Zones Two and Three

LONDON’S NEXT HUGE GROWTH OPPORTUNITY

Exploring the potential for economic growth and regeneration in Zones Two and Three
The Premise

Central London will continue to be the strongest economic hub in the UK, if not Europe.

Population, jobs, infrastructure and regeneration will drive growth in Zones 2 and 3.

The following is a snapshot of a range of factors and indicators that illustrate the power of these trends.
Exploring the potential for economic growth and regeneration in Zones Two and Three

Themes

1) London’s Growth is changing its Shape
2) The Centre is Booming but Expensive
3) Zones 2 and 3 are Growing
4) Strategic Infrastructure Benefits More than the Core
5) Delivered and Emerging Infrastructure Steers Growth
6) Investors are seeking new Opportunities
7) Local Authorities are Positioning Major Schemes
8) London Government is Aligned and Investing
Exploring the potential for economic growth and regeneration in Zones Two and Three

A Reminder: TfL Zones and Boroughs

Central/Zone 1
Kensington and Chelsea, Westminster, City of London

Inner / Zone 2
Camden, Hackney, Hammersmith and Fulham, Islington, Lambeth, Lewisham, Newham, Southwark, Tower Hamlets, Wandsworth

Inner / Zone 3
Brent, Ealing, Greenwich, Haringey, Havering, Newham, Richmond upon Thames, Waltham Forest

Source: Google Maps
### Higher Growth Rates Zones 2 and 3 2011 - 2036

<table>
<thead>
<tr>
<th>TfL Zone</th>
<th>Population Growth 2016-2036</th>
<th>Jobs Growth 2016-2036</th>
<th>Boroughs by Predominant TfL Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central / Zone 1</td>
<td>15% 13%</td>
<td>Kensington and Chelsea, Westminster, City of London</td>
<td></td>
</tr>
<tr>
<td>Inner / Zone 2</td>
<td>19% 16%</td>
<td>Camden, Hackney, Hammersmith and Fulham, Haringey, Islington, Lambeth, Lewisham, Newham, Southwark, Tower Hamlets, Wandsworth</td>
<td></td>
</tr>
<tr>
<td>Inner / Zone 3</td>
<td>18% 16%</td>
<td>Brent, Ealing, Greenwich, Haringey, Lewisham, Richmond upon Thames, Waltham Forest</td>
<td></td>
</tr>
<tr>
<td>Outer</td>
<td>21% 11%</td>
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</tbody>
</table>
Exploring the potential for economic growth and regeneration in Zones Two and Three

Population Growth 2015-2039

WHERE WILL LONDON'S POPULATION EXPLOSION TAKE PLACE?

Source: City AM
Exploring the potential for economic growth and regeneration in Zones Two and Three

Higher Pop Growth Rates beyond Core

Central/Zone 1
Kensington and Chelsea, Westminster, City of London

Inner/Zone 2
Camden, Hackney, Hammersmith and Fulham, Islington, Lambeth, Lewisham, Newham, Southwark, Tower Hamlets, Wandsworth

Inner/Zone 3
Brent, Ealing, Greenwich, Haringey, Havering, Newham, Richmond upon Thames, Waltham Forest

Source: GLA 2014 round Trend-based population projections: Short-term migration scenario
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Zone 2+3 Growth is Driven By:

- Existing households reinvesting locally
- Flexible housing stock, access to jobs, access to local services
- Household relocations from the centre
- Price displacement, Zone 1 prices
- Generational shift – household and family formation drives demand for family housing
- Business spin outs from the centre – changing housing location preferences of owners and employees
The Centre is Booming but Expensive

Average Sales Prices
- K&C £2.50m
- Westminster £1.76m
- Camden £1.20m

Source: Mouseprice.com
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Zone 2 and 3 Boroughs more Affordable

Average Sales Prices

- Brent £619k
- Ealing £628k
- Wandsworth £805k
- Merton £670k
- Haringey £605k
- Waltham Forest £431k

Source: Mouseprice
The Commercial View

- Homeowners and renters are seeking new opportunities in more affordable locations
- Investors seeking new opportunities
- Perception that prime has peaked and sales are slowing
- Investor entry prices are high – for London and international investors
- Strategic developers, contractor/builders and homebuilders are seeking new places
- Corporate business plans are looking to 2020 and beyond
- Values and infrastructure will guide investment
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Also a higher rate of job growth beyond core

Central / Zone 1 Boroughs 13% increase in jobs by 2036

Inner / Zone 2 Boroughs 16% increase in jobs by 203

Inner / Zone 3 Boroughs 16% increase in jobs by 2036

Fastest growth rates:
- Haringey (23%)
- Lewisham (21%)
- Hammersmith & Fulham (21%)
- Wandsworth (20%)

