

RESIDENTIAL RESEARCH



EASTERN OPPORTUNITY

REGENERATION AND DEVELOPMENT
IN EAST LONDON **2014**



CANARY WHARF

ROYAL DOCKS

E20

KEY FINDINGS

Royal Docks and Queen Elizabeth Olympic Park are London's biggest new regeneration opportunities since Canary Wharf

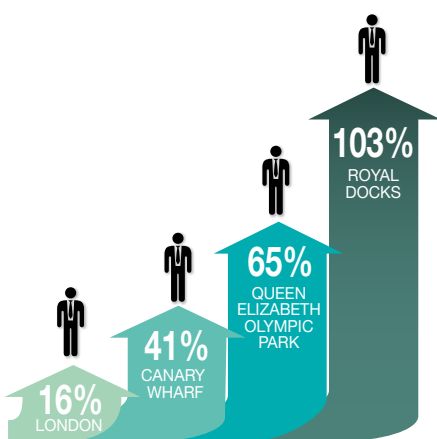
Plans are in place, across the whole region, for the creation of thousands of new homes and jobs for Londoners

Experian forecasts point to a 60,000 person increase in employment in the area by 2028

The arrival of Crossrail will provide a direct link to the capital's main centres of wealth and employment creation, in the City, West End and Canary Wharf

FIGURE 1

Forecast % population growth 2013 to 2028



Source: Knight Frank Residential Research / GLA
*For Canary Wharf we have used estimates for the wards of Millwall and Blackwall & Cubitt Town, for Queen Elizabeth Olympic Park we have used estimates for the wards of Stratford New Town and Bow East.

DEVELOPMENT IN THE EAST

The Royal Docks and Queen Elizabeth Olympic Park are set to join Canary Wharf as established residential markets.

These new districts have crossed the Rubicon in terms of certainty and success. These are the City's biggest new neighbourhood areas since Canary Wharf and are interlinked through proximity, infrastructure and scale.

By 2020, these three areas will provide new homes and jobs for tens of thousands of Londoners, with new residential districts, amenities and facilities.

We have identified the Royal Docks and Queen Elizabeth Olympic Park, as 'hotspots' for home buyers and investors, especially those seeking value beyond the core areas of prime central London. The key factors driving this are summarised here and expanded upon in this report:

- Established nature of Canary Wharf as a business location and prime London residential address.
- Improved accessibility and infrastructure driven by Crossrail, the Olympic legacy and the Westfield Shopping Centre
- Abundance of rivers, docks, canals, parks and open spaces in these areas, with two university campuses located nearby
- Strong demand for new homes in central London
- Relative affordability
- Blank canvas nature of these areas to create multiple, diverse, contemporary new towns
- Accessibility to Europe and beyond via Eurostar and City Airport

Three areas in east London – Canary Wharf, the Royal Docks and the Olympic Park – combine to create the most significant concentration of development and regeneration activity in London. As Europe's largest and fastest growing city, this is where a large part of London's future growth will be accommodated.

Links to the rest of London will be noticeably improved by the opening of the Crossrail high-speed train line in 2018. The line will drastically cut travel times across London, and will link the area to the capital's other key areas of business and wealth creation in the City and the West End.

Canary Wharf is currently best known as one of Europe's leading financial and business employment clusters. With significant residential development being undertaken at Wood Wharf, and other sites around Canary Wharf, the area's profile as a residential location will continue to rise over time.

The Royal Docks provides the largest land area in London for development and when complete will provide a new urban zone, featuring creative commercial

districts (The Silvertown, Asian Business Port), as well as large scale residential developments all centred around the docks, the River Thames and several parks and open spaces – all within 18 minutes to Bond Street via Crossrail and ten minutes via DLR into the Queen Elizabeth Olympic Park.

At the **Queen Elizabeth Olympic Park** substantial new infrastructure was completed as part of the Olympic legacy. The Park is well served by transport and amenity infrastructure, including a growing commercial district. Over time as developments mature, this area will compete with Canary Wharf as a residential location for City and Canary Wharf workers.

