Knight Frank

Interland Group

INNER EAST LONDON DEMAND STUDY

Panda House, 628 Commercial Road, E14 7HS

DEMAND ASSESSMENT & MARKET ANALYSIS

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Tower Hamlets has experienced strong rental growth of **1.73%** per annum over the last 5 years to 2020 and is projected to grow **2.24%** per annum over the next five years.	There are an estimated **36,134** 'sharers' living in the private rented sector in Tower Hamlets and this figure is projected to grow **10%** by 2024.	Tower Hamlets Borough Council estimates that there are HMO licenses against **9,000** properties (Local Authority Housing Statistics 2018/19), providing an estimated **20,700** HMO licensed bedspaces. There are no schemes identified as co-living currently in operation within Tower Hamlets.	There is an estimated shortfall of **15,434** HMO bedspaces across Tower Hamlets.Housing market evidence indicates that short term private rental listings and rental listing overall, have decreased year on year in the borough.
Asking rents for short-term accommodation in Tower Hamlets are significantly **higher** than those for long term accommodation. This highlights a lack of supply of affordable short-term rental accommodation for those on lower budgets.	Tower Hamlets has the **highest** housing target in the adopted London Plan, however, over the last three years there has been an average annual shortfall of **695** homes.	There are approximately **16,089** private rented sector (PRS) properties within Tower Hamlets in the year to May 2020 – the lowest volume of listings in over five years **(-25%** compared to 2016/17).	If you consider the projected supply-demand imbalance over the next five years, the shortfall of HMO and co-living bedspaces is expected to widen even further with potentially **19,081** 'sharers' living in non-purpose built accommodation in Tower Hamlets.
House prices in Tower Hamlets have increased by **60%** since 2010, and in the last year has outstripped wider markets. Prices in the borough have increased by **4%** since 2018 compared to 1.3% across London as a whole.	Tower Hamlets experiences high levels of inward and outward migration among young age cohorts, with **19,100** incoming and 18,236 outgoing individuals aged 20 to 34 in 2018, this represents a net growth through migration of this age cohort. In our latest UK Tenant Survey in section 1.3, we have identified this age cohort have highest propensity for sharer households.	There are **17** PRS schemes currently under construction representing **8,119** units. There are no schemes identified as co-living in the development pipeline within Tower Hamlets.	As outlined in section 4.10.3 of the Draft London Plan, 'well-designed one- and two- bedroom units in suitable locations can attract those wanting to downsize from their existing homes', and as a result, has the 'ability to free up existing family stock.'

1. INTRODUCTION

Knight Frank Research has been instructed by Interland Group Accommodation to produce a bespoke demand and needs assessment in support of a proposed short-term HMO/co-living development at Panda House, Commercial Road in Limehouse, East London (E14 7HS).

This report provides the following analysis:

- Overview of the private rented sector (PRS) market in the UK and London including renter culture
- Market performance and projections
- Demographic characteristics and nature of current demand
- Socio-economic characteristics
- Drivers of demand
- Supply

1.1 PRS Market Overview

There has been a shift towards the private renting sector within the UK housing market in recent years. Demand has grown significantly and is projected to increase further in the coming years.

Between the last two Censuses (2001 and 2011) the number of households in private rented accommodation in the UK increased by 1.8 million or 6.4% per year. Households privately renting now equate to c.5.4 million households (19% of the market). Knight Frank estimate that, if the conditions present during the last few years continue, the demand for rental accommodation in England could grow at a base rate of 3.7% per year.

In terms of supply, the private rented accommodation is largely made up of properties owned by private landlords, many of whom have one or two properties. Some of these private landlords turn to the practice of sub-dividing properties to maximize profits. This can create crammed living conditions but at a much more affordable rate for individuals.

The key reasons we identify as drivers of growth of the demand for privately rented accommodation over the last decade are outlined in Figure 1.

Figure 1: Key reasons for growth in demand for privately rented accommodation

Structural Undersupply of Housing	Social
The UK has failed to build enough houses on a regular annual basis for decades, resulting in a shortfall of new supply relative to demand. Government figures state 241,335 net additional homes were added to England's housing stock during 2018-19 which is some way off the Government's aim of 300,000 new homes required annually to meet past and future demand. This factor has been compounded as average household size has decreased whilst the population has increased.	Although affordability is a key barrier to entry for home ownership there is an increasing requirement for flexibility in the location of where people live and work. People want to live in areas in which they could not afford to buy. There is also a growing cultural shift as people are delaying settling down for longer. These social considerations contribute to the expected 620,000 new rental households in the sector by 2024.
Political	**Affordability**
The government's reduction of tax relief on buy-to-let mortgages and the changes to stamp duty in respect to second homes, is impacting highly leveraged investors and prompting them to sell properties. Further to this, mortgage lending data shows that the number of new mortgages taken out by individual landlords has fallen over the last two years. This will give rise to a large number of tenants who were formerly housed by this sector needing good quality alternative accommodation to rent.	The house price to income ratio has been continuously growing since the financial crisis of 2008, an issue exacerbated by increasing difficulty in obtaining a mortgage. Consequently, this declining affordability has contributed to the number of renters significantly increasing to become the second biggest form of tenure after homeownership.

Source: **Knight Frank Research**

The UK PRS market is estimated to be worth £35bn, which is expected to grow to £75bn by 2025.

Figure 2: Value of the UK PRS Market

| 2019 £35bn | 2025 £75bn |

Source: **Knight Frank Research**

As the PRS market continues to evolve and establish itself in the UK, so segmentation of the market has been a clear trend of late. The splintering of the PRS sector into distinct asset type sub-categories that correlate with the life-cycle of renters from co-living and multifamily/apartment schemes which target the younger demographic, to single family housing schemes aimed at those aged 35+, through to an offering targeting those aged 55+ who are seeking to downsize is becoming apparent. The PRS sub-categories are outlined in Figure 3.

Figure 3: PRS Sub-Category Summary

Buy to Let	Multi-family
The buy to let/private landlord sector still forms the largest part of the private rented sector in the UK and consists of a range of small scale single landlords to larger private landlords with extensive portfolios. Buy to let units often represent inferior quality of accommodation which is not purpose built (i.e. conversions) and are commonly not professionally managed. Legislative changes effecting tax relief on buy-to-let mortgages and stamp duty reforms have influenced highly leveraged buy to let investors and has also reduced the appeal to new entrants.	Drawing synergies with the Purpose Built Student Accommodation market, the emergence of institutional investment into Multifamily (apartment schemes) in the UK was triggered by investor recognition of the opportunity to capture rental growth (driven by the upsurge in renting amongst the younger demographic), whilst driving operating efficiency through high density schemes, efficient unit sizes and on site amenity, or complimentary amenity in close proximity. The suitability of this product is guided toward city centre, brownfield sites, with good access to transport and employment pools.
Co-living	**Single Family Housing**
The emergence of the Co-Living concept, along with Co-Working, has prompted recent momentum in community-led environments, benefitting from more amenity space, micro-accommodation and flexibility. Co- Living may be viewed as a sub-section of apartment led Multifamily accommodation, which attracts a demographic of 21+, typically postgraduate and young professionals, the concept is for convenience and affordability driven accommodation, accessing a range of on-site facilities, and smaller living spaces.	As the residential investment market matures, the pursuit of investment at scale has opened up the discussion to explore the deepest pools of consumer demand. The age bracket 35+ demonstrates a similar trend to the younger tier towards renting. Whilst the trend is less pronounced and home ownership remains a target, flexible suburban housing for singles and families over the age of 35 is sought after. The attraction for investors is primarily driven by a tendency to offer longer tenancy terms, and lower operating costs, whereby schemes do not require extensive communal cleaning, maintenance of cores, lifts and on site amenity.

Source: **Knight Frank Research**

1.2 Growth of the Private Rented Sector

The demand for privately rented homes in England has growth significantly. In 1991, less than 10% of households in England were private renter households, but by 2019 this share increased to 19% (see Figure 4).

Official household projections predict the creation of 1.09 million new households over the next five years. Knight Frank's tenure distribution model predicts that 354,730 of these new households will be in the private rented sector.

Tenure trends when analysing London in isolation from the rest of England. Whilst London and England follow the same broad trend of an increase in private renters, private renters account for a much larger proportion of total households in London.

In London, PRS households account for 27% of all households, compared with 19% for England as a whole (see Figure 5). This variation is likely to be attributed to a combination of affordability constraints, with rents being much higher in London compared with regional locations, as well as the cultural desire for a more flexible lifestyle. The desire for flexibility also leads to increased demand for short-term rental accommodation to allow tenants to take up short-term employment, training or educational opportunities.

Figure 4: Growth of the Private Rented Sector in England
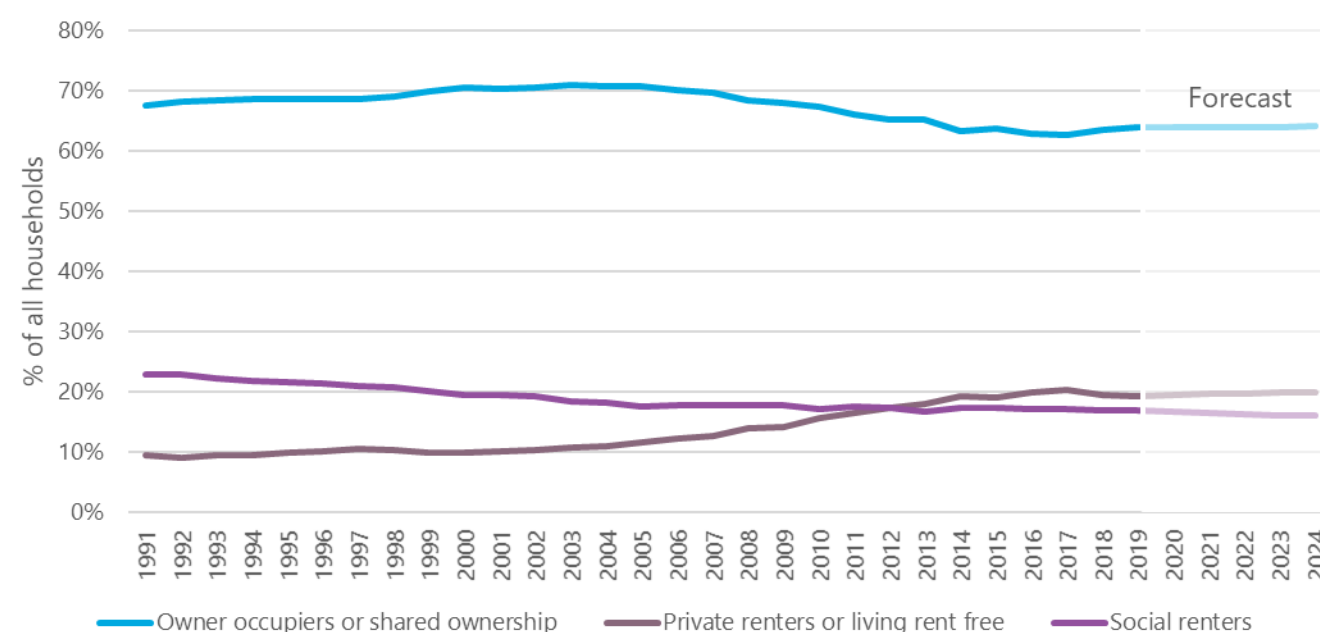
Source: **Knight Frank Research 1980 to 1991: DOE Labour Force Survey Housing Trailer, 1992 to 2008: ONS Labour Force Survey; 2008-09 onwards: English Housing Survey, full household sample**

Figure 5: Growth of the Private Rented Sector in London
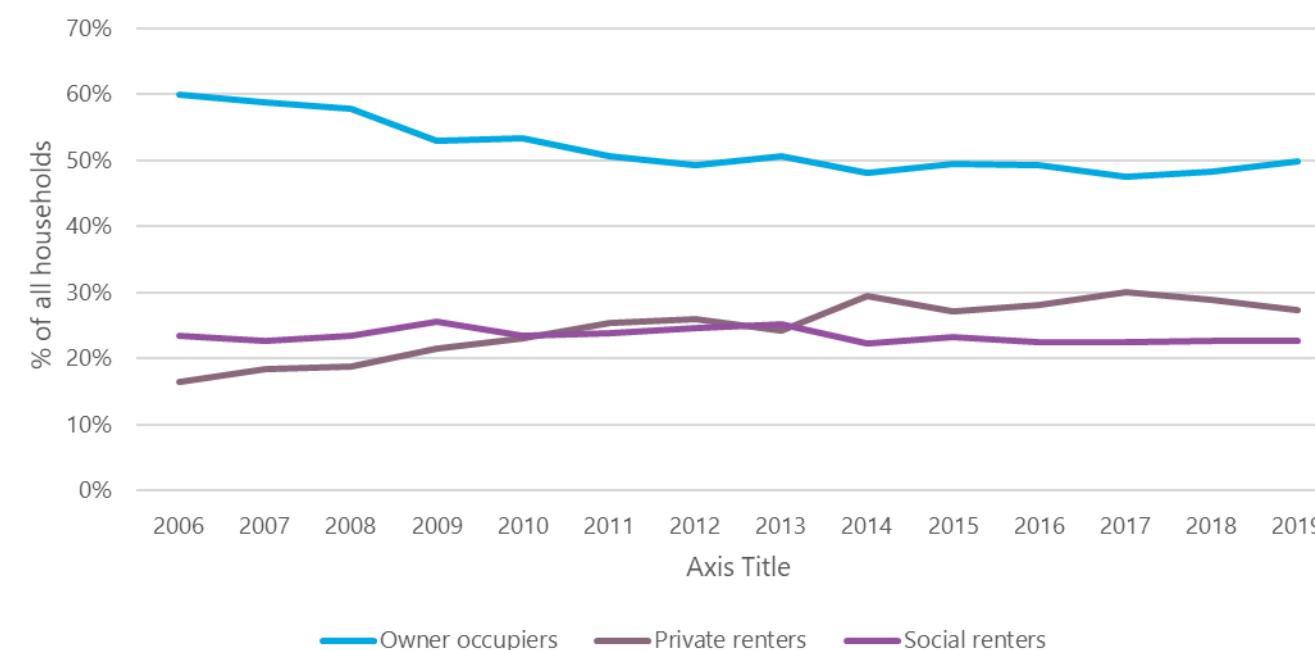
Source: **Knight Frank Research, English Housing Survey**

1.3 Renter Culture

The UK Tenant Survey 2019, carried out by Knight Frank Research, represents the view of 5,000 tenants in the private rented sector as well as 5,000 homeowners.

We have identified the main types of tenant in the private rented sector by grouping together those with similar socio-demographic characteristics (see Figure 6).

Figure 6: Knight Frank Tenant Survey 2019: Tenant Types

iGens
Early twenty-somethings about to graduate or in first job, urban living
Age: **under 25**

Nesters
Millenials to forty-something couples, urban living
Age: **25-49**

Soloists
A flat of one's own from millienial to forty-something, usually city living
Age: **25-49**

Sharers
Millenials to forty-some-things sharing with friends
Age: **25-49**

Families
Young families, usually with dependent children
Age: **under 35**

Families with dependent or non-dependent children
Age: **over 35**

Active Living
Longer-term renters, usually in employment

Soloists
Age: **50-64**

Couples
Age: **50-64**

Baby Boomers
Retired people living in the rented sector
Age: **over 65**

Source: **Knight Frank Tenant Survey 2019**

In the UK, more than one third of tenants are Nesters (18%) or Mature Families (17%). This is in contrast with London where the highest share is held by Sharers, who account for 27% of all tenants in London (see Figure 7 and Figure 8).

Figure 7: Knight Frank Tenant Survey 2019: Tenant Types – UK

iGen	Nesters	Soloists	Sharers	Young Families	Mature Families	Active living couples	Active living singles	Baby boomers
10%	18%	11%	11%	9%	17%	8%	6%	10%
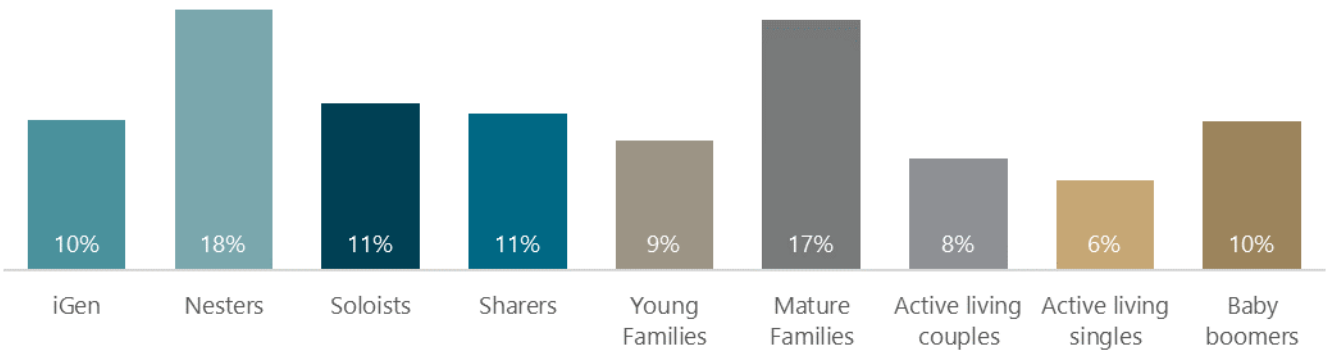
Source: **Knight Frank Tenant Survey 2019**

Figure 8: Knight Frank Tenant Survey 2019: Tenant Types – London

iGen	Nesters	Soloists	Sharers	Young Families	Mature Families	Active living couples	Active living singles	Baby boomers
10%	23%	10%	27%	6%	10%	6%	4%	5%
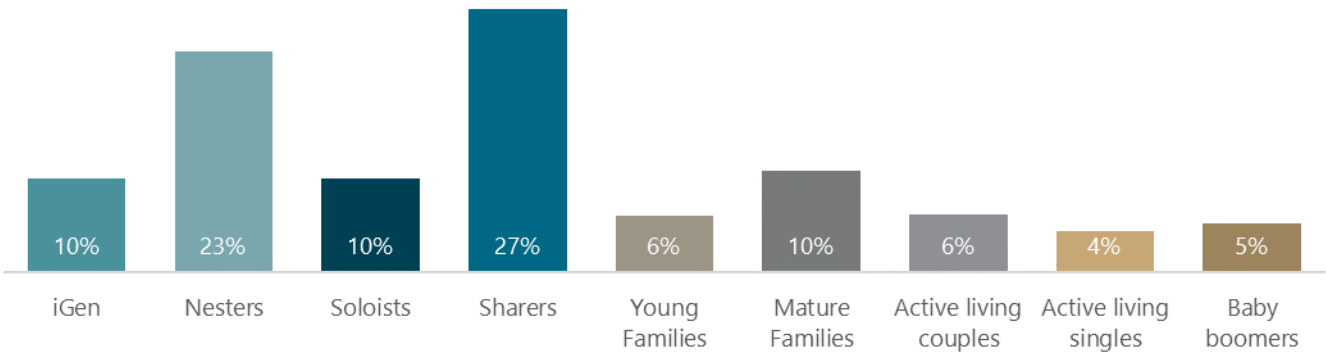
Source: **Knight Frank Tenant Survey 2019**

In our 2019 Tenant Survey, we asked tenants to choose the primary reason that they are renting (see Figure 9). The majority of respondents said their main reason for renting was a lack of mortgage deposit. However, this varies across tenant types, being more prominent among those who are more likely to be concerned with climbing the housing ladder, such as Couples and Young Families.

Living in an area they otherwise wouldn't be able to afford was cited as a reason for renting by one in ten respondents, and is consistent across tenant types. Older renters are concerned with avoiding the responsibility of owning a home and downsizing.

Younger renters are motivated by flexibility due to work and not wanting to be anchored in one location. These were the second and third most popular reasons for renting among iGens and this demonstrates that renting can be a choice based on lifestyle and is not exclusively based on affordability. These tenant attitudes and motivations demonstrate demand for short-term rental accommodation in the capital.

Figure 9: Knight Frank Tenant Survey 2019: Why are you renting?
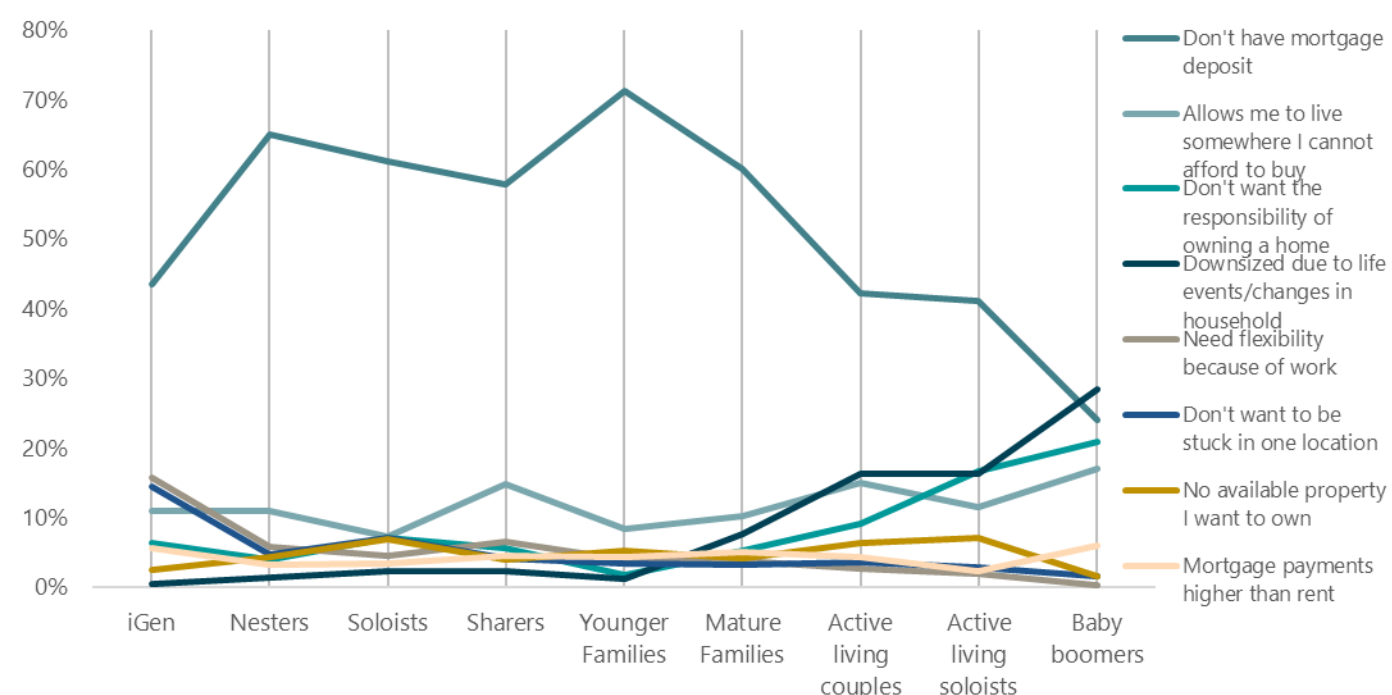
Source: **Knight Frank Tenant Survey 2019**

The survey revealed that 61% of tenants feel that staying within budget is the most important factor when choosing a property, highlighting that tenants tend to be affordability conscious. This evidences demand for HMO-style accommodation, which is typically at the mid to lower end of the market in terms of pricing. Location is the second most important factor for renters (see Figure 10).

Figure 10: Knight Frank Tenant Survey 2019: What is the single most important factor when choosing a property?
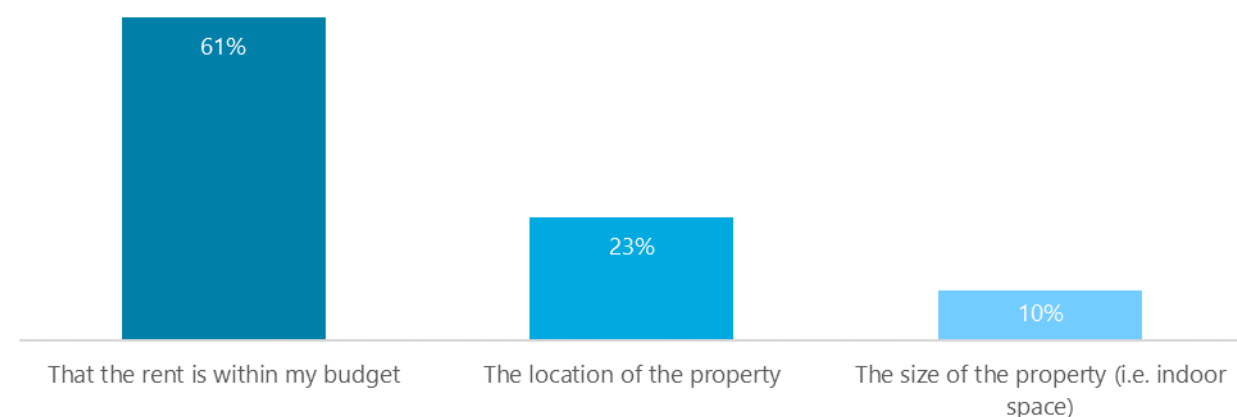
Source: **Knight Frank Tenant Survey 2019**

Affordability is not only key when choosing a property but also when choosing an area in which to live. Getting to work easily is the second most important factor for tenants when choosing where to rent (see Figure 11). This supports the provision of rental accommodation at Panda House, as the property is located within easy reach of two of London's major employment hubs: Canary Wharf and The City of London.