Source: GLA Economics
The Office Core is Booming but Expensive

- Central London vacancy 4.5% lowest since 2008
- Prime rents across Central London increased by 7.1%
- West End: £70 - £80 per sqft (outside Mayfair/ St James)
- City prime rents are circa £65 per sqft.
- Docklands rents: £38 per sqft
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Outer London Office is Recovering

<table>
<thead>
<tr>
<th>Availability</th>
<th>Survey</th>
<th>5-Year Avg</th>
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<tbody>
<tr>
<td>Rent Per SF</td>
<td>£22.01</td>
<td>£18.43</td>
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<tr>
<td>Vacancy Rate</td>
<td>5.7%</td>
<td>8.1%</td>
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<tr>
<td>Vacant SF</td>
<td>4,047,295</td>
<td>5,632,409</td>
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<tr>
<td>Availability Rate</td>
<td>7.4%</td>
<td>10.8%</td>
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<tr>
<td>Available SF</td>
<td>5,272,561</td>
<td>7,582,510</td>
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<tr>
<td>Sublet SF</td>
<td>439,980</td>
<td>622,168</td>
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<tr>
<td>Months on Market</td>
<td>15.8</td>
<td>18.1</td>
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<table>
<thead>
<tr>
<th>Inventory</th>
<th>Survey</th>
<th>5-Year Avg</th>
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<tbody>
<tr>
<td>Existing Buildings</td>
<td>5,670</td>
<td>5,634</td>
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<tr>
<td>Existing SF</td>
<td>71,076,765</td>
<td>69,935,417</td>
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<tr>
<td>12 Mo. Const. Starts</td>
<td>0</td>
<td>289,650</td>
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<tr>
<td>Under Construction</td>
<td>0</td>
<td>478,919</td>
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<tr>
<td>12 Mo. Deliveries</td>
<td>534,890</td>
<td>344,699</td>
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<table>
<thead>
<tr>
<th>Demand</th>
<th>Survey</th>
<th>5-Year Avg</th>
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<tr>
<td>12 Mo. Absorption SF</td>
<td>1,047,031</td>
<td>761,810</td>
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<tr>
<td>12 Mo. Leasing SF</td>
<td>2,113,692</td>
<td>1,951,707</td>
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<table>
<thead>
<tr>
<th>Sales</th>
<th>Past Year</th>
<th>5-Year Avg</th>
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<tbody>
<tr>
<td>Sale Price Per SF</td>
<td>£305</td>
<td>£220</td>
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<tr>
<td>Asking Price Per SF</td>
<td>£254</td>
<td>£233</td>
</tr>
<tr>
<td>Sales Volume (Mil.)</td>
<td>£607</td>
<td>£512</td>
</tr>
<tr>
<td>Yield</td>
<td>6.1%</td>
<td>8.1%</td>
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Source: CoStar Suite, 2015
Science and Tech Active Beyond the Core

- Clusters outside Central London
  - Tech sector under rent pressure in Inner East London
  - Steering to established business locations
  - Also seeking space in Haringey, Waltham Forest and Southwark

Source: Tech Map London
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Economy beyond the Core: West

Vinyl Factory

Chiswick Park

GSK

BBC Redevelopment
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Economy beyond the Core: North

Tottenham Hale

Blackhorse Lane

High Road West

Uplands Business Park
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Economy beyond the Core: South

The Light Bulb, Wandsworth

Chester House, Brixton

Wandsworth RAM Brewery

Piano House, Brixton
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Economy beyond the Core: East

Faircharm Deptford  
Bow Enterprise Park  
TfL Stratford
Infrastructure also Drives Growth Beyond Core

- Provides new and better access for residents to jobs
- Drives housing demand
- Creates focus for retail and leisure
- Creates place
- Jobs follow
Strong Transport Access Extends to Zones 2 and 3

Highest PTAL locations

Strong role for Zones 2 and 3

Source: GLA, Infrastructure Portal, 2050
Delivered Infrastructure Schemes

- Victoria Line Upgrade
- East London Overground Line
- Star Line (2018)
- Crossrail (2018)
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Victoria Line Impacts: Brixton to Walthamstow

New signalling system (reduction in signal failures)
New trains (increased customer capacity in carriages)
Track Improvements (to support more - heavier - faster trains)

39% increase in passenger journeys on the Victoria line over the last 10 years

Source: TfL
East London Line Impacts: Hackney to Lewisham

- East London Overground opened 2010
- Between Dalston Junction and West Croydon
- Branches to Crystal Palace and New Cross.
- Significant uplift in the home prices in east and south east London
- Media coverage of impacts at Dalston, New Cross, Forest Hill

Source: TfL
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New Cross - East London Overground

- Increased commercial permissions
- Key schemes:
  - Kender Triangle (mixed use development with 3,000+sqm commercial floorspace and 300+ residential unit)
  - Marlow Business Centre (1,700sqm office floorspace and c.300 residential units).

