



CHESTERTONS

Nine Elms

Property Market Report

/ AREA OVERVIEW

The Vauxhall Nine Elms Battersea Opportunity Area (VNEB) is the largest regeneration area in central London, spanning 561 acres along the South Bank of the Thames from Lambeth Bridge in the north, to Chelsea Bridge in the south. The focus of new development is the former industrial area of Nine Elms, which is being transformed into a fully integrated community designed to suit 21st century living and working requirements.

Two major new pedestrian-friendly town centres are being created at Vauxhall and Battersea Power

Station and, when complete, the area will contain around 20,000 new homes, 2.8 million sq. ft. of retail and leisure space and over 3 million sq. ft. of new offices, with prestigious occupiers including the US Embassy and Apple.

Residents of Nine Elms can already enjoy the 200-acre Battersea Park and the nearby Vauxhall Pleasure Gardens and further green space will be created to enhance the overall attractiveness of the area, including a new 12-acre linear park that will run between Vauxhall and Battersea Power Station.



— Nine Elms □ VNEB





/PUBLIC TRANSPORT

The area is already served by overground rail stations at Vauxhall, Battersea Park and Queenstown Road and underground services operating from Vauxhall Station (Victoria Line). In addition, river buses run from St George Wharf and Battersea Power Station to Embankment, Blackfriars and Canary Wharf.

Planned new infrastructure improvements will enhance accessibility to and within the area, including an extension to the Northern Line

underground that will add two new stations at Battersea Power Station and Nine Elms on the Wandsworth Road in autumn 2021. There will additionally be increased bus and river services.

A new network of cycle routes and footpaths will facilitate movement within Nine Elms, while a proposed new bridge between Nine Elms and Pimlico will provide an alternative river crossing for pedestrians, cyclists and cars.

Nine Elms Transport Connections






Underground

Victoria Station
Battersea Power Station (Northern Line 2021)
Nine Elms Station (Northern Line 2021)



Overground rail

 Victoria Station
 Battersea Park Station
 Queenstown Road Station



River bus

St George Wharf Pier
Battersea Power Station Pier



Frequent bus services operate along Wandsworth Road, Nine Elms Lane



New and improved cycle routes and infrastructure

/ THE NINE ELMS PROPERTY MARKET

Since development of the Nine Elms area started, 6,685 homes have been built, with a further 4,960 currently under construction and 462 awaiting planning consent.¹

Developments of 50+ properties	Planned	Completed	Under construction	Sold
Battersea Exchange	230	230	0	228
Battersea Power Station (Phase 1 Circus West)	865	865	0	863
Battersea Power Station (Phase 2 Power Station Building)	254	0	253	228
Battersea Power Station (Phase 3 Prospect Place)	1363	0	539	428
Belmont Tower	220	0	0	not launched
Booker & BMW Sites	230	0	0	not launched
Chelsea Bridge Wharf (Phase 5)	148	148	0	148
Chelsea Bridge Wharf (Phase 6)	59	59	0	59
Cringle Dock Battersea	422	0	0	not launched
Damac Tower (Aykon London One)	360	0	360	198
Embassy Gardens (Phase 1)	541	541	0	541
Embassy Gardens (Phase 2)	709	434	313	450
Embassy Gardens (Phase 3)	207	0	0	not launched
Keybridge House (Phase 1)	435	435	435	434
Keybridge House (Phase 2)	112	0	112	110
Lexington Gardens	264	0	264	111
Nine Elms Over Station Development	248	0	0	not launched
Nine Elms Parkside (C1)	196	0	196	196
Nine Elms Parkside (F/G)	391	0	0	awaiting consent

Developments of 50+ properties	Planned	Completed	Under construction	Sold
Nine Elms Parkside (B/D)	733	0	733	733
Nine Elms Point (Sainsbury's)	595	595	0	595
One Nine Elms (Market Towers)	436	0	435	88
One Thames City (Phase 1a)	298	0	298	86
One Thames City (Phase 1b)	546	0	542	not launched
One Thames City (Phase 2a)	374	0	0	not launched
Palmerston Court	122	0	0	not launched
Prince Of Wales Drive	726	262	464	387
Riverlight (Tideway Wharf)	699	699	0	699
St George Wharf (Aquarius + Kestrel)	199	199	0	199
St George Wharf (L The Tower)	223	223	0	223
The Residence (Christie's Warehouse)	438	438	0	438
This Space (South Bank Uni)	173	173	0	173
Vauxhall Cross Island Site	234	0	0	not launched
Vauxhall Sky Gardens	198	198	0	198
Vauxhall Square	454	0	0	not launched
Vista (Marco Polo House)	386	386	0	386
Westbury Estate (Phases 2 & 3)	181	0	0	not launched