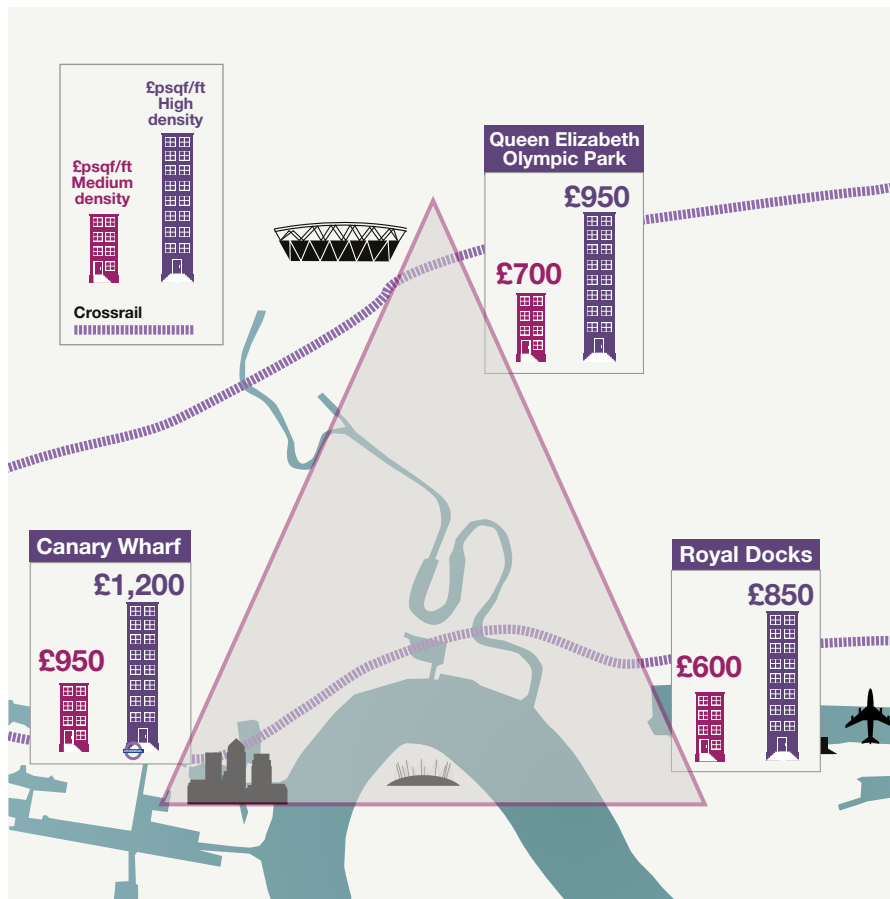
The growth in population within these areas is set to outstrip the London average in the coming years, and as a result demand for housing in the area is likely to remain high in comparison to the rest of the city.

The map on page 8 highlights how our study area will be at the forefront of providing new housing for London in large schemes of 500+ units.

FIGURE 2

The regeneration triangle

Average new build prices as at Q2 2014



Source: Knight Frank Residential Research

Royal Docks

If developers carry through their projects, as currently planned, we see strong potential for future value growth through better amenities and improvements to the public realm.

The redevelopment of the Royal Docks commenced in 1995 with the implementation of Britannia Village and ExCel. The early “noughties” saw a spate of development but this was tempered by a slow pace of delivery and the failure of key large scale projects to get off the ground.

However, with Crossrail approaching fast, developers and purchasers have become much more active. The past nine months has seen a variety of new residential led schemes being launched from Canning Town to Royal Wharf. Initial results point

to very strong sales volumes, with the physical nature of the schemes aiding rapid completion of units, which has suited the market.

On the demand side, population projections by the Greater London Authority suggest that in the Royal Docks area there will be a 103% increase in the resident population by 2028. In absolute terms, this significant growth represents an increase of 14,050 persons, however we see the potential for greater growth of more than 103% simply due to the speed in which schemes are being sold. By comparison, London is set for growth of just 16% over the same time.

Nearby London City airport is a strong source of business and employment investment, which aids residential demand. Serving 30 UK and European destinations, about a million passengers

KEY FACTS**1,000 ACRES**

SIZE OF THE ROYAL DOCKS ESTATE

**22.93KM**

LENGTH OF RIVER/DOCK/CANAL FRONTAGE AROUND ROYAL DOCKS

**560 ACRES**

QUEEN ELIZABETH OLYMPIC PARK (THE SAME SIZE AS HYDE PARK)

**24%**

FORECAST INCREASE IN JOBS IN TOWER HAMLETS BY 2028



UNIVERSITY CAMPUSES NEARBY

a year currently pass through the airport, with plans in place to accommodate eight million passengers by 2030 to support the growth of London and the continued demand for business travel. The use of smaller aircraft and a ban on night flights reduces noise nuisance for local residents.

The Silvertown, Asian Business Park and Oxley Holdings and Ballymore's collaboration for thousands of homes at Royal Wharf are among the largest schemes planned.

