ANNEX B

Property Market Report
PROPERTY MARKET ANALYSIS

CENTRAL AREA,
LONDON BOROUGH OF TOWER HAMLETS

FOR

LONDON BOROUGH OF TOWER HAMLETS,
DIRECTORATE OF DEVELOPMENT & RENEWAL

DECEMBER 2007
Dear Sirs

PROPERTY MARKET ANALYSIS – TOWER HAMLETS CENTRAL AREA

As part of a joint appointment by London Borough of Tower Hamlets of BBP Regeneration, SQW & CBRE, Strettons have been instructed to undertake a property market review in the Central Area of the Borough.

We are required to report with an overview of the commercial and residential property markets within the Central Area, including commentary on the area generally, profile and description of existing building stock, trends in demand for commercial property, assessment of the planning pipeline supply; and indicative rental and capital values.

The report is required as part of a more detailed review of a large number of specific sites potentially suitable for redevelopment, within 6 clusters across the study area. The commentary is required in order to allow for the assessment of suitability of commercial uses as part of any future development of those sites, and with indicative values allowing for assessment of the differences in value between current and potential alternative uses as identified within the study, being co-ordinated by BBP.

Our property market analysis is broken into two sections. The first provides for a review of existing stock and land use patterns across the Central Area; and also focuses on infrastructure. The second section provides a property market review within commentary on supply and demand; and values.

Tables and other data referred to in the body of the report is appended.

The report was prepared during November & December 2007 by Mark Bolton BSc (Hons) MRICS, Director of Strettons Chartered Surveyors.
## Section 1: Existing Stock/Use Patterns & Infrastructure

### Summary

An overview of prevailing land uses across the geographical extent of the Central Area is provided, focusing on commercial, retail and industrial uses, as well as a profile of the residential stock. A brief synopsis of land ownership has also been considered, to give an overview of ownership patterns.

### Key Facts & Findings

- Despite the large size of the Central Area, the numerous districts that make up this area display remarkably similar land use and ownership characteristics.

- The Central Area of the Borough has not enjoyed the commercial success of neighbouring Isle of Dogs to the south and Aldgate/Spitalfields to the west, with commercial demand largely being focused in these locations, although residential demand has filtered more uniformly across the Borough.

- It is a part of London’s east-end that suffered significant WWII bomb damage and post-war slum clearance schemes which saw the demolition of huge areas of former Victorian built terraced housing to make way for large scale, local authority built housing estates in the 1950’s, 60’s and 70’s with very little in the way of privately built housing stock during this era.

- During the last 20 years or so, housing development has continued to dominate the Area, but with greater quantities of new build private as well as affordable housing. Regentrification of the period housing stock has also been prevalent.

- During the last 10 years, many of the Council built estates have been the subject of large stock transfers to housing associations and other RSLs. As residential prices have continued to rise, pressures for residential development from both the private sector and RSL segments of the market have fuelled demand for residential land, and created pressures on traditional employment generating and industrial land uses. Higher quality and higher density, mixed use and mixed tenure developments have been increasingly common.

- Traditionally an area associated with industry, particularly on the east of the study area, along the canal network, and on the fringes of Docklands and Wapping, remaining industrial and warehouse stock is in the main obsolete and poorly located. This has contributed to pressures for consideration of alternative uses.

- The provision of office and business space across the area provides an interesting contrast. A significant part of the existing office stock is of poor quality and amenity, in converted period buildings, often above shops; or of post WWII utilitarian design. Increasing quantities of better appointed, more modern built office stock has been delivered as part of mixed use developments during the last 20 years. Often, however, such stock provision is poorly located and unpopular.

- Retail uses are fragmented across the area, and provide the focus, almost exclusively, for the residential neighbourhoods with no destination retailing other perhaps than in connection with the popular street markets that still prevail in this part of the Borough.
Introduction

The Central Area is a wide geographical extent, accounting for about 50% of the total land area of Tower Hamlets Borough. It comprises all areas of the Borough lying to the east of the City fringe, following the boundaries with London Borough of Hackney to the north including Victoria Park, and extending towards (but just to the west of) the A12 in the east. It borders the Isle of Dogs, River Thames and Wapping to the south. It covers the locations of Whitechapel, Bethnal Green, Stepney, Bow, Limehouse, Shadwell and parts of Wapping.

It specifically excludes the Leaside area, which lies east of Fairfield Road, Violet Road, Morris Road, and Chrisp Street. Also excluded are those areas on the northern edge of the Isle of Dogs extending up to West India Dock Road; parts of Wapping and St Katherine’s Dock, with the western boundary extending along Wapping Lane, Cannon Street Road, Vallance Road, Squirries Street and Warner Place to the Hackney boundary.

Public Transport

Public transport across the study area is reasonably good compared with similarly located parts of London lying north, and to the south and east of Central London.

The area is served by stretches of the:-

- Central line running east/west across the study area (including stations at Bethnal Green & Mile End).
- District and Hammersmith & City line, also running east/west (Whitechapel, Stepney Green & Bow Road).
- East London line running north/south (Whitechapel, Shadwell & Wapping) [closing shortly, re-opening 2010].
- Docklands Light Railway, running east/west from the City to Canary Wharf (Shadwell, Limehouse, Westferry & Poplar) and north/south from Canary Wharf to Stratford (Poplar, All Saints, Langdon Park – expected end 2007, Devons Road & Bow Church). While some of these stations lie just south and east of the study boundary, they are considered relevant for this study.
- Over-ground rail network with stations served from Liverpool Street (Bethnal Green & Cambridge Heath) and Fenchurch Street (Limehouse) termini.

The local bus network is extensive.

Whitechapel will benefit from the proposed Crossrail station; and increased connectivity upon completion of the East London line extension.

Proximity to public transport (and specifically London Underground stations) is a very major consideration in the assessment of demand for, and commercial rents attributable to, different business locations in the central area of the Borough, particularly in relation to office use.
Road Network

The Central Area of the Borough is generally well connected to the major office centres of the City of London and Docklands. Several A-roads dissect the study area east/west, extending to the M25; and provide easy access to the A12, linking to the M11 in the north and to south London via the Blackwall Tunnel. These are:

- A11, Whitechapel/Mile End/Bow Road
- A13, Commercial/East India Dock Road
- A1203, Highway/Limehouse Link tunnel & Aspen Way

The road network running north/south is more difficult to navigate. The Rotherhithe Tunnel provides further access to south London.

Despite quite good east/west road links, many of the A-roads are congested during rush hours. Most local side streets are narrow and congested, but are heavily used as “rat runs” despite the implementation of much needed, and now extensive, traffic calming measures in these side streets.

Description of Land Use/Stock

With a small number of exceptions, the study area displays very similar patterns of land use and commercial building stock, and as such we consider it inappropriate to divide the Central Area into segments due to the similarities in the building stock, and the profile of demand across its extent. We have focused on the traits of office, industrial, retail and residential property more generally across the Central Area, which we summarise as follows:-

Office

In comparison with the City Fringe, Wapping and Isle of Dogs areas of the Borough, there are very few purpose built office blocks, with business space and office stock typically comprising:-

- the upper parts of (mainly sub-standard) commercial buildings positioned in main road locations
- former warehouse conversions in riverside/canal side locations and previously industrially dominated locations
- isolated post-war utilitarian styled (many ex-public sector) office buildings on main road, and town centre locations within the study area
- part of recently built, residentially-led mixed use schemes, often at ground and first floor level, located in a mixture of main road and side street (residential) locations

The business space and office stock in this part of the Borough tends to accommodate a diverse range of mainly SME businesses (with a particular focus on cultural and creative businesses), local BME occupiers (many of which are in the professional sectors), charities, and public sector occupiers – in the main who are in some way geographically tied or linked with business or activities in Tower Hamlets Borough.
Few organisations who do not have business associated with the area will make a positive decision to choose to locate to this part of the Borough over more established office locations, other than by necessity of budget. Typical occupiers include locally based housing associations, local government, NHS Trusts, publicly funded training and employment initiatives, and charities with a close involvement or focus within the Borough.

