

# Canary Wharf

JLL Residential Research Report | August 2022

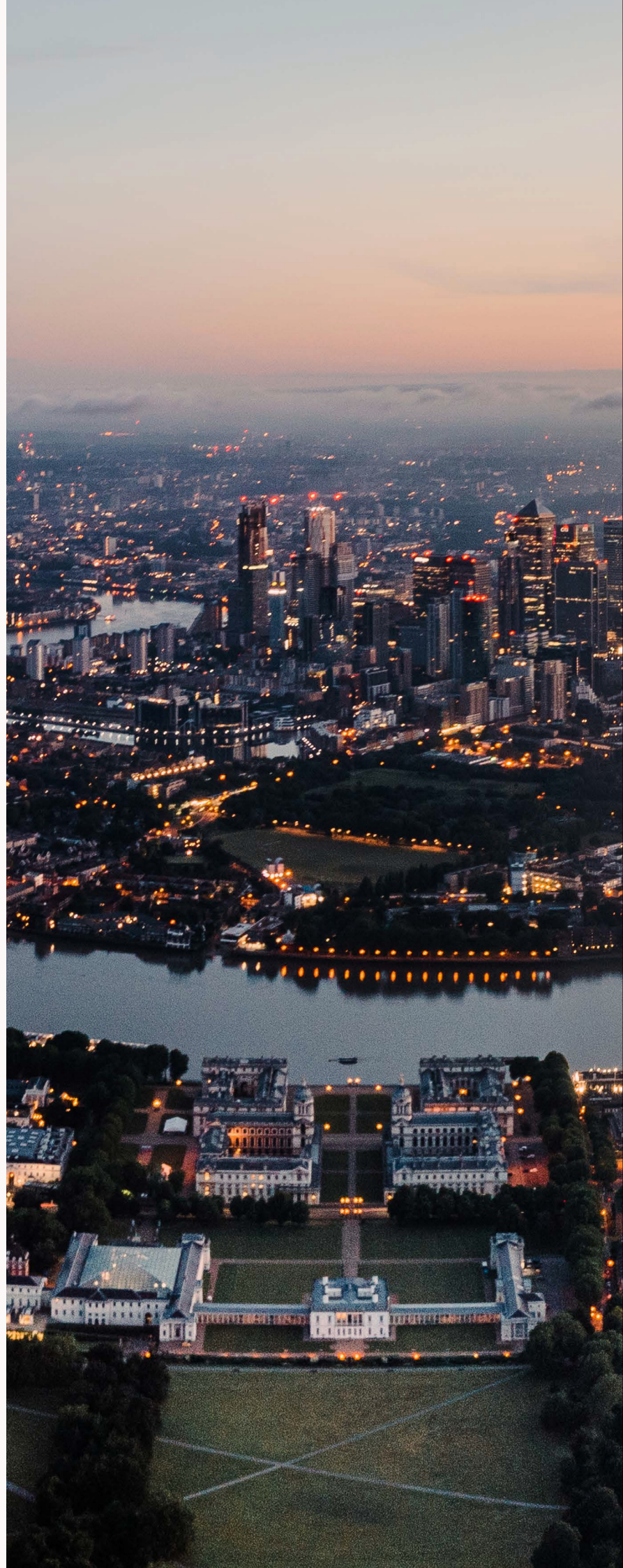




# *The Canary Wharf Story*

## **Beginning in the 1980s**

Canary Wharf has become one of the UK's largest financial hubs and contributed to the iconic London skyline. Conceived in the early 80s as a predominantly commercial district, the estate's residential offering has grown rapidly over the last 40 years. It's no coincidence that Tower Hamlet's economy has grown by almost four times the rate of the rest of London; in 2018, companies based at Canary Wharf accounted for 73% of Tower Hamlets' total GVA.





## A New City in the East

The development of the Docklands began in 1981 with the setting up of the London Docklands Development Corporation (LDDC), a quango with sweeping powers and the responsibility for regenerating an area of 8.5 square miles. This hugely

successful urban renewal programme saw the development of London City Airport, the Excel Exhibition Centre, the Docklands Light Railway and, the jewel in the crown, Canary Wharf. It is widely regarded as an exemplar for large-scale regeneration.

Today Canary Wharf is a prime London location and sought-after place to live and work, with landmark skyscrapers, high-spec apartments and world-class amenities.



