

RESIDENTIAL RESEARCH



# TECH CITY LIVING

RESIDENTIAL DEVELOPMENT  
AREA FOCUS **2013**

HOUSING DEMAND

CHANGING RESIDENTIAL SECTOR

OUTLOOK

## London's 'Tech City' has gained momentum in recent years.

Cheaper office space as well as the area's association with design and innovation, particularly in fashion, has drawn the attention of those starting up small tech companies, creating a new hub around Shoreditch and Clerkenwell.

For the purposes of this report, we are concentrating on the area in and around 'Silicon Roundabout', the name now commonly used for Old Street roundabout, one of the key hubs within Tech City. This is driven partly by the level of regeneration and development happening in this area, especially in the City Road corridor, one of the reasons Knight Frank identified this area as a 'development hotspot' in 2011.

This is not to overlook the large-scale regeneration projects happening in other regions of 'Tech City', which includes parts of Clerkenwell and King's Cross, but in this report we are focusing our attention on the Eastern parts of Tech City.

### Key findings of this report include:

- The attraction of the area to small and large companies has created significant levels of employment opportunities. The TMT sector already accounts for 650,000 jobs in London, and Islington is forecast to have one of the highest rates of job creation in the coming years.
- Housing demand is strong in the area, with household growth forecasts for Hackney and Islington revised up strongly in Spring 2013.
- Migration data points the appeal of the area to twenty-somethings, most likely working in the Tech industry, which has led to increased vitality in terms of amenities. This, in turn, is making the area increasingly more attractive to more affluent dwellers including city workers. It can be argued that Tech City stretches as far as Kings Cross, Holborn and Stratford.

expected to be created in the UK in the coming years, to incorporate the information gleaned from the 2011 Census. Given the larger than expected rise in London's population between 2001 and 2011, the Department for Communities and Local Government (DCLG) revised up its projections for household growth in the Capital by more than 10%. There are expected to be some 3.8 million households in London by 2021, an increase of 526,000 households from 2011. Policymakers had previously anticipated a rise of 379,000 over the same period.

The number of new households which will be created can be seen as a proxy for housing demand – after all, these nascent households will need a home.

Within London, the changes to the household growth forecasts in Hackney and Islington are among the most striking. The forecast for the increase in the number of households in Islington between 2011 and 2021 was revised up from 8% to 18% – an extra 16,500 households. In Hackney, the forecasts were increased from 8% to 13%, an extra 13,000 households, indicating even higher levels of demand for housing in these boroughs in the coming years (figure 5).

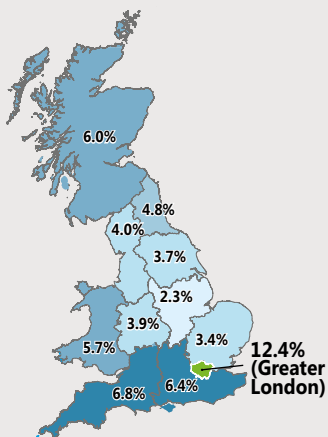
Population trends within the boroughs are one driver for a growth in new households, but migration will also play a part, and this will likely be influenced by the changing nature of the area, especially when it comes to business and employment.

The latest data shows that the overall population of Hackney stayed broadly stable in 2011, while in Islington it fell by 1,600. Behind these headline figures however, the data also shows that many more people aged between 20 and 30 (figure 4) moved into the boroughs than left them, creating a net migration inflow of twenty-somethings, and underlining the attraction of these areas to young workers.

## LONDON'S ECONOMIC CLOUT

The Capital's economy has outperformed every other region in the UK by quite some margin since the economic downturn. In fact London's economic output now accounts for nearly a quarter of the country's Gross Value Added (GVA). Given the relative resilience of the economy in London, it is no surprise that it continues to attract increasing numbers of people. An active economy is driven by job creation – and this is evident from ONS data showing that the number of actual jobs in London rose by around a quarter of a million between 2007 and 2012, making it one of only three regions not to suffer a net decline in workforce jobs over the same period.

FIGURE 1  
**London's economy outperforms**  
Growth in nominal GVA; 2007 to 2011



Source: Knight Frank Residential Research/ONS

## HOUSING DEMAND

The area around Silicon Roundabout covers two London boroughs: Islington and Hackney, with the City of London lying just to the south.

The demand for housing in all three boroughs is expected to rise strongly between now and 2021, according to government figures.

