

Date: 18 March 2025

Item: Platinum Portfolio – Southwark Over Station Development

This paper will be considered in public

1 Summary

- 1.1 This paper seeks approval to enable Places for London Limited, in joint venture with Helical plc (Helical), to invest in a purpose-built student accommodation (PBSA) building above Southwark station and an adjacent affordable housing building. This replaces the previous plan for an office-led scheme; the values of Land Authority concerned are unchanged but, given the material change in the nature of the scheme for which Land Authority was approved, the Committee is asked to re-confirm its approval.
- 1.2 A paper is included on Part 2 of the agenda which contains supplementary information that is exempt from publication by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of TfL and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings. Any discussion of that exempt information must take place after the press and public have been excluded from the meeting.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and reconfirm its approval of Land Authority in relation to the Southwark over station development site, enabling Places for London to invest and develop, with its joint venture partner, purpose-built student accommodation and affordable housing at that site.**

3 Background to the Platinum Joint Venture

- 3.1 On 9 March 2023, the Committee approved by way of Chair's Action unbudgeted Financial Authority and Land Authority to enable Places for London to invest in a joint venture to create a growing long-term income stream from a portfolio of high-quality, commercial assets with best-in-class environmental and wellbeing credentials located near central London transport interchanges.
- 3.2 The joint venture, known as the Platinum joint venture, was formed with Helical in July 2023. Places for London holds a 49 per cent equity stake in the joint venture. Helical holds the remaining 51 per cent.
- 3.3 The Platinum joint venture is a core element of Places for London's Investment Strategy. As well as long-term income and financial returns that can be reinvested across the portfolio, the joint venture will provide investment diversification and enhance Places for London's environmental sustainability performance and

credentials. Its initial three development sites are Bank, Paddington and Southwark stations. The joint venture was established on the premise that it may acquire and develop additional development sites.

- 3.4 The Bank station property is now known as 10 King William Street (10KWS). In October 2024, the joint venture acquired from Places for London the long leasehold interest in 10KWS. The Committee recently approved, via Chair's Action, additional Land Authority to enable Place for London to enter into guarantees associated with the joint venture debt finance. The debt finance facility is now in place and construction of the building is underway, with completion anticipated in late 2026.
- 3.5 The joint venture is also progressing with the design of the Southwark and Paddington buildings, and it has committed to acquire the long leasehold land interests in both sites in 2025 and 2026 respectively.
- 3.6 Pursuant to the Committee's grant of Land Authority on 10 December 2024, the potential commercial development and investment opportunity for the joint venture at Charterhouse Street, south of Farringdon station is also being assessed by the joint venture.

4 Southwark Over Station Development (OSD) proposal

- 4.1 Prior to forming the joint venture, Places for London had obtained planning consent from the London Borough of Southwark (LB Southwark) to develop an office at Southwark. The joint venture committed to acquire the site with the intention of developing the office consent.
- 4.2 Seeking to maximise shareholder value and deliver additional social benefits, Helical, as appointed development manager, reviewed the development options for Southwark. Helical recommended that the joint venture considers progressing a mixed-use scheme comprising, a PBSA building, and an affordable housing building instead of the extant office scheme.
- 4.3 Developing the PBSA and affordable housing scheme will significantly increase housing delivery on the site. Under the office proposal, no homes were being built on the Southwark OSD site. LB Southwark had intended to develop 25 new affordable homes on its adjacent land, however funding was no longer available to build these. By contrast, the revised PBSA scheme would also deliver 44 new affordable homes and 429 self-contained student rooms on the OSD site.
- 4.4 There are clear benefits of adopting the new strategy. The anticipated financial performance of the PBSA and affordable housing scheme exceeds the office-led scheme. Improved financial viability limits the risk of further delay to the development of this site when the development of the site has been anticipated for over 20 years. The creation of affordable homes and more public space than planned with the office scheme are broadly welcomed by the local community and LB Southwark.
- 4.5 The new strategy does involve the removal of a future office asset and its associated income from Places for London. The opportunity for TfL to consider leasing office space in the building for its future head office accommodation is also lost.