Office rents presently stand at lower levels than locations such as Docklands, the City fringe and Stratford. In fact, the area offers some of the most competitively priced (if often low grade) office accommodation of any of the inner London boroughs. This stands in stark contrast to the Isle of Dogs which is dominated by large scale corporate occupiers; and Aldgate/Spitalfields/St Katherine’s Dock which accommodates a range of larger corporate and City based occupiers requiring “back office” accommodation, as well as a diverse mix of SME businesses.

Industrial/Warehouse

The quantity of industrial and warehouse stock in the area is declining, with very few purpose built estates having replaced the obsolete building stock. Such uses are mainly confined to:-

- Canal side and railway arch locations, often away from major traffic thoroughfares
- More traditionally established industrial areas on the east of the study area, and close to the River Thames
- Small, purpose built estates, many of which now lie adjacent to “conflicting” residential uses

Much of the industrial and warehouse stock is of poor quality. Some is pre-war, but the majority is of 1950s and 1960s vintage. A good deal of this accommodation is poorly located, with traditional industrial areas having been along or close to the Thames, and adjacent to canals and railway lines running across this part of the Borough. Large quantities of industrial stock are in locations which have a poor supporting road network. In many cases these roads cannot support large delivery vehicles.

Many buildings have inadequate loading/yard facilities. Few have sufficient car parking for staff, and are located away from public transport. The buildings themselves are often poorly maintained, with poor supporting office amenity.

The main roads running across the study area are prone to severe congestion, and traffic calming measures across most of the Borough make accessibility an even greater problem for industrial and warehouse businesses. Many sites now sit adjacent to conflicting residential use, and numbers of sites have already seen residential or mixed use conversion/redevelopment. Despite the levels of industry having scaled down significantly, for those businesses that still thrive, there has been a pronounced shift east and north to cheaper and better appointed sites closer to the motorway network.

Those purpose built and well appointed estates that do exist are popular and well let, irrespective of unit sizes on offer, but have increasing conflicts with adjacent residential areas. Examples include Thomas Road Industrial Estate in Limehouse which offers large, portal framed warehouse accommodation with good loading facilities, but narrow and often congested road approaches. At the opposite end of the scale are schemes like the Parmiter Industrial Estate in Bethnal Green which offer small, well appointed workshop spaces for start up and small scale business, but again which sit adjacent to residential uses.
Retail

There are no true destination retail locations in the study area, but with a number of district, neighbourhood and local shopping areas/parades tending to be concentrated along/within:

- Busy traffic thoroughfares, most with long established street markets, namely A1209 Bethnal Green Road and B315 Roman Road; A11 Whitechapel/Mile End/Bow Roads; A13 Commercial/East India Dock Roads; and A107 Cambridge Heath Road
- Proximity to London Underground and DLR stations
- Social housing estates, across the whole of the study area

The retail stock across the area is varied. Many of the retail parades fragmented along the main traffic thoroughfares are Victorian built stock, with small “lock up” shops at ground floor level. Much of the stock is in poor physical condition, and at best has seen superficial improvement by virtue of tenant fit out. Modern infill developments provide often better appointed, sized and laid out space, but these remain in the minority. This very much represents the profile of the stock along most of the main traffic thoroughfares highlighted above, as well as many more lower profile side street and isolated retail locations.

Much of the retail provision on local authority estates across the area is low profile and trades indifferently, with local tenants supporting the immediate surrounding residential population.

There are a number of neighbourhood shopping centres in this Central Area, but they are often poorly represented in terms of tenant mix. Shopping areas such as Roman Road, Bethnal Green Road, Watney Market and Chrisp Street accommodate a small number of budget high-street operators, but with the majority of the retail offer being from independent shop keepers. Anchor Retail Park is located on Mile End Road which accommodates a small number of multiple retail warehouse operators. Supermarket chains are also represented across the area, but with a large number of smaller franchise and independent supermarket operators being prevalent. Few mainstream restaurant and leisure occupiers are represented in this part of the Borough, with a large number of independent restaurant and fast food operators.

Other than the better established, main road retail locations, many retailers appear to trade poorly due to intense competition and the large amount of retail space, and arguably the limited spending power of the catchment population.

The poor level of retail, restaurant and other leisure amenity can often prove to be a contributory factor in demand for office space in certain parts of the Borough, due to perceived lack of amenity for staff.

Residential

Makes up the dominant land use across the study area, and is diverse in nature according to location and type of property, typically comprising:-

- Pre-war, low rise Victorian and Georgian terraced housing, a good deal of which is now becoming gentrified
- Post war, medium and high rise local authority built housing estates
- Modern, post 1980’s low, medium and more recently high rise, infill and brownfield private and mixed tenure/affordable housing developments
Large parts of the Central Area of the Borough suffered from significant WWII bomb damage, which coupled with the extensive slum clearance schemes in the following decades, accounted for the loss of large numbers of Victorian housing terraces. These areas were redeveloped by the local authority in the form of medium and high rise housing – mainly flats and maisonettes during the 1950s and 1960s. A greater quantity of low rise social housing was developed during the late 1960s, the 1970s, and through to the early 1980s. Many of these purpose built estates have, during the last 10 years, been the subject of stock transfers to locally based housing associations and other RSLs, and have seen a good degree of improvement as a consequence, but many remain deprived.

Much of the remaining pre-war housing has seen gentrification, particularly in locations north of Bow Road, and in Stepney, Mile End and Whitechapel; and parts of Limehouse. Historically, this type of housing has proved the most popular with private house buyers. During the last 10-15 years there has been an increasing supply of high density medium and return to high rise block of flats, in mixed-tenure schemes offering outright sale, intermediate/shared ownership and affordable rent housing. Such mixed tenure schemes are increasingly being delivered by both private sector house builders, and RSLs alike.

**Other Land Uses**

In addition to the principal commercial and residential uses outlined above, there are lower levels of other/competing land uses, namely:-

- **Education.** A large part of the study area within Mile End is dominated by the Queen Mary University of London (QMUL) campus. The study area also incorporates a range of publicly funded nursery, primary and secondary schools. There are numerous further educational colleges, language and IT schools (particularly in the west of the study area) as well as larger, further educational institutions such as Tower Hamlets College with several sites in the area.

- **Medical.** An element of land use is made up of various NHS occupied or managed hospitals, surgeries and other buildings for consultations, and other privately run medical institutions. A number of former hospital sites have been sold or earmarked for development.

- **Religious and Community.** Distributed across the study area in a wide range of buildings, including places of worship, through to more community based facilities for residents.

- **Student Accommodation.** A small but increasing sector. A number of purpose built halls cluster on and close to the QMUL in Mile End, but several student accommodation operators have acquired, or are contemplating the purchase of sites across the study area.
Conclusions

Potentially strategically located east of the City of London, and just north of Docklands, but overlooked as a business/office location.

