The City and City fringe
A housing market overview
Introduction

Once considered only a place of work, the City is now more diverse and a desirable residential location; almost 1,000 new homes have been completed since 2009 and there are a further 740 currently under construction. The ability to live close to work is being realised as the quality of residential offering now matches the aspiration of City workers. As a result, the City is becoming a firm part of London’s prime residential property market and in the last five years average prices have increased by 81%, or 12.6% per year.

In tandem with the City’s rise in popularity, has been that of its fringe neighbourhoods, with an increasing number of people establishing themselves in areas such as Clerkenwell and Shoreditch, as well as the rejuvenated Wapping. The result is that the housing markets of these neighbourhoods have experienced significant growth, averaging 47% over the last five years, or 8.0% per year.

An influx of new residents to both the City and its fringe has also resulted in substantial growth in the number of people living in their respective private rented sectors. The number of households in the City’s private rented sector increased by 50% in the decade between 2001 and 2011 resulting in strong value growth; since 2005 asking rents in the City have increased by 6.2% per year on average, compared with 4.9% for London overall.

In the neighbourhoods bordering the City the private rented sector has increased by an even greater extent. Between 2001 and 2011, the number of privately rented households across these neighbourhoods increased by 120%, equating to an additional 5,250 households in the sector. This again has resulted in robust rental growth, averaging 4.3% per annum over the last five years.

London’s eastward migration has been in motion since the 1980s and is set to continue, with the emergence of the tech industry bringing a new wave of residents to the City and its fringe. This, combined with the continued growth of the City, means that in the future there will be persistently high demand for a homes in both the City and its bordering neighbourhoods.
The City and City fringe

Working

The City is the epicentre of London business, accommodating traditional industries like financial services, accounting and insurance. It currently hosts 360,000 workers, but this is estimated to grow by a further 50,000 by 2026 meaning that demand for homes in the City and its fringe neighbourhoods is only going to increase.

The core office market of the City is now spreading beyond the traditional square mile. The area directly bordering the City, commonly referred to as the City fringe, is also attracting an increasing number of occupiers with new Grade A office developments in areas including Clerkenwell, Shoreditch and Spitalfields. As a result, several areas in the City fringe are now considered a ‘core’ office market, attracting an increasing number of companies and workers. The most recent confirmation of this was provided by Amazon; the company will move to its new headquarters in Shoreditch in 2017, bringing 5,000 employees to the area.

The popularity of the City fringe has seen office take-up increase significantly. In 2015 over 3 million sqft of space was let, an increase of almost 80% compared with five years ago. Strong demand has obviously fed through to prices with rents in the fringe averaging £49psf in 2015, up from £32psf in 2010.

In recent years, the tech industry has also been a major contributor of growth in both the City and City fringe. The area now hosts more than 10,000 technology businesses that employ 70,000 people and generates £12.5bn of revenue. Last year, creative and technology companies accounted for 34% of office take-up in the City fringe. This compares with only 12% ten years ago.

The industries epicentre is Tech City in Shoreditch. This refers to the cluster of technology firms that radiate from Old Street roundabout, which has been supported at both a local and national government level since 2010. The area now hosts 3,200 tech firms per square kilometre, compared with the London average of 58. In addition, the rise of Tech City has also led to the emergence of new clusters of digital and creative companies in areas including Clerkenwell, Angel and Kings Cross. This is all contributing to a further influx of workers and residents to the City and its border neighbourhoods.

The now established market of the City fringe will continue to evolve and attract significant volumes of workers to the area; the tech industry in particular will be a significant contributor to this growth. This, combined with the continued growth of the City, where an additional 50,000 workers are expected in the next decade, will ensure continued strong demand for homes in the area.

