

# Residential update

## *South East London*

UK Residential Research | January 2018

*South East London has benefitted from a significant facelift in recent years. A number of regeneration projects, including the redevelopment of ex-council estates, has not only transformed the local area, but has attracted in other developers. More affordable pricing compared with many other locations in London has also played its part. The prospects for South East London are bright, with plenty of residential developments raising the bar even further whilst also providing a more diverse choice for residents.*



*Neil Chegwidden*  
Residential Research

### ***Regeneration catalyst***

South East London is a hive of residential development activity. Almost 5,000 new private residential units are under construction. There are also over 29,000 private units in the planning pipeline or unbuilt in existing developments, making it one of London's most active residential development regions.

Large regeneration projects are playing a key role in the delivery of much needed housing but are also vital in the uprating and gentrification of many parts of South East London. Many of these are still ongoing, with a few yet to get off the drawing board.

The most significant have been the redevelopment of ex-council estates such as the Heygate Estate in Elephant & Castle, now being replaced by Elephant Park, and the Ferrier Estate in Blackheath which is being redeveloped as Kidbrooke Village.

Other large-scale and non-council estate redevelopment has also taken place such as on the Greenwich Peninsula, at Bermondsey Spa and at Canada Water, to name but a few.

But although these large redevelopments have been the cornerstone of the residential revitalisation many other developments are contributing to the ongoing change.

### ***Pricing attraction***

Pricing has been critical in the residential revolution in South East London.

Indeed pricing is so competitive relative to many other parts of the capital, especially compared with north of the river, it has meant that the residential product developed has appealed to both residents within the area as well as people from further afield.

The competitively-priced Lewisham is a prime example of where people have moved within South East London to a more affordable option.

The lower price points have grabbed the attention of developers too. Both the potential to develop product for a wider audience as well as to reap the benefits of outperforming price growth as a result of scheme-specific and broader-area regeneration impacts have been particularly appealing.

The real game changer for South East London has been the two wave evolution - initially the notable regeneration projects improved and lifted the area which then enticed in a greater volume and variety of private developers. Together, all of this development activity has led to a vastly different and rejuvenated South East London compared to a decade ago.

### ***Facelift boosts outlook***

The outlook for South East London is also bright.

While several of the major regeneration projects are completed or nearly completed there are still others to come. For example, Convoys Wharf has the potential to deliver around 3,500 homes and British Land plan to develop a similar number at Canada Water.

But given the facelift that has already taken place and the enhanced perception of South East London as a desirable and appealing place to live, coupled with the price advantage and the excellent transport links, more and more developers are looking to enter the fray.

This revitalised perception is exemplified by the appetite of Build to Rent (BTR) operators. The largest operator in the area will be Get Living London. It already has one scheme operational at Elephant & Castle and will have more units once the Elephant & Castle Shopping Centre is redeveloped.

But Grosvenor, Realstar, Essential Living, Fizzy Living, Notting Hill Housing, Peabody and L&Q will also have BTR schemes operational within the next few years, reaffirming the higher profile and altered perception of South East London.

# South East London

## Submarkets

### *Greenwich & Deptford*

With the Cutty Sark, the National Maritime Museum, the Royal Observatory, Greenwich Park and the River Thames as visitor icons, and with the 2012 Olympics boosting the area's profile, Greenwich and Deptford have become even more popular residential locations over the past five years.

More than 3,800 new residential units have been completed in the Greenwich and Deptford areas during this time. Thames frontage has been a key draw for both developers and purchasers, with over 1,650 units in riverside schemes.

The largest schemes in recent years have been Barratt London's Greenland Place and Berkeley Homes' element of Marine Wharf.

The building boom in the locale is not over yet. There are several schemes under construction, amounting to almost 1,350 units. There are two schemes with more than 900 private units; Barratt's Enderby Wharf and Lend Lease's Timberyard, both of which have some units under construction. There are also more than 200 units underway at London & Regional's River Gardens and Anthology's Deptford Foundry.

Looking forward the development pipeline is somewhat uncertain. In aggregate there are around 3,500 private units in the planning pipeline, but almost 3,000 of these are at Cheung Kong Holdings Limited's Convoys Wharf where the huge riverside site has been dormant for several years. Without this there is a relatively sparse pipeline of 540 units in five other schemes.