In spring this year, policymakers re-cast their forecasts for the number of new households

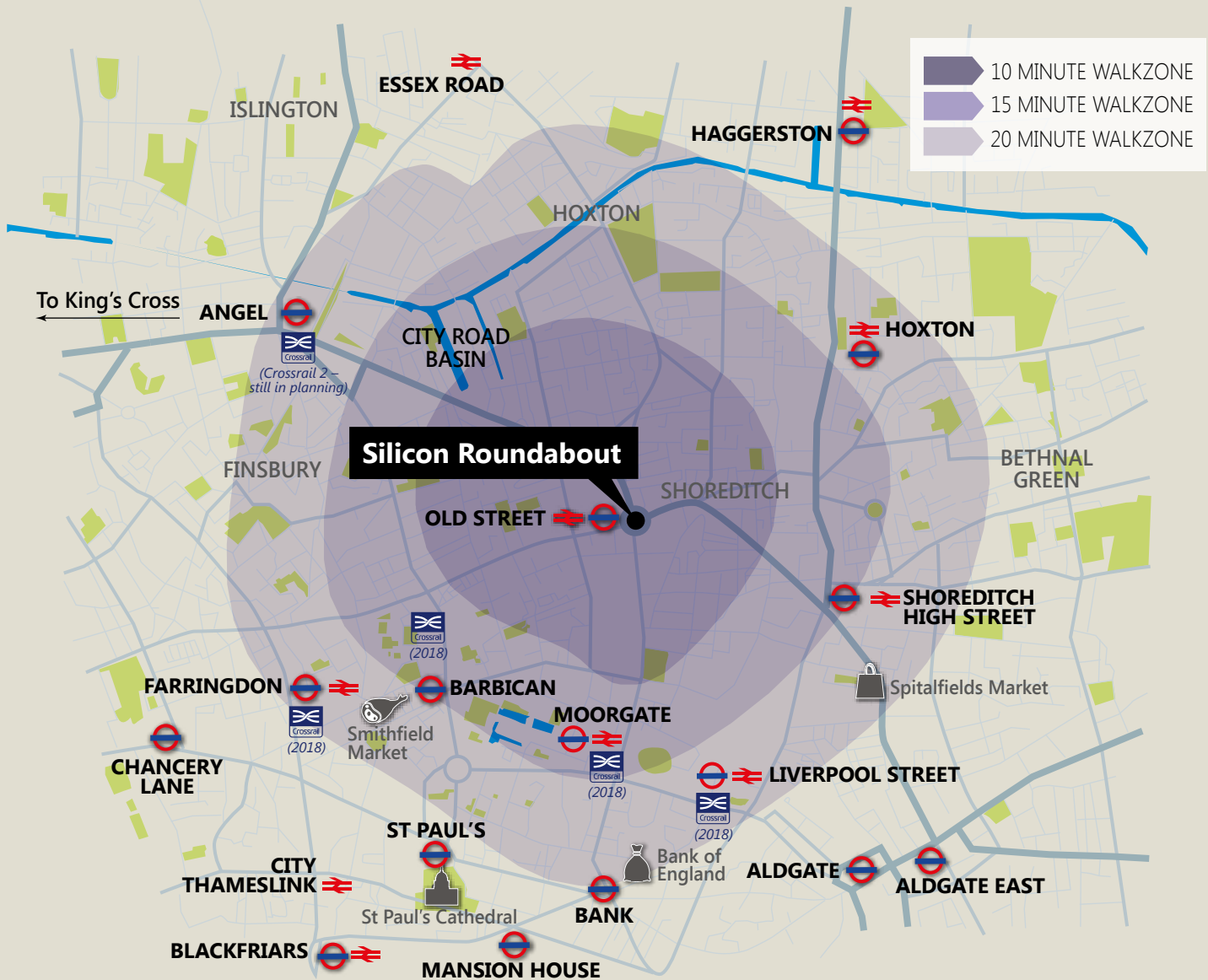
## CHANGING RESIDENTIAL SECTOR

There is a real draw for those working in London's technology sector to live in or around London's tech hub. In the US, many of those who work in Silicon Valley choose to live in San Francisco because of the lifestyle it offers, despite a daily commute of up to two hours.