### Over the last 25 years:

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More than *15 million* square feet of office space has been built

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*Over 300* shops, bars, restaurants, services, and amenities have been developed (c.1m sq ft)

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*20 acres* of parks, gardens, and squares have been created

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## A Great Place to Work

This new city in the east has become the main and most mature office submarket in east London. Canary Wharf is a more affordable alternative to the established City and West End commercial markets, with prime rents of £52.50 per sq ft versus £72.50 psf in the City and up to £120 psf in the West End.

The office stock continues to grow, standing at 15.8 m sq ft today compared with less than 2.5 million sq ft in the early 1990s. The area continues to attract new businesses; since the start of the pandemic new occupiers including BP, Citibank and Apple have committed to space in

the Wharf, and the European Bank for Reconstruction and Development will move into its new 360,000 sq ft HQ this year (2022), in the largest commercial transaction in Canary Wharf in the last five years.



**Today there  
are over 150 office  
tenants in Canary  
Wharf, including:**

*American Express*

*Barclays*

*Apple*

*BP*

*Deutsche Bank*

*HSBC*

*J.P Morgan*

Although most businesses are in the financial or fin-tech sectors, this is diversifying fast and the ratio of financial to non-financial tenants is currently 55:45, compared to 70:30 a decade ago.

Demand continues to fuel new development and attract new tenants, and the 23 acre Wood Wharf currently under construction will create 20,000 new tech and creative jobs representing GVA of £2bn.

### Recent large office transactions include:

Year	Address	Area (sq ft)	Tenant
2019	1&5 Bank Street E14	360,000	EBRD
2019	25 Churchill Place, E14	287,416	WeWork
2020	Cargo, 25 North Colonnade, E14	202,000	BP Plc
2018	5 Churchill Place, E14	129,078	BGC International
2018	25 Cabot Square, E14	112,985	Competition & Markets Authority
2022	40 Bank Street, E14	94,460	Citibank
2018	1 Canada Square, E14	81,344	The Office Group
2019	25 Cabot Square, E14	67,200	Spaces
2021	1&5 Bank Street E14	66,665	Apple
2021	1&5 Bank Street E14	66,665	Apple

The daily working population has grown to 120,000, and the wealth created by Canary Wharf is spread far and wide, supporting 400,000

jobs across the UK, of which 179,000 are nearby in the Isle of Dogs. These Isle of Dogs jobs represent over half of all jobs in Tower Hamlets, where

employment grew by 24% in the ten years to 2021 and is expected to grow by a further 16% over the next ten years (Oxford Economics).



## And a Desirable Place to Live

Canary Wharf also continues to grow in popularity as a place to live, with new residents attracted by its intoxicating mix of the old and the new, its unique riverside location, and

its excellent connections to the City and West End. This is a truly unique neighbourhood, with traditional terraces alongside gleaming towers, timeless riverside pubs and quirky

new independent businesses complementing the high-end and high street shops in the shopping mall, and over 20 acres of parks, gardens, and waterside promenades.



### Some key facts:

The population of Tower Hamlets has rose by 22.1% between 2011 and 2021. Since 2001 the number of households in Tower Hamlets has grown by 70% and the number of residential dwellings has grown by 61%.

There are eight residential developments with more than 500 units at Canary Wharf, and the largest of these has 1,150 units.





## With Great Transport Links

Connectivity is excellent, with a huge variety of public transport options, from overground and underground trains to bus and river bus services. Key transport links are:

*Elizabeth Line*

*Jubilee Line*

*Docklands Light Railway (DLR)*

*Uber boat (river bus) / Thames Clipper*



## The New Elizabeth Line

Canary Wharf is on the new Elizabeth Line (formerly known as Crossrail). This recently opened train line has slashed journey times, with super-fast trains across the capital and to Heathrow Airport.

### Key journey times are:

<i>7 minutes</i>	<i>9 minutes</i>	<i>12 minutes</i>	<i>18 minutes</i>	<i>39 minutes</i>
to Liverpool Street	to Farringdon	to Tottenham Court Road	to Paddington	to London Heathrow (from autumn 2022)

It has never been easier to reach Canary Wharf, and reduced journey times are adding to the appeal of Canary Wharf as a residential location. Areas with Elizabeth Line stations have already seen property prices outperform the rest of the

capital, with the largest price growth premiums typically found along the eastern stretch of the line.

This price growth is expected to continue, with owner occupiers attracted to the area by better

connections and properties which will increase in value, and investors attracted by properties which are appealing to tenants and buyers, fuelling higher rents as well as capital gains.





