

RESIDENTIAL RESEARCH



# FOCUS ON: SOUTHBANK

2016

DEVELOPMENT PIPELINE

PRICE PERFORMANCE ANALYSIS

INVESTMENT POTENTIAL

## KEY FINDINGS

Knights Frank data shows annual prime sales prices on the Southbank rose 2.6% in the year to October 2016, outperforming the wider prime central London market

The prime rental market on the Southbank has been one of the most stable in prime central London over the last 12 months

Southbank is set to see an uplift in residential development over the next five years, with over 1,600 new homes under construction

# A NEW BUSINESS HUB IN A CULTURAL LOCATION

Significant regeneration along the Southbank over the last 15 years has helped to establish this area as a cultural and business centre

This regeneration, from Westminster Bridge to Tower Bridge, has resulted in substantial developer interest focused on improving the Southbank's residential offering.

This is part of a wider trend of regeneration and placemaking apparent along the southern banks of the River Thames from Battersea Power Station to Woolwich Arsenal. The scale of residential development taking place along the river is leading to the creation of new communities in traditionally non-residential locations.

The Jubilee Line extension in 1999 opened up the Southbank, connecting the area with the West End and Canary Wharf. This provided the necessary

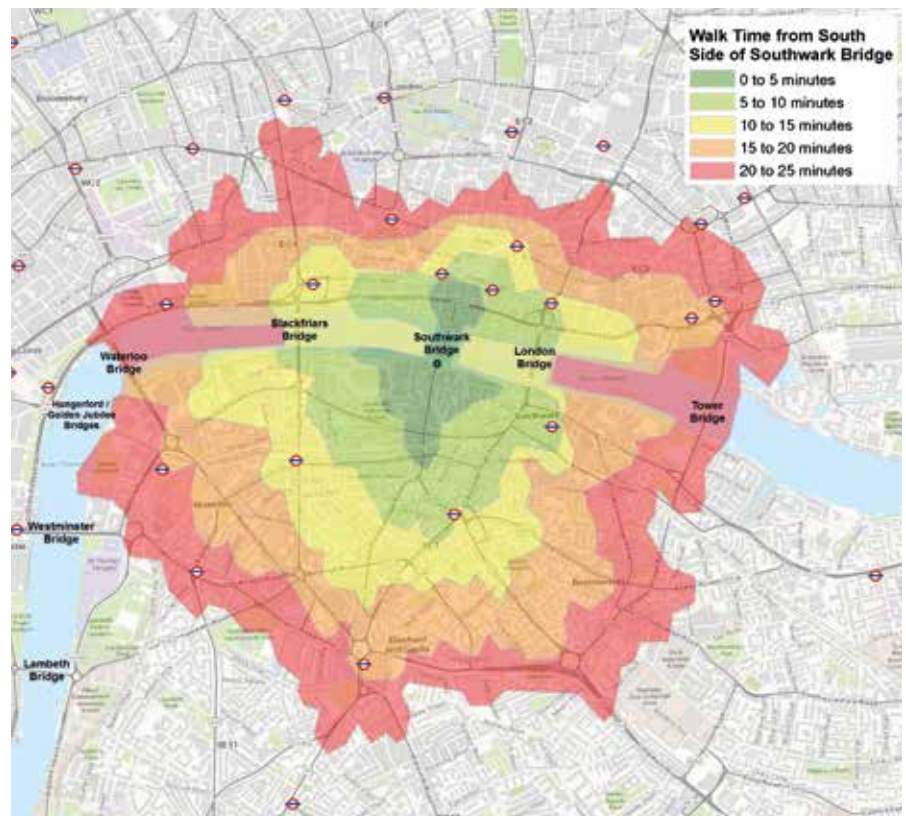
transport infrastructure for the area to emerge as a business hub.

New commercial buildings such as The Shard, Blue Fin Building and 240 Blackfriars Road have vastly improved the Southbank's commercial infrastructure, building on the success of More London, a business and retail hub which opened a decade ago and plays host to 20,000 workers.

New business hubs are emerging at Blackfriars and London Bridge - attracting companies which are moving away from the more traditional business districts of the West End and City. Slightly lower commercial rents are part of this draw. Both the media and technology sectors are establishing a growing presence in the area.