Source: Molior (data as at September 2020 and excludes social/affordable housing properties)

/NINE ELMS RENTAL MARKET

Because of the number of rental investors that bought into the area in its early stages, there is already a large and established lettings market in Nine Elms that is increasing in size as more new buildings are completed.

The combination of new luxury apartments, often with onsite facilities such as residents' gyms and swimming pools, and the growing choice of convenience stores, bars, restaurants and cafes is attracting a young professional demographic and creating a lively and fashionable environment.

Over half (54%) of residents are aged between 20 and 44, compared to the Greater London average of 43%, and there is a good mix of tenant profiles which means that landlords are not overly reliant on any one particular source of demand. The major renter types include:

- UK professional singletons and couples
- Overseas higher education students
- UK higher education students
- Corporate relocations
- Young professional families

The larger and more expensive apartments are often taken by corporate executives and professionals relocating from overseas, notably from Russia, the Middle East and Europe, with some North Americans also in evidence. There is also good demand from High Net Worth Individuals (HNWIs) and their families looking for a luxury pied-a-terre close to central London.

Rents and yields

Rents across Nine Elms have risen steadily in recent years but the arrival of the coronavirus hit the market hard, as it did elsewhere across London. The corporate executive and foreign student market largely fell away because of the quarantine restrictions on international travel and the widespread corporate cost cutting. This resulted in an increase in the number of properties available to rent and at the end of 2020, 829 properties were advertised for rent. Consequently, rents fell by an average of 10%-15% between April and December in 2020.

There is currently a wide variation between rents, explained by differences in property size, specification and views: river views command a premium, as do properties on the higher floors. We have noticed that furnished apartments tend to let more quickly than unfurnished properties although this doesn't have any significant impact on the rent achieved.

Nine Elms guideline monthly rental values

1-bed apartment	£1,850 – £2,100
2-bed apartment	£2,250 – £3,500
3-bed apartment	£3,900 – £7,580

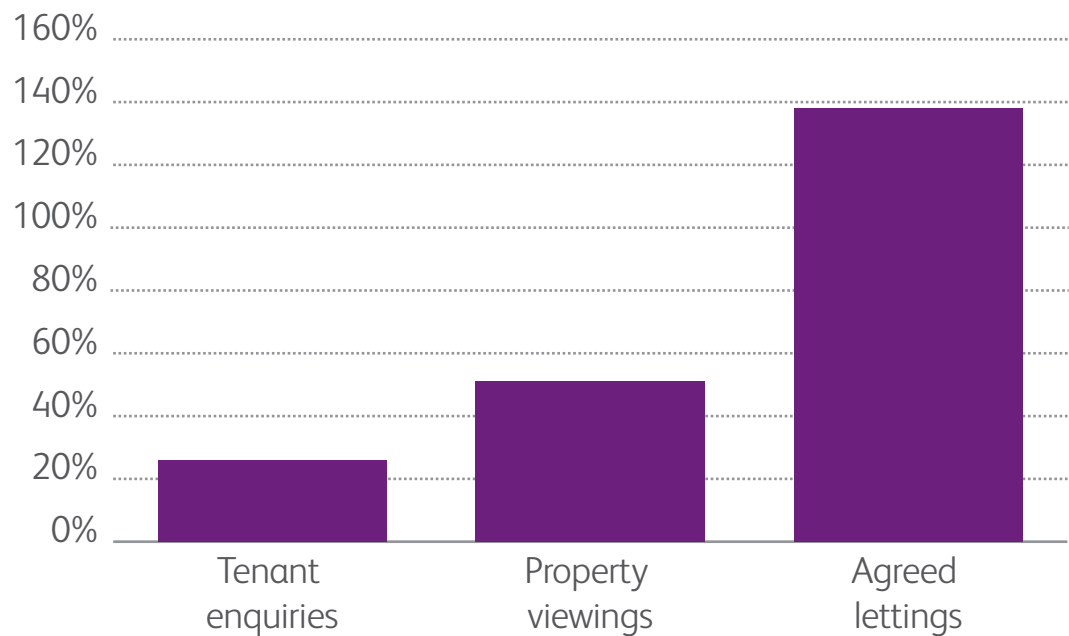
The substantial fall in rents has inevitably lowered yields and gross rental yields currently range between 2.7% for a 3-bed apartment and 3.4% for 1- and 2-bed apartments.

