

RESIDENTIAL RESEARCH



EASTERN PRIME

CANARY WHARF AND ITS ENVIRONS **2015**



ECONOMIC
FUNDAMENTALS

HOUSING SUPPLY
AND DEMAND

THE CHANGING FACE
OF CANARY WHARF

A PRIME RESIDENTIAL DISTRICT

The growth of Canary Wharf to become one of Europe's largest financial services employment clusters in the last 20 years has overshadowed its emergence as a leading prime London residential market. The next wave of development is likely to rebalance this view, supported by new infrastructure and amenities, which will reinforce the area's position as a prime residential address.

89%

Population increase in Canary Wharf and its immediate surrounds between 2001 and 2011

Canary Wharf is best known as one of Europe's leading financial and business employment clusters which, alongside the City of London, form one of the world's most important financial districts.

It is home to the headquarters of major banks, media companies and professional services firms including Citigroup, JP Morgan, Credit Suisse, Thomson Reuters and KPMG.

It also sits within one of the fastest growing areas of London. The population of Canary Wharf and the area to its south in the Isle of Dogs rose by 89% between 2001 and 2011.

This growing population has been accompanied by an expansion of

amenities. The Canary Wharf Estate is home to one of the busiest and most vibrant shopping malls in the city. In total, there are more than 300 shops, cafés, supermarkets, bars and restaurants on the Estate, open seven days a week, making it an attractive residential environment as well as a business centre.

As one of the limited number of areas in London's zone 1 and 2 where there is the potential for large-scale redevelopment, the Canary Wharf estate is now poised to further expand as residential district.

The development planned for this area, including a school, will augment its appeal to a wider demographic, attracting families as well as young professionals, and serve

MARKET ANALYSIS

Property prices in Canary Wharf have risen by 27% since early 2013, outstripping the 10% growth seen across prime central London over the same time, according to Knight Frank's index.

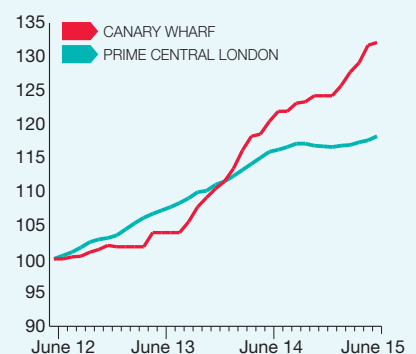
Such strong growth is partly underpinned by the improving UK economy, something which is also reflected in the commercial property market in Canary Wharf, with vacancy rates falling and upward pressure on office rents.

The other effect at play on prices is the return of the 'ripple effect', with house price growth spreading outwards from central London, as it did in previous UK housing cycles.

Despite this outperformance in price growth, average values are still significantly lower than those in

more established prime residential neighbourhoods in West London.

FIGURE 1
Price outperformance in Canary Wharf Indexed to 100 = June 2012



Source: Knight Frank Residential Research

to further change perception away from 'pied a terre' to 'home'. The opening of Crossrail will enhance its connectivity.

The extension of the appeal of the Canary Wharf estate through mixed land uses, cultural activity and amenity will cement its position as a prime location, and the ripple effect will provide an uplift to the wider market in the Isle of Dogs.

Economic outperformance

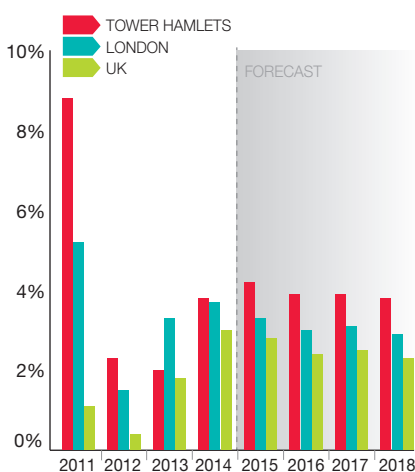
Employment in Canary Wharf almost quadrupled in the 10 years to 2012, with the number of workers rising from 27,000 to over 100,000 during this time, according to figures from the ONS.

The majority of jobs in the area are in finance and insurance but there has been notable business growth in emerging tech industries.

