

# Residential update

## Nine Elms

UK Residential Research | October 2017

*The exciting vision for Nine Elms is beginning to crystallise. New residents are now in situ with thousands more due over the next few years. And with hundreds of new workers, the opening of two new Northern Line stations as well as the much anticipated opening of the Battersea Power Station shopping centre, the future of Nine Elms is certainly bright. Importantly, much of the bad press the area has received looks to have dissipated now that the reality of residents, shops and workers are breathing life into this centrally located regeneration zone.*



*Neil Chegwidan*  
Residential Research

### *Regeneration benefits*

Nowhere in London, and certainly not in Central London, is there such a concentration and high volume of residential development.

There are 3,323 residential units currently under construction in Nine Elms, which follows on the heels of 2,010 completions in the preceding three years.

And with another 6,332 units in the planning pipeline or unbuilt in existing schemes, residential development activity will remain a cornerstone of the Nine Elms story for several years to come.

But despite the crane count, Nine Elms is fast becoming more than a building site. Several completed schemes, such as Riverlight and the first phases of Embassy Gardens and Battersea Power Station, mean there are now residents in situ. Retail, leisure and other amenities are also now up and running.

And with the new US Embassy, named the New London Embassy, set to open soon, Nine Elms will also be home to around 1,000 non-construction workers.

So Nine Elms is still in its embryonic evolution stage but the next few years will witness its most dramatic change as several more residential schemes reach fruition.

### *End game*

The start of the end game for Nine Elms will commence when the Northern Line extension and two brand new stations open and become fully operational in 2020.

The extension spur will run from the existing station at Kennington to Nine Elms and then onto Battersea (Power Station).

The Power Station itself, which will house a shopping centre, office space and some residential units, is also due to open its doors in 2020.

In a real coup for the Power Station and for Nine Elms, Apple will be the anchor tenant of the office space, housing around 1,400 staff from 2021.

Demand for office space post the Apple announcement has led the Power Station developers BPSDC to switch 40,000 sq ft of space in the Power Station from hotel to office use, further highlighting the sea change in attitudes and appeal for the area.

### *Changing perceptions*

What a difference a couple of years make. Over the past two years there has been much bad press about Nine Elms, especially surrounding the residential elements, the construction eyesore, the inhabitability, the price discounts, the flipping and the walk-aways.

And although much of this was a misrepresentation, the hype, and in many ways the excitement surrounding the whole regeneration of the area, was tarnished, deflating the growing euphoria.

But now that some of the developments are finished, there are many residents now in place and with headline-grabbing commercial deals involving high-profile organisations, the mood has turned on its head again.

So, suddenly, the exciting vision that sparked the original flame has been reignited.

The prospect of a fully functioning shopping centre luring in shoppers from across London and the globe within the Power Station itself, alongside a thriving office community both within the Power Station and outside, surrounded by top of the range, quirky and appealing housing, not to mention parks, the Thames and new transport nodes, the Nine Elms vision is now coming sharply into focus, leaving the bad press and negativity well behind.

# Nine Elms

## Sales & lettings markets

### *Sales market*

The Nine Elms sales market has been active since the first release of units at St James's Riverlight scheme as far back as 2011.

This was quickly followed by releases at Embassy Gardens and Circus West, the first phase at Battersea Power Station in 2013. All three schemes sold extremely well and quickly, setting and establishing a new price point in Nine Elms.

Before then the only new residential scheme in the locale was at Chelsea Bridge Wharf. But since 2011 there have been 12 schemes selling units with a total of 4,397 units purchased to date.

The range of units for sale has been diverse. A number have been central to Nine Elms and the Nine Elms vision. These include Embassy Gardens and the various phases at Battersea Power Station.

A number of schemes on the periphery of Nine Elms have also made their mark. To the west Berkeley has Vista while another Berkeley subsidiary St William has Prince of Wales Drive and Taylor Wimpey has Battersea Exchange.