Good levels of public transport, but many parts of the study area are still isolated from the London Underground and DLR network.

The A-road network in the area is frequently congested, and side streets are narrow and heavily parked.

Land use is dominated by residential property, with commercial, retail and industrial land uses being in the minority, and declining in favour of residentially-led mixed use redevelopment.

The quality of office stock is, in the main, either of poor quality and amenity; and/or located away from public transport.

Industrial and warehouse property is mixed, with a large quantity of obsolete or poorly located stock, and few modern purpose built industrial estates. Larger scale industrial uses are generally in decline, although smaller workshop and industrial occupiers remain a strong feature in the marketplace.

The profile of retail and restaurant uses across the area is generally poor, with limited multiple operator representation. The majority of retail/restaurant businesses are run by independent shop keepers, where competition is fierce. Many neighbourhood shopping areas appear to trade poorly.

Residential land use comprises a mixture of Council built housing, now increasingly run (following stock transfer) by local and national RSLs. Privately owned housing is made up of a mixture of gentrified Victorian terraces, and modern (1970s and newer) purpose built flats – becoming increasingly high density and high-rise.

The area supports a wide range of usual urban amenities such as schools, hospitals and medical premises, religious and community uses etc.
Section 2: Property Market Review

Summary

Analysis of available office space shows quantities of low value, poor quality, second hand space – together with larger amounts of, in the main, poorly located, better quality modern space delivered as part of larger residentially led, mixed use schemes.

Supply of industrial property is low, but demand for purpose built warehousing accommodation is strong, particularly small-scale workshop, and production space.

Of all commercial property within the study area, retail is the more dominant use at ground floor level, but the profile of retailers is poor, and values attributable to this property class limited – even in what are perceived to be better established pitches.

Residential property remains in strong demand across all sectors of the market.

Key Facts

- Office availability in the study area stands at 12,660 m$^2$. This equates to a vacancy rate of 6.3%. This compares to 4.9% for the City of London; and 4.6% in Docklands$^1$. 15,638 m$^2$ of office space is presently under negotiation/offer in the study area. (*Knight Frank Central London Quarterly: Q3, 2007*)

- Despite variations in the quality and location of office space across the Borough, values vary far less diversely than traditional central London office markets. Office rents range from £130 m$^2$, and rarely exceed £270 per m$^2$ even for the best appointed and located space. This compares with rents for comparable quality space ranging from £215- £320 per m$^2$ in Docklands; and £220 - £370 per m$^2$ in the east City fringe (Aldgate and Spitalfields).

- Industrial/warehouse availability stands at just 7,906 m$^2$, representing only about 2.5% of total industrial and warehouse floor space. Considered artificially low, as industrial sites contemplated for redevelopment are unlikely to be on the market, and may not fall within these figures. Rental values vary between £65 per m$^2$ for lower grade space, through to £95 per m$^2$ for modern purpose built space which closely represent values in other parts of Tower Hamlets, and adjacent markets in Hackney and Newham.

- Retail availability stands at just 2,607 m$^2$, symptomatic of strong demand in this sector, and a vacancy rate of only 1.4%. Zone A rents [see Note 5 in appendix] vary widely according to location and pitch, from just £160 per m$^2$ in poorly located backstreets and local authority estates, up to £700 per m$^2$ in the best pitches of Whitechapel Road and Bethnal Green Road, which represent the highest value retail pitches in the study area.

- Residential demand is strong across all locations in the study area, and values of differing stock types are reasonably consistent.

- Of planning consents granted between 2004-2007 for commercial space in the study area, office uses account for 90.4% of the total (693,116 m$^2$), with retail uses amounting to 7.5% (57,755 m$^2$) and industrial/warehouse uses accounting for just 2.7% (15,856 m$^2$).
• Of commercial planning consents implemented during the same period, 72.8% (99,772 m²) was in office use; 7.1% (9,701 m²) in retail use; and just 5.8% (7,992 m²) for warehousing, and no buildings in general industrial use.

Key Findings

• Demand for offices in the central areas of the Borough is poor compared to the markets in the Isle of Dogs and Aldgate/Spitalfields on the west city fringes. Take up of space is often slow, even when the central London and Docklands office markets are buoyant, and supply restricted.

• Investors in office property often experience lengthy voids, short lease lengths and questionable covenant tenants frequently making the development of office property uneconomic, and unpopular even when considered as part of a larger residentially-led mixed use scheme.

• One of the symptoms of this demand is the profile of office supply. Frequently, office property located close to public transport is within obsolete buildings and of poor quality, and lacks amenity. Recently built space, usually forming part of larger residential schemes, often offers the desired level of amenity and quality of accommodation, but is poorly located and suffers limited demand as a consequence.

• Office demand tends to be dominated by budget driven, small scale SME and BME occupiers, attracted by competitive rents; or from occupiers who are linked with the area (for example, public sector/service businesses).

• Large-scale industrial demand is limited, but demand for warehouse/distribution premises is active for modern and purpose built stock, as is the market for workshop and small scale production space. Supply in this sector fails to satisfy demand. The planning pipeline of commercial uses in this sector is restricted. As occupiers are often less location sensitive, many of these requirements tend to be satisfied outside the study area, usually to the north and east in better appointed (and cheaper) buildings and in locations better located for the road transport/motorway network.

• Retail demand is consistently strong across the study area, seemingly irrespective of location, so long as rents are priced according to the market for a particular area. Availability of retail stock is, therefore, very low. Void periods are generally far shorter than for offices, and investor confidence stronger as a result of shorter voids, longer lease lengths and perceived prospects for rental growth.

• Tenant demand, in the main, is driven by independent shop-keepers, with far more limited interest from mainstream/multiple retailers apart from the best pitches other than, perhaps, from supermarkets and certain restaurant chains.

• Residential demand across the study area is consistently strong in all sectors of the market, and is set to continue in the face of expected increases in the resident and business population of the Borough generally.
OFFICE ANALYSIS

Overview

The existing office stock across the study area shows particular concentrations of space in Whitechapel and Limehouse, and on major traffic thoroughfares such as The Highway, Commercial Road and Whitechapel/Mile End/Bow Roads. Locations towards the north of the study area support very little traditional office use, but accommodate a wider range of smaller business space and workshop occupiers, dominated by the creative and media sectors.

Table 1 appended shows that total existing office stock in the study area amounts to circa 200,000m² of space, representing 29% of the total commercial stock.

We have based our analysis on the basis of three categories of accommodation, which we classify as follows:-

- **Recently built or refurbished stock** (within last 10 years) providing good quality space for the location. Because of the limited stock sample in the study area, this incorporates quite a diverse style of accommodation suiting different profiles of end occupier. Such space is classified as smartly/newly decorated with good quality floor coverings (carpet or wood) with heating (although not necessarily air conditioning as only a very small amount of space in the study area has such amenity), either raised floors, under floor or perimeter trunking; modern lighting and smartly appointed common parts (either with or without concierge).

- **Second hand stock**, which might typically include larger, post war office buildings, dated conversions of former industrial buildings and space requiring some degree of refurbishment (whether contemplated by incoming tenants or not). In the main, the amenity will be similar to the recently built/refurbished category above, but more dated in nature and poorly presented.

