

RESIDENTIAL RESEARCH



FOCUS ON: THE LOWER LEA VALLEY

2018/19

CONNECTIVITY

DEVELOPMENT PIPELINE

FORECASTS

FOCUS ON: THE LOWER LEA VALLEY

East London's regeneration accelerated in the wake of the 2012 Olympic Games, and was hailed by Mayor Sadiq Khan for shifting the capital's centre of gravity to the east.

The Games brought with them upgrades to local amenity and infrastructure, which supported an influx of new residents and businesses. Now, population growth in Tower Hamlets and Newham is projected to outpace all other inner London boroughs over the coming decade, according to the Greater London Authority (Fig. 2).

The Lower Lea Valley is well suited for new residential development due to its proximity to London's main financial centres in the City of London and Canary Wharf, its relative value compared to other locations so close to central London, and its connectivity to the rest of the UK and beyond by rail and air (Fig. 5). This has helped underpin strong house price growth in the area over the past decade. Values have risen by 80% on average, outperforming both the wider boroughs of Newham and Tower Hamlets over the sale time (Fig. 4).

Future growth is likely to be supported by upgrades to infrastructure and public realm, the emergence of Stratford as a major commercial, retail, education and employment hub, and a handful of very large residential and commercial projects that will deliver new amenities.

Commercial property

The Lower Lea Valley sits adjacent to the City of London and Canary Wharf financial districts. Both office markets have proved resilient since the vote to leave the European Union in June 2016, with a number of large companies committing to new office space, and investors setting records for office investment deals.

Supply and demand

Much of the housing that will support this population growth is planned in the Lower Lea Valley, an area which includes Bromley-by-Bow, Stratford, Bow, Poplar and Leamouth, and straddles the boroughs of Tower Hamlets and Newham. Here, more than sixty projects of 80 private units or more have consent or have commenced construction, according to data from Moliar (Fig. 3). Together, they comprise more than 20,000 private homes, to be delivered over the coming two decades.

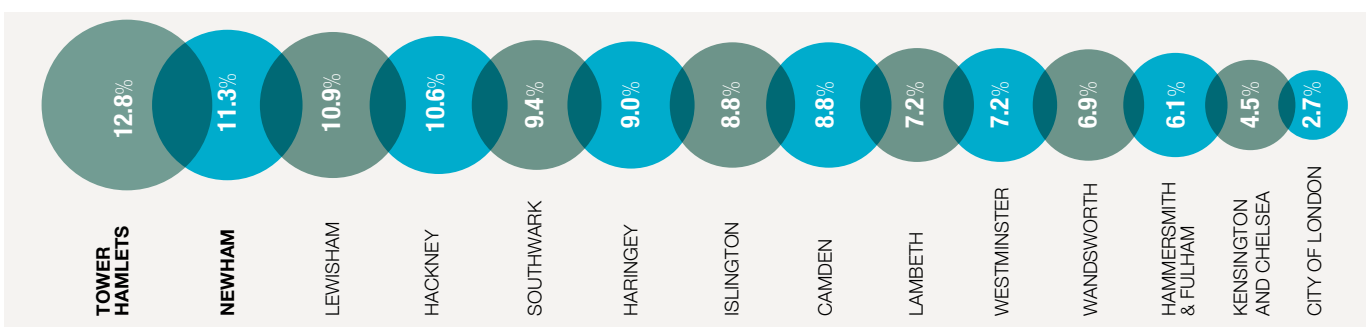
The projects will provide much-needed additional housing, which has fallen short of official projections for housing need in the wider area. There were 7,204 net additional dwellings delivered in Tower Hamlets and Newham during the 2016/17 financial year. Annual housing need in these boroughs is 8,713, according to MHCLG.

FIGURE 1
Number of homes bought with Help to Buy equity loans since scheme began in 2013