To the east of the region Dalian Wanda has been selling units at its One Nine Elms scheme, Barratt London has sold the majority of its Nine Elms Point development while Bellway has sold just over half of all units at The Residence.

All 12 schemes are shown in the development map provided.

### *Sales market pricing*

Initial pricing in Nine Elms was typically around the £800-900 psf mark back in 2011-12 at Riverlight but has now increased to an average of circa £1,400 psf. Pricing above £2,000 psf has also been achieved at some of the most prestigious units.

With a huge variety of units and unit sizes across the new developments which have come to market, the spectrum of apartment prices has understandably been diverse. However, typical 500 sq ft one bedroom apartments in the Nine Elms market range from £575,000 to £800,000 while 750 sq ft two bedroom flats command between £850,000 and £1.2m.

As with most areas of Central London, pricing has declined in Nine Elms since end-2014. Importantly, however, prices have remained firm during the course of 2017.

### *Lettings market*

The lettings market in Nine Elms is still in its infancy with only half a dozen schemes with units to let. The schemes are Riverlight, Embassy Gardens, Circus West, Vista, Nine Elms Point and Battersea Exchange. In addition to this L&Q now have their Build to Rent scheme at The Residence on Ponton Road.

It has taken a little time for rental levels to become established but a typical 500 sq ft one bedroom apartment now averages around £450 pw. A typical 750 sq ft two bedroom apartment lets for £625 pw on average although larger flats with river frontage can achieve upwards of £850 pw.

The nature of the Nine Elms lettings market is different to more established areas. It has a low volume of existing second-hand apartments but a relatively high number of new flats when a development completes. This dynamic means that rents are slightly lower than would otherwise be the case. This was inevitable, however, given the evolution and regeneration status of Nine Elms.

And with several new developments set to come to market over the next few years, this situation will not change until the market has become a higher volume affair. This will constrain rental growth over the medium-term, but with longer-term upside once the construction phase is complete.

This said, we are anticipating an uplift in rental levels in 2020 once the Northern Line extension opens as it will significantly improve the connectivity for tenants in Nine Elms.



## Nine Elms average new build pricing and price growth

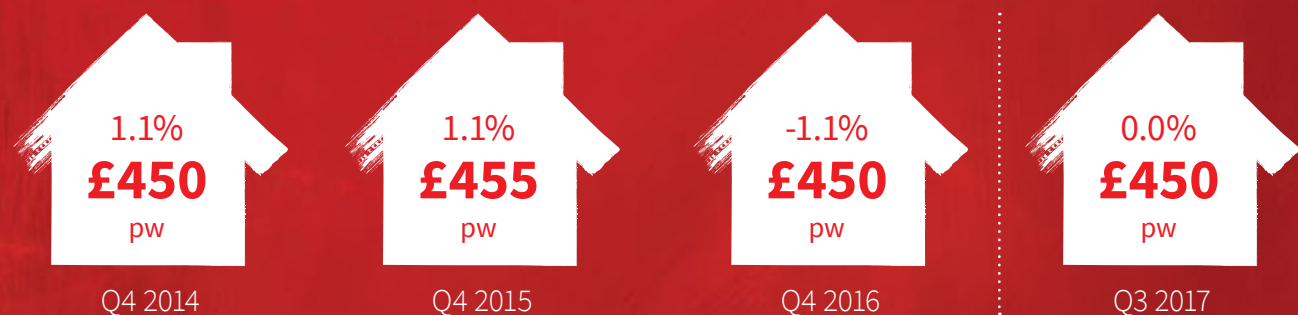
Average % change pa, average £psf



Source: JLL

## Nine Elms average new build rents and rental growth

Average % change pa, average £ per week, one bedroom flat



Source: JLL

## Nine Elms sales prices Q3 2017



Typical one bed  
500 sq ft



Typical two bed  
750 sq ft



Typical one bed  
500 sq ft



Typical two bed  
750 sq ft

Source: JLL

# Nine Elms

## Development market

### Completions

Despite all of the construction work in the Nine Elms region in recent years, there have been completions at just six residential schemes. These combine for a total of 2,010 units.