## And Easy Access to Airports

London City Airport, just 3 miles east of Canary Wharf is very popular with business and leisure travellers, with flights to 50 destinations worldwide.

London Heathrow will be reachable in 39 minutes from Canary Wharf Crossrail in 2023. Alternatively, the National Express Dot2Dot service, provides luxury mini-coach transfers between Heathrow airport and homes, businesses and hotels in the E14 postcode.

Gatwick Airport is 45 minutes away via London Thameslink trains.





## Pedestrian and Cycle Friendly

For those who prefer to travel under their own steam, there are numerous paths and cycle routes from Canary Wharf to the City and West End. Bikes are easy to hire, with numerous Santander cycle racks across the Canary Wharf estate.





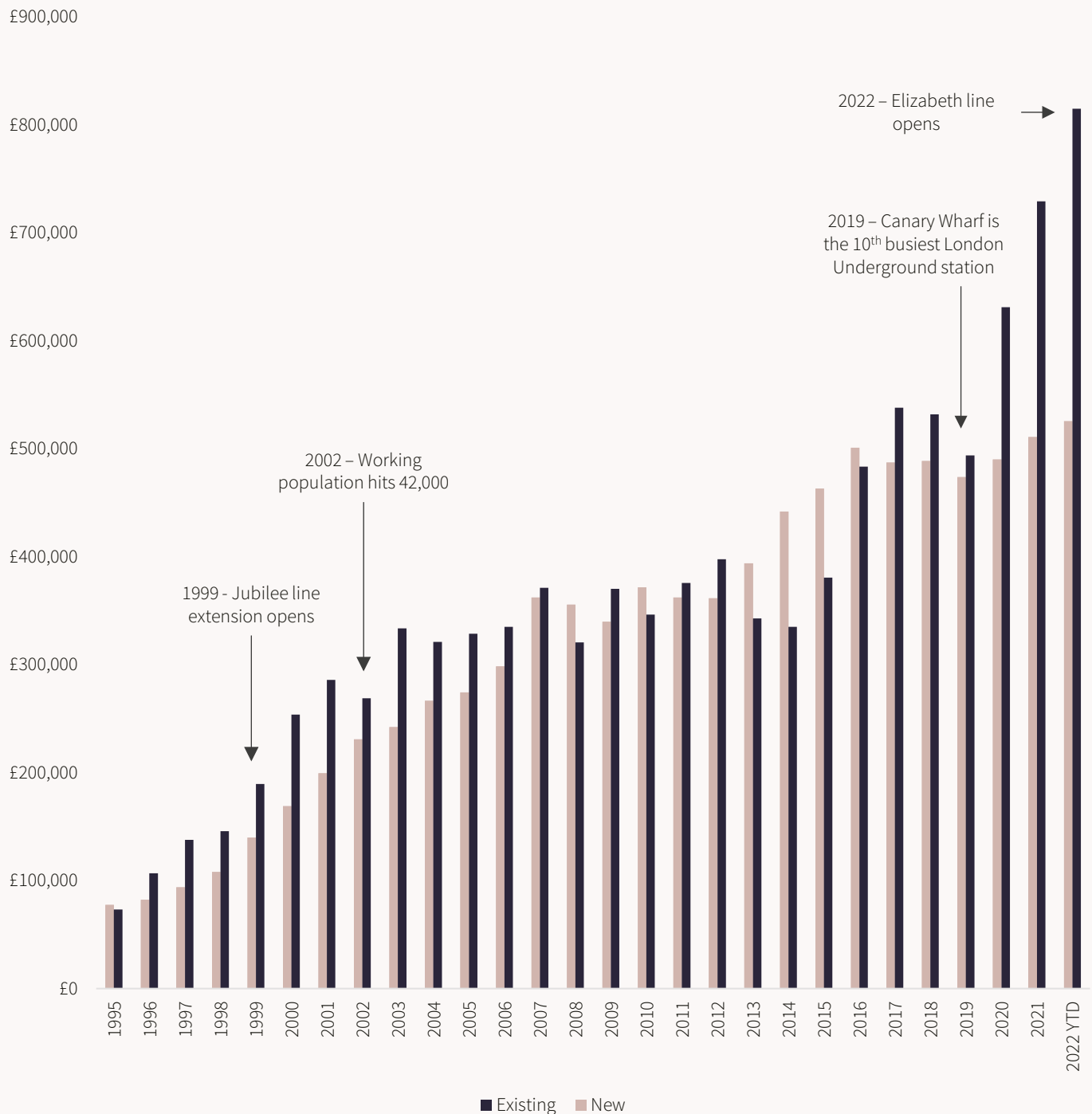
## A Healthy Market for Property Sales

Canary Wharf remains a popular hunting ground for property buyers. JLL reports that 33% more new homes were reserved in the first half of 2022

compared with the same period in 2019. The average size of properties sold by JLL in Canary Wharf is also increasing, up to 724 sq ft so far

this year, from 695 sq ft in 2019. 53% of these properties had two or more bedrooms, compared with 41% in 2019.