- **Poor quality, obsolescent stock** including upper floors over retail, and unrefurbished workshop and industrial/warehouse stock which has been converted into basic quality studio/office space. Typically, such stock will be poorly appointed with utilitarian common parts.

Rental/Capital Values

Table 4 appended highlights the profile of rents in locations across the study area for these grades of accommodation. Rents vary far less diversely than better established office locations in the Borough such as Isle of Dogs and the City fringe. Average rents vary between £110-£190 per m² which covers poor, through to modern and newly refurbished space across the entire study area, but with the exception of parts of Wapping which can attract higher average rental values of up to £270 per m². Capital values across the study area similarly vary relatively modestly, between £1,800-£2,800 per m², again excluding parts of Wapping where capital values can reach £3,500 per m².

This is as a result of the similarity in the quality of office stock, and that demand is reasonably consistent, if at low level, across the entire study area. Despite strong rental and capital value growth in the Central London office market generally, the non-core office markets in Tower Hamlets have seen far more limited growth. Rents stand lower than those prevailing for similar grade space in the City fringe (£220-£370 per m²) and Docklands (£215-£320 per m²). One notable exception is for stock in locations close (within a five or so minute walk) to London Underground and DLR stations in the Borough. Here, marginally better located
office stock has seen some benefit as occupiers have looked further east and north in the face of sharp rent increases in the City fringes and Docklands. The same is true of capital values, although demand for freehold and long leasehold accommodation for purchase is stronger than for tenants looking to rent.

Investor and owner occupier demand is remarkably consistent across the area on small sized units, which make up the majority of available stock. Modern and newly refurbished stock attracts investment yields of between 6.75-7.0%, but rarely secures less than this unless a freehold offers redevelopment or residential conversion potential. Values for second hand and poor quality stock are also influenced where purchasers perceive there is scope for improvement to the building, either by way of refurbishment in existing use, or in contemplation of higher value/density redevelopment.

Demand for freehold and long leasehold property is far stronger than from tenants looking to rent. Few institutional investors will consider this area for commercial investments, as there are few lot sizes that would suit, and the location is perceived as risky. However, there are certain funds who have set up dedicated higher risk portfolios in east London who perceive prospects for rental and capital value growth.

**Demand/Supply Analysis**

According to the Knight Frank Central London Quarterly, Q3 2007, take-up of offices in Central London totalled 427,340 m² during the quarter, down slightly on Q2 2007 which showed 461,713 m², which itself was the highest quarterly take-up this office cycle. Total Central London office take up for the 12 months to Q3 2007 was 1,858,988 m². Of this, Docklands office take up for the year to Q3 2007 was at 192,680 m², well ahead of the five year average take up (which is used as a more accurate measure of demand in this market due to fluctuations in take-up resulting from a small number of large transactions from one quarter to the next). This highlights the current buoyancy in the traditional central London office markets, which has filtered into the micro-market of the study area itself.

No pre-published take-up data exists for the study area. But, our own analysis of falling numbers of instructions, and increases in levels of enquiries tends to follow the trend of the London-wide market. Indeed, strong take up in prime locations as highlighted by the Knight Frank research, has fuelled demand in the Fringe markets. As availability has been restricted in those fringe markets, stronger office demand has resulted within the study area.

Our research indicates office availability in the study area of about 12,660 m², (see Table 8) equating to a vacancy rate of 6.3%, almost 30% more than that reported by Knight Frank for Central London (at 4.9%) and 37% higher than vacancy rates prevailing in the Docklands market (at 4.6%). We attribute this to the following factors:-

- **Location of stock.** According to our research, about 70% of available stock in the study area comprises better quality and modern office stock, much of which has been delivered as part of mixed use, residentially-led development. But, much of this stock is located in inaccessible (by London Underground) parts of the study area.

- **The budget driven nature of the office occupier market**, much of which may consider rental values of modern stock to exceed their budgetary constraints. Also relevant is the larger unit sizes that tend to be delivered in modern buildings which attract weaker demand.
Quality of stock. About 30% of the office space in the study area is made up of dated or obsolete accommodation typically being located within upper parts above main road retail uses; converted industrial and warehouse buildings and utilitarian post-war stock. Such accommodation is often of poor quality, and lacks modern amenity such as reliable heating, air cooling, cabling, passenger lift and disabled person access.

Poor profile of the area as an office location, as well as those factors influencing demand, discussed below.

Transient nature of the office population. The profile of tenants and often the small size of accommodation sought tends to result in short lease terms, or leases with flexible break patterns. Occupiers such as charities and publicly funded organisations are often vulnerable to external funding, so seek flexibility in terms of lease commitments. Smaller professional organisations prefer short leases to allow for expansion; or where buildings are poorly appointed, to keep their options open in respect of a future move to better accommodation. Many poorer quality buildings are often seen by landlords as potential prospects for redevelopment, therefore leases are often contracted without security of tenure, and may contain frequent lease breaks.

Planning/Development Pipeline

This profile of demand must also be closely considered with planning pipeline supply. Existing office stock is said to total 200,000 m² in the study area, but according to planning data made available by London Borough of Tower Hamlets (appended in Table 2), unimplemented planning consents (granted between 2004-2007) could potentially provide for the delivery of a further 693,000 m² of office space, representing 3.5 times existing stock levels. From our research and knowledge of the area and the profile of demand for office space in the study area, it is not immediately obvious from where likely demand will be sourced to satisfy even a fraction of this pipeline stock, particularly when it is considered that 70% of current availability is modern or refurbished stock. Of total commercial uses consented between 2004-2007, offices account for some 90.4% of the total by floor area (7.5% retail; and 2.1% industrial).

LBTH figures (appended in Table 3) further show that between 2004-2007, some 99,772 m² of office consents were implemented, amounting to 72.8% of the total commercial consents implemented (21.4% retail; and 5.8% industrial). As outlined above, our research shows availability of 12,660 m², and that a further 15,638 m² was under negotiation or “pre-let”. When compared against this new supply, this appears to show that take up of office stock from these implemented consents has been strong, either through forward sale to investor/owner occupier purchasers; or pre-lets. Or, that a good deal of this office space has yet to come to the market, either due to timing of completion of the developments concerned; or possibly that alternative uses are being considered on this space.

Factors Influencing Demand

The study area displays number of traits in terms of the profile of demand. There is no consistent or reliable office demand. Low levels of enquiries for office space are often undermined by occupier’s preferences to locate in better established office locations in central London, the Fringes (such as Spitalfields, Shoreditch and Islington), the Isle of Dogs, and even Stratford. It is clear that of the (limited) enquiries, those who tend to take up office space in the area fall within the following categories:-
• **Public Sector**, including the local authority, or local authority/central Government supported initiatives, housing associations, NHS Trusts and other similar institutional occupiers.

• **Established, locally based occupiers**, who typically have already been based within the Borough or east London, and who have a geographical need to remain in the area. This might include, for example, locally based charities and community groups, professional firms of solicitors, accountants, and architects, training and employment organisations (many again being government or local authority supported on an area-wide basis).

• **Budget driven occupiers**, locating on the basis of necessity of budget irrespective of location, again including charities and government funded initiatives, and small scale SME and BME businesses within a range of sectors.

• **Small design and creative occupiers**, seeking studio style business space (perhaps as distinct from traditional office accommodation) who tend to cluster in small pockets across the study area, driven again by budget and the style of accommodation, preferring converted warehouse accommodation rather than traditional office space.