- 4.6 That said, the new strategy provides an opportunity for Places for London to invest in the PBSA building for long-term income, thereby offsetting the reduction in income from offices. Should the Committee approve the reallocation of investment into the joint venture for student accommodation and affordable housing, a paper recommending the acquisition of the proposed student PBSA building above Southwark station by Places for London is anticipated to be presented to the Committee this year. For clarity, this paper does not seek approval for the long-term hold and investment into the completed PBSA asset.
- 4.7 In line with the updates to the Committee during 2024 and 2025, the joint venture submitted its planning application to LB Southwark for student accommodation and affordable housing scheme.
- 4.8 On 5 March 2025 the LB Southwark Planning Committee unanimously resolved to grant approval for the scheme. The Planning Committee noted the increased provision of new council homes and other benefits to residents including a new community facility. The Planning Committee also noted the proposed provision of high-quality accommodation for students in an accessible and sustainable location contributing towards the borough's and London's need for PBSA, in line with relevant London Plan and Southwark Plan policies. The Greater London Authority is also broadly supportive of the proposals. The scheme includes:
- (a) a new PBSA building comprising 429 self-contained student rooms above the station – the equivalent of 172 homes based on the London Plan's home counting methodology;
 - (b) a separate building comprising 44 new affordable homes in a standalone building adjacent to the station – these homes would replace LB Southwark's previous proposal to develop 25 homes immediately adjacent to the station site; and
 - (c) continued design focus on creating best-in-class, sustainable buildings – currently, the affordable housing building is achieving a Homes Quality Mark of 4.5 and the PBSA building a BREEAM (Build Research Establishment Environmental Assessment Method) score of 'outstanding'.
- 4.9 Appendix 1 contains a ground floor access plan that illustrates the proposed configuration of the two new buildings, their relationships with the surrounding public realm, adjacent buildings, streets and transport infrastructure.
- 4.10 Subject to obtaining timely approvals from the Building Safety Regulator, the joint venture aims to commence construction later in 2025, and target completion in 2028.

5 Financial Implications

- 5.1 To assess the commercial rationale of the new strategy at Southwark OSD, the financial performance of the scheme has been compared with the performance of the commercial office scheme as considered by the Committee in 2023 and the same commercial office scheme appraisal rebased to current market conditions.
- 5.2 The financial assessment is set out in the paper on Part 2 of the agenda.

6 Risks and Opportunities

- 6.1 The table below summarises some of the key risks identified and their associated mitigations.

Potential Risk	Proposed Mitigation
Market downturn – while the student accommodation market in London has performed well in recent years, there is the possibility of a market downturn that could reduce the anticipated income and reduce the value of the asset.	The location of the student building in central London and its proposed high-quality limit exposure relative to other student accommodation assets in Greater London.
Cost overrun – the financial modelling is based on cost reports and builds in an allowance for inflation, however, there is a risk associated with an inflationary shock driving up construction cost or unforeseen project factors leading to increased cost. This would have the effect of increasing Places for London's required equity investment in the development phase.	A proactive procurement strategy will be required to ensure that the inflation risk associated with procuring contractor work packages is effectively limited. Ongoing due diligence is required at later design stages to limit the scope for potential cost overruns, and where possible identify efficiencies and savings.

7 Assurance and Consultation

- 7.1 TfL Project Assurance and the Independent Investment Programme Advisory Group were briefed on the recommendation in this authority submission. Project Assurance is providing assurance on an ongoing basis and Targeted Assurance Reviews will be arranged to support future investment decisions.

List of appendices to this report:

Appendix 1: Southwark Over Station Development ground floor access plan

A paper containing exempt supplementary information is included on Part 2 of the agenda.

List of Background Papers:

Commercial Office Investment Portfolio Joint Venture Chair's Action paper, issued 9 March 2023.

10 King William Street – Joint Venture Debt Finance Facility Chair's Action paper, issued 8 November 2024.

Platinum Portfolio – Additional Commercial Opportunities paper, Land and Property Committee 10 December 2024.

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