### Average achieved prices and key events – Canary Wharf





## And an Attractive Place to Rent

Canary Wharf remains popular with renters, and increased demand is fuelling growth in rents, with average rents up 21% to £530 per week in the

first half of 2022 (vs H1 2021). Rental stock is shifting fast, and the number of properties on the market at the end of July 2022 was 8% lower than at the

same point a year ago. Rents are rising for both high specification apartments in new developments and for existing stock.

### In the first half of 2022, compared to the first half of 2021:

Rents  
rose  
**21%**

**7%**  
more properties  
were let

### The demographic is relatively young:

**69%**  
of JLL tenants living in Canary  
Wharf are under 30

**28%**  
of tenants in Canary Wharf  
are students

**41%**  
of JLL student tenants moved  
to Canary Wharf from overseas







‘In 2022 Canary Wharf has really crossed over in to a lifestyle choice for applicants, once they move in they don’t want to leave and the word spreads with 70% of Tenants taking properties in E14 move under 2-10 miles to live in Canary Wharf which shows the destination appeal. With new developments coming to the rental market in 2020 this has created further demand for future development specifically in the Marsh Wall location, the demand from Tenants looking to move into the area still heavily outweighs the supply of property available and we do not expect this to dip for some time to come.

The area has a new art culture, 300 shops, cafes, bars and restaurants as well as green spaces for leisure. The arrival of the Elizabeth line has connected East to West London and has added a new layer of desirability to the location. With the new transport connections, endless amounts of facilities and amenities tenants from all locations are choosing to live in Canary Wharf with a short commute to Zone 1 making it a destination rather than a convenience choice for Tenants working in the area.

Our research shows currently 87% of our Tenants are between the age of 25 to 35, most of these tenants will remain in rented accommodation for a further 5-10 years showing that demand is unlikely to drop. 70% of our current Tenants earn between £40-85k+ which sits in line with the age demographic and 66% of Tenants moving in to the location are working professionals versus 34% students showing the strength in the location for longer term tenancies.

Our Canary Wharf office is our busiest flag ship office and we feel this is down to the desirability to live in the area’.

### **JLL Research**



## JLL Residential Forecasts 2022-2026

Sales Prices Growth (% pa)	2022	2023	2024	2025	2026	Total Change 2022-2026
Greater London	6	5.5	3.5	4	4.5	25.8
Prime Central London	7.5	5	2.5	3	3	22.7
UK	4.5	4.5	3	3.5	4.5	21.7

Rental growth (% pa)	2022	2023	2024	2025	2026	Total change 2022-26
Greater London	4	3	2.5	2.5	3	15.9
Prime Central London	6	3.5	2	2	2.5	17.0
UK	2.5	2.5	2	2.5	2.5	12.6





## The Increasing Appeal of the East

The centre of London has shifted eastwards over the last two decades, with the East End taking over from the West End as the epitome of all that is cool, creative and exciting about the capital. The regeneration of the docklands was undeniably the initial catalyst for this process, which received a further boost from the 2012 Olympics. Key improvements in transport infrastructure, notably the building of the DLR and the new eastern Overground train line also played a huge role.

We can expect this shift to continue, fuelled by developments such as the new Elizabeth Line, and by the ongoing success and growth of Canary Wharf as a major commercial

and residential hub and a magnet for investment for new businesses, investors and residents.

The extensive urban renewal seen across whole swathes of east London over the last two or three decades, from Hoxton and Hackney, to Poplar and Stratford, shows no signs of abating, and anecdotally most young incomers to the capital now want to live in the east rather than the west.

The early adopters who moved to east London from the 1980s onwards are often touted as creatives, but the reality is that they included a lot of creative professionals, as well as lawyers, and City brokers and bankers. These pioneers have benefitted not only from huge increases in property

prices over the last few decades, but also from vastly improved amenities, transport links and neighbourhoods.

