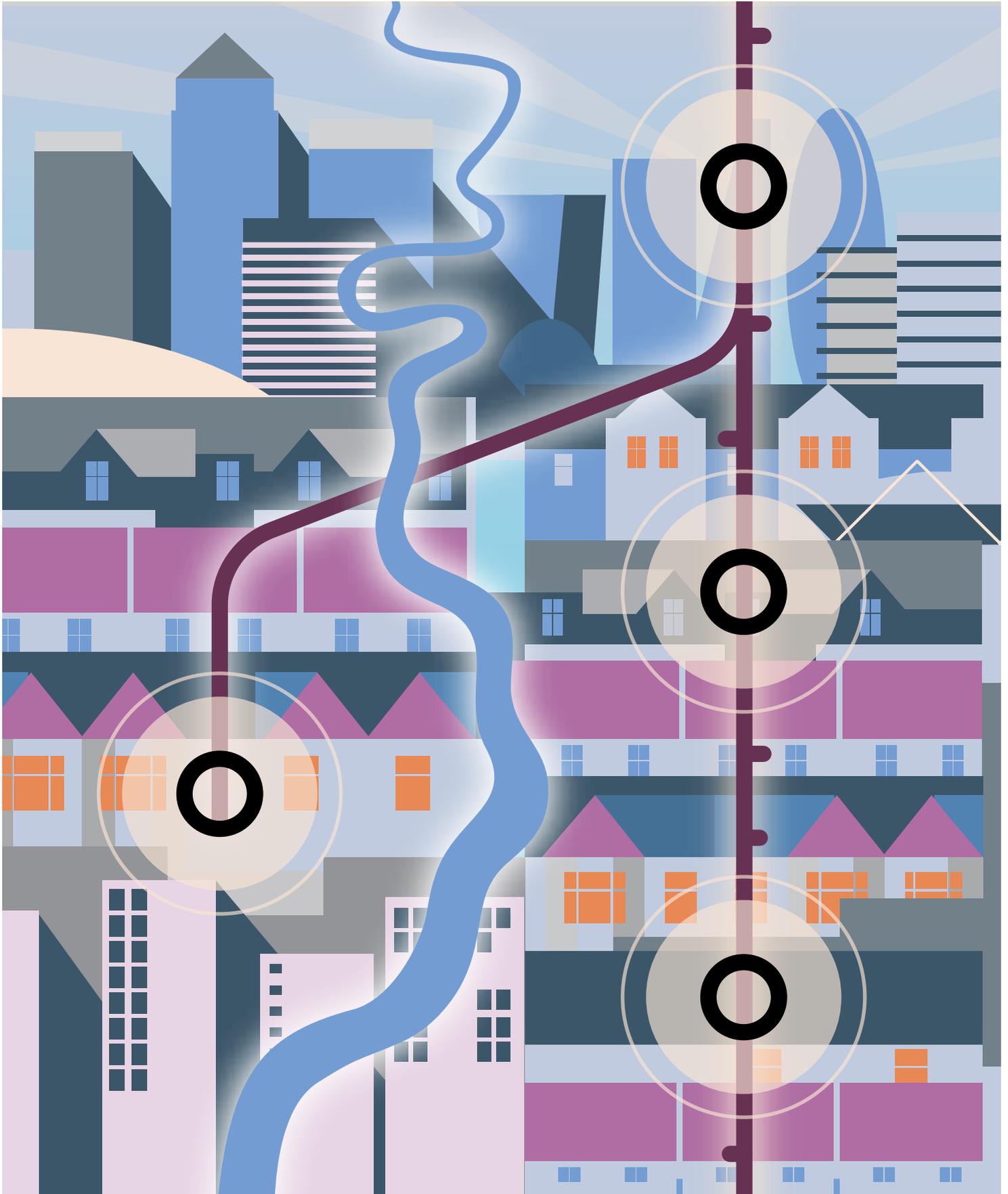


East London Corridor Development



The East London Corridor offers unique affordability



The median property price in east London is 14% cheaper than the rest of London

Unique affordability

Affordable foundations will support the East London Corridor as Help to Buy ends

The East London Corridor is the most affordable area of London. Six of the seven East London Corridor local authorities have a lower average house price than London, in the year to November 2020. 78% of sales in the year to November 2020 were priced below £600k in the East London Corridor compared to 63% in the rest of London.

The median new build value per square foot was below £500psf in Barking and Dagenham, Havering and Redbridge

compared to over £700psf across London, in the two years to November 2020.

Analysis of demand for sale and rent in London shows that nearly 70% of all demand for housing is for homes under £450psf. However, only a third of supply is expected to come forward at these price points. This offers an exciting opportunity for the East London Corridor to capitalise on this unmet demand.