Figure 11: Knight Frank Tenant Survey 2019: What is the most important factor when choosing a location?
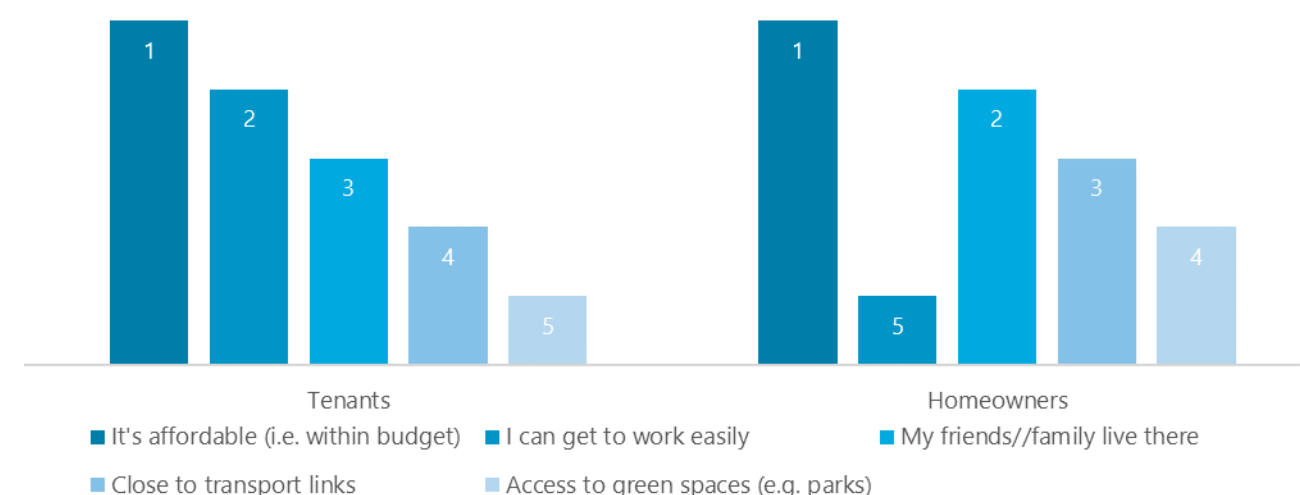
Source: **Knight Frank Tenant Survey 2019**

As getting to work easily is the second most important factor for tenants when choosing where to live, analysing their journey times is highly relevant.

Across the UK, approximately one third of renters travel for between 15-30 minutes to get to work. In London, commutes tend to be slightly longer, with 66% of tenants travelling for more than 30 minutes, compared to just 40% across the UK (see Figure 12). The location of Panda House supports demand for privately rented accommodation as it would provide excellent journey times to employment opportunities in both Canary Wharf and The City of London within c. 12 and 10 minutes respectively.

Figure 12: Knight Frank Tenant Survey 2019: How long is your journey to work/main occupation?
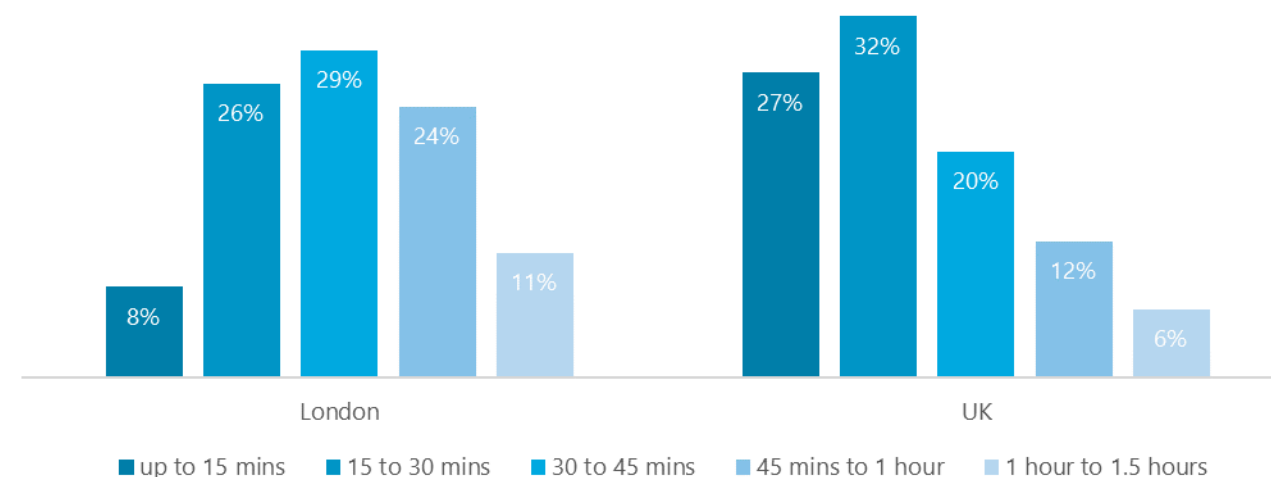
Source: **Knight Frank Tenant Survey 2019**

Expectations of tenure in three years' time varies considerably across tenant groups. Just 50% of Nesters expect to be renting in three years, whilst 93% of Baby boomers and 74% of iGens expect to still be in private rented accommodation. This demonstrates that privately renting is becoming a long-term tenure choice for many groups of tenants (see Figure 13).

Figure 13: Knight Frank Tenant Survey 2019: In three years' time do you expect to be renting or own a home?

	I expect to be renting in three years' time	I expect to live in a home I own in three years' time
iGen	74%	26%
Singles	63%	37%
Nesters	50%	50%
Sharers	67%	33%
Younger Families	64%	36%
Mature Families	69%	31%
Active living couples	78%	22%
Active living singles	83%	17%
Baby boomers	93%	7%
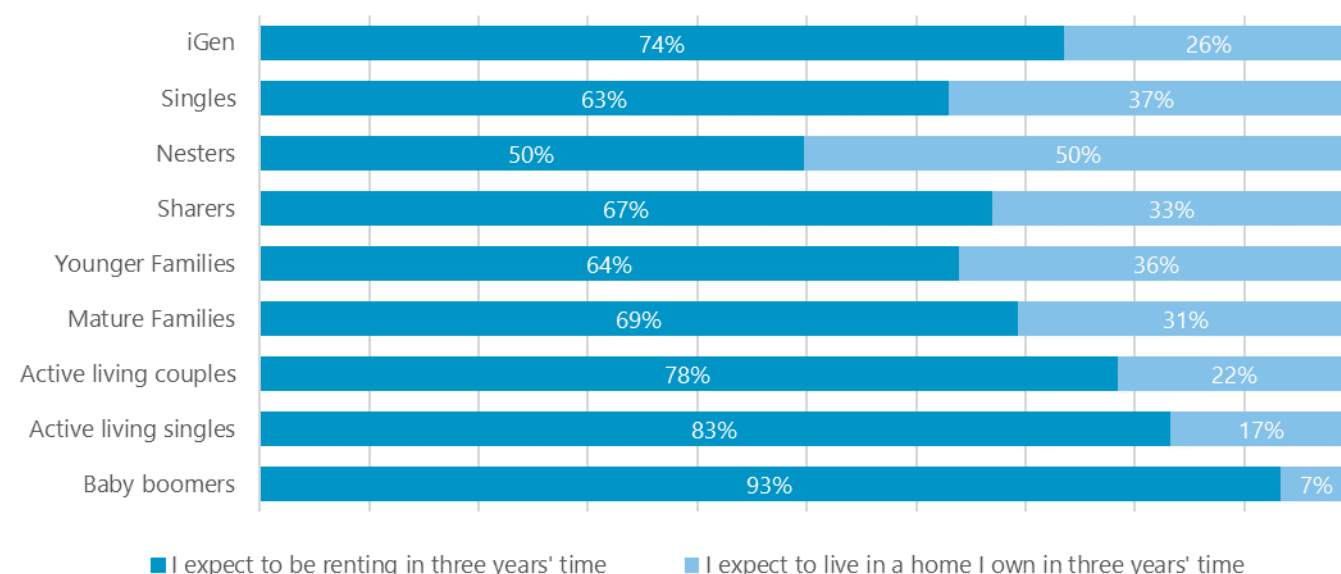
Source: **Knight Frank Tenant Survey 2019**

Our survey asked respondents whether they would definitely or probably pay a higher rent for specific amenities. The most popular amenity was an en-suite bathroom, which 45% of respondents said they would pay higher rent for. 40% said they would pay a higher rent for dedicated secure parking and 38% would pay more for weekly cleaning. 19% said they would pay higher rent for a 24 hour concierge and 18% said they would pay more to be near highly rated schools.

Figure 14: Knight Frank Tenant Survey 2019: % of renters who definitely or probably would pay a higher rent for an amenity

Amenity	%
en-suite bathroom	45%
	40%
weekly cleaning	38%
	32%
high end modern...	31%
	30%
communal roof...	29%
	28%
private winter...	28%
	26%
walk-in wardrobe	25%
	21%
24hr concierge	19%
	18%
highly rated schools	18%
	18%
sports court	16%
	16%
bike storage	15%
	13%
dry cleaning	12%
	10%
technology lounge	10%
	10%
co-working space	8%
	7%
car pooling	7%
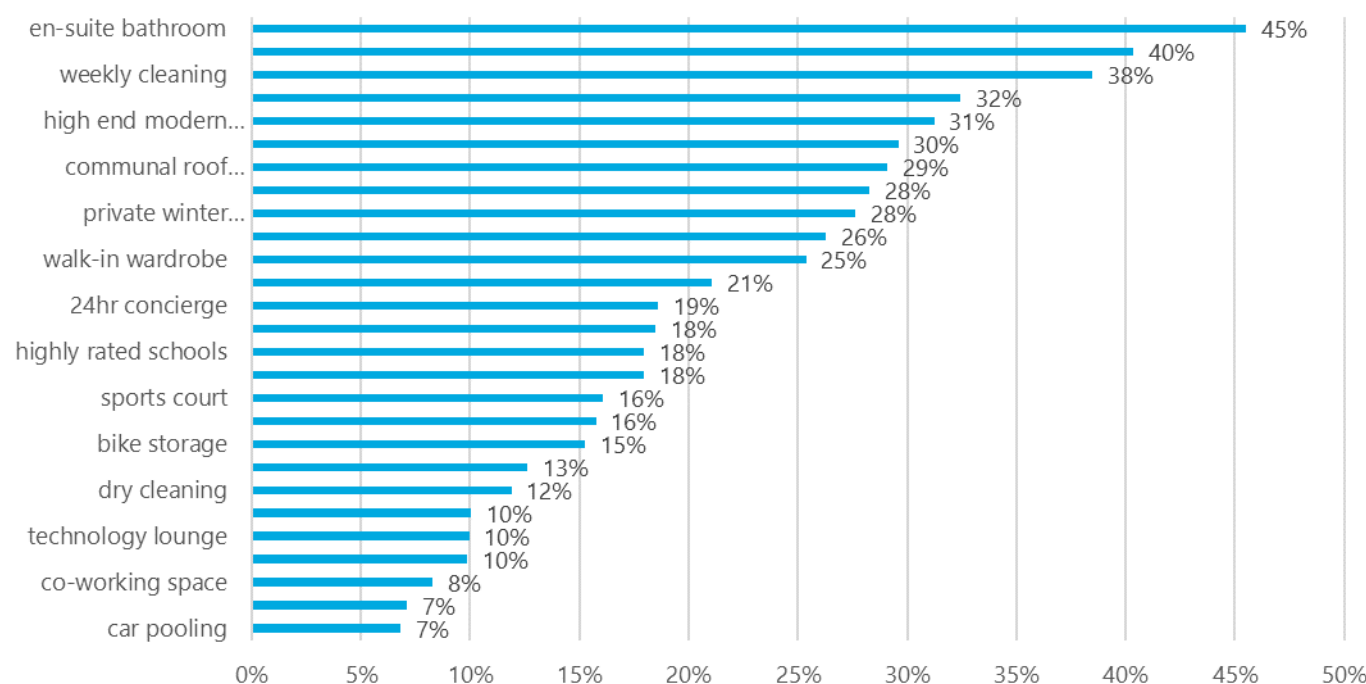
Source: **Knight Frank Tenant Survey 2019**

1.4 Catchment & Context for HMO Accommodation

We have defined the catchment as a 20 minute walk time of the subject site (see Figure 15), which we will refer to as the "local area". This is calculated using network analyse software using all roads/pathways known at the time of the analysis. Where appropriate we will benchmark our analysis against Tower Hamlets and/or London as a whole. Where granularity of data prevents analysis of the local area, we will analyse Tower Hamlets.

The site is located within the London Borough of Tower Hamlets in east London and is within close proximity of a range of amenities such as shops, cafes/food outlets and leisure facilities. The housing stock in the local area is extremely varied, featuring period terraced housing, 1960s blocks as well as new build flats.

Panda House is extremely well located for access to public transport, with Limehouse Station located c.0.2 miles to the east, providing access to the DLR and mainline c2c services. The DLR provides regular services to the major employment hubs of Bank and Canary Wharf within 10 minutes and 12 minutes respectively, as well as to London City Airport within 20 minutes. Fenchurch street is accessible via the c2c within c. 5 minutes.

Panda House has a Public Transport Access Level (PTAL) rating of 5 and therefore demonstrates a strong level of connectivity (see figure 15). The PTAL rating combines information about how close public transport services are to a site and how frequent these services are. The highest level of connectivity has a PTAL of 6b and the lowest has a PTAL of 0. As per the London Plan, sites with better connectivity provide opportunities for development at higher densities and for sustainable development that reduces the need to travel by car. As previously mentioned, transport connectivity is a key driver of demand for privately rented accommodation.

Figure 15: Local Area Transport and Connectivity
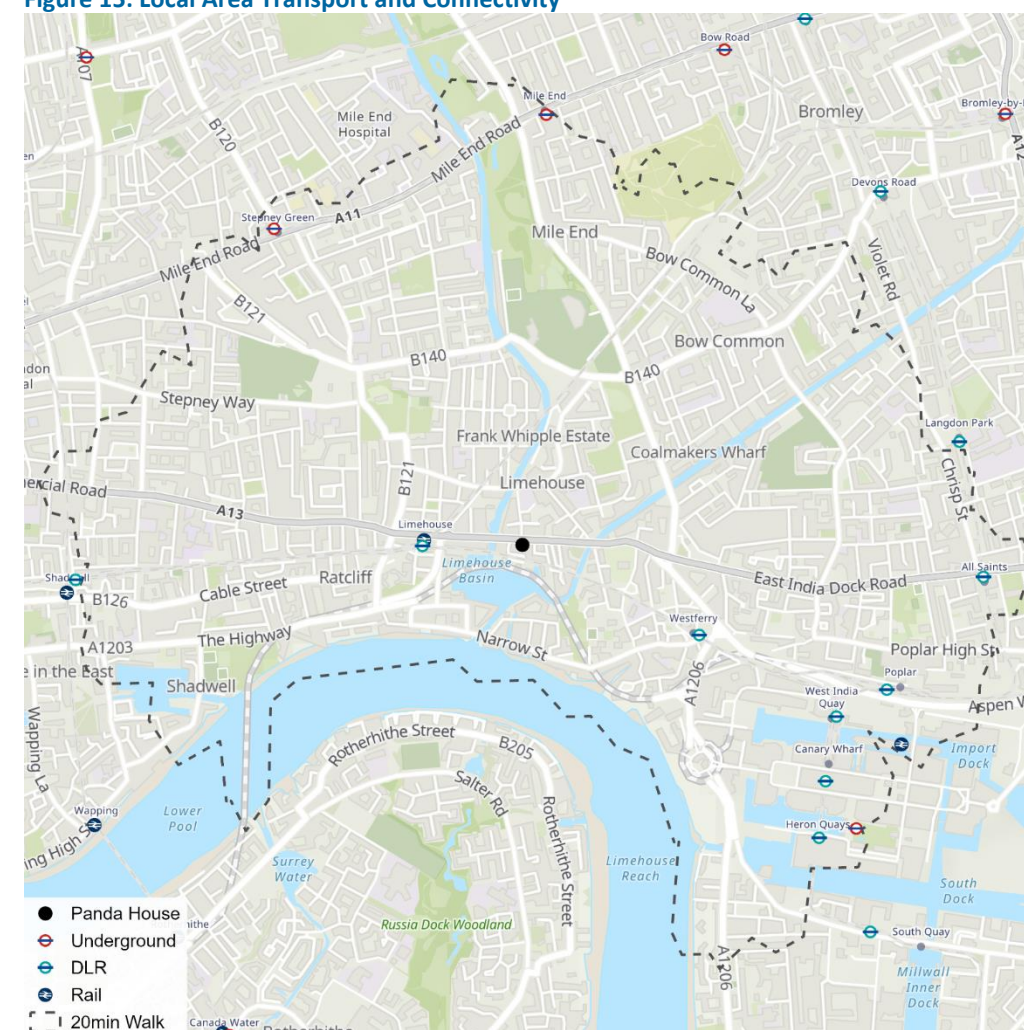
- ● Panda House
- ⊖ Underground
- ⊖ DLR
- ⊕ Rail
- ⌁ 20min Walk

Source: **Knight Frank Research**
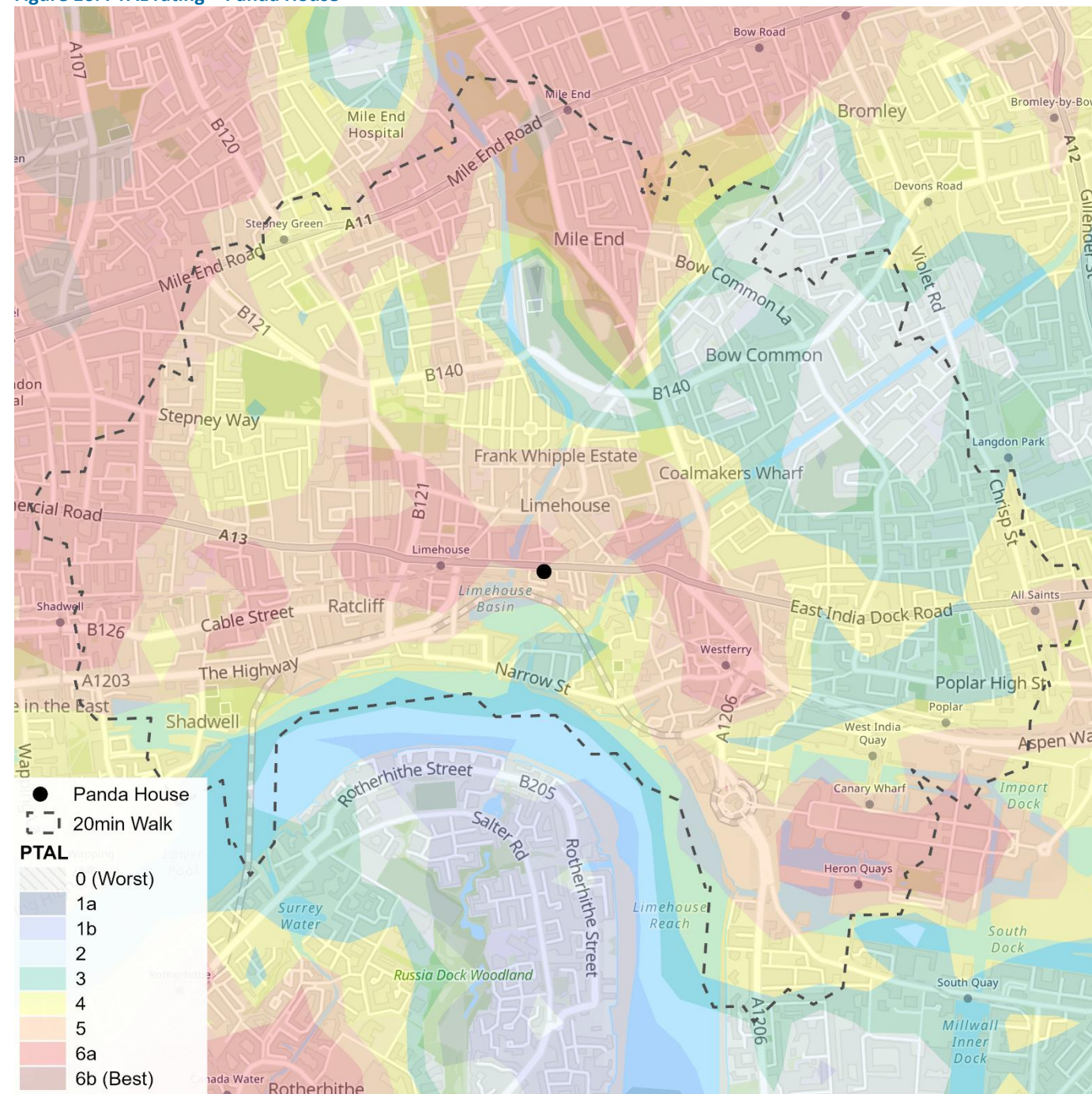
Source: **Knight Frank Research**

Summary

- Growth in the PRS sector in the UK is underpinned by a structural undersupply of housing, social factors such as a cultural shift towards flexibility, political changes including reduction of tax relief for buy to let mortgages, and affordability.

- Renters are motivated by affordability, access to transport and employment opportunities, and young renters increasingly require flexibility, which can be served by short-term rental accommodation.

- The subject site is located between the employment hubs of Canary Wharf and The City of London and is very well served by public transport links within close proximity, rendering it in an excellent location for short-term rental accommodation.

2. MARKET PERFORMANCE

2.1 Rental Distribution

Table 1 shows average asking rents in Tower Hamlets over the past 12 months. The average monthly rent for a long-term, self-contained two bedroom flat in Tower Hamlets is just over £1,400 per bedspace pcm (£2,808 for entire property). On a short-term basis, the average monthly rent for a two bedroom apartment £1,779 per bedspace pcm (£3,558 for entire property), which is over £360 more expensive.

This differential between short and long is consistent across the other property listings and illustrates that on average, short-term rental accommodation in the borough is significantly more expensive than its long-term counter parts. Those seeking short-term accommodation do not necessarily have higher budgets than those seeking long-term accommodation. This creates a potential affordability issue for those seeking short-term accommodation and evidences a lack of supply of more affordable short-term accommodation.

Table 1: Average Asking Private Rents in Tower Hamlets by Property and Bedspace 2019/20

Type	Long terms (6+ months)		Short term (<6 months)	
	Average Property Rate	Average Bedspace Rate	Average Property Rate	Average Bedspace Rate
Studio	£1,721	£1,721	-	-
1 bed	£2,118	£2,118	£2,807	£2,807
2 beds	£2,808	£1,404	£3,558	£1,779
3 beds	£3,777	£1,259	£4,818	£1,606
4 beds	£3,465	£866	-	-
5+ beds	£4,070	£814	-	-

Source: **Rightmove, Knight Frank Residential Research**

Figure 17 illustrates the distribution of private rents across Tower Hamlets over the past 12 months on a per bed space basis. As would be expected, as the number of bedrooms/sharers increases, the average monthly rent per person decreases. This drives those who are motivated by affordability towards larger shared properties, including HMOs, where rents for a room are lower. Large proportions of HMO stock in London is typically run by buy-to-let landlords without professional management. This often leads to issues such as overcrowding and poor quality accommodation.

Furthermore, those seeking short-term HMO accommodation but are unable to afford the premium rents shown in Table 1, are often left with few other options other than to sublet a room on an informal basis, which can again leave tenants vulnerable to inefficient management.

Overall, as a short-term HMO style accommodation, Panda House is likely to provide for a gap in the market for more affordable, professionally managed short-term, rental accommodation.

