demolished 53 churches and sold off the sites, while 245 were sold or leased for new uses, usually residential.

Chartered surveyor Juliet Weston worked for the Diocese of Gloucester for 15 years, overseeing its parsonages and glebe lands, before setting up her own consultancy earlier this year. She says that closing church buildings and redevelopment always provokes a strong reaction in a local community, even among non-churchgoers.

"Dioceses have to manage their assets properly in order to get the best return, and tough decisions must be made. Many dioceses are asset rich and liquid poor, and it's really just a balancing act to do the best we can."

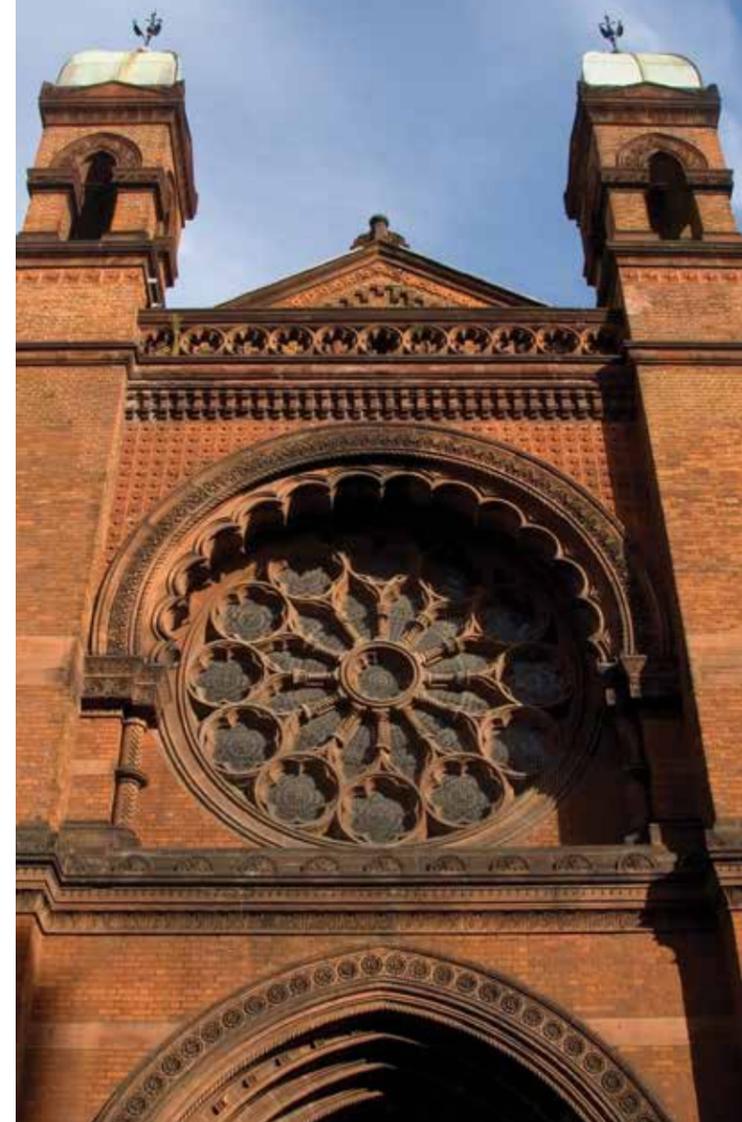
In 1998, Gloucester owned more than 800,000 acres of land, "small, disparate parcels all over Gloucestershire"; by 2008, this had dropped to 300,000.

The diocese has also shed many of the traditional Victorian or Georgian vicarages, typically large piles in sought-after locations, releasing funds and building a smaller number of modern family homes.

"There used to be one vicar per parish; now, in many cases, there's a single incumbent for six or seven. I know one who is looking after nine parishes."