Already some 7,000 employees work in the technology, media and telecommunications (TMT) sector in Canary Wharf, helping London to clinch the title of the 'Fintech' capital of Europe. Fintech start-ups based in Canary Wharf benefit from being in close proximity to their natural client base in the banking, financial and professional services sectors.

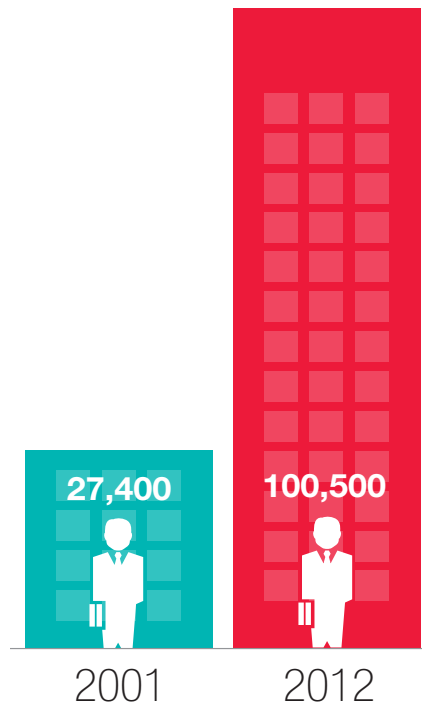
Some 40,000 additional jobs are forecast to be created in Tower Hamlets, the borough in which Canary Wharf and the Isle of Dogs are located, by 2025, according to Experian.

FIGURE 2
Economic growth
Total annual output (GVA)



Source: Knight Frank Residential Research / Experian

FIGURE 3
Workforce growth
Number of employees in Canary Wharf



Source: Knight Frank Residential Research / ONS

In terms of economic growth, Tower Hamlets has outperformed the UK for the past few years. Annual Gross Value Added, a measure of economic activity, rose by 2% in 2013 and 3.8% in 2014, compared with 1.9% and 3% respectively across the UK.

Growth is expected to average 3.9% per year over the next five years outperforming both the UK and London over this time.

As well as strong economic growth and job creation, there will also be notable population growth. An extra 57,325 households are due to be created during the coming decade in the wider borough of Tower Hamlets, a 20% increase. This is a faster rate of growth than in London as whole, which is forecast to see a 13% rise in the number of households over the next decade.

Emergence of a new cultural centre

Canary Wharf and its surrounds are also emerging as a hub for culture and entertainment as London's 'cultural centre of gravity' is enhanced by activity in the East.

CONNECTIVITY



Nearly thirty years ago, Canary Wharf was one of the most redundant areas of London. Today, as one of the primary business hubs in the world, it is one of the most well-connected districts in the capital.



The Jubilee Line provides quick access to London Bridge, Bond Street and north west London while the Docklands Light Railway (DLR) connects the area to the heart of the City of London. London City Airport, which hosts flights to Europe's major economic centres, is less than 20 minutes away. The Jubilee line will also become one of the first lines to have a 24-hour service on Friday and Saturday evenings from the autumn of 2015.



From late 2018, Canary Wharf, as well as the nearby Royal Docks and Queen Elizabeth Olympic Park, will be served by three Crossrail stations. The high-speed rail service will cut journey times to many destinations, with passengers able to reach Liverpool Street in 6 minutes, and Heathrow in less than 40 minutes. It will be the first line to directly connect London's West End, the City and Canary Wharf.

The station at Canary Wharf is already open and hosts a number of shops, restaurants and a cinema. The rooftop is a public garden.

There is a popular arts and events programme already hosted on the Canary Wharf Estate, with live music shows, outdoor dance performances, sporting events, open-air theatre and exhibitions.

As part of the wider shift east, the English National Ballet (ENB) has announced plans to relocate from its existing home in Kensington to London City Island, close to Canary Wharf. The new facilities will include space allowing members of the public to see the ballet company's work.

The ENB is not alone. In the neighbouring borough of Newham, there are plans for a new education and cultural district at the Queen Elizabeth Olympic Park. The Victoria and Albert Museum, one of the most recognizable landmarks in Kensington in West London, is set to display more of its collection in a new space opening in the Park.

The park may also become home to the first base for the Smithsonian outside the US. Added to this, there are plans for University College London to open a campus in the area.