FIGURE 3 **Canary Wharf** Future development pipeline

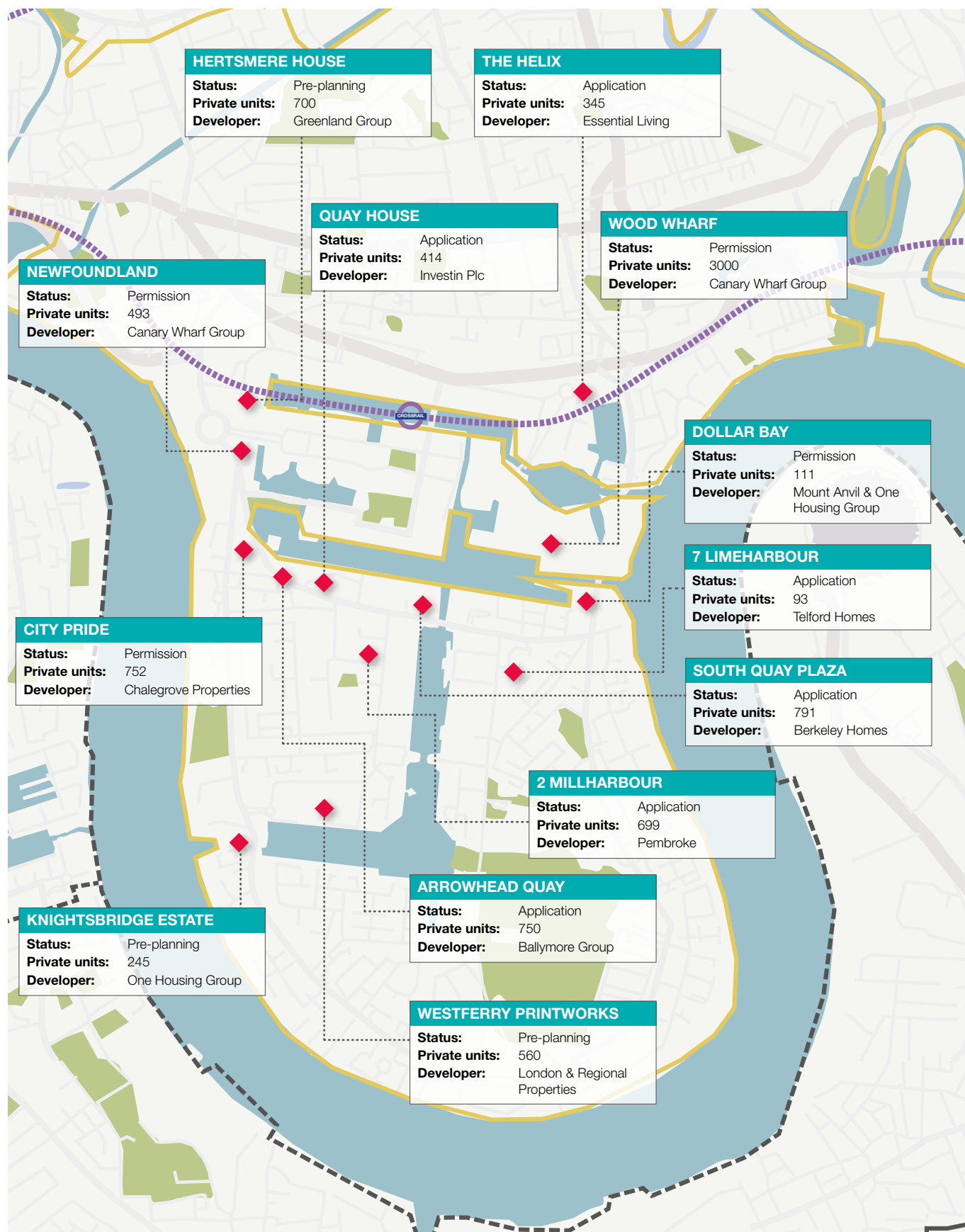


FIGURE 4 Queen Elizabeth