Only Embassy Gardens Phase 1 (541 units) and Riverlight (699 units) are fully complete. Meanwhile, 738 of the 865 units at Circus West are complete, 150 of 595 units at Nine Elms Point, 150 of 386 units at Vista and 86 of 230 units at Battersea Exchange are also complete.

### Under construction

In total there are 3,323 units under construction in the Nine Elms area, making it one of the highest construction submarkets anywhere across Central London.

The most notable schemes under construction are at Battersea Power Station. The first phase, Circus West, is nearing completion, while the quirky Prospect Place and Battersea Roof Gardens phases are also under construction. These will add a real sense of modern, individualism and fun to the residential offering in the broader Power Station scheme and in Nine Elms as a whole.

Importantly, there are a number of other developers active in Nine Elms. And it is a real feature of the area and an indication of the appeal of the locale that so many different housebuilders want a piece of the action in this fast evolving central London regeneration area.

### Planning pipeline

Across the whole of the Vauxhall Nine Elms Opportunity area, a minimum of 20,000 homes are set to be built.

The largest schemes in planning are the 4,239 private units at the Battersea Power Station site, which includes 243 private units in the Power Station itself. Some of these units are already underway or complete in existing phases.

The next biggest development opportunity is the Nine Elms Square element of the New Covent Garden Market site which was bought recently by Chinese developer R&F Properties. Demolition in preparation for the 1,775 unit scheme is currently underway.

The third largest planning consent is the Nine Elms Parkside site which is owned by Royal Mail. It is looking to sell off parcels of land to various developers. One such parcel will be developed by Greystar as a Build to Rent scheme to be built by Telford Homes.

In addition to these schemes there are a number of smaller schemes in the pipeline, including the final phase of Embassy Gardens (see map on next page).

*“The Nine Elms area is really starting to take shape. There are now residents in occupation, hoardings are being taken down and shops and restaurants are opening for business. A vibe and sense of community is now beginning to emerge with a clearer line of sight of the huge potential the area has to offer.*”

*Nowhere is this more evident than in the rental market. There is plenty of demand from young professionals and overseas students who like the modern living and the facilities on offer at the new developments. They are loving the gyms, swimming pools and cinema rooms. Perhaps most importantly they seem happy to watch as the Nine Elms story unfolds.”*

*Helen Edwardson*  
Battersea sales

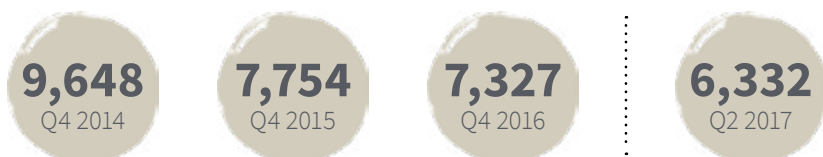
### Nine Elms developments under construction