A new business centre

There is also regeneration planned further to the East, emphasizing how a wider area

across East London is changing. There are plans for a £3.5 billion regeneration project at Silvertown Quays, which will provide housing, retail and commercial business space. At Royal Albert Dock, a £1.7 billion commercial hub for Chinese and other Asian businesses is being created by ABP.

Businesses will also benefit from Crossrail, with a wider pool of potential employees to draw from, as shown in the commuter map (figure 2).

Broadening appeal

As part of the continued development at Canary Wharf, access to schools is set to improve. As well as the opening of a primary school for 420 pupils, a first for the immediate area which will enhance its appeal to growing families, the opening of Crossrail will make top-tier schools across London even more accessible from Canary Wharf.

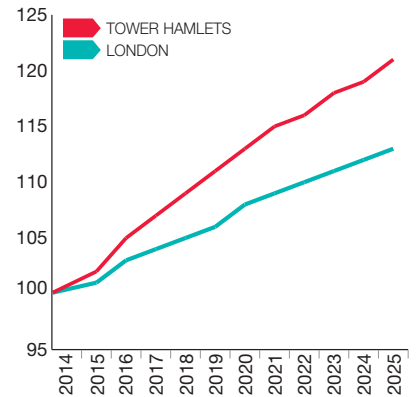
Aspirational retail

The layout of the new public realm in the Canary Wharf Estate will create a vibrant and attractive high street with cafés, restaurants and daily markets.

FIGURE 5

A growing borough

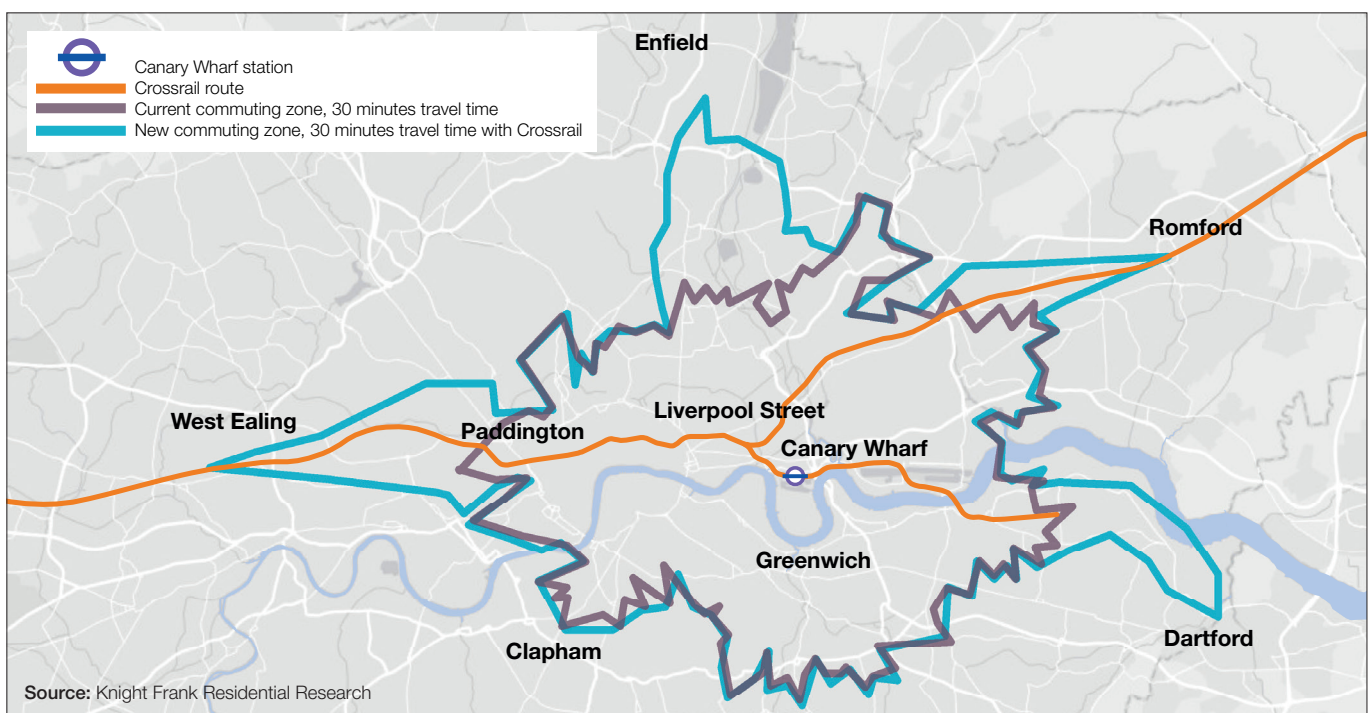
Forecast increase in private household population Indexed to 100 = 2014