Olympic Park Future development pipeline

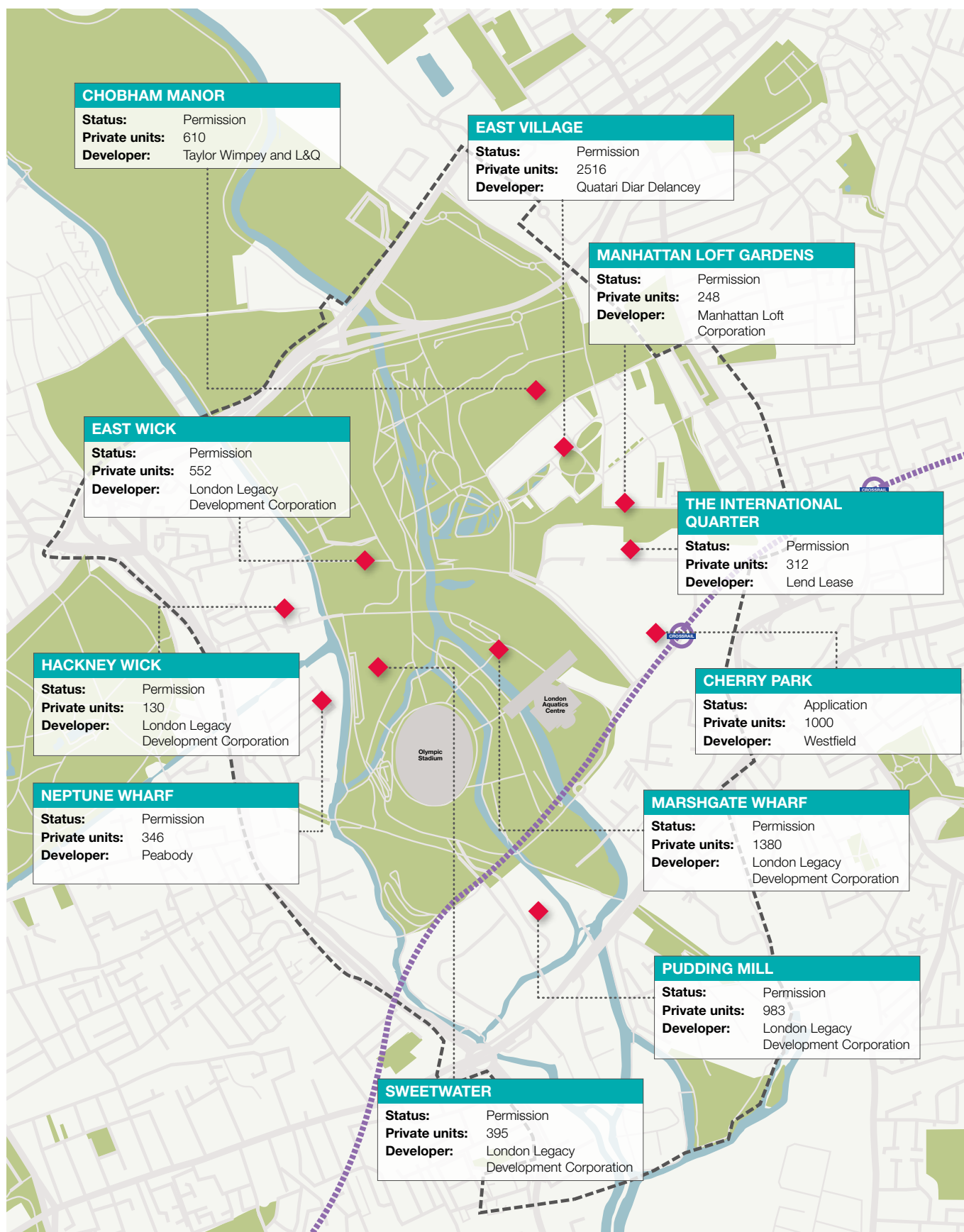
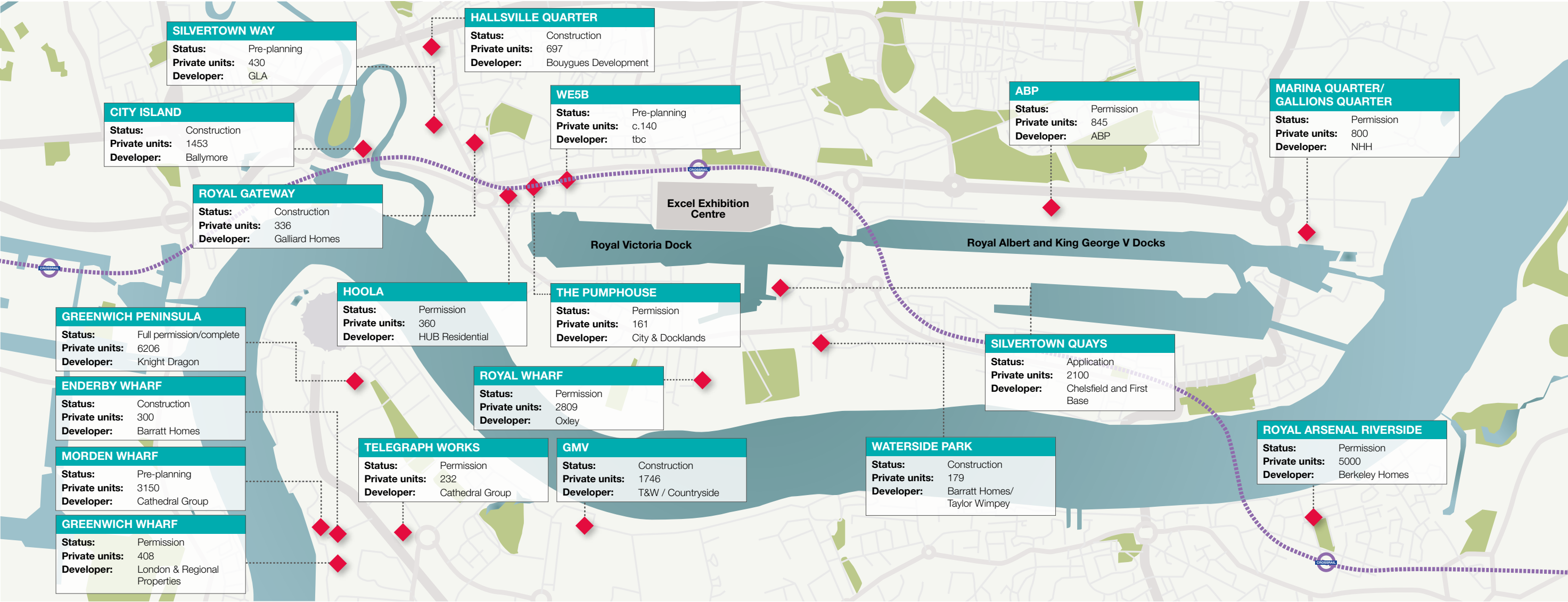