The church also needs to maintain a presence in the community, even when attendance is down to single figures, as well as create a sustainable income for future generations. "We have to view the church in a long-term way, existing *ad infinitum*, so they're trying to look for creative ways of not selling off the family silver – such as releasing land for affordable housing to an RSL on a long leasehold," adds Weston.

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Old and new

The Diocese of London has gone further, grouping together 160 disused residences and places of worship into an investment portfolio valued at more than £70m. This will be managed by Cluttons on a three-year contract. Einar Roberts, residential partner at Cluttons, says: "They're trying to take a more strategic view of their property holdings. They have these investments to provide an income stream, so they're saying, 'Let's treat it like a portfolio and smarten things up'. They're looking to make it more intentional, so that the stock sits together better as a portfolio."

Meanwhile, Britain's newer religions are facing a very different challenge. "There's a real shortage of meeting halls in this country, certainly in the South East," says Mike Greensmith, partner at Stanley Hicks.

"It's quite a challenge for any charity to find usable space. With the rise in housing development in the South East, community users who can't afford to pay as much are struggling."

Some of the fastest growing are the evangelical or pentecostal churches, drawing congregations from a dozen to several thousand. "Some groups are growing significantly," says Richard Moir, partner at Gerald Eve.

"They're seeking places of worship in and around London, but traditional

churches aren't necessarily what they're looking for."

Services often involve amplified music, with worshippers sometimes arranged in a circle rather than rows and able to move around. Groups often start out in former Methodist or United Reformed church premises, but as they expand, they prefer converted bingo halls, cinemas or even out-of-town industrial units, where noise and Sunday parking for hundreds of worshippers are not an issue.

One of the UK's largest is the Kingsway International Christian Centre, a pentecostal church whose Sunday services are attended by more than 12,000 worshippers. In 2007, it was forced to move from its 10-acre site in Hackney to make way for the London Olympics, and spent five years struggling to find a suitable home elsewhere. In 2012, it finally bought a 24-acre site in Kent – outright – which it will develop as Prayer City.

Philip Waterfield, director at Strettons in east London, has many years of experience of reconciling the aspirations of local faith groups with the local property market. "Sometimes you ask how many people they want to accommodate, and they say 1,000. Then you ask how many are in the congregation now, and it's 50. They want to get bigger – there's no point having a church that accommodates only 50 – so you're looking for something that they can grow



CGI plans to expand the London Kabbalah Centre near Bond Street

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into but is still manageable. The thing is whether it can become their home."

Finding a suitable property is only half the problem. "I start out by asking not what they want or where, but how are they going to pay for it. Often they say, 'God will provide,

don't worry about it.'

"A lot of the time, the elders will have set aside money to go home [to retire – usually to Africa or to the Caribbean], so I point out to them that they could lend that money to the church at their own interest rates, so it can put down a

deposit. When they die, they would have often given the money to the church anyway."

Faith groups can compete aggressively for the right building in the right area, says Moir. "It can be difficult for these organisations to obtain bank loans, because their accounts don't show the true picture of their ability to raise funds. But they do have a remarkable ability to raise cash from their worshippers to complete acquisitions, which may not necessarily be

apparent in their accounts."

To a certain extent, faith groups are also in competition with each other, which can present an added complication.

"Many faith-based organisations don't like selling to other religions, especially when they're disposing of an investment that a lot of people have put their heart and soul into," says Waterfield.

"They might all be equal in God's eyes, but not when it comes to property transactions."

EXTENDING: LONDON KABBALAH CENTRE

Kabbalah is often seen as one of the UK's newest faiths, but it would consider itself one of the oldest. It is a system of meditative mysticism – an esoteric offshoot of Judaism.

Promoted by celebrity adherents such as Madonna, Britney Spears and Ashton Kutcher, there are now Kabbalah centres in more than 40 cities. Marcus Weston, lead teacher at the London Kabbalah Centre, says it now receives 1,000 visitors each week, attending classes and seminars, socialising with like-minded people and carrying out outreach work in the community.

