

RESIDENTIAL RESEARCH



FOCUS ON: HACKNEY AND SURROUNDS

2017

SHOREDITCH

HACKNEY CENTRAL

HACKNEY WICK

HACKNEY AND SURROUNDS

Since 2009, house prices in Hackney have increased by 104%. In 2015, the borough ranked second in the UK for new business start-ups

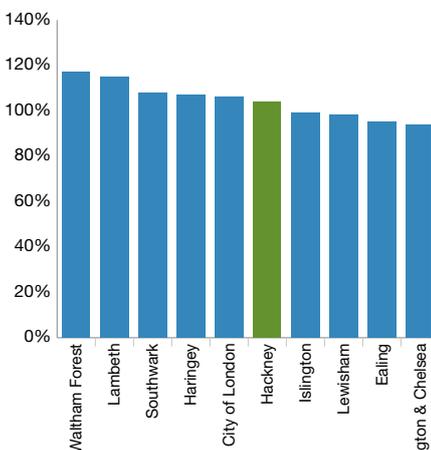
As one of the host boroughs of the 2012 London Olympics, Hackney has benefited from multi-billion pound investment from Transport for London, the London Legacy Development Corporation (LLDC), Mayor of London and the Government.

The upgrade of the London Overground rail line in 2007, which runs to Liverpool Street and Euston, as well as out towards Stratford, Watford and Richmond, has increased connectivity in Hackney for both businesses and residents.

Building on the improved connectivity, the council has placed considerable emphasis on attracting new companies to the area. This is reflected in data from 2015, as Hackney ranked second in the UK for new business start-ups. Recent data from the Government-backed 'Start Up Loans Company' shows the borough has received more funding through the scheme than any other London borough since it started in 2012.

Such investment in business is supporting the improving quality of amenity in Hackney. Alongside an expanding arts scene, Hackney is home to a large number of boutique shops, bars and restaurants, interspersed with high-end retailers such as Versace.

FIGURE 1
Top 10 London boroughs by house price growth since April 2009



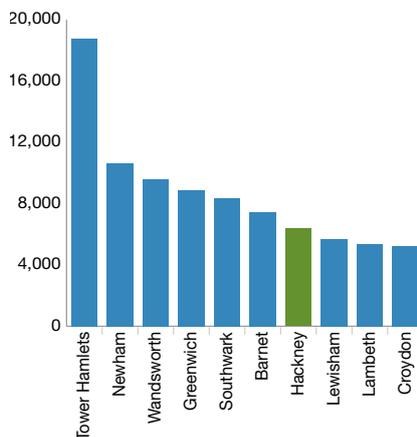
Source: Knight Frank Research/Land Registry

The growth in new businesses and amenity is expected to continue to attract new residents to Hackney. Over the next 10 years, the Department for Communities and Local Government (DCLG) estimates a further 23,000 new households will be created. At present, an examination of the development pipeline for the borough suggests that there are 8,500 new homes under construction or with planning permission, fewer than the 11,500 needed to meet demand over even the next five years. Furthermore, the council has placed considerable emphasis on estate renewal, and has embarked on a borough wide estate regeneration programme covering 2,760 homes.

The ease with which people move around London means some of the influx in new residents is expected to be driven by those from central areas of the Capital. The latest internal migration data from the Office for National Statistics (ONS) shows 34% more people moved into Hackney from Kensington and Chelsea, Westminster and Hammersmith and Fulham than moved in the other direction.

In the following sections of this report, we look at three areas within Hackney and the surrounding area that epitomise the areas

FIGURE 2
Top 10 London boroughs for housing construction starts 2009-2016



Source: Molior London

diversity; Shoreditch, Hackney Central and Hackney Wick.

