MARKET IN MINUTES
Savills Research

UK Residential – Winter 2019/2020

Canary Wharf Residential

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Challenges and opportunities

The Canary Wharf market is changing. From its early life as West India Dock, the area has transformed over the past 30 years to become London's second financial centre. It now houses 150 major office tenants and is home to 120,000 workers.

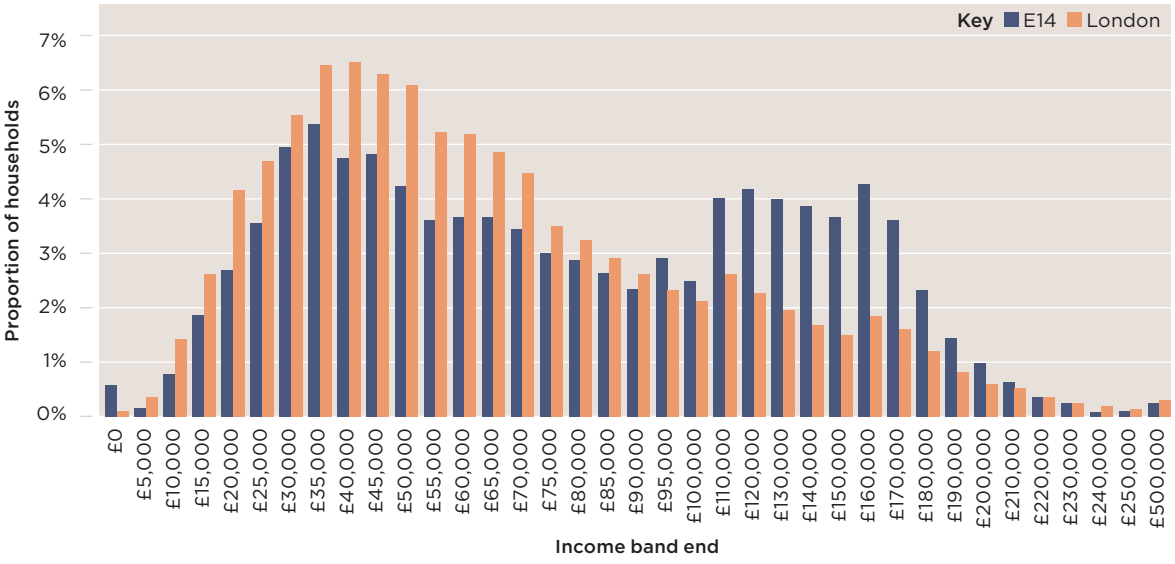
But the area has seen a significant transition into a place to live as well as work – with substantial development of its retail and residential in areas such as upcoming Wood Wharf.

However, Canary Wharf has not been immune to the factors currently limiting the wider London market. Residential values in the borough of Tower Hamlets fell by 4.6% in the 12 months to August 2019. And since the peak of the market in 2016, transaction volumes across the borough are down by one-third.

In the more expensive prime market, prices have fallen by 5.6% over the past five years.

Pressure on the buy to let market, with the 3% additional stamp duty and cuts to tax relief, has resulted in an increase in supply in this market and has made pricing sensitive. And this has been intensified by the uncertainty of job security amid the Brexit negotiations. As such, there has been a shift in the demographic of buyers in the Canary Wharf market. In 2016, 42% of Savills buyers in the area were buying a property for investment. Since 2018, that has fallen to only 10%.

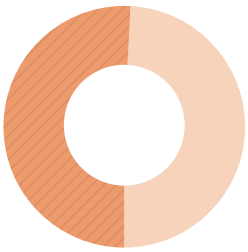
High-income area Canary Wharf is an attractive market for young, wealthy professionals. Just over one-third of households earn more than £100,000 per year



Source Savills Research, Experian

Market monitor

Key data for the Canary Wharf market

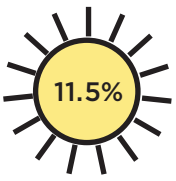


53%

The share of households across E14, London, that are aged under 40

1/3

The proportion of Savills buyers in Canary Wharf in 2019 that have been international



Predicted growth in the outer prime London markets in the five years to 2024

Source Savills Research, Experian

WHO LIVES IN CANARY WHARF?