The centre acquired 12 Stratford Place, WC2 in 2002, a 12,200 sq ft Grade II listed building by Bond Street station, and it has just secured planning permission for an extension that will double its size. "We're very blessed with a beautiful property bang in the centre of town," says Weston. "The downside is that it's not an intelligent building for us, as it has very set walls and the rooms are very small. For the past 10 years, it's been wonderful but now we're in trouble. We've had to put waiting lists on our largest events because we just can't fit people in."

About four years ago, the Kabbalists did manage to get planning permission to knock down a ground floor wall.

"That increased the capacity of our largest room from 75 to 150, but in literally a week we were full again."

The trustees considered relocating, but then a vacant parking lot came up for sale to the rear of the site. This will now be developed into a bright, hi-tech conference facility, at an estimated cost of £6m. Weston hopes the project will be completed by summer 2016. This architectural fusion of old and new reflects the Kabbalah ethos, he believes, and while the extension will double its space, it will more than triple its capacity. "Instead of having 150 people in only one room, we will be able to host 500 on two different floors. Our student base will probably be able to quadruple because of the intelligent use of the space, and in the longer term we hope to have tens of thousands of people coming."

The extension is expected to fulfil the organisation's needs for the next 15 years, and there are no plans to develop further centres. "It's not an easy thing to do, both to afford and to justify when there are so many other important things that we do." But there are study groups around in the country, held in people's homes or rented accommodation. And, more importantly, there is Skype and videoconferencing: "It's so easy now to be in someone's living room, it can be far more effective than travelling."

DOWNSIZING: QUAKER MEETING HOUSES

Established in 1671, Six Weeks Meeting is responsible for 36 Quaker meeting houses in London.

"Back in the day, Quakers named their institutions after how often they met," explains secretary John Dash.

Membership of the Quakers – or the Religious Society of Friends, to give the movement's formal title – was generally steady over the centuries, but peaked in the 1950s and 1960s, with a post-war interest in pacifism. "We're on a downward trend at the moment," says Dash. "We built more meeting houses in the 1960s to meet demand, but now we're faced with more property than we need and we're thinking about how to address that."

Meeting houses are not like churches, and there's no religious imagery or focal point during the services. "Usually we sit in a circle, so we want a large meeting hall with even proportions – square, round, hexagonal. Worship is based on one hour of silence with individuals talking occasionally, so it needs to be comfortable,

light and quiet – external noise insulation is important."

Six Weeks Meeting is currently selling one meeting house in Petts Wood, in Bromley, Kent, to a developer, which is likely to build several houses on the site. "It was clear that we'd got to a place where we no longer needed the building. It's in a very residential area so it was relatively easy to sell and it releases capital for us." It is also considering a redevelopment in Hammersmith – forced by a compulsory purchase order – and is just completing a replacement building in Kingston. "The old one was in the centre of Kingston, on the main shopping street," says Dash. "But we sold that so the project is self-funding." Dash's other big project is to reduce the energy consumption of all meeting houses – at its Yearly Meeting Gathering in 2011, the Quakers made a commitment to become a low-carbon sustainable community.

As well as meeting Charity Commission requirements on achieving best value for a disposal, Quakers hold serious



discussions about what a meeting house site might be used for. "We wouldn't want to sell to an organisation that was completely contrary to Quaker views, such as a casino or an arms manufacturer. When we don't need a site, we'd like it to be used for other positive purposes in society such as residential homes for older people or community buildings. The ideal would be not to let go of our assets but to use them in alternative ways, such as for social housing."

Dash's office is in the best-known Friends House, opposite Euston station, in London, built in the 1920s and undergoing extensive refurbishment. A third of the building was always intended to be let out, says Dash, and it now hosts conferences and meetings with the University of London as a permanent tenant. "But it is a challenge. This building is extremely valuable now and every now and again, we wonder whether we should be here or whether we should sell up and move to the countryside."