The significance of the tech industry

Number of employees

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<thead>
<tr>
<th>Borough</th>
<th>Number of companies</th>
<th>Size of bubble (annual revenue (£))</th>
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<tbody>
<tr>
<td>Camden</td>
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<tr>
<td>Islington</td>
<td>10,000</td>
<td>£1.5bn</td>
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<tr>
<td>Tower Hamlets</td>
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<tr>
<td>Hackney</td>
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<td>£500m</td>
</tr>
<tr>
<td>City of London</td>
<td>25,000</td>
<td>£6.8bn</td>
</tr>
</tbody>
</table>

City fringe, office take-up by floorspace 2014/15

- Creative / tech industries 34
- Business services 25
- Professional 17
- Banking and finance 9
- Consumer services & leisure 9
- Manufacturing, industrial & energy 3
- Public sector / regulatory body 3
- Insurance 0

Recent business moves to the City fringe and surrounding areas

01. CBS Interactive/Farfetch/Allegis
02. Mind Candy
03. Comparethemarket.com
04. OpenTable
05. Amazon
06. Bloomberg
07. Publicis
08. Expedia
09. Ashurst
10. Uber
11. Easyjet
12. M&G
13. ING Bank
14. Guardian Media Group
15. Blinkbox
16. Deloitte
17. Ogilvy & Mather
18. Facebook
19. Google
20. Havas

Number of employees

- City of London 45,000
- Camden 40,000
- Islington 35,000
- Tower Hamlets 30,000
- Hackney 25,000
- Old Street 20,000
- Liverpool St. 15,000
- Shoreditch High St. 10,000
- Farringdon 5,000
- Liverpool Street Bank 0
Traditionally, the City was focussed solely on office development, however, in recent years this has changed. The City of London Corporation now encourages residential development along with a range of other uses including retail and restaurants. As a result, from its current level, the resident population of the City is forecast to increase by almost 50% by 2021, from 8,000 to 12,000 people with the number of households increasing by a similar margin.

In addition to the rising popularity of the City as a residential location, homes in the previously unloved City fringe are also in high demand. The area’s transformation was originally set in motion in the 1980s when a pioneer population of artists and other creatives established themselves in Shoreditch, Hoxton and Clerkenwell. It was those pioneers who transformed the neighbourhoods into the trendy and eclectic areas they are today. The result is that the districts of the City fringe are now extremely popular places to live and draw people from across London, including the employment hubs of the City, Canary Wharf and the West End. As a result, the City and its fringe are now dominated by the socio-demographic group known as ‘City Prosperity’ – one of the highest earning social groups. They work in high-status positions in key financial and professional organisations and command substantial salaries. The expansion of the tech industry is also bringing a new wave of residents to the area.

Furthermore, the high earners living in the City fringe are relatively young. The City has the more traditional age profile, with a quarter of residents earning over £60,000 per annum aged between 18 and 35; similar to the West End. In the City fringe however, this increases to 42%.

The increasing desire to live in the City and its fringe neighbourhoods has translated in high demand for homes in the area. Specifically, the number of people living in the private rented sector has increased by a huge proportion. In the City, the number of private rented households increased by 50% in the decade between 2001 and 2011. In the fringe neighbourhoods this increase was even higher, with the sector more than doubling over the same period. This has resulted in an additional 5,750 households privately renting across the City and its fringe neighbourhoods. As London’s population continues to migrate east, and affordability constrains buyers, this growth of the private rented sector across the area is set to continue.
The City and City fringe
Local housing markets

As previously highlighted, the diversification of the City has led to increased demand for homes in the area. Its amenities now cater for a resident population, rather than just daily workers, and as a result the City is now a desirable area to live. The number of privately rented households has already increased by 50%, which is set to continue as the resident population is forecast to grow by another 4,000 by 2021.

In conjunction with the City, we have also analysed the housing markets of five of the most popular neighbourhoods in the City fringe, each with their own local characteristics. It is this diverse collection of neighbourhoods that makes the area so appealing to a range of people.

Since 2010 the price of apartments in these neighbourhoods has increased by 47% on average, outperforming wider London by 8%. In Q1 2016, an apartment in these neighbourhoods sold for an average of £690,000 compared with £580,000 across London.