In our discussions with occupiers seeking space in the study area, it can often be budget as well as size that can dictate requirements. There is often a strong sense of securing “value for money” i.e. as much floor space as can be secured within budget – generally with greater compromises being made on the quality and specification of accommodation in the face of lack of choice in the market place. This is particularly the case within the design and creative sectors, who tend to operate smaller businesses and display a far greater degree of flexibility but prefer to cluster in locations supporting larger numbers of similarly minded occupiers.

Those seeking traditional office accommodation might display similar aspirations in terms of value for money, but are very much more concerned with:-

• **proximity to public transport and accessibility** for staff and clients. Large parts of the study area suffer from lack of proximity to the London Underground network, and many occupiers tend to disregard the benefits of proximity to the DLR, overground stations and bus routes. Our experience of this market shows that occupiers might consider up to a 10 minute walk from an Underground station, but enquiries for accommodation in the study area that does not meet this criteria can often prove very difficult to let, particularly if available with no parking (which is usually the case).

• **retail and leisure amenity** available for staff. For many occupiers, the lack of amenity for staff is a notable deterrent to locating in a particular area. Perhaps with the exception of those parts of the study area within proximity to the main shopping streets, large parts of the study area have little in the way of amenity support for office workers. This is particularly so in the case of modern offices forming part of larger residential schemes in (what can often be isolated) if well established residential locations.

• **perceptions over staff and client safety**. This is a very real deterrent to many occupiers considering locating to the study area for the first time; or for those already familiar with the area who are aware of crime “hot spots”. This is inter-linked with comments above about retail and leisure amenity for staff.
Identification of the Location of Office Demand

In terms of analysing the above criteria, it is possible to quite clearly identify those locations within the study area that are likely to support office demand. These are considered as being:-

- within a 10 minute walking distance of tube stations, but extending along main roads, rather than filtering into quiet back streets many of which are likely to be largely residential in nature
- linear extensions along main traffic thoroughfares between London Underground stations – particularly along Whitechapel and Mile End Roads, and where the area provides supporting retail/leisure amenity
- pockets within very close proximity to DLR stations running east-west across the Borough, although not necessarily those running north-south.
- one off/isolated locations attracting small creative and artistic occupiers, driven by the type and style of building available, and the preferred clustering of occupiers within this sector
INDUSTRIAL ANALYSIS

Overview

Industrial building stock (which includes general industrial, workshop and warehouse uses) is again located fairly consistently across the study area, but tends to cluster in locations close to canals and railway land – largely away from the main traffic thoroughfares. Total existing, built stock amounts to 308,000 m$^2$, (appended in Table 1) and represents some 44.7% of the total commercial floor space in the study area.

Nevertheless, this use is in general decline, and stock is slowly being replaced by office and residential uses either through conversion of existing buildings, or demolition and redevelopment.

The stock within the study area typically comprises the following:-

- **Modern, purpose built warehousing and production space**, built within last 30 years, typically being of portal frame construction, generally with adequate parking/loading arrangements, and office content

- **Post war, concrete framed two or three storey industrial buildings, or “flatted factories”** many lacking adequate parking/loading and office content

- **Pre-war and Victorian built single and multi-storey industrial buildings**, many of which are obsolete and in disrepair, if not already subject of conversion/redevelopment in to higher value uses

**Rental/Capital Values**

In terms of rental profile of the industrial stock, there is very much a “two-tier” market in terms of demand for space, and rents attributable to grade of space. Values tend to remain very consistent across the entire study area, with levels varying more according to amenity and servicing/accessibility arrangements, rather than location.

Table 6 appended shows the spread of industrial rents, which range from £65 per m$^2$ for the lower grade dated pre and post war buildings, through to £95 per m$^2$, for the modern purpose built space in the study area.

In assessing capital values, the difference between grade of building stock is less notable. Capital values for all grades of stock and location vary between £1100-£1500 per m$^2$. Demand is consistently strong across all property grades for freeholds, with the market being dominated by developer, owner occupier and investor purchasers alike. Many lower grade buildings can be sold off extremely keen yields reflecting scope for conversion or redevelopment in to higher value uses. Whereas, in the main, more modern purpose built stock tends to be located in parts of the study area where scope for residential or office development is less obvious. Sales of this grade of property tends to be driven to a greater extent by yield based upon the quality of investment and covenant strength, but even so, many investor purchasers can been seen to speculate, to a certain extent, on the prospect of longer term redevelopment angles, and also pay keen yields.

Capital growth in the industrial sector for the year to Q2 2007 was 10.5%. Rental values increased by just 1% in the first half of 2007, and were 2.7% higher over the 12 months to June 2007.¹ King Sturge UK Industrial & Distribution Floorspace Today September 2007.
Prime yields during 2007 touched 5% in the Greater London area, and have been exceeded where prospects for redevelopment have been taken into consideration, although during the last 2-3 months, we have seen yields shift by about 1%, and would now consider 6% as an appropriate prime yield benchmark for the study area.

**Demand/Supply Analysis**

According to the King Sturge UK Industrial & Distribution Floorspace Today September 2007 the availability of industrial floor space between December 2006 and June 2007 increased by 7.3% in Greater London, to 1.629 million m$^2$. New available floor space increased by some 40% over the same period (accounting for 12.9% of London’s available stock). Much of this supply is from the delivery of large new build schemes on the periphery of the Greater London area, close to the motorway network, particularly to the west of London (Park Royal to Heathrow), but with further concentrations of development activity in the east, along the A11 and A13 corridors east of the A12 out to the M25.

The east London industrial market has seen significant change in the past 10 years. As with most other traditional industrial locations, there has been a decline in the manufacturing base, with east London industrial property tending to serve the core service led economy with printing, warehousing and food being some of the primary drivers of the market. Strettons’ experience is that occupier demand is currently buoyant across the east London area, but with particular focus on those areas closer to central London and Docklands – including many parts of the study area. The Olympic bid brought about the forced relocation of several hundred, mainly industrially focussed companies, into other areas of east London, although many of these have tended to be east and north of the Olympic zone, rather than in the study area, which lies to the west of it. The phenomenal demand created by virtue of the Olympic decision has now largely faded, with the market having settled, and floor space availability on the increase.

Our research shows very limited availability of industrial stock across the study area at just 7,906 m$^2$, representing a vacancy rate of only 2.5% based upon total existing built stock. Arguably, this is an artificially low vacancy rate. Many buildings that are obsolete or earmarked for redevelopment will not be represented in this figure if they are not being marketed. Conversely, the profile of demand for the study area, as reported above for east London generally, is strong from a number of sectors in the market, particularly at the sub-100m$^2$ level. This is dominated by core service businesses in the distribution, printing, stationary, electronic supplies etc, with many sectors servicing the City and Docklands. Small scale workshop space is also in demand from those in the artistic and creative sectors, food production, and small scale “cottage industry style” manufacturing. It is this sector of the business space market that is seemingly being overlooked in terms of supply.