Source: Knight Frank Residential Research / GLA

FIGURE 4

How Crossrail will expand the 30 minute 'commuter zone' from Canary Wharf



Adding to the high street and luxury outlets already accessible at the Canary Wharf shopping malls, a range of independent retailers as well as more luxury brands are set to arrive in the coming years, reinforcing the area's position as a destination shopping location.

These will add to the attraction of an area which also boasts a host of leisure activities, recently boosted by an additional Everyman cinema complex at the newly finished Crossrail station.

Key developments

There are 14 schemes of around 400 units or more already under construction or with full planning on the Canary Wharf Estate and nearby on the Isle of Dogs, as shown on the map below. Some of these schemes are in the very early stages of development and will take some years to deliver.

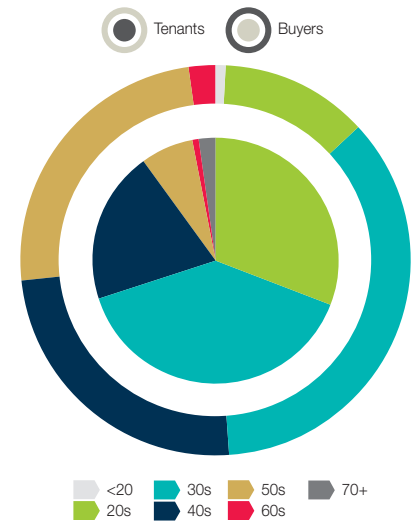
Canary Wharf Group has already begun work on Canary Wharf Residential, a mixed-use scheme of over 3,000 new homes, including over 600 affordable units, a school and a medical centre. The scheme will expand the estate from 100 acres to 122 acres.

Berkeley Homes has permission to build a residential tower on Marsh Wall, which, once complete, will be the UK's tallest residential building – surpassing the 181m St George Wharf Tower in Vauxhall.

Meanwhile Eco World-Ballymore is constructing twin residential towers at Wardian, just across the dock from the Canary Wharf Estate.

