

Focus on: Lambeth

Research 2022

Major mixed-use development is encouraging further regeneration



KEY FINDINGS



158

major residential projects under construction in London with 500-plus homes.



1,335

housing needed per annum in Lambeth



1,430

new homes are currently under construction in Lambeth



1,639

number of homes bought using Help to Buy in Lambeth & Southwark 2013-2020

Source: DLUHC and Molior

ECONOMIC FORECASTS 2022-2032



+7%

Population



+23%

Household disposable income



+25%

GVA (economic growth)

Source: Oxford Economics

DEVELOPERS TARGET NEW ZONES IN LAMBETH

Residential developers across London are targeting new areas to create major mixed-use schemes. In Lambeth, new residential districts are emerging supported by office and retail development

Developers across the capital are rising to the challenge of creating more dynamic and sustainable neighbourhoods with a greater mix of uses. The pandemic has accelerated the need for genuinely mixed-use schemes which offer a broad range of amenity and blend home, work and leisure activities.

There are currently 158 major residential projects in the pipeline for London that include 500-plus new homes with planning permission granted, Molior data shows. This figure includes four schemes in Lambeth which will deliver a mix of office apartment, co-working, leisure and retail space.

This is supporting further development in the wider borough of Lambeth, in areas including Oval, Brixton and Clapham.

Development will be supported by population growth of 7% over the coming decade, outperforming a 6.5% increase across London as a whole, and a 23% increase in average household disposable incomes over that time.

The recent rezoning of Kennington Station to Zone 1-2 from Zone 2 is also beneficial for new and existing residents.

The challenge all London boroughs face is providing better access to workspace and more localised retail districts alongside these new housing schemes.

1 | Five-year house price forecasts

	2022	2023	2024	2025	2026	CUMULATIVE 2022 TO 2026
Prime Central London	3.5%	6.0%	5.0%	3.0%	3.0%	22.2%
Prime Outer London	4.0%	3.0%	3.0%	2.5%	2.5%	15.9%
Greater London	4.0%	1.0%	1.5%	1.5%	2.0%	10.4%

Source: Knight Frank Research

While the retail sector has faced unprecedented challenges, particularly in central London, there has also been a resurgence of demand for quality retail at a local level as life moves closer to home.

Similarly, although the role of the office has changed and hybrid working is becoming the new normal, there remains strong demand for high quality, grade A office stock in London. There are currently just 79 office buildings classified as brand new currently available across the capital, Knight Frank data shows, and prime office rents in Southbank are forecast to rise 8% by 2025.

Furthermore, there will be a greater emphasis on homes with dedicated offices or flexible working spaces. Already major players such as Google and Apple have confirmed a permanent shift to hybrid-work, with employees working two days per week from home.

Better access to green space is also a growing priority. In our latest January buyer sentiment survey, over 60% of respondents said that access to green space had become more important compared to before the pandemic.

Mixed-use spaces will have a significant role to play in responding to changing work and life trends. While typically there is always one market

driving a development as its anchor, the challenge now will be to assess the best combination of anchor and supporting real estate uses.

The rise of mixed-use

The biggest project adjoining London's South Bank is the Vauxhall Nine Elms Battersea 'opportunity area' which stretches across a 230-hectare site from Vauxhall Cross to Battersea Power Station. The area is among the top ten largest regeneration projects in London in terms of scale of housing delivery and employment opportunities, with 18,500 new homes and 18,500 new jobs set to be delivered by 2041.

The area was also recently boosted by the extension of the Northern Line and creation of new stations at Battersea and Nine Elms. The new stations, which opened in September 2021, are also another support for new residential and office development in the wider area. It was the first major expansion of the London Underground since the Piccadilly line extension to Heathrow Terminal 5 opened in 2008.

Other mixed-use developments in the area include Berkeley's 1,300 home Oval Village in Lambeth, which also comprises 100,000 sq ft of commercial space.

New development is also taking place further south in Clapham and Brixton, including Clapham House just south of Stockwell tube station which comprises 50 new build flats on Clapham Road, as well as a 218-unit scheme in Brixton on Shakespeare Road.

Just across the border, in Southwark near Kennington Station, Durkan has secured planning to build 272 residential apartments and over 40,000 sq ft of commercial space at Berganza Street, as well as 33 new homes and an office block at neighbouring site Manor Place.