**Planning/Development Pipeline**

Despite the profile of demand within this sector, it clear that the planning and development pipeline may be failing to address this with any suitable supply. Of planning consents granted in the study area between 2004-2007, those with industrial and warehouses uses totalled only 15,856 m$^2$, or just 2.1% (see Table 2) of the total commercial floor space consented over that period. In terms of implementation of consents, new build industrial/warehouse supply between 2004-2007 totalled just 7,992 m$^2$, amounting to only 5.8% (see Table 3) of total commercial floor space new build supply.
Identification of the Location of Industrial Demand

We see the likely location for industrial and warehouse uses being far less specific within the study area, with less reliance on proximity to public transport, assuming car parking is available with premises. We would suggest that demand is such that pockets of modern industrial and warehouse units could be accommodated almost anywhere within the study area. From our knowledge of the market, occupiers often seek the following references:-

- Proximity to main traffic thoroughfares, but avoiding narrow side streets (and those affected by traffic calming measures)
- Proximity to the City / fringes and Docklands, particularly Whitechapel and Bethnal Green
- Close connections to the A12, M11 link road and Blackwall Tunnel approach
RETAIL ANALYSIS

Overview

The distribution of retail use is far more consistent across the study area, with dominant retail locations at Bethnal Green Road, Whitechapel Road, Roman Road, Watney Market and Chrisp Street. Retail uses account for 181,000 m², or 26.3% (see Table 1) of the total non-residential building stock in the study area, and is an important component of the local economy. Within retail use, we include shops falling within Class A1; financial and professional services uses, falling within Class A2; and food/licensed premises within Classes A3, A4 & A5 of the Town & Country Planning (Use Classes) Order (as amended).

The retail stock typically comprises a mixture of building types and ages categorised as follows:

- **Pre-war shops with upper parts** comprising the ground and basement levels (with some upper floor storage uses), many of which are in poor repair, or becoming increasingly obsolete. Modern post war infill development (much of which resulting from WWII bomb damage) tends to follow similar building footprints to the Victorian stock. Shop sizes are small and inflexible, and tend to limit use, and the profile of incoming tenants. Such stock is typically representative in locations like Whitechapel Road, and parts of Roman Road and Bethnal Green Road.

- **Post war ground floor parades**, which see the creation of larger and more regular parades of shops, some with basements, on the ground floor of residential and office buildings. These buildings display greater flexibility in terms of divisibility, being easier to open up (or divide) around concrete and steel framed structures. These occupy both main road and side street locations, and can be seen on many social housing estate developments across the study area, including shopping centres at Chrisp Street, Watney Market and part of Roman Road.

- **Purpose built ‘stand alone’ retail premises**, in the minority, but dominated largely by the supermarket operators; and the single retail park at Anchor Retail Park, Mile End Road.

Rental Values

The retail markets across the study area vary considerably in terms of rents achievable with the highest rental levels in established retail pitches in “High Street” locations, generally close to public transport. The strongest rents prevail in Whitechapel Road and Bethnal Green Road, in those pitches closest to the London Underground stations. Even in these roads, the preferred pitches run along a single side of the road, tending to provide for even greater variations in rental value. As with many retail pitches, rents tail off considerably in secondary and tertiary locations. Similar trends apply for retail values in quieter side streets and on local authority built estates, even those that are long established such as Watney Market and Chrisp Street Market.

We have researched Zone A rents in the principal retail areas across the study area, namely Whitechapel Road, Bethnal Green Road, Commercial Road and Roman Road and presented prime rents; those considered secondary to the preferred pitches; and those considered to be tertiary also including side turnings off those main roads.

Table 5 appended, presents a profile of prevailing Zone A rents across the study area. Whitechapel Road shows the strongest rents in the area at £860 per m²; with the other prime
shopping areas across the area tending to peak at £540 per m². Secondary and tertiary/side street rents also cluster close together, with rents for isolated pitches tending to fall only marginally below those for some of tertiary pitches of main road locations.

In main road locations and in older building stock, the retail element of any building can often prove to be the most valuable. Indeed, there are many buildings in some more popular pitches in the study area that see ancillary upper floor space disused, or utilised only for the most basic of storage or office accommodation (also referred to in the office analysis above). As part of larger residential developments, retail rents play a contribution towards, but are often ancillary to, the more valuable upper floor uses.

Capital Values have not been noted, as retail uses almost always form part of mixed-use buildings. But, for analysis of retail values arising from larger mixed use developments, we provide a brief commentary on yields. Prime retail yields for rack rented leases to sound multiple operator covenants in locations like Bethnal Green Road and Whitechapel High Street can typically secure 5.5-6.0%. There is strong demand for well covenanted investments in this part of east London, and often unusually keen yields can be secured (particularly at auction) for this type of property from smaller investors. Yields for poorly located, back street pitches let to independent shop keepers may command 7.5-8.0%. Strong interest also exists from owner occupier purchasers seeking vacant stock.

**Demand/Supply Analysis & Factors Influencing Demand**

The profile of retail demand varies enormously depending on the grade and location of stock, but is remarkably consistent, seemingly irrespective of location/pitch, assuming that rents are suitably reflective of the benefits or drawbacks of any particular location. This is displayed by retail supply and availability, which is extremely restricted at 2,607 m², representing a vacancy rate of just 1.4%.

Despite the very low vacancy rate within this sector, it would appear that in certain locations retailers appear to trade poorly. Typically, such locations include:-

- retail parades on social housing estates, particularly where they lack street frontage
- isolated back street parades of shops, where competing with main roads nearby
- the tertiary pitches of extended retail parades in locations like Commercial Road, Bethnal Green Road, Cambridge Heath Road and certain stretches of Roman Road
- the (many struggling) wholesale garment pitches in the Commercial Road area. While clustering of businesses is important within this industry, arguably there is an over supply - and with the dominance of the “rag trades” few traditional or convenience retailers will consider/test these locations

The strongest demand exists in the better pitches of Whitechapel and Bethnal Green Road, but still few multiple/mainstream high street retailers, with the exception of supermarkets banks/building societies and budget retailers, considering this part of the Borough, in sharp contrast to Spitalfields and Canary Wharf to the west and south respectively. The majority of enquiries are derived from local shop keepers. Many multiple operators are unable to secure suitably sized premises due to large quantities of Victorian built stock, offering small, narrow shop units, with limited (if any) servicing arrangements.

Demand is typically forthcoming from local shop keepers rather than established high street retail brands. Of those high street multiple retailer brands, many focus on the budget sectors
of the market. Most shopping parades in the study area tend to have a down market feel as a result, but appear to adequately cater for the local residential and business population. As the vacancy rate of just 1.4% suggests, demand is consistent for retail use across the study area. Although demand dominates heavily in the preferred high street pitches, underlying retail demand does exist seemingly irrespective of location and pitch, so long as the rent is priced according to location and the perceived trading potential of the unit.

Planning/Development Pipeline

Existing availability is low, due to healthy demand. In terms of assessing the likely planning pipeline supply, planning permission was granted between 2004-2007 for 57,755 m² of retail space, amounting to 7.5% of total commercial uses consented (see Table 2). A further 29,270 m² of retail space was implemented during the same period, accounting for 21.4% (Table 3) of total commercial floor space consents implemented. This would tend to suggest that take up of this retail content is strong, bearing in mind such limited availability. The levels of intended supply are also more modest in terms of the total existing built stock of 181,000 m².

