

**Client:** Londonewcastle  
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## UK & European puts faith in Londonewcastle



Line-up (from left): Robert Soning, Barnaby Kelham and David Barnett say they are "perfectly aligned" following UKEI's buyout of Lloyds's stake in company

Developer seeks to move into prime territory following purchase by private investment business. **Doug Morrison** reports

For the first time in years, David Barnett and Robert Soning are not busy selling apartments in a residential development to London's upwardly mobile professionals.

But the co-founders of Londonewcastle are sanguine about this hiatus in development because, for the first time since the recession, their pipeline of upcoming projects (box, opposite) is assured funding, following UK &

European Investments' (UKEI) purchase of Lloyds Banking Group's interest in the firm in July (finance, 15.07.11).

UKEI, the property arm of the Lewis Trust Group, paid Lloyds £20m for five sites and then bought Londonewcastle's highest-profile project – a residential tower designed by architect Amanda Levete – for £10m from US and South African investors.

Londonewcastle, which went through a corporate restructuring with HBOS in 2006 and again with Lloyds in 2010, emerges

from the process in partnership with

one of the UK's biggest private companies.

It is also a different corporate animal now – a UKEI-backed development manager, rather than a property-owning developer.

Barnaby Kelham, UKEI's managing director, described the new arrangement as a "joint venture", but refers to Londonewcastle as "our residential department".

Either way, both parties repeatedly assert that their interests are "perfectly aligned" – Londonewcastle's residential expertise and UKEI's commercial property strength complement each other in an environment where

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mixed-use development is the order of the day. Londonewcastle's arrangement with Lloyds was due to end by late 2012, but an early refinancing was always on the cards.

As chief executive Barnett says: "We needed to find a partner-funder that was passionate about real estate, believed in the London market and had deep pockets."

For the Lewis Trust, whose interests range from the River Island clothing chain to banking, private equity and hotels, Londonewcastle fulfils a longstanding aim to increase its exposure to the central London residential market.

So far, the group has mainly been involved in residential development in Bristol and Cardiff – although there is some housing attached to One Kingsway, one of the few office schemes due for completion this year in central London. In one fell swoop, Londonewcastle provides UKEL with a development pipeline worth £280m.

"The added attraction of this portfolio for us is that, while all the assets have fantastic redevelopment potential, they're also producing income and can sit easily within our investment portfolio," says Kelham. "We're happy just to sit and take the yield."

The partners are not resting on their laurels – the search is on for more sites. But while Londonewcastle has so far focused on areas such as Islington and Camden – the "upper end of the mid-market", as Barnett puts it – this time it has the financial clout to move into prime territory. Now, nothing is off limits.

"We're opportunity driven," says Kelham. "It's all about the underlying real estate fundamentals of each deal. I think the one thing that makes us different from other residential developers backed by private equity funds is that we're a privately owned investment business and we're less bothered about the influence of time."

"If it's an office-to-residential conversion, we're happy to sit, hold an office building and look at conversion to residential further down the track." ■



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## TURNING ON THE PIPELINE: LONDONNEWCASTLE'S LONDON PORTFOLIO

### **Huntingdon Estate, Shoreditch**

Londonnewcastle's highest-profile project is a 116-flat tower on the Huntingdon Estate in Shoreditch, east London. Amanda Leveté is the architect, which reflects the developer's belief in good design. For this scheme it is building 43 affordable housing units – a higher than normal proportion – on a separate site.

The £130m scheme has taken longer to receive planning consent than expected in 2008, when Londonnewcastle bought the sites. But in an improving market the delay has arguably worked in the developer's favour. Tower Hamlets council is due to determine the application in early 2012.

### **Dollar Bay, Marsh Wall**

Another big-name architect, Ian Simpson, has designed the 25-storey, 121-unit tower called Dollar Bay on Marsh Wall near Canary Wharf (pictured). Londonnewcastle has again gone for a high

proportion of affordable housing – 64 – on a separate site. The developer submitted an application to Tower Hamlets last month and, like Huntingdon, work could start on the £100m scheme next year. Failing that, the firm can carry on collecting rent from the existing, fully let apartment block, which it has owned since 2007. The block is 10 years old and five storeys high – a sign of how high-rise living has taken off in a decade.



### **Goldhawk Road, Shepherd's Bush**

Londonnewcastle has planning consent for a £50m mixed-use scheme on Goldhawk Road in Shepherd's Bush, west London. The project includes 57 private homes, six shared-ownership homes and 16,000 sq ft of commercial space. It is "deliverable" in the next two years.

### **Kelaty House, Wembley**

Kelaty House near Wembley stadium in north-west London could become Londonnewcastle's biggest scheme – potentially 500,000 sq ft on 2.5 acres. It is one of the few sites in the area that is not owned by Quintain. It

is also an example of the "uncut diamonds" chief executive David Barnett says Londonnewcastle is good at finding and polishing up. Plans are being drawn up for student accommodation-led scheme with housing, hotel and commercial space.

### **Centre 500, Chiswick**

Centre 500 on Chiswick High Road, west London, is another long-term play. At the moment, a fully let serviced office building sits on the 0.8 acre site. There is no rush to put housing there.

"We've taken the occupancy right up," says director Robert Soning. "It's definitely a business that can be expanded outside of that building."