FIGURE 5 **Royal Docks** Future development pipeline



Queen Elizabeth Olympic Park

The main physical legacy of the 2012 Olympics was the regeneration of the Olympic Park, centred on the Lee Valley and adjacent to Stratford, an historically underdeveloped part of London.

The Westfield Stratford City development is the largest urban shopping mall in Europe, while plans to build up to 11,000 new homes in five new neighbourhoods clustered around 65km of waterways and 111 acres of woods, hedgerows and wildlife habitat is set to transform the area in the coming years.

The area making up the Queen Elizabeth Olympic Park is set for a 65% rise in its population between now and 2028. Given these ambitions to grow as a business, as well as a residential, district, good transport infrastructure is vital. The area is already well served by the London Underground, DLR, bus routes and the Emirates Air line, London's only cross-river cable car.

With major pre-lets of new office space including of 250,000 sq ft to Transport for London and 500,000 sq ft to the Financial Conduct Authority, the area is establishing itself as a place to work as well as live.

Canary Wharf

Canary Wharf is an established business and residential district in central London and, as such, regeneration here is well

advanced. Despite the area's relative maturity there is still scope for future growth.

According to employment forecasts by Experian, more than 60,000 additional individuals will be working in Tower Hamlets, the London borough in which Canary Wharf is located, by 2028. The residential population of Canary Wharf is expected to jump by 41% over the same time.

Two factors underpin longer-term growth in Canary Wharf. One is the arrival of Crossrail and the other is the development of Wood Wharf.

While there is an established trend for some who work in Canary Wharf to live nearby, the ease of travelling to west London from 2018, as well as the new development and infrastructure in the pipeline in Canary

Wharf itself, will make it a more attractive option for families, whether or not they work nearby.

Wood Wharf is a mixed use development, planned for the eastern edge of Canary Wharf, which will add an additional 3,000 homes in what will be the first big extension to the business district since the financial crash.

Greenwich Peninsular and Woolwich Arsenal

Further south and east of the areas discussed above, the Greenwich Peninsular and Woolwich Arsenal are logical areas for future housing and employment growth. With the existing DLR and Jubilee Line connections soon

to be enhanced by Crossrail, these areas are increasingly tied into the wider regeneration story in East London.