These schemes will help contribute to housing supply, following a challenging period for delivery. Overall, developers in Lambeth built 1,198 homes in 2020-21, according to official figures, down 21% year-on-year. The London Plan, the Mayor's key strategic document, suggests Lambeth will require 1,335 homes respectively every year for a decade in order to keep up with demand.

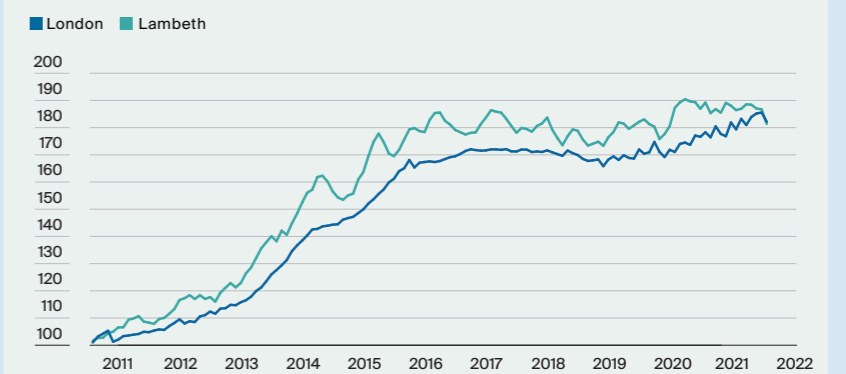
Our analysis of the current development pipeline in Lambeth identifies 7,896 units with planning permission granted and 1,430 currently under construction which will be delivered over the coming years.

HOUSE PRICE PERFORMANCE

Over the past decade, average house prices in Lambeth have grown by 68%, close to the London average rate of 73% for this period. Much of this growth took place in the early part of the decade, with growth rates having slowed in the past five years to single digit figures, as is the case across the whole London market. House price growth in Lambeth outpaced the London average in the first full year after the pandemic began, comparing March 2020 with March 2021, when prices rose 4%, versus 3% across all London boroughs. Going forwards, Knight Frank is predicting moderate growth across the whole London sales market of 4% in 2022, moderating to 1% in 2023.