Overall, the private rented sector in these neighbourhoods has more than doubled in the decade between 2001 and 2011, equating to an additional 5,250 households. Yields across the neighbourhoods are fairly uniform and currently average 3.2% (gross). Asking rents average just over £2,200pcm, having grown by 3.9% in the past year.
The City

In recent years, the City’s housing market has recorded significant growth, and average house prices now contend with those in prime central London. In addition, high demand for rental properties has translated into robust growth of rental values across the City.

The housing market in the City has performed strongly. Over the last five years, average apartment prices have increased by 81%, equating to annual growth of 12.6%. In comparison, London property prices have increased by 39% in the same period, or 6.8% per year.

As a result, the average sale price of a City apartment was £980,000 in Q1 2016 – 70% higher than the London average of £580,000.

The increase in the number of households in the City’s private rented sector has meant the rental market has performed strongly. According to Rightmove, average asking rents for a 2 bed apartment in the City in Q1 2016 were £3,175pcm; up from £2,500 five years ago. Gross yields currently average 3.9% per annum and rental growth has averaged 6.2% per annum over the last five years, compared with 4.9% across London.

The City

Average apartment price

£980,000

Total house price growth since 2010

81%

Annual house price growth since 2010

12.6% pa

Growth of private rented sector
(2001 – 2011)

50%

Average house price index

Average gross yield and asking rents in The City

Average asking rent (pcm) Average gross yield (HHS)
Clerkenwell

Once the Thameslink upgrade and Crossrail are complete, Clerkenwell will become a keystone of London’s transport network. Farringdon station will become one of the UK’s busiest rail stations, linking Crossrail, Thameslink and London Underground services. In addition, a further 200,000sq ft will be delivered from oversite development at the new Crossrail station, providing a brand new work and social hub in the area.

Clerkenwell is perhaps the most established and best connected of the City fringe neighbourhoods. Its rise began more than 30 years ago and today it is the location of choice for the advertising and media industry. It is set to be further transformed with the arrival of Crossrail at Farringdon station in 2018.

Average apartment price

£771,000

Total house price growth since 2010

55%

Annual house price growth since 2010

9.2% pa

Growth of private rented sector
(2001 – 2011)

95%

Average house price index

Average apartment price index

Average asking rent (pcm)

One bed apartment

£1,920

Average asking rent (pcm)

Two bed apartment

£2,670

Average annual growth

3.6% 2.9%

Average gross yield

3.5% 3.1%

Clerkenwell London


Average Asking rent (pcm) Average gross yield

Shoreditch is perhaps the best known of the City fringe neighbourhoods. Along with neighbouring Clerkenwell it was one of the first settlements for a new breed of young creatives, which laid the foundations for its huge rise in popularity.

Shoreditch’s transformation began in the 1980s when a pioneering artistic community moved in. This was then complimented by new restaurants, cafes, bars and shops that saw the opportunity to capitalise on this influx. As a result, the area has essentially mirrored Chelsea which, once regarded as London’s bohemian quarter, now hosts investment bankers and film stars. The influx of a young creative demographic to Shoreditch made the area significantly more attractive and, as with Chelsea, the bankers and insurance brokers eventually started to move in.

Today, Shoreditch is the heart of Tech City, with Silicon Roundabout within its borders. Soon it will host the UK headquarters of Amazon and the retailer’s new offices at Principal Place will provide capacity for over 5,000 employees.

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**Average apartment price**

£781,000

**Total house price growth since 2010**

60%

**Annual house price growth since 2010**

9.8% pa


154%

**Average house price index**

- Shoreditch
- London

**Average gross yield and asking rents in Shoreditch**

- One bed apartment: £2,160
- Two bed apartment: £2,910

- Average asking rent (pcm)
  - 2005: £1,000
  - 2015: £1,400

- Average annual growth
  - 2005-2015: 6.7%

- Average gross yield
  - 2005-2015: 3.6%
Spitalfields

Best known for its eponymous market, Spitalfields has a rich history. From its rural beginnings, which mainly catered for a transient community of new immigrants, it has evolved into one of East London’s most vibrant neighbourhoods.