Figure 17: Distribution of Private Rented Listings by Price per Bed Space and Housing Type in Tower Hamlets 2019/20
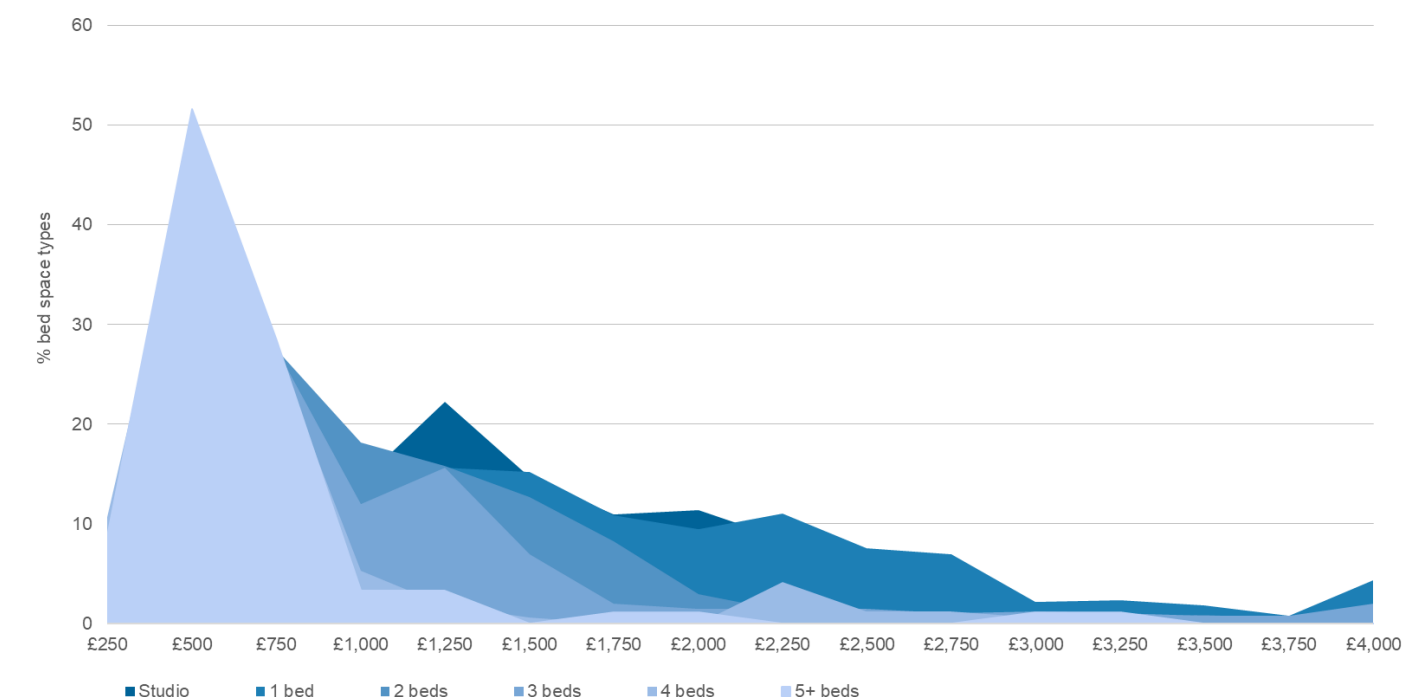
Source: **Rightmove, Knight Frank Residential Research**

Figure 18 below is a heat map illustrating the average rents per room within a 20 minute walk time of Panda House. As you can see there is a large variation in average rents across this catchment with the largest proportions of sections averaging £1,000 or less per room pcm. The rents where Panda House is located are on average £1,200 or more per room pcm.

Figure 18: Heat map of average rents per room within a 20 minute walk time of Panda House

Average Rent Per Room
- ● Panda House
- 20min Walk

■	> £1,500
■	≤ £1,500
■	≤ £1,300
■	≤ £1,200
■	≤ £1,000
■	≤ £900
■	≤ £800
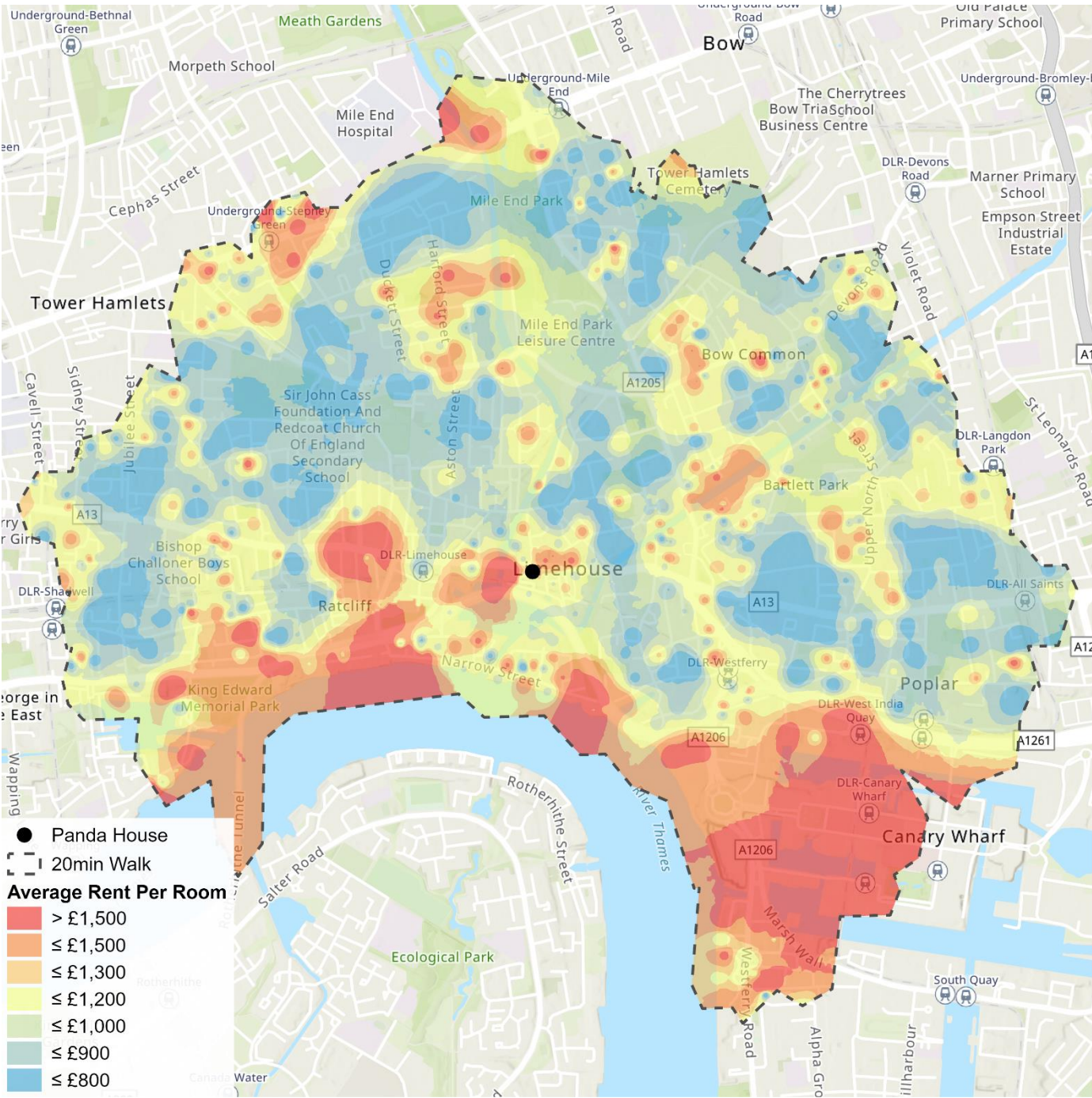
Source: **Rightmove, Knight Frank Residential Research**

2.2 Historic Rental Growth and Projections

As shown in Figure 19, rental growth in the local area has broadly tracked that of the wider borough of Tower Hamlets since 2009, and both have been below the growth see in London as a whole. On average, historic annual growth in Tower Hamlets has been at 1.73% (in nominal terms), with a growth rate of 8.95% over the previous 5 years.

Projections suggest that annual nominal rental growth within the borough will accelerate to 2.24% per annum, giving a 5 year projected growth period of 11.73%.

Figure 19: Rental Index Comparison - Local Area, Local Authority, and Region vs Inflation (2009=100)
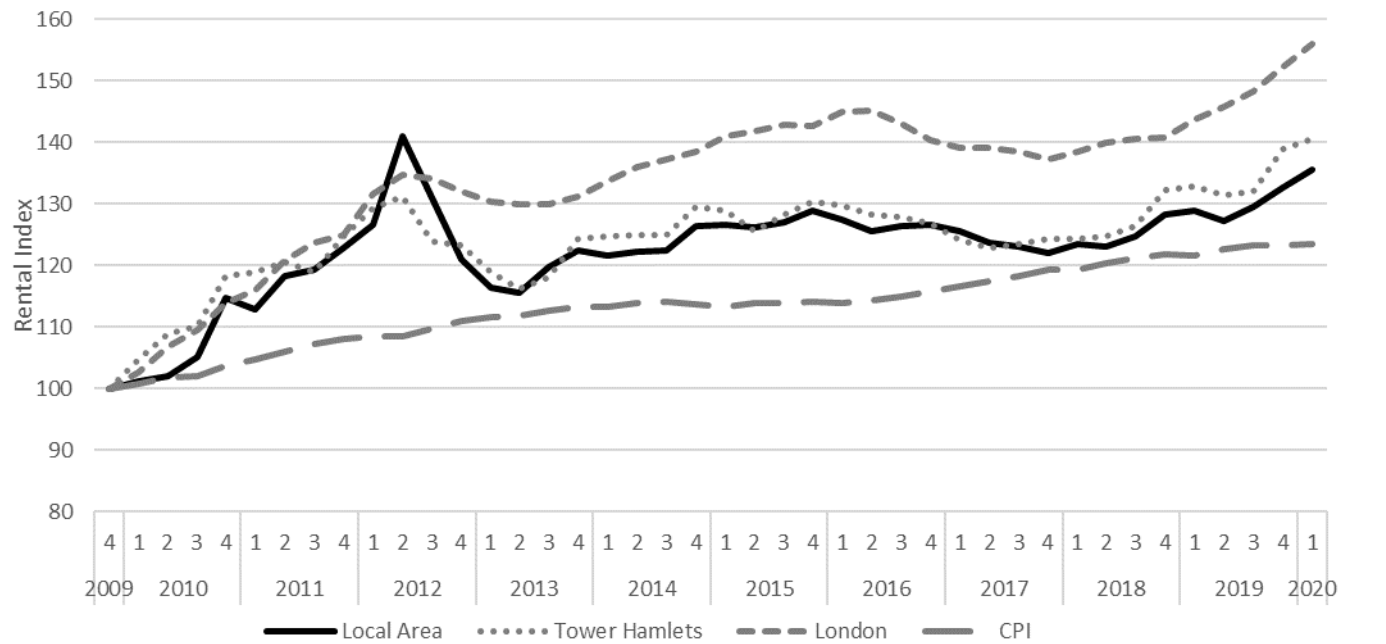
Source: **Knight Frank Research, Rightmove, Twency CI, Experian**

Table 2: Local Authority Rental Growth Projection

Tower Hamlets	Historic Growth Q1 2015-Q1 2020	Historic CAGR Q1 2015-Q1 2020	Projected Growth Q1 2020-Q1 2025	Projected CAGR Q1 2020-Q1 2025
Nominal growth	8.95%	1.73%	11.73%	2.24%

Source: **Knight Frank Research, Rightmove, Twency CI, Experian**

Note: Rental projection is based on a single linear regression model using household disposable income. The household disposable income is the key driver of rental growth. The correlation is established between the historic rental growth index produced in house and the household disposable income.

2.3 Historic Sales Growth and Outlook

In this section we look at the profile of the housing market across the local area compared with Tower Hamlets borough and performance across England & Wales as a whole.

Housing stock profile

Flats and apartment housing dominate the stock profile of the local area, accounting for 87.6% of all housing stock within a 20 minute walk time of Panda House. Terraced houses account for 11.7% of all housing in the local area, with semi-detached and detached houses accounting for just 0.7% of all housing stock. Table 3 presents the distribution of housing types across the local area.

Table 3: Housing stock profile – local area

Property Type	Detached	Semi-Detached	Terraced	Flat/apartment	Total
One bedroom	0.0	0.1	0.3	28.5	28.9
Two bedrooms	0.0	0.1	2.9	36.9	39.9
Three bedrooms	0.1	0.2	5.4	15.1	20.7
Four or more bedrooms	0.0	0.2	3.1	7.2	10.5
TOTAL	0.1	0.6	11.7	87.6	100.0

Source: **VOA**

Prices and transaction volumes

Land Registry House Price Indices are presented in Figure 20. Prices in Tower Hamlets local authority have increased by 59.6% since Q1 2010. The borough has seen particularly strong growth in 2013 and 2014, however, this has been outstripped by growth across London as a whole. However, in the last year growth in Tower Hamlets has outstripped wider markets. Prices in the borough have increased by 4% since Q4 2018 compared to 1.3% across London as a whole.

Figure 20: Price Index 2010-2019
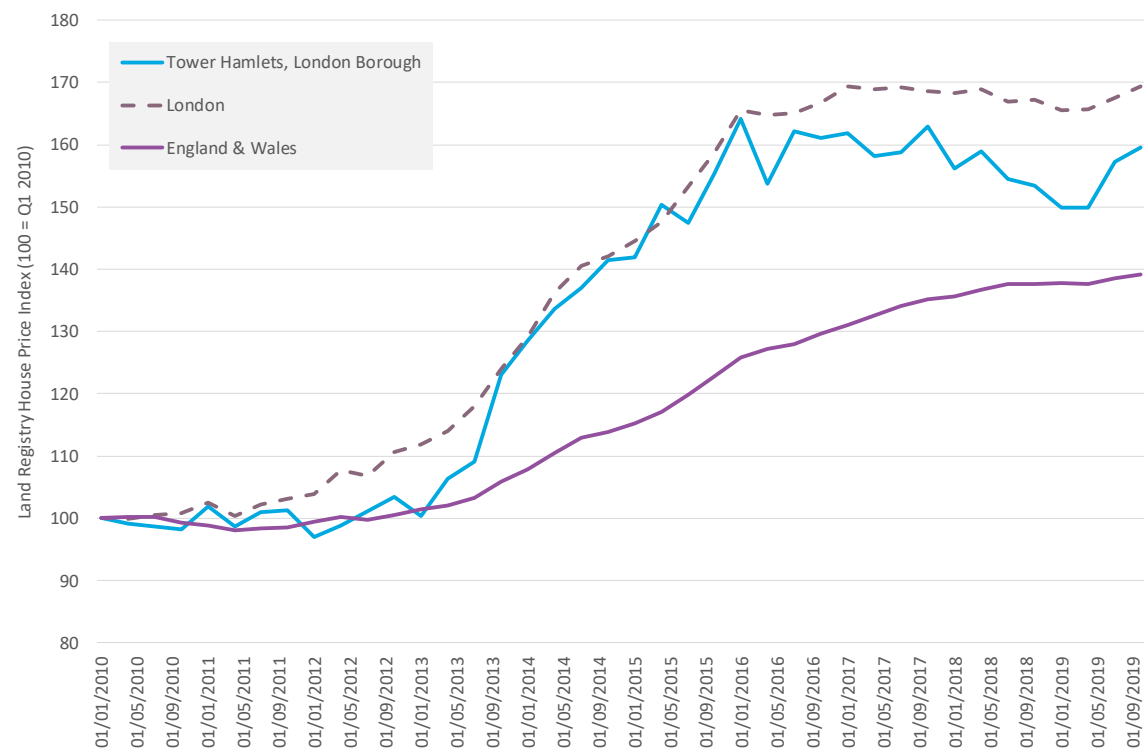
Source: **Land Registry**

Local Area (20 minute walk time)

Figure 21 and Table 4 present transaction volumes and also lower, median and upper quartile price points between Q1 2010 and Q4 2016 (latest full quarter data). The average price for a flat/apartment property within the local area is £474,500 whilst a terraced property is priced at approximately £717,200 respectively. Further detail is presented in Table 4.

Table 4: Average sold price by postcode sector and property type – local area – 2019/20

	Detached	Semi-detached	Terraced	Flats/apartment	All Property Types	3yr % change in average prices
E1 0	-	£800,000	£657,600	£366,283	£431,466	-0.5
E1 2	-	-	-	£356,639	£356,639	-25.4
E1 3	-	-	£655,020	£435,359	£460,320	1.8
E1 4	-	-	£633,857	£363,897	£404,978	-14.6
E14 0	-	-	£525,833	£432,914	£449,311	13.0
E14 4	-	-	-	£695,397	£695,397	14.7
E14 6	-	£625,000	£562,500	£429,693	£434,001	-1.8
E14 7	-	-	£818,708	£436,240	£474,808	17.5
E14 8	-	-	£1,149,167	£587,459	£627,109	-1.6
E14 9	-	-	-	£490,588	£490,588	-8.3
E1W 3	-	-	£703,561	£592,372	£606,466	-6.1
E3 3	-	-	-	£331,053	£331,053	-21.1
E3 4	-	-	£676,500	£461,865	£473,723	4.3
SE16 5	-	£945,000	£752,800	£491,160	£538,147	1.1
SE16 6	-	£478,000	£600,333	£403,429	£493,512	-10.9
SE16 7	-	-	£659,975	£602,175	£604,239	-7.7
ALL	-	£711,833	£717,201	£474,529	£499,545	3.2

Source: **Land Registry, Knight Frank Residential Research**

Figure 21: Average sales price & transaction volumes – local area
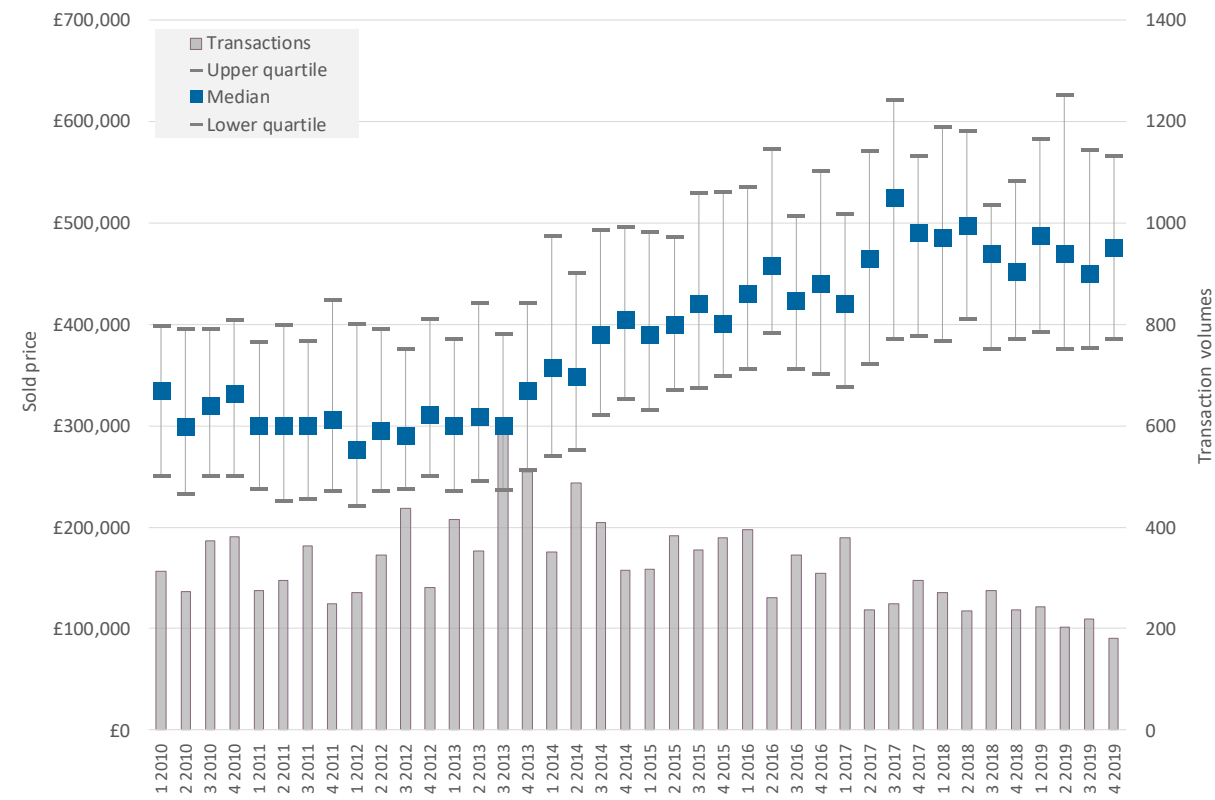
Source: **Land Registry, Knight Frank Residential Research**

Figure 22: Transaction volumes by price band – local area

Legend:
- over 2m
- 1m to 2m
- 750k to 1m
- 500k to 750k
- 400k to 500k
- 300k to 400k
- 200k to 300k
- 100k to 200k
- Less than 100k

Source: **Land Registry, Knight Frank Residential Research**

Table 5: Price range and transaction volumes – local area

Quarter	Lower quartile sold price	Median sold price	Upper quartile sold price	Total sales
Q1 2017	£338,233	£420,000	£508,125	380
Q2 2017	£360,000	£465,500	£570,000	236
Q3 2017	£385,000	£525,000	£620,000	249
Q4 2017	£387,746	£489,995	£565,000	296
Q1 2018	£382,998	£485,000	£594,850	271
Q2 2018	£405,000	£497,000	£590,000	235
Q3 2018	£375,000	£470,000	£517,746	276
Q4 2018	£385,500	£452,000	£540,000	237
Q1 2019	£392,070	£487,500	£581,950	243
Q2 2019	£375,498	£470,000	£625,000	203
Q3 2019	£376,250	£450,000	£571,500	218
Q4 2019	£385,250	£475,000	£565,500	180

Source: **Land Registry, Knight Frank Residential Research**

Outlook

The UK government's response to the Covid-19 pandemic has utterly transformed the current economic and housing market landscape. The big question is what will its longer-term impact be?
The outlook we set out below confirms a sharp fall in activity. Looking beyond the short-term, however, and we predict an equally sharp uptick in the housing market into 2021, mirroring the outlook for the economy.
For now, everything is dictated by the length and severity of movement restrictions. As soon as conditions are able to be relaxed, activity will return. However, if the government is to encourage a full return to normality, the existing economic stimulus announced in recent weeks will need to be supplemented by incentives such as reform to Stamp Duty.

The key factor that will determine the performance of the UK economy is the speed with which the government feels able to relax the current movement restrictions that prevent many businesses from operating.

Our outlook is based on the assumption that current restrictions will remain in place during April and May with a gradual lifting through June. Any loosening before this time implies an improvement in the activity levels and price movements we are forecasting.

The underlying economic forecast we have adopted points to a 4% contraction of GDP in 2020 and growth of 4.5% in 2021.

Unemployment, which stood at 3.9% in December 2019, will be a key indicator to watch. While Oxford Economics currently forecast the jobless rate to end 2020 at 4.9%, the latest new claims for Universal Credit, released 1st April, suggest that the unemployment rate could jump to around 5.5% in April.

Residential sales market

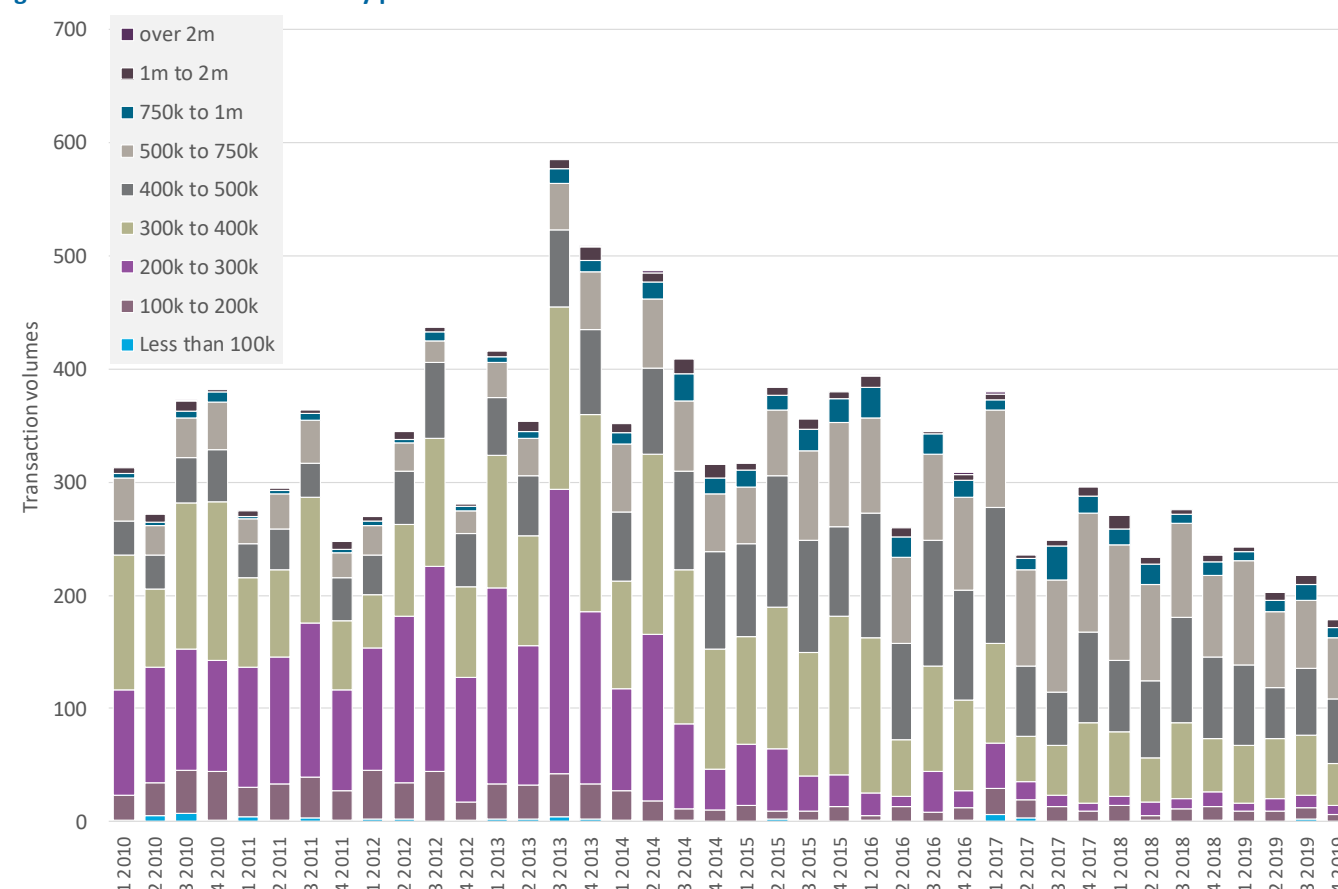The political certainty provided by last December's general election boosted housing market confidence during January and February. A sharp uptick in sales was seen across the UK, with even the prime central London market seeing prices climb for the first time in five years.