Figure 1 East London in numbers

	Average transaction value (yr to Nov 2020)	Properties sold (subject to contract) April-Dec 2020 v same period 2019	Annual house price change (yr to Nov 2020)	Annual rental change (yr to Nov 2020)
Waltham Forest	£492,940	131%	8%	-2%
Havering	£412,544	120%	4%	3%
Redbridge	£478,904	114%	7%	0%
Hackney	£750,098	112%	3%	-8%
Tower Hamlets	£576,850	103%	5%	-11%
Newham	£421,161	101%	4%	-6%
Barking and Dagenham	£322,688	95%	1%	0%
London	£665,988	112%	5%	-6%

Source: HM Land Registry, TwentyCi, Zoopla (powered by Hometrack)

Figure 2 London's unmet demand will be concentrated at lower price points over the next five years

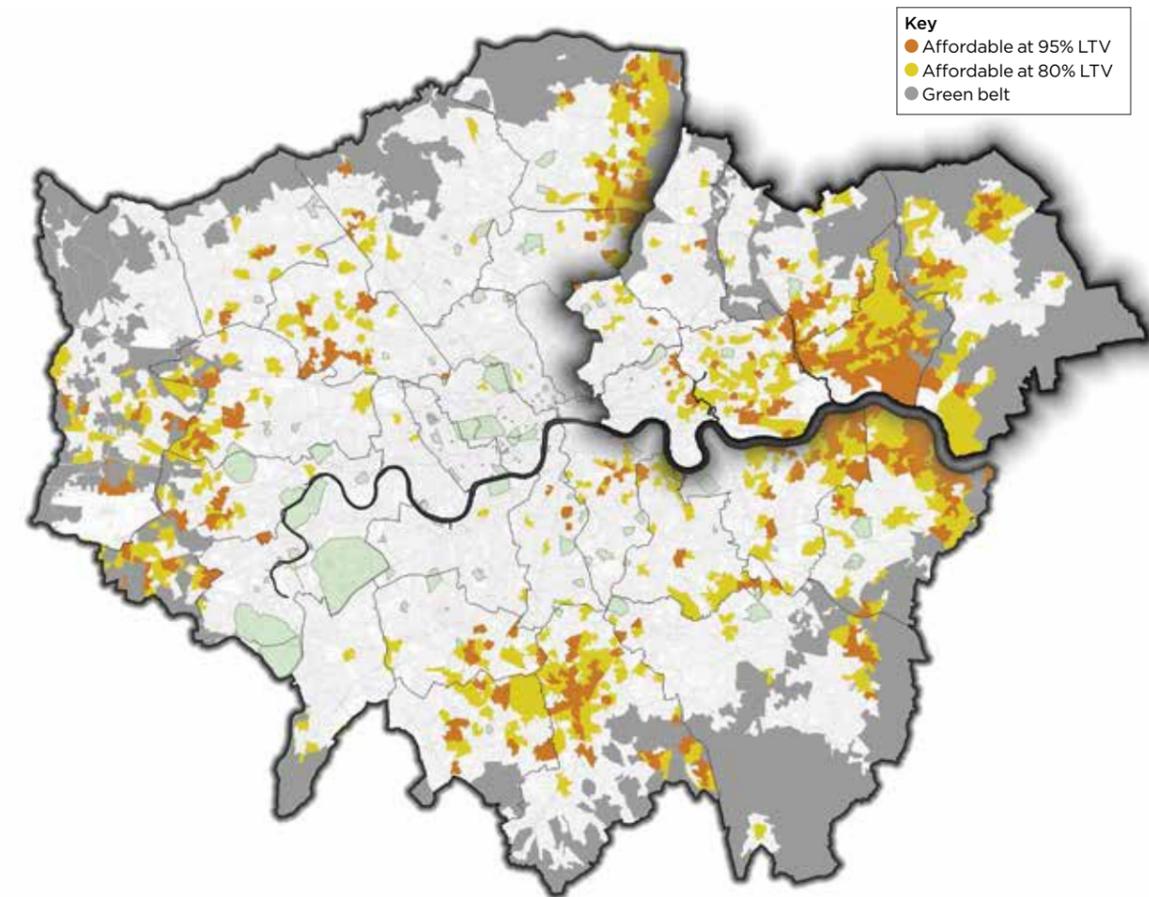


Source: Molior, Savills Research, MHCLG, CACI, Oxford Economics



70% of occupier demand is for homes below £700psf but only 35% of supply over the next five years will come forward at these price points

Figure 3 Where could the average Help to Buy purchaser afford to buy without Help to Buy?



Source: Savills Research, MHCLG, HM Land Registry

Young singles and couples using Help to Buy to get on the housing ladder

The majority of Help to Buy users in the East London Corridor are aged 26-40, accounting for just over 80% of buyers. The majority don't have children, and those who do, tend to have children aged under 12. Those buying in Barking and Dagenham, Waltham Forest and Redbridge are more likely to have children than those buying in other parts of east London.

The largest group of movers to Help to Buy homes in the East London Corridor are classed by Experian as 'Metro High Flyers', accounting for around 20% of moves. Metro High-Flyers are highly educated and ambitious 20 and 30-somethings currently renting expensive apartments, either on their own or with a partner, in the wealthy suburbs of London. They are progressing well in their chosen careers and have money to spend on technology and entertainment.