When the Woolwich Crossrail station opens in 2018, about a dozen trains an hour will link this corner of south-east London with Canary Wharf and the West End, as well as Heathrow. By gaining a new 'express' route into the employment centres at both Canary Wharf and the City, commuters' journey times from Woolwich will be dramatically reduced and we would expect to see sustained demand for properties in the area surrounding the new station as a result. The creation of a new interchange at Woolwich between Crossrail, the DLR and mainline suburban rail services from Dartford and Gravesend, may help

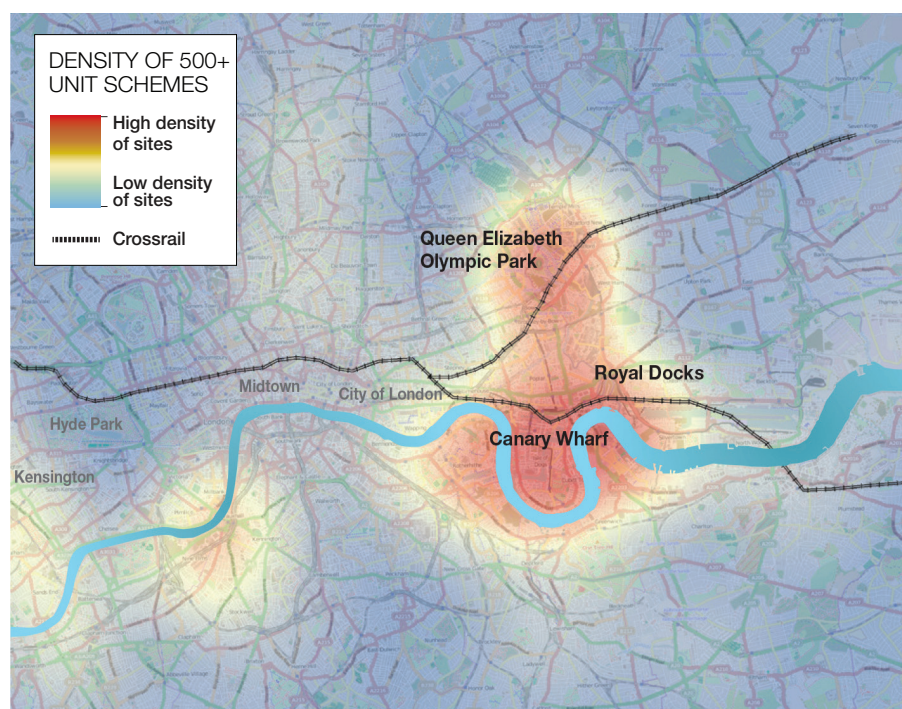
to establish Woolwich as a hub for south-east London.

The 300-acre Greenwich Peninsula site is being transformed into a new mixed-use residential and commercial quarter, capitalising on the area's transport links and development potential. At the heart of the scheme is a public space and park system, with views out over the Thames, Canary Wharf and the Thames Barrier. Residential areas, together with retail, schools and community facilities, are located around these public spaces and parks.

The ambitions to create mixed-use neighbourhoods elsewhere in London, underpinned by good public transport links to financial and business centres, should serve to underpin future price rises.



FIGURE 6

Where will new developments be delivered in the future?

Source: Knight Frank Residential Research

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CROSSRAIL – CONNECTING LONDON

Crossrail is the most significant infrastructure project in London in nearly two decades, and is set to increase London's rail transport capacity by 10% when it opens in 2018. This will be the single largest uplift in capacity since World War II.

Passenger numbers are expected to be in the region of 200 million a year. The dramatically faster travel times that will be possible once Crossrail opens will make central London more accessible to a greater number of workers, but will also make Crossrail's central 'hubs' more attractive for residents given the increased ease with which they will be able to travel across the city.

Canary Wharf, Royal Docks and Queen Elizabeth Olympic Park will be served by three Crossrail stations. The high-speed rail service will be the first direct public transport link between London's three key areas of business and wealth creation. Government investment and support in infrastructure

projects such as this has helped to unlock the potential of the area, which has now crossed the Rubicon in terms of its development certainty.

As a result, the area seems set to have a long-term future as a regional employment and wealth creation hub that is likely to stimulate interest and demand for residential property in nearby locations.

Crossrail should serve to underpin future price rises for homes located nearby. Knight Frank forecasts show that residential property located within a 10-minute walk of a Crossrail station will outperform wider price growth in an area by 1% until the route opens in 2018.

Our current forecasts for London are for an 8.4% rise in residential property prices in 2014, followed by a 6% increase in prices in 2015. For homes located within a 10-minute walk of the new train link this rises to 9.4% in 2014 and 7% the following year.

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