These positive trends were expected to have continued through 2020. The arrival of Covid-19 put this recovery on hold.

Transactions

Our view at the beginning of 2020 was that the volume of UK residential transactions would end the year around 5% higher than the five-year average - around 1.26 million compared with the 1.18 million seen in 2019.

If we assume that the current movement restrictions are maintained through to the end of May this will obviously have a dramatic impact on sales volumes. Sales will slow sharply over the next quarter before recovering somewhat in the second half of the year.

Our view is that sales across the UK will total around 734,000 for the full year, a 38% decline from the level seen in 2019, with slightly smaller falls seen in Greater London and in the prime central London market.

While we expect a revival in activity to continue, with volumes next year expected to be 18% above the level seen in 2019, this expansion will not fully offset the drop in 2020. Of the nearly 526,000 sales we expect to be "lost" this year, fewer than half will be carried into 2021.

For the government to see a full recovery of the market, with all of these "lost" sales carried forward, there will be a need for substantial incentives to ease market liquidity - including a reform to stamp duty.

Prices

Annual price growth in the UK to the end of March was 3% according to Nationwide, the highest figure in more than two years. Meanwhile, prices grew 0.2% in prime central London over the first quarter of the year, the highest figure for Q1 in five years.

With the market largely on hold evidence of the pricing impact of Covid-19 will remain sparse in the near-term.

Once the current crisis passes and activity begins to resume, we have to expect that weaker economic activity in the first half of 2020, the dislocation in the jobs market and weakened consumer sentiment will impact on prices, however the relatively finite timespan of the crisis means declines will be limited.

Our view is that mainstream UK house prices will fall by 3% in 2020 with prices in prime central London remaining unchanged following a 25% fall in some markets since 2014. Our expectation is that prices will recover sharply in 2021 – and have pencilled in 8% growth for prime central London prices for next year.

Residential development

A pause in construction activity, as housebuilders down tools due to the Covid-19 restrictions, will undoubtedly lead to a drop in new home completions this year and probably next. New homes sales are also expected to fall this year as a result, in line with our forecast outlined above.

The full impact of the hiatus depends on the duration of current movement restrictions and on economic conditions once these are lifted, much like the resales market. Our current view remains that the disruption will be relatively short-term and, indeed, developers are still pursuing land opportunities.

Summary

- Asking rents for short-term accommodation in Tower Hamlets are higher than those for long-term accommodation. This highlights a lack of supply of affordable short-term rental accommodation for those on lower budgets.

- Tower Hamlets has experienced strong rental growth of 1.73% per annum over the last 5 years, which is expected to accelerate to 2.24% per annum over the next five years.

- In recent years, house price growth in the Tower Hamlets has outstripped that of wider markets.

3. DEMAND

3.1 Local Area Population Projections

In order to provide an accurate reflection of population trends within the local area, and to project population growth, we have used the population growth rate for Tower Hamlets local authority.

The current population of the local area is 158,574 people, which is an increase of 34% since 2009. Since 2009, the highest levels of growth have been seen in the 35 to 49 age group, with 59% growth. Over the next ten years it is expected that the 65+ will see the highest growth, increasing by 39%, followed by the 50 – 64 age group, with 33% growth.

Between 2019 and 2029 the overall population of the local area is expected to grow by 17% to 184,906 people and by 2039 it is expected to grow by a total of 24% to 195,884 people. The growing population is likely to result in an increased demand for private rental accommodation.

Figure 23: Share of Population by Age Band in Local Area
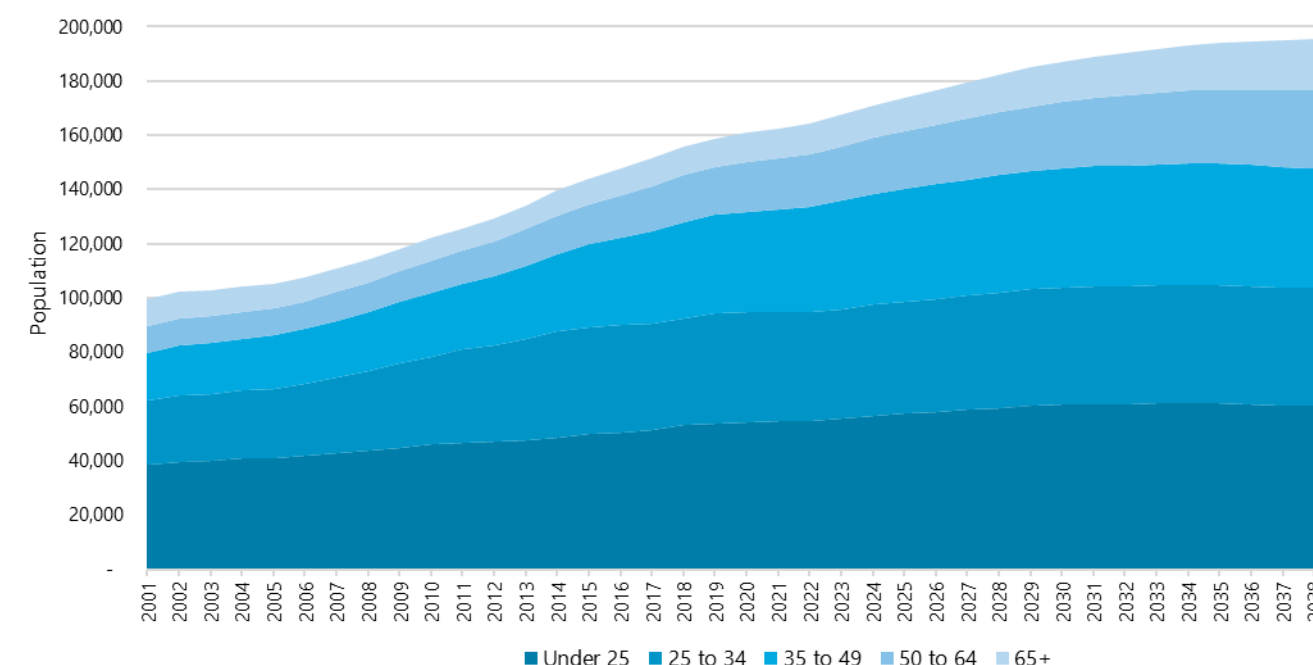
Source: **Knight Frank Research, ONS, MHCLG, GLA**

Table 6: Local Area Population Projections

Age group	2009	2019	2029	2039	% change 2009 - 2019	% change 2019 - 2029	% change 2019 - 2039
Under 25	44,855	53,732	60,133	60,367	19.8	11.9	12.3
25 to 34	30,833	40,638	42,966	43,031	31.8	5.7	5.9
35 to 49	22,755	36,135	43,792	44,197	58.8	21.2	22.3
50 to 64	11,255	17,779	23,722	28,992	58.0	33.4	63.1
65+	8,454	10,290	14,293	19,297	21.7	38.9	87.5
Total population	118,152	158,574	184,906	195,884	34.2	16.6	23.5

Source: **Knight Frank Research, ONS, MHCLG, GLA**

3.2 Demographic Trends

There are approximately 33,971 households in the local area, the majority of which are aged 25 to 49. Households aged 35 to 49 account for 33% of all households, followed closely by the 25 to 34 age group, who account for 32% of all households (see **Figure 24**).

The local area has a younger age profile than London as a whole. Young households are attracted to the area due to proximity to transport and employment hubs, as well as locally accessible amenities. Households aged under 35 account for 39% of local area households compared to 25% for London as a whole. Households aged 50 and over account for just 29% of local area households, compared with 27% for Tower Hamlets and 42% for London as a whole. The presence of young households indicates demand for short-term rental accommodation, as the younger age cohorts are more likely to require flexibility to take up short term employment, study or training opportunities.

Figure 24: Tower Hamlets - Distribution of Households by Age Group

■ Local Area ■ Tower Hamlets ■ London
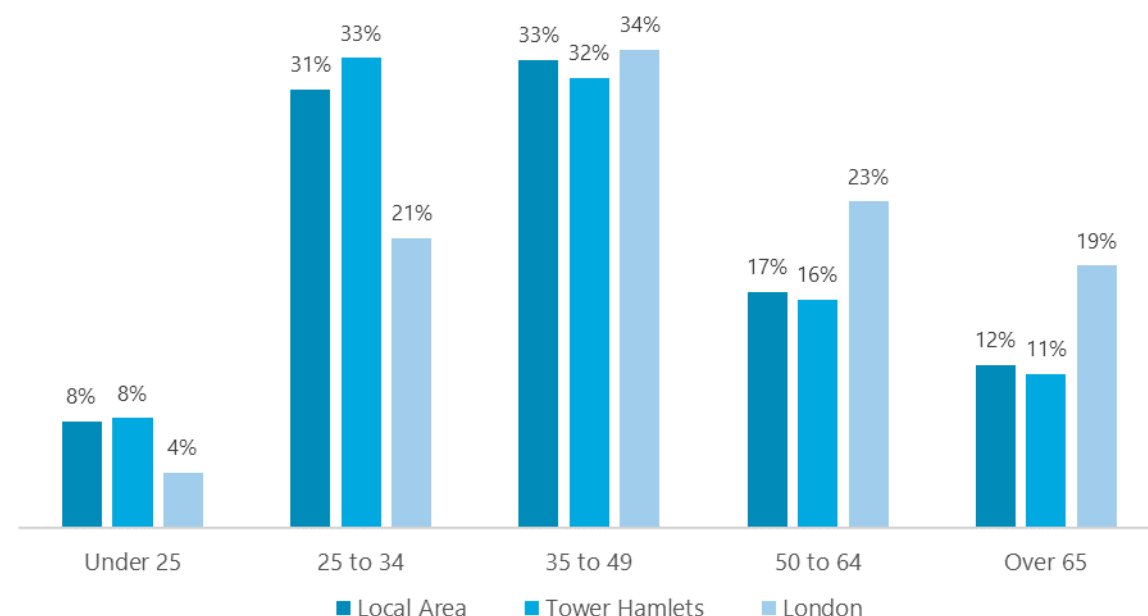
Source: **Knight Frank Research, Census 2011**

The local area is dominated by single person households which account for a third of all households in the area (see **Figure 25**). The density of single person households in the local area is mirrored across the Borough of Tower Hamlets and wider London, representing 35% and 32% of all households, respectively. Single person households are most likely to be in need of short-term rental accommodation.

Young families also account for a high proportion of total households in the local area (30%), which is broadly in line with Tower Hamlets (27%) and London (31%). Less than 10% of all households within the local area are accounted for by Mature Families, compared by 13% across London, suggesting they gravitate towards the suburbs of the city.

The share of student housing in the local area and borough of Tower Hamlets is significantly higher than the London average (see Figure 26). This is as a result of the central location of the local area, in the context of proximity to university buildings and campuses. The local area is therefore convenient and accessible location for students to live in. Students are also likely to create demand for short-term accommodation to fit in with their university terms and short term opportunities such as internships and study placements.

Figure 25: Tower Hamlets - Distribution of Household Types

■ Local Area ■ Tower Hamlets ■ London
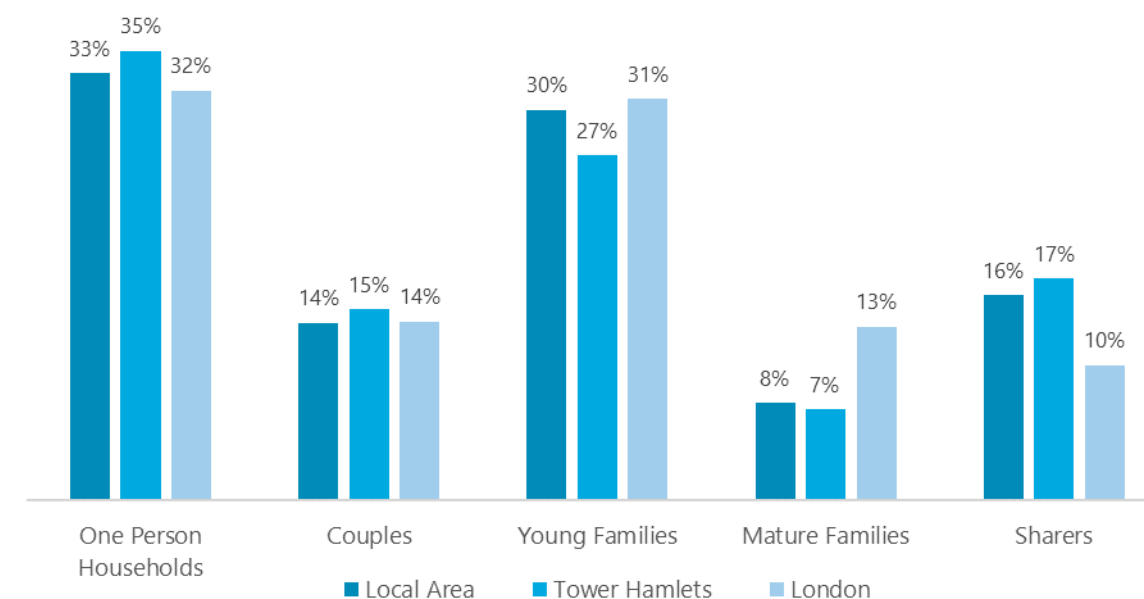
Source: **Knight Frank Research, Census 2011**

Figure 26: Tower Hamlets - Share of student-only Households

■ Local Area ■ Tower Hamlets ■ London
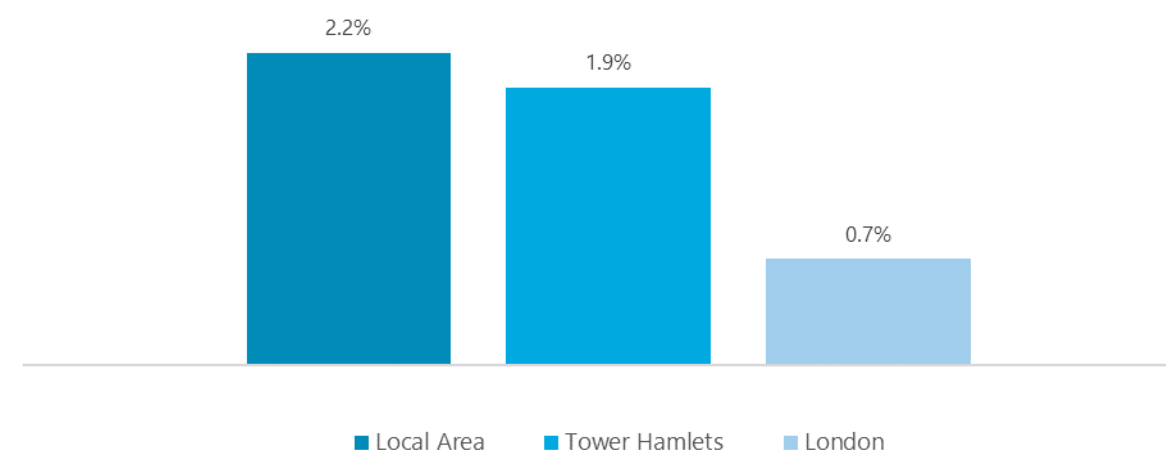
Source: **Knight Frank Research, Census 2011**

We have used Census and Experian data to analyse how the proportion of private renter households has changed over time (see Figure 27). From 2001 to 2018, the share of PRS households within the local area increased significantly. While in 2001, only 17% of households within the local area rented, over a third of all households in the area now renting. Whilst the share of PRS households across London as a whole has increased, this has been at a steadier rate.

In 2018 in the local area, 16,634 (34%) of households privately rented. This is marginally lower than the Borough of Tower Hamlets average (38%) yet higher than the rate across the whole of London (25%).

In terms of the total number of PRS households, the local area has seen an increase of 40% (+4,740) since 2011. This is less than the Borough of Tower Hamlets increase of 47% but much higher than the London increase of just 4.5%. This suggest that the area has, in the last few years especially, become an increasingly attractive area for private renters.

The historic trend in increasing proportions of private rented households provides evidence for an increasing demand for private rented accommodation in the local area.

Figure 27: Tower Hamlets – Share of PRS Households

Source: **Knight Frank Research, Census 2011[1], Experian**

Household age distribution differs when analysing PRS households alone (see Figure 28). Younger households become even more prominent, with 67% of PRS households aged under 35 in the local area compared with 39% across all tenures (see **Figure 24**). This is higher than the proportion of young renters seen in London as a whole (52%).

These young renters within the borough and local area are likely to be living in either shared or One person households as the density of these households are the highest within the local area, as illustrated in **Figure 25**. PRS households in the local area have a smaller share of older age groups compared to other tenures. Just 5% of all PRS households in the local area are aged 50 or over and a marginal 2% of all households are aged 65 or over.

The distribution of household types for PRS households also varies when compared to all tenures. Whilst One person households retain a significant proportion in the local area, borough and wider London, Sharer households have become more dominant in the private rented sector across all areas (see Figure 29). Sharers account for 36% of PRS households in the local area compared to just 16% across all tenures. This accounts for almost 5,000 sharer households in the local area. This proportion of 36% is significantly higher than the London average of 23%, which shows how prevalent sharers are in the local area. This demonstrates demand for short-term rental accommodation as sharers are likely to be the most transient tenant type.

Unsurprisingly, the share of student-only households also rises when analysing PRS households. In the local area, the share has risen from 2.2% for all tenures to 5.8% for PRS households (see Figure 30).

Figure 28: Tower Hamlets – Distribution of PRS Households by Age Group
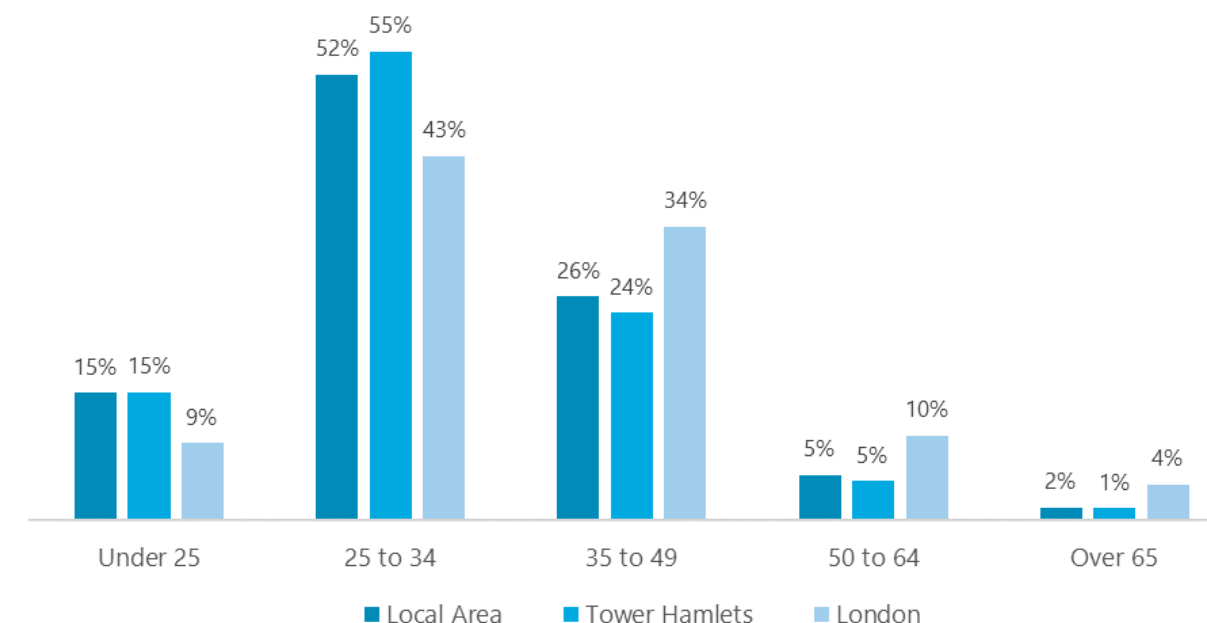
Source: **Knight Frank Research, Census 2011**

Figure 29: Tower Hamlets – Distribution of PRS Household Types
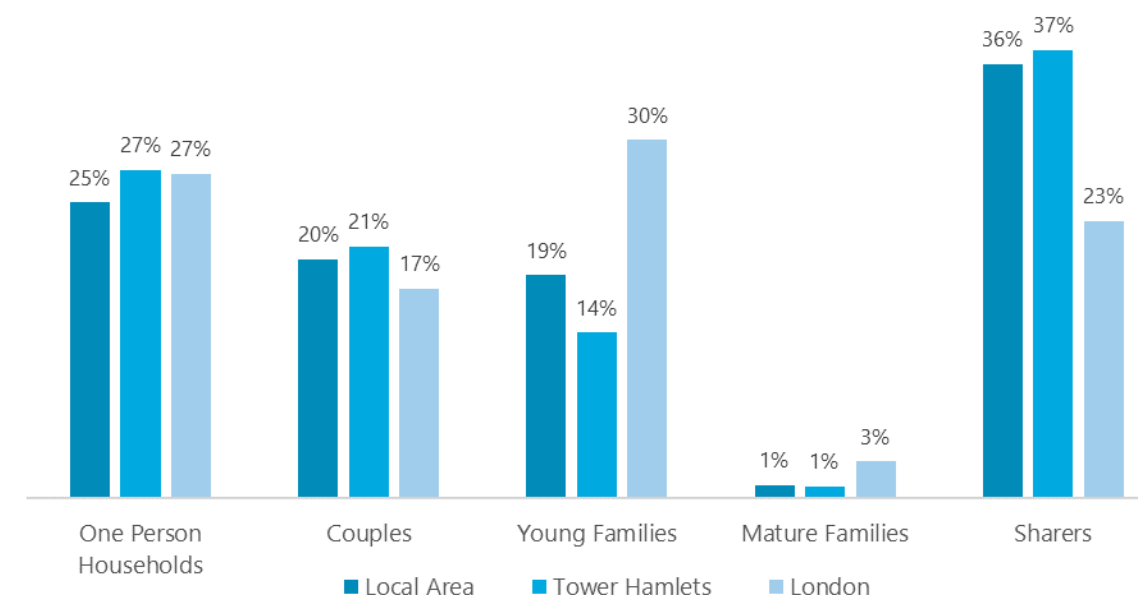
Source: **Knight Frank Research, Census 2011**

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[1] Note: Income and Tenure data sourced from Experian that analyses households on a regional basis has been modelled to estimate smaller geographical areas.

Figure 30: Tower Hamlets – Share of Student – only PRS Households

Source: **Knight Frank Research, Census 2011**

Table 7: Student Profile – 2018/19 academic cycle

HE Student Population	Tower Hamlets	%	% change from 2014/15	20 minutes walk time	%	% change from 2014/15
Undergraduate	21,510	62.4	7.4	13,563	68.0	6.1
UK	14,868	43.1	3.4	9,827	49.2	5.8
Non-UK	6,642	19.3	17.5	3,736	18.7	6.6
Postgraduate	12,954	37.6	18.0	6,391	32.0	1.2
UK	4,886	14.2	10.3	2,768	13.9	19.5
Non-UK	8,068	23.4	23.2	3,623	18.2	-9.4
Total student population	34,464	100.0	11.1	19,954	100.0	4.4
Total international students	14,710	42.7	20.5	7,359	36.9	-1.9
Total full time undergraduates	19,794	67.7	13.1	12,501	72.3	11.0
Full time students	30,066	100	16.4	17,287	100	7.4

Source: **HESA, Knight Frank Research**

3.3 Student Numbers

Data from the Higher Education Statistics Authority (HESA) indicates that there are 17,287 full-time students living within a 20 minute walk time of Panda House. 5,453 of these students are studying at Queen Mary University of London, 1,547 at the University of East London, 1,044 at King's College London, 971 at the University of Greenwich and a further 8,272 studying at other higher education institutions across London. 20% of these students are identified within the data as living at home with parents.