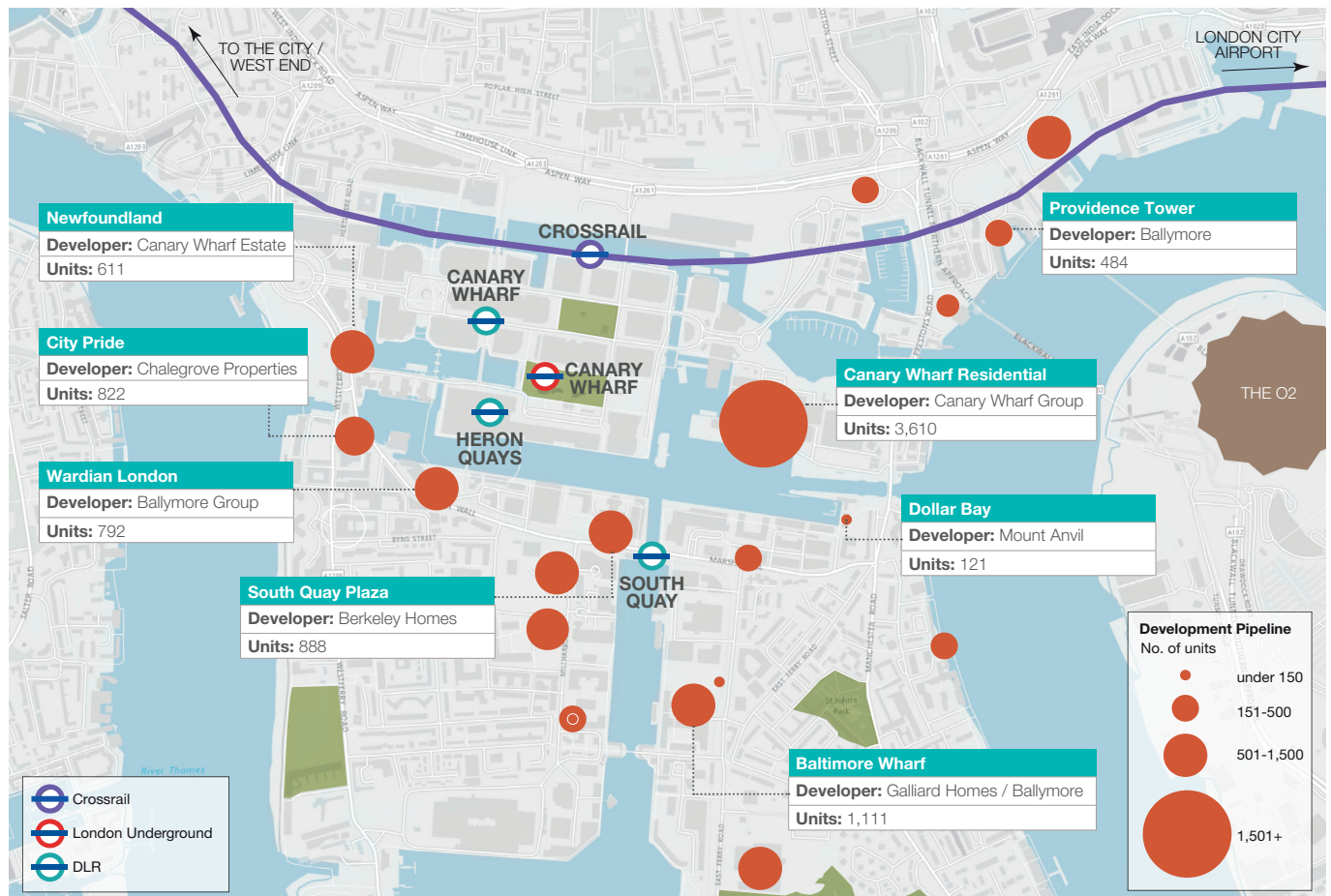
The scope of expansion highlights the transformation taking place in the area, with a critical mass of development helping to serve the need for housing across the capital.

FIGURE 6
A diverse community
Age of buyers and tenants in Canary Wharf (2014)



Source: Knight Frank Residential Research

FIGURE 7
Development map Schemes of 100+ units currently under construction or with full planning permission granted



Source: Knight Frank Residential Research NB: Each circle represents one development



Outlook

Knight Frank's current forecasts show a steady and sustainable rate of growth across the London market. Residential prices are expected to climb by a cumulative 26% between 2015 and 2019.

Within this wider trend across London, the maturing of Canary Wharf as a prime residential market is expected to continue, underpinned by the delivery of new amenities and infrastructure upgrades such as Crossrail.

The planned residential developments, the amenities and 'place-making' which will accompany them, should also serve to mark a sea-change in the area's community.

Canary Wharf is currently primarily home to younger residents, with those under 40 making up a much larger proportion of buyers and renters than in other prime London neighbourhoods, according to Knight Frank data.

The creation of new homes pivoting around a new school, Crossrail and new office space for creative and technology firms will enhance its appeal to a wider

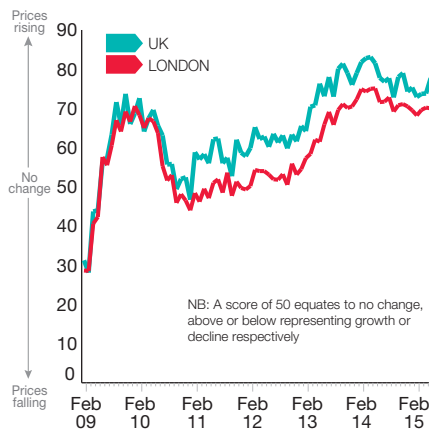
demographic, and cement its position as a key prime London location.

This position is emphasised by the shifting of London's economic and cultural 'centres of gravity' further eastwards as well as the eastwards expansion of the boundaries of prime London, reflecting the increased popularity of East London living.

FIGURE 8

London leading

Households in London and the UK's expectations for future house prices



Source: Knight Frank Residential Research / Markt Economics

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