*Pricing can vary quite markedly in these areas, largely driven by proximity to riverside views. On the river pricing can reach £800 psf while away from the river £700 psf is more typical.*

The rental market in Greenwich and Deptford is very active. Close proximity to Central London and to Canary Wharf in particular makes this a popular rental choice. The market is dominated by individual private landlords but two new BTR schemes are set to come to market during the second half of 2018; Essential Living's Creekside Wharf and L&Q's Faircharm Trading Estate development.

Rents across Greenwich and Deptford are typically in the order of £1,400 to £1,600 pcm for a one bedroom flat but can rise to circa £1,700 pcm closer to the river.

### *Blackheath*

Blackheath has an established, mature and traditional housing market with very few new developments in its core area. On the outskirts, however, Berkeley Homes is transforming the old Ferrier Estate into Kldbroke Village, a 4,000 home, £1bn regeneration project.

The heart and mainstay of Blackheath is adorned with Edwardian and Victorian terraced, semi-detached and a liberal sprinkling of detached houses that combine to make Blackheath a leafy London enclave within touching distance of Central London.

Detached houses are typically between £1m and £3m with two bedroom terraced houses usually in the £700,000 to £900,000 range.

The Blackheath lettings market is also dominated by older style properties. Turnover is generally lower than in other, regenerating parts of South East London as tenants tend to stay in the area or in the same home for longer periods of time.

Flats are hard to come by as they are typically only in converted houses. Three bedroom terraced houses can command upwards of £2,500 pcm while detached homes are typically in excess of £3,000 pcm.

### *Lewisham*

Lewisham has benefitted from being a well-connected and affordable South East London destination in recent years as stretched affordability across many parts of London force prospective home buyers and renters to look at viable alternatives.

Lewisham is also fortunate to possess several attractive development sites. And developers have been early to the party with a number of sizeable residential schemes already completed and several more on the way.

An early pioneering scheme was St James' Silkworks, while notable recent schemes include Barratt London's 602 private unit Renaissance SE13 and L&Q's Thurston Point which included 238 BTR units.

Indeed, Lewisham is one of the forerunners in the BTR revolution. As well as the units at Thurston Point, there are a further 68 BTR units at each of the two phases of Muse's Lewisham Gateway scheme which will be run by Fizzy Living.

Significantly too, there are more than 1,350 private units across five schemes in the planning pipeline in Lewisham (see map).

Lewisham's connectivity to Central London and to Canary Wharf via the DLR are particularly appealing to residents and the offering could improve further when the Bakerloo Line Extension begins running, although this will not be before 2028.

Typical sales pricing in Lewisham is more affordable than many neighbouring locations, averaging around £625 psf for new build property while rents for a new one bedroom flat average £1,300 pcm but can be obtained for £1,200 pcm.



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## Greenwich & Deptford



Average new build pricing (£psf)  
Q4 2017



Average new build rents (£pcm, one bedroom flat)  
same for all instances  
Q4 2017



Units under construction\*  
Q3 2017



Units in planning pipeline\*\*  
Q3 2017

\*includes 314 BTR units, \*\*includes unbuilt units in existing schemes

Source: JLL

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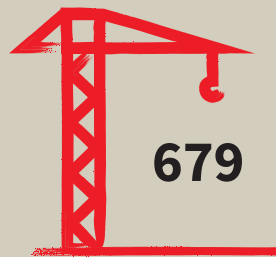
## Blackheath



Average new build pricing (£psf)  
Q4 2017



Average new build rents (£pcm, one bedroom flat)  
Q4 2017



Units under construction\*  
Q3 2017



Units in planning pipeline\*\*  
Q3 2017

\*0 BTR units, \*\*includes unbuilt units in existing schemes

Source: JLL

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## Lewisham



Average new build pricing (£psf)  
Q4 2017



Average new build rents (£pcm, one bedroom flat)  
Q4 2017



Units under construction\*  
Q3 2017



Units in planning pipeline\*\*  
Q3 2017

\*includes 115 BTR units, \*\*includes unbuilt units in existing schemes

Source: JLL

## South East London

# Submarkets

### *Elephant & Castle*

Arguably most famous as the birthplace of Charlie Chaplin, Elephant & Castle is in the throes of a huge regeneration and gentrification process.

The area has progressed considerably since the last elements of the Heygate Estate were demolished in 2014.