Barking and Dagenham and Redbridge attract less

affluent buyers such as 'Flexible Workforce' who are typically aged in their late 20s and 30s and live in a combination of single households and home shares in reasonably high value locations from which they can easily commute to their jobs.

This has shown that there is a variety of household types using Help to Buy in east London. The investment into leisure and social offerings has attracted more affluent households, whilst the underlying affordability in the outer boroughs has helped less affluent households to get onto the housing ladder via Help to Buy.

East London Corridor's affordability is even more important as Help to Buy ends

Help to Buy has supported 12% of new build completions in London from Q2 2016 to Q2 2020, but is due to end in 2023. Usage is particularly high in Barking and Dagenham and Havering, at 24% and 28% respectively. But these areas are



Lock19 (CGI)

also the most affordable and will be most able to attract buyers from across London whose purchasing power is curtailed as Help to Buy ends.

The median income for a First Time Buyer household in London buying with Help to Buy is £64,000, according to MHCLG. Assuming these buyers can borrow at 4.5 income, the maximum property they can afford decreases from £526,000 to £362,000 on a 80% loan to value (LTV) mortgage and even further to £305,000 on a 95% LTV mortgage. The map shows the locations in London which would have been affordable to these households based on average sales price in the year to November 2020. Large parts of the East London Corridor, particularly Barking and Dagenham, are affordable even at a 95% LTV mortgage.

What role could Shared Ownership and First Homes play post-Help to Buy?

Shared Ownership accounted for 52% of affordable home starts in 2019/20 in the East London Corridor, up from 38% in 2015/16. Income and deposit requirements for Shared Ownership are very similar to Help to Buy and lenders are broadly familiar and confident with lending on it, meaning the scheme could be in pole position to replace much of the demand lost from Help to Buy post-2023.

First Homes, the new government affordable home ownership programme, will offer discounts of between 30% - 50% of market value to first-time buyers. As yet, there is no given timeline for roll out, however there are plans that a minimum of 25% of all affordable housing delivered through S106 planning obligations will be First Homes.

Income thresholds are higher for First Homes than Shared Ownership. In London, for a 700 sq ft 2 bedroom First Home, taking into account the income cap of £90k, only 10% of households have enough income to be able to afford the home that aren't able to afford it in the open market. The greatest impact will be in more affordable boroughs such as Havering,

Barking and Dagenham and Redbridge where at least 15% of local households fall within this income sweet spot.

Will the Mortgage Guarantee scheme help buyers in east London?

Government has pledged to support homebuyers' access to mortgage finance through a new guarantee on 95% LTV mortgages which is due to run from April 2021 to December 2022. The guarantee announced resembles the Help to Buy: Mortgage Guarantee scheme that ran from 2013 to 2017. Between October 2013 to June 2017, the Help to Buy: Mortgage Guarantee scheme supported only 1,179 sales across the East London Corridor. Take up of this new scheme is likely to be limited across London due to restrictions on high loan to income mortgages.

Help to Buy is likely to retain its competitive edge over the next two years. Even if a Government guarantee helped bring high-LTV mortgage rates down, these loans would still be much more expensive than the 75% mortgages Help to Buy users can access.

The next five years

Forecasted house price growth in mainstream London is 12.6% over the next five years. However, less affordability pressures in the East London Corridor provides the opportunity to outperform London as a whole.

Summary

The East London Corridor offers homes at affordable price points which are in high demand across London. This puts the area in a very strong position to see robust levels of demand when Help to Buy ends in 2023 compared to other parts of London.

Falling short

The implications of East London Corridor's current under supply

MHCLG recorded 41,720 net additional homes across London, in the year to March 2020, some 10,000 short of the new London Plan target which is 52,000. This level of delivery is also less than half of the 93,500 required under the government's new standard method of calculating housing need. Statistics from Molior show that new construction starts in London have decreased for the third successive year in 2020 and were -36% below 2017 levels. This indicates that the undersupply of homes in London is set to continue.

Boroughs in the East London Corridor among the most under-supplied in London

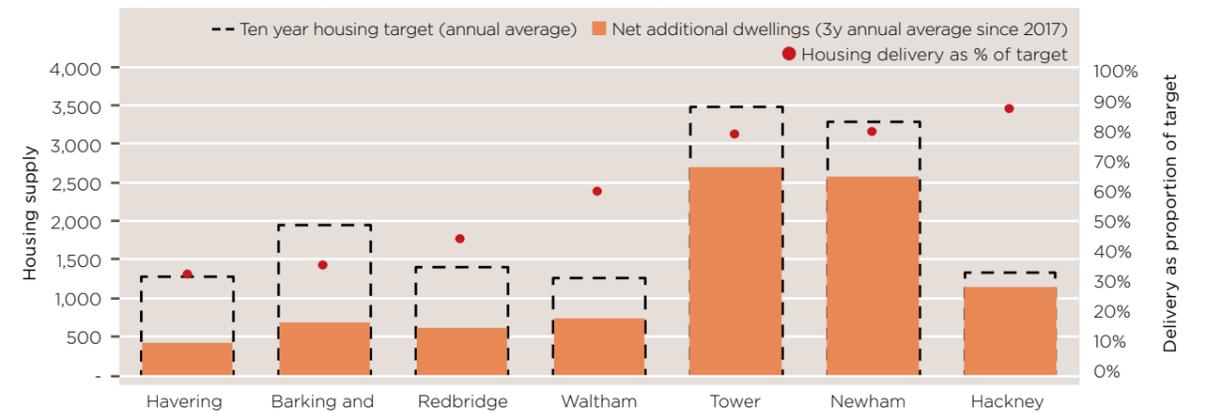
In the new London Plan, housing targets increased most significantly in outer London boroughs, and the latest delivery figures show all East London Corridor boroughs are currently delivering fewer homes than their London Plan target. Havering, Barking and Dagenham and Redbridge make up