Shoreditch

Immediately North East of the City of London, Shoreditch is now firmly established as a prime London address, and is arguably one of Hackney's most

SHOREDITCH KEY FACTS

HOUSE PRICE GROWTH Q3 2014 – Q3 2016

15%

NEW HOMES IN THE DEVELOPMENT PIPELINE

1,710

CAFES AND RESTAURANTS OPENED IN THE LAST 5 YEARS*

232

ART GALLERIES AND STUDIOS

23

HOTELS

32

GYM AND HEALTH CLUBS

45

*VOA data based on one mile radius from Shoreditch High Street station

established residential markets. A tech and creative hotspot, the area's success has been underpinned by the rejuvenation of Spitalfields Market, the extension of the London Overground East London Line in 2010 to incorporate Shoreditch High Street, and Silicon Roundabout at Old Street, part of the East London Tech City Initiative.

House prices in Shoreditch continue to increase. The latest UK house price index shows values in this area increased by 15% in the two years to Q3 2016, compared to a 1.7% decline in prime central London.

Shoreditch lies within the Knight Frank definition of prime central London east, with the more traditional markets of Knightsbridge and Mayfair located in prime central London (PCL) west. Over the next five years PCL east is forecasted to significantly outperform, and is expected to see cumulative growth of 15.9%, compared to 8.8% in PCL west according to the Knight Frank house price forecast.

As house prices have increased, so too has developer activity. Some 785 new homes have been built within 800m of

Shoreditch High Street station over the last five years, with data from Molior London identifying a further 1,710 homes under construction or with planning within a 10-minute walk from Shoreditch station.

Shoreditch also possesses a strong private rented sector. Household analysis by Mosaic shows a quarter of households in Shoreditch are classified as "metro high-flyers", typically 20 and 30-somethings renting flats in highly commutable areas of the city.

Silicon Roundabout is the main source of employment in Shoreditch according to Hackney Council – with some of the largest tech companies in the world such as Google and Facebook having office space there. It is the third-largest global tech cluster behind San Francisco and New York. Start-up companies are at the heart of the local economy. The Council also found Shoreditch has Europe's highest concentration of tech and creative businesses.

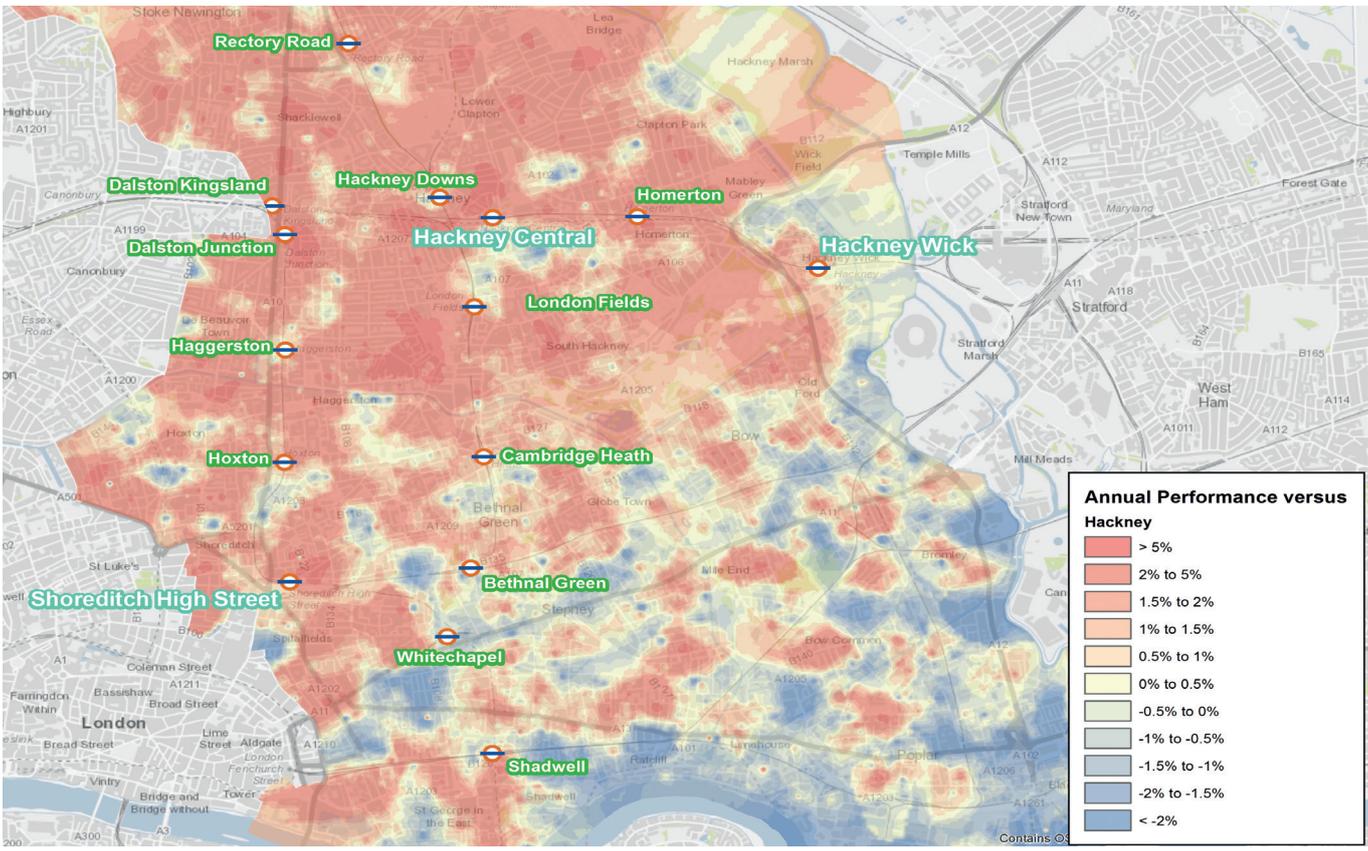
To support the growth of Shoreditch's high tech industry, the area's retail