Source: Knight Frank Research/MHCLG

FIGURE 2
Projected population growth, inner London 2018–2028

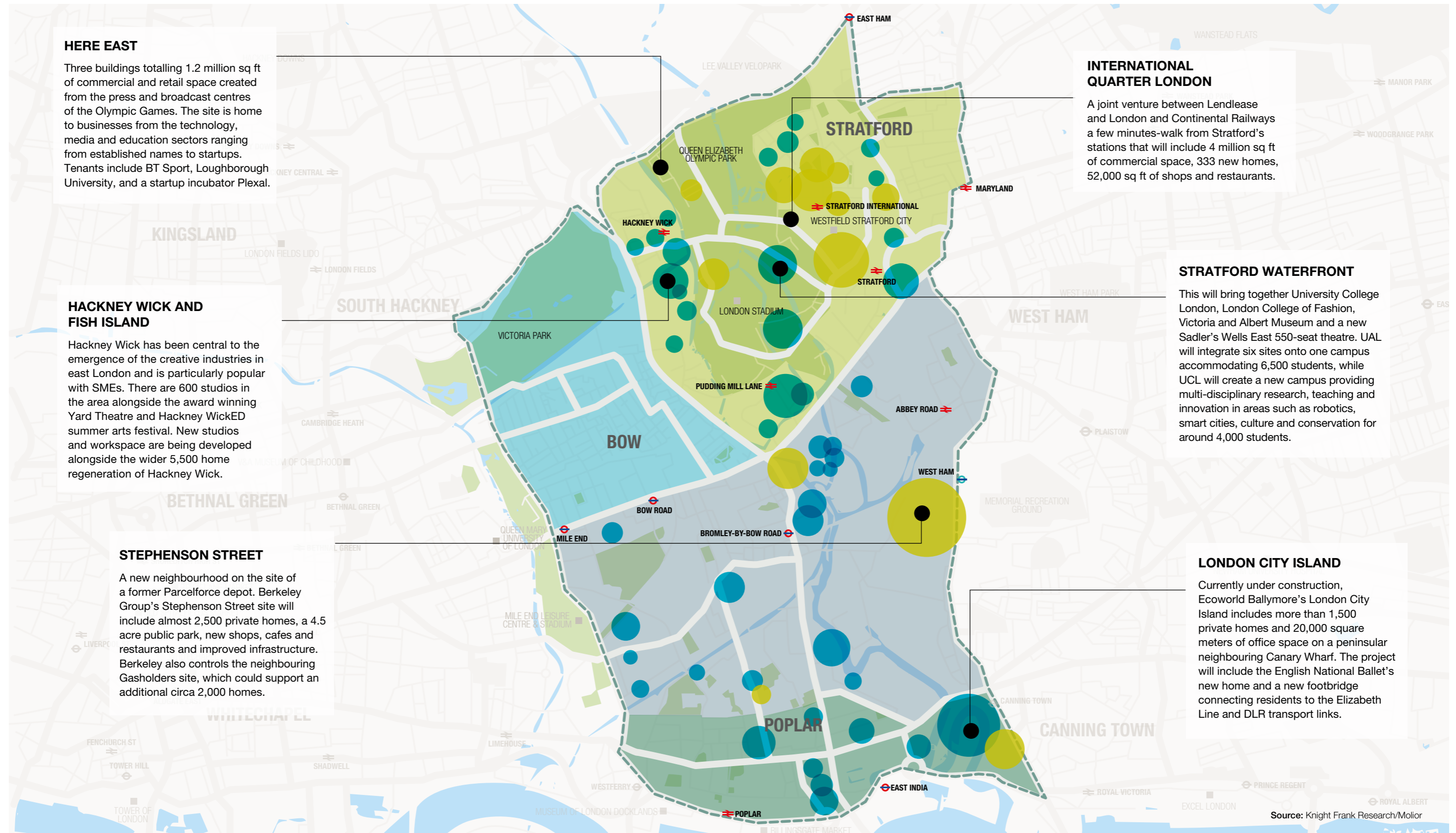


Source: Knight Frank Research / GLA

FIGURE 3

WHAT'S IN THE PIPELINE?

Residential and commercial projects to be delivered 2018–2038.



As supply has dwindled in these markets, particularly for offices offering space of more than 100,000 square feet, companies have become more footloose and price conscious. As a result, Stratford has become a viable option for some firms hunting for new space. HMRC, for example, has chosen Stratford for its 300,000 sq ft new London hub and TFL, the FCA and Cancer Research have each taken floorspace of more than 100,000 sq ft. Companies were actively searching for a cumulative 1.6 million square feet of office space in Docklands, Stratford and surrounding areas during Autumn 2018, according to Knight Frank research.

The number of commercial developments has increased as a result, with several very large projects on or adjacent to the Olympic Park (Fig. 3). To the east of the Park, International Quarter London will include 4 million square feet of commercial space. Less than 15 minutes walk away, Here East comprises 1.2 million square feet of commercial and retail space in what was the Press and Broadcast Centre during the 2012 games. Closer to the stadium, Stratford Waterfront will form the centre of a new cultural and education hub that brings together University College London, London College of Fashion, Victoria and Albert Museum and Sadler’s Wells theatre.

Together, these projects make up the East Bank, a new cultural neighbourhood akin to the South Bank, which will bring an additional 1.5 million visitors to Stratford each year.

The City of London fringe has also benefitted from increased willingness from occupiers to look beyond traditional, core locations. Technology companies began to proliferate on the fringes of the City of London in the years following the global financial crisis and the area is now a hub for both startups and global firms. In Aldgate and Whitechapel, technology companies have leased more than 700,000 sq ft of office space since 2015, according to Knight Frank data.

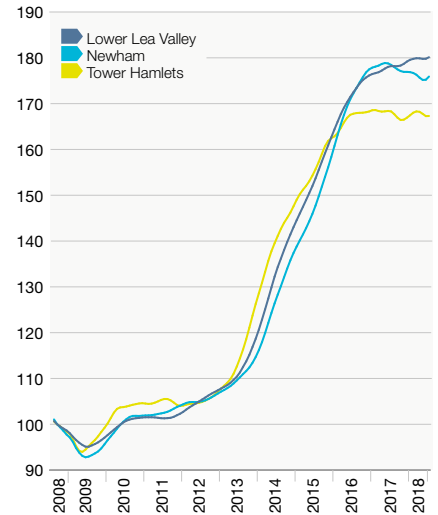
Expedia, Groupon and Uber are among the companies that have taken space here since 2015.