continued on page 5

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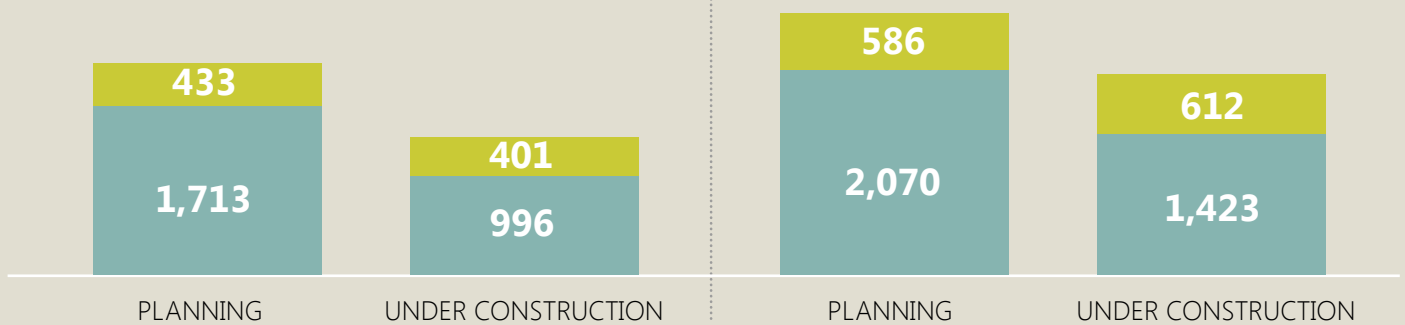
# SILICON ROUNDABOUT: CENTRAL LOCATION



## DEVELOPMENT PIPELINE

10 minute walkzone

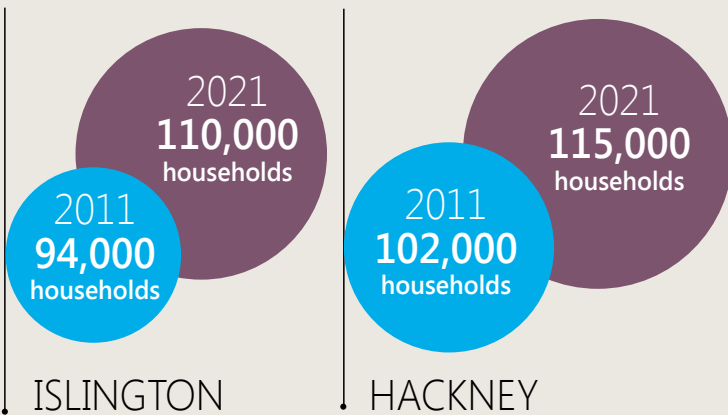
10-20 minute walkzone



### PLANNING PIPELINE

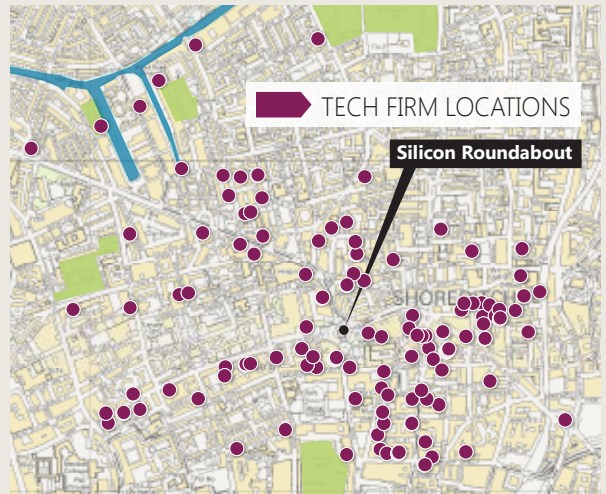
▶ PRIVATE UNITS
 ▶ AFFORDABLE UNITS

FIGURE 2 **Growing demand for housing**  
Forecast growth in households 2011 - 2021