FIGURE 1

### Connectivity: Walk-times from the Southbank



Source: Knight Frank Research

## SOUTHBANK DEVELOPMENT PIPELINE

TOTAL UNITS WITH PLANNING

2,812



TOTAL UNITS UNDER CONSTRUCTION

1,680



The Southbank has firmly cemented its place as a cultural centre in London, home to the National Theatre, Tate Modern, Shakespeare’s Globe and Royal Festival Hall. Borough Market alone attracts 4.5 million visitors a year. Thanks to the area’s global appeal, two of London’s finest hotels have taken up residence on the Southbank; Mondrian London and the Shangri-La at The Shard.

## Residential-led regeneration

Just over 600 new homes have been built along the Southbank over the last five years. However, the current development pipeline indicates more than 2,600 new homes have planning permission, with 1,680 units under construction, to be delivered over the next five years.

The uplift in amenity, building on the transport upgrades, commercial hubs and cultural offering of the Southbank is serving to underpin values, as is the development taking place along this central strip of riverfront. The outperformance of pricing in the area can be seen rippling out to Bermondsey and on down to Canada Water further to the East.

## A changing dynamic

Until recently, the Southbank had largely been overlooked as an owner-occupier location, due to the nature of residential stock available. Almost 70% of residents living in the area are in social or privately rented housing, the latter made up predominantly of young professionals and a large student population.

Given the Southbank’s proximity to a number of London’s world class universities, the student population will remain an important element of the private rented sector, providing a consistent pool of tenants. This is evidenced by Knight Frank data, which shows 52% of new tenancy agreements struck over the last two years by Knight Frank offices operating in the Southbank were for renters aged under 30.

However, the volume of new housing over the next five years looks set to change the current tenure dynamic. The addition of new residential property alongside the cultural and commercial offering, as well as the Southbank’s proximity to the West End and City, all support the position of the Southbank as an area to work, live and socialise in.

## Investment potential

Since the summer of 2014 the central London property market has faced a number of challenges – chiefly successive changes to stamp duty – the most recent being an additional 3% charge on second homes and buy-to-let purchases. Such changes have weighed on house price growth.

In the year to October 2016, Knight Frank data shows house prices across prime central London fell 2.3% year-on-year. However, at a local level there are considerable variations in performance.

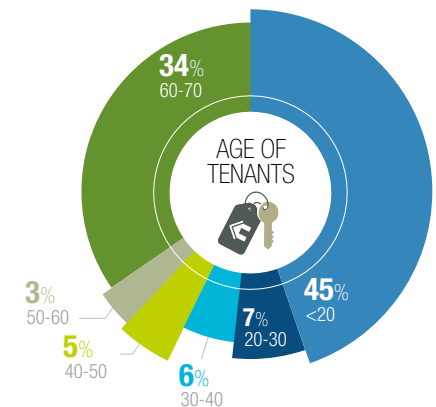
While the more traditional prime central London (PCL) locations to the West, such as Chelsea and

Knightsbridge, have seen values fall over the last 12 months, prices in the more eastern parts of PCL, which encompasses the City, City Fringe and Southbank, have continued to grow. This has led us to split the market into prime central London ‘West’ and ‘East’ for our forecasting, with PCL East expected to see cumulative growth of 15.9% over the next five years, compared to 8.8% in PCL West.

The Southbank has been one of the strongest sub-markets, recording annual growth of 2.6% in the year to October.

FIGURE 2

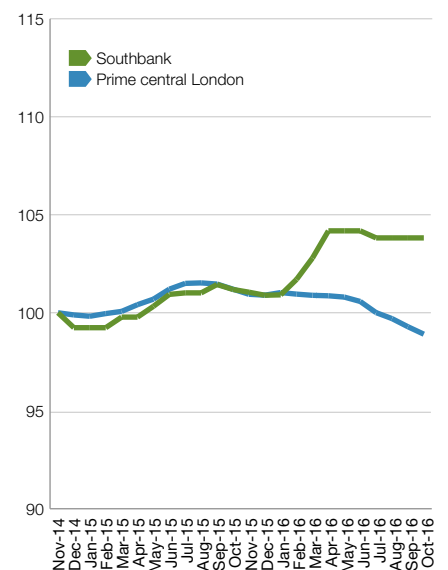
Age of new tenants over the last two years: Southbank