2 | House price performance: Lambeth and London

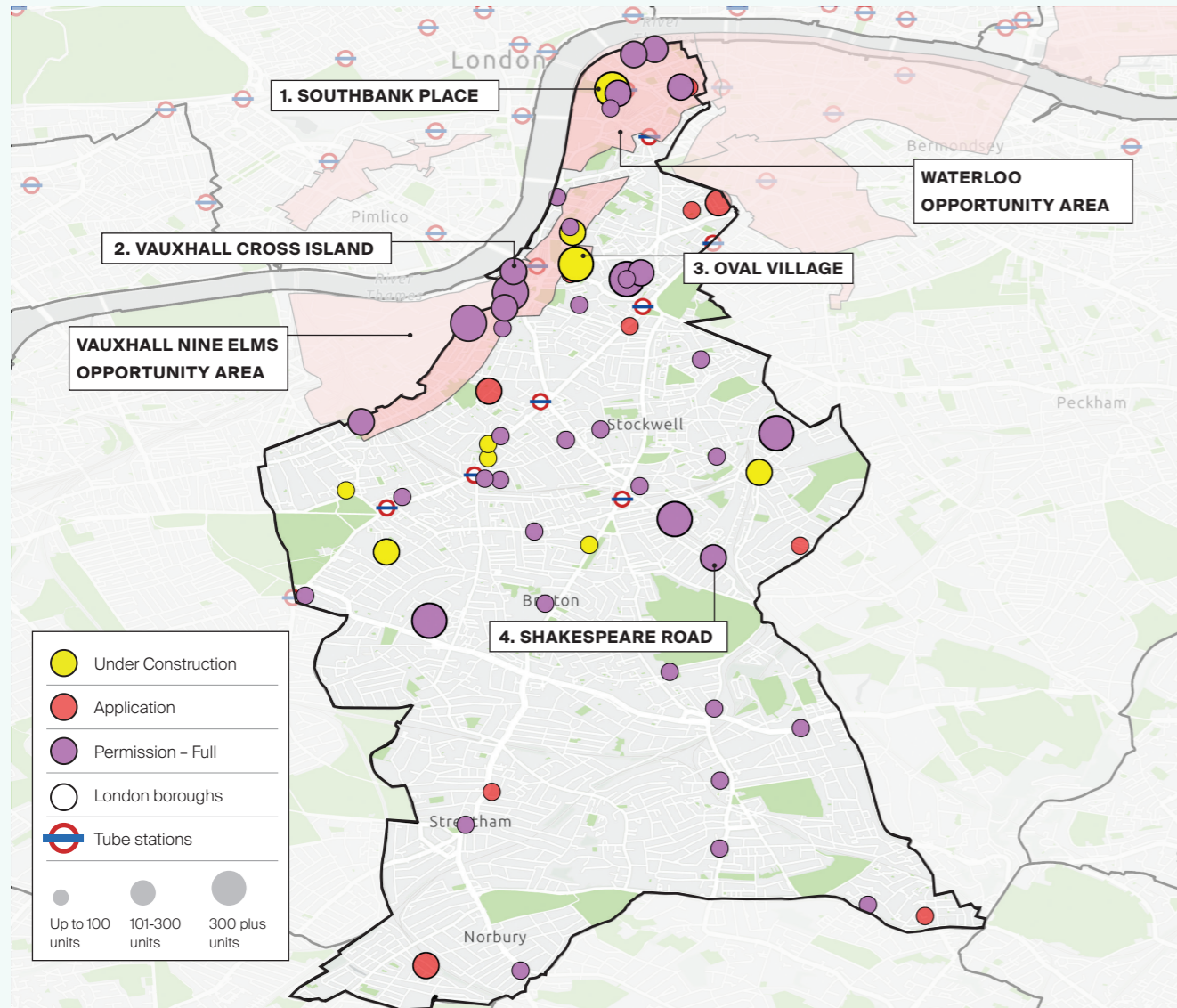
Rebased, 100 = January 2010



Source: ONS, Knight Frank Research

NEW SCHEMES EMERGING TO MEET RISING DEMAND

New development beyond the Southbank is focused on the Oval and Kennington area



1. Southbank Place

Comprises 880 new homes and 531,000 sq ft of office space, and 55,000 sq ft of retail. Now nearing completion, the scheme is located just by the Thames north of the Vauxhall Nine Elms regeneration site.

3. Oval Village

The 1,300 home scheme also comprises commercial space including a co-working hub, cafe and community centre. A new office space called Oval Works will co-exist alongside the new homes. The office development will span 80,000 sq ft across six floors, providing workspace to over 750 employees.

2. Vauxhall Cross Island

This project will generate approximately 2,000 new jobs in the borough within a mixed-use design that includes a new public square, homes, and offices.

4. Shakespeare Road

This residential-led development comprises 218 residential units alongside new landscaping works and a private communal courtyard for all residents. The proposed scheme is being developed on a brownfield site, a strategy which is part of the council's local plan to promote residential development.

OPPORTUNITY AREAS

Vauxhall Nine Elms

The regeneration will provide 18,500 new homes and 18,500 new jobs by 2041, alongside 2.8m sq ft. of retail and leisure space and over 3m sq ft. of new office space, and a new 12-acre linear park.

Waterloo

Development in the area is estimated to create 1,500 new homes and 6,000 new jobs by 2041.

KENNINGTON: TUBE REZONING IMPACT

Lower commuting costs for residents in Kennington and nearby Oval

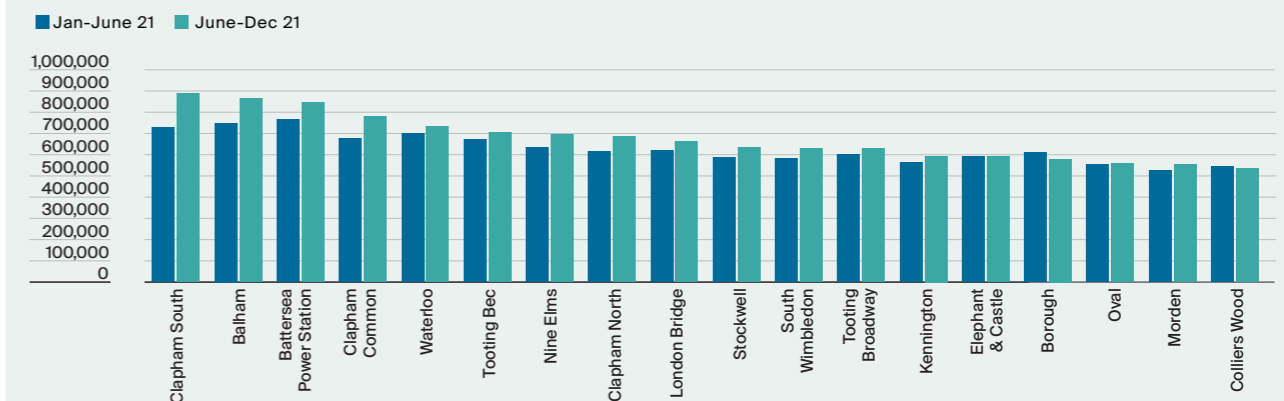
The move to rezone Kennington Tube Station from Zone 2 to Zone 1-2, which took effect in May last year, benefits residents in Kennington and its surrounds as they now would only pay for a Zone 1 fare to go into central London instead of Zones 1 & 2, reducing their fare from £3 to £2.40.