Tenant demand

Despite the disruption to the market caused by coronavirus, demand for rental properties was exceptionally strong in 2020 once the first national lockdown was lifted in mid-May and was barely affected even by the second lockdown in November. Chestertons' local office recorded a 138% increase in new rentals in 2020 compared to the previous year within Nine Elms.

Tenants were attracted by the fall in rents that made the highly desirable luxury apartments in Nine Elms more affordable as many landlords agreed to sizeable rent reductions in order to secure a tenant.

Nine Elms lettings demand: 2020 v 2019



Source: Chestertons Research

/NINE ELMS SALES MARKET

A total of 8,336 new properties have been sold across 45 developments within Nine Elms,² the majority of which were purchased 'off-plan' (i.e. before completion). With the prospect of good medium-to-long term growth in values, the area has proved popular with investors.

Overseas buy-to-let landlords, in particular from the Middle East and Southeast Asia, have been prominent and taken advantage of the drop in the value of the pound since 2014/15. In addition to rental investors buying individual properties within buildings,

a number of the buildings have been developed specifically for the rental market by major corporate investors such as Greystar, Grainger, Residential Land and Mitsubishi Estate.

Sales slowed in 2020 due to the impact of the coronavirus virus, especially at the higher priced end of the market and for second-hand properties, and the supply of properties available for sale has risen. By the end of the year there were 615 properties advertised for sale, although only 112 of these were new homes.

Property prices

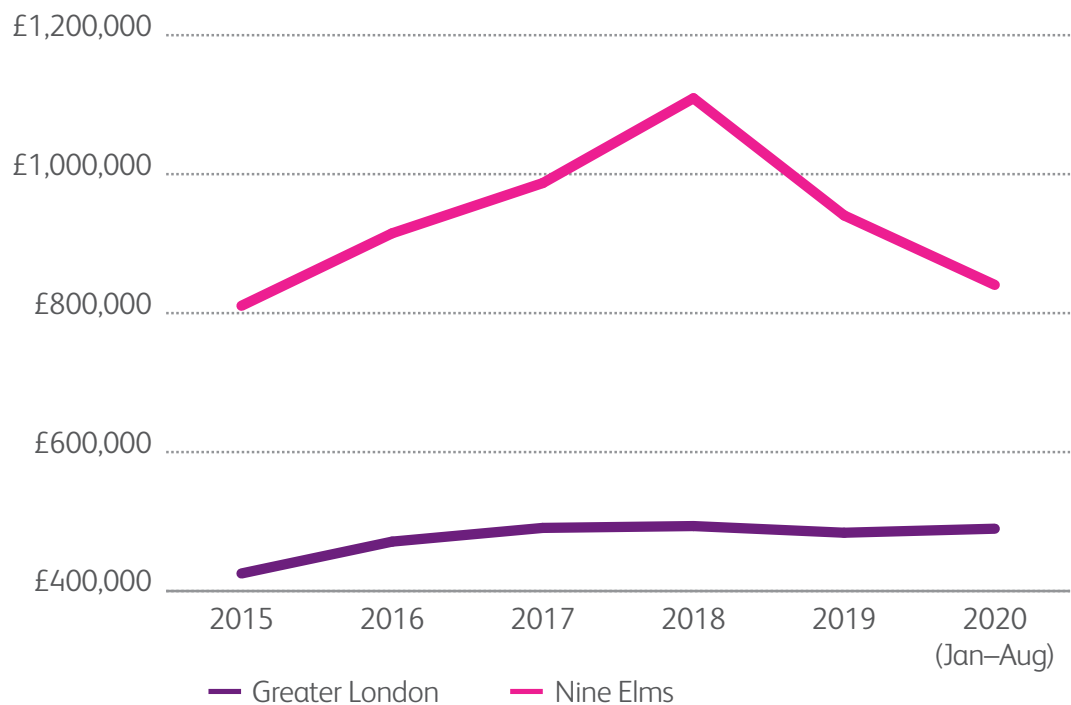
New homes typically command a premium over resale properties and major regeneration additionally creates a significant uplift in property values. In the past 10 years, average new home prices in Nine Elms have risen by 129%, compared to a London new home average of 78%.³