three of the four lowest delivering boroughs (as a proportion of their targets). Tower Hamlets and Newham have delivered the most housing over the last three years of any London borough, but they are both still falling short, both delivering 78% of their target.

The East London Corridor is expected to deliver proportionally more homes than the area of London it covers - 26% of the London Plan's target whilst making up just 20% of London's area. Currently, the East London Corridor is delivering 64% of its target, significantly underperforming compared to the rest of London (72%).

There is a clear need to ramp up housing delivery across the capital, but none more so than in London's eastern corridor. The four outer-most east London boroughs combined are currently delivering just 42% of the targets set out in the London Plan. The Secretary of State has said he will be looking to work with ambitious boroughs who aim to deliver above

Figure 4 Delivery levels over the past three years have fallen well short of targets



Source: GLA, MHCLG

Figure 5 Four East London Corridor boroughs to face Presumption of Sustainable Development

Local Authority	Net additional dwellings (3y annual average since 2017/18)	Housing Delivery Test requirement (annual average)	Housing Delivery Test outcome	Proportion of land area covered by Green Belt	Number of homes required per hectare of non-Green Belt land
Havering	417	1,138	Presumption	53%	0.21
Redbridge	617	1,091	Presumption	34%	0.29
Barking and Dagenham	687	1,202	Presumption	14%	0.37
Waltham Forest	747	838	None	22%	0.28
Hackney	1,145	1,382	Action plan	0%	0.73
Newham	2,573	2,422	None	2%	0.64
Tower Hamlets	2,697	3,667	Presumption	0%	1.70

Source: MHCLG, London Datastore



Housing delivery in east London is currently only around 64% of new London Plan targets

their housing targets. This presents a significant opportunity for developers to work closely with these boroughs to help bring housing delivery up to where it needs to be, potentially through intensification and high-density development in well-connected areas.

The Housing Delivery Test measurement is an annual measurement of housing delivery. 2020's results saw Havering, Redbridge, Barking and Dagenham and Tower Hamlets fail to deliver 75% of their requirement, and this has now triggered a presumption in favour of sustainable development. These local authorities must now give greater weight to the government's National Planning Policy Framework than their local policies on sites that aren't included in an updated local plan.

Where this positive presumption applies, local authorities must now grant planning permission for proposals which accord with an up-to-date development plan, without delay. They must also grant permission where there are no relevant or up-to-date plan policies, unless specific National Planning Policy Framework policies protecting areas or assets provide a clear reason for refusal or there are adverse impacts which outweigh the benefits of the proposal.

Green Belt constraints present opportunities for London's surrounding local authorities