As east London has increased in popularity there has been a migration of professionals from the west to the east. Whilst perhaps initially attracted by lower property prices, these renters and buyers have chosen to stay even as prices have increased, loving to live in these metropolitan neighbourhoods with great housing stock (old and new), excellent transport links (everyone prefers the overground to the tube), world-class amenities (such as the Olympic Park), and a constant creative and entrepreneurial buzz.





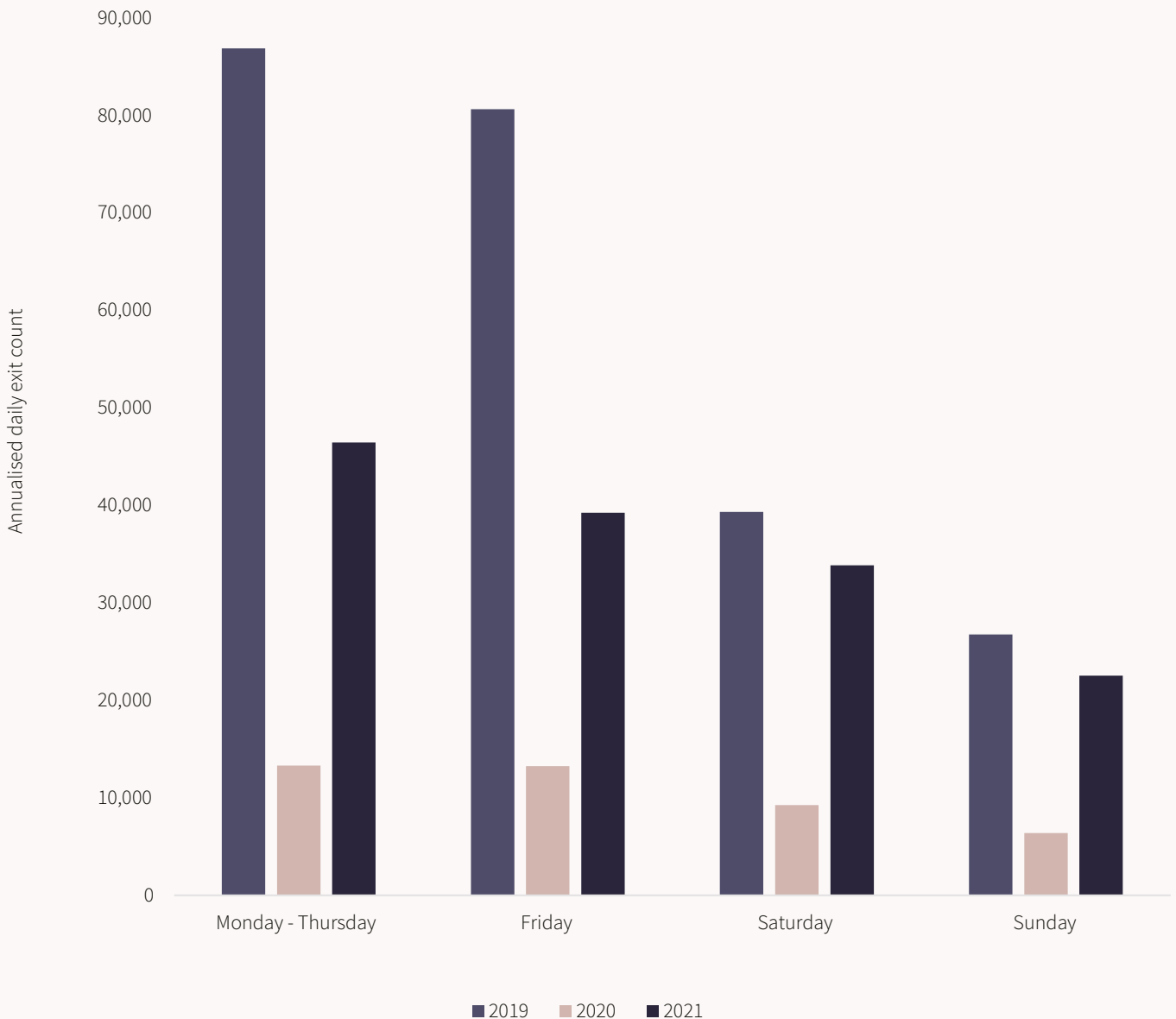
## Destination Canary Wharf

Within east London Canary Wharf is a fantastic place to live, work, and play, as an increasing number of businesses, residents and visitors are discovering. Tower Hamlets is a young, fast-growing borough; over the next decade the population is expected to grow by 12% and the number of households by 21%.