Number of private units



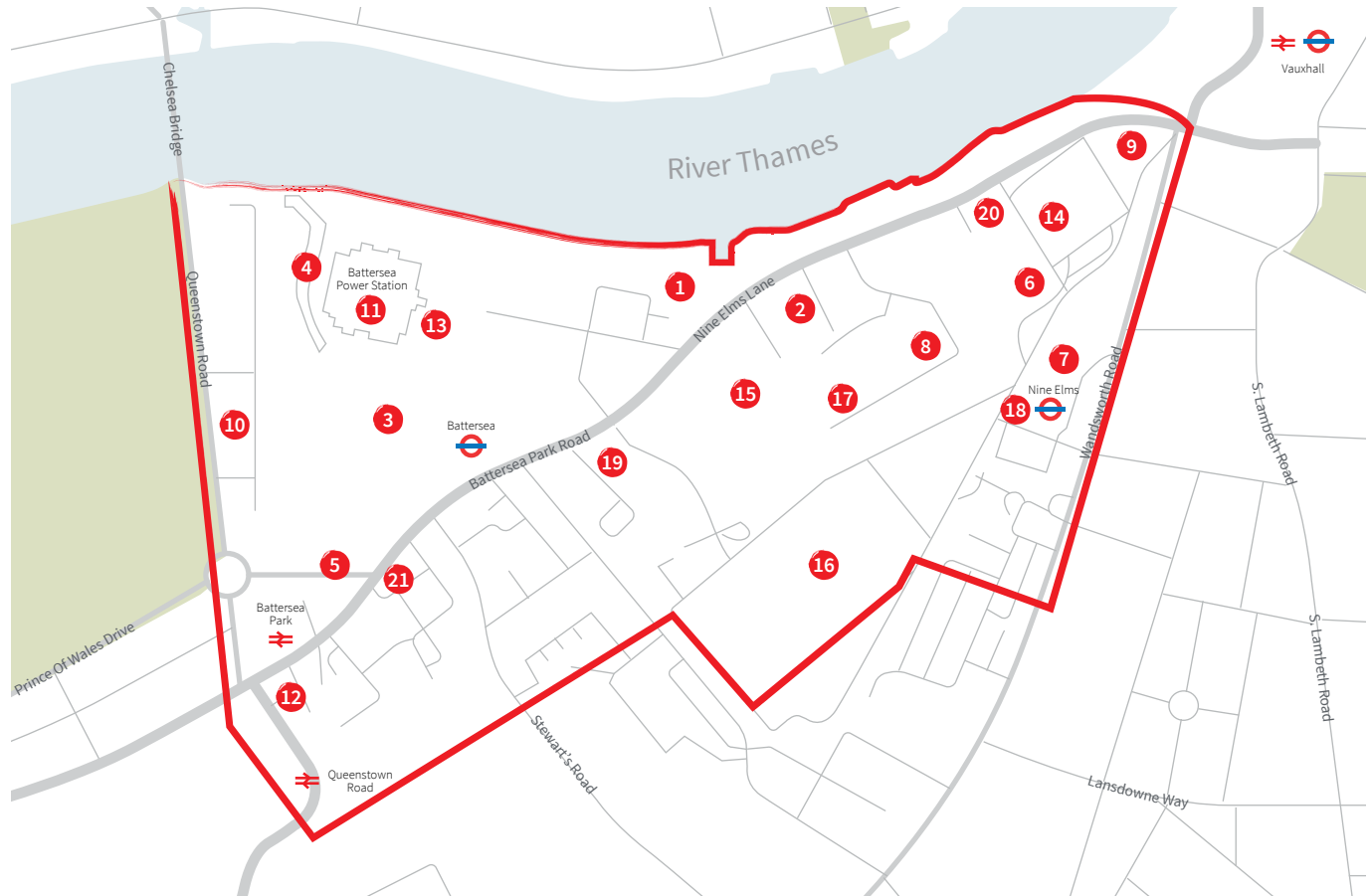
### Nine Elms development pipeline

Number of private units



# Nine Elms

## Development market



| Map Ref | Scheme  | Developer                     | Private units | Status                                |
|---------|---|-------------------------------|---------------|---------------------------------------|
| 1       | Riverlight  | St James                      | 699           | Complete, all sold                    |
| 2       | Embassy Gardens - Phase 1   | Ballymore                     | 541           | Complete, all sold                    |
| 3       | Battersea Power Station - 3 - Prospect Place / Battersea Roof Gardens | BPSDC                         | 1,202         | Under construction, for sale          |
| 4       | Battersea Power Station - 1 - Circus West                             | BPSDC                         | 866           | Under construction, for sale          |
| 5       | Prince of Wales Drive   | St William                    | 726           | Under construction, for sale          |
| 6       | Embassy Gardens - Phase 2   | Ballymore                     | 709           | Under construction, for sale          |
| 7       | Nine Elms Point   | Barratt London                | 595           | Under construction, for sale          |
| 8       | The Residence   | Bellway                       | 438           | Under construction, for sale, 165 BTR |
| 9       | One Nine Elms   | Dalian Wanda                  | 436           | Under construction, for sale          |
| 10      | Vista   | Berkeley                      | 386           | Under construction, for sale          |
| 11      | Battersea Power Station - 2 - Power Station Building                  | BPSDC                         | 254           | Under construction, for sale          |
| 12      | Battersea Exchange  | Taylor Wimpey, Central London | 230           | Under construction, for sale          |
| 13      | Battersea Power Station - Master Consent                              | BPSDC                         | 2,927         | Permission, not launched              |
| 14      | Nine Elms Square  | R&F Properties                | 1,775         | Permission, not launched              |
| 15      | Nine Elms Parkside  | Royal Mail Estates / Greystar | 1,590         | Permission, not launched, 894 BTR     |
| 16      | New Covent Garden Market  | Vinci St Modwen JV            | 600 (circa)   | Permission, not launched              |
| 17      | 46 Ponton Road  | L&Q, Bellway                  | 262           | Permission, not launched              |
| 18      | Nine Elms Over Station Development                                    | TFL                           | 248           | Permission, not launched              |