- Uplift in residential development rate
- Residential values increased 68% in the past 10 years

Source: Egi
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Crossrail Impact: Increased Consents

Source: BGVA
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**STAR Line (Overground)**

**Target completion date:** 2018.

**Connections:** Northumberland Park -- Tottenham Hale -- Stratford.

**Cost:** Total est. cost £122m

**Frequency:** 4 trains per hour

Source: BGVA
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Next Generation Schemes Can Steer Growth

Bakerloo Line Extension

Crossrail 2

East London River Crossings

Tram Extensions

Source: Google Map
Candidate Schemes
South London Tube Extension

- Southern extension of the Bakerloo line from Elephant & Castle.
- Growth in southeast London is forecasted for Lewisham, Catford, New Cross and the Old Kent Road.
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East London River Crossings

- Multiple Crossings being considered
- Bridge and tunnel options
- Subject to consultation and impact analysis
- Potential to significantly change north-south and east-west movement
- Silvertown + Gallions Bridge Option
  - 30,000 homes
  - Up to 100,000 sq.m of commercial
  - 150,000sq.m of Industrial floorspace

Source: Atkins
Crossrail 2

**Target completion date:**
2030s

**Connections:** North-South

**Potential Impacts:**
- Reinforce Central London
- Enhancing access from the north – Upper Lea Valley and Haringey
- New generation of Town Centre Opportunity Areas in the south
Candidate Schemes
Tram Extension to Sutton and Merton

- Economic benefits for Sutton and Merton:
  - £500m Gross Value Added (GVA), £50m in resident expenditure.
  - 59,000 people will benefit
  - Reduces journey times locally and to Central London.
  - Enhanced business rate

Source: http://www.merton.gov.uk/morden-sutton_tramlink_summary_final_sept14.pdf#
Transport Proposals by 2050

Source: GLA
Exploring the potential for economic growth and regeneration in Zones Two and Three.

Strong Transport Access Extends to Zones 2 and 3

Highest PTAL locations

Strong role for Zones 2 and 3

Source: GLA, Infrastructure Portal, 2050
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Transport and Values Opportunity Drive Investment

Source: Mouseprice
Boroughs Positioning Major Schemes

- Leveraging assets and ownership
- Town centre change
- Estate Renewal
- Surplus property
- Using the infrastructure can opener - values, visibility and site configuration
Zone 2 and 3 Opportunities: Leveraging Assets

Haringey

- High Road West: Love Lane Estate, White Hart Lane Station, Spurs Stadium
- Tottenham Hale: £400m Hale Village Development, 1,250 homes
- Northumberland Park: 4,500 homes, knowledge economy and tech hub
Zone 2 and 3 Opportunities: Estate Renewal

Wandsworth

- Winstanley and York Road Estate
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London Govt Aligned and Investing

Town Centres, Housing Zones and Opportunity Areas

Source: GLA
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GLA Housing Zones

Zone 2:
- Edgware Road

Zone 3:
- Clapham Junction (LB Wandsworth)
- Tottenham (LB Haringey)
- Blackhorse Lane (LB Waltham Forest)
- New Bermondsey

Zone 4:
- Abbey Wood, Plumstead and Thamesmead (LB Bexley)
- Abbey Wood and South Thamesmead (RB Greenwich)
- Alperton (LB Brent)
- Barking Town Centre (LB Barking & Dagenham)
- Hounslow Town Centre (LB Hounslow)
- Ilford Town Centre (LB Redbridge)
- Morden Town Centre (LB Merton)
- Southall (LB Ealing)
- Wembley (LB Brent)

Source: GLA
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GLA High Street Fund

£9 million to help small businesses thrive, regenerate and reinvent the way London uses its High Street.

£20 million match funding from local authorities and private sector partners

- Acton, Ealing
- Wembley, Sudbury and Harlesdon
- Tottenham & Wood Green, Haringey
- Blackhorse Lane and Walthamstow
- Barking and Dagenham
- Royal Greenwich
- Abbey Wood
- Bexley
- Croydon
- Roehampton, Wandsworth
Zone 2 and 3 Conclusion

1) London’s Growth is changing its Shape
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