\* Figures rounded  
Source: Knight Frank Residential Research / DCLG

FIGURE 3 **Business clusters**  
TMT offices around Silicon Roundabout



Source: Knight Frank Residential Research

FIGURE 4 **Attracting young workers** Net migration, 2011

Source: ONS

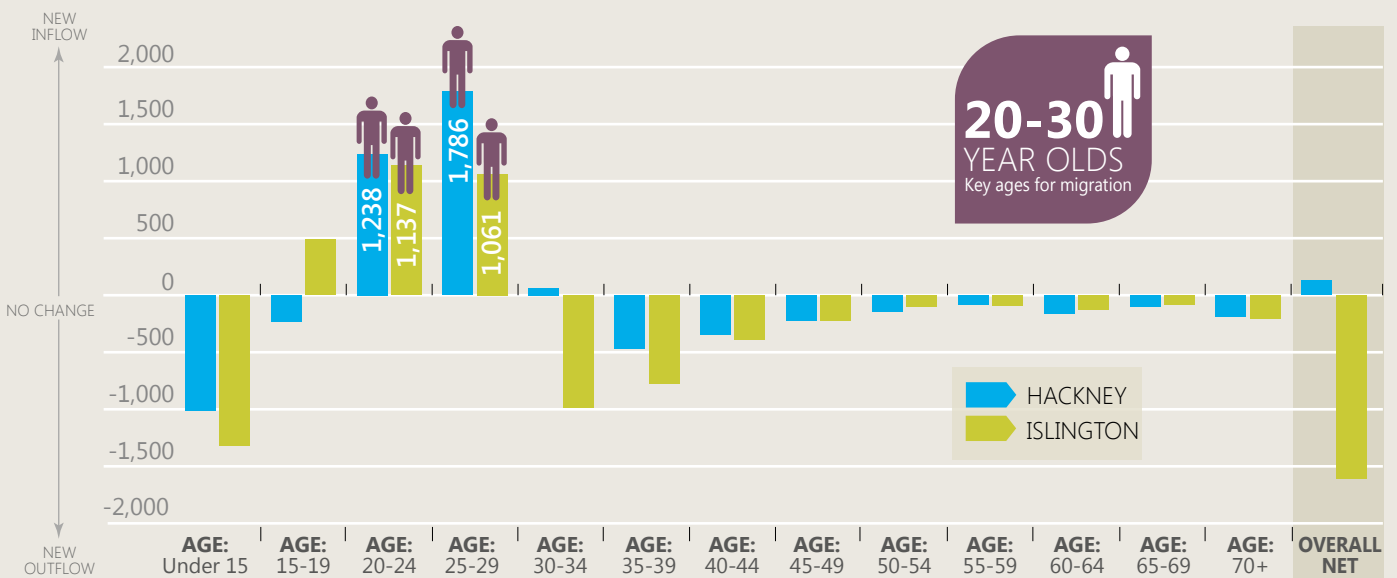
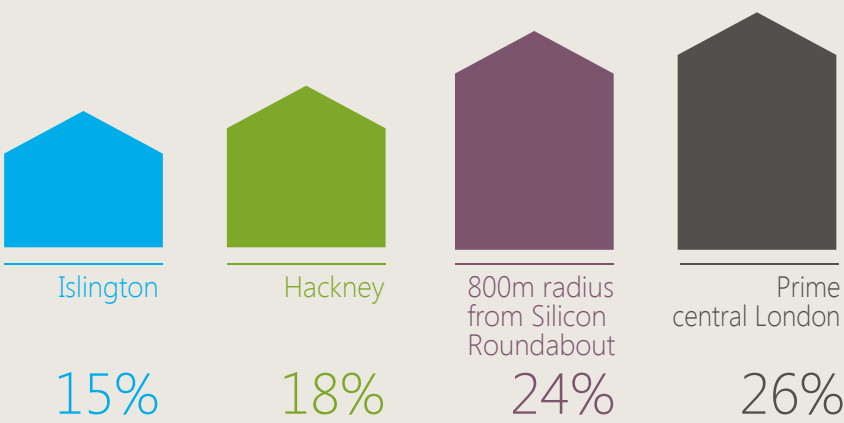
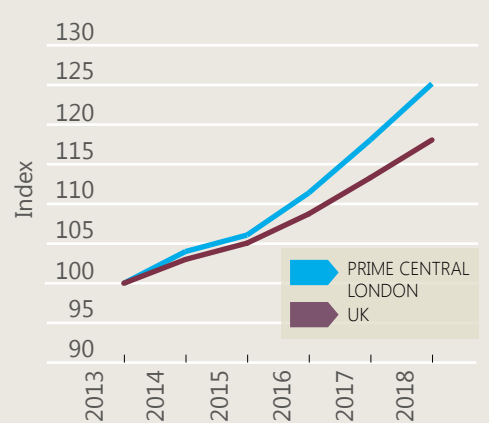


FIGURE 5 **How the market has performed...**  
Average residential price growth January 2011 – April 2013 (3-month average)



Source: Knight Frank Residential Research

FIGURE 6 **...and in the future**  
Knight Frank forecasts



Source: Knight Frank Residential Research

The situation in London couldn't be more different. Tech City has emerged in areas which have a high mix of residential, commercial and retail property. As such, it is possible to work and live in the same area. In addition to a minimal commute for those working in Tech City, over the past seven years many more bars and restaurants have opened, making this one of the liveliest areas of London to choose from when it comes to downtime.