London Overground

TfL took over ownership of the London Overground in November 2007 – effectively bringing together and upgrading some existing services. The East London Line extension of the London Overground began operating in 2010, adding stations in Shoreditch, Hoxton, Haggerston and Dalston, increasing connectivity for the whole area.

An analysis of house prices in and around the Overground rail line stations indicates that it has had a positive impact on house prices in the borough, as show in figure 3. With the exception of Hackney Wick, all locations in Hackney with an Overground station have outperformed in comparison to house price growth in the wider borough since November 2007, particularly in Shoreditch, Hoxton and Hackney Central, where values have increased by as much as 6-19% above the borough average.

FIGURE 3 Annual over/under performance of house prices compared to house price change in Hackney 2007-2016



HACKNEY CENTRAL KEY FACTS

HOUSE PRICE GROWTH Q3 2014 – Q3 2016

24%



NEW HOMES IN THE DEVELOPMENT PIPELINE

434



CAFES AND RESTAURANTS OPENED IN THE LAST 5 YEARS*

46



GYM AND HEALTH CLUBS

4



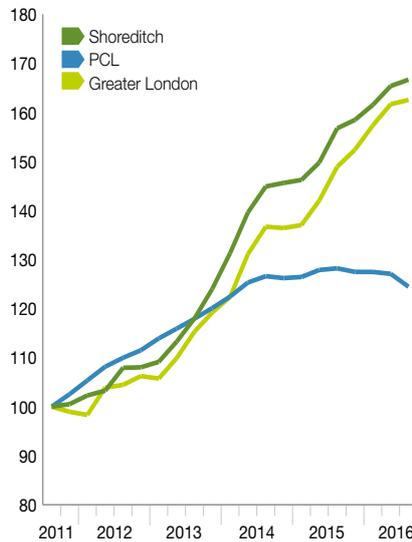
LUXURY RETAIL OUTLET STORE

OPENED 2016



*VOA data based on one mile radius from Hackney Central station

FIGURE 4
Shoreditch house prices vs London and Prime Central London
Indexed 100 = Q3 2011



Source: Knight Frank Research

offering has improved significantly since the financial crisis. This is founded on the growth of independent boutique shops, emphasised by the opening of Boxpark, the world's first pop-up mall. Shoreditch's enhanced amenity is now starting to attract a greater number of high-end retailers. Versace has opened a store on Redchurch Street, and this is expected to lead to further world-renowned brands moving into the City Fringe location.