The transformation of the area really began when Brookfield Multiplex completed the 408 unit (310 private) Strata development, famous for its three wind turbines at the top of the tower which make it instantaneously stand out in London's skyline.

Lend Lease won the race to redevelop the Heygate Estate, replacing it with Elephant Park. It has completed more than 300 private units in three phases of the redevelopment while almost 700 units are under construction. In all the master consent is just shy of 2,000 private units.

Importantly, the regeneration of the Heygate Estate has been the catalyst for other developments. Lend Lease itself has also built the 284 unit One The Elephant scheme, the second largest completed development behind Strata.

A notable 1,360 units within eight schemes are under construction, three of which are part of Elephant Park. The largest other development is Oakmayne's Two Fifty One scheme which has 270 private units where completions will run during the first half of 2018.

*The uprating of Elephant & Castle is evidenced by the surge in pricing. Back in 2010-2011 pricing was typically around £750-800 psf but now many of the schemes are averaging closer to £975 psf.*

Elephant & Castle is also developing into a key rental location. As well as the numerous apartments privately let in recent new schemes, Get Living London has its 373 unit Elephant & Castle 1 scheme while Realstar completed on its 279 unit UNCLE Elephant & Castle scheme in Q4 2017, a scheme which includes a gym and sky lounge among its amenities.

Rental levels have increased notably as new development has emerged. A typical one bedroom apartment in a new development is now commanding in the order of £1,850 pcm.

### *Canada Water & Surrey Quays*

Large scale regeneration projects dominate the development landscape in Canada Water and Surrey Quays but there are a number of other developments underway in the area.

Once completed, all the development will provide an important, new, rejuvenated and regenerated residential and social destination.

Barratt London completed more than 600 private units in its Maple Quays project in 2013, which were sites A and B in the Canada Water masterplan. Barratt London also completed 161 private units at Redwood Park in 2015.

Sellar Developments and Notting Hill Housing are now on site at sites C and D of the Canada Water masterplan. In all 799 private units will be developed, 346 of which will be BTR units operated by Notting Hill.

In addition to these, L&Q has 277 private units under construction at Quebec Quarter, 42 units of which will be retained as BTR units. The only other developer active in the area is London Square which has 75 private units on site.

Prices and rents are notably lower here in comparison with Elephant & Castle, adding to the appeal of this evolving location. Pricing can get as high as £850 psf while rents for a one bedroom flat can range from £1,400 pcm to £1,750 pcm.

Looking forward, British Land will be the principal deliverer of residential units. It bought the main Canada Water and Leisure Centre sites in 2016. Opinion is being sought for circa 3,500 units (all tenures) on the main site while there is an existing planning permission in place for 509 units at the Leisure Centre.

### *Rest of South East London*

As well as the key hotspots of new development in South East London already covered above, the other main locale for new development is in North Greenwich where Knight Dragon, Countryside and Taylor Wimpey are active in the significant regeneration of the Peninsula area.

Bermondsey is another area which has improved in the past five years. Significant development at Bermondsey Spa has created a far more appealing environment and although development activity has slowed more recently, Grosvenor is now looking to develop circa 1,100 BTR units at the Biscuit Factory (see map).

*“South East London has plenty to offer residents and there is a wonderful mix of old and new. Greenwich and Blackheath are extremely well established markets with many families living in these areas and surrounding postcodes for generations, while Elephant & Castle, Lewisham, Canada Water, Surrey Quays and North Greenwich offer newer communities.*

*Key to the success of South East London are the numerous open spaces. And many of the successful developers are listening to the needs of residents by including leafy communal parks and leisure facilities within their schemes.*

*The homely nature of the area has also helped to attract an eclectic mix of people from all walks of life where, quite rarely for London, residents get to know and look out for their neighbours – a real selling point in today's world.”*

*Graham Lawes*

South East London Residential

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## Elephant & Castle



Average new build pricing (£psf)  
Q4 2017



Average new build rents (£pcm, one bedroom flat)  
Q4 2017



Units under construction\*  
Q3 2017



Units in planning pipeline\*\*  
Q3 2017

\*includes 278 BTR units, \*\*includes unbuilt units in existing schemes

Source: JLL

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## Canada Water & Surrey Quays