Connectivity

The Lower Lea Valley is connected to London, the rest of the UK and mainland Europe by a plethora of tube lines, high speed rail and a nearby airport at London City.

The areas’ main stations at Stratford, West Ham and Bromley-by-Bow enable residents to travel to work in the City of London or Canary Wharf in 10–15 minutes,

FIGURE 4
House price performance in the Lower Lea Valley compared
Indexed 100 = September 2008



Source: Land Registry / Knight Frank Research

FIGURE 5
Connectivity: London and beyond

	CANARY WHARF	BOND STREET	LIVERPOOL STREET	LONDON CITY AIRPORT	HEATHROW AIRPORT
BROMLEY-BY-BOW TO...	9 MINS (TUBE)	12 MINS (TUBE)	21 MINS (TUBE)	18 MINS (TUBE, DLR)	57 MINS (TUBE, HEATHROW EXPRESS)
WEST HAM TO...	6 MINS (TUBE)	13 MINS (TUBE)	22 MINS (TUBE)	10 MINS (DLR)	54 MINS (TUBE, HEATHROW EXPRESS)
STRATFORD TO... (CURRENT)	9 MINS (TUBE)	9 MINS (TUBE)	21 MINS (TUBE)	14 MINS (DLR)	54 MINS (TUBE, HEATHROW EXPRESS)
STRATFORD TO... (FROM 2019)	8 MINS (ELIZABETH LINE)	7 MINS (ELIZABETH LINE)	15 MINS (ELIZABETH LINE)	14 MINS (DLR)	48 MINS (ELIZABETH LINE)

Source: TFL

to go shopping on Bond Street in about 20 minutes, or be at London City Airport for a flight in 10–20 minutes (Fig. 5).

High speed trains run from Stratford International Station to St Pancras International in seven minutes, where travellers can connect to Eurostar services to mainland Europe. High speed trains also run to Kent, known as the Garden of England, as far as Ashford International, which takes 30 minutes.

Connectivity in the Lower Lea Valley, will be further augmented from 2019, when the Elizabeth Line, formally known as Crossrail, opens at Stratford, cutting journey times to destinations including Heathrow, which will take 48 minutes, Bond Street, which will take 15 minutes, and Liverpool Street, which will be cut to seven minutes.

Outlook

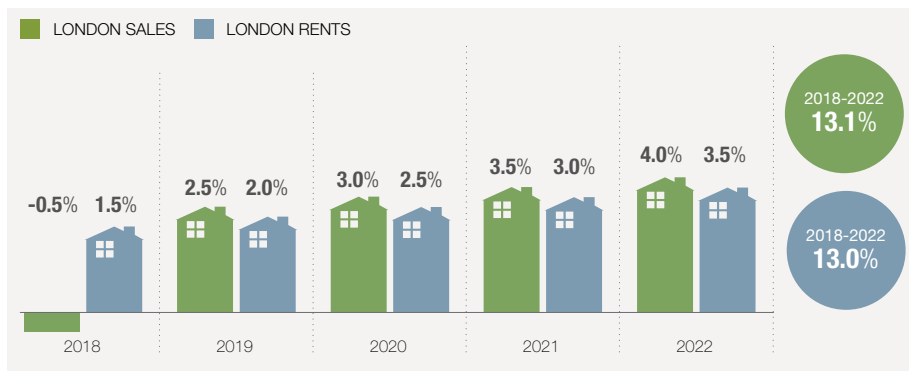
East London, particularly along the River Lea and into the Olympic Park, is set to provide a significant proportion of London’s new housing over the coming decade and beyond. The scope of residential development taking place in the Lower Lea Valley, alongside upgrades to infrastructure, is likely to attract more amenity, which historically has helped underpin house prices.

The average price of existing homes in the wider London market are forecast to climb by 2.5% in 2019, with cumulative growth of 13.1% by 2022, according to Knight Frank data (Fig. 6). Meanwhile, rents are forecast to climb by 13% by 2022. However, there is room for outperformance in areas that are undergoing large-scale changes through regeneration and development.

“EAST LONDON, PARTICULARLY ALONG THE RIVER LEA AND INTO THE OLYMPIC PARK, IS SET TO PROVIDE A SIGNIFICANT PROPORTION OF LONDON’S NEW HOUSING OVER THE COMING DECADE AND BEYOND.”

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FIGURE 6
2018–2022 Forecasts, May 2018

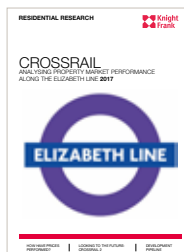


Source: Knight Frank Research

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