| 19      | Booker & BMW sites  | Kent County Council           | 230           | Permission, not launched              |
| 20      | Embassy Gardens - Phase 3   | Ballymore                     | 207           | Permission, not launched              |
| 21      | Palmerston Court  | London & Argyll               | 130           | Permission, not launched              |

# Outlook

Nine Elms is still in its infancy. However, it is evolving quickly with new residents and some convenience shopping and leisure amenities. Critical mass is still some way off but 2020 will be a watershed year for Nine Elms.

Set to open in 2020 are the two new Northern Line extension stations and the Battersea Power Station 420,000 sq ft retail, food & beverage offering plus the 2000 person capacity events space in the Power Station itself. 2021 will see a further milestone passed with Apple occupying the Power Station's office element.

In the run up to 2020 the area will witness the arrival of more than 1,000 US Embassy staff as well as the completion of thousands of new apartments.

Two years ago Nine Elms was on the wrong end of a barrage of bad press without a resident or employee in sight, other than construction workers of course.

Today the mood has changed dramatically. Everyone is now looking forward to the vision that is crystallising in front of their eyes. More and more people want to be part of the Nine Elms of the future.

Excitement will build further towards 2020 and we expect this to be reflected in higher house prices and rents.

A more subdued UK and London economic backdrop will stifle price growth and rental growth in the short-term despite the longer-term prospects for Nine Elms. However, we expect rental growth to spike in 2020 as the area immediately becomes more accessible via the Northern Line with a slightly more muted but welcome uptick in sales prices.

| House price growth forecasts (% pa) | 2017 | 2018 | 2019 | 2020 | 2021 | 2017-21 |
|-------------------------------------|------|------|------|------|------|---------|
| Nine Elms                           | 0    | 1    | 3    | 7    | 5    | 17      |
| Central London Developments         | 0    | 1    | 2½   | 6½   | 5    | 16      |
| Greater London                      | 1    | 2    | 3    | 5    | 7    | 19      |

| Rental growth forecasts (% pa) | 2017 | 2018 | 2019 | 2020 | 2021 | 2017-21 |
|--------------------------------|------|------|------|------|------|---------|
| Nine Elms                      | 0    | 1    | 3.5  | 7.5  | 3.5  | 16      |
| Central London Developments    | 1    | 1    | 3    | 3½   | 4    | 13      |
| Greater London                 | 2½   | 3½   | 4    | 4    | 4½   | 20      |

Source: JLL

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