Average new build pricing (£psf)  
Q4 2017



Average new build rents (£pcm, one bedroom flat)  
Q4 2017



Units under construction\*  
Q3 2017



Units in planning pipeline\*\*  
Q3 2017

\*includes 234 BTR units, \*\*includes unbuilt units in existing schemes

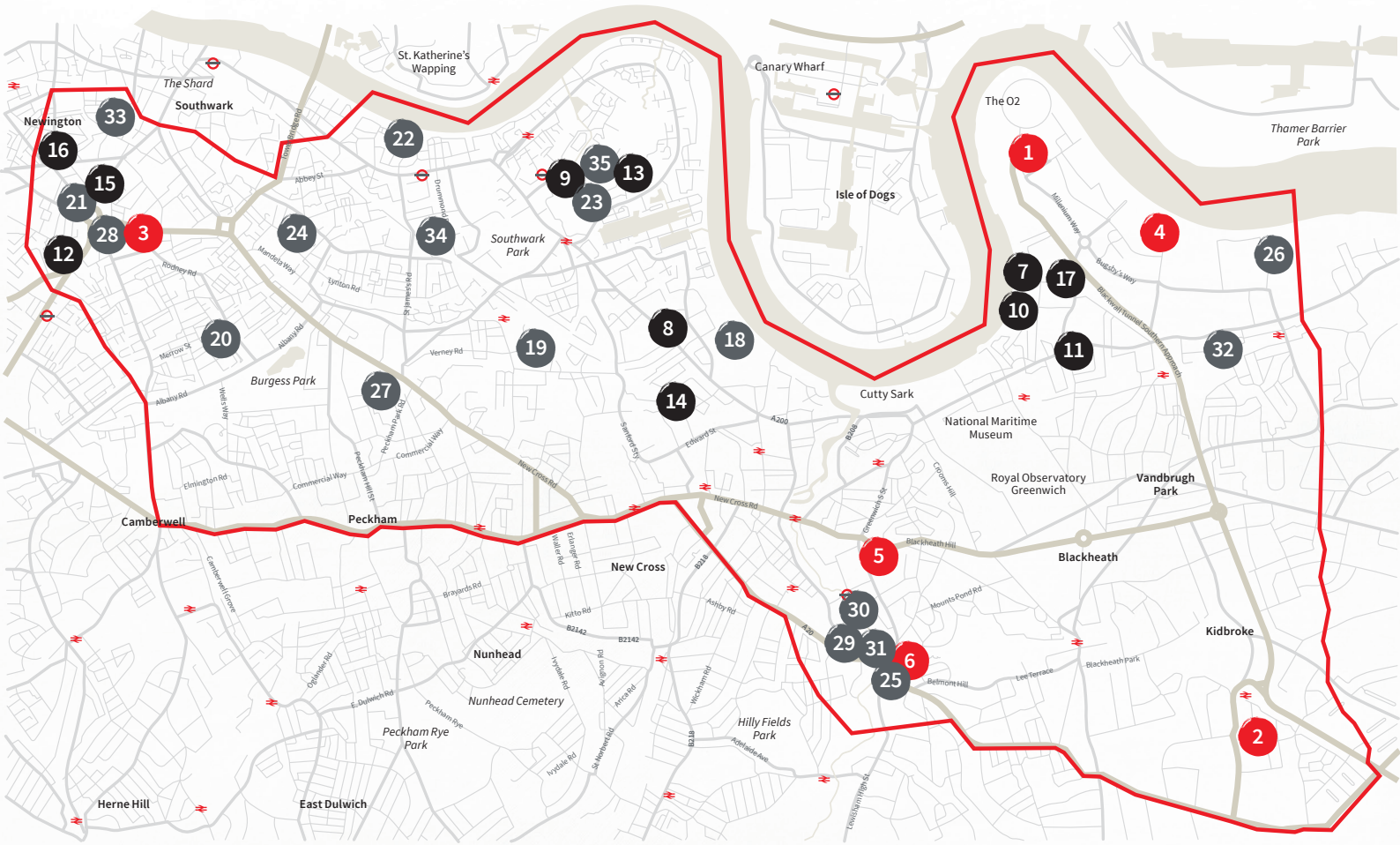
Source: JLL

UNCLE Elephant & Castle



# South East London

# Developments map



● Part comp, part U/C, for sale   ● Under construction / complete; for sale / for rent   ● Permission, not launched