The area around Tech City is also becoming recognised as a residential centre in its own right. As the map on page 6 shows, those who commute using public transport for 45 minutes can reach much of inner London, underlining the area's central location.

Back in 2011, Knight Frank added the City Fringe, which encompasses much of Tech City, into its prime central London (PCL) residential price tracking index. This reflected the scale of regeneration and development, and as a result, increased amenities, within the area, and the resulting potential for capital growth. In addition, last year, Knight Frank added Islington to the PCL index, reflecting the development of the already established housing market in this area.

**In the year to July 2013, prices of luxury property in the City and City Fringe have outperformed the wider prime central London market, climbing by 14%, compared to 7% growth in the whole prime central London market.**

Focusing in on Silicon Roundabout, an analysis of Land Registry data shows that since the start of 2011 to the end of April 2013, prices of all property within 800 metres of the roundabout have climbed by around 24%, outperforming the wider boroughs of Islington, where prices have risen by 15% over the same time period, and Hackney, where prices have risen by 18%.

Knight Frank's forecasts for house price growth in prime central and prime outer London show an uplift in prices of around 10% between now and the end of 2015 (figure 6).

## BUSINESS AND JOB CREATION

**There is a thriving business hub spanning from City Road to the north and Shoreditch to the east, Clerkenwell and Farringdon to the west and the City of London to the south. This hub is most notably made up of technology firms.**

The technology cluster, which first emerged organically in 2008, received a hefty boost in 2010 when the Mayor of London and the Government stepped in to pledge resources and investment in a bid to create a hub of tech entrepreneurialism that could rival Silicon Valley in the US.

Business is booming. The area encompassed by the EC1V postcode in and around Silicon Roundabout saw the highest level of new business generation in the UK in the year to March this year, according to a recent report from UHY Hacker Young. Some 15,720 new businesses were set up, three times more than in any other area of the UK over the same period. The proximity of central Tech City to the City and 'medialand' in the West End mean that many of these start-up technology companies are close to their clients and backers – an added benefit of the central location.

It is not only small companies who have been drawn to the area. Last year Google opened "Campus", a seven-storey space aimed at offering help and mentoring to start-up businesses, just next to Silicon Roundabout. Google has also announced that its new headquarters will be based in King's Cross, on the Regent's Canal which links up with City Road Basin located on the City Road.

The GLA forecasts that employment growth in Islington and the City of London will be among the highest of any boroughs across

London<sup>2</sup> over the next twenty years, leading from the front along with a few other central London boroughs, including the nearby boroughs of Tower Hamlets, Camden, Southwark and Westminster.

## THE TMT SECTOR

The technology, media and telecoms (TMT) sector accounts for around 650,000 jobs in London, and the UK TMT sector generates around £125 billion a year in economic value (GVA) – equivalent to 8% of the UK's GDP. Around £26 billion of this comes directly from London's TMT sector, with an additional £23 billion generated indirectly from TMT activity in the capital.<sup>3</sup>

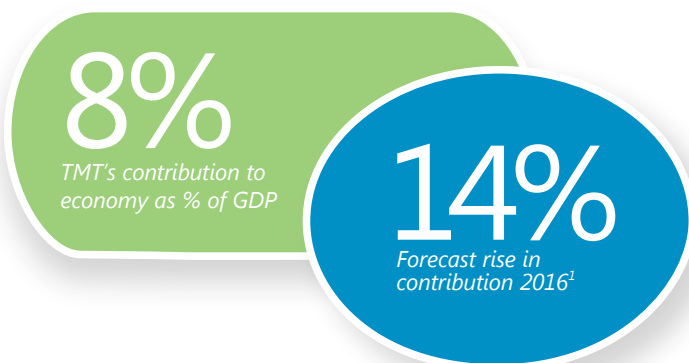
Employment opportunities in Tech City are already high, and as start-up companies create more jobs on a relative basis than established firms<sup>3</sup>, this trend is only set to continue. This is also reflected in the need for office space – Knight Frank forecasts that London's technology media and telecoms (TMT) firms are expected to acquire 1.6 m sq ft of office space in the capital this year, a 23% increase on last year.

