

Jumbo ambitions

White knight or reckless gambler? Specialist real estate investment and advisory company Delancey's acquisition of the unlovely Elephant & Castle shopping centre for £80m last December raised a few eyebrows in the property industry.

It looked like an excellent deal for St Modwen, which had bought the centre for £29m in 2002. Its own redevelopment plans had been hampered as it ended up at loggerheads with Southwark council.

DELANCEY AND OAKMAYNE PRESS AHEAD WITH SOUTH VILLAGE REGENERATION

Delancey also owns a site next to the shopping centre, with Oakmayne Properties, where construction of 373 residential units, student accommodation and leisure facilities is already under way.

The first phase includes a cinema and a new market square. In lieu of providing affordable housing, the developers are creating a large basement intended as an access and service area to a new shopping centre. This was part of the planning consent Delancey took on in

Having been passed over as Southwark's regeneration partner, St Modwen faced demands for a chunky contribution towards infrastructure improvements and the council's refusal to consider more than 500 residential units in a redevelopment scheme.

Such constraints do not appear to deter Delancey and its acquisition

2011, and Delancey investment director Stafford Lancaster hints it may offer other opportunities for development.

The scheme had been called Tribeca but the name was criticised as a too obvious homage to New York, when there was already local hostility to the tall residential towers. Now combined with the shopping centre site, it is to be named South Village – a nod to Delancey and Qatari Diar's East Village scheme on the former Olympic site (see pXX).

Delancey has acquired the Elephant & Castle shopping centre for £80m, but what does it have planned for what is universally regarded as an eyesore? *Helen Hamilton* finds out

partner APG, which see the 3.5-acre shopping centre site primarily as a residential opportunity. The acquisition was the first by a new joint venture between the two firms, set up to invest in London's rented residential sector.

Delancey says it did not discuss the shopping centre site with either Southwark council or the Greater London Authority before the acquisition, because it was bound by a non-disclosure agreement with St Modwen. However, Delancey prides itself on tough negotiation and believes it has the bargaining power to get what it wants.

"The need to move forward with regeneration by the council has highlighted a willingness to be accommodating," says Delancey investment director Stafford Lancaster.

Infrastructure improvements are now to be financed largely with public money. They will include a redesign of the intimidating northern roundabout to allow pedestrian access and redevelopment of the Underground

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ELEPHANT & CASTLE

station, replacing the archaic lifts with escalators – improvements that would enhance any new scheme.

Lancaster says plans for the shopping centre won't be firmed up until after Southwark's council elections in May. The aim is to submit a planning application by the end of the year – and he can't say when construction will begin.

But he does outline some broad plans. Any scheme is limited by the geographical constraints of the site and bound by the road network, so space will be created by building taller. Lancaster envisages some 300,000 sq ft of lettable retail and leisure space over three to four storeys – “more than that and it gets too confusing” – with further storeys of residential space above. He won't say exactly how many residential units, but it will be significantly more than 500.

“I am not aware of any limit on the number of residential units,” he says breezily.

The Delancey/APG joint venture has specified that it will invest only in sites that can accommodate 600 residential units or more.



in an enclosed building on an island site remains to be seen. The new “town centre” has been part of Southwark's plans for more than a decade and if Elephant & Castle's infamous eyesore remains, the regeneration will have conspicuously failed, no matter how

drawing people in, rather than helping them to get away.

In fact, the shopping centre performs relatively well as it is. It was 96% let and providing a “robust income”, according to St Modwen's report for the first half of 2013. But the centre works at present

The aim is to provide a new “town centre” for residents

One of the main attractions of the shopping centre is that Delancey owns the adjoining site, along with Oakmayne Properties (see box pXX).

“Acquiring the shopping centre essentially gives Delancey and APG control over how the entire area is shaped,” says Julian Hind, partner at real estate adviser Farebrother.

All parties involved in the Elephant & Castle regeneration are keen to stress that the aim is not to build a new shopping centre, but to provide a new “town centre” for the thousands of residential units being created in the council-led regeneration programme. How this differentiation can be achieved

many new homes, cinemas or leisure centres have been created.

This gives Delancey negotiating power. On the day the joint venture's acquisition of the shopping centre was announced, Lancaster warned the council's overview and scrutiny committee there would be “robust discussions” about a viability assessment and the council's requirement for 35% social housing.

Delancey and APG have appointed Sovereign Land as development and asset manager of the retail and leisure element of their scheme, handing it the challenge of creating an offer that will make Elephant & Castle's multitude of transport connections a means of

because low rents make it accessible for local traders.

The aim, Lancaster says, is to offer a rental structure that will create a mix of tenants, but he is clear that the retail and leisure element will not be subsidised by residential development.

“We are partnered with Europe's biggest pension fund and we have the resources to move this forward, but the starting point is that it has to be viable,” he says.

And this is the challenge he will put to the council. If Southwark doesn't concede a scheme that works for Delancey and APG, Elephant & Castle risks being left with its white elephant.

ELEPHANT & CASTLE SHOPPING CENTRE TIMELINE

1965

The shopping centre opens, designed by Boissensvain & Osmond for the Willets Group. It is the first covered mall in Europe, spread over three storeys with two levels of underground car parking, but only 29 of the 120 retail units were trading on opening day.

Shopping centre acquired by Ravensett Properties, which converts the top floor to offices and adds glazed panels to the previously windowless exterior.

Acquired by UK Land, which carries out another refurbishment in 1990, painting the exterior “shocking pink”.

Painted red in support of Comic Relief.

Acquired by Key Property Investment, a joint venture between St Modwen and Salthia Real Estate of Kuwait. The centre is at the heart of a wider £1.5bn regeneration scheme, but a redevelopment of the isolated site doesn't stack up for the owners.

2013

Delancey and APG buy the shopping centre.