In Havering and Redbridge, where delivery levels were lowest,

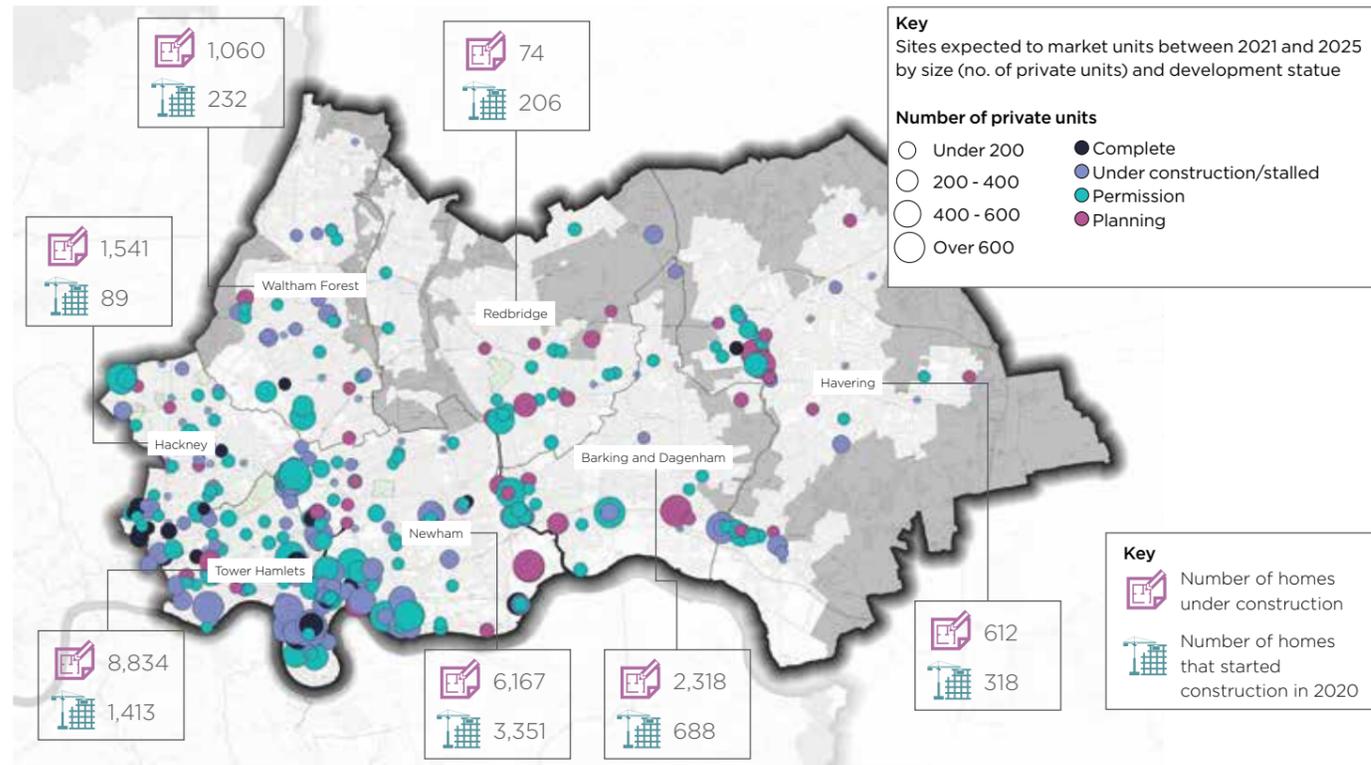
there are significant constraints from the Green Belt, with 53% and 34% of land area covered by the Green Belt respectively. Only Bromley, Hillingdon and Enfield also see greater than 30% of their land area covered by Green Belt, but lower housing requirements mean only 0.08 homes are required each year per hectare of non-Green Belt land in Bromley and Hillingdon, and 0.15 in Enfield. With more homes required per hectare of non-Green Belt land in the East London Corridor (see table above, boroughs will need to look to high-density development or review the Green Belt to deliver the homes required).

There may also be a role to play for areas outside London's boundary in alleviating the pressures of the under supply. The Mayor of London has been asked by the Secretary of State to work closely with the local authorities that surround London to boost delivery both inside and immediately outside London. This provides opportunities for popular commuter towns, such as Brentwood and Chelmsford, to take advantage of the East London Corridor's undersupply and buyers' willingness for a longer commute due to working from home more often.

Newham and Tower Hamlets have the largest development pipelines

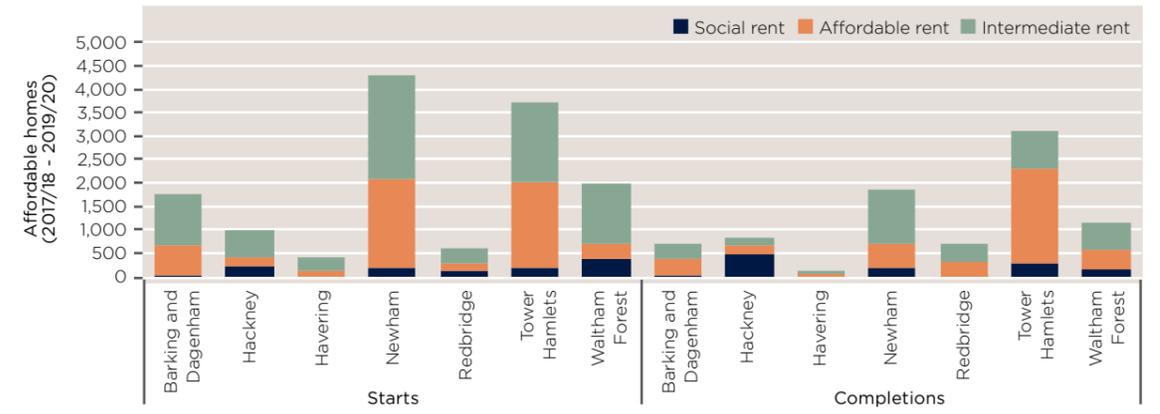
59% of new homes expected to be marketed for sale in the East London Corridor between 2021 and 2025 are in Tower Hamlets and Newham. Redbridge and Waltham Forest have the

Figure 6 The 5-year supply pipeline is concentrated in clusters



Source: Savills Research, Molior

Figure 7 Affordable delivery levels vary but a lack of social rented households across the board



Source: MHCLG

smallest pipelines in the East London Corridor, with only 1,900 new homes expected to be marketed for sale in each borough over the next five years. This suggests that future supply in those boroughs that are falling short of their housing targets are set to continue to do so over the next five years.

