

Re-printed article from:

<http://www.costar.co.uk/en/assets/news/2013/April/600m-Elephant--Castle-shopping-centre-plans-on-hold/>

Quote:

St Modwen's plans to lodge an application this year for a £600m redevelopment of the Elephant & Castle shopping centre will be delayed until at least 2014 because of a continued lack of agreement with Southwark council over site densities as well as significant progress on major infrastructure funding which is leading to a rethink of what is achievable.

St Modwen, which owns the blue mall in a joint venture with Salhia Real Estate, appointed Colliers to find a joint venture partner or investors to help fund its development plans in December of last year.

The group wanted to lodge plans this year with a view to being on site by 2015.

It is proposing to expand the mall from the current 135,000 sq ft of shops and 90,000 sq ft of leisure and 90,000 sq ft of offices to include 350,000 sq ft of retail and up to 1,000 apartments. The apartments will be built above the centre.

However, CoStar News revealed in March that the investment partner search and proposals had hit a stumbling block over Southwark council's position on what the site can accommodate.

**Southwark council believes that the site should only house around 500 homes given the new housing already coming forward in the area while St Modwen believes significant redevelopment at the values for retail zone A at the centre is not viable without the development of as much as 1,000 homes.**

CoStar News understands that while St Modwen has received significant interest in the centre stake it has decided it is unable to enter discussions with one party or progress the planning application while the uncertainty remains over the number of residential units.

**CoStar News understands that negotiations are also changing because of significant progress on decade long negotiations with Transport for London over the funding of a major upgrade of the tube station at Elephant & Castle and the peninsularisation of the northern roundabout which currently hampers access to the mall.**

**In recent months mayor of London Boris Johnson and London's deputy mayor for transport Isabel Dedring are both understood to have made it clear that resolution of the funding arrangement is a priority for the mayor's administration with Dedring understood to have suggested that resolution would open the door to a demolition and larger-scale shopping centre on the site.**

In February, the GLA commissioned an urban design study of Elephant & Castle's northern junction which will be delivered this month and evaluates the plans to peninsularise the area.

**Southwark, the GLA, TfL and the landowners are understood to now be weeks away from an agreement that would see the mayor's office agree to substantially fund the circa £100m cost of remodelling the northern roundabout and rebuilding the Northern line tube station with escalators to replace the current lifts.**

Towards the end of last year Johnson confirmed that TfL's Better Junctions Review programme is reviewing the Elephant & Castle northern roundabout "as a matter of priority".

St Modwen bought the Elephant & Castle shopping centre in 2002 for £29.5m and it is now valued at around £80m. It produces rental income of around £4m pa. St Modwen has negotiated short-term leases with the retailers at the scheme in anticipation of major redevelopment.

Both St Modwen and Australian developer Lend Lease have a long history of trying to bring forward major regeneration at the centre of Elephant & Castle.

In July of 2010 Lend Lease was picked ahead of St Modwen as the council's preferred developer for a £1.5bn regeneration that included the demolition and redevelopment of the shopping centre.

However, by May 2010 Southwark council had reached an agreement with St Modwen and Salhia to bring forward plans jointly without needing to carry out a compulsory purchase of the shopping centre.

St Modwen has instead proposed a major refurbishment and extension to allow the shopping centre to be redeveloped early on in the 15-year regeneration programme rather than at the end as Lend Lease had proposed.