Once regarded as one of the most deprived neighbourhoods in London, Spitalfields has undergone a dramatic transformation. In 2005 the regeneration of Spitalfields Market was completed, which resulted in not only a new market, but also two new public spaces, a public arts programme, an events programme and the restoration of several historic streets. Recent regeneration has also seen the erection of modern office blocks between Bishopsgate and Spitalfields. As a result of this regeneration and an expanding employment base, its housing market has experienced significant growth. However, with much of the market designated as a conservation area, there is very little new development.

Average apartment price

£596,000

Total house price growth since 2010

59%

Annual house price growth since 2010

9.7% pa

Growth of private rented sector

(2001 – 2011)

164%

Average apartment price index

Average house price index

Average gross yield and asking rents in Spitalfields

One bed apartment

Two bed apartment

Average asking rent (pcm)

£1,860

£2,350

Average annual growth

5.2%

4.3%

Average gross yield

3.3%

3.3%
Wapping

The once derelict warehouse district of Wapping has been rapidly transformed and homes in the area are now in extremely high demand.

Wapping remained largely derelict after the end of the Second World War, and was overlooked as a residential location. However, in the 1980s the London Docklands Development Corporation started to convert Wapping’s abandoned warehouses into luxury flats and the area has since undergone a complete transformation. Wapping further benefited from the new East London Line, opened in 2010.

Ironically, the largest residential development in the area is currently London Dock; the same site where many houses were destroyed in order to accommodate the original shipping dock. This development will completely revitalise the area, bringing new homes along with public and community spaces and associated amenities. This will complement and enhance the already extensive range of restaurants and shops at neighbouring St Katherine Docks.

Average apartment price

£604,000

Total house price growth since 2010

26%

Annual house price growth since 2010

4.7% pa

Growth of private rented sector (2001 – 2011)

71%

Wapping

Average asking rent (pcm)

£1,770

£2,420

Average annual growth

4.5%

3.8%

Average gross yield

3.3%

2.9%
Whitechapel

Once only known for its extreme poverty and the epitome of ‘Dickensian’ London, Whitechapel is now home to a range of creative businesses. Its property market has seen strong growth, yet its prices are the lowest of all the neighbourhoods in the City fringe, making it an increasingly popular residential location.

Whitechapel was the site of many of East London’s breweries, tanneries, foundries and slaughterhouses. Today, the area hosts an increasing number of creative and technology businesses; Uber, one of the world’s fastest growing technology companies, recently moved its headquarters to Aldgate Tower in Whitechapel.

The area will further benefit when Whitechapel station opens to Crossrail in 2018. This will be an important interchange between the east and south-east sections of the route and will support the economic growth of the surrounding area. Journey times to Heathrow will be just 39 minutes, whilst Whitechapel to Canary Wharf or Liverpool Street will be reduced to just 3 minutes.

Average apartment price

£535,000

Total house price growth since 2010

45%

Annual house price growth since 2010

7.7% pa

Growth of private rented sector (2001 – 2011)

145%

Average house price index

Average gross yield and asking rents in Whitechapel

### Average gross yield and asking rents in Whitechapel

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<thead>
<tr>
<th>Year</th>
<th>One bed apartment</th>
<th>Two bed apartment</th>
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<tbody>
<tr>
<td>2005</td>
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<td>2015</td>
<td>£2,880</td>
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### Average asking rent (pcm) and Average gross yield (RHS)

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<tr>
<th>Year</th>
<th>Average asking rent (pcm)</th>
<th>Average gross yield</th>
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<tbody>
<tr>
<td>2005</td>
<td>£1,600</td>
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