Newham leads the way in Build to Rent delivery

Build to Rent (BTR) has proven to be extremely popular in east London. There have been nearly 10,000 BTR homes built in the East London Corridor (38% of London's total), with a further 18,000 either currently under construction or in planning.

No other London borough has seen more completed BTR homes than the 4,700 in Newham, which also leads the way with the number of homes under construction at 2,900, and in planning at 4,500. Stratford's Cherry Park includes 1,224 BTR homes and is due to complete in 2024, whilst Berkeley's TwelveTrees Park is in planning for an additional 1,220 BTR homes.

Despite seeing only 350 BTR completions so far, Barking and Dagenham has seen a significant increase in its BTR pipeline, with 4,500 homes either in planning or under construction, the third largest pipeline of all London boroughs. Barking Wharf saw the first of its four BTR buildings complete in December 2020 and will deliver just under 600 new BTR homes in total.

Affordable housing delivery remains low in the outer boroughs...

Newham and Tower Hamlets are leading the way with Affordable home delivery, with both of these boroughs also seeing the greatest total delivery. As a result, the majority of their Affordable delivery was through section 106. Havering, Redbridge and Barking and Dagenham were all in the bottom five boroughs for overall delivery, and have delivered the fewest Affordable homes in the East London Corridor.

In March 2021, the Mayor of London announced that an £80 million grant from the Affordable Housing Programme

to Peabody will help deliver over 1,500 affordable homes on the former Dagenham Stamping Plant car works site. On the adjoining Beam Park site, Countryside and L&Q will be delivering 1,500 affordable homes.

Housing Companies ramping up their plans

Havering's '12 Estates' partnership with Wates Residential, worth £1bn, will regenerate 12 estates across the borough to provide 3,500 new homes over 12 years and more than double the number of affordable homes in the borough. In December 2020, construction began on the first site of this project at Napier and New Plymouth House in Rainham.

Be First of Barking and Dagenham is the biggest council housebuilder in London and are responsible for 20% of all council home starts in London. Between 2018/19 and 2022/23, Be First aim to build 1,600 affordable homes. They are also looking to scale up their use of modern methods of construction, which is currently being used on the Gascoigne Estate development.

Newham's recently renamed housing company, Populo Living, are currently onsite with 12 different locations, and have plans to accelerate delivery by building modular homes on top of existing council blocks and build over 1,000 new social rent homes by March 2022.

Sixty Bricks, Waltham Forest's housing company, is planning to build around 1,000 new homes by Spring 2024, 50% of which will be affordable.

Summary

Housing Delivery in east London is falling well short of what's required and the supply pipeline over the next five years suggests this under-delivery is likely to continue, particularly in the outer boroughs. Four of these boroughs currently face Presumption in favour of sustainable development which will provide opportunities for more sites to come forward.

Eastern promise

Investment into the East London Corridor sets it up for future value growth

The combination of its unique affordability and current undersupply presents a significant opportunity for development and regeneration to unlock future value growth in the East London Corridor whilst delivering the housing that is desperately needed. People will be spending more time than ever working from, or close to, home and so will be spending much more time in their local communities. This means that the quality of local amenities and public realm will play an even more pivotal role in potential buyers deciding where to move.

The East London Corridor has seen significant investment that will not only create jobs and economic output, but enhance the local area and further consolidate it as a part of London that people want to live. It is forecast to see higher employment and GVA growth than the rest of London between 2019 and 2029, with employment due to grow by 9% and GVA by 19%, according to Oxford Economics.