Between 2014/15 and 2018/19, the number of full-time students living within a 20 minute walk time of Panda House, have increased by 7.4%. Within the wider catchment of Tower Hamlets local authority, full-time students have increased (1,16.4% to 30,066.

International, non-UK domiciled students represent 36.9% of total full time students living within a 20 minute walk time of Panda House and 42.7% across Tower Hamlets. Between 2014/15 and 2018/19 their numbers in Tower Hamlets have increased by 20.5%.

Of the 30,066 full-time students living in Tower Hamlets, 6,292 (21%) are undergraduates in year 3 or above. According to the results of the Knight Frank/UCAS Student Accommodation Survey 2020, 70% of final-year students studying in London intend to remain in London in search for work upon graduation. This means that potentially up to 4,400 students will be looking private rented sector home locally in Tower Hamlets, or within the wider market of London. Short-term rental accommodation would be ideal for these graduates wanting to remain in the local area and would provide the flexibility they require whilst they make their next step into employment.

3.4 Household Growth

Historic household growth gives insight into how growth in demand for residential accommodation. Since 2011, Tower Hamlets has seen 32% growth, which equates to 4,134 new households per year on average. This is higher than the total growth seen in London of 14%.

Overall, the average annual growth rate within Tower Hamlets has been 3.6% over the period 2011-2019, which is significantly higher than that of London as a whole. Much of this growth in Tower Hamlets can be attributed to Sharers, who had an average annual growth rate of 4.7% (higher than the London average annual growth for Sharers of 2.8%). This is likely to have created increased demand for short-term rental accommodation, as sharers are the most likely household group to require short-term rental accommodation.

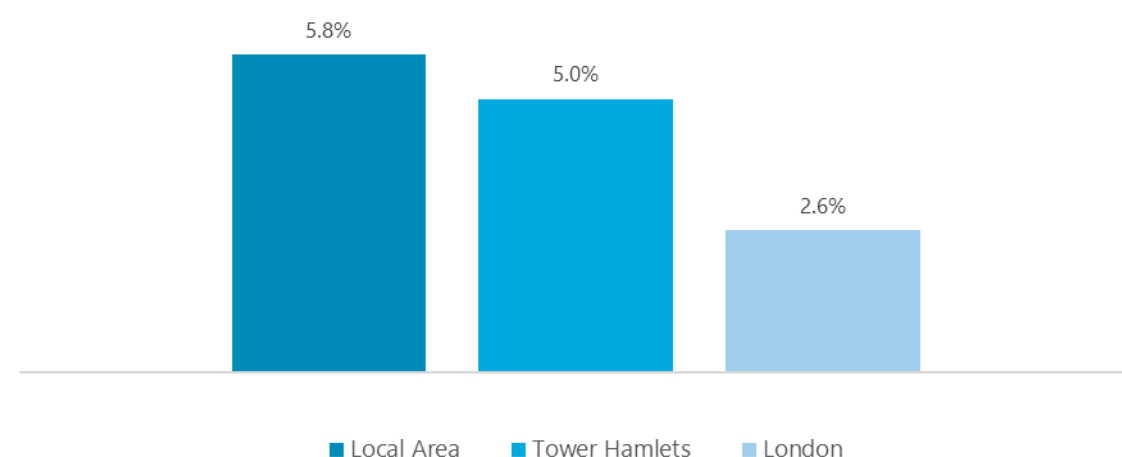In Tower Hamlets, the highest growth rate in total numbers originated from One Person Households (1,163 new households per year). These accounted for 28% of all new households within the borough, created on an annual basis.

Across London, Young Families and One person households accounted for the majority of growth (52% of total new households created annually).

Table 8: Tower Hamlets – Household Growth by Household Type

Tower Hamlets	2011-2019 average annual growth	Average annual growth rate	Total growth
One person HH	1,163	2.92%	26%
Couple (no children)	647	3.54%	32%
Young Families	1,132	3.68%	33%
Mature Families	218	3.63%	33%
Sharers	974	4.68%	44%
Total households	4,134	3.57%	32%

Source: **Knight Frank Research, GLA**

Table 9: London – Household Growth by Household Type

London	2011-2019 average annual growth	Average annual growth rate	Total growth
One person HH	12,292	1.13%	9%
Couples	7,535	1.23%	10%
Young Families	17,853	1.69%	14%
Mature Families	8,261	2.88%	25%
Sharers	11,911	2.78%	25%
Total households	57,852	1.66%	14%

Source: **Knight Frank Research, GLA**

Analysis of household projections gives an indication of future demand for residential accommodation. Within Tower Hamlets, it is projected that the number of total households will increase by 11% by 2024 to almost 150,000 households (outlined in Table 10). This is higher than the projected growth across London, which currently stands at 7%.

All household types, at both borough and city level, can expect to see increases of at least 5% growth over the next 5 years. The most notable increases (in percentage terms) are the Sharers and Mature Families households, which are expected to witness increases of 17% and 13% respectively within the borough. The growth of Sharers within the borough is higher than the projected increase for the group across London (12%), whereas Mature Families are similarly expected to experience a 13% growth in the number of households across wider London.

In total numbers, the highest growth is expected among One Person Households and Sharers, with a total of 3,930 and 4,285 new households respectively. When combined, these household types account for 57% of all new household growth in the borough. As shown in Figure 29, large proportions of these households types are likely to be private renters, a portion of which are likely to require short-term rental accommodation.

Please note that the projected household numbers are the base case projection produced by MHCLG in 2019. Additional growth created by regeneration and new schemes is not taken into account. Subsequently we reviewed the household change in a number of locations which have experienced regeneration and all areas demonstrated a significant increase in younger households and sharers.

As a result, we expect to witness similar changes within the analysed local area.

Table 10: Tower Hamlets – Projected Household Growth by Household Type

Tower Hamlets	2019	2024	% increase	Total growth	% of New Households
One person HH	45,298	49,228	9%	3,930	27%
Couple (no children)	21,292	23,402	10%	2,109	15%
Young Families	36,095	39,352	9%	3,257	22%
Mature Families	7,049	7,957	13%	908	6%
Sharers	25,430	29,715	17%	4,285	30%
Total households	135,165	149,654	11%	14,488	100%

Source: **Knight Frank Research, GLA**

Table 11: London – Projected Household Growth by Household Type

London	2019	2024	% increase	Total growth	% of New Household
One person HH	1,144,967	1,198,189	5%	53,221	20%
Couple (no children)	648,193	683,780	5%	35,586	13%
Young Family	1,138,846	1,213,735	7%	74,889	28%
Mature Families	325,453	367,398	13%	41,945	16%
Sharers	483,804	543,744	12%	59,940	23%
Total households	3,741,264	4,006,846	7%	265,582	100%

Source: **Knight Frank Research, GLA**

3.5 PRS Household Growth

The Knight Frank in-house developed tenure distribution model identifies growth in the number of PRS households in the Borough of Tower Hamlets during the next 5 years could reach 1.9% p.a, equivalent to 10.1% total growth over the period 2019 – 2024.

Current projections show that this increase can be attributed to the 34 to 65 age cohort, which will contribute to 27.1% of all new PRS households in Tower Hamlets over the next 5 years. This equates to more than the net total (3,931) of new households, due to the decrease in the number of PRS households ages 25-34 (the only age group set to experience a decline in the number of PRS households). The 65+ age cohort is similarly set to experience an encouraging growth in the number of PRS households over the same period (+4.5%).

Over the period 2019-2029, the 25-24 age cohort is expected an encouraging increase in population (31.8%). However, looking forward, the 25-34 age cohort is projected to experience the smallest increase (5.9%), a likely explanation of the negative growth in 24-35 year olds within PRS households over the next five years (-3.70% p/a).

The tenure distribution model is based on the household projections produced by MHCLG. It incorporates findings from EHS with assumptions developed internally within Knight Frank. The household's projections used are 2016 based central trend projections (not housing-led).

PRS households aged 25 to 34 are expected to decrease in number over the next five. However, as shown in Table 6, the population of this age cohort is predicted to increase by 5.7% to 60,133 individuals over the next 10 years and by 5.9% to 60,367 individuals over the next 20 years. Therefore, despite the predicted fall in the number of 25 to 34 PRS households, the total number of individuals aged 25 to 34 is expected to increase. This suggests that these young people are simply not forming their own households. A lack of quality, affordable rental accommodation could be leading them to stay in the family home for longer; a trend seen across the UK. This age group is most likely to require short-term accommodation, and a lack of supply in the borough could also be causing these individuals to remain in the family home for longer.

Table 12: Tower Hamlets –Projected Growth of Private Renter Households by Age Cohort

Private Renter households	No. of PRS households - 2019	New PRS households over next 5 years	Annual growth rate
Under 25	5,467	1,078	3.7%
25 to 34	13,956	-2,411	-3.7%
34 to 65	18,357	4,978	4.9%
65 or more	1,157	286	4.5%
Total	38,937	3,931	1.9%

Source: **Knight Frank Research, GLA, English Housing Survey, MHCLG**

Calculating demand for PRS

Currently there are 38,937 households in the borough renting from the private rented sector. 32% of these PRS households are estimated to be households in which two or more adults, that are not a couple, are sharing. This equates to 12,460 households living as sharers within the private rented sector within the borough.

The average household size of 'sharer' households in Tower Hamlets is estimated at 2.9 persons per household. If this applied to the number of sharer households in the PRS there are an estimated 36,134 people living as sharers within this tenure across the borough.

If the number of PRS households is projected forward five years, the number of households overall increases to 42,868 and the number of sharer households increased to an estimated 13,718. This equates to a household population of 39,781 people living in the tenure.

Table 13: Tower Hamlets – Current & projected demand for PRS

Private Renter households	Households living in the PRS	'Sharer' households living in the PRS	Estimated number of people living in sharer households in the PRS
2019	38,937	12,480	36,134
2024	42,868	13,718	39,781
Growth in PRS tenure	3,931	1,238	3,647

Source: Knight Frank Research, GLA, ONS

Summary

- There are approximately 13,800 private renter households in the local area, a portion of which are likely to require the flexibility offered by short-term accommodation in order to take up short-term employment, study and training opportunities.
- Those most likely to require short-term rental accommodation are sharers, which account for 36% of local PRS households (c. 4,968 households), students, of which there are 17,287 studying within the local area, and one person households, which account for 25% of local PRS households (c.3,450 households).
- Younger individuals are also more likely to require short-term rental accommodation. Those aged under 35 account for 67% of local PRS households (c. 9,246), and individuals of this age are expected to increase by 11.9% from 94,370 in 2019 to 103,099 by 2029.

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4. SOCIO-ECONOMIC CHARACTERISTICS

4.1 Household segmentation

There are a total of 33,971 households in the local area. We used the household segmentation developed by Experian to identify socio-demographic make-up of the local area households. Table 14 below, displays the top 10 MOSAIC households and their details.

51% of households in the local area can be classified as MOSAIC Group K - Municipal Challenge – These are urban renters of social housing facing an array of challenges with a median household income of £34,400 per annum. The next highest share is MOSAIC Group A – City Prosperity, which account for 29% of local households. Unlike the Municipal Challenge households, this group are typically well-educated, pursuing rewarding careers within the city and have a median household income of over £117,600 per annum.

This analysis demonstrates the wide range of household types in the local area that all need to be served by local housing supply.

Table 14: Split of all Households in the Local Area, by MOSAIC Type

MOSAIC Group	Name	Description	Number of households	Share	Median household income (£)
K	Municipal Challenge	Urban renters of social housing facing an array of challenges	17,403	51%	£34,400
A	City Prosperity	High status city dwellers living in central locations and pursuing careers with high rewards	9,921	29%	£117,600
O	Rental Hubs	Educated young people privately renting in urban neighbourhoods	5,701	17%	£59,687
N	Urban Cohesion	Residents of settled urban communities with a strong sense of identity	652	2%	£59,965
H	Aspiring Homemakers	Younger households settling down in housing priced within their means	236	1%	£59,433
L	Vintage Value	Elderly people reliant on support to meet financial or practical needs	52	0%	£9,450
J	Transient Renters	Single people privately renting low cost homes for the short-term	5	0%	£27,100
I	Family Basics	Families with limited resources who have to budget to make ends meet	1	0%	£53,500
Grand Total			33,971	100%	£50,600

Source: Knight Frank Research, Experian
Note: Income and Tenure data sourced from Experian that analyses households on a regional basis has been modelled to estimate smaller geographical areas.

There are 13,800 private renter households in the local area which accounts for over 40%[2] of total local households. The area is very diverse in terms of socio-economic profiles; therefore, we have selected the top 10 categories to analyse. This covers the majority (99%) of the mosaic types in the area.

2,734 of local private renters (20%) are categorised as MOSAIC Type O63 – Flexible Workforce. These households are typically self-starting young renters who are ready to move to follow worthwhile incomes from service sector jobs. This MOSAIC Type is a key target group for short-term rental accommodation.

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[2] The percentage of households renting in the local area may differ slightly from the share presented in section 3.2. This is due to differences in the spatial analysis approach between the two data sets.

Note: Income and Tenure data sourced from Experian that analyses households on a regional basis has been modelled to estimate smaller geographical areas.

Table 15: PRS Households in the Local Area, by MOSAIC Type

MOSAIC Type	Name	Description	Number of Households in local area	Share	Median household income	Max Rent at median Income	Upper Quartile
A03	Penthouse Chic	City suits renting premium-priced flats in prestige central locations where they work hard and play hard	3,687	27%	£151,200	£5,040	£171,073
O63	Flexible Workforce	Self-starting young renters ready to move to follow worthwhile incomes from service sector jobs	2,734	20%	£56,750	£1,892	£66,575
A04	Metro High-Flyers	Ambitious 20 and 30-somethings renting expensive apartments in highly commutable areas of major cities	2,610	19%	£87,150	£2,905	£108,295
K45	Crowded Kaleidoscope	Multi-cultural households with children renting social flats in over-crowded conditions	2,348	17%	£48,535	£1,618	£56,800
O62	Central Pulse	Entertainment-seeking youngsters renting city centre flats in vibrant locations close to jobs and night life	1,175	9%	£66,100	£2,203	£76,200
O66	Student Scene	Students living in high density accommodation close to universities and educational centres	551	4%	£62,700	£2,090	£69,915
H34	New Foundations	Occupants of brand new homes who are often younger singles or couples with children	200	1%	£59,433	£1,981	£72,300
N58	Cultural Comfort	Thriving families with good incomes in multi-cultural urban communities	127	1%	£63,300	£2,110	£73,550
O65	Learners & Earners	Inhabitants of the university fringe where students and older residents mix in cosmopolitan locations	111	1%	£64,107	£2,137	£73,100
K44	Inner City Stalwarts	Long-term renters of inner city social flats who have witnessed many changes	93	1%	£30,167	£1,006	£34,400
Other			164	1%			
Grand Total			13,800	100%	£71,100	£2,370	

Source: **Knight Frank Research, Experian**[3]

Figure 31: PRS Household Segments and Income

Source: **Knight Frank Research, Experian**

4.2 Household Incomes by Tenure

Analysing household income gives insight into the distribution of wealth and the levels of rent that local households can afford.

Household incomes in the local area vary by tenure and the distribution is presented in Figure 32. The highest median household income is seen among private renters, at £71,100 per annum, followed by owner occupiers at £66,800 per annum and social renters at £32,750 per annum The overall median income for all households across the local area is £33,971 per annum (see Table 16).

Table 16: Local Area Median Household Incomes by Tenure

	Median household income per annum
Owner occupiers	£66,800
Private renters	£71,100
Social renters	£32,750
All	£50,600

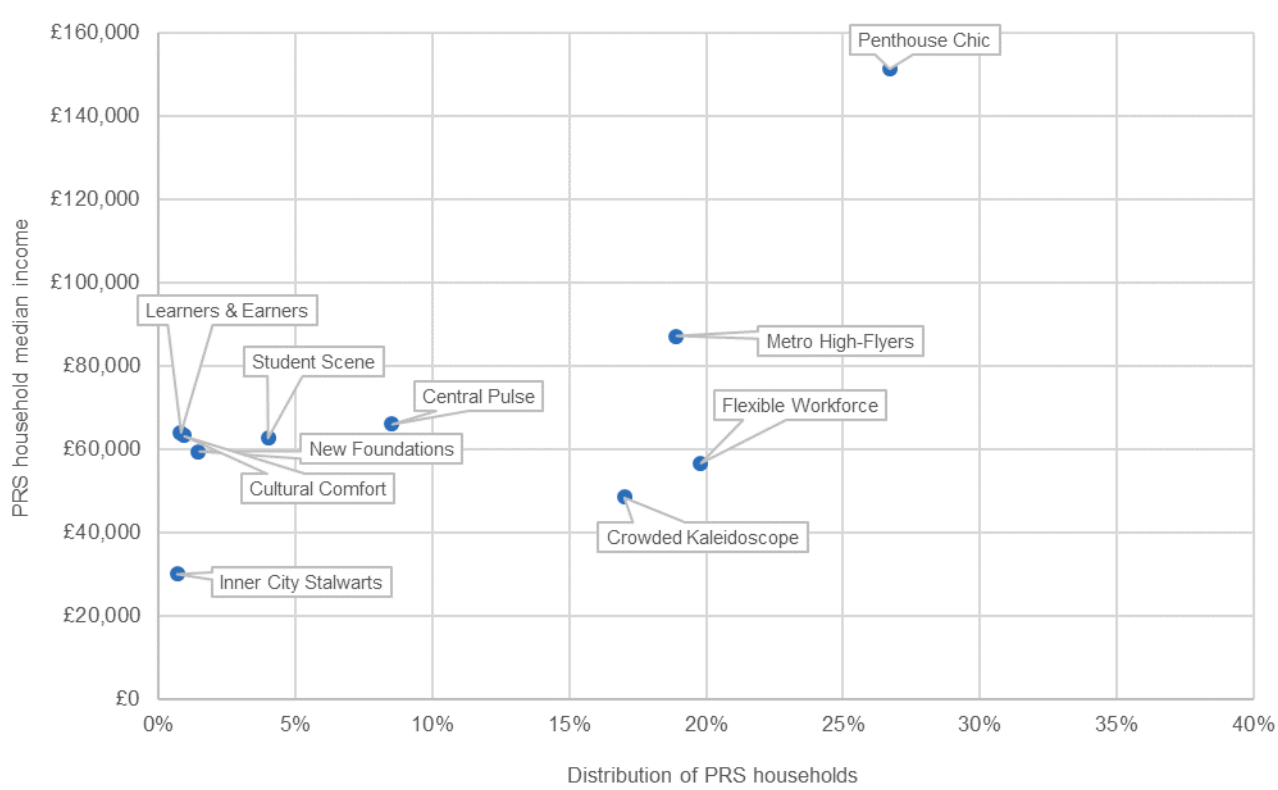Source: **Knight Frank Research, Experian**
Note: Income and Tenure data sourced from Experian that analyses households on a regional basis has been modelled to estimate smaller geographical areas.

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[3] Note: Income and Tenure data sourced from Experian that analyses households on a regional basis has been modelled to estimate smaller geographical areas.

Figure 32: Local Area Household Income Distribution by Tenure
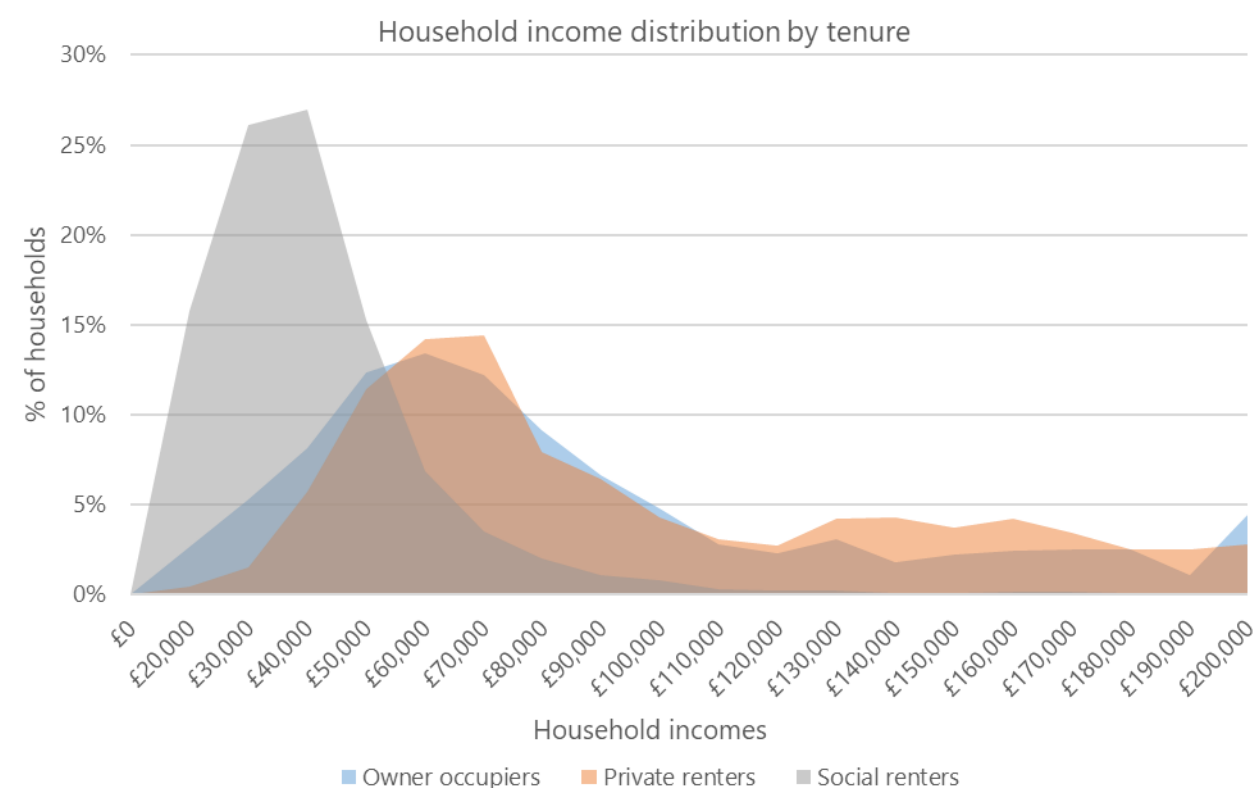
Household income distribution by tenure

Source: **Knight Frank Research, Experian**

Note: Income and Tenure data sourced from Experian that analyses households on a regional basis has been modelled to estimate smaller geographical areas.

As shown in Figure 33, the local area is characterised by a wide range of household's income bands, with households in the immediate vicinity of Panda House typically earning in excess of £75,000 per annum.

There is a clear pattern of distribution of PRS household incomes across the local area, with the highest household incomes clustered to the south of the local area along the river Thames, at Limehouse Basin and in Canary Wharf. These areas typically see PRS household incomes in excess of £125,000 per annum. The remainder of the local area is home to PRS households with lower incomes of up to c. £75,000 per annum.