The higher quality of Shoreditch's retail amenity, coupled with its proximity to the City of London, has supported the area's growth as a tourist destination. A plethora of new hotels have opened in the area, most notably, Hoxton Hotel and Boundary, while Ace Hotel and Nobu Hotel are expected to open in Spring 2017. Furthermore, Shoreditch House is also home to a members club and will be joined by Curtain from May this year.

Hackney Central

The improving quality of amenity has also extended to other parts of the borough of Hackney. One such area where this is being felt is Hackney Central.

This area has directly benefited from the more frequent service provided by the London Overground, which significantly

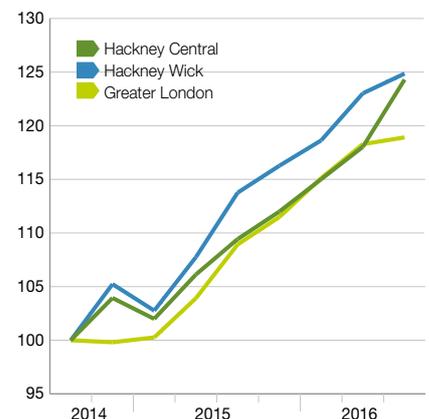
improved transport connectivity, reducing journey times to Liverpool Street to less than 15 minutes. Both the West End and Canary Wharf can be reached within 25 minutes.

As shown previously in figure 1, house prices in close proximity to Overground stations have outperformed the market over this period, and house prices in Hackney Central continue to outstrip the London market. Values from Q3 2014 to Q3 2016 increased by 24%, outpacing the 19% increase recorded across London (figure 5).

The regeneration of Hackney Central forms a key part of the council's plans to improve the borough's housing, transport and retail offering. Hackney Central has a designated Area Action Plan, mainly focused on improving the quality of the retail amenity by creating a balance between independent retailers and high street brands.

This is being centred around a new cultural quarter linking the area around the Town Hall with Mare Street, now permanently pedestrianised following a trial period. Furthermore, Hackney Walk, a new £4.5 million luxury outlet, opened in 2016 and is home to Burberry, Aquascutum, Nike and Gieves and Hawkes. On top of this, new fashion studios and manufacturing space are also available. With the first phase now open, the owners of Hackney Walk have plans in place to extend the outlet to a

FIGURE 5
Hackney Central & Hackney Wick house prices vs London
Indexed 100 = Q3 2014



Source: Knight Frank Research/UK HPI

similar size as Bicester Village, a luxury outlet village in Oxfordshire.

As a result of this, Hackney Central is one of the most desirable addresses in the borough. Household analysis from Mosaic shows high earning city workers are renting in the area due to its proximity to central London.

Meanwhile, the area has proved popular with developers, with some 650 new homes built over the last five years within 800m of Hackney Central station, and the development pipeline showing a further 440 new homes with planning permission. Some 40% of these are expected to be affordable units, a sign of the council's focus on achieving a borough-wide 50% affordable housing target.

Hackney Wick

Hackney Wick is one of the more under-developed parts of Hackney. However, sitting on the edge of the Olympic Park and Lower Lea Valley Opportunity Area, considerable change is anticipated over the next five to ten years.

Over 3,000 new homes within 800m of Hackney Wick station have planning permission, though the majority are yet to

start construction. Tellingly, placemaking is at the heart of many of these developments. On top of the delivery of new homes, retail and commercial space, public squares and parks will also be built to form new communities.

Values in Hackney Wick have increased by 24.9% in the two years to Q3 2016, significantly higher than the borough and Greater London averages.

Like Hackney Central, an Area Action Plan has also been set up for Hackney Wick. While focused on facilitating the growth of cultural and creative industries within Hackney and across East London, establishing a town centre is at the heart of the action plan.