The area is increasingly seen as a leisure and entertainment destination, with an increasing number of weekend visitors attracted by its many amenities, which include 125 different cafes, bars, and restaurants. According to TfL, in 2021 the weekend usage of Canary Wharf station (measured by number of exits, as shown in the chart

below) was 73% of the weekday level compared to just 45% in 2019. This follows a dip in 2020 due to the Covid pandemic.

### Exits out of Canary Wharf Station



Note that the increase in hybrid working since the pandemic, with many people working from home on Fridays, explains the lower number of exits compared to other weekdays.



As Canary Wharf becomes ever more popular, the demand for homes to rent and to buy will continue to grow. The increase in new build rental stock in recent years means that more and more renters have lived in a new, purpose-built apartment rather than a period conversion, and have come to appreciate the benefits of new properties over older homes. These

include better insulation (and lower energy bills), fewer costly maintenance worries, and better on-site amenities such as a concierge, gym, residents' lounge/cinema.

When these renters buy their first home they increasingly choose a new property. This trend has been fuelled by the Help to Buy scheme, which facilitated buying new homes with

a lower deposit. With demand for high quality well-insulated properties with low maintenance needs likely to continue to grow in these times of high fuel prices and rising materials and labour costs, the future popularity of new build developments seems assured.





## Why Canary Wharf is Appealing to International Investors

Property in Canary Wharf is an appealing investment for overseas buyers for many reasons. Arguably the most important are the excellent prospects for good yields and for capital growth due to the continued growth and development of the area. Other key reasons include;

### Exchange rate strength makes London more affordable for overseas buyers

Pre-financial crisis, buyers would have paid

**£299,874**

for a property in Canary Wharf.

The average property value in Canary Wharf in Q2 2022 was

**£686,107,**

representing a 129% increase in value (GBP).

Assuming a

**£500,000**

spend on a property in Canary Wharf, a buyer would have paid 7.6m CNB pre-financial crisis

Today this would represent

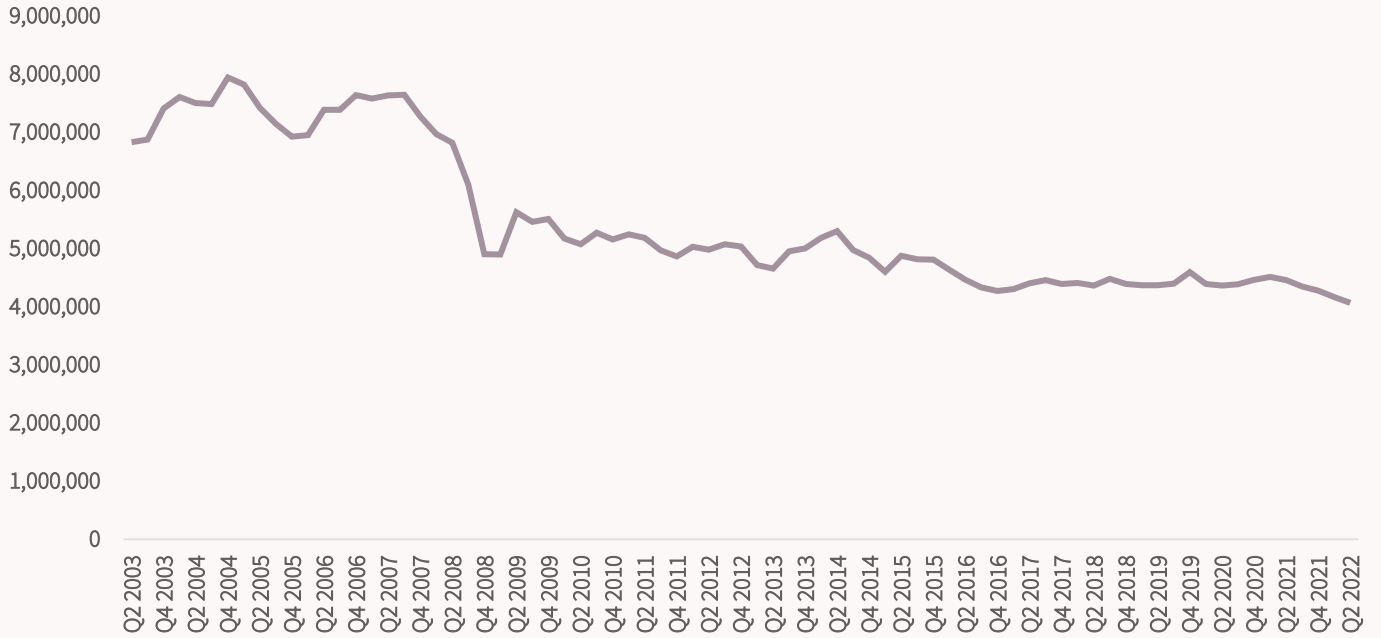
**4m CNB,**

representing a saving of 45%, not taking into account house price growth.