Creative and digital industries

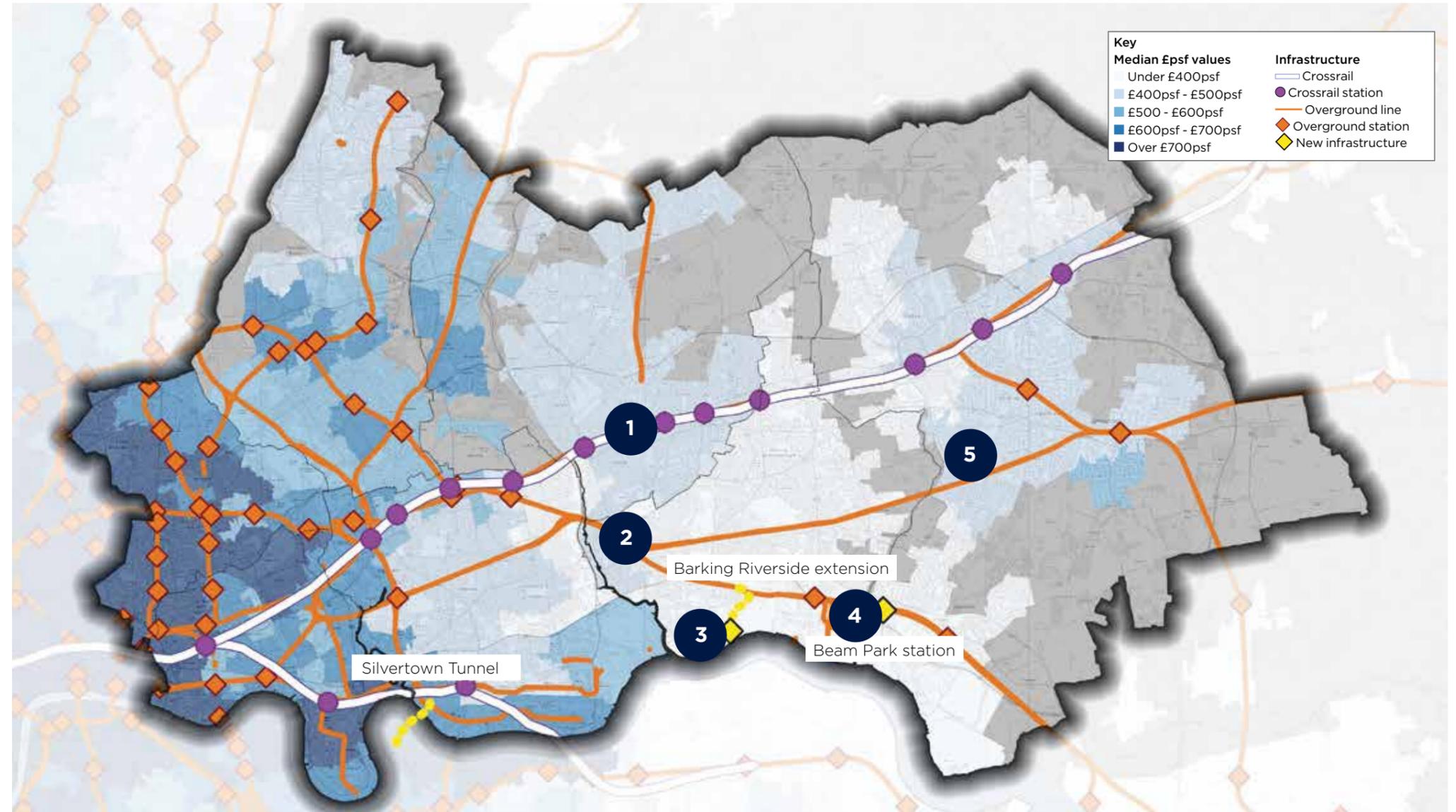
Creative industries and the digital sector grew by 8% and 6% per year in London between 2010 and 2018. With the East London Tech City in Hackney, the East London Corridor is at the centre of creative digital business within London. Further investment is planned within this sector, with investment shifting further eastwards.

East Bank, located across three sites at Queen Elizabeth Olympic Park in Newham, is representative of this increased investment in the East and is forecast to create more than 2,500 jobs and add an estimated £1.5 billion to the local economy. Plans include the relocation of cultural institutions such as the BBC music studios alongside the creation of Sadler's Wells East and V&A East. Two universities, UAL's London College of Fashion and UCL, are also creating campuses at East Bank. The involvement of universities will allow pioneering work to be created which is at the forefront of creative innovation.

HereEast is another innovation and technology campus at the Olympic Park that will drive forward digital innovation and the area's sporting legacy. BT Sport, Sports Interactive and FiiT are among the tenants at the campus, while UCL, Loughborough University and Staffordshire University also have a presence.

The creative and digital industries are being supported by the creation of Dagenham Film Studios. This will be London's largest new film and television production studio in 25 years and will create an estimated 1,200 jobs. The Fashion District Plan aims to make east London the global hub of fashion technology. This has led to the creation of Poplar Works, which provides both affordable workspace and training programmes in fashion manufacturing.

Figure 8 New infrastructure is improving connectivity in lower-value parts of east London



Source: Savills Research, MHCLG, HM Land Registry

The home of the Greater London Authority will also be shifting east, to its new headquarters at The Crystal building in the Royal Docks. The Mayor of London believes this will act as a catalyst for the regeneration of Royal Docks that could create over 60,000 new jobs over the next 20 years.

The new Thames Freeport is also now open for business as it became one of eight new freeports across England. It will connect Ford's Dagenham engine plant, the global ports at London Gateway and Tilbury to provide over £4.5 billion in new public and private investment and over 25,000 new jobs.

Barking and Dagenham is also set to be the new home of the three historic food markets of Smithfield, Billingsgate and New Spitalfields. The purpose-built site at Dagenham Dock secured resolution to grant outline planning consent in March 2021 and will create one of Europe's biggest wholesale food market destinations along with generating just under £3 billion across the UK economy each year.

The existing transport network in east London will be improved when Crossrail is completed, with the likes of Ilford and Romford to benefit from improved connectivity and

major station upgrades. The overground and c2c network is also set to see further improvements, with an extension to a new station at Barking Riverside and an additional new station at Beam Park respectively.

We have highlighted five areas in the East London Corridor that currently see low median EPSF values and that have seen notable investment into improving the local amenities and public realm and upcoming improvements to infrastructure. The ability for these growth areas to 'place-make' offers the potential to see further value uplift.