Figure 33: Heat Map showing PRS Household Incomes
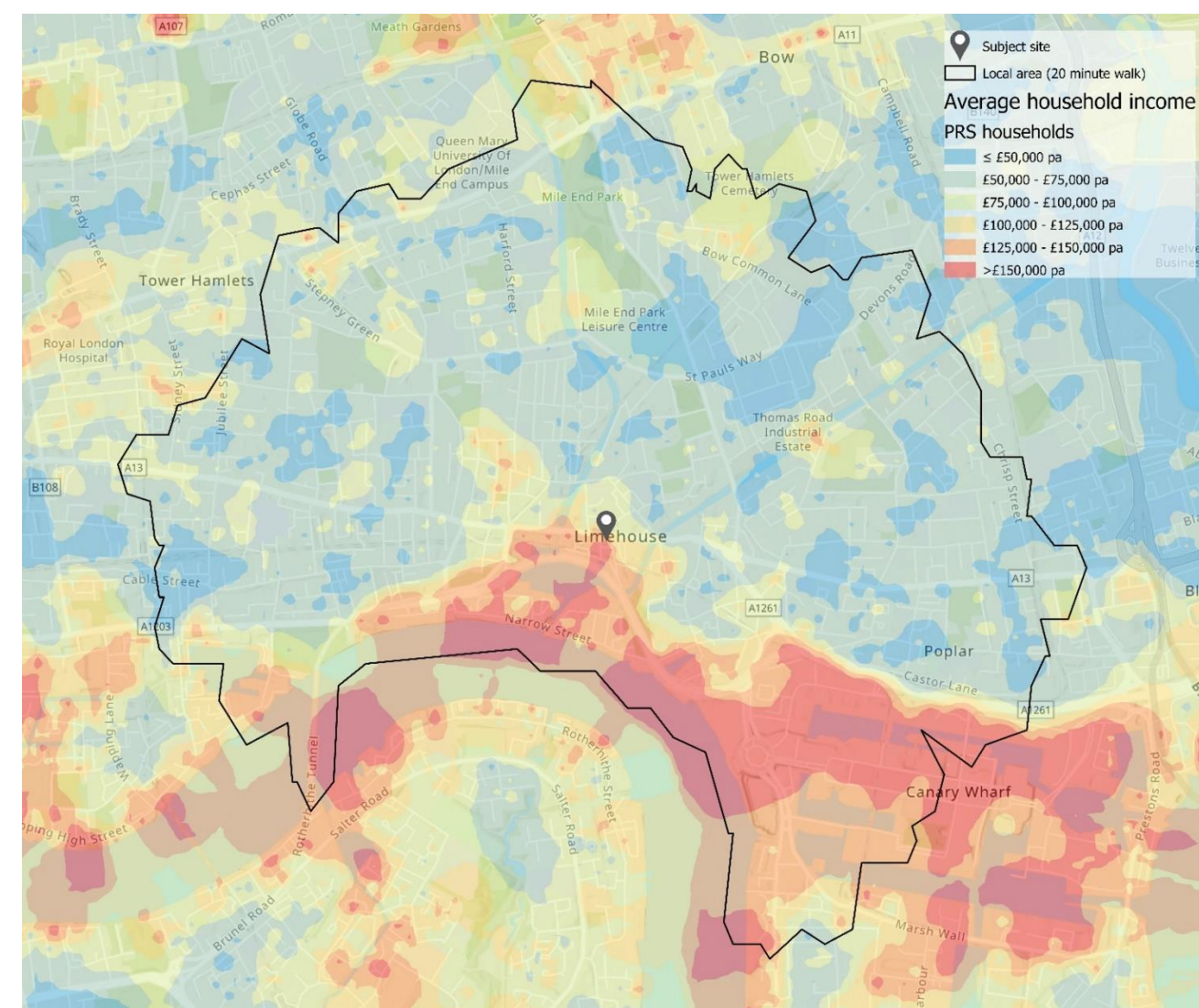
Source: **Knight Frank Research, Experian**

4.3 Historic Changes in Income

The latest salary statistics as displayed in Table 17 show that in 2019, the annual average salary for residents within the Borough of Tower Hamlets was £42,602. This is higher than both the London average (£36,797) and UK average (£30,353).

An individual living within the Borough of Tower Hamlets on the above average salary of £42,602, could afford a maximum rent of £1,420pcm. This assumes that a single person would allocate 40% of their gross income to renting a property.

The average annual salary of the workforce employed within the Borough of Tower Hamlets is £46,142, which is higher than the resident's income. This level is also higher than the average workforce salaries across London and the UK.

An individual working in Tower Hamlets on the average workforce salary of £46,142, could afford a maximum rent of £1,538 pcm.

Table 17: Resident- and Workplace-Based Income Summary

Area	Resident		Workplace	
	Average salary	**Max rent pcm**	**Average salary**	**Max rent pcm**
Tower Hamlets	£42,602	£1,420	£46,142	£1,538
London	£36,797	£1,227	£38,992	£1,300
United Kingdom	£30,353	£1,012	£30,353	£1,012

Source: Knight Frank Research, ASHE

Figure 34: Resident Based Gross Income
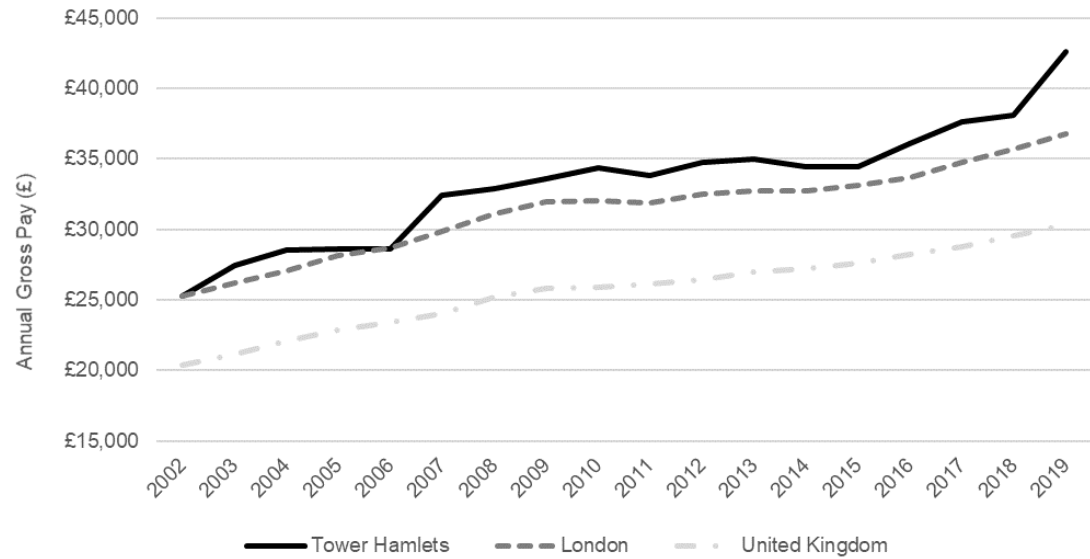
Source: **Knight Frank Research, ASHE**

Figure 35: Workplace Based Gross Income
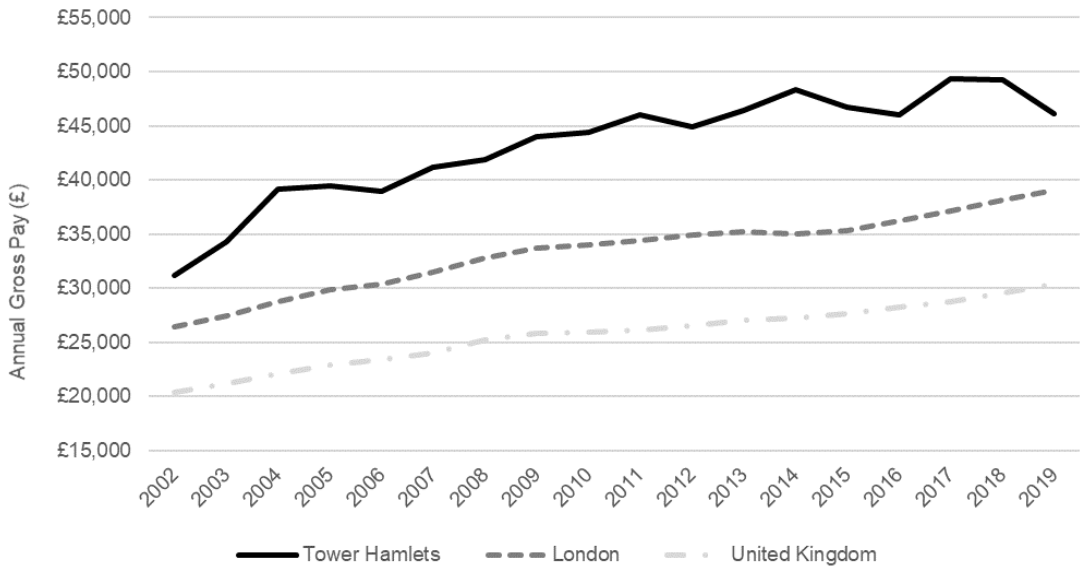
Source: **Knight Frank Research, ASHE**

4.4. Affordability Analysis

We have produced a model to analyse rental affordability in the local area, and all households have been classified by their MOSAIC type. As shown in

Table **20** We have used the 2019 average asking rents for Tower Hamlets, as well as the proposed rents for Panda House, to analyse affordability.

Table 18 below displays the affordability analysis by MOSAIC type, within the local area. Overall, 87% of PRS households (12,060 households) in the local area could afford to rent the average studio flat in Tower Hamlets. However, the proportions vary significantly by MOSAIC Type, with only 63% of Crowded Kaleidoscope households (1,482 households) and 10% of Inner City Stalwarts households (9 households) able to afford to rent the average studio flat in Tower Hamlets. This analysis does not take account of how many people are in each household, so many of the households who are unable to rent studio accommodation, could in fact be households of multiple people who would ideally require a larger property.

Affordability decreases for larger properties, with 80% of PRS households in the local area able to afford to rent the average one bed property (11,014 households), and 57% able to afford to rent the average two bed property (7,863 households).

Table 18: PRS Affordability Analysis by MOSAIC Type – Local Area – Tower Hamlets Average Rents

MOSAIC Type	Name	Studios		1 bed		2 bed	
		No. of HHs	**Share of HHs able to afford**	**No. of HHs**	**Share of HHs able to afford**	**No. of HHs**	**Share of HHs able to afford**
A03	Penthouse Chic	3,686	100%	3,685	100%	3,669	100%
O63	Flexible Workforce	2,193	80%	1,804	66%	724	26%
A04	Metro High-Flyers	2,529	97%	2,485	95%	2,177	83%
K45	Crowded Kaleidoscope	1,482	63%	1,000	43%	226	10%

O62	Central Pulse	1,066	91%	985	84%	596	51%
O66	Student Scene	546	99%	539	98%	209	38%
H34	New Foundations	196	98%	186	93%	66	33%
N58	Cultural Comfort	112	88%	109	86%	49	39%
O65	Learners & Earners	95	86%	86	77%	42	38%
K44	Inner City Stalwarts	9	10%	0	0%	0	0%
	All households	**12,060**	**87%**	**11,014**	**80%**	**7,863**	**57%**

Source: Knight Frank Research, Experian, Rightmove[4]

Table 19 displays the affordability analysis by MOSAIC type for all PRS households within the local area based on the proposed rents for Panda House. 65% of Inner City Stalwarts (60%) households could afford to rent a single room in Panda House, whereas only 9 (10%) could afford to rent the average Tower Hamlets studio (see Table 18).

Across all MOSAC types, 13,541 PRS households (98%) in the local area could afford to rent a single room in Panda House, whilst only 87% could afford to rent the average Tower Hamlets studio. 13,385 PRS households in the local area (97%) could afford to rent a Panda House double room and 100% of the local area's PRS households could afford to rent a double room on a per bed basis.

Overall, affordability is higher for the Panda House rents in comparison to the Tower Hamlets average asking rents shown in Table 18. Panda House is therefore likely to serve the need for more affordable rental accommodation in the local area.

Table 19: PRS Affordability Analysis by MOSAIC Type - Local Area – Panda House Rents

MOSAIC Type	Name	Single Room		Double Room		Double Room per bed	
		No. of HHs	Share of HHs able to afford	No. of HHs	Share of HHs able to afford	No. of HHs	Share of HHs able to afford
A03	Penthouse Chic	3,687	100%	3,687	100%	3,687	100%
O63	Flexible Workforce	2,679	98%	2,650	97%	2,730	100%
A04	Metro High-Flyers	2,593	99%	2,589	99%	2,610	100%
K45	Crowded Kaleidoscope	2,227	95%	2,161	92%	2,336	99%
O62	Central Pulse	1,157	98%	1,134	97%	1,173	100%
O66	Student Scene	551	100%	550	100%	551	100%
H34	New Foundations	200	100%	200	100%	200	100%
N58	Cultural Comfort	125	98%	125	98%	127	100%
O65	Learners & Earners	108	97%	108	97%	111	100%
K44	Inner City Stalwarts	60	65%	28	30%	82	88%
	All households	**13,541**	**98%**	**13,385**	**97%**	**13,766**	**100%**

Source: Knight Frank Research, Experian, Rightmove

Table 20: Rents used to test affordability

Tower Hamlets 2019 Average Asking Rents		Panda House Proposed Rents	
No. of Beds	Average Rent	Room Type	Average rent
Studio	£1,501	Single Room	£1,000

1 Bed	£1,685	Double Room	£1,083
2 Bed	£2,185	Double Room (per bed)	£542

Source: Knight Frank Research, Rightmove

We have used the average asking rents in Tower Hamlets on a per room basis (as shown in Table 1) to compare with the proposed rents for Panda House. As shown in

Figure 36, a single room in Panda House, which costs £1,000 per calendar month (pcm) is cheaper than a single person renting a studio flat (£1,721), a one bed flat (£2,118) or renting a room in a two or three bed property (£1,404 pcm or £1,259 pcm respectively). Panda House becomes more affordable still when you compare with the average rents for short-term rental properties in Tower Hamlets, where a single person would have to pay £1,972 pcm on average for a room in a two bed property and £2,313 pcm on average for a room in a three bed property.

This analysis demonstrates that on average, renting short-term rent is significantly more expensive than renting on a long-term basis, and Panda House becomes even more affordable when analysing double rooms, which cost just £542 per person pcm. A couple sharing a one bed flat would be required to pay £861 per person pcm for the average long-term studio flat and £698 per person pcm to share the average short-term studio flat.

Overall, Panda House offers short-term accommodation that is more affordable that the current borough averages. This means that Panda House will serve the need for more affordable accommodation amongst transient renters, who are often in lower income jobs.

Figure 36: Average asking rent per person comparison: Tower Hamlets averages vs. Panda House[5]

Source: Knight Frank Research, Rightmove

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[4] Note: Income and Tenure data sourced from Experian that analyses households on a regional basis has been modelled to estimate smaller geographical areas.
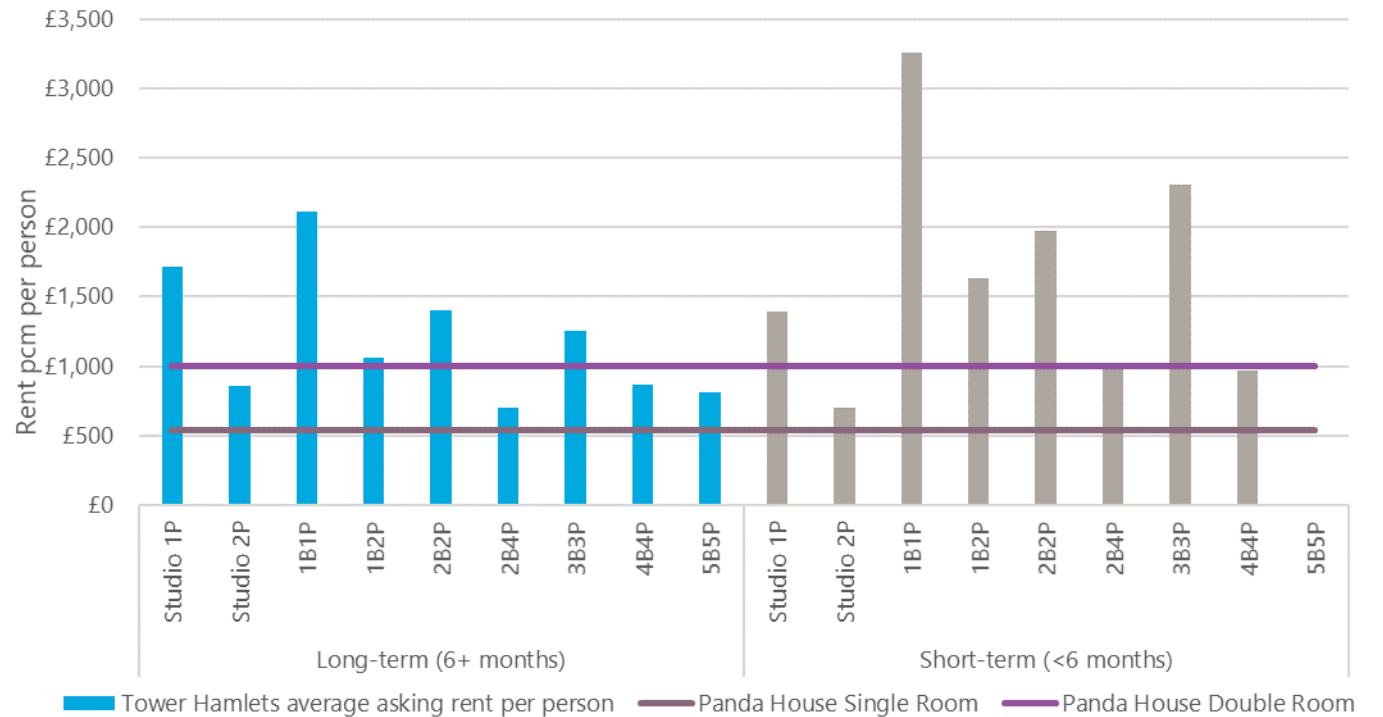
[5] Note: 1B1P is used to refer to a 1 bedroom property with 1 person living in it.

Summary

- 2,734 of local private renters (20%) are categorised as MOSAIC Type O63 – Flexible Workforce. These households are typically self-starting young renters who are ready to move to follow worthwhile incomes from service sector jobs. This MOSAIC Type is a key target group for short-term rental accommodation.

- Panda House offers more affordable rents than the borough averages, with 13,541 PRS households (98%) in the local area able to afford to rent a single room in Panda House, whilst only 87% (12,060) could afford to rent the average Tower Hamlets studio.

- Panda House serves the need for affordable short-term accommodation. A double room at Panda House costs £542 per person per calendar month, whilst a couple sharing the average short-term studio flat in Tower Hamlets would have to pay £698 per person.

5.   DRIVERS OF DEMAND

5.1 Employment structure

There are currently 341,900 workforce jobs in Tower Hamlets. The largest sector is Professional & Other Private Services with a 31% share, followed by Public Services with a 31% share, followed by Finance & Insurance with a 24% share (see Figure 37).

74.2% of people in Tower Hamlets are economically active, which is lower than the figures for London (78.1%) and Great Britain (78.9%). However, 36.1% of those who are economically inactive in Tower Hamlets are students, compared with 32.1% for London and 26.8% for Great Britain. Source: **Knight Frank Research, ONS**

63.4% of those in employment in Tower Hamlets are categorised as Soc 2010 Major Group 1-3, which includes managers, directors, senior officials, professional occupations and associate level professional and technical roles. This is higher than the proportion of Soc2010 Major Group 1-3 seen in London (58.6%) and Great Britain (47.5%). This demonstrates that a high proportion of those in Tower Hamlets who are employed are in senior, professional roles. Source: **Knight Frank Research, ONS**

Tower Hamlets is home to Canary Wharf, one of London's key employment hubs. The largest employers here include many banks such as Barclays, Credit Suisse First Boston, HSBC and JP Morgan, as well as other employers such as Crossrail, Clifford Chance LLP, EY (formerly Ernst & Young) and the Government Property Unit. These employers each have at least 2,000 employees in Canary Wharf. Source: **Knight Frank Research, PMA**

Figure 37: Tower Hamlets Workforce Jobs by Broad Sector

Info & Comm., 10%

Finance & Insurance, 24%

Accomodation, Food Services & Recreation, 7%

Wholesale & Retail, 5%

Professional & Other Private Services, 31%

Public Services, 17%

Constructi… 3%

Trans… & storage, 2%

M… 1%

Uts., 0%
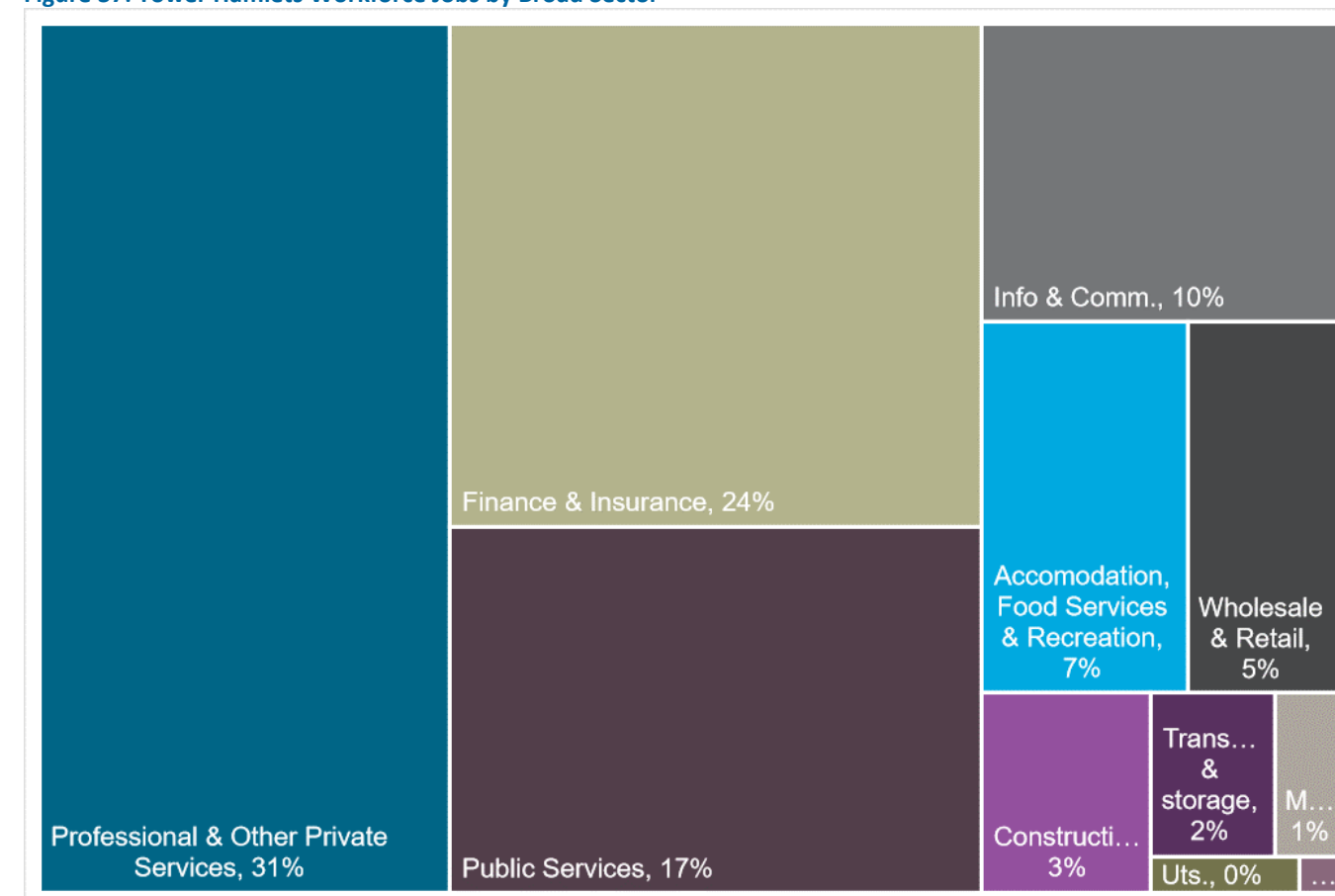
Source: **Knight Frank Research, Experian**

5.2 Employment growth projection

Over the next 10 years, it is projected that 39,300 new job opportunities will be created in Tower Hamlets. The focus of much of this growth is expected to be in the Professional Services and Finance industries (see Figure 38). 7,400 of these jobs are predicted to be in sectors such as Health, Accommodation & Food Services and Construction, which are often associated with temporary or short-term work placements. This indicates an increased demand for short-term rental accommodation in the future.

The expansion of various employers in the borough supports these employment growth forecasts. In 2018, the Government Property Unit committed to office space at 10 Colonnade in Canary Wharf, which will see 5,700 roles relocate from Whitehall. The European Bank for Reconstruction and Development pre-let 365,000 square feet at 5 Bank Street in Canary Wharf in 2019, with plans to transfer 2,500 employees here upon expiry of their lease in the City of London in 2022.

It is anticipated that some sectors, primarily within the manufacturing and wholesale sectors, will experience a net loss of 1,400 jobs, shifting the overall predicted net employment growth to 37,900 jobs by 2029.

These projections are the latest projections from Experian and do not take into account unconfirmed office or other employment space.