## Exchange Rates: Chinese Renminbi

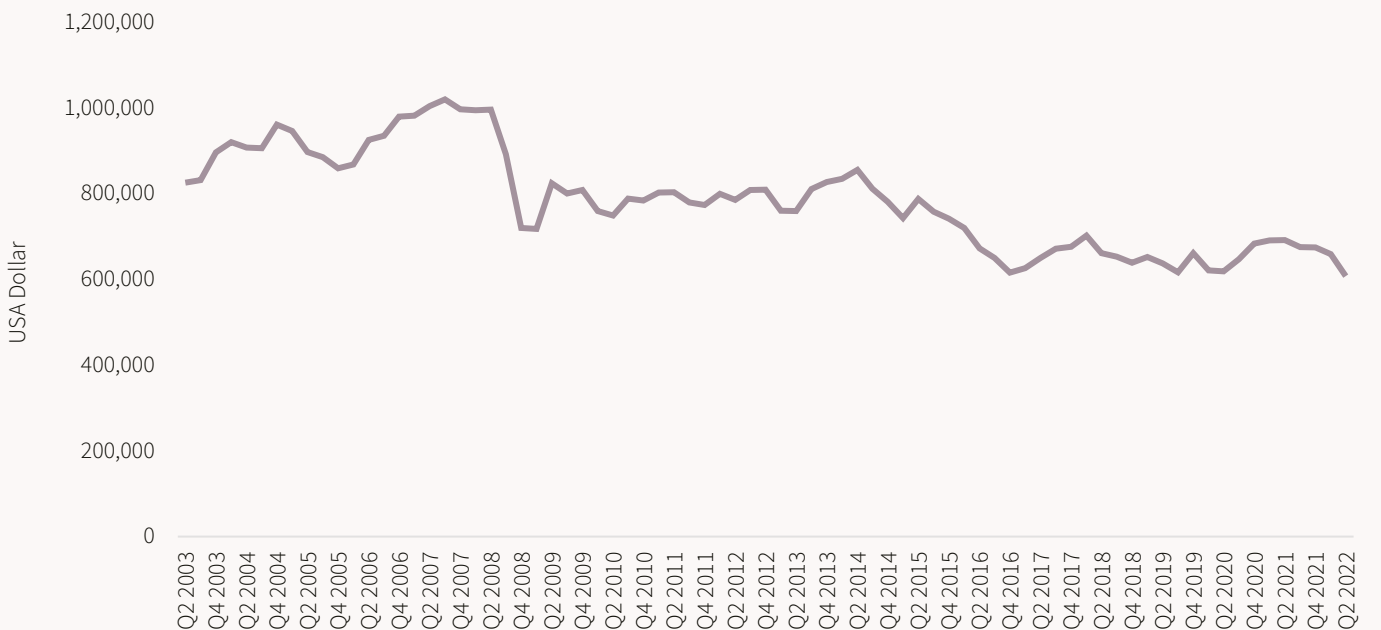
### £500k spend equivalent in Chinese Renminbi