## South East London

# Developments table

Map ref	Scheme	Developer	Private units	Status
1	Greenwich Peninsula	Knight Dragon	9,750	Part comp, part U/C, for sale
2	Kidbrooke Village	Berkeley Homes	4,177	Part comp, part U/C, for sale
3	Elephant Park	Lend Lease	1,885	Part comp, part U/C, for sale
4	Greenwich Millenium Village	Countryside, Taylor Wimpey	1,397	Part comp, part U/C, for sale
5	Central Park	Peabody	649	Part comp, part U/C, for sale, some BTR
6	Lewisham Gateway	Muse Developments	640	Part comp, part U/C, for sale, some BTR
7	Enderby Wharf	Barratt London	950	Under construction, for sale
8	The Timberyard	Lend Lease	943	Under construction, for sale
9	Canada Water – sites C&E	Sellar, Notting Hill Housing	799	Under construction, for sale, some BTR
10	The River Gardens	London & Regional	567	Under construction, for sale
11	Greenwich Square	Hadley / Mace	318	Under construction, for sale
12	UNCLE Elephant & Castle	Realstar	279	Complete , BTR
13	Quebec Quarter	L&Q	277	Under construction, for sale, some BTR
14	Deptford Foundry	Anthology	276	Under construction, for sale
15	Two Fifty One	Oakmayne, South Central Mgt	270	Under construction, for sale
16	Blackfriars Circus	Barratt London	245	Under construction, for sale
17	Precision	U + I, Weston Homes	232	Under construction, for sale
18	Convoys Wharf	Cheung Kong Holdings Ltd	2,975	Permission, not launched
19	New Bermondsey	Renewal	2,135	Permission, not launched
20	Aylesbury Estate	Notting Hill Housing	1,349	Permission, not launched
21	Skipton House	London & Regional	408	Permission, not launched
22	Chambers Wharf	St James	407	Permission, not launched
23	Canada Water Leisure Site	British Land	382	Permission, not launched
24	London Square Bermondsey	London Square	271	Permission, not launched
25	Lewisham / Citibank House	Joseph Homes	237	Permission, not launched
26	VIP Trading / Industrial Estates	Rockwell Properties	975	Application, not launched
27	Malt Street Development	Berkeley Homes	840	Application, not launched
28	E&C Shopping Centre	Delancey, Get Living London	637	Application, not launched, BTR
29	Lewisham Retail Park	Legal & General	440	Application, not launched
30	Tesco Overflow Car Park	Meyer Homes	323	Application, not launched
31	Lewisham Carpetright	Threadneedle Investments	242	Application, not launched
32	40 Victoria Way	Fairview New Homes	233	Application, not launched
33	Southwark Fire Station	Hadston	205	Application, not launched
34	The Biscuit Factory	Grosvenor	c1,100	Opinion sought, some BTR
35	Canada Water	British Land	c2,500	Opinion sought

# Outlook

The profile of South East London has improved significantly in recent years but the area is only part-way along its rejuvenation.

Regeneration projects have changed the streetscape and perception of certain locations and have also made the area more appealing to a wider variety of developers.

All of this new development has transformed South East London into a viable residential location of choice.

The area is still more affordable than most parts of London but the gap is beginning to close as Londoners seek value for money and higher growth potential locations.

Transport communications have been strong for many years but could be enhanced further if the Bakerloo Line Extension is given the go ahead. The extension is due to run from Elephant & Castle, down the Old Kent

Road, to stations at New Cross Gate and Lewisham. It could be operational by 2028.

But even without this additional boost, we expect South East London to prosper over the next 5-10 years. The price advantage relative to many other parts of London is still to fully play out with the attention of developers, amenity providers and residents all set to improve the offer and appeal of South East London in future.

House price growth forecasts (% pa)	2018	2019	2020	2021	2022	2018-22
South East London	0	1	2½	3½	4½	12
Central London Developments	0	½	2	3	4	10
Greater London	0	1½	2	3½	4	11

Rental growth forecasts (% pa)	2018	2019	2020	2021	2022	2018-22
South East London	1	2	2½	2½	2½	11
Central London Developments	0	1½	2	2½	2½	9
Greater London	1½	2	2	2½	2½	11

Source: JLL

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