Figure 38: Job Growth in Tower Hamlets 2019 to 2029, by category
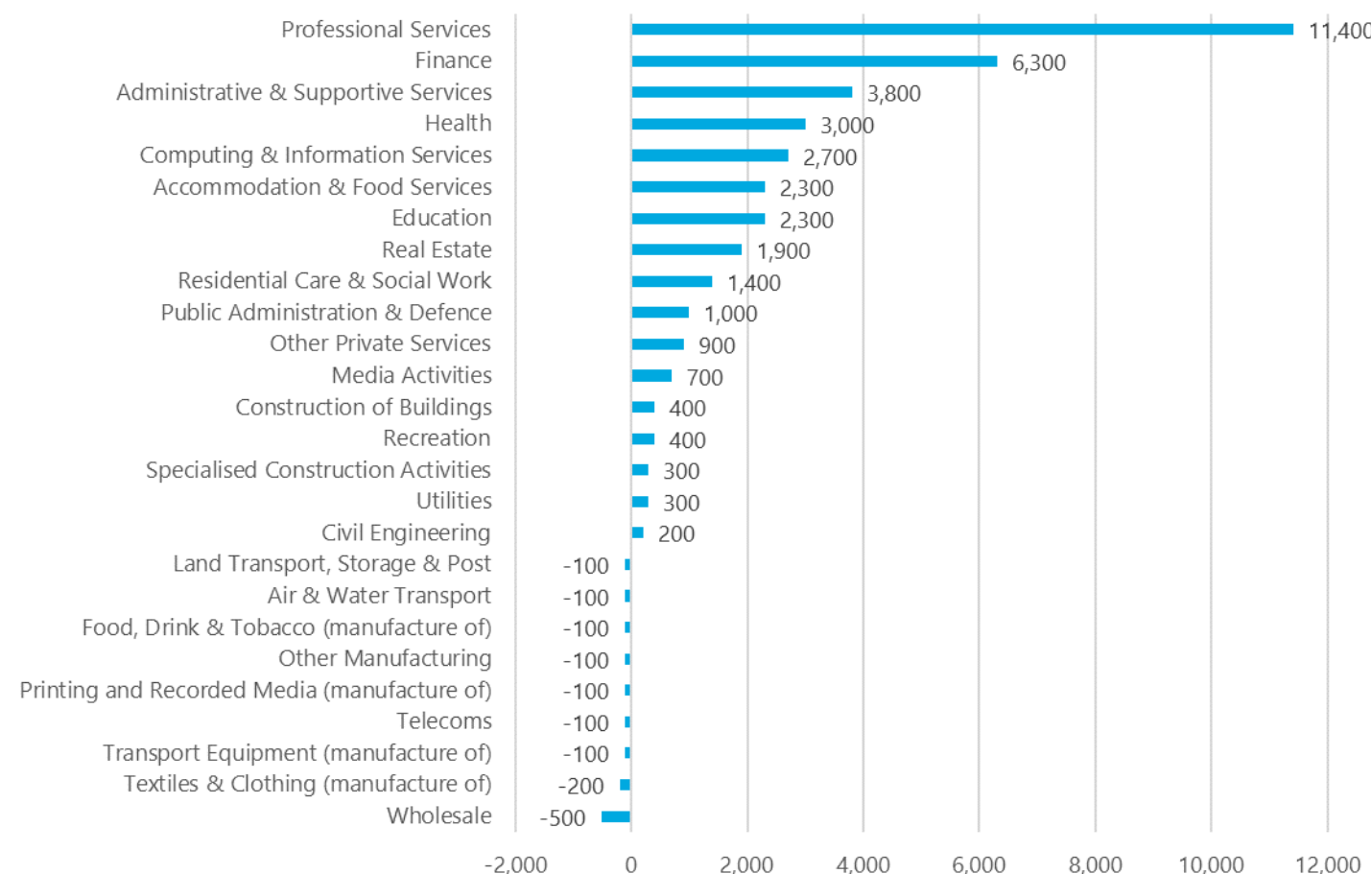
Source: Knight Frank Research, Experian

Employment in Tower Hamlets has grown by 24% since 2011, which is higher than the growth seen in London as a whole (22%) and significantly higher than the growth seen in the UK (12%) (see Figure 39).

Forecasts suggest that annual growth rates in Tower Hamlets over the next 20 years will be c.1.2% per annum, which is higher than both the London (0.7%) and the UK (0.5%) forecasts (see Table 21)Table 1. Some of this is attributed to the continued expansion of employers into the borough, as previously mentioned.

According to the forecast, employment in Tower Hamlets could increase by 26% over the next 20 years, which his higher than the estimated 15% for London and 10% for the UK. Employment growth is considered to be a key driver of private rental demand so the strong historic and forecast employment growth in Tower Hamlets supports the expected increasing demand within the private rented sector. In turn, this is also likely to result in an increase in demand for short-term rental accommodation.

Figure 39: Tower Hamlets Employment Growth Projection – Index (base 2011 = 100)
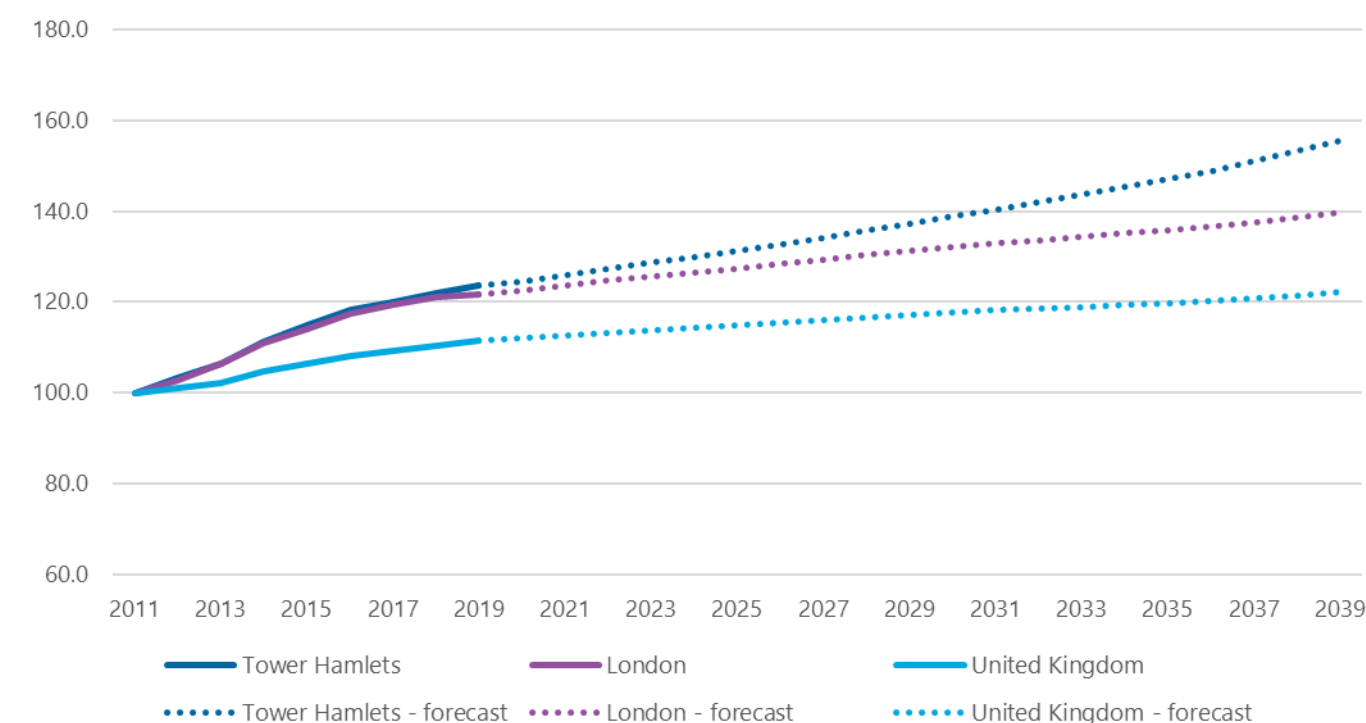
Source: Knight Frank Research, Experian

Table 21: Tower Hamlets Historic and Forecast Employment Growth 2011-2029

Employment	Growth since 2011	Projected over next 20 years	Projected p.a.
Tower Hamlets	24%	26%	1%
London	22%	15%	1%
United Kingdom	12%	10%	1%

Source: Knight Frank Research, Experian

5.3 Household disposable income and GVA

The latest estimates from Experian show there has been considerable growth in both Gross Value Added (GVA) and Household Disposable Income (HDI) in Tower Hamlets since 2009.

Between 2009 and 2012, GVA and HDI growth were closely aligned. However, since 2013, growth in GVA has slowed and growth in HDI has increased. This trend is projected to continue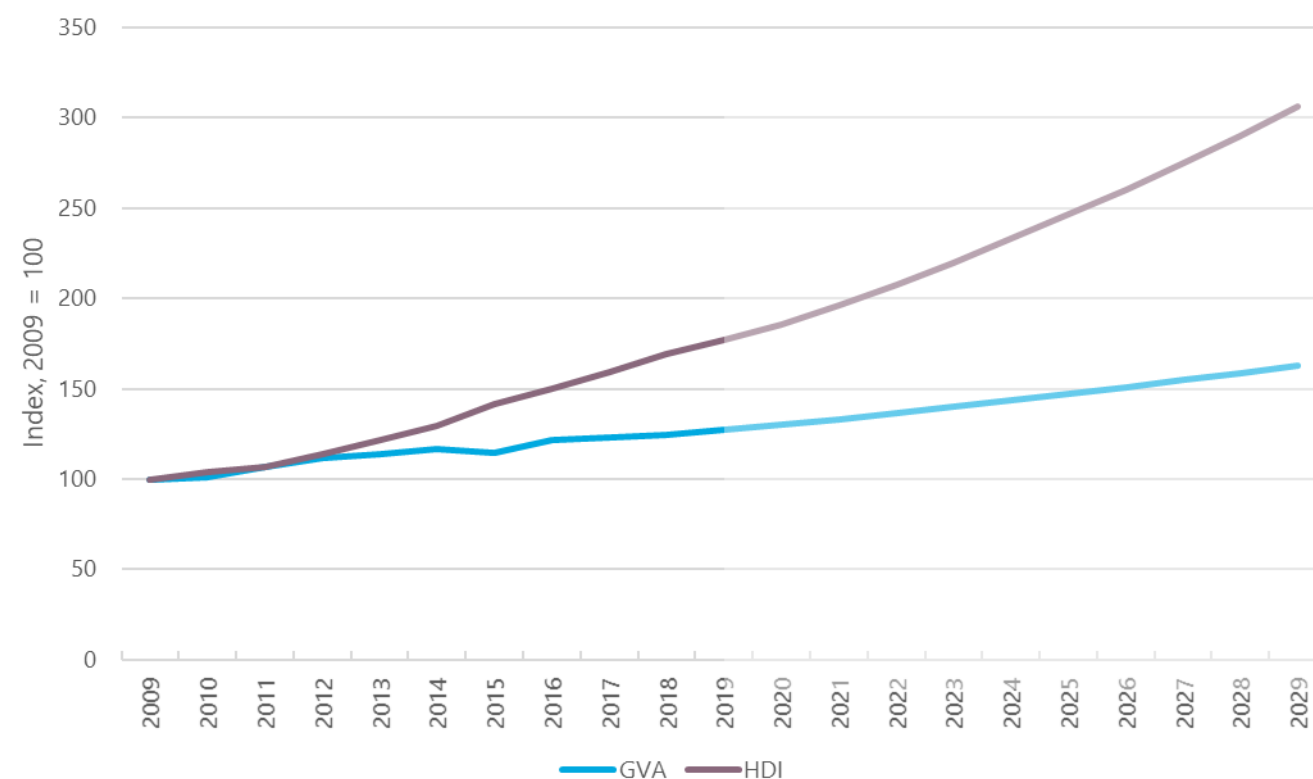 over the next 10 years, with forecast growth in HDI of 73% over the period, compared to 28% growth in GVA (see Figure 40 & **Table 22**).

HDI is considered a key driver of rental growth, making Tower Hamlets an attractive location for investment in the private rented sector.

Figure 40: Tower Hamlets Historic and Forecast GVA and HDI Growth 2009-2029

Source: **Knight Frank Research, Experian**

Table 22: Tower Hamlets Historic and Forecast GVA and HDI Growth 2009-2029

Tower Hamlets	Historic Growth 2009-2019	Forecast Growth 2019-2029
GVA	27%	28%
HDI	77%	73%

Source: **Knight Frank Research, Experian**

5.4 Internal Migration into Inner East London by Age and Source Region

In 2018, there was a relatively even balance of migration within the Borough of Tower Hamlets, with marginally more people outgoing. Persons aged between 20-24 years of age experienced the largest net inflow within the borough, with a balance of an additional 1,790 individuals. This is likely due to the large number of higher education institutions (HEI's) within proximity of the local area. Of those living within a one mile radius of Panda House, over 5,400 students attend Queen Mary University of London.

The highest in and outflow of people is seen in the 20-34 age group, with 19,100 incoming people and 18,236 outgoing people in 2018. The high migration numbers for this age group suggests demand for short-term rental accommodation, as some may be moving in and out of the borough to take up short-term employment, study and training opportunities.
When observing inflow by region, over half of the incoming population to the borough, are from London itself (58%). This is followed by the South East, at 11% of the incoming population.

Figure 41: Tower Hamlets - Internal Migration
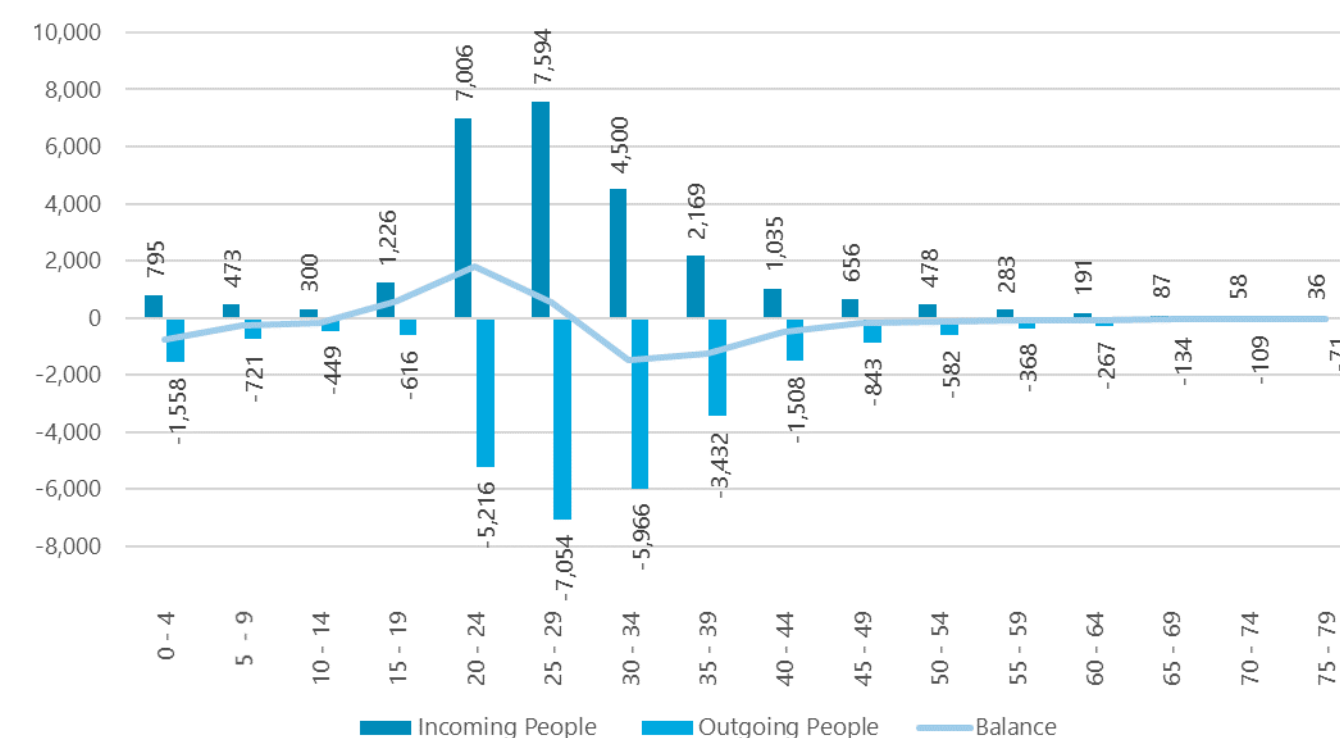
Source: **Knight Frank Research, ONS**

South East, 11%
East of England, 8%
West Midlands, 4%
East Midlands, 3%
South West, 4%
Scotland, 2%
North East, 1%
Yorkshire and The Humber, 3%
North West, 4%
Wales, 1%
London, 58%

Source: **Knight Frank Research, ONS**

5.5 Housing need

Population growth, large scale housing development and migration are intertwined in the borough. Tower Hamlets has the highest housing target in the adopted London Plan. The current London Plan (2016) identifies a minimum housing target of 39,314 homes (equivalent to 3,931 homes per annum) for the London Borough of Tower Hamlets between 1 April 2015 and 31 March 2025. This target includes additional homes provided by development and redevelopment of residential and non-residential properties, long term vacant properties brought back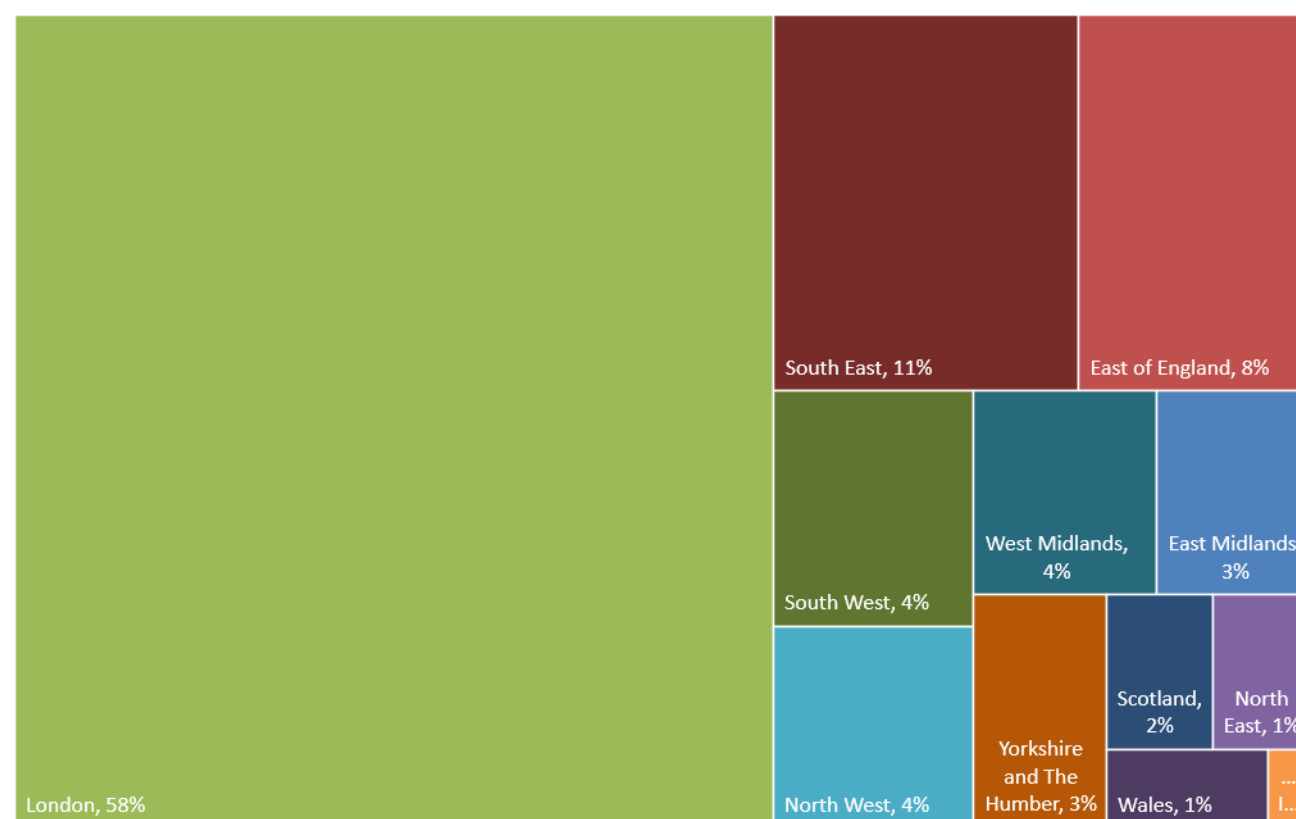 into use and non-self-contained accommodations (including accommodations for students, older people, hostels and homes for multiple occupation).

In the emerging London Plan, the first draft of which was released during this monitoring period, this annual target has dropped slightly to 3,511 – but is still the second highest target in London, behind Newham.
According to Tower Hamlets Borough Council's latest monitoring report between 1 April 2015 and 31 March 2017, a total of 7,919 additional homes have been delivered in Tower Hamlets (included 417 units for student accommodation). This is equivalent to a surplus of 57 homes since the start of the London Plan period. However, London Development Database (LDD) housing completions data for the monitoring period shows that 2,125 new homes were completed in 2017/18 (latest AMR assessment), with a net gain of 2,003 homes. In addition to this, 12 non-conventional bedrooms were completed, all in C2 use class, making a total net gain of 2,015 homes. This is 49% short of the London Plan target for that year. In the monitoring periods for 2015/16 and 2016/17, the borough saw completions of 2,850 and 4,844 homes respectively. Across the three years that the target has been in place, this averages 3,236 new homes per year – an average yearly shortfall of 695 homes.

566 affordable housing units were provided in 2017/18, making up 28.1% of all housing delivery in the borough. This is significantly below the council's target of 50% and also a drop of more than half from the 1,379 affordable housing units delivered in the previous monitoring period.

There is a lack of affordable market homes for families, with only 9.6% of market homes delivered in the borough being 3-bed or above. Because of this low level of market family housing, the overall level of family housing was only

19.9%, against a target of 30%. Family housing is significantly harder to deliver. However, as section 3.2 above demonstrates the number of single person renter households in Tower Hamlets is significant, with these households typically sharing larger properties. The delivery of new affordable accommodation that caters for this demand is likely to free up larger properties, within the existing housing stock, for families.

In September 2017 (latest AMR data) there were 18,276 households on the Tower Hamlets housing register, and although numbers have declined year-on-year since 2008, Tower Hamlets still has the second longest waiting list in London and the eighth longest nationally. Of these, 10,565 meet the criteria for urgent priority categories, and 7,017 are living in overcrowded conditions. Asian households (primarily of Bangladeshi heritage) make up 60% of the housing register, and BME households of all kinds make up 78% of the register. There are currently 2,188 Tower Hamlets households living in temporary accommodation, of which 1,182 are in accommodation outside the borough.

Summary

- Employment growth is considered a key driver of rental demand and it is predicted that 39,300 new jobs will be created in Tower Hamlets over the next 10 years. 7,400 of these jobs are predicted to be in sectors such as Health, Accommodation & Food Services and Construction, which are often associated with short-term and temporary contracts or placements, which indicates an increased demand for short-term rental accommodation in the future.
- Tower Hamlets experiences high levels of inward and outward migration among young age cohorts, with 19,100 incoming and 18,236 outgoing individuals aged 20 to 34 in 2018. High levels of movement of people indicates demand for short-term rental accommodation.
- Tower Hamlets has the highest housing target in the adopted London Plan and identifies a minimum housing target equivalent to 3,931 homes per annum between 2015 to 2025. Across the three years that the target has been in place, there has been an average of 3,236 new homes per year – an average yearly shortfall of 695 homes.

6. SUPPLY AND PIPELINE

6.1 Rental Listings in Tower Hamlets

The majority of the private-sector accommodation is in the form of HMOs let through the private rental market. Private rented supply across consists predominantly of flats/apartments and terraced houses in the E14, E1 and E3 areas.

Tower Hamlets Borough Council estimates that there are HMO licenses against 9,000 properties (Local Authority Housing Statistics 2018/19). Based on our analysis of Tower Hamlets House in Multiple Occupation (HMO) Licensing register, we know that on average there are 2.3 bedrooms per HMO licensed property across Tower Hamlets – this in total amounts to 20,700 HMO bedspaces across Tower Hamlets.