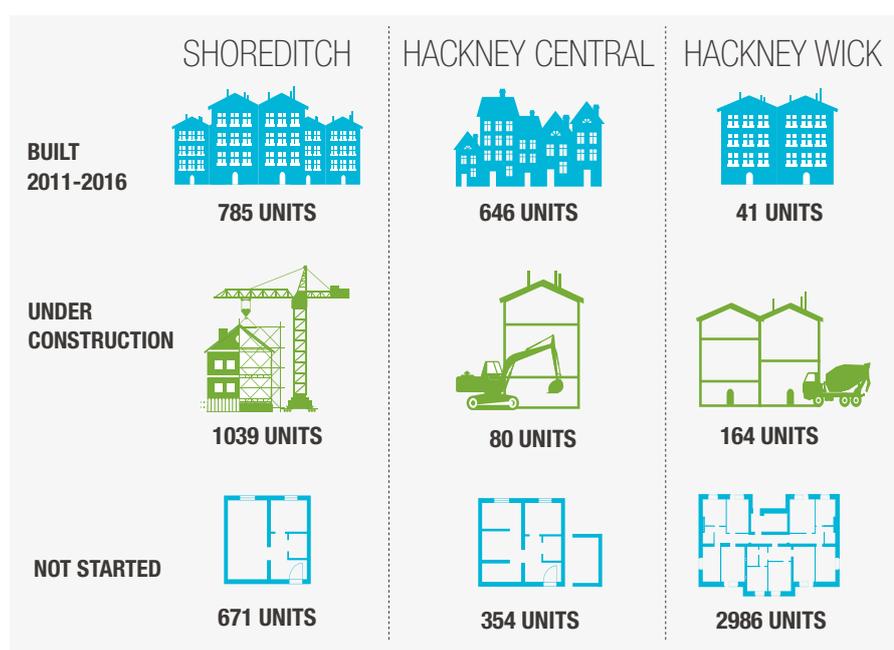
Hackney Wick Hub, with the Overground station as its fulcrum, will include improvement works to the wider public realm, and new space for shops, cafes, restaurants and bars. This will help to cement Hackney Wick's place as a key access point to the Queen Elizabeth Park.

Due to its proximity to the QE Park, Hackney Wick is already benefiting from investment by the London Legacy Development Corporation (LLDC). With plans to turn the Park into a

business hub, the former media centre has been transformed into Here East; a 1.2 million sq ft complex which is home to BT Sport.

Hackney Wick has the world's largest number of artists per square metre, according to the LLDC, in charge of developing the Olympic Park and the surrounding area that includes Hackney Wick. The area is one of the leading locations in the capital for the growing live-work space trend. To support the growing arts scene in East London, the LLDC is creating a cultural quarter that can already name the Victoria and Albert Museum, Sadler's Wells Theatre and The University of Arts London as confirmed tenants. The quarter is expected to be open by 2021.

FIGURE 6
Housing delivery and pipeline by location (800m from Overground station)



Source: Knight Frank Research/Molior London

HACKNEY WICK KEY FACTS

HOUSE PRICE GROWTH Q3 2014 – Q3 2016

24.9%

NEW HOMES IN THE DEVELOPMENT PIPELINE

3,000

ART GALLERIES AND STUDIOS

38

CAFES AND RESTAURANTS OPENED IN THE LAST 5 YEARS*

33

GYM AND HEALTH CLUBS

6

*VOA data based on one mile radius from Hackney Wick station



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FIGURE 7

Hackney and surrounding area



Source: Knight Frank Research

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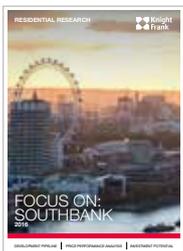
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Indicator	Q1 2017	Q4 2016	Q1 2017
London: Gross 3 year growth rate	2.5%	2.5%	2.5%
Prime Central London: Gross 3 year growth rate	2.5%	2.5%	2.5%
London: Rental growth	0.7%	0.6%	0.6%
Prime Central London: Rental growth	0.7%	0.6%	0.6%
London: Rental yield	2.7%	2.7%	2.7%
Prime Central London: Rental yield	2.7%	2.7%	2.7%
London: Rental yield	2.7%	2.7%	2.7%
Prime Central London: Rental yield	2.7%	2.7%	2.7%

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Prime Central London Sales Index - Dec 2016



Prime Central London Rental Index - Dec 2016



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