Identification of the Location of Strongest Retail Demand

Retail demand is clearly far less sensitive to condition and amenity of accommodation as retail tenants commonly fit out upon occupation, often from shell in the case of a new build development. The market in the study area generally appears less sensitive to location, but attributes contributing towards higher rental values and greater sustainability of levels of retail business tend to reflect the following locational criteria:-

- Established main road or “High Street” positions, particularly those retail pitches supported by street markets
- Locations clustering close to London Underground and DLR stations
- Larger unit sizes in prominent buildings on major traffic thoroughfares, often irrespective of established pitches nearby. Certain larger supermarket and bulk-buy or bulky goods operators are increasingly taking advantage of suitably located modern buildings, offering good sized ground floor units with prominent frontage, in pitches that might not have been an obvious choice for the profile of tenant
- Certain isolated locations, but where well supported by local residents/businesses and where few nearby “competing” retail uses
RESIDENTIAL COMMENTARY

Overview

The housing stock across the study area is diverse, but demand appears reasonably consistent across all property types and budgets. In terms of assessment of likely development pipeline for residential uses, analysis of modern/new build flats sales is of greater relevance, although prices of pre- and post-war stock are also highlighted for reference. Residential values exceed, almost without exception, prevailing commercial values. The highest prices in any of the areas highlighted are for modern stock, with new build schemes tending to command a premium over second hand modern stock. Older second hand and pre-war built stock commands lower values, with a few notable exceptions including, for example, riverside Victorian warehouse conversions in Wapping, and isolated Georgian stock in locations such as Stepney Green and Tredegar Square.

The housing stock typically comprises the following:-

- **Modern private and mixed-tenure schemes** – of increasingly high density post 1990

- **Post war social housing**, with lower quantities of privately built stock
• **Pre-war blocks of flats for social housing**

• **Victorian and Georgian built terraces** in a mixture private and social housing ownership

**Capital Values/Profile of Market**

Demand is largely consistent across all sectors of the market on the basis that different styles of housing stock are priced according to popularity.

Ex-local authority built flats built in the 1930s and then 1950s-1970s prove least popular, and the study area is dominated by large housing estates made up of this stock type. Large amounts of this stock are increasingly being transferred from the local authority to locally based RSLs who are able to locally manage and gentrify the housing stock.

Table 7 appended shows the range of residential re-sale values across the study area for the different housing stock, from research undertaken by Strettons in September 2007. It is the value of new build stock that clearly is of most relevance to this study, and the general appraisal of residentially led, mixed use schemes.

Private residential re-sale prices for new build stock does vary significantly according to location, but almost without exception, exceeds the value of second hand and even period stock. Price per m² re-sale figures also vary enormously depending on unit size, with smaller, “efficiently sized” flats tending to command higher price per m² values than over-sized units due to the ceiling price per unit type that the market is prepared to pay in a particular area.

The level of values of new build flats in the study area, and the Borough generally, has fuelled the residential development market. Strong investor, as well as owner occupier markets prevailed through 2007 but are beginning to slow and stagnate. Bulk investor purchases of entire blocks of flats “off plan” has been an increasing feature of the market over the last couple of years. Planning support for increasingly high density, car free schemes has resulted significant increases in the value of residential land, or land potentially offering scope for residential redevelopment, notwithstanding the increasingly stringent affordable housing provisions, which have a depreciating effect on land value. Increasing competition between RSLs themselves for the delivery of mixed tenure schemes has further fuelled the land markets, and pressures for brownfield residential redevelopment.

The study area has also seen increased activity from student accommodation providers, but with development tending to having concentrate close to Cambridge Heath Road/Three Colt Street; and close to the Mile End Campus of Queen Mary College, University of London.

We have not undertaken a detailed analysis of the supply/demand factors, nor the planning development pipeline, as this exceeds the scope of this study which is focussed on commercial use, but feel the general comments above about the values of residential stock and the pressures of the residential land markets provide some useful background to the context of commercial development in the study area.
Conclusions

Office Analysis

Demand for office accommodation in the study area is limited, and inconsistent. Vacancy rates exceed central London and Docklands averages.

The supply of office accommodation in the study area needs to be focussed in locations where there is likely to be strongest perceived demand. Proximity to the London Underground network and main road locations is key.

Suitably sized, specified and priced accommodation is also required to satisfy patchy demand, with a need for smaller sized, or easily divisible business space provision creating unit sizes of sub-100m².

Provision of office accommodation as part of mixed use schemes in predominantly residential locations away from public transport to be avoided to prevent over supply where demand is least prevalent.

Industrial Analysis

Traditional large scale industry is in decline, with warehouse and distribution functions driving the demand in this sector, along with small scale production and creative industries within the SME sectors.

Demand from these sectors of the market is far less location specific than for office accommodation.

Demand within these sectors is notable, but with existing building stock often obsolete for these uses, and limited new build supply being delivered through the planning pipeline.

Industrial and warehouse buildings being lost to accommodate larger, mixed use, residentially-led redevelopment are seeing replacement of retail and office uses within these larger residential schemes, rather than industrial uses.

Consideration needs to be had in the planning pipeline to incorporate workshop and warehouse space to safeguard the retention of such businesses in the study area.

Retail Analysis

Retail demand across the study area appears remarkably consistent, seemingly irrespective of location, assuming rents are appropriately graded according to location.

This market is driven by local businesses rather than high street multiple retailers, and is an important element of the local economy, and provides further support to other commercial and residential uses in the study area, if deemed desirable.

Notwithstanding strong demand in this sector, many local retailers, and those occupying tertiary and side street pitches across the study area appear to trade poorly.
**Residential Analysis**

The residential market is consistently strong across all parts of the study area, and for all grades and values of residential stock.

Consideration of the new build markets are most relevant for this study, and demand is strong from owner occupiers, buy-to-let investors, and larger residential investors buying larger blocks of flats, but with such demand being sensitive to wider economic factors.

This private sector demand, along with the strong RSL market for development land creates significant pressure on the development of commercial buildings and land for increasingly high density residential redevelopment.
### Table 1: Existing Commercial Property Stock in Study Area (m²)

<table>
<thead>
<tr>
<th>Use</th>
<th>Total Floor Area (m²)</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>200,000</td>
<td>(29.0)</td>
</tr>
<tr>
<td>Retail/restaurant/licensed</td>
<td>181,000</td>
<td>(26.3)</td>
</tr>
<tr>
<td>Industrial/warehouse</td>
<td>308,000</td>
<td>(44.7)</td>
</tr>
<tr>
<td><strong>TOTAL COMMERCIAL FLOOR SPACE</strong></td>
<td><strong>689,000</strong></td>
<td><strong>(100.0)</strong></td>
</tr>
</tbody>
</table>

Source: Neighbourhood Statistics Commercial and Industrial Floorspace Survey (2003-2006) covering all Wards in study area, but Bromley by Bow and Mile End East Middle Level SOAs as ward data not available

### Table 2: Commercial Use Planning Consents 2004-2007 (m²)

<table>
<thead>
<tr>
<th>Total</th>
<th>Office</th>
<th>Retail/ A3/A4/A5</th>
<th>Industrial &amp; Warehouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>766,727</td>
<td>693,116</td>
<td>57,755</td>
<td>15,856</td>
</tr>
<tr>
<td>(100%)</td>
<td>(90.4%)</td>
<td>(7.5%)</td>
<td>(2.1%)</td>
</tr>
</tbody>
</table>

Source: London Borough of Tower Hamlets

### Table 3: Commercial Use Consents Implemented 2004-2007 (m²)

<table>
<thead>
<tr>
<th>Total</th>
<th>Office</th>
<th>Retail/ A3/A4/A5</th>
<th>Industrial &amp; Warehouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>137,034</td>
<td>99,772</td>
<td>29,270</td>
<td>7,992</td>
</tr>
<tr>
<td>100%</td>
<td>(72.8%)</td>
<td>(21.4%)</td>
<td>(5.8%)</td>
</tr>
</tbody>
</table>