Residential demand in Canary Wharf is particularly strong from young, wealthy professionals. According to Experian, 53% of households in E14 are aged under 40, compared with an average of 30% across London. Just over one-third of households in E14 earn more than £100,000 per year. The employment opportunities in Canary Wharf attract both buyers and tenants from across the world. The devaluation of sterling since the EU referendum has presented a particular opportunity. International buyers through Savills have increased since 2017, and now account for around one-third of the market.

Drivers of growth

The strength of the employment market in Canary Wharf is likely to underpin demand in the residential market.

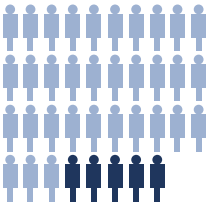
Over the next decade, the population of Tower Hamlets is forecast to increase by 15% – almost double the London average of 8%. Employment in Tower Hamlets is also forecast to increase, by 14%, with particular growth in the professional, scientific & tech sector, as well as admin & support.

The commercial market in Canary Wharf continues to diversify away from purely banking and finance, with tech, media & telecoms companies making up 22% of office lease take-up between 2016 and 2018.

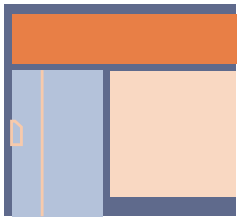
The relative value of office rent in Canary Wharf is also likely to continue driving demand to the area, helped by the opening of the Elizabeth line. Prime office rent in Canary Wharf averages just £47.50 per sq ft, compared to £75+ per sq ft in the City.

Canary Wharf in numbers

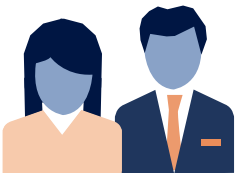
323,000
The population of Tower Hamlets in 2019



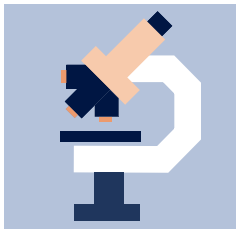
+15%
Increase in borough's population by 2029



300+
Shops, restaurants, bars and amenities in Canary Wharf



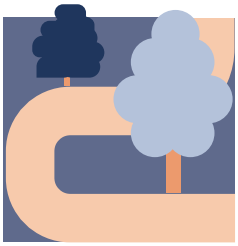
120,000
Number of workers in Canary Wharf



+25%
Forecast growth in professional, scientific & tech sector by 2029

68,000
Number of Elizabeth line passengers expected to use Canary Wharf station each day

3,300
Number of new homes being built in Wood Wharf, along with eight acres of public space



20
The area (in acres) of parks, gardens, squares and fountains in Canary Wharf

Source Savills Research, Oxford Economics, Crossrail, Canary Wharf Group

OUTLOOK

For the mainstream London market, price growth in the short term is likely to be restricted by affordability. The rapid growth over the past decade has pushed this to the limit – reflected in the weakness of the market since about 2016. We expect this weakness to continue over the next year as the UK enters a transition period with the EU, and the gap between London and other regional house prices comes more into line.

From 2021 onwards, we expect more confidence to return to both the prime and mainstream markets. The prime Canary Wharf market is likely to benefit from more economic certainty post-Brexit fuelling income growth in the finance and tech sectors.

Prime five-year forecasts

	2020	2021	2022	2023	2024	5-year compound growth
Other Prime London	1.0%	3.5%	2.5%	2.5%	1.5%	11.5%

Note These forecasts apply to average values in the second-hand market. New build values may not move at the same rate **Source** Savills Research

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