One of England's eight new freeports

Two new university campuses

Two upcoming film studios

Two new train stations

Europe's biggest wholesale food market

Top five hotspots for development



1 Ilford town centre

Ilford has capacity for 6,000 new homes according to the new London Plan. A cultural quarter including a new library, theatre, leisure centre, restaurants and outdoor seating, as well improved streetscaping are all part of the regeneration, which will make it a more attractive place for people to visit, in addition to those who live there. Consideration of meanwhile uses in the town centre, such as SPACE opening 35 studios for artists in the Town Hall adds to the sense of community and place.



2 Barking town centre

The redevelopment of Barking town centre epitomises the concept of the 15-minute city, aiming to create a high quality of life for locals by ensuring all essential amenities are within a 15-minute walk. Placemaking and sustainability are key objectives of the regeneration. Enhancing green space is therefore an essential part of the redevelopment, with plans to enhance existing spaces such as Abbey Green. Through the development of the Town Quay, the River Roding will also become more accessible for locals.

Gascoigne Estate, being redeveloped by BeFirst will see a new 1.25 acre park, green roofs and solar panels, tree planting and community spaces that are central to the concept of a 15-minute city. On the other side of the River Roding, Countryside's Fresh Wharf will create over 16,000 sq m of open space as well as newly created pedestrian walkways and cycle paths.



3 Barking Riverside

Barking Riverside has plans to include 21 hectares of open space and sports pitches, alongside the delivery of schools and other amenities such as a Health and Leisure Hub. Creating a vibrant community through events and community platforms such as Thames Talk, which will provide a platform for local residents to give feedback and collaborate with other residents, is an essential part of the development.

So far, over 1,500 homes have been built along with new schools and community facilities and Sadiq Khan has recently signed off on an extra £40m of funding for further groundworks and infrastructure improvements.



4 Dagenham Dock and Beam Park

With Billingsgate, New Spitalfields and Smithfield markets moving to the 42-acre site of the former Barking Reach Power station in 2025, Dagenham Dock will be home to the largest wholesale food market in the UK. Ford's Dagenham engine plant will be part of the new Thames which is part of a project that will create over 25,000 jobs and is forecast to add £5.1 billion additional GVA according to the bid submitted.

The development of the former Dagenham Stamping Plant has been supported by an £80 million grant from the Affordable Housing Programme and will deliver over 3,100 homes. Neighbouring Beam Park, will not only deliver an additional 3,000 homes, but build a new railway station and create a new 2.5 hectare central park.



5 Romford town centre

A draft masterplan for the town centre includes revamping Market Place and creating complementary activities and events to engage the community. There are plans to improve the public realm by introducing trees and green links to the Town Centre alongside enhancing existing key public realm spaces such as South Street, Victoria Road and the Station entrance. There are also plans to make best use of the River Rom, through creating green spaces and eateries on the edge of the river.

Operational Services for Romford's Crossrail Station are due to start in 2022 with an estimated travel time of 35mins to Bond Street. We expect developers to leverage on this infrastructure upgrade in the promotion and sale of units in this future hotspot.



Repurposing retail

East London Corridor's retail assets can be a driving force in providing social initiatives

The repurposing of retail assets can have a significant role to play in not only delivering housing, but leading the regeneration of an area. The importance of people and community to retail strategy accelerated in 2020. Retail-led schemes now must be centres within the community, a central hub that provides employment, social engagement and leisure.

Sustainability must be at the forefront of planning and design. Developments must be thinking about how they can provide wellbeing considerations, community and charitable programmes, skills to local people and green space.

Molior identify 37 retail parks for residential development across London, 11 of which sit in the East London Corridor. Havering and Redbridge each contain four retail parks with potential capacity for over 3,400 homes between them. Shopping centres and large single retail assets could further add to the mixed use pipeline.

Open, green space

The Rom Valley retail park in Romford could deliver over 1,000 homes along with several social initiatives. It includes a new riverside walkway along the River Rom, a new health centre with capacity for 20 GPs and nurses and an £8m contribution to the Council for delivery of social infrastructure facilities such as schools and community projects. Over half of the entire site will be open, green space.

Plans for Ilford retail park focus on producing a high quality public realm. The 672-home development will be rebranded as Ilford Eastside and will provide a new primary school,

community and health centres and flexible office space. Artistic light installations will turn this area into an urban art destination for Ilford and attract people to the space, and a biodiverse roof and a recreational 'green plaza' will also be part of the development.

In March 2021, the redevelopment of a Homebase site in Waltham Forest was approved. A 583 mixed-use scheme that combines landscaping, tree planting and green walls to deliver a biodiversity net gain of 233%, well above the London Plan requirement of 10%.

Repurposing retail assets certainly has a large role to play in the future of the East London Corridor. Not only do they have the potential to deliver high-density housing, the need for which has been highlighted in this paper, but also to deliver sustainable development and provide the social and place-making initiatives to continue to transform this part of London.

Summary

There are a number of identified areas in the East London Corridor that have the potential to undergo dramatic regeneration. 2020 has increased the emphasis on local towns, community and vibrancy that will need to be considered for successful development. The increase in investment into the East London Corridor will continue to upgrade the area and make it a more attractive place to live, fuelling the potential for value growth.



Savills Research

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