Prices fell across London in 2019 after sustained growth in the previous four years and saw further decline in 2020 due to the impact of the coronavirus

and an increase in the number of properties available for sale. In Nine Elms specifically, prices fell by 15% in 2019 and a further 11% in 2020.⁴

However, this has created opportunities for investors to acquire properties at prices that are lower than they have been for five years. Current asking prices on new properties range from £636 per sq. ft. to £3,938 per sq. ft., with an average of £1,567 per sq. ft.⁵

Average new home prices: Nine Elms v Greater London



Source: Land Registry

/OUTLOOK

The arrival of a vaccine against the coronavirus has given households, businesses and investors a much-needed confidence boost. Combined with an efficient test and trace system, this should bring to an end the widespread lockdowns and enable the economy to recover quickly as it showed it can when it grew by 15.5% between July and September 2020.

A post-coronavirus bounce would help to sustain the property market in 2021, while a recovering economy will provide greater job certainty and we expect tenant demand to increase in 2021. The end of quarantine

restrictions and a likely return to office working will bring back foreign higher education students and corporate executives who are an important part of the Nine Elms rental market.

When all of the office and commercial space in Nine Elms is occupied it will accommodate an estimated 25,000 workers, including 1,400 staff at Apple's London campus in the Battersea Power Station. A large proportion of this workforce will potentially want to rent within Nine Elms and is likely to attract further interest from investors.

/SALE PRICE GROWTH FORECAST

London will retain its attraction in terms of a safe haven and the pound is likely to remain relatively weak against major currencies for a while to come which will encourage foreign buyers. We think that

prices will flatten in 2021 and as we return to normality, buyer demand, led by investors, will pick up and begin to drive prices upwards again.

	2019	2020	2021	2022	2023	2024
Nine Elms	-15.0%	-12.0%	0.0%	2.0%	4.0%	4.0%
Greater London	1.2%	3.0%	-2.0%	1.0%	3.0%	3.0%

/RENTAL GROWTH FORECAST

The anticipated increase in tenant demand should help to stabilise rents in 2021. Looking further ahead, the regeneration impact should begin to take effect again and, assuming there is no further major

economic or coronavirus-related disruption, rents should continue to rise at least in line with inflation over the medium term.

	2019	2020	2021	2022	2023	2024
Nine Elms	5.5%	-12.5%	0.0%	3.0%	3.5%	3.25%
Greater London	2.5%	-4.0%	-2.0%	2.0%	1.0%	1.0%

Sources:

¹ Molior (at September 2020)

² Molior (data as at September 2020 exclude social/affordable housing)

^{3&4} Land Registry (at September 2020)

⁵ Molior

/OUR SERVICES

Chestertons provides a range of services to homeowners, landlords and investors. With more than 30 offices across London, Chestertons has one of the largest networks in the capital, as well as a strong international presence.

Our services include:

- **Sales:** We will manage the entire sales process, from giving an accurate and realistic valuation of the property, through to advising on the most effective marketing strategy and managing the legal process once an offer has been accepted.
- **Lettings:** Our highly qualified teams ensure we find the best quality tenants and achieve the best possible rents and terms, protecting landlords' investment and their tenants' well-being through our professional customer service and stringent compliance processes.
- **Property management:** We offer a full suite of services ranging from securing tenants and rent collection, through to full management of individual properties and portfolios.
- **Leasehold services:** We specialise in helping clients with the valuation and negotiation process involved in lease extensions, freehold purchases and collective enfranchisement.
- **Mortgage finance:** We specialise in arranging finance for properties at the mid to top end of the market through our partner Springtide Capital.

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