Source: London Borough of Tower Hamlets
### Table 4: Rental/Capital Values of Office property across Study Area

<table>
<thead>
<tr>
<th>Location</th>
<th>Grade</th>
<th>Rents (per m²)</th>
<th>Capital Value (per m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whitechapel</td>
<td>Modern/newly refurbished</td>
<td>£190</td>
<td>£2800</td>
</tr>
<tr>
<td></td>
<td>Second hand</td>
<td>£160</td>
<td>£2300</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>£110</td>
<td>£2100</td>
</tr>
<tr>
<td>Stepney/Mile End/Bow/Bromley-by-Bow</td>
<td>Modern/newly refurbished</td>
<td>£160</td>
<td>£2400</td>
</tr>
<tr>
<td></td>
<td>Second hand</td>
<td>£130</td>
<td>£1800</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>£110</td>
<td>£1800</td>
</tr>
<tr>
<td>Limehouse</td>
<td>Modern/newly refurbished</td>
<td>£190</td>
<td>£2800</td>
</tr>
<tr>
<td></td>
<td>Second hand</td>
<td>£140</td>
<td>£2000</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>£110</td>
<td>£2000</td>
</tr>
<tr>
<td>Shadwell</td>
<td>Modern/newly refurbished</td>
<td>£160</td>
<td>£2400</td>
</tr>
<tr>
<td></td>
<td>Second hand</td>
<td>£130</td>
<td>£1800</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>£110</td>
<td>£1800</td>
</tr>
<tr>
<td>Wapping</td>
<td>Modern/newly refurbished</td>
<td>£270*</td>
<td>£3500*</td>
</tr>
<tr>
<td></td>
<td>Second hand</td>
<td>£160</td>
<td>£2400</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>£135</td>
<td>£1900</td>
</tr>
</tbody>
</table>

Source: Strettons Research

### Table 5: Rental Values of Retail property across Study Area

<table>
<thead>
<tr>
<th>Location</th>
<th>Pitch</th>
<th>Zone A Rents (per m²)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whitechapel Road</td>
<td>Prime</td>
<td>£860</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>£540</td>
</tr>
<tr>
<td></td>
<td>Tertiary &amp; side streets</td>
<td>£380</td>
</tr>
<tr>
<td>Bethnal Green Road</td>
<td>Prime</td>
<td>£540</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>£380</td>
</tr>
<tr>
<td></td>
<td>Tertiary &amp; side streets</td>
<td>£320</td>
</tr>
<tr>
<td>Commercial Road</td>
<td>Prime</td>
<td>£540</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>£430</td>
</tr>
<tr>
<td></td>
<td>Tertiary &amp; side streets</td>
<td>£380</td>
</tr>
<tr>
<td>Roman Road</td>
<td>Prime</td>
<td>£540</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>£430</td>
</tr>
<tr>
<td></td>
<td>Tertiary &amp; side streets</td>
<td>£320</td>
</tr>
<tr>
<td>Isolated retail locations across study area</td>
<td></td>
<td>£270-£320</td>
</tr>
</tbody>
</table>

Source: Strettons Research

**NOTE 5** We express retail floor areas and their rental analysis in terms of zone A, and referred to in this report as “Zone A rents”. This is the accepted way to facilitate comparison between different shaped and sized shops. The net internal areas are assessed in 20-feet (6.1metre) ‘zones’. The first 20ft (Zone A), is considered the most valuable; the second 20ft (Zone B), is worth half; the next 20ft (Zone C) is worth a quarter, and so on.
Table 6: Rental/Capital Values of Industrial property across Study Area

<table>
<thead>
<tr>
<th>Location</th>
<th>Grade</th>
<th>Rents (per m²)</th>
<th>Capital Value (per m²)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whitechapel</td>
<td>Good quality</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Older Stock</td>
<td>£75</td>
<td>£1600</td>
</tr>
<tr>
<td>Bethnal Green/Stepney/Mile End</td>
<td>Good quality</td>
<td>£95</td>
<td>£1450</td>
</tr>
<tr>
<td></td>
<td>Older Stock</td>
<td>£65</td>
<td>£1300</td>
</tr>
<tr>
<td>Bow/Bromley-by-Bow/Poplar/Limehouse/Shadwell</td>
<td>Good quality</td>
<td>£85</td>
<td>£1300</td>
</tr>
<tr>
<td></td>
<td>Older Stock</td>
<td>£85</td>
<td>£1100</td>
</tr>
</tbody>
</table>

Prevailing capital values for industrial buildings incorporate an element of hope value for redevelopment in alternative higher value uses.

Source: Strettons Research

Table 7: Capital Values of Residential property across Study Area

<table>
<thead>
<tr>
<th>Location</th>
<th>Grade</th>
<th>Capital Value (per m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whitechapel</td>
<td>Modern/New</td>
<td>£5100</td>
</tr>
<tr>
<td></td>
<td>Post War</td>
<td>£4000</td>
</tr>
<tr>
<td></td>
<td>Pre-war</td>
<td>£4200</td>
</tr>
<tr>
<td>Bethnal Green/Stepney/Mile End</td>
<td>Modern/New</td>
<td>£4800</td>
</tr>
<tr>
<td></td>
<td>Post War</td>
<td>£3800</td>
</tr>
<tr>
<td></td>
<td>Pre-war</td>
<td>£4200</td>
</tr>
<tr>
<td>Shadwell</td>
<td>Modern/New</td>
<td>£4,600</td>
</tr>
<tr>
<td></td>
<td>Post War</td>
<td>£3,500</td>
</tr>
<tr>
<td></td>
<td>Pre-war</td>
<td>£4,000</td>
</tr>
<tr>
<td>Limehouse</td>
<td>Modern/New</td>
<td>£5,200</td>
</tr>
<tr>
<td></td>
<td>Post War</td>
<td>£3,800</td>
</tr>
<tr>
<td></td>
<td>Pre-war</td>
<td>£4,200</td>
</tr>
</tbody>
</table>

Source: Strettons Research

Table 8: Office Ability by Unit Size and Quality within Study Area

<table>
<thead>
<tr>
<th>Size Grade</th>
<th>Total (m²)</th>
<th>&lt;100 m²</th>
<th>100-250 m²</th>
<th>250-500 m²</th>
<th>500-1,000 m²</th>
<th>1,000m²+</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Build &amp; refurbished</td>
<td>8,859</td>
<td>272</td>
<td>3,155</td>
<td>1,084</td>
<td>632</td>
<td>3,716</td>
</tr>
<tr>
<td>Good second hand</td>
<td>1,642</td>
<td>240</td>
<td>456</td>
<td>946</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor second hand</td>
<td>2,159</td>
<td>447</td>
<td>709</td>
<td>1,003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Vacant Stock (m²)</td>
<td>12,660</td>
<td>959</td>
<td>3,611</td>
<td>2,739</td>
<td>632</td>
<td>4,719</td>
</tr>
<tr>
<td>Vacancy Rate (6.3%)</td>
<td></td>
<td></td>
<td>(7.6%)</td>
<td>(28.5%)</td>
<td>(21.6%)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Under Offer</td>
<td>15,638</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Strettons Research