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Heron Annual Lunch 2012

▪ Speech by Gerald Ronson

Gerald Ronson, Chief Executive of Heron International, a leading pan European property group, today addressed an audience of 350 opinion formers and business leaders at the Heron Annual Lunch 2012 in London.

The content of his speech is set out below:

We all know that the global economy continues to be exceptionally difficult so I don't intend to dwell on that. However, the key issue is what we are going to do to get us out of this mess and to create an environment where the UK once again becomes a land of opportunity.

The starting point has to be - what sort of society do we want? We must aspire to be a society that promotes and embraces success rather than one fuelled by the continual negativity of envy.

In the US, when Tim Cook took over as Apple's Chief Executive from the late Steve Jobs, the welcome package he received is today worth around \$500 million in tranches up to 2021. Here in the UK, Stephen Hester was hired to sort out a troubled bank and to try to restore value for the British taxpayer – his package was agreed at the outset, effectively signed off by both political parties, and a couple of months ago, when his £1m bonus was announced, the lynch mob attacked him and the rest is history. The issue is, we need top people to sort out the mess – if we are not careful, they won't be around to do it.

In fact, today the world and his wife have a view on everything and everyone, much of which is fuelled by hypocrisy and envy and the majority of which they have little understanding of other than what they see splashed over the media.

It is alright for the editors of newspapers to allow their front pages to call for the heads of greedy bankers and yet the editors of some of these publications – the people who sanction these articles – themselves take salaries over 20 times that of the average worker or over 15 times that of the Prime Minister whilst presiding over falling circulations and multi-million pound losses. Don't get me wrong, I am all for people earning as much money as they are worth but the hypocrisy that exists is quite disgusting.

The nation seems to be united by a sense of alienation through a lack of hope, education or training. We are also creating a culture of entitlement which needs to be replaced with responsibility rather than simply pushing everything back to Government.

We need to create a society where everyone has an opportunity with no barrier for class, race or background. We have to invest in education; education underpins everything.

These are not just hollow words from me – I have put my money where my mouth is and have been involved in developing 10 schools over the last 30 years. In fact, every day, over 10,000 children go to schools I have helped to fund and build in the UK and overseas.

There is a flood of growth in the number of people in the subcontinent who want to learn – they are the ones with 15% growth and we have none and yet we are now damaging our chance of attracting them by introducing new legislation to make it hard to do so.

Yet, in the UK, we have three of the world's leading 10 universities, three of the leading 10 engineering and technology institutions and four of the top 10 medical programmes. This is a global strength and attracts global demand but we also need to embrace and celebrate vocational skills.

It is incredible what happens to a person when they discover that they have a talent – not everyone can win the X Factor but we will always need skilled tradesmen. Government needs to show leadership and have a concrete plan. Great Britain should be a country where people are encouraged to better themselves and where good work can be recognised on its own merits.

Government needs a real plan for growth but it also needs to be clear – do we believe in a free market or don't we? The recent increase in stamp duty to 7% is effectively a 'mansion tax' and, if we create a tax regime that punishes success, this will kill aspirations to succeed.

At a time of large and rising domestic unemployment and the strong possibility of imminent European recession, the temptation at the national and corporate level is to default into cost cutting mode. It is time, however, for the national dialogue to step up in quality and impact. What are our strengths as a nation? Where can we profitably compete? What is the tax, investment and immigration framework needed to enable us to win? As a nation, Britain has some enviable attributes that risk getting swamped by negativity.

We are in such a strong position to capitalise on our strengths if we could only look at the bigger picture. For example, it would serve us well to fight hard for appropriate airport capacity and for the development of our seaports. Cutting edge road and rail infrastructure are not nice-to-haves; these are not even remotely optional extras, they are, simply, what happens in places that lead. One thing I must compliment the Mayor of London on is the investment in infrastructure through initiatives such as Crossrail – even though it is irritating having to get around all those roadworks.

Many of you have spent your careers helping Britain define itself as a leader among nations – at Heron we have fought for over 50 years to do just that, and we continue to work each day to ensure that London has structures that are deserving of being a leading capital of the world.

The City of London is another massive political football that has been kicked very hard over the last few years and yet it is one of our greatest assets. Perhaps it would now be

useful to lift ourselves up from the drumbeat of bonuses, firewalls and ring fences and focus on the reality that, together with New York, we are the world's "go-to" capital market.

We can continue down a self-destructive road of blame and retributive justice in which City players are mauled by their own regulators and government. Or we can all try and work maturely and purposefully to sustain an extraordinary City that has been built over hundreds of years.

In a globalising world, we need every arbitrage we can get. The transparency and independence of the judiciary, the quality of commercial courts and reliability of commercial judgments are a source of distinction for us. When you hear what life is often like in other places, the destination value of the UK comes into sharp relief. The term in a contract "subject to English law" is a brand - and like any brand, needs management and innovation so as to maximise its value. At a time when Europe's indecision is driving people further and further away from doing business with it, Britain has an unparalleled opportunity – we have an independent currency and fiscal policy – and we cannot allow ourselves to miss it because of the climate of negativity.

In the months ahead, the UK will be under a global spotlight with the Olympic Games and the Queen's Diamond Jubilee. These events will be watched by billions around the world and I am sure that the London property market will be a beneficiary.

I have no doubt that London is the greatest city in the world. For the best residential and commercial property it is a safe and prosperous haven for long term investment. That's why overseas investors want to spend billions here in London.

This was the case in 2011 for Heron. It was a good year. We completed Heron Tower and we have seen international companies, Americans, Chinese, Russians, Swiss take space in the Tower. We have almost completely let The Peak, and at our residential tower, The Heron, where we have redefined the City residential market and values in the area, we have sold over 70% of the luxury apartments ahead of completion due in 2013.

Actually, if you are a developer today with prime stock in the market, you don't have much competition. Supply of prime new space in Central London is at record low levels, with little or no prospect of new development starts in 2012 due to the lack of bank funding and, with very little under construction, there is no over supply on the horizon. This means prime rents are holding up. Although levels of demand are low in Central London there is always some demand for new space.

So my message is - there is still plenty to be positive about in property in Central London if you know your business and operate in the prime markets; and, in a world caught up in relentless gloom, we risk losing sight of the positives.

More importantly, now is the time to change the language of leadership from one of despondency to one of opportunity and hope to put the Great back into Britain.

We all have the capacity to influence the kind of society that we live in. That is the challenge that we take up, each and every day at Heron - where we strive to create the buildings and infrastructure that will enable our future.

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Notes to Editors:

- Heron International is a leading pan European investment and property group with operations in the United Kingdom and continental Europe. Headquartered in London, it is one of Europe's main property developers and investors.
- Heron specialises in major, complex projects in prime locations including Heron Plaza in the heart of the City of London. Heron Tower, which forms the centre piece of this development provides world class office space, setting the standards for offices of the future. At 230 metres in height, the 46 storey tower is the tallest building in the City of London providing unrivalled views and enhancing the London skyline.
- Since it was founded in 1965 Heron International has also developed 160 buildings in the key business districts of nine leading cities and has developed, invested in and managed a wide range of prime offices, residential, leisure, hotels and mixed-use projects in the UK and Europe.
- It has developed more than 1 million sq m of commercial and retail property and more than 15,000 residential units in the UK, continental Europe and the USA. It currently has a £500 million investment portfolio and its current development programme is valued at £1.5 billion.
- Further information on Heron International is available at www.heroninternational.co.uk