## OUTLOOK

**The tech hub around Silicon Roundabout is set to become even more entrenched as more infrastructure is put in place to support businesses.**

Several telecoms firms have already rolled out super-fast broadband to businesses and homes in the area, and EE introduced 'double-speed 4G' to Tech City in June this year. This not only underpins the attractiveness of the area for business, but is an added benefit for those living in the area, allowing them more freedom to work from home, or simply enjoy some of the fastest connection speeds in the country during their downtime. EE has pledged that it will launch all its future 4G advances in Tech City first.

Transport infrastructure is also a key factor. At present, Tech City is served well by the tube network, with the northern line at Old Street as well as Angel at the top of City Road, and Barbican, Moorgate and Farringdon on the circle and metropolitan lines. Residents will also be able to access the high-speed Crossrail from Moorgate, Farringdon or Barbican from 2018, cutting travel times to Paddington by around a half.

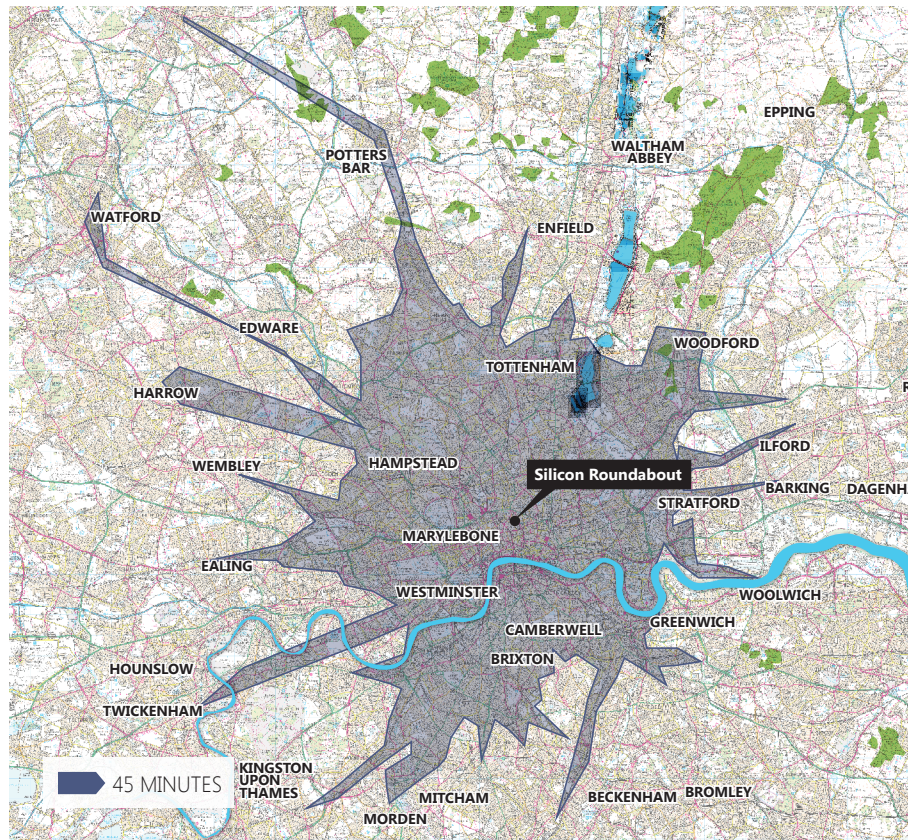


There has been much discussion about Crossrail 2, a second high-speed rail line connecting South West London to the North East. The Mayor of London fully supports the scheme, which could be open in early 2030s. He said: *"The case for the construction of Crossrail 2 is incontestable... Over the next 20 years London's population is forecast to expand to levels that will clog the tube and rail arteries of our great city if we do not provide more capacity. There is no time to lose and my team will work closely with London First and others on developing plans for this vital railway."* One of the key central stations for Crossrail 2 will be Angel, at the other end of City Road from Silicon Roundabout, adding to the transport links in the area.

In addition, Silicon Roundabout itself is in for a facelift, with £50 million pledged to create Europe's largest indoor civic space, dedicated to start-ups and entrepreneurs in East London. It is also hoped that the opening of a new specialist Sixth Form Academy to specialise in Science, Technology, Engineering and Maths on City Road will help generate more skilled workers for the TMT sector, perhaps even in Tech City.

These developments, as well as the delivery of new homes in the area, many with very high specification finishes, in the area around Silicon Roundabout should serve to underpin demand in the residential sector.

FIGURE 7  
**London in reach: 45 minute commute from Silicon Roundabout**



Source: Knight Frank Residential Research

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