Analysis of online listing data indicates that there were approximately 16,089 private rented sector (PRS) properties within Tower Hamlets in the year to May 2020 – the lowest volume of listings in over five years (-25% compared to 2016/17). Short term let listings have dropped from 492 in 2015/16 to 135 in 2019/20 (-77%). This significant drop in number of listings could be a strong indication that private-renters in Tower Hamlets are renting for much longer durations and as a result, there is less supply in the market.
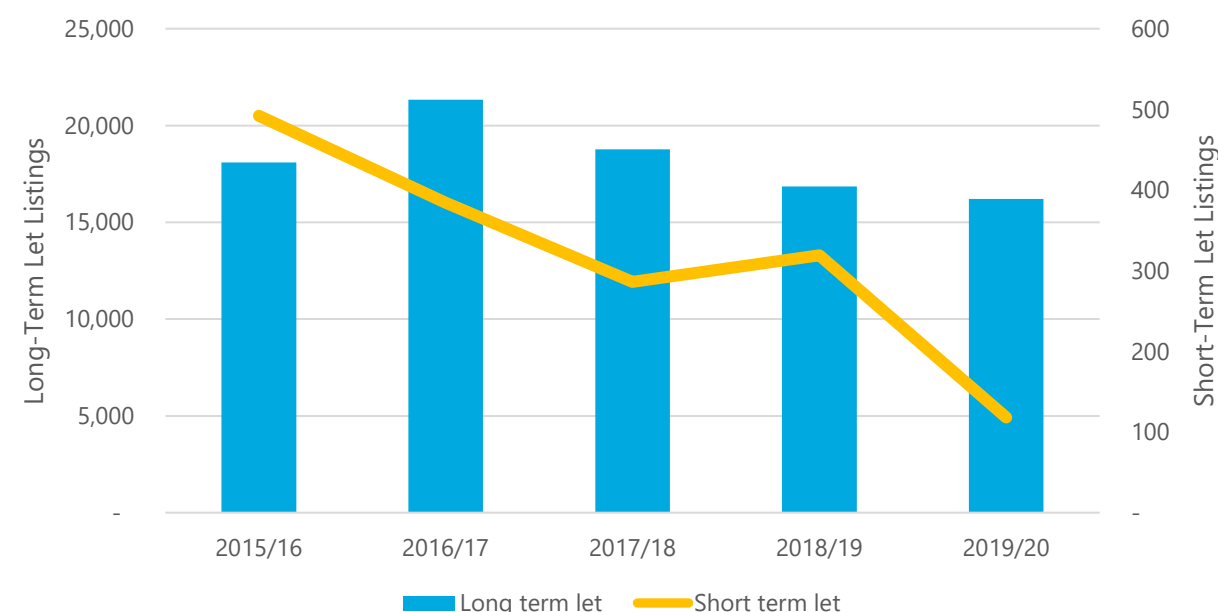
Table 23: Private Rental Listings in Tower Hamlets 2015/16 to 2019/20*

Term Length	2015/16	2016/17	2017/18	2018/19	2019/20
Long-Term (6+ months)	18,087	21,337	18,773	16,847	16,089
Short-Term (<6 months)	492	384	286	319	135
Total Listings	18,579	21,721	19,059	17,166	16,224

Source: **Rightmove, Knight Frank Residential Research**
*NOTE: **Listings data based on listings on cycle from May to May following year, i.e. 2019/20 based on unique listings from May 2019 to May 2020**

Figure 43: Time Series of Short and Long Term Private Rental Listings in Tower Hamlets 2015/16 to 2019/20

Source: **Rightmove, Knight Frank Residential Research**

Table 24: Private Rental Listings 2019/20Table 24 illustrates the private rental listings in Tower Hamlets and within a 20-minute walk time of Panda House. The majority of these rentals were one- and two-bedroom properties. 41.7% of the total PRS supply consists of two-bedroom properties, and a further 34.2% consist of one-bedroom apartments, whilst larger three or more-bedroom properties in total represented 16.8%. Collectively these PRS properties supplied approximately 29,185 bed spaces within Tower Hamlets.

In the year to May 2020, there were 135 private rental listings marketed as 'short term' let's across Tower Hamlets, accounting for just 0.8% of the total listings in the borough. Short term let rentals were predominantly listed as one- and two-bedroom apartments.

Table 24: Private Rental Listings 2019/20

Accommodation type	All Tower Hamlets						20 minute walking distance					
	Long-Term (6+ months)			Short-Term (<6 months)			Long-Term (6+ months)			Short-Term (<6 months)		
	#	%	Imputed bed spaces	#	%	Imputed bed spaces	#	%	Imputed bed spaces	#	%	Imputed bed spaces
Studio	1,156	7.2	1,156	1	0.7	1	159	3.6	159	0	0.0	0
One bedroom	5,509	34.2	5,509	71	52.6	71	1,365	31.0	1,365	16	38.1	16
Two bedrooms	6,710	41.7	13,420	53	39.3	106	1,937	44.0	3,874	20	47.6	40
Three bedrooms	1,935	12.0	5,805	9	6.7	27	643	14.6	1,929	6	14.3	18
Four bedrooms	600	3.7	2,400	1	0.7	4	258	5.9	1,032	0	0.0	0
Five or more bedrooms	179	1.1	895	0	0.0	0	44	1.0	220	0	0.0	0
Total	16,089	100.0	29,185	135	100.0	209	4,406	100.0	8,579	42	100.0	74

Source: **Rightmove, Knight Frank Residential Research**

6.2 Existing Supply

There are 18 private build-to-rent (BTR) schemes in operation within a 20 minute walking distance of Panda House, providing 3,691 homes. There are a further 11 hostels within the catchment and at least 42 private rental properties offering short term lets. There are no schemes identified as co-living currently in operation within Tower Hamlets.

Table 25: Largest 10 PRS schemes within a 20 minute walking distance of Panda House*

Operator/Investor	Scheme name	Postcode	Total homes
Galliard Homes Ltd	Harbour Central/Maine Tower	E14 9DJ	990
Anglo Irish Bank	Canary Quarter (Indescon Court East)	E14 9TN	546
Greystar	Sailmakers / Harbour Central	E14 9NG	327
Vertus / Canary Wharf Group	Grid Building / 10 George Street	E14 9SF	327
Fizzy Living	Fizzy Stepney Green / Ocean House	E1 3FD	225
White Chapel Estate	White Chapel Estate apartments	E1 2	181
Poplar HARCA	Aberfeldy New Village - Phase 1	E14 0GP	158
Telford Homes	The High Line	E14 6NL	150
Al Mubarakia, Messila House	Sovereign Court	E1W 3HL	124
Essential Living	Dressage Court / Farrier House	E2 0EL	108

Source: **Knight Frank Residential Research**
*NOTE: **PRS schemes include BTR, BTL, co-living, hostels and Short-term let HMO's only. See Appendix 1 for a full list of PRS schemes within catchment.**

Figure 44: Map of PRS schemes within a 20 minute walking distance
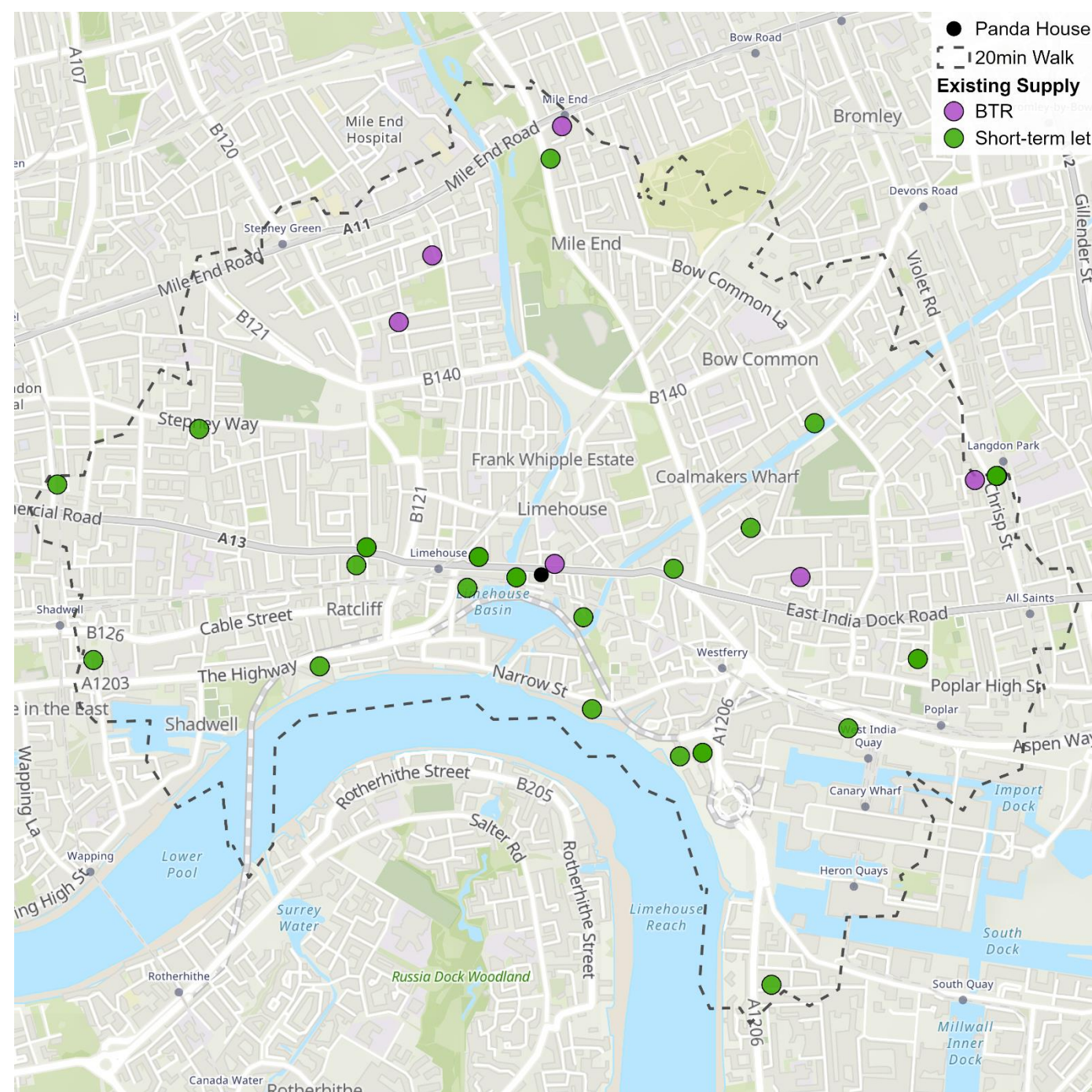
Source: Knight Frank Residential Research

6.3 Pipeline Supply

The supply pipeline has been compiled by collecting all residential accommodation records from Egi planning data and data from the planning departments at Tower Hamlets Borough Council. This data has been combined and sorted dependent on planning and construction status.

As of May 2020, 17 PRS schemes are currently under construction representing 8,119 units. An additional 18 PRS schemes have been granted detailed permission representing 2,458 units, a potential pipeline totalling 10,577 units. **Figure 45** is a map illustrating all PRS schemes currently in the development pipeline within a 20 minute walking

distance of Panda House. There are no schemes in the development pipeline identified as co-living in Tower Hamlets.

Figure 45: Map of PRS schemes in development pipeline within a 20 minute walking distance
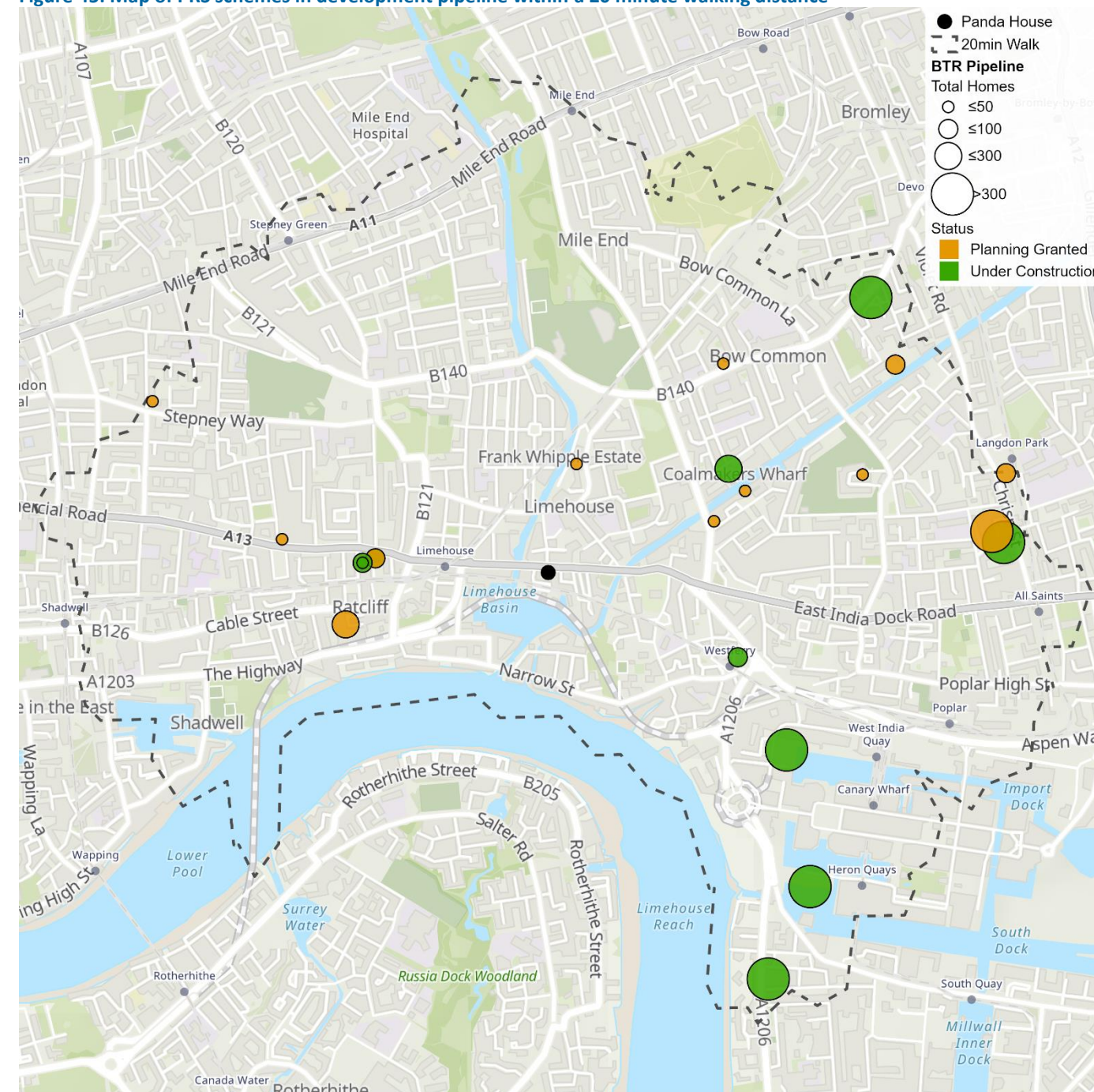
Source: **Glenigan, Knight Frank Residential Research**

Table 26: All PRS Schemes in Development Pipeline

Description	No. of Schemes	Total Units
Planning Granted	18	2,458
Under Construction	17	8,119
Grand Total	**35**	**10,577**

Source: **Glenigan, Knight Frank Residential Research**

Table 27: Largest 10 PRS schemes in the development pipeline within a 20 minute walking distance of Panda House*

Description	Status	Post Code	Total Units
Millharbour Quarter	Under Construction	E14 5AR	1,513
Brunel Street Works/ Fizzy Canning Town	Under Construction	E16 1GT	975
Spire London (Hertsmere House / Columbus Tower)	Under construction	E14 4AB	861
Landmark Pinnacle (City Pride)	Under construction	E14 8JH	822
Wardian London (Arrowhead Quay / Waterside House)	Under construction	E14 9NN	764
Calders Wharf	Under Construction	E14 6AQ	649
Chrisp Street Market	Planning Granted	E14 6AH	643
Aspen (Alpha Square)	Under construction	E14 9TP	634
Newfoundland (The Diamond Tower)	Under construction	E14 4JB	611
Merchants Walk / Lime Quarter	Under construction	E3 3QX	543

Source: **Glenigan, Knight Frank Residential Research**

6.4 Shortfall of Private Rented Property in Tower Hamlets

As detailed in section 6.1, there are an estimated 9,000 HMOs in Tower Hamlets providing an estimated 20,700 bedspaces. There are currently no co-living schemes in operation in Tower Hamlets. As outlined in there are an estimated 36,134 'sharers' living in PRS households within Tower Hamlets. It is reasonable to assume that these 'sharers' would prefer to live in a professionally managed HMO scheme as opposed to unlicensed accommodation. Assuming this, the shortfall of HMO bed spaces across Tower Hamlets equates to an estimated 15,434 bedspaces.

If you consider the projected supply-demand imbalance over the next five years, this shortfall of HMO and co-living bedspaces is expected to widen even further with potentially 19,081 'sharers' unable to access purpose built, professionally managed HMO accommodation in Tower Hamlets.

Table 28: Shortfall of HMO and Co-Living Bedspaces in Tower Hamlets

Supply/Demand Metrics	2019	Projected annual change to 2024	2024
Supply (HMO bedspaces + co-living bedspaces)	20,700	0	20,700*
Demand ('sharer' household population)	36,134	3,647	39,781
Shortfall (HMO bedspaces + co-living bedspaces)	15,434	3,647	19,081

Source: **GLA, Glenigan, ONS, Tower Hamlets Borough Council, Local Authority Statistics, Knight Frank Research**
*We've identified no co-living schemes in the development pipeline that are likely to be delivered by 2024
NOTE: 'Sharers households' are defined as at least two adults, who are not couple, living together in a single property with shared facilities

Summary

- There is currently a shortfall of 15,434 HMO bedspaces in Tower Hamlets and the shortfall is projected to widen even further over the next five years.
- Tower Hamlets Borough Council estimates that there are 9,000 HMO properties (Local Authority Housing Statistics 2018/19), providing an estimated 20,700 HMO bedspaces.
- There are no schemes identified as co-living currently in operation within Tower Hamlets.
- There are an estimated 36,134 'sharers' living in the PRS in Tower Hamlets and only 20,700 licensed HMO bedspaces.
- There are 17 PRS schemes are currently under construction representing 8,119 units. An additional 18 PRS schemes have been granted detailed permission representing 2,458 units, a potential pipeline totalling 10,577 units. There are no schemes identified as co-living in the development pipeline within Tower Hamlets.

7. SUMMARY

Based on our analysis the key demand and supply-side factors for the HMO market relating to Tower Hamlets, are as follows:

Key demand side factors

- Tower Hamlets has the highest housing target in the adopted London Plan and identifies a minimum housing target equivalent to 3,931 homes per annum between 2015 to 2025. Across the three years that the target has been in place, there has been an average of 3,236 new homes per year – an average yearly shortfall of 695 homes.
- Tower Hamlets experiences high levels of inward and outward migration among young age cohorts, with 19,100 incoming and 18,236 outgoing individuals aged 20 to 34 in 2018, this represents a net growth through migration of this age cohort. In our latest UK Tenant Survey in section 1.3, we have identified this age cohort have highest propensity for sharer households.
- Employment growth is considered a key driver of rental demand and it is predicted that 39,300 new jobs will be created in Tower Hamlets over the next 10 years. 7,400 of these jobs are predicted to be in sectors such as Health, Accommodation & Food Services and Construction.
- There are an estimated 36,143 'sharers' (defined as at least two adults, who are not a couple, living together in a single property with shared facilities) living in Tower Hamlets and this figure is projected to grow 10% to 39,781 by 2024.

Key supply side factors

- Tower Hamlets Borough Council estimates that there are 9,000 HMO properties (Local Authority Housing Statistics 2018/19), providing an estimated 20,700 HMO licensed bedspaces.
- There are no schemes identified as co-living currently in operation within Tower Hamlets.
- Analysis of online listing data indicates that there were approximately 16,089 private rented sector (PRS) properties within Tower Hamlets in the year to May 2020 – the lowest volume of listings in over five years (-25% compared to 2016/17).
- Short term let listings have dropped from 492 in 2015/16 to 135 in 2019/20 (-77%). This significant drop in number of listings could be a strong indication that private-renters in Tower Hamlets are renting for much longer durations and as a result, there is less supply in the market.
- There are 17 PRS schemes currently under construction representing 8,119 units. There are no schemes identified as co-living in the development pipeline within Tower Hamlets.

Concluding statement

Given the current and projected number of households living as 'sharers', our study confirms that there is a strong need for additional HMO bedspaces and affordable purpose built accommodation that provides accommodation for sharers across Tower Hamlets. Furthermore, our Knight Frank Tenant Survey indicates that a preference for flexibility, provided in short-term tenancies, particularly for younger renters. Housing market evidence indicates that short term private rental listings and rental listing overall, have decreased year on year in the borough.

There are an estimated 9,000 HMO properties in Tower Hamlets providing an estimated 20,700 bedspaces. There are currently no co-living schemes in operation in Tower Hamlets. There are an estimated 36,143 'sharers' (defined as at least two adults, who are not a couple, living together in a single property with shared facilities) living in Tower Hamlets. This means that there are 15,434 sharers potentially living in non-purpose built, unlicenced accommodation in Tower Hamlets.

If you consider the projected supply-demand imbalance over the next five years, this shortfall of HMO and co-living bedspaces is expected to widen even further with potentially 19,081 'sharers' living in non-purpose built accommodation in Tower Hamlets.

Tower Hamlets has the highest housing target in the adopted London Plan, however, over the last three years there has been an average annual shortfall of 695 homes. As outlined in section 4.10.3 of the Draft London Plan, 'well-designed one- and two- bedroom units in suitable locations can attract those wanting to downsize from their existing homes', and as a result, has the 'ability to free up existing family stock.'

The proposed scheme on Commercial Road will provide affordable HMO/co-living accommodation and much-needed flexibility for private rented 'sharers.

APPENDIX 1

Table 29: Largest 10 PRS schemes in the development pipeline within a 20 minute walking distance*

Scheme name	Postcode	Type	# Units
Harbour Central/Maine Tower	E14 9DJ	BTR	990
Canary Quarter (Indescon Court East) - 2 - Lincoln Plaza	E14 9TN	BTR	546
Sailmakers / Harbour Central	E14 9NG	BTR	327
Grid Building / 10 George Street	E14 9SF	BTR	327
Fizzy Stepney Green / Ocean House	E1 3FD	BTR	225
White Chapel Estate apartments	E1 2	BTR	181
Aberfeldy New Village - Phase 1	E14 0GP	BTR	158
The High Line	E14 6NL	BTR	150
Sovereign Court	E1W 3HL	BTR	124
Dressage Court / Farrier House, Bethnal Green	E2 0EL	BTR	108
Cheviot House	E1 2BU	BTR	97
CQ London	E14 7LA	BTR	95
45 Millharbour / Cudweed Court	E14 9TR	BTR	94
71 Carmen Street	E14 6NW	BTR	84
Stepney Green - E (Vivo) & F (So Stepney)	E1 4SE	BTR	63
New Festival Quarter (Blessed John Roche School)	E14 6HL	BTR	45
L&Q Carmen Street	E14 6NH	BTR	51
Bow West	E3 4SS	BTR	26
London Backpackers Hostel	NW4 3NS	Hostel	n/a
Regal Guest House	NW11 8BB	Hostel	n/a
Harringay Victorian House	N4 1JY	Hostel	n/a
Green Rooms	N22 6JW	Hostel	n/a
The Postellers Youth Hostel Group	EN5 4HH	Hostel	n/a
Express-O Rooms	HA8 7AW	Hostel	n/a
Campe House	N10 1AR	Hostel	n/a
Mstay Golders Green	NW11 8HE	Hostel	n/a
Central Hotel	NW11 8BS	Hostel	n/a
Crompton House Serviced Apartments	EN5 5UJ	Hostel	n/a
Charmstay Apartments	N15 3PT	Hostel	n/a
HMO (1 bed)	16 locations	Short-term let	n/a
HMO (2 bed)	20 locations	Short-term let	n/a
HMO (3 bed)	6 locations	Short-term let	n/a

Source: **Knight Frank Residential Research**

APPENDIX 2

Table 30: Largest 10 PRS schemes in the development pipeline within a 20 minute walking distance*

Description	Status	Postcode	Total Homes
Millharbour Quarter	Under Construction	E14 5AR	1,513
Brunel Street Works/ Fizzy Canning Town	Under Construction	E16 1GT	975
Spire London (Hertsmere House / Columbus Tower)	Under construction	E14 4AB	861
Landmark Pinnacle (City Pride)	Under construction	E14 8JH	822
Wardian London (Arrowhead Quay / Waterside House)	Under construction	E14 9NN	764
Calders Wharf	Under Construction	E14 6AQ	649
Chrisp Street Market	Planning Granted	E14 6AH	643
Aspen (Alpha Square)	Under construction	E14 9TP	634
Newfoundland (The Diamond Tower)	Under construction	E14 4JB	611
Merchants Walk / Lime Quarter	Under construction	E3 3QX	543
Infinity Towers (Helix)	Planning Granted	E14 5SP	345
Glengall Quay - South	Planning Granted	E14 9FZ	316
Highway Trading Centre	Planning Granted	E1W 3HS	264
54 Marsh Wall	Planning Granted	E14 9TP	216
Explorers Wharf (Gandhi Oriental Foods)	Under construction	E14 7BJ	184
Wood Wharf - 10 Park Drive & 8 Water street	Under Construction	E14 9SF	174
Mile End East Estate	Planning Granted	E3 4PR	142
Iron Mountain	Planning Granted	E14 6BE	115
219-221 Bow Road	Under Construction	E3 2SP	93
The Kiln Works	Under construction	E1 0HS	77
Azam House	Under construction	E3 3QH	73
82 West	Under construction	E14 8BE	66
Poplar Transformer Station	Planning Granted	E3 3RE	65
553 Cable Street	Planning Granted	E1 0HS	57
27-29 and 33 Caroline Street	Under construction	E1 0JG	56
Royal Charlie PH	Planning Granted	E14 6NL	53
Unemployment Benefit Office	Planning Granted	E14 7DR	42
2 Jubilee Street	Planning Granted	E1 3HE	37
Job Centre	Planning Granted	E14 7EP	35
Locksley Estate Site A	Planning Granted	E14 7TL	33
St Saviours Church	Planning Granted	E14 6LF	27
3-19 Caroline Street	Under construction	E1 0JG	24
Car Park Between Jubilee Park And Gardens	Planning Granted	E1 3HF	24
Former St Paul's Way Medical Centre	Planning Granted	E3 4AJ	23
Royal Duchess PH	Planning Granted	E1 0HQ	21

Source: **Glenigan, Knight Frank Residential Research**

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