Source: Knight Frank Research

FIGURE 4

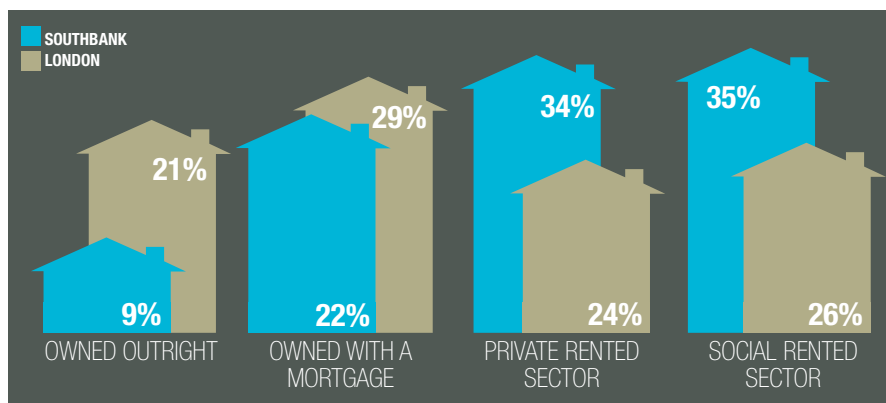
House Prices: Southbank vs prime central London Indexed 100=Nov 2014



Source: Knight Frank Research

FIGURE 3

Tenure type comparison: Southbank vs London



Source: Knight Frank Research



Meanwhile, the rental market on the Southbank has proved robust. Throughout prime central London, rental stock levels have been increasing, which has led to rental values declining by 4.9% over the last 12 months. In comparison, the Southbank rental market has again outperformed. Due to strong demand from city workers and students, values have been largely unchanged at -0.1% over the same timeframe. Rents in PCL East are expected to grow by 12% between 2017 and 2021.

## Southbank is highly connected

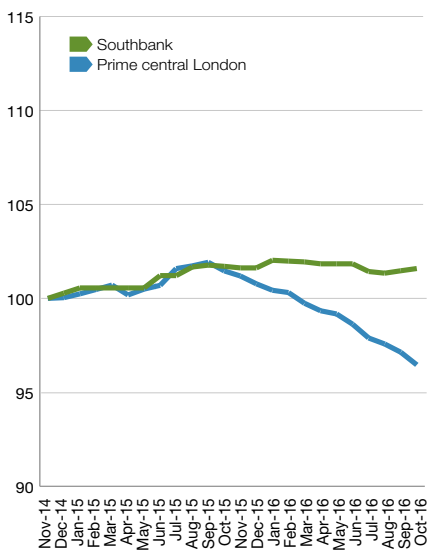
The Southbank is served by three of London's largest rail terminals; Waterloo, Blackfriars and London Bridge. There is also access to the Northern, Jubilee and Bakerloo underground lines, providing direct links to the West End, City and Canary Wharf. London City Airport is less

than 30 minutes away while both Heathrow and Gatwick airports are within one hour of the Southbank.

In order to support the growing working and living population on the Southbank, London Bridge and Waterloo stations are both undergoing significant upgrades. Some £1.3 billion is being invested into Waterloo in order to increase passenger capacity, rejuvenating the former Eurostar terminal in the form of new platforms and a retail mall – further enhancing the amenity on offer in the area.

Commuter patterns are changing and the number of workers travelling to work via the River Thames is rapidly increasing. The Southbank is served by the Thames Clipper with piers at Blackfriars and Bankside near London Bridge. Due to increasing numbers of passengers, expected to reach 4.2 million this year, Transport for London is investing further into the service, including an extension to the pier at Blackfriars.

FIGURE 5  
**Rental values: Southbank vs prime central London** Indexed 100=Nov 2014



Source: Knight Frank Research

## Outlook

Following the initial uncertainty as a result of the outcome of the EU Referendum, a number of indicators have picked up in the prime central London market. In Q3 2016 both the number of viewings and the number of properties under offer valued between £2 million and £5 million rose by 71% and 42% respectively on an annual basis.

Over the longer-term, London's position as a global financial, cultural and education hub will remain. The Southbank occupies a unique position in central London's property market. With such a significant level of residential development still to come, alongside the current cultural and business offering, the key fundamentals to support the market over the coming years are in place.

### RESIDENTIAL RESEARCH

#### David Ramsdale

Senior Analyst  
+44 20 3866 8038  
[david.ramsdale@knightfrank.com](mailto:david.ramsdale@knightfrank.com)

#### Gráinne Gilmore

Head of UK Residential Research  
+44 20 7861 5102  
[grainne.gilmore@knightfrank.com](mailto:grainne.gilmore@knightfrank.com)

### LONDON RESIDENTIAL

#### Alex Carr

Partner, New Homes  
+44 20 7861 5444  
[alex.carr@knightfrank.com](mailto:alex.carr@knightfrank.com)

#### Nigel Fleming

Partner, New Homes  
+44 20 7861 5409  
[nigel.fleming@knightfrank.com](mailto:nigel.fleming@knightfrank.com)

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