Source: JLL Research

## Exchange Rates: US Dollar

### £500k spend equivalent in US Dollars



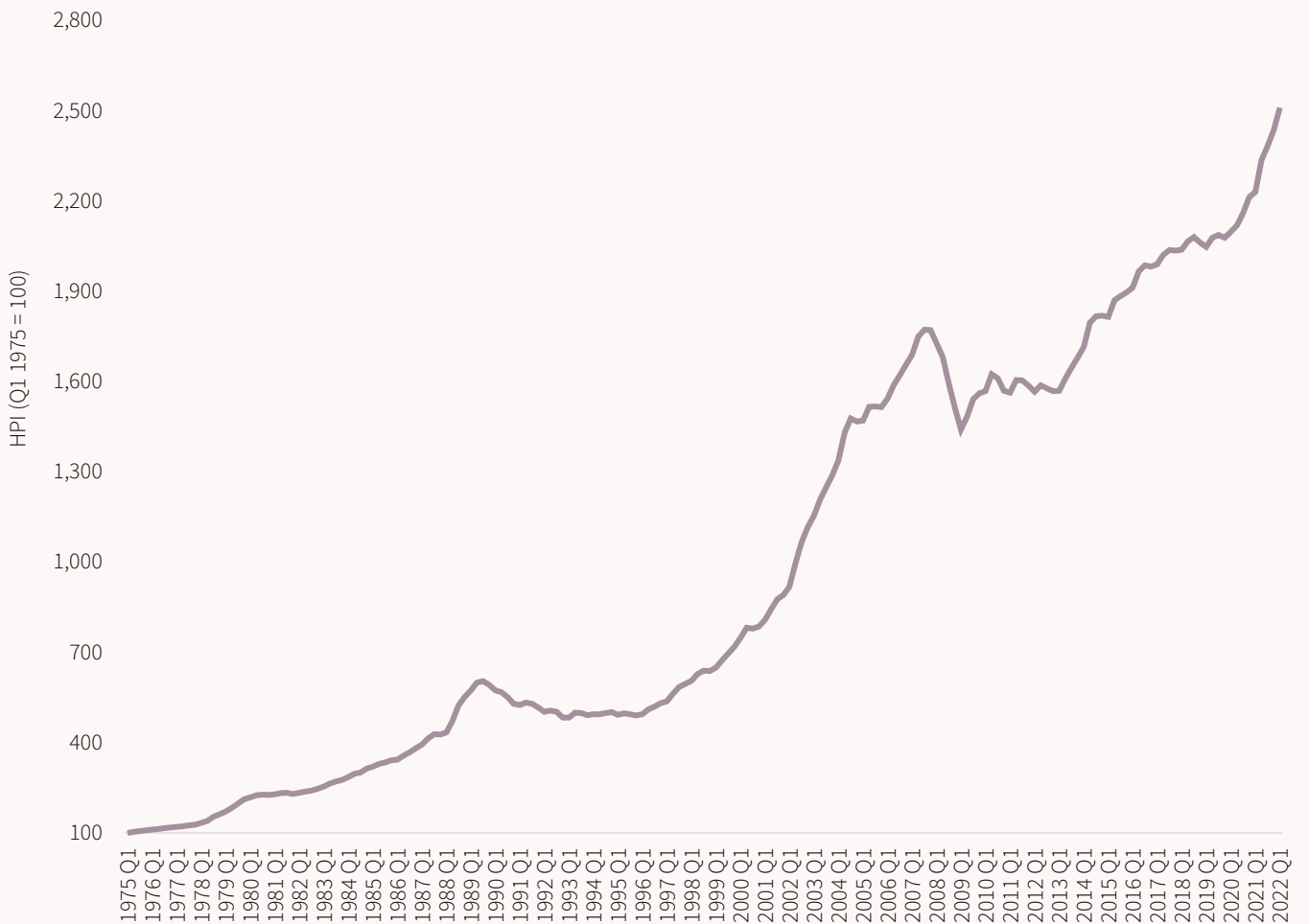
Source: JLL Research



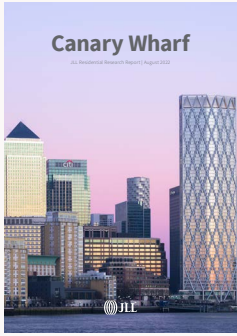
UK house prices have seen sustained growth over the past 50 years. Even when prices have fallen, this has been relatively short lived and the market has tended to bounce back quickly. Over the last two years two years the market has been particularly resilient, with prices and rental values and now higher than they were pre-pandemic.

## UK house prices have seen sustained growth over the past 50 years...

50 Year House Price Growth, UK



Source: JLL Research, Land Registry



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*Matthew Saville*

**New Home Sales**

matthew.saville@eu.jll.com  
+44 (0)20 7399 5972

*Peter Gibney*

**Residential Development**

peter.gibney@eu.jll.com  
+44 (0)20 7399 5717

*Harry Martin*

**Existing Property Sales**

harry.martin@eu.jll.com  
+44 (0)20 78524799

*Neil Short*

**Residential Lettings**

neil.short@eu.jll.com  
+44 (0)20 7337 4005

*Lucy Morton*

**Head of Estate Agency**

lucy.morton@eu.jll.com  
+44 (0)20 7306 1631

*UK Prime Sales Team*

**Media Queries**

nehomes@eu.jll.com  
+44 (0)20 7087 5111



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