Rents and property prices in the Kennington area are already more affordable compared with residences close to other Northern Line stations south of the river.

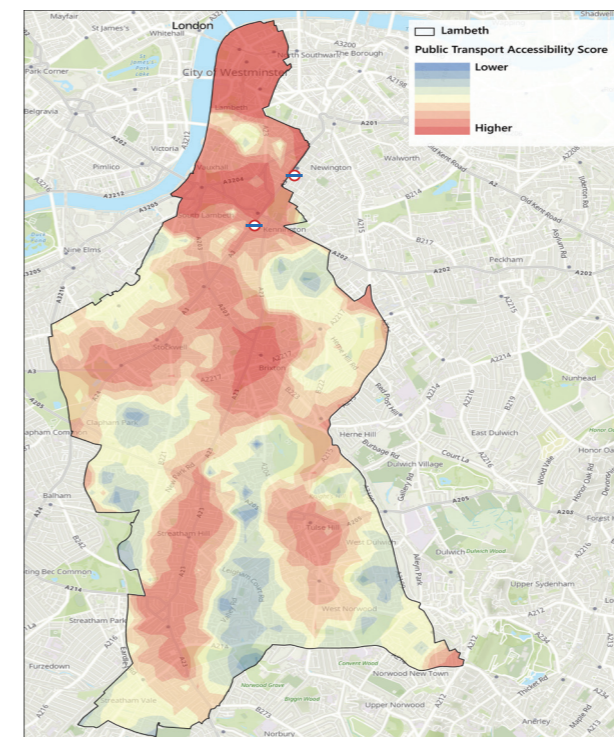
Average sales values for housing in Kennington and nearby Oval are 20-30% lower than in nearby Waterloo, Land Registry data shows (see figs. 3 and 4), and rents for a two-bedroom flat are around 17% lower also than in the Waterloo area – at just over £2,000 per month, according to OnTheMarket.com data for the second half of 2021.

The rezoning will also benefit residents living in Oval, which is just an 11 minute walk to Kennington.

3 | How do house prices compare south of the river? Average £ sales values around Northern Line stations (2km radius)

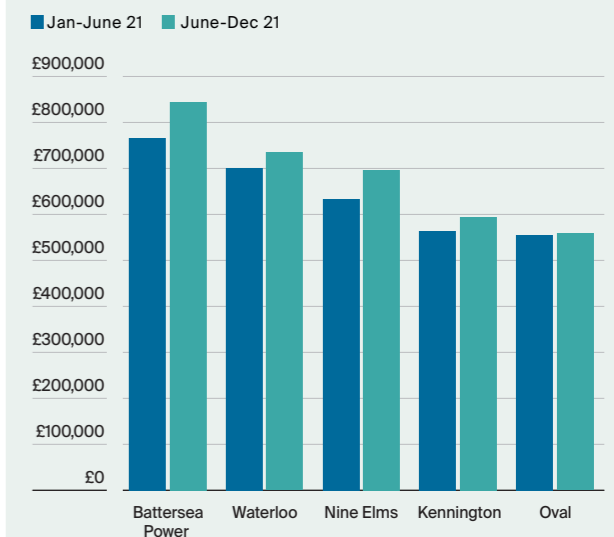


Source: Land Registry, Knight Frank Research



4 | House prices in Oval vs nearby Zone One stations in Lambeth

Average sales values



Source: Land Registry, Knight Frank Research

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

FRONT COVER PHOTO: Computer-generated image of Oval Village is indicative only.

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